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1. Eurosif Update

Eurosif awarded new bid by EC

Eurosif is proud to have been awarded a bid and renewed confidence from the European Commission for the coming year. Funds have been granted for three projects. First, we will produce three short industry reports highlighting the key material SEE risks likely to affect long term financial returns. Second, we will bring together investors interested in active shareholding with the goals of improving Cross Border Engagement and Voting. Finally, Eurosif will begin the second phase of its Pension Programme focusing on training trustees of pension funds using the recently launched toolkit. In all initiatives, Eurosif will offer opportunities for the Members to play a role in guiding and shaping the outputs.

Signatories to the Retail Transparency Guidelines come forward

The Transparency Guidelines for the retail SRI financial sector were launched in November to maintain and increase consumer confidence in this dynamic and high growth area.

First adopters include ABN AMRO, ASN, Banca Etica, CIS, Dexia AM, F&C, Henderson, ING, Insight, Jupiter, Morley, Orange Sense, Postbank, Robeco, SNS, Standard Life and Triodos. Significantly, c75% (by AUMs) of the UK SRI retail fund market are already signed-up to the guidelines, and it is expected that there will be a number of other signatories from across Europe going into 2005.

The guidelines are making waves across the ocean: in a letter to US SIF president Tim Smith, Paul Hawken, Director of the Natural Capital Institute and environmental guru, endorsed the guidelines and challenged US practitioners to follow suit. In consequence, requests for information on the guidelines coming from the US have multiplied.

Eurosif advisory council meeting - 10th November 04

25 people representing Eurosif's membership gathered in Amsterdam on November 10th in premises kindly provided by ABP Investments. A really engaging conversation on state of the SRI market as viewed by its most established practitioners took place. In particular, the afternoon provided a useful workshop on hurdles that members believe they are facing. The outcome of this discussion is helping Eurosif shape future initiatives. A summary of the meeting and the discussion is available in the members-only section of our web site.

Eurosif public speaking events

- *Forum 2004 - Solidarity finance and responsible consumption: public and community commitment to social cohesion.* Matt Christensen spoke in front over 500 people affiliated with policy-making across Europe about education and the need to structure education in a social economy. This forum was organised by the Social Cohesion Development Division, Council of Europe.
- *EU CSR Conference - Maastricht - Nov 8-9th.* This conference featured a roundtable on active shareholding. Matt Christensen outlined current

initiatives in that field. Helen Wildsmith (UKSIF) presented the Eurosif guidelines for Active Shareholding.

- *Annual TBLI conference* – Nov 12th - Matt Christensen spoke about European public policy and SRI.
- *SRI: from values to actions* conference – Nov 23rd, Madrid. Matt Christensen presented the state of the SRI market in Europe

2. EU Update

European Corporate Governance Forum set up

A European Forum comprising 15 corporate governance experts (issuers, investors, academics, auditors, regulators etc) from 12 member states was set up in October. Its role is to monitor corporate governance practices across the EU in order to bring them closer together. 'The more national corporate governance codes converge towards best practice, the easier it will be to restore confidence in capital markets in the wake of the scandals that have shaken trust in some European companies,' internal market commissioner F. Bolkestein said at a European conference on corporate governance on 18 October. The group will meet two to three times a year and submit a yearly report to the Commission throughout its three-year mandate.

This is one of many initiatives of the Commission to improve corporate governance standards across European businesses. Recent initiatives include recommendations on directors' pay and the role of non-executive directors, and the EU Directive to introduce an annual corporate governance statement (both featured in last month's Eurosif newsletter).

For more please see:

europa.eu.int/comm/internal_market/company/ecgforum/index_en.htm

Workshop on environmental issues in financial reporting

The European Commission's Directorate-General for the Environment, in collaboration with Eurosif member FEE, held a workshop on the integration of environmental issues in financial reporting on 26 November 2004. The aim of the workshop was to look at ways of implementing the EC Recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in annual accounts and annual reports of companies. Attendees included member states representatives, accounting, industry and environmental experts. Meeting documents available to download from:

www.fee.be/secretariat/3.EC.FEE.Workshop.htm

SMEs and CSR

A recent stakeholder conference has emphasised the importance of SME activities in the field of Corporate Social Responsibility at the local and regional level.

Euractiv.cabestan.com/Go/index.cfm?WL=25815&WS=44594_6489561&WA=1854

EU emissions trading scheme

The EU emissions trading scheme starts on 1st January 2005. More on this in the next Eurosif newsletter.

