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MONEY BOX LIVE

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LEWIS: Hello. Do you worry what your money's being used for when you put your savings in the bank or buy an ISA or a unit trust? Well a growing number of people do. They want to know that their money at least does no harm and preferably does some good. So this week Money Box Live is about ethical investing. In February, for the first time, an ethical fund came top of the UK All Companies Funds producing the best return out of 324, so it is now possible to make a good return on ethical investments as well as feeling good about them. But what *is* ethical? Do you avoid things like arms manufacturers and tobacco companies or positively choose businesses that try to be socially responsible? And what about the new worries on global warming and carbon footprint? Once you've worked out your ethical principles of what you will and won't invest in, how do you find companies or funds that meet your criteria? Are there any banks that we can trust to behave ethically with our cash savings and what about the new range of green mortgages and insurance policies? Whatever your question, you can call Money Box Live now - 08700 100 444. And with me today to answer your questions are Robin Keyte, a chartered financial planner and director of Towers of Taunton Financial Services. He's also on the board of the UK Social Investment Forum. Brigid Benson is founder of the GAEIA Partnership, independent financial advisers who specialise in ethical, environmental and socially responsible investments. And Mark Robertson, Partnerships and Development Manager at the Ethical Investment Research Services, EIRIS. And the first question is from Ben in Stanford. Ben, your question?

BEN: Hello Paul. My company offers a pension scheme, which I took up recently. And I got their first newsletter through and I was surprised on the back to see the two different funds that they manage had companies like Tesco, which has been accused by Friends of the Earth for unfair and unethical trading practices; the Royal Bank of Scotland, which is accused of funding regimes around the world; and also McDonalds. I was wondering what criteria these companies can choose, I mean if they call their funds ethical?

LEWIS: Right, well I'm sure all those companies would like to defend themselves and say they *are* ethical, but how *do* you choose? What does ethical mean? Well let's start with Mark from EIRIS. Mark, how do you define ethical?

ROBERTSON: Well we generally define ethical or rather an ethical fund as a fund which decides whether the stocks and shares it chooses to invest in are ethical according to different criteria. So some of those criteria will be negative, so some funds will for example screen out investments or seek to screen out investments in things like weapons manufacture and the fur trade, tobacco, pornography, that kind of thing. Others will take more of a positive approach and seek out a company involved in more positive areas, such as renewable energy technology companies, that kind of thing. But increasingly funds also take an engagement approach, so they'll actually seek to engage with the companies they invest in to actually increase or improve their ethical funds.

LEWIS: So they'll actually invest as a way of getting hold of shares and going along to AGMs and making their position known, that kind of thing?

ROBERTSON: That's correct, yeah.

LEWIS: So in that case, you could invest in even a very unethical company if you wanted to change it, couldn't you?

ROBERTSON: Yes, but it's fair to say that most ethical retail funds have got negative screens in play, so the normal situation would be that they come into play.

LEWIS: So negative screening - that's screening out all these horrible things; whereas positive screening is screening in all the things that we might like? Brigid Benson, you mainly do ethical investment, as I understand it. How do you choose companies? What are the criteria?

BENSON: Well it is really ... I mean we're responding to consumer demand and we share strongly the idea that investors have the right to sort of select more carefully where they invest. And I think there are a core of values that most ethical investors share, avoiding things like the arms trade and the most exploitative companies and so on. But coming back to your caller, we get asked this question a lot about why do companies like Tesco's and the Royal of Bank of Scotland appear in a number of the ethical funds, and I would just like to make a couple of points; and it is that the companies that are in all the ethical funds will be responding and not evading the latest ethical and environmental challenges. It doesn't mean that they are perfect, but it means that they are willing to have a dialogue either with campaigning organisations and/or with the ethical fund managers. And I think that ethical investors realise that we want and need the most well established companies to do better and the solution isn't always to avoid all of them but to choose the ones that are willing to have a dialogue and to do better.

LEWIS: So if you wanted a bank, for example, you might choose one of the big five banks that was willing to engage in these conversations rather than one of the ones that wasn't?

BENSON: Yes and it's very much the same within the oil sector, for example.

LEWIS: Right. And Robin Keyte, you also do ethical investing for many of your clients. Do you agree with that sort of way of assessing companies' ethical stance?

KEYTE: Yes, I think Brigid's comments are very fair. But going back briefly to the comments from the caller, is it a company pension scheme you're

talking about?

BEN: It is. It's run by one of the big pension companies.

KEYTE: And they're offering two funds, one of which is ethically screened?

