



Impact Beyond ESG

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ESG Impact Rating Approach





Sustainability Impact Assessment and Double Materiality

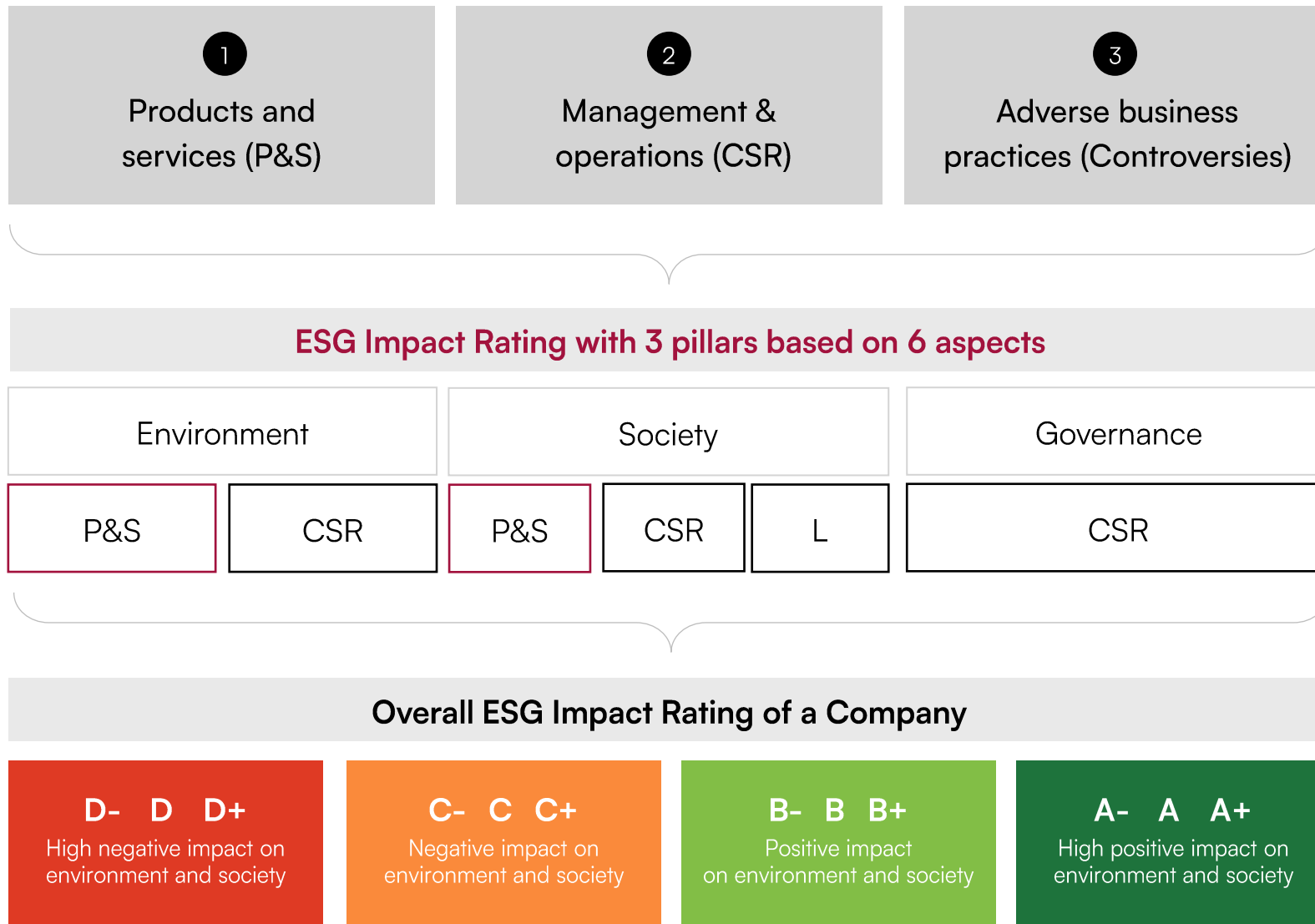
Measuring costs and benefits of business externalities considering the entire value chain and the adverse business practices

Set of Science based criteria weighted by relevance and insights by our researchers, expert panel, practitioners and sector studies.

