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**ATURNA  
CAPITAL**

# Solving the ESG Data Problem

October 24, 2018 | Webinar

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# Introduction to Webinar Participants

- Lisa Roitman – Bloomberg Enterprise Solutions, Business Development and Marketing Strategist
- Cynthia Figge – CSRHub Cofounder and CEO
- Patrick Drum – Saturna Sr. Investment Analyst and Portfolio Manager
- Bahar Gidwani – CSRHub Cofounder and CTO

# Disclaimer

## Important Disclosures

***Please consider an investment's objectives, risks, charges and expenses carefully before investing. To obtain this and other important information about the Saturna Sustainable Bond Fund in a current prospectus or summary prospectus, please visit [www.saturnasustainable.com](http://www.saturnasustainable.com) or call toll free 1-800-728-8762. Please read the prospectus or summary prospectus carefully before investing.***

*The Saturna Sustainable Bond Fund limits the securities they purchase to those consistent with sustainable principles, which limits opportunities and may affect performance. The value of Sustainable Bond Fund shares rises and falls as the value of the securities in which the Fund invests goes up and down. Only consider investing in the Fund if you are willing to accept the risk that you may lose money. The risks inherent in the Sustainable Bond Fund depend primarily on the terms and quality of the obligations in its portfolio, as well as on bond market conditions. When interest rates rise, bond prices fall. When interest rates fall, bond prices go up. Bonds with longer maturities usually are more sensitive to interest rate changes than bonds with shorter maturities.*

*The Fund entails credit risk, which is the possibility that a bond will not be able to pay interest or principal when due. If the credit quality of a bond is perceived to decline, investors will demand a higher yield, which means a lower price on that bond to compensate for the higher level of risk. Issuers of high-yield securities are generally not as strong financially as those issuing higher quality securities. High-yield bonds may have low or no ratings, and may be considered “junk bonds.” Foreign investing involves risks not normally associated with investing solely in US securities. These include fluctuations in currency exchange rates, less public information about securities, less governmental market supervision and the lack of uniform financial, social, and political standards. Foreign investing heightens the risk of confiscatory taxation, seizure or nationalization of assets, establishment of currency controls, or adverse political or social developments that affect investments. The risks of foreign investing are generally magnified in the smaller and more volatile securities markets of the developing world.*

***The Saturna Sustainable Funds are distributed by Saturna Brokerage Services, member FINRA / SIPC and a wholly-owned subsidiary of Saturna Capital, investment adviser to the Saturna Sustainable Funds.***

# Webinar Agenda

- Cynthia Figge will share research from CSRHub that illustrates the issues investors face when they use ESG Data
- Patrick Drum, who manages an ESG portfolio, will share how he uses ESG data and the challenges faces integrating it into his investment process
- Bahar will show how Big Data analysis can improve the usability of ESG Data and demo the new Bloomberg App – ESGHub – a tool that helps Bloomberg users get more out of ESG data
- Q&A

*Today's webinar will show the recently launched ESGHub on the Bloomberg App Portal. If you would like to 'play along at home' please go to {APPS ESGH<GO>} on your terminal and click free trial. The application will launch and you will have free access for 10 days.*



# Bloomberg's Role

In addition to the CSRHub App, Bloomberg has a wide-suite of products to help investors make better decisions



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- ESGHub {APPS ESGH<GO>}
- Environmental, Social & Governance Data & Analytics
- Green Bonds
- Gender Equality Index
- Bloomberg New Energy Finance (BNEF)
- Bloomberg Intelligence
  - Industry primers (e.g. Packaged Food)
  - Topic primers (e.g. SDGs)
- Bloomberg News
  - Sustainable Finance Brief

- ESG data feed that can be integrated into your internal systems and databases
  - Company reported data on ~9,400 companies
  - Bloomberg proprietary Gender Equality Index survey fields
  - CDP data
- Bloomberg ID allows combination with other datasets for custom use cases
  - Create your own score
  - Create your SDG aligned portfolio

# | CSRHub Founders and Purpose

CSRHub was cofounded in 2007 by Cynthia Figge and Bahar Gidwani, classmates at Harvard Business School. Cynthia is a forerunner in the sustainability movement, and cofounded the sustainability strategy consulting firm EKOS International, in 1996. Bahar has founded and run web-based ventures in New York. Combining their sustainability and technology expertise, the CSRHub team has built the largest big data ESG ratings firm globally.

**As a B Corporation,** CSRHub's mission is to offer a public, accessible, and standardized measure of company ESG performance that empowers our users to improve corporate social performance. CSRHub hopes that our gateway to open, transparent CSR data will make progressive corporate social responsibility a norm that sustains businesses, society and our planet.

# Definitions

Sustainable Investment encompasses multiple investing styles, integrating Environmental, Social & Governance (ESG) issues in the investment process

## Definition

## Sample Factors

### Exclusionary Screens

- Exclusion of sectors/companies based on impact of products or adherence to a minimum standard

- Tobacco
- Alcohol
- Gambling

- Weapons/Firearms
- Coal
- UN Global Compact

### ESG Integration / Positive Screening

- Inclusion of ESG factors in analysis – focus on minimizing risk and overweighting positive performers

- Carbon footprint
- Energy use
- Waste reduction

- Compensation
- Product safety
- Gender equality

### Corporate Engagement

- Influence corporate behavior through direct engagement, shareholder proposals, proxy voting

- Climate change
- Executive Compensation

- Data privacy
- Workplace safety
- Oil spills

### Thematic / Impact

- Investments in themes or assets linked to sustainability trends

- Renewable energy
- Gender diversity
- Water scarcity

- Physical risks
- Sustainable Development Goals

# | Poll Question #1

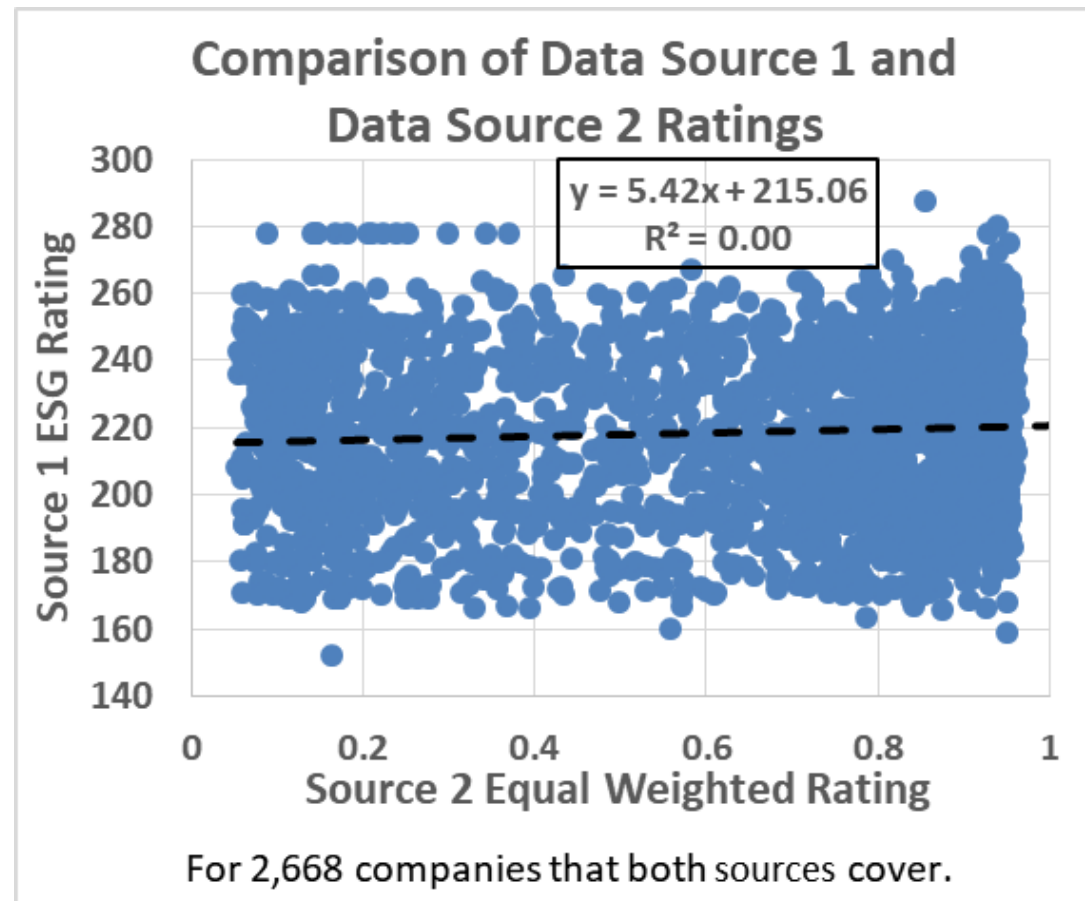
**How would you describe your comfort level using ESG data?**

- A. Not using it—haven't tried.
- B. Tried to use it—couldn't make it work.
- C. Using it for marketing or client relations purposes.
- D. Using it in an investment or business process.
- E. Couldn't live without it.



