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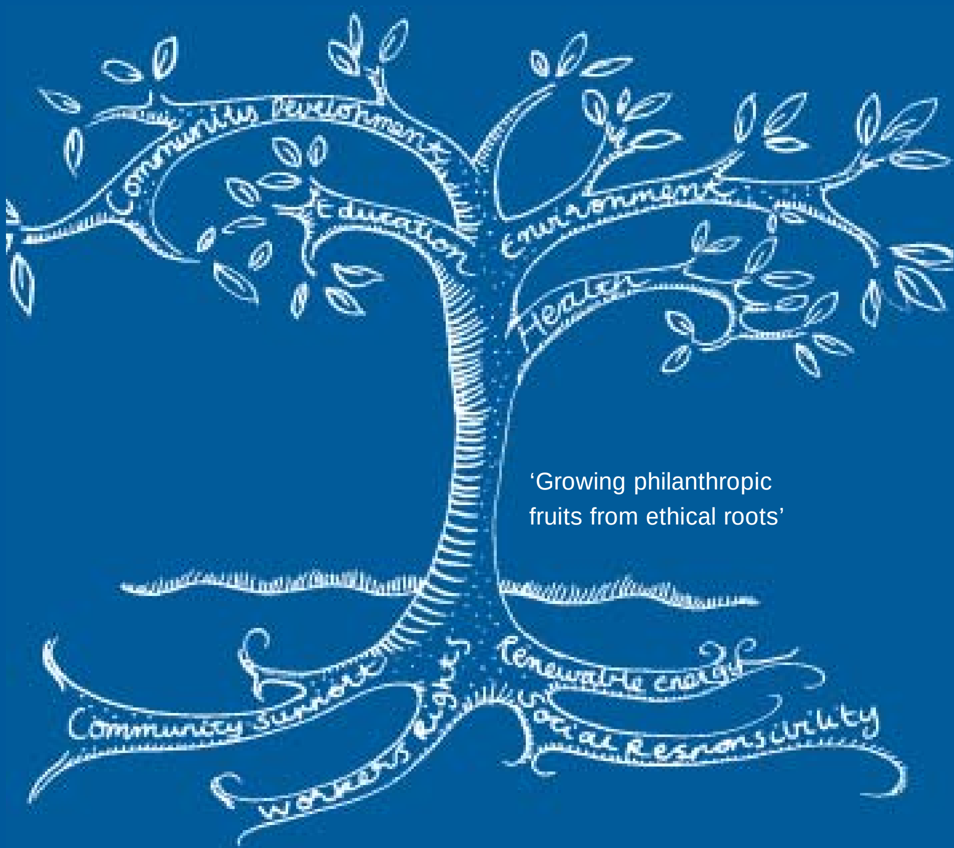
Feature: Ethical Investment




*National Association for Grantmaking Family, Private, Corporate and Community Trusts and Foundations*

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*Australia*

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# Contents

# From the President

The topic of ethical investment is a timely one for *Philanthropy Journal* to deal with in this last edition for 2001.

Philanthropy Australia began the year with a presentation in Melbourne on the topic by Duncan Patterson, from Australian Ethical Investment Limited. The presentation drew a large contingent of members interested in hearing more about the concept, a significant trend in philanthropic circles in the UK and USA.

A number of staff and trustees of Australian trusts and foundations have formed the Ethical Investment Working Group and taken the initiative in stimulating debate on the topic within Australian philanthropic circles. It's a trend which has been picked up by the business world, with a substantial number of merchant and retail banks and financial services companies now offering ethical investment opportunities. When the Ethical Investment Working Group came to Philanthropy Australia and suggested that this edition be devoted to the topic, we jumped at the opportunity.

This special edition on ethical investment has been complemented by the recent release of the results of the Shareholder Project, an initiative sponsored by The Myer Foundation, CEPA Trust, Perpetual Trustees, The Lance Reichstein Foundation, BP Australia and the Victorian Government.

The Shareholders' Project incorporated unique surveys of shareholders, an analysis of shareholder-corporate relationships which takes into account this new research and a paper on shareholder activism by the Australian Shareholders' Association. The full reports are available on the St James Ethics Centre website, www.ethics.org.au

Key findings from the quantitative study of shareholder attitudes to investment-related issues conducted by Irving Saulwick and Associates[1] included the following:

- Nearly two thirds of shareholders who personally decide what to buy and sell make their share buying conditional on approval of the company's activities. Women are more likely to do this than men.
- Young people (18-24 years) assert that the first priority should be fairness to employees and place worker safety second. They also place corporate citizenship and environmental protection ahead of money making for shareholders.
- Of those who had heard the term 'ethical investment' 80 per cent said they would be prepared to accept a lower dividend or share price in return for being able to invest ethically.

A qualitative survey of superannuation trustees and general financial investment managers conducted by Irving Saulwick and Associates revealed that there is a change taking place in the investment market. According to the report:

> "It shows a tendency to pay more attention to the ethical and socially responsible dimensions of investment decisions. Among superannuation funds, this change is led by trustees; fund managers tend to be more cautious about it. The change is careful, tentative, at times uncertain, yet vigorous in some quarters and apparently gaining momentum. It is linked to changes in wider community values, particularly concern for the environment and for the decent treatment of people, as well as to increased demands for transparency and accountability."[2]

The project provides food for thought for trustees of philanthropic trusts and foundations. I hope you enjoy this edition of *Philanthropy*.

Thank you for your support of Philanthropy Australia in the past year. I wish you and your family happy holidays and send yuletide and new year greetings. I look forward to seeing you at Philanthropy Australia events in 2002.

Marigold Southey

Lady Southey
President

1 Source: Shareholders' Project: a quantitative study of shareholder attitudes to investment-related issues, Irving Saulwick and Associates, August 2001.
2 Source: Shareholders' Project: a qualitative study of superannuation trustees and general financial investment managers' attitudes to investment-related issues, conducted by Irving Saulwick and Associates, September 2001.

# From the National Director

The tragic events of September 11 reinforced the important work of philanthropy in bolstering and supporting the fragile concept of community.

The repercussions for Australian society are manifold and significant. For this reason, one of Philanthropy Australia's last organised activities for 2001 was a forum on Australia's civil society, chaired by our Patron Sir Gustav Nossal with Chris Maxwell, President of Liberty Victoria, and Yasser Soliman, President of the Islamic Council of Victoria.

The theme of a civil society was first raised during October when Kumi Naidoo, Secretary General of CIVICUS, the international organisation dedicated to promoting civil society, addressed members at our Annual Trustees' Reception. Kumi's background as an anti-apartheid activist in South Africa, which resulted in his imprisonment, his work in social economic justice in that country and his role in drafting new legislation for the South African non-government sector have prepared him for his work at CIVICUS, strengthening citizen participation and civil society worldwide.

The release of the recommendations of the Federal Inquiry into the Definition of Charities and Related Organisations was an important development in the public policy debate on Australian philanthropy. Inquiry member David Gonski addressed Sydney members on the topic but the announcement of the Federal election interrupted the feedback process. Philanthropy Australia is reconvening the expert committee which assisted in the development of its original submission to the Inquiry. After consultation with our members, a formal response to the Inquiry recommendations will be forwarded to the Federal Government.

Peter Kenyon is a passionate advocate of involving young people in community regeneration and addressed our Sydney members in late November. This theme of youth participation in responding creatively to rural decline is relevant for the philanthropic sector, which itself must consider how it can increase the involvement of younger Australians in its work. This will be an important priority for Philanthropy Australia in 2002.

The Community Business Partnership Awards attracted considerable business press in August. The question of how closer ties between government, business and philanthropy can best be achieved has been picked up by some State Governments and Philanthropy Australia is closely involved in the debate. Stuart Etherington, Chief Executive of the National Council for Voluntary Organisations in the UK gave a thoughtful overview of the British experience during his lecture tour for Philanthropy Australia in August.

The increased emphasis on corporate philanthropy has encouraged Philanthropy Australia to develop an exciting initiative – The Australian Directory of Corporate Philanthropy, which will be published for the first time in 2002. A companion volume to The Australian Directory of Philanthropy, the corporate directory will provide an overview of the corporate social investment policies and programs of Australia's top companies. It's an important step in charting Australia's philanthropic sector and should prove an invaluable tool for grantseekers and those grantmakers interested in pursuing partnerships and collaborative funding relationships with the corporate sector.

As always, tax policy and how it can best be implemented to support the growth of Australian philanthropy, is a key priority. We are revamping our tax agenda for 2002, with expert assistance, and look forward to consulting with members early in the coming year on our future advocacy agenda.

Very best wishes for the holiday season and the new year.

Elizabeth Cham
National Director

## The Pearcey Foundation

Do you know that the oldest surviving computer in the world is in Melbourne? Built between 1947 and 1949 it was the fourth operational computer ever constructed.

The project team that built 'CSIRAC' was led by Dr Trevor Pearcey who also predicted the world wide web. On his death in 1998 the Pearcey Foundation was created in memory of this pioneer of Australian computing.

The Foundation's goal is to recognise, promote, teach and encourage the intellectual achievements of Australia's IT heroes in the past, present and future and to reinforce national confidence in ongoing IT capabilities. The Pearcey Medal and Pearcey Awards are given annually as part of this goal.

Currently a review of present projects is underway to better position the Foundation to achieve its goals. By expanding the present awards for excellence program and adding an educational focus, The Pearcey Foundation will also be better able to attract corporate sponsors to underpin its work.

Established without endowment funds, the Foundation is also seeking ways to attract gifts from high net-worth donors, particularly those who may have achieved wealth through the industry. This will enable funds to be available to assist and encourage award winners to keep Australia at the forefront of IT innovation.

Further information:
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## Shareholders Project contemplates next step

Following the recent launch of its groundbreaking research into the attitudes and opinions of Australian shareholders, sponsors and funders of the Shareholders Project are now contemplating the next step.

"The Shareholders Project Committee has been very encouraged by the level of media and business interest in the shareholders' surveys" said Catherine Brown, consultant to the project.

"In December the group will meet to brainstorm future strategies – young people and women have untapped potential as shareholders to invest ethically and to expect good corporate behaviour. Supporting small institutional investors to work together to achieve good corporate community outcomes could be another important initiative."

Myer Foundation Chief Executive Charles Lane said through its support of the project the philanthropic community had made a constructive contribution to the debate surrounding corporate citizenship.

"We've now got the basis for the wider community to engage with corporate Australia about shared objectives and outcomes" he said.

*David Gonski*

## Report of the Inquiry into the Definition of Charities and Related Organisations

On 18 September 2000, the Prime Minister honoured the commitment that the Government had made to the Democrats earlier in the year, by announcing the establishment of an independent Inquiry into definitional issues relating to charitable, religious and community service not-for-profit organisations.

In response, Philanthropy Australia formed a representative committee to assist it to develop a submission to the Inquiry and with funding from The Myer Foundation, conducted an extensive national consultation with members and other interested parties.

The Committee for the Inquiry, consisting of The Hon I F Sheppard AO QC, Mr Robert Fitzgerald and Mr David Gonski, delivered its report to the Federal Treasurer on 30 June 2001. The Treasurer then publicly released the report in September.

Philanthropy Australia conducted a follow-up consultation with members and other interested parties in Sydney in early October. At this meeting Mr David Gonski spoke with those in attendance about the three specific areas that the Inquiry focused on – the definitional framework, the definition of charitable purpose and the administration of the sector. Philanthropy Australia is planning to conduct a similar meeting in Melbourne early in 2002.

The committee originally formed by Philanthropy Australia is meeting again in December to discuss a response to the recommendations of the Report of the Inquiry.

The full *Report of the Inquiry into the Definition of Charities and Related Organisations* is available for purchase through Government Info Shops for approximately $20.

