



SRI – A Global Revolution

Tessa Tennant, Chair

www.asria.org

Corporate Governance

“The governance of the corporation is now as important in the world economy as the government of countries”

James Wolfensohn, President, The World Bank Group

.... **Investor Governance Matters too**....

"Investment is the process of foregoing immediate expenditures in order to build a more prosperous future. What kind of future are we now building?"

The New Global Investors, Robert Monks 2001



What is Social Responsibility?

“Social responsibility is not a question of charity, it’s a question of self-interest – it’s an issue of how we’re going to keep our planet stable so that your businesses survive”

*James Wolfenson, President of World Bank,
Corporate Leaders in Chicago, December 2nd 2002*



4 Reasons why SRI is growing

- Fundamental Rationale
- SRI product choice and strategies
- Performance
- Legislation and Pressures for higher corporate governance standards
- Investor Demand

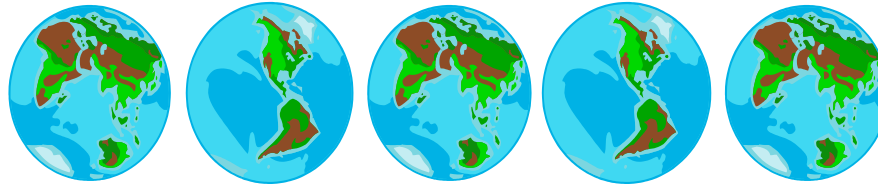


Social Responsibility and Investment

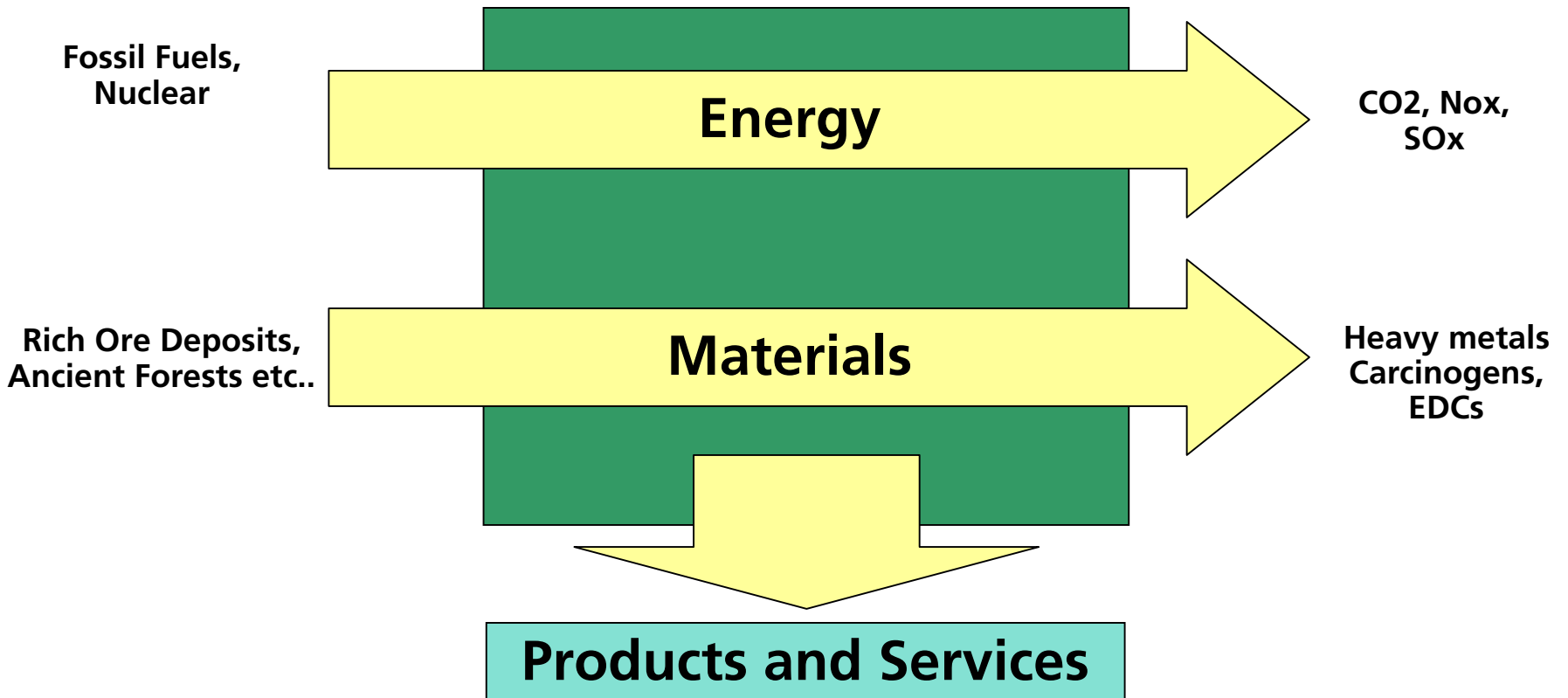
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Five World Economy

