

SEE risk management: a global analysis of its adoption by companies

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Overview

The poor handling of risks by a company can have a dramatic impact on its financial health and reputation. Companies have traditionally addressed financial and economic risks but more recently risks with a social, environmental or ethical (SEE) character are rising up the corporate agenda. Cases such as the ExxonValdez disaster, Brent Spar oil

rig disposal and Bhopal gas leak exemplified this.

SEE risk management lies at the interface between SEE issues, corporate governance and financial health. This research provides a practical means for governance analysts to broaden the scope of their work to include SEE issues. It also provides a governance angle to the socially responsible investor analyst who may previously have focused on specific SEE issues. As such it offers a bridge between the worlds of governance and socially responsible investment (SRI).

EIRIS has developed a framework for assessing a company's SEE risk management system. In the first known study of comparable global data on SEE risk management, the assessments of companies in the FTSE All Share and All World Developed (ex USA) indices produced the following conclusions:

- companies from the UK, Norway, Switzerland and France have made the greatest progress in developing

SEE risk management systems, although there are still companies that have demonstrated little activity in this area

- larger companies have done the most compared to smaller companies, especially in the UK
- some evidence that northern Europe fares better than southern Europe, but this is not uniform
- Hong Kong and Singapore show very few signs of adopting SEE risk management systems
- Japan fares notably better than its Asian counterparts and compares favourably with lesser performing European countries
- Australia, New Zealand and Canada are similar to one another and to several European countries
- some evidence suggests that those sectors that are perceived to have the greatest SEE risk exposure (e.g. tobacco, mining, utilities) show up among the best, although again this is far from uniform.

Those companies that are already showing up strongly in the assessments are likely to be well placed to meet any industry, institutional, national or international codes (such as the EU Accounts Modernisation Directive) that include references to the links between governance and SEE issues. Those companies that currently show little activity in this area can soon expect to have to address these concerns.

1. Introduction

Companies have commonly adopted risk management and internal control practices, but traditionally this has been focused on financial matters. More recently a wider conception of social, environmental and ethical (SEE) risks has emerged, providing a governance dimension to SEE issues. The underlying premise is that non-financial

risks have a potentially damaging impact on the financial health of the company and ultimately on shareholder value. Future financial damage can result from unrecognised or unmanaged risks, or from the costs of defending allegations or lawsuits. Conversely, well managed SEE risks may bring opportunities and benefits to a company by enhancing its reputation and ultimately increasing shareholder value.

Cases like the ExxonValdez oil tanker disaster, Bhopal and the Brent Spar oil rig dramatically illustrated how poorly handled SEE issues can result in negative public perceptions of a company. Occurrences like these can raise questions about a company's 'licence to operate'. The effect might be reflected in consumer boycotts, difficulties in retaining or recruiting personnel, NGO campaigns etc. The threats to a company's reputation cast a shadow over the long-term financial prospects of a company unless the threats are properly assessed and addressed. A strategic approach to assessing past, current and future liabilities to create an overall risk profile will not only assist mitigating the risks involved, but also likely protect and enhance brand and shareholder value. A 2004 SustainAbility report, *The Changing Landscape of Liability*, argues that companies are faced with an increasing convergence of legal and moral liabilities that require a shift from ensuring that compliance measures are in place to developing more proactive approaches to risk management.

SEE risk management lies at the interface between SEE issues, corporate governance and financial health. Furthermore, investors may wish to relate assessments in this area to assessments in other EIRIS research areas that distinguish between degrees of exposure e.g. a company's

environmental impact assessment (high, medium or low), presence in countries with poor human rights standards, or critical supply chain operations. For instance a company operating in a high risk environmental sector which receives a low SEE risk management assessment may provide a high level of concern to investors who may then wish to either engage with the company on this basis, or perhaps even regard it as an 'unacceptable' investment. On the other hand, a similar company with a well developed SEE risk management programme is more likely to be viewed favourably by investors.

2. Background

In the UK, the Turnbull Report (1999) urged the boards of companies to focus on risk management and control. Although the recommendations were voluntary, risk was interpreted in a broad sense to include environmental and social matters¹. The recent review of the Turnbull guidelines has largely supported the approach to internal control and its broad definition of corporate risk².

The Association of British Insurers (ABI) took the matter further in late 2001 and produced guidelines for corporate social responsibility (CSR) disclosure, which developed the concept of SEE risk³. UK companies have been encouraged by the ABI to state how they comply with the guidelines in their annual reports.

The intended Operating and Financial Review (OFR) requirements, introduced in April 2005, pushed this forward another step by intending to make it mandatory for UK listed companies to set out, *inter alia*, the resources, risks, uncertainties and relationships that may affect the company's long-term

value⁴. These were expected to include, "to the extent necessary", information about a range of matters including those relating to employees, the environment, social and community issues along with the complementary use of key performance indicators (KPIs)⁵. In November 2005 the UK Treasury controversially abolished this requirement although companies are likely to be encouraged to persist with much of the requirements voluntarily⁶.

Although this concept of SEE risks may have its origins in the UK, comparable developments have occurred elsewhere even if a different terminology is sometimes employed. For instance, references to environmental liabilities, corporate social liabilities⁷ or reputation management are focusing on much the same territory. In Europe, the EU Accounts Modernisation Directive will require companies to provide an analysis in their annual reports of the risks and uncertainties, including relevant social and environmental aspects⁸. At the end of 2004, a group of institutional investors established the Enhanced Analytics Initiative and provided a challenge to brokers to integrate extra-financial issues and intangibles into their corporate research and analysis⁹. In the USA the adoption of processes like Enterprise Risk Management¹⁰ suggest some sense of assessing, controlling and managing SEE risks. In essence, these various developments strongly imply that the principles of SEE risk management have wide applicability.

