

# OEKOM RESEARCH

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**Activity:** Sustainability Rating Agency  
**Legal status:** Unlisted joint-stock company  
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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:** MSCI World, MSCI Emerging Markets, Stoxx 600, important national indices. For details see below (products & services).

### ▶ 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

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### ▶ Other services

- Contribution to conferences
- Communication - Publication
- Stakeholder dialogue
- Contribution to sustainability reports
- Engagement / Dialogue with companies
- Other:

## Organisation background and structure

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### ▶ History and experience

oekom research grew out of the environmental publishing house ökom, which was founded in 1989. oekom research's environmental research activity started in 1993. In 1999 the environmental research division was hived off from ökom GmbH and brought into the specially created company oekom research AG. In 1999, oekom research developed the Corporate Responsibility Rating, the

system it uses to produce environmental and ESG ratings for large and mid cap companies. In 2001, the rating agency developed the Country Rating and the Potentials Research to analyze small caps with a strong link to sustainability. In 2011, financial services companies and institutional investors revert to our sustainability research for the selection of securities for mutual funds, segregated accounts and asset management mandates. We provide research for assets totaling more than 90 billion euros. The strength of our team of 41 employees guarantees the quality of our research and enables us to provide our clients with an individual service.

#### ▶ **Geographical implementation**

Historically, oekom research is situated in Munich, Germany. Since October 2011, a representative office is present in Paris.

#### ▶ **Structure of capital**

oekom research AG's shareholders consist primarily of private investors (holding approx. 90 per cent of shares) together with a small group of institutional investors, which includes an environmental foundation, a publishing company and two religious orders.

In order to safeguard the independence of oekom research AG, none of the companies we evaluate nor any financial service provider, which is one of our clients, features among our shareholders. Furthermore, the overwhelming majority of our shares are distributed in the form of registered shares with restricted transferability. The managing board only approves transfers, which do not interfere with the independence of the company.

#### ▶ **Governance**

##### - **Board of Directors**

The board of directors is composed of Matthias Bönning and Robert Haßler. The supervisory board gathers three members: Prof. Dr. Thomas Dyllick, (St. Gallen University), Caspar von Hauenschild, (Transparency International), Jacob Radloff (ökom GmbH, Munich).

##### - **Advisory Panel**

oekom research has enlisted an advisory board, counting 11 people at the end of 2011. The members' composition is available on its website.

##### - **Deontology**

oekom research AG is committed to a wide set of principles, available in detail on its website. The principles cover oekom's understanding of sustainability, a code of conduct, principles of sustainability rating, an independence policy, a confidentiality statement, a public disclosure policy, and a stakeholder policy. oekom is also committed to the AI CSRR standards.

#### ▶ **Staff structure**

- Total staff: 41
- Number of full time analysts: 29
- Number of full time auditors: --
- Subcontracting: no

#### ▶ **Memberships**

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

#### ▶ **Professional partnerships**

Corporate Responsibility Interface Center (CRIC), Forum Nachhaltige Geldanlagen (FNG - Association for SRI in the German speaking countries).

### ► **Partnerships with producing organisations of stock indexes**

The Global Challenges Index, a sustainability Index, has been developed in cooperation between oekom research and the Hanover stock exchange.

### ► **University Partnerships**

oekom cooperates with the following universities and institutions in research and teaching projects: Center for Sustainability, Nyenrode Business Universiteit ; ESADE Barcelona ; European Centre for Corporate Engagement (ECCE), Maastricht University ; Globe Business College Munich ; Ludwigs-Maximilians-Universität München ; Reutlingen University ; Sustainable Business Institute (SBI), European Business School ; Technische Universität München ; University of Augsburg ; University of Hamburg ; University of Stuttgart ; University of New Brunswick, Canada; HEC Paris, France.

## **Products and Services**

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### ► **Description and theme of products and services**

The oekom team of analysts regularly evaluates around 3,100 companies. In the process, oekom provides complete coverage of international indices such as the Stoxx 600, the MSCI World and the MSCI Emerging Markets as well as numerous national indices such as, for example, the DAX family, the ATX, the SMI and the CAC40. The oekom Universe additionally comprises sustainability leaders outside these indices as well as small & mid caps drawn from sectors with links to sustainability (e.g. renewable energies, recycling, water treatment) and significant non-listed bond issuers. oekom also provides its clients with country sustainability ratings of over 50 countries.

Overview on oekom's main products and services:

**oekom Responsible Investment Advisory:** Support in developing an ESG investment strategy including best-in-class approach and exclusion criteria.