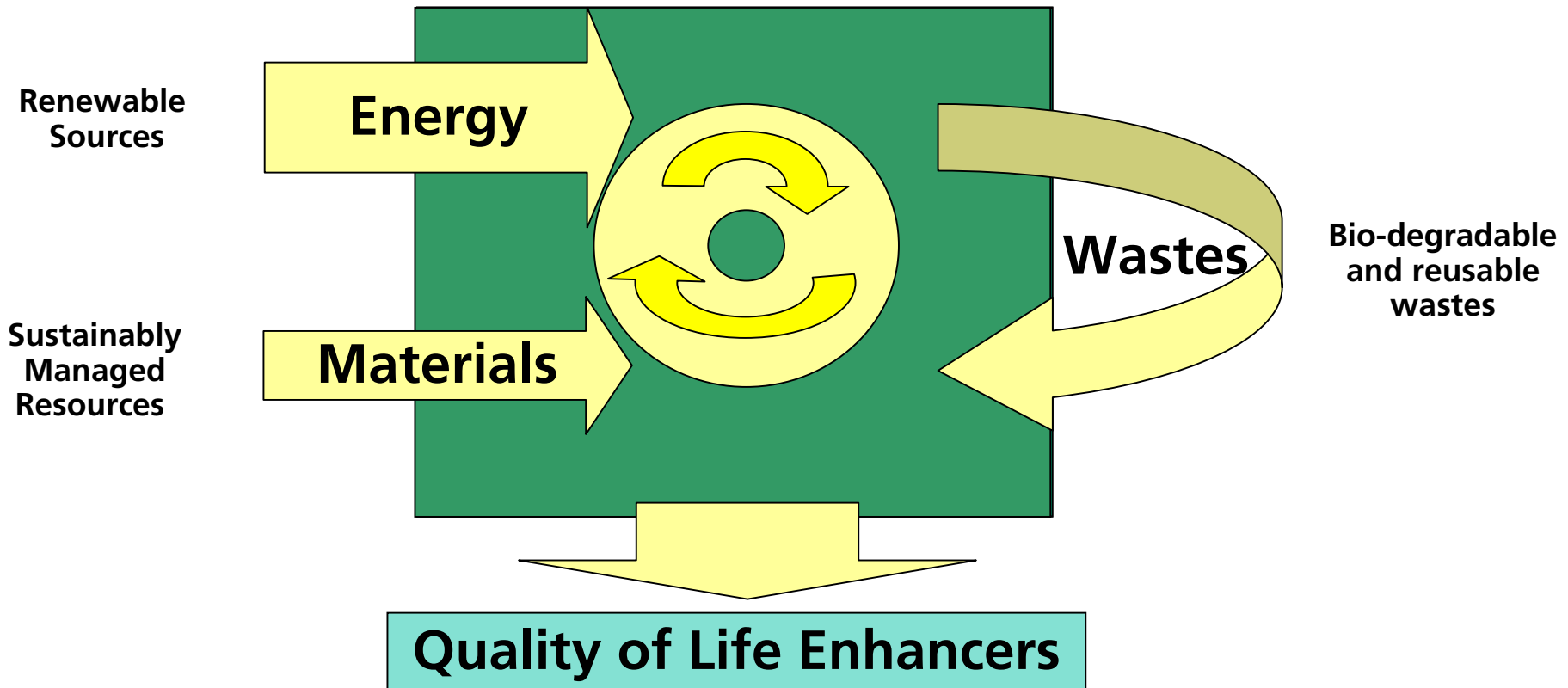


Linear Economy



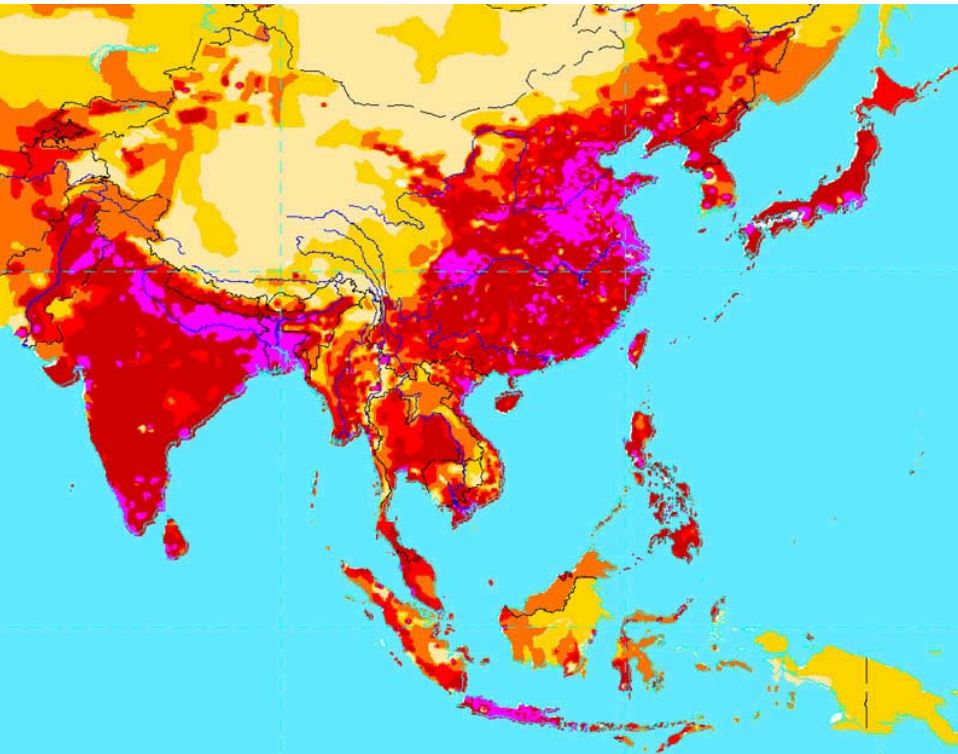


