

Table of Contents

| | |
|------------------------------------|---|
| 1. Eurosif Update | 1 |
| 2. EU Update | 1 |
| 3. News from Eurosif members | 2 |
| 4. News from SIFs..... | 4 |
| 5. SRI news in Europe | 5 |
| 6. Upcoming events | 6 |

1. Eurosif Update

EU Policy Shaping

Matt Christensen was invited to address the EU Green Party on December 10 at the European Parliament. On this occasion Matt presented the key issues around SRI and offered ideas on how policy makers could advance topic-related debates at the Parliament. The Green Party will follow up with a document designed to help policy makers better integrate SRI into their discussions at Parliament.

Eurosif Annual Meeting

Eurosif will be following up the Italian SIF-organised Corporate Governance/SRI Conference (please see SIF section in this newsletter on the conference) with its Annual Members Meeting. The meeting will take place on Friday, February 6th in Rome until early afternoon. The discussion will cover the achievements in the past year, discuss future programmes for the years to come and focus on the key activities to be carried out in 2004. Member contributions are an integral part of Eurosif and it is planned for the meeting to offer time for networking and input on the ongoing direction of the organisation. More details will be sent to Members shortly, and posted on our website in January.

Retail Transparency Guidelines

A regularly updated list of banks testing and experimenting the transparency guidelines across Europe is available on Eurosif's web site.

2. EU Update

Transparency Obligation Directive

The Eurosif amendment proposal on the inclusion of SEE criteria as a part of companies' management reports in the Transparency Obligation Directive has been submitted. The proposal is part of a number of amendments that will be discussed early next year and eventually agreed by Parliament in Spring 2004.

Multi Stakeholder Forum

Matt Christensen was invited to the Multi-Stakeholder Plenary Forum followed by an invitation-only event on CSR with top level EU ministers, hosted by the Italian Presidency in Venice on November 13th. The Multi-Stakeholder Forum continues to progress and we will be submitting a policy recommendation to the Commission in 2004.

3. News from Eurosif members

Dexia launches SRI fund in Belgium; reference index created by Ethibel

Dexia Asset Management has launched a new sustainable equity fund, the Paricor E10, for Belgian institutional investors. The fund is referenced against an index, created by ethical investment firm Ethibel, called the ESIG-I. Dexia Asset Management manages more than EUR 60 billion for institutional and private clients and claims a 9.6% share of the European SRI funds market. According to Ethibel, there are 16 providers of SRI funds in Belgium.

EIRIS launches Guide to Responsible Banking 2003

EIRIS has published its second guide to responsible banking, whose coverage spans the performance of thirteen leading UK high street banks on social and environmental issues. The five leading high street banks that are judged to have shown no improvement in their policies, management systems and reporting on the environment include Alliance & Leicester, Bradford & Bingley, Egg, HBOS and Lloyds TSB. However, HBOS and Lloyds TSB had already been deemed to show a relatively high standard of environmental policy and management systems, with HBOS' management systems judged "exceptional". Abbey National, Barclays, The Co-operative Bank, Lloyds TSB, Northern Rock and the Royal Bank of Scotland are considered to be the best performers. The information in the EIRIS Guide to Responsible Banking 2003 has been largely extracted from EIRIS' proprietary software Ethical Portfolio Manager, which enables EIRIS clients to access the results of the company's research on more than 2700 companies across the globe.

For a copy of the full EIRIS Guide to Responsible Banking, please e-mail ethics@eiris.org or download from the EIRIS website:

www.eiris.org/Files/Otherpublications/bankersguide.pdf [PDF, 124kb]

FTSE Group conducting consultation on Labour Standards, responses welcome

The FTSE Group is currently conducting a market consultation on Labour Standards in the Supply Chain, highlighted by the FTSE 4Good Policy Committee as a key CSR issue for the FTSE 4Good Index Series selection criteria. The objective of this consultation process is to ensure that the development of the Supply Chain Labour Standards criteria reflects the consensus of opinion as to what constitutes good Corporate Responsibility practice in the management of supply chain labour standards. Responses to the Market Consultation Paper are invited online, or by mailing the FTSE the form downloadable from:

www.ftse.com/ftse4good/index.jsp

The consultation will extend till December 19, 2003.

