TRIPLE BOTTOM LINE REPORTING

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This is a transcript of the lecture as it was presented at the conference and has not been edited for content or grammar.

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"My focus is to make sure they feel continuous, excruciating pain. And I do that by allying with the financial market. So, they have the money, they've got the power, when <not audible> was mentioning that UBS and access centre CEO's there, that might not say very much to you, but those two companies combined have about nearly three thousand billion dollars in assets, those two, just those two. And if you look at the top twenty five asset management companies in the world the number one is twenty five hundred billion dollars (that's the Japanese postal bank system), then it's UBS, then it's <not audible> and it goes down… you get to twenty five or thirty and it jumps to thirty billion dollars. So the whole financial world is really controlled by a very, very small group of people. I can influence that because there aren't that many to influence – that's why I do the conference. So, that's why I focus specifically on the finance community, and I'm going to give a short talk about triple bottom line or triple bottom line investing, which is basically looking at a company in a holistic way, looking at their social impact, weighing what is the social performance of a company, looking at their environmental performance, what is the environmental performance – I agree totally with the previous speaker except the fact that the airline industry is subsidised eight hundred billion dollars a year. So you are all paying for airlines, by, if you buy a bicycle in this county, there is nineteen per cent sales tax – if you buy a plane ticket, there is no sales tax. If you buy a litre of gasoline for your car it's about two and a half Guilders a litre, if you buy a litre of kerosene for the airline, it's about fifty cents a litre. So, under those conditions of course there'll be growth, but if you did it the other way, and you say 'well, let's take away VAT for cars', we'll take away sales tax and tax for gasoline', there'd also by a lot of car sales, and a lot of traffic. So the growth of the tourism is very, very heavily subsidised, particularly airline industry, so that's the only thing I have an exception – for the rest I totally agree with everything that you said.

So, that is the concept of the triple bottom line – looking at a company, their financial performance – they have to make money, you know, having gone bankrupt myself twice, that's the most irresponsible thing you can do – so, I know that – you have make money, and you also have to improve, at least, the social and environmental performance. Many companies are saying 'we're socially responsible' – because they don't know what it is. They want a very, mediocre, low-level definition of what is responsible business. And the fundamental classic definition, which I'm sure you work with, is basically; are your products and services worsening, maintaining or improving the social/environmental balance?

If you're not improving it, in my eyes, you are not responsible. If you're maintaining it at best, you're not really a criminal, but you're certainly not resolving the problem. And most companies, ninety five per cent, are worsening it. They are not maintaining the balance. Most companies are worsening the social/environmental balance. You know, when you consume and produce there is a lot of pollution.

So the forces that are pushing this whole corporate social responsibility, or triple bottom line, are three: finance, personnel, (so the value of the shares, or the value of the company if you look at it in a little bit more enlightened way, personnel – finding and keeping the best and the brightest) and reputation. I can influence finance and personnel by focusing on those twenty-five super tankers, and I teach at some MBA schools, and if I get through to students that about the strategic importance of sustainability, I give them a questionnaire, next time you go for a job interview, you interview the interviewer, you try to find out what are the values of that company. Usually international MBA's are very, very highly wanted large multi-nationals, so if that only happens two or three or four times, that recruiter reports back to the director and says 'there is something strange going on, there are students who don't want to die rich, and there are students who are not really motivated by a big car'. Reputation I can't influence. That's a factor of many, many, many, many pressure points, but for finance and personnel, I can influence, particularly finance.

Let me go through, just briefly, what is happened in the last year, which is pushing this whole movement very rapidly, in spite of the fact that the media has not discovered this – this is probably the largest quite revolution going on, and it's encouraging to hear there are some positive things also happening.

There's been massive, but I really, massive growth in responsible investing, or triple bottom line investing. In some countries, like <not audible> management are starting five or six funds in the last year, UBS has started quite a few funds, the pension funds are shifting more and more of their money towards green funds, not because they want to save the world, because the more they know about a company, the lower the risk. Some of them actually believe that there is no point in having a pension if you can't breathe, but in general most of them are understanding that it's an issue that there's the man from the consumer, and the more we know, the lower our risk. And also they looked at the figures that in the worst case some of these funds do just as well, and sometimes they do better, so why not. So, there you're seeing on the retail side, institution side, massive growth. You've had probably the most important legislation ever created in the world, in the UK about twelve or fourteen months ago, which said to pension funds, 'you do not have to invest your money responsibly, we don't require it. You just have to say whether you're doing it or not'.

