



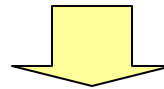
*The Association for Sustainable and Responsible Investment in Asia*

# ***The History, Development and Growth of SRI***

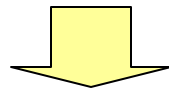
***asria.org***    ***Singapore Seminar 8.4.02***



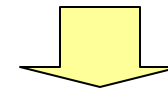
What is SRI?



Socially Responsible Investment/  
Sustainable & Responsible Investment



- Principles:**
- Investment based on a triple bottom line approach:
    - Financial Return
    - Environmental Protection
    - Social justice/ ethical objectives



- Methodologies:**
- Negative screening
  - Positive screening
  - Shareholder advocacy/ engagement
  - Community investing



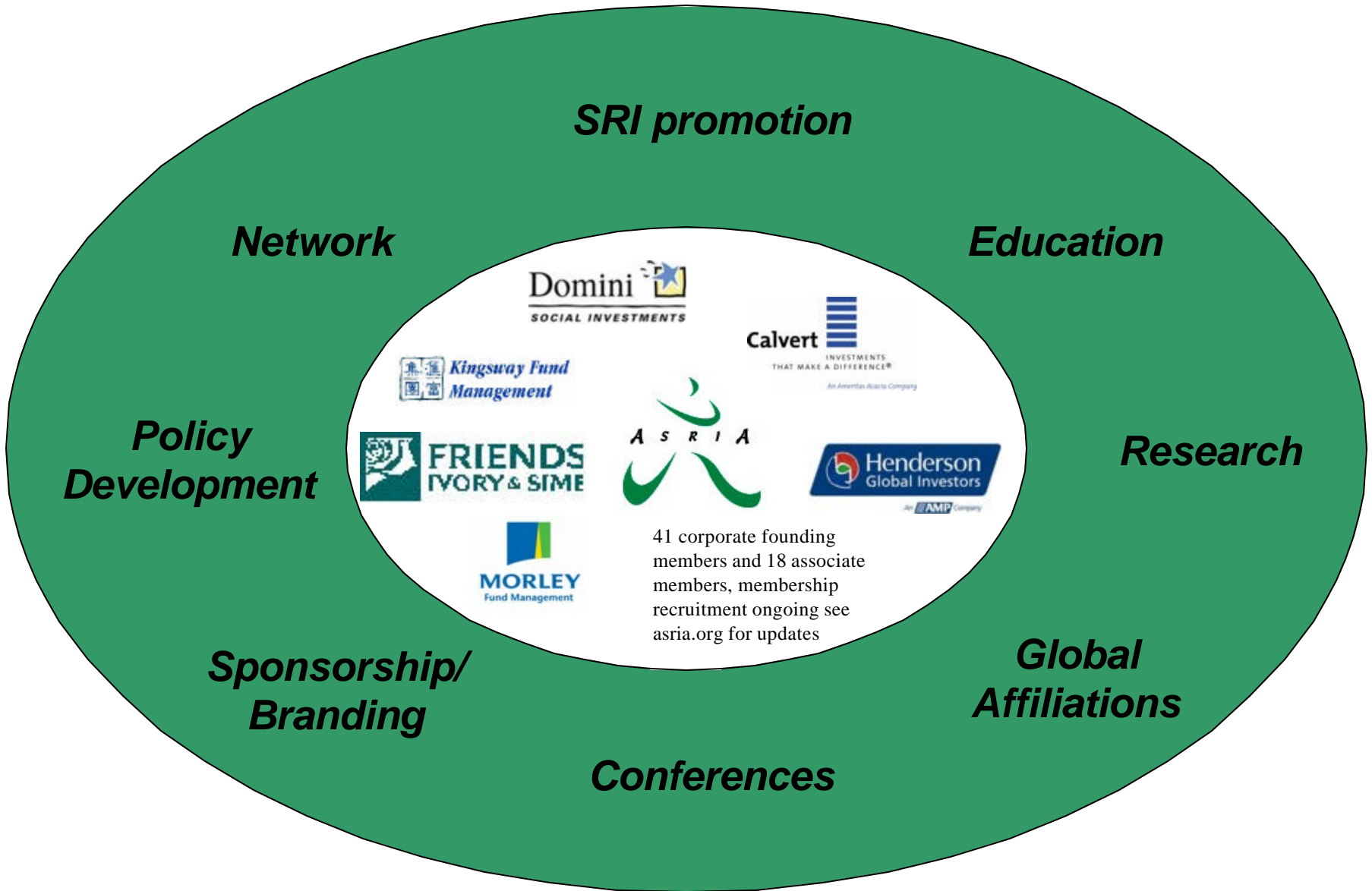
# Pull from Asia

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- SRI already in Australia, NZ and Japan..  
emerging in Singapore and HK
- Growing DC pensions market
- High levels of environmental awareness  
among ABC1 savers
- Pressures on Asian business to adopt higher  
corporate governance standards
- Spotlight on multinational operating in the  
region eg Nike and Walmart



