

# EIRIS

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**Activity:** Research Organisation  
**Legal status:** non-profit organisation  
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## Activities

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### ► Products and services to investors

- Analysis/ rating
- Investment research and consulting
- Information provision
- Stock indexes
- Benchmarks
- Alert system
- Portfolio screening
- Company profiles
- Proxy voting services
- Sector and thematic research reports
- Participation in the creation of ethical stock indexes

### ► Universe

FTSE AWD, FTSE All Share, Eurostock 600, S&P 350 (Europe), publicly announced additions to MSCI and national indices such as Dax 30, MDax 50, IBEX 35, DJ Nordic 30, CAC 40

Emerging countries: 700 capitalisations of MSCI EM.

Large universe for some services (news, controversial weapons)

74 countries including all OECD members and Euro zone

### ► Coverage

- Large-cap companies
- Non-listed large companies
- Small and mid-cap companies
- Non-listed SMEs
- Investment projects
- Local authorities
- Countries

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### ► Products and services to companies

- Analysis/ rating
- Sector and thematic research
- Information provision
- Consulting
- Certification
- Audit
- Benchmarks
- Training
- Writing Sustainable Development reports or other, specify:

### ► Universe

#### ► Coverage

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▶ **Other services**

- Contribution to conferences
- Communication - Publication
- Stakeholder dialogue
- Contribution to sustainability reports
- Engagement / Dialogue with companies
- Other: voting service on ESG issues

## Organisation background and structure

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▶ **History and experience**

Ethical Investment Research Services (EIRIS) Ltd is a wholly owned subsidiary of the EIRIS Foundation. The Foundation was set up in 1983 originally to help churches and charities apply their ethical principles to their investments. EIRIS also immediately attracted institutional clients who wanted independent research with an 'ethical', 'sustainable' or 'responsible' focus on a broad range of environmental, social and other issues. Peter Webster, Executive Director, has been with the organisation since its inception and the stability of management is a result of the ownership structure. It does not promote any particular view on ethical issues and is completely independent. The Foundation aims to promote a wider understanding of, and debate, of corporate responsibility and responsible investment. EIRIS is partner of more than 150 institutional investors, asset managers and producing organisations of stock indexes.

▶ **Geographical implementation**

EIRIS is located in London (headquarters), Boston and Paris. It has research and commercial partnerships in Australia, France, Germany, Israel, Mexico, South Korea and Spain.

▶ **Structure of capital**

EIRIS Ltd, is financed by the sale of SRI and related services to its clients (not the companies that it assesses). Its parent company, the EIRIS Foundation, is a registered charity. Profits are re-invested in the subsidiary to further develop research capacity and expertise, and gift-aided back to the Foundation.

▶ **Governance**

- **The Board of Directors**

The Foundation's trustees and the members of the company board come from a variety of backgrounds, including the Carbon Disclosure Project, Oxfam, the Gaeia Partnership, the Central Finance Board of the Methodist Church, the Esmee Fairbairn Foundation, and various consultancy groups.

- **Deontology**

EIRIS defines compliance policies to assure the transparency of the research process, all available in our Website ([www.eiris.org/about-us](http://www.eiris.org/about-us)):

- EIRIS Independence policy & report
- EIRIS Confidentiality policy
- EIRIS Stakeholders policy
- EIRIS Code of conduct policy
- EIRIS Environment policy

- **Annual income**

Thanks to contact us for more details.

▶ **Staff structure**

- Total staff: 60 (except interns)
- Number of full time analysts: 36 (+25 via our partners)

EIRIS' research team is split into sector. Each analyst is specialised on specific issues (focus on sustainable development and geographical areas).

▶ **Memberships**

- AI CSRR (Association for Independent Corporate Sustainability and Responsibility Research)
- Eurosif
- National SIF (Sustainable Investment Forum)
- PRI (Principes Responsible Investment)
- Academics network, specify:

▶ **Professional partnerships**

EIRIS works in collaboration with various specialised social and environmental research partners: CAER (Australia), IMUG (Germany), Ethifinance (France), Ecodes (Spain), Greeneye (Israel), KO-CSR (South Korea) and Ecobanca (Mexico). EIRIS also works with sales partners: CAER, IMUG and Economistas sin Fronteras in Spain.