So when you require pension funds, which, you know, own most, a lot of the shares on the stock market, that you have to say 'we are screening our investments, we are investing our money responsibly', it's politically incorrect to say 'we're doing nothing'. So by actually that law, had a dramatic influence in creating the groundwork for getting a shift in the mentality of the pension funds. I'm not saying that they've all shifted all of their money everywhere - that will not happen that quickly. You have people invested in private equity, you have people invested in real estate, you have people invested in bonds, you have people listed in the stock market, so it's going to take a long process, but the fact that many of them came to Rotterdam - you would have never, ever seen that type of dialogue before. It's becoming a very important issue for them. France changed their pension law. I'm still trying to figure out is there an SRI coefficient in there, but there is some wording about responsible investing. Germany changed their pension law. Australia requires now companies to invest pension funds, to invest money responsibly. So you're going to see in the next five years, what was very, very small market of maybe five or five billion dollars, or ten, you're going to see going up to five hundred and eight hundred billion Euro. So that tidal wave of money is going to put massive pressure on companies that I can do a thousand lectures at (no Exxon is bad example because they're not interested at all), but let's say Dupont: One phone call from the head of financial investment from the capital group or UBS asking 'may I please see your environmental audit externally verified, and your social audit externally verified' has much more impact. You get their attention. They wake up. The problem comes, is that when they wake up and they call their accountant, KPMG or Cooper, and say 'send us your best people', if you add up all, globally, all of the qualified consultants to carry out the institutionalisation of this process, they are not there. So those companies that started late, are really late. That's another pressure point. That's another fear factor. You're not going to get companies to do anything unless they feel pain. As much as you'd like them to do the right thing, they won't, if they were going to do the right thing they would have done it a long time ago.

You're having also success of some of the investment funds. Reputation is becoming incredibly important to companies – they can build up their reputation for twenty-five years and lose them in ten minutes. So the larger the company is, the more vulnerable they become.

You're having consumer demand is rapidly increasing. The EU is rather unique in the world. The EU is fundamentally funding many, many, many projects on responsible investing. They are the only government organisation I know in the world that is funding a network for social responsible investing for Europe, the European Social Investment Forum is funded by the EU. They're funding a large research project, which we're part of, to develop a better model to determine a company's responsible as triple bottom line. They're funding a guideline for all the screening organisations to determine that they have to work in a certain way. It's very, very unique, its not really being publicised very much, but they've put up twenty two million Euros to get this process moving. And if you know that, if you speak to any screening agency, the total amount of money needed to do a proper establishment, of getting a better model, is between five and seven million dollars. And then you can immediately screen all of the companies properly. It's a very small amount of money, and the EU is putting up twenty two million Euros toward that.

You're also seeing, finally, some private equity funds starting, venture capital organisations starting to invest their money according to sustainability principles, or triple bottom line. Kioto went through without the US, which I was quite sure that it would, but it went through, and the **large ECO** was not at the table, but it still went through. That happened also last year.

There's a screening guidelines project going on from the EU at the moment. They're having also; trade unions are finally discovering that they have a lot of social capital. That all of their money that is tied up in pension funds, they're deciding now 'well, if we don't want a French company to build a pipeline in Burma, should we not load the ship? Or should we divest our money from that company?'. So, that is also happening now.

All of that is developing – so you're having this very, very rapid moving **calice** high-speed train. And business is riding in an **oldish vo** in front of the train. They are just totally out of touch with what is going on, and believe it or not - you probably won't – the finance community is way out in front. Finance is much further than business, and government, except for the **EC** social employment, is behind. That's kind of the groundwork that's going on now. It's very, very encouraging because when I, you know, three years ago, I couldn't get anybody who was really managing any serious money, to come. Now they're calling me – 'we want to come and tell you what we're doing, we're moving much further, and we want to do micro-credits, etc, etc, etc'.

(Audience member: "What about the green paper?")

