



The relationship between Ethical Ratings and the  
Performance of Companies Belonging to the  
Italian SP-MIB 40 Index

**Aei Standard Ethics  
ANNUAL REPORT**

*Published by*  
**AEI Standard Ethics Research Department**  
*Edited by Jacopo Schettini Gherardini*

*Bruxelles, 7 July 2006*

**Agenzia Europea di Investimenti  
Standard Ethics  
GEIE**

**Groupement Européen d'Intérêt  
Economique  
Bruxelles**

## Introduction

The function of the Agenzia Europea di Investimenti (AEI) Standard Ethics (an Economic Interest European Group) is **one** of promoting social and environmental responsibility as well as sound governance in line with the principles, values and auspices of the United Nations, the OECD and the European Union. This is why every year AEI publicly evaluates, through its own ratings, relevant policies voluntarily adopted by businesses.

AEI approach to social responsibility is different from the one suggested by the *stakeholder theory*. In the past, I defined AEI approach as “institutional” because it was based on a single well-defined and public benchmark emanating from institutions and was not based on an in-house model.

Up to the end of this study, AEI was far from being able to demonstrate that its original approach had not just statistical significance but also a relationship with market’s assessment on the conduct of large listed companies.

Today, following a sufficiently long period of observation (from 2002 to 2006), it is possible to state that **there is a relationship between the performance of listed companies and the improvements they make in line with EU, OECD and UN auspices** in the social and environmental fields as well as in terms of corporate governance. These findings, if corroborated by independent researcher, can be very important in that they could demonstrate the value of Corporate Social Responsibility and good Corporate Governance if applied according to institutional guidelines and not just by consulting stakeholders.

On behalf of AEI, I would like to thank Filippo Cecchi, who, from the very beginning, has followed the evolution of the sample being studied, as well as Andrea Furlan for his research work. I would also like to thank Marco Capurro, Djilali Kohli, Michele Gagnani, Andrea Conti, Claudio Marastoni, Beatrice Gerini, Maurizio Rodorigo, Jelena Ilic and

Francesca Montironi and Paolo Cortucci for the work they carried out in analysing data, processing indicators, revising and disseminating data and translating.

Above all, though, I would like to thank Paolo Rustici, Lorenzo and Bardo Gavazzoli Schettini, Paolo Sisti and Christina Popper for their contributions to the methodological approach adopted by AEI. They all played an important role during the first study which led to the development of our evaluation philosophy.

I would also like to take this opportunity to acknowledge all those who, first with AEI SpA and then with AEI EIEG, took part in our work (particularly in the ethical committees) and who have contributed to disseminating the principle whereby the best “ethical compass” was already enshrined in the documents drawn up by the United Nations, the European Union and the Organisation for Economic Cooperation and Development.

In particular, I would like to thank the following members of the ethical committees: Sergio Arzeni, Danio Berti, Giuseppe Bianchi, Luciano Bozzo, Aldo Burrosi, Piretro Merli Brandini, Andrea Ferretti, Amedeo Marino, Umberto Musumeci, Marco Ricceri, Alfonso Pecoraro Scanio, Filippo Salvi and Anne Simon. I would also like to thank past and new members of the Board of Directors such as Flavio Bovo, Marco Guerrieri, Alessandro Mulas, Piero Pierotti, Bruno Tronchetti Provera, Franco Cammarata, Vincenzo Nati, Andrea Nardi-Dei, Marco Paoli as well as the many people, who I will not list for the sake of conciseness, who have taken part in the dissemination of corporate social responsibility alongside myself and the first group of researchers.

I would like to conclude with a personal note of thanks and dedicate this long research to my wife, Amalia, without whose support it would not have been possible.

*Jacopo Gavazzoli Schettini*  
*(Schettini Gherardini as of 2007)*  
Directeur Exécutif

## Summary

• <b>Introduction</b>	<b>2</b>
○ Introduction to CSR	4
○ Corporate Governance	6
• <b>AEI Ratings - Methodology</b>	<b>5</b>
○ Sources	5
○ Classification	9
○ Required Standards	12
• <b>The Evaluation</b>	<b>14</b>
○ Sample and methodology	14
○ Data and Sources	16
○ The Results	23
• <b>Conclusions</b>	<b>26</b>
• <b>2006 Aei Ratings</b>	<b>27</b>

## AEI Ratings - Methodology

### Sources

AEI has developed an evaluation model to issue ratings which is exclusively based on the



international institutional guidance of the UN, the OECD and the EU. This model is inspired by the principles and guidelines contained in the documents published by the above-mentioned organisations. These principles and guidelines are vertically classified according to the weight given by them by the organisations themselves and horizontally classified according to three macro-areas: *exercise of ownership, exercise of management and exercise of competition.*

This matrix is an alternative to the more widespread notion of Corporate Social Responsibility and Corporate Governance as well as the methodology based on the *stakeholder theory*. According to AEI, this is an institutional approach because it is institutions, and not stakeholders, which identify the “ethical and responsible” path which companies need to follow. For detailed information, please refer to previous AEI publications. For general information, please refer to the footnote below.<sup>1</sup>

---

<sup>1</sup> CSR is the voluntary commitment which a company undertakes in order to contribute to the improvement of the environment and society. Today, the final definition of such commitment and the responsibilities it entails are established by the companies with different methods. In the world of Corporate Social Responsibility or sustainable and responsible finance, there are many instances upon which the definition of the “ethical rules” to be followed depend and various formulas are being proposed:-

- In general terms – and it has to be pointed out that any simplification is obviously reductive and that there are many instances of contamination amongst the various models – the most widely adopted approach is the “subjective” one whereby the company which is interested in taking on commitments towards the social sphere and the environment prepares an “ethical” document (usually a code or a charter) laying down the principles drawn up by the company itself or by its consultants. These consultants, the various study centres, the auditing companies then work out the

AEI has used as benchmarks the official documents approved by the European Union, the OECD and the UN. In order to take them into full account, it is essential that they are voluntarily adopted. In fact, these are documents which – wholly or partially – deal with Corporate Social Responsibility and sustainable development and impact corporate governance in the fields of competition, management and company ownership. Documents containing legislative rules which have to be adopted, such as EU Directives, are excluded.

The following are some of the most important sources:

1. OECD, Principles of Corporate Governance, 2004
2. EU, COMMUNICATION FROM THE COMMISSION - A Methodological Note for the Horizontal Evaluation of Services of General Economic Interest, 2002
3. OECD, The OECD Guidelines for Multinational Enterprises, 1976
4. OECD, Guidelines on the Corporate Governance of State-Owned Enterprises, 2005.
5. EU, GREEN PAPER on Services of General Interest, 2003
6. EU, COMMUNICATION FROM THE COMMISSION - IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS: MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY, 2005

---

level of social responsibility and propose solutions on the basis of the guidelines provided by their customers. If such guidelines are not available, they suggest their own.

