



# ECPI ETHICAL GLOBAL TRADABLE EQUITY

The Index selects 40 companies with the highest  
value-driven, socially responsible profile  
according to ECPI's ESG Rating Methodology

OCTOBER 2011

## SUSTAINABLE INVESTING

Ever since 1997, ECPI has provided the financial community with investable indices focused on core ESG principles: Environmental, Social and Corporate Governance.

The ECPI ESG rating methodology is a well-recognised tool in sorting investment exposure to non-financial risks out of a wide range of opportunities in the financial markets.

The rating methodology, based on an academic and scientific approach and inspired by International Bodies dedicated to Responsible Investment such as UN Global Compact ( [www.unglobalcompact.org](http://www.unglobalcompact.org) ), the Global Reporting Initiative ( [www.globalreporting.org](http://www.globalreporting.org) ) and UN PRI ( [www.unpri.org](http://www.unpri.org) ), want to appraise and monitor a issuer's long-term strategic attitude, operational management and actual behaviour towards the society and the environment.

## WHY ECPI

ECPI is dedicated to providing investors with tools to inform socially responsible and ethical investment decision-making. ECPI's ESG Research, Ratings and Indices have helped investors integrate values, sustainability and non-traditional risk factors into mainstream quantitative financial analysis since 1997.

ECPI's ratings are applied to traditional and innovative asset classes such as equity and credit portfolios, CDOs, hedge funds, microfinance institutions and a full range of Beta and Alpha Market Indices (ECPI® Index Family).

Worldwide clients include major international investment banks, retail and private banks, asset managers, insurance companies, foundations, pension funds and other institutional investors.

## INDEX CONSTRUCTION

The methodology allows an institution to integrate ESG issues into the investment analysis and decision-making process (Principle 1 of the United Nations Principles for Responsible Investments, or the UN PRI) and to avoid investment in controversial business activities.

The screening process consists of:

### 1) Sector Screening

Exclusion of issuers operating in controversial sectors: Military/Army; Pornography; Tobacco; Alcohol; Gambling; Nuclear Energy; Contraceptives; GMO Food Production.

### 2) ESG Screening

Analysis of companies along a wide and comprehensive set of indicators belonging to the following macro-categories: Environmental Strategy and Policy, Environmental Management, Products, Production Process, Community Relations, Employees, Markets and Corporate Governance.

If a company scores poorly with respect to corporate sustainability and responsibility criteria, or is engaged in the production of products/services that do not respect investors' guidelines, it is not considered an eligible investment.

## INDEX SUMMARY

The ECPI Ethical Global Tradable Equity is composed of the 40 highest rated companies in global developed markets, equally weighted.

Stocks are selected using the following criteria:

- Minimum mkt cap: EUR 1 billion
- 6 months Average Trading Volume: EUR 10 million
- Sector Concentration Limit: 20%

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# EMERGING MARKETS ESG RISKS AND ECPI RATING FOCUS

## ESG Risks

## ECPI Rating Focus

To develop, manage and preserve infrastructure requires significant financial investment as well as state and local government involvement: **risk of sub-optimal resource allocation**



**Corruption & Bribery:** Application of anti-corruption measures, legal action and definitive sentences

Greater employee exposure to hazardous materials and other unsafe conditions such as high-voltage electrical conductors, radiation, unstable components etc.: **risk of service interruption**



**Health & Safety:** Application of a H&S Management System, legal action and definitive sentences

Complex infrastructural projects involving contractors from a range of different sectors make controlling the full supply chain more difficult: **risk of poor performance in terms of safety and reliability**



**Relationship with suppliers:** Application of a Supply Chain Management System, legal action and definitive sentences

Involvement of activities with a high impact on local communities makes preventing human rights violations more difficult: **risk of reputational damage and lower quality end-product**



**Respect of Human Rights:** Signatory of the international human rights declaration, application of legal action and definitive sentences

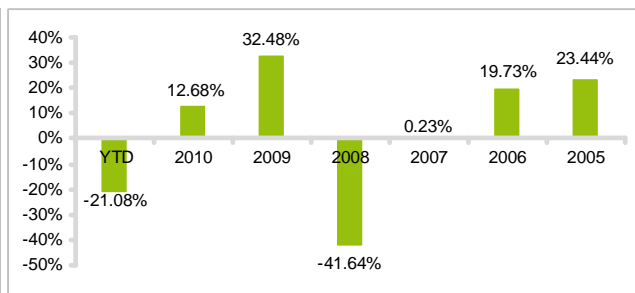
High environmental impact is often associated with a weak regulation and/or lax enforcement: **risk of financial and reputational losses**



**Environment:** Environmental Strategy and Policy, Environmental Management, impact of Products and the Production Process, application of legal action and definitive sentences

