



Guidelines
for Ethical
Investment

Stay Safe. **Invest Ethically.**



Stay Safe. Invest Ethically.

8 rules we should all observe



Ensure

that environment, society and effective accountability play a central role in all policies, decision-making, monitoring and reporting



Look

for companies that consider the risks or potential negative impacts of investment activities on production, materials used and people across the supply chain



Practice

excluding or divesting from companies tied to negative behaviour and impact such as those abusing labour rights, involved in the arms trade or in coal extraction



Check

annual reports, independent sources and organisations to see if companies or their agents are proactive or passive on environmental and socially responsible issues



Know the signs

if full transparency or accountability is vague or missing on the issues. ISOLATE your investment and contact fellow investors to inform them



Distance

yourself from companies that do not report annually on goods, or services in their supply chain, or abuse tax rules at home or abroad – you can't outsource integrity



Keep

a log of companies you interact with and whether they regularly support and promote human rights and environmental standards



Identify

if companies remedy or correct negative impacts as part of their operations, products or services and if they include the active involvement of all affected stakeholders

Be Alert.
Stay Safe.
**Invest
Ethically.**

Many day-to-day activities are all too familiar, such as buying goods or services either in person or online, taking out insurance or making regular contributions towards your pension or savings.

But do you know what happens with your money and its real-world impact on the planet and on others along the way?

Investing in a fairer world starts with each of us – at home, in our communities and in our workplaces. **We're all in this together.**



Individuals, communities, companies and governments have responsibilities to respect the basic human rights of others, the well-being of communities they impact on and, in recent decades the overall well-being of the planet.

Any of us who buy products or services or who have a pension or investment scheme interact in many ways with others - others often geographically distant.

Companies involved in manufacturing, trading and selling likewise interact not just with other people but also with the planet and its many resources.

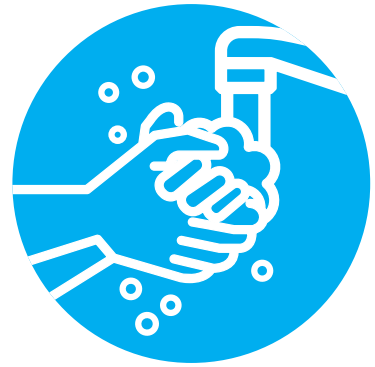
As a result of many campaigns for well over a century, public awareness and increased action on ethical manufacture and sourcing of products and services as well as investment in such activities has become an increasing focus. This focus has spread out from concerned individuals and groups (e.g. NGOs, trade unions, churches) to now incorporate states, governments and many companies and investors and now also international structures such as the EU, the OECD and the UN.

This represents a major and welcome shift in approach from an almost exclusive focus on economic and financial issues (maximising profit).

This brief guide:

- Sketches the background to the issues and how they have evolved
- Offers a set of 8 key principles which should guide all levels of practice regarding ethical investment
- Outlines the key values and principles that underpin the debate

In short, this guide seeks to invite questioning and challenging in investment decisions.



Don't wash your hands of the issues. Know the risks.



Is it owned by an unethical company?

Ethical funds are often run by companies that have many other, often non-ethical funds. Try and avoid the worst companies



Does it have weak screening criteria?

Ensure that the fund's screening criteria is robust enough to ensure that they do not invest in unethical companies.



Is the company consistent (and open) in its practices along the supply chain of options and companies?

Areas of controversy could include mining, fossil fuels, unscreened finance, intensive agriculture, nuclear power, alcohol, tobacco, armaments, tax avoidance and human rights abuses.



Is your money being used in an investment already?

Whether it's a pension scheme, choice of regular banking or workplace / school uniform, we're making investment choices every day.

(adapted from EthicalConsumer.org)



Nearly 130 institutional investors and financial service providers committed to address systemic racism through their portfolios, corporate engagements & policy advocacy, with a combined financial assets portfolio worth over \$500 billion

KNOW THE FACTS

What's going in the EU, OECD and UN contexts?

In recent times, the **European Union** has taken on a lead role on reshaping the policies and the practices of institutions involved in the finance and investment sectors by integrating Environmental Social and Governance considerations into the core of decision making. In 2019, the European Parliament and the European Council adopted a set of rules requiring European investors to disclose the actions undertaken to address the possible adverse impacts of their investment decisions on both people and planet.

Under this regulation (in force since December 2019,) member states have until May 2021 to fully implement the new rules which apply to all investment companies and also to advisors who sell products in Europe. These rules are based on internationally recognised standards.

Originating in 1976 (and updated many times since, most recently in 2011), the **OECD Guidelines for Multinational Enterprises** aim to support the emergence of an open and transparent international investment system. The guidelines offer a set of (binding) voluntary principles based on relevant laws and internationally accepted standards. There are currently 47 Adherents to the Declaration - 35 OECD countries and 12 non-OECD countries.

The OECD Guidelines are the most comprehensive set of government-backed recommendations covering areas and issues such as **information disclosure, human rights, employment and industrial relations, environment, combatting bribery and corruption, consumer interests, science and technology, competition, and taxation**. The Guidelines offer a comprehensive framework of issues, key questions and strategies to promote and strengthen ethical and responsible investment and business practices. The OECD has also set up a monitoring system for the Guidelines¹.

