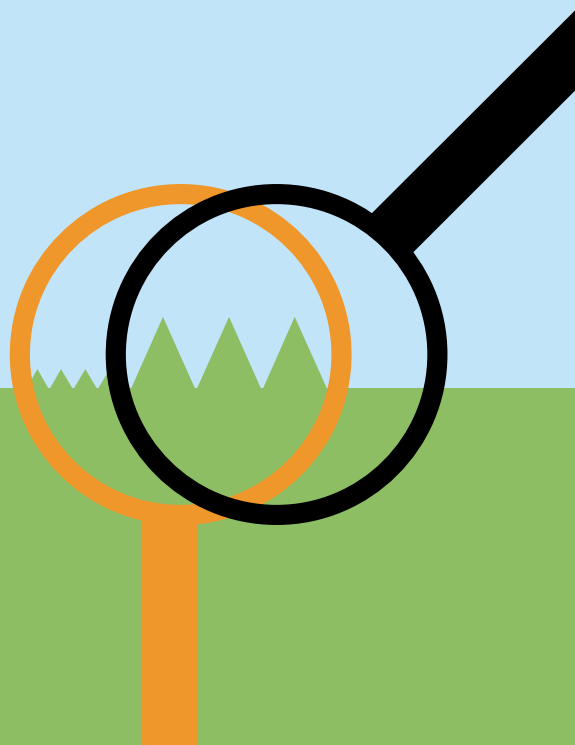


# SCREENING *of* SCREENING COMPANIES



# Socially Responsible Investment, SRI

An assessment of the quality  
of existing products/services

A report summarizing a project initiated by MISTRA,  
The Foundation for Strategic Environmental Research.

A report produced by Miljöeko AB,  
in co-operation with SustainAbility.

## Foreword

### **SOCIALLY RESPONSIBLE INVESTMENT (SRI)**

This report includes a summary of SRI-market developments and key characteristics of best practice. It also briefly presents identified best-practice examples based on MISTRA's key requirements and discusses the potential for MISTRA, and other institutional investors, to improve the quality of SRI-products in the future. This should also help to increase the awareness in the financial community of issues related to sustainable development.

We strongly believe that an open and transparent approach to these issues has the potential to accelerate a positive development. We also hope that it can stimulate constructive discussions and pro-active actions from other institutional investors.

Stockholm and London, October 2001

Måns Lönnroth  
Director, MISTRA

Seb Beloe  
Director, SustainAbility

Tore Lingshede  
Director, Miljöeko

## MISTRA, THE FOUNDATION FOR STRATEGIC ENVIRONMENTAL RESEARCH

### Background

MISTRA, supports strategic environmental research with a long-term perspective, aiming to solve major environmental problems and contribute to the development of a sustainable society. MISTRA-funded research programs are evaluated according to both scientific quality and prospects of implementation.

MISTRA was established as a foundation by the Swedish Government in 1994 and distributes about SEK 250 million a year to environmental research. At the beginning of 2001 the foundation's capital amounted to SEK 4,7 billion.

### Asset management challenge

MISTRA's asset management policy is currently under review. The aim is to combine a good return on investment at an acceptable risk with structured evaluations of companies' environmental and social/ethical performance. MISTRA strives to design an asset management policy that is consistent with MISTRA's mandate to contribute to sustainable development.

Earlier this year, MISTRA engaged KPMG Consulting in Sweden to evaluate the academic literature regarding socially responsible investment (SRI). The study focused on impacts on financial performance when using environmental and social/ethical criteria in the investment process. The conclusion was that although existing literature is limited it nevertheless indicates that the financial returns and risk levels are not affected negatively by adding SRI-criteria.

MISTRA then decided to initiate an assessment of the quality of existing products/ services, internationally, in the area of Socially Responsible Investment. Miljöeko AB and SustainAbility Ltd were selected to assist MISTRA in this project.

The SRI market orientation is primarily based on SustainAbility's report 'A Responsible Investment? – an overview of the Socially Responsible Investment Community'.<sup>1</sup> Miljöeko has been responsible for the collection of information and interviews to assess the quality of existing SRI products/ services. Miljöeko has also produced the report, in close co-operation with SustainAbility.

Miljöeko and SustainAbility have long experience working as advisors to companies regarding the challenges of sustainable development, and have also closely monitored the international developments regarding socially responsible investment (SRI). A presentation of Miljöeko and SustainAbility is enclosed in appendix 5.

<sup>1</sup> SustainAbility/ICEAW (2000), 'A Responsible Investment?', ICEAW, London.

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# Executive Summary

## INTRODUCTION

Institutional investors continue to show a growing interest in socially responsible investment, (SRI), especially in the US and in Europe. The introduction of SRI criteria in the investment process is becoming more common, often starting with negative screening excluding companies with certain types of business and companies with bad records in terms of social/environmental performance. However, there is also a clear trend that investors are moving their interest – and funds – to products/services aiming to identify companies with good or superior performance in these areas. Best-in-class companies and sustainability pioneers are expected to benefit from society's increasing expectations of corporations' social performance and responsibility. A dimension of business development and leadership which receives more and more attention.

When SRI-screening also includes an evaluation of how well companies manage to integrate corporate social responsibility issues into strategic business development process, the possibilities to identify 'sustainability' winners will grow. SRI-screening then has the potential to become a powerful tool to identify financially sound investments – not a disturbing restriction on the investment universe, as detractors claim.

## PURPOSE WITH THIS REPORT

This report includes a summary of SRI-market developments and key characteristics of best practice. It also briefly presents identified best-practice examples based on MISTRA's key requirements. The assessment of existing products/services has therefore focused on products/services that specifically consider company strategies, organisation and management systems and also benchmark the companies' environmental performance.

The report also discusses the potential for MISTRA, and other institutional investors, to improve the quality of SRI-products in the future. By publishing this summary report MISTRA aims to highlight key quality aspects regarding socially responsible investment and constructively contribute to an on-going discussion regarding ways of improving the quality of SRI products/services in the future.

## METHODOLOGY

The assessment was based on a recently updated survey of SRI products/services which includes a total of 142 SRI products from 77 fund managers and a total of 24 analysis/screening organisations. All of these products/services were included in the preliminary assessment which was based on information available on the internet. Most of the organisations included in this assessment are based in Europe or the US.

After this assessment 15 SRI products/fund managers and 8 analysis organisations from Europe and the US remained as ‘best practice’ – candidates. They were contacted and asked to supply information based on a questionnaire/interview guide. This questionnaire was then supplemented with interviews. Organisations that had not responded, after several reminders, were excluded from the list of ‘best-practice’ – candidates.

