SRI

IN ASIAN EMERGING MARKETS

ASrIA Reports

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ASrIA Reports

SRI in Asian Emerging Markets

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Countries

China
India
Indonesia
Malaysia
Philippines
South Korea
Thailand

Also find on our website the following related reports:

Japan
Hong Kong
Singapore
Taiwan

All these Reports are also freely available on the ASrIA website at:
www.asria.org/publications

Each individual country report, with associated documents, appendices and other related information will also form the basis of the relevant country pages of the ASrIA website at:
www.asria.org/sri/asia/sriasia

ASrIA sincerely welcomes receipt of any updated information relevant to any part of the reports. Please direct to **david@asria.org**

Methodology

This Report was produced in collaboration with researchers in each country. Research has largely been conducted by telephone, face to face interviews, media and internet searches.

Disclaimer

ASrIA does not guarantee that every relevant organisation and individual has been covered in each market. With the resources available in each market, the reports make every effort to focus on key areas of relevance, to deliver data that is accurate and opinions that are objective and balanced.

Foreword

The expansion of Asia's private sector and its accompanying investment opportunities are forever changing the global economy. Yet as home to roughly half of the world's population, rapid industrialization, expansion of information technology, and urbanization underway throughout East and South Asia pose enormous challenges that must be recognized by private investors and governments alike. Hundreds of millions of people are in the process of moving permanently from the countryside to cities. Rapidly expanding businesses are making further demands on resources. Throughout the region, clean water, clean air, biodiversity, fisheries, fertile soils, and improved standards of living are all at risk because of unsustainable development.

For the most part, portfolio investors in Asia have yet to explicitly recognize the complex array of issues that could hinder long-term private business and investment returns. The socially responsible investment industry - a $2.4 trillion worldwide industry that includes 760 retail funds and hundreds of institutional investors - has only just begun surfacing in Asia and has yet to fully demonstrate how its techniques can contribute to business performance. Research commissioned by IFC on the SRI industry indicates that SRI assets amount to only $2.2 billion in all emerging markets, including Asia. That is less than one tenth of 1 percent of the worldwide total. Only $1 billion in SRI assets is held by developing country investors.

Evidence shows that SRI investment approaches provide returns at least as strong as funds that don't take social, environmental, or corporate governance factors into account. Well-constructed and well-managed SRI funds have consistently proven to match or outperform their benchmarks. In the context of such enormous challenges facing Asia today, SRI has potential for contributing further to improved environmental and social conditions. SRI investors can also be a factor in improving long-term economic competitiveness by positively influencing corporate behavior and governance.

The International Finance Corporation, the private sector arm of the World Bank Group, shares the caution and conservative nature of most other financial institutions, in line with our fiduciary responsibility to shareholders. Yet in the process of nearly 50 years experience investing in developing countries we have learned how good investment returns are compatible with creating employment, a healthy environment, and an improved quality of life in developing countries. We set high standards for corporate governance and environmental and social performance and innovation, not only to fulfill our development mission, but because our investments in nearly 3,000 companies in 140 countries have demonstrated that there are valuable business benefits from initiatives that help progress toward sustainable development. IFC's experience would indicate that SRI investors likewise may be able to gain insight and better exploit hidden market opportunities by focusing on sustainability leaders.

The International Finance Corporation is fortunate to have been able to work with a partner like ASrIA to bring the message of sustainable investment to a wider audience. SRI has great potential in the emerging markets. Realizing this potential requires objective and thorough analysis of the investment opportunities and barriers; targeted programs of research, awareness raising and capacity building; and strong international partnerships to influence framework conditions and catalyze the market. The pioneering research undertaken by ASrIA and its partners for this report is another significant step forward. More needs to be done, and IFC and its Sustainable Financial Markets Facility look forward to playing their part.

We are grateful to the governments of the Netherlands, Switzerland, and Norway, whose cofounding enabled IFC to sponsor this important work.

Javed Hamid
Regional Director for East Asia & Pacific
International Finance Corporation

Executive Summary

David St. Maur Sheil
Director, ASrIA

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1.0 THE AIM OF THE COUNTRY REPORTS

The purpose of this set of reports is to provide up-to-date and comprehensive information on the status of SRI in seven of Asia's Emerging Markets and, through this work, to advise on potential next steps for further developing SRI in Asia. The Reports are primarily directed at global SRI investors on the one hand and local investors on the other, as well as to governments, development agencies, corporates, civil society organisations and all others interested in and instrumental to sustainable investment in Asia.

Global SRI Investors: To alert them to the opportunities for SRI investment in Asia's emerging markets. As the research proceeded it also became clear that global SRI investors have a critically important role to play in introducing SRI investment models and practices into these markets, in addition to highlighting investment opportunities. We hope these Reports will encourage global SRI investors to help establish SRI and to promote the long-term value of introducing SRI practices and products into these markets while they are still in the developmental stage.

Local Investors: To introduce a wider audience to SRI and to provide new insights for local investors into the potential of SRI in their home markets. In addition, to indicate the role that SRI can play in orientating investment and development towards sustainable goals.

Governments, development agencies, corporates and civic society organisations will also find the Reports provide both a useful introduction to SRI and alert and educate them on the new business and investment ethos emerging around the world. Globalisation is uncovering the costs to economies, society and the environment of corruption, exploitation and inertia, whilst also demonstrating the benefits of a win-win 'triple-bottom line' approach to integrating economic, social and environmental criteria together. It is not therefore a matter of if SRI can or should be introduced into Asia's emerging financial markets, but how and in what forms.

2.0 WHAT IS SRI?

SRI has been adopted in some Asian markets, notably Australia and Japan.

Sustainable and Responsible Investment (SRI), also known as socially responsible investment, is an investment approach that integrates social and environmental considerations into investment decisions. SRI provides a means by which the financial community can direct investment towards sustainable development. SRI is also a means of exerting leverage on the corporate sector to orient business practices towards ethical and sustainable goals. In addition SRI funds have played a role in influencing governments and regulatory bodies to introduce policies that will encourage the ethical performance and transparency of financial markets.

SRI is a concept that has proven itself over several decades in the West. It has already been adopted in some parts of Asia, in particular Australia and Japan. SRI funds now form a significant percentage of many developed markets and are tracked with indices such as the Dow Jones Sustainability Index, the Domini 400 Social Index and the FTSE4Good Global Index. Morningstar also produce an SRI index for Japan.[1] SRI funds have been studied by the financial and academic communities and there is considerable evidence to show that SRI can perform as well as, if not better, than regular investments over the long term.

Finally, SRI provides individual investors with the opportunity to 'know what they own' and invest in-line with their personal values.

To learn more about SRI, visit www.asria.org, the primary resource for SRI in Asia.

