THE CAMPAIGNERS' GUIDE TO FINANCIAL MARKETS

Effective Lobbying of Companies and Financial Institutions

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Contents

Preface

This Guide arises out of the international campaign in the mid-1990s by environment and human rights' groups in Malaysia and elsewhere to stop construction of the Bakun hydroelectric dam in Sarawak, Malaysia. The dam, which would have caused the involuntary relocation of some 10,000 indigenous people and the flooding of 70,000 hectares of land, would have been built and operated by a private sector consortium, headed by the Bakun Hydroelectric Corporation.

The campaign halted the project (although there is now talk of reviving the dam, albeit in a scaled-down form). Key to the campaign's success was the lobbying of potential investors in the dam – and of the financial analysts who advised these investors.

Since the Bakun campaign, both authors have worked on other campaigns where lobbying investors has proved a major tool to exert pressure so as to stop environmentally-damaging and socially-inequitable projects – or at least to lessen their impact.

A key lesson from such campaigns is that their effectiveness is greatly enhanced when activists understand the culture and psychology of the financial institutions that they are seeking to influence. This *Guide* focuses on the financial institutions that dominate the UK markets. It summarises the arguments that are most likely to make an impact on these institutions; the approaches to campaigning that have proved most effective; and the areas in which a campaign is likely to have the most political purchase. It is also intended to provide campaigners with some of the "nuts-and-bolts" practicalities of financial market campaigning – where they can find the information they need, how they can identify key personnel to lobby, and so on.

The UK focus reflects both the importance of the City of London as an international financial centre and our own history of campaigning. Much of what is in the *Guide* will apply in other financial markets: the culture of US financial institutions, for example, is broadly similar to that in the UK. But the *Guide* comes with an important caveat: what "works" as a lobbying tactic in London may backfire disastrously if transposed, unadapted, to, say, Kuala Lumpur or Tokyo. Financial institutions do not have a single culture: their reach may be global but their modes of operation are often defiantly local. Moreover, their culture – like any culture – is not fixed: it is constantly evolving, not least in response to the successes and failures of campaigns aimed at pushing it in new directions. Although the tactics and strategies discussed in the *Guide* undoubtedly have application outside the UK, readers from other countries should bear in mind the need to tailor them to their own local circumstances.

A guide to the *Guide*

The *Guide* begins by outlining some of the recent changes in the political and economic landscape, both in the developed world and in the developing countries, that have made lobbying financial markets a fruitful area for public interest groups seeking to challenge unsustainable patterns of investment and development. It looks at how globalisation has curtailed many avenues that campaigners previously used to seek change, for example through lobbying governments – and at how consumer and shareholder activism is carving out potentially fruitful new political space for campaigners within the financial markets. It concludes with a brief summary of the pros and cons of financial market campaigning for public interest groups.

Part Two explores the key psychological features of financial markets, the pressure points that emerge from them and the best ways of matching these pressure points to the concerns of specific market players. In particular, it stresses how speculation frames the mentality of financial markets, giving rise to two prime motivators: greed and fear. The resulting preoccupation with weighing up financial risks provides a series of leverage points that campaigners can use to their advantage. The section outlines key risks – financial, political, legal and non-financial – that campaigners should accentuate, along with ways that environmental and human rights concerns can be "translated" into arguments that can exert pressure on investors.

Part Three considers the main areas in which financial market campaigning is likely to bear fruit. These include: targeting individual companies and private sector-financed infrastructure projects; reducing the flow of investments to particular sectors of industry (and redirecting it to more sustainable sectors); and pressing for financial institutions to adopt new rules that would place sustainability at the heart of their investment decisions. Three main strategies for intervention are discussed, and specimen letters and other campaign tools provided.

Knowing one's audience is critical to effective campaigning, whether in financial markets or elsewhere. *Part Four* provides an insight into how some of the key players in the market think. Who are they? What motivates them? How do they judge success? What information is most valued by them? How best to engage with them? The section looks specifically at: analysts; institutional investors, such as pension funds; fund managers; ethical investment funds; commercial and investment banks; and public finance institutions, such as export credit agencies.

Finally, *Parts Five, Six* and *Seven* provide some practical information for campaigners who are unfamiliar with financial market campaigning. How does one research a company? How does one find out the names of shareholders? What are the most useful sources of information? And where can one find them?

We hope that the *Guide* encourages public interest groups to consider the possibilities of using financial markets to press for change. Although financial market campaigning is only one of a number of options open to campaigners (other tactics are often more appropriate) and leaves many issues unaddressed, it provides opportunities that can enhance the effectiveness and reach of most campaigns. We hope that the *Guide* will empower campaigners to seize these opportunities where they are available and appropriate.

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Part One

Financial markets – A new political space

A WORLD TRANSFORMED

In February 1999, the New York Times *ran an article on the economic crisis that 18 months earlier had led to the collapse of the Thai currency, before rippling through Asia and Russia and threatening Brazil and Latin America.*[1] *The South-East Asian economic collapse had not only brought hardship in the South, the article pointed out, but had also caused thousands of small investors in the North to lose their hard-earned savings.*

The article cited the example of Mary Jo Paoni, a secretary from Cantrall, Illinois. Like many others, Mrs Paoni had no reason to suspect that her pension, which she had thought was safely invested in a secure US-based investment fund, would be affected by the collapse of the Thai economy. She could not have been more wrong. Quite unbeknown to her, Mrs Paoni's future security rested in large part on the success or failure of a housing development in Bangkok of which, thanks to an investment decision taken by her pension fund manager, she had become part owner.

Mrs Paoni's pension fund had bought shares in two Thai investment funds – the Thai International Fund and the Thai Euro Fund – which between them had bought more than one million shares in Bangkok Land, the company that had developed the Muang Thong Thani housing development site and which had gone bankrupt in the wake of the Thai currency collapse.

Not that Mrs. Paoni knew any of this; no one had told her. Had they done so, she might have expressed strong disapproval of the "giddy investment sprees" undertaken in Asia and elsewhere with her money. "*When things are rough*", she told the *New York Times*, "*you don't start spending like a drunken sailor. There are some people who take risks, but not us*."

For the *New York Times*, Mary Jo Paoni's story illustrated the way in which globalisation now gives "*just about everybody some tiny financial stake in everybody else*."

Exaggerated and US-centric though this claim may be – only a tiny minority in the developing world (and relatively few in the Northern industrialised countries) have the private pensions and investments that would give them such a stake – it nonetheless highlights how the growing inter-connectedness of world financial markets has transformed the nature of investment and the risks and impacts associated with it.

That growing interconnectedness reflects profound structural changes that have occurred within the global economy over the past two decades. Combined with the impacts of new technologies, such changes have recast previous patterns of power, changing the relationship between governments, communities and corporations and challenging social and environmental campaigners to operate in new ways if they are to be effective.

For example:

➤ New trading rules

New international and regional trade agreements – from the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) to Latin America's Southern Cone Common Market (MERCOSUR) agreement and the European Union's Single Market treaty – have led to the dismantling or lowering of tariff barriers, reducing many previous restrictions on the movement of goods and services.

As a result, cross-border trade has expanded massively as companies have moved to exploit the new markets and business opportunities that have been opened up. World trade, which has grown 12-fold since the Second World War, is now worth some $4,000 billion a year – and is expected to rise by 6% a year over the next ten years.

➤ Deregulation

The accompanying deregulation of financial markets – often a condition imposed on indebted developing nations by the International Monetary Fund in return for new loans – has lifted or eased restrictions on the movement of capital in and out of countries.

Until 1985, equity investment – that is, the

Global reach
The increasing economic power of the private sector

- The combined assets of the world's 50 largest banks and financial companies account for 60% of the world's global capital.
- In 1970, there were approximately 7,000 corporations operating internationally: today there are more than 50,000.
- The top ten UK supermarket companies have an annual turnover equal to the income of the poorest 35 developing countries.
- The top UK supermarkets make profits of between £1 million and £2 million a day.
- It would take a fruit farm worker in South Africa, earning the current daily rate of pay, 15 centuries to earn the annual £1.2 million salary of a major UK supermarket chain's chief executive.

purchase of shares in a company – was largely domestic: by 1994, however, cross border equity capital flows were running at more than 1% of total world stock market capitalisation. "*Twelve years ago*," comments the *Financial Times*, "*just 2 per cent of US pension fund portfolios were invested in non-domestic equities. By 1998, the percentage was 12 per cent.*"[2] In the UK, investments abroad account for 50% of the earnings of the companies listed on the Stock Exchange's FTSE index.[3]

Rapid privatisation programmes have often led to a "fire sale" in which the public interest has lost out.

➤ Private sector flows

Although the bulk of cross-border flows are between the rich industrialised countries, the privatisation of state assets and the (often enforced) withdrawal of the state from infrastructure investment in developing countries and the former Soviet bloc has encouraged a surge of private investment to the most profitable sectors of the "emerging markets" in Asia, Latin America and Eastern Europe. (Africa has largely been sidetracked.)

In the past decade, nearly $2 trillion in private capital – as opposed to official development aid – has flowed from richer Northern countries to favoured developing and transition countries in the form of equity, bond investments and commercial loans.[4]

➤ Privatisation

Privatisation – again often a pre-condition for further loans to indebted countries – has further fuelled the cross-border flow of capital, as previously state-run services have been snapped up by US and Western European companies seeking to establish a presence in newly-opened markets.[5]

➤ Increasing interdependence

Global markets have become further intertwined by cross-border mergers and acquisitions, which have accelerated as companies have sought either to buy up their rivals in other countries or to enter into strategic alliances that will give them a strong global presence in all three of the world's major trading blocks: Asia, the Americas and Europe.

Between 1996 and 1998, more than 20,000 new alliances were brokered by companies worldwide, many of them between competitors.[6] Sectoral boundaries have become as blurred as the national origins of many businesses have been obliterated. In 1999, mergers and acquisitions pushed the UK into the lead as the world's biggest overseas investor, beating even the US. Total global cross-border investment in 1999 was up 25% on 1998's figure, which in turn was up 41% on 1997's.[7]

➤ New technology

Although financial markets have a long history of cross-border money flows, capital now moves around the globe at lightning speed 24 hours a day.

New computer technologies enable almost instantaneous transfers of money from one market to another (and out again) at the touch of a few keys. Not only has the cost of trading plummeted but the new electronic networks make it possible to trade around the clock.

The social and environmental impacts of globalisation

Such economic changes have brought high rewards – and risks – for investors: they have also had profound social, environmental and developmental impacts.

In both North and South, many hard-won environmental and social legislative gains have fallen foul of new trade agreements or have been swept away as national and local governments have competed with each other to attract foreign direct investment. The increasing mobility of capital has also enabled companies to relocate production from one country to another (or threaten to do so) in order to exploit lower environmental and labour

What are financial markets?

Financial markets are where those who want money link up with those who have money and who are prepared to make it available – for a future profit. Intervention in this process by seeking to persuade lenders and investors to place their money in one company rather than another, or to attach conditions to their investments, is the central aim of most financial market activism.

Companies are the market players who seek money. Their primary funding comes from their "share capital", also called "equity" or "common stock" (US). The shareholders who buy the shares own the company, elect the directors and receive a share of the profits in the form of dividends.

The shares of companies form the basic raw material of much of the financial markets. The most important owners of shares are the investment institutions, such as pension funds and life insurance companies (*see* p.86). These institutions buy shares for long-term investment purposes, and collectively own a large proportion of the shares of most companies. The specific decisions about which shares to own, and when to buy and sell them are made by fund managers (*see* p.97) – organisations and individuals specialising in equity market investment.

Different financial institutions deal in company shares. Closest to the stock exchange are the stock brokers and investment banks. Their securities departments trade company shares on a short-term basis, helping to establish the price of the shares. Their analysts research companies, providing commentary for other investors. Their corporate finance arms are heavily involved when a company offers shares for sale to the public, or places extra shares for sale, or is involved in a merger or acquisition. This involvement includes: "sponsoring" companies when they are first listed on the stock exchange (for example, by backing their application); marketing the company to investors; advising on financing strategy; and buying shares with the intention of selling them on.

Public companies

Most large companies are "publicly listed" or "quoted" on a stock exchange. This means that:

- Their shares can be bought and sold by the general public (thus they are sometimes called "public companies" – this does not mean that they are state owned).
- The price at which their shares can be bought and sold is changing constantly. In the short term, the price will depend on supply and demand for their shares – if more people are buying than selling, then the price will go up, and vice versa. These prices are published in newspapers and are posted on the Web.
- The companies have to abide by the rules of the stock market. Typically this means that companies must disclose any information that could affect their value so that everyone can see the information at the same time and no one gets an unfair advantage.
- Companies have to produce a detailed annual report and accounts, as well as interim reports every three or six months.
- The company must hold an Annual General Meeting (AGM) open to shareholders, at which directors are elected, and reports and accounts put to a vote. This meeting can be used as a forum to question the management of the company.
- The company can raise extra finance by issuing extra shares – and can also buy back its shares if it wishes to.
- While publicly-listed companies will obtain their core capital in the form of shares, they can also raise money by borrowing from the banks, or by issuing bonds (a tradable form of a loan whereby the company agrees to give the buyer of the bond a certain amount of interest every year, and then repays the bond after a specified number of years). These ways of raising capital – known as debt finance – may create some additional opportunities for campaigners, but shareholders still have the main power and influence over companies.
- The publicly-listed company is vulnerable to takeovers – if another company or organisation can acquire more than 50% of the company's shares, then it will have effective control. Again, various stock market rules govern this process.

A key time for the company is when it is first listed on the stock market – its IPO or Initial Public Offering (*see* p.71). The company must obtain approval from the stock exchange to list its shares and, to do so, it must publish a full description of the company and its activities.

Private companies

Note that most small companies, but also some large ones, are private companies – that is, they are *not* listed on the stock exchange and their shares cannot be bought and sold by the general public. This makes it harder to bring influence to bear on them via the market. A number of disreputable logging companies come into this category.

standards and thus boost profitability. In many cases, this has led to increased environmental degradation and violations of human rights.

With the state withdrawing from infrastructure development, the private sector now plays an increasingly dominant role in development.

Similarly, the rapid privatisation of state entities has often led to a "fire sale" in which the public interest has lost out: in many instances, the sell-offs have fuelled corruption or left poorer people excluded from essential public services. The privatisation of natural resource industries, such as forestry, has often resulted in widespread environmental destruction, not least because privatisation has frequently been accompanied by the dismantling of state agencies responsible for overseeing environmental protection.

The developmental impacts of increased trade have also been deeply uneven. As the United Nations' Development Programme (UNDP) notes in its 1999 *Human Development Report*, *"The top fifth of the world's people in the richest countries enjoy 82% of the expanding export trade and 68% of foreign direct investment – the bottom fifth, barely 1%.*"[8]

For 59 countries in sub-Saharan Africa and the ex-Soviet bloc, average incomes have contracted, whilst those in Latin America have risen by just 6% during the years of market liberalisation – as against 75% in the 1960s and 1970s when the region's economies were relatively closed.[9] UNDP's conclusion is stark:

> "*Economic integration is dividing developing and transition economies into those that are benefiting from global opportunities and those that are not.*"[10]

The growing power of the private sector

Among the chief political beneficiaries of globalisation is the private sector. Indeed, the international business community now enjoys more economic power than it has done for half a century. Mergers, acquisitions and corporate alliances have led to the emergence of mega-corporations, many of which have revenues far in excess of those of many countries – General Motor's annual income, for example, is larger than that of Denmark and Thailand combined, whilst the sales of the world's 10 biggest companies exceed the combined Gross National Product (GNP) of the world's 100 least developed countries – including all countries in Africa.[11]

Moreover, with the state withdrawing (often under duress and with little institutional ability to stand up for the public interest) from infrastructure development and the provision of many essential services, the private sector now plays an increasingly dominant role in development. In the past, infrastructure projects were largely planned and commissioned by public authorities and paid for with public money, often in the form of loans from Multilateral Development Banks (MDBs), such as the World Bank, and other public bodies. Increasingly, however, the MDBs are moving to the private sector, with governments acting as facilitators rather than financiers. Instead of funding projects through states, the MDBs are now funding private companies directly or providing guarantees on their investments.

The change is reflected in the growth of private capital flows to the developing and transition countries. As recently as 1992, public financial flows were greater than private capital flows: by 1996, private flows were more than five times larger.[12] In the mid-1990s, the private sector financed about 10-15% of infrastructure investments in the Third World, with the World Bank predicting that private investors could soon be providing as much as 70% of infrastructure investment. Already, private money funds industrial facilities, mines, dams, ports, toll roads, coal-fired power plants, nuclear facilities, plantations and dams (*see* Box, "Project finance", p.20). Many of these projects have considerable adverse social and environmental impacts. Exerting pressure to direct investment towards environmentally-sustainable opportunities, such as mass transport and clean power, is a major challenge facing campaigners.

The growing power of the corporate sector, however, has not been matched by regulatory controls over their environmental and social practices: on the contrary, in many countries, the processes and policies associated with globalisation and free market reform have weakened the regulatory capacities of state institutions. Similarly, various attempts to influence the practices of transnational corporations (TNCs) through UN-instituted Codes of Conduct have been abandoned,[13] often under pressure from industry. Indeed, concerned politicians, like many campaigners, often lack an understanding of how to control and manage the private sector in a "free market". They too face a challenge of having to learn new ways of defending the public interest.

The shifting space for change

In this respect, GATT and other "free trade" agreements have dramatically squeezed the political space open to public interest groups pressing for progressive social and economic investment policies. As the free market agenda has come to dominate government policies worldwide, so demands for interventionist policies (in which the government takes action to direct economic activity) are increasingly rebuffed with the argument that stricter controls on industry would undermine the competitiveness of companies. Many of the traditional avenues for achieving social and environmental reform – namely through governments – have thus become less effective, if not (temporarily) closed off entirely. Indeed, many of the rules agreed under free trade agreements prevent states unilaterally adopting progressive social, economic or environmental legislation.

> *"There is no denying that multinationals have contributed to labour, environmental and human-rights abuses as they pursue profit around the globe . . . The global economy is still pretty much in the robber-baron age."*
>
> **Business Week**, *November 2000*

The move to the private sector, particularly in infrastructure development, has also meant that several avenues developed by public interest groups to influence the outcome of projects are less effective than they used to be. Because the World Bank and other public development agencies are no longer so directly involved in infrastructure projects, for example, the links developed between Southern groups and Northern non-governmental groups (NGOs) to pressure project developers by lobbying MDB representatives have, in many instances, lost some of their political purchase.

Ordinary people seeking to pressure project developers to abandon destructive projects or to limit their negative impacts are at a further disadvantage since, unlike the MDBs,[14] the private sector generally lacks any binding standards requiring them to take account of the social and environmental impacts of investments. Few companies monitor such impacts and most lack rudimentary environmental "due diligence" procedures.[15] (Due diligence refers to the background research that a prudent investor, lender or company executive might be expected to carry out before making a business decision.) Moreover, even where environmental risks are considered, the focus is typically on the risks that the environment poses to the investment – rather than the risks that the investment poses to the environment. The lack of international rules binding companies to act in a socially responsible manner not only reduces the leverage available to concerned citizens seeking to exert pressure on private sector project developers, it also increases the competitive pressures on companies to disregard the impacts of their activities.

Lobbying the markets: A new political space

One response to concerns about globalisation has been the flowering of international campaigns to challenge the new trade rules and to change the framework in which markets operate (*see* Box, "From Seattle to Prague",

Changing the framework - From Seattle to Prague

With the coming into force of the 1994 GATT agreement and the establishment in 1995 of the World Trade Organisation (WTO), many social movements have emerged to press for major changes in the "financial architecture" of world trade and investment. Spurred by industry and government attempts to liberalise capital flows still further, a broad global alliance of trade unions, development groups, environmentalists, consumer groups and anti-poverty groups are now demanding changes to WTO rules that would ensure the right of states to regulate investments within their own borders. In particular, campaigners are seeking new rules that would disallow any takeovers, mergers, amalgamations or strategic alliances deemed detrimental to the public interest through the increased concentration of economic power in fewer and fewer hands.

There is also deepening support for measures to tax speculative capital flows (short-term, easily withdrawn investments which entail no commitment to the host country) and to limit the economic power of transnational corporations. As a first step to controlling footloose money, for example, governments are being pressed to adopt the so-called Tobin Tax (named after Nobel prize-winning economist James Tobin who first proposed it in 1972), which would tax international capital transactions, raising considerable funds which could be invested in a new UN-administered global development fund.

Regulations are also demanded for TNCs, a starting point for any new regulatory framework being the Code of Conduct for TNCs developed under the auspices of the United Nations in the 1970s – although it should be stressed that such Codes of Conduct are not substitutes for wider measures to address the disproportionate power that TNCs exert in the global economy. In addition, activists are pressing for anti-trust legislation (laws intended to prevent companies establishing monopolies) to be introduced at an international level to prevent the abuse of corporate power.

More controversially, at least from the point of view of many Southern groups and governments, which are concerned that the measures will be used to close markets to the South, there are demands for a social clause to be incorporated into the WTO which would mandate certain defined labour standards. Infraction of the social clause by a country, according to current proposals, would lead to trade sanctions against that country, authorised by a joint body of the WTO and the International Labour Organisation.

At the international level, campaigns by Non-governmental organisations have successfully highlighted many adverse social and environmental impacts of globalisation. Indeed, in the wake of the protests against the WTO in Seattle in 1999 and the IMF and World Bank in Prague in 2000, criticisms of globalisation that were once considered the province of radical groups have entered the mainstream. As *Business Week* put it shortly after the demonstrations in Prague, *"There is no denying that multinationals have contributed to labour, environmental and human-rights abuses as they pursue profit around the globe . . . The global economy is still pretty much still in the robber-baron age. If global capitalism's flaws aren't addressed, the backlash could grow more severe."*

p.18). Human rights, environment and development groups have also been quick to develop new strategies in order to influence the social and environmental outcomes of private sector development projects and investment, both North and South.

One arena where NGOs are proving increasingly effective at pressing for change is, ironically, the market itself. Using a variety of tactics – from consumer boycotts to shareholder actions – public interest groups have successfully used their power within the retail market and the financial market to challenge a number of damaging private sector projects, or have forced companies to take steps to address issues ranging from environmental degradation to gay rights, from child labour to workers' rights.

Bonds, securities and derivative options now move across the globe at lightning speed, 24 hours a day.

Consumer activism within the retail market has a long history: boycotts on sugar, for example, were a key feature of anti-slavery campaigns in the 19th century. By contrast, activism within financial markets dates back to the 1970s and 1980s, when the anti-apartheid movement developed shareholder campaigns to push for companies to disinvest from South Africa. Campaigners have been quick to learn, however, notching up notable successes. Campaigns directed at major institutional investors – for example, pension funds – have also proved productive in encouraging some companies to move out of environmentally-destructive sectors (such as large-scale hydroelectric dams) or in undermining investor confidence in areas such as genetic engineering (*see* Box, "Genetic slump", p.60).

Underpinning such successes are a number of factors that make the lobbying of investors and other players in the financial markets an increasingly fruitful arena for campaigning. These are considered below.

1. The power of the market

One reason why campaigners have turned to the financial markets lies in the immense power exercised by the financial community – from banks to institutional investors – over the private business sector.

Financial institutions own most listed companies (that is, companies whose shares are publicly traded on a Stock Exchange). They can collectively appoint the company directors and can even instruct companies what to do, including requiring them to institute rules that would screen out environmentally-destructive projects. They also provide new money, without which projects and company expansion would not happen or would be seriously delayed.

In addition, financial markets (*see* Box, "What are financial markets?", p.14) value and price economic activity – for example, through share prices and interest rates – effectively determining a company's viability. Such pricing signals also influence and constrain the actions of governments: exchange rates, for example, send a strong signal to a government on the merit of its key economic policies, such as public spending.

Bringing pressure to bear on financial institutions and markets can thus have a major influence over corporate behaviour, the direction of infrastructure development, and the environmental and social outcome of investments.

2. Markets as "neutral ground"

There is a widely-held perception

Project finance

In the past, infrastructure projects, particularly in the South, were predominantly financed by governments, with the government taking all the risks of the project. In recent years, the private sector has increasingly taken a major role in developing, building, operating and financing large infrastructure projects.

Raising the money for private sector infrastructure projects is known as "project finance". Although a relatively specialised part of the whole financial markets, it can be a particularly significant part for campaigners because large infrastructure projects can be particularly controversial and objectionable.

To secure so much borrowing, the value of the project's assets and the strength of its revenue contracts are very important. Generally, these borrowings are financed on a "non-recourse" basis – the banks and other investors have no "recourse" to the sponsor's assets if the project fails.

Common structures of project ownership are "Build-Own-Operate" schemes, under which the project developers retain ownership of the project, or "Build-Own-Operate-Transfer" schemes, under which the host government takes over the project after a specified number of years. Projects generally have a long life span – typically 15-30 years, with reasonably predictable cash flows – the revenues are usually backed by strong, long-term contracts (for example, to buy the electricity generated).

Usually a company is especially created to own and manage the project. This company raises the finance as both equity (that is, shares in the project which investors buy) and through debt (it borrows money). Equity investment can come from the various parties involved in the deal, or from investors specialising in project finance, or both.

Investors look for a reasonable return on their investment, which reflects the risks of the project (typically around 12-20% per annum). But a notable feature of project finance is that a substantial proportion of the total finance is in the form of loans borrowed from banks and others – between 50% and 90% of the total cost.

For further information on project finance, we recommend the Harvard Business School's "Project Finance Portal" – it has many useful background documents and links to other useful sites. The portal can be accessed at **www.hbs.edu/projfinportal** .

amongst many commentators and politicians that markets are politically neutral. This can bring added credibility to campaigns.

When it comes to weighing up the pros and cons of a project or a commercial sector, number crunching, as opposed to political ideology or vested interests, is assumed to determine investment decisions. By contrast, campaigners are viewed as having axes to grind that devalues their objectivity. These perceptions are demonstrably false: investors, particularly institutional investors, have as many political biases as any other interest group, reflected not least in the information they chose to act upon – but they are nonetheless biases that campaigners can use to their advantage.

Whereas pickets and protests can be shrugged off by opponents as politically-motivated theatre, the puncturing of investor confidence in a project or sector gives a campaign a credibility in many quarters that might otherwise be denied. Politicians in particular find it hard to argue with markets: to do so suggests a disregard for "sound" financial policies and reveals their own biases in a light that campaigners can more easily expose, often forcing them onto ground that NGOs are better equipped to exploit. The rejection of nuclear power by the financial markets is a case in point: investors were scared off by the largely unknown financial liabilities of nuclear accidents and nuclear waste disposal.

3. NGO strengths, market weaknesses

NGOs are often strongest in areas where financial institutions are at their weakest and most vulnerable.

The power of public interest groups lies primarily in their ability to reflect and influence public opinion. Not only do they have better links to the public than many financial institutions, but their organisations are also specifically geared to channelling public opinion in ways that will bring maximum pressure to bear on an issue. The Internet and other new technologies have dramatically increased their ability to organise internationally and to build cross-sectoral alliances.

Such powers give NGOs several major advantages over many financial institutions. First, unlike NGOs, financial institutions – particularly investment banks and pension funds – are relatively insulated from public opinion (except as expressed through the computer print-outs that trace share dealing) and frequently lack the political infrastructure to anticipate and assess consumer boycotts and other interventions that NGOs are well-placed to organise. To date, such boycotts have largely been aimed at denying markets to retail companies by puncturing demand for branded products. The recent rejection by consumers in Europe and elsewhere of genetically-engineered foods, however, has demonstrated the ability of boycott campaigns to influence investments in whole sectors of the market, not just specific companies or product lines. Moreover, as NGOs themselves have discovered, the same tactics can successfully be brought to bear directly on financial institutions – particularly those, such as commercial banks and pension funds, which depend for their business on maintaining their reputation as a strong and trusted "brand". The campaign by gay rights groups against the Bank of Scotland is a case in point (*see* Box, "A bank besieged", p.25).

Second, the close collaborative links that NGOs often enjoy with community groups, both North and South, grant NGOs a privileged insight into local conditions that is not available to most financial institutions: where local communities choose to use NGO colleagues as a conduit for relaying concerns to companies and investors, that privileged local knowledge provides campaigners with a powerful tool for leveraging companies and investors alike. A company's reputation, for example, is of major concern to investors: revelations that a company is involved in human rights abuses or complicit in degrading the environment can knock many millions off the value of its shares. Yet financial analysts – whose job it is to alert institutional clients to such threats to share values – generally lack the institutional capacity to undertake detailed research into the day-to-day, on-the-ground operations of the companies and projects in which they invest, relying instead on information garnered almost exclusively from within the financial sector itself.

Companies are often in a similar position, relying on assurances from plant managers or suppliers that pollution permits are being observed or that working conditions are not in breach of corporate commitments or national or international law; they are thus vulnerable to well-documented case studies that bring the concerns of affected communities to the attention of analysts and the general public. As a spokeswoman for Heals, the UK furniture store, remarked when confronted by Greenpeace research tracing timber sold by Heals to illegal logging operations in the Amazon, "*I'm shocked. We don't want to be involved in this. Perhaps our due diligence is rubbish.*"[16] In addition to enabling campaigners to place direct pressure on companies – not least by revealing deficiencies in their corporate governance – the passing on of local knowledge to analysts (assuming that this meets with the approval of partners in affected communities) can also bring potential allies within the investment community, leading to a two-way exchange of information that can benefit both parties.

4. Increasing consumer awareness

Consumers are more aware of environmental and social issues – and are increasingly prepared to demand that they are taken into account in commerce and investment.

Companies are also fearful of small investors acting as a herd - selling their shares in a company all at once because of adverse publicity .

The free trade agenda may have brought companies and investors new markets, but it has also spawned a more active consumerism. With the government increasingly unwilling to regulate, says Sheila McKechnie,[17] director of the UK Consumers' Association, consumers are increasingly using their purchasing power to control corporate behaviour via the market – a trend also noted by the Henley Centre, a prestigious management think-tank.[18]

According to research conducted by the accountants PriceWaterhouseCooper, four out of ten people around the world had boycotted a company for ethical reasons during 1999.[19] In the UK, the figure was lower – 3 out of 10 – but as the *Financial Times* notes that still *"equates to about 12 million consumers acting on their concerns"*.[20] In addition, whilst a majority of those polled thought that companies working in countries with poor human rights should use their influence to campaign for improvement, one in five believed that the companies should simply refuse to work in such countries.

Although such polls should be read with caution – making a decision to purchase ethically may amount to no more than, "Mmmm, I'll give that fair trade coffee a try to see what all the fuss is about" – they point to potential new political space on which to build campaigns. Where the actions of individual consumers are coordinated – and with the Internet, they increasingly are – consumers have proved themselves highly effective at expressing their opposition to corporate practices that harm the environment or people. It is rare, however, for consumer action alone – for example, through boycotts – to shift corporate behaviour. Invariably, other tactics have also to be brought into play.

Fast food chains, clothes stores, oil, car, agribusiness and construction companies, banks and medical research laboratories have all been targeted with considerable success. In Europe, concerns over food safety, tropical deforestation, child labour and climate change have prompted consumer boycotts which, combined with other lobbying efforts, have helped pave the way for bans, policy changes and new legislation.

Companies which fail to take account of this shift towards increasing consumer activism can find their markets evaporate and their share price nosedive. "*What we fear most,*" a Shell executive told a meeting of the Prince of Wales business and environment group in 1998, *"is not new legislation but consumer revolt."*[21]

The consumer backlash against genetically-engineered foods, for example, contributed to Monsanto's share price plummeting by 11% from March to August 1999: other important factors included market fears that the company had overstretched itself financially through a massive spending spree buying up competitors.[22]

"*Monsanto massively misconceived what sustainability is all about,*" John Elkington, director of Sustainability, an

Consumer and shareholder activism

Target	Issue	Tactics	Impact	Outcome
Bank of Scotland	Bank entered into deal with right-wing TV evangelist Pat Robertson, a vociferous opponent of women's and gay rights.	Pickets at bank's headquarters. Protests from churches. Consumer boycott of Bank of Scotland.	£402 million knocked off the bank's share value.	Bank announces it will pull out of deal Bank's reputation for taking strong ethical positions is severely dented Bank accepts it will have to work hard to win back public support
Del Monte	Non-recognition of union rights in company's Costa Rican fruit plantations.	Consumer protests, including dumping of bananas outside UK headquarters.	Public embarrassment.	Unions recognised in return for an end to the European campaign against the company
BP	Proposed drilling operations in Alaskan nature reserve.	AGM resolution calling for end to Alaskan operation and move away from oil production to alternatives.	Resolution won support of 13% of shareholders.	Major "wake-up call" to financial institutions: power of environmentally motivated resolutions demonstrated
Huntingdon Life Sciences	Europe's largest contract medical research company. Accusations of animal cruelty.	Protests outside laboratory. Picketing of houses of major shareholders and company analysts.	Shares plummeted when fund managers Phillips & Drew sold its 11% stake. Trading in shares suspended in 1998.	Company CEO admits campaign "almost succeeded in company's destruction"
Lehman Brothers **Morgan Stanley Dean Witter** **J.P. Morgan** **BankAmerica** **Smith Barney** **Credit Suisse First Boston**	Three Gorges Dam in China. The dam will force resettlement of 1.2-1.9 million people and cause major environmental damage. All five banks had sponsored bonds that would have supported the dam.	Letter writing by major US environmental groups. Shareholder lobby against banks. Boycott of Dean Witter's "Discover" credit card.	Some of the banks have become more cautious about risking their reputation on the project	Campaign continues
Premier Oil	Oil operations in Burma. Accused of benefiting from slave labour.	Protests and shareholder lobbying at Premier's AGM.	Executives forced to defend their position at AGM.	Company criticised publicly by UK government

environmental consultancy, recently told *Green Futures*. "*Corporations and financial institutions are now having to learn fast. And it's this which has the potential to profoundly reshape markets*." [23]

5. Globalisation and increased corporate vulnerability

Globalisation and new technologies have made companies more vulnerable to organised consumer protest.

In the UK, according to recent polls, three-quarters of occupational pension holders wanted pension funds to use their influence to encourage socially responsible behaviour by companies.

With the growth of the Internet, business is finding it harder to hide its failings from a public that is increasingly willing to act against companies that violate ethical standards or threaten the environment. Moreover, the very global inter-connectedness of companies means that a consumer backlash in one part of the world can be difficult to contain. Lean production strategies have also made companies more vulnerable: the more global companies are in their operations, the more local outsourcing operations there are to "go wrong", sparking possible consumer revolts in local markets globally.

"*If there's a problem in a company's global supply chain, all it takes is one modem in Indonesia to alert the world about it*", says Aron Cramer, vice president of San Francisco's Business for Social Responsibility, which advises Gap, General Motors and other companies on their practices abroad. "*People's expectations of the social and environmental role of businesses have absolutely changed in the past five years*." [24]

That view is echoed by Rushworth Kidder, president of the US-based Institute for Global Ethics: "*Increasingly there is no place to hide. What I see happening, especially in the US, is that every company that has any kind of international activity has attracted around its periphery a bunch of web sites devoted to exposing everything this company does*." [25]

According to a survey undertaken by the UK's Ashridge Centre for Business and Society, a sizeable number of companies have already responded to such pressures in their investment decisions. The survey found that 36% of the world's 500 biggest companies had abandoned a proposed investment out of concern for human rights issues, whilst 19% had disinvested from a country on human rights grounds.[26]

6. The rise of ethical shareholding

New patterns of share ownership are bringing new ethical concerns to the market.

Consumer-driven pressure for change on companies is mirrored within the investment community, as changing patterns of share ownership give concerned investors a more prominent place in the markets. Although the control of some assets – for example, stocks and bonds – remain concentrated in relatively few hands, an increasing number of people in industrialised countries own shares. In the US, nearly half of all households own shares directly or indirectly, through mutual funds or pension plans, a greater proportion than at any time in history: the percentage of families with some stake in the market rose from 31.6% in 1989 to 48.8% in 1998.[27]

Small investors acting alone may carry little clout in the boardroom. By contrast, the big institutional investors, such as pension funds, in which many individuals have a stake as pension

A bank besieged - Consumer power against bigotry

It seemed a deal made in heaven. Scotland's biggest bank, the Bank of Scotland, wanted to establish itself in the US. To do so, it teamed up in 1999 with US television evangelist Pat Robertson to form an on-line banking operation that would be promoted via Robertson's 1.8 million-strong Christian Coalition network. For the bank, the deal seemed to offer the opportunity to establish a market at virtually no cost.

Bank of Scotland customers, however, were shocked at the deal. Robertson is known for his extreme right-wing, anti-women and anti-gay views. "*Many of those people involved with Hitler were satanists*", he has said. "*Many of them were homosexuals. The two things seem to go together.*" Women have also come in for abuse: "*That National Organisation for Women is saying that, in order to be a woman, you have to be a lesbian.*" "*The feminist agenda*", Robertson wrote in 1992, "*is a socialist, anti-family, political movement that encourages women to leave their husbands, kill their children, practice witchcraft, destroy capitalism and become lesbians.*"

Gay rights groups responded by urging a boycott of the bank. Students and trade unions also rallied against the deal: Edinburgh University Students' Association, whose annual turnover is some £7 million, anounced that it was considering withdrawing its account from the bank, while the Scottish Trade Union Congress threatened to withdraw the business of 100,000 members who held a Bank of Scotland affinity card. The ecumenical "Action for Churches Together in Scotland" also said it was considering withdrawal, stating that Robertson stood for everything its member churches were against.

Others who did not hold accounts with the bank also found ways to bring pressure to bear. Edinburgh City Council wrote to the bank, deploring its actions: "*People do not want the name of a major Scottish institution associated with the politics of bigotry*", said Council leader Keith Geddes. Across the border, Duncan Lustig-Prean, a London-based property firm, informed legal firms that the company would refuse to assign certificates of consent to transfer where a Bank of Scotland mortgage was involved.

Ethical investors, charities with credit card ties with the bank and ordinary Bank of Scotland customers joined the campaign, selling shares, withdrawing investments and closing saving accounts. The Edinburgh-based Ethical Investment Co-Operative sold its shares in the bank, which had previously enjoyed a favourable rating amongst socially-responsible investors, while stockbrokers Rathbone announced that they would sell their holdings if the bank responded to its concerns with "purely commercial justifications".

As the boycott began to bite, the bank's share price rapidly tumbled, falling 10 per cent. The crunch came when Robertson himself responded to critics by lambasting Scotland for "tolerating" homosexuals.

The ensuing outcry intensified the campaign, forcing the bank to announce that it was scuppering the deal. By the time of the withdrawal, over 500 customers had moved their accounts.

The bank's board survived a heated Annual General Meeting, held just weeks after the announcement of the withdrawal. But the company's reputation was severely dented by the proposed deal. Many analysts argue that restoring that reputation will take intense effort.

Sources

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holders, yield a stick hefty enough to change company policy. When united, small investors may also yield an influence that is disproportionate to their numbers: a case in point is the "Gas Greed" campaign, organised by Professor Jo Lamb from Glasgow, which mobilised a substantial number of small shareholders to support a resolution challenging pay awards to the executives of British Gas in the mid-1990s.

Companies are also fearful of small investors acting as a herd – disinvesting rapidly from one sector because of adverse publicity or a sudden volatility in the market.

Unsurprisingly, the major financial institutions are increasingly preoccupied with the state of mind, behaviour and even the identity of the average US retail investor. One consistent finding of research aimed at gauging the behaviour of today's investors is a concern for the environmental impacts of their investments.

In the UK, for example, a National Opinion Poll survey conducted in August 2000 revealed that three-quarters of occupational pension holders want pension funds to use their influence to encourage socially responsible behaviour by companies.[28] One-third of those interviewed were prepared to accept such investments even if they damaged their pension's financial performance.

Although such findings have yet to work their way into mainstream investment practice amongst pension fund managers – and are resisted by many – they provide strong evidence of a demand for socially responsible investment. Indeed, the value of the UK's 44 ethical investments have exploded from almost nothing in 1980 to more than £2.8 billion in 2000.[29] This compares with only £370 million in 1992 – and represents a rise of 35% over 1999, according to the Co-Operative Insurance Society.[30] Studies by Bank Sarasin, an investment management company, conclude that returns from such investments are "*at least comparable with those of more traditional equity investment*".[31] Many analysts confidently predict ethical investments to triple again by 2005.

Shareholder actions demanding corporate responsibility are also on the rise. In the US, shareholder resolutions calling for companies to address social and environmental criteria doubled in the early 1990s, reaching 300 by 1996.[32] The value of the investments controlled by investors who have filed such resolutions (or supported them) has also grown – from $473 billion in 1995 to $736 billion in 1997.

Although covering only a minuscule fraction of the investments made globally every year – and just 1% of total unit trust investment in the UK – such trends suggest fertile ground on which campaigners can work to press pension funds and other institutional investors (such as insurance companies and unit trusts) to change their investment policies.

7. Changing institutional cultures

The institutional culture within financial markets is changing and there is more willingness to embrace environmental and social concerns.

The business of financial institutions is to make money. Nonetheless, the major players in the financial markets are well aware that the business of making money has its social and political limits: stretch those limits too far and the institutions of money-making become vulnerable to a public backlash that can threaten their very existence. When popular unease over particular institutional practices becomes sufficiently vocal and widespread, financial institutions have historically shown themselves willing to change in order to survive.

Having long ignored environmental and social considerations in their investments, there are signs that companies and institutional investors are beginning to respond to growing public concern over environmentally damaging and socially oppressive investment. The protests against the World Trade Organisation (WTO) in Seattle in 1999 – when demonstrators severely disrupted negotiations for a new round of trade liberalisation – may have been "perplexing" to the business community but nonetheless prompted many business executives to rework their approach to globalisation.

Discussions of the backlash against globalisation are no longer confined to whispered coffee-break conversations in business seminars: whole sessions are now devoted to the implications of "Seattle" for future business strategy. As *Business Week* recently commented: "*Many of the radicals leading the*

Huntingdon Life Sciences

"Naming and shaming" on dangerous new ground

In February 2000, shares in Huntingdon Life Sciences (HLS), Europe's largest contract medical research laboratory, plummeted after institutional investors were targeted by animal rights' campaigners angered by the company's cruelty to animals. The collapse began when fund managers Phillips and Drew, the company's biggest institutional investor, decided to sell its 11% stake in the company. Other investors quickly followed, halving HLS's share price in just one day.

Subsequently, the Royal Bank of Scotland announced that it was pulling the plug on HLS' bank overdraft. Germany's banking group, WestLB Panmure, also severed its ties with the company, resigning as HLS's broker in June 2000.

Persuasion or intimidation?

As a campaign, the HLS action achieved its aim of deterring investors – at least in the short-term. But the tactics used by the campaign have caused considerable controversy, not least amongst other pressure groups.

A key feature of the campaign was the direct targeting of individual shareholders and fund managers by direct activists. In most instances, this took the form of peaceful protest: the British Union for the Abolition of Vivisection Reform Group, for example, wrote to 1,700 investors in HLS, letting them know that unless they sold their shares within a week, they would be visited by demonstrators. Several hundred investors sold up: many of them had been unaware of HLS's use of animals in research and were shocked to learn of its activities.

But the HLS campaign has also been accused of trying to intimidate shareholders into selling their shares. Fund managers at Phillips and Drew and their clients, whose home addresses and telephone numbers had been published by Stop Huntingdon Animal Cruelty (SHAC), received abusive telephone calls, including death threats. The Phillips and Drew building had to be evacuated following hoax bomb calls. SHAC denied that the calls had been made by its members, but did not condemn the practice. "We condemn terrorism. But a bomb hoax is not terrorism."

Naming and shaming

As John Vidal, environmental editor of *The Guardian*, notes, it was probably inevitable that fund managers would sooner or later be targeted personally by direct action groups. Not only do they constitute "one weak link in the chain between companies and unethical behaviour" but, equally important, "there are very few people involved" – just 30 individual fund managers control hundreds of billions of pounds worth of investment.

"Naming and shaming" is a campaign tactic that has a long and effective history: indeed, it is generally an essential prerequisite of most successful campaigns. Without naming the companies involved in, say, a destructive project, there is little prospect of putting public pressure on them to withdraw from the project or to change its direction. Likewise, without the names of institutional investors that are backing such companies, would-be ethical investors are denied the information that would enable them to act on their investments.

There is a strong case, too, for campaign tactics that make private investors – and directors of companies – personally aware of the impacts of their investments. As John Vidal reports, "In the US, the head of a large Japanese corporation which was responsible for much deforestation in the Far East was reportedly so shocked about the scale of what his company was doing that he immediately changed the policy."

Dangerous ground

But in crossing the line between "public" and "private", the "naming and shaming" of individuals rather than institutions courts a dangerous politics. Instead of protest being a means of engaged persuasion, it can rapidly descend into the intimidatory intolerance of the lynch mob. A letter to one HLS employee, for example, read: "Do you want a petrol bomb shoved through your letter box? Do you want to have the living shit kicked out of you? If the answer to these questions is 'no', you had better quit HLS."

Such intimidation "works" precisely because it affects not only the targeted individuals but others in their immediate circle: children, neighbours, relatives are all impacted – even though they have no involvement in the activities being challenged. In the process, opportunities for debate and reasoning are closed down. Fear becomes the basis for action – and democracy loses out.

Focusing on individuals rather than institutions also runs the risk of trivialising the issue. HLS does not abuse animals because its directors are depraved: it abuses animals because there are no institutional rules to prevent it from doing so, many conditions that justify making money out of the practice, and a wider culture that tacitly approves. Bringing in new rules that would change the framework in which companies and investors operate requires campaigns that seek to change not only personal behaviour but also national laws and the institutional culture of financial and other institutions. Tactics that lead to socially responsible investment being identified with extremism are, at best, unhelpful to such efforts, at worst, counter-productive. Not only do they scare off potential allies within financial institutions; they also justify resistance by the old financial guard.

Undermining other campaigns

Non-violent direct action, which uses the theatre of dissent in innovative ways to attract attention to a cause and draw in support, has long proved its effectiveness as a tool for change.

But where direct action encourages violence – or is effective only because it is violent – it is invariably socially regressive, not least because it invites repressive responses which close down the space for peaceful democratic protest. In the wake of the HLS campaign, for example, the pharmaceutical industry called for new legislation to clamp down on what it called "economic terrorism". HLS itself has written to Prime Minister Tony Blair urging him to bring "extremist animal rights groups" within the remit of terrorist legislation. Company law may also be changed to make it much harder to obtain information about shareholders and directors, which would affect all shareholder campaigns.

There is also a real possibility that, as a result of the campaign, Huntingdon will relocate overseas or go private in order to hide its activities more easily from public scrutiny. Alternatively, overseas or private investors may pick up Huntingdon's business, leaving animals no better off, and, indeed, possibly in the hands of even worse companies.

The lesson from HLS may not be that direct action achieves what "moderates" have failed to achieve through less confrontational means, but that violence usually tends in the end to support the status quo.

Sources

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protests may be on the political fringe. But they have helped to kick-start a profound rethinking about globalisation amongst governments, mainstream economists and corporations that, until recently, was carried on mostly in obscure think tanks and academic seminars. This assessment is badly overdue."[33]

Internally, too, companies and financial institutions are facing pressures to take on board environmental and social issues in their investments. No one likes to be employed by a company that is viewed by the public as a pariah.

"*The desire to be part of the solution rather than part of the problem is a powerful incentive for change*", says one business executive in a major mining corporation. "*One is used to taking flak from activists. It is a different matter when one's own children start badgering you over breakfast, lunch and dinner."*[34]

Moreover, for a younger generation of middle managers, environmental concerns (albeit of a "light green" variety) are increasingly accepted as part of everyday culture. Whereas a decade ago, ethical investment staff were seen by City institutions as "*lowly cheap staff to stick in a back room out of the way*"[35] – and raising questions about the environmental and social impacts of an investment spelled exile from the fast track – today, ethical investing is no longer the barrier that it once was to career prospects, and may even enhance them.

Such internal cultural change has yet to translate into significant change on the trading floor: with the exception of the small but fast-growing "socially responsible" investment market, global investors still reward unsustainable development.[36] As one shareholder in Total-Fina, a major oil company, reportedly shouted to protesters at the company's AGM in Paris, "*We don't* *give a damn about human rights in Burma, we're shareholders*." But internal dissent within the investment community does provide a platform upon which sympathetic insiders can build.[51]

Some progress is already apparent: although the vast majority of City analysts (*see* p.80) still show a macho disdain for environmental and human rights concerns, recent MORI research indicates that even this may be changing. A 1997 poll, for example, revealed that one in three analysts and institutional investors now believe that a company's contribution to society and the communities in which it operates affects its financial performance.[37] Almost half of the institutional investors polled – and 38% of analysts – also stated that knowing about a company's contribution to society and the community affected their opinion of it.

As for the companies themselves, a survey commissioned by Control Risks, the London-based international business risk consultancy, found that 71% of businesses believe social and ethical factors have become a more important part of their agenda over the past five years. At the same time, 77% say they believe that such factors will be even more important over the next five years.[38]

8. New regulatory measures

New regulatory measures have strengthened the hand of NGOs in pushing for environmental and social considerations to be taken into account in investment decisions.

In the UK, new regulations introduced as part of package of reforms to regulate pension funds substantially redefine the framework in which investors will operate in the future. The regulations reflect growing concern amongst pension holders as to how their pensions are being invested.

As Stephen Timms, the then Pensions Minister, told *Pensions Week* in July 1999: "*The issues that (the socially responsible investment movement) raise cannot be ignored in a world in which ordinary people, many of whom will be members of occupational pension schemes, are becoming increasingly concerned about the conduct of companies and the ways in which investments are made on their behalf. People want to know how their savings are applied, and I think they are right to do so.*"[39]

From July 2000, pension funds have been legally required to state:

> "*The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and their policy (if any) directing the exercise of rights (including voting rights) attaching to investments.*"[40]

The new measures do not oblige pension funds to operate an ethical investment policy, but they do place fund managers under increased pressure to do so. Comments Matthew Harragin, the ethical investment director at stockbrokers Rathbones:

> "*The ethical dimension now has to be discussed, and once it is officially on the agenda, it is far harder to ignore. Pension trustees who go hell for leather for companies causing pollution or selling arms to all and sundry may have some explaining to do.*"[41]

Given that pension funds together with insurance companies currently own more than half of all UK shares in terms of value, the potential implications for socially responsible investment (SRI) are profound. As *Green Futures*, a business and environment magazine, notes pension funds and insurance companies have:

> "*a key role in making environmental issues a mainstream investment consideration. Both have liabilities that are very long-term in nature, so they should have a strong interest in long-*

First, do no harm!
Conflicting agendas and financial market campaigns

Many financial market campaigns arise out of local community opposition to specific projects or out of the experiences of oppressed groups, such as women and minorities.

Where groups opt to lobby investors, it is important that the campaign remains firmly rooted in the concerns and political realities of those it is intended to support. Because financial market campaigns involve institutions that are far removed from the local community, the risk of metropolitan NGOs substituting their own agenda and voice for that of affected communities is particularly acute. Conflicting agendas can quickly emerge that can do considerable damage to movement building at both the local and global levels.

One area of potential conflict lies in the pressure that financial market campaigns generate to "engage" with companies. Indeed, forcing a company to negotiate is often a prime aim of campaigns. Certainly, institutional investors are unlikely to support you unless they have discussed the issue with the company and satisfied themselves that the company has a case to answer. Local communities, however, may be actively opposed to "dialogue" – either because they have already tried this avenue without success or because engagement does not fit their political strategy.

In such circumstances, a key maxim for campaigners is: "First, do no harm". It is critical that conflicting agendas are fully discussed prior to launching a financial market campaign. Where a resolution acceptable to local activists is impossible, a financial market campaign should be rejected.

Past campaigns suggest other important lessons that NGOs embarking on financial market campaigns should take into account:

- *Ensure that affected people maintain the initiative.*

Although cultural traditions of advocacy and support work vary widely around the globe, ensuring a democratic and mutually accountable relationship between NGOs and affected groups is vital to maintaining trust and good communications.

- *Maintain a long-term engagement.*

Staff turnover in NGOs is high and the focus of their work is often driven by donor fashions. Many projects which local communities seek help in opposing, however, require long-term campaign work.

Campaigning techniques

As well as ensuring that your campaign does not undermine your partners' campaign strategy, bear in mind that the political space that is opening up within financial Institutions themselves is often fragile. A badly-constructed campaign may not only achieve little in the way of tangible results for yourself but may also damage the potential for others to campaign within the markets.

Aggressive and intimidatory campaign tactics can be counterproductive. You may achieve some headlines but you could also inhibit broader change. Not only are you likely to confirm the financial world's worst image of campaigners, but you could also legitimise the introduction of legislation that makes future action harder, not easier.

Who to target

While it can sometimes be justified to target more progressive companies and financial institutions, this needs to be handled with care. If companies that are relatively progressive are targeted, then poorer performers will feel little incentive to change – and may even feel a strategy of denial is more appropriate. Just to argue that a relatively progressive company is likely to respond is not a good enough reason for targeting them. A campaign agenda driven by "Who is a convenient company or shareholder to target?" rather than "Who is ignoring the issue? Who deserves to be targeted?" is unhelpful in developing political space for future campaigns. It may even damage your credibility.

In general, companies are more likely to respond to pressure to improve their environmental and social performance if they feel that campaigners will target poor performers, rather than the leaders in the field. This applies particularly when targeting financial institutions. Here the case for social responsibility is even less widely accepted that among many companies. Targeting the leaders is likely to deter others from taking social and environmental issues seriously.

Know when to stop

Even in a successful campaign, you may well reach a point where the targeted institutions, having previously responded positively to your lobbying, become less willing to listen to you. This may be because of obstinacy on their part, but, equally, it may because they have reached the limits of what they can do. Listen carefully to what the investors are saying and try to put yourself in their shoes. Are they blocking you? Or do they have a point? You may have reached the point where it is time to try another approach.

term market performance. And this is even more so given that they have substantial assets invested in index funds, which 'locks them into' their shareholdings."[42]

A further regulatory shift in favour of SRI campaigns comes in the form of a new code of practice issued by the Institute of Chartered Accountants of England and Wales in 1999.[43] Known as the Turnbull Committee on Internal Controls after its chair, a former financial director of the Rank Corporation, Nigel Turnbull, the code updates previous advice to company directors on the measures they should adopt to ensure that shareholders' investments and company assets are properly safeguarded. Although the code is not legally-binding on companies, it has the backing of the Stock Exchange, giving it semi-legal status. Any company wishing to list itself on the Stock Exchange now has to abide by the code.

