Environmental, Social, And Governance Evaluation

L'Oréal S.A.

Analytical contacts

Beth Burks
+44-20-7176-9829
beth.burks@spglobal.com

Rocco Semerano
+44-20-7176-3650
rocco.semerano@spglobal.com

Neesha-Ann Longdon
neesha.ann.longdon@spglobal.com

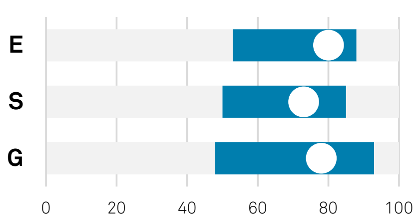
Summary

L'Oréal S.A. is a France-based cosmetics company that manufactures and sells products for women and men worldwide. It is the largest and most diversified player in the beauty industry, operating across four divisions: Consumer, L'Oréal Luxe, Professional, and Active Cosmetics. It covers different categories (including skincare, make-up, fragrances, and haircare) at various price points ranging from mass market to premium. Products are sold through a wide range of distribution channels including the fast-growing e-commerce channel. L'Oréal operates in more than 150 countries, with total revenues of about €28 billion in 2020.

The ESG Evaluation of 85 reflects our view that L'Oréal will continue to deliver a strong ESG performance via its comprehensive sustainability strategy and its leadership's commitment to conducting business in an environmentally and socially responsible manner. The company has established itself as a pioneer in the cosmetics industry through its product innovations. These span the entire value chain and embrace best practices for sustainable package solutions, resulting in a strong environmental profile compared to peers. Equally, L'Oréal delivers high quality products across its globally diverse consumer base, supporting a strong social profile. Its governance aligns with global best practices, although we note that the board composition remains less diverse than some peers despite the company's international footprint. L'Oréal's advanced practices and thorough understanding of shifts in the beauty industry position it strongly when it comes to anticipating and adapting to disruptive trends. The board's awareness of and engagement with disruptive trends outpaces much of the industry. The company balances smart acquisitions with advanced research and development practices. L'Oréal has a track record of developing and implementing a business strategy rooted in sustainable development.

ESG Profile Score

77 /100



Company-specific attainable and actual scores

Preparedness Opinion (Scoring Impact)

Strong (+ 8)

ESG Evaluation

85/100

A higher score indicates better sustainability

Component Scores

Environmental Profile

Sector/Region Score	38/50
Greenhouse gas emissions	Leading
Waste and pollution	Strong
Water use	Strong
Land use and biodiversity	Strong
General factors (optional)	None
Entity-Specific Score	**42/50**
E-Profile (30%)	**80/100**

Social Profile

Sector/Region Score	35/50
Workforce and diversity	Strong
Safety management	Strong
Customer engagement	Strong
Communities	Good
General factors (optional)	None
Entity-Specific Score	**38/50**
S-Profile (30%)	**73/100**

Governance Profile

Sector/Region Score	28/35
Structure and oversight	Strong
Code and values	Strong
Transparency and reporting	Strong
Financial and operational risks	Neutral
General factors (optional)	-2
Entity-Specific Score	**50/65**
G-Profile (40%)	**78/100**

ESG Profile (including any adjustments) **77/100**

Preparedness Summary

L’Oréal’s track record of developing and implementing a business strategy rooted in sustainable development is the foundation of our assessment. L’Oréal’s strategy is to diversify its beauty offerings, digitize its business, and raise sustainability standards for its industry. L’Oréal’s leadership team leverages the organization’s close engagement with consumers and its vast network to anticipate new opportunities and secular shifts. It invests in obtaining the data and information needed to inform its decision-making. As a result, its research and development (R&D) program enables innovations that fully embed sustainability alongside cosmetic performance. L’Oréal’s strategy is further enabled by a successful acquisition program, which in our view is helping shape a more inclusive product offering.

Capabilities	
Awareness	**Excellent**
Assessment	**Good**
Action plan	**Excellent**
Embeddedness	
Culture	**Good**
Decision-making	**Excellent**

Preparedness Opinion (Scoring Impact) **Strong (+ 8)**

ESG Evaluation **85/100**

Note: Figures are subject to rounding.

