



Introduction to EIRIS

Empowering global responsible investment

CONTENTS

1. Introduction to EIRIS 3

2. Research coverage 3

2.1. Company coverage..... 3

2.2. Research area coverage..... 4

3. A complete screening solution 6

4. Use for engagement 8

5. Additional uses 9

6. EIRIS research capability 9

7. Delivery 10

8. Ongoing client support..... 11

9. Pricing 11

10. EIRIS public list of clients 12

1. Introduction to EIRIS

EIRIS is a wholly-owned subsidiary of a charitable Foundation dedicated to promoting and empowering responsible investment, and is not associated with or beholden to any other company or financial institution. As such, EIRIS research is independent and objective.

EIRIS has carried out independent research on the environmental, social and other ethical aspects of corporate behaviour and performance for over 22 years. EIRIS research covers over 60 different areas and approximately 2,800 companies globally. The areas we research include environmental policy, systems, reporting and performance, corporate governance, breaches of international conventions and norms, human rights and stakeholder issues.

EIRIS now represents the research and disclosure requirements of more than 80 investment institutions interested in environmental, social and ethical issues globally, including AXA Investment Managers, BankInvest, ABN AMRO, Robeco, Morgan Stanley as well as the FTSE4Good family of indices.

In addition to our global social, environmental and other ethical research, we also offer investors a powerful software tool to enable investors to quickly and easily query and access the most pertinent data in our extensive database. In addition, using our software package Ethical Portfolio Manager (EPM), investors are able to create comparative measures of companies on the issues they are most concerned or interested in by formulating their own ranking and scoring of companies, or they can simply screen companies on positive and negative criteria.

2. Research Coverage

2.1. Company Coverage

EIRIS covers approximately 2,800 companies globally, including the following indices:

- FTSE All World Developed
- FTSE All-Share
- FTSE Eurotop 300
- EuroStoxx 600
- S&P Europe 350
- Dax30 (Germany)
- Mdax (Germany)
- Ibex35 (Spain)

EIRIS may also coincidentally cover other local or national indices if their constituents are also in the larger international indices. The following local indices are currently covered in this way:

- Dow Jones Nordic 30 (Scandinavia) – full coverage
- FTSE Norex 30 (Scandinavia) – full coverage
- KFX20 (Denmark) – full coverage
- MIB30 (Italy) – over 90% coverage
- Hang Seng (Hong Kong) – over 90% coverage
- Nikkei 225 (Japan) – 80-90% coverage

- AEX 25 (Netherlands) – 80-90% coverage
- Swiss Market (Switzerland) – 80-90% coverage
- Straits (Singapore) – 80-90% coverage

Indices that EIRIS covers fully are tracked on a weekly basis with the exception of the DAX and Ibex indices. These are monitored on a monthly basis unless prompted by changes in international indices. Other local indices that are not automatically covered are not tracked regularly, but constituents and percentage of coverage will be checked on an annual basis. New companies to the base indices are covered within 6-8 weeks as a guideline. EIRIS will cover the top 50 emerging market companies as part of a pilot project which will be launched in September 2006.

In addition to research on equities, EIRIS' new Country Sustainability Rating assesses key sustainability issues for more than 60 countries globally. Designed to assist investors who wish to integrate sustainability considerations into their bond portfolios, this service provides default Sustainability Ratings and Sustainability Profiles for all OECD member countries, plus 30 countries drawn from emerging markets.

Based on a ten point scale, the **Sustainability Rating** is displayed at the top of each country profile. The overall rating represents the average of three individual ratings for the environment, governance, & social issues. Built using an excel spreadsheet, the **Sustainability Rating** is easily customizable to reflect the particular concerns of any investor.

2.2. Research Area Coverage

Governance and ethics

We focus on making comparable assessments of all companies in the following areas:

- **Board structure and practice** – we assess every company against four elements including separation of chair and chief executive, independent directors, independence of audit committee, and disclosure of directors' pay.
- **Women on the board** – the percentage of women on each company's board.
- **Ethics** – whether a company has a clear, public ethical code, what that code contains, and what systems it has in place to manage ethical breaches or issues. This includes looking at how the company deals with bribery and corruption issues.
- **SEE risk management** – whether and how well the company's board and senior managers disclose and manage social, environmental and ethical (SEE) risk. This research is based on the guidelines published by the Association of British Insurers (ABI), and is applied to companies globally.

