

**‘UN Principles for Responsible Investment signatories and the anti-apartheid  
SRI movement: A thought experiment.’**

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**Abstract**

There appears to be a growing disquiet amongst academics surrounding the ascendancy of ‘responsible’ investment that is egoist or self interested in character – “business case” responsible investment. This ascendancy has in no small measure been associated with the uptake of United Nations Principles for Responsible Investment (PRI) as a *de facto* standard for mainstream responsible investment. This paper contributes to this disquiet. It does this by examining how egoist ‘responsible’ investors (as endorsed by the PRI) might have behaved had they been around in the 1970’s, 1980’s and early 1990’s during days of the anti-apartheid socially responsible investment (SRI) movement. Armed with near perfect (hindsight grade) enhanced analytics, it is clear that the signals that such egoist ‘responsible’ investors would have sent to company management in terms of the apartheid issue would have been highly muddled and therefore ineffective. The net conclusion is that there is nothing inherently or inevitably ‘responsible’ about egoist investment and that the aversion to behaving ethically amongst institutional investors must be challenged and not swept under a carpet of rhetoric.

**Key Words**

Egoist investors, ethical investment, Principles for Responsible Investment, responsible investment, socially responsible investment

**Introduction**

The starting point for this paper is the simple question: ‘Had the UN PRI been around in the 1970’s, 80’s and early 90’s, how might signatories have responded in terms of their investment decisions and ownership actions to the issue of apartheid in South Africa?’ This question is motivated by two things: a) the scale of subscription to the PRI, and b) the particular ethical stance that appears to be implied in much of the PRI rhetoric.

*Scale of subscription*

If subscription is anything to go by, the PRI is rapidly becoming a *de facto* standard for defining the ‘character’ of mainstream investment practices that integrate a consideration of environmental, social and governance (ESG) issues. In their 2009 progress report, the PRI estimated that signatories to the Principles represented a staggering U.S. \$18 trillion (UN PRI, 2009). This potentially represents close to a quarter of the total global assets, although to claim this would be to make a number of unrealistic assumptions. Nonetheless, even if this amount is halved to compensate for double counting of assets, the scale of subscription remains impressive. Crucially, this scale is potentially the key to addressing one of the commonly advanced Achilles’ heels of socially responsible investment. Namely that, because of the traditionally niche nature of such investment practices, market elasticity simply absorbs any constructive signals that might be sent to companies regarding ESG issues (Munnell et al., 2004; Rivoli, 2003).

The PRI focuses on institutional investors and between the launch of the Principles in 2006, and 2009, some 455 organisations from no less than 36 countries had signed up (UN PRI, 2009a). Signatories included representatives from across the investment value chain, including asset owners, investment managers and professional service

providers (UN PRI, 2009a). Clearly, the Principles have wide appeal amongst the professional investment industry.

### *Ethical stance*

Interestingly, the majority of the Principles (five out of the six in Box 1) do not appear to present any specific ethical stance. One might say that they are principles of process, rather than principles of principle. Without going into too much detail, Principles 1 and 2 outline the two basic investor actions which socially responsible investors in general (Mackenzie, 2006) and PRI signatories in particular can take. These are: 1) the extension of fundamental investment analysis to include considering ESG issues in the investment decision making process (often referred to as enhanced analytics); and 2) active ownership practices respectively. Principles 3 and 4 emphasize an advocacy role of signatories beyond active ownership. In Principle 6, signatories commit to report on their own activities in regards the Principles. Principle 5 is arguably the only principle of principle and introduces the spirit of co-operation or partnership.

#### **Box 1: The Principles for Responsible Investment (Source: UN PRI, 2006).**

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles

Despite the fact that no explicit ethical stance other than co-operation is expressed in six Principles themselves, one does seem to emerge quite strongly elsewhere in the

PRI's rhetoric. Viviers et al (2008, p. 23) have argued that PRI style responsible investment is egoist in character with the resultant tendency to “downplay the importance of ethical considerations”. As evidence for this suggestion, the PRI state that the Principles are premised on the basic assumption that “environmental, social and corporate governance (ESG) issues can affect investment performance” (UN PRI, 2009b). On the basis of this it is then argued that, contrary to the conventional view that considering ESG issues is a distraction from the primary objective of investment, “the appropriate consideration of these issues [ESG issues] is part of delivering superior risk-adjusted returns” (UN PRI, 2009b). Indeed, the PRI state that the “overall goal” of the PRI is to: “help investors integrate consideration of environmental, social and governance (ESG) issues into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries.” (UN PRI, 2009b)

