# How Ethical Are You?

## Your Independent Guide for Ethical Investing

# Who Should Read This Guide?

If you'd prefer that your investments do good in the world while also growing your wealth, then this guide is for you. It demystifies the world of ethical investment and provides practical information on how to start putting your money where your morals are. Today.

Things you should know:
The information in this guide is provided for general information purposes only. The value of investments and income from them can go down. You may get back less than the amount invested.

# This Guide Will Give You:

1) An overview of ethical investing, including the truth behind common myths.

2) The most important ethical investment concepts and organisations to know.

3) Tips to help you define your ethical investment priorities.

4) The 4 simple steps to take for confident ethical investment.

5) Key questions to ask an independent financial advisor.

# What's Inside?

This guide contains information, resources, and practical suggestions to help you make the ethical investment decisions that best suit your goals.

# Why Invest Ethically?

Our world is in crisis.

According to a leaked draft of the upcoming assessment by the UN's leading climate scientists, climate change and biodiversity loss will fundamentally change life on this planet within the next thirty years. Major natural disasters are already becoming frighteningly common.

But there is hope. We can still build a better world.

To do this we need to make significant social and environmental changes. And we need to make them now.

Recycling at home is all well and good, but we must refocus where the world's money goes if we want rapid systemic transformation. Essentially, we need to get the banks and fund managers behind building back better, stronger, and more responsibly.

Ethical investing has the power to achieve this.

The trouble is that, like you, a lot of people have questions and concerns around ethical investing. They want to be sure that they can go about it in a way that best serves them and the causes they are passionate about. Given the growing complexity of investment concepts and products catering to this sector, that's no easy task.

At Evolution Financial Planning, we have over ten years' experience in helping our clients build healthy independent ethical investment portfolios according to their wants and needs. This guide includes answers to the most common questions we are asked about ethical investing. We hope it helps many more people do good while growing their wealth.

# What is Ethical Investing?

Ethical investing is about using your money to do good or using it to help organisations to do good with it, while you earn.

When choosing ethical investments, firms involved in harmful activities are usually filtered out and companies working hard to positively impact the world are included.

# Who's Making Ethical Investments?

A wide variety of investors are using their money to make a difference through moral investment. These include NGOs, religious institutions, private foundations, pension funds and insurers, finance institutions, fund managers, and individual investors.

Some investment specialists believe that the increased popularity of ethical investing among individuals is to do with people realising that they can incorporate their values and preferences into their investment decisions. However, other experts say that filling your investment portfolio with companies that operate sustainably is simply good risk management. Either way, the ethical investment market is growing at a staggering pace.

According to Chicago-based investment research firm Morningstar, funds that invest according to environmental, social, and governance (ESG) criteria attracted net inflows of £50.2bn globally between April and June 2020.

The UK is the second largest country in Europe for ethical investing. Sustainable UK assets have grown over 1,800% from £2.9bn to £56bn since 2003. And, according to the Investment Association, net retail sales into responsible funds reached averaged over £1bn per month in 2020.

Ethical investing has officially hit the mainstream.

That said, in the UK, a high percentage of equity income funds continue to invest in tobacco companies, the oil and gas sector, mining, aerospace, and defence businesses. All problematic industries for ethical investors. You may be surprised to learn that many ESG funds are open to a +/-10% risk of exposure to these areas.

So, to feel comfortable and confident with how your money is working for you and the world, it's essential to decide your investment priorities before committing to a specific investment channel or strategy. But, before we look at how ethical you are or want to be, let’s dig into some of the most common myths around ethical investing and key terms you need to know.

# Ethical Investing Myths Busted

The origins of ethical investing date back to the 18th century, but it only began to appear as a modern investment strategy in the 1960s. A lot of the myths around it first appeared then. Most of these have dissipated over time, but a few persist.

