FORSYTH BARR

NEW ZEALAND CESG RESEARCH

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Forsyth Barr's Carbon and ESG Ratings Methodology

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This document explains the Forsyth Barr CESG (Carbon, Environmental, Social, Governance) ratings methodology in full. It should accompany all Forsyth Barr reports that include information on our CESG ratings.

Contents

Introduction

This document outlines the methodology for construction of the Forsyth Barr CESG ratings for corporates.

The CESG information we are collecting

We want to use CESG information to understand if companies are meeting best practice standards, managing CESG risks and opportunities, and positioning themselves for a low carbon, more sustainability focussed future.

Specifically, the CESG scores enable us to assess how companies are:

- Adhering to best practice CESG standards
- Navigating elevated CESG risks and opportunities
- Positioning themselves for a low carbon, more sustainable future
- Thinking about their impact on the world
- Adapting to the ever-increasing demands of different stakeholders.

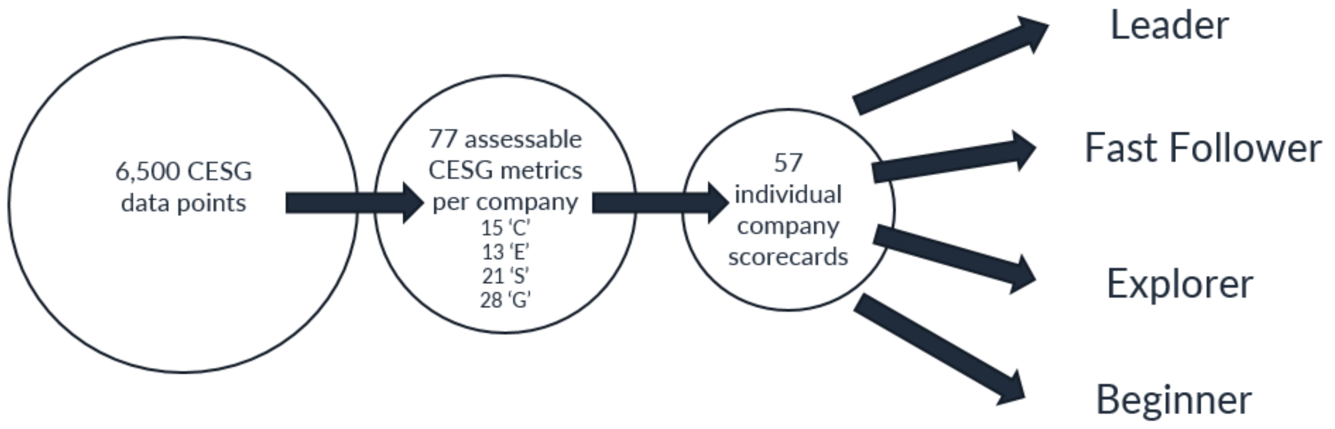
Figure 1. Our CESG expectations of corporations

Category	Example expectations
Carbon	▪ Have a good understanding and be proactively managing any physical and transition risks associated with climate change. ▪ Understand how their business model might be affected by changing consumer preferences. ▪ Be preparing to meet upcoming climate disclosure standards.
Environment	▪ Have minimal negative impact on the environment as a result of operations. ▪ Minimise the use of natural resources and also work to reverse the degeneration of ecosystems. ▪ Be measuring and monitoring their consumption of water, their waste that goes to landfill and their recycling efforts. ▪ Have good policies in place to help them measure and monitor resource use.
Social	▪ Have a positive impact on the communities that surround company operations/support surrounding communities to thrive. ▪ Maintain and build on trusted relationships with clients, communities and other stakeholders. ▪ Ensuring committed and proud employees. ▪ Be measuring and monitoring health and safety incidents, risk of modern slavery. ▪ Be aware of and managing potential ESG issues in supply chains. ▪ Have good policies in place to help them measure and monitor impact.
Governance	▪ Be adhering to best practice corporate governance standards and acting with integrity at all times. ▪ Ensuring sustainability is linked into the heart of business models. ▪ Proactively managing issues around, for example, data security, privacy and responsible tax governance.

Source: Forsyth Barr analysis

Valuable insights

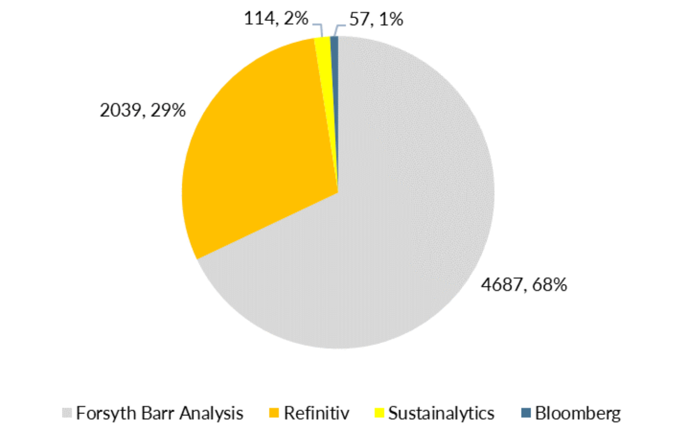
We have collected over 6,500 pieces of CESG data, analysed it and turned it into an overall score that classifies companies as Leader, Fast Follower, Explorer or Beginner.



There are literally hundreds of ESG data points that can be collected. We've taken the time to think through what data will add valuable insights to our view of a company. We have applied a materiality lens by focussing on information that can highlight where risks and opportunities may lie, as well as a best practice lens to help us understand the maturity level or how far advanced a company is in its positioning for a carbon constrained, sustainability focussed, future.

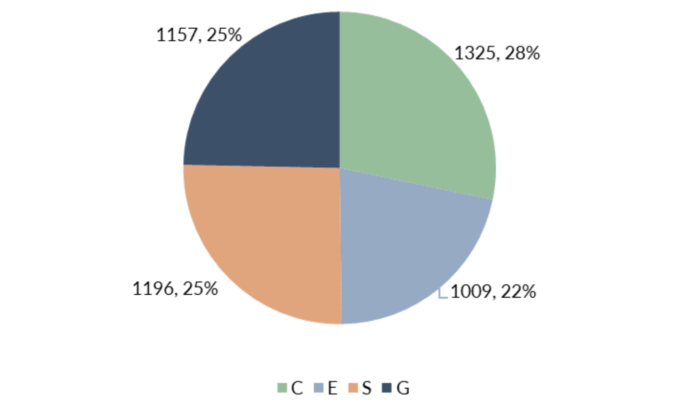
Predominantly, information is gathered by Forsyth Barr from our own interactions with companies. Some data points are sourced from Refinitiv/Eikon, Sustainalytics and Bloomberg.

Figure 2. CESG data sources



Source: Forsyth Barr analysis

Figure 3. Number of data points collected per CESG category



Source: Forsyth Barr analysis

Appendix A shows the full set of information collected, explains why we are collecting it and outlines our scoring methodology.