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[1] Morningstar Japan SRI Index: www.socialfunds.com/news/article.cgi/article1209.html

3.0 THE SCOPE AND METHODOLOGY OF THE REPORTS

The Reports, which have been sponsored by the IFC, covered the following Asian emerging markets:

China
India
Indonesia
Malaysia
Philippines
South Korea
Thailand

In addition, ASrIA has also conducted similar surveys of four of the more developed Asian markets. A summary of the findings of these reports are also presented in this Executive Summary:

Hong Kong
Japan
Singapore
Taiwan

All the Reports are freely available on the ASrIA web-site at:
www.asria.org/publications

The Reports were all carried out by one or more dedicated researchers in each country. The period and resources available for the research were limited, however. Most research was carried out by face to face and telephone interviews, text, media and internet searches. Though every effort was made to ensure the objectivity of each Report, there is no doubt that each Report also expresses its own unique flavour, providing additional insights into the issues, concerns and values that might come to define SRI in each country.

Each Report is designed to form the basis of a special section on each country on the ASrIA website. In each country section you will find the full pdf. report and also, where we have it, additional appendices and other information gathered during the research process. Updated information on funds and other noteworthy news will be added to the Country Pages on the ASrIA website over time, thereby ensuring that these remain an ongoing current source of information on the development of SRI in Asia.

4.0 REPORT SUMMARIES

As well as the Executive Summaries at the beginning of each Country Report, there is a final section providing an assessment of the future of SRI in each country. This includes a bullet-pointed summary for each country.

5.0 WHY SRI IN ASIA?

The experience and methodologies of global SRI funds and research providers has much to offer emerging markets.

SRI has already gained a firm foothold in several Asian markets, in particular Japan. However, it is still very early days and the concept is still virtually unknown to most investors. ASrIA is committed to promoting SRI as widely as possible in Asia because we believe that the financial sector has a critical role to play in steering economic development towards sustainability. However there is some debate over the extent to which the model of SRI as developed in the USA and Europe is applicable in Asia, where cultures are diverse and stages of development are very different across the region. The debate on Asian values that took place both before and since the Asian financial markets crisis of 1987-9 is relevant here. Essentially there is no hard and fast answer to the question of the appropriate forms of SRI for Asia. However there is no doubt that from a purely financial perspective, US and European SRI firms have extremely valuable experience in managing SRI funds and conducting the necessary research. All the reports highlight the value to their markets of having this technology and experience brought to bear, via the registration of global SRI funds, or joint-ventures between local and global SRI fund houses.

On the other hand, there is also no doubt that the introduction of SRI into Asian markets will cause new forms of SRI to emerge, widening and broadening the debate on what values, screens and approaches are most effective in each market, and even feeding new energy back into the more established global SRI markets and the wider SRI dialogue. As mentioned in the Philippines Report, SRI needs to be shown to be relevant to the broad development goals of each Emerging Market in order to be seen as relevant and to gain support.

Illustrating the impact that SRI funds can have on corporate reporting, transparency and on corporate CSR, showing the influence that SRI funds have had on Government policy, for example on pension fund policy, and illustrating other ways in which the finance sector can contribute to sustainable investment, show the valuable influence that SRI can have on the sustainable development objectives in each country.

6.0 THE ROLE OF ASRIA

ASrIA was established in response to the grave environmental and social situation in Asia, the growing SRI trend in the West and the early indications that the market opportunity for SRI in Asia is significant. Environmental pollution in Asia is "pervasive, accelerating and unabated" (ADB).[2] Asia is home to 12 of the 15 most polluted cities in the world (WHO),[3] yet massive infrastructural investments in Asia are still needed. There exists a one-off opportunity to introduce clean technology and infrastructure development up-front to reduce pollution and avoid worsening the 'clean up later' approach. In addition building a social agenda that embraces vulnerable groups of society remains a deep-seated challenge for Asian economies. Issues such as poverty alleviation, provision of health care, access to potable water, shelter and education are key social issues that must be balanced and considered in relationship to environmental issues. Other social issues that are of direct concern to the investment industry, also include labour rights, health and safety in the workplace, pension provision, community involvement by corporates and the extent to which corporates reach out to stakeholders.

ASrIA's mission is to raise public awareness and educate corporations and financial institutions about sustainable development and their role in making a safe, healthy, equitable and ecologically rich future. Most importantly ASrIA aims to do this in an Asian context, to help develop the Asian agenda for SRI so that it meets the demands of Asian companies and communities where cultures and priorities may be different from the West.

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[2] ADB; www.adb.org/Documents/News/2001/nr2001057.asp

[3] WHO; www.who.int/en/

These Reports are one important step in revealing the status and potential for SRI in Asia and providing some pointers to the benefits that would flow from adopting and integrating SRI criteria into investment as widely as possible through-out the region.

ASrIA has developed resources and expertise that can be made available to any group interested to act on any of the Report recommendations or otherwise pursue SRI in an Asian context.

7.0 WHAT IS AN EMERGING MARKET?

The term "emerging market" as defined by Standard & Poor (S&P)[4] implies a stock market that is in transition, increasing in size, activity, or level of sophistication, that is in a low or middle income economy as defined by the World Bank, and that has a relatively low investable market capitalization relative to its most recent GDP figures. Furthermore, stock markets that retain or introduce investment restrictions such as foreign limits, capital controls, extensive government involvement with listed companies, and other legislated restraints on market activity, particularly on foreign investors, are generally considered emerging markets. Pervasive investment restrictions on foreign portfolio investment should not exist in developed stock markets, and their presence is a sign that the market is not yet "developed."

The Asian markets that were covered in this Report are considered to be emerging markets. However one trend that stood out with all of the markets that were covered was very significant, if not uniform, efforts to reduce constraints on foreign investment and free-trade. One of the underlying themes of this Report was to look for ways in which the opening of markets and embracing of free trade could also act as a catalyst for embracing fair trade and adopting ethical forms of investment in order to orient financial flows towards investment in the infrastructures of sustainability. SRI is also recognized as a valuable tool for educating and empowering individual investors in the emerging markets.

8.0 BRIEF MARKET SUMMARIES

The Reports have enabled us to update and illustrate the scope of SRI investment around the region. The following provides an overview of developments. Full details of all the funds and other initiatives mentioned below are available in the individual country reports.

Australia

We have **not** produced a Country Report for Australia, however for comparative purposes with other Asian markets, we reproduce the financial data below from the Australian 'Ethical Investment Association', 2002 Benchmarking Report[5], as well as noting some other points from ASrIA's own records. Australia has been the leader in the region for introducing SRI.

