



ESG RATING METHODOLOGY

COUNTRIES & SUPRANATIONALS

April 2024

Version 1.9.0

ECPI Srl is a member of Confluence

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EXECUTIVE SUMMARY

The objective of this document is to describe the ECPI's ESG Screening Methodology on Governments in terms of analysis criteria and indicators, categories of attention and evaluation aspects.

Each methodology developed by ECPI is built with an innovative and scientific approach, based on a deep and comprehensive monitoring of various aspects of the issuer's Environmental and Social commitments and policies and the quality of its Governance structure.

The Government screening assesses different aspects of the sustainability of sovereign entities. The service is designed to help investors to differentiate and rank countries according to environmental, social and governance factors.

The Methodology is applied to all countries and the rating and ranking are reviewed every year. As of 2024, the universe of Governments covered by the analysis included 199 countries.

The document also describes the process used to assess Agencies, Supranational and Local Authorities.

The ECPI ESG methodology combines an academic and scientific approach to appraise and monitor a Government adherence to principles and to practices in aspects such as the principles behind the UN Global Compact: respect for human and labour rights; respect for the environment and fight against corruption.

The ESG Evaluation covers three categories, Environmental, Social and Governance, each one addressing two different aspects: Regulation and Implementation.

ECPI analysis based on non-traditional, quantitative and qualitative non-financial indicators has the goal to develop a synthetic measure of the non-financial risk-opportunity profile of a country: the ECPI ESG Rating Assessments are based on the review of a broad range of publicly available sources, including international treaties, conventions and best practices, which represent the international standard in each of the three areas and key performance indicators that measure the effectiveness of a Government in implementing national legislation compliant with international standards and in enforcing it efficiently.

Quality of the assessment is ensured by a rule-based approach, thereby reducing analyst's discretionary reading of the assessed dimension.

The quality of the assessment is also ensured by a two-tier validation mechanism (maker-checker).

ECPI GOVERNMENT SCREENING METHODOLOGY

METHODOLOGY

ECPI Screening Methodology (the Methodology) applied to government issuers is characterised by a basic philosophy: to guarantee investors that the investment portfolio is built exclusively with financial instruments issued by Governments compliant with international Environmental, Social and Governance (ESG) standards and without any significant liabilities in any of the aforementioned areas.

Since 1948, when the Universal Declaration of Human Rights was created, nations have begun to recognize the importance of respecting human dignity, the freedom of expression and movement, equal opportunities in the work and political spheres, non-exploitative labour practices, respect for the environment, and a non-belligerent approach to conflicts.

Therefore, ECPI developed the Methodology to assess governments' adherence to principles and practices such as those s behind the UN Global Compact: respect for human and labour rights; respect for the environment and fight against corruption.

REGULATION

The Methodology assesses the level of compliance of a government with a number of international treaties, conventions and best practices, which represent the international standard in each area (E, S and G).

IMPLEMENTATION

The Methodology verifies the effectiveness of a Government in implementing and enforcing national legislation compliant with international standards.

GOAL

The Methodology is meant to exclude Governments with "poor" overall ESG performance.

The rationale is that – other things being equal – countries with a better ESG performance are at less risk of depleting their human and physical capital, and therefore are better, safer, more business-friendly investment targets.

The standard methodology is composed of two levels of analysis:

1. ESG Assessments
2. Cut-off criteria

ESG ASSESSMENT

The ESG Assessment comprises of three **sections**:

- Environment
- Social
- Governance

In each section two **categories** are considered:

- **Regulation:** assessing the country's commitment to sustainability by analysing the status of ratification of major international standards, treaties and conventions.
- **Implementation:** assessing the policies enacted and outcomes in terms of sustainability.

The ESG Assessments is constructed using a three-step approach aimed at reducing multidimensional data into one summary index:

1. normalization of variables;
2. aggregation of normalized variables into the sub-scores/rating representing a particular functional dimension (maybe we should give an example);
3. aggregation of the sub-scores/ratings into the final index.

In each **section** the **category pairs** (regulation and implementation) are composed of a set of indicators that are internationally recognized and updated on a yearly basis.

Only variables that cover a sufficiently wide range of countries across a sufficiently long time period are selected.

Where data are not yet available for the latest year, the values are set equal to the latest available observations.

If the variable is unavailable for a country, its value is set at zero or at the lowest achievable value for that indicator.