The EU likes those types of statements, but they're not always in touch with reality. I've been trying to get the Dutch government. Holland, eight years ago, had a very large lead over the rest of Europe – they've gone from second place to about eleventh place with relation to sustainability, because this government is not interested, you know, so I think the issue is forcing companies to be transparent. You can't legislate that they have to be responsible because then you have to quantify that – I don't think a government is able to do that yet because there are a lot of screening agencies that can't do that yet. So what I think is more needed is requirement of procurement from government – don't buy from companies that are blatantly being irresponsible and require pension funds, and asset managements to be transparent as to whether they do or they don't invest their money responsibly. Don't require them to do it, but let them be very frank, whether they do it or don't. And then the market will beat them up because the market, you know, as horrible as the world is, the market is moving into the direction of sustainability – there aren't any companies that I know of who wants to pollute more, who wants to use more energy for the same amount of turnover, who wants to exploit more people, who wants to have more child labour. No company I can think of, perhaps some of mafia involving toxic waste transport, is concerned about that, but most general companies are not interested – they're not going in that direction. For that, it's very, very interesting.

Then we had the World Trade Centre bombing (show's picture) I don't know if you can see that. It's next to the Brooklyn Bridge. And that should have been a very powerful signal that we need much more social investing. You know, there's no point in going after mosquitoes – you've got to clean the swamp, drain the swamp, clean it, plant some trees. So, unfortunately, that's not being talked about very much now.

The market went down, so there's a lot of panic, in spite of that panic, we have the largest turnouts we've ever had. Maybe because the finance community has discovered it's in their interest – it's in their interest to invest their money like this – the consumer is demanding that. They haven't got the complete mandate; earn less, but make the planet more habitable. They haven't got that mandate yet. But, that's a question of communication to people who have a pension, or people who invest – you can do both.

I'd like to read one quote as a reaction to what happened:

" It is of vast importance that our people reach some general understanding of what the complications really are, rather than react from a passion, or prejudice, or an emotion of the moment. It is virtually impossible, at this distance, merely by reading, listening or even seeing photographs, or motion pictures, to grasp, at all, the real significance of the situation. Yet, the whole world of the future hangs on a proper judgment. Possibilities of disturbances arise as a result of the desperation of the people concerned. There could be no political stability and no assured peace without economic security, and that US policy was not directed against any country or doctrine, but against hunger, poverty, desperation and chaos."

George Marshall, 1947

So, we do need a Marshall planet. The US was smart, after paying their dues, put up fifty billion dollars, Europe chipped in fifty billion dollars, Asia put in fifty **billion,** every year, because the amount of money is, as I said, eight hundred billion dollars a year for military, and it only costs (I have the figures here - 1998); nine billion dollars would provide water and sanitation globally. I'm talking about nine billion dollars **NETTO**, I'm not saying billion dollars given to the government, and it filters down to hundred million dollars – **NETTO.** If you spend nine billion dollars, twelve billion would cover reproductive health, thirteen billion would provide basic health for everybody, and six billion basic education.

If you realise that in many places the only education provided – in places in Pakistan - are the ones that are being indoctrinated into violence. So if you can't have any education you'll go the other way. So it's very cheap. And a war's expensive – peace can be very, very cheap. So, from an investment point of view, it's much smarter shifting a small amount, and you would probably win over more hearts and minds. Where we are now with respect to this whole process, if all this money is going in this direction, and the finance community wants to do that, then they also want to know 'well, how do I know if a company is actually performing socially and environmentally well?' That is where the major weaknesses occur now. If you