## Prescribed Private Funds – an update

Through the role of its National Director Elizabeth Cham on the Prime Minister's Community Business Partnership, Philanthropy Australia played an important role in the introduction of legislation to enable the establishment of Prescribed Private Funds – trusts to which businesses, families and individuals can make tax deductible donations.

On 30 March 2001, The Prime Minister, in a measure to encourage greater corporate and personal philanthropy, released the guidelines for Prescribed Private Funds (PPFs). A model trust deed was released soon afterwards (although a revised deed will be released in the next few months).

Some of the more specific issues relating to the establishment and operation of PPFs were addressed in Issue 46 of *Philanthropy*. However, there still seems to be some confusion in the sector about the broader issues of what PPFs are and what their purpose is. Consequently, some further information on PPFs has been included below. This information below was sourced from the website of the Australian Taxation Office (ATO). Further information can be obtained by visiting www.ato.gov.au/content.asp?doc=/content/notforprofit/8724.htm or by phoning the ATO on (02) 6216 2087.

In essence, a PPF is the same as a public (philanthropic) fund and is required to meet all of the statutory requirements of a public fund with two important exceptions:

- A PPF is not required to seek donations from the public
- The requirement that the committee, a majority of whom have a degree of responsibility to the general community, control a public fund need not be met by a PPF. Instead, the controlling body of the fund must include at least one person who is a 'responsible person' as described in Taxation Ruling TR 95/27 (relating to public funds). That is, a person who has a general responsibility to the community. Additionally, the responsible person must not be associated with the donor/settlor in anything other than a professional capacity.

Also important to note is that:

- An application for prescribed private fund status is an administrative process. All applications are made to Government – but must in the first instance be lodged with the Australian Taxation Office (ATO)
- The fund must be established and maintained under a will or instrument of trust solely for the required purpose, etc
- The founding documents of the fund must prohibit the making of any benefit, direct or indirect, to the trustee (including any of its members or directors) the donor/settlor or to any associate
- That PPFs must only fund other Deductible Gift Recipients – funds, authorities and institutions covered by Subdivision 30-B of the ITAA 1997

It was notified in the 5 October 2001 Commonwealth Gazette that 23 PPFs had been prescribed with effect from dates in June and July 2001 (see Income Tax Assessment Regulations 2001 (No. 3) – 27 September 2001).

John Emerson of the Freehills Charity Law Group will be conducting a forum in early 2002 of which Philanthropy Australia members will be notified to further discuss the tax and legal issues associated with the establishment of PPFs.

## Annual Trustees' Reception

On a very rainy evening in October Philanthropy Australia hosted a cocktail party at the Melbourne Town Hall for Trustees and staff of member foundations and corporations.

The highlight of a very enjoyable evening was the presentation from Mr Kumi Naidoo, Secretary General and CEO of CIVICUS, who spoke on the challenges posed to civil society by the events of 11 September, 2001. Kumi's speech focused on the importance of ensuring that terrorism and the responses to it do not retard or halt the advances made in the field of civil society, as well as on the need for philanthropic and voluntary organisations to continue and extend their work in social inclusion, peace, human rights and the bridging of cultural and religious divides.

*Elizabeth Cham National Director of Philanthropy Australia, Kumi Naidoo Secretary General and CEO of CIVICUS, Lady Southey President of Philanthropy Australia and Dur-é Dara Vice President of Philanthropy Australia.*

## Affinity Groups update

**Disability Affinity Group**
The mission of the Disability Affinity Group is to enhance the capacity of philanthropic bodies to assist people with disabilities by identifying, supporting and disseminating research and initiatives involving best practice relating to services for people with a disability.

Recently, representatives of the Department of Human Services provided the members of the group with a private briefing on the draft State DisAbility Plan.

The group plans to meet four times during 2002. Each meeting is currently scheduled to take place between 10am and 12 noon on the following dates:

- Monday 25 February 2002
- Monday 27 May 2002
- Monday 26 August 2002
- Monday 25 November 2002

Philanthropy Australia members not currently participating in the meetings of the Disability Affinity Group but who wish to do so are asked to contact Grant Hooper at Philanthropy Australia and ask to be placed on the group's mailing list.

**Early Intervention Affinity Group**
The Early Intervention Affinity Group was established during 2001 with the objective of enhancing the capacity of philanthropic bodies to assist children, young people and families by identifying, supporting and disseminating best practice early intervention research and initiatives.

The group has this year had presentations from Associate Professor Ann Sanson, Acting Research Manager at the Australian Institute of Family Studies, June McLoughlin, Director – Early Childhood Unit, Centre for Community Child Health and our own Elizabeth Cham.

The group plans to meet four times per year. The proposed meeting dates for 2002 are:

- Thursday 21 February 2002
- Thursday 23 May 2002
- Thursday 22 August 2002

Philanthropy Australia members not currently participating in the meetings of the Early Intervention Affinity Group but who wish to do so are asked to contact Grant Hooper at Philanthropy Australia and ask to be placed on the group's mailing list.

**Supporting Community Action Group**
The inaugural meeting of the Supporting Community Action Group was held at the offices of The Myer Foundation in mid November.

The next meeting will be held in late February 2002 and will involve a panel discussion about what it means to be a 'community'.

Membership of the group is open to grantmakers. If you wish to participate in this group please contact Grant Hooper at Philanthropy Australia.

## The Australian Directory of Philanthropy

Research for the 11th edition of The Australian Directory of Philanthropy is underway with an expectation that the newest edition will be available for purchase in early 2002. For the first time, the Directory will be available both in the traditional book format and also in an online fully searchable format. As usual, the Directory will be sold directly through Philanthropy Australia.

The Directory, first published as Philanthropic Trusts in Australia in 1968 by Australian Council for Educational Research, has become a highly valued tool for grantseekers. It has assisted many organisations, both established and fledgling, to achieve more effective planning and better direction, hence more successful applications for funding. The Directory has proved to be an essential first step to identifying the most appropriate avenues for developing potential partnerships.

The Directory has also proved of great benefit to grantmakers. Greater knowledge amongst grantseekers results in more efficient communications overall; fewer resources are spent dealing with applications that are outside particular guidelines, and more energy goes into the business of making mutually valued projects take shape.

## The Australian Directory of Corporate Philanthropy

To accompany The Australian Directory of Philanthropy, Philanthropy Australia plans to publish a directory of corporate giving in Australia in 2002. Together, the two directories will provide the most comprehensive guide to potential sources of funding for community, not-for-profit and charity groups available in Australia.

Funding for this vital project has been received and research is soon to commence. Once published the corporate directory will also be available for purchase directly through Philanthropy Australia. It is anticipated that this directory will also be available both in a book and an online format.

*Peter Seidel*

## Native Title Members' Forum

Over 4,000 people comprise the Yorta Yorta Aboriginal community. Their traditional lands and waters are in the mid-Murray region, on both sides of the Victorian and New South Wales border. The Yorta Yorta peoples claim native title to public lands, waters and natural resources within their traditional country.

The Yorta Yorta native title claim is based on their people's view that native title constitutes a broad property entitlement often described by the Yorta Yorta, and other indigenous peoples, as the 'right to speak for country.' The Yorta Yorta maintain their native title comprises rights to possession, occupation, use and enjoyment of their traditional and spiritual homelands.

The Yorta Yorta community has worked with Peter Seidel of Arnold Bloch Leibler (ABL) since early 1993, when the firm was approached to prepare a native title determination application, as part of the firm's public interest law practice.

Peter Seidel, Special Counsel Public Interest Law at Arnold Bloch Leibler, kindly provided Philanthropy Australia members with an overview of the Yorta Yorta claim at a forum in November. He also referred to a short paper that he had written to provide members with an insight into the ramifications of the Yorta Yorta case for the Australian legal system and Australian society in general.

The Yorta Yorta will receive a hearing by the High Court in December 2001.

## Responding to rural decline

Also in November, Mr Peter Kenyon, founder and Director of the Bank of IDEAS spoke with Philanthropy Australia members in Sydney about responding creatively to rural decline and the importance of putting 'youth at the centre'. During his comprehensive and inspiring presentation Mr Kenyon:

- Provided an overview of changes occurring in rural Australia and its major challenges
- Provided illustrations of creative community responses and actions
- Identified the key ingredients involved in rural revitalisation
- Highlighted the issue of youth retention and participation
- Highlighted the importance of new thinking especially in terms of civic infrastructure initiatives
- Identified opportunities for the philanthropic sector

# Feature – Ethical Investment
# What is EIWG?

The Ethical Investment Working Group (EIWG) is an ad hoc collection of trusts and individuals from the philanthropic sector who came together in 1999.

What brought us together was the shared realisation that we needed to start applying the same kind of scrutiny to our investments as we did to our giving. We didn't want to find that these two aspects of our activity were having conflicting results – that we might be giving to projects helping people deal with gambling while investing in casinos, for example.

Added to this was a shared experience of finding that many of our financial advisors and managers found this a somewhat preposterous idea. Yet we knew that overseas ethical or socially responsible investing was seen as a legitimate approach to investment. Not only that, but many of these overseas funds seemed to be outperforming their conventional rivals.

We decided that the most important task was to educate the financial community in Australia about the issues and resolved to jointly fund a research project that would examine the overseas experience, survey what was already happening in Australia and look at the prospects for the growth of Socially Responsible Investment (SRI) here.

The result was *Socially Responsible Investment in Australia*, the report prepared by the Allen Consulting Group released in September 2000. We had chosen the Alllen Consulting Group, who do a lot of work in both the business and government sectors, because we knew they would take a balanced approach to the issues: we were not looking for uncritical endorsement of SRI.

The major conclusions were that while SRI was still in its early stages in Australia, the aim of integrating financial and non-financial values was achievable and that overseas experience demonstrated that there was significant opportunity for growth in Australia, particularly in the superannuation field.

The next focus for EIWG was its own backyard, the philanthropic sector and with Philanthropy Australia, several seminars were organised in Melbourne to try to raise awareness of the issues and the options for trusts and foundations in beginning to integrate the two arms of their activities. Overseas, the philanthropic sector had often been in the forefront of SRI as it developed.

The two years since EIWG first formed have seen enormous growth in the range and number of socially responsible investment opportunities in Australia, and this growth is continuing. The idea that money matters belong to a separate world, divorced from all other concerns, belongs to the past. The old way was to make ethical decisions by default, allowing the ethical 'chips' to fall where they may following decisions based solely on financial considerations. Today we are learning that all of us can and should have input to financial decision making, both as trustees and as individuals, and that we can add ethical concerns to the financial expertise that has served us well in the past.

This issue of *Philanthropy* is another contribution to that process. EIWG would like to pay special tribute to David Uren, Management Dialogue, who has generously donated his company's time to the preparation of the material in this journal.

The members of EIWG are Charles Lane (CEO, The Myer Foundation), Jill Reichstein (Chairperson, The Lance Reichstein Foundation), Ellen Koshland (President, Education Foundation), Eva Wynn (Wynn Family Fund), Claire Brunner, Belinda Gross, the Trustees of the Stegley Foundation and Sue Mathews (Trustee, Mullum Trust). EIWG would be delighted to hear from anyone interested in becoming involved in helping to further the development of SRI in Australia from the perspective of philanthropy.

Contact Sue Mathews, phone (03) 9663 7822.

*Socially Responsible Investment in Australia* is available from the Allen Consulting Group, phone (03) 9654 3800 or email www.allenconsult.com.au

# Ethical Investment now Part of the Mainstream

*Socially responsible investment in Australia now exceeds $1 billion. Ben Wilmot and Sue Mathews explain how this rapidly growing investment sector works.*

Until recently many of those making investment decisions might have considered ethical or Socially Responsible Investment (SRI) ‘trendy’ or unconventional.

