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1. Eurosif Update

Pension Programme under way:

After its initial phase, the Pension Programme is now in full swing. The project is dedicated to creating a Toolkit for Pension Funds and other Institutional investors with regard to the SRI market. It will tackle legislative contexts, practices and strategies on the market. Working groups have been established in several countries. An Ad Hoc Advisory Council made up of five Pension and SRI specialists is currently sharing its strong experience to assist Eurosif in fleshing out the details of the outline as regards to key issues. The final outline will be made available to members in the course of April. For more information regarding this project, contact jeromet@eurosif.org

EUROSIF publishes three Articles:

In the upcoming IPE April supplement on *Socially Responsible and Sustainable Investment (SRSI)*, Matt Christensen and Jérôme Tagger will discuss SRSI European state of play, particularly addressing SRI trends and standards, achievements, negative forces and perspectives.

This month, Matt Christensen and Jérôme Tagger wrote for *Europe CEO Magazine* addressing a non-specialist audience, explaining the weight of institutional SRI in the future of the European SRI market as well as the current diversity of the European market.

Eurosif has also written an article for *Environmental Finance* magazine based on the most recent developments concerning the EU Transparency Directive. In the article Sarah Rio and Matt Christensen discussed the need for transparency in order for companies, financial service providers and other stakeholders to better understand and value 'extra financial' information. The article will be available in April's issue of *Environmental Finance*. (Please write to info@environmental-finance.com if you would like a copy)

2. EU Update

Transparency Directive

As a follow up to the amendment to the Transparency Obligation Directive, Eurosif spoke with several ministers to convey the idea that increasingly, value to shareholders will be influenced not only by the economic, but also by the social and environmental risks faced by a company and how the company manages those risks. Eurosif believes that clear guidance should be provided on materiality, including the general concept that the onus should be on the company to establish that something is not material. This concern is in line with the fact that various European Union member states already have legislation in place addressing the issue of SEE reporting and that this needs to be harmonised. It is also consistent with the European Union objectives of environmental sustainability and social cohesion. The final vote on the Directive will be held in April 2004 and Eurosif continues to meet with key Parliamentary members prior to the plenary session in the European Parliament. There is a strong chance

that a guiding principle related to SEE criteria, rather than an amendment, will be included as a part of the Directive.

Multi Stakeholder Forum

The Multi-Stakeholder Forum is finalising its meetings prior to the publication of a closing statement this coming June.

Roundtable 4 Initial Draft of Recommendations and position papers

Two papers were circulated drafting recommendations ahead of the March 22 *Transparency* roundtable, summarising past discussions and paving the way for the upcoming discussion. More details on the outcome of this roundtable meeting in the April issue.

(Please note: although there appears at first sight to be confusion over numbering, this is because this is the *third* meeting of the *fourth* Roundtable group. Hence references to 'Roundtable Three' in the above documents!)

In preparation for the March 22nd roundtable, a paper was distributed summarising contributions from *NGOs, CECOP and trade unions* to the MS-RT Transparency.

In another event, a group of *companies, NGOs and trade unions* working together to develop a 'real' dialogue on Corporate Social Responsibility (CSR) produced a statement ahead of the Transparency RT, urging among other things, the EU to promote existing international standards and make CSR reporting mandatory.

Roundtable 3 Initial Draft and Position papers

On March 3rd, an initial draft report on RT3 (*Development*) was circulated. The draft discusses how individual company practices and multi-stakeholder initiatives further the goals of sustainable development and corporate social responsibility.

Cases such as Palm Oil and EITI were the center of multistakeholder discussions, which focused on whether sectors arrived at a common interpretation of standards and norms. The multistakeholder analyses concluded that local stakeholders were the key to success.

The Roundtable Draft analyses the components of internal company practices-internal corporate factors such as pricing and market making and external factors such as inclusion of ethical standards in private agreements and implementation of laws regulations and recommendations.

