

The principles of ethical investment

Water becomes the new oil as the world runs dry ...
The Observer 9/12/07

10.7 million children everyday do not live to see their 5th birthday ...
UN Human Development Report

By 2030 the world's energy demand is expected to rise by 60% percent

Since 1995 Unilever has reduced the amount of water they use per tonne in production by 61.7%

In Britain 885 of adults recycle paper and 80% recycle glass ..
Allianz Global Investors, 2008

The principles of ethical investment – Presented by Jonathon Porritt

This is one stressed-out world. A world where the reality of climate change is fast exceeding our worst fears. Where poverty and social injustice still blight the lives of hundreds of millions of people. Where the price of oil and food and other key commodities is going through the roof and where we continue to do untold damage to the natural world to its oceans, its forests and its wealth of species. Now against that kind of backdrop the concept of ethical or sustainable investment isn't just some 'nice to have', in my opinion it's become a categorical imperative.

Now here in the City of London it's easy to imagine that any attention paid to ethical and sustainable investment is just lip-service. Actually that's not true, because the point is that solutions do exist to these problems; to climate change, social injustice and so on.

Some of these solutions are technological, some political, some economic and smart investors are already working out how to identify those wealth creators that want to make these solutions work. After all there's nothing new about ethical investment.

Mark Robertson - (Ethical Investment Research Service EIRS)

I think investment has its roots in the 19th century so it has a long history. Its roots can be found amongst the religious investors such as the Methodists and the Quakers. I think ethical business practices actually have their roots in the industrial revolution where large factory owners sought to actually improve conditions for their employees.

The UK's first ethical fund was launched in 1984. Throughout the 1980s interest in ethical investment continued to be fuelled by concern around apartheid in South

Africa. Some people wanted to screen out investments or companies involved in negative areas such as alcohol, tobacco, gambling or arms manufacturers whereas other investors realised that they may want to engage with companies to improve their performance on a whole host of ethical issues

Penny Shepherd – Chief Executive UK Social Investment Forum

10 years ago there was under £1.5 billion in green and ethical funds in the UK. At the end of 2007 it was nearly £9 billion and there are now in the region of 100 green and ethical funds that individuals can invest in. Ten years ago it was only a couple of dozen.

Emma Howard Boyd – Head of Socially Responsible Investment and Jupiter Asset Management

We've seen a steady increase in the amount of regulation and policy that has been introduced across a broad range of environmental issues, be it climate change, be it air quality, water quality and we've even got to the stage where in certain parts of the world climate change and whether you have a policy is the sort of

thing that helps you win or lose an election

Penny Shepherd – Chief Executive UK Social Investment Forum

More and more of us want to behave in ways that can help society and the environment and it's not just about climate change it can also be about protecting plants and animals from extinction, it can be about fair wages and working conditions in poorer countries and an end to child labour and it can be about stopping bribery and corruption that gets in the way of thriving economies and societies worldwide

Emma Howard Boyd – Head of Socially Responsible Investment and Jupiter Asset Management

We're beginning to see companies allocate capital expenditure, sums of money, towards greening up their operations, so examples include Tesco where they've allocated £100 million to renewable energy and energy efficiency add to that a couple of hundred million from M&S. All of these sums of money start adding up and cascade down to the smaller companies that are providing environmental solutions and are the companies that we're investing in through our funds.

Jonathon Porritt

The good news is there's growing consumer interest in issues like human rights, fair trade, poverty, climate change. This is one band wagon that it makes a great deal of sense to jump on and we know that ethical investment can and does help society and the environment. It encourages businesses to behave more responsibly, to walk the talk, it helps fund green technologies. So that's all fine but the crunch question, and the one that I've often asked myself, is a rather different one, does investing ethically mean you have to sacrifice financial performance?

George Latham – Head of Sustainable & Responsible Investment Funds Henderson Global Investors

There's very good evidence that over the long term sustainable and responsible investment strategies can and have outperformed their mainstream competitors in some cases by quite some margin.

Emma Howard Boyd – Head of Socially Responsible Investment and Jupiter Asset Management

We are beginning to see customers shifting their purchasing habits particularly where being green can save them money.

George Latham – Head of Sustainable & Responsible Investment Funds Henderson Global Investors

We think there's real value to be created from identifying companies that are benefitting from a shift to sustainable development

Sagarika Chatterjee – Associate Director, Governance & Sustainable Investment, F&C Investments

Ethical funds offer investors the way to make a better world and make good investment returns. We started the Stewardship funds with just £1 million, they've grown to over £3 billion in assets under management proving how popular ethical investments are and they really show that ethical investments can help you make a difference to the world while making good investment return.

Jonathon Porritt

In this carbon-constrained and oil-stressed world it's clear that sustainable investing is going to become a very significant theme. But what sort of strategy needs to be set in place to meet the two success factors of principle and performance?

Christy McKee – Product Specialist SRI Aviva Investors

The only solution that allows economic growth to persist requires a dramatic

increase in the efficiency with which economies deliver their services and a fundamental change in the nature of those services. This shift will tend to favour companies that are able to provide their services more efficiently.

*George Latham – Head of Sustainable & Responsible Investment Funds
Henderson Global Investors*

At Henderson we've developed a strategy we call 'the industries of the future'. We identify companies and sectors of the economy which are benefitting from a shift to sustainable development. It's about identifying companies which are providing solutions to sustainability problems. Those solutions are ranged in a broad range in a diversified approach between environmental issues such as climate change but also social issues such as healthcare or education provision.

Sagarika Chatterjee – Associate Director, Governance & Sustainable Investment, F&C Investments

It's really important to ethical investors that they know that their ethical fund really is ethical. The way that we've done this for the F&C Stewardship Fund is by making sure we've got 15 people that just focus on the ethical issues. The fund manager selects the company and then this group of 15 people takes the company and really examines

whether or not it meets the ethical criteria.

Penny Shepherd – Chief Executive UK Social Investment Forum

Buying a grade in an ethical investment is a positive choice that ensures that your money not only works hard for you but can help society and the environment and there's a good range of green and ethical funds available now and some of them have a great track record of fund performance. Your financial adviser can recommend which ones are best for you.

Jonathon Porritt

No investment strategy today, whether it's ethical or mainstream or sustainable, is immune from these three megashocks coming right at us and our investments: social injustice, climate change and the unsustainable use of resources.

Now leaving with us sustainable and ethical approach to investment will not only satisfy your principles but it can deliver a strong performance. There's no need to panic, it's not too late whatever some people may say but there is now every reason to move quickly to ensure that we can sustain and continue to enjoy this astonishing planet of ours.

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