

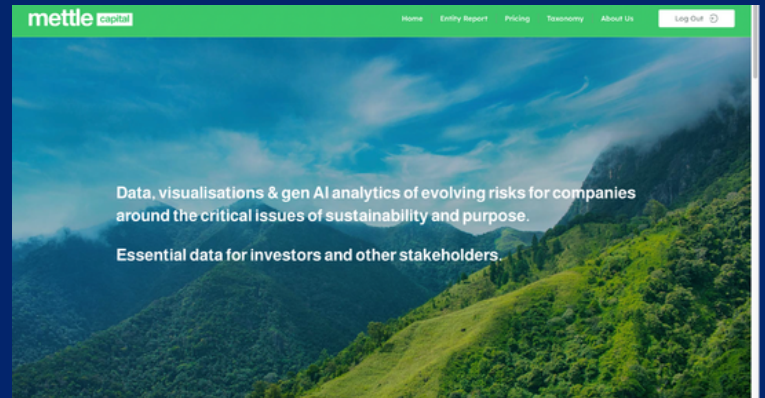
JUNE  
2023

# METTLE CAPITAL USER MANUAL

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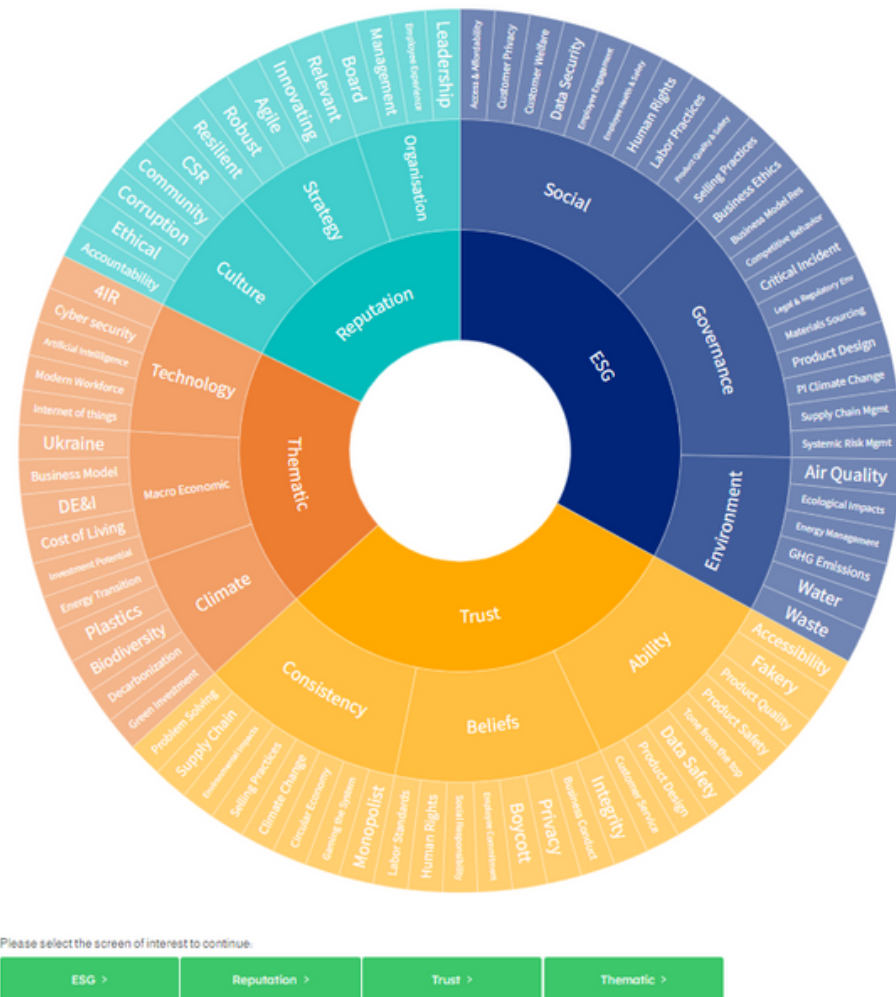
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## Materiality

Relative Materiality For ESG, Reputation, Trust And Thematic Models



**What is the most significant conversation for the entity? What are investors, regulators, customers, talking about when they talk about the entity?**

The chart shows all the relevant conversation from across publicly-available traditional, trade and social media over the last 12 months. The size of the segments shows volume, and hence materiality of the screens (inner ring), lenses (middle ring) and drivers (outer ring).

