

Innovest’s Rating Methodology

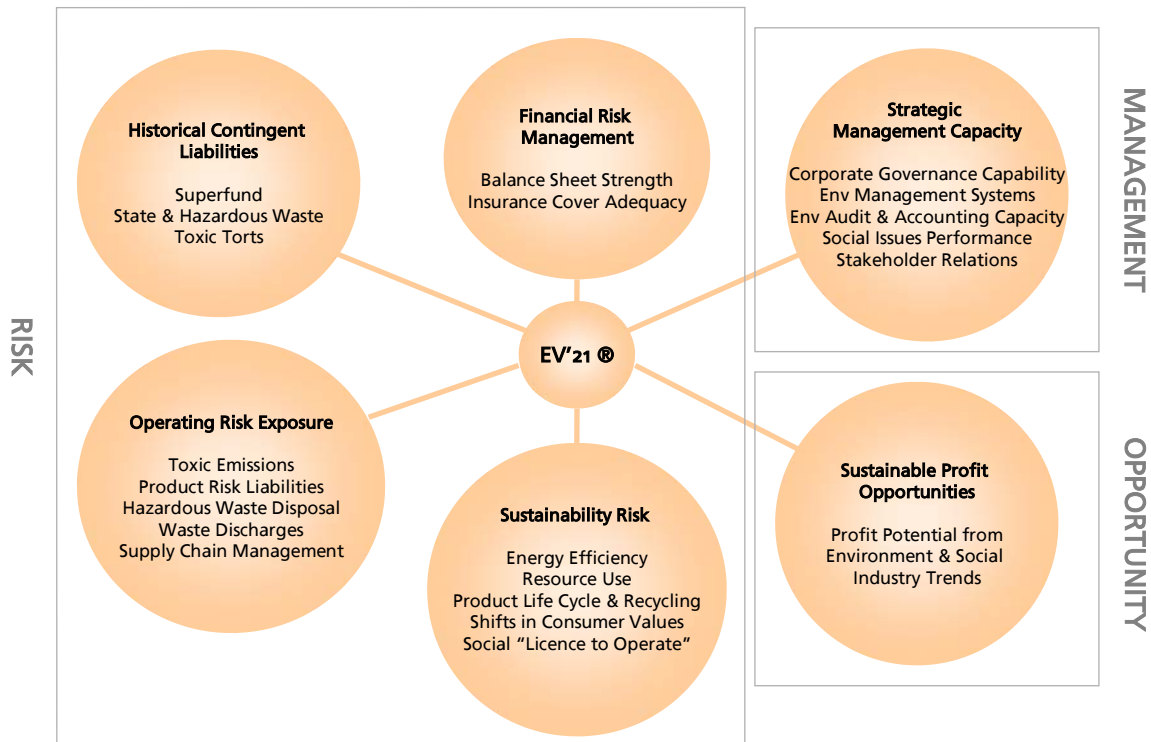
OVERALL APPROACH:

Innovest’s research is focused on those factors which contribute most heavily to financial out-performance. Environmental and social performance measures are used as leading indicators for management quality and long-term financial performance, not as commentaries on the intrinsic ethical worth of the companies. At the heart of Innovest's analytical model is the attempt to balance the level of environmentally and socially driven investment risk with the companies' managerial and financial capacity to manage that risk successfully and profitably into the future. Risk alone is only one-third of the equation; what is also crucially important to investors is how well that risk is likely to be managed, and what upside profit opportunities might be created and captured. The Innovest assessment criteria have been designed with these three parts of the equation in mind.

ENVIRONMENTAL ASSESSMENT CRITERIA:

In total, the **EcoValue'21™** model synthesizes over 60 data points and performance metrics, grouped together under six key value drivers, summarized schematically as follows:

The EcoValue'21™ Rating Model:

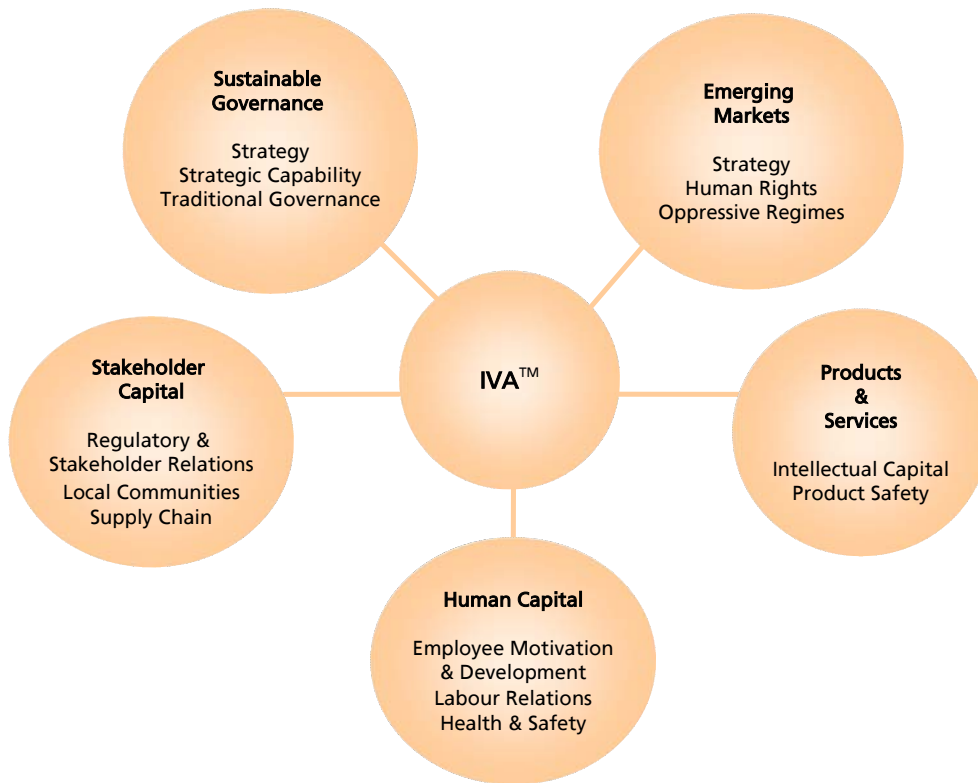


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SOCIAL ASSESSMENT CRITERIA:

Over 50 individual performance indicators are addressed in Innovest's *IVA*TM rating model, as outlined in the schematic below:

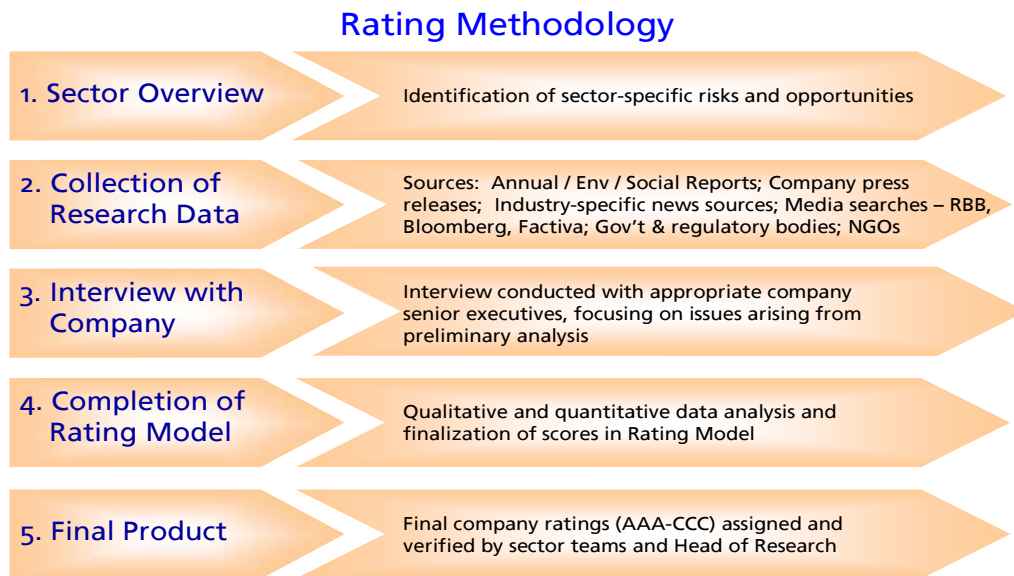
*The *IVA*TM Rating Model:*



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RESEARCH PROCESS:

The Innovest company rating methodology for both the *EcoValue'21*TM and *IVA*TM, which form the Innovest Combo profiles can be summarized as follows:



SECTOR OVERVIEW:

Prior to an evaluation of any individual company, Innovest research analysts conduct an in-depth assessment of the competitive dynamics of that industry sector, with particular emphasis on the special risks and opportunities created by environmental and social factors. Only then do the analysts assess the relative performance and strategic positioning of any individual company. Innovest believes that this is the only way to properly appraise and weigh the risk and opportunity factors confronting any individual company. As a result, individual company analyses are generally preceded by an in-depth, 60-70 page industry sector analysis. Individual factor weightings in investment models have been derived from years of actual stock market performance research.

