

EMPIRICAL EVIDENCE

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Ethical Investment at imug

Corporate Research

- 50 international „green“ small and medium caps for the German index **NAI**
- 140 German and Austrian large caps (eg DAX 100) for **EIRIS**
- 350 international small and medium caps for church clients of Lupus alpha Asset Management
- Research on social issues for CSR Europe
- Distribution of the „Ethical Portfolio Manager“ EPM in Germany and Austria, clients include INVESCO Germany and consumer organisations

Market Research

- Surveys on SRI issues with German private and institutional investors for the German Ministry of Education and Science
- surveys on clients satisfaction for the German cooperative bank GLS-Bank, which is focusing on SRI products

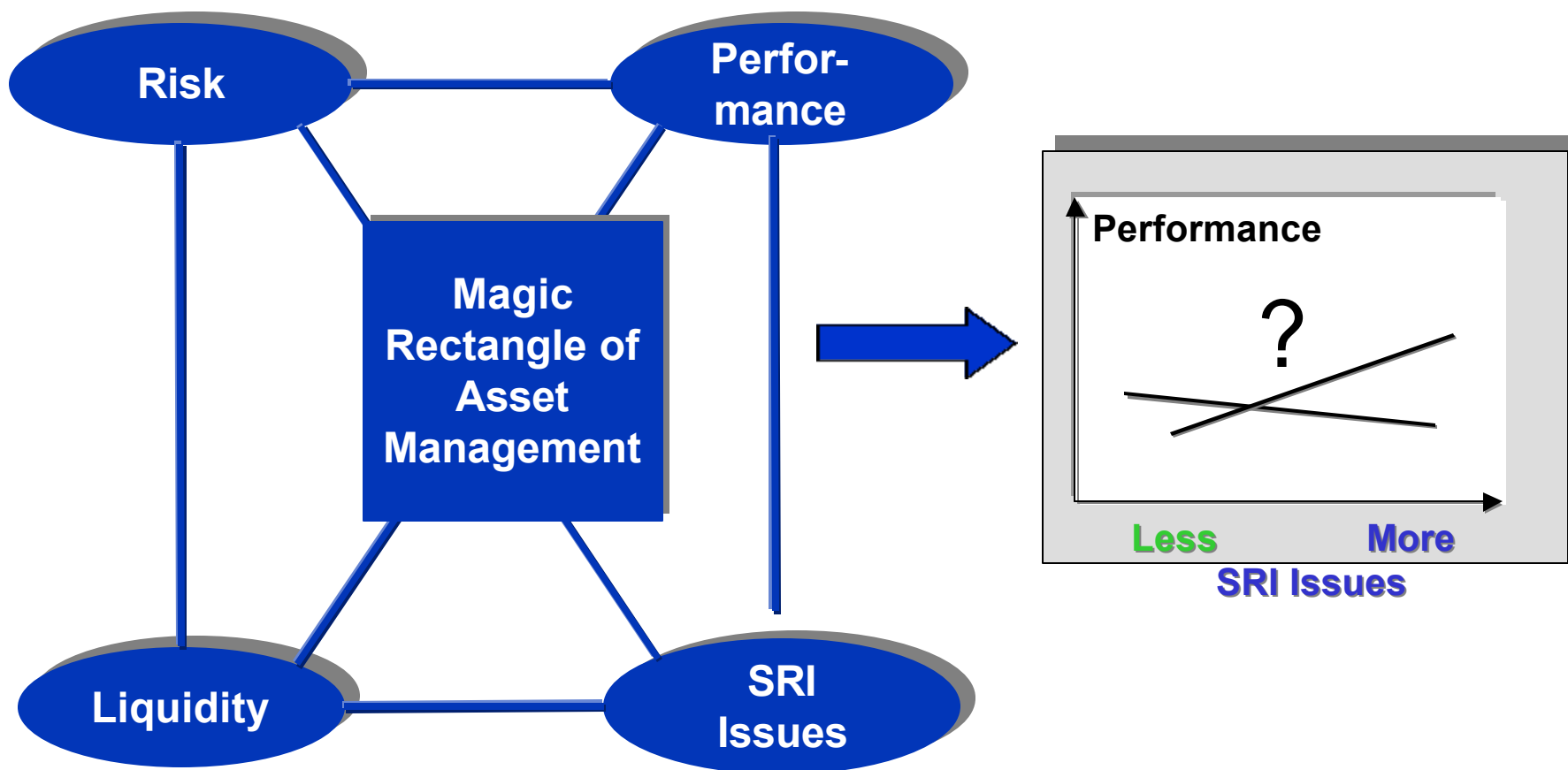


I am going to talk about ...

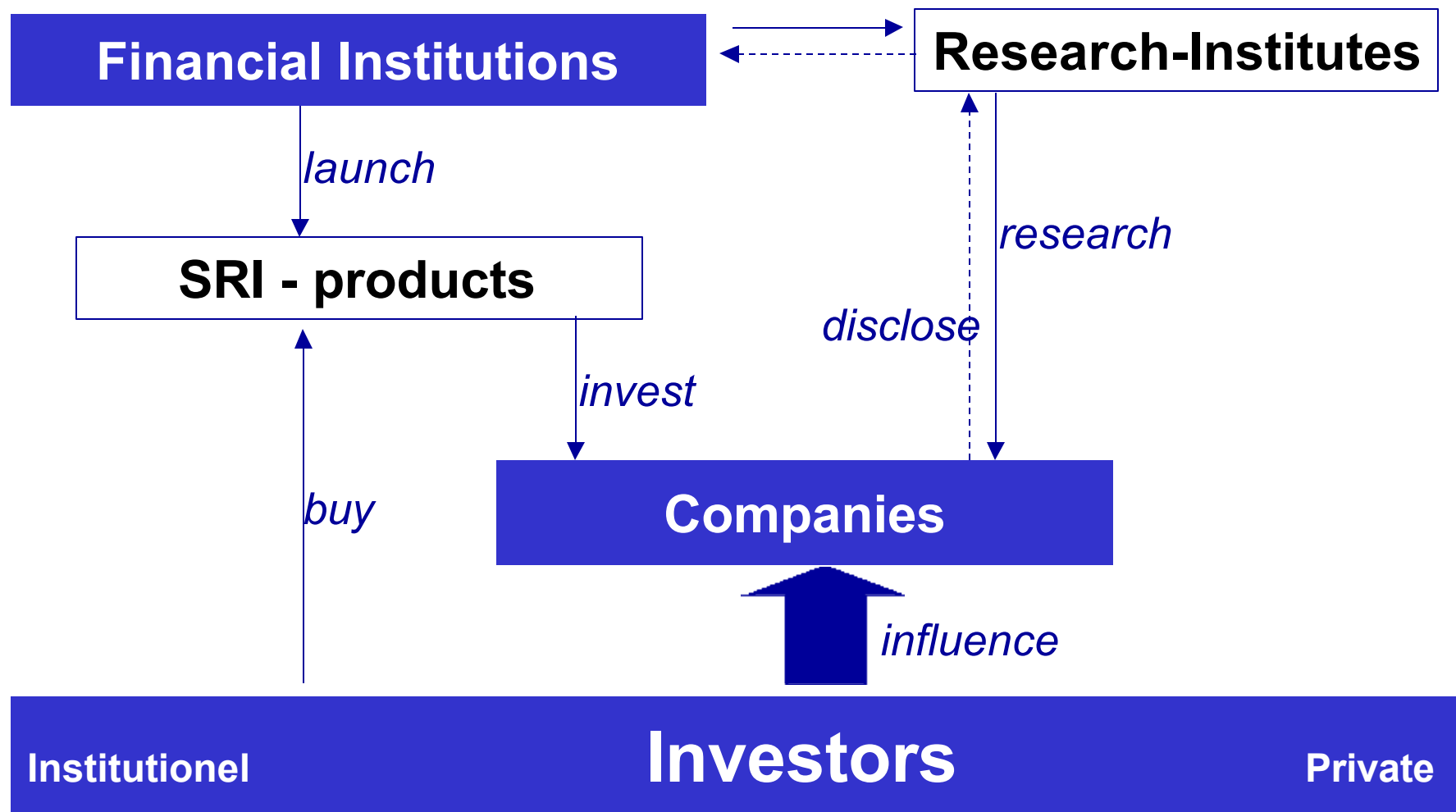
- **Meaning of SRI**
 - **Market situation in Europe**
 - **Recent surveys about private und institutional investors behaviour**
 - **Different screening methodologies**
 - **Trends and perspectives**
-

What does SRI mean ?

