

## Who is who in Corporate Social Responsibility Rating?

A survey of internationally established rating systems that measure  
Corporate Responsibility

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Project "Corporate Social Responsibility"

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## 1 Executive Summary

Still alive and getting stronger! That might be an adequate description of the **current tendencies** in the **international markets for ratings of companies** according to their activities and strategies linked to **Corporate Social Responsibility (CSR)**, including also business practices with reference to **Corporate Sustainability (CS)**. Those '**CSR ratings**', i.e. the assessment of companies on social, environmental and economic issues has evolved into an established information services market with many facets, agents and technologies – all in all a 'lively biotope'. In the recent years the markets have been **expanded** by several newcomers and start-ups mainly driven by stock market index providers. On the other hand **some** former rating institutions **have stopped** their **activities**. And even the first **mergers & acquisitions** deals could be observed - normally a reliable hint that a market is transforming into more established structures. Even conventional **investment research and credit ratings** have become aware of CSR rating schemes and criteria making efforts to integrate them into their standard researches and credit rating schemes.

The study is presenting portraits, analytics and tendencies in CSR ratings on an **international scale** covering **58 institutions** operating an independent CSR rating. The majority of the analysed rating-systems are based on a **stakeholder-model**. Evaluation systems in continental Europe are more in the tradition of **sustainability analyses** with an **ecological focus**. In the course of the expansion of these evaluation systems by the social dimension since the mid/ end of the 1990's, the stakeholder approach found its way in there as well.

Widely **common characteristics** of the CSR-ratings are:

- **production:** focus on the entire **value chain**;
- **product range:** an orientation on the **life-cycle concept**;
- a clear reference to **stakeholder effects** arising from corporate behaviour;
- the central role not only of economical, but also social (in part also cultural) and ecological **macro** and **micro trends** in the entire environment of a company;
- an **integrated, methodical** examination of the social, ecological and economical effects of corporate behaviour;
- an increasing **assessment** of sustainability/CSR **along the management process** in a company from the development of strategies, their implementation and applied control up to the actually achieved results, reporting and dialogue.

A growing part of the rating institutions operate not only with traditional desk research and deliverance of special rating reports. Complementary techniques and media are offered by **web-based** and **electronic tools**. EIRIS' Ethical Portfolio Manager, SiRi's Pro and others should allow stakeholders to carry out their individual determination and composition of ethical, responsible or sustainable companies according to individual 'tastes'.

Starting with their basic philosophy, the analysed concepts can be divided into the more **economically orientated** and the more **normatively orientated approaches**, whereas the **transition** between these groups is **blurred** in practice:

- **Economically orientated concepts** are characterised by focusing on those ethical, ecological and social criteria that are highly probable to have a direct or indirect economic effect on the evaluated company. Here it is a matter of the '**CSR-business case**'. Economically orientated approaches are as expected more frequently found in the capital market and with company oriented concepts.
- In the care of the **normatively orientated concepts**, the **CSR-evaluation criteria represent a value in itself**. The compliance with these criteria by the company can have indirect economical consequences. However, this influences neither the choice nor the weighting of the criteria. Normative approaches are especially common in the area of consumer-orientated concepts.

The by far greatest frequency is represented by sustainability systems with an **economic orientation**. **Four groups** can be identified here (whereas the boundaries are often blurred):

- **Risk assessment approaches:** The focus is on the analysis of how a company handles its **environmental and social risks**. This is based on the idea that a reduction in environmental and social risks (in terms of a reduction in potential damages) leads to an increase in the company's financial success.
- Approaches of **(sustainable) company value increases**. Among these are management strategies geared to the postulate of sustainability. Regarding corporate politics, an **increase in company value** by means of sustainability-/CSR-strategies is achieved particularly with measures increasing the **eco-efficiency**, i.e. investments in ecological measures reducing costs at the same time as increasing revenues, and **investments in intangible assets, especially human capital** influencing the employees' motivation and propensity to innovate.
- Approaches of **above average growth** through so-called **innovators/pioneers**. The focus is on ecological and economical chances resulting from an ecologically innovative product or production process.
- **Management models** differ insofar from the afore mentioned models, as they search for or specify more intensely what can be understood as **best practice** in the management of **CSR-issues**.

Almost all of the analysed evaluation models are geared towards international norms and conventions like the UN Declaration on Human Rights, the ILO Core Labour Standards, the OECD Guidelines for Multinational Enterprises, OECD Guidelines on Corporate Governance as well as fundamental environmental standards. These international norms form to some extent the foundation on which institution-related rating models can be established and operated. Some concepts – particularly from Scandinavia – are limited to checking the compliance with these norms or minimum standards (mostly occupational standards). But to gain insight into the actual weightings within the rating process of individual criteria based on norms and standards is almost impossible for externals. Also the determination of threshold values remains undisclosed to externals.



Characteristic for the majority of the analysed evaluation systems is the concentration on **listed (large scale) companies** – mainly those corporations represented in the leading stock indices (e.g., MSCI World). Proprietary companies of whatever size as well as **small and medium-sized publicly owned firms** are however **hardly ever included** in capital market concepts and thus remain largely unexplored.

## 2 Introduction

This transparency study specifies selected internationally established rating systems that measure corporate sustainability or corporate social responsibility. As such, they are ratings which pay special attention to non-financial and often ethical criteria. As this type of rating is a relatively new phenomenon (compared to credit rating), it is necessary to analyze the theoretical background before the objectives of this study and the attendant research can be outlined. For this purpose, the rating is presented within the theoretical framework of **sustainability**, and specifically that of **Corporate Social Responsibility** (CSR). In addition, related terms and approaches will be introduced.

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### 2.1 Starting point

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Since the rise in the 1990s of requests by private and institutional stakeholders for corporate 'ethical, environmental and social accounting', a completely new information demand has arisen which can, more and more, be seen as an expression of an active civil society: Consumers, employees, investors etc. increasingly demand information about **economical, ecological and social sustainability** from companies. Measurement of these areas requires specific valuation concepts.

Valuation techniques that capture environmental and socio-political dimensions were already an issue in economic science and economic politics in the **1970s**. The pre-eminent question now is the way in which national 'value added' and its sources can be measured if, over and above the purely quantitative measurements of **national accounting** (such as net domestic product, national income, etc.), qualitative dimensions of wealth and added value are also to be accounted for (keyword '**qualitative growth**'). **Social indicator systems** can be referred to as an example of macroeconomic measurement concepts developed at that time (see Olson, 1970).

In the course of progress in national environmental policies during the 1980s, the question of **measuring added value** was increasingly addressed not only on the macro but also on the **micro level of corporations**. This mainly environment-oriented discussion led to the development of environmental reporting systems, which by now have been adopted in almost all large corporations. In contrast, social reporting systems are less prevalent; although their tradition can be traced back in some companies to the 1970s.

Since the 1990s, individual stakeholders and non-governmental organizations (NGOs) have increasingly called for companies to act in a socially responsible way. Companies are no longer assessed solely on the financial gains achieved for shareholders but also on the contributions they make to society. This has resulted in demand for a completely new type of information allowing companies to be evaluated based on the Triple Bottom Line (TBL) principle, which measures not only economic success but also environmental and social performance – either in addition to or as an integral part of the economic evaluation (see Elkington, 1999). Numerous companies around the world are already documenting their performance and successes through environmental and social reporting. However, unlike financial reporting, which is based on uniform standards such as the International Financial Reporting Systems (IFRS) or US Generally Accepted Accounting Principles

(US-GAAP) throughout much of the world, there exist no comparable standards for environmental and social reporting.

It is true that even the financial standards mentioned above give management options with regard to their approach and evaluation and can result in residual informational gaps for stakeholders despite extensive formalization. But in the case of Triple Bottom Line reporting, this problem is intensified by the fact that TBL reporting is voluntary and not standardized. And although the existence of the Global Reporting Initiative and other NGOs represent initial steps toward TBL standard setting (see [www.globalreporting.org/guidelines/2002](http://www.globalreporting.org/guidelines/2002)), there is still a considerable deficit of the information that stakeholders need in order to assess companies' environmental and social performance (see Hawken, 2004).

At the beginning of the new millennium, the once separate objectives of financial reporting and Triple Bottom Line reporting seem to have converged in some areas: the spectacular collapses of large enterprises like *Enron*, *Worldcom* and *Tyco* in the USA or *Ahold* and *Parmalat* in Europe brought about a **new** dimension to the **Corporate Governance** discussion: Ethical behavior and the 'soft' factors of management quality have gained an unprecedented level of attention. The impact of management quality has been further increased since the implementation of 'new standards for credit rating' in banks and related financial institutions according to the Basel II Accord (see Basel Committee on Banking Supervision, 2001).

In addition to the reporting methods explicitly addressed towards external stakeholders, in the recent past several **management and auditing tools** have been developed with the objective of making sustainability both assessable and controllable. Especially noteworthy models are the SIGMA- and EFQM-concepts (see [www.sigma-uk.com](http://www.sigma-uk.com) and [www.efqm.org](http://www.efqm.org)) and the Accountability 1000 Standard. Whereas the **ecological/environmental** dimension has reached a higher level of standardization through the EMAS certification system for banks (see [www.europa.eu.int/comm/environment/emas](http://www.europa.eu.int/comm/environment/emas)), the ISO 1400 series and the Life Cycle Analysis, social management and auditing systems such as Social Accountability 8000 (see [www.cepaa.org](http://www.cepaa.org)) or Great Place to Work are characterized by a high degree of heterogeneity.

Communication and information about company performance largely reflect the work a company's management has carried out on the basis of the decision-making powers it has been entrusted with. Since companies are now commonly viewed as coalitions of various stakeholders (see Freeman, 1984), the management must provide these stakeholders with reports on a regular basis. In this respect, stakeholders are usually considered principals since they 'hire' the management as agents to carry out certain actions in the future and agree on compensation. This tightly links Triple Bottom Line reporting with corporate governance.

The group of **CSR rating concepts** is geared to arranging companies into different classes of sustainability. For the most part they aim at an integrated evaluation of the social, ecological and economic dimensions of corporate behavior. The **rating institutions'** objective of analyzing data for the company-specific Triple Bottom Line is to determine an absolute sustainability score for the

company, as well as a relative score, e.g., in comparison with the respective industry or country. For this purpose, rating institutions developed distinct evaluation systems, based on sustainable development paradigm<sup>1</sup> or the concept of Corporate Social Responsibility (CSR)<sup>2</sup>.

Whereas **credit ratings** represent established instruments and processes of the international financial markets for valuing issuers' default risks, **sustainability ratings** are a relatively new phenomenon. It is methodologically derived from credit ratings and securities analysis. Those have been extended with the objective of evaluating companies according to ethical, social and/or ecological criteria. Despite similar elements the currently available sustainability evaluation concepts are all characterized by a **high degree of heterogeneity** and **diversity**. This is mainly due to the fact that the different evaluation concepts arise from individually diverging motives of their providers and possibly very diverse perceptions of sustainability or ethics (see Sjöström, 2004, p. 15, Schäfer, 2005).

The currently existing sustainability ratings provide interested stakeholders (socially responsible investors, consumers, NGO's, critical society) with an aggregated evaluation of the CSR or sustainability performance of corporations (transparency function). Furthermore, the management of sustainable companies can appreciate the **signaling function** of a rating result/score in order to enable stakeholders to identify their commitment to sustainability. If the information of the process and the results of a specific rating system are brought to the public and market participants, changes in the rating score can shape the attitude of stakeholders towards the company concerned. As a result stakeholders may adjust their economic relations to the company and let them redesign their strategies and activism to influence management's behavior and the market value of the company.

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## 2.2 Paradigms of sustainability ratings

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The social and ecological engagement of companies is discussed within different paradigms, depending on the definition of **ethics in the economic context**. The central scientific and practical approaches that were developed in this regard are being applied and specified by the research institutions, which are analyzed in chapter 3. These paradigms are

- Business ethics
- Corporate Citizenship
- Corporate Governance
- Corporate Social Responsibility (CSR)
- Sustainable development
- Eco-efficiency.

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<sup>1</sup> For further explanations see paragraph 2.2.

<sup>2</sup> For further explanations see paragraph 2.2.

They will be briefly introduced below.



Fig. 1: Paradigms to ethics related to corporates

### Business ethics

One has to differentiate between the more pragmatic paradigms of the Anglo-Saxon conception of business ethics and the more theoretical, continental approach. However, in the literature this differentiation is not neither always clear nor is it unanimous. The concept of business ethics is, in some cases, even regarded as an oxymoron: a company as such has no conscience and thus cannot act morally or immorally. If at all, this is only possible for the individual members of the organization – the management. In this study, business ethics is understood – from the perspective of the company – as the **macro-level** (see Enderle, 1993, p. 138-141) on which the **economic system**, the **economic, financial and social policy** as well as the general economic **conditions** are tested for their moral standards and corollaries. In so doing, business ethics searches for well-founded norms for 'good' and 'fair' business.

**Business ethics** is geared towards generally accept moral rules and norms for **decision-makers** to ensure socially and environmentally acceptable behavior. First of all it is important that the decision is consciously based on reliable criteria. Besides, this formal requirement means that ethical behavior is in effect congruent with the definition of rational behavior. Thus, there exists a close link to the model used in economic decision theory. There are additional problems on the micro-level, e.g., issues of leadership ethics.

An individual stakeholder cannot influence the regulatory level of the economy directly. His decision, however, to directly respond to ethical behavior and to sanction unethical behavior of one or several companies, has an effect on the market. Thus business ethics and its practical integration are directly relevant to it. The function of business ethics in terms of practically applied ethics is here seen to be in the normative analysis of concrete moral problems as well as their definition and implementation.

### **Corporate Citizenship**

Corporate Citizenship describes the pursuit of the full utilization of the social and natural environment for profit-making, based on the idea that lasting increases in profit demand and continuously require making stakeholders better off. Corporate Citizenship means corporate giving also to indirect economic partners with the intention of receiving. (...) Corporate Citizenship means actively looking for chances for social investment and doing this with the appropriate methodology. This definition, like similarly established approaches, for example by Waddock (2004)<sup>3</sup> and Fombrun (1997)<sup>4</sup>, is closely related to the concepts of Corporate Social Responsibility und Stakeholder Theory. All in all, though, the academic literature on Corporate Citizenship is characterized by **heterogeneous concepts**.

A central maxim, despite this heterogeneity, is to connect **Corporate Citizenship activities** with **social investments** that **maximize profits** at the same time. These elements are an expression for the modern interpretation of Corporate Citizenship. The traditional meaning, originating in USA in the 1950's, was purely geared to philanthropic activities and donating. The modern (extended) definition refers to all corporate contributions to society, i.e. selling their products, paying wages and taxes etc., as well as charitable donations as Corporate Citizenship (see Waddock, 2002). The increased importance of Corporate Citizenship can be seen as a result of the globalization; assigning **companies as an integral part of society** a social responsibility and leading **to new forms of corporate regulation by the civil society** (see Marsden, 2000, p. 12). As companies are assigned social and environmental responsibility, Corporate Citizenship can also be understood as an expression of corporate sustainability (see Turban/Greening, 1996).

### **Corporate Governance**

Corporate Governance addresses the organization of the management and control of a company in order to ensure an optimal balance of interests between all groups of stakeholders. This is thus an expression for **shaping the relationships** of the **company management** towards investors **and the other stakeholders** of the company. In this way in particular, a set of objectives and methodology for controlling corporate performance are established. Corporate Governance also includes the optimized distribution of company value amongst stakeholders in accordance with their individual contributions to

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<sup>3</sup> 'Corporate Citizenship is manifested in the strategies and operating practices a company develops in operationalizing its relationships with and impact on stakeholders and the natural environment.' (Waddock, 2004, p. 9).

<sup>4</sup> 'We propose a three-part view of citizenship as: 1) a reflection of shared moral and ethical principles; 2) a vehicle for integrating individuals into communities in which they work; and 3) a form of enlightened self-interest that balances all stakeholders' claim and enhances a company's long-term value.' (Fombrun, 1997, p. 32).

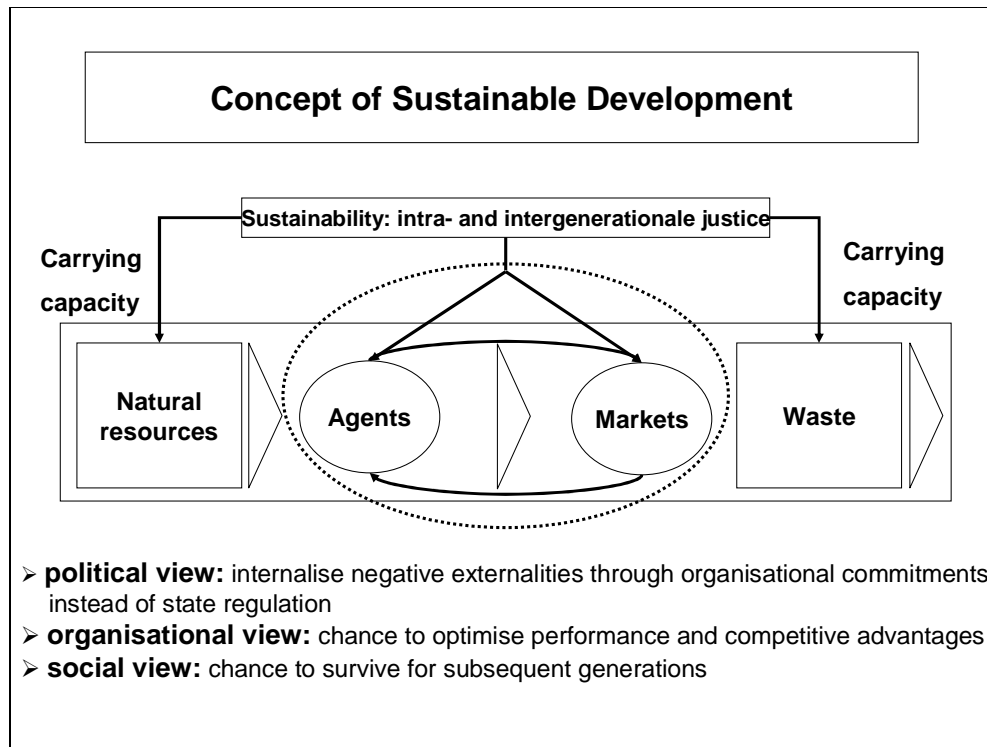
a company's performance. Traditionally, a key instrument for this has been financial reporting and therefore a company's annual financial statement (see Shleifer/Vishny, 1997).

### **Sustainable Development and Corporate Sustainability (CS)**

The concept of sustainable development was first used at two international conferences in 1968 (The UN 'Biosphere Conference' and the 'Conference on the ecological aspects of international development' by the Conservation Foundation and the Centre for the Biology of Natural Systems). During this time the first edition of '**The Limits to Growth**' (1972) was published by the Club of Rome, representing the initial global empirical study and the 'United Nations Conference on Human Environment' was held in Stockholm the same year. The subsequent discussions about possible solutions to the expected global resource bottlenecks and environmental problems led, in 1980, to the publication of the study '**World Conservation Strategy**', drawn up by the United Nations Environment Program and the International Union for Conservation of Nature and Natural Resources. In that study sustainable development is regarded as an **eco-centric concept** directed at the conservation of existing eco-systems. It was addressed at policy-makers in order to lay the appropriate legislative foundations. At an international level, influential industrial magnates like the Swiss business leader Schmidheiny drew the **attention** of politicians and especially managers of **multinational enterprises** to the issue at conferences and working committees (see Schmidheiny/Zorraquin, 1998).

Movement away from this prevailing ecocentric orientation began with the report '**Our common future**' published in 1987 by the Brundtland Commission for Environment and Development. In this, **sustainable development** is transformed into an **anthropogenic development concept**. The economic literature generally resorts to the *Brundtland* definition of sustainable development as a 'development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs' (World Commission On Environment and Development, 1987. p. 43). This definition also formed the basis of the declaration of the 'United Nations Conference on Environment and Development' in Rio de Janeiro in June 1992.

This definition of sustainability is characterized by the fact that it takes into account two dimensions of justice at once: First in terms of **intragenerational justice**, in particular between the first and the third world, and second in terms of **intergenerational justice** between the present and future generations (see Gladwin/Kennelly/Krause, 1995, p. 879). These dimensions of justice are based on the **scientific concept** of '**carrying capacity**', which is defined as 'an equilibrium population, or as the maximum population that an environment can obtain *without damage to the environment in the long run*' (Throop/Starik/Rands, 1993, p. 73). Drawing on a scientific parameter yields four possibilities of **integrating** the concept of **sustainable development into economic processes** (see Fehler! Verweisquelle konnte nicht gefunden werden.). Here the simplifying assumption is made of a bipolar economic system with interacting poles of economic agents and markets, where on the input side this closed system uses resources up and on the output side it produces waste.



**Fig. 2 The way to integrate the concept of sustainable development into the economic system**

Integrating social aspects into the concept of sustainable development represents the modern three-dimensional understanding of sustainability. The politics of sustainability should therefore pay equal tribute to ecological, economic and social issues. A development can only be called sustainable, if it is ecologically, economically and socially acceptable at the same time (see Pearce/Atkinson, 1998).



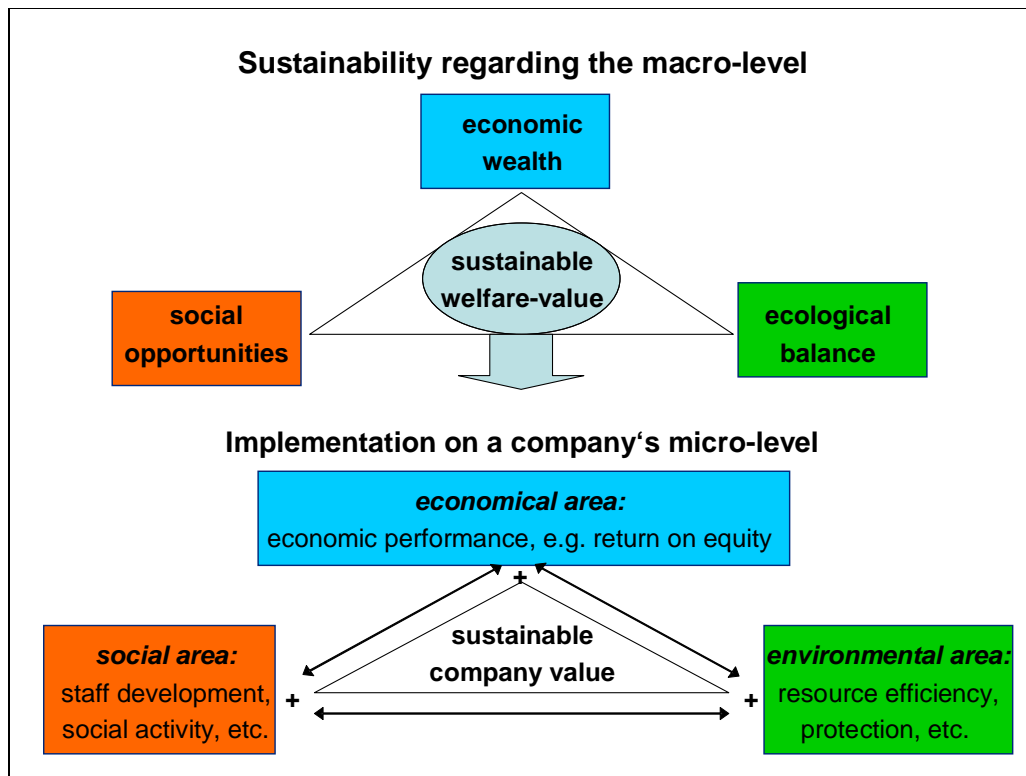
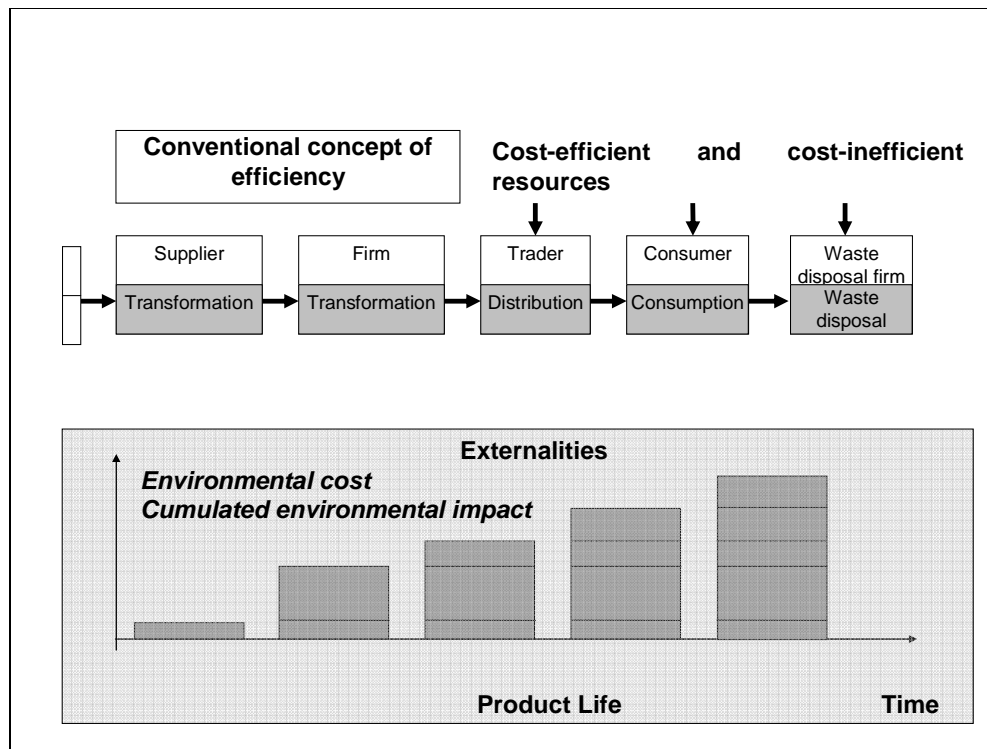


Fig. 3: Sustainability on the macro and micro level

### Eco-Efficiency

Eco-efficiency is generally understood as a measurement of sustainable economic development. The eco-efficiency concept developed from the declaration of the 'UN Conference on Environment and Development' in Rio de Janeiro in 1992 and the subsequent widespread application of it by the World Commission for Environment and Development. The key point of the eco-efficiency concept is **the link between ecology and efficiency**. The latter is defined as the main performance and rationality criterion relating to the survival of a business in the market. Here the economic concept of efficiency, the relation of output to input, is limited to monetary value added parameters. The economic value chain is balanced against ecological costs by accounting for external effects. Ecological costs are the sum of a product's total environmental impact during its entire life cycle (see Pearce/Atkinson, 1998, p. 260).

**Fehler! Verweisquelle konnte nicht gefunden werden.** shows that the traditional concept of efficiency offers only an isolated view of an organization, while reformulating the notion of efficiency allows a holistic analysis along the **product life cycle**.



**Fig. 4: Environmental costs and the extended concept of eco-efficiency**

Source: Schaltegger/Sturm, 1990, p. 279

### **Corporate Social Responsibility (CSR)**

Mainly in Anglo-Saxon countries, sustainable development has been interpreted as a demand for companies to recognize and commit themselves to their social responsibility, which has followed directly from the Anglo-Saxon approach to business ethics. 'Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.' (Holme/Watts, 2000, p. 8)

Corporate strategy and policy should form a (possibly efficient) triangle of economic, ecological and social sustainability (see Atkinson, 2000, p. 235). The **sustainability triangle** is usually mapped by the stakeholder approach. Modeling with the stakeholder approach allows, on the one hand, the complexity of internal and external effects on the sustainability of corporate actions to be appreciated, and on the other to assess the impact of sustainability on the aspects of value-based management. The stakeholder paradigm thus enables an extended analysis of other areas of corporate value-added processes (e.g., investments in human capital), and particularly a differentiation and individual analysis of the effects on the relevant stakeholders. Thus the demand for social responsibility affects all areas of corporate activities. This is also characterized by the new perception of **Corporate Governance** as a network between businesses and their stakeholders. There are, however, differences between the Corporate Social Responsibility approach and the concept of Corporate Governance: In the context of Corporate Social Responsibility the contribution of the individual stakeholder to the financial success of the company is not central (see the section of Corporate Governance), but the potential of

stakeholders to sanction immoral corporate behavior is (see Mitnick, 1995). Politically the concept of Corporate Social Responsibility has been enforced through major initiatives of international organizations like the **UN Global Compact** (2000), the **Green Book of the EU-Commission on CSR** (2001) and the **OECD-Guidelines for Multinational Enterprises** (2004).

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### 2.3 The welfare role of CSR ratings

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When **information** is **distributed asymmetrically** among stakeholders **or** when only **aggregate information** is available to those outside the company, management is more likely to act opportunistically which, in turn, exposes stakeholders to moral hazard. This is why it makes sense for stakeholders (as principals) to develop a refined information structure (see Williamson, 1975, p. 31), procure and analyze additional information, and process it when making decisions. These processes use resources and incur cost. As **transaction costs** associated with **corporate monitoring**, they are part of the overall agency costs (see Arrow, 1986).

Before stakeholders can make decisions about TBL in line with their preferences (such as investing their savings in companies that act responsibly), they must first pay to identify responsible corporate behavior and actions planned by the management. If one can assume that all information that is relevant to assessing a company's triple bottom line is fundamentally available on the market, then the problem, in economic terms, is one of having the best possible observation technology. If stakeholders have only a **limited capacity to gather** and process the information they need to make their decisions, they will be operating with bounded rationality in its strict sense (see Simon, 1979). **Asymmetrical information, opportunistic behavior** on the part of agents and **bounded rationality** on the part of many stakeholders justify the existence of a multitude of market institutions and intermediaries.<sup>5</sup>

If institutions exist in some markets that have a greater **capacity** in terms of **observation technology** than individual stakeholders due to **economies of scale** and **economies of specialization**, these institutions are in a position to reduce the transaction costs associated with corporate governance for the stakeholders. This gives stakeholders an economic incentive to use the information services offered by intermediaries (on the market) rather than their own information-gathering and communication activities. In such a constellation ratings deserve a crucial role in the information generating process.

**Ratings** are both the **process and the result** of assessment. Information is exchanged between the rating institution and the company being evaluated. Solicited ratings are those requested by the company seeking to be evaluated, and there is generally an explicit contractual relationship between

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<sup>5</sup> This research paradigm seems suitable for use in supporting the existence of CSR rating institutions.

the company and the rating institution. Unsolicited ratings do not have an explicit contractual relationship, and the rating institution conducts the rating on its own accord (see Cantor/Packer, 1994). From an economic perspective of welfare, the aim of a rating is to **reduce asymmetrical distribution of information** in contract-based relationships (such as in financial contracts). Ratings serve both as disclosure, since the evaluated company is making data public that stakeholders would otherwise not be able to see (see Hsueh/Liu, 1993), and as certification, in that rating institutions certify the truth and trustworthiness of their ratings (see Stover, 1996).

The result of an evaluation process is usually expressed as an aggregated rating in the form of **symbols on a rating scale**. The rating is primarily an absolute assessment, but it can be extended to include a relative classification, such as a company in relation to its sector (best in class approach). The most **commonly** used ratings are **credit ratings**, which evaluate a borrowers' risk of default on the money and capital markets. Credit ratings make it possible to classify borrowers into risk classes according to their individual probabilities of default (see Ederington/Yawitz, 1986). In addition, with the reform of the international guidelines governing national financial supervisory authorities and capital requirements for banks (so-called Basel II accord), in most of the states that have ratified the accord, the granting of credit will also be made contingent on a prior rating of default risk (performed either within or outside the bank) started in 2006 (see Basel Committee on Banking Supervision, 2001).

Rating is especially well suited for use as an informational, incentive or monitoring tool in principal/agent relationships (the rating institutions' disclosure and certification functions). When used successfully, rating can reduce the principal's (investor's) information deficit compared with the information available to the agent. This improvement in the principal's level of information reduces the agent's (i.e. issuer of a bond) incentive to behave opportunistically and compromise the principal's welfare. A rating can be used as a **screening indicator**, in which case it serves as a filter allowing the company that is being evaluated to be classified based on certain quality criteria. A company's first-time rating is usually followed by monitoring, which is aimed at determining future changes in the company's behavior. Under some circumstances, the original rating must be adapted in accordance with the results of the monitoring. The fact that rating institutions can use this monitoring to subsequently downgrade a company and that they can publicize the downgrading carries a certain threat potential for the company being evaluated, and essentially gives the rating a sanctioning mechanism (see Sinclair, 2005).

This means that rating institutions function as a means of maintaining order by increasing market transparency and encouraging evaluated parties to behave properly with respect to principals. Since rating institutions have not been subject to government supervision until now, they must, in principle, provide **proof of the credibility** of their services and of their economic behavior to their cooperation partners.<sup>6</sup> The **reputation** of the rating institution is a key element of cooperation design (see

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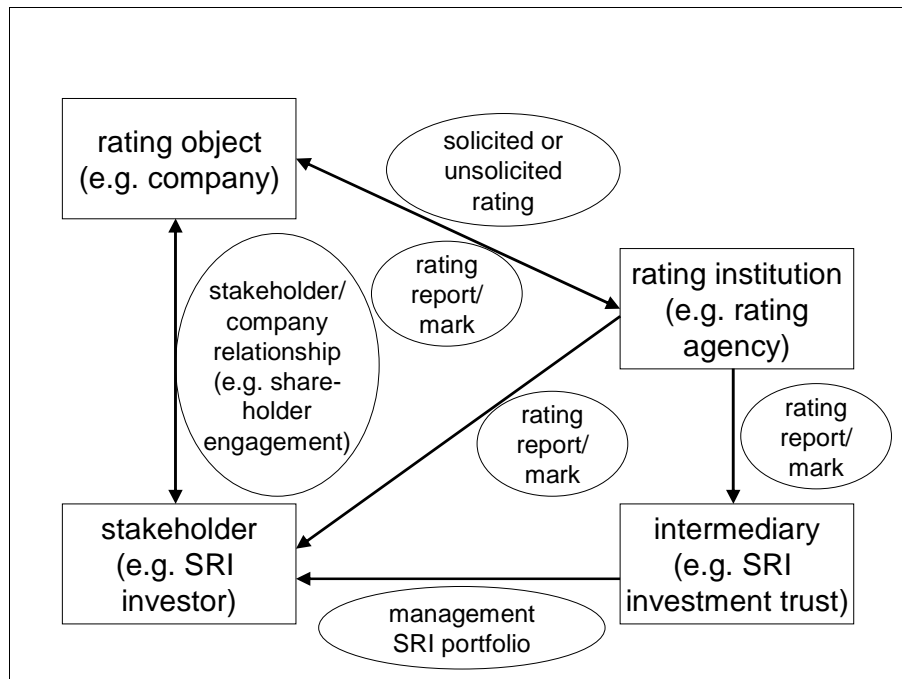
<sup>6</sup> Caused by the defaults of Enron, Tyco and others in 2003 internationally operating credit rating agencies like Standard and Poor's or Moody's were examined by the US Securities and Exchanges Commission (SEC) with regard to possible conflicts of interest. But until now no official regulation of credit rating agencies exist in the U.S. and elsewhere.

Diamond, 1989). Reputations and behavior are determined primarily by the payment structures whereby they are compensated for their work as well as by self-imposed rating principles such as independence, reliability and objectivity. In credit rating, a field dominated by **solicited ratings**, rating institutions often follow a principle of joint contract, under which a company as borrower is evaluated not just once but several times. The aim of this long-term commitment is to build a reputation by repeatedly rating borrowers correctly with a low risk of default. Borrowers benefit from this method through lower costs of capital, and the rating institutions benefit in the form of increased commission income from the evaluated companies. Publication of the rating makes the information gained through the rating process available to investors, companies and market monitoring institutions (see Ramakrishnan/Thakor, 1984).

While cooperation design is well established on the financial markets for credit rating, CSR rating is a relatively new concept. The **fundamental contractual relationships** between the parties in CSR ratings with reference to applications in the capital markets (structuring 'Socially Responsible Investments', SRI) are illustrated in **Fehler! Verweisquelle konnte nicht gefunden werden..** The figure shows that, in addition to the direct relationship between the rating institution and the company being evaluated, the rating institution also indirectly influences the relationship between stakeholders and the company. A key difference between CSR and credit rating is that almost all CSR rating is currently conducted as unsolicited rating. This makes the rating available to all of the parties identified in **Fehler! Verweisquelle konnte nicht gefunden werden.** as a public good. Often, the rating does not affect stakeholders' decision-making directly. Instead, it is used by other intermediaries as a basis for their services, which are then bought by stakeholders either on or outside the market.<sup>7</sup>

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<sup>7</sup> For example, a CSR rating of a company could be used by a bank's asset management department to build a stock portfolio that meets certain social and environmental criteria, which is then offered for sale to investors as a Socially Responsible Investment.



**Fig. 5: Fundamental relationships in CSR ratings  
(according to their application in SRI)**

If **CSR rating** is **primarily unsolicited**, the joint contract relationships described above are not efficient tools for ensuring the reputations of the CSR rating and the institution. Until now, the only way institutions conducting unsolicited CSR ratings have been able to build their reputations has been through retroactive verifications of the accuracy of ratings, competition among agencies and special '**signaling**'. The extent of resources used for the rating should serve as an approximate indicator of the rating's quality. Although some elements do recur throughout the different approaches, there is a high degree of individuality and divergence among the models that are currently available for measuring sustainability.<sup>8</sup> **Unlike credit rating**, where there is a strong consensus about methodological models and criteria (see Howe, 1997, pp. 377–403), the individual **analytical schemes and criteria used in CSR rating diverge** by their very nature, since they derive from the providers' own individual motives and perhaps very different notions of sustainability and CSR (see Sjöström, 2004, p. 15). Of course this leads to a wide range of rating criteria and models.

Despite those shortcomings CSR ratings that exist today in general give stakeholders an aggregated assessment of companies' CSR or sustainability (function of transparency). In addition, **companies are** increasingly **acknowledging the signaling function** that ratings serve, and they often are actively cooperating with the rating process, making it easier for stakeholders to assess company-specific CSR. If rating systems enjoy a high level of public acceptance, for example among

<sup>8</sup> According to the results of the study by SustainAbility/Mistra (2004) no CSR rating institutions have demonstrated best practice leadership based on external tests which would allow them to serve as standard setters on the market of CSR rating services.

participants in the capital markets, they can have a long-term effect on stakeholder attitudes and decisions. As critical consumers or socially engaged investors, stakeholders are then in a position to sanction corporate behavior that they agree with.

In many industrialized countries there are now self-contained markets for information services on Corporate Sustainability or Corporate Social Responsibility, borne by several groups of stakeholders (see Sjöström, 2004 and Schäfer, 2005):

- **Rating Agencies:** That sustainability ratings are by now an intermediation service with an international stance can be seen from the involvement of international networks by the intermediaries as well as their international profiles (as for example in form of bilingual rating reports). While the international market for financial rating services is oligopolised by two (Standard & Poor's and Moody's) maybe three (adding Fitch IBCA) rating agencies, the structure of the market for sustainability ratings is in comparison both nationally and internationally less concentrated.
- **Inhouse Research Teams:** Again by analogy with rating the creditworthiness of a borrower, sustainability ratings by banks can be described as evaluating the 'sustainability-worthiness'. Whereas the determination of the creditworthiness is common practice with banks and also mandatory and supervisory regulated (so-called 'Internal Rating Based-Approach' according to the International Convergence of Capital Measurement and Capital Standards, the so-called Basel Accord, in short Basel II, see Basel Committee on Banking Supervision, 2001), the realm of rating sustainability performance represents an extraordinary activity by banks without supervisory guidelines.
- Another means to provide information and evaluation are the services offered by the **providers of securities indices**. Primarily such indices serve as an indicator for the performance of an entire stock exchange segment or a group of securities. They fulfill an informational function within the scope of ethical or sustainable investment if their composition is based on compliance with certain social, ecological or ethical critical values by businesses. Conversely a company failing to meet those standards would have to be excluded from the ethical or sustainability index.
- **NGOs** work with a claim to expertise for certain issues of the CS/CSR spectrum comparable to providers of information services by collecting, evaluating and publishing information about activities of companies. Apart from that, they do not only **work on** companies about the subject of **sustainability/ CSR**, but also **with** them. Among other things they watch over corporate behavior and sanction it. Engagement and critical activism in connection with enough sawy are the usual parameters for action. From their activities both about and with different companies, many NGOs have, over the years, gained a special kind of experience. It is applied to the development of normative corporate behavior (such as the AA1000-Standard by the British NGO AccountAbility) which NGOs demand from companies.
- On the one hand the **Media** take on the role of an **information provider** by disseminating information about the CSR-related behavior of businesses and by so doing provide other information intermediaries, e.g., sustainability rating institutions, with data for their work (vice versa the Media sometimes distribute the results of the work of intermediaries intended for the public). On the other hand, the Media function as **critical observers** if journalists uncover unsustainable or unsocial behavior of companies and present it to the wider public.
- **Public authorities** affect the market by **setting** mainly indirect CSR **standards** especially for businesses. Such measures relate to the social and environmental consequences of corporate

behavior (see for example European Commission, 2001). In some cases, public authorities can also influence intermediaries as with mutual funds' or pension funds' liability to account regarding compliance with certain sustainability criteria when investing for retirement provisions.

- Finally the **management**, by justifying their social '**license to operate**' or '**license to co-operate**', contributes a significant amount of information necessary for evaluating their level of sustainability.

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## 2.4 Processes to integrate sustainability into stakeholder actions

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The structures of the markets for sustainability/ CSR rating services outlined in section 2.3 show that today socially and environmentally engaged stakeholders (in particular investors and consumers) can access a **wide range of information services for reaching their decisions**. Based on this, how can stakeholders influence with their actions in the market companies to behave sustainable/ socially responsible?

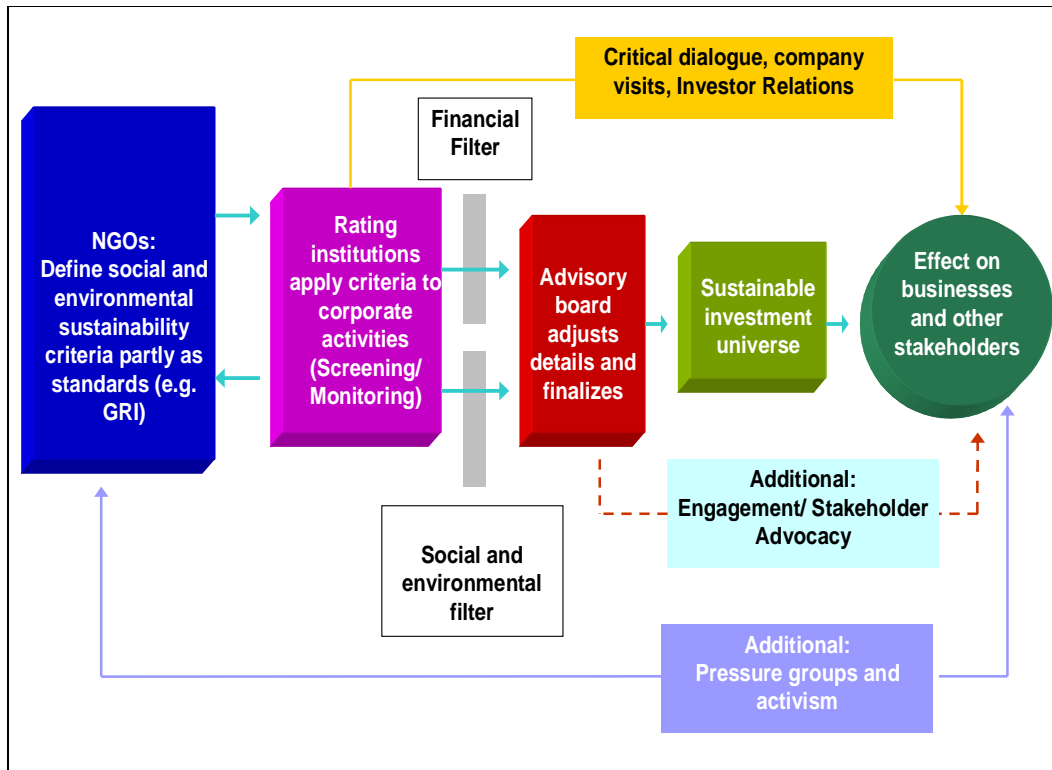
From here the **catalyst concept** (see Chandler, 2000) sets off: If critical stakeholders such as consumers or investors align their consumption and investment decisions not only with direct utility (satisfaction of needs, generation of income from capital), but also with sustainability effects of corporate behavior, production processes, products and investments, a micro-economic steering mechanism towards sustainable corporate behavior can be achieved. From the view point of a deregulated market economy, the relevant processes can take place without state regulation and by adhering to the law of the market to make profits.