listen to the screening **marfio**, the screening organisations, they believe they are doing a wonderful job. And it is a very poor, inferior job they are providing. And it was OK, you know, when it was five million dollars, or five billion dollars, but when you're going into five hundred billion Euro – that's very serious money, and when a pension fund says 'we invest our money responsibly' they don't want to see on the headlines somewhere that the company those chose is actually a horrific polluter.
So the method that's used now, I call the O.J Simpson method, which is basically self-assessment. I send you, as a corp. multi-national a large form, and there are two people, or three for a company of three hundred thousand, that fills in all this information. None of it is verified. Most of the cases they have no externally verified environmental audit, or social audit. So I fill in this form, it comes back to the organisation, and they check it. And they check it with three organisations that know nothing of your company. They check the media. The media discovered, yes, the World Trade Centre was attacked. But they can never discover that it could happen, and most companies are basically a can of gasoline next to a burning cigarette. The issue is; how far is the burning cigarette from the gasoline, as an investor, that I can lower my risk? So the media knows nothing of a company – they process press releases. That's their job. They don't go out and actually start screening a company of three hundred thousand to find out what is the internal health of them. So this is one of the supporters to justify the data – the media. Second, NGO's; If there's not a conflict with an NGO the NGO knows nothing of what is going on within that organisation on an internal health issue. Thirdly, unions; if there's not, again, a major conflict, the union does not know, and cannot determine what is life like for the people who are working in there among a hundred and fifty thousand employees - they just don't know. So this very weak system is fuelling the decisions of hundreds of billions of Euros. So it's very, very, very, very, very weak and very dangerous, because if they… well, that it's basically illegal - what's being done now. Because if you believe that triple bottom line, or responsible business is a competitive advantage, and I think most of you do, then the information that's being given to a screening company is price-sensitive. Price-sensitive information, by definition, has to be put in public domain. So now it's being given to one investment company by a screening organisation, from a company – so you're going to have very serious problems coming up soon by one of the pension funds who's going to declare that information must be put in public domain. Which is going to affect this whole process – it could slow it down. But in general, it has to be much more professional in getting insight – how well is a company doing? - Because at the moment most of them don't have a handle on it. Some of them do. The one's who have been doing it a while. They're in a very strong position. But many of them – I had to do an article about a large Dutch retail company for the financial newspaper here, **Aholt**, and I know they're doing a lousy job, but it sounds like they're doing a great job, so I asked the person over there, I asked them five things: How much energy do you use? He couldn't tell me. And he gives me this non-sense story 'I can't tell you because our energy supplier was not able to provide the information exactly how we want it' I don't know if you've ever supplied a retail supermarket chain, but they determine the size of the product, the cost of the product, the packaging of the product, when it's delivered, how it's delivered - and you're telling me that this company can't ask the energy company to provide the information that they need? It's not an issue for them, it's not important. If it were important, it would have been done. So getting that information out is often non-available, non-important, but now they are being pressured by the financial community, and they are very sensitive to that. So we have to do something about that. Unfortunately, I don't think they will be able to provide that information in the time that the financial community requires. They are not willing to wait five years while you get your act together. For the investor the challenge is basically – they have to determine what is their legacy going to be?

And I said that also to the UBS's, 'do you, or your clients want to support, profit and facilitate environmental and social destruction?' That's the question, the rest about 'yeah, we'd like to lower our risk…' Basically, do you want to profit from environmental and social destruction, or do you want to support, profit and facilitate environmental and social restoration? That's an issue what all these financial people have to determine, and now that they're discovering 'hey, we made it very comfortable for all these unusual multi-national companies who were white-washing money through here to fund terrorist organisations or toxic waste, is not coming back to bite us, and it's affecting our reputation, which means it might cost us customers.

I don't know if you know the story why the Swiss banks actually finally decided to pay the reparations to Jews, they were a perfect example of incredible pain. The controller of New York City said 'if you don't get it together, I'm going to take away your license and pull all of my assets out of your pension funds – period' That got their attention.

The risk factors, particularly for the financial community who is very focused on stability and predictability, is climate change, which is going to be very, very serious. If you realise that hurricane Andrew almost bankrupt Lloyds of London, and hurricane Andrew never reached a city – it never hit Miami, it only hit small towns – it almost bankrupt Lloyds of London. And I said that to the association of insurers here, and I told them the problems of climate change, and global warming, and the sea rising, and the head of a large Dutch insurance company stood up and said 'that's not a problem for us – we don't cover salt water damage!' So I said, 'that's true, but you sell mortgages. If a hundred thousand homes come under water, which are worthless now, and you have provided the mortgage, and those people can't pay the mortgage, you have a problem'. So at that level of meltdown, that's what we're talking about, and the financial community has a lot of difficulty dealing with that. But they also change very quickly; when I gave a talk in France on this issue they weren't interested. Two months later they had the biggest storm in their history, and now they're very interested. So, things change when organisations feel pain – and I think that's the same for us.