Cycling Economy



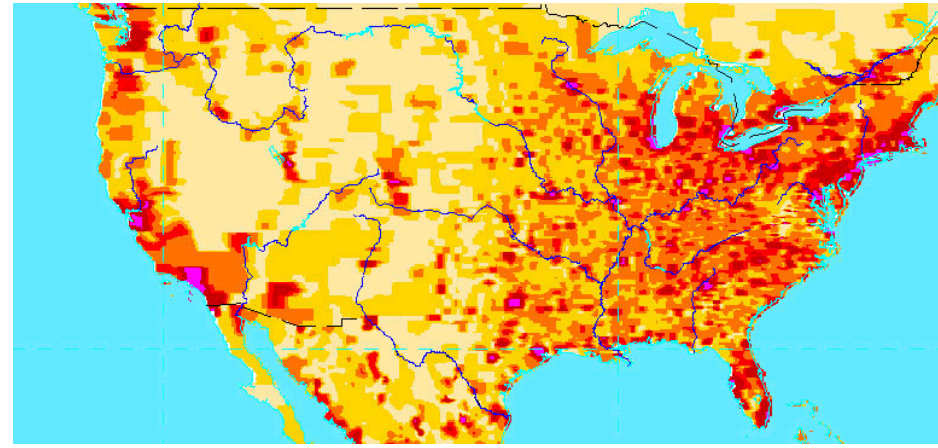


Why SRI in Asia?



