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enthusiasts find they have a global hit on their hands*Ethical Investment Research Services first began assessing companies a quarter of a century ago. Mike Scott talks to its chief executive Peter Webster*

Peter Webster, chief executive of Eiris, has witnessed a lot of change in the 25 years since the ethical investment research service was founded.

Eiris emerged from a group of charities and churches concerned about the ethical issues associated with their investments. At the start, Webster says, Eiris was just a small group pushing forward 'ideas that seemed a bit unlikely at the time', and the market developed almost by accident: 'All of the initial ethical funds were set up because there was someone enthusiastic within the firm willing to push it. There was no systematic market research.' Friends Provident's Stewardship Fund, for example, emerged when the fund was looking to undo its formal ties with the Quakers – the 'Friends' in Friends Provident – but to provide a product appropriate for that constituency. 'The broader interest the fund received came as quite a surprise, but it has turned out to be a very good business to be in.'

The amount invested in green and ethical retail funds hit £9billion (\$18bn) last year in the UK, according to Eiris, which has expanded its client base over the years to include institutional investors, government bodies and private client brokers. More than a third of its clients are now outside the UK.

One of the main changes over the last quarter of a century is the willingness of companies to tackle the concerns of investors, says Webster. 'The idea of who constitutes a stakeholder has expanded considerably.' Companies were very reluctant to admit to being influenced by outside pressure, whereas now they openly look to respond to stakeholder concerns, he adds.

Eiris does not actively engage with companies, but it does have significant influence. As one of the creators of the FTSE4Good indices, Webster confirms they are happy to advise companies of criteria they are failing to address and often give such advice.

Looking forward, Webster suggests the requirement of the UN Principles for Responsible Investment for regular reporting on environmental, social and governance issues should have a similar effect on investor behaviour as the stipulation in the UK's Pensions Act in 2000 for fund trustees to consider these issues. 'We have also seen this with the Global Reporting Initiative – the need to report on what you are doing has been a real driver.'

Nonetheless, he adds, 'I wish I could say company reporting will have improved in five years time. Some places are improving very well – there has been a huge increase in reporting on environmental issues in Japan, for instance – but others are not. The US has not advanced as much as we would have hoped for.' Despite that, he says 'reporting will be better in time and there will be more choice of ethical investment products.'

Asia is an obvious laggard in terms of ethical issues, but Mr Webster thinks this could change quickly. 'People were pretty hostile here when we started but it is just a process of familiarization. Also, the sector will develop differently in different places. It is quite conceivable that we will see a Chinese environmental fund, but I would not expect them to deal with human rights quite so readily.'

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