

Ethical finance

How green is your money? **Simon Birch** suggests six ways in which you can spend or invest your cash without harming wildlife or the environment.

WOULD YOU USE your money to support the destruction of rainforests or boost climate change? No, of course you wouldn't. But unless your bank or occupational pension fund has clear ethical investment policies, there's a good chance that it's using your money to fund companies that do just that.

"The UK's finance sector is one of the biggest in the world," says Craig Bennett from Friends of the Earth. "It has a massive impact on the environment all over the globe by funding destructive projects."

So much for the bad news. The good news is that there is an alternative – ethical finance. First practised by Quakers and Methodists, who avoided trading in alcohol and tobacco stocks 100 years ago, the ethical finance movement is now an established player in the UK. A recent survey by the Co-op Bank estimates that the UK ethical finance market is now worth £12 billion. So what exactly is it?

Well, it's all about financial institutions taking responsibility for the social and



environmental impacts of their business. And while there's no single accepted definition as to what constitutes ethical finance, banks and pension funds with green policies usually avoid dealing with companies involved in everything from tobacco and gambling to GM crops and climate change.

Campaigners believe that ethical finance has the potential to force the UK's banks and pension fund providers to improve their environmental records. Jenny

Rhodes from *Ethical Consumer* explains. "There are millions of bank customers in the UK, and if they all made ethical choices about their personal finances, it would have a huge impact on the way financial institutions do business."

To help you carry out an ethical audit of your own finances, we've highlighted an ethical option for six everyday products. Please note, however, that the chosen products don't represent endorsements. For details of where you can find independent financial advice, please see below.

THE TEST

THE EXPERT



Freelance environmental journalist Simon Birch has been writing on environmental and ethical issues for more than 15 years. In 2001, Simon exposed the fact that the pension fund to which MPs were contributing was invested in the arms trade and tobacco industry.

HOW SIMON TESTED THEM

One of the key questions people frequently ask about ethical finance is whether they'll lose out financially if they go ethical. To answer this question, we've compared the financial performance (where relevant) of the ethical product against that of a similar, regular product. Plus, we've asked what makes a particular financial product 'ethical'.

JARGON BUSTER

MINI CASH ISAS

Mini cash ISAs (tax-free savings accounts) were introduced by the Government in 1999 to encourage people to save. They're a good option if you're a taxpayer on a tight budget. You don't pay any tax on the interest you earn and you can save up to £3,000 in any one tax year.

STAKEHOLDER PENSIONS

Stakeholder pensions were introduced by the Government in 2001 to provide low-cost pensions for unemployed and self-employed people. The key feature of a stakeholder pension is that the Government provides tax relief on your contributions and thus 'tops-up' your pension pot by 22 per cent.

FURTHER INFO

» Ethical Investment Association

www.ethicalinvestment.org.uk

» UK Social Investment Forum

☎ 020 7749 9950; www.uksif.org

CURRENT ACCOUNT

The COOPERATIVE BANK

☎ 08457 212212; www.co-operativebank.co.uk

» Who are they?

One of the UK's leading ethical financial institutions.

» What is the minimum deposit? £1

» What makes this product ethical?

The Co-op's ethical stance was launched in 1992. It prohibits the institution from lending money to companies involved in a wide range of unethical activities, such as the processing of fossil fuels, the development of genetically modified crops and the arms trade. In 2005, the Co-op Bank turned down £10 million-worth of business because it conflicted with this ethical policy.



YOU COULD ALSO TRY...

Alliance + Leicester Building Society

☎ 08703 333444; www.alliance-leicester.co.uk

Leeds + Holbeck Building Society

☎ 0113 2257777; www.leeds-holbeck.co.uk

PENSION

» Who are they?

Part of Aviva, the UK's biggest insurance group and a leading pension provider. It offers the Norwich Union Sustainable Future Managed Fund – a socially responsible investment fund that can be used for ethical stakeholder pensions.

» What financial return does it provide?

Over a three-year period (2003-2006), the fund returned 13.5 per cent against a benchmark of other funds that returned 13.2 per cent over the same period. This means that you wouldn't have incurred a financial loss for having invested in an ethical pension.

» What makes this product ethical?

The Sustainable Future Managed Fund is invested in companies involved in renewable energy, organic food and recycling, and avoids those involved in activities such as tobacco, nuclear power or intensive farming.



☎ 0800 056 2326;
www.norwich-union.com

YOU COULD ALSO TRY...

Friends Provident

☎ 0800 000080; www.friendsprovident.com/products

Standard Life:

☎ 0845 6060012; www.standardlife.co.uk

MORTGAGE



☎ 0845 6745566; www.ecology.co.uk

» Who are they?

