



# **ESG Analysis**

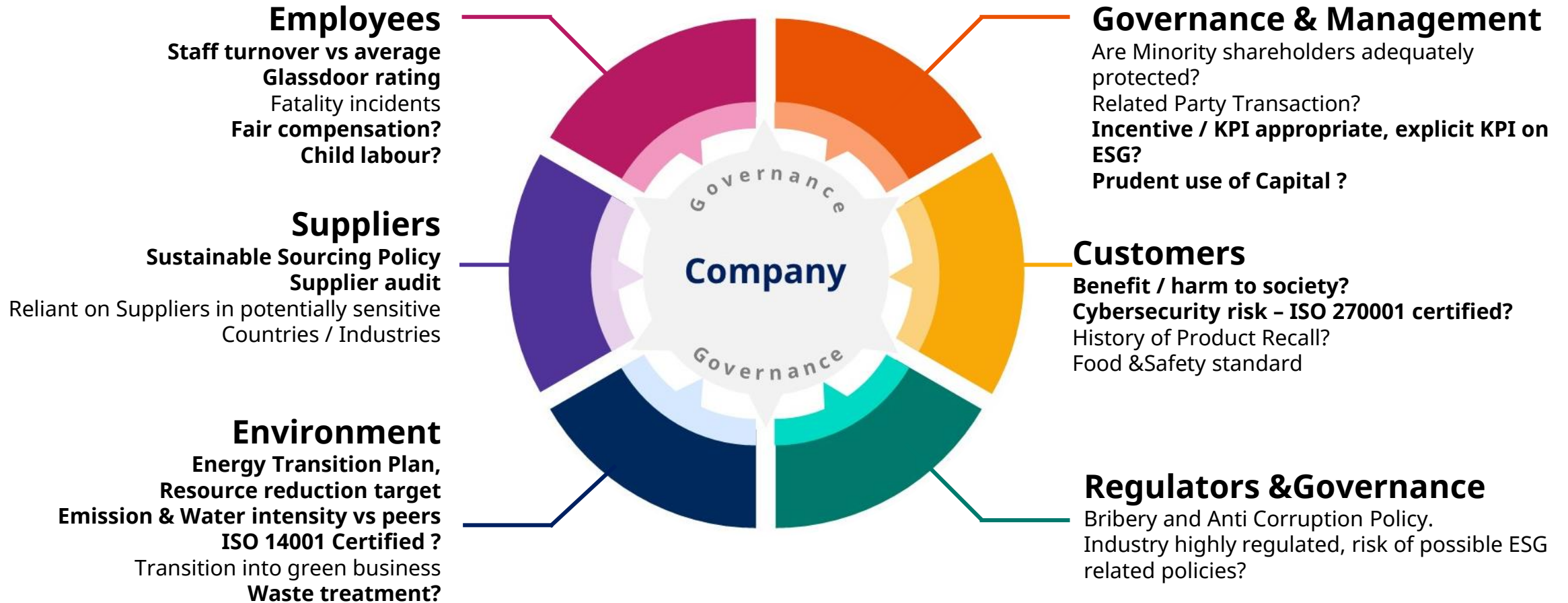
22 December 2023



## 1. ESG Integration

# ESG integration

Stakeholder analysis provides insights into managing change



Source: Schroders.

# CONTEXT

## A structured approach to stakeholder analysis – Screening tools

The screenshot displays a software interface for stakeholder analysis. At the top, it shows 'Company Details' for 'Indonesian Equities'. Below this, a summary row indicates a Rank of 1, Sector of Oil & Gas, Calculated Score of 53, and Analyst Score of 53, with an Analyst Quartile of 1. The interface includes sections for 'Overall Investment Impact' and 'Engagement Follow-Ups'. A table lists stakeholders: Customers (Moderate score, Analyst Score <Not overridden>, Analyst Quartile 4) and Employees (Moderate score, Analyst Score <Not overridden>, Analyst Quartile 2). The bottom section features a 'Performance vs Peers' chart with columns for Metric, Go, Tra, Company, Mean, Units, Dep, Performance vs Peers, and Trend. The chart compares the company's performance across various metrics against its peers, with data points represented by colored circles. The metrics listed are: Employee average age, Training hours per employee (27.22), Avg Glassdoor employee review (4.10), Management gender balance (1.0), Lost time injury rate (0.01), Health & safety policy (Yes), % part time employees, Compensation rel. to regional avg (-66.1), and Employee turnover (19.2). All metrics show 'No Records Available' for the company's performance.