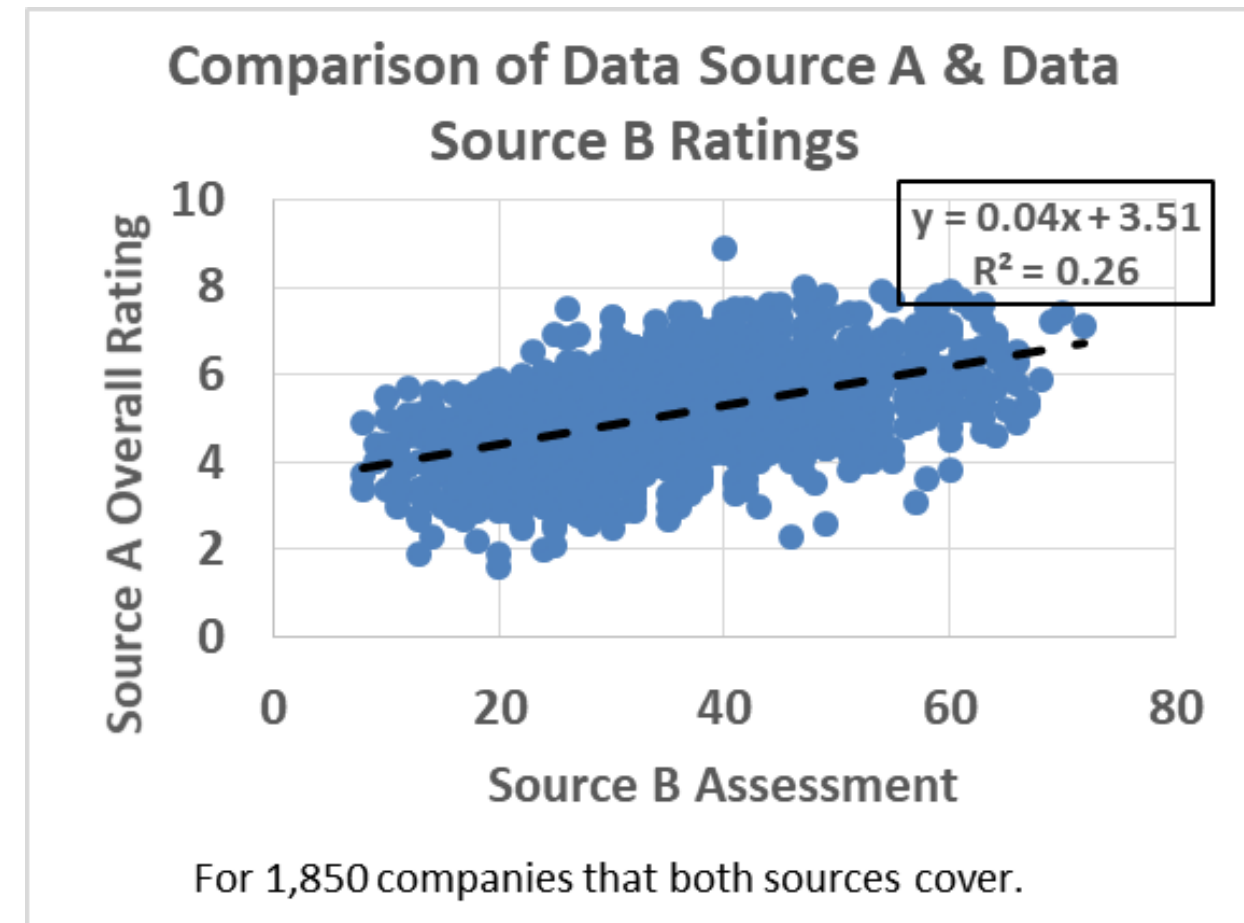
# Bloomberg Users See a Wide Variance In Environment, Social and Governance (ESG) Ratings