A short position note prepared by the *Trade Unions and NGOs* for the Development RT highlights the need for common understanding of CSR and the role of the EU as promoter of an EU social model and supporter of existing international standard such as the ILO's.

Overall Position Paper on the MS Forum

Green8, a MS Forum member, also issued a position paper on CSR and the EU MS Forum in preparation for the drafting process of the final report.

Brussels greenlights Dutch regulation on tax-free investments in social-ethical projects

The tax free exempt regulation on green investments now has its social-ethical equivalent. In the Netherlands social-ethical investments funds have existed for a couple of years but they were waiting for the EC to give green light on a tax-free regulation. This means private investors will have a bonus of about 2,5% above the regular returns on these funds which is about 2%. The Dutch funds that will be able to use the tax-free regulation are the ASN Novib Fonds, the Oikocredit Nederland Fund and the Triodos Fair Share Fund. Tax-free green, social and ethical investments form about 50% of the total of SRI retail investments in the Netherlands. The social ethical funds primarily invest in micro financing in developing countries.

3. News from Eurosif members

Dexia Exercises its Voting Rights

Citing the importance of voting in adding value to client assets, CEO Hugo Lasat states that voting in its client investments is one of the criteria of sustainable development. While reserving its right to vote independently, Dexia clarifies further that it intends to vote in favour of sustainable development principles. These are articulated as good working conditions, respect for the environment, ethical values and good stakeholder/social policy.

Dexia issued a paper "From Corporate Governance to the Exercise of the Right to Vote" which describes in detail the practices and charter provisions for which it will vote and against which it will vote of corporations in which it invests. The paper enumerates the practices and provisions, which further the four policies announced in their press release : one share-one vote-one dividend, equal treatment of shareholders, correct financial disclosure and Board independence.

Among accounting practices, which Dexia will reject, are financial statements with inadequate reserves or those that disregard shareholder interests. The paper takes no position on the current debate over changing auditors periodically, but does limit endorsed provisions to those, which limit directors to six-year terms.

Click here to [download the Press Communiqué](#) from the Dexia Website (PDF, also [en français](#))

Insight Investment Discloses Voting Record and Engagement Dialogues

Insight Investment announced its plans to disclose voting recommendations for the FTSE 350 on a quarterly basis.

Insight also reported progress of engagement with companies. With respect to BAT, Barclay's and Standard Chartered, Insight reported that the dialogue led to satisfactory results. In contrast, Insight requested clarification from Anglo-American on 45% holding in De Beers with respect to compliance with laws in Congo on extraction and with compliance with monitoring by UKDTI.

In addition to reports on its corporate governance policies, Insight reported a high level of investor interest in CSR to Parliamentary Group on Socially Responsible Investment in December 2003. Insight told the group that more than 75% of UK investors demand ethical and environmental investment.

[Click here for more on voting disclosure](#) (on Insight website)

EIRIS Publishes Guide on SRI in Relation to Pension Schemes

2002 Survey conducted by EIRIS offers guidelines to pension planners in evaluating whether investments are socially responsible. The guidelines detail provisions that should be incorporated into the fund's Statement of Investment Principles to insure transparency. In addition, the guidelines set criteria for hiring, engagement, screening, voting and audit of companies in which the fund invests and suggestions for planners in evaluating the fund.

www.eiris.org/Files/OtherPublications/pensions_guide03.pdf

Universiteit Nyenrode studies Investor Company relations in Engagement in the Netherlands

In a study entitled "Corporate Shareholder Engagement, Investigating corporate governance and sustainability in the relation between Dutch corporations and their investors", the University's Center for Responsible Business makes a number of significant findings. Among other things, it states the importance of engagement as a means of getting information. It shows that issues critical to investors may differ from those that are the focus of international discussion on CSR. It maps the field of active investors in the Netherlands and studies their interests and behaviour.

