kloeckner metals Your partner for a sustainable tomorrow

CREDIT RATINGS & ESG RATINGS

Relevance for Klöckner & Co

Guido Kerkhoff, CEO

November 2023

DISCLAIMER

This presentation contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words “expect”, “assume”, “presume”, “intend”, “estimate”, “strive for”, “aim for”, “plan”, “will”, “endeavor”, “outlook” and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e. g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of reasonable strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in the annual report. For other terms not defined in the annual report, please refer to the glossary on our website at https://www.kloeckner.com/en/glossary.html.

Rounding differences may occur with respect to percentages and figures.

The English translation of the annual report and the interim statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

+/- 0-1%	constant
+/- >1-5%	slight
+/- >5%	considerable

AGENDA

1. **Klöckner & Co**
2. Credit Ratings
3. ESG Ratings
4. Appendix

KLÖCKNER & CO SE AT A GLANCE

~7,800
Employees

9,379€ million
Sales FY 2022

4,679 thousand tons
Shipments FY 2022

>90,000
Customers

417€ million
EBITDA* FY 2022

44%
Digital Sales Q4 2022

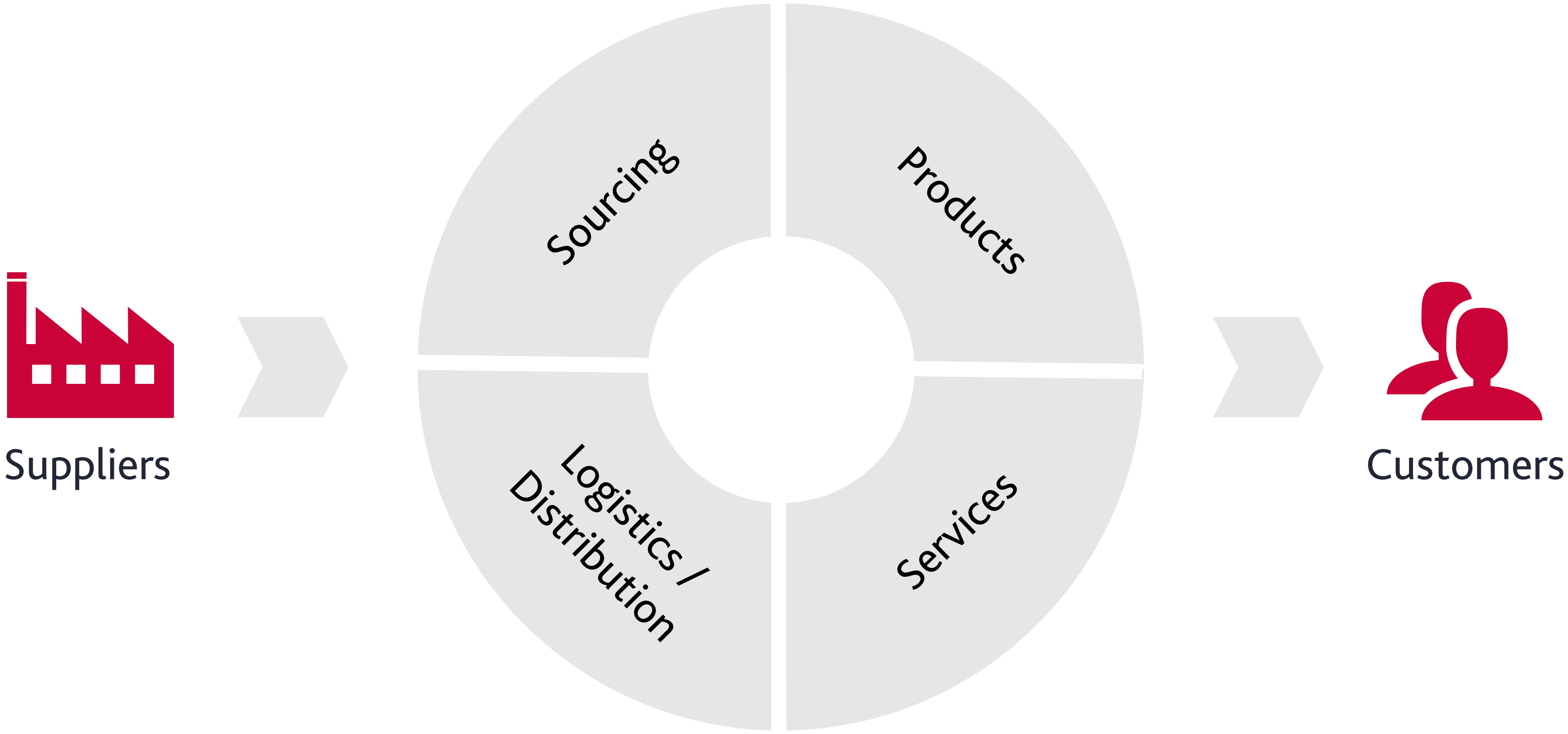
~200,000
Products

13
Countries

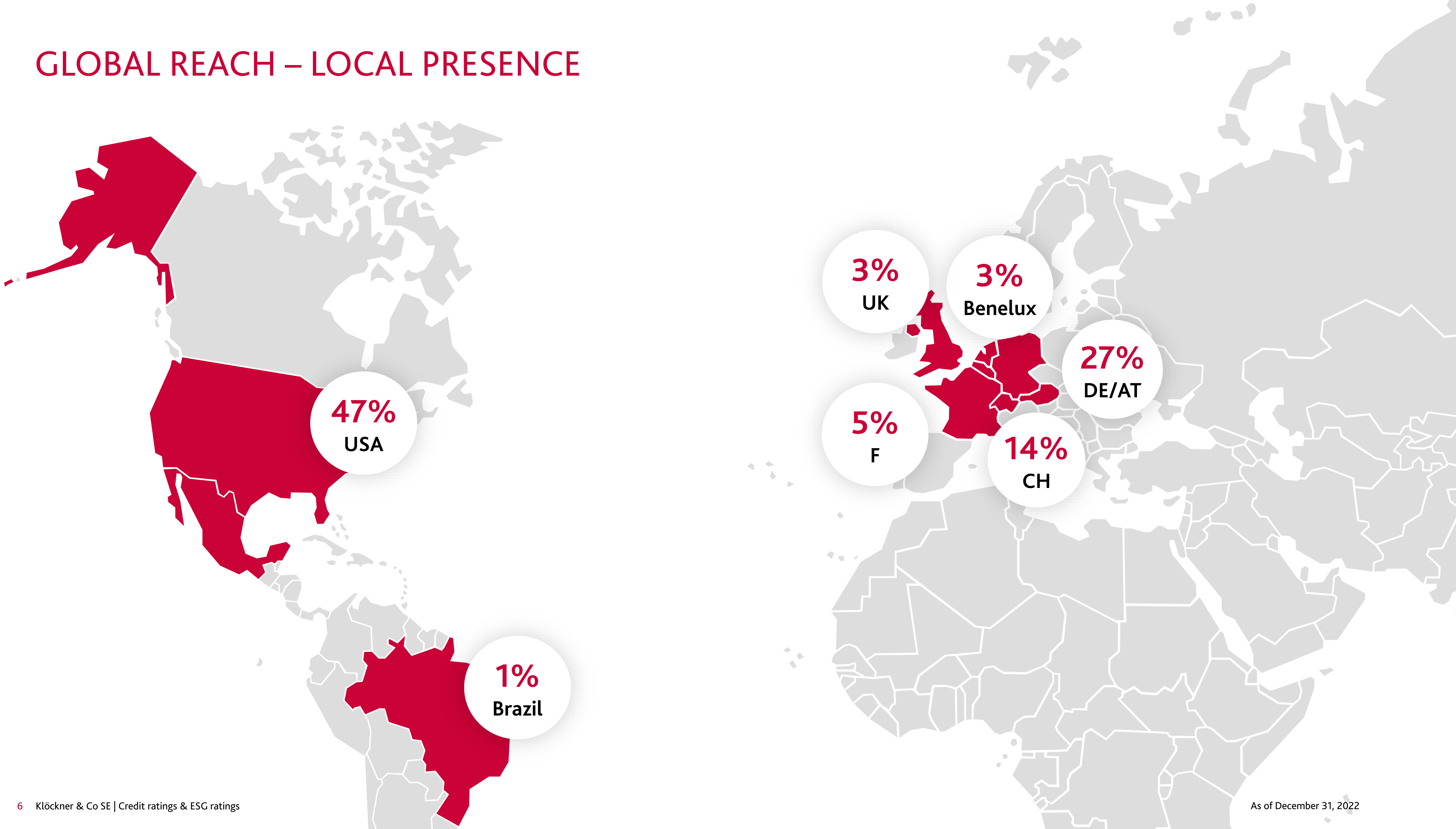
~160
Locations

* Before material special effects

KLÖCKNER & CO VALUE CHAIN – EVERYTHING FROM ONE SOURCE



GLOBAL REACH – LOCAL PRESENCE

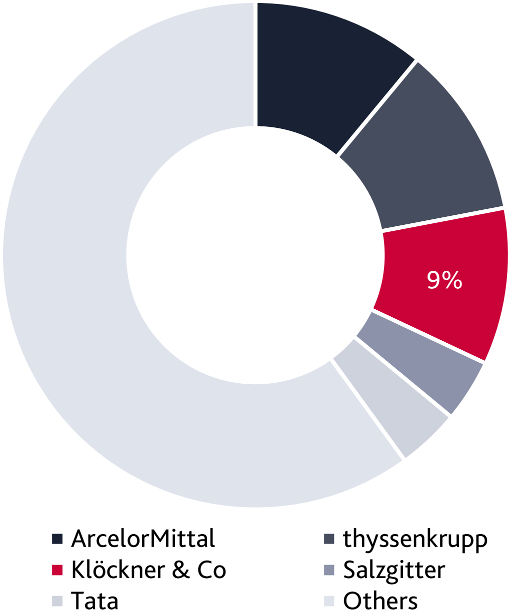


As of December 31, 2022

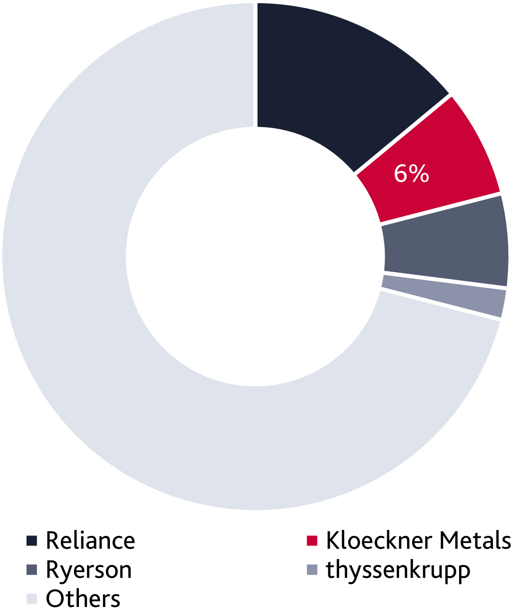
LEADING PLAYER IN FRAGMENTED MARKETS

Market shares of Klöckner & Co 2022

Europe



USA



Source: Eurometal, MSCI, local steel associations, estimates

