Front cover picture still required

The Ethex
Positive Investing
Report 2015

ethex

make money do good

Contents

Foreward

Who does our financial system exist to serve?

The individuals whose money it comprises, or broader society? In the UK you would find disagreement on this question, but often consensus that we are doing a poor job of both. This inspiring report from Ethex outlines how 1.8m individuals are addressing this question with their own investment choices, and how their numbers are growing fast.

The positive investments made by these individuals are helping to tackle a range of social issues. Millions of households in the UK do not have access to mainstream credit. The report shows credit union membership has doubled in the last ten years as people have turned to local solutions. We also see the growth of social banks such as Charity Bank, where depositors can track their money - and watch it benefit organisations such as Emmaus, which provides accommodation and work for formerly homeless people.

The heart of this report outlines the ongoing growth in direct positive investments, especially charity bonds and community shares. Share issues of note this year included broadband initiatives and taking over local football clubs; many of these were facilitated by technology platforms such as Ethex. This growth is running alongside the broader expansion of crowdfunding, where the UK is acknowledged to be a global leader.

The report highlights the potential of the market, to reach almost four million people by 2020. Also the areas where there is work to do, such as regulation changes and developing social pensions. It identifies the emergence of positive investment funds that aim to track the social and environmental outcomes of their investment.

The system is starting to notice. In 2015 we have seen insurance companies investing in social impact bonds tackling youth unemployment, and pension funds investing in social property funds. Banks such as Barclays are surveying their retail investors and discovering that while only 9% of their investors had made impact investments, 56% have an interest in doing so. There is also commitment from government to help expand the market, most recently with the establishment of Social Investment Tax Relief.

Most of all though, this report highlights a growing movement of positive investors who care, and who are coming together to use their savings to tackle local problems. There are many of us who hope to see a financial system that enables choices to be guided by both social and financial returns. Innovative platforms such as Ethex are helping make this possible.

Jeremy Rogers
Chief Investment Officer
Big Society Capital

Big Society Capital is an independent financial institution with a social mission, set up to help grow the social investment market.

About Ethex

Positive investing offers the chance to invest directly incommunity businesses working in areas such as renewable energy, fair trade, tackling poverty, organic farming, green transport, organic food and farming and regeneration. Our vision is for everybody to save and invest in a way that brings benefit to society.

It is about individuals staying in touch with their finances and choosing to save and invest in businesses that not only offer a financial return but also make money do good. In just over two years, Ethex has helped more than 2,600 individuals to invest close to £20 million in almost 40 charities, companies and community businesses.

This report, now in its third annual edition, charts progress towards developing a mass market in positive investing. It brings together Ethex's knowledge with that of others to give a snapshot of how the market is developing and what its future priorities should be.

Sincerely,

Jamie Hartzell, Chair
Lisa Ashford, CEO

Executive Summary

The rise of the positive investor continues.

The total amount saved and invested positively across the UK is up 11% on last year to £3.6 billion. This is more than four times greater than growth in all UK household savings and investments, which averaged 2.4% growth per year over the last five years.

The number of people making positive savings and investments also grew, by around 100,000 to 1.85 million. This means that 2.9% of the UK population now invests positively, with these people on average saving and investing an estimated 10% of their financial wealth.

The fastest growing area was **direct investment in community shares, charity bonds and company bonds and equities, which grew by 31% on the year.** This is largely due to the increasing popularity of internet-based crowd funding as a means of making direct investments. Growth in credit unions was slower, although this still reached 7%, down on last year's 31%.

Positive investment hotspots

Our hotspot analysis focuses only on share offers where the investors are predominantly local to the business. This year the two most active hotspots for positive investment were Bath, and Lancaster and the Lake District, which between them raised over £10 million from 10 offers. Last year's winners Bristol and Oxford were pushed down to third and fourth place, whilst South Devon remained unchanged at fifth.

A new entrant this year was the area around Hereford and Ludlow, where just under £1 million was raised from six local share offers.

The widening of investor choice

Significant growth in positive savings and investments will only be achieved if the choice and quality of the products available improves.

This year, specialist firms advising on community renewable energy entered the market, leading to better quality share offers and reduced risk for investors. The introduction of a new quality mark for community share offers by the Community Shares Unit, a project of Co-operatives UK, may also help to raise investment standards for smaller offers.

A further promising development was the arrival of genuinely positive funds such as the WHEB Sustainability Fund and the Threadneedle Social Bond Fund.

These differ from negatively screened funds in that they set out to make investments that deliver genuine social and environmental benefits, are more transparent about what they invest in, and are now also measuring and reporting on the impact of the fund.

In spite of these exciting new developments, overall the choice of positive savings and investments open to the general public remains limited. The rise of crowdfunding equity and lending platforms may have provided renewed stimulus to the market in direct investment in businesses. However only a handful of these platforms put the social or environmental objectives of these businesses centre stage.

And until more direct positive investments are available on the stock exchange, they will not reach a mass market, and it will also remain extremely difficult to invest in them as part of any pension scheme. This lack of positive options is encouraging some people to withdraw money from their pensions and invest directly in community energy schemes.

The lack of choice in positive bank accounts

For most people, bank accounts are the commonest and perhaps their only point of contact with the financial system. But with the difficulties faced by the Co-operative Bank, there is currently no truly positive bank account available.

This means that the young, or those without investment funds, have no positive financial options open to them – although this will improve if Triodos starts to offer current accounts in 2016, as planned.

Future prospects

Over the next five years, Ethex believes that positive saving and investing will reach 6% of the population, or 3.8 million people, with each person positively saving or investing on average 20% of their financial wealth. This would take total market size to £11 billion. This represents modest overall annual growth of 25%, only slightly more than the 23% a year growth the market has shown over the last two years.

This potential will only be realised if those working in positive investment are able to work closely together to maximise their reach and influence; and if those in a position to support and grow the market make the right strategic choices about how best to channel their resources.

Bringing positive investment to a wide audience

Despite its rapid growth, positive investment is still only known to a fraction of the population. The blame for this must in part lie with the providers themselves, who have tended to focus on subtle differentiations between their own offerings rather than working together on how to reach out to a wide audience with a single message.

Research is needed to clearly identify what might motivate more individuals to save and invest more positively. Answers need to be found to central questions such as: to which sectors of society social investment most appeals; what most motivates them to engage; and the extent to which they take account of ethical issues when making investments or switching bank and savings accounts. These will help all social investment providers understand better how to target the people who are most interested in positive investment, and to speak with one voice when advocating its growth and direction.

Most FTSE 100 businesses are in constant communication with potential investors, either directly or via a national network of brokers. Each individual business in positive investment may lack the means to run such a programme, but through close collaboration and the pooling of resources it would be possible to support a much stronger distribution network, and perhaps to run a national on-going promotional campaign or road show that takes positive investment directly to the people.

Over the next five years, Ethex believes that positive saving and investing will reach 6% of the population, or 3.8 million people.

Reforming the financial system through investor education

Last year, we called for a broad educational programme focused on supporting people, young and old, in making their own financial decisions. This is a vital component of a more democratic and accountable financial services industry fit for the 21st century.

To help address this, Ethex will launch soon the Money Action Plan, a self-assessment toolkit that gives each person a positive investing 'score' and generic advice on how to improve it. Any individual can use this regardless of their level of wealth, as it also covers savings and bank accounts.

However this needs to be just one small part of a much wider programme of investor education, not one solely based on positive investing. Those with more resources need education on how the financial system works and how personal savings and investment choices might impact on it; and those with less resources need education in basic financial skills such as budgeting and debt management, and ways to work collectively to minimise personal financial risk and exposure, such as through credit unions. This will help to develop democratic participation across all strata of society in a financial system that is in urgent need of reform.

Reversing the trend to more short-term investment

We observed a marked trend to more short termism in positive investing. Investment in shares has declined from 91% of all investment in our 2013 report to 70% in 2015, with the leaning being towards more easily realisable shorter-term investments, such as bonds.

This is a serious concern: businesses have more control over money invested as equities, as bonds must be repaid to the investor. This trend makes it harder for positive businesses to spend the length of time needed to tackle the entrenched social and environmental problems they are looking to solve. Furthermore, a lack of equity investment will eventually lead to a shortage of businesses that savings institutions can lend to. This will eventually limit the amount of savings money they can take in.

The number of positive investments traded on a daily basis is tiny compared to the London Stock Exchange. Even so there is much that could be done. Our proposals are to create democratically accountable fund structures that would improve liquidity in traded shares; and to establish a non-for-profit nominee company specialising in positive investment that would allow investors to participate in the highly sophisticated CREST settlement system without ceding control of their right to vote in and to receive information on the businesses they invest in.

Investor education is a vital component of a more democratic and accountable financial services industry fit for the 21st century.

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Government intervention

Given the potential that positive investment has shown to deliver strong social and environmental benefit to society at little or no cost to the tax payer, it is surprising that Government has shown so little inclination to support it.

The introduction of Social Investment Tax Relief (SITR) is welcome, but has so far had limited impact, proving more difficult for most businesses to use than the very similar Enterprise Investment Scheme (or EIS). Since its launch in April 14, only £890,000 has been raised in five offers. This is only 0.5% of total investment raised across that period.

The attractiveness of SITR will increase with proposed legislative changes that will remove the EU-imposed cap on the total amount that can be raised, which currently stands at a paltry £350,000; and that will also allow community energy schemes to use the relief. However, SITR for community energy groups will only replace the existing Enterprise Investment Scheme, which offers very similar benefits to investors, so this is largely an administrative change that will in itself entail further costs. Community energy groups will also no longer be eligible for the greater tax benefits available to investors from the Seed Enterprise Investment Scheme, which has proved crucial in supporting schemes in the early stages of development.

Furthermore, the Financial Conduct Authority has been trying to limit the scope of community share offers by limiting the financial returns they can offer. Many people make their first positive investment through this route, and forcing these community businesses to become less commercial will mean that the vital role they play in widening access to the financial system as a whole and in teaching people about the risks and rewards of positive investing through practical experience will be lost.