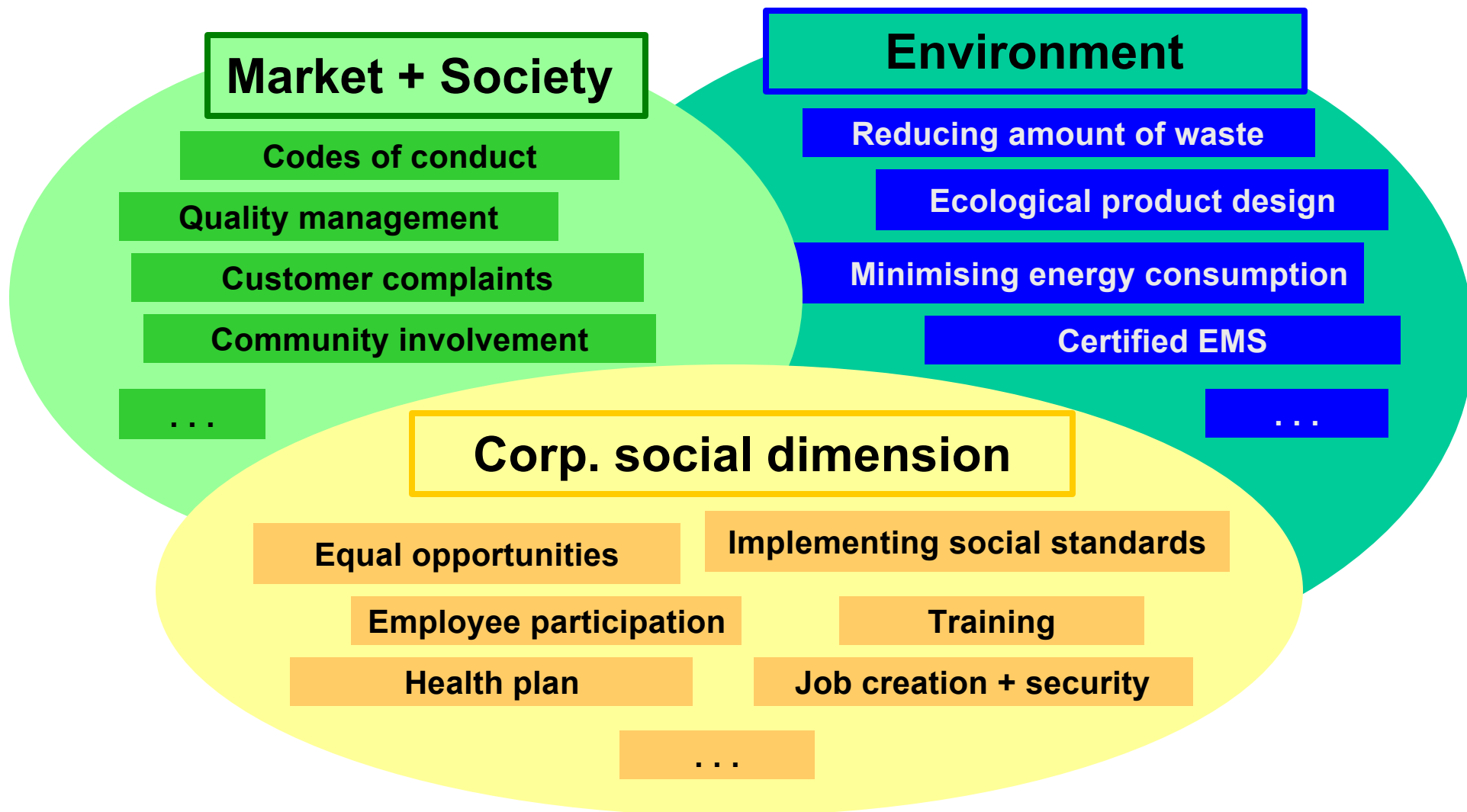
What does it mean for us - Socially Responsible Investment?



SRI products depend on the quality of research on companies and **on the demands of investors**



Dimensions of Corporate Social Responsibility



How is the market situation
in Europe?

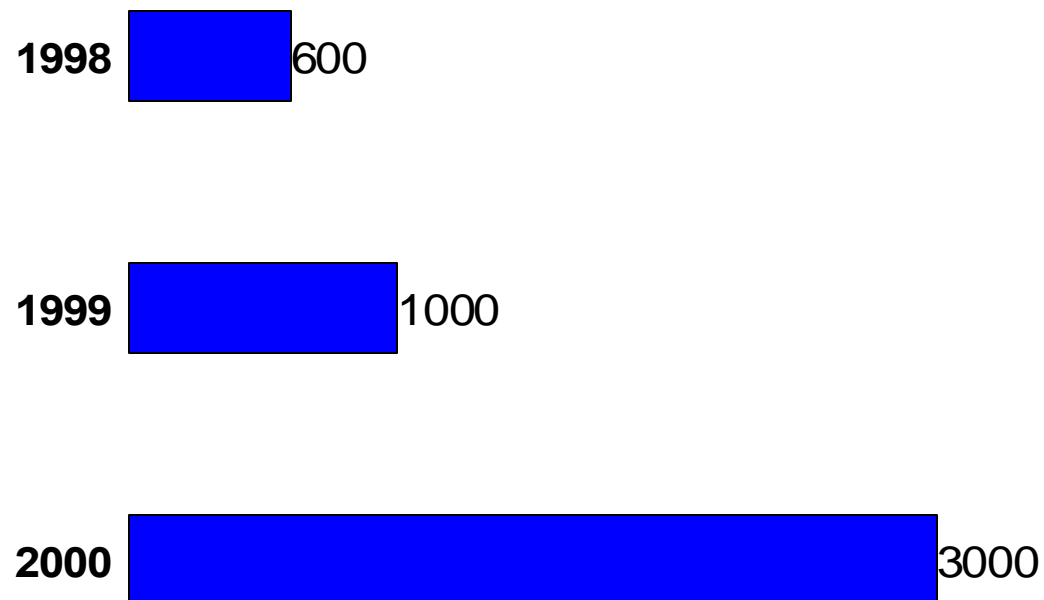
SRI mutual funds in Europe (2000)

U.K.	US\$ 5.4 billion
Switzerland	US\$ 2.1 billion
Sweden	US\$ 1.4 billion
France	US\$ 0.8 billion
Germany	US\$ 1.3 billion

Source:
Cerulli Associates (09/2001)

SRI Funds in Germany

Number of Funds: > 20
Volume of SRI Funds in Mio. DM



What do investors want?

