

Ethical Investing – Pan versus Blackmores

Most ethical investors consider the 'Alternative Medicine' sector to be at least a step up from the traditional pharmaceutical industry which has often been implicated in the exploitation of third world countries and has been accused of over-medication of the population in general.

Thus, Pan Pharmaceuticals with its wide range of alternative medicines operates in a sector that generally has quite good ethical credentials. However, this in itself is not sufficient to make it a "good" ethical investment. Pan Pharmaceuticals provided other companies with poor product, was not prepared to spend money on the equipment needed to ensure consistent quality and "cooked the books" to keep the regulators happy.

When this behaviour was exposed it led not only to the destruction of Pan Pharmaceuticals but to the loss of jobs for Pan's employees, loss of profits for the firms that used Pan's products and a loss of business for the health food shops and chemists that stocked the goods.

On the other hand let's consider Blackmores Pty Ltd which has been a stalwart of ethical investors for many years. The company conducts seminars throughout the country on health and nutrition and it has an empowering corporate culture. Employees are provided with benefits such as a staff gymnasium and a subsidised kitchen and are encouraged to join the company's employee


share plan. Environmental issues have an important place in Blackmores corporate ethic and it conducts internal environment audits of its operations. It participates in the SEDA Energy Smart Business Program and is a signatory to the National Packaging Covenant.

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before it was announced that the Therapeutic Goods Administration was suspending its licence and the shares would be suspended from trading (which itself begs some very serious questions given the regime of continuous disclosure.). An Administrator has been appointed and if the shares ever do trade again it will certainly be at a much lower price.

In response the price of Blackmores shares rose for two main reasons: partly as investors realised that many of its competitors would have little product to sell, and partly because they were prepared to pay a premium for the greater degree of confidence they felt they could have in this company.

Shareholders of Pan now stand by and watch as the Administrator attempts to satisfy the company's creditors, with little expectation of any residual value finding its way to them. Although the share price of Blackmores has now settled back a little, its shareholders remain part owners of a responsible company that has good work practices, is a good employer and is still in business.



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