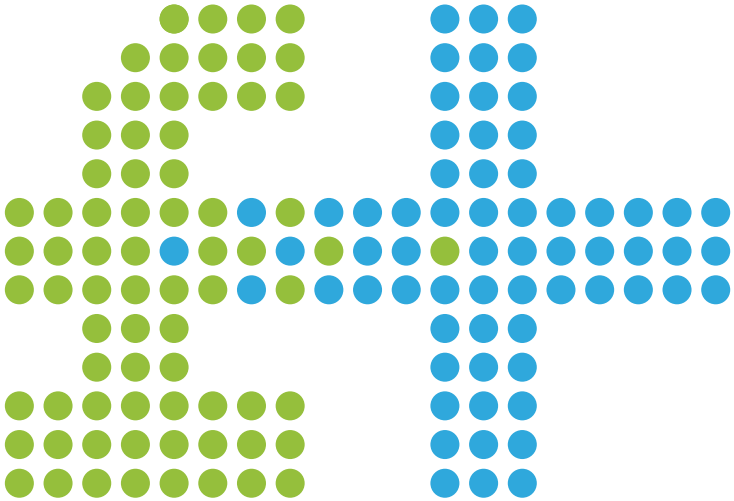
ethex

make money do good



Positive Investing in the United Kingdom

Where the UK's positive investors live, what they invest in and why, and what can be done to build the positive investing marketplace.

www.ethex.org.uk

Foreword

Stewart Wallis,
Executive Director,
New Economics Foundation

The dysfunctional financial sector in the UK led us to the brink of disaster in 2008, and yet reforms are not going far enough to tackle the root causes of the economic crisis. Our four big banks remain too big to fail and continue to engage in the risky and unproductive activities that caused the crash.

We need to establish a more stable, sustainable and socially useful financial system. Consider the following facts:

- The UK government pledged 89% of GDP to bail out our banks.
- The UK banking system is one of the least diverse in the developed world – local banks comprise just 3%, compared to 67% in Germany and 34% in the USA.
- Many individuals are forced into the hands of payday lenders, charging 'telephone number' interest rates.
- 45% of Americans are members of their local credit union, compared with just 2% of Britons.

This is why we at the New Economics Foundation are working, with others, both on the reform of the current system and the creation of alternatives.

We are currently:

- Researching the possibility of breaking up the UK retail part of RBS into a series of local public interest banks.
- Providing the technical infrastructure for the Bristol and Brixton Pounds.
- Supporting the nascent credit union and community development finance movements.

One of the most exciting alternatives is the rapidly growing positive investment market here in the UK. This report from Ethex demonstrates the scale of this market and the difference already being made by a large number of committed savers and investors – often investing relatively small sums. It is a brilliant example of how we do not need to wait for governments to change the system. We can do so much ourselves.

However, for this market to reach anywhere near its full potential, there is a critical need for infrastructure and information.

Many people want to 'do good' with their money in addition to making a fair return. However, they often do not know how to do this and where they can invest.

"This report from Ethex demonstrates the scale of the positive investment market and the difference already being made by a large number of committed savers and investors."

In this report, Ethex provides inspiration and vital information as well as offering a series of recommendations on how to substantially grow a flourishing and positive investment market. They and others are already working to put these recommendations in place.

It is all too easy to get downhearted by current economic circumstances. In Ethex, we have an exciting and incredibly hopeful initiative which will enable many more individuals to make a real difference. I cannot commend this Ethex report too highly.

Contents

4 Executive Summary

8 The market for positive investment

13 Who are the positive investors?

16 The top ten hotspots for positive investing in the UK

21 Recommendations for growing the market for positive investment

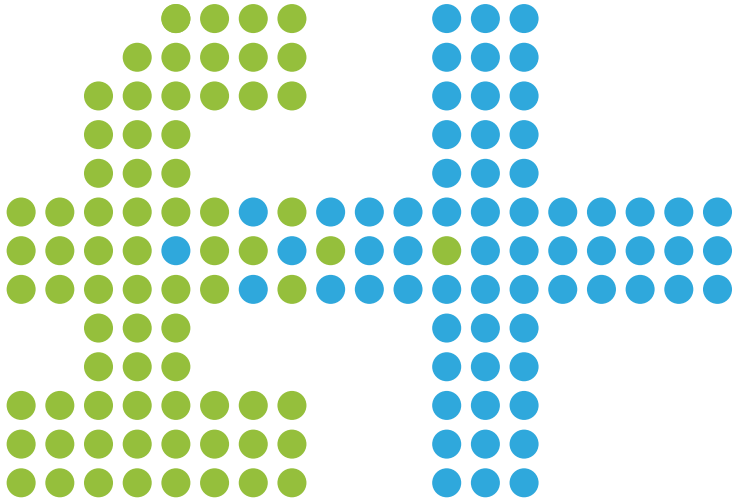
27 Ethex and positive investment in action

Appendices

39 Hotspot data

42 Positive investments in the Ethex survey

43 References and data sources



Positive Investing
in the United Kingdom

With thanks to the Big Lottery

LOTTERY FUNDED

This study aims to bring to the public eye the positive investor – a person who chooses to save with or invest in businesses that pursue a social or environmental mission alongside a financial return. It examines almost 50,000 positive investments by postcode to reveal where these people live, what they invest in and why.

Executive Summary

The positive investment universe is worth £1.6 billion and is made up of more than a million savings and investments. And yet little is known about positive investors as they have never been the subject of research before.

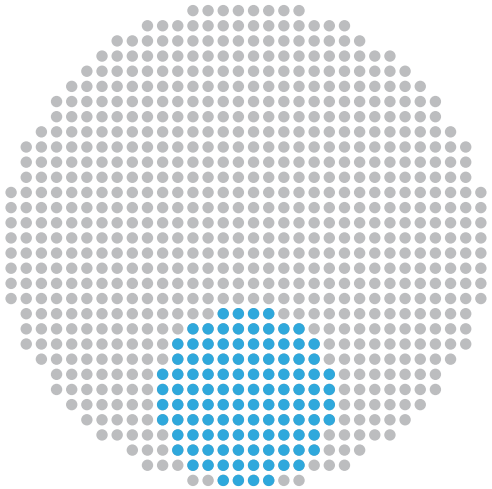
Ethex's research examines over 49,200 investments in the 14 largest positive businesses in the UK. These investments total over £265 million pounds in value. By examining them by location, we have identified 15 hotspots for positive investment across Britain.

About Ethex
The report has been prepared by Ethex, the online platform for positive investing launched in January 2013. Ethex's aim is to create a functioning marketplace for positive investing. It is rising to the challenge of making positive investments readily available, and getting people to engage with them. Ethex aims to make positive investment both easy to understand and easy to do.

The UK's hotspots for positive investing
Be it Highgate and Crouch End in London, the edges of the Peak District and the Yorkshire Dales, Brighton or Totnes, this report reveals a patchwork of regions across Britain that are characterised by their social engagement and their strongly independent outlooks, with large numbers of independent shops, fringe arts festivals, a strong sense of community and a willingness to act independently when it comes to finance. The report gives a flavour of those hotspots and the people who live in them.

Growing the positive investment marketplace
Society needs more positive investment. It addresses social and environmental issues whilst at the same time giving the investor a financial return. It provides a new model for doing business.
This report reveals that large numbers of people across the UK are highly motivated to make investments that bring direct and positive social and environmental benefits. The difficulty is that whilst there is a market for positive investment, there is no marketplace.

There are many really exciting positive investments available to the general public, but it is extremely hard to find out what there is to buy and how to go about buying it, and to understand the risks you are taking when you do.



Ethical investment market
£11 billion

Positive investment market
£1.6 billion

Positive investment is one seventh the size of the ethical investment market, is rapidly growing, and delivers tangible social and environmental impact.

And the infrastructure required to supports investors in making their choices is still in its infancy. The result is that positive investment is only open to the most determined, pioneering investors.

Improving the regulatory regime
Furthermore, there is scope to improve the regulatory regime for positive investments. Currently, there is a two tier system in place where some positive investments are subject to the full regulatory regime and others are able to make use of exemptions from FCA regulation to offer positive investments to the general public. This is complex and confusing for the investor.

Executive Summary

Recommendations

This report concludes by making six recommendations on how to create a flourishing positive investment market which Ethex, amongst others, is working to put into place:

1 To provide trusted sources of information that make positive investment easy to understand and do. Investors need trusted sources of information on the positive investment sector, provided by organisations that can be considered as independent of any one business or particular commercial interest and that make it easy to invest.

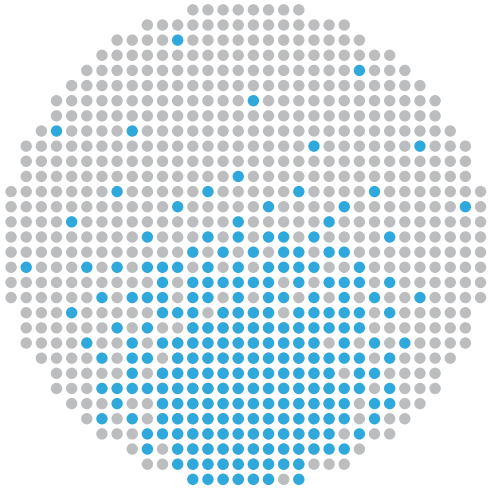
2 To encourage positive investors to be more active in the management of their money. There is an urgent need for education and awareness programmes to encourage positive investors to become more active in the management of their money, and to give them the confidence to choose to make positive investments directly rather than relying on intermediaries.

3 To broaden the market by creating positive investments tailored to the needs of a younger audience. The younger investor needs products that are both lower risk and that have lower minimum investment amounts.

4 To support IFAs in advising on positive investments. IFAs need support in understanding the positive investment market and how to advise on it, so that investors who want to make positive investments no longer need to do so unadvised.

5 To develop a secondary market for positive investments. A great deal of emphasis is placed on the raising of new share capital, but investors need a functioning secondary market so that they can realise their investments in a timely manner, and at the right price.

6 To work together with the Financial Conduct Authority (FCA) to develop a consistent regulatory regime for positive investment. Positive investors are educated people who tend to give extensive consideration to the positive investment choices they are making. They invest with a different attitude to financial risk, in that they balance the possibility of financial loss against the opportunity for social or environmental impact. Understanding their motivations can provide vital information on changing attitudes to risk and how this can be used to develop a consistent regulatory regime for positive investment.



If all businesses that were commercially successful were also addressing a social need, then all business would contribute to making the world a better place.

Executive Summary

A call to action

Back in 2012, The Kay Review[i] highlighted the loss of trust and confidence in the UK's financial system. Kay attributes this to short-termism in the financial markets, which stands in sharp contrast to the long-term view taken by positive investors.

A year later, some of Kay's proposals have been implemented. But it is still not clear that the financial community has accepted that it needs to play a wider role in society than purely the pursuit of profit if it is to win back the confidence of the people.

In the 80s and 90s, we saw a reinvigoration of the food industry, with a rapid rise in the consumption of fairtrade and organic foods. This was only possible because consumers voted with their feet and demanded change. Positive investment stands to bring the same kind of market shift that Fairtrade and organics have brought to consumerism.

People can bring about change in the financial system, but to do so they need to take more control of their money and to actively engage with positive investing. If society as a whole can bring the same level of individual engagement to positive investment as it has to ethical consumerism, then we will start to see the beginnings of a new paradigm for business, in which it is possible to both make money and do good.

Positive investment stands to bring the same kind of market shift that Fairtrade and organics have brought to consumerism.

There are now over one million positive savings and investments totalling £1.6 billion, compared to £11 billion in traditional, negatively screened ethical investment, which has less clear social and environmental benefit.

The Market for Positive Investment

Positive investing is about investing in businesses that pursue a social or environmental mission as well as offering a financial return.

This differs from most conventional forms of ethical investment, where a limited number of unacceptable activities such as arms or tobacco are excluded, and then the best performing investments in other sectors are chosen. This process is called negative screening. Positive investment goes further than negative screening in that it is about making your money do good, as opposed to the simple avoidance of harm.

It is claimed that there is more than £11 billion invested ethically in the UK (EIRIS survey October 2013). But the vast majority of this money is negatively screened rather than invested with the aim of having a positive impact.