More worryingly, since the election, the Conservatives have already implemented significant restrictions on community renewable energy with cuts to financial support via the Feed-in Tariff proposed from as early as January 2016. As a result, a disproportionate amount of time and effort has had to go into lobbying rather than running businesses or professionalising the sector.

These moves put the United Kingdom out of step with most governments around the world, in Europe and the USA,who continue to support renewable energy as a priority in addressing the urgent threat to the environment, poverty and global security that climate change presents.

Section 1

The Positive Investment Market Today

The Positive Investment Market Today

The positive saving and investing market is booming. It has grown by 11% in the last year to reach £3.6 billion, encompassing an estimated 1.85 million people or 2.9% of the UK population.

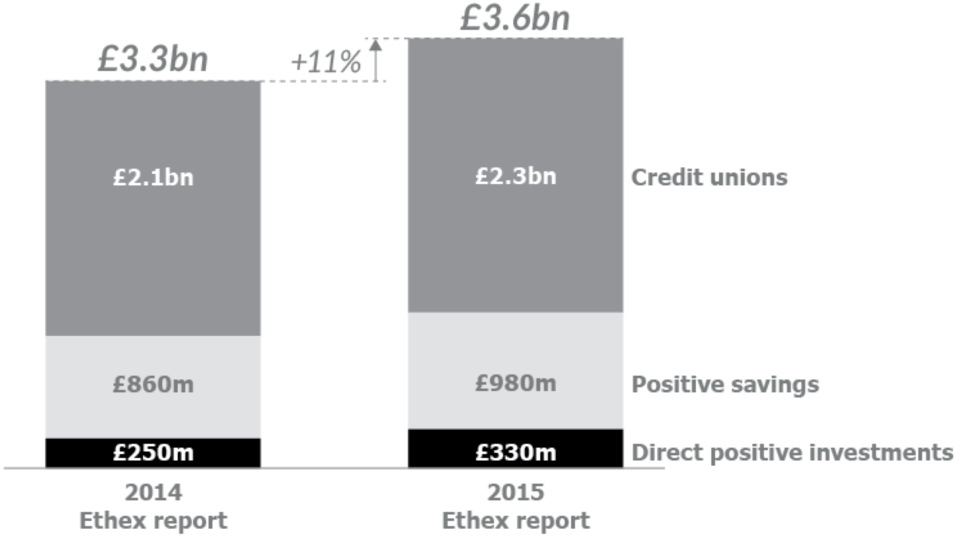
This is a dramatic rate of increase compared with all household saving and investment, which grew by an average of 2.4% between 2010 and 2015, according to the Lloyds Banking Group.

Growth has slowed from the 33% we reported in 2014. This most likely reflects a quietening of the outcry over high street banks that followed the 2012 LIBOR rate scandal and other concerns over the ethics of the banking industry, which led many people to take the active step of moving their savings to a more positive provider.

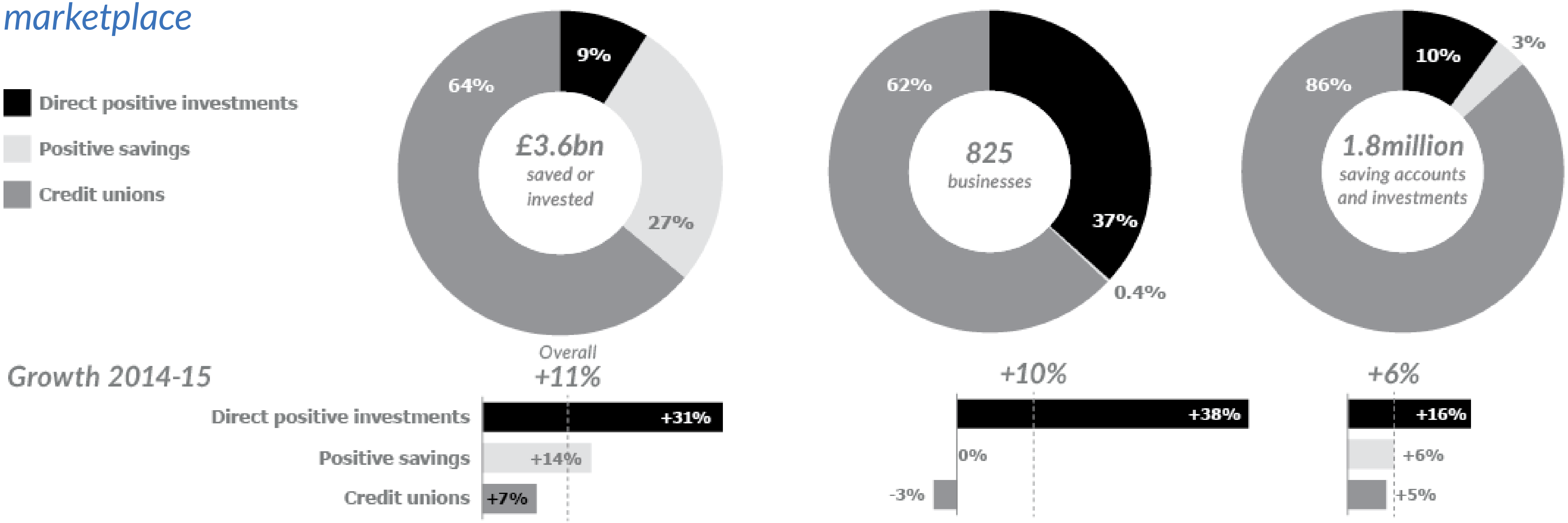
Direct positive investments, which are made up of community shares, charity bonds and bonds and shares in positive businesses, again showed the strongest growth, at 31%, followed by positive savings at 14% and credit unions at 7%. Credit unions still represent almost two-thirds of the total market by value.

Positive saving and investing grew four times faster than all household saving and investment.

The positive saving and investing market



The positive investing marketplace



The money

Savings still dominate the sector, down very slightly on last year from 92% to 91%. However, investments continue to grow at more than three times the rate of savings.

Almost three-quarters of savings are with credit unions, where members pool their savings to provide each other with credit at low interest rates. The rest are positive savings in the ethical banks Triodos, Charity Bank and the Ecology Building Society.

The businesses

The total number of businesses offering positive savings and investments grew by 10% to 825.

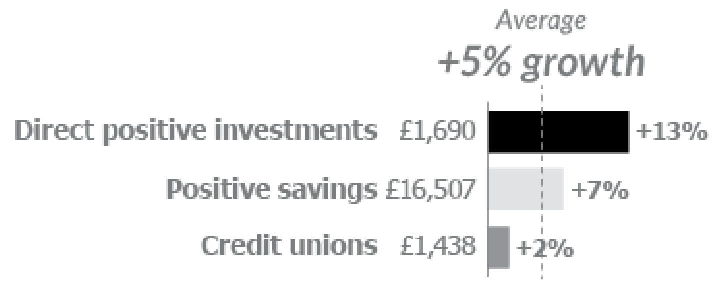
The number of businesses offering investments rose the most, by 38%, mainly due to continued strong interest in community share offers, particularly in renewable energy. However, the number of credit unions fell slightly. This was due to some credit unions ceasing to trade because they were too small to operate efficiently. Most of these merged with existing larger credit unions.

The investors

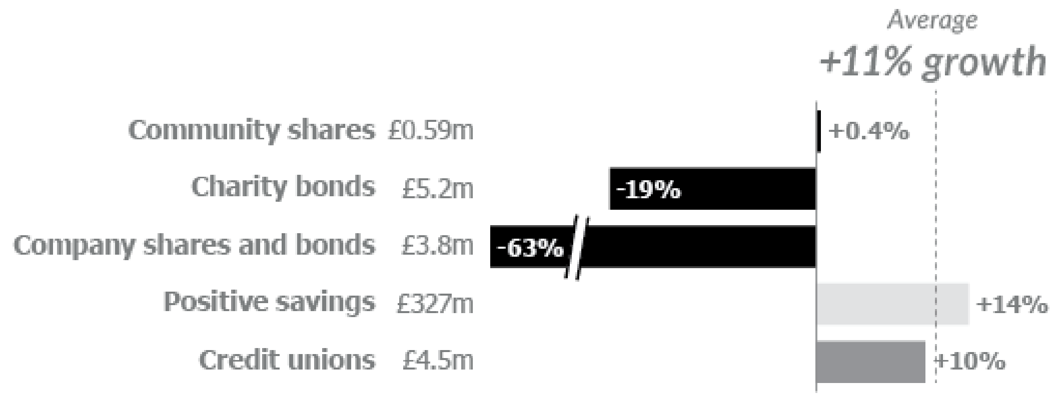
The estimated number of people saving or investing positively grew by 6%, to 1.85 million people or 2.9% of the UK population.

Average investment

£1,956 by each saver or investor



£4.8m per business



by each individual

The estimated average amount saved or invested per person rose by 5%. The largest increase was in direct positive investments, where the average rose by 13% to £1,700. This reflects a recent tendency for people to invest higher individual amounts in renewable energy schemes than in other types of direct positive investments.

The average amount each person saved in a credit union increased by 2% to £1,438, while the average amount in positive savings increased by 7% to £16,507.

in each business

The total amount saved with or invested in each business also increased by 11%. However, this varied hugely between different types of business.

The amount deposited with Charity Bank, Triodos Bank and the Ecology Building Society increased the most, by 14%, while the average amount invested in each community business remained roughly the same. The average amount invested in charity bonds fell by 19% and in company bonds and equities by 63%. This was due to new entrants to the market raising smaller amounts than in the past.

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Direct positive investing

Direct positive investing provides the capital that businesses need to grow, by individuals investing directly in share offers run by the business. It is made up of four investment areas – community shares, bonds issued by charities, and bonds and shares issued by companies with a clear social and/or environmental mission.

This year most of the new share or bond offers undertaken were for community shares and the majority of these share offers were for renewable energy projects. A number of companies also issued renewable energy bonds.

