



SPEAKING THE SAME LANGUAGE

Improving Communications between Companies and Investors on Corporate Responsibility

Key findings from a research study by Arthur D. Little on Socially Responsible Investment dialogue carried out for Business in the Community and the UK Social Investment Forum

June 2003

A report prepared by Arthur D. Little



Arthur D Little

BUSINESS *in the*

COMMUNITY



Working with others to promote socially responsible investment



Foreword

Arthur D. Little

Corporate Responsibility (CR) has taken hold among major corporations. 90 FTSE 100 companies now publicly report on their social or environmental performance, a rise of 35% a year in the last two years. Yet the subject is still treated by most companies as primarily a Corporate Affairs issue — something which has an impact on intangibles, such as reputation and image, but which has little direct effect on the core financial health of the company. Communications between investors and companies on CR and shareholder value appear to be fraught with difficulties, with CR "experts" and mainstream investors seemingly talking different languages. But the good news is that there is a great desire on both sides for improvement.

This study has identified the changes that need to be made before the potential business value of CR can be understood and realised. Intuition tells us that "shareholder value" and "value to society" should be deliverable together, but our current methods of assessment are not good enough to support our intuition. Finance and strategy directors share the responsibility with institutional investors to make the necessary changes, so that our knowledge on this subject can improve for the benefit of all.

Richard Clarke
Managing Director

Business in the Community

This report marks another key step in developing our understanding of the issues that underpin the quality of communication between business and the City.

For me this research highlights the critical challenge facing business, how to overcome the chicken and egg syndrome - "the City doesn't ask about Corporate Responsibility so we don't provide anything on it". All our research to date shows that responsible business practice is not receiving due recognition or reward in the City. We know there are Business in the Community members making significant progress in this area and are doing so by firmly placing responsible business practice at the heart of their business strategy. But we challenge many more businesses to do the same. We need to encourage and support more companies on an annual basis to raise the CR issues that are material to them with their mainstream analysts. Only by bringing these to the fore, and by placing them alongside the financials, can analysts fully appreciate the quality of management that exists within these businesses.

I am delighted that Business in the Community in association with UK Social Investment Forum has been instrumental in commissioning Arthur D. Little to undertake this timely research. I look forward to hearing from our members that the City is listening and is rewarding integrated thinking that spans economic, environmental and social performance.

Julia Cleverdon CVO, CBE
Chief Executive

UK Social Investment Forum

The rapid expansion of assets managed within a Socially Responsible Investment (SRI) framework has highlighted the need for improved information flow between companies, analysts and investors. As an increasing number of investors seek information about material social and environmental issues, I'm sure we will see significant changes in how this information is communicated and analysed. In short, identifying and responding to material social and environmental issues should be part of business as usual for all parties concerned.

I'd like to thank Arthur D. Little for their thought-provoking report which is based on detailed consultations with all the interested parties, but also HSBC and Context Group who helped organise the UK Social Investment Forum roundtable which started the process last November.

Helen Wildsmith
Executive Director



Executive Summary

Investors and companies are still not having a meaningful dialogue about the business value of CR. But there is a strong desire to change this, and to find agreement on the best way forward.

"More corporate democracy and better corporate behaviour will go a long way to improve the current business culture in the eyes of the public, but unless these changes are accompanied by a new vision of the purpose of business, they will be seen as mere palliatives".

Charles Handy, Harvard Business Review, December 2002

A growing consensus among business leaders suggests that CR can enhance business value. At the same time, interest is developing amongst investors in measuring CR as a proxy for 'Quality of Management', the sought-after commodity that makes a company a really good investment. In a parallel development, many City investment institutions have established SRI products, and are widening their search for evidence of CR management to support their SRI assessment of companies.

These three developments are closely related. But communications between the respective protagonists remain poor, to the extent that interest in and enthusiasm for CR and SRI could be diminished. As interest in SRI has grown, companies have been receiving an increasing number of requests for information, resulting in what is known as 'questionnaire fatigue'. The SRI community¹ as a whole is in danger of losing credibility with the one group it most urgently needs to influence: mainstream investment analysts, fund managers and company investor relations managers.

