

ESG RATING PROVIDER

-METHODOLOGY-



What are the key points to check in order to choose an ESG rating provider ?

1	OBJECTIVE	<ul style="list-style-type: none"> • What is the objective of the Rating utilization (e.g. : investment, risk analysis...)? • Is cross comparison between industries needed?
2	RISK RATING VS IMPACT RATING	<ul style="list-style-type: none"> • Does the ESG rating measures (i) ESG risks or (ii) impact on ESG factors or (iii) both?
3	COVERAGE	<p>ESG PILLARS</p> <ul style="list-style-type: none"> • Are all ESG Factors covered ? (e.g : a rating could be limited to one or two of the three ESG pillars)
		<p>PORTFOLIO</p> <ul style="list-style-type: none"> • What is the portfolio coverage rate? <ul style="list-style-type: none"> • By type of counterparty (fund, corporate, banks, sovereigns...) and materiality. • Including non listed companies.
4	DATA SOURCES	<ul style="list-style-type: none"> • What are the data sources? (e.g. : NGOs reports, CSR reports, company website...) <ul style="list-style-type: none"> • What are the proxies used in case of poor disclosures of a company? • What is the quality review encompassing data sources? • With regards to the objective (Step 1), ensure that required « critical » data are scoped (e.g. scope 3 for bank counterparties).
5	MATERIALITY ASSESSMENT	<ul style="list-style-type: none"> • How is defined the « materiality » of an ESG factor? • What is the materiality assessment applied? (i.e. selection of ESG factors depending on the industry / sector) <ul style="list-style-type: none"> • Any universal esg factors ? (i.e. cross sector ESG material factors) • Any company specific ESG Factors ?
6	METHODOLOGY	<ul style="list-style-type: none"> • What is the methodology to calculate the ESG rating? <ul style="list-style-type: none"> • Calculation of the three ESG Pillars <ul style="list-style-type: none"> ▪ Exposure to ESG Risks ▪ Management of ESG Risks • Weighting of ESG Pillars? • Is it possible to have access to data driving the ESG Rating ? (i.e. understanding of which ESG factor drives the final rating)
7	CONTROVERSY	<ul style="list-style-type: none"> • How the controversy is taken into account in the ESG rating? <ul style="list-style-type: none"> • How the controversy is defined and assessed? • What is the governance framing the controversy monitoring?
8	RELEASE / UPDATE	<ul style="list-style-type: none"> • What is the frequency to review the rating? <ul style="list-style-type: none"> • Is there any internal committee to review the rating before release? • Is the ESG communicated to the company before release? • Is it possible to understand which ESG factor or data implied a rating evolution?
9	REGULATION AND NORMS ALIGNMENT	<ul style="list-style-type: none"> • Any measurement based on norms (e.g. Sustainable Development Goals - SDG -)? • Any measurement based on regulation (e.g. : Alignment with Green Taxonomy)?
10	CONTROL	<ul style="list-style-type: none"> • Based on a sample of counterparties, compare the ESG Rating from different ESG Rating Providers.