Observatoire sur la Responsabilité Sociétale des Entreprises

Guide to Sustainability Analysis Organisations

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Guide to Sustainability Analysis Organisations

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SUMMARY

Introduction

Published, in its first version, in October 2001 and updated in December 2007, the "Guide to Sustainability Analysis Organisations", provides an overview of all organisations with activities that consist of, or include, analysis and rating of the sustainability performance of companies.

A wide range of actors, companies and investors in France and abroad have recognized the usefulness of this guide, published in French and English.

This update to the Guide responds to a perceived need to take account of market evolution with respect to the primary concerns expressed by investors and fund managers, as well as enterprises and other stakeholders.

Since 2001, there have been significant developments in the social and environmental analysis and rating market.

Five major trends bear out these developments.

- **The analysis and rating market has continued its growth.**

  New market players have been identified, especially in the United Kingdom and Asia (South Korea), organisations that have been restructured and players that have widened their financial competency to include sustainability analysis and rating.

  We recorded, in 2007, 30 sustainability analysis organisations and 12 groups of socially responsible stock indexes at the national, regional and global levels.

- **The funding model initially adopted by organisations in the 1980s and '90s has evolved**

  When this market emerged, sustainability analysis organisations only satisfied requests for information from investors integrating sustainability criteria in their investment decision-making process.

  These organisations are currently developing services for major listed and unlisted companies, small and medium enterprises, and other organisations such as local government, thus ensuring the diversification of their sources of revenue by widening the range of services they offer.

- **The diversity in approaches and methodology persists.**

  A study of the approaches to, and methodology of, sustainability analysis organisations clearly shows the enduring diversity of both the objectives of sustainability analysis and rating, and the research and rating methodology adopted.

- **The regional specialization of such organisations has been confirmed.**

  Most sustainability rating organisations only have regional coverage. These organisations offer their clients national and international coverage limited to a single region: Europe, Asia or North America.

  They respond to the need to widen their coverage so as to propose ratings for a global universe, through a system of international networks and partnerships.

- **Currently, initiatives are developing with the aim of professionalizing the sustainability analysis and rating market.**

  Such initiatives have multiplied since 2001 in order to ensure the professionalization of the market. In August 2004, sixteen sustainability analysis organisations joined together to form the AICSRR (AI CSRR*, Association for Independent CSR Research*), to "develop, promote and maintain high professional standards, expertise and professional conduct codes for the CSR research sector".

  ORSE began participating in this push for the professionalization of relations between parties in 2001, when it proposed a "draft Charter of reciprocal commitment". This draft, which grew out of discussions with a range of stakeholders, is more of a declaration of intention than a contractual document, the objective of which is to improve dialogue between companies and organisations.

In conclusion, the aim of this guide to sustainability analysis organisations is to support attempts to identify all the rating players and help companies and investors select organisations by providing them with full information concerning their methodology and structure. New sections have been included relating to governance practice and the transparency of organisations.

Given the rapid evolution of such organisations (restructuring, disappearance and offers of new services), ORSE and Ademe have decided to launch an electronic version of the Guide, accessible on its website, in order to facilitate periodical updating.

I. The sustainability analysis market

Before analyzing the corporate sustainability rating market, it appeared necessary to focus briefly on corporate financial rating, the market for which has developed over more than a century, and which some see as a model for sustainability rating.

A. Financial rating: the market that established the principle of corporate rating

The business of financial rating agencies is, fundamentally, to evaluate, or "rate" the financial instruments issued or exchanged on the market in order to inform investors concerning the quality of the paper they are buying. This activity is justified by the need to overcome the disequilibrium in the information available to the body issuing bonds (which has every interest in overstating its value) and the buyer.
Financial rating really began in the United States at the beginning of the 2Oth century, through the development of public issue markets. John Moody was the first to publish the rating of a stock in 1909; Poor's Publishing Co. followed suit in 1916 and Fitch started in 1924.
The activity of rating agencies developed alongside the process of financial disintermediation, whereby bank financing was replaced by market financing. Rating agencies reduce information costs for professional investors. They produce and assemble diffuse information that is difficult to gather and even more difficult to interpret.
Three players currently dominate the world market for external financial rating:

- **Standard & Poor's**, a subsidiary of the McGraw & Hill group since 1966 (USA), specialized in rating industrial corporations;
- **Moody's Investors Service**, principle subsidiary of Moody's Corporation, an independent company since 2000 (USA), strongly positioned in the rating of securitization operations;
- **Fitch Investors Service**, called Fitch (IBCA), a 97% subsidiary of the French group Fimalac, the leader in rating banking institutions.

1. The aim of financial rating (or credit rating)

In the financial information processing stream, rating agencies provide information relating to the risk of default for every security dealt with on financial markets, in the form of a synthetic rating.

The rating attributed to an issue takes account both of the specific characteristics of the issuer and the particular properties of the asset.
Therefore, it applies to all organisations borrowing on capital markets, especially (public and private) corporations and States

Financial rating agencies draw their legitimacy from the capacity to provide valuable indications for professional investors managing security portfolios.

The importance of this means of synthetic evaluation of the risk involved in issues is supported by two sorts of institutional provision:

- Issuers that wish to have their securities listed on stock markets must submit them to a rating procedure carried out by an accredited agency.
- Asset managers only have the right to invest the funds under their control in securities that have been rated by a recognized agency.

2. The economic model of financial rating agencies

Originally, financial rating agencies worked as financial journalists, counselling individual Americans on the risk involved in subscribing loans raised by local authorities. They sold their advice to investors by subscription.

In 1975, the American regulatory body, the SEC (*Securities Exchange Commission*), granted official NRSRO status[1] to three agencies (*Moody's, Standard & Poor's* and *Fitch*). More recently, in January 2003, the SEC admitted a fourth player by granting NRSRO status to the Canadian agency, *Dominion Bond Rating Service Limited*.

Compared with the initial subscription model, these agencies have developed another economic model, choosing to be paid a certain number of base points of the value of their bond issues.

After all, they provide a service to issuers by placing their paper with investors. Given the explosion of capital markets, this model has provided considerable revenues to rating agencies. The remuneration is made at the time of first rating of the issue, then at each annual revision, called *monitoring*.
Today, the financial rating agency market has gone well beyond US borders. The four agencies with NRSO status provide ratings for everyone making issues on capital markets world-wide (local authorities, States, corporations).

3. Debates concerning the regulation of financial rating agencies

a. In the United States

Faced with the growing role of ratings in financial markets, the American Congress and the SEC have been considering the case of financial rating agencies for nearly ten years, especially the degree of regulatory supervision to impose on them.
The process was launched by the SEC in 1994, through widespread public consultation on the growing impact of rating agencies and the need to adopt an official recognition and supervision procedure for NRSRO status.
The question is whether the very existence of NRSRO status and the conditions for obtaining it facilitate the development of new credible players in the financial rating market.

[1] Nationally Recognized Statistical Rating Organization

In 1997, on the basis of the comments received, the SEC published a proposed set of rules providing, in particular, for the definition of rigorous criteria and official recognition procedures for NRSRO status, but the proposition was never implemented.

The financial scandals in 2002, especially the Enron case, during which Moody's responsibility was raised expressly, refuelled the debate and reform process at both the legislative and regulatory levels.

On the legislative side, in early 2002, the American Senate Committee on Governmental Affairs conducted a wide-ranging enquiry into the role of "financial watchdogs", especially rating agencies, in the Enron bankruptcy, publishing an initial report on 8 October 2002, which was very severe on agencies, and a supplementary report on 24 January 2003 which, conversely, exonerated Moody's.
http://hsgac.senate.gov

On the regulatory side, under a Sarbanes-Oxley Bill mandate, the SEC organized a series of auditions on 15 and 21 November 2002, which led to a report on rating agencies, published on 24 January 2003, then a Concept Release on 4 June 2003.
http://www.sec.gov/

Focus: Replies to the SEC consultation

The SEC had received 48 replies by the end of the consultation period on 28 July 2003.

Except for Moody's, the vast majority of those commenting on the Concept Release, especially users, came down in favour of the current system, in the absence of a better solution, and because it would be too complex and too disruptive to modify a mechanism that has been in existence for more than 25 years.

Moody's clearly indicated its preference for increased competition. In this respect, it was the only agency to call for the suppression of NRSRO status.

Standard & Poor's, on the contrary, expounded on the virtues of NRSRO status, which it found appropriate.

Fitch Ratings expressed concern with respect to the emergence of new competitors.

On the contrary, issuing companies often recommended much wider competition, the suppression of entry barriers and the abandon of the accreditation criterion.

The current recognition process for NRSRO status is one of the points that arouse the most criticism, especially due to its opacity, which feeds suspicion of entry barriers.

The predominating criterion for accreditation is "national recognition and reputation in the United States". The second covers the operational status and reliability of the rating agency, which in practice means verifying its past performance and ensuring that the agency has sufficient human and financial resources.

b. In the rest of the world

It should be noted that some other players, related to national regulators, also made comments concerning regulation of the financial rating agency market.

Concerns about the excessive importance of financial rating agencies, especially when they decide to downgrade major companies, or States such as Brazil, led some countries (France and Germany) and international organisations (the European Commission, IOSCO) to question their status.

As it is not possible to take account of all these initiatives in this document, priority has been given to comments made by stock market regulation organisations (IOSCO, CESR) or by issuers (AFTE).

It should also be noted that a number of the questions debated by these authorities, especially regarding the rating process itself, arise in exactly the same terms for sustainability analysis organisations, and that those who are trying to professionalize the emerging sustainability rating market, have sought inspiration in this debate:

- **IOSCO (the International Organisation of Securities Commissions)**, the club for international regulators, including the SEC, launched public consultations in October 2004 with a view to drafting a code of good conduct for financial rating agencies.
  After having received 46 responses, the IOSCO published a document in December 2004, entitled "*Fundamentals of a Code of Conduct for Credit Rating Agencies*", which sets out the provisions that financial rating agencies should incorporate in their ethical procedures relating to management of conflicts of interest, more transparent rating processes, protection of their integrity and independence from issuers, investors and other financial market players.
  www.iosco.org

- **European stock market regulators,** working within the *Committee of European Securities Regulator*s (CESR), conducted consultations from 28 July to 27 August 2004,under a European Parliament mandate. The CESR must provide the European Commission with its technical advice by 1 April 2005, in order to decide on possible legislative measures.
  The consultation covered four points: potential conflicts of interest for agencies, transparency of methods, access to inside information and lack of competition in the rating market.
  www.cesr-eu.org

- In April 2005, within the AFTE framework, the associations of American, British and European treasurers met to adopt a *"Code of Standard Practices for Participants in the Credit Rating Process"*. Their objective is to propose rules aimed at increasing the transparency of the process, protecting confidential information, avoiding conflicts of interest and improving communication with market players.
  www.afte.com

4. The links with sustainability rating

The three major financial rating agencies mentioned above have all shown some interest in the rating of sustainability criteria over the last few years, but in different ways :

In July 2002, **Standard & Poor's** developed a rating product relating to corporate governance. The Corporate Governance Score (CGS) reflects an evaluation of a company's governance policy and practice, as well as the importance accorded to the financial interests of stakeholders in the company, with particular emphasis on shareholder interests.

The notation spreads on a scale of 1 to 10, from the lowest score CGS-1 to score SGS-10.
Standard & Poor's analyses four elements of corporate governance:

- *The ownership structure*
  . the transparency of the ownership structure
  . the concentration and influence of the ownership structure

- *Relations and rights of financial stakeholders in the company*
  . general meeting voting procedures
  . property and financial rights (dividends, the capacity to exercise rights, saleability of actions)
  . defence against take-overs

- *Financial transparency and disclosure of information*
  . the quality and content of public information disclosed
  . timing and access to the information disclosed
  . the independence and integrity of the audit process

- *Procedures and structure of the board of directors*
  . the structure of the board of directors and its composition
  . the role and effectiveness of the board of directors
  . the role and independence of managers
  . wage, evaluation and evolution policy for directors and managers

Corporate governance rating is undertaken by a separate office from the credit rating team. Consequently, the information obtained during the process of corporate governance rating is confidential and is not provided to the credit rating analysts.
Standard & Poor's also conducts studies of the governance of States.

Moody's rating agency has approached the question of corporate governance within the framework of its central credit rating activities. The objective is to integrate the evaluation of corporate governance practices into the credit rating.

The **Fitch Ratings** agency has integrated sustainability rating by taking up a direct holding in the capital of a sustainability analysis organisation. The CoreRatings organisation, created in October 2002, was originally a 100% subsidiary of Fimalac, the majority shareholder in Fitch Ratings. It produced ratings for investors and companies in order to identify sustainability and corporate governance impact and risks. CoreRatings had two offices, with one team in London and another based in Paris.

In 2004, Fimalac sold out parts of CoreRatings. In May 2004, a corporate advisory firm, BMJ, bought the French office, thus forming BMJ CoreRatings. Fimalac still holds 33% of its capital. In October 2004, Det Norske Veritas (DNV) bought the London office.

B. The origins of sustainability analysis

At a time when many sources (management companies, academics...) are seeking to convince us that the social and environmental aspects of corporate economic activity form an integral part of the logic of financial and economic performance, one may assume that there will surely be an evolution in the next few years towards integration of the universes of sustainability and financial rating.

1. The development of socially responsible investment

Socially responsible investment (SRI) designates all financial placements chosen on the basis of both the financial performance of the assets in question and sustainability criteria such as corporate behaviour with respect to the company's economic, social and environmental surroundings.

a. Background

The idea of integrating sustainability information in the investment process began in the United States towards the end of the 19th Century, within the powerful Quaker community. Indeed, these rich, rigorous, puritan farmers were the first to adopt criteria that were not strictly financial when choosing their investments.

The first socially responsible investment practices were thus marked by an exclusionary strategy excluding certain business sectors with a view to satisfying religious convictions.

In 1928, the Pioneer Fund (Boston) was created at the instigation of the Federal Council of American Churches, to propose financial investments expressly excluding companies with alcohol, tobacco and pornography related activities (sin stocks). The Quakers were thus the originators of the exclusionary mechanisms that still dominate the operation of so-called "ethical" funds today.

In the 1970s, in the context of the movements for civil rights and against the Vietnam war and Apartheid, the SRI movement took on a new form. From moral to civic considerations, investors began to adopt more activist practices, tabling resolutions in order to prevent certain corporate social and environmental practices they deemed undesirable.

On 10 August 1971, the Methodists created the first common investment fund open to individuals, the Pax World Fund.

Also in 1971, the first voting resolution proposing the cessation of activities in South Africa was tabled at a general meeting of General Motors, at the initiative of one of its new directors, the Reverend Leon Sullivan. The increasing strength of the anti-apartheid campaign led to the departure of more than two-thirds of all American companies implanted in South Africa.

In 1977, in the middle of the fight against Apartheid, the Reverend Leon Sullivan enumerated the "Sullivan Principles", a code of conduct for the promotion of human rights and the equality of chances for companies doing business in South Africa.

Although ethical considerations obviously have an important place in socially responsible investment, the concept widely exceeds this original context to integrate other considerations relevant to corporate social responsibility while preserving financial performance as its primary objective.

Investment choices are made on the basis of sustainability criteria, but not to the detriment of financial performance.

During the 1980s and 1990s, SRI made unprecedented gains through the massive development of pension funds.

Beyond moral and civic convictions, investors are now interested in the impact of corporate economic activity on the ecological and social environment. Since the 1980s, there have been numerous examples of the growing interaction between financial performance and the social and environmental impact of corporate economic activity.

In the early 1980s, the first major ecological catastrophes such as the Exxon-Valdez and Bhopal led to growing investor concern for the environmental questions raised by corporate economic activities.

Investors then began establishing mechanisms for the selection of companies according to their social and environmental practices. Investor concern widened towards the end of the 1990s, to include varying themes relating to social responsibility, in a context where the concept of sustainable development was emerging on the international scene.

Currently, only a minority of investors with strong ethical (religious congregations) or militant convictions are prepared to sacrifice part of their financial gains to investment choices in accordance with their values.

Most institutional investors seek concrete financial results from management of the risks and opportunities presented by corporate social responsibility.

Focus: Four generations of funds - Classification established by Forum Ethibel (a Belgian sustainability analysis organisation)

1st generation: **exclusionary funds**

The first generation of sustainable funds was based solely on negative criteria. This means that the fund manager excludes companies that offer certain services or products, or conduct certain activities, from the portfolio's composition. Thus, companies are not subjected to more thorough analysis. First generation funds are mainly popular in the Anglo-Saxon world.

2nd generation: **positive screening funds**

The second generation of sustainable funds uses positive criteria aimed at a specific sector or theme. Companies are sought that have high performance in a particular area. For these funds, companies are only analyzed on the basis of one or more aspect(s) of sustainable business.

3rd generation: **sustainable development funds** : economic, social and environmental

Third generation funds really merit to be called "sustainable" because analysis by these funds concentrates on all areas of sustainable business. Such funds use these criteria to choose the highest performing companies in each sector of activity ("best-in-class" approach).

