

# Public understanding of sustainable finance and investment

A research report completed for the Department for Environment, Food and Rural Affairs by Ipsos MORI

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**Ipsos MORI**



## **Public understanding of sustainable finance and investment**

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## Glossary

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Defra	Department for Environment, Food and Rural Affairs
EA	Environment Agency

## Executive Summary

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This report is one of a series of five focusing on Public Understanding of Sustainability to offer insight to consumers' current position in five environment related areas.

The findings of the research need to be presented in the context of consumers' financial decision making processes and their attitudes towards environmental issues in general. Once these areas of consumer attitude and behaviour were explored it became clearer why certain positions were held with regard to environmentally-friendly finance.

Financial decision-making is, of course, a day-to-day concern for consumers, and some financial products, such as current accounts, featured in participants' day-to-day lives to the point where they were taken for granted. Consumers tended not to think often about other products, such as insurance or mortgages, until action was required. The main factor which determined whether participants compare products was their willingness to go through what many described as "the hassle" of shopping around for a better return.

The environment did not feature highly in people's priorities when considering financial products, even among the most engaged (e.g. 'Green segment'). Ethical concerns featured for some but even in these cases the definition of ethical investment was fuzzy and tended to focus on issues an individual was interested in. It was assumed that environmental issues are covered by ethical investment criteria and these participants trusted their ethical investment provider to invest in an environmentally-friendly way.

Few of those we spoke to said that environmental issues were not important. However, participants did not tend to perceive a need for a fundamental change in their behaviour in response to the challenge of environmental degradation. Rather, there was a feeling that life can and should continue as it has done, with green issues to be taken into consideration around the margins of day-to-day behaviour. While there was a feeling that 'something should be done', the environmental problems were often seen as too big to be solved by the actions of individuals.

The values associated with environmentally-friendly behaviour and financially profitable behaviour were diametrically opposed in the participants' minds. If we were to imagine a continuum, green behaviour is associated with a

hippyish, anti-capitalist, idealistic, warm, collectivist political position. Being financially aware and profitable is inherently rational, pragmatic, individualistic and capitalistic. In the participants' minds the two do not sit together. There is another continuum of environmental behaviour, with recycling being the introduction, done by the majority. Shopping in an environmentally-friendly way comes further along the line, as does driving and flying less. At the far end is environmentally-friendly finance – this is something that so far only the most engaged in sustainability issues have even considered. The main reason participants didn't move along the continuum was the externalising of responsibility for environmentally-friendly behaviour to other people, places and times.

The concept of environmentally-friendly financial products was received positively but for many there were a lot of practical barriers to overcome before purchase would be considered. The alien nature of the concept for many suggests this may have to be a long-term effort to spark interest in environmentally-friendly finance. In particular, the assumption that environmentally-friendly finance was a lower return / higher cost option needs to be addressed. However, overly-prescriptive 'preaching' to the public may well be counter-productive because of feelings that the current interest in green issues was a fad and that authority figures were expecting people to take action when they themselves were not doing their bit. It would be better to appeal to the pragmatic aspects of financial decision making alongside environmental concerns, rather than appealing to altruism alone.

There is also a need to make green behaviour an easy option. People will not go out of their way to act in this way – a common feature of cases where people have changed their behaviour to be more environmentally-friendly was the lack of disruption to everyday life. Strategies that could be employed to remove barriers (often used as justification for people not acting in an environmentally-friendly manner) include the implementation of a logo or standard which denotes a financial product as being environmentally-friendly, as well as targeting influencers such as the press and IFAs who edit choices for many consumers, helping them to negotiate the complexity of different product offerings. If trusted influencers could be encouraged to include environmentally-friendly financial products in the short listed options they present to consumers, this could help shift purchase behaviour.

Messages need to be tailored for different audiences as they have different concerns and different attitudes towards the environment. These messages need to be propagated widely and made personally relevant so that

consumers can relate them to their day-to-day experiences. Real life examples of environmentally-friendly finance help make the issue more tangible, and therefore more believable. Consumers should not be blinded with science which serves to confuse and make the environmental issue seem remote. Nor should they be asked to think too far into the future, which allows them to defer responsibility for their choices and actions to another time, which again is not as tangible as the present. Instead, communications should focus on the human angle of the environmental issue, one that consumers are better placed to understand.

Part of the approach should focus on myth-busting, to prevent consumers erecting barriers based on misinformation to avoid taking action on environmentally-friendly finance. To help raise awareness, it may be effective to target those most open to switching to green financial products, for example mid-level affluent families with children (e.g. 'Consumers with a Conscience' / 'Basic Contributors' segments) or older 'empty-nesters' (e.g. 'Consumers with a Conscience' / 'Wastage Focused' segments).

There is also mileage in bundling the message of environmentally-friendly finance with wider ethical concerns. Participants were more familiar with ethical investment and found the social justice angle more tangible and less daunting than environmental issues. Indeed, many of those we spoke to assumed that ethical investment took companies' environmental behaviour into account. If the myth-busting strategies could address ethical investment as a whole rather than environmentally-friendly finance alone, then consumers may well be more receptive to messages on how these could benefit them.

Despite the intangibility of the issue of environmentally-friendly finance, both environmental and financial concerns are primarily concerns about the future. This common ground could be used to sensitise target groups to the issues, perhaps by appealing to their sense of parenthood. However, any communications should not involve negative marketing, preaching or making people feel guilty. Instead, messages should focus on enabling consumers to understand where their investments are being used and the effects they have on the wider world and the future.

Recommendations for Defra in promoting environmentally-friendly finance:

- Champion the importance of product availability and awareness raising – there is consumer appetite, and Government has a unique opportunity to influence and convene the diverse parties required

- Initiate consultation on how best to approach ‘myth-busting’, particularly in communicating potential financial returns of green products, and whether financial/tax incentives are desirable/workable
- Engage the financial industry and intermediaries/influencers such as IFAs and the financial media in environmentally-friendly finance and investigate opportunities for an independent standard
- Explore synergies with the other four research strands, particularly in terms of promoting environmental issues as more tangible and immediate for people
- Ensure that Government is as far as possible seen to be ‘doing its bit’ in reducing its own environmental impacts, to enhance the credibility of its communications promoting change to others
- Conduct further research on how best to communicate with consumers and others on these issues (see final section).



# 1 Introduction

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## Introduction

- 1.1 This report contains the findings from one of a programme of qualitative research among consumers designed to offer insight to consumers' current position in five environment related areas: finance and investment (reported here); food; energy use; leisure and tourism; and transport. This research was undertaken by Ipsos MORI on behalf of the Department for the Environment, Food and Rural Affairs (Defra) and focuses on the Finance and Investment strand of the programme. This chapter sets out the background to the research, discusses the research objectives in detail and outlines how the remainder of the report is structured, including our understanding of 'sustainable finance' which focuses on environmental issues, but not to the exclusion of social / ethical factors if they were mentioned by participants.

## Background

- 1.2 This research feeds into the wider policy area of Sustainable Consumption and Production (SCP), a joint Defra / DTI policy area and a key priority for Defra. SCP is about breaking the links between economic growth and environmental degradation. This will require a major shift to deliver new products and services with lower environmental impacts across their lifecycle, and new business models which meet this challenge whilst boosting competitiveness. Defra has identified a need to build on people's growing awareness of social and environmental concerns, and the importance of their roles as citizens and consumers.
- 1.3 A robust evidence base to support policy makers in delivery of SCP is seen as vital to delivery of the overall SCP Programme. Development of an evidence base which draws on the wealth of existing research and includes new work will stimulate more knowledgeable and informed debate, and enable progress towards achieving SCP policy outcomes.
- 1.4 The UK Government's Sustainable Development Strategy and the

Sustainable Consumption Roundtable (SCR) recognised the need to explore public responses towards actions for sustainable lifestyles and their interactions with broader lifestyle aspirations. For the purposes of this research, explorations are primarily focused on finance and investment: parallel projects will consider responses to the other four key areas – energy in the home, transport, leisure and tourism and food. The findings from the research will feed into (amongst others) a Pro-Environmental Behaviour Framework, and contribute to Sustainable Business Taskforce. The wider research programme is providing evidence about public behaviour and sustainable consumption with the current need for this project focused on consumer understanding of the need, and avenues, for change.

- 1.5 The finance sector is central to our modern economy and its activities impact on all aspects of our lives. Many people today are investors through their own financial activities, such as pensions, life assurance, savings and personal investments which are managed through institutional investors. Investors are ultimate owners of companies and providers of capital, and the manner in which they invest can make an important contribution to limiting detrimental impacts on the environment and contribute to “One Planet Living”.
- 1.6 Some banks and building societies have clear ethical and environmental policies and offer services including current accounts, cash ISAs and savings accounts, mortgages and other lending facilities. Much research has been undertaken in the area of ethical finance and products but Defra is also keen to understand general consumer understanding, awareness, attitudes and aspirations towards finance and the environment in particular.

## **Study objectives**

1.7 There are seven key objectives for this piece of work:

- Understanding whether consumers link financial decisions with environmental impact
- Understanding whether consumers are interested in thinking about money management and whether investments take account of environmental concerns
- Understanding what would influence consumers to consider sustainability in terms of finance
- Understanding consumers' thought processes regarding finances and sustainability's place within that
- Understanding the sources used (and not used) for information and advice in the financial decision making process
- Understanding whether consumers are invited to consider the environment by these sources and how readily available these sources are
- Understanding differences within and between demographic groups

1.8 Throughout the research an additional objective was identified of noting differences in attitude and behaviour by demographic criteria and the financial products consumers may hold. To protect respondent confidentiality, the names used in the pen portraits have been changed, but other life-stage information has been preserved.

1.9 Finally, the report aims to take account of an initial Defra environmental segmentation model of the British public, from a research study conducted in December 2006 by Define Research and Insight. This report looks at tendencies of demographic groups to fall into the broad environmental segments previously identified (rather than directly transposing all the detailed findings from this research onto the segmentation). It should be noted that consumers may fall into more than one segment when considering different environmental issues or areas of their lives.

## **Interpretation of findings**

- 1.10 Two of the key strengths of qualitative research are that it allows issues to be explored in detail and enables researchers to test the strength of people's opinion. However, it needs to be remembered that qualitative research does not allow conclusions to be drawn about either the extent to which something is happening or percentages of stakeholders who have certain attitudes and opinions. Qualitative research is designed to be illustrative, rather than providing statistically representative data.
- 1.11 It should also be noted that throughout this report we record perceptions and opinions, not facts. Participants may hold views based on incorrect information; these perceptions are recorded here. There is sometimes a tendency for qualitative discussions to elicit critical views, and we have taken this into account in the moderation and our interpretation of the findings.
- 1.12 Throughout the report, use is made of verbatim comments from participants. Where this is the case, it is important to remember that the individual views expressed do not always represent the views of the groups as a whole but are illustrative of a key finding or aid readers' understanding.

## 2 Methodology

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### Introduction

- 2.1 The research adopted a wholly qualitative methodology of discussion groups and telephone depth interviews. Discussion groups took place between 5 and 22 March 2007 with depth interviews conducted between 30 March and 26 April.
- 2.2 This approach allowed us to have in-depth discussions in both a group setting and one-to-one. Such a multi-layered, iterative approach was ultimately deemed necessary to truly get 'under the skin' of the issues surrounding sustainable finance.

### Discussion groups

- 2.3 A total of 14 group discussions were conducted to understand the public's views on sustainability and specifically sustainable finance. These were divided into groups with similar characteristics and at similar lifestages. Groups ranged from those with simple financial products only (i.e. current accounts) to those with more sophisticated financial holdings. Two groups were held with consumers committed to environmental issues. Each group discussion lasted 90 minutes and was moderated by an experienced Ipsos MORI qualitative researcher.
- 2.4 In order to test our approach to the groups, two pilot discussions (within the total of 14 groups) were conducted. They were used to test all research materials, especially the discussion guide. No significant changes were made following the pilot groups and therefore this data was included in analysis.
- 2.5 The discussion groups covered the following areas:
- Financial decision making behaviour
  - Attitudes towards the environment and green issues
  - Knowledge of, and attitudes towards, environmentally-friendly finance
  - Barriers, motivations and possible triggers for choosing or switching to

sustainable financial products or services

- Recommendations for encouraging public uptake of environmentally-friendly financial products

2.6 A copy of the discussion guide used during the groups can be found in Annex A.

2.7 Recruitment for all group discussions was conducted face-to-face. Participants were invited to the group discussions either on-street or on their doorstep. An incentive of £40 to each group participant was offered as a thank you for their time and to cover any expenses incurred.