I don't want to go too much into all of the statistics to back it all up, and the concept is wealth is 'urban sprawl of poverty and people having nothing to eat', or success is a programme like 'Big Brother' or 'Jerry Springer', and failure is two and a half million people in prison in the United States. They're also the largest contributor to California politicians is the prison association – not doctors or lawyers.

One of the dark sides of the success, if we look at some of the figures, is that the Netherlands, which is a very successful country – fourteen per cent of the working population are on disability. Most of the health insurance company lost money, because as you have more climatic problems and the sperm count goes down, you have to in vitro for a large number of people, and that costs a lot more money. And because the stress factor has gone up a lot more people are sick, and it costs you more money in health insurance.

I think the most important issue that happened in the last five or seven years, was the collapse of 'Biosphere II'. I don't know if you remember that – there was an attempt in Oracle, Arizona to replicate the earth, and it failed after about fourteen to sixteen months - Biosphere II. So they put about fourteen or sixteen people, locked them up. They had their own savannahs, they grew their own food, and everything collapsed! The air reached levels of Nitrogen Oxide, which is like the top of Everest – people couldn't breathe. They had a plague of pests. Every living creature/system died. Plants, animals – they all died. And that should have been a very important signal. Biosphere I – the Earth does it for six billion people, everyday, twenty-four hours a day, and no one counts that in their balance sheets. You know, what is fresh air worth? What is clean water worth? If you are a brewery you know what it's worth if you don't have clean water. So that issue didn't get through, and I think the further the deterioration of Biosphere I – the Earth, and the reaction of the financial community will

just speed this process along. So I am extremely optimistic because I have basic confidence in the greed of people. And when people see that they can have better security, lower risk, better returns looking at companies this way, they'll beat up the companies – that's what the EU is doing now.
I'd like to close with a short quote, also by **Gamby:**

'There is enough on the Earth to meet everyone's need, but there is just not enough to satisfy all of our greeds'

But at the same time, I prefer working particularly with irresponsible business and irresponsible investors because they are often professional, and if you can get through to them and show them their security, their long term strategic survival depends upon them embracing sustainability, they will do it. They will do it. But you have to have to talk in their language. There is no point speaking Chinese to someone who speaks French. So you have to speak their language, and if you do, you'll get somewhere. And it is happening, it's happening very, very rapidly - but it is not a big, loud revolution. Not one person from the mainstream press, not one out of one hundred and fifteen invitations I sent came. Does that say more about us or does it say more about them?
(Someone in audience asks inaudible question).
I invited one hundred and fifteen press people from the mainstream financial press - none of them came. The only one that was going to come worked for the **'Financial Dachbar'**. She became ill. Her paper was a sponsor of our event and they didn't find a replacement for her. That's why I don't focus very much with the press – I focus with the business and the finance community. And it is happening. You can see all the horrible statistics, but the other side it's happening. And it's happening very, very, very, very rapidly. Thank you. If you have any questions I'm very happy to answer them.

Questions from audience (all barely audible):

"I read in the paper about the ethical funds since September 11th and that they had the highest rate of return with the funds"

I don't believe that. No, that's not true. They've lost money like other funds. Some have done well - some have done poorly. The ones that were very focused on ICT because they thought well, you know, they were cleaner – they got a beating, just like everybody who was invested in information technology. Pension funds don't look this weak. They're not day traders – they have to think for twenty five years, which is why they invest in real estate and private property and they invest in private equity, they invest in stocks, and they invest in bonds. They have a long-term view. They're not going to be excited that this week is done – day traders do that, people who's goal in life is dying rich. And they think that's an achievement. But most of the mainstream people have taken a very – if you look at how, unfortunately the woman from **Alionce,** which will probably be the biggest bank, she did not give a good presentation, but what many people did not know was that she is not from the finance community. She was an environmentalist. She was from the EU. She was given board approval; she was given money and staff to institutionalise sustainability within the entire **Alionce** network. I find that an incredible accomplishment, a major milestone, to get that. You try to get a few interview works for large companies, you try to get something, try to get money to go visit a conference somewhere now. So that was very important, and the major institutions have been looking at this for a long time, and they're just trying to get a handle on it. They don't feel comfortable in the screening process as it's done now, because, I remember Adidas was kicked out of a fund because they say 'Adidas deal is in military'. What happened was that Adidas also made training suits that was also purchased by the army. So are they promoting, are they in the military business? So some of the screening procedures are in the very, very infantile bases, and it'll get bet. It'll have to because the pressure is very large on getting the quantum leaps.