4th generation: **sustainable development funds taking account of stakeholders**

Fourth generation funds invest in sustainable companies in the same broad sense as third generation funds. The added value results from the quality of the analysis and evaluation methods. The central element of fourth generation analysis is communication with the company's "stakeholders".

b. The definition of SRI

According to the Social Investment Forum (SIF), a US network of militant investors, SRI embraces three strategies:

- **screening**, *i.e.* including or excluding company stocks from the investment portfolio depending on whether they satisfy social, environmental or ethical criteria, or not;
- **shareholder advocacy**, which consists of using the voting rights linked to stocks in order to table resolutions influencing corporate behaviour and force companies to be more "responsible" according to their perspective;
- **community investing**, which is in reality an investment program of a financial institution, and consists of investing in initiatives or unlisted companies involved in activities that are seen to be particularly "responsible", such as renewable energy sources, biological agriculture or local development.

c. SRI worldwide

- **SRI Funds in the United States: "Report on Responsible Investing Trends in the U.S. 2005"**
  www.socialinvest.org

FIGURE B

Socially Responsible Investing in the US • 1995-2005

(In Billions)	1995	1997	1999	2001	2003	2005
Social Screening[1]	$162	$529	$1,497	$2,010	$2,143	$1,685
Shareholder Advocacy	$473	$736	$922	$897	$448	$703
Screening and Shareholder[2]	N/A	($84)	($265)	($592)	($441)	($117)
Community Investing	$4	$4	$5	$8	$14	$20
Total	**$639**	**$1,185**	**$2,159**	**$2,323**	**$2,164**	**$2,290**

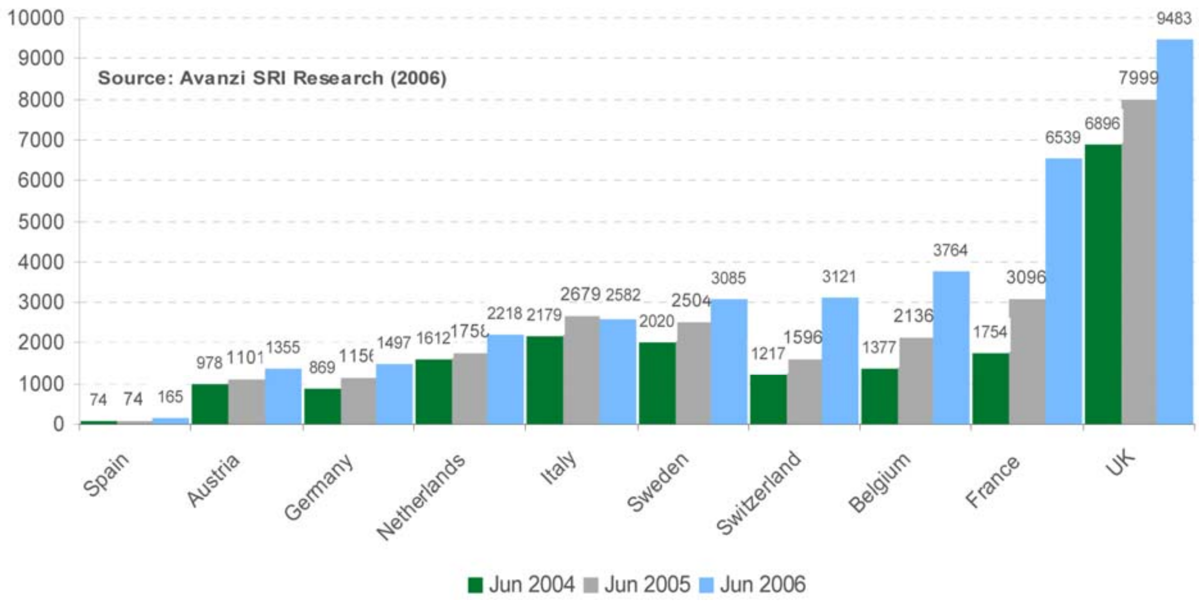
SOURCE: Social Investment Forum Foundation

1. Social Screening includes mutual funds and separate accounts. Since 2003, SRI mutual fund assets have increased (see Section II) while separate account assets have declined (see Section III) as single issue screening has waned and shareholder advocacy increased on the part of institutional investors.
2. Assets involved in Screening and Shareholder Advocacy are subtracted to avoid double counting. Tracking Screening and Shareholder Advocacy only began in 1997, so there is no datum for 1995.

- **SRI Funds in Europe: "Green, social and ethical funds in Europe 2006"**

Avanzi SRI Research & SiRi Company
www.avanzi-sri.org

SR funds assets per country (mln Euro on 30 June 2006)



- **SRI Funs in France: "The Novethic indicator" - Novethic**

www.novethic.fr

	French Offer		Foreign Offer		Total	
	2005	**2006**	**2005**	**2006**	**2005**	**2006**
Stocks	3650	4699	1615	2108	**5265**	**6807**
Diversified	791	801	891	941	**1682**	**1742**
Bonds and monetary	1010	2565	1683	1091	**2693**	**3656**
90/10 Funds (solidarity)	176	267	0	0	**176**	**267**
Fund investors	64	71	0	0	**64**	**71**
Total	**5691**	**8403**	**4189**	**4140**	**9880**	**12543**

Evolution of SRI funds under the management of Mutual Funds on the French market in millions of euros at the 31/12/06
(source: letter *L'indicateur Novethic*)

d. Varying approaches to the constitution of SRI Funds

Socially responsible investment developed in the asset management area through the constitution of investment funds that associate sustainability criteria with the initial financial criteria in their selection process.
The selection of companies, including or excluding them according to whether they satisfy the chosen sustainability criteria or not, uses three strategies:

- **The negative screening approach** consists of excluding some companies by reason of their activity or social and environmental practices that are deemed morally unacceptable by some investors. This selection approach is based on defined exclusion criteria. It mainly covers sectorial criteria such as the arms trade, as well as the tobacco, alcohol, nuclear and pornography sectors, etc. but also excluded practice criteria such as child labour, animal testing, etc. This selection approach is interesting for ethical investors.

- **The positive screening approach** consists of selecting companies on the basis of a set of criteria with defined thresholds. Investors can base their selection on a single sustainability criterion or develop a multi-criteria approach.

- **The "Best-in-Class" approach** consists of selecting the best companies in each business sector according to predetermined sustainability criteria.
  Beyond these three approaches to the selection of companies on the basis of sustainability criteria, the fact remains that corporate financial performance criteria predominate. Some investors give priority to sustainability criteria over financial criteria and thus adopt an ethical investment approach. Yet most institutional investors that have developed an offer of SRI Funds retain financial performance as their primary criterion. SRI may thus be defined as a specific form of financial management.

2. Corporate social responsibility

More and more companies are:

- adopting codes of conduct,
- publishing reports on their results in the social and environmental spheres,
- appointing management staff with specific responsibility for CSR,
- adhering to corporate networks created to share best practices in this area.

Investors are showing growing interest in CSR, as indicated by the proliferation of SRI Funds and socially responsible stock market indexes, as well as the increase in corporate evaluation and rating by specialized agencies on the basis of sustainability criteria.
Quite naturally, the way in which corporate responsibility is perceived has a decisive influence on corporate analysis.

Speaking schematically, 7 approaches may be identified, which correspond to varying trends and cultural nuances in SRI.
The approach may be recommended by the organisation or by the client, depending on the services offered (ad hoc information seeking or rating, for example). Organisations will often adopt an approach inspired by several of the trends described below.

Ethical : This approach, which consists of applying ethical convictions to one's investment, is historically the first type of SRI. In most cases, it goes hand in hand with the use of exclusionary screens for companies with activities in sectors that are seen as reprehensible, such as alcohol or pornography.

Environmental : This approach selects companies exclusively on the basis of their environmental performance. Example: Eco-rating.

Social : This approach selects companies exclusively on the basis of the quality of their social policy and respect for human rights.

Citizenship : This approach focuses on the notion of community (local community, but also minorities) and is particularly well developed in the United States. For example, it places great importance on non-discrimination (sexual, racial...), and fund-raising policies

Sustainable development: This approach is based on the concept of sustainable development and, therefore, gives priority to companies showing high levels of performance in three sectors of responsibility: the social, environmental and economic spheres. It also places great importance on the long-term consequences of corporate activities and the management system implemented to guarantee continuing progress and the sustainability of the chosen strategy.

Stakeholders: This approach concentrates on dialogue between the company and all of its "stakeholders" and the extent to which their expectations are taken into account. This approach is often combined with the sustainable development approach.

Financial: This perspective considers that taking account of sustainability factors in corporate evaluation leads to better determination of the real value of the company than purely financial analysis, and thus permits the constitution of more profitable portfolios than the classic approach. Accordingly, the concepts of sincerity and the general interest are not given great weight.

Focus: The European Commission - The Green Paper

The European Commission defines CSR as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*".

The Commission launched consultations based on its Green Paper on CSR in July 2001. It has received more than 250 replies. In spite of the variety of approaches to CSR, there is wide consensus as to its main characteristics:

- Companies that adopt socially responsible behaviour go beyond their legal obligations to choose this voluntary course of action, because they believe that it to be in their long-term interests.
- CSR is intrinsically linked to the concept of sustainable development: companies must integrate economic, social and environmental results in their management systems.
- CSR is not an option to be "added" to the principle activities of the company - it is an integral part of corporate management.

Focus: the World Business Council for Sustainable Development

The WBCSD started working on corporate social responsibility as early as 1995. In the absence of a common definition accepted by all stakeholders throughout the World, the WBCSD defines corporate social responsibility as *"business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life."*

The WBCSD notes that sustainable development is founded on three fundamental pillars: economic growth, ecological balance and social progress. This implies commitment and interaction between a wide range of stakeholders such as companies, government and civil society

3. The growing generalization of sustainability reporting

Over time, companies have acquired a tradition of financial reporting. In recent years, they have been led to enhance the information they provide to investors and civil society in general at the end of every financial year

Sustainability reporting consists of distributing the social and environmental information produced by companies to their stakeholders, whether at the same time as, or independently from, the financial community.

Beyond internal corporate motivations, several factors explain the accelerated generalization of sustainability reporting by major companies, but the most important element is the increase in regulations relating to sustainability reporting.

Social and environmental reports are mainly produced by companies on a voluntary basis. Nevertheless, several governmental initiatives show a general tendency, especially within the European Union, to pass from self-regulation to compulsory regulation as regards corporate social responsibility.

In June 1995, the **Danish** Parliament adopted the Green Accounts Act. The aim of this law was to encourage companies to be more active and responsive to environmental protection, by inciting them to publish an environmental report. 1 200 Danish companies are currently subject to this regulation, and between 100 and 200 more companies comply with the regulation voluntarily. The environmental report must provide information concerning the company's emissions, the relation between its environmental policy objectives and concrete results, as well as data concerning the major environmental consumption and emissions during the production process, including energy, raw materials, harmful substances and wastes. The law allows companies that have an EMAS certificate[2] to use the EMAS environmental report as its environmental accounting report.

In April 1997, the **Netherlands** Parliament amended the law on environmental management, which came into force in March 1993, to introduce a new article on environmental reporting. Every year, before 1 April, companies must establish a report to the government and submit it to the competent authorities. A further important step came with the Decree on environmental reporting (*Besluit Milieuverslaglegging*), compulsory for approximately 250 companies from 1 January 1999, in certain categories whose activities have important harmful effects on the environment.

In **France**, since 1 January 2003, companies listed in France, or established under French law, must publish information in their annual report concerning "*the manner in which they take account of the social and environmental consequences of their activity*".

This obligation, introduced by Article 116 of the Law of 15 May 2001 on new economic regulation (known as the "NRE Law"), was completed by a Decree of 20 February 2002 specifying the nature of social and environmental indicators.

A first study on the application of this law was published by ORSE in June 2004, at the request of the government, in partnership with an association of companies for the environment, EPE (*Entreprises pour l'environnement*), and a partnership of companies and local authorities for the environent, OREE (*Entreprises et Collectivités : Partenaires pour l'Environnement*). The report and its annexes are available at www.orse.org. This French Government initiative follows a general tendency, especially in the European Union, to pass from self-regulation to compulsory regulation as regards corporate social responsibility.

Great Britain is the latest country to adopt an obligation for corporate social reporting. In May 2004, the British Government has drafted a consultative document describing the new Operating and Financial Review requirements. It proposes that all British listed companies (approximately 1 290) should prepare an operating and financial review during the financial years beginning on 1 January 2005 or later. The law enforcing this new regulation has been adopted on 22 March 2005. This means that the first "OFRs" will be published in 2006.

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[2] The Eco-Management and Audit Scheme (EMAS) certificate is a voluntary management system for organisations that wish to commit to self-evaluate, improve and publish environmental performances. The EMAS system was launched by the European Commission in April 1995 and revised in 2001.

The Department of Trade and Industry has also published a paper giving practical advice for business leaders. This report is designed to help business leaders decide what principles and mechanisms to adopt when choosing the information to include in their "OFRs". The British Government has declared that the statutory conditions for OFRs should be supported by standards providing advice on best practices. It has asked the Accounting Standard Board (ASB) to establish these standards. The ASB hopes to publish a draft outline of the first OFR standard in the second semester of 2005.

For its part, the **European Commission** is currently concentrating more on recommendations than regulations that would require companies to publish sustainable development reports.

Focus : the Global Reporting Initiative (GRI)

The Global Reporting Initiative is an international initiative bringing together companies, NGOs, consultancy firms and universities to establish a common framework and rules for voluntary reporting of a company's practices with respect to sustainable development.

Convened by an American NGO in 1997, GRI's objective is to draft and distribute guidelines to help companies produce reports on the economic, social and environmental dimensions of their activities, products and services.

In France, ORSE is working on the enforcement of GRI guidelines for the social aspect of enterprises.

The GRI Guidelines organize sustainable development reporting in terms of economic, environmental and social performance. The GRI is aware of the fact that, as with all simplifications of a complex problem, this definition has its limits. Use of the Guidelines is voluntary. They are designed for use by organisations of all sizes and types, wherever they carry on activities. The range of GRI documents includes the Guidelines, sector supplements, resource documents and technical protocols.

GRI structures performance indicators according to a hierarchy of category, aspect and indicator. The definitions used by GRI within this hierarchy are aligned with international standards, but adapted to the GRI framework. Indicators are grouped in terms of the three dimensions of the conventional definition of sustainable development.
Published in 2000, revised in 2002. A third generation of the Guidelines has been published in October 2006. The G3 french version is available since january 2008.

C. Sustainability Analysis

1. The Definition of Sustainability Analysis

Although the definition of financial rating remains clear and stable, no wide consensus has been found on the definition of sustainability analysis (a term we prefer to sustainability rating).

Nevertheless, observation of the current practice of organisations undertaking this activity indicates a number of common characteristics.

In general, sustainability analysis provides a measure of the quality of social, environmental and corporate governance commitments, policy and performance, using sustainability analysis and scoring techniques.

Sustainability analysis organisations distinguish two types of analysis or rating:
- so-called "declarative" sustainability rating, aimed at investors
- and "solicited" rating, conducted directly for companies

By exploiting social, environmental and corporate governance information, sustainability analysis aims to apprehend the reality of a company from the data it provides and information obtained from other stakeholders (NGOs, the media, etc...).
Therefore, it allows a global judgement on the current situation of the company in question.

In practice, sustainability analysis is the evaluation of the commitments, implemented policies and performance of the company in the social, environmental and governance spheres, in relation to its economic activities and impacts.
The analysis is conducted using an evaluation framework defined by the sustainability analysis organisation. This framework varies widely depending on the stated aims of the organisation.

Sustainability analysis establishes an overall score, or grade, which positions the company on a rating scale, based on a set of relevant criteria weighted according to degree of importance. Sustainability rating thus provides a synthetic representation of the company's situation destined for investors, derived from predefined sustainability criteria.
The client then uses this global score to select the companies that will make up its investment portfolio, depending on its own approach and criteria.

The sustainability analysis organisations are listed below. The name used gives a clear indication of the aims of the organisation.

BMJ Ratings	Corporate Responsibility rating agency
CAER	Independent social and environmental data on companies provider
Centre Info	Company which provides advice and research into corporate responsibility
Covalence	Research Organisation
Deminor Rating	Center for Financial Research and Analysis
Dutch Sustainability Research	SRI Research & Rating Agency
Eco-Frontier Co.	Analysis and rating agency
EIRIS	Ethical Investment Research Services
Ethical Screening	Ethical and Environmental Screening Services
EthiFinance	Analysis and rating agency

Forum Ethibel	Management of the Europeen Ethibel quality label for socially responsible and ethical investments
Fundacion Ecologia Y Dessarrollo	Research organisation
GES Investment	Analysis and rating agency
Good Bankers	Investment advisory company devoted to social investment research
IMUG	Analysis and rating agency
Innovest	Internationally investment research and advisory firm specializing in analyzing companies' performance on environmental, social, and strategic governance issues
INrate	Analysis and rating agency
Jantzi Research Inc.	Analysis and rating agency, Research Organisation
KLD	Social Investment Research Provider
Oekom research	Independent rating agency for success stories in sustainable investments
SAM	Independent asset management company for sustainability
Scoris	Sustainable Investment Research
SiRi Company Ltd	Analysis and rating agency Research organisation
SIRIS	Sustainability Investment Research Institute
Trucost	Environmental research organization, provides environmental
VIGEO	Leading European CSR rating agency

2. The differing approaches to sustainability analysis

The primary objective of the sustainability analysis developed by these organisations is to reply to investor demand. Therefore, organisations specialized in sustainability analysis have developed approaches corresponding to the needs of their clients.