Figure 4. What our CESG ratings mean

CESG Score	Maturity level	Description	Threshold
A	Leader	■ Full sustainability strategy in operation for multiple years, often having been updated and refined over time. ■ Detailed and full set of CESG metrics collected. ■ Predominantly meeting best practice standards. ■ Recognise key CESG risks and opportunities and is managing them. ■ Well versed on stakeholder demands and how they are evolving. ■ Understands its potential positive and negative impacts on the environment, economy and people, including human rights. ■ Transition to become a 'sustainable' company is well underway. ■ Well prepared for the upcoming Climate Disclosure Standards requirements. ■ Actual greenhouse gas emissions are stablising or trending down.	>75
B	Fast follower	■ Earlier stage sustainability strategy and/or a challenging sector for ESG issues. ■ Partial collection of CESG metrics, potentially with a heavy focus on one of the C, E, S or G categories. ■ Sometimes meets best practice standards. ■ Has a handle on key ESG risks and opportunities and has started measuring ESG performance but is not yet seeing deep progress on sustainability results. ■ The transition to become a 'sustainable' company is more a vision than a reality.	>50 - <75
C	Explorer	■ Earlier stage of adopting or implementing a sustainability strategy. ■ Few CESG metrics collected with a short history. ■ On the journey towards meeting some best practice standards.	>40 - <50
D	Beginner	■ First sustainability strategy under discussion or not yet existent. ■ Reporting few CESG metrics. ■ Really only at the very beginning of the ESG journey.	<40

Source: Forsyth Barr analysis

Coverage

We are starting with what we know best — the 57 NZ companies that our NZ Equities Team currently covers. In time, we will build out the ratings to cover ASX and International companies in our Model Portfolios. This is our first version and it will be improved over time.

Weighting between C, E, S and G

We have established default weighting between C, E, S and G within our ESG ratings of 15%, 15%, 30% and 40% respectively.

The relationship between good corporate governance and the financial success of companies is well known and has been well studied over the years. Good corporate governance ensures that the board of directors meet regularly, retain control over the business and are clear in the division of their responsibilities, as well as maintaining a system of risk management. Good corporate governance is equally important across all sectors. Reflecting this, we have allocated a weighting of 40% for the corporate governance metrics in our rating methodology.

From an E (including C) and S perspective, as a default, we believe these to be equally important. Therefore, they comprise of equal weighting within the default of 30% and 30%.

Within E, we have separated out the C element given the current focus and importance of transitioning to a low carbon economy. Within the default we believe the C element of E to be approximately 50% of the importance. Therefore, within the default, we assign 15% to C and 15% to the remaining E metrics.

Figure 5. CESG Sector Weightings (NZ companies)

	C	E	S	G
Default weightings	**15**	**15**	**30**	**40**
Financials	15	15	30	40
Industrials	20	20	20	40
Healthcare	10	10	40	40
Technology	10	10	40	40
Agriculture	20	20	20	40
Consumer	15	15	30	40
Utilities	20	20	20	40
Aged Care	15	15	30	40
Property	20	20	20	40
Infrastructure	20	20	20	40

Source: Forsyth Barr analysis

Note: These sectors may differ to other NZ Equities sector classifications – they have been selected to create as much consistency between businesses in the same sector as possible

Accounting for differences in the 'importance' of CESG metrics

The information we are collecting is the same across all sectors as we have chosen metrics that we think are broadly important for all companies to consider(see Appendix A for why we have chosen each individual metric). However, there are instances when some information is more important for some sectors than others. We have reflected this dynamic in the C, E and S weightings assigned to each sector.

Metrics of particular importance

Within the Framework there are seven metrics which, we believe, warrant a negative score because they draw out particularly poor practice by companies. The metrics are as follows:

- Has there been any workplace fatalities in the last five years?
- Does the company own any proven or probable fossil fuel reserves?
- Does the company have shares with different voting rights?
- Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?
- Is the CEO also the Chair?
- Is the auditor tenure >10 years?
- Has the company acted with integrity in financial reporting, and in timeliness and balance of corporate disclosures within the last five years?

Metrics of no importance to a sector

The Framework recognises that there may be a metric that is not relevant to a sector or a company. In this situation there is the ability to 'turn-off' a metric to prevent any penalty occurring. The adjustments are predominantly made at the sector level rather than at an individual company level. However, on occasion, a data point may be irrelevant to a particular company within a sector. When this is the case, the metric is turned off and scoring across the rest of that category is re-weighted. While this does cause some minor discrepancy in the comparability of data, the implications are de minimis.

Emerging metrics

The Framework also recognises that there may be some metrics that are of increasing importance to a particular sector and these metrics may not be included in the current methodology given the nascent state or lack of quality data. Annual review of the methodology will enable monitoring of these emerging issues, and, when relevant, a case can be made for including a new metric within the methodology.

What do we do if we don't have the required information?

We do not want to penalise heavily for non-disclosure. The framework design does reward the leaders who have been disclosing for longer periods (five years) but tries not to penalise those at the start of the journey. If a metric is either not relevant to a company or if any of the data we are sourcing indirectly from an external service is not available (usually due to size or coverage) then the metric is turned off and scoring across the rest of that category is re-weighted. While this does cause some discrepancy in the comparability of data, the implications are de minimis.

Methodology for CESG ratings calculations

The metrics used in calculating the CESG scores are detailed in Appendix A. With the exception of the seven metrics outlined above that can result in a negative score, each of the metrics is scored on a scale of 0–1. Scores of 0 (the worst score a company can receive for a metric) add nothing to a company's overall CESG rating while a score of 1 (the best score a company can receive for a metric) adds positively to a company's CESG rating.

Where a metric has a 'yes/no' answer, the scoring is binary: 0 for the negative answer and 1 for the positive answer.

Where a metric is quantitative, the 0–1 scale is more nuanced, with companies able to score 'partial' marks (up to a maximum of 1) depending on how close to best practice they are.

For the seven metrics where negative scoring is possible, the scoring ranges from -1 to 1.

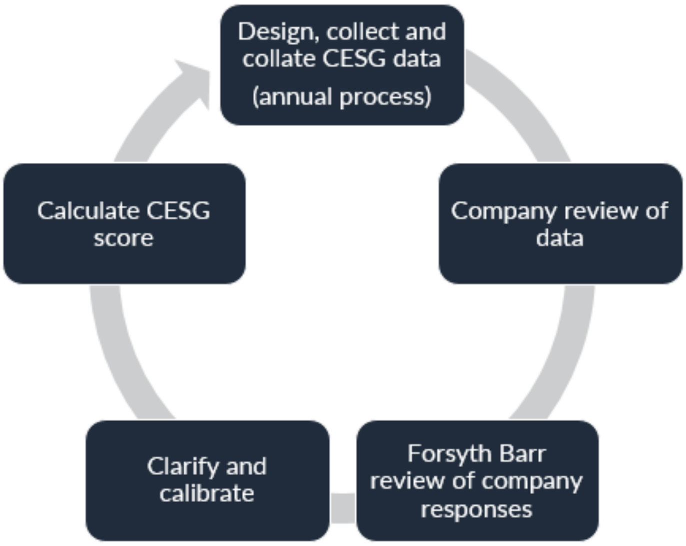
The C, E, S and G scores are each calculated, as a default, by equally weighting all topic areas within the score, and within each topic area, equally weighting the individual metrics. For example within the 'C' score there are 15 metrics collected across four topic areas. Each of the four topic areas would contribute up to 25% towards the 'C' score, and within that, for example, 'GHG Emissions' topic area, each of the three metrics would contribute up to 1/3 of the 25%.

As previously discussed, it is possible for certain metrics to be 'turned off' if they are not relevant. As a principle, we try to apply these changes to a sector as a whole. However, there are a small number of occasions when company specific changes are needed. We note that the implications of company specific changes on overall ratings are de minimis.

Process for data collection

Information is sourced from Refinitiv, Sustainalytics, Bloomberg, the companies themselves, and from Forsyth Barr's own data collection avenues. Each company is given an opportunity to review, add and amend the data collected.

Figure 6. Our data collection process



Source: Forsyth Barr analysis

Quality threshold overwrite

We reserve the right to apply a quality threshold overwrite at any point in the process of assessing a company's CESG information. This gives us the right to veto a company's reponse if we feel it is undermining the integrity of the Framework.

This override is used only in exceptional circumstances and it is a temporary solution until Framework can evolve to capture the information in the appropriate way. It is important for Forsyth Barr given the early state of much CESG information and being that this is only our first iteration of the CESG Framework.

