



**SENSEFOLIO ESG FRAMEWORK
(SEF)**

1. ENVIRONMENT

1.1. Climate Change

1.1.1. Air Quality

Companies are assessed, if that is case, on their control of harmful or excessive quantities of substances including gases (CO₂, CO, SO₂, NO, CH₄, CFC, Radon, etc.), particles (both organic and inorganic), and biological molecules are introduced into Earth's atmosphere.

1.1.2. Compliance With Environmental Regulations

Companies are assessed on compliance with environmental regulations, whether they are global or local. For example, in the US, regulations include the Clean Air Act (air pollution), the Clean Water Act (water pollution), and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, or Superfund).

1.1.3. Energy Management

Companies are assessed on their proactive, organized and systematic coordination of procurement, conversion, distribution and use of energy. The listed objectives to do so are resource conservation, climate protection and cost savings.

1.1.4. Fuel Management

Companies are assessed on their way to maintain, control and monitor fuel consumption and stock in any type of industry that uses transport. This includes rail, road, water and air, as a means of business.

1.1.5. GHG Emissions

Companies are assessed on their targets-setting for reducing their absolute carbon emissions. This includes improvement of operational efficiencies and investment in innovative technologies and approaches to reduce the companies' resource consumption and the waste they have generated. It also notably includes renewable energy from certified sources whenever it is feasible.

Companies are expected, as an example, to submit their emissions data to the CDP's (formerly Carbon Disclosure Project's) supply chain programme.

1.2. Sustainability

1.2.1. Environmental Impacts On Assets and Operations

Sensefolio monitors the environmental impacts that businesses themselves have contributed to. Companies that are not being sustainable in the way they are growing will be led by short-term growth and profitability. Sensefolio thus monitors the various contributions to specific risks that could potentially jeopardize the companies themselves and their respective industry.

1.2.2. Supplier Environmental Assessment

As described by the Global Reporting Initiative (GRI), *"an organization might be involved with impacts either through its own activities or as a result of its business relationships with other parties. Due diligence is expected of an organization in order to prevent and mitigate negative environmental impacts in the supply chain. These include impacts the organization either causes or contributes to, or that are directly linked to its activities, products, or services by its relationship with a supplier"*.

1.2.3. Environmental Business Development

Companies are assessed on whether they are fostering their growth in a sustainable and ethical way, and good for the planet.

1.2.4. Evaluation of Environmental KPI

Sensefolio monitors 22 Key Performance Indicators (KPI) from companies. This notably includes Greenhouse Gases, Acid Rain, Eutrophication and Smog Precursors, Dust and Particles, Ozone Depleting Substances, Volatile Organic Compounds, Metal emissions to air, Pesticides and Fertilisers, Metal emissions to land, Acids and Organic Pollutants, Waste (Landfill, Incinerated and Recycled), Radioactive Waste, among other KPIs...

1.2.5. Lifecycle Impacts of Products and Services

Sensefolio monitors the set of procedures for compiling and examining the inputs and outputs of materials and energy and the associated environmental impacts

directly attributable to the functioning of a product or service system throughout its life cycle.

1.2.6. Product Packaging

Companies are assessed on how they manage product packaging. Indeed, companies should aim to use less packaging material, thereby reducing the environmental as well as the economic impact of the packaging. Also, increasing the recycled content of the packaging and using recyclable materials can reduce items going into landfills. Moreover, companies should support recycling by educating consumers on how to dispose of the packaging responsibly.

1.2.7. Product Quality and Safety

Some companies might make products that are complex and sophisticated, using more aggressive substances than others. Sensefolio monitors how companies are implementing safety requirements against potential dangers arising from the use of products by both employees and customers.

1.2.8. Responsible Consumption & Production

Sensefolio monitors how companies are promoting resource and energy efficiency, sustainable infrastructure, and providing access to basic services, green and decent jobs, as well as a better quality of life for internal and external stakeholders. The aim is for companies to use and produce in sustainable ways.