Companies maximize **their shareholder value** by taking into account **sustainability aspects** provoked by critical stakeholders, thereby contributing positively to a sustainable development within society beyond the corporate sphere (achieving positive external effects or reducing negative external effects). Consumption and investment behavior geared towards sustainability would then serve as a catalyst for implementing sustainable added value within companies.

The microeconomic implementation of this catalyst concept draws the attention to the catalyst itself, i.e., the **transformation model**. Thus this study addresses the process of stakeholders influencing corporate behavior towards sustainability or CSR. With a generalized model the functioning of the catalyst will be shown for the area of socially responsible investing (as an example for other stakeholder activities such as ethical consumption).

In a monetary economy, based on the division of labor, translating investor specific perceptions of sustainability into corporate behavior is usually accomplished by financial intermediation, in particular mutual funds, pension funds and other institutional investors (and also to some extent by private households). They offer individual investment solutions for sustainability/ CSR oriented asset allocation. The subsequent **Fehler! Verweisquelle konnte nicht gefunden werden.** gives an overview of the consideration and transmission of ethical criteria into portfolio management with the help of sustainable investment. Thus the selection of companies respectively their shares fulfilling the sustainability/ CSR criteria set by investors is a stylized process.





**Fig. 6: Transformation model to select sustainable/ socially responsible companies**

**The starting point** of a model to transform sustainability or CSR to fit the corporate context is the specification, qualification and quantification of **social and environmental criteria**. For this, almost all rating systems introduced in part 2 of this study rely directly or indirectly on the concepts of **NGOs**. In part, individual NGOs have set the standards here. The basis of these often normative criteria is the experience of NGOs in dealing with companies in specific areas of conflict between society and corporations (pressure group function, whistle-blowing, and activism).

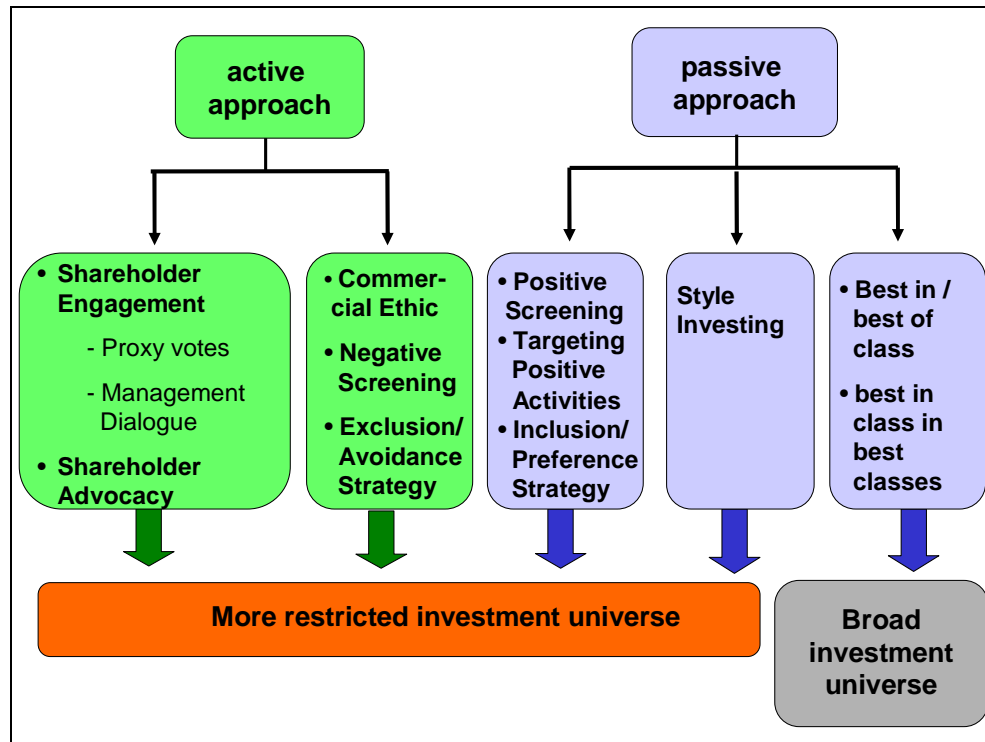
The main characteristic of **rating institutions** in this process is the development of a certain 'production technology', with which sustainability/ CSR relevant information about particular companies or industries is collected and summarized in a rating score. Depending on the design of the rating system, the selection of sustainable companies is based on filters, which apply

- either **exclusively social and/ or environmental criteria**, or
- **in addition** to social and environmental criteria **financial criteria** (here it can be differentiated, whether the financial filter is used prior to or after the social and environmental filters and whether they are equally weighted).

Most rating systems and institutions have the final verdict regarding the fulfillment of the sustainability/ CSR standards required by an institution returned by an **advisory board or commission**.

As the competence granted to such boards can be far-reaching in some rating institutions, their decisions may be entirely removed from the analysis and the final rating result. Eventually this process produces a **universe of sustainable companies**.

The **direct function of rating institutions** in collecting and evaluating information about companies has to be complemented by an indirect function: The communication between rating institutions and the company demands from the latter group the establishment of a consistent **operational and organizational structure**. Related measures might be extensive and could include the reorganization of existing organizational structures and reallocation of competencies within the company. In the extreme case the resulting structure would be the one of a 'sustainability organization'.



**Fig. 7: A classification of SRI-investment approaches**

With regard to SRI, this stylized transformation process is currently the main form of implementation of increased corporate sustainability resulting from stakeholder activities. In the context of this transformation process it is important to distinguish whether a CSR/ sustainability-oriented investment portfolio is held actively or passively (but not in the sense of the asset allocation strategy!). As the majority of rating institutions (see **Fehler! Verweisquelle konnte nicht gefunden werden.** and explanations below), tend to be geared towards an investment application and have hence developed special conceptual features, the **main characteristics of the portfolio selection process and asset allocation** of SRI-portfolios will be briefly introduced here:

- **Active sustainable investment** is described with the so-called **engagement approach**: At minimum an investor or authorized portfolio manager exercises the share voting rights at the annual general meeting to support corporate decisions with positive sustainability effects. More intensive is the active dialogue with the executive board of a corporation, whose shares are held in the portfolio, e.g. by critically asking or making suggestions for corporate policy. This type of engagement is especially common in Great Britain through pension funds and value-oriented mutual funds (e.g. Henderson, Jupiter). At the most this engagement should be seen within the

context of **shareholder advocacy** and is characterized by continuous critical dialogue between shareholders and the management<sup>9</sup>.

- In addition to the active engagement of shareholders to the point of actual calls for investor relations predicated on a sustainability focus, the sanctioning of corporate behavior by buying and selling shares is another form of active portfolio management: sufficient number of shares and market liquidity assumed, sustainable corporate policy can be 'rewarded' by share purchase or 'punished' by selling shares.<sup>10</sup>
- Strategies avoiding investment in particular businesses or business activities on the basis of certain exclusion criteria (so-called **negative screening**) represent the dominant form of realizing the catalyst hypothesis. Typically this concerns the group of so-called 'sin stocks', e.g., shares of companies involved in the production of alcohol, arms, pornography or gambling.
- The counterpart of negative screening is **positive screening**. This is predominantly the selective promotion of companies or industries, normally with respect to their ecological and (to a far lesser degree) socially innovative power. The purpose is to consciously support innovative forms of the value-added process and/ or the company's output. A company, in fulfilling these requirements, is often characterized as a '**sustainability/CSR pioneer**'.
- An **alternative** of positive screening is the best in/best of class approach.<sup>11</sup> The fundamental idea here is to avoid excluding shares of certain companies or industries a priori from investment. The objective of the **best in class approach** is to evaluate the companies within an industry according to ecological and social criteria and to rank them versus the '**sustainability class winner**' (CS/CSR leader). A relatively new phenomenon is the best of class approach, ranking industries (not companies) according to the level of their sustainability/ CSR. Hence such best-in models do not a priori restrict the companies or industries to be analyzed and negative as well as positive screens can be integrated into this approach.

**In contrast to the best in/best of class methodology, all the other approaches introduced here restrict the shares or industries to be considered a priori.** The best in/best of class approach, however, allows for additional positive and negative criteria in the selection of sustainable companies. The following figure outlines the dichotomy between sustainability/CSR leader and pioneer that often exists in practice with sustainability ratings.<sup>12</sup>

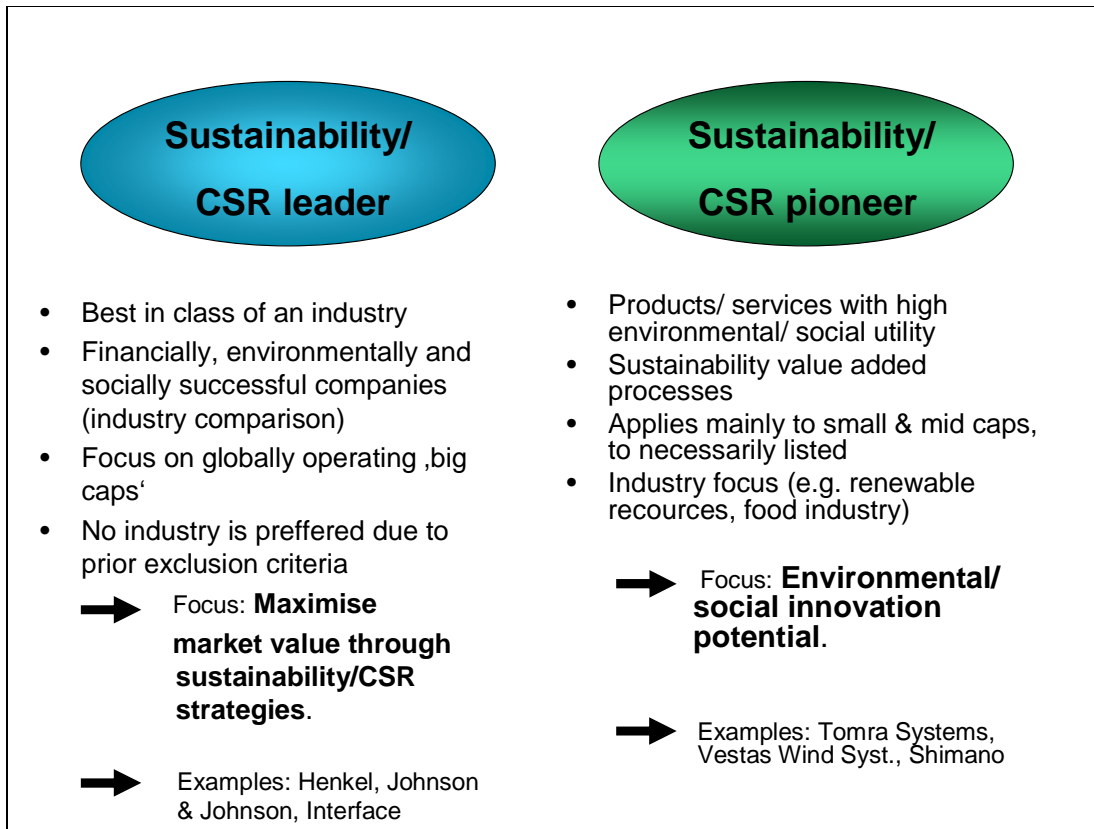
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<sup>9</sup> This is especially common in the USA with value-oriented pension funds (e.g. the California Public Employees' Retirement System, CalPERS).

<sup>10</sup> The economic consequences for business of rewarding (punishing) are the tendency of share prices to rise (fall) and the reduction (increase) in costs of equity capital.

<sup>11</sup> Sometimes this is also described as 'best in sector' approach, which is technically identical to the best in class approach.

<sup>12</sup> In some ratings the term 'eco' is used instead of CS/CSR.



**Fig. 8: Dichotomy between sustainability/CSR leader and pioneer**

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## 2.5 Conceptual outline and course of the study

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The explanations of the preceding paragraph indicate that the **transformation of sustainability-/CSR requirements** in companies by stakeholders implies the existence of sustainability measuring systems: they rationalize decisions and monitor the outcome of these decisions. Sustainability measuring systems can thus be understood as instruments that institutionalize a **market for communication and sanction processes**. Even if it is the case that few precise analyses exist about the objectives and effects of such systems in creating structures of the civil society that influence corporate behavior (see for example the current study by the World Bank/International Finance Corporation/ World Business Council for Sustainable Development, 2004), however, past experience from capital markets indicates that their role might be relevant. An appropriate analysis of the currently prevalent rating systems is essential in order to

- generate **transparency** about content and perspective of the current systems,
- reveal **further research demands**
- initiate a **public discussion** about the objectives of such systems over and above the narrow framework of financial markets into the realms of a civil society.

**The target groups** of the findings of this study, presented following chapter three, are corporate managers, rating institutions, the financial community, stakeholder groups concerned with CSR/ sustainability as well as the interested public.

The objective of this report is to outline those criteria which are globally utilized to evaluate the sustainability performance of businesses. The focus of this analysis is on which **criteria** are used for the **evaluation** and on the **decision bases** that follow comprehensive formally outlined rules. As such, all available written material had to be analyzed, and when necessary, supplemented by interviews with the agents.

An **overview** of the analyzed rating systems and their operators will be provided, governed by the following **premises**:

- only those systems, that account for both the **social and environmental dimension** of corporate sustainability/ CSR behavior, are considered;
- those rating systems that are described are used by, or offered to **several groups of stakeholders** (i.e., the rating systems in question do not make any assumption about any predetermined way in which their information will be used, e.g., for investment purposes);
- all rating systems **focus** on the sustainability/ CSR performance of **businesses** (rather than public institutions or nations);
- all institutions considered will specifically produce ratings, i.e., the study will not give consideration to institutions solely undertaking research without any intention of using the results for the provision of rating;
- the rating systems being considered cover the entire globe, so it can fulfill the aspiration to an international report. Meanwhile one can state that the existing markets for CSR rating services are globally developed and constitute the basis of the report.

Based on these premises, of the global number of institutions that could be considered, as listed in the Appendix, a considerable subset was analyzed. For this subset the **central aspects** to be covered by this study were:

- profile of the rating institution (e.g. time of establishment, background, headquarter, size operating range, activities);
- origin, objectives/ mission, operators etc. of each rating system;
- target groups/ target market of the rating systems;
- ethics, sustainability, CSR paradigms of the rating institution;
- criteria systems for the evaluation and selection of businesses regarding their ecological and social performance;
- the importance of the rating systems and reasons for it with respect to diffusion/ market penetration, acceptance with addressees and evaluated businesses;
- main focus of rating criteria (e.g. whether mainly socially or environmentally oriented), regional orientation of the rated companies, size range of companies, industries etc.;
- first evaluation of the strengths and weaknesses of the sustainability/ CSR ratings under research as regards a still-to-be-developed provisional normative profile of different types of sustainable

companies (e.g. owner-oriented companies, global players, international and hegemonic companies etc.).

The following description of internationally CSR rating systems was methodologically identified in a **threefold approach**:

1. In the beginning and in adherence to the previously mentioned restrictions, the available information about a certain system was tested for the degree of relevance for the research objectives of this study.
2. In the case of high relevance, normally an approximately three page long portrait was compiled in order to provide a broad insight into the structures of the rating institution. In the event the authors of this study regarded a rating institution as of just emerging importance or an institution has been in a state of development, or being founded recently the description was limited to a compact one-page overview. The authors are aware of the problem that such a process of pre-selection is facing some shortcomings. Therefore it should be emphasized that the kind of presentation of a rating institution in this study does not mean any kind of evaluation by the authors.
3. This broad or compact introduction was followed by a cross-sectional evaluation specifying the rating system's structural characteristics, frequencies and clusters of the researched systems. Representatives of the identified clusters and more detailed descriptions of their individual evaluation models, underlying input indicators for sustainability/ CSR and the depiction of the rating results are additionally presented. The study closes with an outlook for further related research fields.

The CSR rating systems are distinguished into **three groups of institutions**: (1) inhouse research teams, (2) rating agencies, and (3) provider of securities indices. Based on these parameters, a comprehensive subset of **71 institutions** could be processed from the entire pool of rating institutions worldwide. In the Appendix those institutions are listed and described briefly. 59 of those institutions are explained in the following study, **22 in more detail** and **37 by a one page overview**.

The empirical study was conducted from **January to May 2006** and is in some parts an updated version of an earlier study which was carried out by the same authors in 2004. The study was based on analyses and evaluations of the available external and internal written material, web presence and extended interviews with key persons from each rating institution. The analysis was completed using a structured survey.

In the study relationships between individual institutions are carried out. Obviously two structures have been identified:

- The '**EIRIS-Network**': In the last years the UK-based **E**thical **I**nvestment **R**esearch **S**ervice (EIRIS) was successful in creating a network of other rating institutions to collaborate with. Besides divisions of labour in research activities EIRIS' partners operate as distribution channels for some of EIRIS 'plug-and-play-rating services', mainly its established 'Ethical Portfolio Manager' (EPM) and the latest innovation 'Convention Watch'. EIRIS' partners are as follows (as of May 2006): Avanzi SRI Research s.r.l. (Italy), Centre for Australian Ethical Research (Australia), Fundacion Ecologia y Desarrollo (Spain), imug – Institut für Markt-Umwelt-Gesellschaft (Germany), EthiFinance (France).

- The '**SiRi-Network**': On its website ([www.siricompany.com](http://www.siricompany.com)) the Sustainable Investment Research International Company (SiRi Company) states that it is running a network with partners consisting of the leading SRI research organisations in major financial markets. The aim of the alliance is to combine resources and knowledge to provide extensive and higher quality research and advisory services. The SiRi Company Network Partners consist of (as of May 2006): Analistas Internacionales en Sostenibilidad SA (Spanien), Avanzi SRI Research s.r.l. (Italy), Centre Info SA (Switzerland), Dutch Sustainability Research BV (The Netherlands), GES Investment Services AB (Sweden), Jantzi Research Inc. (Canada), KAYEMA investment research & analysis (Israel), KLD Research & Analytics (USA), PIRC – Pension & Investment Research Consultants Ltd. (UK), scoris GmbH (Germany), SIRI – Sustainable Investment Research Insitute Pty Ltd. (Australia). The integration of some of the fore mentioned partners into the rating methodology of the SiRi Company can be so intensive, that there remain no real differences or those institutions do not run a complete rating scheme (see the ones which have been underlined). In such cases we have neglected in the following a detailed explanation of the rating institution.

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## 2.6 Current developments

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As compared to an earlier survey on CSR ratings which were carried out by the Susfin-Team at the University of Stuttgart in 2004 (see Schäfer/Hauser-Ditz/Preller, 2004) the markets for CSR ratings show some pronounced **tendencies**:

- **Mergers & Acquisitions**
  - In 2005 **Innovest Strategic Advisors** acquired the non-solicited company ratings services of CoreRatings Ltd ('Investor Services'). The assets were purchased from DNV (Det Norske Veritas), a world leading provider of quality, environmental and social management systems certifications. DNV will keep the CoreRatings brand name and corporate services business including its corporate governance and corporate responsibility assessments and ratings.
  - As of December 2005, Stock at Stake has merged with its French equivalent, Vigeo, and some parts of ARESE SA. in order to create the **Vigeo Group**. Ethibel, the former owner of Stock at Stake, will now be the brand used to promote and market Vigeo's CSR related products. The Ethibel association will be converted into Forum Ethibel, a not-for-profit organization that will safeguard the continuity of criteria used to select companies qualifying for the Ethibel CSR label.
  - **CoreRatings Ltd.** sold its research unit 'Investor Services' to Innovest Strategic Advisors. CoreRatings than merged with Global Risk Management Services (GRM) and parts of ARESE SA.

- **Start-ups & Give-ups**

The markets for CSR ratings seem to be attractive for newcomers. In the last two years on a worldwide scale nine new rating organizations have started their business. It seems that the start-ups have been inspired by the demand of investors, because the majority of the new ratings institutions consist of stock market index providers. On the other hand some rating institutions

have given up their business and operations. Examples for ratings institutions that have stopped their former rating operations are the Danish Consumer Information Centre, the Swedish Ecobalance, the Swedish Humanix Ethical Index and the German Südwind Institut.

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## 2.7 Related areas to CSR ratings

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In the following institutions of CSR ratings are presented. The focus lies on those institutions that are operating with a combined analytical scheme integrating social, economic and ecologic criteria.

**Besides those CSR ratings** several systems or institutions can be identified which are operating with **comparable techniques** or with **similar objectives**. It can be summarized as follows.

- **Integrators:** Some institutions which are mainly addressing their services to capital markets are now also operating with schemes or issues similar to CSR ratings or are in a process of pondering how to cope with CSR ratings. The trend is twofold.
  - On the one hand side established **credit rating agencies** like Standard & Poor's are observing carefully tendencies in CSR rating (see Dallas, 2004). There might be a chance to enrich the traditional credit ratings by integrating such ingredients of CSR ratings that can help to get new insights in certain kinds of risk sources like environmental or systemic risks (see Klinke/Renn, 2002, WBCD, 2004). Besides capital market oriented credit ratings, bank internal credit rating schemes according to the supervisory guidelines for banks of the Basel II concordat can be enriched by integrating CSR related issues, e.g. environmentally risky business practices.
  - On the other hand **standard investment research**, and here mainly equity research is becoming aware of innovative attributes of CSR ratings. At the moment the most visible movement in that direction is the **Enhanced Analytics Initiative (EAI)**.<sup>13</sup> It was founded in 2004 and is an international collaboration between investors and asset managers aimed at encouraging a more sophisticated investment research. Organised as a network EAI seeks to address the absence of quality, long-term research which considers material **extra-financial issues** (EFI) and gives a commercial incentive to produce innovative and differentiated research. EAI members believe that there is strong evidence that good management of extra-financial performance or intangibles can generally reduce risk and may, in some circumstances, deliver added value. The EFI is undertaken with a criteria-based framework, which has been developed to assess research in a consistent and rule-based process produced in the six-months covered by each evaluation. Results for each research report are aggregated at the level of the research provider to identify the highest ranked organisations.

**Key criteria** of the EFI are: scope of extra-financial issues covered (coverage of relevant extra-financial issues), overall presentation and originality (includes an assessment of the user-friendliness, originality and transparency of research outputs),

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<sup>13</sup> The following is based on [www.enhancedanalytics.com](http://www.enhancedanalytics.com).



investment relevance of sector and issue analysis (thoroughness of top-down analysis; quantitative modelling of sector impacts; allocation to both long- and short-term horizons), comparative company analysis (analysis of EFI impacts on company-specific investment value drivers; integration into stock valuation; ranking of companies, integration of EFI analysis in stock recommendations), coverage of research universe (coverage of relevant sectors; coverage of global investor sectors).

- **Specialised securities indexes:** In the last three years some stock market indexes have been established which replicate certain stock sectors with references to environmental or social issues. One of such new indexes is the European Renewable Energy Index (ERIX), issued by the French bank Société Générale in collaboration with Stoxx Ltd. and the SAM Group. The index integrates stocks of companies operating in the fields of renewable energy and related issues.<sup>14</sup> Such indexes formed on special topics of the sustainable development paradigm exist also for other areas like water (e.g., Dow Jones US Water Index).
- **Standard Setting:** Institutions which create guidelines to analyse CSR strategies and policies of corporations play a major role in CSR rating schemes. Beyond their usage in CSR ratings many of those guidelines have been successful in gaining awareness of companies and their management. A frontrunning guideline is processed by the Global Reporting Initiative (GRI). With the beginning of 2006 the third generation of **GRI Guidelines** (the 'G3') has been presented to the CSR community as a draft and will be finalised in autumn 2006.<sup>15</sup> The G3 focuses on setting CSR reporting standards, definitions, indicators and CSR issues. Parallel to the GRI relaunch the International Organization for Standardization (ISO) has developed a new framework – the **ISO 26000** – to set guidelines for Social Responsibility. As ISO states on its website, 'the guidance standard will be published in 2008 as ISO 26000 and be voluntary to use. It will not include requirements and will thus not be a certification standard'. Among companies and stakeholders an intensive debate has been going on about the relevance and necessity of such an initiative.<sup>16</sup>
- **Company reports on CSR issues** have a strong link to CSR ratings. Usually they serve as sources for the desk research of rating institutions. Beside that usage in general stakeholders are the addressees of those reports. The reports can differ in their focus: Traditionally they have been developed as a source for a specific issue like environmental or social topics. Nowadays companies understand more and more that CSR and sustainability reporting requires an integration of economic, social and environmental issues. The publication of such **sustainability** or **CSR reports** has thus increased.
- **Stock exchange services** on CSR: Here the London Stock Exchange in cooperation with the British Social Investment Forum (UKSIF) has developed a Corporate Responsibility Reporting Tool, called Corporate Reporting Exchange (CRE). The CRE (Corporate Responsibility Exchange) is an online tool which should help companies to meet the demands of all major CSR rating systems, codes and fund managers in a single place.<sup>17</sup>

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<sup>14</sup> For further information see [www.sg-erix.de](http://www.sg-erix.de).

<sup>15</sup> For further information see [www.grig3.org/guidelines.html](http://www.grig3.org/guidelines.html).

<sup>16</sup> For further information see [www.iso.org/sr](http://www.iso.org/sr).

<sup>17</sup> For further information see [www.londonstockexchange.com/en-gb/products/irs/cre/](http://www.londonstockexchange.com/en-gb/products/irs/cre/).

### 3 Individual portraits of the CSR rating institutions

In the following approximately three pages long portraits are compiled in order to provide a broad insight into the structures of the individual CSR rating institution.

#### Inhouse research teams

One way to organize CSR ratings on an institutional scale is to establish inhouse research teams. This strategy has been chosen primarily by banks which offer mutual investment funds according to ethical, sustainable or similar investment styles. In analogy with rating the creditworthiness of a borrower, and the traditional securities analysis CSR ratings by banks can be described as evaluating the 'sustainability-worthiness'. The realm of CSR ratings represents an extraordinary activity by banks without any supervisory guidelines.

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#### 3.1 Allianz Global Investors (RCM, dit, AGF, BAWAG)/Grassroots

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*(Main sources: [www.allianz.com](http://www.allianz.com), [www.allianzglobalinvestors.com](http://www.allianzglobalinvestors.com), [www.dresdnerrcm.co.uk](http://www.dresdnerrcm.co.uk), [www.dit.de](http://www.dit.de), [www.agf.fr](http://www.agf.fr), [www.bawag-allianz-mvk.at](http://www.bawag-allianz-mvk.at))*

##### 3.1.1 Profile of the institution

###### Time of establishment and background

In 1998 the Allianz Group established **Allianz Asset Management** (AAM), which was called Allianz Dresdner Asset Management (ADAM) after the take over of the German privately held bank Dresdner Bank, by the Allianz Group in 2001. The merger between AAM and the asset management activities of Dresdner Bank formed ADAM. Finally in 2004 Allianz Dresdner Asset Management (ADAM) was re-branded into Allianz Global Investors (AllianzGI).

Companies that operate in the field of sustainable investments are consolidated in Allianz Global Investors. Among those companies are for instance RCM (United Kingdom), since 1970, dit (Germany) and AGM Asset Management (France). In 1955 the 'Deutsche Investment –Trust' (dit) was set up as a Dresdner Bank fund management subsidiary. Assurances Générales de France (AGF) is an insurance and asset investment group that was founded in Paris, France in 1818.

The Austrian based BAWAG Allianz Mitarbeitervorsorgekasse AG exists since 2002 and is a joint venture consisting of 50 percent of Allianz Elementar Versicherung-AG, 30 percent of the Bank für Arbeit und Wirtschaft AG in Vienna and 20 percent of the Austrian Postkasse AG.

Grassroots Research is the separate and proprietary research entity within RCM, which was founded in 1984. Grassroots' capability includes a global field force of over 300 in-house researchers worldwide. Its research capability is complemented by over 40,000 industry contacts worldwide.

### **Headquarter of the institution, size, geographical operating range**

Allianz GI's headquarter is in Munich, Germany. It has almost 30 operating entities in 18 countries. With about 1.243 trillion Euros of assets under management (as of 3<sup>rd</sup> quarter 2005), Allianz Global Investors is one of the top five asset management companies worldwide. It has access to more than 60 million clients around the world, according to their statements. AllianzGI has 4,250 employees, with 900 investment professionals among them.

#### **3.1.1.1 Activities in general**

Allianz Global Investors offers private and institutional investors products, covering all major equity and fixed income investment styles and providing balanced products as well as alternative investment solutions.

#### **3.1.1.2 Activities regarding CSR/Sustainability**

The **intensity of CSR related activities** varies amongst the different network partners: Allianz Group/Allianz GI/ dit as well as AGF show a broad variety of activities. These activities occur for instance in the area of employee responsibility, work and life balance, equal opportunity, charities and operational protection of the environment. The successful realization of these measures is externally acknowledged to Allianz GI for example because of the exception to every third sustainability fund, very good positioning in sustainability ratings from the rating organization SAM and oekom research AG (this applies to AGF as well). Allianz is also represented in three sustainability indices (Dow Jones Sustainability Index STOXX and World, FTSE4Good) (see Allianz 2003 and Allianz 2004).

### **3.1.2 Description of the rating system**

#### **3.1.2.1 Mission and vision**

For Allianz GI **sustainability** means that **economic growth**, as well as **social wealth** is to be developed by **maintaining** the **natural basis** of one's livelihood at the same time.

Sustainability is seen as an **integrative component** of the **entrepreneurial action** and is therefore to be designed as a long-term and optimized creation of value.

#### **3.1.2.2 Rating criteria and basic structure of the rating process**

Allianz GI's special sustainability research considers an **integrative approach** in which **economical as well as ecological and social criteria are weighted in a balanced proportion**. In order to be accepted to the investment universe of sustainable stocks, a company must achieve a minimum value in each of these areas. In cooperation with the United Nations Association Trust (UNA Trust) Allianz GI developed for this reason assessment criteria as well as exclusion criteria that are derived from the worldwide accepted United Nations and International Labor Organization (ILO) principles (see [www.ilo.org](http://www.ilo.org)). The **criteria** refer to the following **areas**: human rights and employee rights as well as

environmental responsibility, but also a very strict delimitation of critical production areas like armament, tobacco and pornography. In the end the assessment occurs by means of a **sustainability matrix**, which had been created in cooperation with UNA Trust. Allianz GI integrates detailed knowledge from more than 300 worldwide active so-called grassroots experts in their assessment process. As critical observers grassroots experts gather information on the spot. The in 1982 established network has a global field force of over 300 researchers worldwide, including approximately 80 reporters and approximately 235 field researchers. This research capability has strong global coverage and is complemented by over 40,000 industry contacts. They strive to identify a company's actual internal guidelines.

### **3.1.3 Standing of the rating system**

#### **3.1.3.1 Target group**

The realization of the assessment process and the Grassroots-research are mainly used for capital market oriented investment products as well as for the development and the management of Allianz-GI's own investment products.

#### **3.1.3.2 Position in the market**

The assessment can only take place due to the extent of the sustainability research in investment products. However the dissemination quote of the Allianz Corporation's research should not be underestimated due to its size and worldwide presence.

#### **3.1.3.3 Acceptance**

There is no utilizable information available to answer this aspect, for requests concerning this matter remained unanswered.

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## 3.2 Bank Sarasin & Co. Ltd.

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(Main source: [www.sarasin.ch](http://www.sarasin.ch))

### 3.2.1 Profile of the institution

#### 3.2.1.1 Time of establishment and background

Bank Sarasin & Co. Ltd. is a private Swiss bank. The original enterprise was founded in 1841. Since 1987 it was called Bank Sarasin & Co. until the bank converted into a limited company Bank in 2002. Since then they are referred to as Sarasin & Co. Ltd. In 2004 the Dutch based Rabobank took a stake of 28% at Bank Sarasin & Co. Ltd.

#### 3.2.1.2 Headquarter of the institution, size, geographical operating range

The bank's headquarter is located in Basel, Switzerland. There are offices in Europe and Asia. Altogether the work force amounted to 1,132 employees at the end of the first half year of 2005. At the same time the total assets managed for clients was 57.8 billion CHF (converted into EUR: 37.3 billion EUR).

#### 3.2.1.3 Activities in general

The core activities of the Bank Sarasin include **investment advisory** and **asset management** services for private and institutional clients, as well as the management of mutual funds. Its complementary services extend to corporate finance, brokerage and financial analysis.

#### 3.2.1.4 Activities regarding CSR/Sustainability

Since 1989 the Bank Sarasin has been offering an **environmental analysis of companies** and since 1991 **asset management** has been also based on **ecological and social** criteria. In 1994 the Bank Sarasin launched the **world's first investment fund** based on the concept of **eco-efficiency** and started to **include social factors** in their sustainability rating in 1997.

In 2000 Bank Sarasin decided to give Sustainability Research its own portfolio management branch, resulting in a separate strategic business unit 'Sarasin Sustainable Investment'. The team comprises 17 employees in all, with eight pure sustainability analysts. The team examines branches, companies and issuers of public bonds (i.e., international organizations and countries) for sustainability and develops and/or manages as well in-house and external investment products with sustainability attributes.

### 3.2.2 Description of the rating system

#### 3.2.2.1 Mission and vision

Sarasin bases its work on the principle of Sustainable Development and orients itself at the intra- and intergenerative justice according to the sustainability principles, as it was formulated in the Brundtland Report of 1987 (see also Bank Sarasin, 2003).

According to Sarasin's maxim 'lower risks equals higher sustainability' they understand **Sustainable Development** as a **prevention of non-sustainability**. Furthermore, Sarasin postulates that the reduction of environmental and social risks must lead to a growth of the financial business success. Sarasin also considers the fact, that **sustainability** as an **ethical concept** can be understood differently amongst several people. Because of that, only indicators that are objectively measurable are provided for a sustainability assessment. Each and every investor then has to make his or her own investment decision in terms of 'sustainable corporations', according to a personal and subjective moral concept.

#### 3.2.2.2 Rating criteria and basic structure of the rating process

The environmental and social analysis of the Bank Sarasin always applies to the companies and their industry. The sustainability concept of the bank is in this respect a combination of best in class and best of class approach. That leads to a differentiation of the analysis into relative and absolute sustainability:

- **Absolute sustainability:** The basis for the sustainability measurement of an industry is the conceptual idea, that 'non-sustainability' can be measured by risks and social costs. Information is given by relevant and in science and practice proven parameters, with which unfavorable influences for the stability of the environment, society and economy are captured and quantified. The lower the risks and therefore also the social costs are, that derive from the companies of this industry altogether, the higher the sustainability in this industry and therefore its assessable charitable-economical value.

The measure for the industry rating consists of all the relevant environmental and social risks, which corresponds with the sustainability oriented **lifecycle concepts of products** of a single industry developed by Sarasin (e.g., consumption of resources, work place security).

- **Relative sustainability:** According to Sarasin's concept, a company's sustainability is determined by analyzing how the company deals with **sectoral trends** concerning environmental and social risks, as well as environmental and social **chances in comparison to** the most important **competitors**.

The assessment of the ecological risks is based on the analysis of **achieved eco-efficiency**. This means that corporate sustainability is not only restricted to eco-friendly products. Companies whose production is especially eco-efficient compared to their industry can also contribute to the environment and society and serve as benchmark for other companies (**sustainability leadership approach**).

The assessment and the analysis of the company's social risks take place by using the stakeholder concept. Thus the quality of the company's relationship with its stakeholders is analyzed whilst establishing, maintaining and ending that relationship.

The respective result of the social and environmental analysis is then graphically presented with a sustainability matrix.

### **3.2.3 Standing of the rating system**

#### **3.2.3.1 Target group**

Sarasin's sustainability analysis focuses exclusively on the capital market. It serves for management with sustainability orientation in in-house sustainable mutual funds (for private investors) and special funds (for institutional investors). For this, more than 700 companies have been examined until May 2004. Further the sustainability-analysis is offered also externally, mainly for the fund management of capital investment companies (e.g., the German Union Investment-Group, Frankfurt).

#### **3.2.3.2 Position in the market**

Bank Sarasin is, according to their own information, the leading provider in the area of sustainable investments in continental Europe. In 2005 about 37.3 billion Euros were managed; the total amount of money being managed on the account of social-ecological criteria added up to about 1.9 billion Euros in January 2006.

Currently 14 external sustainability oriented mutual funds use the Sarasin-concept. The reason for the high dissemination of Sarasin's approach and methodology in the German speaking area is mainly because of the development and support of special funds (with a total volume of almost 1 billion Euro) for very big institutional investors from the areas of insurance, banking and churches in Switzerland and Germany.

#### **3.2.3.3 Acceptance**

All the analyzed companies are informed by Sarasin about the outcome of their rating and receive a written company assessment with the most important results of the sustainability research. This is supposed to give the companies the opportunity to make a statement and eventually hand in further information that could change the sustainability rating. This feedback possibility is used increasingly.

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**3.3 BHF-BANK AG**

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*(Main source: [www.bhf-bank.com](http://www.bhf-bank.com))*

**3.3.1 Profile of the institution****3.3.1.1 Time of establishment and background**

The German BHF-BANK was formed in 1970 from the merger of Frankfurter Bank and Berliner Handels-Gesellschaft, founded in 1854 and 1856 respectively. Between 1999 and 2004 the BHF-Bank was part of the Dutch ING Group and operated as ING BHF-Bank. With the beginning of 2005 most of the banking units (asset management, private banking, financial markets and core corporate banking businesses) were sold to the German privately held bank Sal. Oppenheim jr. & Cie. Today the BHF-BANK AG operates as a bank independently of its majority owner.

**3.3.1.2 Headquarter of the institution, size, geographical operating range**

The BHF-BANK's head office is in Frankfurt am Main, Germany. There are eleven offices and subsidiaries throughout Germany. In 2005 the workforce of the BHF-Bank consists of 1,800 employees.

**3.3.1.3 Activities in general**

The bank's activities are focused on asset management & financial services, financial markets & corporates and private banking.

**3.3.1.4 Activities regarding CSR/Sustainability**

In 2001 the **Non-Financial Indicator** (NFI) was created to offer services in the field of asset management and consulting to their sustainability oriented clients.<sup>18</sup> The NFI gives a review concerning the sustainability of more than 800 listed companies (500 US and 300 European companies) in reference to the Standard & Poor's Index and the FTSE Top 300. The in 1999 founded BHF-Bank-foundation is among other things engaged in the fight against child labour and youth employment and also supports research projects with a social background.

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<sup>18</sup> For further information see [http://www.ing.com/ing/downloads/iis\\_2002\\_eng.pdf](http://www.ing.com/ing/downloads/iis_2002_eng.pdf)) and <http://www.boersenzeitung.com/online/redaktion/aktuell/bz052039.htm>.



### 3.3.2 Description of the rating system

#### 3.3.2.1 Mission and vision

According to the BHF-Bank the backing for sustainability oriented investments lies in the context of **responsible handling of economical, social and ecological resources** as well as a long-term growth of shareholder values. It is particularly stated, that a sustainable capable management can reduce environment risks and increase the company's reputation.

#### 3.3.2.2 Rating criteria and basic structure of the rating process

The NFI assesses the extent of the quality of sustainability reporting and sustainability management in social and ecological areas that are sector specific for each company. Basically the NFI is based on a list of **social and ecological positive criteria**. Their fulfillment is assessed on a scale **from 'double plus' to 'single minus'**, which is comparable to financial ratings. According to this system a company can be regarded as sustainable, if it receives for an assessment area concerning sustainability aspects a 'single plus' (+) or a 'double plus' (++). This information is then combined with the traditional economical securities analysis. An individual interview then takes place with the clients where it is settled how strong the single sustainability criteria are to be weighted. In addition to the NFI positive criteria, a negative-screening can also take place. Each client can choose individual criteria from a pool of 23 very critically seen company activities.

### 3.3.3 Standing of the rating system

#### 3.3.3.1 Target group

The NFI is clearly capital market oriented. It is offered to private investors for their investments as well as to other credit institutions for their asset management.

#### 3.3.3.2 Position in the market

An estimation can only be made concerning the dissemination of the index in sustainability portfolios. In 2002 more than 354 billion Euros were invested on the basis of social and ecological criteria by the ING Group. Actual data are not available.

#### 3.3.3.3 Acceptance

Relevant information concerning this aspect was not available.

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## 3.4 UBS, Union Bank of Switzerland

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*(Main source: [www.ubs.com](http://www.ubs.com))*

### 3.4.1 Profile of the institution

#### 3.4.1.1 Time of establishment and background

At the very beginning the bank was first called Swiss Banking Association. In 1921 the name was then changed into Union Bank of Switzerland (UBS). After the merger of CBS (Swiss Bank Corporation) and UBS in 1997, UBS AG was created.

#### 3.4.1.2 Headquarter of the institution, size, geographical operating range

The head offices of UBS are located in Zurich and Basel, Switzerland. Furthermore UBS has an extensive global network of about 180 offices in more than 50 countries with nearly 70,000 employees (full time equivalents, data: end of 2005). UBS is one of the world's leading financial firms, as well as **one of the world's leading wealth management entities**. UBS is also globally operating investment banking and securities firm, a leading asset manager and the market leader in Swiss retail and commercial banking. The total assets under management added up to 2,652 billion Euros in 2005. The Socially Responsible Investment team comprises six employees and is supported by external experts. The independent academic board of experts consists of the consulting firm Ecos AG, the Japan Research Institute (JRI) and specialist rating agencies.

#### 3.4.1.3 Activities in general

UBS is a universal bank divided into four divisions: Global Wealth Management & Business Banking, Investment Bank, Global Asset Management and Corporate Centre, which integrates the UBS group of companies.

#### 3.4.1.4 Activities CSR/Sustainability

USB's commitment to environmental protection began already in the late 1970s. Then in 1992 UBS was one **of the first banks that signed the UNEP Statement** by Financial Institutions and acted as a dedicated member of the steering committee for the UNEP-Initiative. The signing of the 'Charter for Sustainable Development' of the International Chamber of Commerce ICC, and the office for ecological analysis followed that year as well. Until 1996 the first environmental report was accomplished and the consideration of environmental risks concerning the credit check of Swiss business customers was implemented. Furthermore an acquisition guideline concerning office ecology and a specialized unit for the training of employees concerning environmental issues was installed. 1996 was also the beginning of USB's ecological stock analysis in the field of investment advisory. In 1999 the constantly adjusted and revised **UBS's environmental management system** was **certified by ISO 14001** for international norms for environmental management. UBS was therefore the

first bank to receive this certification worldwide. In a number of external assessments (Dow Jones Sustainability Group Index, oekom research, Index of Corporate Environmental Engagement from the 'Business in the Environment') UBS was seen as a leading institution in the financial service sector regarding the environmental system, products and services as well as environmental data. Besides UBS's commitment in various Swiss and international environmental management organizations UBS supports two sustainability oriented social and cultural foundations.

Since 1996 UBS has also been offering financial products which meet SRI criteria. At the end of 2004 UBS **signed the Transparency Guidelines for SRI Retail Funds** issued by the European Social Investment Forum (Eurosif, see for further information [www.eurosif.info](http://www.eurosif.info)).

### 3.4.2 Description of the rating system

#### 3.4.2.1 Mission and vision

The basis of UBS's sustainability analysis is the **principle of the eco-efficiency** in terms of the World Business Council on Sustainable Development (WBCSD). Here UBS adapted the **concept** respectively '**Factor 10**' of the Club of Rome '**Factor 4**' for the design of eco-efficiency.

