## ABC Corp.

Automotive Retail Country ABC:123456

## ESG Risk Rating

ESG Risk Score

12.1

Full Update Date Apr 22, 2024

Last Update Apr 22, 2024



Momentum







## **ESG Risk Rating Score Change Log**

#### ESG Risk Rating Ranking ESG Risk Rating **Category Distribution** UNIVERSE RANK PERCENTILE $(1^{st} = lowest risk)$ $(1^{st} = lowest risk)$ 98% **Global Universe 712**/15591 6th 62% 42% Retailing **31**/494 7th 35% 27% INDUSTRY 22% **Automotive Retail** 8% **10**/48 20th 2% 0% 2% 1% 0% 2% 0% 0% SUBINDUSTRY Negligible High Medium Severe Low

### **Peers Comparison**

Peers (Market cap \$0.9 - \$1.4bn)	Exposure	Management	ESG Risk Rating
1. ABC Corp.	20.7 Low	43.0 Average	12.1 Low
2. Alpha, Inc.	18.8 Low	33.0 Average	12.8 Low
3. Beta, Inc.	20.0 Low	37.1 Average	12.8 Low
4. Gamma, Inc.	19.2 Low	23.2 Weak	14.9 Low



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## ABC Corp.

Automotive Retail Country ABC:123456

## **ESG Risk Analysis**

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.





The company's product and service portfolio, as well as its customer base triggers exposure to quality and safety issues. Types of misconduct include unsafe features, insufficient transparency and misleading marketing. Due to its employee base and qualification needs, the company is exposed to labour relations issues and skill deficit. Companies that are unable to effectively manage its workforce may face obstacles, such as high operational costs, business disruptions and other inefficiencies. The company receives, stores and processes large volumes of sensitive customer data. This triggers exposure to data privacy and security breaches, which may result in regulatory actions, litigation, public scrutiny or loss of customer trust.

The company's overall exposure is low and is moderately above subindustry average. Product Governance, Human Capital and Data Privacy and Cybersecurity are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.







The company discloses ESG reporting practices that are not in line with leading reporting standards. Regardless, ABC has appointed a management committee for overseeing ESG issues. The company uses ESG targets to evaluate executive performance; however, these targets are not clearly specified in the remuneration policy. While its environmental policy is weak, its whistleblower programme is adequate.

The company's overall management of material ESG issues is average.



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## ABC Corp.

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## **Material ESG Issues**

ESG Issues regarded material for the company.

Issue Name	Exposure	Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Corporate Governance	8.1 High	45.1 Strong	4.4 Medium	36.7%

Overall	20.7 Low	43.0 Average	12.1 Low	100.0%
Stakeholder Governance	2.0 Low	41.5 Strong	1.2 Negligible	9.7%
Data Privacy and Cybersecurity	2.2 Low	15.0 Average	1.9 Negligible	16.1%
Product Governance	4.4 Medium	50.0 Strong	2.2 Low	18.2%
Human Capital	4.0 Medium	44.0 Strong	2.3 Low	19.3%



Identify events that may negatively impact



**A** Severe (0)

stakeholders, the environment, or the company's operations.

## 4 High (0)

A Significant (0)

A Moderate (0)

💧 Low (0)

None (9)

Corporate Governance

Data Privacy and Security

Employees - Human Rights

**Environmental Impact of Products** 

Labour Relations

Marketing Practices

Occupational Health and Safety

Quality and Safety

Social Impact of Products



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# ABC Corp.

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## ESG Risk Rating Score Change Log

Full Update

Partial Update O Event Update

Methodology Update

Period: 2023 - 2024



												MEDIUN
										 ↑ ↑		LOW
												NEGL
Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Attribute D	ate		Value Bef	ore Change	9	Value After	Change	\_ <b>c</b>	hange In V	alue	Change Triç	gger
2024/04/22			11.′	1		12.1	1		1.0		Full Upd	ate
2024/04/12			11.(	0		11.1	↑		0.1		Full Upd	ate

2024/02/06	11.6	11.1 \downarrow	-0.5	Full Update



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## ABC Corp.

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## **Risk Decomposition**

#### Exposure

Company Exposure 20.7	The company's sensitivity or vulnerability to ESG risks.
Management	
	Material 500 vials that can be influenced and menously through a vitable melicies, and

Manageable Risk Manageable Risk Factor 9		Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
Managed Risk	8.6	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
Management Gap	11.4	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
Unmanageable Risk	0.6	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
ESG Risk Rating		
Overall Unmanaged Risk	12.1	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.

### **Momentum Details**

**Risk Rating** 

+0.4 Momentum High Negligible Medium Severe Low 0-10 10-20 20-30 30-40 40+ 2024 🔻 12.1 (+0.4) 2023 🔺 11.6

Exposure Momentum

+1.4

#### Management +1.9 Momentum



Average Weak Strong 100-50 50-25 25-0 2024 👿 43.0 (+1.9) 2023 🔺 41.0



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## ABC Corp.

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### lssue



Contribution 36.7 %

## **ESG Risk Rating**





LOW

NEGL



MED



SEVERE

HIGH

### **Peers Comparison**

Peers (Ma	arket cap \$0.9 - \$1.4bn)	Exposure	Management	ESG Risk Rating
1. ABC	Corp.	8.1 High	45.1 Strong	4.4 Medium



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## ABC Corp.