1.3. Biodiversity and Water

1.3.1. Biodiversity Impacts

Sensefolio monitors the changes in biological communities worldwide made by companies. Impacts can include destruction, degradation and fragmentation of habitats. They also include reduction of individual survival and reproductive rates through exploitation, pollution and introduction of alien species. Climate is an integral part of ecosystem functioning and human health is impacted directly and indirectly by results of climatic conditions upon terrestrial and marine ecosystems.

1.3.2. Water and Wastewater Management

Relevant companies are assessed on their processes used to remove contaminants from wastewater or sewage and converting it into an effluent that can be returned to the water cycle with minimum impact on the environment, or directly reused. The cycle of doing so is called water reclamation as treated wastewater can then be

used for other purposes.

1.3.3. Waste and Hazardous Materials Management

Companies are assessed on how they are managing waste that are considered as hazardous under environmental legislation as it contains certain substances or properties that might have negative impact and be harmful to human health or the environment. Hazardous wastes are classified on the basis of their biological, chemical, and physical properties. These properties generate materials that are either toxic, reactive, ignitable, corrosive, infectious, or radioactive.

2. SOCIAL

2.1. Health & Safety

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Companies are expected to implement health and safety measures within their organizations. Examples include risk assessment whereby identifying what hazards currently exist or may appear in the workplace. In the UK, for instance, the Health and Safety Executive (HSE) is a government agency responsible for the encouragement, regulation and enforcement of workplace health, safety and welfare.

2.2. Employee Standards

2.2.1. Fair Labor Practices

Companies are monitored on whether they are protecting workers from unfair labor practices. As an example, in the United States, the Fair Labor Standards Act of 1938 (FLSA) is a labor law that creates the right to a minimum wage, and 'time-and-a-half' overtime pay when people work over forty hours a week. It also notably prohibits most employment of minors in "oppressive child labor".

2.2.2. Labor/Management Relations

It refers to interactions between employees, potentially represented by labor unions, and their employers. Companies are expected to adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

2.2.3. Training and Education

Sensefolio monitors whether companies are providing training sessions to their employees. Training can include orientation sessions, on-boarding training, technical skills development training, soft skills development training, as well as

products and services training.

2.2.4. Diversity and Equal Opportunity

Companies are assessed on whether they ensure everybody has an equal chance to take up opportunities and to up-skill regardless of age, race, gender, class, sexual orientation, religion or belief, disability or the passport they hold.

Diversity is also monitor via companies promoting human rights and freedoms, based on principles such as dignity and respect.

2.2.5. Compensation and Benefits

Companies are assessed on their compensation and benefits distribution across their whole structure. Employees are expected to earn a minimum wage and have decent pay and benefits from their employers. It is also expected from companies to have reasonable and limited pay gaps between employees and managers.

2.2.6. Recruitment, Development, and Retention

Companies are assessed on the processes in place for continual development of their employees and their retention. A variety of programs can be offered by employers to help increase employee retention such as career development, executive coaching, orientation and onboarding.

2.3. Community Responsibility

2.3.1. Access & Affordability

Companies are assessed on whether they are providing access to affordable goods and services to their employees, whether they are medicines, health care, personal training, or family benefits such as pensions and school fees.

2.3.2. Customer Health and Safety

Health and Safety are also monitored from an external point of view. Health and Safety thus also applied to protecting visitors and customers. This includes minimising and managing risk, ensuring safe usage of chemicals and other hazardous substances, ensuring the maintenance and safe usage of equipment or

providing adequate staff training.

2.3.3. Customer Privacy

Sensefolio assesses customer and consumer privacy set up by companies. For example, Sensefolio monitors whether companies are complying with the GDPR regulation, effective on May 25, 2018, which requires organizations doing business in the EU to appropriately secure personal data and allow individuals to access, correct and even erase their personal data.

