

Controversy Involvement

Introduction

Inrate manages database with more than 15'000 controversial events for more than 3000 listed companies worldwide (developed markets and emerging markets) which were collected over the course of several years. The controversial events are classified by controversial issues and graded depending on their severity. The score of an event is based on an analyst's assessment of the impact and the scale of an

event, the durability of the consequences, the level of involvement of a company and corrective actions taken by the company. For every event, a summary is provided. This allows clients to detect controversial companies which have reputational and ethical risks and eventually exclude them from the portfolio.

Key Benefits

- Data for companies within the MSCI DM, EM, SPI, SBI and other major European indices;
- Weekly screening of controversial practices;
- Logarithmic scale for the controversial score allowing to clearly distinguish between minor and very severe events;
- Detailed assessment of the controversial events
- Follow-up of each controversial event;
- Categorization of controversial issues for each event.

Research Process

Online media and NGO sources are screened weekly for potential controversies for all entities in the research universes. The events are categorized and assessed by sector-specific analysts.

News Collection

- Analysts screen International and local media outlet
- Analysts gather information from NGOs and specialized research institutes

Controversy Categorizing

- Analysts decide whether it is a new event or an update to an existing controversial event
- Analysts categorize news items according to controversial issues (child labor, environmental pollution, etc., see above)

Assigning Companies

- Analysts tag all the companies that are involved in the respective event (each company is individually assessed as their level of involvement might differ)

Qualitative Assessment

- Analysts assess the events based on scale, impact, durability of consequences, as well as the company's involvement and reaction
- Analysts create or update the summary

Weekly screening for potential controversies for all entities in the research universes

Methodology

Inrate vigorously tracks reputational risks of companies and offers clients flexible solutions allowing them to apply different filters as needed. Clients can access reports of the most controversial companies, of controversial issues or events of a company.

For every controversial event within the research universe, Inrate assesses:

- Severity of impact (minor, moderate significant, severe, very severe)
- Scale of impact
- Affected stakeholders
- Durability of consequences
- Causes of event
- Level of involvement
- Corrective action
- Credibility

Controversial Issues

Labour Conditions

- Restructuring
- Freedom of association
- Child- / forced labour
- Health and safety
- Discrimination
- Employment conditions

Society

- Activities in sensitive countries
- Civil rights / human rights / security forces
- Controversial donations
- Controversial projects
- Access to basic needs
- Social effects of projects
- Violation of equal opportunities

Environment

- Soil, water, air and noise pollution
- Waste
- Resource use and damage to ecosystems
- Damage through products and services
- Environmental effects of projects

Business Ethics

- Bribery and corruption
- Tax issues
- Money laundering
- Anti-competitive practices
- Marketing and advertising practices / Lobbying

Products

- Ethical issues over research activities
- Content and privacy of customer data
- Controversial lending practices
- GMO labelling practices
- Health impact of products and services
- Other Social impact of products
- Marketing and advertising practices
- Other issues

Governance

- Shareholder rights
- Remuneration
- Governance practices

About inrate

Inrate is a leading independent sustainability ratings provider based in Switzerland. Since 1990, we link our in-depth sustainability analysis with innovative investment solutions for the financial markets. Our ratings are a measure of the impact companies have with their behavior and products on society and the environment as well as their willingness and ability to effectively tackle the corresponding challenges.

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