

Nordic Sustainability Stars[®]

Nordic Sustainability Stars[®] is a well-established analysis methodology that helps investors make decisions regarding companies' position in terms of their governance of environmental and social factors.

Nordic Sustainability Stars[®] can be used as a standalone product – as a basis for scoring portfolios and also for company dialogue and engagement programmes – or can be integrated into an overall sustainability analysis. Nordic Sustainability Stars[®] is conducted through a structured process carried out by Ethix's professional team of analysts organized according to research areas and industry sectors.

CONCEPT, SCOPE AND ANALYSIS

Sustainable investing describes an approach to investing driven by the long-term economic, environmental and social risks and opportunities facing the global economy. Companies are evaluated according to how they are positioned in relation to its peer group with regards to utilizing future challenges which we believe will steer economic development.

Sustainability investing is therefore an active selection of companies on the basis of investment opportunities driven by sustainability factors, such as renewable energy, water scarcity, waste recycling etc. It boils down to active inclusion of companies that lead their sectors in environmental or social performance.

There are several other approaches that focus on different factors or means of implementation, such as ethical investing which addresses specific social and environmental factors based on defined values.

Management quality

The most important factor that investors and analysts look at when assessing a company is the quality of its management. Research has found that this factor alone guides all others measures. From an external perspective, sustainability is essentially a qualitative signal which comes in a number of different forms, such as:

- Public commitments to apply policies or codes of conduct
- Management systems on environmental and social issues
- Performance indicators on environmental and social issues

Global drivers

On macro level we can identify a few factors that will have a huge impact on our future and the conditions for life on earth, such as: Climate change, carbon exposure and greenhouse-gases; Clean energy opportunities due to rising demand for energy; Water scarcity due to population as well as consumption growth; Failing eco-system services necessary for natural food production, oxygen production and waste recycling; Demographic issues relating to poverty, migration and aging.

Analysis

Nordic Sustainability Stars[®] is a ranking method that aims to identify management quality and management performance according to a number of sustainability challenges. Companies with a good ranking are believed to be able to outperform in a long-term horizon and should be considered in the investment process when creating a long-term investment portfolio.

COVERAGE AND RESULT

Nordic Sustainability Stars[®] is a relative ranking of the 260 most traded companies in the Nordic region. The Stars rankings range from one star to five stars and follow a normalized distribution curve, based on the total score for each company in the Nordic Sustainability Stars[®] analysis. The analysis results is formally updated semi-annually and ad-hoc when new information provides the basis for revision.