Appendices

Appendix A: Full methodology

Carbon (C)		Metric	Initial source	Scoring	Why we are collecting the information
GHG Emissions	1.01	Is Scope 1 and 2 CO2e (tonnes) tracked and measured by the company? If so, how many of the last years has it been reported?	Forsyth Barr	No = 0 1yr = 0.2 2yr = 0.4 3yr = 0.6 4yr = 0.8 >5yr = 1	Reporting of Scope 1 and 2 CO2e data over a period of time shows how much carbon (equivalent) a company is emitting and how this is changing over time. Investors use Scope 1 and 2 information alongside other data (for example, revenue), to calculate portfolio carbon metrics including carbon intensity measures, weighted average cost of carbon and financed emissions.
	1.02	If five years of data, is Scope 1+2 increasing/ stable/decreasing?	Forsyth Barr	Increasing = 0 Stable (between -10% and +10%) = 0.5 Decreasing = 1	Looking at how absolute emissions data is changing over time allows us to assess if the volume of emissions generated is decreasing and if it is aligned with New Zealand's Net Zero target, emissions budget requirements, and the Paris Agreement requirements.
	1.03	Is Scope 3 CO_2e (tonnes) publicly reported?	Forsyth Barr	No = 0 1yr = 0.2 2yr = 0.4 3yr = 0.6 4yr = 0.8 >5yr = 1	Scope 3 data is difficult to gather and best practice for accounting for Scope 3 is not yet established for many industries. However, reporting on Scope 3 should be encouraged and the new climate disclosure requirements in NZ will require CREs to disclose this information. Developing a Scope 3 inventory strengthens a company's understanding of their value chain GHG emissions. For investors, Scope 3 data can be assessed through a materiality lens, i.e. a large amount of Scope 3 data can be a transition risk signal.
Emissions Intensity/ Transition Risk	1.04	Carbon intensity (tonnes of Scope 1 + 2 CO2e/revenue)	Forsyth Barr	>500 TCO2e = 0 <400 TCO2e = 0.4 <300 TCO2e = 0.6 <200 TCO2e = 0.8 <100 TCO2e = 1	Carbon intensity (as opposed to absolute emissions) enables comparison of emissions across companies as the metric scales for revenue (a proxy for the size of a company). This metric measures how much CO2 had to be released for the company to generate $1m in revenue. Companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks. This metric can be a signal of transition risk, relative to other companies.
	1.05	Carbon intensity (tonnes of Scope 1 + 2 CO2e/ earnings)	Forsyth Barr	Collected only as a comparator, is not scored	We are also collecting carbon intensity TCO2e/Earnings as this metric can sometimes be a better lens to view transition risk (versus TCO2/ Revenue) for equities.
	1.06	If five years of data, is carbon intensity increasing/stable/ decreasing?	Forsyth Barr	Increasing = 0 Stable (between -10% and +10%) = 0.5 Decreasing = 1	Monitoring how carbon intensity is changing over time can also be a signal for which companies are most exposed to transition risks.

Emissions Management	1.07	Is there an emissions reduction target in place?	Refinitiv	Y = 1 N = 0	If a company has an emissions reduction target we can draw insights on how dedicated the company is to making real inroads on reducing emissions. Setting ambitious targets now will catalyse change to protect and enhance business value in the long term.
	1.08	If so, is the target science based?	Forsyth Barr	Y = 1 N = 0	An authentic emissions reduction target will be based on science. A science based target will be in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.
	1.09	Is the target for actual reductions?	Forsyth Barr	Y = 1 N = 0	A focus on 'real zero emissons' seeks to stop emissions from being produced before the they enter the atmosphere versus net zero commitments which allows for emissiosn to be reduced to the extent possible, emitted and then offset.
	1.10	Is there a commitment to be Net Zero?	Forsyth Barr	Y = 1 N = 0	New Zealand has a legislated goal to have 'Net Zero' carbon emissions by 2050. Net Zero is when all CO2 emissions are met with equal CO2 removals from the atmosphere. This is important as it's when human-induced climate change should stop. Currently this commitment is made predominately by industry leaders though we expect it to be more common going forward.
	1.11	If so, how ambitious and robust is the commitment?	Forsyth Barr	Tally of the 1.11.1 to 1.11.4, equally weighted between questions, maximum of 1 point.	In reviewing net zero commitments, we found wide disparity between the strength of the commitment and its coverage. The below questions seek to draw out the nuances. Higher marks are given for nearer term targets, aligned with a 1.5 degree C world, with all scopes included (recognising that Scope 3 commitments may differ from Scope 1 and 2) and interim targets for 2030.
	1.11.1	If a company has a Net Zero commitment, by what year is the commitment?	Forsyth Barr	<2025 = 1 2026-2050 = 0.5 >2050 = 0	Generally, a Net Zero commitment is a longer term target that requires an understanding of the pathway the company needs to be on to reach a 1.5/2 degrees world. However, the Net Zero commitments we are seeing can vary in ambition within and across sectors. Given the urgency of the climate challenge, this scoring rewards those companies with nearer-term Net Zero targets.
	1.11.2	If a company has a Net Zero commitment, is the commitment to a 1.5 degree C world?	Forsyth Barr	Y = 1 2 degrees C = 0.5 N = 0	Being able to differentiate between the strength of Net Zero commitments is becoming increasingly necessary. Delaying emissions reductions puts a 1.5 degree C and increasingly 2 Degrees C world out of reach. The window for 1.5 degree C is closing fast. Therefore, the scoring rewards those companies committing to stronger targets of a 1.5 degree C world.
	1.11.3	If a company has a Net Zero commitment which emission scopes are included?	Forsyth Barr	Scope 1, 2 and 3 = 1 Scope 1 and/ or 2 = 0.5 None/Other/ Partial = 0	Net Zero commitments not only differ in their ambition but also in what they cover. Predominantly they cover Scope 1 and 2. Increasingly, the leaders are including Scope 3 within their commitments. However, some companies are also only covering a small percentage of their Scope 1 and 2 emissions. This indicator seeks to draw out the differences in coverage of emissions sources within Net Zero commitments, rewarding those with full commitments.

	1.11.4	If a company has a Net Zero commitment, are there interim targets or a goal of a 50% reduction by 2030?	Forsyth Barr	Y = 1 N = 0 If the company has made a Net Zero commitment for 2030 or earlier = 1	Some companies are making long term Net Zero commitments but are not providing any detail on how they plan to get there. To get to Net Zero by 2050 and meet the 1.5 degree C temperature rise, we need emissions to reduce by 50% by 2030 (from 2005 levels). Authentic climate commitments will have interim targets in place and a roadmap to reach them. Companies that have made a Net Zero commitment for 2030 or earlier will receive 1 point so they are not negatively impacted by this metric.
Risk & Opportunity Management	1.12	Has a physical risk assessment been undertaken?	Forsyth Barr	Y = 1 N = 0	If a company has assessed the physical risk of climate change on its assets or business activities, i.e. short, medium, and long term vulnerability to physical risk such as heat waves, cold waves, water stress, hurricanes, wildfires, flood and sea level rise under different scenarios, then it is recognised the company has understood its physical risk profile and is hopefully preparing itself (adaptation) for shocks or financial losses that can be caused by changing weather patterns over time.
	1.13	Does the company own any proven or probable fossil fuel reserves?	Forsyth Barr	Y = -1 N = 1	Stranded assets are assets that become obsolete as a result of market, regulatory or environmental changes. Proven and probable fossil fuel reserves can be at risk of becoming stranded, particularly if the agreements of the Paris Accord are met and more governments commit to serious climate action.
	1.14	Is the proportion of revenue, assets or other business activities aligned with climate-related opportunities reported?	Forsyth Barr	Y = 1 N = 0	Knowing the proportion of revenue, assets, or other business activities aligned with climate-related opportunities helps us to understand how much a company is contributing and how much its products are in demand for the growing low carbon economy. It provides insight on how a company might adjust to rapid change from policy or consumer preferences.
	1.15	Does the company spend capital or have capital commitments (in terms of capital expenditure, financing, or investment) toward climate-related risks and opportunities?	Forsyth Barr	Collected only as a comparator, is not scored	Heavy emitting industries only: This question highlights how seriously a company is taking its responsibility to reduce emissions, prepare to adapt to, mitigate climate related risks (e.g. invest in making infrastructure more resilient or become more resource efficient) or to take advantage of climate related opportunities arising (e.g. invest in a solar project which in turn may benefit from growing consumer demand and additional green revenues). In effect, we are looking to see if the company is deploying capital to mitigate risks or seek opportunities due to climate change. In this response, we are looking for decent sized commitments that create meaningful change as opposed to small commitments that don't achieve much.