BEN: They're offering a number. I've got on the back of the leaflet 'an ethical corporate bond fund' and 'an ethical fund' and both invest in various different companies.

KEYTE: Okay.

LEWIS: So this is really getting at the heart ... This is an ethical fund, but Ben thinks it's not quite ethical enough for him or not along the same ethical lines as he'd like.

KEYTE: Okay, well to some degree the people running the scheme are being considerate and showing concern for the needs of ethical investors. They're going some of the way, so they deserve some credit. And also recognising different attitudes to risk, offering a screened fund investing in shares, and also a screened fund investing in corporate bonds, which is lower risk - so I think they certainly should get some credit for that. But I take your points on board absolutely. I think often ethically screened funds, the criteria they choose do not precisely match those of individuals. And I think if it's a company scheme, to be honest you just have to compromise and put up with it. The employer contributions will be too good to give up if you wanted to follow your criteria elsewhere.

LEWIS: Okay, well thanks very much for your call, Ben. I think it gets right to the heart of the issue: what is ethical and what isn't. And Penelope also wants to ask a related question from Lancashire. Penelope?

PENELOPE: Hello, yes. It's about a National Savings ISA. I'd like to know how to find out if my National Savings ISA is ethically invested or not. By

that, I mean whether companies invested in ensure their trade and avoidance of such activities as arms and tobacco and that sort of thing. And if not, then what alternatives can you suggest?

LEWIS: Okay, well let's start with the first point. National Savings products, where are they invested? Brigid?

BENSON: Well inevitably probably around 10% will be invested by the government in the defence industry and many people, like the caller, are concerned or may be concerned about that, particularly when we have the Iraq War going on. And I didn't ... Unfortunately my line there was a little bit indistinct for that caller, but I think I heard them asking about alternatives.

LEWIS: Yes, Penelope did want to know about alternatives too. But just to be clear, when someone has a product with National Savings, that money really is invested in whatever the British government is choosing to do at the time?

BENSON: Absolutely.

LEWIS: Okay. And we've had a number of e-mails about that. I'll come to one of those in a moment. But do you want to go onto alternatives, Brigid?

BENSON: Well we usually recommend they consider the Co-op Bank ISA, which is paying you know a competitive 4.75%. And then there's the Triodos Bank and the Ecology Cash ISAs, which are usually paying also a pretty good rate and doing you know fantastic things with the money that you invest.

LEWIS: Right, so if you're a bit worried about what the government's doing and I must say a number of callers and e-mailers are. Andrew's just e-mailed us, 'What about investment in the state's care and management? It would be nice to think National Savings was used ethically.' But in his view, given what the Labour government's doing, the current government's doing - he particularly mentions the Iraq War. I suppose this is a concern about National Savings, Mark?

ROBERTSON: Yeah, I mean that's correct. I mean again it just gets back to the point that if people do have kind of firm concerns for example around investors supporting defence, the defence industry, all that kind of stuff, then they should really think and interrogate where their money's invested.

LEWIS: Okay, thanks very much for your call, Penelope. We now move onto Marjorie who's calling us from Bournemouth, I think. Marjorie, your call, your question?

MARJORIE: I have worked for and I'm very concerned about the treatment of animals and I only want to invest or support any economy which treats its animals with respect. I hate anything to do with China because they skin animals, cats and dogs for fur for clothing and apparently they kill dogs and serve them in restaurants. I have for years been banking with the one that has all those, the HSBC, and I want to change to another one and I wondered if the Co-op would be better. I hate supporting *anything* that will improve the economy of China.

LEWIS: Okay, well let's look at those two issues separately. One is really the question of investing in countries that don't mistreat animals. Mark, do you have such a criteria in your list?

ROBERTSON: We do. I mean EIRIS is about to ... Next week in fact we're launching a new guide to ethical funds and that covers each of the ninety or so retail funds now available. And if you look across the broad spectrum of retail funds in the UK, a good proportion of those have got criteria which deals with issues around animal testing, animal rights, that kind of thing. So I would probably suggest that you consult either our website or maybe think about subscribing to our guide or speaking to a financial adviser who should be able to you know kind of meet a fund that funds well in that area.

LEWIS: And I suppose there are particular countries - in Marjorie's case it's China and I'm sure other people have their own particular dislikes of some foreign countries and their internal politics - then you can screen out investments in those countries, presumably?

ROBERTSON: You can. And I think another key issue here is probably human rights and those kind of issues, and again human rights is a common policy that you see across a lot of the funds that are available out there as well.

