

Portfolio21

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1. Introduction

Portfolio21 aims to contribute to sustainable developments by integrating non-financial criteria in the management of investment portfolios and by being transparent about this process.

The project is concerned with human rights in the work place and with severe environmental damages. It is norms oriented.

Human rights

The principle is straightforward: a specialized, independent researcher screens share and bond issuers included in investment portfolios on their respect for human rights in the workplace as laid down in the International Labour Organization core conventions.

Issuers that allegedly do not comply with these international labour standards are engaged in a dialogue process that has the objective to obtain information and to improve their practices with regard to basic workers' rights. Results thereof have implications for portfolio management.

Environment

Portfolio21 does not invest in corporations that cause severe environmental damages while breaching norms. The investors rely on the recommendations by Council on Ethics for the Norwegian Pension Fund and the ensuing decisions by the Norwegian Ministry of Finance.

www.Portfolio21.info presents all relevant information about the criteria, procedures, adherent investors, governance, certifications and appreciations that together constitute this project.

2. Portfolio21: a dynamic project

Portfolio21 aims to contribute to a sustainable development. The investors try and accomplish this by integrating non-financial criteria in the management of investment portfolios and by being transparent about this process.

Basic values

- **Sustainable development** is a vast concept. It concerns economic, social, ecological and cultural progress, locally and globally, for current generations and for generations to come. Although discussion about priorities and directions abounds in any interpretation the quality of human life is central to the interpretation of the concept.
- Portfolio21 wishes to contribute to the quality of human life by inserting additional criteria and features into the traditional processes of selecting and managing financial assets.

Focus on human rights

Portfolio21 focuses on labour standards and upon human rights in the workplace.

- They are **basic**. Respecting basic rights of fellow human beings is a value in its own right.
- They are **concrete**. One does not have to develop a philosophy or interpretation. Operational criteria for screening are in place: the basic ILO-conventions.
- They are **widely recognized**. Those conventions are widely recognised as fundamental and have gained large consensus. They are congruent with human rights declarations. States, organizations of employers and employees adhere to the ILO-conventions.
- They are within the **sphere of influence** of corporations.
- They are **a key to a global approach**. ILO core conventions offer leverage for improvement in different fields. Indeed, by respecting them educational, safety and environmental matters can be taken on.
- They **go with free markets**. Non-compliance with ILO 's core conventions is not only to the detriment of abused workers and affected children. Non-compliance is unfair to economic actors who do respect conventions. Non-compliance erodes the level playing field of the free market.
- They are **universal**. The eight ILO core conventions apply to all countries and sectors worldwide.

Focus on environmental norms

The investors of Portfolio21 do not take a stance on competing technologies or on political decision making about the use of natural resources. Indisputable though, norms breaching that causes severe and irreversible environmental damage is unacceptable for current and future generations.

The model

In its current stage, Portfolio21 is the result of a research effort by three parties: an insurance company, an asset manager and an independent screening agency. Each party contributed its specific skills and knowledge about sustainable management of financial portfolios. The model uses independent third party screening on concrete and specified issues.

It will be developed further under the impulse of the adherent investors and will rely upon the input of specialists in research and financial management.

Vigeo Belgium S.A. is responsible for the implementation of the screening, engagement and evaluation processes and their results.

The portfolio managers remain responsible for the investment decisions and the financial results of the adherent portfolios.

Most importantly, Portfolio21 is conceived as an open project in a twofold sense.

It is open to new adherents who wish to enhance their financial management and contribute to the further development of Portfolio21.

It is, after due research and consideration, open to change.

Thus, Portfolio21 is work in progress.

Facts and Figures

For the adherent investors, the volume, the size of the universe, the relevant functions, the governance & management of the project and news: please visit www.portfolio21.info.

3. Criteria and screening

Criteria are chosen and approved by the adherent investors.

In its current stage, Portfolio21 focuses on human rights as laid down in the eight ILO core conventions and on upholding basic environmental norms.

