new economics FOUNDATION

An ethical door policy

How to avoid the erosion of ethics in Socially Responsible Investment

Ed Mayo and Deborah Doane

New Economics Foundation

April 2002

1. Introduction

Socially responsible investment (SRI) has been a consistent success story. The first ethical unit trust was launched in June 1984. The fund was dubbed the 'Brazil' model, because city analysts thought the idea was 'nuts'. The most optimistic predictions at the time were that the market would peak at a maximum of only £2 million. Yet by the end of 2000 it is likely that investment in ethical unit trusts will surpass the £4 billion mark. And with a further £200 billion invested into pension funds that incorporate some degree of SRI into their investment strategies, the SRI niche could well dominate the market within the next decade.[i]

Nonetheless, although SRI is growing at an impressive pace and continues to be buoyant even in an economic downturn, there is a risk that the movement will falter before it ever reaches the vanguard. The question is: with the encouragement to develop more and more ethical products for the market, has the SRI community lowered the ethical barrier?

If it is indeed diluting the quality of SRI's ethical approach, the industry is not just opening itself up to new entrants but also laying itself open to challenge and mistrust. After all, companies that led the movement, the early darlings for SRI investors such as Body Shop and Ben and Jerry's, learned that marketing yourself as ethical is a volatile and risky business unless you can substantiate the integrity of what you do. This is a 'prove it' world.

This paper sets out to explore the challenges that emerge as result of the rapid growth of SRI. The aim of the paper is to question some present assumptions, make practical recommendations and provoke more active and open debate on the future of the SRI industry.

2. From backwater to riding the waves: the growth of SRI

Three factors have been key to the impressive growth of social investment:

Factor 1: **The Dance of State and Market**
The withdrawal of the state from direct provision of state-sponsored services has been a major factor contributing to the development of capital markets. It has brought the private sector close to areas of ethical choice previously determined by government. Many of the key market-related ethical impacts of recent years, from water leakages to fat cat pay in utilities, fall into this category.

And yet, while promoting liberalisation, the state has also engaged in a 're-regulation' of the market in relation to governance. Since 1999, there have been two key developments that have encouraged the growth of SRI. First, the Turnbull report advised that UK company board members take into account

"environment, reputation and business probity issues" when considering internal controls. Second, amendments to the pensions act, which came into force in 2000, now require all pension fund trustees to write in their Statement of Investment Principles whether they have an ethical investment policy and if so, what it is. The revised Act also encourages institutional investors to operate as a counter-veiling power to the actions of unaccountable corporations by requiring trustees to state their policy on the exercise of voting rights. Whereas fiduciary responsibility previously required that pension fund trustees look solely at financial performance, this enabling legislation has meant that all major institutional investors are now impelled to consider what ethics really means.

Finally, other changes in state policy, such as eco-taxes, have led business and investors alike to pay more attention to the externalised impacts of their business. These can only be expected to grow as more and more international attention is placed on the issue of sustainability.

Factor 2: **The Rise of the Moral Economy**

Consumer demand for a wide range of ethical products and services is on the increase. For example, the UK organic food market has almost doubled in value this past year alone, and is now estimated to be worth over £605 million, following ongoing crises in UK farming. The ethical consumer is more aware than ever before. Given opportunities to do so, almost a quarter of UK consumers regularly choose an ethical product, while a much larger majority would do so if ethics were made easier.[ii]

Similarly, wider and deeper information disclosure by companies, while not yet regulated, is increasingly becoming the norm. Developments such as the Global Reporting Initiative have provided an international platform of consensus amongst NGOs, leading corporations and governments to provide relevant social and environmental information to investors and other stakeholders. The Association of British Insurers, similarly, released reporting guidelines for companies at the end of 2001. Clear and trusted information underpins the development of capital markets. While this is already expected with regards to financial information, the emergence of models for social and environmental reporting are starting to shift from being a framework for corporate best practice to become the market norm, part of a licence to operate.

Factor 3: **The Fault Lines of Society**

This wider transformation of the financial services sector is part of a process of globalisation that exposes new needs and creates new opportunities for social investment. In the late 1980s, SRI leaders such as Tessa Tennant in the UK and Joan Bavaria in the USA led the development of new ‘green’ SRI funds. The 'community development finance' sector has played a

critical role at the deep ethics end of SRI. Innovations in this area have included venture capital for social entrepreneurs and a growing range of micro-finance funds, many now offered in partnership with the major high street banks.

