

# SUSTAINABLE INVESTMENT

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blue&green  
tomorrow



# EDITOR'S LETTER

"Know what you own, and know why you own it"  
Peter Lynch

Let me tell you a story. It's about a woman. Let's call her Andrea. Andrea doesn't eat meat, and goes out of her way to buy organic, local or fair trade goods. She doesn't own a car, instead preferring to cycle everywhere. Her home, which she shares with her husband and two children, has solar panels and a range of energy efficiency technologies. She works full-time for a large charity and always votes for the Green party. She never uses aeroplanes and takes the train when she needs to travel longer distances.

Most importantly, Andrea is a sustainable investor who actively avoids industries like tobacco, animal testing, weapons and pornography.

Here's another story, this time about Andrew. Andrew is a managing partner at a boutique management consultancy firm in the City of London. He has two properties: a penthouse pied-a-terre in Kensington for work and occasional theatre/shopping weekends, and a six-bedroom house in Surrey, where his wife and two children live. He has three cars, takes several foreign holidays a year and votes for the Conservative party.

Andrew is also a sustainable investor, who invests in companies and sectors that are tackling the most pressing sustainability challenges like climate change and resource shortages.

The two examples above are accurate representations of the diversity of sustainable investors today and typical Blue & Green Tomorrow readers. No longer 'tree huggers' or 'do-gooders', sustainable investors are simply smarter investors who see the risks and opportunities associated with sustainability.

There was a time when the moral or ethical argument would be the sustainable investment industry's only ammunition. Now, though, it has several compelling financial cases.

To take tobacco as an example, it used to be the case that it was sufficient to simply explain the profoundly

immoral nature of profiting from selling addictive cancer-causing drugs to children in places with little or no public health or education. The mainstream investment industry didn't listen, instead pointing to the sector's solid returns. But now, sustainable investors are saying that with tighter regulation on the tobacco industry and improving public health education in the developing world, tobacco companies will slowly lose value. Such investments are therefore unsustainable in the long-term.

The fossil fuel divestment movement that has gained so much traction in recent months has arguably the most persuasive financial argument contained within it. Put simply: there are clear risks involved with holding oil and gas stocks, not least another Deepwater Horizon. When the needs to reduce air pollution, cut carbon emissions and tackle climate change are factored in, they become hugely overvalued and risk creating a 'carbon bubble'.

There is also evidence to show that taking account the many sustainability considerations is actually beneficial to performance. A study last year by Moneyfacts.co.uk demonstrated how ethical funds had outperformed their unethical peers over a 12-month timeframe. While the past performance over longer timeframes of these funds might not be as impressive as we would like, this is no indication on future performance. The funds, equities and bonds that sustainable investors choose to invest in are only set to be more important and more valuable in the coming years. The sensible, smart investors among us see this and are making the most of being the early adopters. 🌱

Alex Blackburne

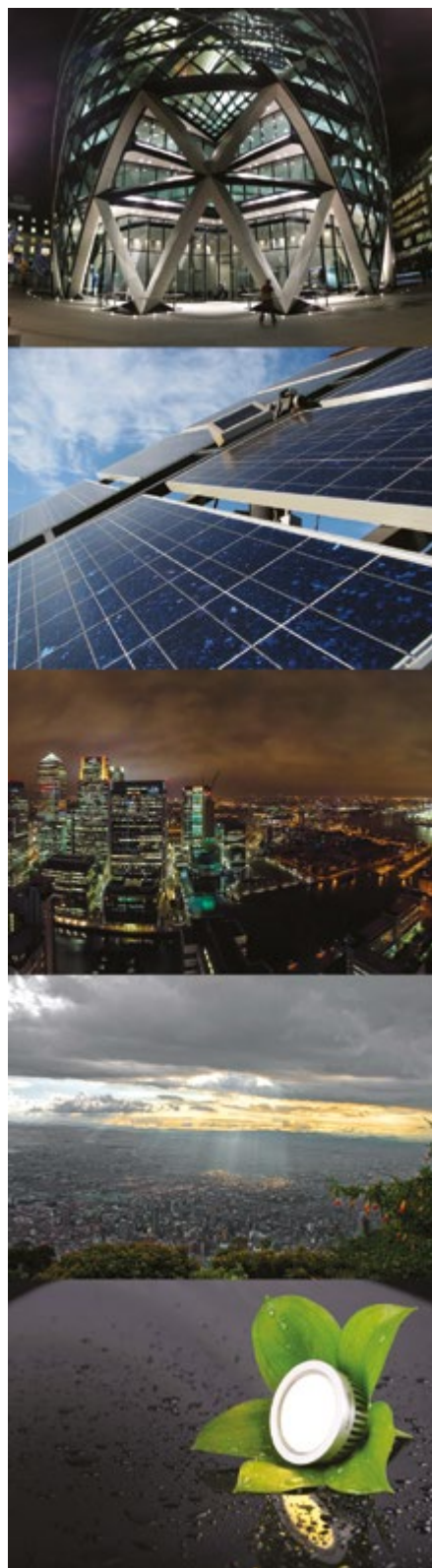


Alex Blackburne  
Editor, Blue & Green Tomorrow





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# THE BEGINNER'S GUIDE TO SUSTAINABLE INVESTMENT



*As an investor, why would you want to tie an arm behind your back by excluding a load of stocks?"*

That sentiment echoes around the City of London and across mainstream financial services as soon as the words 'ethical' or 'sustainable' are uttered in relation to money. Once you have accepted the lie that the only purpose of business and investment is profit maximisation, anything else is secondary.

This narrow thinking defended slavery, opposed restrictions on tobacco and sees selling weapons to our enemies as legitimate enterprise, while all the time destroying communities, burning down our forests, poisoning our seas and degrading every aspect of life on Earth.

But far from having one of their arms tied behind their backs, sensible investors are beginning to see the benefits of investing sustainably. Many do so in an effort to align their investments with their own morals or values; others simply see the direction of travel for smart capital.

## A BRIEF HISTORY

The Quakers – or the Religious Society of Friends – are often said to have devised the idea of investment that isn't solely for profit. Around the 1700s when slavery was legal in the UK, and investors were profiting from it, the Quakers decided to take a stand and opt to take their money away from the activity. Other religious groups were also among the early adopters (the founder of Methodism, John Wesley, spoke of money that doesn't harm your neighbour, paving the way for socially responsible investment).

Initially, the idea was to avoid investing in companies and sectors considered sinful, like tobacco, pornography and the arms trade. The first ethical retail investment fund in the UK was introduced by Friends

Provident in 1984. EIRIS, the responsible investment research firm, notes that people in the City of London initially nicknamed it "the Brazil fund". They thought the idea was nuts. Thirty years on, the Stewardship range of funds – as the group is called – is still going very strong.

EIRIS data suggests over £12 billion is invested ethically in the UK. Meanwhile funds in the Blue & Green Investor library account for nearly double that, owing to the broader use of 'sustainable' rather than ethical. Investors are seeing that the momentum is firmly with investing in sustainability solutions, rather than simply avoiding the bad guys. While the industry still only represents between 1-3% of total assets under management, its share is increasing and talk of sustainability is becoming ever more common in parts of the City. There is still, however, a long way to go.

## DEFINING SUSTAINABLE INVESTMENT

### 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

[www.oxforddictionaries.com/definition/sustainable](http://www.oxforddictionaries.com/definition/sustainable)

### INVESTMENT (mass 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

[www.oxforddictionaries.com/definition/investment](http://www.oxforddictionaries.com/definition/investment)

### SUSTAINABLE INVESTMENT

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



## OTHER VARIATIONS

### ETHICAL INVESTMENT

Investment that aligns with an investor's moral principles which often involves excluding certain sectors, such as tobacco and the arms trade  
*Blue & Green Tomorrow*  
[www.blueandgreentomorrow.com](http://www.blueandgreentomorrow.com)

### RESPONSIBLE INVESTMENT

Investment that explicitly acknowledges environmental, social and governance (ESG) factors  
*Principles for Responsible Investment*  
[www.unpri.org](http://www.unpri.org)

### IMPACT INVESTMENT

Investments made into companies, organisations and funds with the intention to generate measurable social and environmental impact alongside a financial return  
*The Global Impact Investing Network*  
[www.thegiin.org](http://www.thegiin.org)

## SOCIAL INVESTMENT

The provision of finance to generate social and financial returns. Social investors weigh the social and financial returns they expect from an investment in different ways. They will often accept lower financial returns in order to generate greater social impact  
*Big Society Capital*  
[www.bigsocietycapital.com](http://www.bigsocietycapital.com)

You will also see terms like **socially responsible investment** (whose meaning is similar to that of ethical investment, with a slightly greater emphasis on society), **clean investment** (defined as investment in non-polluting businesses or sectors, like renewable energy) or, simply, **good investment** (again, similar to ethical investment).

Acronyms such as **SRI**, which can stand for both socially responsible investment and sustainable and responsible investment, and **ESG** (environmental, social and governance) are common as well. 🌱

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# SUSTAINABLE INVESTMENT: HOW TO DO IT

By MARK  
HOSKIN

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**Bonds? OEICs? Equity? Pooled funds? The language of investment is often unnecessarily complex. Here's a beginner's guide on how to invest sustainably in a variety of ways.**

**WHAT IS AN INVESTMENT FUND?**

Before you start, you need to understand what an investment fund, or fund, is. An investment fund can be described as an OEIC (Open Ended Investment Company), a Unit Trust, a SICAV, an Exchange Traded Fund (ETF) or an Investment Trust. These funds are fundamentally the same. An investment fund is to investment what a basket is to shopping. A fund is like a basket that you might take to a supermarket to put things in. You, the shopper, pick the goods you want, just like a fund manager will pick shares in companies. You will put the goods into your basket and the fund manager will put the shares he buys into the fund.

Your family at home have an interest in what is in your basket, just like an investor has an interest or share in

the shares the fund manager buys for the investment fund. So just like your son or daughter might have a share of the food in your basket or a share of, say, a chocolate bar you have bought, then you as an investor (or unit holder) will have a share in the shares within the investment fund.

When I go to the supermarket with a brief to get ingredients for a cake, my basket will look different to someone who buys ingredients for a roast dinner. The same can be said for investment funds. A sustainability fund can look very different in composition to a global growth equity fund, for example.

## WHAT IS A SUSTAINABLE FUND?

The first point to mention is that there is no rule book about what 'sustainability' is. Sustainability is a bit like ethical investment in that it is full of grey areas and different approaches. When making an investment in a fund you are investing with thousands of other people in a 'pooled' fund (a 'basket' of shares) in which the criteria has been set. Thus, an investor really needs to approach the area with the view that the fund might not do exactly what you might think it should.

"An investment fund can be described as an OEIC (Open Ended Investment Company), a Unit Trust, a SICAV, an Exchange Traded Fund (ETF) or an Investment Trust"



As long as you approach the area like this you will find the process rewarding, rather than frustrating.

That is the starting point – and now to get onto the types of fund. The first thing to consider is what risk you are prepared to take or tolerate.

## THE DIFFERENT TYPES OF ASSET

### EQUITIES OR SHARES

These are one and the same thing. A 'share' represents a part ownership of a company. Private companies may have, say, 100 shares and thus it is very easy, if you as an investor have one share, you know how much of the company you own (1%). When you buy shares in the open market (where companies are known as 'listed' and are quoted on the London Stock Exchange, for example) companies tend to have millions of shares in issue and so the proportion an investor might own is very small, but the principal remains the same as to the private company with only 100 shares.

Returns to shareholders through shares or equities come in two forms – dividends and the movement in

the price of the share itself. Dividends are paid out of profits and are simply a reflection of the amount of profit the company has made and is prepared to pay back to its owners. If you are an investor who was investing through the financial crisis then you will know that the market value of a share can rise and fall quite dramatically over small periods of time with sentiment in the market about the future prospects of the company. You will also know that dividends can be cut if the directors of the business either make losses or do not have sufficient cash in the bank to pay them.

Shares are therefore inherently risky because their values can move dramatically over short periods of time. However in the long-term, an investor who holds a wide range of shares is likely to find that the value of the shares he or she holds will maintain its value against inflation. This is the experience of investors over the last 50 years or so. What an investor needs to bear in mind, though, is that on an individual basis a share could be worth £2 today and nothing tomorrow. This is why investing in investment funds is normally a good idea. To an investor who does not follow the activities of individual companies on a day to day basis, they can use both the expertise of a fund manager and own a lot of stocks with little effort. This

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"There are a wide range of sustainable equity funds available, ranging from UK equity funds, to global growth funds."

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reduces the impact of companies which go bankrupt or in which the share price may collapse.

There are a wide range of sustainable equity funds available, ranging from UK equity funds, to global growth funds. Have a look at the Alliance Trust Sustainable Future fund range, which has both a UK growth fund and a global growth fund. Look also at WHEB, Jupiter, and the Quilter Cheviot Climate Assets fund. There are thematic funds which fit into this market, too, like water, timber and clean energy fund, available via providers like Pictet.

#### BONDS

Bonds may also be called corporate bonds, Treasuries or GILTs. A bond is effectively an 'IOU' on which the borrower pays interest. In effect, if you invest in bonds, you are acting like a bank would. You lend money in exchange for an interest on your money (known as a 'coupon' in investment jargon).

A bondholder will therefore normally demand their money back at some point in the future. Their return normally relies solely on the interest they are paid

during the life of the bond. A bondholder also has a call on the assets of a company before a shareholder does. A bond may be secured on a particular asset of a company (meaning that the bondholder has a right to any income or capital resulting from a particular asset), on all the assets of the company, or unsecured. But even an unsecured bondholder ranks in front of shareholders in the event of the company not being able to continue (i.e. a winding up order because it cannot pay all of its debts).

However, just like with equities, the capital value of a bond can rise or fall quite dramatically with market sentiment. This is particularly true of bond holdings which are not due to be repaid for a long time, because then there is a much greater uncertainty as to whether the borrower will be able to repay the capital in the distant future.

There is not a developed 'sustainable' bond fund approach as such. Funds tend to be ethically screened first, focusing on issues such as tobacco and gambling rather than water usage, for example. Have a look at Alliance Trust's Corporate Bond fund for a fund looking at sustainability issues as well as ethical, but then also review Kames and Rathbones.

