



ASIaweek - YOUR MONEY - ENVIRONMENT - DOING IT RIGHT - Asia is finally waking up to the reality of ...

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By INVESTING ONLY IN PRO-WOMEN COMPANIES, SAYS LEE, HER FUND HELPS SUPPORT.

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ASIaweek - YOUR MONEY - ENVIRONMENT - DOING IT RIGHT - Asia is finally waking up to the reality of socially responsible investing.

Like most people, Mei Ng has no desire ever to see the inside of a jail, and until last year she had never even contemplated breaking the law. Then the Hong Kong government decreed that every company must have its own retirement plan. As director of the local office of the environment group Friends of the Earth, Ng had to find a pension-fund management firm for her 19-member staff. But she could not find one that placed money only in socially responsible investments (SRI). "It was unbelievable," she says. "At some point, I felt like risking. Hong Kong is a financial center, yet of the 20 providers we wrote to, only one responded." In the end, Friends of the Earth signed up with Standard Chartered Bank, which promised to respect the nonprofit organization's desire to invest its money only in socially responsible companies.

A do-gooder environment group would be expected to believe in ethical investing. But in the wealthier parts of Asia, even ordinary investors are beginning to demand that the companies they back adhere to high - or at least, higher - environmental and workplace standards. Tens of thousands of Japanese poured billions of dollars into seven SRI mutual funds that have sprouted across their country in the past 20 months. In Hong Kong, medium-sized Polaris Asset Management has announced that henceforth all six of its unit trusts will invest only in stocks that satisfy its social and ethical criteria. Singaporeans have had the opportunity to buy the pro-women and pro-family United Global Unifem Singapore Fund since 1999. "In the next year or so, we're likely to see more SRI funds in Hong Kong and Singapore, and hopefully in Taiwan, South Korea and India," predicts Tessa Tennant, chair of the newly formed Association for Sustainable & Responsible Investment in Asia (ASrIA).

Although altruism plays a role, many of the region's investors are waking up to the fact that business practices seen as socially irresponsible can wreck the bottom line. Case in point: U.S. tobacco companies, which are on the defensive from lawsuits alleging that they caused the deaths of heavy smokers. Asian cigarette makers like Indonesia's Gudang Garam continue to be money-spinners, but there is a chance their profits could go up in smoke if local anti-tobacco lobbies gather force. And in a globalized economy, Asian firms can be whiplashed - but also rewarded - by laws and consumer sentiments beyond their borders. Argues Tennant: "Companies will ultimately benefit by minimizing the downside such as environment penalties and lawsuits, and enhancing the possibility of winning new licenses for being clean."

Big money talks here - and loudly. In Japan, Nikko Eco Fund manager Tsukushi Mizue initially got the cold shoulder from companies she was screening. "Most were reluctant to answer our questions or to spare the time for a meeting," she says. "But when the fund

collected more than \$2 billion in six months after the launch [in August 1999], the companies dramatically became environmentally conscious. Some even contacted us to show their newly published environmental reports." It was a personally satisfying moment for Tsukushi, who is also CEO of Good Bankers, an environmental research agency for asset managers. Nikko Eco Fund's top holdings include carmaker Toyota, mobile-phone operator NTT DoCoMo and photographic film manufacturer Fuji Film.

Toyota is also a favorite with Zurich-based Ingeborg Schumacher, who manages the UBS Equity Fund-Eco Performance. She praises the company's drive to cut the fuel consumption of its new models and the development of the hybrid car Prius, which runs on gasoline and fuel cells. Schumacher, who is also director of socially responsible investment at UBS Warburg in Switzerland, likes electronics giant Sony as well. She lauds the corporation's program to stop the use of controversial substances such as halogenized flame-retardants and PVC in its products by March 2003. Says Schumacher: "Japanese companies realize it's important for them to deal with environmental issues because their European customers demand that they be eco-friendly, or no orders will come their way."

The fledgling ASrIA has also started grading non-Japanese Asian companies. Tennant commends Thailand's Eastern Water Resources, which supplies Bangkok with potable water, for its conscientious water conservation program. Software firm SPI Technology in the Philippines also deserves credit for its progressive labor policies. Employees can accommodate their schedule as parents so long as they complete their weekly quota of projects. Good workplace practices are part and parcel of winning an SRI seal of good housekeeping. Madeleine Lee, a representative in Singapore of international women's rights non-government organization Unifem, cites Hong Kong property developer Cheung Kong, Korea Electric Power Corp., Korea Telecom and Overseas Union Bank in Singapore for their pro-family policies. A veteran fund manager, Lee runs United Global Unifem, a venture between Unifem and Overseas Union Bank. corporations that name women to the board of directors, provide training for female workers, and allow flexible working hours and extended maternity leaves. Very laudable, of course, but is her fund making money? Global Unifem's net asset value has fallen by 25% from S\$1 per share in November 1999 to S\$0.75 early this year - the fund is now worth S\$13 million (\$7.1 million). That's because she invested in a number of U.S. dotcom companies that are notably women friendly. Still, Global Unifem ranks third in performance in the past three months among Singapore's 23 global-equity funds.

Schumacher's UBS Eco Performance fund, which is authorized for sale in Hong Kong, is also doing relatively well. Its net asset value grew 1.7% in 2000 - versus a 12.9% decline in Morgan Stanley Capital International's world index, the benchmark for global-equity funds. But Tsukushi's Nikko Eco Fund has seen its net worth trimmed by more than half to \$880 million since its 1999 launch. The Nikkei 225 index fell by just 26% in the same period. Nikko Eco Fund invested in many now-ailing technology companies, which are generally ecology-friendly because they rely mostly on brainpower, not energy-guzzling industrial processes with toxic by-products.

But despite these current difficulties, SRI fans insist that, over time, socially responsible stocks outperform general benchmarks. Over the 10 years to December 2000, the Domini 400 Social Index had annualized stock-market returns of 19.01%, compared with the S&P 500's 17.48%. Launched in May 1990, the index screens out U.S. companies in alcohol, tobacco, gambling, nuclear power and military weapons. From the reduced universe, it chooses 400 corporations based on their environmental record, product safety, employee relations and diversity. It also evaluates the firms' operations outside the U.S., focusing on wage levels and respect for human rights.

Asia has yet to get a social index of its own. Devising one can be a complicated process. Should companies operating in totalitarian regimes be excluded? Some human-rights groups argue that Chinese companies, even green ones like Guangdong Kelon, which makes ozone-

friendly refrigerators, have no place in an Asian social index. But Hong Kong's Polaris Asset Management says it will continue to invest in mainland companies as long as it sees progress on human rights in China. Based on a social and environmental screening it devised, Polaris has excluded 30 companies from its investment universe, but declines to name them. Another issue is engagement. Instead of avoiding socially irresponsible companies, shouldn't activists buy shares in them and actively work for changes as stockholders?

At this point, the Association for Sustainable & Responsible Investment in Asia prefers to work with passive investors like mutual funds to identify socially responsible investments. "SRI by nature is long-term," says Tennant, who sees an upside in the current global economic turmoil. She believes companies forced to restructure will be more aware of their responsibilities as corporate citizens, if only to attract burgeoning SRI money. In other words, they can do well by doing good. Yulanda Chung, Hong Kong

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