Indicators are then normalized between -30 and 20 to facilitate aggregation over variables expressed in different measurement units.

Starting from the bottom of the pyramid in Figure 1, indicators are then aggregated into six lower level sub-indices constructed to measure how a country performs in term in terms of Regulation and Implementation in each ESG section.

These sub-indices are aggregated into three higher level sub-indices - Environmental Score, Social Score, Governance Score - which measure how the overall country performance in in each ESG section.

Finally, Environmental, Social, Governance sub-indices are aggregated into the overall measure of ESG sustainability – the ECPI Sovereign Bond ESG Rating.

By default, the scores in each section (E, S and G) are equally weighted. Within each section, each category (Regulation and Implementation) is equally weighted in terms of score allocation.

ECPI can modify the weighting of the sections/categories to create tailored solutions.

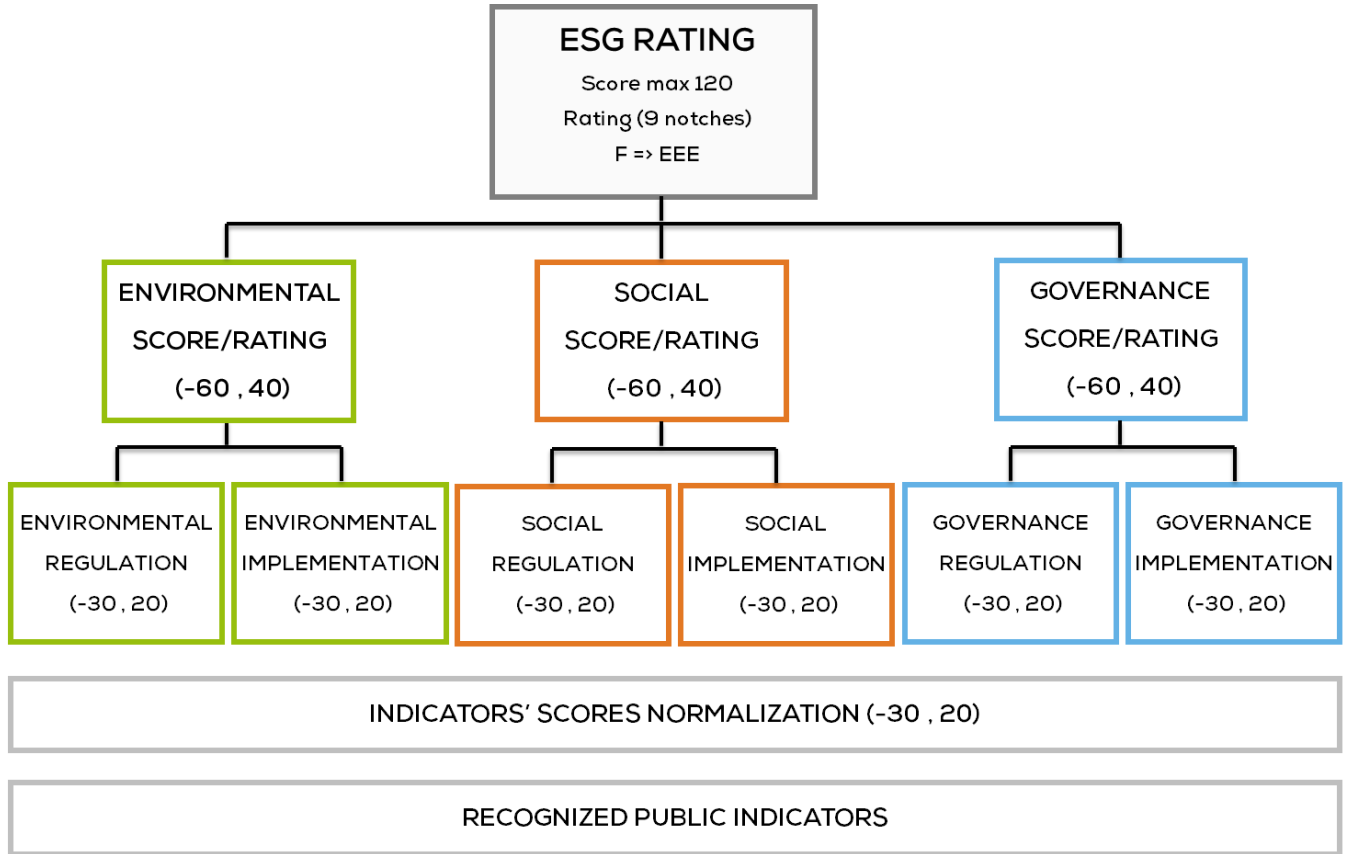
Ineligible Countries, i.e. Countries that are excluded from the investable universe, are those Countries with a final overall ESG level less than zero (rating F).