"Funds tend to be ethically screened first, focusing on issues such as tobacco and gambling rather than water usage, for example"

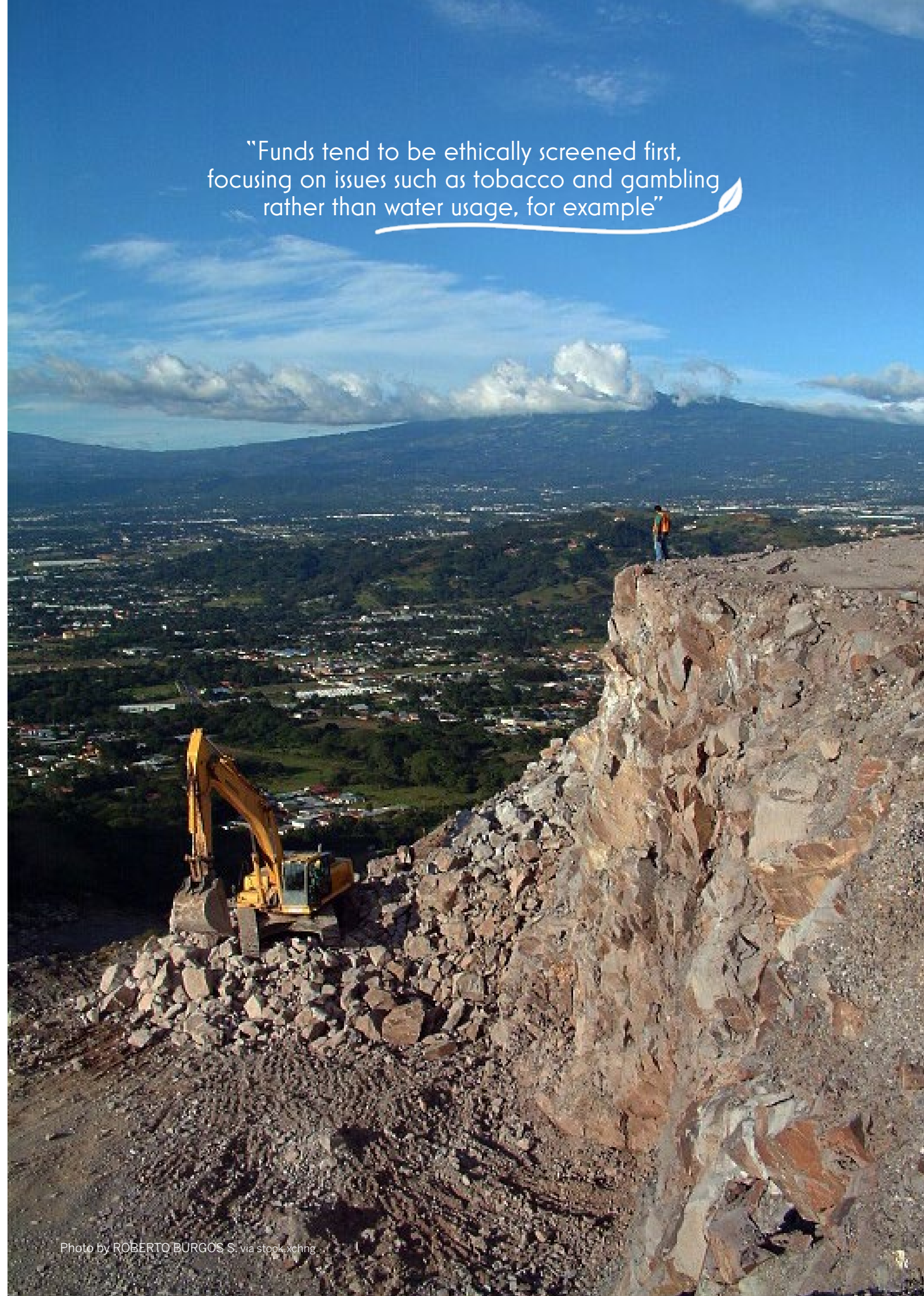


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The value of money today is not the same tomorrow, despite the number on the note being the same.

## PROPERTY

When you invest in property funds, these are not investing in residential property, but in commercial property. Therefore as an investor you are buying buildings which rely on businesses to rent the premises. This rental contract is known as a lease. The premises can be anything from budget hotels, retail units on the Kings Road to warehouses on the M4. The factors which influence the value of these holdings are similar to equities and bonds in that they all rely on supply and demand for those properties. For property, of course, location is usually key. You may well be familiar with the old adage, *“There are three things which are important to know about a property: location, location and location.”*

As an ordinary investor with, say, £10,000 to invest in commercial property, the obvious benefit to investing in an investment fund is that you can gain exposure to many different buildings in many different locations with purchase prices in the millions, rather than hundreds of thousands, with tenants like British Airways, Whitbread and Amazon. In other words, by investing in a fund rather than clubbing together with a few friends to buy a corner shop for a couple of hundred thousand pounds, with a sole trader as a tenant, you can get access to blue chip tenants. Properties are only as valuable as the use they have and the tenants they attract.

In terms of risk, property is probably a hybrid between equity and debt. Rents are renegotiated periodically and will partly reflect inflation, as well as demand for that particular property. As such, while an investor will receive rent from the landlord over time, which should rise, they might also expect the capital value of the asset to rise. Therefore, unlike many corporate bonds, property has a measure of built-in inflation protection. However, these days in the event that a company gets into financial difficulty, it is now possible under UK law to break a property lease and continue to trade. Thus, the risk attached to a property lease is in many ways similar to an equity and the value can fall just like equity. The difference is that as the owners of



bricks and mortar, an investor could in this scenario choose to rent the property to an alternative tenant. Like bonds, there isn't a developed 'sustainable' property fund market available to investors. The only fund we are aware of which tries to do this is the Sarasin IE Sustainable Equity Real Estate Global fund.

## CASH

Cash is the ultimate safe haven, or at least it has been perceived as such, but recent events have shown clearly the risks of holding cash. Cash is actually an asset like anything else and subject to rises and falls in value, even if the number on the note stays the same.

Most people choose to deposit money in a bank for safe keeping. Actually, what an investor is doing here is lending the money to the bank and banks work on the basis that not everyone will want their cash back at the same time. So a bank will tend to hold in available cash only a proportion of the money which has been deposited with them. In the UK, depositors gain some comfort from a government guarantee on deposits at a bank under £85,000 in the event of an insolvency. For

clients with greater amounts to deposit, the best place to take the 'no risk' approach is to deposit money in a National Savings current account, which is in effect a current account held directly with the UK government. Investors can deposit up to £2m each.

While in the short-term cash is the most useful place to hold money without risking capital loss, over longer periods of time holding money in cash is unlikely to maintain the value of your wealth. Of course, there are always going to be exceptions and those who had their money in cash during the financial crisis which began in 2008 would have felt very justified in their approach. However they would only really have been wealthier if they then decided to invest this cash after the slump, when sentiment was very poor, which would have been almost impossible for a cautious cash investor to do. Six years after the crash, an investor in equities is probably in the same position today as the cash investor who sat on money in the bank in 2008. Governments around the world made this happen by printing money to prop up the system, but if they had not done this, cash investors may have lost everything too. The banking system would have collapsed and many cash investors may have lost everything.

In 2008, printing money may have saved all equity, bond and cash investors, but traditionally it is cash investors who suffer from governments printing money, because of the devaluing effect it has on deposits held in the bank. Inflation in the UK is currently running between 2% and 3%, while cash depositors are earning, before tax is taken into account, 1% to 2% (after tax this falls further). Therefore each year a person holds cash, the value in real terms of that cash holding is eroding. This is a major problem for cautious investors and for long-term investors. The value of money today is not the same tomorrow, despite the number on the note being the same.

I would suggest looking at Triodos for deposit accounts. They are a Dutch bank and so their depositor protection is under the Dutch system and not the UK.

*Mark Hoskin is a partner at Holden & Partners, chartered financial planners who provide financial advice to high net-worth clients, most of whom have a significant interest in ethical or environmental issues.*

[www.holden-partners.co.uk](http://www.holden-partners.co.uk)

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# DO YOU KNOW WHAT YOUR MONEY IS DOING WHILE YOU SLEEP?

**A sustainable economy requires a complete overhaul in how we think about money.**

By Joel Solomon



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“Our awareness, expertise and wisdom around the exercise of responsibility for our money, beyond how we safeguard it, is significantly underdeveloped”

“Increasing our personal consciousness can empower us to make more informed choices”

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Most of us enjoy having money. It is an astonishing tool. More money can equal more food, more fun, and much more status and power. We can even prefer it to love. We know it can positively affect our health. Money brings abundant privileges.

I believe that money comes with significant responsibilities. Where, with whom, and how do we spend, invest or share? Schools teach us its mechanics. Religions teach us to give something back. The economic system teaches us to want to have more.

What our dominant education, economic and religious systems gloss over is that all money ultimately comes from the exploitation of the natural world and of other humans. It may have gone through many filters before it reaches us. But our inherent responsibility to understand who, how, where, why and how much is enough never goes away.

Our awareness, expertise and wisdom around the exercise of responsibility for our money, beyond how we safeguard it, is significantly underdeveloped. Our handling of money represents us as citizens, as spiritual beings, and as ancestors to future generations. We can learn to understand who we spend our money with and how they use it.

Have you ever thought about the ‘side effects’ of where every dollar or pound comes from? My bank is

representing me with where they invest my money. I know that the manufacturing of the computer I typed this article on likely helps cause cancer. The breakfast on my plate contributes to the harm of someone else’s children. My dependence on fossil fuels is harming the environment for future generations.

Guilt? Only temporarily useful, if at all. Shame? Similar. Willful ignorance? Overwhelmed at the enormity of it all? Or shall we commit to understanding better the impact around our money?

There are many different forms of morality, ethics, and citizenship. My choice is first about continual inquiry. Increasing our personal consciousness can empower us to make more informed choices. Then I can learn to do better. I can make choices that promote long-term change. Next, I can turn my privilege towards being a force for justice and generational sanity.

Let’s all strive to be models and mentors for reinventing economic behaviour, how opportunity is shared and true stewardship of the commons. Most of all, let’s engage in this inquiry.

*Joel Solomon is chairman of Renewal Funds, Canada’s largest social venture capital firm. Launched in 2013, Renewal3 and the Instinct Fund now build upon the legacy of aligning money with values established by Renewal2 and Renewal Partners.*

[www.renewalfunds.com](http://www.renewalfunds.com)





# WHY SUSTAINABLE INVESTMENT MATTERS

Smart investors and sensible capital understand that every major sustainability risk creates an attractive and juicy opportunity for innovators and their investors

By SIMON LEADBETTER



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Financial trade in all its forms outstrips the sum of global output, or GDP, 26:1. That means for every single pound of real world economic activity, £26 is traded in shares, derivatives and currency. Investment, more than any other human activity, shapes our world. It creates the quality of life and standard of living in the communities, countries and world we live in and will pass on to our children. It was these staggering ratios that led to the birth of Blue & Green Tomorrow.

Every day we write about sustainability: yes, investment is at the core of what we write, but also responsible travel, ethical spending and clean energy. We don't preach (either to the converted or unconverted). People are time poor and don't want to be lectured at. Confrontation never works. Our primary role is to amplify the message of those working in sustainability: the scientists, entrepreneurs, corporations, institutions, intermediaries, politicians, charities and of course, the individuals.

So, why sustainability and investment? Sustainability is first cited in 1845 as a quasi-legal term that means defensible. Is your legal argument sustainable? 'Sustainable' in the sense of 'being continued viably', was then used in the context

of international development. It was more about helping the developing world develop in a viable fashion. Investment that ran parallel to this field has more traditionally used the term ethical or socially responsible investment.

Today sustainability has come to mean: conserving an ecological balance by avoiding depletion of natural resources. Today, you may hear terms such as triple bottom line; environmental, social and corporate governance; socially responsible investment; green investment; and impact investment.

But they all circle back to one central thought. Sustainable investment means investing in a way that is capable of being continued indefinitely; that balances the needs of the planet we live on, its people and all of our prosperity. The question we have to ask is, is the way that we invest and what we invest in capable of being continued at their current levels? Are they defensible?

We live in a period of enormous volatility, uncertainty, complexity and ambiguity. Climate change, deforestation, polar ice melt, desertification and biodiversity loss. We are polluting the air, sea and land in a way, which is literally killing us. We've even managed to pollute space with debris, threatening

"We don't inherit the Earth from our parents  
but borrow it from our children"

vital communication satellites. Global population is rising. Fossil fuels are at their peak and we can't even burn the reserves we have. We're running out of vital resources, one of which is the most fundamental resource for life – fresh water.

These aren't the paranoid obsessions of, in the words of George Osborne, some "environmental Taliban". They aren't the dogma of, in the words of environment secretary Owen Paterson, some new sort of evidence-based "religion". And they certainly aren't the work of socialist econazis. Thank you to James Delingpole, formerly of the Telegraph, for that pleasant epithet.

Well-known sandal-wearing, muesli-knitting, eco-warrior lefties at institutions such as OPEC, the CIA, the US Department for Defence and the Oil & Gas Journal see these as clear and present threats to prosperity and global security.

This is what we think: smart investment and sensible capital now recognises these risks. The past period of steady yet unsustainable growth is no guarantor of future performance. Quite the opposite, in fact. Smart investors and sensible capital understand that every major risk or problem creates an attractive and juicy opportunity for innovators and their investors

We know innovation equals growth and prosperity. It's the only thing that ever does. Competition, disruption, fast-success and fast-failure from emerging technologies and new ways of thinking drive out the old, bringing choice, efficiency and prosperity. If the 18th to early-20th centuries were the disruption of the Industrial Revolution, and if the 20th century was the disruption of the Information Revolution, then the 21st century will see the disruption of the Sustainability Revolution, which heralds the limits of polluting, inefficient and harmful growth.

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“three-quarters of financial advisers get requests for ethical financial advice – which suggests the problem is supply not demand.”

Sustainable innovation in clean energy, energy efficiency, sustainable consumption, mass high speed transport, sustainable agriculture and water treatment can mean sustainable prosperity. Getting our largest companies to embrace this revolution is key, too – they are not the enemy, but part of the solution.

This is where investment is going in the 21st century. This thinking will create the fast growth industries of tomorrow. This is where we can capitalise on the UK's natural gift for innovation and use of capital. It will allow us to create world-beating industries and valuable exports in goods and investment. If we lead the world, we will guarantee energy security where we don't need to import scarce commodities at volatile prices from unstable or unsavoury regimes, just as our relative global purchasing power is diminishing.

Here are the facts. The sector is already huge. Twenty-two per cent of all assets invested globally are done sustainably. We in the UK already lead this sector – but others are catching up. The sector is profitable – with ethical funds out performing their conventional (some would say unethical, unsustainable and irresponsible) peers. The wealthiest investors are making this an ever greater part of their portfolio. Follow the money. And three-quarters of financial advisers get requests for ethical financial advice – which suggests the problem is supply not demand.

Another reason to get on top of this sector is that the average age when people start investing is 42 (for comparison, the average age for a first-time buyer is now 37). Just over half the population is under 40 – and they are tomorrow's investors. Today's average investor has not lived their entire life in a digitally connected, environmentally-conscious world. The average investor tomorrow has. Opaque, complex and unsustainable products just don't cut it with tomorrow's investors.

