Blog

(https://www.justiceandpeacescotland.org.uk/Blog/itemid/2651/ amid/676/why-ethical-investing-matters)

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30/11/2018

Why Ethical Investing Matters

This time in our blog, Quintin Rayer, head of research with an ethical finance company, reflects on the importance of engaging our values and using our consumer power for the greater good, even if it is a lonely field to burrow at times.

Ethical investment may seem 'nice-to-have' but non-essential, although actually, it is crucial. It permits people and organisations with savings to contribute to the betterment of society or to help with environmental issues including global warming.

Unsustainable human activities have generated threats including climate change (associated with rising sea levels, extreme weather and flooding, for example) with damage, loss of life, and disruption to food and fresh water supplies. A growing world population will demand improved living standards as less developed countries modernise. Many believe that behaving unsustainably will cease to be an option.

Values Matter

In the charity and faith-based sectors, dedicated individuals work to address many such challenges directly. Trustees and others may be pleased to hear that even while not being expended to achieve objectives, investments can be supporting worthwhile goals pending future use.

Personally, much of my motivation originates from a Doctorate in the Department of Atmospheric Physics at Oxford, giving an understanding of climate change, and its consequences.

As a practising wealth manager committed to ethical investing, I was delighted by the refreshing perspective of the October Edinburgh Ethical Finance conference. Even as an experienced financial practitioner I found it reassuring to meet many, who, like me, believe values really matter. At times, when dealing with city fund managers (including managers of some 'ethical' funds), I can feel like an outsider, as I work to get topics like carbon-neutrality (not just reduction), zero-hours contracts or plastics pollution considered more seriously.

At P1 Investment Management, we are determined to make a difference by doing ethical investing as well as possible given real-world constraints. Our three-pronged approach involves actively selecting funds with superior ethical processes (avoiding 'green-washers'), an external ethical oversight committee and shaping the debate with fund providers. Our oversight committee includes a climate scientist, an authority on social issues and a professor with expertise in corporate governance. We also engage with fund managers and publish articles both to educate and raise broader issues.

Why this is Important

Individuals appreciate the importance of moral issues and extend their values into ever-increasing aspects of their lives. Beyond retail consumer decisions, more people are using ethical considerations to guide their investments as well. In August 2018, according to the Investment Association,£17.0 billion was invested in the UK ethical funds sector, an annual increase of £2.5 billion.

Ethical investors select companies that help tackle the challenges of environmental, social and other problems while avoiding companies that engage in unsustainable or harmful behaviours. They use the influence of financial markets to reward positively-behaving companies while reducing capital available to those participating in unacceptable activities.

Many individuals, trustees and others, want to support their aims better by making the monies they have invested work in support of their beliefs. This can be in addition to on-going daily commitments, making ethical investing a meaningful way to influence society for the better.

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