Also, at this level, ECPI can modify the thresholds to create personalized solutions.

Countries with a positive overall score are eligible and receive a rating along a scale from E to EEE, according to their final score.

The rating is reviewed annually.

Figure 1. ECPI Sovereign Bond ESG Rating



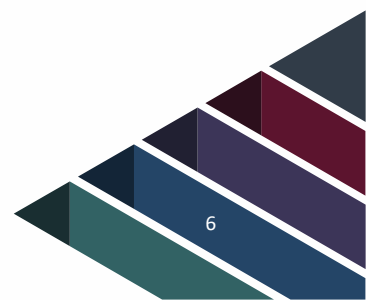
CUT-OFF INDICATORS

According to the standard methodology:

- Countries which retain death penalty, i.e. Countries defined as “retentionist”, “abolitionist in practice”, “abolitionist for ordinary crimes only” according to Amnesty International definitions, and/or
- Countries which are assessed as Not Free or Partly Free in terms of civil liberties and political rights are considered “Non-Eligible” (rating NE) this may result in an exclusion from custom Investable universes or Financial Indices construed by ECPI as Index rules may dictate.

Furthermore, cut-off indicators deduct points from the overall ESG score (-30 each).

Cut-off indicators can be omitted or adapted to create customized solutions.



TAILOR-MADE SOLUTIONS

By default, the scores in each section are weighted 33%; however, Clients have the option of adjusting the weighting of the sections.

Furthermore, also the weights given to each indicator within a section may be tailored to Clients' needs, offering investors the flexibility to create customised ratings.

Within this framework, the Client can define different cut-off criteria or weighting factors according to its own ethical norms.

RATING SCALE (STANDARD OPTION)

ESG SCORE	SECTION (E - S - G) SCORE	RATING	LEVEL	DEFINITION
105. - 120	35. - 40	EEE	Very good	Countries display full compliance with international ESG standards, effective implementation, and efficient enforcement.
90. - 105	30. - 35	EEE-		
75. - 90	25. - 30	EE+	Good	Countries display adequate compliance with international ESG standards, good implementation, and sound enforcement.
60. - 75	20. - 25	EE		
45. - 60	15. - 20	EE-		
30. - 45	10. - 15	E+	Fair	Countries display partial compliance with international ESG standards, acceptable implementation, and basic enforcement.
15. - 30	5. - 10	E		
0 - 15	0 - 5	E-		
< 0	< 0	F	Poor	Countries display poor overall ESG performance.
---	---	NE	Controversial	Countries retain death penalty and/or are classified not free/partly free in terms of civil liberties and political rights.

INDICATORS

ENVIRONMENTAL INDICATORS

REGULATION

Environmental Rights Conventions

The status of ratification of the following conventions is verified on an annual basis:

- Basel Convention
- Kyoto Protocol
- Convention on Biological Diversity along with the Nagoya – Kuala Lumpur Supplementary Protocol on Liability and Redress
- Cartagena Protocol on Biosafety
- Convention on International Trade in Endangered Species of Wild Fauna and Flora
- United Nations Convention to Combat Desertification
- Conventions on Ozone Layer protection (8 Conventions)
- Convention on Migratory Species
- Rotterdam Convention on Voluntary Prior Informed Consent procedure about hazardous import and export
- Convention on Wetlands of International Importance
- Paris Agreement

The scoring is driven by the number of conventions entered into force.

IMPLEMENTATION

Environmental Performance Index (EPI)

The EPI is a method of quantifying and numerically benchmarking the environmental performance of a country's policies. The index is developed by the Yale Center for Environmental Law & Policy at Yale University and the Center for International Earth Science Information Network (CIESIN) at Columbia University, in collaboration with the World Economic Forum and the Joint Research Centre of the European Commission.