In terms of money raised, the issues of company bonds and debentures grew fastest, with the issue of shares by companies showing the least growth.

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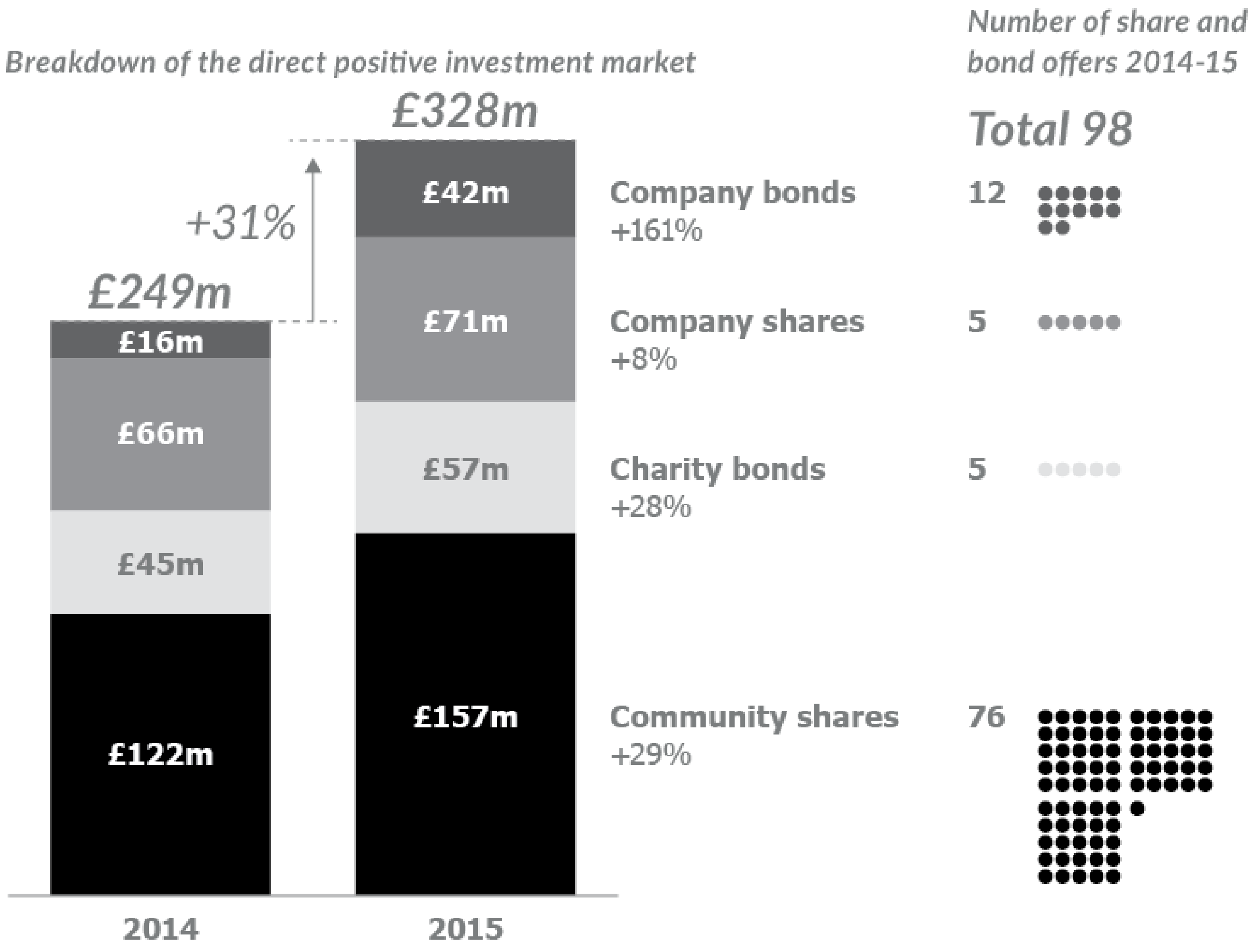

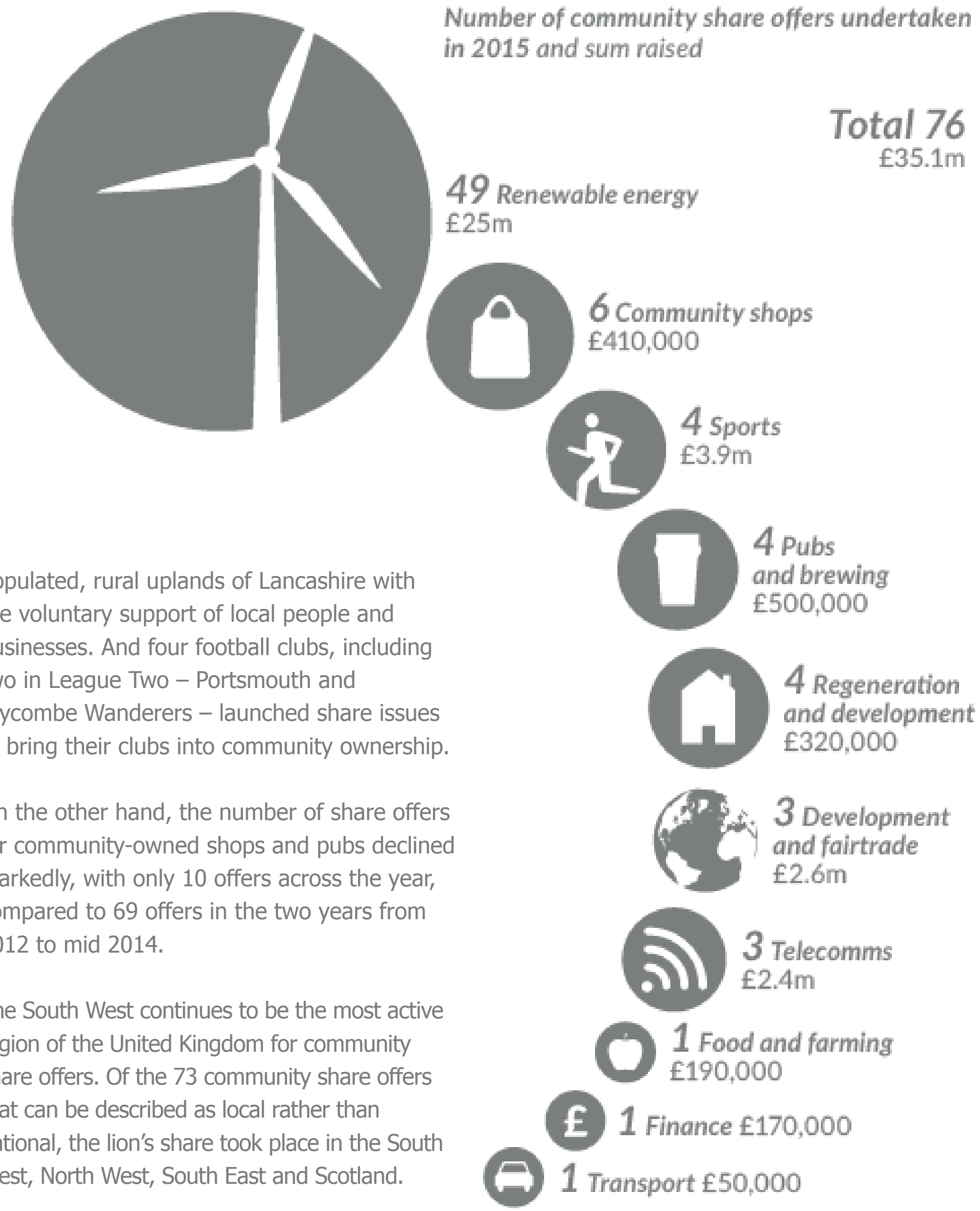

Community shares

Like last year, community renewable energy projects proved hugely popular, with 49 offers raising over £24 million for investment across the UK. Of these, the 12 that were handled by the Ethex platform raised almost £15 million, close to two thirds of the total. Ethex's involvement enabled these larger offers to attract investment nationally rather than from within the community only, making it possible to raise the larger sums required.

Also of note this year was increased investment in community-owned rural broadband initiatives and football clubs. Broadband For the Rural North (B4RN) raised £1 million to build a community-owned 'Fibre To The Home' network in the scarcely populated, rural uplands of Lancashire with the voluntary support of local people and businesses. And four football clubs, including two in League Two – Portsmouth and Wycombe Wanderers – launched share issues to bring their clubs into community ownership.

On the other hand, the number of share offers for community-owned shops and pubs declined markedly, with only 10 offers across the year, compared to 69 offers in the two years from 2012 to mid 2014.

The South West continues to be the most active region of the United Kingdom for community share offers. Of the 73 community share offers that can be described as local rather than national, the lion's share took place in the South West, North West, South East and Scotland.