Here are the five most common ethical investing myths busted:

## 1) Ethical investments don't perform as well as others.

Many people assume that ethical investing comes with lower returns compared to other types of investing. But evidence says otherwise.
For example, according to data from Bloomberg, from January 2009 to October 2019, the FTSE All Shares index returned 75.6%, and the FTSE4Good returned 75.0%. A minor difference.
The January 2021 Crown Ratings published by global fund data and technology leader FE fundinfo showed that ethical sustainable investing funds are among the best performers. Despite them accounting for just 5.04% of the total 3,255 funds considered, nearly a fifth of the ethical and sustainable funds eligible achieved a 5-Crown accolade.

FE Crown Fund Ratings offer investors quantitative research that contrasts the performance of funds in a meaningful way. It helps us distinguish between funds that strongly outperform their benchmark and those that don't. Crown Ratings only consider funds with a minimum three-year history of performance, which allows them to evaluate their performance over a range of market conditions. The top 10% of funds are awarded five FE Crowns; the next 15% receive four Crowns, and so on.

So, while COVID-19 lockdowns dealt traditional stocks a significant blow, ESG funds saw record inflows and now make up a significant proportion of the best performing funds in the market.
Given the growing desire for purpose together with profit, and new regulations governing transparency being introduced, experts expect this trend to continue for the foreseeable future. Some models even predict that ESG-linked funds will outnumber conventional ones by 2025.
So, if you decide to go ethical and you're willing to be patient, it's likely you won't have to compromise on potential returns.

## 2) Ethical investments are higher risk.

In the past, some ethical investing stocks were more open to political risk through the removal of government subsidies. Also, some funds were less diversified than their regular counterparts because there were fewer ethical companies to invest in, which gave investors less choice and opened them up to relatively higher risk.

Nowadays, that's far from reality. With the increase in sustainable and ethical legislation, green companies taking advantage of economies of scale, and far less reliance on subsidies, investing in ESG compliant companies can even be less risky than regular investing in the long term. Also, with consumer demand for green and ethical products accelerating, many more responsible businesses are entering the ESG market in all sectors. This means that your ethical investments can be well-diversified, thereby spreading your risk.

### 3) Investing ethically is more expensive.

Some people assume that ESG funds are more expensive because there are fewer funds to choose from, they are smaller, and additional research must be done to make sure that they're compliant with ethical standards.

The truth is, depending on your risk grade (and compared to a traditional active portfolio) ethical portfolios are often cheaper by 5-10 basis points. Retail Distribution Review and retail platforms have brought even more stability because, through agency contracts, rates are standardised across the board for cash, bonds, or equity funds.

That said, if you wish to create a collection of bespoke investments, then extra costs are likely to apply for the additional research required to create a selection of investments that suit your specific requirements. We go into this in more detail in the "How Ethical Are You?" section of this guide below.

### 4) Ethical investing doesn't make a difference.

Ethical investing used to be about avoiding companies involved in unsavoury sectors like weapons development or those with ties to abusive practices like child labour. But now more and more companies realise that doing good is good for business.

By having a positive impact on their stakeholders and the environment, they can both improve their brand's reputation and reduce their regulatory and legal costs. And, of course, meeting ESG standards attracts investment too. So, companies increasingly have strong motivations to make verifiable social and eco-friendly changes.

Albeit slow, this trend is also forcing change in a more general sense. With ever more investors choosing top ethical funds, the pressure is on businesses of all sizes to step up and operate more responsibly.

So, putting purpose before profit really can make a tangible difference.

## 5) Ethical investments are all greenwashing.

A survey published by Quilter Investors in May 2021 revealed that greenwashing is a primary concern for 44% of ESG investors. With several major companies and popular 'eco-friendly' brands recently being accused of making false environmental, ethical, and operational claims, it's no wonder that so many feel this way.

However, to protect consumers and clamp down on greenwashing, several strict standards for ethical investments have recently been introduced. Moreover, on the back of the Paris Agreement and the upcoming COP26 summit, governments worldwide are making a concentrated effort to introduce new ways of regulating companies' ethical behaviour and the standards for green investment.