3. News from Eurosif members

Bank Sarasin releases annual report on solar energy use

This year's report reviews all three sources of solar energy (photovoltaic, solar collectors and solar thermal power stations) and provides a short-term forecast (up to 2006) for the most important photovoltaic and solar collectors markets. Long-term forecasts span to 2020.

For more please contact the author of the report, Matthias.fawer@sarasin.ch

FTSE4Good: New supply chain labour standards criteria introduced and criteria development market consultation

This new supply chain labour criteria gives companies limited time to implement standards, policies and reporting on supply chain labour standards. For more please see:

www.ftse.com/ftse4good.

Additionally, FTSE4Good is asking for feedback on how the index series should be developing in the future. The consultation can be accessed at:

www.ftse.com/ftse4good.

HSBC commits to going carbon neutral

HSBC is the first big bank to commit to going carbon neutral as it seeks to reduce its environmental impact. Starting in 2005, it will plant trees, reduce energy use, buy green electricity and trade carbon credits to cut carbon dioxide flows. The move will cost up to \$7m (£3.6m) in 2005, less in future years.

Henderson publishes a review on stress in the UK's workplace

"*Stress: An Epidemic in the UK's Workplace?*" explores the nature and scale of stress in the workplace of UK employers, and uses case studies to highlight good stress management practice. Effective stress management in the workplace can lead to significant business benefits.

[Click to download the report from the Henderson website](#) (PDF).

EIRIS plans to set up offices in US and Japan

EIRIS is planning to open a US office in the spring of 2005 and an office in Tokyo. Both openings will be accompanied by the appointment of further researchers in EIRIS's London office to assist in the coverage of US and Japanese companies.

Ethix: Sweden's National AP7 fund and SGAM have taken a stake in Ethix

"The cooperation with AP7 and SGAM gives us interesting opportunities to further develop our services for both the Nordic and global markets," says Ulrika Hasselgren, Ethix vice-president and co-founder.

SAM Private Equity awarded new mandate

SAM Private Equity was awarded the management of the USD 30 million energy venture capital portfolio of the Caisse de Dépôt et Placement du Québec (CDP). In order to manage the portfolio, SAM will strengthen its North American presence with a Montreal office and two professionals taken over from CDP.

4. News from SIFs

Belsif – Belgium

Belsif launched with exciting initial dinner programme

Eminent SRI specialists gathered on November 18th in Brussels to celebrate the launch of the Belgian SIF. The SIF's web site was also launched:

www.belsif.be (Dutch/Flemish version only, English version coming soon)

UKSIF – UK

UKSIF Launches Toolkit to Help More Financial Advisers Offer Ethical and Socially Responsible Investment Advice

'*Investing Responsibly: A Practical Toolkit for Financial Advisers*' aims to make it easier for advisers to offer ethical and socially responsible investment advice.

www.uksif.org

SWESIF – Sweden

SWESIF (Swedish SIF) co-hosts a seminar on SRI at the Swedish Parliament

The city of Göteborg's International Environment Prize 2004 was awarded to Joan Bavaria, CEO of Trillium Asset Management, and Tessa Tennant, Executive Director of AsRIA, for their 'ground-breaking achievements in the strategic future area of sustainable investment'. On the next day, both winners participated in a seminar at the Swedish parliament, co-hosted by the city of Göteborg, Swesif and the Forum for Sustainability. Asked when they believed SRI would become mainstream in the financial markets, the prize-winners objected and proposed a reversed perspective on the issue: *'How long will the current mainstream investment criteria and methods be acceptable and regarded as sufficient for the needs of society?'*

FNG – Germany

New Internet presence of the German Sustainable Investment Forum

The new homepage offers a special section for private investors to facilitate the access to sustainable investment funds. It also informs about numerous activities as e.g. the arrangement of a Sustainable Investment Congress taking place in Bonn next March. Furthermore the Forum's new website releases a collection of scientific papers, surveys and reports within the field of sustainable investments. In addition, the site provides a members section, scores of background information, links to other relevant pages and a calendar of events. The Forum welcomes you to visit the web page:

www.forum-ng.de

The "Sustainability Congress", March 1st and 2nd in Bonn

On March 1st and 2nd the German Sustainable Investment Forum organises together with several partners a major conference on sustainable investment in Bonn. The conference will be the central event for SRI in Germany. It includes plenary sessions and workshops on performance and marketing of SRI, new scientific research in the area of SRI, a political outlook and a number of other topics.