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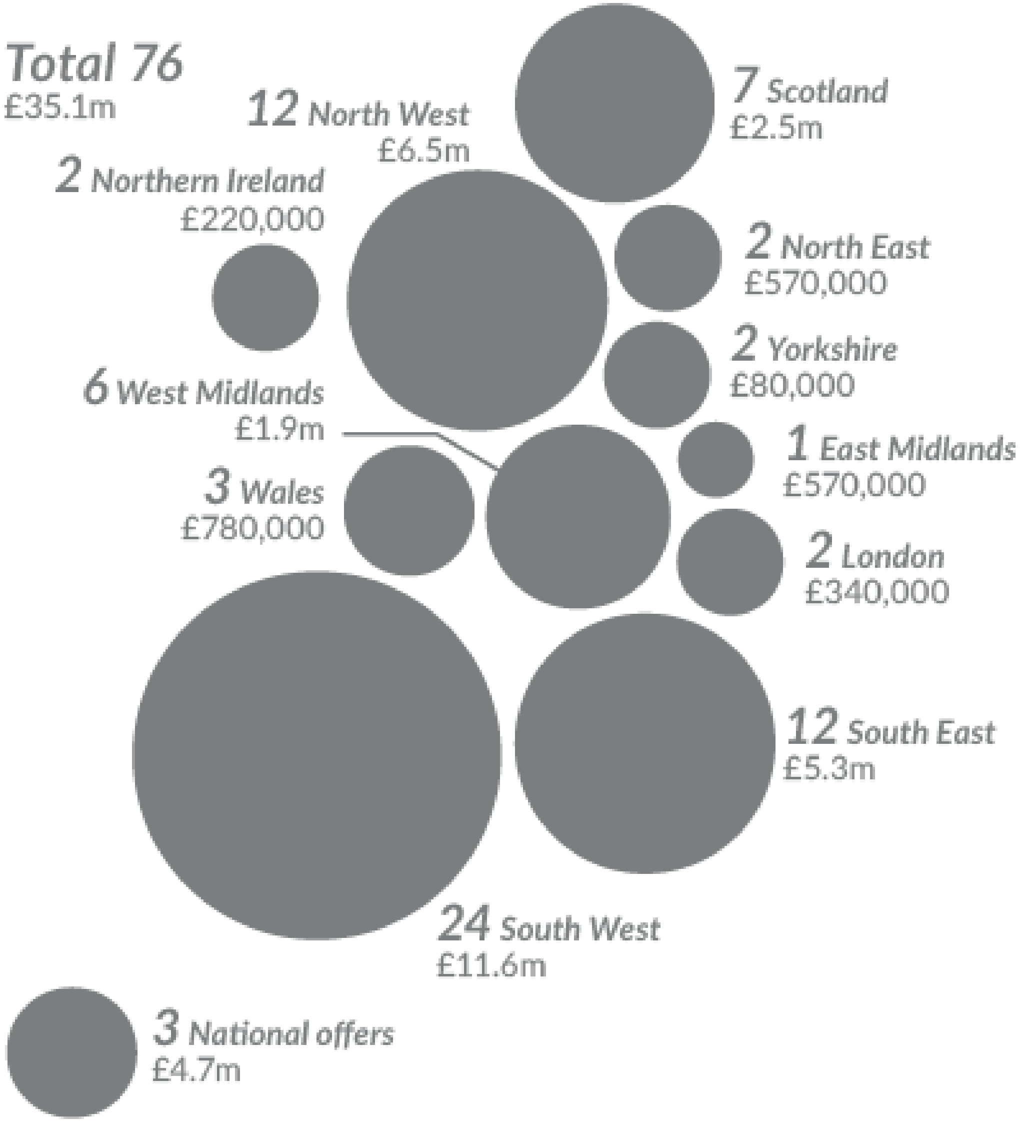
Number of community share offers undertaken in 2015, by region and sum raised



Wiltshire Wildlife Community Energy

In January, WWCE completed a £2.9 million share offer to build Braydon Manor solar farm near Purton, Swindon.

There was huge support locally with 87% of the 396 investors coming from Wiltshire or the surrounding counties.

The 5MW solar farm will generate enough renewable electricity to power the equivalent of over 1400 typical homes, and save over 2500 tonnes of carbon a year. Surplus revenue will be recycled back into the community by re-investing in further local projects and by supporting the work of the Wiltshire Wildlife Trust. Over 25 years this should amount to over £2.1 million.

WWCE chair Lesley Bennett says, "This will be one of the largest community-owned solar projects in the country, something Wiltshire can be truly proud of. And it will provide a huge boost for biodiversity, helping improve wildlife habitats by creating new wildflower meadows and a haven for bees, butterflies and a host of other wildlife."

This was WWCE's second solar project, and Bath and West Community Energy supported the investment raise. Building started in September 2015 and the 18,000 solar panels are expected to be generating power by January 2016.

Bonds and equities

The early promise shown last year by charities issuing bonds to the general public failed to carry through into 2015, even if there are now some signs that the market is picking up again. The one exception was the Allia Retail Charity Bonds platform, which raised £27 million for Hightown Housing Association on the London Stock Exchange, around 40% of which came from individual investors rather than institutions. The ten-year bond offers an interest rate of 4.4% a year, and will be used to provide affordable homes across Hertfordshire, Buckinghamshire and Bedfordshire.

Aside from this, there were only four charity bond offers raising under £2 million. Two of these were for social impact bonds, meaning that the government pays for the returns to investors on a 'payments by results' basis. Far stronger was the company bond market, in which we include the issue of loans and debentures. This was mostly fuelled by renewable energy products offered by privately-owned online investment platforms such as Abundance, Trillion and Big60Million. Together with two similar offers from Triodos, these raised close to £26 million in 12 offers.

The downturn in the company equity market continued, with £5 million raised in five offers compared to £11 million last year. This includes £400,000 returned to shareholders by one company because they were unable to attract sufficient investors to buy shares that other investors wished to sell.

CASE STUDY

Retail Charity Bond Platform

In 2014, Allia and Canaccord together launched the Retail Charity Bonds platform. This provides investors with the chance to buy bonds issued on behalf of charities that are listed on the London Stock Exchange. Their first offer raised £11 million for Golden Lane Housing, a subsidiary of MENCAP providing supported housing for people with a learning disability. In 2015, the platform raised £27 million for Hightown Housing Association, operating in Herts, Beds and Bucks and providing a wide range of housing and support for people in need.

The ten-year bond offers an interest rate of 4.4% a year, and will be used to provide affordable homes

The ten-year bond offers an interest rate of 4.4% a year, and will be used to provide affordable homes

Savings

Positive savings again brought in the most new money, a total of £274 million compared to £418 million last year. The funds deposited are lent on to businesses and individuals undertaking social or environmental projects, or in the case of credit unions to individuals in need.

The three positive savings institutions, Ecology Building Society, Charity Bank and Triodos Bank, grew fastest, increasing savings by £119 million compared to £178 million last year. This increase was achieved despite the tightening of capital adequacy rules following the financial crisis of 2008–09. These rules restrict the amount that these organisations can hold in savings to a multiple of the capital they hold. Triodos Bank raised around £1 million of capital from individual UK investors, and Charity Bank raised £14.5 million of capital from Big Society Capital, allowing both organisations to increase the funds they hold.

Credit unions were also hampered by capital adequacy, and many smaller ones were forced to close. However, most were able to merge with larger credit unions.

Ecology Building Society

Ecology Building Society, based in Keighley, Yorkshire, was created in 1980 by a small group of people who had found it hard to get loans for eco-renovation. They each invested £500, enough to start their own building society. Over 35 years later, the Society now manages over £130 million in assets and has 9,600 investors, who still include some of the 10 founders. Money saved with Ecology is lent on to support eco-renovation schemes, such as Janet and Robert who were keen to add a 3.6KV photovoltaic system to their recently converted 1960s bungalow, near Inverness.

Caroline, an accountant living in Montgomery, mid Wales, opened an Ecology account in 2012, after looking for ethical financial options on the internet.

She chose Ecology because she wanted to put her money with an institution that lends on things she believes in: "I wanted to know that my savings would be not be used unethically, such as supporting arms deals". She has an interest in green economics and one day hopes to build her own eco-home, so supporting the society made sense.

The trend to more short-term investment

Building a business that both brings about a better society and pays a financial return is not easy. It takes persistence, time and close attention. For this reason, businesses in the positive investment sector need long-term, patient capital.

Our report shows that over the last few years there has been a marked trend away from long-term investment in equities, where the business has full control over repayment of the amount invested, toward shorter-term bond investments, where the investor has greater control. This is partly due to the increase in investment in charities, as charities cannot issue shares. It is also caused by two major structural difficulties in the share market

Tightened regulations

Up until around 2005, a number of companies with a strong social mission and not listed on any stock exchange regularly issued shares to the general public. In 2005, the regulations changed and these public share offers became much more complex and expensive to undertake. Since then, despite the increase in crowd-funded share offers which are mostly conducted by private companies, mission-driven companies have undertaken only a handful of public offers, with most relying on smaller, closed offers to a limited number of wealthier individuals.

No effective market

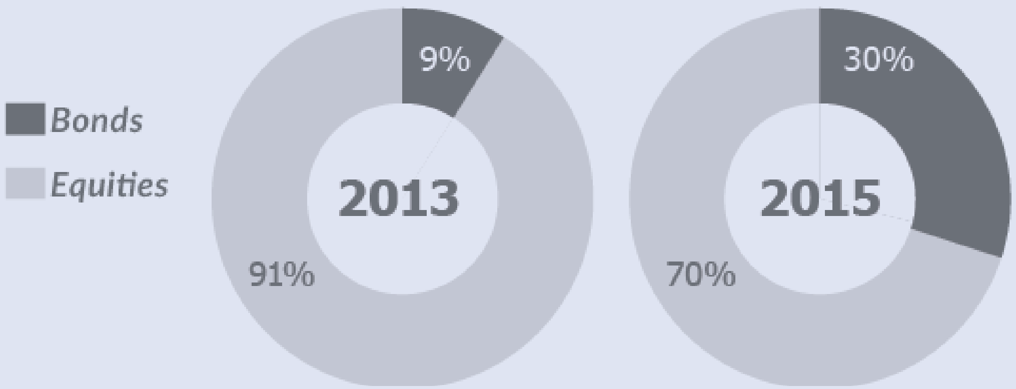
The second structural barrier is the failure to create an effective market in shares in companies with a strong social mission so that investors can easily buy and sell their shares when they need to. On the London Stock Exchange, around 99% of trading is secondary. In other words, it is in shares that have already been issued by the business, and instead are being sold between one investor and another. Only 1% of the money passing through the exchange is new investment. In June 2015, just under £3 billion of new money was raised, but over £212 billion of shares were traded.

On Ethex, the situation is reversed – around 96% of the money is new and only 4% is secondary trading. This is because the London Stock Exchange has a sufficiently large number of companies trading to sustain a financial services industry made up of brokers, analysts and fund managers who all contribute to creating liquidity in the shares listed.