Sensefolio also assessed whether companies are including consumer privacy features such as do-not-call lists, verification of transactions by email or telephone; nonrepudiation technologies for email; passwords and other authorization measures; encryption and decryption of electronically transmitted data; opt-out provisions in user agreements for bank accounts, utilities, credit cards and similar services; digital signatures; and biometric identification technology.

2.3.4. Fair Disclosure and Labeling

Sensefolio assesses whether customers have access to accurate and adequate information on the positive and negative economic, environmental, and social impacts of the products and services they consume – both from a product and service labelling and a marketing communications perspective. Detected frauds will have very negative impacts on the company and its image.

2.3.5. Fair Marketing and Advertising

Sensefolio assesses whether companies provide fair marketing and advertisements to current and prospective customers. As an example, The Consumer Protection from Unfair Trading Regulations mean you cannot mislead or harass consumers by, for example, including false or deceptive messages, leaving out important information, or using aggressive sales techniques.

2.3.6. Local Communities

Sensefolio takes into account Impact Investment as well. In this way, companies are assessed on whether they are seeking to promote economic development in local communities and organizations, in addition to competitive financial returns. Examples include job creation, generation of small business loans or affordable housing stock.

2.3.7. Social Impacts on Assets and Operations

Sensefolio monitors the social impacts that businesses themselves have contributed to. As an example, companies that are not being sustainable in the way they are growing will be led by short-term growth and profitability. Sensefolio thus monitors

the various contributions to specific risks that could potentially jeopardize the companies themselves and their respective industry.

2.4. Human Rights

2.4.1. Child and Forced Labor

Sensefolio monitors companies and their employees.

No employee shall be under the age of 15 or under the age for completion of compulsory education, whichever is higher.

Moreover, there shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.

2.4.2. Freedom of Association and Collective Bargaining

Companies are expected to allow employees freedom of association. It is a fundamental human right proclaimed in the United Nations's Universal Declaration of Human Rights (UDHR). Furthermore, closely related, collective bargaining is a key means through which employers and their organizations and trade unions can establish fair wages and working conditions, and ensure equal opportunities between women and men.

2.4.3. Human Rights

Sensefolio assesses whether companies are respecting basic rights and freedoms for everyone based on dignity, fairness, equality and respect. Examples include child labor or forced labor within the supply chain, breaches of individuals' privacy or restrictions on free speech. Companies have a responsibility to respect human rights, that is, to avoid infringing on the rights of others and to address any infringements with which they are involved

2.4.4. Non-Discrimination

Sensefolio monitors whether companies' anti-discrimination are well respected. No negative action or attitude directed toward any employee because of protected characteristics are tolerated. This includes protected characteristics such as Age, Religion, Ethnicity/ nationality, Disability/ medical history, Marriage / civil partnership, Pregnancy / maternity/ paternity, Gender identity/ sexual orientation.

2.4.5. Rights of Indigenous Peoples

Sensefolio monitors companies' compliance with the rights of indigenous peoples. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) has

delineated and defined the individual and collective rights of Indigenous peoples, including their ownership rights to cultural and ceremonial expression, identity, language, employment, health, education and other issues. It "emphasizes the rights of Indigenous peoples to maintain and strengthen their own institutions, cultures and traditions, and to pursue their development in keeping with their own needs and aspirations".

3. GOVERNANCE

3.1. Leadership & Management Structure

3.1.1. Audit Integrity and Internal Control Risks

Companies are monitored on their use of fair internal controls, as defined by accounting and auditing. Companies have to make sure that they provide reliable financial reports, are compliant with laws, regulations, and policies and assure the organization's objectives in operational effectiveness and efficiency. Frauds have to be detected and prevented as much as possible.

3.1.2. Board Leadership

Sensefolio assumes that board members have a vital oversight role in assessing the organization's environmental and social impacts to carry out a sustainable way of operating. The Board's decisions are analyzed and studied to check whether they make sense in a sustainable and ethical way, for both internal and external stakeholders.

