



Closing the Information Gap

Documentation of the SÜDWIND
Workshop "Closing the Information Gap"
20th November 2007, Bonn

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“Closing the Information Gap”

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Closing the Information Gap

SÜDWIND Institut für Ökonomie und Ökumene

SÜDWIND was founded in 1991 by representatives of five Christian confessions with the aim to carry out socio-economic research from the perspective of the poor. Today six researchers work on such issues as women in the textile industry of Southeast Asia, pro-poor growth strategies,

natural resources and poverty in Africa and socially responsible investing. In socially responsible investment (SRI) SÜDWIND focuses on advising institutional investors especially from among the churches, and on development issues related to SRI.

Background of the Project: "Closing the Information Gap"

Socially responsible investing (SRI) has been very successful over the last decade in many countries. In German speaking countries SRI started at the beginning of the nineties with very modest growth rates and turned into a recognised part of the financial industry with double digit growth rates from 2002 onwards. There are two reasons for this development.

On the one hand, companies like FTSE and Sustainable Asset Management (SAM) linked sustainable investing with recognised financial institutions and their working procedures (Dow Jones Sustainability Index and the FTSE4Good Index). By this, SRI was recognised by the main stream financial markets.

On the other hand this recognition was followed by the acknowledgement that SRI funds performed as well and sometimes even better than conventional funds. – A fact which boosted the volumes even of exotic funds, like "Ökovision" with its origin in the grassroot bank "Ökobank" and its

committee of social and ecological experts, who determine the universe of this fund.

One cannot but welcome this development and congratulate all who have helped to achieve it. However, SÜDWIND combines this applause with criticism. We do this because, as a non-governmental organisation, we believe it is our imminent task to look beyond the actual business success of SRI.

While the SRI financial industry is busy to make a profitable business and to cope with its enormous growth rates. SÜDWIND persists in asking: "What social and ecological changes does SRI bring about?"

As an institute working on development issues, we concentrate this question on the wellbeing of disadvantaged people in developing and emerging countries. Here we ask: "What beneficial effects does SRI have for these people?"

The Workshop in 2004

In 2004 SÜDWIND organised the international workshop: "Investing in Human Development" with seven NGOs from Brazil, Mexico, Pakistan, India and Indonesia participating. The aim of this workshop was to strengthen development related investment criteria in SRI funds and to develop new criteria together with experts from the South. (See the documentation at: www.suedwind-institut.de)

From this workshop we learned, that SRI research does consider development issues in its rating systems. We found, however, that development issues are not systematically treated and that therefore some important criteria for the evaluation of a company with business relations to the South are missing. Apart from this, it became apparent, that there is hardly any direct contact between SRI research in developed countries and NGOs and experts from developing countries.



The Workshop "Closing the Information Gap"

With this second workshop, SÜDWIND wants to close this information gap by giving SRI analysts and institutional investors the opportunity to meet experts from developing countries and listen to their case studies on SRI companies in their countries.

Apart from listening to the facts they disclose on companies like Anglo Platinum, Bayer, Nike and GlaxoSmithKline, they share with us their specific on-the-spot knowledge of the situation. They know for example, that even the best efforts of improving the safety in an Anglo American Platinum Mine in Limpopo in South Africa have little effect as long as miners undergo their safety training directly after their shift, when they are completely exhausted and without having taken any refreshment and food.

SRI analysts need this kind of information to be able to evaluate which of the measures companies boast of in their CSR reports do really improve the situation and which do not. There is the danger that SRI analysts without this knowledge pay more attention to company literature and reports of western journalists than to the so far unheard voices of people concerned. If this happens, SRI runs the risk of becoming hypocritical.

The integration of information from NGOs from developing countries is most imminent for church investors. They often have numerous partners in developing countries with an intimate knowledge about the situation of the disadvantaged. On the other hand they invest more and more of their capital in SRI funds. Critical voices will continue to ask church investors to integrate the perspective from their partners in the developing world into the management of church related SRI funds.

The selection of and criteria for the case studies

All of the companies portrayed are members of at least one SRI index. Many are part of the investment universe of church related SRI funds like KCD Union share fund, Fonds für Orden und Ökumene (INVESCO) or "Initiative für Nachhaltiges Investment der Kirchen" (INIK)

The criteria for the selection and elaboration of a case study were based on the

criteria used in SRI screening methods on the one hand and on the criteria, which had been worked out in the 2004 workshop, on the other. On the basis of their specific knowledge of the situation in their country the partners chose from a list of companies, which they deemed to be most interesting and they could also put an emphasis on one or several of the criteria below.