## BEST-PRACTICE CHARACTERISTICS

The assessment has identified the following key characteristics of SRI products/services representing best-practice:

### Triple-bottom-line-approach

*Focus should be on sustainable development, which means that environmental, social and economic performance should be evaluated.*

### Focus on best-in-class, and pioneers/innovators

*A combination of investments in companies which represent best-in-class in the ‘blue-chip’ business sector, and investments in companies representing pioneers/innovators offers both business and sustainability opportunities.*

### Evaluating sustainability opportunities and sustainability risks

*A screening process aimed at identifying best-in-class companies regarding environmental and social performance should, to a large extent, focus on sustainability opportunities.*

### ‘Intelligent’ screening model

#### (combination of qualitative and quantitative analysis)

*Environmental performance can to some extent be quantified, but should not be limited to compliance testing. The quantitative evaluation also include risks of being too standardized, not suiting all business sectors. A qualitative dimension is necessary in order to identify best-in-class companies.*

### Qualified research team

*Qualified assessments cannot be made without a qualified SRI research team, and it is often difficult to have all resources in-house, covering all business sectors – and different geographical markets. Leading practitioners are therefore utilising detailed in-house research, but supplemented by basic research undertaken by specialist research groups.*

### Openness/transparency

*In order to gain credibility, and also to influence others, openness and transparency about screening procedures and results are vital. Both in relation to companies screened, as well as relationships with customers and other stakeholders.*

### **BEST-PRACTICE EXAMPLES**

Five organisations representing best-practice – based on MISTRA's requirements – are highlighted in the report:

#### Fund managers with in-house SRI research capability:

- Henderson/NPI, UK
- Storebrand Asset Management, Norway
- Trillium Asset Management, US

#### SRI- analysis organisations

- ETHIBEL/Cordius Asset Management, Belgium
- Innovest, US



# Socially Responsible Investment, SRI – A market orientation

This section of the report is primarily based on SustainAbility's report 'A Responsible Investment? – an overview of the Socially Responsible Investment Community', together with Miljöeko's recently updated information regarding SRI-products available in Europe and North America.

## **SOCIALLY RESPONSIBLE INVESTMENT, SRI - DEFINITION AND BACKGROUND**

The UK Social Investment Forum provides a workable definition of SRI as 'investment that combines investors' financial objectives with their commitment to social concerns such as social justice, economic development, peace or a healthy environment'. Within this broad definition of SRI, two main categories can be identified:

*Social screening* – the selection of stocks and shares in unit trusts, investment trusts or other investment portfolios on ethical, social or environmental grounds; and,  
*Shareholder influence* – seeks to improve a company's ethical, social and/or environmental behaviour as a shareholder by means of dialogue, pressure and voting at Annual General Meetings.

The first SRI-products were set up in the late 1960's and early 1970's and emerged at roughly the same time in the US and in Europe. These funds were, for the most part, run for the benefit of religious organisations and the screening often focused on issues such as avoiding investments in alcohol, gambling and armaments.

Since these origins, the SRI sector on both sides of the Atlantic has been one of the fastest growing areas of equity investment. In Europe, the driving force behind the sector's growth has been largely from retail investment. This contrasts with the situation in the US where institutional investors have been much more actively involved.

While there have been some significant developments in SRI in other parts of the world, these other regions are still some distance behind Europe and the US. Nonetheless, the SRI sector is rapidly developing in other regions e.g. in Japan, Australia, Canada and South Africa.

## SCREENING PROCEDURES

Over time, the number and the complexity of the screening criteria used has grown considerably. The UK-based Ethical Investment Research Service (EIRiS), for example, estimates that when the organisation was set up in 1983, five principal criteria were considered – today 330 different criteria in 30 areas are used.

This development is a result of using a wider scope in the screening process, often including both environmental and social/human rights aspects of the companies' operations. It is also a result of a shift from only using negative screening – e.g. excluding companies in the traditional 'sin' industries such as armaments, tobacco, alcohol – to using a combination of negative and positive screening.

Positive or 'qualitative' screens can be further sub-divided into two categories: 'positive stock selection' and 'best-in-class'. Positive stock selection is based on the premise that as the sustainability transition continues, certain industries will profit from the changed market environment. Examples of industries that are commonly included in positive stock selection are water and waste management, renewable energy, healthcare and public transportation. The objective with 'best-in-class' screens is to identify companies which are not in the 'industries of the future', but nonetheless have an important role to play in managing their impacts in the transition towards sustainability. This group includes most of the major industrial sectors including oil, chemicals, automotive and minerals and mining. The vast majority of companies lie in this group, and a wide range of criteria is used in order to try and differentiate between the relative performance of companies in a particular sector.

## SOURCES OF INFORMATION

### The company itself

The most useful document produced by companies is the annual financial report. This allows SRI-analysts to identify what are the likely controversial issues that a company may be involved in. Any contentious issues that are identified can then be explored in more depth using e.g. environmental and social reports, where available, and companies' internet sites.

In addition, contacts are often made with the company management itself. Questionnaires are frequently used and sometimes they are supplemented by direct contact with company management.

### Data from regulators

The availability, and also quality and comprehensiveness, of regulatory data varies hugely by region. Furthermore, for many of the SRI funds, the compliance oriented data is not particularly useful, and more 'beyond-compliance' focused data has to be gathered from other sources. For example, companies' approach to climate change is not generally accessible through regulatory data.

### Information from stakeholders

A growing number of SRI funds are systematically collecting information about companies' environmental and social performance from media and also from NGO's and trade unions. In some cases, this has developed into a more strategic relationship, e.g. between World-Wide Fund for Nature, (WWF), and the fund manager NPI/Henderson in the UK.

### Co-operation across the SRI-sector

A network between SRI-analysts is growing both in size and in importance. Sometimes these networks are formalised in agreements between analysis organisations, e.g. Sustainable Investment Research International Group (SIRI) with member companies in 7 countries offering standardised profiles of the largest global companies.

## ASSET MANAGEMENT

### Finance vs. SRI

The weighting given to financial versus SRI considerations is one aspect that varies between funds. In several funds, the SRI analysts first draw up a list of 'approved' companies, from which the fund managers then select those that meet the appropriate financial criteria for inclusion.

However, other SRI funds are managed effectively in 'reverse' order with the primary analysis being conducted by fund managers and companies initially being selected on the basis of their financial performance.

### Contact with management

Where fund managers or analysts actively seek to engage with company management, the extent of this engagement can also vary considerably. Some funds will make their SRI policy and selection criteria available to the company and may also inform the company of the screening result. A relatively small group also invest resources in actively engaging the company management in dialogue in an effort to persuade the company to amend its behaviour in areas of concern.

### In-house vs. external analysts

Many of the larger and more established funds both in Europe and in the US have developed in-house research capabilities for SRI funds. The alternative to in-house research is to purchase research from an independent organisation. Generally, the funds with in-house teams supplement this research with information purchased from specialist research companies.

## Shareholder advocacy/activism

During the last two years institutional investors, especially in the US and in the UK, have more frequently participated in shareholder resolutions pressing companies' management on controversial issues. In the US in 2001 over 250 resolutions regarding social or environmental issues were filed with more than 150 major US companies, and in many of these cases the resolutions were supported by one or several institutional investors. Sometimes together with campaign organisations like Friends of the Earth and WWF.

## IMPACTS ON FINANCIAL PERFORMANCE

Earlier this year, MISTRA engaged KPMG Consulting in Sweden to evaluate the academic literature regarding Socially Responsible Investments, SRI. The study focused on impacts on financial performance when using environmental and social/ethical criteria in the investment process. The conclusion was that although existing literature is limited, it nevertheless indicates that the financial returns and risk levels are not affected negatively by adding SRI-criteria. An overall conclusion which also can be found in many other recent studies.

## Concerns and opportunities

Since SRI funds first appeared, the sophistication of stock selection techniques has increased markedly. In particular, the decreasing importance of negative screens and the rise of positive stock selection using environmental and social criteria focusing on best-in-class companies in each industrial sector, has allowed SRI fund managers to more easily marry financial and social performance requirements.