Social

We focus on a range of social issues including:

- **Stakeholders** – how companies perform in relation to key stakeholders, including employees, customers, suppliers and the community. We research employee stakeholders in particular depth and look at a range of issues, including training and development, occupational health and safety, employment equity, job creation, trade unions and employee participation. We also look at the extent of a

company's philanthropic activities and how and where it engages with its key stakeholders. Stakeholder assessments are made for all companies.

- **Human rights** – how companies deal with the challenges of operating in countries where human rights are most at risk. We assess the policy and systems of companies operating in 29 specified countries (such as China, Burma, Zimbabwe, and Iran), and review the operations of companies in the oil & gas and mining sectors in non-OECD countries. In particular, we examine how they uphold the key rights outlined in the United Nations Declaration on Human Rights (UNDHR) and how they uphold core labour rights in difficult circumstances.
- **Sourcing** – how companies ensure that core labour rights apply within their supply chain. In particular, we look at the policies and systems of companies with global supply chains in those sectors where breaches of labour standards are most frequent. These include food producers, toy manufacturers, retailers, apparel and sports goods manufacturers, and electronics.

Environment

We classify each company as having a high, medium or low environmental impact, based on its major activities. Every company is then assessed for:

- **Environmental policy** – whether it has an environmental policy and the extent to which this policy addresses the key issues relevant for that company, whether it is globally applicable, and a range of other elements – such as commitments to sustainability, monitoring and targets.
- **Management systems** – the depth of its environmental management systems and the extent or percentage of the company which is covered by these. This includes looking at both externally-certified and internally-developed systems.
- **Reporting** – the extent and quality of a company's environmental reports, including whether such reports are public and contain meaningful performance data.
- **Performance** – based on the extent to which a company's own performance has improved or deteriorated over a given period (using key indicators in the five areas of: climate change, air emissions, discharges to water, waste, and water consumption). In addition, wherever possible, the company's indirect impacts (either through its supply chain or its products) are assessed.
- **Specific environmental issues of concern** - such as chemicals of concern and sustainable forestry.

Convention Watch

EIRIS has developed a Convention Watch service to help clients identify companies that are alleged to be in breach of the spirit of international norms and conventions, and assess their response to these allegations. The Convention Watch service covers the following:

- The International Labour Organisation's conventions on labour standards
- The International Human Rights Principles
- The United Nations' Convention against corruption
- The Kyoto protocol on CO2 emissions and Montreal protocol on Ozone Depleting Chemicals
- The Ottawa protocol on anti-personnel landmines
- The Convention on Biological Diversity
- The ILO Convention on Occupational Health & Safety

Other specific ethical concerns

EIRIS also identifies companies' involvement in a range of other activities: some positive, some traditionally thought of as negative, but increasingly being used by investment analysts to identify involvement in activities which might present a business risk due to disapproval by parts of society. We generally assess not only whether a company is involved in any of these areas, but also the extent and nature of that involvement. It should be stressed that EIRIS does not take a view on whether any of these are 'bad'. Areas researched include:

- Abortion
- Adult entertainment/ pornography
- Alcohol production and sale
- Animal testing
- Environmental technology or renewable energy
- Genetic engineering
- Military production and sale
- Nuclear power and weapons
- Tobacco production and sale

News stories

EIRIS uses popular news search facilities to find recent stories on the companies it researches. These stories are made available to investors in a variety of ways:

- Stories related to allegation of breaches of the spirit of international conventions are captured by our Convention Watch service and assessed with input from the company involved;
- Stories of particular significance in specific research areas such as anti-competitive practices, product recalls and corruption are captured in special 'significant news' criteria to allow users to quickly access these;
- Stories of general significance to particular companies are available through a special news tab within the software, and at the end of our company profiles. These also appear in our news digest Corporate Ethics Overview (CEO), published ten times a year.