EIRIS' approach has sought to capture the spirit of the ABI guidelines but give them global applicability without directly replicating them. Although SEE risk management may not yet be on every Board's agenda, the consideration of more general SEE issues has become increasingly commonplace, with many corporations

implementing CSR programmes. While some SEE issues may not appear, at first sight, to have an obvious risk dimension, it is often a case of looking at them from a different perspective.

Moreover, there may be variable regulatory requirements or cultures of corporate transparency around the world that affect the levels of corporate disclosure. With companies beginning to integrate SEE risks with traditional financial risks in their internal control procedures, the consideration of SEE risks has moved increasingly to the centre of the corporate governance agenda. It therefore seems timely to assess the extent to which SEE risk management has been taken up around the world. As such, this is the first known study of comparable global data on SEE risk management.

3. EIRIS approach

EIRIS has adopted an approach that assesses companies on how well the board and senior management address their company's SEE risks and opportunities. This is conducted by looking at elements under four components, each of which have a potential score of four, to give a potential overall total score of 16. The four components are:

- the board: covering regular review, training and pay incentives
- risk management system: covering policy & procedures, regular assessment, and audit and verification
- identification of specific SEE risks: disclosure
- quantified potential liabilities / opportunities: specific examples

A more detailed breakdown of the elements within each component is provided in appendix 1. Assessment

grades are assigned to each range of scores as follows:

- no evidence (0)
- limited (1-4)
- intermediate (5-8)
- good (9-12)
- advanced (13-16)

The assessment is based essentially on what the company says are its SEE risks. EIRIS has generally not disputed the company view¹¹. However, risks that are purely financial or commercial, or reflect business cycles or operational matters are ignored.

In analysing the data it is necessary to recognise that the grades awarded are reflective of the level of disclosure by the company. EIRIS uses annual and corporate social responsibility reports, company websites and company survey replies. Assessments are made from either one or a combination of these. With the emphasis on actual company disclosure of SEE risks and opportunities, it is possible that a company could be addressing the matter more thoroughly than the assessment suggests, although it has chosen not to convey this. This is perhaps for reasons of confidentiality, perceived commercial sensitivity, lack of regulatory pressure or simply that a company has not seen the value of doing so. For many companies the values of transparency have yet to be embraced.

Although assessment grades give an indication of the extent that a company has established a SEE risk management system, they are not a definitive statement on whether risks are being either ignored or comprehensively monitored. Relating assessments in this area with those in other EIRIS research areas such as for the environment, social, human rights or supply chain would form a more complete view.

4. Data and analysis

The EIRIS database was analysed at the beginning of May 2005 by both country and sector using the FTSE All Share (576 companies) and the FTSE All World Developed indices (1323 companies) as the universe of companies¹².

4.1. UK companies by index

The analysis of UK data indicates that the larger companies have embraced the concept of SEE risk management the most and provided evidence of establishing SEE risk management systems. The breakdown of company assessments by UK index is provided below.

UK Index	No Evidence	Limited	Intermediate	Good	Advanced	Total
FTSE 100	0	7	27	39	26	99
FTSE 250	13	41	104	46	10	214
FTSE 350	13	48	131	85	36	313
FTSE All Share	64	148	220	108	36	576
All UK cos.	94	184	244	115	36	673

Table 1: UK indices and the number of companies according to each SEE risk management assessment grade.

Over a quarter of FTSE 100 companies have an assessment of 'advanced'. When combined with those assessed as 'good', then almost two thirds (65%) of companies could arguably be said to have an identifiable SEE risk management system¹³. This latter figure drops significantly to only 26% of the FTSE250 companies and 25% for

the FTSE All Share index overall. This may well reflect both the greater resources available to larger companies and the higher degree of exposure for some companies to public scrutiny. At the other end of the scale, only 7% of FTSE 100 companies are assessed as 'limited' or worse compared to 25% of the FTSE250 companies and 37% for the FTSE All Share index overall.

EIRIS also assesses other non-index UK companies. When these are included in the analysis, the trend for the establishment of SEE risk management systems being less commonplace among smaller companies is reinforced. For all UK companies, the number of companies assessed as 'good' or better is reduced to 22% and those assessed as 'limited' or have 'no evidence' rises to 41% (see Chart 1).

This suggests that smaller cap companies may be slower or disinclined to take up the challenges of SEE risk management. Some of these companies may claim that they do not have any SEE risks, or the risks are few or materially insignificant compared to those faced by the large cap companies. However, all companies are likely to have some SEE risks and it may well be that a scandal through the mismanagement of SEE risks could lead to relatively greater financial consequences for a small company compared to a large company, even threatening their very existence. Investors are therefore still more likely to be reassured if they know that a company undertakes a conscious exercise of identifying and assessing SEE risks.

Chart 1: SEE management grades for UK companies by index
(no of companies in each index given in brackets)