*"You talked a lot about the actual investment of money manager himself, but less about the actual owner of the assets, either the private individual or the pension fund board or whoever is sitting there and controlling the assets. Can you decide the actual asset manager himself because ultimately he is the **mobile**; he has more work in the investment style. What is the driving force that is actually running through the mind of the asset owner that he says 'I want to move more towards this, or what can we do to promote this thinking process that we as individuals with our own private assets that we have, or that we as individuals partly have with pension funds, that we can some how contribute towards this move'?"*

Give them very clear signals that you want that. The head of **PGGM**, which is a pretty big pension fund, it's a third of the size of **ABP**. Both of them sent their chief investment officer they represent about two and a half million people who have pensions which is a lot for a country of sixteen million people. PGGM has one third of the assets but is much richer because they perform better and they have more discretion with money. But even that person, they've made the decision that eventually we're going to shift all of the assets towards sustainable investments. They don't know how they're going to do it with their real estate investment, they don't know how they are going to do it with private equity, because there are no major large-scale sustainable private equity. They are still only talking about these funds have to perform as well because they are not getting a mandate from the pensioner themselves. The one or two and a half million pensioners they're not writing in letters – 'you know what? Make less money. I don't care if there's a pension there in twenty-five years. Make less money, but put that money in micro-credits, and fix up the mess that we've created.' Some do that. The ASN is probably one of the more unusual funds that have about one hundred and fifty thousand shareholders. They're a publicly traded mutual fund. And they say specifically that the shareholders say 'we don't care if you have lower performance; we want to know what did you do to influence policy at companies to make them more sustainable?' So if the directors and the asset managers and the fund managers get those signals, they're only doing what you've asked them to do. If you're happy with five per cent or four per cent or three per cent or two per cent return, they're happy also – it makes their job a bit easier. But at the moment their focus is very much 'I'm hired and I have to jump so high to provide money for your returns, and until I get a signal fro you that you're happy with less, I will do that and I will be sceptical of speeding up this process'. So if you have a pension somewhere tell them that you're happy with less, or tell them 'I want to be offered (I don't know if they have it in Europe) a pension plan which does do sustainable screening of their investments'. They have to get signals from you. If they don't get signals they'll carry on the same story; 'well, it's got to perform as well', and some of them say it's got to perform better. Why that is, I have no idea – that's just ignorance.

"There is an index of sustainable companies"…

(Reply – there are hundreds of sustainable index).

***"…But what is the idea to ask for a command?** There was a speech this week, I think in New York, from the head of the institution responsible for development of the IAS standard: he was telling that he wanted to reduce the amount of time and money which is needed by the companies to report."*

Of course, in his perception it costs the money and it's not a finished process. But the financial account system is not that told either. I remember when BMW bought Rover: Rover had a profit of, I think it was, one hundred and fifty million dollars or Euros, and after BMW bought it the same year, they had about an eighty million dollar loss - the same financial accounting. So the financial accounting system is not perfect. It's developed over a relatively short period of time, and the environmental accounting is even shorter but it's making much more progress. So people from the accounting system who have to put their signature on something feel uncomfortable with this because they don't know very much and it's a work in progress. So, if you're a registered accountant and you've got to put your signature on something, which happened in the case of Shell and Heineken – the control was no that good, the information provided was not that accurate. So I can't understand why IAS says 'well, we don't want to spend too much time on this'. You know, they're going to have to be spending much more time. Until they integrate it totally into their yearly report, which is what the financial community wants, and one universal standard, with external verification, they're just going to have a lot more phone calls from the UBS's and the **Axa's** in the world – and they'd better be ready for that.

"I was wondering whether there was any progress made in the criteria of the screening – standardising it in Europe?"

