
Innovest Strategic Value Advisors & the United Nations Principles for Responsible Investment

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Innovest is recognized as the premium provider of extra financial and sustainability-based investment relevant research. Founded in 1995, our database now covers more than 2,000 international companies with assessment undertaken by a team of over 50 'sector specialist' analysts.

Please read on to discover how Innovest's products and services can be applied to the six principles of the UNPRI. For more information on Innovest please also refer to our website www.innovestgroup.com or contact one of our representatives from one of our seven global offices.



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**Innovest Uncovering Hidden Value
for Strategic Investors**

www.innovestgroup.com

UNPRI & Innovest's Services

By providing institutional investors with enhanced research on environmental, social and corporate governance (ESG) issues, Innovest is helping PRI signatories fulfil their commitments to the Principles in a variety of ways. Whether signatories are interested in company ratings and quantitative ESG data, or engagement and advisory services, Innovest's Products and Services are flexibly packaged and designed to meet investors' needs.

Specifically, **Innovest's 'i-Ratings'** is our client web portal where the following Innovest products and services can be accessed:

- » **Intangible Value Assessment (IVA) ratings and Company Profiles on over 2,000 companies.**
- » **UN Global Compact Plus screening and assessment service on companies in the global MSCI index.**
- » **Innovest Activities Screening – negative screening service**
- » **Innovest Strategic Engagement and Advisory Services (ISEAS).**
- » **Regular News Updates (Weekly Stock Monitor and monthly Client Delivery Newsletter).**
- » **Sector Reviews and Reports on over 60 industries.**
- » **Thematic reports - eg Carbon Disclosure Project.**
- » **Innovest's Carbon Finance and Clean Technology Practice including our Carbon Beta Platform and Carbon Portfolio Value Audits.**
- » **Innovest Data Suite and asset management sub advisory services**

The screenshot shows the Innovest iRatings website. The header includes the Innovest logo and tagline 'STRATEGIC VALUE ADVISORS'. A search bar is located in the top right corner. Below the header, there is a navigation menu on the left side with options like Home, Industry Index, Company Index, etc. The main content area features a news article titled 'Innovest's Heather Langsner Honored for Nanotech Research'. To the right of the article, there are sections for 'Download iMaximizer/iScores' and 'Popular articles'. The footer of the page includes 'Innovest & CDP Present: The Fourth Annual Carbon Disclosure Project' and 'Latest weekly stock notes'.

1 We will incorporate ESG issues into investment analysis and decision-making processes.

Innovest's online client portal, i-Ratings, offers one platform where all of Innovest's products can be accessed. Specific Innovest services which may assist PRI signatories in fulfilling Principle 1 follows.

Innovest's **Intangible Value Assessment (IVA)** ratings are focused on the non-traditional factors which contribute most heavily to financial out-performance. Specifically, our ratings evaluate more 2,000 companies on 120 different performance metrics that fall under the following four pillars:

- » **Stakeholder Capital**
- » **Strategic Governance**
- » **Human Capital**
- » **Environmental Management**

Investors can also apply the **Innovest Data Suite** for in-depth comparative analysis of company performance.

Innovest's **Global Compact Plus** Screen measures global MSCI index companies' strategies *and* performance against the 10 principles of the UN Global Compact. Using the screen, investors can determine if companies in which they wish to invest are adhering to generally accepted international norms and principles.

Innovest's Strategic Engagement and Advisory Service (ISEAS) enables investors to both enter into dialogue and 'engage' companies on areas to improve their governance and sustainability performance while maintaining the investors' existing portfolio construction and asset manager selection.

2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

Innovest's **Global Compact Plus** and **Strategic Engagement and Advisory Services (ISEAS)** are two key tools for enabling active ownership as they serve to both identify and also implement issues of concern regarding specific companies.

Innovest's **Global Compact Plus** allows investors to identify companies' adherence to, and performance against, the principles contained in the UN Global Compact. This enables investors to not only perform due diligence on their portfolio constituents, but also to verify that service providers and other business partners are in adherence with the UN Global Compact and the PRI mandate.

The **Global Compact Plus** goes a step beyond traditional screening methodologies by assessing the materiality of a company's risk relative to its sector peers and scoring this in straightforward 'green', 'amber' and 'red' categories along with succinct commentary.

