

COVALENCE ETHICALQUOTE

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Activity: Research Organisation

Legal status: Company

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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

► 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

Covalence was founded in 2001 in Geneva (Switzerland), in the form of a private limited company by a group of six professionals from finance and social sciences backgrounds, backed by the Graduate Institute of Development Studies (University of Geneva) and several NGOs.

► **Geographical implementation**

Covalence is based in Geneva (Switzerland), and has a US representative.

► **Structure of capital**

Covalence SA was founded in the form of a private limited company by a group of six professionals from finance and social sciences backgrounds, who are the owners of the company. They have been joined in 2005 and 2006 by 3 individuals.

► **Governance**

- **Board of Directors**

Antoine Mach and Marc Rochat

- **Advisory Panel**

Beth Krasna, Vincent Ossipow, Matthias Brunner

- **Deontology**

- **Annual income**

N/A

► **Staff structure**

- Total staff: 4 associates and 8 student interns
- Number of full time analysts: 3 analysts
- Number of full time auditors:
- Subcontracting:

► **Memberships**

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

► **Professional partnerships**

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

► **University Partnerships**

The universities mentioned here allowed their students to complete their end of study internships at Covalence: Cornell University (USA), Drew University (USA), Ecole Int. de Commerce et Développement Lyon (France), Fulda University of Applied Sciences (Germany), Groupe ESC Toulouse (France), Groupe ESC Troyes (France), HEC Genève (Switzerland), HEC Paris (France), Institut d'Etudes Politiques de Lyon (France), Institut Ingémédia de Toulon (France), Institut Universitaire et Professionnel Ingémédia de Toulon (France), International University Bremen (Germany), Lycée St Jude Armentières (France), Pepperdine University (USA), Sabanci University Istanbul (Turkey), Università della Valle d'Aosta (Italy), Universität Regensburg (Germany), Université Blaise Pascal, Clermont-Ferrand (France), Université de Franche Comté - Besançon (France), Université de Genève (Suisse), Université de la Vallée d'Aoste (Italy), Université de Lausanne (Switzerland), Université des Sciences et Technologies de Lille (France), Université Lyon 2 Lumière, Lyon (France), Université de Neuchâtel (Switzerland), Université de Toulouse (France), Université Laval, Québec (Canada), Université Marien Ngouabi (Brazzaville-Congo), University of Finance (Switzerland), University of Düsseldorf (Germany), University of Maastricht (Holland), University of Münster (Germany), University of Richmond (USA), Vilnius Gediminas Technical University (Lithuania), Webster University (Switzerland).

► Description and theme of products and services

For investors:

Covalence runs EthicalQuote, an ethical reputation index tracking the world's largest companies as well as major Swiss equities. Covalence has developed solutions for finance professionals willing to integrate ethical criteria into their investment decisions and products.

Financial institutions can use the global service offered by Covalence for any of their clients, mandates or products. Covalence helps investment professionals in their selection process of equities, corporate bonds and other related securities.

Finance professionals may wish to benefit from Covalence's expertise in the frame of a tailored product: fund, index, or structured products such as, for example, a certificate based on a basket selected among top ethical companies.

For companies:

Covalence offers reputation management services to corporations that are included in its universe. World major brands use Covalence independent expertise.

Ten years of experience in screening and analysing ethical information allow us to provide insightful reputation analysis and benchmarking to the following departments of large corporations: Communications, Public / External Affairs, Investor Relations, Global Reputation Management, Corporate Social Responsibility, Sustainability.

Reputation manager

Ethics is at the core of your company's most valuable asset: its reputation. Covalence integrates the best of its products and services into an ethical reputation management package for corporate departments such as Communications, Public/External Affairs, Investor Relations, Global Reputation Management, Corporate Social Responsibility, or Sustainability.

Ranking

Covalence EthicalQuote Ranking allows corporations to monitor their ethical reputation, to benchmark against peers and to communicate internally and externally.

Research

Covalence produces research analyzing the reputation of multinationals by issues, regions and sources, offering a synthetic view of claims and initiatives related to corporate social responsibility on a global scale. Covalence research comes as Sector Reports, Company Reports and customized research.

► Speciality-ies

Covalence EthicalQuote is an ethical reputation index tracking the world's largest companies and Swiss equities. We provide media analytics and extra-financial ratings to corporates and investors since 2001.

EthicalQuote confronts quantities of positive and negative news items gathered on the web.