Comparable Rating Scale from A+ to D- ensuring seamless comparability across the ratings of every sector

Sector specific weightings based on materiality of impacts

Overview of the ESG Impact Rating approach



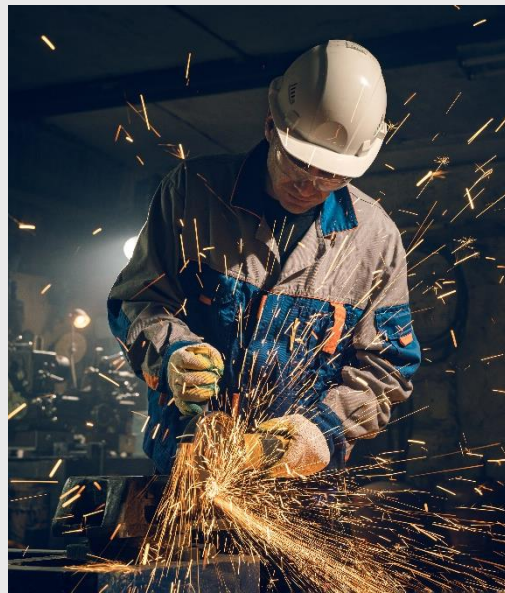
Module 1: Measuring the impact of product & services over the entire lifecycle

Procurement



Scope 3 upstream
and Scope 2

Production



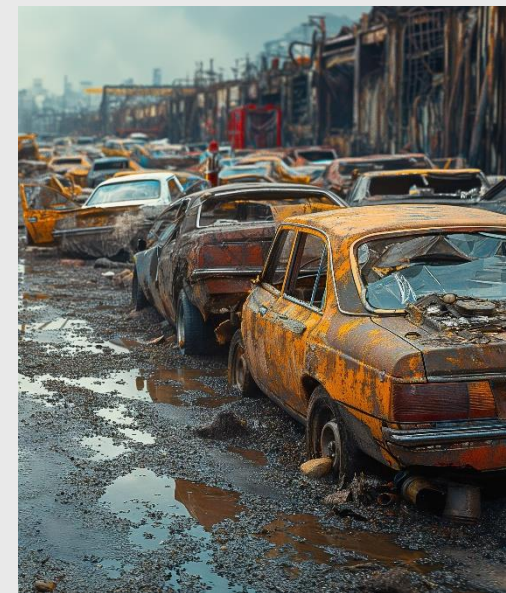
Scope 1

Utilization



Scope 3 downstream
(> business flights)

Disposal



Module 1: Impact assessment of a large Café & Restaurant chain business activities

1

Revenue Allocation to Business Activities

Revenue %	Business segments as reported by the company
60.6	Beverages
18.0	Food
21.4	Other
100%	Total

2

Impact Assessment

Revenue %	Sub-activity	Environmental Score	Social Score
78.6%	Cafes, bars and restaurants	C	B
21.4%	12.8% Coffee and tea	C	B-
	4.3% Patents, brands, franchises and licences	B-	B
	4.3% Home furnishing	C+	B

3

Company-specific Parameters

Negative or positive adjustment if company activity deviates from the industry.

Module 2: Assessing corporate action and policy to mitigate negative impact and create positive impact

- 140 indicators and sector-specific core indicators. Scale from 0 to 1.
- The criteria are weighted differently depending on the sector.

Snapshot of Features in the Indicator 'Programs to Reduce Water Consumption'

Availability (7300)

- Yes
- No
- Not evident

Type of targets (7302)

- Quantitative target
- Qualitative target
- No target
- Not evident

Application scope of Program (7301)

- At group level
- For most relevant units
- For some units only
- Unknown

Follow-up of target

- Yes
- No
- Not evident
- Not relevant

Example of Large Coffee restaurant chain

CSR Assessment (before controversy deduction) as of December 2023

Environmental	Social		Corporate Governance
CSR	CSR-Labour	CSR	
A-	B+	A	A+

Module 3: Controversies over child / forced labour / Working conditions

Controversies

Allegations of violating human rights in coffee beans plantation

Features Assessed

Assessment of Impact

- Severe**
- Major
- Moderate
- minor

Scale of Impact

- Large
- Extensive**
- Medium
- Small

Stakeholders Affected

- (Pre-allocated through Controversy Indicator)
- Environmental Damage (EI, ECSR)
 - Society, Customer, Others (SI, SCSR)
 - Employees, Contractors (L)**
 - Governance (G)

Durability of Consequences

- Irreversible
- Long-term**
- Medium-term
- Short-term

Cause of Event (G allocation: no)