- 57% of the world's population
- High density regions (red)

- Low density regions (yellow)



*The region's environmental degradation is
"pervasive, accelerating and unabated"*

- Water Pollution
- Water Scarcity
- Wastes and Toxics
- Air Pollution
- Resource Degradation/Depletion

<http://www.adb.org/documents/books/aeo/2001/default.asp>

SRI Funds Globally

- Australia US\$10 bn including church assets, excluding shareholder activism
- Japan US\$ 1 bn in funds
- USA US\$2.16 tn in funds and portfolios
- Canada US\$ 32 bn
- UK US\$2.5 bn in funds plus US\$250 bn institutional portfolios
- Rest of Europe US\$ 2 -3 bn (guesstimate) in funds



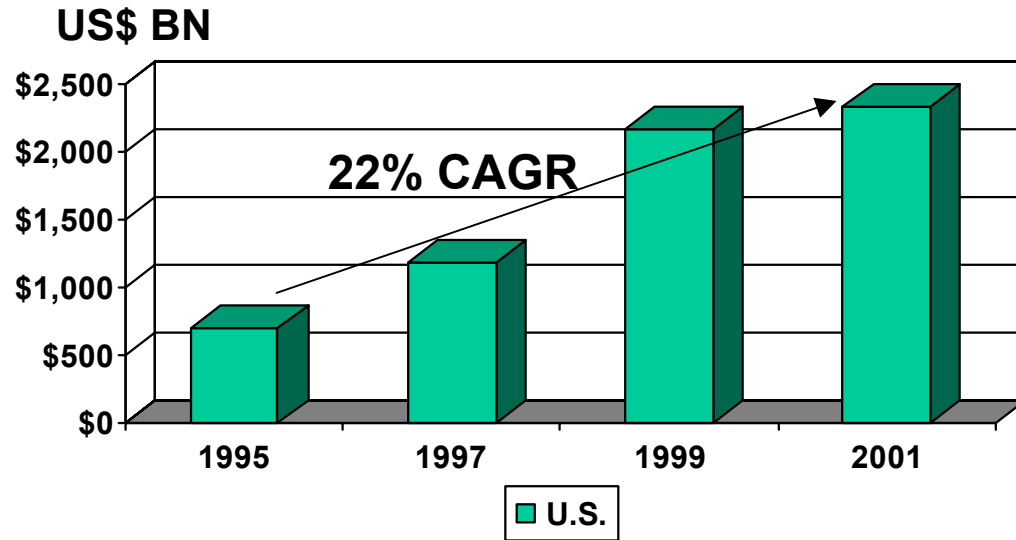
Performance of Key Benchmarks

Comparative Performance (1/6/03)	1Yr	3 Yrs	5 Yrs
FTSE4Good Global Index vs FTSE All World	-16.3% -0.7%	n/a n/a	-23.5% -1.2%
Dow Jones Sustainability Index vs DJ World	(1.1)%	(4.9)%	(1.2)%
Ethibel Global Sustainability Index No benchmark available	10.4%	n/a	n/a
Domini 400 Social Index (US) *Annualised Returns	-7.70%	-11.03%*	-0.33%*
vs S&P500	-8.06%	-10.86%	-1.04%

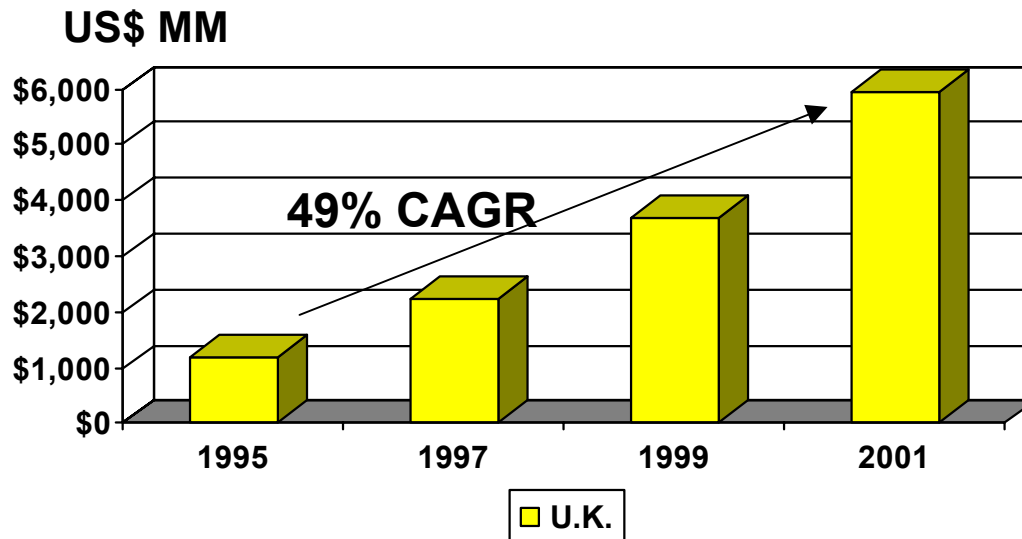


Global Growth in SRI Funds

U.S.



