



Developing a Voluntary Quality Standard for Corporate Sustainability and Responsibility Research (CSRR)

Report on the current quality management procedures at CSRR groups

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Introduction

In July 2001 the European Commission published its **Green Paper “Promoting a European framework for corporate social responsibility”**. In March 2000, the European Council said that its strategic goal was to turn the European Union into “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion“. Given the potential contribution of corporate social responsibility to achieve that goal, the EU has made CSR one of its priorities.

Socially responsible investment is closely linked to the adoption of social responsibility by companies. The Green Paper documents the growing popularity of SRI in recent years, particularly among institutional investors.

SRI-funds invest in companies that meet specific social and environmental criteria. A significant number of rating agencies (non-financial SRI research analysts) have become involved in this emerging and growing market. They use a great variety of indicators and standards. The Greenbook emphasises the need to develop transparent and unambiguous standards to facilitate orientation for investors, companies and analysts.

At the end of 2001, SRI research groups agreed to develop a Voluntary Quality Standard (VQS). “Generally, SRI organizations endorse the initiative of the EU to support a Voluntary Quality Standard for SRI products and services. A statement has been endorsed and made public whereby SRI agencies commit to produce and implement a quality standard.”¹

Suggested VQS content

The process of the VQS development will comply with the four points of the EC Green Paper:

1. Taking up the triple bottom line approach
2. by going voluntarily beyond legal requirements
3. in offering fair deals to stakeholders
4. while engaged in dialogue with them.

¹ Timo W.M. van den Brink, Provision of Scientific Support For The Drafting Of A Voluntary Quality Standard For SRI Screening, Amsterdam, January 2002, page 3.

The series of workshops and working groups conducted by imug, Ethibel and EIRIS will lead to voluntary quality standards in the field of SRI research processes and scope, while at the same time trying not to standardise or harmonise criteria. In addition, integrity principles for the research groups themselves will be developed. The VQS working group (imug, Ethibel and EIRIS) will, in consultation with others, determine the extent to which the VQS keeps processes and policies to a minimum and the extent to which it requires public disclosure of research policy and procedures.

Analysis

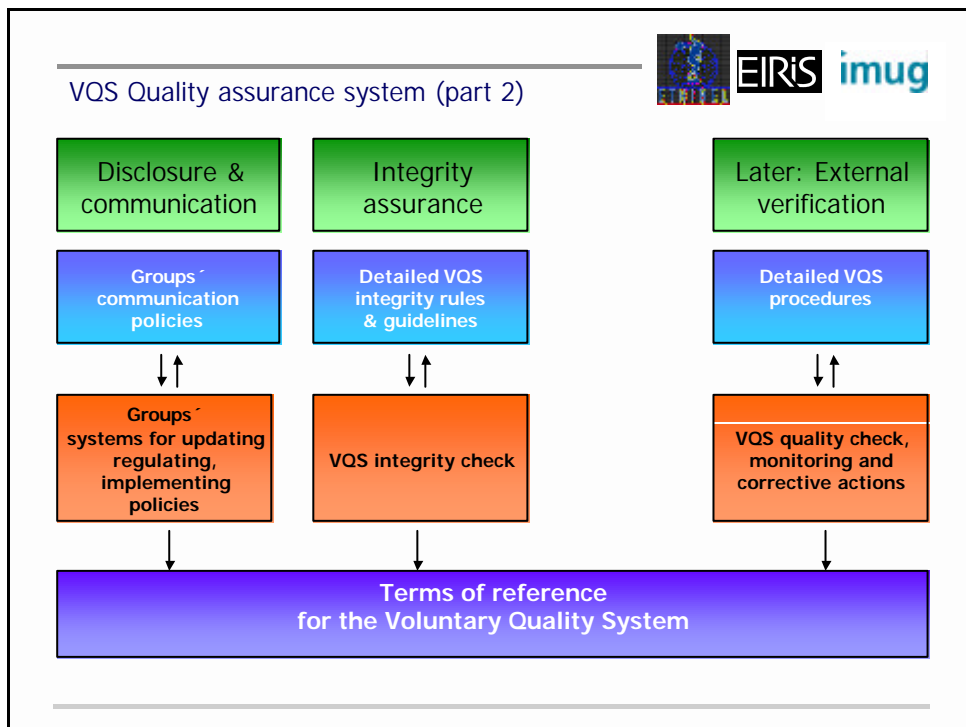
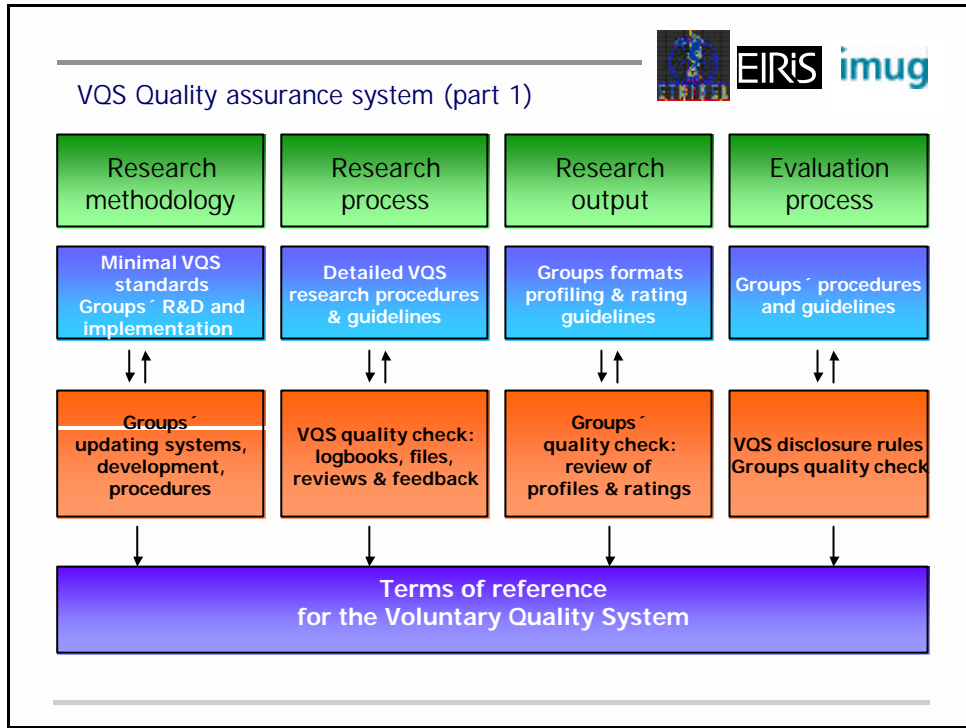
The first work phase consists of describing and analysing existing concepts and issues relating to the introduction of a voluntary quality standard for SRI research. The following questions need to be dealt with:

- Which measures of quality control are already taken by rating agencies at this point?
- What are the demands made by the clients of rating agencies in terms of quality and quality control?
- What do private investors think about research quality regarding SRI products? On which quality issues do private investors seek advice at consumer organisations (such as Verbraucherzentrale)?
- Is there any evidence of the adoption of the quality management systems currently in place (e.g. ISO 9000)? What can rating agencies learn from their experience with these systems of quality management?
- Do rating agencies have a systematic and/or established basis for their current activities in the field of quality control? Is there any evidence suggesting the introduction of a system of quality management?
- Which partnerships concerning the development and implementation of quality control measures can be observed?
- What is the role of stakeholders and/or external experts?
- What is the exact nature of the relationship with the companies analysed in terms of quality management?

A 25-page-questionnaire was developed asking the independent research groups to answer 62 questions regarding their quality management practices. It was sent to 19 independent European SRI research groups and to one from the United States at the end of January 2003. 15 of them sent the questionnaire back to imug until second half of March 2003 (for a list of all research groups see Annex). The report which you are currently reading has been prepared for the first project workshop on April 11th, 2003.

The report is based on data from survey responses and any website information available in English collected from non-participants. The structure of the report which

is laid down in the table of contents will follow the charts on quality procedures which are mentioned in the project proposal (see next page).



Summary

The idea of starting the development of a Voluntary Quality Standard is based on the assumption that CSR research groups **actually do practice quality management**. The analysis which you are reading at the moment is meant to describe the state of the art on quality procedures at CSR research group throughout Europe.

An **extensive questionnaire** was developed in order to find out about details on current practice of quality management procedures (see Annex). Since research groups expect others to fill in questionnaires and provide answers to everything you can possibly imagine in the field of CSR, we were confident that our questions will be answered as well.

In the end, 15 of the 17 groups which were asked to send the questionnaire did follow us and sent back a form which was filled in properly.

The insights given in the questionnaires on the various quality aspects of CSR research are quite impressive. CSR research groups are well aware of their responsibilities regarding the development of a serious CSR related approach among investors, companies and the general public.

Some of the **key findings** are

- The independent CSRR groups are mainly organised in form of private profit-making organisations that have developed from non-profit making backgrounds.
- When CSRR groups are asked about the purpose of their activities, they want to meet the research need of clients and support the development of CSR practices among companies at the same time.
- Most research groups develop their methodology by internal procedures in the first place.
- Stakeholders and clients support the definition of the main categories of CSR research. NGOs, consumer organisations and trade unions are contacted by most groups.
- All research groups address nearly all given criteria. The integration of GRI criteria is proceeding; yet it is not done consistently with the various sets of criteria.
- Most survey participants grade companies according to single criteria or grouped criteria.

- In most cases, the development of the CSR research methodology is supported by an internal and/or external advisory committee. These committees have a variety of functions, at some institutes their tasks include evaluation of research output.
- CSRR groups regularly use a variety of sources such as questionnaires, telephone interviews, companies' documents and websites, media screening.
- Half of the research groups make publicly available their full research methodology. Half of the groups show it only to clients.
- The research process (logbook, contacts with companies) is documented at all CSR research groups.
- At the moment, there is no external verification by quality management institutions taking place.

For more details please read the respective sections of our report. The table of content is based on the different sections of the questionnaire.

In terms of making **transparent** how CSR research is handling quality issues, we now have a clear picture of what is going on at independent European groups. At several indicators (such as the variety of criteria which are researched, the kind of sources which are used - or the kind of documentation of the research process which is done) we realise a consistent **performance** of most research groups participating the survey.

CSR research will continue to develop in ways which we do not know at the moment. The development of a Voluntary Quality Standard by independent European CSR research groups is making a contribution to communicating the concept of CSR quality to investors, companies and the general public.

1 Corporate structure

1.1 Company type

The 15 research groups participating in the survey were organised into two different categories of companies: 11 of them are private profit-making organisations (e.g. limited liability companies and joint stock companies). 3 of the other research groups are non-profit organisations (foundation or association). One of the groups consists of two organisations, one being a non-profit organisation, the other being a private company.

The composition of the research groups' board of directors is quite incoherent: The number of board members varies between one (at 2 groups), two (1), three (1), four (2), six (3), 7 (1), 8 (1), 12 (1) and 15 (1). The group consisting of two organisations has 8 board members in the non-profit organisation and 4 board members in the private company whose CEO and chairman are the same person. One research group does not indicate the number of board members.

