Vegan Finance LLC

VF Methodology

2023 updated version

June 18th, 2021

Activities rating overview

-2 | -1 | 0 | +1 | +2

Non-vegan activities	Transitional activities	Vegan activities
• Meat	• Animal-welfare standards	• Vegan business model
• Dairy	• Animal-welfare policy	• Vegan business line(s)
• Fishery	• Animal-welfare metrics	• Plant-based food
• Skins	• Cruelty-free targets	• Plant-based beverages
• Experimentation	• *Renewable energy*	• Vegan products
• Entertainment	• *Efficient transport*	• Non-harmful-for-animals products
• Livestock transport	• *Green IT*	• Animal-free testing technologies
• Sponsoring or financing activities that harm animal well-being	• *Organic foods*	• Vegan services
• *Weapons*	• *Sustainable products*	• Vegan financing
• *Pollution*	• *Circular economy*	• Vegan sponsoring
• *Deforestation*	• *Inclusive finance*	• Vegan funds
Exclusions	Animal-welfare portfolio	Vegan portfolio

VF principles

- Explanation
- Transparency
- Engagement
- Zero Harm principle (VF) vs. DNSH principle (EU taxonomy)
- Thresholds as landmarks (Paris-aligned Benchmarks 1% coal, 10% fossil energy to revenue)
- Thresholds: Absolute values and Relative values (eg. Deforestation Free funds)
- Missing data:
  - Use the test of *reasonable likelihood* recommended by the US SEC[1] and SASB to determine if a factor must be considered as material or not
  - Unclarified situations : “be on the side of the animals and the planet, not the company”

(1) **US Supreme Court :** “if there is a substantial likelihood that the omitted fact would have significantly altered the total mix of information available to the reasonable investor”.

Vegan rating and scoring scale – DNH principle

Vegan portfolio

Rating	Score	Definition and assessment	Ex. 1	Ex. 2	Ex. 3
Vegan friendly	+2	• **Zero harm** on animals, veganism is integrated in the **business model**, vegan activities are material • **Zero harm** with **significant beneficial actions** for animals	Food • Beyond Meat, Oatly • Impossible Food • Merveilleoeufs	Automobile • Tesla Electronics • Gemalto	Construction • Saint-Gobain Media • Technicolor
Vegan compliant	+1	• **Zero harm** on animals either by direct activity, value-chain, sponsoring or financing	Automobiles • Michelin	Telecommunications • Orange	Equipment • Legrand
Transition : **closest point to vegan compliance”**	0	• **Some harm** with high **animal-welfare standards** • Or **neutral-for-animal industry but some harm** is due to sponsoring or ESG issues • **If there is any animal harm, no total offset is possible,** the company can never be rated vegan compliant	Food & Clothes • Pernod Ricard since 2021 • Rémy Cointreau • Poulehouse (l’oeuf qui ne tue pas la poule)	Energy • EDF	Finance • BNP Paribas
Vegan non-compliant	-1	• **Massive harm** on animals **with some animal-welfare standards** and commitments measurable by metrics • Or the activity **causes occasional harm** and is **not a core business**	Food & Clothes • Danone since 2018 • Carrefour • Kering	Cosmetics, transport • L’Oréal • *Air-France*	Finance, Media • Crédit Agricole • Publicis
Non vegan	-2	• Animal exploitation / suffering is a **core business** or an indirect consequence of the activity • **Massive or repeated harm** • No or **weak commitments**, no measurable outcomes, weak results	Food & Clothes • Danone till 2017 • LVMH • Hermès • Pernod Ricard till 2019	Pharma. & transport. • Solvay	Energy, Automobile • Total

Assessment thresholds – harmfulness (1/2)

- Harmfulness evaluation takes into account **Absolute Values** [AV] (ex: how many USD millions of **revenue** comes from animal exploitation) and **Relative Values** [RV] that impact animals (ex: which **percentage of revenue** is the result of animal exploitation)
- **Indicators and thresholds are only indicative and non-binding to the vegan rating analyst** that considers **other factors**, among which qualitative (ex: improvements, policy evolution) to decide on the final rating.