Under the new Turnbull rules, company directors in listed companies are obliged to take account of all "significant risks" which could damage the company. And for the first time in a document of this kind, the code lists environmental and social risks – in addition to strictly financial ones – among those that must be taken into account. Moreover, the code requires that directors put in place internal controls to manage these risks and review them regularly to ensure their effectiveness. Directors are also required to identify these risks in the company's annual report and to describe the measures taken to address them.[44] Publicly-listed companies had to comply with the new code by the end of 2000.

Senior industry figures say that the Turnbull code might well trigger a quiet revolution, transforming environmental reporting from a PR-driven exercise to a corporate governance issue. With corporate governance increasingly a major focus of shareholder concerns – the UK Shareholders' Association lists it as its primary concern – shareholder resolutions questioning a company's environmental impact will thus have far greater purchase.

"Give me ten nutters throwing eggs at me any time rather than one institution casting its votes against re-electing one of my directors"

UK Company Executive

New reforms proposed as part of the UK government's current Company Law Review may also increase the pressure on companies to reconsider their social and environmental practices. Although the Review drew back from an anticipated recommendation to make the welfare of society, rather than shareholder value, the overriding business objective of public companies, it nonetheless proposes that directors should be required to consider the wider social and long-term implications of their business decisions.[45] It also recommends that companies be required to report on social and environmental issues in their annual reports. Although the Review falls far short of what is needed to make companies more generally accountable to society as a whole, it would nonetheless create an opening to the law to challenge companies that fail to take account of wider issues in their business decisions.

"Increasingly there is no place to hide. Every company that has any kind of international activity has attracted around its periphery a bunch of web sites devoted to exposing everything the company's does."

Ruthworth Kidder
Institute for Global Ethics

9. A willingness to change?

The more politically-astute financial institutions are aware of the need to adapt – and are moving to get ahead of the game.

The new pension regulations, combined with public pressure, have already begun to shift practice within UK pension funds. According to research by the consultancy Environmental Resources Management (ERM), 21 of the 25 largest UK pension funds (which between them own one-third of the UK stock market) are intending to vet at least part of their portfolios against socially responsible investment (SRI) criteria.[46]

For a younger generation of middle managers, environmental concerns (albeit of a "light green" variety) are increasingly accepted as part of their everyday culture.

Four pension funds – including British Telecom's £29 billion fund and, following a campaign by students, the university lecturers' Universities Superannuation Scheme (USS) – have announced that they will apply an SRI policy, focusing on engagement, across their portfolios (*see* Box, "The 'Ethics for USS' campaign", p.100). Still others – for example, CGNU's Morley Fund Management, which controls £200 billion worth of funds, Friends Ivory and Sime and Henderson Global Investors – are taking up a new style of pro-active shareholding, with fund managers using their power as large shareholders to engage in "constructive dialogue" with companies, pressing for change from within. If companies fail to address the fund managers' concerns, disinvestment is likely to follow.

Local authorities, which control substantial pension funds, have also been at the forefront of SRI. Even before the new pension laws came into effect, Norfolk, Lancashire and Nottingham County Councils have issued instructions for a portion of their funds to be managed on an SRI basis. All told, the value of UK investment now subject to some form of social and environmental scrutiny has mushroomed from £3 billion a few years ago to £500 billion today.[47]

Increasingly, fund managers not previously part of the SRI movement are becoming involved. Societe General Asset Management (with £120 billion) and Schroders Investment Management (£120 billion), for example, are developing their own SRI policies.

Moreover, as Giles Chitty, a consultant with financial advisers Holden Meehan, notes, "*The nature of SRI has changed. Research has become wider in scope, deeper in penetration and better at identifying themes, which helps make investment policy more strategic and focuses the search for suitable investment*."[48]

A number of institutional investors – the Jupiter Ecology Ecology Fund and NPI's Global Care Fund, managed by Henderson Global Investors, are two examples – are now moving beyond screening out "bad" companies to selecting shares in companies that are best in their sector when measured against specific social and environmental criteria.

The extent to which such policies are transforming financial institutions should not be exaggerated, however. For the most part, profit is still all that counts with the vast majority of institutional investors. ERM's survey, for example, revealed that many funds do not have the specialist staff to undertake the promised SRI policies – and that "*when questioned further about what their policy of engagement means, many of them didn't know*."[49]

Rob Harrison from *Corporate Critic*, a business ethics website, is still more sceptical. "*When the regulation was first being discussed with both a negative screening and engagement component, the pension industry was predicting, among other things, the collapse of the arms and tobacco* *industries. Since negative screening was dropped, the industry now supports it, as it clearly no longer believes that engagement alone will change anything."* [50]

Nonetheless, Harrison concedes that the new regulations are a useful first step towards reforming corporate behaviour. The commitment to undertake even minimal screening offers space which public interest groups can usefully exploit to leverage change, ratchet up standards and publicise their concerns.

The limits of market activism

Financial market campaigns have clear limits – not least because they leave unchallenged the underlying fundamentals of the free market agenda. They also pose many dilemmas for activist groups – to what extent, for example, do they deflect from efforts to achieve deeper structural change?

The impact of shareholder activism
The US experience

Historically, so-called "social resolutions," such as shareholder proposals on environmental, human rights, worker and social issues, have never achieved a "technical win" at any company. This means that no company has ever been forced to take action because a social resolution has received a majority vote. The lack of technical wins has led some critics to argue that shareholder power cannot effectively influence corporate social behaviour.

However, the ultimate impact of shareholder activism may be difficult to determine, as companies may make changes as a result of shareholder resolutions or dialogue, yet not publicly cite shareholder concern and pressure as part of the impetus for making such changes. For example, shareholder concerns and activity played a part in dismantling apartheid in South Africa through disinvestment. It also helped persuade McDonald's to phase out the use of polystyrene packaging.

More recently, shareholders have contributed to public pressure on Home Depot to phase out wood sourced from environmentally-sensitive areas, and for the Maxxam Corporation to include more environmentally and socially conscious board members. In December of 1999, after years of shareholder dialogue and with new corporate leadership, Ford announced that it would pull out of the Global Climate Coalition, an industry lobby group opposed to cutting carbon dioxide emissions.

But even when shareholder activity does not produce immediate results, the actions of concerned and vocal shareholders are an important tool for social change: First, when shareholders communicate their values and concerns to the companies they own, they exercise ownership responsibility, one of their most important rights and avenues toward making companies more accountable. When investors express their social as well as financial goals, they help make Wall Street or the City more democratic and responsive to societal concerns.

Second, experience and evidence shows that sustained, strategic shareholder activism has helped social investors meet their goal of influencing corporate culture and social performance. Building a sustained campaign means that investor activists must have a strategy beyond simply filing resolutions. Experienced shareholder activists view filing resolutions akin to ringing a doorbell: when you file a proposal, the company comes to the door. Once the door is opened, the shareholder begins or accelerates a dialogue process, which can create an avenue for corporate change. When a social resolution receives a significant number of votes (10% for example), well-governed companies usually feel the need to address the issue at hand through a dialogue process, which hopefully leads to a meaningful course of action.

To build a strategic campaign, one must set realistic objectives for what shareholder activism can achieve, and share information with and create/maintain an alliance with social movements. Coordination is particularly important to inform shareholder dialogues and to keep companies from "dividing and conquering" individual activists through separate discussions.

Michelle Chan-Fishel

Reproduced from Friends of the Earth-US, *Guide to Shareholder Activism*. The *Guide* can be downloaded from **www.foe.org/international/shareholder**.

There is also a limit to what can actually be achieved through lobbying financial institutions and markets.

First, most companies will not respond unless there is already external or internal pressure for change. In that respect, financial lobbying generally pushes companies in directions in which they were already minded to go.

Second, in a globalised world, there is a limit to what even the most successful campaign can achieve unless governments and international bodies are prepared to step in and lay down international rules. As Greenpeace remarks of the campaign for more responsible use of timber: "*Logging companies may . . . seek to open up markets which do not demand green products and they may try to supplement losses made by increasing logging rates. This also happens. It is also the point where the influence of wood users reaches its limits and the responsibility of international governmental bodies and trade federations is most pressing.*"[51]

That said, lobbying the major players in financial markets – from banks to pension funds and financial analysts – can add to the effectiveness of public interest campaigns in a number of ways.

Put your own house in order

Larger NGOs should be aware of a particular hazard in a financial markets campaign. You may be investing in the companies or sectors you are targeting. This is because you may have significant assets in your pension fund, endowments or foundations invested in the stock market, and may be holding shares in those companies you seek to criticise. If the media finds out (and journalists will look – charities have been criticised on this point) you could end up looking foolish. It is easy enough to check first, and to take action to deflect criticism. Better still, make should such funds have an SRI policy first – perhaps it should be your first step in financial campaigning.

For example:

- **Campaigns directed against companies can be enhanced by targeting shareholders.**

Many corporate campaigns are often directed primarily at consumers, politicians and the media. If letters are written to the financial community, they are generally directed solely to the company. For a little extra effort, considerably more pressure can be exerted by ensuring that the company's major shareholders are also kept informed and lobbied. As the chair of one major UK company recently remarked: "*Sticks and stones may break my bones, but institutional shareholders can fire me. Give me ten nutters throwing eggs at me any time rather than one institution casting its votes against re-electing one of my directors.*"[52]

- **Shareholders are a largely disorganised and untapped constituency that could prove a potent political force for progressive social activism.**

Many members of public interest groups and trade unions are shareholders (via their pension funds) in major companies with poor environmental rights records. Mobilised into effective shareholder action groups, they could help exert considerable political power within financial markets.

Is a financial campaign appropriate for your organisation?

A campaign targeted at financial institutions is just one of many options available to activists. So the first decision that any campaign needs to consider is whether or not a financial markets campaign is even appropriate: other tactics and strategies – such as consumer boycotts, political lobbying, legal actions or public demonstrations – may be more effective.

At this stage, it is critically important to share ideas and strategies with partner groups, particularly those at the grassroots – for example, local community groups or trade unions. Even if a financial markets campaign is going to form a small part of your overall lobbying strategy, it may still have major institutional and political implications for the way in which you work. For example, financial market campaigns are inevitably focused on players in the market, which tend to be financial institutions in the North; this can lead to grassroots groups (particularly those directly affected by projects) being excluded from campaign decision-making, robbing them of the initiative (*see* Box, "First, do no harm", p.30). Financial campaigns also tend to go in the direction of dialogue with parties with whom many public interest groups have been at odds: whilst this can open up political space, it can also undermine other strategies being pursued by partner groups. Keeping others informed of your thinking – and working through your mutual concerns – is thus critical.

The following points may help you gauge how useful a financial markets campaign might be to your work:

- Financial markets may be worth targeting if the participants are public (quoted) companies, or if finance is being obtained from mainstream institutions such as High Street banks. In contrast, it will generally be harder to campaign effectively when much of the financing is private or comes from offshore institutions, which have no obligation to disclose the names of investors.

- Targeting financial markets is likely to be worthwhile if the project appears marginal on financial grounds – in such circumstances, it may not be too difficult to persuade investors to abandon it. Conversely, where a project appears financially attractive, it will be much harder to persuade the financial markets to avoid it, although not impossible.

- Financial markets may offer a useful option for a highly-focused campaign when a more general campaign looks unlikely to have influence, or when other avenues appear closed or difficult.

- Similarly, if the involvement of investors is routine or minor, campaigning may prove fruitless. A key test here is the level and type of financial institutions involved – a major commitment from a commercial bank or the presence of a leading investment are indicators that a financial market campaign may be appropriate.

- Frequently, there will be synergies

Internal review

Before finally committing yourself to a financial markets campaign, it is worth asking yourself some questions about what a financial markets campaign might mean to your organisation.

- Have you discussed the implications of the campaign – and in particular of possible engagement with companies – with your colleagues and partners? Will such engagement undermine their work? Will it cut off alliances with other groups?
- Are you committed to a financial markets campaign and to making it work?
- Are you prepared to spend the necessary time and money for a successful financial markets campaign – are there better alternatives?
- Are you happy with the less confrontational approach that successful financial market campaigning entails?
- What will be the implications internally among your employees and volunteers of such an approach?
- Are there possibilities of partnership or co-operation with other organisations?
- Do your existing partner groups feel comfortable with a financial markets campaign? Will it divert energy from other more pressing issues or more fruitful avenues for campaigning?

between financial markets campaigns and a more general campaign. Typically, mobilising a consumer boycott of a company because of its involvement in certain activities will help make clear the damage being done to the company's reputation and the risks it runs. This may help make financial institutions more open to your approaches, encouraging them to join you in pressing for change.

➢ That said, there will often be tensions between targeting the financial markets and other campaign agendas, priorities and tactics. For example, tactics that have proved fruitful in other areas of campaigning may not be appropriate for lobbying financiers. Often a financial markets campaign will be most effective if the "in-your-face-approach" of many consumer campaigns is eschewed in favour of a more subtle and considered lobbying.

Financial market campaigns also use up resources and time which could be put to better use elsewhere. Skimping on resources is not an option, however: don't expect financiers to take you seriously if you don't take them seriously.

Part Two

Understanding the market – Psychology, arguments and openings

USING THE MARKET MENTALITY TO YOUR ADVANTAGE

Financial markets are where those who want money link up with those who not only have money but are also prepared to make it available – in the expectation that they will receive more money back at some point in the future.

Understanding the psychology of the market is key to intervening successfully in it so as to persuade potential lenders or investors not to part with their money if it is going to fund activities that are socially or environmentally destructive.

The most striking feature of financial markets is that they are speculative: that is, they all involve an element of gambling.

This makes financial markets different from the markets that most of us experience in our everyday lives. If we go to a shop, for example, the goods on sale are real, physical objects that we can take away in our shopping bags.

What's on sale in financial markets, however, is the *prospect* of getting something in the future. Having been persuaded to invest in a particular company, someone may shelve out millions – and end up getting nothing at all. Or they may end up getting a hefty return on their money. What they get back depends on the relative risk of the investment they made. The riskier the venture, the more they expect to make out of it – and the higher the likelihood of failure.

Such speculation frames the psychology of the market. It brings the possibility of huge financial gains and with them the plaudits of one's peers – but the flip side of speculation is failure. Even investments that appear safe as houses (government stocks, for example) can, like houses, collapse and end up being worthless. Those who invested in Russian Government bonds before the First World War, for example, lost everything when the Tsar was deposed in the Russian Revolution. What had seemed the safest possible bet in 1914 was worthless by 1917.

Unsurprisingly, fear is as great a motivator in financial markets as greed. Whilst the business of financial markets is to make money, market players are haunted by the possibility of losing it – and of having to justify bad investment decisions to their colleagues and superiors. Evaluating the risks of an investment is thus a constant preoccupation. Indeed, when financial institutions are investing money entrusted to them by others (pension beneficiaries, for example), they are obliged by law to undertake what is known as "due diligence".

Exposing the risks

This preoccupation with risk provides campaigners with an entry point for any campaign aimed at directing investment away from environmentally and socially damaging activities towards more sustainable development paths.

However deeply a fund manager or stock broker may care as an individual about the loss of wildlife to industrial agriculture or the dangers that toxic chemicals pose to her children, neither of these concerns are likely to influence her investment decisions if an agro-chemical company looks like a safe investment bet. But where campaigners are able to demonstrate that the financial returns from the investment are unlikely to be as high as she is expecting (the "greed" factor) or that the company's activities carry substantial hidden financial risks (the "fear" factor), the fund manager is in a better position to argue for disinvestment from the company or for using existing shareholdings to bring pressure for change.

Fear is as great a motivator in financial markets as greed. Whilst the business of financial markets is to make money, market players are constantly haunted by the strong possibility of losing it – and having to justify bad investment decisions to their colleagues and superiors.

In effect, the arguments that count in financial markets are not those that are based on an appeal to ethics or environmental self-interest ("investing in this company means that your children are more likely to get cancer") but to financial risk ("law suits arising from cancer cases will cost this company a lot of money and your investment won't earn as much as you thought").

But it should be noted that *all* financial activities carry some risk, and to simply point out that there is a risk involved won't tell an investor anything new. The key concept in finance is the balance of risk and reward. Some investments (such as government bonds) are very

Reading the balance sheet: How is the company doing?

The best way to get a quick view of a company's financial health (at least as reported by the company) is to look at its annual accounts. Here are some of the issues to consider:

Results

Earnings is a fundamental figure. The greatest emphasis is on the earnings after tax – "the bottom line" – and the earnings per share (earnings divided by the number of shares). But there is a never-ending debate about how to calculate earnings, as there is scope to massage the figures and to change results, in the short-term at least. Another problem is with non-recurring items, such as charges arising from a major takeover, which can distort one year's results and affect valuations.

Intermediate financial indicators

These include operating margins, interest cover and dividend cover, and the return on assets/capital employed. These indicate how well the company is performing and some of the risks it faces. Attention is also paid to other figures such as:

- *EBITDA* (Earnings Before Interest, Tax, Depreciation and Amortisation), which is intended to give a indication of the underlying earning power of the company before more variable factors.
- *cash flow / cash flow per share*. These figures indicate the actual cash flowing into the company – and are intended to exclude many accounting tricks. Note that it takes no account of depreciation.
- *turnover* which indicates the overall business generated by the company.

Dividends

This is the main way that companies repay investors and are thus an important indicator of value. Increasingly companies are looking at other ways to repay investors, such as special dividends, share buy-backs and stock splits, principally in order to reduce tax liabilities.

Other considerations

Having gathered the information above, analysts will then endeavour to pull it all together into a valuation of the company. Whilst the current year's results may be known, next year's figures are likely to be an estimate, and the following year's can only be guessed at. The available figures do not therefore give much indication of a company's future value. To overcome this, analysts use a number of other means to value the company:

Price Earnings Ratios

Price-Earnings (PE) ratios are the most common way of linking price to the current earnings per share – price is expressed as a multiple of earnings per share. This forms a simple basis for comparing different stocks. Thus if there are two similar companies, one trading on a PE of 20 and the other on a PE of 30, the one on a PE of 30 would be regarded as more expensive than the other, unless other compensating factors can be identified. Essentially, it would take 30 years of current earnings to repay an investment rather than 20 years. The most important other factor is growth – a higher PE ratio would normally indicate a higher expected growth rate. For example, high growth pharmaceutical or biotechnology stocks may trade on a PE of 50 or more, whereas a heavy industry stock (mining, pulp and paper, chemicals) may be on a PE ratio of 10.

Dividend yield

This represents the dividend as a percentage of price – the opposite of the PE ratio. The dividend yield provides another measure of value, again linked to growth – low growth companies should have an above average yield, whereas high growth companies will have a low or zero yield. The importance of yield will vary from investor to investor and from market to market.

Cash flow valuations

"Cash is king" goes the saying, and many believe that cash flow analysis gives a more realistic picture of a company's real value than other figures. Cash flow valuations are based either on a simple ratio, like the PE ratio, or on techniques such as discounted cash flow analysis.

Asset valuations

In certain situations, the balance sheet can be used as a guide to value – a company whose market capitalisation is below its balance sheet value is often considered cheap. But balance sheets are subject to substantial distortion: assets may be worth far less or more than they appear on the balance sheet, which limits the value of such figures – unless a careful analysis is carried out. In certain sectors, such as insurance and property, asset valuations are useful because the balance sheet is more likely to reflect current values.

Turnover valuations

Another way to value a business is focused on turnover, that is the throughput of money in any one year. The argument is that turnover shows the size of the business, and, so long as profit margins can be compared to an industry average, should indicate the bottom line potential. Turnover valuations are most useful in sectors such as retailing, and least relevant in sectors such as high growth technology stocks. Turnover valuations are often used in takeovers as they give the acquiring company an example of the size of market they are buying.

(relatively!) secure investments – one is unlikely to lose all one's money on them; but the trade-off is that the rates of return on the investment are low. Other investments (for example, providing venture capital for start-up technology firms) carry enormous risk, but if the gamble pays off, the investor can reap huge gains. Some investors prefer these high risk / high reward investments; others prefer the slow and steady, safer, low risk / low reward ones; many portfolios try to balance the two types. Your real input can be in persuading investors that they've *underestimated* the total risk of their investment (for example, by neglecting environmental or political issues), so the reward they expect no longer justifies the risk.

Some key pressure points – and how to use them

Many risks are considered routinely by investment analysts when valuing companies, using a range of financial indicators (*see* Box, "Reading a balance sheet", p.40). Other considerations are also taken into account in order to build up a more complete picture of the company. Ultimately, investors want to be reassured that:

- *The company's basic finances are in good order*.
- *The company is being competently run.*
- *The company's business strategy "stacks up" financially.*
- *The return on any investment is commensurate with the risks involved – the bigger the risk, the higher the expected return.*
- *The company does not face outstanding legal liabilities or other "non-financial" risks.*
- *The company is going to be in a position to repay any money it has borrowed.*

Below we list eight areas where campaigners can develop financial arguments that will exert pressure on companies by highlighting these investor concerns. To have maximum impact, it is important to focus on the issues that trouble investors, not those that trouble NGOs. Where possible, this means presenting your concerns in terms that play upon the preoccupations of the financial community and which financial markets will take seriously.

> *The most powerful campaigns are those that use analysis to demonstrate that the project is not viable or a sound investment.*

1. Management quality

For investment analysts, the quality of a company's management is of utmost concern, although it is a factor that is difficult to assess and quantify. Analysts look for evidence of a good track record – that is, that the management has delivered on its promises in the past. Black marks are scored when a company has become embroiled in adverse publicity; when concerns have been raised over corruption or legal liabilities; or when there is evidence of incoherence in corporate policy.

Campaigners can call attention to "corporate governance" concerns to show how a company's depredations are in fact management failures that threaten to dent the company's reputation or otherwise damage its financial value.

Bear in mind, however, that investors in different countries may differ considerably in how much weight they give to a particular indicator of "good corporate governance". In the UK, for example, considerable attention is currently paid to whether or not the company has an environment policy. In the US, by contrast, this is not a major consideration.

Campaigners can call attention to "corporate governance" concerns to show how corporate misconduct is in fact a "management failure" that threatens the company's reputation or otherwise damage its financial value.

To assess a company's management quality, campaigners should:

➤ Check whether the company has an environmental policy and a social policy.
Compare any policy commitments with the company's operations on the ground. Highlight any violations – and draw attention to how these indicate a failure by management to institute proper internal controls. Use other company statements (for example, articles by senior management or speeches made to business seminars) to draw attention to gaps between stated policy and actual practice. Raise questions about the integrity of management – and the extent to which its pronouncements can be trusted. Point to the potentially severe consequences for the company's image at a time when investors are becoming increasingly sensitive to corporate ethics when deciding on their investment portfolios. If the company has no policy, highlight this lack as a major corporate governance failure.

➤ Compare the company's policies and internal controls (or lack of them) to best practice elsewhere in the industry.
If there are better guidelines which other companies follow, cite them as evidence of the management's failure to keep pace with its competitors. As Michelle Chan-Fishel, a campaigner at Friends of the Earth-US, notes: "Argue that the company of the future will be 'forward-looking', 'innovative', 'intelligent', 'dynamic', 'setting the benchmark' and characterised by its environmental responsibility, good community ties and strong labour relations."[53] By contrast, use the targeted company's record and inferior management standards to portray it as "backwards", "stagnant" or "insular".

➤ Check whether the company is a signatory to any sector-based environmental statement or guidelines.
For example, more than 100 banks are now signatories to the United Nations Environment Programme's "Statement on Banking and Sustainable Development", which commits the banks to incorporate environmental concerns in all aspects of business. Draw attention to how current practice violates the stated commitments – and the implications for management. In the case of dam-building companies, a useful set of guidelines to cite are those of the World Commission on Dams (WCD),[54] which recommends *inter alia* that dams should be built only when the project enjoys demonstrable public acceptance. The Swedish construction firm Skanska has stated that it will observe the WCD guidelines and a number of other companies are considering following suit.

➤ Check the company's annual report: are there board level directors responsible for environmental and community affairs?
If there aren't, raise this omission as a corporate governance issue. Point to the damage being done to the company's reputation by environmental controversies or community resistance. Relate these to the management's failure to ensure clear lines of accountability for addressing the company's environmental and social impacts. If the company does have an environmental director, demand that he or she be held accountable for the damage done by the company, for example, by being replaced.

➤ Check the company's annual report to see what "non-financial" risks it reports.
Does it assess environmental risks? Does it reveal allegations of corruption that have been made against the company? Does it cite legal proceedings that have been threatened against the company? If not, raise these omissions. For UK companies, cite the recent Turnbull Report (*see* p.31) which now requires companies listed on the UK Stock Exchange to report annually on

ABB – Moving out of dams
A sector-wide campaign

In March 2000, ABB – Asea Brown Boveri, the Swedish-Swiss power giant – announced that it was selling its hydropower division. Three months later, ABB announced a new focus on alternative energy technologies, such as wind and solar – a market the company described as "huge". ABB stated that it expected to increase its sales of renewables and small-scale power generation from $400 million to $1.4 billion by the year 2004.

ABB and dams

The decision followed a decade-long campaign by Swiss, Swedish and other NGOs to persuade ABB and other power generation companies to reconsider their involvement in hydropower – a campaign that had included tactics from mass letter writing to protests and shareholder actions.

Since its birth in 1988 — the result of a merger between the European engineering giants Asea of Sweden and Brown Boveri of Switzerland — ABB has established itself as one of the world's biggest and most dominant engineering and technology companies. Major divisions include power generation; power transmission and distribution; financial services; transportation; and industrial and building systems. In addition to supplying oil, gas, nuclear and petrochemical generating and distribution equipment, the company's energy divisions have been involved in numerous dams around the world, often acting as lead equipment supplier.

ABB has supplied some 2,200 generators for hydroelectric dams — generating approximately 150,000 MW, or one-fifth, of the world's installed hydropower capacity. International criticism of ABB's involvement in projects such as Bakun (Malaysia), Three Gorges (China) and the Lesotho Highlands Water Project (Lesotho) had made the company defensive of its hydropower division. Since 1996, the company's annual reports and environmental management reports regularly carried large sections on the issue of dams.

A sector wide campaign

Initially, campaigners focused on ABB's involvement in individual dams, conducting classic letter writing campaigns to the company drawing its attention to the environmental and social problems its projects were causing. These generated a huge public response – 25,000 postcards were sent to ABB over its involvement in the Three Gorges dam from Swiss citizens alone. Protests were also held outside ABB's offices in several countries. Such protests resulted in major adverse publicity for the company – denting its reputation as a leader in sustainable development and exerting increased pressure on the company.

Following the highly-successful investor-focused campaign against the Bakun dam in Malaysia, the Berne Declaration, a Swiss NGO, and the Swedish Society for Nature Conservation (SSNC) commissioned a report from Eco-Asia (Consultants) Ltd, a UK-based consultancy, to review the long-term financial viability of ABB's power sector strategy. Entitled *High Risk–Low Return,* the report forecast a shrinking hydropower market for companies such as ABB due to social and environmental protests and a lack of private and public finance. Describing hydro as a "sunset" industry, it argued:

- Growth in the hydro sector is unlikely to be more than 4% annually for the period 1990 to 2020 – much lower than for other power industries and in sharp contrast to renewables which are growing at 10-20%;
- The industry is facing mounting public opposition, declining political support and the drying up of development subsidies for large dam projects;
- Hydro is proving unable to compete in the increasingly competitive energy market. Private investors are reluctant to finance hydro projects, which are seen as high risk investments but with low rates of return. The report also stressed that the problems facing hydropower raised major issues for ABB shareholders about the company's strategy and its commitment to management excellence. Most obviously:
- ABB's failure to heed warnings about the flimsy financial viability of the Bakun dam in Malaysia, from which it was forced to withdraw, cast serious doubts over senior management's corporate judgment.
- Opposition to dams in which ABB was involved was already having a negative impact on the company's image, with financial implications for investors.
- The need to "manage" the adverse publicity caused by ABB's hydro portfolio was taking up considerable senior management time which might be more productively spent elsewhere.
- ABB's strategy of "chasing orders" in Asia might be exposing the company to unwarranted financial risks, often not recorded on the company's balance sheet.
- ABB was losing out to its rivals by missing opportunities in the renewable energy sector – a "natural market for the

company".

The report concluded: "*Shareholders should call on ABB to review its commitment to hydro and to justify any continuing involvement in the context of the company's overall business strategy.*"

Shareholder action

Following publication of the report, the Berne Declaration and SSNC ensured that its findings were circulated to key ABB analysts, major ABB shareholders and financial journalists. The groups also mounted a shareholder resolution at ABB's 1998 Annual General Meeting, calling on ABB to reconsider its power sector strategy and to shift its research and development to alternative energy technologies.

The resolution recommended that "*ABB undertake a comprehensive study on the impacts which the growing sensitisation regarding the social and environmental impacts of large dams; the drying up of public funds for such projects; and the global trend of privatisation in the energy sector are having for the future risks and returns of the hydropower industry.*" The resolution was supported by several socially-responsible investors, but rejected by the vast majority of shareholders.

Broadening the campaign

It is unknown how far the Eco-Asia report influenced the ABB management in its subsequent reappraisal of the company's involvement in hydro. ABB has said that the decision was taken on the basis of an overall market analysis – but that the company took the growing sensitivity of major shareholders regarding social and environmental concerns "very seriously". Many of the arguments in the report, however, were subsequently taken forward by the Berne Declaration and others to the World Commission on Dams (WCD), set up by the World Bank and the International Union for the Conservation of Nature (IUCN) in 1996 to review the past performance of dams and to make recommendations for future guidelines. ABB's Chief Executive, Goran Lindahl, was one of the WCD Commissioners.

The WCD reported in November 2000, just months after ABB had announced its withdrawal from the hydro industry. The Commission vindicated the majority of the concerns that non-governmental organisations had been raising about the social, economic and environmental impacts of large dams. It recommended radical reforms in the planning process for energy and water projects and made a series of recommendations for new dam projects, including ensuring the demonstrable public acceptance of affected communities.

NGOs are now urging industry to adopt, as a minimum, the recommendations of the WCD and are lobbying investors to screen out projects that do not comply. Already the Swedish construction giant Skanska has stated that it will adopt the WCD's recommendations. ABB's withdrawal from the hydropower industry provides a powerful argument for pressuringcompanies whose shareholders still view large dams as a financially viable sector.

the steps they have taken to institute internal controls for managing all risks to their businesses, including non-financial risks. Argue that the risks cited should fall within the remit of any such report – and that failing to include them is evidence of poor management.

➤ Where you have evidence of environmental damage caused by the company, document it in relation to corporate governance failures.

Investors will be less interested in the number of fish killed by a pollution incident than in what the incident tells them about the company's management structures. Relate the damage done to deficiencies in any environmental impact assessment that was undertaken or to the failure of management to heed warnings that problems were afoot. If there are potential legal liabilities, highlight these.

➤ Cite examples of protests against the company.

If you have run a letter-writing campaign, let investors know how many letters the company was sent (this is not information that the company itself is likely to impart). Where protests are international, give details of how many companies are involved.

Again, link the protests back to corporate governance concerns: what does the company's poor handling of environmental and social issues tell investors about its ability to handle other aspects of its business? Have the protests meant that senior management is now spending too much time on one or two controversial projects – to the detriment of other business activities? Are there signs that the management is obsessed with the issue/ project? And that their judgement has become impaired?

➢ Stress the damage done to the company's reputation by scandals, such as bribery, pollution, the exploitation of workers, association with human rights' abuses or the failure to react quickly to ethical concerns when raised by the public.

Stress that the best way of avoiding scandals is to develop an ethical culture which underpins all a company's business operations and practices. Underline the need for the company to give its workers and customers convincing signals of its own moral commitment. Make the point that "reputation management" can backfire badly if a company is not truly committed to the values it claims to espouse.[55] Stress that companies which do not introduce deep-rooted commitments, grounded in strict internal controls, quickly find the problems recurring. Emphasise that once a reputation has been dented, it takes considerable expense and management time to get back into favour.

➢ Are there historic or current links between the senior managers and the issue/project, such as non-executive directorships or past employment?

If so, raise the issue of possible conflicts of interest – again an indication of poor corporate governance procedures.

➢ Conduct a search of newspaper and other articles to learn of other management concerns that have been raised in the financial press.

Cite these to bolster your concerns. The message: "We aren't the only ones who are worried about the management of this company."

2. Business strategy

The credibility of a company's long-term business strategy – and in particular the extent to which it is perceived to add value to the business in the future – is a key concern for investors. Casting doubts on the wisdom of a company's overall strategy may undermine investor confidence in the company's management – and open up space for change. Outside groups, which often have access to information that is not generally available to shareholders, may be able to draw attention to weaknesses in a company's business strategy in a number of areas:

Investors will be less interested in the number of fish killed by a pollution incident than in what the incident tells them about the company's management structures.

➢ Is the industry likely to continue growing in the long-term (five years plus)?

Are the growth rates as high as the company predicts? Are they likely to be sustained? A key question here is the health of the company's market and that of the wider industry of which it is a part: do consumers want to buy the company's products? Draw attention to any consumer boycotts or signs of shifting public attitudes that might threaten future sales. Make comparisons, if possible, with other industries which have been dented by consumer boycotts (*see* Box, "Genetic slump", p.60) Are rival companies leaving the sector? If so, link their withdrawal to prescient business management – "the market is dying and those with an eye to the future are getting out whilst they can." Cite any upcoming regulations that might affect the market – particularly if the company's environmental and social record shows it to be ill-equipped to respond to them.

➢ How strong is the company's position within the market? Is its share of the market growing or shrinking?

Here again, pressure groups are on strongest ground where opposition to a company's activities is reflected in consumer spending. Boycotts, or the threat of boycotts, can severely dent a company's share of the market, particularly when other companies are able to pick up business because they are perceived to have a more responsible attitude to environmental and social issues. Link these threats to the company's future growth in terms of the company's failure to address public concerns over the environment or human rights.

➢ Does the company's future growth rely on new strategic mergers?

The last decade has seen a spate of mergers between companies, creating giant global conglomerates. Often these place the companies in a stronger position – for example, a cash-strapped company may obtain the capital it needs to expand by teaming up with a cash-rich company. However, increasingly, mainstream commentators are beginning to question the effectiveness of mergers in adding value for shareholders – something that campaigners can build upon.

For example, when companies come from different sectors – for instance, when pharmaceutical companies have teamed up with chemical companies to form "life science" companies – the promised synergies have not necessarily come about, in large part due to a clash of corporate cultures, research techniques and the like. Some "life science" companies are now seeking to sell off their agricultural wings, but are facing difficulties because an outright sale to a major rival would involve anti-trust problems.

Campaigners seeking to challenge new mergers can raise these issues to good effect. Will the claimed "synergies" of the merger bring the predicted commercial benefits? Will the merger cause anti-trust problems? If the merger fails, will the new company be able to unload any unwanted divisions?

➢ Is the company an industry leader? Will this project/issue help it maintain its leadership?

Many of the largest companies are trying to reposition themselves as leaders in sustainable development – and their green credentials have become a major selling point in the market. Even when these credentials rest largely on PR, use the company's stated commitments to your advantage. Point to the damage being done to the company's long-term business strategy by its current activities or by its potential involvement in a new project that could have adverse social and environmental impacts. Highlight how the project reflects the company's past, rather than its future – "investment in this project is investment in a dinosaur sector: the company should be pursuing new sunrise technologies in line with its stated long-term commitment to sustainable development."

Campaigners are on strongest ground when the activity or project is outside the company's core business or is driven by a division that represents only a small segment of the company's earnings. Argue that the activities of this division are jeopardising the financial prospects of the company as a whole.

➢ Would alternative paths yield better financial returns for the business?

In critiquing the company's current business strategy, highlight alternatives that point to higher financial returns for the company. If the company is involved in hydropower, for example, point to the declining market for hydroelectric dams – and compare it unfavourably to the expanding market in solar, gas and other energy alternatives. (*See* Box, "ABB – moving out of dams", p.43) Similarly, compare the company with others in its peer group. Is it missing out on strategic business opportunities that its rivals have already identified?

3. Financial risk – Companies and projects

City analysts – whose job it is to value companies – tend to concentrate on purely financial risks. NGOs are at a disadvantage in this area because they are likely to be less expert in conventional financial assessment – analysts should be experts in this area, after all.

Nonetheless, there can be opportunities to intervene, particularly when the judgement of analysts appears to have been distorted by political pressure, by the prospect of large commissions, or even by the momentum of the market. But intervening in this area needs to be done carefully and without arrogance if investors are to listen. The types of risk that campaigners may be able to highlight depend on whether the campaign is directed against a specific company or a specific project, as detailed below.

Three Gorges dam
Bond issues challenged

In 1997, China turned to the international capital markets to raise funds for the massive Three Gorges dam on the Yangtze River, triggering an international campaign by NGOs to persuade Western banks not to back the project, which has become a symbol not just of environmentally and socially destructive development but also of the silencing of dissent.

The dam's massive 400-kilometre long reservoir would drown 13 cities, 1,711 villages, 116 towns and 1,600 factories. A minimum of 1.3 million people (latest estimates put the figure at 1.9 million) would be forced to leave their homes. Bribery and corruption are reported to beset the project, according to local farmers who claim they are being cheated of government resettlement funds. Critics also charge that Chinese authorities have underestimated the land available for resettlement, and that much of what land is available is unsuitable for farming. These concerns have been acknowledged by China's Prime Minister Zhu Rongji. In addition, there are fears that the tight construction schedule, coupled with shoddy construction work, could lead to a collapse of the dam, risking the lives of millions downstream. In December 1998, Zhu criticised the shoddy construction of new infrastructure to replace that being submerged.

Raising international capital

The dam is expected to cost at least $24.5 billion — although some unofficial estimates put the figure at $75 billion. Hesitant to commit money from its own budgetary resources, the Chinese Government has sought to mobilise funding from Western private sector sources through the sale of bonds issued by the China Development Bank (formerly the State Development Bank–SDB). Initially, the Three Gorges Project Development Corporation (which is in charge of the construction of the dam) sought to raise money on its own account by issuing bonds. Its three bond issues failed in the international capital markets, however, because the project was not viewed as commercially viable.

In 1996, however, the Chinese authorities changed tack, issuing general-purpose bonds, only part of which would be used to fund the dam. Instead of the Project Development Corporation issuing the bonds, the then State Development Bank (SDB), whose largest borrower is the Three Gorges Development Corporation, issued general obligation bonds. In Japan, Nomura Securities helped underwrite one such bond issue but withdrew from a second after a leading Japanese critic of Three Gorges, Professor Kazuo Sumi, pointed out to the Japanese Ministry of Finance that Nomura had violated Japanese securities law by not disclosing SDB's relationship with the Three Gorges.

In January 1997, a group of six US and European investment banks – Lehman Brothers, Credit Suisse First Boston, J.P. Morgan, Morgan Stanley, Smith Barney and BankAmerica Securities – underwrote a $330 million bond issue for the SDB. Later the same year, news broke that the same banks were considering a second bond issue. As in Japan, the announcement prompted a storm of protest.

Further bond issues linked to Three Gorges have followed. In December 1998, the Peoples' Republic of China issued a $1 billion bond, underwritten by Credit Suisse First Boston and Goldman Sachs, which mentioned Three Gorges in the prospectus, raising fears that the money would be used for the dam. In May 1999, the newly-constituted China Development Bank also launched a new bond issue ($500 million), underwritten by Salomon Smith Barney and Merrill Lynch, both of which put in $225 million. The remaining $50 million was put together by 10 other banks, including Chase Securities, Barclays Capital and Deutsche Bank AG London.

Arguments used

In November 1997, some 46 non-governmental organisations wrote to US underwriters urging them to stop underwriting SDB bonds. Subsequently, campaign-ers used a number of arguments to pressure the banks to withdraw from the bond issues:

➤ **The dam is not commercially viable and could affect the financial future of SDB**

The groups pointed out that SDB was committed to lending $3.6 billion to Three Gorges, whose ultimate costs were still unknown and whose financial viability was questionable. There was a strong possibility that SDB would lose money on the project, undermining its ability to repay bond-holders. The NGOs pointed out that government estimates for the project costs were grossly underestimated, since they did not include the costs of resettlement.

➤ **The project could damage China's macro-economic performance**

Excessive state investment in commercially unviable infrastructure projects was one of the main reasons for the South-East Asian economic collapse in 1997 which resulted in major unpaid debts to Western banks. China itself had admitted that such projects should be avoided – yet project proponents were pushing ahead with Three Gorges, whose planning and implementation exemplified the problems of such state-run projects. Investing in Three Gorges was thus "inconsistent with China's modernisation objectives", jeopardising China's macro-economic performance and, with it, other more preferable investments.

- **Corporate responsibility is undermined**

Many of the financial institutions involved in the bond issue, including Credit Suisse First Boston and Salomon Brothers, are signatories to the United Nations Environment Programme's Statement by Banks on Environment and Sustainable Development. The statement recognises that "sustainable development is . . . an integral part of [the] pursuit of good corporate citizenship" and the need to ensure "openness and dialogue relating to environmental management with all relevant audiences." BankAmerica Corporation is a signatory of the Coalition for Environmentally Responsible Economies (CERES) Principles, which state that participating companies will "conduct all aspects of their business as responsible stewards of the environment by operating in a manner that protects the Earth." Three Gorges clearly violates such principles, argued the campaigners: supporting the project thus cast doubts on the banks' commitment to sustainable development and thus their integrity.

- **Underwriting the bonds could damage the banks' reputation**

Underwriting the bonds would send a symbolic message to the public that the banks were prepared to support the SDB regardless of the social, environmental, technical and economic merit of its borrowers' projects, campaigners argued. The damage to the banks' corporate reputation would be profound – an argument reinforced by the wide publicity which the campaign was attracting, including coverage in the financial press.

Broadening the investor campaign

In addition to writing to the banks, the International Rivers Network (IRN), which led the campaign in the US, took out a full-page advertisement in the *New York Times*, adding to the pressure on the banks' public reputation. The advertisement announced: "An Exclusive Bond Offering – Here's your chance to invest in a Grand Monument to China's authoritarian regime. Don't fund China's Three Gorges Dam."

Campaigners also made direct contact with BankAmerica and Credit Suisse. In Switzerland, the Berne Declaration, one of the main international NGOs opposed to the project, also approached ethical investment funds with a holding in Credit Suisse, urging them to reconsider their investment policy based on whether or not the Credit Suisse Group chose to maintain its support for the Three Gorges Project.

In the US, pressure was also put on the shareholders of Morgan Stanley, which by 1998 had merged with Dean Witter to form Morgan Stanley Dean Witter (MSDW). The merger gave campaigners an additional leverage point since Dean Witter had a High Street presence, including the Discover credit card. In April 1999, the ethical investment fund Franklin Research & Development Corporation (now called Trillium Assets Management) tabled a shareholder resolution on behalf of two stockholders. The resolution criticised the company for having underwritten the first bond issue in 1997 and raised questions about the impact of the decision on the company's reputation. "*Even through indirect involvement in the Three Gorges Dam*", the resolution stated, "*Morgan Stanley Dean Witter risks exposing itself to negative publicity and possible boycotts of its brokerage services and the Discover card*."

The resolution, which was opposed by the Board of Directors, called on the company "*to issue a report to shareholders and employees by October 1999, reviewing its underwriting, investing and lending criteria . . . with a view to incorporating criteria related to a transaction's impact on the environment, human rights and risk to the company's reputation*." In 2000, a second resolution was filed against MSDW and Chase Manhattan by Trillium: both these resolutions received some 6% of the shareholder's vote. After the resolution, MSDW agreed to meet with Trillium and NGOs.

Further pressure has been exerted through a letter writing campaign by members of US environmental groups to the Chief Executive Officer of the company. In addition to requesting that the company issue a report on how it intended to assess the social and environmental impacts of its investment policies, letter writers were urged to request the company:

- To commit to a public policy of not acting "as an issuer, intermediary, or advisor for any stocks, bonds or private placements" for the Three Gorges Development Corporation or the State Development Bank of China;
- To commit to a process of determining how it can better incorporate environmental and human rights criteria into its core business operations;
- To examine how the firm's policies compare with those developed by CERES, UNEP, the World Bank and the US Export-Import Bank and to make recommendations to the Board;
- To inform the investors,

the public and its customers about existing lending and underwriting guidelines on the environment and human rights; and

- To commit to a policy of full disclosure on the environmental and human rights risks of bonds or stocks that the company underwrites.

Outcome

The second bond issue never materialised, in part due to the financial collapse in South-East Asia. BankAmerica subsequently adopted a policy to avoid providing direct support to the Three Gorges Project. Morgan Stanley Dean Witter is considering a similar policy. In the meantime, a boycott of Morgan Stanley Dean Witter's Discover card is underway to pressure the bank to implement environmental and social criteria in a timely manner.

Pressure from the campaign led the China Development Bank to give verbal assurances to some of the banks that none of the money from a subsequent bond issue in 1999 would go to Three Gorges. But NGOs insist that, to be credible, such assurances should be in writing and that monitoring mechanisms should be in place, since the money is fungible.

Lessons learned

Reflecting on the campaign, Peter Bosshard of the Berne Declaration, the Swiss NGO at the forefront of lobbying Credit Suisse, says "*The fact that the Chinese authorities resorted to using an indirect conduit for funding Three Gorges demonstrates that they are sensitive to the impacts which public criticisms can have on private funders. The need to keep track of these private funding mechanisms challenges NGOs to strengthen their monitoring capacities.*"

Julie Tanner of the National Wildlife Federation, a US NGO actively involved in the campaign, points to the need for fundamental reform in the approach of financial institutions to the environment and society. "*In monitoring the firms involved in financing the CDB bonds, it has become clear that most of the leading banks in Europe and the US lack environmental guidelines and do not have environmental management systems in place to address social, environmental and reputational risks. Assessing the environmental and social impacts of projects should become part of everyday business. Shareholders and customers of banks should press them to develop and implement environmental guidelines to ensure that their money does not fund environmentally and socially destructive projects.*"

The campaign has also opened up new avenues for pressing for change and put campaign groups in touch with new constituencies. "*Working with shareholders has allowed NGOs to develop high-level dialogues with major US investment banks not only on Three Gorges but also how the banks deal with other socially and environment-ally sensitive transactions.*"

Doris Shen of IRN concludes, "*NGOs have dialled a Wall Street wake up call. Investment firms can no longer abdicate the impacts of their underwriting and financing. Three Gorges Dam is one litmus test for any environmental or social policies they claim to have in place. It is unlikely the firms will change their behaviour until they feel the impacts on their bottom line. Which is why IRN and other NGOs are calling on people to boycott the Discover card – and pressure Morgan Stanley to stay out of Three Gorges until the economic and social rights of those impacted are secured. An activist web site – www.floodwallstreet.org – has been a useful tool in strengthening our efforts and communicating this issue to the media and the public.*"

Sources
International Rivers Network, *Letter to Lehman Brothers,* 6 November 1997; Berne Declaration, *Letter to Credit Suisse Group,* 5 July 1999; *Shareholder Resolution No. 6, Morgan Stanley Dean Witter Annual General Meeting,* April 1999; "Morgan Stanley Dean Witter and the Three Gorges Dam", *EnviroAction*, March 1999.
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A. Company analysis

Analysis of the financial risks to which companies are exposed includes looking at the level of debt on the balance sheet relative to equity or to assets, and the ratio of cash flow to interest payments on such debt. For many analysts, the greatest concern is the proportion of short-term debt in the balance sheet. If this is high, then there is a risk that the company could have difficulty replacing it or could suffer if interest rates rise. Analysts specialising in credit risk look more widely at the risk profile and consider many other factors, such as insurance cover.

Where a company is well-respected amongst investors, it may be difficult to identify and make a credible argument on financial risks. In such instances, campaigners would be well advised to work with a specialist or sympathetic analyst. Where a company is already experiencing financial troubles, however, it may be relatively easy to make a case against investing in the company on financial grounds.

For example, if investors are deserting the company, campaigners can usefully draw this to the attention of other investors. As Michelle Chan-Fishel of Friends of the Earth-US advises, "*Suggest these people may be more informed, particularly if they have been long time partners.*" [56]

B. Project analysis

Where finance is being raised for a specific project, detailed financial risk analysis forms a major part of the investment decision. If campaigners can successfully puncture the financial case for investing, they will strike at the core of the project. In the case of the proposed Bakun dam in Malaysia, for example, campaigners successfully deterred investors from backing the project.

Project-specific financial risks worth highlighting include:

➤ Are the forecasts of future returns from the project fairly estimated?

Are the assumptions used in the forecasts disclosed and reasonable? In the case of hydroelectric dams, for example, the expected electricity output depends critically on the dam's reservoir filling up as anticipated. If the river's flow declines – for example, because of a drought or because of water abstraction upstream – the dam's reservoir level will be lower than expected. If historical data has been used to estimate the river's flow, is it complete and robust? Is it appropriate to extend it into the future – for instance, if the river's flow has been estimated using meteorological data, what allowance has been made for climate change? Draw attention to any flaws in the methods for such calculations – and use them to cast doubts on the viability of the project. Similarly, for private sector-financed road schemes, scrutinise the traffic forecasts: are they robust?

➤ How are delays to the project likely to affect cash flow and debt repayment?

Cost and time overruns can significantly alter the revenue flows from a project – and hence the time it takes to make a profit (if there is a profit to be made). Construction delays are therefore of critical concern, particularly to those who have made short- and medium-term loans, since delays in construction mean delays in the project generating an income and hence in debts being repaid. Have the risks of overruns been properly factored in? What is the record of overruns elsewhere in the industry? If overruns are common, stress this – and highlight the likely implications for creditors.

➤ Are external experts contracted by the company truly independent?

Many supposedly independent consultants may have specific interests in securing further work on the project in question, such as monitoring the project towards completion, or be keen to support the development of the sector as a whole for similar reasons. Highlight these conflicts of interests and how they may influence the consultants' judgement.

➤ Are the contracts underpinning the project robust?

If the project involves the generation of electricity, for example a coal-fired power station, it may involve an electricity supply company agreeing to purchase the power produced at an agreed price. This is known as a Power Purchasing Agreement (PPAs). In many instances, particularly where the electricity company is state-run or semi-privatised, such PPAs may have been forced on the power company by the government. If this is the case, legal challenges may subsequently arise if the government changes. PLN, Indonesia's state electricity utility, for example, is currently challenging a number of power purchasing agreements that it signed when General Suharto was President, claiming it was forced into them, despite their being financially disadvantageous. Highlight this risk. Raise questions also, where appropriate, about the credit-worthiness of the power purchaser: if a power project can't sell the power it produces, its revenue flow will be severely affected.

➤ What is the record of investor interest in other similar projects? Have investors shied away from them?

If so, highlight this. For example, "Hydro is proving unable to compete in the increasingly competitive energy market. Private investors are reluctant to finance hydro projects, which are seen as high risk investments but with low rates of return."

➤ How shaky is the economy of the host country?

Creditors (in particular those who have bought government bonds issued to finance a project) will want to know whether the government is considered politically stable and whether it is overburdened with debt. A point to bring out here is the hidden debt that many countries have taken on as a result of the move to private sector financed projects. In order to attract private investors, many governments in the South have committed themselves to billions of dollars' worth of contractual obligations, all due in a lump sum, to protect investors and lenders against foreign exchange risks. The capital structure of many privately-financed infrastructure projects also generally includes a high percentage of debt, with project lenders taking government-supported contracts (in addition to the assets of the project developer) as security. Raise the question: "Is the government overcommitted? And what are the implications of this for creditors?"

➤ What are the currency risks for the investor?

Many private sector-financed power projects involve power purchasing agreements in which the project developers are paid in dollars but the income is earned by the national utility in local currency. This is viable so long as the host currency is stable – but if it collapses, the host country can find itself in serious difficulties. The 1997 South-East Asian economic collapse, for example, has meant that many Power Purchasing Agreements have had to be renegotiated. This can result in reopening the whole project finance negotiations, with severe consequences for investors. Highlight any indications that the local currency may be heading for a fall in value – or losing its convertibility.

➤ What are the interest rate risks?

Long-term loans at floating (that is, variable) interest rates are the norm for project debt in international project financing. Question whether the assumed interest rates for the project are based on the real financial situation likely to be faced by the project – or on some artificial projection. Assuming unrealistically low interest rates may distort the financial viability of the project – and undermine the viability of alternatives.

When a project means that people have to leave their homes and lands, resettlement issues can be translated into direct financial risks to a potential investor. It is important to state these risks realistically and to focus on those that impact the bottom line.

4. Non-financial risks

When consideration of risks is broadened out from narrow financial risk to wider risks which could still have a financial implications for the project or investment, many NGO concerns can be raised directly. When a project means that people have to leave their homes and lands, for example, resettlement issues can be translated into direct financial risks to a potential investor. For instance, if the numbers to be resettled have been underestimated, the costs of the project – and the political risk of opposition leading to construction delays – are likely to rise. Likewise, human rights' abuses are evidence of a political climate of repression – with political risks that may deter investors.

It is important to state these risks realistically and to focus on those that impact the bottom line, especially in the near term. In the case of the Bakun dam campaign, for example, issues such as resettlement (relatively few people involved) and decommissioning

Legal claims against companies can result in huge liabilities that severely impact the value of an investment. In the US, legal claims by victims of asbestos during the early 1980s inflicted huge damage costs on the asbestos industry, severely curtailing its activities.

liabilities (too long-term) were not financially significant – whereas concerns about overpriced power were very real. Concerns about deforestation also had some influence. (*see* Box, "Bakun – Lobbying the analysts", p.81)

Key pressure points involving non-financial risks include: political risks, legal risks and environmental risks. These are dealt with below.

5. Political risk

Political risks primarily revolve around the threat to theinvestment from changes in government, civil strife or other political upheavals:

➤ Highlight factors that pose a political risk to the investment, such as public opposition.

Draw attention to the possibility of delays due to protests – and cite examples of where this has happened elsewhere (for example, delays due to the occupation of nuclear sites or direct action against mining and oil installations or road schemes).