Results of a representative survey
(n=1200) with private households in

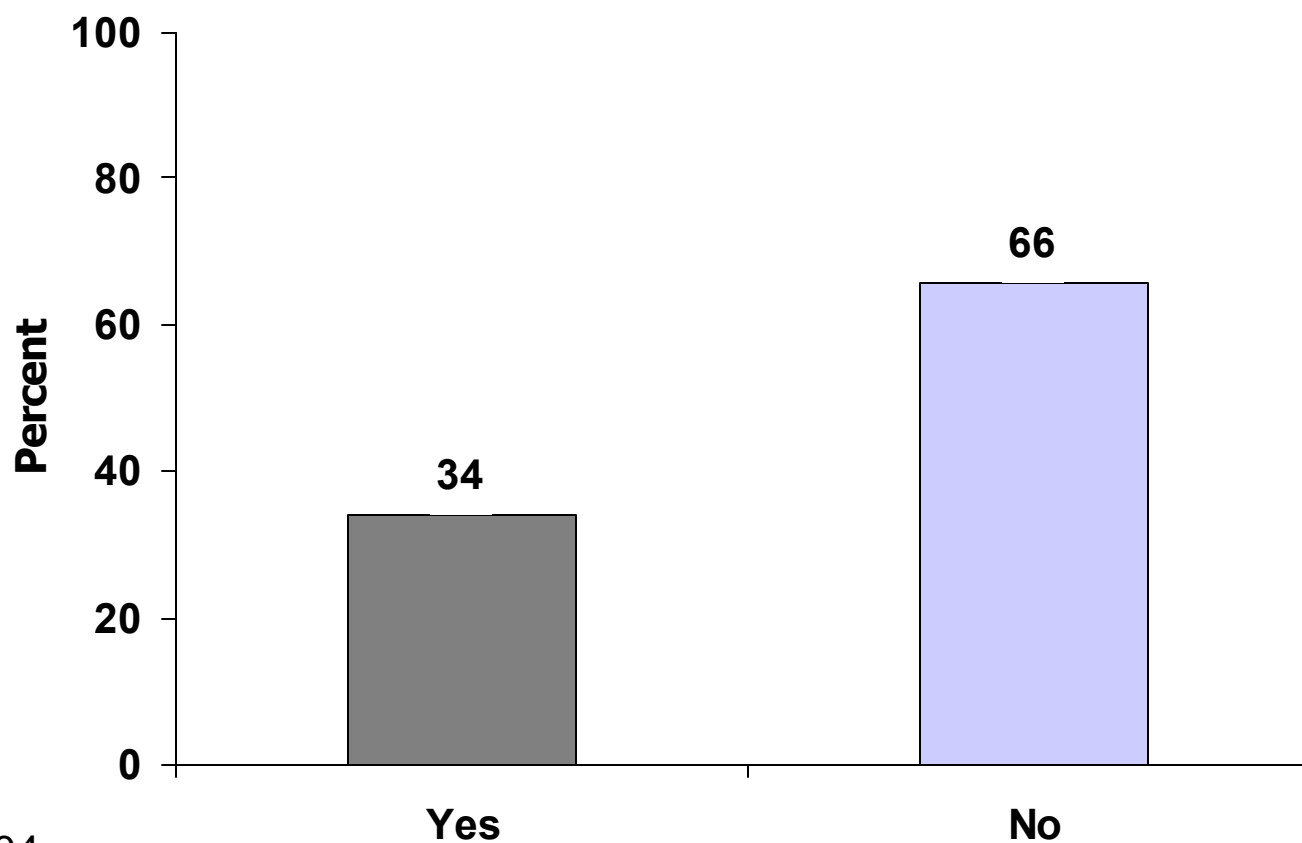
Germany

Representative survey

- Standardized sample of householders
- Methodology: Computer-Assisted-Telephone-Interviewing (CATI); before: letter to 5000 households
- The survey took place from January 2nd - 30th 2001
- 1204 interviews were usable
- Conducted in cooperation with University of Hanover, Department of Marketing, Mrs. Prof. U. Hansen, Dr. Th. Hennig-Thurau, D. Bornemann

Knowledge about SRI in Germany

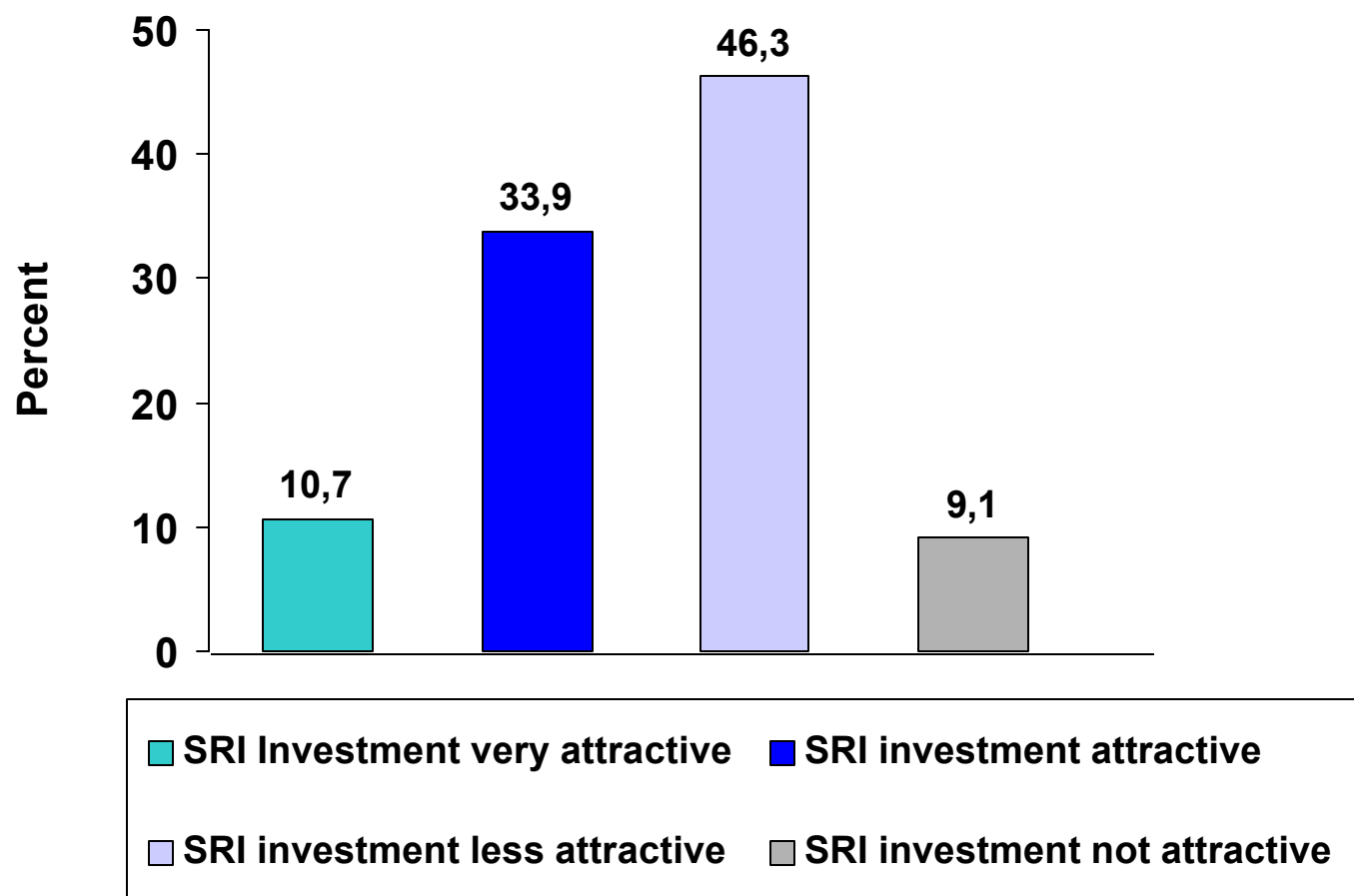
Have you ever heard about ethical investment?



n=1204

Almost half of the German households find SRI investments attractive or very attractive.

How attractive do you think SRI investment products are?

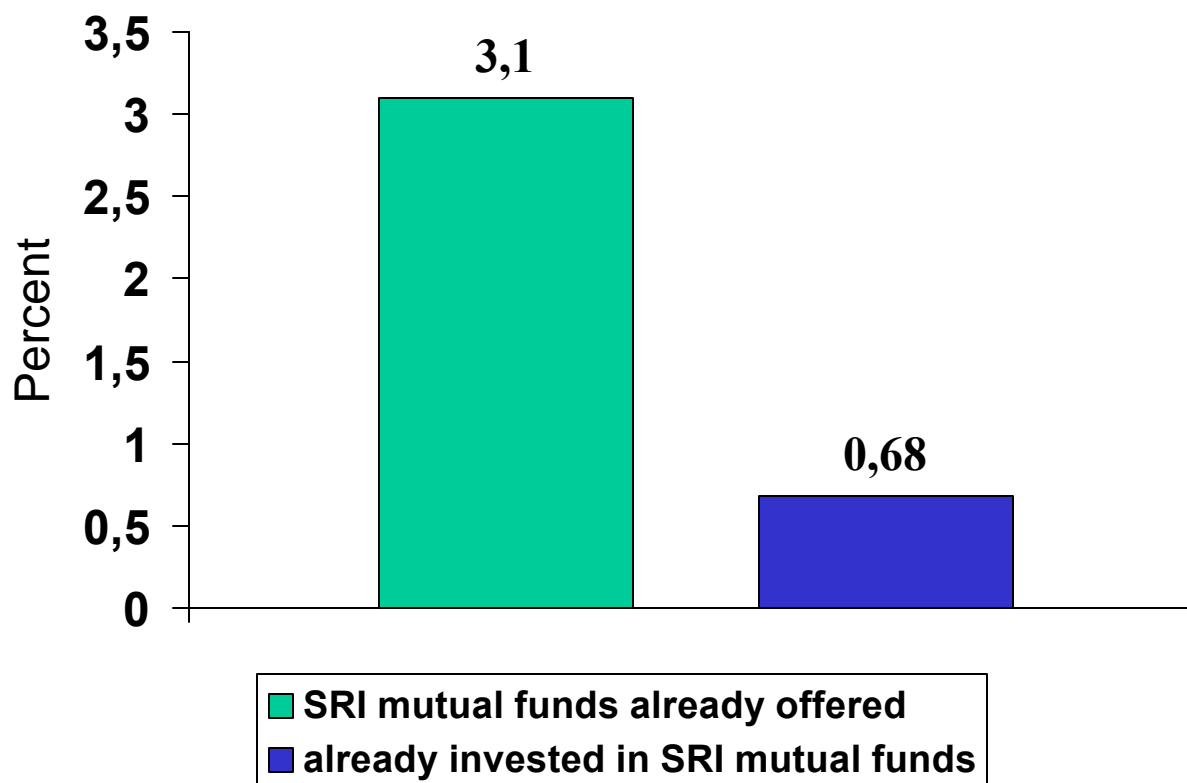


n=1204

SRI is still a niche market !

