

MONEY WEEK 2022

FINANCIAL ADVICE NZ

Ethical Investing

There are an increasing number of investors who want to buy shares in companies “doing the right thing” by the planet.

It’s called ethical investing, but it’s not restricted to the environment. It can include companies that practise or promote strong social and community values.



So, does ethical investing make a difference, and how do you avoid falling victim to something called “greenwashing”?

For a start, there’s no one definition of ethical investing. It’s simply about your preferences and what you’re comfortable with.

Of course, some investments are considered more ethical than others. For example, those that work in renewable energy or recycling vs those that drill for fossil fuels.

Or you might like a company because it employs lots of people from ethnic minorities, or women.

What's ethical to you may not be ethical to someone else.

What's ethical, what's not

Ethical claims are not like organic claims, where companies or funds have to go through a process to prove what they're doing is what they're claiming.

Those making "ethical" claims don't have to prove what they claim, unlike in the food industry, for example.

Investors often have to second-guess things because companies often don't disclose everything they do or where they get products from.

How to Find ethical companies can be slightly harder



There are several ways you can check out a company and its claims.

You could check out the website of the Responsible Investment Association of Australasia (RIAA), which has an online tool to help investors find funds that align with their own goals and ethical values. This is fast and easy and contains a wealth of information.

If you're investing through an exchange traded fund (ETF) to buy bonds or shares in companies, the manager of that fund should be able to answer all questions around what companies they're investing in and their ethical values.

You could also look at the configuration of funds which are deemed to be ethically conscious. For example Vanguard has an Ethically Conscious International Share Index Fund which comprises of over 1600 shares. These shares are fairly easy to research.

Or you could get a professional financial adviser to do this research for you based on what you believe is ethical.