Under negative screening, the range of exclusions can be narrow, and the result is that much of this money is invested in standard FTSE stocks and shares, such as oil and gas, drug and food companies and high street banks.

This approach to ethical investment yields some counter-intuitive results.

According to Vigeo, a leading expert in the assessment of European companies and organisations with regard to their practice and performance on environmental, social and governance issues, the top ten holdings of 884 ethical fund portfolios across Europe[ii] are not what most people intuitively understand by the term 'ethical investment'.

Indeed, some people would regard several of these companies as distinctly unethical. Total SA, for example, is one of the six biggest oil companies in the world and so a major contributor to climate change; similarly, BG group produces around 680,000 barrels of oil equivalent per day; and Nestlé has long borne the brunt of campaigns on the sale of its powdered baby milk to the developing world.

Positive investing on the other hand is what most people intuitively think ethical investing should be – investing in businesses for what they do, not what they don't do. It includes a wide range of mutual building societies, banks, credit unions, co-operatives and companies who all share an explicit mission to achieve a social or environmental good.

Be it advancing fair trade, creating community owned wind farms or providing mortgages for eco-renovations, the social and environmental mission of these businesses is as important to them and their investors as the financial return.

Positive investing is what most people intuitively think ethical investing should be – investing in businesses for what they do, not what they don't do.

Europe's most wanted
The top ten companies held by ethical funds as of June 2012

Rank	Company	Sector
1	Sanofi	Pharmaceuticals
2	Vodafone Group	Telecommunications
3	Total SA	Oil and gas
4	BNP Paribas	Finance
5	BG Group Plc	Oil and Gas
6	Roche Holdings	Pharmaceuticals
7	Novartis	Pharmaceuticals
8	Nestle SA	Food and beverages
9	Danone	Food and beverages
10	Sap	Computer software

The Market for Positive Investment

Positive investment is direct investment

Positive investing is also about becoming more directly connected to the business in which you are investing. Rather than passing their investments through layers of intermediaries, positive investors invest directly in the business, either with or without the support of a financial advisor. This closer engagement means that positive investors can be more confident that the businesses they invest in are making the world a better place.

Financial transactions have become hugely complex, difficult to understand and further and further removed from the original investor. The Kay Report highlighted this explosion of intermediation and linked it directly to the decline in trust and confidence in the financial sector.

As organisations such as the True and Fair Campaign[iii] have pointed out, there are many intermediaries standing between the investor and the business, all of whom charge fees. As a result, both investor and business lose out. But the finance industry is still managing to mask the cost of these charges, and to persuade investors that they are delivering strong financial returns.

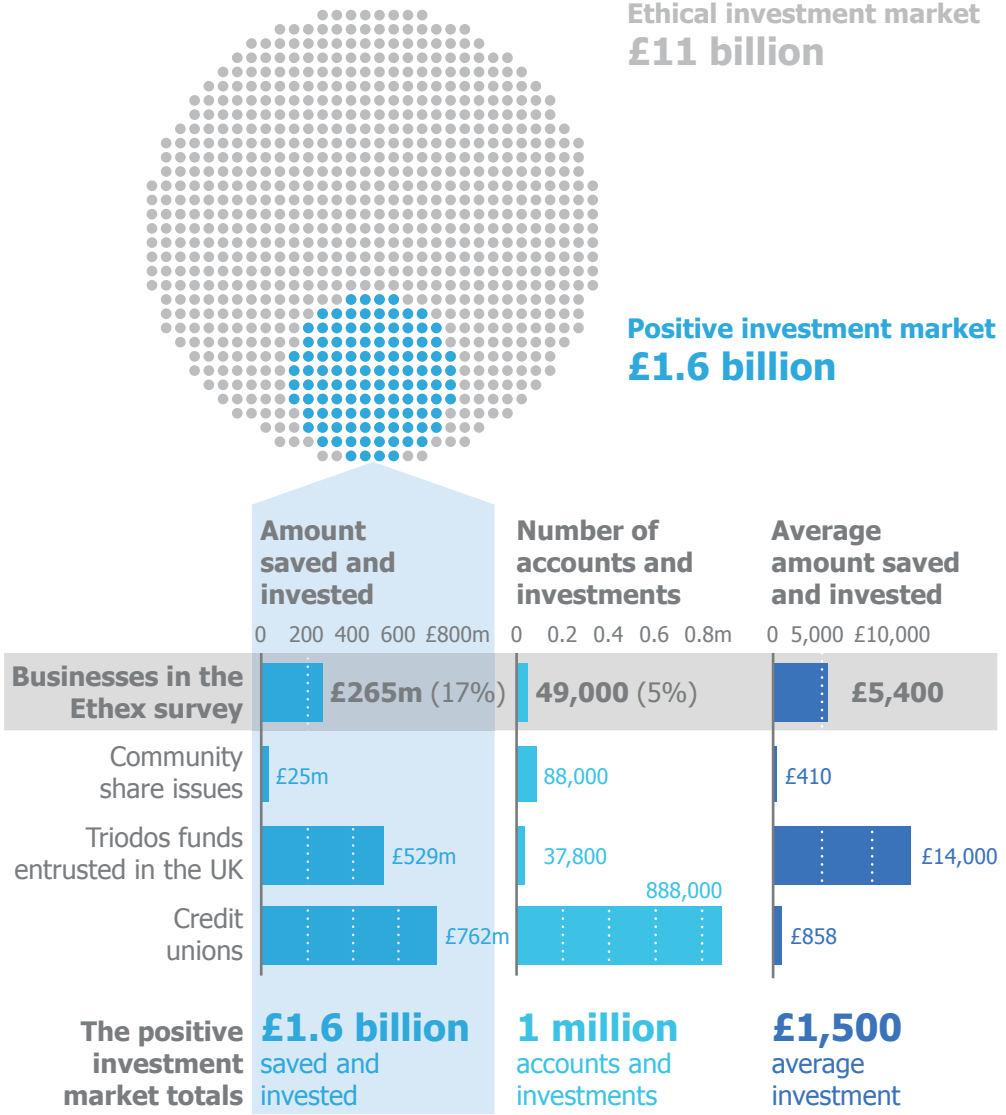
Positive investing, like crowd-funding, offers the opportunity to bypass some of these intermediaries and for the investor to have a more direct relationship with the business.

The size of the positive investment universe

Ethex estimates that £1.6 billion is currently invested or saved positively in the UK[iv]. The positive investment universe is formed of just under 700 businesses and over 1 million separate investments.

Whilst the £1.6 billion UK positive investment market is only one seventh the size of the UK's £11 billion ethical investment market, it represents a significant and growing sum of money and a large number of individual investments.

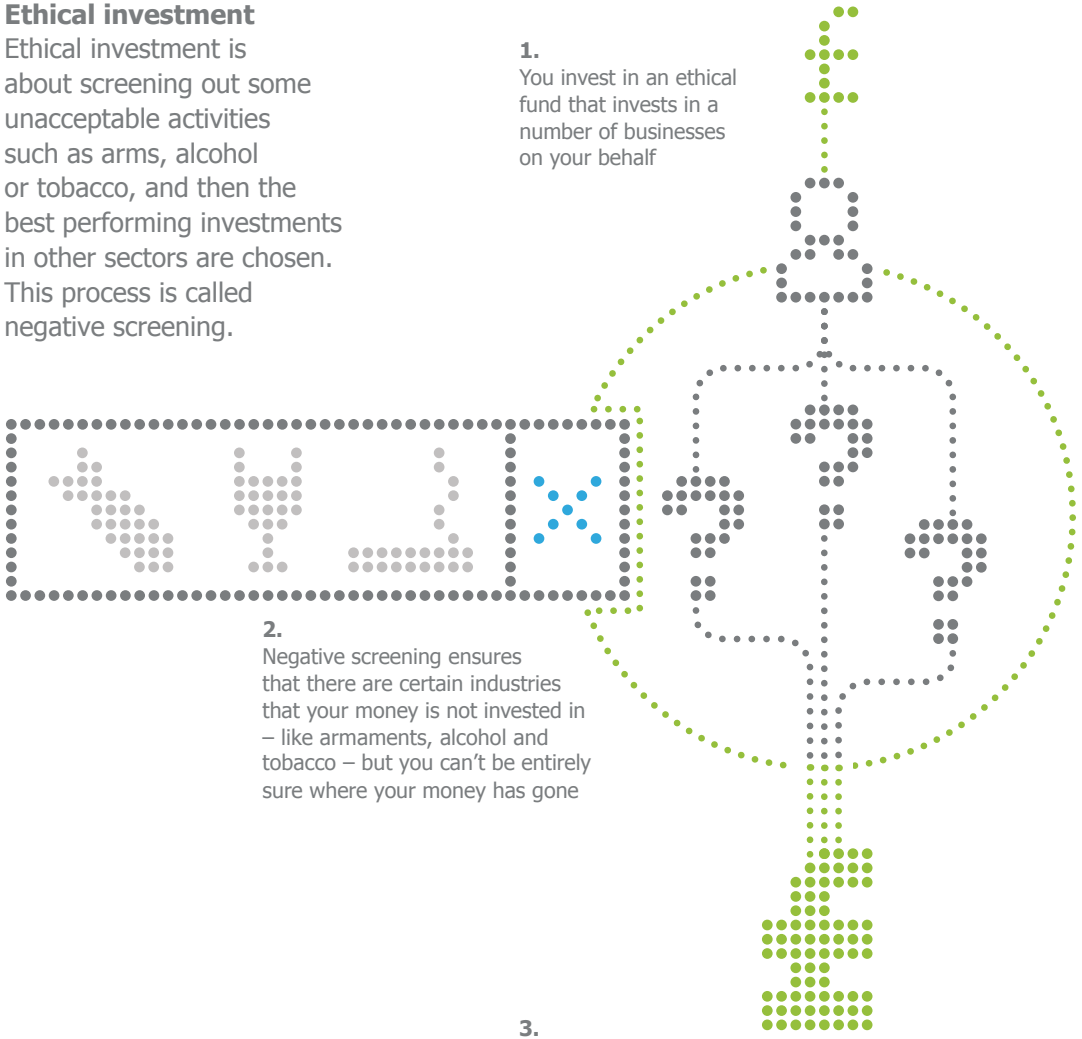
Overall, the positive investing market delivers more tangible social benefits than the conventional ethical investment market, which more than makes up for its smaller size.



The Market for Positive Investment

Ethical investment
Ethical investment is about screening out some unacceptable activities such as arms, alcohol or tobacco, and then the best performing investments in other sectors are chosen. This process is called negative screening.

1.
You invest in an ethical fund that invests in a number of businesses on your behalf



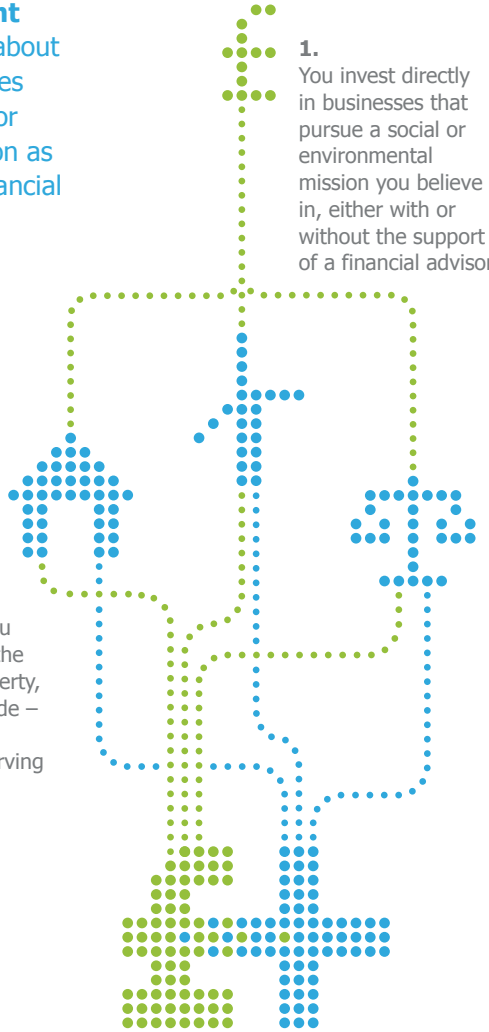
2.
Negative screening ensures that there are certain industries that your money is not invested in – like armaments, alcohol and tobacco – but you can't be entirely sure where your money has gone

3.
The fund delivers a financial return on your investment

Make money

Positive investment
Positive investing is about investing in businesses that pursue a social or environmental mission as well as offering a financial return.

