



Three Steps to Ethical Investment

By Mary Campbell B.Comm Acc/Fin.Planning

Gold Leaf Financial Services

Mary Campbell and Gold Leaf Financial Services Pty Ltd (ACN 162452315) ATF Gold Leaf Financial Services Unit Trust ABN 19 849 209 651, Authorised Representatives of GWM Adviser Services Limited ABN 96 002 071 749 trading as MLC Financial Planning, Australian Financial Services Licensee, 105 – 153 Miller Street North Sydney NSW 2060.



Introduction

I was 18 years old when I first read an article about Ethical Investment, and I was surprised to find out that some major Australian companies were directly or indirectly involved in the manufacturing of weapons and land mines. This was something I personally did not want my money to support so I started to research Ethical Investments (also known as Responsible Investments). My reading revealed that over the long term Ethical Investments had similar performance to mainstream investments.

In early 2000 I invested my savings into my first long term Ethical Investment, just in time to experience the Dot-com crash where millions of dollars were wiped off the share market value. My theoretical knowledge of investment market volatility was now a reality with the sting of a paper loss. Although it tested my resolve, I held on to my investments for the long term. After experiencing the ups and downs of markets, I came out ahead, increasing my wealth without compromising my values.

.....
I increased my wealth without compromising my values
.....

For over 10 years I worked for leading Ethical Investment companies including Australian Ethical Investment and Super, Uniting Financial Services and Ethical Investment Services. Over the years the demand for Ethical Investment has continued to grow. In 2013 I founded **Gold Leaf Financial Services** where I provide strategic financial advice to help clients achieve their dreams and align their investments with their values. I hope this eBook helps you on your path to Ethical Investing.

What is Ethical Investment?

Do you recycle at home? Do you have solar panels on your house? Do you buy Fairtrade or organic food? Do you donate money to charity? With your superannuation and your investments you can make the choice to invest in activities you support such as recycling companies, renewable energy, healthcare and education.

Ethical Investment takes into account environmental, social, governance or ethical considerations when investing.

Ethical Investment is also known as **Responsible Investment**, sustainable investment, green investment, socially responsible investment and impact investment.

Financial Performance

Ethical Investments financially perform as well as mainstream investments. For example in the most recent survey¹, core Responsible Investment Australian Share Funds outperformed the average mainstream fund over 1 year, 3 years, 5 years and 10 years to December 2013¹. Ethical Investors apply sound financial principles as well as environmental, social, governance or ethical criteria. As more consumers choose to purchase from ethical companies², Ethical Investments may continue to perform well into the future.

Approaches to Ethical Investment

There are five main approaches to Ethical Investment;

- **The ESG approach:** looks at Ethical Investment from a risk perspective and focusses only on those Environmental, Social and Governance issues that are likely to have a material risk to the financial performance of a company.
- **Negative Screen:** avoiding companies that don't meet certain criteria.
- **Positive Screen:** supporting companies that meet certain criteria.
- **Corporate Engagement and shareholder activism:** by owning shares or holding financial products with a company you are in a stronger position to engage and encourage them to improve their practices.
- **Impact Investment:** Investing to have a positive impact on society and/or the environment as well as financial returns.





For most people, Ethical Investment is making sure your investments are in line with your values.

Ethical Investment is a way to:

- Help you achieve your goals with a sound financial performance over time, and
- Feel good by investing according to your values and supporting companies that are doing the right thing

Benefits of Ethical Investment:

- Grow your wealth with [competitive returns](#)¹
- Stand up for what is important to you
- Avoid financial loss due to reputation damage and environmental disasters
- Invest in exciting developments like 6 star green buildings and renewable energy technology, and
- Leave a better world for future generations.

¹RIAA Benchmark Report 2014. Past performance is not a reliable guide to future returns.



Step 1: What is important to you?

What is 'ethical'? Everyone's answer will be different. The first step when looking at Ethical Investment is to ask yourself 'What issues are important to me?'

Ask yourself 'What issues are important to me?'

