

Ossiam ESG Score and Ossiam E, S and G Scores



ossiam

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Technical Description

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This document is a reference of the methodology used to calculate Ossiam's ESG Scores, for the purpose of devising custom ESG strategies and reporting.

1. Method

The Ossiam ESG Score is a company ESG score that aims to incorporate the key drivers of a company's sustainability profile as identified by Ossiam's proprietary analysis. The Ossiam ESG Score takes into account the company's Sustainalytics ESG Rating, the company's worst controversy level as measured by Sustainalytics, and whether the company is in breach of one or more of the Ten Principles of the UN Global Compact or significantly involved in one or more of five controversial business sectors identified by Ossiam's research.

The better the ESG performance of a company, the higher the Sustainalytics ESG Rating. The Sustainalytics ESG Rating ranges between 0 and 100.

Sustainalytics ranks controversies on a scale from 1 to 5, with 5 being the worst ranking. If the company does not face any controversies, the controversy level is 0.

The Ten Principles of the UN Global Compact cover human rights, labour, the environment and corruption (see appendix b. for details).

The five controversial business sectors identified by Ossiam's research are Arctic Oil & Gas Exploration, Controversial Weapons, Oil Sands, Thermal Coal and Tobacco.

The calculation works as follows:

- If the company is in breach, either of one or more of the Ten Principles of the UN Global Compact, or involved beyond a certain level (as described in table 1 in the appendix) in one or more of the five controversial sectors, the Ossiam ESG Score is 0;
- If the company is not in breach, either of any of the Ten Principles of the UN Global Compact nor involved beyond a certain level in any of the five controversial sectors, the calculation is then as follows:
 - If the company's worst controversy level is 5, the Ossiam ESG Score is equal to 0;
 - If the company's worst controversy level is 4, the Ossiam ESG Score is equal to half of the company's Sustainalytics ESG Rating;
 - If the company's worst controversy level is 3 or less, the Ossiam ESG Score is equal to the company's Sustainalytics ESG Rating.

Consequently, the Ossiam ESG Score ranges between 0 and 100; the better the ESG performance of a company according to Ossiam research, the higher the score.

Ossiam E, S and G Scores

The Ossiam E, S and G Scores are company sub-scores that aim to incorporate the key drivers of a company's environmental, social or governance profile as identified by Ossiam's proprietary analysis. As with the Ossiam ESG Score, the Ossiam E, S and G Scores respectively take into account the company's Sustainability E, S or G Ratings, the company's worst controversy level as measured by Sustainability, and whether the company is in breach of one or more of the Ten Principles of the UN Global Compact or significantly involved in one or more of five controversial business sectors identified by Ossiam's research.

The calculation works as with the ESG Score. Each Ossiam sub-score will be equal to 0 in case of a breach or level 5 controversy; each Ossiam sub-score will be equal to half of the corresponding Sustainability E, S or G rating in case of a level 4 controversy; in all other cases, the Ossiam sub-score will be equal to the corresponding Sustainability E, S or G rating.

2. Data

The data needed to calculate the Ossiam Scores are:

1. The company Sustainability ESG Ratings;
2. The company's worst Sustainability controversy level;
3. The company's UN Global Compact compliance status;
4. Indicators that inform on the company's involvement in:
 - a. Tobacco
 - b. Thermal coal
 - c. Controversial weapons
 - d. Arctic oil & gas exploration
 - e. Oil sands

3. Appendix

a. Table 1: Exclusion levels

The table below shows a company's breach status based on its level of involvement in each of the five controversial sectors identified by Ossiam's research.

Sector	Involvement	Detail	Breach
Arctic Oil & Gas Exploration	5-100%	The company is involved in oil and gas exploration in Arctic regions.	YES
	0-4.9%	The company is involved in oil and gas exploration in Arctic regions.	NO
	N/A	The company owns 10-50 per cent of another company with involvement in oil and gas exploration in Arctic regions.	YES
Controversial Weapons	N/A	The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	YES
	N/A	The company is involved, through corporate ownership, in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	YES
	N/A	The company provides components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	YES
	N/A	The company provides, through corporate ownership, components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	YES
Oil Sands	5-100%	The company extracts oil sands.	YES
	0-4.9%	The company extracts oil sands.	NO
	N/A	The company owns 10-50 per cent of another company with involvement in extraction of oil sands.	YES
Thermal Coal	0-100%	The company extracts thermal coal.	YES
	N/A	The company owns 10-50 per cent of another company with involvement in the extraction of thermal coal.	YES
	25-100%	The company generates electricity from thermal coal.	YES
	0-24.9%	The company generates electricity from thermal coal.	NO
	N/A	The company owns 10 to 50 percent of another company with involvement in the generation of electricity from thermal coal.	YES
	25-100%	The company provides tailor-made products and services that support thermal coal extraction.	YES
Tobacco Products	0-24.9%	The company provides tailor-made products and services that support thermal coal extraction.	NO
	10-100%	The company manufactures tobacco products.	YES
	0-9.9%	The company manufactures tobacco products.	NO
	N/A	The company owns 10-50 per cent of another company with involvement in manufacturing tobacco products.	YES
	10-100%	The company supplies tobacco-related products/services.	YES
	0-9.9%	The company supplies tobacco-related products/services.	NO
	N/A	The company owns 10-50 per cent of another company with involvement in supplying tobacco-related products/services.	NO
	10-100%	The company derives revenues from the distribution and/or retail sale of tobacco products.	YES
	0-9.9%	The company derives revenues from the distribution and/or retail sale of tobacco products.	NO
N/A	The company owns 10-50 per cent of another company with involvement in the distribution and/or retail sale of tobacco products.	YES	

b. UN Global Compact Principles

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

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