Responsible Investment, defined as “investing in a manner that takes into account the impact of investments on wider society and the natural environment, both today and in the future” (World Economic Forum MRI, 7) is gaining momentum at least in the academic sphere. Prudently advancing its agenda requires collaboration of academics, policy makers, and investors; both critics and proponents. This literature review is a collection of current academic articles, books, and reports, representing both qualitative and quantitative in approach centered around topics related to responsible investment. Key words included that are considered relevant to responsible investment are Socially Responsible Investing, Corporate Engagement, Community Investment, Ethical Investing, Corporate Social Responsibility, GRI, screening, etc. The criteria for selecting literature for inclusion is based on the relevancy to the following main areas of interest: A historical context of Responsible Investing, the degree of effectiveness between different forms of SRI (screening, divestment, active engagement), the intersection between SRI and RI (whether it exists and how it can be facilitated through policy), international reporting standards such as the GRI, differences between progress in environment, social, and governance issues, and finally, the impact of the current economic crisis on RI. The literature selected for this review is limited to the US, UK and Canada.

STRONGLY RECOMMENDED READINGS: (ALPHABETICAL)


This review of articles produced by AMWG and Mercer has two aims; first to demystify the performance of responsible investments and secondly, to encourage more in-depth academic and practitioner research on ESG factors. The review “features a diverse set of academic and broker studies that analyses responsible investment performance at both the company/stock and fund/portfolio level, including thematic studies which bolster the materiality of ESG factors. The types of studies selected provide a useful and representative sample essential not only to demystify performance, but also to have a good picture of the current state and direction of ESG research. The academic and broker findings were linked to achieve a holistic analysis and to set the scene going forward”. (9) This review also provides a useful section on the definitions of responsible investment vocabulary in the appendix. The holistic nature of this article makes it very useful for the purposes of this literature review.

Two types of analysis were applied in the review of the selected articles; narrative and tabular, reflecting a combination of quantitative and qualitative dimensions. Interestingly, “in most cases, quantitative analysis resulted in an assumed positive influence of ‘good citizenship’ on the overall economic performance of a company”. (pg 50)

“The studies are noticeably market and investment-oriented to generate ideas at the thematic and stock level. From this standpoint, there is not much difference from traditional research. However, the details reveal that the analysed theme or sector was chosen mainly due to its
environmental character or societal impacts. It is also noteworthy that ESG criteria (e.g., environmental footprint, corporate governance) are being combined with traditional financial criteria (e.g., earnings per share, price-earnings ratio, return on equity) in order to provide a more holistic and longer-term assessment of the related stocks”. (50)

“In summary, there is already explicit evidence and acknowledgment of the materiality of ESG factors and its influence in driving business strategy. Addressing ESG factors appears to be currently centered on improving risk management, mainly for large caps. The opportunity side is largely viewed through a thematic lens, mainly for small and mid caps, with a primary focus on environmental aspects, or the E. Meanwhile, it seems that the S and the G are labeled under compliance check. This is why there is a vital need for research that aggregates ESG, and links it with compliance, risk and opportunity. We believe that there will be increasing demand for this type of research which, in turn, will facilitate the integration of ESG factors into investment analysis and decision-making”. (51)

Linking this with academic findings, “more research is needed to examine the link between the different approaches towards integrating ESG into investment decisions (beyond screening) and portfolio performance, including the effect of engagement and integration into stock selection”.(52)


Abstract:
Many public pension funds engage in institutional activism. These funds use the power of their pooled ownership of publicly traded stocks to affect changes in the corporations they own. I review the theory and empirical evidence underlying the motivation for institutional activism. In theory, the merits of institutional activism hinge critically on two agency costs: (1) the conflicts of interest between corporate managers and shareholders, and (2) the conflicts of interest between portfolio managers and investors. This leads to two types of institutional activism: shareholder activism and social activism. While portfolio managers can use their position to monitor conflicts that might arise between managers and shareholders (shareholder activism), they can also abuse their position by pursuing actions that advance their own moral values or political interests at the expense of investors (social activism). Which of these effects dominates the actions of portfolio managers will determine the value of activism and is an empirical issue. Perhaps the most high profile activism has been pursued by CalPERS with their annual focus list. I document that CalPERS has pursued reforms at focus list firms that would increase shareholder rights and (imprecisely) estimate the total wealth creation from this shareholder activism to be $3.1 billion between 1992 and 2005. Unrelated to the focus list program, CalPERS has also pursued social activism (e.g., the divestment of tobacco stocks). In general, I argue that institutional activism should be limited shareholder activism where there is strong theoretical and empirical evidence indicating the proposed reforms will increase shareholder value. At times, institutions will be forced to take engage in social activism and take positions on sensitive issues. In these situations, I argue portfolio managers should pursue the moral values or political interests of their investors rather than themselves.
Barber takes up a significant debate in this piece, which central to an understanding of the issues is concerning whether activist forms of SRI overstep boundaries. “Proponents of activism argue that institutions are merely providing necessary monitoring of corporations with poor performance. In contrast, critics view activism as the actions of meddlesome portfolio managers spending investors’ money to interfere in corporate policy. Who is right”? (1)

The paper begins with an overview of the theory driving institutional activism. It then proceeds with consideration for empirical evidence drawn from CalPERS focus list firms. Barber also “reviews the nature of reforms pursued at focus list firms and provides anecdotes regarding other activism pursued by CalPERS outside of their focus list initiative”. (18)

“To answer this question, I begin from basic economic principles and analyze a simple framework where a portfolio manager has the unfettered objective of maximizing the value of an investment portfolio. I argue that the benefits of institutional activism – narrowly for the investors at the institution and broadly for society – hinge critically on the prevalence of two agency costs”. (1)

“The first agency cost is the well known conflicts of interest between shareholders and corporate managers; corporate managers may pursue projects that benefit themselves, but not shareholders. The second agency cost, less widely discussed than the first, is the conflicts of interest between portfolio managers and investors. Portfolio managers may pursue investment policies that benefit their own objectives, but not those of investors”. (1)

Findings: “Using simple empirical methods, I estimate the gains to the high profile activism of CalPERS focus list firms over the period 1992 to 2005. My short-run analysis indicates that CalPERS activism yields small, but positive, market reactions of 23 basis points (bps) on the date focus list firms are publicly announced”. (2)

Barber concludes with a warning, strongly advising the need for careful use of activist methods of engagement in SRI. “Institutional activism is a double-edged sword. When prudently applied, shareholder activism can provide effective monitoring of publicly traded corporations. When abused, portfolio managers can pursue social activism to advance their personal agendas at the expense of those whose money they manage”. (18) The relatively simplistic nature of the empirical methods used in this paper combined with the important debate which it engages in makes it an important and useful contribution to deepening one’s initial understanding of RI.


Comprised of a collection of pieces related to SRI, this book offers an excellent review and analysis of the most pressing issues related to advancing the agenda. Topics covered include but are not limited to “the case for SRI outperformance, pension funds and fiduciary responsibility,
discussion on mainstreaming SRI, international dimensions of SRI and community investing strategies.

“The only element in the corporate universe that can effectively restrain management in its dealing with government is the owners”. (xvii) In his introduction, Monks considers “shareholder involvement as necessary in order to mitigate the most brutal negation of shareholder values”. (xvii) As a result, the first five chapters of the book are dedicated to analysis of the various modes of measuring stock performance over varying lengths of time. Monks “usefully lays to rest any concern that SRI induced funds might not perform at least as well as the general averages over any relevant length of time. (xv) The book includes an “insightful list of the reasons why the finance committees and boards of directors and trustees of our leading institutions largely continue to refrain from considering social investing”. (xvii) Considering whether SRI is a fringe activity, Monks predicts that over the next decade, “sensitivity to societal and environmental concerns will be explicitly recognized as adding value to companies”. (xviii) Also, the possibility of fully legitimate legal standards raises the hope for a robust conceptual basis for socially responsible corporations”. (xix)

“This book has mapped out the growth of the civil economy”. (241) We have given scores of examples of how citizen investors directly and indirectly are reshaping the corporate agenda. So important to not view this as a civil economy utopian, That conclusion would be wrong. A civil economy mirrors civil society. Civil society is not utopian; it does not pretend that by giving everyone a vote and freedom of expression somehow all social debate is automatically resolved. (242) they identify throughout the book actors who are important, however the responsibility lies with the citizen investor. “We, the people are not just the audience. We, the citizen owners, can direct this drama and decide its outcome”. (242) “

The book concludes by placing the onus on the reader to advance the SRI agenda, which is an interesting spin on mainstreaming efforts. Most proponents and critics get caught up on the difficulties associated with inefficient and seemingly impossible public policy processes as being the only legitimate route to expanding. “The money that circulates in global capital markets is our money. The companies it owns are our companies. How those companies behave, how the civil economy develops, is ultimately up to us, the new capitalists”. (243)


New capitalists are defined by the authors as “the owners of multinational corporations, who are the tens of millions of working people who have their pensions and other life savings invested through funds in shares of the world’s largest companies”. (xi) The rise of new capitalists places significant power in the hands of citizens, therefore creating a unique opportunity for change. “The New Capitalists” is an excellent source of literature related to RI because it offers a comprehensive historical explanation for the recent changes in investor behaviour, as well as a direction forward, which encourages the reader to take advantage of the opportunities presented to us. “In this book we track the present awakening of a consciousness of civil ownership, of new capitalists, that promises to make those traditional power brokers accountable or kick them out of
the way”. (xii) “New capitalists are beginning to compel radical change across the globe as they build a civil economy”. (xiii)