BECOMING THE LEADING ONE-STOP-SHOP FOR STEEL, OTHER MATERIALS, EQUIPMENT AND PROCESSING SERVICES IN EUROPE AND THE AMERICAS

CUSTOMER GROWTH

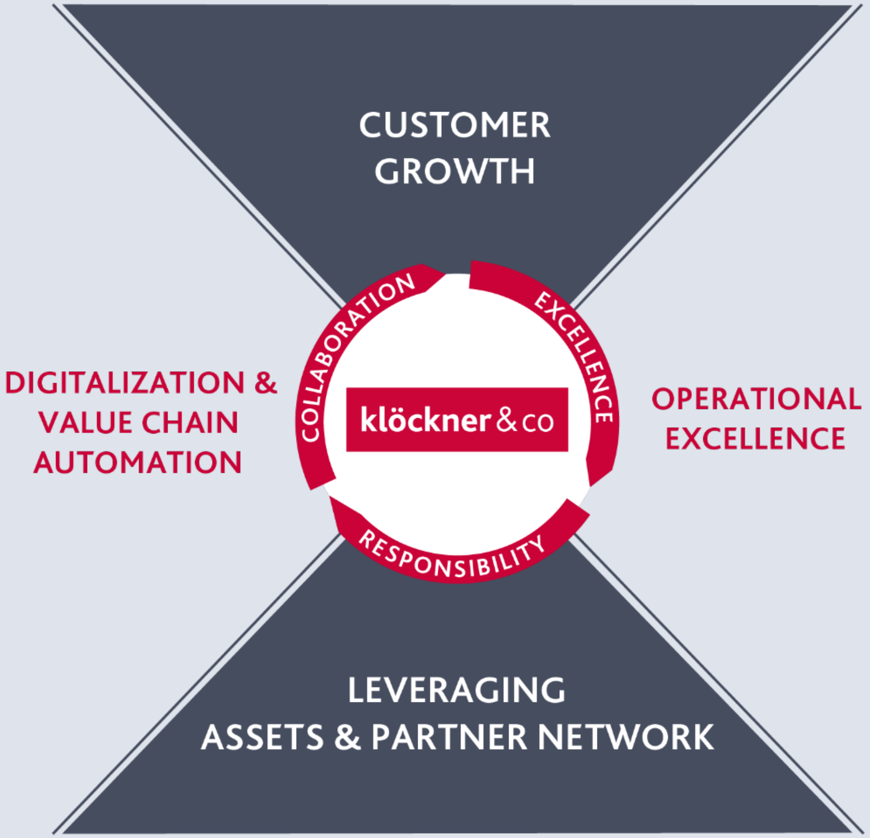
Growth through expanded customer base and increased share of wallet, due to customer focused extension of product and service offering and greater regional coverage

DIGITALIZATION & VALUE CHAIN AUTOMATION

Seamless end-to-end process integration with a very high degree of digitalization and automation to increase process speed and degree of efficiency across the entire value chain (target: “zero touch”)

PARTNER NETWORK EXPANSION

Enabling wider product and service portfolio and greater regional coverage with only light asset deployment through smart partner collaboration and integration



CORPORATE VALUES

Realizing customer centric platform model by leveraging people empowerment and diversity, safety & responsibility, credibility & sustainability as guiding principles for all of our actions

OPERATIONAL EXCELLENCE

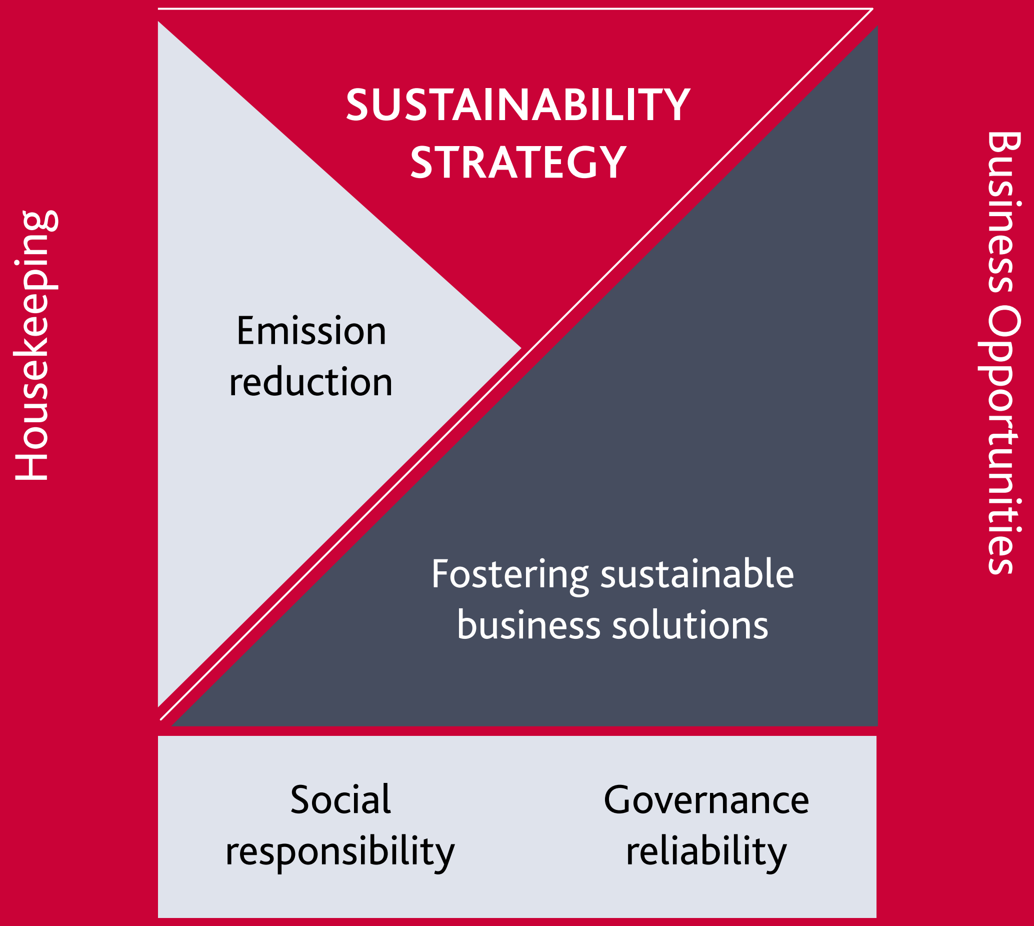
Increase of profitability through eliminating inefficiencies via leaner services and processes, cost containment measures, automation, procedure simplification and data-based decisions in sales and procurement

LEVERAGING ASSETS

Maximizing own asset utilization and portfolio improvement transactions to extend market share and to facilitate growth through opportunistic M&A

STRATEGIC PERCEPTION OF SUSTAINABILITY TRANSFORMATION

Leadership in the sustainable steel and metals industry



OUR AMBITIOUS CLIMATE TARGETS

kloeckner takes action 2040

SCOPE 1 & 2	SCOPE 3	SCOPE 3
OWN DIRECT AND INDIRECT EMISSIONS	UNDER DIRECT INFLUENCE	SUPPLIERS AND CUSTOMERS
50% reduction by 2030	**50%** reduction by 2030	**30%** reduction by 2030
Net zero by 2040	**Net zero** by 2040	**Net zero** by 2050

