

High Quality ESG Ratings

Presentation to Society's E&S Working Group



About oekom research



- › Headquartered in Munich, Germany
- › Offices in New York, London, Paris and Zurich
- › Representation in the Netherlands

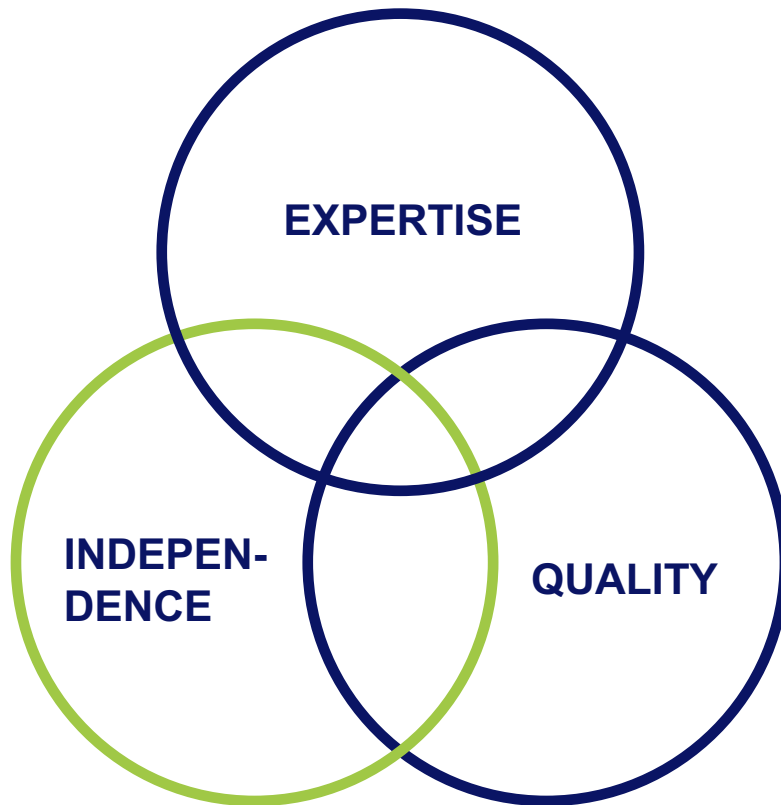


- › Team of 120 Persons
- › 80 ESG Analysts
- › Scientific Advisory Board



- › Universe of 6,200 Corporate and Sovereign Issuers Worldwide
- › Extensive Coverage of Global and National Equity and Bond Indices

Strengths



- › 25 Years of Excellence in ESG Research
 - › Customised Service
 - › Highly Experienced Analysts
 - › Detailed Industry-Specific Approach
 - › 700 Rating Indicators
-
- › Rigorous Training of all Analysts
 - › Transparent Rating Process
 - › Comprehensive Dialogue with Companies
 - › ARISTA Certified since 2009
 - › Deep Data Delivery Gold Standard
-
- › No Financial Service Providers or Rated Issuers among the Shareholders
 - › No Consulting Services for Companies
 - › Commissioned by Investors, not by the Rated Issuers