- **sustainability analysis using an "avoidance approach"** relies on exclusionary criteria defined either by the organisation itself or investors. These exclusionary criteria cover controversial business sectors such as the tobacco, arms, alcohol, pornography, and nuclear industries, as well as practices that are deemed to be irresponsible, such as child labour, animal testing, the use of pesticides, etc.
- **sustainability analysis using a "performance approach"** is based on the definition of positive screening criteria established by the organisation or its clients. The majority of the organisations applying this approach evaluate the good social and environmental performance of companies.
- **sustainability analysis based on a "risks and opportunities approach"** aims to provide managers with a complete perspective of the risks and opportunities of investing in the rated companies. The sustainability analysis "materializes" environmental, social and governance risks and evaluates their significance for the financial performance of the company in the short, medium and long term.

Focus : The primary objective of sustainability analysis organisations: materializing social and environmental issues

The "*Values for Money: Reviewing the Quality of SRI Research*" study, published in February 2004 by Sustainability and Mistra, provides a detailed analysis of the methodological and managerial practice of sustainability analysis organisations.
The authors make recommendations concerning both the methodological and organisational aspects of their activities (research teams, client services, governance).
Among the recommendations relating to research procedures, the study recommends the development of criteria and indicators that materialize social and environmental issues and evaluate their potential impact on investment value creation. This recommendation has aroused a range of reactions, especially in the Americas, recalling the divergent approaches to SRI and sustainability analysis.

The study by Sustainability & Mistra argues that the relation between the keys issues for corporate sustainable development and investment value drivers is fundamental for SRI investors and mainstream managers concerned by the financial performance of their investments. The aim of sustainability analysis is thus to identify these social and environmental issues and understand their link to investment value drivers.
Focusing on the financial community, with the specific aim of inciting sustainability analysis organisations to develop more robust, higher quality methodologies and approaches, the authors have chosen as the main basis of their work the traditional definition of materiality:

"*While recognizing that a range of social, environmental and economic issues may be of relevance to different stakeholder groups, these issues are only considered to be material where they have actual or potential impacts on a company's investment value".*
www.sustainability.com

Focus : The viewpoint of Peter Kinder, President of KLD Research & Analytics Inc.

In early April 2004, Peter Kinder published "*Values and Money: a Research Practitioner's Perspective on Values for Money*" in reply to the Sustainability and Mistra report.
In the context of the *Values for Money* study, which proposes a research framework focusing principally on the identification of social and environmental issues that materialize in the financial and economic performance of the enterprise, Peter Kinder comments that the sole aim of sustainability analysis should be to establish links between securities and investment performance to the exclusion of any other objectives that could lead to positive social change.
Peter Kinder defines sustainability analysis as the activity of processing information relating to the way in which companies act on questions that investors consider in the investment process - by deciding whether they should buy, sell or hold shares, or by engaging with companies.

" *Social investment research' consists of information on how corporations perform on issues such investors consider in the investment process – in deciding whether to buy, sell or hold securities or in engaging with companies. Investors and stakeholders define the 'materiality' of social research, and research organisations respond with data and analysis. To date, 'materiality' in this context has centered on assuring consistency of corporate performance with stakeholder values.*
The application of a 'materiality' standard for social research framed – solely or even primarily – in terms of share price would not serve social investors, the broader classes of stakeholders or the institutions that do business or interact with them.
Further, it would put social research organisations in a position of competing as stock pickers with the money managers who now buy their research. Social research organisations will continue to focus on what their constituents regard as material."

Peter Kinder recalls that SRI developed in North America in the 1960s, out of two main motivations: a desire to change the behaviour of companies towards society, through shareholder advocacy practices; and a desire among investors to ensure that their investments were true to their ethics.
The Values for Money report does not distinguish between the two types of non-financial research: shareholder advocacy and screening.
www.kld.com

Focus : A typology of sustainability analysis organisations
Peter Kinder: Values and Money – April 2004
With the aim of differentiating between these organisations, Peter Kinder, founder and President of KLD Research and Analytics, proposes a typology of sustainability analysis organisations according to their aims:
- Organisations whose sustainability research promotes an investment strategy (for example, Innovest),
- Organisations whose sustainability research supports shareholder advocacy services (for example, IRRC, Institutional Shareholder Services),
- Organisations offering in-depth, multi-criteria sustainability research (for example, KLD, MJRA),
- Organisations providing sustainability research on a sole issue (for example, The Corporate Library on governance),
- Organisations whose research supports their own investments (for example, Calvert).

D. Sustainability Analysis Organisations

1. Activities

Sustainability analysis organisations have played a crucial role in the emergence of socially responsible investment. They serve the needs of institutional investors offering socially responsible investment funds. By providing information on the sustainability and environmental practice of companies, sustainability analysis organisations play an important role as market intermediaries between the investors that buy their ratings and the companies they evaluate.

Sustainability analysis organisations collect and analyse information on companies, then make a judgement based on a methodology and criteria designed to provide a synthesis in the form of "scores" or "profiles".

a. Rating, Research and Advice

Most sustainability analysis organisations are specialized in the processing of information on the commitments, policies and social, environmental and governance performance of companies.
However, their activities are not limited solely to corporate rating. Many of them conduct a variety of rating-related activities in order to meet the needs of their investor clients.
Sustainability analysis organisations have developed three main activities: rating, research and investment advice.

Rating
Sustainability rating is central to the activities of sustainability analysis organisations. It generally involves three stages:

1. collection of social and environmental information concerning the company being evaluated;
2. processing the information according to a rating framework that evaluates a certain number of issues through predefined evaluation criteria;
3. providing the results to clients.

Research
Sustainability analysis organisations conduct research and provide reports to their clients on specific thematic or sectoral issues.

Investment Advice
A certain number of organisations go beyond the provision of corporate sustainability ratings to offer investment advice to their clients.

b. Universe evaluated

An organisation's success depends largely on its ability to provide evaluations covering an entire corporate universe. Organisations generally choose to analyze the companies in a stock market index or a geographical region corresponding to their cultural and technical capacities. At the very least, most organisations present coverage of national companies.

Major stock market indexes
The organisation covers most of the major companies included in a stock market index. A stock market index is made up of a sample of stocks representative of economic sectors, a single economic sector, or a specified geographical region. Stock market indexes thus act as indicators of market performance, or a segment of the market.
Sustainability analysis organisations generally cover the most important stock market indexes. The second part of this Guide presents each organisation in detail, including the universe it covers.

Following are the main World stock market indexes: DJ Stoxx, Euronext 100, Euronext 150 (Europe); Bel 20 (Belgium); CAC 40, SBF 80, SBF 120 (France); DAX 30, MDAX, NEMAX 50 (Germany); AEX 25 (Netherlands); MIB30 (Italy); FTSE 100, FTSE All-Share, etc..(United Kingdom); Swiss Market (Switzerland); S&P, DJ, MSCI, Russell, etc..(United States); TSE 300, CDNX, S&P/TSX 60 (Canada); TSEHang Seng (Hong Kong); Nikkei 225 (Japan); ASX (Australia); etc…

Geographical regions

The organisation covers companies in a specific geographical region, regardless of whether they are listed in a stock market index. The organisation may analyse major listed and non-listed companies as well as small and medium enterprises. Furthermore, sustainability analysis organisations set up networks to widen their national cover and satisfy the demands of their investor clients.

Business sectors

Some organisations choose to concentrate on the analysis of specific business sectors. They provide analysis of companies belonging to a single economic sector or establish sectoral benchmark studies for their investor clients.

Thematics

Some organisations are specialized in the analysis of a specific theme, such as the evaluation of social, environmental or corporate governance issues. Organisations that acquire a high levels of specialization are well recognized on the sustainability rating market.

Focus : examples of thematic specialization

Deminor Ratings aims to provide a complementary perspective to investors, compared with classic financial analysis, through sustainability analysis of corporate structures based solely on corporate governance principles. To this end, the organisation has developed its own methodology using 300 indicators, providing financial investors with a tool for objective, comparative evaluation of the governance risk of their share investments.

Trucost offers analysis to investors and companies based solely on the environmental performance of companies. The organisation has developed an analytical model that quantifies the financial impact associated with the environmental impact of corporate economic activity.

Small organisations have more legitimacy to conduct sectoral and thematic studies. For example, the French center for information on companies (CFIE - *Centre Français d'informations sur les entreprises*) conducts thematic studies on French companies and the exploitation of African tropical forests, the sporting goods industry, the social and environmental responsibilities of French companies implanted in developing countries, etc.

Covalence conducts analysis for banks and institutional investors, focusing on the activities of major multinational companies in developing countries.

2. Research teams

In order to conduct sustainability analysis and rating activities, sustainability analysis organisations have established teams of competent analysts in the field of non-financial evaluation. Although the early years of the sustainability analysis and rating market constituted a novice stage, the expertise of sustainability analysis organisations is now widely recognized and the professionalism of their work has greatly increased.

a. The size of analysis teams

The size of the team of analysts basically determines the limits of the corporate universe the organisation can cover. The number of full-time analysts varies appreciably from one organisation to another, ranging from 3 analysts (Covalence, Scoris, etc.) to 45 analysts at Innovest.

A significant indicator of possible coverage of the corporate universe is the number of companies analysed, per analyst, per year. This indicator varies appreciably from 25 to more than 100. In addition to the number of analysts dedicated to sustainability rating, great differences may be observed between the amount of time devoted to the analysis of each company by organisations.

Every organisation applies different methodologies and research, evaluation and monitoring procedures. Thus, the time between collection of company information and the provision of rating results varies greatly, depending on the number of analysts and the methods employed by the organisation

In addition to their internal capacities, most organisations use sub-contracted external expertise, covering both technical information-processing capacities (for example, a supplier of data-bases, etc.), and social and/or environmental technical capacities (for example, professional or academic experts on these issues).

b. Experience

The experience and competency of analysts are fundamental factors in the quality of the organisation's research and analysis and, thus, of its reputation. In the second part of this Guide, each profile presents an overview of the organisation's team of analysts, their professional experience, training and previous professional experience.

In general, as regards experience in sustainability rating, the analysts have between one and ten years experience. This is mainly due to the recent emergence of the sustainability market.

As for university training, the analysts very often have diplomas requiring more than five years tertiary studies (Masters, MBA, PHD). Their training ranges widely, from financial and economic studies to studies in the social (sociology, geography, philosophy, etc.) and technical sciences (biology, engineering, etc.), but also including political science, law and journalism.

Most analysts are strongly specialised in one specific area of sustainability rating: environment, social or corporate governance.

A minority of organisations place priority on the financial competency of their analysts (CFA and SFAF).
Prior professional experience also varies greatly. The whole range of economic sectors is covered: major companies, consulting and audit, financial analysis, sustainability analysis, NGOs, international organisations, etc. The great majority of analysts have experience in major companies.

3. Governance

The increasing professionalism of sustainability analysis organisations also requires more transparency on their behalf concerning governance. Investors and companies expect these organisations to communicate clearly concerning their ownership structure and main shareholders as well as the composition of their board of directors, in order to prove their independence.

a. Legal status

Two main sorts of sustainability analysis organisation coexist:

- non-profit organisations
  - associations created specifically to conduct rating activities with a non-profit aim (example: CAER)
  - existing associations that have subsequently developed a sustainability rating service (example: Fundacíon Ecologia y Desarrollo)
  - associations that have established a profit-making subsidiary (example: Forum Ethibel that created Stock-at-Stake in 2001).

- profit-making companies
  - organisations whose sole activity is sustainability analysis and rating (example: Vigeo)
  - specialized consultancy firms that have wholly or partially evolved towards sustainability rating (examples: Avanzi, Center Info, BMJ)
  - companies whose shareholders are other sustainability analysis organisations (example: Scoris, SiRi Company).

Furthermore, banks and management companies have developed internal sustainability analysis teams. These departments have been created so as to provide methodology and analysis to their fund managers to ensure the development of their own socially responsible investment funds (example: Calvert). A certain number of them also work in parallel for a complementary clientele (example: E-Capital Partners). Some of these departments have subsequently been transformed into independent sustainability analysis companies (example: DSR BV with Triodos Bank).

b. Capital ownership

The majority of sustainability analysis organisations are companies whose shareholders are private or institutional investors. Many of these organisations have associative, non-profit legal status. This is the case for the following agencies: Eiris, FED, CFIE and CAER.

Vigeo has a unique capital structure federating three groups of associates:
- college of companies, most listed on the CAC 40;
- college grouping financial institutions; and
- college of European unions.

Focus: company shareholdings

The Mistra & Sustainability Study emphasises the best practices of organisations and makes recommendations.

Best practices:

Best Practices / Innovative Approaches	Organisations
Full disclosure of shareholders as a way of proactively addressing potential conflicts of interest	Vigeo
High level disclosure with regard to methodology, rationale, criteria, weightings and sample reports.	SAM Research
Scientific Advisory Board that advises and controls research methodology. Committee is used in a systematic fashion and includes joint meetings with the board two times a year.	Oekom

Recommendations:
- increase transparency with respect to governance structures and ownership of the organisation;
- communicate the procedures and policies adopted to warn of potential conflicts of interest.

4. Products and services offered

The sustainability analysis organisations identified describe their activities as follows:

BMJ Ratings	Analysis, benchmarks, local authorities. Company profiles and Sector reports.
CAER	Analysis, Investment research and consulting, Information provision, Alert services, Assistance with corporate engagement, Portfolio screening, company profiles, sector and thematic research reports, assistance with corporate engagement programs
Centre Info	Analysis, Investment research and consulting, information provision, Benchmarks, Portfolio screening, Company profiles, Sector and thematic research reports.
Covalence	Analysis, Information provision and company profiles
Deminor Ratings	Analysis, benchmarks, alert-services, proxy-voting and sector reports, Portfolio screening
Dutch Sustainability Research	Analysis, Investment research and consulting, Information provision, benchmark, Portfolio screening, proxy-voting and sector reports
E-Capital Partners	Analysis, Investment research and consulting, Portfolio screening, company profiles and Benchmarks

Eco-Frontier Co.	Analysis, Investment research and consulting, Company profiles and Sector reports.
EIRIS	Analysis, Investment research and consulting, information provision, alert-services, portfolio screening, profiles, sector and thematic research reports
Forum Ethibel	Analysis, Information provision, Stock indexes, Benchmark, Ethibel Quality Label for SRI products.
Ethical Screening	Analysis, Investment research and consulting, Information provision, Portfolio screening
Ethifinance	Analysis, Investment research and consulting, Information provision, benchmark, Portfolio screening, thematic and sector reports
Fundacion Ecologia Y Dessarrollo	Analysis, Investment research and consulting, Information provision
GES Investment	Analysis, Information provision, Stock Indexes, Portfolio Screening, Company profiles, proxy voting services, Sector and thematic research reports
Innovest	Analysis, Investment research and consulting, Information provision, alert services, Portfolio Screening, stocks indexes, Benchmarks, Portfolio screening, Company profiles, Proxy voting, Sector and thematic reports
IMUG	Analysis, Investment research and consulting, Information provision, Alert system, Stock indexes, Portfolio Screening, Benchmarks, Company profiles, Sector and thematic reports
INrate	Analysis, information provision, sector and thematic reports
Janzti Research Inc.	Analysis, Investment research and consulting, Stock Indexes, Portfolio Screening, Benchmarks, Company profiles, Proxy voting and Sector and thematic reports
KLD Research	Analysis, Investment research and consulting, Portfolio Screening, Benchmarks, Company profiles and Sector and thematic reports
Oekom research	Analysis, Investment research and consulting, Portfolio Screening, Company profiles, and Sector and thematic reports
SAM Group	Analysis, Stock Indexes, Company profiles, and Sector and thematic reports
Scoris GMBH	Analysis, Investment research and consulting, Portfolio Screening, Company profiles, and Online database
SiRi Company	Analysis, Investment research and consulting, Information provision, Portfolio Screening, Benchmarks, Company profiles, and Sector and thematic reports
SIRIS	Analysis, Investment research and consulting, Information Provision, Portfolio Screening, Company profiles, benchmarks, Proxy voting and Sector and thematic reports
The Good Bankers	Analysis, Investment research and consulting, Portfolio Screening, Company profiles, Benchmarks and Sector and thematic reports
Trucost	Analysis, investment research and consulting, information provision, stock indexes, benchmarks, portfolio screening, Company Profiles, sector and thematic research reports
Vigeo	Analysis, information provision, Alert-services, Stock indexes, Portfolio Screening, Company profiles and Benchmarks, online database, sector and thematic research reports.