Criteria for the case studies

- ILO core criteria:
 - No forced labour
 - No child labour
 - No discrimination
 - Equal remuneration
 - Right to Collective bargaining
 - Freedom of association of workers
- Living wage
- Health and safety of workers
- Formal employment
- Contributions to social security systems
- Respect of or contributions to public goods
- Corruption
- Tax evasion
- Unfair lobbying
- Pollution (soil, waste, air and water)
- Improvement of health care for workers and their families
- Pension schemes for workers
- Education and training of workers
- Education and vocational training of women and girls
- Human rights, equal opportunities for women and girls
- Equal payment for men and women
- Reproductive health
- Maternal leave
- Child care facilities
- Protection against sexual violence.

The partners where, however, free to take up other issues which they deemed important in their specific context. As the case

study of Carrefour Indonesia highlights, suppliers in developing countries can be in a very disadvantaged position when international companies exercise their overwhelming market power. This disadvantage can have a severe impact on the creation of jobs and the security of jobs especially in the informal sector.

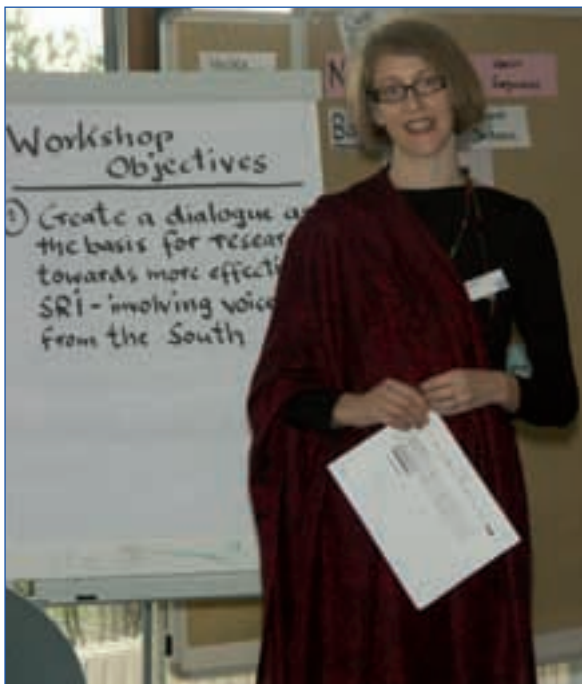
Expectations on the Outcomes of this Workshop

The expectations on the outcomes of the workshop were:

1. SÜDWIND hopes, that SRI rating agencies find it a little easier to contact experts in developing countries when analysing a company on SRI standards.
2. SÜDWIND hopes, that institutional investors press for the integration of their partners' views into SRI rating systems
3. SÜDWIND hopes that institutional investors start to join their forces to engage with companies on behalf of disadvantaged people in developing countries.

Brief Summary of the Case Studies

Dr. Karin Astrid Siegmann, Sustainable Development Policy Institute, Pakistan - Nike in Sialkot



The case study on Nike in Sialkot shows, how complex the impact of a multinational company operating in a developing country can be. Nike started to purchase soccer balls from the Sialkot-based manufacturer Saga Sports in 1996. Besides a factory in Sialkot city, stitching centres, located in rural areas up to 70 km from the city were involved in the production of soccer balls from Nike. About fifteen percent of the workers involved in soccer stitching in the regional stitching centres and sub-centres were women. The work in the stitching centres gave them the opportunity for formal employment which is rare in this rural area. The working conditions at Saga Sports were good as compared with other manufac-

turers in the area. In the cultural context of Pakistan, it is difficult for women to travel on their own to a factory in town. From these stitching centres some work was unofficially outsourced to home based workshops. Some of the workers in the home based workshops were under age.

The adult workers at Saga Sports stitching centres earned around 0.46 € for stitching a soccer ball. The earnings in the stitching centres, where more female workers are employed, tended to be slightly lower (0.35-0.40 €). Apart from this, women combined the stitching of soccer balls with their household duties and completed only about 3-4 balls a day while men, who could entirely concentrate on their work, completed 4-7 balls a day. Children earn about 0.23-0.34 € for stitching one soccer ball. Soccer balls are sold from 9 € upwards in Germany.

Ten years later the production in stitching centres around Sialkot, which although far from ideal especially in view of the earnings, is facing two problems. On the one hand, the demand for hand stitched balls is declining. The demand for new, machine stitched balls from China and Thailand is growing, together with a decline in demand and price for hand stitched soccer balls, such as they are made in the stitching centres around Sialkot. At the same time non-governmental organisations accused the company of using child labour in home based workshops around Sialkot. On the basis of the Nike labour standards which states the eradication of child labour as a

corporate aim, Nike ended the contract with Saga Sports by March 2007 on the ground of unauthorized outsourcing of the stitching of soccer balls in home based workshops, where children were working. Around 8,000 workers lost their jobs as a consequence.