3.1. The ILO and its conventions

3.1.1. The International Labour Organization

The International Labour Organization (ILO) is a tripartite body where governments, employers' organizations and trade unions come together for dialogue. It was created in 1919, with the objective to develop international standards for labour conditions to end "injustice, hardship and privation". In 1944, the mandate was broadened to include general human rights matters.

The ILO adopts conventions that become binding international treaties after their ratification by the member states. National governments, employers' organizations and trade unions agree on internationally relevant minimum standards for certain aspects of human rights at work. International labour standards are an expression of these international tripartite agreements. They have an impact on working conditions in every country of the world.

Based on the ratification of conventions, the ILO has a system of regular supervision and reporting to ensure that member countries respect the international labour standards.

In addition, parties can bring complaints on standard violations before the ILO. In case of infringements on the freedom of association principles, this can be done even if the country has not ratified the relevant conventions. Over the years, supervisory mechanisms have been set up to oversee the effect given to international labour standards in particular circumstances.

3.1.2. The eight ILO core conventions

The ILO declared eight conventions as fundamental to workers' rights worldwide:

1. Convention 29 - Forced Labour Convention, 1930;
2. Convention 87 - Freedom of Association and Protection of the Right to Organise Convention, 1948;
3. Convention 98 - Right to Organise and Collective Bargaining Convention, 1949;
4. Convention 100 - Equal Remuneration Convention, 1951;
5. Convention 105 - Abolition of Forced Labour Convention, 1957;
6. Convention 111 - Discrimination (Employment and Occupation) Convention, 1958;
7. Convention 138 - Minimum Age Convention, 1973;
8. Convention 182 - Worst Forms of Child Labour Convention, 1999.

[For the full text of these conventions: see ILO website.](#)

3.1.3. Four International Labour Standards

The eight conventions basically come down to 4 international labour standards:

1. Workers everywhere should have the right to **organise in trade unions** and negotiate their working conditions collectively.
2. Workers should be free from any form of **forced labour**, such as slavery, servitude, compulsory labour for political re-education, or debt indenture.
3. **Children**, meaning persons below the age of 15 (or as defined by national law), should not work so that they have the opportunity to learn and develop freely.
4. **Discrimination** on the grounds of gender, race, nationality, religion, political opinion or social origin is banned, as is discrimination in remuneration on the grounds of gender.

3.1.4. The bearing of the ILO core conventions

The eight ILO core conventions are international standards that apply to industrial countries and to developing countries as well. Therefore, all eight core conventions have been ratified by many countries worldwide, irrespective of their political, religious, cultural or social context. Governments, employers and workers' organizations cooperated to formulate these labour standards so that the conventions provide a shared consensus about minimal standards. The ILO core conventions safeguard workers' rights as a condition for a society where social justice and social peace can be secured. Because the ILO core conventions are essential labour standards, they have been integrated in a range of guidelines for companies, such as:

- The [OECD Guidelines for Multinational Enterprises](#)
- The [UN Global Compact](#);
- The [UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights](#);

3.1.5. Scope of the screening

Portfolio21 focuses on share and bond issues respecting core labour standards established by the ILO.

Portfolio21 applies the criteria to two kinds of issuers:

- **National Governments and local authorities**

The screener verifies whether governments issuing bonds have ratified all eight ILO core conventions. In the case of local authorities that cannot ratify the conventions themselves, the ratification by their national government is decisive.

- **Companies and supranational organizations**

The screener investigates with a specific set of screening criteria whether these organizations respect the ILO core conventions with respect to their own workforce. In general, companies and supranational organizations are screened on compliance with labour standards concerning their own workforce. This includes workers at all consolidated subsidiaries, joint ventures and shareholdings. Holding companies are screened on compliance at shareholdings for which the holding company has a substantial impact on the decision-making process. The threshold for this impact is set at 20% of the voting rights.

3.1.6. Screening criteria

- The screener applies the principle of the “benefit of the doubt”. This entails that if and when no negative information on an organization’s respect for labour standards is found the issuer of shares or bonds is assumed to comply with the [ILO core conventions](#).

