



Implementing and Disseminating the
Voluntary Quality Standard for Corporate
Sustainability and Responsibility
Research (CSRR-QS)
Stakeholder Consultation

Final Report

On behalf of
Association for independent Corporate Sustainability and
Responsibility Research (AICSRR)
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1. Background

The Voluntary Quality Standard CSRR-QS is drawn up by 16 independent European Corporate Sustainability and Responsibility Research (CSRR) Groups mostly working for clients on the financial markets, hence supporting and servicing Socially Responsible Investing.

Although the standard is currently European, in due course other international CSRR Groups will be engaged with in order to encourage their participation in, and adoption of, the standard. The intention is to make the standard a fully international one.

It is the first quality standard conceived and worked out at sector level in the field of CSR and SRI research and analysis.

CSRR-QS 1.0 has been drawn up with the objective of promoting confidence in those Groups performing Corporate Sustainability and Responsibility Research.

The standard aims to improve quality management systems, to stimulate transparency, to facilitate assurance processes and to form a basis for further verification procedures.

This standard covers the functions of Groups whose work may include the collection of CSR data and subsequent SRI-activities on the level of research, analysis, evaluation, rating, ranking, screenings, risks- and opportunities assessments, and all related products, processes, work procedures and services, and subsequent reporting of results of these activities to clients and other stakeholders.

Although these CSRR activities may have numerous outputs and clients, the CSRR-QS 1.0 focuses mainly on the operational requirements of SRI-related products and services.

The establishment of the standard was initiated in part by the European Commission, Employment and Social Affairs DG as the outcome of the project "Developing a Voluntary Quality for SRI Research". It has been drawn up in the light of the European Commission's aim to build partnerships for the promotion of CSR, seen as a contribution to achieve the strategic goal of becoming, by 2010, "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”.

Both the Green Paper (“Promoting a European framework for corporate social responsibility”) and the EC’s Communication (“Corporate social responsibility, a business contribution to sustainable development”) call for “more convergence and transparency of SRI rating methodologies”, request that “quality and objectivity should be ensured, not only on the basis of the information submitted by the management, but also by the stakeholders” and suggest that “external audit and internal quality procedures should be used to assure accuracy in the research and assessment processes”.

Currently the standard consists of two main elements

- The text of the standard which was published in November 2003 (www.csrr-qs.org)
- The Transparency Matrix, which will be filled in by each participating CSR research group. It was published to stakeholders in the second quarter of 2004. The Transparency Matrix will serve as a tool for independent verification.

2. Consultation process

In 2005 a Pan-European stakeholder consultation was carried out. The structured feedback intended to address needs/concerns/viewpoints of specific stakeholders. The process also did disseminate CSRR-QS 1.1 and the Transparency Matrix within the SRI/CSR community and beyond.

The interest groups can be divided into 4 categories:

- (1) Group 1: Customers (financial institutions, fund managers, institutional investors, national Social Investment Forums, ...)
- (2) Group 2: Corporate stakeholders (industry associations, trade unions, ...)
- (3) Group 3: Civil society actors touched by SRI, public administrations

(4) Group 4: Auditors and experts in non-financial rating and accountability

Due to limited resources the stakeholder consultation will take place in two different formats that are considered to be the most effective:

(1) 24 interviews with core stakeholders, including NGOs, trade unions, academics, financial experts, clients, companies, SIFs (face-to-face or by telephone)

(2) 6 regional focus group meetings with stakeholders (UK, Benelux, German speaking countries, France, Scandinavia, Italy). In each region one of the participating research groups did take responsibility for organising the consultation. (UK – EIRIS, Benelux – Ethibel/DSR, German speaking countries – imug, France – CFIE, Scandinavia – GES Services, Italy – Avanzi). In addition imug was coordinating the consultation and it was writing the final report.

3. Results

Altogether a 72 people from nine European countries were contacted in the course the stakeholder consultation, which took place from July through September 2005. A variety of experienced CSR / SRI practitioners coming from different backgrounds contributed their views on our draft version of the standard and the transparency matrix. For a full list of people see Annex “Participating Stakeholders”.