An ethical building society. It has no branches, apart from its headquarters in West Yorkshire.

» What is the mortgage rate?

6.4 per cent for standard variable rate mortgages (as of December 2006). This is a mid-range interest rate compared with other mortgages.

» What makes this product ethical?

The Ecology only lends on properties that have an environmental benefit: old houses being renovated, existing buildings being converted into homes, new homes built along environmental principles and houses that are energy-efficient by design – terraces, for instance. The Ecology doesn't lend on holiday or second homes.

YOU COULD ALSO TRY...

Co-operative Bank Mortgage Service

☎ 08000 288288; www.co-operativebank.co.uk

Norwich-Peterborough Building Society

☎ 0845 3002511; www.npbs.co.uk

MINI CASH ISA



☎ 0500 008720; www.triodos.co.uk

» Who are they?

An ethical bank that offers savings accounts and investments.

» What interest rate will I get?

4.3 per cent. This is a mid-range interest rate compared with other banks.

» What makes this product ethical?

Triodos Bank only offers ethically-themed savings accounts. The company funds a range of ethical businesses, such as those involved with fair trade, organic food production and renewable energy. It also assists campaign groups such as Greenpeace and Groundwork. This particular product won *The Guardian* Consumer Finance Awards in 2005.



YOU COULD ALSO TRY...

Ecology Building Society

☎ 0845 6745566; www.ecology.co.uk

Co-operative Bank

☎ 08457 212212; www.co-operativebank.co.uk

INSURANCE



☎ 01803 864390; www.naturesave.co.uk

» Who are they?

An ethical insurance intermediary offering a full range of policies through Lloyd's of London, including home, contents and travel insurance.

» How much are the premiums?

Expect to pay around £350 a year for an average household insurance policy, which is a broadly competitive rate.

» What makes these products ethical?

Naturesave pledges to place 10 per cent of premiums sold into the Naturesave Trust, which funds environmental and conservation projects. These include renewable energy developments in Wales and a biodiesel co-op in Manchester. Naturesave also lobbies for greater environmental responsibility within the insurance industry.

YOU COULD ALSO TRY...

Co-operative Insurance Eco Car Insurance

☎ 0845 850 0160; www.ecoinsurance.co.uk

Environmental Transport Association

☎ 01932 828882; www.eta.co.uk

CREDIT CARD

» Who are they?

One of the world's leading conservation organisations.

» How does the card work?

If you take out a card via the WWF website, the organisation receives £40 from the card issuer, MBNA. Every time the card is subsequently used, 0.4 per cent of the transaction is donated to WWF.

» What interest rate can I expect to pay?

The typical rate is 15.9 per cent APR, though this is variable. This is a mid-range interest rate compared with other credit cards. But if you always pay your credit card bills on time, you've nothing to lose.

» What makes this product ethical?

Since its launch in 1994, the card has raised £7 million for WWF. And unlike most credit cards, it is PVC-free. *Ethical Consumer*, however, is calling for a boycott of MBNA because of its donations to the Republican Party in the US.



☎ 01483 426444;
www.wwf.org.uk

YOU COULD ALSO TRY...

The Co-operative Bank runs affinity credit card schemes with Greenpeace, the RSPB and the Vegetarian Society.

☎ 08457 212212; www.co-operativebank.co.uk

TWO SPECIES LOSING OUT TO UNETHICAL FINANCE

THE PIKA

» The pika is a small, hamster-sized relative of the rabbit that lives in the mountains of the western US and south-west Canada.



» Pika numbers are declining as global warming causes changes to its habitat. Money invested in oil companies contributes to this. Evidence suggests that pikas are unable to move to cooler, higher elevations, and it's feared that the species could go extinct as a result of climate change.



QUEEN ALEXANDRA'S BIRDWING BUTTERFLY

» Queen Alexandra's birdwing butterfly is the largest butterfly in the world, with a wingspan of almost one foot (30cm). It's only found in Papua New Guinea.

» Greenpeace alleges that Barclays is funding a UK timber-importing company that is sourcing plywood originating from illegal logging in Papua New Guinea.

ONE SPECIES BENEFITING FROM ETHICAL FINANCE

THE BITTERN

» The RSPB's affinity credit card scheme with the Co-operative Bank has raised more than £5 million since its launch almost 20 years ago.

» These funds are solely for the management and improvement of RSPB wetland reserves.

» This conservation work has helped to increase the number of booming male bitterns from 11 in 1997 to more than 45 today.

