

EIRIS & Ethical Investment: A Global Approach

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OECD Roundtable

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Review

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

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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?!

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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
- Foreign Office Guidelines
- Social & Environmental reporting
 - a plea from Tony Blair & Romano Prodi

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

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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

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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

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

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

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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

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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

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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

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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

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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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