Stakeholder	Calculated Score	Analyst Score	Analyst Quartile	Analyst Comments
Customers	Moderate	<Not overridden>	4	...
Employees	Moderate	<Not overridden>	2	...

Metric	Go	Tra	Company	Mean	Units	Dep	Performance vs Peers	Trend
Employee average age					yrs			No Records Available.
Training hours per employee			27.22	13.41	hrs	1		No Records Available.
Avg Glassdoor employee review			4.10	4.00	/5	3		No Records Available.
Management gender balance			1.0	1.0	x			No Records Available.
Lost time injury rate			0.01	0.07	/mn hrs	1		No Records Available.
Health & safety policy			Yes	100%	x	1		No Records Available.
% part time employees					%			No Records Available.
Compensation rel. to regional avg			-66.1		%			No Records Available.
Employee turnover			19.2	7.6	%	1		No Records Available.

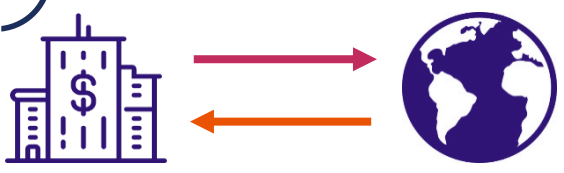
Selected Indonesian Equities | Oil & Gas | Adaro Energy Tbk Pt  
Last refreshed 23/02/2022 16:57:00 | READ ONLY | STANDAR

