

Why Responsible Business Conduct matters.

***What Asian Financial Institutions can
do.***

Jaspreet Duhra, 03/11/09

EIRIS: Overview



- EIRIS is an established not for profit research organisation specialising in **environmental, social and governance research on publicly listed corporations**.
- Founded 26 years ago, EIRIS was created as a collaborative research project to assist a group of churches & charities put their **principles into practice**.
- Our mission is to conduct high quality research on extra-financial issues to **encourage improved social and environmental performance**.
- Global coverage (3,000 companies) - FTSE All-World Developed, MSCI



Are financial institutions addressing the ESG risks they are exposed to?

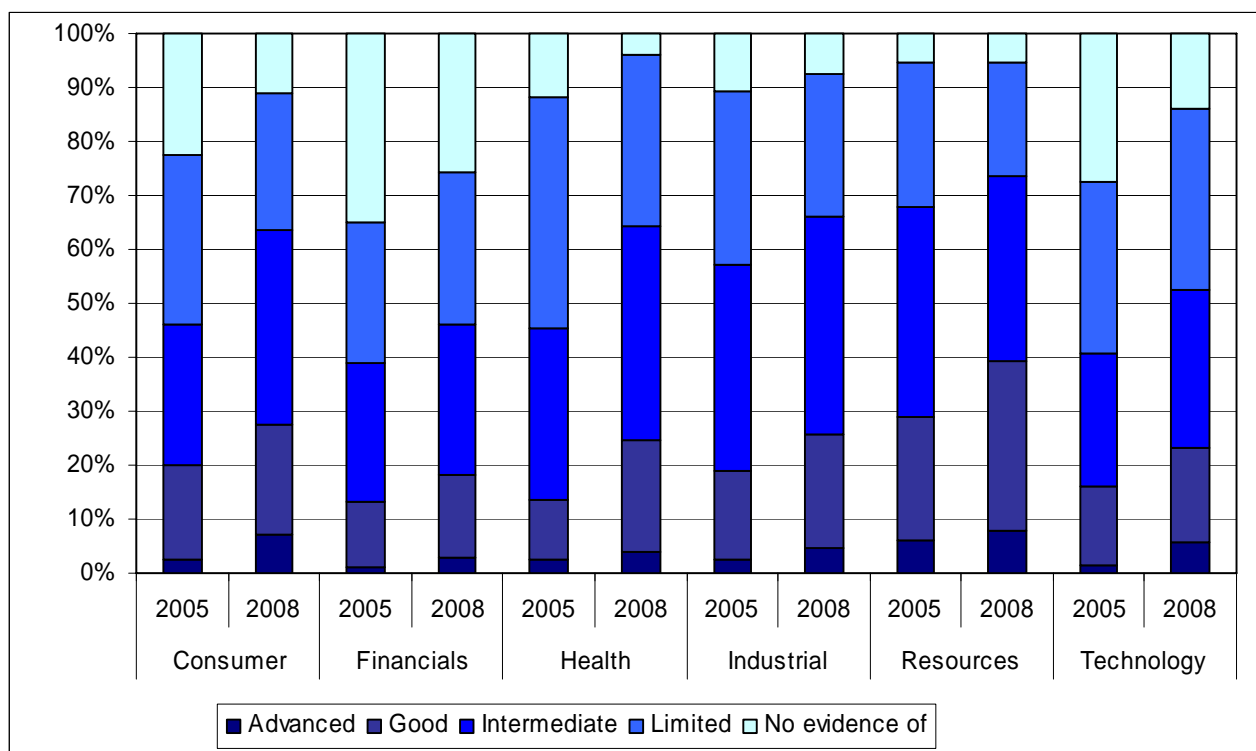
ESG issues relate to corporate governance

- Focus on board management of risk and reputation
- ESG risk: impact on long-term profitability
- Investor pressure for disclosure on risk management

The analysis focuses on how well companies are addressing ESG risks under four headings covering:

- Board responsibility
- Risk management systems
- Identification of ESG risks
- Potential liabilities and opportunities

Financial sector demonstrates poor performance in ESG risk management



How can financial institutions address the risks in their portfolios?

- Increasing number of investors concerned with ESG related risks
- 2007 Mercer report, 'Demystifying Responsible Investment Performance',
- Improve returns – avoid fines, safeguard reputation, reduce operating cost
- UN PRI – 600+ signatories – managing USD 15 trillion
- Know what you own