5. Socially responsible stock market indexes

Some sustainability analysis organisations have become associated with providers of stock market indexes in order to create stock market indexes that integrate sustainability criteria in decisions on the selection of companies.
In 2007, 12 families of stock market indexes were selecting companies on the basis of sustainability analysis.

The selection of companies may result from exclusionary practices (thus avoiding some sectors), or from selection practices based on an analysis of social, environmental and corporate governance performance.

a. In the United States of America

In North America, three research and social and environmental rating organisations cooperate in the production of stock market indexes: KLD, Calvert and JRA.

KLD participates in the selection of companies for the following stock market indexes:

- The Domini 400 SocialSM Index, launched in 1990, is a benchmark measuring the impact of sustainability selection on financial performance. This index, the first in the family of responsible stock market indexes in the United States, is composed of 400 stocks in major companies selected from the S&P 500 on the basis of social and environmental criteria.
- The KLD Catholic Values 400SM Index, launched in 1998, is selected from KLD'S DS 400;
- The KLD Broad Market SocialSM Index, launched in 2001, is selected from the Russell 1000® Index;
- The KLD Large Cap SocialSM Index, also launched in 2001, is selected from the Russell 1000® Index;
- The KLD NASDAQ Social Index, launched in 2002, is selected from the NASDAQ Composite Index. It was the first "socially responsible" stock market index made up of Nasdaq technological stocks.
- The KLD Select SocialSM Index, launched in 2004, is the first American index maximizing sustainability factors.

The Calvert Social Index, launched by Calvert in 2000, is composed of more than 600 companies, chosen from the NYSE and Nasdaq-Amex big caps.

A Canadian index, the Jantzi Social Index, launched in 2000 by JRA (Jantzi Research Associates), gathers 60 Canadian companies chosen from the S&P 500 and the Toronto Stock Exchange 60 Index.

b. In Europe

In Europe, many "socially responsible" stock market indexes have developed through collaboration with sustainability analysis organisations: Vigeo, SAM, Eiris, IMUG, SNS AM, Ethibel, etc...

The ASPI Eurozone index, launched in June 2001 and managed by Vigeo, covers 120 companies selected from the 300 stocks in the Dow Jones Euro STOXX.

Since July 2001, the British FTSE4Good index, managed by the Eiris agency, brings together a series of indexes including four benchmark indices and four negotiable indices covering Europe, Great Britain, the United States and the World (FTSE4Good Europe Benchmark, FTSE4Good UK benchmark, FTSE4Good US benchmark, FTSE4Good Global benchmark, FTSE4Good Europe 50, FTSE4Good UK 50, FTSE4Good US 100, FTSE4Good Global 100).

The Dow Jones Sustainable Index World (DJSI World), the first global index composed on the basis of sustainability criteria, was launched in 1999 by SAM, a Swiss rating agency, in partnership with Dow Jones & Company.

In 2001, SAM widened its analysis universe to Europe, creating a European index in partnership with STOXX Limited, the Dow Jones Sustainability Index Stoxx, which identifies stocks from the Dow Jones Stoxx 600 Index. The DJSI Euro Stoxx only includes the Euro stocks in the DJSI Stoxx. Each Dow Jones Sustainable Index breaks down into several categories on the basis of exclusionary criteria (Dow Jones STOXX Sustainability ex alcohol, gambling, Tobacco ; Dow Jones Euro STOXX ex alcohol, gambling, Tobacco).

The Ethibel Sustainability Index, created in 2002 by the Belgian agency, Ethibel, in collaboration with the American index provider, Standard & Poor's, is made up of a global index, the ESI Global, and three regional indexes: ESI America, ESI Europe and ESI Asia Pacific.

The German NaturAktienIndex, created in 1997 in cooperation with IMUG, is made up of companies selected from the MSCI World investment universe on the basis of their environmental performance.

The Italian management company E-Capital Partners has been developing a range of socially responsible stock market indexes since 2001 based on stocks and bonds markets.

In October 2004, the Swedish organisation, Ges-Investment Services, in cooperation with New Agency Direkt, developed a range of socially responsible stock market indexes specialized in Nordic countries: SIX/GES Ethical Index.

Focus: A socially responsible stock market index for small capitalizations

The *Kempen SNS Smaller Europe SRI Index*, launched on 1 October 2003, is the first SRI index representing the performance of socially responsible small caps in Europe.
Managed by the management company, *Kempen Capital Management*, this index is based on sustainability criteria analysed by *SNS Asset Management*. The aim of KCN and SNS is to incite small companies to become interested in sustainable development issues.
www.kempen.com

c. In the rest of the World

In **Japan**, a responsible stock market index was created on 1 July 2003 (*Morningstar-Socially Responsible Investment Index*), by the American financial rating agency, *Morningstar*, composed of 150 Japanese listed companies, selected according to their sense of equity, morality and their social and environmental commitments.

In **Australia**, two socially responsible stock market indexes were created in 1996 and 1999, the main characteristic of which is the preponderance of environmental selection criteria: *Sustainability Dividend Index* and *Westpac-Monash Eco Index*.

Finally, among the most recent arrivals, the *Johannesburg Stock Exchange SRI Index*, created in May 2004, is composed of South-African companies with economic, social and environmental performance satisfying all the criteria established by *Sustainability Research & Intelligence*.

Synthetic Table of the families of socially responsible stock exchange indexes established through the sustainability analysis organisations profiled in the Guide

	Index name	Sustainability analysis organisation	Financial organisation
Belgium	Ethibel Sus-tainability Indexes (ESI) June 2002	Forum Ethibel	Standard & Poor's
Canada	Jantzi Social Index Canada January 2000	JRA	Dow Jones Indexes
France	ASPI Eurozone Index Europe June 2001	VIGEO	STOXX Ltd
Germany	NaturAktienIndex April 1997	IMUG	SECURVITA
Italy	E-capital Partners Ethical Indexes (ECPI) 2000	E-capital Partners	
Sweden	SIX/GES Ethical Index October 2004	GES investment	News Agency Direkt
United Kingdom	FTSE4Good Indexes June 2004	EIRiS	FTSE group
Switzerland	Dow Jones Sustainability Indexes September 1999	SAM Research	Dow Jones Indexes - STOXX Ltd
United States	Calvert Social Index USA April 2000	Calvert	Calvert
United States **Suisse**	KLD Domini 400 USA May 1990 Dow Jones Sustainability Indexes (DJSI) Septembre 1999	KLD Research SAM Research	Domini Dow Jones Indexes - STOXX Ltd
Japon	Morningstar SRI Index Août 2003	Center for public resource development	Morningstar
Brasil	Business Sustainability Index (ISE) Décembre 2005	Center for Sustainability Studies at the Getúlio Vargas Foundation (FGV-EAESP)	Bovespa

Some index families are made up of a range of indexes, specialized by universe, stock class or specific sustainability criteria.

For example, Ethibel has developed a range of four indexes for differing universes: ESI Global, ESI Americas, ESI Europe and ESI Asia Pacific.

Eiris contributes to the establishment of ten indexes specializing in a range of World regions.

KLD Research provides sustainability research for the establishment of six indexes specializing in large caps, small caps, companies in the technological sector, etc.

Each sustainability analysis organisation profile contains details of all the indexes to which it contributes.

Focus: SRI stock market indexes and corporate communication

Affiliation to a socially responsible stock market index is a sign of the social and environmental performance of a firm in comparison to competitors and many firms publish the information in their annual reports.

In a survey carried out by ORSE of the 2006 annual reports of CAC 40 companies and French companies that are members of CSR Europe, 80% of the firms mentioned extra-financial rating agencies and/or stock market indexes of sustainable development.

Axa (SD report, p80)

"The social, corporate and environmental performance as well as the governance of the AXA Group are evaluated by various players, including investors and rating agencies specialized in the market of socially responsible investment (SRI). The Group is considered above average in its sector and is listed in two international ethical indexes."

When information concerning extra-financial rating agencies is evaluated, the number of pages devoted to the subject varies:

- 33% of firms devoted a page or more,
- 46.6% less than a page
- and 20% nothing at all.

Renault (Annual report, p69)

"Their efforts have allowed the Group to be particularly well noted by agencies specialized in SRI."

L'Oreal (Annual report, p49)

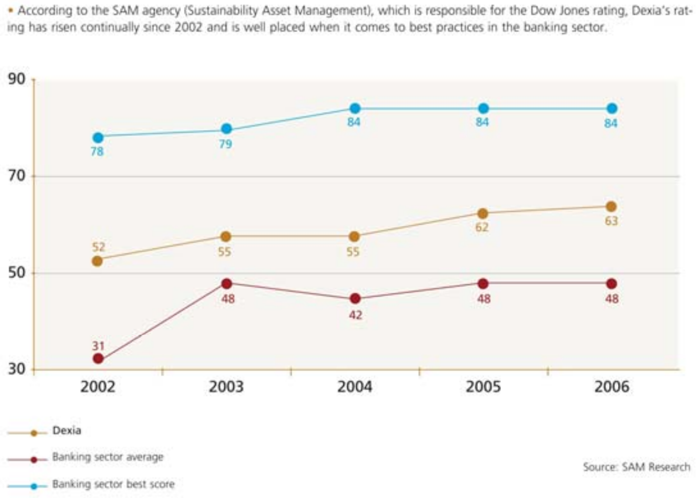
"L'Oreal has earned a place in most of the international stock market indexes for sustainable development thanks to the sum total of its efforts."

In order to clarify and understand agency ratings, some firms cite their position in relation to their sector of activity.

This is done:

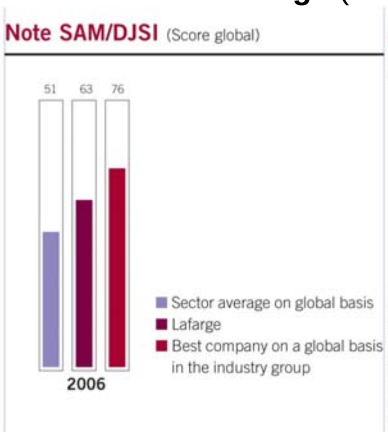
- by either situating the firm in the overall standings of the sector (31%),

Dexia (SD report, p10)



- or by clearly indicating their position in relation to their direct competitors (20%).

Lafarge (SD report, p59)



Benchmarking our performance
Presence in main sustainability stock indices

Index / Rating Agency	FTSE4Good World / EIRIS	FTSE4Good Europe / EIRIS	DJSI World / SAM	DJSI STOXX / SAM	ESI / ETHIBEL	ASPI / Vigeo
Lafarge	•	•		•	•	•
Cemex						
CRH	•	•	•	•	•	•
Heidelberg	•	•				
Holcim	•	•	•	•	•	
Hanson-BPB						
Saint-Gobain	•	•				•

Some firms offer a breakdown of their rating:
in the various sectors of their activities (31%)

PSA Peugeot Citroën (Website)
Declaration Rating of Vigeo

Criteria (min -- / max ++)		Rating 2006/04	Score 2006/04
Human Resources		+	71
Environment		+	66
Customers & Suppliers		+	56
Corporate Governance		=	38
Community Involvement		+	49
Human Rights		++	83

Score scaling : 0 to 100

- in the rating over time (33.3%).

<u>Carrefour</u> (SD report, p58)

SRI Indices			2002	2003	2004	2005	2006
Aspi Eurozone	Vigeo - France		yes	yes	yes	yes	yes
DJSI Stoxx Europe	Dow Jones - USA		no	yes	yes	yes	yes
DJSI World	Dow Jones - USA		yes	yes	yes	yes	yes
ECP Ethical Index Euro	E. Capital Partners - Italy		yes	yes	yes	yes	yes
ECP Ethical Index Global	E. Capital Partners - Italy		yes	yes	yes	yes	yes
Ethibel Excellence Europe	Ethibel - Belgium		no	no	no	yes	yes
Ethibel Excellence Global	Ethibel - Belgium		no	no	no	yes	yes
FTSE4 Good Europe	FTSE - GB		no	no	yes	yes	yes
FTSE4 Good Global	FTSE - GB		no	no	yes	yes	yes
Main SRI Funds	**Value***	**Investment****	**2002**	**2003**	**2004**	**2005**	**2006**
Banque Sarasin & Cie SA	€3.2 billion	€5.35 million	no	yes	eligible	yes	yes
Dexia AM	€14.1 billion	€9.86 million	no	no	no	yes	yes
F&C AM	€3.205 billion	0	no	no	no	no	eligible***
Ixis AM	€0.508 billion	€5.1 million	yes	yes	yes	yes	yes
Storebrand Investments	€26.34 billion	€5.18 million	no	yes	yes	yes	yes

* Total value of SRI funds as of 31 December 2006. ** Total value of Carrefour shares held in the SRI fund as of 31 December 2006. *** Eligible for the "Global Balanced Socially Responsible Investment" fund of F&C AM.

It should be recalled that each stock market index is established on the basis of the organisation's own analysis and rating methodology. The analysis methods for the final selection of companies are still numerous and divergent. Thus, a company selected by one organisation when establishing a stock market index may be exclude by another organisation.

In this respect, it is interesting to compare French CAC 40 companies in the main global and European sustainable development indexes.

CAC 40 listed companies and SRI stock market indexes

updated september 2007

Aspi Eurozone index is made of 118 companies, 46 of which are French. Universe of reference : DJ Eurostoxx

FTSE4Good Europe index is made of 292 companies, 41 of which are French. Universe of reference : FTSE international limited

Dow Jones Sustainability Index STOXX is made of 161 values, 16 of which are French. The universe of reference is DJ 600

Dow Jones Sustainability Index WORLD is made of 313 values, 17 of which are French. The universe of reference is DJ 600

Ethibel Sustainability Index (ESI) is made of 309 values, 21 of which are French. The universe of reference is S&P Global 1200

	ASPI Eurozone	FTSE4Good Europe	DJSI Stoxx	DJSI World	ESI Global
	Update 17/09/07	Update 18/09/07	Update 17/09/07	Update 31/08/07	update 31/07/07
Accor	yes	yes	yes	yes	yes
Air France - KLM	yes	yes	yes	yes	
Air Liquide					yes
Alcatel Lucent	oui		yes	yes	yes
Alstom					
Arcelor Mittal		yes			
Axa	yes	yes	yes	yes	
BNP Paribas	yes	yes	yes	yes	
Bouygues					
Cap Gemini	yes	yes			
Carrefour	yes	yes	yes	yes	yes
Crédit Agricole	yes	yes			
Dexia*	yes	yes		yes	yes
EADS*	yes				
Electricité de France	yes				yes
Essilor international	yes	yes			yes
France Telecom	yes	yes			yes
Gaz de France	yes				
Danone Group	yes		yes	yes	yes
L'Oréal	yes	yes	yes		yes
Lafarge	yes	yes	yes		yes
Lagardère	yes	yes			
LVMH	yes				
Michelin	yes		yes		yes
Pernod Ricard	yes	yes			
Peugeot S.A.	yes	yes			yes
PPR	yes	yes			
Renault	yes		yes	yes	yes
Saint Gobain	yes	yes			
Sanofi-Aventis	yes	yes			yes
Schneider Electric	yes			yes	yes
Société Générale	yes	yes	yes	yes	yes
ST Microelectronics*	yes	yes	yes	yes	yes
Suez	yes				
Total	yes	yes	yes	yes	
Unibail-Rodamco		yes			
Vallourec					
Veolia Environnement	yes	yes	yes	yes	yes
Vinci	yes				
Vivendi	yes	yes			yes

* Arcelor of Luxembourg is considered for ASPI
* Dexia is Belgian for ASPI, DJSI World, FTSE4Good and ESI
* STMicroelectonics is Dutch for ASPI and ESI, and Italian for DJSI World
* EADS is Dutch for ASPI.

E. Analysis Methods

The means of processing the information collected vary appreciably from one organisation to another, depending on the information collection methods, analysis methodology and evaluation criteria used by the organisation in its rating process.

1. Information collection

The information collection methods and sources used vary little from one organisation to another. Four main information sources are used.

- The company itself is commonly consulted through a **questionnaire** that may, in some cases, be made public on the organisation's website (SAM, EIRIS, SIRI Company). Questionnaires are a precise source of data, since the questions are directly related to the criteria and indicators used for evaluation of the company. This practice has been abandoned by some organisations, which prefer to analyze company documents before raising specific points.
- Company consultation may also involve the organisation of **meetings** with directors on the subject of social and environmental policy.
- The examination of the company's **public information** is systematic practice in many organisations. In particular, they consult compulsory reports and company publications (annual report, sustainable development report), as well as the general and specialized press and Internet.
- Company **stakeholders** (NGOs, unions, public authorities, etc), may be consulted in order to verify data from other sources. Many organisations collaborate with NGOs and unions so as to crosscheck information provided by the company.

  The level of such collaboration varies greatly from one organisation to another: some only make periodic contact, while others maintain regular, general relations with certain NGOs in order to be informed of issues or crises concerning the evaluated company. Several organisations systematically consult specialized NGOs and unions, so as to integrate their points of view in the corporate rating.