At the conference several awards will be distributed: one for the best press article on SRI, one for the best sustainability innovation and one for the company which is most often in the portfolio of German SRI funds. For more information on the conference please see the website:

www.forum-ng.de

VBDO – The Netherlands

Plans for 10th anniversary celebration

The year 2005 will be a landmark in the history of VBDO; it will be the year of VBDO's 10th anniversary. The plan is to mark this with a high level event on CSR and SRI.

Launch of CSR Netherlands

November was the official launch of CSR Netherlands (or MVO Nederland in Dutch). CSR Netherlands will encourage and support organisations in the fulfilment of their role in society. A major activity of the centre is the supply of information on corporate social responsibility (CSR) to businesses, public authorities and NGOs. The centre will also support businesses, NGOs and public authorities in the stakeholder dialogue associated with CSR and will seek collaboration with other centres of expertise, industry organisations and NGOs, which share a keen interest in corporate social responsibility. VBDO is an affiliated partner of CSR Netherlands.

See www.mvonderland.nl/rightnav/Engels.html

Focus on biodiversity

Currently VBDO is researching the possibilities to make biodiversity one of its main environmental spearheads. VBDO has started three projects: *Business and Biodiversity*, *Commodities and Biodiversity* and a *Biodiversity Quick Scan*. The results of the projects will be available for VBDO's members the first half of 2005.

5. SRI news in Europe & elsewhere

CSR research organisations across Europe launch CSR body

Corporate social responsibility research organisations from across Europe have launched the Association of Independent Corporate Sustainability and Responsibility Research. This move aims to foster quality research in the field of corporate sustainability and responsibility, against a background of increasing CSR interest and demands for professional standards.

Herwig Peeters, the association's chairman, said: "In the fast-changing world of CSR research, co-operation on a sector level and engagement with companies and asset managers is essential. Together, we will develop better tools and understanding and improve the social impact of socially responsible investment". The AICSRR will in particular provide independent verification of research through the Voluntary Quality Standard scheme (the 'standard'), a quality benchmark on transparency, quality, accountability and verifiability of the processes involved in reporting. The 'standard' is backed by the EC. "[The Standard] will contribute in furthering the CSR debate in Europe. It will address the issue of accountability of CSR analysis and enhance the leverage effect of SRI," said the deputy head of the Commission's Employment and Social Affairs Directorate General.

AI Gore and David Blood launch investment firm integrating sustainability research to investment

Based in London and Washington D.C., Generation Investment Management is dedicated to long-term investing, and integrated sustainability research; it will invest in long-only global equities. Founding partners include David Blood, ex-CEO of Goldman Sachs Asset Management, and AI Gore, former Vice President of the United States. "Transparency, eco-efficiency, nurturing employees and managing long-term risks are among the integral parts of a company's enduring capability to create value. You can't properly value automobile stocks without considering long-term issues such as carbon intensity," says AI Gore. Wide press coverage surrounded the launch (including The Economist and the FT).

For more, visit: www.generationim.com.

FTSE ISS corporate governance index series launched

FTSE Group and corporate governance group Institutional Shareholder Services (ISS) have launched a new index series, focussing on corporate governance.

'FTSE and ISS have created this series in response to investor demand for better and more accessible tools to help assess and manage the impact corporate governance practices may have on investment portfolios', the groups said in a joint statement. The new series contains a group of 6 equity indexes with a corporate governance overlay.

www.ftse.com

KLP sells shares in Marathon and Exxon

Norwegian life insurer Kommunal Landspensjonskasse, which provides funded public pension schemes for municipalities and regional authorities, has announced it will sell its shares in oil firms Marathon and Exxon following allegations of corruption in these companies.

Norway sets up Petroleum Fund ethics council

The mandate of the five-member council is to advise the Ministry of Finance on screening and exclusion of companies whose activities may be inconsistent with the ethical guidelines for the Crown 942.4 billion (EUR 115.6 billion-euro) fund.

New management strategy for UK Environment Agency pension fund

The one billion-pound (€1.4 billion) Active Pension Fund is being shifted away from a balanced structure to specialist managers. The allocation into SRI will increase to 7% (from a current 2%).

Bob Monks, corporate governance activist, invests in Trucost, a London-based environmental research company.

This move reflects Monks' belief that environmental performance is an extension of corporate governance and that 'companies that pay attention to their impact on the environment will be

more highly rated than those that neglect it'. Bob Monks will be deputy chairman of the venture.

