

## Checklist for sustainable investing

### The 9 golden rules for investors

#### 1. *What actually is a sustainable investment?*

Classic investments are primarily about return, risk and availability. If you want to invest sustainably, then there is another investment approach that can look like this with the investment products:

- a. An investment product that **avoids negative effects** on the environment, such as the emission of greenhouse gases, human rights violations or endangering biodiversity, etc.
- b. An investment product that makes a difference (so-called **impact investing**), i.e. can achieve a certain proportion of effects, e.g. makes a concrete, positive and measurable contribution to achieving the 17 goals for sustainable development (Sustainable Development Goals, SDGs) of the United Nations.
- c. An investment product that fully applies the **EU taxonomy** requirements (EU classification scheme for environmentally harmful economic activities) and invests a minimum proportion in ecologically sustainable investments.
- d. An investment product that follows the strategy of targeted investments, i.e. it invests primarily in the areas of "renewable energies" or "green mobility" (according to so-called **positive criteria**).
- e. An investment product (fund) that actively exercises its voting rights as shareholders in dialogue with the company and its management in order to influence corporate policy (so-called **engagement**).
- f. An investment product that follows the **best-in-class approach**, i.e. only invests in the companies that perform best within their industry.
- g. An investment product that deliberately does not invest in companies (**principle of exclusion**) that are active in certain business

activities, such as defense technology/weapons industry, nuclear industry, gas industry, coal industry, or tobacco industry.

## ***2. Check carefully which investment approach and which product suits you!***

Before investing, you should carefully examine which of the above approaches and which product best suits you and your needs. For example, are ecological aspects of your system important to you, or are they more social? In addition, the general investment rules, such as risk diversification, availability, minimum investment volume, etc. should not be ignored.

## ***3. How does the investor recognize a sustainable investment?***

The term “sustainability” is not uniformly defined. It is therefore advisable to take a closer look at the product information sheet to determine how "green" the investment product really is and whether it corresponds to your own ideas of a sustainable investment.

## ***4. Let your consultant explain the sustainability approach to you in detail and be aware of greenwashing***

Classic products are often suddenly sold as "green", but sometimes only from a marketing perspective. This is called "greenwashing". So, take a close look when the advisor offers you an investment product as “green”. What approach does the product on offer take and how "green" is it actually? Unfortunately, there is still no official and independent consumer label.

## ***5. What about the potential return on the investment?***

Recent studies have shown that even so-called sustainable funds do not perform worse than traditional funds in terms of the achievable return. Therefore, do not make any concessions with regard to the possible, achievable profit. Caution is advised if the advisor demands a so-called greenium, i.e. a premium for the "green" investment.

## ***6. What exactly are the risks and opportunities of this investment?***

Investing in solar systems or wind farms has repeatedly shown in the past that sustainable investments are not associated with lower risks than classic products. You should check this carefully before investing.

### **7. *What about the costs/fees for investing?***

As with any investment, the costs and fees can significantly affect the return on the investment. We therefore recommend taking a close look at these positions of the investment product.

### **8. *Is there a rating from an independent agency?***

It is always advisable to ask your financial advisor for a sustainability rating. However, there are still no uniform standards here either. Currently, products that correspond to the EU taxonomy are therefore also gladly offered. This is a special classification system that creates at least a unified understanding of the sustainability of economic activities. However, you should note that according to the most recent decision by the EU Parliament, nuclear power and gas are also considered to be "taxonomy-compliant" as "interim solutions".

### **9. *Does a reputable sustainability label exist?***

Unfortunately, there is still no official eco label for sustainable investments. However, the website of the Forum for Sustainable Investments with its own standards provides guidance:  
<https://www.forum-ng.org/de/qualitaet-und-standards>

DSW, summer 2022