1.
You invest directly in businesses that pursue a social or environmental mission you believe in, either with or without the support of a financial advisor



2.
Positive investing gives you a direct relationship with the business – like social property, renewable energy, fair trade – so you know exactly what purpose your money is serving

3.
You benefit from a tangible social and environmental impact and a financial return

Make money **Do good**

The Market for Positive Investment

History of Positive Investment

Businesses offering positive investments are small in number, but not new.

The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society. And in 1844 the Rochdale Society of Equitable Pioneers established the 'Rochdale Principles' on which they ran their cooperative, forming the basis for the development and growth of the modern cooperative movement.

The first working credit union models sprang up in Germany in the 1850s and 1860s, and by the end of the 19th Century had taken root in much of Europe. In the UK, there was no legal structure for credit unions before 1979. Eventually, in April 1979, the Credit Unions Act was the last Act to be passed by the outgoing Labour Government. Today, the Association of British Credit Unions has over 250 members.

Positive investment started to take off in the UK in the early 1980s.

Ecology Building Society was created in 1980 by a small group of 10 people in Yorkshire who had found it hard to get loans for eco-renovation. They each invested £500, enough to start their own building society. Over 30 years later, the Society now manages £100 million in assets and has 10,800 investors, who still include some of the 10 founders. ***Triodos Bank*** was founded in the Netherlands in 1980 and opened its UK branch in 1995. The UK branch now has over £500 million in funds entrusted to it.

In 1984 the fair trade company ***Traidcraft*** launched the first ever positive equity investment by undertaking a share issue for £300,000. Over the next 20 years the pace of these ethical share issues accelerated. ***Shared Interest***, one of the first to provide loans to Fairtrade producers in developing countries, raised its first £650,000 in 1995 and now manages over £27 million from 8,629 investors.

In the late 1990s, other businesses such as the ***Ethical Property Company***, ***Cafédirect***, the ***Phone Co-op*** and ***Good Energy*** set about raising money for causes ranging from community renewable energy, fair trade and affordable offices for social change organisations. In 2013, ***Golden Lane Housing***, a subsidiary of the charity Mencap, raised £10 million for the provision of supported housing for people with a learning disability. In recent years, many community groups have also run share issues to save their local shop, pub or community centre.

Together, these businesses make up the positive investment universe, which is today worth £1.6 billion and is made up of over a million savings and investments.

Positive investors tend to invest small amounts and to build a portfolio of investments in a variety of businesses.

Positive Investors

Positive investors tend to be in the 40-70 year-old age bracket

Analysis of data for two businesses, Charity Bank and Ecology Building Society, gives us a picture of the age at which people make positive investments.

However, it is important to remember that some of the positive investments in the survey were first made in 1980, and that these people are now 33 years older than at the time they first invested. The average age at which people first make positive investments may then be younger than it would appear.

Positive investors are likely to invest in more than one business

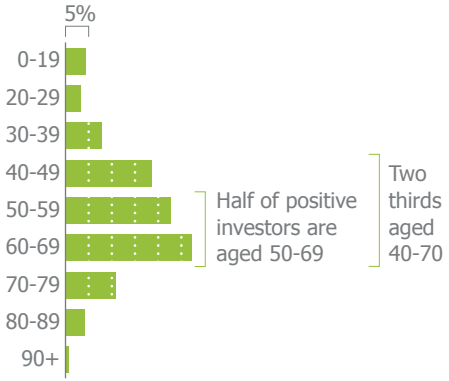
Almost half of the people making a positive investment invested in more than one of the businesses, or in one business more than once. A small number even invested in 70% of the businesses.[viii]

This suggests that many positive investors are doing more than making one-off investment decisions – they see positive investment as something they want to engage in actively and are looking to build a portfolio of positive investments rather than holding just one.

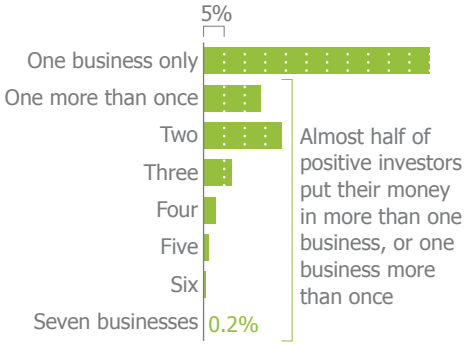
Positive investors tend to invest small amounts

Although investment amounts are on average small, this seems not to reflect a lack of interest in positive investment, particularly as the number of multiple investments made is high. More likely it represents a nervousness about committing larger investment amounts to a sector still in its infancy where the level of infrastructural support for investors is low.

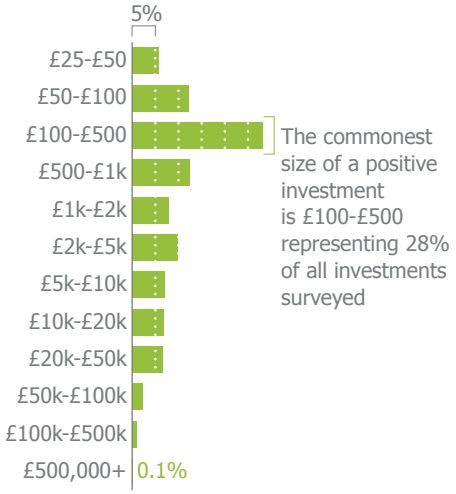
Age distribution of positive investors



The number of businesses positive investors invest in



The amounts positive investors invest

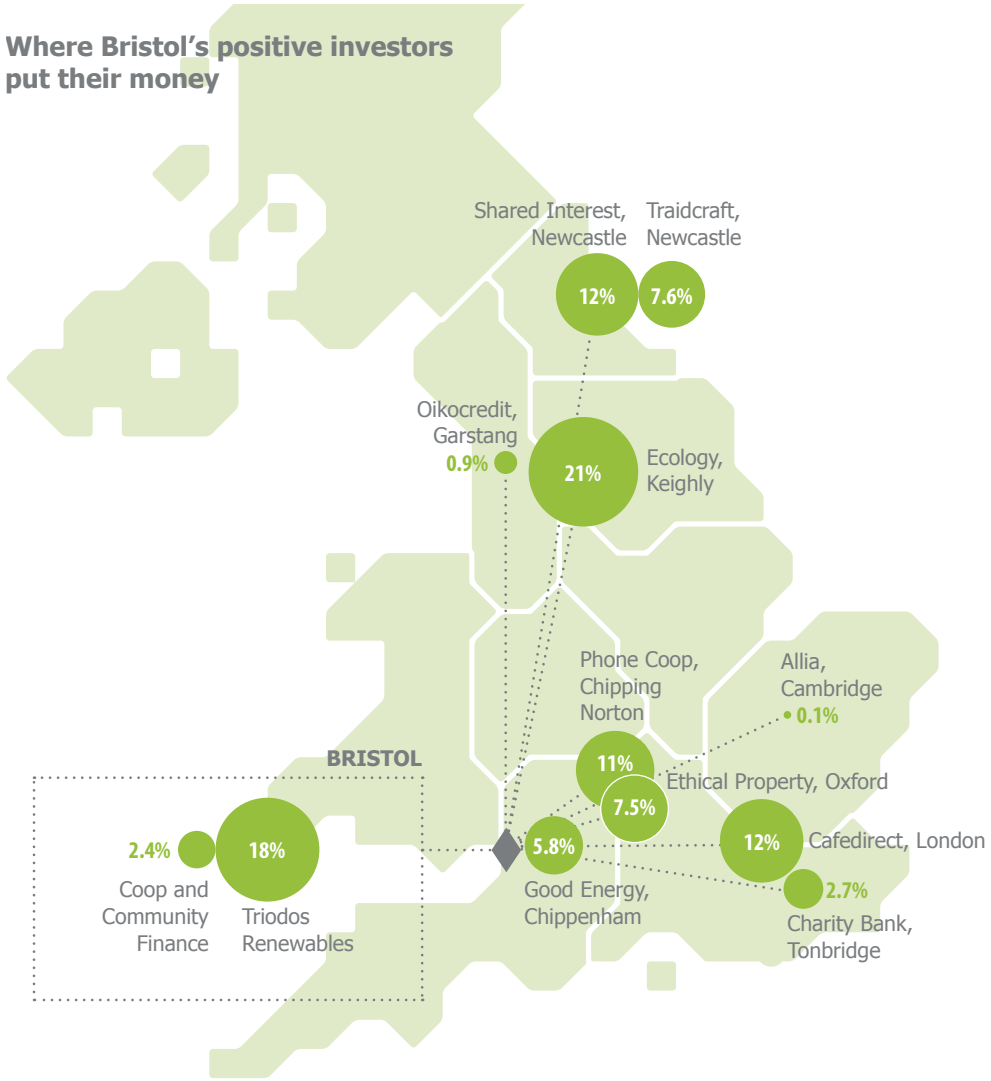


Positive Investors

Positive investors invest in the full range of businesses available, not only those local to them.

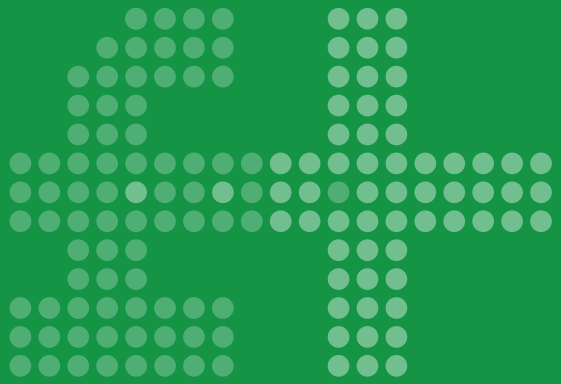
All positive investors are interested in the communities around them. And indeed where a business is based within a hotspot, the level of investment in that business is higher than for other areas, but this is not pronounced. Investors in a hotspot still consistently invest in the full range of ethical businesses, regardless of where that business is based.

This is clearly demonstrated in the case of the Bristol hotspot. Triodos Renewables is based in Bristol, and indeed Triodos Renewables investments make up 18.4% of this hotspot. However, most of the other businesses surveyed are well represented, with the Ecology Building Society, based in Yorkshire, making up 21% of investments from Bristol, and Shared Interest in Newcastle making up 12%.