- **Indicators for non-compliance:**

- 1) Freedom of association:**

These conventions give workers the right to establish and join independent organizations to bargain collectively with employers. Employers may not discriminate against union-affiliated employees at employment, may not dismiss them for their union activities or create any other prejudice against them. In addition, they may not dominate any union.

The negative criteria for this item are any evidence for union busting, i.e. the unfair dismissal of unionised workers, the discrimination at recruitment, promotion or training of unionised workers, the prevention of union activities either directly (e.g. through banning union representatives from its premises or hindering union elections) or indirectly (e.g. through lobbying the authorities to ban a certain or all unions). The harassment of unionised employees is a serious issue if it takes place at a large scale.

If the sources are not entirely credible or if the accusations are of a minor nature, the presence of an independent/ free employee representation, i.e. works council or similar, with external free trade union participation will serve as a counter-indicator.

The fact that the management and the labour organisations have signed an *International Framework Agreement* that covers operations worldwide will also serve as a counter-indicator.

- 2) Forced labour**

With the exception of military and civil service, prison labour and compulsory work in emergency situations and some other special circumstances, these conventions ban forced labour, i.e. a work or service that is exacted under the menace of a penalty. Forced labour in mines, for economic development, political re-education, punishment of workers or strikers and on discrimination grounds is forbidden under any circumstances.

Under the terms of the ILO *Declaration on Fundamental Principles and Rights at Work*, all ILO member states are obliged to eliminate forced labour, irrespective of their ratifying the corresponding conventions. Myanmar ratified C29 and has been promising for 30 years to bring its national legislation in line with it while infringing on this labour standard on a large scale. People in Myanmar are forced to work unpaid for many infrastructure projects like pipelines, roads, monument restoration for tourism etc, mostly by the army. Forced labour also concerns the recruitment of child soldiers and forced labour of children of 10 years of age.

Therefore, economic activity in Myanmar is either an indication of a company’s lack of respect for the norms or for its confidence that it can handle the risks to become involved in abuses.

If the sources are not entirely credible or if the accusations are of a minor nature, the presence of a human rights policy addressing this issue, of sufficient monitoring and reporting systems and of supplier screening will serve as a counter-indicator.

The fact that the management and the labour organisations have signed an *International Framework Agreement* that covers operations worldwide will also serve as a counter-indicator.

3) Child labour

These conventions set 15 (14 for some developing countries) as the minimum age for children to be allowed to work, if no higher age for compulsory school attendance exists at the national level. Between 13 and 15 years, children are only allowed to do light work that does not prejudice their school attendance. Due to the many obstacles to overcome to abolish child labour (unmet development needs, cultural attitudes etc.), the ILO currently focuses its campaigns on the elimination of the worst forms of child labour, for which a minimum age of 18 years is set. These unconditional worst forms include slavery and slavery-like forms of forced labour, trafficking in children, work in the sex industry or illicit activities and, more generally, any work that constitutes a moral, health or safety hazard to children.

As observed above, Myanmar does not respect this international labour standard, and therefore, corporate activity in this country is an indicator of non-compliance with this labour standard or an indicator that the corporation trusts itself to manage the risk of complicity..

Any other allegation of companies' complicity in child labour in other countries will also be treated as a serious concern.

If the sources are not sufficiently credible or if the accusations are of a minor nature, the presence of a human rights policy addressing this issue, of sufficient monitoring and reporting systems and of supplier screening will serve as a counter-indicator.

The fact that the management and the labour organisations have signed an *International Framework Agreement* that covers operations worldwide will also serve as a counter-indicator.

4) Discrimination

The ILO defines discrimination as any distinction, exclusion or preference on grounds not pertaining to employee performance that has the effect of impairing equality.