3.1. Knowledge

Key Findings

- Most of the interviewees have heard about the VQS (except in Italy, where nobody has heard about it – in France only one person at the roundtable knew of it)
- There is no knowledge beyond that expert group. Some people expect the news about it will spread as soon as the standard is used. Others suggest that we should step up

our communication efforts, e.g. by organising a conference when it will be launched.

- Most people we talked to thought there is a need for a VQS-type standard. BUT there is a lot of confusion about the objectives and the content of it. This comes across in particular in the Netherlands (“first of all the sector / association should make crystal clear what their purpose is”) and in the UK (“Most had heard of it but were vague about purpose and content before we met them.”).
- However, there is SOME understanding of the overall objectives, which was pointed out at the Amsterdam roundtable (“It is clear that this QS is not intended to compete on methodologies, but rather to be transparent. [To be transparent while retaining one’s own identity]”)

3.2. Process

Key findings

- Key concern regarding process was the involvement of other CSRR groups. (Netherlands “Why are core ratings, innovest, others not part of the AI and/or the QS system?” UK “And all groups [except Accountability and to some extent Sustainability] thought VQS should be open to all SRI research groups or else it has no use to them. They wanted it to be market driven, to encourage, not [as they see it does] discourage diversity and innovation – it should not be a blue print for how research should be done but a tool for understanding what different groups do – involve them all!”)
- Most stakeholders see independent verification of research groups’ allegations as a key element of the standard (except Sweden where people thought third party verification could do damage)
- And most stakeholders agree with the concept of AICSRR being the owner of the VQS, if there will be some independent supervision of it through the advisory board. (UK “Nearly all were ok with AI CSRR owning it – some

said having an independent board to be its guardian would be best.”

Belgium: “Is AI CSRR going to provide auditing and verification? If not, isn’t it a good idea to make AI CSRR the controller later on?”

Sweden “It is common that industry associations own their own standards – produced by themselves, as in this case.”)

Other issues raised include:

- “One should prevent the CSRR matrix to become a standard because CSR is not yet stabilized.” (France)
- “It is considered very important to understand the concept of confidentiality, especially related to the possibilities / suggestion of insider trading. The choice has to be made between the ‘reuter’ type work, based on collecting ‘public’ available information on companies, or ‘broker’ type research where special one-to one information is the trademark.” (Netherlands)

3.3. Content

Key findings

- The key issue of the entire exercise is transparency (Italy “More than harmonisation, the standard should promote transparency.”
Germany “the key achievement of the standard will be an increased transparency & intelligibility re CSR / sustainability research”
UK “Investors wanted VQS to focus on transparency, accountability, quality management”
Sweden “Transparency is the actual issue, more than quality.”
France “ The standard should require balanced sources but cannot impose a specific method to reach this criterion. It is more relevant if the agency shows transparency about the way it collects information”)

- Most stakeholders thought the standard and the Transparency Matrix are “too complex”. This box was ticked in virtually all face-to-face interviews.

(Italy “The matrix and the entire process seems quite complex to address relatively simple problems.”
 UK “TM seen as too complex and unuseable.”
 France “The CSRR-QS standard is too long and complicated.”
 Germany “most interviewees wanted an “easy access” to the transparency matrix and more focused information”
 Belgium “Would a more simple system not be possible?”
 Netherlands “The TM looks rather detailed, and it is not clear how all this detailed information is used by third parties. (...)It is considered important that the use of the QS/TM should be a ‘mainstream’ focus, and not create or support another niche market.”)
- A number of stakeholders were commenting on the lack of a “learning” and “target setting” perspective

(Belgium “I miss one uttermost important point: the dynamic approach of ethics, the concept of a learning organization. I believe that this is right the next step to the 4th and the 5th generation screenings, standards and labels.”
 UK “many said it needs to set targets for improvement and how they will be met by when [not asking for them all to be listed but asking for research groups to make these clear]”)
- It was a further key concern in most countries to make clear what is required by the standard (regarding independence, scope of research etc.) and what is an information aspect of it (eg number of companies under research etc).