Areas of Expertise

ESG Ratings

**Controversy
Screening**

**Impact &
UN SDG**

Green Bonds

**Carbon &
Climate Change**

**ESG
Integration**

Services



Rating Reports



**ESG Investment
Universe**



ORBIT Database



Advisory



Portfolio Analysis



Data Feeds



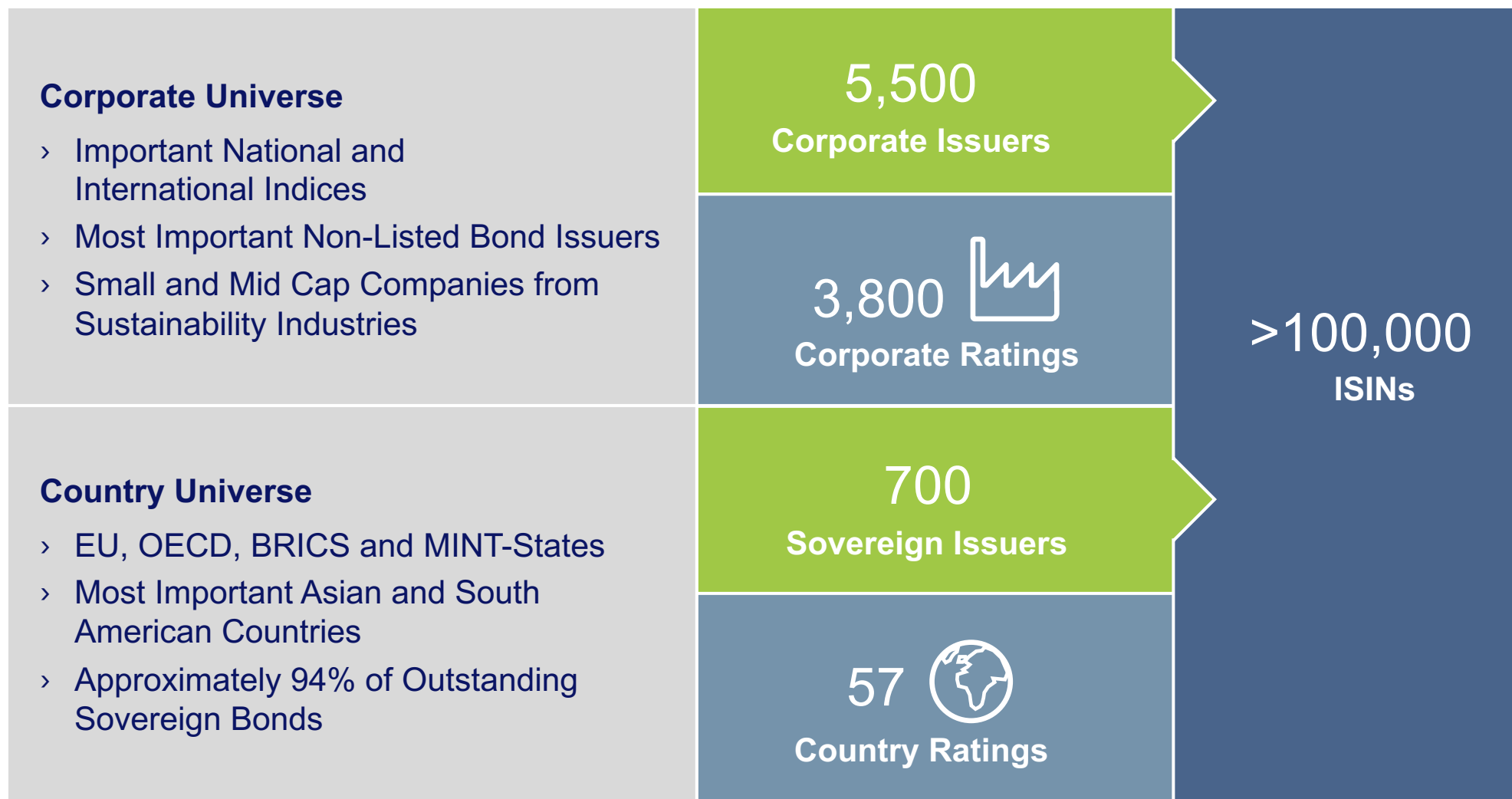
Indices



Engagement

Rating Methodology

Rating Universe



Dialog-oriented Rating Process



Up-to-date Research Reports & Data



Rating Criteria: Development and Review

Focus on Materiality

- › 5 Key Issues per Sector
- › 600+ Detailed Industry Specific Criteria
- › Sector Specific Expertise of Analysts