Arthur D. Little undertook research for Business in the Community (BITC) and the UK Social Investment Forum (UKSIF) to look at the underlying reasons for poor communication, and to propose solutions. We considered communications between SRI investors, analysts and how SRI issues generally feature in communications between mainstream investors and companies.

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¹ For the purposes of this report, the 'SRI community' means asset managers of SRI funds; SRI rating agencies and indexes, specialist SRI research consultancies and CR managers in companies

Key Findings and Recommendations

Findings	Recommendations
Communications	
There is a common desire among SRI investors and companies to improve communications on the business value of CR.	SRI fund managers, SRI analysts and company CR managers need to work together to improve understanding of the business case — and shareholder value of — CR.
Materiality	
Material CR issues are those that really affect value. Some SRI analysts have a poor understanding of the materiality of CR issues to shareholders' interests.	Companies and investors need to focus on materiality and limit enquiries to those issues that have a significant effect on business value.
Direct engagement	
Top SRI fund managers engage directly with companies. This works well for the FTSE 100, but resource constraints limit their ability to engage with smaller companies that may have great SRI potential. There is also a risk that some of these companies will 'switch off' and disengage from the CR debate, unless they are more directly engaged.	The SRI community needs to work on engaging untapped potential in the non FTSE 100, encouraging all companies to be more proactive on CR.
Standardisation	
SRI analysts and research/rating agencies use different questions and different definitions when they are seeking broadly similar information.	Research/rating agencies need to maintain efforts to develop common information resources. These solutions will need to mirror the resources used by mainstream analysts (Bloomberg, Reuters, etc) if they are to be credible.
Transparency	
Organisations that conduct questionnaire surveys are not clear enough about whose interests they serve, or what they will do with the information they receive. Their analysis is often seen by companies as naive.	SRI fund managers and agencies need to be more transparent on why they ask questions, what they will do with the responses, and what will happen if they are ignored. Indexes, too, need to be more transparent on how they conduct their assessments.
Credibility	
The SRI community needs to become more credible to mainstream investors, and to justify its conviction that it can help investors to assess shareholder value more thoroughly.	SRI analysts need to focus on risks rather than opportunities. SRI analysts need to accelerate efforts to develop common metrics for some common material issues. In addition, companies need to raise CR in their analyst presentations at least annually.



The Way Forward

The Good Communication Principles

Investors and companies share responsibility for improving communications. Investors need to be smarter and more transparent in how they evaluate companies for SRI, and companies should be more assertive in promoting the value of their CR strategies and programmes to investors. (A draft set of Good Communication Principles is shown in the Appendix).

Credibility of SRI/CR with Mainstream

SRI analysts need to continue their efforts to demonstrate the value of their analysis to their mainstream colleagues. Companies should ensure that CR strategies are an integral part of business strategies, and that this integration extends through to their investor analyst presentations. SRI research and rating agencies should ensure their output is communicated in a language and style that mainstream investors can understand.

“Companies should ensure that CR strategies are an integral part of business strategies, and that this integration extends through to their investor analyst presentations.”

Materiality

Work is already underway to define what materiality means for corporate reporting generally. Investors and companies must work together to ensure that the definition is applicable to CR issues so that performance information and SRI analysis effort can focus on what really matters.

Background to this Research

Growth in Influence of SRI

SRI began some 20 years ago to serve the needs of investors looking to invest their money in ‘ethical’ companies. Returns were below market average, but for those investors the ethical requirements had priority. Since then, interest in SRI has grown and the influence of the SRI investor is now far greater than the actual size of SRI funds would suggest. At the same time, many people have come to believe that CR is a proxy for good management of a company overall.

In the UK, over £120 billion has been invested in institutional and retail funds with active SRI policies, and over £100 billion has been invested by insurance companies seeking investments with lower social and environmental risks². The total funds under management that can be classified as ‘SRI’ grew by around 50% per annum over the last few years. Recent research shows that companies with strong CR or ethical strategies and practices now provide above average shareholder returns. For example, the Institute of Business Ethics has just published an authoritative study of FTSE 250 companies showing that those with an ethical code in place for over five years outperformed the average on economic and market value-added³.

