

Swedish company Ethix serious about Responsible Investment

Ethix is a leading consulting firm helping institutional investors and asset managers to integrate environmental, social and governance issues into the investment process. It assists investors in developing and implementing responsible investment policies, and provides company research and screening according to a number of different criteria. Their clients' assets under responsible investment strategies total over Euro 250 billion. Ethix analysts Weidacher and Fruchart talk about responsible investment.

What are the guiding principles for screening companies?

The guiding principles vary depending on investors' policy. A widely used screening approach is our analysis of corporate involvement in activities that violate or threaten to violate global standards on environmental protection, human rights, labour standards, and anti-corruption as set out in existing initiatives and guidelines. Global standards are delineated in a number of international agreements, most importantly the UN Global Compact¹, the OECD Guidelines for Multinational Enterprises and the more detailed interpretation of corporate responsibility drawn from international conventions provided by the Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights. UN resolutions are also taken into account.

Do you assess the sustainability of activities of companies related to the Israeli occupation?

In our global norms screening, we identify companies that are alleged to violate international standards. The assessment focuses on unaddressed violations which can be verified by official sources.

Regarding the Israeli settlements on occupied Palestinian territory, there are a number of UN resolutions that address the situation. For instance, provision of infrastructure is in violation of UN Security Council Resolution 465, and is one of the key factors that we take into account in our assessment. Therefore, we assess companies that provide infrastructure. We also look at companies that supply mechanised vehicles to destroy Palestinian homes, or that manufacture and repeatedly deliver armament used against civilians in contravention with humanitarian laws.

As we gather information from a large number of sources, allegations in the media or academic research can be a trigger for us to research the performance of a company. Through the media we learned about the French companies Veolia and Alstom, that participate in the light rail project in Jerusalem.

How do investors view your assessment of companies involved in the occupation of Palestine?

As the guiding principles are global norms including UN resolutions, it provides investors with assessments based on internationally accepted standards. However, certain situations can sometimes be perceived as 'political', for instance the assessment of companies with business activities in occupied territory. The light rail runs also in East Jerusalem, which is occupied territory. So Veolia and Alstom's involvement in this project does not meet international standards according to the global norms screening. The Israeli light rail on occupied Palestinian land is a violation of international law. For other clients the issue is important and not so controversial.

What if Veolia and Alstom withdraw from the light rail project?

Let us be clear that the construction of the light rail in West Jerusalem is not disputed. If the companies withdraw from the light rail project in East Jerusalem and the West Bank, it would in that case no longer be involved in an offence of UN resolutions. That would influence our assessment.

Adri Nieuwhof, 30 September 2008

¹ <http://www.unglobalcompact.org/aboutthegc/index.html>