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[4] The S&P Emerging Market: Indices, Methodology, Definitions, and Practices. (February 2002). www2.standardandpoors.com/spf/pdf/index/method.pdf

[5] The financial data on Australia is reproduced from the:Ethical Investment Association www.eia.org.au ; 'Socially Responsible Investment in Australia - 2002, Benchmarking Survey, Conducted for the Ethical Investment Association by Deni Greene Consulting Services, September 2002' www.eia.org.au/PDF/eia-benchmarking-survey-2002.pdf

Australia

- Well developed retail driven SRI market
- AU$13.9 billion / US$ 8.9 billion under management in SRI funds in Sept. 2002

• US$ 1.2 billion	in managed SRI funds
• US$ 82 million	in private SRI portfolios managed by financial advisors
• US$ 4.4 billion	in investments by religious organisations
• US$ 76.5 million	invested by charitable trusts using SRI criteria
• US$ 3.3 billion	in employer superannuation funds using SRI overlays
• US$ 108 million	in community finance investment

- SRI funds register over 700% growth since 1996

• 1996 11 funds	217 million
• 2001 46 funds	1,347 million
• 2003 74 funds	1,760 million

- 24 financial advisors
- Several domestic SRI research providers
- SRI industry association: the 'Ethical Investment Association''.
- SRI industry magazine www.ethicalinvestor.com.au
- SRI pensions legislation requiring all superannuation funds to declare whether they have taken social, environmental and ethical criteria into consideration during the investment process was introduced by the Government under pressure from the SRI industry.

The following four Asian markets, which have well developed financial markets, were not covered in the reports sponsored by the IFC, however ASrIA has produced similar reports on these markets which are available on the ASrIA web-site, www.asria.org

Japan • A major market for SRI has developed in Japan, with strong retail support • Some significant institutional mandates also awarded, e.g. Tokyo Teachers Pension Fund • Nikko-Eco Fund is one of SRI's biggest success stories globally • There are 10 other SRI fund providers • Yen 70 billion / US$ 599 million invested in SRI funds as of Feb 2003 • Several domestic and international SRI research providers • Many companies ISO14000 approved and providing environmental reports. Social reporting starting to take place • ASrIA Annual SRI conference in Tokyo, Oct 2002 (see www.asria.org for papers)	**Hong Kong** • 1 domestic SRI fund provider • 6 Global SRI funds registered for sale • Several global SRI funds have some investment in Hong Kong companies • The Hong Kong stock market provides a gateway for investment into mainland Chinese companies for SRI funds • Growing coverage by international research providers • Early days for social and environmental corporate reporting • Ist Annual Conference on SRI by ASrIA, 2001(see www.asria.org for papers) • Significant awareness raising with the business, financial and NGO communities by ASrIA • Significant retail investment community amongst whom ASrIA is starting to raise awareness
Singapore • 1 domestic SRI fund • 3-4 Global SRI funds known to be marketed in Singapore • Several global SRI funds invested in Singapore market • 1 carbon trading fund just launched on the market • Early days for research coverage by international research providers • Some environmental reporting taking place • 2 domestic Islamic Fund providers (incl. HSBC) • ASrIA SRI Seminar April 2002 • ASrIA Annual SRI Conference scheduled for April 2004	**Taiwan** • No domestic SRI funds registered in Taiwan • Very limited investment by SRI global funds • 1 global fund registered for sale • ASrIA/BCSD SRI conference in 2002 • Very active retail investment community and strong potential for SRI in the future

The following **seven emerging markets** were researched for this Report. Though SRI is a very new concept in all these markets, as is evident from the data below, the Reports uncovered plenty of evidence that would support the successful introduction of SRI into all these markets.

Common themes in most of the markets were:

- opening to foreign investment;
- encouragement by regulatory authorities for adoption of higher standards of corporate governance;
- institution of awards for corporate reporting;
- gradually improving corporate transparency and reporting with some shining stars;
- adoption of corporate standards such as ISO14001;
- traditions of corporate philanthropy evolving with introduction of environmental and CSR managment;
- increasing number and sophistication of civil society organisations;
- growing environmental and social awareness within society and among investors and investment professionals

Korea • 1 domestic SRI fund provider • Some investment in Korea by global SRI funds • Several domestic and international SRI research providers • The first SRI conference held in 2003, with the support of ASrIA and the Korean Government • Major potential for SRI to develop in the short to medium term	**Malaysia** • 1 domestic SRI fund • 34 Islamic funds (RM 2.872 billion/USD756 million) • Some limited research by domestic and global SRI funds and research providers • The Government has committed to make Malaysia a major centre for Islamic investment • Limited micro-finance sector	**India** • 2 small domestic SRI funds • Limited research or investment by global SRI funds • First SRI conference held in September 2003 by CSM with support of ASrIA • Developing micro-finance sector	**Indonesia** • No known domestic SRI funds • Limited investment by global SRI funds • Research by global SRI providers has been conducted • Very significant Islamic investment • Developing micro-finance sector
Thailand • No known domestic SRI funds • Very limited evidence of investment or research by global SRI funds • Developing micro-finance sector	**Philippines** • No known domestic SRI funds • Very limited evidence of investment or research by global SRI funds • Developing micro-finance sector	**China** • No known domestic SRI funds • Some evidence of research by global SRI research providers, mainly through the HK Gateway. (i.e. of H shares and red chips listed in HK) • Developing micro-finance sector	

Malaysia and Indonesia in particular have already established very significant track-records with values-based ethical investment via Islamic investment. Korea probably shows the most promising conditions and potential for the rapid growth of SRI investment. India, however, is also well positioned for the significant adoption of SRI in the future. India and China provide the biggest potential markets in Asia, if SRI can be introduced as a strongly differentiated, fresh and viable investment alternative.

A total of 17 domestic SRI fund providers in Asia were identified by the Reports, of which eleven are in Japan (not including Australia or New Zealand). However, in addition a number of global SRI funds are also either registered for sale, or invested, in regional stock-markets. This trend looks set to continue. The industry in Japan grew exponentially within the first three years, far exceeding the expectations of market professionals. As with the US and Europe surveys of investors showed that the Japanese SRI funds were attracting many first-time investors, typically female investors younger than 40. A survey of investors in the Singapore UOB UNIFEM fund indicated a similar profile. Previous research by ASrIA into the potential markets for SRI in Hong Kong and Taiwan, as well as this current research, suggests that the potential for SRI elsewhere in Asia could be huge and attract previously untapped investors.

The drivers and opportunities for SRI in each country are also summarised in more detail in boxes in the final section of each country report - 'Assessment for the Future Market for SRI'.

Report Conclusion:

This Report identifies a substantial market for SRI in Asia, particularly among non-traditional retail investors. However funds must understand the customer and how to communicate SRI objectives appropriately. They must also be operated as far as possible according to SRI best practice, in order to maintain performance standards and generate long-term support for SRI. The introduction of superficial SRI funds may mobilise investment interest in the short-term but harm long-term support for SRI, threatening the many positive influences that SRI can have on investment practices in Asian emerging markets.