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Number of Constituents	<b>40</b>
Eligibility Monitoring	<b>Daily</b>
Component Weights	<b>Equal</b>
Minimum 6 months ADV	<b>EUR 10 mln</b>
Index Rebalancing Frequency	<b>Semi Annual</b>
Currency of Calculation	<b>EURO</b>
Average Market Cap (EUR bio)	<b>30.74</b>
Largest Market Cap (EUR bio)	<b>79.49</b>
Smallest Market Cap (EUR bio)	<b>4.76</b>
Highest Index Value (since 2003)	<b>1972.55</b>
Lowest Value (since 2003)	<b>802.37</b>



Average	Annualized Volatility
Since 2003	<b>18.51%</b>

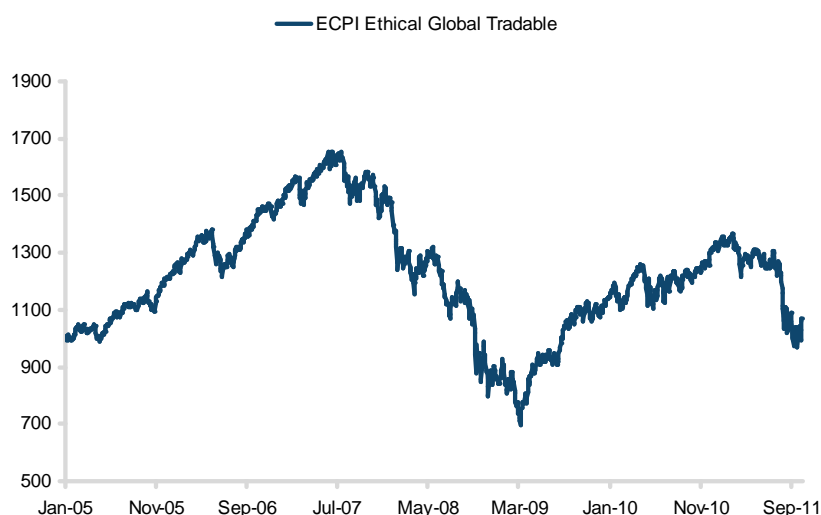
Fundamental Analysis	P/E Trailing	P/E Projected	P/B	P/S	P/CF	Dividend Yield
	12.01	11.14	1.42	0.96	8.77	2.99

#### Country

FRANCE	<b>12.33%</b>
GERMANY	<b>9.89%</b>
ITALY	<b>4.46%</b>
JAPAN	<b>13.39%</b>
NETHERLANDS	<b>7.49%</b>
SPAIN	<b>6.47%</b>
SWEDEN	<b>4.95%</b>
SWITZERLAND	<b>5.43%</b>
UNITED KINGDOM	<b>21.88%</b>
UNITED STATES	<b>13.70%</b>

#### Industry Sector

Basic Materials	<b>8.14%</b>
Communications	<b>7.41%</b>
Consumer, Cyclical	<b>17.04%</b>
Consumer, Non-cyclical	<b>20.28%</b>
Energy	<b>2.33%</b>
Financial	<b>17.74%</b>
Industrial	<b>16.48%</b>
Technology	<b>5.10%</b>
Utilities	<b>5.49%</b>



Index Summary			
Asset Class	Equity	Bond	Alternative
Investment Objective	Beta	Alpha	Income
Constituents	Large Caps	Medium Caps	Small Caps
Screening	Positive	Negative	Both
Bias	Geographical	Industry	Quantitative

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## DEFINITIONS

**P/E trailing:** Current price/index earnings. Index earnings are calculated by summing up the trailing 12 months EPS before XO items of the member companies multiplied by the shares in the index and divided by the index divisor. US and Canada: calculated using trailing 12 month diluted EPS from continuous operations of each member.

**P/E projected:** Current price/index projected earnings. Index projected earnings are calculated by summing all members' best EPS in FY1 multiplied by shares in the index and divided by the index divisor.

**P/B:** Current price/index weighted book value. Index weighted book value is calculated by summing up current book value per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**P/S:** Current price/index sales. Index sales are calculated by summing up all trailing 12 month sales per share, multiplied by shares in the index and divided by the index divisor.

**P/CF:** Current price/index cash flow. Index cash flow is calculated by summing up the trailing 12 month cash flow per share of the member companies, multiplied by the shares in the index and divided by the index divisor.

**Dividend Yield:** Index dividend/current price. Index dividend is calculated by taking the sum of all members' last 12 month dividends, multiplied by shares in the index and divided by the index divisor. Market convention dividends use gross dividends except for Australia, New Zealand, and the United Kingdom, which use net.

Fundamental Data Source: Bloomberg

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