NEW ZEALAND CESG RESEARCH

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Carbon & ESG Ratings of NZ Companies
2023 Methodology

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

Introduction

This document outlines the methodology for construction of the Forsyth Barr C&ESG ratings for NZ companies.

The C&ESG information we are collecting

Our ratings act as C&ESG due diligence on NZ companies and support fundamental investment research analysis. The data collected provides:

1. Insight into how a company is preparing for a low-carbon future
2. A measure of a company's competitive positioning
3. A supplement for a screen of quality
4. Helps to identify areas of risk beyond traditional financial analysis that may warrant further investigation.

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

Figure 1. Our C&ESG expectations of corporations

Category	Example expectations
Carbon **C**	▪ Have a good understanding of, and be proactively managing, any physical and transition risks associated with climate change ▪ Clearly explain how the company plans to transition to a lower-carbon future over time ▪ Understand how its business model may be affected by changing consumer preferences ▪ Be well prepared to meet upcoming Climate Disclosure Standards ▪ Have a credible net zero commitment and emissions reduction plan ▪ Show evidence that absolute carbon emissions are stabilising or declining.
Environment **E**	▪ Have minimal negative impact on the environment as a result of operations ▪ Be minimising the use of natural resources and work to reverse the degeneration of ecosystems ▪ Be measuring and monitoring its waste to landfill and consumption of water ▪ Have good policies in place to help measure and monitor resource use and protect biodiversity.
Social **S**	▪ Have a positive impact on the communities surrounding company operations and support these communities to thrive ▪ Maintain and build on trusted relationships with clients, communities, and other stakeholders ▪ Ensure its employees are committed and proud. Be measuring and monitoring health and safety incidents, and risk of modern slavery ▪ Be aware of and managing potential ESG issues in supply chains ▪ Have good policies in place to help measure and monitor impact.
Governance **G**	▪ 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 data security, privacy, and responsible tax governance ▪ Ensuring the company is evolving as it needs to in terms of C&ESG practices.

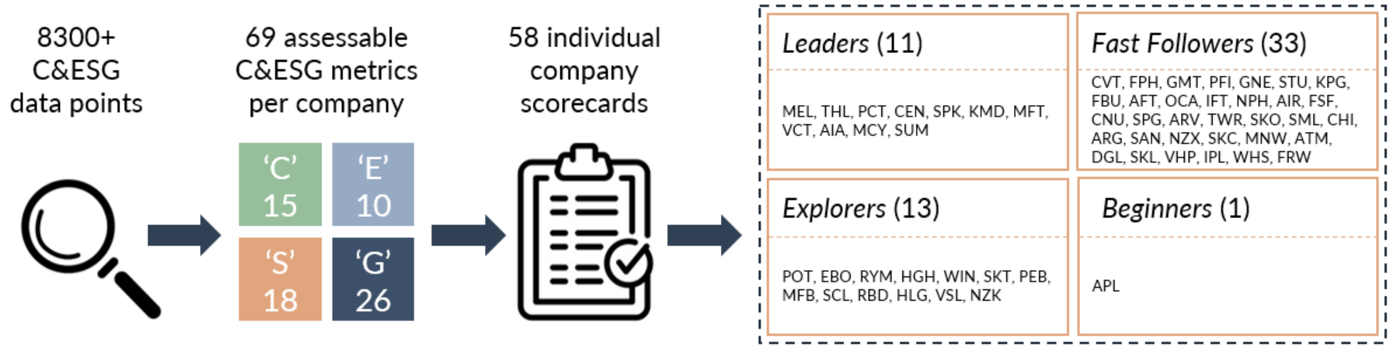
Source: Forsyth Barr analysis

Our expectations of corporate activity regarding C&ESG practices remain the same as they did last year. However, on a number of occasions we have made the scoring less binary. This has worked to create further differentiation in responses, especially between the Leaders and Fast Followers. It also acknowledges that the management of some of these issues take time and may be underway, but not yet complete. The cumulative impact of the changes means it has been harder for companies to make it into the Leader category. In addition, we get more of a sense of the maturity of C&ESG practices. We believe this has resulted in a more robust framework.

Valuable insights

We have collected over 8,300 pieces of C&ESG data, analysed it, and turned it into an overall score that classifies companies as a *Leader*, *Fast Follower*, *Explorer* or *Beginner*.

Figure 2. Creating our ratings



Source: Forsyth Barr analysis

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

Figure 3. General characteristics of the *Leaders*, *Fast Followers*, *Explorers* and *Beginners*

C&ESG Score	Maturity level	Description	Scoring threshold
A	*Leader*	▪ Full sustainability strategy in operation for multiple years, often having been updated and refined over time ▪ Detailed and full set of C&ESG metrics collected ▪ Predominantly meeting best practice standards ▪ Recognises key C&ESG 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 ▪ Actual greenhouse gas emissions are stabilising or trending down.	>67.5%
B	*Fast Follower*	▪ Earlier stage sustainability strategy ▪ Partial collection of C&ESG metrics, potentially with a heavier focus on one of the C, E, S, or G categories ▪ Sometimes meets best practice standards ▪ Has a handle on key C&ESG risks and opportunities and has started measuring C&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.	>52.5% – <67.5%
C	*Explorer*	▪ Earlier stage of adopting or implementing a sustainability strategy ▪ Few C&ESG metrics collected with a short history ▪ On the journey towards meeting some best practice standards.	>37.5% – <52.5%
D	*Beginner*	▪ First sustainability strategy under discussion or not yet existent ▪ Reporting few C&ESG metrics ▪ Really only at the very beginning of the C&ESG journey.	<37.5%

Source: Forsyth Barr analysis

Methodology changes — 2023

The methodology changes to the framework this year revolve around making sure we are asking the right questions and weighting the questions fairly.