In May 2007, Nike resumed the production of soccer balls with its new supplier "Silver Star Group". The volume of the order for Silver Star is up to now significantly lower than formerly for the Saga Sports production. By September 2007, 850 workers are employed, all of them in Sialkot city, to which women from the rural areas do not have access, because of the necessity to travel alone. There are plans to resume production in the renovated stitching centres around Sialkot. With declining demand and prices for hand stitched balls, it seems however doubtful, whether this will reach the



production volumes of Saga Sports before 2006.

Some observers assume that the wish to reduce the production of hand stitched soccer balls was the real reason for Nike's withdrawal from Saga Sports, rather than the occurrence of child labour in the home based workshops around the stitching centres.

It is not possible to say whether this is true or not. It appears, however, that dropping Saga Sports, which caused severe economical problems for about 8,000 workers, a lot of them being women, did not create any serious sourcing problems for Nike.



Rogério Dardeau de Carvalho: Moitara, Brazil - Bayer AG activities and GlaxoSmithKline activities in Rio de Janeiro



The Bayer Industrial Complex of Belford Roxo in Rio de Janeiro is the company's main production plant in Brazil. In this location Bayer produces agricultural pesticides and raw material for polyurethanes. One of the chemicals produced is the highly toxic Methamidophos, an insecticide which is banned from use in many countries like Indonesia and will be banned in Europe by May 2008.

The Bayer Factory in Belford Roxo is surrounded by major suppliers. The entire unit including the suppliers employs some 2.000 professionals, most of them from the "Baixada Fluminense", an area in the neighbourhood, which is characterised by extreme poverty. There is very little fluctuation in the work force.

Problems which Bayer faced in the past were:

1. A major explosion on the 16 January 2006 in the production line of the highly toxic chemical "Methamidophos".
2. There are several actions in the labour court on inadequate payment on behalf of ex-employees, who had been working for subsidiaries of the Bayer plant.
3. The company does not contribute to equal opportunities for women in the chemical industry.

In some respect Bayer in Rio de Janeiro carries out remarkable CSI projects:

1. As a reaction to the explosion at the beginning of the year 2006 representatives of civil society organisations and representatives of Bayer created the Community Advisory Council in the Industrial Park of Belford Roxo. This board is a permanent channel of communication between the company and the community. Recognised and active community leaders are members of the council.
2. In 2007 Bayer spent about 5 Mio. Euro for CSI projects. The areas sponsored with this money were: Science and education, environment, social welfare, culture and sports. It appears, however, that Bayer does not pay much attention to proper planning, implementing or evaluation of its own social projects.

3. "The Green School Project", which has been analysed in some detail in the case study, suffered especially from the lack of a risk plan, which was one reason why frequently only very few children took part in the project.

Five Million Euros are a large sum to be spent on social and environmental and cultural projects. It would, however, be desirable, that such an amount is spent more carefully and in accordance with generally acknowledged rules of project planning. It would eventually be necessary, to train the participating local organisations and leaders in such management techniques. - The company is, however, highly engaged in CSI projects and is offering transparency in these respects. Bayer gives the impres-



sion of handling social and environmental issues on the basis of a long standing experience, which is quite in contrast to the GlaxoSmith-Kline case.

GlaxoSmithKline



GlaxoSmithKline has located its regional centre for Brazil - and in fact for the whole of Latin America - in Rio de Janeiro. The company operates two plants

in this city, which supplies the entire Brazilian market and will in the near future also serve the Mercosur Countries as well as the Asia Pacific Region, Africa and other global markets. The company has been very reluctant to answer questions on CSR issues. It is involved in many labour court actions, and there is no representation of employees or unions installed at the plants. The company has established a written labour relationship with its workers. There are, however, many contract workers involved in the production, who often work under worse conditions.

Glaxo has installed a number of CSI projects. The company is for example involved in the project: "Positive Attitude" which is effectively providing education, medical care and support to the community in areas of high HIV/AIDS incidences. GSK is also involved in the fighting against Malaria through a donation programme for the drug "Malarone".

There are only timid efforts to establish cooperation relationships to the neighbourhood of the plants and little involvement with local NGOs.

Prof. Jose P. Devasia, Indian Institute of Management Bangalore, India - L'Oreal in India



The French cosmetic company L'Oreal entered the Indian market in 1991 and since then it offers 7 brands of cosmetics which it sells through various marketing channels.

The company has global Principles for Sustainable Development. In these, the company acknowledges its responsibility for employees, the environment, the unemployed, and handicapped as well as the wider community. L'Oreal also follows a purchasing policy, which includes the assessment of the sources of raw material against sustainability criteria like biodiversity, ecological impact, and support of local and regional development. The company states, that it carries out social audits for all its suppliers in the areas of: Child labour, slave labour, health and safety, right of association, non discrimination, disciplinary practices, sexu-

al and moral harassment, remuneration, work time, relationship with subcontractors and suppliers.

In partnership with the UNESCO, L'Oreal launched the programme "Women in Science" to encourage outstanding female scientists worldwide. In India five young women receive a grant from this programme.