  The major difficulty for the work of sustainability analysis organisations results from the absence of any third party data verification procedures. Organisations are thus forced to multiply their sources of information in order to validate information gleaned from the company itself.

  Sustainability analysis organisations use these four sources of data in various ways: some choose a sole source, while others combine several information sources.

Other information sources are being developed. A number of international networks of organisations specialized in sustainability analysis have been established in recent years with the aim of sharing databases. The largest partner network, *SiRi Company*, is composed of ten organisations covering more than 4,000 companies[3]. *SiRi Company* offers a range of services, from sustainability rating to investment strategy advice.

[3] *Analistas Internacionales en Sostenibildad SA* (Spain), *Centre Info SA* (Switzerland), *Scoris* (Germany and Austria), *DSR* (Netherlands), *Kavema investment research & analysis* (Israel), *KLD Research & Analytics INC.* (USA), *JRA* (Canada), *Pensions & Investment Research Consultants Ltd.* (United Kingdom) et *Siris* (Australia).

The growing interest of sell-side analysts for sustainability information has accelerated the practice of communication between companies and investors concerning sustainable development issues. The organisation of "one-on-one" meetings, upstream and downstream, and "roadshows" bringing together fund managers and issuers, allow direct dialogue on social and environmental issues.

For the last two years, an Annual Forum for European Responsible Investment (*Forum Annuel de l'Investissement Responsable Européen* - FAIRE) has been held in Paris. In 2003 and 2004, the meeting brought together twenty companies to present their economic, social and environmental results to 200 analysts and investors from both management firms and sustainability analysis organisations.
The Forum has confirmed the growing professionalism of sustainability data processing and the relations between companies and analysts.

Focus : the development of data collection tools

The fact that companies receive a multitude of questionnaires has led sustainability analysis organisations and independent companies to develop common sustainability data collection tools.
A number of initiatives have been launched in recent months.

SiRi Company - SiriPro
On 26 April 2004, SiRi Company launched SiRi Pro, an Internet tool for sustainability research and rating. SiRi Pro is an on-line rating tool that can be fully adapted to the need of clients for precise, in-depth analysis. The rating tool allows clients simply and rapidly to integrate their vision and investment policy in company evaluations, or to use SiRi Company's standard criteria.
Clients can also use the tool to establish benchmarks and corporate evaluations integrating "best-in-class" analyses and exclusionary criteria.
www.siricompany.com

SRI World Group - One Report
SRI World Group has launched a new Internet tool that allows companies to report their social, environmental and economic performance to all investors who are members of OneReport, through a single website.
More than 50 multinationals (including 22 Fortune 100 companies) and sustainable development analysis organisations participated in the development of this network.
The tool aims to help companies reduce reporting costs, harmonise the reporting process and provide analysts and analysis organisations with precise, up-to-date information on their social and environmental performance.
The requests for information of around twenty research organisations (including Accountability, Vigeo, BitC, Calvert, Centre Info, Centre for Australian Ethical Research, Dutch Sustainability Research, GES Investment Services, EIRIS, Ethifinance, Fundacion Ecologia y Desarollo, INrate, Institutional Shareholder Services, KLD, Jantzi Research Associates, Oekom, Scoris, SiRi Company, The conference Board) are centralized by OneReport. The data is consolidated using the GRI Guidelines. The tool appears to have significantly reduced the number of requests for information received by companies.
OneReport also offers tools to companies allowing them to collect internal information as well as management tools.
www.one-report.com

London Stock Exchange – "Corporate Responsibility Exchange"
The London Stock Exchange has developed an on-line communication tool that makes it easier for companies to reply to investor requests concerning corporate social responsibility.
The "Corporate Responsibility Exchange" (CRE) tool allows companies to gain time by making a single report to a wide public and providing analysts, fund managers and sustainability analysis organisations with a better tool for research concerning company practice and policies in the area of corporate social responsibility.
The London Stock Exchange had agreed to provide solutions for listed companies wishing to maximize the efficiency of their financial communication. The CRE tool allows companies to reply to a single questionnaire in place of the numerous requests it receives, and provides a single web portal where investors can localize and analyze corporate data.
In order to ensure the compatibility of the questions with agency rating systems, the London Stock Exchange worked in collaboration with sustainability analysis organisations including the GRI, Eiris (FTSE4Good), BITC, NAPF (National Association of Pension Funds), ABI (Association of British Issuers) and the 2003 combined code.
www.londonstockexchange.com

2. Analysis Methods

Once sustainability analysis organisations have collected all the available information relating to the sustainability and environmental practices of a company, it must be processed in order to produce a new set of synthesized data capable of being used by investors : the rating.

a. Data analysis

Data is processed using different methods depending on the organisation.

There are currently two data processing methods:
- The majority of organisations have adopted the **scoring** method. This statistical method allows analysis of the company's situation on the basis of a set of relevant criteria, weighted according to their degree of importance, in order to produce an overall score or grade, thus situating the company on a rating scale. The client uses these overall scores to select the companies that will make up its investment portfolio, on the basis of its own approach and criteria.
- The aim of the "screening" method of selection, which may be positive or negative, is to include or exclude companies according to whether they satisfy to social and environmental criteria or not. The sectoral approach aims to select the "best" companies in each business sector on the basis of predetermined criteria.
- Other sustainability analysis organisations state the company's situation through a "sustainability scenario", or profile, which identifies the social and environmental risks and opportunities presented by the company.

At present, none of these sustainability data processing methods has achieved consensus on the market, given the great diversity in approaches and objectives, often for cultural reasons.
European organisations prefer a selection method combining the negative, positive and sectoral approaches. However, this solution is less appreciated by organisations in Anglo-Saxon countries.
Certain methods are used exclusively on one side of the Atlantic or the other, such as the purely European association of sectoral and negative approaches, or the largely Anglo-Saxon tendency to combine positive and negative approaches.

Focus : The methodology of brokerage firms

A study by UNEP-FI published in June 2004, entitled "The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing", reveals that buy-side research teams are progressively implementing more precise, elaborate analytical techniques in response to investor demand.
Goldman Sachs and WestLB have chosen to evaluate social, environmental and corporate governance performance, and establish a classification, on the basis of data collected outside the classic company financial reports.
Two other approaches have been retained by Deutsche Bank and UBS, in particular.
The first uses financial elements to compare the best and worst performances over a series of criteria as compared with an existing portfolio. This comparison allows evaluation of the financial impact of the chosen criteria on a particular sector.
The second approach consists of analysing scenarios in order to evaluate the potential impact of new regulations on companies, whenever draft legislation and regulations are sufficiently clear and defined.
CM-CIC Securities also uses scenario methodology, but only after having conducted an analysis of the company's corporate governance and economic models.

b. Criticism of rating methodology

A number of criticisms have been articulated concerning the current methodological practice of sustainability analysis organisations:
The first criticism concerns the need for standardized rating frameworks and scales in order to facilitate inter and intra-sectoral comparison compared with the current situation, where the use of several organisations makes any such comparison impossible. If ratings were standardized, the buyer of the sustainability rating could simply insert the standardized data in its investment decision-making process, in accordance with its management style.

Another criticism raised by the investor community is that ratings lack any dynamic, prospective aspects. The fundamental question here is not whether the ratings truly reflect the company's social and environmental performance and risks at a given point in time, but whether these ratings have are prospective.

Financial rating measures the "quality of default" that indicates, as a percentage, the chance that an issuer, rated originally at a certain level, will default within a defined time period. In the context of integration of the sustainability rating into financial analysis, it is still difficult to see the rating in the same prospective light as financial ratings.

Focus : Research Methodology

The Mistra & Sustainability Study highlights the best practices of organisations and makes recommendations.

Best Practices :

Best Practices / Innovative Approaches	Organisations
Linking company risk to investment value drivers	CoreRatings Innovest SAM Research
Strong sector specific approach through tailored supplement questionnaires (in addition to general questionnaire), accounting for about 40% of the total assessment valuation	SAM Research
Process of mapping sector specific key issues most likely to impact companies financially. Weightings are determined through factors such as regression analysis and financial and strategic relevance.	Innovest
Development of sector risk methodologies analysing key issues, underlying impacts and associated risks for companies in a given sector, followed by analysis of investment effects of different risks.	CoreRatings

Recommendations:

- develop methods that identify concrete issues and evaluate their potential impact on investment value drivers
- develop criteria and indicators that evaluate specific sectoral issues and their impact
- conduct regular revisions of general methodology

3. Evaluation Criteria

Data processing varies appreciably depending on the final objective of the rating produced by the organisation. Company analysis is based on a defined framework of criteria analyzing social, environmental and governance themes. The following areas are given special attention:

- human resources policy,
- client relations,
- suppliers and subcontractors,
- the environment,
- corporate governance, and
- relations with civil society.

While the majority of organisations cover all of these areas, some are specialized in the environmental (Trucost) or governance (Deminor).
The criteria differ from one organisation to another and the associated weightings vary widely depending on the agency's approach and goals.
Weighting factors are generally attributed in order to calculate a global score allowing clients to situate the company in an SRI perspective, by selecting companies either with respect to established thresholds or sector comparisons.

a. The criteria used

The majority of organisations base their evaluation of companies on the concept of sustainable development, then they integrate an evaluation of social and environmental performance.

Three levels of corporate performance are generally taken into account in the evaluation:
- the commitments and strategic vision of the board: leadership
- the policies and measures implemented: deployment
- the results: performance.

Each organisation develops its own methodology based on referentials published by international organisations such as the UN, the ILO and the OECD.
They define a set of evaluation criteria with which they associate a range of indicators of the value of the company's commitments, policies and results.

b. Weighting

Beyond the diversity of sustainability analysis organisation evaluation frameworks, the weighting given to criteria is a specific characteristic of each organisation's methodology.
The rating process is achieved through a weighting of the data for each criterion and sub-criterion according to its degree of importance for the organisation, in order to produce a global score or grade that situates the company on a rating scale. This weighting may result from choices made by the organisation in accordance with its goals, or by its clients.
Some organisations leave it to their investor clients to specify the degree of weighting for each criterion depending on their investment policy goals.

Following is the weighting defined by one organisation, SAM, in which the organisation integrates sectoral evaluation criteria.

Criterion	Sub-criterion	Weighting
Economic	Code of conduct/compliance/corruption & bribery	4.2%
	Corporate Governance	4.2%
	Customer Relationship Management	3.0%
	Investor Relations	3.6%
	Risk & Crisis Management	4.2%
	Scorecards/ Measurement Systems	4.2%
	Strategic Planning	4.2%
	Industry specific criteria	
Environment	Environmental Policy / Management	4.8%
	Environmental Performance	3.6%
	Environmental Reporting	1.8%
	Industry specific criteria	
Social	Corporate Citizenship	4.8%
	Stakeholders Engagement	3.6%
	Labour Practice Indicators	3.0%
	Human Capital Development	3.0%
	Knowledge Management	3.0%
	Social reporting	1.8%
	Talent Attraction & Retention	3.0%
	Standard for Suppliers	2.4%
	Industry specific criteria	

c. Sectoral criteria

In order to take account of differences in the social and environmental issues in different economic sectors, most organisations adopt a relative approach. That is, they only analyze companies with respect to companies competing in the same sector of activity.
Sustainability analysis thus tries to determine the company's degree of exposure to the social and environmental risks in its sector of activity, in comparison with other companies in the same sector.

In practice, sectoral specificity may be taken into account in several ways:

- The weighting chosen for an evaluation criterion may vary from one sector to another depending on the associated social or environmental risks
- The rating criteria and sub-criteria may be modified depending on the company's sector of activity

Corporate sustainability rating may be conducted on the basis of a classification specific to its sector of activity

The sectoral classification adopted is often based on that defined by the organisation's reference stock market index. For example, SAM uses the Dow Jones classification composed of 18 sectors and 60 industrial groups.
EIRIS uses the FSTE index sectoral classification. Vigeo Belgium refers to the MSCI classification: "the Global Industry Classification Standard" (GICS), composed of 10 sectors, 24 industrial groups, 62 industries and 132 sub-industries.
A variation in the sectoral classification used by an organisation will result in a different rating for companies. For some organisations, a company may figure among the best in their sector. For others, it may find itself outperformed by the companies in a wider sector classification.

4. Transparency

Once the data has been collected and finally processed, the organisation must provide the analytical results to its clients. A number of procedures have been implemented to increase the professionalism of the corporate rating process.

a. The establishment of a supervisory committee

Many organisations have established supervisory committees that are independent from their team of analysts. The establishment of such committees aims to ensure the transparency and continuity of their methodology. Generally composed of professional experts and academics, these committees validate choices for the development of methodology, the choice of criteria, the identification of new issues and the evaluation of research processes. In some organisations, they also validate the ratings attributed to companies.
Although the existence of a supervisory committee is not an absolute condition for ensuring the transparency and continuity of methodology, such committees are an important element for the transparency and governance of the organisation. Their efficiency is increased if they are formally integrated in the organisation of the rating process, including regular meetings with analysis teams.
The committee's independence with respect to the organisation's managers ensures its good governance and professionalism.

b. Publication of methodology and results

The publication of the methodology and results of the rating process is a fundamental element of the organisation's transparency with respect to its investor clients, but also the companies it evaluates. Most organisations present a partial description of their methodology, evaluation model and criteria used.
Before finalising the rating or before providing the score to investors, some organisations have established a validation procedure with the company, which is informed of the data collected, or the rating itself, in order to guarantee its reliability.

One peculiarity of the sustainability rating market is the low level of public communication of rating results. Ratings are only provided to investor clients.

The actual presentation of the results varies considerably from one organisation to another. Some present their results in the form of synthetic profiles, others in the form of scores. However, some publications are difficult to exploit due to a lack of pertinent synthetic data.

F. The end-users of sustainability analysis

Sustainability analysis is generally produced in an investment perspective, mainly for the creation of socially responsible funds or stock market indexes. Investors are thus the main end-users of sustainability analysis.

Companies also make up a more or less important share of the clientele of some organisations that offer a "solicited" sustainability rating service.

Although it is currently more limited, sustainability analysis is also used by other actors such as international organisations, NGOs, foundations and consumers.

1. Sustainability analysis for investors

Sustainability analysis organisations claim to respond to the needs of institutional investors proposing socially responsible investment funds.

A range of asset managers use sustainability analyses and ratings in managing their portfolios:

- portfolio management companies under mandate and investment companies acting for institutional investors or individuals,
- pension funds
- insurance companies.

Details of each organisation's clients are available in their profiles (part II).

Focus : The integration of sustainability analysis in financial analysis

On 24 June 2004, during the *Global Compact Leaders Summit*, organized at UN Headquarters in New York, 20 major investment companies, gathered under the aegis of the Global Compact, developed and approved a report entitled "*Who Cares Wins*", which presents recommendations on the way in which the financial industry should approach social and environmental issues.

The major problem is the integration of sustainability analysis into financial analysis. The main banks, management companies and sustainability analysis organisations made recommendations aimed at improving the introduction of social and environmental issues into financial analysis.

"- *Building on the existing awareness for ESG factors in exposed industries, financial analysts should expand their understanding and analysis of these factors to other industries.*
- *While supporting a thoughtful and creative process led by the analysts, we encourage financial institutions to explore ways to more systematically integrate ESG issues in research. We encourage analysts to prioritise ESG issues on the basis of their potential impact on financial value and on a sector-by-sector basis. In each case the time scale over which issues might become relevant should be analysed. Financial institutions should support the work of analysts with the necessary training, resources and tools.*

- *Financial analysts should improve their understanding and integration of ESG issues in emerging markets research. They should take into account that criteria and methodologies must be adapted to the specific situation in emerging countries.*
- *We invite financial institutions to expand the scope of ESG integration in research to other asset classes impacted by ESG factors, beyond equity.*
- *We encourage analysts to further advance the development of valuation methodologies to better deal with qualitative information and uncertain impacts related to ESG issues. Specific techniques such as scenario models, options pricing, etc., might prove useful in this context."*

Focus: The growing interest of brokerage firms

Since 2002, growing interest in social and environmental issues is emerging within the community of sell-side analysts (brokers), especially in Europe.
A study of *The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing* by UNEP-FI, published in June 2004, shows a lack of commitment from financial players in North America.

In 2002, in London, *HSBC Securities* was the first bank to enter this market. *Dresdner Kleiwort Wasserstein*, then *WestLB Panmure*, *Goldman Sachs*, *UBS* and *ABN AMRO* followed suit in 2003.
In Paris, *CIC-CM Securities* has included two non-financial analysts in its team of analysts.
Many observers see these developments as a major advance for the integration of non-financial data in traditional corporate financial analysis.
The UNEP-FI working group on "Asset Management" invited brokerage firms to analyse seven industrial sectors. The analysts were asked to identify specific environmental and social criteria likely to be material to corporate competitiveness and reputation in these sectors, and, to the extent possible, measure their potential impact on the stock exchange quotation of their shares. The UNEP-FI report presents 11 sectoral studies by brokerage firms.
www.unepfi.org

2. Other users

Many organisations propose sustainability rating services to national or international organisations, to companies, to NGOs and foundations, to consumers.
The goal of such "solicited rating" (a typically French expression) is to inform the company and its stakeholders concerning implementation of their social responsibility policy, including performance and progress factors.

a. National and international public organisations

Some sustainability analysis organisations that have developed expertise in the social, environmental or governance areas provide sectoral and thematic reports to national and international public organisations as subcontractors.

