

Global study finds world's largest corporations fail to address risks that threaten long-term profitability

Latest research from global responsible investment specialist EIRIS reveals that 80% of the world's largest companies listed on the FTSE All World Developed Index face significant and unmanaged environmental, social and governance risks.

The global financial crisis underlines the need for more sophisticated risk management, greater transparency and more active engagement with companies. *The State of Responsible Business in 2008: Implications for PRI signatories* focuses on approximately 2,300 global companies to highlight significant areas of unmanaged risks in the areas of climate change, human rights, bribery and labour standards in the supply chain - the key areas covered by the United Nations Global Compact (UNGC). The report highlights the challenges these risks present to UN PRI signatories and other investors:

- **Climate change** – very high impact sectors such as oil & gas account for over half of total global greenhouse gas emissions. But globally only 10% of companies in very high impact sectors have adopted a good or advanced response to climate change risk. If companies are to meaningfully address climate change they need to significantly reduce their carbon emissions
- **Human rights** – around a quarter of companies face high exposure to risk in this area, but only 10% of these companies have adopted good practices to manage human rights and labour standards in their supply chains
- **Environment** – Over 50% of high impact companies demonstrated a good management response. However, numerous companies face unmitigated environmental risks particularly in North America and Asia ex-Japan
- **Bribery and corruption** - only 10% of high risk companies manage their bribery risks to a good standard

EIRIS' research also reveals very poor corporate disclosure on environment, social and governance (ESG) issues. It shows that ESG reporting lags behind performance on all UN Global Compact issues except climate change. Globally, ESG reporting is not good enough for investors to be clear about the risks they face, or what companies are doing to manage those risks.

There is a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. The United Nations Principles for Responsible Investment (PRI) exist to promote the incorporation of ESG factors into investment risk analysis.

The State of Responsible Business in 2008: Implications for PRI signatories highlights the opportunities which exist for PRI signatories and other investors for greater collaboration on ESG issues; opportunities for integration particularly on environment; engagement priorities and best practice examples on all issues and opportunities to improve disclosure, in particular via reporting initiatives such as the Carbon Disclosure Project and Global Reporting Initiative.

"The global financial crisis underlines the crucial need for a more sophisticated understanding of risk management. A growing number of investors are recognising that ESG factors are key to protecting shareholder value and mitigating risks" said Peter Webster, EIRIS Executive Director. "Our report identifies opportunities for PRI signatories and other investors looking to fully integrate ESG issues into their investment strategies and valuation models".

Additional key findings, further background on definitions, graphs, charts and commentary on other key differences observed are all available in the full report – click [here](http://www.eiris.org/files/research%20publications/stateofrespbusinesssep08.pdf) (<http://www.eiris.org/files/research%20publications/stateofrespbusinesssep08.pdf>) to download a copy of the report.

PRI signatories continue to face challenges in successfully meeting their commitments to the Principles. In order to facilitate effective implementation of the PRI, EIRIS has developed a PRI toolkit to assist investors with integration, engagement and improving corporate ESG disclosure. Further information on EIRIS' PRI Toolkit is available [here](#)

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Note to editors:

1. EIRIS (www.eiris.org) is a leading global provider of independent research into the social, environmental governance and ethical performance of companies. EIRIS, a UK-based organisation with offices in the US and France together with its international research partners, has a wealth of experience in the field of responsible investment research. EIRIS provides comprehensive research on around 3,000 companies in Europe, North America and the Asia Pacific region.
2. EIRIS is already retained by 100 institutional clients including pension and retail fund managers, banks, private client brokers, charities and religious institutions across Europe, North America, Australia and Asia.
3. EIRIS has developed a comprehensive suite of products to help investors assess their portfolios and design investment strategies in response to the challenge of a carbon-constrained economy. For more information on EIRIS' products and services visit www.eiris.org or email: clients@eiris.org
4. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary agent driving globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. See www.unglobalcompact.org
5. The United Nations Principles for Responsible Investment (UN PRI) is an investor initiative undertaken in partnership with the United Nations Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact. Launched in April 2006, the Principles are designed to align the goals of institutional investors with the sustainable development objectives of the United Nations. The PRI has succeeded in drawing support from the investment community. Upon launch 20 mainstream institutional asset owners signed up, representing USD 2 trillion in assets under management. As of September 2008, the value of assets managed by the signatories to the PRI exceeded USD 15 trillion. See www.unpri.org

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