Insight publishes autumn update on investor engagement

Insight Investment has published its autumn bulletin reviewing its investment holdings and engagement activity with companies invested in. As at September 30, 2003 Insight held shares in 82.3% of all companies in the UK FTSE All Share Index. Insight engaged with 76 of these companies during the third quarter of 2003, representing 16.8% of its holdings by number and 62.3% by market value. The autumn bulletin summarises Insight's engagement undertaken with Tesco to strengthen its approach to responsible supply chain management as well as Insight's launch of a biodiversity "best practice" programme aimed at extractive & utility companies. Also discussed are the developments made through Insight's engagement with BP and the BTC pipeline project as well as results of its ongoing discussions with companies on the subjects of access to medicines and shrimp farming as well as company involvement in the rising global obesity epidemic. The entire bulletin is available online at:

www.insightinvestment.com/documents/ir_bulletin_autumn2003.pdf [PDF, 1.2MB]

New SAM-WRI joint report on climate change and the auto industry

Zurich-based Sustainable Asset Management and the World Resources Institute (WRI) have jointly released a report entitled "Changing Drivers: The Impact of Climate Change on Competitiveness and Value Creation in the Automotive Industry". The report explores the manner in which emerging climate change policies – or "carbon constraints" – are expected to affect the financial performance and relative competitiveness of ten leading global automotive companies (Original Equipment Manufacturers - OEMs). Risks to the companies analysed

include potential increases in manufacturing costs to meet carbon constraints and the possible loss of market share to companies that produce less carbon-intensive vehicles while opportunities are identified in the potential for companies to develop lower-carbon technologies ahead of rivals and thus reap the benefits of technological leadership, brand differentiation in the form of enhanced profits. Companies covered by this study include BMW, DaimlerChrysler, Ford, GM, Honda, Nissan, PSA, Renault, Toyota and VW.

The entire 80-page report can be downloaded at:

www.sam-group.com/changingdrivers

Vigeo launches proprietary “Equitics” research methodology for SRI mandates

Paris-based European social ratings agency Vigeo unveiled its recently developed proprietary research model “Equitics” which aims to assist fund managers in making portfolio allocation decisions based on SRI considerations. Vigeo’s CEO Ms. Nicole Notat has stated that this new research model was developed with a view to increase transparency in the corporate social ratings process and to provide clients with a rigorous and contestable model which can then be flexibly adapted to the particular portfolio restrictions of individual fund managers. Vigeo’s analysts in the software, energy and construction sectors will be the first to beta-test this methodology with the publication of company reports for these sectors in early January.

For further information on Vigeo’s new research paradigm, please contact Mickael Hellier at mickael.hellier@vigeo.com

ISIS AM: Call for Investors to support the EITI

The Extractive Industries Transparency Initiative (EITI) is a project initiated and led by UK Prime Minister Tony Blair. It is aimed at improving governance standards in resource-rich developing countries by boosting disclosure of revenues earned by governments from natural resource contracts. It encourages host governments and extractive companies to sign agreements in which the companies publish what they pay and the governments publish what they receive.

In June 2003, 38 investors signed the 'Investors' Statement on Transparency in the Extractives Sector' supporting the EITI. The process was led by ISIS Asset Management, a UK-based investor with €90 billion under management, and signatories included CalPERS, Deutsche Asset Management, Dresdner RCM Global Investors, Fidelity Investments, Merrill Lynch Investment Managers, New York State Common Retirement Fund, PGGM, Schroders Investment Management, and SSgA Limited.

The Investors' Statement is intended to demonstrate to extractive companies and host governments that the capital markets unambiguously support the EITI principles.

Who is involved?

The EITI brings together extractive companies, investors, governments, non-governmental organisations and multilateral finance institutions.

Why disclose payments and receipts?

In developed economies in Europe and North America, payments such as taxes, royalties and signature bonuses are a matter of public record and governments are therefore accountable to their citizens. In many developing countries, these payments are deliberately confidential, which leaves them vulnerable to misappropriation by government officials. This not only leads to impoverishment of the local population, but often fuels civil conflict and political instability.

What has happened so far?

In June 2003, the EITI issued a Statement of Principles and Agreed Actions, which all interested parties were asked to support. Companies, investors, governments, multilateral institutions and NGOs indicated their support by issuing statements of support for the EITI Principles.

What is the response of oil and mining companies?

To date, 18 companies and several industry associations have issued statements supporting the EITI; these include ExxonMobil, BP, Shell, ChevronTexaco, and Total. Although many companies, including all the majors and super-majors, have voiced their support for the EITI, actual behaviour on the ground ranges from 'wait and see' to actively encouraging host governments to introduce the necessary new measures.

What is the role for investors?

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Next steps for investors

- Investors are invited to add their names to the Investors' Statement on Transparency in the Extractives Sector. Please note that the deadline for communicating your organisation's commitment is 16 January 2003.

- The British Embassy has kindly offered to host a reception in Washington, D.C. in February 2004, at which all signatories will be welcome. On this occasion, the new signatories will be announced and additional investment institutions will be invited to join the Statement.

- The involvement of investors is coordinated by ISIS Asset Management. Interested investors should contact Robert Barrington (robert.barrington@isisam.com, tel +44 207 506 1216) or Claudia Kruse (claudia.kruse@isisam.com, tel +44 207 506 1179) or Karina Litvack (karina.litvack@isisam.com, tel +44 207 506 1219).