2.8 A screening questionnaire was used to ensure a good mix of participants took part in the research. This can be found in Annex B. To ensure discussions were relevant to participants it was agreed that all participants must:

- Be social grade A, B, C1, C2 (and therefore likely to have use and experience of a range of financial products)
- Be solely or jointly responsible for household financial decisions
- Have a UK bank account

2.9 Furthermore, the consumers were screened according to the following criteria:

- Age
- Gender
- Socio-economic grade
- Lifestage
- Number and type of financial holdings (savings, stocks and shares, investments insurance, occupational / private pension, mortgage, insurance, savings/investment, pension)
- Attitudes to the environment
- Level of environmental activism

2.10 The composition of the 14 group discussions is summarised in Table 1.

**Table 1: Group composition**

<b>Group no.</b>	<b>Location</b>	<b>Lifestage</b>	<b>Social grade</b>	<b>Financial holding</b>
1 – Pilot	Central London	Affluent 35-54	AB	At least 2 of savings, stocks and shares, investments insurance plus a pension
2 – Pilot	Central London	Young family, 25-35, children under 11 Identify selves as 'green'	C1C2	At least 2 of mortgage, insurance, savings/investment, pension
3	Bristol	Undergraduate students (Years 2+)	N/A	At least bank account
4	Manchester	Been in full-time work 2+ years, 18-25	N/A	At least bank account
5	Surbiton, Surrey	Young family, 25-35, children under 11	AB	At least 2 of mortgage, insurance savings/investment, pension
6	Sevenoaks, Kent	No children, 25-45	AB	At least 2 of savings, stocks/shares, investments, insurance
7	Alderley Edge, Cheshire	Older family, 35-54, children over 11	AB	At least 2 of savings, stocks/shares, investments, insurance
8	Wombourne, Staffordshire	Pensioners, 55+	AB	Occupational/private pension, plus 1 of savings, stocks and shares, investments, insurance
9	Bristol	Pensioners, 55+	C1C2	Occupational/private pension, plus 1 of savings, stocks and shares, investments, insurance

Group no.	Location	Lifestage	Social grade	Financial holding
10	Sevenoaks, Kent	35-54	BC1C2	At least 2 of savings, stocks and shares, investments, insurance plus a pension
11	Surbiton, Surrey	Older family, 35-54, children over 11  Identify selves as 'green'	C1C2	At least 2 of savings, stocks/shares, investments, insurance
12	Wombourne, Staffordshire	Young family, 25-35, children under 11	C1C2	At least 2 of mortgage, insurance, savings/investment, pension
13	Manchester	No children, 25-45	C1C2	At least 2 of mortgage, insurance, savings/investment, pension
14	Alderley Edge, Cheshire	Affluent, 35-54	AB	At least 2 of savings, stocks and shares, investments, insurance plus a pension

## Depth interviews

- 2.11 Because personal finance is an emotive and sensitive issue some people may be less open with their views in a group situation than they would do on an individual basis. Therefore, we selected the most interesting participants from across all main stage group discussions for 22 in-depth interviews conducted by telephone around two weeks after the initial discussion groups.
- 2.12 During those two weeks, the issues discussed had time to develop in the participant's mind. As the issue of environmentally-friendly finance was not top-of-mind for participants the groups brought the issue to the fore. As such participants consulted friends and family on the topic, and were generally more aware of all marketing materials or press material relating to sustainable finance in the period following the group discussions. These follow-up



interviews allowed participants to reflect upon issues in a real world situation once they had had the opportunity to digest the idea of environmentally-friendly finance and perhaps discuss the subject with their peers.

- 2.13 Participants were selected for follow-up interviews based on a range of ages, demographic profiles and opinions to the environment, to finance in general and more specifically to sustainable finance. All interviews were conducted via telephone and lasted around 20 minutes. Interviews followed a structured topic guide (a copy of which can be found in Annex C).

## **Findings**

- 2.14 The following chapters explore the findings of the research in detail.
- 2.15 Firstly the report deals with the general context of financial decision making, which factors are considered when choosing financial products and how decisions are arrived at. Following that the report explores attitudes towards the environment and green issues. The report then assesses the role which the environment plays in financial decision making, and attitudes towards environmentally-friendly finance. Reactions to the products and concepts tested during the discussion groups follow before a discussion on what can be done to encourage the public to take up environmentally-friendly financial products. Finally the report considers implications for the future.
- 3.3 Any financial institutions named in this report are purely to illustrate participants' responses and aid understanding.

### 3 Financial decision making

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#### General financial decision making

- 3.1 An understanding of the decision-making processes the general public go through when considering financial products provides vital context for this research. Without understanding other factors which consumers consider when investing their money it is impossible to understand where environmental concerns fit in and the value placed on those concerns.
- 3.2 Finance in itself was clearly a day-to-day concern: debts, bills, salaries were all part of daily life for those we spoke to. Some financial products, such as current accounts, featured in participants day-to-day lives to the point where they are taken for granted. Participants tended not to think often about other products, such as insurance or mortgages, until action was required. Events which prompted them to think about such products included upcoming opportunities for renewal of insurance (usually on an annual basis) or times when mortgages could be renegotiated. Because current accounts are such an everyday product those we spoke tended not to even consider changing provider, unless bedevilled by poor service. An exception to this was students, who shopped around for student accounts which offer overdrafts or free gifts.

*"The [name of bank] student rail card that was quite an incentive, I joined for that incentive."* (Male, Student, Bristol)

*"I've literally just changed my bank account to an old one that I had years ago because they were just really getting on my nerves."* (Male, 35-54, AB, Cheshire)

*"It's just so much hassle to open a new bank account, and change your mortgage or your current account."* (Female, 35-54, AB, London)

*"Once it's set up you tend to leave it for a bit, until somebody puts another offer in front of you."* (Male, 25-35, C1C2, London)

- 3.3 Some participants shopped around for the best financial product, while others did not. There did not appear to be any particular demographic group which

was more likely to shop around. The main factor which determined whether participants compared products was the willingness to go through what many described as “the hassle” of shopping around for a better return or not.

*“It’s not laziness, it’s just the complication of it, when you try to move, go for a cheaper one or the better return. By the time you’ve read the small print, you’ve got to transfer so much per month, it’s incredibly complicated.”* (Female, 35-54, AB, Cheshire)

*“It’s just easier to stay where you are.”* (Female, 25-35, AB, Surrey)

*“You can’t be bothered with the hassle of it.”* (Female, 35-54, C1C2, Surrey)

- 3.4 Fundamentally this is a manifestation of the relative value placed on time vs. money and whether “having enough” money is more important than “having as much as possible”. Those who did not shop around tended to have all their financial products with one provider, for convenience.

*“As long as the direct debits are going out when they should, you think that sorts itself out, you just have to make sure there’s enough money in the account.”* (Female, 35-54, AB, Cheshire)

*“I’ve got some I suppose real loyalty to [name of bank]. They helped me through Uni. They’re all right.”* (Male, 25-35, AB, Surrey)

- 3.5 Indeed, tracking research conducted by Ipsos MORI Financial Services shows that inertia is one of the main factors in determining where consumers decide to open savings accounts. Some of the people we spoke to who did shop around, or who employed a financial adviser to do this on their behalf, tended to do so for products of a larger scale e.g. mortgages and pensions. Participants also tended to comparison shop if comparing was made easy, such as with insurance products, for example. Participants were likely to use well-known price comparison sites on the internet to assess the relative merits of financial products.

*“Moneyexpert.com [...]. He’s absolutely fantastic. It’s been a revelation actually, that website.”* (Female, 25-35, AB, Surrey)

*“There’s all sorts of sites [...] where you can check rates against other rates.”* (Male, 35-54, C1C2, Surrey)

3.6 Information sources used to gain knowledge of financial products included:

- the financial supplements in the weekend press (both popular and quality);
- the internet; and
- recommendations from friends and family.

*"I've got a deal with my neighbour, he buys two [newspapers] and I buy two and then we swap the financial pages over... All the information is basically there." (Male, 35-54, AB, London)*

*"The Sun [...]. Once a week they will show you all the different bank accounts and what's earning what and then they'll show you all the different mortgages, they'll do all the different ones and compare."*  
(Female, Student, Bristol)

3.7 Only the more affluent participants had Independent Financial Advisers (IFAs), because they were perceived as expensive and therefore beyond the reach of less affluent consumers, and also because the less affluent did not feel they had enough money to invest to warrant 'high-level' advice.

*"I found the financial advisor, it's a must for anybody because some of these financial advisors are very, very good. They shop around and get the best deal. It's best to go to a financial advisor every time."*  
(Male, 55+, C1C2, Bristol)

3.8 Despite the importance of finance in most participants' lives financial decision making was not a purely rational process. While those we spoke to claimed the best rate of return or lowest cost was the most important factor when choosing a product this was not always borne out in their behaviour. Factors considered included:

- an institution's reputation;
- previous service experience;
- perceptions of product risk and security;
- ease of product understanding; and
- accessibility of branches were also often taken into consideration.

*“I’m with the same mortgage provider that I’ve been with, and I use them for business purposes as well, therefore I’m not going to move my personal mortgage because I think it would be insulting.” (Female, 35-54, AB, Cheshire)*

## **The environment in financial decision making**

- 3.9 The environment did not feature highly in participants priorities when considering financial products. Ethical concerns featured for some but even in these cases the definition of ethical investment was fuzzy and tended to focus on issues in which an individual was interested e.g. animal welfare rather than a more holistic definition.
- 3.10 Ethics were associated with socially responsible corporate behaviour rather than environmental behaviour. Common examples cited included not investing in companies with exploitative labour practices or who were involved in activities such as animal vivisection, arms trading and the production of pharmaceuticals.

*“If I was investing in something I’d really want to know what they were doing with my money, and if I thought that it was being spent to kill thousands of Iraqis, I wouldn’t be happy about it.” (Female, 35-54, AB, Cheshire)*

*“In the Middle East they do these carpet schools where the kids go [...] if you knew your money was just employing these kids to skivvy then I think you would make a decision. If you knew that your money was going to go into animal vivisection and you were for some reason involved in animal welfare you wouldn’t be saying, yeah go on go and cull a load of animals I’m quite happy I just want my return thank you very much.” (Male, 35-54, C1C2, Surrey)*

- 3.11 When prompted, environmental concerns were seen as encompassing ‘ethics’ and it was assumed that an ethical stance presupposes environmentally-friendly behaviour. Even among the few people encountered during the research who have ethical investments, few seemed to have specifically investigated the environmental impacts of their investments. Rather it was

assumed that environmental issues are covered by ethical investment criteria and these consumers trusted their ethical investment provider to invest in an environmentally-friendly way.

*"That bank or whoever it is that have an ethical policy, they aren't pro social issues and then anti environmental issues, I think they go hand in hand."* (Female, 35-54, AB, London)

### **Perceptions of financial institutions**

- 3.12 Financial institutions were not generally trusted to behave in anybody else's interest apart from their own.

*"I'm naturally cynical I have no reason to trust them. They try to sell me something, one stage above a second hand car dealer, they're not going to tell me that the tyres are bald and that the engine is about to die, they want my money, and they will tell me what they think I want to hear."* (Male, 35-54, AB, Cheshire)

*"If [name of bank] or [name of bank] start saying, oh we're just going to go in the organic, ethical [fields]. I just won't believe them because they simply can't be ethical."* (Male, 25-35, AB, Surrey)

*"With a commercial organisation, there's always part of me that will think they're just trying to get more customers."* (Male, 35-54, C1C2, Surrey)

- 3.13 Indeed those we spoke to believe that a financial institution must behave in such a way in order to be successful. Mutuals and building societies were seen as an exception to this rule. The large profit made by financial institutions was held up as evidence of the success of self-interest (e.g. the recent news stories of large banks and their profits broke while research was being conducted). In short, participants believed ethics and profit can not go hand in hand.

*"To make huge amounts of profit margins, ethics have got to be pushed to one side to an extent, it's just as simple as that."* (Male, 25-35, AB, Surrey)

*"[It's] the bank itself saying, 'yeah we're really ethical', so you know that's part of their marketing strategy." (Female, Student, Bristol)*

- 3.14 The basic principle of investment was widely understood at a topline level. However, the concept tended not to be top-of-mind and consumers struggled to articulate how their investments ended up making them money. Participants tended not to want to, or not to have time to think about, where money was invested. Many of those we spoke to said that before the research engaged them with the principle they had never thought about where their money was reinvested. There was a certain level of detachment, a feeling that it was financial institutions' responsibility to think about where money is reinvested.

*"I suppose as long as the money's there when you go to the cash machine you're not really bothered, are you?" (Male, 18-25, Manchester)*

- 3.15 There was also a feeling that financial institutions were secretive about where money was reinvested and that, even if one were to ask, they would not be forthcoming with the information. People felt they would have to work very hard to find out where their money went and there was a degree of cynicism regarding the veracity of the information that would be given.