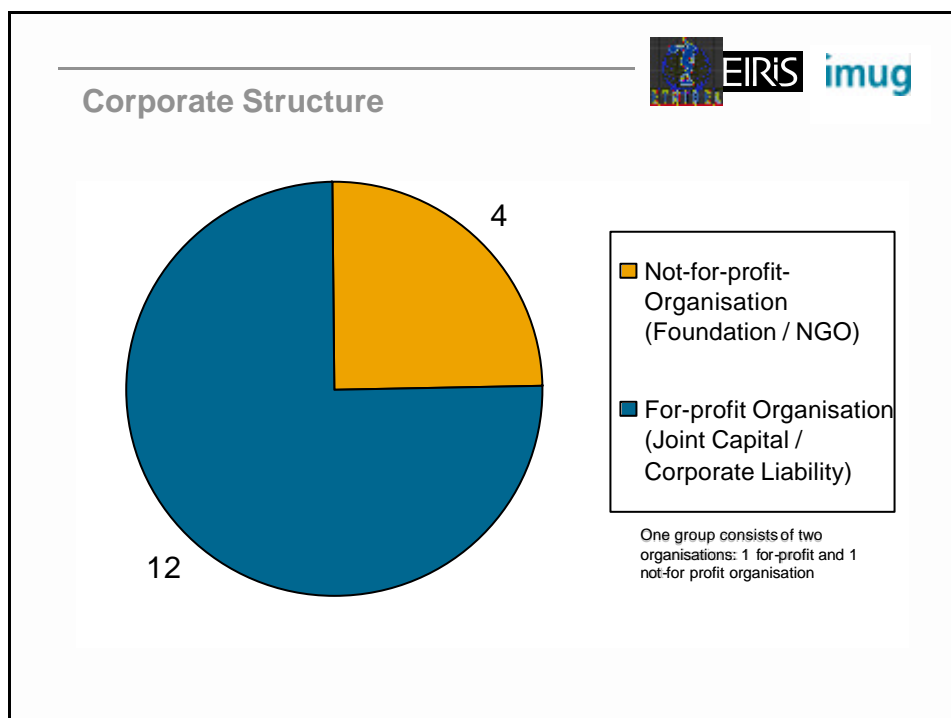


Figure 1: Corporate structure of research groups that participated in the survey

Since not all research groups have described their board members in great detail, it is difficult to make a general statement on this subject. Some have stated that their board members are owners/shareholders of their companies, in other groups they have stated that they belong to stakeholder organisations of the research group or that they are appointed by the parent organisation.

None of the five non-participating CSRR groups give information about their board of directors at their websites. Only one of them indicate the name, education and fields of experience of the CEO.

1.2 Ownership

12 of the 15 survey participants disclose their shareholder structure. 10 of these also disclose the names of their shareholders, 1 does not for confidentiality reasons, and within 1 group the final composition is still unclear because the process of the groups' establishment is not yet complete. Two research groups do not have any shareholders at all (1 private foundation, 1 association), and a third group does not disclose any information on this topic at all for confidentiality reasons.

One of the 12 research groups disclosing details on their shareholder structure is owned wholly by an association. Two of the research groups have foundations as majority shareholders (75% and 85% respectively), and another group is owned 50% by an association. Within one of the groups consisting of two organisations, the non-profit organisation owns more than a third of the private company. 85% of one of the survey participants is owned by 37 private investors, 80% of another by a bank/venture capital company. The rest of the shares of the research groups are held by individuals (1.25% - 25%). One of the limited liability companies is owned by three limited partners, another by an individual and five research partners. One research group will establish a tripartite shareholder structure with 33%-40% to be owned by an institutional investor, 5%-10% by trade unions, and a maximum of 45% to be owned by corporations collectively or a maximum of 1% individually.

Also with regard to the ownership the research groups that did not participate in the survey make no details available at their websites.

The independent CSRR groups are mainly organised in form of private profit-making organisations that have developed from non-profit making backgrounds. This can be concluded from the ownership structure of these groups, with foundations or other charities being the major or only shareholder. The disclosure of information about the corporate structure and ownership by most of the research groups is an important aspect with regard to the transparency of the Voluntary Quality Standard.

2 Research methodology

2.1 Points of reference for research methodology

Purposes of CSRR groups

The main concern of CSRR groups is to meet the research needs of clients investing in accordance with CSR criteria (13 of 15 survey participants), followed by supporting the development of CSR practices among companies (10), and enabling stakeholders to take a position towards CSR practices of companies (7). Other targets are the creation of a CSR benchmark, facilitating the creation of an objective and transparent CSRR standard, identification of dialogue criteria between stakeholders and companies and research for engagement and indices. One research group additionally supports ethical funds providing research, advice, training and other services such as shareholder activity information.

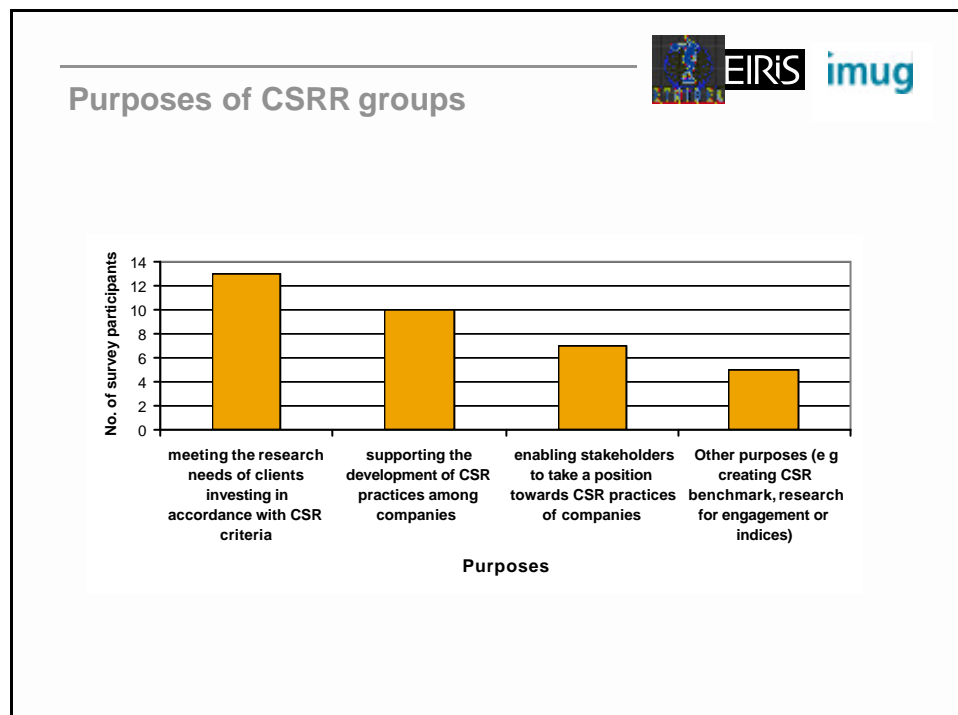


Figure 2: Purposes of CSRR groups

The information available at the websites of the five non-participants does not describe the purposes of these CSRR groups the way they have been asked in the questionnaire apart from one group referring to fully serve client needs.

Definition of CSRR methodology

According to the frequency of the chosen categories, the definition of CSRR methodology within the research groups is carried out according **clients' individual demand** (14), followed by **internal research and development procedures** and by **establishing dialogue with stakeholder organisations**, e.g. CSR-related NGOs and foundations, trade unions, academics and research institutions, financial and auditing institutions (each 13). 10 research groups indicated that their methodology was defined upon the advice of experts in the different fields of CSRR, whereas 10 declared that their methodology was defined according to a system developed either by scientific institutes or an independent advisory committee. A third of the survey participants claimed to also have other systems in place to define the CSRR methodology, such as feedback from companies covered or from NGOs, using a methodology developed by a network of related organisations and institutions or by another research group.

With regard to the importance of the categories defining the CSRR methodology, **many of the survey participants (8) ranked internal research and development procedures above all else**. **Establishing dialogue with stakeholder organisations is the most important technique for five research groups** to define their CSRR methodology. The definition by experts in the field of CSRR ranks first according to three of the groups; three groups again work with criteria defined according to a system developed by an independent advisory committee. One survey participant indicates that defining the CSRR methodology is firstly done according to client's individual demand or by another research group.

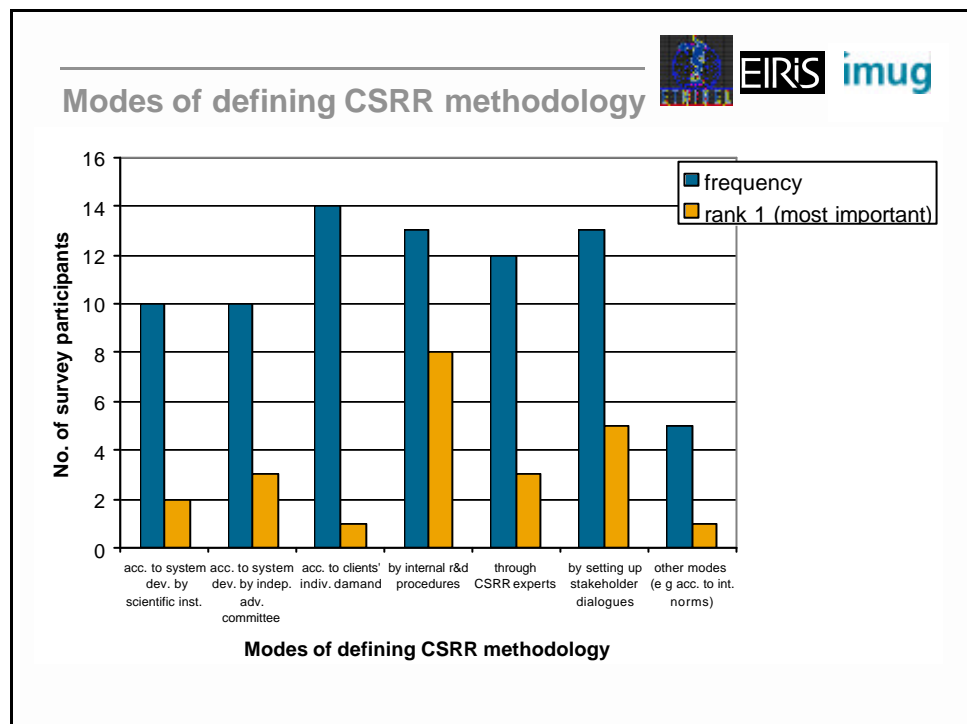


Figure 3: Modes of defining CSRR methodology

The CSRR methodology defined according to clients' individual demand was ranked second by six of the survey participants. Three research groups consider of

secondary importance the technique of definition according to a system developed by an independent advisory committee, and another three consider secondary the use of experts in the fields of CSRR.

For two survey participants, definition according to a system developed by scientific institutes be it through internal research or development procedures are the techniques ranked second.

The ranks 3 to 5 are chosen one to three time throughout all modes. Five research groups stated that the definition of their CSRR methodology according to a system developed by scientific institutes is the least important one (rank 6).

On defining the CSRR methodology or on the importance of certain modes to do this no information is available at the websites of the non-participating research groups.

2.2. Involvement of stakeholders

Process of defining main CSRR categories

The next set of questions deals with the advice sought by the research groups in defining the main categories of their CSR research.

In five cases, **stakeholders and clients define the main categories**. In three cases, research groups take advice from independent advisory committees or from other external experts. Research partners are consulted in two cases.

Trade unions and NGOs are both respectively involved in four cases in defining the main categories of the CSRR methodology. Three survey participants stated that they involved either clients, the independent advisory committee or their partner organisations. Other stakeholder groups involved are: academics, experts, and consumers (each of which were mentioned by two groups) as well as management and strategy consultants, corporations, research institutions or the board of directors. One group involves all relevant stakeholders. Two survey participants did not answer this question.

Six of the 15 research groups have implemented at least an annual update process of their criteria and/or methodology. Some groups update their information in case of an incident (2). One uses continuous dialogue with clients to update the CSRR categories if necessary, another indicates that they update criteria and methodology as needed. Three research groups did not answer this question.

The main categories are constant within two research groups, sub-categories are updated annually or at occasional intervals. Three survey participants update their main categories in an ongoing fashion as needed. Four survey participants have a regular annual update of their methodologies and criteria. Four agencies did not answer this question.

Only one of the five groups that did not participate in the survey explicitly state to give stakeholders the opportunity to contribute ideas with regard to the research and

ratings process and methodology such as clients, companies, staff and external experts.

Members and role of advisory committees

13 survey participants work with an advisory committee. Four of them have an independent external and an additional internal advisory committee. Five research groups have only an independent external advisory committee, and four have only an internal advisory committee.