“This book has two main goals- first it seeks to expose the mechanisms that have historically driven corporations and citizens apart, trying to solve the riddle of missing savings and jobs. Secondly, it identifies a powerful countervailing phenomenon that is pushing corporate executives, investors, politicians, activists, and citizens to hone new skills for reengineered capitalism”. (xi)

“What we call the civil economy is materializing for a simple reason: a population of new capitalists is seizing influence over the corporate agenda”. (xi) The book leads its reader through the transformation to this new civil economy, which supports the argument that socially responsible investment is not simply a fad, but grounded in historical processes and is now entrenched in a new order, redefining capitalism. “New capitalists are just as fiercely bent on scrutiny that ensures that corporate profits are real, not a result of accounting tricks. Focus is shifting to sustainable long term corporate performance and away from firms configured to generate only short-term highs”. (xvii)

“Here then is our single most important recommendation to individuals in the civil economy: select funds based on their readiness to pledge real allegiance to you”. (222) “The reward can be great if progress continues. To begin with, we can recover that $3 trillion of lost savings that we identified in the first pages of the book. We can create millions of jobs. We can rein in unsustainable production, ensuring companies work for a fusion of profit and social purpose”. (242)

Like the “SRI Advantage” book reviewed here, the New Capitalists is premised on placing the responsibility with the individual shareholders to demand better from the companies in which they invest. The book certainly takes an optimistic tone, touching on several issues, such as the effectiveness of monitoring, accounting and reporting standards and the empowerment of citizens. It also addresses the role that NGOs can potentially play in the new civil economy, which is something that other literature reviewed here does not directly consider.


Abstract:
This study makes an innovative approach towards rating the profitability of micro-credit. While previous research on microfinance has been conducted through the analysis of individual case studies, this study takes a more widespread look at the financial performance of micro-lending organizations in less developed financial markets. A sample consisting of 24 micro-finance institutions (MFIs) operating in different regions worldwide is observed over a period of up to 9 consecutive years. The influence of both organization-specific and environmental factors on the profitability of their loan portfolios is examined. Furthermore, the capacity of those institutions
to generate sufficient yields on their credit operations in order to attract rational foreign investors is rated. For this purpose, the realized credit spreads on MFI-portfolios are compared with spreads observable for exchange-traded USD-corporate bonds exhibiting equal levels of risk. The panel design and the investigation of multiple (partly qualitative) external variables influencing loan portfolio returns contribute to a comprehensive investigation of MFI-performance. Indeed, MFI-specific factors are found to be much more decisive for profitability than any environmental conditions.

**Keywords:** Microcredit, Microfinance, Investment, Profitability

This paper offers an overview and analysis of microfinance which leads to some insightful results. The paper includes a literature review, consideration for the profitability drivers of microfinance, and a comprehensive quantitative analysis on microfinance return, risk and other performance measures. The paper also includes a qualitative analysis which considers the top 5 best and worst performers. It proves to be a very useful paper for the purposes of this literature review, offering profound insight into the social dimension of the ESG socially responsible investment initiatives. “The implications of this study contribute to reducing the information gap perceived by most international capital markets with respect to MFIs”. (43)

Analysing whether the average profitability is meeting the investors demands, the study finds “when looking at the full sample of 24 MFIs observed between 1997 and 2005, the credit operations of these organizations generated a return that was 7.41 percentage points lower than a rational investor would have charged. Their yield was significantly lower than required by USD-investors at a 95% significance level. The variance of returns in the sample, however, was relatively high with a standard deviation of 30.34 percentage points”. (17) “Qualitative results are similar to other studies which find that transparency through participating in reporting initiatives, among other aspects contribute to higher returns for investors”. (40)

Implications of the study, first suggest that “current microfinance organizations can offer rational investors a sensible return on their investment under certain conditions. Second, critical success factors for MFIs’ financial performance were identified. Hence, this study’s findings can help pave the way for more vivid participation of private investors in the microcredit industry”. (43)

“In summary, there are striking differences in the financial performance of individual microcredit institutions. After all, the organization-specific characteristics appear to be far more important for the financial performance of a microcredit agency than the relevant environmental forces”. (44)

This paper argues that the new interest in so-called "corporate social responsibility" is founded on a false notion of how much discretion a modern public corporation has to sacrifice profits for the sake of certain social goods, and that the promotion of corporate social responsibility by both the private and public sectors misleads the public into believing that more is being done by the private sector to meet certain public goals than is in fact the case.

**Keywords:** Corporate social responsibility, socially responsible investing, socially responsible consumption

Reich argues that “to view [CSR] as a new form of democratic capitalism is to fail to understand the logic of super-competitive capitalism, what [he has] termed supercapitalism. It is also to divert attention from the more difficult but also more important job of establishing laws that protect and advance the common good”. (2) Obviously skeptical of corporate social responsibility, Reich argues that the recent “upsurge of interest in corporate social responsibility is related to the decreasing confidence in democracy”. (3) It is easier for reformers to influence large corporations than it is to lobby politicians. Also, he argues that CSR lets both politicians and corporations off the hook (40) CSR initiatives have become a scapegoat, because it is easier to rely on them than to navigate through the difficulties associated with public policy regulations and laws. (3) “Meanwhile, the real democratic process is left to companies and industries seeking competitive advantage.” (56).

This argument is based on his assertion that corporations do not have the discretion to be socially responsible in the first place. Reich cites Walmart as an unusual case of a corporation succumbing to the pressures of corporate social responsibility, because it is “a huge, ubiquitous, highly visible institution – the largest employer in America, and one of the largest in the world”. (32) “To the extent the firm has been pushed to be more virtuous, it seems doubtful the tactics for achieving this result are transferable to most other firms”. (32) It is important to note the author’s underlying belief motivating his arguments, which is that firms not highly visible such as Walmart are only willing to engage in social responsibility conditional on the potential to reduce costs and not out of a concern for society. Reich does not see the potential for sustainability of investment in socially responsible firms, arguing that “for many years I have preached that social responsibility and profitability converge over the long term. But I’ve never been able to prove this proposition nor find a study that confirms it. More important, from the standpoint of the modern firm, the long term may be irrelevant”. (7)

The implications of Reich’s argument demand a stronger public presence in the realm of social responsibility of firms and investors. This must be accomplished through laws and regulations rather than leaving it up to the firms to decide how they will embrace social initiatives and standards. (15) Furthermore, “those with the lowest standards would win out in a race to the bottom”. (20) Ultimately, responsible investment initiatives are a false substitute for politics. Without a specific political goal, “corporate social responsibility” is simply a function of a group’s organizing heft relative to a particular company or industry – and therefore can mean anything”. (20) Drawing on a sensitive issue to Canadians, which is health care, Reich argues that supporting social initiatives through private channels (such as health insurance through employment) is dangerous, leaving many people vulnerable to volatilities in the economy. He makes a strong case for separating corporate goals from social ones, arguing that instead of
relying solely on responsible investment initiatives to induce positive social benefits in the firms they invest in, it is necessary to strengthen the capacity of the public sector, through universal public health care for example. (27)

This paper identifies a serious gap in the literature on responsible investing and therefore contributes significantly to a deeper understanding of the phenomenon. Reich questions the assumption that corporations have the necessary discretionary power to sacrifice profits for the good of society. He warns his readers of the serious implications of placing too much emphasis on the power of corporate social responsibility to produce improvements in society, which leads to the hollowing out of the public sector. The issues raised by this paper must be taken into consideration when forming expectations of responsible investment.


Abstract:
In recent years, pension funds and other institutional investors have begun to give more attention to the environmental and social behaviour of the companies in which they invest. A recent movement for socially responsible investment (SRI) seeks to exclude companies that pollute or ignore human rights, for example, and to champion those that behave ethically and responsibly. However, some confusion among investment decision makers persists about the extent to which their fiduciary duties to beneficiaries allow policies that may sacrifice financial returns for environmental or other philanthropic causes. This is compounded by the belief that they cannot secure the best returns in respect of their fiduciary obligations with current socially responsible companies. With reference to the main common law jurisdictions, this article critically examines whether the fiduciary duties of pension fund investors hinder SRI. Contrary to some commonly held beliefs, SRI can often sit comfortably with fiduciary duties to invest prudently. However, legal reforms to improve the climate for SRI would help, as evident by some recent initiatives in several jurisdictions.

Keywords: Pension funds, socially responsible investment, environmental law, fiduciary responsibilities

This article contributes to the important debate of whether there is the possibility for the intersection between RI and SRI. It provides a theoretical discussion on the fiduciary investment standards, the boundaries that they set, and then aims to discover whether SRI fits within them. This paper goes beyond identifying the possible limits set by fiduciary duties, into considering what reforms can better accommodate SRI and is therefore a recommended reading because it offers insight into possible policy solutions. “SRI does not always or necessarily conflict with fiduciary duties of pension funds. Moreover, fulfilling fiduciary obligations can actually require careful attention to corporate social and environmental performance”. (149)

“The traditional onus to seek the highest return on each individual investment has deferred to a duty to adopt an investment strategy that incorporates sound risk and return objectives over the
entire trust portfolio”. (154) “While the preceding discussion reveals to some extent a synergy
between fiduciary investment standards and SRI in the pension sector, SRI remains pitifully
small and pension fund trustees are still often taciturn to invest responsibly”. (185)

Possible Reforms: “For several reasons, attacking the problem directly by prohibiting harmful
corporate behaviour through regulation has proven an insufficient solution. Solutions including
SRI-based regulation should probably aim (at least for the moment) to promote informational,
incentive and other procedural mechanisms to nurture the conditions for SRI among pension
funds and other investors”. (188) The authors also consider more interventionist solutions,
including SRI as a material concern, which requires entrenching ESG factors in the same manner
as a firm’s fiduciary duty.