Environmental (E)		Metric	Initial source	Scoring	Why we are collecting the information
Environmental Management Systems	2.01	Does the company have an ISO 14001, EMS, Toitū Envirocare carbonzero or equivalent certification on all applicable sites?	Refinitiv	Y = 1 N = 0	ISO 14001 is an environmental management system (EMS) certification that has requirements for achieving and maintaining environmentally sound standards of business. Toitū Envirocare certification acknowledges accurate measurement of greenhouse gas emissions, and put in place strategies to manage, reduce and offset the impacts. Compliance with the programme is independently verified annually to maintain certification. A company that meets these certifications is serious about managing their adverse impact on the environment and is meeting established good practice.
	2.02	Has the company issued any green/social bonds or committed to a sustainability linked loan?	Forsyth Barr	Y = 1 N = 0 No debt issued = 1	Funds raised from green or social bonds are generally put towards projects that have a more positive (or less harmful) impact on the environment or society. Committing to a sustainability linked loan shows a company is taking its sustainability commitments seriously. Companies that have not issued debt in the last three years, will receive 1 point so they are not negatively impacted by this metric.
	2.03	Has the company made any commitments to new build or retrofit to meet level 4, 5 or 6 of the green star (or equivalent Homestar if relevant) standard in owned or leased buildings?	Forsyth Barr	Greenstar: 5/6 = 1 4 = 0.5 <4 = 0 Homestar: 8/9/10 = 1 6/7 = 0.5 <6 = 0	Buildings and their construction account for as much as 20% of New Zealand's emissions. Commiting to building standards gives a visible signal of a company's focus on its environmental footprint. To be certified to Green Star standards, a new commercial build or a major refurbishment must meet best practice sustainable design and build benchmarks. A 4 Green Star rating is the minimum standard that can be certified and is deemed Good Practice. A 5 Green Star rated building is deemed New Zealand Excellence. A 6 Green Star building exemplifies world leadership. To be certified to Homestar standards, residential buildings (new or retrofit) must meet certain standards. A 6 and 7 Homestar rating recognises a home that has been built above the current standards set by the New Zealand building code. 8 and 9 Homestar standards meet best practice and a 10 Homestar rating is world leading.
Waste	2.04	Is there a commitment to reduce waste in place?	Refinitiv	Y = 1 N = 0	Waste is a large and important problem for New Zealand's environment. Internal waste reduction initiatives for companies is good practice. Along with a commitment to reduce waste, a plan to deliver this shows the company is aware of and seeks to improve its environmental impact and footprint.
	2.05	Is waste intensity data tracked and measured?	Refinitiv	No = 0 1yr = 0.2 2yr = 0.4 3yr = 0.6 4yr = 0.8 >5yr = 1	Waste intensity (Total Waste/Revenue) is an efficiency measure for how much waste is produced to earn $1m in revenue and enables comparison across companies. Monitoring how waste intensity is changing over time can be a signal for how serious a company is taking its commitment.
	2.06	If there is five years of data, is it increasing/stable/decreasing?	Refinitiv	Increasing = 0 Stable (between -10% and +10%) = 0.5 Decreasing = 1	From a sustainability perspective we would like to see this metric reducing over time.

	2.07	Has there been a breach related to resource consent discharges (i.e. nutrient discharge) in the last five years?	Forsyth Barr	Collected only as a comparator, is not scored	Agriculture, Food & Beverage only: Nutrient discharge refers to the run off from farm fields & discharges into water/land (e.g. from fertilizers, animal waste & sewage). For agriculture companies this area represents their largest impact on the environment. If a company breaches their consented amounts this may affect future reapprovals, posing a risk to continued operations.
Water	2.08	Is there a target for achieving water consumption efficiency?	Refinitiv	Y = 1 N = 0	Historic droughts, more pronounced extreme weather events and escalating water competition are all adding to the challenge of accessing a clean supply of water. All companies should be working to improve their water consumption efficiency, this includes setting a target for doing so.
	2.09	Is water consumption intensity data tracked and measured?	Refinitiv	No = 0 1yr = 0.2 2yr = 0.4 3yr = 0.6 4yr = 0.8 >5yr = 1	Water consumption intensity (Total Water Consumption/Revenue), is an efficiency measure for how much water is consumed/withdrawn to earn $1m in revenue and enables comparison across companies. Monitoring how water consumption intensity is changing over time can be a signal for how serious a company is taking its commitment.
	2.10	If there is five years of data, is it increasing/stable/decreasing?	Refinitiv	Increasing = 0 Stable (between -10% and +10%) = 0.5 Decreasing = 1	From a sustainability perspective we would like to see this metric reducing over time.
Biodiversity	2.11	Is there a commitment to reduce the impact of the company's operations on biodiversity?	Refinitiv	Y = 1 N = 0	Biodiversity is critical to the health and wellbeing of our ecosystems and the economies they support. Companies should have a policy in place for managing biodiversity risk, as good practice.
Circular Economy	2.12	Is there a commitment to the circular economy?	Forsyth Barr	Y = 1 N = 0	The circular economy is a production and consumption model that ensures sustainable growth over time. The circular economy is a systems solution framework based on three key principles, all driven by design: eliminate waste and pollution, keep products and materials in use, and regenerate natural systems. In a circular economy resources are never abandoned to become waste or pollution. Currently, circular economy commitments tend to only be made by sustainability leaders. When companies make commitments in this area we get an indication of their sustainability ambitions.
Environmental Fines	2.13	Has there been an environmental fine in the last three years?	Refinitiv	Y = 0 N = 1	Reflecting on cause, regularity and size of environmental fines can provide insights on company culture and commitments to sustainability.

