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UK Social Investment Forum

25 October 2005

IFAs Missing Out on Growth in Ethical Consumerism

In spite of growing consumer interest¹, the know-your-client obligations and further new research countering myths about under-performance², IFAs are still reluctant to fact find on whether clients want ethical, environmental or social concerns to be taken into account in their investments.

A UK Social Investment Forum (UKSIF) survey of 35 top IFA firms reveals that only 52% of firms (18 firms) ask clients about 'ethical concerns' in their standard client fact find. On closer examination of the 52%, only 28% (5 firms) were able to quote the question and none included the words environmental, social or religious concerns in their phrasing³.

Penny Shepherd, Chief Executive of UKSIF notes the progress to date: "It is heartening to hear that 15% of the top firms **are** asking clients about their ethical concerns, but clearly there are many laggards. Advisers are missing out on significant referral and marketing opportunities and may not be delivering best advice for the growing numbers of consumers concerned about issues such as fair trade, human rights and climate change".

The survey, funded by UKSIF members, Friends Provident, Insight Investment, Jupiter Asset Management and Morley Fund Management, also questioned firms about training and CPD on ethical and socially responsible investment.

Over 70% of firms (25 firms) do not provide training for advisers on ethical and socially responsible investment and 90% of firms do not include it in advisers training needs analysis for CPD (continuing professional development)⁴. Furthermore, most firms were unable to confirm how advisers kept up to date with changes to ethical fund criteria, the launch of new research tools, new ethical or socially responsible investment techniques or performance research.

Helen Barnes, Financial Adviser Consultant at UKSIF responded: "This is why UKSIF is offering free training to advisers to update their knowledge on ethical and socially responsible investment, dispel performance myths and highlight the business benefits. The training is supported by our *Toolkit on Responsible Investment*⁵ which includes fact finds and a 5-step advice path – and is available free on our website at www.uksif.org.

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Notes to Editors

The UK Social Investment Forum (UKSIF) is the UK's membership network for socially responsible investment (SRI). UKSIF's primary purpose is to promote and encourage the development and positive impact of SRI amongst UK based investors. UKSIF believes that all material social, environmental and ethical (SEE) issues should be integrated into standard investment practice and that individual investors should be able to reflect their values in their investments. UKSIF's 200+ members and affiliates include institutional and retail fund managers, pension funds, independent financial advisers and a wide range of other organisations. For further information about UKSIF see www.uksif.org.

1. New academic research published in the Journal of Business, Finance & Accounting, 32(7) Sept/ Oct 2005 p1465, has added to the growing body of evidence that there is no systematic under performance by screened ethical funds. Using matched pair analysis the paper studies the performance of 60 European funds between 1995 and 2001 and finds that there is no difference between ethical and non-ethical funds according to the performance measures employed.

2. The market for ethical and environmental consumer products and investments is growing. Screened ethical investments totalled £5.5bn in December 2004 – growing from £792 million ten years ago - with over 450,000 customer accounts (EIRIS, December 2004 - information based on figures from the Investment Management Association, fund managers themselves, and in some cases, estimates based on previous fund sizes. See www.eiris.org. Contact Scott.McAusland@eiris.org).

In line with this growth, ethical consumerism in the UK increased by £3.5bn last year, totalling £24.7bn (5th annual *Co-operative Bank Ethical Purchasing Index*, December 2004. The figures, produced in conjunction with the New Economics Foundation and the Future Foundation are available from www.co-operativebank.co.uk - see Ethical Consumerism Research Report).

3. A suggested fact find question from the 5-step advice path in UKSIF's *Responsible Investment Toolkit for Financial Advisers* is: "Would you like any social, ethical or environmental issues to be taken into account when looking at your investments". In addition, the anticipated ISO standard for a financial planner is likely to include reference to religious concerns within the fact find process.

4. Newly qualified advisers will have a grounding in ethical and socially responsible investment further to the recent inclusion of ethical and socially responsible investment in the IFS' CeFA 2 and CII's CF2 exams on investment & risk (following the Financial Services Skills Council exam review). However, our survey shows that ethical and socially responsible investment is not being included in CPD for existing advisers.

5. UKSIF's *Toolkit on Responsible Investment* includes a 5-step advice path, two personal ethical fact finds and a 24-page technical guide. The Toolkit was developed with input from UKSIF's product providers and IFA members, including the Ethical Investment Association. It was funded by Friends Provident, CIS, Jupiter and Morley.



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UKSIF's 5-Step Advice Path

Extracted from *Investing Responsibly: A Practical Introduction for Financial Advisers*, one of the four resources in *UKSIF's Responsible Investment Toolkit*, available at www.uksif.org.