► Objective

Provide companies and investors with extra-financial ratings that face the problem of defining ethics, rely on credible information and have economic relevance.

► Approach

The award-winning EthicalQuote system relies on international social and environmental standards while respecting cultural diversity, political pluralism and scientific uncertainty which characterize

modern society. Using multiple sources of information, it offers a democratic view of corporate ethical reputation.

Reflecting public opinion in a pragmatic and dynamic way, this ethical reputation scoring system allows exploring and using potential correlations between ethical and financial measures of performance.

► Methodology

While relying on universally shared values, the methodology developed by Covalence faces the characteristics of modern society such as cultural diversity, democratic debate and scientific uncertainty, and the challenges of defining objective ethical criteria and credible information sources.

Covalence measures the ethical reputation of companies by confronting quantities of positive and negative news items gathered on the web. The EthicalQuote score combines the difference and the ratio between these quantities and is affected by a historical erosion factor.

This process relies both on technology and on human analysis (500 intern ethical information analysts have collaborated with Covalence since 2001).

Covalence EthicalQuote Ranking combines the score calculated across criteria (measure of popularity) and the scores calculated in each criteria group (measure of diversified performance).

The ethical reputation scoring system developed by Covalence, reflecting public opinion in a pragmatic and dynamic way, allows exploring and using potential correlations between ethical and financial measures of performance.

Our conviction is that ethical reputation is translating trust and consensus of the different stakeholders in a company, and its ability to adequately factorize social and environmental concerns. It is an indicator of the quality of risk management, brand positioning, innovation capacities, and strategic vision. Ethical reputation is also a measure of the return on investment of Corporate Social Responsibility programs.

► Analyse process of informations

Covalence measures the ethical reputation of companies by confronting quantities of positive and negative news items gathered on the web from various sources. This process relies both on technology and on human analysis (500 intern ethical information analysts have collaborated with Covalence since 2001).

Covalence's approach addresses the problems of subjectivity and of credibility by integrating multiple opinions and information sources in a dynamic and democratic way. Measuring the ethical reputation of companies helps to approach an invisible reality – their real ethical performance.

We assume that the raw data mainly consists of text, as opposed to numbers. A parallel can be made with another complex field of research: medicine. Health records are largely composed of text; text analysis is therefore needed for researching into, and classifying these records.

The basic metrics used by Covalence are quantities of news items gathered on the web (texts, web pages), that can be coded as having a positive or a negative orientation towards named companies (polarity, sentiment). More precisely, a distinction is made between “ethical offers” (“information on what the company does for society”, positive news, compliment), and “ethical demands” (“information on what the company should do for society”, negative news, criticism).

Explicit positive or negative words have to be found in the text for demonstrating an orientation and allowing the document to be coded and accounted in the system. Examples of negative words: “predator”, “undermining”. Examples of positive words: “contributing”, “helping”.

To be coded into Covalence database a text must also be related to 1 or 2 of the 45 Covalence “Criteria of business contribution to human development”.

► **Criteria**

Criteria arborescence is available on the website.

4 groups, 45 criteria, 6 legal references

1. working conditions
2. impacts of production
3. impacts of products
4. institutional impact

Exclusionary criteria No

Sector-specific criteria No

► **Verification**

Validation data with stakeholders:

Which: ☐ NGOs
☐ Trade-unions
☐ Authorities

► **Sources of information**

Companies

Questionnaire: never

Rate of answer:

Average time to answer:

Interviews: never

Visits of sites: never

Stakeholders: Trade-unions, NGOs

Questionnaire:

Interviews:

Covalence EthicalQuote scoring system allows any interested parties to submit information in the spirit of a journal's readers section, thus feeding the database and influencing the “ethical quote” of companies. Information can be submitted using the contact form or by email to info@ethicalquote.com.

Public information: systematically

Databases: search engines

► **Rating review**

- ☒ quarterly
☐ bi-annually
☐ annually

► **Alert system**

► **Research and rating Schedule**

Relevant information is gathered and coded on a daily basis. Ratings are produced monthly.

► **Financial performances**

► **SRI stocks Indexes**

Client services

► **Clients**

Asset managers in Europe and US

Large companies in Europe and US

► **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. It depends if the client buys a one-time report or an updated monitoring service

► **Publication and confidentiality of results**

Extracts of companies' profiles are published

Otherwise results are confidential and available to clients only.

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