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Sustainalytics' ESG Risk Ratings: Key Features & Exposure Framework

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Agenda

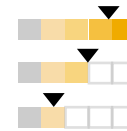
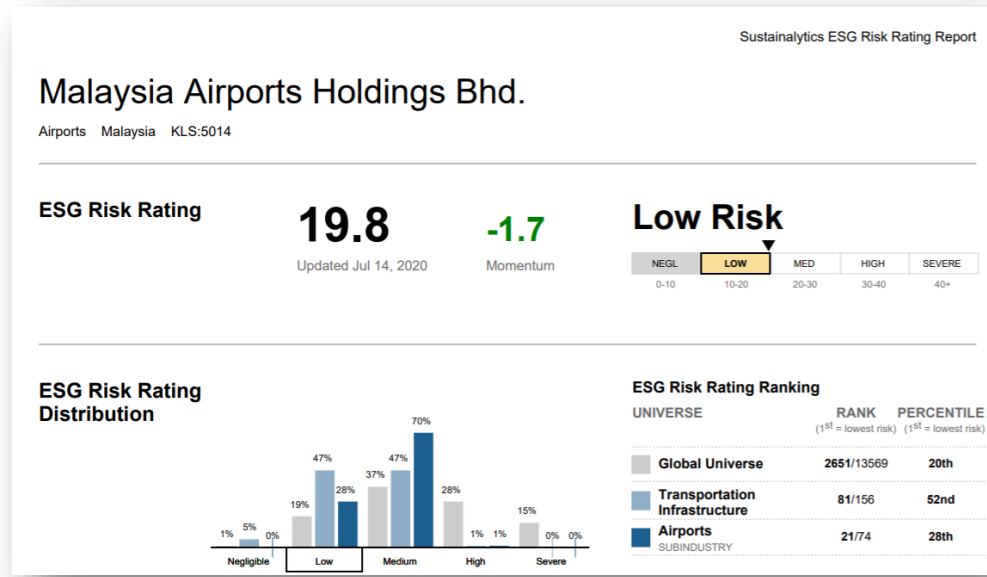
- 01 Introduction to Sustainalytics
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Sustainalytics' ESG Risk Ratings

ESG Risk Rating – Overview

Sustainalytics' ESG Risk Ratings measure companies' exposure to and management of financially material ESG issues. The ESG Risk Rating score measures unmanaged ESG risk (i.e. lower score = better)



The rating measures and adds up the unmanaged risks of a company vis-à-vis a set of ESG issues that are considered material from a financial perspective.



Companies are exposed to different ESG issues to different degrees. Their exposure is driven by sub-industry and company-specific factors.



An ESG issue is considered material, if the company is sufficiently exposed to this issue. Corporate Governance is considered to be material for all companies.



Companies are allocated across five risk rating categories, (negligible, low, medium, high, and severe risk).