*"It is very difficult for an individual customer to find out what is going on." (Male #1, 35-54, AB, Cheshire)*

*"I'm completely cynical as there never seems to be any transparency." (Male #2, 35-54, AB, Cheshire)*

*"Because it's not in their interests for me to have that information." (Male #3, 35-54, AB, Cheshire)*

*"It's difficult because ... it's all a bit hushed and no-one really knows what they do with it." (Female, 25-45, AB, Kent)*

- 3.16 Among those more knowledgeable, there was the assumption that financial institutions deliberately concealed where the money goes. There existed a perception that claims of ethical or environmentally friendly behaviour would be overstated by a financial institution as a marketing strategy.

*"When you actually take out a product all they ever tell you is that*

*they've invested in British companies or overseas companies, they're never actually specific about what those companies do. And then you get the choice of a medium buy or low risk of your investments. You can ask them what those companies do but they don't actually offer that information."* (Male, 35-54, C1C2, Surrey)

*"It's my responsibility, on reflection now, to go away and say, well where is my money going and what is it invested in? It's not the responsibility of the investment organisation to tell me because they want to get the best return. So therefore the onus, I think, is on us as individuals really."* (Male, 35-54, AB, London)

- 3.17 Overall there was a lack of detailed knowledge about reinvestment. Participants tended to think that they had no say in where their money was invested. The degree to which this feeling was simply a pretext for not having to think about the effects of their investment is debatable and a subject for further research.

*"I've never thought there was a choice."* (Male, 35-54, AB, London)



## 4 Attitudes towards environmental issues

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- 4.1 Participants' attitudes to environmental issues, in conjunction with the wider context of financial decision making, framed attitudes to environmentally-friendly finance. This chapter deals with public attitudes towards green issues.
- 4.2 It should be noted that for many, the primary, top-of-mind environmental issue was climate change. Once prompted issues such as destruction of natural habitats and recycling were raised but the tendency was for a discourse of cataclysm resulting from global climatic change.
- 4.3 Few of those we spoke to said that environmental issues were not important. However, participants did not perceive a need for a fundamental change in behaviour in response to the challenge of environmental degradation. Rather, there was a feeling among non-activists (e.g. everyone outside the very engaged 'Green' segment) that life can and should continue as it had done with green issues to be taken into consideration around the margins of day-to-day behaviour.

*"I went to buy some asparagus the other day, I picked it up (and saw it was from Peru), and put it back down again. That's where I am about these issues."* (Female, 35-54, AB, Cheshire)

- 4.4 For many their position on environmental issues was an extension of their self-identity. They felt they should act in certain ways as an expression of their belonging to a certain section of society. For example, the younger, lower socio-economic members of the public involved in the research are almost anti green-issues (e.g. 'Disinterested' / 'Basic Contributors' segments). Looking after the environment was seen as a luxury for richer people who wanted to feel better about themselves. These people, however, were unapologetically not green and were proud to say so in order to distance themselves from an archetype they did not or could not fit into.

[How important are environmental issues?] *"Not very. I know that sounds a bit bad but you don't think about it, do you?"* (Male, 18-25, Manchester)

*"You know you should recycle but it's just a pain going down to the paper bank or whatever – it's a pain." (Male, 18-25, Manchester)*

- 4.5 There appear to be other examples of demographic factors that shape attitudes towards green issues. Age and socio-economic grade (a proxy for level of education and to an extent income) were the key factors which differentiated people's attitudes to the environment. It should, however, be noted that even within the broad taxonomy sketched out below there was no homogeneity among those sharing demographic characteristics. Rather, those characteristics are useful in providing a pointer towards tendencies to hold certain views towards environmental issues.
- 4.6 Younger consumers tended to place more importance on green issues than older members of the public. The group of students we spoke to were, for the most part, environmentally aware and behaviours which were seen as an effort to some older people (e.g. recycling) were quite natural to them (e.g. 'Currently Constrained' segment).
- 4.7 The arrival of children was often mentioned as a watershed for taking environmental issues, as well as local community issues and those that can be categorised as relating to 'the future', more seriously (e.g. those moving from 'Basic Contributors' to 'Consumers with a Conscience' segments).

*"[Environmental issues are important to me]. It's our children's future basically." (Female, 25-35, AB, Surrey)*

*"I did [consider where the money was invested] with my child's trust funds. [I] based [it] on ethical reasons [...] because I just felt that if my son [has] a very big environmental or ethical agenda as a teenager [...] and then at 18 he gets this wad of money that's been invested perhaps not as sympathetically, then he might have a problem with that." (Female, 25-35, AB, Surrey)*

- 4.8 Among older members of the public not wasting seemed very much second nature e.g. not buying or cooking more than they could eat, not throwing things away when they could still be used, keeping energy use to a minimum (e.g. 'Wastage Focused' segment). This "common sense" outlook was often seen as something very different to the current environmental preoccupations and prescriptions which some saw as unwelcome intrusions, or "preaching".

In practical terms this manifested itself in attitudes and behaviours such as: reusing being more important than recycling; reducing energy use being more important than using renewable energy; and not buying new things unnecessarily being more important than purchasing ethically. Some older people also felt that environmental problems were not going to affect them, especially among lower socio-economic groups (e.g. 'Basic Contributors' / 'Disinterested' segments). They were externalising both into the future and to other people; green issues were seen as something that younger people would have to think about as environmental degradation would affect them.

*"I think my viewpoint is I'll be long dead before the environment situation kicks in."* (Male, 55+, C1C2, Bristol)

*"It may be easier for us to turn a blind eye, I don't really get concerned about certain things. I don't need to worry about it."* (Female, 35-54, AB, Cheshire)

- 4.9 However, alongside this differentiation by age lies a second factor, that of socio-economic grade. More educated, more affluent participants were more likely to look sympathetically at environmental issues and could afford to take action in more areas.

- 4.10 For those who were less engaged with the issues the recent focus on the environment in wider society was seen as a "fad".

*"This paranoia that we have at the moment about global warming and I'm not too sure about that at the moment."* (Male, 55+, C1C2, Bristol)

*"Everyone's jumped on the green bandwagon, environmental issues at the moment."* (Male, 35-54, C1C2, Surrey)

*"This is just recently all hyped up. It's the big thing at the moment and I think you'll probably find [...] it will become like another fad thing like the organic thing".* (Female, 25-35, AB, Surrey)

- 4.11 Some were suspicious that Government was pushing environmentally-friendly messages as a means to raise taxes.

*"If we've got to pay a bit more then I would, I just don't want to be lining their [the Government's] pockets, which is what I feel the governments all over the world are doing, they are not really committed to the real*

issue.” (Female, 35-54, AB, Cheshire)

*“In the Budget yesterday he [Gordon Brown] mentioned environmental this, that and the other several times. Is it a way of raising taxes?*

*Probably. Is it going to be ploughed back into the environment?*

*Unlikely.”* (Male, 35-54, C1C2, Surrey)

- 4.12 Others took the view that environmental issues were being brought to the fore by companies who had realised that there were benefits that come with being seen to be green, both in terms of marketing and improved reputation.

*“I’m not getting on my soapbox here, but [petrol company] have changed their logo and now they’re going all green and they’re all lovely and stuff – but they’re a petroleum company!”* (Male, 25-35, AB, Surrey)

*“I know that there’s other big companies, especially electricity companies, are advertising how green and ethical they are, when actually it means nothing of what they’re doing, and it’s just because they’re riding the wave.”* (Female, 35-54, BC1C2, Kent)

- 4.13 Those who were not convinced by arguments that society needs to embrace green principles cited conflicting scientific evidence as a reason not to take the issue as seriously as they feel they are being told to (the word “preach” was mentioned often by those who held this position).

*“I don’t disagree that the way humans behave is having an effect on the environment, but I’m not sure whether it’s almost a scare tactic, sort of bigging up something that’s not necessarily the huge issue that they say.”* (Male, 25-45, AB, Kent)

*“You just don’t know who to trust, it’s like you’ve no idea what’s actually going on. It’s just sometimes all the different viewpoints coming out I just go ‘I don’t know’ [...] so I’m just going to ignore the situation.”* (Male, Student, Bristol)

- 4.14 Participants did act in an environmentally-friendly way in certain aspects of their lives. Those we spoke to often recycled and used energy saving light bulbs. Only those who were totally disengaged with green issues did not recycle at least – that is pre-family, lower income, less educated members of

the public and older, less affluent and less educated consumers (e.g. 'Basic Contributors' / 'Disinterested' segments).

- 4.15 However, for many recycling was the sum total of their efforts to minimise their impact on the environment. It was seen as 'doing their bit', and was embraced partly because it was made easy by local authorities (e.g. 'Basic Contributors' segment). Indeed, where there was a perception that local authorities did not make recycling easy people were less likely to recycle. Beyond recycling and using energy saving light bulbs, there were difficulties across the board in relating to the issue of caring for the environment. There are a number of reasons for this, but the linking theme was a tendency to externalise responsibility for looking after the environment. While most of those we spoke to thought green issues were important, they tended to posit many reasons why they could not or should not act in an environmentally-friendly way.

- 4.16 There existed a perceived powerlessness among the public. The environmental issue was seen as too big for individuals alone to tackle. This was not aided by the perceived intangibility of the issue. The discourse surrounding environmentally-friendly behaviour was one of 'sacrifice'. Things needed to be made easy for people to even consider acting in a green way.

*"I think we need to be led, I think on this environment issue we need to be, as a population, we need to be led on it. Someone needs to say, right, this is what we're going to do centrally."* (Male, 25-35, C1C2, London)

*"I would like to think that I'm relatively keen on being green. But it's got, this is where I get lazy again, it's got to be convenient. Make it difficult for me and I probably don't want to know."* (Male, 55+, C1C2, Bristol)

- 4.17 There was also an idea that the worst impacts of environmental degradation would happen to someone else, somewhere else (usually in the developing world).

*"In terms of immediacy I think the environmental effects [...] are going to be considerably worse for developing countries. The waterline rising is going to affect firstly developing countries."* (Male, Student, Bristol)

- 4.18 This means that those we spoke to tended to defer thinking about green issues, to bury their heads in the sand, to externalise into the future.

*"Ice is melting... Which obviously is going to be bad, but maybe not in our lifetime." (Male, 18-25, Manchester)*

- 4.19 Herein lies a partial explanation for why having children was such a watershed for taking green issues more seriously – children made the future a more tangible prospect for parents, something which helped them to take issues which impinge on the future more seriously.

*"I do have three sons and I've got a grandchild coming along in June and that concerns me slightly. What's my grandchild going to grow up in?" (Male, 55+, C1C2, Bristol)*

- 4.20 There was also a feeling that 'other people' (in the UK) were not doing their bit, that even if one were to act in an environmentally-friendly manner all the time others would not. Such reasoning allowed individuals a get-out clause, allowing them to rationalise their inaction by saying any action they did take would be insufficient to have a material effect. The same thinking was applied to other countries, notably the United States, India and China.

*"Let's sort the Chinese out, the Indians out and America out too. Let's get them to conform too. They're the three countries that are polluting the planet." (Male, 55+, C1C2, Bristol)*

*"You shouldn't be beating up all the individuals in the country but not do anything on the bigger front." (Female, 35-54, AB, Cheshire)*

*"I worry about how China is growing, they reckon they are opening one power station a week, don't they? It's like we do our bit. We are being good citizens by recycling our newspapers, our bottles and our cans, but it's just a tiny drop in the ocean compared to China" (Female, 35-54, AB, Cheshire)*

- 4.21 There was a certain feeling of resentment that the UK was acting for the benefit of the planet while other countries were taking a 'free ride'. The same logic was applied to 'big business' and the Government – they were expected to lead by example but were perceived as transferring the responsibility for being green to individuals.

- 4.22 Paradoxically, participants spoke of needing local evidence (“a catastrophe”) to be convinced of the veracity of environmental degradation. Nevertheless, those we spoke to also understood that by the time such evidence exists, when the catastrophe comes, “it will be too late” to do anything to mitigate its effects.

*“With terrorism for example, we all knew something was inevitable and something happened and now we’ve set up security measures. It’s just the same thing with this global warming - something’s going to have to happen before any serious measures get brought in.”* (Male, Student, Bristol)

- 4.23 Overall, while environmental issues were considered important and there was a feeling that ‘something should be done’, the problem of environmental degradation was often seen as too big to be solved. Furthermore, the transferral of responsibility for changes in behaviour to other people and institutions and the deferral of action to the future led to a certain inertia when participants considered adopting environmentally-friendly behaviour.

## 5 Attitudes towards environmentally-friendly finance

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5.1 The following chapter goes on to assess awareness of and attitudes towards the concept of environmentally-friendly finance, including barriers and motivations to take-up of such products, before reporting on the reactions to products tested with the general public.