For example, in June 2021, a new independent expert Green Technical Advisory Group (GTAG), was established to advise the UK government on standards for green investment. It will oversee the Government's delivery of a "Green Taxonomy". This is a framework that will set the standard for investments that can be defined as environmentally sustainable. The aim is to help accelerate the country's transition to net zero and make it easier for investors and consumers to understand how a firm impacts the environment, and, therefore, easily identify the most sustainable companies to
invest in.

Besides government initiatives, various other ESG regulators can implement fines and other punishments for irresponsible corporate behaviour. To add to that, the risk of the irreparable reputational damage caused by greenwashing accusations alone can be enough of a motivator for compliance.

So, although greenwashing continues to be an issue, it's becoming increasingly difficult for companies to get away with it. It's also now easier than ever for investors to run their own checks to verify the green and ethical claims made by funds and the firms included within them. A little bit of Googling can go a long way.

# Key Terms

Below are some of the most common terms used in relation to ethical investing. It's important to understand these as they each have different implications for investments.

## ESG

ESG stands for environmental, social, and governance. Together with more traditional performance measures, it looks at the eco-consciousness, social-consciousness, and operational practices of an organisation that could affect its viability for investors. However, the primary intention of ESG valuations are ultimately to determine financial performance.

Common ESG factors include:

- Environmental: pollution, waste management, carbon emissions, energy usage, animal welfare, etc.
- Social: health and safety regulation, employee relations, child labour, human rights, community engagement, etc.
- Governance: transparency and disclosure, conflicts of interest, board independence, management quality, etc.

## SRI

Socially responsible investing looks at ESG investments through an additional layer of ethical guidelines. It actively eliminates or selects investments according to specific negative or positive screens, which could be motivated by religion, personal values, or political beliefs. The aim is for the investor to have a clear conscience while increasing their returns.

Examples of negative SRI screens include weapon production, addictive substances, terrorism, etc.
Positive SRI screens include charitable contributions, community investment schemes, use of renewable energy sources, etc.

# Impact Investing

Having a positive impact on society or the environment is the number one aim of impact investing. This is where an investor would have the opportunity to support a variety of solutions to urgent global social and environmental challenges while also producing financial returns. Impact investing covers areas such as education, healthcare, sanitation, conservation, agri-tech, clean energy, etc.

An example would be investment into a start-up that's developing a new desalination technology to deliver potable water to people affected by drought.

As stand-alone investments these can carry higher risk than a diversified trust-based portfolio.

# Important Organisations

Investment firms predominantly use the principles and standards of the following organisations to evaluate the ethics and sustainability of potential investments.

It's important that the trusts and/or companies within your investment portfolio meet these standards and that you understand how your fund manager has used them as a reference point to assess and select investments on your behalf.

The Principles for Responsible Investment (PRI) was established as an independent organisa-tion supported by the United Nations, to promote the incorporation of ESG considerations into all investment decision-making globally.

Over 2,300 financial institutions, responsible for over USD$80 trillion in assets worldwide, are signatories to the PRI's six key principles and voluntarily file regular reports describing their progress in terms of these principles.

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The PRI believes that investors are crucial in creating a sustainable global economy that addresses climate change, biodiversity, and human rights challenges. So, it works with its members to encourage tangible and impactful changes aligned with the UN's Sustainable Development Goals.

## GIIN

The Global Impact Investing Network (GIIN) promotes the expansion and effectiveness of impact investing around the world.

The organisation creates resources and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. It aims to reduce obstacles to impact investment by providing resources and infrastructure so more investors can fund positive, impactful solutions to the world's most serious challenges.

One of these resources is IRIS+. This is a free, publicly available resource that provides impact measurement and management (IMM) data and comparability, as well as access to practical guidance. It's intended to promote transparency, credibility, and accountability so that decisions around impact investments become easier for everyone.

## MSCI

MSCI is an acronym for Morgan Stanley Capital International. This leading investment research firm provides stock indexes, performance analytics, portfolio risk and other tools to institutional investors and hedge funds.

The company's comprehensive ESG ratings measure a firm's resilience to long terms ESG related financial risks. This enables socially conscious investors to filter potential investments to match their values and investment aims.