- A second approach is the identification of ethical principles through negotiations with stakeholders. In this case, principles and objectives are not drawn up according to pre-set guidelines but are the outcome of a compromise between external parties and the company (the theoretical reference to this is the “*Stakeholder Theory*” of 1984). This approach has been widely studied and is widely appreciated by the academic world.
- The third approach, which is the one adopted by AEI, is identifiable amongst the recommendations made by the European Commission and follows the *Guidelines for Multinational Enterprises* written by the OECD in 1979. This provides for a voluntary adoption of CSR taking into full account every UN, OECD and EU principle in this area.
- The most important reason for this approach is the European Commission’s determination to contain the spread of choices which are too far away from the social guidance established at international level. This is also shown by the implicit willingness to enhance the strategic guidance function of the *res publica* system in relation to social and development issues and avoid the creation of too many “ethics” with limited reach at the service of different national and local interests, individual companies or stakeholders.

7. EU, COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT- Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward, 2003
8. EU, COMMUNICATION FROM THE COMMISSION concerning Corporate Social Responsibility: A business contribution to Sustainable Development, 2002
9. EU, GREEN PAPER Promoting a European framework for Corporate Social Responsibility, 2001
10. UN – GOLBAL COMPACT, 2000
11. Resolution 39/248 of the UN General Assembly (16 April 1985): Guidelines for Consumer Protection

On top of the above-mentioned documents, there are other documents, which even though are not strictly related to the activities of a company, contain important principles. They are:

- the International Pact on Civil and Political Rights;
- the International Pact on Economic, Social and Cultural Rights;
- the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment;
- the Convention on the Elimination of All Forms of Discrimination Against Women;
- the Convention on the Rights of the Child and the Convention on the Worst Forms of Child Labour;
- the Convention on the Elimination of all Forms of Racial Discrimination;
- the Convention on the Rights of Migrant Workers and their Families;
- the UN Code of Conduct for Law Enforcement Officials;
- the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials;
- the UN Convention on Refugee Status;
- the Geneva and the Hague Conventions (Convention for the Amelioration of the Wounded and Sick in Armed Forces and Field; Convention for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces at Sea; Convention Relative to the Treatment of Prisoners of War; Convention Relative to the Protection of Civilian Persons in Time of War; the additional Protocols and the Hague Conventions);



cases when some legal instruments are not used because they might create imbalances amongst majority or minority shareholders, as is the case of some types of agreements between shareholders to manage general meetings.

**“Exercise of management”** indicates the actions taken by the board of directors and management. In this instance too, it is a question of measuring the quality of voluntary in-house rules as well as company policies which should be based on EU, OECD and UN guidelines on Corporate Social Responsibility and sound Corporate Governance. The evaluation includes the quality of voluntary rules on the conduct of board members, management and employees; handling and monitoring of potential conflicts of interest; safeguards for minority shareholders and the market relating to, for instance, information and reporting; or guarantees offered to the local communities about company changes, new employment policies and environmental issues.



**Exercise of competition** by a “socially responsible” company is viewed favourably if it facilitates competition amongst enterprises as well as proper comparison between their products and services and the various distribution methods. In this case too, evaluation revolves around the quality of voluntary in-house rules as well as company policies which should be based on EU, OECD and UN guidelines on Corporate Social Responsibility and sound Corporate Governance.

Monopolies, oligopolies and cartels are considered to be negative elements which have a bearing on AEI ratings, particularly if they are not counterbalanced by voluntary in-house rules which regulate company activities more stringently than laws. Competitive activities are qualitatively assessed and within that innovation plays an important role.

In the case of companies operating with public or government licences or with a

predominant position (such as energy or utilities companies), AEI expects to see voluntary codes of ethics which build on the statutory guarantees for investments, tariffs, quality of service, conflict of interests and safeguards for other competitors.

The three evaluation areas which have just been described give an overall picture of a company as a whole on the basis of *inputs* and *outputs* with the external world (i.e. the policies it adopts vis-à-vis the market) and on the basis of internal management processes.

Exercise of ownership, management and competition are in turn subdivided into various *themes*. Each *theme* is assessed by using a number of indicators which, for the sake of brevity will not be outlined here. The main *themes* suggested by the UN, the OECD and the EU, and assessed by AEI, are as follows:

Competition	Ownership	Management
MAIN MARKET & COMPETITORS MARKET & DOMINANT POSITIONS CONTRACTS AND PUBLIC AID CORRUPTION	OWNERSHIP AND CONFLICTS OF INTERESTS PROTECTION OF MINORITY SHAREHOLDERS & APPOINTMENT OF MANAGEMENT ATTENDANCE AT GENERAL MEETINGS COMMUNICATION & INFORMATION	MANAGEMENT & CONFLICTS OF INTERESTS TRANSPARENCY & INFORMATION EMPLOYMENT & SELECTION OF HUMAN RESOURCES HEALTH AND SAFETY & SOCIAL DIALOGUE ADAPTING TO CHANGE ENVIRONMENTAL SAFETY CONSUMERS & QUALITY SCIENCE & TECHNOLOGY LOCAL COMMUNITIES TRADING PARTNERS

The number of *themes* varies according to the company being evaluated and does not depend on the fact that their importance is different. Instead, they depend on the fact that

some aspects are “regulated” at European level and therefore there is less room for manoeuvre for innovative voluntary initiatives as suggested by the OECD, the EU and the UN. *Themes* have also greater or lesser importance according to the company being evaluated. As can be easily guessed, the environmental theme, for instance, has a different bearing on the evaluation of a chemical company than a bank. In turn, “relationship with consumers” and conflicts of interests are more important for a bank. By the same token, the commitment to facilitate attendance to shareholders’ meetings plays a different role in a public company where ownership is widespread than in a company which is owned by an individual or just a few partners.

To make sure that the final rating takes the nature of the company and its shareholders into account, AEI researchers follow a three-stage approach:

### *EVALUATION FORM FOR INDIVIDUAL THEMES*

<b>THEME</b> <i>(relative to the nature of the company)</i>	<b>MEASURE</b> <i>Voluntary Rules and Measures Adopted by the Company in relation to the Theme</i>	<i>Overall Evaluation</i>
In relation to the nature of the ownership and the business, the theme <b>is not important</b> or does not have elements requiring specific actions.	NON EXISTENT (the theme is ignored)	Neutral
	INADEQUATE (the theme is dealt with inadequately or in a misleading fashion)	Negative
	INEFFECTIVE (the theme is dealt with in general terms or no monitoring tools or sanctions are provided for)	Neutral
	ADEQUATE (the theme is being dealt with adequately)	Positive
In relation to the nature of the ownership and the business, the theme <b>is important</b> and requires corrective actions or voluntary preventative and monitoring policies and rules.	NON EXISTENT (the theme is being ignored)	Negative
	INADEQUATE (the theme is dealt with inadequately or in a misleading fashion)	Negative
	INEFFECTIVE (the theme is dealt with in general terms or no monitoring tools or sanctions are provided for)	Negative
	ADEQUATE (the theme is being dealt with adequately)	Positive

Even though adjustments have to be made because of the nature of individual companies,

the three main themes - *exercise of ownership*, *exercise of management* and *exercise of competition* - have the same bearing in the final evaluation.