Concerns over under-weighting in key industrial sectors, as well as a recognition of the need to constructively engage in these sectors, was instrumental in driving several SRI funds to develop and adopt new criteria allowing investments in top-performing or 'best-in-class' companies in sectors such as the petrochemical industry. While 'best in class' screens are increasingly popular, most SRI funds still maintain exclusionary screens on sectors that are viewed as being inherently outside the scope of socially responsible investing such as the tobacco, armament and pornography industries.

Refuting the claims made by those who argue that SRI harms financial performance are a set of studies published in the late 1990's and early 2000's. Among these are studies that argue that good social performance is an excellent indicator of good overall management quality with a high correlation between for example social ratings and Business Week's ratings of board quality, and Fortune's 'Most Admired' list. A study by Russo (1997) also demonstrated that superior environmental performance was positively correlated with better financial performance. Other studies have found a positive link between good environmental management and shareholder value<sup>1</sup>.

More recently, a new body of work<sup>2</sup> has tended to support the view that, at worst, stock selection using social screens has no negative impact on financial performance, and at best has a measurable positive impact.

<sup>1</sup> See for example Feldman (1997), Guerard (1997), Sauer (1997) and Hamilton, Jo and Statman (1993)

<sup>2</sup> See for example King and Lenox (2000), Kreander (2000), Naturvårdsverket (2001), Statman 2000 and UBS Warburg (2001).

## New factors – and actors

While the evidence supporting the SRI case continues to build, enough doubt remains around causation, methodological issues and screening techniques to discount a simple positive correlation. Indeed to paraphrase a recent paper on the subject, the problem in many ways with this debate is that we observe ‘a tie’<sup>1</sup>.

Increasingly however, it is becoming apparent that this two-dimensional approach to the discussion is inadequate in capturing the full depth of the debate. Recent developments have meant that other factors, and indeed other actors, are contributing and forcing the debate to take shape in new ways. For example, the UK Government’s decision to adopt legislation in July 2000 that requires pension funds to publish their position on social and ethical issues, has introduced a new dynamic into the discussion, that to a significant extent puts the social/financial question in a new light.

UBS Warburg comments on this development in a recently published report<sup>2</sup>: ‘Changing public sentiment and perception, coupled with new laws and regulations similar to those introduced in UK, will provide fuel to ignite a wave of product innovation and services’.

## Looking forward

The link between environmental (and to a lesser extent social) performance and financial performance is becoming increasingly clear. Recent work by SustainAbility<sup>3</sup> and others has demonstrated a strongly positive relationship between among other things:

- corporate reputations with socio-economic development and strong ethics and business principles in companies;
- shareholder value and improvements in the environmental performance of production processes; and,
- human and intellectual capital and good workplace conditions.

As these benefits become clearer to the companies undertaking this work, so we can expect management to more actively communicate the benefits of environmental and social programmes to the financial community. The World Business Council for Sustainable Development, WBCSD, has for example begun convening meetings between the financial community and companies to more clearly articulate the benefits of such programmes.

In communicating the underlying logic of the business case behind these programmes, the financial community is more likely to value these initiatives appropriately and reflect this value in a more direct correlation between stock and sustainability performance.

1 Lloyd Kurtz (1997) ‘The Impact of Social Screening on Growth-Oriented Investment Strategies’, *The Journal of Performance Measurement*.

2 UBS/Warburg (2001) ‘Sustainability Investment – the merits of socially responsible investing’, UBS/Warburg, London.

3 UNEP/SustainAbility (2001) ‘Buried Treasure – Uncovering the business case for corporate sustainability’, SustainAbility, London.

# Screening of screening companies - an analysis of the quality of existing products/services

## BRIEF DESCRIPTION OF METHODOLOGY

### Methodology

This analysis focuses on those fund managers and products that specifically consider company strategies, organisation and management systems as they relate to sustainable development (including relative environmental performance in target companies). We have also focused on products/services that have existed for at least one year in order to be able to evaluate how the screening process is used in practice.

The assessment of the quality of existing products meeting these criteria has been based on available documentation from these fund managers etc, together with telephone interviews. These interviews are based on tailor-made interview guidelines for this project.

For the relevant services/products the assessment focuses on:

- Researcher's capability and resources
- Researcher's methods for collecting information and making analyses
- Environmental and ethical criteria, positive and negative
- Screening process, including how financial considerations are influencing the screening process
- If and how the fund manager is working with corporate governance
- If and how the fund manager/researcher is interested in developing more advanced SRI-products in cooperation with investors.

The assessment results represent an overall assessment of the fund manager/researcher.

### Products/services evaluated

We have based our assessment on a recently updated survey of SRI products/services which includes a total of 142 SRI products from 77 fund managers and a total of 24 analysis/screening organisations. All of these products/services were included in the preliminary assessment which was based on information available on the internet. Most of the organisations included in this assessment are based in Europe or the US. The geographical distribution is illustrated in the table below. A rapid SRI-development is taking place outside Europe and the US but, at the moment, most of these products/services are newly started and therefore lack the necessary experience to be included among the best-practice candidates in this study.

The objective at this stage was to identify products/services that matched MISTRA's requirement that the product/services specifically consider company strategies, organisation and management systems and that the fund benchmarks companies' environmental performance. Because of these requirements, a number of products/services were excluded from further investigation. Most frequently this was because they focused exclusively on negative screening in their stock selection (i.e. avoiding investments in certain industries).

After this assessment 15 SRI products/fund managers and 8 analysis organisations from Europe and the US remained as 'best practice' – candidates. They were contacted and asked to supply information based on a questionnaire/interview guide. This questionnaire was then supplemented with interviews. Organisations that had not responded, after several reminders, were excluded from the list of 'best-practice' – candidates.

### Products/services evaluated – geographical distribution

<b>Fund managers</b>	<b>Europe</b>	<b>US</b>	<b>Other</b>
Preliminary assessment	50	23	4
In-depth analysis (Questionnaire/interview)	10	5	-
<b>Analysis/screening organisations</b>	<b>Europe</b>	<b>US</b>	<b>Other</b>
Preliminary assessment	16	7	1
In-depth analysis (Questionnaire/interview)	6	2	-

The identified SRI products/services which, in our opinion, represent best-practice based on MISTRA's requirements are presented later in this section of the report. We have also included brief presentations of some of the other quality products/services.

## **PRESENTATION OF INTERVIEW GUIDE/QUESTIONNAIRE**

The questionnaire focuses on fund characteristics for existing products and a description of the SRI screening methodology, scope and criteria used.

The questions addressing the scope and selection criteria of the different funds focused on the following areas:

- corporate standards and business ethics
- management systems
- environmental issues
- human rights issues
- workplace and employees
- marketplace and consumers
- community involvement

The questions addressing the screening procedures used in the different funds focused on the following areas:

- Description of screening procedures
- Collection of information
- Resources (research team in-house, external resources)
- Openness/transparency

The organisations were also asked if they offer tailor-made products to institutional investors and if they are prepared to develop more advanced screening procedures and criteria in dialogue with an institutional client like MISTRA. These issues were also raised in the individual interviews.

The complete questionnaire is enclosed in appendix 1.