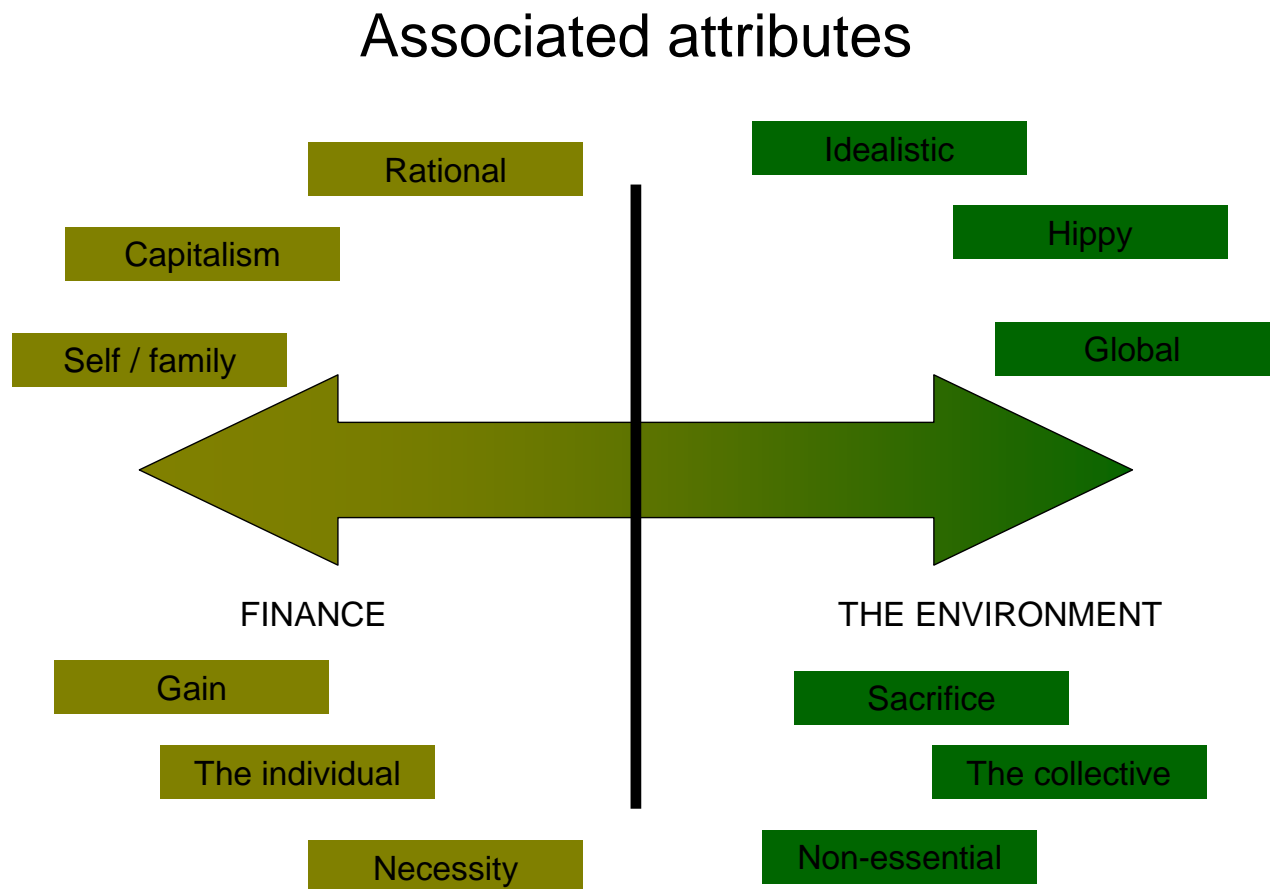
5.2 The idea of environmentally-friendly finance was new to those we spoke to. The concepts of finance and being environmentally-friendly were not easily linked in participants' minds, perhaps because they inhabit two ends of a philosophical continuum.

*"I have never considered that they were linked."* (Female, 55+, C1C2, Bristol)

5.3 The environment was seen as a global issue, one that involved the idea of the collective and of sacrifice. Finance was seen as a private, family issue, more centred on the individual and gain. Chart 1 summarises this idea.



Chart 1: The disparate attributes of finance and the environment



- 5.4 Because the two concepts were seen as somewhat oppositional it was difficult for participants to reconcile what were effectively, in their mind, two conflicting sets of interests: the individual vs. the collective, capitalism vs. collectivism.

*"They don't seem to marry easily."* (Female, 25-45, AB, Kent)

- 5.5 With investment being such a pragmatic area of participants' lives, and an area which they did not want to compromise on, sacrifice was difficult to square with the desire to get greatest returns on investment / keep costs down. This perception stemmed from the assumption that the two elements could not be reconciled because environmentally-friendly financial products were not as profitable or cost-effective as non-green products, a topic that is discussed at more length below.

## Awareness of environmentally-friendly finance

- 5.6 Overall, there was a lack of awareness of environmentally-friendly financial products but, encouragingly, a positive level of interest. Those we spoke to were, before the group, more aware of ethical investment and financial products than environmentally-friendly ones but people tended to assume that ethical products incorporated environmentally-friendly principles. This held true even for those who categorised themselves as being active on environmental issues (e.g. 'Green' segment).

*"I don't link investments with the environment. You'll think about investments for something like investing in armaments and all the things that you'd expect banks to think about, but not normally the environment."* (Female, 35-54, BC1C2, Kent)

- 5.7 Indeed, the concepts of environmentally-friendly and ethical company behaviour were so comprehensively nested in the participants' minds that it was very difficult to get them to separate the two. During discussions, the discourse of ethical products was returned to time and again, with references to Fairtrade, organic farming and equitable labour practices being mentioned. As such it is possible to infer that positive attitudes to environmental issues form part of a wider 'lifestyle choice' which includes concern about provenance of food, social justice and progressive ideals.
- 5.8 Ethical financial products were most commonly understood as not investing in child or 'sweatshop' labour or not investing in specific industries associated with unethical behaviour. These included weapons manufacturers, oil companies and pharmaceuticals. The ethical nature of these products was defined in terms of their social rather than environmental effects, and this seemed easier for consumers to understand. The social angle was more tangible and human than the environmental, where science and the enormity of the challenges faced serve to confuse consumers. In some cases the intangibility of environmental issues could make consumers sceptical towards products using their environmental-friendliness as a selling point.
- 5.9 Even those committed to environmental issues were not fully aware of environmentally-friendly finance as a discrete concept, conflating it with ethical finance, as the following pen portrait illustrates.

### Judith – 30, C1, Kent

A Co-op Bank customer, Judith is completely committed environmentally. She recycles wherever possible, doesn't own a car and avoids flying wherever possible. In addition, she eats locally produced, organic food, buys eco-friendly household supplies and gets her electricity and gas from green energy suppliers. Her financial decisions, although important, are seen as part of a holistic ethical approach to living.

Although she is already well-informed about ethical financial issues, Judith had in the past assumed that environmentally-friendly finance would be covered by ethical banking – issues of social ethics, like the arms trade and sweatshops are more immediate injustices in her mind than climate change.

She acts as an advocate amongst her friends and family for environmental behaviour – her philosophy means that Judith feels it's not enough to reduce or offset the environmental impact of your own actions, but to try wherever possible to influence wider change in favour of the environment.

This, in part, is what attracts Judith to environmentally-friendly finance – she sees it as a way of encouraging large companies to adopt environmental or ethical trading practises.

*"The thing that's going to have the most impact is the thing that I think [will encourage others who] should be green, or ethical – and to me, that's the investments ... the other [internal] stuff can follow."*

5.10 The Co-operative Bank was commonly mentioned as providing ethical (and therefore green by association) products but the bank was seen as serving a niche market. Other mentions of providers of environmentally-friendly financial products included HSBC (currently promoting a Green Sale, a cause marketing initiative donating to environmental charities) and Marks & Spencer Ethical Funds. Only trusted mainstream retail brands were mentioned as likely providers of green financial products in the future.

*"Traditional financial institutions don't have much of a perception of the moral buyer but the new ones like Marks and that do." (Male, 25-35, C1C2, London)*

### Green = lower returns

5.11 There was a strong assumption, drawn from experience of ethical and environmentally-friendly products in other categories (such as organic food, Fairtrade and energy saving light bulbs), that there would be lower returns or higher costs on investment for environmentally-friendly financial products.

*"I mean it's like buying organic foods, they're much more expensive"*  
(Male, 55+, C1C2, Bristol)

*"You can look at any green product though, whether it's a service or a*

*product you buy - the green options are always more expensive."*  
(Male, 25-35, C1C2, London)

*"The way I look at it is it's probably going to cost more to do that because you can't maybe cut corners like other companies can. And [...] things like technology. It comes out as very expensive and years down the line it's a lot cheaper."* (Male, 25-35, AB, Surrey)

- 5.12 All discussions were framed by this perception. Even when this assumption was challenged by those with ethical or environmentally-friendly funds they were not taken seriously.

*"I wouldn't feel able to put all my money with them, because the return they give is not as good as you can get elsewhere. So you, you're compromising, you're saying it's a percentage point or two less than you can get commercially."* (Female, 55+, C1C2, Bristol)

- 5.13 Furthermore there were some products for which higher costs could be tolerated e.g. car insurance, because the magnitude of the investment was relatively small and the risks were low. Mortgages, on the other hand, were such a big financial commitment, and the risk of repossession such a feared one, that consumers were less willing to compromise on them with a 'risky' green product.

*"Some of my pension fund is invested in ethical companies but I couldn't put it in all of it because the risk is too high. The risk seems to much higher with that sort of area so if you do that, like you say, you're putting it all in one area you could lose your pension, you've got to spread it around."* (Male, 35-54, C1C2, Surrey)

- 5.14 Because financial institutions were associated with behaving in their own self-interest and expected to behave exclusively in this way, consumers held up their own lack of awareness of green finance to back up the assumption that it is not as profitable as non-green finance. They assumed that if green financial products did yield higher returns or have lower costs associated with them then financial institutions would be marketing them vigorously in their own self-interest. That they were not reinforces the perception that the products were for a niche, often affluent market who could afford the luxury of lower returns in order to 'feel better about themselves'. Indeed, there was a

feeling that the best investments tend to be the least environmentally-friendly  
e.g. oil companies.

*“However environmentally friendly you are then it comes down to whether you can afford to do it or not.” (Male, 35-54, C1C2, Surrey)*

*“Environmental companies have - is a stigma the wrong word? - of being bad returns. Whereas oil companies, which are not environmentally friendly [...] they make great returns.” (Male, 55+, C1C2, Bristol)*

### **Mistrust and exemplification**

- 5.15 As the environment was seen as a topic du jour, a “fad”, and the financial sector suffered from mistrust, there was a feeling that financial institutions are “jumping on the bandwagon” by offering green products. This perception was couched in negative terms although there was a trend towards thinking company motivation did not really matter as the end was a worthwhile one. However, some thought that “it would all blow over” once a new fad became popular and financial institutions saw more marketing value in that.
- 5.16 There was a perception that it was more important for financial institutions to act in an environmentally-friendly manner in their own operations than investing in a green way, that they should “practice what they preach”. This feeling stemmed from a lack of awareness of the influence investment has on other companies’ behaviour, and of the environmental impact that green reinvestment could have. Participants felt that financial institutions would have a bigger positive impact on the environment by committing to recycling their waste, using (renewable) energy efficiently and other such activities. In effect those we spoke to were transferring their day-to-day experience of how to behave in an environmentally-friendly manner to financial institutions (and environmentally-friendly investment was low on the radar in relation to both individuals and the institutions who reinvest their money).

*“Banks could do actually quite a big bit just by not keep sending out junk mail.” (Male, 25-35, C1C2, London)*

## Motivations to take-up environmentally-friendly finance

- 5.17 The principle of environmentally-friendly finance was positively received. The end of avoiding environmental degradation was seen as worthwhile in itself and those we spoke to would be willing to take such products up as long as they offered the same level of financial performance as other products. In this case there was no reason not to opt for green finance.

*"If it works and your returns are almost on a par with other companies then it's not a problem, is it?" (Male, 25-35, C1C2, London)*

*"If you can make 'environmentally friendly' worthwhile, great." (Male, 55+, C1C2, Bristol)*

*"I think as a parent of the future generation we should take responsibility and do our bit, we should look further into where we invest our money or where we get our insurance from." (Female, 35-54, AB, Cheshire)*

- 5.18 The challenge is to overcome the barriers to take-up. Few of those we spoke to were willing or in a position to settle for a lower return and few believed that green products could be more effective than non-green products.