“Regulation to encourage SRI could enable institutional investors, even without an explicit
mandate by contract or trust deed, to lawfully take social, ethical and environmental factors into
account, if such factors have a material bearing on financial returns and risks”. (189)

Next the authors consider a “disclosure approach”. “The reporting process can heighten public
expectations that pension funds should adopt an SRI policy, and can have pedagogic value
to fund trustees themselves”. (191) Efforts in Canada to adopt this- “In September 2002, Bloc
Quebecois MP Stephan Tremblay introduced a bill to amend the Pension Benefits Standards
Act, 1985 to require federally regulated pension plans to disclose their policies, if any, on SRI”.
(193)

Finally, the authors consider more forceful legal mechanisms may be more appropriate than
merely allowing SRI where it meets “materiality” thresholds or requiring disclosure of applicable
SRI policies. “Each may fail to induce changes in long-standing investment practices. Policy-
makers could insist that investors take social and environmental impacts into account as part of
their fiduciary investment duties. This is not unprecedented, though rare given the political
obstacles”. (193)

Review, 2006 ; A Comprehensive Survey of Social Investment in Canada”. Available
online: www.socialinvestment.ca. Accessed: Nov. 4, 08.

This document is the fourth comprehensive survey on the size and scale of socially responsible
investment (SRI) in Canada, conducted by the Social Investment Organization. The report has
been published every two years since 2000. For the purposes of this report, SRI is defined as the
integration of ESG factors in the selection and management of investments. The review identifies
two separate types of SRI strategies; broad and core. Core strategies incorporate both SRI
strategies, which are rooted in values-based decisions about investment selection and
management, (i.e. community investment, Socially responsible lending, screening), as well as
risk and return considerations. Broad SRI strategies primarily involve fiduciary analysis of ESG
factors based on both risk and return criteria (i.e. proxy voting, sustainable venture capital). It is
very useful for this review of literature because it covers a wide array of issues related to SRI,
includes important definitions, and makes a practical distinction between different types of SRI
strategies.
“The study is based on data collected between September 2006 and January 2007 through a survey of money managers and community investment providers. The results were combined with various publicly-available data on pension funds, mutual funds and alternative energy income trusts. As well, data on assets subject to ethical lending policies and assets related to sustainable venture capital deals were obtained from private sources. The total of all these sources were used to arrive at the final estimates contained in this report”.

“In the two years since publication of our last Review in 2004, assets invested according to socially responsible guidelines have increased significantly, from an estimated $65.46 billion in 2004 to $503.61 billion, as of June 30, 2006. The vast majority of this increase is due to the recent adoption of socially responsible investment practices by several major pension funds, mostly in the public sector. This represents a significant increase in assets invested according to Broad SRI strategies, of which there was very little activity as recently as 2004”. The report finds that “the largest growth came in the area of pension funds employing Broad SRI strategies. Pension SRI assets grew from $25 billion in 2004 to over $443 billion”. (5)

Acknowledging the progress that has been made thus far, the authors “maintain that the growth in the Broad SRI sector represents a breakthrough in the understanding of environmental, social and governance issues by the investment community. It wasn’t that long ago that many fiduciaries argued quite strongly that ESG issues were irrelevant to investment prospects or stock valuations. Now not only are major pension funds doing research into this very question, they are voting their shares on this basis. This represents a real and very practical application of environmental and social analysis to the management of investment. Regardless of whether there are values-based reasons to take ESG considerations into account, the facts of the matter are that growing numbers of fiduciaries are incorporating social and environmental considerations into the management of their portfolios”. (34)

Considering possible strategies for mainstreaming SRI, the authors “believe that widespread adoption of integration strategies is only a few years away. Our asset manager survey identified $12.7 billion in assets managed according to ESG integration strategies. The responsible investment policy of the Caisse de depot et placement du Quebec calls on its managers to take ESG factors into consideration. The members of the Enhanced Analytics Initiative (including CPP Investment Board and Batirente in Canada) are working with investment brokers to develop better techniques for analysing and employing ESG analysis. It is only a matter of time before Canadian asset managers begin to use ESG analysis and information to underweight or overweight their portfolios based on long-term ESG assessments. This will provide a fundamental challenge to the current short-term thinking dominating the Canadian financial industry”.

Abstract:
This paper estimates the price of ethics by studying the risk-return relation in socially responsible investment (SRI) funds. Consistent with investors paying a price for ethics, SRI funds in many European and Asia-Pacific countries strongly underperform domestic benchmark portfolios by about 5% per annum, although UK and US SRI funds do not significantly underperform their benchmarks. The underperformance of SRI funds does not seem to be driven by the loadings on an ethical risk factor. SRI funds do not suffer a cost of reduced selectivity nor do SRI funds managers time the market. There is mixed evidence of a smart money effect: SRI investors are unable to identify the funds that will outperform in the future, whereas they show some fund-selection ability in identifying ethical funds that will perform poorly. The screening activities of SRI funds have a significant impact on funds' risk adjusted returns and loadings on risk factors: corporate governance and social screens generate better risk-adjusted returns whereas other screens (e.g. environmental ones) yield significantly lower returns.

Keywords: ethics, mutual funds, socially responsible investing, investment screens, smart money, risk loadings

“First, we study the risk and return characteristics of SRI funds using a unique dataset consisting of nearly all SRI mutual funds around the world (the United States, Europe, Asia-Pacific and Africa). Looking at screening as a means rather than corporate engagement, of SRI- We add an ‘ethics factor’ to the Fama-French-Carhart four-factor model and to the conditional models in which a lagged set of macro-economic variables are included. We also study how returns and risk evolves over time and whether SRI fund managers time the market. Second, we investigate whether or not ethical investors are able to select the SRI funds that will generate superior performance in subsequent periods. Third, we study the impact of SRI screens on fund returns and risk loadings, an issue that plays a central role in the SRI fund industry but has not yet been explored in the literature. Whether or not screening intensity and screening criteria (i.e. sin, ethical, social, corporate governance, and environmental screens) influence the risk adjusted returns and risk exposure of SRI funds”. (3)

Main Findings: “The risk-adjusted returns of the average SRI fund in the UK and US are not statistically different from those of non-SRI funds in these countries. However: the average SRI fund in most European and Asia-Pacific countries strongly underperforms the benchmark portfolios. In particular, the risk-adjusted returns of the average SRI funds in Belgium, France, Ireland, Japan, Norway, Singapore, and Sweden are on average lower than –5% per annum”. (3)

The authors also find “mixed results on the ‘smart money’ effect in the SRI fund industry: Although ethical investors are unable to identify the funds that will outperform their benchmarks in subsequent periods, there is some fund-selection ability to identify the ethical funds that will perform poorly”. (4) Third, they find that the performance of SRI funds is positively related to the number of SRI screens employed, and” an “in-house” SRI research team strengthens this relationship”. (5)
The type of screens used varies across regions. “93% of US SRI funds use at least one of the sin screens, whereas corporate governance, social and environmental screens are more popular in the UK and the rest of Europe”. (9)

Results from the study “suggest that the screening activities of SRI funds matter: funds with a higher number of SRI screens have better returns even after controlling for well-known risk factors We also find that the use of specific screens, such as corporate governance and social screens, has a positive impact on the risk-adjusted returns (by 2.1% per annum) while other types of screens, e.g. environmental ones, reduce the alpha by 1.6%”. (28)

This article provides a useful map of SRI progress on a global scale. It also opens a new area for research, which is to investigate the reasons for the gap in returns from SRI between Europe/Asia and the UK/US.


The World economic global forum’s institute for Partnership and Global Governance, Global Corporate Citizenship Initiative produced this report which investigates the barriers to mainstreaming responsible investment motivated by the realization that “the logic of responsible investment — i.e., the deliberate incorporation of material social and environmental considerations in investment decision-making — has yet to be embraced by the wider investment community”. (7)

The report is comprised of a summary of recommendations from the roundtable discussions and chapters contributed by expert participants. It includes a dialogue on responsible investing, the current state of responsible investing, modes of responsible investing, and finally the barriers to mainstreaming responsible investing. The report defines responsible investing as “investing in a manner that takes into account the impact of investments on wider society and the natural environment, both today and in the future”. (7)

One barrier to mainstreaming responsible investment that the report identifies is a lack of information. “The volume of non-financial information disclosed has certainly increased, and some standardization in this information has occurred, for example, through the Global Reporting Initiative and investor-facing indices like the Dow Jones Sustainability Index. Despite this, evidence suggests that information available to mainstream investors is inadequate for the task of linking social and environmental factors to financial performance”. (24)

A second barrier is a lack of incentives. “Financial incentives are clearly and unsurprisingly a dominant driver of investor behaviour. Yet there is a serious lack of information on the workings and impact of incentives within the investment community”. (25)

Third, the report finds that a lack of competencies interferes significantly with the extending RI. “There is widespread agreement that there exist several major competency gaps that impede the mainstreaming of responsible investment. These include competency gaps in addressing social
and environmental dimensions of investment strategies and practices exist all along the investment value chain. But the roundtables highlighted the fact that while these competency gaps are in part about straightforward skill deficits, the underlying problem concerns a lack of institutional competencies in the form of appropriate tools and metrics”. (26)

Recommendations allude to improving competencies, information and incentives through extending the dialogue of RI, improving dissemination of nonfinancial information, strengthening the capacity of fund managers and research analysts to serve long-term institutional owners, and upgrading the governance of pension funds to reflect their central role in equity markets. (47-52) These recommendations set a useful guideline for the direction of future policy goals; however the recent economic crisis may jeopardize the value of these recommendations. An updated report with a clear connection to the context is needed.