Attaining best-practice is a learning curve in which financial institutions, investors, corporates and regulatory authorities can all participate. For instance, even where best-practice SRI research methodologies are introduced, companies also need to be persuaded of the value of improving transparency and providing accurate data upon request. Investors and civil organisations can also play a role by engaging in debate on the issues that concern them, as has happened in the retail-driven markets of the US, Europe and Australia. In some cases it is reasonable for funds to start with fairly straightforward screens, avoiding investment in certain broad-brush issues, and then refine their approach as the fund managers and fund investors gain more detailed data from corporates on the one hand, and a more sophisticated understanding of the issues on the other. Introducing SRI into the investment process, as with introducing Corporate Social Responsibility (CSR) to companies, is a first step on an upwards spiral of constant improvement for all players.

9.0 SRI, RELIGION AND ETHICS

The earliest ethical funds in both the US and Europe were set up and driven by the concerns of religious groups, such as the Quakers. The connection between religion, ethics and investment in Asia is also very strong in several markets. This is most notable with respect to Islamic investment in Malaysia, Indonesia and Singapore. However, the Philippines also has very deep rooted religious (primarily Christian) traditions which are also reflected in the strong philanthropic traditions of Filipino companies. Over 50% of Koreans are members of religious bodies (primarily Buddhist and Christian), and Thailand has very strong Buddhist traditions. In India the two existing small SRI funds both have screens related to the care for animals and biodiversity which reflects the Hindu and Ghandian concern for all living beings.

It is therefore almost certain that SRI will be driven in Asia not only by a concern for sustainable development, but as an issue of religious and ethical values, just as happened in the West.

Traditionally the religious driven ethical funds have relied on negative screening, in other words simply avoiding investment in certain companies or sectors which run counter to their values. Typically these are sectors such as gambling, tobacco, pornography and anything military related. This 'avoidance' screening is the approach primarily taken by the Islamic investment funds.

Religion and ethical values will have an important role to play in the development of SRI in Asia.

However, when the earliest ethical funds were established in the West, sustainable development was not a major public issue, and also there were no models available for positive screening and what is known as 'shareholder engagement'. Shareholder engagement is where funds take a long term position as 'owners' of a company and communicate directly with corporate management to encourage continuous improvement with respect to sustainability and ethical issues. In fact, Islamic investment also takes this approach to a certain extent, with a strong emphasis on the shareholder being an 'owner' and therefore 'responsible' for any decisions taken by the company. As is noted in the Malaysian Report, 'shareholder activism is not an option but a requirement for Islamic investors'.[6] These 'best-practice' models from the modern SRI investment industry, and all the other related experience, research and investment technologies are now available to Asian investors. Although the religious communities in Asia will have a very significant role in the adoption of SRI, SRI funds in Asia also have the potential to leapfrog the early SRI stage of simply adopting negative screening and grasp the opportunity to adopt more sophisticated investment approaches from the word go, as is happening in Japan.

Islamic Investment

The Islamic investment markets in Malaysia, Indonesia and Singapore are covered in some depth in the country reports.

There are approximately 100 Islamic funds operating in several financial centres worldwide, with a net asset value calculated at between US$3[7] and US$5[8] billion, growing by 12-15% a year. Furthermore, today, more than 250 Islamic banks are operating globally, managing funds to the tune of US$ 200 billion. Western banks, through their Islamic Units in U.K, Germany, Switzerland, Luxembourg, etc. also practice Islamic banking.[9]

Over the past few years quite a few funds have failed and closed due to poor marketing, however the industry is getting more experienced and sophisticated. It has also received a boost from the perceived anti-Islamic position of the US and the resurgence of Islamic consciousness, which has caused Islamic investors to look for investment options closer to home. Most of the funds tend to target high net worth individuals and corporate institutions, minimum investments ranging from US$50,000 to as high as US$1,000,000.[10]

Malaysia has taken a very proactive stance in attracting Islamic investment, with a clear aim strongly supported by the Government, to make Malaysia a hub for Islamic investment. At present there are 34 Islamic funds with some RM 2.872 billion/USD756 million under management. Indonesia seems to be less organized than Malaysia in this respect, however there is very significant Islamic investment taking place in Indonesia and the sector is no less ambitious.

Islamic banks appeared on the world scene as active players over two decades ago. But "many of the principles upon which Islamic banking is based have been commonly accepted all over the world, for centuries rather than decades"[11]. Islam prohibits Riba (dealing in interest) but also dealing in liquor, pork, gambling, pornography and anything else, which the Shariah (Islamic Law) deems Haram (unlawful).

Islamic investment is based on centuries old traditions.

6 Malaysian Country Report: para. 6.0
7 "*Channel Domestic Savings into Productive Sectors, Says Rafidah*," Bernama Daily Malaysian News, 8 October 2002.
8 www.islamic-banking.com/ibanking/ief.php. This page includes a comprehensive list of Islamic funds.
9 www.islamic-banking.com/ibanking/ifi.php
10 www.islamic-banking.com/ibanking/ief.php
11 www.islamic-banking.com/ibanking/whatib.php

Religious experts provide guidance on a wide range of investment related issues.

Whereas SRI funds tend to elect a board of experts from NGO's and academia to provide guidance on environmental and social criteria, Islamic investors have resource to guidance from religious experts. For instance, Cyberfatwa.com contains a large assortment of fatawa by well-known contemporary scholars and jurists on various issues relating to Islamic business, banking and finance. The fatawa are neatly classified into various categories: for financial institutions and individuals and further subcategories to make an investors search easy, fast and productive. Soon Cyberfatwa hopes to facilitate online seeking of fatawa from their panel of jurists.[12] Another similar service is provided by Fatawa Online, which offers Sharia opinions on matters relating to Islamic financial dealings.[13]

Report Conclusion:

This Report recommends that SRI funds entering or setting up in any of the Asian markets should consider taking careful account of religious sensibilities within the country. Including criteria which are attractive or at odds with the values local religious groups could influence a fund's success significantly.

Where there are flourishing Islamic funds, this Report recommends that SRI funds could consider joint-ventures with them, as Islamic fund houses have existing markets and research expertise already established.

This Report recommends that the centralization of expert advice, based on the Islamic example, could provide a useful tool for developing SRI, not only in Asia, but globally. At present the supply, not to mention the available time, of environmental, social and sustainability experts from NGO's, academia and other stakeholder groups, is often quite limited. Yet, at present each SRI fund, and each corporate that wants comments on their reports, attempts to gain the exclusive attention of these experts. Providing central pools of SRI wisdom, which all SRI investors and corporates could refer to, might prove a valuable and time saving resource, among many other benefits.