### **Required Standards**

From full (and theoretical) application of the suggestions contained in the above mentioned documents through to the subdivision in three areas and themes which has just been described, AEI has created a “behavioural“ model which is summarized by the **5 “ethical standards”**<sup>2</sup> made known in 2002. One of these standards refer to the *exercise of competition*, two refer to the *exercise of ownership* and the remaining two to the *exercise of management*.

This is the best conceptual simplification that AEI has been able to arrive at in order to communicate the cornerstones of its ratings efficiently and to present a snapshot of the ideal model, the “EEE”. The ideal standards are as follows:

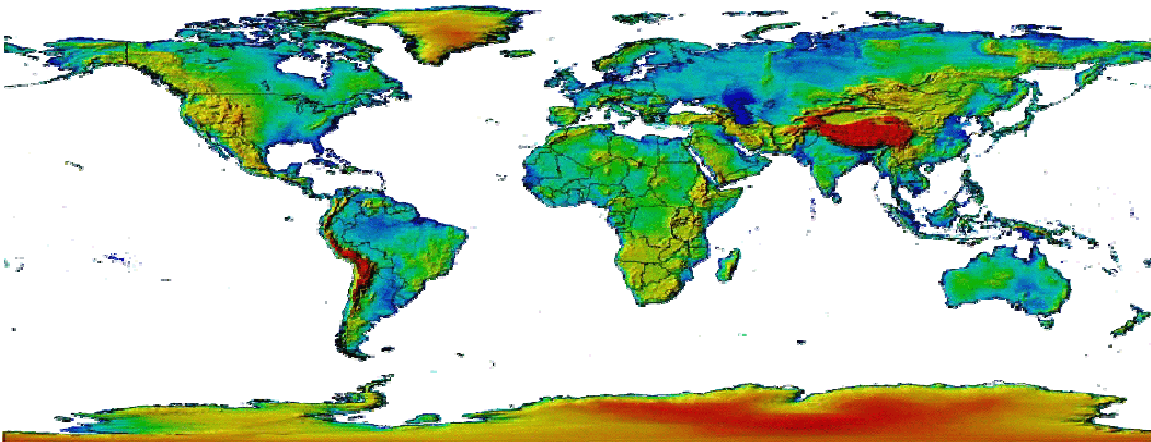
1. to hold a non monopolistic position, not being part of a monopolistic cartel and carrying out fair competition;
2. to have a capital, subdivided in shares, which is not bound by norms or agreements (in relation to the exercise of rights) and is freely purchasable or transferable;
3. to have widespread ownership without major shareholders or, alternatively, a major shareholder who has no interest which is potentially divergent from those of his/her company;
4. to make sure that all its board members and managers are independent, including independence from the owners, and comply with a Code of Conduct – supervised by an internal body – which guarantees transparent activities and limits conflicts of interest;
5. to have a procedure to verify that its own and third-party investments are in line with the most recent internationally recognised social and environmental standards.

---

<sup>2</sup> These standards are the subject of a publication aimed at introducing AIE Holding's work principles: “*Introduzione al Codice di Condotta dell’Agenzia Europea di Investimenti*” (Introduction to the Code of Conduct of the Agenzia Europea di

In other words, they have to show that they pay attention to procurement processes of raw materials, production and distribution of goods and services. They can also use adequate internal codes of conduct to carry out this activity. They also have to operate with the utmost integrity and observe the Universal Declaration of Human Rights approved by the United Nations on 10<sup>th</sup> December 1948 as well as the main international norms supplementing and qualifying it.

It is superfluous to recall that AEI standards, its evaluations and even the wishes of the United Nations, the OECD and the EU in relation to CSR are only guidelines and interpretations of what could obviously be one of the many ways of running a *socially responsible* company.



---

Investimenti) by J. e L. Gavazzoli Schettini, Ed. Il Sole 24 Ore, Milan 2002.

## The Evaluation

### *Sample and methodology*

The findings shown in the Report are based on a sample of **40 Italian listed companies**, that is to say, companies belonging to the **SP-MIB 40** index (ex Mib 30). In AEI's opinion, this sample is representative of "liquid" and well known listed companies<sup>3</sup>.

The ratings for these companies have been annually assigned by AEI irrespective of their size or percentage that they have - or have had - within the index itself. The period under consideration was from June-July 2002, when ratings were first issued (at the time it was the Mib 30), to June 2006.

The decision to evaluate companies from June to June was made because this period of time overlapped with the yearly issuance of ratings by AEI. The first year under consideration starts in June 2002 when the first ratings were issued within the Mib 30 index and ends in June 2003 when new ratings were issued and when, therefore, the second year of evaluation began. The only exception is the 2004 ratings which were not issued in June but in October when the new SP-MIB 40 index came into being.

As stated in the introduction, the "ethical *benchmark*" used by AEI is divided into three areas of interest and modulated in order to analyse the required five ideal Standards. AEI Ratings aim at measuring the gap between companies and the ideal standards.

In order of excellence, the ratings are as follows:

EEE (ideal); EEE- ; EE+ ; EE ; EE- ; E+ ; E ; E-.

The Companies were grouped on the basis of the ratings. There is no "EEE" group because no such rating was assigned. "EEE-" and "EE+" groups were put together

because EEE- was assigned to just one company (ENI) belonging to the SP-MIB 40 index for the whole period. Therefore, it was decided to have groups with at least 2 Companies.

The *groups* Companies were included are as follows:

- 1) EEE- e EE+
- 2) EE
- 3) EE-
- 4) E+
- 5) E
- 6) E-

In turn, the six groups were divided into two larger groups: triple e double “E” and single “E”. As planned, the evaluation was based on the comparison between the six groups and the two larger ones.

During the period under evaluation, AEI changed, on a yearly basis, the composition of the groups because of new ratings being assigned. In 2003, for instance, there were 3 companies with “EE-“ whereas the following year, this number had gone up to 5.



The composition of the SP-MIB40 index (ex Mib 30) changed too following decisions made by the Stock Exchange. This resulted in a minor adjustment of the sample of companies being assessed by AEI.