Here are some topics that you may have an opinion on. You may wish to support or avoid some activities, or you may choose to research more about a topic to decide where you sit on an issue, or you may not mind either way. There are no right or wrong answers. If you think of a topic that is not on the list, make a note. This list is about what is important to you.

- Renewable Energy
- Healthcare
- Education
- Recycling
- Energy Efficiency
- Free Range Farming
- Human Rights
- Fairtrade
- Microfinance initiatives
- Indigenous issues
- Safe Workplace Conditions
- Initiatives to assist those less fortunate
- Fossil Fuels and Carbon Emissions
- Weapons and Defence
- Gambling
- Tobacco
- Uranium and Nuclear Energy
- Coal Seam Gas
- Animal Rights / Animal Testing
- Pollution
- Alcohol
- Chemicals and Pesticides
- Genetically Modified Food/Crops
- Logging Old Growth Forests



Step 2: Where is your money?

Your financial health is your financial position and your savings.

Financial Position

To work out your financial position, write down a list of all your assets and a list of all your loans and spending then compare the two. Over time you can work towards reducing your debt and increasing your assets.

Savings

How much money do you save each year? If you do not know, or the answer is nothing, you can start by keeping a record of all your expenses to understand where your money is being spent. You can then create a budget where the aim is to have more income (after tax) coming in than expenses going out.

Unexpected events:

In addition to your everyday bank account, it is important to have money in a separate cash savings account available in the case of emergencies or unexpected expenses. Obtaining insurance cover is another important way to help cover other unexpected expenses.

Investments and Superannuation

You may already have investments such as shares, managed funds, bonds and property. Or if you have cash savings, it may be appropriate to start an investment for the future. Before starting an investment it is important to consider how much risk you are willing to take and the amount of time before you need to access your money.

If you have worked in Australia, in most cases you will have a superannuation (super) account. This is your money, invested for your retirement. If you have had a number of jobs, you may have a number of super accounts. You can search for lost super accounts through the Australian Government service [SuperSeeker](#).

Money Management

The Australian Government [Moneysmart website](#) has some great information about managing your money.





Step 3: Research your options

Not all Ethical Investments are the same. The Environmental, Social, Governance and Ethical criteria vary between providers. This is why it is important to research both what you have and other options to find an Ethical Investment that best matches your personal values.

.....

Find an investment that best matches your personal values

.....

Savings Accounts and Bonds

Research your banking institution and the company issuing the bonds in the same way you would research a company. You can then research other options to determine which organisation's activities best match your values.

Keep in mind you can also assess your bank to make sure you have your mortgage and loans with a bank whose activities are in line with your values.

Shareholders and Self Managed Super Funds

If you hold a direct share portfolio or you hold shares through a Self Managed Super Fund (SMSF) you can research the activities of the companies you hold to gain an understanding of whether or not your current investments line up with your values.



Super Funds and Managed Investments

Look at the Product Disclosure Statement (PDS) or provider website to see if your Managed Investment or Super Fund takes into account Environmental, Social, Governance or Ethical issues when investing.

Two common ways Managed Investments or Super Funds take issues into account are through

- a **negative screen** where they specify business activities they will avoid and/or
- a **positive screen** where they will specify business activities they will support

Read carefully, as some investment companies may still allow investments in activities they state they will avoid as long as no more than 5% of company revenue is from activities included in the negative screen. For larger Australian or multinational companies, this may still mean they receive millions of dollars from the activities.

The next step is to contact the Investment Manager or Super Fund and ask for a list of the underlying companies held by your Managed Investment or Super Fund. By researching the companies included in this list and learning about the activities of those companies (see company research above), you will gain an understanding of how your Managed Investment or Super Fund apply their criteria.

If an investment company or super fund employs **Corporate Engagement**, ask for their policies and topics they will put forward, the details of company AGM resolutions put forward, negotiations that have occurred and what results have been achieved.