➤ Emphasise any risk that the project may be cancelled or renegotiated.

This is a strong possibility where the project does not have cross party political support or does not offer a fair deal to certain groups involved.

➤ If new environmental regulations are in the pipeline, draw out the implications for investors.

New environmental regulations could add significantly to the costs of the project.

➤ Stress that the failure to address local environmental concerns or to consult adequately with affected communities exacerbates the political risks of project failure by fuelling opposition.

Quote the major credit rating agencies, for example Standard & Poor, which recognises the value of public participation in planning projects in developing countries.[57] Local communities may be able to use this as leverage for negotiations.

➤ Highlight how double standards constitute a political risk for companies and investors.

Many projects that companies back in the South – nuclear power plants, for example – would not be tolerated in their own countries. Point to the high risk that this will lead to protesters targeting the company. Quote industry-friendly reports to reinforce the point – for example, the 1997 report by the Control Risk Group, a business management consultancy, on environmentalism as a risk to investors: "*Western investors cannot afford to allow their standards to slip in developing countries . . . Companies are increasingly perceived as accountable to a constituency far wider than merely their shareholders and the relevant authority. Business can therefore no longer rely on regulatory and scientific approval. Instead, they must win public acceptance of their 'licence to operate'.*"[58]

6. Legal risks

Legal claims against companies can result in huge liabilities that severely impact the value of an investment. In the US, legal claims by victims of asbestos during the early 1980s inflicted huge damage costs on the asbestos industry, severely curtailing its activities.

➤ Highlight any risk of legal action against the company or project.

Stress the possible liabilities to the company if the court decides against it. These can be huge. In 1999, for example, Asian workers in the Northern Mariana Islands in the South Pacific filed a suit against a US clothing company for $1 billion in damages.

➤ Emphasise any delays to a project that are likely to occur whilst impending court

cases are heard.

How will these delays affect the flow of revenue from the project?

➤ Highlight any possible future legal disputes.

For example, where communities are to be displaced, are legal claims – such as over indigenous claims to land and water rights – likely to lead to court proceedings?

➤ Draw attention to potential long-term legal liabilities.

Are there potential liability risks associated with the project or issue, especially if they are not insured or managed? For example, who will be legally responsible for any pollution from the project? Who will pay up in the event of a major industrial accident? In the case of biotech companies, what are the legal liabilities arising from cross-contamination by genetically-engineered crops, health and safety lawsuits and anti-trust cases?

➤ Stress new technologies that may make legal suits against a company more likely.

For example, cheap new testing devices are becoming available that enable easy detection of genetically-modified (GM) material in foodstuffs, leading to an increase in the detection of crops that exceed agreed GM content limits.

7. Environmental risks

➤ Highlight any direct financial costs that may be incurred through environmental damage.

For example, pollution incidents can result in fines or a requirement to pay clean-up costs. Bring out how costly these can prove. Stress that those affected by environmental damage caused by a project – for example, loss of fishing rights – may seek damages for the losses suffered.

➤ Bring out the financial implications for investors of environmental degradation that is unrelated to a project but which nonetheless impacts on its viability.

In the case of dams, for example, estimate the likely reduction in the life of the project if the dam's reservoir silts up faster than expected as a result of deforestation.

➤ Highlight long-term risks to the project from environmental change, for example through global warming.

The effectiveness of playing the reputation card will depend critically on the ability of campaigners to publicise their concerns over the company.

To continue the example of dams, what would happen to local river flows if the area gets hotter and drier? Would this lead to reduced flows – and therefore to problems in filling the dam's reservoir? What would be the implications for electricity output – and thus the project's income? And what would be the implications for dam safety if climate change resulted in increased flooding? Would this increase insurance costs?

➤ Raise the long-term financial implications of possible environmental charges or taxes which may be introduced to internalise environmental costs.

These may have a considerable impact on the viability of a project or investment.

8. Reputational risks

As noted, companies are increasingly concerned about their public image – and their involvement in environmental pollution or human rights' abuse can have a major impact on their "reputation risk". Many are seeking to measure and monitor their reputation more actively. Different companies will have different sensitivities to reputation risk, however, with consumer-orientated companies or companies with strong brand value being more vulnerable. The effectiveness of playing the reputation card will depend critically on the ability of campaigners to publicise their concerns over the company.

Matching the pressure points to the financial player

The above are just a few of the risks connected with socially or environmentally damaging corporate practices.

To be effective in pointing them out, however, it is critical that campaigners match the risks to the market players that they are targeting. Different players have different interests – and many risks that are of concern to one financial actor will not trouble another. This opens up considerable political space for campaigners to play one group off against another.

Indeed, a common error in financial market campaigning is to assume that all the players in the market are the same. At one level, this is certainly true: all investors hope to make a profit. But lumping them all together as "Wall Street" or "The City" (or more accurately, but less helpfully in a campaigning context, as "capitalists") denies campaigners the nuanced mapping of splits, divisions and conflicting institutional motivations that might enable them to exert pressure successfully.

Different players in the market have different interests. Lumping all investors together as "Wall Street" or "The City" denies campaigners the nuanced mapping of splits, divisions and conflicting institutional motivations that, if exploited, can open space for change.

When lobbying financial markets, understanding the differences between financial players is as important as understanding their similarities.

Such differing interests are most apparent in project finance. Consider the numerous different participants in a typical private sector-financed Build Operate Transfer power generation project. They include *companies*, *financiers* and the *public sector*, all of which will come to the table with very different interests.

The *companies* are likely to come in the form of:

- **The project developers** (who initiated the project and brought together all the participants). They will often invest in the project company at an early stage and expect a higher return on this investment, as it is more risky.
- **The power purchaser**, often a government-owned utility, which contracts to buy the electricity generated.
- **The construction contractor**.
- **The equipment supplier**.
- **The operator** (often, though not always, the same as the project company).
- **The fuel supplier**, in the case of a power project.

Financiers will include:

- **The lenders** which provide the debt finance for the project. These include private banks and multilateral development banks, such as the World Bank.
- **Export credit agencies or the private sector arms of the MDBs**, such as the World Bank's Multilateral Investment Guarantee Agency, which insure lenders against defaults on payments or political risks.
- **Any other independent investors** in the special purpose project company (note that along with the developer and financial investors, other participants in the project will often be expected to invest in the project company).

The *public sector* may be represented through agencies of the host government, such as the energy ministry or the environment agency, whose perspectives on the project may well conflict.

As negotiations for the project proceed, it rapidly becomes clear that these players have very different interests. One obvious schism is between the *companies* involved and the *financiers*. Companies will want to maximise the money they make from a project by charging the most they can.

Conversely, financiers will want to pay as little up front as they can to maximise their returns and minimise their risks. When a project is financially robust, it may be easy for everyone to do well, or at least adequately, out of it. But when it is more marginal, there may be considerable tension between the different parties, which campaigners can seek to exploit.

Another major division can be between the *purchasers* in a project finance deal (for example, those who will buy the power from a power project) and the *project backers* (the project developer, the financiers and other companies with an investment in the project). The purchasers will want to pay a lower price for power: the project backers, by contrast, will want a higher price to guarantee an adequate return on their investment. Even when there is agreement on a base price, there is often disagreement on some of the details.

Similarly, the project developers will seek to off-load any costs due to construction delays onto the construction contractors who, in turn, will seek to minimise the penalties imposed on them. The host government, meanwhile, may be anxious to avoid having to give a sovereign guarantee to any export credits that are obtained, whilst the export credit agencies and their clients (generally the construction companies and the lenders) will generally be keen to obtain such a guarantee, which ultimately means that the host government underwrites any debt.

Even amongst financiers, there can be tensions. For example, there are clear divisions between *creditors* (those who have loaned money to the project) and *equity holders* (those who have bought shares in the project). Creditors will be primarily concerned with avoiding risks and getting their loans repaid, preferably as quickly as possible, whereas equity investors will be more interested in the long-term prospects of the venture and with the possibilities of enhanced future earnings.

When lobbying financial markets, understanding the differences between financial players is as important as understanding their similarities.

Project developers will try to address these tensions through a complex network of contracts – a common feature of most projects. They may also seek to get the various parties to become investors in the project so that they all have a degree of financial interest. But, in many cases, tensions and resentment may remain, creating "contract stress". This can be a very useful factor for campaigners – for example, when the power purchaser has been coerced into paying more for power than it would have preferred.

Whereas most projects, by their very nature, consist of varied groups of different parties, companies tend to be more homogenous, and the competing interests less obvious. But it is important to realise that tensions and differing interests exist within companies as well which can be useful when directing a campaign at companies or their investors.

For instance, the marketing director of a company is likely to be more concerned about damage to a company's reputation than the finance director, because it is the marketing director that sells the company's services. In addition, there may be different views between "old guard" managers who have been in the company for decades and younger managers who are often more sensitive to environmental concerns.

When pursuing an "engagement" type strategy, it may be possible to use these differences positively – reinforcing the sympathetic factions within companies and targeting the less sympathetic. In doing so, different arguments will have different weight with different individuals.

Similarly, investors may have different reasons for investing in a company and different views on its valuation. This can be gauged by reading what the press and other analysts have commented about a company. Reinforcing the points made by more sympathetic analysts can put your arguments on a more credible footing.

It is difficult to offer firm guidance as to which of the above risks to focus upon, but campaigners might start by considering the following questions:

- What do investors (for example, analysts) and the financial press consider the important features of the companies involved? Which of your arguments reinforce these features? Which help to reveal new concerns?
- Which of your arguments have the most financial impact, particularly in the short term? Give preference to arguments that stress actual financial impacts. Where the issue is one of risk, focus on the biggest and most likely risk. Try to be realistic. Don't rely on others sharing your assumption that some risks "should" be serious.
- Do any of your arguments expose the company as having lied in the past or having misled investors?
- Do any of your arguments demonstrate a lack of good practice, particular compared with competitors?
- If any investors or potential partners have withdrawn, why have they done so? Can you use or infer anything from their withdrawal?

Part Three

Campaigning in the market

STRATEGIES, TACTICS AND TIMING

If you decide that a financial campaign is an appropriate part of your overall strategy, the next step is to decide what you and your partners want out of such a campaign. This may lead you to reassess your involvement. Should you decide to proceed, however, there are a number of different areas where the financial markets could usefully contribute to a broader campaign strategy. They include:

- *Placing pressure through the financial markets on industry sectors which cause public concern. One aim may be to reduce the flow of capital to a sector (or redirect it to more acceptable companies); another to encourage the adoption of sustainable practices across the industry as a whole;*
- *Using investors to target individual companies, asking them to cease certain activities or to adopt best practice;*

- Directly lobbying investors to withdraw financial support for individual, privately-financed, destructive infrastructure projects; and
- Pressing financial institutions and companies to adopt new rules that would place "sustainable development" at the heart of investment decisions.

Industry-wide campaigns

Objective: *Changing the financial markets' perception of an industry*

Approach: *Typically analytical. The emphasis is on changing perceptions of risks, growth prospects or consumer acceptability. Occasionally engagement, where new best practice is important to emphasise.*

Many financial market campaigns are aimed at pressing financial institutions, such as banks and pension funds, to withdraw support from industrial sectors that are destructive of the environment, or to place pressure on individual companies to move into other, more sustainable, areas.

In such campaigns, two arguments feature prominently:

- "Business-as-usual" is likely to yield diminishing financial returns; and
- Increasing public concern is already puncturing the market for existing product lines.

Perhaps the most spectacular example of such a campaign in recent years has been that against the genetically modified (GM) food industry. As growing health and environmental fears led to widespread consumer boycotts of GM foods – and activists took legal and direct action to prevent the planting of GM crops – so the markets began to sense that the industry was in deep trouble. Critical to the campaign was a report by Deutsche Bank, entitled *GMOs are Dead*, which advised investors to abandon ship, the main argument being that the technology did not have a market.[59] Within months, major biotech firms were selling off (or attempting to sell off) their agricultural biotech divisions. (*See* Box, "Genetic slump", p.60)

Groups have also used financial arguments to persuade institutional investors to pressure companies involved in building or equipping dams to move out of the hydropower sector. A 1997 report directed at investors in Asea Brown Boveri, a Swedish-Swiss conglomerate involved in dam projects world-wide, highlighted the increasing unprofitability of the hydropower sector, particularly given the move to private sector financing of new projects and the increasing reluctance of the World Bank and other multilateral development banks to become involved in dam pojects (*see* Box, "ABB – moving out of dams", p.43).[60]

Changing company practices

Objective: *Changing the behaviour of a company.*

Approach: *Most typically, attempts to win change through active engagement with the company and shareholders, possibly through the use of shareholder resolutions. Analytical approaches may also be effective. Occasionally, more confrontational campaigning may be necessary. Emphasis on the need to adopt "best practice".*

Individual companies can also be targeted, with the objective of getting them to withdraw from a particular enterprise, to change their strategy or to adopt certain policies.

Genetic slump

In the mid-1990s, agricultural biotechnology looked to many investors – and governments – like the industry of the future. Aggressively promoted by leading companies like Monsanto, the industry touted its new technologies as the response not only to world hunger but also to disease and fears over farm pollution. Seeking to capitalise on the coming "genetics revolution", companies in the chemicals and pharmaceutical sectors sought out partners with a view to creating new "Life Science" companies with the cash and research skills to exploit the synergies that genetics was predicted to bring when traditionally separate industries were brought together.

Protests worldwide

Within months of the first genetically modified foods hitting the supermarket shelves of Europe, consumer fears over food safety had driven the new industry to the wall. Environmental groups launched a boycott; supermarkets which had initially voiced confidence in GM products withdrew them from their own brand products; and activists further publicised the environmental dangers by uprooting experimental crops.

Friends of the Earth, one of the groups at the forefront of the campaign in Britain, wrote to the directors of the leading supermarkets warning them that they could be personally liable for any adverse health impacts of GM foods bought from their companies. In the US, where consumer concerns over GM foods were slower to take off, environmentalists launched a series of class action lawsuits against the major biotech companies for alleged "anti-competitive behaviour".

Meanwhile, in India and other developing countries – the main beneficiaries of the biotechnology, according to its promoters – small farmers burned GM crops, outraged at the patenting of seeds by the biotech companies. Accusing the companies of "bio-piracy", they demanded that seeds remain (as they have always been) part of humanity's common property – developed by farmers over centuries and belonging to no one. Far from relieving hunger, they argued, biotechnology would exacerbate it by forcing farmers to pay for what was previously free – and by further concentrating food production in the hands of richer farmers. The net result would be to increase landlessness and poverty, further excluding the many from access to food.

"GMOs are Dead"

The body blow to the industry – at least in the short-term – came with the release of a report by Deutsche Bank analysts Frank Mitsch and Jennifer Mitchell, advising investors to steer clear of agricultural biotech shares – and to sell those they had. At pains to point out that they were not opposed to biotech – and strenuously distancing themselves from "anti-capitalist" opposition to the industry – Mitsch and Mitchell warned investors: "We predict that GMOs, once perceived as a bull case for this sector, will now be perceived as a pariah."

Two arguments in particular dominated the report:

- **The market for GMOs was crumbling and would not be easily restored.**
"*The perception wars are being lost by industry. Food companies, retailers, grain processors and governments are sending a signal to seed producers that 'we are not ready for GMOs'.*" "*Consumers may very well decide that biotechnology derived foods are not as appealing as all-organic or current offerings – 'Thanks, but no thanks'.*"

- **GMOs are "becoming a liability to farmers".**
Non-GMO grains were already selling at a premium price which, if the trend continued, would far outweigh any economic benefit in growing GMOs. Farmers were thus likely to turn their backs on agricultural biotech – creating "an earnings nightmare" for companies such as Pioneer Hybrid and Monsanto.

The report is widely acknowledged to have played a major role in denting investor confidence in agricultural biotech, with many companies (such as Monsanto) seeing millions wiped off their share value.

Since the report's publication, several US banks have refused to finance GM seed purchases and others have voiced their reservations. The influential American Corn Growers Association Farmers has also warned its members: "*With prices hitting historic lows, the last thing a farmer needs to occur is that both foreign consumers and domestic grain buyers refuse to purchase certain products. In this event, farmers need to think long and hard before planting GMO seeds.*"

Many of the companies that merged with agriculture biotech firms are also having second thoughts. Pharmacia & Upjohn in the US, Novartis in Switzerland and AstraZeneca in Britain have all sold or spun off their agricultural businesses – often at prices well below what the parent companies had hoped to get. Aventis, which was widely predicted to be the company that would hold out against the tide, announced in late 2000 that it, too, would be selling its $2.7 billion crop-sciences operations.

There are several different ways in which financial markets can be used to exert pressure on companies to change their policies and practices. Perhaps the most common approach involves persuading major institutional shareholders to press for change. Generally, shareholders prefer to exert pressure discretely, arranging for a "quiet chat" with senior management. If this fails, however, they may choose to take a more public stand, for example, by backing a special resolution at the company's Annual General Meeting.

One limitation of such shareholder "engagement" is that it can be relatively slow. It is best suited to raising broad issues of management or policy – many investors believe that it is the job of management to manage and are thus reluctant to criticise a company for a specific action. They may, however, be prepared to support a resolution calling for the introduction of policy or a review of strategy.

If specific action is required, it is more likely to be successful if it can be backed up with good analytical arguments, and if the management is given some specific, challenging questions to answer. If the analysis convinces financial analysts and fund managers, the company may find that its share price comes under pressure. Publishing a critical analysis of a company can be a very powerful means of influencing potential investors when a company first offers its shares on the market (*see* p.71).

Infrastructure projects

Objectives: *Encourage financial institutions to withdraw support from a controversial infrastructure project.*

Approaches: *Develop a financial analysis of the project. Highlight risks and uncertainties. If this is not possible, target the companies and investors involved. Strees the potential adverse impact of involvement on their reputation.*

Campaigning through the financial markets may be one of the few ways to stop damaging infrastructure projects, particularly when repression renders other avenues less open to citizens.

The most powerful campaigns are those that use analysis to demonstrate that the project is not viable or a sound investment. The complex framework of contracts, the tension between the various parties involved (*see* p.56), and the desire to reduce risks to a minimum create fertile ground for critical financial analysis. In addition, financial markets may be less familiar with the environmental and social factors that campaigners know well; an analysis of the financial risks that these pose to the project may help undermine investor confidence.

For instance, campaigners supporting Malaysian groups opposed to the proposed Bakun Hydroelectric dam successfully exposed gaping holes in the financial viability of the project.

In a letter to potential investors, Friends of the Earth (UK) warned that project delays had dogged other dam projects and were highly likely in the Bakun case; that the predicted power output was unlikely to materialise; and that the power purchasing agreement was overpriced and would probably end in renegotiation. The letter concluded: "*Investment in Bakun is unlikely to offer the return you require*." The project failed to raise the necessary finance and was eventually cancelled in the wake of the Asian financial crisis. (*See* Box, "The Bakun campaign – Lobbying the analysts", p.81)

If analytical campaigns are not applicable or fail to be effective, markets can be used to exert pressure in other ways. In many controversial projects, major listed companies are involved as lead contractors, equipment suppliers or purchasers of the project's services (for example, utilities buying electricity). Although other competitors may be plentiful, the involvement of well-known companies may be vital for the credibility of the project. If this is the case, then these companies can be lobbied through various forms of shareholder engagement.

Few financial institutions or companies currently require that due diligence be exercised as a matter of course with regards to environmental and social sustainability.

If the project involves the violation of human rights or gross environmental degradation, it may be possible to launch a direct campaign on moral grounds against any institution becoming involved in the project. This may prove a successful approach if the profitability of investment in a particular project is fairly modest. In such circumstances, banks and other investors may feel that it is easier to get out of the project than it is to remain in and face hostile publicity.

Financial market practice

Objectives: *Encourage financial institutions to invest ethically, as a matter of course.*

Approaches: *Highlight long-term financial risks of current "business-as-usual" approaches. Develop contacts with socially responsible investor (SRI) community – with the aim of strengthening its influence within the wider market.*

Campaigners have also begun to direct their attention to the general rules and practices that govern investments. If financial institutions can be encouraged to invest ethically as a matter of course and to act "*on their responsibility to contribute to the protection and promotion of human rights and the environment*",[61] then the need for individual campaigns is reduced and bad practice may be prevented from the outset.

Few financial institutions or companies currently require that due diligence be exercised as a matter of course with regards to environmental and social sustainability in the same way that due diligence is performed to ensure projects are financially, economically and technically sound. Campaigners are thus demanding that companies and financial institutions adopt policies – and the staff and career incentives to ensure that they are applied – which would require the screening of projects for their environmental and human rights impacts. The Australian-based Mineral Policy Institute (MPI), for example, has called for companies to ensure, amongst other measures, that :

- Environmental and social due diligence is applied to each project throughout the lifetime of the project;
- Environmental and social issues are addressed early enough in the project cycle to consider all relevant alternatives, mitigation measures and efficiency improvements and to allow the option of finance to be withheld if appropriate; and
- Meaningful public participation in project planning on the basis of timely public disclosure of environmental and social information.[62]

Using a "carrot and stick" approach, MPI is exerting pressure on financial institutions, ranging from banks to pension funds, to screen out egregious projects and investments from their portfolios and to adopt new rules that would institutionalise such screening within the financial sector as a whole.

The carrot comes in the form of the potential profits to be made from adopting an ethical approach to investment decisions. In the UK, ethical funds have been the fastest-growing sector in the investment market for more than ten years, in terms of funds under management. According to Frank Blighe of the UK's Friends Provident, the company's annual investment survey in 1997 indicated a huge potential demand for ethical funds, and showed that most people care very much about where their money is invested. Blighe also notes that there are huge opportunities for growth in Europe and that ethical funds in the US are already high.[63]

Such evidence, combined with the increasing opprobrium that companies receive where they become involved in destructive projects, has persuaded several sectors to draw up ethical guidelines or Codes of Practice. Under the auspices of the UN Environment Programme (UNEP), for example, leading insurance firms agreed in 1995 to a "Statement of Environmental Commitment", which commits signatories to "reinforcing the attention given to environmental risks in our core activities", "managing internal operations and physical assets . . . in a manner that reflects environmental considerations", and supporting "insurance products and services that promote sound environmental practice".[64] UNEP has now broadened the initiative to include the banking sector and other financial institutions.[65]

Although such statements often in practice commit companies or industries to little, and even then are frequently more honoured in their breach than their observation, they can still provide useful benchmarks against which campaigners can hold financial institutions accountable.

In addition, sector-wide statements help lay the foundations on which sympathetic insiders can build a platform for internal reforms. No institution is homogenous and within any financial body there will be those who disapprove of the investment policies that are made. But individuals who challenge the decision making of others may find themselves excluded or co-opted. Codes of Conduct and Statements of Environmental Responsibility provide such "dissenters" with a tool for challenging controversial decisions and making investment decisions that go against the tide.

The main options for intervention

Once you have decided what you want to get out of your campaign, the next stage is to decide the type of financial campaign that seems most likely to be effective. Again, there are a number of different possible options. The strength of the financial arguments which you can develop to make your case will have a huge bearing on which option is most likely to yield results.

Option 1: analysis and re-evaluation

Summary: *Encourage a financial reassessment of a project or company.*

Target audience: *Analysts, Fund managers*

Tools: *Financial analysis*

Encouraging a financial reassessment of the project or company should be your first option. If you can convince financiers that the project is not worth investing in – it is too risky, won't make the money they expect and is generally not worth pursuing – then you are half way there. This is the argument most likely to persuade investors. If you succeed, then the project or company will need to be restructured or even abandoned. However, it is not always easy to make a strong financial case against a project that will convince investors. Furthermore, when presenting your argument, you should bear in mind that you are dealing with professionals who believe in their own analysis and judgment, and who are generally well-informed. Expect an uphill struggle to get your message across – your credibility will be limited to start with. If you have access to information that the financial markets are not aware of or a greater understanding of certain key issues, then your chances of success will be greatly enhanced. The clearer your case, the more likely that you will get a hearing.

Option 2: engagement and reducing "bad practice"

Summary: *Expose weaknesses in management practice.*

Target audience: *Fund managers (corporate governance people), some investment institutions.*

Tools: *Engagement, shareholder resolutions*

If you do not have the information needed to win the argument on financial ground alone, you may be able to make a broad case that the management is failing to act in a sufficient accountable and open manner.

In Europe, the financial markets are now generally supportive of the idea that companies should have clear policies on key issues such as the environment and human rights and should report on their activities in these spheres. If a company does not have these elements in place, financial institutions may be more sympathetic to your arguments and be prepared to support change rather than siding with the management automatically.

Note that this option is largely limited to publicly-listed companies whose shares are owned by financial institutions. Furthermore, it is essentially an indirect strategy: the hope is that by establishing specific policies and reporting procedures, the objectionable activities will be avoided. This means that it will often be better as a long-term strategy, changing practice over time and preventing recurrence of the problem rather than stopping a particular project or activity immediately. (That said, however, it may help create political space for campaigning – for example, it may give greater credence to discussions with government if the financial markets agree that a company is not following best practice).

There are three main ways of pursuing this option:

- Informal engagement with company management through financial institutions (*see* specimen letter below);
- Voting against the company on an ordinary motion at the AGM (such as the re-election of the CEO or the approval of the report and accounts); or
- Tabling a resolution on the issue at the AGM.

Which of these options is the most appropriate depends very much on where the company is based. In the USA, special resolutions are seen as a prime means of getting an issue on the agenda and forcing a company to respond. This is for two reasons. First, shareholder resolutions are relatively easy to launch. Second, and more importantly, the US fund management market is very diverse, and even the largest fund mangers control relatively small amounts of stock and may have difficulty in getting the attention of companies via other means.

In the UK, it is somewhat harder to launch resolutions. Moreover, because

Campaign option 1: Specimen Letter

Dear Chair of the Investment Committee,

The ABC Dam and XYZ Corporation.

As you may be aware, XYZ is due to be listed on the [*country*] stock exchange. The company is to own and operate the ABC hydroelectric dam, a major new independent power project, due to be built in [*country*]

The initial listing of a company on the stock exchange is a prime moment to intervene.

We are writing to you to urge you not to invest in companies involved in the highly controversial ABC hydroelectric dam project in [*country*]: specifically, we request that you do not invest in XYZ, the project developer.

Keep the details short – append an annex with more information on your concerns. Mention any legal problems that might deter investors.

ABC is opposed by a wide range of groups in [*country*] and internationally on human rights, environmental and economic grounds. The project would require the forcible resettlement of X number of people and the destruction of Z hectares of forest. Local courts have ruled that the environmental impact assessment for the project was conducted illegally.

Cite your own assessment of the financial viability of the project – or better still, an independent assessment.

You may feel financial issues have to take precedence over these concerns when making your investment decisions. But you should be aware that doubts have been raised about the financial viability of the project and whether it can offer adequate returns to investors. A report by HIJ, an independent financial consultancy, has concluded that the project carries far greater risks than other private sector projects in the region. These risks include "probable" cost overruns; a "substantial risk" that the project will produce less power that forecast; and possible long term technical problems with reservoir sedimentation and power transmission links.

Unflattering comparisons with alternatives will be persuasive – but ensure that the alternatives are acceptable to your partner groups, particularly within the local community.

Under the most optimistic assumptions, the HIJ report finds that returns will only be around 11% (a figure confirmed by the project developers). Quite feasibly, they could be much lower. Yet, even at 11%, the project would still compare unfavourably with other power projects in the region, which currently yield 16% or more, or indeed with the long-term return on European equities. Investing in ABC would appear to conflict directly with your financial objectives.

Give details of any figures which cast doubts on the returns from the investment.

Investing in ABC is unlikely to offer the returns you require, and could bring your organisation into disrepute.

NGOs and other groups opposed to ABC will be monitoring closely the shareholders in XYZ, and seeking to press them to withdraw their investments on social and environmental grounds.

Ensure that the investors know you are watching them. Let them know a campaign against them is possible.

We would urge you to:

1. Ensure that these issues are brought to the attention of your regional fund manager and other senior staff covering [*country*];

2. Ensure that these issues are raised at the next meeting of your investment committee.

Seek to ensure your concerns reach other key decision makers, stimulating critical internal debate.

We hope that after due consideration, you will be persuaded not to buy shares in XYZ. If you would like further information on the issues surround the ABC project, we would be happy to arrange a briefing.

Yours Faithfully

Restate the bottom line arguments. Offer a meeting. Your best chance of getting the investors on your side is to brief them personally.

Campaign option 2: Specimen Letter

Dear Fund Manager	
Serious Governance Failures in XYZ plc	
We are writing to express our concerns about your holdings in XYZ plc and to ask you to press for change at the AGM next month.	*Issues discussed only briefly*
Two recent incidents have exposed major failures of management control within XYZ. The first relates to their involvement in the proposed ABC Dam in Developing Country, which involves major adverse environmental and social impacts, as well as exposing the company to serious financial risks. The second arises from the Mega Water Project, where the company is being charged (as part of the managing consortium) with corruption, This could have disastrous impacts on future business should a conviction result in the company being debarred from World Bank contracts, and raises particularly serious questions about the internal control and competence. Details of both projects and their financial implications for the company are attached.	*Focus on financial consequences and failure of management control* *These measures are increasingly recognised as good practice.*
We note that XYZ does not have a	
* group level environmental policy,	
* does not report adequately on its environmental and social impacts	
* does not have a director responsible for environment.	
In view of the seriousness of the concerns raised, we are writing to urge you to vote against the reappointment of the Chair and to ask the company to withdraw from the ABC project unless it can satisfy shareholders that the environmental and human rights concerns can realistically be addressed.	*Voting against chair is a major step, but we are going for it.*
We would very much welcome the opportunity to meet and discuss our concerns in more detail.	*Always invite further discussion.*
Yours Faithfully,	

leading investment institutions are increasingly willing to engage on corporate governance issues, fund managers generally have no difficulty in gaining access to companies at a senior level – and have no need of resolutions to draw attention to an issue. For that reason, there is a general preference amongst fund managers for engagement and informal dialogue with companies, rather than placing pressure through special resolutions.

Nonetheless, many fund managers are increasingly prepared to use their shares to exert other forms of pressure at AGMs, for example when it comes to the vote on the company's annual report and accounts. Furthermore, for campaigners, the key advantage of a shareholder resolution – namely that it places an issue clearly on the company's agenda and requires fund managers to think about the issue – remains valid. Indeed, most financial commentators expect the practice of submitting special resolutions to become more widespread in the future.

In much of continental Europe, and Japan, formal voting can be surprisingly difficult – even the basics of getting adequate advance information on when AGMs are to be held can be difficult. While the situation is improving, the bottom line is that engagement is likely to be effective – particularly if some of the key institutions that hold large numbers of shares can be contacted. (In Germany, for example, banks are major shareholders in many companies.)

Whether or not engagement or special resolutions are used, it is important to remember that the key to making progress is to work with the financial institutions – they are the ones with the votes and the influence over management. Thus it is important to try and open a dialogue with them at an early stage in the campaign – for instance, to explore how your concerns might fit in with theirs. Generally, it is not worth rushing into a decision to opt for a special resolution, although this option can be explored at any stage. Timing may also play a role here – the date for a company's AGM is fixed, as is the date by which resolutions have to be submitted. If the AGM is a long way off, it is probably sensible to start with an engagement approach, with the support of fund managers, to see how it develops. A decision to launch a special resolution can be made later, and from a more informed position. If time is short, it may be worth going straight for a shareholder resolution – although this risks being less successful.

A key issue with shareholder resolutions is the need for care in structuring the resolution in a way that makes it most supportable by shareholders (*see* Box, "Wording your resolution", p.68). This is another reason to work with sympathetic fund managers at an early stage, as they will be able to say directly what they can support. Furthermore, involving them early will mean they feel some "ownership" of any resolution, and will provide it with far more credibility.

The ideal approach to engaging with fund managers is as follows:

1. Undertake your initial research into the company and identify key weaknesses of concern to shareholders;
2. Contact sympathetic investors (for example, ethical investors) and initiate a preliminary dialogue with them;
3. Broaden approach to other socially-responsible investors (for example, all those actively involved in corporate governance issues);
4. Possibly form working group, prepare engagement strategy, set objectives;
5. Involve all investors. Publicise concerns.

No institution is homogenous, and within any financial institution there will be those who disapprove of the investment policies that are made.

A decision to go for a special resolution could be taken at any of the steps above. While sometimes, companies will sometimes respond quickly to pressure from institutional investors, in many cases campaigners should be prepared for the long haul. In particular, campaigners should be aware of the need for "second round" action – after either a round of engagement or a special resolution, there will be a need to maintain the pressure. When companies have responded positively, there will be a need to monitor their actions and ensure they do what they promise. Where companies are less positive, then consideration will have to be given to ways in which further pressure can be brought to bear. This

Encouraging a financial reassessment of the project or company should be your first option. If you can convince financiers that the project is not worth investing in – it is too risky and won't make the money expected – then you are halfway home.

Wording your resolution

Shareholder resolutions have become an increasingly common form of shareholder activism in recent years. Although the likelihood of a hostile resolution being voted through is slim, resolutions can be powerful tools for initiating a debate amongst investors and gathering support for your campaign. If they fail to attract a significant percentage of the shareholders' votes, however, the company can use this to argue that you have failed to make your case.

Winning active institutional support will depend critically on giving investors plenty of time to raise the issues with the company – in the UK, though less so in the US, most investors will not even consider supporting your resolution unless they have exhausted other avenues for persuading the company to change. You will also need to devote considerable time to visiting investors personally, answering their queries and providing them with background information on your concerns.

The wording of your resolution will also be key to its success or failure. In the financial markets, it is generally considered legitimate for shareholders to make proposals about the company's overall policy or business strategy. Conversely, it is widely held that shareholders should not attempt to "micro-manage" the company – this is viewed as management's job. Consequently, resolutions that are very specific – for example, calling on a company to withdraw from a given project or to cease a particular activity – are unlikely to gather support from institutional investors, whose votes are crucial to the resolution's success. Indeed, in the USA, narrow shareholder resolutions can be ruled invalid under the rules of the Securities and Exchange Commission – creating a legal precedent that can undermine other campaigns. It is thus important that campaigners who are new to shareholder activism link up with more experienced colleagues who can advise them on wording.

Where the management of a company has clearly breached its own policies, or has misled shareholders (for example by withholding important information), it may be possible to go for the jugular – to ask fund managers to vote against the re-election of the company's board, in effect a vote of no confidence in the management. This is a controversial tactic, for which it will be generally difficult to gain support. Your case will be greatly strengthened if the company's financial performance has been weak – or if other actions have annoyed shareholders, for example the awarding of excessive salary increases for directors.

For campaigners, the limitations on the wording of resolutions has important implications, which need to be thoroughly discussed with colleagues before embarking on a shareholder resolution. Will a resolution that does not *name* the project you are campaigning against deliver any political gains? Or will a call for the company to adopt a new policy on, say, the environment, further your work – even if there is no call to withdraw from the project?

may mean preparing a new resolution for the following year, and particularly gathering support for it, or otherwise looking at ways to increase pressure on the company. It is also worth noting that, in many cases, the result may be a partial success – a response by the company to do something, but which is rather less than campaigners might wish, although enough to keep fund managers quiet for the time being. Campaigners should be prepared for such outcomes.

Option three: direct campaigning and moral persuasion

Summary: *Demanding change at institutional level.*

Targets: *All*

Tools: *Consumer write-ins, management meetings, Consumer boycotts, negative publicity*

This is the option to pursue when you do not have a financial argument to support your case. It is the most difficult – don't be tempted to consider it just because it is familiar for many campaigners. Financial markets will generally react badly to being told what to do.

Nonetheless, such campaigns can work, particularly where the particular activity you are objecting to, while it may be attractive financially, is marginal to the core activities of a company or institutional investor. If defending this activity starts to become a hassle, particular for senior management, or involves damage to the company's reputation, then the company may decide to disinvest – time is money in financial institutions.

One drawback of such a campaign is that it is usually focused on one institution or organisation at a time. In some cases, this may be sufficient – for example, when one financial institution has a key role. In other cases, it may not

Potential and limitations of shareholder resolutions
Insights from the US

Is a shareholder resolution right for the causes and campaigns you're concerned about? What can realistically be achieved through shareholder activism?

Potential of shareholder activism – what it offers

1. Access to corporations:

- Direct access to top management
- Constructive dialogue with management
- Possibility of affecting corporate culture
- Voluntary changes by corporations
- Potential to change company policies and practices

2. Access to shareholders:

- Media attention for resolutions
- Investor education
- Partnership with shareholders

Limitations of Shareholder Activism

1. Limited Objectives:

- Cannot address the validity of company's product or line of business
- Achieves only voluntary change (versus legal or regulatory means)
- Sometimes is lengthy and legalistic
- Content strictly limited by SEC rules/history. Incremental change.

2. Tactical Limitations:

- In some cases, may require adjustment of confrontational strategies
- Invalidated by simultaneous litigation (one can't file a resolution if one is suing a company)
- Need to think through implications of publicity strategies. For example, company conversations may need to be confidential. So, in order to get a better result from shareholder negotiations, publicity efforts may need to be scaled down or up
- Need to think through implications of resolution. Although uncommon, some companies have stopped talking to shareholder activists after a resolution has been filed.

3. Restrictions resulting from collaborations:

- Necessity of communication between campaigners, commun-ities, shareholders, etc.
- Complexity of having to set objectives and strategy jointly, or ensuring that co-filers agree with lead filer's objectives
- Negotiating different thresholds for acceptable results (For example, at what point would the coalition be willing to withdraw a resolution?)

4. Demands on your organization:

- Requires ability to translate demands into concrete yet significant annual steps for companies
- Can require defending resolutions on short notice, participating in meetings with companies, and evaluating copious amounts of corporate material.
- May incur legal costs to defend resolutions
- Possible costly (if a professional is hired) or complex solicitation effort to increase votes
- Time-intensive

Michelle Chan-Fishel

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be. In particular, there is a danger that another financial institution picks up the business rejected by the targeted company. This may make it even harder to exert pressure: the new company may be from a country in which it is far harder to campaign, or may take a form which is less visible (for example, an offshore company).

Typically, a campaign of this type will involve writing a formal letter to the company (*see* p.70) and organising meetings with institutional investors (for example, banks and pension funds) in order to make them aware of your objections to their involvement in the company. Ideally, appointments should be obtained with the senior management of these financial institutions as it is their appointed role to consider the "big picture". Stress any relevant social or environment commitments or policies that have been adopted by the investors.

Campaign option 3: Specimen Letter

Dear CEO We are writing to you to express our concern over your organisations involvement in XYZ project. We object to this hydroelectric project on both environmental and social grounds, involving as it does the flooding of an important area of natural habitat and the displacement of 50,000 native people. Environmental impact assessments that have been carried out are generally acknowledged as flawed. Local consultation has been negligible. The attached sheets provide more information. Your have apparently agreed to be lead financier of this project, out of your ZZZ office. Your involvement in the project is in direct contrast with your own environmental policy, where you state that sound business management should take account of the effects that business has on the environment, with a view to minimising detrimental impact. Your involvement also appears in conflict with you commitments as a member of the UNEP Banking Initiative. Here you state that you regard sustainable development as a fundamental aspect of sound business management – yet this project is widely condemned as unsustainable. Your involvement in this project is likely to do serious damage your reputation. It is already attracting media interest. Many of our 450,000 members are likely to find banking at an organisation involved in such projects unacceptable, and many other organisations may react negatively to your involvement. We hope therefore that you will reconsider your position before serious harm is done to your business. We would very much welcome the opportunity to meet with you, and to explain our concerns to you in more detail. We hope this matter can be resolved speedily and quickly. Yours sincerely cc: Chairman/ President (if not CEO) Senior non-executive / independent director Director responsible for environmental policy, Head of Environmental unit Possibly head of retail banking (whose business you can threaten) Possibly relevant divisional / countries heads	*Keep the letter brief; and polite but firm* *Don't spend too long on why the project is bad – use attachments. Provide contact details within the organisation if possible.* *Refer to the organisation's own policies if your can.* *Mention the risks for the company's reputation, but don't overdo it.* *Ask for a meeting – getting to know the people is the best way forward* *Don't involve the media yet – they can be brought in later.*

If this does not yield results, then the campaign can be geared up by pension or account holders to write protest letters. Ultimately, if the financial institution has a household presence, consumer boycotts could be considered.

Timing

Timing can be key in the financial markets. It is possible to run a campaign that is reasonably successful in engaging with investors, but still not achieve your main objectives because you have not moved quickly enough at the right moment.

The importance of timing can vary. In some areas (for example, when making arguments about a company's strategic direction), it is not critical. But if one wishes to stop a major capital raising exercise (such as a new share offering or a project financing), timing becomes all important: once the money has been raised, the project will have the funds it needs to go ahead. It is also possible to be lulled into a false sense of security: sometimes raising the money for a project appears to be moving very slowly but, very suddenly, everything seems to be in place. Partly this is because much of the preparatory work in project financing is not particularly visible; partly it reflects the intense work that participants put in immediately prior to closing a deal.

For campaigners, a key lesson is to start early, be prepared and keep badgering away. The initial stages are often the most time consuming as one gathers information, conducts analysis and identifies contacts. But once this is done, it is relatively easy to accelerate the campaign if the need arises.

Key intervention points

There are a number of key moments in the life of a company or project that present campaigners with major opportunities to intervene in order to press for change. These include the Initial Public Offering (IPO) of the company's shares on the market, the issuing of quarterly annual reports, annual credit reviews by rating agencies, and the Annual General Meeting (AGM) that every company is required by law to hold for its shareholders. IPOs and AGMs are considered in more detail below:

1. Initial Public Offerings (IPOs)

A key time for a company is when it is listed on the stock exchange for the first time. This involves the company getting approval from the stock exchange to list its shares. To do so, it must publish a prospectus – a full description of the company and its activities. The Initial Public Offering (IPO) is usually handled by an investment bank on behalf of the company. It is a statutory requirement that the prospectus gives as full a picture as possible of the company's activities and liabilities, including environmental liabilities.

This provides campaigners with several opportunities. Prior to the IPO being launched on the market, for example, it is common for the company and representatives of the investment bank to hold a series of seminars (known as "roadshows") in which the deal is explained to potential investors, including corporate clients, private clients, investment houses and pension funds.

Such roadshows (which also take place when companies are making other new share issues) offer a major opportunity for intervention. In 1994, for example, campaigners obtained the list of guests being invited to a "roadshow" hosted by the Indonesian logging company, Barito, which was seeking $200 million on the international financial markets to expand its logging and plywood operations. Barito's record on environmental and social issues is appalling. Forests Monitor, a UK advocacy group, sent information on Barito's environmental and social track record to all those invited to the roadshow: as a result, many investors declined to buy the shares being offered.[66]

2. AGMs and shareholder resolutions

The Annual General Meeting (AGM) of a company also presents campaigners with a range of opportunities to draw attention to their particular issue and to press for change. At their simplest, shareholder actions may involve a demonstration either outside the AGM or, if campaigners have bought shares, inside the meeting itself. (For information on how to buy shares, *see* Box: "Organising a shareholder resolution", p.91) Such actions bring campaigns both publicity and the chance to put company directors on the spot in front of those who nominally control the company – the shareholders.

Individual shareholders who do not want to take part in more active protests

Pull out of Burma

Protests, boycotts and shareholder actions bring results

Opponents of the military dictatorship in Burma have been calling on US and European companies and financial institutions for nearly a decade to disinvest from the country, where the military dictatorship has been consistently condemned by the UN for systematic human rights' abuses. Burma's pro-democracy leader and Nobel Peace Prize laureate, Aung San Suu Kyi, states: "*I'd like to make it clear that the people of Burma are not suffering as a result of sanctions – the real profits do not go to the people of Burma, it is all concentrated in the hands of (foreign) investors or privileged people. An international boycott would be the best instrument to exercise pressure on the military regime and get the situation moved out of the stalemate that Burma is currently facing.*"

Operating in support of these calls, public interest groups in the West have successfully used protests, boycotts, "selective purchasing" laws (whereby public bodies refuse to buy from companies involved in Burma) and investor campaigns to persuade a range of companies to pull out of the country. Pepsi, Texaco, British Home Stores, Levi-Strauss, River Island, The Burton Group, Amoco and Disney have all now disinvested.

Selective Purchasing Agreements

A key tactic has been to diminish their markets via Selective Purchasing Agreements. Several US states such as Massachusetts and California, in addition to cities like New York and San Francisco, have enacted laws banning any public contracts with companies doing business in Burma. US and non-US companies wanting to gain contracts with US authorities that have enacted Burma laws must thus pull out of Burma or risk losing business.

Following the introduction of the California ban, for example, the Swedish telecommunications giant, Ericsson, lost contracts worth up to $90 million with the City of San Francisco because of its dealings with Burma. Ericsson later announced it was disinvesting.

"*Forced to chose between lucrative local government contracts and often mediocre business opportunities in Burma, a host of American firms have chosen the former*", note Tiffany Danitz and Warren Stroebel of the US Institute for Peace. "*The Massachusetts law alone was cited by Motorola, Hewlett-Packard and Apple Corp. and other major companies as the reason they pulled up stakes in Burma." Indeed, Burma laws have "bitten hard enough that both the European Union and Japan have complained to the US State Department and intend to challenge the law in the World Trade Organisation.*"

In 1997, pressure on US companies was further increased after the Clinton Administration announced a ban on all new US investment in Burma.

Boycotts

Boycotts have also played a central role in forcing companies to pull out of Burma. Companies selling consumer goods have been particularly vulnerable to such pressure, particularly when combined with investor campaigns.

In the US, student groups have been at the forefront of such consumer activism. At Pennsylvania State University, students pressed the university administration to adopt a Selective Purchasing Policy "in which Penn State will neither renew nor sign new contracts with companies doing business in Burma". One contract threatened was a 10-year, $14.5 million monopoly contract with PepsiCo to supply the university campus with Pepsi.

Pepsi, which was then making around $8 million a year in Burma, was also targeted at other campuses. At Harvard, student pressure resulted in the University cancelling plans to switch its dining hall cola supplies from Coca-Cola to Pepsi – a contract that would have been worth $1 million a year for five years. In California, students successfully banned sales of Pepsi at the University of California's campuses at Berkeley and Stanford. Students across the US also initiated boycotts of products marketed by PepsiCo's subsidiaries, including Pizza Hut, Taco Bell and KFC restaurants and Doritos and Lay chips.

Pepsi eventually withdrew from Burma in January 1997.

Investor campaigns

Students have also mobilised – largely via the Internet – to place pressure on their university administrations to use their shareholdings in any corporation investing in Burma to vote in favour of resolutions calling of on those companies to disinvest from Burma. Washington, Wisconsin and Stanford are just three of a number of universities which responded to the call. In 1995, the University of Washington's Board of Regents decided to vote for, and sponsor, shareholder resolutions aimed at limiting corporate involvement in Burma. Responding to student pressure, the University of Wisconsin went further, announcing that they would sell the University's shares in Texaco because of the company's involvement in a natural gas project in Burma. Days later, Texaco announced that the company was looking for way to withdraw from Burma.

Other groups mobilised by public interest groups include representatives from the Interfaith Center on Corporate Responsibility and socially responsible investors such as Trilium Asset Management.

The Premier Oil campaign

One of the companies remaining in Burma is Premier Oil, which together with Unocal, is investing in an oil pipeline in the Tenasserim region of Burma, where thousands of people have already been driven from their homes. Forced labour – including men, women, children and even sick and elderly people – has been used to build military roads and barracks. Refugees fleeing the area say that human rights abuses have increased as a result of security operations by the Burmese army protecting the pipeline. Premier has a 27% interest in the pipeline and is also manager of the project.

UK and continental European campaigners have been active in pushing for Premier to disinvest.

Protests have been held regularly at the company's Annual General Meeting: major UK shareholders in Premier (as of 24 January 2000) include Amerada Hess, parent company of Amerada Gas, which supplies domestic gas to households in the Midlands, and Guardian Royal Exchange, the life insurance company. However, neither Premier nor its shareholders have shown signs of responding to public concerns over the company's involvement in Burma.

Public interest groups have also pressed the UK government to live up to its "ethical foreign policy". In April 2000, this resulted in Foreign Minister John Battle asking Premier to withdraw from Burma: "*I really expect Premier to do the decent thing without having to resort to legal pressure.*" But Premier's Chief Executive, Charles Jamieson, maintains that the company's continuing presence enables it to use its influence on the Burmese military regime for the good. "*Constructive engagement . . . is more likely to bring about results*", says Jamieson.

This claim is rejected by campaigners, who call constructive engagement "naive at best", pointing out that it is opposed by opponents of the regime in Burma. "*Apart from the actual revenues that Premier Oil brings to the government,*" says Aung San Suu Kyi, "*it also constitutes a psychological boost because it makes the government feel that, however repressive they may be, they still have the support of big companies or at least one or two big companies. And if these companies are from Western democracies, it's even more serious because it gives the military regime the chance to say: 'Look, even companies from Western democracies support us, so what we're doing can't be that wrong. Why are democratic forces making such a fuss when companies from Western democracies are in favour of what we are doing?' So, Premier Oil, by coming into Burma at this time, does a great disservice to the cause of democracy.*"

In effect, the foreign currency supplied by companies like Premier is what is keeping the regime alive. As the World Development Movement puts it: "Their project is fuelling oppression in a country where torture, forced labour and human rights abuses are routine and widespread."

Limits of the market approach

In the autumn of 2000, some private, roundtable discussions were held between groups campaigning on Burma and some large institutional investors. While the investors expressed some sympathies for the campaign, they also identified two major difficulties. The first was that Premier is controlled by two major shareholders – Amerada Hess and Petronas International Corp., a Malaysian oil prospecting company – which means that the influence of external shareholders is low (and, ultimately, forcing change would be difficult). The second was that Burma represents a major proportion of Premier's assets and cash flow. For Premier to write off the assets would be unacceptable to the company and to institutional investors which have a legal responsibility to maximise returns to their investors. Moreover, for the company to sell its assets would not really solve the problem as Burma would still have the oil revenues and the investment.

These problems are compounded by the fact that Premier stock is neither particularly widely held nor well regarded in investment circles. Even if many shareholders did boycott the stock, it would be unlikely to have a major impact on the company's share price. Currently, campaign groups in the UK are trying to find a way to overcome these problems. The key will be finding a stronger business case for Premier to disinvest in Burma.

The Premier case indicates some of the problems that can arise with a financial markets campaign, particularly once the initial investment has occurred.

Sources
Burma Campaign UK, ***www.burmacampaign.org.uk***
Students for a Democratic Burma, ***www.enviroweb.org/fcg/sdb/***

against the company, or who cannot attend the AGM, can also make their feelings known. As shareholders, the company is obliged to send them proxy voting forms, indicating how they want their vote to be used at the AGM. If shareholders are unhappy with the company's activities, they can use the form to vote against the reappointment of members of the company's board or the adoption of the company's annual report (two votes that the company is obliged to put to its AGM). If enough individual shareholders take this action, it sends a significant message to the company, particularly if the proxy form is accompanied by a letter explaining why the shareholder is voting against the company.[67]

Using a carrot and stick approach, campaigners are exerting pressure on financial institutions, from banks to pension funds, to screen out egregious projects and investments from their portfolios

If a decision has been taken to launch a shareholder resolution, then the AGM will obviously be the culmination of that action. But much of the hard work should have been done in the months before the AGM – for example, by lobbying pension fund managers (*see* "Option 2" and section on fund managers, pp.97-106).

As an outsider, getting your arguments across to the financial markets will never be easy. To strengthen your position, you will need to develop some "political space" so that you have an audience for your concerns.

For an account of how one campaign in the UK (on Balfour Beatty) set about launching a shareholder resolution – the steps it went through to submit the resolution, to buy shares and to lobby shareholders – *see* Box, "Organising a shareholder resolution", p.91.

Creating political space

As an outsider, getting your arguments across to the financial markets will never be easy, particularly since financiers often do not view NGOs as credible. To strengthen your position, you will need to develop some "political space" so that you have an audience for your concerns. NGOs have become good at reaching out to the public and consumers and even to politicians. In contrast, there is a tendency to regard financial markets as part of the enemy rather than as another constituency (with very considerable influence) which can be targeted and where political space can be developed.

How campaigners seek to build such a constituency will depend to a large extent on whether the need is to cultivate one or two specific institutions (a "narrow" strategy) or to influence the market as a whole (a "broad" strategy).

➢ **A narrow strategy will be appropriate if you are dealing with the financing of a project, or the early days of a proposed flotation, when one financial institution typically takes the lead, perhaps with the assistance of one or two others.**

Usually, the best place to start is at the top with senior management – if you can get their attention. In addition, there may be lower level staff who are already open to your concerns and willing to take them up, such as an environmental management unit, public relations officers or those responsible for accounts with charities and NGOs.

➢ **A broad strategy is more suited to campaigns in which you need to convince the market as a whole to change, or at least a large part of it.**

Where you are trying to change the culture or sentiments of a whole particular market (for example, the UK equity market), the senior management of individual companies are likely to have little influence. The key constituency consists of analysts, fund managers and others who help create and

BP – Mobilising investors for change

Pushing a major global conglomerate to move out of fossil fuels is no small task. But increasing climate instability, linked by the burning of fossil fuels, makes the transformation of companies like British Petroleum (BP), Shell and other oil companies a major international priority.

Greenpeace is one environmental group that has taken up the challenge, highlighting the issue through direct action, high profile press campaigns, lobbying of insurance companies and, most recently, shareholder resolutions.

Aiming high

BP is one company that has been targeted by the group. With the value of BP's shares accounting for approximately 7% of the total value of the London stock market, and with almost every institutional investor a shareholder, the company presented a particularly difficult target for a shareholder-focused campaign. To gain significant shareholder support for any resolution demanding more than small changes in the company's energy strategy was, many sympathetic financial analysts thought, an impossibility – the more so since BP has gained a reputation in the financial community as an environmental leader in the oil and gas sector, having recognised the reality of climate change, pulled out of the climate-skeptic Global Climate Coalition and introduced a range of environmental initiatives.

Undeterred, Greenpeace put forward a resolution to the April 2000 Annual General Meeting (AGM) of BP calling on the company not only to abandon its half-completed development of the Northstar oil field in Alaska but also to reinvest the money in solar power. Northstar, the world's first offshore Arctic oil field, is currently being developed by BP at an estimated cost of between $0.5-1.5 billion.