10.0 CORPORATE GOVERNANCE

Proponents of corporate governance tend to see environmental and social performance as an extension of good corporate governance, whilst SRI proponents tend to see corporate governance as one important SRI criteria. Which ever way, there is no doubt that corporate governance is a critical issue in all the emerging markets and one that SRI funds should consider.

Asian governments are increasingly promoting coporate governance, but corporates are still dragging thier feet. SRI funds can play a valuable role in promoting CG.

CLSA[14], a leading provider of brokerage and investment banking services, which specialises in global emerging markets, has produced annual reports on corporate governance in Asia over the last three years. In their most recent report,[15] jointly produced with the Asian Corporate Governance Association,[16] they have shown how Asian governments are increasingly throwing their weight behind corporate governance reforms, but how many corporates are still dragging their feet on these issues. This is a theme that is also apparent from the sections on corporate governance in the individual country reports. However, the Country Reports, as well as the CLSA reports, also show that a significant number of companies are significantly improving aspects of their corporate governance including their reporting standards and transparency. Furthermore, Asian Government's are generally acting to introduce codes of practice, to promote the concept of corporate governance, to tighten up enforcement and shareholder protection, and to support award schemes. Assuming that Asian Government's keep up their

[12] www.islamic-finance.net
[13] fatawa.al-islam.com
[14] www.clsa.com
[15] CLSA Corporate Governance in Asia, 2003, Fakin' it, Board Games in Asia, www.acga-asia.org/content.cfm?SITE_CONTENT_TYPE_ID=19
[16] www.acga-asia.org/index.cfm

momentum on this issue, the trends would indicate that CG is likely to continue to improve steadily in the region from its previous very low base. The Asian Corporate Governance Association's new website[17] is also an excellent source of current data on corporate governance developments.

SRI funds can benefit from the increasing quantity and quality of corporate data available.

SRI funds can benefit from the increasing quantity and quality of data available on corporate governance around the region, and can even play a role in encouraging it, particularly via their direct engagement with the corporate sector. The influence of the fund management industry as a whole on improving corporate governance standards will become very much more significant as the influence of both global and local major institutional investors, such as pension funds, develops.

Markets ranked by CG
(Table reproduced from CLSA 2003 Report on CG in Asian Emerging Markets.) [18]

	Rules & Regulations	Enforcement	Political/ Regulatory environment	Adoption Of AGAAP	Institutional Mechanism & CG culture	Country Score
Singapore	8.5	7.5	6.0	9.0	8.0	7.7
Hong Kong	8.0	6.5	6.5	9.0	7.0	7.3
India	8.0	6.0	6.0	7.5	6.5	6.6
Taiwan	7.0	5.0	5.0	7.0	6.0	5.8
Korea	7.0	3.5	5.0	7.0	6.5	5.5
Malaysia	9.0	3.5	4.0	7.0	6.5	5.5
Thailand	7.5	3.0	4.0	6.0	4.5	4.6
China	5.0	4.0	5.0	5.0	3.0	4.3
Philippines	6.5	2.0	2.0	6.0	4.0	3.7
Indonesia	4.5	1.5	4.0	5.0	2.5	3.2

The CLSA report also notes that the two countries that have seen most improvement on CG score, Korea and Malaysia, have also seen the most significant market performance. "Korea in particular is up 56.8% in the past two years (by the MSCI Index), comparing very favourably against MSCI Asia Ex-Japan which is down 15.5% for the two years."[19] It is notable that the ASrIA Country Reports also highlight Korea as the market with the highest present potential for SRI growth. India has also shown rapid improvement in corporate governance in the last three years.

The action of CALPERS, the Californian Pension Fund, which is notable for its adoption of SRI type criteria, by withdrawing from a number of Asian markets because of poor corporate governance, provided a shock to the local markets. However, ideally, institutional investors can have a more positive influence by investing into the markets not only as committed long-term investors but as active advocates for change. Domestic institutional investors, such as local pension funds, can also play a similar role.

Report Conclusion:

This Report recommends that SRI funds encourage high Corporate Governance standards as well as the adoption of other SRI criteria in all the Asian markets. Though markets with the most improved CG such as Korea may appear most

[17] www.acga-asia.org/index.cfm
[18] CLSA Corporate Governance in Asia, 2003, Fakin' it, Board Games in Asia www.acga-asia.org/content.cfm?SITE_CONTENT_TYPE_ID=19, p.16
[19] CLSA Corporate Governance in Asia, 2003, Fakin' it, Board Games in Asia, p 17

attractive to SRI funds, even the countries with the lowest CG score, notably the Philippines and Indonesia, should not be dismissed by the SRI community. Both these countries are recognising that market openness and improved corporate governance are critical to the development of their markets and they both have corporates that stand out from the crowd with respect to CG and overall SRI performance. SRI funds, by entering these markets and actively engaging with leading corporates, can play a significant role in encouraging the adoption of improved CG, CSR and SRI by the wider market.

11.0 SRI, DEVELOPMENT AGENCIES AND PRIVATE EQUITY

Development agency and private equity funds have a critical role to play in directing funding towards sustainability.

Much more work needs to be done on reviewing private equity and development funding in Asian emerging markets. By its nature, it is a difficult area of financial activity to research. We were not able to achieve comprehensive reviews of private equity or development funding in all the markets. However, the Reports did gather enough information to reveal certain clear trends, and to indicate the critical role that development and private equity funding is already playing and can play in the future in directing investment towards sustainability.

Firstly, it is clear that the role of development funding in particular, varies tremendously across the different markets. The more developed markets, such as in Japan, Singapore, Hong Kong and Taiwan, and to a certain extent also Korea, are sources for raising private equity and development funding for elsewhere in the region. Some private equity and venture capital funds which are based in these markets and invest in sustainable projects around the region were identified. Countries, which have less well developed retail investment markets, such as Indonesia, Thailand and the Philippines, on the contrary have been significant recipients of development oriented investment. However, there is a notable shift in the forms that this investment is taking. Traditionally there may have been more emphasis on direct loans to governments or to development banks, who then invested the funds into infrastructural projects. This form of investment is still continuing. However, investment has also been directed into professionally managed investment funds that aim to help to improve market performance and the overall investment climate.

For instance, development funding agencies, such as the ADB and the IFC have been injecting capital investments into funds, alongside private sector and corporate partners. These funds are managed by global or domestic investment managers and invest primarily into non-listed corporates, into stock-market reform and into other projects designed to provide investment return and stimulate further investment. The aim of their investments is to provide development capital to domestic companies on the one hand, and to help improve market operations, governance and transparency on the other. Significant long-term investments are made into corporates or projects, but under certain stringent conditions, such as improving corporate governance and environmental reporting. Lists and descriptions of a number of funding agencies, private equity investors and notable projects can be found in the Reports.