Ethibel Reports Results of Past Surveys and Sectors to Be Surveyed in 2004

The sectors Ethibel intends to survey for 2004 include European Commercial Services and Supplies, Global Automotive and Components and Asian-Pacific Telecommunications Services. Ethibel also removed 10 companies from its index for either refusal to cooperate with research, lack of a significant environmental and social progress or accounting irregularities.

Last, Dexia is chosen as the asset manager and Ethibel Quality Brand as the control for Kingloop Fund's €1 billion euro raised from bonds to be invested in social and sustainable investment.

www.ethibel.org

Henderson

Henderson gets highest note for managed Canadian sustainable fund

Henderson Managed MacKenzie Universal Sustainable Opportunities Fund of Canada receives highest score for integration of social and environmental factors in investment according to a study by Corporate Knights of Canada. The study also showed how Socially Responsible mutual funds outperformed their fund peers last year.

Details of the study are available at:

www.corporateknights.ca/resources/pr_6.asp

Henderson engages institutional investors on ABI disclosure guidelines

Henderson Global Investors convened a group of 16 institutional investors to meet with the Association of British Insurers to discuss how to encourage more companies to report in accordance with the ABI's disclosure guidelines on SRI. The investors discussed engagement with companies with inadequate disclosure (based on ratings from the ABI) in high SEE risk sectors and also considered voting-based approaches.

Find the ABI disclosure guidelines at:

www.abi.org.uk/Display/File/38/SRI_Guidelines.doc (MS Word)

Find out more about Henderson at www.henderson.co.uk

ISIS

ISIS Asset Management study finds leading technology companies lag in their handling of labour issues but excel in environmental.

This global study focused on hardware producers, investigating eleven of the world's top producers. The study showed how poor SEE management could impact company bottom-line, while it also acknowledged how companies were under dual pressure to cut cost while also trying to improve governance and CSR policy.

The full report is available as a pdf at:

www.isisam.com/uploadFiles/SRI_ICT_Report_jan_04.pdf

4. News from SIFs

UKSIF – UK

Pharma Futures

In 2004 Just Pensions will be providing the secretariat (Sophia Tickell and Cassie Higgs) for Pharma Futures, a new pension fund convened Pharma industry-level engagement project. The dates for the externally facilitated scenario planning workshops, which will be attended by the global senior private sector Working Group, have now been scheduled for May and September 2004. DFID funding has been confirmed.

For further details contact cassie.higgs@justpensions.org

www.uksif.org

VBDO – The Netherlands

VBDO questions fair information supply to shareholders on sustainability

VBDO questions if Dutch listed companies are aware that they aren't dealing with the need to inform investors equally. Filling in questionnaires on sustainability and giving this information only to the senders is not equivalent to sharing this information with all shareholders. VBDO will ask the 50 largest Dutch listed companies at coming AGMs if they are aware of this and if they are willing to make this information public on the Internet so it becomes available to all investors.

www.vbdo.nl

5. SRI news in Europe & elsewhere

Kempen/SNS Launches Smaller Europe SRI Index

Kempen Capital Management, a leading Dutch asset management and securities firm and SNS Capital Management, a Dutch asset management securities and finance firm, initiated a fund of smaller European SR companies as a means of comparison for a range of SRI companies, to give smaller companies SRI incentive and to serve as a benchmark. With SNS research capabilities and Kempen interest, the team aims to include 150 companies by mid 2004.

With approximately \$9 billion euro under management, Kempen has approximately \$2 billion euro in SRI and \$ 1 billion in European smallcaps. Companies for research were selected from the HSBC European smallcap index. Kempen and SNS collaborate on the Orange SeNse, a small and medium-sized SRI fund. Kempen views creative innovative management as an SRI criterion, and the stated research tools include dialogue, frequent audits and weighted average scores.