Last year we were very clear with our communication that 2022 data would act as a baseline from which we can measure progress. We acknowledged that we expect data to improve and that the framework and methodology would evolve. Our expectation was and continues to be that we will raise the bar year on year, as our insights get deeper and as we find new ways to better assess the quality of responses. We are intentionally moving from a focus on inputs and policy, to one of outcomes and action. We remain committed to being completely transparent with our methodology and the company scorecards, setting the benchmark for best practice C&ESG ratings in NZ.

Within this context the methodology has changed, which has made it harder for companies to reach the status of Leader. The principles that sit behind our changes include:

- Seek to reduce the number of questions to lighten the burden on companies
- Evolve the questions based on insights and experiences gained from the previous year(s)
- Only add new questions if they tackle the changing agenda in this quickly evolving space.

These principles led us to:

- Remove any questions when answers are driven by regulation to respond in the same way
- Remove any questions where the full data set responded the same way
- Remove any questions that may favour or provide an advantage to certain sectors
- Merge questions when appropriate
- Re-order and re-balance the weights of some of the questions and categories.

This enabled us to reduce the number of C&ESG metrics we assessed from 80 to 69.

Figure 4. C&ESG metric changes

Category	2023	2022
C	15	18
E	10	13
S	18	21
G	26	28
Total	**69**	**80**

Source: Forsyth Barr analysis

Data sourcing

This year we relied predominantly on our own data collection whereas last year we relied heavily on Refinitiv Eikon. In fact, for 2023 all but one metric (anti-takeover devices) we have collected ourselves. This was an organic evolution as we refined questions to be more specific to our needs and through engagement with companies on the accuracy and completeness of data.

Coverage

Our coverage spans the 58 NZ companies our NZ Equities Research team currently covers (up from 57 in 2022). This year Tower Insurance (TWR) and Hallenstein Glasson (HLG) were added. We stopped covering Pushpay (PPH) following its delisting.

Weighting between C, E, S, and G

No change to the 2023 methodology. We have established default weights between C, E, S, and G within our C&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 setting 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. C&ESG sector weightings

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

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:

- Have 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 share classes 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? *This year we widened the criteria for this metric and also included assessment of whether companies have avoided major controversies in the last five years.*

Metrics of variable importance to a sector

The information we have collected for the 2023 framework is entirely consistent across all sectors, as we are of the view that all metrics are important for all companies. On occasion we will collect a piece of industry specific information but, in those situations, the metric is not scored. 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.

Emerging metrics

The framework also recognises that there may be some metrics that are of growing importance, and these metrics may not yet 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. 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?

Given our engagement with companies on the accuracy and completeness of data, there are now very few data gaps. As we are now in our second year of collecting C&ESG data and our expectations are clearly articulated, companies are now scored negatively where there are data gaps.

C&ESG ratings calculations

The metrics used in calculating the C&ESG 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 C&ESG rating, while a score of 1 (the best score a company can receive for a metric) add positively to a company's C&ESG 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 of 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 three topic areas. Each of the three topic areas would contribute up to 1/3 towards the C score. Within that, for example, the 'GHG Emissions' topic area, each of the five metrics would contribute up to 1/5 of the 1/3 (i.e. 6.67%).

The weightings within each category are reviewed annually. The weightings between each sub-category remain at the discretion of Forsyth Barr. There were a number of changes made to the methodology this year which reflect insights gained from last year and our attention on outcomes. Weightings can be viewed on the scorecards and a summary is provided below.

Figure 6. Summary of main methodology changes (2022 to 2023)

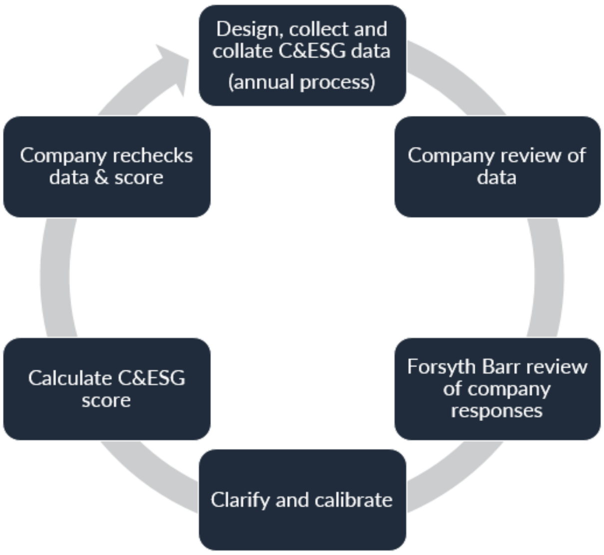
Category	Changes
C	■ Added questions on disclosure of scope 3 emissions sources, offsetting, climate transition plans, and a 'just transition'. ■ Refined the questions relating to net zero and emissions reductions. ■ Aligned wording of relevant questions with the final wording used in the Climate Disclosure Standards. ■ Reordered and reallocated the questions into three categories (from four).
E	■ Removed the question on green bonds and sustainability linked loans as they favoured the property and utilities sectors. ■ Merged the waste and water sections. ■ Strengthened the biodiversity and circular economy questions. ■ Added a question on the Taskforce for Nature-related Financial Disclosures (TNFD).
S	■ Removed the question on health and safety policy because all companies responded positively to this question last year. ■ Merged sections and some questions on human rights and supply chain to remove overlap and better weight the questions. ■ Included cyber incidents and data breaches into the question on unplanned product of service faults. ■ Evolved the section on employee value proposition by clarifying the criteria for modern parental leave policies and adding a new question of mental health and wellbeing. ■ Evolved the diversity questions. ■ Merged the community and stakeholder relations questions to better weight the section.
G	■ Removed the Sustainalytics questions on media controversies and UN Global Compact compliance because (generally) all NZ companies scored similarly. ■ Negatively scored companies if they were involved in any controversies over the past three years. We felt the framework was missing a way of acknowledging when companies were involved in controversies such as regulatory action against them or greenwashing allegations. ■ Created a new section titled 'Audit & External Relationship Management' which includes the auditor tenure and auditor fees question (from last year) plus two new questions regarding Iwi engagement (not scored) and elected officials engagement (given it is election year). ■ Added a question on Board annual self-review process as a measure of good practice. ■ Merged the tax and data security sections and added in a check on whether cyber security and data privacy policies are tested during the year to help our focus on outcomes. ■ Upweighted the question on whether a company has a B Corporation, Future-Fit (or equivalent) certification. We are of the view that these two frameworks in particular drive cultural changes within companies to move deeply on the sustainability agenda.