- Purposeful ethical breach
- Insufficient management features**
- Chance / random circumstances

Level of Involvement

- Direct or lead
- Indirect and major**
- Indirect and moderate
- Indirect and minor
- Indirect and negligible

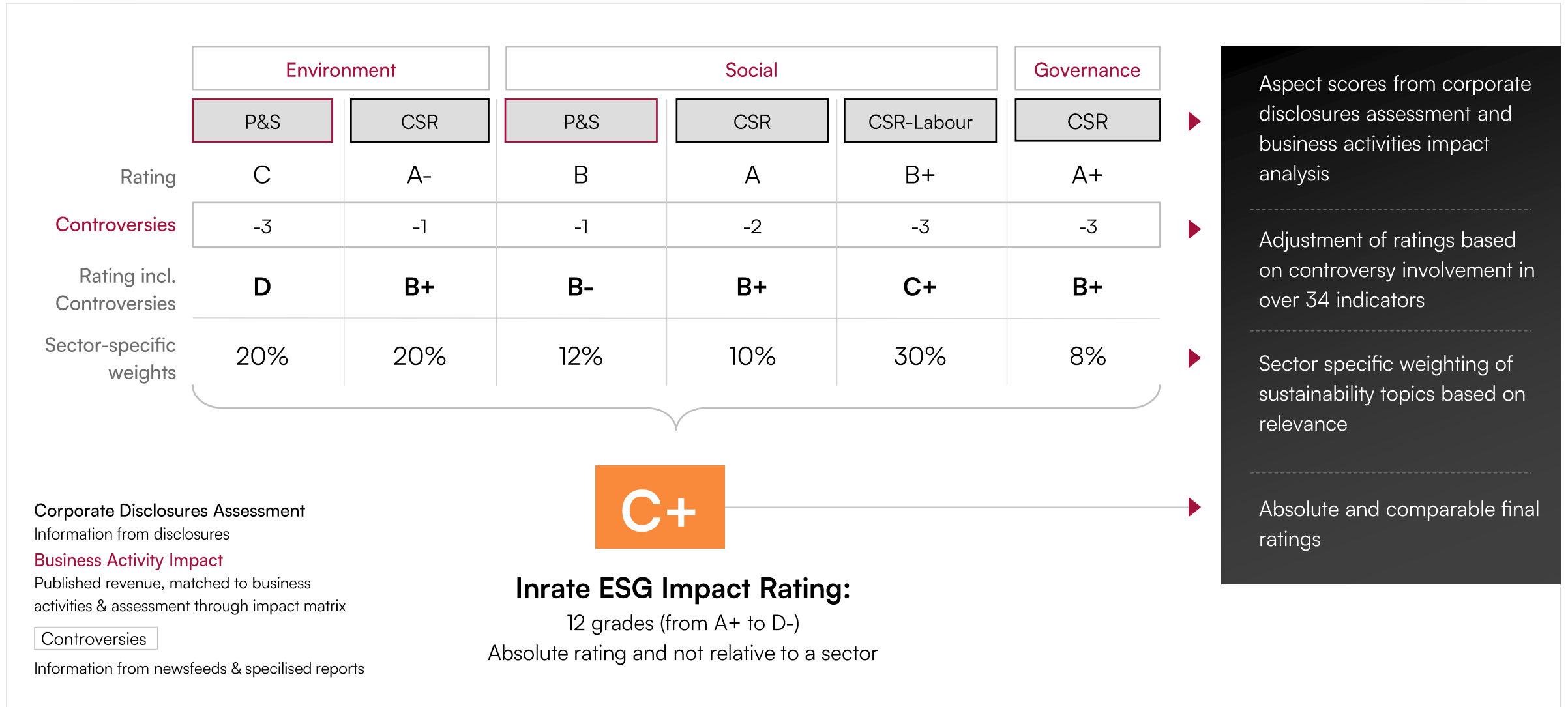
Corrective Action

- Unknown / too recent to react
- Not relevant
- No correction action
- Unconvincing measures taken**
- (standard) measures taken
- Highly effective measures taken
- Impact removed