ESG Issues as a Building Block for the Risk Rating

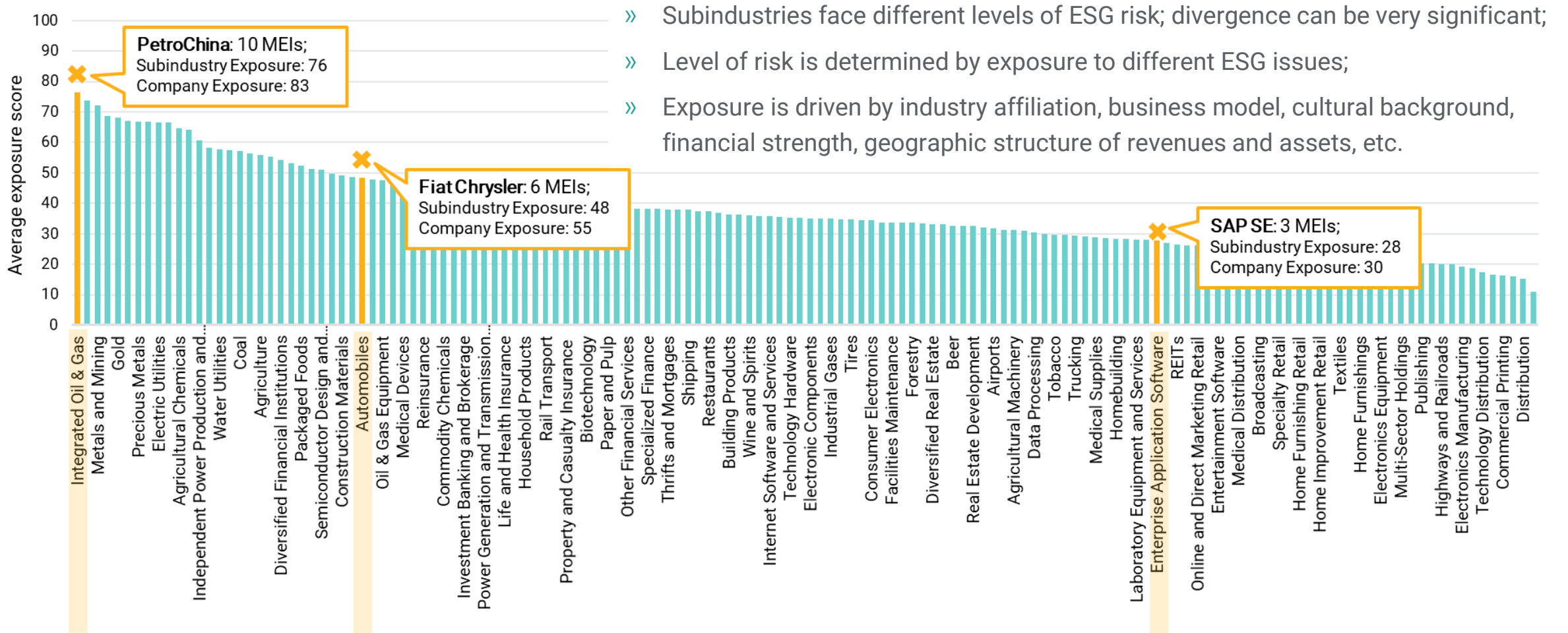
The risk rating assesses a company's unmanaged risk of ESG issues

- » ESG issues that are likely to have a significant effect on the enterprise value of companies within the subindustry, and are selected based on:
 - » Quant view (e.g. incidents data)
 - » Corporate view (e.g. GRI reports)
 - » Expert view (e.g. SASB, Sustainalytics analysts)
- » The key ESG issues are sub-industry specific, but Corporate Governance is assessed for all companies. A company can have up to 10 key ESG issues not including Corporate Governance



Exposure Differs by Subindustry

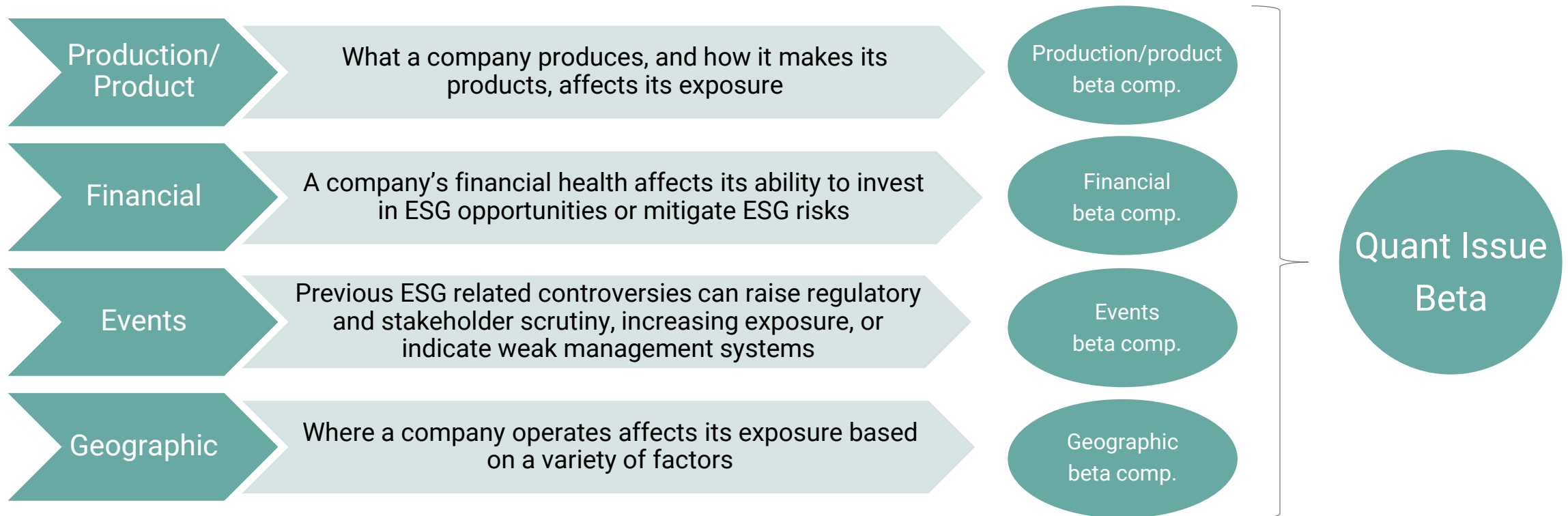
These differences are the starting point for calculating exposure



