EIRIS & Ethical Investment: A Global Approach

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OECD Roundtable
June, 2001
Review

• What is EIRIS
• UK developments in SRI
• FTSE4Good SRI Indices
• Ethical Portfolio Manager software
• Our approach to research
What is EIRIS?

- Ethical Investment Research Service
- Leading provider of SRI information
- Founded in 1983 by charities and churches
- A registered charity
- Totally independent
- Wide range of clients
- Global coverage
- 30 staff

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UK Ethical Investment

- £3.8 billion in 55+ retail funds
- Much more in institutions
- Pensions revolution
- New approaches to EI? - yes and no
- Co-operative Bank
- Islamic funds
- Going mainstream?!
SRI in Pensions

• “Millennium” Regulation
• Surveys suggest PFs will adopt SRI
  – 59% incorporate SRI in investment strategy
  – totals up to £200 billion
  – most people want SRI in their pensions
• Real progress after one year?
• Engagement or stock selection
Corporate Responsibility in UK

- Company Law Review
- Corporate Governance: Turnbull Committee
- Minister for Corporate Social Responsibility [www.societyandbusiness.gov.uk](http://www.societyandbusiness.gov.uk)
- Foreign Office Guidelines
- Social & Environmental reporting
  - a plea from Tony Blair & Romano Prodi

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The EIRIS Approach

• Putting principles into practice
• There is no one “true path”
• Let the client decide
• Diversity welcome
• No good or bad Companies
• All in one flexible software tool - EPM
Our Coverage

• Broad range of ethical, social and environmental criteria

• Broad range of Companies: FTSE All-Share and FTSE Europe

• Global coverage during 2001 - USA, Japan, Canada, Australia, New Zealand, Hong Kong, Singapore

• FTSE4Good Indexes - www.ftse4good.com
FTSE4Good

- Series of Benchmark & Tradable Indices
- UK, Europe, USA, Global
- FTSE4Good Advisory Committee
  - develops SRI criteria + set ground rules
  - review constituents + adjudicate “hard cases”
- First principles based on codes of practice
  - OECD Guidelines on MNE’s
  - UN Global Compact, GRI et al
FTSE4Good

• Widespread consultation on criteria etc.
• Social responsibility criteria:
  – environmental sustainability
  – universal human rights
  – positive relationships with stakeholders
• Research from EIRIS & Partners
• July 2001 Launch
• www.ftse4good.com
Ethical Portfolio Manager

- Provided to all EIRIS clients
- Software tool for Company SRI analysis
- Fund manager uses to develop own policy
- Flexible, comprehensive, independent
- Risk and reputation issues researched
- Incorporate fund manager research

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How clients use EPM

1. Develop a Policy:
   – choose analytical framework
   – develop policy & weightings

2. Identify the Companies:
   – look at an index or a portfolio

3. Analyse the Results:
   – rank by sector for best in class
   – selecting acceptable/unacceptable

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Client EPM Support Package

- Training & Technical support
- Research questions on Companies
- Help with criteria and methodology
- Consulting on how to develop a policy
- EPM Bulletin on recent developments
- Visits to clients (Methodists help train us!)
- Client surveys on research and services
Other Client Services

- Corporate Ethics Overview
- Research Seminars
- “Guide to EIRIS Research”
- “Choosing an Ethical Fund”
- Website and newsletter
- All under review to increase the services
How EIRIS develops criteria

- Study the world around us
- Involve the clients throughout
- Speak to the experts and the concerned
- Work with partners in Europe, USA, Asia
- Observe our competitors
- Dialogue with Companies
- Pro-active and responsive
The Research

• Comprehensive, Consistent, Comparable

• Diversity of sources -
  – The Company - reports, websites, brochures
  – Questionnaires, correspondence, visits
  – Government, regulatory bodies
  – NGO’s, campaigning groups, media
  – Industry and trade bodies
  – Factsheet mailing
Areas Researched

• Environment -
  – policies, reporting, management systems
  – performance: grading improvement

• Social Issues -
  – codes of conduct, stakeholder relations
  – health & safety, diversity, labour, pay
  – training and employee development
  – job creation & security
  – community involvement
Areas Researched

• Human Rights
  – policies, reporting, management systems
  – nature of presence in countries
  – controversies

• Animal welfare and GMO’s

• Traditional negatives
  – arms, gambling, tobacco, pornography

• News stories
Our Partners (1)

• In Europe:
  – IMUG in Germany
  – Ethibel in Belgium
  – Avanzi in Italy
  – Fundacion Ecologia y Desarrollo in Spain

• In USA:
  – Council on Economic Priorities
  – Investor Responsibility Research Center
Our Partners (2)

- In Asia:
  - Japan Research Institute
  - So-Tech Consulting

- In Australasia
  - Australian Ethical

- And others to follow…..
Rhineland vs Anglo-Saxon?

- A false dichotomy?
- Variations within Europe
- Roots similar but not identical
- Common environmental concerns
- Some variation on social issues
- Cultural/societal relativism?
- UK or Continent ahead?
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