FTSE4Good Index Removes Exclusions

The March 2004 results of the regular six-monthly FTSE4Good Index Series review have now been announced. The FTSE4Good Policy Committee has approved 29 company deletions, and 75 additions to the Index Series.

FTSE4Good Index removes exclusions for Danone, Heinz and Nestle among others in response to re-settling criteria for SRI investment in companies producing substitute breast milk. Expert, Reg Green, Head of Health and Environmental Affairs for the ICEM heads the Expert Committee responsible for the re-evaluation.

Click here to [download the review](#) from the FTSE website.

Swiss Consultancy Research tackles Sustainable aspect of Intellectual Capital

Whenever assessing a company's worth and performance, Intellectual Capital is a critical issue. While this is now covered by many SRI rating agencies, background research was lacking. Thomas Auer, of Auer Consulting & Partner has taken on this task. In a first paper entitled "*Sustainable Treatment of the (most) important resource: INTELLECTUAL CAPITAL*", he analyses the impact of demographic evolution on intellectual capital. In an upcoming paper, he will offer a framework model for its evaluation and analysis that avoids exposing sensitive data.

You can download the first Intellectual Capital paper (in English or German) here:

<http://apte.net/km/>

You may contact the author at www.hrm-auer.ch and auer@hrm-auer.ch

Bob Monks and "The Curse of the Corporatist State"

Bob Monks, famed leader of thought in the global movement for better corporate governance, addresses some of his recent thoughts in writing. Among many interesting publications, a paper published by Centre for the Study of Financial Innovation, London addresses the crisis of leadership in the "corporatist state".

Read this paper at

www.ragm.com/library/topics/CorporateStateReportCSFI.pdf

and find out more about Bob Monks' governance crusade at www.ragm.com

SustainAbility assesses external SRI rating and research organisations

The study, supported by Mistra the Swedish Foundation for Strategic Environmental Research, predicts that specialised SRI research organisations face major challenges, particularly in their attempts to attract interest from mainstream investors. The study also urges leading investors and asset managers to take a more active role in shaping the future of externally provided SRI research.

The report is available at www.sustainability.com

SRI firms Innovest and Ethix in research deal

In an effort to expand distribution networks, Innovest and Ethix signed a common research deal. IPE.com quoted Pierre Trevet, Innovest's Managing Director in Paris as saying: "Innovest offers a positive Alpha-overlay based on sustainability risks and opportunities, while Ethix proposes a UN norm-based negative screening approach." Sharing these complementary approaches will give the joint effort more clout on the SRI information market.

U.N. Guidelines on Corporate Environmental Accounting

The UNCTAD released a new set of indicators linking eco-efficiency with financial performance. It is offering a method for providing systematic and consistent information on environmental performance over time, an issue that escapes traditional accounting methods.

The Handbook to the method is available at:

www.unctad.org/en/docs//iteipc20037_en.pdf

Greenleaf Publications launches "AccountAbility Forum"

Edited by Peter Raynard, the Quarterly Journal on Social and Ethical Accounting, Auditing and Reporting began with a double issue. The Autumn 2004 issue will cover SRI.

Subscription and info at www.greenleaf-publishing.com/af/afframe.htm

CSR Surveys in Eastern Europe

Leadership Forum and East/West Management Institute released the results of first survey reporting on CSR in Eastern Europe. Results indicated high CSR involvement for companies listed on the Prague stock exchange for third quarter 2003. At the end of March 2003 a survey was released for companies listed in Budapest, Hungary.

The Czech report is available in English at: www.ewmi.hu/capitalmarkets_research.php

New rating for SRI funds in German-speaking countries GOE SustainabilityRating

Currently, about 300 mutual funds are available in Europe which are managed according to sustainability, ecological and social responsibility. GOE performed a SustainabilityRating of funds in German speaking countries. The principles and the criteria are based on workshops with Swiss investment companies, environmental agencies, university and SRI research providers. The sustainability rating of funds includes three parts: (i) the rating of funds' SRI-research and investment processes, (ii) the management of companies in the portfolio and (iii) the environmental and social impact of the portfolio. The principles and methodological aspects will be published in the scientific journal "Business Strategy and the Environment" and are available as pdf. For exchange of knowledge and creation of synergies we are interested in establishing a network for sustainability rating of funds with other institutes in Europe, USA and Asia.