- 5.19 Those who were most interested in environmentally-friendly finance or already investing ethically tended to follow the classic model of charity giving<sup>1</sup> – older, female 'empty-nesters' gave the idea most credence (e.g. 'Consumers with a Conscience' / 'Wastage Focused' segments). Other interested groups included young affluent professionals often with a young family (e.g. 'Consumers with a Conscience' / 'Basic Contributors' segments) and younger, idealistic, people (e.g. 'Green' / 'Currently Constrained' segments).

*"I'd see a wider view and think, OK, it might be hurting my wallet slightly but, for the good of everyone, it's going to mean a good change, so companies that don't invest ethically [are] going to be forced to change their thinking on it, hopefully." (Female, 35-54, AB, Cheshire)*

*"I would rather perhaps settle for a lesser return but know that your*

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<sup>1</sup> MORI research for the Institute of Fundraisers and the Charities Aid Foundations in 2003 shows that the most generous charitable givers tend to be older, retired females.

*money's being used ethically or environmentally friendly rather than knowing that somebody on the end of it somewhere is drinking filthy water or something.” (Male, 35-54, C1C2, Surrey)*

## **Barriers to take-up environmentally-friendly finance**

5.20 A tension existed between safeguarding the environmental future and the financial future (for children especially). Most of those we spoke to tended to favour the option of safeguarding the financial future as the most sensible, pragmatic choice. Interestingly the two were seen as mutually exclusive – there was little or no reference to an economic rationale for environmentally-friendly behaviour and investment e.g. the cost of future environmental disasters, the economic advantage of tackling climate change now rather than delaying action.

5.21 The environmentally-friendly aspect of green financial products was not enough to sell them. Participants were mostly unwilling to compromise on core performance aspects of financial products such as rates of returns, interest rates, service and risk. They needed to be efficient products, to make sure that the core purpose of making money was met. Without this core purpose being fulfilled only those who could afford to or were inclined to accept lower returns would take such products up. Few said they would accept lower returns simply because a product was green.

*“I’d be willing to accept a little bit less yeah. [...] I’m lucky in that respect that I can do that but I know a lot of people who would say, no I want to keep my return as high as possible.” (Male, 55+, C1C2, Bristol)*

*“To me I think I’d have to look at a number of factors, so I would probably be prepared to lose a percentage on interest if I had brilliant customer service, I wasn’t messed around every five minutes, and they did what they said on the tin, for want of a better word.” (Male, 35-54, C1C2, Surrey)*

5.22 Leading on from the perception that green financial products would perform worse than others was a feeling that many other people were not concerned enough about the issues or financially solvent enough to do their bit. The group of students involved in the research considered themselves too poor to

think about environmentally-friendly finance (e.g. 'Currently Constrained' segment).

*"It's when you've got a bit more money to play with and you can afford to."* (Female, Student, Bristol)

- 5.23 The students we spoke to said they may consider it when they are older and have more money but for the moment finance for them is all about damage limitation. The pen portrait below illustrates a student's attitudes towards the concept of environmentally-friendly finance.

#### **Leon – student, Bristol**

Leon was aware of the ethical implications of financial investments and was positive about the idea of environmentally friendly financial products before participating in the research. He knew that his parents had recently moved their accounts to the Co-op Bank so as to reassure themselves about where their money was being invested, so it is certainly an issue which he has thought about. It is not something which he saw as directly relevant to him, however – rather it was something that he would think about when his financial position was more comfortable later in life.

Specific aspects of the group discussion made him reassess his position, though. In particular there was mention that those with families were also short of funds while older people were hesitant to invest their life savings into something which might not produce maximum returns. This made him think that he might never be in a position where purchasing environmentally-friendly financial products would be an easy choice.

*"It made me think that there's never a right time, so maybe even now I should be thinking about it, even though I'm short of funds"*

Since the group, he has not made any new financial purchases. The only thing that he thought of doing was going to the Co-op and transferring his current account over to them, but he is yet to do this. He does feel that the discussion made him a lot more aware of green issues, though, and more inclined to read relevant articles (e.g. on the budget, on power generation and on carbon offsetting) and to take note of products which are promoted using green messages.

*"I saw an advert for HSBC for a high interest savings account which had money going to environmental causes which I thought did a lot to deal with our worries about losing money when purchasing green products"*

He doesn't feel that he needs any encouragement to take out an environmentally-friendly product – it's just a question of timing.

*"I wouldn't necessarily need to be encouraged. If I was looking to start saving or to do something with my money, then I would go looking for it."*

However, he would want financial institutions to be explicit about the environmental repercussions of their products, and he would also want them to be certified by an independent authority. He would also like Government to take a more active stance in this area.

*"They need to take the initiative, assess the situation, see what would make an impact and how people could make a small impact themselves. Be a bit nanny state and offer a guiding hand and a relatively easy way to make a difference."*





- 5.24 Those young people who were not at university (from a lower SEG) also felt they were not affluent enough to consider the option of environmentally-friendly finance. However, the lower SEG younger people were much less engaged with environmental issues and could not see themselves becoming more engaged in the future (e.g. 'Disinterested' / 'Basic Contributors' segments).

*"I think you need to have some, a fair amount of money to have the freedom to look at something and think I'm not going to invest in there - it's a very nice advantage to have but it is an advantage, it's a privilege to have it. A lot of people don't have that. You invest where you get the best return." (Female, 25-35, C1C2, London)*

- 5.25 The attitude that environmentally-friendly finance would yield lower returns was evidenced in the pen portrait below.

**Alison – affluent, early 50s, Cheshire**

Alison has bought organic food for the last few years. She had never considered the idea of her money being used in un-environmentally friendly ways:

*"You don't think of the environment as a financial issue!"*

The group discussion made her question her bank and what it did with her money.

Alison sees environmentally-friendly finance as a good idea, in theory. But she remains sceptical of its ability to yield satisfactory returns. Her experiences of more costly organic food lead her to make this assumption. Since the group, she has discussed this with her husband and friends who are equally cynical.

As such, Alison is sceptical about the whole concept and would need a strong case to be made for the merits of environmentally-friendly financial products. She would like more evidence to allay her fears around lower returns:

*"You need more information. I'm in business and my customers need information. You need information to show what you are doing to build trust. Then you let people make up their own mind. You can't badger people into doing it."*

Nevertheless, there are some signs that Alison may consider environmentally-friendly finance in the future. Alison was given the name of an ethical purchase website ([www.ethicalconsumer.com](http://www.ethicalconsumer.com)) by someone she met at the group discussion. She keeps meaning to look at it but work has been very busy and she hasn't yet got round to it. She has promised herself that she will do so next time her mortgage is approaching renewal.

- 5.26 Reactions to the concept of environmentally-friendly finance tended to be most positive among the middle age range of participants, particularly those with young families (e.g. 'Consumers with a Conscience' / 'Basic Contributors' segments). As previously discussed, the advent of children was a watershed

in terms of participants thinking more about the future and their impact upon it. However, it should be noted that the advent of children also meant that participants felt their prime responsibility was to their children. As such, any behaviour which was seen as compromising these responsibilities was easily rejected.

*"If you've got a newborn baby or something and you need to make sure you're going to get more money back then maybe you choose the selfish option and look after yourself."* (Female, 35-54, AB, London)

- 5.27 Including environmental concerns in financial decision-making seemed particularly tricky for older people because it would affect all the money that they had (as they tended to have no income beyond their pensions). Whereas other audiences still had a separate income coming in regardless of where they invested their money, older consumers felt they would be playing with the sum total of their life's worth – their savings were what they have to live off for the rest of their lives, and investing them in a manner which jeopardised the return was seen as especially risky. Older members of the public felt they had worked hard all their lives for the money they had and should be allowed to spend it as they saw fit rather than "preached" to by others (e.g. 'Disinterested' / 'Basic Contributor' segments).

*"Taxing of people to fly, I know environmentally people are saying, 'oh it's wrong for the environment, you shouldn't, all the CO2 emissions' but this is my, this is part of my pension and they're hitting it and I find that wrong."* (Male, 55+, C1C2, Bristol)

- 5.28 The most affluent groups we spoke to were not positive about the concept of environmentally-friendly finance. In many cases these participants were self-made, with a strong entrepreneurial bent and an individualistic outlook on life. As such they did not respond well to messages focused on the impacts of their behaviour upon the collective (e.g. 'Disinterested' segment). Furthermore this group was particularly wedded to money and so concentrated on larger returns, especially as they had more to lose from risky investments. The perception of environmentally-friendly finance as returning lower yields and being more risky therefore impacted strongly on this group.
- 5.29 The lack of transparency (and interest) in where money was reinvested by financial institutions was another barrier to uptake cited by participants. A

lack of awareness of where their money went and the deep mistrust of financial institutions to tell the truth (or at least a suspicion they would overplay their green credentials for marketing purposes) combined to render some of the public sceptical that environmentally-friendly products were actually green.

*“We talk about environmentally friendly finance – if the financial institutions can’t convince the customers 100% then you haven’t really got that, because the financial institutions are giving that responsibility [to make a positive environmental impact] to somebody else, and they might not actually do it ... When it comes to recycling, you feel like you are doing your bit because it is something you are directly responsible for.”* (Female, 35-54, AB, Cheshire)

*“It’s the belief thing, the trust. The financial institutions have to do a whole lot more to make me believe them, ‘would you be prepared to pay a little bit more or receive a little bit less because we can do this for you?’ – it’s just a gimmick, they will have to do a whole lot more than just say that to me.”* (Female, 35-54, AB, Cheshire)

- 5.30 Participants did not feel informed enough to make judgements on which products were environmentally-friendly and were also unlikely to seek such information. Partially this was attributable to a lack of faith in financial institutions’ motives, partially to a lack of interest in where their money was reinvested and partly to the low profile of the whole concept of environmentally-friendly finance. It was felt that without such knowledge consumers could not exercise consumer choice, the most powerful mechanism by which financial institutions could be made to act in a green way.
- 5.31 The key theme which emerged here was one of consumers having to justify to themselves as to why they were not investing in an environmentally-friendly way (within the wider context of not consistently behaving in the interests of the environment). While those we spoke to said that environmental issues were important, many recognised they did not currently act in an environmentally-friendly manner. In order to explain this disparity many erected barriers as a moral justification for other considerations to take precedence over green behaviour. Older people stated they have worked

hard all their lives, made their contributions to society and so deserve to behave as they see fit without intrusion from other parties. Young, educated people stated they had no money and so could not be concerned with such matters yet. Those with young families believed their prime responsibility was to their family and that this took precedence over other responsibilities. The excuses were different in each case, but there was a common sense of people finding appropriate justifications for the contradictions between their stated views and their behaviour.

### **Reactions to the environmentally-friendly financial products tested**

- 5.32 During the course of the group discussions reactions to the following product existing concepts were tested:
- Investment where fund manager takes into account environmental behaviour of the companies they are investing in
  - Pensions where fund managers invest in environmentally-friendly companies
  - Savings accounts where banks invest in environmentally-friendly companies
  - Child trust funds where fund managers invest in environmentally-friendly companies
  - 0% interest loans which include access to financing for renewable energy for homes
  - Climate friendly car insurance products where part of the premium is invested in carbon offsetting.
- 5.33 Reactions to the products were generally positive, although always framed within the context of a guarantee that the products would perform as well as, if not better than, conventional financial products. If this guarantee could be given then there was no reason why those we spoke to would not take the products up. However, many of the reservations that participants had over the principle of environmentally-friendly finance also pertain to these specific products.
- 5.34 The investments, pensions and savings accounts prompted similar reactions to the concept of environmentally-friendly finance more generally. There were

questions over the criteria used to identify suitable investments and measure the environmental impacts of green products. Vague statements of assurance that products were green were not trusted. It was felt that financial institutions would pay lip service to the issue while not fundamentally changing their behaviour, and that they could not be trusted to make these claims without some regulation. Amongst ABs (to a lesser extent C1/C2s) there was a feeling that it was difficult to measure the difference that an investment made to the environment, and that one could not see the impact on the local environment in the same way as with recycling and other ground-level environmental behaviour.

- 5.35 The environmentally-friendly child trust fund concept was most positively received as there was a sense that investing for the good of children fitted well with the future-orientated values inherent in green behaviour. Indeed, some of those we spoke to had opted for the ethical child trust fund when they were choosing which fund they should go for. Nevertheless, there was an interesting debate over whether getting a bigger return on investment was a better safeguard for a child's future than making sure investments were green. There was no conclusive outcome either way, but the debate reinforced the perception that the two were mutually exclusive in some people's minds.
- 5.36 The loans for domestic renewable energy were seen as win-win by some, more affluent participants who appreciated an incentive to take a significant step to be more environmentally-friendly. However, those with less money commented that a loan still had to be paid back and they could not envisage ever putting themselves in the position where they would have to do so. There were also concerns about whether wind turbines and solar panels were suitable for everyone.

