THE CASE AGAINST CORRUPTION
Corruption’s detrimental effects can be avoided by greater transparency and anti-corruption efforts

Eurosif (European Sustainable Investment Forum) publishes their thematic Corruption Report, which discusses the major business risks for companies that partake in corruption, as well as effective methods to avoid and remediate delicate situations. Vigeo performed the research for this report.

Research highlights:

- The World Economic Forum estimates that 38% of countries surveyed claim corruption to be the one of the most challenging factors for businesses.

- Half of international business managers estimate that corruption increases project costs by at least 10%.

- Companies operating in extractive industries, and more generally companies that have relations with public officials, have the highest exposure to allegations of corruption.

- The most frequent cases of corruption concern briberies or payments to public officials.

Industry, political and economic factors play key roles in the prevalence of corruption; it is shown that this phenomenon is more likely to occur in poor regions with weak political structures. Multinational companies are also at risk for corruption as their business spans over many geographical and economic spectrums.

As corporations continue to expand globally, their interaction with new regions, economies and politicians opens them to greater risk of corruption. Corruption allegations often cause companies to incur large legal fees as well as reputational damages. Thus, it is imperative that companies maintain a high level of transparency and that their investors hold them responsible to this standard. This report outlines best practices for investors and companies to adopt in order to avoid corruption.

Matt Christensen, Executive Director of Eurosif, states that “Corruption, in its many forms, undermines sustainability dramatically due to its impact on environmental, social and governance (ESG) issues. Thus, companies, investors, and policy makers must work together in implementing anti-corruption policies and practices to ensure improved financial and ESG performance on a global scale.”

A steering committee of financial executives oversaw the production of this report and provided their expertise regarding best practices to avoid corruption and the benefits of doing so. Representatives from CM-CIC Asset Management, ECODES Foundation, ECPI and Henderson Global Investors made up the steering committee.
The Head of SRI Research at Henderson, Seb Beloe, explains “bribery and corruption risk has long been a focus for SRI investors, but recent regulatory and industry developments suggest it is also becoming a greater concern for all investors. Eurosif’s briefing provides a very helpful and succinct overview of the issues at stake and what investors can do about them.”

Vigeo Institutional Methods and Relations Director, Fouad Benseddik, comments on the report: “We note increasing differences in companies’ ability to report in concrete terms on their strategies and actions relating to the prevention of corruption. The growing expectations of responsible investors paying attention to this issue should give an impetus to the development of good practices.”

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These Eurosif reports aim to guide policy makers, mainstream and specialist SRI investors, and companies towards understanding risks that are not consistently integrated into traditional financial analysis, but which have the potential to influence companies’ shareholder value and fund managers’ investment decisions.

Eurosif will be planning events to communicate the findings from this thematic report in the near future where companies, policy makers and investors will be invited to attend.

To view the Corruption Report please go to: http://www.eurosif.org/media/files/eurosif_corruption_report_june2010

The next Eurosif report will focus on the extractives industry, to be published in July 2010.

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EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to address sustainability through the financial markets. Eurosif works as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif’s Member Affiliates are drawn from leading pension funds, asset managers, NGO’s, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. Eurosif’s work includes a focus across asset classes - equity and fixed income markets, microfinance, renewable energy, property, private equity and hedge funds - all centred around the industry trends and future legislation affecting this space. The key benefits that Eurosif affiliate members receive include EU interfacing, SRI information and European wide initiatives that integrate Environmental, Social and Governance (ESG) issues into the financial services sector. For the full list of Eurosif Member Affiliates, please see www.eurosif.org.
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Vigeo is the leading European expert in responsible performance. Founded in 2002 and headed by Nicole Notat, Vigeo measures the performances and risks of companies with regard to six areas of corporate social responsibility: environment, human rights, human resources, community involvement, business behaviour and corporate governance.

Vigeo offers two kinds of services through two business brands:

- **Vigeo rating -the way to responsible investment-** offers a broad range of product and services to investors seeking a sustainable and responsible performance of their investments.
- **Vigeo enterprise -the way to responsible management-** conducts global CSR audits as well as thematic audits such as diversity and purchasing audits. Vigeo enterprise also develops services to assist organisations in the implementation of their CSR strategy.

The Vigeo team is comprised of 86 employees of 14 different nationalities, based in 4 locations: Paris, Brussels, Milan and Casablanca.