This index is designed to supplement the environmental targets set forth in the U.N. Millennium Development Goals and includes the main areas:

- Environmental Health: including an assessment of aspects such as Environmental burden of disease; Water (effects on humans) and Air Pollution (effects on humans).
- Ecosystem Vitality: including an assessment of aspects such as quality of Water (effects on ecosystems) and Air Pollution (effects on ecosystems), Biodiversity and Habitat, Productive Natural Resources and Climate Change.

Trilemma Energy Performance Index

The World Energy Council's Energy Trilemma Index tool, produced in partnership with Oliver Wyman, ranks countries on their ability to provide sustainable energy through three dimensions:

- Energy security,
- Energy equity (accessibility and affordability),
- Environmental sustainability.

The ranking measures overall performance in achieving a sustainable mix of policies and the balance grade highlights how well a country manages the trade-offs of the Trilemma with "A" being the best.

Notre Dame - Global Adaptation Index (ND-GAIN)

The Notre Dame-Global Adaptation Index (ND-GAIN) Country Index is a free opensource index that shows a country's current *vulnerability* to climate disruptions. It also assesses a country's *readiness* to leverage private and public sector investment for adaptive actions.

Vulnerability is defined as "Propensity or predisposition of human societies to be negatively impacted by climate hazards".

Water Vulnerability is assessed along the following dimensions:

- Projected change of annual runoff
- Projected change of annual groundwater recharge
- Fresh water withdrawal rate
- Water dependency ratio
- Access to reliable drinking water
- Dam capacity

Ecosystem Vulnerability is assessed along the following dimensions:

- Projected change of biome distribution
- Projected change of marine biodiversity
- Dependency on natural capital
- Ecological footprint
- Protected biomes
- Engagement in International environmental conventions

SOCIAL INDICATORS

REGULATION

Human Rights Conventions

Subsequent to the Universal Declaration of Human Rights, additional agreements, treaties and conventions which regulate the different aspects of civil and economic life have been created by the United Nations.

The status of ratification of the following conventions is verified on an annual basis:

- International Covenant on Economic, Social and Cultural Rights
- International Covenant on Civil and Political Rights
- Optional Protocol to the International Covenant on Civil and Political Rights
- Second Optional Protocol to the International Covenant on Civil and Political Rights, aiming at the abolition of the death penalty
- International Convention on the Elimination of All Forms of Racial Discrimination
- Convention on the Elimination of All Forms of Discrimination against Women
- Optional Protocol to the Convention on the Elimination of Discrimination against Women
- Convention Against Torture
- Convention on the Rights of the Child
- Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography
- Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict
- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families
- Agreement for facilitating the International circulation of Visual and Auditory Material of an Educational, Scientific and Cultural Character
- Agreement on the Importation of Educational, Scientific and Cultural Materials
- UNESCO Convention against discrimination in Education

Labour Rights Conventions

The ILO (International Labour Organization) has identified standards for the rights of workers, which have been agreed to and applied at the international level. We can find these standards in the ILO Conventions that member states are obliged to sign, ratify and activate.

The status of ratification of the following conventions is verified on an annual basis:

- Freedom of Association and Protection of the Right to Organise Convention
- Right to Organise and Collective Bargaining Convention
- Forced Labour Convention
- Abolition of Forced Labour Convention
- Equal Remuneration Convention
- Discrimination (Employment and Occupation) Convention
- Minimum Age Convention
- Worst Forms of Child Labour Convention

Controversial Weapons Conventions

The status of ratification of the following conventions is verified on an annual basis :

- Convention on Cluster Munitions
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons
- Chemical Weapons Convention
- Treaty on the Non-Proliferation of Nuclear Weapons

IMPLEMENTATION

Death Penalty

The list of abolitionist and retentionist countries is created and updated on a yearly basis and is based on analysis by Amnesty International.

The classification distinguishes among four categories:

- Abolitionist for all crimes: Countries whose laws do not provide for the death penalty for any crime.
- Abolitionist for ordinary crimes only: Countries whose laws provide for the death penalty only for exceptional crimes such as crimes under military law or crimes committed in exceptional circumstances, such as wartime crimes.
- Abolitionist in practice: Countries that retain the death penalty for ordinary crimes such as murder but can be considered abolitionist in practice in that they have not executed anyone during the past 10 years and are believed to have a policy or established practice of not carrying out executions. The list also includes countries which have made an international commitment not to use the death penalty.
- Retentionist: Countries and territories that retain the death penalty for ordinary crimes.

