

SUSTAINABLE INVESTMENT RESEARCH INSTITUTE PTY LTD (SIRIS)

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Activity: Research Organisation
Legal status: Company
Address: Level 9, 99 William Street,
Melbourne
Australia
Telephone: 61 3 8621 2000
Fax: 61 3 8621 2001
Contact:
E-mail: research@siris.com.au
Website: www.siris.com.au



Activities

- ▶ **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:** ASX300+, NZSE50 +, MSCI World - Asia Developed and Emerging markets

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

- ▶ **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**
 - Large-cap companies
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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

▶ History and experience

Created in 2000, The Sustainable Investment Research Institute (SIRIS) was established following a capital provided by institutional and private investors. SIRIS is a dedicated research group that provides corporate sustainability and governance research to investors, lenders and other providers of capital.

SIRIS research focuses on analysing corporate social (including environmental) responsibility performance, risk and opportunity, and corporate governance and thus, each entity's long term licence to operate successfully (sustainability).

▶ **Geographical implementation**

SIRIS is based in Melbourne, Australia

▶ **Structure of capital**

SIRIS is an independent, private, for-profit company owned by its staff and Board.

▶ **Governance**

Board of directors: Mr Charles Macek, Independent Chairman, Dr Don Stammer, Non-executive Director and Mr Mark Bytheway. CEO, Executive Director. Director profiles may be viewed at the SIRIS website.

- **Deontology:**

SIRIS defined compliance procedures to assure the transparency of its research process, to assure the confidentiality of information and data on the ongoing research process and to prevent conflicts of interest. SIRIS' SRI research outcomes are subject to validation.

All aspects of the internal assessment process have been peer-reviewed. Following completion of the research process, SIRIS engages both specialist Alliance Groups to review profiling outcomes to confirm:

- That relativities are appropriate and meaningful, i.e. rankings and ratings reflect meaningful and demonstrable differences in profile;
- The optimality of the research and process; and
- Review for bias and potential conflicts (of interest).

▶ **Annual income**

N/A

▶ **Staff structure**

- Total number staff: 11
- Number of full-time analysts: 6
- Number of part-time analysts: 3

SIRIS' analyst responsibilities are allocated on both geographic and sector responsibility basis and also variously have client and product management and reporting responsibilities.

- Subcontracting: No

▶ **Analysts' experience**

Experience on the job
 1 to 5 years: 70%
 5 to 10 years: 30%

Background*

Financial: 30%
 Environmental: 70%
 Social: 10%

Previous experience*

Corporate: 20%
 Financial analysis: 30%
 NGOs: 10%
 Government & Academics: 55%

* Some staff have a background and experience in more than one category.

▶ **Memberships :**

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

SIRIS also participates in seminars and forums and advisory such as, Australian UNEP Advisory Committee, GRI and attendance at and presentation to various conferences such as TBLI, ASrIA, RIAA, NZ CSRI, Securities Institute of Australia, Minerals Council etc.

► Professional partnerships

SIRIS is a founding 25% shareholder in a Pan-Asian research initiative, Asian Sustainable Research Alliance LLC (ASRA). ASRA joins 3 Asian based ESG research providers and a US-based and market technology group.

ASRA brings together over 100 dedicated staff, Asian coverage of over 2,500 companies and a local presence in Australia, China, Indonesia, Malaysia, Korea and Singapore, as well as the United States.

ASRA is developing specialised Asian ESG research services and investment strategies. It has developed an online Asian ESG database and is developing a range of investment research products and strategies, including indices for local, regional and global investors.

ASRA enables SIRIS to participate in and offer a range of ESG services based on a unique Asian research network. ASRA specifically enables SIRIS to:

- market its services through the ASRA network;
- participate in and market the services and capabilities of ASRA partners;
- participate and market an extended Asian research coverage; and
- share resources and access experienced lower cost labour markets.

Other ASRA partners are, Ecofrontier, OWW Consulting, and Phoenix Global Capital.

► University partnerships: Nil

Products and Services

► Description and theme of products and services

SIRIS focuses on Pan Asian research coverage. In 2011, SIRIS covered approximately 1000 companies within its database, including all companies within the ASX300, NZSX50 and MSCI World Asia indices. This also included more than 550 profiles (large cap companies and sustainability ratings to 550 large-cap companies, approximately 30 non-listed large companies and to approximately 400 small and medium cap companies. In addition SIRIS provided research coverage of approximately 100 companies providing sustainable technologies, products and services, including Cleantech.

SIRIS products include:

- Research – company profiles/data/ratings/rankings, thematic research, controversy monitoring
- Corporate Governance – proxy voting research, data

► Speciality-ies

SIRIS is a specialist, Asian research group – i.e. we focus only on Asia and engage native Asian language speakers as part of our research process. As such, SIRIS seeks to provide clients with complete ESG research and engagement solutions.

As a consequence of our, cultural and analytical experience, native Asian speakers and regional location, SIRIS is increasingly being asked to participate and assist in engagement with Asian-based companies.

► **Objective**

SIRIS provides investment research to wholesale and retail investors, lenders and other users of financial analytical data.

This research focuses on analysing corporate social (including environmental) responsibility performance, including sustainability risk and opportunity analysis. SIRIS' research is designed to result in drawing social and environmental risks and opportunities roadmaps.

SIRIS does not prepare a proprietary (SIRIS) rating. Client specific ratings are prepared based on client criteria and weightings utilising SIRIS' PrSIM database.