Environmental Profile

80/100

Sector/Region Score (38/50)

Consumer goods companies' environmental risks occur mostly in the value chain. The water and energy consumed when customers use products is one example. Waste is a growing risk associated with packaging and product disposal, and raw material sourcing can have significant environmental effects. L'Oréal faces some natural-disaster and climate-risk exposure from its regional activities in Asia-Pacific (35%), Western Europe (26.8%), and North America (24.7%).

Entity-Specific Score (42/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Leading	**Strong**	**Strong**	**Strong**	**None**

L'Oréal has a stronger environmental profile than peers, reflecting its early development of a science-based product lifecycle methodology. This has led to the company meeting ambitious targets and achieving above-average performance in greenhouse gas (GHG) emissions and waste. L'Oréal wants to eradicate waste across its value chain; it has a leading role in the application of green chemistry principles, especially improving the biodegradability of products. While targets related to sustainable packaging are common, we view L'Oréal's strategic partnerships with innovation firms, its bioplastic developments, and its co-founding (with Quantis) of the Sustainable Packaging Initiative for CosmEtics (SPICE) as setting the company apart from its industry peers.

Equally, L'Oréal's ambitions to achieve carbon neutrality in its scope 1 and 2 emissions by 2025, and reduce scope 3, demonstrate a best-in-class approach to emissions reduction. L'Oréal already has low emissions across all scopes, is less exposed than peers who have more carbon-intensive supply chains and is consistently in the lowest quartile of emissions performance at 166 CO_2-e tons per $m of revenues in 2019 (well below the sector median of 200). It has achieved this without carbon offsets, which we view as evidence of strong mitigating actions. To meet its 2030 scope 3 target, L'Oréal is engaging in supply chain monitoring, encouraging suppliers to adopt less carbon-intensive materials, and providing some financial assistance for on-site renewable power generation, actions we view as standing out among peers.

L'Oréal is committed to sourcing raw materials responsibly, including a group-wide zero deforestation policy. We view favorably the company's short- and long-term biodiversity targets; it aims to have 100% of renewable raw materials sustainably sourced by 2030. Similar to peers, L'Oréal is a member of the Roundtable on Sustainable Palm Oil and is one of the few companies to source 100% certified palm oil. Yet, most of this comes from mass balanced sources, as opposed to segregated palm oil where traceability of trusted suppliers is higher.

L'Oréal faces lower exposure to water risk than other companies with agricultural exposures. L'Oreal has met its target to reduce its own water consumption by 60%, compared to 2005, achieving one of the lowest water footprints of its sector. Notably, L'Oréal targets water reduction at the consumer phase by offering waterless and dry products as well as modifying product formulas to increase rinseability. It is also piloting a water-saving haircare system with innovation company Gjosa, targeted at reducing water use in salons. We will continue to monitor the roll out of this initiative to see how much it can be scaled up.

Social Profile

73/100

Sector/Region Score (35/50)

Consumer goods companies face social risks including dynamic consumer preferences, which are variously influenced by beauty trends, sustainability concerns, and the increasing focus on wellbeing. Innovation and product development to meet these evolving demands drives sector growth. Problems with product safety and risks related to poor working conditions within the supply chain expose entities to brand reputational damage. L'Oréal faces varying social standards across its global footprint, with differences in labor laws and protections.

Entity-Specific Score (38/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Strong	**Strong**	**Strong**	**Good**	**None**

L'Oréal has a strong track record of delivering high quality products at different price points, combined with a stakeholder focus on inclusive beauty standards and responsible marketing. As a leading global cosmetics player, L'Oréal views "beauty for all" as core to its values, fulfilled by its diverse product portfolio. To support its expansion into emerging markets, L'Oréal has made several strategic acquisitions of local cosmetic brands to meet the beauty needs of its culturally diverse consumer base. L'Oréal's leading role in product sustainability also aligns with growing consumer preferences for environmentally and socially responsible brands, and companies that actively support community relations. An example of the latter includes L'Oréal partnering with local NGOs to provide beauty treatments to vulnerable people.

