



P.O.Box 504  
4100 AM Culemborg  
The Netherlands

European Commission  
CSR Green Paper Consultation  
Wetstraat 200  
B-1049 Brussels  
Belgium

21 December 2001

Dear Sir/Madam

Eurosif is the European Sustainable and Responsible Investment Forum, the pan-European multi-stakeholder network for promoting and developing sustainable and responsible investment. Eurosif is an initiative of five European social investment forums (SIFs) from France, the German speaking countries, Italy, the Netherlands and the United Kingdom. Eurosif was created in 2001 with support from the European Commission's DG Employment and Social Affairs. The growing interests of institutional investors, NGOs and the European Commission in the development and encouragement of corporate responsibility through sustainable and responsible investment across Europe has driven Eurosif's creation.

The current active and innovative market for sustainable and responsible investment products is driven by both private and institutional investors, who integrate social, ethical and environmental issues into their investment decision making for various reasons.

Sustainable and responsible investment is one of the tools used to encourage companies to improve their internal and external management. SRI and shareholder engagement can enable companies to address weaker areas of their business operations, minimise risks, which can damage company reputation and can cause dramatic drops in share prices. Clearly, social and environmental criteria are as important as financial criteria.

Belgium, The Netherlands, United Kingdom and Germany are the four EU member states with the most established SRI products. Eurosif aims to strengthen information exchange and create greater awareness across Europe on sustainable and responsible investment by developing existing SIFs and encouraging the creation of new national SIFs. By achieving these aims as part of an on-going process Eurosif hopes that more EU member states will provide SRI products.

Eurosif very much welcomes the initiative of the European Commission to open the discussion on the EC Green Paper on CSR and therefore submit the attached pan-European response from the five national SIFs, scooping eight countries.

Evelyn Y. van Royen  
Project Manager  
Culemborg, 21 December 2001



## **Response from Eurosif to the European Commission Green Paper: *Promoting a European Framework for Corporate Social Responsibility.***

### ***Eurosif***

Eurosif (the European Sustainable and Responsible Investment Forum) is the pan-European multi-stakeholder network for sustainable and responsible investment.

Eurosif's aims (in draft) are:

- to inform, educate and provide a European network for discussion about sustainable and responsible financial services
- to actively expand the network of national SIFs
- to initiate and publish research related to legislation, policies and practices for the integration of social, environmental and ethical issues into European financial services
- to encourage transparency, disclosure and active ownership, with regard to corporate practice and governance, and investment objectives and processes.

Eurosif is an initiative of five European social investment forums from France, the German speaking countries, Italy, the Netherlands and the United Kingdom. Eurosif was launched in 2001 with support from the European Commission's DG Employment and Social Affairs.

The Eurosif board has prepared this response with input from members. It does not necessarily reflect the views of every Eurosif member.

Eurosif welcomes the interest of the European Commission in CSR and looks forward to working together with the Commission and European Parliament to forward this agenda.

### ***Transparency, Disclosure and Reporting***

The Commission should encourage increased disclosure by companies to provide investors and others parties with valuable information about CSR issues. Investors are particularly concerned with CSR matters that the company believes represent a significant risk or opportunity for their business.

We invite the Commission to consider the disclosure guidelines developed by the Association of British Insurers<sup>1</sup>. The purpose of the guidelines is to provide a basic benchmark for listed companies seeking to develop best practice policies when responding to external social, ethical and environmental risks. The guidelines also set out what institutional investors expect to see disclosed in company annual reports. They call on companies to confirm in their annual report that they have assessed these risks and are managing them in such a way as to preserve or even enhance the value of the business. In order to meet the needs of socially responsible investors, non-financial reporting must take place in a way that allows the effective comparison of different company's performance.

There are currently many diverse reporting guidelines, initiatives and requirements at sectoral, national and international levels as outlined in the Green Paper. Stock exchange listing regulations in some countries such as the USA and the Netherlands currently require disclosures on environmental matters. In France, Article 64 of the law concerning new economic regulations requires companies to take account of social and environmental consequences in their annual report. In the UK, disclosures relating to environmental and social risks have been drawn into guidelines by the Association of British Insurers and are likely to be included in the Operating and Financial Review proposed in a new Companies Act.

---

<sup>1</sup> The Association of British Insurers is the trade body for the UK's insurance industry. Its members represent Euro 2 trillion in assets.

The Commission should support the dissemination and exchange of information on the effectiveness of differing approaches to help identify best practice models and encourage the harmonisation of reporting by companies throughout the EU. To do this, the Commission should consider support for a mapping project of current initiatives in this area. The Commission should also insure that bodies, such as the proposed European Securities Committee<sup>2</sup>, consider such information in its review of listing rules and regular reporting obligations.

