

Uranium Mining, Nuclear Power & 'Ethical' Investment

Frances Howe



A recent *Corporate Watch Australia* survey reveals that many so-called ethical investment funds invest in uranium mining. The number has risen significantly in recent years. Some fund managers justify investment in uranium with questionable arguments about nuclear power and climate change, but the primary reason for the shift is probably BHP Billiton's entry into the uranium industry with its 2005 acquisition of WMC Resources, which owns the Olympic Dam uranium mine in South Australia.

Of 16 ethical investment funds studied, just two al-

low absolutely no investment in uranium or nuclear power. The rest either have no policy on the matter or allow limited investment in the nuclear industry – for example by allowing investment only in companies that get below a certain percentage of their income from uranium, or ruling out uranium mining but having no policy on other parts of the nuclear cycle.

Ethical investment is booming: from its origins in 1984 with a fund nicknamed 'Brazil', because you'd have to be nuts to invest in it, the sector is now worth \$2 trillion worldwide. According to the Responsible Investment Association of Australasia, Australian responsible investment portfolios grew from \$4.5 billion to \$17.1 billion from 2004 to 2007.

However, this rapid growth is accompanied by a crisis of definition and a dilution of its original principles. The concept 'ethical investment' is vaguely defined: fund managers make their own rules, and their definitions of 'ethical' vary. The sector is now more commonly called 'Sustainable and Responsible Investment'. In Australia it is represented by the peak body, the Responsible Investment Association of Australasia (RIAA), which manages the national certification program for responsible investment providers. Certified companies can display RIAA's 'Responsible Investment' symbol. However, there is nothing to stop any fund calling itself ethical without going through the certification process, and they frequently do.

Many ethical investment funds use an approach

known as 'best of sector'. This means they do not rule out investing in any legal industry, but instead seek investment in companies that claim to be trying to improve their ethical practices. A sector cannot be ruled out on the grounds that it is simply wrong – if a company can show that it is making some gesture, however tokenistic, to improve its practices, it can be included in an ethical portfolio.

Some fund managers rule out investment in com-



panies that get more than 5% of their revenue from uranium mining or nuclear power. This approach means that AMP's ethical portfolio can still include shares in BHP Billiton and Rio Tinto – the world's fifth and third largest uranium miners respectively.

Several fund managers that invest in nuclear power cite climate change as a reason. However, little effort is made to justify the claims or to address counter-arguments. There is no attempt to refute the significant, growing body of scientific literature that demonstrates how the expansion of renewable energy sources, coupled with concerted energy efficiency programs, can generate major reductions in greenhouse emissions without recourse to nuclear power.

Nor have most fund managers addressed the ethical problems associated with uranium mining and nuclear power. The uranium mining industry has a poor

track record in its dealings with Aboriginal communities – failing to consult Traditional Owners, using divide and rule tactics, and ignoring sacred sites. In the words of Yvonne Margarula, Mirarr Senior Traditional Owner in the Northern Territory: "Uranium mining has ... taken our country away from us and destroyed it ... Mining and the millions of dollars in royalties have not improved our quality of life."

Similar patterns of 'radioactive racism' are evident in the management of by-products of the nuclear cycle. North American activist Winona LaDuke told the Indigenous World Uranium Summit in 2006: "The greatest minds in the nuclear establishment have been searching for an answer to the radioactive waste problem for fifty years, and they've finally got one: haul it down a dirt road and dump it on an Indian reservation".

Another ethical quandry concerns the connection between nuclear power and nuclear weapons. No less than five of the 10 states to have produced nuclear weapons did so on the back of their 'peaceful' nuclear programs. Former US Vice President Al Gore neatly summarised the problem in 2006: "For eight years in the White House, every weapons-proliferation problem we dealt with was connected to a civilian reactor program. And if we ever got to the point where we wanted to use nuclear reactors to back out a lot of coal ... then we'd have to put them in so many places we'd run that proliferation risk right off the reasonability scale."

While ethical questions are necessarily arguable, the nuclear industry has been repeatedly and comprehensively discredited. If the ethical investment market is to retain its credibility, it must employ more rigorous and more consistent ethical screens. Further, there is a clear case for regulatory reform to ensure more transparent disclosure of investment in controversial sectors such as uranium mining and nuclear power.