Constant Further Development

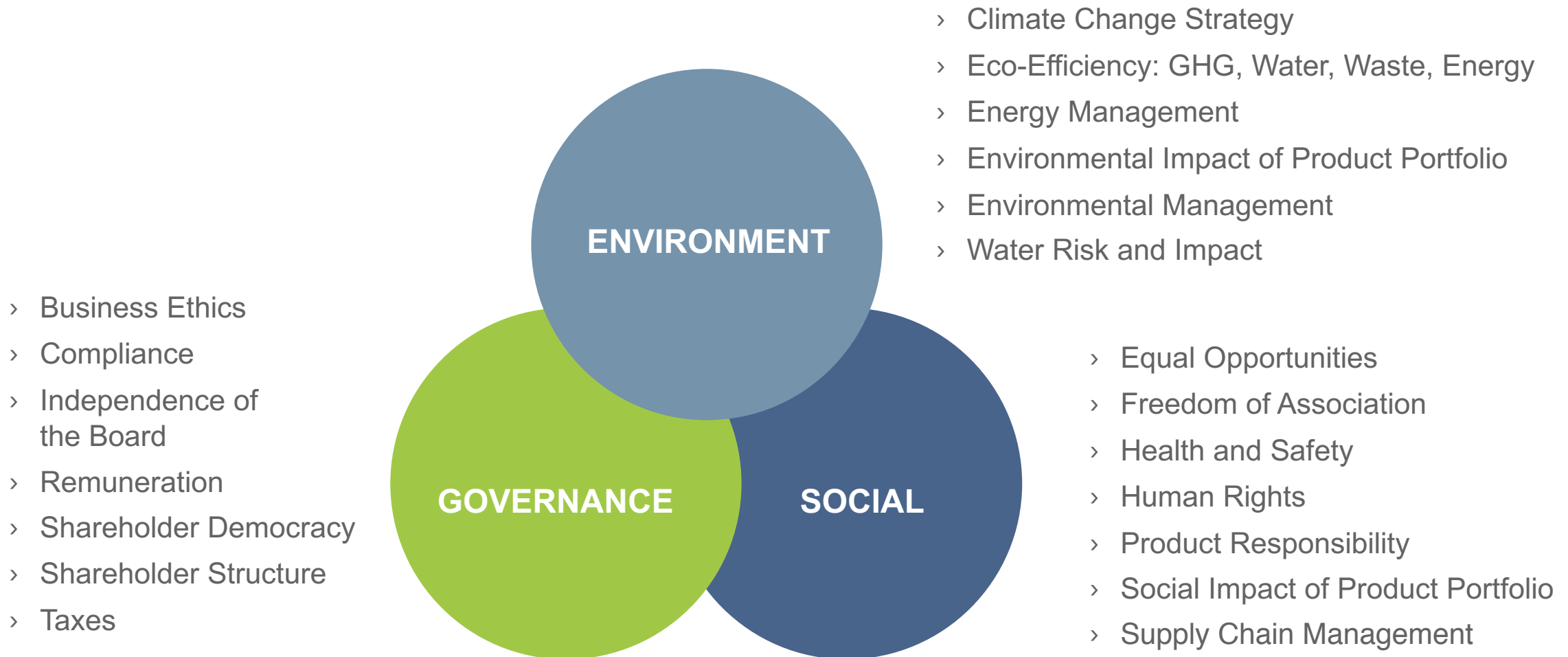
- › New Scientific Findings
- › Technological Developments
- › Regulatory Changes
- › Social Debate

Global Relevance

- › International Norms and Conventions
- › UN SDGs
- › Global Reporting Initiative
- › SASB