As well as increasing oil industry access to currently inaccessible reserves of oil in Arctic areas, argues Greenpeace, the development would "*increase the rate and magnitude of impacts to Arctic wildlife from the anthropogenic greenhouse effect.*" Retreating sea ice, the group pointed out in its shareholder resolution, "*is already threatening the existence of several Arctic species, including walrus and polar bears.*"

Arguments for change

Greenpeace's resolution played to a number of leverage points. These included: BP's reputation; its past statements on climate change; confusion over the company's investment strategy; technical problems with the Northstar field; and the long-term financial profitability of moving of oil and into solar.

➤ Reputation

In a covering letter to BP, sent with the shareholder resolution, Greenpeace pointed out that, since 1997, "*BP has sought to position itself as distinct from other oil companies on the issue of climate change.*" As a result, the company enjoyed a reputation in many quarters as "a responsible and pragmatic company, concerned about the environment and willing to listen." If the company failed to back up its public statements on the environment with changes in investment strategy, "both the reputation and the long-term value of the company will be eroded."

➤ Confusion over investment strategy

Good corporate governance implies a clear investment strategy about which shareholders should be properly informed. The development of the Northstar field, argued Greenpeace, was evidence of confusion at the board level over the company's investment strategy. Greenpeace pointed out that BP's 1997 annual report had acknowledged that "if [the Kyoto climate change treaty targets] are to be met, a major reduction in the use of fossil fuel would be required, and this is likely to have an effect on BP's main business." The development of the Northstar field suggested, however, that BP's business strategy was based on a contrary assumption – namely that greater quantities of oil and gas would be sold in the future. Greenpeace concluded: "BP Amoco has not informed its shareholders of how climate protection is affecting the company's investment strategy in relation to exploring and developing new oil and gas reserves."

➤ Technical problems with the Northstar field

Greenpeace stressed that Northstar is behind schedule and running over cost. This delay offered BP Amoco "the opportunity to rethink its investment strategy and initiate a planned diversification out of fossil fuels."

➤ Long-term profitability of solar

Increasing acceptance by governments of the need for precautionary action on climate change could mean that BP Amoco's long-term investment in new oil production "will result in the company having to choose between undermining climate change protection by trying to increase future markets for its products or being left with 'stranded' assets from which there is no return on investment." By contrast, stated Greenpeace, solar energy offered a cost-competitive energy source with a future.

The views of the City

The resolution met with a mixed reaction from the City. Many were, of course, dismissive. Others thought there was an important point to answer, although they were not sure of the wording of the resolution. Support for Greenpeace was boosted when the resolution won the support of Pensions Investment Research Consultants (PIRC), the corporate governance watchdog. Prior to the AGM, PIRC sent a report to fund managers, urging its client funds to vote for the resolution. The report countered many of the arguments that BP Amoco had put up in response to the Greenpeace resolution.

PIRC criticised BP for taking too passive an approach to the need to shift away from fossil fuels, arguing that "it would be more appropriate for [the company] to show stronger leadership." The group's report also countered BP's claim that there is insufficient demand to justify more investment in solar energy: "A company with the resources and scale of BP Amoco can play an important role in creating the conditions for increased demand."

PIRC acknowledged that there would be a short-term cost in moving away from oil but insisted that there would be "compensatory gains" for shareholders, principally in BP being able to reposition itself in order to take advantage of a huge future market in solar.

Outcome

No one ever expected the Greenpeace resolution to be carried, but it was hoped that it would gain the support of at least 5% of shareholders. In the event, it won 13% support. The success of the resolution is widely acknowledged to have sent BP a major signal that change was necessary – and had institutional support. As a result, BP has been consulting widely with its major shareholders.

Campaigners have also learnt from the resolution. One lesson has been that having a reputation as an environmental leader does not put a company off-limits to shareholder actions. On the contrary, the fact that BP was viewed as environmentally forward looking, yet was still acting in an environmentally damaging way, meant that its own words could be used against it – in essence, the company could be accused of hypocrisy. In that respect, the company made a more suitable target than a completely unreconstructed company which could more easily deny the relevance of the issues raised.

While this strategy is valid, it carries a number of risks. The targeted company may revert to a "bunker mentality" and abandon its tentative efforts to embrace reform. And other companies may see no incentive to change if the leaders in the field are targeted.

A second lesson was that the resolution might have garnered more votes if the wording had not been so specific. In laying down what the company should do in one particular area, it was seen by many shareholders as usurping the role of management – and was thus close to a vote of no confidence. This was a step too far for many shareholders. In addition, it was felt that a greater degree of consultation with leading shareholders before finalising the wording of the resolution would have generated wider support at the AGM.

Some City commentators argue that the resolution might have succeeded if it had called on the management to develop a policy on biodiversity and against the opening up of wilderness areas rather than a pull-out from Northstar. Similarly, a call on the company to develop a complete carbon transition strategy might have fared better than one calling for investment in specific areas.

Sources

Greenpeace, *Shareholder Resolution to BP Amoco*, April 2000

form opinions about a relevant industry. (Some campaigns have mistakenly assumed that pronouncements from senior managers will carry weight with traders and fund managers.) Cultivating this constituency will take time and a degree of perseverance. It is best to divide the work into a number of stages:

➢ Develop a bridgehead

Work with some financial institutions that are prepared to listen to you and support you. The "green" financial institutions (such as ethical funds and some local authority pension funds) can play a key role here. Having even a few names supporting you will boost your credibility and help you refine your language, arguments and demands.

➢ Broaden out to convincing more mainstream financial organisations.

Identifying individuals in mainstream financial institutions who are likely to be sympathetic can be difficult, and this may be one of the hardest steps in the campaign. The key here is to be persistent, not to waste time on those who are obviously hostile, and to develop personal contact through meetings as this will be the most effective way of convincing individuals. Once you have the support of a number of mainstream organisations, a momentum begins to build up, bringing new allies.

Part Four

Players in the market

UNDERSTANDING YOUR AUDIENCE

The key to a financial market campaign is understanding the psychology and culture of the financial markets. Financiers are a very different audience to that with which most campaigners are familiar – civil servants, politicians or the general public, for example.

Unlike government institutions, financiers have no obligation to listen to or consider what you say. Thus, when engaging with financiers, it is often useful to regard yourself as a "salesperson" trying to sell a difficult product to a reluctant customer.

A golden rule when selling such products is to put yourself in the other party's shoes, to understand their desires and motivations.

Never forget that the prime motivation of financiers is to make money. Some organisations (for instance, investment banks) do this directly through trading, arranging deals or lending money. Others (such as fund managers and investment analysts) make money by managing other peoples' funds or providing analysis and research. In both instances, employees are under tremendous pressure to "close deals", achieve the best returns on capital and bring in new business.

This pressure to succeed encourages a macho institutional culture. Those who survive in the high-pressure world of financial markets do so largely because they are successful at making money – and many develop a confidence in their financial judgement that borders on arrogance.

Whilst sensitive to the opinions of their peers, financiers are generally hostile to outsiders who question their views. Once they have pronounced on a company's worth or the viability of a project, they are often reluctant to back down. Moreover, despite the aggressive competition of the financial markets, financiers tend to be conservative, fearing the ridicule of their colleagues if they support views that appear "radical" or "flaky".

This institutional culture has important implications for campaigning. Many financiers view campaigns as a challenge to their personal judgement: hectoring them about a project's financial vulnerability or lecturing them on "sustainability" is likely to trigger a defensive reaction. Many will simply dig in their heels, unwilling to concede that the investment is flawed.

Although some of the ideas behind socially responsible investment (SRI) have become much more accepted in many circles over recent years, for most financiers they remain controversial. Even when SRI is accepted, there may be differences between what you want and what financiers consider appropriate. Many will shy away from sticking their necks out too far for fear of denting their reputation with more mainstream colleagues. Finally, financiers have to sift through huge amounts of information every day – from company and analysts' reports to the latest market figures. The pressures on them are tremendous, and time is short. Their willingness to engage with critics – let alone ideas that seem new or radical to them – is limited.

Persuading financiers requires overcoming a hostility to criticism by outsiders and tailoring your approach accordingly.

Overcoming hostility

Persuading financiers that your campaign has merit requires more than good arguments. It also requires overcoming the cultural and psychological hostility of many financiers to criticism and tailoring your manner and approach accordingly. Appear professional and knowledgeable about your case, but don't try to give the impression that you understand the markets better than they do. One-upmanship won't get you anywhere. You will only succeed in causing irritation. Instead, try to enlist their help to strengthen your case. Keep letters brief (a one-page rule is sensible), use summaries and bullet points, and make it easyfor them to understand and agree to your argument.

Don't forget that financiers are human beings, too! Many may well be concerned about the issues you're raising and may even be members of campaigning groups themselves. So try not to give the impression that you are criticising them as individuals. Try to appeal to any common ground you may share.

These points are covered in the following sections on each of the key players: analysts, institutional investors, fund managers, ethical fund managers, bankers and project financiers.

ANALYSTS

Analysts provide a vital service in the financial markets. Their job is to understand businesses and projects, to value them using various models and thus to provide fund managers and traders with recommendations as to which shares to buy and which to sell. Without analysts, the financial markets would be guessing about the value of companies much of the time.

Types of analysts

Analysts are employed by a range of financial institutions. They include:

➢ Stockbroker and investment bank analysts ("sell side" analysts)

The most influential and high profile analysts are those who work for stockbrokers and investment banks. One of their main activities is researching and publishing reports on companies, which are then distributed to their employer's clients and to the press. These analysts are very competitive and keen to be well-regarded by their peers. They are very well-informed financially but tend to be arrogant and to think they know everything. Unlike many in the City, stockbroker and investment bank analysts are often keen to see their views publicised in the press – indeed, in many instances, marketing their institution is viewed as part of their job. In the UK, Extel conducts an annual survey in which it invites fund managers to rate analysts and to identify the most highly-regarded in each sector.

➢ Fund manager analysts ("buy side analysts")

Many of the larger fund managers have their own in-house analysts. These tend to be less competitive and publicity-seeking than stockbroker analysts since they primarily provide an internal service to the fund manager. They also tend to work as a team. Like stockbroker analysts, they may be expected to help in marketing their fund, in which case they will be keen to see their views quoted in the press. They will have access to the research produced by stockbroker analysts.

➢ Bank analysts

Bank analysts assess credit risks for a bank's lending and their area of expertise is therefore rather different to that of stockbroker or fund manager analysts. In addition to valuing companies, they will look at a variety of other investments, such as project lending. Their focus is more on debt than equity, and on downside risks.

➢ Economic and strategic analysts

Besides analysts who follow individual companies, a number of specialists take more of an overview of the market, looking at how funds should be allocated between different sectors and markets – a field known as "asset allocation". If the issue that campaigners are addressing is broader than a single company (for example, climate change and the oil sector), it may be necessary to engage with these analysts. If so, bear in mind that they are most likely to be persuaded by an analysis of the macroeconomic factors affecting a particular sector (for example, future oil prices).

➢ Technical and quantitative analysts

In contrast to the analysts above who assess the "fundamentals" of a company or sector, technical analysts use only the price history of a company's shares as a guide to value. (Essentially, they assume that the market trends follow a fixed pattern which tends to remain within certain trading ranges.) Quantitative analysts use computers and mathematical models to combine both fundamental and technical data so as to produce recommendations on whether to buy or sell particular shares. Because they deliberately do not look at broader issues, influencing these analysts is virtually impossible.

The Bakun campaign – Lobbying analysts to stop a dam

Campaigns by international environment and development groups against investment in the proposed 2,400MW Bakun Hydroelectric Project on the Balui river in Sarawak, Malaysia, played a key role in halting the project – at least in its then-intended form. Although the dam was abandoned in 1997, however, those in the proposed reservoir area were still moved – and are currently living in appalling conditions in resettlement camps. The project has since been revived.

The project

Originally planned by the Malaysian government in the early 1980s, Bakun was abandoned in 1990 after a campaign by local indigenous communities and a downturn in the Malaysian economy. The decision to shelve the project was described by Malaysian Prime Minister Mahathir Mohammed as "proof that Malaysia cares about the environment". In 1993, however, he revived the project, announcing that the $6 billion dam would be privatised to Ekran Bhd, a Sarawak-based company with strong political connections to the ruling party. The contract was awarded without tender and apparently without proper costing.

The job of clearing the reservoir area of forest, in addition to much of the ancillary construction work, was subcontracted to companies controlled by Ting Pek Khiing, Ekran's chair. A number of international construction companies bid for the main contract or for parts of the project which, in addition to building the 205 metre-high dam, also involved laying 1,500 kilometres of overland cable and three or four 650 kilometre-long undersea cables to transmit the power generated to Peninsular Malaysia. The Swiss engineering company, ABB, and the Brazilian construction company, Companhia Brasileira de Projectos e Obras (CBPO), were awarded the main construction package, including supplying the generators. Competing consortia included THT International, consisting of Tabung Haji Technologies, Siemens, Voith, Zublin, Impregilo, Dragados and Pirelli. In early September 1997, ABB and Ekran fell into dispute over who would pay for cost overruns, and ABB was unceremoniously sacked from the project. Subsequently, Malaysian Energy Minister Leo Moggie announced negotiations between Ekran and a new construction consortium including Siemens and Alcatel (France). Negotiations came to nothing, however, as the project soon collapsed in financial ruin, leaving the government to pick up the pieces.

Finance – The dam's Achilles' heel

Finance proved the Achilles' heel of the dam. To implement the project, Ekran set up Bakun Management Sdn Bhd (a wholly-owned subsidiary responsible for project management) and the Bakun Hydroelectric Corporation Sdn Bhd (BHC), which would own and operate the dam. Ekran retained a 35% share in BHC, with external investors and partners providing the remainder of the equity and debt capital. From the outset, Ekran was unable to raise the necessary finance on the international markets. Initially, this was overcome by tapping Malaysian state-controlled companies for support, with agencies like Tenega National, Malaysian Mining Corporation and the Employees Provident Fund, as well as the Sarawak state government, taking major shares in the project. This was despite assurances from Ting, Ekran's chair, that the project would not have to rely on government money.

Doubts over the project's financial viability continued to grow, however, particularly following publication of a damning financial analysis of the project by London-based financial analysts Delphi International. The report highlighted a number of financial risks associated with the project, including:

- likely cost overruns;
- possible long-term technical problems with the dam structure;
- reservoir sedimentation and possible shortening of the life of the dam;
- limited insurance cover in the event of a dam failure;
- outstanding legal issues relating to the lack of consultation with affected communities;
- unresolved issues relating to decommissioning; and
- a "substantial risk" that the dam would produce less power than forecast, partly because of uncertainties in future rainfall as a result of global warming.

Delphi calculated that the likely returns to investors would be substantially lower than the 11.5% claimed by Ekran. It warned bankers and other financiers that "the dam carries an abnormal level of risk, much of it uncontrollable".

NGO investor campaign

Even before the release of the Delphi report, NGOs in Europe and the US had begun to lobby investors to reject the project. Initially, the NGOs concentrated on shareholders in Ekran, alerting them to the concerns of environmental and human rights groups in Malaysia over Bakun. Letters were sent to 120 major European pension funds, banks and insurance companies urging them not to back the project. Each letter was tailored to the specific financial institution: banks who were signatories to the UNEP Statement on Environment and Sustainable Development, for example, received letters drawing their attention to how the project conflicted with the UNEP statement. Each new development in the project – for example, a court ruling that the Environmental Impact Assessment had been conducted illegally – was relayed to potential investors, in this instance with a warning that the ruling could carry legal implications for investors. Fund managers were also urged to "consider putting in place a process to form a policy decision on a company code of socially responsible investment."

Care was also taken to ensure that the letters were addressed to the right person, or group of people, in each financial institution – and to let each of those addressed know that others in their organisation had also been contacted. Pension fund managers, for example, were specifically asked to bring the concerns over Bakun to senior management covering Malaysia and to the Head of Assets, who also received letters asking them to alert their fund managers. Self managed pension funds received different letters from pension funds which were managed under contract – the letters again being directed to the appropriate investment board in each institution.

Initially, the campaign stressed the risks that investment in Bakun posed to the reputation of investors. With the publication of the Delphi report, greater stress was laid on the financial risks of the project to investors. The campaign circulated the report to the press and, as with previous new developments in the project, wrote to major financial institutions, bringing the report's conclusions to the attention of key financial analysts and potential investors.

Outcome

In June 1997, investor doubts led Ekran to cancel a rights issue to help pay for its 35% in BHC, which was due to be floated on the Kuala Lumpur stock exchange. The floatation never took place. In September, just hours after Ekran dismissed ABB from the project, Mahathir announced the "indefinite postponement" of the project. The subsequent government bail-out of the project cost Malaysia an estimated M$950 million, including M$390 million to Ekran, M$436 million to financial backers, M$24 million to Dong Ah (a construction firm) and M$100 million to the Bakun Hydroelectric Corporation. In 1999, Ibrahim Anwar, who had been Deputy Prime Minister at the time, testified to a Malaysian court that Mahathir had instructed him "to use Treasury funds to compensate the company without going though proper audit and account." Leaving no room for doubt, Anwar went on to say: "I'm referring specifically to Tan Sri Ting and Ekran."

In 1999, the Malaysian government announced that it would go ahead with a scaled-down version of the dam, with the undersea cable omitted. All those in the reservoir area of the original dam have already been relocated or are in the process of being moved to a resettlement site 300 miles away. According to a 1999 report by the Malaysian Coalition of Concerned NGOs on Bakun, the resettlement site is grossly inadequate. The new houses are poorly built and culturally inappropriate and none of those relocated have been compensated for the loss of their old homes. A recent report by the Coalition says: "It is difficult to adequately capture in words the utter desperation and dislocation being experienced by the indigenous communities forcibly resettled because of the Bakun project."

Sources
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What sort of people are analysts?

Some analysts are among the most highly-regarded and well-paid employees in financial institutions. Many, however, are fairly low ranking – many firms see analysis as providing a good introduction to new employees who then move on to other areas, such as sales or trading. Most analysts focus on one or two sectors and develop an intimate knowledge of those sectors and a few companies within it. Often they have some technical knowledge and may have worked in the sector itself for some years.

What are their success factors?

The reputation of stockbroker analysts rests on how much their colleagues (for example, traders) and clients (for example, fund managers) value their advice. Clearly, much depends on whether their recommendations as to which shares to buy or to sell have made or lost money. But this is not the only factor: indeed, research shows that analysts are notoriously unreliable when it comes to advising on future share prices. Analysts are also judged on the quality of their research – for example, whether it provides thought-provoking insights on the company – and to a lesser extent on the quantity of their publications and reports. They will also be assessed on the extent to which they help with marketing – for example, by getting their company mentioned in the press or making presentations to prospective new clients (the quality of research is often an important factor when clients decide to award business).

Thus campaigners trying to get analysts to listen to them and to take on board their arguments and concerns should aim to:

- Improve analysts' forecasts and recommendations;
- Provide analysts with additional insights for their assessments;
- Give analysts a story that will get them press publicity which they can use to attract new clients.

What are their outputs?

The most visible output of analysts is the reports they produce on companies or sectors. Their influence goes beyond their written reports, however: analysts also make substantial oral contributions at the meetings held by most financial institutions every morning in order to brief department heads. They also make comments directly to colleagues and clients.

In terms of content, their output can be divided into three areas – analysis, forecasts and recommendations:

- *Analysis* – assessing the strengths and weaknesses of a company's management, its business strategy and its finances;
- *Forecasts* – predicting a company's results for the next financial year and the year after;
- *Recommendations* – advising fund managers and others as to what to do with stock: for example, "Buy", "Hold" or "Sell". Some analysts have intermediate recommendations: "weak hold", "buy on weakness" are just two. They may also make separate long- and short-term recommendations or give target prices or price ranges for the stock.

What information do analysts value?

Analysts work in an information-rich, if not information-saturated, environment. In addition to the data available to them from on-line information sources, they receive umpteen reports from companies, journals, magazines and briefings.

They tend to rely first and foremost on company-based sources of information, such as the annual report, meetings with management and site visits. They are less well-serviced with information on background issues and on the views of other parties – for example, they may not know about overseas politics or the views of other stakeholders such as employees and the local community.

Environmental matters are rarely covered and certainly not systematically. Note that analysts will often rely on specialists for views on technical issues. Rarely do they conduct their own independent research (even if it is as basic as visiting a retailer's shops or looking at a company's products directly).

When do they do their research?

There is a clear periodic cycle to analysis, particularly analysis of companies. Most analysts focus on the annual results of a company: they usually produce one or more forecasts before the results are announced by the company and a more detailed analysis afterwards. They also comment on interim results. Additional analysis may be conducted on an occasional basis – for example, in response to regulatory changes or to takeover rumours. Occasionally, analysts take it upon themselves to carry out a detailed analysis of a company or sector.

But when it comes to analysis of major new share issues or to the floatation of a company or the closure of project finance deal, analysts have to respond to events as they happen. For major share issues, most analysts covering the sector will carry out a substantial amount of research, which is then used to advise clients on the value of the flotation and whether or not investors should buy the new shares. If the share issue is small, the analysts of the banks involved in managing the issue are likely to have undertaken similar research in order to advise the bank itself whether or not to become involved in the share issue.

What sort of time frame do analysts have?

Most financial analysts have a reputation for having a rather short-term focus – a reputation that is generally justified. One reason is that analysts are generally preoccupied with the next set of company results, and possibly the ones after that. A longer-term perspective only comes into play when the analyst is considering a company's business strategy, or when analysing the disclosed balance sheet and the intangible assets of a business (for example, its brand identity or the value of its research and development). This is one area where there is real scope for outsiders to provide additional insights and value, as long as their critiques are carefully prepared and presented.

Engaging analysts

Possibly the first step in any campaign focused on trying to influence analysts is to set out your own arguments as to why investors should be concerned about a particular company or project. Given that analysts are likely to be distrustful of reports from campaign organisers, which they view as biased, it is often better to commission an independent analysis rather than to write it yourselves as this will have more credibility within the investment community. You can then refer to the report's findings in a covering letter.

The next step is to circulate the report. Here you will need to spend time finding out the names of the analysts who specialise in your given company or project (*see* p.143). Remember that they receive a huge postbag of material every day, much of which goes straight into the dustbin, so you will need to think of ways to maximise the chances that they will read your report. It is worth ringing up in advance to ask them if they would like a copy (send it anyway) and to outline the key arguments. If you can get their attention at this stage, it is more likely that they will at least skim through the report when it arrives on their desk and, if sufficiently interested, read it in full.

Follow this up with calls to a few specific analysts. Ask for a meeting. If you can get one or two individuals on your side, the institutional pressure on analysts to retain the respect of their peers will work in your favour. Those who are persuaded by your arguments won't want to lose credibility with their colleagues – and will be anxious to persuade others of the merits of your case. Let them do your work for you – having an analyst put your arguments to other analysts will have more impact than if you do it yourself.

Presenting your research

The information-rich environment in which analysts work has consequences for attempts to communicate with them, whether in writing or orally:

- *Make sure your facts are right.*
  Any errors will rapidly lose you credibility and severely undermine your case.
- *Make your reports clear and to the point.*
  While excessive exaggeration is counterproductive, a clear, blunt view is appreciated, as is a concise summary with the main points in the argument. Tabloid-style journalism is often popular in the financial markets.
- *Don't tell analysts things they already know.*
  Focus on angles that are new and different.

Do your preparation

Find out as much as possible about analysts' current views of the target company. This can be done via a press search or by contacting analysts directly and will help you pitch your approach to them. For example, stress any existing concerns analysts may have: if the management of a company is already facing criticism, accentuate this in your report, if it is connected with the issues of concern. Conversely, if the management is highly respected, your line of criticism must be carefully worded, if it is not to seem naïve.

Some pension funds now recognise that projects which damage the environment or cause social unrest can affect the performance of an investment and hence its returns.

You should also familiarise yourself with how the company's share price has performed over the previous year or so as this will tell you how the market views the stock. Knowing the ups and downs of the share price will also give you an idea of how to angle your comments about the company (for example, don't say a company's shares are overpriced if the share price has fallen in value by some 50% over the previous months).

Timing

The pattern of corporate reporting and the analysts' research timetable has implications for any attempt to engage analysts. It is probably not a good idea, for example, to ask for a meeting in the run-up to a company announcing its annual results or just afterwards. (Of course, if your campaign has identified an immediate "scoop" which will affect the results, then contacting analysts at this period could be very effective.) Picking a time that is relatively quiet for analysts makes it more likely that your research will be read. But for new share issues and projects, it is vital to get in early. Once a share issue has been formally announced, it will be much harder to influence the outcome – particularly if the lead bank managing the issue has guaranteed the success of the issue by agreeing to buy any unsold shares.

INSTITUTIONAL INVESTORS

The bulk of the world's investments and companies are held by individuals, although most people are not even aware of their holdings in a company. One reason is that the bulk of shares are not bought by the individuals themselves but by various institutional investors acting on their behalf. Anyone with a pension scheme, for example, will make (or their employer will make) monthly payments to an insurance company or pension fund: the monthly payments are then invested in the financial markets by professional fund managers in order to generate sufficient capital to pay out a pension at some point in the future.

Institutional investors have huge sums of money to invest and consequently wield enormous power in the financial markets. How they respond to any particular issue largely decides its outcome. If they like the look of a new company, it will get the backing it needs: if not, it won't. If they decide to sell an existing holding in a company, others are likely to follow. If they support a controversial take-over, it will go through.

As these institutions own shares on behalf of millions of ordinary citizens (most probably including you, if you live in a Northern industrial country), it would seem reasonable to expect them to be accountable to their investors, to report on how they are investing their money, and to discuss their concerns with them. In practice, however, this is far from the case.

There are a number of reasons for this. First, most individuals are simply unaware that it is their money which institutional investors are investing: consequently, those who may have concerns have not demanded a say in how that money is invested. Second, even when they are aware of the role of institutional investors, many individuals have not been too concerned about how their investments are managed, provided they yield results. And, finally, as professionals, institutional investors have traditionally been very resistant to any interference in their investment decisions, assuming that they know best and disliking any questioning of their judgement.

Types of institutional investors

There is a wide range of organisations involved in institutional investment, and the interactions between them can be complex. One useful distinction is between investment institutions and fund managers (in some countries, fund managers are also referred to as "asset managers" or "investment managers"):

- **Investment institutions**
  These typically gather funds for investment, hold them on behalf of investors, organise payments back to investors, and generally deal with administration and marketing. Examples include pension funds and life insurance companies.
- **Fund managers**
  These are the organisations and people that actually decide which companies to buy and sell. In some cases, fund managers are employed directly by the investment institution whose funds they

are investing – this is typically the case with life insurance companies. In other cases, they may manage funds on behalf of an investment institution on a contract basis (usually called a "mandate").

This distinction between investment institutions and fund managers is important because the two organisations have different goals and motivations and thus different pressure points. We shall deal with fund managers in the following Part; here we focus on the main investment institutions.

What are the main types of investment institutions?

There are three main investment institutions: occupational pension funds, life insurance companies and retail investment organisations.

Employer-based pension funds

Pension funds collect and invest employees' retirement savings. Most large companies have pension funds, as do other major employers such as governments, municipalities, partnerships (such as accountancy firms) and unions. Sometimes pension funds are organised on an industry-wide basis by a number of employers. The pension fund is legally separate from the employer (or "sponsor"), but the employer has substantial responsibilities regarding its management. These include an obligation to make regular payments into the fund and to underwrite any shortfalls.

Most large pension funds are in the US, the UK and The Netherlands. Pension funds are much rarer in the rest of Europe (although Sweden, Switzerland and Denmark have fairly large pension fund assets). The biggest pension funds have assets worth up to $100 billion or more in the US, and £10 billion ($14 billion) or more in the UK. The UK pension market had total assets of around $1,450 billion at the end 1999; in the rest of Europe, pension funds total around $2,200 (about one-third of which is in Dutch pension funds).

In the US and the UK, pension funds are controlled by "trust law" – this means that they are supervised by trustees who have a legal duty to ensure that the pension fund is properly run, although they themselves are not involved in its day-to-day management. Trustees have traditionally been appointed by the sponsor, although new legislation in the UK means that some are appointed by the beneficiaries.

In temperament, the directors of a life insurance company tend to be more willing to take risks than ordinary business people.

A key feature of trust law is that the money has to be invested in the best interests of the beneficiaries – and this is usually taken to mean in their best *financial* interests. The principal duty of trustees dates back to Victorian times: namely, to invest as a "prudent man" (*sic*) would if investing on behalf of others. (Women were not considered "prudent" in Victorian times, even though they were held responsible for household management. Today, there are still few women pension fund trustees, although many women work on the operational side.) Trustees can be held personally liable if they take actions which are not in the best interests of beneficiaries or if they act in an imprudent manner and a financial loss results. Not surprisingly, trustees are very cautious, often seeking to leave decisions to their advisors (for example, their fund managers) or simply going along with what they deem to be the market "consensus".

Many pension funds have argued that the "fiduciary responsibilities" laid down under trust law prevent them from taking account of the social, ethical or environment implications of their investments. But recent changes to the law are likely to make pension funds more open to considering social, environmental and ethical issues. In the UK, pension funds now have to disclose their investment policy in a "statement of investment principles" and a recent regulation requires this statement to disclose "*the extent to which (if any) social, environmental and ethical issues are taken into account.*"

Fund managers are under great pressure to maximise returns, not only because this benefits profits but because high performing funds win new business.

The new regulation has encouraged pension funds to reconsider their past approach. Most commentators now agree that there are no significant legal obstacles to the adoption of SRI policies. However, major cultural barriers remain. That said, there is now a growing recognition that the shareholder-voting rights enjoyed by pension funds are valuable assets of pension funds and that they should be used actively and responsibly. Individual pension fund holders are also becoming increasingly critical about how their money is being invested, adding to the pressure on pension funds to consider the broader implications of their investments. Finally, some pension funds now recognise that projects which damage the environment or cause social unrest can affect the performance of an investment and hence its returns. Taking account of the environmental and social consequences of an investment would thus appear to fall within even a limited interpretation of the fiduciary responsibilities of trustees.

Pension funds are not particularly homogenous – they vary in size, in investment approach, in maturity (some have a membership largely made up of existing pensioners, whilst others have members who are fairly young) and in how well funded they are relative to their liabilities. While most pension funds use external managers, some of the large funds have their own in-house managers.

One key distinction between the different pension funds is in sponsor type. Some funds are public sector funds, backed by local authorities, municipalities or states, whereas others are backed by companies. In addition, there are some funds which do not fall into either category – being backed by partnerships, industry bodies, trade unions or charities. The public sector funds include some of the largest pension funds in the world, such as CalPERS (the Californian Public Employee Retirement System) and the large Dutch funds ABP and PGGM (for local authority workers and health workers respectively). More importantly, the large public sector funds tend to be the most active on social and environmental issues, and will probably be the most likely to respond sympathetically to a campaign.

In the UK, the Local Government Pension Fund Forum has been active in organising local authority pension funds to take an active approach on governance issues. The Forum has worked closely with Pensions Investment Research Consultants (PIRC), a specialist adviser on corporate governance, and is often prepared to take a stand on social and environmental issues.

Life insurance companies

Life insurance companies offer a range of financial products such as pensions, life insurance and savings products. For life and pensions products, they typically expect regular payments or "premiums" which they invest in the stock market, hoping to make a good return. Some products are managed "on balance sheet" – that is, the life insurance company itself undertakes to pay its customer and invests on its own balance sheet to meet this obligation. Other products are managed by an insurance company on behalf of customers (and thus are effectively off balance sheet). Further complications arise with some of the on-balance-sheet products. In some cases, a guaranteed fixed pay-out is provided (with the life insurance company taking all the risks and rewards); in other cases, the company shares some of the rewards above a certain level ("with profits") with customers.

As well as pure life insurance companies, there are a number of "composite" insurance companies that provide both life insurance and general insurance (for example, motor insurance and home insurance). Note that even general insurance companies are fairly major investors in the stock market, since they invest their premiums before paying out on claims.

Most large UK life insurance companies are listed on the UK stock exchange, but some are owned by their members as mutual societies. All have a board of directors. The majority of life insurance companies employ in-house fund managers, who will often form a separate department of the company. The life insurance industry is consolidating rapidly worldwide. The biggest life insurance companies have assets upwards of $100 billion. The UK life market may be worth around £1,000 billion (£1,400 billion).

While insurance companies are not as constrained by the law as pension funds, they are under a general obligation to invest prudently in the interests of customers and shareholders. Historically, they have been rather cautious when it comes to social and environmental issues. But there are some positive changes underway. Some life insurance companies have been involved in the ethical investment industry for many years (although this has normally involved only a small proportion of their total assets under management). Increasingly, these life insurers are now applying an activist shareholder approach across all their funds, dramatically increasing the potential for shareholder activism. A number of other fund managers, new to SRI, are following suit. Some have signed up to the United Nations Environment Programme's (UNEP) "Financial Institutions Initiative", which has an asset management sub-group.

Many financiers view campaigns as a challenge to their judgement: hectoring them about "sustainability" is likely to trigger a defensive reaction.

For campaigners seeking deeper reform of the industry's investments, a key pressure point lies in the need for life insurance companies to maintain a high consumer profile in order to sell their policies. Most life insurance companies are very brand-conscious, spending large sums of money to promote a positive corporate image. As a consequence, they are sensitive to adverse publicity.

In the UK, for example, several insurance companies have improved their ethical investment performance following poor ratings in Business in the Environment's annual *Index of Environmental Engagement*, which reviews the investment portfolios of major UK companies, publishing comparative tables that rate ethical and environmental performance. Those life insurance companies listed on the UK

Many pension funds have argued that the "fiduciary responsibilities" laid down under trust law prevent them from taking account of the social, ethical or environment implications of their investments.

stock exchange are also likely to be sensitive to any evidence that they have failed to comply with the Exchange's various codes of conduct on reporting and accountability.

Ultimately, all investment companies gauge their performance by bottom-line profit.

Retail investment organisations

In the UK, the most common form of retail investment organisation is the Unit Trust (or, increasingly, the "OEIC" – that's an "open ended investment company").

Known as "mutual funds" in the US, unit trusts are effectively collective investment funds: rather than buying shares for themselves, members of the public purchase "units" in a pooled fund, which is managed by the unit trust company.

When purchasing their "units", members of the public have considerable choice as to the markets in which they would like to see their savings invested, although the detailed choice of which company's shares to buy is left to fund managers.

Given the liabilities that pension fund trustees risk, their primary measure of "success" is to manage assets prudently and to avoid being sued.

Most retail investment organisations have a range of funds on offer, ranging from the relatively general ("domestic equities" or "balanced") to the specific (for instance "technology" or "US equities"). Indeed, the total number of retail funds runs into thousands worldwide. (It is probably larger than the total number of listed companies.)

The UK unit trust market is worth several hundred billion pounds, the US some two trillion dollars.

Who's Who in the institutions

Pension funds

Pension fund trustees are not financial professionals; they are generally leading members of the businesses whose funds are managed by the trust or, in some cases, independent "wise heads" with backgrounds in industry or local government. Pension fund trustees are, in an almost legendary sense, older, experienced and usually very conservative. They typically have only a limited amount of time to spend on the pension fund, and so will look to others for help and guidance.

A key figure in a pension fund is the "pensions manager", who handles the administration of the fund. The pension manager's responsibilities generally include acting as secretary to the trustees and bringing issues of concern to their attention, in addition to organising the panels which appoint fund managers and consultants. The influence of the pension manager is thus considerable: indeed, in most pension funds, progress on social and environmental issues has generally been driven by a proactive pension manager.

Pension managers tend to be drawn from senior management and are typically based in the finance or personnel department, although they are not generally involved in the "front line" of business. They usually have a reputation for being "a safe pair of hands" and will be methodical and conservative. In some cases, they may be a senior manager who has been moved sideways into the job; in others, they are people who have made a career in pensions (note that there are professional qualifications and professional bodies for those working in the industry). Often, pension managers may have several staff working with them, usually in administrative roles but

Organising a shareholder resolution
The Balfour Beatty campaign in the UK

by

Kate Geary, Ilisu Dam Campaign, and Hannah Griffiths, Friends of the Earth

In 1997, the UK firm Balfour Beatty became lead civil engineer for the consortium planning to build the Ilisu dam in the Kurdish region of Southeast Turkey. The company has applied to the UK and US export credit agencies to back its participation in the proposed dam.

Ilisu has recently become one of the most controversial planned dam projects in the world: it would affect up to 78,000 people, the majority of them Kurds, in an area which is under State of Emergency rule; flood an area of over 200 square miles, inundating a number of internationally important archaeological sites, including Hasankeyf, a city dating back 10,000 years; and threaten relations between Turkey and its downstream neighbours Iraq and Syria over the water resources of the river Tigris. An international campaign is targeting both the export credit agencies – from eight countries including the US, UK, Switzerland, Italy and Germany – and the companies involved.

Planning for Balfour Beatty's 2001 AGM

In the UK, the Ilisu Dam Campaign has organised numerous protests against Balfour Beatty's involvement in Ilisu: writing letters, holding demonstrations at its offices, and attending the company's 2000 annual general meeting (AGM). For Balfour Beatty's 2001 AGM, the Ilisu Dam Campaign and Friends of the Earth undertook a wider strategy of shareholder activism, centering on a shareholder resolution.

The resolution called on the company to adopt the guidelines of the World Commission on Dams, an internationally credible body set up with the support of industry, NGOs, government and development bank representatives. The WCD's seminal report was published in November 2000. The guidelines, if implemented, would rule out the Ilisu project, prevent company participation in other "Ilisus" in the future, and improve wider corporate practice.

Friends of the Earth had written to Balfour Beatty earlier in the year, asking the company to adopt the WCD guidelines as company policy. The response from the company was a resounding "No" which was why FOE and other Ilisu campaigners decided to submit a resolution.

From the start, we never expected to *win* the resolution: this would have meant that over 50% of shareholders agreed with us about the problem and about the exact nature of the solution. In fact a report by Friends of the Earth International points out that no social/environmental resolution has ever gained majority support. The objective was rather to send a clear message to the company that it must change its ways, that some investors were concerned about the company's activities, and that change was both possible and made good business sense.

Talking to institutional investors

The first task was to identify an up to date list of major institutional investors in Balfour Beatty. We did this through a search on a financial database – although institutional investors could have been identified through web searches of sites which give details of the largest shareholders in profiled companies (*see* p.137).

In the UK, approximately a third of institutional investors now have some form of socially responsible investment. This made it easier for us to draw up a list of key investors to approach, as several of those with "Socially Responsible Investment" (SRI) teams also had holdings in Balfour Beatty – ranging from below 1% to 7%. These we called the "A" list – investors whom we would meet in person; the "B" list were those investors without SRI policies, but with major holdings in the company, whom we would either meet or inform through personal letters and briefing documents.

We made appointments with the "A" list investors, taking along a draft of our resolution – both so that they could feel some ownership of the process and to solicit advice on its wording. We also provided documents to back up every argument we made – rather than expecting the SRI teams to do their own research – to convince them of the merit of our resolution. Our main arguments centered around the risks to Balfour Beatty's reputation posed by the many controversial projects, including Ilisu, in which the company was involved and our opinion that the company had insufficient structures and policies in place to manage those risks.

This emphasis on reputational and therefore financial risk, rather than moral arguments, was crucial for communicating our message to investors for two reasons. First, it enabled SRI teams to put the issues to their respective fund managers and analysts in language which made sense to them. Second, the argument that the current operating policy is financially risky enabled us to show investors that, unless it changed, Balfour Beatty could be jeopardising its future profits – and important consideration given that companies are required by UK law to maximise returns for their shareholders.

A temporary glitch

We thought that our resolution would be eminently reasonable in the eyes of investors, as it certainly was very reasonable in our eyes. Given this "reasonableness", we had expected that one institutional investor would propose it – a formal proposal being a prerequisite of having the resolution tabled for the AGM.

We very quickly learned that this was too much too soon – that for an investor to propose a resolution, without first having a long and involved dialogue with the company, was the equivalent of, as one investor put it, "pressing the nuclear button". A shareholder resolution, from the perspective of institutional investors, is a tool to be used when all other forms of communication and liaison with the company have failed to produce a satisfactory result.

Undeterred, we decided to propose the resolution ourselves, which meant buying a substantial number of shares in the company. Under the Companies' Act (sections 376 and 377), the rules for proposing a resolution state that one needs either 1/20th of the votes (in Balfour Beatty's case representing 20 million shares) or 100 shareholders with an average shareholding of £100 each. We chose the latter option, which meant that we could have the resolution endorsed by 99 single-share shareholders and one 20,000-share shareholder.

A word of caution here: this "average shareholding of £100" means £100 of ordinary shares (in Balfour Beatty's case valued at 50 pence each). This value does not necessarily correspond to the market price of the shares (which for Balfour Beatty was over £1) but constitutes the set value of the company's shares.

We now had two tasks: finding 100 shareholders and finding 20,000 shares.

Buying shares

Friends of the Earth bought 20,000 shares in its name. In addition, 500 shares were bought in the name of Kate Geary, the Ilisu Dam Campaign's co-ordinator – to be transferred to individuals later on. This works out much cheaper than buying shares individually as you only have to pay the commission once.

Many banks, such as Lloyds TSB and HSBC, have branches with "share shops", where you can go in and purchase shares in a company. It is worth checking with the local branch first. Others have "share lines", which allow you to buy shares over the telephone. All banks charge a commission on the sale, which varies according to the number of shares bought.

To buy 500 shares in Balfour Beatty, we rang Lloyds share line (0870 6088600). We wanted to buy shares on behalf of the Ilisu Dam Campaign – but it was only possible for a private individual to buy shares so Kate Geary completed the process in her name.

There are two stages: registering, then purchasing. To register, the bank takes bank and personal details then gives a client reference number and quotes the cost of the shares, their commission (in this case £25) and the stamp duty (£2.50). We approved the charges and were then passed to a broker to complete the deal. The price of the shares and of the deal is set from that moment – although the form-filling and payment has not yet been done. Within the week, we'd received forms to fill in and an invoice for the shares and charges, which we paid by cheque. It took about six weeks for the share certificate to arrive.

To buy 20,000 shares, Friends of the Earth went directly through a broker. This has the disadvantage of more paper work in the form of setting up an account with the broker, but has the advantages of by-passing the bank and of being able to sell the shares back through the broker when they are no longer required.

How to transfer shares

If you have a block of shares, you should aim to transfer them to individual supporters well in advance of the AGM – *at least three months beforehand*. Contact the company's registrar, who will be listed on the company's web-site or annual report, and ask for the required number of "stock transfer forms". You will need the full name, title and home address of each transferee. Fill in the forms according to the instructions, writing "L" in section 14 which denotes that you are "gifting" the share for free (if you charge for shares, you may be liable for a £5 stamp duty per share). Each share must be individually transferred. Send the forms, together with the original share certificate to the registrar. The transfer process will take around two weeks.

Proposing the resolution

We identified over 100 would-be proposers of the resolution. The format that the proposal takes is dictated either by the company's articles of association or by the requirements of the company's secretary. In our case, each proposer had to submit their proposal on paper in the same format.

We wrote to every individual proposer, enclosing a copy of the resolution with a section for them to sign, date and fill in their share certificate number, to be returned by ready-stamped, self-addressed envelope. Luckily, 114 people returned their signed forms in time!

We now had enough shares and endorsements to be able to propose the resolution.

The Companies Act states that resolutions must be submitted at least 6 weeks in advance of the company's AGM. However, it was important to liaise with the company secretary well in advance of this deadline to ensure that everything ran smoothly. There were two main considerations. The first was to make sure that the wording of the resolution contained no facts which the company could contest. In this case, Balfour Beatty were concerned about our resolution's mention of corruption allegations in Lesotho against a consortium of which Balfour Beatty was a part and wanted us to remove this reference. Following contact with lawyers in Lesotho we clarified the situation and were able to include a slightly amended reference to the case.

The second consideration was to make sure the resolution was submitted in time to be circulated with the company's annual report and other information for the AGM. Under the Companies Act, the proposer can be obliged to pay for all the costs of submitting a resolution (which would include printing and postage costs). However, Balfour Beatty agreed to include the resolution document with the annual report which meant that there were no extra mailing costs. We paid for the printing of the entire document (including Balfour Beatty's counter statements) and this came to £2,500 for 23,000 copies.

Under the Companies Act, as well as the text of the resolution itself, proposers are allowed to provide a "supporting statement" to explain to shareholders the argument for supporting it. The resolution and statement must total under 1000 words. It is worth having a lawyer check this text, as we did, to ensure no fact or argument could be considered libelous. Balfour Beatty also submitted a statement against the resolution and this was included in our document, making it an 8-page booklet. If necessary, we could have limited the contents of this document to the resolution text and our own statement in order to save postage and printing costs.

Whether or not you must meet printing and distribution costs for your resolution appears to be at the particular company's whim – for example, BP covered all costs of a resolution by the Free Tibet campaign itself.

Targeting investors

In the final weeks leading up to the AGM, we wrote again to all investors – "A" and "B" list – enclosing our final resolution and a detailed briefing arguing our position. We had honed the content of the briefing over the past couple of months, choosing the arguments and facts which had seemed of most interest and concern to investors.

We also specifically targeted a group of major investors we had not dealt with before: local authority pension funds. These funds are often invested in a range of FTSE 100 companies, so it is likely that many will have holdings in the company you are campaigning against. We used a two-pronged approach: we wrote directly to every local authority pension fund in the country (almost 100), enclosing a briefing and the resolution, and to our own supporters, asking them to send letters to their local authority, asking the latter to support our resolution.

We also produced a "spoof" annual report – *Balfour Beatty counter-report 2000, Balfour Beatty's annus horribilis* – copy-catting the company's own annual report. The report highlighted key controversial projects – including the Ilisu dam – in which the company was involved and argued that Balfour Beatty lacked a coherent strategy to manage reputational risks. We used the report to brief the media, institutional investors and shareholders.

One of the arguments we had made in our briefing for investors was that Balfour Beatty was involved in a whole range of controversial projects – not simply Ilisu. Indeed, the campaign was supported by unions – UCATT (construction workers) and RMT (railway workers) – the Campaign against Tube Privatisation and protesters against the UK's first toll motorway in Birmingham, in which Balfour Beatty is involved. In order to ensure that these groups were able to present their concerns at the AGM, we transferred shares to representatives from the different campaigns.

The AGM

Immediately prior to the AGM, over 100 protesters unfurled banners and showed spoof share certificates (reading "Balfour Beatty – One Share in 78,000 forced evictions, oppression of the Kurds, environmental destruction and construction worker deaths") outside the hotel where the AGM was held. This photo shoot was covered by major national media.

Shareholders then entered the AGM. The first hour was dominated by questions on a wide range of issues – from bribery and corruption charges in Lesotho and the United States, to the company's human rights and environmental policies, to the Birmingham Northern Relief Road and the company's responsibility for the Hatfield train crash in the UK, which saw four passengers killed. The chair finally brought this session to a halt after an hour and a half with many shareholders still wanting to question the board over a range of issues.

The second session of the meeting was devoted to a debate on the resolution and to concerns over Ilisu. Charles Secrett, director of Friends of the Earth, opened the questioning. He warned the board that corporate responsibility was an issue that would not go away, indeed that it could only become ever more prominent. The only way for Balfour Beatty to protect its reputation and its profitability in future would be for the company to take real action over such controversial issues and to support

Resolution 15 by adopting the WCD's guidelines.

Apparently startled by the strength of the campaign against the Ilisu dam, Lord Weir, the company chair, told the AGM, "If we had known how controversial this project would be we could have saved ourselves a lot of trouble by not taking part in it . . ."

The vote

When the vote on Resolution 15 was announced, it emerged that 14 million votes had been cast in favour of the resolution and 75 million votes cast against.

But the story of the vote did not end there. Later on during the day of the AGM, Balfour Beatty announced that there had been a mistake in the voting. The abstentions stood, but three institutional investors who had supported our resolution had made a mistake, having accidentally ticked the wrong box on the polling form. The errors, said the company, had emerged following telephone calls from Balfour Beatty's company secretary to the fund managers in question. The votes of the three institutional investors were therefore changed.

The final results were 3,416,218 votes for the resolution and 102,211,464 votes against, with an estimated 73,096,424 abstentions. The result compares with one of the most successful shareholder actions ever in the UK, brought by Greenpeace against BP in 2000, which saw 45% abstentions.

For the Board to "*fail to win the support of more than 40% of institutional shareholders*", in the words of the *Financial Times*, was a major blow to Balfour Beatty. Institutional investors who abstained sent a clear message to the company's directors that all was not well. "*Abstentions should usually be read as shareholders who sympathise with the resolution but don't want to go the whole hog*," commented Pensions Investment Research Consultants, which advised clients to support the resolution. This fits well with our earlier realisation that supporting a resolution is a last-ditch method of engagement for institutional investors.

Although the resolution was defeated, a strong warning was delivered to Balfour Beatty's board of directors – over 40% of their shareholders were unhappy with their current policies on dam-building. But this warning was delivered at least as strongly during the weeks and months leading up to the AGM as Balfour Beatty had to justify itself to its key investors, all of whom met or corresponded with the company before the AGM.

One the day of the AGM, Balfour Beatty put out a press release, stating that the company "has committed itself to taking the WCD principles, criteria and guidelines into account in determining whether and how it should be involved in any future hydro-electric projects". This is a long way from the company's response to FOE's original letter urging that the company adopt the WCD guidelines. How the new commitment manifests itself in practice remains to be seen.

Lessons learned

The most important lesson we learned involved *timing*: we only began our shareholder strategy in January for an AGM in May; ideally we would have prepared for a year. This would have had the advantage of giving institutional investors the time to talk to the company, to work through their own processes of engagement which, if the company was not moving in the right direction, might ultimately result in them feeling able to support or even propose a resolution. To have had the resolution brought by an institutional investor would have increased the likelihood of others backing it, or at least abstaining.

Our planning succeeded in setting a tight but achievable timetable: to transfer shares, build support, propose the resolution on time and plan for a successful AGM. Anyone embarking on a shareholder action would be well advised to draw up such a timeline, marking major deadlines to meet.

A further lesson lay in the content of the resolution itself. We tried to keep our resolution neither too broad nor too narrow. Too broad and there would have been plenty of room for misrepresentation; too narrow and investors would not have been interested – focusing on one project, such as Ilisu, would have been interpreted as attempting to "micro-manage" the company. (For further advice on wording resolutions, *see* p.68).

Finally, bear in mind that the more you can prepare the ground for investors the better: by engaging with the company and preparing financial arguments to back up your case – with the facts to support them – the more likely it is that you will secure investor support for your resolution. Prior engagement with the company is also critically important for reassuring investors that your campaign is sincere in trying to persuade the company to change.

Kate Geary and Hannah Griffiths

Copies of the Ilisu Dam Campaign's *Balfour Beatty counter-report 2000: Balfour Beatty's annus horribilis* can be downloaded in pdf format from www.ilisu.org.uk . Or write to Ilisu Dam Campaign, Box 210, 266 Banbury Road, Oxford OX2 7DL.

sometimes with specific responsibilities for investments. These staff can be worth contacting. In some organisations, pension managers are very senior officials – within local authorities in the UK, for example, the director of finance or county treasurer takes responsibility for pensions.

Life insurance companies

Life insurance companies are governed by a board of directors, with a chair and chief executive. The directors are likely to have extensive business experience, and, in most cases, to have spent much of their working life in finance. Individual directors will have responsibility for areas such as investments (the Chief Investment Officer) and marketing (Head of Marketing).

In temperament, the directors of a life insurance company tend to be less aggressive than many financiers but more willing to take risks than ordinary business people. They are typically less egotistic than, for example, analysts, and more open to new ideas than middle management. Ultimately, however, they know their own minds and have confidence in their own judgements. It goes without saying that they will be very busy.

Retail investment organisations

The heads of retail fund investment organisations are likely to have a similar profile to the heads of life insurance companies. If there is a difference, it will be that retail fund managers tend to be more aggressive, possibly younger and generally closer to investment banks and analysts. Similarly, but with more positive implications for campaigners, their business is more volatile than that of insurance companies, placing them under greater pressure to maintain their reputation for financial competence.

What are their success factors?

Pension funds

Given the liabilities that pension fund trustees risk, their primary measure of "success" is to manage assets prudently and to avoid being sued. This tends to make pension funds more conservative than other financial institutions.

Prudence apart, there is a desire to ensure enhanced returns so that improved benefits can be provided, or the cost to the sponsor reduced. Such increased returns, however, need to be achieved without incurring excessive risk. Other considerations, specifically "doing good", will be very much a tertiary objective.

Efforts to encourage pension funds to invest more ethically are thus likely to come to little unless campaigners can reassure trustees and fund managers that "doing good" would not be at the expense of increased risk or lower financial returns.

Life companies and retail investment organisations

Life insurance companies and retail fund management institutions are businesses; their ultimate measure of success is profits and increased shareholder value. Fund managers are under great pressure to maximise returns, not only because this benefits profits but because high performing funds win new business. High returns, however, are only part of the picture.

Success is also measured by the increased volume of sales, which in turn places a high value on the ability of life insurance and investment companies to market themselves effectively. This leads to a concern with image that campaigners can use to their advantage.

Reducing costs is also an important consideration for life insurance and retail investment organisations. One result has been a substantial numbers of mergers and acquisitions, as companies attempt to capitalise on available economies-of-scale.

A major drawback of such mergers is that they take up large amounts of management's time, in addition to creating insecurity amongst staff. For campaigners, this can mean fewer opportunities to engage with management over the impacts of a company's investment policy. Not only are staff too busy to discuss such concerns, but the prospect of losing their jobs makes them disinclined to do so.

Questions to fund managers

Engagement can be rather intangible. How can external stakeholders know that fund managers really are making good on their commitments to engage with the companies they invest in? How do they do performance measurement for engagement?

There are four different categories within which to measure engagement success: inputs, outputs, outcomes, transparency. NGO's may wish to consider the following kinds of questions to fund managers to test their commitment to engagement:

Inputs: What resources and thinking go into the engagement process?

