

FROM ETHICAL TO GREEN INVESTING, AND THE WASH IN BETWEEN

BY REBECCA JONES | 27 MAR, 2020

Green investing has come a long way. In the UK, the first formal shoots emerged back in 1985, when Friends Provident launched its first ethical funds. Then, like now, ethical funds made some basic exclusions of traditional ‘sin stocks’ like tobacco, alcohol, gambling and adult entertainment companies. This definition of ‘ethical’ is rooted in traditional Christian values, as today’s Shariah funds are in Islamic values.

As Western society has moved away from collective agreement on morality, though, the term ‘ethical’ has become a contentious one. Now, for example, many investors expect an ‘ethical’ fund to exclude fossil fuels, while alcohol would hardly raise an eyebrow.

What’s in a name?

This has led to the proliferation of a number of different labels for what began as ethical investing, all of which we lay out in our [Green Investment Grid](#), which you will find on page 4 of [The New Money Guide to Greenwashing](#).

These labels include sustainable, responsible, socially responsible, green investing and – most recently – Environmental, Social and Governance (ESG) investing. No fund with these names, however, have to abide by any rules to label themselves as such, which is a problem.

The launch of the [United Nations Sustainable Development Goals \(UN SDGs\)](#) in 2015 provided some guidelines for the sector. Many ‘green’ investors now target companies meeting one or more of these 17 high level goals, designed to help the world get onto a path of sustainable and equitable development by 2030.

Seeking solutions, not spin

However, the lack of any formal definitions, benchmarks or guidelines in this space has meant that any old fund manager has been able to launch a ‘sustainable’ or ‘ESG’ fund into the market unchecked. Sadly, many are now using even the SDGs as a throw-away term to sell products.

This practice has been labelled ‘greenwashing’. Simply put, ‘greenwashing’ is when a fund manager claims to be ‘green’, or ‘sustainable’, or ‘responsible’ without backing up those claims with solid evidence of how they invest, why, and what positive impact this is having.

According to upcoming research by 2degrees, 85% of funds labelled ‘green’ have ‘misleading’ marketing. Moreover, data from Morningstar suggests that of 2,405 ‘sustainable’ funds in Europe, just 160 – or 6.7% – explicitly state, by prospectus, that they either screen out or reduce exposure to fossil fuels beyond coal.

Real green investing

As we outline in [The New Money Guide to Greenwashing](#), regulators are slowly getting to grips with the issue, with the UK’s Financial Conduct Authority recently launching a specific consultation into greenwashing in the investment industry.

In the meantime, though, investors are left to fend for themselves. And that is EXACTLY why we have written the New Money Guide to Greenwashing.

With the help of our sponsors EQ Investors, Liontrust and M&G, we are going to help you sort the sustainable from the spin, find the green under the wash, and invest in the best – not the rest.

Download your FREE COPY of the New Money Guide to Greenwashing [HERE](#)

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ABOUT THE AUTHOR

Rebecca Jones

A financial journalist and communications consultant for nearly a decade, Rebecca has worked across national media, b2b, charities and for the UK’s most established sustainable investment team.

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