DATA COLLECTION:

Innovest obtains information from the following sources:

- Corporate documents: annual reports, environmental and social reports, securities filings, 10k and other, websites, etc.
- Government data: U.S. Toxic Release Inventory, Comprehensive Environmental Response and Liability Information System (CERCLIS), RCRA Hazardous Waste Data Management System, etc. We are currently assessing the value of information contained on the newly launched Eper website, Europe's first industrial pollution register.
- Industry sources: specialized vertical trade publications and reports, eg. Chemical Week, The Oil Daily, Oil and Gas Journal, etc.

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- NGOs: interviews and dialogue with non-governmental organizations familiar with the companies' operations and any controversy they may have caused, or could potentially cause.
- Innovest maintains collaborative relations with influential NGOs such as Environmental Defense, Friends of the Earth, Greenpeace, and others. Some are even Innovest clients.
- On-line databases such as Factiva.

COMPANY INTERVIEW:

We also use interactive, real-time interviews with company executives; we consider the resulting information much more complete and reliable than that provided by questionnaires.

RATING PROCESS:

Once the interview/data gathering process is completed, each company is rated relative to its industry competitors. Companies are rated against the Innovest performance criteria, and given a weighted score, as well as a letter grade (AAA, BB etc.). As noted above, each of the factors has an industry-specific weighting, based in part on a regression-based factor attribution analysis examining recent (5 year) stock market performance.

FINAL PRODUCT:

The *EcoValue'21TM* and *IVATM* investment risk ratings are ultimately expressed on a relative scale similar to those currently in use by conventional credit rating agencies such as Moody's and Standard and Poors: It is important to note that judgments on company performance are not in any sense absolute; they are explicitly intended to be made relative to the standards and performance of the company's industry peers.

AAA:	A company with minimal, well-identified environmental/social risks and liabilities, and with a strong ability to meet any losses which might materialize. Extremely well-positioned to handle any foreseeable tightening of regulatory requirements, and strongly positioned strategically to capitalize on environmentally/socially-driven profit opportunities.
AA:	A company with environmental/social risks and liabilities which have been well-identified and provided for. This position is unlikely to be impaired by any foreseeable tightening of regulatory requirements. The company is well-positioned strategically to capitalize on environmentally/socially-driven profit opportunities.
A:	A company with large but well-identified environmental/social risks and liabilities, and sufficient financial and managerial strength to absorb all but exceptional risks. Able, also, to finance any currently proposed regulatory requirements. Above-average positioning with respect to profit opportunities.
BBB:	A company with strong managerial capability, but one where environmental/social risks and liabilities are a potential source of loss, though not on any material scale. Average level of positioning vis a vis profit opportunities.

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BB:	A company with good managerial capability, but one where environmental/social risks and liabilities are a potential source of material loss. Below-average level of strategic positioning.
B:	A company whose environmental/social risks and liabilities create a strong likelihood of material losses in both profitability and competitive position. Significantly below-average strategic positioning.
CCC:	A company where there are significant doubts about management's ability to handle its environmental/social risks and liabilities, and where these are likely to create a serious loss. Well below-average ability to capitalize on environmentally/socially-driven profit opportunities.

APPENDIX - INNOVEST INTANGIBLE VALUE CRITERIA:

THE ENVIRONMENTAL ASSESSMENT CRITERIA

1. MANAGEMENT SCORES

1.1 Environmental Strategy

- Policies
- Integration with Core Business
- Profitability Linkages
- Consistency - All Operations/ International
- Culture

1.2 Corporate Governance

- Board Structure
- Senior Environmental Officer Level
- Environmental Factor in Compensation

1.3 Environmental Management Systems

- Number and Qualifications of Environmental staff
- ISO 14000 or other certified EMS
- Environmental Performance Indicators

1.4 Audit

- Existence
- Adequacy
- Frequency
- Impartiality

1.5 Environmental Reporting

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- Environmental Reporting
- Environmental Accounting