Company Self-Reported Data



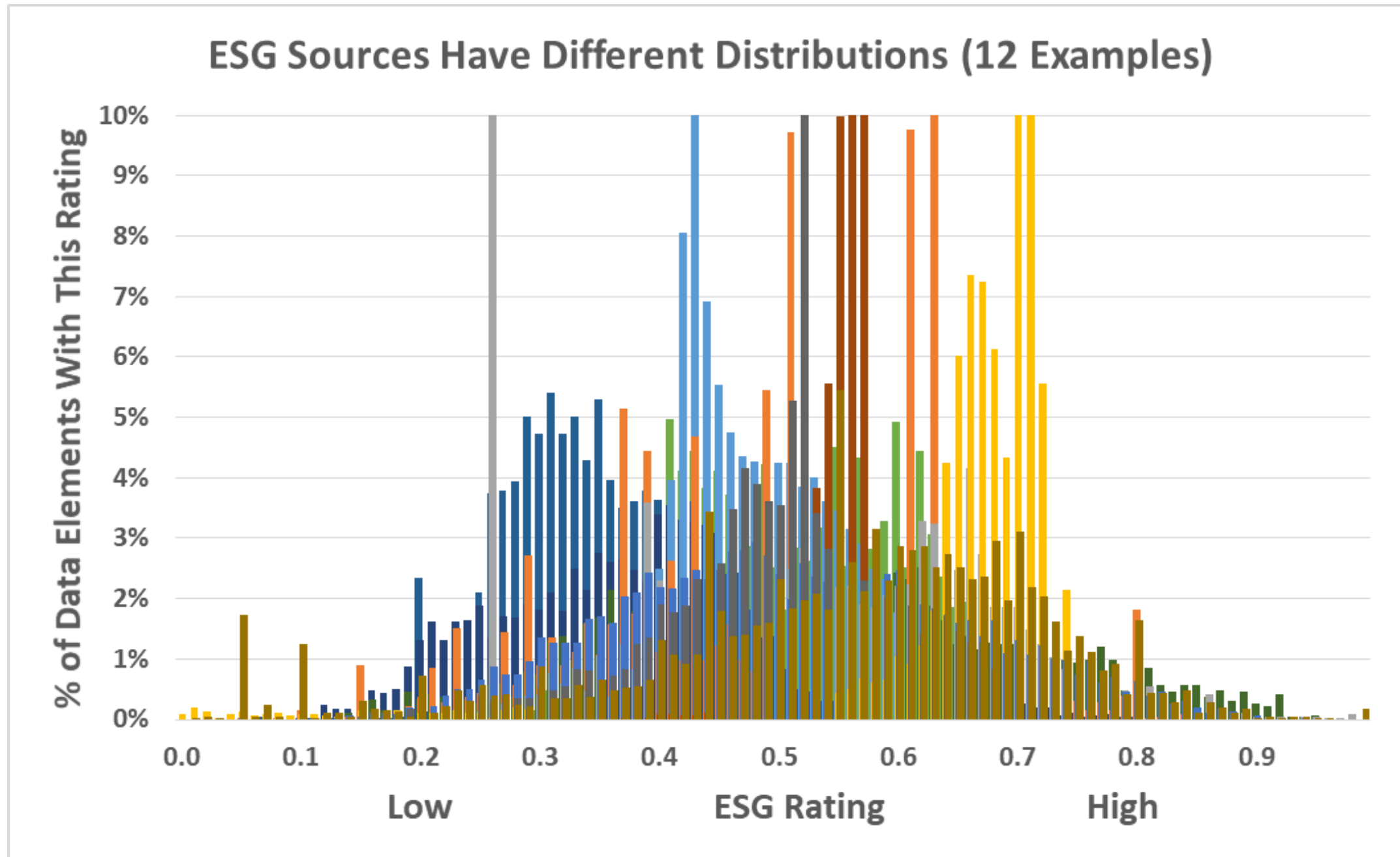
Little correlation

Human Analysts

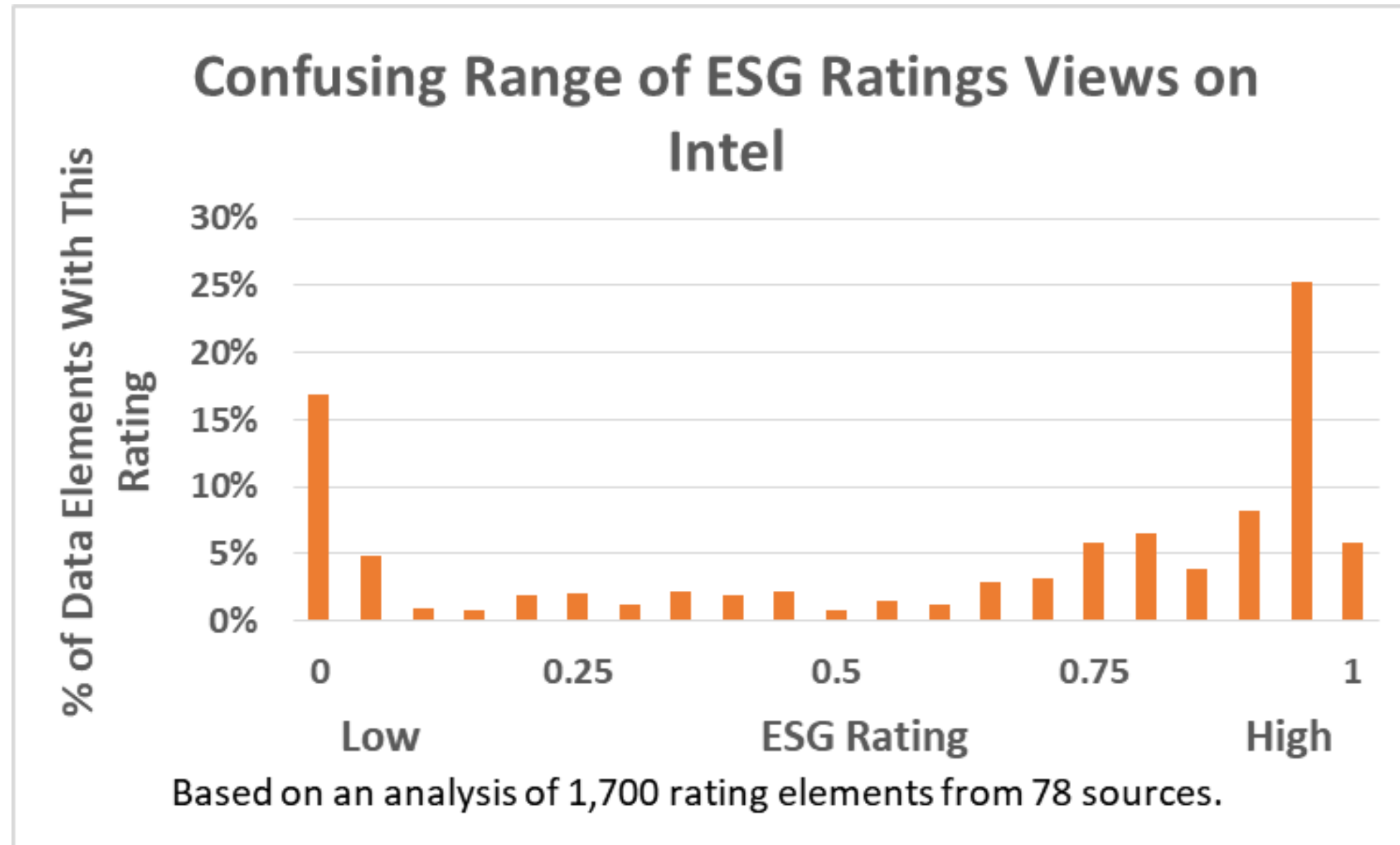


Only 26% correlation

# ESG Sources Each Have Their Own Distribution



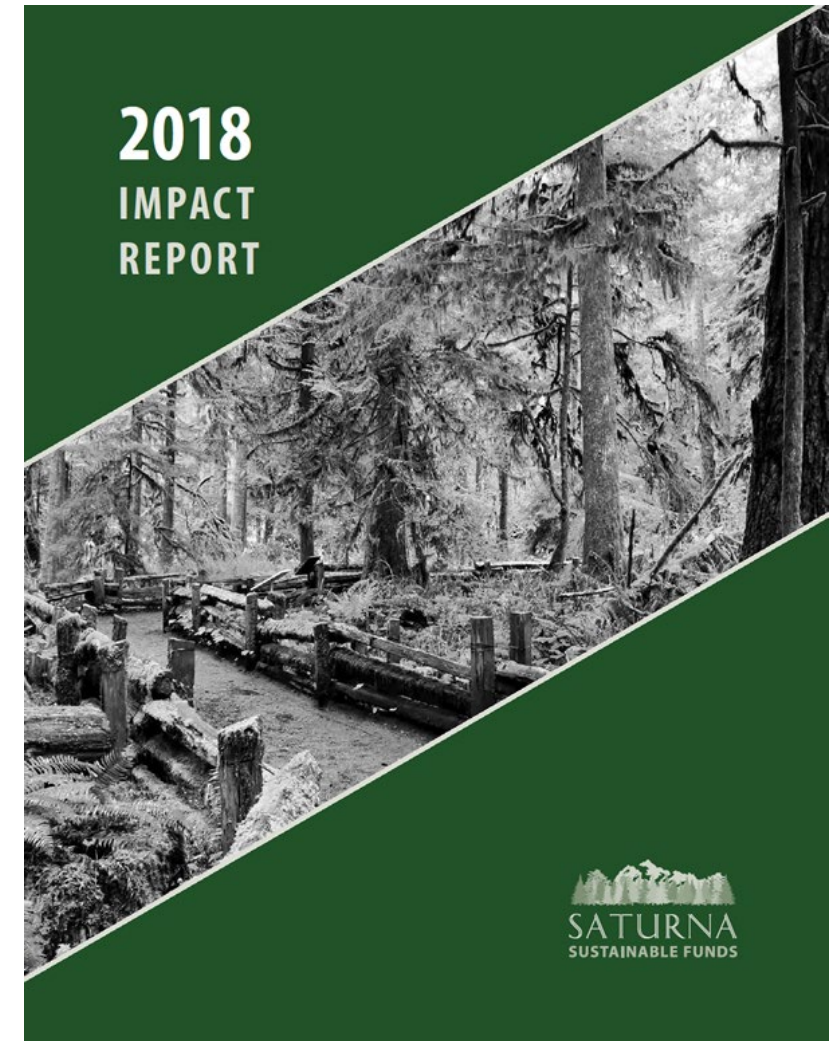
# The Variance In ESG Ratings Creates Confusion at the Company Level



# The Saturna Sustainable Bond Fund

Sustainable Bond Fund (SEBFX): Capital preservation and current income:

- 80% in bonds globally, with at least 65% of assets rated within the four highest credit ratings (AAA, AA, A or BBB)
- Multicurrency allocations
- Some unrated and high-yield securities, and collateralized securities (RMBS, CMBS, and ABS)
- 40% limit on any one country
- ESG principles restrict certain market sectors: alcohol, tobacco, gambling, weapons, and pornography
- Securities are evaluated to meet financial and sustainable criteria



# Traditional Credit Comparison of Three Bonds

Comparing issues across various credit grades in the real estate sector

Issuer Characteristics	OMEGA HLTHCARE INVESTORS	CAMDEN PROPERTY TRUST	IRON MOUNTAIN INC
Focus	Long-term Health Care	Multifamily Apartments	Information Storage
Rank	Sr Unsecured	Sr Unsecured	Sr Subordinated
Market Capitalization	6,436.80	8,288.30	9,073.70
Moody's	Baa3	A3	B2

Covenant Dashboard	OMEGA HLTHCARE INVESTORS	CAMDEN PROPERTY TRUST	IRON MOUNTAIN INC
Certain Sales Asset Covenant	Y	Y	Y
Covenant Default Information Available	Y	Y	Y
Change of Control Covenant	N	N	Y
Limit of Indebtedness Covenant	Y	Y	Y
Negative Covenant	Y	Y	Y
Cross Default Covenant	Y	Y	Y
Restriction on Accounts Covenant	Y	Y	Y
Merger Restrictions Covenant	Y	Y	Y
Restriction Payments Covenant	N	N	Y
Limit Subsidiary Debt Covenant	Y	Y	Y
Force Majeure Covenant	N	N	N
Restrictive Covenant	Y	Y	Y

*As of October 12, 2018. For informational and educational purposes only. All information assumed to be reliable with no assurances or guarantees provided. All source data provided by Bloomberg. Iron Mountain comprises 4.2% of the Saturna Sustainable Bond Fund's portfolio. The Fund does not own securities of Omega Healthcare or Camden Property Trust.*



# Add ESG Elements to the Comparison Process

ESG business case: Understanding risks, opportunities and materiality.

<b>Business Case</b>	The commercial and residential building sector accounts for 39% of carbon dioxide (CO2) emissions in the United States per year, more than any other sector
<b>Risks</b>	Higher exposure to global energy trends and costs / Potential regulation / Sub-optimal real estate portfolio valuation and rental income
<b>Opportunities</b>	Efficiency / Lower Costs / Understanding of upcoming capex deployment / Future fiscal liabilities / Market Value
<b>SASB Guidance</b>	The issuer's strategic approach to managing performance on material sustainability issues

Notes:

<https://www.eesi.org/files/climate.pdf>

[https://www.sasb.org/wp-content/uploads/2016/03/IF0403\\_RealEstateServices\\_Standard.pdf](https://www.sasb.org/wp-content/uploads/2016/03/IF0403_RealEstateServices_Standard.pdf)

# Environment Data Indicates One Bond Is Better

Assessing commitment to environmental considerations

	OMEGA HLTHCARE INVESTORS	CAMDEN PROPERTY TRUST	IRON MOUNTAIN INC
<b>Environment Policy &amp; Reporting</b>			
CDP Survey Year	#N/A N/A	#N/A N/A	2017
CDP Reporting Yearend date	#N/A N/A	#N/A N/A	12/31/2016
GRI Compliance	#N/A N/A	N	Y
GRI Checked	#N/A N/A	N	Y
Energy Efficiency Policy	#N/A N/A	Y	Y
Emission Reduction Policy	#N/A N/A	N	Y
Climate Change Policy	#N/A N/A	N	Y
CDP Physical Risk Exposure	#N/A N/A	#N/A N/A	Y
CDP Regulatory Opportunities	#N/A N/A	#N/A N/A	Y
CDP Regulatory Risk Exposures	#N/A N/A	#N/A N/A	Y
CDP EM Energy Reduction Targets	#N/A N/A	#N/A N/A	Y
Biodiversity Policy	#N/A N/A	N	N
GRI Compliance	#N/A N/A	N	Y
Water Policy	#N/A N/A	Y	N
Green Building	#N/A N/A	Y	Y
Environmental Quality Mgt	#N/A N/A	N	N
Environmental Supply Mgt	#N/A N/A	N	Y
Total GHG CO2 Emissions	#N/A N/A	#N/A N/A	0.3
CDP Scope 1 Emissions Globally	#N/A N/A	#N/A N/A	0.2
CDP Scope 2 Emissions Globally	#N/A N/A	#N/A N/A	#N/A N/A
Total GHG CO2 Emissions	#N/A N/A	#N/A N/A	333.7
GHG Scope 1	#N/A N/A	#N/A N/A	166.2
GHG Scope 2	#N/A N/A	#N/A N/A	167.5
GHG Scope 1 Intensity Per Sales	#N/A N/A	#N/A N/A	43.2
GHG Intensity Per Employee	#N/A N/A	#N/A N/A	13.9

# Governance Data Offers a More Mixed Signal

Assessing key governance characteristics

	OMEGA HLTHCARE INVESTORS	CAMDEN PROPERTY TRUST	IRON MOUNTAIN INC
<b>Governance</b>			
Board Size	9	10	11
% Independent board members	88.9%	80.0%	90.9%
% Women as board members	22.2%	30.0%	27.3%
CEO Duality (CEO & President of Board)	N	Y	N
Independent Chairperson	Y	N	Y
Independent Lead Director	N	Y	N
Total executive pay (% of operating expenses)	5.2	3.6	1.6
Change of control benefits (Golden Parachute)	Y	Y	Y
Compensation claw back provisions	N	Y	Y

# Variation Between and Holes In Ratings

Aligning the differing views

OMEGA HLTHCARE INVESTORS

CAMDEN PROPERTY TRUST

IRON MOUNTAIN INC

## External & Internal Review

Bloomberg ESG Disclosure Score	NA	18.6	44.6
Sustainalytics Environmental Rank	NA	35.0	69.4
Thomson Reuters ESG	NA	B+	B
CSRHUB Score	43.0	51.0	55.0
Saturna Capital Rank	F	F	A