U.K.¹



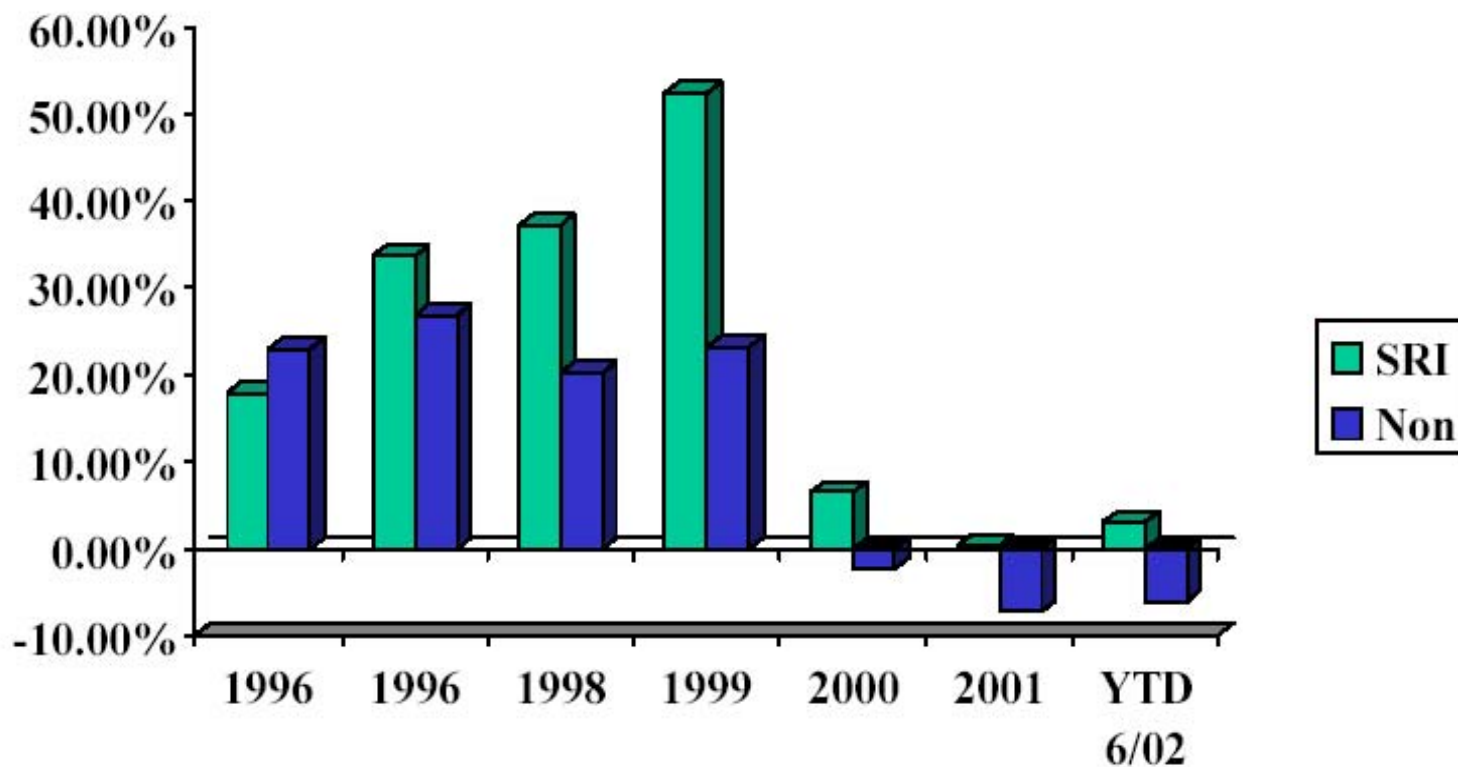
Source: UBS Warburg - 1999 US Trends Report, USSIF, EIRIS

¹ U.K. Retail volume only. Does not include institutional, predicted to be approx. GBP120 billion end 2001



U.S. SRI vs. Long-Term Funds

Asset Growth



Source: SIMFUND



SRI Investment Strategy

Funds define criteria and execute strategy in one or more of the following ways:

- Industries of the Future
- Screening/avoidance
- Best in Class
- Engagement
- Special Equities and Community Investment

- Pensions Crisis globally because of underfunding and changing demographics
 - Impact of Decline in Global Markets
 - Conventional approaches not bullet proof
 - Role of Fiduciary
-
- SRI about understanding societal risks
 - Broad Range of SRI styles now exist
 - SRI and CG enhance fiduciary role

Conferences in 2003:

Long-term Fund Performance: Factoring Engagement and SRI Policies into Mainstream Investments: Implementing Value Generating Strategies in a Performance Driven Market 8th & 9th September 2003: Central London

<http://www.marcusevansconferences.com/>

The North European Pension & Investing Summit and the 2nd European Socially Responsible Investing Congress.
Stockholm 3rd June 2003

<http://www.imn.org/a474/agenda.dhtml>



Proxy Voting regulations in the USA

- SEC regulations passed January 2003
- Affect some 3,700 mutual funds and 6,200 investment advisers who have the power to vote shares on behalf of clients.
- They must report to their clients and the public:
 - their policies and procedures for voting in corporate elections;
 - And how they voted on each issue at each company.
- New rules in full effect for the 2004 proxy season subject to a final review for burdensomeness by the Office of Management & Budget.



Amendment to the UK Pensions Act '95

Text of the Amendment to the UK Pensions Act 1995,[1] effective July 2000

The matters prescribed for the purposes of section 35(3) (f) of the 1995 Pensions Act (other matters on which trustees must state their policy in their statement of investment principles) are –

- *the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realization of investments; and*
- *their policy (if any) in relation to the exercise of rights (including voting rights) attaching to investments.*



Australia and the USA...

Australia's Financial Services Reform Act 2001

On 11 March 2002, The Financial Services Reform Act 2001 came into force. Pursuant to this Act, the providers of investment products, such as superannuation products, are required to disclose in a Product Disclosure Statement the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment. This disclosure requirement will apply immediately to all new investment products. Older investment products will have two years to come into line with the new legislative requirements.

US Department of Labour letter to Calvert, 2000

"the fiduciary standards of sections 403 and 404 do not preclude consideration of collateral benefits, such as those offered by a "socially responsible" fund, in a fiduciary's evaluation of a particular investment opportunity. However, the existence of such collateral benefits may be decisive only if the fiduciary determines that the investment offering the collateral benefits is expected to provide an investment return comparable to alternative investments having

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Swedish State Scheme takes SRI lead