As an early adopter of digital innovation, L'Oréal has leveraged technology to enhance the consumer experience, supported by a young and relatively diverse workforce. This has supported its e-commerce expansion into emerging markets, particularly India and China. Key to consolidating L'Oréal's leading position in digital innovation is its launch of the world's first digital make-up brand and the acquisition of Modiface, which enables virtual product testing. Yet, we recognize social media engagement is stronger among some of the newer cosmetic companies that connect to younger, more diverse audiences, particularly in the LGBTQIA community, across different social media platforms. To support ongoing product innovation, L'Oréal has developed an innovative, gender-diverse workforce reflective of its primary consumer base. A standout feature of L'Oréal's people management is its leadership on fair wages and across the supply chain as a member of the IDH Sustainable Trade Initiative, its progress in which we will closely monitor. Total staff turnover has decreased slightly to about 11% in 2020, below the sector median of an estimated 14.5%. Our assessment also factors in recent accusations of racial hypocrisy by L'Oréal Paris, after which the company hired transgender model Munroe Bergdorf to advise on diversity and inclusion.

L'Oréal has a strong record of product safety, with only a few cases of allergic reaction and fewer instances of product recalls. The last recall was in 2016. At the workforce level, L'Oréal has a strong safety record with an injury rate well below the sector median, and no fatalities in the last five years.

Governance Profile

78/100

Sector/Region Score (28/35)

Our score reflects the high governance standards in France, where L'Oréal is headquartered and publicly listed on the Paris Stock Exchange. L'Oréal also operates in emerging markets where governance risks are relatively higher, and we factor this into our overall risk assessment.

Entity-Specific Score (50/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Strong	**Strong**	**Strong**	**Neutral**	**-2**

The company's ownership structure comprises the two largest shareholders -- the Bettencourt Meyers family (about 33% of capital) and Nestle S.A. (about 23%). The 2004 memorandum of understanding (MoU) between these two shareholders ended in March 2018. Following the termination, the two parties can now freely increase their stake in L'Oréal. In 2020, L'Oréal announced changes to its governance with the intention to dissociate the functions of chair and CEO. We view this positively because it reduces succession risk and ensures a better power balance. In July 2021 the previous CEO became chair of the board with his former deputy becoming the new CEO. We do not expect material shifts in the executive strategy following these changes. The board has nearly all the elements of global best practice, with high independence (50%), gender diversity (58%), and a sound and well-balanced mix across industry knowledge, strategy, and technological and innovation skills. All board committees are chaired by independent directors. Still, we factor in the relatively lower diversity by international experience and nationality when compared with some of its global consumer peers, because it does not match the company's operational mix and global footprint.

L'Oréal has comprehensive codes and values. Within the organization, the Chief Ethics Officer measures, among other things, the company's ethical performance. L'Oréal has a solid track record of acquisitions and we believe one of its main competitive advantages is its ability to integrate targets into its overall governance structure, including the transfer of its core values.

Chair and CEO remuneration consists of a 25% fixed portion, while the remaining 75% is subject to performance conditions related to financial performance as well as nonfinancial criteria. The company awards long-term performance shares based on its growth over a three-year period compared with competitors. To complement this long-term financially driven target, it awards annual bonuses partially based on ESG-related targets. In 2018, it launched its first employee shareholding plan worldwide with the main aim of strengthening employee engagement with the group's long-term targets.

Finally, we note that L'Oréal discloses detailed and comprehensive financial as well as nonfinancial information. It makes available detailed disclosures of sustainability targets, as well as all relevant information for tracking its ESG and financial performance.

Preparedness Opinion

Strong
(+8)

Preparedness	Low	Emerging	Adequate	**Strong**	Best in class

Our preparedness opinion factors in L’Oréal’s track record of developing and implementing a business strategy rooted in sustainable development. The company’s long-term scientific approach supports product performance and sustainability. The company’s core competency of scaling acquired businesses continues to reinforce L’Oréal's strong market position.

We believe that L’Oréal has the flexibility and institutional knowledge to prepare for disruptive trends in the sector. We have seen the company pivot its strategy to capture new opportunities and view positively its ability to adapt under crisis scenarios. We view the personal care sector, alongside the wider consumer goods industry, as mature and highly competitive. The sustainability of business models and product portfolios is constantly being challenged by complex factors such as changing consumer preferences, technological developments, new marketing tools, reliability of supply chains, and government regulations. Greater awareness of insufficiently priced-in environmental and social costs of staple consumer goods is spreading among consumers and policymakers. In the beauty sector, specifically, corporations are addressing mega trends such as the digital revolution, the focus on environmental and social sustainability factors, and demographic changes.