(Germany: “all people wanted to know what a mandatory requirement of the standard is and what additional information is”
 France “There is an obvious conflict of interest between declarative and solicited notation that the matrix should take into account.”)

- A number of interviewees see the standard as being too output driven
(UK “the near universal response [only 2 or 3 grps thought differently] was that it is too output driven since it is too prescriptive. By dropping any methodological and related requirements that define what the research should contain this can be solved they said.”)

Other issues raised include

- The standard is built for large organizations and excludes small and specialized agencies. (France)
- It looks somehow that this QS is rather easy to implement for bigger organisations (i.e. EIRIS, SIRI) and impossible for smaller organisations (rest). So is this exercise meant to reshuffle the market? (Netherlands)
- It was questioned whether it is useful to distinguish between research groups and research methodologies (all research groups should be able to show methods, documentation etc. on all methodologies) (Germany)

3.4. Communication

Key findings

- People think about using it in marketing material, as a proof towards clients etc. (if the remaining problems are resolved)
- They also think more communication is needed re the standard (launching event with stakeholder participation etc.)
- Some said the name of the standard and of the trade association do not really work – they are too complex, too!

3.5. Specific opinions

Belgium

- “The 10 commitments look OK, however it looks like having little logical structure behind it. Why 10 and not 11 or 12?”
- “I have problems with the definitions as being used in the QS, paragraph 2.1. (definitions of CSR research)”

- “I believe not socially responsible investments, but rather socially responsible investors should be the targets! (...) SRI investors should be labelled or regulated by law.”
- “The QS concerns only the quality of the assessment process and not at all the quality of the product itself. Why is there no further definition of ‘sustainability’ and ‘corporate social responsibility’?”

Netherlands

- “In an introduction, there should be a clear understanding of where the sector is heading, or where it strategically wants to go.”
- “The verifier should be an accountant, no technician / engineer.”
- “How do companies receive more transparency from this standard?”
- “The Guidance Document for the QS is missing.”

France

- “Chapter 11.1: The title is problematic since the item is dealing more with the topic of balancing the information than of getting information from independent sources.”
- “The added value of extra-financial agencies is to give to its clients exhaustive information from other sources than the companies themselves. It is important that the standard requires from the agencies to collect information from various sources.”

Italy

- “The TM needs to stimulate innovation among social rating agencies.”
- “The analysis of the companies should be carefully distinguished from consultancy services offered to the companies in order to avoid conflicts of interests.”

German speaking countries

- “The professional qualification of an “analyst” should be defined – along the lines of ISO / DIN norms”
- “An ISO 9000 QMS should be part of the quality standard.”
- In the long run it might be necessary to seek a more formal structure for the standard, linked to national certification bodies.
- “You should define a core ground for sustainability research with clear relations to financial implications.”
- It was questioned whether it is useful to distinguish between research groups and research methodologies (all research groups should be able to show methods, documentation etc. on all methodologies)

Sweden

- “An executive summary of TM will be absolutely necessary – it is too comprehensive and time-consuming for your clients to assess. Then it will not be used and that is contradictory to the idea.”
- “This could be used as background material to the development of ISO 26000.”

UK

- A lot said main thing they want to know is do research groups do what they say they do – is their research fit for the purpose it is meant for in regards to what clients want to use it for.
- Most wanted independence as key element of res provider – and some felt that we should define that rigorously, especially excluding groups owned by Co's or clients – a few said comply & explain against strong guidelines would be fine

- Impartiality not properly captured which is key to integrity many said
- So much to report on that one could get lost in it all
- Some sections overlap and could be put together – like methodology and framework, research and evaluation – could they be put together and reduced (though most recognised need to be able to explain what each group does)
- Materiality and relevance were seen as too unclear in meaning though most wanted them in and some wanted more emphasis but all said grps should define what they mean by it
- Many wondered about cost – how could small gps afford it all. Who would have to pay – the client?
- One said if I 17 – 38 (quality control instruments and documentation) are what we are being audited against then need to explain how they are all implemented by having KPIs for them

4. Summary and conclusion

An intense stakeholder consultation with 72 participants throughout Europe has shown interest and demand regarding the voluntary quality standard CSRR-QS.