Exposure Differs by Company

Ensuring a company-specific assessment

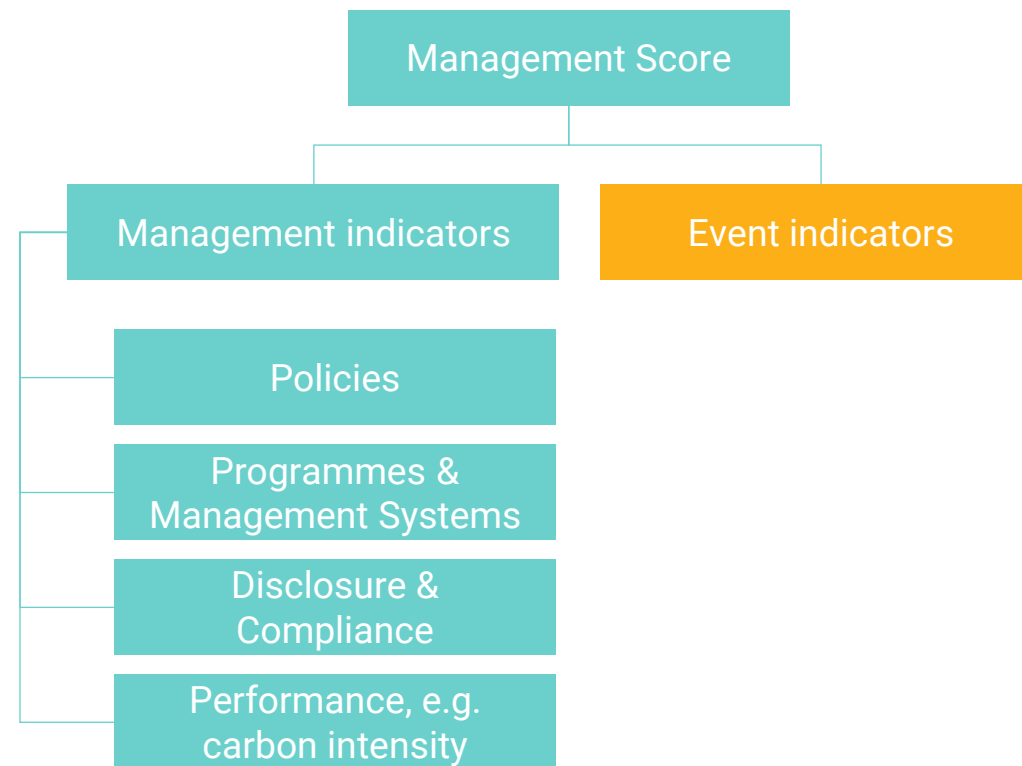
- » Subindustry exposure scores between 2 and 10 are assigned for each material ESG issue at the **subindustry level**
- » The beta factor is a way of refining subindustry exposure to accurately reflect **company-specific** levels of risk