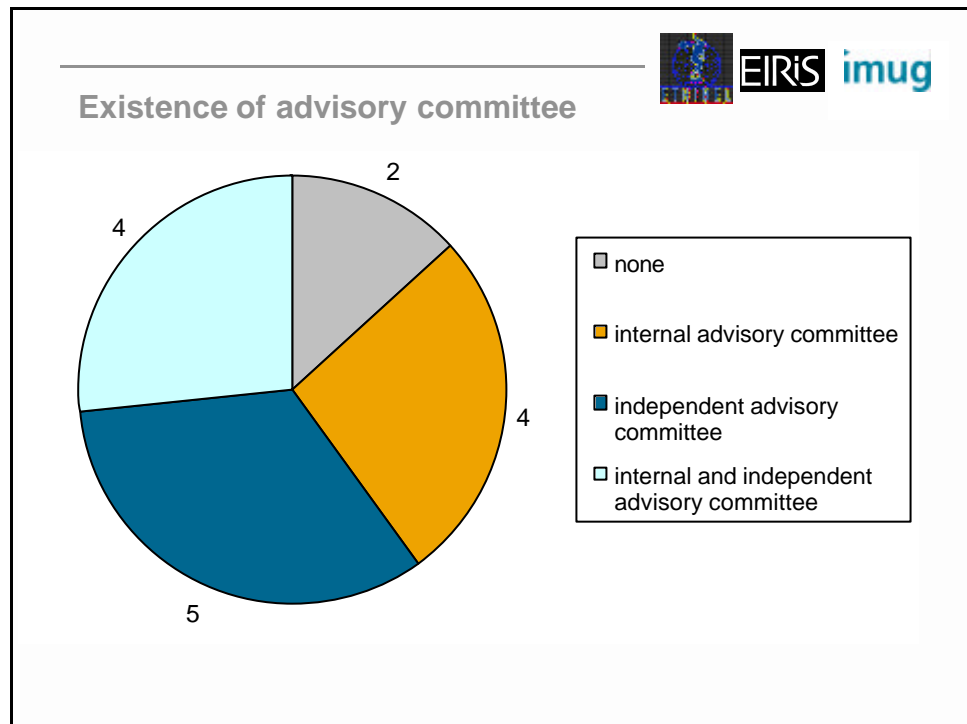


Figure 4: Existence of advisory committees at research groups

The committees play different roles within each research group. Ten survey participants stated that their advisory committees develop and give advice on the research methodology. One of these committees additionally decides about inclusion or exclusion of companies with regard to an index based on the research results. One advisory committee reconciles theory and operational levels, another advisory committee functions as a panel.

Nearly all independent advisory committees consist mainly of various **stakeholder groups**. In six advisory committees, NGOs addressing CSRR issues are represented. Trade unions are members of four advisory committees, three committees consist of members of consumer organisations, and two have members from government authorities.

In five advisory committees the members are **academics**. Two research groups stated that the members of their advisory committee are experts selected due to their CSR-related backgrounds. Other stakeholder groups represented are company consultants, employee organisations, churches, investors and the financial community, as well as organisations for disabled people and other research organisations (each mentioned

once). One of the survey participants will implement an independent advisory committee in spring 2003. Three research groups did not respond to this question.

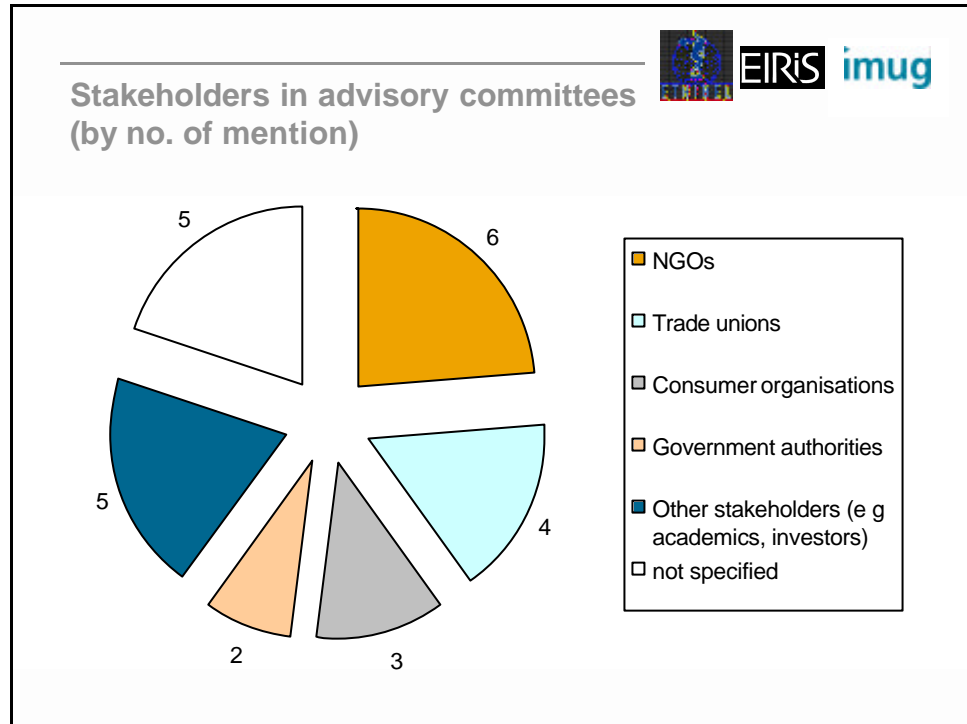


Figure 5: Stakeholders represented in advisory committees

From the five non-participating groups two publish the members of the advisory board at their website. The board of one group consists partly of staff members and partly of independent experts, e.g. bankers, auditors or CSR consultants. It scrutinises and ratifies the ratings of this research group. The advisory board of the other research group is appointed by the group's board and is made up of externals from industry, movements, religion and politics. This board is regularly exposed to difficult dilemmas.

Incorporation of stakeholders' and clients' demands

With regard to the incorporation of stakeholders' demands into the research methodology no corporate process is observable. Five survey participants do this in form of joint meetings with stakeholders where new developments are discussed and included if considered useful. In four cases the advisory committee is used for discussing and incorporating stakeholders' demands into the research methodology. Other participants refer to their custom-defined scoring systems including their customers' needs, are watching the public discussions or have an informal exchange.

With regard to the incorporation of clients' demand into the CSRR methodology, some research groups offer a customised research scheme. Some organise meetings and dialogues with their clients. Often required is a regular consultation with the clients. One of the fifteen agencies uses formal meetings with the management and an annual client satisfaction survey to incorporate the clients' demands. The contact with analysts and the financial community is important for two agencies, whereas four

organisations say that they organise regular meetings and dialogues on research methodology with the clients. After these, they can implement the suggested modifications into their research methodology and criteria systems. In some of the research agencies, clients choose their relevant criteria and methodology out of a set catalogue, and there is a customised system of these (5). One group offers a hotline for continuous consultation of the clients regarding criteria, another states that additional research on demand of a client is possible if this is not included yet. One group has several processes to incorporate the clients' demands without specifying which, and another updates its CSRR process annually. One survey participant does not conduct specific research about CSRR demands because SRI and CSR are not well known in the relevant country.

2.3 Analysis and assessment schemes

Ten of the fifteen survey participants grade companies according to single criteria or grouped criteria, e.g. environmental criteria containing management systems, eco-efficiency, products and services, or social criteria such as employee relations, human rights, community, customers and suppliers, or furthermore ethical criteria like alcohol, tobacco or pornography. One of these groups also explicitly refers to economic figures and management. Another research group also makes overall analyses of companies by using graded criteria.

Again, ten research groups state that they analyse companies with non-graded textual information. One group additionally analyses controversial business activities of the companies. Another research group states that it is doing best-in-class ratings which use over 60 environmental aspects and over 50 social aspects.

All fifteen research groups responding to the questionnaire offer the possibility to carry out a positive stock selection. Most of them (13) also offer the possibility to avoid companies or sectors which are considered non-sustainable by the investor. **12 survey participants want to present sustainability information on companies without underlying assumptions.** Only 6 institutions want to present sustainability information with the emphasis on financial risks and business opportunities. The preferred approach is explicitly defined by the clients within 4 groups, and not fixed.

Seven of the fifteen research groups indicate that their CSRR methodology is also used by another research group. These are either EIRIS research partners or members of the SiRi Group. One survey participant uses parts of the methodologies employed by both organisations.

2.4 The set of CSRR criteria

The following categories of criteria were given in the questionnaire each being divided in 3-6 sub criteria:

- Governance Structure and Management Systems
- Direct Economic Impact

- Environmental Management
- Environmental Performance
- Labour Practices and Decent Work
- Human Rights
- Society
- Specialist Criteria
- Exclusionary Criteria or Sector Exclusions
- Other Criteria

All research groups addressed nearly all given criteria. Only ‘capital providers’ (direct economic impact), and ‘respect for privacy’ (product responsibility) were mentioned less. Additionally, other criteria were: women on the board, transparency and communication, advertising and negative criteria such as fur, alcohol, pornography, tobacco and gambling.

Three survey participants use the 2002 Sustainability Reporting Guidelines of GRI, one of these in its environmental criteria. Others have a number of overlaps with these guidelines (2) or had a ‘GRI’ of a similar standard implemented before this was published by the GRI (1). One research group observes the developments (especially with regard to sector-specific indicators) but the GRI guidelines have no direct influence on the research methodology. One survey participant will include the 2002 guidelines this year, but the actual research methodology does not yet refer specifically to the GRI Guidelines. Another group does not use them, but strongly supports the GRI because corporate generated standards in this format are considered very useful. One research group has a complementary document for developing indicators, and another one only analyses reports of companies which use these guidelines.

Public availability of CSRR methodology

Six survey participants make their full CSRR methodologies publicly available.

Three of them offer a print-version on demand, and three have published them on their website (two of these have both). Eight research groups do not make the methodologies available to the public, instead making them exclusively available to clients, or offering a summary of their CSRR methodologies.

With regard to the five CSRR groups that did not participate in the survey three of them publish their research areas or criteria at their websites mainly referring to the categories given in the questionnaire. One group states that their services rely on a clearly defined mechanism and set of criteria. One group does not refer to this at all.

None of these groups publishes or describes the used CSRR methodology at their websites.

Involvement of stakeholders

Most of the research groups aspire to meet the research needs of clients who are investing in accordance with CSR criteria. Half of the research groups also want to enable stakeholders to take a position towards CSR practices of companies.

With regard to the definition of the CSRR methodology, nearly all research groups do this either according to clients' individual demand, by internal research and development procedures or by establishing dialogue with stakeholders. Half of the research groups consider the internal research and development procedures as being most important in this respect, and, somewhat remarkably, only a third considers a stakeholder dialogue to be the most important instrument defining the CSRR methodology and its main categories. The demand of individual clients is even ranked second usually since for most research groups the clients' demand is less important than the internal research and development procedures.

Nearly two-thirds of the research groups work with an independent advisory committee to advise upon the research methodology. These committees, usually consisting of various stakeholder groups, are not considered to be that important since only three groups ranked them first in defining the CSRR methodology.

Analysis and assessment schemes

Almost all of the survey participants grade companies according to criteria (single or grouped) or analyse companies by non-graded textual information. Along with the EIRIS and SiRi methodologies, best-in-class approaches and proprietary schemes are also in place. With regard to creating an independent CSRR that meets certain minimum requirements, a point of departure could be that all existing methodologies provide a possibility to carry out a positive stock selection. Most also offer the possibility of avoiding companies or sectors which are considered non-sustainable by the investor and/or to present sustainability information on companies without underlying assumptions.

In addition, the research criteria used by the different groups may constitute a starting point for minimum requirements since all groups research the same issues. The VQS needs to clarify what is meant by the respective issues and indicators.

The GRI guidelines are inconsistently integrated into the various sets of criteria. Since half of the research groups do not make publicly available their full research methodology (only to clients) further discussions on the VQS have to clarify which part of the methodology should be made publicly available and which should not be.

3 Research process

3.1 Documented process

All research groups work with a documented research process. Eight research groups make their research process available to their clients only. Three publish it on their website and six make it available on demand.

In nearly all cases the documented research process covers the used criteria and the assessment methodology. If the complete description is only available to clients, often a summary is published for the public or interested parties.

