APRIL 2012

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THE GUIDE

to Sustainable Investment

"ONLY AFTER THE LAST TREE HAS BEEN CUT DOWN. ONLY AFTER THE LAST RIVER HAS BEEN POISONED. ONLY AFTER THE LAST FISH HAS BEEN CAUGHT. ONLY THEN WILL YOU FIND THAT MONEY CANNOT BE EATEN."

– CREE INDIAN PROPHECY

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ABOUT
BLUE & GREEN TOMORROW

Essential intelligence on sustainable investing and living
Blue & Green Tomorrow wants to support innovative businesses that balance the needs of the planet, its people and our prosperity to grow.

We aim to provide our readers with the knowledge they need make informed choices without prejudice, scaremongering or greenwash.

We want the world to be as blue and green tomorrow as it was yesterday.

We believe that everyone can play a part and anyone can make a difference. Not by going back through misplaced nostalgia to some bygone age, but by striding out to a bright new future in which we take advantage of the new approaches that can improve our quality of life, the food we eat, the air we breathe, the water we drink and the land we live on.

Visit Blue & Green Tomorrow by clicking our logo on any page.

LIFE IS FOR LIVING WITHOUT COSTING THE EARTH. THERE IS NO PLAN (ET) B.

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COVER ILLUSTRATION BY PHIL COUZENS [WWW.FREESOULDESIGN.CO.UK]

FOREWORD

The Guide to Sustainable Investment endeavours to take you on a journey of discovery. Embarking at ethical origins, travelling through the green and growing fields of sustainable and socially responsible investment and disembarking at a new, enlightened destination. Standing there, surveying the future with a fresh perspective, it is our hope that you will feel able to make better-informed decisions about where and how your money is invested so that you can proudly say, "I played my part—I balanced the needs of the planet, its people and prosperity. I succeeded".

It is easy to feel a sense of disconnected with an investment. What more is it than numbers on a balance sheet? Yet, even casually flicking through The Guide to Sustainable Investment, it is hard to ignore the many connections. Connections between investments and global issues. Connections between investments and quality of life. Connections between investments and public health. Connections between investments and real people. Connections abound...

It may come as a shock to some that the unit trust treasure they so proudly unearthed is tantamount to raiding the tomb of our future. It may come as a blow that the sums of money they give to charity each year are cancelled out, sometimes directly, by the companies they invest in. It may come as somewhat of a bombshell that climate change, water shortage, biodiversity loss and death from pollution are global issues that humankind must face in the near future.

However, it will come as an epiphany that sustainable investment not only looks to address serious imbalances in how modern society functions, but is also fast becoming a tool to assess and reduce the risk of financial failure.

I suggest, just as another famous guide did in 1979, that you "Don't Panic". Instead, take time to read and digest the wise words of Mike Scott, Penny Shepherd, Sarah Pennell and a host of others; realise that you are not alone and then, better still, realise there are people who have devoted their working lives to help you understand and change the impact of your money on the future.

RICH WHITWORTH

Editor, *Blue & Green Tomorrow*

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EXECUTIVE SUMMARY

The Guide to Sustainable Investment has a clear agenda: to increase awareness of sustainable investment.

In the beginning...

The report starts with a brief history of ethical investment, and notes its roots in the activities of religious groups. Spurred on by the outrage from global conficts, the 1960s witnessed an upsurge of ethical investment and a realisation that companies and corporations should look beyond profit.
Over time, the concept of ethical investment has become muddied by different world views, and an alterative was sought to introduce many of the concepts in a more universally accepted way.

Sustainable investment is born

The dual concepts of sustainable and socially responsible investment are almost synonymous. Both strive to add value beyond profit and seek to address emerging global issues by supporting those companies who are making efforts to reduce their own impact or actively working in new fields of innovation.

The costs of inaction

There is a long list of dubious corporate activities that most people would not dream of supporting, and yet, through some feat of evil genius from the financial services industry, we are all at risk of investing in the very things that we cannot abide.
What we encourage you to do is ask questions and act upon the answers you may receive.

Expert voices

The Guide to Sustainable Investment is thrilled and proud to include the voices of seasoned experts. **Mike Scott**, writer for the Financial Times, puts forward the business case for investing responsibly. UKSIF's **Penny Shepherd** sees a bright and dynamic future ahead for sustainable investment. **Sarah Pennells**, founder of savvywoman.co.uk, outlines the questions we should all be asking. **Julian Parrott** reminds us of the ethical heritage at the roots of modern day sustainability and **Mark Robertson** tells us why and how we should measure it.

Looking ahead

2012 will bear witness to the Rio+20 United Nations Conference on Sustainable Development, which could well be the tipping point sustainable investment needs to put it on the mainstream agenda.
Yet, already, an acronym-rich world is emerging—corporate social responsibility (CSR), environmental, social, and corporate governance (ESG), socially responsible investment (SRI)—we are all becoming more focused on addressing the pressing issues facing humankind guided by the likes of the UN-backed Principles of Responsible Investment (UNPRI).

Enjoy and read on...

Our Guide to Sustainable Investment is not about preaching. It is not about making accusations. It is about opening up a new world of investment considerations to positively affect future generations. Inside, we hope you will find intelligent infographics, wise words, and deep thoughts presented in a laid-back yet cutting-edge design that we hope will have you coming back for more.

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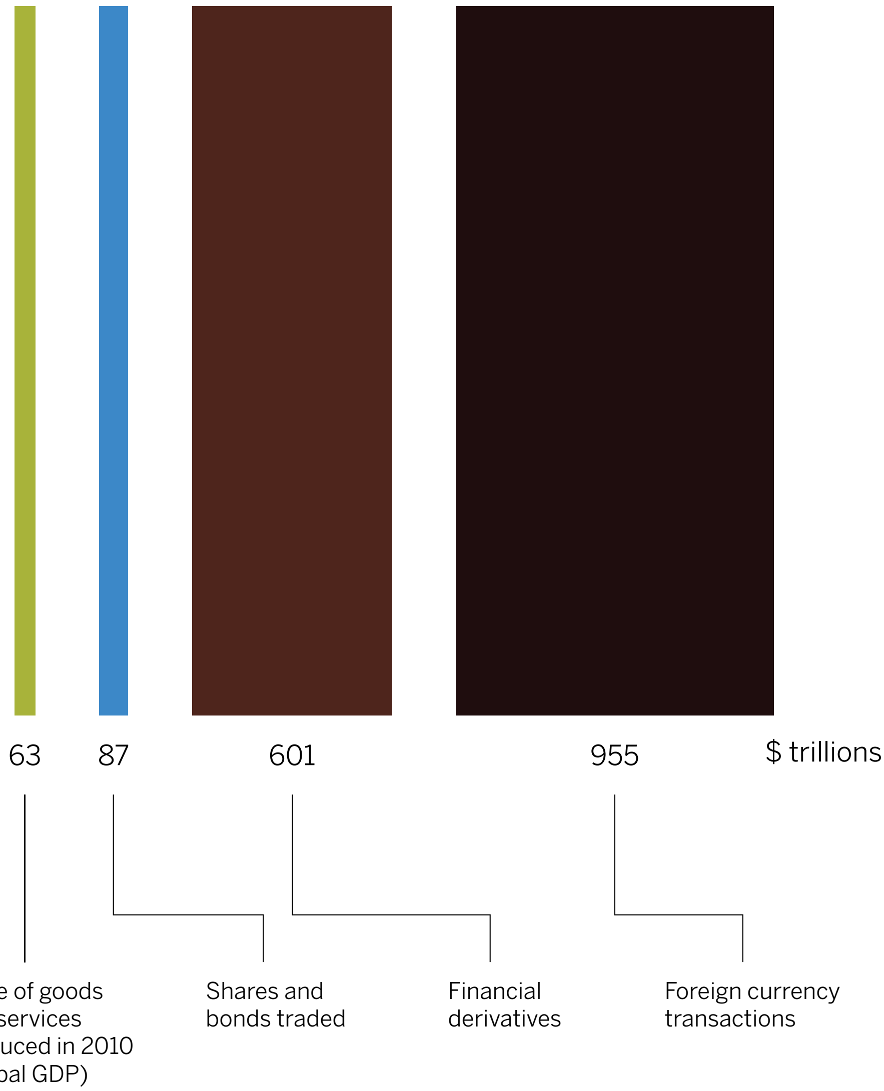
FOLLOW THE MONEY

THE 'REAL' ECONOMY VERSUS THE FINANCIAL ECONOMY

When Liza Minelli and Joel Grey sang "Money makes the world go round" in the 1972 film Cabaret, they weren't wrong. As the infographic below shows, money, in the form of trades in shares, derivatives and currency, overshadows everything humanity makes and sells. Money shapes the world in which we live and the future of our children and grandchildren. This is why it is so important to look at your investment portfolio to see what future you're investing in. Let's make it a sustainable tomorrow.



For every $1 of goods and services produced, $26 is traded in the financial markets

Source: Der Speigel, 2010

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THE GUIDE TO SUSTAINABLE INVESTMENT

THE BEGINNER'S GUIDE

SUSTAINABLE

Adjective

- able to be maintained at a certain rate or level: *sustainable economic growth*

- conserving an ecological balance by avoiding depletion of natural resources: *our fundamental commitment to sustainable development*

http://oxforddictionaries.com/definition/sustainable

INVESTMENT

Noun

- the action or process of investing money for profit

- an act of devoting time, effort, or energy to a particular undertaking with the expectation of a worthwhile result

http://oxforddictionaries.com/definition/investment

SUSTAINABLE INVESTMENT

The process of investing money in a way that balances the needs of the planet, its people, and the pursuit of profit.

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A BRIEF HISTORY OF ETHICAL INVESTMENT

Although the notion of ethical investment really took off in the 1960s, religious restrictions upon investments stretch back over 250 years for Christians, with the Quakers being especially forthright in their refusal to engage in profiteering from slavery, even at a time when it was widely accepted. The Methodist movement also combined the notions of ethics and finance, avoiding industries that harmed the health of workers and instructing its followers to ensure that their investments did not have an adverse affect on the wider community. Later on, the Temperance Movement (both in the UK and in the USA) chose to restrict investments with any connection to alcohol; the production, sale and consumption of which was believed to be a social evil. However, the Islamic traditions of investment, including prohibitions against pork products, gambling, usury and alcohol, go back approximately 1,500 years, indicating that formalised ethics have long been considered compatible with healthy profits. That said, the notion of restricting investment fell out of favour during the war years of the twentieth century, as issues of national interest took precedence, and it wasn't until the politically-charged atmosphere of the 1960s that the movement began to pick up steam once again.

> **"The war profiteering of Dow Chemical, the manufacturers of napalm, and other companies was considered abhorrent to many protesters, and they chose to actively avoid companies with links to Vietnam and its atrocities."**

The first US ethical trust was formed in 1971 and, although only small to begin with, its popularity grew quickly with time. A striking case of negative ethical screening came in 1972 after Nick Ut's Pulitzer Prize-winning photo of a naked nine year-old girl running away from a napalm attack; the war profiteering of Dow Chemical, the manufacturers of napalm, and other companies was considered abhorrent to many protesters, and they chose to actively avoid companies with links to Vietnam and its atrocities. Earlier examples included boycotting companies with poor civil rights records. In more recent times, companies that profited from the first and second Gulf War were also considered untouchable.

The first UK ethical trust was formed in 1984, in the middle of the Thatcher years, when the notion of an altruistic society was perhaps at its lowest. Estimates suggested that the total value of the UK ethical investment market would peak at around £2 million, making it an inconsequential feature in the grand scheme of British finance. In just sixteen years, by the spring of 2000, the value of the ethical investment market in the UK, as estimated by UKSIF, was a thousand times higher at approximately £2.6 billion. Similar colossal growth was demonstrated in the USA and across Europe as a whole. To anyone with his or her finger on the pulse of modern business, it was clear that ethical investment was far from being a passing fad. ⬢

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ETHICAL VS. SOCIALLY RESPONSIBLE VS. SUSTAINABLE INVESTMENT

ETHICAL INVESTMENT IS DEFINED AS:

[An] investment philosophy that attempts to balance the regard for morality of a firm's activities and regard for return on investment. Ethical investors seek to invest (usually through mutual funds or unit trusts) in firms that make a positive contribution to the quality of environment and quality of life. (Business Dictionary)

CONVERSELY, SOCIALLY RESPONSIBLE INVESTMENT (SRI) CAN BE DEFINED AS:

An investment that is considered socially responsible because of the nature of business the company conducts. Common themes for socially responsible investments include avoiding investment in companies that produce or sell addictive substances (like alcohol, gambling and tobacco) and seeking out companies engaged in environmental sustainability and alternative energy/clean technology efforts. (Investopedia)

B&GT DEFINE SUSTAINABLE INVESTMENT SIMPLY AS:

An investment that actively balances the needs of the planet, its people and prosperity.

Despite these terms having similarities and a degree of crossover (often being interchanged in common parlance), a subtlety lies behind the meaning of the words. *B&GT* have concluded that ethics are about moral choice, responsibility is about behaviour and sustainability is about outcomes. And though we encourage the incorporation of a 'first do no harm' principle into any investment strategy, what is most certainly unacceptable is an unsustainable outcome. Indeed, great headway can be made by demanding more positive—or, in fact, less negative—outcomes.

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TELL US WHAT YOU THINK

Blue & Green Tomorrow magazine writes for anyone interested or involved in sustainable, responsible or ethical investment.

We want to know your views on our report and this growing investment sector.

As a thank you, we will send a copy of the full results in addition to other reports that we create for the investors. You will also be entered into a prize draw to win free energy for a year (terms and conditions apply).

Please enter your email details at the beginning or end of the survey if you wish to receive the report.

- Click here to complete the survey if you are a private individual or investor
- Click here to complete the survey if you are a financial/wealth adviser, planner or management professional

Thank you in anticipation of your feedback.

LIGHT GREEN AND DARK GREEN INVESTMENT STRATEGIES

The prominence of today's environmental issues leads to SRI strategies that are often categorised by how 'green' they are, on a sliding scale ranging from 'light green' (not very concerned with environmental issues) to 'dark green' (strongly or predominantly concerned with environmental issues). While this is a good way to compare possible investments against a limited number of exclusion criteria, it disregards a wide range of other considerations that may be used by investors to evaluate their options. Therefore, a portfolio can be light green—that is to say, with little interaction or involvement with issues directly related to environmentalism and protection of natural resources—and yet held to strong moral or ethical provisos. For example, excluding companies with any blemishes on their fair trade history. Conversely, portfolios that focus strongly on green issues—investing in new green technology, for example—can be considered dark green, but be open to a greater degree of flexibility about other SRI issues, perhaps incorporating fewer exclusion principles.

It is important to note that there are no hard and fast rules as to what constitutes 'light green' and 'dark green'. Different individuals and investment firms may consider certain areas acceptable or untouchable when it comes to building a portfolio.

One of the most common grey areas for strategic investment is in the field of nuclear power. Though many consider it a practical approach to easing the burdens of fossil fuel dependence—especially in the light of comparatively limited energy returns from renewable resources—many of the largest ethical investment firms deliberately exclude nuclear power from their recommendations, placing it in the 'sextet of sin' along with alcohol, tobacco, firearms, pornography and gambling.

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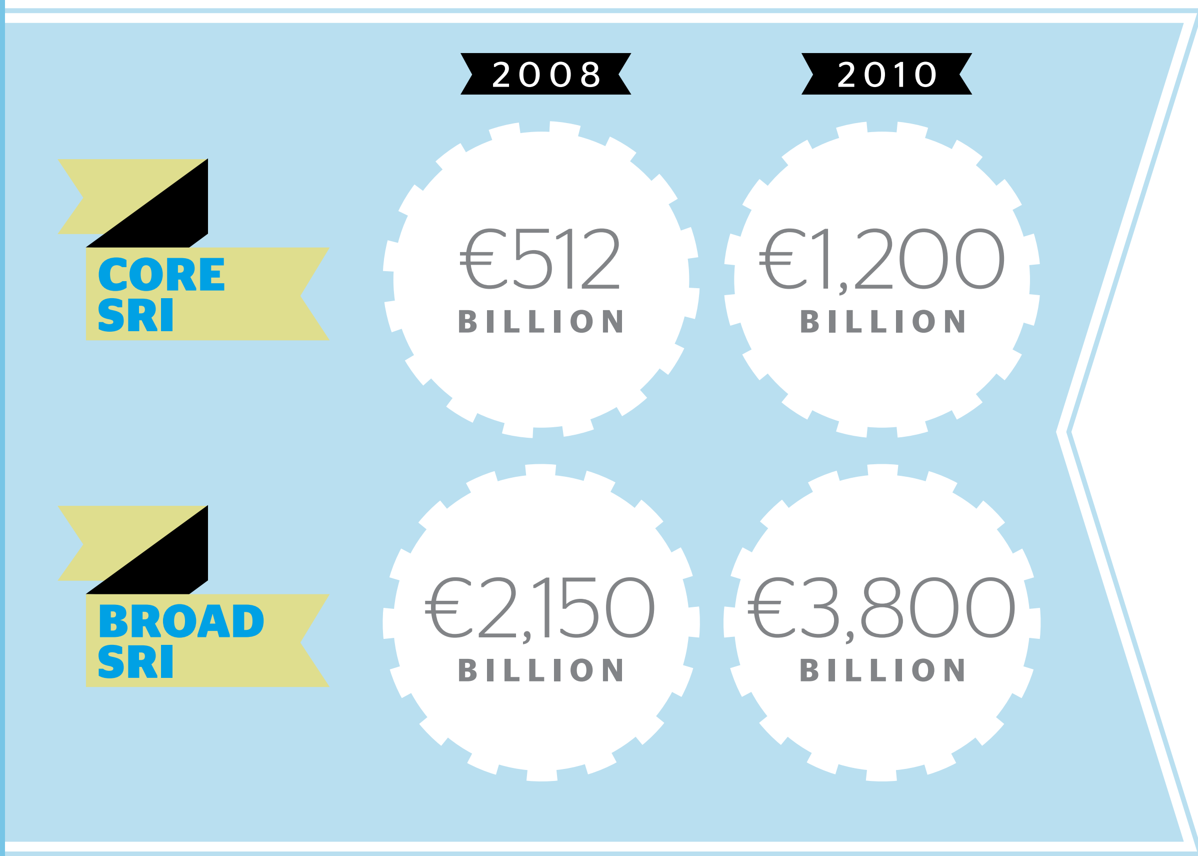
CORE SRI VERSUS BROAD SRI

Socially responsible investing is often divided into 'core' and 'broad' categories. Core SRI is defined as "[consisting] of assets managed with multiple ESG exclusions, or using 'positive' screens, such as choosing 'best-in-class' companies or investing against ESG themes, such as clean energy, climate change or water." Broad SRI, by comparison, is based on "simple exclusions (no more than two issues), engagement with companies to improve their ESG performance and the integration of ESG analysis into 'mainstream' investment portfolios." (Nicholls, 2011)



EUROSIF ESTIMATES FOR THE VALUE OF EUROPEAN SRI TRADING IN 2008 AND 2010 IN BILLIONS OF EUROS.