That digitally connected, environmentally-conscious group is only now entering the investment space. We conservatively estimate that they have £573 billion

pounds to invest. Connected to the whole Earth's information by the internet – recycling, climate change and human rights are the norm. At the click of a mouse or slide of a finger, they can see the real world effects of what they invest in, and which institutions and companies are doing the greatest damage. They also publish good or bad experiences, to friends and their parents and grandparents.

Fundamentally, we're optimistic. Human ingenuity and creativity means we will ultimately address the problems we face. It would just be cheaper and less painful to address them today. This is not an issue of left-wing or right-wing. Free markets and trade have lifted millions out of poverty – we just need to make them fairer. This is not an issue of green or anti-green. Who doesn't want to preserve the environment and protect the human? This is simply about what is sustainable and what is not.

The champions of sustainable investment are not idealists, with some romantic notion of a better yesterday. They are not a pessimistic bunch either. They are inspiring thought leaders, fund managers and advisers, who want investment to generate serious growth and income. But also our children to prosper in a clean, stable, sustainable world. To adapt a proverb, we don't inherit the Earth from our parents but borrow it from our children.

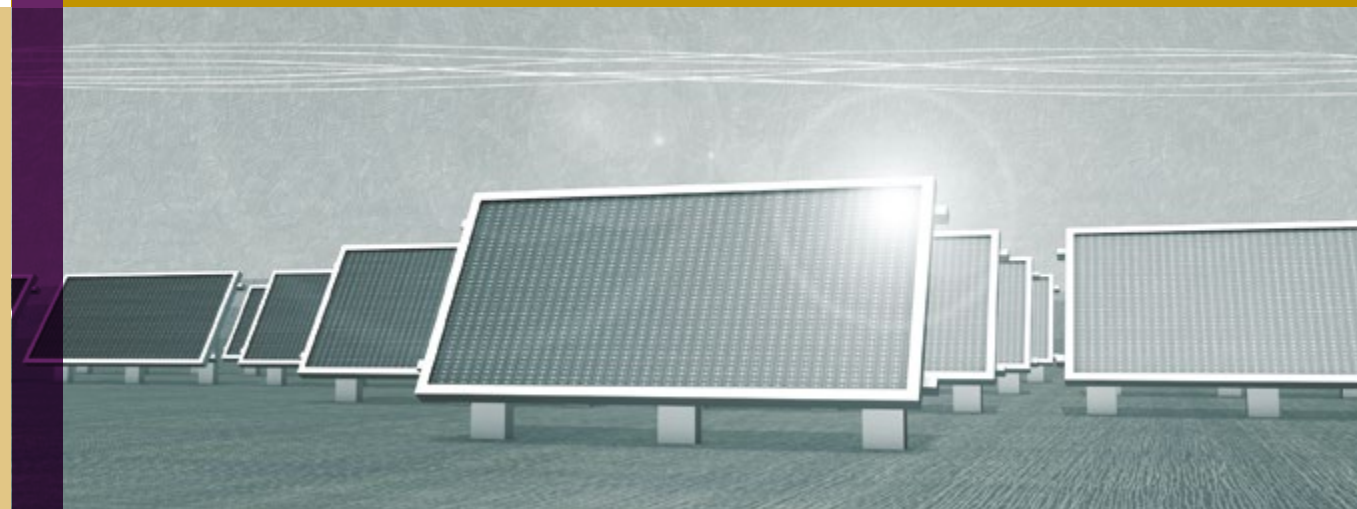
Politicians argue rightly that leaving significant national debt from one generation to the next is unethical. We would argue that living and investing unsustainably, leaving a heavily polluted, thinly resourced, and unstable world behind is equally unethical, if not more so.

Welcome to 21st century investment.

*This is an adapted version of Simon Leadbetter's opening remarks at Blue & Green Tomorrow's Sustainable Investment Bootcamp in September 2013. To watch a video from the event, see here: [www.vimeo.com/76917783](http://www.vimeo.com/76917783)*

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# FROM ETHICS TO SUSTAINABILITY: SHIFTING THE INVESTMENT DEBATE

By ALEX BLACKBURNE

Photo by PATRICK MOORE via stock.xchng

**Leading sustainable investment specialists talk about moving the focus away from ethics and towards sustainability.**

Ethical investment was thrust into the mainstream in 2013 – much to the Church of England’s embarrassment – when it was revealed in July that the church had been investing indirectly in payday lender Wonga. This, just a day after the archbishop of Canterbury had condemned the industry over its irresponsible activity. The issue reappeared in public consciousness a few months later, when a BBC Panorama investigation unearthed that Comic Relief held, or at least had held, stakes in a number of major tobacco, alcohol and arms companies. It’s safe to say the charity’s staff, supporters and trustees were left with more than just red noses.

For Clare Brook, founding partner at London-based WHEB Listed Equities, these two events – while beneficial in raising awareness – proved that the debate needs to shift away from ethics and towards sustainability. *“We’re not really talking about the far more serious issues around climate change and the fact that all major capital markets at the moment are still dominated by extractives and carbon-intensive industries”*, she says.

*“It would be a significant breakthrough if in 2014 the debate around unburnable carbon, fossil fuel divestment and Bill McKibben’s work – which is having a lot of resonance in our world – hit the popular consciousness.”*

McKibben, the founder of the activist group 350.org, has become the poster child of the fossil fuel divestment movement. Using the UK-based thinktank Carbon Tracker’s comprehensive analysis into so-called stranded assets, he has toured the world in an effort to educate individuals about the threat, urging universities, businesses and investors to get rid of their oil, gas and coal stocks. The Carbon Tracker research describes as much as 80% of known high-carbon reserves as “unburnable” if the world begins to take tackling climate change seriously.

Brook believes this issue – known as the carbon bubble – is of greater significance than the Church of England or Comic Relief’s unethical investment strategies. *“Would people be sufficiently outraged if a major charity that operates in third world countries was found to be investing in oil companies?”* she asks.

*“I don’t want to downplay the significance of the Church of England’s investment in Wonga, but nobody is going to die. But if you’ve got a typhoon hitting the Philippines on a scale that has never yet been seen – because we’re looking at more and more extreme weather events due to climate change – people should be re-evaluating what drives our economies.”*

## TACKLING KEY SUSTAINABILITY CHALLENGES

Given the problems related to fossil fuel usage, the ethical investment momentum appears to be with fund providers that actively seek out companies that provide sustainability solutions, rather than simply screen out the bad guys. This represents something of a sea change in an industry whose historical roots lie firmly in the negative screening camp.

The sextet of sin sectors that were at one time completely off-limits for ethically-minded investors – alcohol, tobacco, pornography, gambling, armaments and nuclear power – is somewhat dated, in that a range

of other social and environmental concerns are perhaps more relevant now (few more so than fossil fuels). And with fund managers increasingly selecting stocks on a positive basis, rather than excluding them using negative screens, the sustainable investment space has flourished in 2013.

## PERFORMANCE: THE NUMBERS SPEAK FOR THEMSELVES

In August, Moneyfacts said that ethical and sustainable investment funds had generally performed better financially than their mainstream counterparts in the previous 12 months. The average ethical fund had







"There are good reasons why an investor would invest [sustainably] in this area for purely financial reasons"  
Mark Hoskin, Holden & Partners

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delivered annual returns of 24%, it said, compared with the 18% growth displayed by the average non-ethical fund. The HSBC Global Climate Change Benchmark Index (CCI) also showed strong returns, delivering an impressive 19.8% in the year to December 6, and in so doing outperforming the MSCI All Country World Index by 2.7%. HSBC says this is the first time the climate sector has performed better than global equities.

WHEB has seen its assets under management grow 56% in the past 12 months – which Brook attributes to the team of experts it acquired in 2012. Alliance Trust Investments, another of the industry's leading players, has also seen its funds fare well in 2013, with its entire Sustainable Future range appearing in the first or second quartile over three years – the method by which performance is measured, with the first quartile made up of the top 25% best performing funds. "We believe sustainable companies make better investments", it says, "Performance backs this up."

Its sustainable and responsible investment (SRI) team accredits the success to profitable stocks in its energy efficiency, pollution control, innovative medicines and vehicle safety themes. These include Kingspan,

a building insulation manufacturer; Johnson Matthey, which makes catalytic convertors for cars; Roche and Alexion, which produce cancer drugs and treat rare auto-immune diseases respectively; and Continental, which continues to develop safety equipment for cars.

The team says, "We believe that companies which help to make our environment cleaner and improve the quality of our lives are more likely to prosper. They will continue to grow as demand for their services increases. So while there will no doubt be macroeconomic wobbles in 2014, the prospects for more sustainable companies remains positive."

#### ENGAGING WITH BUSINESS

The Rana Plaza disaster in Bangladesh, which saw more than a 1,000 die when a factory collapsed in May 2013, also brought responsible investment to the fore. Alliance Trust joined a coalition of investors urging major retailers to sign the Accord on Fire and Building Safety in Bangladesh, which now over 100 are signatories of. The SRI team highlights this sort of investor engagement as crucial going into 2014, adding, "It can't be called a highlight, given the

"We believe sustainable companies make better investments. Performance backs this up"  
Alliance Trust



tragic loss of life, but the reaction of shareholders, unions and retailers to the Rana Plaza accident is commendable, and shows that abuses of human rights in business is completely unacceptable."

Another example is that of GlaxoSmithKline, which some of Alliance Trust's Sustainable Future funds invest in. In July, when the pharmaceuticals giant was accused of large-scale bribery in China, Alliance Trust SRI analyst Mike Appleby wrote a detailed critique justifying their investment in the company. He confirmed they would be meeting GSK representatives to discuss the misdemeanours, adding, "We will continue to hold the company as long as we are satisfied that it is doing all it can to get its house in order and clean up how it operates if evidenced by a proactive and industry leading response to how it manages its business."

Elsewhere, the WHEB team ambitiously write to every company they vote against at meetings – 32 so far – explaining their reason for doing so. Four have responded and shown good progress, while 11 are said to have recognised the issues and made some improvements. One firm replied saying WHEB's was the first investor letter it had ever received.

#### KEY THEMES

Brook points towards the HSBC research, which says energy efficiency and energy management had been the strongest performing sector in the climate space in 2013, with returns of 29.3%. This was followed by low-carbon energy production (15.0%) and environment and land use management (14.8%). Meanwhile, Claudia Quiroz, investment director at Quilter Cheviot, says 2013 was a successful year for equity markets more generally.

She adds, "The macroeconomic background has been clearly supportive for equities with investors anticipating an improving trend and global equities re-rating from their 2011 low. Having said that, valuations still look reasonable. Even in markets such as the US, which have performed very strongly, valuations are only at their long-term average and well below previous market peaks. The UK saw a 'renaissance' of the renewables space in 2013 with nearly £1 billion worth of equity raised for solar and wind power generation projects via the stock market."

Quiroz adds that the firm's Climate Assets fund, which invests in companies that stand to benefit from the

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“Would people be sufficiently outraged if a major charity that operates in third world countries was found to be investing in oil companies?”  
Clare Brook, WHEB Listed Equities

“The UK saw a ‘renaissance’ of the renewables space in 2013 with nearly £1 billion worth of equity raised for solar and wind power generation projects via the stock market”  
Claudia Quiroz, Quilter Cheviot

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convergence of climate change, population growth and resource scarcity, fared very well in 2013. Financial Express, the investment data service, recognised the fund’s solid performance by awarding it a three Crown rating, given to funds appearing in the second quartile.

#### LOOKING AHEAD TO 2014

It’s clear that investment that takes into account non-financial factors can match, and often outperform, investment that focuses solely on the bottom line. Neville White, senior socially responsible investment analyst at Ecclesiastical Investment Management, says investor appetite for sustainability will continue to grow into 2014 – despite the well-publicised events at the Co-operative Bank dividing many opinions.

“Unlike 2012’s shareholder spring, 2013 saw little appetite from investors for similar levels of confrontation. Instead, they are waiting to see the impact of a mandatory vote on remuneration policy

in 2014, with early consultations already looking promising”, he adds.

There are a few challenges for the ethical sector, though. White says, “Continued economic austerity and budget deficit pressures have muted environmental initiatives in favour of growth, whilst on house building, bridging the supply-demand gap is galvanising all three political parties in a way not seen since the great building boom under Macmillan in the 1950s. We fear that the environment will again be the loser here as planning supersedes protection.

“When it comes to energy sources, fracking will continue to drive debate and political enthusiasm in 2014 and beyond. While the withdrawal of the onshore wind subsidies will create further uncertainty around national energy policy which we will be closely following.”

However, to echo Clare Brook’s sentiments at WHEB, we need to transform the debate. It’s no longer solely

about ethics; it’s about sustainability. Ethics are still integral to investment – but let’s instead focus on engaging the mainstream with the financial case for sustainability. The likes of Carbon Tracker are doing that brilliantly in relation to fossil fuels, and let’s build on their excellent work.

Mark Hoskin, a partner at London-based financial advisory firm Holden & Partners, agrees that talking about sustainability rather than ethics is the best way forward.

He says, “We believe that sustainability is going to be important to investors going forward and there are good reasons why an investor would invest in this area for purely financial reasons. Firstly because of the obvious challenges posed by global carbon emissions and the impact this will have on society and the investment world, but also for diversification reasons.

“The sorts of stocks that sustainable investment managers invest in are not the run of the mill equity

selections made by the average fund manager and thus investing in sustainable funds provides an investor with real diversification. This is why Holden & Partners have just committed to encourage all of their clients to have an exposure of 10% of their investment portfolio to sustainable funds irrespective of their view of the world.”

So, if it is morally repugnant for investors to profit from industries like tobacco, alcohol and the arms trade, it is utterly deplorable for them to hold fossil fuel stocks that contribute to an environmental challenge, the likes of which have never been witnessed by humankind. The same goes for owning stakes in businesses with atrocious human rights records and ones that deplete precious natural resources like water.

It’s time to change the line of attack. Let’s aim for the investment community’s head, not its heart. 🌱



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An aerial night view of a city skyline, likely London, featuring several prominent skyscrapers illuminated with lights. The River Thames flows through the city, reflecting the lights from the buildings and the city lights in the distance. The sky is dark, and the overall scene is a vibrant display of urban architecture at night.

# INVESTING THE RIGHT WAY

SIMON HOWARD, chief executive of the UK Sustainable Investment and Finance Association (UKSIF), talks to Blue & Green Tomorrow about the key investment risks and opportunities presented by sustainability challenges.

By ALEX BLACKBURNE



“There is a wide range of techniques practiced by banks and fund managers and we [UKSIF] support and encourage them all.”

**W**HAT IS UKSIF AND WHAT DOES IT DO?

UKSIF is a membership association for organisations and practitioners leading the way for sustainable investment and finance in the UK. We have around 250 members, ranging from financial advisers, to fund managers, to service providers, to retail banks, to investment banks. What unites us as a world-leading cluster is a desire to grow the market for sustainable investment and improve knowledge, techniques and conditions to ensure the UK stays ahead of the curve.