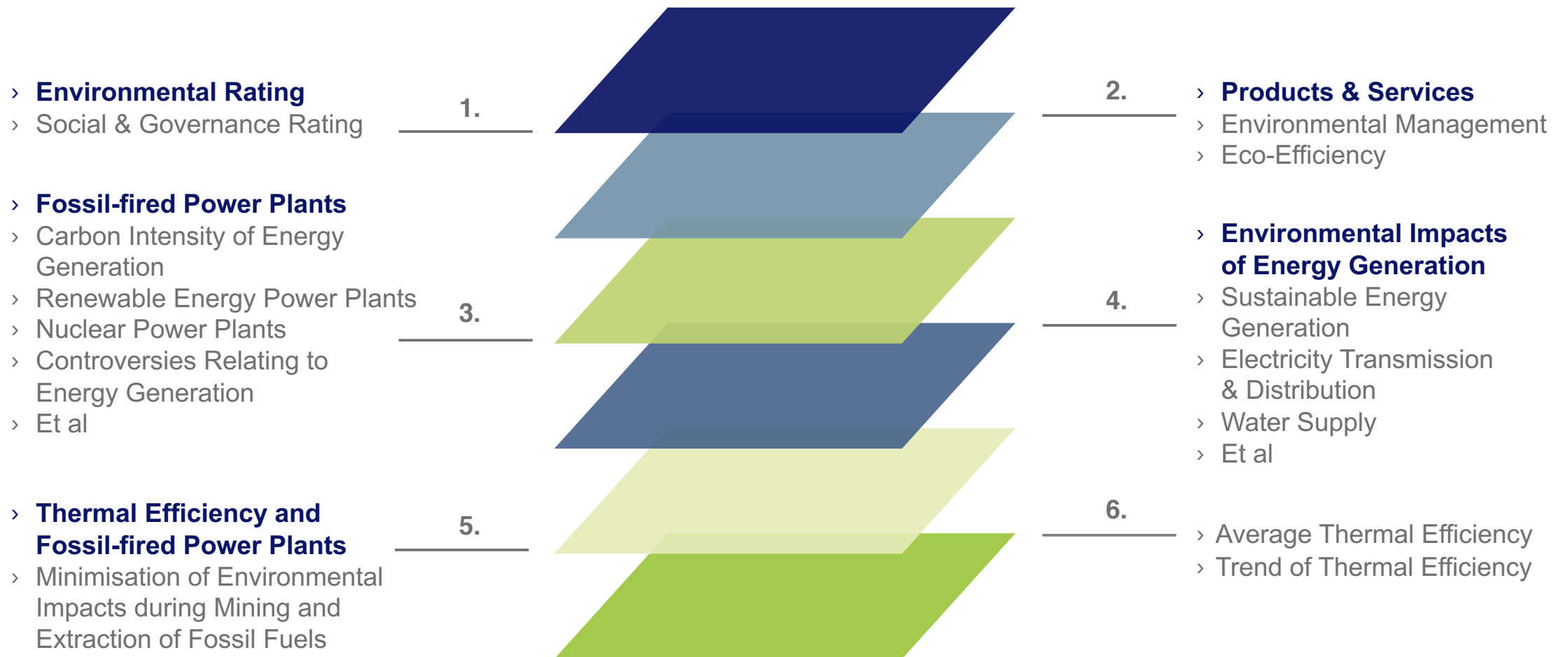
Corporate Rating: Cross-Sectoral Topics

More than 30 ESG topics assessed across all industries – examples



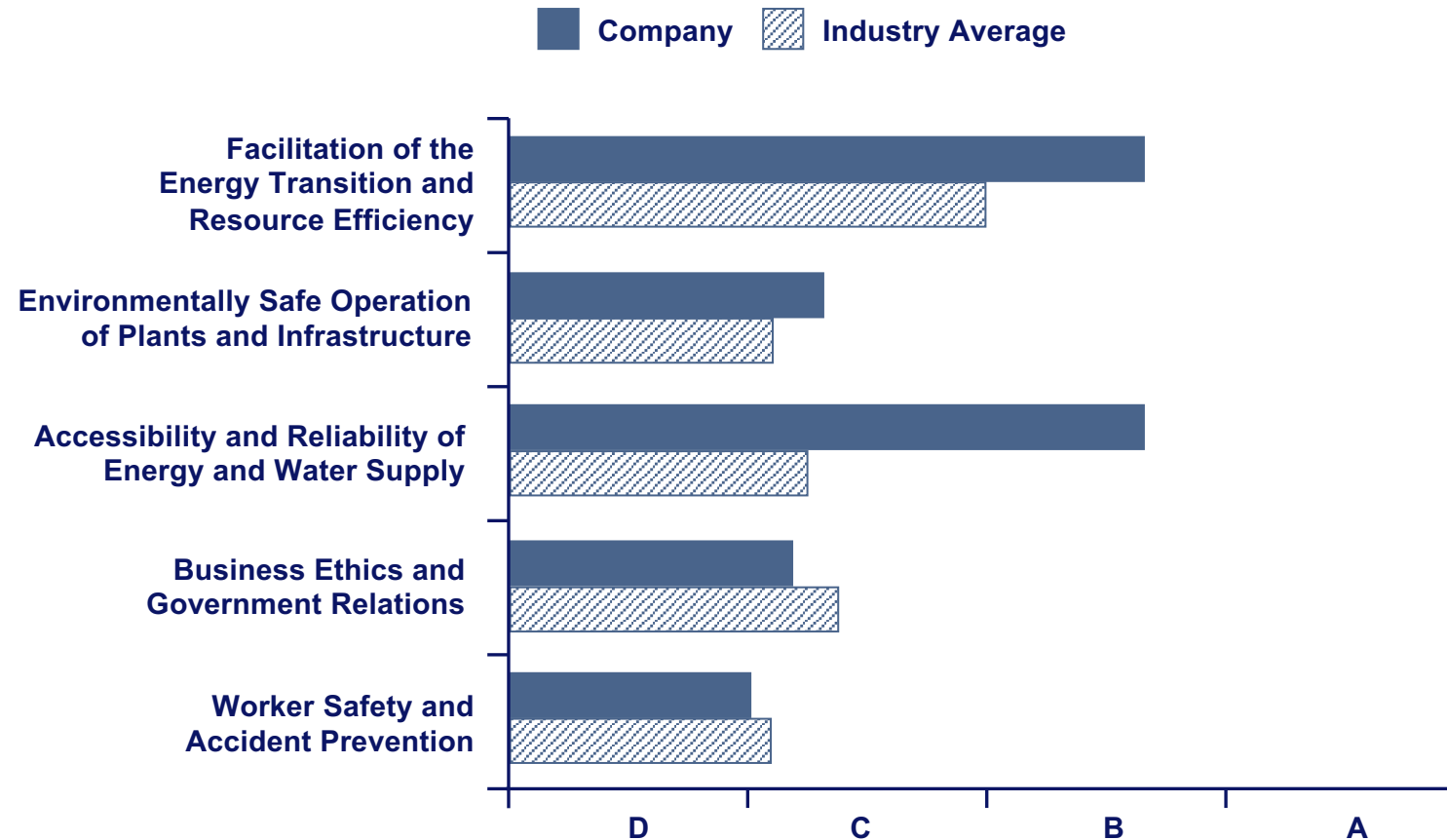
Corporate Rating: Industry-Specific Indicators