This concept postulates that the current and future wealth of a nation can be achieved by using only one fourth or one tenth of its resources. UBS's **sustainability concept** creates **microeconomic levels** from this original **macroeconomic approach**. This is accomplished by analyzing certain ecological and social strengths and weaknesses in order to identify minimized or avoided risks and costs. Also analyzed are chances for innovative processes, products and strategies. The sustainability philosophy of UBS seems to be to try to identify successful corporations as an investment whilst considering risk and returns principles on the one hand and on the other hand to fulfill the sustainability preferences of their investors simultaneously.

#### 3.4.2.2 Rating criteria and basic structure of the rating process

According to UBS's understanding the principles of eco-efficiency are used in UBS's analysis of the corporation in the form of a two-cluster-approach:

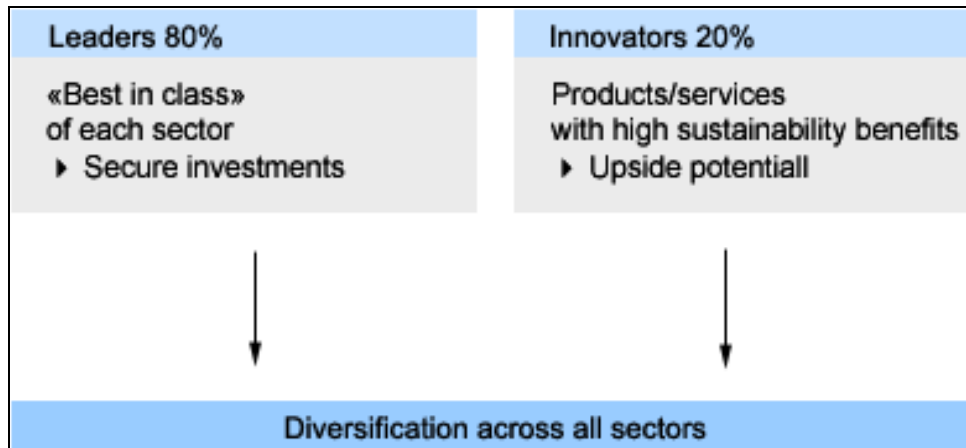
- The **highest leverage effect** is expected from exemplary ecological and social **large-scale enterprises** concerning sustainability in individual companies, sectors, as well as the overall economy (so called '**leaders**'). These enterprises are singled out from the entire investment universe by using the **best in class approach**.
- Complementary to this, the sustainability approach of UBS is based on the force of innovations and inventions of **small and medium sized trend-setting companies** that offer products and services with a high environmental and social value next to high innovative potential and growth prospects (so called '**innovators**').

In the UBS-assessment model sustainability is specified with an environmental and social analysis.

- The **environmental analysis** examines how the strategy, the process, and the products of a company affect the company's financial success as well as the environment and in what way they contribute to society and their employees. For these **seven specific qualitative** as well as **quantitative criteria areas are investigated**: environmental politics and environmental strategy,

environmental costs and savings, environmental management, environmental communication, process strategies, quantitative environmental data (input und output), product strategies.

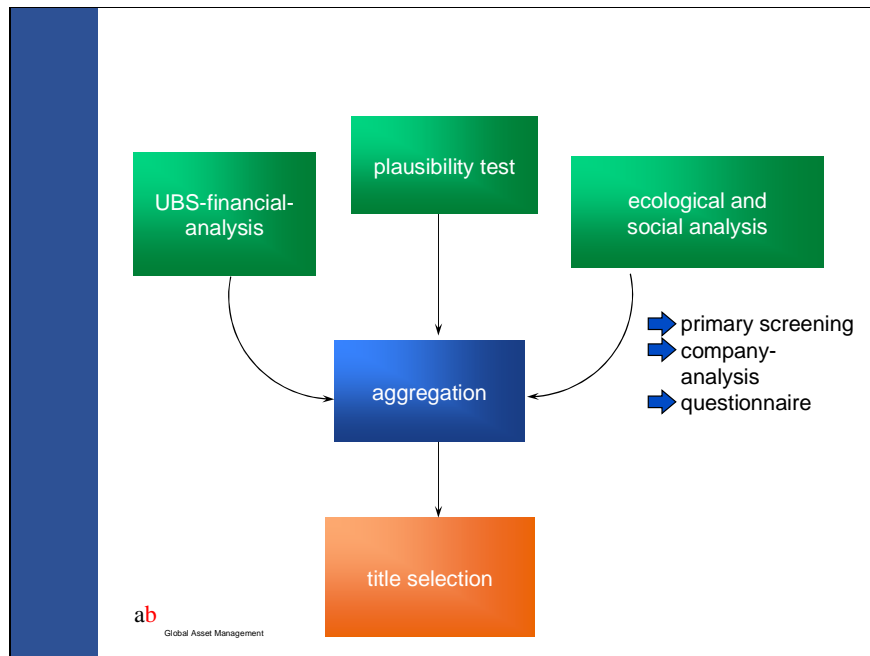
- Originally, UBS's sustainability approach used to be specialized by applying environmental criteria. But since 2000 social criteria are also being considered. The **social analysis** is generally dedicated to the management system, the existence and quality of the social policy. This is accomplished by using the specific UBS **stakeholder concept**. Some selected criteria are public commitment and donation behavior towards developing countries and the relationship to and interaction with small investors and NGOs.



**Fig. 9: Outcome of UBS's CSR rating system**

An analyzed company can achieve a maximum of 100 points in the ecological and social analysis. The weighting of the single areas depends on the possible impact of the sector. The assessment is done block by block (i.e., employee support and involvement) and is also subdivided into several criteria (i.e. percentage of women in senior management, zero points for zero percent, four points up to ten percent, six points up to 25 percent, ten points for more than 25 percent).

At the same time the company's stocks are analyzed in a traditional financial analysis worked out by UBS experts parallel to the ecological and social company analysis. After the sustainability assessment passes through the plausibility examination and companies passed the financial analysis, the cycle of stock picking is completed for the **respective sustainability-bond portfolio** (see **Fehler! Verweisquelle konnte nicht gefunden werden.**).



**Fig. 10: UBS's closed loop**

Ecos.ch AG, a business consultancy from Basel, then validates the ecological and social company analysis with a plausibility check.

Furthermore UBS's Responsibility Funds do not invest in the arms industry or tobacco, nor in companies involved in gambling, nuclear energy or genetic engineering in agriculture. According to UBS these activities are not only controversial from an ethical perspective, but also entail significant environmental and social risks.

### 3.4.3 Standing of the rating system

#### 3.4.3.1 Target group

UBS's sustainability analyses are primarily capital market oriented. They are mainly used for UBS's own internal management of mutual and special funds. This rating concept so far has been used for the determination of about 2,500 international companies (i.e., stocks from the MSCI-stock market index).

#### 3.4.3.2 Position in the market

The standing in the market and the dissemination of UBS's sustainability research is solely dependent on its implementation in their own SRI-Funds. UBS's market share concerning SRI-funds added up to 15 percent in Switzerland in 2005. Moreover UBS manages various funds in cooperation with other foreign banks in Austria, Italy and Japan. In total UBS managed more than 1,426 billion Euros from which social responsible Investments added up to 38.75 billion Euros (this is equivalent to 2.68%).

#### **3.4.3.3 Acceptance**

The growing acceptance of UBS's sustainability research in companies is according to UBS based on the increasing interest of the capital markets in SRI. Although the 'fatigue of questionnaires' of a growing number of companies due to too many requests was rising at the same time. Because of this development UBS is trying to generate specific information from companies that have not yet been listed. The acceptance amongst American companies is believed to be not as distinctive as in the European region or in Japan, where UBS collaborates with an external partner.

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## 3.5 Züricher Kantonalbank

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(Main source: [www.zkb.ch](http://www.zkb.ch))<sup>19</sup>

### 3.5.1 Profile of the institution

#### 3.5.1.1 Time of establishment and background

The Züricher Kantonalbank (ZKB) was founded by the Swiss state in 1870. As an independent institution incorporated under public law in the canton of Zurich, its activities are protected by a legal guarantee of the Swiss government. Until this day also ZKB's equity is funded by the state.

#### 3.5.1.2 Headquarter of the institution, size, geographical operating range

ZKB's headquarter is located in Zurich, Switzerland. With more than 110 offices in the canton of Zurich, ZKB is the largest so-called 'cantonal bank' and the third largest Bank of Switzerland. The workforce adjusted for part-time working amounted to 4,199 employees at the end of the first half year 2005. At the same time the total client deposits added up to 124.3 billion CHF (converted into EUR: 80.3 billion EUR).

#### 3.5.1.3 Activities in general

The ZKB describes itself as a **universal bank**. But in contrast to a private bank and its goal of profit maximization the ZKB indeed strives to generate a **reasonable profit to ensure its long-term existence to take on economic and social responsibility**. The bank also focuses its own business on a socially and ecologically sustainable development in order to offer innovative services in this context.

#### 3.5.1.4 Activities regarding CSR/Sustainability

Because of the assignment of **render services ZKB is by law obligated** to commit itself **to the cantonal and local economy, society, customers and employees as well as to the environment**. This means for example in the social sector the granting of initial aid to young companies and also the promotion of social and cultural facilities, which occurs on a regular basis. Micro-financing for instance is operated by small low-interest loans. ZKB committed itself in their environmental model to act as a benchmark on various levels i.e., the consequential and sustainable decrease of their own energy and resource consumption (since December of 2002 existence of ISO 14001 certification of environmental and sustainability reports; since 2003 integration of sustainability in the publication of the bank's financial analysis) or the promotion of ecological issues with low-interest loans. Previous to this in

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<sup>19</sup> Further information regarding ZKB has been collected from [http://www.sustainable-investment.org/research/zkb\\_print.html](http://www.sustainable-investment.org/research/zkb_print.html) in addition to ZKB's homepage.

1995, binding targets were laid down in the bank's environmental guiding principles, and the UNEP Declaration by Banks on the 'Environment and Sustainable Development' was signed. In December 2001 the ZKB has underscored their importance through integrating the environment and sustainability in its new guiding principles.

Since 1996, ZKB's research department includes an environmental and social research team, which analyses and rates equities and debtors according to environmental and social criteria. Since 1996 ZKB has also established a special analysis team consisting of five employees in its SRI sector.

### 3.5.2 Description of the rating system

#### 3.5.2.1 Mission and vision

ZKB understands **Sustainable Development** as one of the key components for **enhancing corporate value in the long run**. The bank phrases its value based concept by using a combination of negative and positive criteria referring to the Sustainability Development approach.

#### 3.5.2.2 Rating criteria and basic structure of the rating process

The basis of the evaluation process is a set of exclusion criteria which are adjusted to meet the requirements of the client. They are also used to tailor customer specific investment products.

The analysis of companies focuses primarily on the identification of sector leaders in economic terms. Sector leaders are companies that are far ahead of their competitors within the sector regarding sustainability. There are **around 130 criteria in six areas** that are assessed within the scope of the **sector leader analysis**:

- **company policy** (sustainable corporate management in the company policy and strategy, Corporate Governance guidelines, membership in organizations, environmental and social reporting)
- **management systems** (structure of environmental management systems, audit programmes, management of social issues, training)
- **environmental performance** (trends in energy consumption, emissions, waste volumes, etc., contaminated sites, objectives)
- **product development** (guidelines on design for environment, implementation of life cycle analyses, product take back and recycling, environmental and social labels)
- **employee conditions** (working conditions e.g. wages, job security, etc., supportive measures for family and women, trend in employee satisfaction, illness and accidents)
- **stakeholder dialogue** (dialogue with stakeholders e.g. authorities, NGOs, etc., standards for suppliers, good relations with customers, regulations governing business ethics).

The particular sustainability criteria **weightings are adjusted with respect to the particular industry** in which a firm operates.

The identification of companies as **sustainability innovators** is of minor importance. Innovators are according to ZKB's definition small- and medium-sized companies that manufacture products which



make a substantial contribution to resolve environmental or social problems (e.g. manufacturing of solar cells, or production of organic food).

ZKB has defined five areas of activity for the selection of innovators: **energy, resources, food/consumption, mobility and services.**

The ZKB analysis uses all relevant publications, such as environmental, social and company reports. Additional information by means of questionnaires and direct dialogue is acquired. Other sources of information include the reports and databases of specialized research providers in the US and Japan. Media databases are used which cover more than 8,000 sources and allow very specific searches. The acquisition of information is completed through contacts with nongovernmental organizations such as environmental protection groups and trade unions.

Three sectors are to be distinguished: 'employees', 'business ethics' and 'environment'. A company's sustainability is determined after it has passed the above mentioned analysis of social and environmental issues and the financial analysis.

The results for the sustainable companies are presented in the form of the so-called sustainability survey which consists of the **sustainability rating** (from C to AAA), the **sustainability profile** (a bar diagram that is compared to the possible maximum for the six sub areas) and a one and a half pages long description of the six sub areas with regard to the analyzed company.

### **3.5.3 Standing of the rating system**

#### **3.5.3.1 Target group**

The sustainability analysis is solely addressed to the capital markets and mainly serves for the structuring of ZKB's internal development of fund products. Since 2003 it is also offered to third parties for various investment and pension products of other banks, investment companies and foundations.

#### **3.5.3.2 Position in the market**

The managed assets of ZKB's customers added up to 124 billion EUR by June of 2005. The environmental and social research also supervised sustainable investment products in portfolios which amounted 0.5 billion EUR. 150 million Euros are managed in ZKB's sustainability investment depots (equals 0.2% of the total assets managed by ZKB). According to ZKB'S own information ZKB's SRI funds and other investor groups – advised by their environmental and social research – achieved the third largest volume.

#### **3.5.3.3 Acceptance**

According to ZKB's data there are no statistics available in regards to the number of replies by contacted companies. This has to do with the fact that information is no longer requested with mass addressing. To clarify indecisiveness and to generate further data ZKB has a responding quote of 50%. ZKB receives more responding from European than from US or Japanese companies. In most

cases the companies in exchange for their data delivery receive a short sustainability report after the examination is completed. According to ZKB's reports the reactions are mainly positive.

### Rating agencies

While the international market for financial rating services is oligopolised by two (Standard & Poor's and Moody's) maybe three (adding Fitch IBCA) rating agencies, the structure of the market for sustainability ratings is in comparison both nationally and internationally less concentrated. It can be characterized by a vivid and innovative class of intermediaries offering specialized information services. Those institutions operate either as for-profit or not-for-profit entities. The development of that market segment was initiated by activities of entities with close ties to NGOs. Nowadays CSR rating activities are more and more understood as an emerging market which attracts an increasing number of well established intermediaries from capital markets and other areas.

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## 3.6 Business in the Community (BITC)

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*(Main source: [www.bitc.org.uk](http://www.bitc.org.uk))*

### 3.6.1 Profile of the institution

#### 3.6.1.1 Time of establishment and background

In 1982, Business in the Community (BITC) was founded as a network to foster the social engagements of companies. With the background of continuously high unemployment rates and increasing violence in conurbations, British **companies started to engage themselves in their local surrounding** by sponsoring sport and culture projects. However from the initiators point of view, in those times the social engagement of British companies seemed, just at the beginning compared to the development to the USA. BITC was supposed to support, link and develop the different single activities of British companies. From the beginning, they strived for partnerships between enterprises, the government, local authorities and the labor unions.

#### 3.6.1.2 Headquarter of the institution, size, geographical operating range

In its more than **twenty-year-old** existence BITC evolved into the largest business led charity of Great Britain. The commitment of the Prince of Wales, under whose patronage the organization is since 1987, had a relevant portion of it. With a current membership of over 750 companies, including 71 of the British stock market index FTSE 100 and 82 percent of the FTSE's UK leading companies in their sector, together BITC members employ 12.4 million people in over 200 countries worldwide.

BITC's head office is located in London, Great Britain. In addition there are eleven regional offices across Great Britain and Northern Ireland including one office in Edinburgh, Scotland plus one office in Dublin, Republic of Ireland. Working with its sister organization, the International Business Leaders Forum and as the UK partner for CSR Europe, BITC operates through a local network of more than 100 business led partnerships and a network of 60 global partners. The organization itself employs nearly 400 people.

### 3.6.1.3 Activities in general

BITC has a wide range of activities, such as the coordination of local projects, the exchange and publication of best practice examples, also company competitions and award ceremonies.

### 3.6.1.4 Activities regarding CSR/Sustainability

BITC's has originally focused on community related projects. The focus, however, was then expanded by environmental aspects to receive an approximate version of the stakeholder perspective, which is expressed by the **Corporate Responsibility Index (CR-Index)**.

The idea of the CR-Index was first envisaged when Business in the Community's 'Winning with Integrity' Report in November 2000 was launched. In addition BITC's attitudinal survey of investors and fund managers in May 2001 ('Investing in the Future') also identified the need for reliable, standardized information that would enable a company's performance to be compared with its peers. BITC felt that an index would certainly help to meet this requirement.

Because BITC had already gathered knowledge due to its **environmental index 'Business in the Environment'** (BiE) it was obvious for it to establish a new and more broadened index.

Finally market researches of BITC identified a gap for a business led, voluntary and inclusive management tool. It has been stated by BITC that there is no authoritative, voluntary, CSR initiative that is business led and engages with companies from all sectors, publicly ranking their CSR activity, whilst consolidating information demands made on companies (BITC, 2005).

The first Corporate Responsibility Index was published in March 2003. Until today it provides companies with a systematic approach to manage measure and report upon the various impacts that companies have upon society and the environment. The index serves also as a mechanism through which they can compare their management processes and performance against those of other companies within the sector.

## 3.6.2 Description of the rating system

### 3.6.2.1 Mission and vision

According to BITC they have identified five principles that form the heart of their strategy and the commitment to action that represents membership of Business in the Community: integrity, inspiration, integration, innovation, impact. Their purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

Even though it is not explicitly stated, a lot of hints can be identified that characterize this approach as being based on **a stakeholder model**.

The Index enables companies to assess the extent to which a social and environmental corporate strategy is integrated into the management system and what kind of results are to be expected because of that.

### 3.6.2.2 Rating criteria and basic structure of the rating process

The Index is based on a framework that BITC developed with businesses through a series of consultations and workshops with over 80 companies and participation with a number of other stakeholders, in 2002. Following the launch of the first year's results in March 2003, BITC continued this process throughout 2003. During that time they engaged with representatives from over 110 companies and made a number of modifications to the survey.

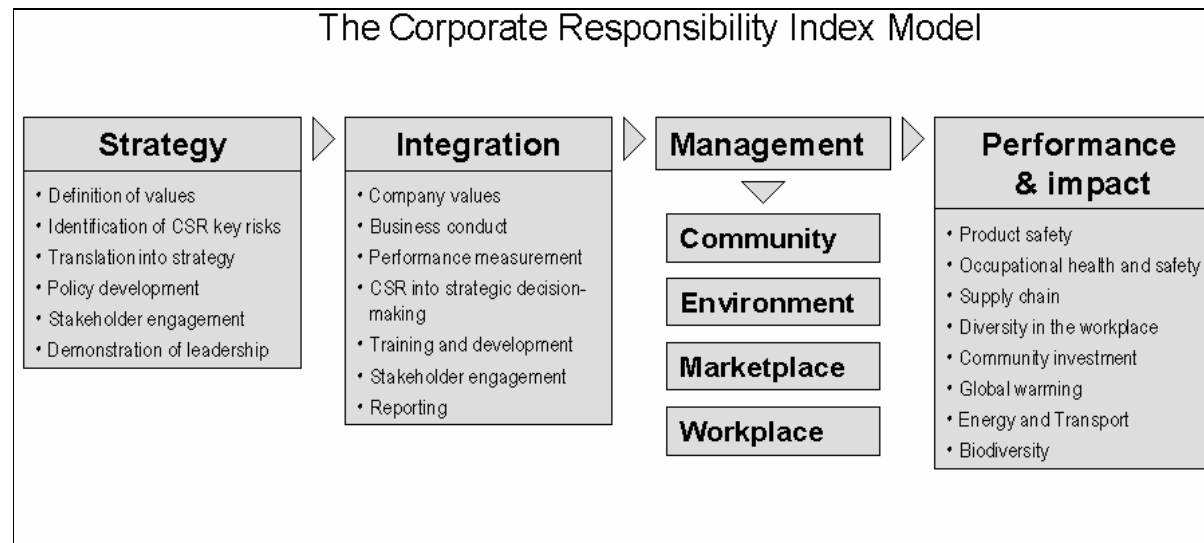
The **CR-Index is based on the methodology of the BiE index** and its successor the 'Environmental Index' (launched in 1996). The CR-Index fully incorporates the BiE Index and Environmental Index. By completing the CR-Index the recipient receives a detailed feedback, one concerning the environment and another on the entire CR agenda.

The CR-Index assessment model is process oriented and is therefore **similar to quality management models**, e.g. the 'European Foundation for Quality Management' (EFQM) (see for further details [www.efqm.org](http://www.efqm.org)). A separate examination, concerning the different phases in the CSR management cycle, follows.

It starts with the examination of the development of a corporate responsibility strategy, is followed by the integration of this strategy into the business, the management of corporate responsibility within the organization and is finally finished by the performance in a range of social and environmental impact areas.

The index is thought to enable companies to assess the extent to which their corporate strategy is integrated into responsible business practices throughout the whole organization.

It intends to provide a benchmark for companies to compare their management practice across the four areas of community, environment, marketplace and workplace, as well as their performance in a range of environmental and social impact areas, which are material for the business.



**Fig. 11: Structure of BITC's CR-Index**

(Source: Business in the Community, 2003, Corporate Responsibility Index 2002)

The model provides **five social impact areas** (product safety, health and safety at the working place, supplier relations, equal opportunities, community investment). The three areas which are the most relevant to the company have to be assessed. Additionally, companies are asked to select **two core environmental performance areas** of global warming (or energy/transport) and solid waste, plus two **additional performance areas** (which could include biodiversity).

The strategy section of the index represents 10% of the overall score, integration and management receives 22.5%, and the performance and impact section receives 35% (equally split between environment and social). The final 10% of marks are awarded for the level of assurance (5%) provided by participants and their willingness to disclose certain information relating to their survey submission (5%).

The assessment is based on data that the company gathers. BITC has strict guidelines for the answering of the questionnaires and supports companies with preparation workshops that help to process the information for the index. Further reliability is to be achieved by the signature of one of the company's board members. Moreover, in the second index, 20% of the candidates are examined on the spot.

### 3.6.3 Standing of the rating system

#### 3.6.3.1 Target group

The CR-Index is primarily **management oriented**. But it is also open to certain stakeholder groups. On the one hand the index serves assessed companies to compare their social and environmental performance with their competitors. This was the overriding objective when the index was created. The participating companies receive confidential feedback reports, which show the relative positioning of them by using a strengths/weaknesses analysis. On the other hand the index lets the participating companies demonstrate their CSR-performance and their CSR-transparency to the critical public and can therefore increase their reputation as well. The index also explicitly offers CSR-information for capital market participants. As there are no index licenses sold, it is hard to tell whether the importance of the capital market aspects is actually significant. A utilization of the CR-index in the area of sustainable investments has not yet been reported of.

#### 3.6.3.2 Position in the market

Companies with a high market capitalization (so-called '**Big Caps**') are the **major participants** of the index. In this field a lot of experience exists concerning CSR-management. Companies that are **listed on the stock exchange** and belong to the **top stock market indices** have been rated by various rating agencies for many years and receive because of that, sustainability assessments. A further restriction to the sphere of activities is given by the index's leverage effect with regard to competition. Especially advanced companies are encouraged to participate because of this. Only they will have reasonable expectations to achieve one of the first positions, in the ranking. A possible position amongst the lower ranking participants will probably be more deterrent. In two areas the index

therefore has hardly any effects: non listed companies and companies that have a CSR-performance that is below average or companies that just started to deal with this issue.

The potential of the CR-index is probably very similar to the potential of the BIE-index. In 2004, more than 178 companies participated in the 'Environment Index'.

### **3.6.3.3 Acceptance**

Whilst higher ranked companies praised their positioning on internet pages and in reports, lower ranked companies reacted very differently. Some companies announced measures to improve their performances; others attacked the methodology of the index. Especially companies from the media sector were not satisfied with the rating. To them the index did not reflect their core business enough (see Baker, 2003). Methodical critic, concerning the reliability of the self-assessment, was also expressed.

To address these concerns, BITC announced that 20 percent of the candidates of the second CR-Index are to be audited externally.

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**3.7 Calvert Group, Ltd.**

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*(Main source: [www.calvert.com](http://www.calvert.com))*

**3.7.1 Profile of the institution****3.7.1.1 Time of establishment and background**

Founded in 1976 in Washington, D.C., Government Securities Management Company (GSMC) offered the First Variable Rate Fund for Government Income (now known as Calvert First Government Money Market Fund). This **innovative mutual fund** combined short-term fixed interest rate securities with long-term floating interest rate securities, thereby providing attractive yields and safety to investors.

In **1981**, GSMC was **renamed into Calvert Group** after the Washington, D.C. Street where its original offices were located. Calvert Group, Ltd. is the holding company for Calvert's operating and management companies, including Calvert Asset Management Company, Inc. (advisor and manager for the funds), Calvert Shareholder Services, Inc. (shareholder servicing agent for the funds), Calvert Administrative Services Company, Inc. (accounting, legal and other administrative services for the Calvert family of funds), Calvert Distributors, Inc. (principal underwriter/ distributor for the Calvert family of funds).

Beside its tax-optimized investment fund products the company offers also **ethical funds**. In 1982, the company introduced its first ethical fund the Calvert Social Investment Fund. Further investment funds with different investment styles followed.

Calvert Group is one of the pioneers introducing a new type of investment behavior based on certain ethical principles (e.g., the consideration of certain activities of South African companies in the times of apartheid as exclusion criteria, the initiation of community based investing and shareholder activism).

**Calvert Group, Ltd. was taken over by Acacia Life Insurance** Company and is today part of Ameritas Acacia Mutual Holding.

In April **2000** Calvert Group initiated the **Calvert Social Index**. The index analysis is based on the 1,000 largest companies in the US, representing stocks listed on the New York Stock Exchange (NYSE) and NASDAQ-AMEX (not including closed-end mutual funds, ADRs, REITS and non-common shares) which then are analyzed according to the criteria of the Calvert Group.

The index mainly helped positioning the Calvert Social Index Fund as a passively managed index fund in June 2000.

**3.7.1.2 Headquarter of the institution, size, geographical operating range**

Calvert Group is headquartered in Bethesda (Maryland), USA and has a workforce of 181 employees. Calvert's fund products cover national as well as international companies.

**3.7.1.3 Activities in general**

Calvert Group is a capital investment company specialized on ethical and tax-optimized investment products.



### 3.7.1.4 Activities regarding CSR/Sustainability

Financial and social (including environmental) analysis are essential components of **Calvert's investment strategy**. Calvert has developed a number of other initiatives, each aimed at recognizing the way corporations manage their societal impact: **Shareholder Advocacy, Social Venture Capital and Community Investing**.

Calvert runs several socially responsible domestic funds and publishes the Calvert Social Index, a broad-based, rigorously constructed benchmark for measuring the performance of domestic large and mid-cap socially responsible companies (described in detail below). It also has launched the Calvert Ratings which provides corporate responsibility ratings for the largest 100 US companies in five issue areas. Calvert's funds include the so called Calvert Social Index Fund which seeks to match the performance of the Calvert Social Index.

### 3.7.2 Description of the rating system

#### 3.7.2.1 Mission and vision

Calvert **believes** that in today's rapidly changing global economy, a company must have a **strong management team with a long-term view** in order to be successful. Calvert further believes that companies which operate with **integrity toward** their **employees**, their **communities**, and the **environment** will have more success.<sup>20</sup>

#### 3.7.2.2 Rating criteria and basic structure of the rating process

Initially companies are qualified based on in-depth financial analysis by Calvert's portfolio managers. As its portfolio managers are identifying financially attractive opportunities, Calvert's in-house social research analysts help **to identify companies with strong management and solid long-term prospects**.

After the preliminary research on the basis of financial criteria the identified companies are analyzed regarding their corporate performance in **seven broad areas**:

- **Governance and Ethics:** Calvert assesses business practices, ethics, and Corporate Governance and believes that corporations should be governed in transparent ways that align the interests of management, shareholders, customers, and society. Calvert seeks to invest in companies with policies that align the interests of management and boards with those of shareholders, have diverse, independent boards, publish sustainability reports in accordance with the Global Reporting Initiative and nurture a culture of ethics and compliance. Besides their own research Calvert uses 'Governance Metrics International's' global and home market ratings to monitor and compare the Corporate Governance structures of companies. In addition Calvert uses

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<sup>20</sup> The described two layers of analysis Calvert refers to as their **Double Diligence Research Process**: a rigorous review of financial performance plus a thorough assessment of corporate integrity.

the Corporate Governance quotient, a tool from **Institutional Shareholder Services** (ISS) for monitoring and comparing the Corporate Governance structures of companies.

- **Environment:** Calvert examines environmental statutory compliance, disclosure of information on environmental impacts, trends in production or prevention of pollution, impacts on land and ecological systems, and participation in environmental improvement programs. Calvert seeks to invest in companies that perform regular environmental audits of their facilities, especially those that publish reports describing the results of those audits, apply rigorous standards for reducing or preventing pollution and using natural resources responsibly at all their facilities worldwide, have implemented innovative pollution prevention or natural resource protection programs, undertake positive environmental actions, including participation in government, private-sector, or company-specific programs (such as ISO 14001) and place responsibility for environmental performance with senior managers and have internal programs that reward employees for environmental improvement.
- **Workplace:** Calvert seeks out companies that comply with all applicable labor laws with respect to discrimination, wages, hours of work, child labor standards, and other conditions of work and favors companies that: actively hire and promote minorities and women, compensate their workers fairly, strive to achieve and maintain good labor-management relations, provide programs and benefits that support workers and their families and provide a safe and healthy workplace.
- **Product safety and impact:** Companies in Calvert's portfolios must produce safe products and services, in accordance with (U.S.) federal consumer product safety guidelines. Therefore Calvert favors companies that produce and/ or market goods and services that improve the health or quality of life of consumers, maintain quality control and customer satisfaction, respond promptly and constructively to correct problems with product safety, demonstrate integrity in advertising and labeling, both domestically and abroad and provide strong requirements for testing consumer products on animals and commit to phasing in alternatives to animal testing. They also ask companies to demonstrate their progress toward the elimination of animal testing.
- **International operations and Human Rights:** Calvert avoids investing in companies that have serious and persistent human rights problems or directly support governments that systematically deny human rights. Calvert seeks to invest in companies that create and implement codes of conduct that cover their entire scope of operations, adopt comprehensive human rights standards for their international operations and practices and actively address human rights abuses.
- **Indigenous peoples' rights:** Calvert believes that companies operating on /or that have direct impact on the land of indigenous peoples should support appropriate economic development that respects indigenous territories, cultures, environment, and livelihoods. So Calvert seeks to invest in companies that respect the land, sovereignty, natural resource rights, traditional homelands, cultural heritage, and ceremonial and sacred sites of indigenous peoples, adopt and implement guidelines that include dealing with indigenous peoples (these guidelines may encompass, among others, respecting the human rights and self-determination of indigenous peoples and securing prior informed consent in any transactions, including the acquisition and use of indigenous peoples' property, including intellectual property) and support positive portrayals of indigenous peoples, including American Indians and other indigenous or ethnic peoples, and their religious and cultural heritage.
- **Community relations:** Calvert values companies that contribute to enhancing the quality of life on earth. Calvert seeks to invest in companies that have demonstrated a solid commitment to the communities in which they operate, well-developed programs that target neglected communities,

including low-income and minority populations and a strong working relationship with local and community development organizations.

Each **criterion** comprises a number of variables which are not **weighted equally**. The catalogue of criteria comprises both **positive and exclusion criteria**. Calvert supports management leadership initiatives, but does not judge companies based on intentions alone. They look for a track record that demonstrates management's commitment to corporate social responsibility. Companies are rated on a scale of one (substantially below Calvert standards) to five (superior).

A company has to fulfill the defined criteria before it can be seen as a suitable investment object. If a company then fulfils all the criteria, though Calvert sees the possibility for this company to improve on certain aspects, Calvert seeks a **dialog with the management** for a possible investment.

The determination and adjustment of the sustainability criteria are executed by an **advisory council**. The council is made up of 18 leading persons on a variety of fields. Council members do not have fiduciary responsibility.

Next to **companies operating in the USA, foreign companies** are also analyzed. Regarding the latter case Calvert adjusts necessary peculiarity of the assessed variables to the respective country. As of February 2006, the Index contained 608 companies.

The sustainability analysis of Calvert is also the basic for the **Calvert Social Index**. The Calvert Social Index Fund and the Vanguard Calvert Social Index Fund are based on Calvert's index. Changes in the index are conducted due to positive or negative changes of the companies, assessed by sustainability criteria. Companies can be reviewed for inclusion in or removal from the index as a result of market or Corporate Responsibility actions. Changes due to market actions (e.g. mergers) are reflected in the index as they occur. The Calvert Social Index advisory council meets annually to review and approve recommendations for addition to and deletion from the Calvert Social Index for reasons of Corporate Responsibility. The changes as a result of market or Committee actions are published including a short statement.

### **3.7.3 Standing of the rating system**

#### **3.7.3.1 Target group**

Calvert's clients are both institutional and private investors.

#### **3.7.3.2 Position in the market**

According to Calvert they are the largest investment company in the USA with ethical investment fund products. Altogether Calvert's family of socially responsible funds consists of 15 funds. The Calvert Group has ten billion USD (converted into EUR: 8.44 billion) in assets under management of approximately 400,000 investors.

#### **3.7.3.3 Acceptance**

No further data available.

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## 3.8 Centre Info SA

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*(Main source: [www.centreinfo.ch](http://www.centreinfo.ch))*

### 3.8.1 Profile of the institution

#### 3.8.1.1 Time of establishment and background

Centre Info was founded in Fribourg, Switzerland in 1990 by Pier Luigi Giovannini with the support of the Fondation Duchemin. Centre Info is a company which provides advice on corporate responsibility and research into corporate responsibility. It is a founding shareholder of the SiRi Company and a founding member of the European Corporate Governance Service Ltd. (ECGS) and Sustainable Governance.

#### 3.8.1.2 Headquarter of the institution, size, geographical operating range

The headquarter is situated in Fribourg, Switzerland. There are no other branches. Centre Info has ten staff members, including economists and environmental science specialists, and legal experts.

#### 3.8.1.3 Activities in general

Centre Info operates only with CSR-activities.

#### 3.8.1.4 Activities regarding CSR/Sustainability

Centre Info analyses and evaluates the conduct and performance of companies in the environmental and social spheres. It is claimed to **offer investors** an independent, high-quality **information service** through which they can integrate these criteria into their investment decisions.

Centre Info also focuses its attention on the relationships between a company's senior management, board of directors and shareholders. Its services in the field of Corporate Governance give the shareholder the chance to play an active role in exercising her or his rights.

Centre Info develops its activities in two interconnected fields: sustainability analysis (companies and countries) and Corporate Governance. For both fields, Centre Info offers standard products and personalized services in order to meet its customers' needs.

- **Consulting:** Centre Info offers solutions to institutional investors who wish to establish ethical guidelines for their investment strategies or to apply checks and balances which will ensure that their portfolios are compatible with ethical, ecological or social criteria. Centre Info advises financial institutions on product design and supplies them with the tools and environmental and social analyses necessary for product development.
- **Corporate Sustainability Analysis:** Please study the following chapter 'CSR/Sustainability-Model'.

- **Country Sustainability Analysis:** Centre Info developed a sustainability analysis method for countries, which complements ratings based on economic criteria. The structure of the method is based on the three types of capital as defined by the World Bank: social capital, human capital and natural capital. The three types of capital are subdivided in 27 indicators. The country ratings may be used in the selection of bonds or in the weighting of countries in bond or security portfolios.
- **Corporate governance:** Centre Info offers a global corporate governance service which comprises research and analysis, benchmarking studies as well as consulting services aimed at helping investors to define, implement and apply consistent voting policies. Their services are addressed to institutional and private clients in Switzerland and abroad. Centre Info is also a founding member of European Corporate Governance Service Ltd. (ECGS).
- **Benchmarking for SMEs:** Centre Info offers a benchmarking service of SMEs. Its purpose is to measure and to compare their social performance with competitors. This benchmarking is part of four tools that Centre Info developed in partnership with SANU (a Swiss institute for qualifications in topics related to Sustainable Development) and ten Swiss small- and mid-sized enterprises.

### 3.8.2 Description of the rating system

#### 3.8.2.1 Mission and vision

Centre Info bases its work on the **principle of sustainable development** and orients itself at the **intergenerative justice of sustainability principles**, as it was written in the Brundtland Report of 1987. To be sustainable, development must take not only financial factors into account but must strike a balance between the needs of the economy, the environment and the social fabric. For a company, integrating this principle forms part of a long-term strategy geared to maximizing the company's awareness of and control over the external impact of its business activities.

#### 3.8.2.2 Rating criteria and basic structure of the rating process

The Core of Centre Info's company assessment is to obtain and process '**Corporate Sustainability Analysis**'. Centre Info concentrates on information required to draw up reports as well as analyses of an individual company's conduct and performance with regard to social and environmental issues.

Centre Info systematically enters into **dialogue with the management** of the companies concerned and establishes contacts with affected trades union organizations and NGOs. It has thus acquired knowledge in analyzing Swiss companies.

This experience also extends to the analysis of foreign companies, for which an international network of research partners available only to Centre Info serves as an information source of unrivalled quality.

Centre Info's CSR rating is operating with data of their own research and data of the SiRi Company.

The SiRi profile contains information about disclosure, strategy, management and operational impact on six issues: environment, employees, community, customers, vendors and Corporate Governance.

The SiRi Profile also contains information on controversial business activities (tobacco, weapons, nuclear energy, etc.).

### **3.8.3 Standing of the rating system**

#### **3.8.3.1 Target group**

Centre Info states that it is providing tools and expertise to fulfill the needs of investors, who want to implement a global sustainable investment strategy (shares, bonds, use of voting rights in AGM's). It also offers services for financial institutions that want to offer their customers a sustainable portfolio management.

#### **3.8.3.2 Position in the market**

Centre Info has entered into several strategic alliances at the international level in order to ensure that the service it provides is truly global.

#### **3.8.3.3 Acceptance**

No further data available.

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## 3.9 Co-op America

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(Main source: [www.coopamerica.org](http://www.coopamerica.org))

### 3.9.1 Profile of the institution

#### 3.9.1.1 Time of establishment and background

Co-op America is a not-for-profit membership organization founded in 1982. Its **goal** consists of **making social and ecological improvements** possible by enlightenment and supply of strategies, organization strength and practical assistance for enterprises and private people.

Co-op America operates as a worker member cooperative, where staff members seek to achieve consensus through democratic decision-making processes on key strategic issues for the organization.

#### 3.9.1.2 Headquarter of the institution, size, geographical operating range

Co-op America is based in Washington, D.C. (USA) with more than 50 employees who work there.

#### 3.9.1.3 Activities in general

There are **no other activities** besides the CSR activities.

#### 3.9.1.4 Activities regarding CSR/Sustainability

Co-op America's programs strive for **four goals**:<sup>21</sup> **empowering individuals** to make purchasing and investing choices that promote social justice and environmental sustainability, demanding an **end to corporate irresponsibility** through collective economic action, **promoting green** and **fair trade** business principles while building the market for businesses adhering to these principles and **building sustainable communities** in the US and abroad.

Co-op America focuses on economic and corporate strategies by the conviction that sustainable change through commercial action dominates public and private strategies.

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<sup>21</sup> **Co-op America's programs in detail:** The Living Green Program gives costumers ideas for greener ways of living, purchasing and investing. The WoodWise Program promotes economic action to end deforestation. The Fair Trade program is a system of exchange that honors producers, communities, consumers, and the environment. The Green Energy program forwards the distribution of clean, green and renewable energy. The Responsible Shopper Program reports on the social and environmental performance of some of the largest consumer product companies. The Boycotts Program uses boycotts as a powerful tool for raising awareness about the impact of corporate practices on workers, communities, and the Earth. The Sweatshops Program provides the information needed to help stop sweatshop labor and promote fair treatment of workers everywhere. The Shop & Unshop Program gives information and strategies needed to make green purchasing decisions that work for costumers and their families and gives ideas helping to cut down on purchases that harm people and the planet. The Green Business Program supports small particularly socially and environmentally responsible companies and gives an account of their success. The Social Investing Program gives strategies for socially and environmentally responsible investing.

Amongst others Co-op America publishes the **National Green Pages** (Green Business Program), the most comprehensive and US-nationwide directory of screened, socially and environmentally responsible businesses. Recently more than 2,000 socially and environmentally responsible businesses are listed. Furthermore Co-op America runs different websites.<sup>22</sup> One of these is [www.responsibleshopper.org](http://www.responsibleshopper.org) (part of the Responsible Shopper Program) which offers a comparison of business sustainability for consumers' decisions. There are currently around 350 companies profiled.

### 3.9.2 Description of the rating system

#### 3.9.2.1 Mission and vision

Their **mission** is 'to harness economic power - the strength of consumers, investors, businesses, and the marketplace - to create a socially just and environmentally sustainable society.' According to their **vision**, they 'work for a world where all people have enough, where all communities are healthy and safe, and where the bounty of the Earth is preserved for all the generations to come.' Co-op America's **objective** is it **to educate and inform American individuals** and also to allow companies to bring about positive social and ecological changes through behavioral changes in businesses, i.e., consumer and investment decisions.

#### 3.9.2.2 Rating criteria and basic structure of the rating process

Before a company is listed in the 'Green Pages Online', it goes through a review by the screening team of Co-op America. The screening team investigates each applying company to determine two items: (1) its familiarity with and commitment to social and environmental responsibility, and (2) significant action in terms of this commitment.

Specifically, **to be qualified for** a listing in the **Green Pages**, companies must demonstrate that they:

- focus on using business as a tool for positive social change
- are 'values-driven', as well as profit-driven
- are socially and environmentally responsible
- are committed to and employ extraordinary and innovative practices that benefit: (1) workers, (2) communities, (3) customers, and (4) the environment.

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<sup>22</sup> [www.realmoney.org](http://www.realmoney.org): a bimonthly newsletter giving tips for a sustainability-oriented investing. [www.sriadvocacy.org](http://www.sriadvocacy.org): The Advocacy & Public Policy Program is a joint initiative of The Social Investment Forum and Co-op America. It provides information on advocacy and policy issues affecting the socially and environmentally responsible investing industry. [www.communityinvest.org](http://www.communityinvest.org): The Community Investing Center is a project of the Social Investment Forum Foundation and Co-op America. It provides financial professionals with information and resources to help them channel more money into community investing. [www.socialinvest.org](http://www.socialinvest.org): The Social Investment Forum is the national non-profit trade association dedicated to promoting the concept, practice, and growth of socially and environmentally responsible investing and is only for financial professionals. [www.boycotts.org](http://www.boycotts.org), [www.sweatshops.org](http://www.sweatshops.org), [www.woodwise.org](http://www.woodwise.org): website of the appropriate programs.



The research team also seeks independent data to verify company information. On the internet webpage [www.responsible shopper.org](http://www.responsible shopper.org) an overview concerning social and ecological strengths and weaknesses of a company is generated with the help of a graphical oversight system called '**Insights**'. Insights is not supposed to show an explicitly objective rating or ranking, much more it is supposed to give quick information about a company's performances in relevant areas.

### **3.9.3 Standing of the rating system**

#### **3.9.3.1 Target group**

Co-op America's variety of offered services are directed towards individuals, companies or other organizations in the field of social and ecological responsible consumption and investment decisions. Position in the market and justification. Co-op America has nearly 65,000 individual and 2,500 business members.

#### **3.9.3.2 Position in the market**

No further data is available.

#### **3.9.3.3 Acceptance**

No further data is available.