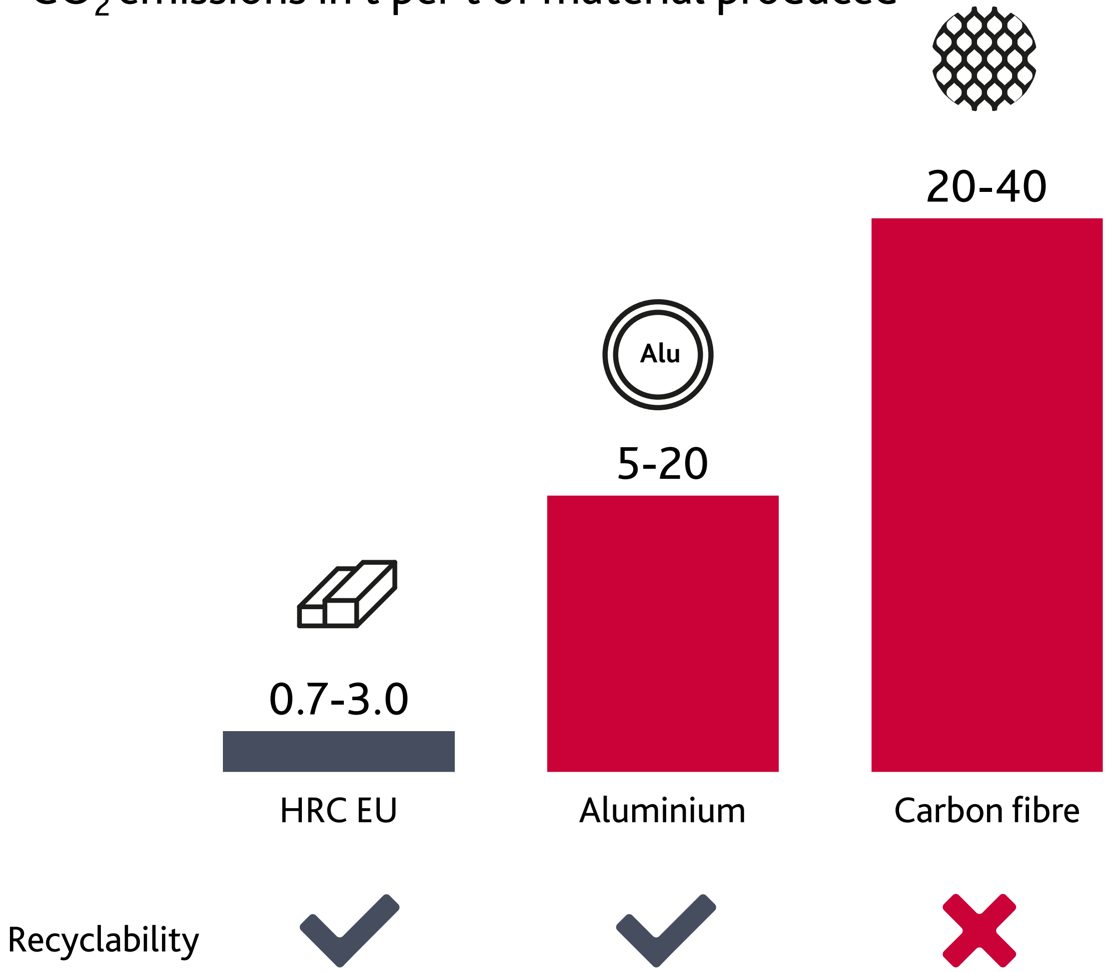
SCIENCE BASED TARGETS

Kloeckner & Co is the first company worldwide with net zero approval from SBTi

WHY STEEL IS AN INTEGRAL PART OF THE SOLUTION

- Climate-friendliness
- Recyclability
- Clear visibility of the Decarbonsation track

CO_2 emissions in t per t of material produced



WE HAVE COME A LONG WAY TO SUPPORT OUR CUSTOMERS BUILDING SUSTAINABLE VALUE CHAINS

Nexigen®

2022

- Announced green steel categorization
- Launched new brand for green steel and metal
- Extended categorization to alu and stainless
- Sold first CO_2-emissions-reduced carbon and stainless steel
- Calculated product carbon footprints (PCF)
- PCF algorithm externally certified by TÜV
  ISO 14067
  ISO 14040
  ISO 14044
- Won German Sustainability Award 2023

2023

- Publicly launched PCF algorithm
- Offer PCF Declarations for nearly all purchases shared as PDF
- Launched Data Services for offering CO_2-emissions-reduced alternatives

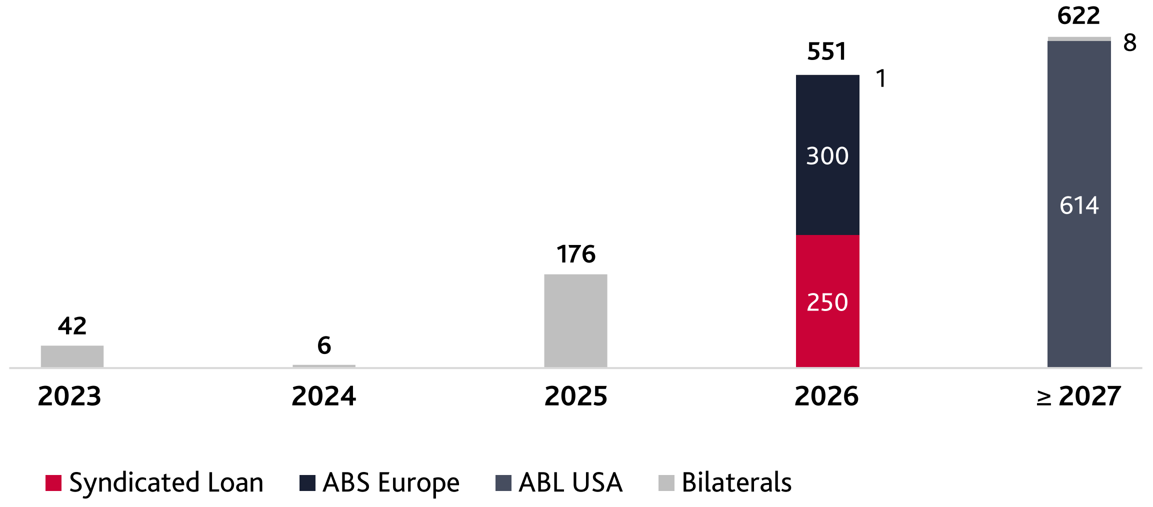
AGENDA

MATURITY PROFILE

Facility (€m)	Committed Sep 30, 2023	Drawn amount	
		Sep 30, 2023	Dec 31, 2022
Syndicated Loan	250	169	25
ABS Europe	300	154	159
ABL USA	614	387	155
Convertible 2016	-	-	139
Bilateral Facilities[1])	233	160	120
Leases	173	173	165
Total Debt	1,570	1,043	763
Cash	-	121	179
Net Debt	-	923	584

€m	Sep 30, 2023
Adjusted equity[2)]	1,890
Equity ratio	46%
Net Debt	923
Gearing[3)]	49%
Leverage[4)]	6.1x

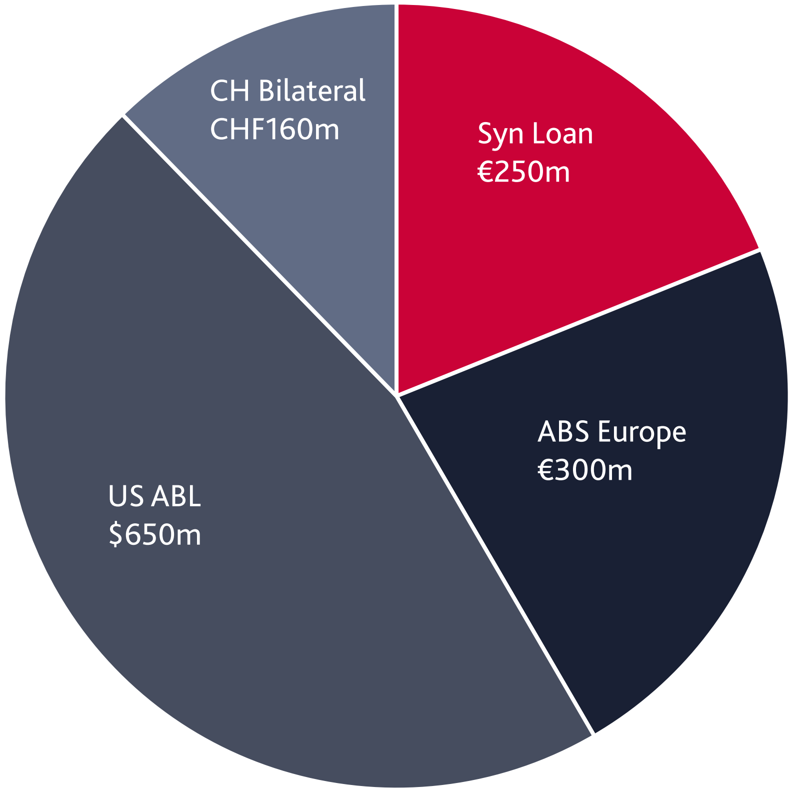
Maturity profile (excl. leasing) in €m, Sep 30, 2023



1) Mainly Switzerland.
2) Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.
3) Net debt as reported/Adjusted equity.
4) Net debt as reported/LTM EBITDA before material special effects including EBITDA contribution of NMM since August 1, 2023.

FUNDING STRATEGY – TAILOR-MADE CONCEPT

Total core instruments €1.4bn



Klöckner & Co has currently no public credit ratings and does not require them for its financing structure

Given KCO's **volatility of earnings /cash flows**, the funding policy is driven by the following key areas:

- **Diversification** – low dependence on specific instrument and/or financing partner
- **Maturity profile** – reduction of refinancing risks
- **Flexibility** – operational flexibility (large working capital swings) but also headroom for mid-sized M&A

CREDIT RATINGS

What Are Credit Ratings

Credit ratings are opinions about credit risk. Our ratings express the agency's opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time.

Credit Ratings Are Not Absolute Measures of Default Probability

Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science. For this reason, S&P Global Ratings opinions are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.