The consequence of this for the positive investment market is that investors who may have bought shares several years back often struggle to sell them on. This can lead to a very distorted market, where the traded price does not reflect the true value of the shares. Both of these factors tend to discourage investors.

The number of positive investments traded on a daily basis is tiny compared to the London Stock Exchange. This means that a fully-fledged exchange is not a realistic proposition. Even so there is much that could be done.

Direct positive investment market split



Our recommendations

- **Democratically accountable fund structures** could be created that improve liquidity in traded shares, by buying and holding these shares over a long period, whilst allowing investors in the fund itself to freely trade their shares.

- **A non-for-profit nominee company** – in which shares for large numbers of small investors are held in the name of one nominee company instead of individual names - specialising in positive investment could be established. This would allow investors to participate in the highly sophisticated CREST settlement system, making it much easier to trade shares, but without ceding control of their right to vote in or to receive information on the businesses they invest in, as currently happens with existing nominee arrangements.

- **Clear procedures need to be established for share valuation**, so that buyers and sellers have clearer guidance on the most appropriate price at which to offer their shares. These valuations need to be undertaken by independent professionals, with their report being made publicly available.

Section 2

The Hotspots

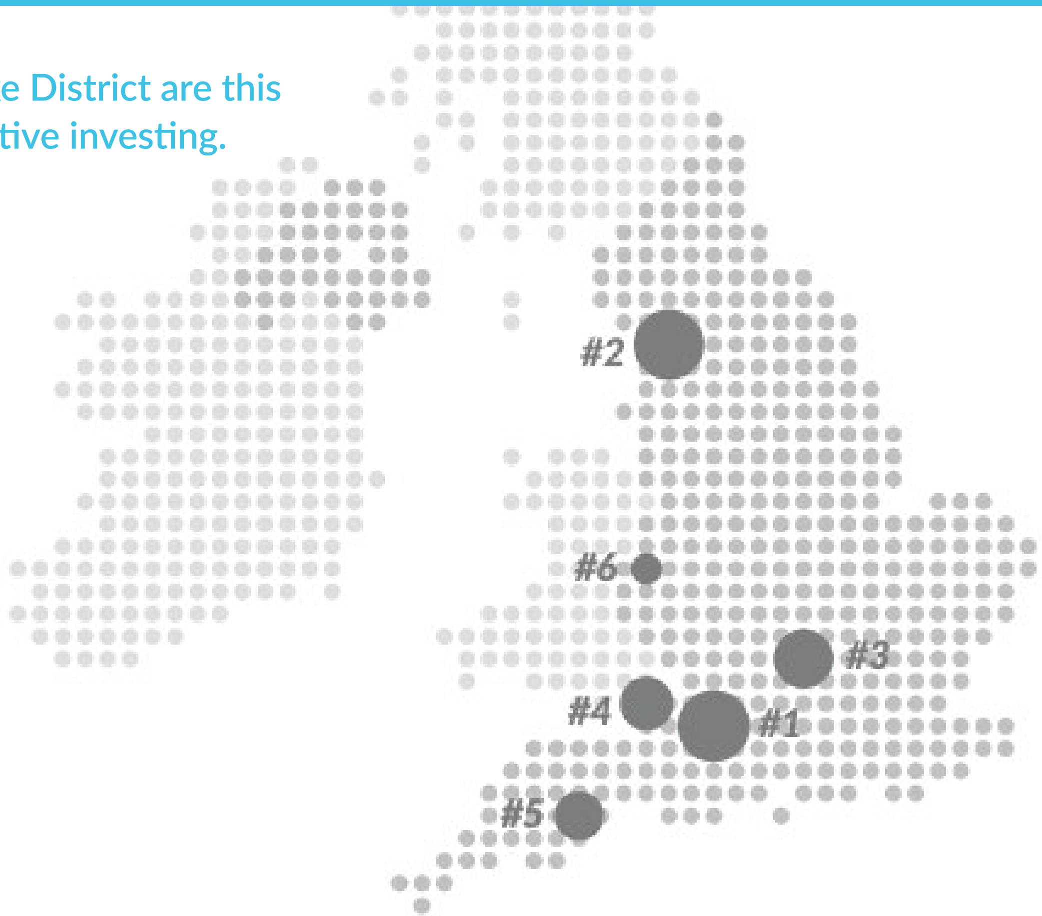
The Hotspots

Bath, and Lancaster and the Lake District are this year's top two hotspots for positive investing.

Hotspots are the areas of the UK that have seen the most active engagement from local investors.

Bath is this year's top hotspot, up from third place last year. Second comes Lancaster and the Lake District, up from sixth place. Last year's top two, Oxford and Bristol, have been pushed down to third and fourth place, South Devon has remains in fifth place, whilst the area around Hereford and Ludlow is featured for the first time this year.

Offers taking place in the six hotspots represent almost 60% by value of all local share offers undertaken in the course of the year. Within the hotspots, community renewable energy was by far themost popular business activity, making up 67% of all offers and 81% of their value.



Areas of business activity in the hotspots

Ranking	Hotspot		
1 Up 2	Bath area	£5.3m	6 ●●●●●●
2 Up 4	Lancaster and the Lake District	£5.1m	4 ●●●●
3 Down 2	Oxford area	£3.9m	4 ●●●●
4 Down 2	Bristol area	£3.6m	5 ●●●●●
5 No change	South Devon	£2.4m	5 ●●●●●
6 New	Hereford and Ludlow	£0.9m	6 ●●●●●●

Pam Penkman

Pam Penkman has recently retired as a partner from a local firm of consulting engineers. She first became aware of renewable energy when she saw one of the early wind turbines at Burgar Hill on the Orkney Islands in the 1980s. Pam has now followed up her long-term interest by investing in a community energy scheme close to her home town of Bath – BWCE's 2.34MW Wilmington Farm solar array, which is now live and exporting to the grid.

"I had some money after retiring from my firm that wasn't earmarked for anything else. Investing in this project made sense as there was a good financial return as well as an environmental one. Unlike other investments in pensions and ISAs, it gave me a direct connection with a new, local venture."

Pam then started reading Ethex's monthly newsletters, which got her thinking about other positive investments too. She has now invested in several other community energy projects as well as Oikocredit, a provider of development finance and support to disadvantaged people in developing countries. She is considering moving some cash into Charity Bank and investigating ways of gradually changing her other investments to create a more positive portfolio.

1

Bath

Total investment:
£5.3 million

Number of offers:
6

The people of Bath and the surrounding countryside again showed faith in their local community by actively investing in its businesses.

Bath and West Community Energy helped to raise over £4.5 million for three community owned solar projects that were listed on Ethex. These are now up and running in the countryside surrounding the city. Bath and West has since spun out a new business, Mongoose Energy, which is partnering with community energy groups nationally to help them bring energy assets into community ownership. Mongoose has already completed one new solar energy offer, near Bristol, and is now raising funds for a community-owned anaerobic digestion plant near Reading.

But renewable energy was not the only area for investment. Save Open Spaces Frome raised the finance to save local fields from development and keep them as a green and accessible space; and both Bath City Supporters Society and Farmborough Community Shop went some way towards raising the funds they need to purchase their local football club and village store for the community.

Share Offers

Wiltshire Wildlife Community Energy Limited	£2,913,801
Bath and West Community Energy Limited	£1,649,900
Frome Renewable Energy Community Limited	£301,000
Bath City Supporters Society Limited	£280,910
Save Open Spaces Frome Limited	£146,000
Farmborough Community Shop Limited	£35,000

2 Lancaster and Lake District

Total investment:
£5.1 million

Number of offers:
4

In remoter rural areas where commercial businesses struggle, community enterprises may have the edge.

It is not surprising, then, that Cumbria and the surrounding area saw the second highest level of community investment, just behind Bath. In remoter rural areas where commercial businesses struggle, community enterprises may have the edge. It is not surprising, then, that Cumbria and the surrounding area saw the second highest level of community investment.

The High Winds Community Energy share offer was the second largest ever undertaken in the UK. Energy4All managed the scheme, which will finance the repowering of five existing turbines near Ulverston. Formed in 2002 to expand community ownership of renewable energy, Energy4All has now led on 15 projects with over 10,000 members investing £30 million. Energy4All is itself based in Cumbria.

In rural Lancashire, B4RN, or broadband for the rural north, raised to build a community-owned 'Fibre To The Home' network in the scarcely populated, rural uplands of Lancashire with the voluntary support of local people and businesses. The service offers one of the fastest broadband connections in the world, and is already available in 24 villages.

Share Offers

High Winds Community Energy Society Limited	£3,752,534
Broadband for the Rural North Ltd (B4RN)	£1,000,000
Community Energy Cumbria Limited	£276,445
Morecambe Bay Community Renewables Limited	£50,000

Energy4All

If there could be said to be a founding father of the community energy movement, Energy4All must surely be it.

The co-operative was formed in 2002, but its roots go back to 1996 with the establishment of Baywind, which built the UK's first community-owned wind farm at Ulverston.

Baywind's members were keen to extend the co-operative model to other areas of the UK and set up Energy4All to achieve this. Although its offices are based in Barrow-in Furness, the development staff work throughout the UK.

Energy4All now comprises a family of 16 different energy co-operatives that have collectively raised over £34 million from investors and have a combined membership of over 11,600 people.

The co-op has seen momentum build steadily, fuelled by the growth of the Feed-in Tariff. During 2014 and 2015 alone, nine share offers were launched, all of them achieving their target. While its main focus has been wind energy; solar, hydro and wood heat projects have also recently been added to its portfolio.

CASE STUDY

Low Carbon Hub

In autumn 2014, Oxford-based social enterprise the Low Carbon Hub raised £1.7 million into local renewable energy projects, well over their original target. Four thousand nine hundred solar panels have now been installed on 16 local schools and two businesses, including the Oxford Bus Company and Norbar Torque Tools in Banbury. The Hub's 2014–15 renewable schemes will see 1MW of solar installed across Oxfordshire, enough to power 275 homes, and save 385 tonnes of CO_2 per year. And, what's more, the projects create an income stream to support further community energy projects across the county, like the Warming Barton scheme to help insulate homes in fuel poverty.