In effect, this then suggests that the style of responsible investment advocated by the PRI (the *de facto* responsible investment standard today) is what Richardson (2009, p. 555) calls “business case SRI” or what Van Braeckel et al (2005/2006) calls “materiality SRI”. This represents something of a paradigm shift (“renaissance” according to Richardson, 2009, p. 555) in the character of such investment practices away from earlier, unashamedly ethical investment practices. Through this shift, the perceived barrier that fiduciary responsibility poses to the consideration of ESG issues by institutional investors is eliminated as argued by Freshfields et al (2005) and UNEP FI (2009). Indeed, if ESG factors are financially material, then it could be a breach of this popular interpretation of fiduciary responsibility for institutional investors managing money belonging others not to consider them. The appeal of the PRI to institutional investors and the resultant mass subscription described above can arguably be attributed to the combination of this paradigm shift, and the voluntary nature of the Principles. Together, these ensure that adopting ‘responsible’ investment is not a threat to investment as usual.

Egoist responsible investment is not without its critics. Viviers et al refer to it as a “weak form” (Viviers et al., 2008, p. 20) of ethical investing. Richardson (2009, p. 555) maintains that this form of investment has “problematically disavowed this ethical posture”. The basic concern is that the “appropriate consideration of ESG

issues” (UN PRI, 2009b) by egoist investors need not necessarily result in investors making decisions that lead to improvements in general social wellbeing. Indeed it is entirely possible that a consideration of ESG issues may even result in investors making socially malignant decisions and encouraging rather than discouraging the externalization of costs based on an enhanced understanding of what can be gotten away with within existing regulatory environments. Welker et al (submitted manuscript) articulate this very elegantly in investment terms as: “ESG analysis is a tool to identify those arbitrage opportunities that exist as markets adjust”. This is presumably not the intent of the PRI, and probably not the intent of a significant number of PRI signatories. Indeed the PRI themselves state that: “The PRI will also stimulate increased active ownership on ESG issues by investors. In this way, the Principles for Responsible Investment will contribute to improved corporate performance on environmental, social and governance issues” (UN PRI, 2009). However, this intent relies on the rather incredible assumption that ‘considering’ ESG issues will necessarily result in investors responding to the insight gained in a socially responsible manner despite the overarching egoist posture.

The primary aim of this paper is of course not to answer the somewhat provocative question posed at the very beginning of this paper. Rather it is to use the simple thought experiment framed in that question to examine in some detail the basis for disquiet regarding egoist ‘responsible’ investment. This is particularly pertinent given that this seems to have become the *de facto* standard endorsed by the United Nations through the Principles for Responsible Investment. However, before considering what the behaviour of these hypothetical PRI investors might have been, it is necessary to examine what we know about the financial materiality of the apartheid issue.

### **The financial materiality of the apartheid issue**

The relationship between responses of U.S. companies (specifically) to the apartheid issue and the performance of their stock has been the focus of a compact series of empirical studies based on the event study methodology. The first of these event studies was published by Meznar et al in 1994. They examined the effect on stock prices of divestment announcements by 39 U.S. firms between the early 1970’s and January 1991. Broadly they reported evidence for a general decline in stock value

associated with these disinvestment announcements. More interestingly however, by splitting their sample into 'early announcers' (before 1987) and 'late announcers' (from 1987 onwards), they found some evidence to suggest that this general negative abnormal return was much stronger in the 'early announcers'.

The second study in the series by Wright et al (1997), again examined the effect on stock prices of disinvestment announcements, this time for a sample of 31 U.S. companies. However, their specific interest was in investigating evidence for the agency problem (as described in Jensen et al., 1976) in which managers of firms would chose a disinvestment path out of their "own selfish interests" (Wright et al., 1997, p. 80), rather than in the interests of shareholders. As a result they explicitly filtered companies out of the sample that had been publicly pressured by shareholders to withdraw. As was the case in the Meznar et al (1994) study, they found a general negative abnormal return associated with these disinvestment announcements. They concluded that disinvestment did indeed represent an example of the agency problem.