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Are you investing in Uranium?

Australian Funds Managers and their positions on uranium mining.

The information in the table refers to these companies' ethical or SRI funds only. Other funds managed by the same companies may not have any policies regarding investment in uranium or nuclear power.

Fund managers' investment policies change on a semi-regular basis; to ensure you're not investing in uranium, or any other sector of ethical concern, it's a good idea to contact the fund manager, ask questions and read the fund's Product Disclosure Statement (PDS). By law any investment fund that is sold on the basis of taking companies' environmental, social or ethical practices into account must publish which factors are taken into account and how in its PDS.

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Fund manager *	Fund Name	RIAA certified? *	Policy on uranium mining	Policy on other parts of the nuclear cycle	Further comments
AMP	1. AMP Capital Sustainable Share Fund 2. Responsible Investment Leaders Range (Responsible Investment Leaders Balanced Fund, Responsible Investment Leaders Conservative Fund, Responsible Investment Leaders Growth Fund, Responsible Investment Leaders Australian Shares Fund, Responsible Investment Leaders International Share Fund)	Yes	Policy against investing in any company where uranium or nuclear power constitutes more than 5% of its business.	In line with the policy on uranium mining, has a policy against investing in any company that derives more than 5% of its business from the nuclear cycle (nuclear power).	'Ethical' portfolio contains shares in BHP Billiton, the world's 5th largest uranium producer, and Rio Tinto, the 3rd largest.
Atom Investment/Asset Manager (formerly Indian Ocean Rim Asset Management)	Atom Funds Management	No	Does invest in uranium	Does invest in the nuclear cycle.	Vocally pro-nuclear because considers nuclear power to be a replacement for coal that will reduce greenhouse gas emissions.
Ausbil Dexia	The Dexia Sustainable Global Equity Fund	Yes	'Sustainable Global Equity Fund' doesn't invest in companies that derive more than 50% revenue from any nuclear power activities.	The same 50% revenue policy applied to uranium mining is applied to companies profiting from nuclear power and the nuclear cycle.	Uses the term 'controversial' rather than 'unethical' in relation to investment in uranium.



Fund manager *	Fund Name	RIAA certified? *	Policy on uranium mining	Policy on other parts of the nuclear cycle	Further comments
Australian Ethical Investment	1. Australian Ethical Income Trust 2. Australian Ethical Balanced Trust 3. Australian Ethical Equities Trust 4. Australian Ethical Large Companies Share Trust 5. Australian Ethical Superannuation.	Yes	Does not invest in uranium.	Does not invest in any part of the nuclear cycle.	Also uses positive screens – one of very few funds that do.
BT Financial Group	1. Best of Sector or Sustainability funds - BT Institutional Australian Sustainability Share Fund - BT Institutional International Sustainability Share Fund 2. Ethical or screened funds - BT Wholesale Ethical Share Fund - BT Wholesale Ethical Conservative Fund - BT Institutional Ethical Balanced Fund.	Yes	Does not invest in companies that ‘directly’ mine or process uranium for weapons manufacture; no policy regarding nuclear power production.	Does invest in nuclear power.	Uses best of sector approach, ethical portfolios include Rio Tinto and BHP.
Challenger	Challenger Socially Responsive Share Fund, Challenger Wholesale Socially Responsive Share Fund	Yes	Recently changed its policy to allow investments in companies that undertake uranium mining for power generation purposes, not for weapons.	Challenger has a policy that allows investing in nuclear power, but not nuclear weapons.	Puts its decision down to “the changing perception of uranium and nuclear energy, which is now seen as a relatively clean source of energy compared to the traditional fossil fuel alternatives.”