**oekom ESG Portfolio Check:** Analysis of existing investments and/or products in terms of implementation of the ESG investment strategy.

**Universes:** Compilation of investable universes (shares, mortgage bonds, government bonds) from the oekom Universe, based on customer specifications (best-in-class approach, exclusion criteria).

**oekom Client Portal:** Access to all corporate / country rating reports. Internet-based database with various download and analysis options.

**oekom Responsibility Benchmarking & Information Tool (ORBIT):** User-friendly online benchmarking application based on the oekom Corporate Rating and including: detailed ESG benchmarking on an indicator level, individual definition of peer groups, easy identification of company ESG strengths and weaknesses, overview on sector and universe performance per indicator.

**oekom Alert Services and oekom Studies:** The latest news on changes in company and country ratings, plus studies on social and environmental issues such as genetic engineering and microfinance.

**oekom Engagement Compass:** Support regarding the development and implementation of an active engagement strategy, including defining engagement targets, selecting target companies, comprehensively documenting shortcomings in their sustainability management systems, drafting written proposals and monitoring implementation of agreed measures.

**oekom Controversial Weapons Monitor:** Comprehensive and up-to-date collection of data on around 200 companies from all parts of the world, for which there are reasonable grounds to suspect that they manufacture controversial weapons.

### ► **Speciality-ies**

#### ► **Objective**

oekom aims to provide its clients with as large as possible an universe of companies which are performing well in terms of sustainability and thereby to provide a comprehensive basis on which to organize sustainable capital investments and investment products.

► **Approach**

From initial screening to a sustainable investment universe, oekom helps its clients to implement their individually tailored sustainability concept. Using the developed sustainability criteria, oekom conducts a preliminary analysis of the existing portfolios (initial screening) and advises its clients on the staged restructuring of their securities. For new portfolios, oekom provides an investment universe that contains the stocks and bonds that match precisely its client's sustainability criteria. This universe will then provide the asset managers with a basis to assist them in the investment process.