Example: Innovest conducts studies and develops projects for international organisations, such as studies for CERES, UNEP-FI, The American Environmental Protection Agency (EPA) and the Carbon Disclosure Project, on the impact of climate change on the energy sector.

b. Companies

Some listed and non-listed companies request sustainability analysis organisations to conduct objective evaluations compared with other companies in their sector of activity, in order to better design or develop their sustainable development strategy.
This generally involves a more thorough rating mission, since the company is associated, and thus invited to communicate all of its data relating to the social, environmental and governance areas analyzed.
Once the rating is provided by the organisation, the company can also use it in communication with the financial community, its partners and employees.
Example: In France, Vigeo and BMJRatings propose a solicited rating service to companies.
Many organisations also propose sectoral benchmarking studies that enable companies to compare themselves with the competition.
Example: Covalence, DSR, Eco-Frontier CO., EthicalScreening, IMUG, Oekom research and other organisations propose sectoral benchmarking studies to companies.

c. Foundations and NGOs

In addition to their concerns as responsible investors, some non-profit organisations such as foundations and NGOs call on the services of sustainability analysis organisations in order to choose their partners or corporate sponsors without taking the risk of becoming associated with companies using contradictory practices.
Example: EIRIS proposes partner and donor screening services to charities and NGOs.

d. Consumers

In order to aid consumer choice, some organisations produce guides aiming to inform consumers of the practices and methods used by companies in manufacturing the products they consume.
Increasing numbers of consumers wish to "vote" through their consumption choices and thus incite companies to evolve towards more social responsibility.
Even though such guides are part of a general tendency towards "civic consumption", it should be noted that they analyse the producer company, not the product itself.
Moreover, only the major companies in each consumption sector are analyzed. This type of guide enables the consumer to avoid companies using the least responsible practices rather than choose the products of the most responsible manufactures.

G. The increasing professionalism of the sustainability analysis market

Since 2001, a number of initiatives have been taken with the aim of enhancing the professionalism of the market, especially in Europe. Some public and associative bodies are endeavouring to promote the quality and transparency of sustainability analysis activities by improving dialogue between companies and sustainability analysis organisations.
Certain sustainability analysis organisations have taken on the issue of quality and transparency in their activities, by creating professional networks.

1. Quality and transparency initiatives

a. The ORSE Charter

Following publication of the Guide to sustainability analysis organisations, in partnership with ADEME and EPE, and the recommendations of its working group on "corporate sustainability rating", in October 2001, ORSE decided to continue its work with a view to improving dialogue between companies and sustainability analysis organisations.
In this perspective, it drafted a "Charter of reciprocal commitment between companies and sustainability analysis organisations", which is intended more as a declaration of good intention than a contractual document binding the two parties.

Content of the Charter of reciprocal commitment: sustainability analysis organisation – company

1. *BY THE SUSTAINABILITY ANALYSIS ORGANISATION*
   The Sustainability Analysis Organisation agrees to bear in mind the specificity of each Company, which involves taking into account its values and organisational structure, as well as the particularities of its business sector. The Organisation also agrees to appeal to the Company only on the basis of criteria that it can satisfy while respecting the legal framework of the country in which it is established.

   Presentation
   The Sustainability Analysis Organisation agrees to disclose:
   - *its funding sources;*
   - *its legal status (association, company - in that case, specify the nature of the shareholdings -, NGO, etc.) and statutory purpose;-the nature of its clients;*
   - *any agency relationships (use of third party organisations).*

   Operational methods
   Collection of Information
   The Sustainability Analysis Organisation agrees:
   - *to present its data collection methodology, especially to the stakeholders involved in the Company;*
   - *to disclose the criteria used in rating the Company;*
   - *to discuss with the Company the time periods it needs in order to provide the required documents;*
   - *to disclose its strategy for appealing to the involved stakeholders (NGOs, trade unions, etc.).*

<u>Circulation of Information</u>
The Sustainability Analysis Organisation agrees:
to specify the means of utilisation and circulation (giving details of the addressees: media, investors etc.) of the information collected from the Company;
to negotiate with the Company a time period during which it may make remarks with respect to the rating sheet established by the Organisation before providing it to the stakeholders;
to correct any factual errors pointed out to it by the Company;
to use all available means to promote the non-deformation by its clients of information it circulates.

2. *<u>BY THE COMPANY</u>*
The Company agrees to hold a dialogue, respect and facilitate the work of all Sustainability Analysis Organisations having signed the Charter.

<u>Transparency</u>
The Company agrees:
- *to give an accurate and sincere image of itself to the Sustainability Analysis Organisation;*
- *to give a true image of its rating in all communication;*
- *to justify any failure to respond (irrelevance of the required indicator given the business sector, legal prohibition to establish the required indicator, etc.);*
- *to designate a contact person to be the focal point for Sustainability Analysis Organisations.*

<u>Circulation of Information</u>
The Company agrees:
- *to provide the Sustainability Analysis Organisation with all public documents related to the subjects of the evaluation;*
- *to provide updated documents (annual report, social report, sustainable development report, etc.) of its own initiative, without waiting for the Sustainability Analysis Organisation to request them;*
- *to provide the documents required by the Sustainability Analysis Organisation within the time periods agreed between the two parties beforehand.*

<u>Consultation of Stakeholders</u>
The Company agrees:
- *to facilitate contacts with the involved stakeholders.*

Focus : The AFTE Charter (Association Française des Trésoriers d'Entreprise)
Company treasurers were the first to publish a "*Code of Standard Practices for Participants in the Credit Rating Process*" in April 2004, through their American, English and French associations. The Code is designed to recall essential rules in order to restore confidence in the rating process among issuers, agencies, investors and stock market regulatory organisations.
The three associations chose to give priority to the contractual path, through a code meant to underpin this type of relations between issuers and agencies, rather than a cumbersome regulatory process, which would inevitably be different in each country.

The key word in this code is transparency:
- in the rating process, in methodology and its modification, in the reprocessing of financial data by agencies, in the distinction between solicited and non-solicited rating…
- and for issuers, by the provision of quality information and their reactivity to agency requests.

www.afte.com

b. The standard of quality CSRR-QS 2.0

In 2003, a new European standard of quality, supported and financed by The Directorate for Employment and Social Affairs of the European Commission, was launched following a project called “Development of a Facultative Standard of Quality for Research in the Area of SRI” (2002-2003).

This represents the first standard of quality designed and established for research and analysis of corporate social responsibility and responsible social investment.

Ethibel, Eiris and Imug in a joint working committee piloted the project’s launch. 16 CSRR groups also participated in the development.

The initial version of this standard of quality was approved October 24, 2003 (CSRR-QS 1.1). The present version (CSRR-QS 2.0) was approved March 31, 2006.

The CSRR-QS 2.0 standard was designed with the aim of consolidating confidence in these Research Groups for Corporate Social Responsibility.

The Standard’s objectives are:
- improving management systems for quality,
- promoting transparency,
- facilitating procedures for control and compliance and
- constituting a base for other control and compliance procedures.

www.csrr-qs.org

The quality principles of CSRR-QS 2.0 (“The Eleven Commitments”)

All organisations conducting Corporate Sustainability and Responsibility Research (CSRR) and being signatories of the quality management standards of CSRR-QS 2.0, subscribe the following eleven commitments of the Quality Standard. In all their research, assessments or rating activities CSRR Groups commit to:

(1) Independent sources

… assess/rate companies using more than company-provided information, such as independently collected data, regulatory sources, and information from stakeholders or relevant NGO’s.

(2) Global activities

… ensure that assessments/ratings cover more than the corporate headquarters and include the relevant global impacts and operations of the quoted company

(3) Beyond compliance
… use a research methodology which allows the identification of best practices or performance 'beyond compliance' with minimum legal standards.

(4) Social and environmental
… include criteria/indicators covering both environmental and social areas.

(5) Balance
… ensure a balanced approach to corporate assessment/ratings by:
- *balancing quantitative and qualitative indicators*
- *balancing management oriented (such as policy and management systems) indicators, and performance indicators*
- *balancing reference to past and current performance, such as whether the company's performance is improving or deteriorating*
- *balancing social and environmental indicators*

(6) Relevance/Materiality
… ensure assessments/ratings capture issues material to or relevant for the sustainability and responsibility of that company, by including issues of relevance to stakeholders, and sectoral or geographical or company size considerations, or by ensuring that risks or impacts relevant to that company have been taken into account.

(7) Consistency and comparability
… ensure that the criteria and methodology are applied equally to comparable companies, and would make sense if used to compare companies globally.

(8) Stakeholder involvement
… actively include inputs and information, wherever possible, from relevant stakeholders or interested parties, in the research process or in reaching assessment conclusions.

(9) Up-to-date
… ensure assessments of companies are not significantly out-of-date, and that
new information is incorporated or new assessments conducted at reasonable intervals.

(10) Transparency
… be transparent about the methodology (the range of criteria used, the involvement of stakeholders, and the coverage) and to avoid or make transparent 'black box' approaches where it is unclear how the assessment/rating result is achieved.

(11) Continuous improvement
… by committing to be a learning organisation, involving staff development, and the monitoring and assessing of the quality and performance of research services.

The integrity principles and ethical commitments of the CSRR-QS 2.0

All organisations conducting Corporate Sustainability and Responsibility Research (CSRR) and being signatories of the quality management standards of CSRR-QS 2.0, subscribe the following integrity commitments of the Quality Standard. In all their research, assessments or rating activities CSRR Groups commit to:

(1) Independence
… be independent of outside influence which could affect these activities. (Further detailed in section 6).

(2) Professionalism
… apply transparent and credible research processes which satisfy the highest standards.

(3) Accountability
… be transparent and accountable to the same extent as they ask companies to be transparent and accountable. In all their research, assessments or rating activities all researchers and analysts of CSRR Groups (and any partners that supply research) commit to:

(4) Objectivity
… interpret the data on companies honestly and objectively.

(5) Impartiality
… not accept any inducement and not succumb to any pressure, manipulation, political influence, or pressure from interest groups to analyse and assess companies other than objectively.

(6) Equal treatment
… pre-select, analyze and assess all companies on exactly the same basis, regardless of any other relationship the CSRR group may have with a Company e.g. as a client, investor in the CSRR group, a consulting client or other

(7) Responsible relationships
… maintain honest, open and responsible contacts with companies and other stakeholders.

(8) Selective disclosure
… conform with all the relevant laws, rules and regulations of national and international financial authorities by not disseminating material and non-public and market sensitive information that they may come across in the course of their work, in order to prevent misappropriation of information.

(9) Avoidance of personal interest
… not derive any personal gain from use of the information collected during their activities. The CSRR group should explain its policies and their implementation with regard to staff and organisational financial interest (including direct share ownership) in any company they assess.

The **"Association for Independent Corporate Sustainability and Respon-sibility Research"** has been launched as a not for profit sector association, one of the objectives of the mission being "to develop, promote and maintain high professional standards, expertise and codes of conduct for the CSRR sector". One of the duties is to manage the Voluntary Quality Standard and to install the verification and certification systems. www.csrr-qs.org

2. Professional networks

In order to improve the quality and transparency of their rating processes and combine their efforts in this area, some organisations have joined to establish professional networks.

a. SiRi Company

The network with the largest number of partners, SiRi Company (Sustainable Investment Research International Company) brings together ten sustainability research and rating organisations based in Europe, North America and Australia, and covers more than 4,000 companies.

Name of the organisation	***Country covered***
Analistas Internacionales en Sostenibildad SA	Spain
Centre Info	Switzerland and France
DSR	Netherlands
Ges Investment Services	Sweden, Denmark, Finland, Norway and Poland
Kavema investment research & analysis	Israel
KLD Research & Analystics INC.	United States
Jantzi Research Inc	Canada
Pensions & Investment Research Consultants Ltd.	United Kingdom
Scoris	Germany and Austria
Siris	Australia

Because of the successful development of the SiRi Group, created in 2000, the member organisations decided in 2003 to set up a company to ensure the development of consultancy services and fundamental research.

In November 2003, the SiRi Company acquired the entirety of the SiRi Group. The SiRi Company became the main independent world provider of sustainability analysis and ratings.
The SiRi Company offers a range of services, from non-financial analysis and rating to investment strategy advice and shareholder engagement:
- sustainable development rating (SiRi Sustainability Ratings)
- exclusionary practices (SiRi Exclusionary Screens)
- Global corporate profiles (SiRi Global profiles)
- Country rating
- Sectoral studies
- Benchmarks (Local Profiles)
- SRI fund analysis
- Strategic SRI advice, etc.
- Shareholder engagement

The SiRi Company also proposes an Internet rating tool, SiRi Pro. This tool can be entirely adapted to the needs of the client and builds on detailed SiRi Company profiles containing 20 to 30 pages of analysis. Clients can use the tool for sectoral evaluation, "best of class" analysis and even exclusionary practices.
SiRi Company has developed SiRi Global Profiles, a common processing methodology for sustainability data communicated by companies.

The aim is to harmonize data collection to facilitate the geographical and sectoral comparison of companies.
The SiRi Global Profile covers the following themes:
A. General information on the company
B. Community
C. Corporate Governance
D. Clients
E. Employees
F. Environment
G. Human Rights and supply chains
H. Controversial activities

With a constant concern for quality and transparency, SiRi Company and its network of members took part in drafting of the first European sustainability research quality standard: CSRR-QS 1.0
Contact details:
SiRi Company Ltd
Philippe Spicher: Managing Director
c/o Centre Info SA
Rue de Romont 2 CH-1700 Fribourg
www.siricompany.com

b. AICSRR

The Association for Independent Corporate Sustainability and Responsibility Research was established in August 2004.

Its objective is to develop, promote and support professional standards of high quality, expertise and codes of good conduct in the area of corporate research.

One of its functions is to manage the CSRR-QS standard and develop systems for verification and certification.

The Association grouped 13 organisations for independent corporate analysis and rating in 2007.

The Association refrains from commercial activities of any nature with the exception of those furthering the accomplishment of its mission.

Name of the organisation	Country
[Avanzi SRI Research est fusionné avec Vigeo]	Italy
Centre Info S.A	Switzerland
Centre Français d'Information sur les Entreprises	France
Dutch Sustainability Research B.V	Netherlands
Ecodes, Fundación Ecología y Desarrollo	Spain
Ethical Investment Research Services Ltd. (EIRIS)	United Kingdom
Forum ETHIBEL asbl	Belgium
EthiFinance S.A.	France
GES Global Ethical Standard Investment Services International	Sweden
Imug Investment research	Germany
Oekom research	Germany
Scoris GmbH	United Kingdom
SiRi Company	Switzerland
Vigeo	France

The mission of the Association is to:

1. Defend and promote the interests of the independent CSRR sector;
2. Represent the CSRR sector – inside and outside Europe - to professional users, public authorities and the SRI community and the general public, by way of direct communication, open dialogue and transparency;
3. Develop, promote and maintain high professional standards, expertise and codes of conduct for the CSRR sector;
4. Contribute - where this is in the interest of its Members - to the attainment of the European Union's aims in the field of CSR/SRI;
5. Provide the EU and EC authorities and institutions and national governments and authorities (including those beyond Europe) with means for ascertaining the quality and integrity of CSRR products and services;
6. Strive to present co-ordinated views on appropriate policies and other issues to regulatory bodies, governments and other institutions relevant to the CSRR professional sector;
7. Secure international validation and acceptance of the qualifications of CSRR professionals;
8. Encourage the harmonization or development of concepts, definitions, norms and standards in the domain of SRI and CSRR, if and only when this serves its members and their clientele and when this improves the quality and credibility of the CSRR profession;
9. Protect the ownership of the quality standard "CSRR-QS" and its related technical instruments for accountability and verification, to (co)manage its development and to promote it to and within the SRI community;
10. Be a network and venue for exchanging ideas and expertise and for discussion between professionals;
11. Improve co-operation, consultation and collaboration among the members of the association;
12. Collect information and study any matter which concerns its members;
13. Provide services for its members (information, advice, training, …);
14. Cultivate and obtain reciprocal relations with kindred associations whether of a national or an international nature;
15. Organise all activities and other initiatives needed to achieve the objects mentioned above

The association abstains from any commercial activities, except those that may serve to satisfy the association's goals.

Contact: AI CSRR asbl - Herwig Peeters
Rue du Progrès 333/7 B-1030 Brussels, Belgium
T: +32 (0)2 2061114 E: info@csrr-qs.org

c. The other systems

The **European Corporate Governance Service (ECGS)** is a network of six independent organisations that have joined together to provide investors with analysis of corporate governance practices as well as voting advice for resolutions proposed at general meetings.
Its analysis is based on a common process, adapted to the cultural and legislative specificity of local markets and covers all the companies in the FTSE Eurotop 300 Index and the following national indices: FTSE 100, CAC 40 and DAX 40.

