

Ethical Investments: What Is Your Money Funding?



Most of us now understand that our everyday choices affect the environment. We recycle more, waste less food, insulate our homes, and perhaps drive less or switch to greener energy.

But there's one area many people still overlook: what our money is doing behind the scenes.

The money sitting in our bank account, pension, ISA or investments does not simply "sit there." Financial institutions use it to invest in businesses, infrastructure and industries across the world. The uncomfortable reality is that some major banks and pension funds still invest heavily in fossil fuels, deforestation, and environmentally damaging activities.

So an important question is emerging: Can our finances better reflect our values?

Increasingly, the answer is yes. Over the last few years, ethical and sustainable finance has moved rapidly from a niche interest into the mainstream. Banks, pension providers and investment firms are all under growing pressure from customers, regulators and younger generations to demonstrate where money is invested and what impacts it creates.

For many people, the first place to look is their pension. It may surprise you to learn that your pension is often your largest financial investment — potentially worth far more than your savings account. Yet most people have never checked where it is invested.

Many providers now offer “ethical”, “sustainable” or “ESG” (Environmental, Social and Governance) fund options. Some avoid fossil fuels entirely, while others actively invest in renewable energy, clean technology, sustainable housing, healthcare, biodiversity or companies with strong environmental standards.

Of course, not all “green” claims are equal. One of the biggest issues in recent years has been “greenwashing” — where organisations market themselves as environmentally responsible without making meaningful changes underneath. Regulators are now tightening rules around sustainability claims, and new investment labelling systems are being introduced to help consumers understand what funds genuinely do.

Transparency is becoming critical. Consumers are also increasingly switching banks based on ethical concerns. Smaller ethical banks and building societies often score significantly better on climate and environmental lending policies than some of the major high street banks.

None of this means people should ignore financial performance or risk. Ethical investing is still investing. Diversification, fees and long-term planning still matter. But the old assumption that ethical investing automatically means weaker returns is increasingly outdated. In fact, many analysts now see climate resilience and sustainability as indicators of stronger long-term business health.

The broader point is this: money is one of the most powerful forces shaping the future.

Every pension contribution, savings account and investment helps decide which industries grow and which decline. Collectively, our financial choices influence the speed of the transition to a greener, healthier and more sustainable economy.

Where can you start? You do not need to become a financial expert overnight. Even simply asking your bank or pension provider a few questions is a useful start:

- What does my money invest in?
- Are there sustainable options available?
- How transparent are your environmental policies?
- Can I switch to a greener fund?

Small questions can create bigger change. As with many environmental issues, progress happens when enough ordinary people begin making slightly different choices. Ethical finance may not feel as visible as solar panels or recycling bins — but its impact can be enormous.

Because ultimately, where we put our money helps shape the world we leave behind.

— **Paul** – ECO Action Hub Specialist