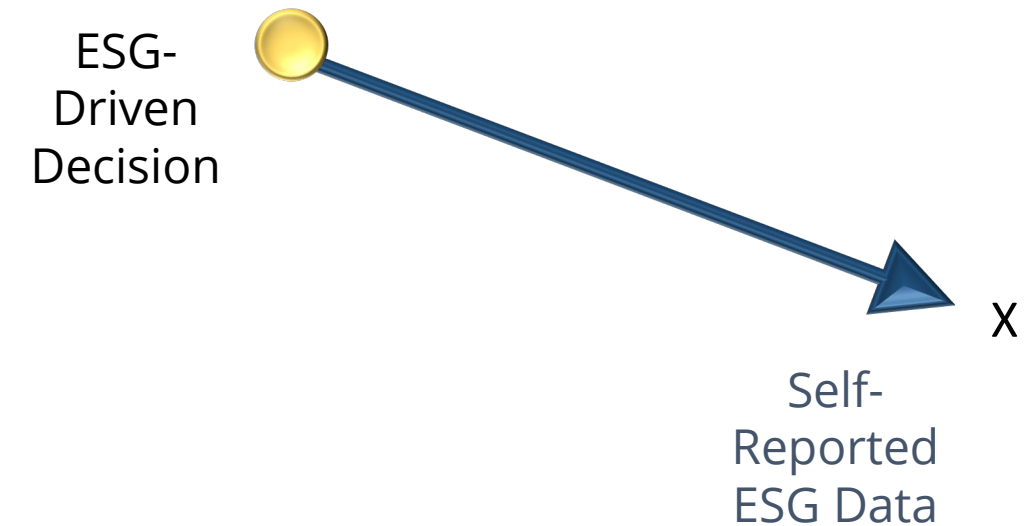
# Three Orthogonal Ways to Measure ESG

## Self-Reported Data

Sources: Bloomberg, Thomson, Factset

Number of indicators: ~900

Number companies covered: 6,000 – 10,000





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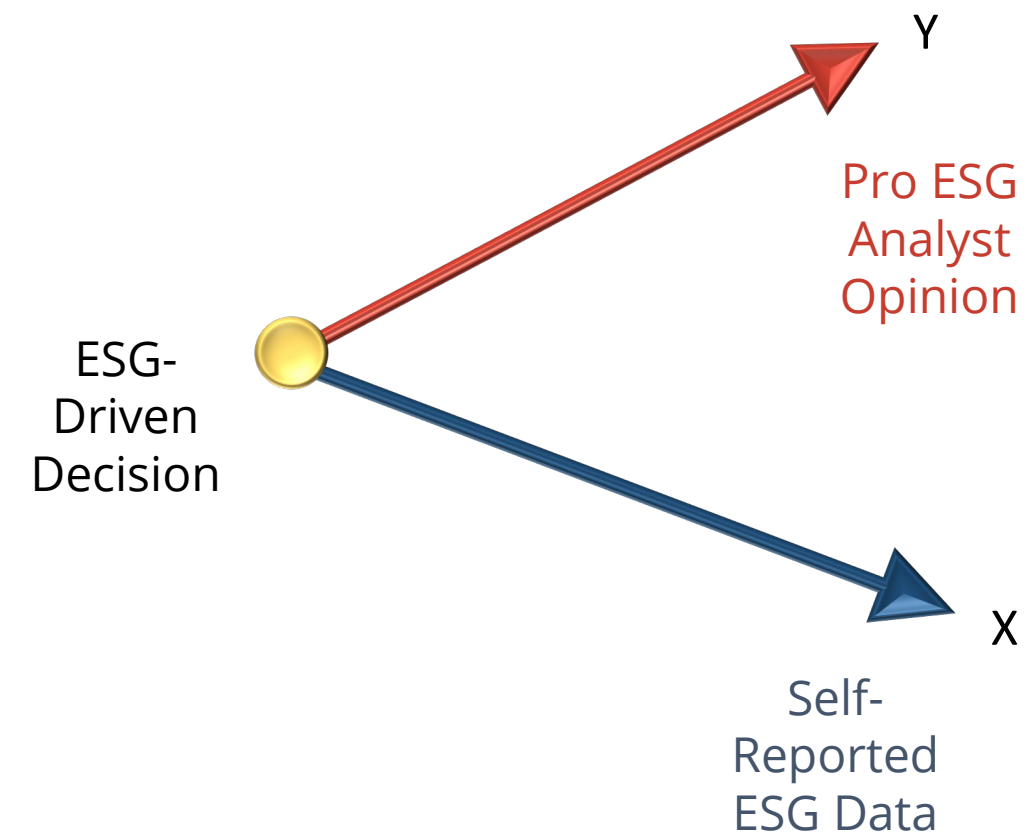
Number companies covered: 6,000 – 10,000

## Professional ESG Opinions

Sources: MSCI, ISS, Sustainalytics, Vigeo EIRIS

Number of indicators: 16 to 250

Number companies covered: 1,500 – 8,000



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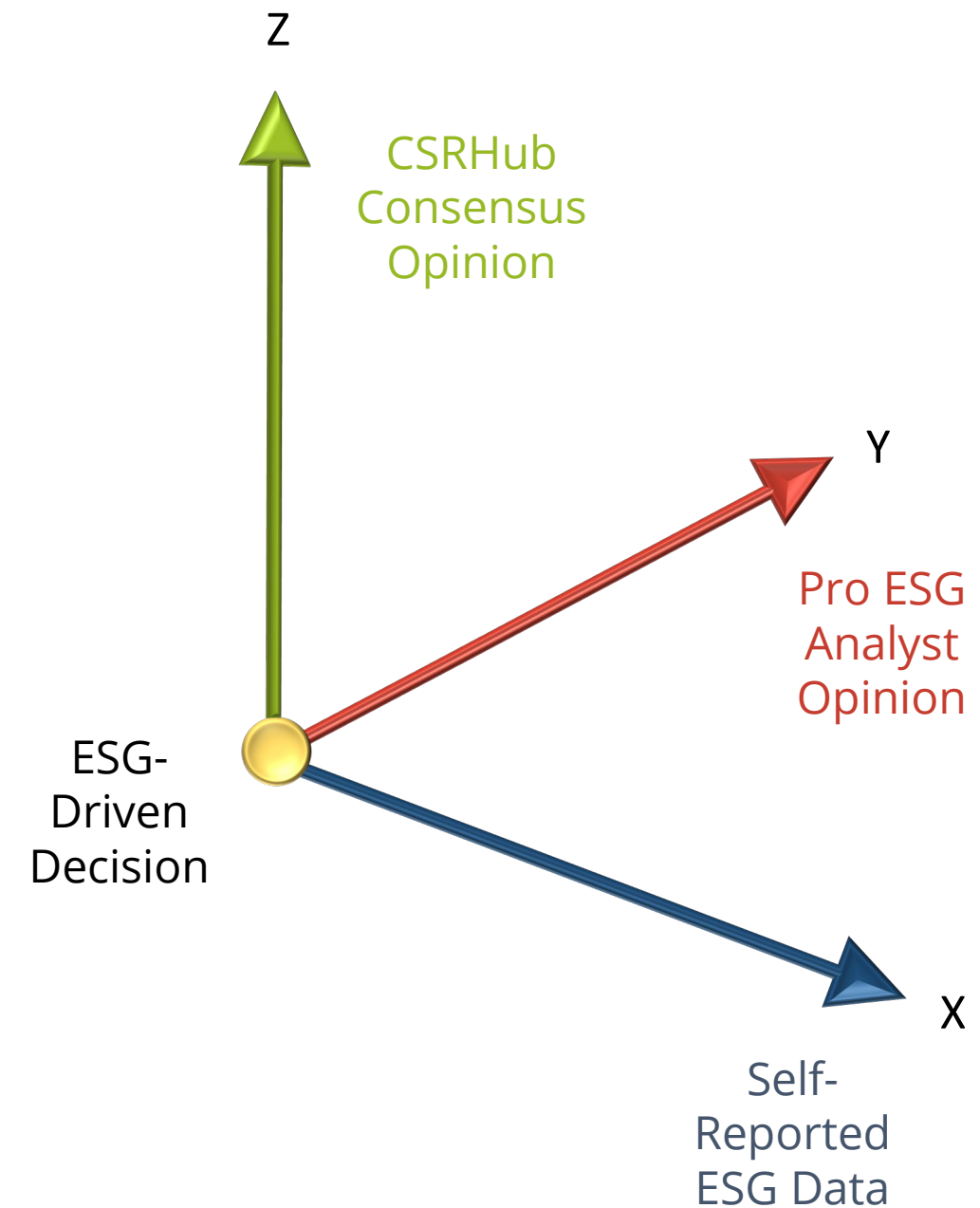
## Consensus Opinions

Sources: CSRHub

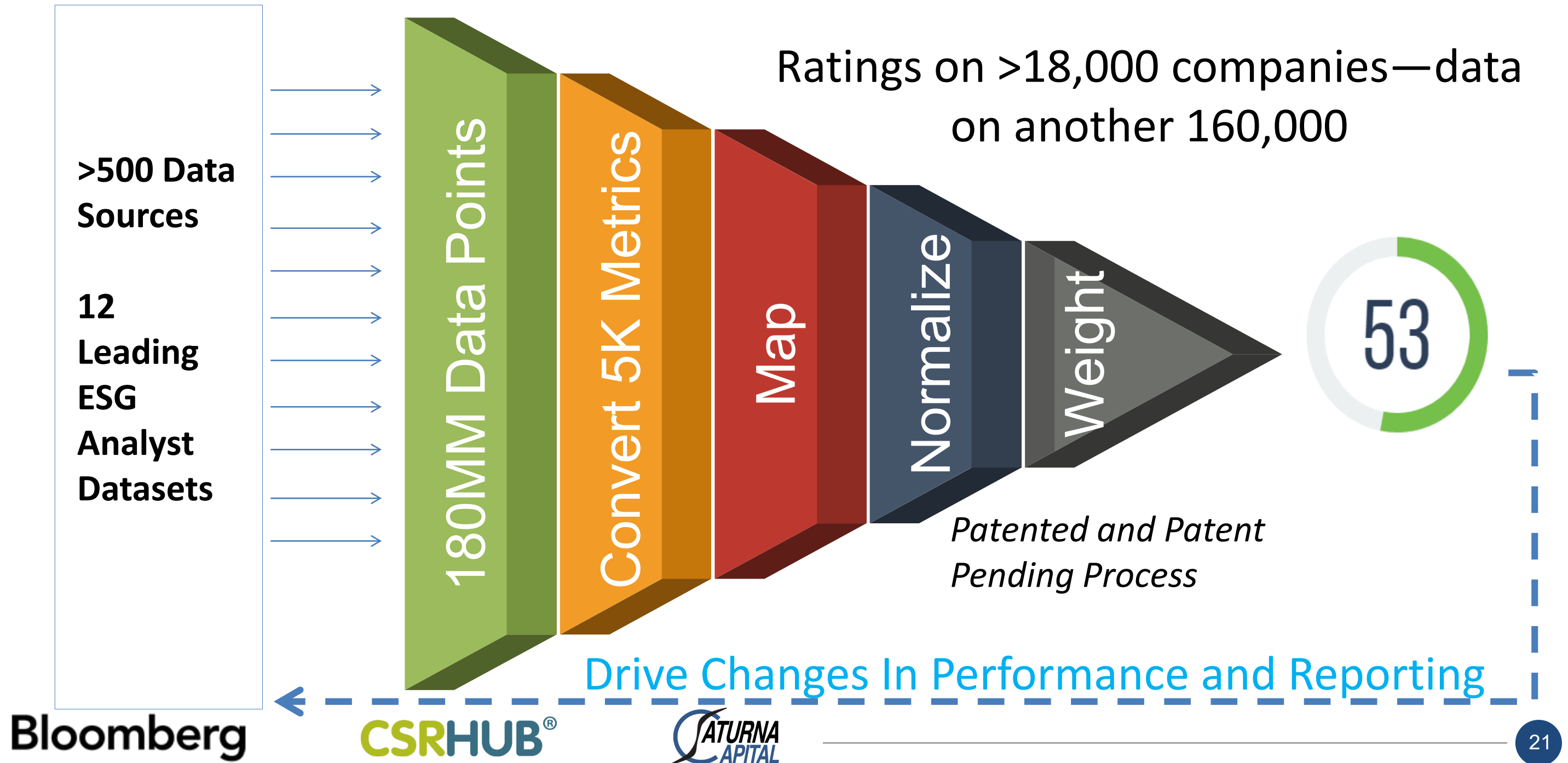
Number of indicators: 12 subcategories  
(plus 5,300 underlying data elements).