Fund manager *	Fund Name	RIAA certified? *	Policy on uranium miningv	Policy on other parts of the nuclear cycle	Further comments
CVC Sustainable Investments		No	Policy against investing in uranium.	No policy, but does not invest in uranium at the moment.	Focuses more on investments in other renewable technologies and water conservation.
Hunter Hall Investment Management (Hunter Hall International)	1. Hunter Hall Value Growth Trust 2. Hunter Hall Australian Value Trust 3. Hunter Hall Global Ethical Trust	Yes	Policy against investment in uranium mining.	No clear policy on investing in companies involved in other parts of the nuclear cycle – says it precludes investment in companies involved in the ‘sale of armaments’.	Uses negative screens. All funds follow the same methodology and ethical screens.
ING Investment Management	ING Investment Management’s Sustainable Australian Shares investment strategy	No	Doesn’t invest in companies that derive more than 5% of their revenue from uranium mining .	Doesn’t invest in companies that derive more than 5% of their revenue from nuclear power.	
Perpetual Investments	Perpetual’s Wholesale Ethical SRI Fund	Yes	‘Ethical Fund’ does not invest in uranium mining.	‘Ethical fund’ does not invest in weapons manufacture, no clear policy on nuclear power.	
Sustainable Asset Management (SAM)		Yes	No policy.	No policy.	sector’ approach (please see the table of terms). Holds shares in BHP and Rio Tinto.



Table of Terms

SRI (Sustainable Responsible Investment)

Sustainable Responsible Investment (SRI) is also known as “ethical” or “socially responsible” investment. A sustainable responsible investment is one that takes into consideration social, environmental performance in addition to financial performance. As outlined in the report, different fund managers prioritise social and environmental considerations to different levels.

‘Ethical’ funds

Fund managers whose investment strategies are guided by an ethical or moral framework.

‘Best of Sector Approach’: ‘Sustainable’ and ‘responsible’ funds

The majority of funds in the Responsible Investing sector define themselves as sustainable or responsible, rather than ethical. Some of these funds invest in industries such as gambling and tobacco, if they rate the companies chosen as being sustainable for the long term — a “best of sector” approach.

Other sustainable funds invest in industries that are usually negatively screened out, as long as the revenue that the companies selected get from those industries is not a ‘material proportion’ — for example, 5% or more — of their overall revenue.

As a result, many of the top share holdings of these ‘sustainable’ funds end up being very similar to the shares held by the same companies’ ordinary investment funds.

Types of fund

The industry broadly labelled the ‘sustainable responsible investment’ (SRI) or formerly the ‘ethical investment’ sector, offers two distinctly different types of fund. Their names are often used interchangeably and some RI funds use a combination of the two approaches:

Positive Screening

Where the fund manager usually seeks out companies that it believes have a positive social or environmental impact. This is called positive screening — a ‘dark green’ approach.

Negative Screening

Where the fund manager avoids companies that have a negative social or environmental impact. This is known as negative screening — a ‘light green’ approach.

Of course, how each ethical fund manager defines subjective terms such as ‘ethical’ and ‘positive impact’ differs. Their product disclosure statements, which are usually available online, should provide an explanation.

For examples of traditional ethical funds, see Deep green funds.

Ethical investing

An investment approach that reflects the ethical preferences of the investor, including social and environmental concerns.

Sustainability

The principles of sustainability integrate three closely interlinked elements—the environment, the economy, and the social system—into a system that can be maintained in a healthy state indefinitely, protecting the earth’s ecosystems and resources to provide an equitable future for generations to come.

RIAA (Responsible Investment Association of Australasia)

Formerly the Ethical Investment Association, the Responsible Investment Association Australasia (RIAA) is the peak industry body for professionals working in responsible investment in Australia and New Zealand.

RIAA Certification

Responsible Investment Certification Program (formerly called the SRI Certification Program) was driven by increased investor interest in making informed choices regarding investment opportunities that take into account environmental, social, ethical and governance considerations as well as financial returns. The RIAA certifies different funds managers, super funds and financial advisers and uses responsible investment as the overarching term to refer to the “family” of products and services which take environmental, social ethical or governance issues into account. The guidelines for their certification are available on their website www.eia.org.au

Deep Green Funds

A few funds continue to refer to their products (or themselves) as ‘ethical’, screening out companies and industries that fail their ethical standards, and using positive screening methods to find companies that they assess as making a positive impact on society, the environment or both.

For example, Australian Ethical excludes investment in uranium and companies involved in areas including alcohol, tobacco and the logging of old-growth forests. It uses positive screening to find companies that make a positive impact, such as renewable energy initiatives.