Civil Liberties and Political Rights

The analysis is based on Freedom House Ratings.

Freedom House is a Washington-based international non-governmental organization that conducts research and advocacy on democracy, political freedom and human rights. Support for Freedom House is provided by individuals, but also by the United States government. It publishes an annual report assessing the degree of perceived democratic freedoms in each country, which is used in political science research.

The organization estimates the standard of:

- Civil Liberties: including categories such as freedom of thought and religion, freedom to join trade unions, the presence of a free judicial system, personal freedom, economic freedom (the possibility to create private economic activities)
- Political Rights: including categories such as the presence of free elections, the freedom to form opposition parties and the possibility for ethnic and religious minorities to be represented in the government.

Military Expenditure

The list of countries by military expenditure is published by the World Bank on a yearly basis and is based on Stockholm International Peace Research Institute's (SIPRI) Yearbook on Armaments, Disarmament and International Security.

Military expenditure of a country is expressed as a percentage of Gross Domestic Product.

This ratio provides an indication of the level of financial resources devoted to defense in terms of the share of the GDP, at a given point in time.

Gender Gap Report

The Report, developed by the World Economic Forum, ranks countries based on the Gender Gap Index, the result of collaboration with faculty at Harvard University and the University of California, Berkeley.

The report's Gender Gap Index ranks countries according to their gender gaps, and their scores can be interpreted as the percentage of the inequality between women and men that has been closed. Information about gender imbalances to the advantage of women is mentioned to be explicitly prevented from affecting the score.

The report examines four critical areas of inequality between men and women:

- Economic participation and opportunity
- Educational attainment

- Political empowerment
- Health and survival

Fragile States Index - Human Rights

The Fragile States Index (FSI) is an annual ranking of 178 countries based on the different pressures they face that impact their levels of fragility. The Index is based on The Fund for Peace's proprietary Conflict Assessment System Tool (CAST) analytical approach.

The **Human Rights and Rule of Law Indicator** considers the relationship between the state and its population insofar as fundamental human rights are protected and freedoms are observed and respected. The Indicator looks at whether there is widespread abuse of legal, political and social rights, including those of individuals, groups and institutions (e.g. harassment of the press, politicization of the judiciary, internal use of military for political ends, repression of political opponents). The Indicator also considers outbreaks of politically inspired (as opposed to criminal) violence perpetrated against civilians. It also looks at factors such as denial of due process consistent with international norms and practices for political prisoners or dissidents, and whether there is current or emerging authoritarian, dictatorial or military rule in which constitutional and democratic institutions and processes are suspended or manipulated.

Voice and accountability

Voice and accountability, estimated by the World Bank, captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Human Development Index (HDI)

The Human Development Index (HDI) was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.

The HDI is a summary measure of average achievement in key dimensions of human development:

- a long and healthy life,
- being knowledgeable and
- have a decent standard of living.

The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita.

The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean.

Children's Rights in the Workplace Index

The Children's Rights in the Workplace Index evaluates five issue categories, which are measured by three types of indicators:

- legal framework,
- enforcement and
- outcome.

These issue categories were developed based on CRBP 2 (Contribute to the elimination of child labour) and CRBP 3 (Decent work for parents and caregivers).

The five issue categories are:

- Minimum age of employment: the risk of child labour
- Categorical worst forms of child labour: the risk of child sexual exploitation, forced labour and trafficking of children

- Hazardous work: the risk of children under the age of 18 employed in hazardous work
- Decent working conditions: the risk of poor working conditions for young workers, parents and caregivers (i.e., low wages, long working hours)
- Maternity protection: the extent of gaps in paid parental leave

Legatum Prosperity Index

The Legatum Prosperity Index is an annual ranking developed by the Legatum Institute. The ranking is based on a variety of factors including wealth, economic growth, education, health, personal well-being, and quality of life.

9 sub-indexes are calculated, which are then averaged using equal weights. The 9 sub-indexes are:

- Economic Quality
- Business Environment
- Governance
- Education
- Health
- Safety & Security
- Personal Freedom
- Social Capital
- Natural Environment

The **Safety & Security** pillar measures the degree to which conflict, terror, and crime have destabilised the security of individuals, both immediately and through longer lasting effects.

The **Health** pillar measures the extent to which people are healthy and have access to the necessary services to maintain good health, including health outcomes, healthy systems, illness and risk factors, and mortality rates.