But the investment environment has changed radically and this investment class is now considered to be a part of mainstream funds management. Foundations seeking to fulfil their charters need to consider their investment practices in a new light.

Ethical investment has been around for a long time though it has been called by many different names. As early as the seventeenth century the Quakers (well known for both moral principle and business acumen) were avoiding armaments and the slave trade; in the US in the 1960s it was people wanting to avoid contributing to the Vietnam War and apartheid in South Africa.

In Australia, religious organisations have long been practising some level of ethical investment. The basic presumption is that their investing practices should correspond with what they preach: gambling and alcohol stocks, for example, have been avoided.

Given the logic of this starting point, it is somewhat surprising that the practice is not more widespread amongst our philanthropic trusts and foundations.

**A question of semantics?**

Confusion about precisely what ethical investment is can often be a stumbling block. Many people are wary of prescriptive definitions they fear would impose narrow or rigid restrictions on their activity. But Dr John Tippet, a lecturer at the School of Applied Economics at Victoria University, simply defines socially responsible investment as “the conscious inclusion in the investment decision of ethical and/or social considerations.” To each his or her own: there can be as many different sets of values applied to investing as there are sets of values.

Ethical investing means adding to the financial wisdoms that underpin investment behaviour, not replacing them.

For philanthropic institutions, SRI is a way of integrating their investment objectives with their wider concerns. The proactive nature of this kind of investment is illustrated by the definition adopted by Penny Shepherd, Executive Director of the UK Social Investment Forum – “Ethical investment means exercising responsibility as investors for the social and environmental consequences of wealth creation. It covers much more than stock exclusion or negative screening.”

There are other overflows into philanthropic concerns, as SRI has been tagged ‘the engine room’ for research and action regarding the social consequences of business activity. The business world is in the middle of a seachange: ‘corporate social responsibility’ is now part of the daily lexicon of management. Even organisations as traditional as the Association of British Insurers have recently instituted a policy requiring insured companies to submit ‘triple bottom line’ reports: social and environmental issues represent risks they need to worry about just as much as financial ones.

**Whose responsibility? – The question of fiduciary duty**

The Boards of many philanthropic organisations have often had clear lines of demarcation between the financial experts and those with expertise in the giving areas. The money people had a language of their own and other trustees often felt incompetent to venture opinions. The clear objective for those with financial responsibility was to maximise the income which could then be given away to worthy causes. For many it was a fundamental maxim that ‘business is business’ and the addition of external concerns was inappropriate, even irresponsible.

Underscoring this has been a concern about the duty of trustees. This has been particularly acute for trustees of superannuation funds whose primary duty is to maximise returns for fund members. But the ‘social responsibility seachange’ has had an effect in these boardrooms too. Recent legislative changes have clarified the ability of trustees to make decisions including factors other than costs, risk and return etc, as long as those primary financial concerns are not ignored. Indeed in the UK, pension fund trustees are now required by law to disclose what ethical and other standards are applied in investment decisions.

# Ethical Investment now Part of the Mainstream (continued)

**Different approaches to SRI**
The many styles of SRI mean that a foundation can choose one that accords with its aims. There are three main approaches currently practised in Australia.

**1. Screening** – This involves the application of one of several types of 'screen' to decide which companies are eligible to be chosen for investment.

*Negative screens* – involve the exclusion of companies in certain industries or in certain countries (for example those with oppressive regimes, of which, until recently South Africa was the prime example). Other examples include companies engaged in the following areas:

- The arms trade
- Nuclear power/fuel
- Alcohol, tobacco, gambling and pornography
- Anti-trade union activity
- Animal experimentation
- Third world debt/exploitation

*Positive screens* – include companies whose products or services provide long-term benefit to the communities in which they operate and/or contribute to a better environment. This might include:

- A good safety record
- Openness about their activities
- Pollution control
- Energy conservation
- Production of recycling equipment
- Equal opportunities policy

*Best of sector screens* – these permit the selection of leading firms in each sector on the basis of environmental and social criteria.

**2. Constructive engagement** – This involves engaging with companies in which investments are made about their environmental or social performance.

**3. Community investing** – This involves making loans to community organisations either with or without an interest component.

**Screening**
The State Chamber of Commerce (NSW) has recently produced an overview of SRI in Australia and it goes into some detail about each form. It says that exclusionary policies (negative screening) have been the norm in the US as investors are accustomed to avoiding stocks they 'don't want' rather than buying stocks they do want. The most common of these are the 'sin stocks' tobacco, alcohol and gambling.

Inclusionary investing (positive screening) on the other hand is relatively new. Locally, Australian Ethical Investment has been the leader in this area, with a strong environmental emphasis.

A positive screen can be broadly based – favouring renewable energy or medical research for example – or tightly targeted to attain a particular social good: some investors in the UK screen for food manufacturers' policies on foods containing genetically modified organisms.

The trend in Europe is to follow a best of sector approach: investing in mining companies that have the best environmental records, for example. This is the approach that has been taken by Westpac Investment Management which was the first big financial institution to enter the SRI field in Australia with its Australian Eco Share offering. The non-financial research for the fund is done by the Monash Centre for Environmental Management.

Best of sector screening is most accepted by mainstream managers, as it mirrors investment funds that typically spread their investments across a range of business sectors. The Chamber of Commerce report notes that positive screening can also be used within a best of sector approach to give priority to companies with good performance.

**Constructive Engagement**
Constructive engagement has attracted attention more recently. It enables investors to talk with management, effectively transforming their role as shareholders. It may include proxy voting (establishing policies for voting shares on social and environmental issues), corporate engagement (communicating with management on particular issues), shareholder resolutions (filing or supporting shareholder proposals on social and environmental issues) and divestment (selling of shares).

While more confronting forms of shareholder activism may be perceived as hostile, a number of religious organisations have been effective with companies in this quiet role. Notably, in Canada, the impetus for shareholder activism has come largely from religious organisations.

You can also get your funds manager to agitate for you. The UK has seen the development of managed funds invested along traditional financial lines, but committed to ‘corporate engagement’ and this approach is now entering the Australian scene. In Australia, the $10.4 billion Commonwealth Superannuation Scheme/ Public Sector Super (CSS/PSS) is soon to adopt a constructive engagement approach that covers the entire fund. This approach brings the power of a large investor home to companies when social issues are on the table.

**Community investing**

The third main form of SRI is community investing whereby a foundation sets aside a percentage of its assets for specific social goals (for example affordable housing for low-income earners). According to the Centre for Business Performance and Sustainability in London, this community-based investment differs from a donation primarily because repayment is required.

In Australia, this kind of investing is open to foundations either directly or through organisations such as the Sirius Community Foundation credit union, which has recently allied with Bendigo Bank in its plans to launch a bank especially for the community and non-profit sector. First Nations Advantage Credit Union operates within the aboriginal community in Australia; they also welcome deposits from fixed interest (and other) investors, as do a number of other community focussed financial institutions.

**Research**

The quality and sophistication of social and environmental research has also improved markedly over the last few years in Australia (both by researchers ‘in house’ at the various funds managers and by external consultants). This is vital to the development of an effective SRI sector. Australia provides an interesting contrast to the UK in this area. There, EIRIS, the not-for-profit research house set up by several charitable organisations, provides research for most large SRI investors and funds, while in Australia there is a plethora of organisations and individuals offering SRI research services (Ethical Investor magazine lists them in its monthly directory).

**SRI in Australia**

The report into SRI by the Allen Consulting Group last year pointed out that the Australian investment market has been slow in its uptake of ethical investment. Australia is only in the first phase of a cycle towards industry maturity and mainstream acceptance, a cycle that has taken the United States 10 to 15 years to complete.

The report looked at the entrance of mainstream finance industry players into the SRI market: it saw this with the development of a strong research infrastructure and an informed network of asset consultants, financial planners and like consultants as important steps to making SRI a significant part of the finance industry. The report looked at the returns of overseas SRI funds and noted the strong performance of a number of Australian funds. It identified the growth of choice for superannuation fund members as a driving factor for the growth of SRI options and saw inhibiting concerns about fiduciary duty as being overcome.

SRI consultant Robert Rosen told the 2nd Ethical Investment Australia Conference, held in Melbourne in September, that Australia has about 40 ethical funds managed by 15 different managers. SRI funds under management are now estimated at $10.5 billion.

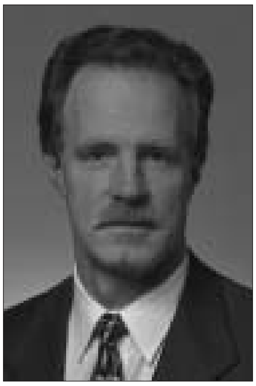
The biggest SRI launch in the last twelve months has been by AMP Henderson. It released a suite of SRI funds based on the successful Global Care Funds managed by AMP subsidiary NPI in the UK.

Overseas experience indicates that the next phase of expansion will result from the widespread acceptance of ethical options by industry participants such as analysts, financial advisers and asset consultants.

SRI funds under management in the US grew by 82 per cent between 1997 and 1999 to a figure of US $16.3 trillion, or 13 per cent of all funds under management. In the UK the market tripled in size between 1995 and 2000 to £3.3 billion. There is good reason to believe that ethical investment in Australia is poised for similar levels of growth.

# The Ethics of Ethical Investment

*Professor Thomas Donaldson, one of the world's leading business ethicists, explains to David Uren why investors should consider the social impacts of their investments.*



*Professor Thomas Donaldson*

Professor Thomas Donaldson believes the trustees of philanthropic trusts have an obligation to consider the ethical implications of their investments.

Professor Donaldson is the director of the Wharton Ethics Program at the University of Pennsylvania and is one of the world's leading authorities on business ethics. He consults to many global firms, including an Australian resources company.

He says the principle that ownership entails moral obligations has been accepted by anyone who has ever looked at the issue, going back to John Locke. "If you own property you get a benefit from that ownership. The obverse of that is that you have responsibilities vis-à-vis that ownership."

Professor Donaldson provides a very literal example. "If I own a tiger, I have a right to keep it in a cage and display it in a circus and receive money. But if the tiger escapes, I can't then say, I renounce my ownership. Whether it's a nuclear power plant or a ball bearing, property ownership entails responsibilities".

He believes that this principle applies, equally, if not more so, when making investments. "It would be morally irresponsible for companies to fail to consider the responsibilities that are entailed in their investments. All investors are people, and they adjust to fundamental norms in their life, and most do all they should as they participate in stock ownership. Certainly, trustees who manage funds are required to recognise their moral responsibility as owners."

Professor Donaldson says that there is no conflict between this proposition and the idea that trustees have a duty to build the funds available for investment.

"Making every dollar count has a central place in the world of human values. There is no question in the field of business ethics that the value of maximising return on investment is central to the capitalist economy. There is a global consensus on this. But this has never been interpreted, certainly not by Adam Smith the theoretical father of Capitalism, as meaning that no other value is relevant."

This ethical dimension of making investments translates into legal obligations that philanthropic foundations now need to consider. Professor Donaldson says: "A member of the board of trustees has a fiduciary duty to enhance – and one might even say maximise – the value of the investment. But, just as for the company chief executive, it has been recognised in law that this does not mean that you can avoid the fundamental points in your social contract."

Professor Donaldson says that the corporate world is already adjusting to this change. "For example, it has been clearly established that a company can give to charity, and that is already an exception to the view that you should single-mindedly pursue the maximisation of shareholder wealth."

He says there are many obligations, such as not trying to avoid the law or respecting the rights of customers and employees, which are a part of successful management.

