Proxy Scores - Methodology

1. Introduction

Integrum ESG prides itself on surfacing the most material disclosed ESG data on **>6,000 companies**.

This data is drawn from whatever documents the company hosts on its corporate website, and our Platform will be updated within a maximum 10 days of a company publishing any new material data.

The number of companies we cover is to a great extent limited by the number of companies in the world that publish anything more than de minimis ESG data.

Whilst other ESG ratings firms state that they cover well over 10,000 companies, most of this additional coverage is achieved through the use of 'estimates'.

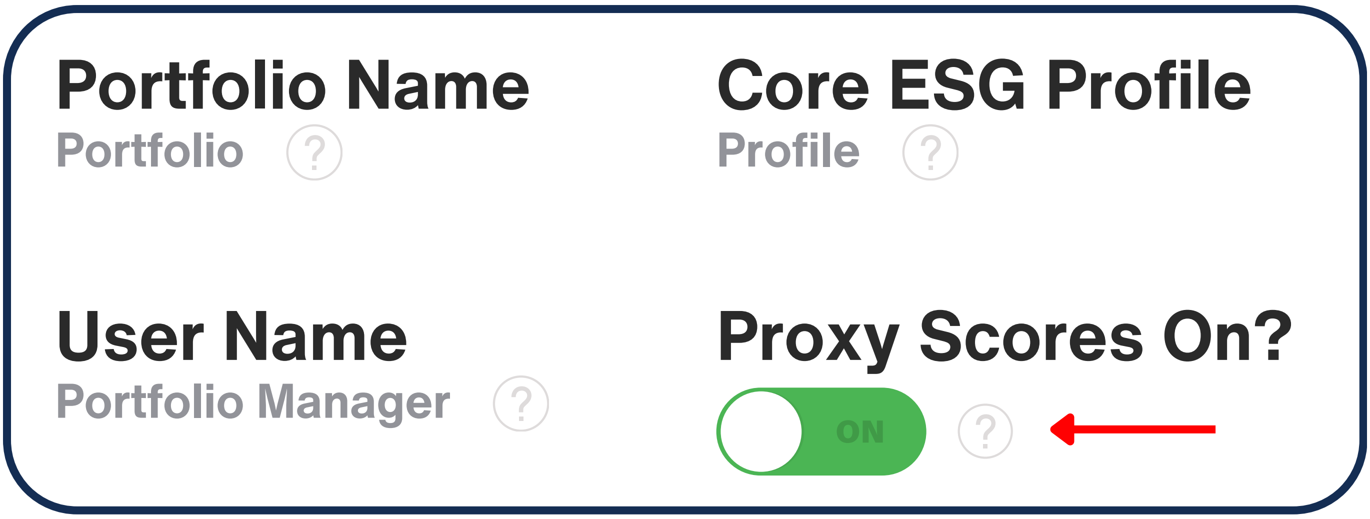
Their estimation methodology is typically opaque, but we understand it to be based on regional sector average ESG data, rather than any company-specific analysis.

2. The Proxy Scores 'toggle'

A number of investment firms have asked us to give them the option to extend coverage in a similar way.

We therefore now offer users of the Integrum ESG Platforms the option to see companies that disclose very little ESG data, rated.

This option is accessed through a simple toggle on your portfolio view.



3. Calculations & Key Definitions

The proxy ESG rating for any company, is generated using the average scores for that sector, in that region.

To be more specific, for every single metric, we take the average Awareness Score and the average Performance Score for that sub-sector, in that region.

These two scores are averaged to form an overall score per metric. The overall scores for each material metric are then averaged, to create an overall score for that dimension (sustainability or governance).

The scores for the sustainability and governance dimensions are then averaged to create the overall ESG score for the company. The SDG-alignment metrics form a standalone Impact score.

Remember nonetheless, that the weightings of the different metrics and dimensions within the overall ESG score can be customised by Platform users, at the sub-sector level.

We also calculate a proxy estimate of the performance value for a quantitative metric.

The proxy performance value is the median of the values for that sub-sector and region.

For metrics which are scaled by revenue (e.g. emissions) we calculate a proxy for the scaled performance value and estimate the overall performance value by multiplying by the company's revenue if it is a listed company for which a revenue is available.

If there are fewer than 6 companies for a particular sector region combination than a global sector comparison is made for all proxy values.