Event Credibility

- Highly credible**
- Reasonably credible
- Not credible

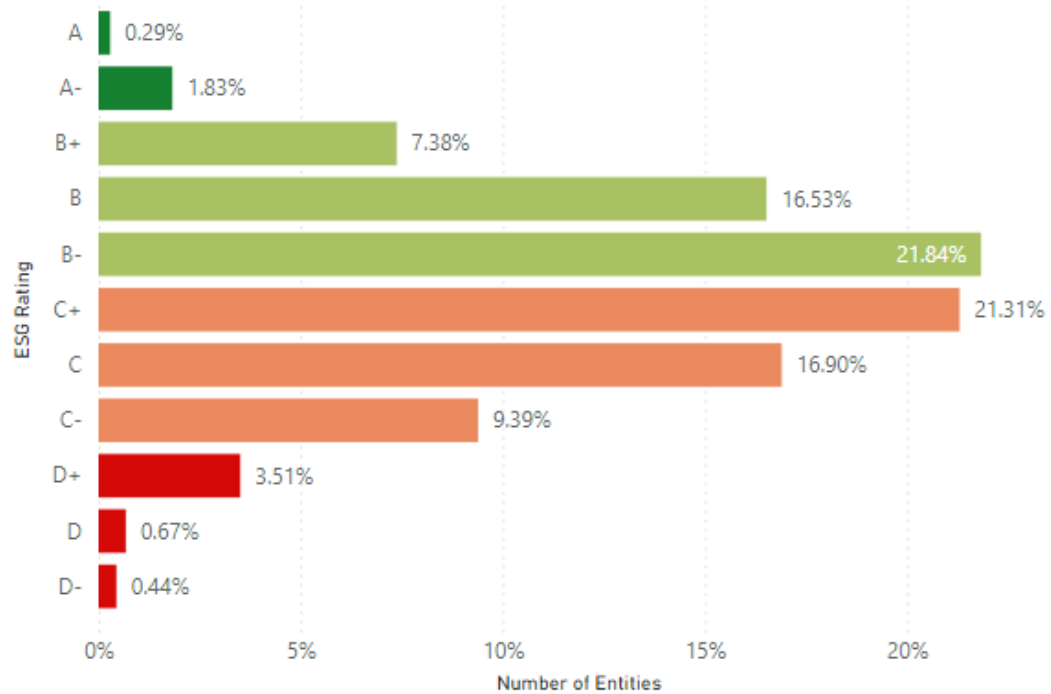
The result: A differentiated ESG Rating methodology focused on impact