Source: Forsyth Barr analysis

Process for developing the scorecards

Information is sourced from Forsyth Barr's own data collection avenues. Each company is given an opportunity to review, add, and amend the data collected as well as the scorecard.

Figure 7. 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 C&ESG 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 the framework can evolve to capture the information in the appropriate way. It is important for Forsyth Barr given the early state of much C&ESG information and being that this is only our first iteration of the C&ESG framework.

Appendices

Appendix A: Full methodology

Carbon (C)		Metric	Source	Scoring	Why are we collecting this information?
GHG Emissions	C1.1	Is scope 1 and 2 CO_2e (tonnes) tracked, measured and publicly reported by the company? If so, for how long has the data been collected?	Forsyth Barr, company reports	No = 0 1 year = 0.2 2 years = 0.4 3 years = 0.6 4 years = 0.8 ≥ 5 years = 1	Reporting of scope 1 and 2 CO_2e 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.
	C1.2	If five years of data, are scope 1+2 emissions increasing, stable or decreasing?	Forsyth Barr, company reports	Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 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 NZ's Net Zero target, emissions budgets requirements, and the Paris Agreement requirements. Calculated as the percentage change of average absolute emissions in FY-5 and FY-4 to FY-1 and FY0.
	C1.3	If five years of data, is carbon intensity increasing, stable or decreasing?	Forsyth Barr, company reports	Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 1	Monitoring how carbon intensity is changing over time can also be a signal for which companies are most exposed to transition risks. Calculated as the percentage change of average carbon intensity (using revenue as the denominator) in FY-5 and FY-4 to FY-1 and FY0.
	C1.4	Has the company identified and publicly disclosed its most material scope 3 emission sources?	Forsyth Barr, company reports	Y = 1 N = 0	While reporting on scope 3 emissions is on the rise, we recognise there are many inconsistences across sectors on what their material scope 3 emisssions sources are. Disclosing what a company's material scope 3 emission sources are can help investors assess how robust the company's scope 3 reporting is and whether there are any key omissions.
	C1.5	Is scope 3 CO_2e (tonnes) tracked, measured and publicly reported by the company? If so, for how long has the data been collected?	Forsyth Barr, company reports	No = 0 1 year = 0.2 2 years = 0.4 3 years = 0.6 4 years = 0.8 ≥ 5 years = 1	Scope 3 emissions 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 climate reporting entities (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 emissions can be a transition risk signal.

Emissions Management	C2.1	Does the company have an emissions reduction target or net zero commitment in place?	Forsyth Barr, company reports	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. Net zero commitments strongly signal commitment to the transition to a lower-carbon economy.
	C2.2	If so, is the target an absolute and/or intensity measure?	Forsyth Barr, company reports	Absolute only or absolute and intensity = 1 Intensity only = 0.5 No target = 0	Absolute emissions reductions targets offer significant advantages over intensity-based targets. They focus on reducing overall emissions, ensuring meaningful progress regardless of revenue/earnings growth. These targets provide clear goals for monitoring and accountability, facilitating effective evaluation of progress. Absolute targets also promote transformative technologies and sustainable practices, driving the adoption of low-carbon solutions and fostering a transition to a sustainable and low-carbon economy. In summary, absolute emissions reductions targets are crucial for driving impactful action against climate change.
	C2.3	If so, has the target been verified/approved by the SBTi (or similar) as a science-based target?	Forsyth Barr, company reports	Y = 1 Verfication pending, awaiting approval = 0.5 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.
	C2.4	Is there a clearly defined climate transition plan in place outlining the strategy to meet targets? If so, does the plan include decarbonisation efforts as well as specifying the role of existing/future climate solutions (i.e. technologies and products that will enable the economy to decarbonise)?	Forsyth Barr, company reports	Y: Includes decarbonisation plans and role of technical solutions = 1 Y: Includes one of decarbonisation plans or technical solutions = 0.5 N = 0	A clearly defined decarbonisation plan outlines which initiatives will be undertaken to meet targets and approximately how many greenhouse gas emissions will be reduced by each initiative. Public reporting on the role of future technology alongside decarbonisation pathways in a company's carbon transition plan is crucial to help investors understand the realistic practicalities of transition plans.
	C2.5	Is the company already operating at net zero and if so, how are offsets used to help meet targets?	Forsyth Barr, company reports	Y: Already net zero, quantity and type of offsets publicly reported = 1 Y: Already net zero, quantity and type of offsets not publicly reported = 0.5 N = 0	Transparent disclosure of the quantity and quality of carbon offsets used for achieving net-zero emissions by companies is vital. It enables stakeholders to assess the credibility and effectiveness of the offsets, ensuring genuine emission reductions and fostering trust. Such transparency encourages responsible action and supports the transition to a sustainable future.
	C2.6	Are there any material projects underway that will enable actual emissions reductions of more than -10% of total scope 1 and 2 emissions?	Forsyth Barr, company reports	Not scored	Undertaking material projects for actual emissions reductions is vital for companies. It demonstrates environmental responsibility, contributes to global climate efforts, and inspires others to take action. These projects drive positive impacts, including cost savings, operational efficiency, and enhanced reputation, while advancing sustainability goals and creating a more sustainable future. *Note regarding 2023 responses by companies: This question sought to get a sense of major projects underway, significant actions that would reduce carbon emissions by -10% within the one project. In the responses received back from companies, many were using a summation of small reductions made across a number of work streams - not the shifting the dial activities we were looking for. And given that companies already receive points if their emissions are decreasing, we decided not to score this question.*