RECOMMENDED READINGS:


Abstract:
This paper primarily focuses on Entine's assertion that SRI research is hopelessly flawed. Although SRI researchers have primarily chosen to pluck the low-hanging fruit in this line of inquiry, it is possible to obtain unbiased higher level insight. SRI research best functions as a means of helping firms and investors identify what the market wants. As Entine points out, the definition of what is and is not moral behavior for a firm is a quagmire, and the ability to measure whether socially responsible investors have forced firms to become moral is suspect. The paper also agrees with Waddock that socially responsible investors have caused firms to take certain actions that, without such pressure, they would have taken much later or not at all. However, whether these actions have made firms moral is not a debate that SRI researchers should enter. Certainly, events of late would suggest that although firms, by and large, are now more responsive to a variety of social issues, they are not moral entities, and should not be viewed as such.

Keywords: Corporate social responsible, socially responsible investing

The authors contribute to this similar debate as Reich, arguing that firms should not be conceived as inherently moral entities, but with a greater focus on screening and less on the hollowing out of the public sector. The authors “disagree with Entine’s assertion that this renders research on corporate social responsibility (CSR) and its relation to financial performance, or what is often referred to as socially responsible investing (SRI), a worthless and even harmful academic exercise.” (381). As a result, they consider the existence of the intersection between CSR and financial performance.

The paper is useful for outlining the debate surrounding the possibility of an intersection between profits and social investing, and offers insight into how to best reach this intersection. “The solid
financial performance of the most prominent SRI indicator, the Domini Social Index (DSI), has strengthened proponents’ argument that CSP and CFP are positively related. DiBartolomeo and Kurtz (1999) showed that the DSI substantially outperformed the S&P 500, earning a total return of 470% from its inception in May 1990 through March 1999”. (383) SRI critics argued that improvements in financial performance have come about at the expense of social performance. If one observes the holdings of the DSI, one will see that its portfolio is quite similar to that of the S&P 500 (Glassman, 1999). In other words, SRI funds have turned from being “the butt of Wall Street jokes” (Glassman, 1999, p. 4) into competitive financial performers only because many SRI funds “once-strict screening criteria have turned porous”(383) “That is, financial performance declined as the number of social screens increased, until it reached a low point around 6 (of 12) screens, then turned back up, increasing as the number of screens increased”. (384)

The authors find both views to be representative of reality to varying degrees. They find funds that rigorously apply social screens “may effectively weed out bad firms from their portfolios, thereby improving financial performance”. (384) They also find that SRI funds that use only 1 or 2 social screens “improve financial performance through the diversification benefits that such porous criteria allow”. (384) However, it is important to make a distinction between which type of screens yield better results for financial performance. The authors find that “contrary to the positive findings for tobacco and community relation’s screens, screening on the basis of environmental criteria and labor relations was negatively related with financial performance”. (384) The problem with SRI now according to Entine (2003 [this issue]) notes that “the criteria used by fund managers to screen firms out of portfolios are poorly defined, inconsistently applied, and impossible to verify”. (385) “Moreover, prior findings about the link between certain types of CSR and CFP, no matter how strong, provide no guarantee that such linkages will remain in the future”. (385)

Further, the authors offer some insightful direction for the future, through identifying strategies that can be embraced in order to produce financial gains while simultaneously earning profit. “SRI research can, when conducted in an unbiased manner, point out where profit was made in the past, and through extrapolation, provide some sense of where it is likely to be made in the future”. (386) “If we can isolate how the market reacts to particular social criteria, then we may gain a better understanding of which socially responsible issues are worthwhile from a financial standpoint, and which do not pay off”. (387)


Abstract:
There exists a widespread consensus among mainstream academics and investors that socially responsible investing (SRI) leads to inferior, rather than superior, portfolio performance. Using Innovest's well-established corporate eco-efficiency scores, we provide evidence to the contrary. We compose two equity portfolios that differ in eco-efficiency characteristics and find that our high-ranked portfolio provided substantially higher average returns compared to its low-ranked
counterpart over the period 1995-2003. Using a wide range of performance attribution
techniques to address common methodological concerns, we show that this performance
differential cannot be explained by differences in market sensitivity, investment style, or
industry-specific components. We finally investigate whether this eco-efficiency premium puzzle
withstands the inclusion of transaction costs scenarios, and evaluate how excess returns can be
earned in a practical setting via a best-in-class stock selection strategy. The results remain
significant under all levels of transactions costs, thus suggesting that the incremental benefits of
SRI can be substantial.

Note: Previously titled "Socially Responsible Investing: The Eco-Efficiency Premium in the U.S.
Equity Market"

**Keywords:** Socially Responsible Investing, SRI, Corporate Environmental Performance, Eco-
Efficiency, Performance Measurement, Style Analysis

“Focusing exclusively on the environmental element of social responsibility, this study
investigates if a long-run premium or penalty exists for holding environmentally responsible
companies. We construct two mutually exclusive portfolios with distinctive ‘eco-efficiency’
scores. We then apply performance attribution models to test whether any performance
differential between the portfolios is significant and attributable to the environmental component.
The method allows us to examine the long-term benefits of including environmental criteria in
the investment process”. (4)

“The majority of academics and investors, relying on standard portfolio theory, have been
reluctant to embrace the socially responsible investing doctrine. In spite of the widespread
skeptical attitude towards SRI, we present evidence that a stock portfolio consisting of
companies labeled ‘most eco-efficient’ sizably outperformed its ‘less eco-efficient’ counterpart
over the period 1995-2003”. (18)

“Overall, our findings suggest that the benefits of considering environmental criteria in the
investment process can be substantial. Our results are puzzling in the sense that it is difficult to
explain the observed performance differential using conventional asset pricing theory, and
particularly the well-established return-risk paradigm. The fact that common risk factors fail to
account fully for the observed results raises the possibility of a mispricing story”. (19) The
authors identify the need for new theoretical models to capture the effects of SRI on observed
performance. This area is greatly under-theorized in responsible investment literature.

Consequences for Corporate Social Performance Research." in *Organization &

**Abstract:**
According to its advocates, social investing (also known as socially responsible investing or
ethical investing) is a fast-growing phenomenon that represents “nearly one out of eight dollars
under professional management in the United States.” Its central tenet is that clients can “invest
for their own futures and a better world at the same time” by buying stock in companies that pass social screens and avoiding investments in companies that do not. According to this general approach, publicly-traded companies can be “objectively” rated using data gathered by social investing researchers, most notably by Kinder, Lydenberg, & Domini (KLD). Some academicians incorporate these ratings into their research as measures of corporate social performance (CSP). In contrast, this study contends that social investing principles are problematic and that the data and ratings generated by social investment researchers are hopelessly flawed. Social investment advocates rely on sketchy, highly selective research and pseudo-objective ratings that belie the complexity of modern corporations and economies. Social screening in general and KLD’s ratings in particular are tainted by anachronistic, contradictory, idiosyncratic, and ideologically constructed notions of corporate social responsibility. Representations of the growing financial impact and competitive performance of social investing are questionable. No social research organization or “socially responsible” mutual fund has yet presented a coherent case for why its criteria are ethical or socially responsible or better at effecting social change. This study concludes that the general approach of social investment advocates, including by academic researchers, is one of vindication of the true believer, not investigation.

This paper considers the historical context, as well as the standards and data which proponents of SRI rely on and through criticizing these sources, Entine forces his reader to question the reliability of their position. “Compounding such concerns, researchers often subjectively pick and choose which categories suit their personal notions of CSP and adjust the data using idiosyncratic formulae (Graves & Waddock, 1994; Turban & Greening, 1997). Still, many academic researchers rely on this inherently problematic data”. (354) “CSP research data suffer from a lack of reliability. There are fundamental questions about the quality of the research data. KLD and other research groups review thousands of companies with skimpy resources. Research relies upon often unreliable, anecdotal, and highly interpretable data. Overworked and undertrained junior staffers draw on government data banks, journalistic sources, and information supplied by companies, collating whatever information they select as relevant. The task is daunting and highly subjective. These data are then given a patina of objectively by being turned into hierarchical numbers”. (355) Entine also argues that supporting research for CSP “relies on arbitrary standards”, and “ignores aspects of corporate activity that are not easily measurable and is a priori biased against some industries that are more transparent”. (356) “The numerical ratings used by CSP researchers create an illusion of objectivity”. (357)

Entine concludes by warning that “Although social investing has demonstrated that it can be an effective brand marketing strategy, it does not fulfill its stated rationale of promoting systematic investment in “good” companies and effecting positive change—to “do good.” Moreover, by implicitly encouraging the belief that the intentions of a business can be judged distinct from the economic impact of a company, social investing may promote corporate behaviour that is neither socially progressive nor ethical and may result in adverse consequences to stakeholders”. (366) This is an important piece which has been cited by other articles included in this literature review and is therefore an important read.