MSCI's ESG ratings are based on data from financial statements, corporate filings, and third-party sources such as the media, regulators, and governments. It sees a "leader" (rated AAA & AA) as a company leading its industry in ESG risk and opportunity management. Conversely, companies with a mixed ESG track record are rated as "average" (A, BBB, or BB), and a company with high exposure, failure to manage significant ESG risks, and lagging its industry is labelled a "laggard" (with a B or CCC rating).

# How Ethical Are You?

People often have different views on what makes an investment ethical. For some investors, it's about ensuring their investments exclude companies involved in potentially damaging activities. For others, it's essential that their money makes a positive impact in specific areas. Finally, some are less prescriptive but want their investment into a company to promote ethical ideas and environmental and social good within the business.

To align your investments with your values, it's important to understand the levels of ethical policy offered by different types of investment firms.

From an independent financial advisory (IFA) perspective, there are three levels of ethical investing.

## 1) Light Touch

If you want your investments to be environmentally friendly and socially responsible, but you're not at the point where you want complete exclusion and are determined to pick your portfolio apart, then this level of ethical investment is for you.

Investments at this level are primarily reliant on general ESG funds. Sometimes described as "hampers full of sustainable investments", they are a group of stocks from different companies that you can purchase altogether. Compared to purchasing individual stocks, ESG funds help to reduce market risks.

Unlike mutual funds, ETF (exchange-traded funds), and bond funds, ESG funds only include companies that comply with their sustainable and responsible principles. They are usually selected and maintained passively according to each fund's ESG rating. If you're a beginner and want to earn good revenue with a relatively small initial investment, these funds are the ideal option for you.

However, some passively managed funds that claim to involve sustainable or socially conscious investing companies have an even weaker ESG screening process than some mainstream investment funds do. As a result, there is often a 10% or higher risk of exposure to unethical activities such as animal testing or fossil fuel extraction. This depends on the strategy of the investment firm and how they manage their funds.

So, if you're looking for a reliable ESG fund with less likelihood of exposure to unsavoury activities, actively managed funds would be more suitable.

## 2) Intermediate

This is what we like to call the "in-between" level of ethical investing, where funds are usually selected from model portfolios. This level will suit you if you want your investments to be environmentally friendly and socially responsible, and you have two to three areas you're particular about.

With this approach, you can be sure that certain things are excluded, but, more importantly, the emphasis changes here to impact. So, for example, PRI, ESG, and SRI issues are incorporated into analyses, and the investment firm clearly states that they adhere to these standards.

Besides the standards they use, it's also essential to understand the investment firm's strategy. You may, for example, want to exclude companies that have excellent internal ESG policies and do their best to avoid doing harm, but that may not necessarily be doing good externally. Again, you'd need to be sure that your investment firm's strategy covers this.

This active approach can be more expensive in some cases, but it is becoming easier to manage because of continuous improvements in technology and regulation. So, the cost of investing in this way is far lower than it used to be.

If this approach is still not enough and there are a lot of activities you would like excluded from your portfolio or areas of impact you would like to see your investments support, then it's likely you would need to opt for a bespoke ethical investment service.

## 3) Bespoke

Specialist ethical investment firms offer tailored investment solutions for clients who are very particular and don't want the chance of any exposure to anything unethical or unsustainable.

Here a direct fund manager makes a custom selection of companies for you instead of selecting a general ethical fund. They can apply your exclusionary screens to a wide range of investments, including social impact trusts and infrastructure investments.

Also, if they offer tax-efficient portfolio management, they will take your tax planning requirements into account. Bespoke investment services often include first-class custom impact strategies and secure detailed reporting and analysis.

As with any tailored service, this is the most expensive way to invest ethically. It also usually requires a minimum of a £100,000 - £250,000 investment to ensure that the cost of the direct fund manager's services can be covered. However, bespoke ethical investing allows you to rest assured that your investment portfolio adheres to all the exclusions and impact selections you have made while offering you the highest possibility of excellent returns.