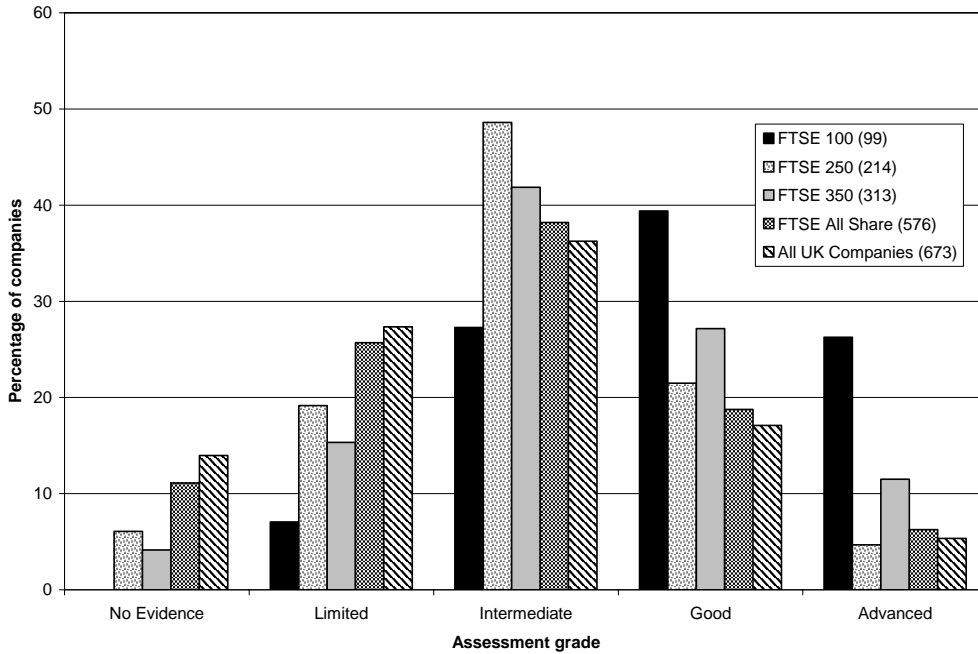
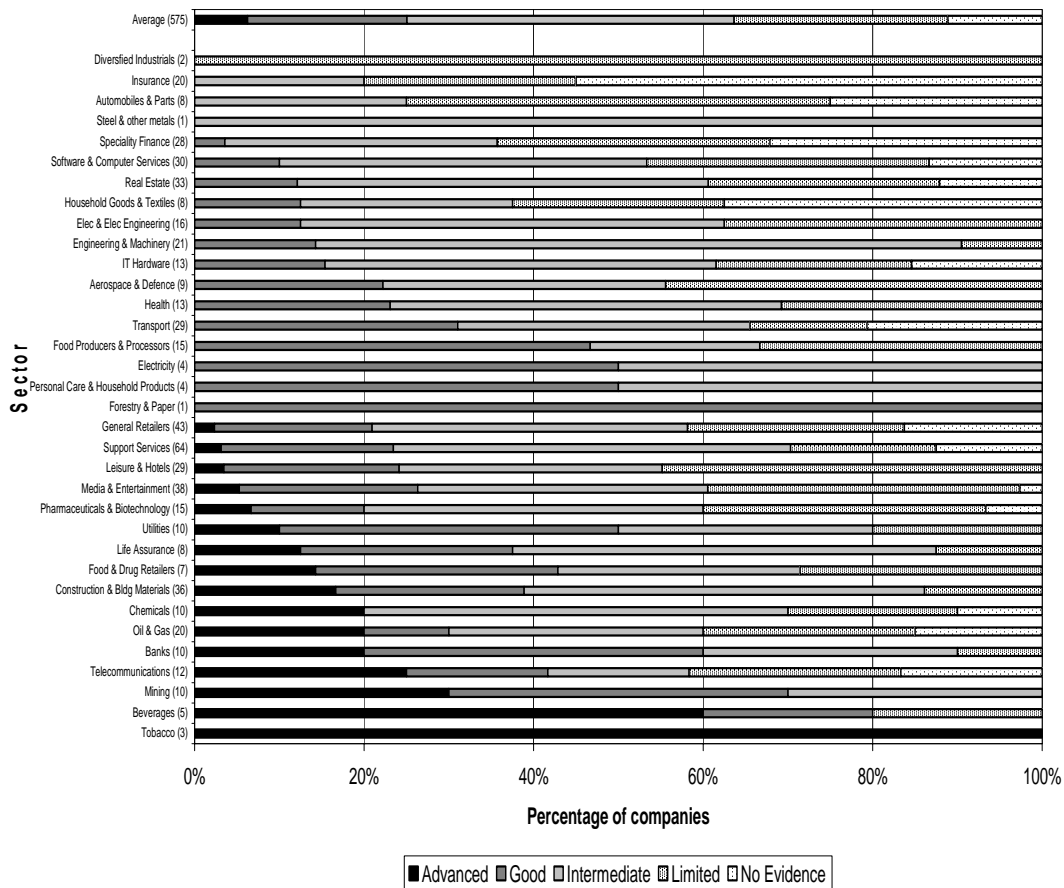


Chart 2: See risk management grades for FTSE All Share index companies by sector
(no of companies in each sector in brackets)



4.2. UK companies by sector

Breaking the analysis down by sector shows additional trends. A hypothesis suggesting that those sectors that face the more obvious SEE risks will be more likely to adopt a corresponding risk management system, is broadly supported.

Although some sectors have very few companies in them, an analysis of the FTSE 350 indicates that tobacco (100%), beverages (75%), telecommunications (43%), mining (38%) and oil & gas (36%) have the highest proportion of companies graded as 'advanced'. If one combines 'good' and 'advanced', then tobacco (100%), beverages (100%), mining (76%), food producers & processors (67%), banks (60%), food & drug retailers (60%), telecommunications (57%), transport (56%), utilities (55%) and construction & building materials (54%) head the list. This compares with the overall index figure of 39%.

If one looks at the FTSE All Share index (see Chart 2), a similar pattern is evident. The sectors with the highest proportion of companies graded 'good' or better are tobacco (100%), forestry & paper (100%), beverages (80%), mining (70%), banks (60%), utilities, electricity and personal care & household products (each 50%). For other sectors that showed up well in the FTSE 350, smaller cap companies are not addressing SEE risks relevant to their sector to the same extent as those above. The following sectors have combined 'advanced' and 'good' scores dropping below 50%: food producers & processors (47%), food & drug retailers (43%), telecommunications (42%), construction & building materials (39%), transport (31%), and oil & gas (30%).