LEWIS: Yes, though of course our earlier callers wanted to screen out Great Britain, didn't they? *(Laughter)*

KEYTE: Can I just briefly chip in and say that there is a specific negative screen for a few funds on the fur trade if the caller wanted to focus on that area.

LEWIS: Right, so some funds specifically screen out any companies or countries that are active in the fur trade ...

KEYTE: That's right.

LEWIS: ... so that sounds as if it might ...

BENSON: Can I just add ...

LEWIS: Yes, Brigid please.

BENSON: ... that it's important to make a distinction between who you bank with and who you're making your stock market related investments with, and the caller did refer to HSBC and so on. Now the Co-operative Bank does have a very strict animal rights, animal cruelty policy, so if you're wanting to bank with a bank that respects your criteria then the Co-op would be probably you know top of the list. If you're looking at your investments, then again a number of the ethical funds don't invest in China at all directly, so again you know look at those carefully.

LEWIS: Which ones would you particularly mention, Brigid?

BENSON: Well the Friends Provident Stewardship Fund, the

Stewardship Income Fund and so on - they don't invest in areas such as China. And most of the UK ones won't be investing directly.

LEWIS: No. And, Robin, you mentioned funds that screen out this kind of thing. Do you have a couple of names that people might like to think about?

KEYTE: There's the Insight Evergreen Fund and also Norwich Union policy.

LEWIS: Okay. And Brigid, you mentioned banks in Marjorie's case, she was concerned about her own bank, and you said the Co-operative Bank. There's also a bank, which is not a UK bank but trades in the UK called Triodos.

BENSON: Yes and I've mentioned them before because unfortunately they're not large enough to be a clearing bank, but they are probably the most ethical bank for supporting wind energy, renewable energy, and they are excellent for your cash ISA and also for you know longer term sort of building society type savings, but not a replacement for the high street bank, for the Co-op.

LEWIS: Okay, we've mentioned investments and I'm just going to throw in very briefly an e-mail from Kath who's in an investment club and she wants ethical mining shares. Are there such things as ethical mining shares? A few blank looks around the table, I think. Brigid?

BENSON: There aren't any mining companies that yet sort of pass the test for the ethical funds that I know about, but there are one or two companies with mining interests who are again responding to the concerns of Survival International and the ethical fund groups who are again expressing our clients concerns about human rights and the respect for community and so on.

LEWIS: Yes, and this is very much on the rights of the people who work for them and the exploitation of the resources and the carbon footprint expectation, all those sorts of things.

BENSON: Yes.

LEWIS: So again it's what you were saying earlier: if companies are at least engaging, it's worth giving them a bit of a reward rather than simply saying they're all bad?

BENSON: Yes. And you know Rio Tinto has been the subject of much lobbying by campaign groups and certainly avoided by the ethical funds as far as I'm aware. But you know watch this space because Rio Tinto are listening to their critics and some of these mining companies have done terrible damage to the communities where they operate - paid very poor wages, done great damage - but again, thanks to concerned consumers, they are taking note and improvements will I think be visible in due course.

LEWIS: Okay. Thanks for that. Thanks very much for that e-mail. And we move on now to a call from Flip in Gloucestershire. Flip?

FLIP: Hello. Some years ago I took out an ethical PEP, which was recommended by Bradford & Bingley, and it was with NPI. As soon as I'd signed on the dotted line, it turned out that it was not an ethical investment, as I had asked for. Now they are now called Henderson Global Care. They consistently lose money and last year or 2005 they elected to dispense with the holding of an AGM. Is that legal? And I would like to come out of that fund without penalty and I understand I can do it somehow. Can you tell me how to do it?

LEWIS: Okay. Robin?

KEYTE: A number of issues that you've raised. Firstly, yes Henderson's are running the old NPI Global Care Funds and in some cases they have changed some of the criteria, so it may not be a good match now for ethical investors who previously invested. You *can* switch out, but you have an advantageous tax sheltered environment with the PEP and you would want to retain that, so you could effect a PEP transfer and the best thing is to consult a financial adviser specialising in ethical investment to find out the best fund to transfer to.

LEWIS: Okay. And Brigid, is this a real problem when you invest in one fund to find it's either taken over or the management's taken over by another and the criteria may change?

BENSON: Yes, it's something that we always dread. And in the case of the originally NPI Global Care Funds, it has suffered from this problem. But I would just like to mention you know to your caller that the Global Care Income Fund, for example, has done incredibly well, you know, and it has improved significantly; whereas the original growth fund has done much more poorly. So again, as Robin said, good to take independent advice on whether you could switch within Global Care or to another ethical fund that meets you know your income or risk needs better.