Climate change impact by percentage market cap of Global and Asia

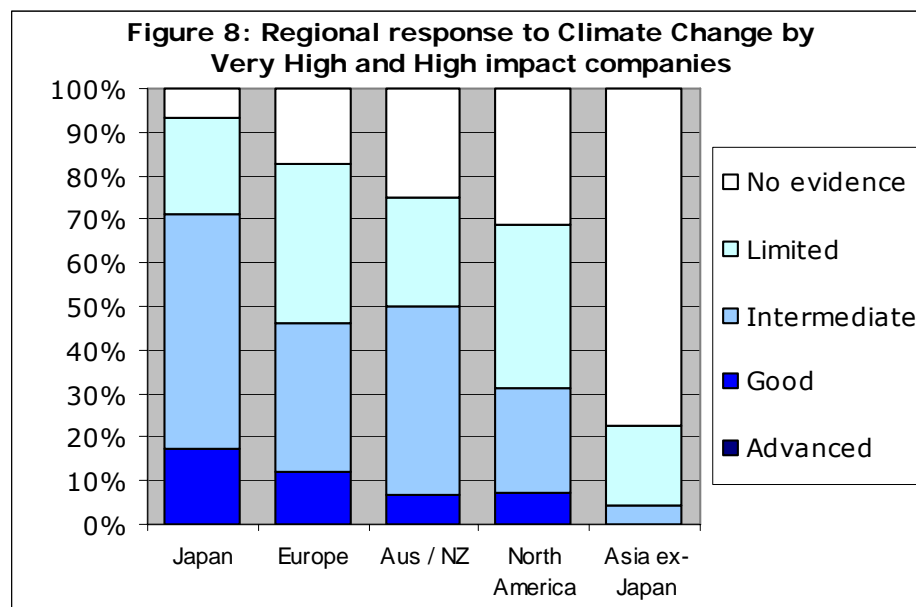
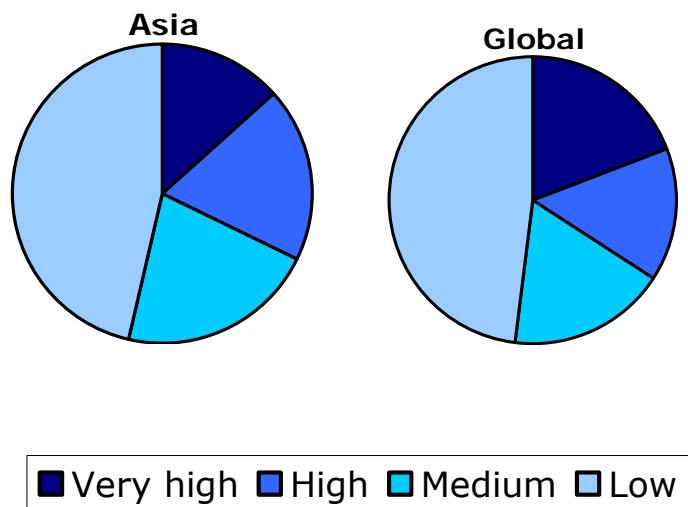
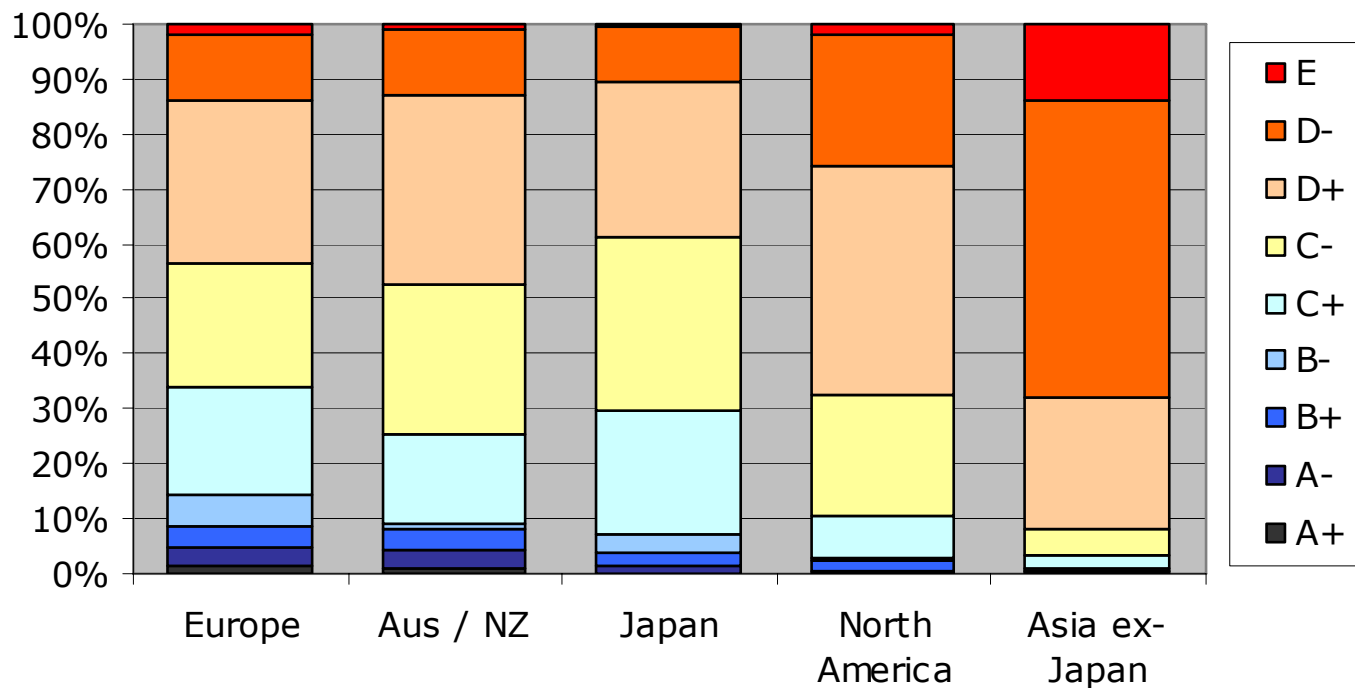


Figure 13: EIRIS Report Monitor Results: Regional reporting standards



Recommendations to financial institutions

1. Improve disclosure
2. Identify salient ESG risks and engage with companies in your portfolio –
 - Set out business case e.g. regulatory challenges, changing market dynamics, changing weather patterns, reputation
 - Set clear objectives for company e.g. disclose quantified GHG emissions in next report
 - Use best practice examples within peer group – e.g. company x within your sector performs well

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