	C2.7	Has the company introduced the concept of a 'just transition' into their climate ambitions?	Forsyth Barr, company reports	Y = 1 N = 0	A just transition recognises the need to address social and economic inequalities that may arise from transitioning to a low-carbon economy. By considering the impacts on workers, communities, and vulnerable groups, companies can ensure that the transition is fair, equitable, and inclusive.
Risk & Opportunity Management	C3.1	Has a physical risk and transition risk assessment been undertaken?	Forsyth Barr, company reports	Y: Both = 1 Either = 0.5 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 that 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. Simultaneously, assessing transition risks involves evaluating the financial implications of transitioning to a low-carbon economy, such as policy changes, technological advancements, and shifts in market preferences. This assessment helps companies identify potential stranded assets, market shifts, and regulatory risks, enabling them to adjust their strategies, diversify their portfolios, and seize opportunities in emerging green sectors.
	C3.2	Has the company outlined how its assessment of climate-related risks and opportunties serves as an input to capital deployment and funding decisions?	Forsyth Barr, company reports	Y = 1 In progress = 0.5 N = 0	Companies outlining how they assess climate-related risks and opportunities as inputs to capital deployment and funding decisions is important as it enables effective risk management, identifies opportunities for sustainable investments, enhances stakeholder trust, and promotes financial resilience and sustainability.
	C3.3	Does the company own any proven or probable fossil fuel reserves?	Forsyth Barr, company reports	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. We penalise companies owning fossil fuel reserves with a negative score as a signal of our view that this metric draws out particularly poor practice.

Environmental (E)		Metric	Source	Scoring	Why are we collecting this information?
Environmental Management Systems	E1.1	Does the company have ISO 14001, EMS, Toitū Envirocare carbonzero or equivalent certification on all applicable sites?	Forsyth Barr, company reports	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.
	E1.2	Has the company made 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, company reports	Green Star: 5 or 6 = 1 4 = 0.5 <4 = 0 Homestar: 8, 9 or 10 = 1 6 or 7 = 0.5 <6 = 0	Buildings and their construction account for as much as 20% of NZ'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 NZ 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 NZ building code. 8 and 9 Homestar ratings meet best practice and a 10 Homestar rating is world leading.
	E1.3	Has there been an environmental fine or breach (including any resource consent discharge breaches such as nutrient discharges) in the last three years?	Forsyth Barr, company reports	Y = 0 N = 1	Reflecting on cause, regularity and size of environmental fines can provide insights on company culture and commitments to sustainability. Nutrient discharge refers to the run off from farm fields & discharges into water/land (e.g. from fertilisers, 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.
Waste & Water	E2.1	Is there a commitment to reduce waste in place?	Forsyth Barr, company reports	Y = 1 N = 0	Waste is a large and important problem for NZ'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.
	E2.2	If there is five years of data, is total waste to landfill increasing/stable/decreasing?	Forsyth Barr, company reports	Not five years of data = 0 Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 1	From a sustainability perspective we would like to see this metric reducing over time, particularly we would like to see this reducing in line with waste reduction commitments. Calculated as the percentage change of average waste to landfill in FY-5 and FY-4 to FY-1 and FY0.
	E2.3	Is there a target for achieving water use reduction or water consumption efficiency?	Forsyth Barr, company reports	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.

	E2.4	If there is five years of data, is total water use increasing/ stable/decreasing?	Forsyth Barr, company reports	Not five years of data = 0 Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 1	From a sustainability perspective we would like to see this metric reducing over time, particularly we would like to see this reducing in line with water reduction commitments. Calculated as the percentage change of average water use in FY-5 and FY-4 to FY-1 and FY0.
Biodiversity & Circular Economy	E3.1	Is there a commitment by the company to preserve and protect biodiversity and/or natural ecosystems?	Forsyth Barr, company reports	Y = 1 N = 0	Biodiversity plays a crucial role in maintaining the health and resilience of ecosystems, as well as supporting the economies reliant on them. It is imperative for companies to establish a robust policy for effectively managing biodiversity risks, as it reflects responsible and sustainable practices.
	E3.2	Does the company voluntarily report against the TNFD framework?	Forsyth Barr, company reports	Reported = 1 Committed = 0.5 N = 0	Committing to voluntarily report against the Task Force on Nature-related Financial Disclosures (TNFD) demonstrates dedication to addressing nature-related risks, enhances transparency and stakeholder trust, and attracts responsible investors. TNFD reporting enables effective risk management, supports strategic decision-making, and contributes to global efforts in valuing and protecting nature.
	E3.3	Is the company actively engaged in implementing circular economy principles into their business model?	Forsyth Barr, company reports	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. Our definition of 'actively engaged in implementing circular economy principles into a business model' means a company has made a public statement that it is actively embedding circular thinking into the design of its products along with their wider business processes.

Social (S)		Metric	Source	Scoring	Why are we collecting this information?
Health & Safety	S1.1	Does the company have safety management targets in place?	Forsyth Barr, company reports	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.
	S1.2	If there is five years of data on a measure of safety (e.g. LTIFR) collected by the company, is it increasing/ stable/decreasing?	Forsyth Barr, company reports	Not five years of data = 0 Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 1	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 also acceptable. 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. Calculated as the percentage change of the measure of safety (e.g. LTIFR) in FY-5 and FY-4 to FY-1 and FY0.
	S1.3	Have there been any workplace fatalities in the last five years?	Forsyth Barr, company reports	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. We penalise companies which have had a workplace fatality (employee or contractor) with a negative score as a signal of our view that this metric draws out particularly poor practice.
Human Rights & Supply Chain	S2.1	Is there a human rights policy?	Forsyth Barr, company reports	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, and human rights for employees and contractors.
	S2.2	Is there a commitment to preventing modern slavery that covers both the company's workforce as well as workers in the value chain?	Forsyth Barr, company reports	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 has a law requiring companies to have a statement and willingness to prevent modern slavery; NZ, Canada and the EU are currently drafting similar laws.
	S2.3	Is the company an accredited living wage employer?	Forsyth Barr, company reports	Y = 1 N = 0	A commitment to pay all employees at least the living wage rather than the minimum wage ensures all employees are able to pay for the necessities of life and participate as an active citizen in the community.
	S2.4	Is there a supply chain code of conduct?	Forsyth Barr, company reports	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.