The top ten hotspots for positive investing in the UK

Detailed analysis of almost 50,000 positive investments across the UK by postcode has revealed ten hotspots for positive investment, as well as five rising stars. These hotspots are spread across the UK from North to South



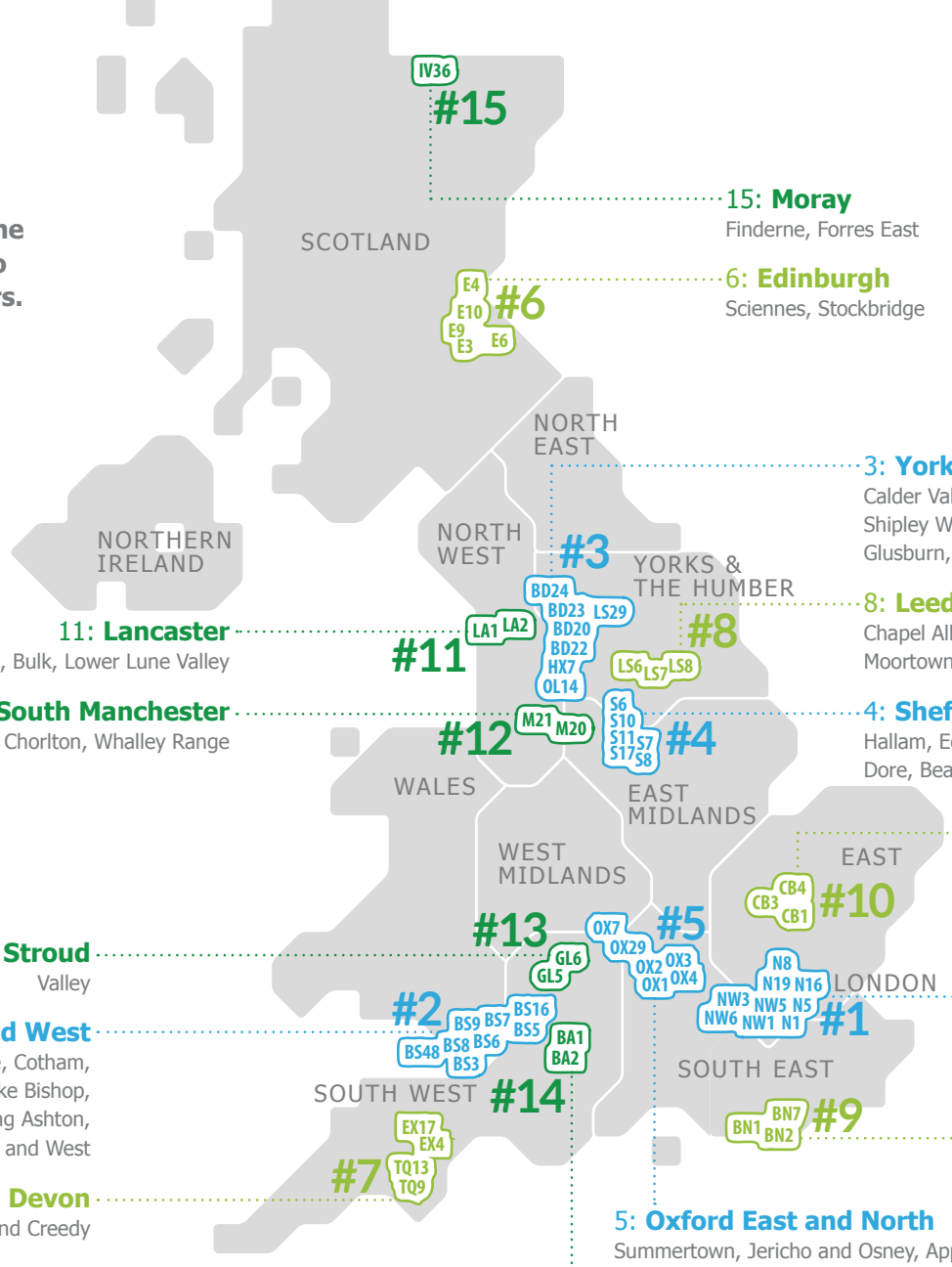
Top Ten Hotspots

The UK's top Ten Hotspots for positive investment, ranked by the number of positive investors who live there plus the five rising stars.

The map shows the postcodes and wards contained in each hotspot

Hottest five

Rising stars



15: **Moray**
Finderne, Forres East

6: **Edinburgh**
Sciennes, Stockbridge

3: **Yorkshire and the Gateway to the Dales**
Calder Valley, Todmorden, Luddendenfoot; Worth Valley, Keighley West, Shipley West, Rombalds, Ilkley, Craven; Skipton North, Sutton-in-Craven, Glusburn, Aire Valley with Lothersdale.

8: **Leeds North East**
Chapel Allerton, Roundhay, Otley and Wharfedale, Weetwood, Moortown, Headingley

11: **Lancaster**
Castle, Bulk, Lower Lune Valley

12: **South Manchester**
Chorlton, Whalley Range

4: **Sheffield to the Peak District**
Hallam, Ecclesall, Broomhill, Nether Edge, Sharrow, Dore, Beauchief, Heeley, Hope Valley, Walkley, Castle

10: **Cambridge**
West Chesterton, Market, Romsey, Queen Edith's

13: **Stroud**
Valley

1: **North London**
Hampstead Town, Highgate, Belsize, Swiss Cottage, Frognal and Fitzjohns, West Hampstead, Kentish Town, Gospel Oak, Cantelowes, Camden Town with Primrose Hill, Junction, Crouch End, Stroud Green, Garden Suburb, Childs Hill, Clissold

2: **Bristol North and West**
Ashley, Redland, Clifton, Henleaze, Cotham, Bishopston, Cabot, Southville, Stoke Bishop, Westbury-on-Trym, Wraxall and Long Ashton, Knowle, Easton, Nailsea North and West

7: **Central Devon**
Totnes Town, Sandford and Creedy

14: **Bath**
Bathavon North

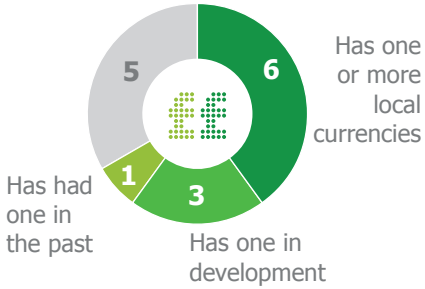
5: **Oxford East and North**
Summertown, Jericho and Osney, Appleton and Cumnor, Hinksey Park, Wolvercote, North Ward, St Margarets, Iffley fields, Headington, Wheatley

9: **East Brighton and Lewes**
Lewes Priory, Preston Park, St. Peter's and North Laine, Hanover and Elm Grove, Lewes Castle

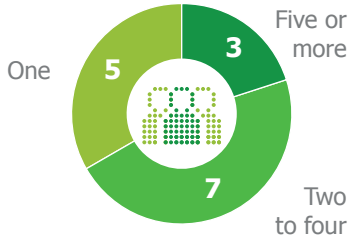
Characteristics of the Hotspots

Of the ten hotspots and five rising stars this is how many have:

A local currency

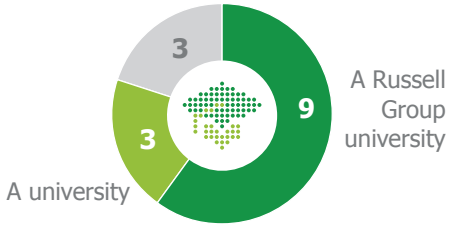


Community share issues



All 15 hotspots have had at least one

A university



The hotspots all demonstrate a commitment to independent thinking and ethical living. Hebden Bridge was one of the first towns to set up a community website in the UK. Bristol has its own independent mayor, George Ferguson, whilst Brighton has the first green MP, Caroline Lucas. The Gloucester Road in Bristol is said to have the most independent shops of any street in the UK and both Hebden Bridge and Totnes are host to a variety of organic, locally sourced and vegetarian eateries, independent coffee houses, eco-friendly clothing and local craft shops.

Participation in the arts is high, with some of the best known fringe festivals taking place in Edinburgh, Brighton and Bath. Stroud and Oxford have annual fringe festivals and smaller ones are held in Chapel Allerton in North East Leeds, Totnes and Hebden Bridge. Sheffield is well known for its annual festival of documentary film and, together with Leeds, is one of the most important festivals for independent film outside of London.

The hotspots are areas where the residents benefit from a high level of education. Twelve hotspots include or lie close to a university, of which nine are part of the Russell Group. On the other hand, wealth is not a strong indicator of the tendency to positively invest. For example, Kensington and Chelsea is the wealthiest constituency in the UK but ranks only 147th for positive investing.

But most marked is the independent attitude to finance within the hotspots. This goes beyond investing in the businesses included in this study. Almost all the hotspots have started their own local currency, and are amongst the most active areas in the UK for community share issues, where local people come together to save or develop a community facility.

Participation in the arts is high, with some of the best known fringe festivals taking place in Edinburgh, Brighton and Bath.

Characteristics of the Hotspots

An independent attitude to finance

The hotspots are all characterised by an active interest in questioning the role that money plays in society and a desire to influence and control the benefits it brings locally.

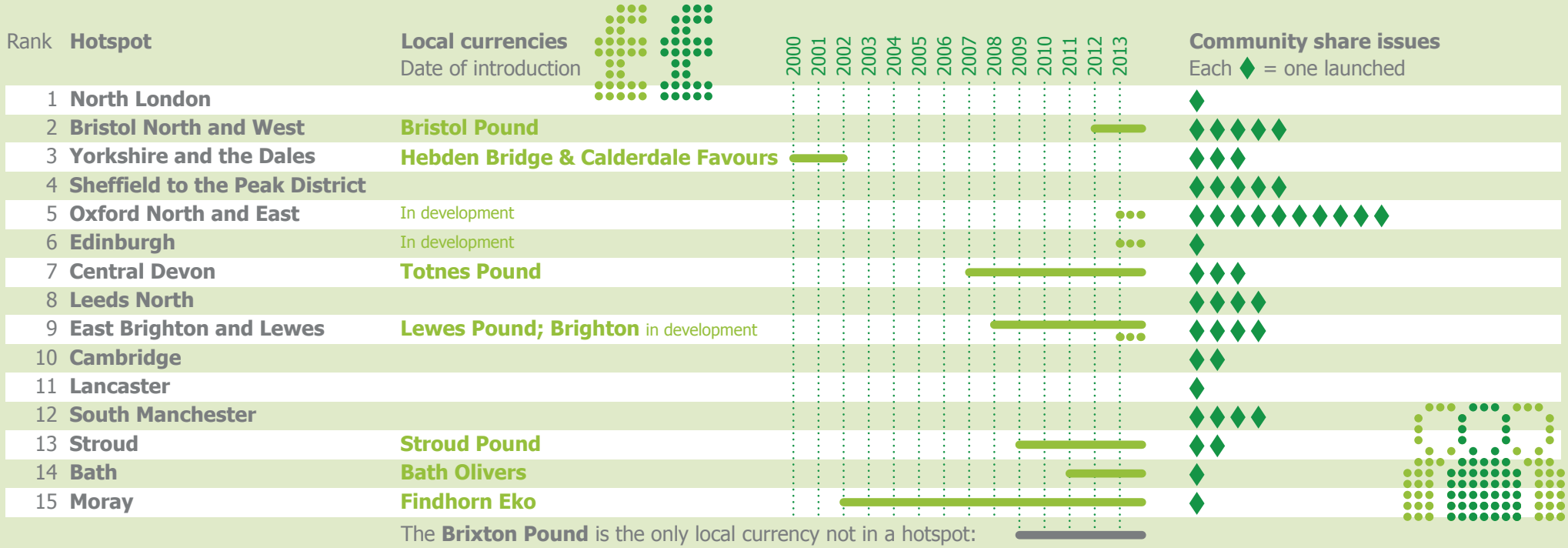
Local currencies

Of eight towns in Britain who have issued their own currencies and four that are planning to do so, all but two are in our hotspots.

Community share issues

Of 152 organisations in the UK that have issued shares to their local community, 46 of them are to be found in our hotspots, representing 30% of all community share issues ever undertaken in the UK.

The hotspots are characterised by an active interest in questioning the role that money plays in society.



Characteristics of the Hotspots

Education and learning

Hotspots are more likely to be located in educated areas than in wealthy areas.

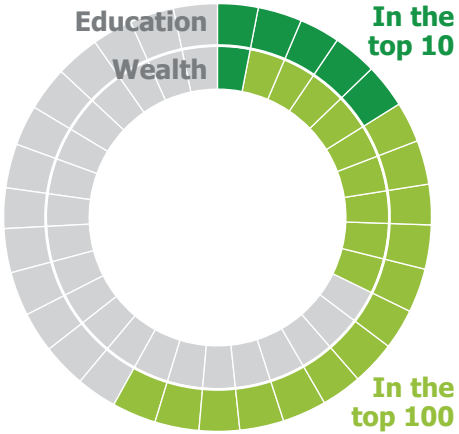
Positive investors are most present in areas with a high degree of education. There is a strong correlation between the percentage of the working age population in a constituency with a degree or NVQ4, and the top constituencies for positive investment. Sheffield Hallam, 1st for positive investment, comes 7th for education. Bristol West comes 2nd for both positive investment and educational level.

On the other hand, the wealthiest constituencies with the highest average household income in the UK are mostly not active in positive investment. Kensington and Chelsea and Esher and Walton rank 1st and 6th for income but both rank only 147th for positive investing. Further north, Tatton is 13th for income but 229th for positive investing, and Beaconsfield is 4th for income and 294th for positive investing. The top constituency for positive investing, Sheffield Hallam, features only 33rd in the list of wealthiest constituencies.

Only Hampstead and Highgate appears both in our ten hotspots and amongst the thirty wealthiest constituencies.