The rather comprehensive code of conduct is, however, not validated by any monitoring in India. Quite on the contrary L'Oreal in India proved to be very reluctant to share any information on its CSR policy even though the SÜDWIND partner came from a highly regarded academic institution. Neither is there any information from non-governmental organisations which could verify or falsify the claims. On the basis of this experience the impression remains, that the company has not yet been tested on CSR issues in India, so that the quite ambitious code of conduct gives no clues on how the company really treats business partners, employees and communities.

In regard of the marketing of products, L'Oreal joined the questionable practices of other cosmetic companies in India by selling products in small sachets to reach the disadvantaged part of the population. This is controversial, because the buying of cosmetics even in small quantities might lead to a situation in which poor people buy less and a lower quality of food to be able to afford western style cosmetics.

L'ORÉAL

Prof. Dr. Yahya Wijaya, Centre for Business Ethics and Professionalism, Duta Wacana Christian University, Yogyakarta, Indonesia - Carrefour in Indonesia



The economic crisis in Indonesia from 1997 was followed by a recovery programme designed by the IMF, which forced the opening of the Indonesian economy to foreign investors. As a result hypermarkets mostly from abroad entered the Indonesian market and superseded many traditional local markets. In consequence many informal jobs in traditional markets were lost. It was the hope, that this negative effect was offset by the creating of new jobs in local suppliers for the supermarket chains.

On this background the case study analysed the French hypermarket chain Carrefour, which operates 32 supermarkets in the country.

For the study a number of in depth interviews with employees and suppliers were carried out. It became apparent, that the situation and payment of permanent

employees in the supermarkets was tolerable, whereas the situation of trainees with a very vague contract and career prospects makes him or her vulnerable to exploitation.

The situation of small business suppliers of Carrefour is, however, marked by a severe dependence on Carrefour. This became most apparent in the case of a small supplier producing local brands of light refreshment products. Carrefour used its marked power to insert certain clauses in the contract with the supplier, which made it impossible for him to supply their goods to other stores apart from Carrefour. To guarantee the continuous supply of goods in demand, they have for example to deposit a "listing fee" at Carrefour, which is so high that it bars the supplier from serving another buyer. On top of that, Carrefour demands a guarantee that the supplier refrains from selling its products cheaper to any other customer. An Indonesian court ruled in 2007, that these clauses violate against Indonesian law. As if to demonstrate the utter dependences of the supplier on Carrefour, the supplier which started the case went bankrupt soon after the court's ruling. Interviews with other suppliers support



the impression that Carrefour continues

to use its market power to achieve very low prices for products from their suppliers and at the same time denying them the option to sell their goods to other vendors on competitive terms.

Suppliers had been in a better position when they sold their goods to small and medium sized vendors before international supermarket chains entered the country.

Unilever Indonesia

Unilever Indonesia (UI) is a subsidiary of Unilever with 15% of its shares listed at Indonesian stock exchanges. The case study focuses on the situation of retailers selling UI products and on social projects supported by the company.

For most of the small shops, stores and kiosks interviewed, UI products are vital for their survival. These products generate a fast turnover, because they are very popular. The profit margin of UI products for small vendors is however very low. It mostly lies below 5%. Only 12,5% of the retailers can gain more than 15% profit on UI products. Yet, most vendors feel well treated by UI, even when they have to return expired UI products.

Curiously the small retailers of UI products are not aware, that UI runs a programme of empowering small and medium sized enterprises. The effects of this programme on the small retailers seem to be nil.

Apart from this, the case study focuses on the positive impact of two CSR projects supported by UI. In a joint project with the Universitas Gadjah Mada, Unilever Indone-

sia supports improvements in the cultivation of black soy beans. Soybeans are the ingredient of many popular foods like tofu. However, the quality and quantity of the soybeans produced in Indonesia are insufficient. As a producer of a soybean sauce brand, UI has an interest in soybean farming and supports a project at the University Gadjah Mada to improve the quality of soy bean farming. Among other things UI guarantees the marketing of the soybeans from the project. As a result a more productive variant of black soy bean has been invented and the welfare of the people – including women - living in the area of the project has been improved.

After the earthquake in 2006, UI gave more than 84.000\$ for the rebuilding of a medical centre in Pandak. The sponsorship of UI is obvious in the medical centre. There is for example a great emphasis on dental treatment, which is related to the UI product line of toothpastes. Employees do, however, not feel a direct influence of UI in their work, and a survey shows that the quality of the service in the centre has improved since the donation by UI.