Source: Schroders

# SustainEx

## Translating ESG impacts into financial costs

1


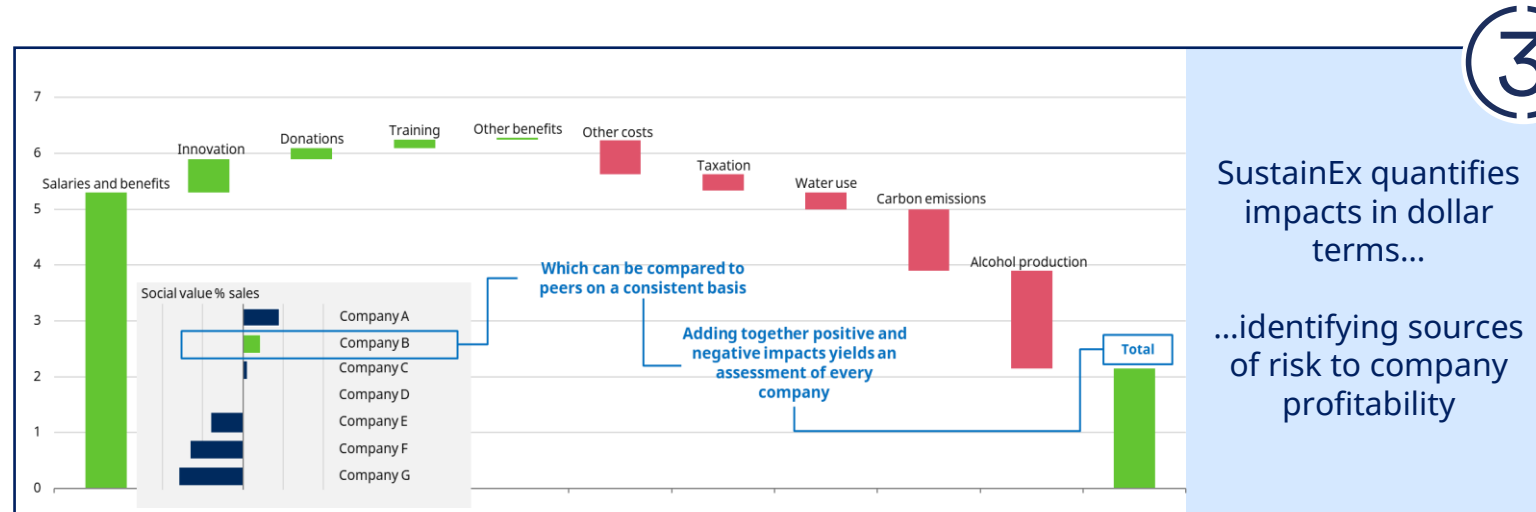


Companies generate impacts on society

Regulation is increasingly making companies pay for those impacts

2

We mapped a wide range of possible impacts (positive and negative)

A proprietary tool built on...

Over **700** academic and industry studies of social impacts and externalities

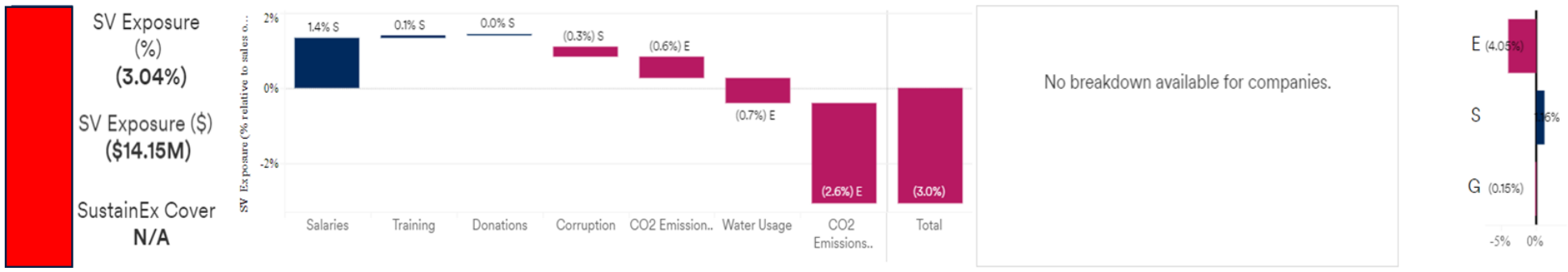
Over **70** data points for each company, estimated where not disclosed