Most research groups want to protect their knowledge and intellectual propriety with regard to methodology and assessments. One group additionally said that it does not reveal the entire process because it is too complex. The assessment manual and the full methodology is not made available to the public in many cases. Only six agencies reveal everything, five of them only for their clients, one also for the public. One group did not answer this question.

Only one of the five non-participants publishes a scheme and description of its research process at the website, another group describes the steps of the process in a very general way.

3.2 Selection of companies

With regard to the selection of companies which are researched, both top-down and bottom-up approaches are used by the survey participants. All of them select and decide on the companies covered according to clients' individual demand (bottom up). Ten of them select the companies which are researched from indices (top down). Indices mentioned are the MSCI (7), followed by the DAX (3), several FTSE indices (2), EuroSTOXX (2), CAC (2), SBF120 (1), HSBC Smaller Euroland (1), MIB 30 (1), IBEX 35, and AEX (1). Two research groups use a specific pre-screening process of their independent advisory board to select the companies analysed. One analyses companies on the their own demand, another group covers the most popular companies invested in by UK ethical funds. Two research groups indicated also that they use other selection methods such as the best companies in the field of sustainability or the biggest companies of the national stock exchange. Three survey participants also select the companies by industry sector.

Only one of the five non-participants publishes the sectors and companies covered at its website.

3.3 Sources of information

13 of the 15 survey participants are sending questionnaires or draft profiles to the companies covered, six of them do this annually, and two do it twice a year. Three groups do it in another frequency, e.g. on demand depending on sector. The number of questionnaires sent to the companies varies between one every three years and three per year.

All research groups analyse the websites of the companies. Three do this twice a year and four annually. Five groups analyse the website in another frequency, and three do not specify how often they do it.

12 groups analyse the documents of the companies. One does it when the documents are published, eight do it annually, and two in another frequency. Three of the survey participants give no details on that.

All research groups (except two) make telephone interviews with company representatives. One group does it at least annually, nine of them in another frequency, and two do not specify this.

11 research groups also visit the company. Four do it annually, and five in another frequency. One of them does not specify how often they visit companies.

13 research groups are consulting stakeholders, two do this once a year, nine in another frequency with one of them doing it continuously and the others on demand. Two survey participants do not give details on that.

12 research groups are consulting experts. Two of them do this once a year and eight in another frequency with one of them doing this quarterly. Three of the survey participants give no details on that.

All research groups do internet research (non-corporate websites). Three do it twice a year and another three groups once a year. Six survey participants do this in another frequency with three of them doing it monthly or continuously, the others on demand. Three research groups have not specified their frequency on internet research.

All survey participants are screening the media, e.g. through reading relevant publications of NGOs, newsletters, newspapers and magazines. Ten of them do this in another frequency with 7 groups doing it daily, monthly or continuously, and only three on demand. One research group does it once a year, and four do not specify the frequency of screening the media.

Intelligent search engines are used by seven research groups. Six of them are not giving details on the frequency. One group uses this source once a year.

These methods are used for all companies involved. **The number of companies varies between 40 and 2,700 per research group.**

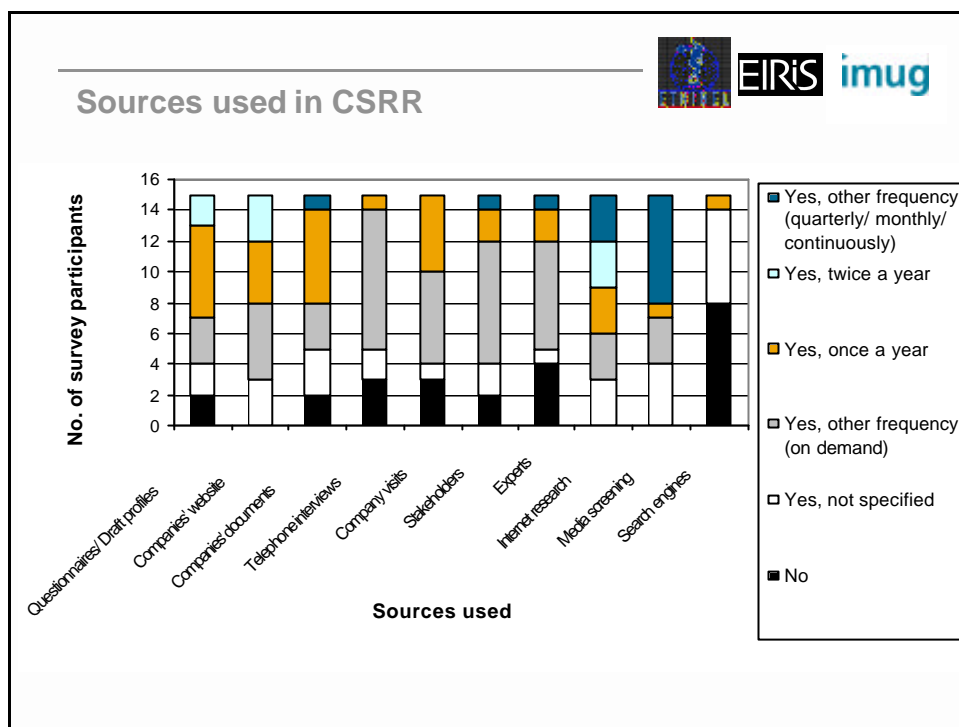


Figure 6: Sources used in CSRR

Analysis of documents published by companies

All survey participants state they basically check all reports published by the company (annual reports, sustainability reports, corporate citizenship reports, human resource or social reports and environmental reports). Other documents are newsletters, employee and customer magazines, corporate governance reports, codes of ethics, guidelines and company policies, confidential internal documents, documents about subsidiaries and the websites.

Use of regulatory data

10 of the 15 survey participants make use of regulatory data, which they get from environmental agencies (5), from anti-trust authorities (4), from consumer protection organisations (2) as well as from relevant government bodies (1). The regulatory data used are e.g. anti-trust information, environmental accidents, pollution, advertising complaints, and any kind of non-compliance to national or international regulations. The other 5 research groups explicitly state that they do not make use of regulatory data.

Only two of the research groups that did not participate in the survey specify their sources of information at their websites.

Research purchased from other groups

Seven of the research groups purchase data from other groups. Most of them (5) use data provided by research partners. The data are purchased if companies are not

based in the country of the research groups. Seven of the survey participants explicitly state that they do not purchase any research from other groups. Within one group, it has currently been discussed to do this in the future.

Identification and involvement of stakeholders

Ten of the 15 participating research groups **identify key organisations and institutions regarding research issues** (e.g. environment, human rights) and/or sectors/company activities as well as countries of operation. One of them additionally considers the geographical background of the companies activities, and another additionally refers to its clients in this respect. 4 of the research groups refer to contacts from long lasting research experience or business environment. 2 of the survey participants identify the stakeholders involved in their research process in essays and reports, or controversies revealed in course of research. Another group refers to its clients and the companies analysed when stakeholders are involved. One of the survey participants identifies stakeholders which use the snowball technique. One of the survey participants did not answer this question.

Most of the survey participants (10) involve stakeholders for **double checking information**. 7 research groups involve stakeholders before the collection of data, 6 involve them after the collection of data. 3 research groups claim that they involve stakeholders in the process of the collection of data.

Most of the survey participants (11) involve **NGOs** related to the research issues covered, e.g. environmental or human rights organisations. They are involved either personally by phone, email, fax and meetings (e.g. of stakeholder committee), or impersonally by the analysis of their websites, databases, reports and e-newsletters. One agency sends company profiles with the research results to NGOs, asking for comments. The frequencies of involving NGOs in the CSRR process was indicated by 8 agencies, varying between continuously, monthly, two or three times a year, annually and whenever needed.

Nine CSRR groups stated that they involve both trade union and consumer organisations in their research process. With regard to **consumer organisations**, three research groups named the organisations they involve, two others referred to national and/or regional and/or international consumer organisations. Within a fourth group, this depends on the companies and countries covered. In contrast to the involvement of NGOs, the consumer organisations are involved in the CSRR process mainly personally by phone, fax, email and meetings or committees. One research group analyses magazines published by consumer organisations, another visits the websites. Here, the frequencies of involvement mainly chosen are on demand, if necessary, as needed. Only one agency stated that they read the magazines regularly, and another stated that they visit the websites monthly. Within one research group, a stakeholder committee also including members from consumer organisation is involved annually.

With regard to **trade unions**, seven survey participants said that they involve national, regional and international trade unions or their umbrella organisation (e.g. ICFTU - International Confederation of Free Trade Unions) and/or sector-specific trade unions (e.g. ITF - International Transport Workers' Federation). They are involved personally by phone, fax, email and meetings (e.g. of stakeholder committee), or impersonally by

the analysis of their e-newsletters or websites. One survey participant sends company profiles with research results to trade unions asking for comments. The seven agencies described the frequency of involving trade unions: one per company, as needed, regularly (e.g. weekly) and irregularly. Only three research groups directly involve **employees or their representatives on a corporate level**, e.g. by phone, visits or meetings, and they do this once a year or when needed.

Six CSRR agencies involve **governmental authorities** in their research process. These are anti-trust authorities, telecommunication authorities or authorities regulating the stock exchange market as well as national, regional or intergovernmental organisations depending on companies and countries covered. The research groups stated that they involve the authorities by phone, meetings and by analysing the authorities' websites and databases. This is done regularly (e.g. monthly) or as needed. Furthermore, six survey participants stated that they also involve **other stakeholders**, e.g. minority shareholder associations or universities.

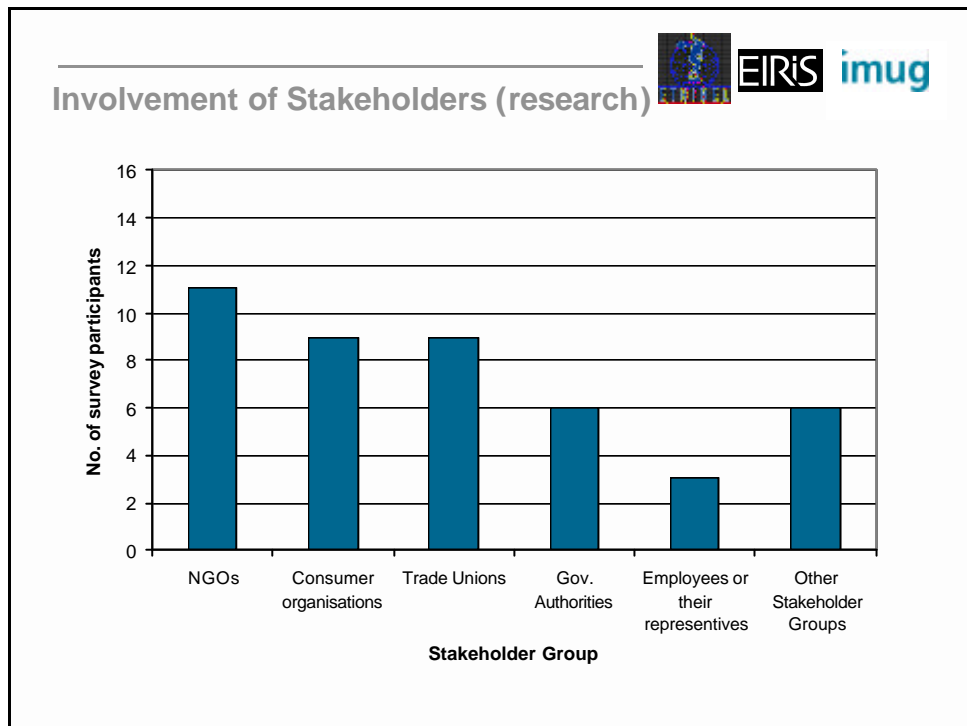


Figure 7: Involvement of stakeholder groups in the research process

The number of companies which are researched on with support of different stakeholder groups varies from 30 to 2,700. Apart from one survey participant, the groups did not specify sectors or countries related to these stakeholder groups.

Company contacts

The departments that are contacted for research queries vary with regard to the companies and the issues. Nearly all survey participants (14) either contact the investor relations department or the corporate communications department or the CSR or sustainability department if available or specific departments like environmental or human resources.