L’Oréal has a strong ability to recognize new trends coming from its customer base, competitors, and the external environment. It conducts regular customer studies to gain a better understanding of customers’ needs. In this regard, in 2019 about 57% of the company’s brands conducted a consumer awareness initiative. L’Oréal is also aware of the increasing risk to its brands' reputations arising from influencers and beauty industry professionals and it addresses these risks within its risk management division. As a sign that it is focusing on possible disruption risks, the company recently announced the appointment, as deputy CEO, of an executive officer to lead the research, innovation, and technology division.

The company is adapting its strategy to evolving definitions of beauty, while searching for business expansion opportunities usually with targeted acquisitions. A good example is the 2018 acquisition of Modiface, which has been instrumental in expanding digital capabilities of all divisions and across all key brands. More recently, we have seen the expansion of several digital activities including virtual filters to try on make-up and haircare products, skincare diagnostic tools, tele-consultation, and live streaming of make-up events. A key part of the current action plan relates to omni-channel distribution, including growing direct-to-customer e-commerce capabilities. The venture capital arm of L’Oréal is highly active (screening 2,800 start-ups in 2019). New targets are screened for ingredient sourcing, labor issues, governance, and pollution as part of the due diligence overseen by the CFO. We view this as evidence of sustainability engagement.

As well as making acquisitions, L’Oréal has an extensive R&D program in which it invests about 3% of sales. In allocating capital to product development, it considers three categories of performance: economic, cosmetic, and sustainability, which helps align R&D with the company’s strategy. R&D takes place across the globe with regional hubs in Japan, the U.S., China, India, South Africa, and Brazil. We view this geographic spread as beneficial to remaining up to date with local definitions of beauty, and key to aligning with the group strategy. Management remuneration includes specific sustainability targets that are clearly outlined in the company’s registration document, including the ratio of products and brands screened for environmental and social impacts and benefits.

Preparedness

Entrepreneurship is embedded in the culture of L'Oréal. The executive committee can cite cases where employees have solved environmental problems under challenging circumstances, which we view as evidence of a sustainability ethos being entrenched at every level. The company has recently launched a share ownership plan for employees, with a three-year vesting period, that we think will help align incentives with the group's strategy. That said, we are aware that the company is perceived as having a competitive and tough working culture, and we have less visibility on the internal workings of the board compared to some other companies we assess.

Climate-Related Financial Disclosure

TCFD Recommendations Alignment Assessment: Not adopted | **Partially adopted** | Adopted

We assessed to what extent the entity has adopted the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures’ (TCFD) recommendations. We do not opine on the quality of the entity’s disclosure or the climate change scenario assumptions, if any, but rather comment on the number of disclosures made, based on the TCFD’s suggested disclosure list.

Based on the entity’s publicly available information, in our opinion L’Oréal S.A. has Partially adopted the TCFD recommended disclosures.

L'Oréal's board has close oversight of climate-related issues, but its reporting lacks a comprehensive description of the board's strategy for addressing climate change. In addition, the company does not describe management's role in assessing and managing climate-related risks and opportunities. L'Oreal discloses that climate-related risks are integrated into its overall risk management system. The company classifies climate-change risk as one of its major risks. It also describes specific risks, although it defines only long-term risks. While the company provides some examples of how climate-related risks and opportunities can affect its businesses, it does not describe the impact on its financial planning. It does not explicitly discuss the resilience of its strategy under different scenarios, even though it states that it has completed climate scenarios analysis with 2°C and 4°C assumptions. It does not provide conclusions, nor does it state the time horizons of these scenarios. L'Oréal describes its processes for identifying and assessing climate-related risks, but it does not outline the size and scope of the risks. Finally, the company discloses the metrics it uses to measure and manage climate-related risks including scopes 1, 2, and 3 emissions and presents how related performance metrics are incorporated into remuneration policies. It has also set up climate-related targets and reports annually on their progress.

Governance	Strategy	Risk management	Metrics and targets
Description of the board’s oversight of climate-related risks and opportunities.	Description of the climate-related risks and opportunities identified over the short, medium, and long term.	Description of the organization’s processes for identifying and assessing climate-related risks.	Disclosure of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
Not adopted	Partially adopted	Partially adopted	Partially adopted
Description of management’s role in assessing and managing climate-related risks and opportunities.	Description of the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.	Description of the organization’s processes for managing climate-related risks.	Disclosure of scope 1, 2 and, if appropriate, 3 GHG emissions, and the related risks.
Not adopted	Partially adopted	Partially adopted	Adopted
	Description of the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Description of how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management.	Description the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
	Not adopted	Adopted	Adopted

Sector And Region Risk

Primary sector(s)	Consumer Goods
Primary operating region(s)	France United States China Brazil Russian Federation

Sector Risk Summary

We base our sector analysis on the exposure to environmental and social risks of the consumer products sector, where L’Oréal derives all its revenues.