4. News from SIFs

Italian SIF and Italian Banks Association put on major SRI event on February 5th 2004 in Rome

The title of the event is Corporate Responsibility, Governance and Sustainable Investment. Speakers include Mario Monti from the EC, Angelo Tantazzi from the Italian Stock Exchange, Paul Steel from WWF International and many other experts. Space is limited and Eurosif members will receive first priority for attendance.

Please contact Sarah Rio for more details at sarahr@eurosif.org

New SIF in Belgium

Eurosif is proud to welcome a new SIF in Belgium:

BELSIF v.z.w., Belgian Sustainable and Socially Responsible Investment Forum', 'Belgisch Forum voor Duurzaam en Maatschappelijk Verantwoord Investeren' , 'Forum Belge pour l'Investissement Durable et Socialement Responsable' was formally created on 20/11/03.

The initiators were DVV Verzekeringen, Ethibel, KBC Bank- en Verzekeringsholding, Réseau Financement Alternatif, Triodos Bank België, VOSEC. Further details and press releases to come in January.

New SIF established in Japan

Daiwa Securities Group Inc. and Ito-Yokado Co. are among the firms joining forces to establish a non-profit organization responsible for disseminating information about socially responsible investing. The Socially Responsible Investment Forum (SIF) Japan intends to introduce investors to socially responsible funds and collect and distribute information on companies' environmental policies through its Web site and email newsletters. SIF-Japan also plans to create a database and to provide comprehensive information on social responsibility. The organization will invite individuals as well as corporations to become its members. Toshihiko Goto, director of the Global Reporting Initiative, or GRI, will serve as SIF-Japan's chief administrator.

Italian SIF

Senate hearing for the Forum per la Finanza Sostenibile on pension reform

The Committee of the Senate in charge of discussing the draft reform of the pension system has called a hearing to gather opinions and suggestion from relevant stakeholders. Among

them, the Italian SIF has been invited to present its proposal for a UK-style transparency rule concerning disclosure of Pension Funds' investment policies as regards social and environmental aspects. Both left- and right-wing senators have informally stated their interest towards the proposal.

The proposed amendment is available (only in Italian) on www.finanzasostenibile.it/cosa_facciamo/attivita_corso.html

UKSIF's Retail Revolution consults Independent Financial Advisers

UKSIF is currently requesting IFAs from across the country to help it produce guidelines that will promote the sales of ethical and responsible investments to individuals. IFAs are being asked to respond to a questionnaire, which will act as a resource for the design of UKSIF's Adviser Guidelines & Toolkit, which will be launched in 2004. A copy of the questionnaire can be obtained on

www.uksif.org/Z/Z/Z/lib/2003/files/10/ri-qnr/UKSIFsurveyRIs.pdf [PDF, 35kb]

US SIF urges SEC to strengthen rules for shareholder nominations to corporate boards

Although the US Social Investment Forum considers the new U.S. Securities and Exchange Commission (SEC) proposal to be an appropriate initial step toward increasing shareholders' ability to elect more independent directors, it argues additionally that the SEC legislation should be amended to remove the need for "triggering events" and also to lower the share ownership levels required to initiate the nominations process. According to the Forum, the trigger rule and ownership threshold requirements as stipulated by the new SEC rule would hinder many long-term investors who would be thus rendered unable to participate in nominating potential directors.

5. SRI news in Europe

New CSRR-QS 1.0® standard published to increase SRI research credibility

Several organisations undertaking Corporate Sustainability and Responsibility Research (CSRR) have convened to draft an European standard with the objective of promoting confidence in the research conducted by these organisations. This is the first quality standard conceived and estimated at a sector level in the field of CSR and SRI research and analysis. CSRR-QS 1.0® aims to improve quality management systems, to stimulate transparency, to facilitate assurance processes and to form a basis for further verification procedures. This pilot version of the standard has been drawn up by a number of independent CSRR groups and will go through an intensive process of consultation and piloting in 2004, and further verification processes will be developed. The project has been initiated, supported and funded by the European Commission, Employment and Social Affairs DG.

Further information is available on www.csrr-qs.org/default.htm. Among the project's partners are EIRIS, Ethibel and Avanzi SRI Research.

French listed companies seen to have made clear progress in CSR reporting

In its latest survey, the Social and Environmental Reporting Research Institute notes a distinct progress in French companies' 2002 CSR reporting, as compared to previous years. Following the GRI grid of indicators, the analysis reveals that French listed companies as a whole have clearly improved their social and environmental reporting while 27 individual company reports show a marked improvement between 2001 and 2002, including those of Casino, Saint-Gobain, Credit Lyonnais, Faurecia, Societe Generale and PPR. Environmental performance and social performance remain the most weakly covered domains with 52 companies seen to be completely indifferent to environmental indicators. A great sectoral disparity in reporting is also observed with companies offering services to public authorities (Suez and Véolia), general retailers (Carrefour) automobile and parts (Renault and then PSA) and food producers and processors (Danone) considered to be the most committed towards CSR reporting. Sectors with a lower level of commitment include real estate and software and computer services. For further details and a copy of the entire report (in French only) please contact Carole Crozat at carole.crozat@terra-nova.fr.