At the other end of the grade scale, the following sectors in the FTSE All Share index have at least 50% of companies with no or limited evidence: diversified industrials (100%), insurance (80%), automobiles & parts (75%), household goods & textiles (63%) and speciality finance (62%).

Of course, it should not be overlooked that in sectors that generally fare well, there are likely to be individual companies that have done little in this area. Similarly, in sectors that fare less well, there may be individual companies that have significantly embraced the challenges posed by SEE risks.

4.3. Global data by country

EIRIS has also analysed the data by country using the FTSE All World Developed Index.

One of the most striking features of chart 3 is the apparent unwillingness of companies in some countries to address SEE risks, or even perhaps their lack of awareness of SEE risks. Hong Kong, and Singapore each have at least 90% of companies graded as 'limited' or worse. The European countries of Portugal (76%), Greece (67%) and Belgium & Luxembourg (69%) follow them. At the other end of the scale, UK companies in the index have 56% of companies assessed as 'good' or better (including 21% in the 'advanced' category) followed by Norway (51%), Switzerland (44%) and France (42%). These are the only countries that exceed 40% for 'good' or better. The comparatively strong showing of the UK arguably reflects the encouragement given to the disclosure of such matters by the Turnbull and ABI guidelines.

Chart 3: SEE risk management grades for FTSE All World Index companies by country (no of companies in each country given in brackets)

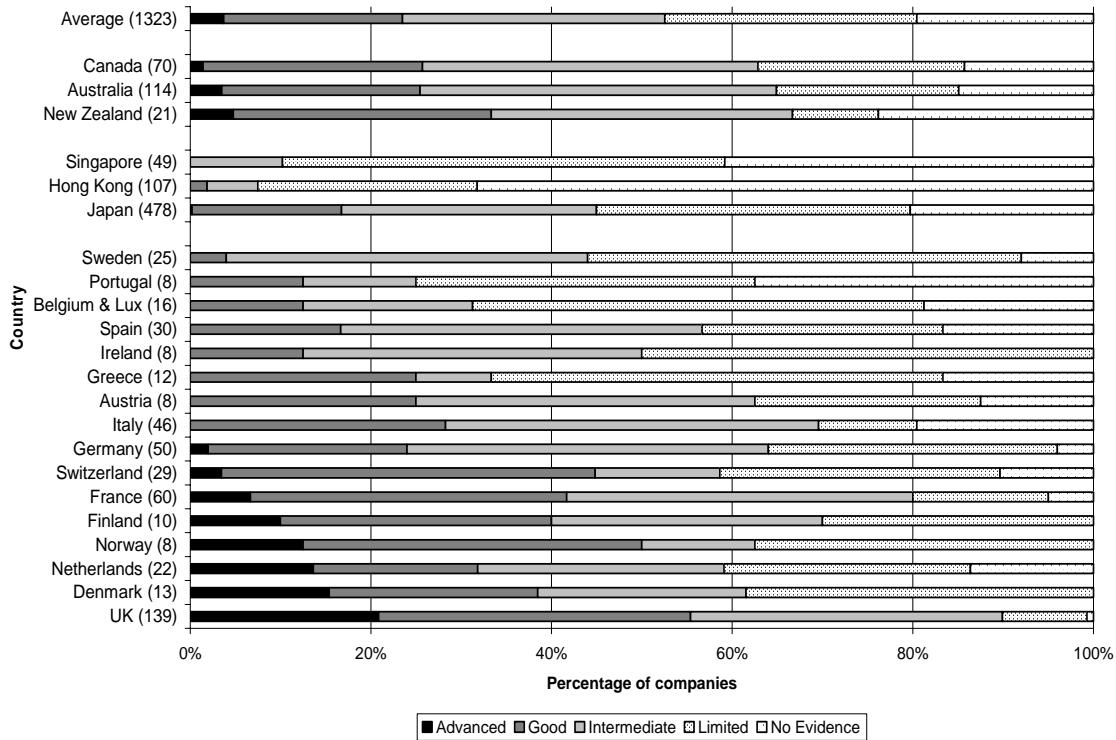
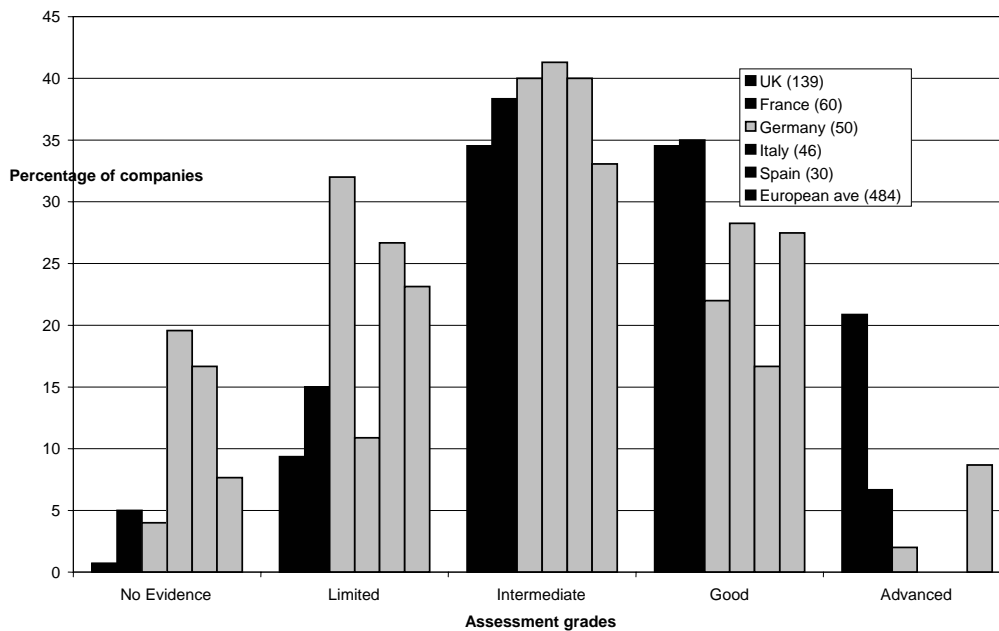