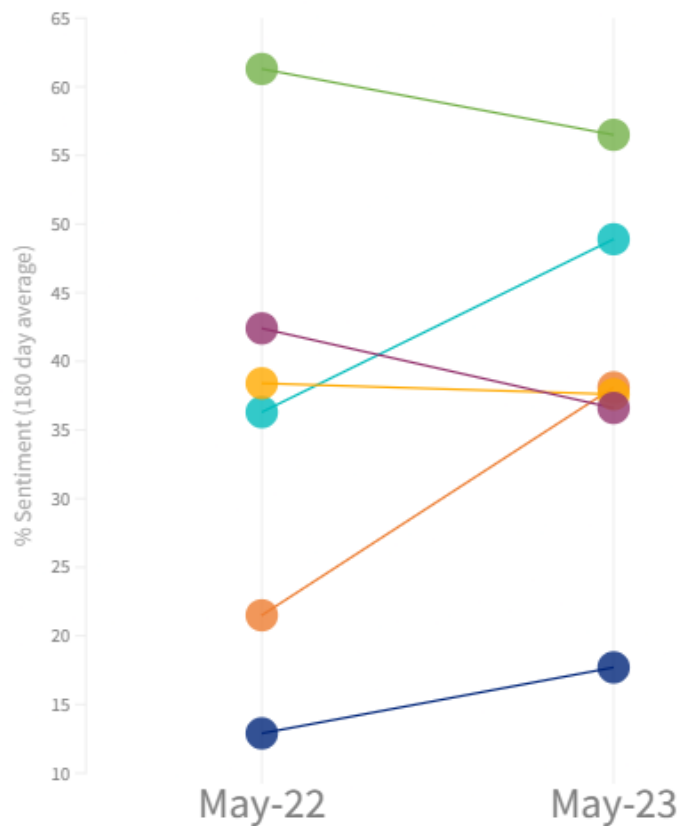
The chart is interactive. Users can chose which screen to drill down using the buttons underneath the chart. All the definitions are available in the Taxonomy tab, top right of the Home screen.

- **ESG** – Environment Social Governance screen captures the most significant topics of conversation among sustainability investors. Which lens is the most material? Which lens should be the most material?
- **Reputation** – this model captures the most significant topics of conversation among regulators, policymakers and NGOs.
- **Trust** - this model captures the most significant topics of conversation amongst customers.
- **Thematic** - this model captures the most significant topics of emerging conversation across a broad range of longer-term investors seeking to exposure to evolving social trends.

## Sentiment vs. Peers

Now vs 12 Months previous

● Fresenius ● Health Care ● STOXX600 ● Hospital peers ● Pharma peers  
● Managed Care peers



***Focusing on one of the screens, how well is the entity performing? How well is it performing relative to its peer groups, sector, subsector, benchmarks? And how well is it performing in absolute terms in the present compared to 12 months ago?***

The chart shows Sentiment (180-day trailing average) of the entity and its peers for the most recent complete week and the same day 12 months ago. So this is a snapshot to give a simple visualisation of performance.

## Most Significant Drivers in last 12 Months

		Mat.	Sent.
	<b>Supply Chain Management</b> The management of environmental, social, and governance (ESG) risks within a company's supply chain.	15%	-2%
	<b>Access &amp; Affordability</b> A company's ability to ensure broad access to its products and services, specifically in the context of underserved markets and/or population groups.	12%	+7%
	<b>Physical Impacts of Climate Change</b> The company's ability to manage risks and opportunities associated with direct exposure of its owned or controlled assets and operations to actual or potential physical impacts of climate change.	9%	+2%
	<b>Product Quality &amp; Safety</b> Issues involving unintended characteristics of products sold or services provided that may create health or safety risks to end-users.	7%	+2%
	<b>Critical Incident Risk Management</b> The company's use of management systems and scenario planning to identify, understand, and prevent or minimize the occurrence of low-probability, high-impact accidents and emergencies with significant potential environmental and social externalities.	7%	-5%

## *Within the ESG model, for example, which are the most important topics to focus on?*

We can rank by materiality – the relative percentage of the overall conversation expressed per driver. In this example, Supply Chain Management, Access & Affordability are the two most material drivers with three other drivers material but less important.