For this reason and in order to provide comparable yearly data, a decision was made to analyse the trend for each *group* on the basis of capitalization, i.e. adding up the capitalisation of each company within a *group* at the time of issuing the ratings (usually in

---

<sup>3</sup> The SP-MIB 40 is the index for the forty largest Italian listed companies.

June of each year) and carrying out a comparison in terms of percentage with the overall capitalisation of the *group* for the following June. AEI analysts felt that this was the most efficient, clear and uniform method to compare trends in *groups* which were changing every year.

### **Data and Sources**

Data are shown in the tables below. The following sources were used: Italian Stock Exchange (official site) and, for the data of the second half of 2006, the Italian financial newspaper “*il Sole 24 Ore*”.

Table 1 shows the yearly composition of individual *groups*. Companies which were included in the capitalisation of their group in the year in question are highlighted in grey. These companies either joined or left the index in the period. In many cases, newly arrived companies were rated in the following year.

*Table 1 – Yearly ratings (from June to June) and composition of individual groups.*

Rating Aei	2002-03	2003-04	2004-05	2005-06
EEE- / EE+	Eni Saipem	Eni Pop Verona e Nov. Saipem	Eni Pop Verona e Nov. Saipem	Eni Pop Verona e Nov. Saipem
EE	Italgas Snam Rete Gas	Snam Rete Gas	Ban. Pop Unite Banca Pop di Milano Snam Rete Gas	Ban. Pop Unite Banca Pop di Milano Snam Rete Gas STMicroelectronics
EE-	Autostrade MPS Unicredito	Banca Antonveneta MPS Unicredito	Banca Antonveneta Enel Luxottica MPS Tiscali Unicredito	Enel Luxottica MPS Unicredito
E+	Ass. Generali Enel San Paolo Imi	Ass. Generali Autostrade Enel Fineco San Paolo Imi	Ass Generali Bulgari E-Biscom Fiat Gruppo L'Espresso Mondadori RCS Mediagroup San Paolo Imi	Ass. Generali Bulgari Fastweb Fiat Gruppo L'Espresso Mondadori Ras Rcs Mediagroup Telecom Italia

E	Banca Fideuram BNL Bulgari Fiat Capitalia Fiat Intesa BCI Mediobanca Olivetti Pirelli & c	Banca Fideuram Banca Intesa Bnl Bulgari Capitalia Fiat Mediobanca Pirelli	Autogrill Autostrade Banca Fideuram Banca Intesa BNL Capitalia Edison Italcementi Mediobanca Pirelli Ras Seat Pagine Gialle Telecom Italia Terna Tim	Autogrill Autostrade Banca Fideuram Edison Italcementi Mediobanca Pirelli Seat Pagine Gialle Terna
E-	Alleanza Ass. Mediaset Mediolanum Ras Seat Pagine Gialle Telecom Italia Tim	Alleanza Ass. Mediaset Mediolanum Ras Seat Pagine gialle Telecom Italia Tim	Alleanza Ass. Mediaset Mediolanum	Alleanza Ass. Mediaset Mediolanum

Table 2 shows the yearly composition of individual *groups*, individual companies' capitalisations, overall *group* capitalisation and difference (in percentage terms) between the beginning and the end of the year in question. Companies which were included in the capitalisation of their group in the year in question are highlighted in grey. These companies either joined or left the index in the period. In many cases, newly arrived companies were rated in the following year.

The asterisks indicate when individual companies' capitalisations were modified because of an increase in capital or other extraordinary transaction (e.g. merger or takeover). In this case, analysts tried to assign a value to the transaction which affected the capitalisation and to come up with figures for the period in question which are as accurate as possible. In most cases, the value of the extraordinary transaction was added to the capitalisation at the beginning of the period.

Error percentage by *group* was estimated to be +/- 1.5% every two years and, on average,

+/- 0.75% per year.