▶ **Initiatives participations**

EIRIS participated to various initiatives which aim to contribute to the progress of the profession: OECD research papers, UNEP Finance Initiative, UNCTAD's ISAR project for corporate reporting indicators, the Global Reporting Initiative indicators working group for the G3 version of the Guidelines , the GRI Finance Sector Guidelines and the PRI expert group, the Association for Independent Corporate Sustainable and Responsible Research (AI CSRR) which has developed the CSRR-QS quality standard for independent SRI research groups, the Emerging Markets Disclosure Project , UK Social Investment Forum Retail Revolution, OneReport, New Economics Foundation advisory group on ethical finance, ECCR Guidelines, FairPensions, the EIRIS Foundation Charity Project.

▶ **Partnerships with producing organisations of stock indexes**

FTSE, Mexican Stock Exchange and Johannesburg Stock Exchange are our clients.

▶ **University Partnerships**

EIRIS works with universities on specific projects, for example ESCEM in France - provision of data; Universidad Pontificia de Salamanca - presentation and paper for 'Responsibilidad Social Corporativa', University of Groningen studies into CSR & SRI, University of St Andrews Scotland on SRI, and University of Exeter on SRI and pension funds , the University of Birmingham on financial returns . Research development incorporates academic input.

## **Products and Services**

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▶ **Description and theme of products and services**

EIRIS Portfolio Manager (EPM)

Some specific Tools develop by EIRIS are also available:

PRI Toolkit

Convention Watch

Sustainability Rating

Climate change toolkit

ESG Engagement Service

Country Sustainability Ratings

Controversial Weapons Monitor

ESG News Monitor

► **Speciality-ies**

Accompanying various ISR approaches. Flexible Tools.

► **Objective**

EIRIS' research aims to be independent, comprehensive and consistent and reflects the concerns of its clients. Its core business is carrying out research into corporate governance, environmental and social performance. EIRIS' research is designed to review portfolios against benchmarks in accordance with bespoke rankings which could incorporate any number of ESG issues or a single criteria; to create sector benchmarks based on the clients' chosen criteria; to identify stocks for acquisition and sale based on the companies' compliance with the investor's minimum CSR requirements; and to define main sector risks & opportunities detailed in company reports.

► **Approach**

EIRIS does not promote one particular view on responsible or ethical issues. Rather, it provides clients with the information, and advice they need to put their own principles into practice. EIRIS researches and analyses data on listed companies and provides the data via a software tool. This enables the user to produce bespoke ratings, rankings, screening lists and full company reports supporting clients in a variety of approaches to 'responsible investment', such as 'best of class/sector', engagement, exclusionary or full integration into the fundamental analysis. The client team, with the assistance of the research team, provides consultancy services to investors.

► **Methodology**

EIRIS research can be divided broadly into three different approaches. In the first approach, we identify a company's involvement and degree of impact in a variety of social, environmental, governance and other ethical issues. The second approach is to assess companies' capacity to mitigate or manage social, environmental, governance and ethical risks through its policies, management systems and reporting. The final approach is to assess corporate performance in these areas, using a variety of indicators from different sources. These three approaches are combined to provide a detailed holistic view of a company's behaviour with regards to social, environmental, governance and ethical issues.

Companies are assessed on these criteria based on a grading scale comprising four or five levels, depending on the criteria. The gradings are based on a range of indicators which are detailed in the methodology behind each criterion. So for example, a company's environmental performance is measured against a range of quantifiable indicators which are assessed at two different points so as to provide the user with the trend performance: e.g. climate change, emissions to air, discharges to water, waste and water consumption and a grade from **inadequate** to **exceptional** is given. There are five assessment grades in total:

- Inadequate
- Weak
- Moderate
- Good
- Exceptional

For each criterion EIRIS has a defined methodology, set out in our "Guide to EIRIS Research". This defines the underlying indicators collected and definitions of each of the assessment grades. This guide is used for both internal training purposes and is available to clients i.e. we are fully transparent about our criteria methodology.

