

Rt Hon Jacinda Ardern
Parliament
Wellington, 6160
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28 November 2021

Dear Prime Minister,

Open Letter on the Values of Trade, Procurement and Investment

On October 2 Wise Response sent you an open letter about our concerns on the ethics of investment¹. This particularly dealt with Kiwisaver Funds and was referred to Hon David Clark and he replied to us on 16 November. Since our original letter there have been a number of initiatives taken by your Government, and other events, which lead us to reply to you rather than specifically to David Clark. These include:

- An enduring letter of expectations to Crown Financial Institutions in relation to responsible investment;
- The use of the government's procurement process to advance government values (in this case the promotion of a living wage).

In addition,

- the recent statement by the Chair of the UK's Climate Change Committee that condemned trade deals with Australia and New Zealand as "totally offensive" as he warned they would undermine attempts to tackle emissions², and
- the Inaugural Foreign Policy Speech to Diplomatic Corps by the Hon Nanaia Mahuta, where she said that a values-based approach to her portfolio means that as New Zealand champion human rights, we also seek to extend our advocacy towards sustainable and inclusive outcomes in trade, inclusive and transparent democracy, ethical investment and social inclusion³

means that the initiatives (which Wise Response supports) are limited, fragmented and inconsistent.

We also have concerns about

- the statement in David Clark's letter about people having different standards for what they expect when it comes to different areas of investment, and that encouraging ethical investment can often be a balancing act in order to cater for what every New Zealander would like to see prioritised;
- an ESG approach that seems to be favoured with regard to investment;
- initiatives taken in areas of trade, procurement and investment are not integrated with Maori perspectives.

We seek your leadership for a coordinated and comprehensive approach about the values critical for the well-being and ecological health of New Zealanders and our country.

¹ Available at <http://wiseresponse.org.nz/wp-content/uploads/2021/10/L-to-PM-J-Ardern-re-Ethics-of-Investment-1-Oct-2021-Final-1.pdf>

² Lord Deben. Retrieved from <https://www.theguardian.com/environment/2021/oct/23/new-trade-deals-are-unfair-on-farmers-and-wont-help-emissions>

³ Retrieved from <https://www.beehive.govt.nz/speech/inaugural-foreign-policy-speech-diplomatic-corps>

Differing Standards

During the last four decades there has been an emphasis on a small role for government and a large role for markets in the production and distribution of goods and services. The Covid crisis internationally and the interventions of governments has meant that this ideology has no longer the public acceptance that it previously had. The values associated with that ideology (more importance is given to individualism; happiness is related to material income; nature has instrumental value in promoting economic growth) have less relevance now.

But during those decades the community values of mutual respect, fairness, cooperation, gratitude, compassion, forgiveness, humility, courage, mutual aid, charity, courtesy, integrity, loyalty and respectful use of resources, remained.

In addition, the longstanding support of the establishment of the Universal Declaration of Human Rights through the Human Rights Commission, and the Human Rights Act, and the continued membership since its inception of the International Labour Organisation, has meant that human rights have remained a significant part of New Zealand's moral domain.

This moral domain includes many aspects of human-animal and human-environment relationships. It is illegal to abuse domestic and farm animals. There is a Wildlife Act regulating behaviour towards animals, birds, and aquatic life. It is recognised that there is a need for the protection of a number of non-domestic animals, birds, and plants: the Department of Conservation has active programmes to these ends. New Zealand has recognised the interests of trees, such as kauri, and other trees that we give protection from possums. There is recognition given to endangered species, such as Hector's and Maui Dolphin. New Zealand has acknowledged the need for protection of wilderness locations, such as national parks.

In addition, there are a number of international and multinational Conventions and Agreements that New Zealand has signed up to that include human-animal relations (e.g., cattle, fish, birds); and other responsibilities to plants and forests; rivers, lakes, and oceans; and the atmosphere.

These values provide a core set of values that, at one end of the spectrum define what is wrong behaviour, and what is right at the other end. In the middle there are areas of contention and public dispute (e.g. abortion, euthanasia) as well as public debate about how well these core social (human-human) and environmental (Human-Earth) values have been translated into policy and practice.

These differences and debates do not provide justification for a lack of assertion, protection and use of these core values in a consistent manner. A balancing approach undermines the importance of the leadership and educational role of government about matters of critical importance that threaten the wellbeing and ecological life supports of our country. For example, what does a balancing approach mean when a company is corrupt? Or is destroying large parts of the Amazon forests?

The current fragmented approach means that companies that do not pay a living wage are not able to tender to provide Government services, yet the NZ Superfund invests companies that do not pay a living wage. Part of an ethical investment process is a willingness to engage with companies to persuade *them* to change. i.e., Divestment is not the only option. A good example has been our engagement with Simplicity who accepted that calling its self an ethical fund was not legitimate with policies as they were. Pathfinder have indicated a willingness to review some aspects of policy, but in our view, stop short⁴.