The very nature of the investments, most importantly the fact that strict, core SRI investments must be held to a more limiting set of criteria and therefore less widely-available, broad SRI investments outstripped core SRI investment values by a factor of almost 4.2 in 2008. By 2010, however—perhaps because of increased awareness of socially responsible investment patterns by companies who were eager to highlight their ethical credentials—not only was the value of European SRI trading up by an increase of 77% for broad SRI and 134% for core SRI, a significantly greater proportion of investors were choosing the stricter demands of a core SRI portfolio for their investments.

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EXCLUSION, ENGAGEMENT AND INTEGRATION

Historically, negative screening was the preferred model for ethical investment – that is to say, portfolios were founded around the principle of excluding those companies with business practices that were perceived by the investor to have a unsustainable environmental, social or moral impact on the world, or that were otherwise considered to be needlessly and unacceptably exploitative.

Originally, five areas of investment were considered 'untouchable' by organisations that looked to invest ethically—adult entertainment and pornography, alcohol, gambling, tobacco and weapons—but in the 1960s and 1970s, nuclear power was added to that list by many investment firms, leading to what has become known as the 'Sextet of Sin'. (Lobe & Walkshäusl, 2011, p. 1) However, in the last three decades, the list has grown exponentially, with the vast majority of ethical investment providers now including many more negative criteria by which businesses can be screened before any investment occurs.

NEGATIVE SCREENING CRITERIA

ALCOHOL PRODUCTION AND SALE

This can include breweries, distilleries, bars or restaurants. It is specifically prohibited by Islamic laws regulating investment.

ARMS PRODUCTION AND SALE

Concerns about firearms and other weapons production and sale are among the most common negative criteria for potential investors.

GENETIC ENGINEERING

Despite the potential benefits for healthcare and the agricultural industry, many investors (for reasons both secular and religious) choose to avoid investing in organisations that perform research in genetic engineering.

CHILD LABOUR

Commonly linked to concerns about the exploitation of workers in the Third World, many investors choose to avoid companies with a history of employing children in the production of their goods.

NEGATIVE HEALTH AND SAFETY RECORDS

In extreme cases, this can be linked to organisations with a poor human rights record (especially in the use of sweatshops), but many investors choose to avoid organisations that have a poor record of health and safety for their employees (for example, a history of asbestos use that has led to adverse health effects in their workers over time), as well as undisclosed records that could indicate such violations.

HIGH ENVIRONMENTAL IMPACT

Linked closely to issues of air and water pollution, intensive farming programs and logging, businesses with a high environmental impact are commonly avoided by investors who choose to focus on green issues in their portfolio.

HUMAN RIGHTS CONCERNS

Companies with a history of employing workers in sweatshops or for supporting foreign regimes that held an oppressive attitude towards their people are often written-off as an investment opportunity; occasionally, this has led to organisations refusing to allow investment through them for an entire nation's economy.

INTENSIVE FARMING PROGRAMS

Often linked to the use of pesticides, logging and high environmental impact, intensive farming programs (whether at home or abroad) are often included as exclusion criteria.

GAMBLING

Though this most often applies to investment in casinos and online gambling organisations, many investors (especially those who adhere to Sharia law) consider unduly risky business investment to be a form of gambling, and thus will avoid attempting to profit from trading in derivatives, forwards, options and futures.

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EXCLUSION, ENGAGEMENT AND INTEGRATION

MILITARY SUPPORT

Often linked to arms trading and Third World exploitation, some investors choose to have no dealings with organisations that support oppressive military regimes in other parts of the world.

NUCLEAR POWER

Considered one of the 'Sextet of Sin', although this is sometimes contested because of nuclear power's potential as an alternative to dirty coal, oil and gas power stations.

PESTICIDES

Commonly linked to environmental issues and intensive farming practices, issues of pesticide production and control – for example, the cancer scare surrounding the use of DDT – has meant that many investors avoid any companies that make or use pesticides for farming purposes.

POOR POLLUTION RECORD

As part of an overall trend towards environmentalism, companies with a large carbon footprint can be excluded from ethical and especially green or sustainable investment portfolios.

PORNOGRAPHY AND ADULT ENTERTAINMENT

There are very few SRI or ethical investors who would consider this a viable option for their money. This stance is especially common with religiously-based groups, both Christian and Muslim.

UNSUSTAINABLE LOGGING

Linked to environmental damage, the destruction of the rainforest (and associated animal habitats) is one of the most common negative criteria in use today.

THIRD WORLD EXPLOITATION

Concerns about the exploitation of Third World countries has become much more widespread in recent years. The introduction of the World Fair Trade Organisation in the late 1980s and the FTO Mark that makes it clear which companies adhere to specific standards of welfare has brought it to the attention of investors.

WATER POLLUTION

While air pollution and carbon dioxide emissions were previously more common, the Deepwater Horizon oil spill of 2010 brought the issue of water pollution to the forefront of investors' minds.

ANIMAL TESTING

Some investors consider animal testing for cosmetic use to be unacceptable, but will allow investment in companies that incorporate animal testing for pharmaceutical use. As British law currently states that all new pharmaceutical products must be tested on at least two different species of live mammal, one of which must be a large non-rodent, this would otherwise remove pharmaceutical companies as potential investment opportunities, despite the obvious social benefits of their work.

TOBACCO GROWING AND CIGARETTE PRODUCTION

Tobacco production is an almost universally boycotted area for ethical investors.

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POSITIVE SCREENING CRITERIA CAN BE USED TO ENGAGE ORGANISATIONS THROUGH INVESTMENT

COMMUNITY INVOLVEMENT

Many investors choose to consider the 'public works' of an organisation before they choose to place their money, with programs such as the Coca-Cola Company's 'Live Positively' campaign (which offers $175,000 dollars' worth – approximately £114,000 – recreation grant for outdoor parks and playgrounds) considered as positive examples of community engagement. (The Coca-Cola Company, 2011) Other examples of social involvement include charitable works, and scholarships for universities and college placements.

CORPORATE GOVERNANCE

Ensuring that an organisation is accountable not only to its employees and shareholders but also to anyone who might be adversely affected by its business operations is considered an important factor for potential investors.

DISCLOSURE

Due to the obvious benefits to be gained by companies refusing to disclose the precise details when they do not fit a perceived green agenda, organisations with a positive and forthright approach to disclosure are often favoured.

ENVIRONMENTAL RESPONSIBILITY

Contrary to negative criteria, which exclude organisations based on poor environmental impact, companies that have a positive environmental impact can be actively selected for and favoured by investors.

EQUAL OPPORTUNITY EMPLOYMENT STRUCTURES

Integration of equal opportunity employment systems is considered a positive investment criterion by a significant number of organisations that offer core SRI.

POSITIVE PRODUCTS AND SERVICES

Egroups that can be considered as providing a positive service or product, which may induce investors to consider them. This include: environmental technology; waste disposal; public transport services; safety and protection services (including safety equipment, such as lifejackets, fire extinguishers, and alarm technology); healthcare and social welfare provision.

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WHY INVEST RESPONSIBLY?

BY MIKE SCOTT

IT IS A QUARTER OF A CENTURY SINCE THE BRUNDTLAND REPORT OUTLINED THE CONCEPT OF SUSTAINABLE DEVELOPMENT—DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS—AND FORCED IT ONTO THE POLITICAL AGENDA.

Twenty-twelve is also the 20th anniversary of the Earth Summit in Rio de Janeiro, which begat the Kyoto Protocol and laid the foundations for today's carbon markets, renewable energy targets and emissions targets. Last year saw spending on clean energy pass the $1 trillion mark, according to Bloomberg New Energy Finance, and governments around the world—from Chile to China—have embraced measures to decarbonise their economies. We've come a long way in the last 25 years.

But at the same time, we are now living in a world of seven billion people and growing. Scientists say that our attempts to cut emissions of greenhouse gases and keep average temperature rises to 2°C have instead put us firmly on the track to rises of 3.5°C or more and we are running up against constraints to the availability of the most basic human requirements such as food, water and energy.

According to the Global Footprint Network, we are living far beyond our ecological means; it calculates that in 2011, we exhausted a year's worth of our earth's resources before the end of September and that after that point we were living on "ecological debt" in a way that is completely unsustainable. "That's like spending your annual salary three months before the year is over, and eating into your savings year after year. Pretty soon, you run out of savings," says Global Footprint Network President Dr. Mathis Wackernagel. "From soaring food prices to the crippling effects of climate change, our economies are now confronting the reality of years of spending beyond our means," said Dr. Wackernagel.

These facts may seem to have little relevance to austerity Britain, but mankind is living beyond its ecological means just as we lived beyond our financial means in the run-up to the crisis—and we now have to pay for it.

According to former US vice-president Al Gore and David Blood, his co-founder of Generation Investment Management, in their recently-published Manifesto for Sustainable Capitalism: "Remarkably, even after enduring the global financial crisis - caused in significant part by short-term, unsustainable strategies and actions by both companies and investors - many of us are still content to embrace short-termism in nearly all aspects of our lives. As a result of this short-term perspective, we are [...] driving our economies and our planet into liquidation."

The think tank Chatham House adds in a new report that "even though many countries, including emerging economies, can point to impressive environmental improvement in the past two decades, the overriding global patterns of production, consumption and trade remain dangerously unsustainable".

So, what has all this got to do with investors?

Well, there are a number of reasons investors need to consider environmental, social and governance (ESG) issues. Even five years ago, analysts dubbed these factors non-financial issues, but few people would now argue that they are not relevant to financial performance. It is clear that they can have a huge

> **"From soaring food prices to the crippling effects of climate change, our economies are now confronting the reality of years of spending beyond our means."**
>
> DR. MATHIS WACKERNAGEL, PRESIDENT OF GLOBAL FOOTPRINT NETWORK

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“Despite the uncertain economic outlook, leading international companies across diverse sectors are investing heavily in sustainable products and services,”

KIRSTY JENKINSON, WORLD RESOURCES INSTITUTE.

impact on the value of investments—consider the effect of failures over safety and the environment at BP and Japan’s Tokyo Electric Power Company (Tepco), which contributed to the Gulf of Mexico oil spill and the Fukushima nuclear disaster, respectively. At one point, BP shares halved in value compared to their pre-disaster levels and they still remain well below the price before the spill. Tepco looks unlikely to survive as an independent company after government moves to take a majority stake so it can reform the group.

The reason BP was drilling in the Gulf of Mexico and that Tepco built a nuclear power station on a fault line is that an age of cheap resources has come to an end. The consultants McKinsey point out that the economic growth of the 20th century was underpinned by cheap energy and raw materials, but in recent years prices have hit heights not seen since the 1900s and they are likely to remain both high and volatile for the foreseeable future.

It was not just cheap resources that fuelled the astonishing changes of the 20th century - it was cheap labour as well. When that labour stopped being cheap at home, businesses shipped their production to places such as China and India where they were lower. One reason wages were lower was because these countries had less well-developed rules on everything from child labour to workers’ rights to environmental health.

In today’s constantly connected world, consumers are better informed, more particular and more vocal than ever before, and organisations ranging from Vodafone to the London Olympics have found themselves in the spotlight over issues ranging from conflict minerals to labour rights in ways that can have a serious impact on their share prices. Not only that, but as public scrutiny grows and demand for labour increases, those cheap wages are rising and wiping out the cost advantages of outsourcing.

Meanwhile, the world has become increasingly complex. KPMG says that there are 10 “megaforces” that will significantly affect corporate growth globally over the next two decades. They are: climate change; energy and fuel; material resource scarcity; ecosystem decline; deforestation; water scarcity; food security; increased wealth and inequality; population growth; and urbanisation. But not only will each of these factors individually have a huge impact on businesses, they will also combine in unpredictable ways to create new problems.

It is a question of risk management. If the companies that you invest in are not aware of these issues or taking steps to deal with them, they will not be running their businesses in the right way to create value for you as a shareholder.

The flip side of this is that there are real opportunities out there for companies that seize the moment, as highlighted by the growing figure of $1 trillion that has been invested in clean energy.

“Despite the uncertain economic outlook, leading international companies across diverse sectors are investing heavily in sustainable products and services,” says Kirsty Jenkinson of the World Resources Institute. “Leading companies are demonstrating a growing belief that their future profit and growth will be tied to how effectively they respond to looming global challenges including resource scarcity, population growth, and climate change.”

The companies that are doing this are not all obscure start-ups run by nerdy lab technicians with a good idea—although there are plenty of those. Some of the world’s biggest and best-run companies are embracing ESG issues, too - the likes of Siemens, GE, Coca-Cola, Unilever, Ikea, Marks & Spencer and Procter & Gamble.

By all means, look to invest sustainably to do the right thing. But don’t forget that it’s a sound business decision, too.

Mike Scott
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Objective

Quadris Environmental Forestry Fund PCC PLC is an open-end investment company incorporated in the Isle of Man. The Fund's objective is long-term capital growth. The Fund invests directly and indirectly in sustainable forestry plantations in Brazil.

B&GT interview

John Bourbon and John Mudge, directors of the Quadris Environmental Forestry Fund, along with the fund's many investors, have been inspired by Floresteca's Brazilian teak plantations, where up to four and a half million seedlings are planted each year over 100,000 hectares. Floresteca is the largest privately-owned forestry company in South America.

"All their plantations are certified by the Forestry Stewardship Council, and they are very, very strong on ethics and sustainability, which is why we invest in them", says John Mudge, who has been at Quadris for five or six years. "There is such demand for teak; the indigenous teak forests, predominantly in Burma, have been decimated, and it's now very tightly controlled." In fact, because of a world shortage, there is growing demand for timber in general

"What Floresteca have done is basically converted scrubland in Brazil to productive, sustainable plantations … They employ local people, support local communities, have their own charity—the Floresteca Foundation—which builds medical facilities, schools, and villages and so on, and they look after their workforce. It's all quite uplifting."

"The number of people who really believe in what Floresteca are doing and what the fund is trying to achieve is absolutely

Bourbon, who has been involved for 18 months, echoed his colleague's passion. "To think that we're growing it in a sustainable way, whilst putting back loads of oxygen into the atmosphere, and employing about a thousand people at Floresteca in Brazil, you get a very warm feeling and you just believe very quickly in the fund and what it can achieve."

Quadris, which is based in Douglas, the capital of the Isle of Man, originally set up its Environmental Forestry Fund in 2001 with its sole investment in Floresteca, the largest privately owned forestry company in South America. The fund is currently worth £105m and Mudge is keen to convey the fund's impressive performance statistics. "The US dollar variable is the best class to look at because the assets are valued at US dollars, therefore the anomalies caused by exchange rate fluctuation are stripped out … The three year performance growth has been 25.57%, and two years has been 15.13%."

The future is bright for the Quadris Environmental Forestry Fund, especially as it is uncorrelated to global equity markets. With endless teak production on the horizon it can be entirely flexible in how and when the financial rewards are reaped. "The great thing is, teak grows", says Mudge.

"Yes, there will always be some market volatility in the teak price, but as the asset grows close to maturity, if the price of teak is depressed, we can leave it in the ground, and it continues to grow, get bigger, and become more valuable … We also have the option if the price is much higher, to probably sell the teak forward to take advantage of that … You have flexibility, as long as people are willing to accept the long-term nature of the underlying investment."

"Everybody that's involved with it and is touched by it invariably comes to the same conclusion—it's quite amazing"

John Bourbon

Personnel

John Bourbon, director
John Mudge, director
Ernie Thorn, director
Andrew Beeman, director

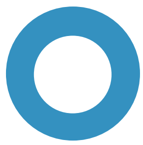
Contact Harthill Limited (fund sponsor)

Email	rupert.allinson@harthill.biz hugh.davis@harthill.biz
Telephone	+44 (0) 8453 871212

Top companies

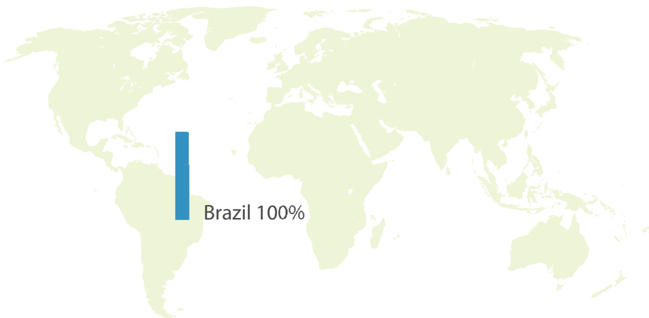
	%
Floresteca	100

Portfolio composition



	%
Intl. equity	100

Global distribution



Key statistics

Historic yield	- 9-11%	ISIN	- GB0033851790
Currency	- GBP, USD, EUR	Type	- Qualifying Fund
Size (23/3/12)	- £113.9 m	Status	- Protected Cell Company
Inception Date	- 30/04/2011		

Other links

Quadris website
Bloomberg
Morningstar

Full B&GT Interview

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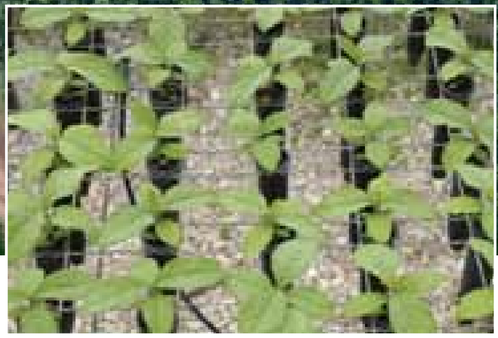
THIS investment:



- is growing
  - – every minute
  - – of every day
  - – of every week
  - – of every month
  - – of the year
- is not correlated to global stock markets
- has a proven track record over 7 years

GBP variable growth share class

1 year	3 years	5 years*	since inception (September 2004)
9.33%	29.17%	116.89%	183.32%

Source: Blue Sea International Limited.