Drill-down to what really matters in an industry – example Utilities sector



Materiality: Industry-Specific Key Issue Performance

More than 50% overall weight in the rating – example Utilities sector



Negative Screening: Controversial Business Practices

Customisation according to level of severity

- ✓ Human Rights Controversies
- ✓ Controversial Environmental Practices
- ✓ Labour Rights Controversies
- ✓ Business Malpractice

Controversial Business Practice		Severity Level of Controversy			Impact within the Investment Universe
<div><div></div> Labour Rights Controversies</div>					
<div><div></div> Company</div>	<div><div></div> Moderate or Higher</div>	<div><div></div> Severe or Higher</div>	<div><div></div> Very Severe</div>	Moderate: more than 100, severe: about 40, very severe: single companies affected	
<div><div></div> Suppliers</div>	<div><div></div> Moderate or Higher</div>	<div><div></div> Severe or higher</div>	<div><div></div> Very Severe</div>	Moderate: several, severe: single companies, very severe: no company affected	
<div><div></div> Financiers</div>	<div><div></div> Moderate or Higher</div>	<div><div></div> Severe or Higher</div>	<div><div></div> Very Severe</div>	Moderate: about 40, severe or very severe: single companies affected	

Negative Screening: Controversial Business Areas

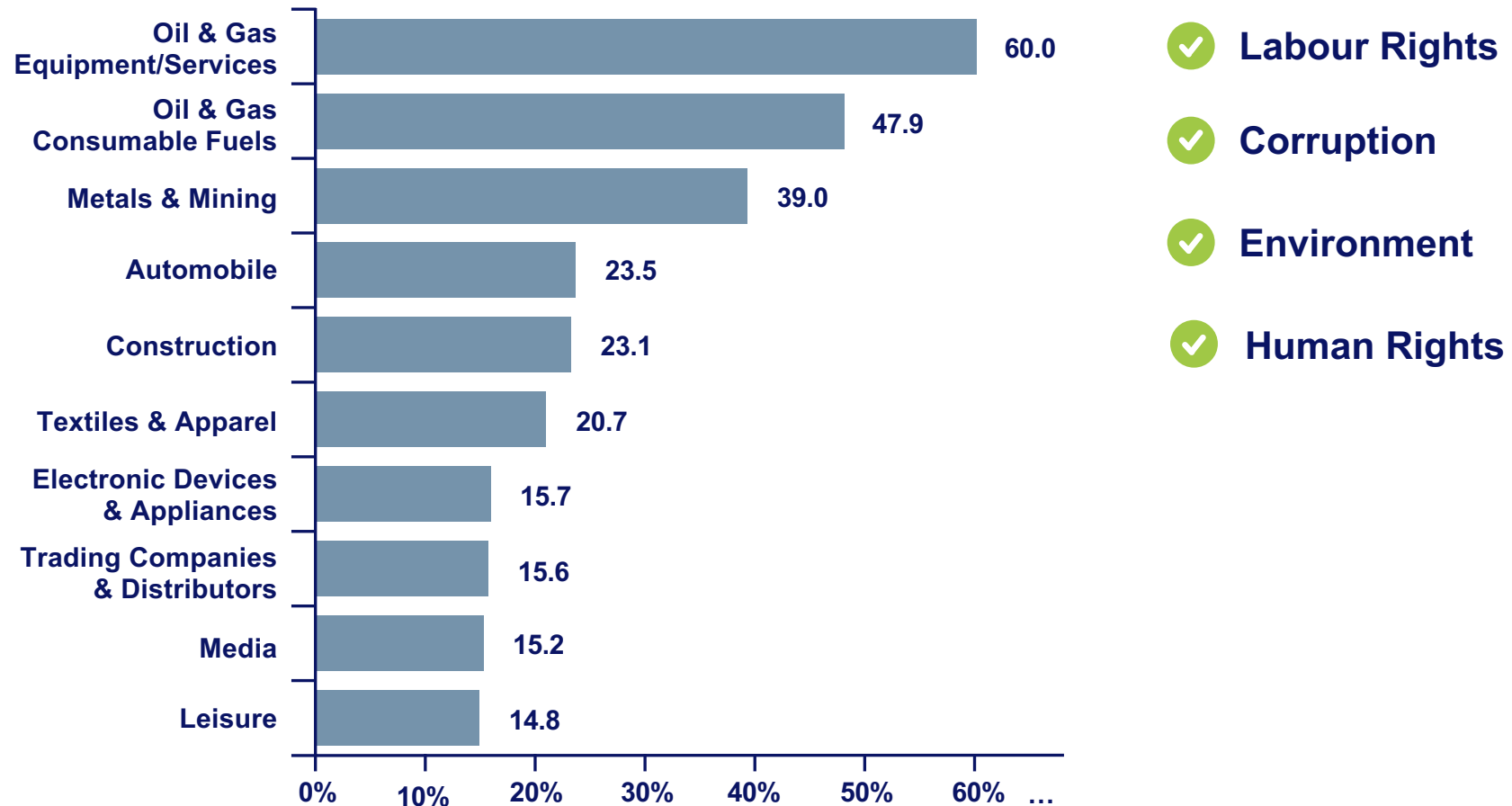
Customisation on the basis of revenue share

