

# ESG Impact Rating

## Introduction

Inrate's ESG Impact Ratings are a measure of the environmental and social impacts a company has through its products and practices and a measure of its willingness and ability to effectively address the related issues it faces. Using this ratings, you are able to identify leaders, followers and laggards by investigating the way companies integrate

sustainability issues into products and services, strategies and operations.

The ESG Impact Ratings are suitable for best-in-class approaches, exclusionary approaches, ESG integration, thematic investing, low carbon investments and index products, broker research and portfolio footprint analyses.

### Key Benefits

- Inrate goes beyond traditional ESG factors, measuring the impact that products and services exert on the environment and society;
- Helps investors redirect capital to sustainable business models;
- Goes beyond pro-forma transcription of what a company says by analyzing what it actually does;
- Acknowledges that sustainability issues are not equally material for each company within a sector;
- Built through systematic qualitative and quantitative analysis that considers companies' specificities;
- Provides a reference regarding sustainability issues faced by a company and how it responds to them

## Research Process

All companies in the Inrate research universe are screened annually by dedicated analysts.

The analysts assess information presented in annual reports, CSR reports, company and subsidiary websites. Further, Carbon Disclosure (CDP), Global Compact (GC) and UN Principles for Responsible Investment (UNPRI) disclosure reports as well as other media sources are screened.

All findings are thoroughly checked and reviewed by senior members of the Inrate team. We pride ourselves for our rigorous research process and quality review process.

### Primary Background & Information

Ensuring access to best sustainability data and employing Inrate macro-research expertise

### Quantitative Assessment

Assessing over 100 sustainability factors and ensuring consistency across a large universe of stocks.

### Qualitative Assessment

Ensuring pertinent sustainability ratings through Inrate analysts experience

### ESG Impact Rating

Resulting in easy comparable company ratings from A+ to D-

- Company information on policies, programs, targets, structures, management system and performance
- Information on segment sales breakdown for sustainability product analysis
- External data from ESG alert system (controversial issues)
- Inrate data from macro research on sustainability issues by sector and by activity

- Environment Operations
- Environment Impact
- Labour Operations
- Society Impact
- Society Operations
- Governance

- Analyse company sustainability issues at stake
- Analysts meeting with complementary macro and corporate knowledge
- Analyse company performance against sustainability issues at stake and determine final grade
- Write research report

- **Rating Category A:** High positive impact on environment and society
- **Rating category B:** Positive impact on environment and society
- **Rating category C:** Negative environmental and social impact
- **Rating Category D:** High negative environmental and social impact

## Methodology

Developed and enhanced over 20 years through internal and external input, Inrate goes beyond traditional ESG rating of companies, integrating key social and environmental impacts across the corporate value chain into its sustainability assessments of companies. The assessments are based on a fundamental question: „How do companies contribute or deteriorate efforts to reach sustainable developments?“

Inrate's Sustainability Assessments are based on 3 main pillars of research:

### Business Segmentation Analysis

A quantitative environmental and social impact model estimates GHG emissions over entire life cycle of a company's business and analyses the value chain of their products. That is why it highlights companies with innovative environmental technologies and/or products.

### Corporate Social Responsibility Assessment

Core and industry specific indicators are used to analyze the level of preparedness and action towards achieving its ESG targets including a broad range of sector specific criteria.

### Controversy Involvement Research

Companies' involvement in controversies is analyzed using 9 metrics aiming to quantify the negative impacts companies have caused and the level of responsibility attributable to a specific company. Companies are further assessed on how systematic such issues are. Controversies are categorized under 38 different topics.

For each industry, a customized weight matrix has been designed to account for specific ESG issues pertaining to that industry. For example, environmental issues have greater importance for mining companies than for software companies.



## About inrate

Inrate is an independent Swiss sustainability rating agency. Since 1991, Inrate links its in-depth sustainability analysis with innovative data and services for the financial industry. Inrate's ratings and data are a measure of the impact companies have with their activities on society and the environment as well as their actions to effectively tackle the global sustainability challenges. Inrate's research methodology has been developed and enhanced over the past 20 years.

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