Environmental exposure

Consumer goods companies are exposed to material environmental risks across their value chain. First, waste associated with the end of life of the product and its packaging is likely to drive new regulation and result in substantial compliance costs. In addition, consumer goods companies are exposed to environmental risks in supply chains. The sector sources its raw materials from the agricultural, mining, forestry, chemicals, and oil and gas supply chains, which have significant land, water, emissions, and pollution impacts. Finally, we believe that consumer goods companies are exposed to environmental risks associated with product manufacturing, distribution, and use. These activities may result in significant water consumption, pollution, and energy use. The nature and scale of the impact largely depends on the nature of the product sold. New regulation may incentivize companies to reduce single-use products, switch to low-carbon freight, and develop energy- and water-efficient products and processes.

Social exposure

Consumer goods companies are exposed to material social risks across their value chain. First, they are exposed to consumers' fast-changing preferences: innovation and product development are critical to navigating changing consumer preferences, supporting brand value, and maintaining high customer satisfaction and retention. In particular, we expect growing demand for sustainable products, transparent labelling, and responsible advertising to continue, and transition the industry toward purpose-led brands. Second, product safety is a major risk. The manufacturing and use of unsafe products--with harmful components or where a product has malfunctioned--can put the health of employees and users at risk, and result in substantial reputational and financial costs. Finally, they are exposed to risks related to working conditions throughout the supply chain: the manufacturing and distribution of consumer goods, as well as the sourcing of raw materials, rely on a complex and global value chain. This exposes consumer goods companies to human rights breaches and poor working conditions, especially if their suppliers operate in regions with lower labor standards. The tobacco sector has higher social risk due to the health consequences of smoking. It also has stringent regulatory requirements for promotion, marketing, packaging, labeling, and usage. The secular decline of combustible cigarette usage is accelerating. Companies within the sector have managed to offset a good portion of volume declines with prices, and in some cases are diversifying into e-cigarettes and cannabis. However, the latter have short track-records in terms of public health effects, and could become subject to increased controversy.

Regional Risk Summary

France

France is among the most advanced countries in terms of ESG regulations, including mandatory disclosures and reporting sustainability indicators. Overall, corporate governance is in line with advanced economies' standards. In addition to the EU Non-Financial Reporting Directive's recommendations requiring the disclosure of ESG data, French companies must also disclose the social and environmental consequences of their activities under domestic law (Grenelle Act), the financial risks they face from climate change, and their remediation strategies (Energy Transition Law). Under article 173 of the Energy Transition Law, institutional investors must disclose the ESG factors incorporated in their investment policies and their contribution to the energy and ecological transition. Under the law Pacte, which came into effect in May 2019, companies must consider environmental and social issues when developing their strategy. The strong regulatory framework is complemented by the Afep-Medef Code, the corporate governance recommendations from AFG (the French Asset Management Association), and the recommendations from the Financial Markets Authority. All three provide non-binding guidance for best practice on governance and pay. Despite waves of privatization, the state remains an important player in the French capital markets as a shareholder of several large, listed companies. On diversity, the Copé-Zimmermann Law has required listed companies to reach at least 40% female board membership since 2017 in a bid to reach parity. France ranks 23 out of 180 on Transparency International’s 2020 Corruption Perceptions Index.

United States

With robust institutions and rule-of-law standards, the U.S. demonstrates many strong characteristics but lags several other countries with respect to ESG regulations and social indicators. Income inequality is higher than in other OECD countries and has been so for over a century. Social services are similarly less generous than in most wealthy countries. Governance is characterized by a very stable political system, strong rule of law, a powerful judiciary, and effective checks and balances. Conditions of doing business are generally high. The U.S. follows a rules-based approach to corporate governance focused on mandatory compliance with requirements from the major exchanges (NYSE and NASDAQ) as well as legislation. State corporate law is also a key source of corporate governance, particularly Delaware where over half over all U.S. listed companies and close to 70% of Fortune 500 companies are incorporated. Exchanges mandate high standards of corporate governance. The NYSE requires companies listing on its exchange to have boards made up of a majority of independent directors and have separate remuneration and nomination committees. However, formal requirements on ESG reporting are not as established as they are in European countries. While a growing number of companies have an independent chair, the combination of CEO and chair roles is still popular. This can undermine management oversight. Remuneration continues to be a contentious point because U.S. executive pay dwarves global pay levels. The CEO-to-worker pay ratio is ever-increasing, leading to social tensions and shareholder criticism. The U.S. ranks 25 out of 180 on Transparency International’s 2020 Corruption Perception Index.