## **BEST-PRACTICE CHARACTERISTICS**

This section summarises the key elements which, in our opinion, characterize products/services representing best practice in the SRI sector. Naturally, these conclusions are largely influenced by MISTRA's requirement that the assessment should focus on products/services that specifically consider company strategies, organisation and management systems and also benchmark the companies' environmental performance. However, this requirement is, in our opinion, relevant for many other institutional investors since the integration of the sustainability agenda into corporate strategies and management systems is vital for long term business development.

As previously discussed (see page 11) there is growing evidence that the inclusion of social and environmental criteria in investment decisions at worst does not reduce the financial performance of investments. Therefore, investment decisions by institutional investors that include criteria for identifying and targeting companies that are ahead of their competitors regarding sustainability issues, may enable investors to identify additional hidden value not reflected in share price.



### Key characteristics of SRI best-practice: Triple-bottom-line-approach

*Focus should be on sustainable development, which means that environmental, social and economic performance should be evaluated.*

Corporations around the world have experienced a growing interest from many stakeholders regarding the environmental effects of their operations in recent years. This trend has resulted in both stricter regulations and also more focus on environmental issues in business-to-business relations. Environmental requirements are, for example, becoming natural parts in procurement procedures and in due diligence work related to acquisitions of companies.

A similar development can now be observed regarding corporations' social performance. Corporations are more and more frequently being asked about their policies, codes of conduct and actions regarding overall social responsibility where this includes issues such as human rights, workplace conditions and community involvement. These issues are key credibility issues for many companies today – and in a longer perspective they are likely to influence the 'licence' to operate. This trend is expected to continue. Any leading edge socially responsible investment methodology must therefore consider the wider social elements of performance, and not be limited to environmental issues.

### Focus on best-in-class, and pioneers/innovators

*A combination of investments in companies which represent best-in-class in the blue-chip business sector, and investments in companies representing pioneers/innovators offers both business and sustainability opportunities.*

The business – and sustainability – logic is therefore to use an SRI-screening model aiming to identify companies which are ahead of competitors regarding sustainability issues. The environmental and social performance should therefore at least be above average in the respective business sector. Otherwise 'best-in-class' becomes a misleading statement.

Unfortunately, many SRI-products existing today are describing – in their marketing language – that they select the leading companies regarding social responsibility for investment even if they only avoid the 'worst performers'. Investors are recommended to study the actual meaning of 'best-in-class' or 'leading' when evaluating SRI-products. In our analysis we have come across products where 10% of the investment universe remain after SRI-screening. But we have also seen examples where 'leading' companies include over 90% of the investment universe!

Furthermore, it should be noted that 'best-in-class' sometimes means 'best among the largest companies' or 'best among large companies with strong financial performance'. In our opinion, the SRI-screening should not be limited to the largest companies in each sector. Pioneers and innovators regarding SRI issues are normally not – at least not initially – found among the largest companies. Interesting examples -with exceptional financial returns- in this category are the Canadian company Ballard Power Systems, developing fuel cell technology, and the Danish company Vesta Wind Systems, producing wind power equipment. A number of SRI-products were early investors in these companies –

and have them high on the list of financial top-performers over the last years. Others never noticed the potential because the analysis was limited to the largest companies.

### Evaluating sustainability opportunities and sustainability risks

*A screening process aimed at identifying best-in-class companies regarding environmental and social performance should, to a large extent, focus on sustainability opportunities.*

Ten years ago, SRI-products evaluating companies' environmental performance were – in most cases – almost entirely focusing on risk/liability issues; e.g. cases of non-compliance related to environmental laws and regulations, contaminated land and toxic emissions. Today, environmental performance 'beyond compliance' is much more emphasized when identifying best-in-class companies; e.g. issues like integration in company strategies, management systems, training of staff, and environmental aspects in product and process development.

A similar development can be foreseen regarding social and ethical issues over the next few years. Starting with policies and compliance testing and moving to an evaluation of pro-active, innovative actions.

Therefore, a screening process aiming at identifying best-in-class companies regarding environmental and social performance should, to a large extent, focus on sustainability opportunities.

### 'Intelligent' screening model (combination of qualitative and quantitative analysis)

*Environmental performance can to some extent be quantified, but should not be limited to compliance testing. The quantitative evaluation also include risks of being too standardized, not suiting all business sectors. A qualitative dimension is necessary in order to identify best-in class companies.*

A quantitative analysis of environmental performance is possible, with some important limitations. One of the main problems is that the significant environmental impacts of any business varies considerably depending on the industry that it is in. Furthermore, access to reliable and comparable data is limited. There are no audited annual sustainability reports based on a common regulatory framework, as we easily find regarding financial position and results. Another complication is that environmental effects are partly indirect; i.e. they occur outside the company's own operations. For example at suppliers or sub-contractors or when the products are used. The task to get access to comparable data is therefore very complex. Most of this information has to be requested from the companies through questionnaires.

There is an obvious risk that evaluations based on data collected through questionnaires – and in some countries also partly collected from public sources (e.g. data regarding emissions related to operating permits from environmental authorities) – becomes too standardized, and therefore too simplified to allow a selection of best-in-class companies.

Therefore, it is essential that in developing information collection procedures, these

issues are taken into account. One way of doing this is to cross-reference data wherever possible (e.g. between company supplied data and publicly available information). The quantitative analysis often serves as the ‘basic analysis’ where best-in-class candidates in a particular business sector are being identified. The next phase is often a more qualitative analysis to evaluate the company’s potential to move the sustainability agenda – and performance – forward. In this process it is an advantage if the screening process includes a dialogue with company representatives – not limiting the information collected to feedback on questionnaires. A dialogue with stakeholders, often including a check-up on media coverage, NGO campaign searches etc. can also be an efficient complement to the screening process.

At present, social/ethical performance is even harder to quantify since corporate policies and structured programmes of actions are often relatively immature. The evaluation has to focus more on questions like board/management commitment, policies/codes of conduct, and action programmes. The follow-up of results and actual performance improvements should be a priority issue for leading companies in the next few years in order to retain credibility both internally and externally. Such a development creates possibilities for SRI-investors to further expand quantitative analysis of social performance.

### Qualified research team

*Qualified assessments cannot be made without a qualified SRI research team, and it is often difficult to have all resources in-house, covering all business sectors – and different geographical markets. Leading practitioners are therefore utilising detailed in-house research, but supplemented by basic research undertaken by specialist research groups.*

In order to identify sustainability winners and best-in-class companies, the research team needs to have both a genuine commitment to sustainability issues as well as traditional business evaluation skills. Solid experience regarding significant environmental and social issues in different business sectors is also essential. This should be combined with a deep understanding of business realities and management systems, in order to facilitate the dialogue with the companies being evaluated. It also improves the credibility among stakeholders in general.

A qualified research team is a pre-requisite for effective SRI-screening. Furthermore, the available personnel resources must be reasonably matched with the screening procedures used and the number of companies in the investable universe. In comparison with traditional financial analysts, SRI-analysts tend to analyse more companies, and often in a more diverse range of business sectors. As a consequence, many SRI research teams suffer from inadequate resources, and quality suffers. Investors should therefore carefully study both the competencies and resources available in SRI research teams before selecting SRI-partners.

Organisations with high quality SRI-screening often use a combination of an in-house research team and external resources. External resources are frequently used to supply ‘basic’ information regarding the companies to be analysed and/or to supply

information about companies in non-core geographical markets. This ‘basic’ information can include negative screening data (for example to avoid investments in certain business sectors), compliance testing and screening of media coverage.