3.4 Monitoring procedures

All survey participants stated that they have procedures in place to do corporate monitoring concerning relevant CSRR data, e.g. scandals, change in subsidiaries or country presence. The sources used for monitoring are websites and the media (5), company contacts (2), intelligent search engines (1). 10 research groups update the data immediately, 2 groups do this in the course of their regular update of profiles.

3.5 Quality procedures

Double-checking and integration of data provided by stakeholders

Six survey participants double-check information received from stakeholders in case of differences between sources, e.g. if the company's information is controversial to stakeholder information. Eight of the 15 research groups stated that they send information received from stakeholders to the companies asking for comments. Vice versa, for one research group it is also possible to send company profiles to stakeholders asking for verification. Another survey participant double-checks stakeholder information only if an aspect is unclear or very important, e.g. if this would lead to an exclusion of the company. One group considers information from anti-trust organisations to be facts and thus does not double-check them. Five survey participants did not respond to this question.

Thirteen of the 15 survey participants integrate the information they receive from stakeholders into the company profile, e.g. by upgrading or downgrading assessments and ratings, or they document the information in a separate section. Two of these research groups explicitly indicated that they document both views in the company profile if there are controversial views on an aspect.

Liability accepted for accuracy of data and disclaimer

Four survey participants do not accept any liability for the accuracy of their information provided. Three research groups accept a liability for information they have double-checked. Two of them consider data from authorities as being facts that they do not have to double-check anymore. The third one considers data as facts that have been confirmed by third parties. One group accepts liability for the accuracy of information within its own performance standards, another stated that they accept a limited liability since their responsibility is related to the implementation of quality procedures. Three research groups accept liability for the accuracy of processing information, but not for the reliability of the sources where they get the information from. One research group refers to its image with regard to liability as well as to their independent advisory committee. Two survey participants did not answer this question.

Nine research groups do not issue an explicit disclaimer. Two of these explained that a disclaimer is integrated in their contracts. Three research groups said that their research is provided only for informational purpose and that they are not responsible for any effects that are triggered off by the use of their information. Another group

currently has a disclaimer under review. Two survey participants did not answer this question.

Internal quality procedures and instruments

Most survey participants have implemented an internal **quality control by senior staff members (10)**; nine research groups have implemented a double checking by different staff members.

Further quality procedures in place are a QMS standard of research partners including peer reviews (3), a quarterly quality review and performance standards monitoring (1), a status report on data processing for the contracting research group (1), a review done by the independent advisory committee (1), a feedback by external experts on procedures (1) as well as a self-reflecting internal process in case of company queries regarding their profile (1).

Apart from one group, all survey participants have a logbook where they document their research process. These logbooks mainly contain a description of the research process in detail and the sources used. Some research groups have also an **assessment manual** for each criterion. Two groups explicitly refer to the SiRi Quality Management System. One has a scheme showing who carried out the analyses and when. Another group has a quality policy.

Most of the survey participants keep their research records in electronic folders or files, e.g. Excel sheets (9). 5 research groups organise their record-keeping through a database and/or in physical archives. Two groups indicated that they use internet-based and other software to do this. Another two groups refer to their logbooks. Others document the data directly in company profiles. One research group has employed a full-time librarian with a small team of assistants to ensure an efficient record-keeping.

13 survey participants have implemented a documentation of contacts with companies. Eight of these make the data available to clients, 4 make it available on demand, and another does not make the data available at all for confidentiality reasons. 13 groups document their research results are documented. They also have someone in charge of quality control, either at an operational level (6), a management level (3), or at both an operational and a management level (3).

11 research groups have implemented a policy of quality control. 6 make it available to clients, 4 to the public, and 3 make it available on demand. **11 survey participants have a manual on quality control.** 3 of them make it available on demand, and 2 have published it on their website. One group also makes the manual available to the public whilst another one uses it only internally, including also a policy on quality control. One of the groups has currently been implementing an additional code of ethics including quality aspects.

Only one of the five non-participants states at its website that their research output is co-ordinated by senior staff using a web-based database to manage the workflow and that accuracy of analysis is checked by most senior research staff prior to publication.



Figure 8: Implemented instruments of quality control

Frequency of updating results (Question C 20)

C.20		Which proportion of your company profiles are up-dated annually?			
No.		Regular review	Update by event	Sector update	
1	0 – 10%		1		
2	11 – 30%		2		
2	31 – 50%	1			2
1	51 – 75%	1			1
13	76 – 100%	10	5		3

Thirteen survey participants update 76%-100% of their company profiles annually. Ten of them review them regularly every year, five update them if necessary and three do a sector update.

Quality standards applied by research partners

Nine of the 15 research agencies said that the quality standard they follow does not apply to their research partners or suppliers. Two indicated that this question did not apply to them. Within four research agencies the quality standard also applies to their

research partners or suppliers. As means or procedures by which the respective standard is monitored they mentioned quality control (2), peer review within SiRi Group (2), logbook (1), internal audit (1), research performance contract (1) and approval of research before release (1).

Time period for data processing

Eight of the survey participants do not have a set time period in which they have to have processed and evaluated the data provided by the companies concerning the companies' websites, survey responses or responses on draft profiles from companies, and documents published by the companies. 4 research groups process and evaluate the data from survey responses and from companies' documents within 4 weeks, and 2 others within 6 weeks after obtaining the data. With regard to processing and evaluating the data at the companies' website, 5 research agencies stated that they do this in frequencies as follows: ongoing or as quickly as possible (2), six-monthly (2), and every 1 to 1 1/2 years (1). One survey participant did not answer.

E.5 Do you have a defined time period for having processed and evaluated the data provided by the companies after reception?					
	No.		Companies' website	Survey Responses or on Draft Profiles	Companies' documents
	8	No defined time period	3	3	3
	4	Within 4 weeks		3	1
	2	Within 6 weeks		1	2
	0	Within 8 weeks			
	0	Within more than 8 weeks			
	5	Other frequency	5		

Only 3 of the survey participants explained how they monitor and evaluate the standards regarding the defined time period for processing and evaluating the data: One of them does this by planning, one group monitors unfinished tasks, and another uses the standards of its research partner.

International research networks

9 of the 15 research groups belong to an international network, either to the EIRIS research partners network or to the SiRi Group or to both of them. The aim of the EIRIS network is: Division of labour and cultural familiarity, i.e. supply of company data from the country where a company has its headquarter and thus research institutes already have established a good relationship with 'their' companies. The research for SiRi is based upon a common 'harmonized methodology'. 3 research groups do not belong to an international research network but 2 of them are thinking about joining one.

Documented research process

According to the disclosure of the research methodology, most research groups provide their research process only to their clients including the criteria and also the grading or rating methodology. The public is provided with the criteria. The calculations of assessment are mostly considered as knowledge that has to be protected from potential competitors. To achieve a greater transparency in this respect, it has to be clarified which parts of the research process are to be published and which are not.

Selecting companies

In the process of selection of and decision on the companies that are researched, both top-down approaches, e.g. from indices, and bottom-up approaches, mostly according to clients' individual demands, are used by all survey participants.

Sources of research

Like in case of the research criteria, many survey participants use the same sources of research, such as sending out questionnaires or draft profiles, analysing the websites and available documents of the companies, interviewing company representatives, visiting the companies, consulting stakeholders and experts, searching the internet (non-corporate websites) and screening the media. The number of companies covered and the frequencies of using the respective sources differ. Regarding the number of questionnaires and queries sent to the companies, it might be helpful to have a look at the differences between the respective documents in order to reduce the companies' efforts to provide the required information and thus raise the acceptance to respond to all questionnaires. Such an approach may help to have higher response rates within all research groups.

Involvement of stakeholders

In contrast to their involvement in defining the CSRR methodology, stakeholder groups are the most important non-corporate source in the research process of independent CSRR groups. Relevant information is mainly obtained from NGOs related to the research issues, followed by consumer organisations and trade unions. Personal contacts, e.g. by phone, and non-personal contacts, e.g. through websites or newsletters, are common forms within nearly all research groups.

Monitoring procedures

As described in case of the research sources, the monitoring procedures vary with regard to the frequency the different sources are used. In the further process of developing a VQS, it may be helpful to think about a necessary time period for the integration of monitoring results.

Quality procedures and instruments

Although a third of the survey participants did not make any statement on double-checking information received from stakeholders, nearly all research groups integrated this information somehow into their research. The research groups do not deal consistently with the liability accepted for accuracy of information. Most of them do not even have issued a disclaimer. These aspects should be discussed in detail and be addressed by the VQS.

Since two-thirds of the survey participants have implemented an internal quality control by senior staff members and/or double checking by different staff members, this aspect should be considered by the VQS. This may also refer to logbooks or manuals and record-keeping.

With regard to a policy of quality control which two-thirds of the research groups have implemented, it has to be discussed if the groups are to make it available to the public. So far, only 4 groups do this. Another interesting aspect is the application of existing quality standards by research partners which should be considered in the VQS.

If a quick processing of data is considered to be necessary as an element of good research quality, the current performance is not satisfying. More than half of the research groups do not have a defined period of time for processing and evaluating the data provided by the companies with regard to the companies' websites, survey responses from companies, and documents published by the companies.

To summarise, the quality procedures and instruments have to be reviewed with regard to a VQS that is supposed to serve the needs of the parties involved in CSRR.

4 Research output

4.1 Provided formats

With regard to the research output that is made available to clients, the research groups provide a variety of formats. **All survey participants sell company profiles**. Most of them are also publishing a list of companies which meet a defined set of criteria (11), are doing ratings (11), are selling sector profiles and industry reports or provide a database (9) or provide their data for an SRI index (8). 3 research groups (additionally) offer company profiles as downloads on their website, and another group provides a service for corporations with a detailed evaluation, audit and rating of their CSR performance which is based on a 60 working day mission. Finally, monthly ad hoc news on research fields are published by 1 of the survey participants, whilst another group participates in ethical committees at client level where research results are further discussed.

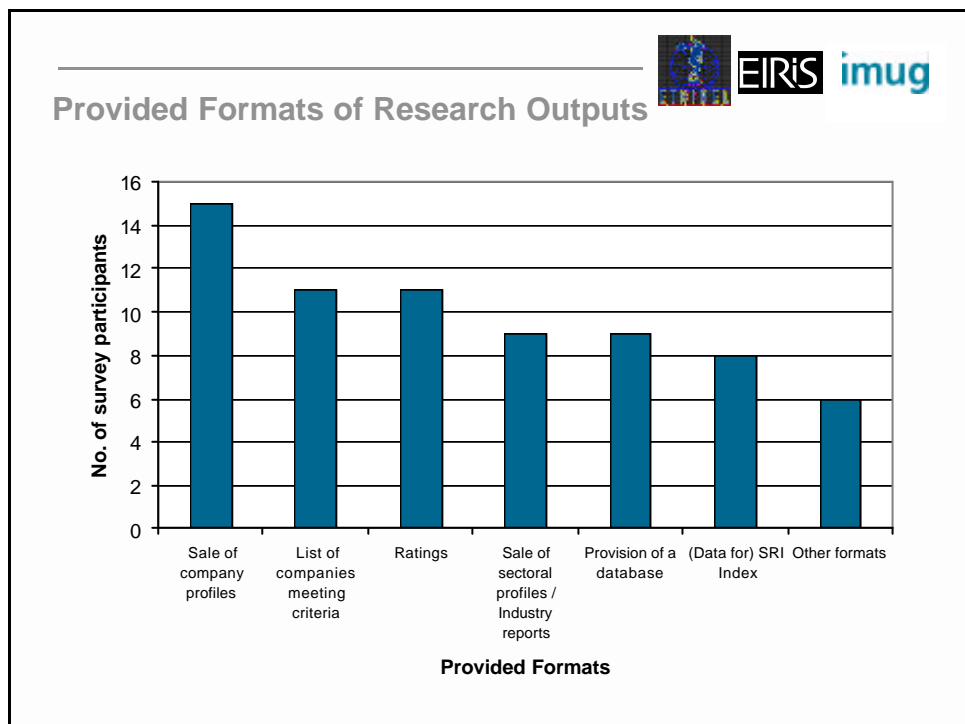


Figure 9: Provided formats of research outputs

All of the non-participating research groups publish or describe their research output being part of or the only product the research group provides. One group publishes a sample company profile on its website, another makes a scheme of a sample company report and of a sample benchmarking report available describing the different aspects of information they contain. Two of the groups state to create a list of companies meeting certain criteria (lists are not published on their websites). One group provides database-comparative studies based on the research results, and another produces company profiles, sector and issue reports, and additionally provides a database containing news from monitoring companies, sectors and corporate responsibility issues.