**~16,000** global companies examined

# SustainEx – Screenshot Examples



**Building Material A**



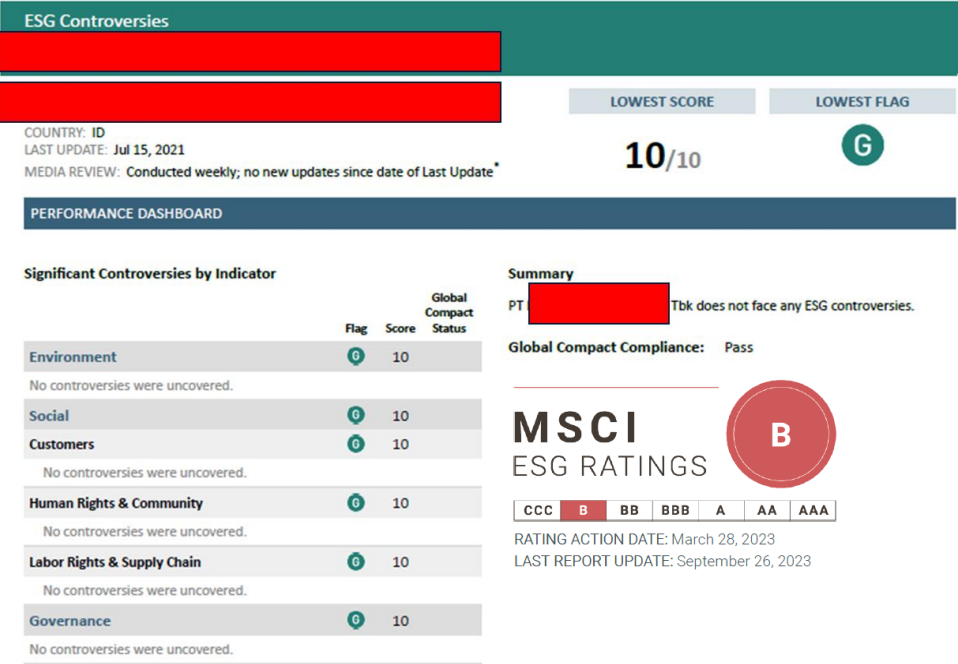
**Building Material B**

Source: Schroders.



## 2. Controversies

# Controversy Assessment



## NGO Report / Public News



### Active Engagement

- Mitigation Effort
- More Comprehensive Disclosure
- Preemptive actions.
- First Tier Certification
- Sustainability Report Based on TNFD framework

- Companies Meetings
- Corporate Public Response

Source: Schroders.



# ESG Scoring Band

Stakeholder weight vary depending on corporate's sector classification

SIMI Stakeholder Weight	E	S	G	Sector classification	ESG Scoring Bands										
<b>Governance Weight (%)</b>															
Automobiles	17	33	50	Weak	<table border="1"> <tr> <td>Very Weak</td> <td>10%</td> </tr> <tr> <td>Weak</td> <td>30%</td> </tr> <tr> <td>Moderate</td> <td>50%</td> </tr> <tr> <td>Strong</td> <td>70%</td> </tr> <tr> <td>Very Strong</td> <td>90%</td> </tr> </table>	Very Weak	10%	Weak	30%	Moderate	50%	Strong	70%	Very Strong	90%
Very Weak	10%														
Weak	30%														
Moderate	50%														
Strong	70%														
Very Strong	90%														
Banks	4	46	50	Very Strong											
Construction	12	38	50	Moderate											
Consumer Services	13	37	50	Moderate											
Education	7	43	50	Very Strong											
Food Products	13	37	50	Moderate											
Gas Utilities	25	25	50	Very Weak											
General Retailers	7	43	50	Strong											
Household & Personal Products	13	37	50	Moderate											
Metals & Mining	29	21	50	Very Weak											
Oil & Gas	29	21	50	Very Weak											

Source: Schroders.



### **3. Appendixes**

# Thematic Reports

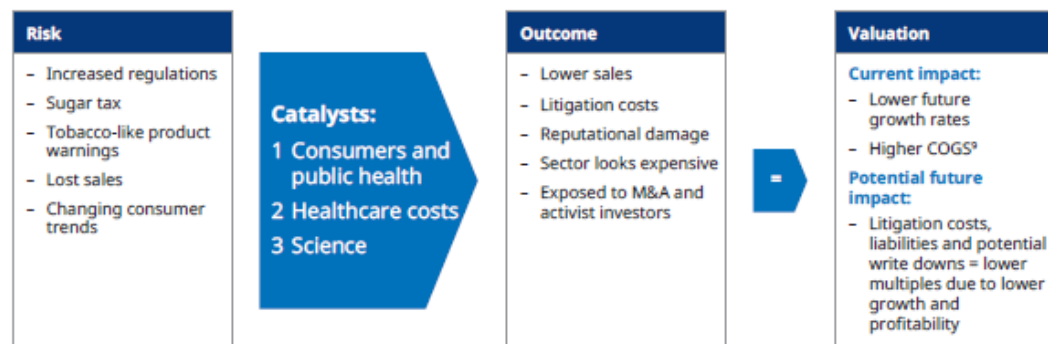
## Example : Sugar & Obesity

### Links to Noncommunicable Disease

Unhealthy, energy dense diets are risk factors for a number of noncommunicable diseases including:

Type 2 Diabetes	Hypertension	Coronary Heart Disease
Lipid Abnormalities	Cardiovascular Disease	Non-Alcoholic Fatty Liver Disease
Polycystic Ovarian Disease	Cancer	Dementia

These catalysts and the potential investment impact can be summarised as follows:



Opportunities to adapt product portfolio and generate higher sales

### Areas for increased transparency – Suggested KPIs and categories

Reporting Level	Suggested KPIs
<b>Portfolio level</b>	<ul style="list-style-type: none"> <li>- Establish baselines for relative sugar content within portfolio/product lines so that investors can better understand the 'sugar footprint' of the portfolio</li> <li>- Reformulation progress, with clear definition of product improvements and definition of healthier products ro compliance with dietary guidelines</li> <li>- % change in R&amp;D spend.</li> </ul>
<b>Product level</b>	<ul style="list-style-type: none"> <li>- Reporting on average reductions of sugar within product lines</li> <li>- Sugar levels per 100g serving</li> <li>- Changes in portion sizes</li> <li>- Compliance with calorie caps for certain specific single serving products.</li> </ul>
<b>By raw material</b>	<ul style="list-style-type: none"> <li>- Tonnes of sugar sourced per £ of revenue or absolute volumes. Tracked over time, appropriately normalised.</li> </ul>
<b>By Sales (by either volume or revenues)</b>	<ul style="list-style-type: none"> <li>- Proportion of sales from products deemed to be 'healthy', with a clear definition of healthy.</li> </ul>
<b>By specific guidance</b>	<ul style="list-style-type: none"> <li>- Report on % of sales or portfolio that meet WHO sugar or national dietary guidelines.</li> </ul>

**Investment rationale:** Providing greater transparency will allow investors to assess progress made, understand targets and what's achievable and be able to compare and contrast company performance.

# On the Ground Follow Up

## Pricing Impact to end consumers

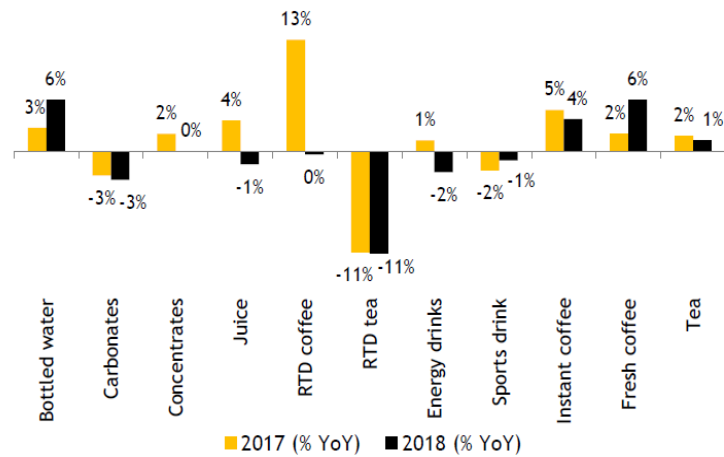
	Sugar Content per 100 ml (g)	Serving size (ml)	Retail price per Packet (Klik Indomaret)	Packet Size (ml) / (g)	Excise Base per litre (Rp)	Final Price Adjustment inc VAT	Price Impact
<b>Beverage</b>							
Coca - Cola original	9.0	390	4,700	390	2,500	5,773	23%
Red Fanta	13.1	350	4,700	390	2,500	5,773	23%
<b>RTD Tea &amp; Coffee</b>							
Nu Green Tea	8.0	330	4,200	330	1,500	4,745	13%
The Pucuk	7.5	350	3,900	350	1,500	4,478	15%
The Botol Original	8.4	350	3,500	350	1,500	4,078	17%
The Kotak	8.7	300	3,500	300	1,500	3,995	14%
Kopiko 78c	10.4	240	6,400	240	2,500	7,060	10%
Ichi Ocha	6.4	450	4,500	450	1,500	5,243	17%
<b>Milk Products</b>							
Indomilk Botol Chocolate	8.9	190	4,200	190	2,500	4,723	12%
Indomilk Botol Strawberry	6.3	190	4,200	190	2,500	4,723	12%
Susu Ultra Coklat	6.8	250	6,200	250	2,500	6,888	11%
Susu Ultra Strawberry	6.0	250	6,200	250	2,500	6,888	11%
Susu Ultra Plain	0.0	250	6,200	250	-	6,200	0%
Milo UHT	6.8	180	5,200	180	2,500	5,695	10%
Cimory UHT Chocolate	11.2	250	6,800	250	2,500	7,488	10%
<b>Yoghurt Drink</b>							
Cimory Yoghurt Drink Strawb	10.4	250	9,000	250	2,500	9,688	8%
Greenfield Yoghurt Drink Stra	10.8	250	9,200	250	2,500	9,888	7%
Yoforia Yoghurt Drink Berry S	10.0	200	9,200	200	2,500	9,750	6%
Diamond Biokul Blueberry	10.7	150	8,900	150	2,500	9,313	5%
<b>Powder Drinks</b>							
Torabika Cappucino	6.0	150	1,840	25	2,500	2,253	22%
Indocafe Coffee Mix	8.0	150	1,520	50	2,500	1,933	27%
Beng Beng Chocolate Drink		150	2,150	30	2,500	2,563	19%
Kapal Api Special Mix		200	1,290	24	2,500	1,840	43%
ESTE EMJE	8.6	175	2,220	30	2,500	2,701	22%
Kuku Bima Energy C Anggur		200	1,433	6	2,501	1,984	38%