However, levels of protection differ for different grounds of discrimination. While women are protected from discrimination in remuneration as well as employment in general, non-discrimination on the grounds of colour, sex, religion, political opinion, national extraction or social origin only applies to employment. Portfolio21 defines discrimination in employment as discrimination in recruitment, selection, promotion, training and working conditions. Sexual harassment in the workplace is considered as a form of gender discrimination. Any evidence of companies' discrimination of employees on any of the grounds named above constitutes a serious concern if the discrimination is repeated, systematic or applies to a large part of the workforce.

If a company allegedly discriminates on a minor scale, or if the quality of the source is doubtful, then the presence of a job classification system, a formal equal opportunities policy and effective monitoring and reporting mechanisms will serve as counter-indicators.

The fact that the management and the labour organisations have signed an *International Framework Agreement* that covers operations worldwide will also serve as a counter-indicator.

5) Myanmar and other high-risk areas

Presence in areas where governments do not respect basic international conventions is a special indicator. Myanmar is such an area.

On the one hand, the companies present in this country do incur a greater ethical risk of becoming involved in violations. Therefore, it is to be expected that these companies have developed particular attention and measures to manage the risk. Thus, presence in Myanmar is a compulsory indicator for effective risk management.

On the other hand, the presence in such areas is subject of a general political debate and presence in Myanmar in particular is subject of specific political controversy. The construction of indicators is not the same as taking a stand in this political debate. For portfolio21 presence in Myanmar is not a criterion whereas violation of the basic conventions in the business activity of the company certainly is.

3.2. Environmental norms and severe environmental damage

The investors of Portfolio21 feel that upholding the ILO Core Conventions constitutes leverage for the enhancement of living conditions, among which environmental conditions. Indeed, observance of the Core Conventions enables the employees and employers to take on safety risks for workers and the immediate environment. In this perspective, observance of the ILO Core Conventions may be considered as an indirect environmental criterion.

In environmental matters, no universal, sector- and technology-independent norms, such as the ILO Core Conventions, exist. Thus, the insertion of a direct environmental criterion in the Portfolio21 model must take on a different form.

By way of implementing an environmental dimension in the model, the investors of Portfolio21 adopt the following policy: each and every corporation that is excluded from the *Norwegian Pension Fund* because of ethical considerations pertaining to environmental matters will also be excluded from portfolios that adhere to Portfolio21.

After due research and dialogue, the investors found that they are of a like mind as to the reasoning, the processes and criteria practiced by the *Council on Ethics for the Norwegian Pension Fund*.

- The reasoning is forward-looking and concerned with existing and future violations. At the core of the issue is the existence of an unacceptable risk that breaches will take place in the future.
- The assessment of whether there is an unacceptable risk will be based on the answer whether:
 - The damage is significant and causes irreversible or long-term effects.

- The damage has considerable negative consequences for human life and health.
 - The damage is the result of violations of national law or international norms.
 - The company neglects to act in order to prevent damage or does not implement adequate measures to rectify the damage.
 - It is probable that the company's unacceptable practice will continue.
- By its very nature, it is not possible to provide a concrete definition of "severe environmental damage" for all sectors, activities, places, technologies and situations. This evaluation must be done on a case by case basis. From a material perspective, it refers to the loss of species and natural areas (biodiversity), climate change, high concentrations of environmentally hazardous substances and radioactive substances, contamination of water and soil. The seriousness of the damage and the causal relationship with the company's activity must be assessed on a case by case basis.
- Exclusion is limited to cases where the company is directly responsible for unacceptable breaches of standards and there are no expectations that the practices will be discontinued. Standards and norms are provided in conventions that reflect a global consensus, such as *The Convention on Biological Diversity* (1992), the *World Heritage Convention* (1972), the *Convention on Long-Range, Transboundary Air Pollution* (1979), the *Vienna Convention for the Protection of the Ozone Layer* (1985), the *Stockholm Convention on Persistent Organic Pollutants* (2001), the *Basel Convention of Transboundary Movements of Hazardous Wastes and their Disposal* (1989). Conventions, international law and standards are normative for companies' activities, especially in States with inadequate environmental legislation or ineffective enforcement. The extent to which companies exploit weak environmental regulations in a country must be evaluated on an individual basis. It is not necessarily reasonable to apply standards of most advanced countries in all situations and countries.
- Besides the aspect of norms breaching, the assessment takes into account other aspects of corporate ethics. It is important whether the damage is related to a systematic practice, whether it is planned, or whether it has escalated because of the company's attempts to conceal its actions.

