ESG DATA PLATFORM

- USE CASE : REPRISK-

"As industry participants more fully integrate ESG into their activities and expand their ESG-focussed product offerings, they are increasingly reliant on third-party ESG data and rating services. These services are increasingly embedded within investment processes (including mandates and benchmark indices), directly influencing capital allocation. To avoid potential for harm to markets and, ultimately, consumers, we consider that ESG data and rating services should be transparent, well-governed, independent, objective, and based on reliable and systematic methodologies and processes. Where ESG data and rating services aim to measure specific ESG attributes, users of those services should be able to clearly interpret their objectives and access sufficient information to be able to assess whether their outputs are fit for purpose. We expect this to lead, in turn, to better information for consumers and investors to make their investment decisions, and to more effective competition."

Financial Conduct Authority (FCA) – June 2022 – Report Extract
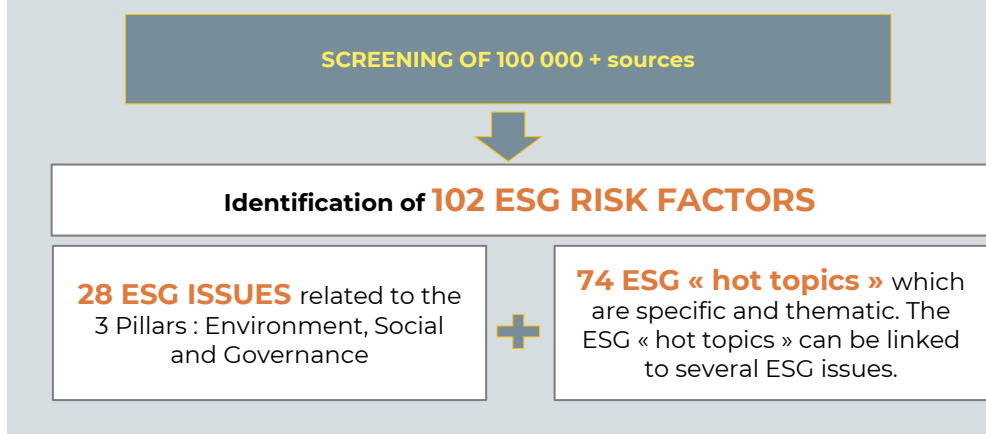
REPRISK INTRODUCTION

What is RepRisk?

REPRISK is based on a combination of Artificial Intelligence and machine learning with human intelligence **to transpose big data into material ESG risks and violations of international standards that can have reputational, compliance, and financial impacts on a company.**

What is not?

THE PURPOSE OF REPRISK'S DATASET IS NOT TO PROVIDE ESG RATINGS

What is coverage?

RepRisk screens sources to capture ESG risk incidents (i.e. not a defined list of companies) as a result RepRisk dataset grows daily.

COVERAGE

+ 225 000 companies	< 5% listed
	> 95% listed
+ 60 000 projects (e.g. mines, pipelines...)	

How it works*?