By comparing the 12-month change in sentiment and materiality between the entity, its subsector and peer group, we can risk assess the key topics.

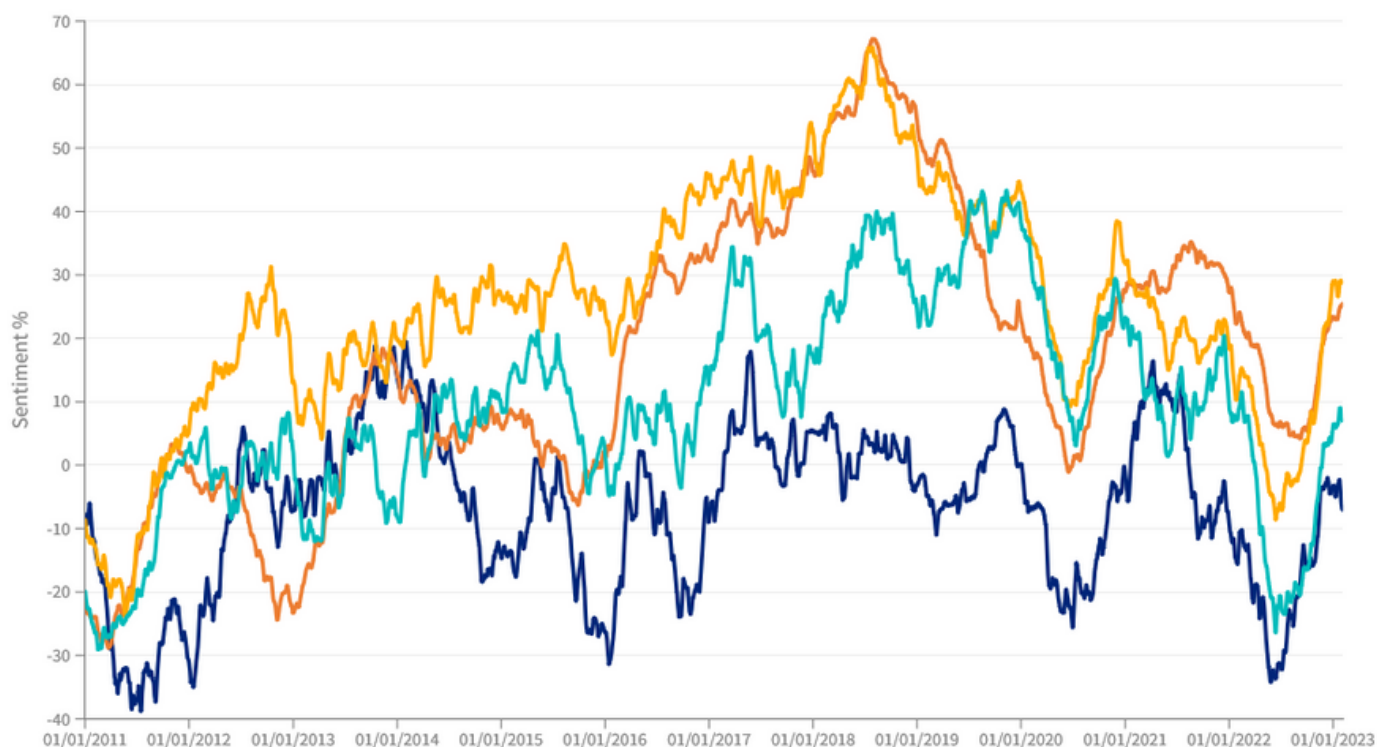
- For Supply Chain Management, sentiment is increasing and materiality is increasing. In other words, there is increasing positive conversation on this topic over the 12 month period – so this topic is marked as Green for upside risk.
- For Access & Affordability, sentiment and/or materiality is delta (gradient) is flat - so this topic is marked as Amber for neutral risk.
- For Critical Incident Risk Management, sentiment is decreasing while materiality is increasing – so this topic is marked as Red for downside risk.

## ESG Sentiment Timeline

Materiality-Weighted ESG Model 180-day trailing average sentiment over time

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■ Allianz ■ Financials ■ Insurance ■ Allianz bespoke peers



***Looking at the longer-term trend, is the entity consistently outperforming its comparators on materiality-weighted sentiment?***

The chart shows the extent to which the entity (Allianz) has performed against sector (Financials), subsector (Insurance) and peers since 2011.