Table 2 – Yearly Capitalization of Individual Companies and Groups

1	Companies in MIB/30	Rating	June 02	June 03	diff. (-)	perc. %																																																																						
<table border="1"> <tr> <td>ENI</td> <td>EEE-</td> <td>64.059,10</td> <td>53.500,40</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Saipem</td> <td>EE+</td> <td>3.178,80</td> <td>2.917,80</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>67.237,90</td> <td>56.418,20</td> <td>- 10.819,70</td> <td>-16,09%</td> </tr> </table>							ENI	EEE-	64.059,10	53.500,40				Saipem	EE+	3.178,80	2.917,80							67.237,90	56.418,20	- 10.819,70	-16,09%																																																	
ENI	EEE-	64.059,10	53.500,40																																																																									
Saipem	EE+	3.178,80	2.917,80																																																																									
			67.237,90	56.418,20	- 10.819,70	-16,09%																																																																						
<table border="1"> <tr> <td>Italgas *</td> <td>EE</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Snam Rete Gas</td> <td>EE</td> <td>5.782,90</td> <td>6.748,70</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>5.782,90</td> <td>6.748,70</td> <td>965,80</td> <td>16,70 %</td> </tr> </table>							Italgas *	EE						Snam Rete Gas	EE	5.782,90	6.748,70							5.782,90	6.748,70	965,80	16,70 %																																																	
Italgas *	EE																																																																											
Snam Rete Gas	EE	5.782,90	6.748,70																																																																									
			5.782,90	6.748,70	965,80	16,70 %																																																																						
<table border="1"> <tr> <td>Autostrade</td> <td>EE-</td> <td>9.881,70</td> <td>14.586,00</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Banca MPS</td> <td>EE-</td> <td>8.375,70</td> <td>5.942,50</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Unicredito</td> <td>EE-</td> <td>23.283,50</td> <td>26.352,60</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>41.540,90</td> <td>46.881,10</td> <td>5.340,20</td> <td>12,86%</td> </tr> </table>							Autostrade	EE-	9.881,70	14.586,00				Banca MPS	EE-	8.375,70	5.942,50				Unicredito	EE-	23.283,50	26.352,60							41.540,90	46.881,10	5.340,20	12,86%																																										
Autostrade	EE-	9.881,70	14.586,00																																																																									
Banca MPS	EE-	8.375,70	5.942,50																																																																									
Unicredito	EE-	23.283,50	26.352,60																																																																									
			41.540,90	46.881,10	5.340,20	12,86%																																																																						
<table border="1"> <tr> <td>Ass. Generali</td> <td>E+</td> <td>30.326,20</td> <td>26.132,50</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Enel</td> <td>E+</td> <td>34.535,30</td> <td>33.377,20</td> <td></td> <td></td> <td></td> </tr> <tr> <td>San Paolo IMI</td> <td>E+</td> <td>14.499,90</td> <td>12.018,10</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>79.361,40</td> <td>71.527,80</td> <td>- 7.833,60</td> <td>-9,87%</td> </tr> </table>							Ass. Generali	E+	30.326,20	26.132,50				Enel	E+	34.535,30	33.377,20				San Paolo IMI	E+	14.499,90	12.018,10							79.361,40	71.527,80	- 7.833,60	-9,87%																																										
Ass. Generali	E+	30.326,20	26.132,50																																																																									
Enel	E+	34.535,30	33.377,20																																																																									
San Paolo IMI	E+	14.499,90	12.018,10																																																																									
			79.361,40	71.527,80	- 7.833,60	-9,87%																																																																						
<table border="1"> <tr> <td>Banca Fideuram</td> <td>E</td> <td>5.737,40</td> <td>4.728,90</td> <td></td> <td></td> <td></td> </tr> <tr> <td>BNL</td> <td>E</td> <td>3.718,20</td> <td>3.223,50</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bulgari</td> <td>E</td> <td>1.816,40</td> <td>2.580,00</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Capitalia</td> <td>E</td> <td>3.303,00</td> <td>3.409,50</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fiat</td> <td>E</td> <td>5.475,50</td> <td>2.735,40</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Intesabci</td> <td>E</td> <td>17.930,50</td> <td>16.776,90</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mediobanca</td> <td>E</td> <td>7.105,60</td> <td>6.834,10</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Olivetti</td> <td>E</td> <td>9.290,70</td> <td>9.833,60</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Pirelli &amp; C.</td> <td>E</td> <td>2.076,30</td> <td>1.723,40</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>56.453,60</td> <td>51.845,30</td> <td>- 4.608,30</td> <td>-8,16%</td> </tr> </table>							Banca Fideuram	E	5.737,40	4.728,90				BNL	E	3.718,20	3.223,50				Bulgari	E	1.816,40	2.580,00				Capitalia	E	3.303,00	3.409,50				Fiat	E	5.475,50	2.735,40				Intesabci	E	17.930,50	16.776,90				Mediobanca	E	7.105,60	6.834,10				Olivetti	E	9.290,70	9.833,60				Pirelli & C.	E	2.076,30	1.723,40							56.453,60	51.845,30	- 4.608,30	-8,16%
Banca Fideuram	E	5.737,40	4.728,90																																																																									
BNL	E	3.718,20	3.223,50																																																																									
Bulgari	E	1.816,40	2.580,00																																																																									
Capitalia	E	3.303,00	3.409,50																																																																									
Fiat	E	5.475,50	2.735,40																																																																									
Intesabci	E	17.930,50	16.776,90																																																																									
Mediobanca	E	7.105,60	6.834,10																																																																									
Olivetti	E	9.290,70	9.833,60																																																																									
Pirelli & C.	E	2.076,30	1.723,40																																																																									
			56.453,60	51.845,30	- 4.608,30	-8,16%																																																																						
<table border="1"> <tr> <td>Alleanza ass.</td> <td>E-</td> <td>8.120,70</td> <td>7.109,30</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mediaset</td> <td>E-</td> <td>9.278,50</td> <td>8.901,70</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mediolanum</td> <td>E-</td> <td>4.341,40</td> <td>3.603,70</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Ras</td> <td>E-</td> <td>9.659,30</td> <td>8.992,70</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Seat Pagine Gialle</td> <td>E-</td> <td>8.273,60</td> <td>6.652,20</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Telecom Italia</td> <td>E-</td> <td>41.480,80</td> <td>41.935,10</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tim</td> <td>E-</td> <td>34.090,20</td> <td>36.350,60</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"></td> <td>115.244,50</td> <td>113.545,30</td> <td>- 1.699,20</td> <td>-1,47%</td> </tr> </table>							Alleanza ass.	E-	8.120,70	7.109,30				Mediaset	E-	9.278,50	8.901,70				Mediolanum	E-	4.341,40	3.603,70				Ras	E-	9.659,30	8.992,70				Seat Pagine Gialle	E-	8.273,60	6.652,20				Telecom Italia	E-	41.480,80	41.935,10				Tim	E-	34.090,20	36.350,60							115.244,50	113.545,30	- 1.699,20	-1,47%														
Alleanza ass.	E-	8.120,70	7.109,30																																																																									
Mediaset	E-	9.278,50	8.901,70																																																																									
Mediolanum	E-	4.341,40	3.603,70																																																																									
Ras	E-	9.659,30	8.992,70																																																																									
Seat Pagine Gialle	E-	8.273,60	6.652,20																																																																									
Telecom Italia	E-	41.480,80	41.935,10																																																																									
Tim	E-	34.090,20	36.350,60																																																																									
			115.244,50	113.545,30	- 1.699,20	-1,47%																																																																						

ST Microelectronics	SOSP
AEM	SOSP
Finmeccanica	SOSP
Bibop Carire	SOSP

2 Companies MIB/30	Rating	June 03	October 04	diff. (-)	perc. %
--------------------	--------	---------	------------	-----------	---------

ENI	EEE-	53.500,40	71.506,00
Pop Verona E Novara	EE+	4.437,80	5.172,00
Saipem	EE+	2.917,80	3.970,00

60.856,00	80.648,00	19.792,00	32,52%
-----------	-----------	-----------	--------

Snam Rete Gas	EE	6.748,70	7.782,00
---------------	----	----------	----------

6.748,70	7.782,00	1.033,30	15,31%
----------	----------	----------	--------

Banca Antonveneta	EE-	3.554,20	4.770,77
Banca MPS	EE-	5.942,50	5.734,00
Unicredito	EE-	26.352,60	26.554,00

35.849,30	37.058,77	1.209,47	3,37%
-----------	-----------	----------	-------

Ass. Generali	E+	26.132,50	29.807,00
Autostrade	E+	14.586,00	9.839,00
Enel	E+	33.377,20	42.819,00
Fineco	E+		
San Paolo IMI	E+	12.018,10	14.436,00

86.113,80	96.901,00	10.787,20	12,53%
-----------	-----------	-----------	--------

Banca Fideuram	E	4.728,90	3.890,00
Banca Intesa	E	16.776,90	19.060,41
BNL	E	3.223,50	4.030,00
Bulgari	E	2.580,00	2.417,00
Capitalia	E	3.409,50	6.621,00
Fiat **	E	3,997,01	4.567,00
Mediobanca	E	6.834,10	8.460,00
Olivetti	E		
Pirelli **	E	2.723,40	2.914,00

44.273,31	51.959,41	7.683,11	17,36%
-----------	-----------	----------	--------

Alleanza ass.	E-	7.109,30	7.872,00
Mediaset	E-	8.901,70	10.577,00
Mediolanum	E-	3.603,70	3.585,00
Ras	E-	8.992,70	11.093,00

Seat Pagine Gialle	E-	6.652,20	2.154,00
Telecom Italia	E-	41.935,10	27.092,00
Tim	E-	36.350,60	39.175,00