Abstract:
The goal of socially responsible investing (SRI) is to provide capital to the companies that are socially and environmentally responsible and to deny capital to the ones that are not. SRI involves integrating personal values and societal concerns with investment decisions so as to promote greater corporate responsibility. This technical note discusses the concept and three key strategies of SRI: screening, shareholder advocacy, and community investment. It also traces recent developments in SRI, from the 1960s to 2003. The note gives students an understanding of the rapid growth and performance of socially and environmentally screened investment funds.

Keywords: environment, entrepreneurship, investment management, social responsibility, strategy, ethics

Although oversimplified and lacking in-depth analysis, this paper provides a good overview for the purpose of a general understanding of RI. It is composed of more of definitions and explanation of concepts rather than actual analysis, and is not based on independent research. The paper talks about modes of engaging in SRI, such as screening, and more active methods. Also talks about the intersection between financial and social goals, growing trends in the US over the last two decades, as well as the European experience with SRI. There is also a section on critics of SRI and recent trends.

The most useful aspect of the paper is in its conclusion, which offers a direction for the future. “All corporations fall on a spectrum between being merely reactive to integrating sustainable business methodology as a core value. Regulatory demands, consumer preferences, financial markets, and international requirements may demand that companies change. The convergence of business issues and social issues is forcing companies to examine their practices and policies. SRI standards moreover are increasingly recognized as a measure of good overall management. Current data support the conclusion that SRI standards may even outperform unscreened portfolios”. (16) The author inverts the question asking what is the cost of not including nonfinancial criteria such as ESG standards in investing decisions. Thinking about the potential success of SRI in this light could be useful for future research.

Abstract:
First, we will explain the concept of globalization. We will describe its conceptual variants and point to some of the phenomena that are associated with this process. Next we will describe the traditional paradigm of CSR where the responsibilities of businesses are discussed vis-a-vis a more or less properly working nation state system and a homogenous moral (cultural) community. We will argue that both these assumptions become problematic in the current 'post-national constellation' (Habermas 2001). We describe the new situation with regulatory gaps in global regulation, an erosion of national governance (loss of national sovereignty and the exterritorial application of national law), and a loss in moral and cultural homogeneity in the corporate environment. We discuss the consequences of the post-national constellation with the help of two recent observations of business firms' behavior which call for a fresh view on the concept of CSR. We describe the necessary paradigm shifts toward a new politically enlarged concept of CSR in a globalized world.

Keywords: globalization, CSR, corporate social responsibility, global regulation, national governance, paradigm shift

This paper focuses on the interaction of CSR within the globalization context, which is important to include in this review since globalization poses some serious challenges, which complicate the outcomes. Globalization places a heavier burden on firms to “become political actors that have social responsibilities beyond their economic role, and the mere compliance to the law and rules of common decency is not the appropriate response to the new challenges”. (9)

The authors attempt to offer some direction in order to cope with these challenges. “With globalization, it seems, the negative consequences of businesses have intensified (see, e.g. Mokhiber and Weissman 1999, Korten 2001), as has the public call for corporate social responsibility, so how to reconcile these? We describe the new situation with regulatory gaps in global regulation (Braithwaite and Drahos 2000), an erosion of national governance (loss of national sovereignty and the exterritorial application of national law) (Kobrin 2001, Strange 1996), and a loss in moral and cultural homogeneity in the corporate environment” (3)

A substantial amount of the paper focuses on globalization, and it is therefore not particularly useful for the purpose of this literature review; however some useful information related to how to cope with global challenges is present in the second part of the article.

“Whatever the scope of corporate responsibility in management theory and practice, it implicitly builds upon the neoclassic concept of a strict division of labor between political and economic actors and domains. The main task of the state is to guarantee the stability of the societal context in which private interaction takes place”. (11) As Barber has argued, “we have managed to globalize markets in goods, labor, currencies and information, without globalizing the civic and democratic institutions that have historically comprised the free market’s indispensable context” (Barber 2000: 275). (12)

“Globalization is weakening the power of (national) political authorities to regulate the activities of corporations that globally expand their operations. This erosion of the regulatory power of (national) hard law has two effects: it forces national governments into a race to the bottom; and
it opens a regulatory vacuum for transnationally expanded corporate activities. While the sovereignty of political authorities remains nationally limited, some of the key problems of today’s world are transnational problems: global warming, AIDS, corruption, deforestation, and human rights are issues that have a strong transnational dimension and/or impact. They cannot be solved unilaterally by national governments within their geographically limited sphere of influence”. (14)

“Therefore, we have to consider new forms of political regulation above and beyond the nation-state in order to re-establish the political order and circumscribe economic rationality by new means of democratic institutions and procedures”. (Habermas 1996; Scherer and Palazzo forthcoming) (19)

Globalization demands a reconfiguration in the way responsible investment/ CSR is conceptualized and practiced. “On the global playing field, corporations have to be understood as economic and political actors with the above described consequences for the conceptualization of CSR”. (Scherer and Palazzo forthcoming) (20)


(Also recommended)


A major concern with responsible investment initiatives that is currently occupying most business ethics journals is the possibility that the recent economic crisis will significantly harm the cause. This article contributes to the view that economic troubles will not be detrimental to SRI because “consumers who already pay a premium for ethical goods such as Fairtrade and organic produce are unlikely to be put off by an economic slowdown”. (18)

Robertson questions whether “corporate social responsibility [will] be classified as a core activity or will it be sheared off into the cost-cutting pile”(18) He argues that “ethical investors show greater commitment to their investments than their more neutral counterparts. “It is for this reason that ethical funds tend to fluctuate less and that, in times of economic downturn, ethical funds lose less than mainstream funds”. (19)

“During an economic downturn, consumers tend to become more careful about their spending. Given that consumers are more inclined to buy products that represent cost savings, energy efficient products are likely to emerge as winners,” he says. Brightwell Companies supplying ethical products- more likely to build brand awareness in the future”. (19)

Some argue that a recession may be the catalyst for mainstreaming SRI “A company that is well run, managing its environmental and social impact, is more efficient in its own right.” He says companies actively addressing environmental, social and governance issues are usually better at managing risk and may even outperform others in a recession. (20)
Evidence is of course lacking due to the fact that the nature of this subject is predictive. There is a sense of optimism in this piece; however further literature is on this particular area is necessary. Future papers related to SRI even if they are not directly related to determining the impact of the financial crisis on the social consciousness of investors, must now account for this factor in their analyses.


Abstract:
Socially responsible investors are similar to conventional investors in some ways but different in others. Like conventional investors, socially responsible investors want high returns and low risk, but socially responsible investors also want their portfolios to conform to their values, whether promotion of worker rights, opposition to war, or protection of the environment.

Financial advisors new to socially responsible investing ask important questions. How can we make sense of socially responsibility when it means different things to different people? Is it right to mix financial goals with social goals. And won't such mixing violate our fiduciary duties?

Socially responsible investing often means different things to different people, but so does risk. It is the role of advisors to explore clients' social, ethical and religious preferences, just as they explore attitudes toward risk. Social questionnaires can facilitate that task as risk questionnaires do.

Mixing non-financial preferences with financial goals is not really new to any financial advisor. For example, advisors routinely accommodate the “home bias” of clients by titling portfolios away from foreign stocks, even when such tilts diminish the benefits of diversification. And socially responsible investing does not violate advisors' fiduciary duties when clients direct such investing in the investment policy statement.

This article presents, in their own words, four financial advisors who advise socially responsible investors. They tell about the life experiences that have drawn them to socially responsible investing and offer lessons about serving socially responsible clients.

Keywords: socially responsible investing, behavioral finance, investor behavior, asset pricing model, market efficiency, portfolios

In contrast to most articles included in this review, this article is qualitative in nature. Data is collected through a series of interviews with investment advisors. The article provides some
insight on the debate of whether or not investors are influenced by moral concerns when making investment decisions. However, the usefulness of this article for the purpose of a general understanding of responsible investing is compromised by the limited scope of data collection and lack of connection on how this can be linked to mainstreaming socially responsible investment.

The author cites Bollen (2006) who finds that “cash flows into socially responsible funds are more sensitive to lagged positive returns than cash flows into conventional funds. This implies that socially responsible investors care about the returns of their funds. Bollen also found that cash outflows from socially responsible funds are less sensitive to lagged negative returns. This implies that they also care about the social responsibility of their funds and remain loyal even when performance falters”. (4) Advisors should be flexible enough to adopt clients’ goals, even if they do not share them, as long as the pursuit of these goals does not violate the fiduciary duties they owe to their clients.(1)

The interviews address a broad range of questions including personal interest in socially responsible investing, viewpoints and approach to SRI, views on diversification, and methods of outreach to SRI clients. All participants involved in socially responsible investing who were interviewed found it to be a very rewarding experience, however they also noted forgone profits.

Through these interviews, the study attempts to demystify the conflict between fiduciary duties and socially responsible investment, which is based on the premise that the economy and society are separated. Evidence of the possibility between an interconnectedness of the economy and society materializes in several responses in the study. One interviewee claims, “In general, I’d say about 75% of these clients would not have a problem sacrificing, say, 1% of returns a year in order to follow SRI principles, not that we believe they will have to make that trade-off”. (14)

Interviews with financial advisors new to socially responsible investing brought to the surface some insightful questions when considering how to effectively mainstream SRI. “How can we make sense of socially responsibility when it means different things to different people? Is it right to mix financial goals with social goals. And won’t such mixing violate our fiduciary duties”? (38)

The study also finds that financial advisors can construct for their clients socially responsible portfolios that perform as well as conventional portfolios, or even better, whether through mutual funds or separate accounts.

