ESG Benchmarking in Out of Home

Background

What is ESG?

Environmental, Social, and corporate **Governance** represent a range of ethical categories that help businesses meet their responsible development goals.

ESG ratings can influence investment decisions.

The media and advertising sector has focused greatly on carbon emissions, but carbon is only one part of the ESG picture.

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ESG is a range of categories to drive system change and avert crisis

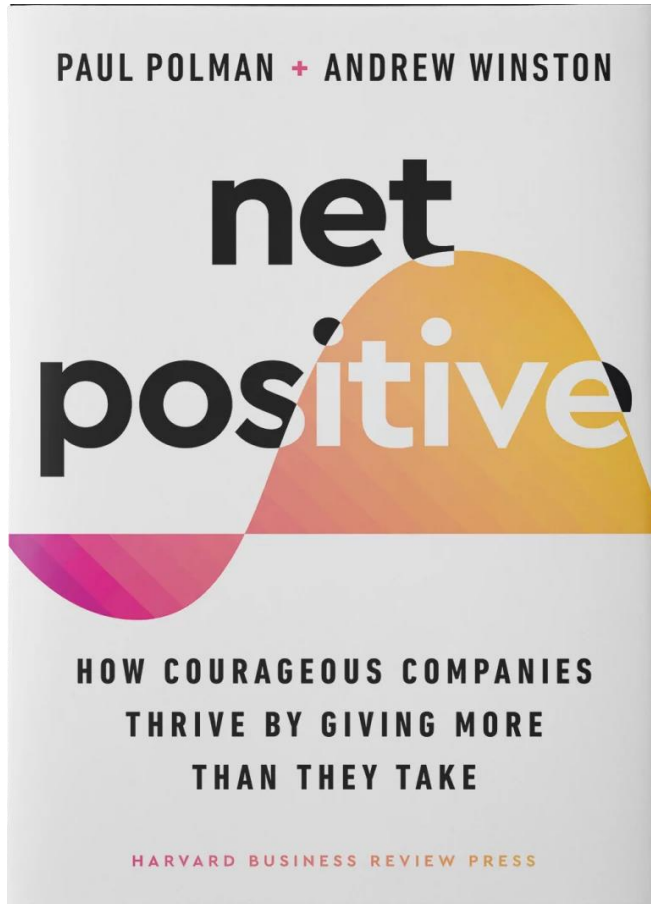# ESG measurement improves business outcomes

ESG businesses outperform non-ESG

Focus on ESG helps businesses thrive

ESG increasingly important to investment decisions

How ESG impacts media selection

PAUL POLMAN + ANDREW WINSTON

net positive

HOW COURAGEOUS COMPANIES
THRIVE BY GIVING MORE
THAN THEY TAKE
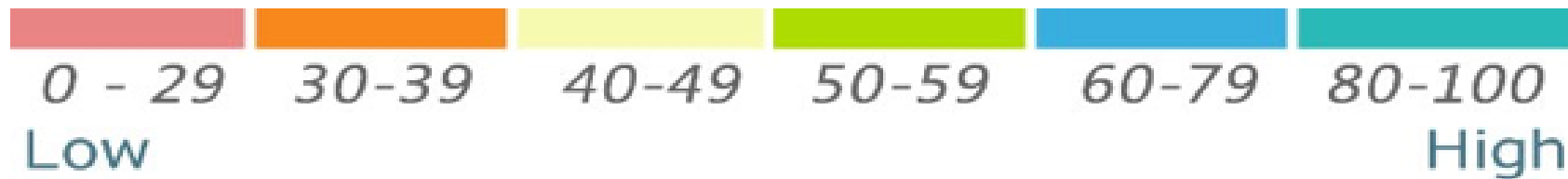
HARVARD BUSINESS REVIEW PRESS

"Investors are flexing their **ESG** muscle, **brands** are making big commitments, and their **media investments** have a role to play. Companies need **good data** on how their media choices affect the world"

Andrew Winston

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ESG ratings are expressed as a numeric scale of 0 to 100
*Full ratings methodology can be found in the appendix*