# Introducing ASrIA





# ASrIA 2002 Plans

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## ***Conferences***

Annual International Conference in Japan

Seminars in Singapore, Shanghai, HK, Taiwan, South Korea, Thailand, Malaysia and India

## ***Research***

Incubating an Asian SRI research business, Market-making analysis

## ***Outreach and Networking***

Teach in for IFA's and Trustees, Investors Circle

## ***Website***

Upgrading with more facilities, Japanese and Chinese versions.



## **SRI Time Line**

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**1920's US religious organisations adopt screening**

**1960's Civil & women's rights movements**

**1969 The Council on Economic Priorities, US**

**1970's Vietnam War**

**1970 Pax World Fund, US**

**1971 Interfaith Centre For Corporate Responsibility, US**

**1972 Investor Responsibility Research Center, US**

**1973 South Shore Bank, US**

**1974 Mercury Provident, UK**

**1976 Grameen Bank, Bangladesh**



## SRI Time Line 2

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### **1980's Apartheid in S.Africa, growth of environmentalism**

- 1980 Ethical Bank, Triodos, Netherlands
- 1984 Friends Provident Stewardship Fund, UK
- 1985 Institutional Shareholder Services, US
- 1989 Coalition for Environmentally Responsible Economies, US
- 1989 Australian Ethical Investment Trust, Australia

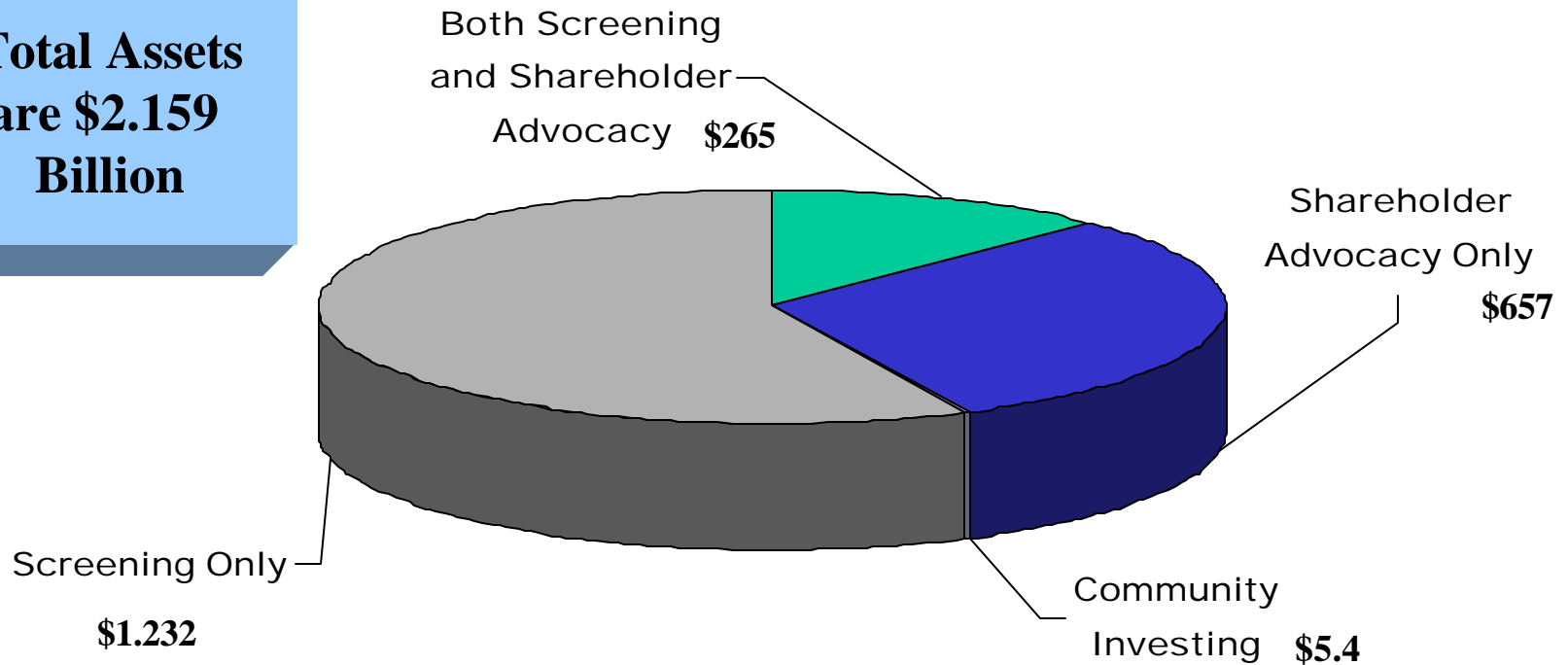
### **1990's Explosive growth in SRI industry**