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## **ESG Risk Analysis**

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

## Exposure

**8.1** High



Corporate Governance has risen in prominence over the past 20 years following a series of high-profile company failures throughout the world. These failures have resulted in value destruction through record fines, bankruptcies, or the dilution of existing shareholder equity. As a result, stricter standards on company disclosure and practice have emerged among institutional investors, stock exchanges, regulators, and other market actors. In practice, corporate governance focuses on issues such as board and committee composition, audit, shareholder voting rights, risk oversight, and executive remuneration. Shortcomings in any one of these areas may signal increased risk for shareholders, especially minority shareholders, and other stakeholders. This growing emphasis on governance has led to the adoption of frameworks and guidelines designed to enhance transparency, ensure accountability, and protect the interests of all stakeholders. Enhanced governance practices not only mitigate risks but also contribute to the sustainable growth and long-term value creation of companies.

The company's exposure to Corporate Governance issues is high and moderately above the subindustry exposure.

Exposure Analysis		Beta Indicators	Beta Signal
Subindustry Issue Exposure	7.0	Largest Shareholder Voting	0.14
Issue Beta	× 1.15	Corporate Governance	0.00

Company Issue Exposure	8.1	Qualitative Overlay	0.00
		Exceptional Event Adjustment	0.00
		Total Beta Signal	0.15
		Baseline	+1.00
		Issue Beta	1.15



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## ABC Corp.

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Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

## Management **45.1** Strong



In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Board Committee Structure	100	6.0%	6.0
Risk Oversight	100	5.0%	5.0
Say on Pay	100	4.0%	4.0
Voting Proportionality	100	10.0%	10.0
Board Gender Diversity	66	3.0%	2.0
Board Executive Experience	50	5.0%	2.5
Executive Compensation Clawback	50	3.0%	1.5
Long-Term Incentive Programme	50	6.0%	3.0
Shareholder Dissent	50	3.0%	1.5
Short-term Incentive Programme	50	5.0%	2.5
CEO Pay Magnitude (Industry)	40	2.0%	0.8
CEO Pay Magnitude (Region)	40	2.0%	0.8
Audit Committee Independence	25	7.0%	1.8
Board Effectiveness	25	6.0%	1.5
Board Gender Representation Target	25	2.0%	0.5
Board Independence	25	7.0%	1.8
Audit Committee Experience	0	7.0%	0.0
Board Non-Executive Experience	0	5.0%	0.0
Nominating Committee Independence	0	6.0%	0.0

Remuneration Committee	0	6.0%	0.0
Corporate Governance	Category 0	0%	0.0
Weighted Sum			45.1



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# ABC Corp.

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## **Risk Decomposition**

#### Exposure

Company Exposure 8.1		The company's sensitivity or vulnerability to ESG risks.
Management		
	1 /	Material ECO vials that can be influenced and menored through suitable valiates and and

Manageable Risk 8.1 Manageable Risk Factor100.0 %	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.	
Managed Risk 3.6	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.	
Management Gap 4.4	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.	
Unmanageable Risk 0.0	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.	
ESG Risk Rating		
Issue Unmanaged Risk 4.4	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives	

but which may not yet be managed.



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## ABC Corp.

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## **GLOSSARY OF TERMS**

#### Attribute Date:

Publication Date when there is any change to the ESG Risk Score, ESG Risk Category, Sub-Industry or Framework Unmanaged Risk.

### Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its subindustry's exposure. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

#### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the ESG Risk Rating; it applies the concept of risk decomposition to derive the level of unmanaged risk for a company.

### Constant

A value applied to the management score within the Core methodology to account for the contribution to management score that would be expected from indicators that are not in the Core framework's focused indicator set but are used in the Comprehensive framework.

### Change Trigger

Explains what triggered a company's score to change (e.g., methodology, event, annual update, partial update).

### Change Triggers

- Full Update: An internal process where a full assessment of a 1. company is performed; the full update is typically done on an annual basis for ESG Risk Ratings.
- Event Update: An internal process where an update of an event 2. assessment for a company is performed; the event update is typically done when news about the involvement of a company in a controversy is reaching a certain threshold that requires either an initial event

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

#### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

#### Excess Exposure

The difference between the company's exposure and its subindustry exposure.

#### Exposure

A company or subindustry's sensitivity or vulnerability to ESG risks.

### Manageable Risk

Material ESG risk that can be influenced and managed through policies, programmes and initiatives.

assessment or an update of an existing event assessment.

- Partial Update: An internal process where data points that feed a 3. rating/assessment of a company are updated outside of the full update process and limited in scope; the partial update is typically restricted to a limited number of data points and occurring periodically.
- Methodology Update: An internal process where the methodological 4. architecture of a product is changed leading to changes in the rating/assessment of a company; methodological updates typically occur once within 3-5 years and are rolled out for all companies at once.

### ESG Risk Category

Companies' ESG Risk Rating scores are assigned to five ESG risk categories in the ESG Risk Rating:

> **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors

> Low risk: enterprise value is considered to have a low risk of material financial impacts driven by ESG factors

#### Managed Risk

Material ESG Risk that has been managed by a company through policies, programmes and initiatives.

#### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

#### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

**Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors

**High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors

Severe risk: enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

#### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.



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#### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (management gap).

### Value before Change

Previous ESG Risk Score, ESG Risk Category, Sub-Industry or Framework.

#### Value after Change

Current ESG Risk Score, ESG Risk Category, Sub-Industry or Framework.



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