LEWIS: And on that general point of financial advice, I know that you two are examples of people, financial advisers who are committed to this. How easy is it though to find a local financial adviser or one you can trust that is committed to ethical investing. Mark?

ROBERTSON: Well a good place to look is the EIRIS website. On there, we have a searchable directory of financial advisers who have expertise in offering ethnic investment advice, so you can put your postcode in and it will give you the five nearest to you. So that's a useful resource.

LEWIS: That's a useful way to start. And links to the EIRIS website and many other resources are on our website, which is bbc.co.uk/moneybox. And I should just remind you that you'll be able to listen to the programme again and in a couple of days read a transcript for all those tricky names you didn't quite manage to write down. Robin?

KEYTE: Can I just briefly add the Ethical Investment Association is a nationwide not for profit body of financial advisers specialising in ethical investment

and we have thirty or so advisers, mostly all over the country, and that would be a good place to have a look as well. If you type in a search engine 'ethical investment', you should find the website quite easily.

LEWIS: Okay. And indeed there is a link to that on our website, bbc.co.uk/moneybox. Right, I'm just going to have a little balancing moment here. We've had an e-mail from Richard who says in view of the lady who's anti-China and she mentioned HSBC. He says HSBC is the first bank to commit to being carbon neutral and he's more concerned about global warming than he is about animal rights. I mention that partly also because of this question of carbon neutral, which is the sort of latest fashion in what is ethical, isn't it? Is this something, Mark, that is growing among people's concerns - the sort of carbon footprint of companies?

ROBERTSON: Yeah, I think so. I mean I think we ... I mean as an organisation that specialises in ethical investment, advice kind of generally across the board, I mean we're seeing a lot of interest from UK consumers who you know are waking up to the fact that climate change is a big issue. And I think also people are beginning to realise that companies which are ahead of the curve as it were in terms of tackling climate change are more likely to be you know attractive investment propositions themselves, especially in the longer term.

LEWIS: Though there is controversy about what exactly carbon neutral means and whether it really works. You plant a forest for every plane journey. It won't work forever, will it?

ROBERTSON: Well, yeah, it's an interesting debate.

LEWIS: But at least they're trying, as we said earlier. Okay, let's move on. Marilyn has a call for us now. Marilyn, your question?

MARILYN: Hello. As a pensioner, I found that my local authority pension fund, like very many others I found out, is investing heavily in the arms trade. That's BAE Systems, for instance. My pension fund is administered by my local council and I find that I can't do anything about it like for instance moving my

pension to somewhere else. All I can do is try to campaign and protest about it.

LEWIS: And you are actually retired and drawing a pension or are you paying into ...

MARILYN: Exactly. No, no ...

LEWIS: You're drawing your pension.

MARILYN: ... I'm actually drawing the pension. yes.

LEWIS: Right, Brigid?

BENSON: Yes, I mean we hear this concern very often and most local authorities I think have decided to retain their or to retain investment advisers because the local authorities aren't investing the money directly. They retain investment advisers who are probably counselling them that they should retain their holdings in the defence industry despite you know growing concern by local authority employees who are members of the scheme you know who aren't comfortable about this. It's a historical thing and I would encourage you know you to carry on writing and joining meetings and you know try and get yourself elected as a trustee so that your voice can be stronger.

MARILYN: Yes.

LEWIS: And there's another call from Jeremy. Stay on the line, Marilyn. Another call from Jeremy who's in perhaps a slightly different position and he wants to find out these things about his pension scheme. Jeremy?

JEREMY: Hello.

LEWIS: Your question?

JEREMY: My question is how I can find out which companies my company pension scheme is investing in?

LEWIS: Mark?

ROBERTSON: Well pension schemes are obliged to produce something that's called a statement of investment principles, and within that the relevant scheme must disclose whether or not firstly they have if you like an ethical investment policy; and, if so, what that is. So under that, there is a duty around that which does mean that they have to, they're under a duty to disclose holdings.

LEWIS: And once you've disclosed it, what can you do about it?

ROBERTSON: If you're not happy with either the kind of pensions policy or indeed what you find, then just echoing what Brigid was saying really, the thing to do would be to contact the trustees of the pension scheme. You could also even think about becoming a trustee yourself, but I'd certainly kind of urge you to make direct contact with the trustees.

LEWIS: Yes because, Brigid, all pension funds have to have at least one representative on them now, don't they, of the members?

BENSON: Yes.

LEWIS: And so you can campaign, I suppose, to get elected to that position and then start trying to change it. But is there an essential conflict between trustees' obligation to maximise returns and the other side of it - that people don't want to invest in things that they think are ethically wrong? Robin?