*"It's almost irrelevant to students who are mostly just going to be living in their accommodation for the next couple of years."* (Male, Student, Bristol)

*"It's still [...] a big commitment, I think it's still going to be the Guardian reading, [name of bank] bankers."* (Male, Student, Bristol)

- 5.37 Some thought that the investment was worthwhile because eventually the outlay will be recouped through lower energy bills but others felt that it would take too long for that to happen, or that the savings were too small.

*"You don't save that much ... one and a half kilowatts in four." (Female, 35-54, AB, Cheshire)*

- 5.38 There were also concerns over the length of time and the effort that would need to be expended in order to obtain planning permission.

*"I'd have it installed at my house. I think it's fantastic, it's brilliant. Saves on energy, saves on bills, saves some money. But the outgoing cost initially and the red tape that you go through ... it just makes it absolutely impossible. It puts you off, a deterrent more than a 'yeah I'll do it'." (Female, 35-54, AB, Cheshire)*

- 5.39 Finally, the 0% interest aspect of the product meant that consumers thought Government would have to provide this product as there was no financial incentive for banks to do so.

- 5.40 There were two schools of thought with regard to the car insurance product. There were those who thought that the link between car emissions and car insurance was a good one, that the product helped produce a sense of responsibility for car emissions and that the consumer was going some way to solving an environmental problem that they themselves were creating.

*"It's a good start." (Male, 25-35, AB, Surrey)*

- 5.41 On the other hand the idea was less warmly received by others, on two counts. Firstly, some people saw carbon-offsetting as an insubstantial quick fix which did not effectively solve the problem of car emissions. Furthermore, there was a sense that carbon offsetting would legitimise polluting behaviour, and might actually encourage people to drive more with a guilt-free conscience. In this instance participants felt the priority should really be reducing carbon emissions across the board rather than paying for a 'get out of jail free card'.

*"I think it's a very good idea but I think the rich can get away with a lot and just do whatever they want to do still. Not recycle, not do all these things, fly off here, there and everywhere and just offset it." (Female, 25-35, AB, Surrey)*

*"It's like you're doing a bit of damage to the world and then you're going to try and repair it a little bit. It's kind of like I'm going to bang my head*

*against a brick wall and then I'm going to bandage it up. It's just why, if you were really that bothered about carbon offsetting you wouldn't drive your car in the first place, surely."* (Male, Student, Bristol)

- 5.42 For all products the full environmental implications of a financial product must be evaluated (i.e. 'lifecycle analysis' of their impacts) before it is endorsed as green, otherwise they risk consumer cynicism. For example, one participant felt that the environmental impact of manufacturing wind turbines should be considered alongside the benefits of the loan product.



## 6 Barriers and Motivators

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- 6.1 The key point to take into account when discussing what can be done to encourage uptake of green finance is that participants were generally well disposed to the principle. It does not need to be sold to them so much as concerns and barriers need to be overcome.
- 6.2 The first barrier is one of a lack of awareness, not just of products but also of the impact consumer behaviour can have on financial institutions' investment decisions and the knock-on effects. Those we spoke to were positive once they heard about the principle and had it explained to them. However, participants stated that they were unlikely to go out looking for information about the impact of reinvestment or where their money was being invested. As has already been noted with the example of recycling, the most successful green initiatives were ones which did not involve the discourse of sacrifice, the ones that were made easy. A way has to be found to make identifying green products, and knowing what green means in the context of finance, easy.

*"I've worked in marketing most of my life so yeah you need to brand it."*  
(Male, 55+, C1C2, Bristol)

- 6.3 Furthermore, there is a need to tackle the myth that green products perform worse than conventional ones. Because low costs or high returns were the focus for most participants when looking at where to place their money, communications should focus on the financial performance of the products and other core aspects such as service as well as a product's green credentials. Financial decisions are hard-nosed decisions so communications should appeal to that instinct in order to reach beyond those already concerned with green issues.
- 6.4 A key means of raising awareness is to target influencers. IFAs (for those who can afford them), the financial sections of the press (especially quality weekend papers) and key price comparison websites were all popular destinations for financial advice and obtaining buy-in from these sources should go a long way to raising awareness of environmental issues.
- 6.5 Because participants were unlikely to actively look into the green credentials

of a financial product a quick and easy means of identifying environmentally-friendly financial products would also assist the consumer. A brand that would quickly communicate that a product is green would serve the same purpose as the Fairtrade Foundation logo or BSI kite marks. Crucially this rubber stamp should be endorsed by a third party or independent regulator, not the Government or the financial institutions themselves. Which? was mentioned in this context, and to a lesser extent the Financial Services Authority. There remain questions over how the 'greenness' of a product would be measured but as long as the process is transparent and independent of Government and banks, it would be trusted.

*"[You'd want] an independent body to say 'we're going to research' and then they, like Which? would say, 'yeah, these are [environmentally friendly] – these aren't'." (Female, 35-54, C1C2, Surrey)*

*"I'd like to see an independent body... which would go around and say, 'right, we confirm this'. I'd accept that above anything else." (Male, 35-54, AB, London)*

*"I feel terrible saying that, but I wouldn't trust the Government really." (Male, 25-35, AB, Surrey)*

- 6.6 It should be noted that some were cynical towards the idea of labelling and the criteria used to assess whether a product qualifies as environmentally-friendly or not. However, those opposed to the idea tended to be cynical towards the idea of environmentally-friendly finance as a whole and are unlikely to change their views. This group was analogous to the 'Disinterested' segment identified in the environmental segmentation. Despite labelling not being a panacea, and despite concerns that it may be difficult to implement, the idea does seem to attract considerable support among consumers.
- 6.7 To partially overcome the problem of measuring the environmental effect of products, institutions should give easily understandable, real-life, practical examples (even case studies) of how products help the environment. Generic claims that a product is green only added to perceptions of insubstantial claims being made for marketing purposes. Environmental solutions need to be seen to be getting to the crux of the matter rather than paying lip service, a criticism of carbon offsetting raised on more than one occasion.

- 6.8 The Government should lead by example by looking into where its money is invested, behaving in an environmentally-friendly manner in its operations and by making sure that big business is doing the same. This is crucial to avoid the feelings of resentment that accompanied the perception that the onus was being placed primarily on individuals to behave in a green manner.

*“I think that the government should lead by example. All the leaders should address climate change. Obviously you’ve got to drive a car, but they take tax off you on fuel all the time.”* (Female, 35-54, AB, Cheshire)

- 6.9 There was some resistance to legislative measures – carrots, especially in the form of tax incentives for investing in an environmentally-friendly product, were preferred to sticks. A more minority view was that Government pressure / legislation was needed in conjunction with consumer pressure to force financial institutions to change (they did not see banks doing this on their own), while others felt that the only way the banks would take environmental investment seriously was if consumers voted with their feet and switched providers.

*“I think essentially when the big companies, big banks and institutions realise there’s a real desire for it, I think that’s when the change will happen.”* (Male, 35-54, AB, Cheshire)

- 6.10 Finally, there should be a realisation that not all consumers are interested in environmental issues. Some resented being “preached” at while others embraced green messages wholeheartedly. As such communications should first be targeted at those most likely to switch to green products.
- 6.11 This research points to mid-level affluent consumers with children being the most likely to take such products up (e.g. ‘Consumers with a Conscience’ / ‘Basic Contributors’), along with those who fit the classic charity-giving model (e.g. ‘Consumers with a Conscience’ / ‘Wastage Focused’). However, it is worth noting that environmentally-friendly finance comes at the far end of the spectrum of green behaviour (an area that even the people most engaged in environmental issues have not necessarily considered), so even these ‘warm’ groups may need long-term awareness-raising efforts to change their financial behaviour.

## 7 Back in the real world

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- 7.1 Twenty two in-depth interviews were conducted around two weeks after the initial discussion groups with participants from a range of backgrounds and opinions. Each lasted around 20 minutes (see p8 for full details). The interviews were designed to see how participants' views and behaviour had changed in the subsequent period. This chapter explores the findings of those follow-up interviews, once participants had reflected upon the issues in a real world situation and digested the concept of environmentally-friendly finance.
- 7.2 Given the event-driven nature of financial decision-making it should not be surprising that none of those we followed-up with had actively gone and looked into environmentally-friendly finance unless they had had cause to review their finances in the interim. One participant had been to see his financial adviser between the groups and the one-on-one interview and had consulted him on the issue (as outlined in the following pen portrait).

### **Richard – pensioner, rural Midlands**

Richard had never considered the ethical, let alone environmental, consequences of investment. He simply left the banks and his financial adviser to deal with those matters.

Once made aware of the impact of financial institutions re-investing his money during the group discussion, he thought the idea of environmentally-friendly finance to be a good idea. In his mind, however, ethical finance was inseparable from environmentally-friendly finance and Richard kept on referring to ethics.

Richard wants evidence to show how his investment would help the environment and, crucially, other people. While raising awareness was a “good thing”, it has to be done in a believable way. In his words:

*“A picture of a bloke standing underneath a banana tree, smiling, doesn’t do it – I need to know how this has helped him in his day-to-day life, I need that proof”*

Following the group discussion, he has spoken to his wife about the concept of environmentally-friendly finance and they have both noticed more marketing around it since first sensitised to the issue during the research.

Richard has also had the opportunity to invest some of his money since the initial research. His adviser presented him with 250 options of where his money could be invested and Richard did ask the adviser which were the ‘green’ options. His adviser encouraged him to consider which investment offered the best return on his investment, rather than any other factors. Richard, being a pensioner and therefore wary of risking what he sees as a decreasing pot of money, went for the product which offered the higher return.

While it would be nice to buy a green product, he doesn’t feel he has enough to stretch to sacrificing. He would do if the return on investment was comparable or even marginally smaller than ‘conventional’ products. His financial adviser had done nothing to suggest that an ethical or environmentally-friendly product could offer just as good a return.

7.3 Another participant had an upcoming appointment with her mortgage adviser and was planning to discuss ethical (and so by extension environmentally-friendly) options at this meeting. Beyond these two participants, some of those we spoke to said they would broach the subject of environmentally-friendly finance with their advisers or providers the next time they come to renew or discuss their products. This points to the need to engage consumers at key points when financial decisions are made, rather than aiming for environmentally-friendly finance to be a top-of-mind issue at all times. As such, targeting influencers and choice editors such as IFAs will be important in raising awareness and uptake of such products.

7.4 Despite a lack of action after the groups, the discussions served to sensitise participants and led to increased awareness of marketing of environmentally-friendly finance. HSBC’s Green Sale was the most prominent initiative

noticed by participants, but awareness rose to the point that some participants noticed articles on the subject in women's magazines, for example.

- 7.5 There were two main reactions to the concept of environmentally-friendly finance found in the follow-up interviews, indicating that being 'back in the real world' had not substantively altered people's views. On the one hand, those who saw themselves as sensitive to green issues continued to react positively to the concept, although some practical concerns remained. On the other hand, those not interested in green issues continued to hold the position that the concept is a marketing ploy used in response to the current consumer fad of environmentalism. There seems to be little that can be currently done to alter this mindset.
- 7.6 Among those sensitive to environmental issues the concept of environmentally-friendly finance had a certain novelty value which could be capitalised upon. Because the concept was not widely familiar, those sympathetic to environmental issues were intrigued by it and spoke to others within their social networks about it. While not all of their friends and family reacted positively to the concept, there was value in the word-of-mouth propagation of the concept.
- 7.7 There is also an opportunity in raising awareness of the effects of individuals' investments. Those we spoke to were mostly intrigued to find out what financial institutions were doing with what they saw as 'their' money. Participants did not tend to think about this; rather, they assumed finance is a 'black box' and did not think about what happens within that box. Exceptions to this are those who already invested ethically and those who had no interest in doing so, or put another way, the two extremes of the continuum.
- 7.8 However, even among those positively predisposed towards environmentally-friendly finance there were still a number of reservations. The most durable of these was the myth that environmentally-friendly financial products which offer equal or higher returns than conventional products were 'too good to be true'. This poses a major communications challenge in trying to persuade consumers that environmentally-friendly products can be both beneficial to their personal finances as well as helping the environment. For many this message was counter-intuitive, flying in the face of all their experiences.
- 7.9 Furthermore, participants questioned why self-interested financial institutions

were not pushing environmentally-friendly (or even ethical) finance. They reasoned that, if such products were equally profitable, then the financial institutions would be pushing them harder. The fact that participants had not seen marketing of these products was held up as evidence that green products were not more beneficial than conventional ones.

