



Socially Responsible Investment

21st Century investment for Asia and the world

Presentation to Forest Trends Conference, 6th Nov 2002, Tokyo

www.asria.org



Yakushima Island

Zero Emission Efforts

Hydroelectric Power Generation, Dried Mackerel Plant, Compost Production
Utilizing Household Refuse, Compost Center, Electric Vehicles



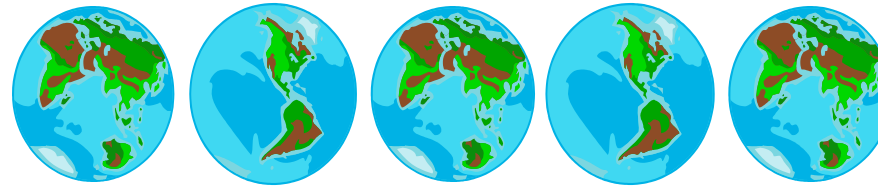


4 Reasons why SRI is growing

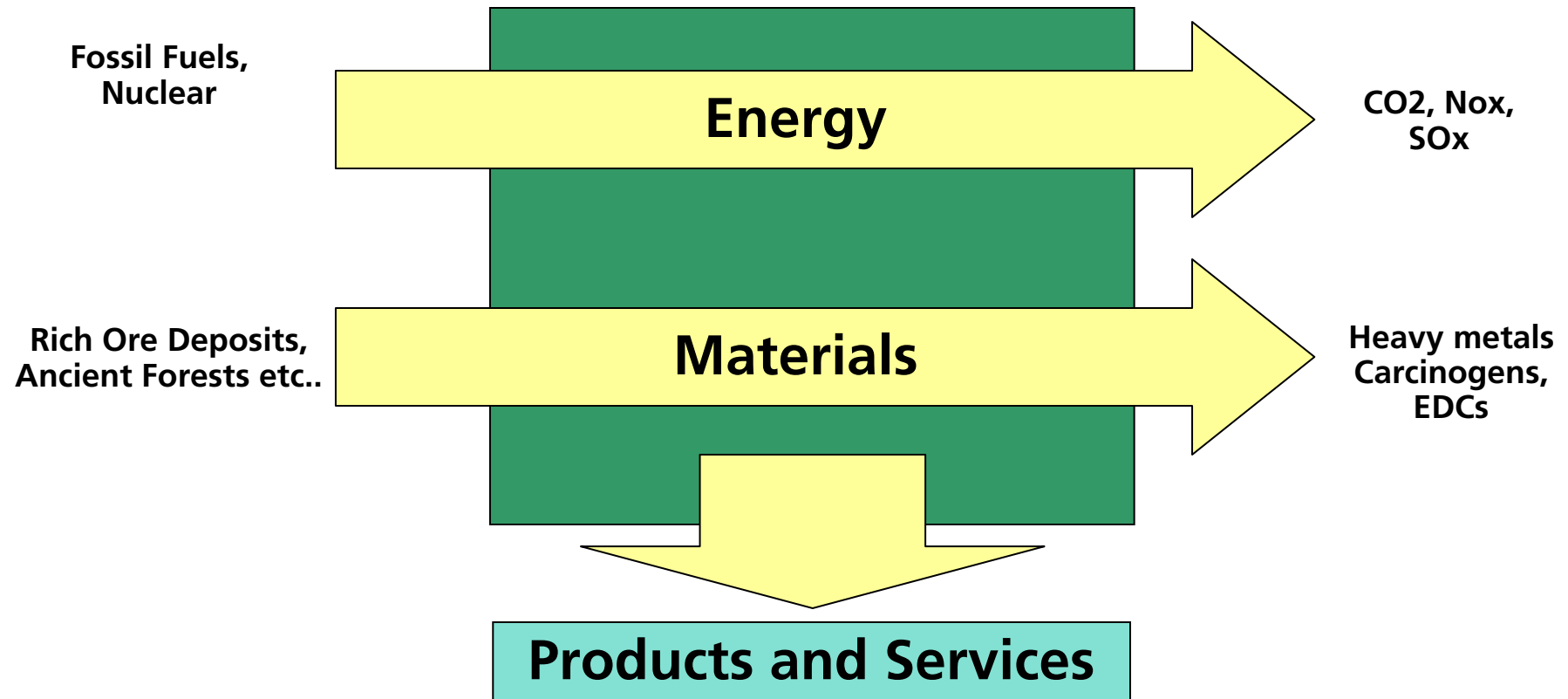
- Fundamental Rationale
- SRI product choice and strategies
- Performance
- Legislation and Pressures for higher corporate governance standards
- Investor Demand