John Capel, Bench Marks Foundation of Southern Africa for Corporate Responsibility - Anglo Platinum



Anglo Platinum is a subsidiary of the UK based multi-national company "Anglo American"

The situation of the mining industry in the Limpopo Province in South Africa is marked by a very high level of poverty, accidents, conflicts on land rights, violence against women and pollution. The mining company Anglo Platinum exacerbates these problems in different ways:

- Up to mid- 2007, the company was unable to install a sufficient level of workplace safety. From 2005 till June 2007, an average of two mine workers died per month. By the end of 2007, Miners from all of South African mines went on strike on safety issues. The company admitted that the large majority of the Anglo American miners stayed away from work during the strike.
- One reason for this situation is presumably, that the company's bonus systems concentrate on high production quotas and not on a high level of security in the mines.

- 41% of people working on Anglo Platinum's operations are employed by sub-contractors. In comparison to Anglo Platinum directly employed miners, the situation for workers from sub-contractors is worse in respect to housing, health care, nutrition and training. There is no indication that the subcontractors adhere to any code of ethical employment.
- Underground work for women is fraught with risk of sexual harassment including rape.
- There are numerous conflicts between Anglo Platinum and local communities on land issues. The company tends to cooperate with the police or community authorities, who do not work in the interests of the people concerned. There are incidents of violence with protesting people injured by the police.

While the study is highly critical on Anglo Platinum's operations in South Africa, it still recommends investors to hold its shares and to seek a dialogue with the company management on workplace safety underground, the situation of female workers underground, on respecting the communities affected by its activities and to refrain from solving conflicts about land issues through the police by force.



Thereport notes, that there is already an improvement on these issues with the appointment of Cynthia Carrol as new CEO of Anglo American. It can be noticed, that work place safety is taken more seriously, and the company's operations have become more transparent. Investors should watch this new development closely.

Jenny Chan, Students and Scholars against Corporate Misbehaviour (SACOM), Hongkong, China - Dell, Fujitsu, Motorola, NEC, Samsung, Siemens

The study was written for "Brot für Alle" in Switzerland in 2006 and is already published on the website "Business & Human Rights Resource Center" (www.business-humanrights.org).

The case study from November 2006 analyses the working conditions at a supplier of Dell, Acer, NEC, Siemens, Motorola, Samsung and Fujitsu. The supplier "Yonghong Electronics" belongs to the Taiwanese FSP Group, an enterprise publicly traded on the Taiwan Stock Exchange. It employs 1,500 workers, 85% of whom are women, who produce power supply devices. The study comes to the conclusion, that although most of the workers are between 18 and 30 years old, about 200 workers are under age, some below 16. It is against Chinese

law to employ children under 16. Workers confirmed in interviews, that Yonghong has hired children during the previous 3 years.

Some of these under age workers have been sent to the factory by their schools because their parents owe tuition fees to the school. "The 14 and 15 year old students were brought by a school teacher with falsified identity papers to work at Yonghong. They thought they were going to a summer job scheduled to end in September. It was only when their teacher failed to return at the end of the summer, when they realised that they were stuck at Yonghong"¹. They wanted to go home but the factory would not let them. Even their parents felt helpless to do anything.



¹ Jenny Chan, SACOM: Yonghong Electronics, November 2006

The working conditions for all workers, including the under age workers are described as follows:

- Workers have to work between 300 and 370 hours per month (75-80 hours per week). Chinese law limits working hours to 210 hours a month. At peak season, overtime is sometimes extended through the night. Interviewed workers said, that sometimes they had to work from 7.30 till midnight or even until 3.00 o'clock in the morning to meet their production quotas. They were only paid a fraction of the overtime hours, they actually spent at work.
- Payment of new employees is always lower than the min. wage of 700 RMB.
- Workers, who want to quit work at this factory have to ask permission to leave. If the management does not give this permission and they still quit, they have to pay a fine of 1½ months income. This makes it nearly impossible to leave the company without the employer's permission.
- Time off for sickness is not paid. Workers, who fall ill, have to present a diagnosis from an authorized hospital. Migrant workers, however, who represent the majority of the work force cannot afford the fees of authorized hospitals. "I can't afford sick leave. It costs me a hundred or so to just register at the authorized hospitals, not to mention that I will lose a day's salary. It is too much for me. Even if I am sick, I will not ask for sick leave"², says one of the interviewed workers.
- There are many punitive fines established in the factory. Workers, who do not sit upright for example, are fined 5-10 RMB.
- Workers are exposed to numerous health and safety risks at Yonghong. Soldering workers for example are not provided with proper masks or proper safety training about the hazards of their work.
- To cover these conditions, which severely breach ILO standards and Chinese laws as well as the Electronic Industry Code of Conduct, of which Dell is a signatory, the company invented a number of methods to deceive auditors who visit the factory. Documents are falsified and workers get explicit instructions, how to respond to auditors' questions.

² Jenny Chan, SACOM: Yonghong Electronics, November 2006

The companies Dell, NEC, Samsung and Motorola reacted on the study by examining their supply chain. Dell reports to have stopped purchasing from one of two suppliers mentioned by SACOM for bad working conditions.