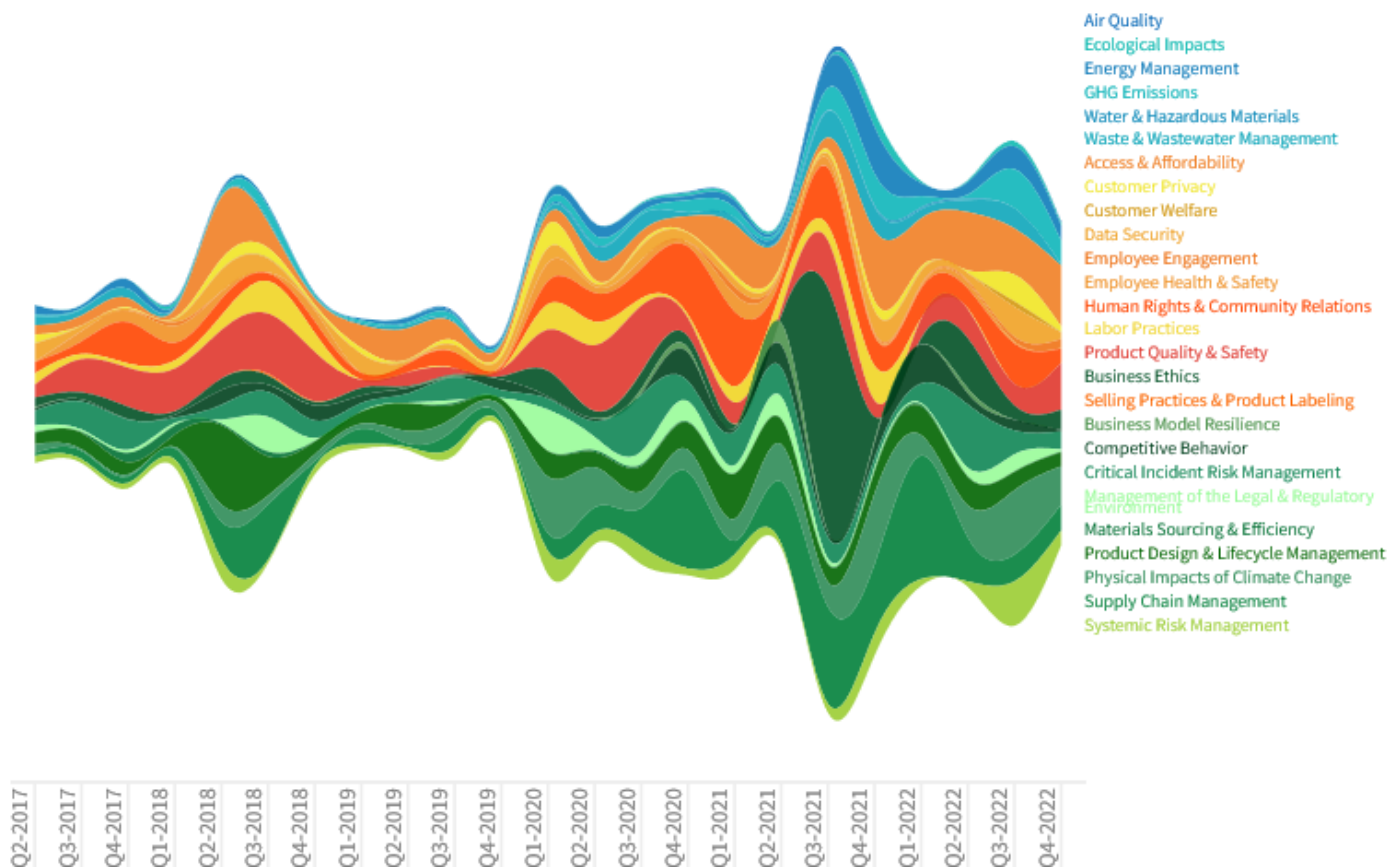
In this example, the entity has underperformed its comparators while following the overall trend. It briefly achieved parity in 2014 and 2021 when the overall economy was under strain. It has recovered from the pandemic lockdowns in synch with its comparators but continuing its 30 point deficit. This analysis suggests the entity's ESG strategy needs to change in order to close the performance gap against its comparators.