The combination of these factors has demanded the attention of fund managers, corporations and individual investors. There are now over 55 ethical funds available in the UK and 220 across Europe. The majority (59%) of occupational pension funds, representing 78% of pension fund assets now incorporate SRI into their investment strategies.[iii] No longer the domain of the 'deep greens', the business of ethics is clearly now part of mainstream financial services.

3. Are Ethics Being Eroded?

While the older approach of SRI funds was to establish a series of negative screens to exclude investments in areas such as arms or tobacco, modern SRI retail fund managers typically manage their portfolio through a combination of basic screening requirements, positive and negative, and engagement strategies. But throughout the SRI range, there currently lacks any well developed framework for comparison for companies between SRI products. From unit trust management to ethical indices, such as the FTSE4Good, what has emerged has been a patchwork of approaches.

Of course, different people and groups will have different demands, especially as regards to what is ethical and what is not. Some information is available to consumers, such as John Fleetwood's Ethical Money online, which has a system for scoring the fund based on screens, transparency and engagement. Specialist Independent Financial Advisers can be a good source of information on SRI quality. The Ethical Investors Group, for example, ranks a selection of SRI funds on the quality of their ethical criteria[iv]. The funds that score poorly include City Financial, Framlington Health Fund and Sovereign Ethical Fund. Interestingly, these are typically old not new SRI funds.[v] Other funds, such as the Standard Life Ethical Fund are heavily focussed on the environment, engaging only on a superficial level with regards to human rights of labour issues.

Without specialist knowledge, it remains far more difficult for the consumer to distinguish between SRI funds on grounds of ethical performance than on the basis of historical financial performance, which is one of the driving forces behind ethical investment. The acceptable relative financial performance of SRI funds has been key to its growth to date. As Stuart Owen, of Barclay's Global Investors said recently, "there is an enormous dam of desire for socially responsible investing. We just want to make sure it makes financial sense".[vi] However it is clearly no less important that funds adhere to the objectives they have set out for themselves, namely, that the companies they invest in do in fact have a

positive – or at least a neutral - social and environmental impact.

There are seven question marks around some of the practice now in the market.

1. Lack of wider corporate reporting standards. The primary problem with the absence of standards in reporting is that companies can report on what they wish to disclose, withholding information that may result in risk to the reputation of the company. It further limits the ability of analysts to compare companies within a given sector and individual investors from knowing the ethical performance of the company behind their investment.

As one research report last year concluded, "In the absence of mandatory environmental and social reporting, SRI analysts are still forced to rely on a wide range of resources for their information. Except in the US, where regulatory requirements are stronger, the most important source of information is still the company." [vii]

The SRI community has helped to encourage more companies to report, but they fall short of calling for a clear reporting standard. The outcome of this has been 'questionnaire fatigue' whereby companies are required to fill out excessive numbers of reports for fund managers on information which should otherwise be contained in social and environmental reports.[viii] Fund managers don't fully trust what is in these reports, because there are no clear guidelines on what should be included. At the end of the day, a lack of transparency means that investment choice is less than adequate.

2. How "engaged" is engagement? Early SRI funds relied heavily on negative screening criteria, whereby whole industries, such as tobacco or arms, are disqualified. But best practice over the last decade has moved towards a second generation approach which balances the screening methodologies with engagement and positive criteria for inclusion into a fund. Methods may include: posing questions on social issues at routine meetings; writing to company management; or issuing written letters to shareholders. In most cases, engagement relies heavily on determining whether or not companies have systems in place to cope with ethical issues.

The engagement approach has been a welcome one, and one that, on governance issues at least, has had an impact on the corporate boardroom. Henderson's Global Investors now operate an engagement policy, reviewing social and environmental risk across their full portfolio of over £100 billion, above and beyond their funds marketed as SRI, valued at over £1 billion. Similarly, Friends Provident markets ethical funds valued at £1.7 billion, but operate an engagement policy covering £13.2 billion in assets.

On other issues, such as executive pay, the jury is still out on whether engagement has a real effect. More fundamentally, there is no

evidence yet that SRI funds increase the cost of capital for moral pirates or lower it for the saints.