Discussion

The discussion after the presentations of the case studies centred on four questions:

1. Which consequences can be drawn from the case studies?
2. How to organise a better flow of information?
3. How to organise active engagement of investors in Germany?
4. Outlook for further steps

Consequences from these case studies concerning SRI research

If SRI should have an impact on the disadvantaged part of the population in developing countries, SRI research has to change.

This change must consider the following issues:

1. The case studies show, that the analysis of a company from a development point of view needs a detailed knowledge of the situation in all those countries the company is operating in, sources raw materials from or sells its products in. This knowledge must be based on strong relationships with competent local NGOs, which have a record of working with the poor and are trusted by them.
2. Although it is always commendable, if a company draws up ambitious CSR guidelines, this can only be considered as a very first step. The existence of these guidelines very often does not mirror the actual conditions under which production is taking place; thus, they are only one small part of information and should not have a great influence on the evaluation of a company. Independent and local sources are much more reliable to produce a realistic picture of the companies operations in a specific country or region.
3. Relying on ILO core labour standards or ISO standards is not sufficient. There do exist cases of ISO 14.001 certified production units with emissions to the air higher than allowed by national law. The ILO core labour standards do neglect many gender specific issues.
4. The special needs of women in developing countries are often not addressed by the companies. This can go so far that women, working in mines for Anglo Platinum in South Africa run the risk of being raped. This observation matches the result from the workshop in 2004, where participants felt that SRI criteria did not sufficiently consider the special situation of women in developing countries. In SRI ratings, companies should

be asked more gender specific questions, which are aiming at the situation of disadvantaged women in developing countries.

5. SRI research should consider the spreading of informal employment in developing as well as in developed countries, which has negative impacts especially for women.
6. There is a danger that SRI criteria are abused to veil painful strategic decisions. Especially the cutting off of business relations with a supplier which violates a code of conduct needs a very close inspection before it can serve as a reason to upgrade a company from an ethical point of view.
7. If a multinational company enters a developing country, it very often finds itself in a superior position. From the very beginning it must establish a strategy, how to use this power responsibly. This strategy should imply the

companies' relationship to the national and local government, towards suppliers, its workforce and towards competitors. It is possible, that business practices acceptable in industrialised countries cannot be assumed in developing countries without harmful effects for the poor part of the society.

SRI rating agencies see the importance to get more reliable information about the situation in developing countries and consider the workshop organised by SÜDWIND as a valuable first step in this direction. The remaining problem is: 'How to organise the flow of information on a more regular and comprehensive scale?'



How to organise a better flow of information?

There are several obstacles for a better flow of information from developing countries to SRI rating agencies. Rating agencies have only limited time to analyse a company. Gathering information from experts in the South and finding out in how far this information is reliable belongs to the most time consuming part of the research. When analysing a multinational company with operations in several developing countries this cannot be done on a comprehensive scale.

If investors would be prepared to pay much more for the SRI analysis of their investments, such an in-depth research would be possible. A second solution would be to organise a "turntable", where an organisation like SÜDWIND collects all relevant studies on the behaviour and performance of multinational companies in developing countries and passes this information on to the rating agencies. In the long run, this service could be extended to more detailed information.

There is a second obstacle for a better flow of information between NGOs in developing countries and SRI rating agencies. It is often not clear enough in how far their interests overlap. - These local NGOs are frequently short of regular funding and notoriously understaffed organisations, and they often see other priorities in their work rather than to provide investors with information, the latter need for their ethical investment decisions. This would change, if they perceive SRI rating agencies as agents for a change. Only if they perceive that SRI helps them to reach their own aims it makes sense to them to put resources in the compilation of information for SRI investors.

A good example that this can work is the case of the struggle against child labour at

Indian cotton seed farms supplying Bayer and Monsanto with hybrid cotton seeds.

To overcome this obstacle, experts and NGOs in developing countries must be helped to understand, how SRI works and which opportunities are involved in it. On the other hand, investors should be made more familiar with the problems faced by these organisations in developing countries.

Shareholder engagement might be an additional tool to serve the needs of both. If shareholders engage with companies on a particular issue brought forward by NGOs and hopefully will succeed in bringing about changes in the behaviour of the company. This would convince NGOs, that the extra effort makes sense. In the end they will be more motivated to arrange their information to make it suitable for SRI rating agencies.



Shareholder engagement in Germany

Shareholder engagement is much less developed in Germany than in other countries - for two main reasons: Firstly, German institutional investors tend to invest only a small portion of their capital in shares; and secondly, big financial institutions are closely linked to listed companies and are not in a position to criticise them publicly.

In order to put active engagement on a broader basis, it is important to form an alliance among institutional investors and to start active engagement with some exemplary cases. All the institutions present at the workshop were interested in such an alliance.

