

ESG Critical Product Screening

Introduction

The most common responsible investment strategy in recent years has been to exclude companies based on specific moral criteria. For the past 20 years Inrate has been providing services to its clients aiming to ensure that these responsible investment strategies can be adequately executed. Over the years, Inrate has developed its product screening services to comprehensively support responsible investors.

Inrate’s product screening identifies the percentage of revenue a company derives from products or services of an exclusion theme, thus allowing clients to individually select exclusion criteria and define revenue thresholds compatible with their values. Identifying controversial products or practices and facilitate exclusion decisions while reducing both reputational and ethical risks.

Key Benefits

- Product involvement data for companies within the **MSCI DM, EM, SPI, SBI and other major European indices**;
- **Precise measurement** of the level of involvement for every company;
- Detailed information on the **type of involvement** (e.g. retailing, production);
- Comprehensive list of products screened, including **all major topics** typically used for exclusion;
- Flexible **exclusion thresholds** can be applied depending on client needs.

Methodology

Inrate vigorously tracks the business activities and products that companies are involved in and offer clients with flexible solutions allowing them to apply different exclusionary criteria as needed. For every company within the research universe, and for each of the product exclusion criteria:

- The percentage of involvement is incorporated
- Minority interests are considered where companies own shares of other entities involved in exclusion themes

While some companies disclose their involvements as percentages, others do not, and estimated calculations must be made accordingly. For this reason, data qualification ranges from estimates to accurate and exactly calculated percentages.

Research Process

All companies in the Inrate research universe are screened annually by dedicated analysts. The analysts assess information presented in annual reports, product descriptions

on company and subsidiary websites, as well as media sources. All findings are thoroughly checked, recalculated and reviewed by senior members of the Inrate team.

Primary Research

- Identify risk sectors and screen its companies systematically
- Review content presented in the annual report, company websites & media for potential involvement
- Calculate the revenues derived from the identified products

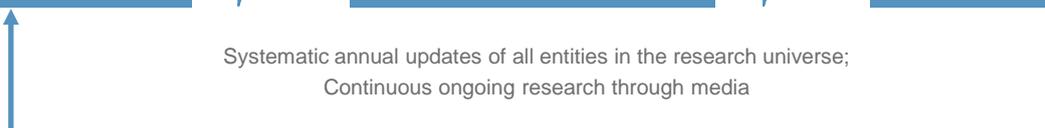
Peer Review

- In-depth review of all companies potentially involved;
- Verification and assessment of type and level of involvement

Sign-off

- Product screening specialist presents changes in product involvement to the Quality Committee
- Quality Committee verifies the calculations and signs off
- Revised data is delivered to client

Systematic annual updates of all entities in the research universe;
Continuous ongoing research through media



Product Exclusion Criteria

Inrate provides investors with detailed exclusion filters for the following criteria: Alcohol, Gambling and Betting, Tobacco, Arms, Guns and Ammunition, Lethal and Non-lethal Defense Equipment, Genetic Modification, Adult Products and Services, Coal, Nuclear Energy and Petroleum.



- Production of fermented and distilled alcoholic products
- Retail sales and serving of alcoholic beverages



- Gambling and betting products and services
- Manufacturing of equipment, software and facilities



- Tobacco products
- Goods related to tobacco
- Retail sales of tobacco products
- Tobacco distribution



- Retail of arms & defense equipment
- Sale of ammunition and guns



- Lethal defense equipment (combat vehicles, vessels of war)
- Non-lethal defense equipment (electronics, components and core parts of defense products)
- Defense services (communication, logistic services, training services)



- Genetic modifications of plant organisms (green GMO's) (production, wholesale, distribution and R&D of GM seeds)
- Genetic modification of animal and human organisms (red GMO's) (gene pharming)



- Legal adult entertainment related products and services (operation of adult websites and shops, broadcasting of adult programs)
- Trading and retailing of adult products



- Production of coal
- Use of coal energy generation



- Products and services for nuclear industry (uranium mining, nuclear waste transportation, construction of nuclear plants)
- Retail of purchased nuclear power
- Generation of nuclear power



- Crude petroleum extraction
- Operation of petroleum refineries
- Pipeline transportation
- Production of fuel products from petroleum and coal

About inrate

Inrate is an independent Swiss sustainability rating agency. Since 1991, Inrate links its in-depth sustainability analysis with innovative data and services for the financial industry. Inrate's ratings and data are a measure of the impact companies have with their activities on society and the environment as well as their actions to effectively tackle the global sustainability challenges. Inrate's research methodology has been developed and enhanced over the past 20 years.

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