3. Process vs. Performance*.* As in the Corporate Social Responsibility (CSR) field as a whole, SRI advocates argue that through managing social and environmental issues, companies will perform better financially with less risk. Many firms have adopted some of the relevant CSR management techniques, making them eligible for inclusion in various SRI categories; but information is lacking on whether or not social and environmental performance has, in fact, been altered. Management systems, per se, offer no guarantee of better ethical performance. A recent study has shown that companies with EMAS systems perform no better on the environment than those without.[ix]

The process-driven approach leads the SRI community towards a 'moral drift', accepting investments that fit a given criteria but without an entry-level barrier with regards to ethical performance. Ironically, those companies which have avidly adopted the CSR agenda are often amongst the most 'unethical' companies: Shell and RTZ, for example. Because CSR management practices have been adopted, they are attractive to the SRI investor. While SRI funds have typically avoided these companies, they have nonetheless been rewarded by the headline SRI indices, such as FTSE4Good. Over time their performance may improve, but even the "best of the class" of the oil companies ought to be excluded from SRI categories concerned with the environment, if their core activities continue to support a primary market failure which is the lack of accounting for the true social and financial cost of carbon emissions.

4) Practicing what you preach. Few retail SRI funds[x] are run by fund-management companies dedicated solely to SRI. For other funds, there is no guarantee that the management company is dedicated to good practice corporate social responsibility, of the kind their SRI funds will insist on. In short, there is nothing to stop ethical funds being run by unethical companies.

5) Who decides*?* Many SRI funds operate in a top-down manner. They can be good at communicating: SRI funds such as Jupiter Asset Management have developed excellent newsletters and reports to explain their policies and the companies invested in. Indeed the Jupiter team is audited by its compliance department for adherence to the ethical policies. Letters seem to be welcomed. But in terms of setting the policies themselves, the majority of SRI Funds shun real democracy or participation.

This is far from the approach of Triodos Bank, which pioneered the idea of ethical finance in the UK by offering savers the choice of where their money would be targeted, i.e. to organic agriculture or to social housing. Originally set up as 'Mercury' Provident, after the fleet footed god, Triodos' idea was to democratise finance by seeing their role as a go-between

in a more transparent relationship between saver and borrower.

Few SRI initiatives encourage active debate and decision-making over the ethical policies. The honourable exceptions, that show how to do it, include Shared Interest and Standard Life, which bases its policy on an annual survey and includes direct investors on its Ethical Committee. Typically, however, SRI funds claim legitimacy by appointing 'committees of reference' or using recognised consultants to do screening. Neither is an effective route to raising quality. As of now, SRI research screening is a consultancy business, subject to the usual conflicts of interest, rather than a profession governed by standards. Well-known, well-meaning names on a committee of reference are no substitute for real dialogue with the key stakeholders of SRI, including investors themselves. Moreover, borrowing trust from famous names in this way can be a risky business. Nike employed Andrew Young, the former US Ambassador to the UN, to check their ethics, but his ringing endorsement of the companies' treatment of workers in developing countries was later embarrassingly exposed as ill-informed hype.

Friends of the Earth recently surveyed the UK's top 100 occupational pension funds and found that, while most pension funds contained an SRI statement, many of these had few or no demonstrable accountability mechanisms established for trustees to ensure that the fund managers were taking SRI considerations into account in their investment decisions. They also revealed that there was almost no independent stakeholder verification of any of the claims made.[xi]

6) Lack of leadership. With few exceptions, there is a telling lack of ethical leadership in the sector. SRI funds had nothing to say on the proposed Multilateral Agreement on Investment, which ran counter to the very principle of social investment. They have been silent on key public debates on issues such as GMOs and clear-cut financial injustices such as third world debt. The Jubilee 2000 campaign, chaired by the New Economics Foundation, was backed by figures as diverse as Bono, the Pope and Peter Mandelson, and organisations as diverse as the TUC and World Council of Churches, but not a single one of the city-based SRI funds. It is not that private companies refuse to take public stances. NatWest has taken a stand to support Stonewall's Equality Campaign for gay and lesbian rights, while Carlton has backed campaigns to cut homelessness. It could be agreed that these issues have little impact on day-to-day investment outcomes. But it makes a mockery of the idea of 'responsibility' if SRI funds have a vested interested in keeping quiet on the larger issues which shape social and environmental outcomes.

7) Defining Ethics. Ethics itself is a loose term. With no baseline standards, there are opportunities to manipulate the definition of ethics in order to incorporate some high performing companies with questionable

track records. The weakening of ethical criteria may be less the case within many retail SRI funds, but is clear cut for a number of the recently developed SRI indices [xii]. As ethical investment pioneer Tessa Tennant argues in the *Financial Times*, “simply declaring a company best-in-class can also be a means of justifying stock selection that would otherwise have no place in a SRI portfolio” [xiii]. As these indices spawn new SRI savings products, so a new generation of ‘ethics lite’ - high claim / low ethics - SRI funds will be born.