Innovest's Strategic Engagement and Advisory Services (ISEAS) provides investors with advice and, where appropriate, directs a process of engagement with specific companies on issues of concern. These issues can be identified independently by the investor or reflect the analysis emanating from the **Global Compact Plus** or other Innovest **Sector Reports** and **Thematic Reports**.

| Refine selection: | | International Norms (UN and ILO standards, Global Compact) | | | | | | | | Overall | | |
|--|------------------------------|---|-------------|---------------|-------------|----------|-------------|-------------|-------------|---------------------|-------------|---------|
| Search: <input type="text"/> <input type="button" value="Go"/> <input type="button" value="Reset"/> | | Human Rights | | Labour Rights | | Env't | | Gov. / A.C. | | Summary of Findings | | |
| Companies: A B C D E F G H I J K L M N O P Q R S T U V W X Y Z | | Strategy | Performance | Strategy | Performance | Strategy | Performance | Strategy | Performance | Strategy | Performance | Overall |
| Select Sector: - All - | | | | | | | | | | | | |
| Altria | Beverages & Tobacco | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| BAE Systems | Aerospace & Defense | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| British American Tobacco PLC | Beverages & Tobacco | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Halliburton Company | Energy Equipment & Services | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Reynolds American Inc | Beverages & Tobacco | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Volkswagen AG | Automobiles | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| West Japan Railway | Surface Transport | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| ABB Ltd. | Electrical Equipment | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| AP Moller-Maersk | Surface Transport | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Alcatel | Communications Equipment | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Autogrill | Hotels Restaurants & Leisure | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| Baker Hughes Inc | Energy Equipment & Services | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

An initial stage of Innovest's research process is to review companies' public reporting. We have long been advocates of reporting frameworks such as the Global Reporting Initiative. However, Innovest notes that despite companies' increasing emphasis on their ESG related policies and performance, disclosure is often inconsistent and incomplete. In response to this, Innovest analysts contact the companies to ask specific financially relevant questions on ESG issues that have not been addressed in corporate reporting. The Innovest methodology goes beyond disclosure to focus on what companies are actually doing. This can provide sector specific information that generic disclosure requirements do not already cover.

Indicative of our commitment to greater disclosure of ESG issues amongst public entities, Innovest has been the author and Chief Technical Advisor of all four annual FT500 reports for the Carbon Disclosure Project (CDP) since its inception. The CDP (www.cdproject.net) is the largest collaboration of institutional investors to date and encourages companies to disclose their greenhouse gas emissions while heightening awareness among the finance sector on the materiality of climate change associated risks and opportunities for all companies within all major industries.

4 We will promote acceptance and implementation of the Principles within the investment industry.

Innovest was founded to undertake ESG research in 1995 and is one of the oldest and longest running companies in this field. Throughout this time we have been active in promoting and disseminating thought-leadership that has influenced the growing acceptance globally that ESG issues are financially material risk considerations for investors. This is the approach that Innovest will continue with in regards to the UN PRI and its wider acceptance and implementation within the investment industry (Principle 4).

Specifically, senior Innovest professionals have published dozens of influential articles and book chapters to raise awareness of the critical role of institutional investors in promoting improved ESG performance in their portfolio companies. Innovest executives are regularly invited to present at major investment and industry conferences as well as the World Economic Forum in Davos, Switzerland.

Moreover, Innovest's premium sustainability ratings are used as the basis for independent research that demonstrates to the investment community that integrating ESG issues into investment decision making can enhance portfolio returns. Innovest's research has been the basis for two papers that have won the prestigious Moskowitz Prize – an award introduced to encourage and recognize outstanding research on socially responsible investing.

(<http://www.socialinvest.org/Areas/Research/Moskowitz/Default.htm>)

Innovest representatives have also been involved in the development of, and provided advice on, numerous policy oriented task forces, committees and initiatives globally (including the UN PRI itself). We have also worked with stakeholders in academia, government agencies and non-government organisations to further develop frameworks and guidelines to assess ESG issues. A selection of these parties can be found below.