Assessing the Management Dimension

Indicator-based assessment using management and event indicators

- » The Management Score for each material ESG issue is determined by a weighted average of management indicator scores and an event-driven discount factor.
- » The weights of management indicators within an issue have been determined during the Consultation Process and will be reviewed on an annual basis
- » The within-issue weights of an individual indicator are aggregated across all material issues taking the Exposure Contributions of these issues into account.
- » ESG management indicators are scored on a range between 0 to 100.



Management Indicators

Assessing how well companies manage material ESG issues

- » Systemic assessment of standardized criteria result in a raw indicator score
- » Each indicator has a weight, depending on the importance of the indicator within the issue and the company's exposure to the issue.
- » Indicators can be built based on various criteria ("tick boxes") or have a individually written rationale.



Business Ethics

G.1.1 - Bribery & Corruption Policy

75	7.50%	5.6
Raw Score	Weight	Weighted Score

The company has an adequate policy

Criteria

- Prohibition of bribery
- Definition of bribery or corruption
- Prohibition and definition of conflicts of interest
- Prohibition and definition of facilitation payments
- Guidelines of what is considered acceptable behaviour

Sources

Email: FCA provided comments/feedback on 12/06/2018
 FCA Anti-Corruption Guidelines, updated February 2018
 FCA Code of Conduct, issued February 2018
 The updated ESG Report was sent by email to Laura Viada on 30/05/2018



Carbon - Products and Services

E.3.1.3 - Fleet Emissions

0	8.75%	0.0
Raw Score	Weight	Weighted Score

Fleet average emissions are above 155 g CO2/km

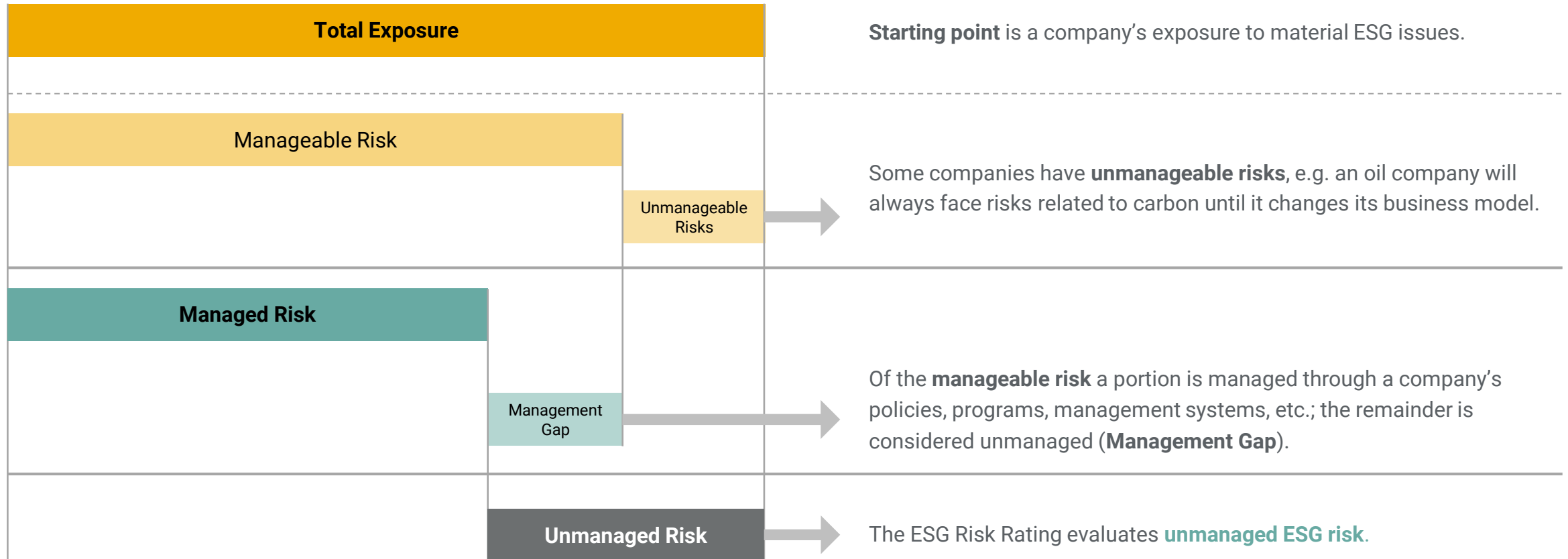
According to data from the European Environment Agency (EEA) and the US Environmental Protection Agency (EPA), and as per Sustainalytics' calculations, FCA's fleet average CO2 emissions amounted to 178 g/km in 2016. In previous years, CO2 emissions were as follows:
 2015: 178.9 g/km,
 2014: 184.4 g/km,
 2013: 182.3 g/km,
 2012: 185.7 g/km.
 Global fleet average emissions are calculated as a sales-weighted projection of the emission values reported by the agencies.