- How much money is spent?
- How many staff are involved in the process?
- What levels of qualification and experience do they have?
- Are SRI issues dealt with by a separate unit or integrated
- into each analyst's/ manager's brief?
- If there is a separate unit, how are its recommendations and findings used by the rest of the house?
- What research is conducted in house? What is bought in?

Outputs: What engagement work is carried out?

- Which issues does the fund manager cover under its SRI
- policy? Does it cover international development issues as well
- as environment and corporate governance?
- How many companies are contacted?
- How intensive are contacts?
- How many specific requests are made for change?
- Are any substantial projects undertaken?
- Are investors included in major debates and initiatives
- undertaken by government, NGOs, trade associations etc?
- Are any exceptional strategies employed, such as AGM
- attendance or shareholder resolutions?

Outcomes: How successful is the engagement process at achieving its objectives?

- How many companies have changed following
- engagement?
- How substantial are these changes?
- What other signs of change in the corporate sector are
- linked to engagement activity?
- How well substantiated are claims of engagement success?
- What is the fund manager's most significant SRI
- achievement over the last year?

Transparency: How clear is the communication of engagement activity?

- How detailed is the fund manager's reporting of
- engagement activity?
- How frequent?
- How well substantiated is it?

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FUND MANAGERS

Fund managers are the investment "experts" whose job it is to manage money for institutional investors and their clients. As stated earlier, most life insurance companies and retail investment groups, together with some large pension funds, employ their own "internal" fund managers to invest their money. Pension funds and foundations, by contrast, generally prefer to use "external" or "independent" fund managers. To complicate the picture, some "internal" fund managers may also manage money from other institutional investors – acting as both internal and external fund managers.

Some fund managers specialise in a particular market – for example, emerging markets or technology stocks – although most cover all stocks. They may also have particular target markets – some primarily focus on individual retail investors, for example, while others focus on institutional markets. The amount of money managed by a fund manager can vary considerably: specialists may be responsible for less than one billion dollars, while the fund manager of large funds like Barclays Global Investment, Fidelity and Credit Suisse may have several hundred billion dollars at their disposal.

External fund managers are nearly always seeking to win new business – for example, by tendering for "mandates" from pension funds and others. This is a formal process in which the pension fund says what it wants, the fund managers say why they think they would be good at doing it, and the pension fund then selects the fund manager it thinks would best handle its investments.

Most independent fund managers are parts of banks (whether investment banks or commercial banks), although they normally operate as separate divisions. This can create conflicts of interest (for example, if the bank is advising on a deal concerning a company the fund manager invests in), although various laws and rules aim to minimise problems. For campaigners, such conflicts of interest present both obstacles and opportunities. On the one hand, the investment arm of the bank may be reluctant to support your actions if doing so would create internal strife. On the other, it may be particularly sensitive to accusations of conflict of interest, enhancing the opportunities for highlighting potential damage to the company's reputation.

In investment terms, the kingpin in the fund manager hierarchy is the Chief Investment Officer (CIO), who is responsible for the overall investment strategy of the fund managers within a particular company. For instance, it is the CIO who decides what markets and what sectors are invested in, with what type of investment, as well as the process and investment style of the fund management organisation. These decisions make a huge difference to the fund's performance.

The CIO usually reports to a Chief Executive Officer (CEO), although the CIO is often a member of the board of the fund management organisation as well, and nearly as powerful as the CEO. Reporting to the CIO are the section heads responsible for particular types of investment, such as head of US equities, head of bonds, head of emerging markets, and so on. In

Life and pension companies often respond to hints that negative publicity may arise if they ignore your issue. They are driven by their reputation.

addition, an investment strategist or chief economist advises on investment strategy and economics. Individual fund managers in turn report to the section heads. Supporting the individual fund managers will be a number of analysts (*see* p.80), although in some organisations fund managers conduct some of the analysis themselves. Finally, "risk management specialists" are responsible for analysing the risks of the various portfolios and for ensuring that there are adequate controls on the fund.

Who are they?

Fund managers, particularly senior ones, are typically older and more established in their company than analysts or investment bankers. They are not as ego-driven or as entrenched in their views as analysts tend to be, but nonetheless are very self-assured and confident – you couldn't invest millions on behalf of others if you didn't believe in your decision-making ability. Fund managers tend to move from company to company less frequently than investment bankers; it is not unusual for the same people to manage the same fund for five years or longer (clients often like to see a solid track record and stability from their fund managers).

Fund managers are paid well – not as much as investment bankers or analysts but nonetheless well – and the top people earn millions. Their work load is less than that of investment bankers – fund managers can usually get home at a reasonable hour – but in many respects their responsibilities are more onerous. By background, fund managers are often former analysts or investment bankers. Some fund management organisations encourage "star personalities" – the Nicola Horlicks of the City or the Warren Buffetts in the US – but most prefer a less flashy, team approach in order to reduce risks and ensure a degree of oversight and control.

What are their success factors?

Fund managers and their organisations are judged by their market "performance" – how much money they've made for their clients, and how much profit and business they've generated. Usually, fund managers are given a brief by their companies to manage their clients' money against a particular index, like the FTSE All Share, the Morgan Stanley Capital International World Index, the Standard & Poor 500 or some other specialist benchmark. If the funds they manage do better than these indexes, then the fund manager's star rises. If not, it falls. Companies may also measure the performance of fund managers against that of their peers; given the competitiveness of fund managers – and their desire to maintain their standing amongst their colleagues – this measure of their performance is perhaps the most important for fund managers themselves.

Other considerations also have a bearing on the extent to which an individual fund manager is judged a "success". Of these, the most important is the level of risk that fund managers incur when managing their portfolio. Fund managers are not necessarily praised for having taken big risks to make big investment returns for their clients because there's always the chance the investments could have done very badly. Investment portfolios are therefore carefully planned and "spread" across companies and markets to reduce risk.

Fund managers report directly to their large institutional clients about what they have done with their money. An investor will want to meet the person in charge of managing his or her money at the quarterly meetings held to discuss their investments, not some "schmoozer" from the marketing department. Furthermore, as fund managers invariably have some bad periods, they will be expected to explain clearly why things have gone wrong and to reassure clients that they have been following the strategy they outlined when taking on the mandate.

Ultimately, all investment companies – fund managers, life companies and unit trusts – gauge their performance by bottom-line profit. Good results generate more clients, bringing more money to invest, and consequently more fees. But this pursuit of bottom-line profit is tempered by other considerations. Companies will ask: What is the cost of generating new business? Are the fund managers being paid too much? Is the company losing out to competitors who may be cheaper or working smarter? Are fund managers taking unjustified risks? Is the company's investment portfolio secure? Occasionally, they may even allow themselves a thought as to their reputation.

Competition

While analysts work in an ego-based environment and compete for reputation, fund managers compete for business. The investment decisions made by fund managers are highly individual, reflecting the fund mangers' own personal assessment of the balance of risks and rewards: inevitably, fund managers get blamed for below-par performances as much as they get praised for achieving pre-set benchmarks. Unsurprisingly, if fund managers are able to blame poor results on external factors, they are quick and happy enough to do so.

It is highly unlikely that fund managers will be persuaded to surrender holdings of blue-chip stocks.

Large institutional portfolios are usually reviewed quarterly, although investments are seldom switched from an under-performing fund management organisation after a single quarter. But if the under-performance continues for, say, three years, investors are almost certain to place the portfolio elsewhere.

Fund manager organisations buy and sell securities in their portfolio – usually equities, but also bonds or other assets – and measure their results internally every day. They also constantly monitor stocks and assess the performance of individual companies. Because most stocks are typically held for two to three years or more, however, fund managers rarely make more than one major investment decision in any given day.

Information overload

Fund managers receive even more information than analysts. In addition to keeping abreast of the financial press, they are also expected to read and digest a constant stream of market reports from brokers, analysts, strategists and firms such as Reuters and Bloomberg whioch supply financial market information. One of the first tasks of their day is to work out what they can safely throw into the bin and what they need to scrutinise more carefully.

The information received is used to make "buy", "sell" and "switch" decisions, often after daily in-house discussions of the performances of markets and companies. Most fund managers – certainly those working for the bigger investment institutions – enjoy high-level (and relatively immediate

The 'Ethics for USS' campaign

In late 1999, the £22 billion Universities Superannuation Scheme (USS) – the UK's third largest occupational pension fund – announced that it would be adopting a socially responsible investment (SRI) policy, following a three-year campaign by student groups and university staff around the country. USS is the pension fund of 80% of academic staff in the UK, including lecturers, technicians and researchers. The fund has 158,000 individual members and 290 institutional members, including the UK's 60 oldest universities. Despite its huge funds and the responsibilities these entail, USS previously had no substantive ethical policy guiding its investments. Now USS has a formal commitment to socially responsible investment (SRI).

Demands

In August 1997, the student campaign group People & Planet, concerned at USS's lack of ethical investment standards, launched '*Ethics for USS*', supported by a Steering Committee of leading academics. At the time, USS's top holdings included British Petroleum, Shell, Nestle, AstraZeneca, Rio Tinto, British Aerospace and British American Tobacco. The campaign, which is still ongoing, chose not to call for USS to disinvest immediately from such companies; rather, it adopted a gradualist approach, pressing for USS to adopt an active investment policy, based on the values of its members, with USS using its shares "to exert pressure on companies to clean up their act".

Ethics for USS produced a proposal setting out what such a policy would mean in practice. It called on USS to develop and implement a comprehensive ethical and environmental investment policy; to monitor the activities of the companies in which it invests; and actively to encourage socially responsible corporate behaviour. Pressure would be brought to bear on companies through a range of tactics: from dialogue and liaising with other investors to voting shares or proposing shareholder resolutions. Disinvestment, the ultimate option, would follow where companies failed to respond to USS's shareholder pressure. The campaign also insisted on the need for USS to adopt institutional reforms that would ensure transparency and accountability to its members, on whose values any USS policy should be based. *Ethics for USS* argue that such reforms are necessary if any real change is to occur.

Tactics

The campaign has adopted four main tactics to target key USS stakeholders:

- Supporters have engaged in direct lobbying of the USS Management Committee (its Chair and 12 Directors), via correspondence;
- The campaign has targeted the bodies from which the USS Directors are recruited, principally the academics' union – the Association of University Teachers (AUT);
- The campaign also directly approached individual Vice-Chancellors, who, as employers, have far more influence than individual members; and
- Student activists, who make up the membership of People & Planet, have reached out to lecturers and other USS members, informing them of the issues, building their support for the campaign and mobilising them to sign Supporters' Statements and petitions which *Ethics for USS* has then collected and sent to the USS Management Committee.

In the three years since its launch, *Ethics for USS* has generated the written support of over 4,000 lecturers, the AUT, four Vice-Chancellors and two government departments.

USS's objections

Initially, USS was resistant to change, constantly throwing up objections even to the idea of an ethical policy, stating that it would be illegal, unprofitable and unworkable. It was therefore important before the campaign was launched to have established USS's position and arguments via correspondence in order to challenge them effectively. To do this, the campaign drew on expert legal advice and the experiences of other groups, including Pensions Investment Research Consultants (PIRC), fund managers NPI and the UK Social Investment Forum. Legal issues affecting pension funds are uniform – there was no need for the campaign to reinvent the wheel, repeating research which others had already undertaken.

USS also showed itself unsophisticated in dealing with pressure, the media and *Ethics for USS* supporters. The tone of USS's responses was often patronising; as the number of letters from USS members increased, its customer services department resorted to sending out standard replies, refusing to address specific concerns. From this, *Ethics for USS* correctly surmised that USS *individual* members were considered less important than its *institutional* members. Whilst building grassroots support remained a vital focus of the campaign, *Ethics for USS* quickly responded by targeting USS institutional members.

Communicating the message

The campaign's success was grounded in its ability to reach out to and mobilise lecturers. Members of People & Planet's student network (which covers 90% of UK universities) played a key role in communicating directly with lecturers; lecturers themselves informed their peers in their faculties and common rooms; and local branches of the AUT reached out to their members (at one university, 80 lecturers attending a branch meeting signed Supporter Statements in one week). The campaign message – that as a £22 billion fund, USS should acknowledge its ethical responsibilities – proved enormously effective. Nearly 100% of lecturers approached agreed that this central campaign message made sense.

Another key lesson was that the vast majority of USS members knew nothing about how their pension money was being invested – and that they were outraged when they heard the names and records of companies involved. Moreover, they appreciated being informed, regarding the campaign as "friendly" for this reason and USS as secretive in comparison. Lecturers responded particularly well when the campaign linked issues directly with their area of expertise – for example, academics engaged in cancer research felt their work was undermined by their pension fund's investment in tobacco companies. This helped to stimulate USS's own members to take action and act as "multipliers" engaging others in the campaign.

The campaign gained respectability and regard by attracting "names" to the supporters' lists, including heads of Oxbridge colleges, famous professors and leading academics. Their support proved key in attracting more supporters, gaining government support and forcing USS to take the campaign seriously.

The campaign also successfully made a business case for SRI, arguing that SRI need *not* entail negative impacts on financial returns; rather, it would reduce risk and therefore ensure the long-term sustainability of USS' investments.

Press interest, including coverage in key relevant publications such as higher education supplements to the national dailies, also placed USS in the public eye, further building expectations for change.

The campaign was also greatly helped by a political context conducive to SRI. Shortly after USS announced their change of policy, new legislation was introduced requiring pension funds to disclose their SRI policy (*see* p.29). The campaign played a significant role in ensuring that USS responded positively to the regulation, and in fact ensured that USS' commitments went a great deal further than the legislation required.

Obstacles

The campaign initially found USS executive management to be most resistant to change. It was therefore more effective to target USS Directors, using the Management Committee as the main vehicle for change.

USS is not legally accountable to its members on issues of ethical policy. This lack of structure for accountability meant that individual USS members did not have the *right* to force change, but could merely *persuade* through pressure. *Ethics for USS* supporters still clearly feel that they should have a say in what their money is supporting and the campaign will continue to focus on facilitating grassroots' participation.

USS responds

Initially, USS made two concessions: to publish its top 100 investments (out of 2,000) and to "encourage" companies to produce annual audits in the fields of equal opportunities and environmental impacts. USS neglected to define, however, what form this "encouragement" would take and what monitoring, benchmarks and evaluation would be put in place – in short, the concession bordered on meaningless.

Ethics for USS therefore continued to press for change. In late 1999, USS finally announced a formal commitment to socially responsible investment. In a significant step, it appointed an in-house SRI specialist, who has been working both on developing an SRI strategy and – a more subtle art – persuading the fund managers that SRI is worth pursuing and presents no threat. Substantial progress has been made in this: a new strategy was adopted in late 2000 which commits USS to an "integrated" approach to SRI rather than a "token" or "add-on" approach.

USS has initially decided to focus on one sector – the oil and gas industry. This reflects a desire "to do a few things well", rather than to do many indifferently – a position that *Ethics for USS* shares. USS has also indicated that it intends to recruit two further SRI researchers to give it the capacity to implement its SRI policy, another sign of commitment.

Jess Worth and Kate Geary

contact) with the companies in which they invest, although this varies, depending on the size of the fund management organisation and its location.

Fund managers can be lobbied to sell their investments, although it is highly unlikely that they will be persuaded to surrender holdings of blue-chip stocks.

Consequently, much of the information used by fund managers to make their investment decisions comes first hand from the companies (within the laws of insider trading). Such personalised contact is a major marketing point in the investment industry. Fidelity Investments Ltd. – which calls itself the biggest independent fund manager in the world with nearly $700 billion under management – says it has "one of the largest in-house research teams . . . that scrutinise over 6400 companies and make over 46,000 company contacts each year".

Because fund managers are inundated with information, campaigners need to be concise and clear when trying to gain their attention. Aim to put your key points across in one minute or on one page of A4.

Style of fund managers

Fund managers tend to approach the investment market from different angles. Traditionally, fund managers simply chose the stocks they thought would do best. The bulk of the institutional investment business still operates this way, although in recent years, there has been growth in the "passive" or "index-linked" funds. Passive fund managers do not try to compete with the market: instead, they try to match it by identifying and investing in the same shares as the FTSE100, the index which tracks the shares of the leading companies' in the UK. Passive fund mangers operate on economies-of-scale and attract clients because the fees they charge are less than those of more "active" fund managers (1 to 20 basis points, compared to 15 to 150 basis points charged by "active" fund mangers. 1 basis point is one-hundredth of one per cent).

"Active" fund managers operate very differently. They may have a particular investment strategy or style. One common strategy (known as "value" investing) is to invest in companies that look undervalued (typically because the market value is low when compared with the company's assets or where the cash flow and dividend yield are high compared with others in the market). Value investors tend to focus on "old economy" industries, such as extractive industries (mining), chemicals and engineering – sectors which also tend to be of concern to NGOs and activists.

A second investment strategy (the "growth" approach) is to invest in companies which are growing rapidly. Often these are highly valued but pay low dividends. Information technology and pharmaceutical companies are typical "growth" favourites.

If possible, it is worth getting an idea of how a fund manager approaches his or her investment brief. If you can convince a "growth" investor that a company is not going to grow, then the fund manager is more likely to reassess their investment. If you can persuade a "value" investor that a company is going to have to cut its dividends or write-off half its net assets, it may help sway the fund manager from buying its shares. But in most cases, it won't be possible to use such arguments to sway a passive manager. It is virtually impossible, for instance, to persuade passive fund managers that a top company is not a good investment, because their investment decisions are linked solely to the share market index. However, passive fund managers, as well as active fund managers, may be prepared to engage with companies and support shareholder resolutions.

It is worth noting that fund managers won't always invest in equity stocks, but will also invest in cash, money markets, instruments, property and, very occasionally, directly in projects. Finding out who has invested in a controversial project is useful but difficult.

Mergers and change

The global fund management industry is consolidating through mergers and take-overs in order to take advantage of economies of scale: it is generally assumed within the industry that several billion dollars can be managed as easily as several million. That said, there are concerns that the mammoth fund management organisations which have emerged may lack flexibility, making it difficult to move large amounts of money around the marketplace. In addition, mergers often increase the number of fund managers, Chief Investment Officers and brand names, resulting (at least initially) in an organisation of bewildering complexity. Eventually, restructuring should lead to leaner and cheaper operations, but, in the interim, chaos can reign. It can be difficult as a consequence for campaigners to identify who they should target.

Engaging fund managers and investors

If the shares in a company are performing poorly, fund managers have two options: sell up or talk to the company in an effort to bring about change. Fund managers essentially own the company – or at least a chunk of it – and can therefore influence the way a company manages its business.

If there is a strong and purely financial reason why a company is "wobbly", campaigners are in a good position to persuade fund managers to sell out. Even where the company is in good financial health, however, campaigners may be able to persuade fund managers to engage directly with companies on an issue of concern, especially if the company is in breach of clearly-defined standards that, if complied with, would not undermine the value of the company. A fund manager will not, for instance, tell a pharmaceutical company to stop testing its products on animals but he or she may advise it to adopt "best practice". Generally speaking, institutional investors are more sympathetic to the idea of engaging with companies than they are in selling their shares in them.

Many executives may shrug at being called "unethical" but will respond and open themselves up to debate if they are called "worse" than their main rivals.

Engagement between fund managers and the companies in which they invest can take a number of forms. Most commonly, fund managers will opt for an informal, off-the-record talk with the company's senior executives, discussing the issues in a non-confrontational manner. This can be effective; but the off-the-record nature of the conversations and the lack of any independent record of the meetings can also sometimes render such engagement of limited use or, worse, counter-productive. For example, if the fund manager is unfamiliar with the details of an issue, it is relatively easy for the company to pull the wool over their eyes.

Some ethical investment organisations, or groups involved in monitoring corporate governance issues, may be willing to act as intermediaries in your dealings with fund managers.

A rarer form of engagement involves institutional investors using their shareholder voting rights to effect change within a company. A notable example is the shareholder campaign launched against Shell as a result of concerns over its human rights and environmental record. It is difficult to gauge the effectiveness of such actions, however. Shell, for example, was under sustained public pressure from many directions at the same time and it is difficult to assess the relative influence of the shareholder campaign in pushing through operational changes.

The most radical form of engagement is for a fund management organisation to take a strong stance on, say, social or ethical grounds, by calling a shareholder meeting and voting out a company's management. To date, no fund managers have employed this "nuclear" option.

Fund managers don't like seeing their investments criticised. Campaigners can turn this to their advantage: fund managers like to think they're ahead of the game and may appreciate prior knowledge of adverse publicity that is going to harm their investment.

Fund managers can be lobbied to sell their investments, although it is highly unlikely that they will be persuaded to surrender holdings of blue-chip stocks. Almost every fund manager in Britain has invested in Shell, BT and Glaxo Wellcome, for example, and it is difficult to conceive a purely financial argument that would tempt them to sell.

Smaller companies are thus the most realistic targets for campaigners since fund managers will be more willing to let these go. Fund managers may also consider "switching" smaller company stocks – which may be easier to justify than an aggressive "sell" – provided they can be given alternatives.

Approaching fund managers

Fund managers can usually be approached in four ways:

- Produce a report or letter outlining your concerns. Distribute it to fund managers in the hope that action will follow;
- Lobby fund managers personally;
- Use an intermediary to present your case;
- Launch a media campaign – the last resort.

If you choose to write a report, remember that it runs the risk of being lost in the six inches of paper that is dumped on a fund manager's desk each morning. If the covering letter is to the point, relevant and concise, it stands a better chance of prompting a reply, after which a dialogue can be established. Focus on the perceived financial risks of an investment company and highlight the company's bad business practices. Make the report concise and clear. And choose your timing carefully: fund managers are busiest in the fortnight before and after the end of the calendar quarter and the calendar year. Your mail-out will go straight into the bin if it lands on a fund manager's desk on, say the first of January or April.

Fund managers take their investment decisions personally. They don't want to hear that their decisions are bad. That said, if a lead fund management organisation can be convinced of your issue, it may be prepared to host a seminar in which other fund managers are invited to hear your concerns. Such seminars add credibility to a campaign and help publicise your concerns.

Getting fund managers to take up your issue is key to a successful campaign – once on board, they will be your strongest asset in convincing other fund managers. The first convert is always the hardest. Once the most appropriate fund management organisation has been identified, and a decision taken as to how and when to approach it, often the most sensible option is to address the Chief Investment Officer (CIO). The CIO is in charge of general investment strategy and will be aware of the business implications of the issue you are raising: if interested, the CIO will brief the right people in the organisation to act, such as a corporate governance team. That said, CIOs are busy people with little time on their hands.

Some ethical investment organisations, or groups involved in monitoring corporate governance issues, may be willing to act as intermediaries in your dealings with fund managers. Pension Investment Research Consultancy (PIRC), for example, led the Shell campaign. If such groups can be persuaded that an issue is important, they will know who to talk to and which fund management organisation is most likely to champion your concerns within the industry. They can be useful allies.

Pension funds, unit trusts, life insurance companies and other retail investment organisations can be approached directly, and, again, the best approach is a businesslike one. Life and pension companies often respond to hints that negative publicity may arise if they ignore your issue. They are driven by their reputation. Pension funds, with their fiduciary responsibility, may want to leave all investment decisions up to their fund managers. But there are ways around this. For example, you can highlight the risks, demand that they discuss the investment with their fund managers and seek assurances that it is an appropriate investment. Unit trusts and pension and life companies can also be pressured to ask their fund managers to engage with a company in which they have a holding. It is much more powerful weapon to have a fund manager's client – say, an insurance or pension company – stand up and say they're worried about a particular investment than it is for you to do so.

Choose your timing carefully: fund managers are busiest in the fortnight before and after the end of the calendar quarter and the calendar year.

Campaigns targeting fund managers

In many cases, it is not possible to make a financial case against a project or a company. But if a strong moral case can be made, then a media campaign against the company and its institutional investors may be productive.

If the issue is less clear-cut, engagement is likely to prove a more fruitful course of action. If a company is involved in practices that are attracting – or could attract – negative publicity, investing fund managers are going to know about it more quickly than most. They don't like seeing their investments criticised. Campaigners can

Ultimately, all investment companies – fund managers, life companies and unit trusts – gauge their performance by bottom-line profit. Good results generate more clients, bringing more money to invest, and consequently more fees.

What hurts and embarrasses companies – be they investees or investors – is a well-thought-out campaign against their marketing divisions where institutional reputations are constructed and controlled.

turn this to their advantage: fund managers like to think they're ahead of the game and may appreciate prior knowledge of adverse publicity that is going to harm their investment.

If fund managers are to act on the information, however, you will need to convince them that the adverse publicity will have financial consequences. A minor division of company X, involved in operations that are proving disastrous to some local overseas community, won't be an issue on which to build a campaign aimed at getting fund managers to disinvest: but it could be ground from which to build a media or a shareholder activism campaign.

Where campaigners opt for a media campaign, it is usually fruitless to target an individual fund manager, who may often see him- or herself as part of the solution rather than the problem. What hurts and embarrasses companies – be they investees or investors – is a well-thought-out campaign against their marketing divisions where institutional reputations are constructed and controlled.

It's worth remembering that companies can withstand all kinds of criticism – but adverse comparison with their competitors bites. Many executives, for instance, may shrug at being called "unethical" but will respond and open themselves up to debate if they're called "worse" than their main rivals.

Institutional investors have other Achilles' heels; for instance, some life insurers have signed and published environmental commitments, for instance under the Financial Institutions Initiative of the United Nations' Environment Programme (UNEP). Proof that they have invested in companies whose practices breach the UNEP initiative can provide grounds for a media or shareholder campaign.

Practicalities of running a fund management campaign

There are a number of sources that publish information about who owns a particular company or who has invested heavily in it (*see* p.135 and p.137). You will need to check these out if you are to find which fund managers to lobby.

You can obtain a full list of shareholders from the authority that regulates companies in your country (*see* p.165) . Often, information can also be gleaned from the same sources the fund managers use: company annual reports and the financial pages of the major broadsheet newspapers.

All companies have to reveal their major shareholders in their annual report, and most unit trusts and other collective public investors have to publish their holdings. The financial pages of newspapers also carry results of the biggest unit trust deals: these can be a useful source of the most up-to-date information on whether or not a particular fund management organisation has shares in a company. As a rule of thumb, you can assume that the larger blue-chip stocks – for example, British Petroleum, British Telecom and Glaxo Wellcome – will figure in most fund management investment portfolios.

For further details on how to research researching companies and their shareholders, *see* Parts Five (p.119-148) and Six (p.149-174).

THE ETHICAL INVESTMENT SECTOR

Ethical investment, also known as "socially responsible investment" (SRI), "environmental investment" or "green investment", is investment that takes social, environmental and ethical considerations into account. There are many ways ethical investors seek to do this: excluding companies that fail to meet certain criteria; engaging with companies on aspects of their social and environmental performance; and publicising analysis of how environmental and social factors can contribute to shareholder value.

The importance of ethical investment, or rather ethical investment organisations, to campaigners is that they can form a bridgehead for engaging the financial markets as a whole. They are likely to be relatively sympathetic and interested, although their support cannot be guaranteed. They will probably understand the points you are trying to make more readily than many other organisations. While their influence is limited, it is growing. They are thus the logical starting place for many campaigners.

The ethical niche

Ethical investment has long been a small niche sector, largely irrelevant to mainstream fund management. Ethical investors manage a relatively small amount of assets compared with mainstream investors – 1-2% of retail investment in the UK, for example. Only a minority of mainstream fund managers have ethical funds.

But there are signs that this is changing. Awareness of, and demand for, ethical investment is growing rapidly – at a rate of some 20-30% a year. Furthermore, ethical investments offer good quality business, not least because the investors tend to be settled and are not overly concerned about financial performance – the best sort of customer from the point of view of a financial institution.

As a result, many financial institutions are starting to become involved in ethical investment. Pension funds, charities and other organisations are also starting to consider socially responsible investment, as they prefer to call it. Some fund managers are even recognising that social and environmental issues may impact on shareholder value.

Despite these encouraging trends, however, many mainstream investors remain dismissive of or hostile to ethical investment. For example, the head of corporate communications at Fidelity – the world's largest independent investor – gave the following answer to a query about the company's attitude towards ethical investment: "This is not worth discussing. Thank you. We don't do ethical investment."

Ethical investment organisations

Ethical investment organisations come

in a range of shapes and sizes, with as much variety and potential for confusion as with mainstream financial institutions. The main types of ethical investors are outlined below.

Fund managers

Ethical fund managers perform the same role as mainstream fund managers but take account of social and ethical criteria when deciding on their investments. A growing number of mainstream fund managers now offer ethical products. These are generally handled by an ethical investment team which forms part of a unit within a fund manager division. This team will deal in a wide range of ethical investment products (such as mutual funds, unit trusts and life insurance funds), with a focus on servicing retail – that is, individual – investors. There are also ethical fund managers who deal with the institutional market, typically "in-house" managers for an institutional investor with an ethical purpose – for example, the Methodist church in the UK. Although few in number, these fund managers will be particularly good at understanding how your case might apply to mainstream investors.

Other types of ethical fund managers include independent ethical investment managers, who can be particularly dedicated and are often very helpful, although they may be somewhat isolated from mainstream investors. Finally, there are some private client fund managers working with ethical teams who focus on investment services for relatively wealthy individuals ("private clients", "private banking"). These also can be relatively helpful and friendly, although they may not be as influential as some of the larger ethical fund managers.

A key distinction is between ethical fund managers who do their own ethical research and those who rely on outside organisations. For campaigners, the most useful and helpful are likely to be those with their own in-house research. These tend to be the larger, longer-established, ethical investment teams. They generally have several researchers and considerable in-house expertise. They are worth contacting directly.

But most ethical fund managers (in terms of numbers rather than amounts invested) use outside researchers to undertake basic research into the social and environmental performance of companies. Generally, the researchers are drawn from one of the information service providers discussed below. Many ethical fund managers, however, will have some in-house specialists who check on the external research and conduct some dialogue with companies. These in-house specialists are worth contacting, but may not be as helpful as the fund managers who have access to their own in-house research services.

Ethical investment organisations outside North America and Europe

Socially Responsible Investment (SRI) has grown rapidly in both Europe and North America in recent years but represents a tiny fraction of the market in the South. In Asia, less than US$2.5 billion is currently under SRI management.

But the sector is predicted to grow substantially in the near future: in Singapore, an ethical fund devoted to supporting fair employment practices for women was launched in 2000, whilst, in Japan, five "eco-funds" and two SRI funds have been set up since 1999. The last decade has also seen the emergence of an active SRI industry in Australia.

In 2001, the Hong-based Association for Sustainable and Responsible Investment in Asia (ASrIA) launched a web site devoted to SRI in the region. ASrIA aims "to help financial institutions develop sustainable investment products for the region, provide SRI training and education, and foster the provision of high quality information on the environmental and social activities of corporates in Asia."

ASrIA's website – **www.asria.org** – includes a database of SRI activities, searchable by country.

Research organisations

These conduct research on social and environmental issues for fund managers and others. This research can take the form of a simple list of acceptable companies, ratings of companies' performance on certain issues, or detailed analysis and description of their activities. Research organisations should be prepared to listen to your points and can be very useful in relaying your concerns to the ethical fund managers. But note that sometimes your concerns may not fit into their research agenda. For example, whilst ethical research institutions may look in detail at a company's environmental performance, they may not study social justice issues. Or, if they have already given a company a bad mark on a certain issue, they may not be interested in receiving further evidence of the company's wrongdoing. In the UK, the Ethical Investment Research Service (EIRIS) is the best known research organisation but there are many others (*see* p.110).

Other organisations

There are a variety of other organisations which work in the ethical investment sphere. These include:

- **Ethical investment networks**
  These act as a meeting place for ethical investment organisations, advisers and others. They can be a useful source of contacts. The best known are listed in Table 1, p. 110.

- **Ethical financial advisers**
  These advise individuals on ethical investment options – for example, on the choice of ethical fund managers. If you or someone on your campaign knows somebody in this area, they can provide some useful introductions. If not, searching out individual financial advisers is a time consuming task: you would be better advised to go direct to the ethical investment networks listed above.

- **Ethical / green venture capital funds, investment banks and stockbrokers**
  These specialise in investing in green business or projects and structuring green or ethical investment opportunities. Because they generally focus on the positive side of ethical investment, they may be of limited help to a campaign criticising a company's activities. Where they can be useful is in obtaining positive examples of green investment opportunities. If you want to suggest alternatives to a project or to a company's activities, these organisations may be able to help you with information and suggestions, including data on performance (*see* Table 19, p.175).

Who works in ethical investment organisations?

Probably a much wider variety of people than those who work with other financial organisations. Some have financial backgrounds, having become disillusioned with the mainstream: they can be particularly useful for campaigners as they not only understand financial markets "from the inside", but also have the knowledge and contacts that can make a real difference to a campaign. Others may have specific expertise in the environmental or social spheres. Some have previously worked with charities or campaigning organisations or in business. Generally, they have a strong social conscience and are committed: indeed, the majority of shareholder resolutions in the UK to date have been initiated from within the ethical investment community.

Campaigners should be aware, however, that those who work in ethical investment are constrained by the nature of their organisations. Furthermore, the SRI community is not homogenous.

Table 1
Socially Responsible Investment (SRI) networks and research organisations

The following organisations work to promote socially responsible investment (SRI). They are invaluable sources of research and potential advice on financial market campaigns.

Business Ethics Research Centre, Australia

www.berc.com.au
P.O.Box 5583, West End, QLD 4101, Australia
Tel: +61 7 3846 1025. *Email*: info@berc.com.au
Independent research group based in Brisbane, Australia. Provides information on issues related to SRI and company profiles.

Ethical Investment Association, Australia

www.eia.org.au
Level 8, 1 Castlereagh Street, Sydney, NSW 2000, Australia
Tel: +61 2 9214 8411. *Email*: info@eia.org.au
Network of advisors, fund managers, consultants, community groups and companies. Primary objective is to "promote the concept, practice and growth of ethically, socially and environmentally responsible investing in Australia."

Social Investment Organization, Canada

www.socialinvestment.ca
658 Danforth Avenue, Suite 409, Toronto, ON M4J 5B9, Canada
Tel: +1 416 461 6042. *Email*: sio@web.net
SIO is Canada's only national non-profit organisation dedicated to the advancement of SRI, with more than 350 members. Membership is open to individuals and NGOs. Many Canadian funds are profiled on its web site, which also includes an on-line directory of financial institutions, research organisations and others in Canada interested in SRI.

Ethical Investment Research Service, UK

www.eiris.org
80-84 Bondway, London SW8 1SF.
Tel: 020 7840 5700
Set up with the help of UK church groups and charities, EIRIS "provides the independent research into corporate behaviour needed by ethical investors." It concentrates purely on research into the ethical credentials (or lack of them) of companies.

Pensions Investment Research Consultants, UK

www.pirc.co.uk
4th Floor, Cityside, 40 Alder Street, London E1 1EE.
Tel: 020 7247 2323. *Email*: JaniceH@pirc.co.uk
Invaluable source of advice and research on SRI. Website has useful archive of PIRC reports on corporate governance.

UK Social Investment Forum

www.uksif.org
Holywell Centre, 1 Phipp Street, London EC2 4PS.
Tel: 020 7749 4880. *Email*: info@uksif.org
The main UK-based network on socially responsible investment. The web site offers profiles of its members, which include a number of major banks and research providers.

Innovest, USA

www.innovestgroup.com
4 Times Square, 3rd Floot, New York, NY 10036, USA
Tel: +1 212 421 2000
Investment research firm specialising in environmental finance and investment opportunities.

Investor Responsibility Research Centre, USA

www.irrc.org
1350 Connecticut Ave. NW, Suite 700, Washington DC 20036-1702, USA
Tel: +1 202 833 0700
Conducts research on corporate governance and social responsibility issues. The site's "On-line Analyst" page allows registered clients to view over 12,000 company reports, including environment and SRI profiles.

Sustainable Investment Research International, USA

www.sirigroup.com
c/o KLD and Co. Inc., 530 Atlantic Avenue, Boston MA 02210, USA
Tel: +1 617 426 5270. *Email*: info@sirigroup.org
A coalition of eleven research organisations. SiRi group members provide coverage of more than 1,500 companies in the major markets worldwide, including all of the companies listed on the French and Iralian Stock Exchange.

US Social Investment Forum

www.socialinvest.org
1612 K Street NW, Suite 650, Washington DC 20006, USA
Tel: +1 202 872 5319. *Email*: info@socialinvest.org
US membership association consisting of over 600 professionals and institutions.

There are differences in views and priorities within it. Some SRI specialists will be more supportive of your campaign than others.

What are their success factors?

Ethical investment specialists combine a desire to succeed in the business sense with a real desire to change things for the better. You will work best with them if you can help them achieve both these ends: if they can gain some sort of advantage out of your campaign, such as positive publicity or marketing advantages, they will be much more inclined to help you. Conversely, if they are not investors in the company whose activities you are campaigning against and see your campaign as relatively marginal for them, they may feel that their business priorities lie elsewhere and they cannot take the time to help you, even if personally they are supportive.

Be aware, too, that there is intense competition in the ethical investment industry, as in the mainstream industry. One feature of this is a reluctance by some SRI specialists to share information and ideas, both of which are seen as sources of competitive advantage – although cooperation is increasing. Generally, you will be better off working with a range of different ethical investment teams, giving equal treatment to each. Sometimes, however, it may be worth developing a close relationship with a specific ethical investment organisation. This might be because you need more detailed help – for example, on research, or on drafting a shareholder proposal. If so, it is well worth considering how you can help the organisation in areas such as marketing – for example, through a willingness to share media space and publicity.

How can ethical investors help?

Ethical investors can help campaigners in several ways. Most obviously, they look at companies from social and environmental perspectives and will thus be far more interested in what you have to say than other fund managers. They are likely to understand your concerns and be prepared to discuss them more openly. In particularly, they may be prepared to:

- Conduct further research on their own or to talk to the company and open a channel for discussion;
- Help you frame your arguments in ways that are likely to influence the financial markets. This might include providing access to fee-paying financial market databases (which are expensive for campaigners to obtain);
- Assist you on technical issues, such as preparing a shareholder resolution;
- Introduce you to others in the financial markets;
- Make some public statements expressing their concern or even supporting your campaign. But for many ethical investment organisations, making public statements can be problematic, not least because of their potential to damage relationships with possible future clients.

Ethical investors are thus very useful as initial contact points in a campaign and can help get it underway. On their own, they are unlikely to be able to change a company's practices or to stop a project, but they can help you build up momentum.

Some drawbacks . . .

Despite the advantages of working with ethical investors, there are some caveats:

- They may regard a company that

Ethical investors are a useful, if not essential, stepping stone in building up a financial markets campaign.

you are concerned about as better than others in its sector. If they disagree with your research, it is worth considering any counter arguments they produce: they may well have a point. If you can't convince them, you are unlikely to convince mainstream fund management organisations.

If you don't manage to persuade at least some ethical investors of the merits of your arguments (which would be relatively unusual), it is probably better to move on rather than to make them a focus for attack – next time they may be your allies. An exception to this general rule might be when an ethical investment organisation has given your target company a good ethical rating and, despite the evidence you have provided them, continues to promote it as a leader in its field – although, in this case, the ethical investment organisation is likely to want to discuss the problem with you.

➤ They just may not have the time and resources to engage with your concerns - or they may not be permitted to undertake advocacy work on companies they do not own. Ethical fund managers are also trying to do twice as much as ordinary fund managers (combining both ethical and financial research) and so are pressed for time and resources. If the company you are targeting is one that they are unlikely to invest in anyway, they may not be prepared to spend time discussing how bad the company is. (Conversely, they are much more likely to be interested if it is a current investment, or on their approved list.)

➤ There is some danger that involving ethical investors could lead mainstream investors to view a campaign as coming from marginal players. But as most campaigning organisations are likely to be regarded as even more marginal than ethical investors, this is rarely a major concern.

Working with ethical investors

A fruitful way of drawing ethical investors into a campaign is to send them a draft letter outlining your concerns at a fairly early stage – before you have completed your research and finalised your strategy, but after you have a fairly good idea of the arguments and points you want to make. Once the letter has been sent, you should actively follow it up: try and arrange a meeting to get feedback on the points you made in the letter and on any further action you are planning. Take account of any information or suggestions they may have. Although much of this can be achieved by 'phone or email, such indirect contact is likely to lead to a more limited discussion than a face-to-face meeting. If you are new to financial markets, the experience of going to the financial district for a meeting may also provide a revealing insight into the culture you will have to contend with as the campaign develops.

Conclusion

Ethical investors are a useful, if not essential, stepping stone in building up a financial markets campaign. They can help you understand the best way to approach the financial markets, provide you with an initial test bed for ideas, and lend you some support. They are the closest you will come to finding "friends" in the financial markets, but as with all friends; don't presume too much.

BANKS AND PROJECT FINANCE

Banks are huge organisations which have a wide variety of operations and activities, of which the most important (from the perspective of campaigners) is project finance. Within the banks, the main actors involved in project finance are:

- The board and senior management;
- Those who organise debt finance for projects;
- Those who organise and develop projects.

This section looks at banks in general, and their board and senior management in particular. The next section looks at project financiers in more detail. Note that where banks are involved in other controversial activities apart from project finance, their board is likely to be involved at a senior level, so the remarks in this section will be relevant to other types of campaign.

Banking: risk and reputation

Banking (or at least commercial banking) is fundamentally a boring business. You get money in from depositors and pay them interest on their deposit; you lend the money out to borrowers at a higher interest rate; and you live comfortably off the "margins" (that is, the difference between the two interest rates).

Life is made more difficult by the fact that depositors and others require their bank to provide services, some of which the bank may be able to charge for, but others which it has to fund from its margins. This means that profits in banking depend on the size of the bank's margin, the efficiency of the services it provides, and the number of borrowers who default. This last factor is the most important from the point of view of profitability: the interest rate margins on borrowing are low, hence it does not take many defaults for the margins to be lost.

As a result, banks are fundamentally very "risk-averse" and do not want to lose money through risky lending. Emphasising that a proposed project is far riskier than generally assumed is thus likely to be highly effective in persuading a bank to reconsider its involvement in a project. Where campaigners have a good case on risk, they should therefore take it directly to the project finance people (*see* p.115).

Most banks also have large retail operations – taking deposits from consumers, and lending money to them, are both core activities of most banks. The need to attract retail customers makes banks protective of their reputation and aware of the potential for bad publicity, thereby creating a second opportunity for campaigners. Even large projects are likely to be relatively minor sources of business for large banks – so if the project generates negative publicity, the bank may reconsider its involvement. The sooner the bank can be convinced of this, the less likely it is to become or stay involved. If the strongest argument against the proposed

Those arranging project deals are preoccupied with persuading the different parties to reach an agreement – one banker describes this as being harder than "herding cats".

investment centres on the potential risk to the bank's reputation or on poor practice, then the bank's senior management should be targeted.

These comments refer to "commercial banks". In addition, there are "investment banks" – often subsidiaries of commercial banks, although in the US, investment banks are usually separate from commercial banks (a division that is beginning to break down). Investment banks are responsible for arranging deals and advising on transactions rather than lending their own money long-term (they may occasionally invest in the short-term by underwriting a transaction which they later sell on). In the context of project finance, they are likely to be involved in arranging the financing proposals and structuring the deal, but may not be the ultimate long-term lender. Investment banks will be less sensitive to their reputation than commercial banks, as they have a weaker retail focus. That said, investment banks are very dynamic organisations and have responded vigorously to defend their reputations in certain key areas.

Those responsible for providing the debt for a project are generally professional bankers and thus tend to focus on the need to minimise risk in the deal.

The senior management of banks, both commercial and investment, is likely to consist of highly experienced and competent people. They are very busy and difficult to get hold of. Like the senior executives of other large companies, they will cover a number of different functions and have different responsibilities – for example, retail banking or commercial banking – but will all report to a CEO. At least one director has specific responsibility for financial control.

Unlike many individuals in the financial markets, the senior management of a bank is less "deal driven" and more likely to see the broader picture, including all the different factors that could affect the bank's profitability. In contrast to financiers in other sectors, they are judged less on their own financial dealings and more on the overall performance of the bank. Specifically, their rewards may be linked to the share price and earnings growth of the bank as a whole.

Senior bank management are often more open than junior staff to considering the wider ramifications of a project, the criticisms of it, and the consequences for the bank of becoming involved. One reason is that junior management tend to have a "rule based" attitude to their job: another, that they are often directly involved in the project and committed to seeing it through. It is also worth recognising that a bank will consist of a wide range of individuals with differing views on your campaign – some may be hostile, others may be sympathetic. Take the time to identify potential allies: don't assume that the first member of senior management you meet expresses the views of all the group. Much of the time, bankers will be happy to let their project finance departments generate money without interference. But if other parts of the bank start to suffer fallout from a controversial project (for example, if customers withdraw their accounts), then an internal debate will rapidly develop.

Getting access to senior management

A key issue for campaigners is gaining

access to the bank's senior management. Possible avenues include:

- **Third parties, such as a charity or environmental organisation**
  The senior managers of banks often sit on the board of such groups, or act as their sponsor or backer, or have contacts through consultancy work. (For example, in the UK, the government-sponsored Advisory Committee on Business and the Environment was for a long time chaired by a banker.)

- **Specialist units of the bank**
  Most banks have Environmental Management and Internal Risk Control units. While these are often fairly low down the bank's institutional hierarchy (because they do not earn money for the bank directly) they usually have good access to the board and senior management.

- **Institutional investors**
  If you're working with a major investment institution, it may be able to raise issues with the board directly (don't forget banks have shareholders, too) and may facilitate access for you.

- **Brass!**
  If all the above fail to produce results, you can always try the front door, although expect to be deflected by secretaries and PR people.

When meeting with senior management, make sure you have prepared your case well and can present it succinctly and clearly. Generally, it is preferable to contact senior management before you go public and start to criticise the bank openly: it gives them a chance to address the issues, and means you still have your major card – adverse publicity – to play. It also means that you avoid creating a "siege mentality": this encourages the management to line up against you and robs you of the opportunity to identify allies and sympathisers within the bank. Such gains need to be weighed against the downside of delaying confrontation – namely, that the bank's management has more time to prepare its response. But if your case is strong, this may not be a major consideration.

Understanding project financiers

Project financiers include a wide range of different people with different skills. They can be divided into the following two categories:

- Those responsible for structuring the deal (and often responsible for providing the equity); and
- Those responsible for providing the debt for a project.

The latter are usually part of a large commercial bank, working in its business or commercial lending division. The former may be part of an investment bank, a special team within a large commercial bank or an independent "boutique" specialising in project finance.

Those who structure the deal share many of the characteristics of investment bankers working in corporate finance, except that their work is less high-profile. They are hard-working and highly-paid. They will be keen to close a deal but are generally less arrogant and aggressive than many in investment banks – project finance involves working with many different parties, so it is important that the deal negotiators have good social skills.

A constant preoccupation for those trying to arrange project deals is the need to persuade the different parties to reach an agreement – one banker describes this as being harder than "herding cats". Often the resulting deal is tenuous at best: it can easily unravel if one party starts to dig their heels in. When this happens, the deal arrangers are likely to react with considerable hostility – they have put a lot of work into the project and do not want to see it collapse. For that reason, it is worth trying to get in early. If you can convince them that the project is likely to prove controversial, they may decide to abandon it rather than investing time in trying to make it work – particularly since other less problematic deals are sure to come along.

Those responsible for providing the debt for a project are generally professional bankers and thus tend to focus on the need to minimise risk in the deal. They are less well-paid, less hard-working (although still well-paid and hard-working by most standards) and typically less aggressive than their deal structuring colleagues. Their performance is judged in part (at least for the purposes of year-end bonuses) on the revenues they bring into the bank. Since the banks receive an up-front arrangement fee for creating lending facilities to a project, debt financiers are under pressure to lend money to good deals. These fees may make a particular line of business appear profitable, even if long-term risks undermine the project. This creates an incentive to ignore less obvious risks and close the deal.

To counter this, much project lending, particularly if it is large, has to be referred to an in-house credit committee, which will be required to give final approval for a deal. In certain cases, referral may even be made to the bank's board. Identifying and accessing the credit committee may be difficult, but if dialogue with the individual project officer is not going well, it can be worthwhile escalating the argument within the organisation. You may well have been able to identify key individuals during your dialogue with the company. If not, you can always go straight to the board.

Identifying the individuals involved in project finance for a specific project can be a major challenge – project finance has a far lower public profile than most other forms of investment activity. There are some directories of project finance; otherwise it is worth searching the press, particularly the specialist press, for names. Brochures for project finance conferences can provide useful contact lists, as can the publications of organisations such as development banks (which are often involved in the planning and financing of projects).

Stages of project finance

The financing of a project typically goes through a number of stages, each of which offer scope for intervention:

- **Initial assessment**
  As a first step in assessing projects, the project financiers will meet with the project developer to see whether the project makes sense, whether they want to be involved and whether they are the right people for the deal. This can be the most effective time to intervene since the financier has yet to spend much time on the project and may be prepared to put it in the "too difficult" category. Whilst this may result in the developer taking the project to another financier, persuading one major project financier to walk away at this stage may be enough to kill the project, since financiers are generally sceptical of other people's rejects.

- **Preliminary structuring**
  The lead financier now starts to analyse the deal and work out the financial structure, talking to prospective lenders and other investors. This is the time to focus on the possible investors (project lenders) as they are not yet committed to the deal and may be persuaded not to become involved A brief analysis which highlights the risks may be enough to deter investors. If banks and other investors start to express serious interest in the project, it may be worth starting to contact the senior management of the

institutions concerned. If the bank decides to go ahead, a "heads of agreement" or summary terms will be prepared for use in the next stage of the project finance process.

➢ Due diligence

The deal is now subject to intense scrutiny by lawyers and others, who focus on the detail. They will look at all the specific questions which need to be answered. On social and environmental issues, a specialist (for example, an engineer) will be called in. Financiers will be reluctant to question his or her analysis. There is still some scope to intervene if you have some detailed analysis, particularly if you can undermine assumptions used by the project financiers in their assessment of the project. (A major component of due diligence is checking in detail the various assumptions made.) But at this stage, the project may have acquired substantial momentum which may be difficult to stop. If your financial arguments are not making headway, it is the last opportunity you may have to raise the matter with the senior management of the bank and perhaps to organise a media campaign.

➢ Final closure

The various agreements are signed and the finance is released to the developer. At this stage, it's largely over, at least as far as stopping the financing is concerned (other avenues for campaigning, however, will still be open). If there is a clear evidence that one of the parties has misled the others, there may still be scope to stop the project – but it will be very difficult.

Campaigners and others often assume that a deal is more advanced than it is – only when final closure has been reached is the project actually financed. Don't be taken in by an announcement from a project developer that the project has backing from X, Y or Z bank: often, all that has been agreed is a "memorandum of understanding" or "heads of agreement" initiating work on financing a project, not an absolute agreement to provide finance. If in doubt, ask whether the deal has been "closed". Bear in mind, too, that whilst the due diligence phase of the project cycle is a relatively quiet phase – the work is going on in the back room – things speed up once closure nears, so a deal that appears bogged down can quickly become one that is signed, sealed and delivered. Overall, it can take anything from a couple of months to several years (in the worst cases) to put together a project finance deal. A typical timeframe is likely to be several months.

Part Five

Getting the information for a financial lobbying campaign –

A guide within a *Guide*

STRUCTURING YOUR RESEARCH

Mrs Beaton, the Victorian cookery writer, famously began her recipe for jugged hare with the admonition: "First catch your hare." Such down-to-earth practicality is as important for successful lobbying of companies and markets as it is to successful cooking. Using markets to exert pressure for social change requires a clear strategy – which in turn requires a knowledge of the company you are seeking to influence, the market in which it operates, its institutional culture, its weaknesses (and its strengths) and its most vulnerable pressure points.

This Part often refers to resources available on the worldwide web, in libraries (for example, business directories), in the media and elsewhere. For advice on how to use and access these, refer to Part Six, pp.149-176.

Before working through the steps below, it is critical that you think through the reasons *why* you are targeting a particular company or sector. This will help you in focusing your research. For the purposes of illustration, we have assumed that you are interested in a campaign directed against a single company: other targets would need different approaches, but the research steps outlined below would still apply.

If you are researching a company, it is worth checking whether it is a subsidiary of another company or part of a larger commercial group before going any further. In many cases, information will only be available via listings for, and resources on, the parent company. The best way to check this out is with the directory *Who Owns Whom*, *see* p.137.

One step at a time

Step One
What does the company do?

Aim: *To put together a basic picture of the company*

Sources: *Annual Reports, company web pages*

Where to find: *Annual reports,* see *p.126; websites,* see *p.128*

Step one is to build up a basic picture of the company or sector you are seeking to influence. It is not necessary at this stage to find out every detail about the firm, but you will need to get a picture of:

- What the company does and where;
- Its major sources of income;
- How big it is (number of employees or ranking in the FTSE).

At this stage, don't try and plunge into the company's key "financials" – City jargon for basic financial information, from turn-over to sales figures and so on. What you are looking for is a thumbnail sketch of the company that will provide a framework on which to hang further information and give a preliminary idea of lobbying strategies (*see* Part Three, p.57-76).

If your target is a major construction company involved in a dam project, for example, the sort of thumbnail sketch you might aim for could look like this:

"Concrete plc – *a construction firm interested in major civil engineering projects. Important areas of business, in order of earnings, are rail (40%); roads (30%); hospitals, airports and other civil engineering (25%); and hydro (5%). Its most important countries of operation are the UK and the USA, but it has growing interests in the Middle East, Africa and Asia. It has historically been in two businesses – construction and cables – but has sold off cables to concentrate on construction. It is a publicly limited company or plc, which means that it is listed on the UK Stock Exchange, so its shareholders will be private individuals and large financial institutions. It is the Nth largest construction firm in Britain and Mth in the world and employs X thousand people*."

This will give you a feel for the company You'll know, for example, that hydro is only a minor part of its business – but you will need to check that the company intends to keep it that way. This detail, however, can wait until later.

Step Two
What's the company's record?