Has your bank already offered you SRI mutual funds?

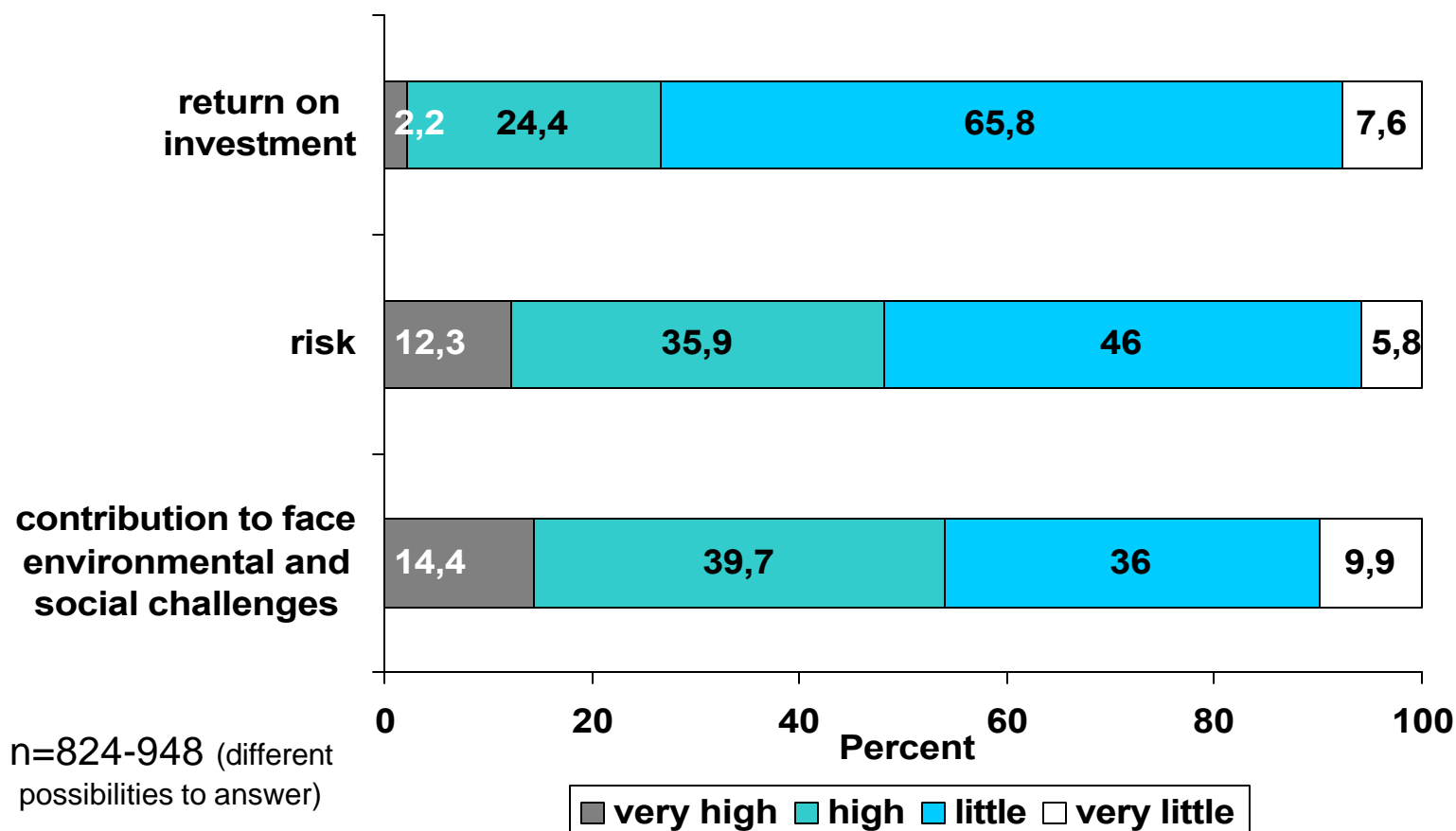
Have you already invested in SRI mutual funds ?



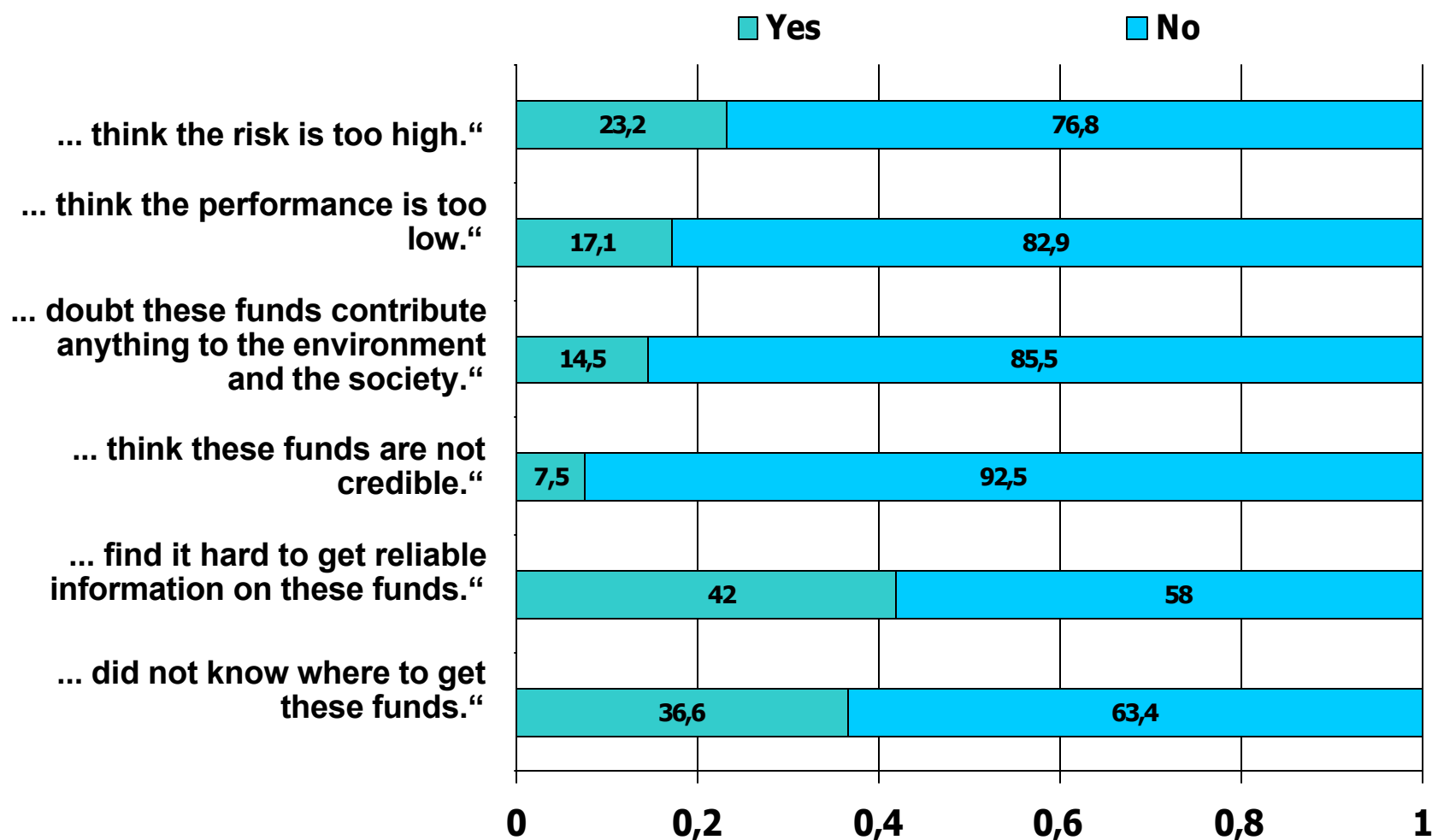
n=230 (Filter:
only people who
have already
heard about
mutual funds)

Evaluation of SRI funds

How do you evaluate SRI mutual funds regarding return on investment, risk and their contribution to face environmental and social challenges ?