Product Quality & Accesibility	S3.1	Have there been any unplanned product or service faults (including cyber incidents or data privacy breaches) resulting in, for example, disruption to operations or recalls (including FDA regulated products if relevant), in the last three years?	Forsyth Barr, company reports	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 the cause and regularity of these types of incidents may give some insight into the quality of a company. Food & Drug Administration (FDA) recalls are of particular concern for the relevant companies. A cyber incident is defined by RBNZ as a cyber event, whether or not resulting from malicious activity, that jeopardises the cybersecurity of an information system or the information the system processes, stores or transmits; or violates the security policies, security procedures or acceptable use policies.
	S3.2	Is there a policy of repaying evacuated units within 6 months regardless of whether the unit is sold?	Forsyth Barr, company reports	Collected only as a comparator, is not scored	Aged care only: This is good practice for aged care providers because it demonstrates ethical responsibility, financial transparency, and a resident-centered approach. It builds trust, maintains a positive reputation, and allows residents and their families to plan their finances effectively. Moreover, it helps comply with legal and regulatory requirements while prioritizing the well-being of residents.
Employee Value Proposition & Culture	S4.1	Is employee turnover measured and publicly reported?	Forsyth Barr, company reports	Y: Reported publicly = 1 Y: Reported internally only = 0.5 N = 0	Employee turnover statistics indicate churn and can give a sense of how happy and fulfilled employees are working for a company.
	S4.2	If employee turnover is reported:	Forsyth Barr, company reports	Tally of 3.4.2.1 and 3.4.2.2, equally weighted between questions, maximum of 1 point.	Measuring and tracking employee turnover statistics is important for companies as it provides insights into workforce health, identifies potential issues, and allows for proactive intervention to improve retention and engagement. It helps evaluate the effectiveness of recruitment and retention strategies, enabling companies to optimize talent management practices. Furthermore, turnover metrics have financial implications, making it crucial to analyze and mitigate the costs associated with turnover through informed decision-making.
	S4.2.1	Is it <10%, <20%, >20%?	Forsyth Barr, company reports	≤10% = 1 Between 10% and 20% = 0.5 ≥20% = 0	A high employee turnover can indicate problems inside an organisation, whereas a lower one can indicate higher loyalty and satisfaction with the company.
	S4.2.2	If there is five years of data, is it increasing/stable/ decreasing?	Forsyth Barr, company reports	Increasing (≥+10%) = 0 Stable (between +/-10%) = 0.5 Decreasing (≤-10%) = 1	How employee turnover is changing over time can indicate if a company is addressing any issues it may have and illustrate its focus on the importance of maintaining staff. Calculated as the percentage change of employee turnover in FY-5 and FY-4 to FY-1 and FY0.

	S4.3	Is there a contemporary parental leave policy?	Forsyth Barr, company reports	Contemporary = 1 Modernised = 0.5 No = 0	Modern families don't fit into a single mould, so a progressive parental leave policy will accommodate for all and ensure fair treatment of employees during those special times in life. Modernised parental leave policy: We expect a modernised parental leave policy will go above and beyond statutory requirements and will include the following; extended leave benefits for both primary and secondary carers, a clear and supportive return to work process, continued payment of KiwiSaver contributions during both paid and unpaid parental leave periods. Contemporary parental leave policy: We are trying to capture and reward outstanding policies that go well above statutory requirements, designed with talent attraction and retention in mind as well as employee loyalty. A fully contemporary parental leave policy will have all aspects of a modernised parental leave policy will have, for example, additional flexibility for things not included in statutory requirements such as fertility treatment, flexibility for a phased approach for returning to work (ideally formalised by policy), and having a progressive approach to ensuring those on parental leave remain part of salary and bonus review process. Forsyth Barr retains discretion and judgement in whether a policy is fully contemporary.
	S4.4	Has the company invested in any mental health and/or wellbeing initiatives in the last 3 years?	Forsyth Barr, company reports	Y = 1 N = 0	Nearly half of all small business owners work six or seven days to keep their business running. What's more, 88% of them miss out on family time because they're distracted by the business. The New Zealand Institute of Economic Research (NZIER) shows investing in staff wellbeing initiatives can have up to a 12:1 return on investment.
Diversity	S5.1	Does the company have a diversity and inclusion policy?	Forsyth Barr, company reports	Y = 1 N = 0	Having a diversity and inclusion policy can enhance creativity, innovation, and problem-solving by leveraging the varied perspectives and experiences of a diverse workforce. A diversity and inclusion policy can also help attract and retain top talent and improve employee engagement and morale.
	S5.2	Does the company track and measure the proportion of women in management roles in relation to the proportion of women employees?	Forsyth Barr, company reports	≤50% = 0 Between 50% and 80% = 0.5 80% ≤ X ≤ 120% = 1 Between 120% and 150% = 0.5 ≥150% = 0	Balanced gender diversity helps overcome gender biases and provides equal opportunities for career advancement, contributing to a fair and inclusive work culture. Additionally, gender-balanced representation in leadership positions serves as a role model for future generations and reinforces the principles of equality and equity within the organization and society. Calculated as the percentage of women in management roles divided by the percentage of total women employees.
Stakeholder Relations	S6.1	Is there a policy to manage community involvement?	Forsyth Barr, company reports	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, or the environment.

S6.2	Is the business model stakeholder centric?	Forsyth Barr, company reports	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 effected parties such as, employees, suppliers, consumers, the community and shareholders.

