

EIRIS Country Sustainability Ratings

EIRIS has applied its comprehensive environmental, social and governance expertise to countries, creating a new research tool for investors



Country Sustainability Ratings (2007)

Country Sustainability Ratings assesses different aspects of the sustainability of sovereign entities. The service is designed to help responsible investors distinguish and rank countries according to environmental, social and governance factors. Improvement or change in last year's ratings is now available.

Countries currently covered include:

Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea (South), Kuwait, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, United Kingdom, United States, Venezuela and Vietnam.

Default ratings are available for all OECD members as well as for 30 emerging and large markets. In total, Country Sustainability Ratings covers 64 countries. These are rated and allocated a total mark out of 10. The default scores across the three areas (environmental, social and governance) are weighted equally; however, clients have the option of adjusting the weighting of each of the areas as appropriate to their needs.

Furthermore, the weights given to each indicator under each area may also be customised, offering investors the ability to create their own customised ratings for countries.

The ratings are based on the following:

1. **Environment** – a country which limits its use of finite resources, reduces its negative impacts on the global environment, and exercises stewardship over its natural environment is more likely to be sustainable. The indicators used measure the country's approach to the protection of:

- Atmosphere
- Water
- Land &
- Biodiversity

2. **Governance** – a well-governed, non-corrupt country, which is responsive to its inhabitants, treats them equally, and respects their civil liberties, is more likely to be sustainable. The indicators used are:

- Political Rights
- Civil Liberties
- Quality of Governance and gender empowerment

3. **Social** – a country which caters for the education, health, welfare and social needs of its inhabitants, which develops the skills of all citizens, and which has low levels of inequality is more likely to be sustainable. Indicators used are:

- Education and Human Welfare
- Work and Equality

EIRIS Country Sustainability Ratings includes an additional score indication of the proportion of key international conventions that the country has signed. Furthermore, investors particularly concerned with the principles outlined in the UN Global Compact may use the Global Compact indicator weightings recommended within this flexible tool.

Country Sustainability Ratings provides extra details on how well each country performs on specific issues that may be of particular interest to some investors. These indicators can be used separately from the three main categories to allow investors the potential to rule out certain activities if they want to. Issues include:

- Use of death penalty
- Military expenditure as a proportion of Gross Domestic Product
- Proportion of energy consumption derived from nuclear power
- Overseas Development Aid as a proportion of Gross National Income (for developed countries only)

Customised Sustainability Rankings

Countries are sub-banded into income brackets in order to remove “rich country” bias thus allowing analysis within bands. These bands indicate how the country ranks against its peers under the standard World Bank classification of high, upper-middle, lower-middle and low income, based on per capita gross national income using recognised Purchasing Power Parity (PPP) figures.

Methodology

1. EIRIS researches and monitors a range of reputable, publicly available sources of internationally comparable data relating to sustainability. The data sought relates to all aspects of sustainability, ranging from national policy commitments under international conventions to internationally comparable statistics on a country's performance.
2. Researchers select key sustainability indicators from these sources. This data is collated on an excel spreadsheet and fully updated once a year.
3. Researchers apply formulas to produce a simple ten-point scale (0 to 10) score - for each country for each indicator.

Sources used

EIRIS uses comparative global data sourced from agencies of the United Nations and the World Bank. In order to be internationally comparable, this data sometimes relates to statistics gathered over a rolling period.

The sources used for this report have all been reviewed in 2007 by EIRIS. They are:

- United Nations- Human Development Index reports (UNDP-HDI)
- World Development Indicators published by World Bank Group (WDI) and World Resources Institute (WRI)
- Transparency International and various international convention secretariats
- New Ideas in Pollution Regulation – World Bank Group (NIPR)
- World Health Organisation reports (WHO) and UNICEF
- Amnesty International, CRF (Centre for Religious Freedom) and Freedom House
- Online factbooks such as Earthtrends or CIA World Factbook and Laborista.

Ethical Investment Research Services (EIRIS) Ltd

80-84 Bondway, London SW8 1SF

Victoria Woodbridge: +44 (0) 20 7840 5701
victoria.woodbridge@eiris.org

See website for further details, including a list of EIRIS clients.

www.eiris.org