Pharma Futures project concludes: Recommendations for pharma industry published.

'*The Pharmaceutical Sector: A Long-term Value Outlook*' presents the findings of the Pharma Futures project. Sponsored by three major pension funds (ABP (Netherlands), OPERS (US), and USS (UK)), this project brought together over more than a year a group of leading pharma companies' executives, investment analysts, and experts from around the world.

The result is a bold analysis of the opportunities and threats facing the industry between now and 2015: both investors and companies must adapt if the pharmaceutical sector is to remain profitable, competitive and meet health needs. 'There is an erosion of investor confidence in the sector's ability to deliver sustainable long-term shareholder value. All stakeholders need to work to re-establish equilibrium and acknowledge mutual inter-dependence'.

See www.pharmafutures.org for details of challenges, scenario planning, and recommendations; in addition please refer to last month Eurosif newsletter for a related initiative, the Pharmaceutical Shareowners Group initiative.

Pharma Futures was initiated through funding from UKSIF's Just Pensions programme in 2003. It has been separately funded and governed since spring 2004.

UN initiative reviews human rights responsibilities of transnational corporations. Report expected in March 2005.

The UN's Office of the High Commissioner for Human Rights has been tasked to examine the human rights responsibilities of transnational corporations. Existing standards, initiatives etc are being reviewed and will be described in the final report, expected for the next meeting of the Commission on Human Rights in March 2005.

Euractiv.cabestan.com/Go/index.cfm?WL=25816&WS=44594_6489561&WA=1854

Carbon Disclosure Project (CDP) is seeking investor signatories for CDP3

The Carbon Disclosure Project (CDP) is seeking investor signatories for the third carbon disclosure information request (CDP3). The CDP information request will be sent on behalf of investors to the top 500 corporations by market value in the US (the FT500) on 1st Feb 2005, asking for disclosure of investment relevant information concerning their greenhouse gas emissions.

The previous information request (CDP2) was signed by 95 investors totalling assets of around \$10 trillion.

More information from www.cdproject.net

Global Reporting Initiative (GRI) seeks participants for new guidelines innovation process

GRI is seeking participants to review and build on the existing principles and indicators. For info about the working groups and to participate please visit:

www.globalreporting.org/guidelines/2006/index.asp.

Australia - SRI takes off

Funds under management have jumped by 41% to AUD 21.5bn over the 12 months ending June 30th. According to the latest SRI Benchmarking Survey, the sector grew by more than twice that of the Australian retail and wholesale investment market. The survey shows assets invested in SRI have doubled since the first annual benchmarking study was released in 2001, and by 920% since June 2000.

www.asria.org/news/press/1097835377

Japan - Japan's first environmentally and socially responsible pension fund for employees launched

The Sumitomo Trust & Banking Co. expanded its socially responsible investment (SRI) fund to handle "defined contribution" pension plans in February 2004, to meet the growing demand for corporate social responsibility (CSR) and SRI in Japan.

www.japanfs.org/db/database.cgi?cmd=dp&num=792&UserNum=&Pass=&AdminPass=&dp=data_e.html

Recent Articles

Pension reforms 'threaten social investment' - Business Day (South Africa), Dec 7th 2004 - Rob Rose

South Africa - Lobbyists urging government to compel pension funds to invest part of their assets in socially responsible investments (SRI) have been dealt a blow by new pension fund proposals.

Green Often Means Money - Investor's Business Daily, Dec 6th 2004

Socially responsible companies can cut costs and attract investors.

Making the wrong sort of capital – The Economist, Dec 2nd 2004

A view on the ousting of Sean Harrigan as president of CalPERS, America's largest pension fund : the article argues that it may say as much about the changing mood towards corporate regulation as it does about his misplaced activism.

Social responsibility of Russian businesses – RIA Novosti (Russia), Nov 29th 2004 - Nina Kulikova

A look at social responsibility in Russia : background, understanding of the concept, trends and obstacles.

What price a social conscience? - The Times (UK), Nov 27th 2004 - Magnus Grimond

This article looks at what happens when investors decide to put ethics before profit.

A good name can pay big dividends - Financial Times, Nov 19th 2004 - Fiona Harvey

How a sound ethical policy can bring favourable perception.

Wood for the trees – The Economist, Nov 4th 2004

Are company reports on their social and environmental impact are of any use?

