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AMP's top tips for green investing and beyond

The climate change debate has made it to the top of the news agenda, with many Australians now considering what they can do to help the environment. For some, this will include making changes to their finances in line with their environmental values.

AMP financial adviser Di Charman said: "Every little bit counts and for those wanting to take action on the environment, money is a powerful language that can be a force for good.

"Whether it's through super, investments or savings, more and more people are reviewing their financial arrangements to ensure their funds are put to work in a way that does no harm, and ideally leaves the world in a better place.

"Responsible investment is a process that takes into account environmental, social and governance (ESG) factors into the investment process of research, analysis, selection and monitoring of investments.

"It has become a major part of the investment landscape across Australia. More than half of all investments in Australia are now being invested responsibly and ethically according to the Responsible Investment Association of Australia (RIAA)."

To help those Australians who want their finances to be environmentally friendly, here are some top tips from AMP:

1. **Understand what matters to you -** Everyone's values are different so you need to first work out what's most important to you. Do you feel strongly about not investing in fossil fuels? Are you interested in discovering cutting-edge solutions for climate change or is improving energy efficiency a greater priority for you? How will these preferences impact your investment performance?

   From here you can identify the areas where you don't want to invest or, conversely, where you'd rather put your money to make a positive impact.

2. **Do your research and get to know the ESG principles** - While the E in ESG may be your number-one concern, you may want to take into account a broader set of criteria when making decisions about your money and get to know what the S and the G stand for.

   Each investment manager has its own investment policy when it comes to ESG investing. For instance, some may apply a "negative screening" or "exclusion" policy, meaning that they steer clear of certain sectors (e.g. fossil fuels). Be mindful of exclusion policies as they may lead to increased volatility in your portfolio. A chat with an advisor on the implications of this approach is recommended.

   Climate change investing tends to be a form of positive screening. In other words actively choosing to invest in companies that are making a difference (e.g. renewable energy).

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RIAA is a good resource to use when you're starting on this journey as it details the investment strategies of ethical and sustainable funds. Many super funds or investment managers also now have information about sustainability and ESG on their websites. Look to see if they have signed the United Nations backed Principles of Responsible Investing and whether they have published their scorecard.

3. **Start with super** – Do you know where your super is invested? Does it offer a Socially Responsible Investment (SRI) option? Make sure you read all the information provided by your super fund about the particular sectors, businesses and/or investment activities which are considered for investment.

   It's worthwhile knowing that some people believe many SRI options don't go far enough. Again, it pays to know what matters most to you and then you can find an option that aligns with your values.

4. **Don't forget the eggs rule** - One of the key principles of good investing is diversification – not putting all your eggs in one basket. Diversification is key to any investment strategy. It spreads risks and ensures you are not exposed to any single investment or asset class. So consider the risks of crafting a portfolio that's too narrow and concentrated. Climate-themed funds also haven't been around for a long time, with many having only launched several years ago. This makes their performance hard to assess.

5. **Ask for help** – Being a more responsible investor involves a lot of research and working out exactly how far you want your investment decisions to reflect your sustainable and ethical concerns and can be a minefield (pun intended). For example, you might not want to invest in coal companies, metallurgical coal miners and mining companies, but what about transport companies that freight coal, coal seam gas, oil and conventional gas, electricity generators, or diversified energy generators that may have large investments in renewables as well as coal?

   If you need assistance finding out what you're invested in or how to access more responsible investment options, you can talk to a financial adviser.

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