

**Ethical and  
sustainable  
work practices**

# A guide for **Investors**

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April 2022

This guide helps you as an investor understand ethical and sustainable work practices from a labour and human rights perspective. Find out what those rights are and why they are important for you.

**EMPLOYMENT  
NEW ZEALAND**

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# Understand ethical and sustainable work practices

Today's consumers, employees, procurers and investors expect certain ethical standards. They increasingly want businesses to treat workers fairly, ethically and sustainably – not just their own workers but also the workers in the organisations they engage with.

New Zealanders are becoming more aware of exploitation and mistreatment of workers, especially of migrants, and do not want to engage with businesses that exploit their workers. When deciding where to shop, consumers consider how businesses treat their workers.

A 2021 Colmar Brunton survey found New Zealanders want fairer businesses.

- › 59% of respondents wanted their future employer to be socially and environmentally responsible.
- › 73% would stop buying from a company that was irresponsible or unethical.

## What ethical and sustainable means

Having ethical work practices means treating your workers legally, fairly and with dignity. It includes providing safe working conditions and meeting or exceeding all minimum employment standards.

Sustainability means working in a way that meets the needs of your business or industry now and in the long term.

Exploitation, child labour, forced labour, human trafficking and slavery are the opposite of ethical and sustainable work practices.

### ➔ Ethical and sustainable work practices

or go to [www.employment.govt.nz](http://www.employment.govt.nz) and search for 'ethical and sustainable practices'



## Why good work practices matter

Behaving ethically and sustainably is the right thing to do.

Good work practices help create a level playing field where those who meet employment obligations cannot be undercut by those who cut corners using unfair work practices. Good work practices can have a positive impact on customer goodwill, loyalty and demand for your goods and services. They can also help to attract and retain good workers. On the other hand, employment practices that are not legal, ethical or sustainable can hurt your reputation and brand. This could reduce your company's revenue, profit, financial viability and market value.

Businesses that have been penalised for exploiting or mistreating their workers are identified in publicly available information. The law fines and penalises these businesses, and prevents them from supporting visa applications from overseas workers for a specific period.



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# Understand who an investor is

You are an investor if you put money into something to make a profit.  
You could be an individual or an organisation.

You could put money into a business, property, commodity, currency, or something else, and you could invest directly or through a fund.



Jeff is an investment manager for a New Zealand investment firm. He looks for opportunities to grow his customers' investments and manages their investments to get the best return. Through his network, he hears about a mining company in another country. Its annual report announces strong growth and profit, but he wonders if their work practices are responsible.





# Understand what responsible (ethical) investment is

Where you put your money can make a difference to how workers are treated.

‘Responsible investment’ is about being ethical and sustainable when investing. It means considering not just a company’s financial performance but their ESG performance too.

**E** — environmental (planet)

**S** — social (people)

**G** — governance (prosperity)

For example, how do they treat their workers, suppliers, and other stakeholders? Do they pay fair wages, support inclusion and diversity? Do they ensure that their supply chain is ethical and sustainable?

Investing in organisations with ethical and sustainable work practices indirectly supports good practices. Avoiding organisations with poor work practices means not supporting unsafe or unfair conditions.

## Why responsible (ethical) work practices are important for investors

Organisations with responsible work practices are more likely to last – so your investment is more likely to last too. These organisations are more likely to stay on the right side of the law and less likely to be fined or penalised. This means they will have more time, money and resources to grow the organisation. Investing in an organisation that does the right thing could also mean you get more dividends.

Use the resources at the end of this brochure to find out more about responsible investing.



When Jeff googles the company, he’s alarmed to find that it’s being investigated for allegedly overworking and underpaying workers. While it has not been found guilty of anything yet, Jeff knows his customers will be uncomfortable investing in a company with question-marks against it. He decides to look elsewhere.

## What investors think about responsible investment

A 2020 survey found that among New Zealanders:

- › 95% of investors either already invest in ethical funds or plan to do so in the next 5 years
- › 91% want to avoid labour rights abuse and 90% want to avoid human rights violations
- › 78% expect ethical investments to perform better in the long term
- › 58% would consider moving their investments to another provider if their current one did not align with their values.