In the case of the FTSE4Good, for example, only so-called “high impact” companies are scrutinised, and only in particular areas. Thus, IT companies are not considered to pose a risk to the environment, in spite of the use of energy that consumer IT and electrical goods consumes and the problem with disposal of IT hardware equipment. Similarly, the pharmaceutical industry is not screened for how it deals with human rights – in spite of the challenges being made by developing countries for access to affordable medicines and the uncompensated use of plant and

Comparing the 'Ethical' Indices Top 10

	Ethical Approach	Top 10 companies in the index by Market Cap.
Domini 400 social Index	Excludes key industries • data collection from companies and government information • contacts with special interest groups	Microsoft Corporation American International Group Intel Corporation Merck & Co., Inc. AOL Time Warner, Inc. SBC Communications Inc. Verizon Communications Johnson & Johnson Cisco Systems Inc. Coca-Cola Company
Dow Jones Sustainability Index	Excludes some industries • remainder based primarily on questionnaire input and review of existing policies and reports	BP PLC Bristol-Myers Squibb GlaxoSmithKline PLC Home Depot Inc. Intel Corp. Johnson & Johnson Novartis AG Pfizer Inc. Procter & Gamble Co Royal Dutch Petroleum Co.
FTSE4Good (UK 100)	Excludes key industries • screening "high impact companies" only • best practice approach • limited measures of performance	BP GlaxoSmith Kline Vodafone HSBC AstraZeneca Shell Transport & Trading Lloyds TSB BT Barclays Diageo

animal genetic material extracted from the South.

The Dow Jones Sustainability Index includes companies that may be making efforts to clean up their act but still operating in ways far from the dictates of sustainability, (i.e. in terms of full-cost accounting and the maintenance of natural resources over generations). When dealing with long-term issues of survival, being semi-sustainable is not enough. From this perspective, the Dow Jones Index is closer to being an 'Unsustainability Index'. Excluding companies that are unreconstructed even in terms of the first steps forward is not enough to warrant a badge of sustainability for those left in.

Ethical Performance?	
Microsoft Corp	Accused of forming cartel, object of suit to compensate US and UK consumers for price rigging (Case: US vs. Microsoft / Consumer Federation of America)
American International Group	Established ties to CIA and US military, being investigated by US federal agencies for money laundering through Coral; Enron director Frank Wisner Jr. is on the board (Sherman Skolnick, Chairman of Citizen's Committee to Clean up the Courts)
Intel	Multiple cases for abusing monopoly. University of California Study shows foreign workers paid average $7,000 less than native professionals in same category. (United States District Court, Northern District of Alabama / University of California, Davis Computer Science researcher Professor Norman Matloff)
Merck and Co	Cited by US Food and Drug Administration for misleading doctors about potentially lethal side effects of drugs (FDA / British Medical journal 2001;323:767)
Johnson & Johnson	Have been accused of irresponsible marketing in developing countries and has a poor record on animal testing (Ethical Consumer Research Association)
BP Plc	Leaked report from Columbia shows collusion with military to protect their interests; Controversial new exploration in Alaska. (McSpotlight/Sierra Club, US)
Glaxo-SmithKline	Earned much media attention for blocking import of affordable life saving HIV drugs into Africa (The Guardian, 2.12.2000)
Novartis	Leaked internal documents expose cruel and illegal use of primates and other animals in xenotransplantation scandal, fabricated results (The Ecologist, 22.01.2001)
Proctor and Gamble	Down-played risks to babies of organotoxins found in "Pampers"; multiple citations for cruel and illegal experiments on animals and has admitted to spying on rival Unilever. Continues to work in Burma (Greenpeace, Corpwatch UK, BBC 31.8.2001)
Royal Dutch Shell	Human Rights abuses in Nigeria – criticised by EIRIS for working in various other countries with poor human rights records (Ethical Investment Research Information Service)
Astra Zeneca	GM food and patent scandals (Corpwatch US)

4. Where to next?

If the 30% per year growth trend continues, we can expect the value of the annual retail SRI market in the UK to be worth at least £15 billion in 2004. But will the halo fade?