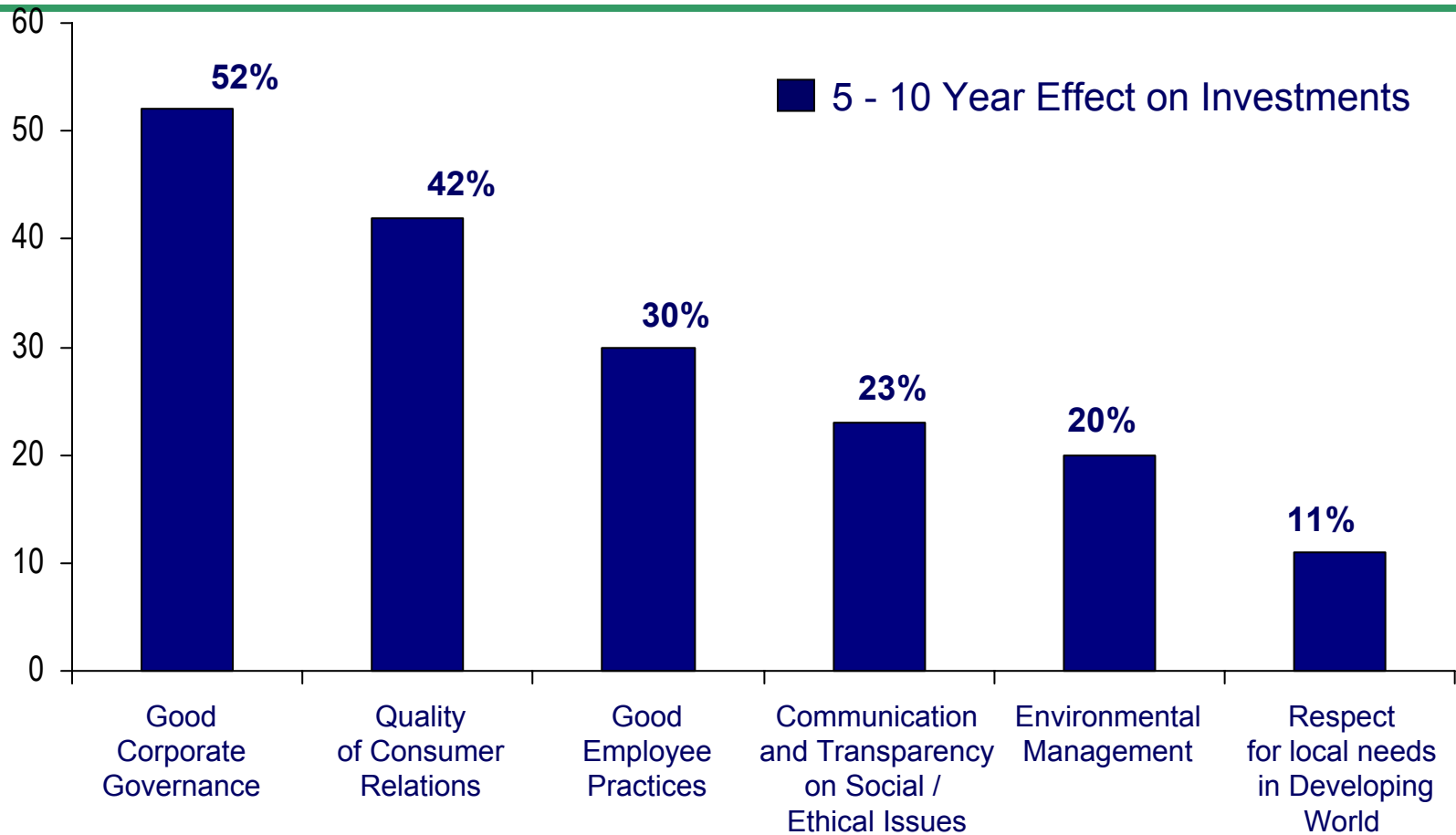
Sweden is among Europe's most dynamic pension markets. The state funds have a single overall objective expressed in the government bill as follows: "There shall be no economic policy or other economic political objectives. Investment activities shall take environmental and ethical considerations into account without lowering the overall objective of a high return".

Companies that break UN conventions are top of the avoidance list.

The main part of the state pensions system has been radically reformed. There are now four main AP funds (totalling over SEK550 billion), with global balanced mandates. At least 10% of assets must be outsourced to external managers. The smaller part of the new state pension system, the PPM system, is a defined contribution plan. Members have a choice of over 400 funds from more than 100 investment managers, both domestic and foreign. The default fund, AP7, manages the investments of members who do not make a choice. Its equity exposure is a high 90%, mostly in foreign equities.

Recent mandates awarded by the AP7 default fund required the managers to screen out 27 companies that have violated UN human rights, child labour, International Labour Organisation and environmental conventions, as well as the convention against bribery and corruption. The companies included Coca Cola, Sears and General Motors.