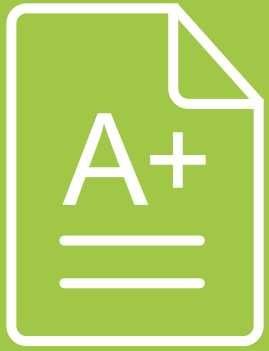
- ✓ Alcohol
- ✓ Animal Testing
- ✓ Chlorinated Hydrocarbons
- ✓ Embryonic Research
- ✓ Furs
- ✓ Gambling
- ✓ GMOs
- ✓ Military
- ✓ Nuclear Power
- ✓ Pesticides
- ✓ Pornography
- ✓ Tobacco

Controversial Business Area	Net Sales			Impact within the Investment Universe
<div><input checked="" type="checkbox"/> Military</div>				
<div><input checked="" type="checkbox"/> Producer</div>				
<div><input checked="" type="checkbox"/> Weapons (system) – non-banned</div>	<div><input type="checkbox"/> ≥ 0%</div>	<div><input checked="" type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0%: about 60, 5%: about 20, 10%: still several companies affected
<div><input type="checkbox"/> Weapons (system) – banned</div>	<div><input checked="" type="checkbox"/> ≥ 0%</div>	<div><input type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0%: about 20, 5%: one company, 10%: no company affected
<div><input type="checkbox"/> Other armaments</div>	<div><input type="checkbox"/> ≥ 0%</div>	<div><input type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0%: more than 100, 5%: about 40,10%: about 30 companies affected
<div><input type="checkbox"/> Trader</div>				
<div><input type="checkbox"/> Weapons (system) – banned</div>	<div><input type="checkbox"/> ≥ 0%</div>	<div><input type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0%: some, 5% or 10%: no company affected
<div><input type="checkbox"/> Weapons (system) – non-banned</div>	<div><input type="checkbox"/> ≥ 0%</div>	<div><input type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0% or 5% or 10%: no company affected
<div><input type="checkbox"/> Other armaments</div>	<div><input type="checkbox"/> ≥ 0%</div>	<div><input type="checkbox"/> ≥ 5%</div>	<div><input checked="" type="checkbox"/> ≥ 10%</div>	0%: some, 5% or 10%: no company affected

Controversies Related to UN Global Compact Principles

Most controversial industries are in the raw materials segment





Rating Reports

Corporate Rating Report

Rating result – example Utilities sector



Company Results

Benchmark against Peer Companies

Rating History and Distribution

Corporate Rating: Analyst Opinion

Sustainability risks and opportunities at a glance

Sustainability Opportunities

- › Business Model in Relation to Sustainable Development
- › Products and Services (e.g. Impact Assessment, Quantification and Outlook)



Sustainability Risks

- › ESG Risk Exposure (e.g. Business Model, Location, Activities)
- › Risk Management in Relation to Sector- and Company-Specific Key Issues

Governance Opinion

- › Governance Performance (e.g. Shareholder Structure, Sustainability-Related Remuneration)
- › Compliance Related Controversies