‘Questionnaire Fatigue’

As the concept of CR has evolved, SRI fund managers and analysts have sought increasingly detailed information on the companies of interest to help them assess and select stocks that meet their SRI criteria, while maintaining acceptable levels of risk. This information is still largely gathered through mass distribution of questionnaires sent to companies asking them about their environmental and social impacts. SRI analysis has relied heavily on databases that are populated using these questionnaires.

² “SRI: A Global Revolution” Russell Sparkes, 2002

³ www.ibe.org.uk/DBEPsumm.htm

The increased demand for information has resulted in a proliferation of new analysts and rating agencies, each offering a different perspective on CR. In addition, there are several national and international institutions promoting CR, many of whom publish 'league tables' of company performance to raise the profile of the subject with business, governments and the general public. Other bodies conduct research for academic or political purposes. While the growth of this market can be seen as a sign that SRI analysis really does have something to offer, the consequence of this growth is an increase in the number and complexity of questionnaires. Company staff who receive questionnaires become confused over the purpose, origin and background of the organisations that send them out. For large, diverse multinational groups these questionnaires are almost impossible to answer in an honest and meaningful way. Furthermore, company managers complain that the responses they give are interpreted in a naive way by many researchers.

“Company staff who receive questionnaires become confused over the purpose, origin and background of the organisations that send them out.”

Some leading SRI fund managers express frustration with the rating agencies and research houses, who encourage companies to try and think of every conceivable CR issue. These agencies are seen as sharing responsibility for the confusion among companies.

SRI as a Proxy for 'Quality of Management'

Over the last five years or so, the SRI community (fund managers, specialist rating agencies and researchers and CR managers in companies) have persuaded many mainstream investors that SRI analysis may help mainstream investors make a better assessment of 'quality of management'. In the last two years, progress has been made at some investment institutions, but the SRI community has arguably failed to deliver on its promise to significantly improve this assessment.

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At the same time, the CR agenda continues to expand, with new theories about what is 'responsible' business practice. What was once a simple set of ethical principles now embraces such issues as: resource use; greenhouse gas emissions; genetic modification; product pricing in developing countries; animal testing; ethical trading; and so on. In order to satisfy investor demands for information on such a diverse range of topics, SRI researchers demand an increasing quantity of information from companies on their policies and practices in all of these areas.

These two trends have now come into conflict. Some SRI analysts (those who promised insights into 'quality of management'), are seeking to identify the small number of CR issues that are relevant to how a company is managed. But others are asking questions about a broadening range of issues. The widening scope of SRI analysis is obscuring efforts to focus down on the material issues.

“The widening scope of SRI analysis is obscuring efforts to focus down on the material issues.”

The 'SRI Community'

As the SRI market has grown, the range and diversity of organisations involved has increased. (See Box 1, Page 7). This has contributed to the difficulties in communications; companies are less sure who they are talking to.



Box 1: The 'SRI Community'

Category	Purpose	Examples
SRI fund managers	Manage funds. Most no longer send out questionnaires, but some still do for special topics.	Insight, Henderson, Jupiter, Morley, ISIS
Indexes	Publicly available indexes of CR aimed at raising the profile of the issue. Also intended to provide basic indications to investors.	SAM / Dow Jones Sustainability Group Index, FTSE4Good, BITC's Environment and CR indexes
Rating agencies	Conduct general research on the business value of CR for equity investors and credit providers. Provide ratings for investors (and often for the companies themselves) based on general and special research. Funded by subscription and research fees.	Innovest, CoreRatings, SERM, Trucost
SRI research organisations	Conduct broad research into CR issues and performance for diverse 'ethically-driven' investors. Provide 'screening' of portfolios for clients against clients' own standards of what is 'ethical'.	EIRIS, Manifest, PIRC, Triodos, Storebrand
Pressure groups	Survey companies on particular issues, to provide input for campaigns on those issues.	Consumers Association, Naturewatch

The Research Study

Arthur D. Little undertook research for BITC and the UKSIF to look at the reasons for the deterioration in communication, and to propose solutions. We considered not only communications between SRI investors and companies, but also how SRI issues feature in communications between mainstream investors and companies.