- 1991 UK Social Investment Forum, UK
- 1997 Global Reporting Initiative, UNEP
- 1999 Dow Jones Global Sustainability Index
- 2001 FTSE4Good World Social Index



# SRI in the U.S.

**Total Assets  
are \$2.159  
Billion**



Note: Total Screening is \$1,497 Billion (“Screening Only” \* “Both Screening and Shareholder”) and Total Shareholder Advocacy is \$922 Billion (\*Shareholder Advocacy Only” \* “Both Screening and Shareholder”)

Source: Social Investment Forum Research: 1999 Trends Report



# 4 Reasons why SRI is growing

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

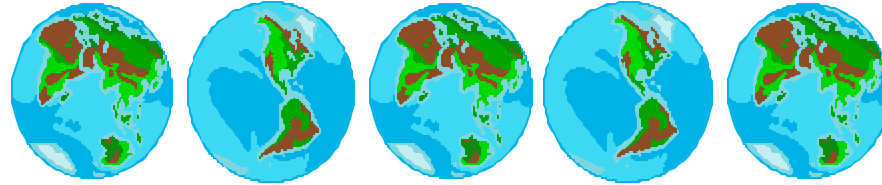
# Fundamental Rationale



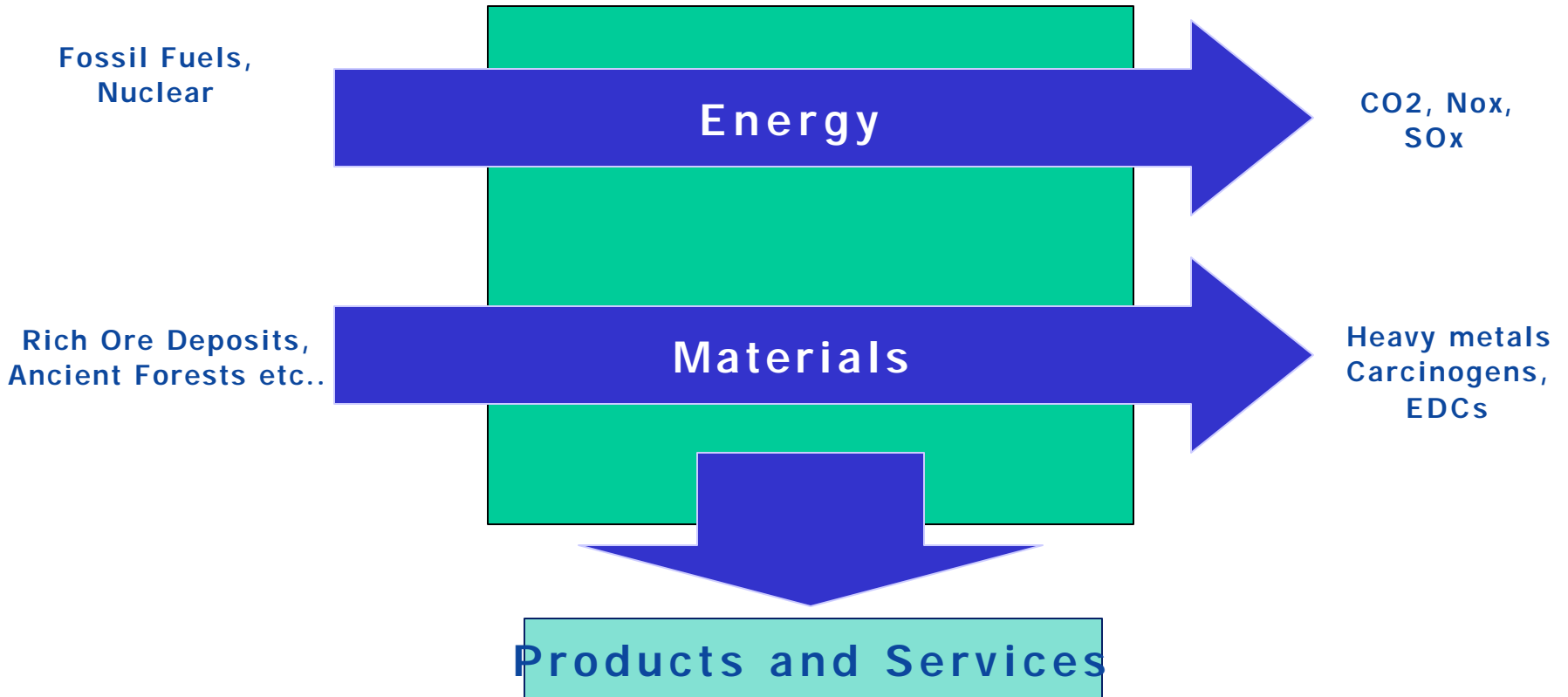
- If everyone in the world was to have the same standard of living as people in the OECD, then with current production and consumption patterns, we require 3 planets.
- Source WWF 2000