- 7.10 All in all, the follow-up interviews show that while there are challenges inherent in encouraging uptake of environmentally-friendly finance, these are by no means insurmountable. Among those positively predisposed to green issues there was genuine interest. The novelty value of the concept should not be underestimated in designing communications. It should be noted, however, that there are relatively few windows when consumers will think about the impact of their investments, environmental or otherwise. As such, it is vital to catch consumers at these key moments in order to raise awareness and encourage take-up.

## 8 Scope for further research

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- 8.1 Some options for further research are outlined below, which we feel will prove valuable in informing efforts to promote environmentally-friendly financial products.

### **Deliberative workshops**

- 8.2 In order to truly get ‘under the skin’ of the issues surrounding environmentally-friendly finance, a multi-layered, iterative research approach is preferable. It would be valuable to build on this initial research by conducting deliberative workshops to explore the issues in greater depth. In particular, it would be beneficial to focus on how best to get environmentally-friendly financial products on people’s radars, how to encourage them to consider such products, and how the barriers identified in this research can best be overcome. We can also test how easy it is for people to find information on environmentally-friendly finance, and which channels and influencers should be the priority targets for Defra to engage. The workshop sessions will be a means of educating participants, for example through the use of expert witnesses, and analysing how their views change as they are exposed to different stimuli. As such it will be a valuable opportunity to research what sort of messages are most effective as ‘trigger factors’ in promoting awareness and consideration of environmentally-friendly financial products.

### **Quantitative measurement research**

- 8.3 It may be useful to quantify the findings of the qualitative project among a representative sample of the British population. For example, it may be useful when trying to engage the financial services industry to be able to quantify the level of interest in environmentally-friendly financial products, and to measure the attitudes of different demographic and usage groups. For this we would suggest running some questions on a regular Omnibus survey (providing a robust representative survey of the GB adult population).



## **Semiotics**

- 8.4 This research found that the issues of environment and finance are not easily linked in the public mind and are distanced from each other to the extent that they can be thought of as inhabiting two ends of a philosophical continuum. Indeed, the idea of a financial product that benefits the individual's financial position while also contributing to a wider environmental goal was found to be somewhat counter-intuitive. Following on from this, it may be beneficial to conduct an analysis of the semiotics of the discourses of the environment and finance. Since Defra's aim is to engage people on the concept of environmentally-friendly finance, it will need to find means of effectively bridging the conceptual gap that exists for many people between the environment on one side and the financial world on the other. An analysis of how language, signs and concepts are used in this space could inform its communications and help to construct more effective messaging.

## **Other stakeholders: perspectives from the financial services industry**

- 8.5 It may also be valuable to conduct research into the views of those in the financial services industry, in order to help engage them effectively in the issue of environmentally-friendly finance. The focus of this research would be how these organisations could best encourage their customers to consider environmentally-friendly financial products, the triggers and barriers acting on the organisations, and the type of support they would like from Government and others. It would be beneficial to conduct qualitative, in-depth interviews with representatives from investment houses, insurance companies, banks, building societies, credit card issuers, and so on. A mix of perspectives would be desirable, including those involved in corporate responsibility or ethical investment, as well as those in mainstream marketing and communications functions. We could also consider including other parties such as IFAs, personal finance journalists and SRI analysts in this element of the research.

## **Overview in conjunction with the other research strands**

- 8.6 In addition to the research focused on environmentally-friendly finance, it will of course be important to look across the five research projects looking at

environmentally-friendly consumption (Public Understanding of Sustainable...  
(i) Consumption of Food; (ii) Energy Use in the Home (iii) Finance and Investment; (iv) Leisure and Tourism; (v) Transport) to identify common themes and highlight any distinctive learnings for each lifestyle topic. As well as reporting each research project in isolation, insight will also be derived from looking at consumers' views of environmentally-friendly finance alongside the findings from the research into sustainable energy in the home, transport, leisure & tourism and food.

# Annex A: Group discussion guide

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## DEFRA ENVIRONMENTAL FINANCE DISCUSSION GUIDE

Final – 27 February 2007

### KEY OBJECTIVES TO ANSWER

- Understand whether consumers link financial decisions with environmental impact
- Assess levels of interest in how money is managed and whether investments take environmental concerns into account
- Explore what would influence consumers to consider sustainability within their financial decision-making and their thought processes here
- Examine which sources consumers use and trust for financial advice and whether these sources cover environment

Key Questions	Notes	Approx timing
<b>1. Introduction</b>		5 mins
<p>Thank participants for attending</p> <p>Introduce self, Ipsos MORI – stress role as independent research organisation i.e. independent of DEFRA, gather all opinions</p> <p>Explain the aim of the discussions: here to talk about financial decision-making and what factors are taken into consideration when choosing financial products</p> <p>Rules of the discussion – all opinions valid, no right or wrong answers</p> <p>Confidentiality: reassure responses anonymous and that information about individuals will not be passed on to anyone, will not affect immigration or benefits status</p> <p>Get permission to digitally record – transcribe for quotes and an accurate record, no detailed attribution</p> <p>Icebreaker – go round the group asking all to introduce themselves, say a bit about themselves and say who they bank with</p>	<p>Welcome: orientates participants, gets them prepared to take part in the discussion</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines)</p>	

2. Financial decision making		20 mins
<p>I'd like to talk about financial decision making. By that I mean where you decide to invest / save your money or choose other financial products you may use.</p> <ul style="list-style-type: none"> <li>▪ What kinds of financial decisions do you have to make, for example, do you have insurance, bank accounts?</li> <li>▪ Are these decisions something you think about often? How much attention do you pay to the financial products you hold? Does this differ among the various products you hold?</li> <li>▪ Which financial products do you or your household currently hold? PROBE FOR: current accounts, savings accounts (PROBE FULLY), insurance, stocks and shares, pensions, other investments</li> <li>▪ How did you go about deciding which ones to use? PROBE FOR recommendation (family, friends, IFA), research (where?)</li> <li>▪ Which factors did you take into account when deciding which product to use? WRITE THEM DOWN ON THE POST ITS IN FRONT OF YOU</li> <li>▪ And which one factor was the most important?</li> </ul> <p>DECISION TREE EXERCISE. On the sheets is a tree. The higher the branch, the more important the factor in your financial decision making. Stick your post its on the tree branches remembering that the higher the post it, the more important the factor.</p> <ul style="list-style-type: none"> <li>▪ Does the tree look different for different types of financial product? Which ones? PROBE FOR: current accounts, savings accounts (PROBE FULLY), insurance, stocks and shares, pensions, other investments</li> <li>▪ How do financial products work in general? How do they end up making you money?</li> <li>▪ Where do you think the money is invested by the bank / company providing the product? Does this matter? Why?</li> <li>▪ Do you ever think about that?</li> </ul> <p>INTRODUCE THE CONCEPT OF INVESTMENT USING STIMULUS</p>	<p>Understand the dynamics of financial decision making and product holdings</p> <p>Explore which factors are important in decision-making</p> <p>Assess awareness of how financial products work</p>	

3. Finance and environmental issues		30 mins
<p>I'd now like to change tack slightly. We're going to talk about environmental issues for a while.</p> <ul style="list-style-type: none"> <li>▪ In general, how important would you say environmental issues are to you?</li> <li>▪ Are you more or less concerned about environmental issues nowadays? Why?</li> <li>▪ Which ones in particular concern you? Why is that?</li> <li>▪ How do you act on these concerns? Why? PROBE FOR recycling, purchasing environmentally friendly products, energy saving measures in-home</li> <li>▪ Do you ever take environmental issues into account when making financial decisions?</li> <li>▪ How do you think environmental issues link into making financial decisions? Why do you say that?</li> <li>▪ Is this something that you should be thinking about or do financial institutions carry the responsibility? Who else should be thinking about these things?</li> <li>▪ Are standards for environmentally friendly investment already set?</li> <li>▪ Are other issues more important than environmental ones when making financial decisions? Which ones? Why? PROBE FOR return on investment, ethical issues</li> </ul> <p>REFER BACK TO DECISION TREE</p> <ul style="list-style-type: none"> <li>▪ Have you ever heard of the term 'environmentally-friendly finance'? Where / from whom?</li> <li>▪ What does the term mean to you? Shout out the things that first spring to mind when I say 'environmentally-friendly finance'? RECORD ON FLIPCHART</li> </ul> <p>INTRODUCE THE CONCEPT OF ENVIRONMENTALLY-FRIENDLY FINANCE HERE: By environmentally-friendly finance we mean financial products that take account of the impacts on the environment when deciding where to invest the money received from customers. This could include activities like reducing the harm that companies do to natural habitats, reducing the amount of waste they produce, reducing emissions and pollution, using less energy, recycling...</p> <ul style="list-style-type: none"> <li>▪ Have you ever seen or heard of financial products that are environmentally-friendly? Where? PROBE FOR friends / family, web, financial institutions, other</li> <li>▪ What do you think about the idea? Why do</li> </ul>	<p>Understand attitudes and behaviour relating to the environment</p> <p>Does this translate into the financial sphere?</p> <p>Introduce concept of environmentally-friendly finance and gauge reactions</p>	

<p>you say that?</p> <ul style="list-style-type: none"> <li>▪ Are some financial institutions better than others at this? Which ones? Why?</li> <li>▪ Where would you go to look for environmentally-friendly financial products? Where else? PROBE FOR web, high street, IFAs, consumer organisations, others</li> <li>▪ Who would you trust to provide environmentally-friendly financial products? PROBE FOR NAMED COMPANIES</li> <li>▪ Why would you trust them over other providers?</li> <li>▪ How could you be sure their products are environmentally-friendly? What kind of guarantees do you want?</li> <li>▪ How important is it for a financial institution to invest in an environmentally-friendly way? PROBE FOR importance vs. being energy efficient, investing ethically / socially responsibly, being an equal opportunities employer, making money</li> <li>▪ How about potential conflicts? What if, for example, a mining or oil company generated better profits than company that was more environmentally-friendly?</li> <li>▪ How would you balance these concerns?</li> <li>▪ In the grand scheme of things is this issue as important as other types of environmentally-friendly behaviour / action e.g. recycling, flying less, operating car pools</li> </ul>		
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4. Concept testing		15 mins
<p>I've got here some examples of products that already exist. I'd like you to imagine your provider offers these products</p> <p>FOR EACH RELEVANT PRODUCT EXPLAIN AND THEN USE FOLLOWING QUESTIONS AND PROBES</p> <ul style="list-style-type: none"> <li>▪ Have you ever seen a product like this before? Where?</li> <li>▪ What are your initial impressions of the product? Why?</li> <li>▪ What is good about the product?</li> <li>▪ What is bad about the product?</li> <li>▪ What else would you like to know?</li> <li>▪ How do you think a financial institution should decide which companies are environmentally friendly?</li> <li>▪ Could you see your provider offering this product? Why do you say that?</li> <li>▪ Should your provider be offering a product like this? Why?</li> <li>▪ Would you be willing to get a smaller return on your investment for using this product? Why?</li> </ul> <p>PRODUCTS TO TEST. EACH GROUP WILL DISCUSS 2/3 PRODUCT CONCEPTS, CHOSEN TO BE RELEVANT TO THEIR HOLDINGS</p> <ol style="list-style-type: none"> <li>1. Investment where fund manager takes into account environmental behaviour of the companies they are investing in</li> <li>2. 0% interest loans which include access to financing for renewable energy for homes</li> <li>3. Pensions where fund managers invest in environmentally friendly companies</li> <li>4. Savings accounts where banks invest in environmentally friendly companies</li> <li>5. Child trust funds where fund managers invest in environmentally friendly companies IF ANYONE HAS THESE PROBE WHETHER DID ANY RESEARCH BEYOND WHAT IS SENT IN PACK FROM GOVT.</li> </ol> <p>Climate friendly car insurance products. Part of premium is invested in carbon offsetting INCLUDE IF TIME / IF DIFFERENT TYPE OF SCENARIO NEEDED</p>	<p>Understand reactions to and appeal of specific types of environmentally-friendly finance products</p>	

5. Encouraging others		15 mins
<p>Given all that we have talked about today</p> <ul style="list-style-type: none"> <li>▪ Would you say environmentally-friendly investment is an important issue?</li> <li>▪ How could people be encouraged to take up such products?</li> <li>▪ And what do you think would stop people taking up these products?</li> <li>▪ What could be done to remove those barriers?</li> <li>▪ If a financial institution did offer environmentally-friendly products would you think better of them?</li> <li>▪ Is it sufficient for a bank to behave in an environmentally friendly manner in its operations but not in its investments?</li> </ul>	<p>Importance and information requirements following discussion of specific concepts</p> <p>Understand triggers and barriers to environmentally-friendly finance</p>	
6. Conclusions		5 mins
<p>We are speaking to people to try to understand whether people link financial decisions and the environmental impact of those decisions, and whether they are interested.</p> <p>Bearing that in mind, what one thing would you say to DEFRA about what we have talked about today?</p> <p>THANK PARTICIPANTS</p>	<p>Wrap up, gives participants the opportunity to feedback on any thoughts not covered in the discussion so far</p>	



## **Annex B: Recruitment screening questionnaire**

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# DEFRA SUSTAINABLE INVESTMENT

## Final Recruitment Questionnaire – J29357

Ipsos MORI/J29357

Sustainable Investment

RESPONDENT RECRUITED FOR:

Discussion group

RESPONDENT NO:

This questionnaire recruits people with the following characteristics.