Source: Schroders

# Sugar Tax Impact Analysis

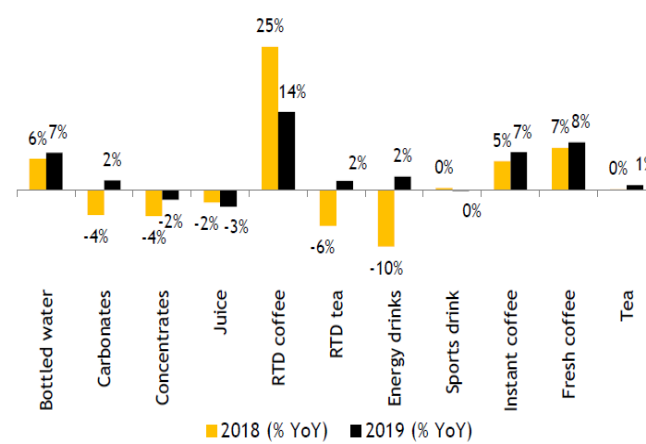
## Lesson from regional peers

Fig 16: Sales volume of beverage products in Thailand when the sugar excise tax was implemented in 2017



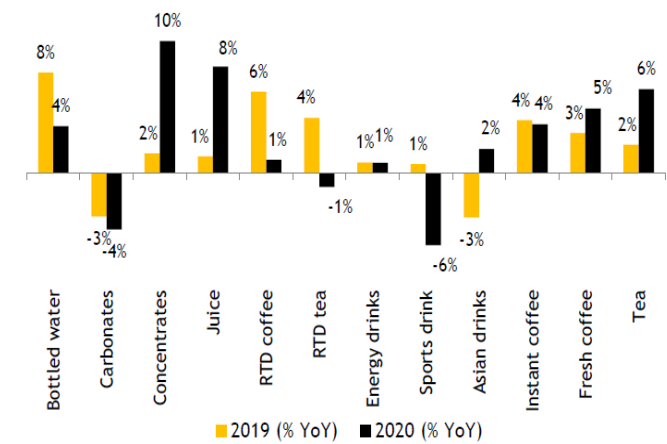
Source: Euromonitor, Maybank Kim Eng

Fig 17: Sales volume of beverage products in Philippines when the sugar excise tax was implemented in 2018



Source: Euromonitor, Maybank Kim Eng

Fig 18: Sales volume of beverage products in Malaysia when the sugar excise tax was implemented in 2019



Source: Euromonitor, Maybank Kim Eng

# SustainEx – Examples of Academic Studies

## Assessing Social Cost of Carbon

**Table 1**

Functions to estimate social cost of carbon from different studies.