Barbara Hammond, CEO of the Hub says: "We were pleased with the success of our share offer and to have 350 new shareholders. It endorses what we are doing here in Oxfordshire to get community-owned renewables off the ground."

The Hub is now moving onto phase two of its programme and is signing up 10 more schools for solar for the upcoming year, 2015–16, developing a 450kW hydro project at Sandford Lock, and has three more businesses installing solar PV. The future looks bright for Oxfordshire!

3 Oxfordshire

Total investment:
£3.9 million

Number of offers:
4

Oxford continues to be active in community energy schemes.

Three new schemes came into play, with the Archimedes screw at the Osney Lock Hydro on the Thames in West Oxford turning for the first time in May. Further down river, Abingdon Hydro raised funds to install a second Archimedes screw to raise power from the very same water as it continues its journey towards London and the North Sea.

Low Carbon Hub raised to deliver a new wave of renewable energy projects. Solar panels are now being installed on the roofs of local schools and businesses across Oxfordshire. Finally, the Phone Co-op, a national provider of telephone and Internet services based in Chipping Norton, continued to attract capital from its members. The co-operative also invests in a range of other businesses, from renewable energy schemes to local village shops.

Share Offers

Abingdon Hydro Limited	£815,000
The Low Carbon Hub IPS Limited	£1,544,000
The Phone Co-op	£1,421,962
West Oxford Community Renewables Limited	£140,000

4 Bristol

Total investment:
£3.6 million

Number of offers:
5

Bristol, European Green Capital for 2015, continues to develop a strong identity as a forward-thinking centre for green and community innovation in which positive investing plays an integral role.

The north of the city is affluent, but the south has some of the highest levels of deprivation in the UK with many empty buildings. AEOB (or 'Abolish Empty Office Buildings, House People') inspires those with both money and goodwill to invest in abandoned office buildings and convert them to affordable housing, helping to build a spirit of community and support the sustainable economic activity of the area.

Fareshares raised finance to support its work to minimise fit-for-consumption food going to waste, by sending it to organisations working with the most vulnerable people in Bristol.

There were three community renewable energy offers in the area, one to the south and the other to the west of the city. Also Converging World raised funds to continue its programme of installing wind turbines in Southern India, with surplus profits going to support a range of carbon reduction schemes in India such as forest restoration.

Share Offers

Chelwood Community Energy Limited	£2,395,300
Low Carbon Gordano	£970,000
AEOBhousepeople Limited	£93,000
Fareshares South West	£70,000
Converging World	£52,200

David Milne

David Milne, 25, decided he wanted to do something different with the money he has saved from stipend as a post-graduate student. He's invested the minimum amount in three different community energy schemes – from Plymouth to Brighton and generating energy from wind, rooftop solar and biomass.

"I'm a firm believer that small energy generation is going to become increasingly important here, as it has in South Germany. As I'm not a homeowner I can't invest in my own renewable scheme and this is a good way of putting money into something I believe in and which could change the way we generate energy in the future."

David takes a very sound approach to spreading risk around his small portfolio: "I went for three different projects to get a mix of different technologies and different locations. I know the returns aren't guaranteed, but when I read the prospectuses I particularly look out for people who seem to know and care about what they are doing."

David is currently studying railway engineering in Southampton, but as a lifelong Bristol resident, he was already aware of Triodos Renewables based in the city, which led him to research other renewable energy investment opportunities.

The Naturesave Trust

The Naturesave Trust was set up 20 years ago to support environmental and conservation projects. It's funded by the uniquely green Naturesave Insurance which allocates 10% of premiums from its main products to the Trust.

"We're using the insurance industry as a vehicle for sustainable development. Our customers are intelligent, altruistic people and they see us as a force for good, doing positive things," explains founder and Managing Director Matthew Criddle.

That ethos is reflected in the Trust's grants and positive investments, which have moved on from supporting conservation projects in the early years (water voles and bats) to increasing numbers of renewable energy projects. As well as providing seed capital to groups like Green Fox Community Energy, the Trust has invested in around 20 different renewable schemes. Aiming to spread its resources widely, its investments range from £1,000 to £6,000.

The Trust is also keen on encouraging innovative new technologies. "The more wacky the project, the more interested we are," Matthew adds. "If someone's having difficulty getting an idea off the ground then we'd like to help."

As a former winner of the Queen's Award

5

South Devon

Total Investment:
£2.4 million

Number of offers:
4

The South Devon hotspot stretches from Plymouth in the west through to Exeter. At its heart lies the small but vibrant community of Totnes, the birthplace of the Transition Towns movement.

Plymouth's housing stock is characterised by a large number of poorly insulated and energy inefficient properties. Some 11,500 households, 10% of the city, are in fuel poverty. Working closely with the local council, PEC Renewables raised finance to install solar panels on local schools, offices and community buildings. Surplus income goes toward poverty focused energy reduction schemes such as a fuel debt advice service and grants for cavity and loft insulation.

Totnes Renewable Energy Society raised funds to work together with a local housing association on a number of solar roof installations. Nearby, Dart Renewable Energy raised funds with the support of Triodos Bank to install a hydro scheme on Totnes Weir. In Kennerleigh, local villagers clubbed together to save their local store from closure.

Share Offers

PEC Renewables Limited	£854,125
Kennerleigh and District Community Stores Limited	£37,770
Totnes Renewable Energy Society Limited	£256,000
Dart Renewable Energy	£1,300,000

6 Hereford and Ludlow

Total Investment:
£1.1 million

Number of offers:
5

In Hereford itself, New Leaf Co-operative is a charity working with people around the county to develop ways of saving energy and living more sustainably. It is part of a network of more than 30 environmental groups raising awareness of energy saving opportunities and sustainable lifestyle choices. Following a successful share issue it will soon install the UK's first community-owned solar PV array on a closed landfill site.

Nearby Shrewsbury is the home of Sharenergy, an advisor to small-scale community energy schemes. Sharenergy advised both Newleaf and Pomona Solar Co-operative, which raised funds to install a solar array some seven miles east of Hereford in Stoke Edith.

Finally, the local community of Burley Gate between Hereford and Ludlow came together to save their local post office and shop from closure and raised funds locally to buy and run it themselves.

Share Offers

Burley Gate Community Shop Limited	£55,000
Herefordshire New Leaf Co-operative Limited	£61,800
Ledbury Community Solar Co-operative Limited	£123,580
Pomona Solar Co-operative Limited	£344,895
Ludlow Hydro Co-operative Limited	£364,000

CASE STUDY

Edward Milford

Edward Milford, 56, is a big fan of community energy investments. Having spent 20 years running his own scientific publishing business focusing on environmental and sustainable technology titles, it's a space he understands and feels comfortable in.

"While professional investment analysts may view these small projects as risky ventures, I tend to see it the other way – the system is just different. The City itself can mask huge risks. While most of the people working in community energy are amateurs in one sense, they tend to be very committed and often have great business experience and skills from other sectors.

Edward has invested in several of Ethex's community energy share offers – including Chase Community Solar, Calleva Community Energy and Mapledurham's anaerobic digester.

"I look for a fair return – after all positive investment is not charity. But if a project looks like a good, well-run scheme then I'm happy to accept a slightly lower. And I know the money is being honestly applied to the purpose for which it's intended."

Edward and his partner moved to Herefordshire quite recently from Camden in London and like the strong sense of local identity.

Section 3

The Widening of Invester Choice

The Widening of Invester Choice

Ethex believes that demand for positive investing extends beyond savings and off-market investments, to include bank accounts, pensions, and investments in funds and exchange-listed companies.

Significant growth in positive savings and investments will only be achieved through a widening of investor choice. This will both enable a larger number of people to become involved, and will increase the proportion of each person's wealth that they are able to save and invest positively. However, currently the range of products on offer is limited, and for many of them the extent to which they are truly positive is murky and confusing.

Ethex believes that the best opportunity to grow the market is to improve the quality and range of products in four main areas:

- direct positive investment
- bank accounts
- investments on the London Stock Exchange
- private pensions.

We discuss developments in these areas over the last year and consider what they could mean for the size of the market in five years time.

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Widening your choice in direct positive investments

Direct investments epitomise the positive investment movement in that they offer the most tangible benefits to society. The investor can not only clearly see the benefit their investment brings, but as a member of the business can also participate in its strategy and direction. However the quality of these investments and of the infrastructure that supports them need to be strengthened if the market is to grow.

Professionalising community share offers

There is now more professional support available to community-led schemes, particularly in the renewable energy sector. Advisors such as Mongoose Energy, Communities For Renewables and Sharenergy have joined Energy4All, which has been playing this role almost singlehandedly since the late 1990s.

These advisors make it easier for community groups to bring schemes to market, and through their greater knowledge and experience can reduce the risk to the investor. This has succeeded in attracting in investors, and often up to half of the investors into a community scheme on the Ethex platform come from outside the local area. On the other hand, this approach does increase the level of fees paid to advisors on each scheme.

The Co-operative Groups Community Shares Unit is introducing a Standard Mark for share offer documents that gives some assurance to investors that an offer is of a suitable standard and meets a set of recommended requirements. The scheme has been developed under the supervision of a technical committee composed of representatives from the Financial Conduct Authority (FCA), HM Treasury and the Charity Commission. Societies awarded the Standard Mark will be required to abide by a code of conduct that sets standards for the promotion and administration of community share offers by societies.

Positive bank accounts

Not everyone is in a position to invest. The majority of people making direct positive investments are over 40 years of age, as the young tend to have less readily available wealth. But 96% of the UK population have a bank account, so introducing younger people to making positive financial decisions through their choice of bank account would encourage them to engage in positive investing in later life.