Five World Economy

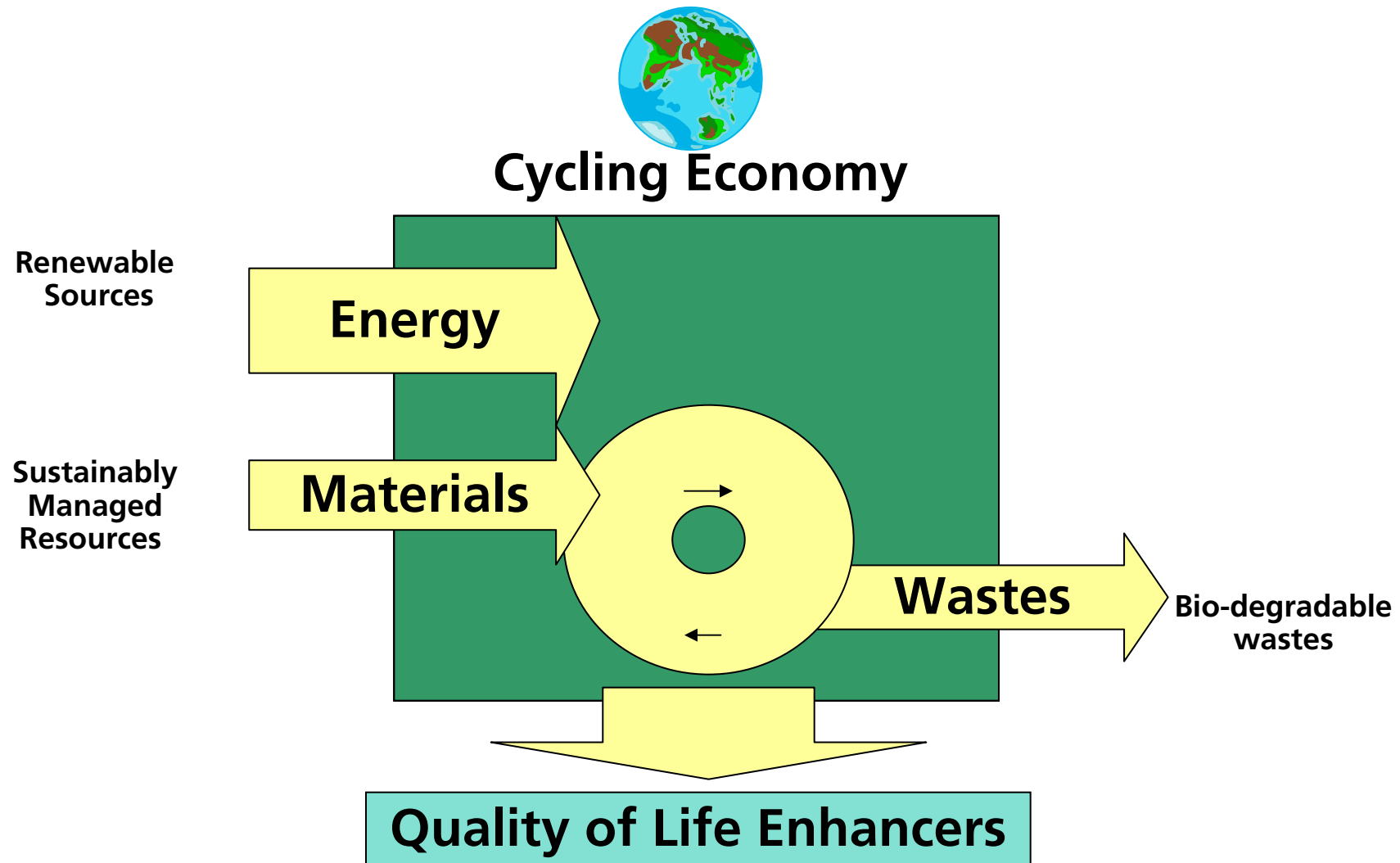


Linear Economy





One World Economy



➤ Politicians promoting agenda....UK legislation sets new precedent

Slide thanks to Morley FM

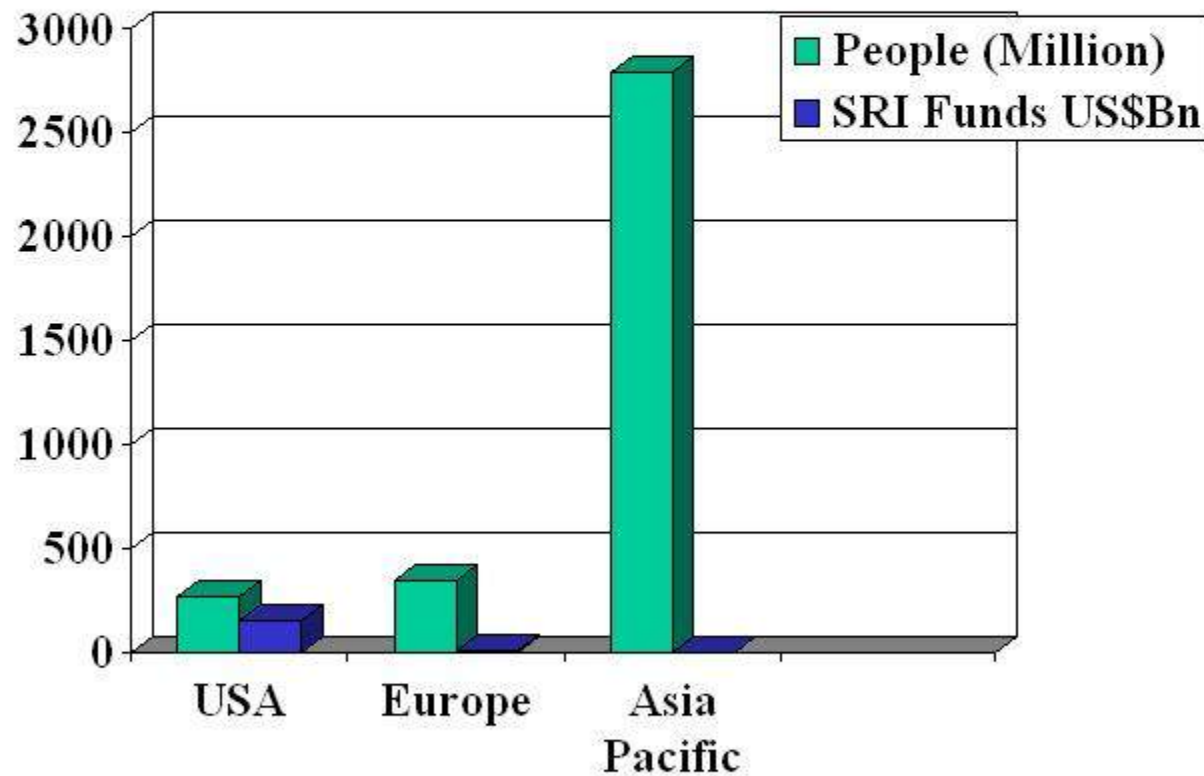


SRI Funds Globally

- 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



SRI in Perspective





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”



SRI Research Criteria

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



SRI Research Criteria

SRI and Forestry

Consumer Goods	Sustainable Sourcing	✓
	Recycling	✓
Pulp and Paper	Old Growth harvesting	X
	Sustainable management	✓
	Clean production	✓
Water Companies	Catchment Management	✓
Energy Consumers	Carbon Sinks	?

CARBON DISCLOSURE PROJECT

- **35 institutional investors representing assets in excess of \$4.5 trillion (specifically pension funds, fund managers, insurance companies),**
 - **letter on 31st May 2002, to the Chair of the Board of the 500 largest companies in the world as measured by market capitalization**
 - **asking them to identify the business implications of their exposure to climate-related risks, and what they are doing to address/embrace these risks.**
 - **deadline for responses by end of November 2002**
 - **analysis to be undertaken by Innovest, US and published February 2003**
- www.cdproject.net**