The research was conducted through interviews with SRI fund managers, research and rating agencies, and CR / investor relations managers in companies. At an early stage, some fund managers said that their engagement with leading companies (those with clear and detailed policies and reporting on CR) is now very good, but that their engagement with other companies (large and medium sized) is a problem. In response, we made an effort to involve companies who are not prominent in promoting their CR policies and performance (although some of these are known to have high standards of responsible practices), in order to achieve a fair balance.

The following organisations actively participated and we gratefully acknowledge their help in conducting this study:

- Associated British Foods
- Allianz Dresdner Asset Management
- BP
- British Land
- Business in the Community
- Claros Consulting
- Co-operative Insurance Services
- CoreRatings
- EIRIS
- EMI Group
- Eurosif
- FTSE4Good
- GlaxoSmithKline
- Global Reporting Initiative
- HSBC
- Henderson Global Investors
- Innovest
- Insight Investment
- ISIS Asset Management
- J Sainsbury's
- Jupiter Asset Management
- Morley
- National Express
- National Association of Pension Funds
- ORSE
- PIRC
- SAM
- SERM
- Shanks
- Shell
- Slough Estates
- The Association of British Insurers
- The Co-operative Bank
- Tomkins
- Trucost
- UKSIF
- Unilever

Key Findings and Recommendations

1. Communications

Throughout our research we found a common desire on both sides (SRI fund managers and companies) to improve communications on the business value of CR. SRI has a valuable contribution to make to the mainstream investment community, but poor communications are a barrier to acceptance by investors, analysts and finance directors. SRI fund managers, SRI analysts and CR managers in companies need to work together to improve communications.

“Throughout our research we found a common desire on both sides (SRI investors and companies) to improve communications on the business value of CR.”

2. Materiality

Throughout this study, most conversations led eventually to the question of materiality — the CR issues that really affect shareholder interests.

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Over the last few years, many companies have faced reputation risks (with consequent falls in investor confidence) from a wide range of incidents, such as environmental pollution, product tampering, genetic modification, pricing policies in third world countries, concerns over child labour and so on. As a result, the list of potential risks under the CR label is now very long. However, for any one company, the list of actual risks that really could affect shareholder value is far shorter. Some SRI enthusiasts have been inclined to say that all CR issues are material to all companies because all affect companies’ reputations, on which the earning potential of a company depends. But we found a strong desire and an urgent need for more clarity on this issue, so that companies can rapidly reduce the list of potential CR issues to a small number of material issues. (See Box 2).

Box 2: Typical Material Issues

Industry Sector	‘Traditional’ Material Issues	‘Emerging’ Material Issues
Integrated Oil & Gas	<ul style="list-style-type: none"> Oil spill risk and liability CO2 emissions from production 	<ul style="list-style-type: none"> Upstream socio-economic impact host government relations, distributions of revenues, capacity building Carbon intensity of products
Food Manufacture	<ul style="list-style-type: none"> Food safety Growth in brand values and reputation risks 	<ul style="list-style-type: none"> Regulation and labelling of ‘functional foods’ Responsibility for nutritional value of low income diet
Pharmaceutical	<ul style="list-style-type: none"> Bio-safety Animal welfare 	<ul style="list-style-type: none"> Role in national health care systems Patent rights Environmental fates and effects of compounds
Automotive	<ul style="list-style-type: none"> Safety requirements add costs and weight CO2 emissions from product 	<ul style="list-style-type: none"> Mobility and socio-economic impact National / Regional legislation on low-emissions technology



“... the high standard of presentation and the domination of case studies in current reports often serve to obscure rather than reveal the material issues.”

There is a clear need to shift the balance of responsibility for defining what is material, away from the SRI ‘experts’ and more towards the company. Leading SRI investors say that materiality can be dealt with in a brief, simple report produced by the company, although many current CR reports fall short of their requirements. In fact, the high standard of presentation and the domination of case studies in current reports often serve to obscure rather than reveal the material issues.