To make THIS investment YOUR investment

Contact Rupert Allinson on: +44 845 3871212

Quadris
ENVIRONMENTAL FORESTRY FUND PCC PLC

*The underlying forestry assets held by the variable growth cells are denominated in US$. This led to a substantial gain in 4th quarter of 2008.

Risk Disclosure Statement
The price of any security may move up or down. If it moves down, losses can be incurred which in some circumstances may extend to the full amount of the investment. Past performance is not necessarily a guide to future performance. Performance figures include the unamortised portion of any deferred sales charges and do not take account of subscription and redemption fees (where applicable). Quadris Environmental Forestry Fund PCC PLC (Quadris) has been established in the Isle of Man as a multi-class qualifying fund under the Isle of Man Collective Investment Schemes (Qualifying Fund) Regulations 2010 (the Regulations). Investments in the GBP share class will be accepted solely on the basis of the information set out in the offering document and may only be accepted from persons who invest a minimum of USD50,000 and who are "qualifying investors" for the purposes of the Regulations. Quadris is currently closed to redemptions. Further information and a copy of the offering document as well as the latest reports and accounts can be obtained by contacting the manager.

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Registered office of the Quadris Environmental Forestry Fund PCC PLC: 31-37 North Quay, Douglas, Isle of Man, IM1 4LB

GROWTH TRENDS

THERE HAS BEEN A GLOBAL UPWARDS TREND IN THE VALUE AND SPREAD OF SUSTAINABLE AND ETHICAL INVESTMENTS OVER THE PAST TWO DECADES, BUT THE CLEAREST FIGURES COME FROM THE USA.

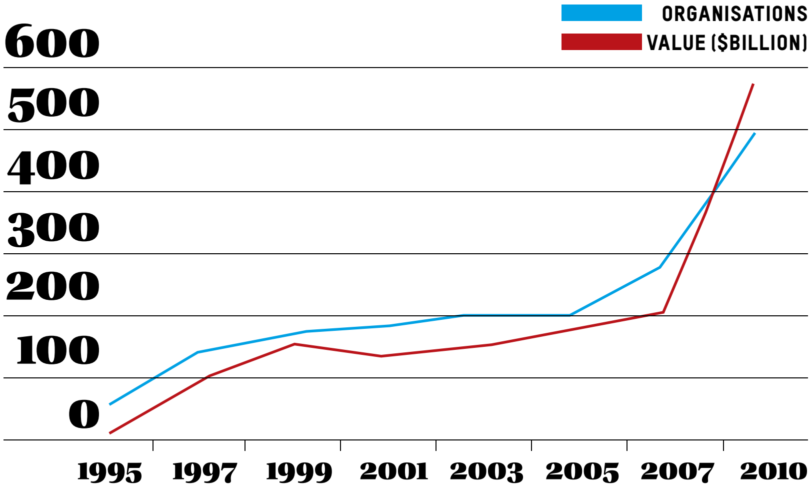

FIGURE 1: COMPARISON OF THE NUMBER OF US INVESTMENT ORGANISATIONS THAT INCORPORATE ESG CONSIDERATIONS FROM 1995-2010, AND THE TOTAL VALUE OF THESE INVESTMENTS OVER THE SAME PERIOD.

YEAR	ORGANISATIONS	VALUE ($BILLION)
1995	55	12
1997	144	96
1999	168	154
2001	181	136
2003	200	151
2005	201	179
2007	280	202
2010	493	569

The number of US investment organisations incorporating ESG considerations has risen year on year for a decade and a half—a trend that has generally been followed by the total value of these investments (barring a small downturn around 2001). Over this time period, the number of investments has risen by a factor of 8.9, but the value of these investments has risen by a factor of more than 47, indicating an extreme interest in the ethical investment sector since the mid-nineties.

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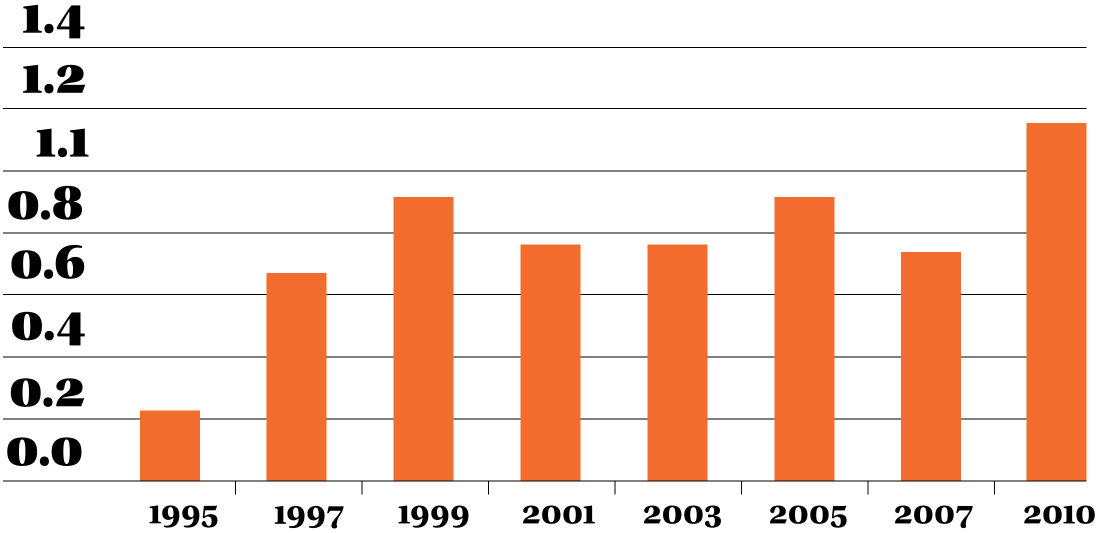

FIGURE 2: THE AVERAGE VALUE OF INVESTMENTS FOR US INVESTMENT ORGANISATIONS THAT INCORPORATE ESG CONSIDERATIONS FROM 1995-2010.

Not only is there a general trend towards increasing numbers of SRI-eligible organisations and the total value of these organisations' investments, the average value of these US investments has increased over time, indicating that either a) the companies being examined have increased their investments, or b) larger companies with greater investment value have been added to the ESG market, dragging the average price upwards - or more likely, a combination of the two. As such, it is clear that ethical and sustainable investments can be considered to be a growth industry, and projections indicate that this is likely to continue in the future.

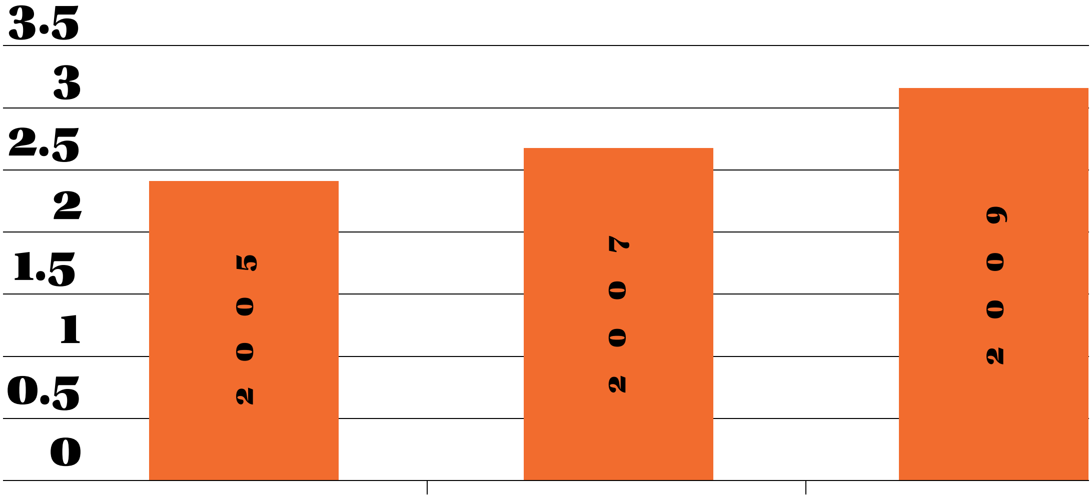

FIGURE 3: TOTAL VALUE IN TRILLIONS OF DOLLARS OF US ASSETS MANAGED USING SRI STRATEGIES, FROM 2005 TO 2009, USING DATA GATHERED FROM A SIF REPORT.

The SRI firm SIF put the total value of US assets managed using SRI strategies in 2009 at $3.07 trillion, up 13% from a figure of $2.71 in 2007. However, this is less of an increase than in the two years preceding it, when the value of US-based SRI assets rose a full 18%. For the sake of comparison, the current figure of $3.07 trillion is significantly higher than the total GDP of the United Kingdom ($2.248 trillion), and almost as high as that of the world's fourth-biggest economy, Germany, at $3.280 trillion—and it shows no sign of shrinking, especially given its continued growth during the years of the recent global economic downturn.

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THE DYNAMIC FUTURE OF SUSTAINABLE INVESTMENT

B&GT SPOKE WITH PENNY SHEPHERD, CHIEF EXECUTIVE OF THE UK SUSTAINABLE INVESTMENT AND FINANCE ASSOCIATION (UKSIF), TO GAIN INSIGHT AND PERSPECTIVE ON THE CURRENT AND FUTURE TRENDS IN ETHICAL AND SUSTAINABLE INVESTMENT FROM AN ORGANISATION AT THE CENTRE OF THE MOVEMENT.

The world of financial services is notoriously fast paced; changes are not uncommon. In the ethical investment space this is particularly true at the current time with a number of key changes and new trends. Penny Shepherd notes that, "*One interesting development at the moment is that there is a lot of restructuring going on within the fund management industry as a whole, particularly in the area of actively managed equity funds*". Indeed, recent announcements from Henderson Global Investors and Aviva with regards to their specialist sustainable and responsible investment (SRI) teams have caused somewhat of a stir in the industry.

Retail Distribution Review

However, it is the Financial Services Authority's (FSA) consumer protection policy, the retail distribution review (RDR) [http://www.fsa.gov.uk/about/what/rdr], that leads the discussion. Penny begins, "*We've also got the retail distribution review being implemented over the next year*", which, among other changes, will ensure adviser charge transparency. From Dec 31, 2012, consumers will pay advisers fees for financial advice in advance rather than using a potentially biased commission-based payment system. "*This clearly makes a lot of sense from the point of view of ensuring that consumers get good and impartial advice*". RDR also requires that financial advisers be appropriately qualified.

Despite the merits of RDR, there is some concern that fewer people will be willing to accept advice on that basis.

So where does that leave ethical investment in particular? "*Certainly from an advice point of view, it is hugely positive, because it makes sense for advisers to understand their clients in more depth and increase their skills in advising on green and ethical investment*". There is a down side though, because some advisers expect a move away from investment advice to focus on consumers' basic financial requirements. "*I think more support for people's financial needs is great, but there is a danger that advisers may then have a very limited range of investment products and only look quite narrowly at what is appropriate for clients"*.

If such a shift occurs, it could create an opportunity for those advisers who are incorporating green and ethical considerations into their advice process. Penny believes the challenge is that if consumers don't go to those with expertise in the area "*green and ethical considerations may not be fully taken into account in the advice they receive*".

Workplace savings

Another significant opportunity for increased ethical investment is through workplace savings schemes. "*The opportunity is partially driven by the changes to the advice environment but also by an increase in recognition that there are other forms of savings beyond pensions that it makes sense to support in the workplace*", says Penny. Because of

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an increased focus on encouraging people to save through their workplace, "*there's a huge opportunity for those employers who are leaders in corporate responsibility to make sure that the workplace savings support available to their employees take account of green and ethical factors*".

Investment house restructuring

The announcements from Henderson and Aviva caused somewhat of a stir in the ethical investment space. Penny explains the rationale behind Aviva's decision, "*Aviva Investors have done a wide-ranging review and decided to shift their allocation focus, and to rationalize their support for equities. In association with that they are making some significant workforce cuts*".

In other words, these are organisation-wide developments that then have implications for the provision of responsible investment support. Penny says that the underlying point is that SRI is getting caught up in wider industry changes. In fact, the first thing that Aviva did was reaffirm its commitment to engaging with companies on responsible investment issues. "*On the one hand, you've got the commitment to integration and engagement across the business as a whole and then on the other hand, you have got what is clearly a disconnect between its new strategy and the sustainable future funds*".

Indeed, the new strategy involves a departure from active equities and retail distribution and most sustainable futures funds are actively managed, mainly equity-based products, with a retail-focused client base, at which point the disconnect seems obvious. "*Frankly, it is more about the financial characteristics and market focus of the funds than it is about their sustainability characteristics. It's one of these instances where you have to look through a wider industry lens to know what's going on. It's not an SRI specific development*".

Penny believes that ongoing restructuring will most likely result in a greater degree of polarisation. Major investment houses may tend to focus on offering integration and engagement rather than specialist strategies. While specialist sustainability funds are more likely to be delivered through medium-sized institutions in which sustainability strategies form one of a limited range of strategies.

A good example of such a shift comes in the form of a recent announcement that a large part of the SRI team that left Henderson Global Investors last year has joined Wheb Asset Management [http://www.whebam.com/]. Penny says, "*My understanding is that what they're planning to focus on there is thematic investment—investing in the positive rather than avoiding the negative*".

The question is: what effect will the restructuring and shifts have on the ethical investment landscape? Penny says that one of the advantages of having more of the specialist strategies in medium sized houses is that all parts of the market will be in a position to promote what they are doing. "*I think the restructuring introduces the potential for a greater marketing focus and also potential for more innovation [...] Because large investment houses inevitably have to decide which investment strategies it sees have greatest marketing potential, in recent years, sustainability funds have sometimes lost out*".

Positive or negative?

One of the current challenges "*is the perception in some parts of the market that green and ethical investment must include negative screening. But in fact there is a wide range of techniques*". Penny uses the analogy of excitement over innovation in mobile phone payments being equally matched by public outcry over the attempt to withdraw the cheque book. "*The traditionally ethically screened funds are the cheque books of the responsible investment market. They are an option that meets the needs of a proportion of investors. But they are not where the innovation is taking place. And they are not appropriate or the preferred choice for every responsible investor*".

Indeed, the debate is increasingly around the positive option. Penny welcomes the shift in the discussion, if only "*so that we can have a conversation like this and your wrap up question isn't 'Penny, tell me what people really want to avoid' [...] Perhaps, in the past, the message has been too negatively biased, so now we need to look a little broader. The area of innovation is focusing on the positive*".

"I think more support for people's financial needs is great, but there is a danger that advisers may then have a very limited range of investment products and only look quite narrowly at what is appropriate for clients."

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It makes sense for advisers to understand their clients in more depth and increase their skills in advising on green and ethical investment.

UKSIF's role through the changes

"*UKSIF is very much continuing to support those areas where it makes sense for everybody involved in green and ethical investment to work together. In particular, we coordinate National Ethical Investment week, which is in October this year, it will be the fifth and we really feel momentum building*".

Another key area is in the increasing focus on stewardship. "*Our research for National Ethical Investment Week last year found that about 25% of British adults with investments said that they were told too little by their financial advisor or pension fund about responsible ownership. So support for responsible ownership is one focus area*". It is also an area that John Kay in his review of UK equity markets has highlighted, in particular, how one creates an environment within which there is effective stewardship by investors of UK companies.

A second area of interest for UKSIF is the rise of social impact investing, where there are an increasing range of products coming to the market. The European Commission is planning a social entrepreneurship fund label to help investors to better identify social impact funds.

Peer-to-peer lending and microfinance

Though peer-to-peer lending has the potential to lend to individuals, Penny thinks what is particularly interesting is peer-to-peer finance as a means to lending to small business. There is also potential for peer-to-peer finance to support green and social projects, building on initiatives like Kiva and Lend with Care, which is in association with the Co-operative.

"*What's interesting is the opportunity that it introduces—connecting people more directly to how their money is generating wealth—and also the way in which it provides competition to the traditional finance sector. And that sort of competition is healthy.*"

Why is peer-to-peer or microfinance proving so popular? Firstly, Penny says, there is greater interest in understanding and having greater control over how money is used following the financial crisis. Secondly, it's part of a broader trend of using the Internet as an alternative to traditional services and intermediaries.

But what makes peer-to-peer funding really exciting is that it has the potential to offer a disruptive innovation challenge to traditional financial services. "*The way that disruptive innovation traditionally works is that a new product or service will come along and, in the early days, the established players in an industry won't see it as a competitor because it offers something slightly different*". Penny offers another analogy, this time in technology. "*When Microsoft and Apple started up, the established player in the computer industry said 'these people are irrelevant to us'. But, because there is a different market for that service, over time it develops to a point where it can compete with existing providers*".

What peer-to-peer finance can offer is a better connection with the end user of the money alongside a different approach to risk. Over time, Penny believes these services, by developing their track record, may start to compete with the established financial services providers. "*That would be hugely exciting. It introduces an incentive for financial services to respond. And in that instance, who the winners and losers are in the long term very much depends on how both new and existing players react*".