"The idea of business and society as being made up of the thief and the do-gooder – the thief who takes money without regard to the moral consequences and gives it to the do-gooder who invests it for the benefit of society – is a wrong-headed view of successful capitalism."

Professor Sandra Waddock and Associate Professor Samuel Graves, both of Boston College, have also conducted numerous studies that support the idea that socially responsible behaviour is actually an indicator of management competence.

Professor Donaldson says: "People think of capitalism as a static entity, but it has changed from its beginnings in the late 18th and early 19th century. But at each stage, it has had to reconcile its ability to create wealth with the equally important goals of remaining compatible with fundamental human values."

"The first stage of this was legal. Laws were passed to control capitalism, stopping child labour, and providing consumer protection and so forth. However, the ability of the law to produce obligations is subject to diminishing returns."

This point notwithstanding, socially responsible corporate action actually reduces the level of legal risk and eventual litigation costs a company faces. The examples of the tobacco industry and the Exxon Valdez disaster illustrate the high cost of litigation. Legal risk increases the overall risk profile of a company, and that in turn reduces its share price.

Assistant Professors Andrew King and Michael Lenox, in a 2000 study for the Stern School of Business, surveyed 640 manufacturing firms and found environmental strength to be associated with strong financial performance. The practice of socially responsible investing avoids or underweights industries and companies that typically have higher legal risk litigation cost.

According to Professor Donaldson philanthropic foundations are operating in a changed environment. “We are now in a stage that is cultural, not legal. Culture is the integrating force that aligns our basic views. Even when you survey the people who manage corporations, numbers in excess of 80 per cent say that the sole function of business is not just providing wealth to shareholders, while not looking after the interests of other stakeholders. This includes the community, customers, employees and also organisations such as foundations that are the beneficiaries of corporate largesse.”

Professor Donaldson opposes the idea that doing the right thing must comes at a high price – and his position is supported by numerous studies. “The very idea that you take a hit on the bottom line by incorporating ethics into your investment strategy as something you want to achieve is patent nonsense,” he says

Practicing corporate social responsibility also enhances management reputation and brand promotion. A firm’s brand is increasingly seen as all the qualities and characteristics associated with it; those with strong names attract better employees and are able to charge a premium for their products and services.

This translates into strong investment returns. Professor Donaldson says that one of the leading US ethical fund indexes lagged the Standard and Poors index for the first five years and led it for the next four. Most of the ethical fund indexes cover a large number of stocks, so there is also an opportunity for the diversification of risk.

“The studies show that the interests of various stakeholders tend to rise and fall together. When a company is doing well, the stockholders benefit and so too are the employees and the customers. It is not a zero-sum game, where the stockholder can only do well at the expense of everyone else.”

Investment house UBS Warburg, in an August 2001 report entitled Sustainability Investment, looks into performance issues. The report notes that proponents of socially responsible investment point to the performance of socially screened funds such as the Domini Social Equity and Citizens Index as proof that superior corporate social performance translates directly into strong stock price appreciation. They test the claim and find it even more impressive that socially screened funds generally outperform after adjusting for risk.

This superior financial performance is matched with desirable social outcomes. Professor Donaldson is on an advisory committee for the FTSE4Good, which is an index established by the leading British stock index, the FTSE, as a benchmark for socially responsible investment.

The experience of this fund shows that investment outcomes can be both simple – just following an index – and good. The FTSE4Good indexes screen for environmental sustainability, concern for stakeholder and community relations, and human rights. Money raised from the use of FTSE4Good goes to UNICEF.

Nor is the world of socially responsible investing without its quandaries. Professor Donaldson relates the course of the debate at a conference that brought together the leading screened investment funds in the US. “The crudeness of the screens most commonly in place was apparent to all. They tend to be the sin stocks – tobacco, alcohol and gambling. The favourite companies are those that deal with intangibles, like Microsoft. A survey of my friends would rank Microsoft close to the bottom, while the same people will happily drink a good wine.”

The bias towards new industries can partly be explained by the dynamics of the companies that engage with stakeholders. Professor Michael V. Russo of Wright State University says that socially responsible investing programs, particularly in the environmental area, can simulate operating efficiencies by generating greater capital turnover and innovation. This illustrates how responsible investment is tied to the initial money making intent of investors.

It has become increasingly important – and easy – for philanthropic foundations to make investment decisions in a socially responsible way. Stephen Viederman, former President of the Jessie Smith Noyes Foundation, and Edward Tasch, Chairman of Investors’ Circle, provide some guidance in taking the first steps.

They say trustees need to ask of themselves:

- What kind of companies do we wish to support?
- What kinds of corporate cultures do we wish to encourage?
- What kind of economy do we wish to build?
- What kinds of communities do we wish to shape via the economy?

The challenge is increasingly being taken up across all parts of the sector, and given the enthusiastic adoption of socially responsible investment by both institutions and mum-and-dads, the outlook for philanthropists adopting this philosophy is bright.

# Feature – Ethical Investment
# The Question of Performance

Some philanthropic organisations have been reluctant to consider socially responsible investment because they are concerned about its performance. But this concern doesn't seem to accord with the strong results achieved so far.

In fact, the top-performing share trust in the Australian retail investment market over the last five years has been the Hunter Hall Value Growth Trust, one of Australia's first ethical investment funds. The fund has generated an average annual return of 29.34 per cent after performance fees have been deducted. Over the same period the S&P/ASX 300 Accumulation Index returned 11.48 per cent per annum.

This performance is by no means unique for a socially responsible investment trust. The Australian Ethical Investment Trust and the Australian Ethical Equities Trust (AEET) both eliminate investments that they consider to be ethically undesirable, and provide investment support to socially positive industries.

The AEET has returned 15.8 per cent over the last five years, and in June 2001 the Australian Ethical Balanced Trust was ranked third of 164 multi-sector funds based on its three-year returns.

Dr Lorne Cummings, a lecturer in Accounting and Finance at Macquarie University in Sydney, has also examined the financial performance of Australian ethical investment trusts. The results of his studies indicate that on a risk-adjusted basis, there is little difference between the financial performance of ethical trusts and common market benchmarks. He identified stronger performances by older ethical investment trusts and suggests this may indicate that superior returns in SRI are more likely to occur over the longer term.

**SRI companies better managed?**
It is argued that SRI-favoured companies will often perform better than conventional ones. Dr Lorne Cummings contends that companies that incorporate social and environmental concerns in their decision making could experience lower costs in the long run because the risk of their investments being exposed to regulatory action and litigation is reduced. Companies managed in an environmentally and socially responsible way, it is argued, are less likely to get into this kind of trouble.

Andrew Barker, a member of the Institute of Actuaries of Australia, has also observed that in the longer term, socially responsible companies may be more profitable because they own more enhanced brands, practice more efficient use of energy and materials, and utilise improved environmental risk management.

A study published in The Journal of Investing in 1997 established a link between a company undertaking environmental improvement initiatives, and subsequent increases in sales, earnings, competitive position, investment risk profile, or market value. The results suggest that "adopting a more environmentally proactive posture has, in addition to any direct environmental and cost reduction benefits, a significant and favorable impact on the firm's perceived riskiness to investors and, accordingly, its costs of equity capital and value in the marketplace."

**Volatility**
The universe of companies available to ethical investors is smaller than the total universe of companies.
Dr David Knox, a Director of Pricewaterhouse Coopers Actuarial, says that socially responsible investors are not exposed to the full market because they either exclude stocks or increase their exposure to companies with positive activities. He says: "They are likely, because of this narrowness, to experience volatility on a year to year basis."

Dr Knox says that theoretically volatility could have the effect of reducing returns over the medium term. "But this is limited if investment is made over a 20-30 year period (the investment frame of many philanthropic foundations)."

Dr Knox also points to the upside potential of SRI. "Investors may get increased returns because of better risk management and positioning in growth markets. There may be increased volatility, but if an investor is willing to wear volatility, is it so bad?"

On the issue of returns, Dr Knox tracked the returns of an Australian SRI fund manager against the benchmark over a three-year period and found that it outperformed the market by 1.7 per cent.

**Value versus growth**
There has been an tendency for ethical investors to favour companies in growth areas. One of the main reasons for this is that many activities attractive to ethical investors – renewable energy, new technology to enable less wasteful and polluting production, biotechnology and so on – are in this category. Information technology and telecommunications have also been attractive because of the absence of environmentally nasty consequences of their activities. As well, many of the traditional value stocks are part of the 'old economy', with big environmental question marks about their activites that have discouraged ethical investors from including them.

This weighting in ethical portfolios is a partial reason for the excellent performance of many SRI funds. It may also influence how they cope with the market downturn. Conventional wisdom has it that companies that were highly valued because their earnings were anticipated to grow in future tend to not fare so well in tough times. By contrast, value-style managers are rewarded as investors return to the safe haven of companies that have histories of solid earnings.

However, financial adviser Lorne Abramson writes that it cannot be implied that returns on SRI will drop if markets fall. Instead, he finds evidence that SRI is style-neutral. “It can provide competitive returns to both growth and value style managers relative to their respective benchmarks.”

**A question of attitude**

The primary barrier to a higher uptake of SRI is attitudinal. While trustees may be interested, the financial managers and asset consultants who advise them have tended to remain sceptical, often due to a lack of information or experience in the area. This is changing, however.

Rothschild Australia research shows that these ‘financial gatekeepers’ – both retail and institutional – are open to recommending SRI funds to their clients, provided a “robust and transparent product is available.” The active Australian market place appears to be satisfying this criterion.

The Rothschild survey found that 17 per cent of retail and masterfund advisers were currently using ethical investments, and a further 49 per cent said they had considered using the funds. Fourteen percent of institutional advisers were currently using ethical investments and 50 per cent had also considered it.

**The bottom line**

A recent report from investment house UBS Warburg entitled Sustainability Investment started with the premise that as practitioners of finance, they were sceptical of any investment strategy that claimed to outperform the market in the long run. They accepted that “commitment to social responsibility serves as a proxy for progressive management”, but found little evidence that SRI either outperformed or under-performed the market overall.

Differences in returns between SRI and mainstream investments had more to do with investment style and which sectors of the economy were favoured than with the application of SRI principles, UBS Warburg found. The critical factor in a fund’s performance was not which approach to investing was used, but how well the fund was managed. Their conclusion – that you can decide to do good and make money at the same time, is one that trustees must now consider.

# Feature – Ethical Investment
# Getting Started

*"The secret of moving ahead is getting started, and the secret of getting started is to break complex and often overwhelming tasks into small, manageable tasks. The key is to start the first task."* Mark Twain

For philanthropic organisations looking to invest in a socially responsible way, there is no 'one size fits all' solution. It is a matter of deciding how best the philanthropic mission and goals can be served. Most foundations find this is an evolutionary process that doesn't happen overnight. It may commence with a relatively small screened trial and over the years develop into a hands-on corporate engagement policy for the whole portfolio. The important task is to find the option that is right for your organisation.

So just how do you get started?

**1. Have the conversation**
Familiarise yourself with the issues:

- Why this issue is important to your organisation
- Key questions surrounding financial return

Discuss the issues with the board and ask:

- Is this something we want to explore further?
- Is there at least one person prepared to drive the issue?

**2. Evaluate your purpose in relation to your investment strategies**

- Clearly define your organisation's values and purpose
- Audit your current investments
- Identify areas of dissonance between investments and grant making values
- Evaluate your level of comfort with this dissonance

Further discussion:

- In pursuing our purpose, what kind of economy should our organisation be contributing to? What kind of communities and world should we attempt to shape?
- What kind of corporate cultures and activities are consistent with these goals?
- What kinds of companies seem to best reflect these values and support these activities?

Are such companies present in our current investment portfolio, and if not, can they be added with little or no risk to our rate of return?

If you recognise a level of non alignment between your investments and your purpose, are you interested in addressing it?