3.1.3. Protection of Shareholder Rights

Sensefolio assesses whether companies are taking into account the protection of their shareholder rights. Common shareholders, as an example, are to be granted six rights: voting power, ownership, the right to transfer ownership, dividends, the right to inspect corporate documents, and the right to sue for wrongful acts. Shareholders also have to be protected if they are seriously ill or pass away.

3.1.4. Systemic Risk Management

Sensefolio assesses companies and their ways and processes to avoid any systemic risks. Some companies are major contributors to their industry or the whole economy itself. Rigorous risk management has to be carried out for this kind of companies. As an example, various stress tests have to be developed and utilized by this latter.

3.2. Business Innovation & Performance

3.2.1. Economic Performance

Sensefolio assesses the actual economic and business performance of the underlying company. These objectives can be long term, such as sustainable growth and development, or short term, such as the stabilisation of the economy in response to sudden and unpredictable events, called economic shocks.

3.2.2. Industry, Innovation & Infrastructure

Sensefolio assesses whether companies are investing and putting effort in their Industry, in Innovation and in the Infrastructures they are using. Indeed, as proposed by the *SDG 9*, the industrialisation and technological progress is the basis for development and all countries should industrialise in a sustainable way. In addition, investment in infrastructure such as roads, electrical power and water are essential for growth in productivity and incomes and improving health and education outcomes.

3.2.3. Market Presence

Sensefolio assesses the market share of a certain company. It is calculated by taking the company's sales over a certain period and dividing it by the total sales of the industry over the same period. Market presence is highly monitored as it can have significant impact on price movements with industries being dominated by a few big players.

3.3. Outside Activities

3.3.1. Indirect Economic Impacts

Sensefolio assesses the indirect economic impacts that companies can have in a specified area. For example, indirect effects are the results of business-to-business transactions indirectly caused by the direct effects. Businesses initially benefiting from the direct effects will subsequently increase spending at other local businesses.

3.3.2. Partnerships

Companies are monitored on the partnerships they are being involved with. Some

partnerships might be considered as negative, while others might be considered as positive, both from a business and economic point of view.

3.3.3. Peace, Justice, & Strong Institutions

Companies are assessed on whether they are contributing for a better society they are established in or operating in. Companies shall not contribute to any sources of conflict and violence or shadow economy. This notably covers sexual violence, crime, exploitation and torture. Companies shall be promoting the rule of law and human rights by strengthening their participation in the institutions of global governance.

3.3.4. Transparency

Sensefolio monitors the transparency of every single company. Transparent businesses are expected to publicly share information about their company. To increment transparency, corporations shall infuse greater disclosure, clarity, and accuracy into their communications with stakeholders.

3.4. Business Ethics

3.4.1. Anti-Corruption Policies

Sensefolio assesses anti-corruption policies put in place in company's structure. Companies are expected to have an anti-bribery policy if there is a risk that someone who works for it might be exposed to bribery. Policies shall include rules about accepting gifts, hospitality or donations, negotiation of contracts and rules on avoiding or stopping conflicts of interest.

3.4.2. Anti-Competitive Behavior

Sensefolio monitors companies' behavior and scrutinizes whether they are restricting inter-firm competition to maintain or increase their relative market position without necessarily providing goods and services at a lower cost or of higher quality. These practices are broadly classified into two groups: horizontal and vertical restraints on competition. Generally speaking, horizontal restraints on competition primarily entail other competitors in the market whereas vertical restraints entail supplier-distributor relationships.

3.4.3. Business Ethics and Transparency of Payments

Companies are monitored on their ethics and the level of transparency they are putting in place throughout their value chain. Although a specific business might have ethical ways of production and service delivery, their various providers might

be conveying low levels of transparency and unethical acts and behaviors.

3.4.4. Regulatory Capture and Political Influence

Sensefolio monitors companies on whether they act in the public interest while developing and growing their business. Growth must be sustainable and good for the society as a whole. No decisions or acts shall be led and dominated by any external agency that is not benefitting the industry as a whole.