113.545,30	101.548,00	- 11.997,30	-10,57%
------------	------------	-------------	---------

Finmeccanica	SOSP
Parmalat Finanz.	SOSP
STMicroelectronics	SOSP

<b>3</b>	<b>Comp. S&amp;P MIB 40</b>	<b>Rating</b>	<b>October 04</b>	<b>June 05</b>	<b>diff. (-)</b>	<b>perc. %</b>
----------	-----------------------------	---------------	-------------------	----------------	------------------	----------------

ENI	EEE-	71.506,00	85.054,73
Pop Verona e Novara	EE+	5.172,00	5.259,36
Saipem	EE+	3.970,00	4.927,30

80.648,00	95.241,39	14.593,39	18,10%
-----------	-----------	-----------	--------

Ban. Pop Unite	EE	4.703,00	5.635,01
Banca Pop. Di Milano	EE	2.301,78	3.401,62
Snam Rete Gas	EE	7.782,00	8.615,10

14.786,00	17.651,73	2.865,73	19,38%
-----------	-----------	----------	--------

Banca Antonveneta	EE-	4.770,77	7670,7
Banca MPS	EE-	5.734,00	7.139,80
Enel	EE-	42.819,00	43.954,75
Luxottica	EE-	6.610,00	7.788,37
Tiscali *	EE-		
Unicredito	EE-	26.554,00	27.634,01

86.487,77	94.187,63	7.699,86	8,90%
-----------	-----------	----------	-------

Ass. Generali	E+	29.807,00	32.882,51
Bulgari	E+	2.417,00	2.753,08
E.Biscom *	E+		
Fiat	E+	4.567,00	4.824,12
Gruppo L'Espresso	E+	1.818,00	1.955,18
Mondadori	E+	2.013,00	2.043,27
RCS-Mediagroup *	E+	2.822,98	4.190,87
San Paolo IMI	E+	14.436,16	18.782,47

57.881,14	67.431,50	9.550,36	16,50%
-----------	-----------	----------	--------

Autogrill	E	2.913,00	2.772,96
Autostrade	E	9.839,00	12.583,37
Banca Fideuram	E	3.890,00	3.853,52
Banca Intesa	E	19.060,41	22.385,04
BNL **	E	6.230,76	8.645,31

Capitalia	E	6.621,46	10.316,12
Edison	E	6.412,27	7.641,20
Italcementi	E	2.124,00	2.291,19
Mediobanca	E	8.460,00	12.273,58
Pirelli **	E	4.004,26	4.470,85
Ras	E	11.093,00	10.767,74
Seat Pagine Gialle	E	2.154,00	2.776,22
Telecom Italia **	E	34.092,00	34.692,66
Terna	E	3.828,00	4.262,00
Tim *	E		

120.722,16	139.731,76	19.009,60	15,75%
------------	------------	-----------	--------

Alleanza ass.	E-	7.872,00	7.596,77
Mediaset	E-	10.577,00	11.533,51
Mediolanum	E-	3.585,00	3.774,68

22.034,00	22.904,96	870,96	3,95%
-----------	-----------	--------	-------

Finmeccanica	SOSP		
ST Microelectronics	SOSP		

<b>4</b>	<b>Comop. S&amp;P MIB 40</b>	<b>Rating</b>	<b>June 05</b>	<b>June 06</b>	<b>diff. (-)</b>	<b>perc. %</b>
----------	------------------------------	---------------	----------------	----------------	------------------	----------------

ENI	EEE-	85.054,73	93.244,00
Pop Verona E Novara	EE+	5.259,36	7.902,00
Saipem	EE+	4.927,30	7.987,00

95.241,39	109.133,00	13.891,61	14,59%
-----------	------------	-----------	--------

Ban. Pop Unite	EE	5.635,01	6.632,00
Banca Pop. Di Milano	EE	3.401,62	4.000,00
Snam Rete Gas	EE	8.615,10	6.720,00
STMicroelectronics	EE	12.107,36	11.441,00

29.759,09	28.793,00	- 966,09	-3,25%
-----------	-----------	----------	--------

Banca MPS	EE-	7.139,80	11.006,00
Enel	EE-	43.954,75	42.676,00
Luxottica	EE-	7.788,37	9.723,00
Unicredito **	EE-	29.634,01	60.749,00

88.516,93	124.154,00	35.637,07	40,26%
-----------	------------	-----------	--------

Ass. Generali	E+	32.882,51	35.570,00
Bulgari	E+	2.753,08	2.601,00
Fastweb	E+	2.836,34	3.030,00
Fiat	E+	4.824,12	11.303,00
Gruppo L'Espresso	E+	1.955,18	1.703,00

Mondadori	E+	2.043,27	1.830,00
Ras	E+	10.767,74	12.641,00
RCS Mediagroup *	E+		97.754,00
Telecom Italia	E+	34.692,66	29.076,00

92.754,90	97.754,00	4.999,10	5,39%
-----------	-----------	----------	-------

Autogrill	E	2.772,96	3.102,00
Autostrade	E	12.583,37	12.960,00
Banca Fideuram	E	3.853,52	4.148,00
Edison *	E		
Italcementi	E	2.291,19	3.327,00
Mediobanca	E	12.273,58	12.458,00
Pirelli & C.	E	4.470,85	3.849,00
Seat Pagine Gialle	E	2.776,22	2.779,00
Terna	E	4.262,00	4.220,00

45.283,69	46.843,00	1.559,31	3,44%
-----------	-----------	----------	-------

Alleanza ass.	E-	7.596,77	7.639,00
Mediaset	E-	11.533,51	10.620,00
Mediolanum	E-	3.774,68	3.943,00

22.904,96	22.202,00	- 702,96	-3,07%
-----------	-----------	----------	--------

Banca Antonveneta *	SOSP		
Banca Intesa	SOSP		
BNL	SOSP		
Capitalia	SOSP		
Finmeccanica	SOSP		
Fondiaria Sai	no rating		
Lottomatica	SOSP		
San Paolo IMI	SOSP		

\* Not included because it joined or left the index in the year in question.

\*\* Capitalisation changed following capital increase.

## The Results

The final figures were obtained by adding *group* percentages.

Table 3 shows the percentages for each year. In the lower part of the table (part “b”), each period has been added to the previous one in order to calculate the final figure (as shown in bold to the right).

The trend related to the reference index has been highlighted in blue: the Mib 30 for 2002/03 and 2003/04 and SP-MIB40 for 2004/05 and 2005/06.