Nom de l'organisme	Pays	Site Internet
Proxinvest	France	www.proxinvest.fr
Corporate Governance Services Spain sl	Spain	
Deutsche Schutzvereinigung für Wertpapierbesitz (DSW)	Germany	www.dsw-info.de
Dutch Sustainability Research	Netherland	www.dsresearch.nl
Pensions & Investment Research Consultants Ltd (PIRC)	United Kingdom & Irland	www.pirc.co.uk
Sustainable Governance	Suisse	www.sustainable-governance.ch

ECGS proposes national and international benchmarks that expand best practices in each European market.
Companies are evaluated in terms of conformity to local legislation and practices, but also against the international principles adopted by the OECD and the International Corporate Governance Network.

ECGS also publishes reports well before company general assemblies that contain:
- the detailed agenda of the general meeting,
- an exhaustive analysis of all proposals, as well as voting recommendations,
- a presentation of the rules concerning voting rights, including any special provisions,
- a list of Board members and governance structures,
- an analysis of compliance with local rules on good conduct,
- an analysis of compliance with OECD and ICGN principles,
- details of corporate management remuneration.

Finally, ECGS offers detailed studies of corporate governance best practices for each national market, enabling investors to develop appropriate voting strategies.
These reports provide information on shareholder rights, voting procedures, regulatory structures, share ownership, best governance practices and investor activity.
www.ecgs.net

H. New fields of sustainability analysis

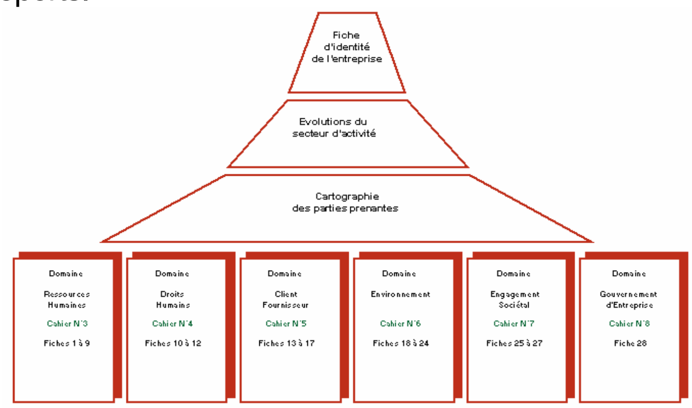
1. Small and Medium-sized Enterprises (SME)

Investors have been able to invest in large-cap SRI or sustainable development funds for years, but it has been more difficult to find SRI development capital funds. Their emerging interest for sustainability analysis of small and medium enterprises is growing.
In recent years, a large number of networks of SMEs around the world have developed and tested sustainable responsibility evaluation tools to aid SME integration of social and environmental issues related to their economic activities, such as the SME Key (European Business Campaign on Social Corporate Responsibility) in Europe, or the global performance model (CJD) in France, etc.
As regards sustainability rating, certain sustainability analysis organisations have responded to this new demand from investors and SMEs by adapting their sustainability rating methodological processes to SMEs.
Although most of the risks and constraints encountered by SMEs are identical to those for larger companies, SMEs are often incorporated in the sub-contracting or supply chains of major companies, and are thus subject to direct pressure from their client in an unbalanced bargaining position.
In response to the need of asset managers, venture capitalists and bankers for evaluation and rating of SME CSR performance, some organisations offer a dedicated service, appropriate for SME sustainability rating.

Focus : The self-diagnosis tool for SMEs - Vigeo

In response to the need of asset managers, venture capitalists and bankers for evaluation and rating of SME CSR performance, VIGEO has established a dedicated package for "leaders".
Specifically, this self-diagnosis tool has two functions:
- raise the awareness of business leaders through a review of sustainability risks and issues, and
- restructure sustainability data with a view to assessment-rating.

Clearly, declaratory rating is not possible, because SMEs produce few or no sustainability reports.



The architecture of the of Vigeo self-diagnosis tool (source: Vigeo)

The rating process involves four stages
- installation of the self-diagnosis tool and completion by the company
- exploitation of the data by Vigeo
- complementary investigation: on-site, documentary and with stakeholders
- rating on the basis of all data

www.vigeo.fr

Focus – the Midcaps methodology of EthiFinance

Since 2005 EthiFinance has rated "mid-range securities" (€100 million to €1 billion of capitalisation) by means of a specially designed system of reference and analysis. Using an aborescence of 4 themes, 30 criteria and 100 questions, EthiFinance builds a reference system for each firm, which then allows it to evaluate firms susceptible of being included in its SR midcaps portfolio.

The Midcaps methodology is the same as that used for large firms, with the exception that the evaluation criteria are adapted to the size and sector of mid-range securities.

- Company governance: appraises the way a firm insures the integrity of its management methods and managers, allocates authority and treats shareholders.
  - make-up and functioning of the Board,
  - risk management and ethics,
  - relations with shareholders.
- Responsibility towards employees: concerns assessment of social policies and the level of harmonisation throughout the corporation.
  - System of remuneration,
  - Training and management of talent,
  - Hygiene, health, safety and working conditions.
- Responsibility towards other involved parties: takes into account the impact of the firm on local entities.
  - - Supplier relations
  - - Client relations
  - - Relations with society as a whole.
- Environmental responsibility: concerns the impact of the firm on the surrounding environment, whether living or not, such as ecosystems in land, air and water. This should be put into perspective with the impact of the firm on the environment globally.
  - Policy and strategy,
  - Management system,
  - Resources and consumption,
  - Emissions, effluents and waste.

One of the features of this methodology is that it is totally declaratory. Indeed, information is gathered through contact with the firm (visits to sites, interviews with employees, clients and suppliers, etc.).

EthiFinance is a made-to-measure rating agency. The service was born because of a growing and expanding demand for Midcaps style funds. EthiFinance offers three types of ratings:
- Sector-based ratings,
- Theme-based ratings
- Mixed ratings.

EthiFinance – www.ethifinance.com

2. Local authorities

Financial rating began at the beginning of the last century with the rating of American local authorities, mainly to facilitate their bond issues.
In France, however, local authorities rarely issue bonds, mainly due to strong competition from banks offering loans at lower cost than bond issues.

Elsewhere in Europe, countries like Italy, Spain, Germany[4] and Switzerland, have a broader tradition of financing their local authorities through intermediaries than in France.

Thus, although financial rating is still rarely used by French local authorities in the context of bond issues, it is starting to be recognised as a relevant indicator of the quality of an authority's management.
In this perspective, environmental and/or sustainability rating could provide an opportunity for local authorities to obtain public and financial valorisation of their increasingly active policies concerning the environment and sustainable development.

Clearly this tool, implemented by teams of specialized analysts in rating agencies, appears adapted to evaluation of the increasing sustainability commitments of authorities with respect to their investors[5], local partners and civil society in general.

In order to clarify the issues and perspectives in this market, ADEME conducted a study in 2004, through Innovest, aimed at assessing the feasibility of introducing a rating of the performance of local authorities' environmental policies.

Since 2004, Urbivalor a subsidiary of BMJRatings, proposes a social and environmental rating tool for local authorities.

Financial rating and reporting of local authorities

The use of traditional financial rating only becomes truly useful for a local authority if it plans to raise a public loan and/or issue bonds.
In such cases, the ratings provided by specialized financial rating agencies (Standard and Poors, Moody's...) provide a strong indication of the price the authority will have to pay to receive its loan.
The higher the rating, *i.e.* the better the estimate of the quality of the local authority's financial management, the lower the interest rate paid to subscribers to the loan.
In this context, a rating established by an independent agency, the classification scale and methodology of which are coherent (both temporally and spatially) and known in advance, is increasingly used as a vector for the transparency, independence and objectivity of information.

Rating agencies evaluate the financial health and solvency of authorities according to five generally admitted criteria (political structure and administrative organization) :

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[4] Thus, if one compares the volume of bonds issued on public markets between 1996 and 2000, there were only $1.392 billion in France, as against $43.121 billion in Germany. In all European countries, it is clear that authorities that make issues are almost always rated.
[5] Certain SRI funds might even include some "local authority bonds" in their portfolios.

- local economic potential (demography, economic infrastructure, GDP/inhabitant...);
- degree of control over budgetary expenses;
- fiscal leeway,
- composition and evolution of receipts; and
- debts, assets and areas of intervention of the authority.

Publication of the score, in theory at the discretion of the rated authority, generally responds to the technical needs of the financial department and, in some cases, to political will.
A study of the risk factors actually taken into account in current financial rating brings out the need to widen the zone of analysis for authorities through an approach concentrating on the environmental risks taken by authorities, or likely to have an impact on their budgetary management.
Indeed, in accounting terms, the environment (urban services, water and sewerage, collection and processing of household garbage, urban cleaning, parklands, reducing noise and land pollution...) is and will increasingly be a potential source of major debt for authorities.

Finally, this approach builds on systems that have already been applied successfully in companies[6]:. The environment is a source of risks and opportunities that is not sufficiently taken into account when setting the budgetary policy of local authorities. The above mentioned study proposes a prototype for environmental rating in order to integrate this issue.

a. The intrinsic interest of environmental rating

The need for dedicated, effective environmental rating goes beyond the simple preoccupations of accounting and institutional communication.

The need for environmental or sustainability rating is also supported by a number of other strong tendencies :

Developments in the environmental accountancy practice of authorities
Environmental rating practices, and non-financial rating in general, are still at an embryonic stage for local authorities throughout the World. The environmental indicator systems themselves have not often gotten past the pilot development phase.
However, their existence and probable future generalization mean that, in a few years, a certain amount of environmental information will be accessible at the local level.
Environmental rating systems that, like financial rating, use the most precise field data possible, will further improve their performance with the development of such indicators.
Thus, projects such as FEAT (For an Environmental Accounting Tool), established in France by the association of Eco mayors, will allow rating agencies to refine their methodology and future environmental and sustainability rating.

Environmental rating as an instrument for measuring the attractiveness of a particular area

[6] Ecovalue 21 by Innovest.

A good environmental and sustainable rating provides potential investors with a positive appreciation of a specific administrative area (attractiveness) that can make the difference in important decisions concerning implantation in the area receiving a high score.
Similarly, a positive rating assures potential investors of solid, quantifiable general conditions for their commercial activities: this is also an essential argument when deciding on implantation.

It is also an effective means of distinguishing projects, for example, within the framework of European competition between authorities[7].
An internationally standardized environmental and sustainable rating would facilitate international comparisons, either:

- to attract companies seeking to implant; or
- to convince the State to implement a particular project on the territory of the authority.

A region gaining a high score would be able to communicate on its good environmental and sustainable management of the area. It would thus have a better chance of being chosen.

b. New reasons for the development of environmental and sustainability rating

Beyond the abovementioned reasons for the development of rating, there are new reasons that support estimates concerning the use of this instrument:

- *Decentralization*
  Decentralization, which increases the powers of authorities and extension of the Euro zone to the market for local financing, may soon lead to increased recourse to financial markets and, thus, increased use of financial and environmental rating to measure risks.

- *The development of public-private partnerships*
  The requirements for information to be provided concerning the off-balance sheet commitments of authorities are not very strong at present.
  This could change rapidly with the development of mixed structures such as public-private partnerships.

  These operations will imply an increased sharing of risks between investors, resulting in an increased need for evaluation of risks, including the environmental risks of some activities.

- *The environmental expenses of local authorities and groups of authorities will continue to grow strongly in territorial budgets*
  Mention must also be made of the growing financial contribution of local authorities to the protection of nature and the environment. In 2002, the environmental protection expenses of local authorities were estimated at 16.45 billion euro, 6% higher than in 2001.

[7] There was a particularly clear example in the competition between a group of major cities throughout the World to obtain the Olympic Games for 2012. In this context, according to Standard & Poor's, the cost of the 2012 Olympic Games would have had little effect on the budgetary solidity and financial credit of Paris or London, but Moscow and Madrid would be in a less comfortable position... (Study by Standard & Poors on the impact of 2012 Games on the financial performance of candidate cities).

- *The development of environmental and sustainable information for the general public*
  This development will also be strengthened by the continuing work by authorities to bring legislation governing access to environmental information into conformity, through the application of recent European texts, as well as adoption of the measures needed for implementation of the Aarhus Convention and the general legal requirement to improve public information on the right to access to environmental information.

- *The development of procedures for the evaluation of public policy*
  The development of environmental rating of the management practices of local authorities simply accompanies the general tendency towards increased evaluation of local authority policy.
  Such evaluation raises a pressing need for policy definition and implementation indicators, especially in the area of the environment and sustainable development.

- *The progressive adoption of higher territorial governance standards*
  The increasing requirements for transparency in the management of authorities, and their desire to become both more effective and more professional, will lead them to make increasing use of high performance rating instruments.
  The environmental action framework, and more generally the field of measuring the impact of authority management on sustainable development, is particularly well adapted to spread of this practice.

Focus : The rating methodology developed by Innovest[8]

The final objective of the study we conducted for ADEME was to show that it is possible:

to compile and/or to develop indicators and, by subjecting them to fine-tuned analytical and statistical processing, including contextualisation of the measured environmental performance, precise evaluation of the impact of authority management on the environment and the environmental situation as regards the potential attractiveness of the territory...

to produce an objective, synthetic rating of the quality of authority management at the environmental level.

In other words, develop an environmental rating methodology for French local authorities.

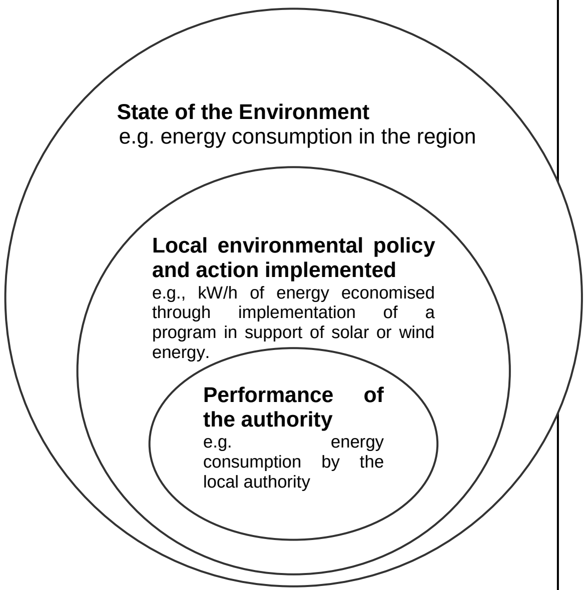
This methodology is based on :

a. a 3 level approach to environmental management by local authorities, inspired by the work of the Global Reporting Initiative (GRI)[9],
   Example of energy consumption in a region :

An operational level concerning the authority itself

A political level describing the effects of the measures adopted by the authority

A third level inserts the above information in its territorial statistical context



This means of appreciating the different perimeters of responsibility for authorities provides a very good structure for the rating methodology we have developed.

It involves subjecting environmental data to all 3 levels within the relevant area.

The Innovest rating methodology integrates this triple level of appreciation in order to accurately evaluate all important environmental dimensions for a given area.

b. a "triptych" matrix integrating statistical information over three dimensions that characterize and synthesize an authority's environmental situation:
   - environmental management capacity,
   - environmental risks,
   - the attractiveness of environmental quality.

   The current failings of the statistical system and the need for more qualitative information have been compensated for by the development of indicators that take care to ally rigor in the selection of statistical sources and a pragmatic approach.

c. final processing following a "best in class" approach
   Several sustainability analysis organisations have entered this new market for the sustainability rating of countries and local authorities and offer investors sustainability specific analysis and rating products: SiRi Company, oekom research, etc...

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8 Our definition of Environmental Rating: environmental rating is an independent, external opinion on the capacity of a local authority and its administration to integrate environmental risks and issues in its strategy, development plan and budgetary management.

9 GRI - Draft Sector Supplement for Public Agencies - 12 August 2004

3. Countries

Today, a rising number of investment companies offer sustainability responsible bonds and funds. According to Novethic, those funds represent 30% of the total number of SRI funds available at the end 2006. Bonds SRI funds under management represent, at the end 2006, 3.6 billions to 720 millions at the end 2003.

To comply with the needs of their investing customers, some sustainability analysis organisations have developed specific criteria for country evaluation.

For example, German Oekom research group has made up a methodology based on 150 indicators specially designed for the sustainability analysis of countries. Oekom research encompassed up to 45 countries among which the 30 member states of OECD and Russia.

A supplement to this guide is entirely dedicated to Country rating by the Sustainability Analysis Organisations.

Focus : The "Freedoms and Solidarity" mutual fund [*SICAV "Libertés et Solidarité"*] - rating States on human rights

La Banque Postale and IXIS Investor Services propose a "Freedoms and Solidarity" mutual fund since 2001.

The portfolio is mainly invested in bonds issued by countries with an active policy for the promotion of human rights, and shares in French and foreign companies selected according to ethical and financial criteria based on human rights.
The choice of investments takes account of ethical considerations dictated by the FIDH (International Federation on Human Rights). This mutual fund aims to share half of the distributable income during the financial year between investors and the FIDH, in the form of donations. Only investors holding units at the time of transfer share the revenue with the FIDH, regardless of the date of subscription.