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## 3.10 CoreRatings

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*(Main source: [www.coreratings.com](http://www.coreratings.com))*

### 3.10.1 Profile of the institution

#### 3.10.1.1 Time of establishment and background

CoreRatings Ltd. resulted from the **merger** of **Global Risk Management Services** (GRM), London (founded in 2000) and **ARESE**, Paris (founded in 1997) in 2003. The majority owner is **Fimalac**, who is also the **owner** of **Fitch Ratings**. Next to Standard & Poor's and Moody's, Fitch Ratings is third in place as an international credit rating agency, i.e. it is specialized in financial analysis. According to CoreRatings, they are the only CSR-rating agency, which is connected to a finance/credit-rating agency that is established on international capital markets.

#### 3.10.1.2 Headquarter of the institution, size, geographical operating range

CoreRatings employs about 17 analysts in their offices in London and Paris.

#### 3.10.1.3 Activities in general

CoreRatings has no other activities, besides the activities in the field of sustainability ratings.

#### 3.10.1.4 Activities regarding CSR/Sustainability

The agency has **three fields of activity**, which are developed as product lines. With its **first** product line, the agency generates a summarizing **research report**, concerning investment risks, resulting from ecological, social and ethical company risks.

The **second** and **primary product line** consists of **individual company-ratings** in the area of Corporate Responsibility and Corporate Governance. CoreRatings offers additionally as its **third** product line a so-called 'engagement product'. In this case, the **voting right mandate** of the investor is transferred to the agency in order to establish a critical dialog with the managements of the invested companies, regarding CSR-relevant matters.

### 3.10.2 Description of the rating system

#### 3.10.2.1 Mission and vision

CoreRatings has a **risk oriented vision of sustainability**. If a company has low social, ecological and ethical risks it is judged as not being sustainable. CoreRatings operates a risk analysis, which is based on an investor's point of view. An identification of risk potentials, which could have an effect on the company value, will be described with the following assessment methods.

### 3.10.2.2 Rating criteria and basic structure of the rating process

CoreRatings company assessments refer to the largest global companies. GRM, one of the predecessor agencies, already covered the 800 largest companies of the MSCI World-Index. CoreRatings aspires to fully capture this index (see also Brinck, 2002, p. 57).

The company assessment is based on a **three-step-model**:

1. The **first** step consists of the **identification of branch specific risks in the ecological, social** (internal and external), as well as ethical area:
  - a. **environmental risks** that are connected to the entire value generating process in a company (in terms of CoreRatings it is called own operations): products, production, distribution and packaging,
  - b. **social risks**, negative effects on society and the local community; employment risks: recruiting, qualification, working relations, health and safety et. al.,
  - c. **ethical risks**, regarding the behavior of the management and employees (business ethics), as well as the products.
2. In the **second** step, branch specific estimations concerning the **investment risks** take place that (can) result from the above mentioned ecological, social and ethical risks. Investment risks can, e.g., result from a damage of the trademark and the intellectual property of the company, the pressure of business partners (clients and investors, that are not supposed to be brought in connection with a risk carrying company), increased regulatory exertion of influence, governmental penalty measures, recruiting problems in regards to qualified employment and opportunity costs, when the production process is not changed rapid enough.
3. With this **third** step, the actual **company assessment** takes place. Relevant questions focus on whether a company has developed adequate measures to avoid its typical industrial risks. For this reason, **13 standardized questions** were developed, covering the following **company areas**:
  - a. policy development
  - b. policy implementation
  - c. validation and assurance
  - d. performance
  - e. transparency and disclosure

The company strategy and its implementation are **assessed according to each industry-specific risk** and are then **combined in an overall score**. In this process every industrial risk receives a weighting, according to its importance (this is not publicly available). The handling of mishaps concerning the CSR-risk management within a company (what reactions, counter measures) has an additional influence on the overall result. This rating result is then compiled into an overall score, which is displayed on a ten-stage-scale from A+ (higher than 90%) to D (1% to 10%).

### **3.10.3 Standing of the rating system**

#### **3.10.3.1 Target group**

The ratings can (and also shall) be used internally by the companies themselves or (regarding published results) by investors for making their investment decisions.

#### **3.10.3.2 Position in the market**

According to CoreRatings, they are the leading European rating-agency in the area of CSR-risks. The company is a contractual partner of important asset managers such as Barclays Global Investors, Allianz Dresdner Asset Management, ABM Amro. In Scandinavia the agency has mandates for Banco Fonder, AP3 (Swedish reserve fund of the governmental pension insurance), KLD Insurance, KP Invest and Sampension.

#### **3.10.3.3 Acceptance**

The company is **ranked amongst the largest research agencies** (at present they are expanding their analyst-team).

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## 3.11 Corporate Knights Inc.

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*(Main sources: [www.corporateknights.ca](http://www.corporateknights.ca), [www.global100.org](http://www.global100.org))*

### 3.11.1 Profile of the institution

#### 3.11.1.1 Time of establishment and background

Founded in 2002, Corporate Knights Inc. is an independent Canadian-based media company that publishes the 'Corporate Knights Magazine' with an explicit **focus on corporate responsibility**. The archetype of the Corporate Knights Magazine was the US-American magazine 'Business Ethics'. It published a ranking-list of the socially most responsible enterprises since the end of the 1980ies.

Nowadays the Corporate Knights Magazine is focused on the issue 'responsible business', which concerns socially responsible investing and corporate social responsibility. The magazine is mainly directed towards institutional investors, but also towards citizens and companies.

#### 3.11.1.2 Headquarter of the institution, size, geographical operating range

Corporate Knights is based in Toronto, Canada. Besides the ranking-list 'Global 100', which is described in the following, the core activity range is limited to Canada. Their objective is to jumpstart Canada to become the world leader in responsible commerce.

Corporate Knights has about 20 employees. Most of them are journalists.

Corporate Knights is mainly financed by advertisements from companies, as well as from foundations and public institutes. Corporate Knights is therefore striving for financial aid from public research money, which would cover half of their activities.

#### 3.11.1.3 Activities in general

The core activity of Corporate Knights is the publishing of the Corporate Knights magazine, which is dedicated to CSR.

#### 3.11.1.4 Activities regarding CSR/Sustainability

The Corporate Knights magazine is published six times per year. Corporate Knights also publishes the annual 'Best 50 Corporate Citizens' in Canada, and the annual '**Global 100 Most Sustainable Corporations in the World**', announced each year at the **World Economic Forum** in Davos, Switzerland.

Beyond that market analyses are published for Canadian SRI Funds, including a quality ranking-list. In a further ranking-list the training profile of Business Schools is evaluated regarding the communication of CSR contents. Moreover, numerous model enterprise examples are presented on the website of the magazine (best practice approach).

### 3.11.2 Description of the rating system

#### 3.11.2.1 Mission and vision

The concept of Corporate Knights is **capital market oriented**. Their objective is to enhance social responsible investments with their activities. They promote an integrated investment approach that is profitable, sustainable and socially responsible and should therefore be interesting to every investor.

#### 3.11.2.2 Rating criteria and basic structure of the rating process

Corporate Knights has developed the '**Corporate Citizen Database**' with the support of Industry Canada and BCE Inc. in order to secure a reliable and consistent source of data for the **Best 50 Corporate Citizens** Annual Ranking.

The project for this database was initiated in 2003. In 2005 Corporate Knights evaluated 116 companies, including all of the S&P/TSX 60 constituents. The other 56 companies were added to the corporate citizen database universe on the basis of their impact on the Canadian economy, or based on Corporate Knights' prior knowledge of their corporate citizenship leadership.

The **Corporate Citizen Database** contains metrics on **13 key indicators**, which are evaluated by a scale from -100 to +100. Not all indicators apply to all companies. There are small industry-specific bonus scores to offset inherent biases in the measurements that unfairly impact certain sectors like materials and energy. Bonus scores are awarded on the basis of a particular industry's exposure to work stoppages, diversity, and toxic releases.

The Corporate Citizen **Database Key Indicators** are:

- **shareholder conflict:** defined as the number of shareholder resolutions in Canada over the past five years that gained between five and 65% voting support. (weight: 0.25)
- **tax generation:** defined as the per cent of cash tax paid over the statutory obligation stated in the reconciliation note in the financial statement, for companies that made a profit before taxes. (weight: 2.00)
- **lobbying:** defined as the number of federally-registered lobbyists working on behalf of the company. (weight: 0.65)
- **CEO compensation:** defined as the difference between the ratio of the CEO total compensation to the median CEO compensation and the ratio of the company's earnings to the median company earnings. (weight: 1.50)
- **toxic releases:** defined as the total air, water and contaminants releases per employee at NPRI-reporting facilities in 2002, the most recent year available. (weight: 1.85)
- **reduction of toxic releases:** defined as the improvement in total air and water releases per employee at NPRI-reporting facilities from 2001 to 2002, the most recent year available. (bonus category)
- **work stoppages:** defined as the number of person-days lost per worker involved due to work stoppages over the past five years. (weight: 0.75)
- **pension plan coverage:** defined as a combination of two elements: (a) the company's unfunded pension liability for defined benefit plans; and (b) the prudence of the company's assumptions on the plan assets' rate of return. (weight: 2.00)

- **offshore tax havens:** defined as the number of subsidiary companies located in tax haven countries for which there is no assurance provided in the company's annual report that the jurisdiction is not being used for tax avoidance. (weight: 0.10)
- **key executive retention:** defined as the percentage of key executives (as listed on the proxy filings) that remain with the company from year to year. (weight: 1.30)
- **board independence:** defined as the percentage of directors that are unrelated. (weight: 2.00)
- **board diversity:** defined as the number of women or visible minorities on the board. (weight: 0.75)
- **key executive diversity:** defined as the number of women key executives listed in the proxy filings. (weight: 1.25).

Corporate Knights publishes the Top-10 companies of each key indicator and the top companies divided by branches on request.

**In 2003, three rating agencies – Ethiscan, Sustainable Investment Group (SIG) and Innovest - were assigned for the research of the actual Corporate Knights (CK)-Index.** Their task was to assess the companies of the TSX-100 (Toronto Stock Exchange Index) according to the mentioned guidelines. The results of the three agencies were then averaged for every assessment area. This method is supposed to lead to an institutional neutral result, for the three agencies all have a varying focus in their survey. For example one agency is concentrated on the assessment of sustainable politics, another is focused on the measurement of the sustainability performance, whilst another displays the elements of both.

Corporate Knights themselves says that this is not the ultimate assessment method; for certain fundamental methodical problems from the metric assessment of mainly qualitative CSR aspects exist. Nevertheless this method is viewed as transparent and Corporate Knights is showing a great deal of effort to achieve a neutral assessment by using various sources.

Today the Corporate Knights Research Group, which is being restructured as the CK Foundation, does the research for the ranking list.

The Best 50 Corporate Citizens Ranking will be updated with additional labor indicators and legal liability indicators in 2006.

The '**Global 100 Most Sustainable Corporations in the World**', launched in 2005, is a project initiated by Corporate Knights Inc., with Innovest Strategic Value Advisors Inc. It was selected as the exclusive research analytic data provider for the Global 100. The second annual 'Global 100 Most Sustainable Corporations in the World' was unveiled during the World Economic Forum in Davos, Switzerland in 2006.

The **Global 100** is a list of publicly-traded MSCI **World-listed companies**<sup>23</sup>. The companies put on the list are based on research and analysis by Innovest Strategic Value Advisors. According to Innovest's approach the listed companies have the best developed abilities, relative to their industry

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<sup>23</sup> MSCI World is a family of securities indices which are provided by Morgan Stanley Capital International Inc. (MSCI). The indices out of that family serve as very important benchmarks for international portfolio managers.

peers, to manage environmental, social and governance risks and opportunities they face. The companies were selected from the Innovest universe of around 1,800 stocks.

Innovest began the process by singling out all companies in its universe that had obtained a combined AAA score when last rated (see portrait of Innovest). Afterwards, it eliminated all AAA-rated securities that were not listed on the MSCI World Index, as well as all companies that had been acquired or whose operations were so integrated with those of a parent company as to not warrant having them stand as independent entities. The third step entailed circling back with each analyst to ensure that the companies selected in each of the Innovest category she/he covered really represented, based on the most recent information available, true global industry leaders. Some companies were then removed and others added following this process. Finally, the resulting set of companies was reviewed by Innovest's director of research and certain analysts were queried one final time about their choices. The very final list of 'Global 100 Most Sustainable Corporations in the World' was then sent to Corporate Knights for publication.

### **3.11.3 Standing of the rating system**

#### **3.11.3.1 Target group**

Because of the short history of Corporate Knights 'Best 50 Corporate Citizens Annual Ranking's it is not easy to infer the actual usage. A capital market orientation is intended. The main purpose of the ranking-list seems to be the promotion of socially responsible investments. Moreover, the list is supposed to have an effect on companies and enhance their incentive for a stronger activity in the assessed areas.

Corporate Knights' intended audience for the Global 100 is everyone. However the target group of the 'Best 50 Corporate Citizens' is located in Canada.

#### **3.11.3.2 Position in the market**

Corporate Knights top 50 ranking-list for Canada is, next to the Jantzi Social Index (JSI), another CSR/SRI-benchmark that has a similar basis for Canada's big capitalized listed companies. However no information was found to provide references concerning the actual usage in the field of sustainable investments (Corporate Knights aims at pension funds).

#### **3.11.3.3 Acceptance**

Detailed information is not available. Companies that are ranked amongst the first companies on the ranking – but also in single criteria – list are presented as the 'best practice'. This should also be very interesting for companies that are already advanced in CSR/ sustainability.



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## 3.12 E. Capital Partners (ECP) S.p.A.

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*(Main source: [www.e-cpartners.com](http://www.e-cpartners.com))*

### 3.12.1 Profile of the institution

#### 3.12.1.1 Time of establishment and background

E. Capital Partners (ECP) was founded in 2000 after four years of preparation. ECP consists of two divisions: Asset Management Advisory and Corporate Finance Advisory.

#### 3.12.1.2 Headquarter of the institution, size, geographical operating range

ECP's headquarter is located in Milano, Italy, with an office in Rome.

At the moment ECP has about 30 employees. Regarding sustainable investments ECP has more than 5.2 billion Euros of assets under management.

In 2004 ECP established a strategic alliance with Innovest, US leader in investment research, aiming at creating innovative products and services to capture corporate value deriving from intangible assets analysis.

#### 3.12.1.3 Activities in general

Asset Management Advisory at ECP offers innovative CSR services to international investment banks, fund managers, insurance companies, foundations, pension funds and other institutional investors.

The Corporate Finance Advisory Team provides firms and public institutions with informational solutions that aim at getting best growth opportunities in the market from the shareholder value creation point of view not compulsorily with CSR aspects.

#### 3.12.1.4 Activities regarding CSR/Sustainability

ECP is providing SRI Asset Management Advisory with wide asset class coverage for an investment portfolio construction on the **basis of its E. Capital Partners Indices (ECPI), an integrated** system of SRI Benchmarks. Apart from the classical financial analysis ECP applies corporate evaluation by its own sustainable criteria. The ECP database covers more than 2,800 listed companies (1,700 eligible companies) and bond issuers and this approximates 90% of the market capitalization of OECD countries.

### 3.12.2 Description of the rating system

#### 3.12.2.1 Mission and vision

E. Capital Partners patented '**Ethical Screening Methodology**', is based on the criteria of an external scientific partner, the Osservatorio FINETICA, which is in principle comparable to the methodological

approach of the German FHG (Frankfurt-Hohenheim Guidelines) which oekom research uses (see p. 93).

Observatorio FINETICA is a joint venture of the Pontificia Universita Lateranense (Vatican University) and the University Bocconi (an internationally renowned Italian business school).

A central issue of the developed criteria is the assessment of the ethical sustainability of companies. With ethical sustainability one understands the relationship of causes and effects amongst a number of important ethical and social aspects, as well as their observation.

### 3.12.2.2 Rating criteria and basic structure of the rating process

The Ethical Screening Process of ECP consists of three steps: negative screening, positive screening and sector sensitive analysis.

1. **Negative screening:** exclusion of companies operating in sectors that are not socially responsible. Negative criteria are (customizable list of sectors): tobacco, military/defense, alcohol, gambling, pornography, nuclear, stem cells, contraceptives.
2. **Positive Screening:** selection of the business with high standards of corporate social and environmental responsibility. Positive criteria are in the social sector: good relations to communities, employees (union, further education and social contribution, sanctions against discrimination, social audits according to the standard SA 8000), to customers (product quality and safety), competitors (no cartels), suppliers (company policy for supporting subcontractors that are lead by minorities or women). In the **environmental sector** the following questions are asked: a 'good' environmental strategy (an environmental politics that goes beyond the minimum standards) eco-friendly products (available lifecycle analyses, high recycling quotas), eco-friendly production process (reduction of waste and emissions, as well as the assignment of renewable energy).
3. **Sector Sensitive Analysis:** positive criteria are weighed according to the corporate sector. Companies in critical sectors, e.g., oil and gas, that show a good environmental and social performance are determined by using the best in class approach. According to E. Capitals information their processes permit a variety of assessment forms. Environmental and social criteria are normally weighted equally. However client individual environmental criteria can be weighted stronger than social criteria. In terms of the 'Triple Bottom Line-Approach' additional criteria can be included to achieve a balance in the criteria areas of economy, ecology and social issues. The concluding sustainability assessment should be interpreted as an aggregation of all the individual preliminary assessments. ECP uses up to 400 sector sensitive positive tests to derive a final ethical assessment.

The **results** of the ECP Ethical Rating distinguish **three categories**:

- **EEE, EE, E – Eligible Names:** companies have passed the negative test and show robust positive criteria adherence. Rating notches are generated by the positive screening methodology with a sector sensitive approach.
- **F – Ethically Weak Names:** companies have only passed negative test. Companies operating in ethical sectors but poor or negative adherence to positive criteria.
- **NE – Non Eligible Names:** companies failed on preliminary negative test. Companies excluded due to their operation in non ethical sectors.

In addition to this ECP runs a so called **Bond Issuers Screening**. In this context government bonds are evaluated by the following positive criteria: Ratification of the main treaties on human rights (UN), workers' rights (ILO Conventions) and environmental protection (Kyoto Protocol and Basel Convention). Previously only one exclusionary criterion is checked: death penalty.

Agencies and supranational bonds are analyzed by the following positive criteria: agencies and supranational operating for the safety of third world countries and for the development of local communities.

For the evaluation of corporate bonds the ethical screening methodology is used.

### **3.12.3 Standing of the rating system**

#### **3.12.3.1 Target group**

ECP's assessments are capital market oriented and solely used by private and institutional investors, respectively financial institutions.

#### **3.12.3.2 Position in the market**

According to ECP they are the European Leader in SRI Advisory, even though ECP started its activities only in 2000. A **high acceptance in Italy** is visible. The **number of sustainability indices has been grown rapidly** from seven to twelve. The rating performance is furthermore considered in internationally offered sustainability funds. ECP became well known in combination with a US capital investment enterprise called 'Mellon Global Investments' and their sustainability fund for European investors 'Mellon European Ethical Index Tracker'.

#### **3.12.3.3 Acceptance**

ECP states that the analyzed companies are actively involved for example through personal meetings with company representatives.

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### 3.13 EIRIS (Ethical Investment Research Service)

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(Main source [www.eiris.org](http://www.eiris.org))

#### 3.13.1 Profile of the institution

##### 3.13.1.1 Time of establishment and background

Ethical Investment Research Service (EIRIS) is a charity **set up** in 1983 **with the help of a group of churches and charities** as a research organization to help them put their ethical principles into practice when making investment decisions. EIRIS Services Ltd, a subsidiary company of EIRIS, undertakes most of the research for clients and provides commercial services.

##### 3.13.1.2 Headquarter of the institution, size, geographical operating range

EIRIS is located in London, Great Britain. At the moment EIRIS has more than 40 employees. EIRIS has five international research partners (Centre for Australian Ethical Research (CAER, Australia), Fundacion Ecologia y Desarrollo (EcoDes, Spain), Institut für Markt - Umwelt - Gesellschaft (imug, Germany), EthiFinance (formerly Observatoire de L'Ethique, France) and Avanzi SRI Research (Italy). Thus they can offer an almost global research service. Their research covers companies from the UK, continental Europe, North America (the US and Canada) and the Asia-Pacific region (Australia, New Zealand, Japan, Singapore and Hong Kong).

##### 3.13.1.3 Activities in general

There are **no other activities** besides the CSR-activities.

##### 3.13.1.4 Activities regarding CSR/Sustainability

EIRIS offers an **independent research** which covers almost 2,800 companies all over the world. EIRIS provides clients with the information they need to put their own principles into practice when making investment decisions and provides a tailor-made service to match clients' social and environmental concerns. EIRIS strives to promote the concept of ethical or socially responsible investment.

EIRIS operates on **two basic branches** of business:

- The **inquiry, evaluation and feed** of important **data relevant to sustainability** for companies belonging to the FTSE4Good in order to make a selection of qualified companies for the index.
- In addition to this EIRIS developed a special concept, compared to other organizations that also deals with sustainability ratings of companies, called the '**Ethical Portfolio Manager**' (EPM).

The EPM established in spring 2000 is a software tool which allows EIRIS's clients to access research information on the social, environmental and ethical performance of companies. EPM comprises the research results of the almost 2,800 companies EIRIS has analyzed in 250 criteria areas.

In 2005 EIRIS launched a new service called '**Convention Watch**'. Convention Watch assesses alleged company violations of core labor, human rights, bribery and corruption, military and environmental standards and principles. Convention Watch is available on paper or through EIRIS' EPM software.

In association with EIRIS, FTSE (see FTSE) has developed a family of indices, named FTSE4Good, which aims to identify companies with the strongest records of corporate social and environmental performance. Indices will be created for the UK, Europe, US and world-wide. EIRIS is providing the information on companies, to identify those that meet the eligibility criteria for inclusion.

### 3.13.2 Description of the rating system

#### 3.13.2.1 Mission and vision

EIRIS does **not promote any particular view on ethical issues**. Rather, they provide clients with the information they need to put their own principles into practice.

#### 3.13.2.2 Rating criteria and basic structure of the rating process

The sustainability assessment is not based on a specific criteria-catalogue, corresponding to the implicit sustainability-philosophy of EIRIS: Because of this a number of approaches according to ones personal investment perception is possible: a combination of positive and/or negative criteria, as well as the appliance of solely exclusive criteria, again with respective client specified weighting.

Each company is analyzed against 350 **environmental** and **social indicators**, which cover over 40 areas of research, including the following:

- **Governance issues:** Board practice, codes of ethics, social, environmental and ethical risk management, women on the board.
- **Environmental issues:** environmental management, environmental policy, environmental performance, environmental reporting, ozone-depleting chemicals, pesticides, pollution convictions, tropical hardwood, various product/process impacts, water pollution.
- **Social issues:** alcohol, community involvement, equal opportunities, gambling, health and safety, human rights, military production and sale, pornography and adult entertainment services, supply chains, tobacco, trade unions and employee participation, training.
- **Other issues:** animal testing, disclosure, fur, genetic engineering, intensive farming and meat sale, positive products and service.

**Clients** of EIRIS can choose from a list of 350 indicators that refers to more than 40 analysis sectors (for example: protection of the environment and human rights), thus creating their own special 'ethical mixture' of sustainability criteria (so called '**à la carte-approach**'). Besides the examinations by using positive and /or negative criteria EIRIS also offers an **additional** examination of activities in **traditional exclusion areas**. These include the topics concerning 'sin-stocks', as well as other criteria like gene technology, intensive agriculture and meat production. EIRIS emphasizes that the criteria list is constantly advanced through a 'constructive dialog' with clients, experts, companies, partner organizations and observation of competitors and other events of the day.

In regards to the assessment EIRIS does not award singular or overall scores according to the '**à la carte-approach**'.

The **weighting** of the single **criteria** is primarily **dependent** on the **clients' preferences**. For the criteria that refer to the confirmation of, for example environmental management systems, several categories can be classified. The categories can vary from 'little or no evidence' to 'very clear evidence'. Other areas are described with a detailed description in five graduations from 'inadequate' to 'excellent'. In the end the preference of the client of the sustainability analysis decides which valuations are necessary so that a qualification can be seen as 'acceptable', and therefore can be included into the investment universe. The preferences therefore also decide whether a company is rated 'unacceptable'.

EIRIS' **research sources** are government and regulatory agencies, industry organizations, trade publications, campaigning bodies, academic and specialists' reports, and the output of other research bodies. In addition they gather information from the companies themselves (reports and accounts, regular communications sent to shareholders, questionnaires, letters and direct dialogue) and EIRIS consults experts and stakeholders.

EIRIS' **Convention Watch** focuses on the following issues and conventions: UN Global Compact, ILO's core labor standards, UN Human Rights Norms for Business, UN Convention against Corruption, Kyoto and Montreal Protocol, Ottawa Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction ('Mine Ban Treaty'), OECD Guidelines for Multinational Enterprises, Universal Declaration of Human Rights.

### **3.13.3 Standing of the rating system**

#### **3.13.3.1 Target group**

EIRIS provides a range of services for individuals, charities, independent financial advisers, institutional investors and companies. EIRIS capital market orientation is explicitly visible, when regarding the EIRIS's cooperation with the FTSE4Good Indices.

#### **3.13.3.2 Position in the market**

According to their **own statement** EIRIS is the **leading independent provider of research for social, environmental and ethical performance of companies worldwide in the field of ethical oriented investments**. EIRIS is assumed to be market leader in the UK with over 60% of UK ethical funds managed by their clients. More than 2,500 companies from Europe, North America and Asian region as well as all the companies of the FTSE All World Developed Index are analyzed for sustainability. EIRIS's subsidiary EIRIS Services Ltd. operates a 'lion's share' of the sustainability analysis for more than 80 private and institutional investors (i.e. pension funds and non-profit organizations like the World Wildlife Fund). Altogether EIRIS advises about 34.3 billion Euros in assets under management of its clients including 75% of the British SRI public funds and another 30 billion Euros of institutional investors.

**3.13.3.3 Acceptance**

EIRIS engages in constructive dialogue with companies and sends them full reports detailing the data held on them annually and to ensure they have the most up to date and accurate information available.

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## 3.14 Ethibel

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(Main sources: [www.ethibel.com](http://www.ethibel.com), [www.ethibel.com](http://www.ethibel.com))

### 3.14.1 Profile of the institution

#### 3.14.1.1 Time of establishment and background

The foundation of Ethibel, a Belgium **non-profit consulting agency**, was initiated by NGO's, operating in the fields of alternative financing, environmental activism, peace movement, third world movement and other social affairs. The reason for Ethibel's establishment was the plan to create a mutual ethical fund. For that purpose Ethibel as an independent and specialized rating organization was installed.

On June 27<sup>th</sup> 2002, Ethibel started the '**Ethibel Sustainability Index**' (ESI), a stock market index family consisting of four sustainability indices (World, Europe, America and Asia). It is supposed to give the investor a possibility to compare the development of sustainable companies on the stock exchange. Since 2001, a sustainability analysis is arranged for the index family of subsidiaries by '**Stock at Stake**', a former part of Ethibel which has been merged with Vigeo into the '**Vigeo Group**'. Ethibel is an active member in various national and international networks, especially in the SiRi Company.

#### 3.14.1.2 Headquarter of the institution, size, geographical operating range

Ethibel's headquarter is located in Brussels, Belgium. Their staff amounts to 20 employees.

#### 3.14.1.3 Activities in general

Ethibel has **no further activities** besides its activities regarding sustainability ratings.

#### 3.14.1.4 Activities regarding CSR/Sustainability

Ethibel is an **independent consulting agency** for sustainable and ethical investments. Since 1992, it supports banks and capital investment enterprises to develop investment products with regard to sustainability. The executive committee of Ethibel is specialized in different aspects of sustainable development and represents various stakeholders (unions, environmental-, peace-, and third-world-movements, NGO's for social-ethical financing). In the 1990ies, Ethibel **also created a quality-trademark for sustainability funds** on the basis of social-ethical criteria in regards to the assessment of companies. This assessment is supposed to comprise all the aspects of societal responsibility of companies. At present, this trademark is extremely widespread **in Belgium**.



### 3.14.2 Description of the rating system

#### 3.14.2.1 Mission and vision

The concept, with which the sustainability of companies is analyzed, is based on the division of **sustainability** into the three areas of the **Triple Bottom Line**: social, ecological, and economical issues. Additionally, a great deal of attention is paid to the active communication of companies with stakeholders.

#### 3.14.2.2 Rating criteria and basic structure of the rating process

Ethibel identifies **sustainable companies either as pioneer-companies or as best in class-companies** (sustainability leaders) in their industry and region of location. Within the scope of so called preliminary investigations concerning all sectors and regions, Ethibel inspects whether companies can be considered for Ethibel's index.

The analysis is **based on** the account of **reports**, concerning a good social and environmental policy, or on companies that are to be foreclosed when they are involved in controversial technologies and course of actions. After a screening process, a detailed **company profile** is generated. It is divided into **four main areas**: internal social politics, environmental politics, external social politics, and ethical-economical company politics. The research team then creates the rating on the basis of a **detailed criteria** list. In the rating, the four investigated areas all have the same weighting impact. Companies are assessed according to the ratio of their industry and region. Ethibel searches the global precursor for every industry in regards to sustainability. A company can be accepted to the index after the recommendation of the internal investment commission (called register commission) and on the basis of the resolution of Ethibel's executive committee. A priori, Ethibel does **not use any exclusion criteria**. However, Ethibel observes the magnitude and way in which a company is involved in certain activities, when regarding the areas of nuclear power energy, arms trade or arms production, animal testing, as well as genetic engineering. If a company should for any reason be active in these areas, Ethibel will investigate the company to see whether their doings have a positive impact on the environment and people. Only if this is the case, the company in question will be accepted to the then following sustainability analysis.

### 3.14.3 Standing of the rating system

#### 3.14.3.1 Target group

With its index family, Ethibel's objective is to create a tool to evaluate the performance of sustainable companies on the stock exchange. The aim is to make the ratings available for private and institutional investors.

#### 3.14.3.2 Position in the market

At the time of the census, 60% of the Belgian sustainability funds were confirming to Ethibel's criteria, and 88% of the sustainable invested capital was invested in the index as well.

**3.14.3.3 Acceptance**

Ethibel stresses the importance of the collaboration of assessed companies. This is regarded as a requirement for the acceptance to the investment universe of the index. The company is then informed about its acceptance to or its exclusion from the register (sustainability universe).

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### 3.15 Ethical Consumer Research Association

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*(Main sources: [www.ethicalconsumer.org](http://www.ethicalconsumer.org), [www.corporatecritic.org](http://www.corporatecritic.org))*

#### 3.15.1 Profile of the institution

##### 3.15.1.1 Time of establishment and background

The British Ethical Consumer Research Association (ECRA) was founded in 1987 and is a **not-for-profit organization** owned and managed by its staff as a workers' co-operative. Moreover, ECRA is funded almost entirely by readers' subscriptions and by adverts from ethically vested companies.

The fundamental idea was to process already available detailed company data, resulting from sustainability oriented research for investment purposes, for consumer oriented information. Then in 2001 a subsidiary called '**Ethical Consumer Information System Limited**' (ECIS) was founded as a reaction to the growing need for information, because of the development in the 1990s. The development in those times was rooted in the environmental oriented consumer movement based on a very simple product approach from the late 1980s that then evolved into an extensive and broad company approach. ECIS assesses companies based on the analysis of externally available information, which is provided, e.g., by the company itself, NGO's or governmental authorities.

Until the end of 2004 they have planed to develop a numerical comparability amongst the rated companies, for capital market and consumer information purposes.

##### 3.15.1.2 Headquarter of the institution, size, geographical operating range

ECRA is based in Manchester, Great Britain. ECRA has about 22 employees. This number is based on available data from 2004.

##### 3.15.1.3 Activities in general

ECRA has **no further activities** besides the sustainability-rating.

##### 3.15.1.4 Activities regarding CSR/Sustainability

ECRA investigates in particular which **companies** are hidden **behind brand names** regarding **social and ecological performance** and conducts research for campaign groups and ethically minded organizations.

ECRA is the editor of the magazine '**Ethical Consumer**' since 1989. The Ethical Consumer Magazine is published six times a year. The publication is mainly used as a shopping guide, however it analyses single products as well as the whole company from sustainability points of view, e.g., Human Rights, environmental and animal protection.

In addition to this ECRA maintains a publicly accessible database of ethically-related corporate information – 'Corporate Critic'. It is an online database for registered users only. Corporate Critic is specified in the following.

A further emphasis is the co-ordination and organization of Stakeholder actions.

### 3.15.2 Description of the rating system

#### 3.15.2.1 Mission and vision

ECRA's vision of sustainability also applies to the areas of **Human Rights**, **environmental** and **animal protection**. Based on the understanding that **consumer decisions** are also a way of influencing a company's decision, and it therefore presents a certain **effort for creating ecological and social justice**, ECRA regards this as its task to support **sustainability** driven consumers with company related information. In contrast to pure product information, they are supposed to show activities in critical areas as well. ECRA's intention is to give consumers a wider basis for decision making without dictating a certain ethical understanding.

ECRA's approach is to promote universal human rights, environmental sustainability and animal welfare by providing information on consumer issues which empowers individuals and organizations to act ethically in the market place.

#### 3.15.2.2 Rating criteria and basic structure of the rating process

**Corporate Critic** is an online research database that indexes and rates the Corporate Social Responsibility records of over 15,000 company groups, ranging from large multinationals to small independents. It includes both publicly listed and private companies.

**Research** is categorized by five broad **ethical areas**: **environment** (environmental reporting, pollution, nuclear power, other environmental issues), **people** (oppressive regimes, workers' rights, irresponsible marketing, armaments), **animals** (animal testing, factory farming, other animal rights), **extras** (political activity, boycott call, genetic engineering, alerts, company sustainability), **product sustainability** (organic, fair trade, positive environmental features, ethical consumer magazine 'Best Buy', other sustainability).

Companies are rated using Ethical Consumer's 'ethiscore rating system'. Ethiscore is a numerical ethical score (company ethiscore: 15 points is best and zero worst, product ethiscore: 20 points is best and zero worst). The un-customized ethiscore rates all categories equally. Subscribers are then able to weight their ethiscores to reflect their own ethical considerations.

Corporate Critic is compiled primarily from information already in the public domain out of more than 80 sources. In the case of for example environmental reports or attitude towards animal testing this information is requested directly from the companies or come from NGO's such as Greenpeace, WWF, etc. as well as official recordings concerning violations, e.g. violations against waste and emission regulations.

Corporate Critic contains detailed headlines on over 50,000 abstracts derived from campaign group sources and business research activities and information on the behavior of over 30,000 companies from anywhere in the world.

### **3.15.3 Standing of the rating system**

#### **3.15.3.1 Target group**

The information contained within Corporate Critic has wide and diverse applications, and customers across many sectors have found it of great benefit for researching, investing and fundraising purposes.

#### **3.15.3.2 Position in the market**

According to ECRA the Ethical Consumer Magazine is UK's leading alternative consumer magazine and is read by nearly 15,000 people from which a majority of them are subscribers.

#### **3.15.3.3 Acceptance**

ECRA states, that its information services are received very positively from **individuals, NGO's** and sustainability oriented **financial service providers**. ECRA points out that they are open for discussions and suggestions for improvements, e.g. the structuring of the information categories.

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**3.16 Innovest Strategic Value Advisors, Inc.**

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*(Main source: [www.innovestgroup.com](http://www.innovestgroup.com))*

**3.16.1 Profile of the institution****3.16.1.1 Time of establishment and background**

Innovest Strategic Value Advisors was founded in 1995 by Matthew Kiernan a co-founder of the World Business Council for Sustainable Development (WBCSD). Innovest's chairman Jim Martin was chief investment officer for North America's largest pension fund TIAA-CREF for over fifteen years. Innovest's other principals and advisory include former senior executives from several of the world's leading financial companies.

In 2005 Innovest **acquired 'Investor Services'** - the non-solicited company ratings services of **CoreRatings Ltd.** The assets were purchased from DNV (Det Norske Veritas), a world leading provider of quality, environmental and social management systems certifications. DNV will keep the CoreRatings name and corporate services business including its Corporate Governance and Corporate Responsibility assessments and ratings, methodology, intellectual property rights, and senior team of rating experts to focus on mandated Corporate Governance and Corporate Responsibility ratings.

**3.16.1.2 Headquarter of the institution, size, geographical operating range**

Innovest is headquartered in New York (USA) with offices in Toronto (Canada), San Francisco (USA), London (Great Britain), Paris (France), Madrid (Spain), Melbourne and Sydney (both Australia). The Innovest Research team, recently joined by **CoreRatings**, has the largest team of analysts in the world in the 'non-traditional investment risk' space. Innovest's global analysts team rate over 1,750 publicly-traded companies from the world's major stock exchanges.

Currently, Innovest has over 1 billion Euros under structured sub-advisory mandates with asset management partners.

**3.16.1.3 Activities in general**

Innovest is specialized in sustainability analysis and has no further activities besides the already mentioned.

**3.16.1.4 Activities regarding CSR/Sustainability**

Innovest Strategic Value Advisors is an internationally recognized investment research and advisory firm specialized in analyzing companies' performance on environmental, social, and strategic governance issues, with a particular focus on their impact on competitiveness, profitability, and share price performance.

Innovest advises fund managers and institutional investors regarding their sustainability strategy (asset management sub-advisory services), (see also 'Position in the market') and operates

sustainability assessments and portfolio analysis. Over 1,750 publicly-traded companies were assessed and received an internal assessment profile. The results of the sustainability assessment are summed up in a branch as well as a company report.

Innovest is also the exclusive research analytic provider of the ranking list 'The Global 100 Most Sustainable Corporations in the World' (see profile of the rating agency 'Corporate Knights Inc.').

### 3.16.2 Description of the rating system

#### 3.16.2.1 Mission and vision

In the interests of the investors the objective of the total analysis and assessment activity is the detection of non-traditional sources of a company's value and risk potentials. For Innovest assets are understood as a predominant and steadily increasing value driver for a company's fair market value. However these value drivers can not be compassed by conventional financial analysis. Because of that Innovest's analysis refers **to social and ecological risks** and chances that every company commands differently. The **objective** is to estimate a **company's future capital market performance** by assessing the company's **specific sustainability chances and risks**. The '**Intangible Value Assessment**' (IVA) is not to be seen as a substitute for already existing investment strategies but rather as an addition. This approach combines the concept of non-material assets with stakeholder eco-efficient models.

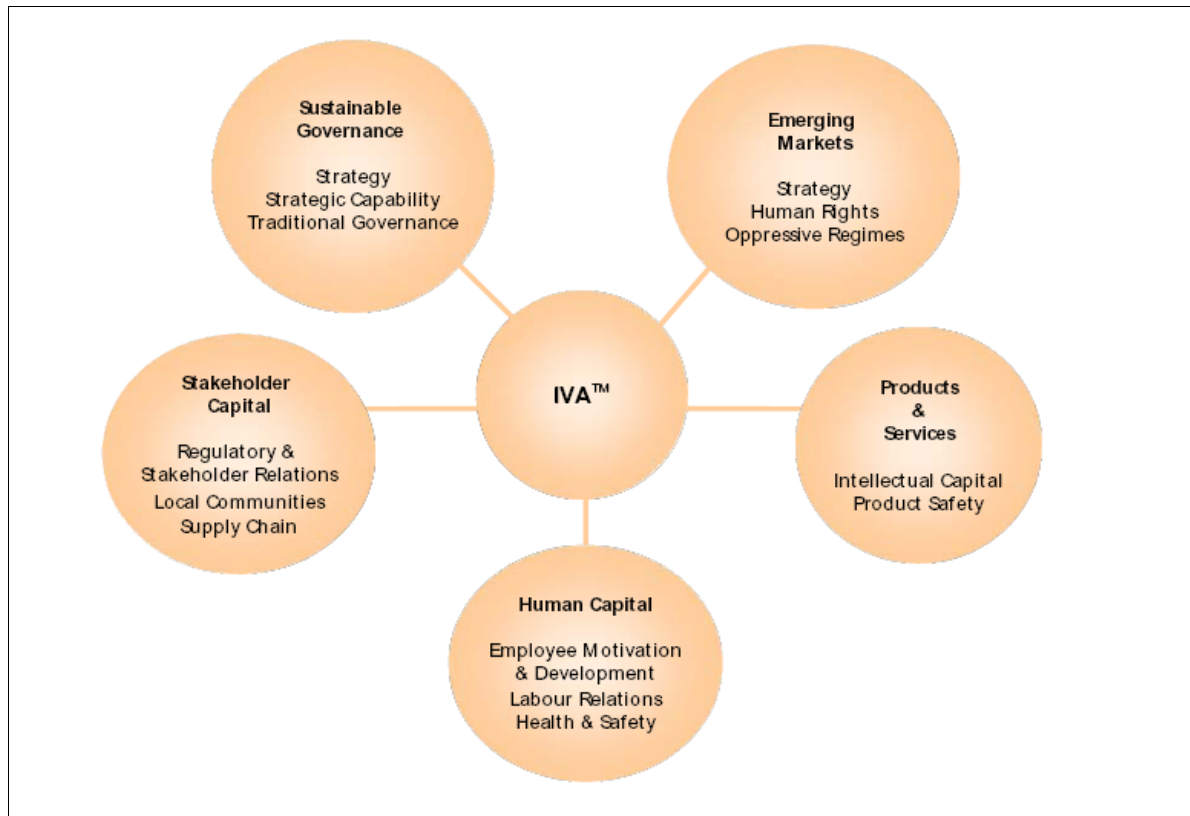
#### 3.16.2.2 Rating criteria and basic structure of the rating process

Innovest's company evaluation uses two proprietary analytical models: the **EcoValue21** model for **environmental aspects** and the **Intangible Value Assessment (IVA)** model to cover **social criteria**. By combining these models, Innovest analysts evaluate a company's standing with regard to more than **120 performance factors**, including innovation capacity, product liability, governance, human capital, emerging market, and environmental opportunities and risk.

Prior to an evaluation of any individual company, Innovest research analysts conduct an in-depth assessment of the **competitive dynamics** of that **industry sector**, with particular emphasis on the special risks and opportunities created by environmental and social factors to properly appraise and weigh the risk and opportunity factors confronting any individual company. The analysis is classified in a '**Sector Impact Index**' (one = low, five = high).

The analysis of the **environmental performance** covers **five main areas**. For each main area certain criteria are assorted that result from environmental market developments: ecological relics, current operative risks, eco-efficiency risk as well as sustainability risk, management efficiency risk and the strategic possibility of profit increase. Overall more than 60 key variables are integrated in the model.

The **social analysis** referred to as '**Intangible Value Assessment**' (IVA-model) appoints **five assessment areas** (see **Fehler! Verweisquelle konnte nicht gefunden werden.**). The listed criteria are a mixture of chances and risks (some are solely chances or risks, others both depending on their characteristics). Qualitative as well as quantitative aspects are considered in the assessment.

