



sustainability · research · consulting

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Sustainability Rating of Commodities

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Sustainable Investor Summit Vienna 2022

March, 30th, 2022

rfu & it's Competences

Austria's Specialists for Sustainable Investment

- Founded in 1999 by Reinhard Friesenbichler
- 2 decades of trend-setting in sustainable investment in Austria and beyond
- Located in Vienna, Austria

Business Areas



Consulting & Conception

- for sustainable investment products and strategies



Sustainability Research

- of corporates, sovereigns, sub-sovereigns and commodities
- on security and portfolio level



Labels & Audits

- Austrian Ecolabel,
- green bond SPOs, etc.

Quality

- Certified quality management system (ISO 9001)
- Several funds with rfu research awarded with ESG labels such as Austrian Ecolabel, FNG Siegel, Eurosif Transparency Standard

Commodities & Sustainability

Specifics



- Extraction of metals & oil/gas and large scale agriculture causes ecological damage



- Deposits are often found in countries with low social and democratic standards



- Benefits through ownership and utilization in the “North”, damage in the “South”

Risks



- e.g. toxicity, extensive land use, loss of biodiversity, high energy intensity and climate change, water pollution,



- low employment standards, human rights, democracy, legal standards, corruption, ...



- increasing wealth gap between “North” and “South”

Opportunities



- New production technologies (e.g. recycling, organic)



- Extended life cycles, sustainable applications, ...



- Critical customers (fair trade, green & social procurement)



- Potential source of wealth for developing countries

Commodities: Current Challenges & their ESG-Impacts

Ukraine War / Sanctions on Russia

- Russia is a major producer of oil & gas, several metals and other commodities

For which commodities is Russia's share double-digit?



+++ Nickel 11% + Palladium 41% + Platinum 12%
 + Natural Gas 17% + Crude Oil 13% + Wheat 10%
 + Lumber 12% +++

Fighting Climate Change

- Boost for renewables ...
- ... and for certain metals necessary for renewable energy production and storage
- Pressure on fossil fuels (coal)
- Carbon emission allowances
- Renaissance of nuclear power & uranium

Ensuring Supply and affordable Price Level

- Saving resources and increasing efficiency of use
- Finding substitutes
- Diversification



- Acceleration of energy transition
- Recycling, renewable materials
- Political & social stability gets increasing attention in sourcing
- Re-thinking of consumption behaviours



- Short & mid term fossil solutions with lock-in-effects: gas as transition technology, LNG from the US, oil & gas from Arabia, ...
- Renaissance of nuclear power
- Economically disadvantaged people suffer from increasing prices

Commodities: the “Blind Spot” in Sustainable Investment

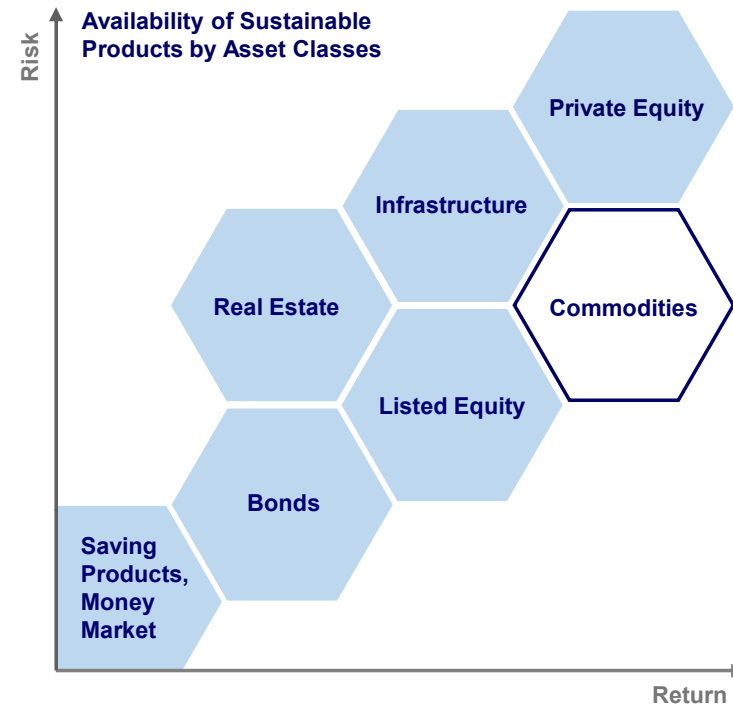
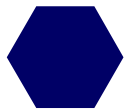
Sustainable Product Spectrum

- In nearly all asset classes sustainable alternatives exist

The Commodity Gap

- Commodities are useful to diversify portfolios ...
- ... but ESG research for these assets was missing ...
- ... and sustainability screened commodity investments were not available (beyond simple ex-food-strategies).

→ Closing the Gap



Timeline of rfu's Commodity Rating

From Development to Application & Market

Development of
the methodology
2018/2019

First sustainability-oriented commodity
fund based on these rating results
10/2019



rfu's ESG Rating Methodology for Commodities

Core Questions

- Where / how / under which conditions is a commodity produced?
- What are the social / ecological impacts of a commodity's utilization mix?

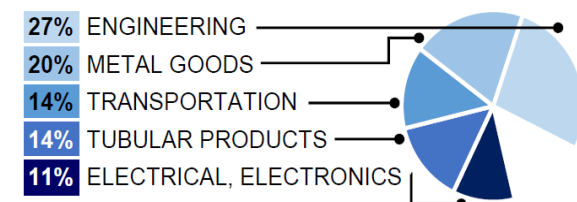
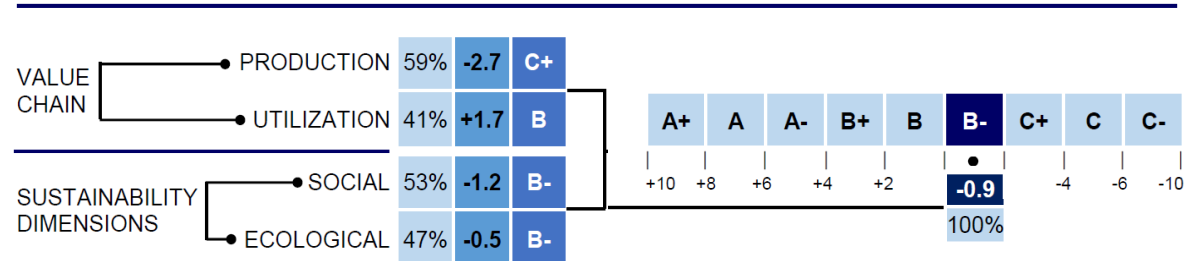
Structure of rfu Rating

- Model includes the entire value chain: → production → utilization
- Model includes → ecological → & social dimension of sustainability

Interlinks

- with rfu Sovereign Rating: basic impact derived from a commodity's regional structure of origin
- with rfu Corporate Rating: stakeholder, sector and weighting structure, general criteria

Example Nickel



Ratings 2020/2021: Selected Commodities

Ratings, Scores, Trends & Potentials