Chart 4: SEE risk management grades for FTSE All World Developed Index companies listed in major European countries (no of companies in each country given in brackets)



4.4. Europe

An analysis of the major European economies (see chart 4) shows a mixed picture. In each case the 'intermediate' grade hovers around the 35-40% mark, but the southern European countries of Italy and Spain have the highest proportion of companies with 'no evidence' of having an SEE risk management system. Where companies do have some evidence in these two countries, none of them are assessed as 'advanced' unlike the other three countries. Germany additionally has the highest proportion of companies in the 'limited' category. Each of these countries have been regarded as having comparatively weak corporate governance and disclosure traditions and this appears to pervade the area of SEE risk. This may well be a concern to investors.

At a regional level (see Chart 3), there are some weak trends but not so clear to enable strong conclusions to be drawn. There is some evidence that the management of SEE risks is more developed in northern than southern Europe. For instance, with the exception of Belgium & Luxembourg, the southern European countries of Portugal, Spain, Italy and Greece have the greatest proportion of companies with 'no evidence' of a SEE risk management system. The Nordic countries (except for Sweden where family influence over the governance of some companies is still significant), and the northern European countries of the UK, Netherlands and France have the highest proportion of 'advanced' companies. When combined with 'good', the same Nordic countries plus UK, France and Switzerland have approximately 40% or more of their companies graded at these higher levels. Although this provides some support for the suggestion that southern Europe fares less well than

other parts of Europe, it would be wrong to over-stress this. The limitations of this trend are confirmed by the analysis revealing that when one considers the percentage of companies categorised as 'intermediate' or better, then the UK, France, Italy and Finland emerge as the top four countries. This uneven picture across Europe probably reflects the continuing influence of national governance and reporting traditions.

4.5. Asia

Chart 5 shows the situation for the Asian countries in the FTSE All World Developed Index. Japan clearly shows a better adoption of SEE risk management than Hong Kong and Singapore and stands favourable comparison with some European countries. This perhaps follows on from Japanese companies' strong achievement in gaining ISO14001 certification and a more technocratic management culture. The other two countries are the least aware of any country in the index with virtually no company assessed as 'good' or better. In comparison, Japan has 17% of its companies graded at the 'good' level and also has the only 'advanced' graded company in this Asian group.

4.6. Australia, New Zealand and Canada

In looking at Australia, New Zealand and Canada in Chart 6, no great distinctions can be drawn although New Zealand has the greater proportion of companies in both the 'no evidence' and 'advanced' categories. They also compare similarly with several European countries (see chart 3).

Chart 5: See risk management grades for FTSE All World Developed (Asia) Index companies by country (no of companies in each country given in brackets)

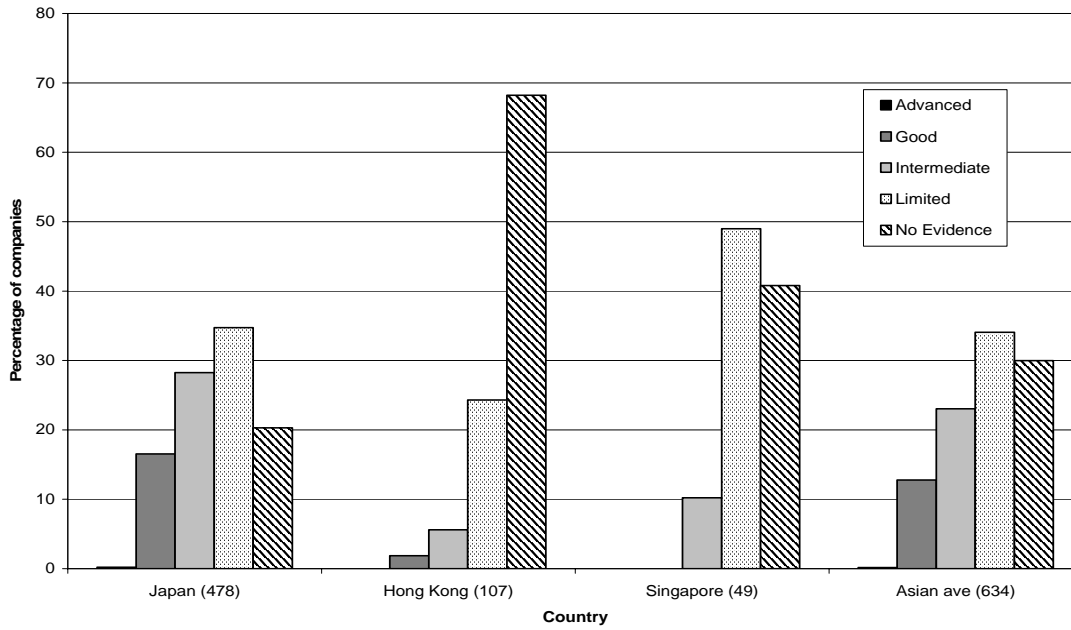
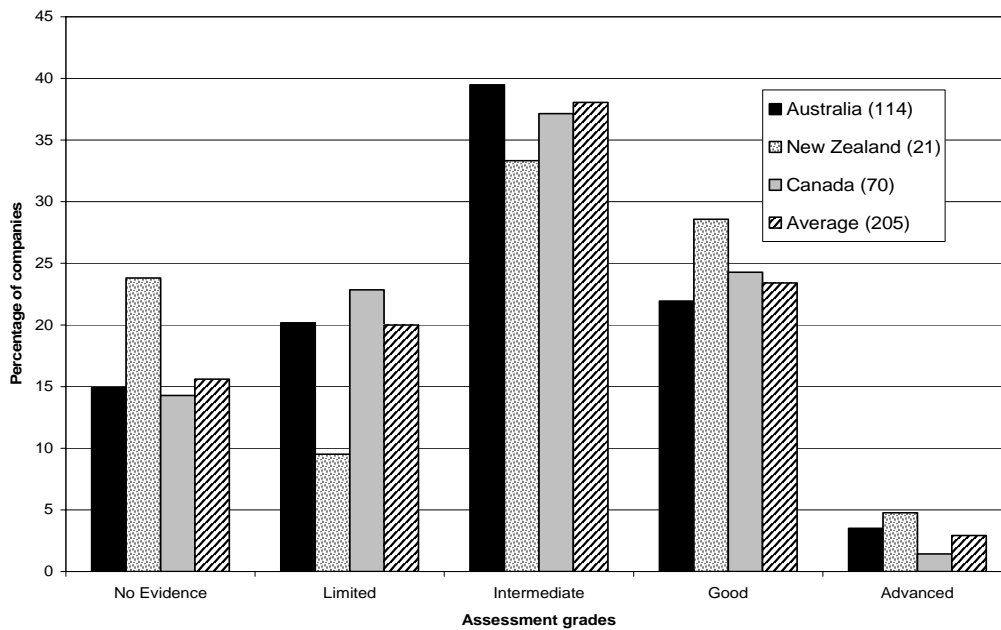