Source: S&P, Guide to Credit Rating Essentials

AGENCY RATING VS. BANK RATING

Agency Rating

- Public (if not private monitored)
- Criteria public, rating committee is private
- **Through-the-cycle view = low rating volatility**
- **"A Credit Rating is an Informed Opinion" (S&P)**
- Global benchmarking across industries/peers
- Driven by historical performance and outlook
- 'Issuer pays' business-model

Bank Rating

- Non-public
- Limited transparency for corporate
- **„Point-in-time" approach = high rating volatility**
- **1y probability of default**
- Highly standardized and limited to customer base
- Largely based on last financial year and driven by key financial ratios
- Credit Risk department as internal cost center

CAPITAL MARKET – RATED VS. UNRATED

- Strong concentration on just three agencies (S&P, Moody's, Fitch)
- Ratings help investors make better decisions faster
- Market efficiency
- Financial regulations require certain investors to hold only rated securities
- Quality label even if rating is weak
- Market for unrated bonds is extremely small

Statistics € bond market (emission currency is euro):

	2021	2022	YTD 2023
Market size	401	259	288
Unrated €bn	14	1	5
% unrated	3.5%	0.4%	1.7%

Source: Commerzbank

S&P & MOODY'S RATING SCALES (LONG-TERM RATINGS)

S&P	Moody's	Example
AAA	Aaa	Microsoft, Johnson & Johnson
AA+	Aa1	Apple, Alphabet
AA	Aa2	Allianz, Berkshire Hathaway
AA-	Aa3	Munich Re, LVMH
A+	A1	Siemens, JP Morgan
A	A2	SAP, BMW
A-	A3	Adidas, BASF
BBB+	Baa1	VW, Vonovia
BBB	Baa2	Bayer, Tesla
BBB-	Baa3	Arcelor, Infineon
BB+	Ba1	Schaeffler, Renault
BB	Ba2	thyssenkrupp
BB-	Ba3	Benteler, ams-Osram
B+	B1	Europcar
B	B2	TK Elevator, TUI
B-	B3	Delivery Hero
CCC+	Caa1	
CCC	Caa2	
CCC-	Caa3	
D	C	Default

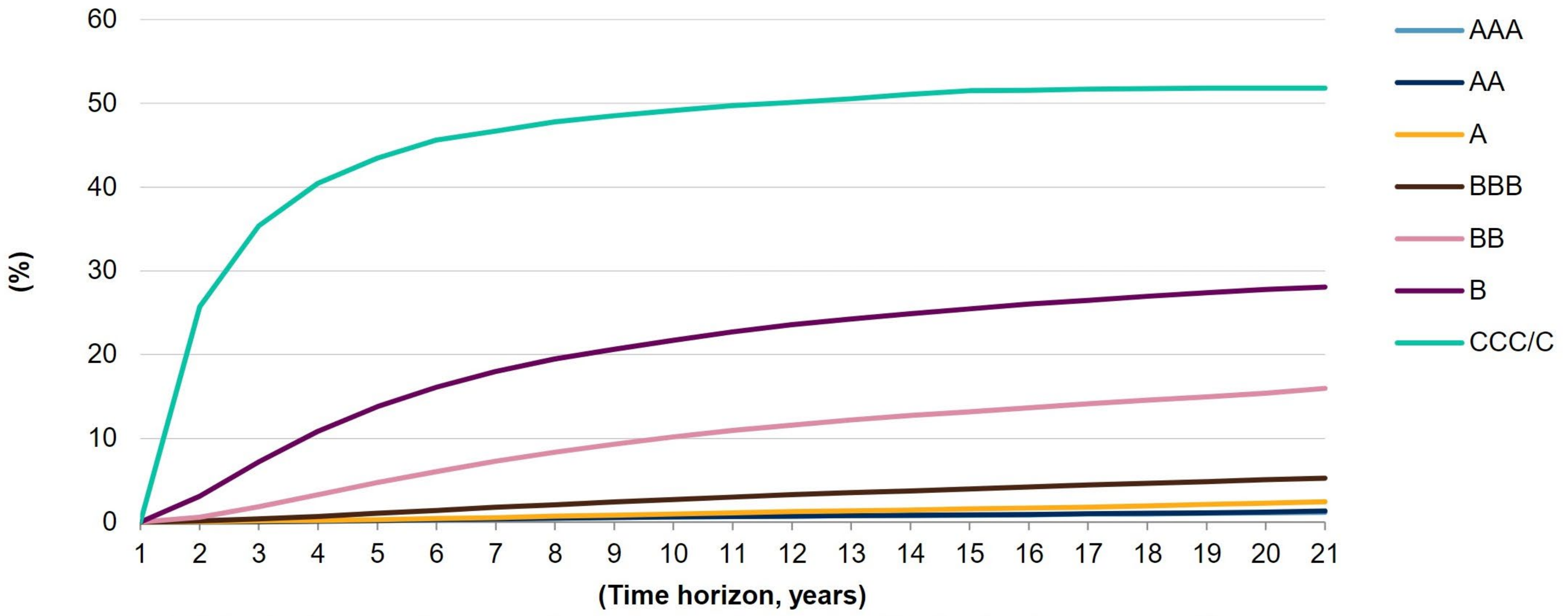
Investment Grade

- Stable industry
- Strong global market position
- Large scale
- At the same time low / moderate leverage

Sub Investment Grade

- Good business profile but high(er) leverage
- Generally weaker business profiles

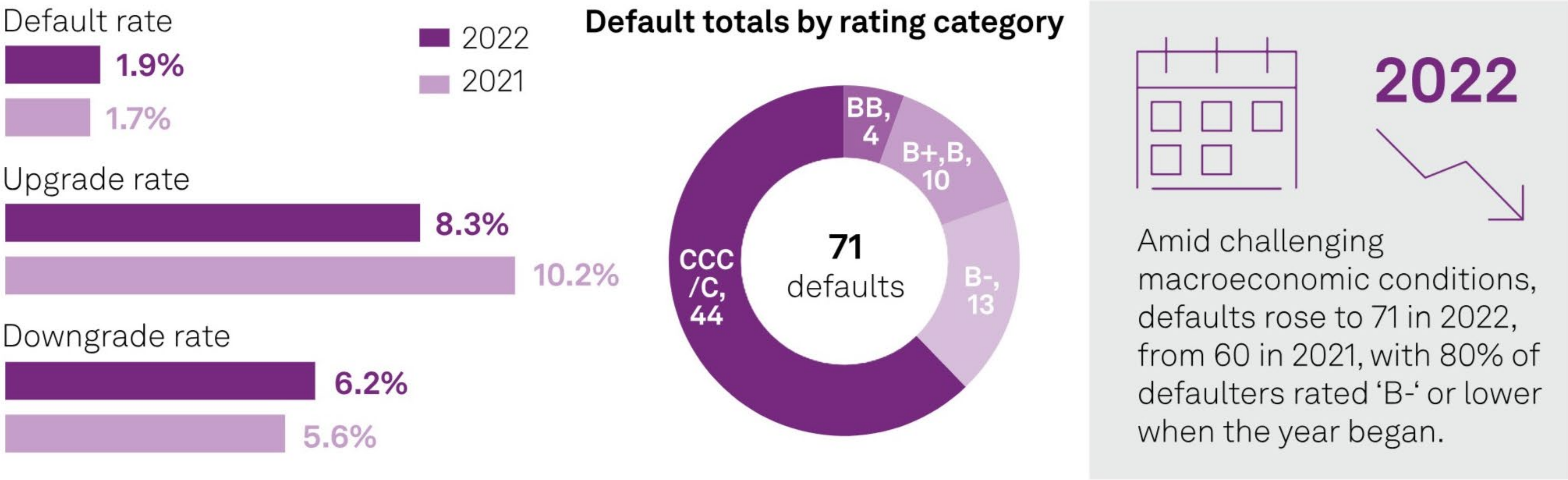
GLOBAL CORPORATE AVERAGE CUMULATIVE DEFAULT RATES BY RATING (1981-2022)



- Historical default rates confirm that corporate ratings generally assess risks correctly
- Note: The steps between the rating categories do not reflect a linear increase in risk!

Source: S&P Global Ratings Credit Research & Insights & S&P Global Market Intelligence's Credit Pro

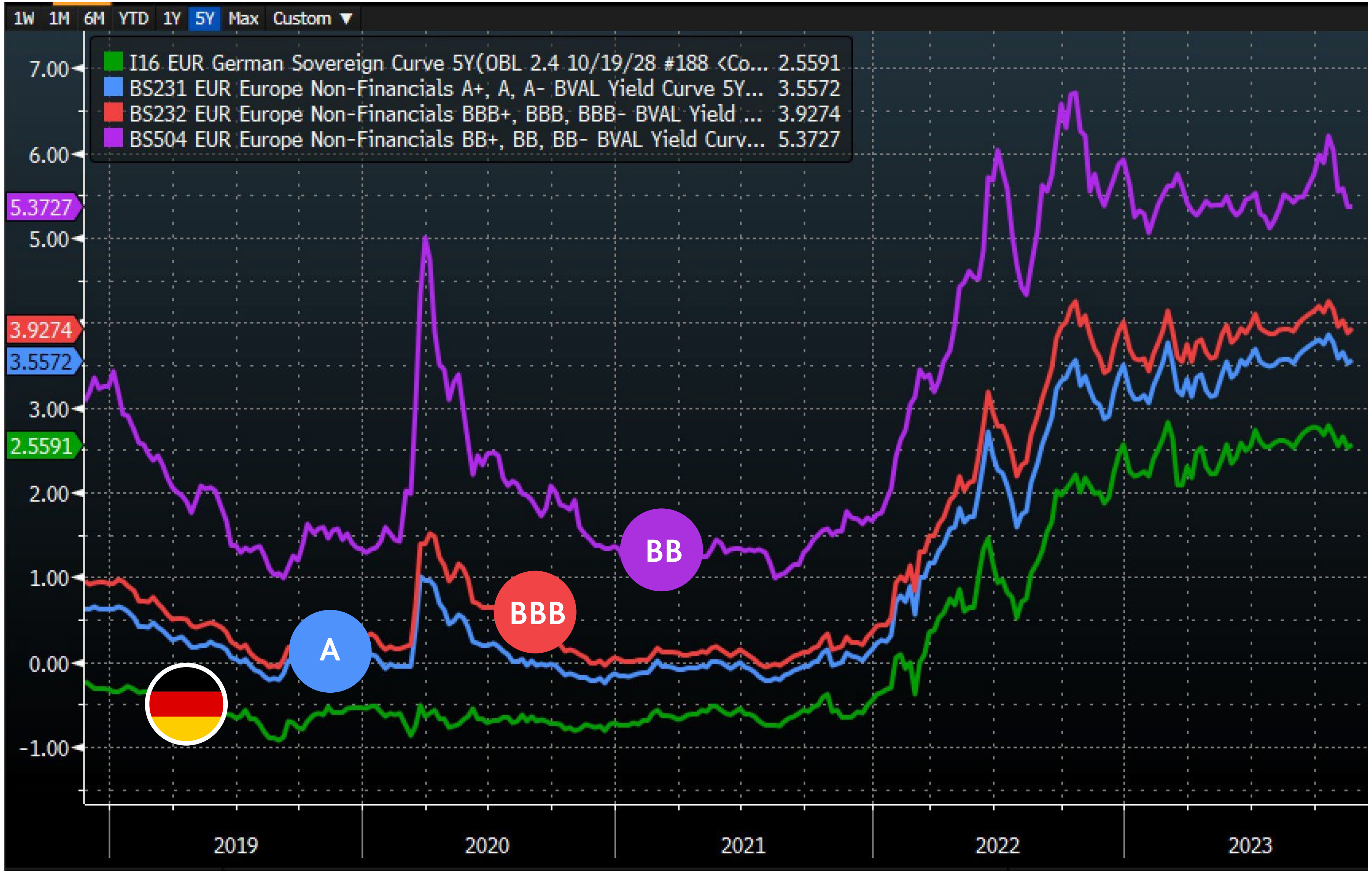
BREAKDOWN DEFAULTS 2021 AND 2022 (INCL. FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES)