Scores above 50 = Good

0 - 29	30-39	40-49	50-59	60-79	80-100

Low

High

Ratings map to four categories and twelve subcategories

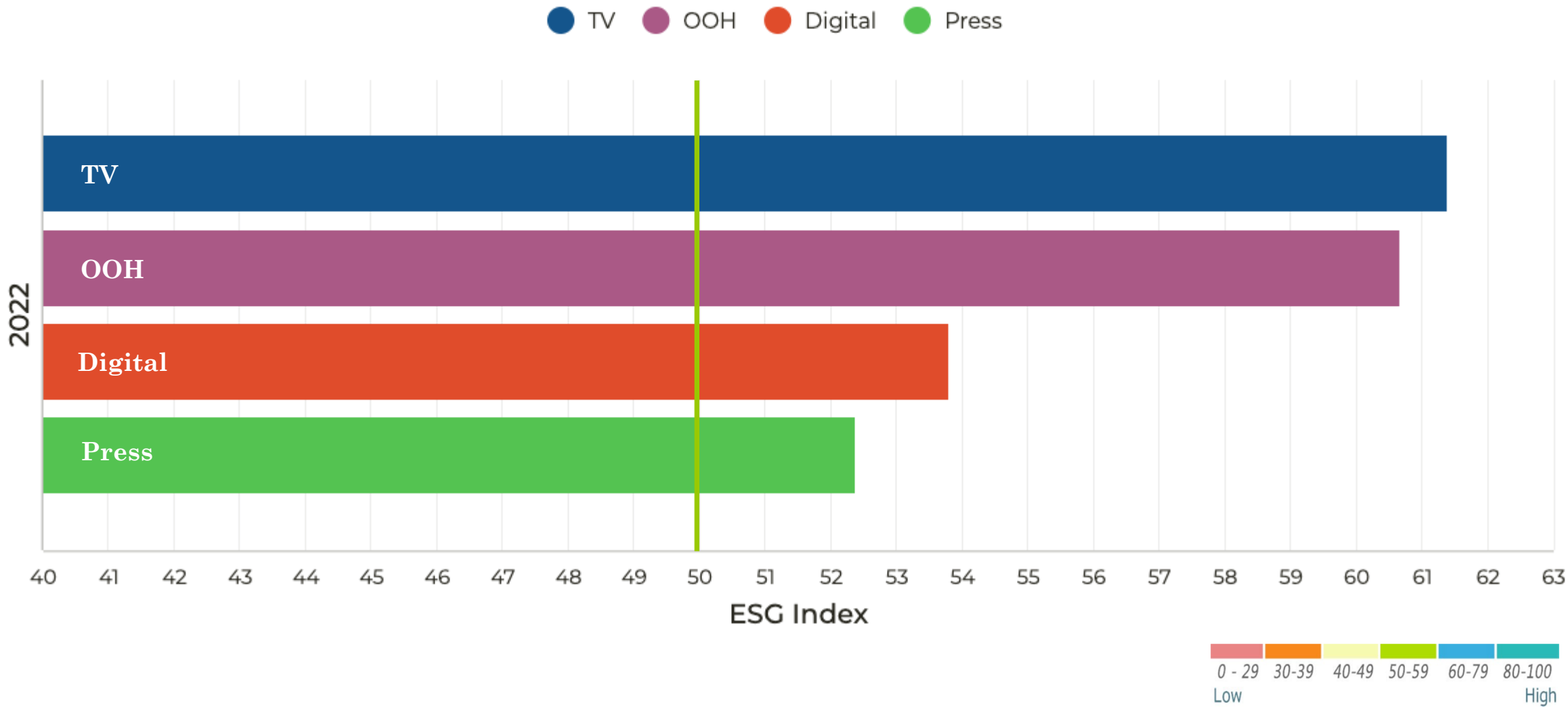| Category	Subcategories		
Environment	Energy & Climate Change	Environment Policy & Reporting	Resource Management
Community	Community Dev & Philanthropy	Product	Human Rights & Supply chain
Employee	Compensation & Benefits	Diversity & Labour Law	Training, Health & Safety
Goverance	Board	Leadership Ethics	Transparency & Reporting

