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Socially Responsible Investment Can Improve the Lives of Indigenous Peoples

What is this research about?

Traditionally, Indigenous peoples have worked with the 'state' to gain recognition and protect their cultural and legal interests. But the legal measures that help Indigenous peoples, such as land rights and self-government, may not be enough anymore. In addition to the state, Indigenous peoples must also reckon with financial institutions, such as banks, which often sponsor the kind of economic development that can harm their way of life. Some of the biggest Canadian banks, in particular, have financed forestry and mining on unceded Aboriginal lands, threatening the livelihoods of Indigenous peoples. For years now, a lack of regulation has enabled these institutions to ignore the social and environmental impacts of the projects they finance. However, Indigenous peoples themselves have often failed to appreciate the threat that financial institutions pose to their environment. Their protests usually do not take them to the boardrooms of international banks or pension funds. Instead, Indigenous peoples tend to vent their concerns where threats seem to physically materialize, such as mining sites. Or they petition government regulators who are wrongly perceived to be in charge.

Socially responsible investment (SRI), also known as *ethical investment*, offers a new approach to protecting the way of life of Indigenous peoples. SRI considers the social, environmental, and ethical consequences of a bank's decision to finance a particular company. Although the application of SRI to the Indigenous cause remains relatively new, SRI could offer an effective way to achieve social justice for Indigenous peoples, who are often exploited by the business sector. The SRI

What you need to know:

The SRI movement is starting to champion Indigenous peoples. However, because the market for SRI remains small, some public regulation of financiers, to promote SRI, seems necessary. Financial institutions and Indigenous peoples need to be involved in SRI.

movement is still small; it averages just 3-5% of the investment market. Nevertheless, if SRI became a more 'mainstream' approach to investment, the business sector could help to revitalize Indigenous communities.

What did the researcher do?

Professor B. J. Richardson looked at how SRI can offer a new approach to the protection of Indigenous peoples by targeting the business community, in particular financial institutions whose investments in projects like mining can harm Indigenous communities.

What did the researcher find?

Richardson identified a number of SRI 'strategies' that can be used to promote good investment practices that do not harm Indigenous communities:

- *SRI Screens*: An SRI screen can *exclude* investments that are undesirable or *favour* investments that meet certain ethical, social, or environmental benchmarks. For example, the U.S.-based Calvert Group, one of the largest families of mutual funds in the world, has a screen that avoids "companies that have a pattern and practice of violating the rights of Indigenous Peoples."

1. *Shareholder Activism*: Shareholder activism can

encourage companies to respect the rights of Indigenous peoples. Investors who buy shares in public companies acquire voting and other rights that in theory allow them to influence company affairs. In 2006 the Ethical Funds Company filed a shareholder resolution against Enbridge, a natural gas supply business that was planning to build a pipeline through Aboriginal land in BC. The resolution was withdrawn after Enbridge agreed to address the shareholders' concerns.

- **Community Finance:** Community finance, also known as micro-finance, can reduce poverty in Indigenous communities through Indigenous-controlled, locally operated banks or credit unions. Community finance offers credit to those ignored by conventional banks, and provides services that help to ensure that credit is used well.

The researcher also identified some new voluntary and official standards for investment that support the growth of SRI:

- **Equator Principles (EPs):** The EPs, drafted in 2003 and revised in 2006, provide a voluntary code of conduct for the financing of responsible projects. Banks that sign the EPs agree to put in place measures that minimize the social and environmental harm of their investments.
- **UN Norms on the Responsibilities of Transnational Corporations (TNCs):** The proposed UN Norms compel businesses, specifically TNCs, to respect Indigenous rights. They address environmental standards, labour standards, and consumer protection.
- **SRI Stock Market Indexes:** SRI stock market indexes may help investors consider how their choices affect Indigenous peoples. Generally, market indexes track the price fluctuations of stocks. An SRI index, however, includes only firms that meet certain environmental and social standards.
- **National Laws for SRI:** National laws for SRI are legal reforms to promote SRI nationally. None of the current reforms in Canada address Indigenous peoples specifically, but they can include Indigenous peoples.

How can you use this research?

Policymakers need to make financial institutions more accountable for the impact that their investments have on the lives of Indigenous peoples. Nevertheless, while we need more public governance for SRI, financiers must also get involved. The financial sector can cease to fund developments that harm the environment and culture of Indigenous peoples. They can also improve access to credit and capital, which will enable Indigenous peoples to pursue their own initiatives and rely less on the government. Finally, Indigenous peoples themselves need to become active participants in SRI if it is going to work.

About the Researcher

Professor Benjamin J. Richardson is a faculty member of Osgoode Hall Law School, York University. In 2008, he published an entire book on SRI, *Socially Responsible Investment Law*, with Oxford University Press. It includes further exploration of the role of responsible investing in relation to Indigenous peoples, and other topics. brichardson@osgoode.yorku.ca

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