Wealth and education in the hotspots

The number of hotspot constituencies that are in the top 10 and top 100 nationally for education and wealth[vi, vii]



*The hotspots encompass 31 constituencies

Positive investors are to be found in university areas

The correlation between positive investing and education level applies not only at constituency level. There is also a correlation between positive investing and the location of some of the UK's top universities.

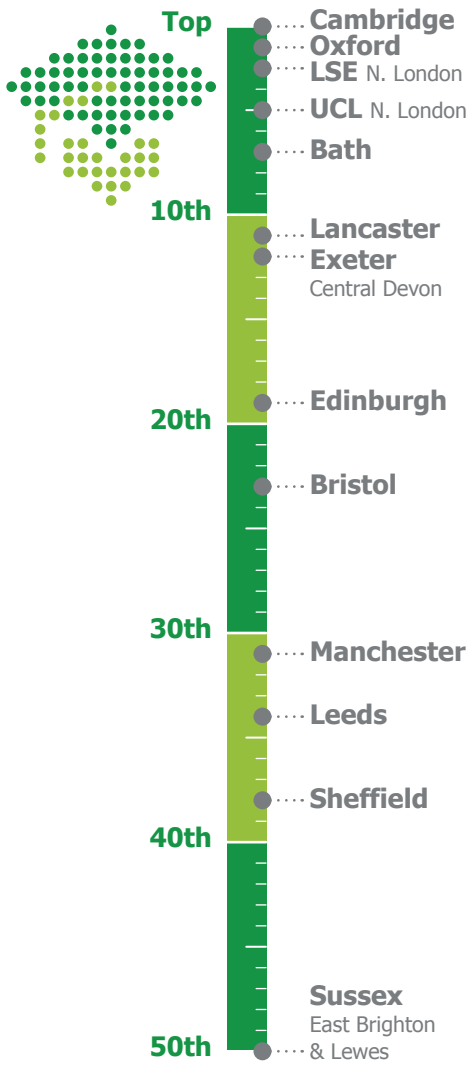
Of the 15 hotspots, 12 encompass a university, of which nine are part of the Russell Group. Only three of the rural hotspots (Gateway to the Yorkshire Dales, Stroud and Moray) have no university nearby.

Of 120 Universities in the UK, as ranked by the Guardian, the 12 universities located in the Hotspots are all listed in the top 50.

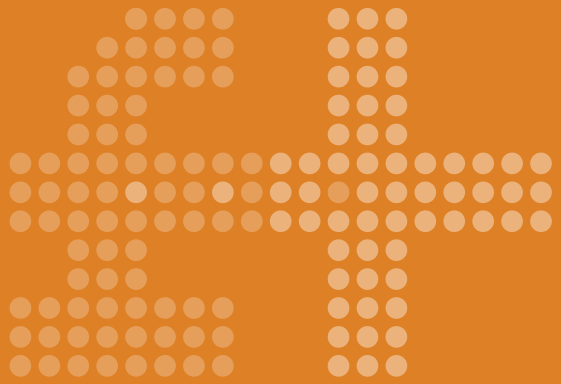
The wealthiest constituencies in the UK are mostly not active in positive investment.

Universities in the hotspots

Guardian 2014 university ranking



Recommendations for growing the market for positive investment



Recommendations

Growing the market for positive investment

Society needs more positive investment. Positive investing addresses social and environmental concerns whilst at the same time giving the investor a financial return. It provides a new model for doing business.

How long can we sustain businesses that damage our future interests, be that by causing climate change or increasing global inequality? If all businesses that were commercially successful were also addressing a social need, then all business would contribute to making the world a better place, reducing the burden on the public purse. Encouraging the development of the positive investment sector is therefore of benefit to society as a whole.

If an investor could make money at the same time as doing good, why would they not do so? Yet there is a common and deeply engrained perception that this is simply not possible – that making money will almost always be at the expense of society and the environment and, conversely, businesses that set out to tackle a social or environmental issue will always be less profitable than those

that push such socially conscious motivations aside. The growth of the positive investing movement is demonstrating that this is not the case.

This survey demonstrates that there is already a market of £1.6 billion for positive investment. There are already well established businesses that both make money and do good, and their number is growing. The total amounts invested are still small, but the number of people interested in making positive investments is high - there are already over a million savings and investments in the market. This is a strong base from which to grow the market.

The difficulty is that whilst there is a market for positive investment, there is no marketplace. Even though there are many really exciting positive investments available to the general public, it is extremely hard to find out what there is to buy and how to go about buying it. And the infrastructure required to support investors is almost entirely absent. The result is that positive investment is only open to the truly committed, hardcore investor and even then these people are only prepared to commit small amounts. The full range of investors who would be willing to undertake positive investments is far from being reached.

Ethex has begun to address this problem by bringing together on one website the full range of positive investments in fair trade, renewable energy, tackling poverty, organic farming, community shops and pubs, sustainable forestry, green transport, organic food and farming and social property.

Yet there are still substantial barriers to further growth of the positive investment market.

Ethex makes ***six principal recommendations*** that it believes would take positive investment beyond the already committed and help to bring it into the mainstream. Addressing these issues is part of Ethex's core mission.

Recommendations

1 Investors and their advisors need trusted sources of information on the positive investment sector from organisations that can be considered as independent of any one business or other commercial interest.

In the finance sector, investments are scrutinised by independent brokers and analysts, who report in detail the expected financial performance of an investment, giving investors and their advisors an independent view on its merits. The information provided can be shared between a number of investors, bringing its cost to the investor down. This analysis gives the investor greater confidence in the forecast financial returns.

This level of analysis simply doesn't exist for the positive investment sector. Positive investments are usually promoted by the business offering the investment, rather than by an independent party, making it hard to assess the investment objectively. Individual investors, who are usually investing without the support of a financial professional, are forced to make their assessment alone, making it hard for them to reach a decision. This makes positive investment harder to understand and do.

Independent trusted sources of information for investors, and clear, consistent standards for assessing and comparing businesses' social, environmental and financial performance need to be developed. As these mature, it should become possible to provide a standardised framework for assessing and comparing social and environmental returns as well as financial ones.

Positive investors are more likely to invest directly into businesses rather than into intermediaries, be that with or without the support of IFAs. This means that routes into positive investment need to be simple, transparent and direct. Investors need to be able to easily see how to make positive investments and where their money will go.

The role of Ethex

Ethex has devised a standard reporting model to allow investors to easily compare social, financial and environmental performance. Ethex also applies high standards of due diligence in vetting the positive investments featured on Ethex and is in the process of documenting these so they can be made publicly available. Ethex works hard to make positive investment easy to understand and do.

2 To encourage individuals to become more active in the management of their money and to give them the confidence to choose to make positive investments directly.

People's faith in the financial services sector has been largely destroyed. Following the 2007 crash, a series of scandals such as Libor rate fixing have come to light that have cast doubt on the honesty and integrity of some of our most established financial institutions. The industry has used smoke and mirrors to hide the impact of higher and higher charges on the returns investors receive.

Things are changing, but not quickly enough. The media spotlight is now much more focused on the behaviour of the City and on the charges they levy. The True and Fair Campaign and Move Your Money are encouraging investors to be as discerning in their choices as consumers. And the recent growth in crowd funding platforms, as represented by the UK Crowd Funding Association, has led to an upsurge in direct investment opportunities.

Yet there is still a long way to go. Many people feel disempowered when it comes to making investment decisions. Investors need to realise that they are more capable of assessing the risks and benefits of a financial product for themselves than they

Routes into positive investment need to be simple, transparent and direct. People need to see where their money will go.

might be led to believe. This is particularly true for positive investments where, in the market as it stands today, evaluating the social and environmental benefit of an investment is often much better done by the investor themselves than by financial professionals who may not recognise social and environmental concerns and may levy high charges.

There needs to be a wider educational programme focused on helping people to make their own investment decisions. Creating this level of democratic accountability of financial institutions is a vital component of a modern financial services industry fit for purpose in the 21st century.

The role of Ethex

Ethex gives investors the opportunity to make positive investments directly. The information that Ethex provides is designed to be true, fair and not misleading. It gives investors the ability to compare and evaluate social, financial and environmental returns.

Yet the scale of the task of creating a financially aware and active investor population is enormous, and Ethex cannot tackle it alone. Providers and supporters of positive investment need to work together to make that happen.

3 In order to bring the positive investment market to a younger audience, products that are both lower risk and have lower minimum investment amounts need to be developed.

Positive investors are an ageing population. Generally speaking, it is mostly people in their 40s and older who have sufficient spare cash to invest positively. However there is growing interest amongst the younger generation in making positive investments, particularly since the 2008 financial crash. Younger people would be willing and able to make these investments if the risk could be reduced and the minimum investment brought down to a low level. This would bring a new vitality to the positive investment sector.

The role of Ethex

Ethex is developing a fund that would invest in a wide range of positive investments, thereby diversifying risk. The minimum investment for this fund could be as low as £100, with the opportunity to start investing from as little as £10 a month.

4 IFAs need support in understanding the positive investment market and how to advise on it. This will end the paradoxical situation where investors make negatively screened investments on an advised basis but must make positive investments unadvised.

Many investors prefer to make investments with the support of a professional advisor. These advisors can ensure that investors make more sensible investments than when investing independently. However IFAs are usually unwilling to advise on positive investments as the sector is difficult to understand, and the due diligence required is complex and not justified by the level of investment in the product relative to the fees the IFA can charge.

This leads to the paradoxical situation where investors can get advice on more mainstream investments but must make positive investments unadvised. This is despite the fact that positive investments can be more risky, making it even more important that the investor receives good quality advice.

This has led to positive investors becoming frustrated with IFAs.

Recommendations

The role of Ethex

Ethex offers a new, direct and personal way to make positive investments online. This enables people to invest directly, without advice. However, Ethex recognises that advisors still have a strong role to play and would prefer that its customers are suitably advised, where appropriate.

Ethex is developing a service where, when an IFA's client expresses interest in making positive investments, the IFA can come to Ethex and make use of Ethex's extensive knowledge of positive investment. This makes it practical for the IFA to make suitable recommendations on positive investment to their client.

5 A secondary market for positive investment needs to be developed alongside the primary market, as exists on any established stock exchange

A well-developed secondary market on which existing investors can sell their shares is a sign of a mature market. On the London Stock Exchange only a small proportion of the money passing through the exchange is for new share issues, while the lion's share is secondary traded. In the positive investment market, the reverse is the case.

Positive investors find that it is not easy to realise their investment when they choose to. This is a significant barrier to people investing in the first place, and those who do invest, invest less. Investors are unable to release their investment from a business once it is better established and recycle it into newer, more risky and exciting businesses.

Furthermore, the haphazard timing of positive investment opportunities makes it very hard for investors to make investment decisions. Many share issues are only open for limited periods, and once they close, there is no further opportunity to invest. This makes the positive investment marketplace more akin to a few pop-up restaurants advertised by flyers on lamp posts than a high street full of established eateries that are regularly reviewed online and in the local press.

IFAs need support in understanding the positive investment market and how to advise on it.

The role of Ethex

Ethex is addressing this problem by developing a more transparent secondary market for positive investments. This ensures that investors can see what is available to buy and sell at any time, and at what prices the investments are available.

Ethex is also negotiating with a number of professional investors to invest in share issues as they arise and then to release some of their investment back onto the secondary market once the share issue closes. This will ensure that there is a continuous investment opportunity for all positive investment products.

6 The Financial Conduct Authority (FCA) needs to develop a consistent regime for positive investment that recognises that positive investors are motivated by social, financial and environmental returns.

The FCA oversees a regulatory regime that protects the interests of investors by ensuring that unsuitable or poorly disclosed products are not offered to the general public, and, where an investment is offered, the investor is made fully aware of the risks involved.

This regime works well when applied to positive investment, and indeed many positive investments accord to it. But at the same time, certain types of businesses with stated social objectives are quite legitimately able to make use of exemption from FCA regulation to offer positive investments to the general public. This leads to a two tier regulatory market for positive investments, where some are subject to full FCA regulation and others are voluntarily regulated. This is complex and confusing for the investor.