Social (S)		Metric	Initial source	Scoring	Why we are collecting the information
Health & Safety	3.01	Is there a health & safety policy?	Refinitiv	Y = 1 N = 0	Having a health and safety policy is good practice for every company. Under New Zealand law employees and others must be given the highest level of protection from workplace risks as far as reasonably possible. This policy should cover those requirements and be framed in the setting of the specific workplace/company.
	3.02	Are there safety management targets in place?	Forsyth Barr	Y = 1 N = 0	A company with a clear focus on safety will have safety management targets in place, for example in the reduction of harmful incidents or zero tolerance for death.
	3.03	Is a measure of safety (e.g. LTIFR) tracked and measured?	Refinitiv	Y = 1 N = 0	When assessing safety performance one of the most important KPIs to track is the lost time injury frequency rate. LTIFR formula is: ([Number of lost time injuries in the reporting period] x 1,000,000)/(Total hours worked in the reporting period). We expect companies to be focussed on keeping this low. Other safety measures are acceptable too.
	3.04	If yes, is data reported?	Refinitiv	No = 0 1yr = 0.2 2yr = 0.4 3yr = 0.6 4yr = 0.8 >5yr = 1	Regular reporting of this measure of safety can indicate how a company is tracking in relation to its targets. It may also provide insight on potential risks in the business with regards to company culture and management's focus on safety. Public reporting is preferred but not required.
	3.05	If there is five years of data, is it increasing/stable/decreasing?	Refinitiv	Increasing = 0 Stable (between -10% and +10%) = 0.5 Decreasing = 1	Companies should not only seek to keep injuries and resulting lost time low, but reduce them over time. Improving the safety of workers can have many benefits for a firm while also decreasing risks to all stakeholders.
	3.06	Have there been any workplace fatalities in the last five years?	Refinitiv	Y = -1 N = 1	A clear safety focus for employees is vital, and any deaths can highlight potential failures in company health & safety policies or a potential workplace culture/management problem.
Human Rights	3.07	Is there a human rights policy?	Refinitiv	Y = 1 N = 0	Companies that openly state a commitment to respect, protect and remedy human rights give a strong message that they understand the interdependencies between people and businesses, and the risks associated with human rights failures. Companies are scored positively if there is evidence of policies covering freedom of association, child labour, forced labour, human rights — employees and contractors.
	3.08	Is there a commitment to preventing modern slavery?	Forsyth Barr	Y = 1 N = 0	In addition to a human rights policy, a commitment to preventing modern slavery in their workplaces/supply chain is an important measure given the prevalence of modern slavery in the global economy. Australia currently has a law requiring companies to have a statement and willingness to prevent modern slavery, New Zealand is currently drafting a similar law.
Supply Chain	3.09	Is there a supply chain code of conduct?	Forsyth Barr	Y = 1 N = 0	In an environment that has become broadly globalised, company supply chains have become increasingly complex. Corporate performance increasingly depends on a company's ability to control the reputational and quality risks stemming from its network of business partners. Responsible procurement and supply chain management policies such as Supplier Code of Conducts are increasingly relied upon to manage risks that may be present in supply chains.
	3.10	Is there an environmental policy for the supply chain?	Refinitiv	Y = 1 N = 0	Companies should be aware of environmental risks that may be present within their supply chains. An Environmental Policy specifically for suppliers indicates a company is aware of and managing this risk.

	3.11	Is there a formal commitment to pay vendors a living wage?	Forsyth Barr	Y = 1 N = 0	This commitment ensures that throughout their supply chain vendors and their employees are paid a living wage, minimising some of the risks around worker exploitation.
Product Quality & Accessibility	3.12	Have there been any product or service faults (unplanned) resulting in, for example, disruption to operations or recalls (including FDA regulated products if relevant), in the last three years?	Forsyth Barr	Y = 0 N = 1	Product or service faults that require the recall of products or disrupt operations can be of significant detriment to a brand and the level of trust associated with it. Along with being a costly exercise, they can also take up a significant amount of time for senior managers. Keeping an eye on cause and regularity of these types of incidents may give some insight into the quality of a company. FDA recalls are of particular concern for the relevant companies.
	3.13	Portion of care beds offered at standard rate?	Forsyth Barr	Collected only as a comparator, is not scored	Aged care only: For aged care providers, offering variety in rates for beds/ rooms can ensure an important supply of beds are accessible and affordable for all parts of the community.
Employee Value Proposition/ Culture	3.14	Is employee turnover measured and publicly reported?	Refinitiv	Y = 1 N = 0	Employee turnover statistics indicate churn and can give a sense of how happy and fulfilled employees are working for a company.
	3.15	If yes, is it <10%, <20%, >20%?	Refinitiv	<10% = 1 <20% = 0.5 >20% = 0	A higher employee turnover can indicate problems inside an organisation, whereas a lower one can indicate higher loyalty and satisfaction with the company.
	3.16	Is there a contemporary parental leave policy?	Forsyth Barr	Y = 1 N = 0	Modern families don't fit into a single mould, so a progressive parental leave policy should accommodate all types. Does the policy cover for example, primary, secondary parental leave, flexi working options, fertility treatment, adoption, surrogacy leave, miscarriage and still birth, etc. We are trying to capture those policies that go well above statutory requirements, really designed with talent attraction and retention in mind.
	3.17	Has the company made a living wage commitment?	Forsyth Barr	Y = 1 N = 0	A commitment to pay all employees at least the living wage rather than the minimum wage, this ensures all employees are able to pay for the necessities of life and participate as an active citizen in the community.
Diversity	3.18	Does the company track and measure ethnicity diversity metrics?	Forsyth Barr	Y = 1 N = 0	Reporting ethnic diversity statistics across an organisation is an indication that the company is thinking about the implications of diversity.
	3.19	Does the company track and measure the % of women managers in relation to % of women employees?	Refinitiv	<50% = 0 >50% - 80% = 0.5 >80% - 120% = 1 >120% - 150% = 0.5 >150% = 0	Reporting gender diversity statistics across an organisation is an indication that the company is thinking about the implications of diversity.
Community Relations	3.20	Is there a policy to manage community involvement?	Refinitiv	Y = 1 N = 0	A community involvement policy ensures the company involves the community in decisions that affect them and can drive participation in community activities. This can help improve community relations and build trust between a company and its surrounding community. Companies are scored positively if there is evidence of involvement in the community through donations, volunteering, philanthropic activities, and community investments or if there are corporate social responsibility programs in education, health, and the environment.
Stakeholder Relations	3.21	Is the business model stakeholder centric?	Forsyth Barr	Y = 1 N = 0	In comparison to a shareholder centric business model where the only focus is to maximise shareholder returns, a stakeholder centric model considers the impact of decisions on all affected parties such as, employees, suppliers, consumers, the community and shareholders.

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Governance (G)		Metric	Initial source	Scoring	Why we are collecting the information
Sustainability	4.01	Is there a sustainability strategy?	Forsyth Barr	Y (Integrated) = 1 Y (Separate) = 0.5 N = 0	Analyst discretion required: A sustainability strategy that is integrated into the main company strategy can indicate joined up thinking internally and sets a more holistic tone to the way sustainability may be viewed. Key signs of a well integrated strategy is when ESG commentary is peppered through investor presentations, the CEO/Chair statements in annual reports and the Strategy/Business Model section of annual reports (as opposed to a separate, unlinked section of a website or annual report that is not referred to in broader commentary).
	4.02	Is remuneration linked to achieving sustainability performance?	Refinitiv	Y = 1 N = 0	When sustainability commitments are tied to management incentives it can indicate how seriously management is taking the commitments and putting words into action.
	4.03	Any recent level 3, 4 or 5 controversies?	Sustainalytics	Sustainalytics Level 4 or 5 = 0 Sustainalytics Level 3 = 0.5 Sustainalytics Level 1 or 2 = 1	Controversies categorised as Level 5 (Severe) and 4 (High) by Sustainalytics pose high business risks to a company. Level 5 indicates exceptional egregious corporate behaviour, high frequency of recurrence of incidents, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address such risks. Level 4 represents systemic and/or structural problems within the company, weak management systems and company response, and a recurrence of incidents.
	4.04	Has there been a breach of UN Global Compact principles or are they on the watch list?	Sustainalytics	Breach = 0 Watch list = 0.5 Compliant = 1	Sustainalytics assesses and identifies companies that violate the UN Global Compact's 10 internationally recognised principles for business conduct.
	4.05	Does the company have B Corporation or Future-Fit certification?	Forsyth Barr	BCorp / Future-Fit = 1 Partial = 0.5 No = 0	B Corporation and Future-Fit certifications are indicative of companies meeting high standards of social and environmental performance and exhibiting transparency of information which is necessary for a positive response to the challenges the world faces and the demand for improved Sustainability practices.
Investor Protections	4.06	Does the company have shares with different voting rights?	Refinitiv	Y = -1 N = 1	In some situations different share classes with different voting rights may exist. For example, a company's founders, executives, or other large stakeholders may be assigned a class of common stock that has multiple votes for every single share of stock. This is often referred to as a super-voting multiple and can consist of 10 votes (or higher in some situations) per higher class share. Super-voting shares give key company insiders greater control over the company's voting rights, its Board, and corporate actions, creating risk of influence that may not be in the interests of all shareholders.
	4.07	Is there potential for a 'blocking' shareholder?	Forsyth Barr	Any single shareholdings with: <10% = 1 10 - 25% = 0.5 >25% = 0	Concentrated share ownership or a majority shareholding can indicate a risk that a larger shareholder influences the Board and company management in a way that may not be in the interests of all shareholders.