Frequency of delivery

Two of the survey participants deliver their CSRR results to their clients every one to two years. 2 research groups deliver them annually, and 2 others do this quarterly. A monthly update of research results or ad hoc news is offered by 2 other groups. In 2 cases, weekly updates of the provided database are delivered to the clients. 4 survey participants provide their results on clients' demand, and another provides results on an ongoing basis. The latter also refers to 2 research groups that provide their clients with news of their monitoring, e.g. in case of scandals. One group stated that a frequency of delivering results to clients could not be given.

Publication of results

Many survey participants only publish CSRR results to their clients (7). Either do they provide them with their full results or they deliver parts of the results, e.g. summaries or short profiles. 3 of these research groups stated that it depends on clients whether all results are published or the criteria they choose only. Four research groups stated that they published either full results or parts of them; two of them do not specify whether the publication is only available to clients or also to the public. One group stated that research for one client is published on the website in form of profile summaries, whereas other research they do is only available to clients who pay a license fee for the database, depending on the amount of information they need.

4.2 Public inquiries

Nine research groups respond to public enquiries and give feed-back, e.g. by phone or email. One of these has set up a standard to respond within 48 hours. 2 research groups react upon public queries depending on the case.

4.3 Feed-back from companies

All survey participants provide the companies covered with the full results of the CSRR for feed back. Six do this before and three after publishing the data of the last complete research. Four do not do complete researchs but provide the companies with the results available at the moment. Seven survey participants (additionally) provide the companies covered in another way: Two of them send the results twice a year, in the middle of the year together with questionnaires, and at the end of the year

to comment on the updated profile. Three other groups first send a draft profile with collected data to the companies to comment on. They send the final profile to the company after several feedback loops also including stakeholder information.

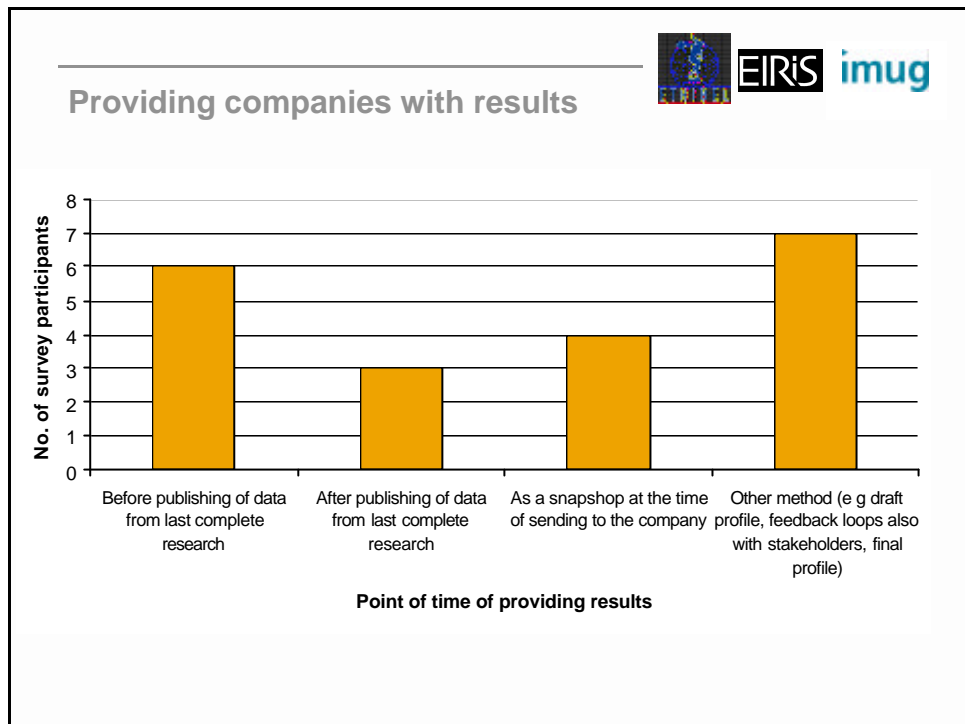


Figure 10: Point of time of providing companies with results for feed back

All survey participants also use the information received from the companies for updating the company profiles if the information is relevant with regard to the respective research methodology. 9 research groups use this information for the modification of gradings and ratings, and 8 groups integrate these comments into a separate section of the profile.

The existing **variety of formats of research outputs** serves the needs of different clients. Although these outputs are the products of the research groups sold on the market to finance the research, it might be worth thinking about providing free summarised statements of the different formats, e.g. on the websites of the research groups. This might slightly put pressure on the companies covered and attract potential investors and clients.

Companies are a **first-hand source** that can provide information about management responsibilities, systems and confidential information not being available from other sources. Thus, all survey participants integrate feed back information into their research results. To achieve acceptance and a good quality of results, the feed back from companies can be an element of the VQS.

5 Evaluation/ rating process

5.1 Evaluation by third parties

Eight survey participants have their research outputs evaluated by a third party. At six of them, the evaluation is carried out by the advisory or scientific committee, and one of these additionally mentioned that their stakeholders or clients are doing this. Two research groups refer to the peer review by research partners with regard to the evaluation of the company profiles.

At six research group the CSRR output is not evaluated by third parties. This is because it has never been requested in the past, or because the research group stresses on independent research or focuses on client feed back or makes use only internal evaluation procedures.

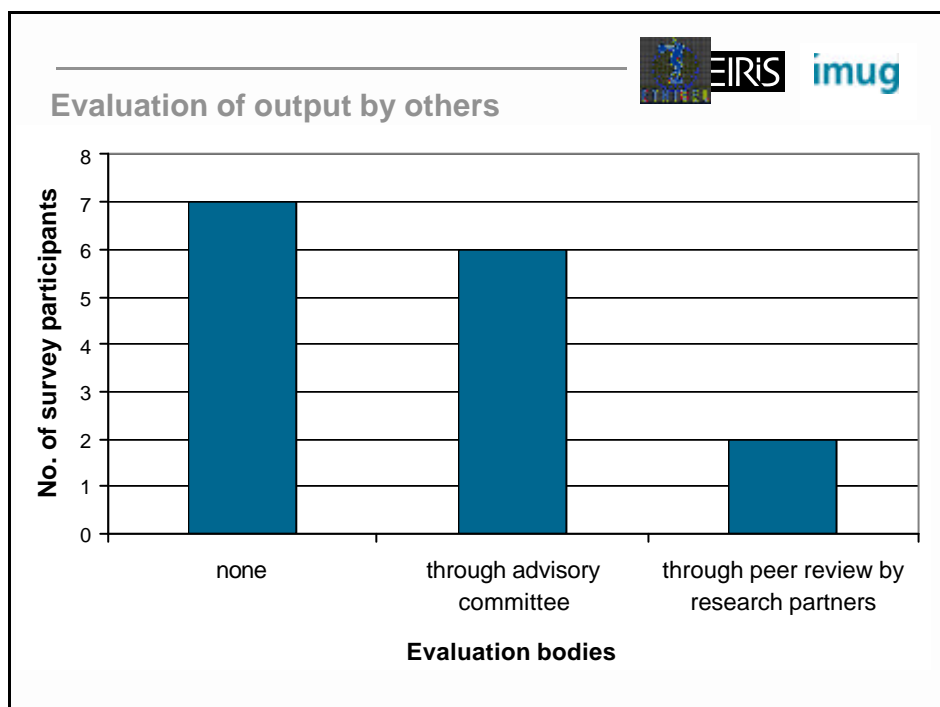


Figure 11: Evaluation of research outputs by others

Within 12 of the 15 survey participants, no stakeholders are involved in the CSRR analysis including gradings, ratings or other research output. Two CSRR groups stated that other stakeholder groups are involved in their research analysis, namely clients and the independent advisory committee whose members belong to different groups of stakeholders. One of these groups stated that also NGOs are involved in

their research analysis. This was also indicated by another research group involving trade unions in this process.

5.2 Use of results for rating or selection procedures

Twelve of the 15 survey participants stated that their research output is used by third parties, such as clients, in general (5), institutional investors and fund managers (4), NGOs (3), index providers (2), companies covered (1), research advisory committee (1), registration committee (1) and the public (1). Two the survey participants indicated that their output is not used by third parties or/and that no ranking is carried out on the basis of the research output. One survey participant did not answer this question.

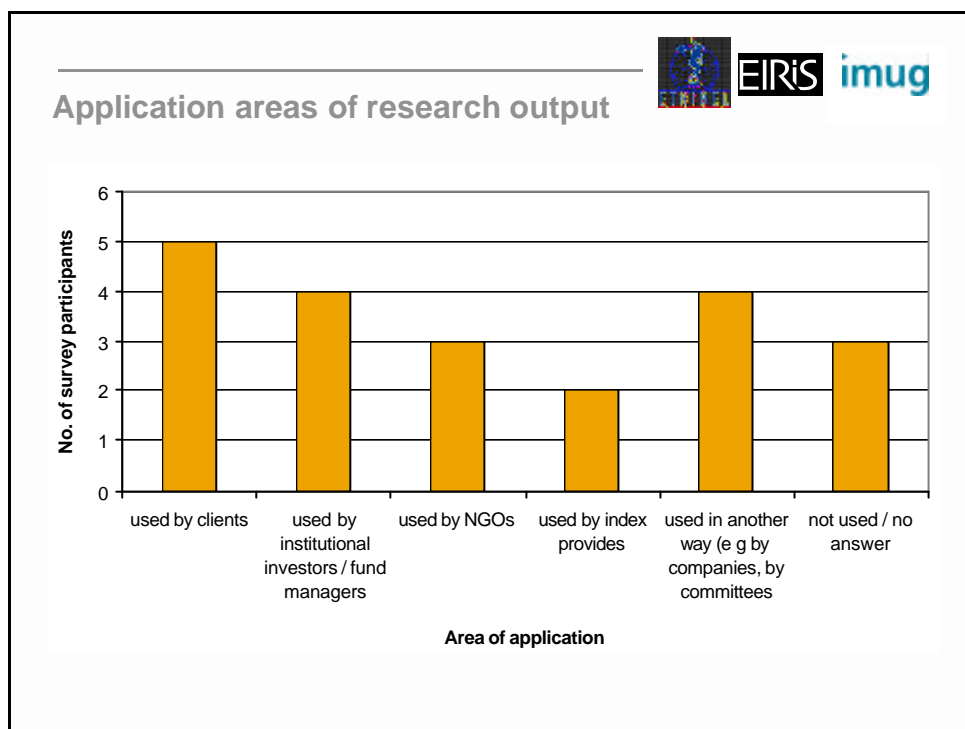


Figure 12: Application areas of research outputs

At present, evaluation of the research output is mainly done by the independent advisory committees of the research groups. These often consist of various stakeholder groups. The research groups can refer to a consistent framework with regard to their analysis, as the advisory committees are mostly involved in developing and evaluating the CSRR methodology, too. If this aspect is integrated into the VQS, all research groups can refer to this. At present, all of the groups have such a system in place and only their clients make use of their research output.

6 Integrity assurance, professionalism, knowledge management

6.1 Skills and training of CSRR analysts

Eight of the survey participants stated that they employ 7 or more full-time equivalent CSRR analysts. The number of companies analysed by the research groups varies between 45 and 2,700. Two research groups employ 4-6 full-time equivalent CSRR analysts analysing between 50 and 150 companies. 4 groups have 2-3 full-time equivalent CSRR analysts analysing 35 -180 companies. One survey participant employs one CSRR analyst covering at least 35 companies.