1.6 Environmental Training & Development

- Environmental Training & Development

1.7 Certification

- CERES
- Other outside code
- Voluntary EPA programs

1.8 Products/Materials

- Life cycle analysis
- Suppliers - environmental screen
- Eco-labels

2. RISK & IMPROVEMENT

2.1 Historic Liabilities

- Contaminated Site Liabilities
- Other Historic Liabilities

2.2 Operating Risk

- Spills and Releases
- Regulatory Compliance* scores include NYU data
- Toxic Emissions
- Hazardous Waste
- Other Operating Risk

2.3 Sustainability Risk

- Resource Use Efficiency/Recycling
- Energy Efficiency
- Market Risk - Incl env sensitivities of customers
- Regulatory/Legal Risk
- Other Emissions Risk
- Other Sustainability Risk - Operations

2.4 Industry Specific Factors

- Performance Improvement Vector
- Strategic Competence
- Environmental Opportunity
- Other etc

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3. PROFIT OPPORTUNITY SCORES

3.1 Strategic Competence

- Environmental Business Development Strategy/ Planning
- Organizational Structure

3.2 Environmental Opportunity

- Environmental Sensitivity of Geographic Regions Served
- Environmental Sensitivity of Demographic Groups Served
- Phase-out Risk of Products and Services
- Environmental Improvement Potential
- Environmental Positioning Within Sector

3.3 Performance

- Current Environmental Businesses
- Environmental Businesses Under Development

THE SOCIAL ASSESSMENT CRITERIA

1. Strategy and Management

- Strategic capability/direction
- External Stakeholder Input/Advisory Boards
- Shareholder Activism Response
- Board Structure
- Board/Management Diversity
- Senior CSR/Social Officer
- Social Factor in Compensation
- Integration with Core Business
- Consistency— All Operations/International
- Performance Indicators and Targets/Accounting
- Reporting/Disclosure/Transparency
- Auditing
- Social/Ethical Standards
- Sustainability Charter Signatory/Council Member
- Codes Signatory— Global Compact, OECD, Child Labor, UND Human Rights, SA 8000, ETI, ILO, etc.
- Investment Policy/Screening
- Charitable Giving Policy and performance
- Bribery Policy/Enforcement

2. Human Capital Development

- Employee Retention Rate
- Work Policies— Job Sharing, Flexible Schedule/Location, etc.

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- Training and Knowledge Dissemination
 - Benefits—Health Care, Wellness Programs, Child Care, etc.
 - Monitoring of employee satisfaction rates
 - Health & Safety Policy/Auditing
 - Health & Safety Performance—Absentee and Injury Rates, etc.
 - Access to Management/Grievance Procedures/Whistleblower Protection
 - Union Policy/Issues
 - Claims/Litigation/Fines
- 3. Stakeholder Capital**
- Community Support Programs—Volunteer, Local Development, etc.
 - Policy on Using Local Suppliers/Contractors
 - Plant Closure Policy/Impact
 - Disaster Planning/Local Approval/Third Party Audit
 - Controversy/Protests/Claims/Litigation/Fines
 - Awards
 - Stakeholder Engagement Activities/Stakeholder Access
- 4. Products/Services:**
- Product Social/Ethical Impact
 - Boycotts
 - Claims/Litigation
 - Product Certification/Labels
 - Safety/Quality Issues
 - IPRs – Patents
- 5. Supply Chain:**
- Supplier Screening Policy—CSR Performance, Ethnicity, Gender, Size, etc.
 - Required Code of Conduct
 - Supplier Training and Development Programs
 - Supplier Social Audits
 - Third Party Review
- 6. International:**
- Developing Country (DC) Policy/Programs—Benefit Sharing, Local Input, etc.
 - DC Strategy/Market Dev.—Investment, Technology/Skills Transfer, etc.
 - DC Share of Production/DC Share of Revenue
 - Advertising Policy/Respect for Local Culture
 - Controversy/Protests/Claims/Litigation/Fines
 - Implementation of policies relating to human rights, child labour, forced labour, equal opportunities

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FOR FURTHER INFORMATION, PLEASE CONTACT:

Dr. Matthew Kiernan, Chief Executive, +1 905 707 0876 ext. 204
Mr. Peter Wilkes, Managing Director, +1 212 421 2000 ext. 216
Ms. Nicola Simpson, Director, +44 (0) 20 7073 0477
Mme. Perrine Dutronc, Managing Director, +33 (1) 44 54 04 89

mkiernan@innovestgroup.com
pwilkes@innovestgroup.com
nsimpson@innovestgroup.com
pdutronc@innovestgroup.com