The EIRIS client team can help investors particularly interested in a news alert service in setting up the appropriate queries on our research database to provide them with the latest news stories.

3. A complete SRI solution

EIRIS research can be used in a variety of ways to help investment managers select or exclude the right stocks. Clients can choose any of the research criteria available through our EPM software to set up investment policies or queries. The results can take the form of a list of scores for each company, or a list of 'acceptable' and 'unacceptable' companies. The EIRIS client team is available to assist with setting up queries or bespoke scoring/ranking of companies and to advise on 'weightings' of issues, how to mitigate potential biases, how to translate responsible investment policies into research criteria queries and on avoiding churn in investment portfolios.

Users of the software can obtain results in a variety of formats:

- A simple results list outlining the companies that have met/not met the criteria set by the user

Ethical Portfolio Manager (EIRIS client - Licensed Version) - [Analysis Table for Example 1 Licensed U...]

Company Name	SEDOL No	Sector	Country	Result
Capitalia	7154609	Banks	Italy	Acceptable
Fortis	7266139	Banks	Belgium	Acceptable
Erste Bank der oesterreichischen Sparkassen	5289837	Banks	Austria	Acceptable
Coca-Cola HBC	4420723	Beverages	Greece	Acceptable
A G Barr	0080347	Beverages	UK	Acceptable
Glenmorangie	0556611	Beverages	UK	Unacceptable
Diageo	0237400	Beverages	UK	Unacceptable
Heineken Holding	B0CCH46	Beverages	Netherlands	Unacceptable
InBev	4755317	Beverages	Belgium	Unacceptable
Carlsberg	4169219	Beverages	Denmark	Unacceptable
Pernod-Ricard	4682329	Beverages	France	Unacceptable
Heineken NV	7792559	Beverages	Netherlands	Unacceptable
SABMiller	0483548	Beverages	UK	Unacceptable
Scottish & Newcastle	0783969	Beverages	UK	Unacceptable
C&C Group	B010DT8	Beverages	UK	Unacceptable
Symphony Plastic Technologies	0958916	Chemicals	UK	Acceptable
Imperial Chemical Industries	0459497	Chemicals	UK	Acceptable
Yule Catto & Co.	0988742	Chemicals	UK	Acceptable
Lanxess	B05M887	Chemicals	Germany	Acceptable
UCM Group	0917241	Chemicals	UK	Acceptable
Akzo Nobel	5458314	Chemicals	Netherlands	Acceptable
Porvair	0696368	Chemicals	UK	Acceptable
Condomi	5827152	Chemicals	Germany	Acceptable
BASF	5086577	Chemicals	Germany	Acceptable
Solvay	4821100	Chemicals	Belgium	Acceptable
Lonza	7333378	Chemicals	Switzerland	Acceptable

- A results analysis report providing the basic reason(s) for each company’s result:

Report Preview

powered by crystal

1 of 35

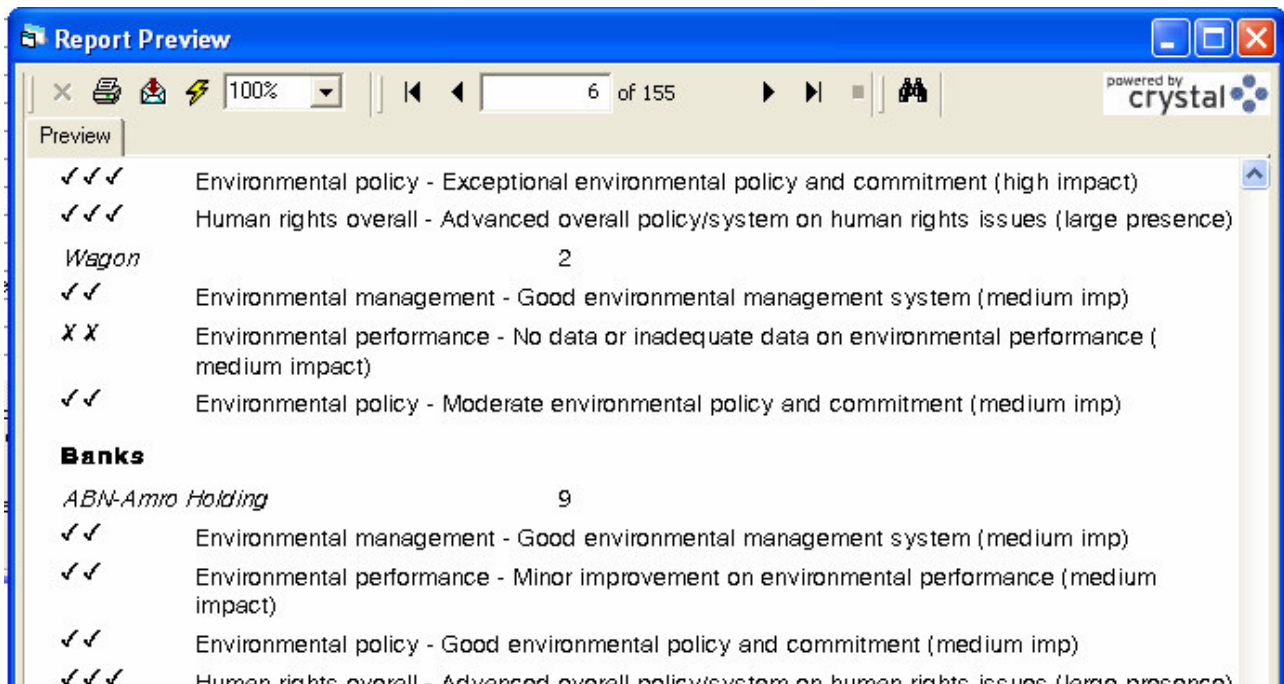
EIRIS
ETHICAL INVESTMENT RESEARCH SERVICE

**Example 1 Licensed University
Results Analysis, 10/08/20**

By Sector

	Score	Result	User Decision
Aerospace & Defence			
<i>Aero Inventory</i>		Acceptable	
<i>BAE Systems</i>		Unacceptable	
X		<u>Military production and sale - Over 10% of turnover from military sales</u>	
<i>Chemring Group</i>		Unacceptable	
X		Military production and sale - Over 10% of turnover from military sales	
<i>Cobham</i>		Unacceptable	

- A results analysis report providing the breakdown of a company's score, and the basic reason for each score:



Investors may also choose to read our in-depth research in its totality, which is available in our company reports. These include all the research we perform on any one company, including news stories. Sample reports are available on request.

4. Use for Engagement

There are many ways in which EIRIS data can be used as part of the engagement process.

Company profiles in EPM include a top level of **sectoral research**. The sector paragraphs outline specific issues that may be more relevant to one sector than another. This information can be used to look at and identify particular issues that you may want to engage on. Following identification, EPM gives you the further facility of scoring companies within the chosen criteria. Once the scores are allocated you can then easily identify the best and worst performers and use this information in discussions with poor performers, possibly using information on its better performing peers to guide the discussion and requests made.

The generation of reports in EPM will commonly identify by default the issues that companies may need to look at in order to increase their score/assessment on a particular issue. An excellent example of this can be found again within the Environmental reporting area. The criteria used in Environmental reporting require a Company to have at least three of the following elements:

- (A) Text relating to the environmental policy of the Company
- (B) Description of main impacts

- (C) Quantitative data for all key issues
- (D) Measurement of performance against targets

If the Company is missing any of the above, EPM will identify this for you and the “missing” element(s) can be used in engagement.

Identifying risk exposure: EPM gives you the facility to look at factors that you may consider make a company more exposed to risk. An example of an area that may be considered relevant may be involvement in countries with poor Human Rights records where the Company does not have appropriate Human Rights reporting and policy structures. Another would be to identify those Companies that are categorised as having a high environmental Impact and may not have the appropriate systems and reporting in place to mitigate possible risk. An investor may want to engage with any company that has a major discrepancy between its risk exposure and quality of policies and management systems to try and encourage improvement.

Convention Watch reports are available also through EPM and as a stand alone facility. Convention Watch is a powerful vehicle for looking at allegations of breaches of international conventions. The information available allows engagement on issues where allegations may have been made against a company, but not addressed, and this research is often used as a proxy risk or performance indicator for companies.