While the SRI sector clearly plays a positive role in introducing ethical practice into business, there are some obvious ‘rotten eggs’, or perhaps more fairly “over-hyped” SRI initiatives. It could be argued that these are not the market leaders and that there are good counter-examples of excellence emerging. But this does not seem convincing as a strategic view. It ignores the extent to which the sector overall can be increasingly tainted and discredited by poor performers that trade on ethics but are cheapening standards. It undermines the long-term credibility of SRI. An industry born out of a consumer demand to know how funds are being used, cannot afford to see trust eroded by misleading claims or poor quality. Trust is self-reinforcing: trust breeds trust but mistrust breeds mistrust.

Therefore, while a diversity of approaches will be required to meet varying consumer demands – such as community investment funds or deep ecology funds - there is logic in a system in which ethical funds should be required to meet a minimum baseline standard. Most importantly, funds should themselves have to meet the ethical performance criteria they set out in defining themselves as 'ethical.'

This is the route that has been taken by the organic food sector from the start. The strategic view of early pioneers of organics, who included visionary economists such as Fritz Schumacher and George McRobie, was that, even if it took time, the organic approach was bound to succeed. It was the only way to approach environmental sustainability. Their concern was to secure the integrity of the approach against being watered down even if it raised costs and created barriers to entry into organics markets. An organics standard and certification approach under the rubric of the Soil Association was how they have achieved this.

It could be argued that the absence of standards encourages funds to compete with each other on the quality of their ethics in order to differentiate what they do. But in practice, this is not what is happening, especially given limited public awareness of the diversity of approaches available. This could be explained if new funds were appealing to new investors rather than predominantly competing for existing investors. For this, all they need to do is to claim the badge of being an ‘ethical investment’. Indeed, by paying a small fee to the UK Social Investment Forum, they are able to use the only recognised logo in the field in their advertising. In reality, the claim to be ‘a member of the UK Social Investment Forum’ means nothing more than a rhetorical commitment to ‘advance’ SRI, with none of

the real quality testing and certification that occurs with the use of the Soil Association logo and certification standard. The Social Investment Forum has no teeth with which to raise quality standards and the only power it does have, to revoke organisational membership, has never been used.

An excellent model exists in the form of the standards developed by the Netherlands Social Investment Forum (VBDO) for 'transparency in sustainable investment funds'. These set out fourteen strict criteria for the operations of SRI funds. The purpose is to, "provide clarity and transparency to all existing and potential customers and investors, to inform them about which objects and companies are being invested in, and in what way their sustainability is being audited, managed, established and possibly promoted. This clarity and transparency will be provided to existing and potential investors, first of all, in their annual reports and otherwise verbally, by telephone, electronically, or in writing."

The forum carries out a one or two-day assessment of SRI funds, to assess compliance with the standard.

Key elements of the Dutch SRI Guidelines

1. The investment fund will provide its clients with information about the makeup of its portfolio; that is, all the companies in which it invests and to what amount.
2. The investment fund will provide information about the sources and methods it uses to request and acquire information abut the degree of sustainability of the company it has included in its portfolio.
3. The investment fund will declare its accountability to the clients about the match between criteria maintained by the fund and the makeup of its portfolio. The fund will explain why some companies have been admitted to the portfolio while they have not fully met the set criteria.
4. The investment fund will provide clarity about the conclusions it draws (and within what time frame) from the information that a company no longer meets the set criteria.
5. Should the investment fund indicate a time frame in which the company must meet the criteria, it may keep that company in its portfolio longer than stated at point 7, provided that:

- It states why it has chosen to do this;
- It motivates that company (for instance, through dialogue) to take measures to meet the criteria;
- It lists what methods will be used to motivate that company to take the necessary measures for meeting the criteria;
- It indicates what changes the company must make to meet the criteria.

Source: VBDO, Guidelines for transparency by Sustainable Investment Funds, version 1-2002, January 15 2002

A Proposed Ethical Standard

There is a balance to be struck between 'minimum' quality standards and over-prescription. Standards should not preclude the development of a diversity of approaches. While SRI has grown fastest in Anglo-American societies, the development of SRI in continental Europe and Asia clearly demonstrates the need for funds to respond and adapt to the ethics and culture of investors. The core requirement to ensure baseline quality across the field is therefore based on the principle of accountability. This means that funds should account for their actions to those with a legitimate interest, including investors and those with a close stake in the ethical outcomes they focus on (i.e. community stakeholders, civil society, employees). To discharge accountability means that funds, as the international AA1000 standard suggests, must live up to core principles of transparency, responsiveness and compliance.

We therefore propose the following six baseline criteria for an Ethical Standard.