Sentiment is calculated as net polarized sentiment from all relevant publicly-available conversations across traditional, trade, and social media using bespoke Natural Language Processing. This is a ratio of positive and negative commentary which is then volume weighted and has a range of -100% to +100%.

# Company ESG Materiality Timeline

Most Relevant Drivers since Q2-2017

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## What is material to the entity over the last 6 years?

The chart shows the quarterly volume per driver. Taken together it also shows the evolving ESG profile of the entity. The chart shows the quarterly volume per driver. Taken together it also shows the evolving ESG profile of the entity.

In this example, Social and Governance drivers are much more significant than Environmental drivers. In the latest full quarter (Q4 2022), the most important drivers are Access & Affordability, Product Quality & Safety, Physical Impacts of Climate Change.

The bulges in the chart show bulges in conversation around specific events. For example, the Q3 2021 bulge in Competitive Behaviour relates to a specific business issue faced by the entity. To understand whether this issue was common across peers and/or subsector, a similar chart can be generated in the platform.

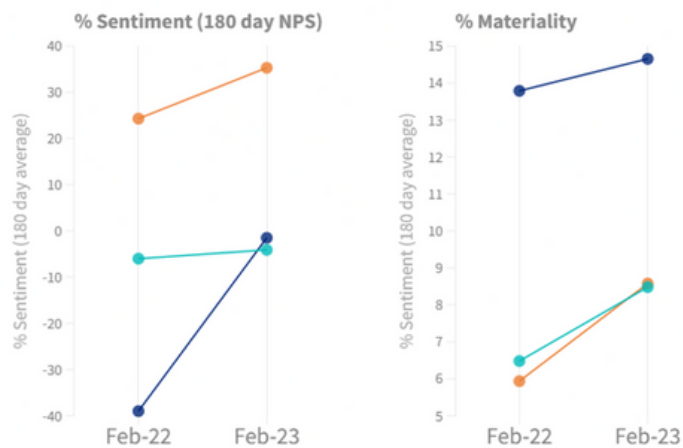
The chart shows the volume of conversation in each driver per quarter since Q2 2017 analysed in the ESG model. All publicly-available relevant conversation is collected, thereby showing actual rather than *a priori* materiality.



## Supply Chain Management Sentiment Change & Materiality

Now vs 12 Months previous

● Allianz ● SubSector ● Peers



- Charlie Ripley, a senior investment strategist at Allianz Investment Management, commented on the Federal Reserve's policy decisions.
- The Hartford and Allianz were named to the 2022 World's Most Ethical Companies list by Ethisphere.
- Allianz partnered with Plastic Fischer to install a low-tech floating barrier in Trivandrum, India, to capture plastic waste before it enters the ocean.
- Allianz is committed to transitioning its fleet of over 14,000 vehicles to sustainable fuel by 2030 as part of the EV100 initiative.
- The company was also named as one of the contributors to tackling skills shortages in South Africa by Allianz's global risk report.

### *Isolating the most material drivers, how are they performing and what is causing the performance?*

Drilling down into the key topics, we can see the 12-month change for the entity in sentiment and materiality relative to the subsector and peer group. While sentiment has risen, it still underperforms the subsector. However, materiality has increased markedly, more so than subsector or peer group. So, while this topic is a green, upside risk for the entity, it is still in a position of relative weakness.