Outlook

Professionals working on SRI in rating agencies or an investment companies want to change the way multinational companies work. They put a lot of effort into convincing investors that switching to SRI investing will not mean that they lose money. On the other hand they try to push companies further and further in their often only half heartedly effort to conduct their business in a more sustainable way. A third dimension of their work is to analyse the problems companies still cause in developing countries.

The workshop "closing the information gap" put a focus on this dimension. While the continuous dialog between SRI rating agencies investors and companies is already established, the dialog with stakeholders in developing countries is intermittent, has many gaps and pauses. In spite of its ambitious title the workshop could of course not close this gap completely. However, it gave an opportunity for the opening of this dialog which participants took up and continue after the workshop.

SÜDWIND will continue to work for an improvement of this exchange. The next step SÜDWIND considers for the coming months are:

1. SÜDWIND considers the organisation a "turntable" of studies, which inform on the social and ecological impacts of multinational companies operating in developing and emerging countries. This could be done in the form of a newsletter distributed via the internet among rating agencies and banks.
2. SÜDWIND should endeavour to organise a coalition of institutional investors, who are interested in active engagement with companies.

The Organisations behind the Case Studies

Sustainable Development Policy Institute (SDPI), Islamabad, Pakistan

SDPI was founded in 1992 on the recommendation of the Pakistan National Conservation Strategy (NCS), also called Pakistan's Agenda 21. The NCS placed Pakistan's socio-economic development within the context of a national environmental plan. This document outlined the need for an independent non-profit organisation, to serve as a source of expertise for policy analysis and development, policy intervention, and policy and programme advisory services in support of NCS implementation. The design of the Institute was initiated by the International Union for the Conservation of Nature–Pakistan (IUCN-P) with significant support from the Canadian International Development Agency.

SDPI conducts policy advice, policy oriented research and advocacy from a broad multi-disciplinary perspective, promoting

the implementation of policies, programmes, laws and regulations based on sustainable development, strengthening civil society and facilitating civil society-government interaction through collaboration with other organizations and activist networks, disseminating research findings and public education through the media, conferences, seminars, lectures, publications and curricula development and contributing to the building-up of national research capacity and infrastructure.

The aim of the institute is to catalyse the transition towards sustainable and just development in Pakistan through advocacy, policy advice and training.

Moitara, Rio de Janeiro, Brazil

In 2001 a group of teachers, parents and students of the alternative school 'Oga Mitá' founded the NGO "Moitara". "Moitara" is a word from the Guarani Indian language and means "change, movement" but also "interaction among people". The aims of "Moitara" are:

- making education and healthcare more accessible to the poor
- providing services to poor communities

- fighting poverty and social exclusion
- provoking social responsibility by companies
- implementing economic studies and sociological research
- analysing and monitoring of projects
- helping to establish small autonomously working social groups.

The Indian Institute of Management Bangalore (IIMB), India

The Indian Institute of Management Bangalore was established in 1973, with the objective to develop indigenous science and technology in India. Today it is a leading institute of the country with graduate and post graduate courses in Corporate Strategy and Policy, Economics and Social Science, Finance and Control, Marketing, Organisational Behaviour, Human Resources Management, Production and Operations Management, Public Policy, Public Systems and Quantitative Methods and Information Systems.

The major programmes and activities of the Institute include doctoral and post graduate programmes in Management as well as Public Policy and Management. IIMB has established several centres to meet current and future demands of management knowledge and teaching in key areas. This includes a Centre for Public Policy to enhance policy making and managerial competence in the public sphere with support from the Department of Personnel Training (Govt. of India) and the UNDP and the Centre for Corporate Governance and Citizenship. The Centre for Corporate Governance in part-

nership with the International Centre for Corporate Social Responsibility at Nottingham University Business School, under the aegis of the British Council, has embarked on an initiative to mainstream CSR education and research in Indian business schools and universities. It is also developing model CSR curricula, that can be adopted by the schools, as well as a dedicated website of teaching resources and materials for use and access by academics. IIMB, in association with the Indian Institute of Management Ahmadabad, has also set up a web site for promoting sustainability education (www.eeibs.com).

Students and Scholars against Corporate Misbehaviour (SACOM), Hongkong

SACOM is a non profit advocacy group founded in Hongkong in June 2005. SACOM originated from a students' movement devoted to improving the labour conditions of cleaning workers and security guards under the outsourcing policy. At the end of 2006 the organisation carried out a major research on suppliers of the electronic industry in China for "Bread for All" in Switzerland. The study on Yonghong is one result of this research and is already

published on the website of the "Business and Human Rights Resource Centre" (www.business-humanrights.org).

Centre for Business Ethics and Professionalism, Duta Wacana Christian University, Yogyakarta, Indonesia

Duta Wacana (meaning: 'Messenger of the Word') was founded in 1962 as a theological college belonging to 3 Reformed Churches in Central Java and East Java. Later on 9 other churches (including 2 Mennonite denominations) joined the supporting churches' board of the college. In 1985, four non-theological departments were opened, marking the change of the college into a university, with the Faculty of Theology as one of the units.