#### WHERE DOES THE MOMENTUM CURRENTLY LIE IN THE SUSTAINABLE INVESTMENT WORLD?

I think there is growth across a wide range of investment approaches. The negative screening

approach is still widely practiced and still attractive to many people – in particular with the ethical side because it is quite easy to express your ethics by using screening. But there is a wide variety of approaches in use in the UK.

There are people who seek to identify areas of growth driven by sustainability themes and they look to invest in companies of all types exposed to those; and there are also people who are just making sustainability considerations integral to all of their investment processes. So fixed income investments, property investments and equity investments will all be considered, in part at least, by their sustainability impacts – the risks and opportunities offered to them by a wide range of environmental, social and governance (ESG) issues. There is a wide range of techniques practiced by banks and fund managers and we support and encourage them all.

#### IS SUSTAINABILITY A MAINSTREAM INVESTMENT CONSIDERATION?

I don't think you could generalise and say it is across the board. I think it is increasingly becoming 'mainstream' in the sense that a fund manager who doesn't consider these elements is ignoring real risks. If you just look at the downside of an investment, if you're not considering how the value might be impacted by public perception of a company and its ethics; if you don't consider the liabilities it may incur if a company pollutes; if you don't consider the risks to business models if companies rely on scarce resources, then you're ignoring some very important risk factors.

On the other hand, if you don't consider how a company may be well positioned to benefit from the opportunities – from developing new sources of supply to replace outdated, unsustainable, ones and so forth – you're probably not doing your job fully. But whether one can say this thinking is now really mainstream and core across all investment is probably going a bit too far. It's increasing, but it's not yet core everywhere.

Photo of  
SIMON  
HOWARD



#### WHAT ARE THE REAL RISKS FOR AN INVESTOR WHO DOESN'T FACTOR IN SUSTAINABILITY ISSUES?

I think the risks are potentially huge in scope. They affect almost every part of a company's operations. Let's just look at the very pragmatic: if sea levels rise and if flooding becomes a problem, then no doubt some economically active buildings are built in the wrong place. So at a very simple level, where is your factory and is it going to get flooded? Will the rail line servicing you be cut off?

There are climate change effects, and that's before you consider your existing sources of supply in the food business for instance. If the crops you use to make your product are challenged by drought or excessive rain or increases in temperature, you're cut off at the knees if your suppliers can't give you what you need. There is an almost infinite variety of risks to which companies are exposed. In IT, which presents itself as a relatively clean industry with young motivated people, if you're reliant on rare earth metals – the production of which pollutes or damages the prospects for indigenous people – you've got an issue, because that won't be very well regarded by your customers.

I think pretty much every economic enterprise needs to consider these risks. It's a pity that we do have to focus on the risks; we don't really have the opportunities yet that are readily investable, but hopefully soon we'll be able to offer more attractive investment opportunities that let people invest in the benefits of sustainability.

#### DO THE MANY MYTHS ABOUT SUSTAINABLE INVESTMENT, USUALLY RELATING TO PERFORMANCE, RISK AND VOLATILITY, HAVE WEIGHT NOWADAYS?

It's very hard to say anything simple, because depending on the universe you choose to include as being your ethical or sustainable funds, their performance overall depends on which funds you include and which you don't include. All investment styles – be it large-cap, small-cap, yield or return on capital – have times when they do well and times when they do badly.

I think there is quite good evidence that investing the right way, as I would turn it, in certainly the medium and long-term need not damage your returns and need not be more volatile. There are academic studies that

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show that, but people will always be able to point to a period where the funds they define as ethical or sustainable have done badly. The honest, blunt answer is that performance is driven by what you choose to measure, and we should be aware of generalisations. I certainly think that a case that says sustainable funds do badly is very hard to maintain now.

**WHAT WOULD DEFINE SUCCESS FOR UKSIF IN 2014?**

I want UKSIF to be increasingly regarded as a relevant organisation – by which I mean the work we do is for the benefit of members and is recognised as being for their benefit. I’d like, in particular, our public policy work to be recognised – that we are pushing for the right kind of things to regulators and to politicians. I want people to recognise that we’re saying the right thing, trying hard and achieving. It’s a very difficult question to answer on a 12-month view, but I’d like people to think there’s a buzz about us and that we’re pointing in the right direction.

**WHAT WOULD DEFINE SUCCESS FOR THE SUSTAINABLE INVESTMENT INDUSTRY?**

Again, that’s a very wide question. I think that if it’s recognised that the finance sector – the banks, the fund managers, the financial advisers – is developing the expertise to cope with and adapt to the sustainability

challenges that are almost certainly coming our way, then I think that would be a very good outcome. If we can tell more people that they can get advice and get their funds invested in a way which can cope with sustainability challenges, I think that will offer valuable reassurance.

**ANY FINAL THOUGHTS FOR OUR READERS?**

How are the risks being managed? There are clear risks, which we can call sustainability risks. Anyone who is sceptical has to be happy that someone is considering the risks to which they’re exposed, and happy that someone is managing them. That’s the kind of base argument to put to the sceptics. If things continue to get worse, how are your funds being managed?

[www.uksif.org](http://www.uksif.org)

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\*Source: Financial Express, performance to 28 February 2014. A Accumulation share class performance, inclusive of charges, in GBP with net income reinvested. Past performance is not a guarantee of future results.



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**CLAUDIA QUIROZ**  
INVESTMENT DIRECTOR

“Too many ethical funds have been overly volatile and not delivered on performance. At Quilter Cheviot, we are passionate about delivering a sustainable investment solution that is both multi-asset and offers an attractive dividend yield. The Climate Assets Fund benefits from the considerable depth of analytical resource that Quilter Cheviot can draw on.”

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# FLYING THE FLAG FOR EUROPEAN SRI

“Eurosif, is a pan-European network and thinktank that aims to develop sustainability markets across the region”

may adopt a new policy or change their practices. In order to have the largest impact, Eurosif recommends investors are specific about their objectives, remain constructive when communicating with the company and build a robust business case to secure support.

The breadth of responsible investment means that there are plenty of opportunities for investors that want their money to reflect their personal values. Meanwhile, by taking a best-in-class approach to investments, investors are not limited by what sectors or asset classes they can put their money in. Passant notes that a lot of responsible investors today are looking into sovereign debt and emerging markets as interesting opportunities. In addition, passive strategies, green bonds and impact investing are also receiving a lot of attention, he says, and as a result could offer new opportunities to investors.

Failing to incorporate ESG issues into investment decisions can lead to increased risk. For instance, a company that operates in the oil and gas industry may see profits plummet as more regulation aimed at cutting carbon emissions is brought in. Passant argues that professionals have a duty to educate their clients about these potential risks: “Investment consultants should do a better job of advising their clients about the perils of not taking into account sustainability factors in their portfolios. It is of the upmost importance that investment consultants play a larger role in pushing the responsible investment agenda and educate their clients about the fact that SRI is part of their fiduciary duty.”

Over the coming year, there are some pieces of EU legislation that should come to fruition to help the sustainable investment market grow further. An example of this is a compromise being reached between the European parliament and council around corporate non-financial disclosure. If voted in, in early April, the compromised text will mean certain large companies will be subjected to mandatory non-financial reporting. Passant says, “We are also expecting some conclusions around the 2013 commission proposal on long-term investment funds

By CHARLOTTE MALONE

Photo by CÉDRIC PUISNEY via Flickr

**Sustainable and responsible investment (SRI) is slowly making inroads into the mainstream investment market in Europe.**

The European Sustainable Investment Forum, or Eurosif, is a pan-European network and thinktank that aims to develop sustainability markets across the region. Its executive director François Passant, who joined the organisation in 2011, argues that more investors are gradually realising that sustainability factors can be incorporated into the risk management process, making it more robust. He points out that, according to the Eurosif 2012 European SRI Market Study, all responsible investment strategies have outgrown the market between December 2011 and December 2009, with most strategies growing by more than 35% over the period. In June 2013, European retail SRI had grown 14% compared to June 2012. European Retail funds under management are now worth €108 billion

(£90 billion) across 922 funds, according to recent analysis by Vigeo. Meanwhile, across Europe, SRI retail funds represent 1.7% of the market and although this is still modest, it has steadily grown from the 0.8% it stood at in June 2008.

Institutional investors are also recognising the benefits of incorporating environmental, social and governance (ESG) issues. A survey conducted by ING Investment Management last year found that three-quarters of European investment professionals responsible for pensions funds believe the consideration of ESG factors was fundamental to the future of investment. This growing realisation is reflected in the UK’s National Employment Savings Trust (NEST), which announced it would be integrating ESG across all asset classes where practical.

Passant says, “By talking to our national sustainable and investment forum members and market participants we see an increasing number of asset

*managers and asset owners moving into the SRI space. Clearly the United Nations-supported Principles for Responsible Investment are a key driver behind this. However, there is also a growing realisation that the consideration of ESG issues should be part of a sound portfolio risk management toolkit.”*

Investing responsibly and being an active stakeholder can give investors the power to positively impact on business and economic decisions whilst still making a return on their money. Passant explains, “Sustainable and responsible investors have a huge role to play in constructively working with businesses to build more sustainable companies that have reduced negative externalities on the environment and society.”

One of the most effective ways investors can have an effect is through engagement. By creating a dialogue with a company, investors – often through their fund manager – can foster change related to specific ESG issues. For example, following engagement companies





"Sustainable and responsible investors have a huge role to play in constructively working with businesses to build more sustainable companies..."

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Bottom photo is  
FRANÇOIS  
PASSANT



*and the packaged retail investment directive, both of these legislation have the potential to foster SRI and more broadly ESG disclosure."*

The European commission is also expected to publish a follow-up to its green paper on long-term financing of the European economy, which is anticipated to make proposals around shareholder rights and SRI. Passant concludes, "*The legislation certainly highlights how regulators have SRI on their radar screen and are starting to understand that the SRI industry can be part of the solution to build a more sustainable and competitive European economy.*"

*François Passant is executive director of Eurosif, a pan-European network and thinktank whose mission is to develop sustainability through European financial markets.*

[www.eurosif.org](http://www.eurosif.org)

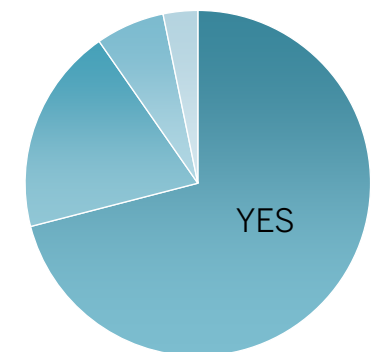


# WHEN INVESTING WILL YOU BE CONSIDERING ETHICAL, RESPONSIBLE OR SUSTAINABLE OPTIONS?

**2013**

Monthly readership of 12,000

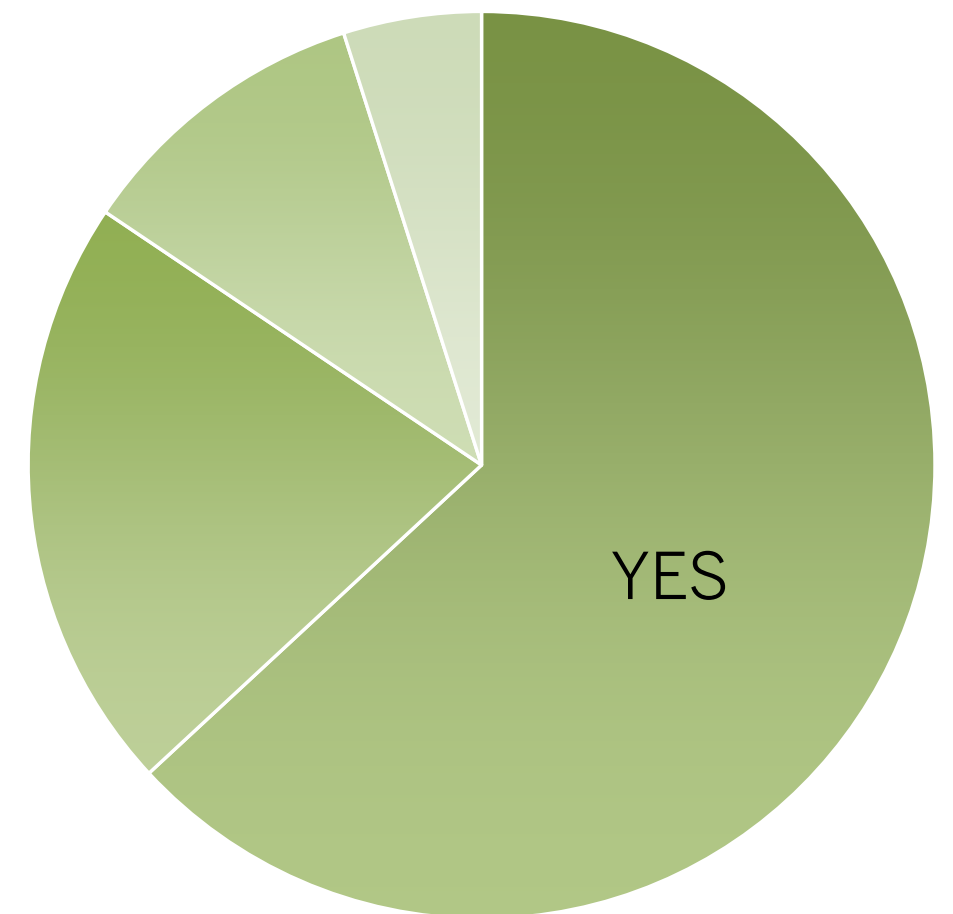
<b>Yes</b>	<b>71%</b>
<b>No</b>	<b>19%</b>
<b>Partially</b>	<b>6%</b>
<b>Don't know</b>	<b>1%</b>



**2014**

Monthly readership of 61,000

<b>Yes</b>	<b>63%</b>
<b>No</b>	<b>21%</b>
<b>Partially</b>	<b>11%</b>
<b>Don't know</b>	<b>5%</b>





# RESPONSIBLE INVESTMENT'S TIME HAS COME – AND IT IS HERE TO STAY

By CHARLOTTE  
MALONE

**FIONA REYNOLDS, who has been managing director at Principles for Responsible Investment (PRI) since January 2013, believes that responsible investment is here to stay and is gradually moving into the mainstream investment market. However, she notes that there is still a long way to go.**

Supported by the United Nations, the PRI initiative is an international network of investors working together to put six environmental and social principles for responsible investment into practice. The initiative aims to help investors incorporate environment, social and governance (ESG) issues into their investment decisions and ownership practices. Fiona Reynolds, managing director since November 2012, notes that the PRI is continuing to see its number of signatories grow each year with progress in both developed and developing

nations. In the first two months of 2014 alone, 30 new investors signed up to the growing list of more than 1,200 investors.

She says, *"I certainly think responsible investment is becoming more mainstream. Its time has come and it is here to stay but I think it still has a long way to go."*

Investors have typically been focusing on governance issues but are slowly considering environmental and social issues more, something that Reynolds describes as *"significant"*. She also notes that responsible investment is more mainstream in the European markets when compared to the US *"where there is a lot more to be achieved"* and some see fiduciary duty as a barrier to responsible investment.

