

P1's Continuing Journey on Ethical Investing

By Dr Quintin Rayer | April 18, 2019



Following the successful launch of P1 Investment Management's ethical investing proposition for retail clients in 2017, P1 pledged to several environmental standards to demonstrate our commitment as an ethical wealth manager. We outlined our progress just over a year ago (February 2018) ^[1], and here review how that journey is continuing.

At P1 we believe that ethical investing really matters and are determined to demonstrate our engagement is more than skin-deep. Particularly since we carefully assess fund managers for inclusion in our ethical portfolios to ensure they meet high ethical and sustainability standards while avoiding those that only have a superficial commitment. For interested advisers, details are available on our website ^{[2], [3]}.

Our journey has included corporate standards and internal initiatives as well as employing staff with specific sustainable investing qualifications ^[1]. We use formal standards, carbon offsetting and schemes that help our people individually 'do their bit', including support for charitable activities.

ISO14001 – Environmental Management

In November 2017, P1 achieved ISO 14001:2015 certification, demonstrating that we meet a high standard of environmental management. This was the result of a team effort across P1, requiring us to formalise our environmental management processes. It gave structure to our initiatives, and many activities now fit within this framework. Significantly, it also includes ongoing procedures for improvement and regular auditing to ensure we retain the standards met.

The Carbon Disclosure Project

Climate change caused by human carbon emissions has been a strong theme for P1, motivating our commitment to target carbon-neutrality (Rayer, Should Ethical Investors Target Carbon-Neutrality?, 2017),^{[5], [6]}. We continue to be a signatory of the CDP (formerly the Carbon Disclosure Project)^[7]. By joining the CDP, we support the call for greater disclosure of critical environmental data by companies. It means P1 is supporting CDP to engage with over 6,000 companies globally, requesting transparency, collecting and disseminating data on carbon emissions. This plays a crucial role in assisting superior decision making for investors wishing to avoid carbon-intensive businesses and direct their capital towards more sustainable enterprises.

As wealth managers, our assets under management help provide CDP with the leverage it needs to fulfil its role. By signing up to the CDP, not only do our clients see the strength of our commitment, but we also join a community of investors representing \$100 trillion of assets that give CDP the authority to collect environmental data.

Carbon Offsetting

P1's carbon offsetting initiative ultimately aims to achieve carbon-neutrality across all activities. We wish, if possible, to reduce our carbon emissions to zero. However, while there are areas (such as business travel) where low-carbon alternatives can be selected (for example train travel rather than by car), often a truly zero-carbon option is not available. Consequently, we estimate carbon emissions from our activities and offset them to achieve carbon-neutrality.

We have addressed this progressively. In 2017, the estimated carbon-footprint generated by daily staff commuting to and from work totalled 14.6 tonnes of carbon dioxide equivalent annually, which we more than mitigated using a scheme that not only offset 17 tonnes of CO₂ equivalent but also planted 17 trees in the South West UK (our location)^[8]. In 2018 this was extended to business travel. Becoming aware has helped us reduce emissions so that in 2018, we entirely offset our footprint for both commuting and business travel over the year with 12 tonnes CO₂ equivalent (also planting a further 12 trees). Our next priority will be office energy use.

decided to divest from fossil fuels progressively ^[18]. In December 2018, our model portfolios were 40-46% invested in funds that are explicitly committed to total fossil divestment ^[19], ^[20]. In April 2019 this figure rose to 56-64% and will continue to increase progressively by time-bound targets to 100% after that.

How this helps Advisers

Clients increasingly wish to invest ethically, often with specific concerns in mind. The Investment Association reports £16.4 billion assets in the UK ethical funds sector in January 2019, a yearly increase of £0.7 billion ^[21]. Advisers need to know how to best help clients by selecting the most appropriate ethical funds and accessing the skills of wealth managers who can support them in this crucial area.

Advisers must be confident that the wealth managers they choose to support the ethical and sustainable investing requirements of their clients have the necessary skills and commitment. By using the services of firms like P1, who have met certified environmental management standards such as ISO 14001, are signatories of initiatives such as CDP and PSIA, while also progressively fossil divesting and working towards carbon-neutrality; advisers can demonstrate to their clients that they are providing them with a service that best meets their ethical requirements.

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