Table 3 a – Percentages for individual groups

		2002/03	2003/04	2004/05	2005/06
EEE- / EE+	0	-16,09	32,52	18,1	14,59
EE	0	16,7	15,31	19,38	-3,25
EE-	0	12,86	3,37	8,9	40,26
E+	0	-9,87	12,53	16,5	5,39
E	0	-8,16	17,36	15,75	3,44
E-	0	-1,47	-10,57	3,95	-3,07
INDEX	0	-6,23	5,96	17,22	20,58

Table 3 b

EEE- / EE+	0	-16,09	16,43	34,53	<b>49,12</b>
EE	0	16,7	32,01	51,39	<b>48,14</b>
EE-	0	12,86	16,23	25,13	<b>65,39</b>
E+	0	-9,87	2,66	19,16	<b>24,55</b>
E	0	-8,16	9,2	24,95	<b>28,39</b>
E-	0	-1,47	-12,04	-8,09	<b>-11,16</b>
INDEX	0	-6,23	-0,27	16,95	<b>37,53</b>

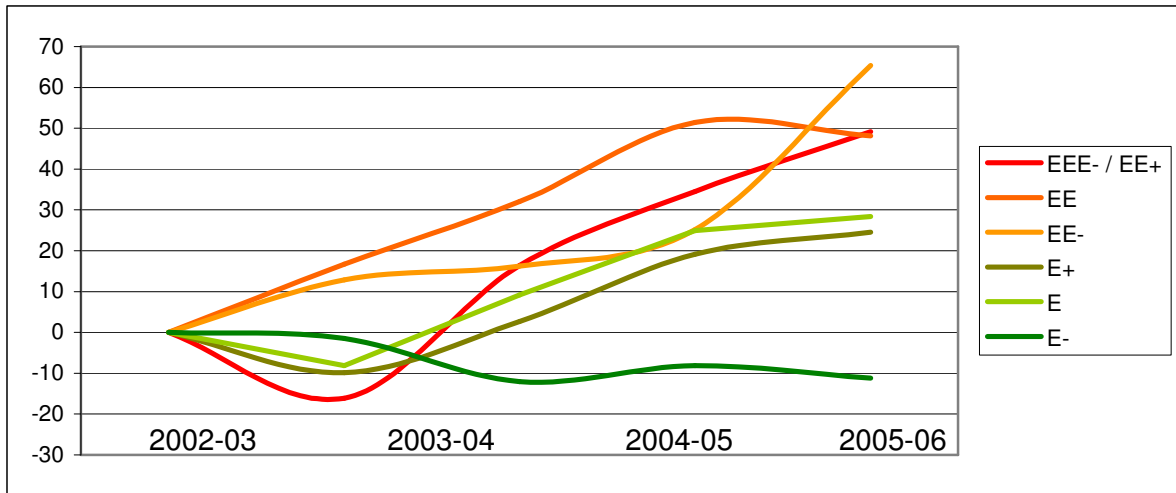
It is clear that all the “EEE” and “EE” *groups* show better results than the others. Their final *performance* is practically double compared to “E” companies. Diagram 1 shows these data.

ENI’s influence on the “EEE- / EE+” group, which has just few companies, is very strong, particularly in the first period characterised by an “unusual” initial drop compared to other “EE” groups. Nonetheless, the overall performance is quite clear even on the diagram.

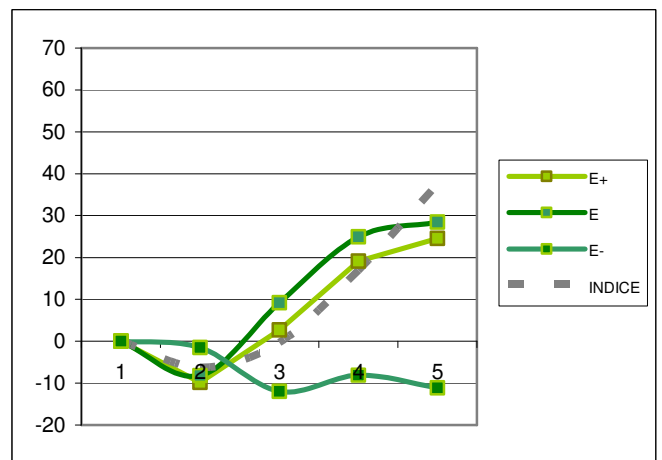
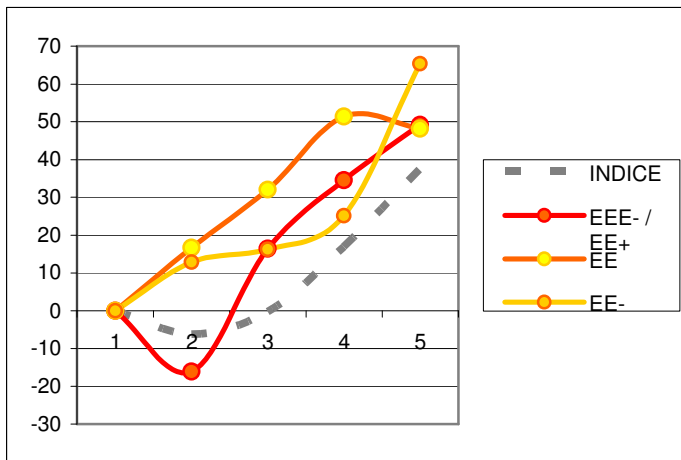
As far as the “E+” and “E” groups are concerned, they are made up of many banks, some of which have carried out extraordinary share capital operations, mergers and takeovers which have increased their capitalisations. Obviously, these increases were not due to market trends. Where possible, individual cases were identified to come up with final figures which are as accurate as practicable.

Diagrams 2 and 3 show a comparison with the index in two separate groups.

Diagram 1 – Groups' trends



Diagrams. 2 and 3 – Groups' trends vis-à-vis the index



The **most interesting** data and, probably, the most significant because it compares two groups with high numbers of Companies, thus eliminating or reducing the impact made by an individual security or a single episode, is the one which measures the overall trend of **double and triple “EEE”** against that of **individual “E”**. In other words, companies which AEI believed to be particularly active in terms of CSR and Corporate Governance, as described by the UN, the OECD and the EU.

Table 4 below shows the results. The top section shows the percentages for each period whereas the bottom section includes the sums for the various periods. The figures highlight a constant difference between the two groups, the first being the best. At the end of the 4<sup>th</sup> year, this difference amounted to 30% (see Diagram 4).