The Commission should encourage the development of standards for reporting on non-financial data by companies, based on international standards such as the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The Commission should also urge companies to include in their non-financial report, information on compliance with ILO conventions, the UN Global Compact and OECD Guidelines for Multinational Enterprises.

The Commission should encourage increased disclosure by SRI research providers about their research methodologies, frameworks and processes, including validation processes, coverage, and the extent to which they take into account standards (e.g. ILO, UN, OECD) in their research. They should make clear when prescriptive rules are followed and when judgement is used. These recommendations also apply to fund managers in-house research capabilities.

In order to improve the quality and accessibility of social and environmental data on companies we would urge the Commission to encourage increased disclosure and harmonisation of reporting by regulatory authorities (such as the UK's Health and Safety Executive and Environment Agency) across Europe. Company social and environmental performance data collected and held by such bodies as part of their regulatory duties should be made more easily accessible to stakeholder groups.

#### ***Disclosure Regulations for all Pooled Investment Vehicles***

The pensions disclosure regulation<sup>3</sup> in the UK has stimulated increased interest in CSR as major investors, pension funds and professional organisations press for more responsible practices by listed companies. France and Germany have followed with similar legislation (though applied to a limited range of investment products) and Belgium will soon follow. The regulations mean that institutional investors must disclose their policies on the extent to which they take social, ethical and environmental issues into account in their investment strategies and their policy relating to the exercise of the rights attaching to their investments.

The Commission should encourage the adoption of similar disclosure legislation in all member countries to apply to all pooled investment vehicles.

To insure that investors are held accountable for their policy statements, the Commission should encourage transparency around the implementation of the policy. Contrary to UK and French disclosure legislation, the German legislation addresses this point. All new disclosure legislation should insure that the processes and methodologies adopted to implement such policies are disclosed to scheme members and/or policyholders and that any claims regarding the results of these policies can be substantiated.

#### ***Research***

Eurosif would welcome support from the Commission for research into how engagement with companies by institutional investors can most effectively achieve social and environmental goals and encourage increased corporate social responsibility.

The Commission should support academic and professional research into the practical commercial and financial benefits and costs for companies to implement CSR, in order to demonstrate the business case for CSR.

---

<sup>2</sup> The European Securities Committee was recommended in the Final Report of the Committee of Wise Men on the Regulation of European Securities Markets, February 2001.

<sup>3</sup> The Occupational Pension Schemes (Investment, and Assignment, Forfeiture, Bankruptcy etc.) Amendment Regulation 1999, Regulation 2(4) that came into effect 3 July 2000.



In order to encourage harmonisation of reporting by companies throughout the EU and identify best practise models Eurosif would welcome EC support for a mapping project of current corporate reporting requirements and recommendations.

The Commission should also support research into the potential role of financial analysts, bankers and brokers in stimulating improved understanding of the commercial benefits of CSR.

### ***SRI Indexes***

Eurosif believe that it would be inappropriate and anti-competitive for the EU to promote any one commercial social index or any other commercial SRI product. We believe it is for the market to determine whether or not one or more of these indexes or indeed any other SRI selection methodology becomes a de facto standard for SRI funds.

### ***Actions to Support CSR***

The Commission should create a broad policy framework that rewards high corporate social and environmental performers to create incentives for companies and socially responsible investors.

The European Union should not just promote but also create and protect the business case for corporate social responsibility. It should actively encourage public procurement policies that take account of differing CSR performance and hence differing social and environmental impact, in procurement decisions. It should also ensure and protect the legitimacy of public policies that take account of the impact of CSR in international fora like the WTO.

In order to allow pan-European dialogue among the stakeholders in socially responsible investment we would encourage the European Commission to continue to provide financial support for activities undertaken by Eurosif. Eurosif has recently launched the first pan-European website on SRI ([www.eurosif.info](http://www.eurosif.info)) which will be developed to provide a focal point for access to information on SRI from web sites across Europe. Eurosif will also co-ordinate information interchange seminars to allow members to share best practice on SRI throughout Europe.

We also encourage the Commission to provide support and nurture for the development of national social investment forums.

The Commission should encourage the integration of CSR issues into financial services education curricula. Support should also be given for the training and re-training of company managers and other employees, fund managers, trustees, financial consultants and analysts and other stakeholders to increase understanding of CSR and improve the effectiveness and value of tools such as corporate non-financial reporting.

Evelyn Y. Van Royen

Eurosif  
P.O.Box 504  
4100 AM Culemborg  
The Netherlands