Chart 6: SEE risk management grades for companies in Australia, New Zealand & Canada (no of companies in each country given in brackets)



4.7. FTSE All World Developed by Sector

The global data has also been analysed by sector.

Tobacco (50%) and mining (21%) are the only two sectors with over 20% of companies in the 'advanced' category. If the 'advanced' and 'good' grades are combined, then the leading sectors are oil & gas (53%), tobacco (50%), beverages (37%), electricity (36%), utilities (34%), insurance (34%), chemicals (34%), aerospace & defence (33%) and personal care & household products (33%).

At the other end of the spectrum real estate (45%), speciality finance (40%) and software and computer services (39%) have the highest proportion of 'no evidence' grade. When combined with the 'limited' category, the principal laggard sectors remain real estate (71%), speciality finance (66%) and software and computer services (68%). These are followed by food and drug retailers (62%), health (60%), household goods & textiles (59%), media & entertainment (57%), leisure & hotels (56%), banks (54%) and transport (53%). The low evidence of SEE risk management systems is perhaps surprising for some of these sectors where there are obvious sector risks relating to supply chains, consumer satisfaction or the environment.

When the data is aggregated further into economic groups¹⁴ as shown in Chart 8, further conclusions can be drawn.

The chart shows that those economic groups which investors might regard as having some of the greatest SEE risk challenges, namely resources, basic industries and utilities have provided evidence of making the most progress

in developing SEE risk management systems. This may provide a modicum of re-assurance, although investors would need to look carefully at individual companies. Even for those economic groups that show the most evidence of recognising the need for SEE risk management, there are still companies within those groups that appear not to have made a start in this area.

Those economic groups that appear to be making slowest progress in developing SEE risk management systems are information technology and financials, followed by consumer goods (cyclical), and cyclical and non-cyclical services. Nonetheless, there are some companies in these sectors that are clearly addressing the challenge. With these economic groups comprising sectors with major consumer relationships there may be a need for the laggards to follow the good examples set by their peers.

Chart 7: SEE risk management grades for FTSE All World Developed Index companies by sector (no of companies in each Group given in brackets)