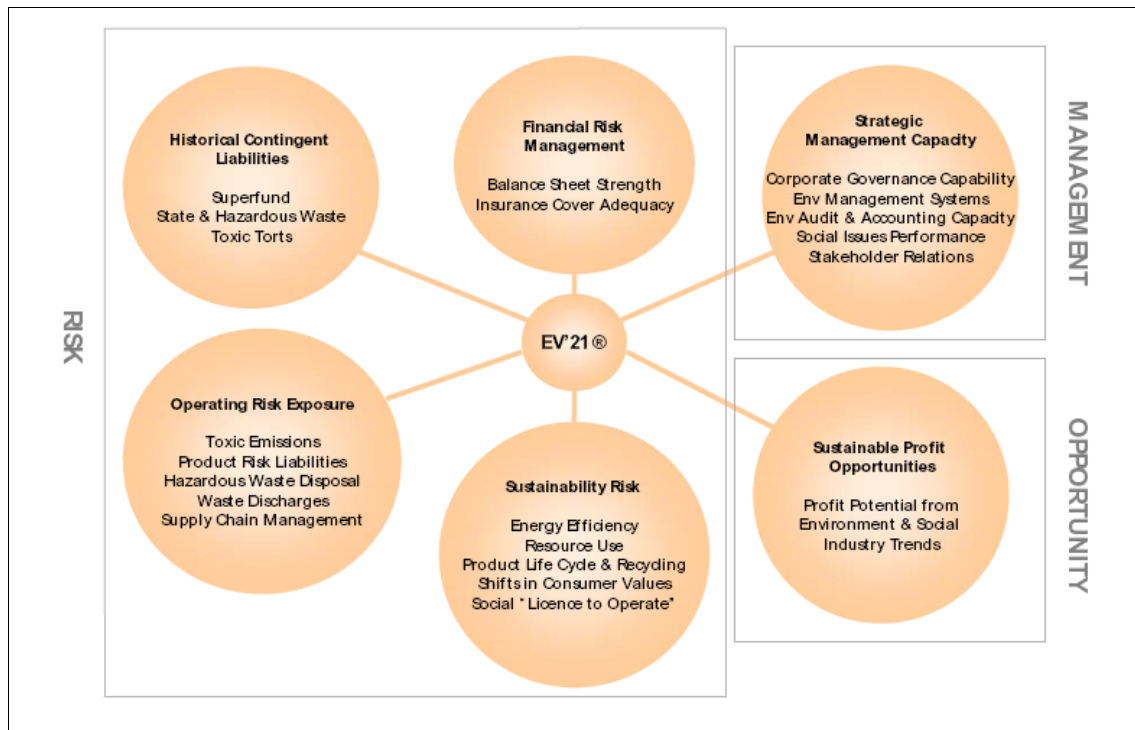


**Fig. 12: assessment areas and criteria in the IVA**

(Source: [www.global100.org/methodology.pdf](http://www.global100.org/methodology.pdf))

The **EcoValue21 model** synthesizes over 60 data points and performance metrics, grouped together under six key value drivers (see **Fehler! Verweisquelle konnte nicht gefunden werden.**). Every single criterion is evaluated by a metric scale from one to ten. These single assessments are graphically displayed in the company analysis and the branch report respectively in comparison to the average of the branch. The scales are relative, i.e., the **best industry leader** receives the **highest score** (ten), the worst industry leader receives the lowest score (one).





**Fig. 13: The EcoValue21 key value drivers**

(Source: [www.global100.org/methodology.pdf](http://www.global100.org/methodology.pdf))

In the IVA-rating (social analysis) as well as in the EcoValue'21-rating (environmental analysis) each **company is rated relative to its industry competitors** against the Innovest performance criteria and is given a weighted score, as well as seven level letter grade (AAA = best/industry leader, AA, A, BBB = average, BB, B, C = worst). Additionally, the positioning of every company is also displayed in company analyses as well as in branch reports. However further information are not available concerning the weighting of the criteria in regards to the aggregation to an overall score as well as the method for the compilation of the ranking-list.

Information concerning companies' activities in controversial business areas are published with the IVA. Innovest only assesses companies to the extent that certain market risks arise here from.

### 3.16.3 Standing of the rating system

#### 3.16.3.1 Target group

Innovest's clients include leading institutional investors throughout the world. Currently Innovest provides custom portfolio analysis and research to more than thirty major institutional investors and has clients in over twenty countries. Innovest's company –and branch assessments are **capital market oriented**. They primarily serve institutional investors with the implementation of their sustainability strategy. For the assessed companies these ratings present valuable information because of the fact that companies have the opportunity to position themselves in their industrial sector. However it is not known if companies actually use this information.

**3.16.3.2 Position in the market**

Innovest currently has over 1 billion Euros under structured sub-advisory mandates with asset management partners, i.a. ABN-AMRO, Mellon Capital, Brown Brothers Harriman, T. Rowe Price and Credit Lyonnais. Innovest provides custom portfolio analysis and research to more than thirty major institutional investors including a cross section of the largest institutional investors in the world like UBS, Henderson Global Advisors, HSBC, BNP Paribas, Schroders Investment Management, Cazenove Capital and Rockefeller & Co., as well as the leading pension funds in the U.S., the U.K., continental Europe and Scandinavia.

**3.16.3.3 Acceptance**

Detailed information is not available. The chosen risk analysis approach might be accepted by the rated companies and by investors as well. The already existing mandates signalize a certain amount of acceptance.

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### 3.17 imug (Institut für Markt-Umwelt-Gesellschaft)

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*(Main sources: [www.imug.de](http://www.imug.de), [www.unternehmenstest.de](http://www.unternehmenstest.de), [www.ethisches-investment.de](http://www.ethisches-investment.de))*

#### 3.17.1 Profile of the institution

##### 3.17.1.1 Time of establishment and background

In 1992, the 'Institut für Markt-Umwelt-Gesellschaft' (imug) e.V. was established as a practice oriented **research institute** in co-operation with the marketing professorship, at the university of Hannover. In 1995 the imug Beratungsgesellschaft (in the following: imug-consultancy, legal form: GmbH similar to Ltd.) was additionally set up by the imug institute. imug's main objective is to **enhance the societal and ecological interests in market transactions**.

Since 1993 imug conducts consumer-oriented and social-ecological company tests. These company tests were the impetus to take over the company **research on behalf of** the Germany based stock index NAI (Natur-Aktien-Index, see p. 148), in 1999. Moreover, imug analyses German big capitalized enterprises regarding their social performance as a project for the CSR Europe, which is a pool of companies located in Brussels.

imug became the German **partner** of the British rating agency **EIRIS** (see chapter 3.13) and investigates all of the DAX 100-companies, as well as Austrian and Swiss corporations, according to the criteria defined by EIRIS.

##### 3.17.1.2 Headquarter of the institution, size, geographical operating range

As a research institute with close legal ties to the of the university of Hannover, imug has its headquarter at the university of Hannover as well. imug has 24 fulltime employees.

##### 3.17.1.3 Activities in general

In addition to imug's fundamental research, they are also involved in a series of projects, practice oriented research questions from companies as well as consumer- and environmental-organizations. Important results are published. In addition to the investment research and the inter-sectoral company tests, imug published the assessment of product-groups in the Austrian consumer magazine 'Konsument' ('Consumer').

##### 3.17.1.4 Activities regarding CSR/Sustainability

The main focus of the research lies in the areas of the **social-ecological behavior of consumer**, **social-ecological company assessment**, **ethical investment** and **society oriented marketing** in terms of an improved understanding regarding companies, consumers and the public. imug states that they are analyzing the driving forces and obstacles of ethical investments in the market.

Besides their customized research (e.g. company research on behalf of the NAI) imug does research on companies in Germany, Switzerland and Austria for EIRIS. The evaluation results are utilized in the database of EIRIS' Ethical Portfolio Manager (EPM), which comprises more than 2,800 companies all over the world (such as Great Britain, Europe, USA, Australia, Japan and Asia). These Companies are analyzed by 250 criteria in 60 social, environmental and ethical evaluation ranges.

In addition to the activities mentioned above, imug and EIRIS offer a new service, the **Convention Watch**. Here, investors have the opportunity to **detect offences** against international standards and conventions of companies that are included in their portfolio and can therefore prevent a loss of reputation. Offences against the UN Global Compact are investigated, as well as offences against human right in general, the ILO or offences against the prohibition of anti-person-mines.

Both, the Ethical Portfolio Manager and Convention Watch, are explained in-depth as part of the portrait of EIRIS (see chapter 3.13).

### 3.17.2 Description of the rating system

#### 3.17.2.1 Mission and vision

imug's mission is to bring together the economic aims of both companies and customers and the communities' aims in terms of a **sustainability vision**.

In the investment research area, imug acts on the assumption that the efforts of **corporate governance** as well as the initiation of **international social standards**, can also contribute to the economical success of companies. Financial institutes are supposed to help realize this investment strategy with research and market research.

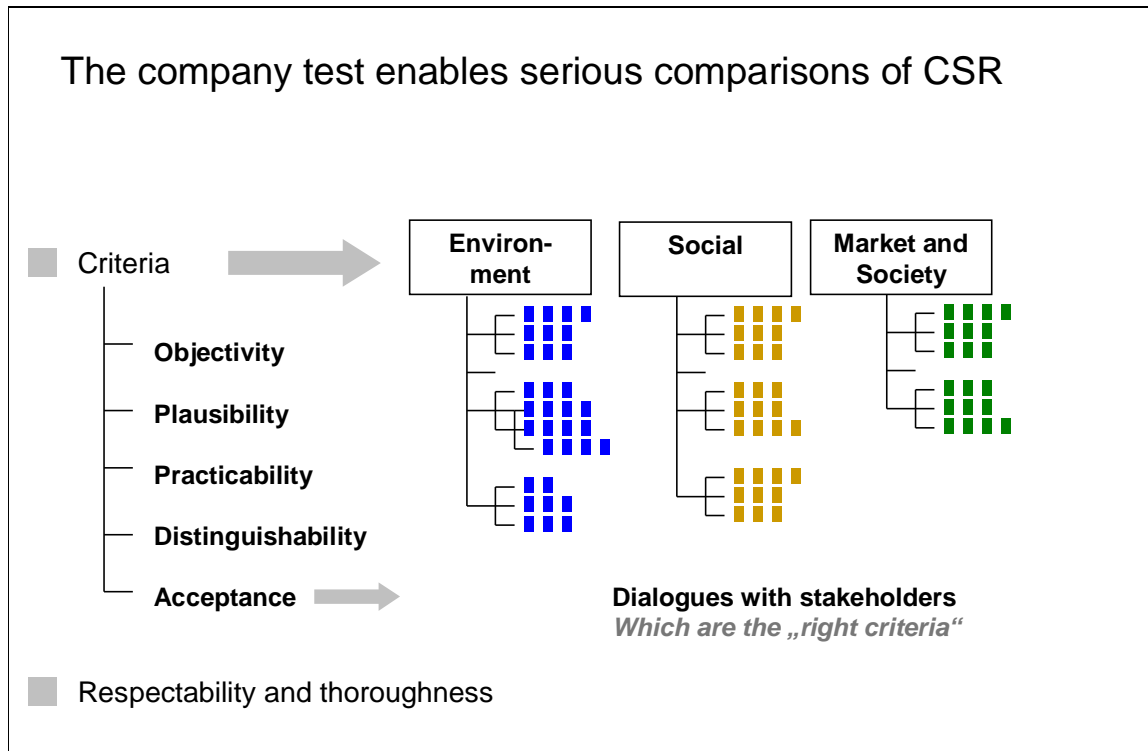
#### 3.17.2.2 Rating criteria and basic structure of the rating process

imug's research-approach **aims** at an **improved communication and interaction between market and society**, which is achieved by a long-term problem-analysis and problem-solution, as well as an intensive dialog-orientation. The assessment model '**Company Test**' is supposed to fulfill the following three functions on the consumer goods market: incentives, control (to antagonize free-rider-behaviors), catalyst (to stimulate the communication process with companies, regarding the criteria-determination).

In the **consumer oriented research** area, imug operates its social ecological company test. It is based on the concept of the American 'shopping-guides' of the 'Council on Economic Priorities' and is supposed to complement comparable product tests in the context of consumer information.

When it comes to the selection of investigation criteria, it is very important to imug that societal sustainability discussions are reflected on the enterprise level as well. In the context of the so called '**stakeholder dialog**' the investigated companies, as well as experts, and various stakeholder groups are brought together to identify the industrial oriented and relevant factors to execute the sustainability measurement. In principle, the criteria structure is subdivided three-dimensionally in equally weighted areas: environment, social, market and society. These areas are then assigned to different investigation areas, which are also branch specific. The criteria of the three areas are then weighted

branch specific, according to a four-step-scale in the actual assessment and selection process. Only if enough information exists, an overall score is assigned.



**Fig. 14: Ingredients of imug's CSR rating model**

(Source: [www.ethisches-investment.de/images/corporate.gif](http://www.ethisches-investment.de/images/corporate.gif))

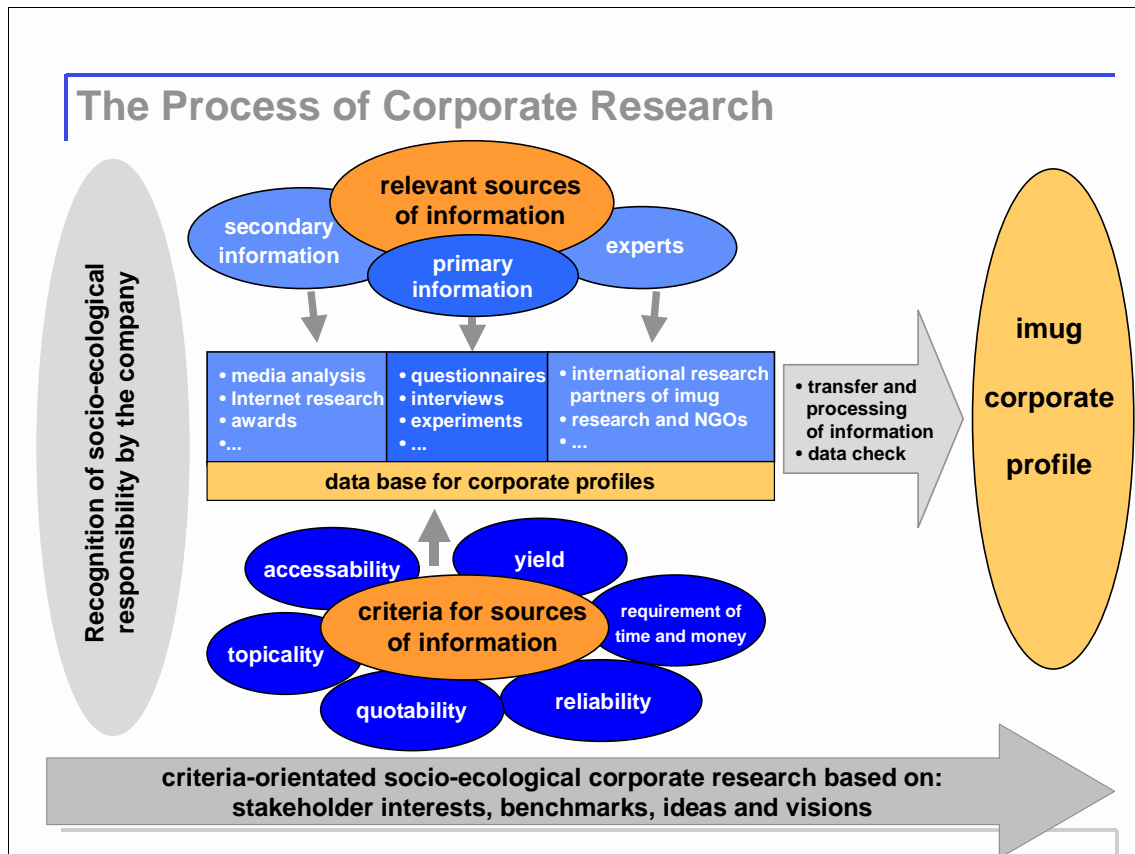
The investor-oriented research is divided into two areas:

1. imug applies the rating concept and the criteria of EIRIS.
2. For SECURVITA - a life insurance association, which operates 'Green Effects', an ethical mutual investment fund – imug arranges the research for the 'Natur-Aktien-Index' (NAI) on which the fund is based. (For further information regarding NAI, see chapter 4.33).

imug's corporate research examines the **social and environmental behavior of German, Austrian and Swiss companies** by following a three step process (see

Fig. 14:):

1. **Primary information:** assessment of information provided by the respective company (questionnaires, company publications (e.g., annual reports, social and environmental reports or brochures), personal contacts and visits).
2. **Secondary information:** assessment of media reports on company activities, including internet research and news search.
3. **Experts know-how:** imug cooperates with NGO's and various stakeholders to get their assessment on company activities and possible consequences.



**Fig. 15: imug's CSR rating model**

(Source: [www.ethisches-investment.de/images/corporate.gif](http://www.ethisches-investment.de/images/corporate.gif))

### 3.17.3 Standing of the rating system

#### 3.17.3.1 Target group

Consumers are the target group of the published company tests, which imug describes as shopping guides. Since the first investment research in 1999, imug also appeals to sustainability-oriented **private and institutional investors**.

#### 3.17.3.2 Position in the market

Imug is a member in eight international research organizations and works together with an international Business to Business network of institutions – the 'Global Partners for Corporate Responsibility Research' (CSR). For the European region, CSR-Europe, imug investigated the social performance of German enterprises regarding employment, training, equalization and entrepreneurship together with seven other European research institutes.

### **3.17.3.3 Acceptance**

Prior to every new investigation, imug's criteria are questioned by a body of experts, consisting of NGO's, companies, industrial sector representatives and scientists. Before the results are published, the companies are notified and the impact on the companies and publicly addressed target groups are investigated on the basis of imug's guidelines (see [http://www.unternehmenstest.de/download/pdfs/Unternehmenstest\\_Qualitaet\\_2002\\_12\\_20.pdf](http://www.unternehmenstest.de/download/pdfs/Unternehmenstest_Qualitaet_2002_12_20.pdf)).

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### 3.18 KLD Research & Analytics Inc.

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*(Main source: www.kld.com)*

#### 3.18.1 Profile of the institution

##### 3.18.1.1 Time of establishment and background

Since 1989 KLD Research and Analytics Inc. (founded in 1988) offers research in the range of SRI and corresponding services to institutional investors. KLD stands for the initial letters of the name of the founders of the company: Peter Kinder, Steve Lydenberg and Amy Domini. The launch of the stock market index **Domini 400 Social Index** (launched in 1990) by the broker and author Amy Domini was the origin of their CSR activities: **the first socially responsible investment benchmark** to measure how social and environmental screens affect investment performance. The index was intended for investors, who tend to invest their money on the basis of social and ecological principles as a possibility of comparison to the US stock market index 'Dow Jones Industrial Average'.

##### 3.18.1.2 Headquarter of the institution, size, geographical operating range

KLD is located in Boston, USA. According to KLD they are featuring the **largest corporate social research staff** in the world: The KLD team consists of 44 members. 19 of them work within the research department. Up to now the social and environmental performance of more than 4,000 US-American and international companies in more than 50 global markets has been evaluated. KLD is a **founding member** of the **SiRi Company**.

##### 3.18.1.3 Activities in general

KLD **provides performance benchmarks** through indices, corporate accountability research and consulting services analogous to those provided by financial research service firms.

##### 3.18.1.4 Activities regarding CSR/Sustainability

The **main item** of KLD's activities is the **fee-based online database 'SOCRATES'** for registered clients only. This database offers **three kinds of services**: **portfolio screening** (to manage and screen portfolios of global companies worldwide on a variety of social and environmental issues), **list generation** (to generate lists based on social ratings or statistical data, using single or multiple criteria) and **shareholder actions** (information about current and historical shareholder actions, including the exact text of proxy resolutions, compiled by the Interfaith Center on Corporate Responsibility (ICCR)).

Besides this KLD has **launched five sustainability indices on the US-American capital market**: Domini 400 Social Index, KLD Select Social Index, KLD Global Climate 100 Index, KLD Broad Market Social Index, KLD Large Cap Social Index.



### 3.18.2 Description of the rating system

#### 3.18.2.1 Mission and vision

KLD's **mission** can be cited as follows 'to provide global research and index products to facilitate the integration of environmental, social and governance factors into the investment process. Our products and services define corporate responsibility standards that enable investors, managers and fiduciaries to influence corporate behavior through their investment decisions and share ownership. Our **vision** is to achieve, through this influence, greater corporate accountability and, ultimately, a more just and sustainable world.'

#### 3.18.2.2 Rating criteria and basic structure of the rating process

The KLD **company ratings** consist of **two categories** – 'social issues' and 'controversial business issues'. The former is the **social-ecological assessment** in seven activity areas, by which the various **stakeholders** of a company are affected by. **Environmental protection topics** are **also** considered by the category 'social issues'. KLD rates the social, environmental and governance performance of companies using a proprietary framework of positive and negative indicators (possible strengths and concerns).

Companies are rated in **seven major qualitative issue areas**: environment, community, Corporate Governance, diversity, employee relations, human rights and product quality and safety. Below mentioned are the seven qualitative issue areas, each with two exemplary criteria for strengths and concerns:

- **Community support:** i.e. bounty of donations; the support of education initiatives/ controversial credit or investment allocation guidelines
- **Corporate Governance:** e.g., positive company culture, frictions concerning external accounting; taxation problems.
- **Diversity:** attitude and promotion of women and minorities, additional social performances/lawsuits because of discrimination, no women in the senior management.
- **Employee relations:** good relations towards unions, co-determination/ few safety precautions; reduction of jobs.
- **Environment:** innovative and eco-friendly products, energy reduction measures/ special waste problems; production of ozone-destructive gases.
- **Human Rights:** i.e. employment of residents as well as good relations to residents, good working conditions and union relations outside of the USA.
- **Product:** quality management, product safety, price fixing and cartels.

The **second component** of KLD'S company assessment, the so called '**industry involvement reports**' examines whether a company is and to which extent this company is active in one of the **nine critically seen areas** respectively branches e.g. abortion, pornography, alcohol, contraceptives, firearms, gambling, armament.

Each and every single indicator is weighted by the user in the '**SOCRATES**' database according to an '**à la carte-approach**' (e.g., which exclusion criterion is to be exercised, or to what extent an involvement

in a critical branch can be born (in percent)). Thus an individual company ranking is the outcome. The available online company data for registered clients are actualized monthly.

### **3.18.3 Standing of the rating system**

#### **3.18.3.1 Target group**

KLD's research focuses on listed companies and is designed for institutional investors and money managers who integrate environmental, social and governance factors into their investment process. KLD's research can be used for screening, stock picking, or fund creation.

#### **3.18.3.2 Position in the market**

According to KLD 15 of the top 25 institutional money managers worldwide use KLD's research for their investment decisions.

#### **3.18.3.3 Acceptance**

Information concerning addressee acceptance is not available, as our numerous inquiries haven't been answered.

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**3.19 oekom research AG**

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(Main source: [www.oekom-research.de](http://www.oekom-research.de))<sup>24</sup>

**3.19.1 Profile of the institution****3.19.1.1 Time of establishment and background**

oekom research AG named ökom GmbH emanated in 1993 from the ökom publishing house which was founded in 1989. The rating division of the ökom GmbH was outsourced in 1999 so the oekom research AG was founded and the Corporate Responsibility Rating was developed.

**3.19.1.2 Headquarter of the institution, size, geographical operating range**

oekom research is based in Munich, Germany. They have ten employees.

**3.19.1.3 Activities in general**

There are **no other activities** besides the CSR-activities.

**3.19.1.4 Activities regarding CSR/Sustainability**

oekom research AG sees themselves among the **pioneers of ratings based on ecological and social criteria in the German speaking region**. The environmental rating was developed in 1993. The first ratings with environmental and cultural criteria were then published in 1994. Then in 1999 the rating approach was extended by social and cultural dimensions.

oekom research offers sustainability research on the world's major companies and countries and in addition to this findings as investment advisory for financial service providers, church investors, organizations and companies. oekom does the research for the 'HVB Nachhaltigkeitsindex', a sustainability index which was launched in 2005 by the German-Italian HypoVereinsbank.<sup>25</sup>

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<sup>24</sup> See also [http://www.sustainable-investment.org/research/oekom\\_print.html](http://www.sustainable-investment.org/research/oekom_print.html).

<sup>25</sup> The HVB sustainability index displays the market trend of 16 stocks which are selected in two steps. Firstly, oekom research identifies the companies that pass the strongest environmental and social area. From this pool of companies, HVB then determines the 16 largest European and most liquid companies with the highest expected dividend yield.

### 3.19.2 Description of the rating system

#### 3.19.2.1 Mission and vision

The Corporate Responsibility Rating is based on the **'Frankfurt-Hohenheim Guidelines'** (FHG), a set of criteria which were developed by the German professors Hoffmann, Ott and Scherhorn in 1993. The FHG methodology is based on Prof. Renn's (University of Stuttgart, Germany) 'Value-Tree-Analysis'. It comprises more than **800 criteria in the areas of culture, nature and social issues**. FHG's categories nature and social compatibility result from the super ordinate culture compatibility dimension, so that the 'value-tree' receives its structure from these three main dimensions. Furthermore the social compatibility investment criterion is supposed to be attended more explicitly.

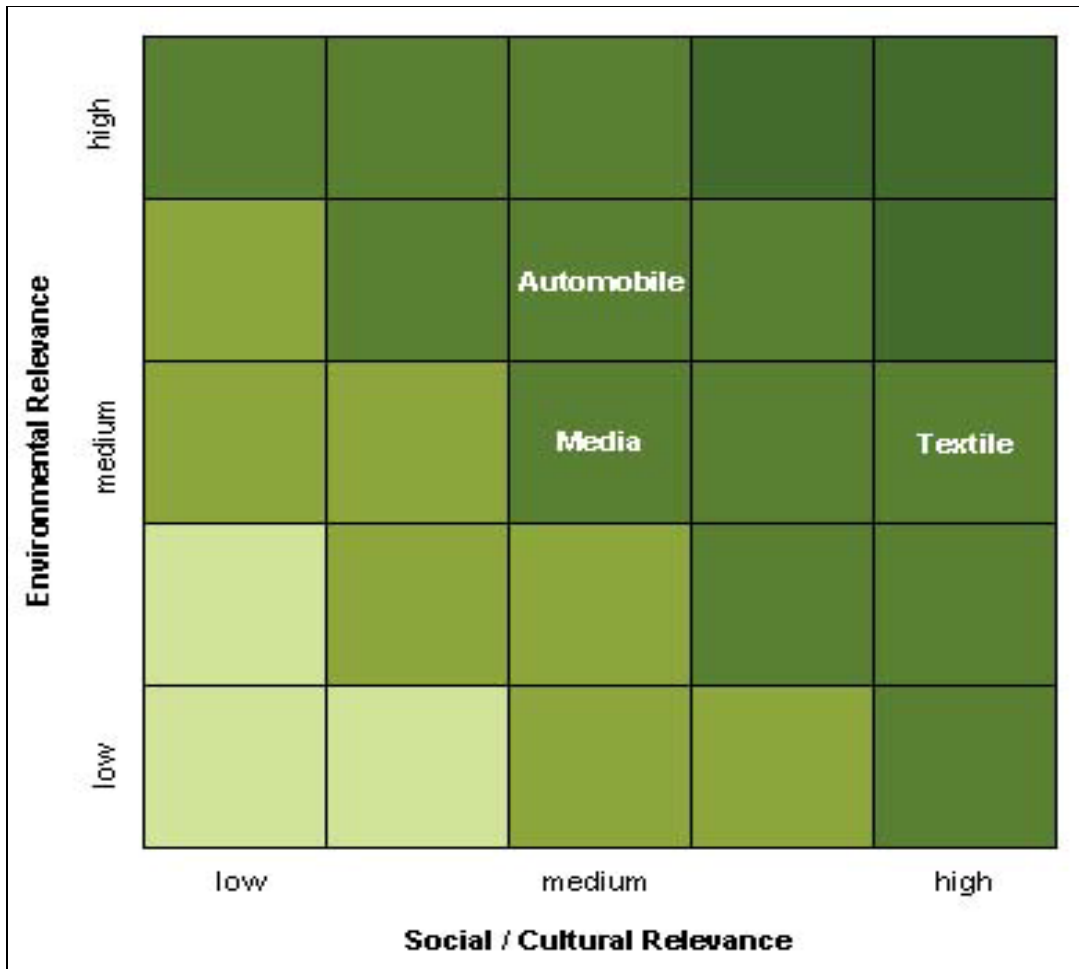
#### 3.19.2.2 Rating criteria and basic structure of the rating process

oekom research distinguishes its rating process between

- the **Potentials Research**, that is the assessment of 'sustainability pioneers' (which identifies small and medium sized companies, whose products and services contribute exceptionally to sustainable development – for visionary investment) and
- the **Corporate Responsibility Research**, here so called 'sustainability leaders' are assessed (which analyses international large and mid cap companies from all the important industries evaluating the responsibility of companies towards people influenced by the company's activities and represents the responsibility towards society and culture.)

The Potentials Research analyses small and medium sized companies whose ratio of turnover derived from sustainable products and services lies above 50%. In addition to this there has to be no breach of negative criteria (see Corporate Responsibility Rating).

The **Corporate Responsibility Rating** consists of **two rating categories**: the **social cultural rating** and the **environmental rating**. The social, cultural and environmental impacts of industries differ. Therefore, depending on its relevance, each analyzed industry is classified in a Sustainability Matrix (see **Fehler! Verweisquelle konnte nicht gefunden werden.**).



**Fig. 16: CSR matrix of oekom's CSR rating**

(see [http://www.oekom-research.com/ag/images/sust\\_matrix\\_eng.jpeg](http://www.oekom-research.com/ag/images/sust_matrix_eng.jpeg))

Depending on this classification, the two components of the Corporate Responsibility Rating, i.e. the environmental rating and the social cultural rating, are weighted.

The criteria of the **three dimensions** (social, culture and environment) of the Corporate Responsibility Rating are **subdivided into six areas of assessment**. In each area of assessment different information is evaluated: (e.g., dimension: Social Cultural Rating; area of assessment: employee relations; information evaluated: equal opportunities)

Besides the mentioned categories oekom research carries out a comprehensive negative screening in a great number of ethical controversial business fields and practices for each company (e.g., alcohol, embryonic research, nuclear power, pornography).

The **weighting of the three research fields** constituting the environmental rating **varies depending** on the **company's area of business**. An industry is assessed with the help of experts. The assessment considers on the one hand the environmental impact of the products and services and on the other hand the environmental impact of the production. Both aspects are ranked small, medium or high, resulting in a 3x3 matrix. This matrix is then used to assign the industries to five categories. The

result of the environmental rating is given by a letter rating the company activities (A+ through D-), and by a roman number indicating the business area (I through V).

	environment	social/culture	total	weighting
automobile	IV	III	VI	environment 60% social & culture 40%
textile	III	V	VII	environment 30% social & culture 70%
media	III	III	III	environment 50% social & culture 50%

**Table 1: Industry specific weights of the overall score in the fields environmental and social/cultural rating of oekom research**

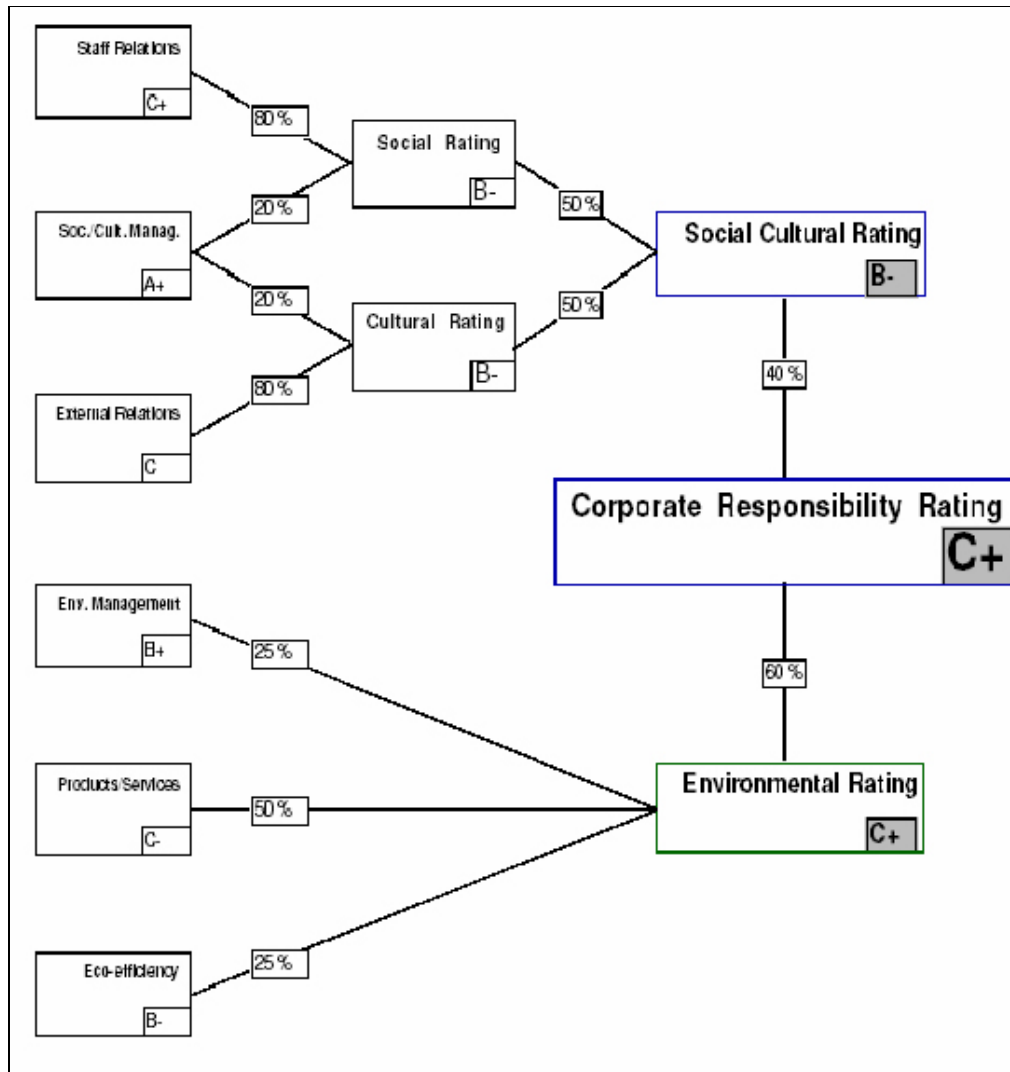
(see [http://www.oekom-research.de/ag/german/index\\_research.htm](http://www.oekom-research.de/ag/german/index_research.htm))

Besides the environmental rating the **social cultural rating** constitutes the second component of the Corporate Responsibility Rating. The social cultural rating requires a **division into a social rating** and a **cultural rating**. According to oekom research the social rating evaluates the responsibility of companies towards people influenced by the company's activities. The cultural rating shall represent the responsibility towards society and culture. The **social rating** consists of the research fields '**employee relations**' and '**management system**'. The relations between the employees and the company are measured using criteria like job security, working hours and wage compensation. The field '**management system**' is measured by the presence of corporate mission, audits, workers participation, and reporting. The field is included in both the social and cultural rating. The relations to external stakeholders are determined through customer relations, state and community, suppliers but also the international activities.

The **overall analysis is graded on a twelve-point scale** from A+ to D- (A+: The company acts in a particularly progressive manner, D-: few or no positive environmental, social and cultural activities worth noting were identified).

The overall score then shows in a Best in Class-Rating the companies relative position in comparison to its business area.

Besides the Corporate Responsibility Rating, which is also categorized as an 'Inside Rating', oekom developed a slightly more comprehensive 'Outside Rating' for the assessment of companies where internal information is not available for various reasons.



**Fig. 17: Composition of an individual company in oekom's CSR rating by example**  
 (see [http://www.oekom-research.de/ag/german/index\\_research.htm](http://www.oekom-research.de/ag/german/index_research.htm))

### **3.19.3 Standing of the rating system**

#### **3.19.3.1 Target group**

As a rating agency oekom research operates purely capital market oriented for the sustainable investments area, i.e., it utilizes its analysis and ratings exclusively for commercialization purposes to third parties.

#### **3.19.3.2 Position in the market**

A growing number of financial services companies, specialized ethical banks, and institutional investors refer to their sustainability research for the selection of securities for mutual funds, segregated accounts and asset management mandates. oekom research currently provides research for over 45 funds, from 21 financial service providers, with a total volume of more than two billion euros. Its research universe with more than 900 companies covers over 80% of the MSCI World thereof over 750 companies are evaluated by the Corporate Responsibility Research.

#### **3.19.3.3 Acceptance**

oekom research emphasizes the **intensive cooperation with** the assessed **companies** during the rating process. They then publish the most important results in German and English. The objective of the rating is to be internationally recognized by interested parties and also to activate certain processes that will induce the rated companies to optimize their ecological and social performance.



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## 3.20 SAM (Sustainable Asset Management) Group Holding AG

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*(Main sources: [www.sam-group.com](http://www.sam-group.com) and [www.dowjones.com](http://www.dowjones.com))*

### 3.20.1 Profile of the institution

#### 3.20.1.1 Time of establishment and background

SAM Group was founded in 1995 as the **worldwide first independent asset management company** specializing in **sustainability investments**. Launched in 1999, the international based stock market index family 'Dow Jones Sustainability Indices' was launched. Those indices are the first global ones tracking the financial performance of the leading sustainability-driven companies worldwide and represent an important milestone in the business model of SAM.

#### 3.20.1.2 Headquarter of the institution, size, geographical operating range

The headquarter is situated in Zurich, Switzerland. There are further offices in Melbourne (Australia) and Milan (Italy). Representative offices are located in Barcelona (Spain), San Francisco (USA) and Stockholm (Sweden). Altogether the number of employees adds up to 55.

#### 3.20.1.3 Activities in general

There are **no other activities** besides the CSR-activities.

#### 3.20.1.4 Activities regarding CSR/Sustainability

SAM carries out systematic research to identify successful companies which meet sustainability criteria. SAM's expertise is based on its **own independent research** and an **active sustainability network worldwide**. Together with the security markets index provider Dow Jones Indices and STOXX, SAM has launched a family of sustainability indexes to track the performance of companies that are industry leaders in terms of sustainability. SAM also accomplishes general research in the field of sustainability. Moreover Sam **develops** and **manages sustainability oriented investment products**.

SAM Research provides the investment universe for all SAM products and mandates, across equities and bonds, as well as the members of the world's first sustainability stock index, the Dow Jones Sustainability Indices.

### 3.20.2 Description of the rating system

#### 3.20.2.1 Mission and vision

SAM assesses the influences of sustainability issues on the **financial performance** of **companies**, i.e. their issued securities.

SAM'S sustainable company assessment refers back to the definitions of the paradigm of **Sustainable Development** according to the Brundtland report. On the basis of this SAM developed financial market and company oriented concepts. This is comprehended as Corporate Sustainability for sustainable economization and sustainable development.

A **stakeholder concept** has been integrated. SAM understands this as a management concept to maximize the shareholder value in the long run.

SAM believes that the **value driven effect of sustainability** lies in the fact that companies that are led by sustainability guidelines generate competitive advantages by recognizing and implementing economical, ecological and social trends at an early stage. Because of this a permanent realization of business risk reduction and the chances for appreciation can be achieved.

Consequently investors will benefit from sustainable companies when stock prices rise and other stakeholders and the society as a whole will benefit from responsible production processes and as a result of that from well manufactured products.

### 3.20.2.2 Rating criteria and basic structure of the rating process

SAM assesses the competence of companies in addressing general and industry specific challenges. For this, SAM interprets mega trends and global challenges into industry challenges and innovation clusters. Industry challenges can differ from industry to industry, affect more than one industry, or affect all industries and sectors alike. These industry challenges are then used to select criteria and indicators to identify which companies are embracing the challenges most effectively, and hence are best positioned to increase shareholder value. The impact of a company's sustainability performance on the fair value of its securities is quantified and incorporated.

SAM research process consists of **three fundamental steps**:

- **Analysis of macro trends and industry challenges:** to identify all shareholder value relevant macro trends and the challenges they present to each industry like demographics, globalization and market liberalization, environmental change, mistrust in production along the food chain, call for transparency, human capital management, reputation and brand management.
- **SAM corporate sustainability analysis:** industry challenges are the background against which companies are analyzed to identify those that are best positioned to generate shareholder value. This analysis is conducted in three parts, screening, assessment, and focused analysis.
  1. **Screening:** identification of leading companies with regards to sustainability in all industries on a global basis. The initial universe of approximately 3,000 companies worldwide is reduced to approximately 500. These 500 Sustainability Leaders comprise SAM's basic investment universe, the '**Qualifier List**'. The analysis of the sustainability performance of companies is performed using SAM's online questionnaire. SAM Research has developed 60 industry specific questionnaires covering economic, environmental and social criteria. The questionnaire covers the following areas of criteria.
    - **Economic dimension:** Corporate Governance, investor relations, strategic planning, scorecards/measurement systems, risk and crisis management, codes of conduct/compliance/corruption and bribery, customer relationship management

- **Environmental dimension:** environmental policy/management, environmental performance (eco-efficiency), environmental reporting
- **Social dimension:** labor practice indicators, human capital development, talent attraction and retention, knowledge management/organizational learning, standards for suppliers, stakeholder engagement, Corporate Citizenship/philanthropy, social reporting.

In addition to the analysis of the questionnaire, a media and stakeholder analysis is performed to verify the companies' involvement and behavior in critical situations.

2. **Assessment:** conducted on all members of the qualifier list and designed to spot weaknesses with regard to critical industry-specific sustainability issues and with regard to financial stability. The assessment procedure identifies companies that are burdened with a short-term risk of not being able to deliver on their shareholder value promise. The resulting '**Investment List**' forms the eligible universe for active mandates.
  3. **Focused Analysis:** to identify the industry and technology leaders within each industry. Each company's strategic position and strategic goals are analyzed with regards to the industry's opportunities and challenges. The resulting '**Focus List**' comprises approximately 100 companies that are most likely to turn sustainability into shareholder value. It forms the eligible universe for focused mandates.
- **Determination of sustainable fair value:** The Construction of actively managed portfolio and mandates puts a distinct emphasis on the relative-valuation approach. **Active investments** in Sustainability Leaders are guided by the **difference between the fair value** of a company's securities and the **current market price**. The main tool in this process is the SAM sustainability Discounted Cash Flow-model. This free cash flow to the firm-model determines the fair value of a company's stock under consideration of sustainability trends, macroeconomic trends and developments, the company's economic and financial position, and the company's sustainability profile. Impacts of sustainability on the fair value of a company's security are quantified and included in the determination of their fair value. SAM sustainable asset management's investment process thus incorporates sustainability in both the evaluation of a company and the determination of fair value of its securities.

Data received and collected is fed into SAM's unique and proprietary database – SIMS (**Sustainability Information Management System**), which stores the sustainability related data of more than 1,000 companies. This database allows creating investment universes for all standardized and customized products, including the family of sustainability indexes, as well as detailed assessments, benchmarks, trend analysis and reports.

### 3.20.3 Standing of the rating system

#### 3.20.3.1 Target group

SAM's customers include institutions such as banks, insurance companies, pension funds and foundations as well as private clients.

In cooperation with Dow Jones Indexes and STOXX Ltd., SAM Group publishes and licenses the **Dow Jones Sustainability World Indexes** (DJSI), a series of global sustainability benchmarks launched in September 1999. The indices are based on SAM's corporate sustainability assessment, which

identifies global sustainability leaders on the basis of economic, environmental and social criteria. The DJSI are also used as a basis for the **Dow Jones Islamic Market Sustainability Index** which puts together sustainability criteria and Islamic investing principles. SAM's research is also the basis for the **Australian SAM Sustainability Index** (AuSSI) launched in 2005. The index is published in cooperation with the Environment Protection Authority Victoria and a leading national newspaper, The Australian, and provides a solid benchmark for sustainability-driven investments into Australian companies. It tracks the performance of Australia's Sustainability leaders. The index comprises the leading three in terms of economic, environmental and social criteria out of a universe of close to 200 Australian companies.

#### **3.20.3.2 Position in the market**

In February 2004 a published survey called 'Values for Money', in which the two research bodies SustainAbility and Mistra assessed the quality of 15 worldwide SRI Research agencies (SustainAbility, London and the Mistra-foundation, Stockholm) came to the conclusion that SAM's research division was the **world wide leading sustainability research organization** (see SustainAbility/Mistra 2004). Furthermore according to their own statement SAM is well positioned to identify companies leading their industry in terms of sustainability and shareholder value creation thanks to its unique methodology.

#### **3.20.3.3 Acceptance**

On SAM's own account the **reactions of the assessed companies is positive** without exception. A lot of companies use the feedback opportunity in the context of offered online questionnaires. Additionally, there is a direct and intensive contact with the companies on a regular basis via telephone conferences, company visits, etc. This provides an opportunity to deepen the feedback.