1 See <https://mneguidelines.oecd.org/database/instances/nl0023.htm>

The OECD Guidelines are also fully in line with the recommendations of the **UN Guiding Principles for Business and Human Rights**, a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations. The guidelines were proposed by the UN Special Representative on Business and Human Rights and endorsed by the UN Human Rights Council in June 2011.

They now have over 2,300 signatories with an estimated figure in 2018 of US\$30 trillion in assets under the guidelines.

Guiding Principles

As described in the UN Guiding Principles, there are three distinct ways in which a business enterprise (including investors) may be involved with adverse human rights and related impacts:

- Causing an adverse impact through its own actions or omissions;
- Contributing to an adverse impact through its own activities, either alongside other entities or through external entities, such as clients or customers; or
- Being directly linked to an adverse impact through its operations, products, or services via a business relationship, such as a portfolio company.

Environmental	Social	Governance
Climate Change	Human Rights Standards	Tax Avoidance
Water Issues	Labour Standards	Executive Pay
Sustainable Land Use	Employee Relations	Corruption
Fracking	Conflict Zones and impacts	Role and Appointment of Directors
Methane	Gender and Race issues	Cyber Security
Plastic	Cultural questions	Transparency

8 Key Ethical Principles for Guiding Environmental, Social and Governance Investment



Based on the background and referencing above, we have identified a set of 8 key principles which can be used to question investment planning and decision-making. These are not simply questions for 'experts' or for those directly involved with investment decision-making, they are issues for all of us.

The principles revolve around moving from an optional concern with such issues to one that is mandatory, monitored and transparent.



Planning, decision-making, reporting

Ensuring that within all structures, policies and practices there is a mandatory (not an optional) focus on ESG issues including in planning, assessment, decision-making, monitoring, transparency and public communication and reporting on such issues



Research and risk assessment

Due diligence with respect to environmental, human rights impacts and governance issues and concerns should involve researching and identifying real and/or potential negative impacts as a result of investment activities; this should include consulting existing external codes, reference points, research and organisations (including relevant civil society organisations and structures).

Again, due diligence needs to be publicly visible and considered as part of normal and ongoing company strategy, policy and practice.



Since 2014, Fairtrade farmers and workers have received well over half a billion euros in Fairtrade Premium, generated from Fairtrade products such as coffee, bananas, chocolate and cotton, funding countless activities benefitting more than 1.6 million producers at the heart of the system



Being proactive not passive

Companies, partners and management agencies should be proactive and not passive on environmental, socially responsible and transparent governance issues; this implies anticipating risks and negative impacts and not waiting until they become visible or problematic and not considering them to be secondary or 'after the fact' elements of policy and practice. Such approaches and concerns should be actively communicated to all investors, management agencies and contractors



Active promotion of environmental, socially responsible and transparent governance principles

The promotion of acceptance and implementation of environmental, socially responsible and transparent governance (ESG) principles and issues across the investment industry should become an established part of policy and practice. Active cooperation on ESG matters with all relevant bodies, structures and stakeholders should become the norm



Disclosure and transparency

Full disclosure and transparency on environmental, socially responsible, human rights and transparent governance issues by all personnel and structures involved in investment organisations and practices must become the norm with full protection for whistleblowers where necessary and appropriate



Rectifying and remedying

Rectifying and remedying all negative impacts needs to become common established practice with reference to operations, products or services and with the active involvement of all affected stakeholders



In 25 years, 35,772 businesses have met Forest Stewardship Council (FSC) standards investing in responsibly managed forest product materials

KNOW THE FACTS



1,241 institutions – universities, faith-based institutions, governments and schools - have divested over \$14 trillion from fossil fuels since 2011

KNOW THE FACTS



Co-operation and communication

Co-operation in strengthening effectiveness and impact in implementing the Principles and the focus on environmental, socially responsible and transparent governance. Adequate communication and reporting on activities and measured progress on implementing the Principles



Exclusion and divestment

The inclusion in environmental, socially responsible and transparent governance practices of exclusion or divestment policies tied to specific impacts or standards. For example with reference to companies involved in the production of cluster weapons, anti-personnel (land) mines, and chemical and biological weapons or coal production.

Investors may also review the performance of companies in their portfolios against certain standards such as the OECD Guidelines or UN Global Compact principles. If companies which breach these standards are unresponsive to engagement and do not improve their conduct, divestment should become a common practice.