UK Trustees Concerns



Funds of over €7bn felt more strongly about good Corporate Governance

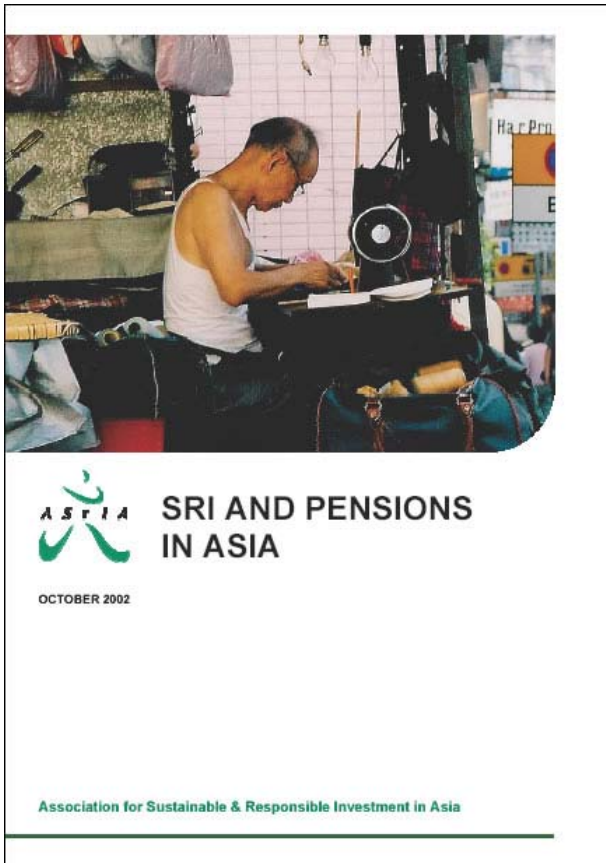
Source: UK Social Investment Forum

CARBON DISCLOSURE PROJECT

- **35 institutional investors with assets in excess of \$4.5 trillion**
- **31st May 2002, they wrote to the Chair of the Board of the FT500Global. The largest companies in the world as measured by market capitalization**
- **asking them to provide investment relevant information relating to greenhouse gas mitigation.**
- **analysis undertaken by Innovest Strategic Value Advisers, US. Published February 2003**

"The project demonstrates that many investors have a very comprehensive view of their fiduciary duties to invest prudently"

Prime Minister Blair, February 2003



- Raising the Pension Question
 - Encourage adequate funding of corporate pension schemes
- Investing for Sustainability
 - Encourage pension schemes in Asia to develop SRI strategies

- £20bn Universities Superannuation Scheme provides pensions for the UK's university staff
- In March, USS launched a competition to find specialists capable of implementing a 20-year investment mandate
- aim is to find alternatives to the typical three-year mandates, which are seen to be a poor match for investors' long-term liabilities.
- http://www.usshq.co.uk/special_interest_groups_index.php?name=SPECIAL_INTEREST_GROUPS_COMPETITION#



Government Support

- To support best practice
 - New requirements in Japan on voting a first step
 - Show leadership with UK, Sweden and Australia
- .. Work to support greater accountability



Introducing ASrIA

90+ members in first year – global and local

Conferences, workshops, seminars

Not-for-profit membership association¹

Awareness raising – website, media

Research – issues and opportunities



¹ Sister organisation to UKSIF and US SIF



SRI Developments in Asia in 2002

- ASRIA has 92 members!
- Multiple CSR/sustainability conferences
- Increased media coverage of the issues
- Samsung Eco Fund launched in Korea
- Eco-Frontier research initiative in Korea
- Kingsway Sustainable Fund launched in HK
- The Seeds established in Thailand
- Friends Provident, Henderson, Jupiter, Morley, Generali global funds registered for sale
- Maybank Ethical Fund, Malaysia Jan 2003



SRI Fund Providers in Asia Today

Australia

- AMP Group
- ANA Friendly Society
- Australian Ethical
- BNP Paribas
- Challenger Group
- Equity Trustees
- Glebe
- Hunter Hall
- ING Funds
- IOOF
- Warrakiri Asset Mgmt
- Westpac Investment Mgmt

Japan

- Asahi Life Asset Mgmt
- Daiwa Asset Mgmt
- Dibj Asset Mgmt
- Mitsui Marine Asset Mgmt
- Nikko Asset Mgmt
- UBS Global Asset Mgmt
- UFJ Partners Asset Mgmt
- Yasuda Asset Mgmt

Hong Kong

- Friends Provident
- Generali (fund of funds)
- Henderson Global Inv.
- Kingsway
- UBS

Korea

- Samsung Group

Malaysia

- Maybank
- 13 Islamic Funds

Singapore

- Morley FM
- UOB Asset Mgt

Taiwan

- UBS

Asian Funds in ROW

- AMP Henderson (UK)
- Ethical Funds (Canada)
- Glebe (Australia)

The Potential for SRI in Asia

- ***Institutional:*** legislation amendments already being explored in Japan
- ***Retail:*** fast growing domestic economies, active retail investing cultures, classic SRI retail investor characteristics
- ***South Korea:***
 - large numbers in caring professions,
 - significant female working population,
 - active green groups,
 - diverse religious groups,
 - large number of charities,
 - generational push

- ***Nikko Eco Fund (Japan):***

- 90% retail
- Majority women
- Majority first time

- ***Unifem-UOB Fund (Singapore):***

- 75% women
- 75% first time
- 75% middle income