Results

OOH categories: Positive ESG Ratings
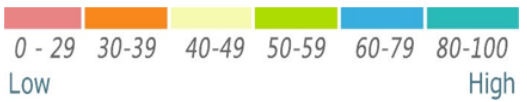

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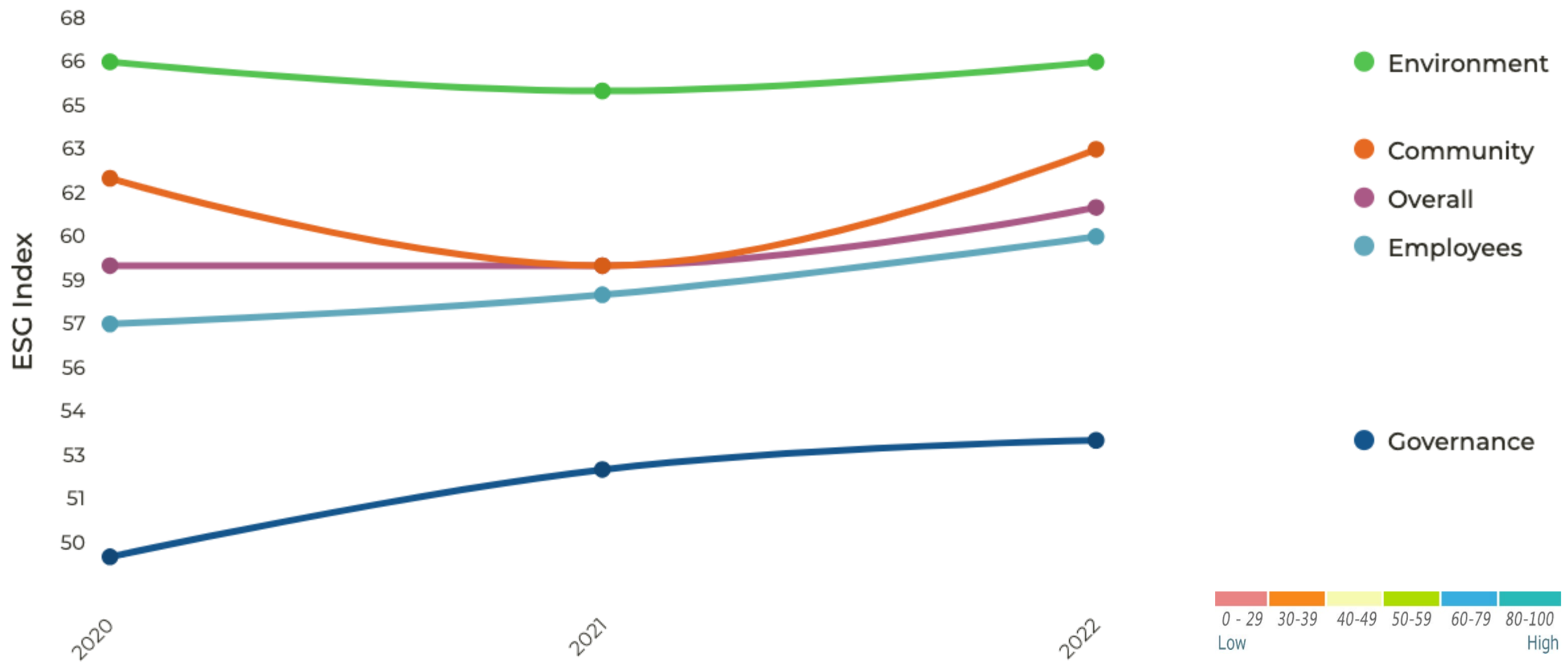
ESG rating by Media: Overall