Authors	Equations for SCC
Chris Hope, David Newbery	$\frac{CC}{SCC} = \frac{cov(D_r, Y_{r0})/Y_{w0} + D}{cov(D_r, n_r) + D}$
Stephen Newbold, Charles Griffiths, Chris Moore, Ann Wolverton, and Elizabeth Kopits William Nordhaus	$SCC = \frac{dC_t}{dX_t} = \frac{\partial E[W_0]/\partial X_t}{\partial E[W_0]/\partial C_t}$ $SCC = \frac{\partial W}{\partial E(t)} / \frac{\partial W}{\partial C(t)}$
David Anthoff Richard S.J. Tola and Gary W. Yohef	$SCC_r = \sum \frac{I_{tr}(\sum E_s + \delta_s) - I_{tr}(\sum E_s)}{\prod (1 + \rho + \eta_{gr})} / \sum \delta_t$
Anthoff, David; Rose, Steven; Tol, Richard S. J.; Waldhoff, Stephanie	$SCC_r = \sum \frac{D_{tr}(E_{1950} + \delta_{1950}, \dots, E_t + \delta_t) - D_{tr}(E_{1950}, \dots, E_t)}{\prod (1 + \rho + \eta_{gr})}$
Anthoff, David; Tol, Richard S. J.	$SCC_r = \frac{1}{\frac{\partial U}{\partial C}} \sum \delta \sum_r \sum_t \frac{dC}{dC} \frac{\partial U}{\partial C}$
Elisabeth Moyer, Mark D. Woolley, Michael J. Glottr, David A. Weisbach	$SCC = \sum \frac{(C_b - C_1)_t}{(1+r)^t}$
Inge van den Bijgaart, Reyer Gerlagh, Luuk Korsten, Matti Liski	$SCC = \Delta \theta(c) Y(t) W(\sigma, \gamma)$

After selection and before analysis, **the point estimates from each study were normalised** by time (and currency where necessary – not all studies were in USD and so a currency adjustment was done based on exchange rate in the year of the study). The need to normalise for time is because of the fact that time is a

# Monthly global voting reports

Providing transparency on how we voted and why

## Monthly voting reports

### Vote Summary Report

Date range covered: 05/01/2018 to 05/31/2018

### QBE Insurance Group Ltd.

Proposal Number	Proposal Text	Mgmt Rec	Vote Instruction
5b	Approve Disclosure of Climate Risk	Against	For

*Voter Rationale: The proponent requests QBE to report its exposure to climate change-related risks, in line with the recommendations of the TCFD. Yes, the company has agreed to enhance disclosures in its 2018 Annual Report, but current information lags industry best practice, and a vote for this non-binding resolution demonstrates shareholder support for improved disclosure. We do not view this timeframe as overly burdensome.*

### Illinois Tool Works Inc.

Proposal Number	Proposal Text	Mgmt Rec	Vote Instruction
3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
<i>Voter Rationale: Minimum vesting period is less than 3 years</i>			
<i>Blended Rationale: Minimum vesting period is less than 3 years</i>			
4	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For
<i>Voter Rationale: Enhanced shareholder rights</i>			
<i>Blended Rationale: Enhanced shareholder rights</i>			
5	Adopt and Report on Science-Based GHG Emissions Reduction Targets	Against	For
<i>Voter Rationale: The resolution is in line with our support for greater disclosure and actions promoting a transition to a 2 degree global economy. The company lags industry best practice, hence our vote in favour of this resolution.</i>			



Source: Schroders. To view these reports visit: [www.schroders.com/sustainability/](http://www.schroders.com/sustainability/). For illustrative purposes only and should not be viewed as a recommendation to buy or sell.



**Thank you**