Aim: *To find out more about the company's record – construction failures, controversial projects, labour relations, environmental impact, reputation. To gather* *company statements on the environment and its social responsibilities.*

Sources: *Campaign web sites, NGO reports, union sources, press reports, talking to other campaigners.*

Where to find: *Campaign websites and reports,* see *p.135**; press reports and other media sources,* see *Part Six, especially p.157 (Media).*

The next step – particularly given the possible opening of a campaign based on the company's reputation – is to gather information on the firm's record and its stated environmental and development policies:

- Has it been involved in other controversial projects? What were their social and environmental impacts?
- Was there any evidence of corruption?
- Is the company being sued by anyone? If so, for what?
- Does the company have an environmental policy? Or a community development policy?
- If so, how do its past activities match up to it?
- Does the project comply with the company's stated policies? If not, in what ways does it violate them?
- Do the company's annual reports give an accurate picture of its activities – particularly with regard to its impact on the environment?

Such information should enable you to add to your initial thumbnail sketch:

"Concrete plc *has been involved in a number of dam projects that have involved human rights abuses, notably the XYZ Dam. In at least one case, corruption has been alleged. The court case is currently being heard: if the prosecution is successful, the company could face a ban on bidding for future World Bank projects, since the dam in question was funded by the Bank. It has an appalling safety record and has been involved in numerous worker disputes. The environmental impacts of the projects in which it has been involved include: the destruction of tropical forests; the flooding of wetlands; the building of climate-damaging fossil fuel plants; and the building of major road schemes. The company's environmental policy stipulates that it aims to be as open as possible: but it has failed to release the Environmental Impact Assessment (EIA) for the project and has never undertaken any consultation with those affected by the dam."*

Step Three
Who owns the company and what does the company own?

Aim: *To find out who owns the company and what subsidiaries the company owns. To find out the names of shareholders and any retail outlets owned by the company.*

Sources: *Directories and web sites*

Where to find: *Ownership pattern,* see *p.135**; shareholders,* see *p.137*

The next area to research is the company's ownership structure (who owns it and what does it own):

- Is it a subsidiary of any company?
- Does it own subsidiaries that might be amenable to boycott campaigns? Is it connected, for example, to retail outlets or any other High Street presence;
- Who are its shareholders? Are any of them well-known High Street names? Do any of them have socially responsible investment policies?
- Are any ethical funds investors?

This may reveal some interesting campaign possibilities. For example:

"Concrete plc'*s shareholders include Earth Funds, a green investment trust, and the Goodlife insurance company, a well-known life insurance firm. The* *company also owns Brand Y, a chain of well-known Do-It-Yourself retailers."*

You now know that the company has a poor record, environmentally and socially; that it owns retail outlets that could be amenable to boycotts; and that some of its major institutional investors have ethical screening policies in place. All of this presents the possibility of exerting pressure on the company via boycott campaigns or letter writing to its "greener" investors.

Step Four
What's the company's strategy?

Aim: *To research the company's business strategy: what are its environmental implications? Does it stack up financially?*

Sources: *Directories, interviews and web sites*

Where to find: Financial Times, *trade magazines, interviews , analyst reports,* see *p.141.*

Further research is now needed to start pulling together business strategy and financial arguments that might be used, if appropriate, to persuade investors to withdraw from the company or to pressure for change. For example:

- Where does it intend to go with hydro? Does it see its hydro division expanding? If so, why?
- What financial problems is the sector experiencing? How is the company responding to these?
- Who are its main rivals and competitors? How do their records compare with the company's?

All this will add a further layer of intelligence to your company profile:

"Concrete plc's *annual report suggests that it sees hydro as a growing sector. This is confirmed by interviews with divisional personnel. One reason is that the company views hydro, which is currently in the doldrums as a sector, as a green technology which will have a major future as climate change begins to bite – and possible legislation is brought in to curb fossil fuel emissions. It also sees opportunities for major subsidies and for taking up business abandoned by its rivals in the sector which are increasingly getting out of dams because of adverse publicity and increasing conflict."*

You now have a fairly rounded view of the company and its business weak spots. Given the uncertainties over the future of dams, for instance, its business strategy looks flimsy at best. This suggests that an analysis based on questioning the company's business judgement – combined with a reputational campaign, directed against both the company and its better-known investors – might be the best way forward.

Step Five
Finding out who to lobby

Aim: *To find out the names of relevant fund managers, analysts, store managers, ethical fund managers – those, in effect, whom you intend to lobby.*

Sources: *Various directories*

Where to find: *Fund managers,* see *p.144; analysts,* see *p.143; local retail outlets, try your 'phone book; outlets across the UK, use the website* **www.192enquiries.com**, *or look in the red postal address directories in your local library.*

Finally, you need to pull the research together, angling your arguments to the various pressure points you have identified. When you have done that, you need to ensure that the arguments you want to make get to the right people (*see* p.54).

Table 2
Corporate research – Key directories

There are numerous business directories now available: most can be obtained through a good public library (*see* p.151). We have found the following directories particularly useful when putting together a basic picture of a company. Many of the directories and specialist publications start with a guide to using them – reading this *Guide* can save a lot of time.

Briton's Index: Financial Institutions

PR Newswire Europe Ltd, Communications House, 210 Old Street, London, EC1V 9UN. *Tel*: 020 7490 8111

Part 1 Banking & Finance; Part 2 Pensions; Part 3 Investment Trusts; Part 4 Unit Trusts, Common Investment Funds and Open Ended Investment Companies; Part 5 Insurance/Assurance Companies; Part 6 Charities; Part 7 Business, Information, Government and Regulatory Organisations; Part 8 Personnel Index.

Dun & Bradstreet Business Register

Homers Farm way, High Wycombe, Bucks HP12 4UL. *Tel*: 01494 422000

Credit references on companies. Very brief information: company name, type of business, address, telephone, fax, managing director, directors (partners if relevant), company secretary, sales, profit or loss, net worth, number of employees, risk indicator. Volumes by region.

Britain's Top Foreign Owned Companies

Jordans Limited, 21 St Thomas Street, Bristol BS1 6JS. *Tel*: 0117 923 0600

Gives financial profiles of 1,500 companies ranked in order of turnover. Data on each company includes: sales, net tangible assets, pre-tax profits, interest paid, post-tax profits, profitability, profit margins, shareholders' funds, total borrowing and total borrowings as a percentage of shareholders funds. The directory also lists the registered office of each company, its telephone number, a named executive, its principle business activity and its ownership. Twelve tables rank the top 50 companies by key performance measures, including : profitability; sales growth; wage rates; indebtedness; liquidity; changes in turnover; pre-tax profits; and net tangible assets. These can prove very helpful in assessing the financial strengths and weaknesses of companies.

Britain's Top Privately Owned Companies

Jordans Limited, 21 St Thomas Street, Bristol BS1 6JS. *Tel*: 0117 923 0600

Gives financial profiles of companies ranked in order of turnover. The data provided is organised under the same headings as that in Jordan's guide to Britain's *Top Foreign Owned Companies* (*see* above).

Kompass – Volume 2: Company Information

Reed Business Information, Windsor Court, East Grinstead House, East Grinstead, West Sussex RH19 1XD. *Tel*: 01342 326972

Corporate information on 45,000 leading companies in British industry, including financial information taken from the last three years filed accounts, on over 21,000 companies. Entries include : basic company details; names of directors and senior executives; names of holding companies where applicable; annual turnover; product range; nature of business; principle customers/ markets; trade names of branded goods; principle factories; membership of trade associations; and details on turnover, pre-tax profits, fixed assets, current assets, current liabilities, share capital. Product codes included in each entry refer to listings in vol. I, Products & Services. These enable you to gain precise information on the products and services which the company supplies. Vol. III gives financial information. Vol. IV lists brand names.

Key British Enterprises

Dun & Bradstreet Ltd, 5th Floor, Westminster House, Portland Street, Manchester M1 3HU. *Tel*: 0161 455 5119

This has similar information to Kompass, sometimes with more detail and sometimes with less. Usually gives summary financial information, including turnover, profit and number of employees, also directors, broad area of business, sometimes brand names.

FT Business Directories

Maple House, 149 Tottenham Court Road, London W1T 7LB. *Tel*: 0207 896 2359

The *Financial Times* publishes a series of company guides covering the energy, mining and insurance sectors. Invaluable.

Hemscott Company Guide

Hemmington Scott Ltd., 26-31 Whiskin Street, London EC1R 0JD. *Tel*: 0207 278 7769

Details on UK listed companies. Often gives useful statistical information that you will not find in the company's annual report (for example, geographical breakdown of business).

Hoppenstedt Directories

Published by ELC International, 109 Uxbridge Road, Ealing W5 5TL. *Tel*: 020 8566 2288

Information on 25,000 of Germany's largest companies. Details of ownership, turnover, staff, top- and middle-management.

Standard and Poor's Register of Corporations, Directors and Executives – Volume 1: Corporate Listings

PO Box 1628, Charlottesville, VA 22902, USA. *Tel*: +1 804 977 1450

Covers 65,000 US corporations and 10,000 major non-US companies. Gives addresses, telephone numbers, internet addresses of over 75,000 corporations; names, titles and functions of approximately 437,000 officers, directors and other principles; names of company's primary accounting firm, bank and law firm; description of company's products and services; annual sales figures and number of employees, where available; division names and functions; separate subsidiary listings with reference to parent companies; principal business affiliations.

Standard and Poor's 500 Guide

Published by McGraw–Hill, 25 Broadway, New York, NY 10004, USA

Guide to the top 500 publicly-listed US companies – each with an average worth of some $10 billion. Every entry includes an appraisal of the company's performance and valuation – a useful pointer to the strengths and weaknesses of the company, as perceived by Standard and Poor's financial analysts. In addition, entries list: a summary of each company's business activities, recent development and sales history; company addresses, telephone numbers and names of key corporate officers; and earnings and dividends.

At this point, you will probably need to spend quite a bit of time in a good public library (*see* p.151), checking out directories for the names and addresses of fund managers (one letter), analysts (another letter), branch managers of the company's DIY subsidiary (explaining why you are calling for a boycott of the store) and ethical funds with shares in the company (another letter). *See* pp.65, 66 and 70 for specimen letters which you may be able to use.

Step Six
Digging deeper

Aim: *To strengthen your arguments, winnow out those that are unlikely to influence the financial community and identify key pressure points*

Sources: *Libraries, web, interviews*

Where to find: *Company's record, see p.128 Market intelligence, see p.163.*

Once you have a better idea about the strategy that will maximise your influence, you will then need a further round of research if you are to catch that "hare" and begin cooking.

The type of information you will need will vary considerably from one campaign to another. In some cases, you will need to dig deep into the history of a company; in others, it may be a market that needs researching – who the major players are, what their records are, how the market is changing, and so on.

If your strategy revolves around a shareholder action, for example, you will need a full list of institutional shareholders; arguments to put to them; what the analysts say about the company; and the names of potential allies within the financial community (for example, ethical funds that might be sympathetic to pushing a shareholder motion).

If you have opted for a boycott campaign, then you will need to know more about where the company produces its goods, how it markets them, and its major distributors. In such instances, your main need may not be for detailed market research reports (*see* p.163).

WHERE DO I FIND . . .

. . . A company's annual report?

If you're researching a public limited company (plc) – that is, one that's listed on the Stock Exchange (so you could buy its shares if you wanted to) – remember that the company is obliged to produce an annual report for investors and potential investors. Some companies in which you can't buy shares also produce annual reports, especially government-owned ones.

The annual report details: the company's activities over the previous year; its accounts; a list of directors; and other useful information. From this, you will probably be able to find out where the company's major projects and facilities are; what they do; and what its biggest brands are. You will also be able to gain some idea of its institutional culture – and how it likes to present its management. It will also often tell you how much the directors get paid; how many employees there are; how the company is structured; and so on. A one-sided view, of course, but a useful start to your research, and often an easy way of answering some questions about the company.

If you are new to business research and unfamiliar with the language of annual reports, check out the website **www.bized.ac.uk/dataserve/extel/notes** which provides excellent background explanations of key business terms – for example, what a profit and loss account is; what constitutes profit (from a mainstream business perspective); and brief explanations of terms and business theory.

When using a company annual report, bear in mind that the company published it specifically to convince investors that the company is a good investment. So the "positives" (for the company) are over-emphasised, as are some environmental and corporate governance policies, while the negatives are usually ignored. So, use it with caution. For more balanced and honest information on US companies, try the annual reports that companies are obliged to file with the US government, especially the Securities and Exchange Commission (*see* p.166-168).

Paper copies of the larger companies' latest annual report are generally available free on request from the company: either telephone for a copy, or write to the company headquarters. If you do not know their address, the "How do I find" section (p.129) explains how you can find it via the Web (assuming you have access to a computer).

Many companies now post their annual reports on their web sites, from where they can be downloaded or ordered.

There are also websites and other services that provide free annual reports for selected companies (*see* Table 3, p.127). You might find back issues of annual reports in a library, especially a business library.

Table 3 : Company Reports on the Web

Site	Geographical coverage	URL	Comments
CAROL Company Annual Reports on Line	UK, Europe, Asia	www.carol.co.uk/reports/reports.html	Stands for Company Annual Reports On-Line. Enables you to search for a company and see if its annual report is available on the web. Sectors covered include: banks; merchant banks; retail; building/construction; chemicals; engineering; food manufacturers; health care; insurance; investment companies; leisure and hotels; life assurance; oil exploration; oil; pharmaceuticals; printing and paper; food retailers; and water.
Financial Times	UK		For the top UK companies. Alternatively telephone 020 8770 0770 for postal delivery of reports.
Investor Communications Business	Canada, USA, UK, Europe	www.icbinc.com/ www.icbinc.com/cgi-bin/.pl	Home site for several services (*Financial Times*, *Wall Street Journal*, *Barron*'s, and the *Globe and Mail*) offering to mail you free copies of company annual reports.
Yahoo Finance	Canada, USA	yahoo.ar.wilink.com	

. . . A company's website?

If you want to go straight to the company's website (assuming it has one) and don't know its web address, try guessing. Most businesses have web addresses with their name sandwiched between "www." and ".com" – "**www.companyname.com**", for example.

If that doesn't work, you should be able to find it using an intelligent search engine, such as Google (*see* p.154-156 for information on search engines).

Failing that, look up the name through a specialist site such as **www.Whois.net** which provides a searchable database of domain names worldwide. For US companies, Online Deductive – **rbay.com/Spy/spy.htm** – is also helpful.

Companies' websites vary in what they contain, and in how useful they are. Some are simply for marketing purposes (with pictures of company products and /or ways to buy them online); others offer little more than contact details. But many provide information that will help you build up your basic picture of the company. Look for sections like:

- about us
- corporate
- the company
- investor relations
- financial

Later in your research, you might come back to the company's site for more detail, such as:

- company news and press releases
- company policies
- locations and contact addresses
- speeches by company managers (usually in the news section)

Sometimes these will be in the "about" section of the web site, sometimes in their own sections. Whether the site contains this information depends on the company.

. . . A basic overview of a company?

For a basic overview, the two starting points are the annual report and the company website.

Sometimes you might want something either more concise or more impartial. The directories and websites listed on pp.124 and 129-134 give such an overview.

. . . A company's record?

If your campaign is focused on lobbying ethical investment companies, highlighting corporate governance issues or initiating a consumer boycott of a company and its products, documenting the company's past record will be a major part of the research work you will need to undertake. The past record of a company can also be useful in lobbying investors not to put their money into a project to be financed or constructed: the company's past, after all, is the best guide there is to its future performance.

Many sources of information can be tapped to build up a picture of a company's past behaviour, particularly with regard to the environment and human rights. The most productive are likely to be non-governmental organisations, many of whom have plentiful data on companies operating in their field.

A good start is to search the super-sites

Table 4
Researching companies on the Web – Top sites

Web sites providing business information proliferate by the day. The following list comprises those sites that we have found most helpful when trying to gain an initial picture of a company.

For quick reference, we have coded the services provided by each site. **[A]** indicates that analysts reports are available, **[S]** that major shareholders are listed, **[AR]** that annual reports can be accessed and **[KA]** that key advisers are listed. All the sites have some free access; those that require payment for full access to databases are marked **[P].**

Site	Coverage	Comments	Service
About.com globalbusiness.about.com	Latin America	Directory of Latin American business sites by region and by country. Click on the "Central/ South America" tab under the "Company Directories by Region" listing, immediately below the main Global Business logo. Countries covered are: Argentina, Bolivia, Brazil, Chile, Guatemala and Venezuela.	
America's Trade Source www.atradesource.com	US	US-based database. Gives name, email, 'phone, fax, country and description of products. No financials provided, but the site serves as a useful lead to further information.	
Asia Business Watch www.asianbusinesswatch.com	Asia	Covers US, Japan, China, Taiwan, Singapore, Hong Kong, Korea , Malaysia, New Zealand and India. Searchable database by country or company. The company pages have an A-Z index of companies. Coverage of some countries is thin – only five companies are listed for India – but of others more comprehensive.	
Bloomberg UK www.bloomberg.com	World	Profiles of listed companies – good basic financial data. Go to "stock quotes, Look Up symbol". Useful financial glossary.	
BUBL UK http://bubl.ac.uk/uk/companies.htm	UK	Links to 100 top UK companies	
Business Web www.businesswebsource.com	World	First Internet search site designed specifically for business users. Covers news, information and company websites from 11 different industrial sectors – including banking, chemicals, energy, insurance, pharmaceuticals and transportation. The database is refreshed in its entirety every two weeks. You can search by company or by one of 1,800 classifications, which helps to ensure well-targeted results. Company web pages can also be searched through the site.	
Calvert Online www.calvertgroup.com	US	Click on "socially responsible investment" tab, then the "know what you own" entry on the sidebar listing. This enables you to access information on the companies that a US mutual fund is investing in.	
CBS MarketWatch www.marketwatch.com	World	Offers free company searches – using Hoover's On Line database – but its main strength is its news coverage and archive of news stories on companies. Market Watch.com also has a subscription service offering historical and financial data on companies.	

Site	Coverage	Comments	Service
Corporate Information www.corporateinformation.com	World	One of the best sites available. Offers 15,000 research reports on publicly-traded companies (in-depth analysis of sales trends, profitability, stock performance, financial position, research and development expenditure, dividends and a comparison with the performance of three other companies – you specify the companies); 20,000 profiles (brief description of activities, names of top officials, address, 'phone number and stock chart); links to over 1,000 other sites that offer corporate information; and a search engine that covers 300,000 company profiles at other sites. Reports covering companies in the financial sector will be available shortly. Many of the reports are available in French and Spanish.	[A], [AR]. [KP]
Corporate Finance Network www.corpfinet,com	World	US Exim Bank bills this site as "the starting point for financial research on the Internet." Useful links including to stock exchanges worldwide.	
Company Sleuth www.companysleuth.com	World	Now a susbcription service but offers 14-day free trial. Access to "in-depth company reports to uncover inside information on the companies you are tracking". Provides email updates on companies you put on a "watch list".	
Dow Jones Business Directory http:// businessdirectory.dowjones.com	US	Reviews of and links to useful websites with company information.	
Dun & Bradstreet www.dnb.com	World	Describes its GlobalSeek database of 26 million reports on companies worldwide as "the most up to date, most definitive database of business information in the world". You can search the database for free (although you have to register); you pay only for the reports you order. There is also a free directory of 1.8 million UK businesses, which gives basic details such as names, addresses, telephone and fax numbers, email and web addresses and a contact name. Priced reports which can be accessed from the site include: company reports (US$23.00), which give the company's addresses, sales, net worth, financial indicators, line of business, names of directors and officials, operations, company history, number of employees and facilities; snapshot reports (US$5), which give much of the above detail in brief; country risk reports (a subscriber service), which provide 60-page assessments of the perceived economic, political and commercial risks of operating in a given country; and supplier evaluation reports (US$89) which rate the record of US suppliers.	
Far-East Corporate database www.capitaline.com	Far East	Covers Singapore, Malaysia, Hong Kong, Indonesia, Australia, Thailand and the Philippines. For US$35, you can order a detailed report on any of the companies in the site's database. Each research report gives: company background, key officials, board of directors, top 20 shareholders, directors' holdings, equity history, segmental information, information on subsidiaries, auditors report and key financials.	

Site	Coverage	Comments	Service
Financial Times www.globalarchive.ft.com	World	Database of company profiles, searchable by industry and company. Entries give contact details, website, management details, product lines, a brief description of the business and key financials.	
Fortune 500 www.fortune.com	World	Links to the home pages of the companies in the Fortune 500 list (1,000 companies) with snapshots of companies and media quotes.	
Global Register www.globalregister.co.nz	New Zealand	Provides information about New Zealand public companies. Snapshots list basic financial details and company officers. In some cases fuller reports are available	
Hemscott www.hemscott.com	World	One of the best UK services, especially the Companies A-Z section. Provides excellent snapshot profiles of British public limited companies–plcs. Free entries include: a brief summary of key financial data, addresses and names of directors; major shareholders; the latest company balance sheet; a share price graph (3-, 5- or 10-year); and key company advisers (their stockbrokers, auditors, solicitors and financial PR advisers). More detailed information still, including access to detailed brokers' forecasts and director's share dealings, is available only if you join Hemscott's new Internet service – hemscott.NET. Registration is free and you can use the service alongside any other Internet Service Provider (ISP) accounts that you may have. This means that you do not need to change your existing email address. However, you will need to use the hemscott.NET account when accessing the Hemscott website if you wish to access their Business Plus information. Hemscott.NET charges local call rates. Alternatively, you can subscribe to Business Plus for £10 (plus VAT) a month.	[S], [AR]
Hoover's On Line www.infocheck.co.uk	World	Free company search service. You can search the database by company, industry, subsidiary and sector. The site also offers industry snapshots, with an industry and a news and analysis section, where you can pull up the latest news on a given industry or company. The company capsule page gives details of subsidiaries, the three top competitors, news and commentary and the names of the top company officials. The capsule has links to other pages, including company histories, annual reports (if available on-line) and other sites that offer further information. To dig deeper, you need to subscribe to Hoover's. Subscribers can access information on a company's products and operations (by industry segment), a full company profile, historical data on financials and a more complete list of competitors.	[KP]
Investext www.investext.com	World	For a price, analysts reports from specialists with leading banks and other financial institutions can be downloaded from this excellent site.	[A]

Site	Coverage	Comments	Service
Business News Americas www.bnamericas.com	Latin America	Subscriber-based research site, which offers a free trial for three weeks. Covers ten business sectors throughout Latin America, including infrastructure development, banking, electric power and metals. Information provided through own network of 45 journalists and researchers.	
Mbendi's Companies of Africa www.mbendi.co.za	Africa	There are few on-line databases that give information on African companies besides South African ones. Mbendi's is one of them. The site is often difficult to get through to but does offer information on 3,700 African companies. The information provided varies from thumbnail contact details to fuller profiles.	
Morningstar Institutional Services www.morningstar.com	World	Excellent source of snapshot information on over 10,000 US mutual funds, the companies they are investing in, their fund managers, news reports and commentaries. A search on biotechnology in the news archives yielded 2,053 references, pointing the way to many useful articles on who's investing in genetic engineering. Morningstar's "snapshots" on individual companies are among the best available for free (although you have to register for some services, such as Morningstar's own analysis). Links are provided to pages which give further snapshots on the industrial sector in which the company operates; industry peers; who's buying shares in the company and who's selling them; share dealings by company directors; ownership; SEC filings; free (and priced) analysts' reports on the company or fund; and the major mutual funds with holdings in a company. The snapshots on individual mutual funds are no less impressive, giving details and links to fund manager profiles, the 25 top holdings, addresses and telephone numbers. Many of the 300,000 investment reports on the Morningstar database are available for free so long as you register with its Multex Investor service. Registration also gives you free membership of powersize.com – a search engine giving "free access to business research from 2,400 newspapers, magazines and newswires." There is also a chat room (useful for getting a debate going on a particular company) Morningstar's own company analyses are available only to "premium members": membership US$9 a month – but there is a 30-day free trial period.	
Orient Business Express www.accessasia.com	Far East	Database of one million companies located in Hong Kong, China, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand . You can search for free on line – by name, product or SIC code – but some key information is blocked out unless you subscribe. The service costs US$95.00 per year, for which you get a CD of the database.	
Quicken.com www.quicken.com	World	Click on the investing tab. This takes you to a search facility where you enter the tciker symbol of the company you are researching (you can look it up if you don't know it). A snapshot profile	[A]

Site	Coverage	Comments	Service
		comes up, with links to news article, analysts reports and critical assessments of the company's recent financial performance. Invaluable.	
Thomas Register of American Manufacturers www.thomasregister.com www.tipcoeurope.com www.thomasindia.com	World	A particularly useful site if you are trying to find out who manufactures a particular product in the US. European site for European products. Links to registers for Indian, Brazilian, Mexican and other country producers.	
Trade UK www.tradeuk.com	UK	An Internet service from the UK Government which offers brief data on UK suppliers.	
Wall Street Research Net www.wsrn.com	US	Covers US companies only, but offers free company and sector searches. Describes itself as "the most comprehensive resource for investors on the Web, mobilizing the best free, for-sale and in-depth information into one comprehensive, easy-to-use site". Its free "company research" facility allows access to US Security and Exchange Commission (SEC) filings (*see* Part Seven, p.165), over 2,000 company home pages, press releases, charts and statistical analysis. Thousands of research reports, baseline reports and spreadsheets are also on offer. The site is organised into eight sections which include: company information, which has entries for over 17,000 companies; economic research, with links to economic databases such as the US Department of Commerce, the World Bank and "the better university sites"; news, enabling access to *The Wall Street Journal*, Bloomberg On Line, CNN and others; research publications, which provides "links to economic and equity publications as well as trade associations and other groups"; and Mutual Funds, which provides useful profiles of mutual funds, including (if you are based in the US) links to CBS MarketWatch, which provides free copies of fund prospectuses and hence information on where the funds are placing your money. If users find a company missing, the site recommends that they "let us know and we will add it."	
Yahoo Finance biz.yahoo.com	World	This is another excellent site. Look for company information via the company index or industry index. Company coverage is good. Each company page includes: – *Profile*: financial summary; significant developments (financial news on the company – 1 paragraph each, going back 2 years); lists of top institutional shareholders, mutual fund shareholders; history of analyst upgrades and downgrades (who, when, why); list of directors including short biography (1 paragraph – other directorships), salary (for some directors only), shareholdings and options in the company. – *Research*: financial data; balance of ~25 broker	[A],[AR] [S]

Site	Coverage	Comment	Service
		recommendations (whether strong buy, moderate buy, hold, moderate sell, strong sell) over last 3 months (gives you an idea of company's financial prospects); names of analysts who won a competition for accuracy in estimating the company's earnings. – *Chart*: share price graph, going back over 1 day, 5 days, 3 months, 1 year, 2 years, 5 years or longer – this is useful to see what factors have had the greatest impact on the company's success in the past. – *News*: financial news from financial press and newswires, up to 3 items per day for large company; links to full articles. The main site's data relates to performance on the North American stock exchanges; but you can link to Yahoo Finance sites for other countries. These tend to be less detailed. For the UK, go to **http://uk.finance.yahoo.com**, then select an index (eg. FTSE 250), which lists the companies comprising that index as links to their pages. Content is similar in the news, research and chart sections, but there is less in the profile.	

Some words of caution.

None of these sites is likely to provide you with everything you need to find out. You will often need to try several of them. Although most will give you information on listed companies from the major industrial countries, few have coverage of companies listed in developing markets. To find information on these, you will generally need to work through contacts on the ground.

As web sites develop, they are likely to change their layout - so the navigation descriptions given in this table may be rendered redundant. But if changes do occur, persevere: a little digging usually enables you to find a page that has been moved.

such as **www.essential.org** (a web site hosting about 30 US anti-corporate NGOs, especially Multinational Monitor at **www.essential.org/monitor**) and **www.oneworld.net** (which includes over 500 organisations from around the world, both North and South, focused on development, environment and human rights). OneWorld also functions as a magazine and provides profiles on particular issues, plus campaigning guides.

Table 3 (p.129) gives a summary of some of the best NGO sites, with their URLs and postal addresses. The sites are all useful first ports-of-call – and have links to NGOs working in specific areas. Give the NGOs a call – or email them: they will probably be able to help with further details and information (*see* p.135 for some key NGO sites).

A further source of invaluable information is the press. Track which journalists are covering any stories critical of the company – and give them a call.

. . . A company's environmental policy?

Many companies, particularly the more savvy multinationals, now produce annual environmental policies – indeed, such policies are increasingly viewed in the City as a key indicator against which to rate a company's corporate governance. As one might expect, the policies are generally worthy but rarely commit companies to anything radical. Nonetheless, they are useful sources of quotes and policy statements that can be used to argue against a company's involvement, for example, in an environmentally-destructive project.

For companies which have been criticised on environmental grounds, there may be a short statement on the company's web site or in the annual report. The company may also produce a separate environmental report each year – 'phone up and ask for a copy.

Tomorrow magazine, sponsored by the Swedish-Swiss engineering giant, ABB, offers a directory of on-line environmental reports, with coverage of companies in Germany, Japan, US, UK, The Netherlands, South Africa and Canada. The site also has pages devoted to environmental accounting and "environmental performance and shareholder value". The directory can be found at **www.enviroreporting.com** .

In the EU, many larger companies are signing up for the EU-wide Eco Management and Audit Scheme – EMAS. Under the scheme, a company's environmental policy, programmes and management systems must be publicly available and published as part of an environmental statement.

Other business standards schemes also require the company's environmental policy to be publicly available – for example, in the UK BS7750 and ISO 14000/1 (contact British Standards Institute, Tel: 020 8996 9000).

. . . Subsidiaries and parents?

Tracing who owns a company can be helpful to reveal links with bigger or

Table 5
Websites with attitude

Business and HumanRights
www.business-humanrights.org
Superb portal. Pages give links to over 200 other sites, organised by sector, country, groups, international agreements, lawsuits against companies and shareholder initiatives.

Corporate Agribusiness Research Project
www.ea1.com/CARP
Monitors corporate agriculture. Research reports and an invaluable guide to researching the sector (click on "Fact Miners"). Good links.

Corporate Critic On-line
www.ethicalconsumer.com
Unit 21, 41 Old Birley Street, Manchester, M15 5RD.
Email: mail@ethicalconsumer.org
Tel: 0161 226 2929
Database run by the Ethical Consumer Research Association. A one-off subscription of £60 plus low on-line charges allows access to over 48,000 records on more than 27,000 companies. Company searches undertaken for a modest fee.

Corporate Europe Observatory
www.xs4all.nl/~ceo/
First class for background information on industry lobby groups. Primary focus on Europe. Excellent links to other sites.

Corporate Watch UK
www.corporatewatch.org.uk
Email: mail@corporatewatch.org
Tel: 01865 791 391
First rate site. Includes briefings, sector reports, back issues of *Corporate Watch* magazine and one of the best archives of articles on companies and their records.

Corporate Watch US
www.corpwatch.org
PO Box 29344, San Francisco, California, USA
Email: corpwatch@corpwatch.org
Tel: +1 415 561 6568
Human rights and environmental justice site. Excellent research guide available.

Critical Shareholders Association
oneworld.compuserve.com/homepages/Critical_shareholder/
Schlackstrasse 16, D-50737, Cologne, Germany
Email: criticalshareholders@compuserve.com
Tel: +49 221 599 5647
Site run by coalition of over 30 shareholder activist groups. Archive on major German companies – from Krupp to Siemens. In German.

Endgame Research Services
www.endgame.org
PO Box 95316, Seattle, WA 98145-2316, USA
Tel: +1 206 723 4276
Provides A-Z Directory of Transnationals. Profiles environmental and social impacts.

Friends of the Earth - US

www.foe.org
1025 Vermont Ave. NW, Washington DC 20005, USA
Email: foe@foe.org
Tel: +1 202 783 7400

Friends of the Earth–England and Wales

www.foe.co.uk
26, Underwood Street, London N1.
Tel: 0207 490 1555
Use the search facility to find FOE campaigns on specific companies, many of which are subject to FOE investor campaigns. Check out the FOE-US site for one of the best guides available on shareholder activism – **www.foe.org/international/shareholder**

Focus on the Corporation

http://lists.essential.org/mailman/listinfo/corp-focus
Moderated listserve that distributes the weekly *Focus on the Corporation* newsletter. Coverage of corporate double standards, human rights abuses, pollution records, workplace conditions.

International Rivers Network

www.irn.org
1847 Berkeley Way, CA 94703, USA
Email: irn@irn.org
Tel: +1 510 848 1155
All the information you need on dam-building companies, plus page of links to campaigns internationally fighting dams.

Multinational Resource Centre

www.essential.org/mdc
PO Box 19405, Washington DC 20036, USA
Email: mrc@essential.org
Tel: +1 202 387 8030
Send in a request and MRC will respond with a package of information on the history of the company, its record, size, ownership structure and major shareholders.

Public Services International – PSI

www.world-psi.org
Site run by international federation of public sector trade unions. Much of the site – including its database on companies – is restricted to union affiliates. Open access to briefings on transnationals in the water, energy and waste management public service sectors.

Project Underground

www.moles.org
1946 MLK Jr Way, Berkeley, CA 94704, USA
Email: project_underground@moles.org
Tel: +1 510 705 8981
A key site on the mining and oil industries.

Transnationale

www.transnationale.org
Two superb A-Z databases – one organised by company name, the other by brand name.

Scorecard

www.scorecard.org
Information and action tools on US toxic pollution.

better known companies. This is necessary if you are choosing to go down the route of a boycott.

The most useful source of information is to be found in the directories listed in Table 6 (p.137). Note that none are comprehensive (there are just too many companies). To get a comprehensive list, you will need to look up subsidiary companies individually in a government registry and see who owns them (*see* p.165). How to do this varies from country to country, but wherever you do it, it's long-winded and probably expensive. We recommend using the directories first.

. . . The products that a company manufactures?

When you are considering a boycott against a company, finding out its brands is important – the boycott should be directed against those that are best known.

If you are trying to find out who manufactures a particular product in the US and Canada, or wish to match a brand name to a company, consult the Thomas Register of American Manufacturers. Its website – **www.thomasregister.co** – has a searchable database which covers 156,914 US and Canadian companies and 135,415 brand names. There are no charges for access to the information, but you must register. If you can't find a product, you can send an email and Thomas will reply by post, email or fax.

For UK products, *Kompass* (Volume 2: Company Information and Volume 3: Industrial Trade Names) are most useful. They can be obtained from a good public library. For further details, *see* p.124.

If you are researching the trade names of products produced by a particular company, consult Volume 2 which gives details on the trade names used by over 45,000 UK companies. If the trade name is known, but not the company, consult *Kompass Volume 3 – Industrial Trade Names*, which details the companies behind over 65,000 registered trade names. There are different Kompass directories for different countries.

Who Owns Whom (*see* Table 6) may also be useful, as it tells you the names of a company's subsidiary companies which often coincide with the bigger brand names.

. . . The names of institutional shareholders in a company?

The largest shareholders (those holding more than 3% of the company) are listed in the company's annual report and in the directories published by Hemscott (*see* p.124). These can also be retrieved from the web via Hemscott's web site: **www.hemscott.com** (companies A-Z index).

The best free source on the web is Yahoo Finance (company index: **biz.yahoo.com/i/**), which lists the 20 or so biggest institutional shareholders, the biggest mutual fund shareholders, and the holdings of the company's directors.

If you have access to a supportive institutional investor, ask them to run the company name through their Bloomberg or CDA/Spectrum databases (most use these). It will spew out the names and addresses in a matter of minutes.

CDA Spectrum offer one-time searches for a fee of a few hundred pounds. If you

Table 6
Directories on company ownership

By far the best directory for up-to-date ownership details is:

Who Owns Whom?

Dun & Bradstreet, Holmers Farm Way, High Wycombe, Buck HP12 4UL.

A multi-volume directory covering Europe, UK and Ireland, North America, Asia, Latin America and Africa (continental volumes organised by country). For each region, the first volume gives a parent company and its address and registration number, then its direct subsidiaries (the companies it owns completely), then the subsidiaries of each of those, and which country each subsidiary is registered in. This tells you whether a company has operations in a particular country. The second volume is an index of all the subsidiary companies, and tells you what their parent is.

You could also try:

Kompass – Volume 3: Parents and Subsidiaries

Reed Business Information, Windsor Court, East Grinstead House, East Grinstead, West Sussex RH19 1XD.

Details over 40,000 parent companies in the UK and 130,000 subsidiaries, showing their corporate structure.

Standard and Poor's Register of Corporations, Directors and Executives – Volume 1: Corporate Listings and Volume 3: Indices.

Standard and Poor's, PO Box 1628, Charlottesville, VA 22902, USA.

Section 4 of the third volume of Standard and Poor's Register consists of a cross-reference index which lists subsidiaries, divisions and affiliates in alphabetical order and links them to their ultimate parent company listed in Volume 1. A further index – the 'Ultimate Parent Index' – lists ultimate parent companies in alphabetical order with their subsidiaries, divisions and affiliates, and indicates each unit's relationship to its parent company.

Britain's Top Foreign Owned Companies

Jordans Limited, 21 St Thomas Street, Bristol BS1 6JS.

Financial profiles of 1,500 companies ranked in order of turnover. An index is provided which lists the companies alphabetically under the country of ownership.

Spotting the key investors

Getting a list of investors is only the start of an investor campaign. Once you have got the list, you then have to decide which ones are most worth targeting. Many factors bear on this decision – among them, the vulnerability of the investor to adverse publicity or a consumer boycott and their record as socially responsible investors.

For those unfamiliar with the acronyms and abbreviations of the financial markets, the list itself can be bewildering. Some of the names may be known to you – Barclays Bank, for example – but often the fund management organisations that hold the shares are not household names. Who, except for the specialist, knows what company lies behind the 500 Fund? Answer: Barclays Funds Ltd.

Experienced campaigners are able to pick out the best investors to target. Novices, however, will not have the experience to do this.

We would suggest that you approach the list using the following steps:

1. Check whether any known ethical investment funds have shares. A list of such funds can be obtained from **www.ethicalinvestment org**. For US ethical funds, check out **www.socialfunds.com** .

2. To identify the names behind other funds, go to **www.trustnet.com**. This has a listing of 1,879 UK funds sorted by fund name.

3. Identify any funds that are managed by companies that have an *active* commitment to using their holdings to promote socially responsible investment – for example, in the UK, Morley Fund Management, Henderson Global Investors (also responsible for NPI funds), Jupiter, Friends Ivory and Sime, and USS. Approaching these funds should be a major priority – your "A" list.

4. Identify others, such as Standard Life Investments, Murray Johnstone (which manages the $300 million Calvert World Values fund, one of the most progressive SRI houses in the US) and Scottish Equitable, which have made noises about SRI or who are members of SRI networks (*see* p.110). These should form your "B" list of investors to lobby.

5. Check for the major banks – Barclays or the Bank of Scotland. Several of these have signed up to the UNEP statement on banking and the environment (*see* p.63) or, like the Bank of Scotland, are involved in "discussion on Socially Directed Banking". Use these policy initiatives as leverage in your discussions.

6. If you want to know whether a US mutual fund is an investor, the Calvert Group (one of the top SRI firms in the US) has a search facility on its website – **www.calvertgroup.com** – which enables you to find which US mutual funds are investing in a given company. Click on the SRI tab on the home page, then the "Know what you own tab".

have the money – and can't find a friendly insider – it is probably worth the cost. The only other way to find out the names of shareholders is through the government agency where companies are registered. This can be time-consuming and frustrating.

The company registrars, which are different for different countries, are described below.

UK-registered companies

You can get a full list of shareholders from Companies House (*see* p.166).

The list comes on a microfiche, which you will need to view on a special machine – your local library should have one. The list gives the names and addresses of shareholders, in addition to the number of shares they hold. For a large company, the list can be enormous – one major international oil company has over a million shareholders. In such instances, you may be better off (at least in terms of time spent) paying the £100 or so that it costs to get a targeted list – for example, of pension funds that hold shares in the company – from a fee-paying service. One of the best is **Thomson Financial First Call.** A basic search is likely to cost about £100.

Often the real owner of shares is "represented" by a fund manager or "Nominee", but each nominee entry will have a code for the client (the person / organisation whose money it is) before the number of shares. You can look these codes up in the *Index of Nominees and Beneficial Owners*, which will tell you who each code stands for. It's published by Fulcrum Research (*Tel*: 020 7253 0353) and costs about £300 – get it through a business library (*see* p.153).

US-registered companies

To obtain a list of a US corporation's top 200 or so institutional investors, check it's SEC 13-F filing. You may be able to find this via the Web on the EDGAR database (*see* p.166) but the 13-F filings are not often on the web.

If you are based in Washington, go to the Business Reading Room of the Library of Congress where you can get access to the SEC/Disclosure database. But as Michelle Chan-Fishel of Friends of the Earth (US) describes, the search does not end there: "*The 13-F list will be pretty long, so you may want to target those institutions which you think may be more receptive to your message. Many institutions are large asset managers and hold stock for their institutional clients in 'street name'.*" For example, "*a foundation endowment may not be listed as 'The Jones family Fund', rather its shares would be under 'Putnam Investment Company', the foundation's asset manager*." [68]

If you are filing a shareholder resolution (*see* p.139), the company is obliged to provide a list of shareholders so that you can solicit their vote. You are required to sign an affidavit promising that you will use the list only for this purpose and that you will not share it with others.

Further information on obtaining US shareholders' names can be obtained from FOE-US's *Handbook on Socially-Oriented Shareholder Activism*, which is available from the group's web site – **www.foe.org/international/shareholder**.

Companies in Asia, Africa and Latin America

As in the UK and US, a local contact willing to do the necessary leg work is probably necessary.

In most cases, it will be necessary to retrieve the information through the national agency that regulates companies. Some stock exchanges now have searchable databases of the companies listed on their exchange. In some cases (Jakarta is an example) the names of the major shareholders are provided. Corporate Finance Network – **www.corpfinet.com** – provides useful links to the major stock exchanges of the world.

. . . Help in launching a shareholder action?

Shareholder actions – notably special resolutions at company Annual General Meetings – are well-established in the US and becoming increasingly common in the UK.

Two excellent guides to shareholder lobbying are now available. For the UK, we highly recommend Craig Mackenzie's *Shareholder Action Handbook*, published by New Consumer, 52 Elswick Road, Newcastle upon Tyne, NE4 6JH. The guide can be downloaded from **www.ethics.fsnet.co.uk** .

For the US, consult Friends of the Earth-US's *Handbook on Socially-Oriented Shareholder Activism*, written by Michelle Chan-Fishel. This is a superb step-by-step guide. Although US-focused, it offers invaluable insights for activists outside the US. The handbook is available from **www.foe.org/international/shareholder**.

. . . What companies a financial institution is investing in?

Getting details of an institution's investments is far from easy. The big institutions usually have a wide range of funds and most won't tell you how they are invested. In such instances, your only option is to look up the shareholders in every possible company – and see if your institution is among them

Unit trusts and mutual funds, however, are obliged to disclose their holdings. For the former, every three months, fund managers produce a report on their investments; if you telephone them, they will usually send you a copy of this report. You can also download many US Mutual Fund reports from **www.edgar-online.com** . If your area of concern is mining, the Mineral Fund Advisory Party Ltd. (**www.mineralfunds.com**) has a database which gives the braod areas that mutual funds worldwide are investing in.

UK companies

There are over 1,000 unit trusts in the UK managed by around 200 companies. Unit Trust Advisory Services monitor them and will give you detailed reports on their investments. The first report is free.

US companies

For the US, try *Standard & Poor's 500* (*see* p.124). This lists the main companies that US Mutual Funds invest in. The Calvert Group – one of the leading SRI firms in the US – has an invaluable "Know what you own" facility on its webpage (**www.calvertgroup.com**) that enables you to look up a mutual fund and see what companies it has shares in.

For US Mutual Funds, you can also download free the prospectuses of the major funds via CBS' MarketWatch Fund Info Service – **cbs.marketwatch.com** – provided you have a mailing address in the US. For legal reasons, fund documents cannot be sent to those outside the US. The Fund Club also delivers (by post, mailed the next business day) other documents made available by the Mutual Funds they cover. These may include annual reports.

. . . How well a company is performing financially?

Company strategy is usually explained in the company's annual report. It is given in much more detail in a company's quarterly presentation of financial results, and other strategy presentations to the financial markets. These are often on company websites, in the "investor relations" section. You should always check out this section of the company's website – the company doesn't expect people who aren't interested in investing to look at it, so you can often find out things you wouldn't otherwise come across. These presentations are also reported in trade and financial press.

Of course, company presentations are intended to "sell" the company's strategy – so they need to be treated with caution. The most accessible source of more balanced analysis is the *Financial Times*, especially the 'Lex' column. Search the **www.ft.com** website by: "company name" + "lex". Also try searching: "company name" + "analyst" or "results".

Another option is to look at the broker recommendations in the research section of the Yahoo Finance website (*see* Table 4, p.129).

If you're prepared to do a bit of leg-work, look at a company share-price graph (for example, on the Yahoo Finance or Hemscott websites) and see whether it is on a general upward or downward trend, both in absolute terms and relative to its sector or relative to the stock exchange. Check out the news on the days of its sharp peaks and troughs and steep rises and falls.

If you're really serious, though, you'll want to see some analysts' reports….

. . . Analysts' reports?

The best-informed and most detailed analysis of company strategies and financial prospects can be found in the reports of financial analysts.

Analysts advise investors on whether to buy or sell a company; they specialise generally in one industrial sector, and it is their job to know that sector, the companies and their financial performance (*see* Part Four, pp.77-118).

The reports are generally only available to a firm's clients – and, unless you know a sympathetic insider, you will need to pay a lot of money to get hold of them. Occasionally, they get leaked to the press (in 1999, Deutsche Banks' report announcing that "GMOs are Dead" made headline news throughout the world – *see* p.60) but this is rare.

Some reports are available on the web – for a price. Investext (**www.investtext.com**) and Dialog (**www.dialog.com**) both offer a free trial period – or allow you to buy reports on a one-off basis. Check them out.

The Yahoo Finance website offers some cheaper (and consequently less detailed) reports. There are some very brief free ones, plus others ranging from $5 to $50. Go to **yahoo.multexinvestor.com**. You will need to register (which is free), then click "research" and enter the company's stock market "ticker symbol" – if you don't know it, find the company through "company lookup".

. . . Who is financing a private sector infrastructure project?

Private sector infrastructure projects – from roads to dams, power plants to oil pipelines – are increasingly common. Finding out up-to-date information on which companies are involved, and who is backing them, is not easy without access to specialist fee-paying databases.

Such databases offer an impressive research tool. The US–based Quantum Leap project, a joint project of the National Wildlife Federation and Friends of the Earth US, has access to an industry database that gives information on over 9,000 infrastructure projects which are currently being financed through the private sector or for which finance is being sought. The database gives details on:

- the costs of the project;
- which banks are financing it;
- which multilateral development bank (MDB) is involved;
- which Export Credit Agency (ECA) is providing guarantees or loans.

According to Quantum Leap: "*The database provided us with the names of commercial banks financing the Kumtor mine in Kyrgyzstan, the site of an egregious cyanide spill. Another search on 'Dabhol' provided us with the current status of financing and banks involved in the Enron/Dabhol power project in India. A third search provided detailed information on the gas pipelines being planned throughout Latin America.*"

The database does not provide information on company activities that are internally financed, nor does it cover forestry activities, unless the project includes a capital investment in infrastructure (for example, a pulp mill). For further details, contact Julie Tanner at the National Wildlife Federation (1400, 16th St., NW, Suite 510, Washington DC 20036, USA). Emails should be sent to **tanner@nwf.org** .

A number of commercial and government organisations also provide searchable databases of projects on

Table 7
Infrastructure project databases on the Web

Project Finance
www.projectfinancemagazine.org
In addition to providing a searchable database of projects, the database also gives details of over 500 company addresses and 1,500 project financiers. Free trial period.

InfrastructureWorld
www.infrastructureworld.com
Free, but you need to register. Main industries covered are electric power, energy, telecoms, transport and water.

Global Infrastructure Projects Database
http://infoserv2.ita.doc.gov/td/Infrastr.nsf
Developed by the US Department of Commerce's International Trade Administration to assist companies track projects worldwide. Useful for upcoming projects.

Private Finance
www.privatefinance-i.com
Searchable database of public/private partnership projects

International Finance Corporation Project Document Database
http://wbln0018.worldbank.org/IFCExt/spiwebsite1.nsf/$$Search?Openform
Projects being backed by the IFC, the private sector arm of the World Bank.

World Bank Private Participation in Infrastructure
www.worldbank.org/html/fpd/privatesector/ppidb.htm
Records contract and investment information for infrastructure projects that have reached financial closure since 1984. A charge is made per request, but there is a discount for NGOs.

World Bank Project Search
www.worldbank.org/sprojects
Contains information on more than 9,500 World Bank projects, from 1947 to the present.

Mbendi
www.mbendi.co.za/afproj.htm
Search any country in Africa.

Latin American Power Projects Database
www.latinenergy.com/latinpowerdb.html

Asia Infrastructure Database
www.aidresearch.com

their web sites, although the information provided is often quite limited. Those we have found most useful are listed in Table 7 (p.142). Harvard Business School also runs a project finance portal – with links to 800 related sites, including several that offer free access to their databases. The Harvard portal can be accessed through **www.hbs.edu/projfinportal**.

The World Bank's web site contains a searchable database of infrastructure projects worldwide. This can be useful if you want to know whether or not the Bank is involved, for example, through its private sector arm, the International Finance Corporation (IFC).

Many projects now backed by official export credit agencies (ECAs), few of which publish details of the projects they are supporting. You may be able to find out if your country's ECA is involved through asking your Member of Parliament to submit a parliamentary question. Under pressure from campaign groups, some ECAs are becoming more willing to respond to requests for information. It is worth telephoning them direct; ask to speak to the official in charge of the country where the project is being constructed.

To find the names of the project finance officers in the world's major banks, consult Euromoney's *Project Finance Yearbook* (Euromoney Publications, 11 North Hill, Colchester, Essex CO1 1DZ, UK) or the web site of *Project Finance* journal (*see* Box, "Project Finance", p.20).

. . . What public money is backing the company?

Many companies rely on public sources of funding – particularly government-backed export credits and investment guarantees – to underwrite the projects in which they involved overseas - particularly when the projects are too risky for private insurance firms to take on.

Such official export credits are supplied through national "Export Credit Agencies" (ECAs). Most countries have one. Finding out which export credit agency may be backing a project can be problematic, however, since the ECAs themselves are secretive and untransparent. One avenue for NGOs is to contact the Quantum Leap project for research assistance (*see* p.141).

Parliamentarians, particularly your own representative, may also be a useful means of finding out whether public institutions from your own country are involved in backing a project. Write to your own representative and enlist the support of sympathetic members of the national legislature (*see* p.171). Unlike a database search, this route to obtaining information enables you to enlist political support for your concerns.

. . . The names of company analysts?

Analysts are key to many lobbying strategies (*see* Part Four, p.80).

As with details of shareholders, the easiest way to find out the names of analysts is through a major financial database, such as Bloomberg. Ask a sympathetic insider, if you can.

If you do not have access to such a database, you will need to do some leg work. The best way to find out the names of analysts is from the following directories. All are available in the City Business Library, London (*see* p.153).

- **Nelson's Directory of Investment Research**
  Volume I – Research Firms & Indexes, Volume II

Table 8
Pension fund directories

Pension Funds & Their Advisers
AP Information Services, Roman House, 296 Golders Green Road, London, NW11 9PZ.
Useful for names of key individuals and contact details for the major UK pension funds and their advisers, such as investment managers. Also has an international section which includes major US and European pension funds. Now available on CD-ROM.

New York Institute of Finance's Guide to Mutual Funds
Author: Kirk Kazanjian. Publisher: Prentice Hall, 240 Frisch Court, Paramus, New Jersey 07652, USA.
Lists 100 top US mutual funds. Each entry gives the name of the fund manager, contact details (including a telephone number) and the fund's top ten holdings. The Guide also contains a useful listing of web sites devoted to mutual funds.

Nelson's Directory of Investment Managers 1999 Volumes I-III
Nelson Information, One Gateway Plaza, Port Chester, NY 10573, USA.
Useful for global fund managers, especially US.

The Euromoney Directory of European Fund Management
Euromoney Publications plc, Nestor House, Playhouse Yard, London, EC4V 5EX.
Details of fund managers across Europe.

UK Fund Industry Review & Directory 1999
Professional and Business Information Publishing Ltd, Charterhouse Communications plc, 12-18 Paul Street, London, EC2A 4NX.
Useful for names of individual company officers (Chief Executive Officer, Chief Investment Officer, and fund managers for each sector). Also profiles the company or group and its investment philosophy.

PIRC Local Authority Pension Fund Yearbook
Edited by Alan MacDougal.
Pensions Investment Research Consultants/ NPI. Cityside, 40 Alder Street, London E1 1EE. *Tel*: 0207 247 2323
Invaluable resource tool for anyone seeking to influence how pension funds are invested. In addition to providing a series of overview essays on the industry, it lists all the local authority pension funds in the UK, with details of how their funds are managed (in-house or through an investment company) and who sits on the key supervisory committees.

Getting the names of individual fund managers takes time, but is critical if your concerns are to be addressed to the right investment manager.

– US Companies, Volume III – International Companies. Nelson Information, One Gateway Plaza, Port Chester, New York 10573, USA.

Vol I *gives institutional research firm profiles, analysts by industry/research speciality, analysts and the companies they follow.*

Vol II – US company *profiles/analyst coverage.*

Vol III – International *profiles analyst coverage. More detailed than Briton's, as this gives analysts for a particular company.*

- **Briton's Index: Investment Research Analysts**

  PR Newswire (Europe) Ltd, Communications House, 210 Old Street, London EC1V 9UN. *Tel*: 0207 490 8111

  Does not give analysts for each company, only by industry sector.

Using Nelson's will probably give you far more analysts' names than you want (up to 100 for each company). You can select the most important and best recognised ones as they are marked with an asterisk.

Alternatively, Primark Extel Survey run a competition each year for the best analysts in the City, sector by sector. Winners are worth noting, as they tend to be the most important and influential people in the financial markets. The results are published; a copy of the report is held in the City Business Library, London (*see* p.153).

If you have access to the fee-paying Bloomberg database, the names of analysts and the companies they follow can be obtained at the press of a few buttons.