Finally, socially responsible investors are not only screening their investment choices, but some are also actively involved in changing the behavior of the firms in which they do invest. “We try to find good companies that we can help improve. Clients might be happy to hold a company that’s great on human rights but has a lot of work to do on its environmental record as long as they know we’re working with the company to improve its record. So our activism complements our investment process”. (13)

Abstract:
Little is known about how investors select socially responsible investment (SRI) funds. Investors in SRI funds may care more about social or ethical issues in their investment decisions than about fund performance. This paper studies the money-flows into and out of the SRI funds around the world. We find that ethical money chases past returns. In contrast to conventional funds’ investors, SRI investors care less about the funds’ riskiness and fees. Funds characterized by shareholder activism and by in-house SRI research attract more stable investors. Membership of a large SRI fund family creates higher flow volatility due to the lower fees to reallocate money within the fund family. SRI funds receiving most of the money-inflows perform worse in the future, which is consistent with theories of decreasing returns to scale in the mutual fund industry. Finally, funds employing a higher number of SRI screens to model their investment universe receive larger money-inflows and perform better in the future than focused funds.

Keywords: money-flows, ethical funds, socially responsible investing, persistence in performance, investment screens, corporate governance screens, SRI

Contributing to the literature on the financial performance of SRI, this quantitative analysis studies the determinants of money flows in the SRI fund industry by considering the behaviors of ethical investors. “This group of investors explicitly cares about non-financial investment screens used in the portfolio selection”. (28) Contrary to other articles, the authors here consider the moral conscious of investors as playing a role in their investment decisions, finding that they are willing to invest in riskier. Secondly, the authors consider the volatility of money-flows of SRI funds. They ask whether money flows are able to predict future fund performance. (28) The paper then proceeds with an investigation into whether or not money-flows can predict future fund performance. Finally, the study considers whether screening intensity and type matters.

“Our results show that the SRI funds attracting most flows are not generating higher returns: the future abnormal return is 2.3% (annually) lower for SRI funds attracting money-flows exceeding the average flow by one standard deviation we find a positive relation between the use of SRI screens and future performance: the screening intensity of SRI funds improves returns. In particular, an SRI fund with 8 more screens is expected (all else equal) to have a higher abnormal return than focused SRI funds”. (4) However, this article, like others considered in this review of literature, makes the distinction between the types of screens that earn higher returns. It finds that, “funds concentrating on environmental and ethical (religious or ideological) issues generate lower future returns.” (4)

This study provides evidence that ethical money can be financially smart. Contrary to the findings of the Barnett, Michael L. L. and Salomon article reviewed here, more positive screens are found to lead to lead to higher returns. The article also notes differences between the types of screens employed (ESG). Unfortunately it does not offer an explanation on the potential reasons for environmental and ethical screens generating lower future returns.
This is the second annual report on PRI implementation by signatories. Given the growing profile of the PRI, and its increasingly global nature, this report provides an extensive guide to the responsible investment approaches to investment decision making and ownership practices currently being practiced within a significant segment of the institutional investment industry. In particular, it provides insight into the progress achieved by signatories over the course of 2007 as well as specific examples of best practices and initial implementation steps. (12)

The report is based on information provided by signatories in answers to an online questionnaire that was designed to capture information on their RI activities. (12) The respondents are either asset owners or Investment Managers, and differences are noted throughout the report. For example, “the data indicates that IMs generally assess themselves at higher levels than AOs in their PRI implementation”. (16)

The overall assessment results are presented first, followed by a discussion of progress in implementing various aspects of each Principle. Signatories were also asked a series of questions focused on RI/ESG issues in emerging markets, the results of which are presented next. Finally, signatories were asked for general comments on issues such as their priorities in the RI/ESG area, suggestions for the PRI Secretariat and their ranking of the Principles according to difficulty of implementation. Some of the insights gained from these comments are presented. (12)

Key findings include
- Signatories who participated in the 2007 survey (conducted early in 2007) have made considerable progress in implementation during the last year. Progress was evident across all six Principles.
- Signatories who participated for the first time in 2008 lag behind the earlier group. This is expected given that more recent signatories have had less time to implement responsible investment strategies.
- As in 2007, IMs recorded higher scores than AOs across the Principles. However, AOs are closing the gap in some areas.
- North American and European signatories retained their edge over signatories from Asia-Pacific and the emerging markets. (12)

The main benefits noted by signatories from their membership of the PRI and from the activities of the PRI generally have been in building networks among like-minded investors, facilitating information-sharing and enhancing the profile and credibility of RI/ESG issues and investment approaches”. (46) This report provides essential information on the most recent initiatives to both promote and advance the RI initiative with mainstream investors. Although responses were not collected from all signatories of the PRI, there are clear indicators of progress made on achieving the 6 principles across both AOs and IMs. Also, survey questions related to difficulties in achieving the principles are useful when thinking about how to expand the signatory base of PRI and to ensure that it does not simply remain rhetoric. This report is therefore a very useful introduction to the current state of responsible investing.

Abstract:
Social screening of investments calls not only for investment policy and criteria, but also for information about companies, their policies, practices and performance. The Global Reporting Initiative (GRI) and its June 2000 Sustainability Reporting Guidelines have the potential to significantly improve the usefulness and quality of information reported by companies about their environmental, social and economic impacts and performance. The GRI aims to develop a voluntary reporting framework that will elevate sustainability reporting practices to a level equivalent to that of financial reporting in rigour, comparability, auditability and general acceptance. This will be a welcome and efficient supplement to the questionnaires, interviews, press releases, media reports and other sources of information traditionally used for screening in investment decision making – social/ethical and mainstream. The Dow Jones Sustainability Group Index, the Jantzi Social Index and the Innovest EcoValue’21 analytical platform, together with the SRI community, are all likely to benefit from GRI-style sustainability reports. One of the GRI’s key challenges is to accommodate the broad variety of disclosure needs and expectations of a wide range of report users and company stakeholders. To maximize the usefulness of the GRI Guidelines, report users, including the SRI community, need to be engaged in the process of developing and refining the Guidelines over time. The GRI Guidelines are emerging as an important instrument in enabling companies to communicate with their stakeholders about performance and accountability beyond just the financial bottom line.

KEY WORDS: companies, decision making, disclosure, financial, framework, Global Reporting Initiative, guidelines, information, investment, reporting, screening, social responsibility, stakeholders, sustainability

In order to encourage effective socially responsible investment, especially in the context of globalization, it is important to monitor, measure, and disseminate information- these goals require greater transparency. Literature related to the tools for facilitating SRI is an important component to a general understanding of the topic. A lack of consideration for how SRI can be expanded and accounted for seems fruitless. “This paper summarizes the purpose and nature of the Global Reporting Initiative and its Sustainability Reporting Guidelines. It then describes how these can benefit investment screening for socially responsible investing. In conclusion it indicates the role that the SRI community should play in the future of the GRI and the evolution of the Guidelines”. (233)

“Development and refinement of the GRI Guidelines is not a process carried out in some distant ivory tower, insulated from real world needs and practices or driven by a narrow set of interests and disciplines. The GRI Guidelines have been developed to date and will continue to develop in future through involving a wide range of stakeholders and disciplines in many countries around the world. For the Guidelines to achieve their maximum usefulness to SRI managers, input about SRI needs and expectations must be available to (and sought by) the Guidelines developers. SRI
managers are therefore encouraged to participate in the GRI’s process for continuous improvement of the Guidelines over time”. (237)

“The GRI Guidelines can become a valuable tool for SRI managers to obtain the information they need for optimal investment decisions, and on the other hand SRI managers owe it to themselves and their clients to participate in the continuous improvement of the GRI Guidelines. Will reporting companies, seeking to raise (or borrow) funds on the most advantageous terms, then become increasingly motivated to perform and report with a view to social and environmental as well as financial and economic excellence”? (237) Although lacking substantial empirical data to support the arguments presented here, the paper identifies the possible benefits to the mainstreaming of SRI in the future through further embracing the GRI. It offers a good overview; however it does not provide a significant amount of evidence that GRI is actually sufficient in bringing about the proposed results.

ADDITIONAL READINGS:


ABSTRACT.
Socially Responsible Investment (SRI) indices play a major role in the stock markets. A connection between doing good and doing well in business is implied. Leading indices, such as the Domini Social Index and others, exemplify the movement toward investing in socially responsible corporations. However, the question remains: Does the ratings-based methodology for assessing corporate social responsibility (CSR) provide an incentive to firms excluded from SRI indices to invest in CSR? Not in its current format. The ratings-based methodology employed by SRI indices in their selection processes excludes many corporations by creating limited-membership lists. This received ratings-based structure is yet to offer an incentive for most of the excluded corporations to invest in improving their levels of CSR. We, therefore, ask under what circumstances a ratings-based method for assessing CSR could provide an incentive to firms excluded from SRI indices to invest in CSR. In this article, we attempt to offer a theoretical reply to this question. We show that when all firms are publicly ranked according to SRI index parameters, such indices can indeed create a market incentive for increased investment by firms in improving their performance in the area of social responsibility. We further show that this incentive tapers off as the amount of investment required exceeds a certain point or if the amount of payback on that investment fails to reach a certain threshold.