If an investment company or super fund uses **the ESG approach**, ask yourself “Am I comfortable investing in activities I disagree with on a values or moral basis, as long as it does not negatively impact my financial return?”



Company Research

Perhaps you are interested in finding out about the main activities of the business in order to see if their activities are in line with your values. You may also be interested in knowing how a business operates (in relation to staff, suppliers, customers, the community, the environment, etc) to determine if the way they operate is in line with your values. You may also be interested in knowing about the supply chain of the business and if the activities of suppliers, resellers and customers match your values.

It is up to you where to draw the line in terms of your values and what level of responsibility you feel a company should have. An easy way to start is with the main business activity (which is usually fairly easy to research and determine), and then when you are ready, you can find more information. As your areas of interest become broader than the main business activity, you will then need to do more research in order to determine whether the business is in line with your values.

At Gold Leaf Financial Services we have access to company research and can recommend an investment portfolio in line with your values. [Contact us](#) today.

Company Provided Information

Many companies are developing policies and providing information to the public on their impact on the community and environment. Whether you are looking into the financial institution providing your savings account, or the companies you have invested in, start by looking at the company's website for information on their Environmental, Social and Governance activities, and view their sustainability or corporate responsibility report. For example, on the [NAB website](#) you can find information about their corporate responsibility initiatives.

.....

Companies have an incentive to provide positive information in order to protect their reputation

.....

External Information

All companies have an incentive to provide positive information in order to protect their reputation so it is also important to look for external information to get a more balanced view of company activities. You can find external information from the media, Ethical Investment research providers, not for profit organisations, and government regulators.



Company Research Questions

Here are some questions to consider when researching companies.

Main Business and Profits: What is the main business and how do they make most of their profits? How does their main business impact the community and the environment?

.....
Food for thought: Supermarkets may profit from poker machines and the sale of alcohol and tobacco. Airlines are carbon intensive. Pharmaceutical companies may save lives.
.....

Business Operations: How is the business run? Does the business have initiatives to reduce packaging, waste and pollution? How are the board of directors and executives paid? How does the business treat their customers, staff, suppliers, community, etc.

.....
Food for thought: Do you like how your bank treats its customers? Does the bank lend money to other businesses that you may not want to support? Do they have a lending policy that takes into account the impact the business has on the community and the environment before they offer loans? Does the business have operations in countries with known human rights violations? Does the business run a charitable foundation or support small businesses that have a positive contribution to society?
.....

Supply chain: How does the supply chain operate? What are the main business activities of the suppliers and distributors? How do the suppliers and distributors operate their business in relation to the environment and community?

.....
Food for thought: What are the working conditions of people working for suppliers overseas? How do suppliers dispose of chemical waste? How are Australian grown animals treated when shipped overseas? Does the product produced last for years, or quickly end up in landfill? Are other business activities of the supplier or distributor in line with your values? Has the supplier or retailer won environmental or community awards?
.....





Financial Resources

It is important to assess any investment to ensure it is financially sound. The following financial resources will help you learn about money and investments.

- [Moneysmart](#): Australian Government information and tips for managing your money including repaying credit cards and mortgages, insurance, superannuation and investments
- [SuperSeeker](#): Find lost superannuation accounts
- [Debt Self Help](#): Tips to repay your debt
- [Financial Counselling Australia](#): Find a financial counsellor
- [SuperGuru](#): Superannuation information and tips
- [Australian Stock Exchange](#): Education and information about listed securities
- [Yahoo Finance](#): Financial news and information
- [Ninemsn Finance](#): Financial news and information
- [Australian Financial Review](#): Financial news and information
- [Morningstar](#): Investment research
- [Van Eyk](#): Investment research
- [Lonsec](#): Investment research
- [Chantwest](#): Superannuation research
- [SuperRatings](#): Superannuation research

A Gold Leaf Financial Planner can help you find an Ethical Investment portfolio or super fund that is right for you. [Contact us](#) today.





Ethical Investment Resources

The following resources are a good place to start to find external information on your current financial institution, investment manager, super fund or on individual companies, and to view some other options available.