**3. Invite your financial advisors and/or someone with SRI experience to explore ways forward in relation to your purpose**
Evaluate which SRI style (positive or negative screening, best of sector, constructive engagement, community investing) best suits your current needs. Take into account:

- How active/passive you wish to be
- Your financial requirements, (risk profile/income needs/investment style managed funds/venture capital etc)
- What percentage of your assets, if not all, will be SRI invested
- Additional staffing and resourcing concerns

**4. Develop framework and implement your SRI policy**
The implementation phase will vary greatly from organisation to organisation. It could include the following:

- Encouraging ongoing contact between financial advisors and grant makers to facilitate a greater understanding of each other's objectives and purpose
- 'Institutionalising' the new investment policy within a framework, eg. setting out terms and limits on the scope and objectives
- Engaging additional advisors

**5. Regular evaluation and review**
Your policy ought to be evaluated regularly to ensure it reflects any changes in your purpose and financial requirements and responds to relevant societal change.

The above steps are adapted from personal experiences and the publication *Investing in Change – Mission Based Investing for Foundations, Endowments and NGOS* by Michael Jantzi, for the Canadian Council for International Co-operation available from http://www.web.net/ccic-ccci/volsector.htm), under the heading 'Mission Based Investing'.

If the whole task seems too daunting consider getting started by taking a first step:

- Read a publication from the reference list
- Initiate a conversation about SRI issues with a board member
- Audit your current portfolio
- Exclude one or two sectors that you feel particularly uncomfortable with
- Invest a small percentage of the corpus in an SRI managed fund
- Write a letter to a company that you invest in that is particularly non aligned with your mission

# Feature – Ethical Investment
# Case Study 1 – The Myer Foundation

The Myer family has been involved in the philanthropic sector since the 1920s when Sidney Myer supported many community activities. The foundation established by his bequest continues to donate substantially to activities “in the community in which I made my fortune.”

In 1959, his sons Kenneth and Baillieu Myer set up The Myer Foundation to represent their philanthropic interests. The Myer Foundation tends to be more proactive than the Sidney Myer Fund, initiating a smaller number of activities, but on a substantial scale.

This year, The Myer Foundation has undertaken a restructuring exercise on the giving side, as it intends to become even more active in achieving its objectives. Independently, on the investment side, in the last year The Myer Foundation reallocated a proportion of the corpus.

The directors decided to pass approximately one third of funds to a dedicated fund of ethically screened investments developed for charities. This was viewed as a prudent step in the direction of ethical investment.

The Myer Foundation sees ethical investment as one aspect of the new paradigm in philanthropy. Giving money away is understood to be only half the challenge. How investment decisions are made is considered just as important.

Dr Charles Lane, CEO of The Myer Foundation, points out that philanthropic organisations, particularly, face a problem. He says that if they invest in companies destroying or polluting the environment they are often in conflict with their own ideas.

The board of The Myer Foundation reviews the performance of its investment portfolio quarterly. It is also responsible for the selection of financial advisors. The importance The Myer Foundation accords to the investing side of philanthropy is supported by its unique relationship with its financial advisor.

Merlyn Asset Management is the preferred Australian equities fund manager of the Myer family. Merlyn is 75 per cent owned by The Myer Family Office Pty Ltd and 25 per cent by Merlyn management.

The Myer Family Office is the administrative base of the Myer family’s philanthropic activities. It provides a range of financial management services, including a dedicated fund for charities.

Merlyn manages portfolios for 25 clients including investment companies, philanthropic foundations, individuals, and estates. It now has $105 million under management.

Since 1994, Merlyn has also handled external charitable organisations’ funds management. It now manages seven charitable clients’ funds totalling approximately $32 million.

Merlyn, on behalf of The Myer Foundation, currently employs exclusion screens against investments in gaming, tobacco, uranium, and armaments. Further screens, both positive and negative, related to community involvement, environmental planning and track record, equal opportunity and discrimination, health and safety, human rights, and pornography, are under consideration.

Information on the ethical behaviour is provided to Merlyn by Australian Ethical Investment, which engages extensively with the top 300 companies. Good management should meet these standards anyway, says Dr Charles Lane of the screening process.

The Myer Foundation holds that good governance in philanthropy requires sound financial management. In this case, the financial managers are also involved with philanthropy. Key Merlyn executives all have personal involvement in philanthropic activities. Managing Director Martyn Myer is also Vice President of the Howard Florey Institute, CSIRO Kenneth Myer Bequest and a Trustee of the Telematics Trust. Portfolio Manager Tom Cameron is a board member of The Good Shepherd Foundation and is on a Corporate Advisory board for the Salvation Army.

Merlyn’s strategy for charitable organisations takes account of a change in tax law as from 1 July 2000. Those organisations which are endorsed by the Australian Taxation Office as income tax exempt or deductible gift recipients can receive a cash refund of franking credits attached to dividends paid to them.

This strategy is a more attractive alternative than a conventional balanced fund because Merlyn’s pure Australian equities portfolio, with its focus on dividend yield and franking credit refunds, adds approximately 2 per cent per annum risk free to the total return.

This strategy has been adopted by all seven of Merlyn’s charitable clients, including The MF Charities Equities Fund and the returns have substantially out performed the market, and at a lower than average level of risk.

The experience of The Myer Foundation shows that superior returns can be achieved through ethical investment. It also removes the financial risks associated with poor corporate social performance from investment holdings.

As the whole framework of business is changing to incorporate ethical concerns, the preference for companies of the future exhibited made by The Myer Foundation, will be seriously considered by a growing number of philanthropic organisations.

*Merlyn’s philanthropic clients enjoy concessional fees for their funds management. For further information contact Tom Cameron on (03) 9207 3079.*

# Feature – Ethical Investment
# Case Study 2 – The Mullum Trust

The Mullum Trust was set up by Rivkah Mathews in the early ‘90s. It was named for the creek that ran through the land where Rivkah and her family lived in Donvale, and its objective was to support projects that would aid the environment and increase the community’s awareness of how urgent and important such actions were.

A relatively small trust, the aim was always to get maximum impact from the grants it made: to do as much as possible towards making the world a better place by using the modest amounts of interest it generated strategically.

In the early years, though, the same expectations were not placed on the capital that generated that income. As the second generation took places on the Board of the Trust, this became a topic of discussion.

The Trust’s capital was being invested in bank bills through one of the major banks. The trustees asked for a list of the companies in which bills were being bought. One of the first things that raised alarm bells was seeing motor vehicle manufacturers among them – yet the trust was funding programs to do with global warming, and with tree planting to compensate for the effect of emissions from those very vehicles.

The Board resolved to shift its investments – to make them work twice, in a sense, for the objectives of the trust. Consideration was given to investing directly, with trustees taking responsibility for managing the investments, but this was rejected on the grounds that the shortage of time (in some cases) and expertise (in others) meant that management might not be as effective as possible.

The next choice was whether to put the money into a managed fund, or to engage the services of a financial planner. At the time, the choice of managed funds was limited, and their financial performance had not been clearly demonstrated. A financial planner then… there was only one in Melbourne who specialised in ethical investing, Janice Carpenter, of Ethical Investment Services.

Janice met with the Board and talked about its financial objectives: to increase the value of its capital investment while generating sufficient returns to gradually increase the amount available to give away; and its non-financial ones: to avoid contributing to environmental degredation, and where possible to assist active improvement of the environment.

The resulting portfolio consisted of 30 per cent in Australian equities selected for their environmental and social performance as well as their financial credentials, 26 per cent in Australian property (some of it at least managed by a company known for its good corporate citizenship in the social and environmental field), and 36 per cent in Australian fixed interest securities, the majority of which is in explicitly ethical and community based trusts and credit unions. The balance of the funds remains in cash.

While it is still early days for evaluation of the strategy in financial terms, the Board is very happy with the change. There is greater transparency and information about just what the capital is doing, and greater opportunity to make it conform with the overall values of the trust.

# Feature – Ethical Investment
# Case Study 3 – Melbourne Community Foundation: Towards Ethical Investment

The Melbourne Community Foundation (MCF) was established in 1997. It is an independent, not-for-profit foundation that encourages and enables individuals, families, corporations and charitable organisations to establish funds that will benefit the community.

With $9.5 million under management in 35 separate funds, MCF recognises that donors and the broader community are becoming more aware of the principles of ethical investment, and more inclined to follow them.

But this is not a simple issue. Some decisions are probably fairly simple; to abstain from investing in a landmine company, for example. But how far down this ethical path do we want to go? How do we feel about companies which experiment on animals or which produce tobacco or whiskey or razor wire or motor cars? Let's go further; how do we feel about putting our money into a bank when it may well have investment practices of its own which are decidedly unethical?

At MCF we took the view that a start must be made. With the board expressing the entire range of opinions it was necessary to examine all the implications before making any decisions. As we were investing other people's money any decision had to be taken with strong adherence to the prudent person test. Eventually we resolved we would take a first step and that would be to establish an initial ethical screen.

In April 1999 the MCF board resolved:

> *That the investments of MCF will be made in a manner consistent with an ethical position where the best endeavours will be made to avoid investing in companies where the dominant purpose or produce is tobacco, gaming, uranium mining or where companies infringe aboriginal land rights.*

Later that year, board member (and founder) Clare Cannon prepared a report to the board which approached MCF's role in positive rather than negative way.

> *It seems that the most appropriate approach that the MCF should take into account is practicality, performance and propriety ie. 'community benefit'. The MCF should therefore invest in companies that had a positive, rather than negative, community benefit.*
>
> *Now that the MCF has a sizeable sum to invest, there seems to be no reason why we would not give our stockbroker guidelines for investment. Companies that would appear dubious for investment could be rated via the triple bottom line methodology to decide whether they would be appropriate.*

None of these things move as fast as you'd like and the board is still working towards ratifying the recommendations. However in the meantime February 2000 saw MCF join forces with The Ethical Investment Working Group (EIWG) to help facilitate the Allen Consulting Group's mapping ofthe current ethical investment landscape and to devise polices for its advancement.

In August 2000 the board agreed to place $1 million into the Challenger SRI (Socially Responsive Investment) Wholesale Fund.

Challenger's stated investment objective is to invest in a socially responsible manner, taking into account company performance with respect to:

- Financial strength and fundamentals
- Operations that are socially acceptable
- Leadership in effective possible community and social outcomes and good corporate citizenship

MCF recognises that this is an important issue and one that will continue to concern donors and investors. We welcome the fact that donors are demanding more involvement and understanding about the Foundation's evolving investment policies.

Further information: mcf@communityfoundation.org.au

*By Helen Imber, Executive Officer MCF.*

# Feature – Ethical Investment
# Case Study 4 – The Poola Trust

The Poola Trust has a series of investment arms and a philanthropic arm called the Poola Foundation that focuses on environment and peace issues.

In the middle 1990s, a predictable dilemma arose – it was clearly counter-productive for the philanthropic arm of the trust to fund groups which were challenging the policies and practices of corporations that the trust's investment arm was financially supporting. We needed to change our own investment strategies.

In an experiment, we decided to set up three (mainly equities based) portfolios of the same size:

- The first was controlled exclusively by ourselves with our own negative and positive screens in place
- The second was set up through a mainstream stockbroker with some limited negative screens
- The third was through a Melbourne-based ethical advisor

In terms of yields and capital growth, the clear financial winner was the first. The reasons for this were varied. As a result of the financial returns, we exited the last two portfolios and then focused on controlling our investments ourselves. We continued the practice of the first approach and without exception have outperformed the all ords index.

Yet we were still dissatisfied. We felt compromised, in an ethical sense, in a range of the companies in which we were investing. As a result, we have sold, picking the highs in the market, nearly all our top 200 equities.