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**3.21 SiRi (Sustainable Investment Research International) Company Ltd.**


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*(Main source: www.siricompany.com)*

**3.21.1 Profile of the institution**
**3.21.1.1 Time of establishment and background**

The 'Sustainable Investment Research International' (SiRi) Network was formed in 2000 as a **not-for-profit entity** named SiRi Group. It comprises **eleven** specialized 'Socially Responsible Investment' (SRI) **research organizations** based in Europe, North America and Australia. In **2003**, due to the successful development of the SiRi Group, SiRi members have decided to **establish an independent for-profit company** to further expand and enhance the consulting services and underlying research. SiRi Company has a centralized research management, administration and finance.

SiRi's objective in cooperation with its network partners in eleven countries on three continents is to connect global perspectives and regional competence by working together.

**3.21.1.2 Headquarter of the institution, size, geographical operating range**

The headquarter of the SiRi Company is in Fribourg, Switzerland. The SiRi Company has a research base of over 100 SRI analysts worldwide.

**3.21.1.3 Activities in general**

SiRi has **no further activities** besides its activities regarding sustainability ratings.

**3.21.1.4 Activities regarding CSR/Sustainability**

SiRi provides detailed profiles and ratings on the largest 600 global companies. Individual SiRi network partners offer **local profiles** on over another 4,000 **corporations** worldwide together with a wide range of **sustainable investment solutions**. SiRi and their group partners together offer extra services (like the Ethibel Sustainability Index, see p. 74) mainly for institutional Investors in the area of sustainable investments.

**3.21.2 Description of the rating system**
**3.21.2.1 Mission and vision**

SiRi's research is mainly focused on the principle of **Sustainable Development**. **Additionally**, they work with a stakeholder model. According to SiRi's approach companies that do not recognize the importance of ecological and social responsibility can suffer from long-term risks. A good sustainability performance in context with a strong financial performance is therefore desired. A **pronounced stakeholder view** against companies is part of SiRi's approach.

### 3.21.2.2 Rating criteria and basic structure of the rating process

SiRi's criteria that reflect the involved partner organizations refer to the stakeholder model and the principles of Corporate Governance. The relevant information for a company is summed up in a detailed company profile, the SiRi Global Profile.

Besides general corporate information, **seven clusters of rating criteria** represent the basis of a company's 'Global Profile': business ethics, community, Corporate Governance, customers, employees, environment, contractors and human rights. In **addition**, 'SiRi Global Profiles' contains **information on controversial business practices** such as armaments, tobacco, animal testing or GMOs. Within each of the **seven clusters**, the analysis is divided into **four subsections**: public reports and communications, principles and policies, management systems and performance data. The criteria within the **rating cluster 'Corporate Governance'** are for instance: transparency of conduct of business, controlling voting rights limitations and board compensation.

The **weighting** of each criterion is **not fixed** and can be adjusted to meet a clients needs.

Since the beginning of 2004, SiRi Company offers clients a **web-based rating tool: SiRi Pro** (Profiles and Ratings Online). Clients and SiRi partners can use the tool for benchmarking and individual company assessments, including best in class analysis and exclusionary screening. The tool can be fully customized to the client's needs and builds upon detailed SiRi company profiles containing 20 to 30 pages in length: customize weights for each of the over 200 indicators, set specific industry-group weights and country risks, select amongst a set of some 30 common exclusionary screens.

Each and every **criterion** is **assessed with grades** from zero (the best) to ten (the worst). This **weighting depends on the clients individual preferences**. The **overall score** is offered from A (the best) to E (the worst) as well as in a short or detailed illustration. The assessment and the rating are accomplished by using SiRi Pro in table-form with industrial and company specific scores and an overall score that is supposed to allow an international and industrial comparison amongst the companies. For the illustration of the data and results and the summarization, the system provides several report formats.

### 3.21.3 Standing of the rating system

#### 3.21.3.1 Target group

The SiRi evaluation is **capital market-oriented**. Their clients belong to some of the largest asset managers, insurance companies, pension funds, banks and social investment institutions in the world. Its research and consulting services are addressed to institutional investors and financial professionals.

#### 3.21.3.2 Position in the market

According to SiRi they are the **leading independent global provider** of SRI research and consulting services for institutional investors and financial professionals.

A number of member organizations are market leader in their countries where they are situated.

### 3.21.3.3 Acceptance

According to SiRi there exists a **high acceptance for their research approach**. This is partly traced back to their survey methods – **no questionnaires**, but already prepared profiles for the feedback that are posted and thus prevent unnecessary paper work in the companies. The response to certain questions is thought to be good, as well as the offer for a personal dialogue. It is said that SiRi convinces foremost because of their work, for their **analysts often check the authenticity of company statements locally**. Stakeholders will then also look into their information.

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## 3.22 **Kempen Capital Management (KCM), SNS Asset Management (SNS AM)**

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*(Main sources: [www.kempen.com](http://www.kempen.com), [www.snsbank.nl](http://www.snsbank.nl), [www.snsreaalgroep.nl](http://www.snsreaalgroep.nl))*

### 3.22.1 **Profile of the institution**

#### 3.22.1.1 **Time of establishment and background**

A.J. Kempen and M.D. de Lange went into business as stockbrokers under the name of Kempen & Co in 1903. Today Kempen & Co is a fully independent Dutch merchant bank. Kempen Capital Management (KCM) is an owned subsidiary of Kempen & Co.

The SNS (Samenwerkende Nederlandsche Spaarbanken) REAAL Groep is the fifth-largest Dutch Bank, which developed from the merger of several saving banks and of the SNS Groep and the REAAL Groep in 1997. The SNS Bank is part of the SNS REAAL Groep. SNS Asset Management (SNS AM) is an asset manager for institutional investors.

KCM and SNS AM have launched the **Kempen/SNS Smaller Europe SRI Index** October 2003. It was the first index to track the performance of SRI smaller companies (so-called 'small caps') in Europe. 'There is tremendous interest in the subject of SRI and small companies are very keen to demonstrate that they are responsibly managed.' (Neil Dunn, Managing Director at Kempen, cited from Baue, 2003).

#### 3.22.1.2 **Headquarter of the institution, size, geographical operating range**

KCM is based in Edinburgh, Scotland and SNS AM in Amsterdam, Netherlands. SNS AM employs 56 persons. The research team consists of 14 people. Therefore SNS has the largest sustainability research team in the Netherlands.

#### 3.22.1.3 **Activities in general**

KCM has an extensive knowledge on investments in companies with only a remote market capitalization and provide asset management services. They manage portfolios in European equities, bonds and real estate securities for a range of institutional investors, foundations and high-net-worth private clients, through mandates and investment funds, including the well-known 'Orange' funds.

SNS AM provides research, asset management, reporting and administration to institutional investors (insurance companies, banks, investment funds and pension funds and especially in social organizations). With an investment portfolio of more than 12 billion Euros, SNS AM is a medium-sized asset manager specialized in SRI (2.3 billion Euros of the 12 billion Euros are sustainable assets).

#### 3.22.1.4 **Activities regarding CSR/Sustainability**

**Sustainable or socially-committed investments** occupy a special place in SNS AM's range of activities. SNS AM is market leader in the field of sustainable institutional asset management in the Netherlands. For more than 30 years, they manage assets, using ethical criteria. Since the early



1990's, they embarked on a sustainable investment strategy. Currently, SNS AM manages the oldest Dutch SRI fund.

The Kempen SNS Smaller Europe SRI Index has its origin in the Orange SeNSE Fund, which is a product of the partnership between KCM and SNS AM. The Orange SeNSE Fund is a sustainable investment in listed small and medium-sized European stocks.

Besides the sustainability screening KCM and SNS AM strive for an active cooperation with the screened companies to support a good corporate practice in a social and environmental sense.

### 3.22.2 Description of the rating system

#### 3.22.2.1 Mission and vision

The index partners are convinced of the fact that companies, which pursue a **sustainability strategy**, obtain a **higher corporate value on a long-term basis**. On the one hand the index was set up to prove this. On the other hand the index is thought to **increase transparency** within the range of small caps and to allow a performance test.

#### 3.22.2.2 Rating criteria and basic structure of the rating process

The Kempen/SNS Smaller Europe SRI Index represents a **subset** of SRI companies from the stock market index '**HSBC Smaller European Companies Index**'. This index contains about half of the **2,800 European quoted small caps**. The quantitative techniques division of the HSBC Bank plc in Edinburgh calculates and maintains the index on behalf of KCM and SNS AM.

The index is the outcome of three years of research, conducted by KCM and SNS AM. The sustainability consultant (SNS) aims to research the top 80% of the HSBC Index by full market capitalization and by SRI criteria. All companies that meet or exceed ethical, social and environmental performance standards are included in the index. This process remains ongoing and at present involves 1,700 individual companies. As of the launch date, the Kempen/SNS Smaller Europe SRI Index comprised 69 companies from 14 countries and aimed to include another 150 companies in the index by the middle of 2004. Today (conditions as of 31 January 2006) the index comprises 131 companies.

The evaluation methods were particularly developed to fit the requirements at smaller enterprises. KCM and SMS AM stress an **active cooperation between sustainability analysts and** the evaluated **companies** regarding a continuous advancement of the corporate policy and the real behavior.

Only constituents of the HSBC Smaller European Companies Index are eligible for inclusion in the index universe. Thereafter, companies must pass the sustainability criteria based on research by SNS. SNS analyses the companies under three major categories: environmental performance, social performance and business ethics. The following **positive criteria** are part of the **screening methodology**:

- **Environmental performance:**
  - environmental policy

- Environmental management system
- certification of the environmental management system
- communication with stakeholders (environmental reporting)
- auditing of the environmental performance
- environmental impact of production processes or services
- environmental impact of products and services
- **Social performance:**
  - general personnel management
  - career and personal development programs
  - non-discriminatory and diversification policy
  - employee representation
  - health and safety on the job
  - communication with stakeholders: social reporting
  - external social policy in Western Europe and North America
  - social policy in risk-countries (human rights, conditions of employment, etc.)
- **Business ethics:**
  - presence of a code of conduct
  - elements in the code of conduct
  - responsibility and monitoring of the code of conduct

In **addition**, a company's involvement in **controversial business activities**, such as the production and distribution of armaments and use of forced labor and child labor, can be a reason to exclude a company from the investment universe.

The research is primarily based on the information provided by the companies. SNS AM supports KCM in their discussions with the company's management. They aim to actively encourage responsible conduct from the company. The index is regarded as a supplement incentive for companies to achieve an acceptable standard in addition to their eligibility for investment.

The Kempen/SNS Smaller Europe SRI Index comprises the stocks in the Orange SeNSE Fund investment universe that have the best ratings. Where the Orange SeNSE Fund may invest in provisionally approved companies, the index allows only for stocks rated 'unconditional passes'.

In every assessment category, the assessment of each **criterion** is defined by a **unique weighting**. **In order to accept** a company to the index, it must **achieve 50 percent** of the **total score** in at least **two of the three categories**. The **examination** is supposed to be done very **frequently**. If a listed company for any reasons should not meet the minimum requirements, Kempen/SNS will ask that company to improve its sustainability performances. If the taken measures do not suffice to improve the company's sustainability performance and if the company also does not show any sign of

improvement, the company will be removed from the index within three months. The results of the sustainability assessment from single companies are not published.

### **3.22.3 Standing of the rating system**

#### **3.22.3.1 Target group**

The index is **capital market oriented** and aimed at potential and existing investors interested in SRI investment, consultants and trustees of pension funds, churches and charitable organizations. The index is supposed to **give** assessed **companies incentives** and an orientation to present and **improve** their **sustainability performances**.

#### **3.22.3.2 Position in the market**

Kempen/SNS **reports of a positive feedback from investors**, because they now have access to an additional market segment.

#### **3.22.3.3 Acceptance**

Kempen/SNS reports also from a positive reaction of assessed companies. An indicator for this is the very small refusal rate concerning the cooperation of yet to be assessed companies. The refusal rate is relatively low (five percent).

#### 4 CSR rating institutions – overview

In the following additional institutions of CSR ratings are presented. Here the focus is laid on a **brief presentation** of the main features of a rating institution. As in the more extensive reports of chapter 3 the following presentations are structured in the same way:

- From the institutional point of view it is distinguished between inhouse research teams, rating agencies and index providers.
- Each institution is in itself structured by its 'profile', the 'description of the rating system' and the 'standing'.

## Inhouse research teams

<b>4.1 Centre for Australian Ethical Research (CAER)</b>	
<i>(Main sources: <a href="http://www.caer.org.au">www.caer.org.au</a>, <a href="http://www.austethical.com.au">www.austethical.com.au</a>)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Founded as a business unit of Australian Ethical Investment Ltd. (AEI) in 1986. In the beginning CAER developed and evaluated internal ethical funds. Since 2000 accumulated information is also sold to institutional investors. CAER is an independent, <b>not-for-profit research organization</b> , and the research arm of AEI.
Headquarter of the institution, size, geographical operating range	Canberra, Australia, established to provide independent social and environmental data on companies operating in Australia and the Asia-Pacific region.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	<b>Ethical research services</b> on a <b>broad range of environmental and social criteria</b> , annual survey of the environmental performance of Australia's 100 largest companies. It has a partnership with EIRIS. CAER evaluates the Australian companies in the FTSE4GOOD indices.
<b>Description of the rating system</b>	
Mission and vision	<b>Vision:</b> 'Material documenting ethical dimensions of corporate behavior will be widely available and used in investment decision making in Australia.' <b>Mission:</b> 'To provide tailored, independent, quality research services.' (see <a href="http://www.caer.org.au">www.caer.org.au</a> ) Reference to the Global Reporting Initiative (GRI) guidelines.
Rating criteria and basic structure of the rating process	<b>Indicators</b> are e.g. as follows: Corporate Governance, pollution convictions, advertising policies, waste management philosophy, participation in the nuclear fuel cycle, environmental reporting, operations in repressive regimes, production/use of non-renewable resources, development of green technologies. The <b>research methodology</b> is <b>based on the EIRIS</b> research process. It is stated to be independent of any ideology (ethics, sustainability, Triple Bottom Line) and is focusing on a quantitative data driven approach. Public and policy-based data obtained via direct company contact is used. Public data consists of government sources, annual reports, community groups and media sources. Surveys are targeted at specific issues. Data is recorded in systems to which clients apply their own interpretation. Information will be checked with company groups annually and is monitored for accuracy.
<b>Standing of the rating system</b>	
Target group	Domestic and international institutional investors and other rating agencies, no research for retail investors.
Position in the market	The only Australian research entity offering access to consistent SRI information on all the world's major investment markets. CAER has an exclusive license to distribute EIRIS' Ethical Portfolio Manager.

Acceptance	No further data available.
<b>4.2 Citizens Advisers</b>	
<i>(Main source: www.citizensfunds.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Citizen Advisers ist an investment managing entity founded in 1982. Their asset allocation is in main parts SRI oriented. Here they focus on the integration of good corporate citizenship.
Headquarters of the institution, size, geographical operating range	Citizens Advisers, Inc. has its headquarters in Portsmouth (New Hampshire), USA. Clients are institutional as well as private investors.
Activities in general	Citizens Advisers is a <b>capital investment company</b> that is specialized in ethical investment products, particularly in no-load funds and offers retirement products.
Activities regarding CSR/ Sustainability	Focusing on investment strategies consisting of main components which are financial, social and ecological criteria to which the Shareholders Advocacy is added. Citizen Advisers, Inc. launched in December of 1994 The Citizen Index. It consists of 300 companies that were included in the index because of their financial, social and ecological criteria as well as the companies' importance to their industrial sector.
<b>Description of the rating system</b>	
Mission and vision	Citizens' proprietary research method (FUNDAMENTAL SOCIAL RESEARCH™) <b>integrates social and ecological criteria into the investment process.</b> Citizen sees in these criteria the key indicators that measure an increase in company value.
Rating criteria and basic structure of the rating process	The assessment of the social and ecological criteria is made by an in-house research team using various data sources and dialogues with the companies. Firstly, the process of analyzing is carried out by the application of <b>exclusion criteria</b> (i.e., tobacco, gambling, armaments industry, nuclear energy), secondly, by using more profound analysis with the help of <b>qualitative criteria</b> . Last-mentioned is divided into seven sub categories like business practices and Corporate Governance, environmental performance, Human Rights, diversity and equality, human relations, animal experiments.
<b>Standing of the rating system</b>	
Target group	Especially the Citizen Index is thought to provide possibilities of comparison for big listed high-growth companies with a diversified risk exposure, combined with the objective to provide long term increase in company value. The investment strategy of Citizen funds is primarily not index orientated.
Position in the market	At the time of the data ascertainment Citizen showed, according to their own information, assets under management according to their investment principles amounting to 0.6 billion Euros. All in all there are several ethic funds available, each with a different investment focus.

Acceptance	No further data available
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<b>4.3 equinet Group</b>	
<i>(Main source: www.equinet-ag.de)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	equinet Group was founded in 1999. It is an investment bank focused on the small and mid-cap segment. Since January 2005 equinet is also an exclusive member of the European Securities Network LLP (ESN).
Headquarter of the institution, size, geographical operating range	equinet is based in Frankfurt, Munich (Germany), Zurich (Switzerland) and Vienna (Austria) with about 120 employees.
Activities in general	equinet is an investment bank that consults investors regarding SRI.
Activities regarding CSR/Sustainability	For equinet, good Corporate Citizenship and Corporate Governance can have an impact on a company's share price (shareholder value).
<b>Description of the rating system</b>	
Mission and vision	equinet believes that the assessment of companies from SRI-aspects, improves the quality of the analytical process. Their objective is to help investors deploy their resources to enhance their capital, returns, etc.
Rating criteria and basic structure of the rating process	<p>equinet's SRI research approach builds on <b>three core</b> (i.e. three equi-card) <b>dimensions: Corporate Governance-Rating, Social Rating and Eco-Rating</b>. All three dimensions should not be viewed isolated. equi-card was developed in order to allow an unbiased assessment of key <b>Corporate Governance issues</b>. It is divided into seven criteria with related questions:</p> <ul style="list-style-type: none"> <li>• Corporate Governance-commitment( 3 questions)</li> <li>• shareholder &amp; AGM (2 questions))</li> <li>• co action of boards (4 questions)</li> <li>• executive board (7 questions)</li> <li>• supervisory board (15 questions)</li> <li>• transparency (3 questions)</li> <li>• reporting and annual auditing (3 questions).</li> </ul> <p>All 37 questions have an <b>equal weighting</b> in the rating. It allows a choice of three levels of fulfillment: one point if a criterion is met, half a point if a criterion is partially met, and zero points if a criterion is not met. Maximum score is 37 points (equals 100%).</p> <p>The two other dimensions, <b>ecology and social issues</b> are <b>not yet integrated</b> into the equi-card tool. According to the management this will be the case very shortly.</p>
<b>Standing of the rating system</b>	
Target group	Private investors interested in SRI.
Position in the market	In 2004, equinet's total revenue added up to about 22 million Euros, while the Group's equity amounted more than 20 million Euros.
Acceptance	No further data available.



<b>4.4 Lombard Odier Darier Hentsch &amp; Cie.</b>	
<i>(Main source: www.lombardodier.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	<b>Private Bank</b> established in 1796. At first assigned exclusively with the management of private assets, operating increasingly for institutional investors for the past 40 years.
Headquarter of the institution, size, geographical operating range	Headquarter in Geneva, Switzerland, where nearly 100 of the total of 180 employees work, from which seven of them operate as sustainability analysts. They are focused on stock research (in branches and regions). Foreign affiliated companies in London, Amsterdam, and Montreal.
Activities in general	<b>Management of institutional and private assets</b> of more than 80 billion Euros (12/2002).
Activities regarding CSR/Sustainability	Sustainability ratings developed by Lombard Odier's Sustainability Growth Research ('LOGS') with application to the MSCI World Index.
<b>Description of the rating system</b>	
Mission and vision	Sustainable growth approach: Investment occurs only in companies that optimize and achieve their medium- and long-term economical, ecological and social objectives. <b>(sustainable growth potential).</b>
Rating criteria and basic structure of the rating process	Integrative approach exists, viz. <b>economical, ecological and social analysis with 40, 80 and 50 criteria</b> respectively. Assessment of current state, management of specific environmental and social chances and risks (five-year-prognosis). Analogue to the economical analysis a weighted classification of the ecological and social criteria is carried out, each with risk return, margin risk, capital risk and management risk: <ul style="list-style-type: none"> <li>• <b>Return Risk (20%):</b> environment loyalty (i.e., events), customer loyalty (i.e., health risk because of alcohol, tobacco, product quality), community loyalty (i.e., human rights, child labor, donations, sponsoring)</li> <li>• <b>Margin Risk (20-25%):</b> political/legal risks, supplier's loyalty, ecological-efficiency, employee loyalty (i.e., working conditions, employee participation scheme, discrimination, labor relations)</li> <li>• <b>Capital Risk (5-10%):</b> shareholder loyalty, liquidity (considered in sustainability indices), corporate governance</li> <li>• <b>Management Risk (50%):</b> ecological and social strategy, implementation, monitoring, communication, management availability, information policy.</li> </ul> <b>Rating scores</b> each for economical and social ratings (A, B, C, D) from low to high risk. Assessment of the total score individually by customers preferences. Ecological and social analysis is carried out with the support of Centre Info, KLD, and Innovest.
<b>Standing of the rating system</b>	
Target group	Institutional and private investors
Position in the market	No further data available
Acceptance	No further data available

<b>4.5 Pictet &amp; Cie</b>	
<i>(Main source: www.pictet.com)<sup>26</sup></i>	
<b>Profile of the institution</b>	
Time of establishment and background	The predecessor, 'Banque De Candolle Mallet & Cie', was founded on July 23rd 1805. The name Pictet & Cie was adopted 120 years later.
Headquarter of the institution, size, geographical operating range	Pictet is headquartered in Geneva, Switzerland. The Group employs over 2,000 people in Europe, Canada and some Asian financial centers.
Activities in general	The Pictet Group is an expert in <b>asset management</b> focusing mainly on the following areas of expertise: private and institutional asset management, fund administration and management, global custody and family office services.
Activities regarding CSR/Sustainability	In 2002 the Pictet Targeted Fund - Sustainable Equities Europe (today: Pictet Fund European Sustainable Equities) was launched. The fund's objective is to invest in shares of companies of the MSCI Europe Index by identifying sector leaders that put sustainability into practice.
<b>Description of the rating system</b>	
Mission and vision	Pictet perceives <b>sustainability</b> as the <b>Brundtland Commission</b> does in its report from 1992. Pictet assumes that a good social and environmental performance is accompanied by a long-term increase in the shareholder value.
Rating criteria and basic structure of the rating process	The Pictet Fund European Sustainable Equities looks at companies which manage their environmental and social resources efficiently and responsibly and thus gain a competitive edge. Since 1999 Pictet has developed <b>together with Centre Info</b> the Pictet Sustainable Value Chain (PSVC), an analytical framework which links the social and environmental aspects with the long term sustainable creation of value. Centre Info is responsible for the sustainable analysis and primary rating of the Pictet Sustainable Equities concept.
<b>Standing of the rating system</b>	
Target group	Private and institutional investors.
Position in the market	Pictet is one of Switzerland's largest private banks, and one of the premier independent asset management specialists in Europe, with over 192 billion EUR in assets under management and custody as at the end of December 2005. In January 2006 Ethos Foundation, SRI investor and Corporate Governance consultant, and Pictet Asset Management (PAM) have decided to embark on a new partnership to manage socially responsible investments for institutional investors. The two partners jointly manage more than 1.1 billion USD in this asset class and have positioned themselves among the leading players in the field of socially responsible investments in Europe.

<sup>26</sup> See also: [http://www.imn.org/2002/a365/presentation\\_pdf/Spicher\\_Philippe\\_\(CEPI\\_Pres\).pdf](http://www.imn.org/2002/a365/presentation_pdf/Spicher_Philippe_(CEPI_Pres).pdf)

Acceptance	Pictet has no direct contact to the evaluated companies.
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<b>4.6 Triodos Bank NV</b>	
<i>(Main source: www.triodos.com, www.dsresearch.nl)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	<b>Dutch bank</b> established in 1968 by the initiative of four private individuals. Equity is held by a foundation. The bank is partner of the SiRi Company.
Headquarter of the institution, size, geographical operating range	Headquarter in Zeist, Netherlands with offices in Spain, UK, Belgium, and Germany.
Activities in general	<b>'Sustainable Banking'</b> (according to Triodos' indication).
Activities regarding CSR/Sustainability	Banking with focus on microfinance, venture capital and SRI.
<b>Description of the rating system</b>	
Mission and vision	<b>Sustainability approach</b> (aspiration expressed in the banks name 'Triodos' by the Greek 'tri hodos', what means 'three-way-approach'). The aim is to finance companies, institutions and projects that add cultural value and benefit to people and the environment. Strong links to SRI.
Rating criteria and basic structure of the rating process	Detailed sustainability research and a (internal) ranking of companies are carried out. The research in CSR is done in collaboration with the <b>Dutch Sustainability Research BV</b> . Assessed companies belong to the <b>universe</b> of the <b>MSCI World industry stock index</b> . The <b>rating scheme</b> consists of <b>two phases</b> : <ol style="list-style-type: none"> <li><b>1. Identification of an involvement in controversial activities</b> by usage of <b>exclusionary criteria</b>. They are subdivided into the <b>two areas</b> (i) 'product and services', (ii) 'business processes'. An example for (i): a firm's revenues depend to more than 5% on the production or the selling of tobacco. Examples for (ii): industrial farming, corruption, animal testing, genetic engineering, violation of legislationn, codes or conventions. Companies which are involved in such fields are excluded from further research.</li> <li><b>2. Performance analysis</b>: The remaining companies are compared to that of its peers by an assessment operating with more than 100 standard and sector-specific sustainability indicators. The outcome is a best in class position for each company in the sector to which it belongs.</li> </ol> <b>Sources</b> for the ratings are public and proprietary information from companies, NGOs. Governments, news-services and research institutes. An <b>international advisory panel</b> with twelve experts meets four times per year for a critical review of the rating methodology, criteria, and relative importance of social and environmental issues of Triodos' rating scheme.
<b>Standing of the rating system</b>	
Target group	Institutional and private investors
Position in the market	No further data available
Acceptance	No further data available

## Rating agencies

<b>4.7 100 Best Corporate Citizens</b>	
<i>(Main source: www.business-ethics.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	The rating is published by the business magazine ' <b>Business Ethics</b> '. Since 1986 they keep an annual ranking of the 100 best companies.
Headquarters of the institution, size, geographical operating range	Minneapolis, USA, few employees. No research of their own. Underfinanced organization according to press reports.
Activities in general	CSR-business magazine, informational platform
Activities regarding CSR/Sustainability	Annual awards ceremony for companies and SRI-Funds (four categories, differentiated by size), ranking of the 100 Best Corporate Citizens.
<b>Description of the rating system</b>	
Mission and vision	<b>'Corporate Citizenship', Stakeholder Model</b> Objective: to identify corporations that generate the <b>best performance for their stakeholders</b> .
Rating criteria and basic structure of the rating process	The ranking is subdivided into seven stakeholder groups: shareholders, 'the community'; women and minorities, employees; the environment, 'non-US stakeholders' and clients. The so-called <b>social-ratings</b> are compiled by KLD Research & Analytics Inc., Boston (see www.kld.com). The 1000 largest listed corporations (Russell 1.000-Stock-Index) as well as the 150 corporations that belong to the Domini-Index provide the basis. KLD gathers information a.o.t. lawsuits, regulatory problems, pollution emissions, charitable contributions, and staff diversity counts, union relations, employee benefits, awards. Strengths and concerns are listed in all six categories. The outcome of every category is the result of subtracting the concerns from the strengths. Due to the fact that every variable is scaled differently, they are standardized (standard deviation). Because of this it is possible to undertake a comparison of the corporations 'relative to their peers'. The overall evaluation of a corporation is determined by the non-weighted average of the seven stakeholder-values.
<b>Standing of the rating system</b>	
Target group	It is assumed that they aim at corporations rather than institutional investors. No further data available.
Position in the market	No further data available
Acceptance	Precise data is not available, but the rating is likely to be accepted, as it has operated for 16 years and because KLD, a renowned Research Institute, is assigned with it.

<b>4.8 Accountability Rating</b>	
<i>(Main source: <a href="http://www.accountabilityrating.com">www.accountabilityrating.com</a>)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Accountability Rating was developed as a joint venture by one of the UK's leading CSR consultancies ' <b>csrnetwork</b> ' and the international think-tank ' <b>AccountAbility</b> '. It was launched in 2004.
Headquarter of the institution, size, geographical operating range	csrnetwork is based in Bath and AccountAbility is based in London, both Great Britain. Their Accountability Rating covers the world's largest corporations.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	<b>csrnetwork</b> supports its clients in <b>six main areas</b> : benchmarking CSR management, performance and reporting; strategy and systems development; stakeholder engagement; responsible sourcing; CSR communication; and independent assurance of sustainability reports. <b>AccountAbility</b> is an international membership organization committed to enhancing the performance of organizations and developing competencies of individuals in social and ethical accountability and sustainable development
<b>Description of the rating system</b>	
Mission and vision	'The Accountability Rating evaluates the extent to which <b>companies</b> put <b>responsible practices</b> at the heart of their business. In measuring corporate responsibility, it doesn't seek to label the good or the bad, but rather to identify the smart.' (see <a href="http://www.accountabilityrating.com">www.accountabilityrating.com</a> )
Rating criteria and basic structure of the rating process	Accountability Rating applies the rating of the Fortune Global 100, the world's largest companies measured by gross revenue. The rating evaluates companies across six key areas, which mirror the <b>AccountAbility's AA1000 series framework for social, ethical and environmental management</b> : stakeholder management, governance, strategic intent, performance management, public disclosure and assurance. They give companies a score for each of the six domains. The stakeholder engagement domain has a maximum score of 25. The other five domains each have a maximum score of 15. A company's overall score is out of a maximum of 100. The analysis is based on companies' main manual reports and any sustainability reports. Only published information in English is analyzed. The Accountability Rating is applied once a year.
<b>Standing of the rating system</b>	
Target group	The results of the rating are published in the Fortune magazine.
Position in the market	No further data available.
Acceptance	No further data available.

<b>4.9 ASSET4</b>	
<i>(Main source: www.asset4.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Official launch was in August 2005 but the concept has been under development since the beginning of 2003. The <b>intention</b> was to generate an integrated view of <b>corporate performance combining financial and non-financial information</b> . According to ASSET4 up to two-thirds of the company value is based on non-financial data which is difficult to quantify.
Headquarter of the institution, size, geographical operating range	Headquarter in Zug, Switzerland. ASSET4 is rating the world's leading corporations.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	The <b>'Integrated Rating'</b> offers a comprehensive platform for establishing objective benchmarks and assessing the performance of a company.
<b>Description of the rating system</b>	
Mission and vision	ASSET4 means in its own words 'knowing not guessing'. The aim is to provide a system that identifies and measures <b>value of companies</b> according to the so-called <b>'four pillars'</b> that define the structure, form and personality of any company: E, E, S, G ( <b>economy, environment, society and governance</b> ). They play a significant role in determining opportunities, risk profile, and reputation. Thus the long-term success of companies counts.
Rating criteria and basic structure of the rating process	ASSET4 is a result of a range of <b>multivariate statistical analysis methods</b> comparing companies' financial performance with their performance in the non-financial areas. The complete analysis is based on publicly available company information. 278 indicators from the four pillars (economic, environmental, social, and corporate governance) are considered and weighted to determine a company's rating. Users are empowered to customize the rating, so they may change the weightings or even leave out aspects. The flexible user-defined benchmarking capability assures an understanding of how a company performs.
<b>Standing of the rating system</b>	
Target group	Investment industry, corporate executives and board members.
Position in the market	According to ASSET4 they offer insight into extra-financial fundamentals.
Acceptance	Collaborating with leading experts from the Swiss Federal Institute of Technology (ETH) working at the Gesellschaft für Organisation & Entscheidung (GOE), as well as experts from the International Institute for Management Development (IMD) and the Copenhagen Business School (CBS).

<b>4.10 Covalence SA</b>	
<i>(Main source: www.covalence.ch)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Covalence SA was founded in 2001 as a limited company to offer <b>services in the fields of Corporate Social Responsibility, ethical investing and risk analysis.</b>
Headquarter of the institution, size, geographical operating range	Covalence is based in Geneva, Switzerland. Covalence's staff consists of nine members.
Activities in general	No further data available.
Activities regarding CSR/Sustainability	Covalence produces detailed reports on companies, sectors or specific issues, which offer a synthetic view of claims and initiatives related to CSR at a global scale. Its <b>Ethical Quote</b> is a participatory <b>database</b> measuring the reputation of multinational enterprises on ethical issues.
<b>Description of the rating system</b>	
Mission and vision	No further data available.
Rating criteria and basic structure of the rating process	To track the ethical reputation thousands of positive and negative news items are quantified, coded and synthesized into dynamic curves and rankings. <b>45 criteria of business contribution to human development</b> have been defined within an international legal framework. The criteria are organized into <b>four groups</b> : working conditions, impact of production, impact of product and institutional impact. The criteria are not sector-specific and allow cross-sector comparisons. In addition they are geared to legal references, e.g., the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the ILO Declaration of Principles. 25 interns from twelve different countries have collected 11,000 documents from 2,000 sources on 14 sectors and 300 companies. A single document can have a positive or negative sign, depending on the orientation (ethical offer +, ethical demand -). Covalence does neither validate information sources, nor the content of information. Covalence regularly collects information regarding multinational enterprises on the internet and receives e-mail messages through an open network of correspondents among civil society organizations, enterprises, researchers, consultants and other stakeholders.
<b>Standing of the rating system</b>	
Target group	Multinational enterprises, investment professionals, governments and NGOs.
Position in the market	No further data available.
Acceptance	No further data available.

<b>4.11 EthiFinance</b>	
<i>(Main source: www.ethifinance.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	EthiFinance was established in 2004. It proceeds the Observatoire de l'éthique (ODE) which carried out CSR analysis between 1997 and 2003. EthiFinance is organized as a 'Co-operative Company of Collective Interests'. The promotion of a 'multishareownership' is the reason for that legal form of organization.
Headquarter of the institution, size, geographical operating range	EthiFinance is based in Maisons Laffitte, France. EthiFinance's staff consists of eight members with five analysts.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	EthiFinance is offering several services surrounding sustainability (e.g. consulting & support, special analysis for sector and specific topics).
<b>Description of the rating system</b>	
Mission and vision	The stated aim of the activities is to deliver information on <b>corporate governance, social and environmental company performance</b> .
Rating criteria and basic structure of the rating process	ODE's methodology formed the basis for EthiFinance's own rating scheme. It is applied for general CSR and tailor (client)-made CSR ratings: <ul style="list-style-type: none"> <li>• The <b>general assessment framework</b> focuses on four topics: Corporate Governance (e.g. risk monitoring), social impacts (e.g. occupational health &amp; safety), environment (e.g. environmental policy), and stakeholders (e.g. concerning supply chain management).</li> <li>• The <b>tailor-made client framework</b> is operating with nearly the same topics (with the exception of social impacts which are replaced by 'human resources') and is specified by 24 categories for each topic. Each category is defined by single criteria. EthiFinance offers 200 criteria to its clients. The selection of topic categories, the criteria and the weights for the overall score for a company can be adjusted to the preferences of a client.</li> </ul>
<b>Standing of the rating system</b>	
Target group	Investors in SRI.
Position in the market	No further data available.
Acceptance	No further data available.



<b>4.12 EthicScan Canada Ltd.</b>	
<i>(Main source: www.ethicscan.ca)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Founded in 1989 by David Nitkin, the former President of Ethics Practitioners' Association of Canada.
Headquarter of the institution, size, geographical operating range	Toronto, Canada, also operating range there. It is one of the oldest and largest business ethics consultancy and 'CSR-research-clearing house' together with twelve partners in Canada.
Activities in general	Solely CSR-activities, nothing else.
Activities regarding CSR/Sustainability	The core business is ethical consultancy, but also sustainability research, social- and ethics-audits, training, publications. Sustainability research is compiled for 1,500 corporations (from 43 sectors). Using the <b>Delphi-Method</b> together with 60 experts from stakeholder organizations for revising assessment criteria.
<b>Description of the rating system</b>	
Mission and vision	To support individuals, corporations and organizations with the realization of their own values: training programs, acquisition, selection of business associates, ethical funds/consumption etc. Due to the fact that opinions change, the organization <b>rejects a definition of CSR</b> . Instead a 'Modified Delphi Process' (MDP) is enforced every three to four years for the definition of criteria and assessments (Note: the term ethic is used more frequently than CSR).
Rating criteria and basic structure of the rating process	<b>Ten key valuation areas</b> of CSR with more than 200 criteria: <ol style="list-style-type: none"> <li>1. equity and family issues</li> <li>2. community responsibility</li> <li>3. ethical management practices &amp; consumer relations</li> <li>4. environmental performance</li> <li>5. environmental management</li> <li>6. employee relations</li> <li>7. progressive staff policies</li> <li>8. sourcing and trading practices</li> <li>9. Corporate Governance</li> <li>10. candor</li> </ol> <p>The assessment occurs within the ten categories, rating score: Zero to four participation in sensitive areas (e.g., tobacco). An overall rating does not take place.</p> <p>The audit places an emphasis on performance and results, as well as systems on disclosure and reporting.</p>
<b>Standing of the rating system</b>	
Target group	SRI, institutional investors (ratings and profiles for 1,500 Corporations via internet database), corporations (so far 50 business-audits).
Position in the market	EthicScan is next to MJRA (see page 131) the most important agency in Canada. It also evaluates Canadian companies for EIRIS.
Acceptance	No further data available.

<b>4.13 Global Ethical Standard</b>	
<i>(Main source: www.ges-invest.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established in 1992 under the previous name Caring Company (independent research agency), merged in June 2002 with the company 'Etykanalytikera'. It was <b>renamed in Global Ethical Standard</b> in 2003 to establish themselves globally with trademarked products.
Headquarter of the institution, size, geographical operating range	Stockholm, Sweden, conducts research to 4,000 companies worldwide (only in respect to 'GES', otherwise 1,400), Member of SiRi Company; eleven employees, seven of which are analysts.
Activities in general	SRI research and SRI engagement
Activities regarding CSR/Sustainability	No further data available.
<b>Description of the rating system</b>	
Mission and vision	To persuade especially companies and institutional investors of sustainability. <b>GES-philosophy:</b> maintaining international norms is vital, because authorities, NGO's and media use these norms to evaluate companies. Norms serve therefore as a reasonable foundation for evaluating companies.
Rating criteria and basic structure of the rating process	More offered services by GES: <ul style="list-style-type: none"> <li>• <b>'Global Ethical Standard'</b> as a basis examines the violation of international conventions on Human Rights, business ethics and weapons based on UN-information.</li> <li>• <b>'GES Controversial'</b> inspects activities in weapons, tobacco, alcohol, pornography, gambling.</li> <li>• <b>'GES Active'</b> developed as a tool for investors to exert influence on companies.</li> <li>• <b>'GES Risk and Opportunity'</b> comprises ratings that deal with environment, Human Rights, Corporate Governance. Ratings are based on international norms (environmental management, industry specific key indicators for environmental performance, UN Universal Declaration of HR, <b>UN Convention on the Right of the child</b>, ILO Core conventions, and OECD guidelines for good Corporate Governance). Companies obtain ratings in each area from Aa to Cc. (Capital letters indicate general risk level in company industry, lower case levels indicate the risk level in particular company). Rating results are not publicized.</li> </ul>
<b>Standing of the rating system</b>	
Target group	Ethical money investment.
Position in the market and justification	Call themselves one of the most experienced agencies for SRI (largest in Scandinavia, belongs to the top three in Europe).
Acceptance	No further data available.

<b>4.14 INrate</b>	
<i>(Main source: www.inrate.ch)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	INrate is a <b>joint venture of</b> NEST und INFRAS, founded in 2001. <b>NEST</b> is an independent pension fund for small and medium sized companies. Since 1983 Nest manages pension funds according to ecological and ethical criteria. <b>INFRAS</b> does research and consulting for more than 25 year with a broad range of issues. INrate is further more a partner of the Swiss Raiffeisen banks for their 'Raiffeisen Futura Funds'.
Headquarter of the institution, size, geographical operating range	The office of INrate is located in Zurich, Switzerland, 18 employees. Their research team consists of seven people.
Activities in general	Solely CSR-activities.
Activities regarding CSR/Sustainability	INrate's sustainability rating evaluates a company's <b>ecological, social and ethical sustainability</b> on the basis of INrate's criteria. Companies with above average performance are included into the investment-universe of sustainable business conduct. INrate's sustainability rating evaluates companies from all economic sectors worldwide.
<b>Description of the rating system</b>	
Mission and vision	INrate's objective is to help investors with their investment decision, which will secure and <b>increase the investor's capital by considering ethical, ecological and social aspects</b> . Moreover, companies with a good sustainability performance, which are thus chosen by investors, will benefit from their engagement in sustainability.
Rating criteria and basic structure of the rating process	Companies are assessed in three steps: 1. <b>Negative criteria</b> (Here companies are excluded from the further assessment if they e.g. are involved in non-tolerable ethical business practice in regards to employees and suppliers (e.g. corruption, child labor), or produces products with a high risk potential. 2. <b>Company-evaluation</b> with positive criteria (companies without any problems in the area of negative criteria are then thoroughly examined on the basis of positive criteria to identify the most advanced social and ecological company for every sector). 3. <b>Weighting and overall-evaluation</b> (the evaluation of the social and ecological rating takes place with a value-benefit-analysis. In order to achieve a positive sustainability rating, one of the two ratings (ecological and social rating) must at least be average, whilst the other is above average in its industrial sector.
<b>Standing of the rating system</b>	
Target group	Raiffeisen Futura Funds, which invests exclusively in securities rated and accepted by INrate.
Position in the market	No further data available.
Acceptance	Accepted and consulted by Swiss Raiffeisen. No further data available.

<b>4.15 Institutional Shareholder Services (ISS)</b>	
<i>(Main sources: www.issproxy.com, www.trustsimon.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	ISS was established in 1984 as an independent research agency, which provides information from the area of <b>Corporate Governance</b> as well as <b>social- and ecologic relevant areas</b> and services for institutional investors and companies which are concerned with these.
Headquarter of the institution, size, geographical operating range	Headquarter is in Rockville (Maryland), USA. ISS has national and international settlements. More than 300 people work for ISS.
Activities in general	ISS provides <b>services for institutional investors</b> in connection with the preparation for shareholders' meetings (proxy voting) and Corporate Governance as well as ethical portfolio screening. Another segment of activities is the assistance of companies in important Corporate Governance issues. ISS utilizes web based software solutions.
Activities regarding CSR/Sustainability	ISS generates <b>company profiles</b> by using information from the Corporate Governance area as well as from social and ecological areas in combination with software solutions.
<b>Description of the rating system</b>	
Mission and vision	ISSs' objective is the acquisition of information on the already mentioned areas. An analysis and assessment of the gathered information to create a comprehensive rating decision is not made. ISS however assumes that services, which improve the companies Corporate Governance, also increase their market value.
Rating criteria and basic structure of the rating process	The acquisition of information refers to <b>20 main criteria</b> with more than <b>80 social and ecological sub criteria</b> . Among the main criteria are information concerning companies activities in the areas of for example contraception, alcohol, tobacco, gambling and armaments industry, animal experiments, granting of credit, child labor, connections to countries with relations to terrorism.
<b>Importance of the rating-process</b>	
Target group	With ISS services, information is being identified, which institutional investors and companies use in important Corporate Governance areas.
Position in the market	Leading worldwide provider of the services of its business (on their own account).
Acceptance	700 institutional investors, 250 company clients on their own account, no further data available.