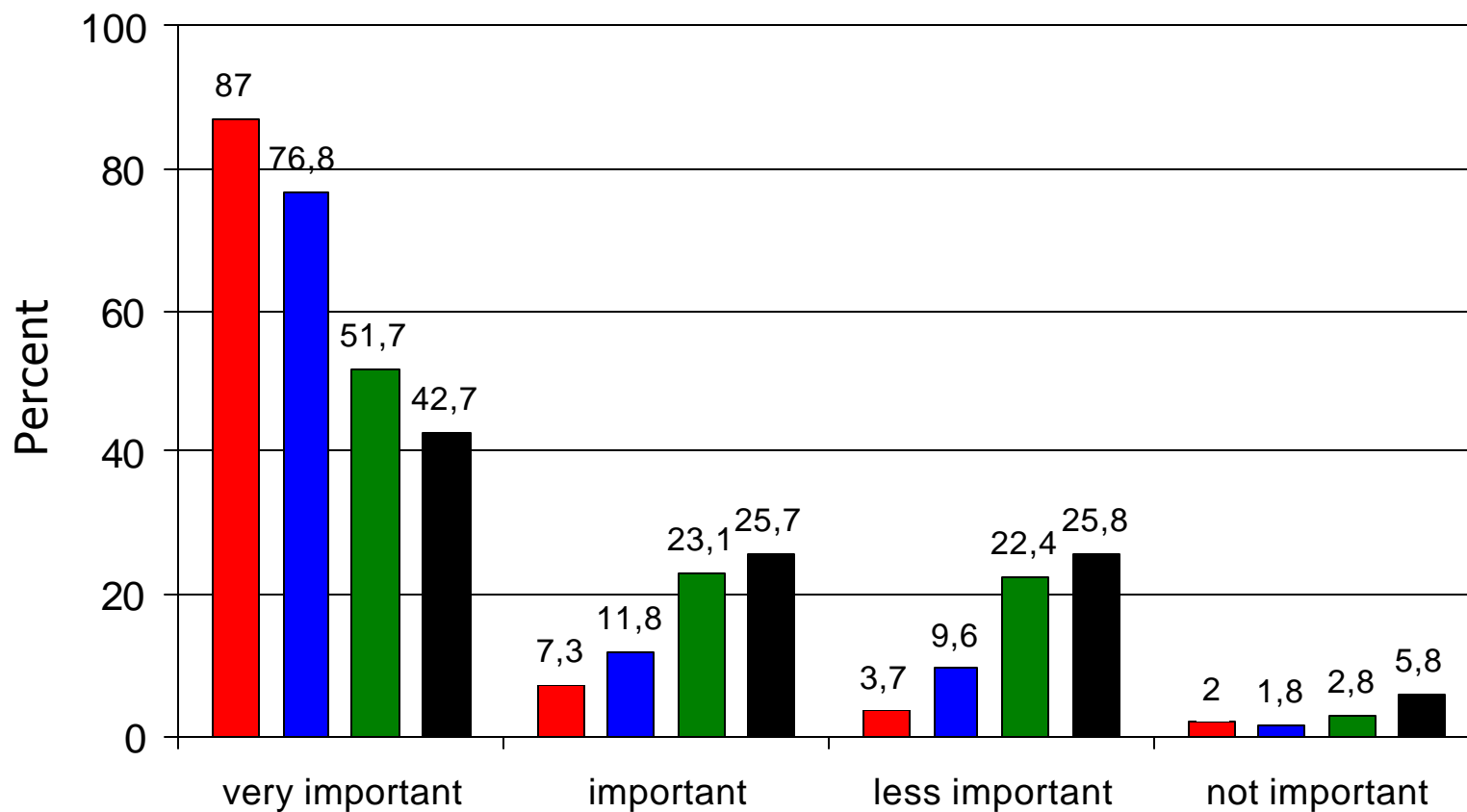


I did not invest in SRI funds, because I...