We now have a range of direct investments. The larger ones are in partnerships, in a broad sense, with other ethical investors or ethical investment managers such as Australian Ethical Investment Limited. Others include a large sustainable farming enterprise in western Victoria called Jigsaw Farms; a commercial office building based on environmental sustainable development guidelines in Melbourne called the 60L project; and a series of venture capital investments, one in Sydney which is proving highly successful, called Quantum Technology.

We feel comfortable with the returns, which range on average from 5-15 per cent per annum. We feel that in a traditional sense we still have a balanced portfolio, although at the moment, it is slightly over-weighted in the property sector.

The only problem is that the setting up process has taken a lot of time and the learning curve has needed to be very sharp at certain points along the way. You have to take risks and be prepared to make mistakes. However, we have been very fortunate to have the support of highly talented and committed people who have also believed in what we have been trying to do.

Perhaps the most interesting and controversial outcome is that we now feel that the 'good' created by the ethical investments is more valuable and enduring than the 'good' initiated by the philanthropic donations.

*By Mark Wootton, Director Surrowee Pty Ltd, Jigsaw Farms, Green Building Partnership and The Poola Foundation.*

# Feature – Ethical Investment
# David and Goliath – Are Your Investments Supporting Your Grant Making?

"If you have a large endowment, the power of that money to create change is probably more than the power of your grant-making," states Jill Ratner, President of the Rose Foundation for Communities and the Environment, a foundation with about (US) $1 million in assets based in Oakland, California.

Because their endowments typically dwarf the grants that these charities make, Ms Ratner says foundations should think more about the principle, or mission, of their portfolio rather than the investment income they give away. "What you have at a lot of foundations are people trying to use their earnings to basically bet against their corpus… It's weighted the wrong way."

To take an example, imagine that a foundation with an environmental mandate supports an environmental group fighting to save an ecologically significant piece of land from being mined by a large gold company. Let's assume that this funding totals $10,000 a year. Imagine that we discover that this foundation holds this gold company in its investment portfolio and its investment totals $100,000 in stock. Imagine also that the foundation does not take an active role in supporting its grantee by leveraging its shares to agitate for change.

Is this foundation really meeting its mission when its support of David is but a tenth of that for Goliath and it refuses to take an active shareholder role?

The Bill and Melinda Gates Foundation, with an endowment of (US) $22 billion, spends tens of millions of dollars each year aimed, in its own words, at "helping to improve people's lives through health and learning." In addition to making a sweeping effort to vaccinate the world's children, it has backed charities like Cancer Lifeline, which provides support to people with cancer and their families, and the American Cancer Society. But according to its most recent tax return, the Gates Foundation also owned bonds in Philip Morris, the tobacco company, raising the issue of whether the foundation's behavior as an investor sometimes runs counter to its charitable mission. *(Abelson, Reed, 'Charities Investing: Left Hand, Meet Right,' New York Times, June 11, 2000.)*

What impact is your investment in Goliath having on your support for David?

| If you support programs that address | Do you invest in companies |
|---|---|
| Social and economic disadvantage | Who through downsizing are putting communities into crisis ? |
| Environmental sustainability | With non sustainable businesses (e.g. using non renewable raw materials)? |
| Children and youth | Engaged in using child labour? |
| Equal opportunity | That have discriminatory practises eg no women/ethnic representation within management/on the board? |
| Indigenous issues | With a poor record in consulting with, compensating and employing from indigenous communities? |
| Medical advancements/hospital facilities | Producing goods/by products known to have ill effects on health there by putting people into the beds you've been funding? |

# Feature – Ethical Investment
# All Funds to Declare Ethical Concerns

All investment funds will soon have to disclose "The extent (if at all) to which labour practices, environmental, social or ethical considerations are taken into account in the selection, retention and realisation of the investments."

These words form an amendment to the Financial Services Act that was recently adopted by the Senate.

They are based on a requirement in UK law for pension fund trustees to declare these matters in their directives to their fund managers.

The objective of that legislation was, according to John Denham, then UK Pensions Minister, "to stimulate debate on social responsibility and corporate governance… The investment of such huge sums is bound to have an effect on the wider world. As such, the nature of investments made on their behalf shapes the world in which fund members live, work and retire."

In Australia, though, the requirement applies to all financial products, and the ethical and other considerations must be disclosed directly to the consumer, at the point of sale.

The amendment moved by the Democrats was based on a proposal that was initiated by the Australian Conservation Foundation and supported by the Ethical Investment Association and EIWG among others.

Proponents of the change felt that while those offering financial products should not be forced to adopt any ethical or other considerations, consumers had a right to know what values, if any, were behind the investment strategy. The amendment was opposed by some of the financial community who felt that it would impose an extra responsibility on those providing financial services, and that there was the possibility of funds merely mouthing empty words.

However success came for the amendment when the ALP rather unexpectedly supported it with the insertion of the clause about labour practices. Exactly what it will mean in practice is not yet completely clear, with regulations due to be announced in February.

# Feature – Ethical Investment: The International Experience

Going offshore is one option for philanthropic organisations looking for strong institutions with a well-established track record. Ben Wilmot looks at two funds.

Larger philanthropic investors now tend to diversify their risks by accessing long established overseas indexes. The SRI sector in the United States offers a variety of simple options that are easily accessible to philanthropic organisations. Their performance is also strong. American studies on the use of SRI strategies over long periods tend to show either neutrality or slight improvement on the market.

Units in socially responsible mutual funds are readily available for sale to Australian philanthropists. The most famous, the Domini Social Index (DSI) is a market capitalisation weighted common share index. It includes 400 corporations that pass multiple, broad-based social screens. The DSI consists of approximately 250 companies included in the Standard and Poor's 500 Index, about 100 additional large companies not included in the S&P 500 but providing industry representation, and approximately 50 additional companies with particularly strong social characteristics.

The DSI was launched on 1 May 1990 and has outperformed both the S&P 500 and the Russell 1000 in seven out of its first ten years. Its annualised return over that period was 19.01 per cent versus 17.48 per cent for the S&P 500.

Alternatively, philanthropic trustees can, in consultation with their financial advisors, decide to 'track an index'. The best-known ones are the Dow Jones Sustainability Indexes that are founded on a belief that environmentally responsible companies have superior performances and favorable risk/return profiles.

The primary index includes more than 200 companies and represents the top 10 per cent (by number of companies) of the leading sustainability companies in 64 industry groups in 33 countries. Overall, the index family includes one global index, three regional indexes (covering North America, Europe and the Asia-Pacific), and one country index covering the United States. The analysis undertaken includes an examination of each company's environmental policies, programs, and performance.

The performance of the Dow Jones Sustainability Indexes has been competitive with the traditional Dow Jones Indexes since their launch.

# Feature – Ethical Investment Further Information

## Who can we talk to?

Janice Carpenter co-president of the Ethical Investment Association and principal of Ethical Investment Services is happy to speak in person or suggest someone in your state. Phone (03) 9853 0995.

## The Australian scene

**Ethical Investor**

www.ethicalinvestor.com.au

Australia's only media outlet dedicated to ethical investment and an ethical investment supermarket full of opportunities for the aware investor. Gives monthly updates on the local scene including contacts for all the main players and analysis of all available Australian SRI funds. Also available at newsagencies.

**Socially Responsible Investment in Australia**

www.allenconsult.com.au/reports.html

The first major report into the socially responsible investment market by Allen Consulting in 2000. This is the report commissioned by the Ethical Investment Working Group.

**Ethical Investment Association**

www.eia.org.au/

A professional organisation formed to pool the efforts of fund managers, financial advisors, researchers, individuals, entrepreneurs, companies and government bodies in the industry.

**A Capital Idea**

www.ea.gov.au/industry/sustainable/finance/capital-idea.html

Deni Greene Consulting Services, A Capital Idea: Realising Value from Environmental and Social Performance

An August 2001guide designed to assist Australian companies in capturing value from good environmental and social performance.

**Rothschild Australia**

www.rothschild.com.au/rothschildnews/rothschildreport.asp

A report titled 'Ethical and socially responsible investing... the next wave?' April 2001.

**Chamber of Commerce (NSW)**

www.thechamber.com.au/commongood/newsletter/research.pdf

An Overview of Corporate Social Responsibility in Australia, 2001.

Some other non-cyberspace references include: 'Ethical Investment' (Choice Books) an Australian compilation of all the issues to consider. Edited by Ross Knowles co-president of the Ethical Investment Association.

Lorne Cummings, 'The financial performance of ethical investment trusts: An Australian perspective' Journal of Business Ethics, May 2000.

Andrew King and Michael Lenox, 'Does it Really Pay to be Green? Accounting for Strategy Selection in the Relationship between Environmental and Financial Performance' The Journal of Industrial Ecology, Winter 2001.

Daniel Tarlas and Michael Christ, 'Socially responsible investing presents practical challenges' Trusts & Estates, June 2000.

## The global picture

**UBS Warburg**

www.ubswarburg.com/researchweb

Alternative Investment Strategies: Sustainability Investment, Global Equity Research (August 2001) an international analysis from the risk and return stand point.

**KLD & Co., Inc**

www.kld.com

Kinder, Lydenberg, Domini (KLD) provides social research to institutional investors who wish to integrate social criteria into their investment decisions.

**Social Investment Canada, Social Investment Forum (US), Social Investment Forum (UK)**

www.socialinvestment.ca
www.socialinvest.org
www.uksif.org

Each of these organisation's websites contains a wealth of material on socially responsible investing, community investment, and shareholder action.

**EIRIS**

www.eiris.org

The not-for-profit UK based research house established by a group of churches and charities. Now the primary source of SRI research in the UK.

Studies in the Field of Socially Responsible Investing.

www.sristudies.org

This website is intended as a resource for people interested in the impact of social screening on investment performance.

## Specifically for the philanthropic sector

**Investing in Change**

http://fly.web.net/ccic/volsector.htm

'Mission Based Investing for Foundations, Endowments and NGOS' written by Michael Jantzi, for the Canadian Council for International Co-operation contains detailed information on developing and implementing your strategy.

**Mission-Based Investing**

www.domini.com/mission-based-investing/index.htm

A guide for philanthropists by Domini Social Investments of the United States.

# Member File – State Trustees: Managing Charitable Trusts

*State Trustees and its subsidiary STL Financial Services Limited, provide an extensive range of trustee, executor and personal asset management services in Victoria. The company is committed to aiding and promoting community philanthropy and benevolence. State Trustees manages over 130 individual charitable trusts and has more than $100 million in funds under management.*

*Julie Rodgers*

Julie Rodgers is the Charitable Trusts Advisor at State Trustees and oversees the administration of individual trusts and foundations, as well as holding the post of Secretary for the Australia Foundation, State Trustees' flagship trust. Julie also has responsibility for the development and implementation of new charitable trusts and foundations.

"The Australia Foundation is a truly national public charitable trust founded in 1994 by Sir Zelman Cowen. To date, the Foundation has received bequests totalling more than $77 million and this figure is growing at a steady rate as more people become aware of the lasting benefits of contributing to a charitable foundation."

"The Foundation offers individuals and companies an easy, flexible and effective way to donate to charities and other needy causes within the Australian community. The structure of the Australia Foundation also allows individuals, companies or corporations to establish their own Charitable Foundation under the auspices of the Australia Foundation, bearing their name, at no cost."

"An independent advisory committee provides advice on the distribution of available funds to eligible charitable organisations. Beneficiaries of the Australia Foundation have included bushfire victims, children in need and people with a disability" says Ms Rodgers.

