Executive Summary

Research aim: To explore values and concerns amongst ethical investors, highlighting trends and common areas of concern and understanding attitudes towards ethical debates.

In recent years, there has been a boom in ethical investment. Individuals are increasingly engaging with Environmental, Social and Governance (ESG) issues and demanding more from their investments than simply a financial return - they want their investments to be made in line with their ethical values and concerns. Here at Ethical Futures we wanted to know more about these values and how our clients want to invest their money. This prompted the creation of our survey which aimed to highlight trends amongst ethical investors. The survey was sent out to 533 active Ethical Futures clients on record and received 138 complete responses.

We hope that trends identified from the survey will help to inform the development of ethical and sustainable investment. The process of establishing common areas of concern will help us to offer the best possible service to our clients and inform our engagement with investment managers.

Here are the key findings from our research:

- Ethical investors retain strong concerns about core avoidance issues but wish to actively engage with their investments, prioritising positive ethical activity and promoting responsible business. This reflects the trend towards ESG and Impact styles of investment. This attitude can be detected from client perspectives on palm oil and intensive farming, they would rather invest to change these industries than completely avoid them.
- In our current society, environmental issues are a major concern, in particular with reference to climate change and deforestation, closely reflecting the climate emergency declared by the UK in May 2019 and the recent deforestation in the Amazon. This also suggests that ethical investors are reactive to current issues and that investment decisions may be influenced by media exposure to events.
- Ethical investors strongly support fossil fuel divestment however; clients remain divided on the role of nuclear in the transition to a low carbon economy. Clients would prefer invest their money in cleaner alternatives and renewables.
- Ethical investors are open to investing in the medicinal cannabis industry.
- A significant number of clients are open to investing in Gilts, Banks and Commercial Property as a means of managing risk and diversifying their portfolio. However, concerns still remain over the uncertainty about industries that they would be indirectly supporting.
- There would be significant interest in gilts if the government issued Green bonds funding only environmental structure.
- Transparency in tax reporting is a key concern, ethical investors only wish to invest in companies who pay their fair share and are keen to challenge extreme executive pay rises. This suggests that the 'G' in ESG should be more critically used by investment managers.
- Rather than avoiding food and farming industries, investors seek to encourage change and promote efficiency in these industries.

This project offers initial insights into the aspirations and concerns of ethical investors. The trends identified in this research provide useful information to investment managers and financial advisors in highlighting specific areas of concern or interest and suggesting new markets that ethical investors would be open to exploring.

Please see our report "Understanding Ethical Investors Values and Concerns" for more detailed data analysis and further explanations.