Report Conclusion:

This Report recommends that further research is carried out to establish in more detail the extent and influence of development and private equity funding, and to come up with more detailed recommendations on how this funding can be directed towards improved corporate governance and sustainable investment goals.

This Report recommends that development agencies should consider partnering with experienced global and domestic SRI fund managers, as a means to inject the expertise of the global SRI community into developing markets via the formation of SRI funds and other products and services.

12.0 SRI ORGANISATIONS, PUBLIC AWARENESS AND INVESTOR ACTIVISM

The Reports examined civil society in each country, listing and describing significant organisations, reviewing polls on public awareness to SRI or related issues, and looking for any evidence of investor activism. Overall the Reports all identified significant organisations, mainly Non Governmental Organisations (NGO's), in each country who are already either engaged with promoting SRI, actively working with investors on corporate governance, with the corporate sector on CSR or lobbying Governments on these issues. All the countries covered had various degrees of active and organised civil society, even China, which has seen an extraordinary growth in the numbers of NGO's within the last few years. Countries, such as India, Indonesia, Thailand and the Philippines, which have not yet seen much if any SRI activity, and generally scored low on corporate governance in the CLSA reports, however have among the most active and vibrant civil society groups. They need to be convinced of the relevance of SRI to the development agendas and other issues that are close to their hearts. In many cases it was clear that it is not always immediately easy to explain the relevance of SRI. However, once this is achieved, they have the potential to become active partners in promoting and supporting SRI and acting as guardians on SRI standards.

Civil society groups have potential to become active partners in promoting SRI.

In addition there have been a number of polls and surveys conducted in the different countries, which show growing environmental and social awareness among the general population, and in particular among consumers and the new urban middle classes. However, there is still a gap between awareness on the one hand and empowerment on the other. For example, a survey conducted in Korea, to examine the potential for SRI found that awareness of SRI was very low (approximately 3%). However, support for the concept (once it had been explained) and readiness to embrace SRI was very high (56% of citizens and approximately 75% of experienced investors and fund managers considered SRI a correct investment principle). In most countries it would be true to say that retail investors are often short-term speculative investors, and encouraging them to invest in long-term funds is a major challenge. However, the majority of the public are in fact very conservative with their savings, keeping them in bank accounts and investment penetration levels into the markets are still very low among the general population. The challenge, therefore, as identified in the India Report, is to encourage the large majority of conservative savers to see that long-term investment in funds can provide an alternative option to leaving their savings in extremely low interest bearing bank accounts.

Report Conclusion:

The Report recommends that educational activity should be conducted with civil society organisations to gain understanding and support for SRI and that SRI funds should look for civil society partners. Once SRI funds are launched it is important that they are actively and effectively marketed to the public, with the support of civil society groups and the media. When the first Nikko Eco fund was launched the expectation was that it would only attract about US$50 million. However within six months, it had attracted US$ I billion, twenty times the initial target. Nikko partnered with a specialist domestic research provider, Good Bankers and prominent environmental experts to advise on the issues. It mounted an active marketing campaign, in particular via its sales networks. The fund also generated significant media interest in Japan which helped subsequent eco and SRI funds. All these conditions were necessary to make the Nikko Eco fund attractive and helped establish SRI in Japan. However, maintaining high standards, especially of research, investment policy and communication, is also critical to maintaining investor interest and support for the concept over the longer term.

13.0 SRI AND GOVERNMENTS

Asian governments have an important role to play in promoting CG, CSR and SRI and enacting policies that will support these initiatives.

The Reports found that the record of different Asian governments in supporting corporate governance, CSR and SRI varied widely. However, certain overall trends did emerge. For instance, all the governments surveyed are showing more awareness of the importance of improving corporate governance both as a means to attract more foreign investment, but also to protect domestic shareholders and build up a stronger retail investment culture. Most governments have taken action to introduce codes of conduct on CG, however the levels of enforcement vary widely.

The Korean Government has taken a leading role, in co-operation with a number of civil society pressure groups, to enforce higher standards of corporate governance, whereas the Thai authorities on the other hand have shown significant bias, in a number of recent significant cases[20] towards protecting the rights of local majority shareholders over overseas and domestic minority shareholders.

The same pattern also appears with respect to awareness and levels of support for CSR and SRI. The Government of Korea was most notable in not only encouraging corporates to adopt CSR, but in actively supporting the concept of SRI. At the 1st International SRI-Conference held in Korea on 17th. June 2003, which the Korean Government supported, Kim Jin-Pyo, Deputy Prime Minister and Minister of Finance and Economy, stated that the "Government will support the market's effort to adopt SRI positively, such as the development of an SRI Index". He also pledged that "from now on the Government will strive to promote the necessary conditions for corporations to put social responsibility into practice." This active support for the concepts of CSR and SRI by a senior government representative is to be applauded. The reason for this support is a clear government agenda within Korea to support and encourage foreign investment and best practice in Korea[21]. On the other hand Thai authorities have shown significant suspicion of concepts such as CSR and SRI, seeing in them something of a threat to Thai business. As a representative at the Stock Exchange of Thailand commented when SRI was explained to her: "This is just another form of non-tariff trade barrier to Thai exports!" However, in all the countries studied, governments have shown varying levels of support for encouraging companies to adopt international standards, such as the ISO14001 standards and demanding that foreign direct investment in physical projects in their countries meets certain environmental and social standards. However, of all the countries surveyed, only the governments of Japan and Korea have shown some support as well as awareness of SRI. The Governments of Hong Kong and Singapore have shown some openness to SRI, partially due to lobbying by ASrIA, but are yet to take positive steps in support of SRI.

Micro-finance, on the other hand, has generated significant interest and support from governments throughout Asia's Emerging Markets, often in partnership with local development banks. The Chinese Government has taken steps to tightly monitor and control micro-finance throughout China. Micro-finance is also largely a government sponsored activity in Thailand. Micro-finance schemes also receive significant government support in the Philippines, Indonesia and India.

[20] See Appendix to Thai Report on CG case studies
[21] For an example of Korean determination to attract foreign investment see: korea.net

Report Conclusion:

The Report recommends that international and domestic NGO's, development organisations and financial institutions continue to hold events, and involve governments and domestic media, in learning about corporate governance, CSR and SRI. It is also important for lobby groups to illustrate how CG, CSR and SRI are compatible with economic development, making economies more competitive in the short and long term. High standards in these areas help countries to attract more Direct Foreign Investment and private equity investment, and foster best practice in business. In other-words, these concepts should be seen as supporting an upward spiral of economic, social and environmental development, rather than creating obstacles to economic development.