The **Education** pillar measures enrolment, outcomes, and quality across four stages of education (pre-primary, primary, secondary, and tertiary education), as well as the skills in the adult population.

Global Innovation Index

The Global Innovation Index is an annual publication which features, among others, a composite indicator that ranks countries/economies in terms of their enabling environment to innovation and their innovation outputs. The ranking is based on the following pillars: Institutions, Human capital and research, Infrastructure, Market sophistication, Business sophistication, Knowledge and technology outputs, and Creative outputs.

For the 2013 edition, Cornell University joined INSEAD and the World Intellectual Property Organization as co-publisher.

GOVERNANCE INDICATORS

REGULATION

Doing Business Report

The Report, according to a methodology developed by the World Bank, ranks economies based on their ease of doing business. As the ease of doing business is a proxy measure for how much the regulatory environment is conducive to the operation of business, the ranking shows the ability of a country in attracting new business from outside or generating new business internally.

This methodology, by means of a set of indicators, covers areas such as:

- Starting a business
- Dealing with construction permits
- Employing workers
- Registering property
- Getting credit
- Protecting investors
- Paying taxes
- Trading across borders
- Enforcing contracts, and
- Closing a business

The indicators measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms, according to a process in order to:

1. Document the degree of regulation, such as the number of procedures to start a business or to register and transfer commercial property;
2. Gauge regulatory outcomes, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders;
3. Measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws;
4. Measure the flexibility of employment regulation;
5. Document the tax burden on businesses.

IMPLEMENTATION

Fragile States Index

The Fragile States Index (FSI) is an annual ranking of 178 countries based on the different pressures they face that impact their levels of fragility. The Index is based on The Fund for Peace’s proprietary Conflict Assessment System Tool (CAST) analytical approach.

The ***Uneven Economic Development Indicator*** considers inequality within the economy, irrespective of the actual performance of an economy. For example, the Indicator looks at structural inequality that is based on group (such as racial, ethnic, religious, or other identity group) or based on education, economic status, or region (such as urban-rural divide). The Indicator considers not only actual inequality, but also perceptions of inequality, recognizing that perceptions of economic inequality can fuel grievance as much as real inequality, and can reinforce communal tensions or nationalistic rhetoric. Further to measuring economic inequality, the Indicator also takes into account the opportunities for groups to improve their economic status, such as through access to employment, education, or job training such that even if there is economic inequality present, to what degree it is structural and reinforcing.

The ***Economic Decline Indicator*** considers factors related to economic decline within a country. For example, the Indicator looks at patterns of progressive economic decline of the society as a whole as measured by per capita income, Gross National Product, unemployment rates, inflation, productivity, debt, poverty levels, or business failures. It also considers sudden drops in commodity prices, trade revenue, or foreign investment, and any collapse or devaluation of the national currency. The Economic Decline Indicator further considers the responses to economic conditions and their consequences, such as extreme social hardship imposed by economic austerity programs, or perceived increasing group inequalities. The Economic Decline Indicator is focused on the formal economy – as well as illicit trade, including the drug and human trafficking, and capital flight, or levels of corruption and illicit transactions such as money laundering or embezzlement.

The ***Group Grievance Indicator*** focuses on divisions and schisms between different groups in society – particularly divisions based on social or political characteristics – and their role in access to services or resources, and inclusion in the political process. Group Grievance may also have a historical component, where aggrieved communal groups cite injustices of the past, sometimes going back centuries, that influence and shape that group’s role in society and relationships with other groups. This history may in turn be shaped by patterns of real or perceived atrocities or “crimes” committed with apparent impunity against communal groups. Groups may also feel aggrieved because they are denied autonomy, self-determination, or political independence to which they believe they are entitled. The Indicator also considers where specific groups are singled out by state authorities, or by dominant groups, for persecution or repression, or where there is public scapegoating of groups believed to have acquired wealth, status or power “illegitimately”, which may manifest itself in the emergence of fiery rhetoric, such as through “hate” radio, pamphleteering, and stereotypical or nationalistic political speech.