ORBIT Database

Overview



Portfolios

Create and Manage your Portfolios, Track your ESG Performance



Companies

Explore and Compare Companies on an Indicator Level



Countries

Explore and Compare Countries on an Indicator Level



Controversy Monitor

Obtain In-Depth Information and Case Analysis on Controversies



Controversial Weapons Monitor





















Monitor Controversial and Banned Weapons Involvement



Download Centre

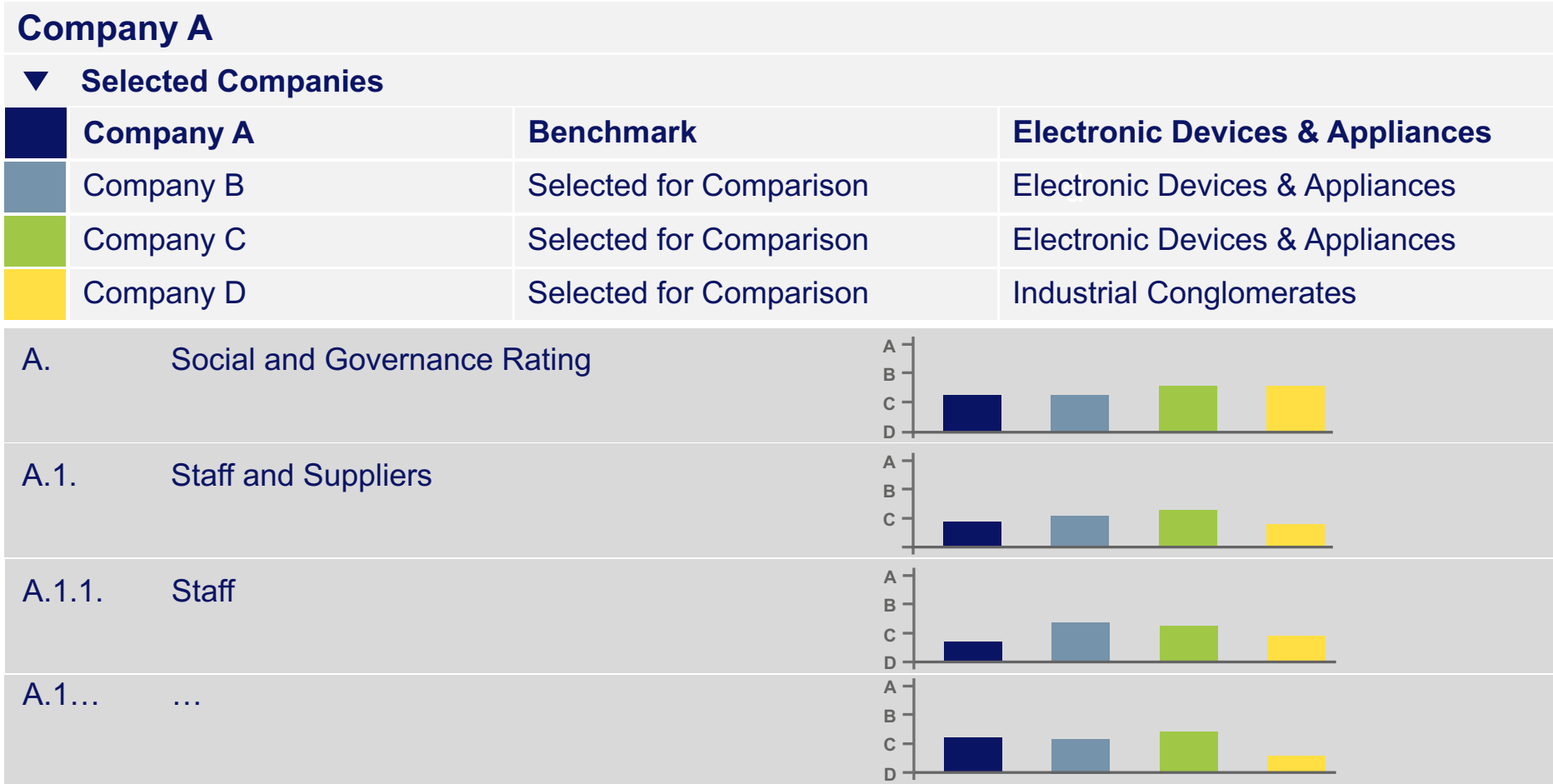
Obtain PDF Rating Reports (One-Pager, Short and Long Version)

Portfolios Function

	Securities	ESG Profile	Best in Class	Controversial Activities	ESG Profile Compliance	
► PORTFOLIO A	90	Client XYZ	-	14	73	    
▼ PORTFOLIO B	275	UN Global Compact	57	4	53	    
► ESG PROFILES Total: 275; covered: 270 (=98.18%), not covered: 5 (=1.82%) 						
▼ SECURITIES						
	ESG Profile	Best in Class applied (companies/countries)		Negative Screening applied (comp./countries)		
	UN Global Compact Prime-1	Yes / No		Yes / No		  
	Client XYZ	Yes / No		Yes / No		  