With the decline in reputation of the Co-operative Bank, the choice in providers is extremely poor. However, Triodos Bank's plans to start offering its customers a current account in 2016 are extremely welcome.

In September 2013, the Government introduced the Current Account Switch Service, which guarantees a bank account switch within seven working days. It was hoped that widening of choice would increase competition, leading to improved quality of service.

Recent data from BACS shows that only 1 million people a year choose to switch accounts. The big four banks – Lloyds Banking Group, Royal Bank of Scotland/Nat West, HSBC and Barclays – continue to hold a combined 75% market share.

Research so far undertaken on why people choose to switch bank accounts has not considered the extent to which people take ethical considerations into account. However, it seems reasonable to assume that the proportion is the same as the 2.9% of the population who choose to make positive savings and investments, which suggests at least 30,000 people a year switch bank accounts for ethical reasons. This could increase dramatically when Triodos starts to offer current accounts next year.

Direct investments epitomise the positive investment movement in that they offer the most tangible benefits to society.

Positive investments listed on the London Stock Exchange

If positive investments were available through the London Stock Exchange this would make them much accessible, both as direct investments and indirectly in funds. The huge promotional power that the stock exchange has built up through an international network of brokers and analysts, together with a highly sophisticated infrastructure for share trading and settlement would then be brought to bear to grow the market.

Issuing bonds that are listed on London Stock Exchange means that the product meets the criteria of a much wider range of investors and distributors, and indeed both offers were fully subscribed in under three weeks. Around 40% of the money raised is estimated to have come from individual investors rather than institutions. The Threadneedle UK Social Bond Fund, which launched in January 2014, invests in listed bonds issued by organisations that support socially beneficial activities and balanced economic development, primarily in the UK. It joins a small but growing number of funds that go beyond simply presenting a set of ethical selection criteria and actually measure and report on the social and environmental impact that their fund has delivered. These include The WHEB Sustainability Fund and IMPAX Environmental Markets. (See box)

In January 2015, the Social Stock Exchange and ISDX, a small investment exchange, launched a branded market segment for impact businesses. This provides both an exchange listing and a secondary trading facility. Three businesses have so far joined the scheme.

Positive pensions

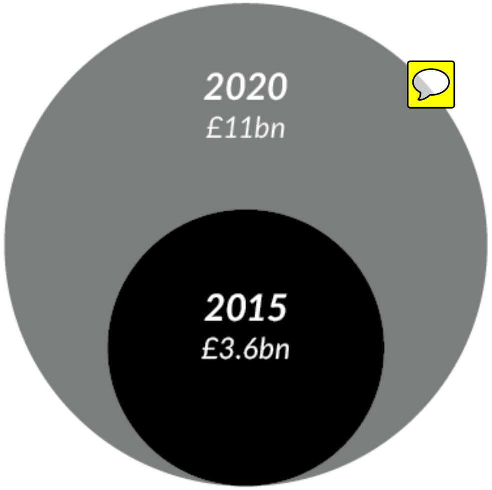
In 2012, 34% of people had a private pension, rather than relying solely on state provision. The current programme of auto-enrolment into workplace pensions is expected to bring a further 11 million people into private pension schemes and by 2030 assets under anagement in defined contribution pension schemes are expected to be nearly £600bn. Channelling just 1% of these assets into positive savings and investment would almost double the size of the market.

However, regulatory complexity and associated costs make it close to impossible to include direct positive investments within a pension.

It has been suggested that a pension fund could be created that channels 10% of its assets into social investment, as already exists in France. Since 2001, employers and pension providers in France have had to offer the Solidarity Investment Fund as an option for their employees, as part of their employee savings plan. This ruling covers all employers with more than 50 workers. The fund now stands at 4.6 billion euros with 1 million investors, bringing a further half a billion euros to positive investment in France.

Picture caption to go in here

Potential five year growth of the positive saving and investing market



The emergence of positive funds

Ethical funds have been a mainstay of ethical investment since the 1980s. But in recent years their growth has come to a standstill. Instead we are seeing the rise of positive funds that offer more explicit social and environmental outcomes and greater transparency.

The investment approach of ethical funds has been to screen out certain 'sin stocks', such as in companies engaged in the arms trade or tobacco sales, and invest across the best of the rest. This is in strong contrast to positive funds, which invest in companies they consider to offer positive solutions. Ethical funds also tend to be less transparent about what they actually invest in. Usually only the top ten investments are declared, whereas positive funds declare their complete list of holdings.

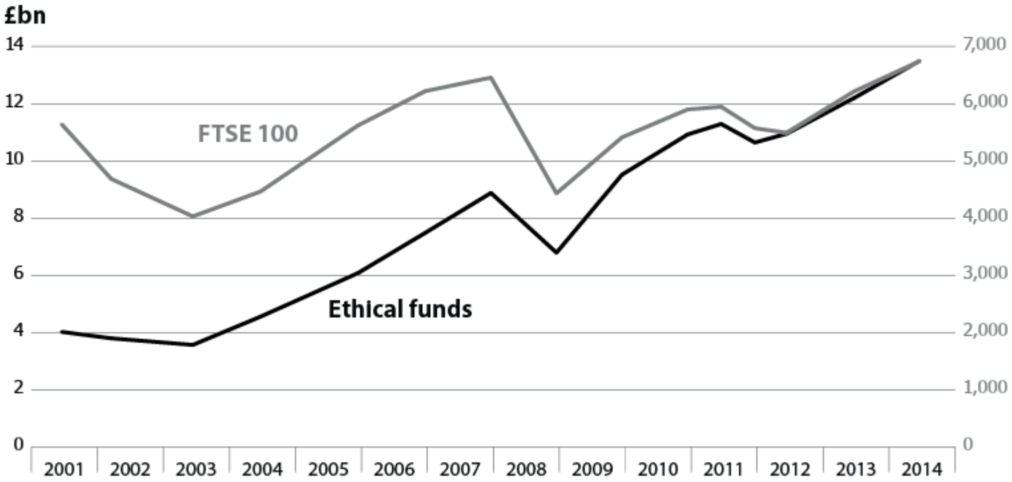
A new and exciting trend is for positive funds to go one step further than a simple investment policy and to look at the actual social and environmental outcomes of their investments. These reports are made available to investors.

A tale of two funds

Two of the most promising positive funds are the Threadneedle UK Social Bond Fund and the FP WHEB Sustainability Fund (see page 31). Both funds use positive screening, invest across a broad range of business sectors and produce detailed and accessible reports on their work. Both fund recently released their first impact reports and are now also listed on Ethex.

The Threadneedle UK Social Bond Fund
Fund size: £68 Million

The Threadneedle Social Bond Fund is an FCA regulated corporate bond fund which offers daily liquidity and is available to both retail and institutional investors. The fund aims to deliver both a financial and social return by investing in fixed income securities that are deemed to have a clear focus of achieving and supporting positive outcomes for individuals, communities or society as a whole, operating in areas such as housing, employment, education, transport and health. A percentage of the Fund's earnings go towards supporting Big Issue Invest in its work financing social enterprises, In its first year the fund invested in 60 bond issuers, which include three charities and 13 registered social housing providers. The two largest holdings are in the European Investment Bank Green Bond, with money going to energy-related projects, but also health, housing and education; and Pacific Quay, the BBC's new Scotland HQ in Glasgow, helping to regenerate the area. Other investments of note are the Welcome Trust, Nationwide and Coventry Building Societies and Motability, a charity that helps disabled people with their personal mobility.



Even so, no fund can meet the requirements of every investor on every occasion. For example, a company providing water purification services may have significant sales to the aerospace industry; or a company selling recycled car parts may be reducing landfill but at the same time supporting the automotive industry. But so long as the fund publishes its full list of holdings, it is possible for the investor to make their own assessment of whether or not a fund is suitable for them to invest in.

The rise of positive funds could have a significant impact on the overall size of the positive investment market. This year we have chosen not to include them in the total market, as we are not yet fully confident as to which of these funds meet our positive investment criteria. However the top five funds that we have so far tentatively identified total just over two thirds of a billion pounds, making them almost twice the size of the direct positive investment market, although less than 20% of the total amount saved in direct positive savings and credit unions.

For more on positive funds, www.ethex.org.uk
For a detailed evaluation of all green and ethical funds see www.3dinvesting.com.

If you are interested in a free log-in to the 3Dinvesting website contact, help@ethex.org.uk

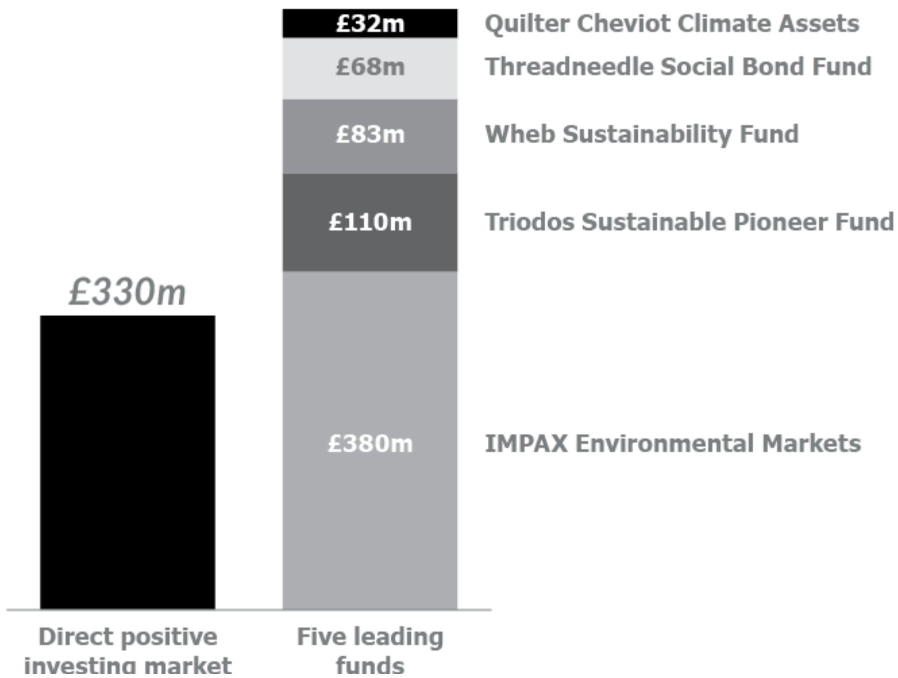
Ethical funds are losing ground

Today there are around 100 ethical funds available. But they have fallen in size from a high of 2% of the total UK funds market in 2009 to 1.5% in 2014.