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ESG rating by Media: Categories
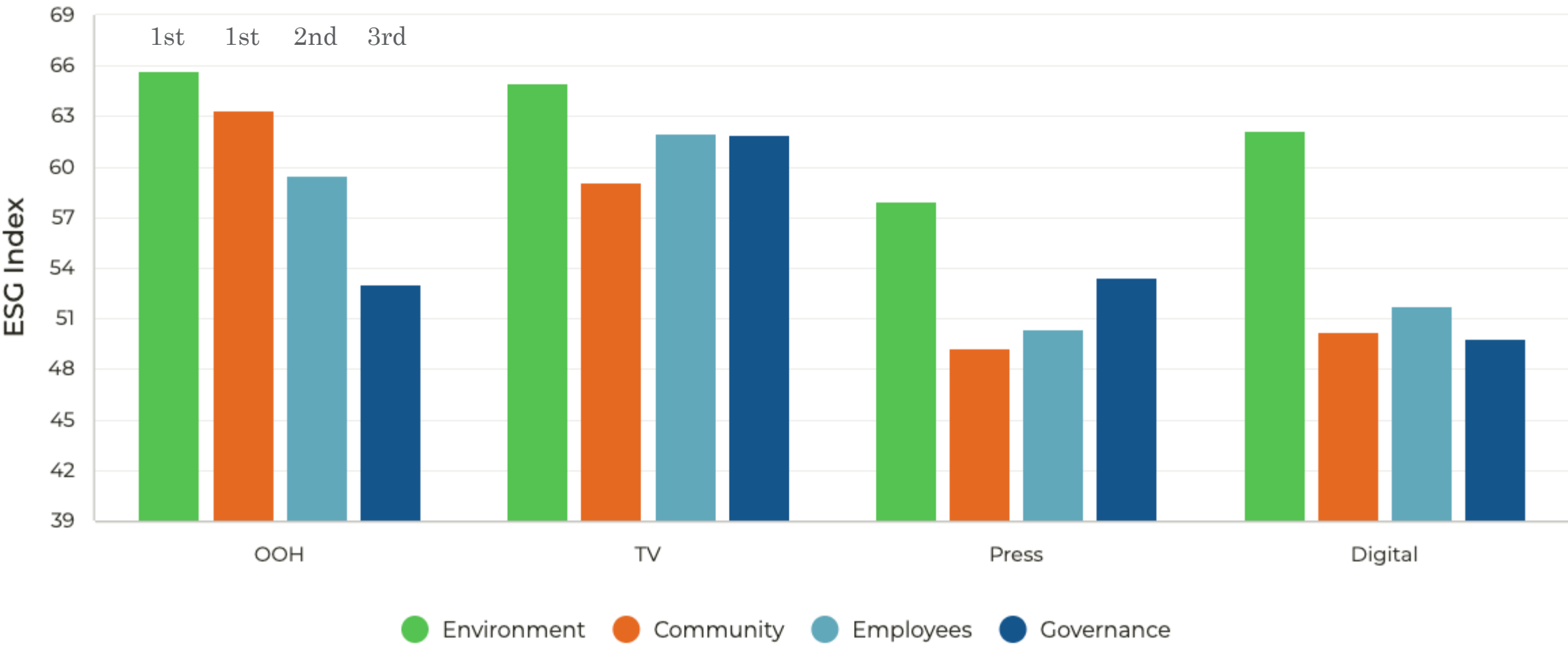## OOH best Environment and Community ratings

Ranking versus TV, Press and Digital

Summary

ESG ratings help businesses meet their responsible development goals.

ESG is increasingly driving investment decisions including how brands choose their advertising partners.

OOH has very strong ESG ratings compared to TV, Press and Online and is the highest for environment and community.

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Research Partner

Legacy works with brands, media companies and agencies to improve ESG quality for the global media industry.

Legacy's aim is to improve the understanding and activation of media investment, through an ESG lens, leaving a lasting positive effect upon the world.

https://legacymedia.uk/

Appendix: methodology and category definitions

Meta-analysis of ESG Analyst companies:

FTSE Russell
Sustainalytics
RA EX
VE
Arabesque
MSCI
Urgentgm
Ideal Ratings

Collectively covers:

161 countries
50k public companies
100k private companies
134 Industries
$53tn

Reporting thresholds in place:

Minimum number of sources.
Minimum amount of data.
Variation tolerance limits.

Human review.

Normalise.

Compare scores across sources for each company.

Analyse variation between sources.

Adjust to minimise bias and create consistency.