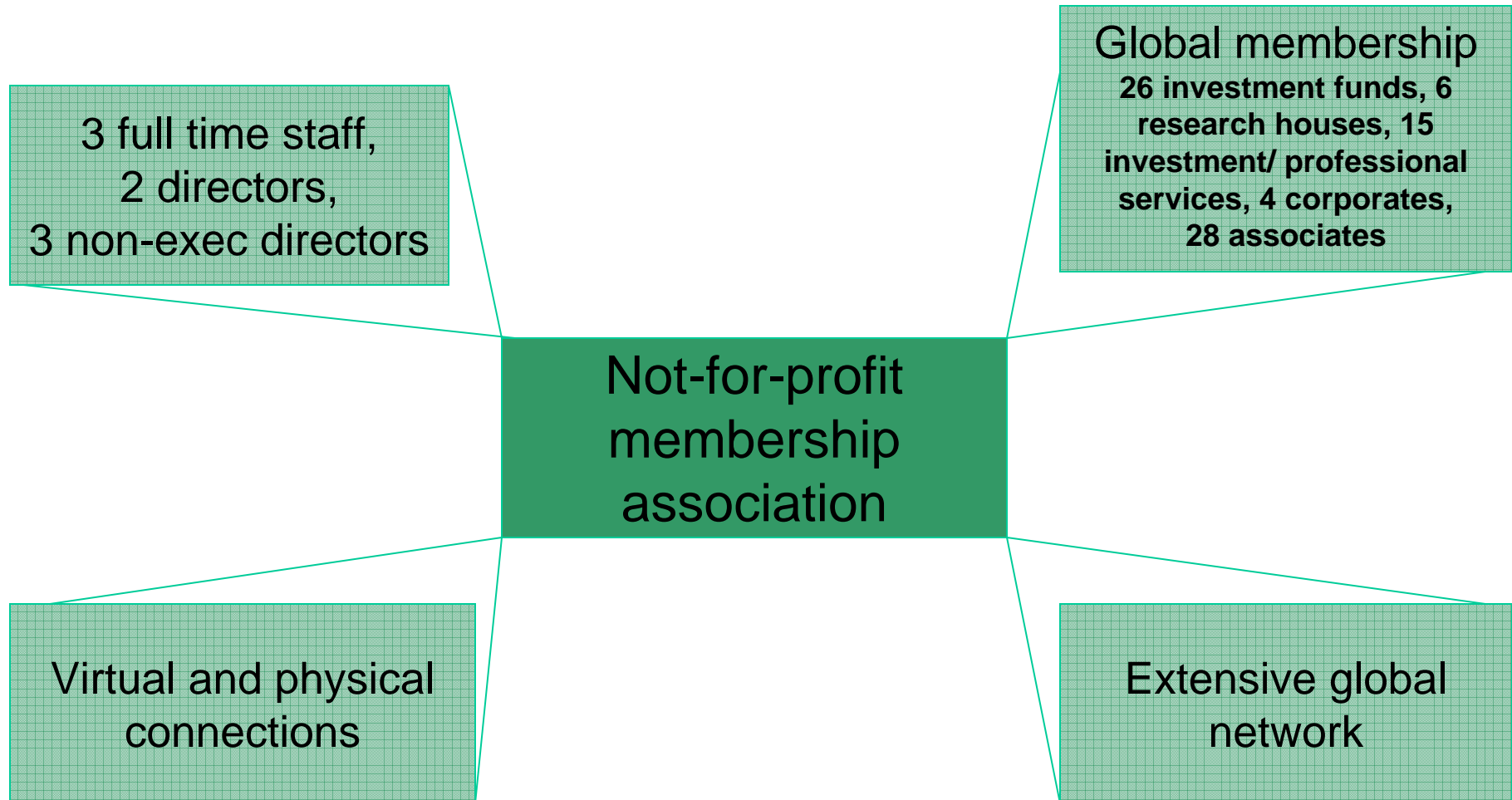


Application of portfolio management to biodiversity

- Although the loss of biodiversity is considered a key environmental problem it is managed based on theories and methods that have been considered outdated in the financial markets for more than 50 years.
- “The one-sided interest in the yield of crop plants has led to mis-balanced crop plant portfolios. Professional investment advisers would never advise their clients to invest in a stock portfolio that is as mis-balanced.”
- The report sketches out the basics of a portfolio theory of biodiversity and demonstrates the consequences of a portfolio view on biodiversity. It introduces 9 rules that are considered self-evident in the management of securities today.
- Dr. Frank Figge Center for Sustainability Management (CSM) e.V. with Gerling Sustainable Development Project Tel: +49-4131-78-2185 Fax: +49-4131-78-2186 E-Mail: Figge@sustainablevalue.com www.bio-folio.com



ASrIA Organisation





ASrIA Goals

Mission: To develop awareness of SRI in Asia and ultimately to increase investor choice of SRI products

Specific Objectives:

- Generate understanding of SRI
- Increase information and market intelligence
- Lead continuous learning effort
- Open up opportunities for ASrIA members
- Break down barriers to SRI practice



Website

- Japanese and Chinese language
- Asian SRI Research Coverage
- Asian SRI Fund Data
- Events calendar
- ASRIA events page
- Jobs exchange
- Quick polls
- Discussion forum
- Conference website



**4,200 ebulletin
subscribers**

A green starburst graphic with multiple points, containing the text '4,200 ebulletin subscribers' in bold black font.