	4.08 How many anti-takeover devices are there?	Refinitiv	<=3 = 1 >3 = 0	Anti-takeover devices are designed to reduce the likelihood of a financially successful hostile takeover. In these situations, balancing shareholder and management interest is key but not always a reality. If a company has three or more takeover preventative mechanisms in place, there is a risk that in a hostile takeover situation, things skew to protect management at the expense of shareholders. Examples include tight controls or agreements, supermajority provisions requiring at least 80% of voting shareholders to approve the takeover, as opposed to a simple 51% majority, and event-based triggers (poison pills).
	4.09 Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?	Forsyth Barr	Positive = 1 Neutral = 0 Negative = -1 No capital raisings = 1	In our view, the capital raising structure that is most fair to shareholders is a pro-rata offering, and ideally a "traditional" pro-rata, quoted, renounceable rights offer. However, in certain circumstances Issuers can, and sometimes should, legitimately raise capital using non-pro-rata methods. Our judgement on whether there is unequal treatment of shareholders comes down to situations, for example, when non-renounceable or un-listed rights are issued with no platform to facilitate their trading, or if there is no book build process for any unexercised rights. Other situations include offer structures, for example, placements that do not give all existing shareholders the rights to participate proportionately, or placements offered at a discount and unaccompanied by a share purchase plan, rights issue or a retail offer. These types of structures may result in a direct value transfer to any new investors or, if underwritten, the offer underwriters. Over the COVID period, we saw the temporary emergence of placements with "Accelerated Non-Renounceable Entitlement Offer" (ANREOs). These were allowed by the regulator for a temporary period, during an unprecedented time. We are of the view that COVID created exceptional circumstances. There was no option but to raise capital in an accelerated manner. Therefore, we have not penalised companies for ANREOs that took place while companies were dealing with COVID. Companies that have not raised equity in the last three years, will receive 1 point so they are not negatively impacted by this metric.
Board	4.10 Do non-executive and independent Board members comprise the majority?	Refinitiv	<50% = 0 >50% = 1	Generally, Board committees should be majority independent (global best practice), to gain true separation between management and governance. Independent directors bring 'outside' thinking that can enable a business to grow and develop valuable long-term strategy.
	4.11 Is the CEO the Chair?	Refinitiv	Y = -1 N = 1	The Board is responsible for employing the CEO of the company and approving the business strategy. There should be a clear understanding of the division of responsibilities between the Board and the executive. No one individual should have unfettered powers of decision. The chair also has a pivotal role between the chief executive and the Board. The balance between these roles is important. It works best if the roles of chair and CEO are clearly separated, and the chair is an independent director.

	4.12	What is the average Board tenure?	Refinitiv	<3 = 0 4 - 10 = 1 >10 = 0	Too short can suggest inexperience, too long can lead to entrenched views. CalPERS study suggests at >12 years tenure, Board members' independence is compromised. NYU Stern study found a 'stability premium' of outperformance for longer tenure. The NZ Corporate Governance Forum recommends that non-executive directors who have served longer than nine years should be subject to annual re-election. We note that NZX rules dictate that a Director must not hold office without re-election for past the third annual meeting following the Director's appointment or three years, whichever is longer.
	4.13	What is the average number of Board member affiliations?	Refinitiv	Currently unscored, as Refinitiv clarifies how the metric is calculated	This measure helps us to assess if individual Board members have the time to commit to the company. It is a way to help assess Board quality. Internationally, a maximum of four Boards is the standard. However, given the particular characteristics of the New Zealand market, we are of the view that NZ directors should be on a maximum of three Boards only.
	4.14	What is the size of the Board (number of people)?	Refinitiv	<5 = 0 >5 - 6 = 0.5 >6 - 9 = 1 >9 - 11 = 0.5 >11 = 0	Small Boards may not have the diversity and depth of experience of larger Boards. Boards that are too large may affect individual participation. Governance Today suggests 8–10 members as the optimal number. Given the size of New Zealand companies, we are of the view that 6–9 members is optimal.
	4.15	Is a Board skills matrix disclosed?	Refinitiv	Y = 1 N = 0	A skills matrix is one effective tool to demonstrate to shareholders how skills across the boardroom link to the oversight of company operations and strategy.
	4.16	Does the company have a policy for maintaining a well-balanced Board?	Refinitiv	Y = 1 N = 0	Board members represent a company, share its vision, and complement any weaknesses within a Board. Diversity of thought and experience, objectivity, detailed knowledge of the company's business activities are all needed to make good and informed decisions. They should have different skills to increase the "human wealth" of the company.
	4.17	Are all audit-committee members non-executive directors?	Refinitiv	Y = 1 N = 0	The Audit Committee's role includes the oversight of financial reporting, the monitoring of accounting policies, the oversight of any external auditors, regulatory compliance and the discussion of risk management policies with management. Given this, the committee should maintain some independence from the firm, this can be achieved by having non-executive members. The NZ Corporate Governance Forum Guidelines suggests all members of the Audit Committee should be non-executive.
	4.18	Is the Board's gender diversity sufficient? (i.e. <2/3 one gender)	Refinitiv	Y = 1 N = 0	Both gender and cultural diversity has been linked to better performance in companies.
Auditors	4.19	Is the auditor tenure >10 years?	Refinitiv	Y = -1 N = 1	Too long a tenure can lead to strong social and economic bonds between auditor and company, thus potentially damaging the independence of the auditor. The NZ Corporate Governance Forum suggests there should be active consideration of audit firm rotation every 10 years.
	4.20	Has the lead audit partner rotated in the last five years?	Forsyth Barr	Y = 1 N = 0	The FMA Guidelines state that no issuer's audit should be led by the same audit partner for more than seven consecutive years. For listed issuers, NZX rules require most listed entities' audit partners to be rotated from the engagement after a maximum of five years.
	4.21	Is auditor compensation for non-audit publicly reported?	Refinitiv	Y = 1 N = 0	In NZ, good practice is to outline a process the Audit Committee follows in managing the relationship with the auditor. FMA advice is that directors need to think carefully before asking or allowing audit forms to provide services in addition to the audit. Audit fees and Non-Audit Service fees should be clearly outlined in financial statements.

