

ETHICAL INVESTMENT – MAKING THE RIGHT CHOICES FOR OUR FUTURE

We all make choices about which bank or insurance company we use. We shop around for the best mortgage provider and decide which bank provides the best returns on our investment. However whilst our general shopping habits have changed because of growing concern about green and ethical considerations (a recent ShapeNZ¹ business poll finds that 46% respondents say they will increase what they spend on sustainable products and services in the next year), financial products seem to have escaped scrutiny by most of us.

If you don't buy certain cosmetics because you are concerned they are tested on animals; don't buy clothes from a particular shop because of concerns they were produced in a sweat shop; have switched to energy efficient appliances to reduce your environmental impact; and refuse to buy products from certain countries because of concerns about human rights, you may also want to ask your bank; insurance company or investment company who they are lending to or investing in.

The very same principles which on a day to day basis make us buy free range eggs, Fairtrade goods or recycle our waste are equally relevant when considering long term decisions which as who we deal with for our financial services.

Socially Responsible Investment (SRI) or ethical investment is about making financial decisions based on consideration of ethical issues and values which are important to you. There are a many pressing issues ranging from climate change, human rights abuse, arms dealing, nuclear power, poverty, deforestation, animal rights; corruption etc and each of us will have different levels of concern. However whilst these issues might impact our purchasing decisions at the shopping mall, very few of us have asked the financial institutions we rely on how they are addressing them.

So how can we be assured about the type of investment they are making with our money? How do we, so far from the rest of the world, know whether the practices of the offshore organisations we're investing in are ethical and sustainable?

The good news is that there are socially responsible investment funds around the world and in New Zealand which screen out and exclude companies that engage in activities such as tobacco, gambling, nuclear weapons, armaments, pornography, and the nuclear power industry.

There are also positive screens where investment is preferred in beneficial businesses like renewable energy, clean technology; sustainable forestry; waste management, or contribute to public goods such as housing and public transport.

SRI investment in Europe, Japan, Australia, New Zealand, Canada and the USA is estimated to total Euro 4.963 trillion². Of this total 53% is European and 39% is USA based. However the bulk of this is from screening out industries engaged in tobacco, gambling, weapons etc rather than investing in businesses which are thinking towards the future of the planet. The science of climate change is accepted by leading Corporations in the

¹ ShapeNZ sustainable business behaviour survey, covering 2011 respondents nationwide in 2010 refer New Zealand Business Council for Sustainable Development

² EUROSIF

energy, insurance, motor vehicle, food and grocery sectors globally. However fund managers have been lagging in taking a similar long term view of their responsibility to manage future risk from ecological and environmental impacts.

In New Zealand there are a several SRI funds for investors as well as SRI KiwiSaver funders however there is still very little choice for Kiwi investors who take these matters seriously.

The fiduciary duty of a fund manager is to identify risk. The majority however do not do this properly in terms of addressing future risk whether it is peak oil, water shortage through droughts and floods, or assessing the effects on business through ecological degradation. If a proper risk analysis is done then ethical factors will become central to deciding what companies to invest in.

If you're serious about social and environmental issues, then choosing an ethical fund or savings account represents a long-term investment, not just in your financial future but the world's future too. We need to shift our investment towards companies that are caring for the planet rather than contributing to its destruction. For that reason the best funds to invest in are those that proactively support companies that are doing what is needed to address the challenge of climate change and other critical societal issues. The business as usual model is not sustainable.

SRI INVESTMENT OPTIONS IN NEW ZEALAND

From the available information (websites) these vary as to whether they screen out companies or positively select investment opportunities or a mix of both.

SRI FUNDS	Exclusion or Positive screen?
Asteron Socially Responsible Investment Trust	Details not available on website
Prometheus Ethical Finance	Finances businesses and projects from renewable energy, sustainable agriculture and energy-efficient housing to resource recovery
Quaker Investment Ethical Trust	This proscribed list includes gambling, the manufacture of and/or dealing in armaments, liquor or tobacco, and activities that are likely to be detrimental to people, or to the environment. The Trust will give preference to lending in support of beneficial activities such as low cost housing, employment creation and projects intended to enhance communities and/or the environment
ASB Firstchoice KiwiSaver- Global Sustainability Fund	Positive Screening: SRI Decisions based on climate change, pandemics, human resource practices, corporate governance, stakeholder management and licence to operate.
Asteron KiwiSaver – Socially Responsible Investment	Excludes companies that are principally involved in the tobacco, alcohol, armaments and gambling industries.
SIL (ING) KiwiSaver – Sustainable Growth Fund	Positive screening: Focuses on enterprises that meet a range of environmental, social and business transparency criteria, and that also have sound financial prospects.
Fidelity Life- Ethical Kiwi Fund	Excludes companies involved in alcohol, tobacco, gambling and armaments. Avoids firms involved in pornography, exploitation of animals, nuclear power generation, poor environmental practices, human

	rights abuses and poor stakeholder relations. Positive screening –extensive range of positive inclusions
The Koinonia Fund operated by the NZ Anglican Church Pension Board	Excludes companies involved in armaments, gambling, tobacco , pornography and breweries. Avoid direct investment in companies where the activities of the individuals raise serious ethical concerns; companies with a poor environmental record or consistently bad industrial relations; or where management appears to be excessively concerned with its own remuneration (including by way of loans).

The Council is a charitable trust which promotes ethical, sustainable investment, helps people and organisations to develop guidelines, investments and methods for socially responsible investment; and researches, educates, promotes and advocates.