You can also find some analysts via the research section of the Yahoo Finance website (*see* Table 4, p.129). It lists analysts who have won a competition for the accuracy of their estimates of a company's future earnings. These analysts don't tend to be from the big-name merchant banks.

If you can't get access to any of these resources, you could try the *Financial Times*: analysts are often quoted on the back page of the "Companies & Markets" section of the paper. This will lead you to *some* of the influential analysts. Just search **www.ft.com** for the company's name, along with "company's report" (the name of the section) or "analyst".

For those tracking mining companies, an invaluable resource is *Follow the Mining Money*, a toolkit written by the Western Mining Activist Network. The report has a comprehensive listing of North American analysts who have commented on the mining industry. It is available from Western Organization of Resource Councils (WORC), 2401 Montana Avenue, #301 Billings, MT 59101, USA. WORC's web address is: **www.worc.org**

. . . The names of fund managers?

Getting the names of individual fund managers takes time, but is critical if your concerns are to be addressed to the right investment manager.

You will need to search through several Directories, since the funds don't all appear in one place.

You should also ring the company to check that the fund manager is still there – and hasn't moved to another group.

We have found the directories listed in Table 7 (*see* p.143) most useful when researching the names of fund managers. Euromoney's comprehensive directory of European fund managers is now available on its website – **www.euromoneyfunds.com**. The company offers a free trial period.

. . . The names of company advisers?

UK and US companies

The most accessible source of information is the Hemscott website (**www.hemscott.com**), on which each company page has a list of company advisers, including bankers, financial advisers, brokers, auditors, solicitors and financial advisers.

For more comprehensive lists, use *Crawford's Directory of City Connections* (AP Information Services, Roman House, 296 Golders Green Road, London, NW11 9PZ, UK). Published every year, it is available in London's City Business Library (*see* p.153), where you can also use a CD of the Directory, which includes a substantial amount of information that doesn't appear in the book due to a lack of space. The Directory gives information on major companies in the UK and the advisers that act for them – stockbrokers, financial advisers, pension fund investment managers, auditors, solicitors, insurance advisers, financial public relations consultants, pension fund consultants and actuaries, investment trust managers, unit trust managers and substantial shareholders.

For US companies, the Securities and Exchange Commission's EDGAR database – **www.freeedgar.com** – is again a useful (if not always perfect) reference, particularly for information on a company's bank financiers. Find the 10-k form for the company (*see* p.166): at the end, you can find copies of loan agreements between the company and bank syndicates. The form also lists the name of the loan officer of the bank. The data is sometimes a few years' old but the loans are still probably still in effect.

. . . The names of a company's directors?

There are many reasons why it is useful to know the names – and the backgrounds – of the principal officials and directors in a company. Is the manager a long-standing insider? A "company" man or woman? If they have civic appointments outside the company, might they be more open to change? If they have come to the company from another company, what was their record there?

Table 9
Directories giving details of company officials

Who's Who in World Coal

Financial Times Business, Maple House, 149 Tottenham Court Road, London W1P 9LL.

Provides contact and biographical details for over 2,500 senior personnel in the coal industry.

Who's Who in European Business and Industry

Who's Who Edition GmbH, Starnberger Weg 62, D-82205, Germany. *Tel*: +49 8105 390653

Contains biographies of "top managers" in European business and industry. The Directory lists the respective manager's name, title, place and date of birth, marital status, present position, education, career, publications, honours, memberships, and recreational activities.

Who's Who in World Mining

Financial Times Business, Maple House, 149 Tottenham Court Road, London W1P 9LL.

Provides contact and biographical details for over 3,500 senior personnel in the industry.

Standard and Poor's Register of Corporations, Volume 2 : Directors and Executives

Standard and Poor's, PO Box 1628, Charlottesville, VA 22902, USA.

List of over 72,000 directors, trustees and partners. Provides principal business affiliations with titles and business address. Where obtainable, home addresses and email addresses are included.

Or again: Are there rivalries between different sections within a company? The bigger companies get, the less homogenous they are in outlook and priorities. If two divisions are at loggerheads over policy, you may be able to make considerable gains by playing one off against another. Getting to know something of the background of company officials is one route into these internal conflicts. Some companies list the heads of their different divisions in their annual reports. It is often worth writing to them *all* to inform them that the activities of one of their colleague's divisions is under scrutiny.

Knowledge of the directorships and other positions held by directors of a company can help to broaden a campaign. For example, a director may be a leading light in, say, the Prince of Wales Business Trust. A letter to the Trust explaining the director's involvement in a controversial project may help open up a new front.

The annual report or interim report tells you who the directors are at the time of the report's publication (as will probably the company website): changes since then may be in the *Financial Times* (although not always in the online version) or the trade press. The annual reports will also often tell you how much the directors get paid (they call it remuneration – be aware that packages include share options and other benefits such as a company car and medical insurance), and will give a one-paragraph biography for each director. Some salaries, company shareholdings and short biographies can also be obtained from the "profile" section of the Yahoo Finance website (*see* Table 4, p.129).

There are also versions of *Who's Who* for particular industries – look in a business library. These books will give a short biography of each entrant: place of birth, parents, education, career, family status, club/society membership, leisure activities and so on. The highest-profile directors of large companies may have full-length (sometimes book-length) biographies written about them. Try searching library catalogues (*see* p.151).

More information on directors may be obtained from the press (both mainstream and trade press) – for example, in interviews and profiles. Try searching the web sites of trade journals (*see* p.159) with the director's name (and possibly the company's name, too) and "interview" or "profile" as the search terms. The trade press updates personnel changes in their industry and often also publishes brief biographical information. Try "appointments" or "people" as search terms.

UK companies

In the UK, the names and addresses of all company directors must be filed by law with Companies House and can be obtained for a search fee of £1 per company. All directors have to file the names of other directorships held. Disqualified directors are also listed at Companies House (*see* p.165). Recently, some campaigners have targeted directors at their homes: this has led to calls for directors' addresses to be excluded from the publicly-available company records (*see* Box, "Huntingdon Life Sciences", p.27).

Directories giving details of company officials are listed in Table 9, p.110.

US Companies

The quickest way to find information on directors of US companies is to consult the Securities Exchange Commission's EDGAR database – **www.freeedgar.com** . Find the DEF form, which supplies the name, age and background of directors, together with other company affiliations and transactions with realted parties.

Table 10

Importers and exporters – Web sites and directories

UK EXPORTERS

Corporate Information

www.corporateinformation.com

Provides d*etailed information about over 90,000 British exporters. Data include name, address, products, trade names, number of employees, whether the company is public or private, the names of its chief executives and other information as well. A very good site and free to use.*

The Directory of UK Importers

Vol 1: A-Z Listings, Vol. 2: Country of Origin Index.
Newman Books, Newman Data Services, 32 Vauxhall Bridge Road, London SW1V 2SS.

Volume 1 *arranges all importing companies alphabetically, with each entry listing an address, telephone number, contact name, the types of goods imported and the main countries from which they are imported.* Volume 2 *provides indexes arranged by: country of origin; product (divided by type of product imported); and import frequency.*

IMPORT/EXPORT ASSOCIATIONS

British Importers Association

www.britishimporters.org

American Importers Association

www.americanimporters.org

Canadian Association of Importers & Exporters

www.importers.ca/

PRODUCTION & RETAIL

Thomas Register of American Manufacturers

www.thomasregister.com

A particularly useful site if you are trying to find out who manufactures a particular product in the US and Canada, or wish to match a brand name to a company. The database covers 156,914 companies and 135,415 brand names. There are no charges for access the information, but you must register. If you can't find a product, you can send an email and Thomas will reply by post, email or fax,"depending on the information you provide".

Hoovers Handbook of American Business

Hoovers Inc., 1033 La Posada Drive, Suite 250, Austin, Texas 78752, USA

Overview of major US companies. Gives addresses, subsidiaries, products and key competitors.

Kompass – Volume 1: Products and Services

Reed Business Information, Windsor Court, East Grinstead House, East Grinstead, West Sussex RH19 1XD.

Gives details of over 44,000 different products and services offered by UK industrial companies. (Other volumes do the same for other countries). Identifies what companies are producing what goods and selling them in the UK. Breaks down suppliers into manufacturers or direct providers; wholesalers, merchants or indirect providers; manufacturers without own works in the UK; distributors; exporters and importers.

The Food Trades Directory of the UK and Europe

Newman Books, Newman Data Services, 32 Vauxhall Bridge Road, London SW1V 2SS.

If you are trying to find out who retails a particular foodstuff – industrially-farmed shrimp, for example – this is an invaluable source of information. The index allows you to search by products and brand names and the entries give basic contact details, key personnel, parent company, associated companies and subsidiaries.

SECTORAL DIRECTORIES

The Soya Bluebook

Published by Soyatech (**www.soyatech.com**)

"The annual directory of the world oilseed industry". Companies listed by commodity (soyabean, rapeseed, maize, cotton, palm) and by country, with symbol indicating commodities, activities (import / export / processing) contact address and person's name. Also trade and production statistics, trade association contacts for all countries and other reference information.

. . . Importers and exporters?

Finding out who is importing a particular commodity into a country (or exporting to one) is generally vital if one's strategy revolves around puncturing demand for a product by, for example, boycotting certain goods or threatening to boycott them. Talking to importers and explaining the problems surrounding the production of the goods they are buying and selling can also prove effective in turning markets in a more sustainable direction.

Start by checking out whether your country is a major export destination from the country of production you're interested in. For example, for the food and agricultural industries, the US Department of Agriculture produces excellent figures on world trade flows between all countries and for all commodities. Or for oil, gas and coal, use the *BP Statistical Review of World Energy* (**www.bp.com/bpstats/**).

Many sectors produce directories of importers to help companies find contacts for doing business. Some of these directories are listed below, or in the sectoral research section of Part Seven (*see* p.177). Alternatively, you could approach the trade or professional associations for the sector you are researching, and ask their library or information service what directories are available.

You may also be able to get advice from the importer and exporter associations, some of which are listed below. Failing all that, you could look at what happens either side of the international transaction: production in the source country, or retail in the destination country. For information on producers, some business directories give geographical breakdowns of where companies' markets are, as do some company annual reports (*see* p.126), and some government filings (*see* p.165). For information on retailers, market research reports (*see* p.163) are probably your best bet, although some sectoral directories may be helpful.

We have undertaken research in this area mainly on two issues – the import of tropical shrimp (a major cause of mangrove destruction and an industry associated with human rights and labour abuses) and the import of genetically modified crops such as soya – so the list of directories reflects a focus on the food industry.

Table 10 (p.147) gives some useful general directories of importers and exporters for the UK and North America (all sectors).

. . . What research a company is funding?

Knowing what research a company is funding can be useful for a number of reasons:

- the research itself may be problematic for social or environmental reasons;
- the amount spent in a given area is a strong indication of the company's future direction or its commitment, for example, to environmentally-sustainable production methods; and
- where academic researchers are used to counter critics of the company's products or activities, it is important to know what research links they may have with the company.

For the US, two databases are particularly useful : **www.ssw.umich.edu/grantetc/corps.html** and **www.fdncenter.org/grantmaker/gws_corp/corp.html** .

Part Six

Further research – Skills and resources

Where to go for information

Researching companies and business sectors is often portrayed as a highly specialist affair. It is actually much easier than many people think. Anyone can find out about a company with a little time and imagination. Obviously, it's easier to find out about a large company than a small one, and a local company than a distant one. The smaller and further they get, the more you will have to use your ingenuity.

This section gives details of where to go for information. It starts with the libraries in the UK where you can research companies and businesses. It also provides a brief introduction to researching companies on the Web; which search engines have proved most useful in our work; how to phrase your web searches to get the best results; and where to find non-English search engines. The section also includes a guide to government, industry, media and NGO sources of information, and information on sectors.

LIBRARIES

Uses of libraries

Libraries can be used to find all paper-based sources, including:

- business directories;
- company and other reports;
- mainstream, financial and trade press;
- biographies of officials;
- guides;
- information on governments and laws;
- telephone and address directories;
- reference sources, such as listings of publications or useful associations.

Some libraries also have electronic resources, such as CD-ROMs and subscription online services.

Choosing your library

There are five different types of library:

1. Local libraries

These provide fairly basic coverage, but the periodicals sections can be useful. In the UK, the main county libraries (usually in each county town) generally have up-to-date business directories in their business section. If your target company is based locally, local history books and local papers may be useful. If a directory or other reference book is not available through your local public library, ask the librarian to get a copy through the inter-library loan service – in the UK, the library is obliged to try to get the book for you if it is held in the national public library system, although they may charge you for doing so. Generally, librarians are very helpful in this – most see it as a vital part of the service they provide.
Few local libraries in the UK have their catalogues on the web; but if you are looking for a newspaper or journal, the MagNet website – **www.earl.org.uk/magnet** – catalogues these for many libraries across the country (it covers over 40 library authorities, such as county councils, borough councils and unitary authorities). You can search it by geographical region.

2. University libraries

Try the business studies section, or other relevant subject sections (for a chemicals company, look in the chemistry section; for a construction company, look in engineering).
University libraries also provide good general reference sources, good media coverage (including trade journals), and abstracts databases – if they let you use them. Universities vary in how willing they are to give access to non-university members.

3. National libraries

These are generally the best non-specialist libraries, and have extensive collections (especially of books published in the library's own country). They are usually located in the capital city. In Britain, there are six copyright libraries (*see* Table 11, p.153). By law, all these libraries are entitled to receive a copy of every publication published in the UK. The best is the British Library in London, which is obliged to take a copy of all UK publications (the others can choose to opt out). They also have extensive foreign collections.
To use copyright libraries, you will need to be registered as a reader: this

Basic skills and techniques

If you have never researched a company or market before, you might well think that there is little information readily available to the public. Much of it is, indeed, commercially confidential – and companies go to considerable lengths to keep it that way. But enter a library or begin searching the Web and the problem soon becomes less one of "How do I find out about this or that company?" and more one of "How do I make sense of all this information?" Confronted by shelves of reference books and pages of web sites, it is easy to feel overwhelmed – and even easier to get lost in the material which you will quickly manage to unearth.

So, before setting out to "catch your hare", it is worthwhile bearing in mind a few golden rules of research. Corporate Watch, a UK-based research group, has produced an invaluable DIY Guide on researching companies, which begins with some excellent advice for would-be researchers:

➢ Know what you want

Be clear about what kind of information you need for your campaign. Beware of information addiction – if you don't know exactly what you want, you can spend hours picking up reams of "information", which is all very interesting, but in the end no real use. Maybe even write it down. List possible research avenues, plan your time, prioritise and continually re-evaluate progress as you work – to avoid spending all your time getting over-absorbed in one source of information.

➢ Don't be afraid to ask someone else

There are very few companies – or sectors in the world – that don't have some group already tracking them. At the start of your research, you should scope what other researchers and campaigners have already done that could be helpful and could avoid duplication of work.

➢ Look for leads

Throughout your research, look not just for information itself but also for potential further sources, whether publications, websites and contacts. Ask interviewees for any contacts they've got; follow all links from useful websites; always look through bibliographies and reference lists in the back of publications. Look at the source of all your information and follow it (for instance, if the source was a newspaper or magazine article, talk to the journalists, find out where they got their information.) A lot of good stories begin with a rumour – "Have you heard that ABC plc does this?" Always follow these rumours: "Where did you hear that?"

➢ Note all references

This really is essential. Buy a note book and use it to log where you got your information from – jot down web site addresses and telephone numbers in particular. If later in your investigations you come to doubt some of your information (for example, if you get conflicting facts), you need to be able to check out its reliability. Also, being able to go back to your sources may give you new leads. The author of *The Corporate Watch DIY Research Guide* says he "goes so far as to log everything I do during a research project, including all names, 'phone numbers, and details of where I get each piece of information. And I've frequently been very glad I do. I also keep photocopies of all useful paper sources, and printouts of web pages."

There isn't one single way to do research – as you go along, you will evolve your own short cuts, favourite directories and web sites, and ways of getting information. For example, you will probably build up your own web bookmarks of sites you have found useful.

Source
How to research companies – Corporate Watch DIY guide. The guide can be downloaded from **www.corporatewatch.org.uk/publications/diy_research.html**

entails filling in a form and convincing the library's administration that you would not be able to find the materials you need elsewhere. A letter of recommendation from an academic definitely helps.

The Bodleian in Oxford and the British Library in London (and possibly the others) keep most of their collections in stack storage. This means you need to go beforehand to order them up from the stack, and then come back when they've arrived; at the British Library, this can take a couple of days.

4. Business libraries

Business libraries are specifically designed to meet business needs, so have excellent collections of business directories, trade journals, company reports, market guides and other resources. Almost as useful, however, are business studies libraries in universities and business sections of public libraries.

Both London and New York have a dedicated business library – the City Business Library in London (*see* Table 11, p.153) and the Brooklyn Business Library in New York (**www.brooklynpubliclibrary.org/business/business.htm**).

Other business libraries are listed in Euromonitor's *World Directory of Business Information Libraries* – although to use this, you'll need to find a library which stocks it. It is held in the British Library's business section, so if you have contacts in London, ask them to look it up for you.

5. Specialist libraries

Many interest groups have special libraries. Some trade associations and professional institutes (*see* p.163) have excellent libraries on their industries. You may need to be a member to use them, or you might have to pay for a day's visit.

Other specialist libraries in the UK include the library of the National Motor Museum in Beaulieu (Hampshire) on the auto industry, and the Private Finance Initiative library in the Treasury – the UK government's finance department. (*See also* sectoral research sources, Part Seven, p.177)

How to use libraries

Start by asking library assistants which book is best for your purposes – librarians are usually keen to help. Or search the catalogue by subject keywords or by author or publisher (for example, a company or trade association may publish many useful reports). There may also be books about the company or its industry. Browsing can yield results – but be careful of getting sidetracked.

Table 11
UK business and copyright libraries

City Business Library
1 Brewers' Hall Garden, London EC2V 5BX
(nearest tube: Moorgate. The library is between London Wall and Aldermanbury Square)
Open: Monday to Friday 9.30am - 5.00pm
Excellent, with a wide range of business directories, some 750 periodicals, 90 daily papers and other interesting sources. Its periodicals are catalogued on the web (along with those at various other libraries). The library also offers a fee-based research service.

Westminster Reference Library
35 St Martin's Street, London WC2H 7HP (nearest tubes: Leicester Square, Piccadilly Circus and Charing Cross).

Trade Partners UK Information Centre
Room 134, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW (nearest tube: Victoria)
www.tradepartners.gov.uk/information_centre/home/welcome/

Department of Trade and Industry Library
1 Victoria Street, London SW1 0ET (nearest tube: Westminster or St James Park)
Students must have an appointment and proof of identity

British Library
96 Euston Road, London NW1 2DB
(nearest tube: Kings Cross).
Catalogue: **www.blpc.bl.uk**
Has a Science, Technology & Business Reading Room, plus extensive bookstack. The business resources in the Science and Business reading room are on "open shelf" – so you don't have to wait whilst books are bought up from the basement. A reader's ticket is required.

Bodleian Library (Oxford University)
Broad Street, Oxford OX1
Catalogue: **www.bodley.ox.ac.uk/elec-res.html**

National Library of Wales
Aberystwyth, Ceredigion SY23 3BU
Catalogue: **geacweb.11gc.org.uk:8000**

National Library of Scotland
George IV Bridge, Edinburgh EH1 1EW.
Catalogue: **http://main_cat.nls.ok**

Cambridge University Library
West Road, Cambridge CB3 9DR.
Catalogue: **www.libcam.ac.uk/Catalogues/OPAC**

THE WEB

The web is becoming an increasingly powerful tool for research, especially for those who live in the US and other countries where local telephone calls are not charged.

For those living in the South, however, computers may not be readily available and, even where they are, on-line research can be expensive and frustrating, particularly where telephone connections are unreliable.

Southern groups without access to computers or the resources to undertake intensive web searches might be advised to contact partners in the North to request their support.

The dangers

Extra care is needed recording what you do with websites, as it's easy to get lost when "surfing" and forget how you got there – so noting sources is critically important. Always note the web page address (its "URL") and the date viewed.

In addition, websites are not enduring like paper publications – they get changed and updated from time to time. For this reason, it's good to print out the page (make sure the URL is printed with it – sometimes it isn't in full if it's too long); or to save it on your hard drive and note the URL; or to take comprehensive notes on everything that might be useful.

The other danger – even more than with libraries – is of getting swamped with information. It is very easy to spend many hours surfing without realising it.

Search engines

By far the most important tool is your search engine. There are literally thousands of search engines available, which vary widely, so it's important to use a good one (and one which suits you). Bear in mind that different search engines "think" differently: consequently, they rank pages in different orders, and search in different ways, so it's sometimes worth trying more than one. Some of our favourites are listed below.

Types of search

You should always read the "search tips" on how the logic of the search engine works – this tells you how to enter your search terms.

There are basically three types of search:

1. Random searches

This involves putting in keyword search terms and searching the whole web. It is probably the least fruitful type of search, and it will give you all sorts of web pages, only some of which are of use. But if you're starting from scratch, it can be good way of getting some initial information and some leads. Judicious use of keywords can help here – such as the company name with "pollution" or "prosecution" or "protest". You will often get thousands of results. Improve your searches by using intelligent search engines or by using Boolean operators ("and", "or", "not") or understanding the logic your search engine is working to; by using less general words (for example, the name of a project in which a company is involved, rather than just the company's name); or, if looking for a project, by using a search engine with an "exact phrase" option.

2. Specific searches

If you are looking for a specific report,

Table 12

Tried and tested engines

A number of "portals" offer pages with excellent reviews of search engines, such as Business Information on the Internet – **www.dis.strath.ac.uk/business**. These can be extremely helpful in pointing you to a search engine that is most suited to your needs. Our favourite search engines are:

Google

www.google.com

One of the most "intelligent" in how it ranks pages for usefulness – judging pages by how close your search terms are to each other, and by how many other sites link to that page. We find that Google always tends to get what we really want very high in its list.

It also has two other excellent features:

- It holds a "cache" of each page it has registered. In other words, if a web page has changed (as they often do), Google will show you how the page looked when Google indexed it.
- It allows you to just search a specific site. Write "site:www.[domain name]" after your search terms, and it will just search that domain name. Alternatively, use the "advanced search".

Google also allows phrase searching, and Boolean operators ("and", "or", "not"). These features are explained in the "search tips" and made easy to use on the "advanced search" page. In each search result, Google has a "similar pages" link, which takes you to other pages containing many of the same words. Use this if you found a page that meets your needs, and you want more like it. Google works in many different languages.

Hotbot

www.HotBot.com

Hotbot has many of the same features as Google, including Boolean operators, phrase search, site search and some languages. It is less intelligent than Google, however, and doesn't have the cache or "similar pages" functions. But it does have three useful features in its advanced search which Google lacks:

- It can restrict results to pages modified after, on or before a certain date;
- It can search for results containing words stemming from some of your search terms (for example, with search term "finance", it will also find pages containing "financial") or use wildcards;
- It can search only for pages linking to a particular type of web medium (for example, images, video, audio, pdf). Some companies, for example, web-cast their quarterly financial presentations to analysts, and this function could be used to find such audio or video content.

Debriefing

www.debriefing.com

One of the best search engines that we have come across. Fast (20 results on "Balfour Beatty" in 0.871 seconds) and with search results that are relevant. Described by "Business Information on the Internet" as "Australian metasearch engine that seems . . . to avoid sites which count as 'noise' for a business search." The only drawback that Business Information identified was that "it does not group by site so you may find all the selected hits come from the company's own company sites". Also has a French version.

Pinstripe

www.pinstripe.opentext.com

Specialises in "crawling" business-oriented web sites, with the database updated every two weeks. Sites include businesses on the Fortune 1000, Global 500 and Forbes 500 lists, as well as sites with content about business issues. According to "Searchenginewatch", "The idea is that this focused database will present results more suited for business users." Searches can be requested across all sites in the database or just among sites that belong in particular categories called "slices." These categories include topics such as "Construction" or "Retail Trade." It is also possible to search for specific people using the "WhoWhere" facility. All specialty services are available via a navigation bar at the top of the screen.

Northern Light

www.northernlight.com

Has particular appeal for researchers because it offers access to online versions of published articles. Its Special Collection – over four million full-text articles from newspapers, magazines, trade journals, and other sources – provides full citations (and even abstracts) for free: the full text of the article, however, costs $1 to $4. "Business Information on the Internet" rates Northern Light's free database as being "good for searching US government sites". In addition, Northern Light operates the priced "govsearch" service for US government sites.

publication or dataset, the Web can be one of the quickest ways of accessing it. If you know the name of the report, or its author, try a specific search – just enter the name of the report.

3. Site searches

Some search engines allow you to search specific websites or domains for particular words or phrases. This can be fantastically useful, especially for big sites containing lots of information and resources, or when a site's own built-in search engine isn't very good. For example, the excellent Multinational Monitor website has a poor search engine – but a site search of the **essential.org** domain, using the Google search engine, gets much better results.

English isn't the only language in the world . . .

Some of the best known search engines only trawl English-language based databases. But with Google, our favourite search engine, you can set the interface to be in one of 26 languages – from Chinese (simplified) to Chinese (traditional), Danish, Dutch, English, Finnish, French, German, Italian, Japanese, Korean, Spanish and Swedish. It can display its interface in 15 different languages. Use the advanced search page or consult Google's "Frequently Asked Questions" page.

Hundreds of other search engines exist in other languages. Search engine colossus – **www.searchenginecolossus** – provides an international directory of more than 1,000 search engines organised by country. It can be searched in the language of the country covered. Beaucoup – **www.beaucoup.com** – is another useful megasite, listing more than 1,200 search engines from around the world.

Filtering software

You might consider using a programme to search several engines at once. For example, Copernic filters out duplicates and downloads the results so that you can browse them off-line. This means that you don't have to spend valuable time waiting for each page of your search results to download before you can read it on screen. You can get the basic Copernic software off their website for free from **www.copernic.com** . The latest version, which includes more search engines, costs US $75.

Other techniques

More effective use of the web comes with practice. But there are two main techniques for research:

1. Following links

Most sites have a links page, and these are usually worth following (although be selective). Use the "back" key to return to the site from where you branched off.

2. Bookmarking

Some sites are repeatedly useful, such as financial sites, media sites or search engines, and as a researcher you will want to keep coming back to them. Keep a well-organised set of bookmarks for these.

Free trials

Many of the best business and media sites on the web charge for the information they provide, usually by subscription, but sometimes by item downloaded. Since they are targeted at business, the prices tend to be high. But almost all will give you a free trial. Use it wisely.

THE MEDIA

The media are invaluable sources of news and historical information on both companies and the sectors in which they operate. It's difficult to beat the *Financial Times* for broad and comprehensible, yet serious and engaged, company information. If you're involved in corporate campaigning, it's worth reading the *FT* regularly. The front of the "Companies and markets" section has an index of the companies covered in that issue – so you can quickly check whether yours is covered.

Other media sources that are most useful for researching companies fall into three categories:

1. Mainstream media

Primarily, the broadsheet national dailies (for various countries), but also weeklies and broadcast media. Local newspapers can also be useful in areas where a company has operations, especially for small and local companies.

2. Trade and financial press

The trade press consists of magazines published for people working in particular industries and business sectors. As a result, articles in the trade press give you far more detailed and specialised information on companies than those in the mainstream media. For example, a construction journal will often tell you what projects a company is chasing or which contracts it has been awarded; where the sector is heading; what issues people in the sector think are important; and so on. It is worth regularly reading at least one trade journal for the industry on which you're campaigning.

3. Alternative/campaign media

This is where you will find criticism of companies by others who've done work like yours. It's a source not just of information but also of contacts.

Media on the Web

These days many of the main newspapers, and some broadcast media,

Table 13: Guides and portals

If you want more ideas on using the web for company research, a number of "Guides" to business research using the Internet can now be downloaded for free: most consist of listings of useful sites, but some go further and include helpful advice on Web-based research. Our advice would be to download the pages and print them out; that way, you have a paper copy to consult.

The following sites have proved particularly helpful in filtering out those sites that have less to offer.

Business Information Sources on the Internet

www.dis.strath.ac.uk/business

One of the very best general directories of internet business resources, the site has been run since 1994 by Sheila Webber, a lecturer at the Department of Information Science at the University of Strathclyde (Livingstone Tower, Glasgow G1 1XH.) The site, which is checked roughly every few months, includes pages on search engines, sources of advice on search techniques, and reviews of hundreds of business sites.

CEO Express

www.ceoexpress.com

"Designed by a busy executive for busy executives". Click on the tabs across the top of the home page to go to specific pages for "Daily news and information" or "Business research", where you will find links to a host of useful sites. For example, "The Daily News" page has links to *Business Week*, *Barrons*, *Singapore Business Times*, *Fortune*, *Forbes* and *Strategy and Business*.

are archived on the web: access is often free. Some key, web-based UK media sources are listed in Table 15, p.160. These archives allow you to search by key words such as company names, names of directors, names of projects, and key words such as "prosecuted", "pollution" or "protest".

You should always read the website's search tips or help page to see how best to frame your search terms – for example, whether to write exact phrases or to use Boolean operators or whether you can use "wildcards". Some databases allow you to sort your results by relevance; some let you narrow down your search by only scanning in the headlines.

CD-ROMs

Many newspapers and magazines now make their archives available on CD-ROMs, which can be found in public libraries. If you're based near such a library, using these CD-ROMs may be better than using the web, as you can search several publications at once.

One of the best is **FT McCarthy**, which contains around 40 titles, including all the UK broadsheets; the main newspaper from each of several major industrialised countries; and two UK local papers (*Birmingham Post* and *Yorkshire Times*). There is a copy in the City Business Library, London (*see* p.153).

Another good CD-ROM-based archive, although less commonly available, is **dialog@carl**, which contains many US state newspapers, plus others from elsewhere in the world (for example, Asia and Latin America). Try a university library for this.

You can also obtain some magazines on CD-ROM, such as *New Scientist* and the *Times Higher Education Supplement*.

For more specialist material, academic abstracts databases (giving one- or two-paragraph summaries of articles) can be useful, especially in vocational subjects. These are found in university libraries, although often they require password access. Try applying for a reader's ticket, or maybe ask a friendly student.

Indexes – The old-fashioned way

If you can't get access to the Web or CD-ROM access, you can use indexes. In the UK, most major newspapers publish monthly indexes, amalgamated at the end of each year: you may find these indexes in a library. Most importantly, the indexes will go back much further than electronic archives (most media websites only go back to about 1997/98).

Also available are the indexes which cover several publications – such as the **Research Index**, published by Business Surveys Ltd, which covers most of the major newspapers and magazines, including some trade journals, or the 6-monthly **Clover Newspaper Index**, which covers the four main UK broadsheets, plus the *Financial Times*, *The European* and the *Economist*; it also has a company data supplement. Neither of these are comprehensive – for example, they don't index every single article in the papers and journals which they cover.

Trade journals often have an index in the first issue of the year, covering the previous year – you could call the editorial office to ask whether this is the case. When old editions are bound, an index is often inserted.

A few alternative media have indexes, although this is more rare.

Libraries don't generally hold more than a couple of years of back issues due to limited space. For older newspapers, try the British Library's Newspaper Library (Colindale Avenue, London NW9 5HE) or a copyright library.

And failing that – the hard way

For some publications, there are neither electronic versions nor indexes available – including local papers, some countries' national papers, and many trade and alternative papers. You could try calling up the editorial team, who may be helpful in telling you where to find a story, or who might search their office archive.

But in most cases, you'll just have to set aside plenty of time and work your way through a pile of journals. Most journals have contents pages, so you can often get away with just reading this for each issue. The contents page often doesn't cover the news section, so you may want to skim through this, too. It gets easier with practice – you learn to scan headlines; first paragraphs usually give a good sense of whether an article's likely to be useful. With practice, you become able to scan pages quickly to pick up the visual shape of words (for example, company names), rather than actually reading every word on the page.

Finding trade journals

Every industry sector has a large number of trade journals, of differing degrees of obscurity. Sometimes, the best way to find a useful one is to go to a business or university library and browse. Alternatively, try searching the library catalogue by subject.

There are only a small number of companies which publish trade journals. Most list the journals they publish on their websites, or alternatively you can 'phone them up, to see what they publish on the industry you're interested in. Some of these companies are listed below.

Most trade associations and professional institutes (*see* "Industry Sources", p.163) will publish a magazine, journal or newsletter; while some just report on the association itself, others will include general industry news.

Another option is to look in *Ulrich's Directory of Periodicals* (published by RR Bowker, 121 Chanlon Road, New Providence, NJ 07974, USA), which is a massive listing (5 volumes) of all the periodicals published in the world, organised by subject. It also tells you

Table 14: Trade journal publishers

The main UK trade journal publishers are:

Reed Business Publishing
www.reedbusiness.com
The biggest publisher of trade journals, with many titles.

FT Business
www.ftbusiness.com
Specialist journals on the financial and energy sectors.

EMAP Business Communications
www.emap.com
Large range of titles; sectors covered include: advertising, automotive, communications, construction and cicil engineering, health care, local government, materials, media, oil and gas, and retail.

Haymarket Group
www.haymarketpublishing.co.uk
Various, including *Management Today*, *Campaign*, *PR Week* and others.

William Reed Publishing
www.william-reed.net
Mainly food and retailing industries.

Hemming Group
www.h-info.co.uk
Various, including *Surveyor*, *International Trade Today* and others.

which country they're published in. You should be able to find it in the reference section of a library. The directory will give you some really obscure journals, probably far more than you can possibly handle. Narrow it down by selecting the most useful-sounding titles. The directory is also available to subscribers on the Web – **www.ulrichsweb.com** . A free trial period is offered.

Once you've got the title of the journal you want, browse the on-line catalogues of copyright, business, university and relevant specialist libraries and see if they hold copies (*see* "Libraries", p.151).

Table 15: UK Press databases on the Web

The Guardian
http://www.guardianunlimited.co.uk/
Select "search the archive" from pull-down menu at top of page. Archive goes back to September 1998 (*Guardian* and *Observer*). Allows Boolean operators.

BBC News
http://news.bbc.co.uk/
Click <advanced search options> in top right of page. Taken from the BBC's World Service, so has good international coverage and generally quite good depth. Goes back to November 1997. Allows Boolean operators and wildcards in its advanced search option.

Financial Times
http://globalarchive.ft.com/globalarchive/
This site has recently been upgraded, and allows you to search over 2,000 publications, including newspapers from around the world and a good selection of trade journals. This will often give you too many results to be useful; you can narrow down the range of publications (including searching only the FT), and you can select a precise date range. You view headlines of the articles it finds 10 at a time, then select the ones you want and retrieve them. The interface is somewhat clumsy, and often it will tell you it is unable to perform a particular search. Usually simply clicking the "back" button and doing exactly the same again is successful. The search terms are not brilliant, in that Boolean operators are not allowed (although it does have an "exact phrase" option); but it remains one of the best free resources available.

Daily Telegraph
www.telegraph.co.uk
Click <search> at top of page. Goes back to 1994. Doesn't have Boolean operators. Can search on a particular date, or more usefully a month or year. It lists all articles that match any of your search terms, starting with those that match all of them – these score 100%. This search facility is more opaque than some others.

The Times
www.thetimes.co.uk
Click <search> at bottom of page. Can search back to October 1999. Can specify a date range. Allows the 'AND' Boolean operator. Also has an unsearchable archive back to January 1996 (you need to specify exact date).

Alternative media

Few alternative media have electronic versions – exceptions include *Multinational Monitor* (**www.essential.org/monitor/**) and Corporate Watch (**www.corporatewatch.org.uk**) or indexes (exceptions are *ENDS Report*, one of the best journals available on pollution-related issues, and *Ethical Consumer*).

The best way to search the alternative media is via the Ethical Consumer Research Association's Corporate Critic – at **www.ethicalconsumer.org/ECnewsite/pages/corp_critic.htm**. This is essentially a database of abstracts, covering all the main alternative media (over 50 publications).

When you type in a search term, it gives you a list of articles, indicating companies involved, date and nature of the criticism (in 15 categories, including environmental pollution, worker rights and irresponsible marketing).

You can then select from the list, and download abstracts, which include full source details and a one-paragraph description of the article. You then need to get the article yourself, or pay ECRA to send it to you (about £2). A one-off lifetime subscription costs £60; getting the initial list is free, but you have to pay £0.75 per abstract you download.

Press databases

The most powerful press resources of all are online press databases (*for the UK press, see* Table 15, p.160), allowing you to search electronically vast chunks of the media – for a fee.

There is one free such service – the global archive of the *Financial Times* (**www.ft.com**). This can be very useful, although it is rather inferior to paying services.

The best online database we have found is Reuters Business Briefing – **www.briefing.reuters.com**. It covers over 6,000 publications in 10 different languages, including all major national press from around the world, some local press and an excellent collection of trade press. The search options are very sophisticated, allowing Boolean operators ("and", "or", "not"), including bracketing; it also allows "wildcards".

You can specify an exact date range, countries you want to search in and publications you want to search (or publications grouped by the industry sector they cover). You can also narrow down your search by specifying how early in an article a search term should appear, or whether it should appear in the same sentence or in the same paragraph.

The downside is that it is very expensive – a minimum of £6,000 for a year (+ VAT), for 20 hours per month online time. But they do give a two-week free trial – call sales on *Tel*: 020 7542 5455.

The other downside is "information overload", as you can retrieve vast numbers of articles. You need to choose your search terms well: if it returns more than about 200 headlines, try to narrow your search more. Another trick is to minimise your online time – print out all retrieved headlines, save all downloaded articles, then log out and read them off-line.

COMPANY AND INDUSTRY SOURCES

Information is playing an increasingly key role in business, and each industry sector has its own sources of information which people in the industry rely on from day to day. Many of these are accessible to the corporate researcher, too.

The six main industry-derived sources of information on companies and business sectors are listed below, followed by details on where to go for information. For listings on specific sectors, *see* Part Seven, p.177.

1. Company annual reports and websites

These are an invaluable source of basic information on a company – from the company's point of view. To find out how to access them, *see* p.126.

2. Trade associations

These are organisations whose members are the companies in an industry; they exist to serve their members through information provision, technical advice, setting of industry standards, lobbying, public communications and other services. All industries have at least one trade association, as do some small and obscure sectors of industries; there are also associations for companies with interest in a particular issue of relevance to their industry.

3. Professional institutes

In contrast, these organisations' members are the people who work in an industry; services include information, professional qualifications and accreditation, conferences, training and others.

3. Trade journals

Magazines which focus on a particular industry. For a listing of trade journal publishers, *see* p.159.

4. Market research

Guides to how a sector works, including: the main companies involved and their market shares; breakdown of the importance of different chunks of the markets; future prospects; major issues facing the sector and so on. As such, they can be extremely useful in getting to know an industry and the competitive positions of its companies.

5. Directories and websites

These range from simple listings of contact details for companies in a sector to quite detailed guides, which may also give: information on what goods and services companies provide; financial details; market shares; breakdown of companies' markets by geographical area or business activity; directors; advisers and service providers; company histories; and current issues. In fact, directories and websites are such an important source of information that we have given them their own section, *see* p.151 and p.154.

6. Trade associations and

professional institutes

Many industry bodies have libraries, which can be invaluable for their specialist focus – assuming you can persuade them to let you in. Some will charge you for use of their library. The organisations often also have information services, whereby you can 'phone up for statistics, market data or other information they have to hand – although they will generally charge you if you need more of their time than just speaking on the 'phone. Perhaps most usefully, you can ask these information departments for advice on how to do your research, pointers to good websites, directories, journals and libraries. Trade association employees generally have an excellent knowledge of their industry (*see* "Interviews", p.173). Many trade associations also publish their own journals and newsletters.

In the case of professional institutes, you might even consider joining. Of course, institutes vary in the toughness of their membership criteria, but it has been done. Some offer reduced membership rates for students.

You can find the trade association and professional institute for the industry you're tracking by using listings either on the web or in directories in the reference section of most libraries. Directories tend to have subject indexes in the back.

Market research

Market research companies tend to publish reports regularly, often monthly, covering a different sector or sectors each time. Some are published in journal format and then bound – in which case you need to look through the index of the most recent, which will point you towards the issue you need. Others come as whole reports on particular sectors, updated at intervals of a few years.

Buying market research reports tends to be prohibitively expensive; many libraries, however, have market research sections, which are well worth browsing. The British Library's (in the business section) is especially good. Even local libraries often hold market research in their business section, but the reports they hold tend to deal with less industrialised, less capital-intensive sectors since they are there to

Table 16: Trade associations

For UK and US trade associations, the following web sites and directories are particularly helpful:

Trade Association Forum
www.martex.co.uk/taf/index.htm
Search by UK industry or by association name

Trade Associations and Professional Bodies of the United Kingdom
Graham & Whiteside, 5-6 Francis Grove, London SW19 4DT. *Tel*: 0208 947 1011

Directory of British Associations
CBD Research, Chancery House, 15 Wickham Road, Beckenham, Kent. *Tel*: 0208 650 7745

Gateway to Associations
http://info.asaenet.org/gateway/OnlineAssocSlist.html
Search by US industry, state or city; it's worth also trying various search terms in the search box for the organisation's name.

International directories inevitably are less comprehensive. But try:

Encyclopedia of Associations
Gale Group, 27500 Drake Road, Farmington Hills, MI, USA.
In 3 volumes

World Guide to Trade Associations
KG Saur, Ortlerstrasse 8, D-81373 Munich, Germany.

Directory of European Industry and Trade Associations
CBD Research, Chancery House, 15 Wickham Road, Beckenham, Kent. *Tel*: 0208 650 7745

help local businesses. The market research reports most commonly held by UK libraries are those published by **Keynote** (*see* below). Photocopying of market research is generally prohibited under copyright.

Many publishers of market research list their titles on their websites, including contents pages in some cases – although you'll still have to find the reports in a library once you've got their titles.

For the UK, two important publishers are Keynote – **www.keynote.co.uk** – and Mintel – **www.mintel.co.uk** . Both cover British markets. Mintel also publishes useful industrial reports, as well as market intelligence reports.

For coverage outside the UK, check out Market Research Europe and Market Research International – **www.marketresearch.com** and **http://db2-rev.ecnext.com/**. These cover both international markets and markets within individual countries. Euromonitor – **www.euromonitor.com** – also reports on both international and country-specific markets.

Market research is also carried out by trade associations, banks and other service companies (this, too, is usually expensive – although you can try libraries).

Some governments carry out market research (for example, the US Department of Agriculture, *see* "Sectoral Resources", p.175), although this tends not to list company names but to discuss markets and countries generally. These reports are usually available free online.

One fairly good government resource is Strategis – **http://strategis.ic.gc.ca/SSG/bi18355e.html**. This is a website of Industry Canada (the trade and industry ministry), which searches US Department of Commerce market research reports. You can select a country or region and sector, and it gives you a list of reports available. Market assessment and competitive situation reports tend to be the most useful. Both give qualitative descriptions of markets.

GOVERNMENT SOURCES

While companies are often quite secretive about their business, the culture of government and the public sector (at least in Europe and North America) is often much more open.

A number of government departments have regular dealings with companies and hold useful information. These include:

Company registrars

The government agencies where companies legally are obliged to submit their documents of incorporation, annual accounts, directorships and corporate governance information. They are usually connected with the government trade or enterprise department.

Regulators

The government agencies which track, monitor and enforce standards of corporate behaviour – for example, on environmental impact, workplace safety and anti-competitiveness.

Sponsoring departments

The government departments which work most closely with particular industries, providing them with their main route into government, consulting with them on new legislation and supporting inter-company communication. Obvious examples are government departments covering agriculture, energy, finance and health. Trade and industry departments tend to be the catch-all for most other industries; in the UK, the Department of the Environment is also the sponsoring department for the construction industry. For the researcher, these departments can be used much like trade associations – for advice, information, publications and libraries.

Statistics departments

All governments have statistical departments, producing data especially on their own countries, but also on trade and markets.

Parliament

In theory at least, governments are accountable to the bodies of elected representatives. While in practice the elected bodies themselves have relatively little power, their monitoring role is generally carried out seriously (in OECD countries, at least), and as such they are a useful source of information.

Quangos

Public sector bodies, which are answerable to particular government departments. There are three types: advisory committees, nationalised industries and executive agencies (including regulators, funding agencies and the like). Some quangos can be useful for information on the industry they relate to. The UK has several hundred, listed at **www.cabinet-office.gov.uk/quango/**

Using company registrars

In the UK, companies register at Companies House, which is an executive agency of the Department of Trade and Industry. Various information is recorded, including lists of shareholders; annual accounts; details of special financial transactions; lists of directors (and their home addresses and other directorships); and, in some cases, a short text report on the company's activities (with the accounts).

Companies House will only give you

information on companies *registered* in the UK – but not on overseas parents or subsidiaries. (In contrast to SEC, where the 20-F and 6-K forms are required by foreign companies with operations or subsidiaries in the US). But the filing requirements apply to all companies, regardless of their size or type. Smaller and private companies tend to give less information than larger and public ones.

You will need to know the company's precise registered name. While you can choose at Companies House from an alphabetical list, this does not tell you the name of a company's parent company or its various subsidiaries. We recommend looking these up in a directory such as *Who Owns Whom* beforehand (*see* p.137).

Companies House has branches in Birmingham, Glasgow, Leeds, London, Manchester, Cardiff and Edinburgh. It is open Monday to Friday, 9am to 5pm. The general enquiries telephone number is 02920 380 301. The staff will show you how the computer terminals work. To print out all directors and their home addresses cost £1. Other documents cost £2.50, plus 10p per sheet (or £3.50 maximum). You can get a full set of records on microfiche for £5, but you will have to wait overnight for this. Microfiche reader-machines can be found in most libraries. Companies House will also post you information, but there is an extra charge for this.

Alternatively, you can use Companies House on the web at **www.companies-house.gov.uk** . This service is available Monday to Friday, 7am to 10pm UK time. Click on <company information>, then <company names + address index + chargeable documents>. Write the name of the company you're interested in, and you will be taken to the relevant place on an alphabetical list. Select the company by clicking on the number on the left-hand side of the screen. Click the <order> button, and you will be shown the available documents on that company. These are generally the latest annual accounts (£4), the latest annual return (£4) and the directors' report (£2.50). In our view, the accounts tend to be the most useful, and sometimes the annual return. If you get stuck, there is a <help> button at each stage of the search and order process.

Europe

There is a list of contact details of some of the other European counties' company registrars on the European Business Register (EBR) site at **www.ebr.org/partner.htm** – covering 12 countries (but not UK). If you are based in one of these countries, you can use the EBR service via your own country's registrar to access information held by the other EBR members.

United States

In the US, all companies with over $10 million of assets and over 500 shareholders (or more precisely, holders of a particular type of share) are legally obliged to register with the Securities and Exchange Commission (SEC). They have to give quite substantial (and useful) information, and most of it is available for free over the web. (This applies to records filed since May 1996, when electronic filing became compulsory for all publicly-traded companies, following intensive lobbying by consumer activist Jamie Love).

In fact, SEC filings rate as one of the top sources for the corporate researcher.

The official website to access this material is EDGAR – **www.freeedgar.com** . While it's now fairly easy to get into the database and enter search terms, the results tend to be quite bewildering. There are many different types of forms filed at SEC, and EDGAR lists them by their form codes: you have to look up separately what these all mean. But once you know your way around, it's an extremely powerful resource. A full list and description of the various forms is given at **www.sec.gov/info/edgar/forms.htm** . The most useful ones are:

10-K

The company's annual report. This is legally required to include the following information:

- description of the company's business areas, both financial data (covering 5 years) and narrative, including "direction of travel", geographical breakdown and breakdown by business segments;
- location and general character of the principal plants, mines and other assets;
- details of all court proceedings the company is involved in, those which are pending, or even are "known to be contemplated", both civil and criminal – in particular, environmental or anti-trust cases against the company;
- full and balanced discussion by company managers of the financial state of the company;
- assessments of market risk;
- list of directors, executives and main managers (and salaries of executives).

The requirements are described in detail at **www4.law.cornell.edu/cfr/17p229.htm**

10-Q

The quarterly (less-detailed) update to 10-K

8-K

The occasional update to 10-K when important details change or events occur.

(An SB suffix to any of these indicates a small-business version of the same).

13-F

List of holdings in the company by the top institutional investors. These can be in alphabetical order – which is obviously less convenient (or more tedious) than in order of size of holding. Be careful as many institutions are large asset managers and hold stock for their institutional clients in "street name".

20-F

Annual report for foreign companies.

40-F

Annual report for Canadian companies.

Using SEC disclosure requirements to challenge companies

The US Securities and Exchange Commission (SEC), not only provides useful information on companies (*see* p.167), it is also a means to challenge companies. Under the SEC regulations, companies are obliged to disclose any material information – from new legislation that might impinge upon the company's markets to court proceedings against the company – that might affect shareholder value.

Where campaigners find that the company has failed to disclose such risks, they can challenge the company's SEC filing by writing to Mr. Richard Walker, Director, Division of Enforcement, Securities and Exchange Commission, 450 5th Street N.W., Washington, DC. 20549-0801.

Friends of the Earth, in May 2000, challenged the Annual Report filed by the US parent company of the Scotts Company (UK) Ltd, which extracts peat from four peatlands in the UK.

The three largest of these sites (Thorne Moor, Hatfield Moor and Wedholme Flow) are shortly to receive formal designation as protected areas (Special Areas of Conservation) under the EU's Habitats Directive. As a result, Scotts' peat extraction activities would almost certainly be halted. Scotts is alleged to have strenuously resisted the new regulation.

Scotts' SEC filings since August 2000 make no specific reference to UK regulations, nor to the Habitats Directive. In a letter to the SEC, FOE argued that the company's "failure to disclose risks associated with new and significant regulation of its peat extraction activities in the UK" represents "a material omission" that violates SEC rules and "deprives shareholders of information needed to appraise the quality of management".

FOE is pressing the SEC to investigate Scotts' alleged disclosure failure and "to enforce its rules".

Table 17

Regulatory agencies on the Web

Regulators only deal with their own countries – they do not comment on what a company does abroad. There are, of course, many regulators in each country. Here are a few which can be useful information sources:

Health and Safety Executive (UK)

www.hse.gov.uk

Although HSE has generally tended to prefer constructive engagement with offending companies rather than prosecution, in 1999 it began listing its prosecutions on the web at **www.hse-databases.co.uk/prosecutions/**

Environment Agency (UK)

www.environment-agency.gov.uk

The EA, too, has recently adopted a policy of publishing company names – this time of both saints and sinners. *See* the 1999 report (published July 2000) at **www.environment-agency.gov.uk/envinfo/spotlight/spotrep.pdf.** Prosecutions are also press-released by the agency.

Occupational Health and Safety Administration (USA)

www.osha.gov

The website has a page of data on inspections carried out by the OSHA, and recorded accidents, which you can search by company name ("establishment") or by industry (using the SIC (standard industrial classification) code – there is a link to help you find the SIC you want). Accidents have short descriptions of what happened. Search results are presented in a table, including a column for the number of violations discovered; but there is no qualitative information, and no description of offences (beyond broad categories), so it can be somewhat opaque. Perhaps the best way to use it is as a starting point, to find out when violations occurred, and then to search elsewhere for more detail on these.

European Commission Competition Regulation

http://europa.eu.int/comm/competition/

The most useful part is the mergers section, which studies market share and market power of companies involved in major mergers. If a company you are interested in has been involved in a recent merger or acquisition, this site can give you useful market intelligence on that company, in those markets relevant to the merger. Click the <cases> link, and search by company name. Also of possible use is the anti-trust cases section, although there's not a similar easy way to search this.

6-K

Update to annual report for foreign companies (equivalent to 8-K for US companies).

An alternative to the EDGAR site is **www.secinfo.com**, an independent (non-SEC) site containing information from SEC filings, which claims to be better than EDGAR. In some cases, it lists more documents under a company (or at least, makes it easier to find them), and helpfully reminds you what each of the form-codes means. The hardest part, however, is getting in there. From the homepage, enter a search term (usually a company name), and it will match this with possible entries. Select the company you're interested in, and in the next screen, if possible, take it as a registrant (rather than just as a group member). This gives you a list of filings – click on the company name. Finally, you get a list of documents. Select the one you're interested in.

Finding your way around government

Making sense of the government machine, and making use of its resources, has become considerably easier with the arrival of the Web.

Many governments tend to have general homepages for all parts of government, from which you can access the separate websites of the various departments and agencies. A good starting point is the main entry point into the UK government **www.open.gov.uk** . (Ironically, one of its best pages is the <Explore US Government web sites> link.)

For the UK, there's also **www.ukstate.com** – this is much less comprehensive, and less logically structured, than www.open.gov.uk, and has more of a magazine-type format. It's good if you find www.open.gov.uk too big or bewildering, and so can be more user-friendly, but it won't give you the same level of detail. The Cabinet Office (**www.cabinet-office.gov.uk**) is the department which overseas the rest of government, and has some guides which may help you understand how it all works.

For the US, a guide to the government is published by the National Technical Information Service, part of the US Department of Commerce. US Business Advisor (**www.business.gov**) is a guide to the US government for companies. Especially handy is the <agencies and gateways> button, which gives a better listing than the fedworld site. You may also find useful **www.whitehouse.gov**

Another way into US Government is the Federal Web Locator (**www.infoctr.edu/fwl/**), produced by The Center for Information Law and Policy, or the US Federal Government Agencies Directory (www.lib.lsu.edu/gov/fedgov.html). And if you still need guidance, or can't find what you're looking for, try Greg Notess' book, *Government Information on the Internet* (published by Bernan, Lanham MD) or *see* **www.notess.com/write/gioti/**), which has over 4,800 entries.

Regulators

Regulators exist to ensure that companies comply with the law, and also to improve companies' standards (in particular, in relation to their external costs). This may be done through:

- a requirement for the regulator's approval for a course of action by a company – for example, mergers and acquisitions in competition regulation;
- control of licences, quotas and allowances – for example, in pollution regulation (licences to release chemicals into the environment) and agricultural seed regulation;
- on-going monitoring of the industry – for example, regulation of utility monopolies.

On top of these ongoing roles, most regulators have a power to investigate reported breaches of the rules, and to prosecute offenders. But many regulators now prefer to work constructively with companies to achieve improvements, rather than to punish law breaking; so treat with caution any apparent clean bill of health. Still, most will prosecute in serious cases.