The fund uses Vigeo for its share holdings. For bonds, the FIDH has developed a framework of evaluation criteria for the policy of countries in favor of human rights.
Within the State, they assess:
- the number of condemnations by the ECHR and/or recommendations by the Committee of Ministers of the Counsel of Europe under the European social Charter, and reactions by the State in question,
- the ranking on the Transparency International corruption index,
- positions adopted by UN bodies, the ILO and UN treaty-based supervision bodies,

At the international level, they assess:
- the % of GDP devoted to development aid,
- the positions adopted by the State within international bodies with competency for human rights.

4. Environmental "carbon" rating

The issue of reducing Greenhouse Gas emissions involves an increasing economic and environmental risk for major companies.
Since 1 January 2005, a little over 12,000 European industrial installations are subject to quotas, including 1,400 in France. The perimeter of this market should increase in 2008/2012, the first observation period for the Kyoto protocol, which came into force on 16 February 2005, after ratification by Russia.
Several markets for permits to emit greenhouse gases are being set up in the United States, despite the fact that it left the Kyoto multilateral agreement in 2001.
Currently, the issue of reducing greenhouse gas emissions is the most easily quantifiable and financially material environmental risk. Evaluation of reductions in CO_2 emissions is a common ground for evaluation by financial analysts and SRI analysts.
An obligation to reduce carbon emissions, a strategic element for sustainable corporate economic activity, is clearly an important factor of financial risk for companies:

- impacts on earnings and results,
- impacts on the investment return on some projects,
- impacts on production costs affected by rising energy costs,
- impact on corporate image due to boycotting or protest action against weak commitment by the company in this area (lobbying by the Climate Coalition 1997), etc.

Finally, to the extent that credit ratings may be affected by the greenhouse effect, there may be a direct impact on capital costs.

Currently, many sustainability analysis organisations integrate this new issue in their environmental analysis.
Some organisations have developed an offer specific to this issue in reply to the needs of a wider investor clientele:
SAM has published two sectoral studies on the climate change issue "*Changing Drivers - The Impact of Climate Change on Competitiveness and Value Creation in the Automotive Industry*" in November 2003; and "*Changing Climate in the Energy Sector* " in June 2002.
In September 2004, **KLD** Research & Analystics developed new software to identify risks and opportunities relating to climate change within the 24 major investment funds.

IIGCC (Institutional Investors Group on Climate Change) is a forum allowing pension funds and other institutional investors to cooperate on the problematics involving climate change. IIGCC is trying to promote better understanding of the implications of climate change between its members and institutional investors, and to encourage companies and markets, where IIGCC members invest, to furnish their associates information concerning material risks and carbon emissions.

INCR (Investor Network on Climate Risk) is a network for institutional investors and financial institutions promoting a better understanding of the financial risks and investment opportunities involved in climate change.

In general, four elements are assessed in sustainability ratings:
Firstly, the monitoring of direct, indirect and avoided emissions is assessed, *i.e.* the means used to manage reductions;
Secondly, actual performance as compared with reduction commitments is evaluated;
Thirdly, medium-term corporate vision is assessed: in particular, the optimisation of activities and investment planning;
Finally, a number of issues are raised relating to long-term strategy (new products, new technologies) in order to complete the preceding elements and ensure a full assessment of corporate "carbon" performance.

Focus 1 – Trucost's *Carbon Footprint* initiative.

Trucost has published a classification of British investment funds based on greenhouse gas emissions since 2006. The initiative, *The Carbon Footprint Ranking of UK Investment Funds,* allows a comparison of investments based on environmental factors and emphasises a fund's exposure to rising costs linked to greenhouse gas emissions.

The 2006 and 2007 reports provide a classification of 185 British investment funds according to the intensity of carbon emissions and determine the best performing fund and the worst performing in terms of carbon emissions. The analyses take into account four considerations: SRI, development, revenues and trackers.

The Carbon Footprint Ranking of UK Investment Funds supplies information to fund managers seeking to control and measure the carbon emission risks involved in their portfolios.

Focus 2 – Innovest and the Carbon Disclosure Project (CDP)

Innovest has been chosen to present the conclusions of the *Carbon Disclosure Project*.
Developed by *Carbon Trust*, a British governmental organisation, the *Carbon Disclosure Project* was designed to alert companies and financial markets to carbon related issues.

Every year since 2002, the project has assembled an ever increasing number of investors, representing an equally increasing proportion of liabilities. The initial project consisted in sending a questionnaire to the 500 biggest corporations (FT 500) concerning:
- their awareness of carbon issues,
- an evaluation of their exposure to these constraints,
- procedures implemented to reduce their emissions,
- their awareness of the financial impact of carbon constraints, etc.

Every year, the questionnaire has been modified to take into consideration the level of development and sophistication of the project as well as investor requests. In 2007, the CDP5 questionnaire for FT500 companies focused on:
- the risks of climate change,
- opportunities and strategies,
- quantifying greenhouse gas emissions,
- management of greenhouse gas emissions,
- governance of climatic change.

Table of project participation

Project name	Date	Number of investors	Liabilities*	Rate of response
CDP1	May 2002	35	4 000	47%
CDP2	November 2003	95	10 000	59%
CDP3	February 2005	143	20 000	71%
CDP4	February 2006	225	31 500	72%
CDP5	February 2007	315	41 000	77%

***** in billions of Dollars

The Carbon Disclosure Project, in partnership with AXA and ADEME and subsequently BNP in 2007, has increased efforts to include French companies of the SNF 120. “The expansion of the CDP survey to include companies of the SBF 120 should allow an inventory to be compiled and exemplary initiatives brought to light as well as indications of progress.
The rate of return in 2006 was 45%. The following year, this rose to 56%, with 67 companies replying to the CDP questionnaire. Among the companies replying, 75% belonged to the sector of heavy greenhouse gas emissions and 46% to the sector of light emissions.
All of the reports cited are available on www.cdproject.net

Focus 2 : the "Bilan Carbone"® method developed by ADEME

The *Bilan Carbone*® is a method for taking account of greenhouse gas emissions related to the activity of an industrial or tertiary business.
It takes account of emissions directly or indirectly caused by the activity in question, whether they result from internal processes (combustion, heating) or transportation, the manufacture of raw materials...
Beyond the accounting effect, the *Bilan Carbone*® statement can raise company awareness of the greenhouse effect by identifying important risks and proposing possible action for reduction.
It is also a tool for following up on implementation of emission reduction goals, thus providing a place for the "carbon indicator" in the strategic decisions of companies.
The *Bilan Carbone*® is a source of information for companies and their partners (rating agencies, investors...) concerning their vulnerability to the carbon factor. This is precious information in the currently emerging context of the market for carbon.
www.ademe.fr/bilan-carbone

5. NGOs

The non-profit sector (associations, charities, foundations, nongovernmental organisations) covers an extremely vast field.

The main players in this sector sometimes have a significant budget for the support and promotion of activities in the research, education, humanitarian action and habitat fields.

The visibility, effectiveness and legitimacy of their action, transparency of accounts, allocation of resources and personnel management are currently at the heart of good governance issues for institutions in general.

Focus : BMJ Ratings and the sustainability rating of NGOs

Analysis criteria

The BMJ Ratings model assesses risks identified in 7 areas:
- Founding documents
- The operation of direction and control bodies
- The collection of financial resources
- The allocation of financial resources
- Human resources
- Beneficiaries
- Financial transparency

The rating model is essentially based on two elements: the transparency of information and the implementation of procedures and/or management models adapted to the issues identified.

Goals

The adoption of a new assessment tool is an effective way of restoring donor confidence. It is needed to enhance the visibility of action, programs and other initiatives underlying the existence and legitimacy of such organisations.
Rating that is specific to the issues in this sector should take account of variations in the status of the different forms of association, charity and foundation, established by physical or legal persons, and endeavour to give credit for good governance and efforts to increase transparency.

II. Profiles of Sustainability Analysis Organisations

A. A framework to facilitate better selection of organisations

Replying to questionnaires sent by organisations and participating in the interviews they organize with analysts requires serious commitment by the company.

The main difficulty for companies is to choose the organisations to which it will reply.

A number of factors may lead companies to maintain relations with one sustainability analysis organisation in preference to another.

The table below contains a non-exhaustive list of criteria that can help companies select the sustainability analysis organisations to which they communicate information.

Selection Criteria	Sub-criteria	Indicators
Organisation	• Identity	Independent organisation
		Sustainability analysis department of a management firm
	• Reputation and media influence	
	• Universe covered	National
		Regional (Europe, Asia, North America)
		International
		Covers a stock market index
	• Analysis team	Number of analysts
		Experience
		Organisation
	• Significant partners	Membership of professional networks
		Partnerships with other organisations in the sector
		Partnerships with institutional investors
Clients	• Investors	Market share
		Financial influence of the main institutional investor clients
	• Providers of stock market indexes	National socially responsible stock market index
		Regional socially responsible stock market index
		Global socially responsible stock market index
		Reputation of the index
Rating	• Goal of the analysis	Recommending stocks
		Sectoral Benchmarks
		Mapping social and environmental risk
	• Methodology	Scoring
		Screening
		Profile
	• Criteria	Exclusionary criteria
		Thematic areas of sustainability analysis
		Number of criteria
	• Sources of information	Reception of a questionnaire to fill out or complete
		Interview with company directors
		Interviews with stakeholders
	• Transparency	Methodological process is known
		Results of rating communicated
	• Follow-up on the rating	Frequency of updates

B. Methodology for the selection of organisations

The companies that are rated have informed us of the multiplicity of players that send them questionnaires, including some that are not sustainability analysis organisations.
Many management and brokerage firms have developed internal analysis teams that also call on companies, even when they also use sustainability analysis organisations.
The sustainability analysis organisations set out in this Guide have been selected on the basis of pre-defined criteria.

The criteria retained are :

1. Organisations that conduct sustainability analysis activities and sell their information to investors.
2. Organisations that participate in the establishment of a national, representative, European or global socially responsible stock market index
3. Organisations that cover enough companies to ensure a relevant benchmark

C. Profiles of the selected sustainability analysis organisations

The organisations classified by alphabetical order in the following section are presented on the basis of a number of criteria enabling readers (companies, investors, etc.) to develop a clear opinion.
ORSE does not intend to become involved in "ranking the rankers", to quote a study by ERM, a British environmental consultancy firm), but simply to provide readers of the Guide with as much precise information as possible.

Country	Organisation	Status	Universe
Germany	IMUG	Analysis and rating agency	MSCI; FTSE
Germany	OEKOM Research	Analysis and rating agency; research organisation	MSCI World, Stoxx 600, Stoxx, EuroStoxx
Germany	Scoris	Analysis and rating agency; research organisation	DAX30; MSCI World,
Australia	Caer	Research organisation	S&P/AS 300; NZSE
Australia	Siris	Research organisation	ASX300: NZSE50; MSCI Asia
Belgium	Deminor Ratings	Consultancy and rating agency	FTSE Eurofirst 300, MSCI PanEuro, FTSE 100, DAX 30, CAC40, AEX 25, OMX, BEL 20, SMI, MIB 30.
Belgium	Forum Ethibel	Analysis and rating agency	MSCI World
Canada	Ethic Scan	Analysis and rating agency; research organisation	Canada
Canada	Jantzi Reasearch Inc.	Analysis and rating agency; research organisation	TSE, MSCI World, Scotia MCLeod Bond Universe
South Korea	Eco Frontier Co	Analysis and rating agency	KOSPI 200
Spain	FED	Analysis and rating agency; research organisation	IBEX 35; PSI 20
United States	Calvert	Management firm	Russell 1000, MSCI Eafe
United States	Innovest	Analysis and rating agency	MSCI World; S&P 500; FTSE 350; Russel 1000; EuroStoxx 300
United States	KLD	Investment agency; consultancy and rating agency	S&P 500; Russel 3000; KLD's Domini 400 social Index and over 50 global markets

France	BMJ Ratings	Analysis and rating agency	French-speaking European market (local authorities, NGO'S, companies)
France	Ethifinance	Analysis and rating agency	International
France	Vigeo	Analysis and rating agency	DJ EuroStoxx 600
Italy	Vigeo Italia (Avanzi SRI Research)	Research organisation	MIB 30 ; MIB S&P, Italian companies in the MSCI World index
Italy	E Capital Partners	Management firm	2,800 companies and countries throughout the world
Japan	The Good Bankers	Investment advice firm	Japan
Netherlands	DSR	Analysis and rating agency; Research Organisation; Investment advice firm	AEX ; AMX ; 600 companies in the MSCI World Index (SiRi Company)
United Kingdom	EIRiS	Analysis and rating agency; research organisation	FTSE All-Share ; FTSE 100 ; FTSE 250 ; FTSE 350 ; FTSE all-world developed; FTSE Eurotop 300; EuroStoxx 600; S&P Europe 350; DAX 30; Mdax; IBEX35; DJ Nordic 30; FTSE Norex 30; KFX20; CAC 40; etc…see profile
United Kingdom	Ethical Screening	Analysis and rating agency; research organisation	FTSE 350 and small-caps upon request
United Kingdom	PIRC	Investment consulting agency	FTSE all-share index
United Kingdom	Serm	Analysis and rating agency; research organisation	FTSE 350 et Eurotop
United Kingdom	Trucost	Research organisation	FTSE All-Share ; S&P 500 ; Nokkei 225 ; DAX ; CAC 40 ; DJ EuroStoxx; AEX; MIB 30; SMI; FT Eurotop; Hang Seng; Nasdaq 100; DJ Stoxx 600; DJSI Stoxx et Topix 100.
Sweden	GES Investment Services	Analysis and rating agency	MSCI, FTSE, Nordic Indices
Suisse	Centre Info	Agence d'analyse et de notation	Switzerland (SMI+SPI) and France
Switzerland	SiRi Company	Analysis and rating agency; research organisation	MSCI World Index
Switzerland	Covalence	Research organisation	Dow Jones World Index
Switzerland	Inrate	Analysis and rating agency	SPI, MSCI World
Switzerland	SAM Research	Management firm	Dow Jones Global Index; DJ Stoxx 600

ORSE
Study Center on CSR and SRI

ORSE – Observatoire sur la Responsabilité Sociétale des Entreprises, a study center on Corporate Social Responsibility (CSR) and Socially Responsible Investment SRI), is a French non-profit organisation that was established in June 2000, to study and promote all issues related to sustainable development. ORSE is a think-tank, bringing together specialists in diverse fields, all committed to SRI and corporate responsibility development. ORSE gathers 100 actors, including:

- listed companies,
- asset managers and their professional organisations,
- banks and insurers,
- trade unions,
- professional organizations and employers organisations,
- non Governmental Organisations.

ORSE aims to

- create and animate a network of actors that operate in the field of CSR
- propose tools to help decision making and good business practice in the light of CSR
- facilitate information exchange between its members and with others
- identify best CSR practice abroad
- initiate common reflexion between corporate representatives, experts, researchers, trade unionists, NGO representatives, etc.

ORSE offers a wide range of services to its members, that include :

- participation in work groups, conferences and other events featuring national and international experts
- a members-only database (orse-info.org) with CSR related information, including documents of reference
- minutes of major events and seminars
- monthly newsletters
- press reviews
- a bilingual public web site (www.orse.org)
- two Clubs: one for CSR managers, the other for members of the financial services sector

Since its creation in June 2000, ORSE has pledged:

> To ease the understanding of every CSR tools that will impact the functioning of corporations and their stakeholders (investors, employees…).

> To identify the different CSR stakes, based on a stakeholders classification.

> To allow its members to be more present on the international scene by improving its knowledge on international CSR regulations:

Contact:
7 impasse Léger. 75017 Paris. Phone : 01 56 79 35 00
contact@orse.org. www.orse.org

ADEME

Agency for the Environment and Energy Management

ADEME is a public agency, under the supervision of Ministries in charge of research, ecology and energy.
It plays an active role in sustainable development, participating in the application of public policy in areas of energy and environmental protection.

This includes: prevention of air pollution, limitation of waste, harnessing energy, promotion of renewable energies, treatment of polluted soils, the fight against noise pollution and environmental management.

It offers various know-how, including scientific and technical expertise, aid in choice of projects, financial aid, publication of model projects and action on behaviour.

Environmental management

The aim of environmental management is to add an environmental dimension to the administration and operations of public and private entities, an approach that can provide a competitive advantage, insuring risk control, impact reduction and cost savings.
In this respect, ADEME helps in developing management tools for corporations, governmental administrations and local authorities, including company environmental plans, guides for eco-responsible administration and product reports.
ADEME offers financing, technical expertise, mobilises networks at the regional level, acts as a watchdog and provides information to companies and local authorities.
In addition, it pays particular attention to the implication of the financial community in sustainable development (FOGIME, environmental notation, etc.)

Key figures

Operating budget of €260 million
820 staff members
3 head offices (Paris, Angers and Sophia-Antipolis), 26 regional branch offices and a EU office in Brussels.

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