- Only 71 defaults (missed interest or principal payment) globally confirm the high quality of rated companies
- Of the defaulters that were rated at the start of the year, all were rated speculative grade

Source: S&P

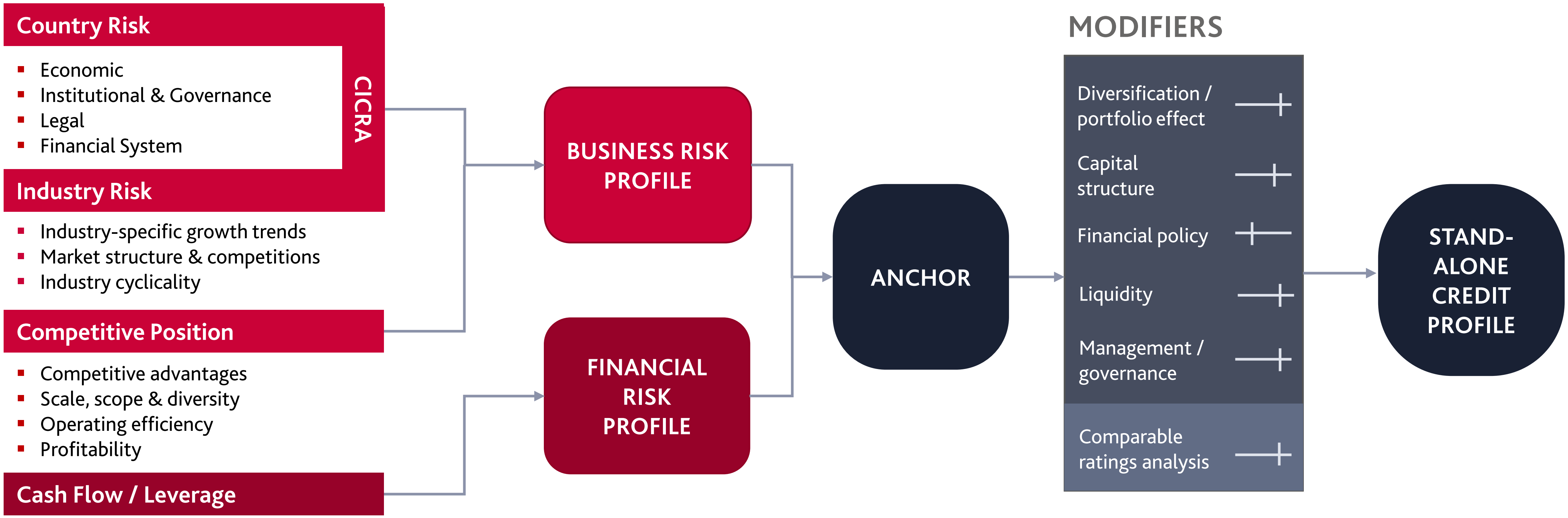
DEVELOPMENT € YIELD CURVES – 5Y TERM (UNTIL NOV 2023)



- The rating level is the key factor for investors' return expectations
- ‘Single A’ and ‘BBB’ show moderate yield delta over time
- The HY market reflects the significantly higher default risk and is higher correlated to equity markets and the overall economic environment

Source: Bloomberg

S&P CORPORATE CRITERIA

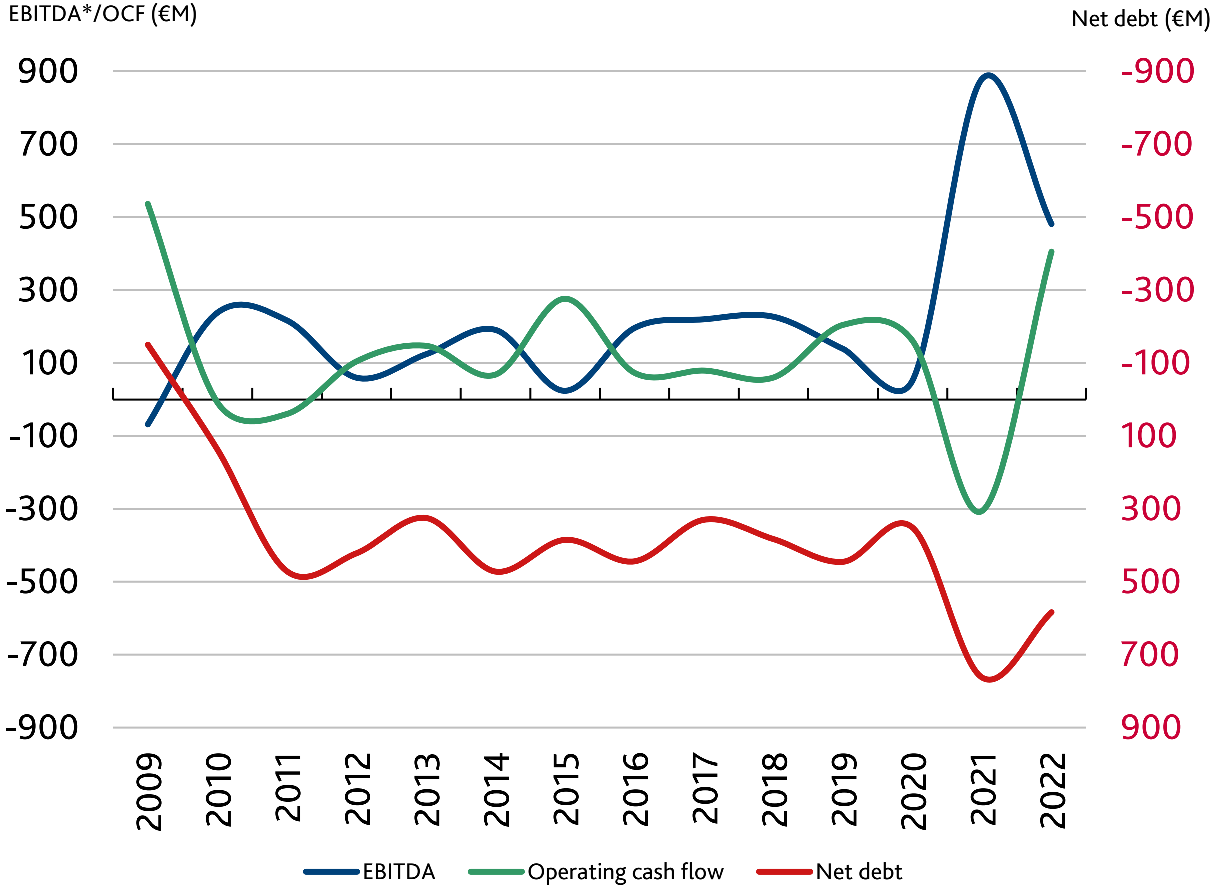


- Common misunderstanding: A rating is much more than a simple system of financial ratios
- Sector, market position and country risk are the most important factors for the rating result
- Modifiers are used to adjust analytical outcome to final rating level

Source: S&P

BUSINESS RISK OF STEEL INDUSTRY SEEN CRITICAL BY RATING AGENCIES

Klöckner & Co



* Before material special effects

Metal Distribution Peers

- Cyclical (“macro play”) and highly competitive (lower margins)
- Fluctuating metal prices lead to volatile results and cash flows
- Business risk profile at the lower end of the scale

RELIANCE STEEL & ALUMINUM CO.

- Market Cap $15bn, EBITDA 2022 $2.7bn, net debt 2022 $0.7bn
- Investment Grade Ratings: **BBB / Baa2** (S&P, Moody's)

RYERSON

- Market Cap $1bn, EBITDA 2022 $582m, net debt 2022 $587m
- Sub Investment Grade Ratings **BB- / Ba3 / BB** (S&P, Moody's, Fitch)

Russel Metals

- Market Cap $1.7bn, EBITDA 2022 $445m, net debt 2022 $44m
- Sub Investment Grade Ratings: Rating **BB+ / Ba1** (S&P, Moody's)

Source: Bloomberg

AGENDA

1. Klöckner & Co
2. Credit Ratings
3. **ESG Ratings**
4. Appendix

UNDERSTANDING ESG RATINGS: WHAT'S BEHIND THEM?