Aggregate.

Weight each source based on estimate of credibility.

Combine to generate base ratings at the subcategory level.

Aggregate these ratings to the category level.

Data is mapped to a central schema of 12 subcategories that rollup into 4 categories

Convert ratings to a numeric scale rating of 0 to 100 scale (100 = positive rating).

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Ratings map to four categories and twelve subcategories

Category	Subcategories		
Environment	Energy & Climate Change	Environment Policy & Reporting	Resource Management
Community	Community Dev & Philanthropy	Product	Human Rights & Supply chain
Employee	Compensation & Benefits	Diversity & Labour Law	Training, Health & Safety
Goverance	Board	Leadership Ethics	Transparency & Reporting

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OOH subcategories: Excellent Energy & Climate Change Ratings
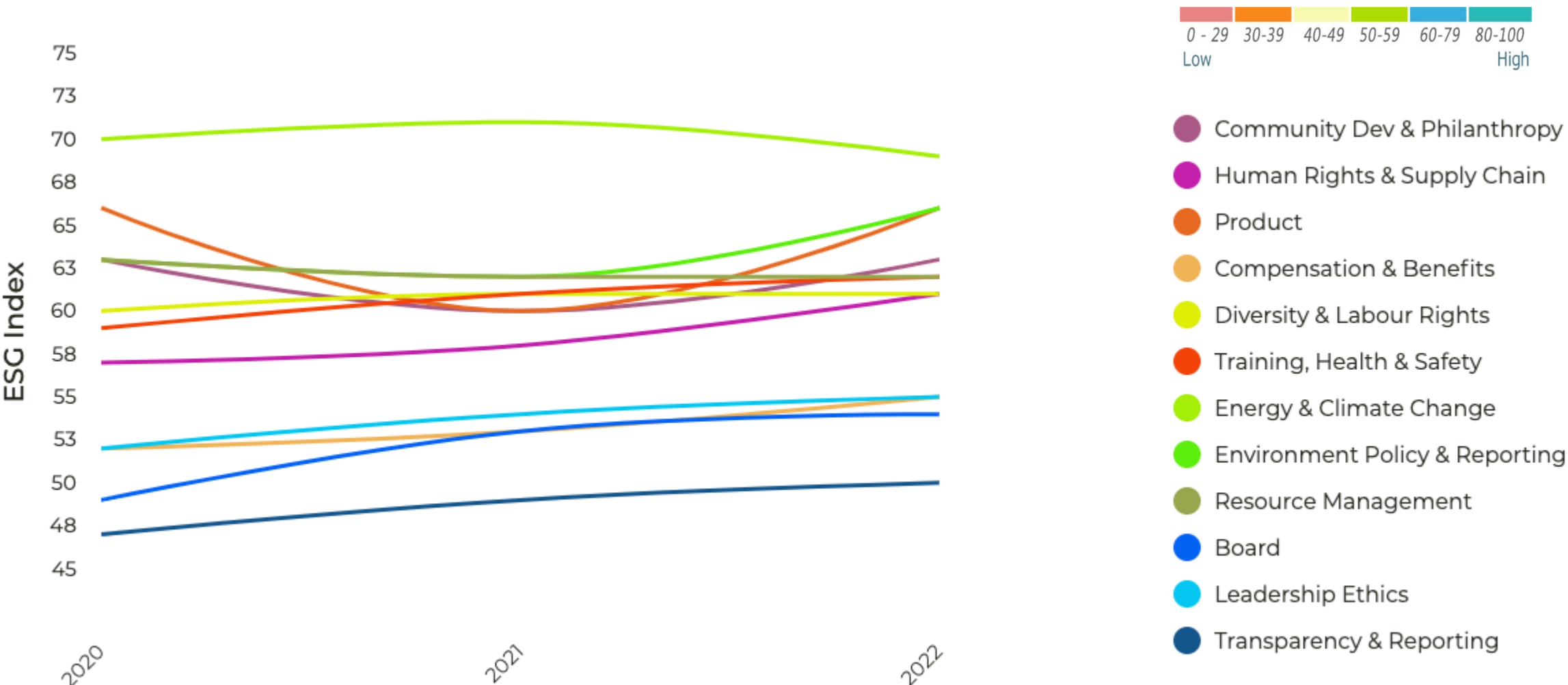
OOH ratings datapoints