China

Social standards are in line with most other major developing economies. The government recently strengthened legal protection for workers and consumers. Chinese corporate governance standards are also on par with other economies at this stage of development. The central government's recent push to reform state-owned enterprise structures in line with good governance practices is a major development. In 2018, China revised its Code of Corporate Governance for listed companies, accounting for OECD requirements and particularly focusing on ESG disclosure and board diversity. Official corruption has lessened over the past few years due to the central government's anti-corruption drive. This effort has also been extended to government-related companies and financial institutions. Still, corruption among private enterprises remains an issue. Although judicial reforms are ongoing, the private sector has yet to trust that the rule of law is significantly improving. The country ranks 78 out of 180 on Transparency International's 2020 Corruption Perceptions Index.

Brazil

Brazil's regulations and complex federal and state tax codes impose heavy compliance costs on businesses and encourage informality and tax evasion. Most of the workforce remains in the informal sector and poverty has been rising. High-level government corruption has created a strong public backlash and led to several political and business leaders being jailed under the Lava Jato investigations. In terms of corruption, Brazil is in the bottom half of South American countries, ranking 94 out of 180 on Transparency International's 2020 Corruption Perceptions Index, improving from the previous year. The judicial system, which operates at federal and state levels, can make applying laws complex and slow. While Brazil has comparatively strong laws and regulations, particularly on corporate governance, the main issue is implementation. We expect this to strengthen following recent significant improvements such as stronger B3 stock exchange listing rules on governance (Novo Mercado segment), new governance guidelines for state-owned enterprises, and greater shareholder-rights protection. For instance, instruction 614 from the Brazilian Securities Exchange Commission (CVM) which came into effect on Jan. 1, 2020, improves shareholders' rights in relation to the election of directors. Concentrated ownership is common and the use of multiple-class share structures with unequal voting rights may negatively affect minority shareholders. The Brazilian Institute of Corporate Governance's Corporate Governance Code is the best practice reference document in the market. It is not mandatory, but since 2017 companies must report on its recommendations on a comply-or-explain basis. Despite improvements to board independence and diversity, Brazil lags developed markets. There are limited formal requirements for ESG disclosure, but companies, particularly large ones, tend to report widely on their environmental and social efforts.

Russian Federation

Social standards in the Russian Federation are moderate but common indicators of such standards vary quite significantly. Most social indicators suggest greater problems that what would be predicted based purely on a country's per capita income. Political power is highly centralized and essentially concentrated in the hands of the president. Checks and balances are weak. Corruption and rent-seeking are perceived as comparatively high in Russia (it ranks 129 out of 180 on Transparency International's 2020 Corruption Perceptions Index). The enforcement of laws and contracts is often selective. Corporate governance practices vary significantly between large publicly listed companies that are committed to transparency and governance practices in line with their OECD peers and the rest of the market, notably state-owned enterprises (SOEs). SOEs are a defining feature of the Russian economy with the government controlling (directly or indirectly) over one-third of listed companies. There is extensive ecological regulation in Russia, but control over its execution is limited and fines are relatively small. The corporate governance code, last updated in 2014, specifies the basic governance principles required for listing on the stock exchange, which all public companies have to follow on a comply-or explain basis, but levels of implementation vary. Equally, for many large privately owned companies, transparency is a major issue because the quality and breadth of corporate disclosure is intentionally very limited.

Related Research

- "The ESG Risk Atlas: Sector And Regional Rationales And Scores," published July 22, 2020
- "Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide," published July 22, 2020
- "Environmental, Social, And Governance Evaluation: Analytical Approach," published December 15, 2020
- "How We Apply Our ESG Evaluation Analytical Approach: Part 2," published June 17, 2020

This report does not constitute a rating action.