Governance (G)		Metric	Source	Scoring	Why are we collecting this information?
Sustainability	G1.1	Is there a sustainability strategy?	Forsyth Barr, company reports	Y (Integrated) = 1 Y (Separate) = 0.5 N = 0	Analyst discretion required: A sustainability strategy integrated into the main company strategy indicates cohesive internal thinking and establishes a holistic approach to sustainability. A key indicator of a well-integrated strategy is the inclusion of ESG commentary throughout investor presentations, CEO/Chair statements in annual reports, and the Strategy/Business Model section of annual reports. This demonstrates a connected approach rather than having a separate, unlinked section on a website or annual report that lacks reference in broader company communications.
	G1.2	Is remuneration for senior executives linked to achieving sustainability performance?	Forsyth Barr, company reports	Y = 1 N = 0	Linking senior executives' remuneration to sustainability performance incentivizes prioritization of sustainability goals, fosters accountability, and drives meaningful change within the organization.
Framework	G2.1	Does the company have B Corporation, Future-Fit (or equivalent) certification?	Forsyth Barr, company reports	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	G3.1	Does the company have share classes with different voting rights?	Forsyth Barr, company reports	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.
	G3.2	Is there potential for a 'blocking' shareholder?	Forsyth Barr, company reports	Largest single shareholding: ≤10% = 1 Between 10% and 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.
	G3.3	How many anti-takeover devices are there?	Refinitiv Eikon	Not scored	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).

	G3.4	Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?	Forsyth Barr, company reports	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, such as, 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 such as placements that do not give all existing shareholders the right to participate proportionately, or placements offered at a discount and unaccompanied by a share purchase plan, rights issue or 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 where 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 3 years, will receive 1 point so they are not negatively impacted by this metric.
Audit & External Relationship Management	G4.1	How long is the current auditor's tenure?	Forsyth Barr, company reports	>10 years = -1 ≤10 years = 1	Excessive tenure can create strong social and economic ties between auditors and companies, compromising the independence of the auditor. To address this concern, the NZ Corporate Governance Forum recommends active consideration of audit firm rotation every 10 years. This practice helps maintain auditor independence and ensures robust financial reporting and oversight.
	G4.2	What is the average proportion of total fees paid to the auditor for non-statutory audit services over the past three years?	Forsyth Barr, company reports	≤40% = 1 Between 40% and 70% = 0.5 ≥70% (or not reported) = 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. 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.
	G4.3	Is there a code of conduct governing interactions with elected officials?	Forsyth Barr, company reports	Y = 1 N = 0	With increasing regulatory and legislative requirements of corporations, more engagement between government and business is undertaken. To build and maintain the trust of stakeholders, it is important that there is transparent disclosure around corporate engagement with policy-makers.
	G4.4	Is the company explicitly considering Iwi specific considerations within their community interactions?	Forsyth Barr, company reports	Not scored	Meaningful, long-term relationships between Indigenous communities and non-Indigenous groups can help people develop cross-cultural understanding, different perspectives and create a respectful and mutually beneficial environment.

Board	G5.1	Do non-executive and independent Board members comprise the majority of Board members?	Forsyth Barr, company reports	<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 a valuable long-term strategy.
	G5.2	Is the CEO also the Chair?	Forsyth Barr, company reports	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.
	G5.3	What is the average tenure of current Board members?	Forsyth Barr, company reports	≤3 years = 0 Between 3 years and 10 years = 1 ≥10 years = 0	Too short can suggest inexperience, too long can lead to entrenched views. CalPERS studies suggests at >12 years tenure, Board members' independence is compromised. A study by NYU Stern 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 3 years, whichever is longer.
	G5.4	What is the average number of Board member affiliations of non-executive Board members?	Forsyth Barr, company reports	≤3 = 1 Between 3 and 4 = 0.5 ≥4 = 0	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 4 Boards affiliations is the standard. However, given the particular characteristics of the NZ market we are of the view that NZ directors should be on a maximum of 3 Boards only.
	G5.5	How many directors are on the Board?	Forsyth Barr, company reports	<5 = 0 5 = 0.5 6 to 9 = 1 10 = 0.5 >10 = 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 NZ companies, we are of the view that 6–9 members is optimal.
	G5.6	Is a Board skills matrix disclosed?	Forsyth Barr, company reports	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.
	G5.7	Does the company have a policy for maintaining a well-balanced Board?	Forsyth Barr, company reports	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 and 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.
	G5.8	Are all audit-committee members non-executive directors?	Forsyth Barr, company reports	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 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.
	G5.9	Is the Board's gender diversity sufficient?	Forsyth Barr, company reports	Y (≤2/3 either gender) = 1 N (>2/3 either gender) = 0	Gender diversity on boards is important as it brings a broader range of perspectives, experiences, and expertise to decision-making processes, leading to better corporate governance and performance. Also, it promotes gender equality and provides opportunities for talented individuals, contributing to a more inclusive and equitable society.

	G5.10	Does the Board undertake an annual self review process?	Forsyth Barr, company reports	Y = 1 N = 0	Undertaking an annual self-review process is important for the Board as it promotes continuous improvement, identifies areas for development, and enhances decision-making and governance practices. It fosters accountability, transparency, and effective strategic oversight.
Data Security & Tax	G6.1	Is there a cybersecurity policy in place? If so, is there evidence the company has tested its cyber resilience strategies in the last year?	Forsyth Barr, company reports	Y = 1 Y: Policy is in place or testing is evident = 0.5 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.
	G6.2	Is there a data privacy and protection policy in place? If so, is their evidence the company has tested its security measures in the last year?	Forsyth Barr, company reports	Y = 1 Policy in place or testing evident = 0.5 N = 0	A cybersecurity policy is essential for establishing guidelines that minimize risks associated with online systems and software usage. It outlines processes to protect the company, its data, and assets. Additionally, such a policy may encompass expectations for social media usage, rules regarding email communications, and guidance for safeguarding data, ensuring comprehensive protection and risk mitigation measures are in place.
	G6.3	Does the Board have a tax governing framework in place?	Forsyth Barr, company reports	Y = 1 N = 0	With growing scrutiny on companies' tax practices, including the location and fairness of tax payments, implementing a tax governance framework sends a signal that these concerns are being appropriately managed. The OECD and tax authorities have introduced various tools such as BEPS, local tax reforms, transparency measures, real-time reporting, and data analytics for targeted audits and investigations to ensure organizations pay the correct amount of tax. In NZ, the Inland Revenue has released a Corporate Tax Governance checklist specifically for multinational Boards, offering guidance in this area.