If you are interested in the network or would like to get the publication please contact:

Dr. Thomas Koellner, koellner@goe.ch

Surveys in Japan show Cultural Bias in SRI Funds

The Financial Times reports that a survey of business in Japan indicates that funds developed on SRI Western models do not necessarily conform to Japanese models of socially responsible investment. Although Japanese interest in SRI is growing, the investment still lags and the investors do not share European and American concepts of social responsibility. While an Asria study in 2003 reported that the Japanese, like their Western counterparts, think that companies that shun environmental harm, bribery and cover-ups are socially responsible, a Japanese Research Institute study conducted this year reveals that child labour, alcohol, tobacco, employment discrimination deserve no such categorization. Barney Jopson, author of the FT article concludes that SRI funds seeking Japanese investors should invest in companies that conform to local notions of social responsibility.

Subscribers to FT online can access the article, which appeared in the Japan edition of Financial Times on March 8, 2004. For more on SRI in Japan, readers may view:

www.socialfunds.com/news/article/cgi/article1209.html.

China Enters SRI Debate

The first sustainable organization in China, the China Business Council for Sustainable Development, joined the World Business Council for Sustainable Development. In another event, NGOs and Businesses Convened in London for two days at the end of March to discuss Corporate Responsibility in China.

6. Upcoming events

World Bank, Global Alliance for Workers and Communities, CSR Wire e-conference "Media and Corporate Social Responsibility"

on the Internet from March 29 to April 16, 2004.

More at www.csrwbi.org/mediacsr

CERES 2004 Conference: Critical Decisions

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

First Middle East Corporate and Social Responsibility Forum

Led by the Dubai Development and Investment Authority, speakers from corporate, non-profit, education and government will meet to discuss worldwide initiative in health, environment and education

April 25-26, 2004, Dubai, UAE

www.iirme.com/csr/

Third Annual Ethical Corporation Conference in Europe

Executives from major international corporations will convene in London to discuss "What's the Point of Corporate Responsibility?" at the third annual conference sponsored by *Ethical Corporation Magazine*.

May 11-13, 2004, London, England

www.ethicalcorp.com/content.asp?ContentID=550

GHG Registries Climate, Change and the Bottom Line

May 5-7, 2004, San Diego, California, USA

<http://www.climateregistry.org/EVENTS/conference>

European Roundtable on Sustainable Consumption and Production

May 12-14 2004, Bilbao, Spain

Download program from: www.erscp2004.net/downloads/erscp2004-Program-Feb.pdf

Transparency, stakeholder engagement & social reporting

May 20-21, 2004, Toronto, Canada



Eurosif Newsletter, March 2004

Detailed information available on:

www.bc.edu/centers/ccc/Pages/t_stakeholder.html

Green Mountain SRI Summit

May 23-24, 2004, Vermont, USA.

Information available at www.imn.org

Scandinavian Institutional Investing and Corporate Governance and Investor Responsibility Summits

June 8-9, 2004, Grand Hotel, Oslo, Norway

Details available on: www.imn.org

ASRIA's Third International Conference

July 15-16, 2004, Singapore

Visit www.asria.org

Ethical Corporation Asia 2004 Conference

September 2004, Hong Kong

www.ethicalcorp.com/content.asp?ContentID=550

Ethical Corporation USA 2004 Conference

October 6-7, 2004, New York, New York, USA

www.ethicalcorp.com/content.asp?ContentID=550

SRI in the Rockies Conference

October 7-10, 2004, Colorado, USA

Details available on: www.sriintherockies.com