A detailed guide for investors looking to use EIRIS research for engagement purposes is available on request.

5. Additional uses

Governance professionals are increasingly concerned with companies’ ability to manage social, environmental and other ethical issues. EIRIS research can help them quickly and easily identify the most pertinent social, environmental and ethical risks facing a particular company, and to assess these against the companies’ board-level capability for monitoring and managing such risks. By running simple queries in EPM, clients are able to display those risks side-by-side with the EIRIS assessment of a company’s governance capacity.

Fundamental research analysts also find EIRIS research particularly useful in informing them about the social, environmental and other ethical aspects of a company’s business operations. The ability to create quantitative output for all our research data points in EPM makes it possible for analysts to incorporate what is usually seen as unquantifiable research into their complex pricing models. EIRIS company profiles are also particularly useful in analysts’ visits to companies as a point of discussion and can often reveal additional information not known to the analysts, due to our use of multiple research sources including our proprietary company survey.

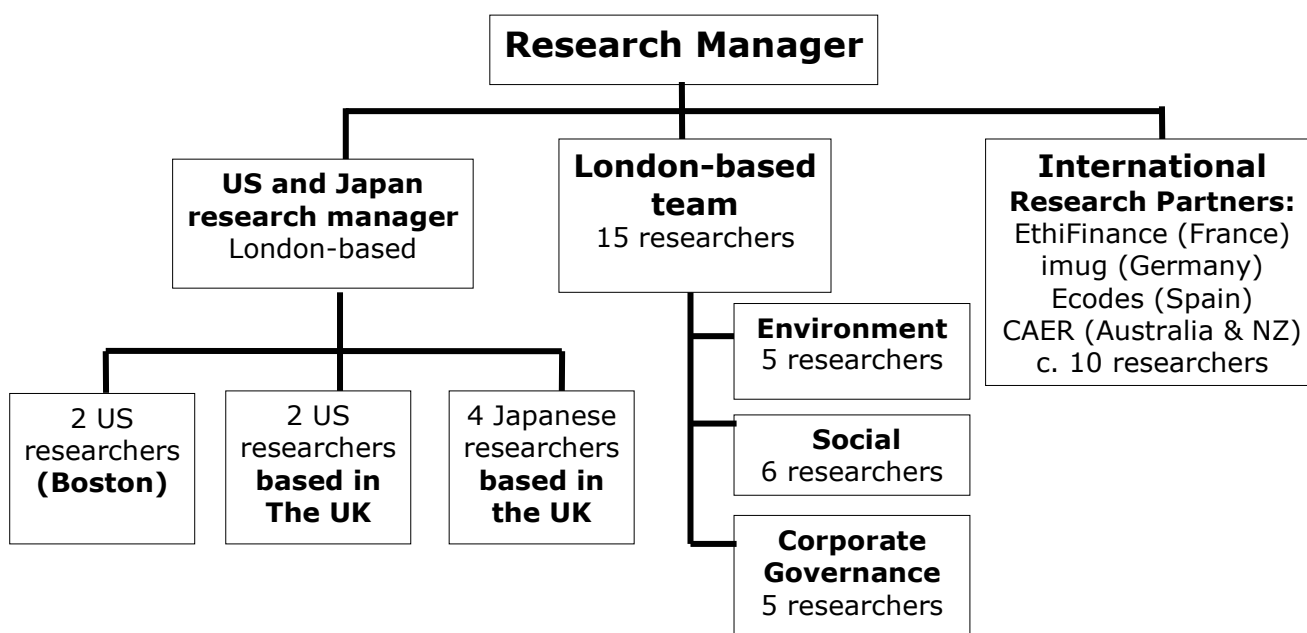
6. EIRIS research capability

The EIRIS research team includes 25 research analysts in London and the Boston, all of whom are specialists on environmental, social or governance research. However, we also believe local focus and knowledge is vital in some markets, and we have adopted a dual approach to tackle this. EIRIS opened representative offices in Boston and Tokyo this year, with one research specialist in Boston focusing on building EIRIS’

profile with North American companies. Additionally we have a team of dedicated analysts based in London focusing on Japanese and North American companies. In addition, EIRIS has a well-established network of research partners who cover smaller markets where local corporate knowledge and language skills are particularly important, including France, Spain, Germany, Austria, Australia and New Zealand.