More sophisticated questions from SRI analysts will help provide better insight into whether a company understands and is managing material issues. More debate is clearly needed on materiality. In the meantime, we have developed draft guidance on identifying material issues. (See Box 3).

Box 3: Identifying Material Corporate Responsibility Issues

- Identification of material issues must start with the strategic planning process for the company. What is the overall business model? Where is value-added? What is the strategic intent? What are the core competencies of the organisation?
- How are CR issues being used to improve competitive position? Integration in the company’s strategic planning framework points to reduced material risk.
- How long is the Supply Chain? (i.e. are the upstream operations separated from the downstream, and managed by different business units and processes?). A long supply chain carries inherent material risk, especially where a single brand spans upstream and downstream operations.
- How are different business functions’ views of risk integrated (operations finance, legal, EHS, etc.)? Poor integration may indicate hidden sources of material risk.
- How is the ‘power’ of specific stakeholder groups assessed? (i.e. ‘power’ in terms of ability to influence earnings, costs). Rigorous, objective assessment reduces material risk.
- What is the Trade Body’s (Bodies’) role? How far advanced is the Trade Body’s template and guidance for Sector-specific CR issues?
- Are CR issues assessed as part of management appraisal? ... and rewarded?
- How well are ‘external’ environmental costs recognised in internal accounts?
- Corporate Governance questions (as provided in the Association of British Insurers Guidelines).

3. Direct Engagement

SRI analysts use surveys, together with press reports, to assess companies' performance on CR. Now, however, some analysts recognise that such arms-length analysis and reliance on published media provides too little insight. So they are engaging in direct dialogue with senior company executives to find out more about the particular issues the company faces, and what it is doing about them.

There is little doubt that direct engagement works well with the FTSE 100, but resource constraints will always limit an analyst's ability to engage with the broader business world. Leading fund managers are concerned that among those companies that don't talk to them are smaller companies that may have great SRI potential. There is also a risk that some of these companies will 'switch off' and disengage from the CR debate, unless they are more directly engaged.

The influence of the 'SRI Indexes' (Dow Jones Sustainability Group, FTSE4Good etc.) will continue to grow, despite the lack of consistency between them. They have enjoyed enormous growth, and have played a key role in raising awareness of the potential of good SRI analysis. Leading SRI analysts support the Indexes, but have some concerns about this trend because they believe that direct engagement is the best route to integrating SRI analysis with mainstream analysis.

In the future, rating/research agencies will need to find new ways of meeting fund managers' needs for more intelligent engagement with companies. At the same time, the non FTSE 100 companies need to think again about engaging with SRI fund managers and be more pro-active about communicating material CR issues.

4. Standardisation of Information

The SRI community recognises that communications would be greatly improved if a single, centralised database of information on companies' CR performance were available. Analysts could process this information without bothering the company and spend their time making sure the analysis is thorough and intelligent. This intelligent processing of information could be used to prepare a small number of insightful, targeted questions for each specific company.

However, the SRI market is at present too diverse for such standardisation to be feasible. Many SRI 'experts' are reluctant to admit it, but CR means too many things to too many people. Having said this, there is wide recognition that some degree of standardisation is needed, and progress has been made on agreeing common information that can be measured for any company. The Carbon Disclosure Project for example, has made some progress on quantifying carbon risks and opportunities for a wide range of industries⁴. Similarly, the Trucost rating system offers an innovative solution on comparability of accounting for externalities⁵.

BITC has developed three resources to allow performance of companies to be compared; the Business in the Environment (BiE) Index, the 'Business Impact' database and the new Corporate Responsibility Index. The 'Business Impact' database has many of the right characteristics for a 'standard' central information resource⁶. But awareness of this resource is very low, and it may need to look more familiar to analysts by resembling the mainstream (eg Bloomberg or Reuters) resources.

"Leading fund managers are concerned that among those companies that don't talk to them are smaller companies that may have great SRI potential."



"... Corporate Responsibility means too many things to too many people."