The qualitative part of the SRI-screening is usually done in-house, which probably improves both efficiency and accuracy since it is based on the specific SRI-screening model used. Several of the more ‘advanced’ SRI-products are limiting the geographical coverage of the investment products in order to make it possible to analyse the companies more deeply, including dialogue with management representatives and interviews with stakeholders. In general, it is also easier to identify key issues, and to collect relevant information, regarding companies in the geographical region where the SRI-organisation is based.

### Openness/transparency

*In order to gain credibility, and also to influence others, openness and transparency about screening procedures and results are vital. Both in relation to companies screened, as well as relationships with customers and other stakeholders.*

Companies being evaluated and investors using SRI-products appreciate an open attitude regarding SRI screening procedures and, of course, the results of the screening. Brief, but regular, presentations of key sustainability issues in different sectors together with comments regarding identified best-in-class companies improves the SRI-product’s credibility with key audiences. Furthermore, an open and transparent approach – and a promotion of best practice – facilitates a development of gradually improving companies’ environmental and performance. At the same time it promotes improvements of SRI-products and will also lead to a better understanding of social responsibility issues in the financial community as a whole.

## BEST-PRACTICE EXAMPLES

The characteristics of best practice described above have been used as key criteria in the assessment of the quality of existing SRI products/services in this MISTRA project. The selection of best-practice products was also influenced by the interest shown in participating in an active dialogue with MISTRA regarding future development of more advanced SRI products.

In this section we have included a summary of the respective organisation and their SRI-products and screening procedures. Five organisations representing best-practice – based on MISTRA’s requirements – are highlighted. A general observation is also that investments based on these organisation’s SRI-screening show a financial performance over the last years which is in line with – or above – the respective benchmark index used.

We have also included brief comments about an additional number of SRI organisations offering quality products. In order to facilitate the search for additional information after reading this report, we have included the web-site addresses for all organisations mentioned in this section.

**Best-practice (Profile/Key characteristics)**  
**- Fund managers with in-house SRI research team**

*Henderson/NPI, UK*

**Company profile/Products**

Henderson/NPI is amongst the UK's leading providers of financial services, and is today part of the AMP Group, a leading Australian-based financial service organisation, after a merger in 2000.

NPI's Global Care Funds are the main SRI-products provided by the company since the early 1990's. The aim with these products is to achieve long-term capital growth by investing in companies which contribute to, or benefit from, the trend towards sustainable economic development. In 1993, NPI became a founding member of the UK Social Investment Forum, set up to promote the principles of socially responsible investment.

**SRI-screening**

NPI has strong SRI traditions and uses an ambitious analysis model, focusing on both 'industries of the future' (e.g. renewable energy, telecommunications, public transport and education) and best-in-class companies in traditional sectors. They seek to work on different levels to take the sustainability agenda one step further. Key activities include seeking out industries of the future, corporate engagement and innovative research (e.g. regarding climate change, biodiversity and human rights). NPI also publishes company profiles and position papers on key environmental issues. NPI has shown a capacity over the last years to develop new products – and acts strategically in terms of influencing stakeholders.

They have high competence within the research team and also buy information from external analysis organisations. In-house research is focused on 'industries of the future' and information is collected through dialogue, interviews, site visits and questionnaires.

*Storebrand Asset Management, Norway*

**Company profile/Products**

Storebrand is Norway's leading investment management and insurance company, and – since 1996 – have offered SRI-products on both the retail market and to institutional investors. Their main products are Storebrand Principle Fund Global/Europe/UK.

The basis for Storebrand's approach to SRI is to have objective and verifiable criteria, quantitative benchmarking of eco-efficiency, and social criteria which provide the capacity to generate measurable improvements and provide comparisons between companies. Companies qualify for investment when their environmental and human rights performance is among the top 30% within their respective sector.

### **SRI-screening**

Collection of information mainly relies on questionnaires and focuses on a defined set of indicators for environmental and social/human performance. The screening model is quantitative, and the data is used to calculate an environmental and social index for each company. The environmental and social criteria are weighted sector by sector.

Storebrand has high competence within the research team and is actively trying to develop the screening model in order to make it more efficient and accurate. Storebrand also actively profiles companies which are moving the sustainability agenda forward.

### *Trillium Asset Management, US*

#### **Company profile/Products**

Trillium Asset Management has almost 20 years of experience with SRI-screening. Geographic coverage is the US. They seek to invest in companies which they identify as being the most socially and environmentally responsible in each industry sector, if they are also financially attractive investments. The investment process begins with an economic and social/environmental analysis of approximately 2000 publicly traded US-companies. The analysis is focused on companies with superior growth prospects related to market opportunities, product development, and a strong and proactive management team. Together with positive records regarding environment, global human rights, labour issues and community involvement. Trillium believe in active shareholding, i.e. they seek contact with companies to try to influence their social/environmental performance and have also been engaged in shareholder resolutions at Annual General Meetings.

### **SRI-screening**

The analyst uses a number of resources for information including in-house and third party analysis, public information databases and contacts with other socially oriented groups to identify companies in which to invest. Trillium regularly buys services from external organisations for the screening procedures. That includes services from KLD regarding negative screening, Investor Responsibility Research Center (environmental profiles and proxy voting analysis). In-house analysis is mainly conducted through surveys/questionnaires, additional research and interviews with company representatives.

The social/environmental analysis is comprehensive and focus on the following areas; citizenship, corporate governance, employee relations, consumer relations, environmental, human rights, animal rights.

Trillium publishes a quarterly newsletter, 'Investing for a better world', which is also available on their web site. The newsletter covers comments on the corporate social/environmental performance of companies that they have invested in.

## Best-practice (Profile/Key characteristics) - SRI- analysis organisations

### **ETHIBEL/Cordius Asset Management, Belgium**

#### *ETHIBEL*

##### **Company profile/Products**

Ethibel is an experienced research firm specialised in SRI-screening of companies, mainly from Europe but also companies from North America and the Asian/Pacific region. They have a strong market position in Europe and supply information to several of the most experienced SRI fund managers (Henderson/NPI, Friends Provident etc). Ethibel themselves also buy information from several external sources, including SRI-companies in the SiRi-group to which they belong. All members of the SiRi-group, which started in 2000, will have responsibility for their respective geographical region where they will be responsible for producing profiles on companies.

Ethibel's evaluation model covers both environmental and social/ethical issues and results in a Company Profile based on information from the company, media information, database and stakeholders. Based on the profile, a rating of the company is determined for each covered item. The rating takes the geographical and sectorial context into account. Ethibel is focusing on both best-in-class and pioneers in the screening model.

##### **SRI-screening**

The profile and the rating of companies are submitted to a committee of external experts. The committee issues advise on whether the company should be included in the Ethibel Investment Register. Companies that are included in this list, approximately 200 at present, are the companies that fundmanagers using Ethibel's SRI-screening normally invest in.

The SRI-screening is qualitative, and based on a well-defined structure. Ethibel are in direct contact with the companies screened, normally using telephone interviews, but also company visits. The stakeholder approach plays an important part in the SRI-screening methodology. Contacts are made with environmental groups, trade unions, human rights groups, consumer organisations etc. depending on which company is analysed.