More information about the Norwegian Pension Fund, its governance and its functioning is available at http://www.norges-bank.no/english/petroleum_fund/

By enriching the Portfolio21-model with the results of the process that is installed for the *Norwegian Pension Fund*, the Portfolio21 investors can concentrate their means and attention on the promotion of the human rights that were laid down in the ILO Core Conventions. Thus, they can focus on developing the processes that are being developed for that purpose together with the independent screening agency and the independent members of the Technical Committee of Portfolio21. In this field, they share findings with the department of the *Norwegian Bank* that is responsible for the engagement activity of the *Fund*.

More information about international endeavours for collaboration between projects in socially responsible investment is available at <http://www.unpri.org/>

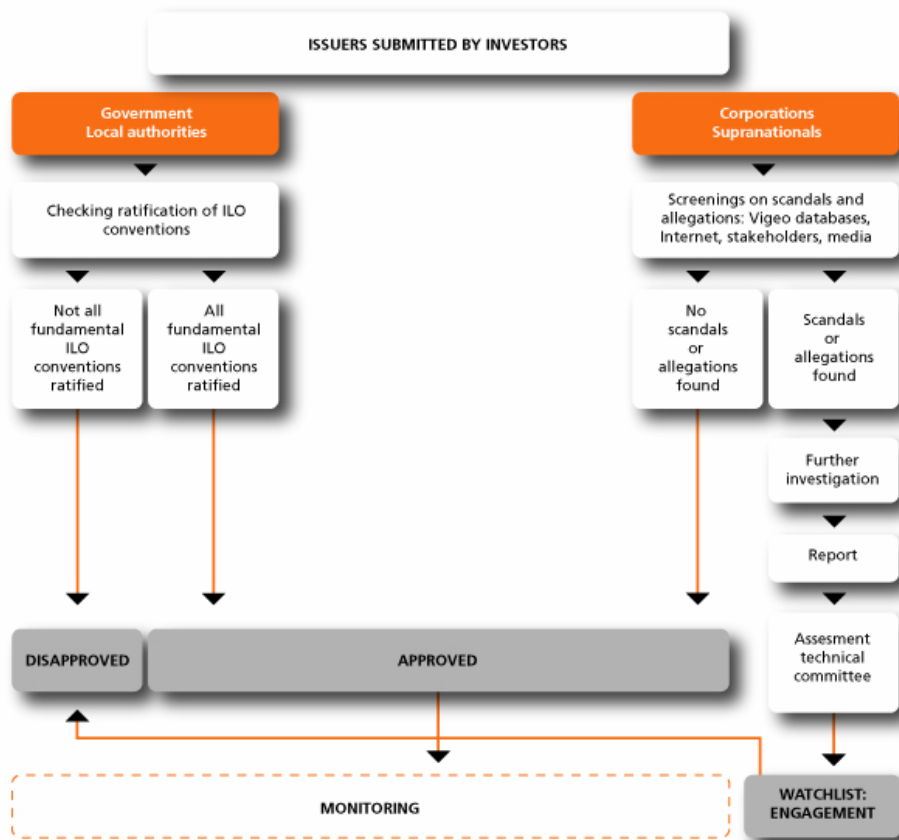
4. Processes

Portfolio21 entails a set of clearly defined processes for all actors involved:

- Screening and monitoring of labour standards of issuers within the investment universe
- Evaluating the seriousness of labour standard violations
- Engagement with corporations that allegedly do not respect the ILO core conventions
- Portfolio management taking into account the results of the screening and engagement processes
- Independent certification of the portfolio management

4.1. Development and Maintenance of the Portfolio21 Universe

The investors submit the issuers.