SCREENING OF 100 000 + sources

Identification of **102 ESG RISK FACTORS**

28 ESG ISSUES related to the 3 Pillars : Environment, Social and Governance

+

74 ESG « hot topics » which are specific and thematic. The ESG « hot topics » can be linked to several ESG issues.

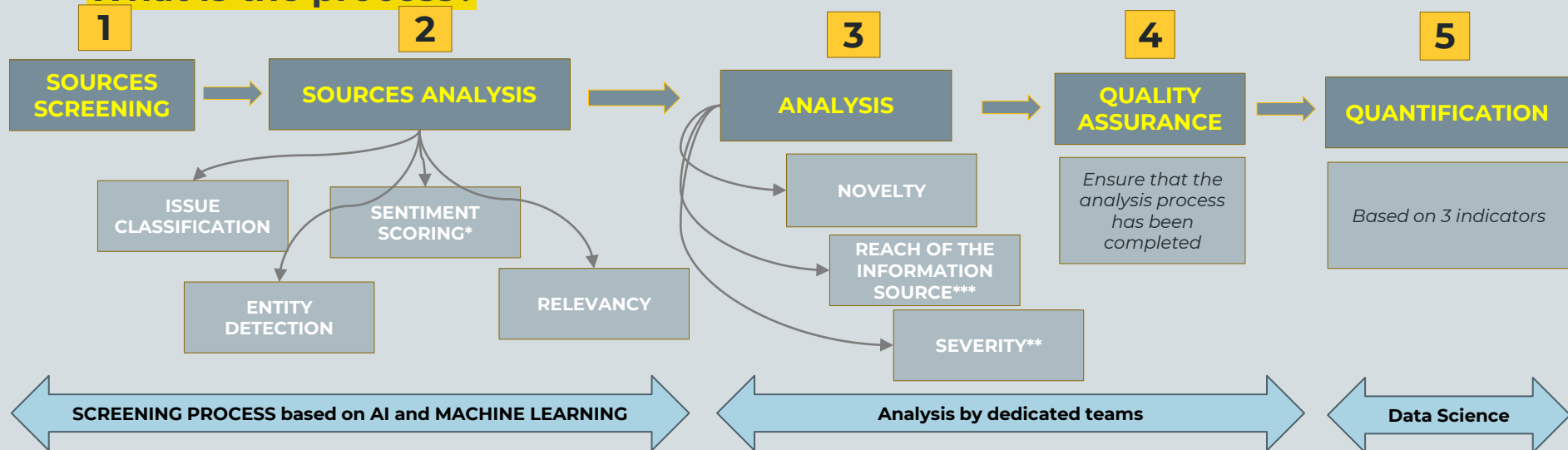## Is there any data mapping?

RepRisk data is mapped to international ESG frameworks. For instance, the 102 risk factors are mapped to the 17 Sustainable Development Goals (SDG).

details in appendix 1, 2 and 3

REPRISK PROCESS

What is RepRisk?

The RepRisk process combines **Artificial Intelligence, Machine Learning and human intelligence**

What is the process?

1

SOURCES SCREENING

2

SOURCES ANALYSIS

ISSUE CLASSIFICATION

SENTIMENT SCORING*

ENTITY DETECTION

RELEVANCY

3

ANALYSIS

NOVELTY

REACH OF THE INFORMATION SOURCE***

SEVERITY**

4

QUALITY ASSURANCE

Ensure that the analysis process has been completed

5

QUANTIFICATION

Based on 3 indicators

SCREENING PROCESS based on AI and MACHINE LEARNING

Analysis by dedicated teams

Data Science

* positive vs negative
** depending on consequences of the risk incident, the extent of the impact and the cause of the incident
*** influence of the source based on readership/circulation as well as the importance in a specific country
**** whether it is a first time a company/project is exposed to a specific ESG issue in a certain location

What is the quantification final step?

3 indicators are used to quantify the ESG issues and topics: (i) the reputational risk exposure (RRI), (ii) the RepRisk Rating (RRR) and (iii) the United Nations Global Compact (UNGC) Violator Flag.

What are the three indicators?

REPUTATIONAL RISK EXPOSURE (RRI)

The RRI reflects the risk incident of a company and its risk management performance.

Classification from 0 to 100 (from low to high exposure)

REPRISK RATING (RRR)

The RRR depends on the RRI (i.e. company own performance) and also on its country and sector affiliations.

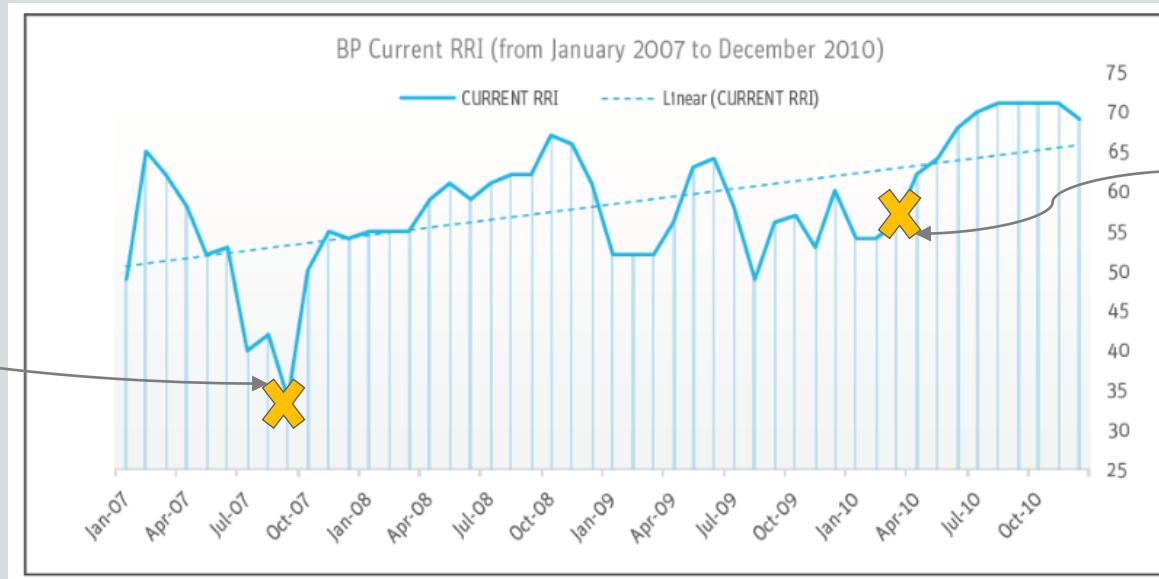Classification from AAA to D (from low to high ESG risk exposure)