## ENVIRONMENTAL ISSUES WILL 'DEFINE OUR ERA'

Research has proven that companies that consider the long-term, by incorporating sustainability into their operations, offer more stability for investors. In order to ensure viability investors need to look at a wide range of issues across ESG practices. Currently, investors tend to focus on governance issues, such as diversity within boards and executive remuneration. However, Reynolds believes that looking at the environmental side can offer investors a lot of opportunities as countries transition from high-carbon to low-carbon economies.

She says, *"I think the biggest opportunities are in the environmental side. Climate change is a big threat not just to the planet but also to many investments. I think it's the environmental issues that are really going to define our era."*

The environment and impacts of climate change are having a huge effect on energy and resource efficiency and as a result impact companies and financial markets. Considering how industries are going to have to tackle and adapt to the challenges this presents, and researching which firms are taking action now, have obvious benefits.

Photo is  
FIONA  
REYNOLDS



*"I absolutely believe that those who put in the effort [to invest responsibly] will benefit in the long term."*  
Fiona Reynolds, PRI

Reynolds adds investors also need to think about stranded assets, as new regulation is implemented. *"Will you find yourself with assets that you've bought that are in the ground that you can't extract? We really need to be thinking to the future when it comes to some of the environmental issues"*, she says. These considerations extend from individual to institutional investors, such as pension funds, who arguably have a much larger responsibility to think about the long-term impact of their investment decisions.

She says, *"It's not their money, they're investing on the behalf of benefactors. They could be investing on behalf of a 20-year-old who has just started work and is not going to retire for another 45 years and that person is thinking about a long term investment."*

Despite the benefits incorporating ESG issues brings, it also presents additional challenges. Reynolds adds, *"Responsible investors face endless challenges. I would say to PRI signatories that signing onto a set of principles is the easy part, actually doing the hard work of integrating ESG issues, educating yourself, engaging with and understanding supply chains and the companies you are invested in is the difficult part. You have to applaud investors who take the extra step to take the responsible investment issues seriously."*

However despite the challenges Reynolds asserts that the gains of investing responsibly outweigh the extra work needed. *"I absolutely believe that those who put in the effort will benefit in the long term. They will be invested in companies that are thinking about the*

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"Climate change is a big threat not just to the planet but also to many investments. It's the environmental issues that are really going to define our era"  
Fiona Reynolds, PRI



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*future and how they need to transition and ensure the viability of their company", she says.*

#### ENGAGEMENT IS KEY

How a responsible investor should respond when a company is found to be involved in unethical or unsustainable business practices continues to be debated. Often divestment is considered or urged but there is an alternative. Reynolds uses the example of the Bangladesh factory collapse in 2013, in which more than 1,100 people lost their lives due to poor health and safety regulations, to explain how engagement could be a better alternative.

She explained whilst some investors immediately wanted to withdraw their investment in Bangladesh following the accident, the women working in those factories need the jobs to support their families and

withdrawing funds could have an indirect negative impact on their lives. Instead Reynolds advocates taking the time to engage with the companies involved and call for improved safety standards.

She concludes, *"I think engagement is key – I don't think it's the only thing – but where you can engage and make a change is where all investors need to start. As a starting point trying to make change is the best way to go and take your responsibility as an owner seriously. But there also needs to be consequences, if you've engaged for a long time and seen no change then divestment may be what you decide to do."*



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# FIDUCIARY DUTY: ARE YOUR INVESTMENTS FIT FOR THE FUTURE?

**For many years, many in the ‘mainstream’ investor community have rebuffed attempts to get them to take sustainability concerns into account in their investments by saying that it goes against their fiduciary duty to provide the best returns for their investors. It is an argument that is becoming ever-harder to make.**

By MIKE SCOTT





"There has been a shift from thinking that the company has an impact on the world... to a realisation that the world has an impact on the company..."

The case against considering sustainability, or environmental, social and governance (ESG) issues emerged from the origins of sustainable investment in the ethical investment movement. Ethical investors, many of them representing religious groups, excluded certain 'sin stocks' such as alcohol, weapons, gambling, smoking and pornography, from their portfolios because these activities conflicted with their beliefs.

The argument was then codified in 1984 in a case involving the National Union of Mineworkers pension fund during the miners' strike, when a judge ruled against the union's attempts to make the pension scheme invest in line with the union's policies. *"The judge said the financial interests of the scheme's beneficiaries should be the paramount consideration of the trustees"*, says Melanie Wadsworth, a partner at the law firm Faegre Baker Daniels. *"People have tended to interpret the judgement as stating that profit maximisation is the most important thing and should override any other interests."*

The judge's position was actually more nuanced than this. He said, *"I am not asserting that the benefit of the beneficiaries which a trustee must make his paramount concern inevitably and solely means their financial benefit... 'benefit' is a word with a very wide meaning, and there are circumstances in which arrangements which work to the financial disadvantage of a beneficiary may yet be for his benefit."* Nonetheless, the judgement was seized upon by investors to make profit maximisation the received wisdom for the next two decades and this approach contributed to a focus on short-term returns at the expense of long-term sustainable investment value.

Then in 2005, the law firm Freshfields produced a report for the United Nations Environment Programme (UNEP) that suggested, *"It may be a breach of fiduciary duties to fail to take account of ESG considerations that are relevant and to give them appropriate weight, bearing in mind that*



*some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG performance and good financial performance exists."*

There is still a healthy ethical investing sector today – according to research group EIRIS, some £12.2 billion was invested in green and ethical retail funds in the UK in 2013, up from £4 billion in 2001. But the wider sustainable investment market takes a more positive approach than the negative screening employed by ethical funds, with investors more focused on picking winners than on excluding sinners.

*"There is absolutely nothing about fiduciary duty that stops you taking ESG issues into account"*, says Sandra Carlisle, head of responsible investment at Newton Investment Management. *"ESG issues can create business, operational, financial, brand and reputational risks. It would be remiss of us not to take them into account."*

Those people that are still confusing ESG with ethical exclusions are just trying to avoid the debate, she says, but adds *"there is a greater understanding now that non-financial issues are actually financial, especially when something goes wrong."*

You don't have to look far for examples of things going wrong that have a strong ESG element to them – from the horsemeat scandal to BP's Gulf of Mexico oil

"There is absolutely nothing about fiduciary duty that stops you taking ESG issues into account"  
Sandra Carlisle, Newton Investment Management

spill to the deadly fire at Rana Plaza in Bangladesh or most recently, the German utility RWE posting its first ever loss and admitting that it had failed to embrace renewable energy early enough. *"It's not about ethics, it's about good risk management"*, Carlisle says.

With the UK's Stewardship Code requiring institutional investors to disclose how they are discharging their stewardship responsibilities in the companies they hold shares in, there is a growing acceptance that far from being a drag on earnings, there is a link between good performance on ESG issues and financial performance, adds Wadsworth.

Christina Figueres, head of the United Nations Framework Convention on Climate Change, told an investor summit in New York *"institutional investors who ignore climate risk face being increasingly seen as blatantly in breach of their fiduciary duty to their beneficial owners – men and women who have worked hard all their lives to put away something for their retirement and for their children"*.

Calling for investors to speed up the rate they green their portfolios, she said, *"Pensions, life insurances and nest eggs of billions of ordinary people depend on the long-term security and stability of institutional investment funds. Climate change increasingly poses one of the biggest long-term threats to those investments and the wealth of the global economy."*

*"Investment decisions need to reflect the clear scientific evidence, and fiduciary responsibility needs to grasp the intergenerational reality: namely that unchecked climate change has the potential to impact and eventually devastate the lives, livelihoods and savings of many, now and well into the future."*

If you are taking a long-term view of your assets but not asking how that asset will be successful in future, it is difficult to say that you are meeting your fiduciary duty, argues David Bent, head of sustainable business at Forum for the Future. *"The actual legal meaning has become separated from the meaning that people carry around in their heads. Many people think that*

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"There is a big difference between maximising returns for the short-term and achieving satisfactory returns over the longer term"  
David Bent, Forum for the Future



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*it means you have to try to maximise returns at all times. But there is a big difference between maximising returns for the short-term and achieving satisfactory returns over the longer term."*

There has been a shift from thinking that the company has an impact on the world to a realisation that the world has an impact on the company and managers and investors need to be on top of that, he adds. Many of those who discount the importance of a focus on ESG issues are "still critiquing the corporate social responsibility (CSR) initiatives of a decade ago", Bent says. "You need to be sure that the sectors you are investing in are fit for the future. If you are not encouraging the companies in that sector to be fit for the future, your investment is at risk."

But it is also important to remember that being mindful of ESG issues throws up new opportunities as well, whether that is in clean energy, more robust supply chains or more efficient production processes that use less water, energy and resources. It is becoming ever-clearer that sustainability and fiduciary duty are complementary concepts, not in conflict with each other.

*Mike Scott is a freelance writer specialising in environment and business issues for the press and corporate clients. His work has been published in the Financial Times, the Times, the Guardian and the Daily Telegraph and in business publications ranging from Bloomberg New Energy Finance to Forbes.*

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# WHAT THE ADVISERS SAY

Four financial advisers discuss the benefits of investing sustainably, responsibly and ethically.

**JULIAN PARROTT**  
ETHICAL FUTURES  
EDINBURGH



ethicalfutures™

Spent 12 years in financial services but was getting fed up with the industry. Found that advising clients who had ethical interests chimed with his values, and so decided to specialise in ethical investment. Co-founded Ethical Futures, a general financial planning firm but with a strong investment emphasis, with Martin Wight in 2005.

[www.ethicalfutures.co.uk](http://www.ethicalfutures.co.uk)

**HELEN TANDY**  
GAEIA  
MANCHESTER



Gaeia  
Global and ethical investment advice

Started working at a building society but wanted her sustainable lifestyle to be reflected in her work. Moved to part of the Co-operative Group and then to Gaeia – which celebrated its 20th anniversary in 2013 and is one of the UK's longest established ethical financial advisers.

[www.gaeia.com](http://www.gaeia.com)

**RICHARD ESSEX**  
GRAYSIDE LTD  
SURREY



GRAYSIDE  
FINANCIAL SERVICES AND INSURANCE BROKERS

Began career providing general financial advice but his concern for the environment led to an interest in sustainability. He is now a consultant at Grayside Financial Services, which has been operating as independent financial advisers for the last 40 years. He specialises in sustainable and responsible investment.

[www.grayside.co.uk/ethical-green-investments.php](http://www.grayside.co.uk/ethical-green-investments.php)

**TANYA PEIN**  
IN2 CONSULTING  
LONDON



in2  
Consulting Limited

Co-founded UnLtd, which is now the largest charity in Europe supporting social entrepreneurs. She came into financial advice through charity investment, so the integration of values was integral to her approach to clients from the beginning. In2 Consulting has been advising individuals, companies and charities for over 20 years.

[www.in2consulting.co.uk](http://www.in2consulting.co.uk)



“Don’t invest just for a new investment angle;  
invest because you want to make a difference”  
Julian Parrott, Ethical Futures

## WHY SHOULD PEOPLE CONSIDER INVESTING SUSTAINABLY, RESPONSIBLY AND ETHICALLY?

**JULIAN PARROTT:** How long have you got? People should invest with their own convictions. I think that there are good long-term returns to be had, but don’t invest just for a new investment angle, invest because you want to make a difference. Appropriately channelled and focused, your money can start to influence the way big business behaves; can help develop local community businesses; can support social and community projects; can invest in development of alternative forms of energy, recycling, waste management and water treatment; can help develop new initiatives in health and education; can fund micro-finance in developing countries; and can make a difference.

**HELEN TANDY:** In the early years of ethical investment, people wanted to be able to avoid companies involved

in tobacco or the arms trade – known as negative screening. Nowadays, socially responsible investors want to do much more than that. They want to actively support employers with beneficial social and environmental policies and invest in companies that produce goods or services that make a positive impact, for example, producing renewable energy or tackling water pollution and deforestation. If you buy fair trade goods, support independent local shops, make careful choices when buying general products and services and care about the impact we have on the environment, then you are likely also to want to be able to make financial choices that reflect your own values and principles.

**RICHARD ESSEX:** Because ideally, as an economy, we should be investing this way. Enlightened economic thinking is now pleading that the sustainability of the world economy and planet has to be supported by the right investment right now. From a practical point of view however, we are starting to see that investment decisions, which take into account environmental, social and governance (ESG) factors have a better

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“Not enough financial advisers in the UK feel confident to discuss ethical options or ask clients the necessary questions”  
Helen Tandy, Gaeia

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chance of being financially sustainable. This is an attractive prospect for the individual investor, especially when you consider the rollercoaster they have been through.

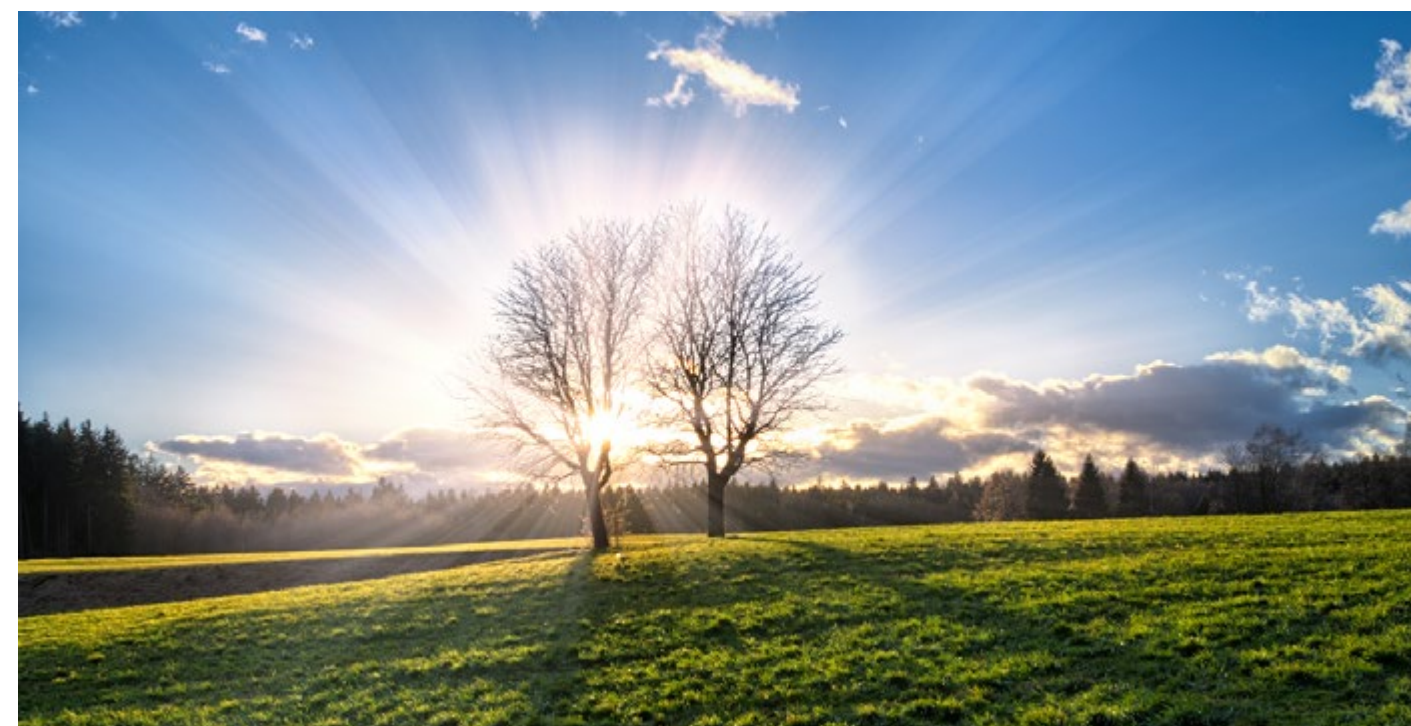
**TANYA PEIN:** Here’s a better question: “Why does it feel right to invest without considering the environmental damage investments might make, or incidences of human rights abuse or poor labour conditions that might underpin profits?” This is a better question because everyone has a moral compass, and the idea of setting it aside when it comes to investment is relatively new. It doesn’t have to be that way, and the shift from that approach is gathering speed. If you prefer the original question, here’s a quantitative answer: there is rigorous and recent academic research that shows that active engagement by fund managers with companies on their environmental, social and governance (ESG) standards

boosts the investment return. That’s a very compelling finding – investors, take note.