4.2. Monitoring process

[Vigeo Belgium S.A.](#) examines companies allegedly infringing on the ILO labour standards to determine whether the allegation is true and if so whether the problem is incidental or structural. For screening and further analysis, the research team relies on its in-house database, media reports, NGO and trade union documents, the internet, external research, and direct contact with the parties concerned.

All bond and equity issuers contained in adherent portfolios are actively screened on a yearly basis.

In addition, issuers are monitored continuously. As soon as allegations of labour standard violations become known, the screener investigates the problem and evaluates findings.

4.3. Evaluation process

Vigeo Belgium S.A. prepares research reports on each issuer that allegedly violates labour standards.

The Technical Committee discusses these reports to determine which violations are serious and structural. By distinguishing between serious and minor non-compliance the investors aim to eliminate as far as possible any bias in public image of companies and between cultures. Some companies, due to their activities in a sensitive industry or their focus on brands are more vulnerable to stakeholder campaigns on labour standard infringements. In certain countries, labour legislation is weak, and workers have only few opportunities for redress, e.g. anti-discrimination laws. The Technical Committee assesses compliance objectively, taking into account such factors.

Serious non-compliance has to include the characteristic that the violation is *repeated or systematic*.

In case of non-compliance the issuer is put on the watchlist and the [engagement process](#) takes its course.

The final decision of the Technical Committee is documented in a short report.

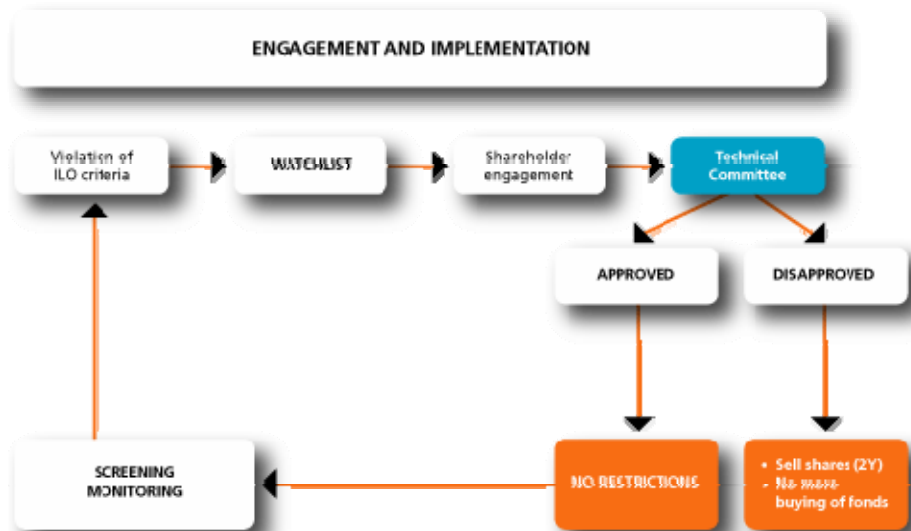
The result of the screening

As a result of the screening, each issuer is attributed a status within the investment universe.

Status	Activity
Approved	Continuously monitored, yearly screened
Watchlist	Engagement process
Disapproved	Yearly screened

Vigeo Belgium S.A. immediately informs the managers of the adherent portfolios of any change in status of an issuer by sending an update of the investment universe. Every year a summary report is issued about changes and reasons for them.

4.4. Engagement process



The engagement process with companies and/or organizations that allegedly violate labour standards consists of several systematic steps.