Number companies covered: 18,000

Breadth and depth on 97% of world market cap

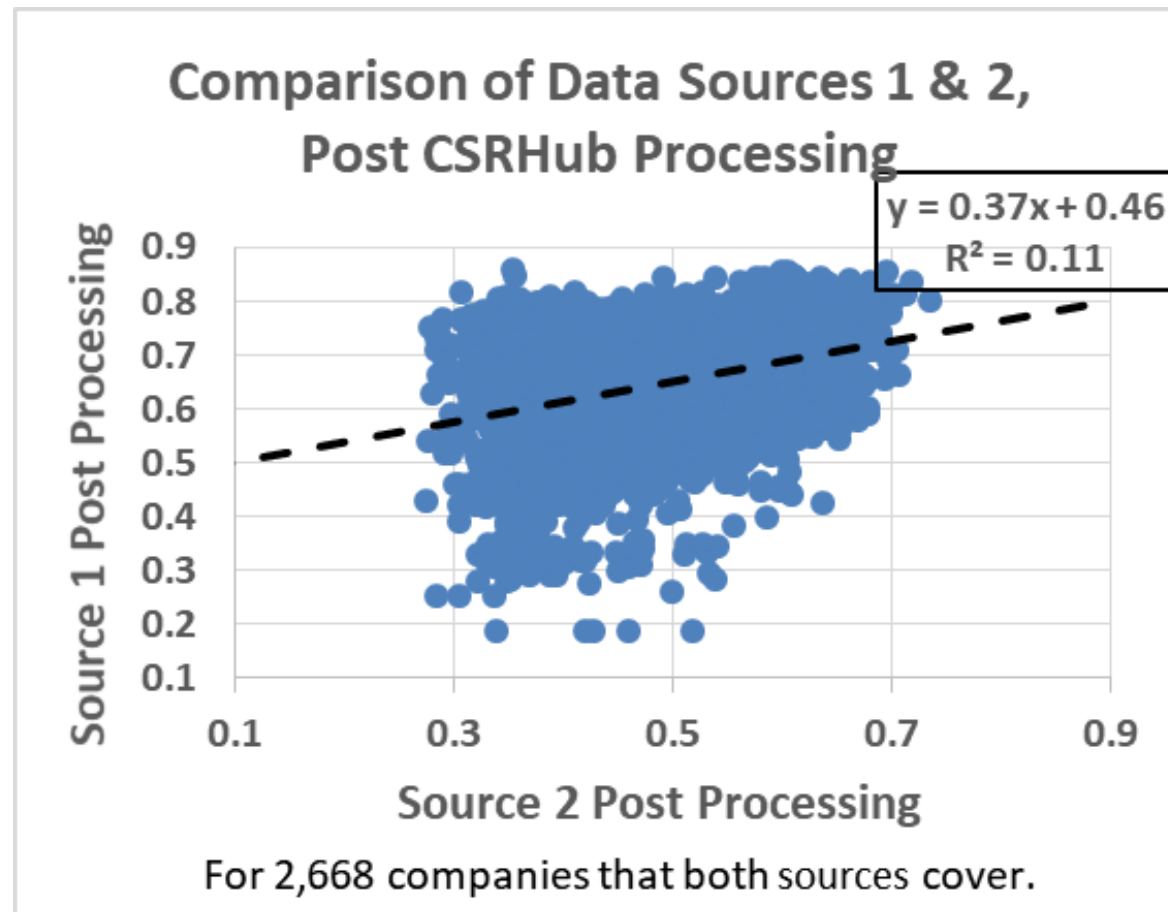


# CSRHub Technology Aggregates Disparate Sources to Create Consistent Ratings



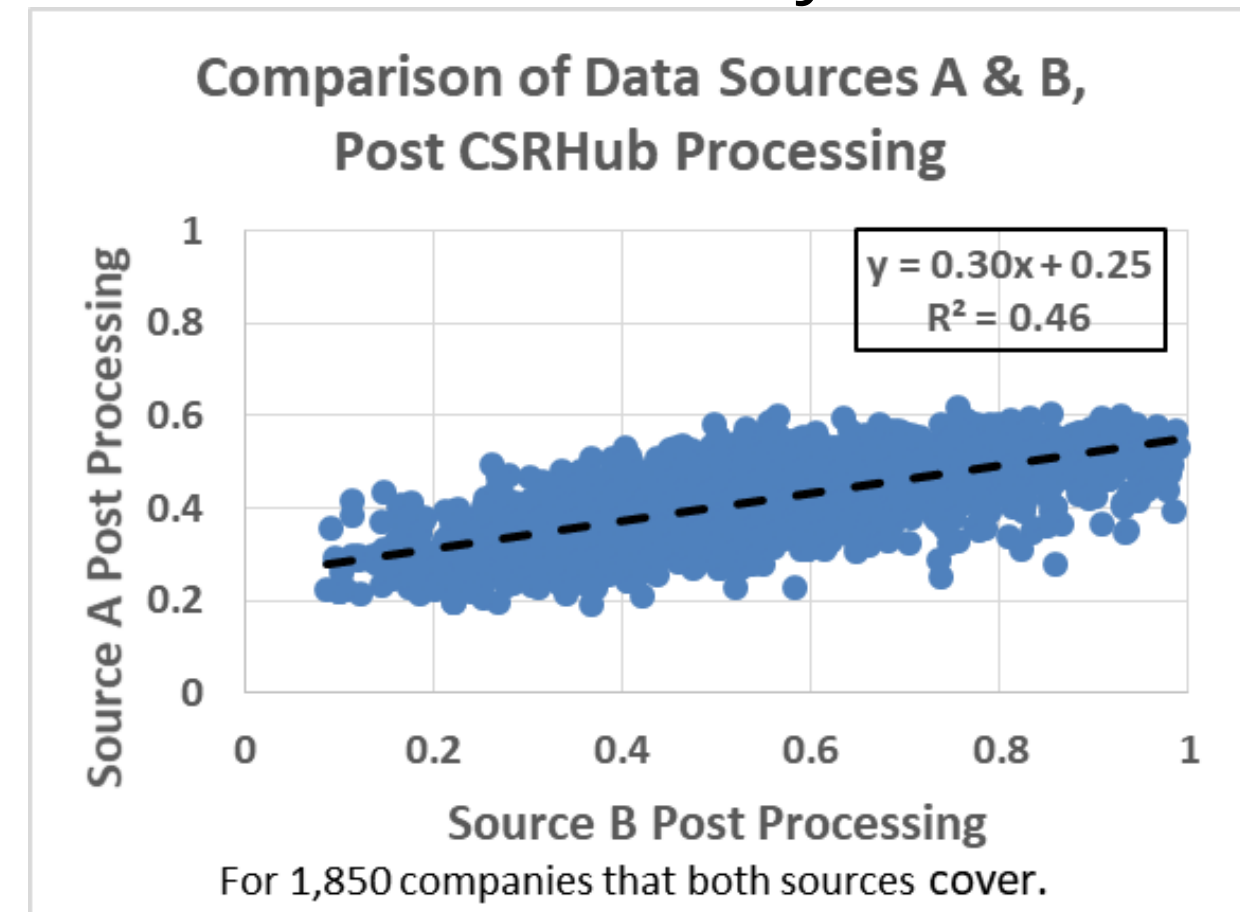
# ESG Data Source Correlations Improve After CSRHub Processing