	4.22	If yes, >70% of statutory audit fees — average over last three years?	Refinitiv	<40% = 1 >40 - 70% = 0.5 >70% = 0	Fee caps for non-audit services do exist in some jurisdictions. In Europe, there is a maximum of 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, its controlled undertakings and of the consolidated financial statements of that group of undertakings.
Data Security & Strategy	4.23	Is there a cybersecurity policy in place?	Refinitiv	Y = 1 N = 0	A cybersecurity policy is important to set guidelines for how online systems and software should be used to minimise risk. Processes in place to protect the company, data and assets should be outlined. A policy may also include expectations on using social media at work, rules for using emails, or guidance for safeguarding data.
	4.24	Is there a data privacy and protection policy in place?	Refinitiv	Y = 1 N = 0	Data privacy defines who has access to data, while data protection provides tools and policies to actually restrict access to the data. Compliance regulations help ensure that users' privacy requests are carried out by companies, and companies are responsible to take measures to protect private user data. Data protection and privacy is particularly important for personal health information (PHI) and personally identifiable information (PII). By protecting data, companies can prevent data breaches, damage to reputation, and can better meet regulatory requirements.
Tax	4.25	Does the Board have a tax governing framework in place?	Forsyth Barr	Y = 1 N = 0	With increasing attention on companies regarding where tax is being paid, whether it's being paid and if they are paying their fair share of tax, having a tax governing framework in place can provide a signal that this issue is being managed appropriately. The OECD and some tax authorities have introduced a number of tools to ensure organisations are paying “the right amount of tax” including BEPS, local tax reforms, transparency measures, real time reporting and the use of data analytics to target their audits and investigations. In NZ, the Inland Revenue has released a Corporate Tax Governance checklist for Boards of multinationals.
Reporting & Assurance	4.26	First quartile Bloomberg disclosure score	Bloomberg	Bloomberg Disclosure Score Q1 = 1 Bloomberg Disclosure Score Q2 = 0.5 Bloomberg Disclosure Score Q3/Q4 = 0	The Bloomberg Disclosure Score is a proprietary score based on the extent of a company's ESG disclosure. The score ranges from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point.
	4.27	External assurance of sustainability report or disclosures?	Refinitiv	Y = 1 N = 0	Important for gaining confidence in sustainability information which can often be new and qualitative.
	4.29	Has the company acted with integrity in financial reporting and in the timeliness and balance of corporate disclosures within the last five years?	Forsyth Barr	Y = 1 N = -1	This question acts as a bit of a 'catch-all' and is aimed at picking up examples of poor practice whereby a company may have, for example, recently reported underlying earnings versus audited net profit after tax with more than a 20% standard deviation, or been untimely or unbalanced with a disclosure. Another example could be skipping or unnecessarily delaying an AGM. A number of different issues could potentially be captured here and it comes down to the analyst's discretion as to what may be included.

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Appendix B: Example scorecard

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Last data update:
28/11/2022

Company ticker: [redacted]

B+

Fast Follower

	Grade	Score	Health Care Sector Average	New Zealand Average	Health Care Sector Weight
Carbon	D	8.3%	35.6%	51.9%	10%
Environment	C-	44.4%	52.9%	48.9%	10%
Social	A-	78.1%	65.7%	65.6%	40%
Governance	A	85.7%	70.7%	71.8%	40%
Total	**B+**	**70.8%**	**63.4%**	**62.9%**	

Forsyth Barr Commentary

[redacted] is in the early stages of its CESG journey with the lack of disclosed data being a material drag on its performance. Focus is slowly turning towards ESG reporting with reasonable advances over the last few years but it is yet to be a key focal point for the Company. [redacted]'s C category lacks data, resulting in its worst score (D grade). [redacted]'s best category is G (A grade). Within E, we note the Water and Biodiversity sections depress the Company's score. As [redacted] matures as a company we expect its focus on ESG to improve along with its scoring in the C and E categories in particular.

Carbon		Metric	Data	Score	Weight	Group Score	Group
GHG Emissions	1.01	Is Scope 1 and 2 CO2e (tonnes) tracked and measured by the company? If so, how many of the last years has it been reported?	No	0.00	33.33%	**0.00%**	25.00%
	1.02	If five years of data, is Scope 1+2 increasing/stable/decreasing?	N/A	0.00	33.33%		
	1.03	Is Scope 3 CO2e (tonnes) publicly reported?	No	0.00	33.33%		
Emissions Intensity / Transition Risk	1.04	Carbon intensity (tonnes of Scope 1 + 2 CO2e/revenue)	u/d	0.00	50.00%	**0.00%**	25.00%
	1.05	Carbon intensity (tonnes of Scope 1 + 2 CO2e/earnings)	u/d	Unscored	0.00%		
	1.06	If five years of data, is carbon intensity increasing/stable/decreasing?	N/A	0.00	50.00%		
Emissions Management	1.07	Is there an emissions reduction target in place?	No	0.00	20.00%	**0.00%**	25.00%
	1.08	If so, is the target science based?	No	0.00	20.00%		
	1.09	Is the target for actual reductions?	No	0.00	20.00%		
	1.10	Is there a commitment to be Net Zero?	No	0.00	20.00%		
	1.11	If so, how ambitious and robust is the commitment:					
	1.11.1	*If a company has a Net Zero commitment, by what year is the commitment?*	*No*	*0.00*	*5.00%*		
	1.11.2	*If a company has a Net Zero commitment, is the commitment to a 1.5 degree celsius world?*	*No*	*0.00*	*5.00%*		
	1.11.3	*If a company has a Net Zero commitment, which emission scopes are included?*	*Not Specified*	*0.00*	*5.00%*		
	1.11.4	*If a company has a Net Zero commitment, are there interim targets or a goal of a 50% reduction by 2030?*	*N/A*	*0.00*	*5.00%*		
Risk & Opportunity Management	1.12	Has a physical risk assessment been undertaken?	No	0.00	33.33%	**33.33%**	25.00%
	1.13	Does the company own any proven or probable fossil fuel reserves?	No	1.00	33.33%		
	1.14	Is the proportion of revenue, assets or other business activities aligned with climate-related opportunities reported?	No	0.00	33.33%		
	1.15	Does the company spend capital or have capital commitments (in terms of capital expenditure, financing, or investment) toward climate-related risks and opportunities?	-	Unscored	0.00%		
C - Total							**D (8.33%)**

Environmental		Metric	Data	Score	Weight	Group Score	Group
Environmental Management Systems	2.01	Does the company have an ISO 14001, EMS, Toitū Envirocare carbonzero or equivalent certification on all applicable sites?	No	0.00	33.33%	**33.33%**	16.67%
	2.02	Has the company issued any green/social bonds or committed to a sustainability linked loan?	No Debt Issued	1.00	33.33%		
	2.03	Has the company made any commitments to new build or retrofit to meet level 4, 5 or 6 of the green star (or equivalent Homestar if relevant) standard in owned or leased buildings?	No	0.00	33.33%		
Waste	2.04	Is there a commitment to reduce waste in place?	Yes	1.00	33.33%	**33.33%**	16.67%
	2.05	Is waste intensity data tracked and measured?	0 years	0.00	33.33%		
	2.06	If there is five years of data, is it increasing/stable/decreasing?	N/A	0.00	33.33%		
	2.07	Has there been a breach related to resource consent discharges (i.e. nutrient discharge) in the last five years?	-	Unscored	0.00%		
Water	2.08	Is there a target for achieving water consumption efficiency?	No	0.00	33.33%	**0.00%**	16.67%
	2.09	Is water consumption intensity data tracked and measured?	0 years	0.00	33.33%		
	2.10	If there is five years of data, is it increasing/stable/decreasing?	N/A	0.00	33.33%		
Biodiversity	2.11	Is there a commitment to reduce the impact of the company's operations on biodiversity?	No	0.00	100.00%	**0.00%**	16.67%
Circular Economy	2.12	Is there a commitment to the circular economy?	Yes	1.00	100.00%	**100.00%**	16.67%
Environmental	2.13	Has there been an environmental fine in the last three years?	No	1.00	100.00%	**100.00%**	16.67%
E - Total							**C- (44.44%)**