- Vigeo Belgium S.A. sends a [letter to the issuer](#) in which it describes the approach of Portfolio21, provides the information leading to the impression that labour standards have been violated and explains under which conditions the issuer will retain investment status in the Portfolio21 universe.
- This letter is followed up with efforts to engage the issuer in an **active dialogue** in order to obtain a response within nine months. This can include e-mails, phone calls and face-to-face meetings with the parties concerned. The objective is to make the organization understand that disrespect of basic labour standards is not acceptable for adherents of Portfolio21 and that the corporation needs to improve its record.
- The **Technical Committee decides** whether the corporation's response is satisfying. If necessary, the research team engages a second time in dialogue. A final decision has to be taken after nine months of engagement at the latest.
- Vigeo Belgium S.A. **informs** the issuer of the decision and the consequences for the management of the adherent portfolios.

4.5. Portfolio management

The managers of the adherent portfolios take into account the status of an issuer as determined by the screener and the Technical Committee.

- Before investing in issuers that have not yet been screened, the portfolio manager will submit the issuer to the screener who has to clear the issuer. The screener determines the status in the investment universe within 48 hours.
- The portfolio manager has no restrictions to invest or disinvest regarding issuers that are approved by the screener.
- If and when the Technical Committee decides that the outcome of the engagement process is not satisfactory, the issuer is not approved. The portfolio manager will disinvest shares by December 31 of the second calendar year following the year of formal exclusion. The portfolio manager will not augment his position in the bonds but can maintain bonds already in the portfolio until maturity. In case shares have been accepted as collateral or in case the position features in a structured transaction, this period starts at the end of those contracts.
- Corporations that are breaching environmental norms have the status disapproved. The period for divestment commences with the announcement of the decision by the Norwegian Ministry of Finance.

Status of issuer	Screener	Portfolio Manager
Pending	Screening and Decision within 48 hours	Awaiting decision screener
Approved	Continuously monitors Yearly screens	No buying or selling restrictions
Watchlist	Engagement	No buying or selling restrictions
Disapproved		Bonds: no additional buying; bonds may be held to maturity Stocks: no additional buying; disinvesting before end of second year following final decision

4.6. Certification

Participating portfolios seek, on a yearly basis, independent assurance of compliance with the above rules by an independent body such as a certified auditor or an assurance firm.

Independent assurance is a necessary condition for the right to use the Portfolio21-logo in the communication with the public or the beneficiaries of the portfolio.



... invests ... in accordance with Portfolio21.

Portfolio21 focuses on the progressive elimination of forced and child labour, on promoting freedom of association and on non-discrimination as stipulated in the core conventions of the International Labour Organisation. Portfolio21 excludes investments in corporations that cause severe environmental damage while breaching norms. For more information, please visit www.portfolio21.info.

5. Governance

The investors of Portfolio21 together aim at clear and ethically sound governance. Most of them have real societal responsibilities such as providing pensions, honouring insurance claims. Their first responsibility is to comply with prudential regulation and financial norms. Together and with the aid of independent research and independent opinion they try and take on additional responsibilities. In order to guarantee a well managed development and due independency of judgement, a governance structure was designed.

5.1. The Governance Committee

1. All adherent investors are member of the Governance Committee. Investors that wish to do so may delegate to another investor.
2. The Governance Committee is the managing body of the Portfolio21-project:
 - It decides on criteria and scope of screening
 - It accepts investors that want to join
 - It approves communications
 - It appoints service providers (research, verification, etc.)
 - It approves research orientations and developments
 - It approves budgets
3. The Governance Committee will decide and act as a council. Its members are representatives of the adherent investors. For all practical purposes, the Governance Committee appoints a chairperson and a secretary.
4. The Governance Committee will meet periodically, e.g. four times a year, depending on developments. Guests may be invited for specific issues on the agenda. Intermediate decisions, communications, adaptations of the website may also be approved by electronic communication.
5. The Technical Committee is and will be absolutely independent in its valuation of individual cases.
6. The Governance Committee appoints a Project Manager who will be responsible, in a coordinative capacity, for quality management, implementation of decisions, budgeting and implementation, reputation management, secretarial services and the further development of the project.
7. The Governance Committee will take, after due consideration and consultation, all remaining decisions on the management and development of the Portfolio21-project.