Company Self-Reported Data



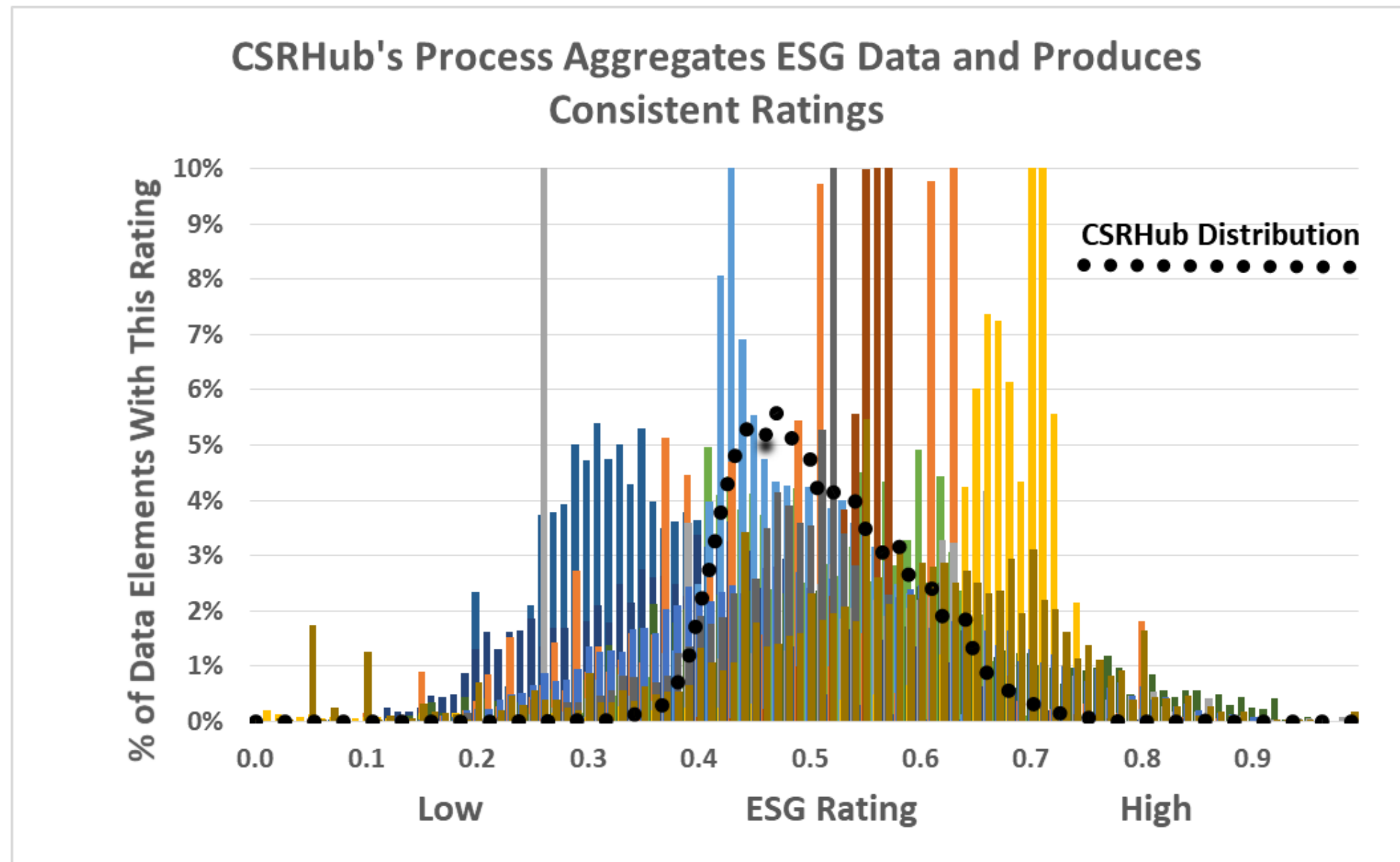
Correlation Improves to 11%

Human Analysts



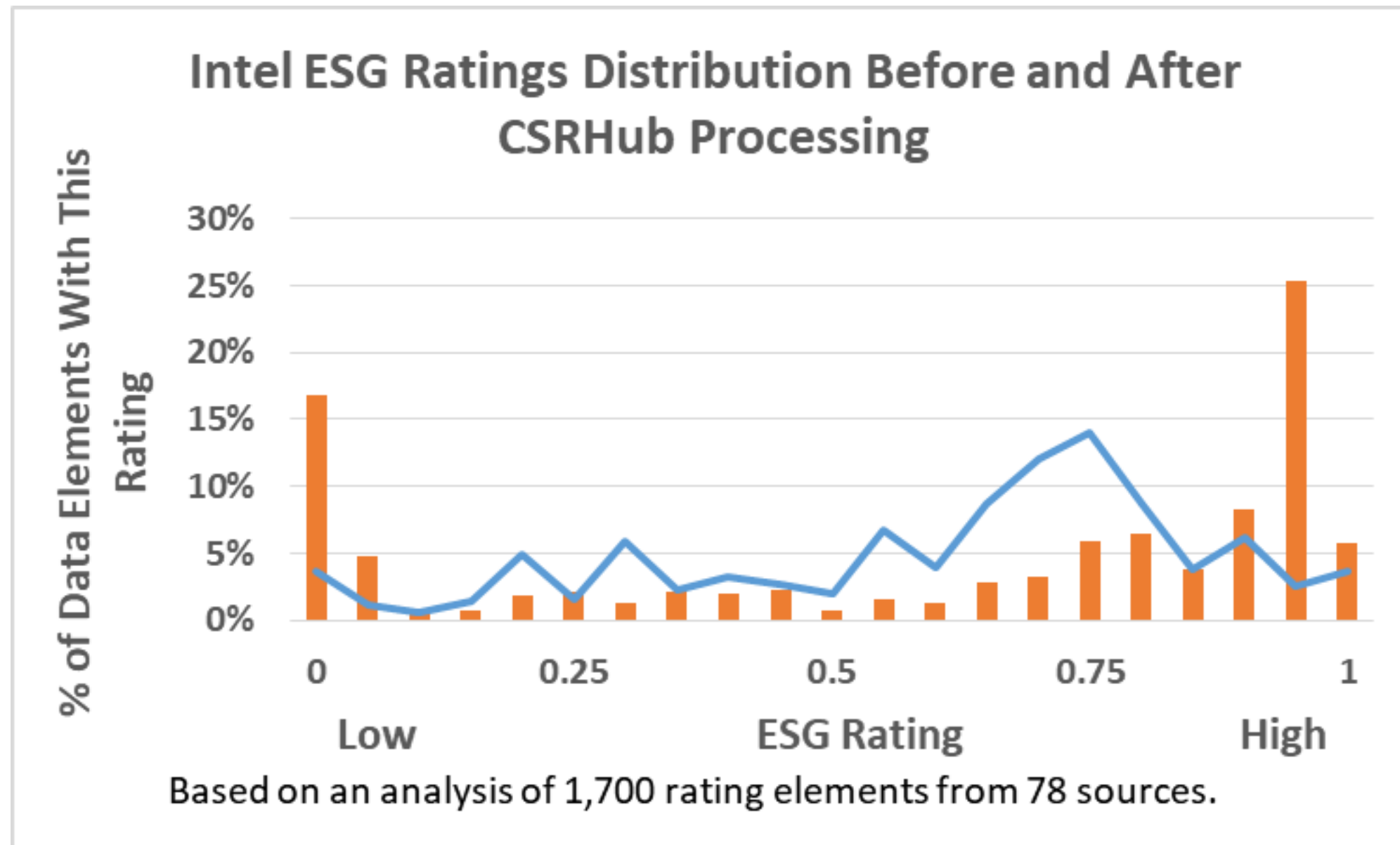
Correlation Rises to 46% from 26%

# The Overall Distribution of Company Performance Smooths Out





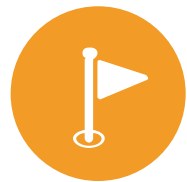
# The CSRHub Aggregation Process Smooths Out Extreme Views And Harmonizes Company-Level Data



# The ESGHub App Creates a New Class of ESG Portfolio Analysis Tool



ESGHub combines Bloomberg's ESG Metrics with CSRHub's Aggregate ratings.



Bloomberg's disclosure-driven ESG Metrics—self-reported data on 900 carefully defined data elements from 9,000 companies.



CSRHub covers >18,000 companies from 132 countries using data from 548 data sources. CSRHub measures Diversity, Transparency, Leadership Ethics, Climate Change, Human Rights and more for each company.



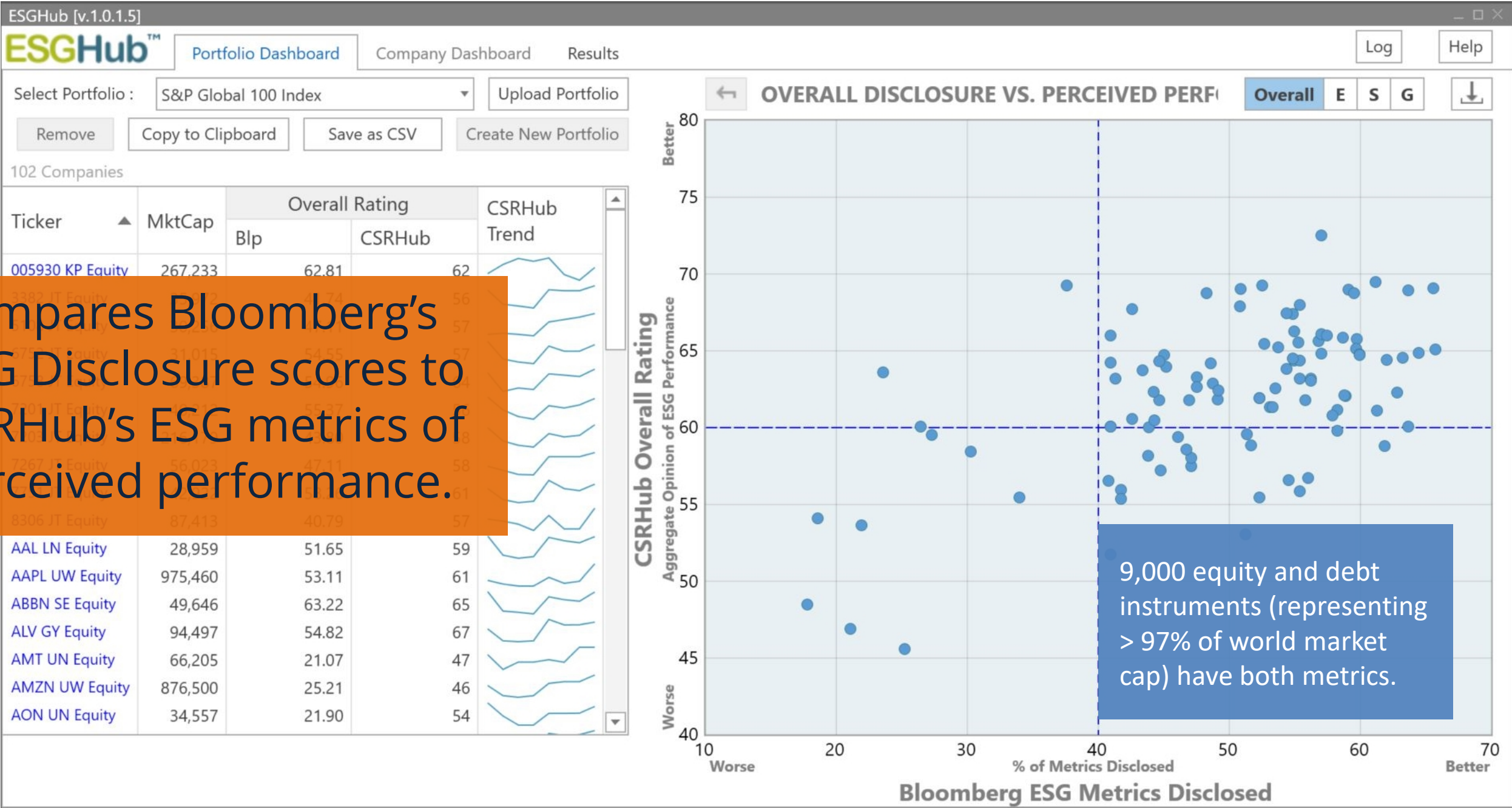
When combined, these two data sets cover more than 90% of world equity and debt instruments.