KEYTE: Well there are two levels to this. Firstly the trustees need to think about sensibly using the shareholder voting rights on the holdings held within the pension fund and really we'd like all company pension schemes to do that and take that seriously.

LEWIS: So this is taking an active part at the AGM and voting against

things or making their position known because of course pension funds hold the majority of shares in the UK, I think.

KEYTE: That's right. And that doesn't affect the risk to which the pension fund is exposed. That's simply responsible use of shareholder voting rights. And then the second level on this is whether they actually exclude certain companies from their pension fund because of their activities. And what we would encourage pension schemes to do is consult with their workforce and the Environment Agency pension scheme is an excellent example of this, very responsibly run.

LEWIS: So, Jeremy, does that help you? Do you think you know a bit more about how to find out and what to do about it?

JEREMY: Yeah, it kind of helps. But from what the gentleman said, I understand I can get a statement of investment principles, but that doesn't sound like a listing of the individual companies that the scheme is investing in. Is that right?

ROBERTSON: That's correct. I mean the statement of investment principle would detail whether or not the pension scheme has an ethical policy or not. You'd then need to dig a little further to get a list of what the pension actually invests in. It's worth mentioning an organisation called Fair Pensions in the UK who specifically exist to help people you know in your kind of situation understand how their pension's invested, where it's invested, and you know help people in your kind of situation, so I'd probably think about contacting them as well.

JEREMY: Okay, thank you.

LEWIS: So it sounds to me, Jeremy, as if this is quite a new thing and you're going to have to do a bit of work. But good luck with it. And, Marilyn, I hope we've helped you. Having already retired, there's probably less you can do at this stage.

MARILYN: That's right, but I shall certainly carrying on campaigning, yes.

LEWIS: Good, okay. Thanks very much for that. And now we're moving to East Yorkshire where Robert has a question. Robert?

ROBERT: Oh hello. Yes, it's quite a simple question really. Can you recommend an ethical account that pays interest monthly, as high as possible obviously?

LEWIS: So this is just a cash savings account basically we're talking about here?

ROBERT: Yes, yes.

LEWIS: Robin?

KEYTE: Well I look at this on a variety of levels. For very strict ethical criteria associated with it, then you look at Triodos Bank. For a slightly higher rate of interest and less ethical criteria, you look at Co-op Bank. For the highest rate, and just hopefully a well run organisation with good business ethics, you look at building societies. And then there's a new alternative now, which is Zopa, which is lending money to other people without the involvement of the banks, which has an average rate of interest of 7%.

LEWIS: This is, as you say, completely separate from the banks and slightly scary to me when I first heard about Zopa, but they have survived and they do seem to be carrying on. Mark, is this something you ... ?

ROBERTSON: Yeah, I mean we know Zopa and they're quite a new organisation but they're certainly kind of ... I think increasingly are getting more interest from certainly members of the public but also financial advisers who are interested in you know kind of putting them forward as an investment proposition themselves.

LEWIS: Okay, a few thoughts there Robert. I should just read out an

e-mail from someone who says they work for Henderson and just want to point out to us, they say, that the investment objectives of the Henderson Global Care Fund haven't changed since they were taken over from NPI. So that's a response from Henderson on that point. We've had a couple of e-mails about this. We've got very little time left now, but we've had a couple of e-mails about ethical Child Trust Funds. Brigid, ethical Child Trust Funds - are there any?

BENSON: Yes, but unfortunately you know the choice is very limited due to the complexity of the rules and the small sum involved and it hasn't been economical for many companies to administer them. So the only options really that I know about are CIS has an ethical fund, which can be linked to the Child Trust Fund, and the Children's Mutual through which you can access the Insight Evergreen Fund, but only if you also make monthly or regular contributions.

LEWIS: Right, so that's just really two out of what a hundred or more, so that's not really a great record on Child Trust Funds. Okay, Brigid, thanks very much for that. We are now running out of time, so I'm going to say that really is all the questions we have time for. My thanks to Brigid Benson of the GAEIA Partnership, Robin Keyte from Towers of Taunton, Mark Robertson from EIRIS, the research organisation. Thanks to you for all your calls and many of the e-mails that were coming in as we were on air. You can find out more about ethical investing from the BBC Action Line. The phone number's 0800 044 044. Our website, which I mentioned, is bbc.co.uk/moneybox. And, as I said, you can listen to the programme again and read a transcript. I'm back at noon on Saturday with Money Box and Vincent Duggleby's here to take your calls on Money Box Live next Monday afternoon.