The third paper in the series presents apparently contradictory results to the first two. Based on a sample of 40 U.S. firms, Posnikoff (1997) found evidence for *positive* abnormal stock movements associated with disinvestment announcements. On the surface, this contradictory evidence might lead one to cry 'lies, damned lies and statistics'. Indeed in the same year McWilliams et al (1997) published a critique of the application of the event study methodology in the Meznar et al (1994) paper in particular. McWilliams et al (1997) re-analysed the Meznar et al (1994) sample but applied far more stringent exclusion criteria which had the effect of reducing the sample size of included companies noticeably. Their overall finding was that there was no evidence for abnormal returns (positive or negative) associated with disinvestment announcements.

This critique prompted Meznar et al to revisit their own analysis (Meznar et al., 1998). They argued that the reduction of sample size caused by McWilliams et al's (1997) stringent exclusion criteria diluted the statistical power of the significance tests applied. In other words they argued that there was a good chance that McWilliams et al's (1997) analytic approach resulted in Type II statistical errors. They applied a compromise correction approach and again found evidence for generally negative

abnormal stock price movements. However, they went further than to simply defend their initial findings. In their second analysis, they further stratified their data set into three time periods that corresponded with the passing of significant pieces of U.S. legislation relating to apartheid South Africa. They identified early withdrawal announcement companies predating the passing of the Comprehensive Anti-Apartheid Act (CAAA) (12 December 1986); middle withdrawal announcement companies after the passage of the CAAA (12 December 1986) but before the passing of the Rangel Amendment to the Revenue Act (22 December 1987); and late withdrawal announcement companies after the passing of the Rangel Amendment.

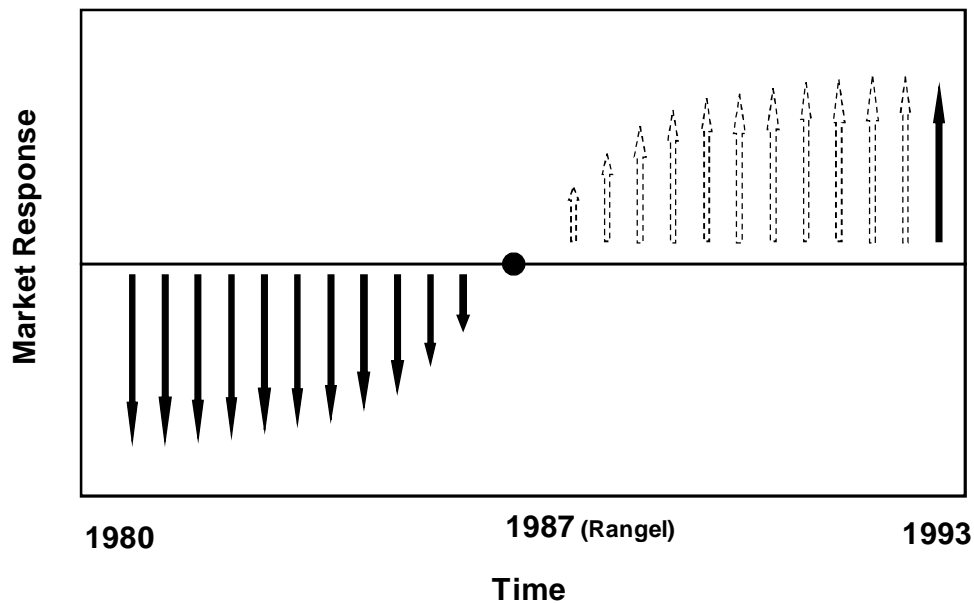
This stratified analysis reinforced their earlier findings that the negative abnormal returns were stronger in early announcers and weaker in middle announcers. Most interestingly though, in the late announcers there was some evidence (although not statistically significant) for a positive abnormal effect, suggesting that a “tipping point” (Gladwell, 2000) might have been reached around the time of the passing of the Rangel Amendment. This is intuitively appealing since the Rangel Amendment effectively imposed a dual taxation system on companies with South African operations. From valuation perspective, this would certainly have had a negative impact on cash flows of these companies.