KEY WORDS: corporate social responsibility, social responsible investment, ethical investment, corporate social performance, financial performance, theory of SRI

Providing an overview of the various forms of SRI ratings strategies, this article deepens the reader’s understanding of an important tool (rating system) that may lead to the potential of mainstreaming SRI. This is something that most other literature in this review has not really touched on when theorizing about how to promote the SRI agenda. “Our hypothesis is that the
CSR ranking methodology currently used by SRI indices fails to encourage firms excluded from these indices to invest in CSR. Our proposed theoretical model of the effect that a firm’s social responsibility rating (or lack thereof) has on firm utility illustrates this problem situation and offers a clue to its resolution. We propose a model, which is within the scope of CSR and SRI. The SRI indices are used to rank the CSR of a limited selection of traded businesses. Thus, for this limited group of firms, financial gains are linked directly to SRI in a traded firm”. (899)

Previous research on SRI indices focused on the parameters involved in the construction of the rating. (903) The model used in this study “elucidates the circumstances under which a ratings-based method for assessing CSR could offer an incentive to firms excluded from SRI indices to invest in CSR”. (904)


Abstract:
It is argued that corporate social responsibility (CSR) can be a potent source of innovation and competitive advantage. Those firms typically investing in socially responsible practices, both in ways that solve pressing social issues and improve the firms’ competitive edge using the same frameworks that guide their core business choices, are discovering that CSR can be much more than a cost, a constraint or a charitable deed; they are discovering that it can be an enabler for competitive advantage.

This paper explores how the application of CSR starts with vision, innovation and an organizational design to tackle CSR at the core of a firm's business strategy. Firms are grappling on strategic, tactical and operational levels to identify ways to meet society's demands, this in combination with achieving company performance targets in an economic climate under pressure. It may take firms and stakeholders time to work through the issues of how to disclose and monitor the CSR practices of the firm in a standardized way, in a currency that crosses global and organizational boundaries; yet being part of the solution, rather than part of the problem is essential to creating value in this domain.

Various forms of self-regulatory practices which are applied on a discretionary basis are explored in this paper, arguing that while incomplete contracts and imperfect knowledge debar form resorting to reputation effects in order to support discretion self-regulation, on the contrary an explicit standard for CSR strategic management, both publicly shared by stakeholders and firms through social dialogue - make it possible to put again at work the reputation mechanism inducing endogenous incentives of compliance with a voluntary standard; the result being that stakeholders are encouraged to 'trust' in the firm's practices and commitment to CSR.

Keywords: CSR, corporate governance, outsourcing
This article focuses on the challenges and progress from the firm level with corporate social responsibility, which the author argues is more than just a fad. (4) “The author considers how CSR not just in terms of their commitment to philanthropic activities or energy-saving office environments; but also in terms of understanding how to take CSR to the core of the firm’s ecosystem”. (4) The article does pose some interesting questions; however it does not offer an in-depth discussion on several issues related to the relationship between CSR and SRI, including the barriers and possible solutions. Further empirical evidence would be beneficial for future studies in this subject area.

The author provides a discussion on the transition of SRI, the problems of reporting when it comes to SRI and then identifies the relationship between CSR and SRI. “As an indicator of likely future performance of the firm, financial analysts are particularly focused not only on the firm’s financial performance, but also on the quality of its management”. (6)

Asking whether the SRI market really encourages a firm to take CSR to the core of its business strategy, “on the basis of existing research, this is considered to be problematic according to some empirical studies, which have concluded that there is no significant correlation between SRI and CSR activities” (McWilliams & Seigel, 2001). (8) However, “the SRI market provides another way for firms to measure their perceived performance through the eyes of potential investors, this perspective matching the stakeholder theory in which it is assumed that all stakeholder of a firm are treated equally, including the growing number of stakeholders interested only in investing in high-performing SRI firms”. (14) “If companies can invest in socially responsible practices in ways that solve pressing social issues and improve a firms’ competitive edge – if corporations were to analyze their opportunities for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint or a charitable deed. CSR can be a potent source of innovation and competitive advantage”. (14)


Abstract:

This article reports a unique analysis of private engagements by an activist fund. It is based on data made available to us by Hermes, the fund manager owned by the British Telecom Pension Scheme, on engagements with management in companies targeted by its U.K. Focus Fund (HUKFF). In contrast with most previous studies of activism, we report that the fund executes shareholder activism predominantly through private interventions that would be unobservable in studies purely relying on public information. The fund substantially outperforms benchmarks and we estimate that abnormal returns are largely associated with engagements rather than stock picking. We categorize the engagements and measure their impact on the returns of target companies and the fund. We find that Hermes frequently seeks and achieves significant changes in the company's strategy including refocusing on the core business and returning cash to
shareholders, and changes in the executive management including the replacement of the CEO or chairman.

This paper contributes to the literature which considers whether socially activist funds can earn high rates of return. It finds similar results to other papers in respect to the types of screens that financially perform the best (environmental).

It considers three stylized engagement policies:

“In the event that the target reacts positively by accommodating the fund’s requests, the fund monitors the implementation of the changes, awaits the changes to be released to the market, so that the market reevaluates the target’s shares and the fund can realize a gain and exit. If the target reacts negatively, the engagement may become confrontational and a range of actions are taken to press changes on the company. We report the frequency and nature of these actions below. Finally, if the company adopts a neutral attitude, discussions continue and the nature of the engagement turns either positive or negative”. (16)

“The paper finds substantial effects and benefits associated with shareholder activism in the form of private engagements by an activist fund”. (16) “By intervening in poor corporate performance, where there is significant probability of intervention being successful, the HUKFF earns substantial share price gains”. (16) This suggests that transparency and information is key for investors to succeed with socially responsible investing, because it is necessary for investors to determine how to measure the probability of significant gains, which other articles in this review also address.

“In sum, this study provides the first substantive evidence of gains to shareholder activism and suggests that well-focused engagements can result in substantial public returns to outside shareholders, as well as to those actually involved in the engagements”. (48) The paper leaves room for more consideration of a policy framework to be established in order to facilitate a more hospitable environment for those who wish to engage in socially responsible investing.


Abstract:
We analyze the effects of socially responsible investment and public abatement on environmental quality and the economy in a continuous-time dynamic growth model featuring optimizing households and firms. Environmental quality is modeled as a renewable resource. Consumers can invest in government bonds or firm equity. Since investors feel partly responsible for environmental pollution when holding firm equity, they require a premium on the return to equity. We show that socially responsible investment behaviour by households partially offsets the positive effects on environmental quality of public abatement policies.

Keywords: socially responsible investment, economic growth, environmental economics, resource dynamics, stock market
“In this paper, we analyze the macroeconomic and environmental effects of socially responsible portfolio investment behaviour in the presence of environmental pollution due to production. We are interested in how a traditional fiscal policy (such as a public abatement program) interacts with socially responsible investments. In particular, it is interesting to find out, first, whether these two types of policies are complements or substitutes for each other, and, second, whether socially responsible investment has an effect on the transitional effects triggered by fiscal policy. More precisely, we consider two shocks, namely, first, a change in the level of public abatement and, second, a change in the perceived pollution coefficient”. (2)

Through creation and use of a theoretical model, this paper significantly contributes to literature on SRI. Focusing on the role of the households, the authors argue that they “feature a “warm-glow” environmental preservation motive in the sense that they feel partially responsible for the pollution caused by firms in which they hold shares. In order to induce the household-investor to hold shares, these “dirty” securities must yield a higher rate of return than “clean” government bonds. From the point of view of the representative firm, the warm-glow motive of investors acts as an implicit output tax. Through this channel, therefore, socially responsible investment affects the firm’s output and capital accumulation decisions”. (3)

The paper proceeds as follows: “In Section 3, we loglinearize the model and prove existence and saddle-point stability of the macroeconomic equilibrium. In Section 4 we use the loglinearized model to conduct comparative dynamic experiments. The first shock consists of an (unanticipated and permanent) increase in the level of public abatement. Interestingly, this shock weakens (and partially crowds out) the warm-glow motive of socially responsible investors. In the second experiment we study the effects of a permanent increase in the warm-glow parameter, i.e., a strengthening of investors’ social responsibility”. (3)

Findings: “We show that socially responsible investment behaviour by households partially offsets the positive effects on environmental quality of public abatement policies. The “warm-glow” motive results in socially responsible investment in the equity market. This in turn imposes an implicit tax on the value of the polluting firm. Abatement policy reduces resources available for consumption, which in turn lowers the implicit tax, leading to a larger capital stock and higher pollution. As a consequence, the abatement policy is (partly) offset via the implicit tax mechanism”. (18)

Due to the technical nature of the empirical model employed in this article and terms and concepts which require prior exposure in order to fully understand the creation and adaptation of the model, it makes for a difficult introductory reading to RI; however conclusions offer some insight which is useful for moving the RI agenda forward.


Abstract:
Ethical awareness is growing and the word itself seems to be spreading to all walks of life. In medicine and economics a myriad of ethical committees have sprouted in an attempt to control
the potential excesses of science or business transactions. How can one explain this craze for a word that was hardly ever used ten years ago?

It is from an economic perspective that we shall try to explain this new, many-sided phenomenon: sound corporate governance, ethical investment funds, sustainable development, equitable commerce, etc. Our goal is not to prove the efficiency or inefficiency of these types of activities. We do not see things strictly from an American utilitarian perspective that considers ethics as an economic instrument for improving the world we live in. Our research leads to a more ontological view of ethics considering it as an essential element of mankind and of human dignity.