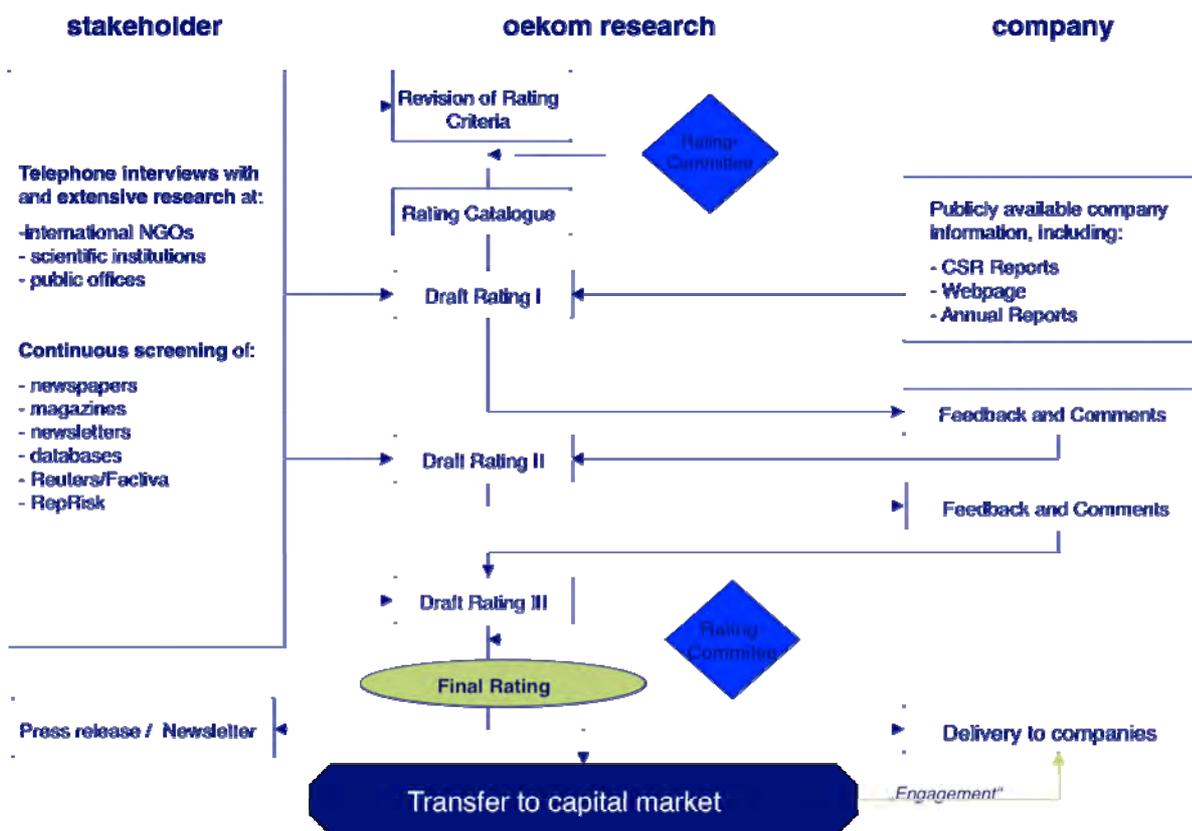
► **Methodology**

The oekom Corporate Rating provides a detailed assessment of a company's environmental, social and governance (ESG) performance. In order to be able to analyse comprehensively the diverse environmental and social challenges relating to the activities of companies, oekom has developed a pool of approximately 500 indicators. For each company, an average of 100 indicators are selected from this pool on an industry-specific basis so that a targeted evaluation of the problems specific to that company can be carried out. All criteria are individually weighted and evaluated and finally aggregated to yield an overall score. The results provide a ranking of the companies examined within an industry, from which the leaders in that industry are identified.

The overall analysis is graded on a twelve-point scale from A+ (the company shows extraordinary performance) to D- (the company shows no or very little engagement). oekom research uses an absolute best-in-class approach. Only companies which meet predefined industry-specific minimum requirements are awarded the oekom Prime Status. By contrast, a relative best-in-class approach defines a certain percentage of all companies as best-in-class.

The social and environmental impacts of industries differ. Therefore, the higher their negative environmental and social impacts are, the higher are the expectations regarding their sustainability management and the higher is likewise the minimum rating in order to achieve the oekom Prime Status.

► **Analyse process of informations**



▶ **Criteria**

- Number of indicators in database > 500
- Number of indicators used in the rating of a particular industry > 100

**Exclusionary criteria**

Each company is checked against the following exclusion criteria:

- Abortion
- Alcohol
- Biocides
- Chlororganic Mass Products
- Embryonic Research
- Gambling
- GMOs
- Military
- Nuclear Power
- Pornography
- Tobacco
- Animal Testing
- Business Malpractice
- Child Labor
- Controversial Environmental Practices
- Human Rights Violations
- Labor Rights Violations

**Sector-specific criteria**

The ratio of industry-specific indicators to general indicators is approximately 35 - 65

▶ **Verification**

Validation of data with stakeholders:

- Which:  NGOs  
 Trade-unions  
 Authorities

▶ **Research and rating Schedule**

See above

▶ **Financial performances**

From time to time, oekom publishes performance studies, like the one in cooperation with HVB in 2007 ([http://oekom-research.com/index\\_en.php?content=studien](http://oekom-research.com/index_en.php?content=studien)).

▶ **SRI stocks Indexes**

oekom research participates as a research partner in various client specific SRI Indexes, as well as in the Global Challenges Index (GCX) of the stock exchanges of Hamburg and Hanover (Further information may be found at [www.gcindex.com](http://www.gcindex.com)).

▶ **Sources of information**

**Companies**

The process (as shown above) of information collection is as follows: after a new update of sectorwise criteria, the oekom research team first proceeds to a thorough information search of publicly available company information and of information from other stakeholders. After that, a detailed feedback process is engaged with the company, based on a first draft report provided by oekom, before completing the final rating report.

**Stakeholders:** Trade-unions, NGOs

Questionnaire: no

Interviews: by telephone

*Public information:* yes

*Databases:* yes

▶ **Rating review**

- quarterly
- bi-annually
- annually

oekom has implemented a staged update process:

- Continuous integration of incidents such as controversies or mergers.
- When a new CSR report is published by a company, the information is integrated within 3 months.
- An annual update is carried out without company contact.
- Every two years, a thorough update including company contact is carried out.

▶ **Alert system**

Oekom provides its customers with alerts when an important event occurs concerning companies within its rating universe.

## Client services

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### ▶ Clients

oekom is a partner of various asset managers and institutional investors. Please refer to our website for further details.

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

Yes

### ▶ Information about changes in the analysis process

Yes

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

Yes

### ▶ Publication and confidentiality of results

Main results of sector studies are published continuously via press releases. Each company receives its rating results free of charge.

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