Santander Asset Management

RETHINK INVESTING

Using your money to help save the planet

Many of us are passionate about doing our bit for the environment and one way we can do that is by choosing investments that back our views. But what does that mean in practice? And what are some of the choices you may need to make along the way?

One common approach is to rely on investment professionals such as financial advisers or fund managers to 'screen' investments for you along environmental grounds.

What is *screening*?

Screening means using a set of rules to either choose companies or sectors for investment that are making a positive difference, or to exclude those that are having a negative impact. You can look for an investment fund with a set of rules for screening that reflects your priorities for the planet.

Rules for **negative** screening might include, for example, excluding the top 10% of companies for omitting high levels of greenhouse gasses. Rules for **positive** screening might include companies harnessing renewable energies like solar and wind power, reducing harmful waste through recycling and other related activities or manufacturing environmentally safe products.

Choosing sides

You don't always have to choose between a negative and positive screening approach. Some funds will combine both. And whatever approach you go for, your point of view matters too, as whether you consider an investment 'good' or 'bad' can depend on how you are looking at it.

Example

Take an electric car manufacturer for example. You may rate a business like this highly for the low carbon output and clean technology of its products. Or you may be concerned about the controversial mining of the lithium upon which its car batteries will depend.

Two sides to every story

Even where a product is near universally considered to have a negative effect, a company involved in producing it can still act to create a positive impact in other ways.

> One example of this is fossil fuels. Their well-known environmental impacts mean that many investors feel strongly against including oil companies in their investment portfolios. Most major oil companies, however, are investing heavily in clean or renewable energy alternatives. Some are even investing in smaller, innovative energy technology companies with the potential to create positive change. They are also looking at how they can contribute positively to climate change, for example working towards net zero carbon emissions in their business to support the Paris Agreement.

Some fund managers take an 'activist' approach, choosing to invest in companies like this to encourage their efforts to change. That is why you can sometimes see surprising business names on investment lists for funds that say they are ethical, sustainable or have a particular focus on companies with good environmental, social and governance (ESG) practices.

Looking at the bigger picture

Diversification, spreading your money across different investments that can be expected to behave in different ways at different times, is a cornerstone of investing. So while screening in line with your interests and concerns may be important to you, one thing to bear in mind is that being very specific could narrow the range of investments you can choose from, reducing the diversity of your portfolio.

Another option is to take a broader view, to look at your concern for the environment within the overall scope of your financial plan alongside your goals and how long you plan to invest for. There are many funds to choose from, for example, which may not be labelled ethical, sustainable or green but the managers of which do take environmental, social and governance issues into account as a standard part of their investment process.

Multi-asset funds run like this are one way to access a broad range of investments in a single fund. These can let you still do good with your money but without some of the tighter restrictions and potential diversification risks that may come with looking for a fund with very specific environmental objectives.

Neither approach is right or wrong. The most important thing is that you do your research, understand what you are investing in and choose an approach, or blend of approaches, that is right for your personal circumstances.

Blue investing

One example of a very specific approach is blue investing. It's a way for investors to act on their concerns at the threat posed to our oceans by global warming, marine pollution and overfishing.

Blue investing is part of the blue economy, defined by the World Bank as 'the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, and ocean ecosystem health', [1] while the UN's Sustainable Development Goal 14 - Life below water – aims to 'conserve and sustainably use the oceans, sea and marine resources for sustainable development'. [2]

While it has a way to go before it catches up with its green counterpart, the blue economy is gradually gaining ground in the ESG investing landscape.

For example. the European Commission announced in February 2020 a €75 million programme financing funds which support the blue economy. By January of this year, €45 million of that had been allocated. More investments have been approved, leading to a total of €300 million expected to flow into the blue economy, helping to support the EU's planned transition to a carbon-neutral economy by 2050.[3]

If you're not sure of the best approach for you, a professional financial adviser will be able to help you weigh up the options to find the right balance. You may also find it helpful to read some of the other articles in our Rethink Investing series, available here.

(1) The World Bank – What is the Blue Economy – 6/6/17
(2) The United Nations – Sustainable Development Goals
(3) European Commission – First BlueInvest fund agreements secure €45 million for the blue economy, 26/1/21

RETHINK INVESTING

Our commitment to net zero

Santander Group has put in place a range of measures to support our commitment to the goals of the Paris Agreement on climate change. In February 2021, we announced our plan to achieve net zero carbon emissions across the group by 2050.

Not only are we making changes to our own business but we are using our global scale and influence to drive positive change through our investments and client relationships. You can find out more about our plans here.

2020
Becoming carbon neutral in our own operations.

2021
Remove unnecessary single-use plastics.

2022
Set the decarbonisation targets for other material sectors, including Oil & Gas, Transport, and Mining & Metals.

Raise or facilitate the mobilization of over
€ 120 Billion
in green finance since 2019

2025
Using 100% of electricity from reneiwable sources in all countries.

2030
Allign Santander power generation portfolio with the París Agreement

Stop providing financial services to power generation clients with more than 10% of revenues dependent on termal coal.

Eliminate all exposure to termal coal mining worldwide.

Raise or facilitate the mobilization of over
€ 220 Billion
in green finance since 2019

2050
Net zero

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