🔗 **Responsible Investment:  
New Zealand Survey 2020** [PDF, 6.5MB]

or go to [mindfulmoney.nz](https://mindfulmoney.nz), navigate to News and Events → Reports, and look for ‘Responsible Investment: New Zealand Survey 2020’





# Take action as an investor

Make sure your investments (new or existing) are with organisations that treat workers fairly, both directly and through their business networks and supply chains.

If you manage your own investments, you could research work practices yourself. Ask not only about the organisation you are investing in, but about their supply chains and others in their business network too e.g. franchisees. If you invest through a fund, you could pick a fund that invests only in organisations with ethical and sustainable work practices.

Start by making enquiries of the organisation, including checking their annual report and their website. We have suggested some questions you might like to think about below.

## You can ask...

Do you have a code of conduct or policy on your human and labour rights? Does it include compliance with employment standards?

Do you report on social sustainability (including fair treatment of workers)?

Do you commit to report any situations where you, or your supply chain, have breached employment standards?

Do you have a supply chain map that shows where the greatest risk of poor treatment of workers is, and how you will reduce that risk?

Do you have an 'employee voice' tool that gives workers, customers or suppliers a way to speak up about unethical or illegal behaviour (whistleblowing)?

Do you hold a certification or accreditation that has robust employment rights criteria and is externally audited? Do you require your suppliers to hold one?

## The answer should tell you...

...how the code or policy is implemented. The organisation should also send the most recent example of their document.

...how they report and monitor, such as what areas they cover, and how regularly.

The organisation should include the most recent copy too. It could be a separate corporate social responsibility or sustainability report, or a section in their annual report.

...what risks they have identified by mapping the supply chain or developing a risk table.

...how workers, suppliers and customers can give feedback on how they are treated. The organisation should also tell you how they remediate issues.

...what their policy is and if they hold any accreditation or certification.

...if the accreditation requires the organisation to do due diligence on their suppliers and contractors.

...if the certification involves third-party audits and confidential employee interviews.





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### What the six Principles for Responsible Investment are

The United Nations' six Principles for Responsible Investment demonstrate how you can consider responsible investing issues when investing. For example, the principles say investors will actively find out about ESG issues when making decisions.

#### ➔ Principles for Responsible Investment

Or go to [www.unpri.org](http://www.unpri.org), navigate to PRI → What are the Principles for Responsible Investment?

### What you can do if you are a director

If you are a director of a company, you may also be interested in our information for directors.

#### ➔ Director's approach to assuring ethical and sustainable work practices

or go to [www.employment.govt.nz](http://www.employment.govt.nz) and search for 'directors approach'





# Learn more and use our free resources

## Resources on our website

If you are reading a printed version of this brochure, go to [www.employment.govt.nz](http://www.employment.govt.nz) and search for key words.

To learn about...	...search for	What you'll get
Ethical and sustainable work practices	Ethical and sustainable practices	A web page
Investor's approach to assuring ethical and sustainable work practices	Investor's approach	A web page
Director's approach to assuring ethical and sustainable work practices	Director's approach	A web page
Meanings of terms	Glossary	A web page

## Resources on other websites

If you are reading a printed version of this brochure, go to the relevant website and search for key words.

To learn about...	...search for	What you'll get
Saving and investing	<a href="http://www.sorted.org.nz">www.sorted.org.nz</a> Go to 'Guides' → 'Saving and Investing'	A series of web pages
Ethical investment	<a href="http://www.fma.govt.nz">www.fma.govt.nz</a> Search for 'ethical investment'	A web page
Responsible investment	<a href="http://mindfulmoney.nz">mindfulmoney.nz</a> Go to 'Learn More' → 'Responsible investment'	A web page
Ethical investment and good financial returns	<a href="http://mindfulmoney.nz">mindfulmoney.nz</a> Go to 'Learn More' → 'Ethical returns'	A web page
Responsible Investment Association Australasia	<a href="http://responsibleinvestment.org">responsibleinvestment.org</a>	A website
Principles for responsible investment	<a href="http://www.unpri.org">www.unpri.org</a> Go to PRI → What are the Principles for Responsible Investment?	A web page

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