



ETHICALSCREENING

TRENDS REPORT

October 2023



WHO IS ETHICAL SCREENING?

Since 1998 we have helped responsible investors align their investment strategies and principles, providing clarity and direction through client-focused research and analysis.

The services we deliver are reliable, personal and tailored. Our services are unique in the fact we take a proactive, detailed and human approach to research.

Our clients include individuals, charities, financial advisors, investment managers and responsible investment funds, who trust us to provide the latest and most accurate information.



SUMMARY

This report examines key data taken from the Ethical Screening Portal, an online database of responsible investment research used by over 2400 individual investment professionals.

In this report we use anonymous data from the Portal to see which issues are of most interest to investors, and how these change over time. We also look at the most requested companies for responsible investment research. There is a focus on ethical issues, demonstrating that whilst ESG and impact analysis are perhaps the more glamorous face of responsible investing, 'traditional' ethical exclusions still form the essential first step in establishing the majority of responsible investment portfolios for clients.

This report will be published on a six monthly basis, with the aims of investigating underlying trends, and whether changes may be being driven by external market or global events.

ETHICS TRENDS

Using data from hundreds of searches, the table below shows the top 10 most selected exclusion criteria from the most recent period (March 2023 to October 2023).

Ethical Issue	%
Environment (worst) companies in the highest impact sectors, with poor environmental management, mitigation and reporting	13.7
Fossil Fuels (unconventional) exploration and production of oil & gas from unconventional locations or using unconventional techniques (such as tar sands, fracking, arctic drilling)	11.5
Fossil Fuels (conventional) exploration and production of oil and gas using conventional drilling or mining techniques	10.6
Fossil Fuels (Church of England) more than 10% of revenues are derived from the extraction of thermal coal or the production of oil from tar or oil sands	10.2
Environment (below average) Companies with significant impacts, and below average environmental management, mitigation and reporting	9.7
Armaments (strategic - major) supply of components or services essential to the operation of weapons, weapon systems and battlefield operations (>10% of turnover)	9.3
Fossil Fuels (coal) extraction of coal from deep or surface mines; and generation of electricity from coal-fired power stations	9.3
Armaments (weapons & weapon systems) manufacture or sale of weapons or weapon systems	8.9
Armaments (controversial weapons) manufacture, development or sale of controversial weapons that are subject to international law or conventions	8.4
Armaments (strategic - sale to oppressive regimes) supply of strategic components or services to countries with human rights concerns	8.4

ETHICS TRENDS

Using data from hundreds of searches, the table below shows the top 10 most selected exclusion criteria from the previous period (September 2022 to February 2023).

Ethical Issue	%
Human Rights (evidence) Company activities cause or contribute to recent or ongoing abuse of human rights	15.0
Environment (worst) companies in the highest impact sectors, with poor environmental management, mitigation and reporting	13.0
Armaments (controversial weapons) manufacture, development or sale of controversial weapons that are subject to international law or conventions	11.0
Armaments (strategic - major) supply of components or services essential to the operation of weapons, weapon systems and battlefield operations (>10% of turnover)	9.5
Armaments (weapons & weapon systems) manufacture or sale of weapons or weapon systems	9.0
Environment (below average) Companies with significant impacts, and below average environmental management, mitigation and reporting	9.0
Human Rights (high risk) Company operations are associated with a high risk to human rights	9.0
Armaments (weapons - sale to oppressive regimes) supply of weapons or weapons systems to countries with human rights concerns	8.5
Armaments (strategic - sale to oppressive regimes) supply of strategic components or services to countries with human rights concerns	8.0
Tobacco (manufacture) manufacturing or processing cigarettes, cigars and tobacco products	8.0

ETHICS TRENDS

Commentary:

The tables in the above pages are derived from our detailed questionnaire, which covers more than 70 options. They show that armaments and environment searches are consistently among the most selected, with human rights and tobacco being more variable, only showing in the earlier time period.







At the time of the analysis, the high selection of armaments criteria is a likely reflection of the Ukraine war, and other troubling global events which have brought the companies involved very much into focus. As would be expected the more 'serious' armaments criteria, such as controversial weapons and those sold to oppressive regimes, are more commonly selected than more peripheral activities (such as a minor non-strategic involvement).

In the environmental area, underlying concerns over climate change are clearly shown in the highly selected fossil fuels criteria, with the worst cases of environmental performance and management ("Environment - Worst") also consistently high in the selections.

Human Rights related issues appears more variable, which we will be very interested to monitor over the next six months and beyond.

SUSTAINABLE DEVELOPMENT GOALS

Searches for UN Sustainability Goals are derived from our company filter, which enables companies that make a contribution to each goal to be seen, using the underlying targets to ensure contributions are material. We have highlighted the top 3 below (as we build the data), showing Goal 7 is significant - as it relates to renewable energy, and energy efficiency, this is perhaps not surprising, again reflecting concerns over climate change. Goal 5 reflecting gender equality is clearly important and topical. The consistent interest in Goal 1, No Poverty, is also interesting as it is relatively more difficult for companies to make contributions to the relevant underlying targets.

	Recent (Mar 23 - Oct 23)	%*	Previous (Sept 22 - Feb 23)	%*
1		22.22		25.00
2		16.67		12.50
3		13.89		9.38

*Percentage of top 10 searches



MOST VIEWED COMPANIES

	Recent (Mar 23 - Oct 23)	Previous (Sept 22 - Feb 23)
1	BP	BP
2	Unilever	Shell
3	Amazon.com	Rio Tinto
4	Shell	GSK
5	AstraZeneca	AstraZeneca
6	Rio Tinto	Amazon.com
7	Alphabet	Unilever
8	GSK	Darktrace
9	Veolia Environment	Diageo
10	SSE	3M Company

MOST VIEWED COMPANIES

Commentary:

The most viewed companies certainly make for interesting reading, and we note that seven of them are common between both lists (though the order changes).

- Of the top 10 companies in the UK by market cap (Oct 2023 data) Shell, Astrazeneca, Unilever, BP, Rio Tinto, GSK all feature in our top 10 most searched companies on both lists, and Diageo in the previous six months.
- BP and Shell are clearly affected by commonly selected client criteria, as noted in the table above, such as fossil fuels. Hence, the appearance of these companies in searches is driven by their popularity in investment portfolios, and the need to check against commonly selected client criteria.
- Similarly, Astrazeneca and GSK, are affected by medical animal testing issues, which although not in the top 10 criteria search, is known to be a common concern amongst individual investors.
- Outside of the UK the appearance of Amazon.com is perhaps not surprising, a company also affected by a number of issues such as labour concerns, particularly in the supply chain.
- The appearance of Darktrace, focused on AI in cyber security, also reflects the interest in this rapidly growing sector.

It will be interesting to observe whether further consistency emerges over a longer time period, as we repeat these reports, and whether the popularity of those old favourites BP and Shell will start to wane.

Notes:

- Most viewed company data has a UK bias as more users have a UK subscription.
- All user data is anonymous, the analytics we see show the count, not user details.



ETHICALSCREENING