NATIONAL ETHICAL INVESTMENT WEEK 2012 RUNS FROM OCTOBER 14–20 TO RAISE AWARENESS OF GREEN AND ETHICAL INVESTMENT OPTIONS.

UKSIF PROMOTES RESPONSIBLE INVESTMENT AND OTHER FORMS OF FINANCE THAT SUPPORT SUSTAINABLE ECONOMIC DEVELOPMENT, ENHANCE QUALITY OF LIFE AND SAFEGUARD THE ENVIRONMENT.

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Objective

The investment objective of the fund is to provide a compounded appreciation of the investor's capital. The fund will invest primarily in liquid listed European equities of issuers in all sectors to develop a portfolio of securities of companies, which benefit either directly or via sustained competitive advantage from pursuing environmentally aware capitalism, for example, companies taking positive action on the corporate responsibility front by promoting environmentally aware behaviour internally, such as encouraging recycling in their workplaces, adopting a carbon emission offsetting program or recycling side products, such as the re-injection of CO_2 in oil exploration. The fund may also invest in other transferable securities issued by such companies, collective investment schemes which invest mainly or predominantly in such companies, in government bonds and in cash and near cash. The fund may use derivatives for efficient portfolio management purposes only.

B&GT interview

GLG's Jason Mitchell worked for the UK government for two years in 2008-2010 on water and renewable energy development projects across sub-Saharan Africa for the Commonwealth.
"Sustainability is the investment required to address demographic, environmental and social change. It is about effectively managing for growth—and that might be demographic growth, population growth, or growth in the provision of basic services, such as water and healthcare".

"What Virgin's fund tries to do is cover the carbon part of the story", says Mitchell. "The big emitting companies effectively carry a liability, which is basically carbon emissions multiplied by the price per metric tonne (roughly around 6.5 Euros, today)."

"What we have found is some correlation between companies reinvesting in lower emissions and companies that carry better scores in governance and transparency, better reinvestment around social criteria". Mitchell gives Novo Nordisk as a good example. Indeed, healthcare is generally well represented in the fund.

Mitchell also points out quite candidly that "[The fund] does not take an ethical worldview. It is solely based around environmental factors". Indeed, it is not for everyone and Mitchell offers some very sound advice around ethical and sustainable investing: "Investors who want to invest in the space need to do a lot of due diligence and at least be comfortable with the mandate".

Andrew Stead, Commercial Director for investment ISAs at Virgin Money, said "The Virgin Climate Change Fund is very much inline with our overall corporate ethos, which is about trying to make everybody who we do business with better off."

"It's about us making a fair profit. And it's about giving back to the community, which we are trying to do with the Climate Change fund. We are trying to protect the planet by investing in those companies with better environmental footprints and also looking at those at the forefront of innovation in the marketplace".

> "Sustainability is the investment required to address demographic, environmental and social change."
>
> Jason Mitchell

Personnel

Jason Mitchell, fund manager

Contact

For IFAs	http://virginmoney.com/ccf-ifa
For Private investors	http://virginmony.com/ccf

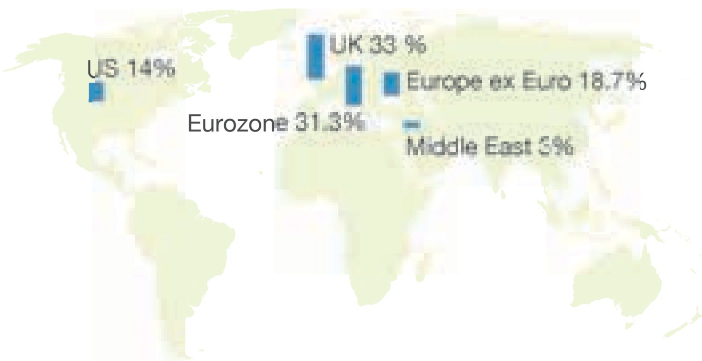
Top companies

	% Assets
Express Scripts	5.1
Apple Inc.	4.8
Arm Holdings PLC	4.7
Novo Nordisk	4.5
RBS Group PLC	3.9

Portfolio composition

	% Assets
Domestic equity	33
Intl. equity	67

Global distribution



Key statistics

Historic yield	-		ISIN	-	GB00B29KGH36
Currency	-	Sterling	Type	-	UCITS
Size (7/3/12)	-	£36 m	Status	-	
Inception Date	-	18/01/2008	Manager	-	Jason Mitchell

Other links

Virgin Money website
Bloomberg
Morningstar

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One eye on performance. One eye on the planet.

The Virgin Climate Change Fund
is a fund with a difference

The Virgin Climate Change Fund isn't your typical environmental fund.

- Unlike many others, the fund doesn't exclude any industries or sectors.
- It looks for high performers first and then cherry picks those with lighter environmental footprints.
- The fund also looks for companies adopting environmental best practice and pioneering green solutions.
- It's the first carbon-aware fund to achieve a Standard & Poor's 'A' rating.
- The fund is actively managed by GLG, one of the most sought-after fund managers in Europe.

The net result for investors? The potential for a better return and a better outcome for the planet too.

Please remember
Investment returns are not guaranteed and the value of investments may go down as well as up.

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POTENTIAL CONCERNS ABOUT SUSTAINABLE INVESTMENT

Many of the larger companies considered for investment have a less-than-stellar reputation when it comes to ethics and social responsibility. A leading SRI firm noted that:

Allegations that Apple used vendors in China who repeatedly subjected their workers to dangerous materials—along with the company's response to that controversy— was one of several factors that prevented the company from passing our social screens. ExxonMobil, Chevron and ConocoPhillips were excluded both because of their human rights records and because they received weak ratings on climate change issues.

However, Ethisphere's yearly summary of the world's most ethical companies indicates that many big name and household brands do make the cut, with 110 organisations singled out for praise of their ethical and sustainable credentials. In apparel, this included Adidas, Gap and Timberland; in banking and financial business services, the National Australia Bank, American Express and Accenture; in computing, Microsoft and Adobe; in food, the Co-Operative Group and Starbucks. Additionally, huge corporations such as eBay, Xerox, the Ford Motor Company and General Electric made the list. (Ethisphere, 2011)

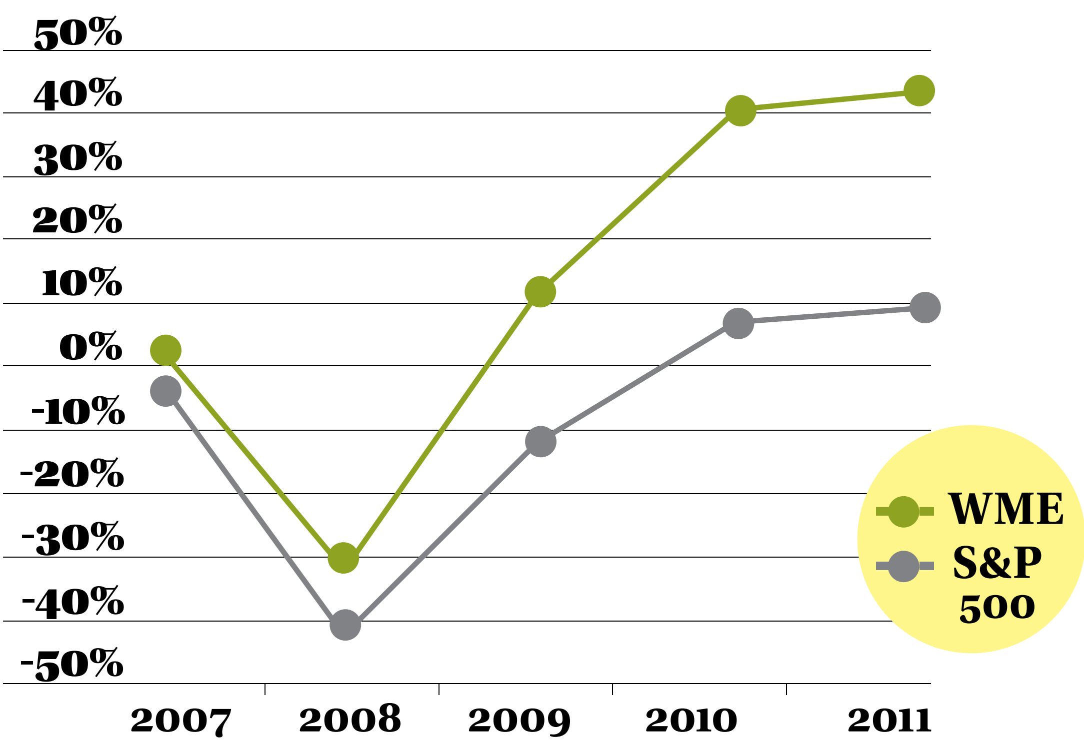

FIGURE 1: ETHISPHERE COMPARISON OF THE 2011 WORLD'S MOST ETHICAL (WME) COMPANIES INDEX AGAINST THE S&P 500, SINCE THE INITIAL WORLD'S MOST ETHICAL COMPANIES RECOGNITION IN 2007. (ETHISPHERE, 2011)

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As can be seen on the chart above, the world's most ethical companies (as ranked by Ethisphere) have significantly outperformed other organisations in terms of rate of return over the past four years, even when the 2008 global economic downturn is taken into account. It is clear that sustainable and ethical investment can be considered both stable and financially viable.

Effectiveness of Ethical Investment

In the past, investing solely in businesses that met certain criteria for ethical and socially responsible operating practices was often considered to be risky. These limitations often removed the biggest and most powerful businesses from consideration, forcing investors to go to smaller firms where the rate of return would likely be not as high. Additionally, a perceived lack of market share was considered off-putting for investors and, barring religious considerations, ethical investment did not find its feet until relatively recently, especially among investors who valued quick returns as well as their own moral codes.

However, when it did grow to the state where it could be considered an important force in the marketplace, an additional problem arose. Research in recent years has suggested that investment in 'sin stocks' – those companies that have a poor rights record, or that engage in business practices that some investors consider socially unacceptable as a trading prospect – might actually be beneficial to rates of return. Several hypotheses have been suggested, including the fact that a) incorporating sin stocks allows for a greater diversity of investments and thus a lowered sense of risk, and b) that the surge of people moving away from sin stocks in favour of more ethical or socially responsible investments has left behind a vacuum of investment potential that affords greater returns for those investors who do not feel so strongly about the moral aspects that it affects their financial decisions, offering better opportunities for growth due to a lack of competition.

A study carried out in 2007 determined that there was no significant difference in terms of rate of return for investment in ethical stocks, or those that were categorised as 'sin stocks' (adult entertainment and pornography, alcohol, gambling, nuclear power, tobacco and weapons), and that as long as the investments were suitably diversified, there was no significant additional risk to the provision of an ethically-based portfolio.

That said, it is important to note that the study in question only analysed wholly sin-based portfolios against wholly virtuous portfolios, and even then only in terms of six elements (as opposed to the nearly two dozen negative criteria used by many socially responsible investment organisations; with the possible exception of firearms production, the Sextet of Sin tend to be unpalatable from a moral or religious perspective, rather than the global social issues of, for example, environmentalism, Third World or child labour exploitation, and support of oppressive military regimes). As a result, its conclusion that there is little financial difference between investment in 'vice' or 'virtue' may be limited in its application to the wider market, and as green investing continues to grow and prosper, may well become less accurate as time goes on.

The Rise of Greenwashing and 'Ethicswashing'

With increased attention being paid to green issues, and the associated trend for companies to seen to express concern over their environmental footprint, many organisations have elected to promote their green credentials as a selling point. As a subcategory of wider ethical investment, then, the notion of promoting legitimate attempts to, for example, reduce carbon emissions, cut down on waste and improve packaging provision among other things, should be lauded as a legitimate exercise in marketing. However, it is all too often the case that companies try and promote the concept of environmentalism when their business practices do not measure up. This can make it very difficult for investors—either individuals, or investment firms who later pass on their recommendations to clients—to accurately gauge the green worth of their investments. Although some countries, such as Norway, have cracked down strongly on this, in many other Western countries green-washing (and, by extension, 'ethics-washing') are not as strictly policed.

Issues of sustainability and otherwise ethical investment are here to stay, but it is clear that investors must be as vigilant as ever, and demand transparency from all companies to weed out those who are simply jumping on the green bandwagon.

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CAN SUSTAINABLE INVESTING HARM YOUR WEALTH?

***LENA SEMAAN* EXAMINES THE POTENTIAL FOR FINANCIALLY AND MENTALLY REWARDING INVESTMENTS.**

With the promise of healthy returns and a clear conscience to boot, socially responsible investing is an appealing proposition. Against a background of heightened global awareness of issues such as climate change, ethical investments have shed their alternative hippie image and embedded themselves firmly in the mainstream.

Unfortunately, this hasn't necessarily led to greater clarity for the consumer—if there was any to begin with. The idea of putting the words "ethical" and "investment" in the same sentence would have been almost unthinkable 20 years ago and for many looking to invest it can still be both confusing and off-putting. Recognising this, many "ethical" funds have since been rebranded as the less value-laden sustainable investments or socially responsible investments (SRIs).

The reasons for this are logical enough. For one thing, while it would be delightful to bask in the notion of universal ethics for all, the fact is that one man's tobacco farm employment scheme is another's Death Valley. Moreover, a change in life circumstances can alter our viewpoint on what is or isn't ethical. Take drug testing on animals, for example: you might have been vehemently opposed to it at one time, but later medical breakthroughs may have changed your opinion.

If you're considering taking up the mantle of the socially responsible investor, it's worth remembering that there are no perfect companies. Even if a fund makes it through the screening process for being environmentally responsible, it may yet violate the principles of moral responsibility. For instance, a company that receives the all-clear on gambling and pornography might fall out of favour because of its military connections. Of course, there will also be people who happily argue that to create a free world in which good things can happen, strong military systems are necessary.

The problem is that it can be difficult for potential investors to see the environmentally sustainable wood for the trees. First, you have to comb through the fine print in the marketing documents to figure out whether the companies really do believe what they profess. Then you have to look at the numbers and decide whether the projected returns are worth putting your faith in. But investing responsibly means just that.

To help distinguish between SRI funds, industry players talk in terms of "dark green", "medium green" and "light green" funds. The theory is that the darker the green, the more likely it is that the fund will differ substantially from mainstream share funds. Dark green funds actively seek to invest in industries that input positively into society, such as renewable energy, or water and waste management. Medium green funds are often simply about avoiding contentious industries such as gaming, tobacco or uranium mining. And light green funds are generally those that select companies that are not as bad as their competitors.

The approach most widely used by investment funds tends to be "best of sector" investing. The fund manager selects companies with the best environmental and social records of all available funds. When it comes to commercial pressures to produce strong returns, SRI fund managers are in the same boat as any other fund manager.

This isn't necessarily a violation of their remit: while you may not like the way a supermarket group sources its food, you might acknowledge that its work practices and treatment of employees are both sustainable and sound. In the US, stocks of publicly traded companies that make Fortune's list of the "100 Best Companies to Work For" also tend to perform exceptionally well. On the face of it such companies might not produce "ethical" goods or services; however, treating millions of workers well is regarded as a major plus point these days.

For most people, the necessity of having a fund manager do the work for them means probably having to accept investing in companies that don't actively harm, rather than in companies that proactively do some good. However, for the diligent investor who has the time and inclination to do his or her own research, there are plenty of dark green options out there that also provide excellent returns. While we're not in the business of recommending, a good starting point is to look at clean technology, healthcare, efficient transport, recycling and waste management.

And then there's the all-important bottom line. Investment returns enjoyed by SRIs in recent years have helped to shatter any lingering view of socially responsible investing as a compromise, where you get to feel good despite the numbers not being so great. Instead, SRIs have shown they can equal and even outperform traditional investment funds.

Ultimately, SRIs are part of the money market. This means that if things generally are bad, SRIs too will perform poorly, as happened with the credit crunch of 2008. It also means that the same caveats apply to SRIs as to any other sort of investment: spread your risk; understand what you're investing in; balance your portfolio; and decide whether you want growth or income.

Given the multi-layered nature of SRIs it's possible to be as committed or as casual as you wish. As to whether any one SRI is better than another, as with ethics themselves, the decision is a highly individual one, based both on your own values and on your hard-nosed expectations of what an investment should deliver.