# Types of Exclusions

Common exclusions from ethical funds are companies that have anything to do with alcohol, gambling, tobacco, armaments, pornography, and nuclear power. Additional exclusion criteria beyond these vary from one fund to another.

Some funds exclude a broader range of activities, like pesticide production or genetic engineering. Others include organisations that profit from controversial activities, as long as no more than 10% of their overall profits come from those activities.

This is why it's essential not to assume that every ethical fund matches your values. Be prepared by stipulating the exclusions you would like your investments to avoid.

Keep in mind that you may not necessarily need to exclude an entire sector for your portfolio to be ethical. For example, by excluding the automotive industry, you might miss out on opportunities to invest in manufacturers working to reduce greenhouse gas emissions or improve road safety standards.

Some popular exclusions are:

Environmental
- thermal coal
- oil, gas, or coal extraction
- oil and gas transition laggards
- non-renewable electric usage transition laggards
- in breach of internationally recognised conventions on biodiversity
- manufacturers of PVC, ozone-depleting chemicals, and hazardous pesticides

Socially conscious
- human rights violations
- poor labour relations
- corruption
- racism

Animal welfare
- animal testing
- intensive farming
- abattoir or slaughterhouse operation
- producers or retailers of meat, poultry, fish or dairy products

Banking
- exposure to large corporate or Third World debt

Genetic engineering
- patented genes

# Aiming for Impact

Many ethical investors want to ensure that the funds and/or companies they're investing in go beyond avoiding doing harm and actively work towards having a positive impact on the world.

This is not just about meeting their moral obligations. Data is increasingly showing that investing for impact generates healthy returns and mitigates risk.

When considering the impact, it's helpful to think about SDG-aligned outcomes that enhance investors' portfolios while improving life on our planet. According to the STG framework, areas companies could be working towards are:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry Innovation and Infrastructure
10. Reduced Inequality
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land

Some investment firms provide impact reports, which help to understand how funds are contributing towards these goals and making a genuine difference. Companies also often publish their individual ESG, SRI, and impact reports on their websites for the public to access freely. Reading and comparing these is an excellent way to understand the positive impact your investment might have.

# What's the future of ethical investing?

Investment experts believe the ethical investment industry is going to continue to grow for the foreseeable future. This is largely due to the strong ethical motivations of millennials, who will make up 75% of the workforce by 2025 and are likely to demand that their pension investments follow ethical guidelines.

Also, the UK government has recently issued the country's first-ever Sovereign Green Bond. It's announced that it would be the first country in the world to make Task Force on Climate-related Financial Disclosures (TCFD) fully mandatory across the economy by 2025. And it's set the target of net zero by 2050. With initiatives like these supporting the green economy, ESG related investments are likely be bolstered even further across numerous sectors.

## 4 Simple Steps to Confident Ethical Investment

Now that you have an overview of ethical investing, it's time to look at how you can apply this to your investment portfolio.

Although there can be many elements to take into consideration, the process is actually relatively simple and involves four steps:

**Step 1: Choose Your Ethical Commitments**

Having been through this guide, you probably have a good idea now of how you'd like companies within an ethical fund to align with the mission you have in mind.
So first, make a list of the ethical, sustainable, or impact areas you would like to contribute your hard-earned money to. Then, before selecting a fund, check if the companies within that fund support those objectives.

**Step 2: Choose an Approach**

Depending on how you feel about the potential risk of exposure (+/-10%) to harmful activities that comes with general ESG funds, you can choose to go with a general ESG fund, an actively managed ethical fund, or bespoke fund selections.

It can be tricky figuring out which is the right approach for you and then deciding on further negative and positive screens for funds. So, don't be afraid to ask for help. A trustworthy independent financial advisor (IFA) will be able to give you unbiased advice on the best investments to suit your particular wants and needs. Please see our list of questions to ask your IFA later in this guide.