Assurance and Ethics	G7.1	Has the company received external assurance of its sustainability report or disclosures?	Forsyth Barr, company reports	Reasonable assurance across a range of sustainability-related disclosures = 1 Limited assurance across a range of sustainability-related disclosures = 0.75 Reasonable assurance of the GHG Inventory only = 0.5 Limited assurance of the GHG Inventory only = 0.25 N = 0	External assurance of sustainability reports is vital for instilling confidence in new and qualitative sustainability information. It enhances credibility, validates data accuracy, and reinforces transparency, providing stakeholders with increased trust in the disclosed information.
	G7.2	Has the company acted with integrity? Has the company avoided major controversies in the last five years?	Forsyth Barr, company reports	Y = 1 N (Immaterial) = 0 N (Material) = -1	This question acts as a 'catch-all' and is aimed at picking up examples of poor corporate behaviour 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. Other examples may include skipping or unnecessarily delaying an AGM, receiving regulatory penalties, facing law suits or other controversies. A number of different issues could potentially be captured here and it comes down to analysts discretion as to what may be included. We penalise companies that have not acted with integrity with a negative score as a signal of our view that this metric draws out particularly poor practice.

Appendix B: Example scorecard

FORSYTH BARR

Last data update:
25/08/2023

Company ticker:
[redacted]

B

Fast Follower

	Grade	Score	Property Sector Average	New Zealand Average	Property Sector Weights
Carbon	B+	67%	54%	55%	20%
Environment	B-	56%	53%	46%	20%
Social	B	61%	67%	71%	20%
Governance	B-	55%	60%	60%	40%
Total	**B**	**59%**	**59%**	**60%**	

Forsyth Barr Commentary

[redacted] remains in the Fast Follower category this year with its score steady. [redacted]'s aggregate score is broadly in line with the property sector and NZ average. Gains in the C category were driven by an additional year of GHG emissions data being published, with a further benefit likely next year as [redacted] will meet our threshold of five years of reported GHG emissions data. The introduction of a water consumption reduction target improved its E score, while the increase in its S score was driven by investment in mental health and well-being initiatives. [redacted]'s long auditor tenure, lack of external assurance of its sustainability report, and not having a B-Corp or equivalent certification were the drags in the G category, combined with a change in our methodology.

Carbon		Metric	Data	Score	Weight	Group Score	Group Wgt
GHG Emissions	C1.1	Is scope 1 and 2 CO_2e (tonnes) tracked, measured and publicly reported by the company? If so, for how long has the data been collected?	4 years	0.80	20.00%	52.00%	33.33%
	C1.2	If five years of data, are scope 1+2 emissions increasing, stable or decreasing?	< 5y data	0.00	20.00%		
	C1.3	If five years of data, is carbon intensity increasing, stable or decreasing?	< 5y data	0.00	20.00%		
	C1.4	Has the company identified and publicly disclosed its most material scope 3 emission sources?	Yes	1.00	20.00%		
	C1.5	Is scope 3 CO_2e (tonnes) tracked, measured and publicly reported by the company? If so, for how long has the data been collected?	4 years	0.80	20.00%		
Emissions Management	C2.1	Does the company have an emissions reduction target or net zero commitment in place?	Yes	1.00	16.67%	50.00%	33.33%
	C2.2	If so, is the target an absolute and/or intensity measure?	Both	1.00	16.67%		
	C2.3	If so, has the target been verified/approved by the SBTi (or similar) as a science-based target?	No	0.00	16.67%		
	C2.4	Is there a clearly defined climate transition plan in place outlining the strategy to meet targets? If so, does the plan include decarbonisation efforts as well as specifying the role of existing/future climate solutions (i.e. technologies and products that will enable the economy to decarbonise)?	No	0.00	16.67%		
	C2.5	Is the company already operating at net zero and if so, how are offsets used to help meet targets?	Yes	1.00	16.67%		
	C2.6	Are there any material projects underway that will enable actual emissions reductions of more than -10% of total scope 1 and 2 emissions?	Yes	Unscored	0.00%		
	C2.7	Has the company introduced the concept of a 'just transition' into their climate ambitions?	No	0.00	16.67%		
Risk & Opportunity Management	C3.1	Has a physical risk and transition risk assessment been undertaken?	Both	1.00	33.33%	100.00%	33.33%
	C3.2	Has the company outlined how its assessment of climate-related risks and opportunities serves as an input to capital deployment and funding decisions?	Yes	1.00	33.33%		
	C3.3	Does the company own any proven or probable fossil fuel reserves?	No	1.00	33.33%		
C - Total							B+ (67.33%)

Environmental		Metric	Data	Score	Weight	Group Score	Group Wgt
Environmental Management Systems	E1.1	Does the company have an ISO 14001, EMS, Toitū Envirocare carbonzero or equivalent certification on all applicable sites?	Yes	1.00	33.33%	83.33%	33.33%
	E1.2	Has the company made 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?	Green Star 4	0.50	33.33%		
	E1.3	Has there been an environmental fine or breach (including any resource consent discharge breaches such as nutrient discharges) in the last three years?	No	1.00	33.33%		
Waste & Water	E2.1	Is there a commitment to reduce waste in place?	Yes	1.00	25.00%	50.00%	33.33%
	E2.2	If there is five years of data, is total waste to landfill increasing, stable or decreasing?	< 5y data	0.00	25.00%		
	E2.3	Is there a target for achieving water use reduction or water consumption efficiency?	Yes	1.00	25.00%		
	E2.4	If there is five years of data, is total water use increasing, stable or decreasing?	< 5y data	0.00	25.00%		
Biodiversity & Circular Economy	E3.1	Is there a commitment by the company to preserve and protect biodiversity and/or natural ecosystems?	No	0.00	33.33%	33.33%	33.33%
	E3.2	Does the company voluntarily report against the TNFD framework?	No	0.00	33.33%		
	E3.3	Is the company actively engaged in implementing circular economy principles into their business model?	Yes	1.00	33.33%		
E - Total							B- (55.56%)

