

# ESG transparency and sustainability management

Methodology

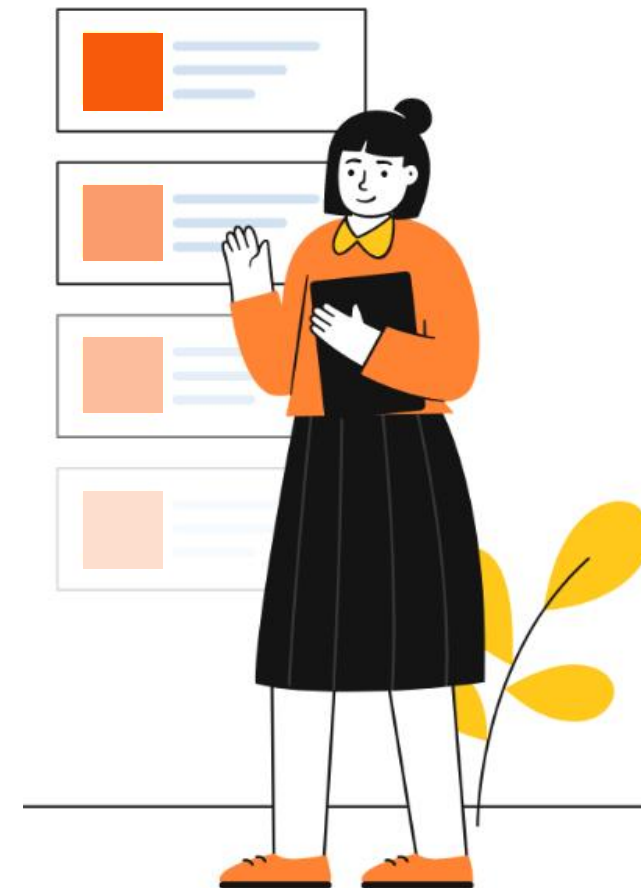
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# Methodological framework

Our approach involves assessment of disclosure of ESG indicators as well as availability of ESG strategies, policies and integration of sustainability issues into the corporate governance. The evaluation criteria include four main blocks:

- environmental factors,
- social factors,
- corporate governance,
- sustainable management practices.

We took into consideration not only the presence or absence of information but also its **completeness and clarity** of data.



# Methodological framework: *rating and score*



The number of indicators used in the assessment depends on the materiality of the assessed factors for the industry where the company performs.

A score for each indicator varies from 0 to 1. It can be:

- **binary**
  - 1 - if there is information,
  - 0 - if not
- **discrete:**
  - 1 - if quantitative indicators are disclosed for 4 years,
  - 0.75 - for 3 years,
  - 0.5 - for 2 years,
  - 0.25 - for 1 year,
  - 0 - if no quantitative indicators are disclosed

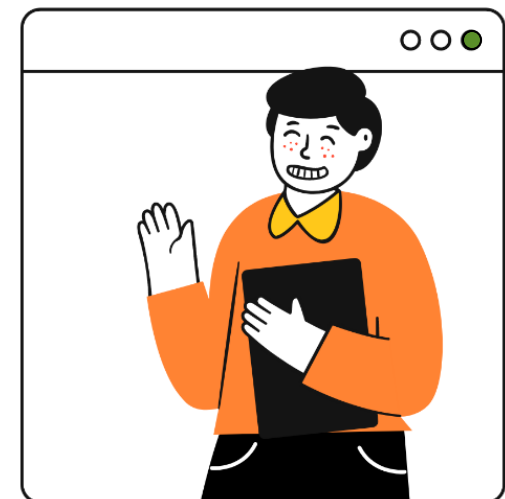
The **rating for each section (E, S, G)** is calculated as the ratio of the received scores to the maximum sum of scores for the section

The **final rating** is calculated as the **average** of E, S, G ratings.

# Methodological framework: *limitations*

The rating only involves an assessment of transparency and available sustainable management practices in the companies. The results don't show the ESG performance level of implementation of sustainability practices in the companies being assessed.

Nor can we confirm the reliability of the disclosed information within the scope of this assessment. The assessment may also fail to identify all disclosures in the reports if the documents are poorly navigated or readable.