Other high profile private charitable trusts administered by State Trustees include: The Angela Taylor Memorial Trust for police scholarships – a trust set up from funds donated in memory of Police Constable Angela Taylor; The King and Amy O'Malley Trust for home economics; The Psychiatric Illness and Intellectual Disabilities Donations Trust Fund – for persons receiving treatment through a publicly funded mental health service; The M.A. Ingram Trust for research and preservation of Victorian flora and fauna; The J.D. Brooks Trust Fund to provide education scholarships at the Victorian School for the Deaf; The John L. Burge Trust for the purpose of aiding and helping those suffering from tuberculosis and more recently, The Geoffrey Gardiner Dairy Foundation.

Since 1998, State Trustees has also operated its own Charitable Common Fund (CF10). The CF10 is offered to charitable trusts and charitable organisations listed in the Australian Taxation Office 'Gift List' and aims to provide a regular income stream as well as long term capital growth and security. The fund takes a minimum investment of $500,000 and invests across a range of asset classes including equities, listed property securities, fixed interest and cash.

**Establishment of Private Charitable Foundations**
State Trustees can assist individuals, companies or corporations in establishing a Private Charitable Foundation. The service may include advice on the establishment of a Foundation, the preparation of a trust deed for a Foundation, liaison with the Australian Taxation Office regarding the granting of income tax exemptions; asset allocation and investment services. State Trustees can also provide ongoing administrative assistance and guidance to the Foundation.

Enquiries: Julie Rodgers, Charitable Trusts Advisor, phone (03) 9667 6740.

# Member File – New Leading Member: CEPA Trust

Ron Clarke

The CEPA Trust (Council for the Encouragement of Philanthropy in Australia) is the newest leading member of Philanthropy Australia.

Launched in Melbourne in September, CEPA Trust is the initiative of former Olympic athlete and businessman Ron Clarke, who is also the Trust's president.

It is an unusual trust in that it has no corpus, no trustees and does not receive submissions.

Instead, it aims to raise funds directly from the Australian public including individual and corporate donors, to select potential recipients through a process of nomination and research, and make granting decisions via donor voting and a 52 member Advisory Council.

"Our mission is to encourage philanthropy in Australia. We are taking a proactive role in enticing Australians to give to their community" Mr Clarke said.

"We have researchers locating urgent needs in the community on behalf of our donors. All our grants will be for specific projects within a fixed period. We will be able to measure what our grants have achieved and report that to our donors."

CEPA accepts donations of $10 and upwards on a one-off or regular basis. It also offers private and business membership, with each donor category entitling the member to a commensurate number of votes. For every $10 donated, the member/donor receives one vote towards the ultimate destination of the Trust's funds.

Mr Clarke stressed that one hundred percent of donations received would go to grant recipients.

The CEPA Trust's administrative costs were met by a private sponsor, which according to Mr Clarke wished to remain anonymous. Other Australian philanthropic sources believe this sponsor to be the Atlantic Philanthropies, founded by American duty-free magnate Charles F Feeney, and based in Bermuda.

To mark its launch, CEPA disbursed grants totalling over $2 million, the funds for which were also provided by a private donor.

These grants included $731,000 to Irabina to pilot a new model of service delivery for children with Autism Spectrum Disorder; $530,000 to Jesuit Social Services to purchase a country centre for programs with disadvantaged young people and families; and $350,000 to the Australian Rainforest Conservation Society for an extension to their headquarters.

Mr Clarke indicated that substantial private contributions may continue in the future but could not confirm whether they would match this initial donation. He said he did not believe that they would be tied to local fundraising efforts, which to this point were around $100,000.

CEPA Trust grants would be disbursed quarterly, with the size and number of grants depending on the amount raised in each funding period.

The Advisory Council would make a selection from a list of charities researched by CEPA's consultants. Only contributors and Council members could recommend causes or projects for the research team to consider. Contributors would be invited to vote for the projects they prefer, so as to provide a guide to the Advisory Council of their preferences. No unsolicited approaches from charities would be considered.

Donations can be made through Australia Post or via the CEPA website.

For information: phone (03) 9526 8916
or www.cepatrust.com

# Member File – New Associate Member: The Alannah and Madeline Foundation

**‘Stop the hurt and heal a child’**
It is hard to imagine that a sudden, single act of violence to two beautiful, innocent children led to the creation of a vitally important community organisation. The Alannah and Madeline Foundation was established in 1997 in loving memory of Alannah and Madeline Mikac, who lost their lives at Port Arthur along with their mother Nanette and 32 others on 28 April 1996.

A special report commissioned by the Foundation in 1998 showed that almost 40,000 Australian children each year are victims of crime including kidnap, robbery and murder. Tragically, an average of 762 children are victims each week.

The Foundation benefits children throughout Australia who have experienced sudden loss of family or violent crime. Sadly, many are the victims of physical, sexual and emotional abuse, and those who have experienced the murder or suicide of close relatives. They often need long-term help to rebuild their lives.

Beneficiaries are identified with the assistance of the police, hospitals, community support groups and agencies that provide services to people in crisis. Working with these organisations, the Foundation helps to provide school needs, medical needs, counselling and even gifts.

In 2001 community partnerships were established with the Australian Federal Police Association and the Australian Institute of Sport.

The Foundation’s support may also be of a practical nature such as payment for school excursions, clothing and books, counselling, and special tuition.

The Alannah and Madeline Foundation not only provides financial and moral support and friendship for child victims and their families through long-term grants and the Christmas Angels program… but operates three key programs:

1. **Crisis support** – emergency assistance to children and their families recently affected by violent crime or sudden loss of family. Support includes accommodation, food, clothing, medical treatment.
2. **Longer-term partnerships** – involves working with children and their families to rebuild their lives. Assistance includes counselling, finding new living arrangements, providing furniture, clothes, toys, reconnecting the children and families into the community.
3. **Prevention and education** – involves the Buddy Bear Schools Program, a comprehensive program designed to work with schools, and the community to address bullying and other forms of anti-social behaviour by teaching children to care about and support each other.

John Bertrand AM – Chairman, Entrepreneur and Americas Cup Hero.

Tess Sanders Lazarus – Director of GST Referrals, ATO.

Peter Dalton – Principal, P F Dalton & Associates

Terry Hearity – National Sponsorship & Corporate Public Affairs, Australia Post.

Rebecca Stackpole – General Manager Retail Sales, Ford Motor Company.

**Who is Buddy Bear?**
Buddy Bear is the lively mascot for the Alannah and Madeline Foundation and also the central character in our Schools Program. Internationally famous children’s writer and illustrator, Michael Salmon, designed Buddy Bear along with well known teacher, educator and Foundation staffer, Maree Stanley.

The Buddy Bear Schools Program includes a comprehensive resource package of educational materials, stories, and other activities to assist schools in developing buddy programs. The package includes stories by well-known children’s author Chris Milne, is free for schools and is used to implement buddy programs and undertake *Be my Buddy Days*.

The program provides a means of supporting children, teaching them to appreciate diversity, resolve differences in a constructive manner, and to eliminate bullying and other forms of anti-social behaviour.

The Buddy Bear Schools program now reaches over 175,000 young people across the nation.

**Starry Starry Night**
The Foundation’s flagship event is *Starry Starry Night*, which has been held in Melbourne for the past four years.

Each year nearly one thousand guests including some of the biggest names in sport and entertainment gather to assist the Foundation raise in excess of $150,000. High profile individuals such as Cathy Freeman, Belinda Emmett, Betty Cuthbert, Jennifer Keyte, Shirley Strickland, Tracey Wickham, John Wood, Lee Freedman, Julia Morris and Steve Moneghetti have all supported the Foundation’s work.

Fast becoming a national organisation, the Foundation is headquartered in Melbourne and the core of The Alannah and Madeline Foundation’s work is carried out in Victoria. Support within the community grows daily.

For further information:
Mark Hindle CFRE, Chief Executive Officer
Phone (03) 9821 5166
Email mark.hindle@amf.org.au.
Website www.buddybear.com.au

# Resource Centre Briefing

In addition to listing our key new publications, the Resource Centre Briefing will also focus on a specific theme of interest to the philanthropic sector and highlight significant resources available on that topic.

## Ethical investment for foundations

As the ethical investment movement grows in momentum, it is likely to become an increasingly significant issue for grantmaking foundations and the Australian non-profit sector in general. The philanthropic sector in the United States and Britain has displayed an open willingness to embrace the concept, leading to a number of foundations making social responsibility a vital part of their investment policies.

To this end we have decided to highlight the resources on ethical investment available in the Resource Centre. These include online and print publications, journals, newsletters, press clippings and websites.

The policy of the Joseph Rowntree Charitable Trust in the UK is to ensure that as far as possible, the Trust's income is earned in ways which are compatible with the Trust's Quaker roots and its grant making policies. The Trust's statement of investment policy covers both the investment aims and the ethical concerns of the Trust; the ethical investment component includes both negative and positive screens. The Joseph Rowntree Charitable Trust's investment policy is available in Philanthropy Australia's Resource Centre or on the Trust's website at www.jrct.org.uk/.

The Jessie Smith Noyes Foundation in the US also discusses what it refers to as its mission related investment policy on the Foundation's website and promotes the concept of reducing the dissonance between grantmaking values and asset management. The Foundation's mission related investment policy is available on its website at www.noyes.org/2000ar/investmentpol.htm.

## In the Resource Centre

**Ethical Investment**

Ross Knowles, ed.
Published by the Australian Consumers' Association, Ethical Investment is intended to educate and assist investors to make informed choices about ethical investment.

**Ethical Investor Magazine**

Featuring articles by leading figures in the corporate and community sectors, including Philanthropy Australia's National Director Elizabeth Cham, 'Ethical Investor' is Australia's first magazine specifically focused on ethical investment issues from an Australian perspective.

**'Do the Math'**

*Foundation News and Commentary*, May/June 1998

Foundations do not have to sacrifice return in order to keep investment goals consistent with grantmaking goals.

## Online information

**The Jessie Smith Noyes Foundation – Investment Policy**

www.noyes.org/2000ar/investmentpol.htm

**The Jessie Smith Noyes Foundation – Mission Related Investing**

www.noyes.org/admin/misrel.html

A series of articles, both from the Foundation and externally sourced, reflecting different aspects of the foundation's.

**Learning for a Better World: Ethical Investment**

www.betterworld.com/BWZ/9604/learn.htm

A collection of answers to frequently asked questions about ethical investment from an online magazine.

**Ethical Investment Association**

www.eia.org.au/

The Ethical Investment Association is a membership association whose primary objective is to promote the concept, practice and growth of ethically, socially and environmentally responsible investing in Australia. Their website includes a downloadable version of their newsletter.

**Ethical Matters – Investing**

www.getethical.com/matters/investment/invest.html

A rundown of advantages of ethical investment.

## Publications

A selection of key new resources. These are available for Philanthropy Australia members and Resource Centre subscribers to borrow.

**Third Sector: The Contribution of Nonprofit and Cooperative Enterprises in Australia**

Mark Lyons
Allen and Unwin, 2001

Mark Lyons' eagerly-awaited publication provides both an overview and a detailed analysis of Australia's diverse and vibrant third sector. The book provides a definition of the sector, locates it within Australian society, examines its history, activities and interaction with other sectors, and provides some analysis of the sector's challenges and potential future directions in the face of massive social, economic and policy changes.

**Report of the Inquiry into the Definition of Charities and Related Organisations**

Commonwealth of Australia, 2001

The report of the Inquiry details the definitional issues concerning charities and related entities, and makes recommendation for a clearer and more flexible definition of charity. A copy of the Report is available for study in Philanthropy Australia's Resource Centre, or it can be ordered from Government Info Shops around Australia (a list of Info Shops is at www.dofa.gov.au/ausinfo /infoaccess/ia_infoshops.htm).