#### IS THERE A COMPROMISE TO BE MADE BETWEEN GETTING A RETURN ON INVESTMENT AND ‘DOING THE RIGHT THING’?

**JP:** I don’t think so, but I don’t actually care. Are you going to tell the clothing worker in Bangladesh that you really needed that extra marginal gain, so sorry, but you will have to continue working in a sweatshop? Or to the farmer in a developing nation: sorry, you have to keep on buying the seed for your grain because we have a nice fat GM patent and you certainly can’t be allowed to propagate your own seed? Or to the tribe in Africa: sorry, you can’t farm on your own land because it is needed for oil exploration and the company has given the government ministers a nice big bung to secure access? We just have to take a

“Enlightened economic thinking is now pleading that the sustainability of the world economy and planet has to be supported by the right investment right now”  
Richard Essex, Grayside Ltd



wider world view and re-structure our economies and our expectations.

**HT:** Whilst many of our clients want to consider the impact of their money, rather than just the rate of return, the best sustainable and ethical investments do offer excellent returns. In a recent survey from Moneyfacts.co.uk, ethical funds have outperformed non-ethical funds in the last three years, up 36% on average compared with 31% for the average non-ethical fund.

**RE:** There may be in the short-term. For example, where a fund is strictly screened a more restricted universe could cost short-term gains. You have to ask yourself however why certain funds are restricted. It will be because they are seen as having some form of negative effect on the health of our society or planet. I am an optimist and believe that over time, sentiment

will move away from these negative stocks. A good example is tobacco. Although this has always been seen as a good solid financial stock, public sentiment and the shadow of future legislation don’t paint such a great picture for this industry going forward. Much of the sustainable and responsible investment (SRI) industry supports the view that ESG sustainability creates greater financial sustainability. I agree.

**TP:** Of course – and the slave trade was extremely profitable, as an example. But that question is in the same faulty paradigm as the previous one: that it’s reasonable to invest without considering the impact of the investments. It isn’t reasonable, and there is much evidence that when people hear about poor practices they certainly do care. For example, since the recent deaths in Bangladeshi clothes factories, there has been strong consumer pressure on UK high street retailers to insist on higher supplier standards.

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#### **WHAT, IF ANYTHING, IS STOPPING SUSTAINABLE, RESPONSIBLE AND ETHICAL INVESTMENT FROM TAKING OFF IN THE UK?**

**JP:** There is still resistance amongst many financial advisers and investment houses don't put enough support into promoting the sector or developing new funds. They still prefer to develop 'flavour of the day' type funds. There is also still the muesli muncher, hippy notion about ethical investment out there.

**HT:** Not enough financial advisers in the UK feel confident to discuss ethical options or ask clients the right questions. And, if they are asked for ethical investment advice, evidence shows that they often prefer to talk the client out of it. At Gaeia, we've always tried to engage other advisers and encourage them to find out more about this sector. The more we encourage people to move their money in an ethical direction, the more impact that money can have.

**RE:** Awareness. From experience, once people know these funds are out there they are interested. The call to action however needs to be louder.

**TP:** Lack of publicity. Few investors ask specifically for these types of investments – and in my experience, the most are pleased and interested when it is offered.

#### **IF PEOPLE DO NOT INVEST SUSTAINABLY, RESPONSIBLY AND ETHICALLY WHAT IS THE BIGGEST CONSEQUENCE FOR THEM?**

**JP:** Err, is another 2008 financial crisis enough? Try the headlong rush for shale gas or tar sands or Arctic oil, Bangladeshi sweatshops working for major fashion brands, millions of UK workers working for below a living wage – it's happening now and we need to change the agenda.

**HT:** Putting money into investments that deplete the planet's resources makes no sense. We should be focusing on a more equitable society, where everyone has a better chance of succeeding and leading more sustainable lives. It's about thinking about the long-term, rather than focusing on short-term gains.

**RE:** Financially – over the longer term – I think there is a greater consequence of instability related to their funds. More importantly, this would only help the decline in the safety and health of the planet we live in.

**TP:** On the investment return side: lower returns in the medium and long-term. On the personal side: maybe anger from their children, once they realise how their parents invested, and what kind of inheritance has been delivered to their generation as a whole.

“Everyone has a moral compass, and the idea of setting it aside when it comes to investment is relatively new”  
Tanya Pein, In2 Consulting

#### **WHAT DO YOU PREDICT FOR THE NEXT 10 YEARS OF SUSTAINABLE, RESPONSIBLE AND ETHICAL INVESTMENT?**

**JP:** It's growing, but we have yet to reach the tipping point. I'm not sure what the catalyst will be. In terms of funds, there will probably be more emphasis on the sustainable and responsible – which is okay – but I'm going to keep on fighting for the ethics, too.

**HT:** I'd like to think that in the next 10 years, ethical investment will have become mainstream. Many people are already used to recycling, reducing their energy usage and considering their environment. I hope that making ethical choices when it comes to money will become second nature for many, too.

**RE:** I believe there will be a steady growth of people within the financial services industry who start to see

the light. I also think more retail fund groups will take on the idea of ESG sustainability as being important. Having said that, there is still a huge amount of head-in-sand and ultimately it might need further shocks to the system before there is critical mass of acceptance.

**TP:** The great leap forward in awareness and practical action that we've all been waiting for. I would hope that it will come for positive reasons – people understanding why it makes sense to change the way investments are made - from both an investment, and from an inter-generational equity point of view. But I suspect that environmental damage caused by an increasingly unstable climate, and various other negatives will unfortunately play a major role. Pessimism of the intellect, but optimism of the will, as the saying goes. 🌱



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*"All investors should be instructing their managers to use their influence on the companies they invest in to ensure long term value isn't damaged by short-term behaviours such as extreme tax avoidance, unbalanced remuneration or damage to the environment."* **Simon Howard, Chief Executive, UKSIF**

*"I am delighted to host the Ownership Day Parliamentary Reception this year. UKSIF's campaign is vitally important to ensuring that asset owners, such as pension funds, engage with companies on issues which could impact their long-term financial returns."*

**Paul Uppal MP, Number 10 Policy Board Member and Parliamentary Private Secretary to BIS Minister David Willetts MP**



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# WHAT THE INVESTMENT HOUSES SAY

Four leading investment houses discuss the compelling case for sustainable investment.

**PETER MICHAELIS**  
ALLIANCE TRUST  
INVESTMENTS



He has been managing money in sustainable and responsible investment (SRI) for over 12 years. Prior to joining Alliance Trust Investments in August 2012, he was head of SRI at Aviva Investors. He also has a PhD in environmental economics.

[www.alliancetrustinvestments.com](http://www.alliancetrustinvestments.com)

**CLAUDIA QUIROZ**  
QUILTER CHEVIOT



Joined Cheviot from Henderson Global Investors in 2009, prior to its merger with Quilter in 2013. Lead fund manager of the Climate Assets fund. Has 15 years' experience in sustainability and responsible investment.

[www.quiltercheviot.com](http://www.quiltercheviot.com)

**ALICE EVANS**  
F&C INVESTMENTS



Associate director and fund manager in F&C's Global Thematic Equities team. Lead manager of the F&C Global Thematic Opportunities fund. Previously at Henderson Global Investors and JP Morgan Asset Management.

[www.fandc.com/uk](http://www.fandc.com/uk)

**KETAN PATEL**  
ECCLESIASTICAL  
INVESTMENT MANAGEMENT



Joined Ecclesiastical in 2003 from Insight Investment Management. Now specialises in integrating financial and environmental, social and governance (ESG) analysis into investment. At Ecclesiastical, he leads on several ethical issues such as pharmaceuticals, energy and agriculture.

[www.ecclesiastical.com](http://www.ecclesiastical.com)

"Sustainable companies have better growth prospects and better quality management – two very strong investment attributes"  
Peter Michaelis, Alliance Trust



“There is no systematic loss of performance compared to mainstream funds over time”  
Alice Evans, F&C

## WHY SHOULD PEOPLE CONSIDER SUSTAINABLE INVESTMENT?

**PETER MICHAELIS:** To get strong investment returns. We believe that sustainable companies have better growth prospects and better quality management – two very strong investment attributes. Over the coming decade there will be growth in demand for companies involved in energy efficiency, innovative healthcare, education services, pollution control, healthy eating and clean energy. Sustainable investing targets these areas of future growth. Surely this is a strategy ideally suited for long-term savings and pensions.

**CLAUDIA QUIROZ:** Sustainable investment gives the opportunity to invest in long-term economic growth. Growth is the key reason for investors’ interest in sustainability and environmental themes. Most end markets in this space are expected to grow annually at double-digit rates over the next three to five years. This generates attractive investment opportunities when one understands the changes taking place with regard to consumer preferences, government spending, energy supply and security, the food supply/demand imbalance and the general need for a cleaner and more efficient economy – the new economy. Companies meeting demand for energy efficiency, for example, are set to benefit the most going forward. Energy efficiency is one of our favourite investment themes at Quilter Cheviot. It is not only the cheapest but also the quickest way of cutting carbon emissions. We are talking about companies involved in transport infrastructure, building insulation and efficient lighting, industrial productivity gains, smart grid and energy storage, just to mention a few.

**ALICE EVANS:** As the future isn’t going to look like the past, we need to think differently about investment for the long-term. The global population tripled over the course of the last century and is forecast to increase another 50% by 2050, and huge nations are transitioning to industrial economies for the first time.



The challenges of climate change and pressures on natural resources are steadily increasing. The digital age has accelerated globalisation, which creates great opportunity but also brings economic and cultural dislocations that we need to overcome. Against this backdrop, companies that are thinking ahead, navigating these challenges, aligning their interests with society and bringing solutions will create more sustainable value. In other areas of our lives we make choices that are consistent with our values – how we save and invest for the future should be no exception.

**KETAN PATEL:** More than 100 UK ethical and responsible investment products now provide a rich diversity of investment opportunities, covering all assets and geographies for the retail client. Investing for profits with principles is becoming a mainstream choice for many investors and the choice of products has never been broader. At Ecclesiastical Investment Management, we believe that ethical stock selection based upon financial and non-financial factors

“Most end markets in this space are expected to grow annually at double-digit rates over the next three to five years”  
Claudia Quiroz, Quilter Cheviot

will drive better risk management and stronger performance over time. There is also a growing recognition for companies to take a long-term approach to a wide range of issues from resource scarcity through to climate change and corporate governance, which puts ethical investing front of mind for many investors, particularly in light of recent financial scandals. Ultimately, there is no intrinsic reason why performance needs to be sacrificed in order to invest responsibly in the long-term.

## WHAT’S THE BIGGEST BARRIER TO SUSTAINABLE INVESTMENT BECOMING MAINSTREAM?

**PM:** Education that there is a choice. We need to raise awareness that there is no compromise between investment returns and selecting sustainable companies. Sustainable investing has delivered strong investment returns without taking untoward risk. Transparency will also help. The financial services industry is famously opaque and traditionally investors

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# Our Water Fund. 14 years old and still making a splash.

Asset Management  
Wealth Management  
Asset Services

"There is no barrier to sustainable investment becoming mainstream"  
Ketan Patel, Ecclesiastical

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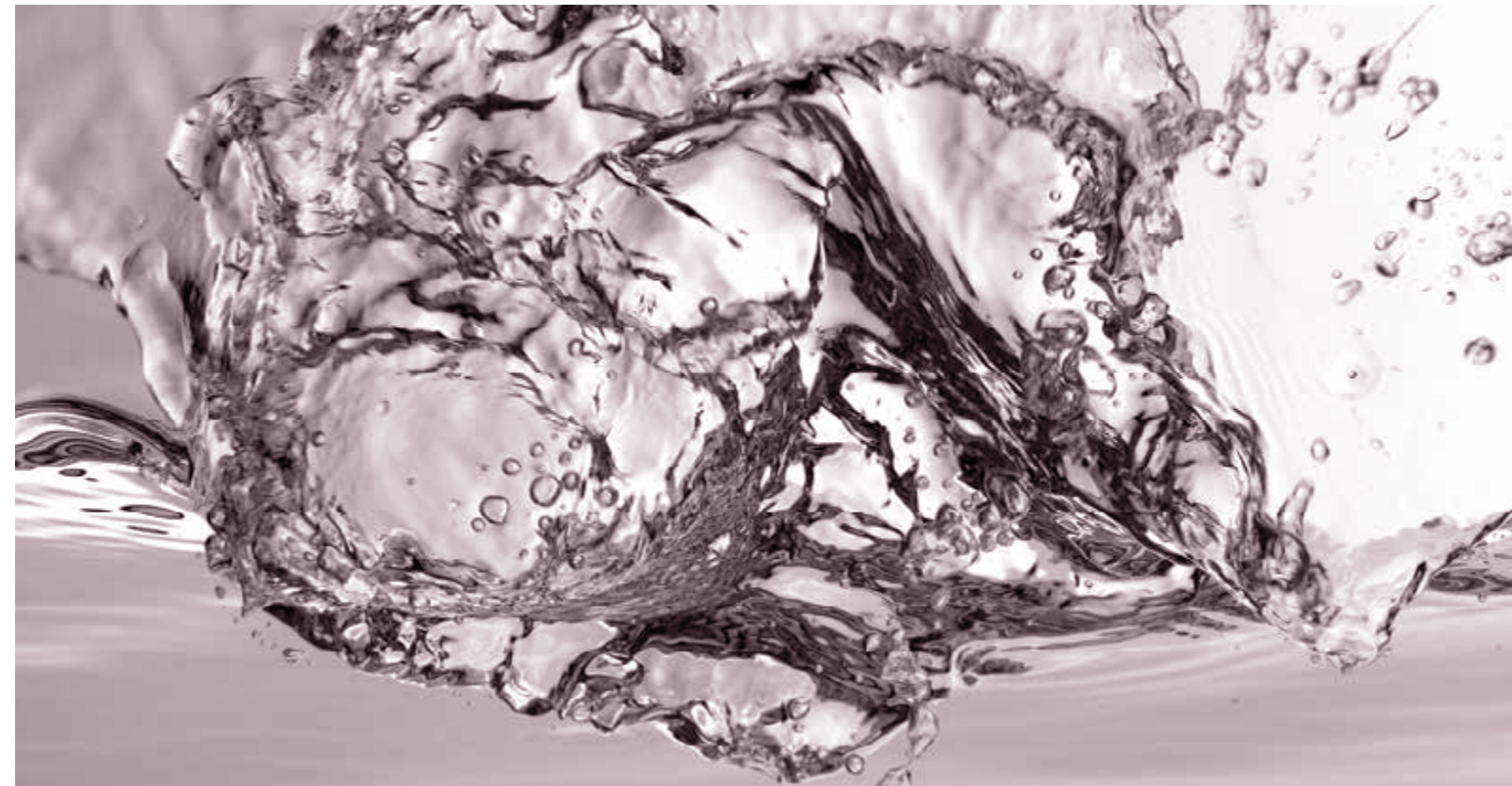
have found it hard to know what is in their funds beyond the top 10. As the industry is forced to become more transparent then people will start to question where their money is invested. It will be analogous to the food and clothing industry where provenance has become an essential attribute of any product. So too, the manner in which investment returns are generated will become an essential attribute of the investment product. Comic Relief and Church of England coming unstuck because of this opacity are early examples of the change to come.