OOH	2020	2021	2022
Overall	58.5	59.2	60.7
Community	62.2	59.3	63.3
Employees	56.8	57.8	59.5
Environment	65.5	65.0	65.7
Governance	49.2	52.2	53.0

OOH		2020	2021	2022
Community	Community Dev & Philanthropy	63.3	59.7	62.5
	Human Rights & Supply Chain	57.3	57.7	61.0
	Product	65.7	60.3	66.3
Employees	Compensation & Benefits	51.5	53.2	55.3
	Diversity & Labour Rights	59.7	60.5	61.0
	Training, Health & Safety	58.8	60.7	62.2
Environment	Energy & Climate Change	70.2	71.0	69.0
	Environment Policy & Reporting	62.7	62.0	65.7
	Resource Management	63.2	62.0	62.2
Governance	Board	49.0	52.5	54.0
	Leadership Ethics	51.8	54.0	55.0
	Transparency & Reporting	46.5	49.0	50.0

2022	OOH	TV	Press	Digital
Overall	60.7	61.4	52.4	53.8
Environment	65.7	65.0	57.9	62.1
Community	63.3	59.1	49.2	50.3
Employees	59.5	62.0	50.4	51.7
Governance	53.0	61.9	53.4	49.8

ESG ratings methodology

The objective is to provide consistent ratings of ESG performance for as broad a range of media companies as possible. Given this objective, we face several methodological challenges:

1. The c.850 ESG sources track different topics in different ways. For instance, one source might measure how a company treats its community by measuring how much money it contributes to local charities. Another might ask if a company has programs that allow its employees to take time off for charitable work. A third source might count the number of charity board memberships held by the company's board members. All are valid estimates of a single aspect of corporate social performance—and each might give a different reading for any given company.

2. The sources each have their own rating and measurement methodology. Some sources given companies a numerical score (e.g., between 0.0 and 1.0). Some use "+" or "-" signs. Many sources offer only a relative ranking (e.g., "Top 50" or "Best Performing").

3. Each source tracks a different universe of companies. Some sources cover only specific industries. Many sources focus on one region or a single country. None of the sources offer data on more than about 60% of the companies we cover.

4. Company performance changes over time. Many of the sources update their information only once per year. If a controversy arises regarding a particular company, it may take as much as two years for its effect to be reflected among all of the sources.

5. Some sources rate company subsidiaries or individual products. The ratings are given at the parent level of a company. It is difficult to fit together sometimes conflicting ratings on a company's subsidiaries or on its products.

The rating system attempts to remove most of the above sources of bias and inconsistency, by using this approach Map to a central schema. We have divided ESG performance into twelve subcategories. These subcategories roll up into four categories. Convert to a numeric scale. We take each of the sources and convert it into a rating on a 0 to 100 scale (100 = positive rating).

Normalise. We compare the scores from different data sources for the same company. By analysing the variations between the sources, we can determine their biases. We then adjust all of the scores from a source to remove bias and create a more consistent rating.

Aggregate. We weight each source based on the estimate of its credibility and value. We then combine all of the available data on a company and generate base ratings at the subcategory level. We then aggregate these ratings further to the category level.

Trim. We drop ratings when we do not have enough information.

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The ESG ratings rules

1. In order to rate a subcategory, we require: **a.** A minimum number of sources (it ranges depending upon a variety of circumstances between two and six sources) for each subcategory. So, to give a company a rating for "Energy & Climate Change" we might need data from both CDP and Climate Counts. **b.** A minimum amount of data. We measure this in terms of "data weight." Some sources tend to predict and follow the consensus of the other sources—others diverge often from consensus. The software gives the sources that are good predictors a higher weight than those who are not. Some sources invest a lot of resources in their work and/or generate original data. The software gives these sources additional weight compared to those who merely summarise work done by others. Some sources offer one rating that covers a wide range of sustainability issues while others have many detailed ratings elements. Those with more elements get more weight. **c.** If there is not good agreement between the data sources or if the resulting score is extreme (e.g., 0 or 100), we may exclude the result. (Whether or not we do depend on the quality of the sources, number of sources, etc.)