### Step 3: Do Your Homework

Whether you invest with the help of an IFA or not, it's worth doing little research of your own. There are searchable records of corporate misdemeanours and ethical databases available online. You can also easily find out via a simple online search where companies are tax registered and whether they are paying their taxes or not. If you cannot find any tax information, or if the company is registered offshore, that could be an indication of unethical corporate governance.

Various third-party certifications and credentials also offer potential indicators of positive corporate behaviour. For example, a company that has been B-Corp certified, or is allowed to use cruelty-free Leaping Bunny logo, or has FairTrade accreditation, is more likely to be operating ethically. Look out for these logos when you're doing your research. If you spot anything that makes you feel uncomfortable, you should question it with your IFA or portfolio manager before committing to the investment.

### Step 4: Diversify Your Portfolio

When you diversify your investments, you're essentially making sure you don't put all your eggs in one basket. It's a technique that reduces risk and aims to increase returns by investing in different areas that would be expected to react differently to various events.

Diversification doesn't totally remove the risk of loss, but it's often considered the most crucial component of reaching long-term financial goals while keeping unsystematic risk to a minimum. Moreover, with the availability of ESG funds increasing rapidly, it's easier than ever to diversify your ethical investments.

However, it's also vital that your portfolio is balanced. You wouldn't want so little risk that your chances of reward are disproportionately lowered. This is where professional objective ethical investment advice is crucial.

"In prior years, ethical investing was deemed to be more expensive with worse results; that isn't the case anymore. However, it has become less black and white of what is ethical and what isn't. I encourage clients to focus on what is key for their personal preferences. We want to achieve a broad portfolio which is diverse and invested in multiple countries, industries and markets".

- Rebecca Robertson, Founder - Evolution Financial Planning

# Why Invest Ethically Through an IFA

Many user-friendly investment platforms and advisors are available online that may offer investment products with satisfactory ESG standards, but that are aligned to specific networks of pooled funds. This means that they are contractually obliged to recommend particular funds to prospective investors.

An independent financial advisor (IFA), on the other hand, has no ties to a set list of funds. Instead, an experienced IFA will consider all available options, offer expert advice, and help you to select the best investments for you according to your preferences without sacrificing performance. At the same time, an IFA can also help you with complex decisions around buying a home, planning your inheritance, and resolving tax issues.

There are over 5,000 IFAs in the UK, but not all IFAs deal with ethical investments or know how they work. So, it's important to find one who will respect your ethical principles and take them seriously. Naturally, it will be easier to have confidential financial discussions with someone who you feel comfortable with. So, personal chemistry is vital too.

When looking for an ethically minded IFA, members of the Ethical Investment Association are generally a good place to start.

“This is about understanding what my money is doing and that it can do some good or it can do harm. It was really important to me to find somebody who could help me think that through and who has a similar set of values.

My experience with Rebecca was really good because she listened to me and tried to address my concerns. I’d done my homework and had some detailed questions, and she gave me the answers.

Rebecca's process made me feel that I'm doing all I can to look after myself and look after my investments. And that's quite empowering.”

- Sonja Jutta

# Key Questions to Ask an IFA

The following list of questions should help to clarify whether an IFA is right for you or not and if they'll be able to satisfy the criteria you have set for your ethical investments.

1. Do you have ethical investment clients?
To avoid wasting your time and theirs, it's helpful to know right off the bat if the IFA deals with people who have similar ethical requirements from their investments as you do. You may want to push them further to determine whether they offer ESG, SRI, and/or impact investing options. We have more questions on that later in this list.

2. Are you independent or restricted?
Independent financial advice is the gold standard of financial advice. This is preferable over advisors offering restricted advice. Independent or restricted are the only options. Avoid advisors offering any other proposition.

3. Do you have Financial Conduct Authority (FCA) approval?
Irrespective of their answer to this question, it's worthwhile checking the disciplinary history of the IFA firm, as well as the regulated employment history of your advisor before working with them. You can do this by searching for them on the Financial Services Register to see if they appear as an Approved Person.