# List of indicators: *environmental*

## WATER USE

- Water risks and measures/program to reduce water use
- Water withdrawal by sources
- Water discharge
- Water consumption; recycled and reused water

## WASTE MANAGEMENT & RECYCLING

- Waste generation impact and waste management program
- Waste generation figures
- Waste recycling

## BIODIVERSITY

- Operational sites in protected areas and areas of high biodiversity value outside protected areas
- Impacts of activities, products, and services on biodiversity
- Conservation measures, incl. habitats protected or restored

## GENERATION OF CONTAMINANTS

- Contaminants reduction program/measures
- Air emissions
- Water pollution
- Other significant contaminants (spills)

## ENERGY USE

- Measures/program to reduce energy use and increase efficiency
- Energy consumption by sources
- Energy intensity

## ENVIRONMENTAL PRODUCT RESPONSIBILITY

- Policies and initiatives regarding environmental product responsibility

# List of indicators: *environmental*

## CLIMATE CHANGE

- Disclosure of risks and opportunities associated with climate change acc. to TCFD
- Climate change mitigation and adaptation measures
- Direct (Scope 1) GHG emissions
- Energy indirect (Scope 2) GHG emissions
- Other indirect (Scope 3) GHG emissions
- GHG emissions intensity (Scope 1)

## SUPPLY CHAIN

- Management of the environmental issues in the supply chain
- Environmental audit/assessment of its supply chain

## ENVIRONMENTAL COMPLIANCE

- Environmental expenditures incl. fines
- Violations of environmental regulations, environmental incidents and remediation
- The Company's environmental management is certified

## ENVIRONMENTAL ASSET PORTFOLIO

- Involvement in environmentally controversial industries
- Environmental impact of the investment and loan portfolios
- Green allocation of the investment and loan portfolio

# List of indicators: *social*

## LABOR PRACTICES

- Number of employees
- Labor conditions and practices
- Collective bargaining agreements
- Salary statistics

## OCCUPATIONAL HEALTH & SAFETY

- OHS Policy and management system incl. OHS certification
- OHS figures (LTIFR, fatal incidents)
- Occupation health services and measures incl. COVID-19
- OHS trainings

## TALENT ATTRACTION & RETENTION

- Employment satisfaction surveys
- Trainings and development of employees
- New employee hires and employee turnover
- Recruiting practices

## DIVERSITY & INCLUSION

- Initiatives to encourage diversity and inclusion and supporting diverse workforce
- Diversity metrics
- Ratio of basic salary and remuneration of women to men

## SOCIAL BENEFITS

- Social package
- Social benefits expenditures

## LOCAL COMMUNITIES

- Initiatives benefiting local communities
- Investments benefiting local communities
- Communication with local communities

# List of indicators: *social*

## HUMAN RIGHTS

- Human rights policy
- Human rights compliance (breaches)

## DATA PRIVACY AND CYBERSECURITY

- User privacy policy and cybersecurity
- Actions to comply with data privacy and cybersecurity policies
- Data privacy and cybersecurity risks and breaches

## SUPPLY CHAIN

- Management of the environmental issues in the supply chain
- Social audit/assessment of its supply chain
- Social figures for suppliers (injuries, fatalities, discrimination)

## FINANCIAL PRODUCT RESPONSIBILITY

- Responsible product offering
- Breaches connected with financial products offering

## PRODUCT SAFETY AND QUALITY

- Policies and initiatives regarding product safety and quality control

## SOCIAL ASSET PORTFOLIO

- Involvement in socially controversial industries
- Social impact of the investment and loan portfolio
- Social allocation of the investment and loan portfolio
- Non-loan social products to propel financial inclusion



# List of indicators: *corporate governance*

## BOARD STRUCTURE & TRANSPARENCY

- Policies that regulate Board's directors (web-site)
- Remuneration of the Board's directors
- Board activities
- Board structure incl. committees
- Independency of the Board
- Competences of the Board

## RISK MANAGEMENT

- Identification, assessment and updating of risks (Risk map)
- Risk management and audit activities
- ESG risks in the banking activities

## OWNERSHIP

- Regulations on the general meetings of shareholders
- Dividend policy
- Beneficial owners of the Company are publicly disclosed

## BUSINESS ETHICS

- Code of Conduct
- Anti-corruption policy
- Risks and breaches of the Code of Conduct and Corruption cases
- Whistle-blower protection scheme/channels
- Anti-corruption trainings

# List of indicators: *corporate governance*

## REPORTING PRACTICES

- Financial statements
- ESG reporting
- External assurance on ESG reports
- GRI or SASB Standards (including the Disclosure Index)

## SUSTAINABILITY MANAGEMENT

- ESG strategy/policy
- ESG material topics disclosure
- ESG targets/KPI
- SDGs
- ESG management incl. role of the Board
- The Company sets ESG KPIs for management



# RAEX-Europe - Contacts

Telegram-channel  
RAEX Sustainability



News and events on ESG, SDGs and  
financial instruments for sustainable  
development

[@raex\\_sustainability](https://t.me/raex_sustainability)

Walter-Kolb-Straße 9-11, 60594 Frankfurt am Main

Svetlana Grishankova

Managing Director

Tel. +49 69 3085 4500 ext. 1210

E-mail: [grishankova@raexpert.eu](mailto:grishankova@raexpert.eu)

General questions

Tel. +49 69 3085 4500

E-mail: [info@raexpert.eu](mailto:info@raexpert.eu)

Compliance

Tel. +49 69 3085 4500 ext. 1214

E-mail: [compliance@raexpert.eu](mailto:compliance@raexpert.eu)