EIRIS places the highest emphasis on the quality of our research. EIRIS is committed to accurate, timely and impartial assessments of all companies conducted by our professional team of analysts. We have a quality management system to monitor and implement this commitment.

Data is delivered to clients via the EIRIS Portfolio Manager (EPM) software. Clients can select from over 80 ESG domains and create their own bespoke rating, ranking or screening systems to identify:

- (a) Involvement in activities of interest, for example weapons manufacture, tobacco production, etc.;
- (b) Risk management & mitigation of risk - criteria relate to policy, systems and reporting systems and where relevant the impact is identified;
- (c) Performance data - either as reported by the company or assessed / raised by 3<sup>rd</sup> parties - NGOs, press, regulatory bodies and courts.

EIRIS has a wealth of experience in helping clients set up their policies, in advising on the advantages and disadvantages of the different types of criteria and any re-balancing needed to take account of sector, country and size bias.

## Analyse process of informations

### ► Criteria

The following table details the various ESG and ethical areas looked at by EIRIS research for its standard universe (i.e. approx 3,000 companies in developed markets).

Environment	Governance	Social/Stakeholder	Ethical	Convention Watch
Environmental Impact	Board Practice	Human Rights Overall	Alcohol	Anti-Bribery Principles
Environmental policy	Codes of Ethics	Human Rights Policy	Animal Testing	Human Rights Principles
Environmental Management	Countering Bribery and Corruption	Human Rights Systems	Contraceptives, Abortion and Abortifacents	International Labour Standards
Environmental Reporting	ESG Risk Management	Human Rights Reporting	Fur	Kyoto Protocol
Environmental Performance	Women on the Board	Supply Chain Standards	Gambling	Biodiversity
Biodiversity	<b>Sector Specific Issues *</b>	Supply Chain Policy	Genetic Engineering	Anti-Personnel landmines
Climate Change	Access to Medicines	Supply Chain Management Systems	Intensive Farming and Meat sale	Cluster Munitions
Chemicals of Concern	Mobile Phone Health Concerns	Supply Chain Reporting	Military Production and Sale	Environmental Pollution
Product Stewardship	Exposure to Obesity Risks	Stakeholder Management	Pornography & adult entertainment services	
Nuclear Power	Project Finance & Sustainability	Employee Relations	Positive Products and Services	
Sustainable Timber	Indigenous Rights	Community Involvement	Tobacco	



Risk or Impact linked criteria

**Exclusionary criteria**

Theoretically any single criterion or any combination of criteria could be used for exclusion if the client wished. In practice it is common for activity or performance based criteria to be used for exclusionary policies, for example pollution convictions or tobacco production.

Please note that the EPM software allows for the criteria to be used in bespoke rankings which can be used for 'Best of Sector' or 'Best of Class' approaches, which of course exclude 'worst of sector', 'worst of class'. In these cases it is common for both performance and risk management based criteria to be used.

**Sector-specific criteria**

FTSE sector classifications are used within its software and broadly within its research. However, data can be exported from the software tool and overlaid with other index providers' sector classifications.

Many of EIRIS' criteria take into account the impact or risk exposure of a company based on its sector and business activities, and take these sector impacts into account in the assessment methodology. For example, the environmental criteria differentiate between high, medium or low impact companies, based on their sector and business activities, and the product stewardship criteria only apply to certain sectors such as the automobile or chemical sectors.

EIRIS also research sector specific financially significant risks, such as safety and sustainability concerns in the chemical industry; the pharmaceutical sector and the issue of access to medicine in developing countries; project finance and the Equator principles for financial institutions; the food and beverage industry and the risks related to obesity; indigenous people's rights for the Oil and Gas, Mining, Forestry, Agriculture sectors and radio frequency radiation in the telecoms sector. Alongside the assessment of companies on these sector-specific criteria EIRIS has published a number of briefing papers outlining the issues at stake.