The logic behind this desire for ethics could be summarized as follows: The harsh reality of the world requires urgent measures to be taken. The 'theory of justice' makes us believe that each individual is responsible for the life of other people whereas for the supporters of a liberal economy, the productive selfishness of each individual produces riches for the community as a whole. But this could reveal itself to be destructive of wealth in the long term. To survive and expand capitalism will have to be supported by moral education and the preservation of the natural resources. The decision to follow this path is both individual and collective. However, collectively speaking, the nation states no longer act as the locomotive for the social adjustment of capitalism and our deserted churches no longer exert any influence on the consciences of people. The emancipated but solitary individual recognizes that the victims of the collective system are scapegoats. Therefore, recent developments in the changing capitalistic system which is trying nowadays to take into account the altruistic aspirations of the individual offer a pragmatic solution.

**Keywords:** ethics, altruism, ethical investment, economics, utilitarian, philosophy, Rawls, Sen, Girard, theory of justice, game theory, scapegoat, consumption

This paper is theoretical in nature, and offers a good overview of the conceptual underpinnings of ethical investment within a historical context, addressing the traditional Marxist-Capitalism debate in relation to ethical investing. It also relates John Rawls’ theory of justice, and Amarty Sen’s capabilities and entitlements theory to a discussion on investment decisions. The author makes bold statements about the transformed role of the nation state, alluding to the hollowing out of the state. This certainly invites empirical research to test this statement. Although it offers an interesting argument for the future of SRI initiatives, it makes for good background reading rather than a seminal piece shaping the future of SRI from a policy perspective.


**Abstract:**
Using the South African divestment case, this study tests the hypothesis that social pressure affects stock returns. Both short-run (3-, 11-, and 77-day periods) and long-run (13-month periods) tests of stock returns surrounding U.S. corporate announcements of decisions to stay or leave South Africa were performed. Tests of the impact of institutional portfolio managers to
divest stocks of U.S. firms staying in South Africa were also performed. Results indicate there was a negative wealth impact of social pressure: stock prices of firms announcing plans to stay in South Africa fared better relative to stock prices of firms announcing plans to leave.

I include this article because it offers a case study of more extreme examples of responsible investment actions through negative screening of investment in an entire country. Other literature considered in this review study the impacts of less intense tools of SRI such as selective screening and reporting. It is also highly politically charged issue which addresses areas that are not directly related to RI however are important to consider when thinking about national strategies. The wealth impact of the South African divestment was found to be negative in this study, but it would be interesting to consider other non-financial impacts such as reputation damage that may not be reflected in a short-term consideration of stock prices. A more recent example is the divestment from Sudan, which is certainly an area demanding more research and is relevant to the future of RI.


Abstract:
More and more investors apply socially responsible screens when building their stock portfolios. This raises the question whether these investors can increase their performance by incorporating such screens into their investment process. To answer this question we implement a simple trading strategy based on socially responsible ratings from the KLD Research & Analytics: Buy stocks with high socially responsible ratings and sell stocks with low socially responsible ratings. We find that this strategy leads to high abnormal returns of up to 8.7% per year. The maximum abnormal returns are reached when investors employ the best-in-class screening approach, use a combination of several socially responsible screens at the same time, and restrict themselves to stocks with extreme socially responsible ratings. The abnormal returns remain significant even after taking into account reasonable transaction costs.

I could not get access to this article through the SSRN network or the Carleton Library. It could potentially be useful to this review because it contributes to the body of literature on the effects of screening on financial performance, which is a highly debated topic within RI empirical studies. It finds an overall positive impact on income from screening. It would be interesting to see if the study finds similar results to others in this literature review when distinguishing between the types of screens employed (environmental, social, and governance).


The social dimension of SRI is an important consideration; we cannot simply investigate environmental/ governance aspects and expect to understand the progress of SRI. However, socially motivated investment challenges the possibility of high returns. Evidence of this is found in most studies considered in this review which find that social screens perform worse than environmental ones. This article offers some hope for the future of social factors through
suggesting the possibility that investment in social innovation can earn high returns. However, it is not based on significant empirical evidence.

“Unlike charities, social businesses do not need to keep applying to governments or foundations for grants. They support themselves by selling goods and services at cost, or at a small profit – all of which is reinvested to fund their expansion. But to do this, social entrepreneurs must find investors willing to help take a new idea to scale”. (28) Investors play an important role in social innovation. The challenge is to find incentives (evidence of high returns) in order to attract this investment.

One possible incentive is the impact on a firm’s reputation. “Investing in social entrepreneurs can boost a company’s reputation for being responsible in a way that limits the risks of investing in new products, especially when these could take years to become commercially viable”. (29) “Alternatively, big companies can buy up innovative firms that have already done the groundwork on products with social benefits and commercial potential. Dow Chemical, for example, in 2006 added three water purification technologies to its Dow Water Solutions portfolio when it acquired Chinese firm Zhejiang Omex Environmental Engineering. Dow backs up this work with its more media-friendly sponsorship of Blue Planet Run, a US non-profit group that raises money for clean drinking water projects in developing countries”. (29)

Advice for firms “Chambers’s advice to companies is to take an interest in social entrepreneurs only if it is relevant for their business to do so. He says: “They shouldn’t [take an interest] unless they wish to. There is no ‘should’ about it. If the incentives are aligned correctly, they will.” (30)

“Successful companies have always been those that are most receptive to new ideas and best able to take them to market. To any hard-headed board member, the latest wave of “social” entrepreneurs, businesses and innovation looks like just the latest opportunity for companies to sell more stuff. Except this time, they can do so at little moral cost”. (31)


Abstract:
Socially Responsible Investment (SRI) funds have been shown to underperform, primarily due to restricting their investments to a subset of the universe of investable assets. Rapid growth of SRI funds implies that there is a growing segment within the investment community who are willing to accept lower returns than the unrestricted investors. However, it also follows that investors' utility derived from ethical investments perhaps reflects an added dimension, or an ethical premium, that compensates them for this underperformance. This research questions whether investors, on average, would remain committed to ethical investments in the face of decreasing wealth. We attempt to answer this question, by first observing the differences between an ethical portfolio and (un)ethical portfolio, created by using assets that are deemed uninvestable by ethical screens. Using market and style associated risk filtered premiums, we find that (i)
increased demand for ethical assets results in a decrease in demand for non-ethical assets, and (ii) poor past market performance, that leads to general wealth decreases, results in increased demand for unethical assets and decreased demand for ethical assets.

**Keywords:** Socially Responsible Investment (SRI), ethics in capital market, Vector Autoregression (VAR), and Variance Decomposition (VDC)

This paper stresses that “ethical values in SRI are not universal”. (64) Instead, they argue there is a divergence, caused by discretion of investors. The authors use the DS400 as a proxy for portfolio of socially responsible companies and a 15 year time period of analysis- 1990-2005. (73) The paper aims to fill in the gap of previous literature and research which has focused on evaluation of risk premiums by considering time varying risk premiums. “The research uses returns from extreme investment preference based indexes that are adjusted for known risk factors. The two investment types studied in this research are checked for any cointegrating relationship and contemporaneous simultaneous relationships between the two classes of investments”. (86) Also, the research “explores the factors related to changes in investment preference, finding that “past market performance is an important factor to changes in investors maintaining ethical investments”. (86) “Results show that there is no evidence that returns from SRI have improved over time. Additionally, SRIs have underperformed vice investments during recent periods”. (85)

Therefore, “the research finds overwhelming evidence that it is not possible for investors to choose to invest in ethical principles over returns. During periods of low market risk, investors remain ethical, though during periods of high risk, investors are more concerned in regards to wealth”. (85) This research suggests the need for integrating an ethical premium into asset pricing if SRI is a fad rather than a growing. For the purposes of literature review, this research contributes to a deeper understanding of the potential capacity for SRI to earn significant returns, with a significant time span which is useful when tracing the progress/ lack of progress of SRI. However due to the technical nature of this quantitative research paper, it is not strongly recommended for a general overview of RI/SRI.


**Abstract:**
In recent years Socially Responsible Investment (SRI) has received considerable attention from both private investors as well as pension funds. Despite this proliferation in interest, several topics are still unresolved, namely selection methods, performance and effects regarding sustainability. This paper examines how green investors can induce firms to invest in cleaner production technology by using exclusionary investment screens. SRI is more likely to be successful when abatement costs are low and if principle guided investors are numerous and have homogenous investment principles. The transformation process becomes more probable
when shares of clean firms are viewed as a separate asset class by all investors. Green investors have to accept lower returns from shares of clean firms, even in the case of positive externalities.

**Keywords:** Socially Responsible Investment, Pension Funds

Dealing strictly with the environmental aspect of socially responsible investing, the authors address the conditions under which SRI is most successful in encouraging clean technology in firms. This paper addresses issues associated with financial and environmental performance, as well as transparency. The authors consider the SRI tool of negative screens, and then base their analysis on the assumption that firms do not choose their actions based on moral considerations, but rather, on maximizing profits. (2) Although negative screens have been considered a more traditional approach to SRI, and where there has been a move towards other methods such as positive screening and activism, negative screens are investigated here, with the potential to indirectly induce firms to switch to a clean technology.

The author finds that the “chances of success mainly depend upon the size of abatement costs, the distribution of green and neutral investors and the size of covariances between shares of clean and polluting firms”. (2) “If abatement costs are substantial, then the proportion of green investors has to be almost half of the population. And principle guided investors must be willing to accept a reduction of achievable returns. The current low population of SRI investors can only be effective if abatement costs are also very low. If these opportunity costs are too high (which they most likely are for example in the case of pension funds, which have to fulfill their fiduciary obligations vis-a-vis their beneficiaries) the only open channel for change of the green investors' community would be the political channel as Statman (2000) already suggests”. (2) Reference to the policy necessity is something that is similar in other literature reviewed. However the authors do not consider what this might look like.