1. For consumers to make an informed choice, SRI funds should provide sufficient information on their ethical policies, the process by which such policies are implemented, how investment decisions are made and how compliance is monitored.

2. SRI funds should also provide sufficient information on the process by which such policies are derived, and the contribution, if any, of investors in this process.

3. SRI funds should report regularly on how their ethical aims have been met in practice. They should be required, not just to benchmark financial performance, but ethical performance as well.

4. When relying on independent standards such as AA1000, ISO140001, or SA8000 to guide investment decisions, SRI funds should state this openly.

5. Funds should provide information on the adherence of the operating company or fund manager running the SRI fund in relation to base level ethical standards on governance and accountability, and whether the company completes regular social and environmental reports.

6. Information systems should rely on data from a range of sources – not just from inside the company.

SRI funds would be certified against a minimum standard of this form. European governments such as the UK and Germany are taking an active interest in the development of the SRI sector, in part as a result of the shift from pay-as-you-go to funded social security systems. If the evolution

of baseline standards does not evolve initially within a market-environment through self-selection and certification, as in the Soil Association model, then government will ultimately have to step in and impose a standard.

The best way for the standard to emerge is for leading SRI funds to develop a certification club, capable of developing into an independent certification process over time. The UK Social Investment Forum, or possibly the new European Social Investment Forum, could play a constructive role in incubating this, starting with a clearer and more rigorous assessment of its existing criteria that fund managers that are members 'advance' social investment in the balance of their operations. Of course, this standard will take some time to evolve. It may be that any interim certificate on offer to SRI funds should be based on substantive steps towards adherence, with full compliance within a defined period of two years. Furthermore, a baseline standard is only one component of a wider quality agenda: there will be a need to look at improving systems of knowledge sharing and learning on national and international best practice, benchmarking, training (i.e. for Independent Financial Advisers) and perhaps quality circles on industry issues such as SRI research methodology.

It may be that the leadership does not come from the SRI sector. After all, from the start SRI funds have never truly enjoyed the backing of senior figures in the investment community. If so, then leadership is likely to emerge from two other sources. First, the NGOs and churches that have done so much to persuade their supporters to sign up to SRI. Second, the leading ethical businesses that can teach SRI funds how to operate as true ethical businesses themselves. A push from within the SRI sector, though, is likely to be more comfortable for SRI funds, rather than a pull from these two key and increasingly critical groups who see much of what is emerging from the sector, especially from the ethical indices, as essentially 'greenwash'.

Conclusion

It is not enough to trade on the threat of environmental degradation, ill-health or growing inequality. SRI funds have a responsibility to diminish their likelihood. The growth of SRI, and innovations that have taken place in the sector, has risked sowing the seeds of its own downfall by diluting quality standards. Without such standards, the new SRI Indices, in particular, will represent cuckoos in the nest. With quality standards they can begin to play the role needed of differentiating between companies in terms of progress towards good practice without diluting what counts as good practice. Moreover, some SRI funds are proving less than transparent in terms of living up to their own criteria for investment in other companies.

A time of growth is a good opportunity to invest in the next round of innovation and development required to sustain success.

While developing and instituting a standard will not be straightforward, the alternative of a downward slide into scandal and consumer mistrust will be tougher.

Financial services are moving into an era of hyper competition. The dis-intermediation of financial services lowers barriers to entry in financial services, and new entrants to the market have created conditions of high competition in the most profitable areas of business. Brands have become far more important for selling services, and with this comes a premium for brands and companies with strong reputations. The lesson for SRI funds, as it has been for those it invests in, is that ethical performance becomes not just a premium for the good, but a market risk for all.

Endnotes

---

i EIRIS, May 2001.
ii Who are the ethical consumers? Co-operative Bank: 2000.
iii EIRIS, May 2001
iv Ethical Investors Group. www.ethicalinvestors.co.uk
v http://www.ethicalinvestors.com/fund_directory/index.htm
vi FT Weekly Review, Feb. 11 2002 no. 2
vii Sustainability, Institute of Chartered Accountants of England and Wales, 2000
viii Ethical Performance, February 2002, pg. 3
ix Frans Berkhout and Julia Hertin, Towards Environmental Performance Management, Science and Technology Policy Research, University of Sussex, April 2001
x Some of these include Women's Equity Mutual Fund or Green Century Funds
xi FOE, Top 100 UK pension funds – how ethical are they?
xii Over 16% of the FTSE4Good has been invested in the oil and gas sector
xiii Financial Times, February 23rd 2002