n=230

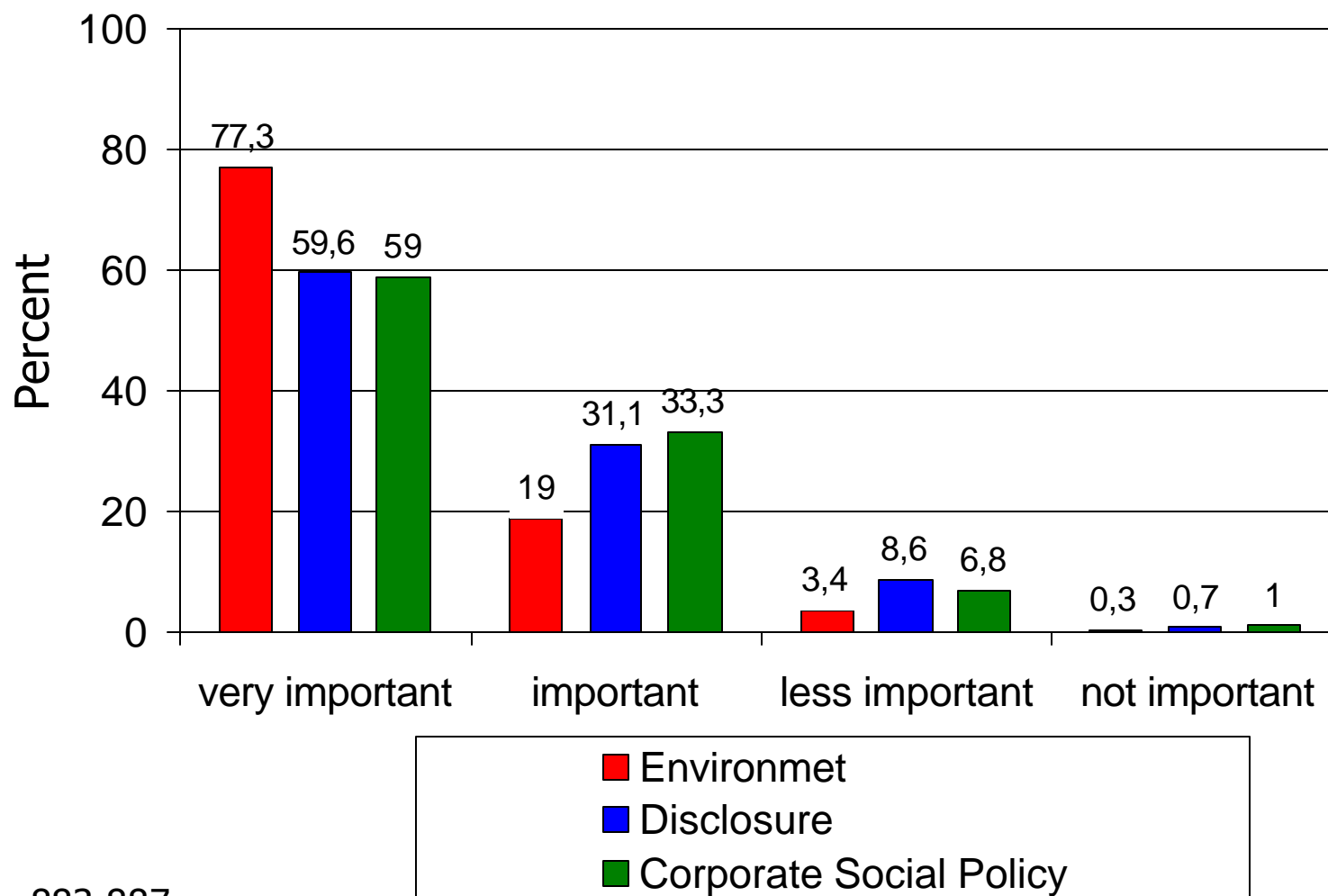
Exclusionary criteria



■ Child Labor
 ■ Military Production
 ■ Animal Testing
 ■ Genetic Engineering

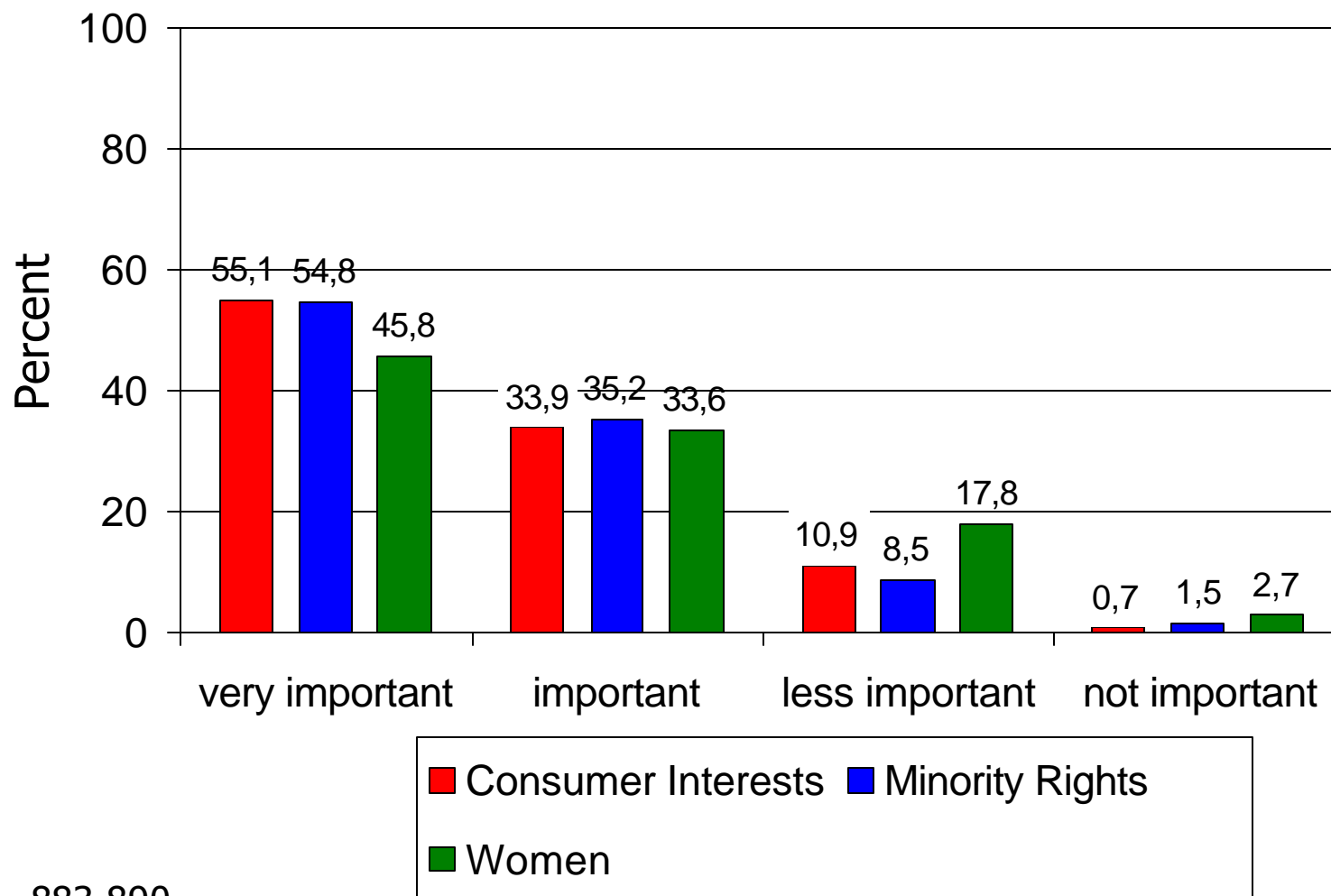
n= 864-891

Positive criteria I

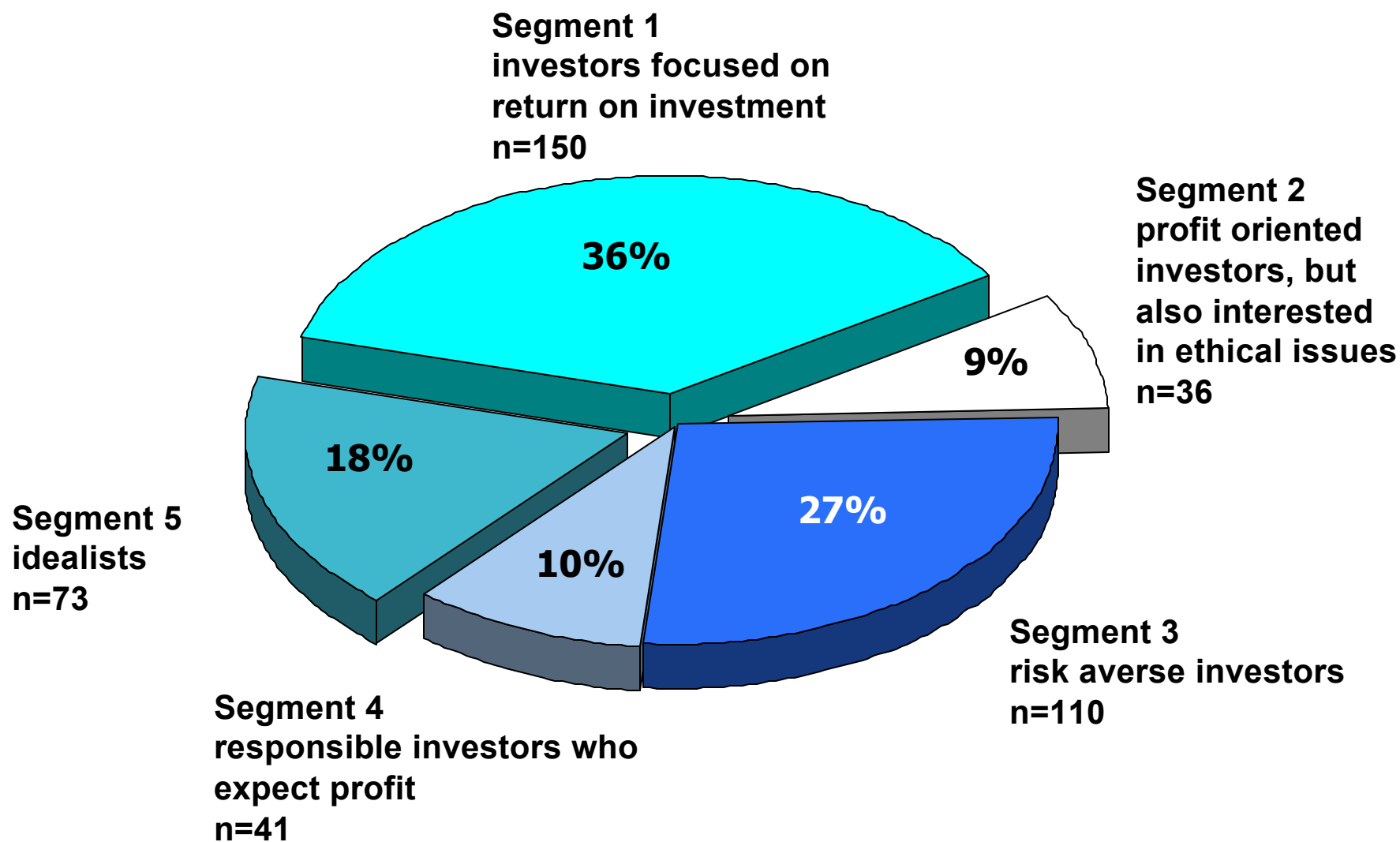


n= 883-887

Positive criteria II



Different types of investors



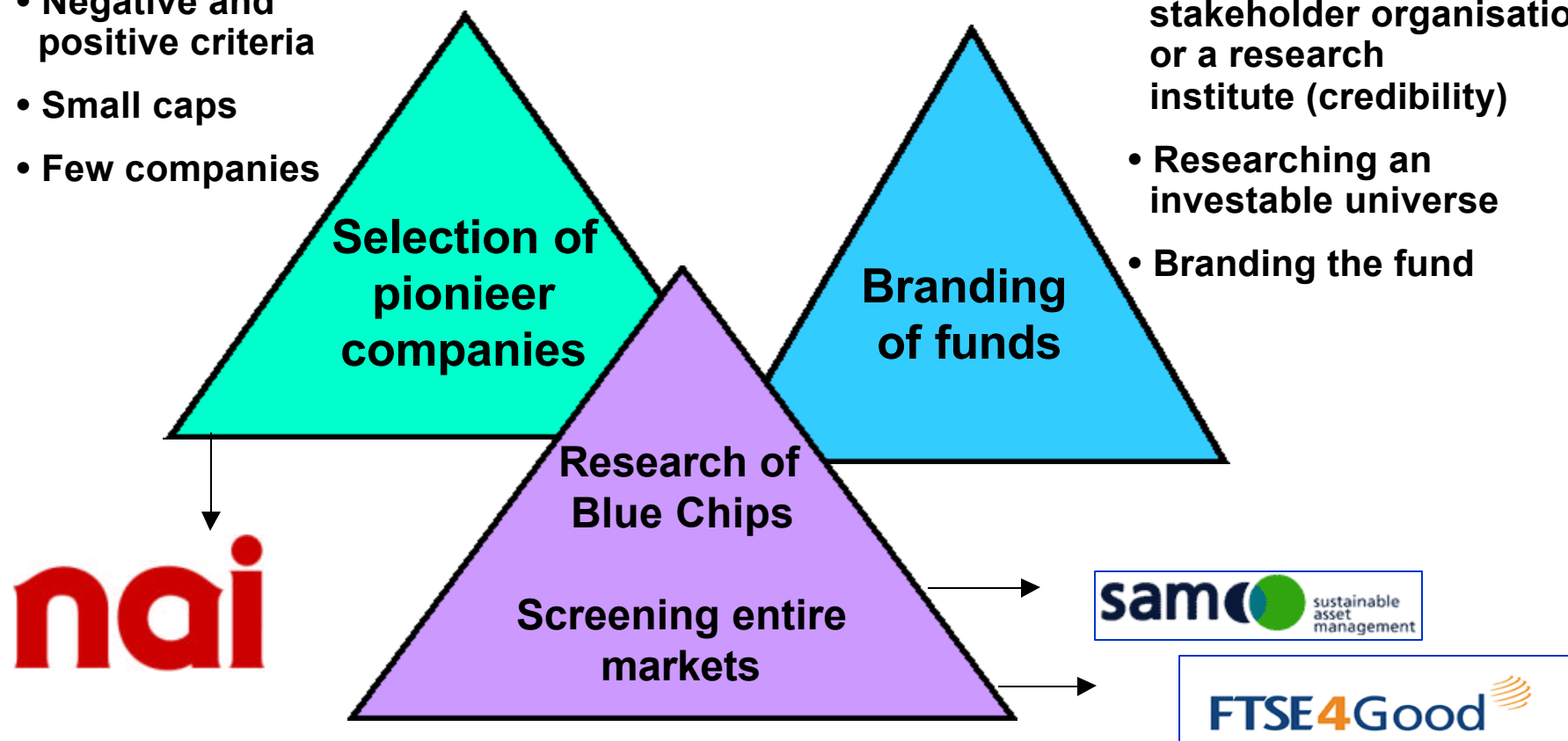
n=410 (Filter: People who could imagine to invest in funds within the next 5 years)

**How do
different
screening
methodologies
work?**

Developing SRI funds by applying negative and positive criteria

- Negative and positive criteria
- Small caps
- Few companies

- Definition of criteria by stakeholder organisation or a research institute (credibility)
- Researching an investable universe
- Branding the fund



- Variety of criteria
- Developing a database / Individual choices of fund managers

four key criteria



- The company is a pioneer in its industry concerning the technical setup and arrangements of the processes of production, distribution and sales.
- The company is a pioneer in its industry concerning the social setup and arrangements of the processes of production, distribution and sales.
- The company sells products or services which make a considerable contribution to the ecologically and socially sustainable solution of humankind's central challenges.
- The company is a pioneer in its industry concerning product design.

Exclusion criteria I



Companies are excluded from NAI if they:

- produce or market nuclear energy
- produce or market arms
- violate human rights
- obstruct trade union activities
- discriminate against women or ethnic/social minorities
- employ child labour or forced labour
- produce items that are particularly harmful to human health or the environment

Exclusion criteria II



Companies are excluded from NAI if they:

- are part of industries that are harmful to the environment
- are active in countries that accepted protest movements have recommended to avoid
- carry out animal testing
- employ genetic engineering
- advertise behaviour that is harmful to one's health or the environment
- refrain from publishing the relevant data on their health- and environment-related performance
- are guilty of repeated or permanent violation of legal regulations

What does imug do for the NAI?




Imug....

- continuously investigates companies with the NAI title and potential new candidates regarding the implementation of and compliance with the criteria
- issues company profiles and reports to the *NAI advisory Board*
 - ▶ The *NAI advisory Board* discusses the companies with the NAI title and determines
which companies remain in or are newly adopted into the Index.
 - ▶ The *NAI advisory Board* consists of: Südwind-Institut, Germanwatch e.V., Öko-Invest-Verlag, Natur&Kosmos, Wuppertal-Institut, Deutsche Investitions- und Entwicklungsgesellschaft
- permanently develops the criteria

What does an NAI-Profile look like?



▶ Company profile (short version) Öko-Invest:



Öko Invest-Serie:
NAX-Profil
3/ August 2000

The Body Shop

Bereits seit Auflage des Natur-Aktien-Index im Jahre 1997 ist The Body Shop in dem Index vertreten. Der NAX umfasst 20 nach strengen sozial-ökologischen Kriterien ausgewählte Aktien.