This two tier regulatory system for positive investment reflects a wider problem. As yet, insufficient thought has been given to creating a regime that

Recommendations

recognises that positive investors are not purely financially motivated but are looking for a blend of social, financial and environmental returns. This means that they invest with a different attitude to financial risk, where they balance the possibility of financial loss against the opportunity for social or environmental impact. Careful consideration of this delicate balance requires and also motivates the investor to think long and hard about the risks of the positive investment they are making.

In the absence of a clear and consistent regulatory regime, the FCA are inclined to see positive investments as novel and complex, and to assume that ordinary people do not have the experience and knowledge to assess their risks.

The consequence is that the FCA is at times minded to restrict the availability of positive investment opportunities to ordinary people, even when those investments are responsibly constructed and presented. Whilst understandable given the current situation, ultimately this is undemocratic and to some extent illogical, given that retail investors can currently purchase shares at will on the stock exchange.

The FCA needs to recognise the growth of positive investment as an opportunity rather than a threat. Positive investors are educated people, who tend to give extensive consideration to the choices they are making. Understanding their motivations can provide vital information on changing attitudes to risk and how this can be used to develop a consistent regulatory regime for positive investment. This will allow the nascent positive investment market to flourish, which will be of benefit to society as a whole.

The role of Ethex

As with other intermediaries offering positive investments, Ethex fully recognises that it must offer investments responsibly and in a way that makes the risks clear and comprehensible to the investor. As a not-for-profit organisation, Ethex sees meeting its regulatory responsibilities as inseparable from building a relationship of trust with positive investors.

However, in the absence of an appropriate regulatory regime, Ethex has chosen to operate under an exemption that is recognised by the FCA but that does not require it to be authorised. This allows Ethex to develop its role in the positive investing marketplace without incurring the significant cost and complexities of FCA authorisation, so long as it continues to promote investments responsibly.

Ethex is building a community of positive businesses and investors who are working together to make money do good.

About Ethex

Ethex launched in February 2013 and now features 30 investment products. 1,100 investors have signed up in the first 7 months and are now starting to trade. Over £600,000 has passed through the site in that time.

ethex
make money do good

Ethex is a not-for-profit online web portal building a better market in ethical savings and investments. It makes positive investment easy to understand and easy to do. Through Ethex, positive investors can actively invest in businesses they believe in, and positive businesses can find the investment they need to grow.

Ethex brings together on one website the full range of positive investments in fair trade, renewable energy, tackling poverty, organic farming, community shops and pubs, sustainable forestry, green transport, organic food and farming and social property.

Ethex's standard reporting model makes it easy for anyone to browse, compare and choose investments that meet their personal social, financial and environmental objectives. Ethex also offers the ability to easily invest directly through the website; to learn more about making positive investments and the intricacies and risks involved; and to build and track a portfolio of positive investments.

Ethex launched in February 2013 and now features 30 investment products. 1,100 investors have signed up in the first 7 months and are now starting to trade. Over £600,000 has passed through the site in that time.

Ethex is funded by six foundations - The Esmée Fairbairn Foundation, Barrow Cadbury Trust, Friends Provident Foundation, Tudor Trust and LankellyChase Foundation – and has received grant funding from the Big Lottery Fund.

Ethex and the FCA

As a not-for-profit organisation, Ethex operates under an exemption that does not require it to be authorised. The validity of this exemption has been recognised by the FCA. This allows Ethex to develop its role in the positive investing marketplace, without incurring the significant cost of FCA authorisation, so long as it continues to promote investments responsibly.
One of Ethex's guiding principles is that the information that Ethex provides should be true, fair and not misleading.

Ethex applies high standards of due diligence in vetting the positive investments featured on Ethex and is in the process of documenting these so they can be made publicly available. Ethex believes these will help to set a standard for what qualifies as a positive investment.

Developing the positive investment market

Ethex offers a new, direct and personal way to make positive investments online. This enables people to invest directly, without advice. However, Ethex recognises that advisors still have a strong role to play and would prefer that its customers are suitably advised, where appropriate. Ethex is developing a service where, when an IFA's client expresses interest in making positive investments, the IFA can come to Ethex and make use of Ethex's extensive knowledge of positive investment. This makes it practical for the IFA to make suitable recommendations on positive investment to their client.

To help bring positive investment to a wider audience, Ethex is developing a fund that would invest in a wide range of positive investments, thereby diversifying risk. The minimum investment for this fund could be as low as £100, with the opportunity to start investing from as little as £10 a month.

Ethex also provides a transparent secondary market for positive investments. This ensures that investors can see what shares are available to buy and sell at any time, and at what prices. As well as adding greater transparency and helping to discover their true market value, this secondary market starts to meet the demand for investors to sell their share investments when they need to.

Ethex's long term aim is to ensure that there is a continuous investment opportunity for all positive investment products so that positive investors can buy and sell their investments at a fair price at any time. It is not until this is achieved that there will be a properly functioning marketplace for positive investment.

Oikocredit

Oikocredit is probably the longest established positive investment having started life in 1975.

Oikocredit had a hesitant start. Some people remained uncomfortable with the idea of investing money, rather than giving money to disadvantaged people. Others disagreed with the concept of investing charitable funds without maximising the financial return.

Today, Oikocredit is one of the world's largest sources of private funding to the microfinance sector, providing over half a billion euros of credit and equity to small businesses in almost 70 countries. In the UK, Oikocredit is best known as a major share owner in Cafédirect, Divine Chocolate, People Tree and Twin Trading. Oikocredit's work is made possible by 48,000 investors worldwide who receive an annual 2% return.

Oikocredit's success is proof that the idea of positive investment is one whose time has come.

"Positive investment is growing surely and steadily." says UK representative Patrick Hynes. "But it is the example of the consumer power of Fairtrade that reminds us that we could reach just so many more people. Central to the Fairtrade movement's success has been to harness the power of the media. I confess that my role in that consumer revolution was to dress up as a big banana while doing a sponsored run!"

"The potential for positive investment in the UK is enormous. But this should not be growth at all cost. It will take time for individual investors and society as a whole to come to understand the central notion of what it means to invest for financial, social and environmental returns."

"The businesses that offer positive investments are starting to work together to build a stronger market place. But we could go much further. I might even be willing to take the Fairtrade 'big banana' approach and get out on the streets in an Ethex giant wallet costume!"

OIKO CREDIT
investing in people

"The potential for positive investment in the UK is enormous. But this should not be growth at all cost."

The Ethical Property Company

Back in the 1980s, Andrew King bought a small shop with offices above down the road from his house in Bristol. The building became home to the Soil Association, Greenleaf Bookshop and other small social change organisations. In the early 90s, Jamie Hartzell, inspired by Andrew's work, bought an office property in North London for the Green Party and local refugee organisations. The buildings offered their tenants affordable rents and a supportive landlord. Andrew and Jamie received a return from rents as the properties appreciated in value.

In 1998, with the help of Triodos Bank, Andrew and Jamie joined forces to form the Ethical Property Company, with the aim of making the positive investment opportunity they had created available to a wider audience. They undertook a public share issue that raised £1.7 million from 300 investors, with some investing as little as £100. Since then, the Ethical Property Company has spawned sister companies in France, Belgium and the Netherlands as well as a UK charitable foundation.

ethical PROPERTY
INVESTING IN SOCIAL CHANGE

Today the company manages a property portfolio valued at over £20 million.

"Small investors are critical to our business." says managing director Susan Ralphs. "Institutional investors are attracted by lots of small investors coming alongside them. Individual investors enjoy seeing our buildings in their local community and learning about the organisations we are supporting."

Despite raising a total of £11 million in equity, the Ethical Property Company's ability to attract share capital has been severely limited by the absence of an active secondary market.

"Some people decide not to invest in us because they can't easily get their money back when they need it. Of course ours is a long term investment, but people's circumstances can change and everybody has to have their money back eventually."

"We've looked at listing on the main markets, but they don't recognise our social mission as much as we would want, and it's very expensive. So a listing could jeopardise our business model and our investors' interests. Ethex is perfect for us – it's not for profit, and it's promoting us for what we stand for to the kinds of investors we want to reach. It's bringing like-minded businesses together in one place – just like we do in our buildings."

"Small investors are critical to our business. Ethex is perfect for us – it's promoting us for what we stand for to the kinds of investors we want to reach."

Ecology Building Society

Ecology Building Society is dedicated to improving the environment by financing ecological building practices and sustainable communities. But their commitment to ethical practice goes beyond their approach to lending. As a mutual, Ecology believes that the active participation of its savers is vital in building a community of people working towards a more sustainable future. All members have a say in how the Society is run, and each eligible member gets one vote at the Society's Annual General Meeting (AGM), regardless of how much or little they invest.

Ecology's AGMs are lively events. This year, 18% of their 9,000 members voted, far higher than for most businesses. 92% of attendees said they felt informed about Ecology's work, with 74% feeling involved.

"We aim for our AGMs to be a celebration of the values we uphold, not simply a report back on our business performance," says CEO Paul Ellis. "It's all part of encouraging our savers and borrowers to become active members of the Society and participants in a more democratic financial system."

"Growth has been so strong in the last couple of years that we want to take the Society one step further – we want our members to become not just savers, but also investors in the Society itself. It's something we've done in the past and we feel it's a logical next step in bringing people together to build a financial system that works for people and planet."

"We've been discussing our plans with our regulators, the Financial Conduct Authority, for some time, and it's clear to us that we operate in a very different mould to many other organisations the FCA deals with," says Paul.

"One of the things that makes us different to many regulated institutions is that our members aren't just interested in the money they will get – they're interested in everything the Ecology Building Society stands for," adds Paul. "The reasons why people want to invest in us and the way they understand risk is often different from investments made purely for financial gain. This kind of positively motivated investing needs greater recognition as an important and distinct part of our financial ecosystem."

"The reasons why people want to invest in us and the way they understand risk is different from investments made purely for financial gain."

Paul Ellis, CEO

Positive investors

Adam

Adam is in his late 20s and now runs a restaurant in Oxford that donates all its profits to a charity that encourages students to become more engaged with social action.

"We live in an increasingly global world, where the goods we consume come from much further afield and the decisions we make have repercussions that are increasingly remote. "I'd like to see my money promoting long-term, sustainable livelihoods and environments for us and future generations. Making even a small step away from much clearly harmful investment at the moment would be a big step towards that."

"I have invested in the social enterprise I work for, Hub Commercial Ventures CIC, and a local Industrial and Provident Society, Cultivate, who are a looking to improve the local food landscape in Oxfordshire. I also bought a small number of shares in the Ethical Property Company through Ethex."

"If we could see the impact of our some of our investment and consumption decisions on our doorstep, I expect we'd often make very different decisions."

Hannah

Hannah moved her money to an ethical bank account when she was a student. She recently made a positive investment of £250 in the Westmill Solar Co-op.

"In a small way I'm doing what I can, putting my money behind what I believe in. I can't be in ten places at once but I can put energy in those places by donating or investing in things that I am not directly involved in. I do see it like a kind of portfolio, supporting a range of causes that I care about."

"I like that quote, I think it's by Brooke Astor – 'money is like muck: it's not worth anything unless you spread it around'. One of the most powerful things you can do is to move your money. People don't realise that not making a decision is still a decision."

"It's really empowering to make a positive choice about where my money goes."

Mark

Mark is a qualified accountant and has worked in various roles in the local government sector.

Mark believes that positive investing does what the stock exchange was originally designed to do, allowing individuals to invest directly in organisations and have an active say in how they are run.

He thinks the best positive investments offer financial returns, proper transparency and worthwhile impacts.

"I have a sense of satisfaction that I've been part of an investor community that has achieved things"

Margaret

Margaret has worked for a global IT company for 15 years, and until recently, the only investments she held were in her standard company pension scheme. "I shudder to think what type of money-making schemes my pension fund supports," she says. So, when she made her first independent investment in Ekopia, using the Ethex platform, it was a significant step for her.

"I'm taking baby steps rather than giant leaps. Over the years, I've gradually changed my buying habits. Ethex is the first step in influencing my investment habits. I really liked the simplicity of investing through Ethex, and I wouldn't have had a clue how to buy Ekopia shares if it hadn't been for Ethex.

I'm particularly interested in renewable energy, which makes environmental sense and seems to offer a good return. I live in a flat so I can't install my own solar panels, so the idea of being able to invest directly in solar really excites me."