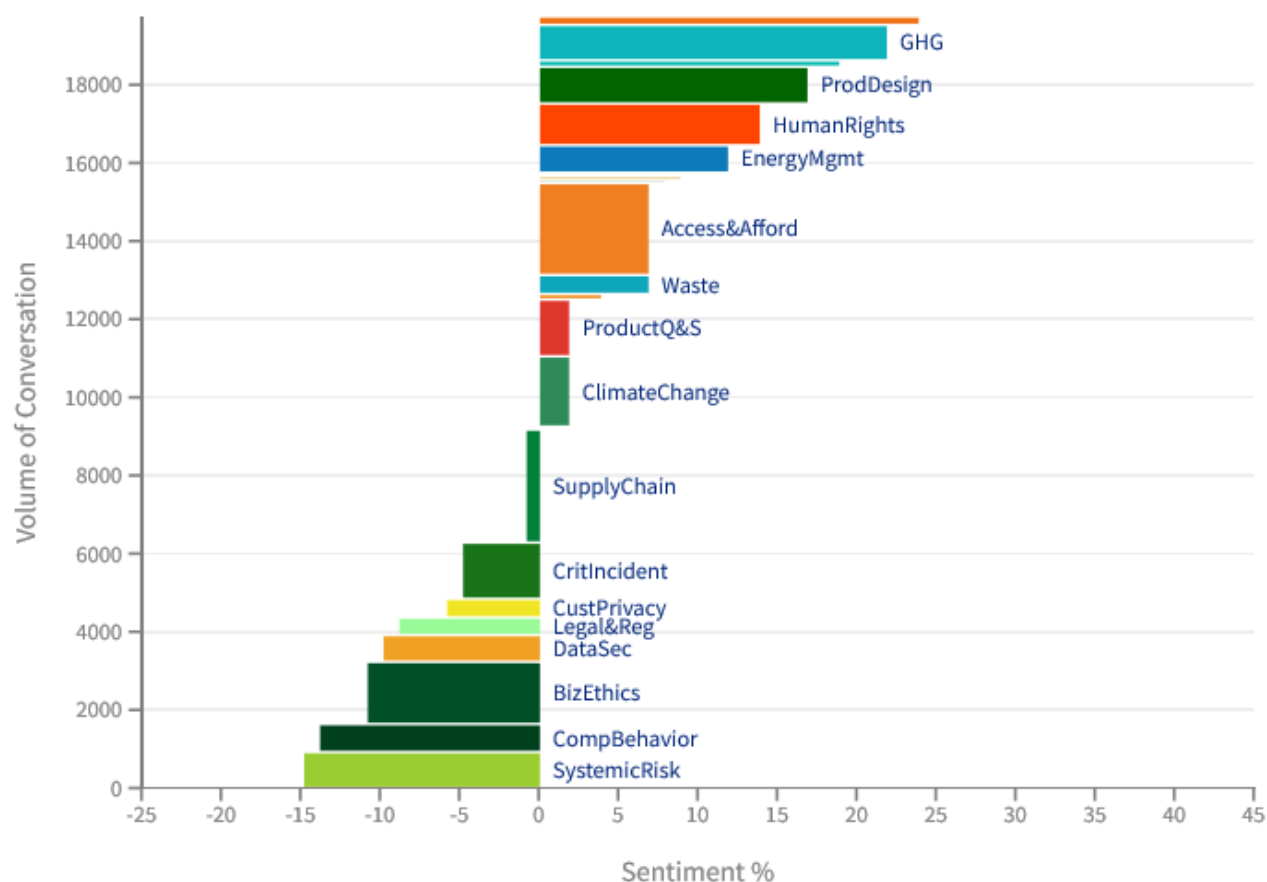
The text on the right hand side of the screen is generated by GPT4 gen-AI. As the topic is marked Green, the positive conversation over the last 12 months has been isolated and summarised automatically to pick out the most significant aspects of the conversation. The gen-AI works in local language but reports only in English at the moment.



# Which ESG Drivers Matter for the Company?

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Last 12 Month Volume vs Current Sentiment



***What profile is the most optimal for the entity? Ideally, the entity wants the most material drivers to have the most positive sentiment. If not, why not?***

