# Ethical investing and the plastics pollution plague

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**Biography**

Quintin has worked for actuarial and investment consultancy firms and a multi-national European bank, including wide experience in quantitative fund and risk analysis. He is a Fellow of the Institute of Physics, a Chartered Fellow of the CISI and a Chartered Wealth Manager. Quintin has applied skills gained from his Oxford University Physics Doctorate and while working in engineering to finance. He is the second UK graduate from the Sustainable Investment Professional Certification (SIPC) programme and joined P1 Investment Management in January 2017, founding their ethical and sustainable investing proposition.

**Introduction**

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 global reach of plastic detritus, its chemical toxicity and appallingly harmful effects on wildlife and sea creatures. The WWF reported that in 2014 the UK generated 4.9 million tonnes of plastic waste, of which 67% was packaging [2]. WWF recognises that engagement across government, businesses and the public is necessary to address plastics. The UK Government has deemed the problem sufficiently severe that it has pledged to eradicate avoidable plastic waste by 2042 as part of a 25-year plan [3].

Available choices constrain individuals seeking to reduce their plastics use. Although supermarket chains appear to be making some efforts with plastic packaging, a recent 'Which?' report indicates that considerable work is still required [4], [5]. There has been some progress. Government has taken the lead with plastics bags charging [6], although rules have been relaxed temporarily due to the COVID19 pandemic. However, the government has banned plastic straws, stirrers, and cotton buds from April 2020 [7].

Over 120 organisations, including food and drink brands, manufacturers, retailer and plastic reprocessors have signed up to meet several targets by 2025 under the 'UK Plastics Pact' [5]. Ethical investing can also contribute. It can encourage change by supporting environmentally-minded companies while avoiding those that contribute to the problem [8], [9]. Wealth management firms with expertise in ethical investing can support this process. P1 Investment Management asked all its ethical fund managers to complete a survey on how they are addressing plastics, due to be published in August 2020 [10]. The results are being used to promote higher standards on this issue. Meanwhile, this has given P1 valuable insight into the ethical funds with the most robust credentials in this area.

**Extremely useful**

The trouble with plastics is they are so useful. Plastics are cheap, sturdy, 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]. By protecting food from damage, plastic wrapping helps it last longer and makes it more visually appealing for customers, thereby helping reduce food waste [5].

Recycling helps, but not all plastics can be recycled. Government initiatives, such as bag charging schemes, caused significant reductions in usage, resulting in an 83% drop in 2016/17 since 2014/15 and £66 million donated to good causes [11]. 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 the 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. It is also vital to see used plastic as a resource.
- Recycling: enhanced plastics treatments, preferential use of readily recyclable plastics, or better design so that plastics can be separated for recycling. Products that are only 'technically recyclable' should be avoided. It should genuinely be possible to recycle plastics near where they are used.
- 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 from April 2022 [12], [13].

**What to do?**

Ethical portfolio managers can also engage with firms to encourage improvement. At the same time, investors (including individuals, charity, and pension fund trustees) can seek sustainable investment solutions that help address plastics. By investing ethically, they can leverage savings to support actions in their daily lives.

Advisory firms have a valuable role to play. Ethical investing is challenging, and it can be hard for investors to select fund providers with superior skills and commitment. Investors can have greater confidence their money is being used as wisely as possible by engaging with wealth management firms with specific expertise in this area.

**How this helps investors**

Individuals increasingly wish to invest ethically, often with specific concerns in mind. Younger people may give this a higher priority than older generations with twice as many 18 to 34-year-olds feeling their pensions should be invested ethically, compared with those above 45 [14]. The Investment Association reports £31.0 billion assets in the UK responsible funds sector in May 2020, an increase of £10.8 billion since May 2019 [15].

However, the selection of suitable ethical funds is complex. So, some investors are likely to appreciate the support of wealth managers skilled in this area. That way, they can be confident they are contributing to addressing the plague of plastic pollution as well as global warming and social and governance challenges.

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## A sideways look

Here's a quote from Algy Hall's 'Tame your Brain' article on behavioural finance in Investors Chronicle:

The first thing to do when investing is have a plan. This does not have to be complex. Greg Davies of Oxford Risk suggests that for many investors it would be enough to simply follow the three rules of: *Get your money invested; Diversify; Leave it alone.*

The foundations of any plan should be based on an honest assessment of competencies, risk tolerance and the amount of time and effort available to devote to managing investments.



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