"The more you look into the conventional finance system, the more smoke and mirrors there seems to be."

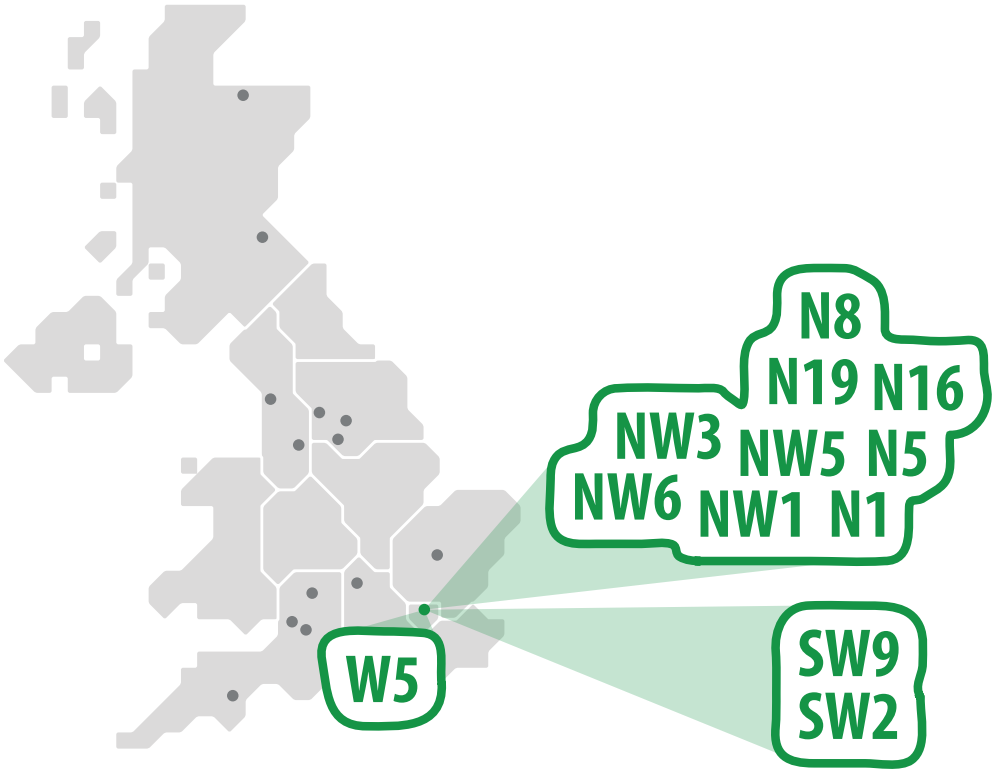
1 London

London, with its dense and diverse population, is a special case. Small concentrations of positive investors are to be found across the city.

By far the largest hotspot area is the area surrounding Hampstead Heath, covering 16 wards. The highest concentration of positive investors is to be found to the west of the Heath, in wards such as Hampstead, Belsize Park and Childs Park. On the other side of the Heath, Highgate, Gospel Oak, Kentish Town, Crouch End, Stoke Newington and Stroud Green also add to the extent of this hotspot.

South of the river, the main area for positive investors covers 7 wards east from Brixton through Tulse Hill and Herne Hill, on to Dulwich and Peckham Rye and ending at Telegraph Hill.

The two other areas of note in London are Ealing, in particular the 3 wards Cleveland, Walpole and Northfield; and Queens Park ward in the North West, covering the area south of Queens Park station down to the Harrow Road.



North London Constituencies
Hampstead and Kilburn, Holborn and St Pancras, Hornsey and Wood Green, Islington North, Hackney, North and Stoke Newington.

North London Wards
Hampstead Town, Highgate, Belsize, Swiss Cottage, Frognal and Fitzjohns, West Hampstead, Kentish Town, Gospel Oak, Cantelowes, Camden Town with Primrose Hill, Junction, Crouch End, Stroud Green, Garden Suburb, Childs Hill, Clissold.

+ South London
Herne Hill, Thurlow Park, Tulse Hill Telegraph Hill, Peckham Rye, East Dulwich.

+ West London (Ealing)
Cleveland, Northfield, Walpole.

+ North west London
Queens Park.

2 Bristol

Bristol is a vibrant city full of contrasts. While Montpelier is a free-thinking quarter of artists, musicians and café culture, Clifton, with its sweeping Georgian terraces, is upmarket and affluent. Both were recently named among the best places to live in the UK.

A university city, with an independent elected Mayor, Bristol has a strong history of social action. It has an outstanding commitment to sustainability, epitomised by its status as European Green Capital for 2015. It was the first city in the UK to periodically ban traffic from the city centre in an initiative to Make Sundays Special. The Bristol Pound is used to make payments by text and for business rates – firsts for an alternative currency.

Several charities and ethical businesses have made Bristol their base, including the Soil Association, the Centre for Sustainable Energy, Triodos Bank and Sustrans.

Rich in culture and arts, local icons include artist Banksy and the animated characters Wallace and Gromit. The biennial Wildscreen Festival is the most prestigious event in the wildlife filmmaking industry, while the Bristol Festival of Ideas provides a forum for discussion and debate throughout the year.

Constituencies
Bristol West, Bristol North West, North Somerset, Bristol South.

Wards
Ashley, Redland, Clifton, Henleaze, Cotham, Bishopston, Cabot, Southville, Stoke Bishop, Westbury-on-Trym, Wraxall and Long Ashton, Knowle, Easton, Nailsea North and West.

The Bristol Pound has been **in circulation** since 2012

At least **six** community share issues have been launched

The **University of Bristol** is ranked 23 in the country

6 Edinburgh

Edinburgh is Scotland's capital city and the seat of the Scottish parliament. The old port of Leith has now been regenerated to become one of Scotland's most cosmopolitan districts. Stockbridge has a village atmosphere and is where many members of the city's artistic community base themselves. Marchmont, with its Victorian architecture, is home to many university academics and students.

With four universities, Edinburgh has the highest percentage of professionals in the UK; 43% of the population has a degree or professional qualification. It is also leading the way in developing new renewable technologies, thanks to Scotland's renewable energy targets, the most ambitious in Europe.

Edinburgh's fringe festival has grown to become the world's largest arts festival. Its farmers' market has a world-class reputation; and the city is also home to Britain's longest established organic food retailer, Real Foods and Hendersons, one of the first vegetarian cafés to open in the UK, in 1962.

The city is also recognised as a leading centre for social enterprise in the UK; for example, the Melting Pot is unique in Scotland in offering affordable co-working space for ethical businesses and organisations.

Constituencies
Edinburgh Southern, Edinburgh Northern and Leith.

Wards
Sciennes, Stockridge.

At least **one** community share issue has been launched

The **University of Edinburgh** is ranked 19 in the country

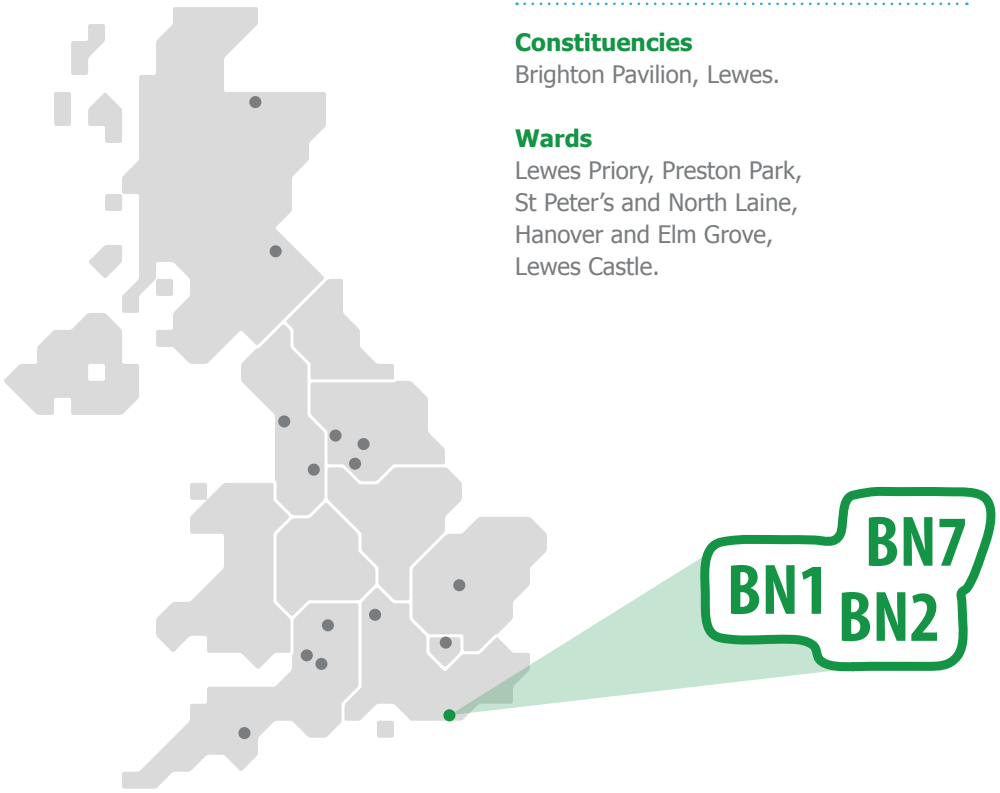
9 Brighton and Lewes

Brighton has always been a centre for social action, compared to the more sedate Hove further to the West.

The smaller community of Lewes, in the South Downs, boasts an older than average population, many of whom have moved from Brighton as they come to settle down. Lewes has been influenced by its close proximity to the University of Sussex and Brighton University, with significant numbers of academics and students living in the town. Sussex University is known for its radical thinking and has been a major centre for student activism in the past.

Brighton is home to Britain's first ever Green Party MP, Caroline Lucas, and holds probably the best known fringe arts festival after Edinburgh.

Lewes launched one of the UK's first alternative currencies in 2008. Lewes Farmers' Market, one of the first in the UK, was started in the 1990s by Common Cause Co-operative Ltd and is one of the most vibrant and successful Farmers' Markets in Sussex.



Constituencies
Brighton Pavilion, Lewes.

Wards
Lewes Priory, Preston Park, St Peter's and North Laine, Hanover and Elm Grove, Lewes Castle.

This hotspot is also home to some of the best known ethical and alternative businesses in the UK. In Brighton, for example, Infinity Foods is one of the longest established wholefood coops in the UK and Terre à Terre is one of the leading vegetarian restaurants in the country, winning numerous awards, whilst the 'people's supermarket'

Hisbe has just opened close to the London and Lewes roads. In Lewes, the Ouse Valley Energy Services Company OVESCO raises community finance for investment in locally owned renewable energy.

Brighton is currently **developing** an alternative currency. The **Lewes Pound** has been **in circulation** since 2008.

Four community share issues have been launched

The **University of Sussex** is ranked 50 in the country

Appendices

Appendix 1 Hotspot data

Rank	Hotspot	Number of eligible postcode districts	Total investments in all eligible postcode districts	Number of eligible wards	Total investments in all eligible wards	Number of eligible constituencies	Total investments in all eligible constituencies	% of constituency population
1	North London, surrounding Hampstead Heath	8	759	16	498	5	627	0.103%
2	Bristol North and West	8	774	14	492	4	649	0.143%
3	Yorkshire and the gateway to the Dales	7	697	14	469	4	732	0.187%
4	Sheffield to the Peak District	6	788	11	628	4	746	0.191%
5	Oxford East and North	6	979	10	278	4	874	0.150%
6	Edinburgh	5	397	2	49	2	247	0.145%
7	Central Devon	4	359	2	52	2	276	0.158%
8	Leeds North East	3	290	6	192	2	221	0.116%
9	East Brighton and Lewes	3	392	5	156	2	259	0.137%
10	Cambridge	3	367	4	97	2	317	0.136%
11	Lancaster	2	200	4	76	1	200	0.130%
12	South Manchester	2	204	2	107	2	218	0.103%
13	Stroud, Glos.	2	285	1	21	2	307	0.133%
14	Bath	2	272	1	20	2	135	0.112%
15	Moray, Scotland	1	211	2	162	1	228	0.308%

Appendix 1 Hotspot data

The hostpots by postcode, ward, constituency
The complete list of the postcodes wards and constituencies contained in each hotspot.