Relevant names in the ESG ecosystem:

ESG ratings

- Used as a proxy to compare the relative ESG performance of companies
- ISS, Sustainalytics and MSCI largest current full ratings
- The primary customers are not the rated companies, but investors

ESG rating agencies have a key role to play, but ...

... the care is missing:

Too many companies are evaluated and the exchange with them is inadequate.
As a result, not everything that companies report is included in ESG ratings.

... there is a lack of transparency:

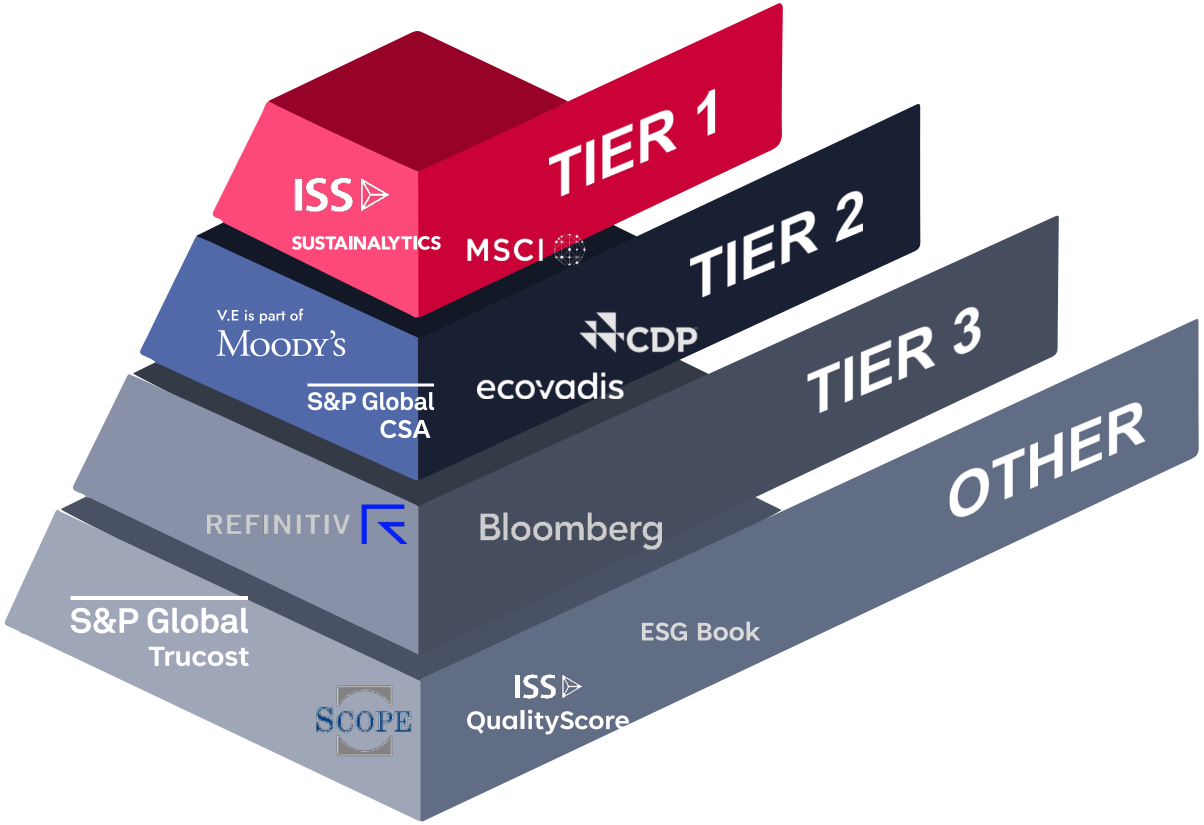
There are hundreds of different ESG indicators with disguised fulfillment conditions.
Consequence: Companies that do not meet indicators precisely perform worse.

... the uniformity is missing:

The number and weighting of indicators varies greatly between individual ESG rating agencies.
Consequence: Many investors use various ESG ratings.

RANKING ESG RATINGS

ESG rating hierarchy[1]:



Key information on ESG ratings:

TIER 1: Full ESG ratings with maximum acceptance and leverage

- Analyze over 10,000 companies worldwide
- MSCI with indices; ISS part of Deutsche Börse; Sustainalytics from Morningstar

TIER 2: ESG ratings from credit rating agencies and most important special ratings

- CSA as flagship rating from S&P, Vigeo Eiris from Moody's
- CDP as a most important environmental rating; EcoVadis as a top supply chain rating

TIER 3: Automated ESG ratings from (financial) data providers

- Purely algorithm-based databases and automated ratings
- Function for investors primarily as a "first ESG impression"

TIER 4: Secondary ratings of major providers and other ESG ratings

- Providers such as ISS, MSCI or S&P offer additional ratings
- There are also hundreds of smaller ESG ratings worldwide

1 : Sample selection; as at: November 2023

COMPARISON OF CREDIT RATINGS WITH ESG RATINGS REVEALS WEAKNESSES OF ESG RATINGS DUE TO LOWER MARKET MATURITY

	Credit ratings (especially S&P, Moodys, Fitch):	ESG ratings (e.g. MSCI ESG, Sustainalytics, S&P CSA):
Focus	▪ Consideration of financial company information	▪ Consideration of non-financial company information
Marginalized Information on	▪ ESG information marginally included, but with no significant impact on credit rating[1]	▪ Financial information partly included marginally (e.g. calculation of intensity ratios; minor deductions for poor financial performance)
Comparability across ratings	▪ High evaluation homogeneity due to comparable evaluation criteria	▪ High degree of heterogeneity in valuation due to very different focuses (thematic and at indicator level) as well as widely varying methodologies and low market concentration
Evaluation mode	▪ Mostly active commissioning by companies and active exchange with direct analyst contact	▪ Both passive (e.g. MSCI, ISS) with no direct analyst contact and active assessment on a questionnaire basis (CDP, EcoVadis)
Number of evaluated companies per analyst	▪ Low	▪ High (often only a "ticking-the-box" check, especially for smaller companies)

Weaknesses in **ESG ratings** expected to improve gradually over the next few years:
a) stricter EU regulation of rating providers;
b) standardized EU laws for company disclosures on ESG (especially CSRD);
c) expected market consolidation among ESG ratings.

DEEP DIVE: PLANNED EU REGULATION ON ESG RATINGS

A look at the latest developments in the EU regulation of ESG ratings:


EUROPEAN COMMISSION

Strasbourg, 13.6.2023
COM(2023) 314 final

2023/0177 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities

(Text with EEA relevance)

{SEC(2023) 241 final} - {SWD(2023) 204 final} - {SWD(2023) 207 final}

EN

A gradual improvement in the weaknesses of ESG ratings is expected in the coming years, supported by stricter EU regulation of ESG rating providers.

ESMA supervision and sanctions

- European Securities and Markets Authority (ESMA) to take over supervision of ESG rating agencies (as is already the case for credit rating agencies)
- New powers will allow ESMA to sanction misconduct

Transparent methodologies

- ESG rating agencies should make methodologies more transparent
- Rated issuers will receive more detailed information and will be able to lodge complaints

Ban on advisory services

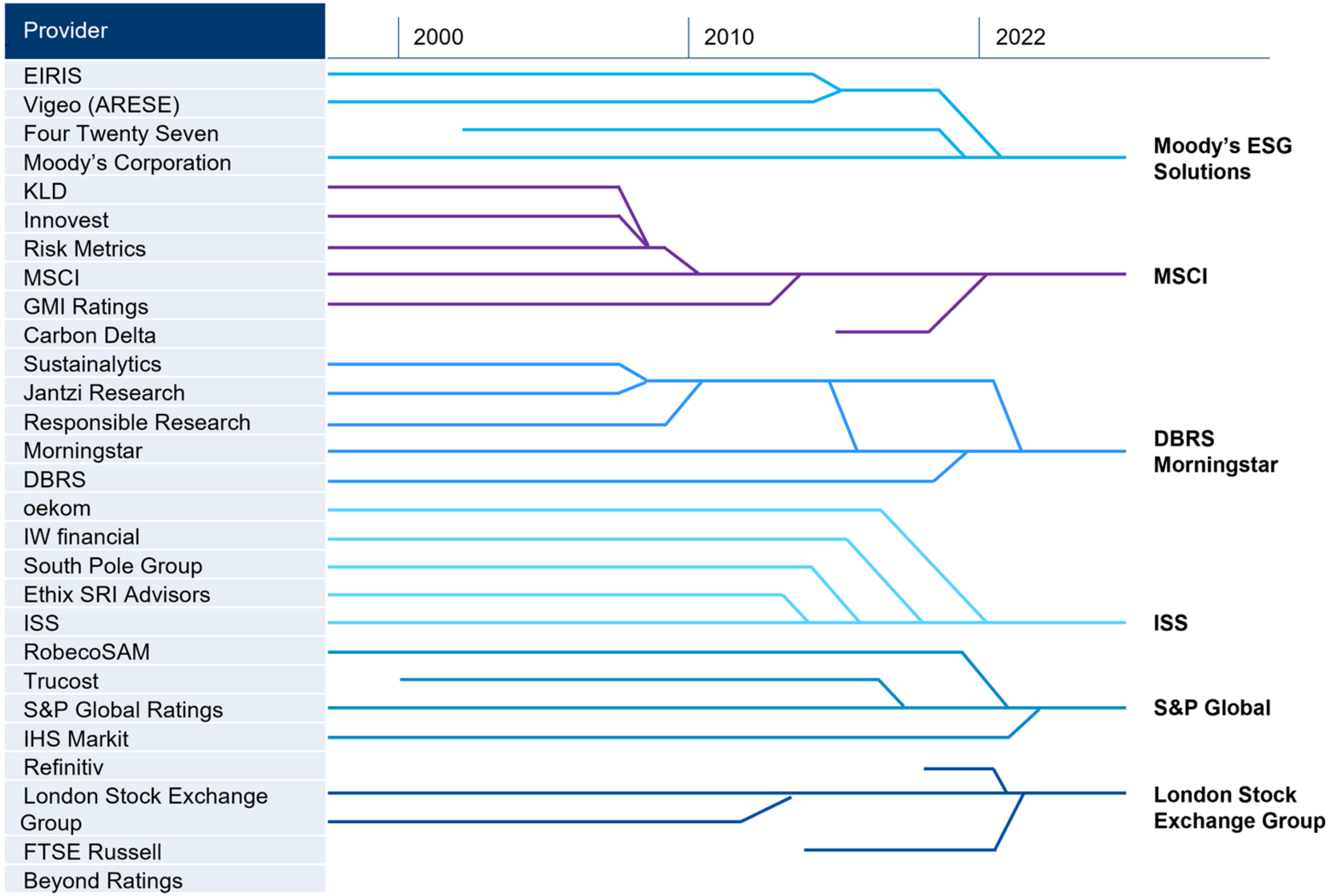
- ESG rating agencies should not be allowed to offer advisory services at the same time
- Goal: Reduction of conflicts of interest and less "pay to win" in ESG ratings