Yes, but it's still terrible. I'll give you an example: when I had to write that article about this large multi-national and they had no statistical information at all. The three best screening companies in the world gave them huge high marks on sustainability. And I asked them 'how do you do that – there are no figures, there is nothing to base it on? You can have a membership card for a fitness centre, but if you don't get on the scale to weigh yourself you can't say you lost weight. And that's the issue – if you're not measuring anything, you have no statistics to measure it, you're not losing weight – you can't claim that'. And they say 'well, we had a factory visit'. Well, I had a factory visit too – I went to the same person too and sat around, and very charming, had some coffee, and they didn't tell me anything. They didn't say anything. They had no statistical information. But it's all anecdotal and it's cute, and it's nice, but that's not good enough, that's not good enough. So the quality has gotten better but it's by far a long way from where it is. I think one of your EBBF members, Richard has the best social audit – he's got the best one. Of all of the ones I've seen, it works, he interviews all of the employees and he gets better insight into the internal health of the company. Richard Barry – he is excellent. He's part of the project we're doing now of trying to come up with a better **mousetrap**. What screening organisations do is they like to ask more questions, but it's not an issue of more questions, it's an issue of relevant questions and questions that can be externally verified. Until you get external verification, it's totally meaningless what a company is saying – totally meaningless.

"This question about the number of different standards and the number of different sorts of indicators that everyone is looking for from companies is obviously causing a lot of confusion. I entirely agree with you that investors are the most powerful implements on

*businesses and the ones most likely to shift their behaviours, but is there any evidence of any consultation and working between the screening agencies, who are getting this information from investors, and all the others who are trying to collate information and present it to other **state coolers**, because there is a sense in which companies are being bombarded from lots of different directions, and of course that actually reduces the effectiveness…"*

It's brought into consideration the whole screening process. If you speak to the companies that are quite far, that have sold off entire divisions from nuclear power plants production, dam construction – sold it off. You don't get, you know – I don't see Phillip Morris selling off Marlboro - it doesn't happen that often. So when a company does that and decides to focus much more on sustainable development, they've been doing it a long time. And they get thirty or forty or fifty questionnaires, all of which from companies that are not certified or carry any weight at all like a registered accountant. You don't approach a publicly traded company and say 'you do the bookkeeping yourself, you have a bookkeeping department, you don't need a registered accountant. I as an investor will totally accept that'. That doesn't exist. So because none of the screeners are certified or carry that weight there is a lot of reaction from the people who have been busy at this and said 'this is not a process that we want to continue down this road', and the alternative, which is GRI (which is Global Reporting Initiative) is going to take ten years at best before you have a certain number of companies that are reporting that way. You have to have two hundred and fifty, five hundred, seven hundred and fifty large companies starting to report for investors to have any relevance at all, and that will take minimum ten years or more, and so what are you supposed to do in the mean time? The companies that are further down the road are very dissatisfied. The ones that are early, the only thing they can say is 'oh, I'm in the **Dowe Jones** sustainability index' – like that means something. They had two people screening two thousand companies, how much time do you think they had? And those companies had no information, but then they got great marks. So it's by far not good enough, and if it doesn't start to really move in another direction you're going to have companies getting together to find another way because it's creating a lot of friction, a lot of irritation.

"How does the security look in the central Eastern Europe… (rest I can't discern)?"

"I gave a talk in Poland, and actually I was very, very surprised that people came and that I met the head of the employers association. The discussion relating to issues on social consciousness were much further advanced than, certainly the United States which is in the twilight zone compared to Europe, and they're in a much worse position- they have to really make some very, very difficult decisions to get into the EU – very, very painful decisions to do that. Although I think that in Eastern Europe the entrepreneurs are often in the NGO scene, you see a lot of entrepreneurs in sustainability that come from the non-governmental organisations, and this whole development 'a venture for **anthropy**' which is going on in Eastern Europe, which is not in Western Europe. So I'm actually rather optimistic. The moment that people see that you can make a difference and be profitable, it's not a trade off. At the moment the profit is coming at the cost of someone else. So all your profit that you're making, someone else is paying for – either this generation or the next one. So that is also not a sustainable way. So I was rather encouraged by Eastern Europe who has a much more difficult time.