# Five World Economy

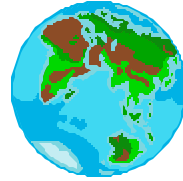


## Linear Economy



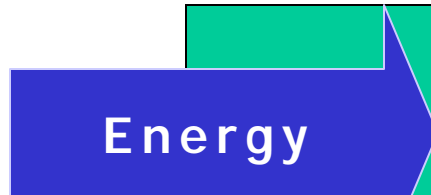


# One World Economy

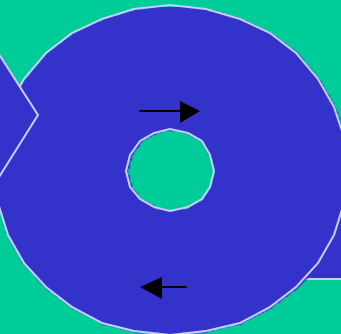
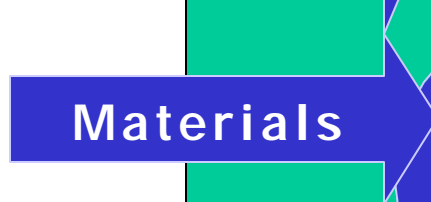


## Cycling Economy

Renewable  
Sources



Sustainably  
Managed  
Resources



Wastes

Bio-degradable  
wastes

Quality of Life Enhancers



# Environmental Future for Asia is still to be decided

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- Asia has yet to install 80 percent of the industrial capacity it will have by the year 2010.
- New industrial investment in Asia will dominate total investment during the next fifteen years, providing a once-in-a-lifetime opportunity to shift industry to clean production.

USAEP Investment & Environment Paper

# SRI Investment Strategy

## **“Industries of the future”**

- Renewable energy
- Information Technology
- Telecommunication
- Mass transport
- Education
- Healthcare
- Multimedia
- Water Management

## **“Best in class”**

- Environment
- Community
- Workplace

## **“Constructive dialogue”**



# Shareholder Advocacy

- **China, India, Indonesia** - Review of working conditions at factories manufacturing garments, footwear, toys etc.
- **Hong Kong** - Review of corporate practices of property companies during reversion to China
- **Burma** - Monitoring companies to ensure no use of forced labor
- **Taiwan & Malaysia** - Dialoguing with electronics & semiconductor manufacturers



# Positive Corporate Practices

## **Sony (Japan) - electronics**

- Strong environmental reporting
- Pilot program on electronic waste in Minnesota

## **MTR (Hong Kong) - Mass transit railway**

- Integrating environmental concerns into operations
- Promoting clean air campaigns
- Developing worker and passenger safety standards

## **Videsh Sanchar Nigam Ltd./VSNL (India) - telecom**

- Developing satellite-based village public telephones
- Internet access to villages