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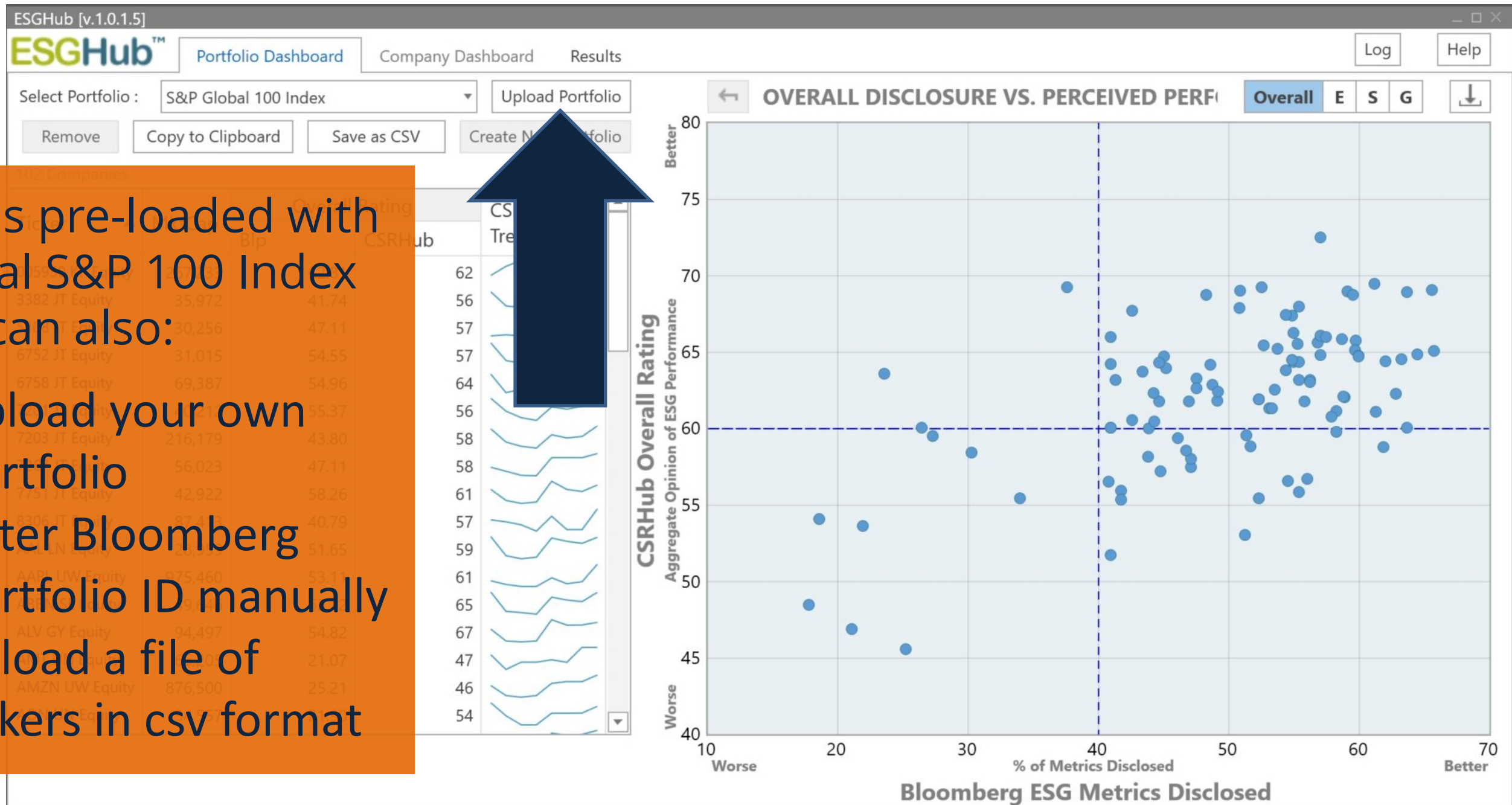
The ESGHub™ app allows you to quickly divide portfolios, indexes or any other set of equities into a matrix with low to high Bloomberg ESG (environment, social, governance) disclosure scores compared against low to high CSRHub ESG ratings.

Compares Bloomberg's ESG Disclosure scores to CSRHub's ESG metrics of perceived performance.

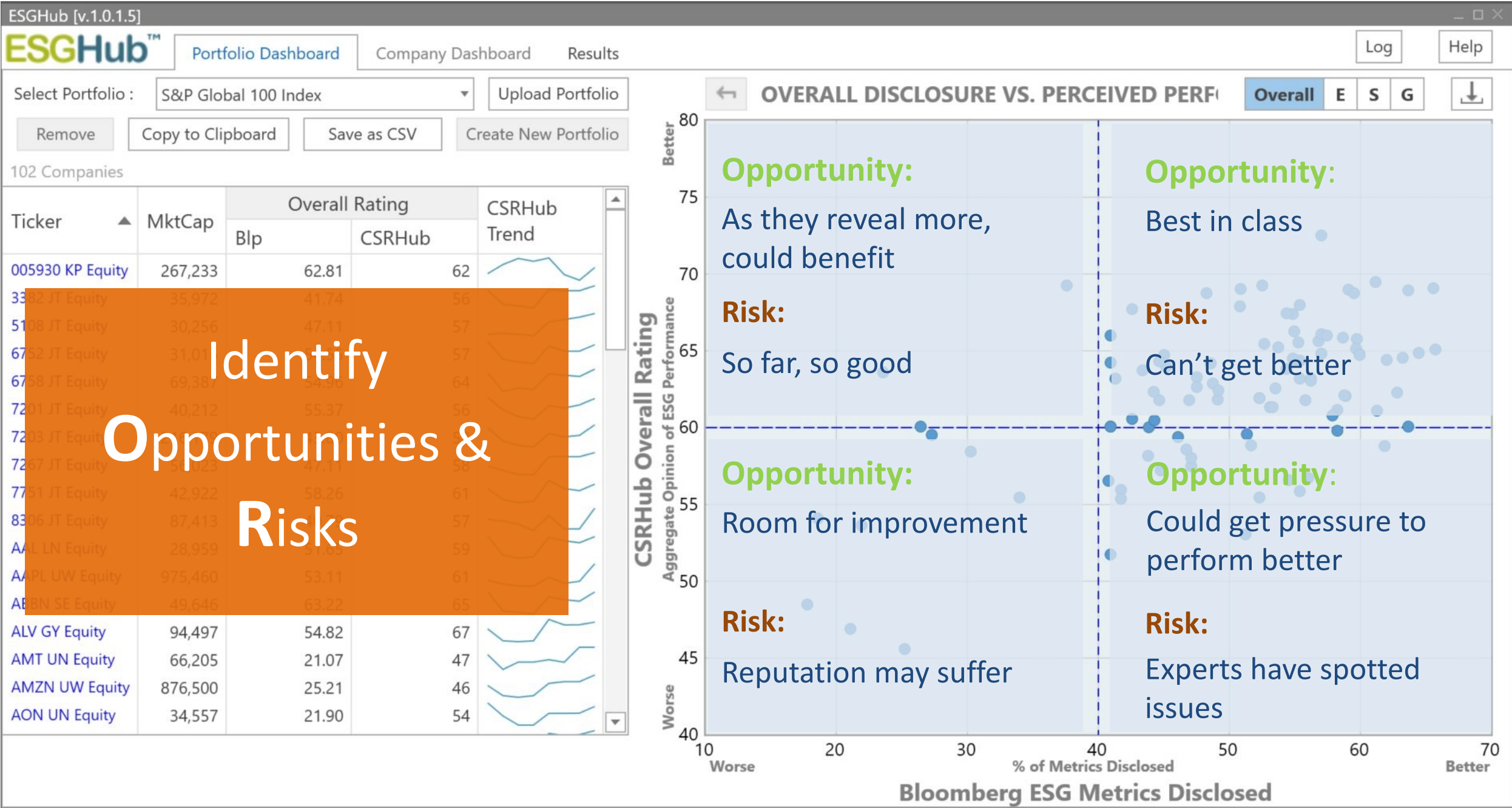


App is pre-loaded with  
Global S&P 100 Index  
You can also:

- Upload your own portfolio
- Enter Bloomberg portfolio ID manually
- upload a file of tickers in csv format