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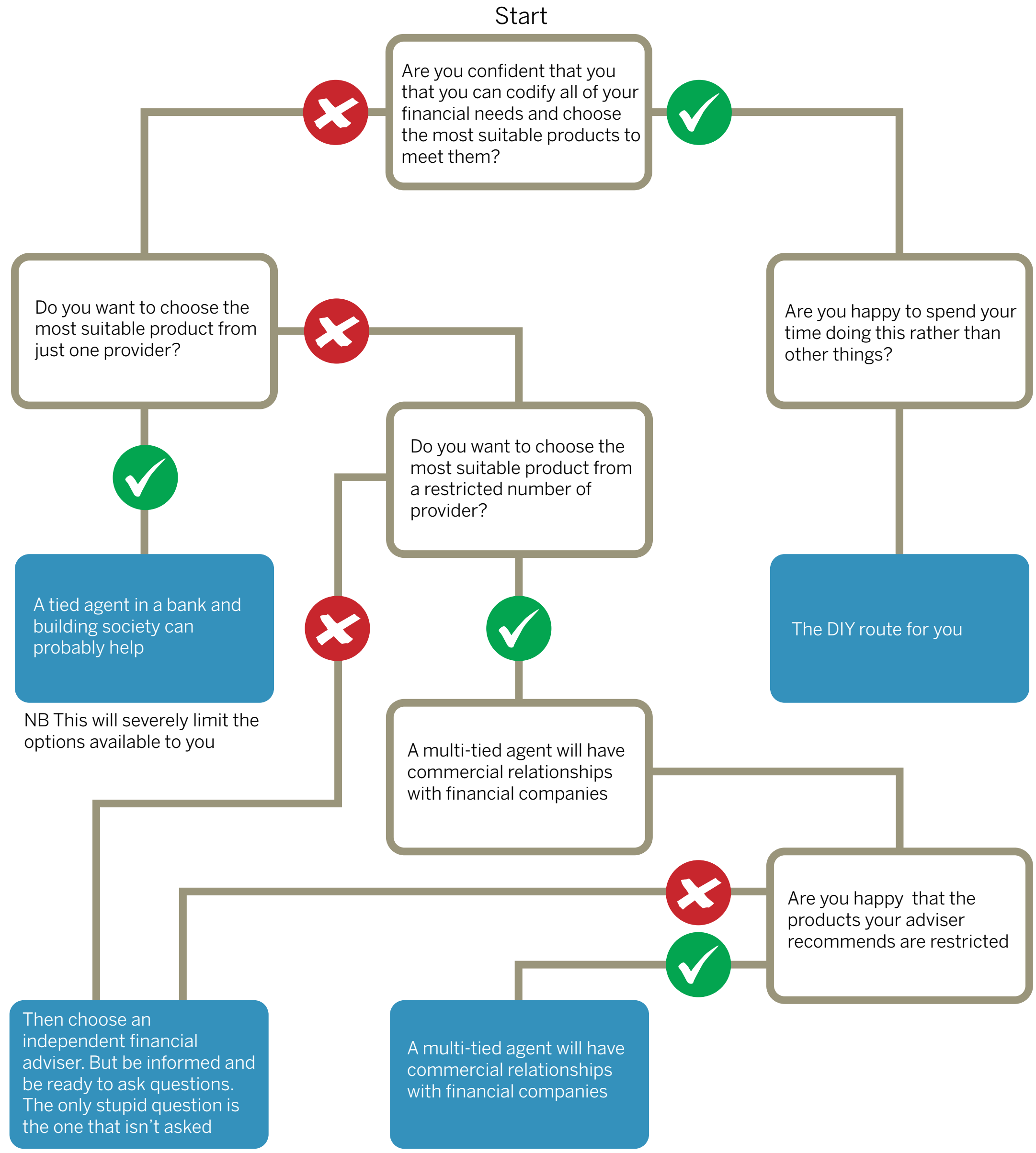
THE WORLD OF FINANCIAL ADVICE

Do I need financial advice?



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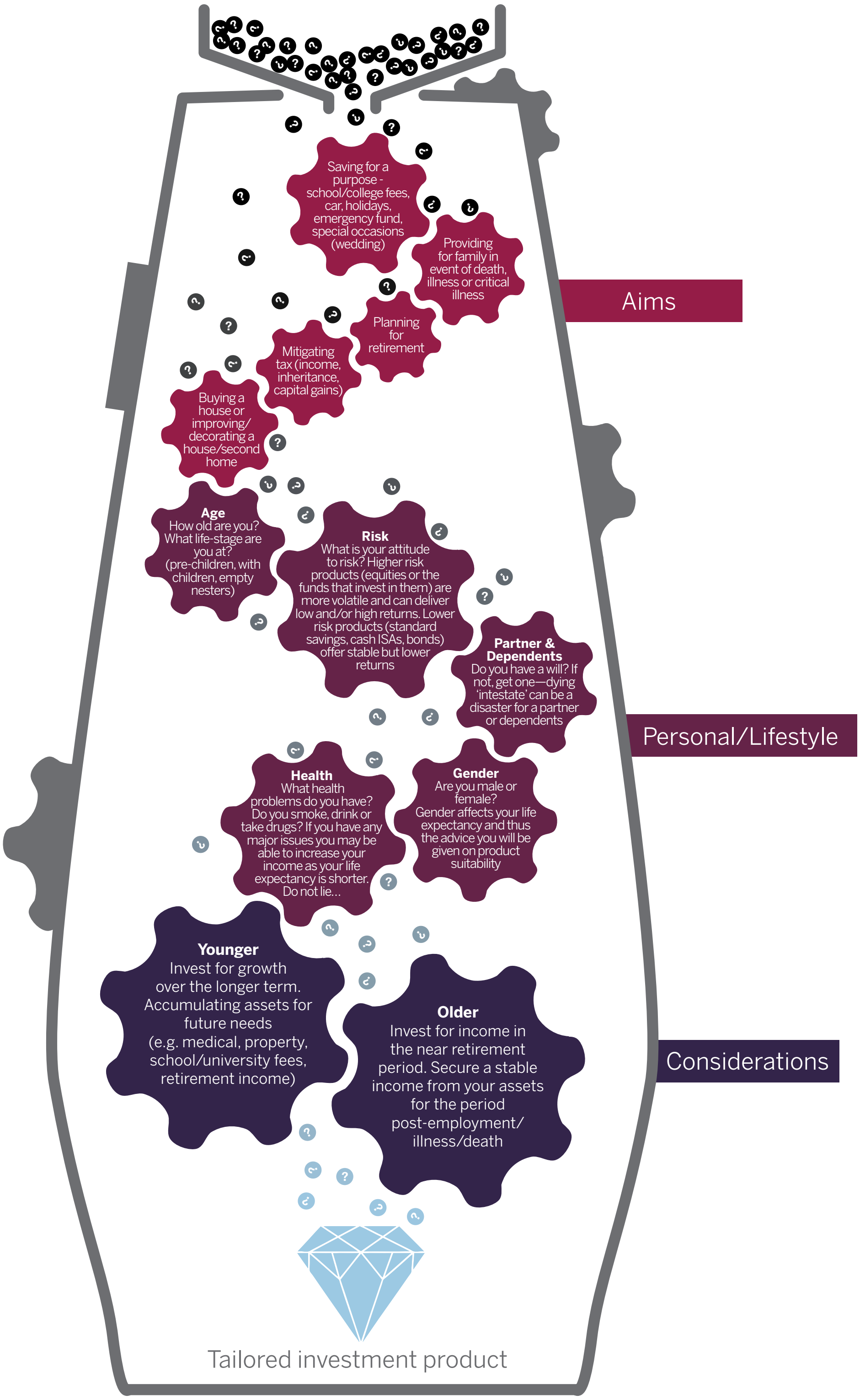
THE WORLD OF FINANCIAL ADVICE

Typical questions. What are you trying to achieve?



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THE WORLD OF FINANCIAL ADVICE

Atypical questions. Do you care what your money is invested in?

Do you want to avoid investing in:

Alcohol
Animal testing (medicine)
Poor environment
Human rights abuses
Nuclear Power
Weapons
Gambling
Tobacco
Pornography
Animal testing (cosmetics)
Genetic engineering

Do you want to actively invest in:

Organic food
Clean tech
Water supply
Agriculture/fishing
Transport
Recycling
Social enterprise
Green energy
Travel/tourism
Fair Trade
Biofuel
Forestry

NOTE: FONT SIZE REPRESENTS PERCENTAGES OF ADVISERS' CLIENTS WHO WANT TO AVOID OR INVEST IN EACH SECTOR.
SOURCE: BLUE & GREEN TOMORROW VOICE OF THE ADVISER SURVEY 2011.

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Where's your money growing?

Find out about green and ethical investing at
www.neiw.org

neiw
NATIONAL ETHICAL INVESTMENT WEEK
14th - 20th Oct 2012

JOINING UP THE DOTS...

PERSONAL FINANCE JOURNALIST AND AUTHOR SARAH PENNELLS LOOKS AT PLANNING YOUR ETHICAL INVESTMENT STRATEGY.

According to the ethical research organisation EIRIS, consumers have invested over £9.5 billion in green and ethical funds; and in a survey carried out for UKSIF (the sustainable investment and finance association, see page 23) over half of those questioned want to make money and make a difference. But what does this actually mean?

If I asked you to come up with half a dozen companies that you would be happy to include in an ethical or sustainable fund, what would you say? "A mobile phone company; a gas production and supply company; a supermarket chain; a bank." Hmm, perhaps not.

But whether you want to invest in an ethical or a sustainable way, or both, you'll struggle to find a company that totally fits the bill. Even if you track one down, you would be unwise to sink all your savings into it. While most of us are happy to make compromises in our day-to-day lives – we recycle glass and paper, for instance, but choose to drive a car when we could walk or take the bus – we often apply different standards to ethical or green funds. The problem is that, if you want to avoid compromising or taking decisions you're not 100 percent happy with, you're likely to be disappointed by many of the ethical funds around.

But that doesn't mean there aren't fund managers out there who are genuinely trying to do something different. Even when, in some cases, the make-up of a fund may look similar to non-ethical funds, the process of deciding whether or not to invest in it may be very different.

If you're well-off enough to put into direct investments such as specialist funds, company shares or social businesses, you can set your own rules about where your money goes. But if you're a novice investor you're more likely to start with indirect funds such as unit trusts and investment trusts.

Fund managers' websites carry information about Top 10 holdings and so on, but if you want to compare different funds try the yourethicalmoney.org website (an initiative of the EIRIS foundation). As well as doing your own research, talking to a specialist ethical independent financial adviser can be well worth it—as long as you choose carefully. The problem is that virtually anyone can say they advise on green and ethical issues, so go for someone who's a member of a specialist organisation such as the Ethical Investment Association or UKSIF, or who's listed on yourethicalmoney.org. These advisers have a track record in ethical finance and should have the expertise you need.

The first step

Before you see an adviser or start any research, work out what's important to you; where you're happy to compromise and where you'll draw the line. Bear in mind that the more companies you exclude from the range you can invest in, the more risk you're likely to be exposed to.

If you're thinking of investing in a fund, aim to find something that's broadly in line with your ideas. You should feel comfortable enough with what it's trying to achieve, even with the areas on which you'll have to agree to disagree.

Questions to consider include:

- ***What's important to me? Is my priority avoiding oppressive regimes or companies involved in the arms sector (traditional "ethical" areas), or would I rather capitalise on the potential of the renewable energy and green hi-tech sectors?***
- ***Do I want my money to influence the way companies behave? Some funds actively engage with organisations they invest in, while others simply focus on avoiding specific sectors or companies.***
- ***How much risk am I willing to take? Investing is for the long term, but you still need to be comfortable with short-term volatility.***
- ***How open is the fund management company about what it invests in? Some are better than others at giving investors information, especially about how much say they have in organisations they own shares in.***
- ***The key is to look behind the label: don't assume that funds called "green" or "ethical" are what you would consider to be green or ethical. Nevertheless, it's important to realise that, even if such funds don't live up to your expectations, it doesn't mean they're a waste of time.***

Sarah Pennells is the founder of savvywoman.co.uk, a finance website for smart women. Her latest book is Green Money: How to Save and Invest Ethically (A & C Black, 2009).

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FUNDS, FUNDS, FUNDS

BLUE & GREEN TOMORROW HAS SPOKEN WITH A NUMBER OF SUSTAINABLE AND ETHICAL FUND MANAGERS OVER THE LAST YEAR TO FIND OUT WHAT MOTIVATES THE DESIRE TO GO AGAINST THE GRAIN.

Clare Brook, manager of the **IM WHEB Sustainability Fund**, highlights the reasons behind the fund's existence.

"The three challenges of climate change and the energy crisis, water shortages, and an ageing population, are three of the most serious issues as a human race this century", she sates.

"*We believe that companies that meet those challenges are not only helping the world to overcome its most serious issues, and therefore are doing the right thing, but they will also grow faster than the economy as a whole, because there is such a necessity for what they're doing.*

"*By investing in these sort of funds, that are in turn investing in companies that are meeting these challenges head on, you stand a good chance over time of making good returns on your investment, and you're also helping the world move onto a more sustainable footing.*"

Simon Ellis, managing director of Legal & General Investments, explains how to get round some of the obstacles in the ethical investment sector, with specific relation to L&G's **Global Environmental Enterprises Fund.**

"*One of the challenges has been that many investors have felt that actually you're screening out things that might make some money*", he says.

"*Whilst they're happy to invest their principles, they would like to make some money in time.*

"*The way we see it is that you should be looking to find companies that are going to benefit from the change, which is why we go for positive screening rather than negative screening.*

"*So instead of choosing the cleanest oil company, we're actually interested in companies that are involved in replacing oil.*"

Bill Weil, chief investment officer at **Ludgate Environmental**, whose fund invests in innovative cleantech companies, says sustainable investment has a huge role to play in the economy.

"*The acknowledgement of the impact we are having on our planet, and the impact that socially responsible or ethically responsible investments can have on the world of finance, cannot be understated*", he claims.

"*Something like more than one in eight pounds [is invested sustainably]. It has reached a level of significance where now, conventional investment groups are really starting to pay attention.*

"*Influencing the corporate giants is another incredibly important job. And saying to the Walmarts and the BPs of the world,* "Please do not behave in this way", *is incredibly important.*"

"*The current rate of global economic growth is unsustainable*", says **Simon Gottelier**, portfolio manager at Impax Asset Management, which manages the **Skandia Ethical Fund**.

"*Furthermore, population pressures within the emerging markets, higher living standards creating high levels of consumption, weak infrastructure, resource scarcity and extremely high oil pricing, particularly volatile commodity pricing, global water shortages and high levels of pollution all create a very substantial and interesting investment opportunity.*

"*We invest in companies that are responding to those challenges in a positive way, by delivering a service or technology to deal with those challenges, and those are the key positive criteria that we employ when investing the fund.*"

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The **SVM All Europe SRI Fund** has a slightly different approach to investing than other funds in the space.

"*We have four principle areas of focus*", says the fund's co-manager, **Hugh Cuthbert**.

"*We look at the personnel, society and stakeholders, human rights, and the environment … We're not looking for best-in-class and we're not looking for industries of the future.*

"*We're trying to use our clout as shareholders to effect change, and we're looking to effect change in those four principle areas.*"

He adds that responsible financing was imperative for the future of our economy.

"*SRI is obviously important from a moral perspective, but what's absolutely key for me, is that it's important from an economic perspective*", he claims.

"*I genuinely think that if you add something to an investment process, such as this fund's four principles, you are doing just that.*"

Craig Bonthron, co-manager of the **SWIP Islamic Global Equity Fund**, a fund that consults Sharia Law when selecting investment opportunities, believes that the best way to solve world resource constraints is to invest sustainably.

"*There are problems that need to be solved and we can no longer stick our heads in the sand and ignore these issues*", he stresses.

"*Resource constraints are becoming clearer and clearer. We need to find alternative sources of energy, we need to find more efficient ways of disposing of our waste, and we need to find more efficient ways of finding water, using it efficiently and returning it to nature in a clean way*.

"*So there are clearly a lot of resource constraints and demographic issues throughout the world that we need to solve, and one of the best ways of doing that is to invest capital behind it, and allow companies to focus on that and provide solutions.*"

Chris Wright, manager of the **Premier Ethical Fund**, describes the type of companies the fund invests in.

"*We try to accentuate or encourage the positives*", he explains.

"*The fund will look to invest in companies that provide products and services that aid environmental sustainability … That includes companies that are involved in pollution control, monitoring industrial efficiencies, energy preservation, production of energy saving devices, process control equipment, and also companies that are involved in sustainable transport that might have an active interest in low-carbon energy production and renewables.*

"*We also look at companies whose products put an emphasis on improving individuals' basic standard of living, rather than focusing on luxuries, as well as companies that supply educational training services and companies that are involved in the preservation of water supply*."

Camilla Ritchie, investment manager at Seven Investment Management, tells us about its **Sustainable Balance Fund**, and why people should consider ethical investment.

"*I don't want to proselytise or dictate what people should do, but I genuinely feel that people ought to consider the environment and how much of the world's resources we're using*", Ritchie states.

"*If we are able to invest in companies that have a lower carbon footprint than others, then I think that that is the better thing to do*.

"*From an environmental point of view, it's preferable to invest in stocks that have a lower carbon footprint, and also it's preferable to invest in stocks where the companies are behaving in a better way towards their workers, so the social environment is better.*"

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YourEthicalMoney.org

The one-stop-shop for green and ethical finance

- Learn about how and where your money is invested
- Search for green and ethical financial products
- Find out how you can help make finance more sustainable

Five easy tips on how to give your finances an ethical makeover

1. **Switch your current account** to an ethical bank that only finances business and organisations which benefit both people and planet
2. **Invest in a nicer ISA** which supports dynamic green technologies whilst generating a healthy return
3. **Swap your credit card** for one that raises money for good causes every time you spend
4. **Go for a greener mortgage or insurance policy** and offset some of the carbon emissions produced by your home
5. **Visit www.YourEthicalMoney.org** to find out how you can make a positive difference with your money

Banking | Investments & ISAs | Pensions | Insurance | Mortgages | Credit Cards | Student Finance | Child Trust Funds

PRESERVING AN ETHICAL HERITAGE

THE ETHICAL INVESTMENT ASSOCIATION (EIA) BRINGS TOGETHER UK FINANCIAL ADVISERS WHO ARE DEDICATED TO PROMOTING GREEN AND ETHICAL INVESTMENT. B&GT CAUGHT UP WITH JULIAN PARROTT, CHAIR OF THE EIA AND A PARTNER IN ETHICAL FUTURES.

Why should investors carefully consider ethical investment? "All investment decisions ultimately have a consequence and therefore investing in responsibly managed businesses can, in the global scale of things, make a difference in the way that our world is run. We feel that if you have a set of values then it's almost an obvious step of ethical or responsible consumerism.

"On broader level, it's about creating a bond between you and big business. People see businesses, small and large, simply as other entities to which they have no particular connection, but day-in, day-out, through various investment plans you are investing in them. This is a way to contribute to how they operate as responsible citizens of the world."

What is the current focus of the EIA and its members? "Members of the EIA are currently focused on issues related to changes in the fund management field in the socially responsible investment (SRI) community, on the back of announcements from Henderson and Aviva. The EIA have got a meeting coming up in May in which we will be looking at ethical and socially responsible investment—considering where it goes and how it sits within the broader responsible capitalism agenda".

"We welcome the general expansion in investment opportunities under a broader environmental, ethical, social impact banner, that are undoubtedly coming into the market. But at the same time we, as a group, reserve the right to question the merit of certain changes that have happened in the market for fear that there might be a drift towards what you might call 'ethics light'".