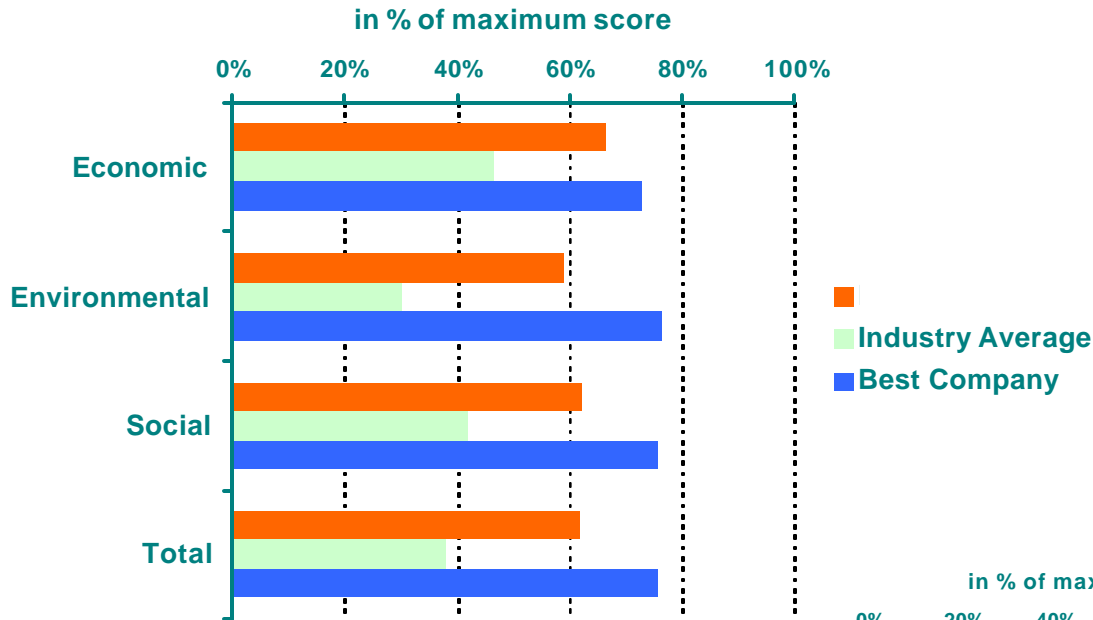


# SRI Research Criteria

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- Environmental Impact
- Corporate Governance and Ethics
- Workplace Practices
- Regulatory Compliance
- Product Quality and Stewardship

# SAM Benchmarking results



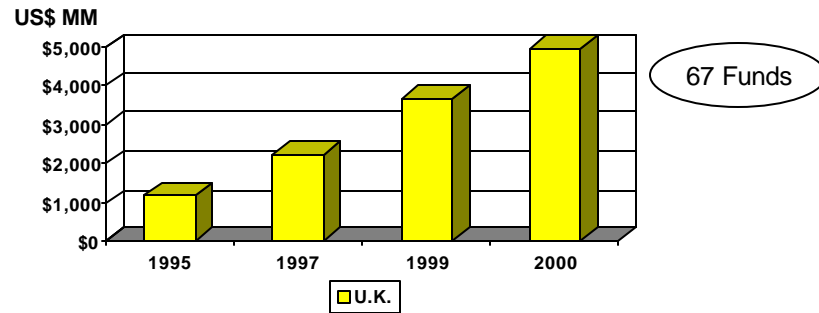
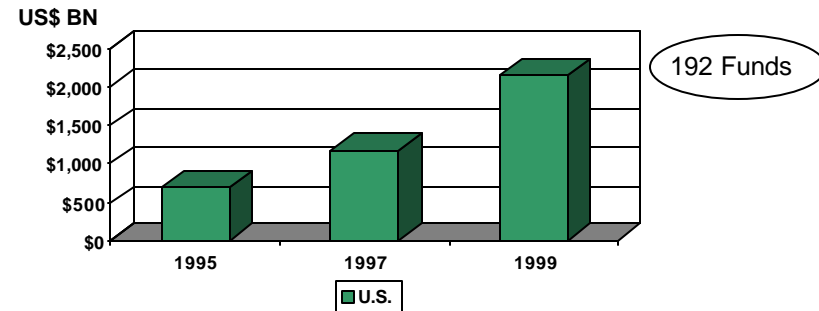


# Performance and Growth Momentum

## Creditable Performance

	S&P 500	Domini Social Equity
1992	7.68%	12.10%
1993	10.08%	6.54%
1994	1.26%	-0.36%
1995	37.50%	35.17%
1996	23.07%	21.84%
1997	33.40%	36.02%
1998	28.58%	32.99%
1999	21.04%	22.63%
2000	-9.11%	-15.05%