Absolute Values [AV] thresholds	Score	Rating
Harmful-for-animals Revenue < $100K	0	Transitional
Harmful-for-animals Revenue >= $100K and < $ 1 million	**-1**	**Non Compliant**
Harmful-for-animals Revenue >= $ 1 million	-2	Non vegan

Relative Values [RV] limits	Score	Rating
Harmful-for-animals Percentage of Revenue < 1%	0	Transitional
Harmful-for-animals Percentage of Revenue >= 1% and < 10%	**-1**	**Non Compliant**
Harmful-for-animals Percentage of Revenue >= 10%	-2	Non vegan

AV & RV inspired by : Deforestation free funds methodology

Assessment thresholds – harmfulness (2/2)

- **The final rating of one business, is the lowest rating between Absolute Values (harmful-for-animals revenue) and Relative Values (harmful-for-animals percentage of revenue).**

Absolute values \ Relative values	harmful-for-animals percentage of revenue < 1%	harmful-for-animals percentage of revenue >= 1% and < 10%	harmful-for-animals percentage of revenue > 10%
harmful-for-animals revenue < $100K	Score 0, Rating “Transition”	Score -1, Rating “Vegan non-compliant”	Score -2, Rating “Non vegan”
harmful-for-animals revenue >= $100K and < $ 1 million	Score -1, Rating “Vegan non-compliant”	Score -1, Rating “Vegan non-compliant	Score -2, Rating “Non vegan”
harmful-for-animals revenue > $ 1 million	Score -2, Rating “Non vegan”	Score -2, Rating “Non vegan”	Score -2, Rating “Non vegan”

RV % thresholds inspired by EU Paris-aligned benchmark TEG recommendation

For EU PABs, the TEG recommends the exclusion of certain companies based on the following criteria[56]:

1. They derive 1% or more of their revenues from coal exploration or processing activities,
2. They derive 10% or more of their revenues from oil exploration or processing activities,
3. They derive 50% or more of their revenues from natural gas exploration or processing activities or
4. They derive 50% or more of their revenues come from electricity generation with a GHG intensity of lifecycle GHG emissions above 100 gCO2e/kWh.

These exclusions are justified by the level of ambition of EU PABs, which is higher than for EU CTBs.

Multi-businesses study-case [issue]

XYZ Corp. has the following businesses : A, B, C

- Business A has 50% of revenue generated from dairy production.
- Business B sells cow leather as a by-product for an amount of 800,000 USD per year
- Business C is the new plant-based division: 100% of its business is vegan.

XYZ revenue breakdown is : A 60%, B 30%, C 10%

Which score and rating would you give to XYZ Corp.?

Multi-businesses study-case[solution]

XYZ Corp. has the following businesses : A, B, C

1) Evaluation of each business

- Business A has 50% of revenue generated from dairy production => relative value of revenue > 10% => A score = -2, rating = "Non vegan"
- Business B sells cow leather as a by-product for an amount of 800,000 USD per year => absolute value between 100,000 and 1 million USD => B score = -1, rating ="Vegan non-compliant"
- Business C is the new plant-based division: 100% of its business is vegan. => C score = +2, rating = "Vegan-friendly"

2) Evaluation of XYZ

XYZ revenue breakdown is : A 60%, B 30%, C 10% => 60% Non-Vegan, 30% Vegan non-compliant, 10% Vegan-friendly

a) Can one consider XYZ vegan-friendly, score "+2"? Obviously not, due to A Non-Vegan
b) Can one consider XYZ vegan-compliant, score "+1" ? Also no, due to A Non-Vegan or B Vegan non-compliant
c) Can one consider XYZ neutral / in transition, score "0"? No because 10% Vegan-friendly business is not enough significant to be considered "in transition": **30%-50% of Vegan business would have been necessary to be considered as "in transition".**
d) Can one consider XYZ non-vegan, with the lowest score -2? No, because of vegan activities from C
e) Can one consider XYZ vegan-compliant, with the score of -1? Yes, According to VF methodology, Vegan non-compliant corresponds to **"massive harm"** (Business A Non-Vegan) **with some animal welfare-standards** (here 10% vegan activities by Business C "Vegan-friendly")

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Thank you for attention !

- Any question: contact@veganfinance.org