Companies

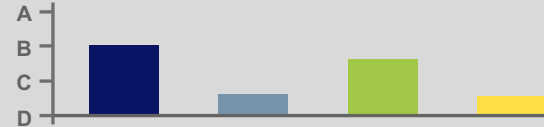
Compare rating results of any given company with other rated entities



Companies

Detailed insights in ESG performance – example Gender Distribution

▼ A.1.1.2.3. Gender Distribution



Company xyz

a. Proportional representation of women in management:

	2016
Percentage of women in the overall workforced	32%
Percentage of women in management positions	28%

Coverage: More than 50% of employees

b. Gender parity in the executive management team:

	2017
Percentage of women in the executive management team	16.7%

Company abc

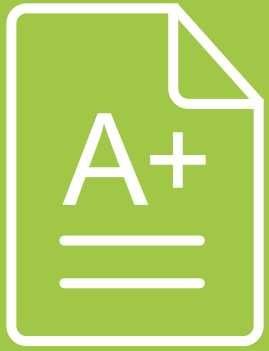
a. Proportional representation of women in management:

	2016
Percentage of women in the overall workforced	35%
Percentage of women in management positions	25%

Coverage: More than 80% of employees

b. Gender parity in the executive management team:

	2017
Percentage of women in the executive management team	16.7%



Case Studies

Food & Beverage Sector

Sector-specific key issues

- **Customer health and safety**
- **Impacts on soil and biodiversity**
- Labour rights along the value chain
- Mitigation of direct and indirect climate impacts
- Conservation of aquatic ecosystems and water

Food & Beverage Sector

Customer health and safety

- **Impact of products on health and nutrition**
- Health and nutrition strategy
 - **Position**
 - **Targets**
 - Labelling
 - Reduction of additives
- Marketing
- Product safety
 - **Food safety management systems**
 - **Percentage of certified food safety management systems**
 - Disclosure of product recalls
 - Responsible use of nanotechnology
- Relevant Controversies

Food & Beverage Sector

Health and nutrition: Impact of products on health and nutrition

Danone	Britannia Industries
<u>Positive</u> : e.g. dairy products with limited processing/additives, water, medical nutrition (est. share of net sales 45%)	<u>Positive</u> : e.g. dairy products with limited processing/additives (est. share of net sales 10%)
<u>Neutral</u> : e.g. sweetened dairy products, cheese (55%)	<u>Neutral</u> : e.g. bread (40%)
<u>Negative</u> : none	<u>Negative</u> : e.g. biscuit, cake (50%)
⇒ rating: C+	⇒ rating: D+

Food & Beverage Sector

Health and nutrition: Position and targets

Positive examples from Danone:

- Position:
 - Acknowledgement that health- and nutrition-related problems may result from people's diets
 - Commitment to contribute to solutions
- Nutrition targets:
 - For example: Reduction of sugar in e.g. fermented milk-based and vegetal products and milk powder: less than 11.5g/100g until 2020
 - Similar targets for other product groups
 - Targets also exist for salt and fat
- ⇒ rating: A-

Food & Beverage Sector

Product safety: Food safety

Danone	Britannia Industries
Group-wide food safety management system	
Some locations - systems certified to relevant standard, but exact coverage unclear	Certification according to ISO 2200 at all manufacturing sites
⇒ rating: B-	⇒ rating: A+

Food & Beverage Sector

Impacts on soil and biodiversity

- Environmental benefits of products
- Soil and biodiversity management in agricultural production
 - **Position**
 - Measures to promote sustainable practices along the value chain
 - Share of raw materials from certified organic farming
 - **Palm oil**
 - **Position**
 - **Percentage of certified palm oil**

Food & Beverage Sector

Soil and biodiversity management in agricultural production

Positive examples from Danone:

- Position on soil and biodiversity:
- Commitment to:
 - Decrease the use of fertilizers, pesticides
 - Support for farmers with regard to rotating crops, maintaining natural grasslands, planting and protecting trees, preserving wetlands, practicing integrated pest management
 - Eliminate deforestation impacts from supply chain until 2020
 - ⇒ rating: B+
- Palm oil:
 - Position:
 - Use of certified palm oil only
 - Exclusion of palm oil from plantations threatening high carbon stocks and peat-soils
 - Percentage certified: 100% RSPO-segregated
 - ⇒ rating: A-



Discussion

Contact oekom research

Ariane de Vienne

ariane.devienne@oekom-research.com

+1 917 374 1777