▶ **Sources of information**

**Companies**

Questionnaire: systematically (for additional information not found in public sources)

Rate of answer:

Average time to answer:

Interviews: occasionnally

Visits of sites:

**Stakeholders:** Trade-unions, NGOs

Questionnaire: never

Interviews: occasionnally

*Public information: systematically*

*Databases: social and environmental databases, news database (Lexis nexis, factiva etc.)*

Governmental databases: occasionnally

▶ **Verification**

**Communication of results before rating:**

Yes, EIRIS sends companies their profiles for verification on an annual basis. It is a snapshot of the data that it holds on them at that time. Companies can request their profile at any time.

Validation data with stakeholders:

Which:  NGOs

Trade-unions

Authorities

▶ **Rating review**

quarterly

bi-annually

annually

Our updating process is ongoing, but we aim to fully review all companies head-quartered in Europe on an annual basis, and for companies based in North America and Asia, our updating process is based on a maximum two year cycle. However, companies are classified based on a risk assessment, to prioritise the updating process – the risk assessment is based on the level of disclosure of the company, its involvement in controversial activities which may be considered in a screening approach, its environmental impact and risk exposure to issues such as human rights. Companies deemed ‘high risk’ are prioritised and reviewed on an annual basis.

The client can download new information to their Ethical Portfolio Manager (EPM) software every week. So new data may be received on a weekly basis if required.

▶ **Alert system**

Our clients can be alerted of change of assessment directly through our software EPM. We also have an ESG News Monitor service which picks up negative news on a large universe and is available on a monthly basis.

▶ **Research and rating Schedule**

Surveys are sent out once all public information (annual reports, CSR reports, websites) has been reviewed, and only include questions for which the analysts were unable to find the relevant information in the public domain. Research is ongoing; corporate actions such as mergers and alliances are monitored on a daily basis, new companies to the base indices are covered within 6-8 weeks as a guideline, and survey responses are analysed as and when received. Websites are checked on a regular basis (at least six monthly). Other data, such as regulatory data, is reviewed once received and depends on the source. Press, NGO and union data are continuously monitored. Companies have approximately 2 months to answer the questionnaire.

▶ **Financial performances**

EIRIS does not keep track of the financial performance of analysed companies.

▶ **SRI stocks Indexes**

BMV, the Mexican stock exchange, has launched in December 2011 its sustainability index, with EIRIS.

## Client services

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### ▶ Clients

Pension funds, investment funds, asset managers, insurance companies, governments, NGOs, Independent Financial Advisers, private client brokers, charities, churches and individual investors in the United Kingdom, France, Germany, Spain, Belgium, the Netherlands, Sweden, Denmark, Norway, Ireland, USA, Australia, Japan and Singapore.

### ▶ Access to analysts for clarification of results at any time

Yes, clients are able to access analysts via the client support team. Support is seen as an integral part of the EIRIS service. Analysts respond to approximately 1000 calls a year. In addition, the client team are able to advise on more general aspects of research and on the use of data.

### ▶ Research access to a web portal

Clients can access EPM (EIRIS Portfolio Manager) over the internet through Citrix.

### ▶ Information about changes in the analysis process

Yes, the analysis of companies on all issues is set out in the 'Guide to EIRIS research'. Client consultation is an important part of the process when refining analysis in the creation of new criteria. Clients are advised by e-mail of changes to criteria, and a changeover period is factored into the research process. Clients are sent revisions to the Guide to EIRIS Research and advice is available regarding the use of revised criteria (especially to minimise portfolio churn).

### ▶ Information about changes in the company's rating

Yes, clients have access to data and are able to re-calculate ratings on a regular basis, if desired. This can be done as frequently as once a week. Ratings are bespoke to clients. Ongoing research means that changes to assessments for a company on a particular issue may occur - where this impacts on 'results', the software identifies changes e.g. from 'acceptable' to 'unacceptable'. Where EIRIS provides the rankings for clients according to the client's specifications, the client may ask for changes to be highlighted.

### ▶ Publication and confidentiality of results

Ratings are not publicly published. However some clients put elements of data in the public domain. EIRIS sometimes produces reports using collated data, for example presenting differences in performance by countries.

EIRIS advises all companies regarding the use of data, indicating that the information provided by the company is assumed to be publicly available or available on demand.