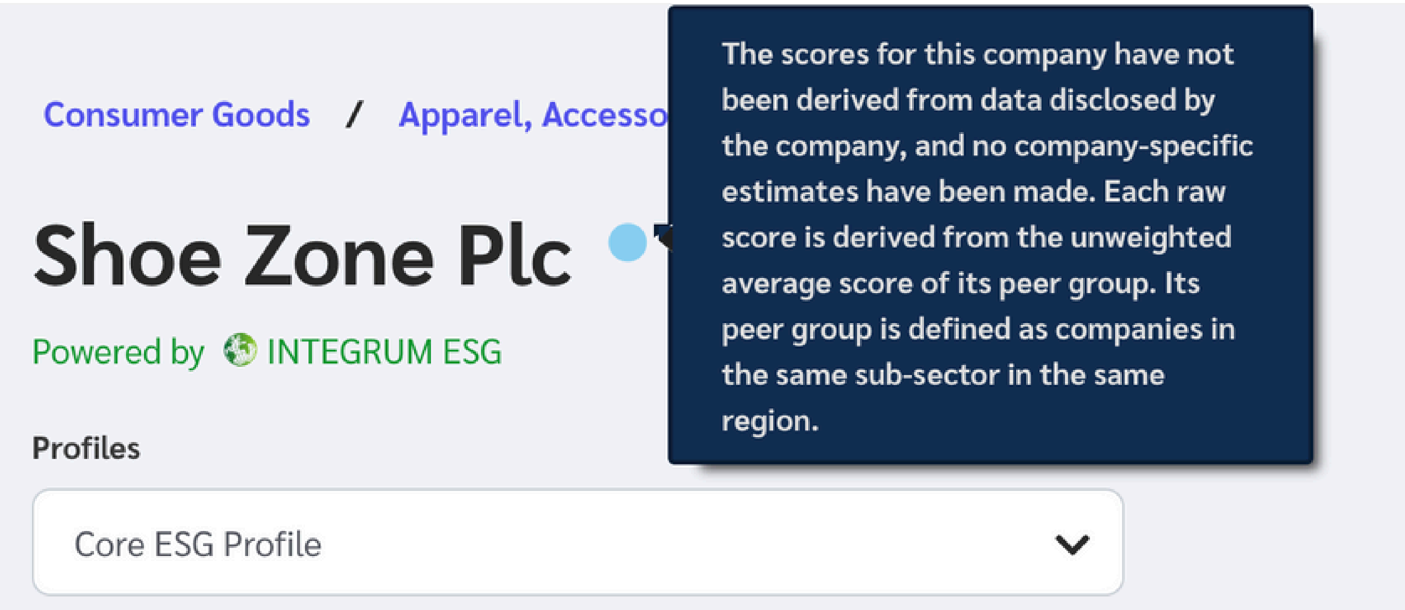
To define the key terms in the explanation above:

Metric	A material sustainability, governance or impact issue; for example 'GHG Emissions' or 'Gender Diversity of the Board'.
Awareness Score	The assessment, in absolute terms, on a 0-4 scale, of management's focus on addressing that ESG issue. Our scoring is strictly rules-based, and a full summary of this methodology can be found here.
Performance Score	Quantitatively compares the KPI for a metric to peers, on a 0-4 scale. For the metric 'GHG Emissions' for example, the KPI is tonnes of CO2e per $ of revenue.
Average	The unweighted mean. So if there are 30 companies in the regional sub-sector being used to derive the average score for that metric, the score of the small companies will have the same weight as the score of the large companies.
Median	The narrower industrial grouping to which a company belongs. We assign every company to one of 77 sub-sectors, using the SASB SICS classification system. For example, Wells Fargo is in the 'Financials' sector, but the 'Commercial Banks' sub-sector.
Sub-sector	The narrower industrial grouping to which a company belongs. We assign every company to one of 77 sub-sectors, using the SASB SICS classification system. For example, Wells Fargo is in the 'Financials' sector, but the 'Commercial Banks' sub-sector.

Region	EMEA, The Americas, or Asia. We have considered region at a very broad level, to ensure we have meaningful data sets from which to generate average scores. For example, to generate a proxy ESG rating for an Auto Parts company in Thailand, there are simply too few Thai Auto Parts companies with enough ESG disclosure to generate a meaningful average. Thus we consider Auto Parts companies across the Asian region when generating our averages.

4. What this means for Platform users

Companies rated using sub-sector average data will always be clearly labelled as such on the Integrum ESG Platform, so that users can easily distinguish which ratings are based on actual company data and which are based on proxy average data.



Indeed, when surfacing the 'glass box' for any metric, for any company, a user will be clearly informed if proxy data has been used.

Reason for score

This score, on a 0-4 scale, represents the average score for companies in this sector, in this region. It is not based on company-specific data, due to the lack of disclosure by the company. (The logic behind each 0-4 score is set out on the 'scoring logic' sheet)

The value of these proxy ratings to an investor is debatable. **This is why it is an option on our Platform rather than a default setting.**

- Nonetheless, we would argue it is an indicative measure of the ESG risk inherent in a company.

- Moreover, some asset owners expect their investment managers to issue them with ESG reports that fill any gaps using proxy data.

  We have proxy ESG scores on **c.50,000 public and private companies globally**, so it is unlikely that an investment firm would still see any data gaps in a portfolio if they have toggled on our proxy ratings option.

- Users will also be able to see what the average raw KPI values are for any regional sub-sector (for example air pollutants emitted or waste generated, per unit of revenue), not just the 0-4 score.

If you would like learn more about our Proxy Scores or our overall scoring methodology, contact a member of our team at anytime:

contact@integrumesg.com integrumesg.com