2. To score a category, we must have a rating for at least one subcategory. We may suppress a category rating if we do not have enough weight in the subcategories underneath it to produce a reliable score.

3. To offer an overall rating, we must have: **a.** Ratings for all four categories. **b.** Ratings for at least five subcategories (so at least one category must have two subcategories in it). **c.** Enough total weight. **d.** Enough total sources. **e.** If the weight is light or the number of sources is low, a reasonable score (we trim outliers that do not have enough support to justify).

The above process is mechanical—the software handles the details of both converting the data we receive into a 0 to 100 score (see example below), mapping it into the subcategories, normalising the data across all of the companies we follow, and then processing the data to produce ratings. Each month, we conduct a separate "human review" of the ratings to make sure that we have not missed an obvious problem or outlier.

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Environment category

The Environment category data covers a company's interactions with the environment at large, including use of natural resources, and a company's impact on the Earth's ecosystems. The category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies, disclosure of sources of environmental risk and liability and actions to minimize exposure to future risk, implementation of natural resource conservation and efficiency programs, pollution prevention programs, demonstration of a strategy toward sustainable development, integration of environmental sustainability and responsiveness with management and the board, and programs to measure and engage stakeholders for environmental improvement.

Environment subcategories

The Energy and Climate Change subcategory measures a company's effectiveness in addressing climate change through appropriate policies and strategies, energy- efficient operations, and the development of renewable energy and other alternative environmental technologies. The subcategory includes energy use, emissions to air of CO_2 and other Greenhouse Gas Emissions (GHG) across Scope 1, 2 and 3.

The Environmental Policy and Reporting subcategory includes a company's policies and intention to reduce the environmental impact of a company and its value stream to levels that are healthy for the company and for the environment, now and in the future. The data includes the company's environmental reporting performance, adherence to environmental reporting standards such as the Global Reporting Initiative, and compliance with investor, regulatory and stakeholders' requests for transparency. Compliance data consists of breaches of regulatory limits and accidental releases.

The Resource Management subcategory covers how efficiently resources are used in manufacturing and delivering products and services, including those of a company's suppliers. It includes a company's capacity to reduce the use of materials, energy or water, and to find more efficient solutions by improving its supply chain management. This subcategory includes environmental performance relative to production size and is monitored by the production-related Eco Intensity Ratios (EIRs) for water and energy defined as resource consumption per produced or released unit. Resource materials include raw materials and packaging materials for production and related processes and packaging of products. Resource Management data also include waste and recycling performance. Recycling data is related to the proportion of waste recycled of the total waste. Data includes how the company manages operations to benefit the local airshed and watershed, and how the company impacts land use and local ecological stability. The water resource data includes consumption of drinking water, industrial water and steam.

Community category

The Community Category covers the company's commitment and effectiveness within the local, national and global community in which it does business. It reflects a company's citizenship, charitable giving, and volunteerism. This category covers the company's human rights record and treatment of its supply chain. It also covers the environmental and social impacts of the company's products and services, and the development of sustainable products, processes and technologies.

Community subcategories

The Community Development and Philanthropy subcategory covers the relationship between a company and the communities within which it is embedded. It reflects a company's community citizenship through charitable giving, donations of goods, and volunteerism of staff time. It also includes protecting public health (e.g., avoidance of industrial accidents) and managing the social impacts of its operations on local communities. The subcategory also includes a company's land use and building design impact on the local economy and ecosystem.

The Product subcategory covers the responsibility of a company for the development, design, and management of its products and services and their impacts on customers and society at large. This sub category reflects a company's capacity to reduce environmental costs, create new market opportunities through new sustainable technologies or processes, and produce or market goods and services that enhance the health and quality of life for consumers. This subcategory rating covers the integrity of a company's products and sales practices, including their labelling and marketing, social impacts and end-of-life disposition. It also relates to product safety and quality and the company's response to problems with safety and quality.