Starting out as a consumer campaign about consumer electronics, Fairphone established a 'fair materials' programme and incorporate conflict free minerals and metals such as tin, tantalum, cobalt and copper them into their smartphones to challenge human rights abuses and child labour in supply chains

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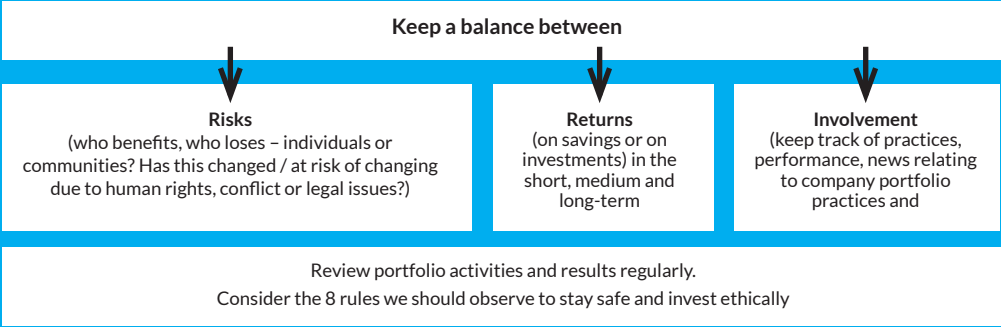
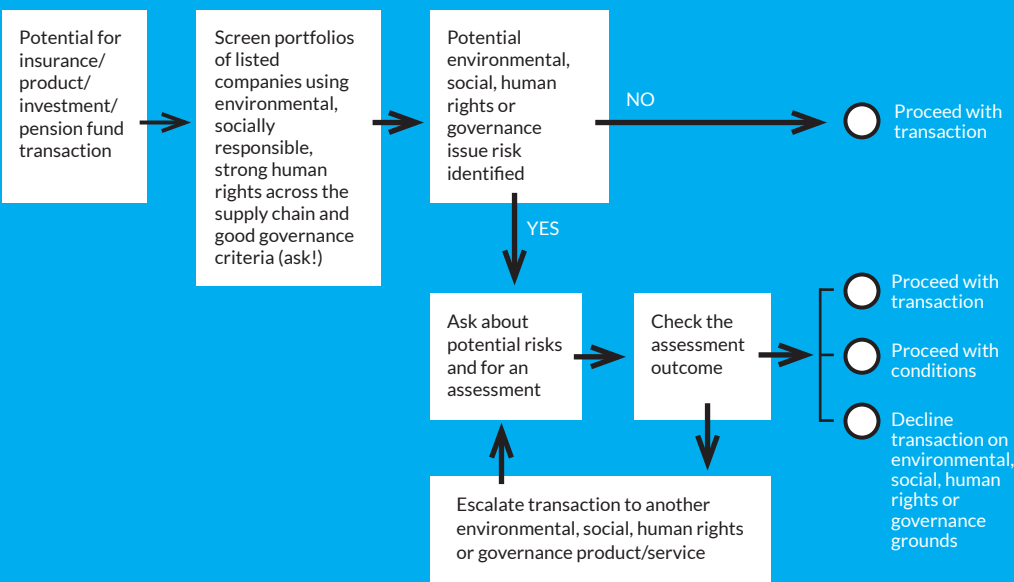
Supply chain contact tracing decision tree: thinking about active ownership of your investments



Community banking, investing in living wages across supply chains, managing potential debt and growing retirement funds are part of thinking about where you might invest (or not) and who benefits (or loses!) from the investment.

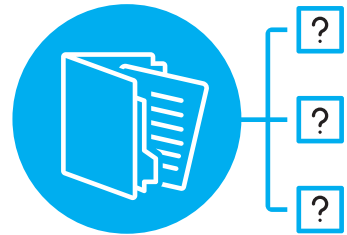
Is contact tracing possible along the supply chain?

If in doubt distance yourself from the fund, service or goods and quarantine it while you look into the details or change options.



Wait a minute, what's in my portfolio?

Investors are often advised to diversify their portfolios between stocks and bonds but what does this actually mean?



Bonds – a type of loan or debt divided into multiple pieces, can be sold by governments, companies or others to investors, considered low-risk when governments back them (sovereign wealth/reserves), may pay periodic interest when bond matures.

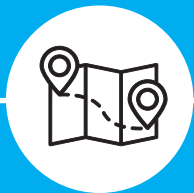
Equities or Stocks – buying an actual share of the company, however small, riskier in short term but can give higher returns over long-term.

Other forms of investments can include:

- Crowdfunding
- Start-up funds
- Grants, aid or subsidies
- Personal/family/private loans
- Savings deposits
- Physical assets, such as property and equipment
- Reserves (money that organisation has in the bank as a result of making profits or generating surpluses)
- Cash/card less purchases for goods or services

I'd like to find out more

- Investors for Human Rights
www.investorsforhumanrights.org
- MEP's for Responsible Business Conduct
www.responsiblebusinessconduct.eu
- UN Principles for Responsible Investment (and reporting)
www.unpri.org
- Top Tier Impact
www.toptierimpact.com
- Ethical Consumer magazine 'ethical pensions' guide
www.ethicalconsumer.org/money-finance/shopping-guide/ethical-pensions
- Business and Human Rights Centre
www.business-humanrights.org



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About this guide

The **Stay Safe: Invest Ethically** guide was produced by the Catch Them If You Can working group comprised of members of cooperative Common Ground Bray and the Trade Justice Group, Comhlámh and 80:20 Educating and Acting for a Better World.

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Keep it social #InvestEthically

 @our8020world

 @8020World

 <https://8020.ie/CatchThemIfYouCan>

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