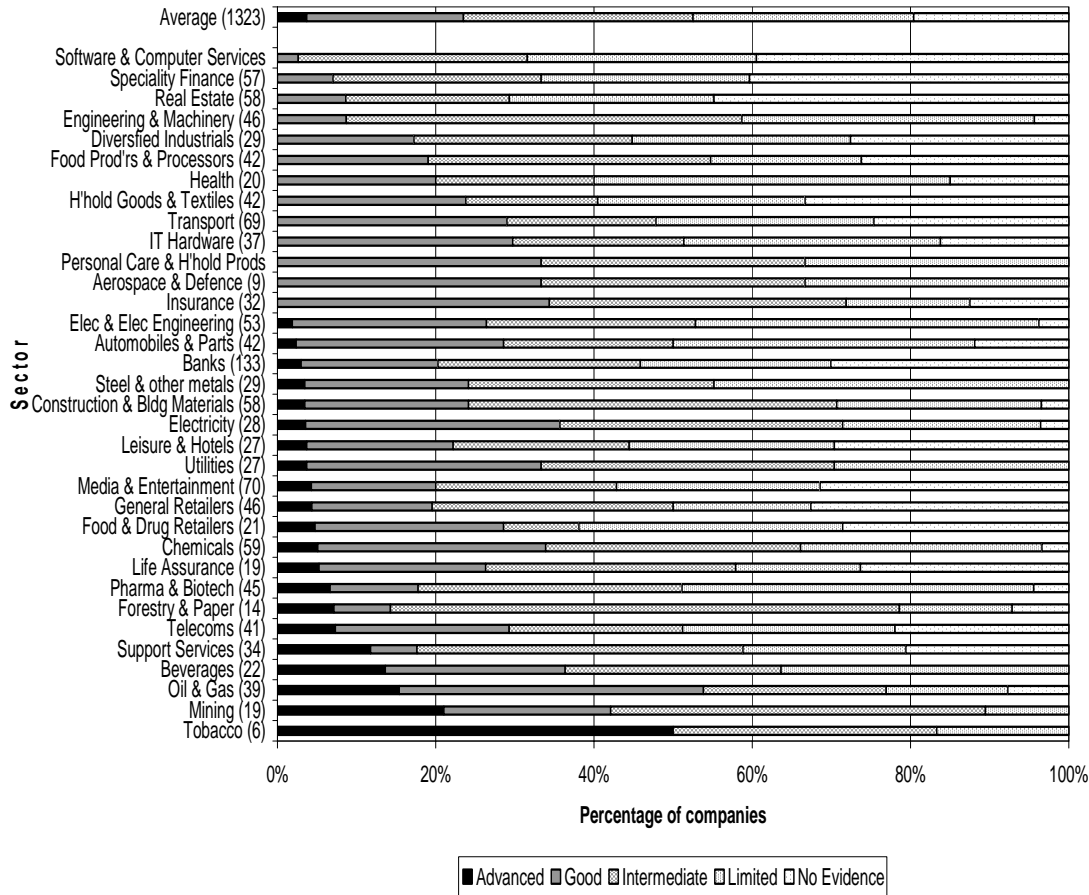
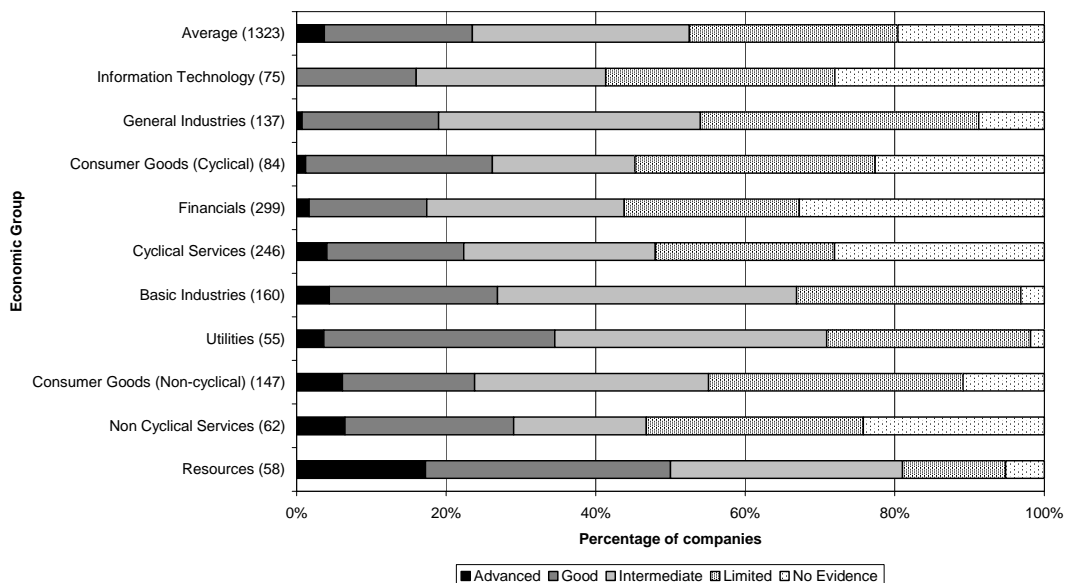


Chart 8: SEE risk management grades for FTSE All World Developed Index companies by Economic Group (no of companies in each Economic Group given in brackets)



5. Conclusions

On the positive side there are signs that companies in many parts of the developed world are taking up the challenge of identifying and managing their SEE risks. However, the evidence is clear that a large number of companies still need to take a number of further steps to address these matters in a coherent way. Overall, the data shows that there are more companies who have yet to establish identifiable SEE risk management systems (ie grade 'limited' or worse) than there are demonstrating that they have some key aspects in place (ie grade 'good' or better). In general, the FTSE All Share Index fares better, with 37% of companies graded 'limited' or worse, compared to 47% for the FTSE All World Developed Index. This may reflect the influence of Turnbull, the ABI guidelines and a maturing culture of SEE reporting in the UK.

Moreover the analysis of the EIRIS database illustrates that some countries and sectors show greater progress than others. Some trends can be discerned, but care should be adopted in not overstating the case in some instances. More specifically, the emergent trends are:

- companies from the UK, Norway, Switzerland and France have made the greatest progress in developing SEE risk management systems, although there are still companies that have demonstrated little activity in this area
- larger companies have done the most compared to smaller companies, especially in the UK
- some evidence that northern Europe fares better than southern Europe, but this is not uniform
- Hong Kong and Singapore show very few signs of adopting SEE risk management systems
- Japan fares notably better than its Asian counterparts and compares favourably with lesser performing European countries
- Australia, New Zealand and Canada are similar to one another and to several European countries
- some evidence suggests that those sectors that are perceived to have the greatest SEE risk exposure (e.g. tobacco, mining, utilities) show up among the best, although again this is far from uniform. For instance, chemicals show up less well than might be anticipated.

Those companies that are already showing up strongly in the assessments are likely to be well placed to meet the requirements of any new industry, institutional, national or international codes, such as the EU Accounts Modernisation Directive, that include references to the links between governance and SEE issues requirements. Those that currently show little activity can expect to have work to do in this area. This therefore provides both general and socially responsible investors with a major opportunity to engage with companies and, through their influence, ultimately improve the corporate governance of those companies.