UKSIF's Penny Shepherd commented on the shift in strategy for large investment companies (see page 23). What is the stance of the EIA? "What we've always felt about the larger companies is that they have been in the position to resource high quality research and to be innovative in thinking about forthcoming issues, so they're not only addressing the traditional thin stock approach, but also looking at both the next risks and the next opportunities. We feel this has been very positive in respect of a) driving the agenda, and b) looking at the actual investment risk aspects of businesses (i.e., are they taking up future opportunities? Are they exposed to potential reputational or commercial risks?). Therefore, we feel that it's probably reasonable to say that, in times of economic gloom, it may be deemed a luxury to have a team that do the thinking around ethical issues; however, it gave

> **"People are looking for a readily recognisable, clear social or environmental outcome."**

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real added value to the investment funds in terms of the overall quality of return and the integrity of the investment".

Is there a perception that traditional tough screening is yesterday's news, with most wanting to move to a broader environmental, social, and corporate governance (ESG) agenda? "Our view would be that a lot of these companies have done a very bad job of connecting the incredible work they've had done by their own management teams to their distribution networks. So some of the concerns might be that their [sustainable or ethical] funds haven't grown and we would counter that, actually, they simply haven't done a very good job at communicating the quality and extent of such products via their own sales staff to the broader IFA community." Julian recalls the time when Aviva launched its Sustainable Futures Fund; an Edinburgh-based sales representative was dealing with business for the whole country, simply because the local representatives didn't even know that they had green funds. "And yet Aviva had the market-leading product range in the UK. It is amazing".

The choice by Aviva and Henderson to close down their SRI teams has given many advisers pause for thought. "It's good that environmental, social and governance (ESG) is being taken into account as a main investment consideration when we're making broader investment decisions, but what we feel is that there is a risk of dilution of the focused, specifically values-led funds".

So, there is concern that the teams championing SRI have now left those companies... "I am delighted that the Henderson SRI team have gone to Wheb Asset Management and that they are working on their sustainability funds [...] But advisers in the EIA feel that there is still a groundswell demand for responsibly managed businesses. And that isn't necessarily the same as business that follows a thematic sustainable approach.

"We don't all want to be investing in water companies, renewables and transport. We might want to make sure that our supermarkets are responsible in how they source, deliver and produce their products. We might want to make sure that infrastructure companies take a more responsible approach. It's a dynamic market, and the adviser community and the traditional ethical community is taking a little bit of time to get used to the changes."

The ability to create change in industry through investment in improved SRI policy is something that has always been very much sought after. "I think the big question is 'what is the evidence of success in driving that forward?' If there are engagement policies or if we are selecting industries on the basis of generally positive activity in either deliverance or product development, what are the benchmarks that firms have to satisfy to achieve that?"

Indeed, large Western companies tend to be more than capable of delivering documents that state their policies or intentions. But clear benchmarks or trigger points that show positive outcomes of the activities as opposed to simply stating the existence of a policy is an issue that needs to be addressed, according to Julian. In fact, EIRIS recently launched its new Sustainability Ratings Service to address exactly this issue (see page 47).

"We are looking for people to explain to us, with some clarity, what the rationale is for just going down a sustainability route [...] I've always been an advocate of engagement in business. But we see a lot of weakness about very hot topics like engagement.

Changes are often met with disapproval... Where do we go from here? "I think people are beginning to say, 'Maybe we buy into the sustainability agenda or to the positive investment agenda, and we'll have a bit of that, but actually, what we'd really like to do is put our money somewhere where it'll make some real social impact or dividend'. Therefore, we're starting to see investments where there are clear, demonstrable social outcomes. I think that's an aspect that will probably only grow. We're also going to see growth of non-traditional distribution of investment opportunities—things like crowd funding." Peer-to-peer funding is an area that Penny Shepherd also believed was very much on the rise (see page 23).

"Sitting here as advisers with orthodox planning heads on we think that there is going to be a need for core realisable, manageable, traditionally tradable liquid assets, which will be in the form of cash, stocks and shares, and other forms of equities. We want to see a growth of opportunity, but we don't want to see the complete disposal of any base criteria in favour of purely going after a positive story. Otherwise, you could end up investing in a positive arms manufacturer; all the metal is recycled and all the

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"Let's not throw the baby out with the bath water. It has been the dedication and enthusiasm of core investors that has grown the story of socially responsible investment from the basis of, initially, negative screening"."

wood comes from sustainably grown trees—but the product still kills people.

"Let's not throw the baby out with the bath water. It has been the dedication and enthusiasm of core investors that has grown the story of socially responsible investment from the basis of, initially, negative screening". Julian strongly believes that ethical investment should not forget where it stemmed from and that there is a continued need for truly ethical investment practices.

"The most positive outcome is for our organisation and for UKSIF not to need to exist. Because actually what happened was *de facto* the responsible way that money was invested. But I think we're a long way of that yet".

Could you give us a glimpse of the future of ethical, sustainable and responsible investment?
"I see both growth and possible fragmentation in the market. That is, growth in mainstream investment funds offering a broadly sustainable investment strategy. I think there is ample evidence of companies coming in at all different levels with some form of environmental or ethical story. So, that's a positive, because are opportunities are springing up in places where they hadn't been seen before.

"But I also see a degree more fragmentation. People are looking for a readily recognisable, clear social or environmental outcome. We've already seen an increase in the availability of environmentally focused specialist investments, such as enterprise investment schemes, where people are investing in real, on-the-ground projects, particularly in renewable technologies. We're starting to see the development of investments that support social enterprise and social impact; things like social finance to work with managing social, health and welfare issues.

"Social enterprise hasn't been invited to the party in the last 10 years really, because the party has been about controlling or investing in liquid assets in major markets. But if you read anything about social enterprise, you'll know that there is a debate about it growing up and standing alone as a viable business entity. With that, you're also starting to see mechanisms to bring that to market in a more palatable fashion."

Finally, what are the EIA's plans for National Ethical Investment week? "We are looking for ways to try and communicate our message out further to mainstream independent financial advisers, perhaps through the financial regulatory bodies. We will look to promote actively within that week and to encourage our members on a local level to get involved. We've always been a grass roots organisation, so we will use the opportunity to spread the word."

NATIONAL ETHICAL INVESTMENT WEEK 2012 RUNS FROM OCTOBER 14–20 TO RAISE AWARENESS OF GREEN AND ETHICAL INVESTMENT OPTIONS.

THE ETHICAL INVESTMENT ASSOCIATION (EIA) BRINGS TOGETHER UK FINANCIAL ADVISERS WHO ARE DEDICATED TO PROMOTING GREEN AND ETHICAL INVESTMENT.

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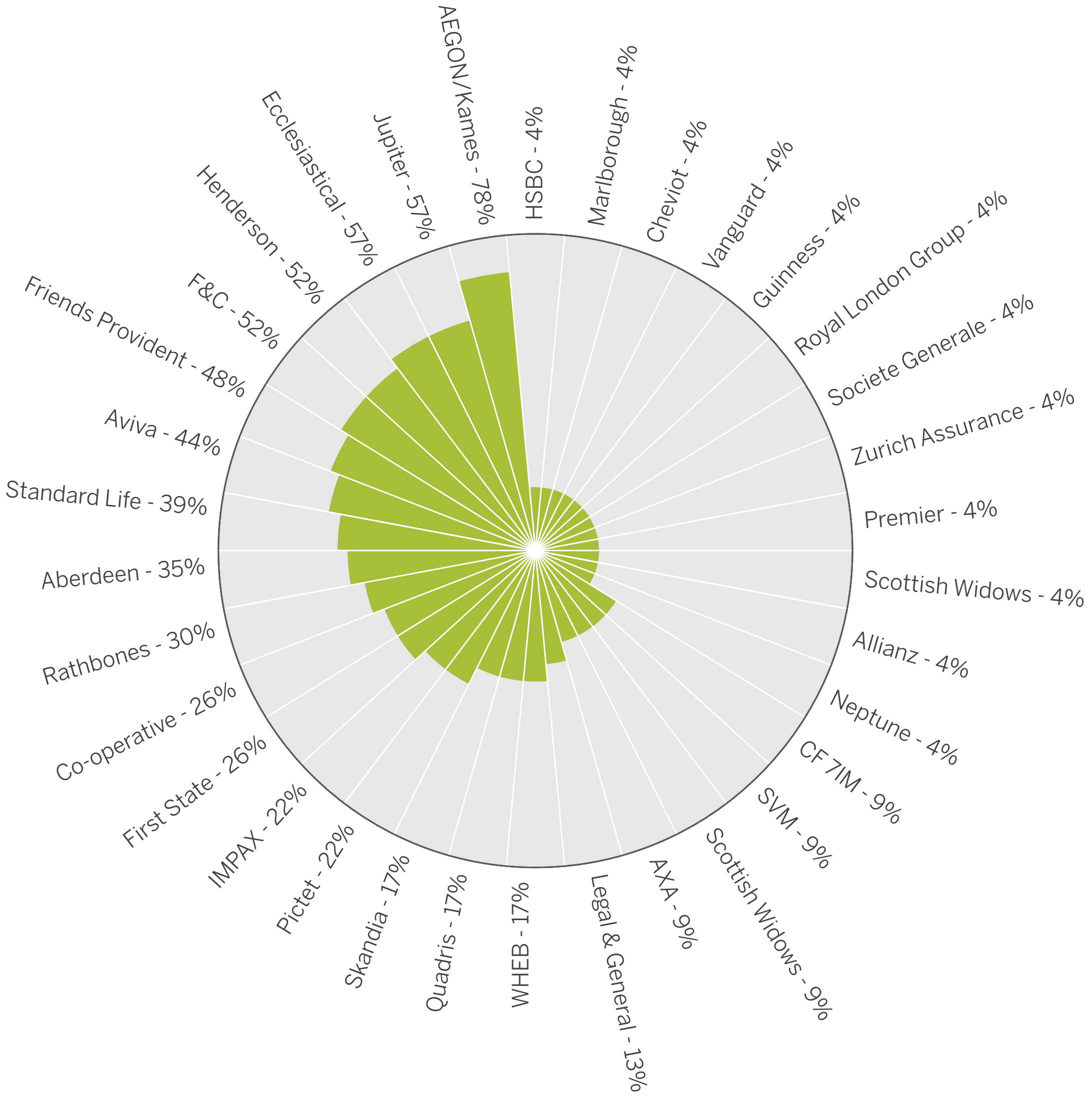
ADVICE FROM ADVISERS

IN 2011, WE ASKED OUR PANEL OF ETHICAL IFAS WHICH OF THESE ETHICAL FUND PROVIDERS THEY USE MOST FREQUENTLY. WELCOME TO THE ETHICAL WHEEL OF FORTUNE.



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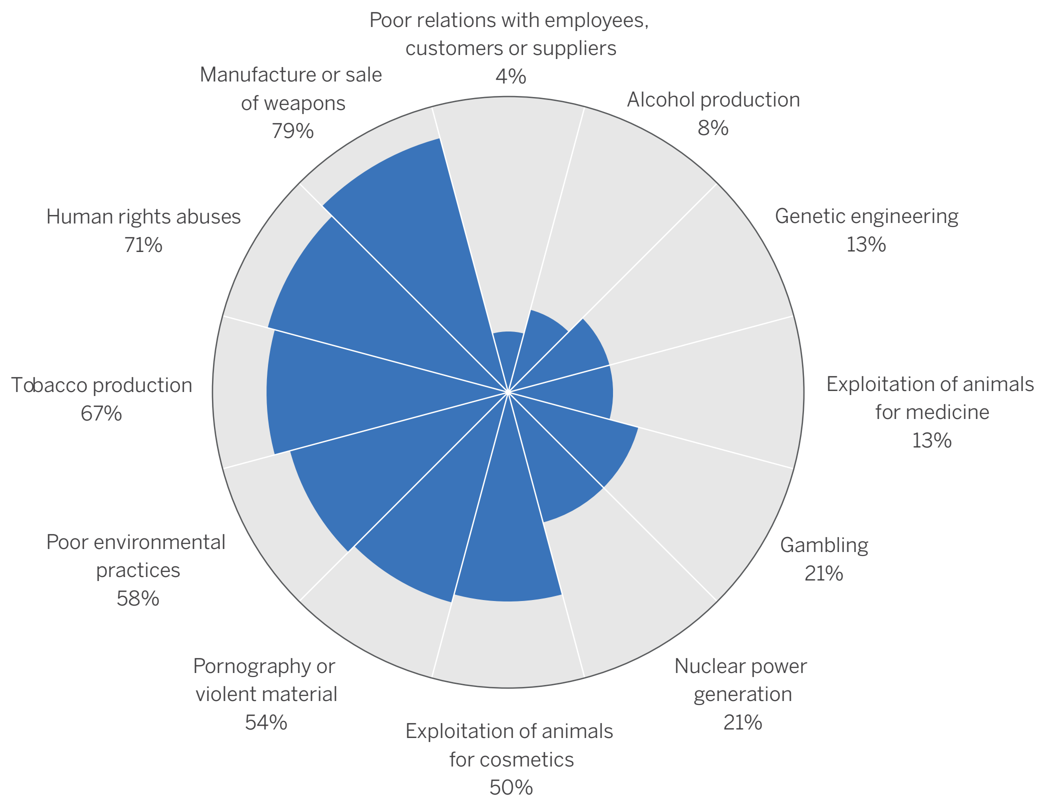
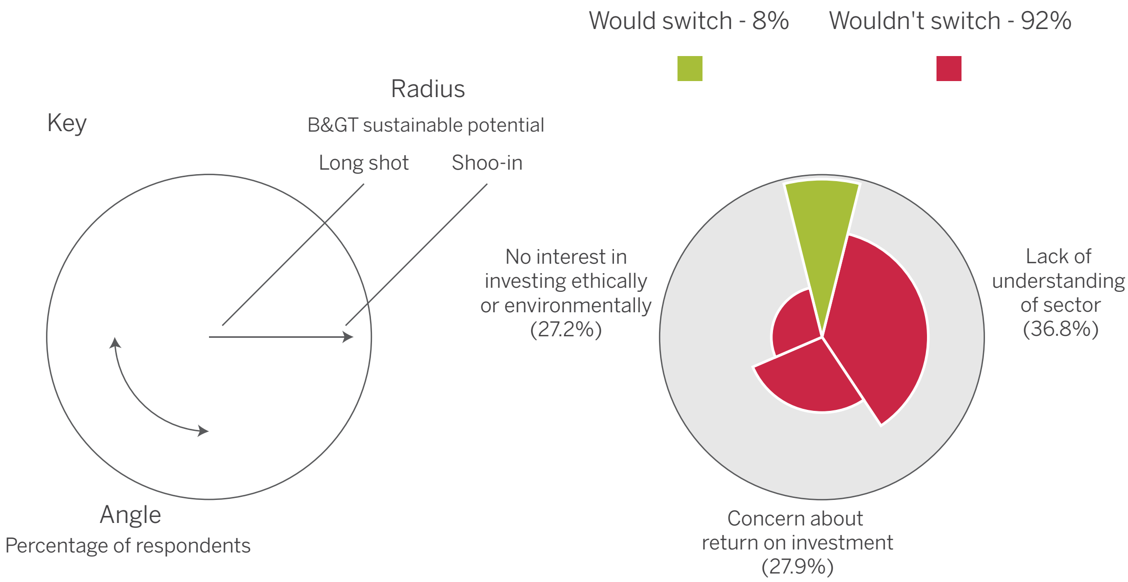
INVESTOR PERSPECTIVE

IN 2011, WE ASKED OUR PANEL OF ETHICAL IFAS WHICH SECTORS THEIR CLIENTS WERE MOST KEEN TO AVOID.



IN 2011, WE ASKED 5,104 PRIVATE INVESTORS WHETHER THEY WOULD BE WILLING TO SWITCH TO MORE ETHICAL OR ENVIRONMENTAL INVESTING– AND IF NOT, WHY?..