► **Approach**

The SIRIS assessment process involves a focus on "global best practice". Information provided to SIRIS is evaluated on the basis of comprehensiveness and quality and the extent to which it reflects a company's commitment to these values. The comprehensiveness and availability of information reflects a commitment to transparency and accountability.

► **Methodology**

SIRIS applies an analytical model to conceptualise and enable assessment and of corporate sustainability. The result of this analysis is used to identify and assess opportunities and risks, and determine levels of transparency and accountability.

The SIRIS model captures global best practice incorporating sustainability risk and opportunity measurement, reporting and management. SIRIS offers company profiling, Portfolio compliance services and Client specific rankings depending on client demand.

► **Analyse process of informations**

SIRIS' research analytical process is set out diagrammatically in Appendix 1.

► **Criteria**

SIRIS applies ratings to client portfolios based on client specific criteria and instructions.

Sustainability Values

The five key sustainability issues and values used by SIRIS in assessing sustainability are:

- *Environmental Impacts and Aspects*: Analysis of internal and external environmental aspects and resulting impacts from organisational operations and their management.
- *Workplace Practices*: Analysis of occupational health and safety and human resources.
- *Product Quality and Stewardship*: "Design for Environment" and "cradle to grave" life cycle assessment of the impacts of products and services, including quality issues are assessed as part of this value. Product sustainability profiling is also undertaken.
- *Corporate Regulatory Compliance*: Analysis of the role of regulation in organisational sustainability and the manner in which an organisation manages and responds to its particular regulatory compliance regime.
- *Corporate Governance*: Analysis of organisational commitment to transparency and accountability through the application of established 'norms' of best practice in corporate governance.

Sustainability Drivers

The three key sustainability drivers used by SIRIS to measure performance are:

- *Strategy and policy*: highlighting and profiling strategic planning and management.
- *Systems and resources*: highlighting and profiling a company's capability and capacity to successfully implement corporate strategy.
- *Past performance*: demonstration of commitment, foresight and vision as an indicator of corporate culture, as well as an organisation's ability to confront and resolve issues.

▶ **Criteria screening**

Exclusionary criteria can be applied, but this depends on client requirements including the number of type and level of criteria. SIRIS is able to apply any combination of criteria and levels within its core database.

Sector-specific criteria: SIRIS does utilise sector-specific criteria and can apply a best-of-sector approach. However, again, this depends on client requirements.

Whilst some industry specific issues are necessarily isolated and analysed, the SIRIS assessment process accounts for “nature and scale” of company operations. As a consequence, a company’s level of commitment, resources and past performance and other indicators and metrics can be indexed on the basis of company size. This more effectively enables comparison of companies and thus, ratings, against all others, rather than on an industry basis only.

▶ **Verification**

SIRIS communicates all data and resultant analysis to the subject company for discussion before rating: Yes, SIRIS makes all data available to companies under review.

Validation data with stakeholders: Yes,

Which: NGOs
 Trade-unions
 Authorities

▶ **Sources of information**

Companies

Questionnaire: No longer

SIRIS has developed a web-based- free to access which enables companies to respond to specific prompts designed to highlight company risks and the management thereof including respective sustainability initiatives, processes and ambitions. SIRIS also offers to send company data profiles to each company

Rate of answer: n/a

Average time to answer:

Interviews: frequently

Visits of sites: occasional

Stakeholders: Trade-unions, NGOs,

Questionnaire: No

Interviews: systematically

Public information: A wide range of media is systematically reviewed frequency depending on information source and refresh timetable

Databases: Regulatory, Financial and Media databases and specialised research engines (e.g.: PrSIM and SIRI Company)

▶ **Rating review***

- quarterly
- bi-annually
- annually

* As negotiated with clients

▶ **Alert system**

SIRIS maintains a two-part alert system;

(i) a *controversy monitoring service*: which is conducted weekly and provides alerts based on client agreed concerns and thresholds

(ii) *Issue Alert Service*: where information is received that alters a rating or is material.

These are based on client agreed criteria.

▶ **Research and rating Schedule**

Research and rating schedules are based around the following parameters;

- *Company reporting timetables* - with a Pan-Asian focus, across Asia, SIRIS' research universe is reflects a range of reporting times.
- *Client rating requirements* - as research and ratings are client specific, ratings are updated based on client specified frequency
- *Research analyst responsibilities*

Thus, the annual research planning process is organised around the following;

- Company reporting dates
- Products (e.g. proxy voting advice)
- Analyst responsibilities

▶ **Financial performances**

SIRIS only tracks historic financial information e.g. balance sheet ratios and some P&L information e.g. total revenue, revenue by segment, NPAT, NP EBIT, EBITD and net cashflow.

▶ **SRI stocks Indexes**

No

Client services

- ▶ **Clients:** Pension funds, investment funds, asset managers and global research providers in Australia and New Zealand (45%), Europe (40%), and US (5%).
- ▶ **Access to analysts for clarification of results at any time:** Yes, analysts are responsible for discussion of research for their particular industry sector. Analysts are also assigned client management and reporting responsibilities.
- ▶ **Information about changes in the analysis process:** Yes
- ▶ **Information about changes in the company's rating:** Yes, Clients are informed via SIRIS' Issue Alert service. SIRIS provides immediate notification of any rating change and the underlying reasons if required as part of contractual services.
- ▶ **Publication and confidentiality of results:** SIRIS does not develop a generic rating or ranking per se, but rather develops client-specific outcomes, based on client requirements. In these circumstances, the rating outcomes belongs to the client and it is not for SIRIS to publish without the permission of the client.

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