Social		Metric	Data	Score	Weight	Group Score	Group Wgt
Health & Safety	S1.1	Does the company have safety management targets in place?	Yes	1.00	33.33%	66.67%	16.67%
	S1.2	If there is five years of data on a measure of safety (e.g. LTIFR) collected by the company, is it increasing/stable/decreasing?	< 5y data	0.00	33.33%		
	S1.3	Have there been any workplace fatalities in the last five years?	No	1.00	33.33%		
Human Rights & Supply Chain	S2.1	Is there a human rights policy?	No	0.00	25.00%	0.00%	16.67%
	S2.2	Is there a commitment to preventing modern slavery that covers both the company's workforce as well as workers in the value chain?	No	0.00	25.00%		
	S2.3	Is the company an accredited living wage employer?	No	0.00	25.00%		
	S2.4	Is there a supply chain code of conduct?	No	0.00	25.00%		
Product Quality & Accessibility	S3.1	Have there been any unplanned product or service faults (including cyber incidents or data privacy breaches) 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%	16.67%
	S3.2	*Aged care only:* Is there a policy of repaying evacuated units within 6 months regardless of whether the unit is sold?	N/a	Unscored	0.00%		
Employee Value Proposition / Culture	S4.1	Is employee turnover measured and publicly reported?	No	0.00	25.00%	25.00%	16.67%
	S4.2	*If employee turnover is reported:*					
	S4.2.1	Is it <10%, <20%, >20%?	No data	0.00	12.50%		
	S4.2.2	If there is five years of data, is it increasing/stable/decreasing?	Insufficient data	0.00	12.50%		
	S4.3	Is there a contemporary parental leave policy?	No	0.00	25.00%		
	S4.4	Has the company invested in any mental health and/or wellbeing initiatives in the last 3 years?	Yes	1.00	25.00%		
Diversity	S5.1	Does the company have a diversity and inclusion policy?	Yes	1.00	50.00%	75.00%	16.67%
	S5.2	Does the company track and measure the proportion of women in management roles in relation to the proportion of women employees?	53%	0.50	50.00%		
Stakeholder Relations	S6.1	Is there a policy to manage community involvement?	Yes	1.00	50.00%	100.00%	16.67%
	S6.2	Is the business model stakeholder centric?	Yes	1.00	50.00%		
S - Total							B (61.11%)

Governance		Metric	Data	Score	Weight	Group Score	Group Wgt
Sustainability	G1.1	Is there a sustainability strategy?	Integrated	1.00	50.00%	100.00%	14.29%
	G1.2	Is remuneration for senior executives linked to achieving sustainability performance?	Yes	1.00	50.00%		
Framework	G2.1	Does the company have B Corporation, Future-Fit (or equivalent) certification?	No	0.00	100.00%	0.00%	14.29%
Investor Protections	G3.1	Does the company have share classes with different voting rights?	No	1.00	33.33%	100.00%	14.29%
	G3.2	Is there potential for a 'blocking' shareholder?	9.14%	1.00	33.33%		
	G3.3	How many anti-takeover devices are there?	4	Unscored	0.00%		
	G3.4	Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?	No equity raisings	1.00	33.33%		
Audit & External Relationship Management	G4.1	How long is the current auditor's tenure?	15 years	-1.00	33.33%	0.00%	14.29%
	G4.2	What is the average proportion of total fees paid to the auditor for non-statutory audit services over the past three years?	3.67%	1.00	33.33%		
	G4.3	Is there a code of conduct governing interactions with elected officials?	No	0.00	33.33%		
	G4.4	Is the company explicitly considering Iwi specific considerations within their community interactions?	No	Unscored	0.00%		
Board	G5.1	Do non-executive and independent Board members comprise the majority of Board members?	100.00%	1.00	10.00%	70.00%	14.29%
	G5.2	Is the CEO also the Chair?	No	1.00	10.00%		
	G5.3	What is the average tenure of current Board members?	5.29 years	1.00	10.00%		
	G5.4	What is the average number of Board member affiliations of non-executive Board members?	4.67	0.00	10.00%		
	G5.5	How many directors are on the Board?	6	1.00	10.00%		
	G5.6	Is a Board skills matrix disclosed?	Yes	1.00	10.00%		
	G5.7	Does the company have a policy for maintaining a well-balanced Board?	Yes	1.00	10.00%		
	G5.8	Are all audit-committee members non-executive directors?	Yes	1.00	10.00%		
	G5.9	Is the Board's gender diversity sufficient?	16.67%	0.00	10.00%		
	G5.10	Does the Board undertake an annual self review process?	No	0.00	10.00%		
Data Security & Tax	G6.1	Is there a cybersecurity policy in place? If so, is there evidence the company has tested its cyber resilience strategies in the last year?	Yes	1.00	33.33%	66.67%	14.29%
	G6.2	Is there a data privacy and protection policy in place? If so, is their evidence the company has tested its security measures in the last year?	Yes	1.00	33.33%		
	G6.3	Does the Board have a tax governing framework in place?	No	0.00	33.33%		
Assurance & Ethics	G7.1	Has the company received external assurance of its sustainability report or disclosures?	No	0.00	50.00%	50.00%	14.29%
	G7.2	Has the company acted with integrity? Avoided major controversies in the last five years?	Yes	1.00	50.00%		
G - Total							B- (55.24%)

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

Appendix C: Forsyth Barr Sector Classifications for C&ESG

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

Figure 8. Stocks by Sector

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

Source: Forsyth Barr analysis

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