⁴ www.cdproject.net
⁵ www.trucost.com
⁶ www.iosreporting.org/

“... some companies have found that when they increase transparency by volunteering information about their CR risks, they are subjected to much more scrutiny.”

5. Transparency

Transparency by Companies

The SRI community agrees that companies need to be more transparent on material CR issues. However, some companies have found that when they increase transparency by volunteering information about their CR risks, they are subjected to much more scrutiny. Clearly, there is a need for analysts to give credit for transparency.

Companies are also concerned about the naming and shaming of poor performers. Undoubtedly, such political pressure will maintain interest in CR, but more emphasis needs to be given to encouraging the voluntary disclosure of relevant material information. In the long term, companies' reputations will be enhanced by a consistent approach to transparency.

Transparency by Analysts

Companies were unanimous in calling for greater transparency by SRI analysts and indexes. SRI fund managers and analysts need to be more transparent about whom they represent, why they ask questions, and what they do with the responses.

Companies are deterred from responding to questionnaires by a lack of trust in the quality of the assessments conducted on their businesses. SRI analysis is often described by companies as being naive. Analysts need to improve their basic research from published sources, applying sector-specific knowledge to this analysis. At the same time, researchers need urgently to raise their standards of objectivity.

“Analysts need to improve their basic research from published sources, applying sector-specific knowledge to this analysis.”

6. Credibility of SRI with Mainstream Investors

Mainstream investors are increasingly interested in assessing the quality of management of companies. But most of the people we talked to thought that SRI issues tend not to be discussed in mainstream analyst presentations. However, managers of the leading SRI funds did offer a note of caution — ‘You may not hear the analysts from our mainstream funds asking SRI-related questions in these presentations’, they said, ‘but when they’re putting their reports together they do come and ask us for our views’.

We found a strong desire among the SRI community that CR issues should become part of the mainstream dialogue between investors and companies. This reflects the SRI community's conviction that CR issues hold the key to better evaluation of shareholder value, especially over the longer term. Some mainstream investors are interested in the idea, and look forward to the day when the SRI community can provide better models for evaluation. But over the last two years or so the SRI community has not met its own expectations on this. Mainstream investment analysts still cannot see how analysis of CR information can enhance their current analysis.

There are three possible reasons for this. Firstly, mainstream analysts can only see CR issues as risks, whereas much of the SRI debate is conducted in terms of managing both risk and opportunity. The second reason for the scepticism of mainstream analysts is the lack of measures with which to compare CR performance between companies. Analysts are accustomed to using ratios and models to compare companies on a roughly equal basis, which helps to make portfolio decisions easier.

But CR experts are finding it very difficult to come up with measures that allow direct, fair comparison between companies, even within a single industry sector. Thirdly, mainstream investors will always face difficulty with CR reporting as there is no single ‘unit of account’. This means that communication about CR will always need to include more direct dialogue on issues and contexts than the current communication on financial performance requires.

The SRI community seeks greater credibility with mainstream investors, fund managers and analysts. Perhaps the only way to achieve this is to develop assessment and measurement tools that help to engage the interest of mainstream investors. Since mainstream investors often think of CR issues as risks, it may be better to focus on the risks rather than the opportunities. Also, SRI analysts can support efforts to develop common information standards or databases that mimic the information resources used by the mainstream analysts themselves.

A Road Map for Change

The current state of communications between the SRI community, companies and mainstream investors can best be described as confused and frustrated. Despite this, from our research, we sense a generally positive view of the future with continuing growth in interest and enthusiasm for CR management within companies and for SRI.

Lasting improvements in communication can best be tackled on three fronts:

The Good Communication Principles

Investors and companies share responsibility for improving communications. Investors need to be smarter and more transparent in how they evaluate companies for SRI, and companies should be more assertive in promoting the value of their CR strategies and programmes to investors. (A draft set of Good Communication Principles is shown in the Appendix).

Credibility of SRI/CR with Mainstream

SRI analysts need to continue their efforts to demonstrate the value of their analysis to their mainstream colleagues. Companies should ensure that CR strategies are an integral part of business strategies, and that this integration extends through to their investor analyst presentations. SRI research and rating agencies should ensure their output is communicated in a language and style that mainstream investors can understand.