Having such theological and ecclesial background, Duta Wacana put an emphasis on ethical commitment and spiritual formation in its educational programmes. The Faculty of Theology has a reputation as a pioneer in promoting contextual theology, contemplating the social and cultural situation of Indonesia in particular, and Asia in general. Its position within a university, where interdisciplinary interactions are inevitable, makes possible the development of theo-

logical-ethical works involving perspectives of other disciplines. Therefore the university establishes interdisciplinary centres focusing on particular matters, including the Centre for Spiritual Formation, Centre for the Study and Promotion of Peace, Centre for the Study of Religions, and Centre for Business and Professional Ethics (CBEP).

CBEP is a new centre merging resources particularly from the departments of economics and theology. Its mission is to contribute to the shaping of a morally responsible business community in Indonesia, by doing research and facilitating business-education-church forums on business ethical issues.

The Bench Marks Foundation for Southern Africa, Marshalltown, South Africa

Since 2000, the Bench Marks Foundation of Southern Africa for Corporate Responsibility is committed to providing information and advocacy on good corporate governance, ethical and socially responsible investment as well as linking people and institutions committed to these ideals.

The Bench Marks Foundation is a non-profit organisation and has been constituted by five Christian organisations. In the course of time the Bench Marks Foundation intends to become more representative of society, business and labour and other faith based organisations.

The organisation wants to promote a climate of ethical and sustainable investment

choices in the church and religious communities to monitor corporations and to encourage a climate of positive corporate social responsibility. It has so far published several studies on the mining industry in South Africa.

Annex

List of Acronyms

ASPI Index	Advanced Sustainable Performance Index
BeFSA	Benchmarks Foundation for Southern Africa for Corporate Responsibility (South Africa)
CBEP	Centre for Business and Professional Ethics, Duta Wacana Christian University (Indonesia)
CEO	Chief Executive Officer (in Corporate Management)
CSR	Corporate Social Responsibility
CSI	Corporate Social Investments
DJSL	Dow Jones Sri Lanka Index
DoPT (India)	Department of Personnel Training, Govt. of India
ESI indices	Environmental Sustainability Index
FSP Group	6th largest electric/electronic power supply concern in the world (based in Taiwan)
FTSE	Financial Times Stock Exchange Index
FTSE4Good	Sustainability Index - published annually by Financial Times and London Stock Exchange
GSK	GlaxoSmithKline plc major Pharma Company
IIMB	Indian Institute of Management Bangalor
ILO Standards	International Labour Organisation Standards of Work
INIK Fund	A mixed Sustainability Fund distributed in Luxembourg and Germany
IUCN-P	International Union for the Conservation of Nature – Pakistan section
KCD	Global share fund based on a sustainability concept (distributed by UNION INVESTMENT)
NCS	Pakistan National Conservation Strategy
NGOs	Non-governmental organisations
SACOM	Students and Scholars against Corporate Misbehaviour (Hongkong)
SAM	Sustainable Asset Management Group (based in Zuerich/Switzerland)
SDPI	Sustainable Development Policy Institute (Pakistan)
SRI	Socially responsible investments
UNDP	United Nations Development Programme

Workshop Programme

Date: 20th November 2007

Place / venue: Evangelische Akademie im Rheinland,
53177 Bonn - Bad Godesberg
Mandelbaumweg 2
Tel: 0228 – 9523-201

9.30 Opening by SÜEDWIND representative and host of the Workshop

Presentation of Workshop objectives, Introduction to Workshop programme and procedures

10.00 Presentations of case studies (by their authors) and brief discussions

Karin Astrid Siegmann, Sustainable Development Policy Institute (SDPI), Islamabad, Pakistan: **(1) Nike**

Rogério Dardeau de Carvalho, Moitara, Rio de Janeiro, Brazil: **(2) Bayer** and **(3) GlaxoSmithKline**

Jose P. Devasia, Indian Institute of Management Bangalore, India: **(4) L'Oréal**
Yahya Wijaya, Centre for Business Ethics and Professionalism, Duta Wacana Christian University, Yogyakarta, Indonesia: **(5) Unilever** and **(6) Carrefour**

John Capel, Benchmarks Foundation for Southern Africa for Corporate Responsibility (BeFSA): **(7) Anglo Platinum**

12.35 Lunch break

13.45 Working Groups:

(1) Organizing the flow of information from experts in developing countries to SRI analysts

(2) "Active engagement" in Germany - How to start?

15.30 In the plenary: Presentation of working groups' outcomes

- Workshop conclusions / further action required /
- Next steps / action plan (,Who` will do ,What` and ,When`?)

17.00 Workshop evaluation and closing of the Workshop

Evening Get together and discussion in an informal environment.

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