The indication is that in recent years they have grown in value only in line with the FTSE100 index, and no new investors are coming in. On the other hand the newer positive funds are growing rapidly, albeit from a smaller base.

The biggest problem that ethical funds face is that the approach of spreading risk across as broad as possible a range of industry sectors is becoming unworkable. This is because ethical investors are now concerned with the ethics of a wider range of business activities. For example, fossil fuels and finance have become key concerns. But excluding oil, gas and bank shares from a general fund makes it very difficult to offer sufficient diversification, so many of these funds choose to continue to invest in these companies, this means that they are not true positive investments.

The approach of positive funds is not to screen out but to screen in. The fund chooses specialist areas such as health, sustainable transport or affordable housing and finds the best performing companies in these areas. This limits to some extent the diversity of investment areas the investor is exposed to, but provides much greater clarity on the social and environmental impact of the fund.



How big is the market?

The scope for growth in the positive saving and investment market is very large.

The total amount saved or invested positively represents only 0.2% of UK total financial wealth. Positive investing currently reaches 2.9% of the UK population, and so we estimate that these individuals are, on average, saving and investing less than 10% of their financial wealth positively. As positive savings represent almost 90% of the market and direct investments just short of 10%, this means that on average each positive investor is using under 1% of their financial wealth to make direct positive investments.

Over the next five years, Ethex believes that positive saving and investing will reach 6% of the population, or 3.8 million people, with each person positively saving or investing on average 20% of their financial wealth. This would take total market size to £11 billion. This represents modest overall annual growth of 25%, only slightly more than the 23% a year growth the market has shown over the last two years.

Ethex considers that to reduce risk, a maximum of 10% of an individual's readily realisable wealth should be put into positive investments (not including savings). Realistically, only those with wealth over £25,000 are therefore in a position to invest significant amounts positively, as this would allow them to make investments of up to £2,500 in total.

CASE STUDY

FP WHEB Sustainability Fund
Fund size: £83 Million

The fund focuses on companies engaged in the 'green industrial revolution', working in the areas of resource efficiency, cleaner energy, sustainable transport, environmental services, water, health, safety, wellbeing and education. Its top two holdings are Fresenius, a provider of dialysis products and services to hospitals and for home care, and Acuity Brands, a leading manufacturer of LED lighting.

The social performance of each investment is evaluated along two axes – their standards of governance, and the extent to which the business 'breaks through' into replacing or transforming established systems to deliver radically higher economic value alongside positive impact. The fund team researches its investees carefully and is active in engaging with them to encourage them to improve their impact.

The fund measures its carbon footprint, in terms of tonnes of CO2 emissions per million pounds invested, and is also extremely transparent, publishing on its website not only an impact report but also a complete list of its

Financial wealth in the UK is not evenly distributed. 25% of households have negative financial wealth, whilst 31% have financial wealth of £25,000 or more. This would mean that the option to positively invest is open to up to 31% of the population, or just under 20 million people.

Even then, direct investment in stock market shares is only undertaken by 12% of the population and only 5% have investments in funds such as unit trusts and investment trusts. Even so, given that only 200,000 people currently hold direct positive investments, the potential for growth is large.

Ethex believes that positive saving and investing will reach 6% of the population, or 3.8 million people.

Poistive Investing toolkit

Positive investing is about more than businesses that bring benefit to society and the environment. It's also about people choosing to be more active with their money.

But making personal decisions about how to save and invest is not easy, and Ethex's customers are continually asking for guidance. So to help them, we have launched the Money Action Plan, or MAP, a toolkit designed to take the people on a journey of financial self-discovery in which they explore how to become an active positive investor.

The MAP starts with a simple questionnaire, designed to ascertain how much you already know about positive investing.

The Money Action Plan takes people on a journey of financial self-discovery in which they explore how to become an active positive investor.

It then proposes a series of actions you can take to improve your understanding. But the most powerful tool in the box is the Factfinder. This asks you to enter information about your financial wealth and then drills down to give a full analysis. It can be used by anyone regardless of their actual level of wealth.

The Factfinder gives you a positive investment score out of 100, together with recommendations on how to improve. It also provides an action planner, so that you can prioritise your recommendations and decide which you want to do first, and by when.

You can try the prototype for yourself at www.ethex.org.uk/MAP. We would welcome your feedback, so that we can learn how to improve this innovative tool.

CASE STUDY

Title to go in here
Fund size: £68 Million

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Section 4

The Role of Ethex in Positive Investing

The Role of Ethex in Positive Investing

First founded in 2013, Ethex is gathering together a growing community of individuals with a strong interest in positive investing. We maintain close dialogue with our investors at all times and are continuously learning what investors are looking for and how best to grow the market. It is this dialogue that informs the content of this report.

Ethex's role is to make positive investing 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. Our vision is for everybody's financial wealth to be saved and invested in a way that brings benefit to society.

As Ethex moves forward it will continue to catalyse change in the marketplace. Change is needed at many levels – but of greatest importance are investor education in risk and reward; a stronger financial infrastructure in which positive investing can take place; and more consistent regulation that recognises the importance of social and environmental benefits from investing, not only the financial.

Ethex is the sole provider in the UK of 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 helping to discover their true market value, this secondary market provides a continuous investment opportunity for all positive investment products so that investors can buy and sell their investments at a fair price at any time. Ethex sees this service as an essential part of supporting people in making and managing their investments.

At the request of its investors, Ethex is devising the Money Action Plan, or MAP, designed to guide investors through the world of positive investing and on the way discover more about their appetite for it. The MAP gives each investor a score for how positively invested they are, together with recommendations on how to improve. The MAP can be used by anyone regardless of his or her actual level of wealth. For full details please see www.ethex.org.uk/MAP.

Every spring, Ethex holds an Annual Gathering at which individual investors can learn to understand better the risks and rewards of the positive investing marketplace. They are encouraged to share with others the barriers they personally face in deciding whether or not to make positive investments, what it would mean to them to be more positively invested, what benefits that would bring to society, and what are the accompanying financial risks.

For more information contact us on help@ethex.org.uk or call 01865 403304.

Section 5

Our Research Methodology

Our Research Methodology

Data for this report was drawn from three main sources. We would like to thank The Cooperative Shares Unit in Manchester, for their detailed data on community share issues, 3D Investing for information on ethical funds, and the Association of British Credit Unions, also in Manchester, for their guidance on where to find data on credit unions. The remaining information came from Ethex's own data bank of positive investments featured on Ethex.

Size of the marketplace

Data on the size of the marketplace was either drawn directly from the reports of the businesses concerned, or from centralised sources. The centralised sources aside from Ethex were the Financial Conduct Authority and the Prudential Regulatory Authority for data on credit unions; the Community Shares Unit for data on community shares; and Triodos Bank for share offers supported by them.

Data on the size of the green and ethical funds market was drawn from 3D investing (www.3Dinvesting.com and research) undertaken annually by EIRIS (Ethical Research and Information Services) and by the Investment Association.

Data on the level of household wealth in Great Britain was drawn from the Office of National Statistics Survey of Wealth in Great Britain 2010-12, which can be found here http://www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-3/2010-2012/index.html and from research by the Lloyds banking Group.

Data on bank account switching is provided by BACS and can be found here http://www.bacs.co.uk/bacs/resources/pages/documentlibrary.aspx?keyword=CASS

Data on pensions was drawn from Big Society Capital's 2015 report Good Pensions.investors can buy and sell their investments

The hotspots

Our 2013 report analysed by postcode almost 50,000 positive savings investments in 14 businesses with a total value of £265 million made since 2002 and still current in early 2012. We used these to identify and draw up a baseline picture of 15 hotspots for positive investing across the United Kingdom.

In 2015 we took a different approach and set out to determine which areas of the UK have seen the most active engagement from positive investors supporting local businesses. We analysed all new share offers undertaken between July 2104 and the end of June 2015 to determine which hotspots had shown the highest level of activity over the period. This one year period is shorter than in our 2014 report, which included two years' of data.

In order to ensure that this approach truly reflects local activity, the three national savings institutions Triodos, Ecology Building Society and Charity Bank and a number of share offers by larger organisations were excluded from the analysis on the basis that their funds were not predominantly raised from local investors. Data from credit unions was also excluded as sufficiently detailed information was not available.

The positive investors

While precise numbers of savers and investors are available for credit unions and other savings, it has been necessary to estimate the number of investors in direct positive investments. This is based on the average investment size for those businesses of a similar type where the number of investors is known. For this reason, the total number of positive investors is approximate. However it should be noted that a similar methodology to last year has been used, to give year on year consistency.

It should be noted that some individuals hold more than one saving or investment, meaning that the total number of people investing will be less than the total number of investments held. The same applies to savings accounts and credit unions, although we imagine the overlap here to be small.

The businesses

The survey only includes businesses that bring clear benefit to society. This is mostly determined by the legal form of the business, with charities, community benefit societies, co-operatives and community interest companies all being included as these are legally required to state a social or environmental objective in their founding document, and then to meet it.

Some private and public companies have also been included. These are those who are judged to have it as a specific intention purpose to bring social and / or environmental benefit to society. This is assessed in a number of ways, such as if they have a statement of such intention in their founding document; if they report on their impact; and if they actively market investment to individuals with explicit and supported statements on how this investment will benefit society in the areas that Ethex itself looks to support.

The Ethex
Positive Investing
Report 2015

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