The next publication in the series was by Teoh et al (1999). In terms of financial materiality, they considered the effect of a range of announcements regarding political pressure and disinvestment by institutional investors on the stock prices of companies with South African operations. Their results in terms of stock price movements specifically do not, however, add a great deal to the picture. As was the case with McWilliams et al (1997), their results suggested no abnormal returns. However, their study focused on events culminating in the passage of the CAAA, *before* the tipping point apparent in Meznar et al., (1998). The real value in the Teoh et al (1999) paper was the far broader scope of ‘responses’ and ‘events’ that they considered.

The final paper in the event study series with bearing on the financial materiality of the apartheid issue was published by Kumar et al in 2002 and probably seals the suggestions made by Meznar et al (1998) regarding the time sensitivity of response. Kumar et al (2002) adopted a very different approach to the prior studies and used the

speech by Nelson Mandela in September 1993 (Mandela, 1993) calling for the end of economic sanctions as the 'event'. They then examined the effect of this event on the stock prices of companies that had not disinvested from South Africa. They hypothesized that by 1993, if the market was penalizing these stocks, then Mandela's announcement should have resulted in an abnormal upward correction of these stock prices. And indeed, their results supported this hypothesis.

What then does all this mean in terms of the financial materiality of the apartheid issue from an investment perspective? Treating disinvestment from South Africa as a likely business response to apartheid South Africa it is possible to illustrate conceptually a trend in the market's response to this business response (Figure 1). Prior to the Rangel Amendment in 1987, it appears that the market penalized disinvestment. Afterwards it appears that it might have rewarded it. Certainly it appears to have penalized companies that did not disinvest.



**Figure 1: Illustration of the general market response in terms of stock prices to company disinvestment from South Africa as suggested by a series of event studies.**



## **The thought experiment**

Assuming that our investors had already exercised Principle 1 of the PRI to settle on the enhanced understanding of the materiality of the issue outlined above, we can consider what would have been the ‘appropriate’ responses of these egoist PRI signatories. There are a limited number of actions that such investors might have taken. If they already owned shares in companies operating in apartheid South Africa they could have:

1. Done nothing
2. Lobbied companies to disinvest from South Africa
3. Lobbied for companies not to disinvest from South Africa
4. Sold their shares in these companies

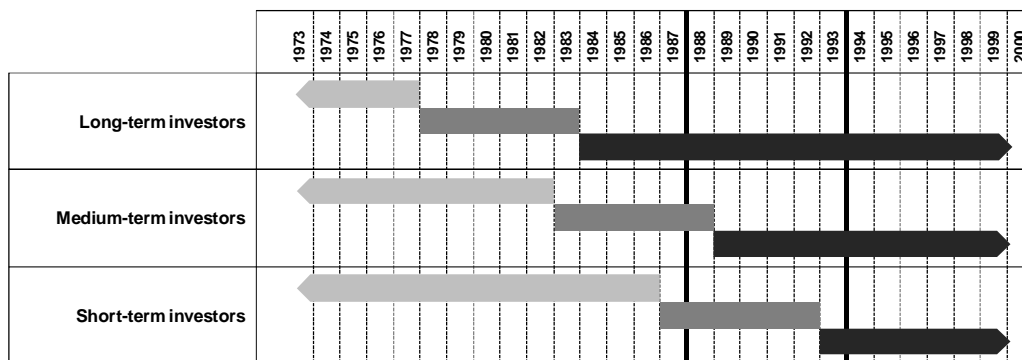
If they did not already own shares in companies operating in apartheid South Africa, they could have:

5. Done nothing
6. Bought shares in companies with exposure to South Africa
7. Short sold shares in companies with exposure to South Africa

Since long-termism appears to be a key element of the “mechanism” invoked by the PRI to explain how egoism and “improved corporate performance on environmental, social and governance issues” (UN PRI, 2009b) might converge, we can consider a range of investment horizons in our thought experiment. Ten years for instance could be considered to be a long-term investment horizon, five years a medium-term investment horizon and 1 year a short-term horizon. The understanding of these investment horizon scenarios is that the investors would liquidate their assets at the end of the specified time irrespective of the prevailing market conditions. The selection of the lengths of time is essentially arbitrary, and it is possible that some may debate the validity of these, particularly the long-term horizon. However, as becomes evident, the overall result would have been much the same irrespective of what constitutes the long-, medium- and short-term.