**PLEASE NOTE, ALL RESPONDENTS MUST HAVE AT LEAST A BANK ACCOUNT AS WELL AS MEETING OTHER QUOTAS**

Group: 1	Date:	5 March	Code:  1
	Time:	18:30	
	Quota	Affluent 35-54 AB At least 2 of savings, stocks and shares, investments insurance plus a pension	
	Venue Details:	Central London	

Group 2	Date:	5 March	Code:  2
	Time:	20:15	
	Quota	Young family, 25-45, children under 11 C1C2 At least 2 of mortgage, insurance, savings/investment, pension Green – done 3 of activities at Q7 and agree with first 2 statements at Q8	
	Venue Details:	Central London	

Group: 3	Date:	13 March	Code:  3
	Time:	18:30	
	Quota	Undergraduate students (Years 2+) At least bank account	
	Venue Details:	Bristol	

Group 4	Date:	13 March	Code:  4
	Time:	20:15	
	Quota	Pensioners, 55+ C1C2 Occupational/private pension, plus 1 of savings, stocks and shares, investments, insurance	
	Venue Details:	Bristol	

Group 5	Date:	8 March	Code:  5
	Time:	18:30	
	Quota	Been in full-time work 2+ years, 18-25 At least bank account	
	Venue Details:	Manchester	

Group 6	Date:	8 March	Code:  6
	Time:	20:15	
	Quota	No children, 25-45 C1C2 At least 2 of mortgage, insurance, savings/investment, pension	
	Venue Details:	Manchester	

Group 7	Date:	22 March	Code:  7
	Time:	18:30	
	Quota	Young family, 25-35, children under 3 AB At least 2 of mortgage, insurance savings/investment, pension	
	Venue Details:	Surbiton	

Group 8	Date:	22 March	Code:  8
	Time:	20:15	
	Quota	Older family, 35-54, children over 11 C1C2 At least 2 of savings, stocks/shares, investments, insurance	
	Venue Details:	Surbiton	

Group 9	Date:	TBC	Code:  9
	Time:	18:30	
	Quota	No children, 25-45 AB At least 2 of savings, stocks/shares, investments, insurance	
	Venue Details:	Kent	

Group 10	Date:	TBC	Code:  10
	Time:	20:15	
	Quota	Affluent, 35-54 AB At least 2 of savings, stocks and shares, investments, insurance plus a pension	
	Venue Details:	Kent	

Group 11	Date:	7 March	Code:  11
	Time:	18:30	
	Quota	Older family, 35-54, children over 11 AB At least 2 of savings, stocks/shares, investments, insurance Green – done 3 of activities at Q7 and agree with first 2 statements at Q8	
	Venue Details:	Cheshire	

Group 12	Date:	7 March	Code:  12
	Time:	20:15	
	Quota	Affluent, 35-54 AB At least 2 of savings, stocks and shares, investments, insurance plus a pension	
	Venue Details:	Cheshire	

Group 13	Date:	14 March	Code:  13
	Time:	18:30	
	Quota	Pensioners, 55+ AB Occupational/private pension, plus 1 of savings, stocks and shares, investments, insurance	
	Venue Details:	Wombourne, Rural Midlands	

Group 14	Date:	14 March	Code:  14
	Time:	20:15	
	Quota	Young family, 25-35, children under 11 C1C2 At least 2 of mortgage, insurance, savings/investment, pension	
	Venue Details:	Wombourne, Rural Midlands	

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the opinion research company. We are inviting a group of people together to take part in a discussion about money matters banks and other financial institutions, I wonder if you could help me? This will take place in ..... on ..... The group discussion will last around 90 mins.

To say thank you for your time and cover any expenses incurred we would like to offer £25 cash.

THE INCENTIVE OFFERED REPRESENTS COMPENSATION FOR THEIR TIME, TRAVEL EXPENSES AND ANY CHILDCARE, EXCEPT IN EXCEPTIONAL CIRCUMSTANCES. OFFER TO DONATE TO CHARITY IF RESPONDENT IS VERY AFFLUENT

We are looking for particular groups of people, therefore I would like to ask you some questions about yourself. All information collected will be strictly confidential and anonymous.

Q1.

Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

Q2

SHOWCARD A Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity?

Journalism/the media/TV	1	CLOSE
Advertising	2	
Public relations (PR)	3	
Market Research	4	
The financial services industry	5	
The Department for Environment, Food and Rural Affairs (DEFRA)	6	
Any other environmental organisations	7	
No, none of these	8	CONTINUE
Don't know	9	

Q3

Have you participated in a focus group discussion for a market research company in the last 6 months?

Yes	1	THANK AND CLOSE
No	2	CONTINUE

Q4.

Are you solely or jointly responsible for household financial decisions?

Yes	1	CONTINUE
No	2	THANK AND CLOSE

Q5. SHOWCARD B Which one of the following most closely describes you?

	I am an undergraduate student in my second or third years of university	1	RECRUIT TO QUOTA
	I am currently in full-time employment and have been for the past two years	2	
	I am retired and currently drawing from an occupational or private pension	3	
	Other	4	CONTINUE
	None of these	5	

Q6. SHOWCARD C Which, if any, of the following financial products do you currently hold?  
**Just read out the letter or letters that apply.** STRESS CONFIDENTIALITY AND ANONYMITY OF INFORMATION IF NECESSARY

A	A current account with a bank / building society	1	RECRUIT TO QUOTA
B	A savings account e.g. an ISA / TESSA / PEP	2	
C	Stocks / shares	3	
D	A private / occupational pension	4	
E	Insurance e.g. life insurance / critical illness insurance / home and contents insurance / car insurance	5	
F	A mortgage	6	
G	Other investments	7	
	None of these	8	THANK AND CLOSE

Q7. SHOWCARD D Can you tell me which of the things on this card, if any, you have done in the last 12 months? Just read out the letter or letters that apply.

Chosen to buy a product / service because of the company's environmental reputation	1	RECRUIT IF RESPONDENT HAS DONE THREE OR MORE IN PAST YEAR AND AGREES WITH <u>BOTH</u> STATEMENTS AT Q8
Chosen one product over another because of it's environment-friendly packaging, ingredients or advertising	2	
Boycotted a company's product because of environmental concerns	3	
Actively sought information on a company's environmental activities	4	
Invested ethically – perhaps through an Ethical Fund	5	
Advised someone to use a company because it has acted responsibly	6	
Advised someone against using a company because it has <u>not</u> acted responsibly	7	
Have taken action to be more energy efficient at home	8	
Sent items to be recycled	9	
Cut down on your use of a car to help the environment	10	
None of these		RECRUIT TO QUOTA
Don't know		
		THANK AND CLOSE

Q8 SHOWCARD E To what extent, if at all, so you agree or disagree with the following statements?

		Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	No opinion
RECRUIT TO QUOTA – MUST AGREE WITH BOTH STATEMENTS TO BE ‘GREEN’	Environmental issues are very important to me and are something I think about when choosing how to go about my daily life	1	2	3	4	5	6
	I am personally responsible for the way I live my life, the things that I do and the impact that will have on future generations	1	2	3	4	5	6
	It is important to me to invest and provide for my children's future	1	2	3	4	5	6
	It is more important to live for the moment than think about the future	1	2	3	4	5	6

Q9 CODE SEX (DO NOT ASK)

Male	1	AIM FOR A SPREAD
Female	2	

Q10 WRITE IN EXACT AGE

Exact Age

RECRUIT TO QUOTA

Q11 Occupation of Chief Income Earner  
Position/rank/grade

Industry/type of company

Quals/degree/apprenticeship

Number of staff responsible for

REMEMBER TO PROBE IF CIE/PENSION

Q11b Class (Code from above)

A	1
B	2
C1	3
C2	4
D	5
E	6

RECRUIT TO QUOTA

THANK AND CLOSE



**Q12. Do you live with any children aged under 18?**

Yes	1	RECRUIT TO QUOTA
No	2	

ASK IF CHILDREN IN HOUSEHOLD

**Q13. What ages are the children in the household?**

MULTICODE OK

0-3	1	RECRUIT TO QUOTA
4-7	2	
8-10	3	
11-14	4	
Don't know	5	THANK AND CLOSE

WHILE THE INCENTIVE OFFERED REPRESENTS THE TOTAL COMPENSATION FOR RESPONDENTS TIME, TRAVEL EXPENSES AND CHILDCARD COSTS, IN EXCEPTIONAL CIRCUMSTANCES ADDITIONAL PAYMENTS CAN BE MADE.

**Q9. Do they need travel costs?**

Yes	1
No	2

IF YES WRITE IN AMOUNT £.....

**Q10. Do they need childcare costs?**

Yes	1
No	2

IF YES WRITE IN AMOUNT £.....

Interviewer number:

Interviewer name (CAPS): .....

I confirm that I have conducted this interview **over the telephone** with the named person of the address attached and that I asked all the relevant questions fully and recorded the answers in conformance with the survey specification and within the MRS Code of Conduct and the Data Protection Act 1998.

Interviewer Signature: .....

Date:.....

# Annex C: Depth interview discussion guide

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## DEFRA

### ENVIRONMENTAL FINANCE DISCUSSION GUIDE - DEPTHS

Draft – 27 March 2007

#### KEY OBJECTIVES TO ANSWER

- Explore whether and how attitudes towards environmentally-friendly finance have changed since the discussion groups
- Assess whether participants have thought about the subject further
- Ascertain whether they have acted on further thinking and how they have done so

Key Questions	Notes	Approx timing
<b>1. Introduction</b>		2 mins
<p>Thank participant</p> <p>Introduce self, Ipsos MORI – stress role as independent research organisation i.e. independent of DEFRA, gather all opinions</p> <p>Explain the aim of the interview</p> <p>Confidentiality: reassure responses anonymous and that information about individuals will not be passed on to anyone, will not affect immigration or benefits status</p> <p>Get permission to digitally record – transcribe for quotes and an accurate record, no detailed attribution</p>	<p>Welcome: orientates participants, gets them prepared to take part in the discussion</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines)</p>	
<b>2. Financial decision making</b>		16 mins
<p>Just to start off with, what do you remember from the group discussion we had a few weeks ago? What else?</p> <p>What one thing most stuck in your mind from that discussion?</p> <p>Have you thought any more about the issues we spoke about?</p> <p>MODERATOR: Watch out for any misunderstanding about discussion. Participant may stray into talking about wider environmental issues e.g. recycling.</p> <p>PROMPT IF NECESSARY: We talked about environmentally friendly financial products. By these</p>		

<p>we mean financial products that take account of the impacts on the environment when deciding where to invest the money received from customers. This could include activities like reducing the harm that companies do to natural habitats, reducing the amount of waste they produce, reducing emissions and pollution, using less energy, recycling...</p> <p>Could you recap on what you think about the idea of environmentally friendly financial products?</p> <p>Is this something that you or your friends/family might be interested in? PROBE: Why/Why not?</p> <p>Have your thoughts changed since the discussion?</p> <p>How have they changed?</p> <p>Why do you say that?</p> <p>Have you acted on those issues? How? Are you planning to? PROBE FOR:</p> <ul style="list-style-type: none"> <li>- Talking with friends / family about environmentally friendly financial products</li> <li>- Looking for information on environmentally friendly financial products</li> <li>- Moving to an environmentally friendly financial product</li> </ul> <p>Have you noticed any evidence of the kinds of environmentally friendly financial products we talked about? Where?</p> <p>What do you think might encourage you to take out an environmentally friendly product?</p> <p>How do you think people could be encouraged to take up such products?</p> <p>What assurances would you need? From who?</p>		
<b>3. Conclusions</b>		2 mins
<p>We are speaking to people to try to understand whether people link financial decisions and the environmental impact of those decisions, and whether they are interested.</p> <p>Bearing that in mind, what one thing would you say to DEFRA about what we have talked about today?</p> <p>COLLECT ADDRESS FOR INCENTIVE TO BE SENT</p> <p>THANK PARTICIPANTS</p>	<p>Wrap up, gives participants the opportunity to feedback on any thoughts not covered in the discussion so far</p>	

## References

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**[www.defra.gov.uk](http://www.defra.gov.uk)**