- » **The Carbon Disclosure Project**
- » **UNEP-FI**
- » **World Business Council for Sustainable Development,**
- » **Investor Network on Climate Risk,**
- » **Global Reporting Initiative,**
- » **Social Funds Forum (US)**
- » **Ethical Investment Association (Australia)**
- » **World Wildlife Fund**
- » **Greenpeace International**
- » **Governments of US, UK, France, Canada and Australia**
- » **Pensions at Work Group (Toronto)**
- » **York University's Institute for Research and Innovation in Sustainability**
- » **The Social Investment Organization (SIO) (Canada)**
- » **Canadian National Round Table on the Environment and Economy (NRTEE)**
- » **Environment Canada's Corporate Environmental Innovation (CEI) working group**

5 We will work together to enhance our effectiveness in implementing the Principles.

Innovest believes that collaborative work is a crucial component to effectively implementing PRI. We are committed to contributing to PRI's success through thorough and cutting-edge research as well as providing a common platform for collective discussion and engagement via the Innovest's i-Ratings web portal.

By leveraging our expansive network and client list of OECD countries, institutional investors, the academic community and think-tanks, we are working to implement the spirit of PRI principles through our diverse Products & Services and research.

Please see Innovest's website for more information on the products and services that are helping PRI signatories align their own investments with the PRI standards as well as identify businesses that are leaders and laggards in implementing the standards of PRI.

6 We will each report on our activities and progress towards implementing the Principles.

Innovest's i-Ratings web platform along with our regular client updates, the **Innovest Weekly Stock Monitor** and the **Innovest Client Delivery Newsletter**, enable PRI signatories to be conveniently kept informed of breaking company news and Innovest updates. Regular updating is integral to facilitating and implementing internal and external reporting procedures throughout the PRI signatory organisation.

Innovest's Weekly Stock Monitor keeps clients up to date on investment relevant news that often goes undetected in mainstream business media. Delivered via a weekly newsletter, or on a real-time basis on i-Ratings, the Weekly Stock Monitor advises clients of news-relevant information and policy decisions that affect publicly traded companies.

Innovest

STRATEGIC VALUE ADVISORS

Weekly Stock Monitor

19 December 2006

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| SECTOR | DEVELOPMENTS THIS WEEK | CONTACT |
|-------------------------------------|---|---|
| <p>Aerospace and Defense</p> | <p>Serious Fraud Office Drops BAE Investigation</p> <p>British government intervention has led to the cessation of the long running investigation into alleged bribery involved in BAE's arms export contracts with Saudi Arabia.</p> <p>The announcement is seen as a reassuring sign regarding BAE's prospects of capturing a potential GBP 40 billion (USD 78 billion) contract to supply the Saudi government with Eurofighter jets; shares in BAE Systems were up 6% in early morning trading after the news. The abandonment of the investigation is not however considered to be an exoneration of corrupt practices at BAE, and serious doubts remain over BAE practices when bidding for significant international contracts. Furthermore the Serious Fraud Office has signalled that investigations into BAE contracts in Tanzania, South Africa, Romania and the Czech Republic will continue. Innovest will be closely considering these</p> | <p>Sebastian Brinkmann +44 20 7073 0483 sbrinkmann@innovestgroup.com</p> |

By identifying downside risks, **Innovest's Weekly Stock Monitor** acts as an early warning system for investors. Some examples of Innovest's early warning system at work include successful calls with:

- » **HealthSouth – strategic governance and transparency**
- » **DuPont – 30% stock drop last summer over issues surrounding PFOA**
- » **Sherwin Williams – tort claims**
- » **Monsanto – genetically modified foods**
- » **Anglo-American – costs of HIV/AIDS in the workforce**
- » **Tyco – strategic governance and transparency**
- » **American Electric Power – climate change**
- » **Federal Mogul – (now bankrupt) asbestos liability**

Innovest's **Client Delivery Newsletter** is delivered monthly to inform clients of updates on Innovest's company ratings and other sector and thematic reports.



INNOVEST UPDATES

Innovest's newly released Banking Report highlighted in the Financial Times

Banks 'to place new stress on ESG risk' By Mike Scott, The Financial Times

"Banks that cannot incorporate ESG risk into their corporate finance decisions are more vulnerable to external shocks, according to Innovest Strategic Value Advisors."

In developed economies, pressure on margins in mainstream markets and a boom in housing loans has led to rapid growth of the sub-prime market, which delivers the strongest margins, says Innovest. At the same time, savings rates are falling and sub-prime borrowers pose the highest risk of default.

Please do not hesitate to contact your local Innovest office to find out more about how we can help you uphold the UNPRI.

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