Ethibel has a qualified team of analysts and are offering tailor-made products to institutional investors. Ethibel is also very interested in developing the screening procedures in close cooperation with investors. Ethibel supply screening information to many fund managers in different countries. In Belgium they have had a close cooperation with Cordius Asset Management for several years. As a result, the asset management team at Cordius has high competence regarding SRI-issues compared with most asset managers without in-house SRI research team.

Therefore, we have also included some comments about Cordius Asset Management.

## *Cordius Asset Management*

### **Company profile/Products**

Cordius Asset Management, the asset management company of Artesia Banking Corporation Group in Belgium, carries out portfolio management. It serves customers such as institutional customers, collective investment institutions and individuals. Cordius Asset Management is the SRI market leader in Belgium and has SRI funds registered in France, the Netherlands, Luxembourg, Switzerland and Italy. SRI products offered to institutional customers are often tailor-made – and the assets under management in this area are growing rapidly. Based on several years of experience, and cooperation with Ethibel, they have developed a management process which is adapted to the specific needs of SRI. The starting point in the investment process is the Ethibel investment universe. Based on that universe, the construction of the portfolio is made to meet both the desired sustainable criteria and to offer a minimum relative risk.

## *Innovest*

### **Company profile/products**

Innovest Strategic Value Advisors is an international investment research firm specialising in environmental finance and investment opportunities. Innovest was founded in 1995 and has offices in New York, Toronto and London. Innovest analyses companies' environmental performance – and more recently also social performance – with a focus on profitability and competitive drivers. The metrics used in the models are based on quantitative data whenever possible, since they strive to analyse a company's actual performance to be able to substantiate their claims.

Innovest has a qualified team of analysts screening companies all over the world. Today, there are 1200 companies analysed and available in their database. Companies are rated from AAA (outperform) to CCC (underperform). The analytical model is an attempt to balance the level of environmental risk with the companies' managerial and financial capacity to manage the sustainability issues in the future.

Innovest provide both ratings and company profiles to the asset managers that use the information for investment decisions. The availability of research result details make the asset manager better informed, and more involved in the SRI-screening. Other analysis organisations are often only submitting lists of 'accepted' companies, to the asset manager.

### **SRI-screening**

The screening criteria are divided into three different categories;

- risk (including contingent liabilities, operating risk exposure, sustainability risks and financial risk management),
- strategic management capacity (including corporate governance, environmental management systems, social issues performance, supply chain management and stakeholder relations) and



- sustainable profit opportunities (i.e. the ability to profit from environmentally and socially driven industry and market trends)

The analysis of each company is based on a general review of the sector, aiming to identify the major risks and opportunities of the sector. Information from official sources (like government databases, mainly in the US) and company sources are used to produce a preliminary rating matrix for each company. The analyst also interviews company representatives before completing the rating. Sometimes, the analyst will supplement the analysis with company visits, even if this is not done on a regular basis. Innovest has also a long experience of developing tailor-made screening products for clients.

### **OTHER EXAMPLES OF QUALITY PRODUCTS/SERVICES IN THE SRI SECTOR**

This section provides brief comments about other fund managers or analysis organisations offering quality products/services. They were all included in the list of organisations which were analysed in depth in this project. However, evaluated against MISTRA's key requirements, they didn't reach the same quality level as the previously mentioned best practice – examples. The main differences were related to the screening procedures and/or the interest to have a dialogue with clients regarding product improvements.

#### SRI Fund managers

##### *Friends Ivory & Sime/Friends Provident, UK*

Friends Ivory & Sime is a subsidiary of Friends Provident in the UK. To institutional investors they offer a product called Institutional Ethical which invest in UK-equities and also offer tailor-made products to suit the individual investor.

The SRI-screening process include both negative and positive criteria. The screening includes issues like environmental pollution, child labour, trade with oppressive regimes, corporate governance and stakeholder management. The positive attributes they seek in companies include supplying the basic necessities of life, environmental improvement and pollution control, equal opportunity employers and high standards in training and education. Approximately 75% of the total number of companies evaluated are accepted.

The in-house SRI research team also collects information from external sources, e.g. EIRiS.

### *Robur, Sweden*

Robur is the asset management organisation within Föreningssparbanken, which is one of the largest banks in Sweden. They manage more than 100 funds altogether, and the SRI products represent about 2% of total assets managed. This includes an Environmental Fund investing in best-in-class companies in the Nordic countries. At present, approximately 10-15% of the analysed companies are accepted. Robur is also developing social/ethical criteria. Initially these criteria will be used for new SRI-products investing in Swedish companies.

The screening model used for the Environmental Fund focuses on strategy and management, environmental management systems, products/production and dialogue with stakeholders. The criteria used are given different weight depending on the sector analysed.

### *Calvert Group, US*

Calvert seeks to invest in companies with both financial and social excellence. When financially interesting companies are identified, a list of companies is presented to Calvert Group's in-house Social Research department. The social/ethical/environmental analysis is focusing on environment, employees, communities and product safety issues.

Calvert do not as a rule invest in best-in-class companies, although regarding problematic industries they want to invest in companies that are 'the better player' within that particular industry. Generally 50-60% of companies analyzed are accepted for investments.

## SRI Screening Organisations

### *Sustainable Asset Management, SAM/*

#### *Dow Jones Sustainability Group Index, Switzerland*

SAM work together with Dow Jones and manage the SRI-screening used for Dow Jones Sustainability Group Index. The selection process is based on a concept called Corporate Sustainability, focusing on long-term shareholder value by identifying opportunities and managing risks deriving from economic, environmental and social changes. The goal of the process is to identify the top 10% of the companies in each business sector, which perform best on sustainability related issues. The information collection relies to a great extent on questionnaire feed-back from individual companies.

### *EIRiS, UK*

EIRiS is the UK's oldest and largest specialist SRI-research company and they assess corporate activity in many areas. These cover both negative screening and, to a growing extent, also positive criteria with gradings of corporate performance. Later in 2001 they will introduce set of gradings for corporate environmental performance supplementing

the existing evaluation of environmental management, policy and reporting. EIRiS has developed a software product, Ethical Portfolio Manager, that provides users with online access to its extensive database on 850 UK and 500 European companies. The services will be expanded to cover also the US, Asia-Pacific and Australasia before the end of this year.

EIRiS supply SRI-information to many fundmanagers and rating organisations, including the newly started FTSE4Good family of indices. The screening process is mainly based on official company information and information collected through questionnaires. Direct contacts with the companies being evaluated are less frequent.

### *KLD (Kinder Lydenberg Domini), US*

KLD is a US-based provider of social research for institutional investors who wish to integrate social criteria into their investment decisions. KLD has developed performance benchmarks for socially screened portfolios, e.g. the Domini 400 Social Index which was launched in 1990. KLD has also developed Socrates, a social investment database containing data on over 1600 companies. This includes profiles on over 650 US corporations, including every company on the Standard & Poor's 500 index.

The social rating criteria are divided into two categories; social issues and industry involvement issues.

- social issues analyze the impact of corporate behaviour on the environment and on stakeholders, including communities, employees, customers and suppliers.
- Industry involvement issues identify companies that produce goods or services in specific markets of interest to social investors, e.g. involved in the production of tobacco, alcoholic beverages and weapons. On these issues, companies are designated as either involved or not.

KLD presents its social research in two formats: Company Profiles and Industry Involvement Reports. The profiles contain ratings and analysis of each company focusing on strengths and concerns in the following areas; community, diversity, employee relations, environment, non-US operations and products. The evaluation of environmental performance is risk-oriented.