While most interviewees agreed with the basic concept of independently verified standard, a lot of additional efforts need to be employed on clarity of the underlying objectives and on transparency of the standard itself.

Key remarks include

- The standard needs to be open for all independent CSR research groups.
- It needs to be clear what is a requirement of the standard and what is a verified information.
- The Transparency Matrix needs to be reviewed in order to focus on the essentials (transparency, quality management, integrity, targets)
- Communicating the standard beyond expert circles will be necessary.

The participating CSR research group will take into account the stakeholders' opinions in further developing the voluntary quality standard.

Annex

Participating Stakeholders

Benelux

Netherlands (Roundtable, September 20, Amsterdam)

Mr. J.W. Hofland, fund manager, Mees Pierson / Triodos

Mrs. M. Sol, Dir. Stocks, PGGM

Mr. F. de Graaf, analyst, PGGM

Mr. H.J. Boer, fund manager, ING Investment Management

Mr. M. Smidt, Association of Investment analysts / Rabobank

Mr. Th. Ursem, consultant, KPMG sustainability

Mr. J. Piet, accountant, Transparability

Belgium

Herrman Siebens, chairman of the Flemish Network for Business Ethics

Dirk Coeckelbergh, director marketing & sales of Stock at Stake (Vigeo Group)

Erik de Keuleneer, president of the Executive Committee of Credibe (former Office Central de Crédit Hypothécaire)

Luc van Liedekerke, professor at the European Centre for Ethics KU Leuven

Luc Hens, professor at the Human Ecology Department, Free University of Brussels

Luc Heyn, Netwerk Vlaanderen

Eric de Smedt, business manager of In Society bvba

Olivier Decock, president of the governmental commission on SRI, the 'Interdepartmental Commission on Sustainable Investing'

France**Roundtable (July 8, Paris)**

Pascale Sagnier, Axa Asset Management

Martine Léonard, CIC

Robin Edme, FIR (Forum for Responsible Investment)

François Fatoux, ORSE (Observatory for Corporate Social Responsibility)

Blaise Desbordes, Novethic

Stanislas Dupré, Amnesty International

Aurèle Clémencin, Greenpeace

Georges Haig, specialist in social audit

Sylvie Fernandez, AFNOR

Face-to-face

Jean-Philippe Liard, CFDT

Bernard Mazzaschi, directeur administratif, petits frères des Pauvres

Françoise Quairel, University Paris Dauphine

German speaking countries**Face-to-face**

Walter Kahlenborn, Forum für nachhaltige Geldanlagen (German SIF)

Andrea Ramisberger, INRate, Switzerland

Olaf B. Koester, Felix Schnell, Deutscher Investment Trust (dit), Germany

Clemens Peinbauer, Kepler Fonds Kapitalanlagegesellschaft, Austria

Christian Kornherr, Verein für Konsumenteninformationen (VKI), Austria

Kathrin Graulich, Öko-Institut, Germany

Roundtable (in cooperation with SIF, held on September 9, 2005, Hanover)

Dr. Helge Wulsdorf, Bank für Kirche und Caritas
Dr. Aiko Bode, Gerling Cert
Micheal Brunk, rating analyst & environmental verifier
Sascha Roth, Volkswagen
Stephan Haug, Bayer
Axel Hesse, sustainability consultant
Dr. Klaus Milke, Chairman Germanwatch
Christine Hofmann, Stiftung Soziale Gesellschaft

Italy

Roundtable (in cooperation with SIF, held on September 13, Rome)

Davide Dal Maso, Italian SIF and Avanzi SRI Research
Cristina Bedini, Italian SIF
Giulio Zanaboni, Banca Popolare di Milano
Silvia Scopelliti, Banca Intesa
Del Conte , Banca Antonveneta and FALCRI (Trade union)
Emanuela de Filippo, CILS (trade union)
Barbara Marziali, Movimondo
Matteo Bartolomeo, Avanzi SRI Research

