Ethical Investing and the Scourge of Plastics

By Dr Quintin Rayer | Nov 15, 2018

The popular BBC One television series Blue Planet II [1] typifies media coverage drawing attention to the environmental damage caused by plastic waste. This programme and others like it point out the alarming global reach of plastic detritus, its chemical toxicity and appallingly harmful effects on wildlife and sea creatures. A 2018 WWF report [2] indicates that 4.9 million tonnes of plastic waste were generated in the UK in 2014, with packaging accounting for 67% of this. The problem has been deemed sufficiently severe that the UK Government has pledged to eradicate avoidable plastic waste as part of a 25-year plan [3].

While individuals can make personal decisions to reduce their plastics use, they are constrained by the choices available. Although supermarket chains appear to be making some efforts with plastic packaging, a recent 'Which?' report indicates that considerable progress is still required [4]. Indeed government appears to be taking the lead with plastics bags charging [5], potential bans on plastic earbuds and straws [6], possible taxes [7] and other initiatives [8].

This is where ethical investing steps in. It can encourage change by supporting environmentally-minded companies while avoiding those that contribute to the problem [9]. Wealth management firms with expertise in ethical investing can support this process. P1 Investment Management has recently asked all its ethical fund managers to complete a survey on how they are addressing plastics. The results will be used to promote higher standards on this issue. In the meantime, this has given P1 valuable insight into the ethical funds with the strongest credentials in this area.

Far Too Useful

The trouble with plastics is they are extremely useful. They are cheap, strong, lightweight, waterproof, chemically inert and durable, making them ideal for many purposes including storage and food wrapping. Consequently, even when aware of the issues, consumers struggle to avoid them [9].

Recycling helps, but not all plastics can be recycled. Government initiatives, such as bag charging schemes, have caused significant reductions in usage, resulting in an 83% drop in 2016/17 since 2014/15 and £66 million donated to good causes [5]. Ethical investing has a role to play in helping cut off the problem at the root. It can encourage companies to stop using or creating plastics and seek alternatives throughout the supply chain. It can also support better recycling and disposal.

Ethical Investing

Key areas to examine when selecting companies to support or avoid are:

- Reduction in use of plastics by using more sustainable materials, including for packaging.
- Reuse of plastics through the introduction of deposit schemes, such as previously used with glass bottles. But it is also vital to see used plastic as a resource.
- Recycling: whether enhanced plastics treatments, preferential use of more readily recyclable plastics, or use of plastics in ways that can be separated for recycling. There should be an emphasis on products that can genuinely be recycled in the locations where they are used, rather than being only ‘technically recyclable’.
- Disposal, to ensure plastic waste is dealt with responsibly, so it does not enter oceans and other ecosystems, causing harm.

Indeed, the chancellor has provided an economic incentive with a new tax on plastic packaging that contains less than 30% recycled plastic announced in the October budget.

What Can be Done?

Ethical portfolio managers can also engage with firms to encourage improvement, while investors (including individuals, charity and pension fund trustees) can seek sustainable investment solutions that help address plastics. This allows them to leverage their savings in addition to actions in their daily lives.

In this respect, advisory firms have a valuable role to play. Ethical investing is challenging, and it can be hard for investors to select fund providers with the strongest skills and commitment. By engaging with wealth management firms with specific expertise in this area, underlying clients can have greater confidence their money is being put to the best possible use.

How this helps Advisers

Clients increasingly wish to invest ethically, and advisers can turn to wealth management firms with expertise in ethical and sustainable investing for support. With knowledge in this area, firms such as P1 can reassure both clients and advisers that their investments are generating returns while also helping to address such problems as plastics pollution and global warming in addition to other social and governance challenges. The work that P1 has put into engaging with ethical fund managers should also give advisers confidence we have the skills to support them in this significant and growing area.

References

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