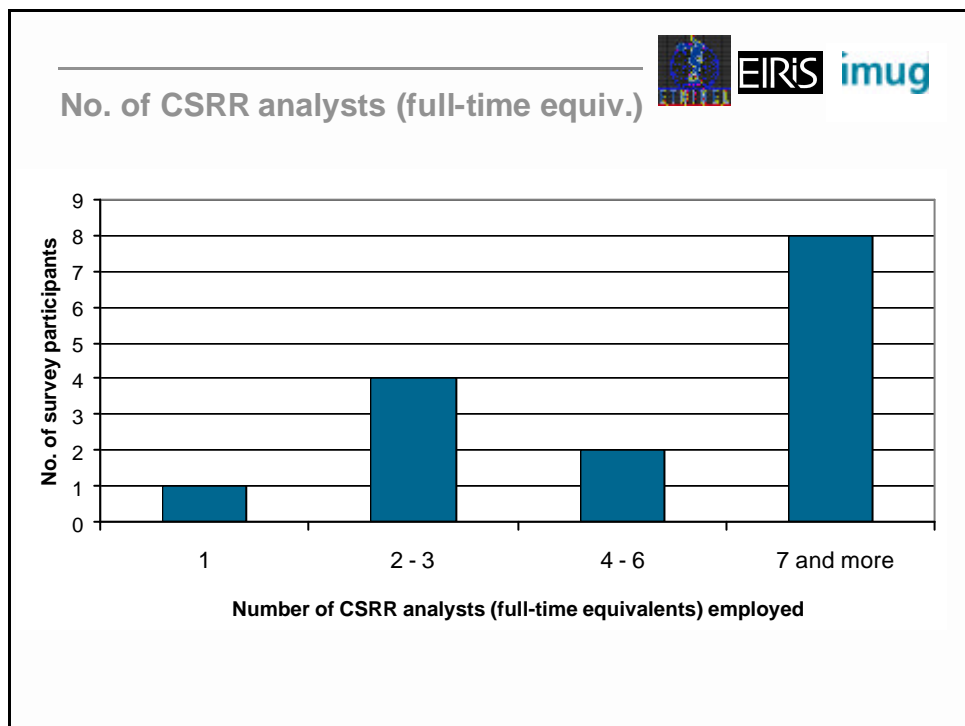


Figure 13: Number of CSRR analysts (full-time equivalents) employed

Only one of the five groups that did not participate in the survey publishes the number of CSRR analysts at its website as being eight senior analysts, nine analysts and 12 researchers who are students.

Relevant experience of CSRR analysts

Regarding the relevant experience of the CSRR analysts, the survey participants mentioned a great variety of skills.

Most of research groups (12) indicated that their CSRR analysts have degrees in or at least great knowledge of economics, management and business administration, or finance and banking.

Six research groups stated that their CSRR analysts have a degree or experience in the field of environment. 3 groups stated that their CSRR analysts have experience in CSR research, a background of social science / development, or of multinational corporations / industry experience.

International organisations or NGOs, consulting, law or philosophy were defined by respectively research groups as being the skills or experience of their CSRR analysts.

One of the CSRR analysts at the research groups has a background of trade unions, government, auditing, natural science, geography, engineering, human resources and Literature.

Two of the non-participants give details on the skills and experience of their analysts. The one which publishes the number of analysts at its websites gives detailed descriptions of each CSRR analyst. From the 8 senior analysts, three have a Masters Degree in International Business Administration & Modern Languages, two in Economic Geography (and Industrial Policy), and respectively one in Public Administration, Political Science, Business Studies, Logistics and Innovation, or in Technological and Socio-Economic Planning. All of them have specialised knowledge and experience in certain fields, e.g. social and labour market policy, urban and regional development or evaluation of processes. From the 9 analysts three have a Masters Degree in Economics, three in (Public) Administration (and Psychology), and two in International Business Administration (& Modern Languages). Respectively one has a Masters Degree in Economic Geography or Strategic Management. They have also specialised knowledge and experience in similar fields like the senior analysts. Three of the 12 researchers are studying Political Science, two Economics, and two analysts take classes in International Business Administration. Respectively one of them studies Social Anthropology and Rhetorics, Communication, Applied Economics and Finance, Sociology or Management of Technology. The other non-participant only publishes the fields of experience of the management and the staff as being appropriately qualified to carry out research and ratings and having relevant industry experience and academic training.

Topics and annual days of training

Eight of the survey participants school their analysts specific CSRR issues, such as environmental management, human rights, social and union practices or sector-specific knowledge. Seven research groups stated more generally that they train their analysts research methodology or analytical approaches and procedures. Two groups train their analysts in (CSR) reporting and languages, e.g. English. Other training contents being mentioned by single research groups are SRI market, interview training, finance, project management, software, presentation skills, HCS and

reputation. One survey participant has currently been implementing a formal training programme. When implemented, it will also cover issues as languages and CSR, SRI and sector- and criteria-specific issues. 1 group described the kind of training their analysts are provided with, e.g. on-the-job or workshops, but did not specify the contents of this training. 3 of the groups did not answer this question.

The days of training per analyst vary from 1.5 to 10 per year: 1.5 and 3 days within one research group, 4 days within four groups, 5 days within two groups, and 7 and 10 days within one group. One survey participant stated that they conduct a continuous cross-check, another one stated that new analysts get a 3-4 month introduction into the research methodology before they are allowed to do the first rating on their own. The research group still implementing the training has to determine the number of training days yet. Three groups did not answer this question or stated that they had no record on this.

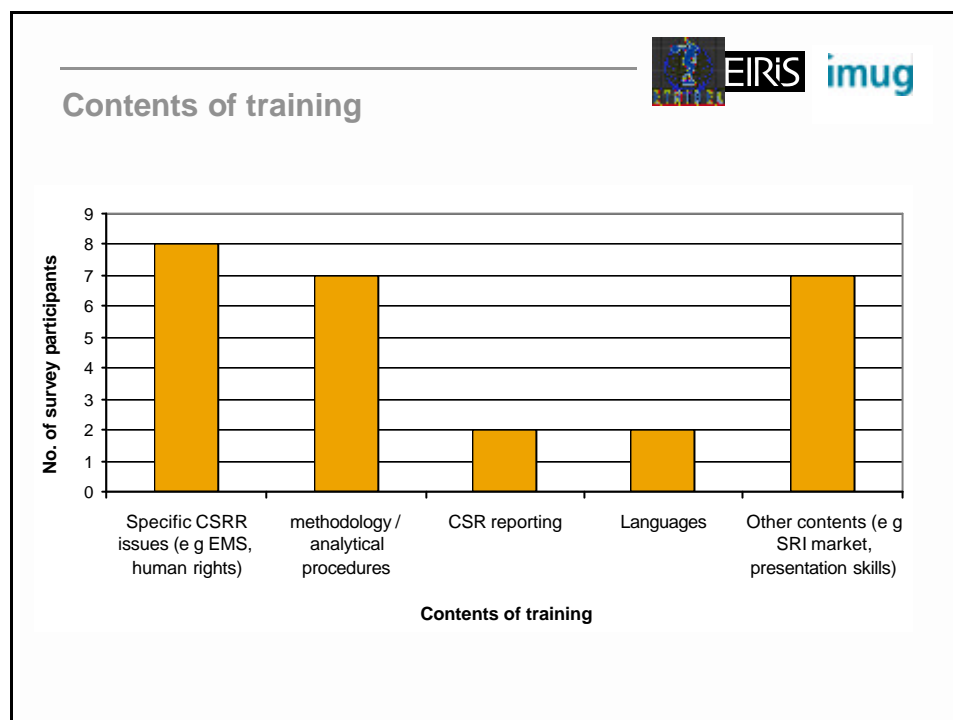


Figure 14: Content of training for CSRR analysts

One of the two non-participants that publish details on staff at their websites indicates generally that the development of their 'research and rating expertise will be assured through access to information and supervision and regular contact with other corporate responsibility industry professionals. The other non-participant states that the development of their employees' competence is based on the following pillars which are described at the website in more detail: staff development interviews; external training and education (no contents given); internal training and education incl. storyboarding (visualisation technique), presentation technique, project management, sales, web research, layout and design as well as teamwork; strategy days. None of the two publish the number of annual training days per analyst. (hinter chart Contents of training)

Structure of research team

Most of the survey participants (9) structure their research teams **according to industry sectors**, followed by 8 research groups structuring their CSRR teams according to **research areas**. 6 survey participants structure their research teams according to the **countries**. Some groups chose two or more categories. 3 research groups stated that their teams are structured holistically according to research areas as well as to industry sectors as well as to countries. Two survey participants structure their team according to other criteria, which are stakeholders and researcher skills respectively. One group has two separated research teams, one focused on SRI, and one focused on CSR.

6.2 Integrity and independence

Nine of the survey participants have adopted an integrity code for CSRR analysts. Most of them address conflicts of interest (7) and insider trade/ stock purchase (6). 5 of the codes address confidentiality and/or accuracy. Peer review, monitoring of compliance and violation of code and sanctions are addressed each by three codes. Two integrity codes address dealing on one's own behalf and one code addresses giving and receiving of gifts. One code is still being implemented. It will contain a number of the issues mentioned above. 5 research groups do not have adopted an integrity code, yet.

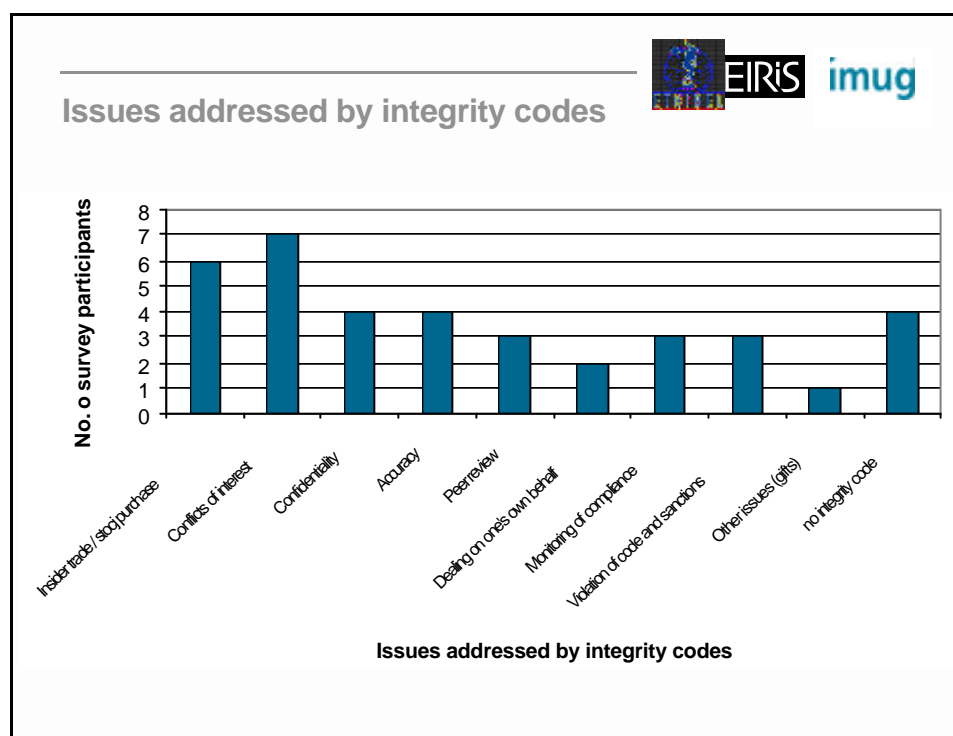


Figure 15: Issues addressed by integrity codes

One of the non-participants states to keep written records of the company structure, communications and staff roles and also implemented a code of conduct for the staff and the company which is not published at the website.

All 15 survey participants consider their organisation an independent CSRR group.

The research groups have established a **variety of measures for maintaining their independence**.

- Four groups stated that they **strictly separate** between research and other functions or activities within the organisation.
- Four groups stated that they have **no (external) shareholders** that might influence the research quality.
- Three survey participants indicated that they **do not have contracts with companies** analysed, e.g. consultation on the improvement of the companies' CSR performance. Three groups stated that they do not do asset management and do not invest in funds.
- Two agencies revealed a **variety of clients** as means to maintain their independence.