600+ hits per day

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ASrIA Profile, 2002

- 32 formal presentations at conferences/ group events
 - Asia: SRI
 - Global SRI: Asia
- Multiple 1x1 meetings with
 - Finance/Business groups and associations
 - Church/Charitable groups/NGOs
- Extensive Media coverage
 - Asian and Global financial media
 - General Interest






Conferences



SRI in ASIA





**The Business Case for
Sustainable and Responsible Investment in Asia**





THE ASrIA INAUGURAL CONFERENCE

2 NOVEMBER 2001 AT THE HONG KONG CONVENTION & EXHIBITION CENTRE


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SRI in ASIA



**Sustainable and Responsible Investment:
Practice and Vision in Asia**


ASrIA ANNUAL CONFERENCE 2002

28-30 OCTOBER 2002 AT THE UNITED NATIONS UNIVERSITY, TOKYO, JAPAN


IN PARTNERSHIP WITH



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Research – Opportunities & Issues

Now

- **Opportunity for SRI in Greater China**

- Preliminary market analysis of HK SAR, Taiwan, China

Now

- **GM Foods: Will their Fate be Decided in Asia?**

- Response of the agri-food industry in Asia to the continuing GM debate

Oct

- **SRI and Pensions in Asia**

- Exploring the dual SRI and pension dynamic in Asia

Nov

- **Labour Standards in China**

- The dilemmas involved with investing responsibly in China when considering labour standards

Dec

- **Environmental Legislation and Mgmt in China**

- Current legislation and what it means for implementing EMS. Green Olympics case study

Dec

- **SRI for Taiwan**

- Educational piece on SRI for Taiwan market with analysis of market opportunity for SRI in Taiwan



Research Publication Examples



GM Foods will their fate be decided in Asia?

MAY 2002

CAZENOVE

This report was compiled by Victoria MacKenzie for ASRIA,
the Association for Sustainable and Responsible Investment in Asia
with support from Cazenove Asia.



SRI AND PENSIONS IN ASIA

OCTOBER 2002

Association for Sustainable & Responsible Investment in Asia



Are your Clients interested in SRI?

- characteristics of SRI adopters similar the world over, they:
 - Work in caring professions
 - Support NGOs and community groups
 - Belong to religious networks
 - Are often first time investors
 - Attractive to female investors
- SRI attracts a different type of investor to day trader/gambler



Evidence from Singapore and Japan..

- Nikko Asset Management, who launched one of the first Eco-Funds in Japan found their investor base to have a higher proportion of women and many first time investors.
- The UniFem-UOB Fund in Singapore found that 75% were first time investors, 75% were women and 75% were blue collar workers. The latter finding suggests that SRI also appeals to lower income investors.



Asian Environment Outlook 2001

***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 in Asia Today

JAPAN: Nikko-Eco – one of SRI's biggest success stories globally.....9 other SRI choices... proven market among one of the world's largest elderly populations

HONG KONG: ASrIA inaugural conference Nov 2001 ...Kingsway Fund Mgmt, Henderson's Global Sustainability Fund... Friends Ivory & Sime about to launch SRI fund

MALAYSIA:
Some faith-based funds

SINGAPORE: United Global Unifem UOB Fund...ASrIA Seminar April 2002

AUSTRALIA: Developed SRI market... AU\$10 billion under management... several SRI research houses

- Starting to gain momentum, but a long way to go...an opportunity on which to capitalise...



SRI Developments in Asia in 2002

- ASRIA has 75 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



SRI prospects in Asia: Focus One

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

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

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

HONG KONG: Government increasingly focused on the environment and public aware... ..new scope with MPF... big charitable institutions (eg Jockey Club, Kadoorie Foundation)

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



SRI prospects in Asia: Focus Two

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

INDIA: Vast educated population....a major SRI opportunity.... Retail financial services taking off .. but work to be done...

INDONESIA: big need.. fragmented opportunity

THAILAND: High level of interest in SRI but very early days, desire for modernisation with environmental benefits.

PHILIPPINES: High environmental awareness and public participation in reform.. Poorly developed savings culture.

MALAYSIA: Wealthy, educated population...active religious groups... stronger retail investment culture

Growing populations...less developed investment fund industries...need for SRI approach substantial