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SUSTAINABLE FUND REVIEW

- Funds with the red devil icon avoid investment in the 'sextet of sin'
- Funds with the orange devil icon avoid investment in other 'negative' criteria
- Funds with the green angel icon focus investment on positive criteria either by support or engagement
- Funds that conform to Shariah Law

Fund	Alcohol	Gambling	Military/Armaments	Nuclear power	Pornography	Tobacco	Animal testing (pharma)	Animal testing (cosmetics)	Genetic engineering	Intensive farming	Non-sustainable timber	Climate change	Environment	Equal opportunities	Human rights	Positive business focus	Shariah Law
Aberdeen Ethical World Fund	●	●	●	●	●	●	●	●					●	●	●	●	
Aberdeen Responsible UK Equity	●	●	●		●	●							●		●		
Allianz RCM Global Eco Trends												●	●			●	
Aviva Investors Sustainable Future Absolute Growth	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors Sustainable Future Corporate Bond Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors Sustainable Future European Growth Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors Sustainable Future Global Growth Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors Sustainable Future Managed Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors Sustainable Future UK Growth Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Aviva Investors UK Ethical Equity Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Axa Ethical Distribution Fund		●	●	●	●	●	●	●		●	●		●		●		
BlackRock New Energy Investment Trust plc												●					
Capita CF 7IM Ethical Fund			●	●		●			●								
Cheviot Climate Assets Fund	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	
CIS Corporate Bond Income Trust			●	●		●		●	●	●		●	●		●	●	
CIS FTSE4Good Tracker Fund			●	●		●		●	●	●		●	●		●	●	
CIS Sustainable Diversified Trust			●	●	●	●		●	●	●		●	●		●	●	
CIS Sustainable Leaders Trust	●	●	●	●	●	●		●	●	●		●	●	●	●	●	
CIS Sustainable World Trust			●	●	●	●		●	●	●		●	●		●	●	
CIS UK Growth Trust			●	●				●	●	●		●	●		●	●	
CIS UK Income with Growth			●	●				●	●	●		●	●		●	●	
Clerical Medical Ethical Fund		●	●	●	●	●		●			●	●	●		●		
Ecclesiastical Amity European Fund	●	●	●		●	●		●		●		●	●		●	●	
Ecclesiastical Amity International Fund	●	●	●		●	●		●		●		●	●		●	●	
Ecclesiastical Amity Sterling Bond Fund	●	●	●		●	●		●		●		●	●		●	●	
Ecclesiastical Amity UK Fund	●	●	●		●	●		●		●		●	●	●	●	●	
F&C Ethical Bond Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
F&C Stewardship Growth Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
F&C Stewardship Income Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
F&C Stewardship International Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Family Charities Ethical Trust	●		●			●		●		●	●		●		●		
First State Asia Pacific Sustainability Fund												●	●		●		
Friends Provident Stewardship Income Life Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Income Pension Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship International Life Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Life Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Managed Life Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Managed Pension Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Pension Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Friends Provident Stewardship Safeguard Optimiser Fund	●	●	●	●	●	●	●	●				●	●	●	●	●	
Guinness Alternative Energy Fund												●	●				
Halifax Ethical Fund	●	●	●	●	●		●	●				●	●		●	●	
Henderson Global Care Growth Fund	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Henderson Global Care Managed Fund	●	●	●	●	●	●		●	●		●	●	●	●	●	●	
Henderson Global Care UK Income Fund	●	●	●	●	●	●		●	●		●	●	●	●	●	●	

APRIL 2012

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Funds with the red devil icon avoid investment in the 'sextet of sin'

Funds with the orange devil icon avoid investment in other 'negative' criteria

Funds with the green angel icon focus investment on positive criteria either by support or engagement

Funds that conform to Shariah Law

Fund	Alcohol	Gambling	Military/Armaments	Nuclear power	Pornography	Tobacco	Animal testing (pharma)	Animal testing (cosmetics)	Genetic engineering	Intensive farming	Non-sustainable timber	Climate change	Environment	Equal opportunities	Human rights	Positive business focus	Shariah Law
Henderson Industries of the Future Fund	Red	Red	Red	Red	Red	Red		Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Homeowners Friendly Society FTSE4Good Fund			Red	Red		Red							Green		Green		
HSBC Amanah Global Equity Index Fund	Red	Red	Red		Red	Red											Shariah
IFSL Impax Environmental Leaders Fund													Green				
IM WHEB Sustainability Fund												Green	Green				
Impax Environmental Markets (Ireland) Fund												Green	Green				
Impax Environmental Markets plc												Green	Green				
Jupiter Ecology Fund	Red	Red	Red	Red	Red	Red		Orange	Orange				Green			Green	
Jupiter Environmental Income Fund			Red	Red		Red		Orange					Green			Green	
Jupiter Green Investment Trust PLC													Green			Green	
Kames Ethical Cautious Managed Fund	Red	Red	Red	Red	Red		Orange	Orange	Orange	Orange		Green	Green		Green		
Kames Ethical Corporate Bond Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange		Green	Green		Green		
Kames Ethical Equity Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange		Green	Green		Green		
Legal & General Ethical Pension Fund		Red	Red		Red	Red	Orange	Orange		Orange	Orange	Green	Green		Green		
Legal & General Ethical Trust	Red	Red	Red		Red	Red	Orange	Orange		Orange	Orange	Green	Green		Green		
Lincoln Green Life Fund	Red	Red	Red	Red	Red	Red		Orange	Orange				Green			Green	
Ludgate Environmental													Green				
Marks & Spencer Ethical Fund								Orange					Green		Green	Green	
Marlborough Ethical Fund	Red	Red	Red		Red								Green	Green	Green		
Neptune Green Planet Fund	Red	Red	Red		Red	Red				Orange			Green	Green		Green	
Premier Ethical Fund	Red	Red	Red		Red	Red		Orange					Green		Green		
Prudential Ethical Trust			Red		Red	Red			Orange				Green	Green	Green		
Quadris Environmental Fund											Orange		Green				
Rathbone Ethical Bond Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange		Orange	Green	Green	Green	Green	Green	
Real Life Fund	Red	Red	Red		Red	Red		Orange					Green		Green	Green	
Royal London Ethical Bond Trust	Red	Red	Red		Red	Red		Orange					Green		Green		
Schroders Global Climate Change Fund											Orange	Green	Green			Green	
Scottish Life UK Ethical Fund			Red	Red		Red		Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Scottish Widows Environmental Investor Fund				Red		Red	Orange	Orange	Orange	Orange	Orange	Green	Green				
Scottish Widows Ethical Fund	Red	Red	Red	Red	Red	Red		Orange					Green		Green	Green	
Skandia Ethical Fund	Red	Red	Red	Red	Red	Red	Orange	Orange					Green	Green	Green	Green	
Sovereign Ethical Fund	Red	Red	Red	Red		Red							Green		Green	Green	
Standard Life Ethical Corporate Bond Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Standard Life Ethical Life Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Standard Life European Equity Ethical Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Standard Life UK Ethical Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
Standard Life UK Pension Ethical Fund	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Orange	Green	Green	Green	Green	Green	
SVM All Europe SRI Fund	Red	Red	Red		Red	Red	Orange	Orange			Orange		Green	Green	Green		
SWIP Global SRI Fund			Red	Red			Orange	Orange	Orange	Orange	Orange	Green	Green			Green	
SWIP Islamic Global Equity Fund	Red	Red	Red			Red											Shariah
SWIP Pan-European SRI Equity Fund													Green	Green	Green	Green	
Triodos EIS Green Fund												Green	Green				
UBS (Lux) Islamic Global Equities Fund		Red	Red		Red	Red											Shariah
Virgin Climate Change Fund												Green	Green				

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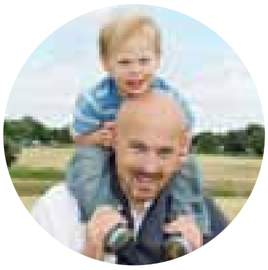
blue&green tomorrow

WALKING THE WALK

OVER THE PAST YEAR, BLUE & GREEN TOMORROW TALKED WITH A NUMBER OF SPECIALIST ETHICAL AND SUSTAINABLE ADVISERS. THEY ALL HAVE ONE THING IN COMMON—THEY ARE THERE TO HELP.



Doing the right thing means investing your money ethically, sustainably and responsibly.

And despite a number of misconceptions floating around the space, this doesn't necessarily have to be to the detriment of your finances.

"*I've been around long enough now to realise that there are periods in history where ethical investments will perform better, and there are periods in history where conventional investments will perform better*", says Wimbledon-based **Richard Hunter, director at Equity Invest**.

"*It just depends when you're investing, and the risk strategy that you take when you invest.*

"*I've had some ethical clients who have done phenomenally well and I've had some ethical clients who have done very badly, depending largely on the criteria that they've set.*

"*If they remove too much of the market, then sometimes we're left with a situation where we simply cannot get the returns comparable to the conventional market.*"

When it comes to ethical investment specifically, **Martin Stewart of Stewart Investment Planning** in Bristol, is keen to point out that, as a financial adviser, he's not here to pass judgement as to why people aren't investing their money sustainably.

"*I do not judge people if they choose not to invest ethically*", he says.

"*It's often a lack of knowledge and awareness, along with false myths about green and ethical investing that can put potential investors off and for this reason I do invest time sharing introductory information with those who express some interest in knowing more.*

"*A common false myth is that you have to sacrifice performance, but this is no longer true.*

"*90% of wealth managers surveyed in the summer of 2009 said that their green and ethical portfolios performed as well as or better* than their other [unethical] portfolios.»

Money talks", states **Ash Rawal, managing director of investment management specialists, Lighthouse Impact Ltd**.

"*If more people put their money where their mouth was, they would not only make themselves better off, but they would also make the world a better and a stronger place, and they would have a larger stakehold in the way we shape the world.*

"*Ethical investment makes you more in harmony with your personality*.

"*It puts your beliefs to work within your investment portfolio, it's more individual, and you're tailoring it to what you believe in, rather than being shown what to buy in the market place.*"

When it comes to investing ethically, **Julian Parrott, partner at Ethical Futures**, believes there are two elements as to why people should consider it.

"*One is just the simple aspect of it being your money and you should be able to exercise some choices to how it's invested, and*

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if you hold particularly strong feelings about investment activity, then you should be able to reflect that in some way, shape or form.

"*More importantly, I think, especially given all the things that are going on at the moment on the back of the financial crisis, is that it's just another mechanism to try and connect people a little bit more to their money*."

Christian Thal-Jantzen, of Bromige Independent Financial Advisers, says that we formed the environmental problems, so it's our job to solve them.

"*The world that we live in today is largely created by human beings, and we are human beings*", he says.

"*Therefore, if we don't like it and we think it should be different, we've got to act differently, and one way we can is by investing ethically*.

"*The cumulative effect of people doing this could be quite significant, and in fact change things dramatically*."

"*If people have a concern about their own behaviour and that of their fellow human beings, then they might be interested in what the so-called ethical or socially responsible investment approach can offer them*.

"*I'm not, from a moralistic point, coming out and saying that people should invest ethically. I think it's only worth doing this sort of thing if people are genuinely interested in it*."

Ian Green, of Green Financial Advice in Putney, refers to the National Ethical Investment Week slogan, 'make money and make a difference'.

"*If you can make your money do good stuff for others while it's working for you, I think that's a good idea*", he states.

"*I am not an adviser that insists his clients invest 100% ethically, socially-responsibly or green – that's not what I do. I don't demand clients do that, I don't demand clients do anything*.

"*What I always think is, as an individual, in terms of looking after the environment and being green, I like to do what I can, where I can*."

Lee Smythe, managing director of Smythe & Walter Chartered Financial Planners, points out that people are fundamentally ethically-minded.

"*We don't ever have anyone say 'I want my money putting into something unethical', when we tell them that there is a more ethical choice, they are usually very pleased*."

Making the ethical choice may sound appealing but at the end of the day, people want what's best for them, so is there a compromise?

"*There can be. It's no secret that there are better options. However, we make a real effort to make people aware of what is available ethically speaking*.

"*There is a broad range; solar and bio power for example offer great returns with appealing tax breaks, with the obvious benefits to green energy sector.*"

John Ditchfield, a managing partner at Barchester Green, says there is "*still a great deal of misunderstanding*" when it comes to ethical investment in the UK.

He adds that there is problems with information about ethical funds getting out there and says "*the banks are quite obstructive*".

Barchester Green wants to "*encourage joined up thinking*" when it comes to people looking at their financial options and considering their ethical values.

Ditchfield says that if people do not think about where they are putting their money then "*they wouldn't be investing ethically and potentially they are at odds with their own values*".

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If attitudes to money don't change, says **Jeremy Newbegin, director of The Ethical Partnership**, *"In the end it may well bring about an economic disaster—if we are not already too late.*

"Integrity needs to be the foundation of all we do. If that had been the case we wouldn't be in the situation we are now in."

However, Newbegin does appreciate that people have a lack of knowledge about ethical investments and he sees that as *"the industry's fault"*.

He adds that when people are asking about investments in general, rarely are the ethical options discussed, and if they are, then they are spoken about negatively.

Bad advice is something of a worry for Newbegin: *"there are a lot of wolves out there dressed in sheep's clothing"* who are potentially giving out ethical financial advice with limited knowledge. If people take their advice they could be put off by a bad experience.

"Research has shown that long term you don't have to be disadvantaged to invest ethically", says **Helen Tandy, a director at Manchester-based financial advisers, Gaeia**.

She points out that many of Gaeia's clients are already interested in environmental issues so *"the returns are not paramount.*

"Yes, we have lots of clients for whom return is important, and I think we can prove in the years we have been in this industry that we don't have to lose out in that respect, but we do also have lots of clients for whom return isn't the first thought.

"The first decision is 'Where is my money going?' and 'Who am I supporting with my investment?'".

Read the full interviews:

Richard Hunter: "Be part of the system": Equity Invest urges individuals to do the right thing with their money

Helen Tandy: "Think differently about the world that we live in"

Christian Thal-Jantzen: Widespread ethical investment could change the world "dramatically"

Ian Green: Green by name, green by nature: Helping people do what they can, where they can

Martin Stewart: How spirituality and teachings on sustainable development can lead to ethical investment

John Ditchfield: Ethical investment has taken off despite a "great deal of misunderstanding"

Ash Rawal: Combining financial security with your ethical beliefs is "not a pipedream"

Julian Parrott: Ethical investment: money with a voice

Lee Smythe: "People are good": Smythe & Walter offer an ethical choice and peace of mind

Jeremy Newbegin: If people do not invest ethically "it may well bring about economic disaster"

"We never have anyone say 'I want my money putting into something unethical'."

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MEASURING SUSTAINABILITY

NO GUIDE TO SUSTAINABILITY WOULD BE COMPLETE WITHOUT COMMENT FROM EIRIS, THE INDEPENDENT, NOT-FOR-PROFIT ORGANISATION THAT DELVES INTO CORPORATE ESG PERFORMANCE. B&GT SPOKE WITH MARK ROBERTSON FOR AN UPDATE.

Despite some shifting in the socially responsible investment (SRI) space, from EIRIS' point of view, there has certainly been no reduction in demand for ethical investment. Mark Robertson says, "The changes that have taken place in the market are not indicative of a lack of interest, I think they are more reflective of larger consolidation that's taking place across the financial industry".

Without getting too specific, Mark believes that changes that have happened at Aviva and others are part of a larger strategic view of the size and scope of equity desks, and, in fact, "Just as [Aviva] have decided to look for a new home for their ethical funds, and indeed a number of other funds, they have also created a new global responsible investment team, which, if anything, you could argue is an even more impactful commitment to responsible investment."

Notably, there is a growing provision of screened funds available to retail investors but at the same time financial institutions are making broader commitments to sustainability and responsible investment via initiatives such as the UN-backed Principles of Responsible Investment (UNPRI), of which EIRIS is a signatory.

> **"2012 should be a big year for sustainable investment—it's the Rio+20 Earth Summit and there are growing calls for more responsible or ethical capitalism."**

"2012 should be a big year for sustainable investment—it's the Rio+20 Earth Summit and there are growing calls for more responsible or ethical capitalism. Sustainable investment needs to find its place within that dialogue to encourage a more ethical response to finance across the board. That is something EIRIS is supportive of and contributing to."

Rating sustainability performance

EIRIS has been doing sustainable and ethical research for nearly 30 years, and in all that time has focused on typical key ESG areas such as human rights, climate change, biodiversity (and a worryingly long etc.) "What we've done for the first time, mainly because of investor demand, is combine all of the key issues together to come up with a definitive but weighted assessment of what sustainability performance looks like", says Mark.

Distilling years of experience and pulling in data from over 3,000 public companies – essentially, the FTSE All-World Developed Index – the Sustainability Ratings Service offers sustainably conscious investors a long-desired tool to assess exactly how companies are performing. "There is a huge amount of work behind it, but it basically comes up with an A to E rating for each company, as well as a raw numerical score, which enables you to identify how companies are performing overall in terms of absolute performance, but also how they compare to their sector peers". So, oil and gas companies as a default come further down the rating but there is still

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> **Measuring performance is obviously vitally important for improving performance.**

scope for one oil and gas company to out perform another because of the different metrics applied to assess its performance.

"Measuring performance is obviously vitally important for improving performance. We are trying to help investors do both by offering a snapshot of where companies are currently at, which can be used to drive the market towards overall improvement in ESG performance.

"And the reasons for moving the market are becoming ever clearer—the financial crisis, the RIO+20 summit, the UN PRI, growing consumer interest in finance... But behind those are the sustainability mega trends of climate change, resource scarcity—all the big issues that are coming our way."

"Expectations are moving fast around the way the city operates and it's a challenge for all of us to think about what role we each play in changing the financial system, making financial markets more sustainable, more long term focused. We all have a role to play in that".

The Rio+20 summit is an ideal time for investors to be pushing the responsible and sustainable investment agenda, and there is a lot of evidence that suggests the market is moving in the right direction, but, as Mark says, "let's not pretend that everything's hunky dory - there's a heck of a lot that still needs to change [...] You can win over the hearts and minds of the city and embed a more ethical approach, but how do you actually change behaviour? What constitutes good or bad practice? What constitutes good or bad sustainability performance? Those are the sorts of questions we are working with investors to get to grips with.

Shaping the future

Right now, it is a sad fact that the vast majority of money is still not responsibly invested. "What we need to see now is concrete examples of change and impact. Big institutions—F&C, Aviva, Henderson, Jupiter and others—are getting better at reporting on responsible investment and engagement. The National Employment Savings Trust (NEST) is working with [EIRIS] on ESG risk issues, which is a healthy sign that responsible investment is a big issue for asset owners as well as asset managers in the UK.

"NEST is possibly set to be one of the world's biggest pension funds as it grows over the next 5-10 years; it's going to be huge. So the fact that they're embedding responsible investment from the outset is a very good signal."

Ahead of National Ethical Investment Week 2012, EIRIS will be holding a number of events and seminars but also ramping up activity on its consumer site yourethicalmoney.org, which Mark believes is a "unique resource for consumers in that no one else out there produces a bias-free and objective website on ethical finance".

2012 is shaping up to be the year when sustainable investment really takes off. We would hate for you not to be on the flight.

NATIONAL ETHICAL INVESTMENT WEEK 2012 RUNS FROM OCTOBER 14-20 TO RAISE AWARENESS OF GREEN AND ETHICAL INVESTMENT OPTIONS.

EIRIS IS A LEADING GLOBAL PROVIDER OF INDEPENDENT RESEARCH INTO THE ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) AND ETHICAL PERFORMANCE OF COMPANIES.

YOURETHICALMONEY.ORG IS AN EIRIS INITIATIVE AND A ONE STOP SHOP FOR GREEN AND ETHICAL FINANCE.