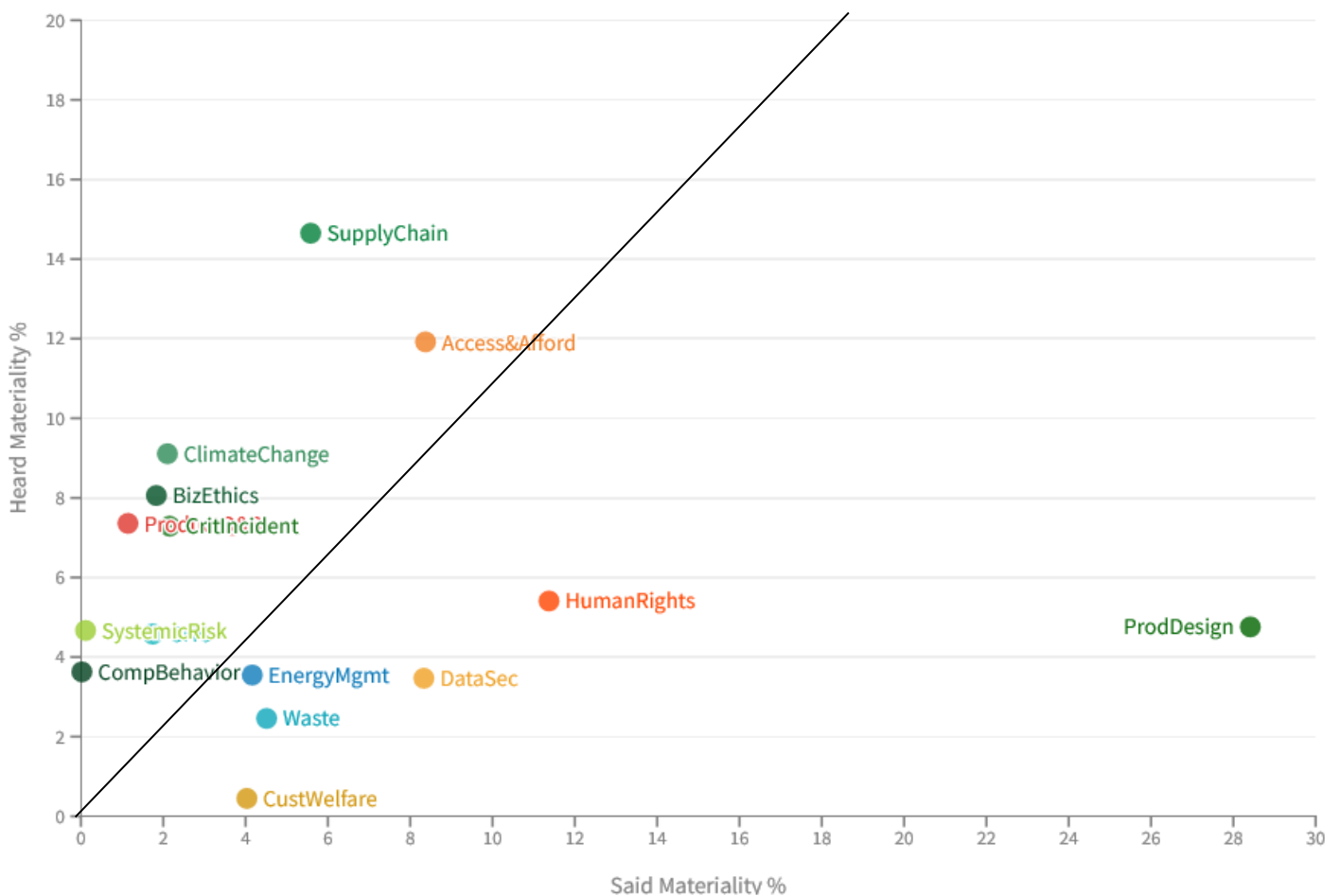
This chart brings together sentiment (on the x-axis) with Materiality (volume) on the y-axis. It provides a profile of the entity that can be compared to sector, subsector, peers or benchmark.

The chart shows the extent of the upside and downside risks to the entity. It can be included in internal and external reporting.

# What the Company Says vs What the Market Hears

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Top left are topics the market discusses but the company doesn't



***What is the correlation between what the entity says and what the market hears? The stronger the correlation, the greater the sentiment. The greater the sentiment (relative to sector), the stronger the share price performance [source: Mettle Capital research 2022].***

This chart brings together the materiality of what the entity says in its Annual Report, Sustainability Report, quarterly earnings call, etc with the materiality of all the heard conversation in the market. The chart shows where the entity is over indexing on drivers (in this example, Product Design) and where it is under indexing in drivers (in this example, Supply Chain Management). The chart does not show sentiment.

This chart is available in demand, it is not yet automated in the dashboard.

# Peer Group Risk Heatmap

Absolute Sentiment Change Last 12 Months



Materiality      non material      stable      improving      deteriorating



**Focusing on one of the screens, how well is the entity performing relative to its peer group on the most material drivers over the last 12 months?**

This chart shows where the upside and downside risks lie relative to the peer group.

Materiality is calculated as 3% of volume. Below that level is non-material. Above that level, stable is -10 to +10 sentiment delta over 12 months. Improving is greater than 10 sentiment delta over 12 months. Deteriorating is less the -10 sentiment delta over 12 months.

The chart should be read horizontally for where the key upside/downside risks are per entity, and vertically for where the key upside/downside risks are across the peer group.

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# ANY QUESTIONS?

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