

Because it IS about the money, money, money ...



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Julia Dreblow of 'sriServices' offers an overview of some of 2014's SRI highlights, and their implications for advisers...

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Good Money Week

Fresh in my mind as I write this is UKSIF's awareness raising campaign 'Good Money Week' – formerly 'National Ethical Investment Week'. The campaign enjoyed phenomenal support this year as the 'sustainable and responsible investment' market leaped into action with events organised by IFAs, service providers, fund manager and others.

Alliance Trust led the charge. Building on previous success, they presented to hundreds of advisers at no less than 28 nationwide locations with their 'Sense and Sustainability' road show.

UKSIF meanwhile called on the public to ask government to publish a 'sustainable spending scorecard' and to talk to their bank, MP, pension provider and financial adviser about 'Good Money'.

The centrepiece of the week however was an event at the House of Commons where four MP's (Conservative, Labour, Liberal and Green) displayed their very credible personal credentials whilst hinting at the 'Pushmepullyou' nature of the related political landscape.

References were made to the UK's leadership in 2008 when the first ever Climate Change Act

was passed (there are now 500 other pieces of Climate legislation in 66 other countries) – and the fact that the Chancellor of the Exchequer is currently unwilling to discuss 'decarbonising' with major pension funds (those well known terrifying extremists!).

Speakers from both sides of the coalition meanwhile hinted at the need for change saying 'money now needs to make the world go round ... the right way' and that a 'shift away from 19th century business models towards a smarter, more 'climate aware' economy, would benefit everyone in the UK'.

Cue Bank of England

The topic that brought the greatest interest however was Mark Carney, Governor of the Bank of England, having recently said that "the vast majority of fossil fuel reserves are unburnable".

His remarks related to research saying that 80% of fossil fuels' reserves will be 'unburnable' if world temperature rises are not to exceed the agreed +2 degrees maximum. The implications for investors are of course significant¹. Indeed, references such as this, to a 'carbon bubble' and 'stranded assets' are increasingly common as investors move beyond thinking of climate change as an environmental or social issue and towards a realisation of what this could one day mean for their funds.

Big numbers in Europe...

October also saw the launch the latest biennial Eurosif 'European SRI Study', with its country by country, approach by approach breakdown of European SRI.

About sriServices

sriServices is run by Julia Dreblow (BA Hons, Dip PFS). Julia has worked in Financial Services since 1989 and specialised in SRI since 1996. sriServices offers support for advisers including a segmented SRI fund database 'Fund EcoMarket' and the 'SRI StyleFinder' fact finding tool. These segment all UK domiciled, SRI regulated retail options. Julia was previously the SRI Marketing Manager at Friends Provident (where she first started working with Synaptics in about 1998) and an UKSIF director – where she helped launch the first National Ethical Investment Week.

About UKSIF

The 'UK Sustainable Investment and Finance Association' is a membership organisation launched in 1991. Its members include major investor, banks, fund managers, charities and IFAs. UKSIF's aim is to promote responsible investment and contribute to sustainable economic development. Their IFA 'Chapter' is the Ethical Investment Association (EIA). UKSIF organises 'Good Money Week' formerly 'National Ethical Investment Week' and collaborates with Eurosif.

According to the report all areas of SRI have enjoyed double-digit (market beating) growth rates, since their last report two years ago.

Perhaps the most surprising statistic was the growth in institutional investor driven negative screening. Growing aversion to cluster munitions and anti-personnel landmines have led this area to increase by 91% over two years to an estimated 41% (€6.9 trillion) of European professionally managed assets.

The report also confirmed the UK as the largest SRI market in Europe. In terms of assets, the biggest area of UK SRI is what Eurosif¹ call 'Engagement and Voting'. Total UK assets covered by this strategy now exceed £1.434 trillion, having grown by 31.8% between 2011 and 2013.

Advising on SRI

Other recent UK developments included the launch of the Rayner Spencer Mills 'SRI Rating' scheme and guide. RSMR now 'Rate' 24 SRI funds from 15 different fund managers. Funds are listed according to their 'SRI Style', the segmentation method developed by sriServices. This segmentation – and the corresponding 'SRI StyleFinder' fact finding tool – enable advisers to identify cohorts of SRI/ethically relevant funds early in the advice process.

There has also once again been movement amongst SRI fund managers. Notably – Royal London AM have acquired the CIS Sustainable Leaders funds and F&C have rebranded their screened ethical funds 'Responsible' having lost the Stewardship name – and the Friends' Life and Pensions mandate.

Other headline grabbing news this year included the Church of England's 'Wonga moment' and Comic Relief's not so funny mini drama when Panorama exposed their investment in armaments, tobacco and alcohol companies.

Dramas of this kind may become less common as the Law Commission clarified this summer that pension scheme trustees can take account of ethical issues (rather than just financial issues). Perhaps.

Either way, getting appropriate advice is likely to be seen as increasingly valuable – particularly if concerns about a carbon bubble really take centre stage.

The Capita/Synaptic Research tool is unique in that it enables advisers to build issues of this kind into fund research, analysis and reporting. The 'Ethical' area of the tool offers a wealth of information on SRI criteria as well as giving advisers a sense of fund managers' SRI capabilities and specialisms.

Whether you view this area as a growing opportunity, a TCF essential or an exercise in risk management advisers are recommended to bring this into their advice processes. After all, if the public, churches, charities, pension trustees and fund managers are increasingly interested in such matters the chances are some of your clients are too.

1. sriServices site and the Fund EcoMarket database refer to this as 'Responsible Engagement'.

i. See www.Eurosif.org

ii. See specialist sustainability investors FP WHEB Group blog and Impax Group report for further information or search on 'Fossil Free' or 'Unburnable Carbon'.

iii. www.eurosif.org