Face-to-face

Mauro Meggiolaro, Etica
Cristina Bedini, SIF

Sweden

Face-to-face

Filippa Bergin, Amnesty Business Group

Nadine Viel Lamare, First Swedish National Pension Fund (AP1)

Henrik Lindholm, Fair Trade

Sara Ellström, SIS - Swedish Standards Institute

Sarita Bartlett, SWESIF / IN2SRI

United Kingdom

Face-to-face

Sagarika Chatterjee – F & C Asset Management

Jennifer Kozack – Insight Investment

Julie McDowell – Standard Life Investments (by email)

Nick Robins – Henderson Global Investors

Jayn Harding and David Harris, FTSE4Good Index

Seb Beloe – SustainAbility

Alan Knight – AccountAbility

Penny Shepherd UK Social Investment Forum

Roundtable (August, London)

Chris Knight – Environment Agency

Jane Goodland – Henderson Global Investors

Paul Scott – Next Step Consulting

Lucie Sinclair – CO3 Consulting

Wayne Fletcher – CoreRatings

Gerrard Llewellyn – Ethical Screening

Annex: Questionnaire, see following pages



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

Questions for Stakeholders

May 25th, 2005

Contact data

Organisation	_____

Person	_____
Function	_____
Address	_____

Phone	_____
	Fax _____
E-mail	_____
Date	_____

A Concept

A.1 Have you heard about the CSRR quality standard before?

- No
- Yes

How did you find out about it?

- conference
- website
- clients
- media

Other:

A.2 To what extent do you think there is a need for a CSRR-QS type standard?

If so, why, who will use it and for what?

A.3 What do you feel you need to know to be assured of a CSRR groups' research quality and integrity?

A.4 What should be the key objectives of the CSRR-QS from your point of view?

A.5 Do you think the CSRR-QS is known widely enough in the SRI/CSR community?

What can be done to improve knowledge on the CSRR-QS?

B Content

B.1 Are there any key elements missing from the standard?

No

Yes

Which?

B.2 Which headings do you think are correct or relevant and which are not?

Heading	rele- vant	key	op- tional	Why?
CSRR Methodology				
CSRR Framework				
CSRR Research Process				
CSRR Evaluation Process				
CSRR Stakeholder Involvement				
CSRR Products & Services				
CSRR Integrity				
CSRR Quality Management				
CSRR Disclosure & Communi- cation				

B.3 Do you believe the CSRR-QS will increase transparency, accountability and integrity of CSR/SRI research? How?

If not, why not?

What can be done to increase the effectiveness of the standard?

B.4 Does the Transparency Matrix cover all relevant CSR/SRI research issues?

Does it answer all your needs?

In terms of complexity, do you find it

- too complex too simplistic just about right

Other:

Is there anything you want to see added?

Removed? Why?

B.5 To what extent is the balance between open and closed questions of the Transparency Matrix correct?

Are there any specific questions that you would like to see either open or with greater room for explanations?

B.6 This is meant to be a process, not an output/product orientated standard. Is there anything in it which you feel is not process orientated?

B.7 Does the Guidance Document sufficiently explain its terms and definitions? Are there any terms or phrases in the Transparency Matrix which are not adequately explained in the Guidance Document?

B.8 What should be published to you?

- A list of the verified research groups
- A list plus the full transparency Matrix
- A list plus part of the Transparency Matrix

Other

Please explain

C Use and further development

C.1 Who should verify compliance with the standard?

What does verification / assurance mean to you?

C.2 Who do you think should own the standard?

C.3 How could you envisage using the CSRR-QS in your work?

Please explain

C.4 Do you see possibilities of supporting the CSRR-QS?

No, because...

Yes

- Press release
 - Publication on website
 - Incorporate it in decision-making processes
 - Join the activities for further development of the standard
 - Other forms (please specify):
-
-

C.5 Please specify the most important aspects for further developing the CSRR-QS:

1.

2.

3.

C.6 Any other comments?

Thank you for your cooperation!