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

- Energy
  - Fossil Fuels, Nuclear
  - CO2, Nox, SOx

- Materials
  - Rich Ore Deposits, Ancient Forests etc.
  - Heavy metals, Carcinogens, EDCs

- Products and Services

Slide thanks to Morley FM
One World Economy

Cycling Economy

- Renewable Sources
- Sustainably Managed Resources
- Energy
- Materials
- Wastes (Bio-degradable wastes)
- Quality of Life Enhancers

- 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

![Bar chart showing SRI in perspective with USA, Europe, and Asia Pacific regions. The chart includes bars for People (Million) and SRI Funds US$Bn.]
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 and Forestry

<table>
<thead>
<tr>
<th>Category</th>
<th>Criteria</th>
<th>Happy</th>
<th>Sad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>Sustainable Sourcing</td>
<td>✔</td>
<td>-xl</td>
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<tr>
<td></td>
<td>Recycling</td>
<td>✔</td>
<td></td>
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<tr>
<td>Pulp and Paper</td>
<td>Old Growth harvesting</td>
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<tr>
<td></td>
<td>Sustainable management</td>
<td>✔</td>
<td></td>
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<td></td>
<td>Clean production</td>
<td>✔</td>
<td></td>
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<tr>
<td>Water Companies</td>
<td>Catchment Management</td>
<td>✔</td>
<td></td>
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<tr>
<td>Energy Consumers</td>
<td>Carbon Sinks</td>
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<td>?</td>
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• 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
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

Not-for-profit membership association

- 3 full time staff, 2 directors, 3 non-exec directors
- Virtual and physical connections
- Extensive global network
- Global membership: 26 investment funds, 6 research houses, 15 investment/professional services, 4 corporates, 28 associates
ASrlA Goals

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

<table>
<thead>
<tr>
<th>Specific Objectives:</th>
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<tbody>
<tr>
<td>Generate understanding of SRI</td>
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<td>Increase information and market intelligence</td>
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<td>Lead continuous learning effort</td>
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<tr>
<td>Open up opportunities for ASrlA members</td>
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<tr>
<td>Break down barriers to SRI practice</td>
</tr>
</tbody>
</table>
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

600+ hits per day

4,200 ebulletin subscribers
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

SRI in ASIA
Sustainable and Responsible Investment: Practice and Vision in Asia
ASRI ANNUAL CONFERENCE 2002
20-30 OCTOBER 2002 AT THE UNITED NATIONS UNIVERSITY, TOKYO, JAPAN
Research – Opportunities & Issues

- **Opportunity for SRI in Greater China**
  - Preliminary market analysis of HK SAR, Taiwan, China

- **GM Foods: Will their Fate be Decided in Asia?**
  - Response of the agri-food industry in Asia to the continuing GM debate

- **SRI and Pensions in Asia**
  - Exploring the dual SRI and pension dynamic in Asia

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

- **Environmental Legislation and Mgmt in China**
  - Current legislation and what it means for implementing EMS. Green Olympics case study

- **SRI for Taiwan**
  - Educational piece on SRI for Taiwan market with analysis of market opportunity for SRI in Taiwan
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.
The region’s environmental degradation is “pervasive, accelerating and unabated”

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

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.

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

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

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

**INDONESIA**: big need.. fragmented opportunity

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

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