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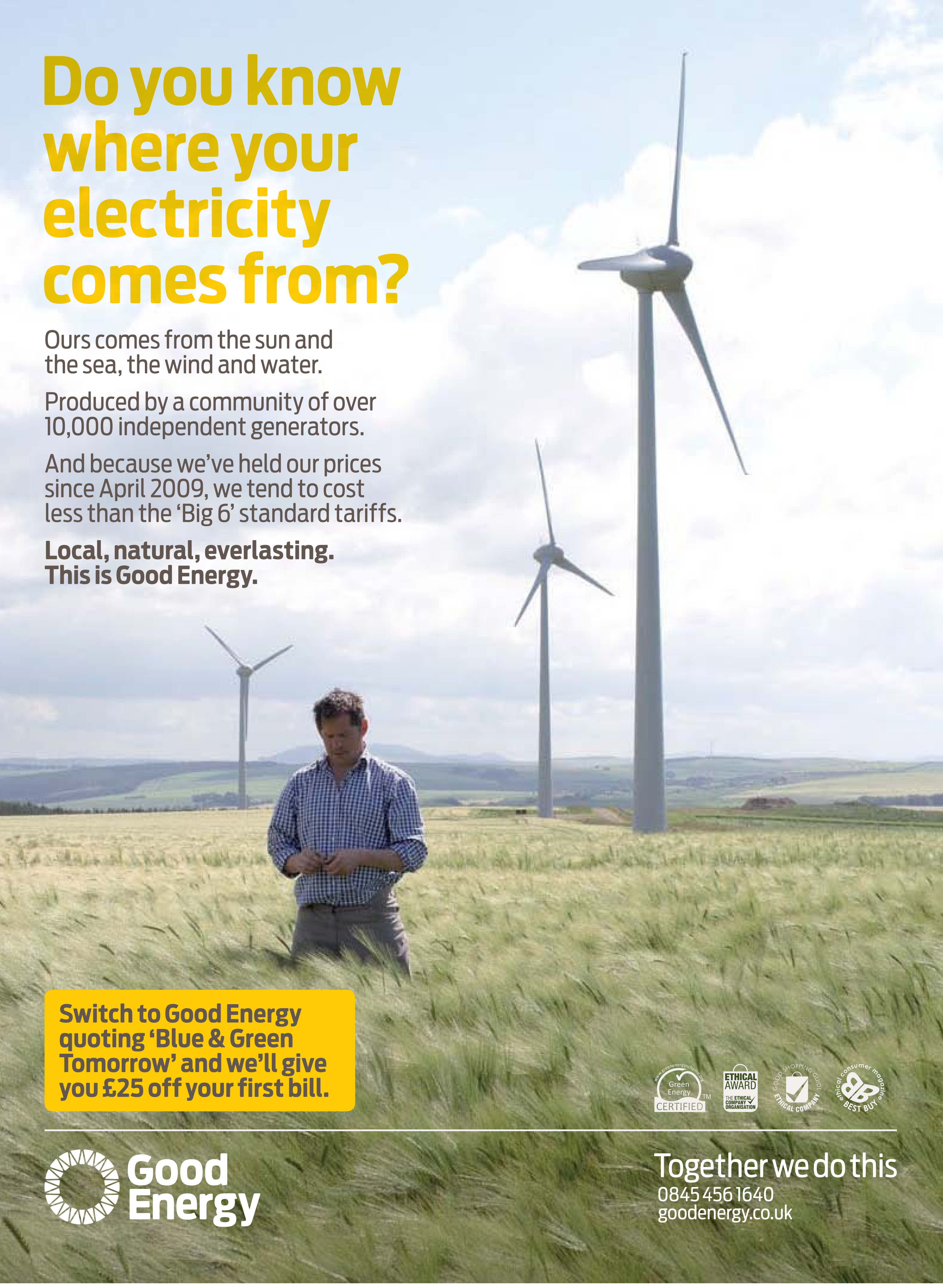
Do you know where your electricity comes from?
Ours comes from the sun and the sea, the wind and water.
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And because we've held our prices since April 2009, we tend to cost less than the 'Big 6' standard tariffs.
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CONCLUSION

Thank you for taking the time to read *Blue & Green Tomorrow's* Guide to Sustainable Investment. We sincerely hope that you have learnt something new and have been inspired to take steps towards a more sustainable future.

The problem

Widely-accepted and deeply serious global issues—climate change, water shortage, resource scarcity, pollution (the list goes on)—are affecting not only the health of the planet and its people, but also profit; the very thing that has driven us all to this dangerous tipping point.

Our future, or that of our children and grandchildren, does not lie with unsustainable business practices and a complete disregard for people on the other side of the world. We simply cannot continue the way we have been doing; tightly closing our eyes and hoping for the best.

As the often quoted environmentalist David Brower succinctly said, "There's no business to be done on a dead planet".

The solution

However, all is not lost... yet.
It is becoming clear that there is a route out of this 'fine mess' we've got ourselves into. By coercing companies, through investment and positive engagement, to consider the issues that could soon overwhelm us, you truly can make a difference.

By balancing the needs of the planet, its people and prosperity through sustainable investment, you can build a better future for your children, a better present for those in developing nations and a better past to reflect upon in your retirement.

The people

And you are not alone in this task. Organisations like EIRIS, the UK Sustainable Investment and Finance Association, and a host of others have made a commitment to support those investors who want to ensure their investments are in line with their beliefs and vision for the future.

The future

The Rio+20 United Nations Conference on Sustainable Development will be a momentous occasion for sustainable investment, forcing it onto the front pages of the world's newspapers. The increasing presence of the UN's backed Principles for Responsible Investment and a growing contingent of global rankings and awards will heavily influence international corporations and the choices they make. Savvy investors and philanthropists will back innovative clean tech firms, waste management companies and social projects, believing strongly in the need for a brighter future.

How will you invest in 2012?

And finally...

The next page presents our vision of the future: the FTSE 100 in 2031.

> **"The future can only be sustainable."**

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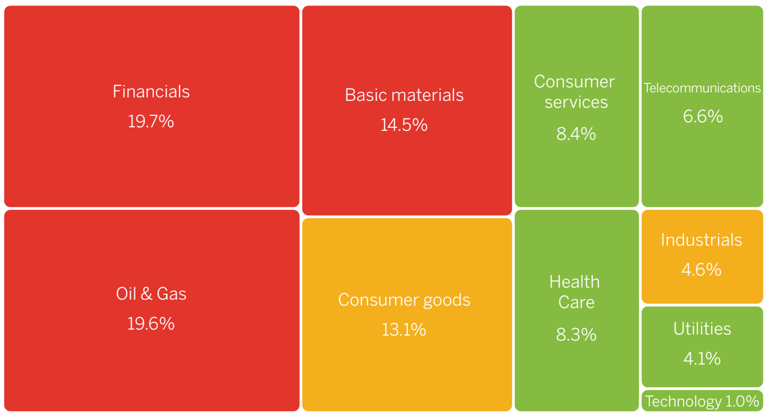
THE FTSE 100 IN 2031

By 2050 the UK will be the 10th largest economy in the world - down from 6th in 2011 (PWC). In this final article we take a look at the FTSE100 of 2051. If you're in your 30s/40s now these are the sectors that will become champions in the leap up to your retirement..
"The FTSE 100 is a market-capitalisation weighted index representing the performance of the 100 largest UK listed blue chip companies, which pass screening for size and liquidity. The index represents approximately 84.35% of the UK's market capitalisation and is suitable as the basis for investment products, such as funds, derivatives and exchange-traded funds. The FTSE 100 Index also accounts for 8.02% of the world's equity market capitalisation (based on the FTSE All-World Index as at 30 June 2011)." (Source FTSE100 Factsheet)

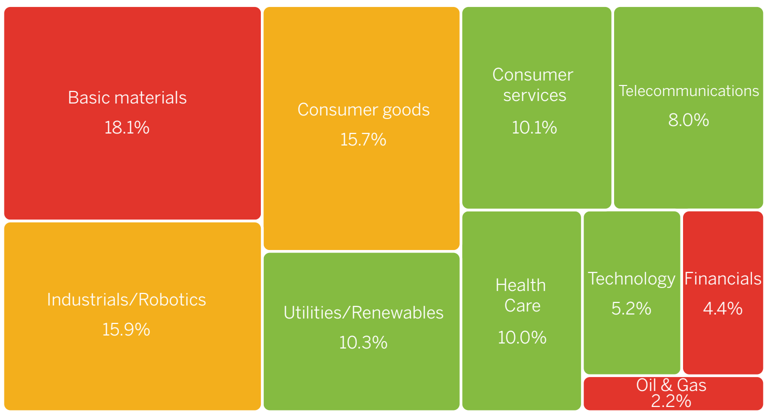
Six trends that have influence our predictions are:

- Chinese and Indian dominance – the 'Chindian Century' (E7 overtake G7 in 2020 in terms of GDP and China largest economy in world by 2040: PWC)
- Population growth (to 9bn) and developed world ageing
- Climate change – more extreme weather events, food and water shortages
- Resource scarcity – oil & gas, basic materials, food and water – leading to rising conflicts
- Increase in pandemics
- Increased urbanisation and rising middle class

June 2011



June 2031



Sustainable?

Yes Maybe No

Basic materials	Increase due to massive commodity scarcity
Consumer goods	Increase as global urban middle class grows
Industrials	Increase as they become the 'financial services' of the 2050s
Utilities	Increase as they become the 'oil & gas' of the 2050s
Consumer services	Increase as global urban middle class grows
Health Care	Increase as developed world population ages and life expectancy grows
Telecommunications	Increase as more services delivered through telephony especially in developing world
Technology	Increase as all forms of technology come to dominate every walk of life
Financials	Decrease as other sectors become more stable and important
Oil & Gas	Large Decrease as more readily available alternatives (renewables) are utilised

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ETHICAL IFA DIRECTORY

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Website: www.the-ethical-partnership.co.uk
Email: jeremyn@the-ethical-partnership.co.uk

Firm: Stewart Investment Planning
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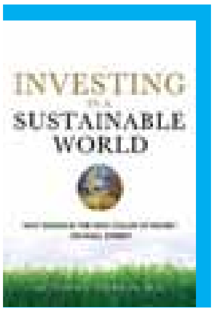
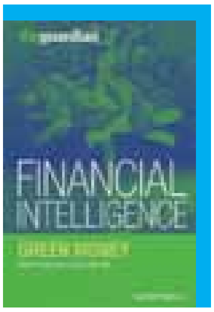
FURTHER READING

IF THE GUIDE TO SUSTAINABLE INVESTMENT HAS WHETTED YOUR APPETITE FOR ESSENTIAL INTELLIGENCE, CHECK OUT THE FOLLOWING EXCELLENT BOOKS.

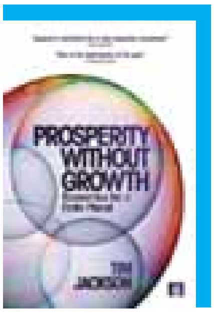
BOOKS



Investing in a Sustainable World: Why Green is the New Color of Money on Wall Street
By Matthew J Kiernan
Investing in a Sustainable World proves that going green leads to better stock market performance using hard facts, undeniable statistics and solid documentation. Offering an enhanced approach to investing that is beneficial to both investors and companies, this book shows a clear link between sustainability initiatives and clear-cut profitability.

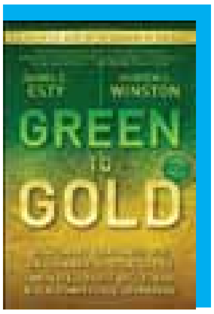


Green Money: How to Save and Invest Ethically (Financial Intelligence)
By Sarah Pennells
Green Money is an essential guide to ethical and sustainable investment, filled from cover to cover with accessible information and valuable advice. Talented author Sarah Pennells talks readers through developing a financial plan that is not only sustainable for them but also for the planet whilst avoiding the potential pitfalls of hasty decisions.



Prosperity without Growth: Economics for a Finite Planet
By Tim Jackson
Tim Jackson, a top sustainability adviser to the UK government, answers the questions on everyone's lips as we approach Rio+20: Is more economic growth the solution? Will it deliver prosperity and well-being for a global population projected to reach nine billion? Jackson weaves a compelling case against our obsession with economic growth by shedding analytical light on some surprising sources.

Sustainable Investing: The Art of Long Term Performance
From Routledge
Sustainable investing has grown beyond being a niche concern and is fast becoming a very solid method for generating long-term returns. Global issues, such as climate change, have conventional investors in a spin; this book attempts to capture the tipping point of a global finance revolution and covers the rise, current impact and future prospects of sustainable investment.



Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage
By Daniel C. Esty & Andrew Winston
Experts Daniel C. Esty & Andrew Winston attack the hot topic of environmental responsibility by firstly making a succinct business case for sustainability and then by exploring the strategies of "best in class" companies. Using jargon-free prose and practical advice, the valuable insights delivered are a must read for anyone affected by sustainable business practices—which should be us all.

The Green Investing Handbook: A Detailed Investment Guide To The Technologies And Companies Involved In The Sustainability Revolution
By Nick Hanna
Described as a bible by some, Nick Hanna's Handbook hones in on the issues that concern individuals looking to align profit with environmental responsibility. Standout firms operating in the key green technology sectors are covered as are the trends of those sectors and the industry as a whole. Most importantly it offers advice on how to approach green investing and focuses on the most important promising green funds, ETFs and private equity funds.

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BEYOND INVESTMENT

WE BELIEVE YOU CAN MAKE A DIFFERENCE IN THREE SIMPLE WAYS:

ENERGY

Domestic energy use accounts for just under a third of all energy use in the UK (Energy Savings Trust). Switching to a clean green alternative not only means you'll be reducing pollution but providing valuable investment for this emerging industry. And possibly saving money at the same time. Very few companies provide 100% renewable energy but you can switch to one on our website.

SHOPPING

Shopping seems trivial at times, but is central to our everyday lives. Making the big decision to shop ethically causes less harm to the environment and fights against exploitation of people and animals. It's actually easier than you think to shop ethically without compromising on cost or quality. To help you navigate the heroes and villains of retail, visit any one of the guides highlighted on our website.

TRAVELLING

For decades, the notion of jetting off to far-flung climes and experiencing foreign cultures was seen as a great way to broaden your horizons - figuratively as well as literally—and improve your outlook on the planet as a whole. As global warming and pollution became pressing issues, unneccessary travel was deemed wasteful and contrary to the aims of the green movement. Thankfully, eco-tourism fills the void as it directly supports local regional economies while striving to have a minimal negative impact on the destination or on the environment during the journey. Our website lists some of the independent tour operators that the industry body (AITO) holds up as best in class for sustainable tourism.

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USEFUL LINKS

NATIONAL ETHICAL INVESTMENT WEEK 2012 RUNS FROM OCTOBER 14–20 TO RAISE AWARENESS OF GREEN AND ETHICAL INVESTMENT OPTIONS.

YOURETHICALMONEY.ORG IS AN EIRIS INITIATIVE AND A ONE STOP SHOP FOR GREEN AND ETHICAL FINANCE.

THE ETHICAL INVESTMENT ASSOCIATION (EIA) BRINGS TOGETHER UK FINANCIAL ADVISERS WHO ARE DEDICATED TO PROMOTING GREEN AND ETHICAL INVESTMENT.

EIRIS IS A LEADING GLOBAL PROVIDER OF INDEPENDENT RESEARCH INTO THE ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) AND ETHICAL PERFORMANCE OF COMPANIES.

UKSIF (UK SUSTAINABLE INVESTMENT FORUM) PROMOTES RESPONSIBLE INVESTMENT AND OTHER FORMS OF FINANCE THAT SUPPORT SUSTAINABLE ECONOMIC DEVELOPMENT, ENHANCE QUALITY OF LIFE AND SAFEGUARD THE ENVIRONMENT.

EUROSIF DEVELOPS SUSTAINABILITY THROUGH EUROPEAN MARKETS

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criticisms&compliments

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Blue & Green Tomorrow magazine writes for anyone interested or involved in sustainable, responsible or ethical investment.

We want to know your views on our report and this growing investment sector.

As a thank you, we will send a copy of the full results in addition to other reports that we create for the investors. You will also be entered into a prize draw to win free energy for a year (terms and conditions apply).

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SUSTAINABLE FINANCE CONFERENCE & AWARDS 2012

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Speaking Truth to Power

14 June 2012 | London

The Conference will discuss the fundamental challenges of resource security and climate change, and the large sections of society – in particular, women – that continue to suffer social and financial exclusion that hinders development. It will explore how financial institutions from both developed and emerging economies can tackle these issues, the lessons they have already learned on sustainability, how they can influence business more widely, and what governments can learn from them.

Keynote Speakers:
Rashad Kaldany, Vice President, Global Industries, ***IFC***
James Cameron, Executive Vice Chairman, ***Climate Change Capital***
Lionel Barber, Editor, ***Financial Times***

Conference Chair:
John Willman, Editorial Consultant & Former UK Business Editor & Associate Editor, ***Financial Times***

Confirmed Speakers include:
H.R.H Princess Maxima of the Netherlands, ***UN Secretary General's Special Advocate for Inclusive Finance for Development***
Rachel Kyte, Vice President & Network Head, Sustainable Development, ***World Bank***
Sara Akbar, CEO, ***Kuwait Energy Company***
Runa Alam, CEO, ***Development Partners International***
Ladi Balogun, Group Managing Director & CEO, ***First City Monument Bank***
Mark Devadason, Group Head of Sustainability & Regions, ***Standard Chartered Bank***
James Gifford, Executive Director, ***UN PRI***
Daniel Green, Investment Director, ***Greenpark Capital***
Melissa Guzy, Managing Partner & Group Leader, Emerging Markets - Asia, ***Vantage Point Capital Partners***
Mary Ellen Iskenderian, President & CEO, ***Women's World Banking***
Alan MacKay, CEO, ***Hermes GPE LLP***
Murilo Portugal Filho, President, ***Febraban (Brazilian Banking Federation)***
Larke Reime, Director, Women's Markets, ***Westpac***
Dominic Scriven OBE, CEO, ***Dragon Capital Group Limited***

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