# Future developments

Institutional investors continue to show a growing interest in socially responsible investments, especially in the US and in Europe. The introduction of SRI criteria in the investment process is becoming more common, often starting with negative screening excluding companies with certain types of business and companies with bad records in terms of social/environmental performance.

However, there is also a clear trend that investors are moving their interest – and funds – to products/services aiming to identify companies with good or superior performance in these areas. Best-in-class companies and sustainability pioneers are expected to benefit from society's increasing expectations of corporations' social performance and responsibility. A dimension of business development and leadership which receives more and more attention.

Traditionally, institutional investors main concern regarding SRI-screening has been related to risks of reducing financial returns and/or increasing financial risks when companies are excluded from the investment universe. However, today there is growing evidence that financial returns are not reduced when SRI-criteria are added to the analysis procedures.

When the SRI-screening also includes an evaluation of how well the company manages to integrate corporate social responsibility issues into the strategic business development process, the possibilities to identify 'sustainability' winners will grow. SRI-screening then has the potential to become a powerful tool to identify financially sound investments – not a disturbing restriction on the investment universe, as detractors claim.

## Key areas of development

The major problem related to SRI-screening of companies is, in our opinion, related to the availability of relevant and accurate information – and the availability of qualified research teams.

The capacity to analyse companies' social/environmental performance could be improved if the SRI-screening models used – and the key results of the screening processes were more openly presented. Focus should preferably be on key performance indicators in different business sectors – and presentations of best-in-class companies to highlight key issues.

A more open attitude – focusing on best-practice – would facilitate a process to improve the quality of SRI products. Furthermore, over the longer-term, we are convinced that openness also accelerates the introduction of key sustainability issues into the more traditional financial analysis models used in the financial community.

### MISTRA's potential to influence

MISTRA's core mission is to support strategic environmental research. The funds used for supporting research projects are based on the financial returns from the foundation's asset management.

MISTRA will gradually introduce SRI-screening into the asset management procedures and will give priority to products/services with the best-practice characteristics described in this report. Furthermore, MISTRA has the potential to stimulate the development of improved SRI-products in the future by demanding an openness from the organisations contracted for SRI-screening.

This openness should focus on brief presentations of SRI-screening procedures and comments regarding sustainability profiles of companies included in the portfolio. This information can easily be presented on MISTRA's web-site, supplementing the summaries and conclusions presented in this project report.

Furthermore, MISTRA could also challenge the selected SRI-organisations to participate in a public discussion regarding key indicators or key issues in evaluating sustainability leaders in different industry sectors. Initially selecting 3-5 sectors – with a possibility to expand it later on. Using MISTRA's web-site as a public discussion platform, proposed key indicators can be presented and also challenged by others. The purpose should be to present summaries of these discussions to a wide audience in the business and financial communities highlighting key sustainability challenges.

In this process, important areas for research activities will probably also be identified – and maybe also financed or co-financed by MISTRA. This creates a unique opportunity for MISTRA to link the development of asset management procedures to the core mission of supporting strategic research regarding sustainable development.

In addition to the Internet-based discussions and presentations, MISTRA could also actively participate in, or arrange, international SRI-conferences targeting other institutional investors, the financial community in general and the corporations that are being evaluated themselves.

The potential for MISTRA to stimulate the development of improved SRI products and services is certainly in line with the foundation's core mission.

## Appendix 1 – Questionnaire/Interview guide

### Environmental and ethical screening, SRI-screening, for asset management - Questionnaire regarding analysis of services/products

#### Fund Details

1. Equity Fund Manager (Name, address, internet website, phone number, e-mail)
2. Contact person (responsible for SRI-screening)
3. Existing SRI-products; specify the following for each product:
  - name of the product/equity fund and starting year
  - geographic coverage
  - number of companies covered by SRI-screening procedures
  - fund portfolio in different business sectors, %
  - list of 10 largest holdings as at year-end 2000
  - fund assets as at year-end 2000, 1999, 1998
  - annual return, % (last 2 years), and comparison with relevant index

#### SRI-screening procedures

Please, supply the following information for each SRI-product/or group of products:

#### SCOPE - CRITERIA USED

Specify if the following areas are included in your screening procedures, and indicate key criteria used for each area:

- a. Corporate standards and business ethics – how a company integrate core values in it's policies, practices and decision making.
- b. Management systems – to what extent are management systems designed to measure, assess and report efforts to integrate Corporate Social Responsibility, CSR, into the operations? Are key results also communicated to external stakeholders?
- c. Environmental issues – assessing the company's environmental performance related to both products and production.
- d. Human rights issues – including the avoidance of child labour in global manufacturing, non-participation in actions depriving citizens of basic civil liberties and the avoidance of forced labour.
- e. Workplace and employees – all human resource policies that directly affect employees such as compensation and benefits, careers development, job security etc.
- f. Marketplace and consumers – marketplace issues, as they relate to corporate social responsibility. These issues include: product safety and environmental impact, labelling and packaging, marketing and advertising, selling practices and pricing.
- g. Community involvement– we refer to a wide range of actions taken by companies to maximize the impact of their donated money, time, products and services and other resources on the communities in which they operate .

## **SCREENING PROCEDURES**

- a. Present briefly the methodology used in the screening process.
- b. How often are your screening criteria updated?
  - Regularly (How often?)
  - When there is need for updating. (date when it was last updated?)
  - Has not been updated so far.
- c. Is there an advisory board connected to the fund? If yes, describe the function of the board and its members' background.
- d. Describe how information is collected from companies (questionnaire, telephone interviews, company visits etc.)
- e. If you make company visits, who do you normally meet with at the company?
- f. Do you regularly collect information regarding companies' environmental and social/ethical performance from external stakeholders? If so, please specify which stakeholders are included and how you collect the information.
- g. What resources are available when you make your analysis? (internal, external, combination of both)
- h. Specify the number of in-house analysts who work with your SRI-screening of companies. (Specified as number of full-time analysts)
- i. If you buy services from external organisations for the screening procedures, please supply the name of the organisations.
- j. Which of these alternatives are most accurate for your SRI-products:
  1. First we make a financial screening of companies. Remaining companies are then included in the SRI-screening procedures –before making investment decisions.
  2. First we make the SRI-screening of companies. Remaining companies are then included in the financial screening – before making investment decisions.
- k. Is your SRI-screening based on 'best-in-class' per type of industry etc.
- l. Do you use 'negative criteria' in the screening process, i.e. excluding companies due to the type of business they are engaged in? If so, please specify these criteria. (e.g. regarding tobacco, alcohol, weapons etc)
- m. Do you use a formal weighting system in your SRI-screening?
- n. Specify the proportion of companies that is accepted after the screening procedures (% of total number of companies evaluated)
- o. How frequently do you update your SRI-analysis of companies?
- p. How frequently has companies been excluded from your list of 'approved' companies due to an updated SRI-analysis?
- q. Do you publicly comment the CSR-performance of companies you have invested in?

## **FUTURE DEVELOPMENTS**

Do you offer 'tailor-made' SRI-screening products to institutional clients? Are you prepared to develop more advanced screening procedures and criteria in dialogue with an institutional client like MISTRA?