**Tackling Multiple Disadvantage: The Role of Community Foundations**

A report to Community Foundation Network Julia Unwin, August 2000

This report examines the role of community foundations in addressing disadvantaged communities. It presents findings on the creation of partnerships and assessing benefits brought by and for community foundations. Three models of partnership are discussed – community foundations which use their own funds, those which focus the funds of others on specific field, and those which provide a grantmaking service for others. The report concludes by suggesting some principles of good practice.

**Dimensions of Australia's Third Sector**

A report from the Australian Nonprofit Data Project, CACOM
Mark Lyons and Susan Hocking
UTS, 2000

**Strengthening Philanthropy in the Asia Pacific: An Agenda for Action Background Papers**

Asia Pacific Philanthropy Consortium
July 2001

Contents: Australia, Bangladesh, China, Hong Kong, Indonesia, Japan, Korea, The Philippines, Taiwan, Thailand.

**Building Capacity in Nonprofit Organisations**

Edited by Carol J. De Vita and Cory Fleming
Urban Insititute, 2001

This book contains papers presented at a seminar in June 2000 on capacity building in nonprofit organisations. One paper presents a conceptual model for capacity building that is based on a review of literature on civil society, sustainable development and organisational management. The seminar report examines how each stakeholder – nonprofit organisations, foundations and researchers – can take responsibility for strengthening their local nonprofit sector and their community. It aims to push towards the intersection where research informs practice.

**For the Public Good: Pro Bono and the Legal Profession in Australia**

Ed. Christopher Arup and Kathy Laster
The Federation Press 2001

This book provides an examination of the ways in which pro bono lawyering can be facilitated. The articles have been written by a blend of academics, policy-makers and practitioners. They focus on the particulars of professional legacies, ethics and strategies, the idea of law as a profession rather than a business, the role of government and the public legal sector, the contribution of community and voluntary services, and more.

# Home and Abroad

## Home conferences

**The Second Annual Australia/New Zealand Social Entrepreneurs Conference**

When: 28 February – 1 March 2002

Where: Melbourne Town Hall, Melbourne, VIC

General Enquiries: Vern Hughes

Phone: (03) 9326 8245

Website: www.sen.org.au/ Email vern@sen.org.au

## Abroad conferences

**Council on Foundations**
**'Philanthropy on Parade' 16th Family Foundations Conference**

When: 6-8 February 2002

Where: New Orleans, LA, USA

Enquiries: Council on Foundations, 1828 L Street, NW., Washington 20036-5168

Phone: 0011 1 202 466 6512

Fax: 0015 1 202 785 3926

Email: confinfo@cof.org

Website: www.cof.org/conferences/index.htm

**The Conference Board**
**'Creating Value Through Strategic Stakeholder Engagement'**
**The 2002 Leadership Conference on Global Corporate Citizenship**

When: 11 February 2002

Where: Waldorf-Astoria, New York, USA

Enquiries: The Conference Board, 845 Third Avenue, New York, New York 10022-6679

Phone: 0011 1 212 759 0900

Fax: 0011 1 212 980 7014

Website: www.conferenceboard.org/search/dconference.cfm?conferenceid=2002B09

**Council on Foundations**
**'Uncertainty and Opportunity: Choices for Philanthropy' 53rd Annual Conference**

When: 29 April – 1 May 2002

Where: Chicago, IL, USA

Enquiries: Council on Foundations, 1828 L Street, NW., Washington 20036-5168

Phone: 0011 1 202 466 6512

Fax: 0015 1 202 785 3926

Email: confinfo@cof.org

Website: www.cof.org/conferences/index.htm

**Community Foundations of Canada**
**2002 National Conference**

When: 2-4 May 2002

Where: Kelowna, British Columbia

Enquiries: Sylvia Huckerby, Conference Director

Phone: 0011 1 613 236 2664

Email: huckerby@community-fdn.ca

**European Foundation Centre**
**'Foundations for Europe: Science and the Citizen'**
**13th Annual General Assembly and Conference**

When: 3-5 June 2002

Where: Brussels, Belgium

Enquiries: European Foundation Centre, Brussels, Belgium

Phone: 0011 32 2 512 8938

Fax: 0011 32 2 512 3265

Email: efc@efc.be

Website: www.efc.be/aga/Aga2002/index.htm

**Council on Foundations**
**Corporate Community Involvement Conference**

When: 28-30 July 2002

Where: Seattle, WA, USA

Enquiries: Council on Foundations, 1828 L Street, NW., Washington 20036-5168

Phone: 0011 1 202 466 6512

Fax: 0015 1 202 785 3926

Email: confinfo@cof.org

Website: www.cof.org/conferences/index.htm

# Philanthropy Australia – Members

## New Members

Philanthropy Australia would like to warmly welcome the following new members:

**Full Members**
Brencorp Foundation
The CASS Foundation
Mercy Foundation Ltd
Nelson Meers Foundation
Pierce Armstrong Foundation
Telstra
Victorian Endowment for Science, Knowledge & Innovation

**Associate Members**
The Alannah & Madeline Foundation
City of Boroondara
CQU Foundation
Melbourne Symphony
Musem of Contemporary Art
Reconciliation Australia Ltd
Royal Blind Society
UNICEF Australia

## Leading Members

THE IAN POTTER FOUNDATION

THE JACK BROCKHOFF FOUNDATION

THE MYER FOUNDATION

PRATT FOUNDATION

THOMAS FOUNDATION

WILLIAM BUCKLAND FOUNDATION

## Full Members

A. L. Lane Foundation
The Alannah & Madeline Foundation
Alexander Wright Wales Memorial Scholarships
AMP Foundation
The Andrews Foundation
ANZ Executors & Trustee Co Ltd
ANZ Foundation
Australia Business Arts Foundation
Australia Foundation
Australia Post
Australian Sports Foundation
AXA
Besen Family Foundation
BHP Community Trust
The Body Shop
Bokhara Foundation
BT Financial Group
The Calvert-Jones Foundation
CEPA Trust
Coca-Cola Amatil
Colonial Foundation Ltd
The Dafydd Lewis Trust
Danks Trust
Education Foundation
The Ern Hartley Foundation
ESSO Australia Pty Ltd & Mobil Oil Pty Ltd
The Feilman Foundation
The Felton Bequest
The Flora & Frank Leith Charitable Trust
The Foundation for Regional and Rural Renewal
The Foundation for Young Australians
Freehills
George Alexander Foundation
Graincorp Foundation
The Gualtiero Vaccari Foundation
H.V. McKay Charitable Trust
Helen Macpherson Smith Trust
The Hugh Williamson Foundation
The Ian Potter Foundation
The Invergowrie Foundation
J.B. Were & Son Charitable Fund
The Jack Brockhoff Foundation
The Jack & Robert Smorgon Families Foundation
JLF Group of Companies
L.E.W.Carty Charitable Fund
The Lance Reichstein Foundation
Law and Justice Foundation of NSW
Lion Fund
Lord Mayor's Charitable Fund
Lotteries Commission of WA
The Macquarie Bank Ltd
Melbourne Community Foundation
Melbourne Newsboys Club Foundation
The Miller Foundation
Mitsubishi Motors Australia Ltd
The Myer Foundation
National Foods Limited
The National Foundation for Australian Women
The Norman Wettenhall Foundation
The Percy Baxter Charitable Trust
Perpetual Foundation
Perpetual Trustees Australia Ltd
Perron Investment Pty Ltd (The Stan Perron Charitable Trust)
Pethard Tarax Charitable Trust
The Pratt Foundation
The Queensland Community Foundation
R. & J. Uebergang Foundation
R.A.C. of WA
The R.A.C.V. Foundation
R.E. Ross Trust
Bruce and Ruth Redpath
Rio Tinto Services Ltd
RMIT Foundation
Ronald McDonald House Charities
Shell Australia Ltd
Sir Albert Sakzewski Foundation
Sony Australia Ltd
SoundHouse Music Alliance
Fleur Spitzer
State Trustees Ltd
Sunshine Foundation
Sylvia & Charles Viertel Charitable Foundation
Telematics Course Development Fund Trust
Thomas Foundation
Victorian Health Promotion Foundation
Victorian Medical Benevolent Association
Victorian Womens Trust Ltd
Westpac Banking Corporation
Westfield Foundation
The William Buckland Foundation

## Associate Members

AAMI
Anti-Cancer Council of Victoria
Australian Refugee Foundation
Australian Rotary Health Research Fund
Benevolent Society of NSW
The Bobby Goldsmith Foundation
Clean Up Australia
Clem Jones Group
Community Business Partnership
The Crawford Fund
Education Trust of Victoria Ltd
Foundation for Aged Care
Foundation for Development Cooperation
The Gandel Charitable Trust
The Garvan Research Foundation
The Hammond Care Group
Heart Research Centre
Heart Research Institute
HSBC Asset Management (Information & Communication)
Inspire Foundation
Lend Lease
The Leukaemia Foundation
Lumbu Foundation
Microsearch Foundation
Mission Australia
Monash University
National Heart Foundation of Australia
The Northcott Society

# Philanthropy Australia – Members (continued)

Philip Morris Ltd
Reconciliation Australia
Royal Blind Society
Royal Botanic Gardens Melbourne
Rusden Foundation
Sabemo Trust
St George Foundation
The St. James Ethics Centre
The Smith Family
The State Library of Victoria Foundation
The State Library of New South Wales
Tabcorp Holdings
United Way Australia Ltd
The University of Melbourne (Alumni Office)
University of South Australia Foundation
University of Tasmania Foundation
University of Western Australia
Variety Clubs of Australia
Department of Premier & Cabinet – Government Information & Communications Branch (Vic)
Vision Australia Foundation
World Vision Australia
Zoological Parks and Gardens Board

## International Members

Himalaya Foundation (Taiwan)

## International Links

Philanthropy Australia maintains ongoing links with the following associations of grantmakers around the world:

Asia Pacific Philanthropy Consortium
The Canadian Centre for Philanthropy
Council on Foundations (Washington)
The European Foundation Centre (Brussels)

## Pro Bono Support

Philanthropy Australia wishes to thank the following for invaluable pro bono support:

ANZ Bank
Arnold Bloch Liebler
Country Life Bakery
Freehills
Ian Potter Gallery at the University of Melbourne
JB Were
Lotteries Commission of WA
Macquarie Bank Ltd
Phillips Fox Lawyers
Rio Tinto Ltd
Tassal Limited
Westpac Banking Corp

## Council

Lady Southey AM, President (The Myer Foundation)
Ms Dur-é Dara OAM, Vice President (Victorian Women's Trust)
Prof Tom Healy, Treasurer (The Ian Potter Foundation)
Mr Ian B Allen OAM (The Pratt Foundation)
Mr Ben Bodna AM (The Jack Brockhoff Foundation)
Mr Barry Capp (William Buckland Foundation)
Ms Elizabeth Cham
Ms Jan Cochrane-Harry (Perpetual Trustees Australia)
Dr W.T (Tim) Duncan (Rio Tinto Ltd)
Mr Peter McMullin (Melbourne Community Foundation)
The Hon Warwick L. Smith (Macquarie Bank Ltd)

# Publications Order Form

I would like to purchase:

| | | |
|---|---|---|
| ❑ | The Australian Directory of Philanthropy | $49.50 |
| ❑ | Philanthropy Journal (per annual subscription) | $38.50 |
| ❑ | Philanthropy Journal Back Issues | $13.60 |
| ❑ | Monograph No. 1 – Getting Commercial About Being Charitable | $10.90 |
| ❑ | Monograph No. 2 – Trusts and Foundations in Australia | $10.90 |
| ❑ | Monograph No. 3 – Research Papers 2000 | $10.90 |
| ❑ | Set of 3 Philanthropy Monographs | $27.25 |
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