Social		Metric	Data	Score	Weight	Group Score	Group
Health & Safety	3.01	Is there a health & safety policy?	Yes	1.00	16.67%	91.67%	12.50%
	3.02	Are there safety management targets in place?	Yes	1.00	16.67%		
	3.03	Is a measure of safety (e.g. LTIFR) tracked and measured?	Yes	1.00	16.67%		
	3.04	If yes, is data reported?	5+ years	1.00	16.67%		
	3.05	If there is five years of data, is it increasing/stable/decreasing?	0%	0.50	16.67%		
	3.06	Have there been any workplace fatalities in the last five years?	No	1.00	16.67%		
Human Rights	3.07	Is there a human rights policy?	Yes	1.00	50.00%	100.00%	12.50%
	3.08	Is there a commitment to preventing modern slavery?	Yes	1.00	50.00%		
Supply Chain	3.09	Is there a supply chain code of conduct?	Yes	1.00	33.33%	33.33%	12.50%
	3.10	Is there an environmental policy for the supply chain?	No	0.00	33.33%		
	3.11	Is there a formal commitment to pay vendors a living wage?	No	0.00	33.33%		
Product Quality & Accessibility	3.12	Have there been any product or service faults (unplanned) resulting in, for example, disruption to operations or recalls (including FDA regulated products if relevant), in the last three years?	No	1.00	100.00%	100.00%	12.50%
	3.13	Portion of care beds offered at standard rate?	-	Unscored	0.00%		
Employee Value Proposition / Culture	3.14	Is employee turnover measured and publicly reported?	No	0.00	25.00%	25.00%	12.50%
	3.15	If yes, is it <10%, <20%, >20%?	N/A	0.00	25.00%		
	3.16	Is there a contemporary parental leave policy?	No	0.00	25.00%		
	3.17	Has the company made a living wage commitment?	Yes	1.00	25.00%		
Diversity	3.18	Does the company track and measure ethnicity diversity metrics?	Yes	1.00	50.00%	75.00%	12.50%
	3.19	Does the company track and measure the % of women managers in relation to % of women employees?	66%	0.50	50.00%		
Community Relations	3.20	Is there a policy to manage community involvement?	Yes	1.00	100.00%	100.00%	12.50%
Stakeholder Relations	3.21	Is the business model stakeholder centric?	Yes	1.00	100.00%	100.00%	12.50%
S - Total							A- (78.13%)

Governance		Metric	Data	Score	Weight	Group Score	Group
Sustainability	4.01	Is there a sustainability strategy?	Yes - Integrated	1.00	33.33%	66.67%	14.29%
	4.02	Is remuneration linked to achieving sustainability performance?	Yes	1.00	33.33%		
	4.03	Any recent level 3, 4 or 5 controversies?	Null	0.00	0.00%		
	4.04	Has there been a breach of UN Global Compact principles or are they on the watch list?	Null	0.00	0.00%		
	4.05	Does the company have B Corporation or Future-Fit certification?	No	0.00	33.33%		
Investor Protections	4.06	Does the company have shares with different voting rights?	No	1.00	33.33%	33.33%	14.29%
	4.07	Is there potential for a 'blocking' shareholder?	69.82%	0.00	33.33%		
	4.08	How many anti-takeover devices are there?	Null	0.00	0.00%		
	4.09	Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?	Neutral	0.00	33.33%		
Board	4.10	Do non-executive and independent Board members comprise the	66.7%	1.00	12.50%	100.00%	14.29%
	4.11	Is the CEO, the Chair?	No	1.00	12.50%		
	4.12	What is the average Board tenure?	9.0	1.00	12.50%		
	4.13	What is the average number of Board member affiliations?	Null	Unscored	0.00%		
	4.14	What is the size of the Board (number of people)?	6	1.00	12.50%		
	4.15	Is a Board skills matrix disclosed?	Yes	1.00	12.50%		
	4.16	Does the company have a policy for maintaining a well-balanced Board?	Yes	1.00	12.50%		
	4.17	Are all audit-committee members non-executive directors?	100%	1.00	12.50%		
	4.18	Is the Board's gender diversity sufficient? (i.e. <2/3 one gender)	33%	1.00	12.50%		
Auditors	4.19	Is the auditor tenure >10 years?	5 years	1.00	25.00%	100.00%	14.29%
	4.20	Has the lead audit partner rotated in the last five years?	Yes	1.00	25.00%		
	4.21	Is auditor compensation for non-audit publicly reported?	Yes	1.00	25.00%		
	4.22	If yes, >70% of statutory audit fees — average over last three years?	3%	1.00	25.00%		
Data Security & Strategy	4.23	Is there a cybersecurity policy in place?	Yes	1.00	50.00%	100.00%	14.29%
	4.24	Is there a data privacy and protection policy in place?	Yes	1.00	50.00%		
Tax	4.25	Does the Board have a tax governing framework in place?	Yes	1.00	100.00%	100.00%	14.29%
Reporting & Assurance	4.26	First quartile Bloomberg disclosure score	Null	0.00	0.00%	100.00%	14.29%
	4.27	External assurance of sustainability report or disclosures?	Yes	1.00	50.00%		
	4.28	Has the company acted with integrity in financial reporting and in the timeliness and balance of corporate disclosures within the last five years?	Yes	1.00	50.00%		
G - Total							A (85.71%)

Data sourced from Forsyth Barr analysis, company disclosures, Refinitiv Eikon, Sustainalytics and Bloomberg.

Appendix C: Forsyth Barr Sector Classifications for CESG

The sector classification for our CESG ratings is slightly different to the official Global Industry Classification (GIC) sector classification. We believe this classification provides a better compare and contrast for CESG data.

Figure 7. Stocks by Sector

Industry	Company	Ticker	Industry	Company	Ticker
Aged Care	Arvida Group	ARV	**Infrastructure**	Auckland Airport	AIA
	Oceania Healthcare	OCA		Channel Infrastructure NZ	CHI
	Ryman Healthcare	RYM		Chorus	CNU
	Summerset Group	SUM		Infratil	IFT
				Napier Port	NPH
Agriculture	Comvita	CVT		Port of Tauranga	POT
	Delegat Group	DGL		Vector	VCT
	Fonterra	FSF			
	New Zealand King Salmon	NZK	**Property**	Argosy	ARG
	Sanford	SAN		Asset Plus	APL
	Scales	SCL		Goodman Property	GMT
	Synlait Milk	SML		Investore	IPL
	The a2 Milk Company	ATM		Kiwi Property Group	KPG
				Precinct Properties NZ	PCT
Consumer	KMD Brands	KMD		Property For Industry	PFI
	My Food Bag	MFB		Stride Property	SPG
	Restaurant Brands NZ	RBD		Vital Healthcare	VHP
	SKYCITY	SKC		Winton Land	WIN
	Sky TV	SKT			
	Spark NZ	SPK	**Technology**	Pushpay Holdings	PPH
	The Warehouse Group	WHS		Serko	SKO
	Tourism Holdings	THL		Trade Window Holdings	TWL
Financials	Heartland Group	HGH	**Utilities**	Contact Energy	CEN
	NZX Limited	NZX		Genesis Energy	GNE
	Tower	TWR		Manawa Energy	MNW
				Mercury	MCY
Healthcare	AFT Pharmaceuticals	AFT		Meridian Energy	MEL
	EBOS Group	EBO			
	Fisher & Paykel Healthcare	FPH			
	Pacific Edge	PEB			
Industrials	Air New Zealand	AIR			
	Fletcher Building	FBU			
	Freightways	FRE			
	Mainfreight	MFT			
	Rakon Limited	RAK			
	Skellerup Holdings	SKL			
	Steel & Tube Holdings	STU			
	Vulcan Steel	VSL			

Source: Forsyth Barr analysis

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