Rank	Hotspot	Postcodes	Wards	Constituencies
1	**North London, surrounding Hampstead Heath**	**N1, N5, N16, NW3, NW1, NW5, NW6, N8, N19**	Hampstead Town, Highgate, Belsize, Swiss Cottage, Frognal and Fitzjohns, West Hampstead, Kentish Town, Gospel Oak, Cantelowes, Camden Town with Primrose Hill, Junction, Crouch End, Stroud Green, Garden Suburb, Childs Hill, Clissold	Hampstead and Kilburn, Holborn and St Pancras, Hornsey and Wood Green, Islington North, Hackney North and Stoke Newington
2	**Bristol North and West**	**BS6, BS7, BS9, BS8, BS16, BS3, BS48, BS5**	Ashley, Redland, Clifton, Henleaze, Cotham, Bishopston, Cabot, Southville, Stoke Bishop, Westbury-on-Trym, Wraxall and Long Ashton, Knowle, Easton, Nailsea North and West	Bristol West, Bristol North West, North Somerset, Bristol South
3	**Yorkshire and the gateway to the Dales**	**BD20, HX7, BD23, BD22, OL14, BD24, LS29**	Calder Valley, Craven, Worth Valley, Todmorden, Ilkley, Luddendenfoot, Shipley West, Aire Valley with Lothersdale, Rombalds, Glusburn, Keighley West, Skipton North, Sutton-in-Craven	Skipton and Ripon, Keighley, Calder Valley, Shipley
4	**Sheffield to the Peak District**	**S10, S11, S7 S6, S8, S17**	Hallam, Ecclesall, Broomhill, Nether Edge, Sharrow, Dore, Beauchief, Heeley, Hope Valley, Walkley, Castle	Sheffield Hallam, Sheffield Central, Sheffield Heeley, High Peak
5	**Oxford East and North**	**OX2, OX7, OX4, OX3, OX1, OX29**	Summertown, Jericho and Osney, Appleton and Cumnor, Hinksey Park, Wolvercote, North Ward, St Margarets, Iffley fields, Headington, Wheatley	Oxford West and Abingdon, Oxford East, Witney, Henley
6	**Edinburgh**	**EH9, EH10, EH3, EH4, EH6**	Sciennes, Stockbridge	Edinburgh Southern, Edinburgh Northern and Leith
7	**Central Devon**	**TQ9, TQ13, EX4, EX17**	Totnes Town, Sandford and Creedy	Totnes, Central Devon
8	**Leeds North East**	**LS7, LS8, LS6**	Chapel Allerton, Roundhay, Otley and Wharfedale, Weetwood, Moortown, Headingley	Leeds North East, Leeds North West
9	**East Brighton and Lewes**	**BN1, BN7, BN2**	Lewes Priory, Preston Park, St. Peter's and North Laine, Hanover and Elm Grove, Lewes Castle	Brighton Pavilion, Lewes
10	**Cambridge**	**CB1, CB4, CB3**	West Chesterton, Market, Romsey, Queen Edith's	South Cambridgeshire, Cambridge
11	**Lancaster**	**LA1, LA2**	Castle, Bulk, Lower Lune Valley	Lancaster and Fleetwood
12	**South Manchester**	**M21, M20**	Chorlton, Whalley Range	Withington, Gorton
13	**Stroud, Glos.**	**GL5, GL6**	Valley	Stroud, Cheltenham
14	**Bath**	**BA2, BA1**	Bathavon North	Bath
15	**Moray, Scotland**	**IV36**	Finderne, Forres East	Moray

Appendix 1 Hotspot data

Geographical analysis
We have examined the data at both postcode and ward level to give us greater confidence in the consistency of our analysis.

In all, there are 121 postcode areas in the UK (e.g. NE; EH), 3,064 postcode districts (e.g. NE1, EH2) and 11,598 postcode sectors (e.g. NE1 3XX, EH2 4XX). There are 650 Westminster constituencies, which can be further broken down into 10,072 wards in England, Scotland and Wales.

We have been able to analyse all 49,238 data records by postcode district and by postcode sector. However for around one third of the data (17,175 records) we have only been able to go down to postcode district level as we do not have the full postcode data.

For the other two thirds of the data (29,831 records) we have the full postcode and so we have also been able to analyse the data at government region, Westminster constituency and ward level. The advantage of this further level of analysis is that constituency population sizes are known, and also reasonably consistent from constituency to constituency, varying at most by a factor of 3. Using this data we were therefore able to analyse not only the number of investments in any one area, but also the proportion of the overall population that they represent. Furthermore, a wider or range of comparative data, such as on education levels and wealth, is available at constituency level and not at postcode level.

Choosing the hotspots
In choosing the 15 hotspots, the following methodology was applied:

Hotspots were initially chosen by considering the list of constituencies and postcode districts with the highest incidence of investments. To be considered as a hotspot, the constituency was required to have at least one main constituency with an incidence of over 100, and at least one postcode district with an incidence of over 75, covering all or part of the same geographical area.

From this initial identification, we then added into the hotspot any further constituencies which were contiguous with the first constituency and that had both an incidence above 100 and contained a ward with an incidence of 20 or above. We also included smaller constituencies if they bordered a main constituency and had both an incidence of over 75 and a ward in them bordering on to a main constituency with an incidence of 20 or above.

In addition to the constituency and postcode district analysis, we identified the census area wards contained within the constituencies in the hotspot that had incidences of above 20.

Ranking the hotspots
These were then ranked from one to 15 using the following criteria, listed in order of priority:

1. Number of postcode districts included in the hotspot.
2. Number of census area wards included in the hotspot.
3. Sum of all census area ward incidences.

Amounts positively invested or saved
Amounts invested range from over £1,000,000 down to a few pounds. However, any amounts under £25 have been excluded, as we do not regard these as representing serious investment decisions. As positive investment is about participation in a business as well as the social or financial returns, a sum of £25 is considered to demonstrate a commitment to a business's objectives, whilst a lower sum can be disregarded.

Multiple occurrences of the same postcode
For data protection reasons, we are not always able to identify the individual people to which an investment belongs or the precise address to which a postcode relates. Multiple occurrences of one individual postcode might then represent investment by the same person, different people based in the same household, such as husband and wife or other family members, or close neighbours. Similarly, multiple investments from the same postcode might represent investment in a number of different businesses, or in the same business more than once, but at different times.

We have chosen to treat every investment as a separate incidence, even if that investment might be by the same person and in the same business at different times. The data therefore shows the total number of investments made over time rather than the individuals investing.

Time span of the data
Some investments in the businesses were first made as early as 1980, such as the founders of Ecology Building Society, and some as recently as the last few months. All investments are current, however, except for two five year Allia bonds representing 405 investors in East London and Sheffield that expired in April and August 2011. These two bond investments were first made in April and August 2006.

Nominee Companies
The data collected includes the amounts invested in, or saved with, each business and the postcodes of the investors. Nominee companies, which are in practice a number of individual investments held in the name of one company, have been excluded.

Appendix 2 Positive Investments

Positive Investments in the Ethex survey

The businesses surveyed are as follows:

Name of business	Short description	Based in	Founded	Number of investments	Amount invested by UK investors (as of mid 2012)
Ecology Building Society	Ecology Building Society is building a greener society through sustainable mortgages, ethical savings, affordable housing and mutual values.	Keighley, Yorkshire	1980	10,053	£90 million
Charity Bank	Charity Bank provides loan finance exclusively to charities and social enterprises.	Tonbridge, Kent	2001	2,399	£65 million
Shared Interest	Shared Interest provides financial services and business support to make livelihoods better for disadvantaged communities in some of the world's poorest countries.	Newcastle	1995	8,629	£28 million
Triodos Renewables PLC	Triodos Renewables invests in a range of sustainable energy products.	Bristol	1994	4,827	£18 million
Ethical Property Company	The Ethical Property Company buys properties and develops them as centres that bring charities, social enterprises, community and campaign groups together.	Oxford	1998	1,358	£13 million
Allia	Allia's charitable bonds are a unique way of raising money for a range of charitable causes through a safe, social investment.	Cambridge	1999	1,383	£12 million
Cafédirect	Supporting small farmers in the developing world through the purchase and sale of fairtrade coffee, tea and chocolate.	London	1991	4,338	£9 million
Good Energy	Good Energy has been offering 100% renewable energy since 1999 and helps the UK achieve a future that is powered solely by renewables.	Chippenham	1999	1,653	£8 million
Westmill Solar Co-operative	The world’s largest community owned solar park.	Oxfordshire	2012	1,657	£6 million
Oikocredit	Oikocredit is one of the world's largest sources of private funding for cooperatives, fair trade, and small-to-medium sized enterprises in developing countries.	Garstang (UK office, HQ in the Netherlands)	1975	415	£5 million
Traidcraft	Traidcraft is the UK's leading fair trade organisation, helping people in developing countries.	Newcastle	1979	4,966	£5 million
The Phone Co-op	The Phone Co-op is a provider of phone and internet services that is owned by its customers.	Chipping Norton, Oxfordshire	1998	6,162	£3 million
Co-operative and Community Finance	Co-operative and Community Finance provides loans to organisations owned and democratically controlled by their members.	Bristol	1973	1087	£2 million
Ekopia	Ekopia is a community benefit co-operative located in Findhorn, Scotland, raising funds to support local community enterprises.	Findhorn, Moray	2001	255	£1 million
Total				**49,238**	**£265 million**

References, notes and data sources

[i] "The Kay Review of UK equity markets and long-term decision making" was published in July 2012.

[ii] The top ten holdings of 884 ethical funds across Europe as of 30th June 2012. Source: Green, Social and Ethical Funds in Europe, December 2012.

[iii] The True and Fair Campaign is campaigning for the investment industry to increase transparency on charges. http://www.trueandfaircampaign.com/

[iv] Throughout the report we use the term 'investment' to refer to both investments and savings. This because we are interested in the decisions people make to do something positive with their money, and this can apply to their savings as much as to their investments.

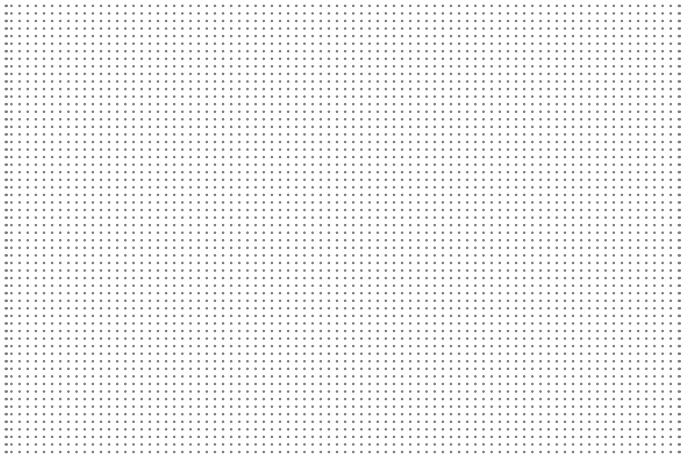
[v] Data on community share issues (Co-operatives and Community Benefit Societies who have issued shares to the general public) comes from the Community Shares Programme. Data on the total value of investment in credit unions from the Association of British Credit Unions Ltd (ABCUL); Data on Triodos Bank from Triodos Bank.

[vi] Data extracted by the University and College Union from Nomis, based on Census data.

[vii] The list of wealthiest constituencies is taken from the Barclays Wealth Report 2007.

[viii] By analysing the number of repeated postcodes, we were able to determine the number of locations where investment was made into more than one business. As one postcode can represent anything from a single house to part or all of a street, we can't be sure if this represents one or more households. However it will most likely be an investment by the same household, and if not by neighbours in the same street.

make money do good



For more information contact

Ethex
The Old Music Hall
Cowley Rd
Oxford
OX4 1JE

+44 (0)1865 403304

help@ethex.org.uk

www.ethex.org.uk

Written and researched
by Jamie Hartzell with the
help of Eleri Dare-Edwards
and the rest of the Ethex team

Design by Greenhatdesign.co.uk
Infographics by Lulu Pinney @lulupinney

© Ethex 2013