Die englische Kosmetikkette The Body Shop, 1976 von Anita Roddick gegründet, ist das vielleicht weltweit bekannteste „Öko-Unternehmen“. Neben einer ökologischen Produktphilosophie (Inhaltsstoffe, Verpackung) sind auch ethische Geschäftsprinzipien wie „Fair Trade“ und soziale Gerechtigkeit fest in den Unternehmensgrundsätzen verankert. Der Body Shop gilt als innovatives, stark wertorientiertes Unternehmen, das seine Geschäftstätigkeit ausdrücklich dem Ziel verschreibt, soziale und ökologische Veränderungen zu bewirken und zudem ein „nachhaltiges Unternehmen“ zu werden. Der vom Body Shop genutzte Ansatz des „Ethischen Audits“ soll durch die Integration von sozialen, ökologischen und Tierschutz-Aspekten in die Unternehmensabläufe zur Nachhaltigkeit des Unternehmens beitragen. Dabei spielt die Einbeziehung und der Dialog mit den verschiedenen Anspruchsgruppen eine bedeutende Rolle.

Das enorme Wachstum des Body Shop im ersten Jahrzehnt nach seiner Gründung hat auch den Wettbewerb auf die Vorteile einer ökologischen Produktpolitik aufmerksam gemacht. Seit einigen Jahren setzen Hersteller zunehmend auf „Natürlichkeit“, um sich auf dem – wenn auch auf hohem Niveau – stagnierenden Markt durchsetzen zu können. Dennoch schneidet die Gesamtbranche unter ökologischen und gesundheitlichen Aspekten schlecht ab: trotz positiver Veränderungen kritisieren Konsumenten noch immer den hohen Anteil chemischer Zusätze, aufwendige Verpackungen sowie die unnötige Durchführung von Tierversuchen.

► Telegramm

- + The Body Shop International plc.
- + Branche: Kosmetik/ Körperpflege mittel
- + Watersmead, Littlehampton, GB-West Sussex, BN 17 6LS
- + www.the-body-shop.com
- + Mitarbeiter 1999: 5.002
- + Umsatz 1999: 303,7 Mio. GBP (Vorjahr: 293,1)
- + Gewinn 1999: -7,0 Mio. GBP (Vorjahr: +12,2)
- + Aktie: WKN 870 803

werden umfassend ermittelt und im Geschäftsbericht sowie in speziellen Umweltberichten veröffentlicht. Weiterhin sind Ansätze zu einer ökologischen Kostenrechnung in der Erprobung. Die Lieferanten des Body Shop werden nach ökologischen Kriterien bewertet und müssen mindestens die Standards des Body Shop erfüllen; gleiches gilt auch für die Franchisenehmer. Der vom Body Shop in Großbritannien benötigte Strom wird größtenteils durch Wind- und Sonnenkraft selbst erzeugt. Produkte des Unternehmens werden ohne Durchführung von Tierversuchen hergestellt und in nachfüllbaren Gefäßen angeboten; der Vertrieb der Produkte erfolgt vornehmlich durch Schiffe. Ziel ist es, den Anteil der Luftfracht unter 2,5% des Gesamtexports zu halten. Der Body Shop stellt seinen Angestellten ein Car-Sharing-System, eigene Minibus-Linien und günstige Konditionen beim Fahrradkauf zur Verfügung.


► Soziales

Der Body Shop beschäftigt derzeit insgesamt rund 5.000 Mitarbeiter. Im Unternehmen wird großer Wert auf Informationsfluss und Berücksichtigung der Arbeitnehmerinteressen gelegt; das vom Body Shop durchgeführte „Ethische Audit“ beinhaltet eine umfassende Befragung der Mitarbeiter, die Veröffentlichung der Umfrageergebnisse sowie die Ableitung von Zielen und Verbesserungen. Leitlinien zu Sicherheit und Gesundheit am Arbeitsplatz sowie eine Maxime zu Weiterbildungsmöglichkeiten sind schriftlich festgelegt; die Einhaltung wird durch interne Audits regelmäßig überprüft. Gleiches gilt für die Frauenförderung sowie die Förderung sozialer und ethischer Minderheiten. Als Mitglied der ETI (Ethical Trading Initiative) achtet The Body Shop auf Einhaltung der Mindeststandards für Arbeitsbedingungen über die gesamte Versorgungskette hinweg. Weiterhin werden Kampagnen für politisch Verfolgte, ebenso wie verschiedene entwicklungspolitische Projekte („Hilfe durch Hände“), durchgeführt oder unterstützt.