## **‘Results’**

Irrespective of the investment horizon in question, three distinct egoist investment phases can be identified (**Error! Reference source not found.**). The crucial distinguishing factor is the planned liquidation date. The first phase applies to all scenarios (irrespective of whether they are long-, medium- or short-term) that liquidate prior to 1987. I call this the ‘stay in’ phase. The second phase applies to all investment scenarios that liquidate between 1987 and 1993 and this phase I call the ‘get out’ phase. The third and final phase applies to all investment scenarios that liquidate after 1993. I call this the ‘light at the end of the tunnel’ phase. Contrary to the long-termist theory invoked by the PRI and others, the only difference between the long-, medium- or short-term egoist ‘responsible’ investors appears to be when these phases kick in.



**Figure 2: Timelines of investment phases for long-, medium- and short-term egoist investors in relation to the South Africa issue. (Light grey = ‘stay in’ phase; dark grey = ‘get out’ phase; and black = ‘light at the end of the tunnel’ phase.**

### The ‘stay in’ phase

During this phase, investors with stocks in their portfolio that have some exposure to South Africa would first and foremost have used their shareholder rights to oppose disinvestment from South Africa. This is based on the fact that disinvestment would likely have a net negative impact on the stock prices by their liquidation date. In other words, their interests would have been most protected by ‘staying in’ South Africa.

However, if it seemed likely that a company in their portfolio with operations in South Africa was about to disinvest, they would more than likely have taken action 4 above and sold those shares sooner than the planned liquidation date. They might then have held the proceeds in some sort of low risk investment until such time as the disinvestment had occurred and then re-entered the stocks at a discounted price.

For the long-term investment scenario, this would represent anyone entering the market prior to 1977 (**Error! Reference source not found.**). For the medium-term investment scenario, this would apply to anyone entering the market prior to 1983. Finally for the short-term investment scenario, it would apply to anyone entering the market before 1986.

### **The ‘get out’ phase**

During this phase an investor with stocks in their portfolio that still had South African operations would switch their shareholder activism activities from opposing disinvestment to very actively encouraging it. In other words, their financial interests would be furthered by ‘getting out’ of South Africa before their liquidation date, based on the fact that getting out would generally result in an upward correction of their stock prices.

For the long-term investment scenario, this strategy would apply to anyone who entered the market between 1977 and 1983, and that had for some reason missed signals to sell the stocks before the “tipping point”. For the medium-term investor this would apply to anyone who had entered the market between 1982 and 1988. For the short term scenario, this would apply to anyone entering the market between 1986 and 1992 (**Error! Reference source not found.**).

### **The ‘light at the end of the tunnel’ phase**

During this phase, any investor with shares in companies that still had South African operations would more than likely have just sat tight in anticipation of the predicted upward movement of the share prices following 1993. In terms of shareholder activism activities, it is likely that these would have died down nothing. After all, the

liquidation date for these investors would be after 1993 when the stock prices would have again corrected upwards. As such, any effort exerted in trying to get companies to disinvest would essentially achieve the same result as no effort at all.

This phase would apply to long-term investors entering the market at any stage after 1983, medium-term investors entering after 1988, and short-term investors entering after 1992 (**Error! Reference source not found.**).

### **Speculative investors**

Besides all of these ownership activities, prior to 1987, speculative investors might have responded to any knowledge of imminent disinvestment by short selling the stocks involved in anticipation of falling share prices. Between 1987 and 1993, speculative investors might have been expected to take up long positions on stocks with exposure to South Africa, if they anticipated that the company in question might be about to disinvest, or if they were prepared to sit on those stocks until after 1993. They might even have bought stocks and then actively used their shareholder rights to encourage disinvestment.