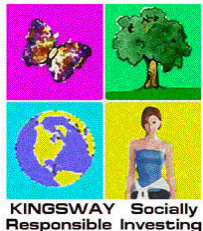
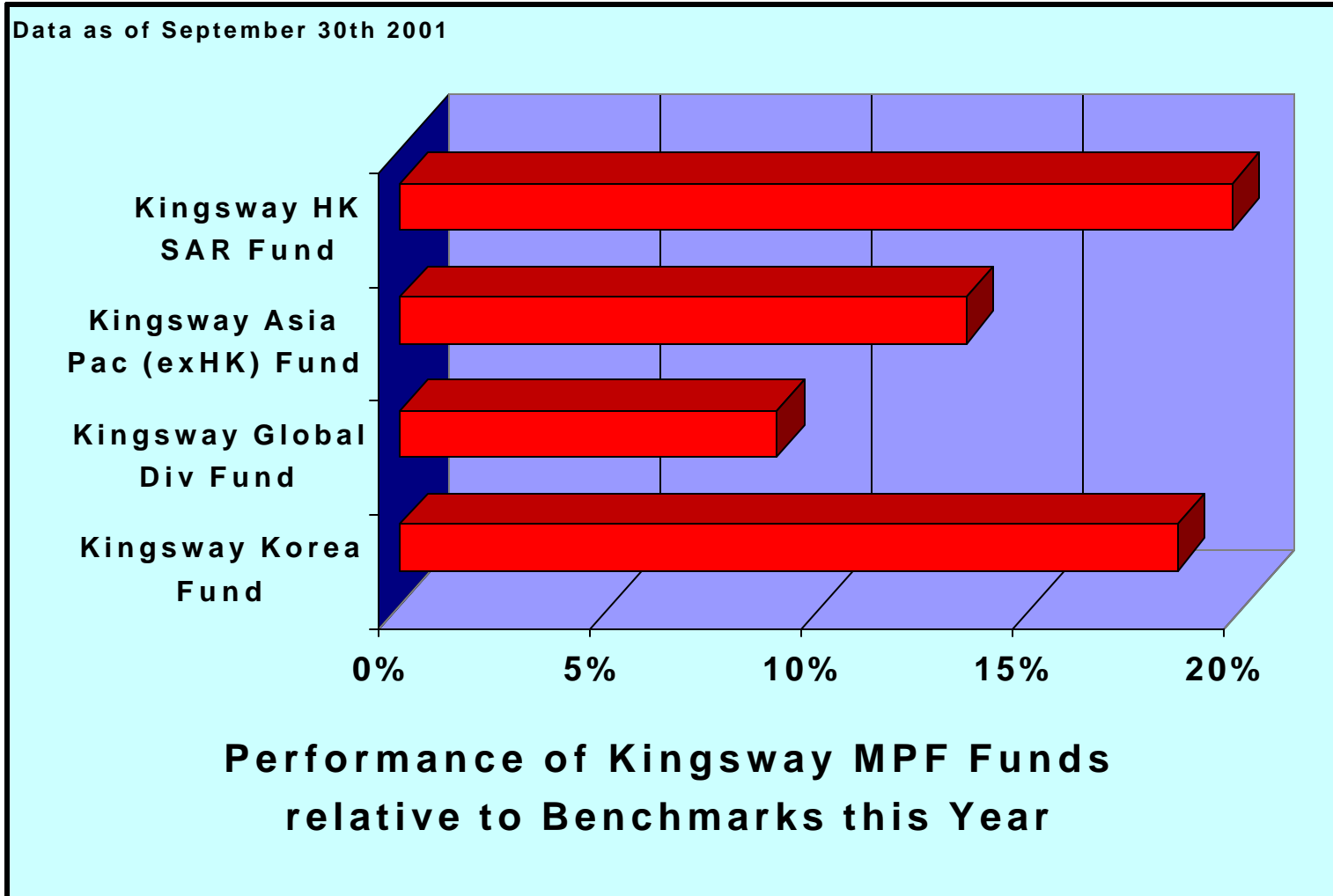
## Growth Momentum



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

- Performance of most SRI funds has been at least in-line with benchmark indices, and some have outperformed – the DJSGI Asia Index has outperformed the MSCI Pacific and the FTSE Asia Pacific by 27% from 1999 to 2001. **INVESTMENT RESTRICTIONS HAVE NOT IMPACTED PERFORMANCE.**
- Management teams focused on environmental and social issues tend to be progressive which is reflected in their business and their stock price
- Despite a large increase in SRI funds over recent years, penetration is still low at 13% in the U.S. and less than 1% in the U.K., allowing room for significant further growth

# SRI Policy performs better than Benchmarks



- Occupational Pension Schemes in the UK must state their policies, even if they have none, on ethical, environmental and social factors.
- Other countries following this lead. Japan Cabinet considering and EU likely to recommend to all Member States
- Calvert letter



# Investor Demand

- Don't presume all investors are the same!
- SRI attracts a different type of investor to day trader/gamblers
- SRI adopters typically:
  - work in caring professions
  - Support NGOs and community groups
  - Belong to religious networks
  - Are often first time investors
  - High proportion are women.