► Sonstiges

Verstöße des Body Shop gegen die NAX-Ausschlusskriterien sind nicht erkennbar. Das Unternehmen engagiert sich intensiv gegen Tierversuche; die Verwendung von gentechnisch veränderten Substanzen wird abgelehnt. ■

▶ Company Profile (1st page of long version) NAI-Board:



ERGEBNIS
September 2000

AstroPower

Unternehmensdaten	
■ Firma	AstroPower Inc.
■ Branche	Solarenergie
■ Anschrift	Solar Park, Newark, DE 19716-2000, USA
■ Telefon	001/ 302/ 366-0400
■ Fax	001/ 302/ 368-6474
■ Homepage	www.astropower.com
■ Geschäftsjahr	01.01. bis 31.12.
■ Umsatz 1999	34,64 Mio. US \$ (Vorjahr: 16,6 Mio. US \$)
■ Gewinn 1999	3,59 nach Steuern: (1998: 2,4 Mio. US \$)
■ Umsatzverteilung 1998 (nach Geschäftsbereichen)	<ul style="list-style-type: none"> ▪ Verkauf von Produkten: 20,2 Mio. US \$ ▪ Forschungsaufträge: 3,0 Mio. US \$
■ Hauptsatzträger 1999	Photovoltaikzellen und Module
■ Mitarbeiter 1999	ca. 330
■ Muttergesellschaft	—
■ Tochtergesellschaften	GPU Solar (50%)
■ Top-Marken	AP-Solarmodule

Ethical PORTFOLIO MANAGER

- Reports on 1500 companies from Europe and the UK (USA, Canada, Japan, Australia, Singapore, ...in 2001)
- Analysis on more than 40 research areas
- Individual possibilities of portfolio composition



Ethical Portfolio Manager (EPM)



Three steps of developing an ethical portfolio

1. Choose an analytical framework: avoid Co's; select Cos' according to weighted positive & negative indicators; develop your own ethical policy
2. Review the social and environmental performance of company universes (FTSE Indices) or client portfolio
3. Analyse the results against other benchmarks - rank by sector for best in class or acceptable/unacceptable

Working with EPM

First step - Development of a policy

The screenshot displays the 'Ethical Portfolio Manager (EPM)' software interface. The title bar reads 'Ethical Portfolio Manager (EPM client - Licensed Version) - [Area details for Animal testing]'. The menu bar includes 'File', 'Portfolio', 'View', 'Tools', 'Window', and 'Help'. The interface is divided into several sections:

- Policy Area List (Left):** A tree view under 'Example Policy' showing a 'Framework: Scoring all Comp' and a list of 'Policy Areas'. The 'Animal testing' area is selected and highlighted in blue. Other areas include Advertising complaints, Alcohol, Clinics - abolition, Community involvement, Corporate governance, Directors' pay, Disclosure, Electricity suppliers, Environmental management, Environmental policy, Environmental reporting, Equal opportunities, Financial institutions, Fur, Gambling, Genetic engineering, Greenhouse gases, Health & safety, Human rights, Intensive farming and m..., Military production and s..., Mining and quarrying, Nuclear power, Ozone depleting chemi..., Pesticides, Political donations, Pollution convictions, Pornography and adult..., Positive products and..., PVC and phthalates, and Roads.
- Area Details (Right):** A text area for 'Animal testing' with the following content:

Area Name: Animal testing

Area Description:

Why is this an issue?

Many people who would not necessarily regard themselves as „ethical“ consumers draw the line at buying products such as make up, shampoo and perfumes that have been tested on animals. The proliferation of such products that carry the „not tested on animals“ or „against animal testing“ tags is testimony to the level of consumer feeling on this issue.

The testing of cosmetic finished products and ingredients on animals is no longer allowed in the UK. But the testing of new cosmetic ingredients on animals will carry on abroad, as regulations may specify animal tests for safety purposes. Therefore cosmetics testing is still an issue. Of the 2.64 million animal tests in the UK in 1997, the majority were carried out for medical research and pharmaceutical purposes. Some concerned consumers and investors therefore look more widely at animal testing, believing it to be equally unacceptable in the production of other chemical products, such as food flavourings or household cleaners; others take a harder line, excluding pharmaceutical production involving animal testing as well.

A further issue is the definition of what constitutes 'not tested on animals'. One approach has been the five year rolling rule whereby products and ingredients must not have been tested on animals within the last five years. Another approach is that a policy not to test on animals should be based on a fixed cut-off date, which entails a commitment not to test in the future. Groups campaigning against animal testing in the cosmetics industry now clearly favour the fixed cut-off date policy, which includes a requirement that ingredients suppliers must also adhere to the manufacturer's policy.

Methods

We keep details of involvement in relevant products up-to-date from a variety of sources. These include company Annual Reports and the responses from companies to our annual factsheet mailing. We also use the publications of the British Union for the Abolition of Vivisection (BUAV); the Fund for the Replacement of Animals in Medical Experiments (FRAME); and the Royal Society for the Prevention of Cruelty to Animals (RSPCA).

Where these sources indicate that a part of a company is involved in an activity where animal testing could occur we add the details to our database. In most cases we do not know whether products or ingredients are tested on animals. In such cases we ask the company for further details. Companies are then added to the database if they do not respond to our questions within a reasonable time period.

The interface also features a 'Print' button and a 'Close' button at the bottom right. The Windows taskbar at the bottom shows the 'Start' button, an 'Ethical...' taskbar icon, and the system clock showing '16:04'.

Working with EPM

Second step - Identifying the companies

Ethical Portfolio Manager (EPM client - Licensed Version) - [Analysis Table for Example Policy Portfolio (HEAD/WHITE)]

File Portfolio View Tools Window Help

Policy

- Example Policy
 - Policies
 - Portfolios
 - Example Policy Portfolio
- Military: Animal Testing
 - Policies
 - Portfolios
 - Military: Animal Testing

Analyse

Company

Company Name	Portfolio	Sector	Country	User Decision	1st Result	1st Score	Market
ABB	✓	Software & Computer Services	UK			0	
ABB	✓	Electronic & Electrical Equipment	Switzerland			0	36.0
ABN-Amro Holding	✓	Banks	Netherlands			0	36.1
ACEA	✓	Electricity	Italy			0	
AEA Technology	✓	Support Services	UK			0	3
AIT Group	✓	Software & Computer Services	UK			0	2
AMB Aachener und Muenchener Bet	✓	Insurance	Germany			0	3.5
AMEC	✓	Construction & Building Materials	UK			0	4
AMVESCAP	✓	Specialty & Other Finance	UK			0	7.1
API Group	✓	Packaging	UK			0	1
ARM Holdings	✓	Information Technology Hardware	UK			0	6.9
ASM Lithography Holding	✓	Information Technology Hardware	Netherlands			0	19.0
AXA Colonia Konzern	✓	Insurance	Germany			0	2.5
Abacus Polar	✓	Distributors	UK			0	1
Abbey National	✓	Banks	UK			0	11.2
Abbot Group	✓	Oil & Gas	UK			0	1
Aberdeen Asset Management	✓	Specialty & Other Finance	UK			0	8
Acal	✓	Distributors	UK			0	1
Access Plus	✓	Media & Photography	UK			0	
Grupo Acciona	✓	Construction & Building Materials	Spain			0	2.5
Accor	✓	Leisure, Entertainment & Hotels	France			0	7.6
Acronix	✓	Steel & Other Metals	Spain			0	1.6
Adare Printing Group	✓	Support Services	Ireland			0	
Adesso	✓	Support Services	Switzerland			0	15.0
Adidas-Salomon	✓	Household Goods & Textiles	Germany			0	2.5
Advanced Medical Solutions Group	✓	Health	UK			0	
Advanced Power Components	✓	Electronic & Electrical Equipment	UK			0	
Aegek	✓	Construction & Building Materials	Greece			0	3
Aegle Group	✓	Media & Photography	UK			0	2.1
Aegon	✓	Life Assurance	Netherlands			0	47.7
Affinity Internet Holdings	✓	Software & Computer Services	UK			0	
Agfa-Gevaert	✓	Media & Photography	Belgium			0	1.6
Aggregate Industries	✓	Construction & Building Materials	UK			0	8
Aggreko	✓	Support Services	UK			0	1.0
Aguas de Barcelona	✓	Water	Spain			0	
L'Air Liquide	✓	Chemicals	France			0	11.9

Overviews

View Companies: All Selected Only

View Region: UK Europe N Am

Companies:

Start 16:19