- [Responsible Investment Association Australasia \(RIAA\)](#): Ethical Investment research and information
- [Shop Ethical](#): Ethical shopping guide and company information
- [Australasian Centre For Corporate Responsibility](#): Shareholder engagement and advocacy group
- [Eco Investor](#): Environmental investment newsletter
- [Ethical Investor](#): Ethical Investment news
- [Impact Investing Australia](#): Impact investing news and information
- [United Nations Principles for Responsible Investment \(UNPRI\)](#): Responsible investment principles
- [United Nations Global Compact \(UNGC\)](#): Responsible business principles
- [Equator Principles \(EPs\)](#): Responsible lending principles
- [Super Switch](#): Superannuation fund fossil fuel exposure information
- [Market Forces](#): Bank fossil fuel exposure information
- [Your Ethical Money Guides \(UK\)](#): practical steps that you can take to apply your green and ethical beliefs to your finances

A Gold Leaf Financial Planner can help you find an Ethical Investment portfolio or super fund that is right for you. [Contact us](#) today.





Gold Leaf Financial Planning

A **Gold Leaf Financial Planner** can help you start an Ethical Super fund or Ethical Investment Portfolio in line with your values. First we guide you through the process of understanding your situation, values and goals. Then using our expertise and research, we can recommend an Ethical Super fund or Ethical Investment that matches your values and helps you to achieve your goals and dreams.

.....

We can recommend an Ethical Investment that matches your values and helps you achieve your goals and dreams

.....

Contact us to speak with a Gold Leaf Financial Planner today.

www.goldleaffinancial.com.au



¹2014 Responsible Investment Benchmark Report, Responsible Investment Association Australasia, p11. <http://www.responsibleinvestment.org/riaa-research/>

²Global consumers are willing to put their money where their heart is when it comes to goods and services from companies committed to social responsibility, Nielsen 2014
<http://www.nielsen.com/us/en/press-room/2014/global-consumers-are-willing-to-put-their-money-where-their-heart-is.html>

Photos

Seedling photo: Edited and reworked by M.Campbell. Creative Commons Licence 2.0, [Sunflower Seedling](#), Rev Stan 2009.

Wattle photo: © K.Campbell 2014.

Bottlebrush photo: © K.Campbell 2014.

Gum blossom photo © K.Campbell 2010.

General Advice Warning

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Investors should, before acting on this information, consider the appropriateness of this information with regard to their personal objectives, financial situation or needs. We recommend investors obtain financial advice specific to their situation before making any financial investment or insurance decision.

Terms and Conditions

1. Mary Campbell and Gold Leaf Financial Services Pty Ltd (ACN 162452315) ATF Gold Leaf Financial Services Unit Trust ABN 19 849 209 651, Authorised Representatives of GWM Adviser Services Limited ABN 96 002 071 749, Australian Financial Services Licensee

(a) do not give any warranty or make any representation as to the accuracy, reliability, completeness or security of the information contained in this document and as to changes in circumstances after the date of publication that may impact on the accuracy of the information;

(b) make no representation in relation to, and are not responsible in any way, for the content of any website or organisation you access via this document;

2. Users of this document must not:

(a) use the material in this document for any purpose other than as a source of information for personal use unless authorised to the contrary;

(b) distribute, copy or otherwise reproduce in any way any of the material in this document unless it is expressly authorised;

Users can print a hard copy of material for their personal use.

3. Links to websites are provided for your convenience only. Any such links do not constitute or imply endorsement or recommendations of any other company, product or service or any affiliation between Mary Campbell, Gold Leaf Financial Services Pty Ltd ATF Gold Leaf Financial Services Unit Trust and other organisations (unless otherwise expressly stated). Mary Campbell and Gold Leaf Financial Services Pty Ltd ATF Gold Leaf Financial Services Unit Trust do not control and are not responsible for the content of any website accessed via this document.

4. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document.

© Copyright Mary Campbell 16 February 2015