**CQ:** I think the biggest barrier is that investors are concerned that there is a price to pay for sustainable investing. There is this belief that the performance of these funds will be worse than an unconstrained, or mainstream, fund. This is a matter of perception rather than reality, as proven by our sustainable investment strategy, Quilter Cheviot Climate Assets fund, which has returned 40.50% since launch in March 2010 to February 2014, compared to the VMA Stock Market Balanced Index rising 38.98%. People would associate sustainable investing with the solar sector for example, which has had poor performance from 2008 through 2013 due to changes in government subsidy policy as well as an increased competitive threat to western solar companies from privately owned firms in China. However, the companies involved in solar power

generation are a negligible part of our investable universe. Also, as we only invest in profitable established businesses with attractive valuations, we avoided the solar sector altogether during that period.

**AE:** Changing the perception that ethical and sustainable investment necessarily comes with a performance penalty. Long track records of sustainable investment funds can now show there is no systematic loss of performance compared to mainstream funds over time. If anything we would expect this to become even more obvious in the future as sustainable investment is an inherently forward looking thesis.

**KP:** We believe that there is no barrier to sustainable investment becoming mainstream; it has grown steadily as an option, and the range and diversity of products available now numbers over 100 in the UK. Furthermore, 45% of UK adults with investments said that they now want at least some of their investments to take green and ethical considerations into account. The appetite is clearly present from many investors, however sustainable investment is essentially a long-term investment model and the City is still often driven by short-term returns. Remodelling the market to be more tuned to longer term horizons would enable the sustainable investment market to flourish. 🌱



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# WHAT ARE YOU INVESTING FOR?

Whether it's for growth, income or your children's long-term prosperity, there are a range of investment styles for you to consider.

By ALEX BLACKBURNE



“Many people are quite blasé about the whole investment process, so if you can say there are funds that are looking at an extra factor as well, that is very useful.”

Richard Essex, Grayside Ltd

**D**eciding what you're investing for is crucial in making your investments align properly with your aims. Many people want to simply grow their long-term wealth; others draw income from their investments. Among those interested in sustainability, the long-term prosperity of their children is often their driver. Meanwhile, some investors are less concerned about making a return, and instead invest with philanthropic goals in mind.

Whatever you want to get out of your investments, though, an important first step should be to speak to an independent financial adviser (IFA) who will explore the different styles in detail. This process is called a fact find and includes questions on goals and objectives, to understand what's important to the client, and risk, in order to determine a client's capacity for loss and how much volatility they are happy with. Most fact finds should also include a question on sustainable, responsible and ethical investment, to find out if the client has any ethical, environmental, social or religious considerations.

Many IFAs are not knowledgeable enough to give advice on sustainable investment. We've heard anecdotes from thought leaders in the sustainability space whose own advisers have actively tried to put them off investing in this way. But with 76% receiving requests from clients for this kind of advice, according to Blue & Green Tomorrow's fourth annual Voice of the Adviser survey, the relatively small market share of sustainable investment compared to the mainstream is almost certainly because of a supply problem – and not because of the lack of demand.

There are, of course, a number of IFAs who specialise in this area. Rather than asking the standard question to see if a client is interested, they go into detail about how adopting a sustainability approach pays off in the long-term. Even with all these extra considerations, the first question is always to do with why the client wants to invest. But once you have established this, along with the risk profile and sustainable investment

analysis, an adviser has a good foundation to put together a compelling portfolio.

The three broad investment styles are investing for growth, income and children. While there are certainly crossovers, each has its own approach and usage. Often, a mix of two or three different styles can provide useful diversification for an investor. With the help of Surrey-based financial adviser Richard Essex, a consultant at Grayside Ltd, we're going to outline all three styles to help you find which is most appropriate for you.

#### INVESTING FOR GROWTH

One of the most popular approaches, investing for growth means making your money grow considerably by investing in currently undervalued companies, or stocks, that are expected to be more profitable in the future. This chimes particularly well with investors who are interested in sustainability. Problems such as climate change, air pollution, water shortages and biodiversity loss are only expected to increase in prominence in the future, so companies providing solutions to these are likely to become more profitable.

Growth investors tend to reinvest any profit they make or dividends they receive, and by definition, will have a long-term outlook – so years rather than months. While many investors ask their advisers to put their money into investment funds, others choose to invest directly in companies. In this scenario, growth investors would likely opt for profitable companies whose share price is rising and then buy more shares using the dividend they receive. Investing in just one company does carry with it quite some risk, though; if something goes wrong, you could lose most if not all of your money.

**Richard Essex says:** If somebody's investing for growth and they're happy with a little bit higher risk, thematic funds are extremely good – firms like WHEB and Pictet, because they deal with specific sustainability themes that they think are going to have

“The primary driver for many investors is a desire to leave something for their children or grandchildren”



Photo by BENJAMIN EARWICKER via stock.xchng





# The three broad investment styles are investing for growth, income and children

their children or grandchildren. This wish chimes very well with sustainable investment, which is all about tackling the biggest sustainability challenges so that our ancestors – the client’s children or grandchildren included – inherit a planet, society and an economy that are not just healthy but flourishing.

Anecdotal evidence suggests many investors adopting this approach want funds that not only screen out morally questionable sectors like tobacco and weapons, but also invest positively in sectors that are crucial to our future prosperity like renewable energy and medicine.

**Richard Essex says:** Asking clients if they are interested in leaving some sort of positive legacy can be quite a useful approach. When you put the idea in their head, they are generally quite receptive. It’s something that people grab onto very quickly. It gives another dimension to investment, because I think a lot of people are interested in investing for children. Many people are quite blasé about the whole investment process, so if you can say there are funds that are looking at an extra factor as well, that is very useful.

## CONCLUSION

The best, most balanced investment portfolios would tend to deploy a mix of styles so as to nullify the potential risks associated with adopting one on its own. What is clear is that if you have a desire to invest sustainably, you can do so with growth, income and your children in mind.

*Richard Essex is a financial consultant at Grayside Ltd, where he specialises in green and ethical advice. He is the author of the soon-to-be-published book: Invest, Feel Good, And Make a Difference.*

[www.grayside.co.uk/ethical-green-investments.php](http://www.grayside.co.uk/ethical-green-investments.php)

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JULIO TEIXEIRA  
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a positive consequence, but also are going to make money. I would often put some thematic funds in a portfolio – obviously depending on the risk profile.

## INVESTING FOR INCOME

An investment strategy focused on income means the investor is receiving regular payments – usually either quarterly or monthly – from the company or fund they invest in. Whereas growth investors may reinvest these payments, income investors would withdraw them.

If you’re investing for growth and your fund has a bad year, you’d be less worried than if you were drawing

an income out of that fund. If the market fell in this scenario, you’d have to sell shares to provide the income you want. There is also no guarantee that your fund will recover. Therefore, with income investment protecting the downside is even more important – so you’d generally want to go for less risky investments.

Sustainability investors looking through an environmental, social and governance (ESG) lens may find that this process helps protect the downside and reduce volatility. There is research to suggest there is less risk if a company is looking at its ESG footprint.

**Richard Essex says:** When a client is drawing income regularly, it’s more important to protect the downside.

In this respect, I think there is real value in investing in funds that include ESG factors as well as the more conventional financial analysis. This extra dimension can help to reduce the downside risk of a fund further. One suggestion here might be to invest in a ‘best of sector’ fund. This would be a fund investing in large companies from across the spectrum that are taking a lead in sustainability.

## INVESTING FOR CHILDREN

While investing for growth and income are the two most common investment strategies, the main driver for many investors is a desire to leave something for





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# INVESTING FOR THE PAST OR INVESTING FOR THE FUTURE?

Companies that provide solutions to the challenges of sustainability will see stronger, long-term growth than those that don't. That's why they make such compelling investments.

By TIM DIEPPE



We live in a rapidly and profoundly changing world, facing significant future challenges. The same urban 'capacity' will need to be built in the next 40 years as has previously been built in the preceding 4,000 years, in order to meet projected demand. World population is expected to reach 9 billion by 2050, driven in part by the steady ageing of the population. Most of this population growth is set to come from the developing world, which at the same time is seeing increasing numbers move out of poverty. This is giving rise to a new 'emerging middle class', who aspire to consume more in an increasingly resource-constrained world.

Yet these aspirations come at a huge price. McKinsey estimates that by 2030, world demand for water will exceed supply by 40%. It was recently reported that pollution in China has reached such extreme levels that the authorities have proposed executing polluters. Even if the response of governments outside China is a little more moderate, legislation is not tending to favour highly polluting companies. Ultimately, it will be the emerging middle class who demand improvements, or as former New York City mayor Michael Bloomberg put it, they want "water that isn't yellow, traffic that moves and air that you can't see".

There are major opportunities for businesses that provide technologies that solve problems rather than create them. Companies with ingenious ways of reducing energy and water usage are growing rapidly. Transport that emits little or no pollution will be increasingly in demand, as will technologies that produce energy from the sun, or from waste. As the challenges facing our planet grow more extreme, and solutions present themselves, then some parts of the global economy will suffer, and others will benefit.

Against such a background, is the conventional framework by which investors decide on their market exposure adequate? Traditionally, investors allocate by region and asset class, and reference their exposure to a market-capitalisation weighted benchmark. However, this doesn't really allow an investor to take into account long-term risks and opportunities presented by a changing global economy.

The problem with benchmarks is that they are mostly backward looking. They tend to be dominated by very large corporations, and reflect the way the economy has developed over the past, and may have little relationship to how the economy is going to develop in the future. Take the MSCI World index, a commonly used global benchmark. Over 70% of this index is made up of companies with a market capitalisation of over \$20 billion (£12 billion). This becomes the

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"Transport that emits little or no pollution will be increasingly in demand, as will technologies that produce energy from the sun, or from waste."



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starting point for portfolio construction for many equity products that like to describe themselves as 'low risk' – either index tracker funds, or funds that claim to be 'active' but actually stick very closely to the index.

But how good a starting point is this? Wind the clock back 20 years, and have a look at the largest index constituents in the MSCI World index and you will see that most of the top stocks in the index have since dropped out of this ranking, and in a number of cases have had to merge to survive. Back in 1994, the index was dominated by Japanese banks. These same banks are entirely absent 20 years later in 2014.

For a long-term investor, therefore, the MSCI World index would seem to be a poor starting point from which to build a portfolio. However, close

benchmarking to such an index for short-term risk and performance measurement is still commonly accepted practice for investment funds. Hence, there was an outcry when the price of BP fell by almost a third and the company was forced to suspend its dividend payments following the Macondo oil spill in the Gulf of Mexico during 2010. Pension and investment funds were heavily exposed, because BP was a very large index weight. This meant that many fund managers held an equally large percentage of their fund in BP shares, in order to "control risk".

UK investors are invariably heavily exposed to the oil and gas and mining sectors, just because they happen to constitute more than 20% of the FTSE All Share index, and therefore it would be 'high risk' to avoid them. Not enough focus is given to whether or not the FTSE All Share is actually a 'high risk' index being so



It will be the emerging middle class who demand improvements...  
"water that isn't yellow, traffic that moves and air that you can't see"  
Michael Bloomberg, Former New York City Mayor

exposed to industries whose future may be curtailed because by continuing to do 'business as normal', they will pollute beyond a level that is acceptable to governments and consumers in the future.

Our job as investors is to make judgements about how to invest our clients' money today, and for the future, not for recent or longer term history. We have therefore taken a strategic view of where across the economy we should focus our investments, in order both to protect value from some of the downside risks we face, and to take advantage of some of the opportunities created. Companies that are focused on providing solutions to the challenges of sustainability will see stronger, long-term growth than the market average. Meanwhile, investment funds that focus on sustainability solutions give clients the ability to tilt their overall exposure towards the growth

opportunities of the sustainable economy, and away from areas that face increasing risk.

*Tim Dieppe is fund manager at WHEB Listed Equities, managing the FP WHEB Sustainability fund which invests exclusively in companies providing solutions to sustainability challenges.*

[www.whebgroup.com](http://www.whebgroup.com)



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# INVESTING SUSTAINABLY IN COMPANIES OF TOMORROW

Blue & Green Tomorrow wants to connect investors and consumers with fast growth, highly innovative sustainable companies.

We asked four leading sustainable investment houses to pick out one company each that they thought exemplified sustainability.

This is what they said.

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## **DIALIGHT** Manufacturer of LED lighting fixtures.

By Alliance Trust Investments

Dialight manufactures and distributes energy efficient LED lighting which is estimated by PG&E, California's largest utility, to save as much as 50% of the energy of current normal lighting systems. The product and service the company provides is likely to enjoy persistent demand which will support sales that are significantly higher than the market. It is the positive sustainability characteristics of Dialight's products and services that will drive demand as customers reduce waste and save money.