4. What qualifications do you have, and how long have you been working as an advisor?
All IFAs have to have a minimum QCA level 4 qualification. That's usually a diploma. Chartered Financial Planner (CFP) and ISO 22222 are good additional standards to look for.

5. Please can you explain your role in the investment process?
This might seem like a redundant question, but its purpose is for you to get a feel for the person you're speaking with and how their company operates.

6. How do you charge?
Make sure you understand the IFA's fee structure. Ideally, they should offer you an introductory meeting for free before charging set fees for advice, execution, and review services. Find out if their fees are charged per hour, if they make any commission from your investment, or if they offer a mixture of the two. All quotes should be in writing together with details of the services you'll receive for each fee.

7. Please can you describe your fact-finding process?
Fact-finding is the process advisors go through with clients to assess their current circumstances and financial goals to make appropriate recommendations. Every IFA has a slightly different approach to this process. So, it's essential to establish whether or not you're comfortable with your chosen IFA's fact-finding method.

8. How will you deliver the advice?
Your advice could be delivered in a face-to-face meeting, by phone, via email, or in a hard copy report. Whichever way you'll receive it, make sure that you get written confirmation that your IFA will be available to clarify any concerns or questions you might have about it if needed.

9. Who will my point of contact be?
You need to know if you will be allocated a specific advisor or if various members will collaborate to provide advice.

10. What criteria do you use to select ethical investments?
Can the IFA reassure you that the standards or principles they're using to select funds cover your requirements? Can they also ensure that your investment will be ethical in all areas rather than just the area you have highlighted? For example, you wouldn't want to invest in a fund that makes excellent environmental contributions only to find out that some companies within it have poor human rights records.

They should be able to provide you with the fund's policy detailing which sectors and companies it will and will not invest in, as well as whether it discloses all its investments or not. Of course, a fund that's serious about transparency will be open about all the companies it invests in.
You'll also need to avoid funds that appear ethical but are owned by a holding company implementing unethical practices in other businesses. So, it's crucial that your IFA can trace the owner of the fund.

11. What standards are you monitoring your funds by?
Beyond financial performance, what criteria will the IFA follow to measure the success of your investments? Will they follow MSCI's ESG ratings of each fund, for example?

12. Can you show me examples of previous ethical investment portfolios you've put together?
Seeing specific examples of how the IFA has helped ethical investment clients successfully in the past will help to reassure you that they can do it effectively for you too.

13. Are you able to provide impact reports for funds before I add them to my portfolio?
Because ESG investments aren't standardised as yet, standards of sustainability and ethics vary between different organisations and countries. So, one of the most reliable ways to assess if a company is genuinely applying ESG standards and actively making a continuous or improved impact in specific areas is to review their impact report.

“Our ultimate goal is to retire early, get some land, and maybe help a few animals in need. We've not really understood how to get to that point and what we needed to do it. We have a much better idea of our direction of travel now after seeing the in depth-analysis Rebecca has provided.

We have used IFA's in the past, but always felt like very small fish in a very large pond, and the advice and service has always felt very generic.

Rebecca has the ability to explain quite complicated financial challenges and investments in simple terms. It's also clear that she genuinely cares about the advice she is giving and it's not just a standard schtick that she roles out time after time.”

- Keith and Sharon

# Are You Ready to Begin Investing Ethically?

Evolution Financial Planning has a strong track record for delivering investment solutions that satisfy our clients' unique ethical criteria, risk profiles and financial goals.

We offer a safe and confidential space for you to ask any questions you might have. Contact us to discuss your ethical investment options today. We're ready to help.

email@evolutionfinancialplanning.co.uk

0330 3322 612

Gridiron Building
One Pancras Square
London, N1C 4AG

**This document is for information only and should not be construed as advice or an offer, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. Past performance is not an indication of future performance, capital is at risk and the value of investments and the income derived from them may fluctuate and may be affected by exchange rate variations. Please note, the value of investments can fall as well as rise and you may not get back the amount originally invested.**
**Current tax levels and reliefs may change and the investments and investment services referred to may not be suitable for all investors.**