# SRI Investors: Mostly Professionals

	%
<b>Professional</b>	<b>57</b>
<b>Retired</b>	<b>17</b>
<b>Managerial</b>	<b>10</b>
<b>Directors</b>	<b>6</b>
Skilled labour	3
Not currently employed	2
Clerical	2
Sales	1
Secretarial	1
Unskilled labour	1

Source: 258 NPI ethical PEP Investors 1996

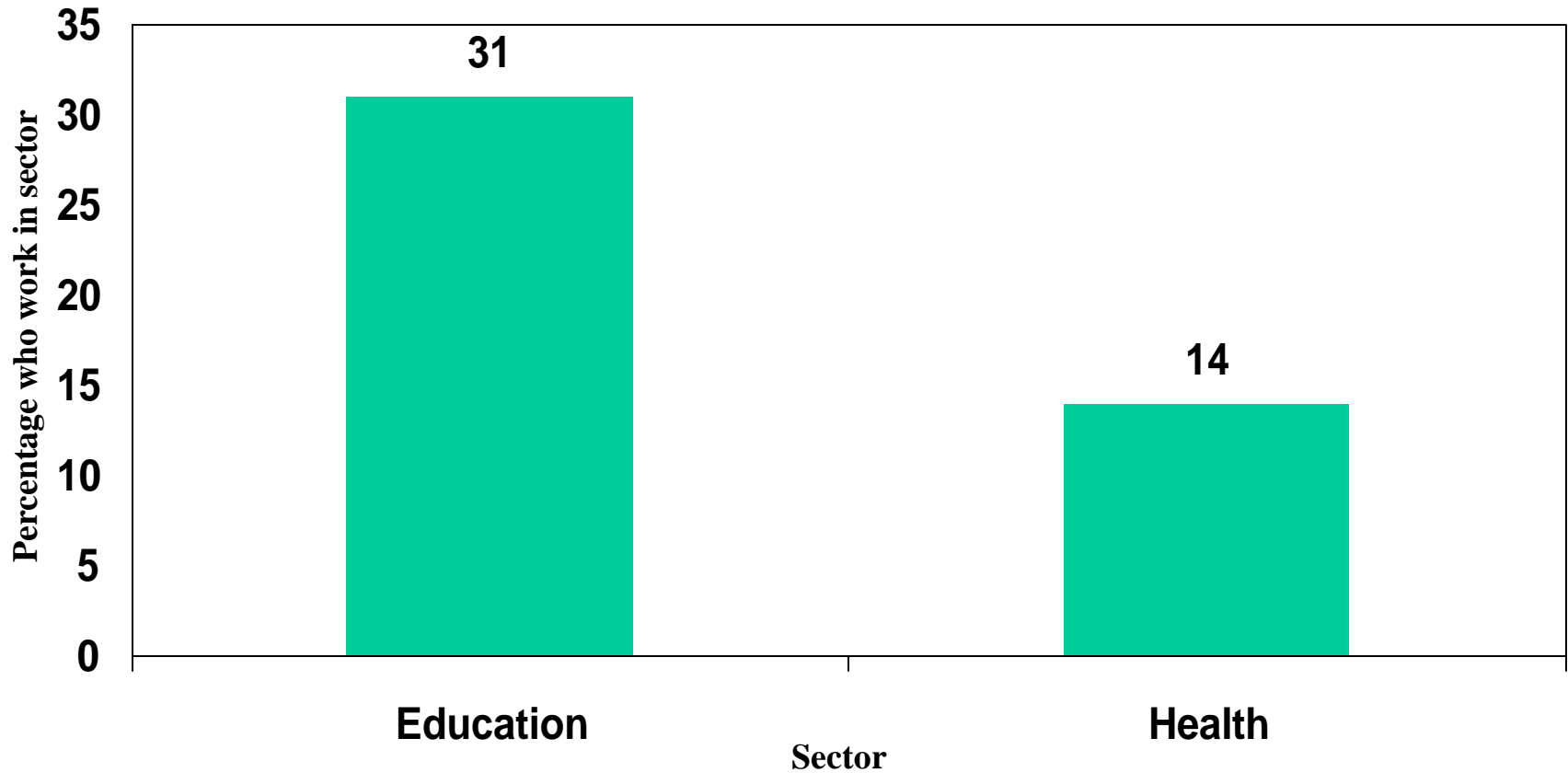


# 'Socially Responsible' Investors Tend to Have High Incomes!

6%	Under £10,000
13%	£11,000 – £15,000
28%	£15,001 – £25,000
21%	£25,001 – £35,000
19%	£35,001 – £50,000
13%	Over £50,000