UNGC VIOLATOR FLAG

Identification of companies that have a high risk or potential risk of violating one or more of the ten UNGC Principles.

3 classifications : Violator, Potential and Blank

2 CASES WITH RRI INCREASE RELATED TO THE ESG RISK EXPOSURE INCREASE.

In October 2007, BP agrees to a total fine of USD 373 millions

RepRisk identified more than 50 companies critized for their links to BP.

BP Current RRI (from January 2007 to December 2010)

— CURRENT RRI   ---- Linear (CURRENT RRI)

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APPENDICES

Big data: Daily screening of 100,000+ sources and stakeholders in 23 languages

Regulators · Government agencies · Newsletters · Twitter · Research firms · NGOs · Print media · Think tanks · Blogs · News sites · Risk

APPENDIX II : 28 ESG ISSUES

Environment

Environmental Footprint

- Climate change, GHG emissions, and global pollution
- Local pollution
- Impacts on landscapes, ecosystems, and biodiversity
- Overuse and wasting of resources
- Waste issues
- Animal mistreatment

Social

Community Relations

- Human rights abuses and corporate complicity
- Impacts on communities
- Local participation issues
- Social discrimination

Employee Relations

- Forced labor
- Child labor
- Freedom of association and collective bargaining
- Discrimination in employment
- Occupational health and safety issues
- Poor employment conditions

Governance

Corporate Governance

- Corruption, bribery, extortion, money laundering
- Executive compensation issues
- Misleading communication (including greenwashing)
- Fraud
- Tax evasion
- Tax optimization
- Anti-competitive practices

Cross-cutting Issues

- Controversial products and services
- Products (health and environmental issues)
- Supply chain issues
- Violation of national legislation
- Violation of international standards

APPENDIX III : 74 ESG « HOT TOPICS »

Abusive/Illegal fishing	Access to products and services	Agricultural commodity speculation	Airborne pollutants	Alcohol	Animal transportation
Arctic drilling	Asbestos	Automatic and semi-automatic weapons	Biological weapons	Chemical weapons	Cluster munitions
Coal-fired power plants	Conflict minerals	Coral reefs	Cyberattack	Deep sea drilling	Depleted uranium munitions
Diamonds	Drones	Economic impact	Endangered species	Energy management	Epidemics/Pandemics
Forest burning	Fracking	Fur and exotic animal skins	Gambling	Gender inequality	Genetically modified organisms (GMOs)
Genocide/Ethnic cleansing	Greenhouse gas (GHG) emissions	Health impact	High conservation value forests	Human trafficking	Hydropower (dams)
Illegal logging	Indigenous people	Involuntary resettlement	Land ecosystems	Land grabbing	Land mines
Lobbying	Marijuana/Cannabis	Marine/Coastal ecosystems	Migrant labor	Money laundering	Monocultures
Mountaintop removal mining	Negligence	Nuclear power	Nuclear weapons	Offshore drilling	Oil sands
Opioids	Palm oil	Plastics	Pornography	Predatory lending	Privacy violations
Protected areas	Racism/Racial inequality	Rare earths	Salaries and benefits	Sand mining and dredging	Seabed mining
Security services	Ship breaking and scrapping	Soy	Tax havens	Tobacco	Wastewater management
Water management	Water scarcity				

*New Topic Tags added regularly based on client feedback and emerging trends