The Flemish Care Fund goes ethical

In a press conference on 12 November, the Belgian Minister Byttebier gave the starting signal for the sustainable reinvestment of the reserves of the Flemish Care Fund. The Flemish Care Fund is the reserve fund which the Government of Flanders is creating to cope with the increasing non-medical costs resulting from the ageing population. The fund currently contains almost EUR 400 million. By the end of 2003, this will be approximately 430million euro. 10% of the total sum is invested in shares under the Ethibel label, using the Ethibel Sustainability Index. Ethibel developed a specially modified ESI index for this purpose, viz., the ESI Global for Institutionals (ESIG.I). The specific feature of this index is that the sectoral deviations are significantly reduced in comparison with the traditional indices because of the use of sectoral multipliers. The other 90% is invested in bonds, of which the part in company bonds will also be exclusively invested in companies included in the Ethibel Investment register. No specific sustainability norms have yet been determined for the remaining bonds.

New survey on "Investing in Responsible Business: The 2003 survey of European fund managers, analysts and investor relations officers"

This recently released CSR Europe/Deloitte/Euronext survey reveals that the European financial community considers social and environmental performance to assume increased importance in mainstream investment decision-making within the next three years. Six out of ten fund managers and analysts also claim to have noticed a spur in interest SRI over the past two years. An even greater number (69% of fund managers and analysts) expects the SRI market to grow over the next two years. Furthermore, there is mounting evidence that the financial community is beginning to observe a direct link between non-financial risks and shareholder value: eight out of ten fund managers and analysts believe that the management of social and environmental risks has a positive impact on a company's market value in the long-term. The view is echoed by the companies themselves: Investor Relations Officers think that good social and environmental performance in the long term influences a company's brand and reputation (69%), economic performance (46%), and market value (36%).

The entire report is available at www.csreurope.org/default.aspx

Spanish companies show increasing evidence of adherence to CSR principles

The Fundación Ecología y Desarrollo has recently published its first "Annual Report on Corporate Social Responsibility in Spain" which aims to provide an overview of the developments in CSR consciousness among Spanish corporations. The findings made public in the study advance the argument that an increasing number of large Spanish companies are eager to formalize their CSR commitments, largely due to pressure from SRI investors, and the interest raised by international initiatives such as the UN Global Compact. This is evidenced by the fact that the number of Spanish companies publishing CSR reports has increased threefold in the last two years. Furthermore, Spanish regulators are increasingly interested in importing successful international SRI/ CSR regulations, such as the transparency regulation for pension fund managers.

The report (in Spanish only) is available on www.ecodes.org.

6. Upcoming events

Global Reporting Initiative (GRI) Regional Roundtables

GRI would like to extend an open invitation to any interested party to attend a roundtable discussion on the 2002 Sustainability Reporting Guidelines. Between December 2003 and March 2004 GRI will visit six regions in an effort to gain an input and feedback from reporters and report users from diverse geographies and sectors. This series of regional roundtables is a key aspect of the Structured Feedback Process (SFP) that GRI is currently running to improve the 2002 Sustainability Reporting Guidelines. To attend any of the six regional roundtables please register at:

www.globalreporting.org/news/events/2003/roundtables.asp

Workshop on CSR reporting

Organized by Business in the Community
Sessions on January 14 and 20, 2004
Please register at www.bitc.org.uk.

Corporate Responsibility in Practice - Risks, liabilities and corporate performance

A major two-day international conference organized by The Royal Institute of International Affairs in partnership with FTSE
Monday 1 and Tuesday 2 March 2004, Chatham House, London
For further information and to register your place: www.riia.org/index.php?id=5&cid=39

Sustainable Enterprise Summit presented by WRI

March 17-18, 2004 Washington, DC.
For details please consult www.wri.org/wrisummit

Annual CERES Conference

To unite government officials, investors and corporates to discuss solutions to energy and environmental problems
April 14-15, 2004, Boston, Hyatt Regency Hotel
Further information available on: www.ceres.org

ASRIA's Third International Conference

April 23-24, 2004, Singapore
Visit www.asria.org

Green Mountain SRI Summit

May 23-24, 2004, Vermont, USA.
Information available at www.imn.org

European SRI Summit presented by IMN, Oslo, Norway

June 8-9, 2004, Oslo, Norway
Details available on: www.imn.org

SRI in the Rockies Conference

October 7-10, 2004, Colorado, USA
Details available on: www.sriintherockies.com