SEE risk management provides a bridge between governance and SEE issues. For those with a strong governance focus it provides a means of taking SEE issues into account. Mainstream analysts can now introduce a SEE dimension into their analyses and re-assess their position towards particular companies. For an investor, it provides a synopsis of what the board is doing to address these matters on their behalf. Conversely SRI investors now have the opportunity to add a governance tool to

their engagement toolkit. Furthermore if an investor wants to investigate more deeply, it can be linked with EIRIS assessments in other key areas such as environment, human rights, supply chain etc. Any apparent inconsistencies between these areas and SEE risk assessments could be of concern, and a matter to be taken up with the identified company.

In short, SEE risk management is a sphere that offers something to a range of analysts whether they are driven by governance, ethical, financial or engagement concerns.

Notes

- ¹ See Centre for Business Performance (1999), *Implementing Turnbull: a boardroom briefing*, The Institute of Chartered Accountants; London.
- ² See Review group favours guidelines with a light touch, *Financial Times*, 16 June 2005.
- ³ Association of British Insurers (ABI) (2001), *Investing in Social Responsibility: Risks and Opportunities*, London.
- ⁴ The OFR requirements were intended to become effective for reporting years beginning on or after 1 April 2005, although formal enforcement would not have come in until the following year.
- ⁵ See Accounting Standards Board (2005), *Reporting Standard 1: Operating and Financial Review*, London.
- ⁶ *Financial Times*, 28 November 2005
- ⁷ UBS (2005), *Why try to quantify the unquantifiable*, London.
- ⁸ See Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003.
- ⁹ Members of the initiative believe this will produce a more rounded assessment of corporate performance and cover such issues as corporate governance, human capital management and key environmental challenges like climate change.
- ¹⁰ In the US, The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has, in association with PricewaterhouseCoopers, developed Enterprise Risk Management: an integrated framework. Although prompted by Sarbanes-Oxley, it has wider applicability and has been viewed as an alternative to Turnbull guidance. See www.coso.org
- ¹¹ EIRIS provides assessments for broad risk categories (eg environment, human rights) as part of its core research and is now producing a series of SEE risk briefings on key individual SEE risks for particular sectors and the management systems in place to monitor those risks. The SEE risk briefings *Access to medicines for the Developing World and the pharmaceutical industry* and *Mobile phone health concerns in the telecom industry* are available at www.eiris.org
- ¹² The analysis does not include US companies, where EIRIS is continuing to undertake the research during 2005. EIRIS does not cover companies classified as investment trusts or investment companies that are constituents of some of the indices. In addition a few companies that were added to the indices since the end of March 2005 are excluded.
- ¹³ The proportion of FTSE 100 companies that are assessed as 'intermediate' or better exceeds 90%. This compares with the last ABI report of 80% of FTSE 100 companies providing moderate to full compliance with their guidelines. See ABI hails progress in socially responsible investment, News Release, 27 January 2004. The ABI used a four-level assessment scheme focusing on annual report disclosure compared to EIRIS' five assessment grades and use of a wider range of sources.
- ¹⁴ The FTSE Global Classification System comprises ten broad Economic Groups that combine two or more sectors. See appendix 2 for details.

Further reading

- Association of British Insurers (ABI) (2001), Investing in Social Responsibility: Risks and Opportunities
- SustainAbility Ltd. (2001), Governance, Risk and Corporate Social Responsibility
- Association of British Insurers (ABI) (2004), Risks, Returns and Responsibility
- SustainAbility Ltd. (2004), The Changing Landscape of Liability: A Director's Guide to Trends in Corporate Environmental, Social and Economic Liability
- UBS (2005), Why try to Quantify the Unquantifiable, London.

6. Appendices**6.1. Appendix 1 - Indicators within each SEE risk management component (Max score =16)****Board** (max = 4)

- regular board review of SEE issues (2)
- director training explicitly on SEE issues (1)
- pay and incentives for directors / senior managers linked to SEE performance (1)

Corporate-level management system for SEE risks (max = 4)

Either:

- general statement that SEE risks are considered as part of general risk management system (1), or
- outline of corporate policies and procedures for specifically managing SEE risk (2)

AND any of:

- regular assessment of SEE risks (i.e. probability, scale etc) (1)

- undertaking internal audit and/or external verification for SEE issues (1)

Company identification of risks

(max = 4)

Either:

- company states 'all risks' (ie SEE implied) considered by the board, but no detail provided (1), or
- statement that SEE risks considered, but no evidence of identifying any (1), or
- statement that no SEE risks have been identified (2), or
- statement that SEE risks have been assessed but not considered material in significance (2),

OR

- actual identification of specific SEE risks: examples only (2), or
- actual identification of specific SEE risks: full disclosure (4)

Measurement of quantified, potential liabilities and opportunities (max = 4)

Either:

- general reference to existence of system (1), or
- some specific, quantified examples (3), or
- full disclosure of specific, quantified liabilities and opportunities (4)

Companies could be strong in a particular component and relatively weaker in others, or could disclose some evidence under each category. The higher scores will necessarily be more broad-based and strong across several or all categories. Sources used are annual reports, CSR reports, company websites and EIRIS survey responses.

6.2. Appendix 2

The Economic Groups (with sectors) are:

- Resources – mining, oil & gas
- Basic Industries – chemicals, construction & building materials, forestry & paper, steel & other metals
- General Industries – aerospace & defence, diversified industrials, electronic & electrical equipment, engineering & machinery
- Cyclical Consumer Goods – automobiles & parts, household goods & textiles
- Non-Cyclical Consumer Goods – beverages, food producers & processors, health, personal care & household products, pharmaceuticals & biotechnology, tobacco
- Cyclical Services – general retailers, leisure & hotels, media & entertainment, support services, transport
- Non-Cyclical Services – food & drug retailers, telecommunication services
- Utilities – electricity, other utilities
- Financials – banks, insurance, life assurance, real estate, speciality & other finance
- Information Technology – information technology hardware, software & computer services

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