<b>4.16 Investor Responsibility Research Center (IRRC)</b>	
<i>(Main source: www.irrc.org)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	IRRC was established in 1972 and is an <b>independent research agency</b> , which provides information from the Corporate Governance risks sector, as well as from social and environmental areas. The reason for its foundation was the demand among institutional investors for independent information on important underlying issues concerning the involvement of companies in the Vietnam war. The aim was to prepare agenda points for the shareholders' meeting in companies.
Headquarter of the institution, size, geographical operating range	Headquarter is Washington, D.C., USA. IRRC employs 80 people.
Activities in general	IRRC provides <b>research, software products</b> and offers <b>consulting</b> for <b>institutional investors</b> . The latest innovation is a web based platform, which combines the instruments for Corporate Governance information and sustainability information.
Activities regarding CSR/Sustainability	With the information from the areas corporate governance and sustainability IRRC compiles company profiles in combination with software solutions. The information should help institutional investors to prepare for the shareholders' meeting (proxy voting) and for the ethical portfolio-screening.
<b>Description of the rating system</b>	
Mission and vision	IRRC's aim is to <b>generate information</b> from the already mentioned areas. The information is <b>neither analyzed independently</b> nor is it <b>assessed</b> in order to generate a more concentrated rating result.
Rating criteria and basic structure of the rating process	The acquisition of information is in reference to a multitude of <b>social- and ecological criteria</b> . Information on the companies activities are gathered for example in the areas of alcohol, tobacco, gambling, armaments industry, contraception, nuclear energy, environmental and social policies, the adherence of Human Rights. The additional compliance-list with more than 600 globally active companies is directed mainly towards dismissing criteria with a more intricate research.  Company profiles are available in <b>five main categories</b> for the <b>Corporate Governance</b> area: behavior of the management and board of directors, supervisory board, senior management, management compensation, as well as the protection of shareholders' interests.
<b>Standing of the rating system</b>	
Target group	IRRCs' services are aimed at helping to identify information, which institutional investors use in relevant Corporate Governance fields.
Position in the market	No further data available.
Acceptance	On their own account: 500 clients; no further detailed

	data available.
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<b>4.17 Japan Research Institute, Ltd. (JRI)</b>	
<i>(Main source: www.jri.co.jp)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established in February 1969 as Japan Information Services Co., Ltd. (name changed in 1989). It is independently funded by the Sumitomo Bank and Sumitomo Group companies. In February 2003 the JRI became a wholly-owned subsidiary of Sumitomo Mitsui Financial Group, Inc.
Headquarter of the institution, size, geographical operating range	Headquarter in Tokyo and Osaka. The institute <b>belongs to one of the biggest Japanese finance group</b> . In November 2002 the capital of this group increased to 10 billion Yen (equivalent to 70 million €). The staffs of the whole group consist of 2,962 employees including branch offices in New York and Singapore.
Activities in general	A so-called ' <b>knowledge engineering company</b> ' (own statement) with three <b>fields of activities</b> : <b>information systems</b> (services in IT strategy planning, implementation and outsourcing), <b>consulting</b> (management strategy, finance strategy, computerization strategy, and personnel strategy, each of which involves the utilization of information technology) and <b>think-tank</b> (analyzing and researching macroeconomic trends and international affairs from its original point of view, publishing research and study results, and submitting proposals based on them).
Activities regarding CSR/Sustainability	Comprehensive consulting including sustainability aspects (especially the scopes 'Social Public' and 'Environment' to design a sustainability solution). JRI analyzes and researches tasks and problems that government, society, companies, and industries are facing. They are classified in <b>Environment Business Cluster</b> (Eco-Business Field), <b>Energy Business Cluster</b> , <b>Socio Business Cluster</b> (Environment and Financial Fields), research for the eco-fund UBS(JPN)Equity Fund 'Eco Japan' managed by UBS Global Asset Management (Japan) Ltd.
<b>Description of the rating system</b>	
Mission and vision	JRI emphasizes the importance of addressing the problems facing the global environment today. All business activities carried out in a manner conducive to the creation of a sustainable, recycle-oriented society is of special importance in its approach.
Rating criteria and basic structure of the rating process	No further data available.
<b>Standing of the rating system</b>	
Target group	No further data available.

Position in the market	No further data available.
Acceptance	No further data available.



<b>4.18 Michael Jantzi Research Associates (MJRA)</b>	
<i>(Main source: www.jantziresearch.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Founded by <i>Michael Jantzi</i> in 1992, active in the SRI field since 1990.
Headquarters of the institution, size, geographical operating range	MJRA is established in Toronto, Canada. <b>Evaluates</b> listed <b>Canadian corporations</b> . It is one of the leading Canadian SRI/CSR agencies consisting of nine employees, five of which are analysts for specific branches.
Activities in general	
Activities regarding CSR/Sustainability	'Canadian Social Investment Database' (CSID) with 250 listed corporations and 40 income trusts. In January 2000 the Jantzi Social Index (JSI) was launched. He is co-author of 'The 50 Best Ethical Stocks for Canadians: High Value Investing', published in 2001. MJRA provides the SiRi-Company with analysis of Canadian companies. Characteristically Jantzi Research is <b>collaborating with stakeholders for voting rights</b> . MJRA also carries out compilations of performance benchmarks and portfolio analysis.
<b>Description of the rating system</b>	
Mission and vision	The goal is to strive for a <b>gradual amelioration of sustainability in corporations</b> . Investors investing in sustainability are supposed to be supported with the services of MJRA.
Rating criteria and basic structure of the rating process	<b>Stakeholder model</b> with the following <b>valuation areas</b> : community and society, customers, Corporate Governance, employees, environment, Human Rights (specifically for companies, not countries), controversial business activities (alcohol, gambling, genetic engineering, nuclear power, pornography, tobacco, armament). The model consists of more than 200 indicators. Almost <b>50 sub criteria</b> are used. They are divided in <b>strengths</b> (e.g. work/life balance-program) (e.g. working place safety) and <b>weaknesses</b> . A rating score of the corporate profile is not made, but instead a symbol for strengths and weaknesses for every affected criterion is noticed (not continuously). 'Best of Sector' method for the sectors health and safety as well as environmental performance is applied: no absolute benchmark but evaluation in comparison to the branches best performance (this does not apply for alcohol, tobacco etc.)
<b>Standing of the rating system</b>	
Target group	Institutional investors, and for MJRA's own sustainability index (JSI).
Position in the market	One of the leading Canadian research and rating institutes, member of the SiRi Company, winner of the prestigious Canadian Sustainability Award in 2006.
Acceptance	No further data available.

<b>4.19 scoris GmbH</b>	
<i>(Main source: www.scoris.de)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	scoris was founded in 2000. It is a joint venture of several well-known European sustainable investment research institutions and a German managing partner.
Headquarters of the institution, size, geographical operating range	scoris employs three co-workers and has its headquarter in Hannover, Germany.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	<b>Sustainable Investment Solutions:</b> particularly SiRi Pro (see portrait 'SiRi' on page 103) and GES Global Ethical Standard (see 'GES Investment Services' on page 124).
<b>Description of the rating system</b>	
Mission and vision	No further information available.
Rating criteria and basic structure of the rating process	scoris is an exclusive <b>SiRi network partner</b> for the <b>German and Austrian market</b> . Scoris sees itself as a SiRi-representative. In reference to the rating criteria, scoris refers to the SiRi catalogue. An individual understanding of sustainability respectively an individual rating methodology does therefore not exist.
<b>Standing of the rating system</b>	
Target group	Investment firms, banks, insurance companies, pension funds, churches and other institutions and investors.
Position in the market	scoris is an associate of the SiRi Company and is an exclusive SiRi network partner for the German and Austrian market.
Acceptance	No further data available.

<b>4.20 SERM Rating Agency Ltd.</b>	
<i>(Main source: www.serm.co.uk)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established in 1996 as an independent rating agency it is lead by its proprietor to this day. SERM is <b>promoted by the UN-environmental program, EU-Social funds, and the Copenhagen Business School.</b>
Headquarters of the institution, size, geographical operating range	SERM is located at London, UK. 21 employees, eight analysts, twelve advisors (advisory panel), 19 are being supplied by Partner organizations (see Brink, 2002) SERM acts as a centre of a research network with 40 suppliers providing data from field and desk research.
Activities in general	No activities besides the sustainability activities.
Activities regarding CSR/Sustainability	Environmental and social risk analysis in 38 sectors and 500 companies (based on the FTSE with minimum capitalization). Compilation of rating reports for companies (so-called in-depth analysis). Counseling of fund managers.
<b>Description of the rating system</b>	
Mission and vision	No further data available.
Rating criteria and basic structure of the rating process	<p><b>Material and non material costs of a company</b> that arise after a damaging incident are incorporated into the rating, but also the probability of preventing or minimizing such an incident through intra-corporate risk management.</p> <p><b>Risk profiles</b> of sectors are compiled by the '<b>SERM Advisory Panel</b>'. The risk profile results from the sector and sales segment affiliation.</p> <p>With 32 specifying factors into direct and indirect risks:</p> <ul style="list-style-type: none"> <li>• <b>Direct Risks:</b> Environment (i.e., casualties, consumption of resources, CO<sub>2</sub>-emission), health and safety (internal, external), social/ethical risks (i.e., Corporate Governance), companies restructuring to achieve Sustainability (i.e., the rate of restructuring in an industrial sector).</li> <li>• <b>Indirect Risks:</b> i.e., reputation, media and NGO interests, governments reaction to public pressure, moral of employees.</li> </ul> <p>Evaluation with so called risk reduction factors that show how well the sector's specific risk is managed. (Single valuation for every risk category one to five).</p> <p>Key rating output ('net risk to capital') is summed up on a 29-point scale from AAA+ to E (analogue to credit ratings).</p>
<b>Standing of the rating system</b>	
Target group	Institutional investors, insurance companies, asset managers.
Position in the market	Association of British insurers and manifest proxy voting services are among their clients.
Acceptance	Companies decide which partial results of the rating are to be published (rating outcome is obligatory).

<b>4.21 Social Research Service (SIRS)</b>	
<i>(Main sources: www.trustsimon.com, www.issproxy.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	SIRS was established in 1985. Since 1999 they work as a subdivision of the Institutional Shareholder Service (see ISS, page 126)
Headquarters of the institution, size, geographical operating range	SIRS headquarter is situated at Rockville (Maryland), USA. It is the world's leading provider of Corporate Governance ratings and proxy voting services worldwide (SIRS' own estimation). SIRS has 14 employees, nine of which are analysts.
Activities in general	No further besides activities in CSR
Activities regarding CSR/ Sustainability	SIRS offers a variety of <b>services for institutional investors</b> , e.g. Corporate Governance rating for 5,000 US and 2,000 international companies. They operate the internet supported <b>screening platform 'SIMON'</b> , with which customer related screens are compiled and which also allows insight in detailed company profiles (SIMON covers all listed US companies as well as foreign companies in the Standard and Poor's 500 Index). Realization of customer-specific 'portfolio screening audits', development of SRI-investment guidelines and strategies. Analytical tool 'proxy research': reports for exercising the right to vote, voting recommendations for 10,000 US companies (international enlargement is planned), and proxy voting for institutional investors.
<b>Description of the rating system</b>	
Mission and vision	To help investors realize their values and beliefs (e.g. promotion of equal opportunity and environmental protection) by using multiple channels: choice of stocks, right to vote.
Rating criteria and basic structure of the rating process	The SIMON database allows more than <b>80 screens for 20 social and ecological criteria</b> . It is emphasized that screens are constantly updated to meet customers' needs. Criteria in detail are: negative criteria relating to business areas such as: alcohol, tobacco, pornography, genetic engineering, animal rights; corporate governance, human rights, (i.e. Burma, North Ireland), industrial relations (i.e. unions), working conditions (sweatshops, child labor), occupational health and safety, equal opportunity, environment, product safety. <b>No rating scores</b> are given. The comparison of companies for each criterion is possible. Positive as well as negative criteria can be integrated.
<b>Standing of the rating system</b>	
Target group	Institutional investors like pension funds and religious organizations, the latter receive standardized products.
Position in the market	Especially ISS's Corporate Governance rating finds high approval by investors.
Acceptance	No further data available

<b>4.22 Soziallabel-Initiative Schweiz – Swiss label socially responsible companies</b>	
<i>(Main sources: <a href="http://www.nsw-rse.ch">www.nsw-rse.ch</a>, <a href="http://www.sswi.ch">www.sswi.ch</a>)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	The driving force of the label is the Network for Social Responsible Economy (NSW – Netzwerk für sozial verantwortliche Wirtschaft). In December 1999 a group of NSW-members decided to work out a concept for the social label. The <b>group</b> consists of <b>universities of applied science, rating agencies, church groups, and executive consultants.</b>
Headquarters of the institution, size, geographical operating range	The organization is situated at Bern, Switzerland, and there also has its operating range. The network consists of 200 members, 25 of which are companies or organizations. A foundation for this label was established in 2004 (see <a href="http://www.sswi.ch">www.sswi.ch</a> ).
Activities in general	No further data available.
Activities regarding CSR/Sustainability	Social label, sustainability reporting, stakeholder management, foundation for financing projects concerning sustainability in SME's.
<b>Description of the rating system</b>	
Mission and vision	<b>'Win-Win-Approach'</b> for companies and stakeholders. The analysis is supposed to show <b>social strengths</b> and <b>weaknesses</b> of <b>companies</b> to allow a systematic amelioration of social entrepreneurial activities.
Rating criteria and basic structure of the rating process	Stakeholder model (employees, suppliers, development countries and emerging nations; commonwealth, clients; shareholders; <b>no environmental criteria</b> ) Main focus on employees; with a large and strong diversified number of criteria – e.g. flexible working hours, equalization, wages, health and safety, qualification, participation, employee satisfaction, stress and conflict management, mass dismissal (further criteria are on hand). Information concerning the evaluation process is not available. Technically speaking a <b>self evaluation</b> of a company with <b>questionnaire</b> plus interview with an auditor who uses internal and external sources for the evaluations is the basis. The auditor report is passed through to a jury with experts which decides about the allocation of the label. Launch of the label seems not yet finished ( <a href="http://www.nsw-rse.ch/d/projekte/aktuell/soziallabel/kurz.html">www.nsw-rse.ch/d/projekte/aktuell/soziallabel/kurz.html</a> ).
<b>Standing of the rating system</b>	
Target group	Addressees: companies with social responsibility of every size (especially SME). Label is supposed to have a signaling effect on consumers, investors, business partners, NGO's and governmental institutions.
Position in the market	No Further data available.
Acceptance	No further data available.

<b>4.23 Sustainable Investment Research Institute (SIRIS)</b>	
<i>(Main source: www.siris.com.au)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established in early 2000, funded and supported by several large financial and investment institutions. SIRIS is founder member of the SIRI Company.
Headquarter of the institution, size, geographical operating range	SIRIS is situated at Melbourne, Australia. The total staff consists of six research analysts, doing research on Australian and New Zealand companies.
Activities in general	Solely CSR-activities.
Activities regarding CSR/Sustainability	<p>Research focuses on analyzing <b>Corporate Social</b> (including environmental) <b>Responsibility</b> performance including sustainability risk and opportunity analysis. SIRIS provides the partner companies of the SiRi Company with information concerning companies of the Australian stock market index ASX 300.</p> <p>Current research services offered by SIRIS include:</p> <ul style="list-style-type: none"> <li>• <b>Portfolio Construction and Compliance services</b> (provision and maintenance of investment portfolios based on client-based SRI and sustainability performance issues).</li> <li>• <b>SRI company and sustainability research</b> (its database comprises firms out of the ASX 300 and New Zealand stock market index NZSE 40).</li> </ul>
<b>Description of the rating system</b>	
Mission and vision	SIRIS focuses on the identification, management and development/reduction of <b>sustainability-related opportunities and risks</b> , with the objective of increasing shareholder value, as well as identification, management and development of transparency and accountability issues leading to stakeholder acceptance.
Rating criteria and basic structure of the rating process	In brief, the model of SIRIS examines an entity's strategy & policy (future), systems & resources (present) and past performance (history). SIRIS has developed an analytical model to conceptualize and manage Corporate Sustainability. The model is founded on an organization's <b>sustainability values</b> (i.e., environmental impacts and aspects, workplace practices) and measures performance under each issue by assessing a set of <b>sustainability drivers</b> (i.e., strategy, systems and resources, performance). SIRIS has engaged a range of alliance groups, i.e., non-government stakeholder groups to supplement core in-house capabilities in developing the relevant criteria, issues and benchmarks. It has established an <b>Independent Policy Advisory Board</b> to ensure its quality management.
<b>Standing of the rating system</b>	
Target group	Provides research to investors, lenders and other users of financial analytical data.
Position in the market	No further data available.

Acceptance	No further data available.
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<b>4.24 Verité</b>	
<i>(Main source: www.verite.org)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established as a NGO 1995 (social audit and research organization). Management/Executive Board come from Human Rights - and Development NGO's (Oxfam, Save the children, Amnesty International). It is understood as a Social Venture Network.
Headquarters of the institution, size, geographical operating range	US headquarter at Amherst (19 employees, ten of which in the USA, middle east, South-East Asia, China, South Asia, India, UK, Central America. Collaboration with a worldwide network of NGOs (cp. Brink 2002, p. 103). Cooperation with governmental and Human Rights organizations, union, trade associations and journalists in more than 25 countries.
Activities in general	No further activities beyond the CSR-sector.
Activities regarding CSR/Sustainability	<b>Social auditing with focus on working conditions</b> in affiliates of multinational companies (700 companies have been audited since 1995). Ecological aspects are supposed to follow. <b>On site analysts question employees</b> (grass roots) and audit the location of companies, monitoring with local humanitarian organizations (so-called 'pioneering model'). Compilation of <b>remediation programs</b> including training measures for management and employees (compliance programs, codes of conduct, vendor standards), and investigations on working conditions (for country/sector) are also offered.
<b>Description of the rating system</b>	
Mission and vision	Guarantee for the adherence of international Human Rights and working standards in manufacturing of consumer goods. Risk assessment of violation of employment rights. Auditing as an instrument for inducing positive changes (assistance to the local management).
Rating criteria and basic structure of the rating process	Areas of the rating are (based on ILO-Conventions, declaration of human rights and US-OSHA-Standards): <ul style="list-style-type: none"> <li>• human resources (i.e., forced labor, child labor, freedom of organization, discrimination)</li> <li>• compensation and hours (i.e. overtime wages)</li> <li>• health and safety (i.e., fire safety, drinking water, machine safety, working conditions)</li> </ul> Verité operates with the principle of <b>confidentiality</b> , i.e., publications are only done with the company's approval.
<b>Standing of the rating system</b>	
Target group	Companies, pension funds, NGO's, governments, unions, critical shareholders (shareholder activists).
Position in the market and justification	Strong position with the shoe, clothing and food industry. Great demand for social audits, staff is to be reinforced and network is to be expanded, environmental audits are planed.
Acceptance	Great acceptance in companies verified by references.



	Approval especially for support.
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<b>4.25 Vigeo</b>	
<i>(Main source: www.vigeo.fr)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Created in 2002 after the takeover of the in 1997 established rating agency ARESE and Stock at Stake from Ethibel. Tripartite shareholding structure consisting of institutional investors, European trade unions (majority is French) and international European companies. To ensure independency both the board of directors and the scientific committee is equally represented.
Headquarters of the institution, size, geographical operating range	Vigeo is situated at Fontainebleau-Avon, France, with 36 employees, 15 analysts (sector orientated), six auditors. It has a capital endowment of 13 mill. Euro.
Activities in general	No further activities beyond the CSR-sector.
Activities regarding CSR/Sustainability	CSR-ratings for investors of 450 European companies from the EURO STOXX 600. All 600 companies are supposed to be rated until the end of 2004. Additional offer of portfolio-monitoring with regard to CSR. Requested ratings by companies (in-depth-analysis) are generated. Vigeo operates the ASPI Eurozone Stock-Index (120 companies from the EURO STOXX 600).
<b>Description of the rating system</b>	
Mission and vision	Integration of stakeholder interests into business management.
Rating criteria and basic structure of the rating process	The evaluation is based on the SiRi company model, i.e. a <b>stakeholder model</b> combined with the Demning-model for <b>quality management</b> (plan-do-check-act principle). Six criteria areas exist: clients and suppliers, human rights, community and society, environment, Corporate Governance, human resources with 38 subcriteria in total and almost 300 indicators. In each case evaluation of strategy, implementation, results. The evaluation of each criteria group is summed up into a metric rating score (++, +, =, -, --), from branch pioneer 'above average' to the lowest score with 'unconscious'. The ASP-Index is calculated directly out of the criteria group rating, in which the geometrical average is formed. It leads to exclusion if the criteria group reached a value of zero.
<b>Standing of the rating system</b>	
Target group	Ratings for institutional investors and index licenses, as well as requested ratings.
Position in the market	They are <b>striving</b> for the European market leadership. No further data available.
Acceptance	Could be interesting for companies, for requested ratings give confidential information for strengths/weaknesses and trend analysis.

## Index providers

<b>4.26 Ethinvest Environmental Index</b>	
<i>(Main source: www.corporatemonitor.com.au)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Corporate Monitor is the provider of the <b>Ethinvest Environmental Index</b> . The institution is member of the Lifecraft Group and was formed in 1999 to play a key role in developing SRI in Australia.
Headquarter of the institution, size, geographical operating range	It is situated at Evans Head, Australia, and monitoring solely Australian companies and SRI funds.
Activities in general	Solely CSR-activities.
Activities regarding CSR/Sustainability	<b>Rating of Australian and New Zealand companies</b> using a five star system to define the environmental, social and Corporate Governance performance. Also SRI rating for ethical funds, both published monthly in the Ethical Investor Magazine, is done. <b>Related services</b> are: SRI Rating Reports Service, Sustainability Dividend Index Analysis (measures the ethical merit of a fund compared to the average rating of the S&P/ASX 200), SRI Database Service.
<b>Description of the rating system</b>	
Mission and vision	As belief it is stated by the institution that SRI makes a <b>contribution towards a fairer society</b> and a more sustainable economy and natural environment.
Rating criteria and basic structure of the rating process	All operating companies in the ASX 200, dual-listed New Zealand companies and over 50 SRI positive small capitalized companies are rated. Each company is reviewed to identify a direct or indirect involvement in negative criteria like gambling or uranium production. Three separate ratings are provided: The <b>Environment Rating</b> analyses the environmental impact of products and services (e.g., uranium, logging), the environmental reporting and environmental management. Penalties are assessed for environmental pollution. Environment awards and a pollution index are assigned. The criteria of the <b>Social Rating</b> are, e.g., community relations and philanthropy, human rights, products associated with social problems (alcohol, tobacco, gambling) and employment practices. The <b>Governance Rating</b> regards legal compliance (Corporate Governance, trade practices, etc.), concentrated shareholdings a.o. Data is sent to CEOs for their review prior to publication but not dependent on a company's willingness to respond to a questionnaire or an agreement to keep relevant information off the record.
<b>Standing of the rating system</b>	
Target group	Services for groups or individuals who have a need for information pertaining to the SRI industry.
Position in the market	The Corporate Monitor SRI Database is Australia's most extensive source of public information about the non-financial performance of major Australian companies.
Acceptance	No further data available.

<b>4.27 Johannesburg Securities Exchange (JSE) SRI Index</b>	
<i>(Main source: www.jse.co.za)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	The index is a product of the Johannesburg Securities Exchange (JSE) which was established in 1886. The JSE launched the SRI Index in May 2004.
Headquarter of the institution, size, geographical operating range	The JSE is located at Sandown (a suburb of Sandton), Republic of South Africa.
Activities in general	The JSE is licensed as a stock exchange (for equities) and as a financial market (for financial and agricultural derivatives) index.
Activities regarding CSR/Sustainability	The SRI Index is described below.
<b>Description of the rating system</b>	
Mission and vision	The SRI Index was launched as a means to identify those <b>companies</b> listed on the JSE that <b>integrate</b> the <b>principles of the Triple Bottom Line</b> into their business activities, and to facilitate investment in such companies. In addition, the SRI Index identifies criteria for Corporate Governance as the foundation on which each of the triple bottom lines rests as good Corporate Governance plays a major role in ensuring that sustainability issues are identified, managed and resolved.
Rating criteria and basic structure of the rating process	The SRI Index is constituted from companies that form part of the FTSE/JSE All Share Index (consists of the top 160 companies listed on the JSE), and which participate in the SRI Index process voluntarily through submitting data in terms of a web-based questionnaire. The criteria are structured along the three pillars of the triple bottom line: <b>environmental, economic and social sustainability</b> . A company must address each of these pillars if it is truly to be said to have integrated sustainability into its business practices. A company is classified in a high, medium or low impact category according to its JSE industry sector classification based on an assessment of a company's direct and indirect environmental impact as a whole. <b>Corporate Governance</b> is dealt with separately in the index as it is the foundation in which the triple bottom line is embedded. An Advisory Committee devises both the questionnaire and the criteria.
<b>Standing of the rating system</b>	
Target group	Private and institutional investors in SRI.
Position in the market	The JSE SRI Index is the first of its kind in an emerging market.
Acceptance	All companies that participate in the SRI Index process review are advised of how they have been assessed according to the criteria. The companies have the opportunity to comment on their initial results with the purpose of clarifying issues, before the index is finalized.

<b>4.28 FORTUNE 500 Index</b>	
<i>(Main source: <a href="http://money.cnn.com/magazines/fortune/fortune500/">http://money.cnn.com/magazines/fortune/fortune500/</a>)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Fortune is a magazine and part of the media conglomerate Time Warner; its website is part of the CNN.com family of websites. A theme of Fortune is its regular publishing of researched and ranked lists.
Headquarter of the institution, size, geographical operating range	New York, USA. Further references to Time Warner see <a href="http://www.timewarner.com">www.timewarner.com</a> .
Activities in general	Media company, publishing house
Activities regarding CSR/Sustainability	The FORTUNE magazine draws up a number of hierarchy lists on the basis of <b>reputation ratings</b> . This rating is based on a survey of experts. Besides FORTUNE 500, rankings are identified for the 1,000 largest North American and 500 largest international companies as well as 100 high growth-companies. The index covers the <b>500 biggest North American companies</b> that are weighted on the account of their total revenue.
<b>Description of the rating system</b>	
Mission and vision	The FORTUNE 500 was introduced in December 1999 as a market oriented index. It is derived from the since 1955 existing Reputation Rating (FORTUNE 500) of the FORTUNE magazine. It consists of those companies which meet the additional listing, liquidation and volume criteria. The index is adjusted annually or directly as soon as a company fulfils the additional index criteria. FORTUNE 500 Index's objective is to convert the <b>reputation-index-criteria into a capital market index</b> .
Rating criteria and basic structure of the rating process	The rating outcome is based on a best in class approach. With the help of eight main criteria and a scale consisting of eleven points (0 = weak, 10 = excellent) the reputation is specified. Categories are, e.g., innovative ability, financial creditworthiness, and competence in hiring staff.
<b>Standing of the rating system</b>	
Target group	For investors, journalists and finance companies the index serves as a possibility for comparing stocks traded on the stock exchange and as a base for investment products based on an index.
Position in the market	No information was available at the time of the survey.
Acceptance	The annually revised FORTUNE magazine lists receive a lot of attention, e.g. 'America's Most Admired Companies', '100 Best Companies to Work For'.

<b>4.29 FTSE (Financial Times Stock Exchange) Group</b>	
<i>(Main source: www.ftse.com, www.ftse4good.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	In 1995 the FTSE Group was established as an independent company, and a <b>joint venture of the Financial Times (FT) and the London Stock Exchange (LSE)</b> .
Headquarter of the institution, size, geographical operating range	The group encompasses eleven offices in the USA (New York, San Francisco), Europe (Frankfurt, London, Madrid, Paris, Africa and Asia-Pacific. FTSE has about 180 employees worldwide.
Activities in general	Sole business is the creation and management of indices and associated data services on an international scale.
Activities regarding CSR/Sustainability	In 2001 FTSE launched a Socially Responsible Investment (SRI) index series called <b>FTSE4Good</b> . The series was designed with the support of UNICEF and uses research data provided by EIRIS (see EIRIS chapter 3.13). The series consists of eight indices, four benchmark indices and four tradable indices which comprise just the top 50 or top 100 stocks by market capitalization. In addition FTSE offers the new <b>FTSE ISS Corporate Governance Index (CGI) Series</b> which assists the user with company analysis, portfolio management and stock selection against selected companies with a proven standard in Corporate Governance.
<b>Description of the rating system</b>	
Mission and vision	Not explicitly stated.
Rating criteria and basic structure of the rating process	FTSE works with EIRIS to gather data on all the eligible constituents within the starting set (four internal indices) for the FTSE4Good Series. FTSE4Good <b>excludes certain sectors</b> including tobacco, arms and nuclear power. It then selects companies using criteria in <b>three categories</b> : 1. environmental sustainability, 2. Human Rights and 3. Stakeholder relations.
<b>Standing of the rating system</b>	
Target group	Finance professionals like pension plan sponsors, investment banks, brokers, consultants, fund managers, stock exchanges.
Position in the market and justification	FTSE Group calculates over 60,000 indices covering 48 countries and all major asset classes and serves clients in over 77 countries. It is estimated that two and a half trillion Euros of assets are under management using FTSE indices. The FTSE4Good Index Series has quickly become an <b>essential tool for investors</b> wishing to identify and invest in companies that exhibit good corporate responsibility practice.
Acceptance	As a major global index provider FTSE is in a powerful position to affect investment decisions and how

	companies are valued.
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<b>4.30 SIX/GES Ethical Index</b>	
<i>(Main source: www.ges-invest.com)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	GES Investment Services, the provider of the index, started in 1992 under the <b>previous</b> name CaringCompany. In November 2003, <b>CaringCompany</b> changed its name to GES Investment Services, in order to concentrate their trademarks and to serve investors.
Headquarter of the institution, size, geographical operating range	GES Investment Services is located in Stockholm, Sweden. The total staffs consist of twelve employees.
Activities in general	Solely CSR activities.
Activities regarding CSR/Sustainability	GES Investment Services provides the finance sector with analyses of and consultation on the companies' sustainability performance and preparedness. This is done through quantitative and qualitative analysis. The GES Global Ethical Standard is the basis for these. They analyze the <b>risks and opportunities in the companies' methods</b> for dealing with the environment, Human Rights, and Corporate Governance, also controversial business activities (GES Controversial covers appr. the 1,400 largest listed companies in the world) and run the <b>SIX/GES Ethical Index family</b> .
<b>Description of the rating system</b>	
Mission and vision	Their mission is simply 'to make it a little bit better, everyday'. They focus on investments, companies, their business and the world. Their vision is 'to become a global independent analysis company for SRI'.
Rating criteria and basic structure of the rating process	The index family includes one main Nordic index as well as one index for each country (Denmark, Finland, Norway, and Sweden). The indices consist of listed companies at the particular stock exchanges with the exception of those companies which do not comply with the ethical criteria of the analysis models GES Global Ethical Standard and GES Controversial. The <b>criteria are based on international standards</b> on the environment, human rights and business ethics, e.g., UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Core Labor Conventions. Companies with production and/or sales of weapons, tobacco, alcohol, pornography and gambling are not included if controversial business exceeds accepted maximum percentage of the company's total turnover.
<b>Standing of the rating system</b>	
Target group	SRI investors.
Position in the market	According to their own statement they are <b>Northern Europe's leading analysis house</b> for socially responsible investments. GES Investment Services is partner of SiRi Company.
Acceptance	GES Investment Services seeks a dialogue with the evaluated companies.

<b>4.31 Goldman Sachs Energy Environmental and Social (GSEES) Index</b>	
<i>(Main source: www.gs.com)<sup>27</sup></i>	
<b>Profile of the institution</b>	
Time of establishment and background	Founded in 1869, <b>Goldman Sachs</b> (GS) is one of the oldest and largest US investment banking firms. In February 2004 the Goldman Sachs Energy Environmental and Social (GSEES) Index was launched.
Headquarter of the institution, size, geographical operating range	GS is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers around the world.
Activities in general	GS is leading in global investment banking, securities and investment management firm.
Activities regarding CSR/Sustainability	Among others GS has launched the <b>GSEES Index</b> . It subsequently expanded coverage with <b>GS' Environment, Social and Governance (ESG) Index</b> , increasing the number of criteria to 42 while adding a Corporate Governance category.
<b>Description of the rating system</b>	
Mission and vision	According to their own statement GS introduced the GSEES Index to promote environmental and social issues. ' <b>Environmental and social issues</b> will become increasingly important for oil and gas companies seeking to access the new legacy assets, which GS views as the key driver of future performance and valuation.' (see www.gs.com)
Rating criteria and basic structure of the rating process	The GSEES Index is based on an analysis of environmental and social metrics in eight categories: <b>Environmental:</b> climate change, pollution <b>Social:</b> human rights, management diversity and incentives, investment in the future, workforce, safety, transparency and vision. All together there are 30 criteria, of which 28 are objective. Oil and gas companies are scored relative to each other in the global energy sector, not against other industries.
<b>Standing of the rating system</b>	
Target group	In general: corporations, financial institutions, governments and high net-worth individuals. The GSEES Index responds to an invitation from the Asset Management Working Group (AMWG) of the United Nations Environment Program Finance Initiative (UNEP FI).
Position in the market	No further data available.
Acceptance	No further data available.

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See also: <http://www.socialfunds.com/news/article.cgi/1826.html>,  
[http://www.unepfi.org/fileadmin/documents/materiality1/eesi\\_goldman\\_sachs\\_2004.pdf](http://www.unepfi.org/fileadmin/documents/materiality1/eesi_goldman_sachs_2004.pdf)

and



<b>4.32 MAALA SRI Index</b>	
<i>(Main source: www.maala.org.il)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	MAALA - Business for Social Responsibility index provider is a non-profit membership organization. It was founded in September 1998 to promote the concepts of <b>Corporate Citizenship and Social Responsibility in Israel's business arena</b> . In February 2005 the Tel Aviv Stock Exchange (TASE) launched the MAALA SRI Index.
Headquarter of the institution, size, geographical operating range	MAALA is located in Tel Aviv, Israel. Its rating and index activities cover the companies listed in the Tel Aviv 100 Index.
Activities in general	Solely CSR-activities.
Activities regarding CSR/Sustainability	MAALA provides a range of services to enable each business to develop and implement socially responsible programs. In addition there is the <b>MAALA SRI Index</b> which is <b>based on</b> the <b>MAALA social responsibility rating</b> . As of 2006, Maalot is carrying out the rating. Maalot – The Israel Securities Rating Company Ltd. provides rating services for Israeli issuers.
<b>Description of the rating system</b>	
Mission and vision	MAALA's mission is <b>to promote social-environmental responsibility</b> as a committed corporate practice. This includes a responsibility towards employees, suppliers, customers, the community, and the environment.
Rating criteria and basic structure of the rating process	The MAALA SRI Index comprises the <b>top 20 companies</b> on the MAALA <b>social responsibility rating</b> . MAALA rates companies which are included in the Tel Aviv 100 Index or whose turnover is larger than \$100 million (various sectors). The index is based on expanded criteria concerning four main topics: <b>Business Ethics, Workplace and Human Rights, Community Investment and Environment</b> . The MAALA public committee of experts, together with the international consultancy firm, McKinsey & Co, has jointly prepared the criteria. The ranking process is conducted by the Maalot rating company and audited by the accounting firm, Ernst & Young. Data for the Index is collected through corporate questionnaires, financial statements, and information reviewed by an environmental analyst.
<b>Standing of the rating system</b>	
Target group	Some services are available to MAALA's members only. The SRI Index is targeted at private and institutional investors.
Position in the market	MAALA is a partner of BSR, Business for Social Responsibility, a US-based global business organization with more than 1,400 members and affiliated companies worldwide.
Acceptance	No further data available.

<b>4.33 NAI (Natur-Aktien-Index)</b>	
<i>(Main source: <a href="http://www.natur-aktien-index.de">www.natur-aktien-index.de</a>, <a href="http://www.securvita.de">www.securvita.de</a>, <a href="http://www.greeneffects.de">www.greeneffects.de</a>)<sup>28</sup></i>	
<b>Profile of the institution</b>	
Time of establishment and background	NAI (translated ‚nature stock index‘, former NAX) was founded in 1997 by the natur media GmbH in Munich, Germany. NAI’s development took place by the NAI-council and SECURVITA. Licensing law and trademark law are subject to the <b>SECURVITA</b> company group in Hamburg, Germany. <sup>29</sup>
Headquarter of the institution, size, geographical operating range	The office of the NAI board is located in Munich, Germany. The board consists of five members.
Activities in general	Besides their activities on the NAI, SECURVITA is a retail sales organization that sells contracts in health and life insurance.
Activities regarding CSR/Sustainability	NAI is primarily focused on topics like renewable energies or consumer issues that are assessed by using social, ethical and ecological criteria. At present, NAI consists of <b>25 titles</b> , subdivided into countries and sectors. The represented sectors vary from floor covering to wind turbines. Up to one fourth of the listed companies can be pioneer companies i.e. firms producing innovative ecological products. (data as of spring 2006)
<b>Description of the rating system</b>	
Mission and vision	The idea is to enable a <b>comparison amongst international established stock</b> indices for ethical oriented investors and to show the relative <b>chances of investments in pioneering ethical-ecological companies.</b>
Rating criteria and basic structure of the rating process	NAI uses a <b>catalogue with positive and negative criteria</b> , to select companies for the index. The criteria were developed by Öko-Invest together with nature & cosmos, SECURVITA, Greenpeace and other ecological NGOs. <b>Research and sustainability</b> assessments are done <b>by the German research institute imug</b> (see p. 85). The <b>final determination</b> of the <b>NAI-composition</b> on the basis of the NAI-criteria is decided <b>solely by the NAI-committee</b> . Companies are not admitted to the NAI that hold an exclusion criterion e.g.: nuclear energy, weapon production. Companies must additionally fulfill at least two of the four following ecological respectively social-ethical weighted positive criteria: <ul style="list-style-type: none"> <li>• The company offers <b>products or services</b> that contribute to <b>ecological and social sustainable</b></li> </ul>

<sup>28</sup> See also: [http://www.imn.org/2002/a365/presentation\\_pdf/Spicher\\_Philippe\\_\(CEPI\\_Pres\).pdf](http://www.imn.org/2002/a365/presentation_pdf/Spicher_Philippe_(CEPI_Pres).pdf)

<sup>29</sup> According to a verdict by the district court of Hamburg in 2003, the trademark rights concerning NAI, belong to SECURVITA. After that verdict, the co-initiator of NAI, Öko-Invest, launched its own index called nx-25. It consists of 25 stocks that were selected on the basis of ethical-ecological criteria and are diversified throughout different countries and industrial sectors. At the beginning the two indices were practically identically, with the exception of one company. In the beginning of 2006, 15 identical title were to be found in both indices (Composition of the nx-25 see <http://www.umweltbank.de/inhaltseiten/PDF/naturaktienindex.pdf>.)

	<p><b>solutions</b> to central problems of mankind (max. eleven points).</p> <ul style="list-style-type: none"> <li>• The company is a <b>pioneer in its industrial sector</b>, in regards to product design (max. six points).</li> <li>• The company is a <b>pioneer in its industrial sector</b>, regarding the <b>technical design</b> of the production and distributions process (max. four points)</li> <li>• The company is a <b>pioneer</b> in its <b>industrial sector</b> in regards to the <b>social design</b> of the <b>production</b> and <b>distribution process</b> (max. eleven points)</li> </ul>
<b>Standing of the rating system</b>	
Target group	The NAI is <b>capital market oriented</b> and serves investors as a benchmark to measure the economic success of companies. It is mainly for tracking an ethical fund (SECURVITA Green Effects).
Position in the market	At present, the funds volume amounts 45.7 million EUR (data of March 2006). A comparison to other sustainability indices is not possible. Whilst NAI uses its criteria to select its companies other indices use the best in class approach.
Acceptance	The decision to exclude a company from the NAI is published and accounted for. A standardized feedback-form is not intended.

<b>4.34 RepuTex SRI Index</b>	
<i>(Main source: www.reputex.com.au)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Established in 2000 RepuTex is an independent research agency. In August 2005, RepuTex released its investment index for Australia, the RepuTex SRI index.
Headquarter of the institution, size, geographical operating range	RepuTex operates across Australia and Asia from its Melbourne, Shanghai and Hong Kong offices and is headquartered in Melbourne, Australia. Its CSR ratings cover <b>international companies</b> from all over the world.
Activities in general	Solely CSR-activities.
Activities regarding CSR/Sustainability	RepuTex is dedicated to the delivery of fully independent analysis and ratings in the special areas of reputation, stakeholder facilitation and CSR ratings.
<b>Description of the rating system</b>	
Mission and vision	The RepuTex Group of Companies is dedicated to the acquisition and development of expert knowledge and skills in the areas of business reputation, Corporate Social Responsibility and stakeholder relationships to add value and competitive advantage to the users of their services.
Rating criteria and basic structure of the rating process	<p>The RepuTex SRI Index comprises 44 companies from the S&amp;P/ASX 300 Index that have achieved a RepuTex CSR rating of 'A' (satisfactory) or higher. The constituent companies are spread across a broad range of industry sectors. The index is independently calculated by the international index provider Standard &amp; Poor's on a daily basis.</p> <p>RepuTex rating category areas are: <b>Corporate Governance</b> (transparency, risk reporting and management and ethics), <b>Workplace Practices</b> (occupational health and safety, management systems, workplace culture and diversity), <b>Social Impact</b> (of products and services, policies and practices), <b>Environmental Impact</b> (of operations, policies, procedures, products and services).</p> <p>There are six rating categories from AAA to D. RepuTex offers requested ratings which can be conducted on a confidential or public basis. RepuTex has nearly 400 current ratings published on its website.</p>
<b>Standing of the rating system</b>	
Target group	SRI investors.
Position in the market	According to their own statement RepuTex is the leader in the provision of RepuTex Social Responsibility Ratings and reputation and stakeholder research in the Asia Pacific Region.
Acceptance	Ratings conducted on a requested basis are fully confidential until RepuTex is formally advised by the rated entity that it wishes to release its rating to the public domain.

<b>4.35 Social Index</b>	
<i>(Main source: ww.det.socialindeks.dk)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	The index was developed by a counseling agency and research institutions under the provision of the Danish Ministry of Labor in 2000. Meanwhile a third revision with stakeholder involvement has been finished.
Headquarters of the institution, size, geographical operating range	Copenhagen, Denmark, also its operating range. No further data available.
Activities in general	No further data available
Activities regarding CSR/ Sustainability	Index support, publications, certification of procurements.
<b>Description of the rating system</b>	
Mission and vision	The <b>prevention of marginalizing on the employment market</b> : maximum integration of people into the employment market who are not capable of gainful employment or not fully fit for work. The design of the <b>model is not transparent</b> (no actual stakeholder model, main focus on employment and the local employment market/ groups of people who face problems on the employment market), environmental issues are not tackled.
Rating criteria and basic structure of the rating process	<b>Self assessment of the companies.</b> Aims, activities and results are assessed. The <b>criteria</b> mainly concern the company <b>internal social policy</b> : qualification, family-friendly working conditions, health and safety, employee-friendly reorganization, fitted work conditions for senior employees, measures for imminent job losses and limited working ability (personal crises, long-term illnesses), social criteria for redundancy and recruiting, active cooperation with external parties for the local employment market, etc. Every criterion is attributed a <b>value between zero and 100</b> and is evaluated individually for the overall index (19 individual and sub criteria and assessments exist). The value of the overall score can lie between zero and 100 (results above 60 are good and can be certified). A comparison between companies is possible.
<b>Standing of the rating system</b>	
Target group	Self assessment of companies, management tool (internal dialog about objectives, policy and results), certificate (for potential employees, clients, investors).
Position in the market	Circulation 40,000, although its distribution is unclear. It suggests a certain importance, because of the existence of a conjoint work group of organizations, that also carries out revisions (simplification in third edition)
Acceptance	No further data available.