Materiality

Work is already underway to define what materiality means for corporate reporting generally. Investors and companies must work together to ensure that the definition is applicable to CR issues so that performance information and SRI analysis effort can focus on what really matters.



Appendix

The Good Communication Principles

A set of Principles was developed with the participants in our research aimed at improving communications on CR issues and management. These are a little aspirational in places. But our participants took the view that if each party signed up to — and implemented — their part of the Principles, then the other parties would reciprocate.

Actions for Companies

- Publish report about your material CR risks and opportunities, and what you are doing about them to maximise shareholder value
- Include CR issues in investor analyst presentations
- Don't respond to naive questionnaires
- Make the effort to engage with intelligent researchers
- Learn from the questions asked, where analysts can demonstrate potential materiality to you

Actions for Investors

SHORT TERM:

- Train your buy-side analysts in the basics of SRI analysis
- Engage with companies on material CR risks
- Conduct (or buy) more sophisticated basic research on companies
- Give companies more credit for reporting on — and managing — material issues
- Give companies more credit for transparency alone

LONG TERM:

- Merge your analyst teams
- Position your SRI products
- Appoint specialist SRI sell-side analysts for your SRI products

Actions for SRI Rating Agencies and Researchers

SHORT TERM:

- Be more transparent about the questions you ask companies
- Use published material
- Indicate who your asset manager clients are
- State what you will do with the responses and other information
- Plan questionnaire distribution better

LONG TERM:

- Eliminate questionnaires
- Increase direct engagement
- Develop sector-specific analyst capabilities

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About Arthur D. Little

Arthur D. Little is a global management, technology and environmental consulting group serving major public and private sector clients. We are one of the world's premier consulting firms, with more than 1,000 staff members based in around 40 offices around the world. In the UK we employ some 100 consulting staff in our offices in London and Cambridge. We provide a full range of management consulting services to the UK market and overseas through our global Practices. At our Cambridge base we can provide some 50 environmental, safety and risk specialists. With a track record of over 30 years, we work with companies and governments to help them deal with the most difficult environmental, social and safety risk problems, and in so doing move further along the path to sustainable development. We help companies manage their environmental, health, and safety risks effectively to maintain their licence to operate and meet the needs of their business in a sustainable and responsible manner. Our staff are specialists in applying technical expertise and industry knowledge with a broad business perspective.

About Business in the Community

Business in the Community is a unique movement in the UK of 700 member companies. Our purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

Together our member companies employ over 15.7 million people across 200 countries. In the UK, our members employ over 1 in 5 of the private sector workforce.

Membership of Business in the Community is a commitment to action and to the continual improvement of their company's impact on society. Our members commit to:

- Integrate responsible business practice throughout their business
- Impact through collaborative action to tackle disadvantage
- Inspire, innovate and lead by sharing learning and experience

Companies join Business in the Community because they recognise the value of integrating policy and practice and the internal dialogue this prompts. In addition membership provides a unique platform for collaborative action and dialogue to identify and address key challenges facing business and society, to develop and share best practice.

About UK Social Investment Forum

The UK Social Investment Forum (UKSIF) is the UK's membership network for Socially Responsible Investment (SRI). UKSIF's primary purpose is to promote and encourage the development and positive impact of SRI amongst UK based investors. UKSIF believes that all material social, environmental and ethical (SEE) issues should be integrated into standard investment practice and that individual investors should be able to reflect their values in their investments.

The Forum was launched in 1991 to bring together the different strands of SRI nationally and to act as a focus and a voice for the industry. UKSIF's 250+ members and affiliates include retail and institutional fund managers, financial advisers, SRI research providers, consultants, trade unions, banks, building societies, community development finance institutions, NGOs and individuals interested in SRI.

In addition to UKSIF's programmes and parliamentary work, the Forum prepares member newsletters and briefings, as well as co-ordinating a wide range of events, from small seminars to conferences on topics reflecting the full spectrum of interest in the SRI field. UKSIF also works to educate the public and Government about SRI.





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