14.0 CORPORATE RESPONSE

The Reports found that the corporate sectors in all the countries surveyed are becoming significantly more aware of issues such as corporate governance, corporate environmentalism and corporate social responsibility.

There is a shift taking place, from a focus on corporate philanthropy to the adoption of corporate environmental and social management practices.

Historically, in all the countries surveyed, corporate philanthropy has long and deep roots. Corporate philanthropy has been institutionalised in countries such as the Philippines, with a number of NGO's and associations focused on managing philanthropic projects and it has resulted in corporate support for many excellent projects. However, corporate philanthropy to a certain extent also reflects the unequal divisions between the wealthy and the poorer sectors of societies, with a focus placed on benevolence and charitable projects.

The introduction of the concepts of CG and CSR has enabled a shift in awareness within the corporate, NGO and government sectors on the nature of corporate ethical, social and environmental responsibility. The focus has changed from the provision of charitable contributions and the direct support of charitable projects, to seeing high CG standards and environmental and social management as integral to the internal competitiveness and culture of the companies.

All the countries surveyed had instituted some awards for corporate governance, and in some cases awards for corporate reporting or for CSR had also been introduced. There are also increasing numbers of companies attaining recognised standards, such as the ISO14001 standards, in each country. There has been a very high uptake of ISO14001 in Thailand. As of June 2002 552 companies were registered in Thailand, compared to 333 in Singapore, 367 in Malaysia, 199 in Indonesia & 120 in Philippines. Thai companies have embraced ISO14001 partly because they are dependent on the export market and have realized that there is a need for ISO standards to fully access these markets. This is having a beneficial knock-on effect inside Thai corporations, as once companies have an environmental policy, targets and objectives, they increasingly take environmental issues on board. This process is often assisted by the appointment of environmental champions within companies who are committed to making improvements. Companies in China have also been active in attaining ISO14001 certification for the same reasons. The State Environmental Protection Administration started promoting ISO1400 standards in 1996. There are now already over 1,000 Chinese companies, many of which are foreign or joint venture companies, which have obtained the ISO1400 certification. However, verification of the quality of these standards in China is still an issue.

Corporates reporting on environmental issues is lagging somewhat, however there is a clearly improving trend in all the countries surveyed. Most reports are brief summaries within the annual financial reports, and in nearly all cases are not audited by outside agencies. A very few outstanding companies have also started to produce social as well as environmental reports, or even stand-alone sustainability reports. Fine examples can be found in almost every country. In Korea, environmental reporting has become established with approximately 40 companies issuing environmental reports, however no companies have yet issued a social or sustainability report. Some social organizations, including the Citizens' Action Network (CAN), have begun to call for the introduction of corporate social reporting and one corporate, Samsung Electronics Co. has announced that it is preparing a sustainability report.

SRI funds can have a significant influence on improving standards of corporate reporting.

Finally, a close relationship has been shown between corporate awards, corporate standards (such as ISO14001) and corporate reporting, both in quantity and standards, and with SRI. SRI funds have established sophisticated and detailed questionnaires on a very wide range of ethical, social and environmental issues. Once SRI funds become established in a market, companies start coming under strong pressure from the funds to provide detailed data and this encourages them to improve their own standards of corporate reporting. For instance in Japan, levels and quality of corporate reporting jumped dramatically in line with the establishment of SRI funds. Today, 9,467 companies are certified ISO 14001, and in 2002, approximately 600 companies published an environmental report. According to a study in June 2002 by the Network for Environmental Reporting (NER)[22], a multi-sector NGO promoting environmental reporting, a significant number of Japanese companies recognised the need for social reporting (86% out of 205 responses). Approximately 30% of the companies have published a 'Sustainability Report' (for the first time for most of the companies), while another 30% are preparing the shift from strictly environmental report to sustainability report.

Though the pressure from SRI funds was by no means the only influence on Japanese companies mentioned above, they have definitely contributed to overall awareness raising and the level of standards expected. Therefore, even though they may be a small sector of the overall financial market, SRI funds can swing above their weight in having an influence on corporate awareness, attitudes and response to these issues.

Report Conclusion:

The introduction of SRI funds, supported by high quality SRI research, provides a significant incentive to companies to adopt best practice in the management of CG and environmental and social responsibility. However global SRI funds are hesitant to enter some of the markets, such as the Philippines, Indonesia, Malaysia and Thailand that would benefit from their expertise the most. The Report recommends that ways need to be found to encourage SRI managers to enter these markets, and one way is partnerships with development agencies in the management of development oriented funds (see 11.0).

15.0 MICRO-FINANCE

Sustainable development is often seen as a concept imported from the West. However, micro-finance, perhaps one of the most effective and elegantly simple tools of sustainable development, originated in Asia. It has now been taken up in many countries, West and East alike. Devised originally by Professor Muhammad Yunis, who established the Grameen Bank[23] in Bangladesh, the Grameen 'model' of micro-finance has now been adopted in many Asian countries, reaching into millions of poor households and empowering hundreds of thousands of micro-entrepreneurs. The Grameen Bank has, as of September, 2002, 2.4 million borrowers, 95 percent of whom are women and 1,175 branches providing services to 41,000 villages, covering more than 60 percent of the total villages in Bangladesh.[24]

22 NER sent a questionnaire to around 380 Japanese companies expected to publish environmental or sustainability reports and received 205 responses. www.sustainability.com/news/articles/core-team-and-network/goto-csr-japan.asp

23 Grameen Bank (Grameen means 'rural' or 'village' in the Bangla Languag) www.grameen-info.org/index.html

24 www.grameen-info.org/bank/index.html

Almost unknown in the more developed urban centres, such as Singapore and Hong Kong, micro-finance has been adopted widely wherever there are poor communities that otherwise have no, or virtually, no access to credit. The basic concepts are: tiny loans (rarely more than US$50); group responsibility for the loans (because the receivers have no other form of acceptable collateral); interest rates that are often more than for regular bank loans, but way below the extortionate rates of money-lenders; and short repayment periods. A primary goal of micro-financing is to educate people to achieve economic independence and self-sufficiency. Micro-credit schemes are usually funded and administered by partnerships between global development agencies, national and provincial governments, local development and agricultural banks, domestic NGO's and increasingly - corporates. However, the primary relationships are right at the village level between a group of borrowers and a local NGO or bank representative.