Grade Distribution

Total Coverage

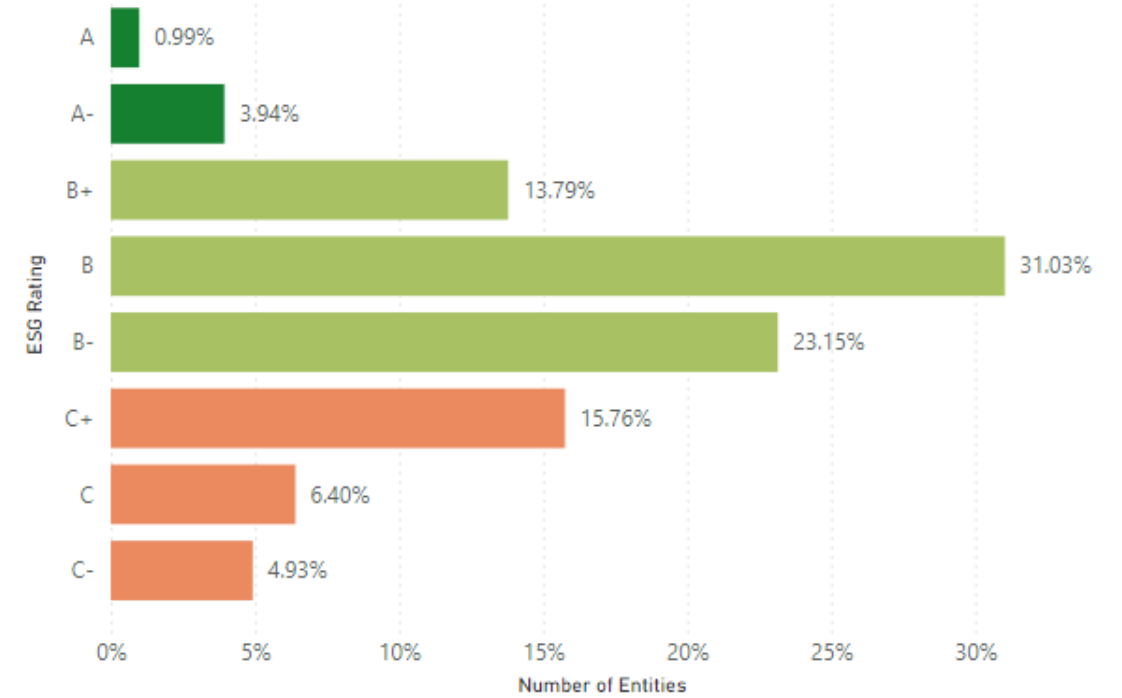
Number of Entities by ESG Grade



Number of Entities

SPI

Number of Entities by ESG Grade

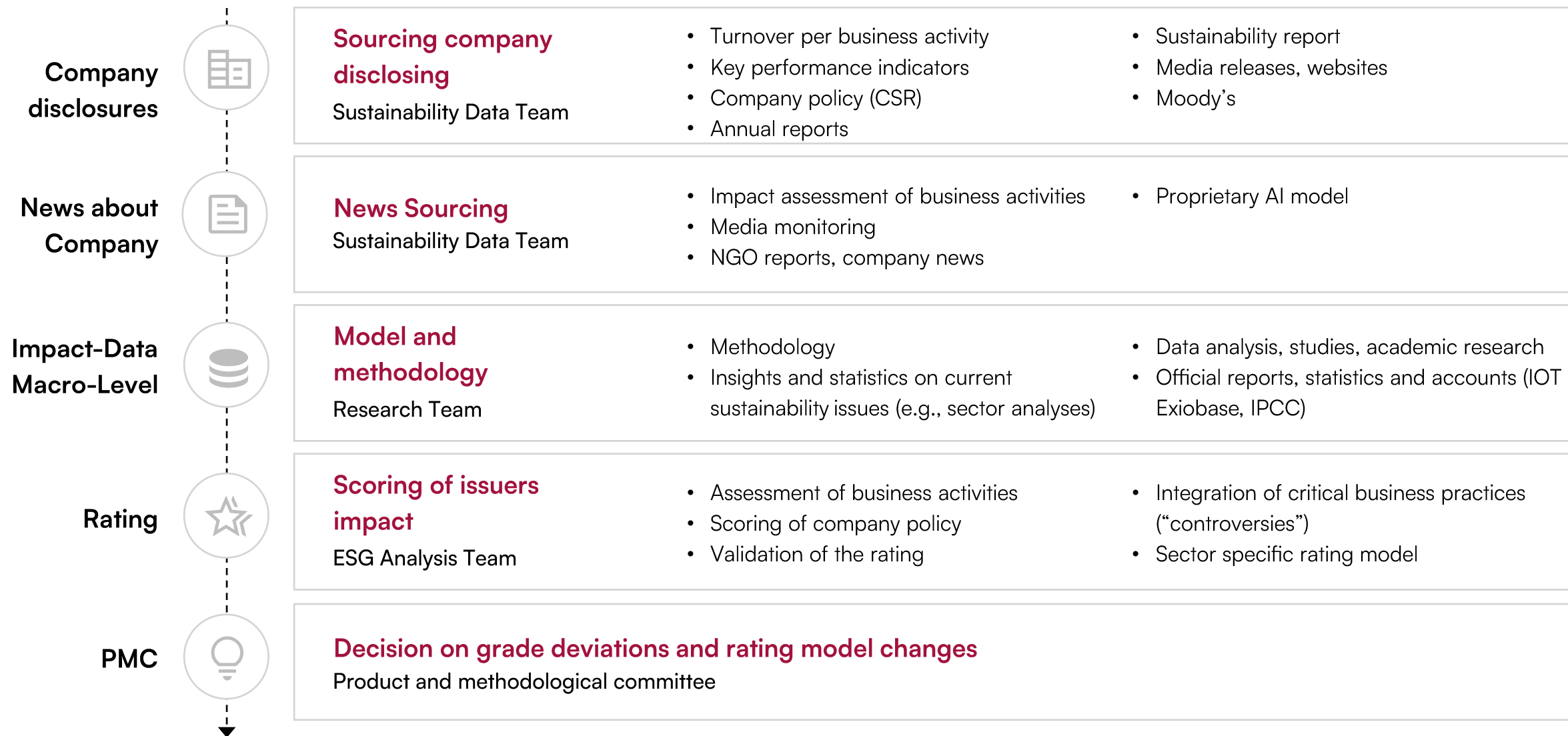


Number of Entities

Data collection and its challenges



A rigorous data process and structured research approach



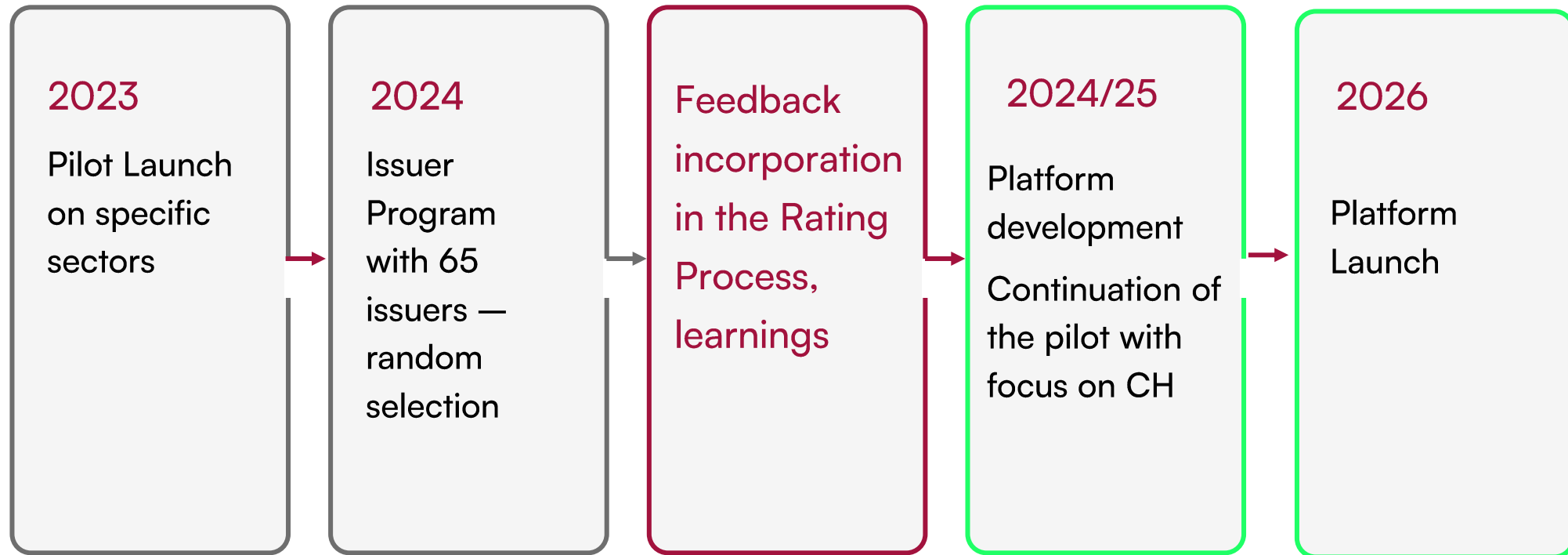
Challenges faced while collecting data

Challenges	Benefit if challenges are overcome
Revenue Breakdown by product is normally insufficient	<p>The more information available, the revenue allocation will be more precise.</p> <p>Example:</p> <ul style="list-style-type: none"> - % microtransactions - Specific products such as video games
Publishing dates differ between AR and ESG reports	Integrated Reports are preferable
Variety of formats to disclosed ESG issues	Avoid missing sources or missing data
Few disclosures of ESG issues in figures	<p>Most of the indicators look for quantitative targets and figures on follow-up</p> <p>Other examples:</p> <ul style="list-style-type: none"> - Disclosure of critical suppliers per region <ul style="list-style-type: none"> - % of biobased materials used - Disclosure of purchased electricity sources - Disclosures in % of sustainable loans, credits or investments

Issuer Communication



We value issuer feedback and insights



For issuer communication please write to Esg-report@inrate.com

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Q&A



Inrate, a Sustainability Data and ESG Impact rating company, helps financial institutions view sustainable finance from an ‘impact’ lens. The contemporary responsible investor needs data that supports a variety of use cases and stands up to scrutiny. Inrate scales the highest quality and standards and deep granularity to a universe of 10,000 issuers, allowing portfolio/fund managers, research, and structured product teams to make confident decisions.

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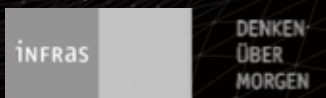
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