### **Market signals**

What then does this evaluation of the likely responses of egoist investors with varying investment horizons indicate in relation to the debate between advocates and sceptics of egoist 'responsible' investment? The answer to this question lies in understanding that the key to any form of responsible investment being able to "contribute to improved corporate performance on environmental, social and governance issues" (UN PRI, 2009b) is clear signals reaching corporate management either in the form of active shareholder actions, or in terms of stock price changes.

On the basis of the analysis presented above it appears highly unlikely that a collection of egoist PRI signatories would have sent any consistent socially constructive signal to corporate management in terms of the apartheid issue. For starters, even within a particular investment time horizon scenario (long-, medium- or short-term), and a single investment phase ('stay in', 'get out', 'light at the end of the

tunnel’), mixed messages would more than likely have been sent. For instance, during the ‘stay in’ phase, the shareholder activism message would have been for the company to stay in South Africa. The message in terms of disinvestment in response to any imminent withdrawal would surely have been ambiguous, especially if they coincided with the actions of ‘ethical’ investors pressurizing companies to withdraw by threatening to, or actually disinvesting themselves. Likewise, during the ‘get out’ phase, the shareholder activism message would have been for companies to withdraw from South Africa. However, the speculative stock buying message indicating optimism might well have sent a confusing message to company management. During the ‘light at the end of the tunnel’ phase, shareholder activism efforts would have been half hearted at best, giving the signal to management that the issue was no longer of much interest.

Beyond this level of ambiguity, there is an incredible amount of ambiguity that emerges out of the fact that participants in the market at any one moment are likely to represent a range of investment time frames. The result is that at any moment in time, it is likely that there would have been egoist ‘responsible’ investors in all three investment phases, each sending different and often opposing signals to corporate management (**Error! Reference source not found.**). Indeed the analysis of investment horizons presented here simplifies the picture since it only illustrates three investment horizons. In reality, it is likely that all possible time horizons from one month or less to 100 years or more would simultaneously exist. Even within a single collective investment entity, multiple investment horizons might exist simultaneously. This is particularly the case with pension funds where the demography of members dictates multiple investment time horizons.

In short, it seems safe to conclude that the signals PRI style egoist ‘responsible’ investors would have sent to companies with exposure to South Africa would have been muddled and therefore ineffective. This finding significantly reinforces the disquiet expressed by sceptics of egoist ‘responsible’ investment.

### **Limitations**

There are at least three limitations to the analysis presented above that are likely to be pounced on by advocates of egoist ‘responsible’ investment. The first is purely methodological. The evaluation of the financial materiality of the apartheid issue is entirely based on the event study methodology, which has been widely criticized because it assumes a relatively strong form of the efficient market hypothesis. In the strictest technical sense this is indeed a concern, although the conceptual model that emerges out of a consideration of the series (**Error! Reference source not found.**) does seem to make intuitive sense. However, the nature of the analysis presented here, as a thought experiment, does render this limitation somewhat hollow since a thought experiment is by nature ‘imaginative’. Thus the experiment could simply be arranged around a consideration of one possible interpretation of the financial materiality of apartheid. In a sense this might even strengthen the overall conclusion. If we cannot effectively resolve the materiality of this ESG issue with the benefit of hind sight, is it likely that we will ever predictively be able to resolve the materiality of such issues? And any additional source of uncertainty would simply produce even more muddled signalling.

The second limitation is that the analysis has assumed that the combined activities of all these egoist ‘responsible’ investors would not in any way have altered the materiality trend illustrated in **Error! Reference source not found.** In other words, it is assumed that any activity would not have moved the market. Prior to the PRI and its reported massive uptake, this would probably have been a reasonable assumption based on market elasticity (Munnell et al., 2004; Rivoli, 2003). However, with the relatively high proportion of global assets apparently behind the PRI it is possible that a block of investors acting consistently might indeed have been able to move the market. So for instance, it is conceivable that if the entire PRI signatory base had decided to collectively disinvest from any companies with a South African exposure, this would have had a negative impact on the stock prices of these companies. This in turn, would have rendered the call to disinvest prudent (if not market beating). This is a tantalizing possibility indeed.