## APPENDIX 2

### List of Fund Managers Included in The Quality Assessment

Fund Manager	Country
ABF Capital Management	France
Activest Investmetgesellschaft mbh	Germany
Apoge	France
Aquinas Funds	US
Ariel Funds	US
Asahi Life Asset management	Japan
Bacob Bank/Cordius Asset Management	Belgium
Banco Fonder	Sweden
Bank Sarasin & Cie, Basel	Switzerland
BfG Investment-Fonds	Germany
Calvert Asset Management Group Inc.	US
Care Invest AG	Switzerland
Carlsson Investment	Sweden
CIS Environ Trust	UK
Citizen Asset Management	US
Clam Credit Lyonnais, Asset Management	France
Clean Environmental Funds	Canada
Credis Suiss Asset Management	Switzerland
Delaware Funds	US
Devcap Development Capital	US
Domini Social Investment	US
Dreyfus Funds	US
Ecureuil Gestion Caisse d'épargne	France
ETHOS Investment foundation for pension fudns	Switzerland
Etix Fonder AB	Sweden
Evangelische Kreditgenossenschaft AG	Germany
Expertise Asset Management	France
Federal Gestion	France
Financiers Meeschaert	France
Flex Partner	US
Folksam Fond AB	Sweden
Fondicri	Italy
Fortis Bank	Belgium
Fortis Investment	France
Friends Ivory & Sime	UK
Fürst Fugger Privatban KG	Germany
Green Century Funds	US
Gyllenberg	Finland
Henderson Investment Managers	UK
Humanix	Sweden
ING Sustainable Fund	Netherlands
Jupiter Asset Mangement Limited	UK



<b>Fund Manager</b>	<b>Country</b>
KBC	Belgium
KPA Fonder AB	Sweden
Länsförsäkringar	Sweden
Meyers Capital Management	US
Michael Jantzi Research Associates	Canada
MMA Investment Managers Limited	US
Neuberger Berman	US
New Alternatives	US
Oppenheim Asset Management	Germany
Parnassus Funds	US
Pax World Funds	US
PREVISTA Investment foundation for pension funds	Switzerland
Progressive Investment Managers	US
Robeco France	France
Robur Kapitalförvaltning	Sweden
RTE Asset Mangement	US
S. Paolo SGR	Italy
SalusAnsvär Öhman Fonder AB	Sweden
SAM-group	Sweden
Sampo/Leonia	Finland
S-E Banken	Sweden
Securvita Gesellschaft für alternative Versicherungskonzepte GmbH	Germany
Vesta Miljo	Norway
Smith Barney Asset Management	US
Storebrand Investments	Norway
Sustainable Performance Group Inc.	Switzerland
Swiss Bank Coporation	Switzerland
Swissca Gestion de Fonds SA	Switzerland
Trillium Asset Management	US
UBS Fund Mangement AG	Switzerland
UOB Asset Management	Singapore
Walden Capital Management	US
VMS & Cie	US
Women's Equity Mutual Fund	US
Ökobank e.G	Germany

**APPENDIX 3**

List of analysis organisations included  
in the quality assessment

Organisation	Country
Arese	France
Avanzi	Italy
Caring Company	Sweden
Centre info Sustainable Development	Switzerland
Council on Economic Priorities	US
Dresdner RCM Global Investors	UK
Eco.ch AG	Switzerland
EIRIS	UK
Ethibel	Belgium
Etikanalytikerna	Sweden
First Analysis Corporation	US
Fundación Ecología y Desarrollo	Spain
Innovest Group	US
Interfaith Center on Corporate Responsibility	US
Investor Responsibility Research Center	US
KLD	US
Michael Jantzi research Associates	Canada
Oekom Research AG	Germany
SAM	Switzerland
Scoris	Germany
Siri Group	International
Social Investment Forum	US
The Natural Step Foundation	Sweden
VBDO	Netherlands

**APPENDIX 4****Contact details**

List of web-site addresses to organisations mentioned in the report:

<b>Organisation</b>	<b>Web-site</b>
Calvert Group	<a href="http://www.calvertgroup.com">www.calvertgroup.com</a>
Cordius Asset Management	<a href="http://www.cordius.be">www.cordius.be</a>
EIRiS	<a href="http://www.eiris.u-net.com">www.eiris.u-net.com</a>
ETHIBEL	<a href="http://www.ethibel.com">www.ethibel.com</a>
Friends Ivory & Sime	<a href="http://www.friendsivoryfunds.com">www.friendsivoryfunds.com</a>
Henderson/NPI	<a href="http://www.npi.co.uk">www.npi.co.uk</a>
Innovest	<a href="http://www.innovestgroup.com">www.innovestgroup.com</a>
KLD, Kinder Lydenberg Domini	<a href="http://www.kld.com">www.kld.com</a>
MISTRA	<a href="http://www.mistra.org">www.mistra.org</a>
Robur Asset Management	<a href="http://www.robur.se">www.robur.se</a>
Storebrand Asset Management	<a href="http://www.storebrand.com">www.storebrand.com</a>
Sustainable Asset Management, SAM	<a href="http://www.sam-group.com">www.sam-group.com</a>
Trillium Asset Management	<a href="http://www.trilliuminvest.com">www.trilliuminvest.com</a>
UK Social Investment Forum	<a href="http://www.uksif.org">www.uksif.org</a>

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## APPENDIX 5

### Brief presentation of Miljöeko and SustainAbility:

Miljöeko AB, in close cooperation with Sustainability Ltd, has assisted MISTRA in this project. The project team has extensive experience in the area of Socially Responsible Investments, SRI. All team members have monitored the developments regarding SRI over the last years. All team members have also been closely engaged in a number of projects which relate to the sustainability trends in leading corporations, international organisations, influential NGO's and, as a consequence, also in the financial sector.

### Miljöeko AB

Miljöeko is one of the leading consultancy companies in Sweden focusing on the sustainability challenges for corporations. Miljöeko was founded in 1991 and has assisted a large number of corporations in areas like; environmental/sustainability strategies, developing environmental management systems and reporting procedures regarding environmental and social performance.

Miljöeko's experience regarding Socially Responsible Investment, SRI, include developing criteria and screening models for environmental funds, and also practical experience from sector analysis work to evaluate companies' environmental performance.

**Contact person:** Tore Lingshede, Director  
tore.lingshede@miljoeko.se

### SustainAbility

Established in 1987, and now based in London and New York, SustainAbility specialize in business strategy and sustainable development. From the outset, SustainAbility has been a hybrid: part award-winning strategic management consultancy, part world-class think-tank and part energetic public-interest-group.

SustainAbility serves a growing range of private and public sector clients, and the service portfolio has evolved rapidly in recent years within the three closely linked areas of foresight, agenda-shaping and change management.

SustainAbility has acted as strategic advisors to a number of clients in the financial sector and produced a report in 2000 on socially responsible investment entitled; 'A responsible investment? – an overview of the Socially Responsible Investment Community'. This publication can be ordered from the web site; [www.sustainability.com](http://www.sustainability.com)

**Contact person:** Seb Beloe, Director  
beloe@sustainability.com

# SCREENING *of* SCREENING COMPANIES

Institutional investors are moving their interest—and funds—to products/services aiming to identify companies with good or superior environmental and social performance.

Best-in-class companies and sustainability pioneers are expected to benefit from society's increasing expectations on corporations' social performance and responsibility. A dimension of business development and leadership which receives more and more attention.

This report includes a summary of SRI market developments and key characteristics of best practice.