5.2. The Technical Committee

1. The adherent Investors want to make sure that evaluation of corporate practices takes into account independent, informed and unbiased opinion of experts. Therefore, it is decided to install a Technical Committee.

Function and purpose

2. The function of the Technical Committee is first and foremost to decide, autonomously, based upon sufficient information and without any interference whatsoever, upon individual cases of alleged breaches of ILO-core conventions and possible future additional criteria. Its decisions will result in defining next steps in the engagement process and finally in attributing status to issuers of shares and / or bonds. These decisions shall be made with regard to the accepted criteria and within the framework of legitimate investor ethics. Therefore, research starts from allegations about current or past practices but decisions shall be forward looking and focus upon whether it is deemed likely that alleged breaches of norms are continuing or likely to be continued or repeated in the future.
3. The adherent investors and the screening firm will seek opinion with the Technical Committee when changing or specifying general and particular criteria for research and evaluation of corporate practices and in matters general.
4. As a matter of principle, the Technical Committee and its members are welcome to propose developments and enhancements of the Portfolio21-project.

Ethics

5. The Technical Committee acts and decides as a council. Its members shall refrain from any divulging of proceedings and from any comments upon the arguments or positions of other members outside the sessions. Moreover, its members shall refrain from any public comment on individual cases upon the basis of information received within the Portfolio21-processes, in order to protect the legitimate interests and the position of the screening firm, the adherent investors and the project itself.

Implementation

6. The external members of the Technical Committee are knowledgeable and independent experts on the criteria of and the approach by Portfolio21. In particular, they are independent of the research firm and of the adherent investors. The Technical Committee is composed in a joint effort of the screening firm and the adherent investors and current members of the Committee. Membership is not remunerated. The adherent investors reimburse costs of membership through the screening firm.

Executive researchers of the screening firm shall attend in order to provide additional input and comment upon the feasibility of suggestions of further research and information gathering pertaining to individual cases. As they are not independent experts, they have no vote in case consensus is not reached by exchange of opinion.

A representative of the investors, the project manager, shall attend in order to identify possibilities of progress and opportunities of synergy, to provide elucidation of investor ethics and to provide information from an investor perspective.

7. The Technical Committee aims at consensus and consistency of successive decisions by exchange of opinion. If and when consensus on a particular case does not arise, a voting procedure will be applied. Only the external experts will cast a vote. Options feasible and the arguments are listed and then the non-voting members, except the chairperson, will leave the meeting room during the voting procedure if at least one of the voting members would request so. Decision, then, is by simple majority: votes cast by at least half of the attending external experts will constitute decision for the Committee.
8. The Technical Committee will be in session three to six times a year depending on case load and developments. Sessions are prepared, organised and chaired by the screening firm that also provides minutes detailing opinions voiced and decisions taken. The screening firm will keep record of minutes.
9. In accordance with the principles of quality management, the screening firm will organise yearly evaluation of the functioning of the Technical Committee in order to ensure overall quality and satisfaction of all attendees and in order to identify possibilities for enhancement.

5.2. Project Management

1. The Governance Committee appoints a Project Manager.
2. The Project Manager will be responsible, in a coordinative capacity, for quality management, implementation of decisions, budgeting and implementation, reputation management, secretarial services and the further development of the project. For all practical purposes, he reports to the chairperson of the Governance Committee.
3. The Project Manager attends the sessions of the Technical Committee in order to identify possibilities of progress and opportunities of synergy, to provide elucidation of investor ethics and to provide information from an investor perspective. He does not influence decisions on individual cases. The Project Manager attends the sessions of the Governance Committee.
4. The Project Manager will, in accordance with the principles of quality management, organise yearly evaluation of his functioning by the investors in order to ensure overall quality and satisfaction and in order to identify possibilities for enhancement.

6. Becoming a participant

Portfolio21 is open to all new adherents that subscribe to its principles.

The participating investors together determine the criteria and modus of implementation.

For the process of **becoming a participant investor**, please visit www.portfolio21.info and use "contact". The project manager will be treating your e-mail with due care.