Sources

2017 EPA Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends, Environmental Protection Agency, published 11 January 2018
 European Environment Agency, Monitoring CO2 emissions from passenger cars and vans in 2016, published 16 December 2017

How Does the ESG Risk Rating Work?

Management gaps and unmanageable risks are added up across all material ESG issues

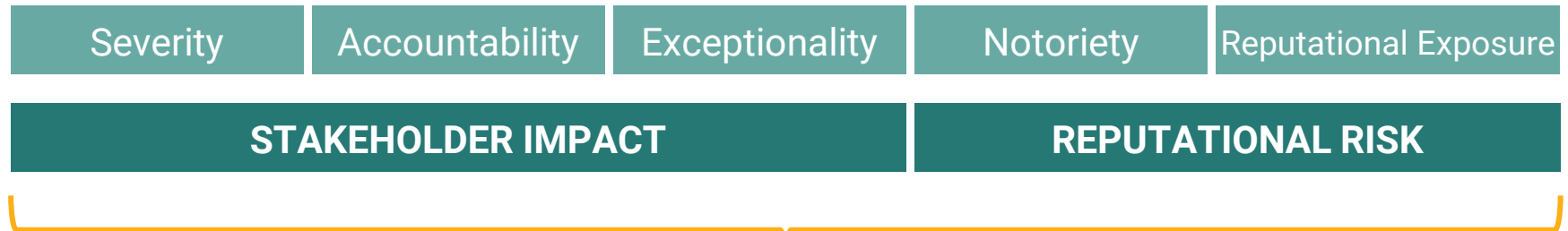


Events Assessments

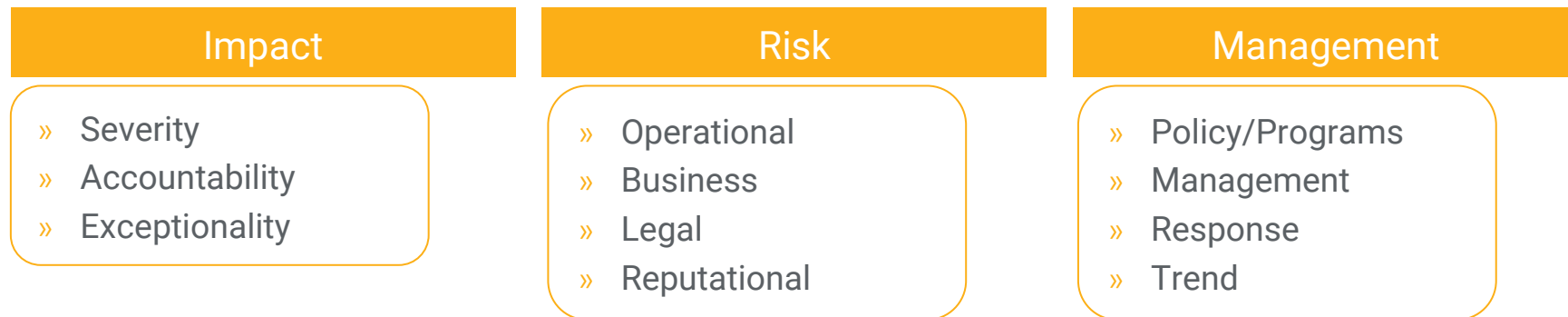
Based on news data from more than 60,000 news sources, we assess risks to the company

- » Analysis of key impacts, the quality of the company's management, and risks to the company.
- » Forward looking statement referring to the event development we expect over the next 24 months.