Generally speaking repayment rates have been very high. For instance, the only micro-finance scheme in Korea so far claims a repayment rate of 100%. However, micro-finance schemes are also open to abuse. In Thailand there are tales of micro-financing schemes being used for political advantage at elections or otherwise being threatened by corruption. Almost certainly similar examples could be found for all the other countries with major micro-financing schemes in place. In Malaysia, the primary micro-finance scheme has effectively failed and been temporarily put on hold. The primary reason is that the spirit of ensuring very small loans was lost and the majority of loans were creeping up in size beyond the limits of recipients to easily re-pay. One of the key issues identified by the Reports with respect to micro-finance was that of balancing interest levels so that the providers can cover their administrative costs, without putting undue pressure on the borrowers. In Thailand for instance, micro-finance is very well established with some 8 million borrowers, of which over 50% are women. However, interest rates are considered to be too low to make the schemes attractive to the administering banks. In China there are approximately 500 schemes, tightly administered by the Government, which reach into both rural and urban households (over 43 million rural borrowers as of June 2002), and ensures that loans are kept at a preferential rate of interest which is hardly enough to cover administrative costs. In contrast, the Philippines, where 386,431 borrowers (mainly women) support a total micro-finance portfolio amounting to 2.1 billion Pesos as of year-end 2002, most lending is at interest rates above par (i.e. at what could be considered commercial levels). Micro-finance schemes therefore often survive with support from developmental agencies or government subsidies. Finding the right balance, at a level that both borrowers and lenders can agree on, could be a key to the future of development of micro-finance.

Keeping loans small and maintaining interest rates at a level that is acceptable to borrowers, but covers the costs of administering the schemes, is one key to micro-finance.

Not only have micro-finance schemes generally maintained steady repayment rates, they have even stood out from other sectors of the economy. Even as Indonesia's financial system collapsed during the crisis, the leading micro-finance institutions remained liquid, profitable and stable. Steady progress since on key constraints in the business environment, things like security, inefficient bureaucracy, misguided policy and legal uncertainty, is creating a climate for micro-finance infrastructure and services to flourish. Bank Indonesia now requires all banks to have a strategy and business plan related to micro-finance portfolio development. According to the Director of Rural Bank Supervision, over Rp. 170 trillion has been channeled into the micro-finance sector to date with another Rp. 43 trillion set aside for qualification and disbursement - average annual Return on Interest (ROI) has hovered around 25%.

The finance sector has a role to play in devising innovative micro-finance products that will encourage the sector to evolve sustainably.

Report Conclusion:

Micro-finance has clearly proven its effectiveness, even though, as with all financial programs it is and has been shown to be subject to mishandling or abuse. However, the micro-finance sector also has to evolve. In the first instance, micro-finance has largely focused on micro-credit (extending loans). In China, for instance, only micro-credit is allowed and recipients are not permitted to build up savings. However, as the poor gain a firmer foothold on the economic ladder, there needs to be a facility to meet evolving financial needs, including the ability to build up micro-savings,

however modest, to take out micro-insurance and micro-mortgages, and contribute to micro-pensions. For instance, a scheme in India, supported by DFID (the British Government development agency) provides micro-insurance.

This Report recommends that SRI funds explore ways to support micro-finance, taking the lead from groups such as Calvert and their 'High Social Impact Investments' program.[25]

16.0 SRI OPPORTUNITIES

Overall the Reports identified significant opportunities in Asia for SRI to be developed and clearly show that the foundations on which SRI can grow, such as faith-based investing, improving corporate governance, government support, active civil society organisations, corporate awareness and community investment schemes, are all, to a greater or lesser extent, on the increase. The Reports also illustrate some of the different characteristics in each markets which also must be understood for SRI to succeed.

The Drivers and Opportunities for SRI in each country are also spelled out in a chart in the final section of each Country Report.

This Executive Report has already made a number of Key Recommendations. In summary we would like to suggest the following:

1. SRI funds, both global and local, can find investment opportunities and potential investment fund markets in all the countries surveyed, not only in the more developed retail investment markets. With respect to investment opportunities, there is increasing corporate environmental and social reporting in all the markets providing a growing wealth of data that SRI funds can act upon. Some of the least well developed markets have the most data available, whilst some of the more mature retail investment markets, such as Singapore and Hong Kong, are relative laggards at reporting. With respect to demand for investment funds, all the Reports show that popular awareness of environmental and social issues is steadily growing in all the countries covered and that there are potential markets among the less traditional fund investors, such as women and the under 40's. The power of the religious networks and the popularity of existing values-based investment funds in several of the markets should not be underestimated as a platform to build on.

2. Global SRI fund managers and global SRI research providers also have a key role to play in bringing their expertise into all the markets covered, both to stimulate the local SRI market, and also to exert pressure on corporates, to rapidly improve the quality and quantity of their transparency, reporting and management, and to encourage governments to introduce policies and legislation to support SRI investment.

[25] The Calvert 'High Social Impact Investments' (HSII) program channels investment capital to local non-profit organizations with the goal of ending poverty through investment. www.calvertgroup.com/sri_650.html

3. There is potential for the leading SRI fund providers, and SRI research providers, to join forces with development agencies and other private equity investors, to set up funds that can invest according to appropriate SRI criteria. This is an effective way to introduce best practice into all the markets, thereby hastening the wider and more rapid adoption of SRI. There are also growing opportunities for other relevant specialists in Corporate Governance, reporting, campaigning and so on to form partnerships with local organisations and/or relevant professionals in these areas.

4. The developmental angle of SRI in Emerging Markets should not be overlooked, especially in tackling absolute poverty. Mechanisms by which financial institutions can partner with Governments, NGOs and Development Agencies to expand and enhance existing micro-financing activity in a way that contributes to sustainable economic development should also be explored.

I would like to thank all the researchers, members of the ASrIA team, and others for contributing to the data and opinions in these reports. I would like to thank the IFC for sponsoring the Reports on the seven emerging Asian markets. Lastly, I wish to thank Louisa Mitchell for her overall contribution to the project, and Carissa Chan Siu Wai for managing the layout and design.

David St. Maur Sheil
September 2003

ASrIA, Association for the Sustainable and Responsible Investment in Asia
www.asria.org

ASrIA is a not-for-profit membership association dedicated to promoting sustainable and responsible investment (SRI) practice in Asia. ASrIA has over 100 members including investment institutions managing over US$2 trillion in assets. In order to raise awareness about SRI, ASrIA has run conferences, seminars and workshops, and published wide-ranging research on SRI issues. ASrIA has also created a network of people and organizations committed to developing SRI in Asia. ASrIA's website, www.asria.org, is the primary resource for SRI in Asia, already attracting over 1,800 page views per day and 5,000 subscribers to the regular e-bulletin.

What is SRI?

Sustainable and Responsible Investment (SRI), also known as Socially Responsible Investment, is investment which allows investors to take into account wider concerns, such as social justice, economic development, peace or a healthy environment, as well as conventional financial considerations.

The most successful SRI funds provide investors with dual returns:

- Financial returns that compare well to, and often exceeding, the returns of conventional investments

- Social and environmental rewards that go beyond the direct financial return to the investor

SRI is therefore a positive economic choice about the way we live and the world we live in.