# Ethical Investors: Occupational Patterns



Source: Lewis & Mackenzie, Bath University 1997

# The Business Proposition in Asia

**CHINA:** The BIG one!...Govt. sponsored CG initiatives... nascent mutual fund industry and growing retail equity culture...SRI may be 'the angle' for early participation

**INDIA:** Vast educated population....a major SRI opportunity....but work to be done...

**MALAYSIA & THAILAND:** Wealthy, educated population...active religious groups... High environmental awareness among decision-makers.. Retail investment market growing

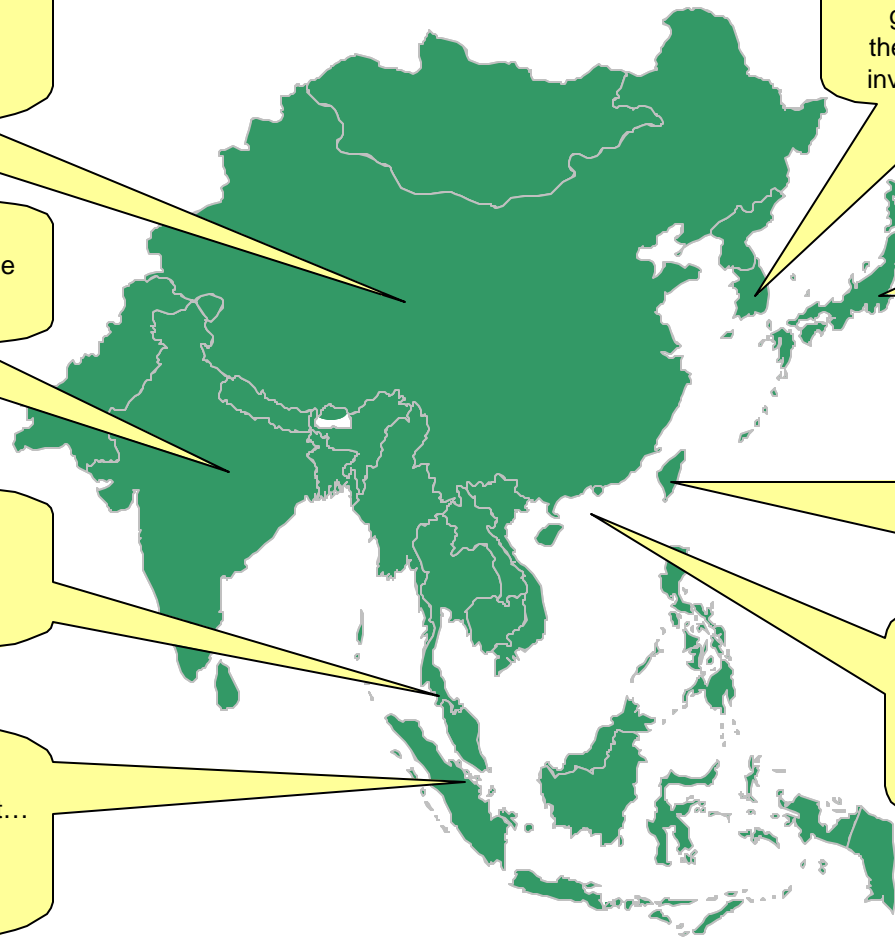
**SINGAPORE:** Developed and sophisticated retail investment market... significant state participation in equity investment

**KOREA:** Corporate governance a big theme....retail equity investment booming!

**JAPAN:** Nikko-Eco – one of SRI's biggest success stories globally.....a proven market among one of the world's largest elderly populations

**TAIWAN:** Mutual fund industry 40% CAGR last 17 years with only 16% penetration!... active religious groups.....environmentally aware.... a core target market

**HONG KONG:** Government increasingly focused on the environment (SusDev 21).....interesting MPF angle...massive charitable institutions (eg Jockey Club, Kadoorie Foundation)



*Growing populations...high growth mutual fund industries...differentiation opportunity*