The ***State Legitimacy Indicator*** considers the representativeness and openness of government and its relationship with its citizenry. The Indicator looks at the population’s level of confidence in state institutions and processes, and assesses the effects where that confidence is absent, manifested through mass public demonstrations, sustained civil disobedience, or the rise of armed insurgencies. Though the State Legitimacy indicator does not necessarily make a judgment on democratic governance, it does consider the integrity of elections where they take place (such as flawed or boycotted elections), the nature of political transitions, and where there is an absence of democratic elections, the degree to which the government is representative of the population of which it governs. The Indicator takes into account openness of government, specifically the openness of ruling elites to transparency, accountability and political representation, or conversely the levels of corruption, profiteering, and marginalizing, persecuting, or otherwise excluding opposition groups. The Indicator also considers the ability of a state to exercise basic functions that infer a population’s confidence in its government and institutions, such as through the ability to collect taxes.

Index of Economic Freedom

The Index, developed by the Heritage Foundation, includes a series of economic indicators that measure the economic success of countries around the world.

Studies demonstrate the presence of a relationship between economic freedom and positive social and economic values such as per capita income, economic growth rates, human development, democracy, the elimination of poverty, and environmental protection.

Global Competitiveness Report

The Report, developed by the World Economic Forum, ranks countries based on the Global Competitiveness Index. The Index integrates the macroeconomic and the micro/business aspects of competitiveness into a single index.

The report "assesses the ability of countries to provide high levels of prosperity to their citizens. This in turn depends on how productively a country uses available resources. Therefore, the Global Competitiveness Index measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity."

Financial Development Index

Created by the International Monetary Fund, the Index summarizes how developed **financial institutions** and **financial markets** are in terms of their depth, access, and efficiency.

Financial institutions include banks, insurance companies, mutual funds, and pension funds.

Financial markets include stock and bond markets.

Financial development is defined as a combination of depth (size and liquidity of markets), access (ability of individuals and companies to access financial services), and efficiency (ability of institutions to provide financial services at low cost and with sustainable revenues, and the level of activity of capital markets).

Starting from the bottom, six lower level sub-indices are constructed using a list of indicators to measure how deep, accessible, and efficient financial institutions and financial markets are.

These sub-indices are aggregated into two higher level sub-indices, FI and FM, which measure how developed financial institutions and financial markets are overall. Finally, FI and FM sub-indices are aggregated into the overall measure of financial development – the FD index.

Corruption Perception Index

The Index, developed by Transparency International, ranks countries according to their perceived levels of corruption, as determined by expert assessments and opinion surveys.

Since 1995, Transparency International has published annually the Corruption Perceptions Index ordering the countries of the world according to "the degree to which corruption is perceived to exist among public officials and politicians".

The organization defines corruption as "the abuse of entrusted power for private gain".

Democracy Index

The index, developed by the Economist Intelligence Unit, measures the state of democracy in Countries based on five general categories:

- electoral process and pluralism
- civil liberties
- functioning of government
- political participation and
- political culture

Government Effectiveness

Government Effectiveness, estimated by the World Bank, captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Regulatory Quality

Regulatory Quality, estimated by the World Bank, captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law

Rule of Law, estimated by the World Bank, captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Political Stability and Absence of Violence/Terrorism

Political Stability and Absence of Violence/Terrorism, estimated by the World Bank, measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.

AGENCIES AND LOCAL AUTHORITIES SCREENING METHODOLOGY

AGENCIES AND SUPRANATIONALS

Agencies and Supranational bonds are issued by organizations which promote cooperation projects in developing countries and/or local or regional integration projects.

Such institutions should support the local economies and/or promote social welfare programs such as housing projects and education.

Such institutions should have a social goal and work towards promoting a sustainable development. Examples are the Inter-American Development Bank, the International Bank for Reconstruction and Development and Corporación Andina de Fomento.

ECPI screening process favours Agencies and Supranationals acting for the well-being of Third World Countries and for the development of local communities.

The screening assesses the potential involvement in controversial situations such as episodes of corruption, mismanagement of public goods or properties, violation of human rights, respect of civil liberties and political rights.

LOCAL AUTHORITIES AND MUNICIPALITIES

ECPI screening process is applied also to Local Authorities, such as partially self-governing states, regions, cities, provinces and municipalities (e.g. Land Schleswig-Holstein, Region of Campania, City of Milan).

The screening assesses the potential involvement of the Local Authority in controversial situations such as episodes of corruption, mismanagement of public goods or properties, violation of human rights, respect of civil liberties and political rights and adoption of the death penalty.

The final assessment is influenced by the rating of the country where the local authority is based and operates.

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