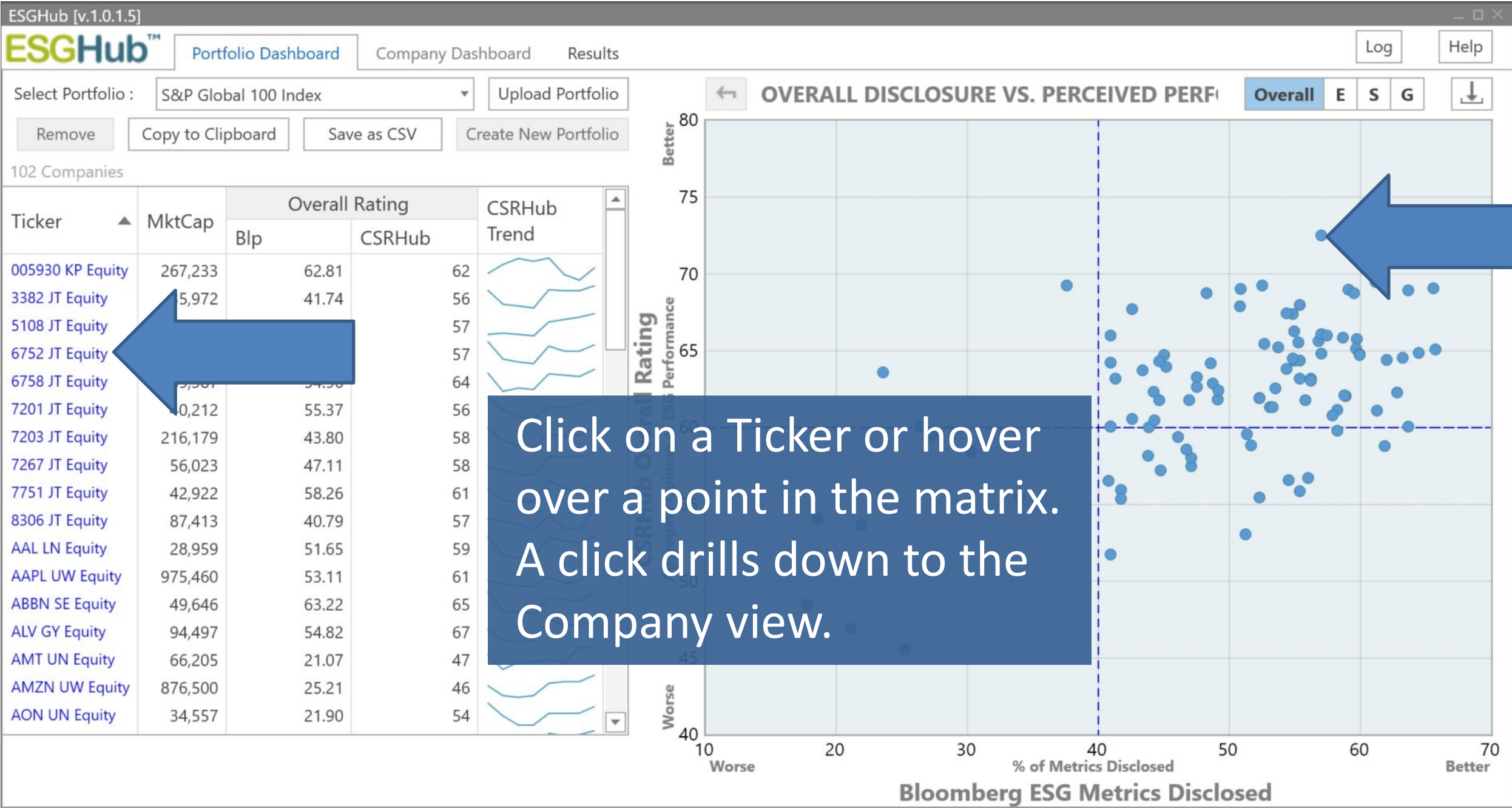




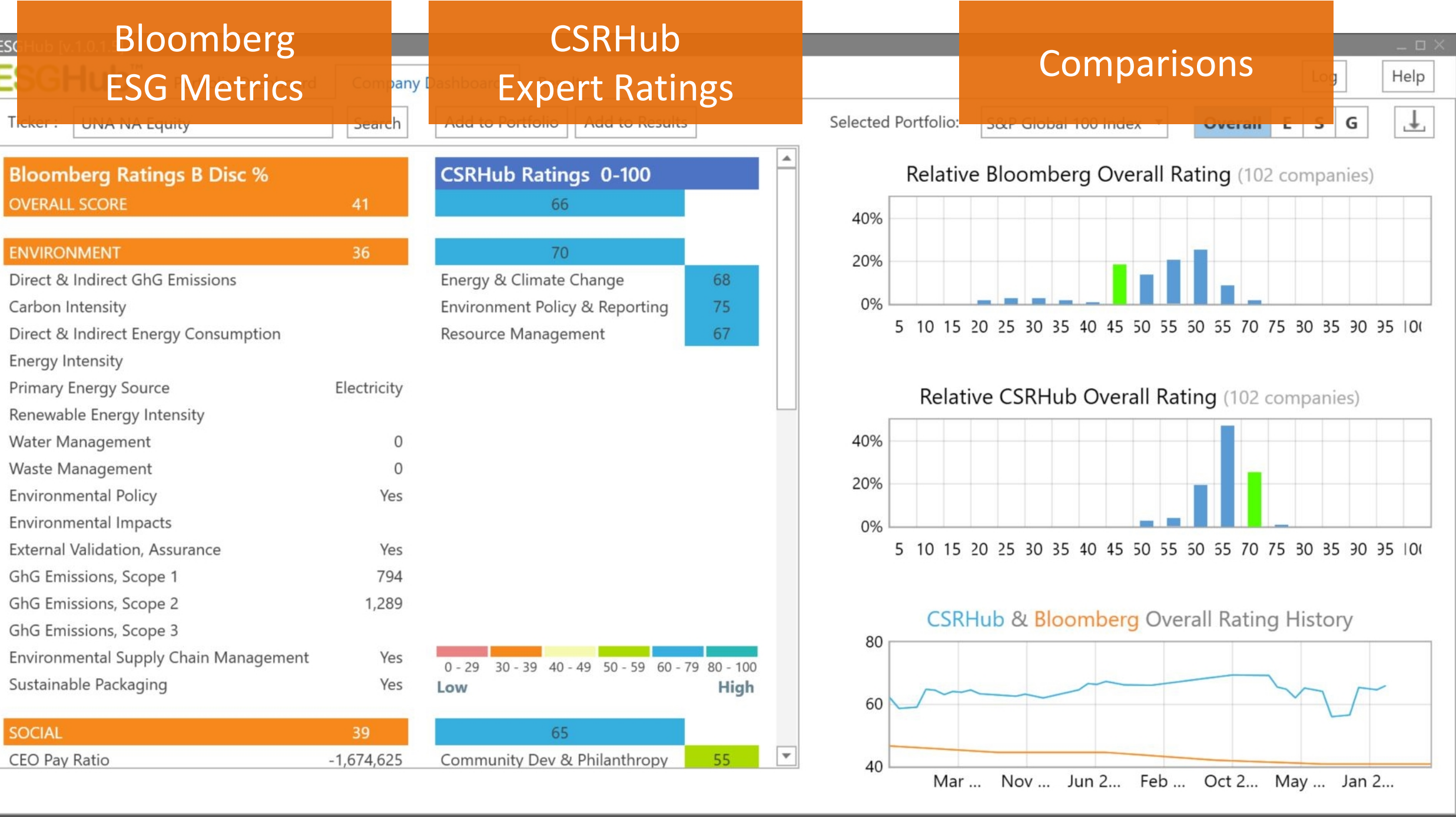


Identify  
Opportunities &  
Risks

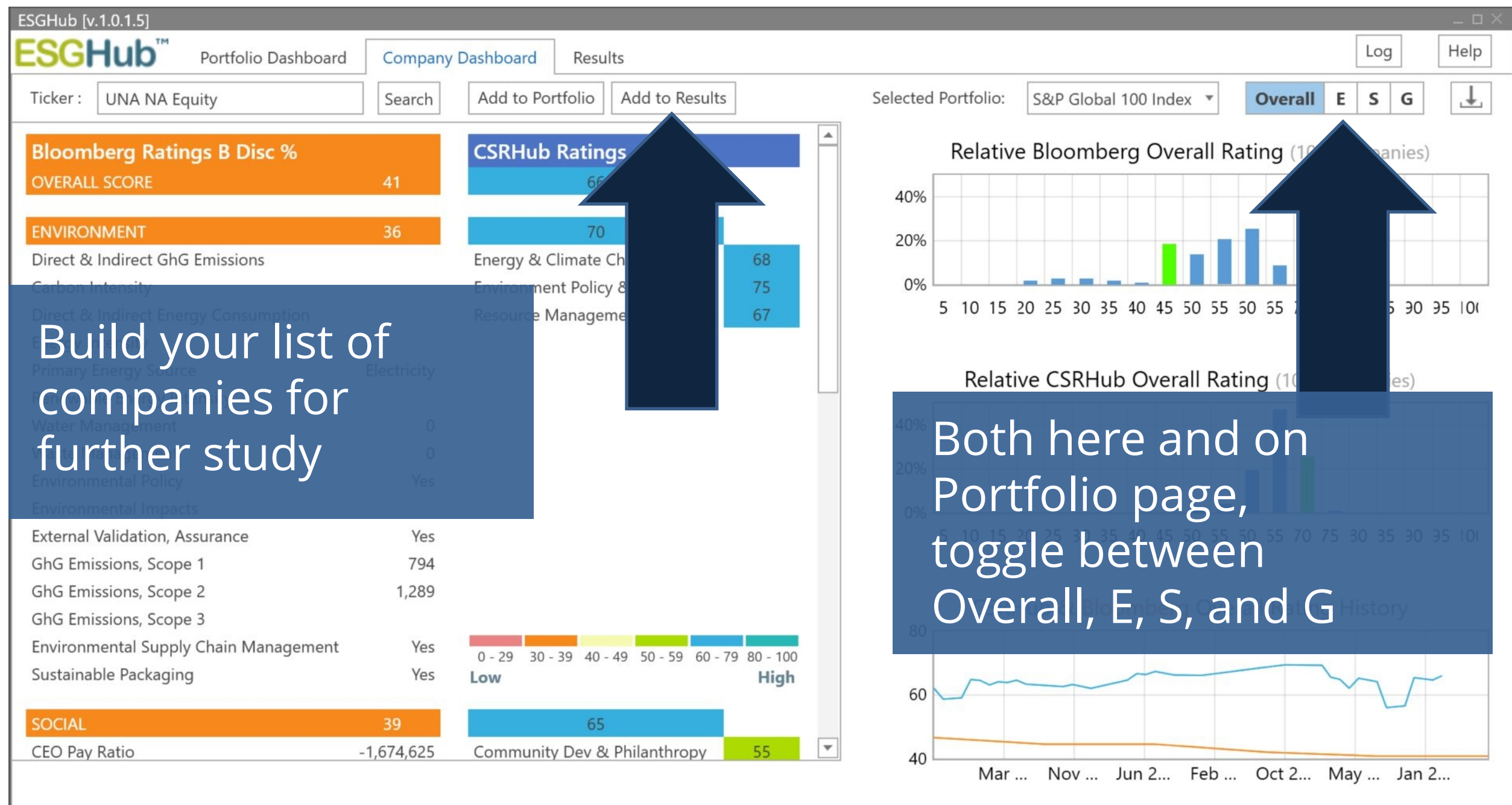




# Company Dashboard View - Drill Down



# Build Results Sets, Drill Into E, S, or G





# Export Any App Screen to a PDF



## | Poll Question #2

**Have we helped you solve your ESG Data problem?**

- A. No, I understand the problem better, but I still don't trust the data.
- B. Yes, I might now try to use ESG data and see if it helps my decision-making.

## Q&A—Address Your Questions to a Panelist

- Cynthia Figge – CSRHub Cofounder and CEO  
*([cynthia@csrhub.com](mailto:cynthia@csrhub.com))*
- Patrick Drum – Saturna Senior Investment Analyst and Portfolio Manager *([ptd@saturna.com](mailto:ptd@saturna.com))*
- Bahar Gidwani – CSRHub Cofounder and CTO  
*([bahar@csrhub.com](mailto:bahar@csrhub.com))*



## Pol Question #3

If you have questions about the ESGHub App - *{APPS ESGH<GO>}*, would you like a custom demo?

- A. Yes, I would like a Bloomberg rep to contact me for a custom demo
- B. I am not interested in a demo, but I would like to learn more about the app

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