The partners employ circa 10 researchers who work directly on EIRIS research, according to our own methodology and quality standards, using our proprietary research software. Their research is approved and quality controlled by senior analysts based in our London office. EIRIS has bilateral contracts with each partner, and they are remunerated in part based on quality, quantity, and timeliness of the research delivery.

EIRIS' in-house research analysts have an average of three years experience working at EIRIS, and in some cases more experience of working in the social, environmental or ethical research fields in their previous positions. The three most senior analysts have over ten years experience at EIRIS each. Additionally, EIRIS' Executive Director Peter Webster has been with the organisation since its inception in 1983, and Stephen Hine, Head of International Relations, has worked at EIRIS for over sixteen years. Overall, EIRIS has a significant amount of expertise in its field and has witnessed most of the development and growth of the responsible investment industry first-hand.



7. Delivery

Most clients prefer direct access and manipulation of our research database by having access to Ethical Portfolio Manager. EPM can sit on your desk and be used in parallel with other software solutions. Updates are available once per fortnight and the data is constantly being updated and added to. The software includes very useful functionality, such as displaying the market capitalisation effects of different choices made by the user. Please ask us for a demonstration.

EIRIS research can also be made available to clients through regular reports extracted from the software by our client team, including company profiles, screening results lists and results analysis reports.

8. Ongoing client support

EIRIS has a team of dedicated client care specialists to answer queries, train users on EPM, help set up policies or queries, resolve any technical difficulties and explain our research in more detail. Client support is included in our charges as standard.

Additionally, clients can negotiate special research and consultancy projects or additional company coverage on an ad-hoc basis. Clients are also the most important part of our consultation process in the development and enhancement of our research going forward.

9. Pricing

Transparency and flexibility are of great importance at EIRIS, and we believe our pricing structure should be compatible with these beliefs. Research pricing is based on geographical coverage, number of users, level or complexity of information required and years of usage. The complexity of the data required by clients varies from the facility to view only the names of stocks that are either acceptable or unacceptable (according to the clients criteria) to total access to complete Company reports. There are also a number of standard discounts to address different stakeholders' ability to pay and value derived from EIRIS research data. In summary, the flexibility of our pricing structure allows us to build the most suitable solution for your budget in a transparent and equitable way.

For further information or assistance please feel free to contact the client team:

Lisa Hayles

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lisa@eiris.org

10. EIRIS Public List of Clients

ATP (Danish State Pension Fund)
ABN AMRO
Aegon Asset Management
AIB Investment Managers Ltd
AXA Investment Managers
Bank of Ireland Asset Management
Bernstein Investment Research and Management (a unit of Alliance Capital Ltd)
BI Management A/S (BankInvest)
Boston Common Asset Management
Brown Shipley Investment Managers
Cazenove Fund Management
Sarasin Chiswell
Co-operative Bank
Credit Suisse Asset Management
Devon County Council
Dexia BIL
F & C Asset Management
Fédéris Gestion d'Actifs
FTSE
Gerrard
Haringey Local Authority
Hilden Charitable Trust
Insight Investment
INVESCO Asset Management GmbH
Joseph Rowntree Charitable Trust
KBC Asset Management NV
L&P Financial Trustees Ltd
Legal & General Investment Management
Legg Mason Investment Counsel
Lloyds TSB Private Banking
Martin Currie Investment Management
Magistrenes Pensionkasse
Merrill Lynch Investment Managers
Methodist Church Central Finance Board
Morgan Stanley
Mondrian Investment Partners
Montgomery Oppenheim
New Star Asset Management
Newton Investment Management
Nomura
Pen-Sam
PKA
M&G Investment Management
Rathbone Investment Management
Robeco Institutional Asset Management
Royal London Asset Management
Setanta Asset Management
Schroders Investment Management
Scottish Widows Investment Partnership
Standard Life Investments
Strathclyde Pension Fund
The Royal Ministry of Finance, Norway
World Wide Fund for Nature