

Hewitt

ASrIA Conference

Socially Responsible Investment

SRI Market Opportunities in Asia

By

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What is SRI?

- **Sustainable and Responsible Investment**
- **Also known as Socially Responsible Investment**
- **The most successful SRI Funds provide investors with dual returns**
 - Financial returns that compare well to, and often exceed the returns in conventional investment
 - Social and environmental rewards that go beyond the direct financial return to the investor

US and Europe Experience

- One out of every eight dollars invested in the US is invested in SRI
- Europe there are now over 220 SRI Funds
- In 1999 Sustainable Asset Management and Dow Jones joined forces to create the first global Sustainability Index
- FTSE4Good Indices were launched in July 2001

Dow Jones Sustainability World Index Series

- Launched on 8 September 1999
- Joint venture between Sustainable Asset Management and Dow Jones
- Consists of a composite index and five narrower specialized indexes excluding companies that generate revenue from alcohol, tobacco, gambling, armaments & firearms and all of these industries
- 309 companies in index as at 10 October 2001, around 46 from Asia
- 3 Hong Kong listed companies – Li & Fung Limited, New World Development Co Ltd, Swire Pacific (A)

FTSE4Good Index Series

- Launched 31 July 2001
- Index family includes 4 benchmark and 4 tradable indices
- Track the performance of Corporate Social Responsibility companies in the UK, European, US and Global markets against a comparable benchmark
- Greater % of UK companies than from any other country, reflecting the high standards of CSR
- FTSE4Good Global Index only contains 10 Asian companies (All Japanese and Australian)

Regulations in the UK

- From 3 July 2000, as a result of a regulation introduced under the 1995 Pensions Act, trustees of occupational pension schemes must declare the following in their Statement of Investment Principles (SIP):
 - The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realization of investments
 - The policy (if any) directing the exercise of the rights (including voting rights) attaching to investments
- **Disclosure requirement and not a requirement for trustees to invest in a socially responsible way**

Financial Considerations

- Still Key
- UK Government has not removed the requirement for trustees to act in the best interests of their members
- “Best interests” generally accepted to mean “best financial interests”

Options for Trustees

- Social, environmental and ethical considerations not to be taken into account
- Develop policy with fund managers
- Delegate to fund managers in accordance with their house policy
- Allocate a proportion of assets in line with their SRI policy to specialist SRI managers

Socially Responsible Investment in Asia

- Rapid growth of SRI in Europe and the USA, now being reflected by the SRI activity in Asia
- Australia has had an active SRI industry for the last 10 years
- SRI in Japan emerged over the last two years:
 - Five “eco-funds”
 - Two SRI Funds
- Singapore – ethical fund devoted to supporting fair employment practices for women
- Kingsway Fund Management has recently introduced an SRI Fund for the Hong Kong market
- China has a long way to go – but emphasis is on Corporate Governance – 2008 Olympics

Kingsway Fund Management

- KFM's SRI initiative started in August 2000 with the introduction of the SRI VALUE SCREEN methodology
- Consistently apply this methodology to all their public funds, including unit trusts and MPF Master Trust
- SRI is part of the core investment process
- SRI process has not penalised performance



Thank You!