All of this can give you a useful insight into a company's record – and some facts to use in your arguments. Regulators often require the companies which they regulate to publish operating and financial information, which you may find also useful.

Getting information from government departments and quangos

Government departments and agencies are an often neglected source of information. In particular, individual staff members know a huge amount about their specialist industry – and are generally far more willing to talk and advise you than those working in the industry itself. It's well worth getting on the 'phone to them.

The best way to find these people in the UK is from the *Civil Service Yearbook*, published annually by the Cabinet Office, which should be in the government or reference section of any good local library. Alternatively, you could try the "about" section of the department's website, or its annual report, or published departmental guides.

Many government departments have "public inquiry units", whose role is specifically to answer your questions, and help you make use of the department. They will either answer your questions themselves, or tell you who the departmental expert is.

Government departments also have libraries, which may or may not be accessible to the public. These hold many of the specialist journals and publications on an industry that you won't find elsewhere.

Sponsoring departments serve a coordinating role for their industries, so publish some industry guides which you may find useful.

Trade, industry and commerce departments, and also export agencies, provide guides for exporters, which may give useful information on foreign countries and their markets. In some cases, they also give detailed risk and economic analysis on projects, including investment details, in the agriculture, chemicals, construction, mining and water supply sectors.

Examples are the UK Department of Trade and Industry, the US Department of Commerce and the US Overseas Private Investment Corporation.

Sometimes, the government issues press releases relating to an industry. All UK government press releases are available via the Central Office of Information. Go to **www.nds.coi.gov.uk/coi/coipress.nsf** , which you can search by department / organisation, date and keywords.

As well as regulators, quangos include funding agencies (for example, research councils) and advisory committees (many of whose discussions will be on subjects of interest to the corporate researcher). There are over 800 in the UK, listed with contact details at **www.cabinet-office.gov.uk/quango/**. Some quangos have extensive websites of their own; some have reports on the sites of their coordinating departments; others you will have to 'phone to get their publications. Being "quasi-autonomous", quangos can be more secretive than direct parts of government.

PARLIAMENTS

The published notes of parliamentary debates consume reams and reams of paper. In the UK, Hansard (the official record of the UK parliament's proceedings) includes debates in the House of Commons and the House of Lords; verbal and written questions to ministers and their answers; and committee discussions. These can now be accessed on the web, at **www.parliament.the-stationery-office.co.uk/pa/cm/cmhansrd.htm** .

There is a good search page at **www.parliament.the-stationery-office.co.uk/cgi-bin/empower?DB=ukparl** , where you can search the whole record, or just bits of it. For example, if you are looking for a parliamentary question, you can specify date ranges or the name of the MP who asked it.

Most parliaments have a number of committees specialising on particular issues, or monitoring the policies and actions of particular departments. These committees carry out investigations, usually by calling for submissions from companies, organisations and individuals, and then cross-examining them. Witnesses from industry are often subjected to intense questioning and their answers can be more revealing than, say, newspaper interviews.

Many countries now make the reports of parliamentary committees available on the Web. The UK House of Commons' select committees are listed at **www.parliament.uk/commons/selcom/cmsel.htm** . US Congress committees are listed at **www.house.gov/house/CommitteeWWW.html** .

Individual members of parliament also undertake research on their own behalf. You can ask your own elected representative to ask questions of a government department, either formally in parliament, or via personal letter. Whereas many government departments will not respond to your letters, it is your representative's job to make sure a reply gets to you.

Members of parliaments who are not your representative but who are sympathetic to your issue may also be willing to help. You can then ask them either to put a question to a department, or to provide you with information from the parliamentary library or from the other extensive resources available to them.

Find sympathetic members by searching parliamentary debates to see who has spoken on your issue. UK Members of Parliament (MPs) are listed, together with some details on their interests, at **www.parliament.uk/commons/cminfo.htm** . The names of US Congressional representatives can be found at **www.house.gov/house/MemberWWW.html** .

In the UK, Members of Parliament are also entitled to put private motions, called early day motions (EDMs). Although these don't feed directly into the legislative process, they are a useful gauge of support, and can be used to publicise an issue. They are also a good way of identifying sympathetic members. EDMs and their signatories are listed at **http://edm.ais.co.uk/**

Several parliaments also have their own research services. In the US, the results of congressional investigations are published: these can be extremely valuable sources of information. The reports can be obtained from the Congressional Information Service – **www.cispubs.com** .

STATISTICAL SOURCES

How many times have you been writing a campaign report, and found yourself missing a key statistic? The Web sites listed in Table 16 (*below*) can help relieve some of this frustration.

For statistics on particular companies, industries and markets, see also our sections on sector-specific research resources (p.175), market research (p.162), and general directories and websites (p.124 and p.127).

A number of sites also provide pages with links to statistical information relevant to their specialist area. The Project Finance portal run by Harvard Business School, for example, is well worth a visit – **www.hbs.edu/projfinportal/**. We have also found the listing in Strathclyde's University's Business Information on the Internet portal invaluable – **http://personal.drs.strath.ac.business/**

Bear in mind that official statistics reflect the political agendas of those who collected them, as much as any other source of "facts and figures". Peoples' movements, for example, frequently dispute the World Bank's lofty descriptions of their economies and local livelihoods – Lesotho, for example, was once famously described by the Bank as a "subsistence agricultural economy", when, in fact, few people are engaged in agriculture and the bulk of household incomes comes from wages earned in the mines of South Africa.

Table 18
Statistics sources on the Web

The World Bank
www.worldbank.org

This is one of the most-used and accessible sources of national statistics for countries around the world. The areas of data covered for each country tend to be development-focused, whether economics and trade or social development (for example, health). Financial institutions – and for that matter most mainstream organisations – consider the World Bank to be the authority on development. Using its figures can be persuasive, but be careful if you're trying to get an accurate picture for yourself, since the figures are frequently disputed by those with grassroots knowledge. The site also offers sectoral statistics of all sorts, development indicators, and narratives on many of the issues covered (although again, bear in mind the political bias).

CIA World Fact Book
http://www.cia.gov/cia/publications/factbook/

Provides systematic basic information about most countries of the world, including data and maps (no great level of detail).

DOSFAN Electronic Resources Library .
dosfan.lib.uic.edu/ERC/index.html

Archive of US government reports, mainly from the State Department

National Statistics (formerly Office for National Statistics)
www.statistics.gov.uk

Useful source of UK government figures on health, labour markets, business, the economy and demography. The best way in is through the "statbase" section.

FT500
www.ft.com/ft500/

Annual ranking of the 500 largest companies in the world, with sub rankings for Europe, US, Japan and the UK. Also ranks the largest 100 companies in Eastern Europe, Canada, Latin America and Asia-Pacific; the largest 30-50 in Africa and in the Middle East; and various individual OECD countries. Gives details of market capitalisation, turnover, profit and employees, plus commentary.

VERBAL SOURCES

While the bulk of research on companies and industrial sectors has to be done through the "donkey work" of trawling libraries and the web, if you are new to working on a sector, company or issue, it's easy to go wrong. You might, for example, (quite reasonably) jump to wrong conclusions early on, and hang the rest of your further information and analysis on a misleading framework.

Often this problem can be resolved by talking to someone who really knows the subject – especially someone who works in the company or sector you are researching. What's more, talking to people can give you access to information you'd never otherwise have found, including information which hasn't been published at all. For example, company reports and information garnered from directories and business web sites are unlikely to reveal a great deal about company strategies. To get an insight into how a company – or group of companies – is thinking, you need to talk to those in the know.

Conferences

One useful source of "inside" information is the business conference. Those attending such conferences tend to assume that everyone else attending them is "on-side"; the presentations – and the talk in the bar – are often candid about the problems an industry is facing and the strategies for overcoming the difficulties which have been identified.

Most conferences are open to anyone who has the money – but they are not cheap (typically £750 or more for a two-day meeting). One way in is as a journalist: ring the company organising the meeting (they tend to be public relations' firms) and ask if you can write it up on a freelance basis for a publication you've made an arrangement with beforehand.

To find out where conferences on a particular sector are being held, a good site to consult is Trade Show Central – **www.tscentral.com** – which provides a searchable database of 50,000 trade shows, seminars and conferences. In the UK, the *Financial Times* advertises business conferences and runs its own conference service. It is worth keeping an eye on the advertisements and ringing up if there is a conference on your subject. The trade press for the sector you're interested in will also advertise upcoming conferences.

News groups

Useful information can also be gleaned on investor concerns about specific companies by logging in to the newsgroup discussions hosted by **www.deja.com**. The site allows you to search for a particular company or product – and links you to the appropriate discussion groups. There is also scope for publicising your concerns through such newsgroups.

Interviews

Much can be found out by telephone – "phone a friend" is often the best advice when starting out on researching a company. It does not take long before you find you are in touch with others who are also looking into the firm.

Interviewing your target company, either directly or by telephone, should usually be saved until the end of your research – at that stage you will have a much clearer idea of what you still need to know, and how to find it out from them. Indeed, it makes strategic sense to get as far as you can with your research before alerting the company you are investigating: that way, you can make the most of any interview you might be granted – you won't need to spend time going over the basics and you are more likely to pick up on any "economies with the truth".

When conducting interviews, the following guidelines may be helpful:

➢ Prepare for your interviews

Brush up your jargon and background knowledge; work out three or four different ways in which you can squeeze out the information you require, and anticipate possible responses. Decide beforehand whether you're going to leave your source friendly or hostile to you after the interview.

➢ Bear in mind that companies contain many people

If one is unhelpful, you can always try someone else. Looking at the company's website beforehand, or talking to the receptionist, may give you an idea as to how the company is structured and who you want to speak to. Getting direct line numbers is always useful.

➢ Be polite and friendly

You should aim to put the person you're speaking to at their ease, rather than making them nervous and cautious about telling you anything. Throwing in a few general questions can help with this.

➢ Make your questions open-ended

Open-ended questions allow the subject to tell you more – and you may get some unexpected answers. Look for leads (for example, other people) as well as answers. What the subject doesn't want to talk about is often as important as what they do want to discuss.

➢ Know when to stop

If your subject offers to send you a useful document, by post, fax or email, then end the interview there. Best to wait until you've actually received what they send, and then telephone again with more questions.

➢ Document your interviews

Always document your interviews, including time, place, who you spoke to and their position, major points and quotes. Do this during or immediately after your interviews – things can be forgotten extremely quickly.

➢ Respect "off the record" comments

Respect "off the record" comments (and use them only as leads) – otherwise you damage your own reputation and other peoples' chances of getting information in the future. But the convention is that the person being interviewed makes it clear what is and what is not "off the record" before making any comments, rather than after the game has been given away. Don't offer to keep something off the record – leave this to your subject.

Financial Institutions

Many of the market players discussed in Part Four (*see* p.77) are themselves sources of potential insight into companies and the sectors in which they operate.

Where you are able to develop a working relationship with a fund manger or analyst, she or or he will often be willing to brief you as to the latest views on a company within the City and, in particular, its perceived strengths and weaknesses.

Those working within the ethical investment sector (*see* pp.107-112) are most likely to prove helpful in this regard. In addition to the sociallyresponsible investment networks and research organisations listed in Table 1 (p.110), those listed below are well worth approaching for advice.

Table 19: Ethical Investors

United Kingdom

AEGON Asset Management (Scottish Equitable)

AEGON House, 3 Lochside Avenue, Edinburgh EH12 9SA, Scotland.
Tel: 0131 549 3401 *Fax*: 0131 304 3460
Email: charles.henderson@aegon.co.uk
Contact: Charles Henderson

UK subsidiary of AEGON, one of the world's largest insurers. Manage fund for Scottish Equitable, including ethical funds. Increasing interest at a group in socially responsible investing.

Friends, Ivory & Sime

100 Wood Street, London EC2V 7AN.
Tel: 020 7506 1100 *Fax*: 020 7600 4180
Email: neil.osborne@friendsis.com
Contact: Neil Osborne

Fund Managers for the Friends Provident Life Insurance Company. Manage the largest Ethical Fund in the UK, and also operate and engagement policy across all the groups funds (some £40 billion)

Henderson Global Investors (NPI)

4 Broadgate, London EC2M 2DA
Tel: 020 7410 3110 *Fax*: 020 7956 9191
Email: james.giuseppi@henderson.com
Contact: James Guiseppi

Part of the AMP Group (Australia fund manager), managing most of the groups funds outside Australia. Manage the NPI Global Care group of funds.

Jupiter Environmental Research

1 Grosvenor Place, London SW1X 7JJ
Tel: 020 7412 0703 *Fax*: 020 7412 0705
Email: green.dept@jupiter-group.co.uk
Contact: Emma Howard Boyd

Owned by Commerzbank, Jupiter are a fund manager specialising in the retail market.

Morley Fund Management (Norwich Union)

1 Poultry, London EC2R 8EJ
Tel: 020 7809 8198 *Fax*: 020 7489 7940
Email: anja.laitinen@morleyfm.com
Contact: Anja Laitinen

Manage funds for the CGNU plc Group, including the Norwich Union Funds. Highly respected SRI team moved to Morley in 2000. Run six funds "Sustainable Future" funds on an SRI basis. Also engage on social and environmental issues on behalf of the whole funds.

US SRI Funds

Ariel Mutual Funds

200 East Randolph Drive, Suite 2900, Chicago, IL 60601, USA
Tel: +1 800 292 7435 *Fax*: +1 312726 7473
E-Mail: thepatientinvestor@arielmutualfund.com
www.arielmutualfunds.com
Contact: John W. Rogers, Jr., President and Co-Chief Investment Officer

Offers two publicly traded, socially responsible mutual funds. Focuses on investing for the long term in US domestic companies with market capitalizations below

$5 billion at the time of investment.

Calvert Group

12th Floor, 4550 Montgomery Avenue, Bethesda, MD 20814-3304, USA
Tel: +1 800 368 2748 *Fax*: +1 301 654 2960
E-Mail: socialproducts@calvert.com
www.calvert.com
Contact: Dianne Saenz, Manager, Social Products Sales and Policy

With more than $6 billion in assets and eight mutual funds, Calvert offers the largest family of socially and environmentally screened mutual funds in the US. Its social research department is a leader in shareholder activism efforts.

Citizens Funds

230 Commerce Way, Suite 300, Portsmouth, NH 03801, USA
Tel: +1 800 223 7010 *Fax*: +1 603 433 4209
E-Mail: welcome@citizensfunds.com
www.citizensfunds.com
Contact: John Shields, President and CEO

Mission is to earn an above-market rate of return for shareholders while investing in companies that operate in a socially responsible manner. Offers a full range of funds .

Domini Social Investments, LLC

P.O. Box 60494, King of Prussia, PA 19406-0494, USA
Tel: +1 800 225 3863
E-Mail: smoser@domini.com
www.domini.com
Contact: Sigward Moser

Domini Social Investments manages more than $2.0 billion in assets. Its Domini Social Equity Fund is the oldest and largest socially responsible index fund in the USA. Close links to KLD (**www.kld.com**) who are responsible for research and calculate the underlying social index .

The Dreyfus Corporation

200 Park Avenue, 55th Floor, New York, NY 10166, USA
Tel: (800)782-6620
E-Mail: info@dreyfus.com
www.dreyfus.com
Contact: Paul Hilton, Portfolio Manager

Dreyfus is a mainstream fund manager (part of the Mellon group) with over $2 billion of socially screened assets under management. Focus on companies that conduct business in a manner that contributes to the enhancement of the quality of life.

Neuberger Berman

605 Third Avenue, 2nd Floor, New York, NY 10158-0180, USA
Tel: + 800 877 9700 *Fax*: + 212 476 8848
E-Mail: sri@nb.com
www.nb.com
Contact: Janet W. Prindle, Portfolio Manager

Mutual fund manager that seeks long-term capital appreciation by investing in common stock of companies that meet both financial standards and social criteria.

The Parnassus Fund

One Market, Steuart Tower, Suite 1600, San Francisco, CA 94105, USA
Tel: +1 800 999 3505 *Fax*: +1 415 778 0228
E-Mail: suel@parnassus.com
www.parnassus.com

Offers four mutual fund portfolios. Invests in companies that treat employees well, respect the environment, and have good community relations.

Pax World Management Corp.

222 State Street, Portsmouth, NH 03801-3828, USA
Tel: +1 800 767 1729 *Fax*: +1 603 431 8732
E-Mail: info@paxfund.com
http://www.paxfund.com/index_COGP3.htm
Contact: Anita Green

Organized in 1970, focused on SRI. Largest fund over $1200m. Has an affiliated foundation working for the world's poor and for world peace.

Trillium Asset Management Corporation

711 Atlantic Avenue, Boston, MA 02111-2809, USA
Tel: +1 800 548 5684 *Fax*: (617)482-6179)
E-Mail: csmith@trilliuminvest.com
www.trilliuminvest.com
Contact: Cheryl Smith, Portfolio Manager.

Trillium is an independent investment management firm committed exclusively to socially responsible investing, founded in 1982. It runs the Advocacy Fund, a mutual fund that advocates progressive social change through the use of shareholder power.

Part Seven

Researching sectors

AGRICULTURE, AGROINDUSTRIES & BIOTECHNOLOGY

Library resources

Many of the resources on biotechnology (especially on scientific companies) combine food / crop biotechnology with medical / pharmaceutical biotechnology. In such directories and websites (which include most that have "biotechnology" in their title), you will find considerably more information on the medical side than on crops, as the industry is bigger, more developed and involves more companies.

The 2001 Biotechnology Venture Capital Directory: US Venture Capital Companies and Contacts

Institute for Biotechnology Information, PO Box 14569, Research Triangle Park, North Carolina 277709-4569, USA.
www.biotechinfo.com

Identifies companies that have invested in biotechnology and lists 523 sites of 449 venture capital companies.

2001 GEN Directory of Biotechnology Companies

Mary Ann Leibert Inc., 2 Madison Avenue, New York, NY 10538, USA.
www.liebertpub.com

Contains basic company information on over 5,000 biotechnology companies; their markets, products, capitalisation, technologies and key personnel. Entries cover ownership, R&D partnerships, marketing and licensing agreements, technologies, products in the market, products under development, clinical trial results and international ventures.

The UK Biotechnology Handbook

Biocommerce Data / Bioindustry Association, Prudential Buildings, 95 High Street, Slough, Berkshire SL1 1DH.
www.pjbpubs.com

Detailed profiles of all the major UK biotech companies, including equipment suppliers and venture capital providers. Also profiles academic research institutions and government agencies in the sector.

Biotechnology Guide USA: Companies, Data, Analysis

Macmillan Reference Ltd, 25 Eccleston Place, London SW1W 9NF.
www.macmillan-reference.co.uk

Directory of over 1,400 companies.

Biotechnology Directory 2001

Macmillan Reference Ltd, 25 Eccleston Place, London SW1W 9NF.
www.macmillan-reference.co.uk

Covers over 10,000 organisations, including 5,300 profiles of commercial companies, research organisations and biotechnology institutions in 88 countries. Entries include details of research funding.

Biotech Phone Book

Institute for Biotech Information, PO Box 14569, Research Triangle Park, North Carolina 277709-4569, USA.
www.biotechinfo.com

Free directory of 1,500 US Biotech companies. Extremely useful for basic contact information (addresses, 'phone and fax numbers, and email addresses).

Industry-oriented websites

Corporate Information

www.corporateinformation.com

Excellent listing of biotechnology sites. We would advise printing a copy of the page out; it is an invaluable resource. From the home page, select option 2 ("Research a country's industry"), then "health and pharmaceuticals" and "USA" – this is the best of the country lists for biotechnology.

Biolinks

www.biolinks.com

Site with links to a range of useful databases, covering scientific companies, science meetings, scientific journals and medical sites. If you are researching biotech companies, click on the "scientific companies" link on the main menu; this takes you to an A-Z listing of US companies working in biotechnology , with links to a thumbnail profile (address and brief description of the companies main products or lines of research) and to the company's home pages. Very useful for preliminary research.

Cato Research Ltd

www.cato.com

Site of Cato's Worldwide Web Virtual Library Biotechnology Directory. The site's Directory gives "over 1,000 web addresses of companies and research institutes, universities, sources of information and other directories specific to the biotechnology, pharmaceutical development and related fields." The index page has easily found links to further pages on "Sources of Information" (400 URLs), "Pharmaceutical Companies" and Publications" (electronic and paper). At the foot of the index page, there is a link to Cato's "Calendar of Meetings, Seminars and Courses" in the biotech sector (with a link to a European "mirror" page).

Biospace

www.biospace.com

Searchable database of biotech companies – access is free. Entries give ownership details and basic profiles. There are also links to news releases on the industry as a whole and on individual companies.

Bio Online

www.bioline.com

Free, searchable database on biotechnology and pharmaceutical research.

Biotech Innovations

www.biofind.com

Lengthy profiles of some 200 companies.

The Nature Biotechnology Directory

http://guide.nature.com

Database of over 10,000 organisations, product and service providers in the biotechnology industry.

Institute for Biotech Information

www.biotechinfo.com

Priced service. Bills itself as providing "high quality strategic business information to the biotechnology, pharmaceutical and life science scientific communities." Provides database of biotechnology companies – with information on financing (public or private), key personnel, products, US and foreign investors and parent company. The database is available on disc for US$790 or you can subscribe to IBInternet for $990 a year, which gives unlimited access to the database. Undertakes market research and competitor analysis.

SciCentral

www.scicentral.com

Links to databases on biotech companies, specialised resources, research news, special reports and selected articles on biotech developments. From the homepage, you can also browse the contents of the latest *Nature* – a useful source of information on biotechnology – in addition to linking to selected articles from *New Scientist* and newspaper articles. Click the "Science in the News" tab at the top of the home page.

Genetic Engineering News

www.genengnews.com

Site of "Biotechnology News of the Day" service – which is free. Gives daily reports on biotech mergers, research agreements, product development and much more. A key resource if you are tracking the industry.

Open Directory Project

http://dmoz.org/Science/Biology/Biotechnology/Companies

Listing of major biotechnology companies with links.

Morningstar

www.morningstar.com

Helpful for researching individual biotech companies, particularly in medicine, and mutual funds devoted to biotech investments.

Dialog

www.dialog.com

If you are looking for investment analyses on the biotech industry, you can order Investext's reports through Dialog. Many of the reports are inexpensive – $0.60 each – and cover both companies and the industry as a whole. From the Home Page, go to the "products" page (click tab at the top of the page). Select "business and news" from the menu in the left-hand column. This brings up a new page with another menu, again in the left-hand column. Select "Business Research" and then "Investment Research" – which gives two options: searches by industry or company.

EuropaBio

www.europa-bio.be

Web site of industry umbrella group, representing 40 corporation and 13 national associations involved in researching, testing, manufacturing and distributing biotechnology products.

Government sites

US Department of Agriculture

www.usda.gov

Database of biotechnology permits which have been issued by the US Department of Agriculture. Entries, which are searchable by applicant and state, give details of release permits and the status of any applications.

UK Department of Environment, Food and Rural Affairs

www.defra.gov.uk

Useful for background data on UK agriculture and UK agricultural policy.

UK Advisory Committee on Releases to the Environment

www.defra.gov.uk/environment/acre/index.htm

Lists location of trial genetic releases.

The UK Patent Office

Harmsworth House, 13-15 Bouveries Street, London EC4Y 8DP.

www.patent.gov.uk

If you are looking to see whether or not a company has taken out a patent on a particular biotechnology product, you can search the databases of the UK Patent Office, the European Patent Office and other European national patent offices through this site. Entries provide a basic minimum set of data for each application published in the UK: publication number, publication date, application number, application date, applicant name, inventor name and title text. For fuller searches, it may be necessary to visit the Patent Office and access the CD-Roms available there; printed copies of the full patent application can be ordered for the price of photocopying.

NGO sites

Friends of the Earth–England and Wales

26-28 Underwood Street, London N1

www.foe.co.uk/campaigns/food_and_biotechnology

Updates and background information of FOE's biotechnology campaign. Links page has list of UK supermarkets and other organisations.

Rural Advancement Fund International

110 Osborne St., Suite 202, Winnipeg, MB R3L 1Y5, Canada.

www.rafi.org

One of the first organisations to raise questions about biotechnology and the patenting of seeds. Publishes a regular updated chart of "Who Owns Whom?" in the seed industry. Focuses on genetic diversity, intellectual property rights and patents.

Union of Concerned Scientists

2 Brattle Square, Cambridge, MA 02238, USA

www.ucusa.org

Publishes quarterly newsletter, *FoodWeb*. Monitors environmental impacts of GM crops in the USA.

Edmonds Institute

20319 92nd Avenue, Edmonds, WA 98020, USA

www.edmonds-institute.org

Excellent research reports on biosafety, patenting and the social and environmental impacts of genetic engineering. Publishes *Manual for Assessing the Ecological and Human Health Effects of Genetically-Engineered Organisms*.

Institute for Agriculture and Trade Policy

2105, 1st Avenue South, Minneapolis, MN 55404, USA
www.iatp.org

Invaluable source of information on US agricultural policy. Campaigns focus on trade and agriculture, food and agriculture, global governance and the World Trade Organisation.

US agricultural industry statistics

We would highly recommend the following reports on consolidation in the food / agriculture industry :

Consolidation in the food and agriculture system

William Heffernan, Dept of Rural Sociology, University of Missouri, USA
www.calfu.org/whstudy.html

Cargill's acquisition of Continental Grain's grain merchandising business

Marvin Hayenga and Robert Wisner, Dept of Economics, Iowa State University, USA
www.econ.iastate.edu/outreach/agriculture/marketing/hayenga

OIL & GAS

Library resources

Financial Times Oil and Gas International Yearbook

www.directories.ft.com

Excellent profiles of operations of around 1,500 oil and gas companies – size of investments, in which countries, and so on.

Who's Who in World Oil and Gas

Longman, Avenue of the Americas, New York, NY 10036, USA.
www.ablongman.com

FT Energy

www.ftenergy.com

Publishes numerous reports and journals on energy industry issues.

Oil Company Financial Analysis in Nontechnical Language

by Daniel Johnson
Pennwell, 1421 S. Sheridan Road, Tulsa, Oklahoma, USA.
www.pennwell.com

Where's the Shortage? – a Nontechnical Guide to Petroleum Economics

by Bob Tippee
Pennwell, 1421 S. Sheridan Road, Tulsa, Oklahoma, USA
www.pennwell.com

Oil Economist's Handbook

by G. Jenkins
Elsevier, PO Box 221, 1000 AE Amsterdam, The Netherlands
www.elsevier.nl

Vol.1: statistics; Vol.2: dictionary, chronology, directory

The Energy Report Vol.2: Oil & gas resources of the United Kingdom (the "Brown Book")

Department of Trade and Industry, 1 Victoria Street, London, SW1.
Published annually, statistical, operating and company information on the North Sea, field-by-field, and with aggregate and company information.

Digest of United Kingdom Energy Statistics

Department of Trade and Industry, 1 Victoria Street, London, SW1.

Oil and Gas Information

International Energy Agency, 9, Rue de la Federation, Paris, Cedex 15, France.
Detailed statistical breakdown of energy sources and uses, by country.

Trade journals

The best trade journals (in terms of content and accessibility) are:

Petroleum Review

Institute of Petroleum, 61 New Cavendish Street, London W1M 8AR.
Monthly. Includes excellent news section (~10 pages) and various features on companies, countries and issues.

Upstream

www.upstream.tm

Newspaper-format, quite easy to read, dealing just with exploration and production.

Petroleum Economist

www.petroleum-economist.com

Also publishes directories and statistical handbooks. More technical, but an invaluable source of information.

Industry organisations and web sites

The Institute of Petroleum

61 New Cavendish Street, London W1M 8AR.
www.petroleum.co.uk

One of the best resources on oil and gas. The IP is a professional institute for those working in the oil and gas industry. In particular, the library is excellent (catalogue on website). Use of the library costs about £30 a day or £20 a half day for non-members, or free for IP members. The library has a vast array of trade journals (about 40-50 different titles, including *Oil company profits* (statistical), *Oil industry outlook* and others), and numerous reports and directories. There are also files of press cuttings collected by the librarians on well over 100 subjects, ranging from stocks to insurance to industrial relations. The library also has an abstracts database and (pay-per-hour) access to Reuters Business Briefing. Membership of the Institute costs £75 a year (or £10 a year if under 26 years old). For this, you also get the monthly trade journal, *Petroleum Review*, notification of industry conferences and use of the IP's information service – researchers who can advise you on industry issues and information, on how to find something out, and who will even fax you information you require. This service is free, as long as it can be done over the 'phone – that is, not more than about 10 minutes of their time. The IP also publishes useful guides to industry information sources, and statistical data on the industry (especially but not exclusively in the UK), both of which are available to non-members. The website is also excellent, in particular the news in brief (in the "industry information" section), which gives on average about 8 stories a day (each just 1-3 sentences), archived back to January 1997 – and for this, it's well worth searching the site. Also good links page.

BP Statistical Review of World Energy

www.bp.com/stats/

Statistics on production, consumption and trade of each energy source, by country.

Alexander's Gas & Oil Connections

www.gasandoil.com/goc/

News and trends in the oil and gas industry, organised by geographical region, plus fortnightly email update, and access to (expensive) market research.

Offshore Technology

www.offshore-technology.com

The information here is more at the operational level than the corporate / financial, but is excellent. For the oil and gas projects it covers (which isn't all in the world, but includes many important ones – offshore only), it gives detailed information on how the project was / is carried out, and lists the contractors who worked on it and what they did.

OilOnline, World Oil & Gas

www.oilonline.com/infomall_worldoil.html

Detailed information on oil and gas activity in each country, plus background economic and political information.

NGO web sites

Oilwatch

www.oilwatch.org.ec

Grassroots network of groups in the South affected by oil and gas operations. Website in Spanish and English, some in French. Produces briefings (*Tegantai*) on various relevant subjects, and the monthly *Resistance Bulletin* of news and campaigns.

Project Underground

1916A MLK Jr. Way, Berkeley, CA 94704, USA.
Tel: +1 510-705-8981
Email: project_underground@moles.org
www.moles.org

The source of information on the impacts of the oil and mining industries on communities in the South. Website includes reports, campaigns, and best of all, the fortnightly newsletter, *Drillbits & Tailings*, which is a must (also available on email).

SANE BP links page

www.sanebp.com/links/links.html

Excellent list of links on the arctic, oil-focused NGOs, renewable energy, oil and gas intelligence, climate and investment. Produced by Greenpeace's financial campaign against BP.

MINING

Library resources

Who's Who in World Mining

Financial Times Business, Maple House, 149 Tottenham Court Road, London W1P 9LL.
Tel: 020 7896 2000

Provides contact and biographical details for over 3,500 senior personnel in the mining industry.

Mining: Financial Times Yearbook

Financial Times Business, Maple House, 149 Tottenham Court Road, London W1P 9LL.
Tel: 020 7896 2000

Over 600 international mining companies covered. Each entry typically includes: brief histories of companies; their address and contact details; details of directors and officers; subsidiaries and associates; main activities and operations; three-year financial and operating summaries; ownership and structure information; latest ore reserves; recent company developments; property and operations.

Digging Deeper: A Minewatcher's Bibliography

by Roger Moody
Minewatch Asia Pacific, Agpaoa Compound, 111 Upper General Luna Road, Baguio City, Philippines.
Tel/fax: +63 74 443 9459

Concentrates on recent documentation which addresses major current issues in mining, and on older sources which have stood the test of time. Only a few titles are included from regular industry and NGO publications (including *Raw Materials Report*, *Clementine*, *AGID*, *MERN*, *Higher Values*, *Mining Environmental Management*) which are easily available.

The Gulliver File

Roger Moody,
Minewatch/WISE-Glen Alpin, 218 Liverpool Road, London N6 5AA.

A classic. Details the record of all the major mining companies. Can be downloaded from **www.sea-us.org.au/gulliver**

Taking Responsibility: Metal Mining, People and the Environment

Milieudefensie (FOE-Netherlands), Damrak 26, 1012 LJ Amsterdam, The Netherlands.
Tel: +31 20 626 2620
www.milieudefensie.nl

General critique of mining industry with a dozen short case studies.

Hazardous Wastes from Mining

Mineral Policy Institute, PO Box 21, Bondi Junction, Australia.
Tel: +61 2 9387 5540
www.mpi.org.au

Plunder! The Story of Rio Tinto Zinc

Roger Moody
Partizans, 218 Liverpool Road, London N6 5AA.

Follow the Mining Money: An Activist Toolkit for Direct Corporate Campaigning

Western Mining Activist Network
c/o Western Organization of Resource Councils, 2401 Montana Avenue, #301

Billings, MT 59101, USA
Tel: +1 406 252 9672
First class guide. Sections cover: getting information on mining companies; different strategic options for drawing the attention of investors to concerns over mining operations; and listings of organizations, books, databases and web sites. Available on line from **http://emcbc.miningwatch.org** .

Risky Business: The Grasberg Gold Mine: An Independent Annual Report

1916A MLK Jr. Way, Berkeley, CA 94704, USA
Tel: +1 510-705-8981
Email: project_underground@moles.org
www.moles.org

Industry-oriented web sites

Mineral Funds Advisory Party Ltd.

www.mineralfunds.com

Invaluable industry-focussed web site. Has searchable database on companies worldwide.

NGO web sites

Oxfam Community Aid Abroad

156, George Street, Fitzroy, Victoria 3065, Australia.
Tel: +61 3 9289 9444
Email: enquire@caa.org.au
www.caa.org.au

Useful information on Australian companies mining in Indonesia, with links to campaign pages.

Project Underground

1916A MLK Jr. Way, Berkeley, CA 94704, USA.
Tel: +1 510-705-8981
Email: project_underground@moles.org
www.moles.org

Mineral Policy Institute

PO Box 21, Bondi Junction, Australia.
Tel: +61 2 9387 5540
www.mpi.org.au

Research and advocacy organisation. Monitors impacts of mining in Asia-Pacific region.

Western Organization of Resource Councils

2401 Montana Avenue, #301 Billings, MT 59101, USA
www.worc.org

Association of grassroots organizations in western US.

Environmental Mining Council of British Columbia (EMCBC)

#201-607 Yates Street, Victoria, BC, Canada V8W 2A7
Tel: +1 2050 384 2686
http://emcbc.miningwatch.org

Works with community groups, unions, government and industry on mining issues in British Colombia and the Yukon.

DAMS

Library resources

Dams and Development: A new framework for decision-making

by the World Commission on Dams
Earthscan Publications Ltd, 120 Pentonville Road, London N1 9JN.
www.dams.org

Report of a two-year inquiry by an independent commission, drawn from industry, government and NGOs, to examine the development effectiveness of dams. Full of information. Sets out a path-breaking framework for future decision-making on energy and water projects, based on principles of equity, efficiency, participatory decision-making, sustainability and accountability. Recommends that no dam should be built unless it enjoys "demonstrable public consent" (or, where indigenous communities are affected, "prior informed consent"). The report can be downloaded from the Commission's web site. The site also contains one of the best archives of information on the impacts of dams, consisting of background "thematic papers" and case studies commissioned by the WCD as part of its inquiry and submissions to the regional hearings held by the Commission during its investigations. Invaluable.

Dams Incorporated: The Record of Twelve European Dam Builders

by Kate Geary, Mathew Grainger, Nicholas Hildyard and Chris Lang
Available from Svenska Naturskyddsforeningen, Box 4625, SE - 116 91, Stockholm, Sweden.
Tel: +46 8 702 6500
Fax: +46 8 702 08 55

Details the record of twelve European dam building companies: ABB (incorporating Alsthom), Balfour Beatty, Coyne et Bellier, Electrowatt, Knight Piesold and Partners, Kvaerner Energy (now GE Hydro), Lahmeyer, Siemens, Skanska, Sogreah, VA Tech (incorporating Sulzer Hydro). The report contains a wealth of information on the social and ecological impacts of the dams built by the companies who financed the projects and eight case studies.

Power Conflicts

FIVAS
www.solidaritetshuset.org/fivas/pub/power_c/index.htm

Excellent 1994 report on the Norwegian hydropower industry and its involvement in the South.

Silenced Rivers: The Ecology and Politics of Large Dams

by Patrick McCully
Zed Books, 7 Cynthia Street, London N1 9JF.

A classic. If you need one book on the case against large dams, this is it. Invaluable chapter on the political economy of dams.

World Directory of Renewable Energy

James and James, 35-37 William Road, London NW1 3ER.

www.jxj.com/yearbook/wdress/index.html

Over 5,000 companies described, including hydro industry firms.

Water Power and Dam Construction Yearbook

International Water Power and Dam Construction, Wilmington House, Maidstone Road, Foots Cray, Sidcup, Kent DA14 5HZ.
www.connectingpower.com

Annual. Details dams built and under construction, hydro resources, companies and project updates.

Industry-oriented web sites

International Commission on Large Dams

www.genepi.louis-jean.com/cigb

Industry umbrella group, with national chapters.

International Hydropower Association

www.hydropower-dams.com

Useful for insights on how the industry is thinking.

World Renewable Energy Suppliers and Services Online

www.jxj.com/suppands/renenerg/index.html

Arguably the most comprehensive global database of hydro-industry companies available. You can tailor your search by region and country, activity or alphabetical listing. The database can be searched for free.

World Water Buyer's Guide

www.connectingpower.com/buyers_guide

Useful searchable database of suppliers in the hydro industry.

NGO web sites

International Rivers Network

1847, Berkeley Way, Berkeley CA 94703, USA.
Tel: + 1 510 848 1155
Email: irn@irn.org
www.irn.org

First port-of-call for anyone seeking information on current and past dam conflicts. All issues relating to the social and environmental impacts of dams. Excellent links to organisations challenging dams around the world.

Swedish Society for Nature Conservation

PO Box 4625, Asogataan 115, 11691 Stockholm, Sweden.
Tel: +48 8 702 650
Email: info@snf.se
www.snf.se

Monitors Swedish involvement in destructive development projects. *Dams Incorporated* (*see* above) can be downloaded from the site (type "Dams Inc" into search facility; the report comes up under "Vattenkraft")

FIVAS

Oserhausgt. 27, 0183 Oslo, Norway.
Tel: +47 22 98 9300
Email: fivas@online.no
www.solidaritetshuset.org/fivas/Nyforsideeng.htm

Monitors Norwegian dam building companies and Norwegian involvement in destructive development. You can download FIVAS's report on the Nordic hydropower industry – *Power Conflicts* – via **www.solidaritetshuset.org/fivas/pub/power_c/index.htm**

Berne Declaration

Quellenstr. 25, PO Box 1327, CH-8031 Zurich, Switzerland.
Tel: +41 12 777 000
Email: info@evb.ch
www.evb.ch

Swiss NGO dedicated to promoting more equitable, sustainable and democratic North-South relations. Campaigns against Swiss involvement in destructive development projects and programmes, including dams. Produced 1998 financial analysis of ABB's involvement in the hydropower sector – *High Risk, Low Returns*. This (together with other reports on the ABB campaign) can be accessed via **www.evb.ch/bd/index.html.** Site has English, French and German versions.

Hydropower and Dams

www.hydropower-dams.com/journal.html

Bi-monthly industry journal.

International Water Power and Dam Construction

www.connectingpower.com

Monthly industry journal. Useful for news of contracts and updates on projects.

PULP & PAPER

Compiled by Larry Lohmann

Library resources

The following books are industry outsiders' treatments of the paper industry and its effects:

Pulping the South: Industrial Tree Plantations and the World Paper Economy

by Larry Lohmann
Zed Books, 7 Cynthia Street, London N1 9JF.

World Rainforest Movement, Tree Plantations: Impacts and Struggles

by Ricardo Carrere and Larry Lohmann
World Rainforest Movement, Maldonado, 1858-11200 Montevideo, Uruguay.
Tel: +598 2 403 2989
Email: wrm@wrm.org.uy
www.wrm.org.uy

Timber from the South Seas: An Analysis of Japan's Tropical Timber Trade and Its Environmental Impact

by Francois Nectoux and Yoichi Kuroda
World Wildlife Fund , 1196 Gland, Switzerland.
Tel: +41 22 364 9111
www.panda.org

Logging the Globe

by M. Patricia Marchak
McGill – Queens University Press, 3430 McTavish Street, Montreal, Quebeco H3A 1X9, Canada

The US Paper Industry and Sustainable Production: An Argument for Restructuring

by Maureen Smith
MIT Press, Five Cambridge Centre, Cambridge, Mass., USA

The Last Great Forest: Japanese Multinationals and Alberta's Northern Forests

by Larry Pratt and Ian Urquhart
NeWest Press, 201,8540 - 109 Street, Edmonton, Canada
Tel: +1 780 432 9427

Cut Waste, Not Trees

Rainforest Action Network, 221 Pine Street, Suite 500, San Francisco, CA 94104, USA.
Tel: +1 415 398 4404
Email: rainforest@ran.org
www.ran.org

Dying from Dioxin: A Citizen's Guide to Reclaiming Our Health and Rebuilding Democracy

by Lois Marie Gibbs
South End Press, 7 Brookline Street #1, Cambridge, Mass 02139-4149, USA.
Tel: +1 800 523 8478
www.southendpress.org

Paper Cuts: Recovering the Paper Landscape – Worldwatch Paper 149

by Janet Abramowitz and Ashley Mattoon
WorldWatch Institute, 1176 Massachusetts Ave NW, Washington DC 20036-1904, USA.
Tel: +1 202 452 1999
Email: worldwatch@worldwatch.org
www.worldwatch.org

Trade journals

Of many industry journals, the following two are perhaps the most useful in providing insiders' updates on both industry evolution and the roles of particular firms. They are available in the Science and Business Information Service of the British Library and other large business collections:

Pulp and Paper International (PPI)

Paper & Packaging Analyst

Other valuable industry periodicals available in business libraries include *Asia Pulp and Paper*, *Paper*, *Paper Asia*, *Paper Europe*, *Paperboard Packaging*, *Papermaker*, *Pulp and Paper*, *TAPPI Journal*, and *World Wood*. Both PPI and the Japan Paper Association publish an annual collection of pulp and paper Statistics. Specific paper or paper-machinery companies such as ENSO and Valmet also produce periodicals. Providing interesting overview articles on the industry is

Know-How Wire, the client journal of the giant forestry and engineering consulting company Jaakko Poyry, headquartered in Finland.

NGO periodicals

NGO periodicals providing updates on the paper industry's activities include:

Down to Earth

59 Athenlay Road, London SE15 3EN, UK.
Tel: +44 207 732 7984
Email: dte@gn.apc.org
www.gn.apc.org/dte

Excellent. Covers environmental justice issues in Indonesia, where plantations and pulp mills are leading social and ecological menaces.

Taiga News

Taiga Rescue Network, Box 116, 96223 Jokkmokk, Sweden.
Tel: +46 971 17039
Email: info@taigarescue.org
www.taigarescue.org

Also invaluable. Provides information on corporate threats to boreal forest lands.

Earth First!

PO Box 3023, Tuscon, AZ 85702, USA.
Tel: +1 520 620 6900
Email: collective@earthfirstjournal.org
www.earthfirstjournal.org

Often covers paper corporations' impacts on North American lands

Everyone's Backyard

Center for Health, Environment and Justice, Inc., PO Box 6806, Falls Church, VA 22040, USA.
Tel: +1 703 237 2249
Email: cchw@essential.org
www.essential.org/cchw

Offers updates on and shrewd analysis of grassroots environmental justice issues connected with dioxin and with the paper and other industries.

PR Watch

Center for Media & Democracy, 520 University Ave., Suite 310, Madison, WI 53703, USA.
Tel: +1 608 260 9713
Email: editor@prwatch.org
www.prwatch.org

Valuable for its analysis of corporate strategy.

Conferences

Regularly-held *Financial Times* conferences on pulp and paper are useful places to pick up the latest information on the industry.

Industry-oriented websites

Pulp & Paper Online

www.pulpandpaperonline.com

An industry website; provides useful information about the paper industry as well as links to other sites.

Paper Loop
www.paperloop.com

Inter-industry website with the information on research, companies and conferences.

American Forest and Paper Association.
www.afandp.org

Paper Federation of Great Britain.
www.paper.org.uk

Information on members of Paper Federation of Great Britain

Canadian Pulp and Paper Association
www.cppa.org

Corporate Information
www.corporateinformation.com/jpsector/peper.html

Information about 45 Japanese pulp and paper companies.

Pulp and Paper International
www.ppi-mfi.com

Index of Pulp and Paper Books
www.books.mfi.com/paper

NGO web sites

Center for Health, Environment and Justice
www.chej.org

PR Watch
www.prwatch.org

Taiga Rescue Network
www.snf.se/TRN

World Rainforest Movement
www.wrm.org.uy

Has an extensive section on pulpwood plantations.

CARBON TRADING

Compiled by Larry Lohmann

The trade in rights to pollute the atmosphere with carbon is a new market sector which, although it may soon be worth hundreds of billions of dollars, is still very much under construction. A background briefing on the issue ("The Dyson effect: Carbon 'offset' forestry and the privatisation of the atmosphere") is available from The Corner House, Station Road, Sturminster Newton, Dorset DT10 1YJ, but there are no comprehensive guides to the territory. An electronic version of the Corner House's briefing can be obtained from **www.cornerhouse.icaap.org** .

Library resources

For general background to the scientific issues surrounding climate change, *see* the Intergovernmental Panel on Climate Change's reports and assessments. The IPCC (**www.ipcc.org.ch**) assesses the state of knowledge regarding climate change every five years in addition to producing technical papers, special reports and methodological work. The IPPC's controversial *Special Report on Land Use, Land Use Change and Forestry* (Cambridge University Press, May 2000) lays out some of the methodologies that corporations and governments might use in planting trees as a way gaining permission to emit carbon dioxide, but conveys little understanding of the social issues involved in carbon trading.

Some of the narrower technical issues are treated, with widely varying degrees of professionalism, in academic or technocratic journals such as *Global Environmental Change*, *Energy Policy*, *Environmental Economics*, *Biomass and Bioenergy*, *Mitigation and Adaptation Strategies for Global Change*, *Environmental Science and Policy* and *Joint Implementation Quarterly* (**www.northsea.nl/jiq**).

More useful in tracking the activities and interests of the growing carbon business is *Environmental Finance,* a new periodical edited out of the UK (**www.environmental-finance.com**). Subscription inquires should be addressed to **info@environmental-finance.com** .

Also of interest is the Australian newsletter *Carbon Market* (**www.carbonmarket.com**), published by Ecos Corporation. Generalist newspapers and periodicals, such as the *Financial Times* and *American Prospect*, also occasionally carry coverage of the subject. The *Gallon Environment Letter* from the Canadian Institute for Business and Environment (**cibe@web.apc.org**) is also useful.

Uncritical analyses endorsing trading emissions for trees range from the early Mark Trexler and C. Haugen, *Keeping it Green: Tropical Forestry Opportunities for Mitigating Climate Change*, published by the World Resources Institute, Washington DC, to the more recent Michael Totten, *Getting it Right: Emerging Markets for Storing Carbon in Forests* (published by Forest Trends and the World Resources Institute, Washington DC).

Carbon brokers & consultants

Cantor Fitzgerald Environmental Brokerage Services

www.emissionstrading.com or www.cantor.com/ebs

Carbon Storage Trust

www.co2.org

C*Trade

Email: info@ctrade.org
www.ctrade.org

US company that helps business clients identify, design, develop, verify, register and certify carbon "offset" projects.

EcoSecurities

www.ecosecurities.com

UK company which has worked with Shell, SGS Forestry, Conservation International and the Costa Rican and Australian governments on carbon projects. It recently developed an alliance with PriceWaterhouseCoopers in Australia (**www.pwcglobal.com**) to develop products and services relating to climate change, including emissions "reduction" (sic) credits.

Edinburgh Centre for Carbon Management

www.eccm.uk.com

Designs, assesses and monitors projects to sequester or manage carbon in Mexico, Britain and other countries.

Environmental Financial Products, Inc.

www.envifi.com

Chicago-based firm, run by the financial derivatives pioneer Richard Sandor. Sandor brokered a deal by which Ontario Power purchased emissions "reductions" (sic) credits from ZAPCO (Zahren Alternative power Corporation, **www.zahren.com**), a firm that converts landfill gas to energy. Environmental Finance works with a broad spectrum of organisations, including PriceWaterhouseCoopers, the world's largest consulting firm, and has advised Brazilian, Canadian and Australian officials on carbon trades.

Forests for the Future

www.futureforests.com

Contracts with Mazda, Avis, British Telecom, Access Freight, J. Walter Thompson and other firms to plant trees to "compensate" for their emissions.

SGS (Societe Generale de Surveillance) Forestry

www.sgs.co.uk/forestry

Designs, monitors and certifies carbon forestry projects.

Trexler and Associates

www.climateservices.com

A US-based firm that promotes and monitors "climate mitigation projects".

Winrock International Institute for Agricultural Development

www.winrock.org

Not-for-profit organisation. Undertakes contracts for carbon measurement and monitoring.

Associations, exchanges & information

The Emission Marketing Association

Email: info@emissions.org
www.emissions.org

Boasts 140 corporate members, arranges meetings and other events to "serve the international emissions trading community".

Climate Ark

www.climateark.org/climateark.html

Useful web search tool on climate change, carbon trading and alternative energy sources.

Resources for the Future

www.rff.weathervane.org

Industry-friendly think-tank. Champions carbon trading and maintains a website devoted to climate issues.

Rocky Mountain Institute

www.rmi.org

Leading think-tank in energy and energy efficiency.

Companies buying carbon emission credits

The energy utilities, oil corporations, car companies, travel agents, NGOs and others in the market for carbon emission credits are too numerous to list here. A Dutch consortium of energy utilities which was one of the first in the field is described at **www.facefoundation.nl/**. In the mid-1990s, some 41 North American utilities formed a consortium called the UtiliTree Carbon Company to pursue carbon trades. Firms such as Suncor (**www.suncor.com**), Ontario Power (**www.ontariopowergneration.com**) and TransAlta (**www.transalta.com**) have sought carbon credits from a wide range of sellers. Shell (**www.shell.com**) and BP (**www.bp.com**), meanwhile, have launched internal carbon trading schemes to help themselves meet their own emissions-reduction goals more efficiently.

The UN climate negotiations, which are expected to set out some of the rules for an international carbon market, are tracked by the International Institute for Sustainable Development (**www.iisd.ca/climate**). The United Nations Framework Convention on Climate Change's web site (**www.unfccc.de**). The Intergovernmental panel on Climate Change (IPCC) has a web site at **www.ipcc.org.ch** .

The World Bank's Prototype Carbon Fund maintains a website (**www.prototypecarbonfund.com**) aimed largely at attracting corporate interest in carbon trading.

International agencies

Various departments of the US government provide support for the developing carbon market, including the Departments of State (**www.state.gov**) and Energy (**www.doe.gov**), as well as the Environmental Protection Agency (**www.epa.gov**). The Department of Energy subsidizes research in carbon sequestration and its 1999 *Carbon Sequestration State of the Science: A Working paper for Roadmapping Future Carbon Sequestration R&D* is available at **www.fe.doe.gov/coal_power/sequestration/index_rpt.html** .

Governments promoting carbon trading

Many Latin American governments, including those of Costa Rica, Chile, Colombia, Bolivia and Guyana support carbon forestry projects. A useful source of information is **www.iucn.org/reuters/articles/winningweurope.htm**.

The New South Wales government in Australia (**www.forest.nsw.gov.au**) is notably active in carbon trading involving forestry. The Sydney Futures Exchange also looks to play a large role in the carbon market and has a website at **www.carbontrading.com.au** .

NGOs and academics sympathetic to carbon trading

The Nature Conservancy
www.tnc.org

Environmental Defense
www.edf.org

Union of Concerned Scientists
www.ucsusa.org

Center for International Law
www.ciel.org

World Resources Institute
www.wri.org

Alex Michaelowa
http://perso.easynet.fr/~michaelo

NGOs more critical of carbon trading

Centre for Science and Environment, India
www.cse.india.org

Greenpeace
www.greenpeace.org

Global Commons Institute
www.gci.org.uk

Transnational Research and Action Centre
www.trac.org

World Rainforest Movement
www.wrm.org.uy

World Wide Fund for Nature (WWF)
www.wwf.org

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Glossary

"Buy side"	Used particularly in America to refer to fund managers and institutional investors that buy shares and other investments from investment bankers.
Defined Benefit	A type of pension where the pension fund pays its members a pension based on their final salary. This means the pension fund makes all the investment decisions, and the fund sponsor essentially carries the risk of the pension.
Defined Contribution	A type of pension fund where a fixed amount of money is invested for its members each period, typically a fraction of their current salary. This means the level of pension that scheme members receive will depend on investment returns, but also that members may have some choice about how their funds are invested.
Equity	A "share" or "common stock". Ownership of a company is divided into a number of shares (which are usually all equal - hence the term "equity"). Also used to refer to the company itself, particularly in the plural.
Equity market	A term for all the shares quoted in a particular area or stock exchange.
Flotation, Floated	Essentially the same as IPO - the time a company is first quoted on a stock exchange.
FTSE	Usually short for "FTSE All Share" - the major benchmark index for the UK equity market. FTSE is the name of a company that develops and calculates a range of indices.
IPO	Initial Public Offering. When a company is first listed on a stock exchange, and its shares are sold to investors, including the general public.
Listed	As in "listed on a stock exchange". This means that the shares are available to buy and sell, that the prices at which this happens are made public. Normally some brokers agree to "make prices" in the shares. It also means that the company has to obey the rules of the stock exchange, notably on disclosure of information about the company's activities.
Make a price	State a pair of prices at which someone (typically a broker) is prepared to sell and buy a share.For example, 20-22 means they will buy shares (you can sell them) at 20, and they will sell them (you buy) at 22.
Privatisation	When the government sells off state owned assets to a private sector body. In particular, the selling of a state-owned company to the general public by "floating" it on the stock exchange.
Quoted	"Quoted" means somebody is "making a price" (qv) for the equity. *See* "listed".
"Sell Side"	The investment bankers and stockbrokers (*see* Part Four, p.77) who make a price in shares, and organise new share issues for companies seeking to raise money.
Share	*See* "equity".
Sponsor	A broker who is responsible for introducing a company to a stock exchange. Vouchsafes for the information provided about the company.

Notes