Surveys and reports

Integration of climate chances and risks into financial reporting

This survey by Axel Hesse (sponsored by German Ministry of the Environment) emphasises the importance of integrating the risks and opportunities of sustainability into corporate financial reporting. The focus is on the challenges of climate change, an area in which many analyses of well-known financial service companies found significant impact on middle to long-term corporate earnings (chapter 2). Therefore, influential institutional investors demand more comprehensive disclosure of opportunities and risks due to climate change (chapter 3). In this context, existing voluntary and mandatory disclosure standards worldwide are analysed (including a reflection of recent regulatory evolution in Germany) (chapter 4) and possibilities for action are ascertained (chapter 5).

www.SD-M.de/english.htm (abstract in English, but the survey is only available in German)

International Corporate Rating systems - Conceptual outline and empirical results

This study by Dr.Schäfer (University of Stuttgart) examines international evaluation concepts related to CSR and sustainable development.

www.bertelsmann-stiftung.de/medien/pdf/Studie_CorporateSocialResponsibility.pdf

or contact h.schaefer@po.uni-stuttgart.de

'Risk & Opportunity: Best Practice in Non-Financial Reporting'

This report by SustainAbility, UNEP and Standard & Poor's reviews CSR reporting of top companies and shows that boards are failing to disclose to financial investors how CSR issues pose strategic risks and opportunities for their businesses; the report also looks at the

relationship between credit ratings and the quality of companies' governance and disclosure of non-financial risks.

To view the report visit www.sustainability.com.

'Green, Social and Ethical Funds in Europe' latest version published.

This report by Avanzi and SiRi shows a 13% growth in retail SRI funds across Europe over the past 12 months. Report available from www.avanzi-sri.org.

'Corporate environmental governance - a study into the influence of environmental governance and financial performance'

This report, commissioned by The Environment Agency (UK) to Innovest, highlights the link between environmental governance and financial performance. It is available to download from

www.environment-agency.gov.uk/business

Novethic published their 3rd annual survey on SRI market in France.

This survey highlights the rise of SRI in France, and in particular shows that assets managed under SRI criteria have increased by 67% over the past 12 months, and represent more than €5bn (€3bn a year ago). For more please visit:

www.novethic.fr / garance.bertrand@novethic.fr.

New report by Innovest on environmental and social management in the European banking sector.

www.innovestgroup.com - cbenditto@innovestgroup.com.

Transparency International have released their 2004 corruption perception index.

Their findings are that corruption is rampant in 60 countries in the world, and that the public sector is plagued by bribery. The EU (25) is among least corrupt. For more:

www.transparency.org/cpi/2004/dnld/media_pack_en.pdf

"Made in China" - Is this a Sustainable Label?

Risks and Opportunities of the China Boom from a Socially Responsible Investment Perspective. Sarasin Sustainable Investment Report, written in co-operation with ASrIA.

www.asria.org

CSR and China

The Kenan Institute Working Group on CSR and China published a report which noted that if US policymakers and citizens want China's social and environmental progress to match its economic achievements, they must develop and implement innovative ideas that encourage positive change.

www.asria.org

6. Upcoming events

Centre for Social Markets 4th Annual Conference on Corporate Citizenship: 'Focus on Sustainable Finance & Investment'

17-18 December, Mumbai, India

www.csmworld.org

Managing Corporate Hazards & Opportunities (Building Sustainable Enterprises Forum)

27 January 2005, Brussels

www.conference-board.org/conferences/conference.cfm?id=793

Business/NGO Engagement: How to Create Win-Win Outcomes

22-23 February 2005, London.

www.ethicalcorp.com/engagement

The “Sustainability Congress“

March 1st and 2nd, Bonn

www.forum-ng.de

Corporate Responsibility and the Travel and Transport Industry

8-9 March 2005, London

www.eyefortravel.com/csr

Corporate Responsibility – why it is important for Australian business

9-10 March 2005, Sydney

www.ethicalcorp.com

First Annual Corporate Integrity Summit

10 March 2005, London

www.criticaleye.net/events/cisummit.phtml

Corporate Social Responsibility 2005

17-18 March 2005, London

www.riia.org/index.php?id=5&cid=61

European Pensions 2005: The Pursuit of Risk-Free Pensions

11-12 April 2005, London.

www.chathamhouse.org.uk/EuropeanPensions

Annual CERES conference: building equity, reducing risk

13-14 April 2005, Boston USA

www.ceres.org

Green Mountain SRI Conference

22-25 May 2005, Stowe, Vermont, USA

Contact: afreindlich@imn.org