

The co-operative asset management

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Paris, 23-24 October 2008

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Measuring CSR

AMICE CSR Conference

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14 October 2008

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The Co-operative Asset Management

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- The Co-operative Asset Management carry out the fund management activities of The Co-operative Financial Services and is part of The Co-operative Group.
- 300,000 investors in unit trust range - approx £3 billion AUM.
- Co-operative ownership structure & long-standing socially responsible tradition.
- Fully integrate ESG issues throughout the investment process.
- Ethical Engagement Policy launched following customer consultation in 2005, applied to all funds under management.



Why measure CSR?

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- CSR issues are material – robust evidence that CSR affects shareholder value in both the short and long term
- Identify the key CSR challenges and opportunities in a company: enables effective prioritisation of resources
- What gets measured gets managed
- Enhances reputation, boosts customer loyalty, motivates employees
- Sustainability & Competitiveness

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What tools are available to measure CSR?

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- Wide range of CSR checklists, frameworks, models available

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- **Tools:** The Balanced Score Card, The Natural Step

- **Indices:** FTSE4Good; DJSI; *Sunday Times* Great Place to Work; Corporate Health & Safety Performance Index; Business in the Community

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- **Ethical ratings agencies:** EIRIS, Innovest, Asset4, Vigeo and the ASPI index, SAM

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- **Reporting institutes and registries:** Global Reporting Initiative, CERES, Institute 4 Sustainability and others

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“The Good Companies Guide”

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- A guide to help individual investors wanting to put their money into companies making a positive contribution to society

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- Highlight issues commonly considered as part of our investment approach

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- Investor transparency: UNPRI

- Naming and shaming? Unavoidable. But also congratulating!

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“The Good Companies Guide”: what we measured

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- Risk Management & Reporting
- Environmental: control of impacts and management of risk (e.g. arising from climate change)
- Social: management of stakeholder relationships and workplace relations and the risks these may pose to the business
- Governance: independent oversight; board effectiveness; audit; directors’ remuneration; shareholder alignment.
- Sector-specific: e.g., food retailers – responsible sourcing; planning and competition; labelling and marketing; product sustainability.



Challenges to measuring CSR

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- Proving it's effective is difficult - no agreed definition or standard of CSR in place to unify the different internal and external stakeholders' expectations
- Proving to investors that it's worth the money: how CSR is linked to company strategy, value-drivers and risks
- Responding to uncertainties: emerging CSR challenges – largely in emerging economies?
- Political and macro-economic impacts: will the recession make a difference?
- Opportunities presented by shift to a more sustainable economy?

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Common concepts in measuring CSR

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- Link CSR goals to tangible objectives that can be met
- Measures must be actionable and linked to outcomes. Measurable against external, established measures and successes
- Base measurements on credible data. Measures should be clear, and based over a long period of time to ensure transparency
- Recognise that measurement has its limitations. A good measurement framework is essential for credible measurements, but it isn't always sufficient to capture the intangible value of CSR.

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New era for measurement of CSR?

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Is CSR Enough?

- Has CSR been a sufficient response to today's most pressing global challenges? This is more debatable than ever following recent crisis in corporate accountability.
- Have voluntary CSR initiatives simply circumvented the barriers to fundamentally altering corporate behaviour?

Is there a need for new business models and new measuring tools?

- Investor communication -> investor involvement
- Collaboration and common aims and solutions
- Different ownership structures for businesses where share ownership and investor responsibility are more closely aligned
- Directors' remuneration linked to oversight, accountability demanded and the consequences of their actions

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