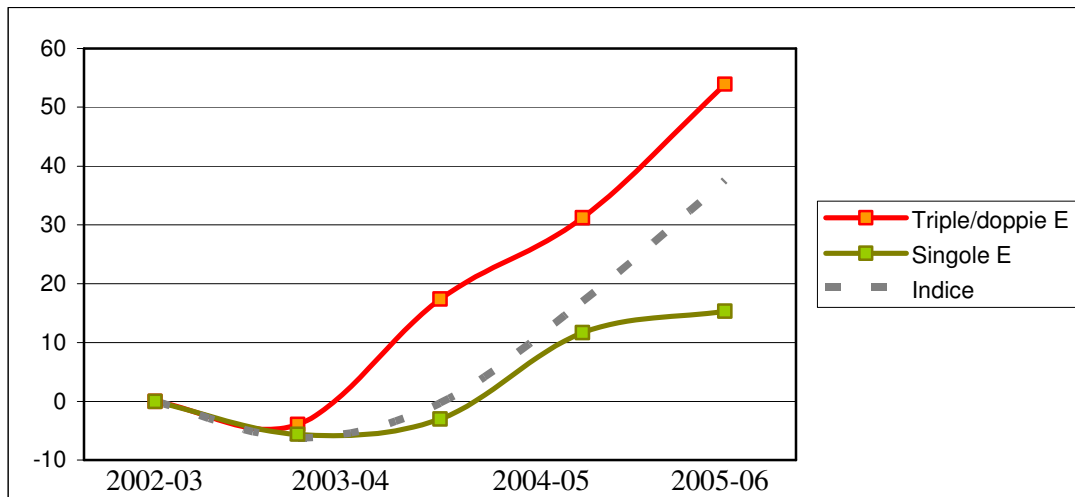
Table 4

		2002/03	2003/04	2004/05	2005/06
Triple e doppie E	0	-3,94	21,3	13,83	22,74
Singole E	0	-5,63	2,65	14,67	3,64
Indice	0	-6,23	5,96	17,22	20,58

Triple e doppie E	0	-3,94	17,36	31,19	53,93
Singole E	0	-5,63	-2,98	11,69	15,33
Indice	0	-6,23	-0,27	16,95	37,53

Diagram 4



## Conclusions

This study is the first step to evaluate the performance of AEI-rated companies regularly. Clearly, it will have to be more exhaustive. However, if the results and data are confirmed, it would be the first time that it has been possible to prove a clear medium-term connection between the issuers' trends and the voluntary improvements they carry out in terms of CSR and good corporate governance on the basis of the UN, OECD and EU guidelines.

This shows that AEI approach offers interesting prospects and that guidelines by international organisations on social responsibility and sound management have a role to play in investments.



\* \* \*

2006 Ratings (changes from previous ratings are in bold)

SOCIETA' S&P	2006	2005	2004	2003	2002
ENI	EEE-	EEE-	EEE-	EEE-	EEE-
Pop.Verona Novara	EE+	EE+	EE+	EE+	
Parmalat	<b>EE+</b>		EE-	SOSP	
Saipem	EE+	EE+	EE+	EE+	EE+
Enel	<b>EE</b>	EE-	EE-	E+	E+
Ban. Pop. Unite	EE	EE	EE		
B. Pop. di Milano	EE	EE	EE		
Snam Rete Gas	EE	EE	EE	EE	EE
ST Microelectronics	EE	EE	SOSP	SOSP	SOSP
UniCredito	<b>EE</b>	EE-	EE-	EE-	EE-
AEM	<b>EE-</b>				
Ass. Generali	<b>EE-</b>	E+	E+	E+	E+
Fondiaria-Sai	<b>EE-</b>				
FIAT	<b>EE-</b>	E+	E+	E	E
MPS	EE-	EE-	EE-	EE-	EE-
Luxottica	EE-	EE-	EE-	SOSP	
San Paolo-IMI	<b>EE-</b>	SOSP	E+	E+	E+
Fastweb	E+	E+			
Bulgari	E+	E+	E+	E	E
Gruppo L'Espresso	E+	E+	E+		
Mondadori	E+	E+	E+		
Pirelli & C.	E+	E	E	E	E
RAS	E+	E+	E	E-	E-
Telecom Italia	E+	E+	E	E-	E-
Alitalia	<b>E</b>				
Autogrill	E	E	E		
Alleanza Ass.	<b>E</b>	E-	E-	E-	E-
Italcementi	E	E	E		
Banca Fideuram	E	E	E	E	E
Banca Intesa	<b>E</b>	SOSP	E	E	E
Mediobanca	E	E	E	E	E
Terna	E	E	E		
Autostrade	<b>E-</b>	E	E	E+	EE-
Mediaset	E-	E-	E-	E-	E-
Mediolanum	E-	E-	E-	E-	E-
Seat Pagine Gialle	<b>E-</b>	E	E	E-	E-
BNL	SOSP	SOSP	E	E	E
Capitalia	SOSP	SOSP	E	E	E
Lottomatica	SOSP	SOSP	SOSP		
Finmeccanica	SOSP	SOSP	SOSP	SOSP	SOSP

## Info

Relations with the Italian press and Italian Institutional relations: **Filippo Cecchi**  
( [filippo.cecchi@agenziaeuropea.it](mailto:filippo.cecchi@agenziaeuropea.it) )

Relations with the foreign press and European institutions: **Jelena Ilic** – Rating Dep.  
( [jelena.ilic@agenziaeuropea.it](mailto:jelena.ilic@agenziaeuropea.it) - [info@aei-standardethics.org](mailto:info@aei-standardethics.org) )

For general information: Aei Standard Ethics  
[direzione@agenziaeuropea.it](mailto:direzione@agenziaeuropea.it) - [info@aei-standardethics.org](mailto:info@aei-standardethics.org)

© **Agenzia Europea di Investimenti Standard Ethics GEIE / EIEG – Bruxelles**  
**(Aei Standard Ethics)**

All rights reserved

*The Agenzia Europea di Investimenti Standard Ethics (Aei Standard Ethics), based in Bruxelles, is an Economic Interest European Group (EIEG) which aims at promoting company ethics, Corporate Social Responsibility and Socially Responsible Investments. This work is carried out according to the principles and guidelines of the United Nations, the Organisation for Economic Cooperation and Development and the European Union.*

*The activities of the AEI Standard Ethics include: issuing ethical ratings to companies and nations; research and training; monitoring and control. These activities are carried out according to three fundamental principles:*

- *abstaining from suggesting independent ethical or social guidelines, and exclusive application and promotion of the principles and guidelines on corporate ethics of the United Nations, the OECD and the European Union;*
- *free availability of ratings to the general public;*
- *issuing ratings is not compatible with the supply of other services by AEI Standard Ethics.*

*The "ethical" Ratings issued by AEI Standard Ethics is the result of statistical and scientific work carried out to take a snapshot of the economic world in relation to ethical principles promoted by the large international organisations.*

*This entails a two-fold commitment: supplying a frame of reference for studies on Corporate Social Responsibility and disseminating and promoting a culture based on company ethics in relation to the UN, OECD and EU principles by highlighting the most virtuous cases. Under no circumstances, therefore, does AEI Standard Ethics, through publishing Ratings, intends to solicit the purchase or sale of securities by any issuer.*

*Any part of this publication may be reproduced only by mentioning the "AEI - Standards Ethics"*