The third limitation of the analysis presented here is that it has not taken into account the notion of “universal ownership” (Hawley et al., 2006). Universal ownership is the idea that many investors (particularly large institutional ones) do not own little bits of

the economy, but rather own a piece of the whole economy. The theoretical implication is that externalizing costs from one investment onto the wider economy will in effect be paid for elsewhere in the portfolio. The key question in the context of the thought experiment presented in this paper is whether the inconsistent behaviour of our egoist investors (or the inaction of 'irresponsible' investors) would have externalised significant costs onto the market that would have been borne elsewhere in their investment 'universe'. If we assume that a consistent signalling from investors might have helped to accelerate the demise of the apartheid regime, then it is indeed possible that the inconsistency predicted above might well have resulted in costs elsewhere in a 'universal' portfolio. So for instance, during the 1970's, 1980's and early 1990's, South Africa played a dominant global role in the production of a range of key mineral commodities. A growing isolation of South Africa and the possibility of increasing trade sanctions resulting from the extension of the apartheid regime might well have significantly increased the prices of these commodities which would have in turn impacted on the input costs for many manufacturing industries.

Both of these ideas are compelling in theory. However, the likelihood of either significantly altering the course of egoist action predicted above is questionable because of the age old "tragedy of the commons" (popularized in Hardin, 1968). In order for either of these issues to have had any tangible impact, there would need to have been collective commitment from all not to break ranks to take up potentially profitable speculative positions. In other words, it would require that the investors forego the possibility of making individually highly profitable (but arguably collectively idiotic) decisions. This by definition is the antithesis of an egoist philosophy.

While this logical flaw is pretty self evident, it is worth considering specific scenarios in the context of our thought experiment to illustrate how the problem might manifest itself. In terms moving the market, we can revisit the scenario given above where all PRI investors disinvest *en masse* from companies with exposure to South Africa. Assuming that this action was sufficient to precipitate the hypothesised market response of falling share prices in all likelihood, corporate managers would have rapidly begun thinking about severing ties with South Africa. A shrewd egoist investor armed with enhanced analytics might well recognise the likelihood of such a

corporate response, and the fact that if this were to happen, these stocks might then be trading at a discount. They might then have considered buying up discounted stock in advance of the anticipated disinvestment. Of course significant numbers of egoist investors behaving in this way would in effect have undone the original signal.

In terms of universal ownership the idea of totally passive universal ownership on the one hand and enhanced analytics on the other are somewhat difficult to reconcile. If an egoist universal owner is going to go to the trouble and inevitable expense of conducting enhanced analytics, then they will want to see a return on this effort. One likely way in which they might try to realise this is to put the insight gained from the analytics effort to use in terms of the way they weight investments in the portfolio. With this as a starting point, it is entirely conceivable that a universal owner might actually have decided to try and encourage an extension of the apartheid regime, and then take advantage of the likely impact of this in terms of increasing commodity prices. They could have done this by means of a number of investment activities including: reweighting their portfolio to favour commodity producers in regions other than South Africa; by short selling manufacturing stocks likely to be affected by commodity price movements; or through considering opportunities that might exist in commodity derivatives.

## **Conclusion**

In the introduction to this paper I introduced the basic question: “Had the UN Principles for Responsible Investment (PRI) been around in the 1970’s, 80’s and early 90’s, how might signatories have responded in terms of their investment decisions and ownership actions to South Africa’s apartheid policies?” Of course, in and of itself, this is not an important question. The real reason for tackling this question was to use a well documented piece of SRI history to critically consider the validity of the growing disquiet amongst many academics regarding egoist ‘responsible’ investment (e.g. Richardson, 2009; Viviers et al., 2008; Welker et al., unpublished draft). The thought experiment presented in this paper unequivocally adds to this disquiet. Based on the analysis, it is very clear that there is nothing inherently or inevitably ‘responsible’ about egoist or “business case” (Richardson, 2009) or “materiality” (Van Braeckel et al., 2005/2006) investment. Suggesting otherwise is at best naive



and at worst a misrepresentation of the truth. The implication is clear. If investment is to be truly responsible (and surely there must be few who would publicly call for “irresponsible” investment), then, as Richardson (2009) has argued, the aversion to behaving ethically amongst institutional investors must be challenged. Furthermore, any barriers to investing ethically should be systematically dismantled.

### **Acknowledgements**

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