<b>4.36 VÖNIX (VBV-Österreichischer Nachhaltigkeitsindex)</b>	
<i>(Main source: www.voenix.at)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	In June 2005 the sustainability index VÖNIX was launched. VÖNIX was founded by an Austrian pension fund, the Österreichische VBV-Pensionskasse AG. The VBV was created early 2004 as a merger between BVP-Pensionskassen AG (BVP) and Vereinigte Pensionskasse AG (VPK).
Headquarter of the institution, size, geographical operating range	VBV's headquarter is in Vienna, Austria. VÖNIX contains solely listed Austrian companies.
Activities in general	Management of pensions.
Activities in CSR/Sustainability	VBV sees themselves as a sustainability investor and invests large capital amounts in the <b>Austrian capital market</b> by orienting itself towards sustainability criteria. In 2003 VBV already launched a sustainable equity fund called the 'VBV Sustainability Fonds'.
<b>Description of the rating system</b>	
Mission and vision	The objective of the index is to represent the <b>'sustainability'</b> issue in a more transparent way and also to make it possible for investments focusing on this criterion. Another objective is to increase the awareness of this issue in the financial community by having continuous media coverage (communication).
Rating criteria and basic structure of the rating process	The index only consists of Austrian companies which are selected by exclusion criteria and weighted by so called stakeholder criteria in a sustainability score. <b>Exclusion criteria</b> are e.g. armament, nuclear power, addictive drugs. There are definitions concerning the limit of tolerance for the relative (i.e., business turnover in percent) and absolute (i.e., market leadership) significance. The <b>stakeholder criteria</b> are subdivided in stakeholder groups (employees, society, clients, market partners, investors and environment) and into the following layers: principles and strategies, management systems and organization, products and services, and in programs, activities and results. Altogether each firm is assessed with nearly 100 criteria or indicators. The valuation scale (from +100 to -100) distinguishes between 'qualified' (innovative, proactive, active), 'non-qualified' (passive, neutral, slightly regressive) and excluded (moderately regressive, highly regressive, extremely regressive) companies. Only those stocks with an overall sustainability score of 50 and more (on a scale from +100 to -100) are accepted.
<b>Standing of the rating system</b>	
Target group	VBV established VÖNIX in order to make their investment strategy quantifiable and measurable.
Position in the market	No further data available.
Acceptance	No further data available.

<b>4.37 Westpac-Monash Eco-Index</b>	
<i>(Main sources: www.westpac.com.au, www.monash.edu.au)</i>	
<b>Profile of the institution</b>	
Time of establishment and background	Westpac Investment Management established in January 1999 Australia's first index of share price performance for eco-rated listed companies. The Westpac-Monash Eco Index was founded as a <b>joint venture</b> between <b>Westpac and the Monash University</b> .
Headquarter of the institution, size, geographical operating range	Headquarter in Sydney, Australia, main business activities in Australia, extra business units 'New Zealand Banking' and 'Pacific Banking'.
Activities in general	<b>Westpac</b> is the <b>third largest bank in Australia</b> , a full service bank, especially providing asset management. Monash is Australia's most internationalized university.
Activities regarding CSR/Sustainability	Westpac offers investment products that are based either on the <b>best of sector screening approach</b> (sustainable investing) and products based on a <b>positive/negative screening approach</b> (ethical investing). It launched several SRI related funds. Westpac is reporting on its environmental and social performance. It has also introduced environmental screening centered on the 'Equator Principles' for project finance.
<b>Description of the rating system</b>	
Mission and vision	Westpac is focusing on the <b>CSR</b> paradigm by integrating it into businesses to enhance shareholder value. CSR is understood as doing business in order to meet a company's financial, social and environmental responsibilities.
Rating criteria and basic structure of the rating process	The Eco-Index lists 75 companies from 24 industries weighted with their market value. For the index 160 companies were assessed <b>dominantly</b> by using <b>environmental</b> (additionally by some social) criteria. Monash's rating is centered on an Environmental Management System (EMS) that includes a set of specific environmental objectives and targets, consistent with the ISO14001 standard and is additionally based on criteria of the World Business Council on Sustainable Development (WBCSD). According to Monash, they have developed a special ranking-system for Australian stock investments based on these standards. The ranking process focuses on four areas: environmental strategy, environmental management, stakeholder relations, products and production. The company profiles are not published.
<b>Standing of the rating system</b>	
Target group	Investors
Position in the market	No further data available.
Acceptance	Westpac has received many CSR awards, including being ranked number one in the global banking sector by the Dow Jones Sustainability Index for the second

	year in a row.
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## 5 Analysis of the institutional frameworks of CSR ratings

In light of the theoretical foundations of the model for the CSR rating of companies and the establishment of rating institutions, the aim of this empirical study was to find out which systems and criteria for evaluation are used by a majority of rating institutions around the world. The primary objective was to analyze decision-making principles that follow clear, formally defined rules. The rating institutions themselves were also analyzed with respect to their origins, missions and activities.

The study was based exclusively on **rating systems** that assess **both social and environmental factors** in the CSR behavior of companies. The **focus** was on the **evaluation of companies**, and not of public institutions or governments. Analysis was limited to rating institutions which were not necessarily legally independent entities. For example, intermediaries within organizations (such as in-house research teams in banks or securities index providers) were also considered. In addition, pure research institutions that do not express their results in their own ratings were not included. The rating systems to be analyzed were not limited with respect to specific objectives such as use for investment purposes. Geographically, the study covered North America, the Asian-Pacific region and Europe, since this is where the market for information services in the area of sustainability and CSR exists nowadays.

The empirical study was **conducted from January to May 2006**. The study is an **update of a former study** which was **carried in 2004** and published **for the German Bertelsmann Foundation** in German language. The updated version was also supported by the Bertelsmann Foundation. The study is based on analyses and evaluations of the available external and internal written material, web presence and extended interviews with key persons from each rating institution. The analysis was completed using a structured survey. Key results are presented below, following the same structure as the survey.

The **first section** of the survey analyzed the institutional scope of action of CSR rating institutions. In addition to **formal structural characteristics** such as the location, geographical radius of activity and size of the organization, it also included the motivation underlying the institution's establishment. Building on this, the survey gathered information about the entire spectrum of services offered in order to gain important insights into the other activities the institution undertakes in addition to CSR rating.

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## 5.1 Location, geographical radius, and size of organization

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The majority of the rating institutions analyzed are headquartered in Europe. The CSR rating providers studied here had **between three and 70 employees**. The **most common size** was between **ten and 15** employees. It is important to note that the number of analysts working exclusively on the company analyses needed for rating could rarely be determined due to a lack of detailed information. Nevertheless, it is clear that there is a definite division of labor among analysts in organizations with relatively large numbers of employees.

It is also clear that network structures exist in many of the rating institutions studied. Horizontally, the institutions focus on large companies that operate globally as their rating subjects and mostly on international stakeholders (e.g. international investors) as their targets and clients.

The **Sustainable Investment Research International (SiRi) Company** illustrates this point. The Network was established in 2000 as a non-profit entity named SiRi Company. It comprises eleven research organizations based in Europe, North America and Australia that specialize in Socially Responsible Investment. The aim of SiRi's cooperation with partners in eleven countries is to link local expertise and global perspective. Because of its successful economic development, the members decided in 2003 to transform the Group into a for-profit company, the SiRi Company, in order to realize additional development possibilities.

**Vertically**, the study shows a **variety of forms of cooperation** among the rating institutions. Cooperation among institutions serves mainly to allow them to cover locally the complex value-added processes of corporations, the less transparent corporate activities, and the stakeholders they affect. For example, the Allianz-Dresdner Asset Management Group (ADAM) operates with a grassroots research network that allows the group to utilize the skills and knowledge of more than 300 researchers and more than 40,000 business contacts worldwide (see [www.dresdnerrcm.co.uk/rcm/aboutus/05\\_grassroot/index.html](http://www.dresdnerrcm.co.uk/rcm/aboutus/05_grassroot/index.html)).

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## 5.2 Origins and motivation

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**Most** of the organizations studied **originated in the 1970s**. The first rating agencies in the United States were established to **meet the needs of institutional investors** (church-based and charity organizations and pension funds), providing the information allowing them to exercise their voting rights in a socially responsible manner (such as the US-based International Responsibility Research Center, IRRC). In the **1980s, consumer-oriented systems** among consumer and human rights organizations emerged to assess companies according to ethical, social and environmental criteria. In the UK, the founding of the Ethical Investment Research Service (EIRIS) in 1985 laid the cornerstone for the systematic ethical, environmental and social evaluation of companies for British investors. As in the United States, the investors that initiated and encouraged this development were **religious institutions**.

In the **1990s**, there was a surge in growth among capital market-oriented rating institutions worldwide, which are increasingly entering the market as **independent financial intermediaries**. This trend is

accompanied by the involvement of banks (such as the Swiss based Bank Sarasin and Union Bank of Switzerland) and institutional investors that are developing evaluation models for their own mutual fund products or acquiring previously independent agencies (such as the US rating organizations Vigeo and CoreRatings).

**Sustainability and CSR indices** should also be taken into consideration here because of the CSR ratings upon which they are based. These indices are a more recent development, with the Domini Social 400 Index pioneering in this area when it was established in 1990 in the United States. It was ten years before the index had any competition, in the form of a dozen or so socially and environmentally oriented stock indices. Stakeholders have paid particular attention to index families such as the Dow Jones Sustainability Index (DJSI), the Financial Times Stock Exchange-Index (FTSE4Good), and the Ethibel Sustainability Index (ESI).

A more **functional-environmental examination of rating institutions** reveals that the current emphasis on CSR research initially arose as – and remains – a by-product of existing information production technologies. Very **specific categorizations** can be made:

1. Rating institutions that conduct **CSR research as an extension of existing analysis activities** related to the capital markets make up the first independent group. These are primarily in-house research departments at banks. They are characterized by the fact that their CSR ratings were developed as a special branch of existing securities research (this applies to many Swiss banks). Some new companies were established, for example, when employees of a bank (or comparable financial institution) left to set up their own independent CSR research and rating services.

This group also includes other financial intermediaries outside banks, who conducted related activities prior to taking up CSR research, including research institutions that had a connection to mutual fund companies (such as CoreRatings).

2. Another category comprises CSR rating services that emerged as a **reorientation of existing research-related activities without a direct link to the capital market**. One such group of institutions comprises the research institutions that emerged from NGO activities. Examples include Belgian Ethibel, US-based Co-op America), and US-based Verité. Repeated analysis of these organizations has shown that they had compiled databases on companies and their critical behavior over time as part of their initial issues-based activism as **NGOs**. Such NGOs had also developed special production technologies for their rating work based on their experiences in critical communication with and activities related to companies. This technology provides them with special forms of communication, data gathering techniques and sanctioning potential.

This category also includes **specialized information service providers** such as critical journalists who dealt with companies' Triple Bottom Line in specific instances prior to their CSR rating activities. Much like the NGOs, these journalists developed characteristic forms of communication through their dealings with companies and compiled databases that they could later use for their CSR ratings. One such example is the German firm oekom research, which evolved from the ökom publishing house.

3. A third group that belongs to this category is dominated by **research institutions** whose **original focus was not on CSR**. These include the Swedish Global Ethical Standard (GES) and the German Institut für Markt, Umwelt und Gesellschaft (imug).

Though the **'by-product' hypothesis** on the origins of many sustainability and CSR rating institutions may well be valid, there are also organizations with production technologies that were developed

independently. These include research institutions that were established specifically for the purpose of CSR rating, such as Britain's SERM Rating Agency or Italy's E.Capital Partners.

What is striking is that, in almost all countries, CSR ratings are predominantly information services that are provided by private, non-governmental institutions. Moreover, the providers are usually intermediaries and NGOs. Some rating institutions were founded by individuals and are still largely influenced by their founders. For example, Matthew Kiernan, co-founder of the World Business Council for Sustainable Development initiated Innovest, and the rating organization Kinder, Lydenberg, Domini (KLD) was co-founded by former stockbroker Amy Domini.

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### 5.3 Range of activity

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With respect to their economic orientation, rating institutions' activities can be classified along a **continuum from non-profit** (but not necessarily 'no profit') **organizations to private institutions** that are explicitly designed to maximize profit. In terms of the customers who use these organizations' services, there are those who use the information in advance of their own for-profit activities and others who use them for activities that have nothing to do with private-sector profit.

Many rating institutions have been continuously changing their rating models since they were founded. For example, many of the rating institutions that are oriented toward the financial markets in the US and UK initially focused on corporate governance analyses but have recently extended their evaluations to cover social and environmental aspects (such as the Social Investment Research and International Responsibility Research Center). Many of the agencies in Continental Europe that were established for the purpose of rating companies on their environmental performance have since integrated social criteria into their evaluation models.

The majority of the organizations studied work with quantified models. Very few providers limit themselves to pure collection and qualitative processing of information (research) about companies (for example, Ethical Consumer). Depending on the provider, ratings may be available in the form of **company profiles, rankings or database-supported tools** with various selection options. A growing part of the rating institutions therefore operates not only with traditional desk research and deliverance of special rating reports. Complementary techniques and media are offered by **web-based** and **electronic tools**.

- **Ethical Portfolio Manager (EPM)** has been established bei EIRIS in spring 2000. It is a software tool which allows EIRIS's clients to access research information on the social, environmental and ethical performance of companies. EPM comprises the research results of the almost 2,800 companies EIRIS has analyzed in 250 criteria areas.
- **SiRi Pro** (Profiles and Ratings Online) is a web-based tool of the SiRi Company. It allows a flexible and user specific weighting of the stored CSR related company data. The main application is for SRI operations.
- **Socrates** is an online database provided by the US based rating agency KLD. Registered users can operate with three layers to collect CSR related company information, mainly for asset allocation purposes.

- **Convention Watch:** EIRIS launched that tool in 2005. It assesses alleged company violations of core labour, human rights, bribery and corruption, military and environmental standards and principles.
- **IRRC** provides a web based platform, which combines the instruments for Corporate Governance information and sustainability information.
- **SIRS** operates the web based screening platform '**SIMON**', with which customer related screens are compiled and which also allows insight in detailed company profiles (SIMON covers all listed US companies as well as foreign companies in the Standard and Poor's 500 Index).

All those tools should allow stakeholders to carry out their individual determination and composition of ethical, responsible or sustainable companies according to individual 'tastes'. Insofar those tools can be interpreted as **advancements of the 'à-la-carte-approaches'** in CSR ratings. That might give support to overall tendencies to individualize the determination of company universes according to CSR criteria and stakeholder tastes.

Many organizations offer ratings of public institutions, supranational organizations and governments in addition to corporate ratings. Apart from ratings, **most institutions also offer additional consulting services** such as portfolio screening for institutional investors and assistance in creating SRI investment guidelines or exercising shareholder voting rights.

It is worth noting that a **trend toward solicited ratings** seems to be emerging and a few institutions (such as Vigeo) already specialize in solicited ratings.

## 6 Analysis of existing CSR rating models worldwide

The models in this study come from a variety of institutional contexts and were not designed exclusively for the capital markets. Even so, there are only very few models that do not address the financial markets. The **visions behind the models** that explicitly address the capital markets include:

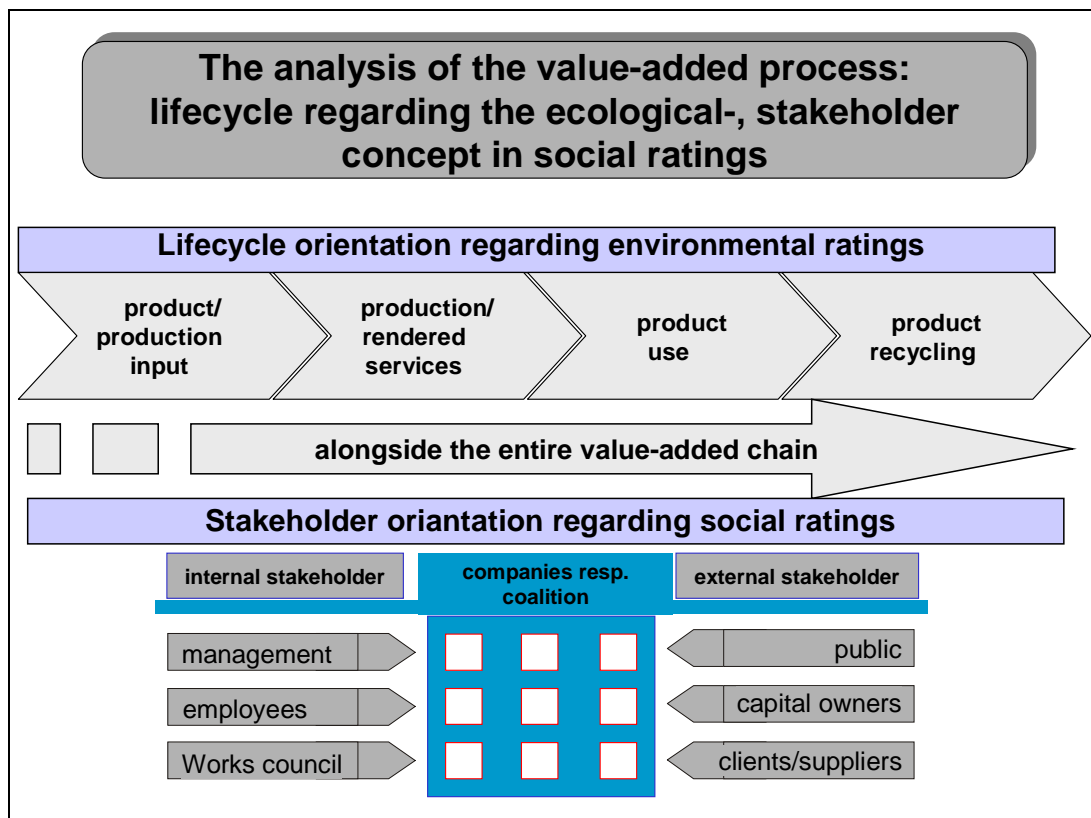
- promoting SRI in all respects (positive and negative screening, shareholder engagement and advocacy)
- influencing the behavior of companies participating in the capital markets in favor of increasing their CSR
- identifying potential risk
- exposing potential social and environmental value with respect to shareholder value
- achieving goals comparable to those of corporate citizenship.

In the few existing company-initiated models that were studied here (for example the British organization Business in the Community, BITC), identifying and promoting best practices with respect to CSR management were top priorities. The few government-initiated models were intended to serve to orient companies (including small and medium-sized enterprises) and consumers when it comes to CSR.

From a more operational perspective, most rating institutions follow up the first analysis (screening) with regular subsequent analyses (monitoring) of the companies. As with the screening, they are usually supported by organized stakeholder groups and NGOs.

## 6.1 Model basis

The methods currently being used for CSR ratings worldwide are heterogeneous and lack standardization. However, initial efforts between European rating institutions to reach agreement on a first standard (**Corporate Sustainability and Responsibility Research Quality Standard, CSRR-QS**) got underway in 2003 (see [www.csrr-qs.org](http://www.csrr-qs.org)). Nevertheless, several elements could be identified that recur in the various models.



**Fig. 18: Product Life cycle and stakeholder model as dominating concepts in CSR ratings**

The **majority** of the evaluation systems studied are **based on stakeholder models**. Some are explained in detail and some are more or less completely contained within the model-specific evaluation criteria. The use of stakeholder models is especially common in the US (Innovest, 100 Best Corporate Citizens etc.) and the UK (BITC). Continental European evaluation systems, on the other hand, often follow the tradition of environmentally focused sustainability analysis. As an extension of these evaluation systems to cover social dimensions of sustainability, beginning in the 1990s, stakeholder approaches have now been added to these models.

CSR rating generally **covers companies and sectors**. In these **best of class approaches**, a company's sustainability is defined in terms of its relative sustainability as compared with the sustainability of the sector as a whole. **Only** in a **few cases** is a company's CSR rating determined exclusively by **negative, exclusionary and/or positive criteria**.

In **most models**, the companies that are to be studied are classified as **leaders or pioneer/innovator companies**<sup>30</sup>. Sustainability leaders are mature companies with high market capitalization, a broad range of products and global focus. The pioneer/innovator group is made up of young, growth-driven companies that have implemented outstanding environmental and/or social innovations.

Many characteristics are shared across the analysis methods used for the CSR ratings covered in this study. For example, the rating models usually cover the companies' entire value chain, examining the entire life cycle of products and services, from development to physical destruction.

The fact that CSR ratings examine the effects of a company's behavior on individuals - and sometimes only on critical stakeholders - is also characteristic of most CSR ratings. Almost all rating institutions emphasize the importance of business models and the level of transparency about the social and environmental effects of the company's behavior as well as which stakeholders are affected. For this, the **majority conduct an integrated, systemic examination of the social, environmental and economic effects of the company's behavior**.

Long-term, forward-looking corporate strategies and the central role of economic, social (and sometimes cultural) and environmental **macro and micro trends** in a company's overall range of activities are very significant in the ratings. Sustainability and CSR are of primary concern throughout all management processes within the company, from strategy development, implementation and practical management to the final results that are achieved. **Rating models integrate various theories of causalities** with some connection to sustainability from numerous economic and non-economic models and heuristics such as the influence of unions on business success and customer-oriented management.

The rating concepts studied vary with respect to the complexity of the methods used and how the results of their evaluations are quantified. While **capital market-oriented concepts** strive to achieve the greatest possible compatibility between their evaluation results and traditional financial ratings, consumer and company-oriented concepts sometimes limit themselves to rough gradations with just a few levels. Besides the 'grades' they give, ratings can also include or take the form of qualitative corporate profiles (rating reports), rankings that show an individual company's relative position with respect to its competitors and absolute universal CSR grades. Consumer-oriented concepts sometimes do without differentiated 'grading' altogether.

Viewed as a group, CSR rating intermediaries have specialized technology for producing information for stakeholders, characterized by an orientation toward sector and company-specific value-added

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<sup>30</sup> At the sector level, pioneer companies are also sometimes referred to as 'industries of the future' (see Sparkes 2002).

processes, the integration of hard and soft (qualitative) factors and an accounting of stakeholder effects.

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## 6.2 Cluster of CSR ratings

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Several **specific commonalities and differences** among the evaluation models studied stand out. Despite the heterogeneous nature of the rating institutions, recurring model types can be identified. The clusters presented below are still very rough and should not be considered analytically complete. They illustrate the various practice-relevant archetypes among which the existing models move. However, in actual practice, these **idealized approaches are seldom found in pure form**. Usually, several approaches and/or models are combined.

Most of the **rating models** studied addresses the capital markets. Only **a minor group** presents **company-specific concepts**, and in practice mixed forms commonly occur. In many cases, corporate profiles or in-depth analyses are created using an analysis model that can be integrated into a purely financial analysis-oriented evaluation model. Among the models studied, we can differentiate between economically oriented and normatively oriented approaches, although the border between these groupings is not always clear or solid in practice:<sup>31</sup>

- **Economically oriented concepts** are characterized by a focus on ethical, environmental and social criteria that are highly likely to have a direct or indirect impact on the evaluated company.<sup>32</sup> This is the '**CSR business case**'. In the case of normatively oriented concepts, CSR evaluation criteria are largely dominated by ethical motivations. A company's compliance with these criteria may have indirect economic implications, but this does not influence the selection or the weighting of the criteria.
- **Economically oriented approaches** are more prevalent on the capital markets and among company-oriented models; normative approaches are primarily found among consumer-oriented models. Unlike economically oriented models, normatively oriented models give less consideration to real economic preconditions, instead adhering to their ethical principles, largely unified in their content and derived through absolutely deductive means (like the Frankfurt-Hohenheim guidelines from the German oekom research or the criteriology of the Italian Osservatorio FINETICA at E.Capital).

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<sup>31</sup> See also the overview in the Appendix.

<sup>32</sup> However, the body of knowledge about the causal relationships between individual CSR/sustainability criteria and their economic consequences seems to be still rudimentary, allowing concept providers sufficient latitude in developing their concepts (and presumably, for creating correlations that are real only in appearance).



<p><b>Performance Type</b></p> <p>→ related to Shareholder Value</p> <ul style="list-style-type: none"> <li>• Sustainability/CSR as value driving forces to generate outperformance</li> <li>• Micro and macro trends in social and ecological issues count</li> <li>• High importance of intangibles for building long term Shareholder Value</li> </ul>	<p><b>Risk Assessment Type</b></p> <p>→ Risk non-sustainability</p> <ul style="list-style-type: none"> <li>• Entire value chain of a company and management's collaboration with stakeholders matter (,license to operate', ,license to co-operate')</li> <li>• Additional focus on systemic and mega risks</li> </ul>
<p><b>Pioneer Type</b></p> <p>→ Approach focusing on innovative/pioneering firms</p> <ul style="list-style-type: none"> <li>• Environmental issues dominate</li> <li>• Processes and products are the foremost driver</li> <li>• Stakeholder only of minor relevance</li> <li>• Focus on small and medium sized companies</li> </ul>	<p><b>Business Case Type</b></p> <p>→ Sustainability/CSR as a benchmark for best practise management</p> <ul style="list-style-type: none"> <li>• Social and ecological issues are understood as dynamic capabilities and parts of core competences</li> <li>• Highly firm-specific</li> <li>• integrated systems</li> </ul>

**Fig. 19: Four cluster of economically oriented concepts of CSR ratings**

**Four important groups of economically oriented rating models** were determined by the study. These four model groups are sometimes used for CSR ratings simultaneously or in combination. The clear orientation toward the demands of capital market participants is evident from their stated aims and purposes. The groups are as follows:

- **Shareholder value type** (also known as efficiency models, intangible value models, and eco-efficiency models). This type of rating system focuses on corporate management strategies and their orientation toward sustainability. Identifying and implementing economic, environmental and social micro and macro trends early on should give management competitive advantages and increase shareholder value. In this way, stakeholders can benefit from rising enterprise values, responsible production technologies and the 'good' products produced.
- **Risk assessment type:** The focus here is on analyzing how a company deals with the environmental and social risks it faces. This approach is based on the notion that a reduction of environmental and social risks (in the sense of reducing potential loss or damage) will result in increased financial success for the company. In a sense, a company's sustainable development is seen as preventing non-sustainability.

These approaches are characterized by a sector-specific estimate of the risks with potential to materialize – usually across all stakeholder dimensions and links in the value chain as well as all stages of the life cycle (usually of products). This means that individual evaluation criteria, such as compliance with labor and environmental standards, are weighted in accordance with the possible economic loss or damage that the company could suffer if it does not take these risks into account. This approach is not intended to cover a complete set of all possible criteria, but rather to concentrate those criteria that could actually cause the company to incur costs.

- Approaches focusing on **'innovator'** and **'pioneer' companies**. It is assumed that those companies earn **excess financial returns** stemming out from the environmental and economic opportunities that arise from innovative products or production processes. In this category of companies, it is not usual for all relevant stakeholders to be examined. In some cases, the innovator analysis is limited exclusively to environmental aspects and does not take social issues into consideration at all. These **'eco-innovator models'** are found primarily in CSR ratings in Continental Europe.
- **Business types** differ from the models above by seeking and prescribing more intensely what can be viewed as management best practices in terms of CSR issues. These models (particularly the one from BITC) share some similarity with quality management models (for example EFQM) and with the accountability standard AA1000, also developed in the UK. Process elements such as strategy and planning, operational implementation, evaluation and reporting, as well as establishing stakeholder dialogue play a key role here.

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### 6.3 Criteria sets for defining CSR ratings

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When it comes to quantification, almost all of the evaluation models studied comply more or less strictly with **international standards and conventions** such as the UN Declaration of Human Rights, the ILO Core Labor Standards, the OECD Guidelines for Multinational Enterprises, OECD Guidelines for Corporate Governance and fundamental environmental standards. To some extent, these international standards form the basis on which the institution-specific rating models are built and implemented. Some models - in particular those from Scandinavia - are limited to verifying compliance with these norms and minimum standards (usually labor standards). They justify this with the universal validity and high level of acceptance of these standards.

With respect to the company types that are to be evaluated, the **majority of the concepts are focused on big capitalized companies listed** on a stock exchange, and generally on those companies included in **stock price indices** that are worldwide leaders or completely international in their structure. **Small and medium-sized enterprises** (SMEs), on the other hand, **are hardly covered by CSR ratings**. This is due in part to the great significance and preferences of the key stakeholder group, institutional investors. On the other hand, by virtue of the limited scope of their business activities, smaller enterprises operating locally or nationally automatically avoid many of the social and environmental risks that large companies face. SMEs are more likely to be covered by self-assessment tools (such as the Social Index), seals of approval (the Swiss social label), or competitions (BITC). One exception is the Dutch-British Kempen/SNS Smaller Europe SRI Index and its CSR rating for SMEs. Another is the CSR ratings of pioneer companies mentioned above.

## 7 Conclusions and outlook

The results presented above provide an overview of the current situation. On the whole, it is apparent that **CSR rating institutions** have formed an **international market for specialized information services**. Unlike rating institutions that perform credit ratings, there exists **no (quasi) monopolistic** (supplier market) **structure** at the international level. There is international and regional (for example EU) competition among the CSR rating institutions, whose structures resemble a polypoly rather than an oligopoly. It is evident that the **majority of the CSR rating institutions** apply **economically oriented concepts**, primarily addressing financial markets and investors as stakeholders with their rating services. Much the same applies to the companies covered by the rating systems, as almost all of the companies covered are large enterprises that are listed on the stock exchange.

In addition, it has become clear from the survey that rating institutions usually share communication and information transfer processes with the companies they evaluate. Without doubt, such cooperation makes good sense from a quality perspective, in light of the wealth of information that is needed for a CSR evaluation. However, if one considers that the current market structure for CSR ratings is characterized by sustainability and CSR paradigms that vary from one institution to another and by a broad diversity of methods and very different survey criteria, a cooperation dilemma becomes apparent. For economic reasons, companies will inevitably not be able to provide all research and rating institutions with the information they need.<sup>33</sup> Since the market for CSR ratings has taken **only a few steps toward standardization** so far,<sup>34</sup> companies will seek to implement a process of selecting and concentrating on certain rating institutions if they are not already doing so. This trend will inevitably cause significant changes in the market structure for CSR ratings. It is possible that provider structures similar to those known on the credit rating market will emerge. For example, it is conceivable that the value chains of CSR ratings will break open and there will be vertical integration with other information service providers.

Due to their intermediary nature, **rating institutions will play a growing role in the formulation and assertion of stakeholder demands** to companies in the future. If the primary target of ratings continues to be investors, the group of social and economic players outside the capital markets risk losing their ability to address sustainability and CSR demands to companies efficiently or at all.

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<sup>33</sup> Even the standard reporting guidelines for corporations, i.e. the questionnaire developed by the Global Reporting Initiative (GRI) (see Global Reporting Initiative 2002) and promoted by many asset managers of the SRI industry can be interpreted in different ways. So the information collected by a rating institution will be biased relating to the design of the specific version of the GRI questionnaire (see also Hawken 2004, pp. 29).

<sup>34</sup> In summer 2004 the 'Association for Independent Corporate Sustainability and Responsibility Research' (AI CSRR) was formally launched by 16 European research institutions to achieve self-regulation in the sector of CSR research. One of the duties of the association will be to further develop and manage the Voluntary Quality Standard for Corporate Sustainability and Responsibility Research. This standard was found 2003 by several European CSR rating institutions. It comprises guidelines, rules, commitments and proofs on the transparency and quality of the processes involved in CSR research. A special focus lies on the accountability and verifiability of the rating processes in the field of CSR (see also [www.csrr-qs.org/pdf/CSRR-QS\\_1\\_0\\_Pilot\\_Version.pdf](http://www.csrr-qs.org/pdf/CSRR-QS_1_0_Pilot_Version.pdf)). In some countries NGOs exist which have formulated certain principles of CSR ratings (see e.g. for Germany the principles of the NGO 'Rating Cert', 2004).

From a **political perspective**, the structures and future developments described here, will limit far-reaching changes to civil society as a result of politically legitimized governments or the actions of individuals, since those changes will increasingly be influenced by market mechanisms. It is very likely that **well-organized capital markets**, in particular the securities exchanges and their most important participants (i.e. institutional investors), will **dominate these developments**: They have reached the highest level of globalization, perfection, liquidity and quality of transmission of CSR to companies as compared with all other markets. In addition, they are also currently the communication and allocation institutions with the lowest relative transaction costs for stakeholders.



## VII

institution	rating related services	country	URL	type	remarks	SiRi partner	EIRIS partner	normative approach	economic approach			
									performance type	risk type	pioneer type	business case type
Calvert Group Ltd.	Calvert Social Index	USA	www.calvert.com	agency	Former GSMC, renamed in Calvert Group Ltd., take over by Acacia Life Insurance Company, nowadays part of Ameritas Acacia Mutual Holding.				●			
Centre for Australian Ethical Research (CAER)	research & screening service	AUS	www.caer.org.au www.austethical.com.au	agency	CAER research entity of Australian Ethical Investment (AEI) Ltd.		X	●				
Centre Info SA	research & screening service	CH	www.centreinfo.ch	agency	Special emphasis on Corporate Governance. Founding member of ECGS and Sustainable Governance.	X			●			○
Citizens Advisers Inc.	Citizens Index, Fundamental Social Research	USA	www.citizensfunds.com	inhouse research/ index provider					●			
Co-op America	Information services related to CSR, e.g. National Green Pages, www.responsibleshopping.org	USA	www.coopamerica.org	agency	Special emphasis on consumer and investor related issues.			●				
CoreRatings Ltd.	research & screening service	UK	www.coreratings.com	agency	→ Innovest Strategic Value Advisors took over the division 'Investor Services' from CoreRating in October 2005. 2003 merger of → Global Risk Management Services (GRM) and ARESE SA (party)					●		
Corporate Knights	Best 50 Corporate Citizens in Canada (annual ranking)	CAN	www.corporateknights.ca www.global100.org	index provider	US business magazine 'Business Ethics' served as a benchmark.				●			
Corporate Monitor	Ethinvest Environmental Index	AUS	www.corporatemonitor.com.au	index provider	Corporate Monitor is member of the Lifecraft Group.			●				
Covalence SA		CH	www.covalence.ch	agency								
Danish Government, Pricewaterhouse Coopers	The Social Index	DK	www.detsocialeindeks.dk	index provider	The Social Index was developed for the Danish Directorate General for Employment Placement and Vocational Training and the Danish Ministry for Employment. PricewaterhouseCoopers runs the operations of The Social Index.			●				

## VIII

institution	rating related services	country	URL	type	remarks	SiRi partner	EIRIS partner	normative approach	economic approach				
									performance type	risk type	pioneer type	business case type	
Dutch Sustainability Research BV (DSR)	research & screening service	NL	www.dsresearch.nl	agency	Partner of → Triodos Research BV	<b>X</b>							
E. Capital Partners S.p.A.	E. Capital Partners Indices (ECPI), e.g. Ethical Index	I	www.e-partners.com	agency/ index provider	Strategic alliance with Innovest.			●					
Ecos	research & screening services, consulting in communications, staff trainings	CH	www.ecos.ch	agency	Sustainability research for UBS-Ökofonds UBS Eco Performance and UBS Future Energy. Also contributions to the Swiss Social Label.				●				
ETHIBEL	Ethibel Sustainability Index (ESI)	B	www.ethibel.be www.ethibel.com	agency/ index provider	Sustainability assessments by → STOCK at STAKE, merged with Vigeo into Vigeo Group → Vigeo.	→ STOCK at STAKE	→ STOCK at STAKE		●				
Ethical and Environmental Screening Service (ESS)	research & screening service	UK	www.ethicalscreening.com	agency	Ethical Screening' is the trading name of Ethical and Environmental Screening Services.			●					
Ethical Consumer Research Association (ECRA)	Several CSR related information services, e.g. publishing 'Ethical Consumer', online-DataBase 'Corporate Critic'	UK	www.ethicalconsumer.org www.corporatecritic.org	agency	In 2001 ECRA spun off a new company, Ethical Consumer Information Systems (ECIS), to help finance and manage the development of a new database for this growing market.			●					
Ethical Investment Research Service (EIRIS)	Index-family FTSE4GOOD	UK	www.eiris.org	agency	Five international partners (see column 'EIRIS Partner'), research for the index-family FTSE4GOOD in collaboration with → FTSE Group.		<b>X</b>		●				
EthiFinance	consulting, research	F	www.ethifinance.com	agency	Successor of Observatoire de l'éthique (ODE) which carried out CSR analysis between 1997 and 2003.	<b>X</b>	<b>X</b>	○	●				
Ethiscan Canada Ltd.	The Corporate Ethics Monitor, Corporate 1,500 DataBase	CAN	www.ethiscan.ca	agency				●					
Fundacion Ecologia y Desarrollo (EcoDes)	research	E	www.ecodes.org	agency	Specialized for research on the environmental and social performance of Spanish companies.	<b>X</b>							
FORTUNE magazine	FORTUNE 500 Index	USA	www.fortune.com		Annual publication of the 500 biggest US companies.				●	○			

## IX

institution	rating related services	country	URL	type	remarks	SiRi partner	EIRIS partner	normative approach	economic approach			
									performance type	risk type	pioneer type	business case type
FTSE Group	Information services related to capital markets.	UK	www.ftse.com www.ftse4good.com	agency	Index-family FTSE4GOOD, a joint venture between Financial Times and London Stock Exchange. FTSE offers also the FTSE ISS Corporate Governance Index (CGI).		X	•				
Fundación Ecología y Desarrollo	research & screening service	E	www.ecodes.org	agency		X						
Global Ethical Standard Investment Services AB (GES)	research & screening service	S	www.ges-invest.com	agency	Until november 2003 it was named CaringCompany AB.	X			•			
Global Risk Management Services (GRM)	research & screening service	UK	www.coreratings.com	agency	Merger with parts of → ARESE with which → CoreRatings Ltd. was than founded.							
Goldman Sachs Corp.	Goldman Sachs Energy Environmental and Social (GSEES) Index, asset management in SRI	USA	www.gs.com	index provider					•			
Good Bankers Co. Ltd.	research & screening service	J	www.goodbankers.co.jp	agency	No information available. Requests have not been answered by the institution.							
Innovest Group, Innovest Strategic Value Advisors	research & screening service	USA	www.innovestgroup.com	agency	Take-over of → CoreRating's business unit 'Investor Services' in October 2005.				•	•		
Inrate	research & screening service	CH	www.inrate.ch	agency					•			
imug - Institut für Markt - Umwelt - Gesellschaft e.V.	research & screening service	GER	www.imug.de	agency	imug distributes EIRIS' Convention Watch and Ethical Portfolio Manager in the German speaking countries.		X	•				
Institutional Shareholder Services (ISS)	Corporate Governance Quotient	USA	www.issproxy.com www.trustsimon.com	agency					•			
Investor Responsibility Research Center (IRRC)	research & screening service	USA	www.irrc.org	agency				•				
Jantzi Research Inc.	Canadian Social Investment Database (CSID), Jantzi Social Index (JSI)	CAN	www.jantziresearch.com	agency/ index provider	Until end 2004: Michael Jantzi Research Associates (MJRA) Partner der SiRi Company.	X		•				



institution	rating related services	country	URL	type	remarks	SiRi partner	EIRIS partner	normative approach	economic approach				
									performance type	risk type	pioneer type	business case type	
Japan Research Institute (JRI) Ltd.	research & screening service	J	www.jri.co.jp	agency	Since 2003 JRI is a subsidiary of Sumitomo Mitsui Financial Group, Inc.								●
Johannesburg Securities Exchange	Johannesburg Securities Exchange (JSE) SRI Index	RSA	www.jse.co.za	index provider					●				○
KAYEMA investment research & analysis	research	ISR	www.kayema.com	agency	Specialized for research on the environmental and social performance of Israeli companies.	X							
Kempen Capital Management/SNS Bank	Kempen' SNS Smaller Europe SRI Index	UK/NL	www.kempen.com www.snsbank.nl www.snsreakgroep.nl	index provider	Kempen Capital Management is part of the Dutch Handelsbank Kempen & Co.							●	
Kynder Lydenberg & Domini (KLD) Research & Analytics, Inc.	online DataBase 'Socrates' and index-family Domini 400	USA	www.kld.com www.domini.com	agency	Impetus of KLD's activities in CSR research has been the launch of its Domini Social Index-family.	X					●		
Lombard Odier Darier Hentsch & Cie	research & screening service	CH	www.lombardodier.com	inhouse research	Partnership with Centre Info, KLD, and Innovest.				○	●			
MAALA	MAALA SRI Index	ISR	www.maala.org.il	index provider									●
Network for Social Responsible Economy (Netzwerk für sozial verantwortliche Wirtschaft)	Swiss label socially responsible companies (Soziallabel-Initiative Schweiz)	CH	www.nsw.rse.ch	index provider	Companies seeking to present their social activities to the community by a brand								●
O.D.E., Observatoire de l'Ethique		F	<a href="http://www.ode-asso.com">www.ode-asso.com</a>	agency	Activities proceeded by Ethifinance.								
oekom research AG	research & screening service	D	www.oekom-research.de	agency	Exclusive research for the German based 'HVB Nachhaltigkeits-index' (HVB sustainability index).			●	●	●			
Pensions & Investment Research Consultants (PIRC) Ltd.	Corporate Governance & Proxy Voting services	UK	www.pirc.co.uk	agency	No independent CSR rating.	X							
Pictet & Cie	research & screening service	CH	www.pictet.ch	inhouse research	Collaboration with → CentreInfo AG				○	●			
RepuTex	RepuTex SRI Index	AUS	www.reputex.com.au										
Safety and Environmental Risk Management (SERM) Rating Agency Ltd.	research & screening service	UK	www.serm.co.uk	agency	SERM is promoted by the UN-environmental program, EU-Social funds and the Copenhagen Business School.					●			

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institution	rating related services	country	URL	type	remarks	SiRi partner	EIRIS partner	normative approach	economic approach			
									performance type	risk type	pioneer type	business case type
scoris GmbH	research & screening service	D	www.scoris.de	agency	Rating approach of SiRi Company is highly integrated.	X			○	●		
imug/SECURVITA Gesellschaft zur Entwicklung alternativer Versicherungskonzepte mbH	Natur-Aktien-Index (nature stock index, NAI) used for tracking Green Effects, a mutual retail investment fund	D	www.greeneffects.de www.securvita.de	index provider	Created by the Munich based magazine 'natur & kosmos' and the Vienna based information provider Öko-Invest, now licensing law and trademark law are subject to the SECURVITA company group. Greenpeace among other NGOs as important collaborators.						●	
SiRi Company	research & screening service	INT	www.siricompany.com	agency	Focal company of the SiRi network.	X			○	●		
Social Investment Research Service (SIRS)	web based Screening platform 'SIMON'	USA	www.trustsimon.com www.issproxy.com	agency	A division of → Institutional Shareholder Services (ISS).			●				
STOCK at STAKE	Nachhaltigkeitsanalysen für → ETHIBEL	B	www.stockatstake.com	agency	Part of → ETHIBEL.	X	X					
Sustainable Asset Management (SAM) Group Holding AG	Dow Jones Sustainability Indices (DJSI)	CH	www.sam-group.com www.sustainability-indexes.com	agency	DJSI in collaboration with Dow Jones & Company and → STOXX Ltd.				●	○	●	
Sustainable Investment Research Institute (SIRIS) Pty Ltd.		AUS	www.siris.com.au	agency	Founder member of the SiRi Company.	X			●	●		
Triodos Research BV		NL	www.triodos.com	agency	Partner of → Dutch Sustainability Research BV (DSR).			●				
UBS (Union Bank of Switzerland, Schweizer Bankgesellschaft)	research & screening service	CH	www.ubs.ch	inhouse research	World leading asset management entity. Strong commitment of several business activities to the paradigm of sustainable development.				●		●	
Verité	research & screening service	USA	www.verite.org	agency				●	○			
Vigeo	Advanced Sustainable Performance Indices (ASPI)	F	www.vigeo.fr	agency	Founded partly by a merger with → ASRESE, followed merger with ETHIBEL to Vigeo Group. ASPI in collaboration with STOXX Ltd.				●	○		
VÖNIX	VBV-Österreichischer Nachhaltigkeits-index	AT	www.voenix.at	index provider	Strong ties to the needs of Austrian pensions funds.				●			
Westpac Investment Management in Kooperation mit Monash University	Westpac-Monash Eco-Index	AUS	www.westpac.com.au www.monash.edu.au	index provider	Australia's first index of share price performance for eco-rated listed companies.				●			
Zürcher Kantonalbank	research & screening service	CH	www.zkb.ch	inhouse research	Founded by the Swiss Federal Government. Strong emphasis on sustainability issues in its strategy and daily banking business.				●		●	

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