Assessment at Incident level

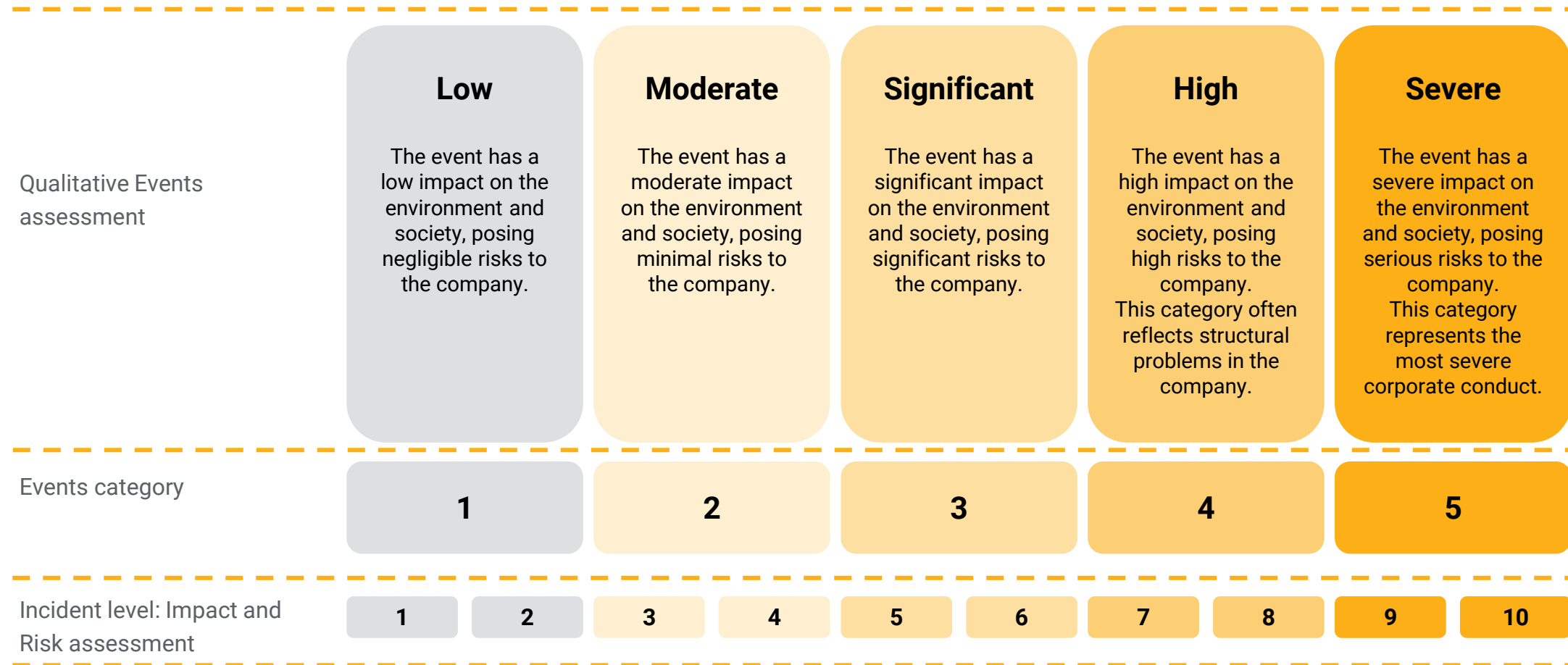


Analysis at Event level



Events Methodology

Capturing how well companies have been managing ESG issues in practice



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