The company has good business fundamentals and is trading on an undemanding valuation, given its

expected secular growth. In a world where persistent growth is rare, this makes the company an interesting investment prospect.

Over the past five years, Dialight has outperformed the UK market as well as the electrical and electrical equipment index. Recent share price weakness in the second half of 2013 was mainly driven by disappointment in their obstruction lighting business and a slowdown of phenomenal revenue growth across its businesses.

We believe this is an overreaction by the market and the issues in the obstruction part of the business are largely resolved. We think this is a really good opportunity to benefit from this investment theme at an undemanding valuation.



"A leader in many of its chosen markets, Halma has achieved five-year average organic growth of 8%+" 

## **HALMA** A company that specialises in hazard detection and life protection products

By Ecclesiastical Investment Management

Halma is one of the world's leading manufacturers of fire detectors, protecting people in large buildings such as schools, hospitals and offices. Over 3m are sold annually in more than 100 countries. It is also a leading maker of underground leak detection instrumentation for the water industry and ophthalmic instrumentation used by eye surgeons. It is a good example of a company where the ethical positives and the investment proposition go hand-in-hand.

A leader in many of its chosen markets, Halma has achieved five-year average organic growth of 8%+. It

has retained record profit growth through the economic cycle with return on sales averaging 16% for more than 25 years.

Halma also has a record of sustained dividend growth of around 5% for over 30 years. Demand is underpinned by long-term resilient growth drivers in each of its specialist markets, with Asia being especially strong.

Halma continues to be well-positioned to take advantage of longer-term trends – climate change, regulatory demands, health and safety and a growing and ageing population – by developing its market leading positions. This augurs well for shareholders focused on investing in companies that deliver sustainable long-term returns.

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“NGVC is a unique company benefiting from double digit growth within the natural and organic food market, valued in excess of \$90 billion (£55 billion) and growing at 8-10% annually”

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DAVE DUGDALE  
via Flickr

**NATURAL GROCERS BY VITAMIN COTTAGE**  
**Specialist US organic food retailer.**

By Quilter Cheviot

NGVC focuses on a local approach to delivering organic produce, vitamins and health supplements. It operates a smaller, simpler store format than other natural food retailers or traditional supermarkets, which minimises its environmental footprint. It also offers a more comprehensive but fairly priced solution to nutrition, when compared to the retail peers.

It is a unique company benefiting from double digit growth within the natural and organic food

market, valued in excess of \$90 billion (£55 billion) and growing at 8-10% annually. Currently, NGVC successfully drives growth despite rising competition, given its positioning as a low-cost natural and organic retailer with a customer base that is among the most devoted to the organic lifestyle.

It is a relatively new company in the equity markets, having only listed on the New York Stock Exchange in June 2012. Since initial public offering (IPO) until the end of December 2013, the share price has more than doubled. Having said that, a word of caution is needed. Valuation is relatively high and therefore the share price performance is highly volatile, which is expected for a fast growing business.

“Wabtec was the only US listed company whose share price has not declined over a calendar year for 12 consecutive years”

**WABTEC**  
**A manufacturer of safety equipment for the railway industry.**

By WHEB Listed Equities

We believe Wabtec is a high quality company that benefits from the shift to more sustainable transport – particularly taking freight off road and onto rail in the US. It also benefits from increased safety regulation for rail in the US and elsewhere. Last year Wabtec was up 64% – well ahead of market returns.

According to its 2012 Report and Accounts, Wabtec was the only US listed company whose share price has

not declined over a calendar year for 12 consecutive years, and it went on to have a stellar year in 2013.

We think Wabtec has a lot further to go in international expansion, having taken non-North American sales from 24% in 2005 to 37% in 2013. It can also increase the aftermarket portion of its sales which has risen from 50% in 2005 to 57% in 2013.

It has a history of being acquisitive and consolidating the rail supply market and we believe it will be able to continue to do this. In 10 years' time, we believe the company will have more than doubled in size and become a lot more geographically diverse.

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# ETHICAL ISAS

With the deadline for using up your 2013/14 tax-free allowance drawing closer (midnight on April 5), now is the ideal time to consider the impact of your money and how it aligns with your personal values.

By CHARLOTTE MALONE



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"ISAs can benefit savers in terms of using their tax-free allowance. But ethical ISAs offer a lot more than that"  
Huw Davies, Triodos Bank



ISAs, or individual savings accounts, allow individuals to deposit up to £5,760 in cash – or £11,520 if it's in a stocks and shares ISA – tax-free. And with sustainable, responsible and ethical investment becoming increasingly popular, there are a number of options that allow consumers to consider how responsibly their money is invested without having to sacrifice financial benefits. Mainstream banks can take ISA savings and lend the money to a range of potentially controversial companies, including to firms or industries that the individual may disapprove of. Ethical Consumer magazine argues that whilst most banks now have corporate social responsibility (CSR)

policies, in many cases these words are *"little more than hot air"*.

The organisation ranks ISA accounts from various financial institutions on how ethical they are. The Ecology Building Society cash ISA, the Charity Bank ethical ISA and the Triodos Cash ISA came out top, scoring 16, 15.5 and 14.5 respectively out of a possible 20. This compares to the Barclays cash ISA which scored just 0.5. The Royal Bank of Scotland and Natwest both scored a lowly 1. Huw Davies, head of personal banking at the sustainable bank Triodos, says, *"ISAs can benefit savers in terms of using their tax-free allowance. But ethical ISAs offer a lot more than*

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“Knowing your money is helping to create the sort of world you want to live in can be just as important as the interest you’re earning”  
Anna Laycock, Ecology Building Society

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that.” He adds that Triodos only invests in projects and companies it considers to be “*making the world a better place*”. In addition, the bank is transparent about its investments and allows savers to see exactly what their money is being used for and judge how it fits in with their own values. “*The money is being used for good as well as being transparent about where is used*”, Davies says.

Demand for sustainable and ethical ISAs has been increasing over the last few years, so much so that Ecology – a sustainable building society based in Silsden, west Yorkshire – has restricted the availability of its ISA to people who were members of the society before June 7 2013 and have not ceased being members since this date. Anna Laycock, communications and research manager at Ecology, says, “*For many people, the realisation of how the big banks have been behaving – and what they’ve been doing with our money – has driven them to search out ethical alternatives. They’re starting to assert their control over how their savings are used in the real world.*”

The majority of sustainable and ethical ISAs offer rates competitive with their high street counterparts,

demonstrating that being ethical doesn’t mean losing financial benefits. This is just one of the things consumers should consider when selecting an ISA. Davies explains, “*In my opinion consumers should look at the interest rate and consider whether they want a variable rate or a fixed term and how much access they need to their savings – so whether they need instant access or if their happy to tie their money up into a fixed rate product.*”

“*Then they need to consider which bank to go with, for different people that gives different results. Some might want a high street bank with lots of branches and then, as we’ve seen, a lot of people put emphasis on how the bank behaves, what are its ethics and whether they know what the money will be invested in.*”

Meanwhile, Laycock concludes, “*Knowing your money is helping to create the sort of world you want to live in can be just as important as the interest you’re earning.*”

[www.triodos.co.uk](http://www.triodos.co.uk)  
[www.ecology.co.uk](http://www.ecology.co.uk)





# AN UNSUSTAINABLE BUDGET

"Despite George Osborne's pledge last month to tackle climate change, it's dirty business as usual in this year's budget."

David Powell, Friends of the Earth

By TOM  
REVELL and  
CHARLOTTE  
MALONE

George Osborne delivered a budget statement on the 19th March that handed further support to fossil fuel companies and cut the price of carbon. The chancellor also made a number of announcements that will impact on investment and personal finance, including a 30% tax relief for investment in social enterprises and greater ISA flexibility.

Osborne pledged that the government would invest in new sources of energy – name dropping nuclear, renewables and shale gas, as well as mentioning energy efficiency initiatives – in an effort to cut energy costs. However, the environment and climate change went unmentioned while the chancellor revealed a number of policies that will boost polluters.

He unveiled a £7 billion package to cut energy bills for manufacturers, while capping the carbon price floor (CPF) at £18 per ton of CO<sub>2</sub> from 2016/17 until the end of the decade. The CPF is a top up tax that sets the minimum cost of energy generated from fossil fuels. It also provides a mechanism for increasing the cost, to take into account the negative impact of emissions on society and the environment.

The renewables industry warned that freezing it could compromise essential investment in low-carbon technology. Nina Skorupska, the chief executive of the Renewable Energy Association, said, "By freezing the CPF, the chancellor is rowing back on his own policy and once again moving the goalposts for investors in green energy."

Elsewhere, Osborne declared the government was backing social enterprises and announced a social investment tax relief at a rate of 30% in his speech. The announcement has been well received by the industry. Big Society Capital estimates that the tax relief could unlock nearly £500m in finance for charities and social enterprises over the next five years. Chief executive Nick O'Donohoe said the rate will

"encourage more investors to put more money into social enterprises". However, the Social Economy Alliance warned that an "historic opportunity" would be wasted if the government fails to promote the tax relief among UK investors.

Also in personal finance, Osborne announced that the government would dramatically increase the "simplicity, flexibility and generosity of ISAs". This will be achieved by merging the cash and stocks ISAs to create a single New ISA (NISA) from July 2014. The annual individual limit for NISAs will also be raised to £15,000, up from the previous cash ISA limit of £5,760 or £11,520 for a stocks and shares ISA. The limit for a junior ISA also increase to £4,000 a year.

He also delivered a shock to the pensions industry by stripping away all caps and limits on draw downs saying, "Let me be clear, no one will have to buy an annuity". As a result annuity specialists and other life providers saw share prices drop.

Separately, Osborne also announced that an already existing compensation scheme for energy intensive industries would be extended until 2020. Also of particular concern to environmentalists was the chancellor's pledge to review the tax regime for North Sea oil and gas operations. He said he would ensure the UK is "extracting every drop of oil we can". This was joined by an air passenger duty cut for long haul flights and the news that the planned September increase in fuel duty will not happen, providing a boost for drivers. More sustainable modes of transport received no such benefits.

Such measures seemingly contradict the UK's commitments to decarbonise its economy. It also ignores the warnings from scientists that the majority of known fossil fuel reserves must stay in the ground if runaway climate change is to be avoided. David Powell, economics campaigner at Friends of the Earth, commented, "Despite George Osborne's pledge last month to tackle climate change, it's dirty business as usual in this year's budget."







## Who says **finance** means men in suits?

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# WHAT DO I DO NEXT?

Having read through the Guide to Transport 2014, which we hope has inspired you to think twice about how you travel, you might be wondering how else you can make a difference in your life. We encourage you to read our other in-depth reports, from both this year and last, on topics as varied as investment, energy and the media. But above all, we encourage you to act upon what you've read.

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## FIND A SPECIALIST ETHICAL FINANCIAL ADVISER NEAR YOU

Sustainable investment is what we write about day in, day out. Contrary to the early-90s Des'ree hit 'Crazy Maze', which begins, "Money don't make my world go round", money is what governs almost every decision we as consumers and businesses make.

It's important, therefore, that we use it as a force for good. All the financial advisers listed are specialists in ethical investment and will help you choose the best possible financial solutions that match your values.

RELATED REPORT: The Guide to Ethical & Sustainable Financial Advice 2013 - <http://bit.ly/GZegUA>

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## SWITCH YOUR ENERGY PROVIDER TO GOOD ENERGY

Even without the climate change imperative, there is a desperate need to reduce mankind's emissions. The problem is pollution and waste. Switching to cleaner sources of energy is imperative, and Good Energy, as the UK's only 100% renewable electricity provider, is the best place to go.

Switch quoting 'Blue & Green Tomorrow' and Good Energy will give you £25 off your first bill.

RELATED REPORT: The Guide to Limitless Clean Energy 2013 - <http://bit.ly/16LOBsW>

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## BOOK A SUSTAINABLE HOLIDAY WITH COTTAGES4YOU

While we wax lyrical about the wonders of doing good with your money, we're also of the mindset that consumers also want to have fun, kick back and relax. That's why we encourage sustainable tourism and responsible travel.

Booking a holiday – UK or abroad – with Cottages4you is the definition of luxury (and we'd be delighted to join you if invited!)

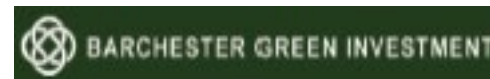
RELATED REPORT: The Guide to Sustainable Tourism 2014 - <http://bit.ly/1hD1MxQ>



# ETHICAL FINANCIAL ADVISER DIRECTORY

Blue & Green Tomorrow works with experienced independent financial advisers who specialise in ethical investment and understand how money can be used to create a secure future for you, for your families and for our planet. Give one of them a call and talk about your plans

You may even find you sleep easier at night if, like us, you want a better future for all. Your hard-earned money can do some of the hard work of making that happen while you sleep.



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- 13 Virtuo Wealth**  
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t. 013 1 558 5438 (London Office)  
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Switch quoting 'Blue & Green Tomorrow' and help us build a sustainable future

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With thanks to National Trust, Aberdulais Falls, Wales



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## Put our Customer Care team through its paces with your questions on **0845 456 1640**

Or for more information, simply print this page, fill in the form below and send it back to our freepost address:

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Please remember to quote  
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Blue & Green





## Imagine the perfect destination

Cottages4you offer a great selection of holiday properties throughout the UK, Ireland, France and Italy.

A self-catering cottage holiday is a great way to escape the everyday and enjoy the freedom of doing what you want, when you want. From farmhouses and gites, thatched cottages and castles, the range of beautiful properties on offer means you are sure to find the perfect holiday retreat to suit your needs and budget. Choose from properties with great facilities - an open fire, a hot tub, an enclosed garden, a swimming pool, a great pub close by, a secluded location or walking from the door. Plus thousands of the properties on offer do accept pets!

**cottages4you**

Stay close to home and discover the countryside on your doorstep, or explore further afield with our great choice of destinations. Choose to take a short break of 2, 3 or 4 nights or getaway for longer and stay a week or more. All cottages4you properties are maintained to the highest standard, providing everything you require to ensure your holiday runs smoothly.

Visit [www.cottages-4-you.co.uk/blueandgreen](http://www.cottages-4-you.co.uk/blueandgreen) to start searching for your perfect break now. You can check availability, view more images, watch virtual tours and book securely on line. Alternatively call **0845 268 9416** to speak to one of the sales advisors.



UK GRL - Cornwall is one of the UK's most popular destinations with lots to offer. Visit the Eden project, the Lost Gardens of Heligan or watch a performance at the Minack theatre, and why not try a traditional Cornish pasty.



France – F6337 – Whether you prefer to stay in a popular town or in a remote rural location you will find a great selection of villas and gites. Visit this beautiful region of France where you will find many reasons why you will want to come back.



Italy – TA049 – Centrally located Tuscany is set within a gentle hilly region known for its vineyards and olive groves. Therefore stay in a rustic farmhouse or a cosmopolitan town house and enjoy the Mediterranean fayre and of course the wine.