The Human Rights and Supply Chain subcategory measures a company's commitment to respecting fundamental human rights conventions, its ability to maintain its license to operate by supporting freedom of association and excluding child, forced or compulsory labour. This subcategory covers a company's transparency in overseas sourcing disclosure and monitoring and a company's relationship with and respect for the human rights of indigenous peoples near its proposed or current operations.

Employees category

The Employees category includes disclosure of policies, programs and performance in diversity, labour relations and labour rights, compensation, benefits, and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws and regulations, and proactive management initiatives. The category includes evaluation of inclusive diversity policies, fair treatment of all employees, robust diversity programs and training, disclosure of workforce diversity data, strong labour codes, comprehensive benefits, demonstrated training and development opportunities, employee health and safety policies, basic and industry specific safety training, demonstrated safety management systems, and a positive safety performance record.

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Employees subcategories

The Compensation and Benefits subcategory covers a company's capacity to increase its workforce loyalty and productivity through rewarding, fair, and equal compensation and financial benefits. It includes benefits that engage employees and improve worker development. This subcategory also focuses on long-term employment growth and stability by promotion practices, lay-off practices, and relations with retired employees.

The Diversity and Labour Rights subcategory covers workplace policies and practices covering fair and nondiscriminatory treatment of employees, and its diversity policies. It covers a company's labour management relations and participation by employees, National Labour Relations Board (NLRB) violations or patterns of anti-union practice, conformance to internationally recognised worker rights, as defined in the basic conventions of the International Labour Organization (ILO). 3 Fundamental labour rights include freedom of association and protection of the right to organize; right to bargain collectively; a minimum age for the employment of children; a prohibition against forced labour; lack of employment and occupational discrimination; and equal compensation. This subcategory measures a company's ability to maintain diversity, provide equal opportunities regardless of gender, age, ethnicity, religion or sexual orientation, and promote work-life balance.

The Training, Safety and Health subcategory measures a company's effectiveness in providing a healthy and safe workplace. This subcategory includes accident and safety performance, as well as job training, safety standards and training, and employee-management safety teams. It includes programs to support the health, well-being and productivity of all employees. This subcategory includes workplace policies and programs that boost employee morale, workplace productivity, company policies and practices to engage employees, and worker development.

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Governance category

The Governance category covers disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company's culture of ethical leadership and compliance. Corporate governance refers to leadership structure and the values that determine corporate direction, ethics and performance. This category rates factors such as; are corporate policies and practices aligned with sustainability goals; is the management of the corporation transparent to stakeholders; are employees appropriately engaged in the management of the company; are sustainability principles integrated from the top down into the day-to-day operations of the company. Governance focuses on how management is committed to sustainability and corporate responsibility at all levels.

Governance subcategories

The Board subcategory covers a company's effectiveness in following best practices in corporate governance principles related to board membership, independent decision making through experienced, diverse and independent board members, effectiveness toward following best practices related to board activities and functions, and board committee structure and composition. It includes how the company provides competitive and proportionate management compensation and its ability to incentivise executives and board members to achieve both financial and extra-financial targets.

The Leadership Ethics subcategory measures how a company manages its relationships with its various stakeholders, including investors, customers, communities, and regulators. This subcategory measures a company's effectiveness in treating its shareholders equitably. Leadership ethics includes the company's culture of ethical decision making. It measures a company's commitment and effectiveness toward the vision of integrating social and environmental aspects into the overall core strategy and whether sustainability principles are integrated from the top down into the day-to-day operations of the company

The Transparency and Reporting subcategory rates factors including are corporate policies and practices aligned with sustainability goals, is the management of the corporation transparent to stakeholders, are employees appropriately engaged in the management of the company and do sustainability reports comply with standards such as the Global Reporting Initiative, accountability and other standards, and are these reports made publicly available. This subcategory includes whether the company provides a list of its major stakeholders and how it engages with them. It also covers whether the company is a signatory of Global Compact and other leading global entities. It evaluates the assurance (3rd party audit) of the accuracy, completeness, and reliability of its Sustainability or Corporate Social Responsibility reports.

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