

**What's wrong with being ethical
and hugging trees: reflections on
COP21
November 2015**



COP21 saw a coming of age of the investor voice on climate change. The signals were louder and clearer than ever before: climate change is a risk for investors, and they are prepared to take action to address it. At the same time, I saw some things in Paris that make me worry.

I started my working life as a translator. I care about words. Words are important. The way we use them is intimately connected to the way we think. And the way we think is connected to the way we act. And the way we act affects the world. At COP21 investors queued up to explain the actions they are taking on climate change - and to stress that 'we are not doing this for ethical reasons', or 'we're not tree-huggers'. I know why this is, of course. 'Ethical investment' has a bad name. It's investment driven by personal values, not fiduciary duty. An 'ethical investor' is not a 'real investor'. The 'responsible investment' world - and most notably PRI - has spent a decade distancing itself from this 'old-fashioned' approach and striving to be 'mainstream'.

But if investors addressing climate risk are not being 'ethical', does this mean they are 'unethical', or 'non-ethical'? And if they are not 'tree-huggers', do they want to chop trees down? (Reminder: deforestation is the second largest source of carbon emissions after the burning of fossil fuels). How can we possibly accept a situation in which the leaders of such an important industry expend so much effort eviscerating such an important concept as 'ethics'? Surely something is going wrong with our use of language here - and possibly the thinking that underlies it?

The Oxford English Dictionary defines 'ethical' as 'of or pertaining to morality or the science of ethics'. 'Moral' in its turn is defined as 'of or pertaining to the distinction between right and wrong, or good and evil, in relation to the actions, volitions or character of responsible beings'. For American readers, Webster's New World College Dictionary gives one of its definitions of 'ethical' as 'conforming to the standards of conduct of a given profession or group'. 'Moral', for Webster, is 'relating to, dealing with or capable of making the distinction between right and wrong in conduct'.

Now, given what we know about the financial risks posed by climate change, what should 'the actions, volitions or character of responsible beings' (or investment institutions) be? And what should an individual pension fund (for example) do in order to '(conform) to the standards of conduct of (its) profession or group' and to 'make the distinction between right and wrong in (its) conduct'? Perhaps something like assess risk across the whole portfolio, reduce carbon intensity, invest more in low-carbon technology, engage with high carbon emitters, encourage policymakers to follow up on their Paris commitments and accelerate the low-carbon transition? Perhaps this is the truly 'ethical' path?

It's time for institutional investors to put yesterday's fears behind them. Behaving 'ethically' is not something to be ashamed of. It's the only way we can tackle the enormity of climate change with any chance of success. Acting unethically is not an option.

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