Further means showed by single groups are an internal document defining aims and limits of activities, a commitment of the board of directors not to influence the research department, not being linked to corporations or asset managers with regard to ownership and control, not being linked to campaign groups,, a tripartite shareholder structure of whom none has the majority control, not imposing a single methodology (based on clients), all decisions left to the independent scientific committee, and no rating carried out. One research group does not see independence as a critical issue and thus has not developed any procedures to maintain this independence.

Six of the survey participants provide consultation in the field of CSRR, carry out scientific studies or have other activities apart from their CSRR. One research groups also conducts asset management activities.

One agency explicitly stated that their consultation is only provided to companies that are not analysed by them. Another agency focuses their consultation on small and medium sizes enterprises (SMEs).

The other activities apart from CSRR mentioned by the research groups show a great variety including advice in the field of SRI product development, research in SRI funds, SRI market research, publication of research findings and research promoting SRI, studies on CSRR issues, Corporate Governance, training, education and workshops, articles on various topics, publication of an ethical guide to consumers, advice and management of social organisations as well as third world co-operation and studies.

The answers on how the CSRR agencies deal with potential **conflicts of interest** on the level of their company are also very different.

- Four survey participants indicated that they have internal codes or documents in order to avoid conflicts of interest referring to the analysts' behaviour or to the institutional independence from companies covered and financial institutions that are clients.

- Four CSRR agencies stated that their organisational structure is avoiding conflicts of interest by separating the consulting and the research departments either institutionally or personally.
- Within four companies, conflicts of interest cannot arise either because they do not have any business relations with the companies analysed or no asset management and consulting activities apart from research, or because they do not focus on commercial aspects.
- One of the survey participants indicated that their scientific committee has full, final and binding decision-making power in case of any alleged or proofed conflict of interest.

One of the agencies deals with potential conflicts of interest by means of communication. Another one stated that they mitigate the conflicts of interest to the greatest extent possible if they can not be avoided at all. Two agencies stated that they have not implemented any procedures to avoid conflicts on the corporate level because they have not identified such a risk. One agency did not answer this question.

With regard to independence one of the non-participants state at the website that the group works closely with their clients to provide support in terms of understanding the corporate responsibility issues while at the same time valuing their independence to ensure objectivity in research. The group does not give details how it maintains this independence or how it avoids conflicts of interest.

Reports and financial accounts

Nearly all of the survey participants (13) stated that they make their reports and financial accounts available. They use different formats of publication though, e.g. annual reports, economic reports, auditors reports and financial statements, information published on the website. Two of these agencies have to publish their accounts due to national legal requirements. The information is provided to their members, to shareholders, stakeholders, employees, customers and on demand. 2 agencies do not make any reports or financial accounts available.

Concerning the **skills and experience of the CSRR analysts**, a training or certificate for CSRR developed jointly by the research groups might provide a step towards achieving a consistent level of professionalism on an international scale.

An important element of the VQS should be **an integrity code for CSRR analysts**. Such a code has been adopted by nearly two-thirds of the research groups. The content has to be worked out by the research groups themselves but it should refer to conflicts of interest and insider trade at any rates.

The possibilities to maintain **independence** of the CSRR research (and the research groups) should be made transparent with regard to the VQS. A catalogue of options and elements for demonstrating and maintaining independence might be a starting point.

Financial statements or other public reports can support this and provide valuable information to stakeholders and the public in general to get a better insight into the structure of the independent research groups.

7 External verification

Some research groups are audited by other research groups (Practice among SiRi-Group-members). One group is audited by a cooperating working group which is coming from a university background. There is practically no external auditing taking place which is comparable to financial auditing or traditional quality management practices.

At present, external auditing is not the standard within all research groups. After the VQS will have been developed and successfully piloted (for a year or two), it might become necessary to have a third-party agency working according to this standard and being responsible for auditing and verification. This should be kept in mind during the process of the VQS development.

8 Next Steps

This report completes the **first work phase (A)** of the project. The analysis of the current procedures of quality management at independent research groups provides the background for further discussion on developing the Voluntary Quality Standard. All questions have been addressed by the 15 research groups participating in the survey.

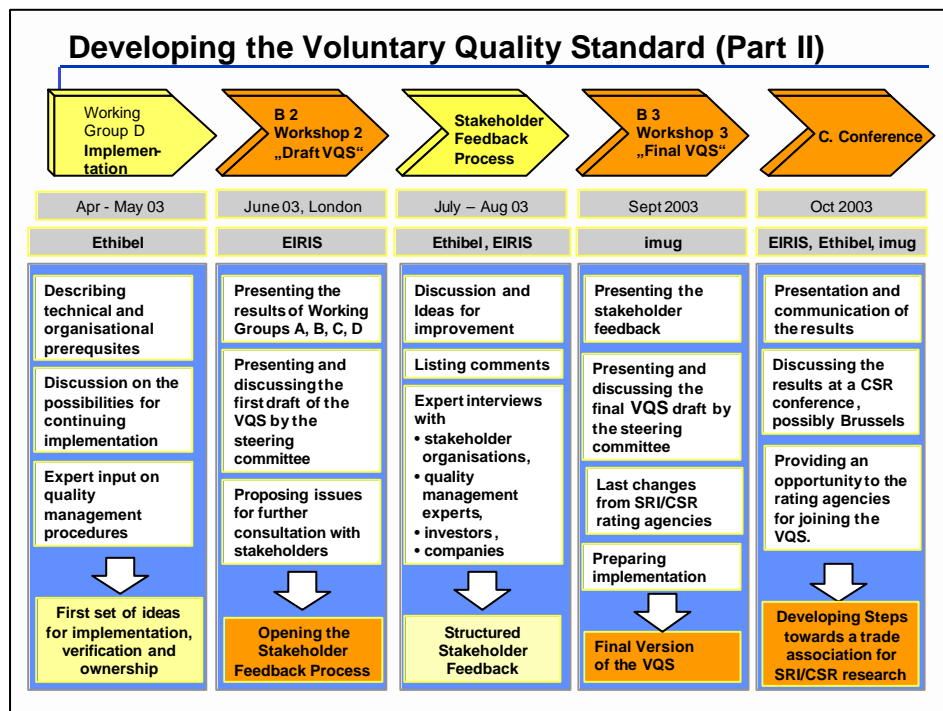
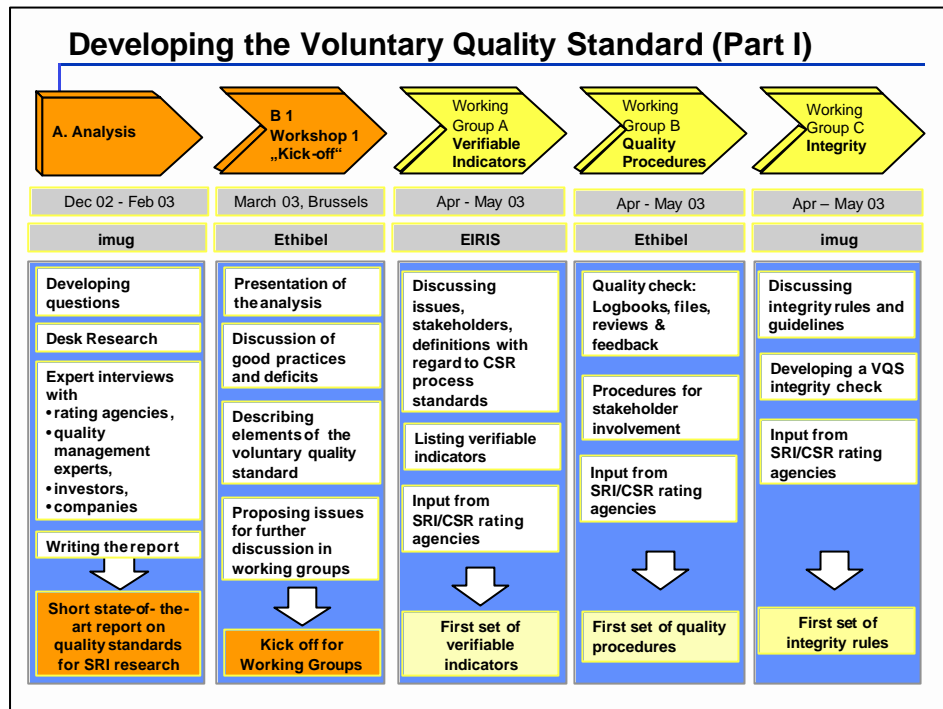
This joint discussion will start in the **second work phase (B1)** at a kick-off-workshop in Brussels in April 2003. The presentation of the analysis results will be on the agenda. Based on the report research groups need to discuss good practices in place and the deficits in managing quality control of CSRR. This will lead to a more concrete description of the elements of the VQS. Since the project has to be finished in October 2003, it seems reasonable to divide the process of defining the standard's elements by setting up working groups. The three research groups that have developed this project over the last year (steering committee) suggest four working groups dealing with the following aspects:

- A: Verifiable indicators
- B: Quality Procedures
- C: Integrity
- D: Implementation

The **third work phase (B2)** will start with a workshop in London in June 2003 where the results of the working groups and a first draft of the VQS will be presented by the steering committee to all research groups for discussion. The process of stakeholder feedback should be finished until the end of August 2003.

In the **fourth work phase (B3)** in September 2003 the stakeholder feedback will be presented and a final draft of the VQS will be presented by the steering committee. At this workshop changes on the VQS from the research groups will be discussed for the last time.

In October 2003 **results** on developing the VQS will be presented at the TBLI 2003 conference.



Annex

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CFIE (Le Centre Fran- cais d'Information sur les Entreprises)	52 bd Ornano 75018 Paris	Martial Cozette email : cfie@club-internet.fr fon : +33 (0)1 46 06 07 08 fax : +33 (0)1 46 06 05 06	www.cfie.net French only

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Research group	Address	Contact	Website
			<p>Sustainability index: selection, constituents, performance</p> <p>Disclaimer</p> <p>Annual report 2001 of Stock at stake</p> <p>Shareholders of Stock at stake</p> <p>Sector Analysis on European Car Industry 2001/02</p>
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<p>Fundación Economistas sans Fronteras</p>	<p>Avenida de América 33, 7ºb</p> <p>E-28002 Madrid</p>	<p>Marta de la Cuesta</p> <p>email : rsc@ecosfron.org</p> <p>fon : +34 (0)91 510 23 96</p> <p>fax : +34 (9)1 510 23 97</p>	<p>www.ecosfron.org</p> <p>in English:</p> <p>Organisational structure</p> <p>Main activities</p> <p>End of year report 2000</p> <p>Publications</p>
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PIRC (Pensions & Investment Research Conculants) Ltd	4th Floor, Cityside 40 Adler Street London E1 1EE United Kingdom	Stuart Bell email: stuartb@pirc.co.uk fon : +44 (0)207 247 2323 fax : +44 (0)207 247 2457	www.pirc.co.uk (www.sirigroup.org) Main activities Sample company profile Link to SiRi Group Publications
scoris GmbH	Lister Meile 9 D-30161 Hannover	Axel Wilhelm email: wilhelm@scoris.de fon: +49 (0)511 270 898 0 fax: +49 (0)511 270 898 27	www.scoris.de (www.sirigroup.org) in English: Main activities incl. information on sustainability and ratings, sustainable investment universes, investment consulting, sample SiRi profile, references Research concept incl. sustainability criteria and quality standards Corporate brochure (based on SiRi brochure)

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VIGEO - The European CSR Rating Agency	Les Mercuriales 40 Rue Jean Jaures F-93170 Bagnolet	Sarj Nahal email: sarj.nahal@vigeo.com fon: +33 (0)1 49 72 46 27 fax. +33 (0)1 49 72 46 10	www.vigeo.com site under construction, overview on the following: in English: About Vigeo: Shareholding structure, board of directors, staff (skills/ experience and nationalities) Products and services, clients Methodology/ description of different services incl. research areas and process, sources and verification, updating, quality control. research and development