⁴ Both case studies are on the Wise Response website and describe and illustrate the steps needed to assess and validate whether a fund is ethical.

Environment, Social and Governance Framework

Our concerns about the Environment, Social and Governance framework (ESG) rest on the absence of values. ESG are not ethical terms. Responsible investment as illustrated in the international and national investment sector does not equate with ethical investment.

In May 2021, The Economist crunched the numbers on the world's 20 biggest ESG funds. On average, each of them holds investments in 17 fossil-fuel producers. Six have invested in ExxonMobil, America's biggest oil firm. Two own stakes in Saudi Aramco, the world's biggest oil producer. One fund holds a Chinese coal-mining company. ESG investing is hardly a champion of social virtue either. The funds they invest in include gambling, alcohol, and tobacco 5.

According to the Reporting Exchange there were more than 1,700 different ESG related guidelines worldwide in 2019 6. This lack of a moral compass is illustrated by the exclusions of the Norwegians compared to the NZ Superfund.

Examples of Norwegian Fund Exclusions (NZSF Inclusions) 2018

- Serious violations of Human Rights:
 - Walmart (human and labour rights)
- Severe Environmental Damage :
 - Bharat Heavy Electricals (building coal plant near forests in Bangladesh)
 - Duke Energy (discharges from coal-fired plants)
 - IJM Corp (palm oil plantations)
- Gross Corruption
 - ZTE Corp (bribery and corruption in 18 countries)
- Other Serious Violations of Fundamental Ethical Norms
 - Potash Corp Saskatchewan (phosphate from Sahara)

While some of these companies are not in the NZSF December 2020 list, none of them were included in the NZSF exclusion list on ethical grounds.

Examples of Norwegian Fund Exclusions (NZSF Inclusions) Dec 2020

Nuclear Weapons

Aerojet Rocketdyne
Airbus SE

Coal/coal-based energy

AGL Energy

Severe Environmental Damage

ELSevdy Electric - (hydropower project in Tanzania)
Genting Bhd (Palm oil)

Serious Violation of Individual Rights in Situations of War or Conflict

Shapir Engineering

Human rights

Page - (textile production in India)

⁵ Sustainable finance is rife with greenwash. Time for more disclosure. Economist May 22 2021

⁶ Economist. 3 Oct 2020. The proliferation of sustainability accounting standards comes with costs. Retrieved from <https://www.economist.com/business/2020/10/03/the-proliferation-of-sustainability-accounting-standards-comes-with-costs>

The full analysis of these breaches is available on the Norwegian Council of Ethics and Norges Bank websites.

In addition, in the five years since the Paris Agreement, banks, in which the NZSF is invested, have invested significantly in fossil fuel companies. These include Citi (\$238 b); Wells Fargo (\$223 b); Morgan Stanley (\$111 b); Barclays (\$145 b); HSBC (\$110 b); Bank of China (\$101 b); Agricultural Bank of China (\$49 b) ⁷.

We believe that if this situation was more widely appreciated then there would be considerable public disquiet in the way their investments were being used.

Maori Values

Hon Nanaia Mahuta has stated:

“As the first indigenous woman to lead this portfolio, I believe we have a prime opportunity to call on the bi-cultural values that have characterised who we are.

Values such as:

- **manaaki** – kindness or the reciprocity of goodwill;
- **whanaunga** – our connectedness or shared sense of humanity;
- **mahi tahi and kotahitanga** – collective benefits and shared aspiration; and,
- **kaitiaki** – protectors and stewards of our intergenerational wellbeing.

Each of these values when expressed in a relationship gives a sense that everything is connected and purposeful. What the world needs now is a commitment towards empathy, sustainability, and intergenerational solutions for wellbeing”.

The benefit of the implementation of these values will not be achieved by an ESG framework.

Conclusion

If investments are to contribute to the transition to a safer world rather than undermine it, Wise Response believes that this connected and purposeful approach is required by the implementation of a comprehensive set of values covering the social (human-human) and environmental (human-Earth) moral domain.

Key ethical concepts that can be included in charters, enduring letters, legislation, or other policy documents, need to be clear enough to generate a set of obligations and define a relationship that guides behaviour.

Wise Response believes this same connected and purposeful approach is also required by the various Ministers, Departments and Agencies working in the area of trade, procurement, investment and other appropriate areas of policy. We humbly seek your leadership to this end.

⁷ Banking on Climate Chaos. Retrieved from <https://www.ran.org/bankingonclimatechaos2021/#score-panel>

Yours sincerely,



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The Wise Response Society is a broad coalition of scientists, engineers, lawyers, artists, sportspeople etc. who are urging New Zealand to face up to the question "As demand for growth exceeds earth's physical limits, causing unprecedented risks, what knowledge and changes do we need to secure New Zealand's future wellbeing?" Our website - www.wiseresponse.org.nz - contains more information, including references to the case studies and Wise Response's other initiatives. Our Patrons are Sir Alan Mark and Sir Geoffrey Palmer.