First consequences:

Among other things, S&P has stopped reporting ESG components in its own credit ratings

CONSOLIDATION OF ESG RATINGS 2000-2022

Understanding the development of ratings:



- ESG ratings are subject to an **increased consolidation trend**
- Lots of **dynamism and innovation** in terms of valuation methods and standards
- There is currently **no comprehensive regulatory structure** for ESG ratings (yet) (supervision by ESMA planned)
- Large number of **approaches and methodologies** make standardization and comparability difficult

Source: Via Tomorrow

AN IMPACT BUSINESS MODEL DOES NOT NECESSARILY HAVE AN INFLUENCE ON A COMPANY'S ESG RATINGS

Examples of counterintuitive ESG ratings:

Nestlé

BUSINESS MODEL
Rather negative
ESG impact

SUSTAINALYTICS SCORE
27.2 **(Medium Risk)**

BEYOND MEAT

BUSINESS MODEL
Rather positive
ESG impact

SUSTAINALYTICS SCORE
40.3 **(Severe Risk)**

Impact mechanisms of ESG ratings:

- The target group of ESG ratings is not the rated companies, but investors
- Logics, weightings and main topics vary
- Business model impact often still plays a subordinate role
- Valuations do not necessarily reflect sustainable performance, but rather ESG transparency
- The more people in the company are involved with the ESG ratings – and try to actively engage with the rating agencies – the better the rating will often be

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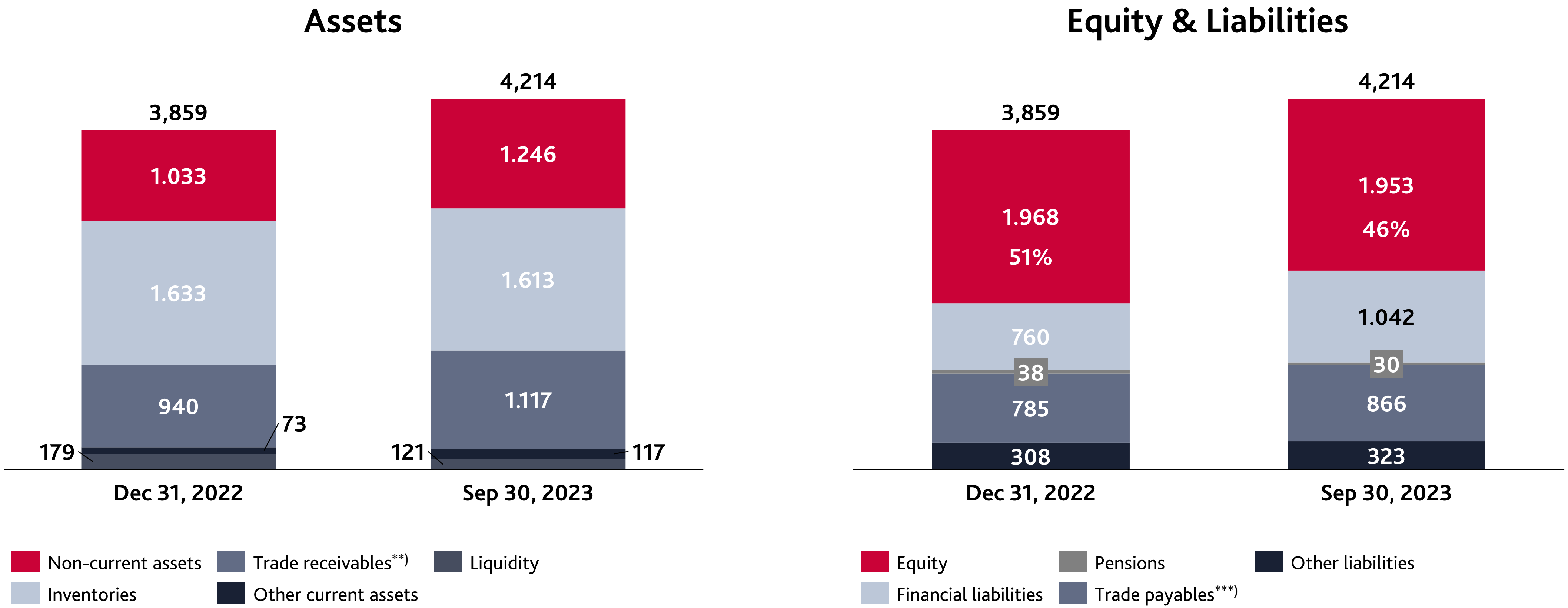
STRONG AND SOLID BALANCE SHEET

Solid equity ratio of 46%, gearing*) of 49% and leverage of 6.1x



*) Gearing = Net financial debt / (Consolidated equity ./. non-controlling interests ./. goodwill resulting from acquisitions subsequent to May 23, 2019).
**) Incl. contract assets and supplier bonuses.
***) Incl. contract liabilities and advance payments received.

RATING PROCESS FIRST TIME RATING

Preparation together with banks mandated for bond issuance

Rating request → Evaluation by Agency → Management Meeting

Analysis → Committee → Notification

Privat Process:
up to 6 weeks

Bond issuance

Publication → Issuance → Surveillance → Annual Management Meeting

Public credit opinions

S&P RATING MATRIX

FINANCIAL RISK PROFILE

Business risk profile	Financial risk profile 1 (minimal)	2 (modest)	3 (intermediate)	4 (significant)	5 (aggressive)	6 (highly leveraged)
1 (excellent)	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
2 (strong)	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
3 (satisfactory)	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
4 (fair)	bbb/bbb-	bbb-	bb+	bb	bb-	b
5 (weak)	bb+	bb+	bb	bb-	b+	b/b-
6 (vulnerable)	bb-	bb-	bb-/b+	b+	b	b-

BUSINESS RISK PROFILE

Weak business + strong KPIs
= **Sub investment grade**

Excellent business + high leverage
= **Investment grade**

Source: S&P

MOODY'S SCORING APPROACH

Scorecard for Distribution & Supply Chain Services Industry

Rating Factors	Factor Weighing	Sub-Factors	Sub-Factor Weighting
Scale	20%	Revenue EBITA	10% 10%
Business Profile	15%	Business Profile	15%
Profitability & Efficiency	15%	Operative Margin Return of Invested Capital	10% 5%
Leverage and Coverage	35%	Debt/EBITDA	10%
		EBITA/Interest	15%
		RCF/Debt	10%
Financial Policy	15%	Financial Policy	15%
Total	100%	Total	100%

Qualitative assessment

- Specific scorecard for each industry
- "The scorecard is a reference tool that can be used to approximate credit profiles (...) in most cases."

Source: Moody's

OVERVIEW OF CREDIT AND NON-CREDIT RATINGS

	Credit-related ratings		Non-credit ratings
	Credit ratings	ESG aspects in credit ratings	ESG ratings
Moody's	Moody's Investors Service	ESG Issuer Profile Scores & Credit Impact Scores	ESG Scores & Assessments (Moody's ESG Solutions)
FitchRatings	Credit ratings, Fitch Ratings	ESG Relevance Scores	ESG Ratings & ESG Score (Sustainable Fitch)
MORNINGSTAR®	DBRS Morningstars	n/a	ESG Risks & Risk Ratings (Sustainalytics)
S&P Global	S&P Global Ratings	ESG Credit Indicators S&P Global Ratings *(no longer active)*	S&P Global Ratings (CSA)
SCOPE Scope Ratings	Credit ratings	n/a	ESG Impact Ratings, ESG Impact Scores, ESG Analysis, Climate Risk Solution, Second Party Opinions
ISS ESG	n/a	n/a	ESG Ratings & Rankings (ISS ESG)
MSCI	n/a	n/a	ESG Ratings (MSCI ESG)
REFINITIV®	n/a	n/a	ESG Scores (Refinitv EIKON)
FTSE Russell An LSEG Business	n/a	n/a	ESG Ratings, ESG Factor-In Model (FTSE Russell)

Source: https://www.unpri.org/credit-risk-and-ratings/esg-in-credit-ratings-and-esg-ratings/11071.article [06.03.2023

OVERVIEW OF ESG RATING AGENCIES FOR KLÖCKNER (1/2)

Tier 1 ESG rating agencies:

MSCI

- ESG rating from MSCI is the **most recognized rating** on the capital market
- German companies that are **part of the MSCI ACWI Europe Small Cap Index** (in DE up to about SDAX) are evaluated
- Data evaluation by MSCI itself: No direct analyst contact possible (only feedback function)

ISS ESG

- ESG rating is quite relevant for European investors (especially since **takeover by Dt. Börse** in 2021); less so outside the EU
- In Germany, the rating is up to slightly below the SDAX as well as many companies with bonds
- Data evaluation by ISS itself: No direct analyst contact possible (only feedback function)

SUSTAINALYTICS

- Sustainalytics **No. 2 in the ESG rating market worldwide behind MSCI** from an investor perspective
- Valuation in Germany is up to just below the SDAX
- Data evaluation by Sustainalytics itself: No direct analyst contact possible (only feedback function)
- Option to initiate additional fee-based rating with direct analyst contact

OVERVIEW OF ESG RATING AGENCIES FOR KLÖCKNER (2/2)

Tier 2 ESG rating agencies:

S&P Global

- **Former RobecoSAM** CSA rating with almost 10,000 rated companies
- Strictly **separate from S&P credit ratings**
- The **Dow Jones Sustainability Index is** based on this
- German companies up to about SDAX level are evaluated
- Rating questionnaire is completed by the company itself and evaluated by S&P (no direct contact with analysts)

ecovadis

- Less relevant for the capital market, but **strong positioning in the supply chain** / B2B ESG ratings (> 100,000 companies rated)
- **Coverage** in Germany depends on client inquiries - **comprehensive in the B2B sector**, less so in the B2C sector
- Rating questionnaire is completed by the company itself and evaluated by EcoVadis (no direct contact with analysts)

CDP
DISCLOSURE INSIGHT ACTION

- Relevant for the capital market, but **purely focused on the environmental sector** (main rating deals with climate change)
- **Several thousand companies** worldwide can be evaluated
- Rating questionnaire is completed by the company itself and evaluated by CDP (no direct contact with analysts)

DEEP DIVE: RATING AGENCY ISS

Background information on ISS:

ISS ESG

- Part of Deutsche Börse Group since the end of 2020
- Analyze over 10,000 companies worldwide every year
- Rating is based on a letter scale from A+ to D-; additionally so-called "Prime" status (best 10% of each sector)
- Comparatively high level of transparency compared to other ESG rating agencies

ISS rating procedure:

Rating Results Summary

		Grade	Weight
	Social Rating	C-	47.37%
A.1.	Staff and Suppliers	C-	25.26%
A.1.1.	Staff	C	12.63%
A.1.1.1.	Freedom of association and the right to collective bargaining	D+	2.74%
A.1.1.1.1.	Policy on freedom of association and collective bargaining	B	0.92%
A.1.1.1.2.	Measures to ensure freedom of association and facilitate collective bargaining	D-	1.83%
A.1.1.1.3.	Controversies relating to freedom of association		0.00%
A.1.1.2.	Equal opportunities and non-discrimination	B	1.64%
A.1.1.2.1.	Policy on non-discrimination	B	0.55%
A.1.1.2.2.	Measures to promote equal opportunities and diversity	A-	0.55%
A.1.1.2.3.	Gender distribution	B-	0.55%
A.1.1.2.4.	Controversies relating to discrimination		0.00%
A.1.1.3.	Health and safety	A	2.74%
A.1.1.3.1.	Health and safety management system	A-	1.37%
A.1.1.3.1.1.	Implementation of a health and safety management system	A	0.69%
A.1.1.3.1.2.	Certification of the health and safety management system to an international standard	B+	0.69%
A.1.1.3.2.	Accident rate	A+	1.37%
A.1.1.3.3.	On-site contractor health and safety		0.00%
A.1.1.3.3.1.	Contractor accident rate		0.00%
A.1.1.3.4.	Controversies relating to health and safety		0.00%
A.1.1.4.	Work-life balance	D	1.09%
A.1.1.4.1.	Workplace flexibility and working time reduction	D+	0.55%
A.1.1.4.2.	Dependant care and special leave	D-	0.55%
A.1.1.5.	Pay and benefits	D-	1.64%
A.1.1.5.1.	Payment practices	D-	1.64%
A.1.1.5.2.	Staff benefits		0.00%
A.1.1.6.	Employment security and types of employment	D-	1.64%
A.1.1.6.1.	Employment security and responsible workforce restructuring	D-	1.09%
A.1.1.6.1.1.	Policy on employment security and responsible workforce restructuring	D-	0.22%
A.1.1.6.1.2.	Large-scale redundancies and significant job cuts	D-	0.44%
A.1.1.6.1.3.	Measures to ensure responsible workforce restructuring	D-	0.44%
A.1.1.6.2.	Types of employment	D-	0.55%

ISS calculates the total score strictly on a percentage basis:

- Definition of subject areas, sub-levels and individual indicators
- Percentage share of the overall rating and (letter) score for each indicator
- Several sub-requirements possible per indicator (e.g. several fulfillment conditions in the Supplier Code of Conduct)
- ISS provides a brief status quo assessment and comments on the fulfillment conditions for each indicator

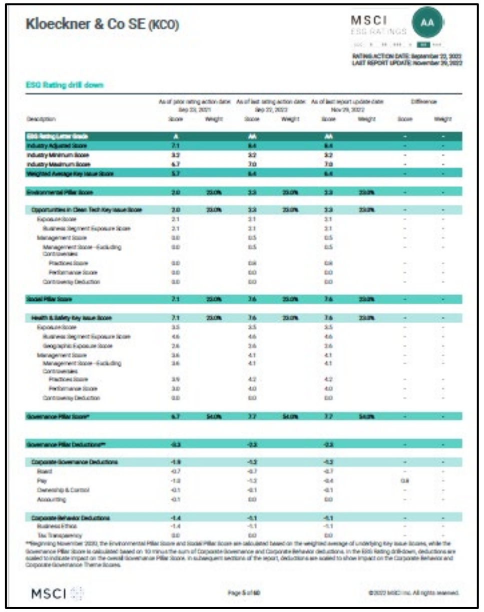
DEEP DIVE: RATING AGENCY MSCI

Background information on ISS:

MSCI

- Analyze over 14,000 companies worldwide every year
- Rated using a letter scale from AAA to CCC
- Comparatively low level of transparency
- Only partially structured design

MSCI rating approach:



- **MSCI calculates scores in a comparatively non-transparent way:**
- Classification into the three ESG pillars with sub-themes and division into "Exposure" and "Management"
- Indication of the percentage share of the overall rating and deductions specifically for the governance area
- There are isolated status quo descriptions for the topics in the Management Score
- Evaluation of subtopics in broad categories according to "LOW", "MID" and "TOP"

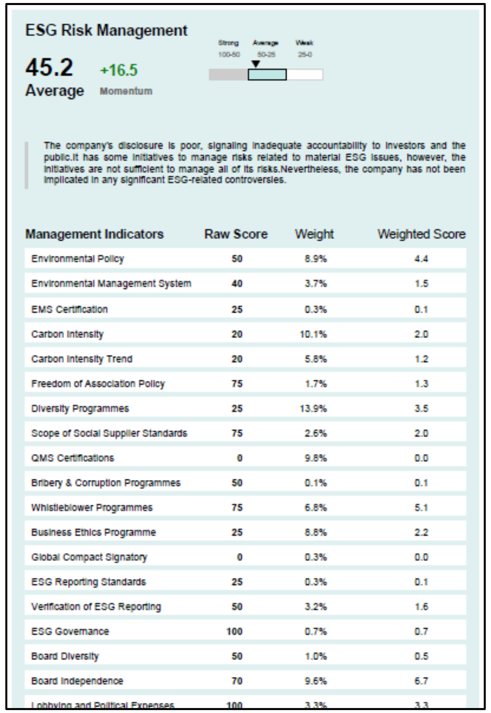
DEEP DIVE: RATING AGENCY SUSTAINALYTICS

Background information on Sustainalytics:

SUSTAINALYTICS

- Subsidiary of Morningstar
- Analyze over 13,000 companies worldwide every year
- Rating on a scale from 0 to 50 ("negligible" to "severe risk")

Sustainalytics rating approach:



ESG Risk Management

Strong 100-50 | Average 50-25 | Weak 25-0

45.2 Average

+16.5 Momentum

The company's disclosure is poor, signaling inadequate accountability to investors and the public.It has some initiatives to manage risks related to material ESG issues, however, the initiatives are not sufficient to manage all of its risks.Nevertheless, the company has not been implicated in any significant ESG-related controversies.

Management Indicators	Raw Score	Weight	Weighted Score
Environmental Policy	50	8.9%	4.4
Environmental Management System	40	3.7%	1.5
EMS Certification	25	0.3%	0.1
Carbon Intensity	20	10.1%	2.0
Carbon Intensity Trend	20	5.8%	1.2
Freedom of Association Policy	75	1.7%	1.3
Diversity Programmes	25	13.9%	3.5
Scope of Social Supplier Standards	75	2.6%	2.0
QMS Certifications	0	9.8%	0.0
Bribery & Corruption Programmes	50	0.1%	0.1
Whistleblower Programmes	75	6.8%	5.1
Business Ethics Programme	25	8.8%	2.2
Global Compact Signatory	0	0.3%	0.0
ESG Reporting Standards	25	0.3%	0.1
Verification of ESG Reporting	50	3.2%	1.6
ESG Governance	100	0.7%	0.7
Board Diversity	50	1.0%	0.5
Board Independence	70	9.6%	6.7
Lobbying and Political Expenses	100	3.3%	3.3

Sustainalytics works with a percentage weighting:

- Breakdown of the overall score into "Exposure" (to industry-specific ESG risks) and "Risk management" (of ESG risks by the company)
- Sustainalytics provides a brief status quo assessment and checklists of fulfillment conditions for all indicators