SNAPSHOT: ESG DATA

November 2020

INTRODUCTION

This summary - a cheatsheet, if you will - is intended to provide a succinct overview of scoring methodologies, underlying data sources, and use cases of ESG ratings. In many cases the providers' methodologies and sources are complementary and when used in conjunction, constitute a comprehensive ESG assessment.

We are not evaluating or comparing the robustness and efficacy of ESG ratings. The purpose of this snapshot is not to simplify the "aggregate confusion"[1] of ESG data.

We have organized a number of the best known providers into the following categories: (i) Traditional Providers (ii) Alternative Providers (iii) Climate Data Providers and (iv) Other Providers (includes new launches). In this summary, we have focused primarily on ESG ratings. In subsequent versions, we will cover other offerings including index solutions.

OUR THOUGHTS ON THE ESG DATA ECOSYSTEM

An acronym like ESG, although handy, belies the complexity of what it encompasses.

"E" or Environmental alone includes risks and opportunities as far reaching as extreme weather events, depleting biodiversity, emissions legislation, relative carbon prices, global migration, trade relations, energy transition across jurisdictions (and we are only scratching the surface here). The facets of "S" like customer welfare, employee engagement, community relations are even more complex to attribute and measure, and linkages to corporate financial performance are still being studied.

Although a lot has been said about the divergence amongst ESG data providers, we believe that the inherent complexity of the ESG data landscape renders the hopes of a perfectly aligned ESG scoring system misplaced. As advisors, we strive to distill disparate ESG data into meaningful, actionable insights for our clients and partners.

We hope you find this snapshot helpful. Please feel free to email us at hello@bluedotcapital.co with your feedback and critique.

Sincerely,
Team Blue Dot Capital

ABOUT BLUE DOT CAPITAL

ESG and impact investing advisory with the goals of risk management and value enhancement

Blue Dot Capital is a sustainable finance consultancy. We partner with investors and investment managers to support the end-to-end development and execution of ESG and impact investing capabilities across asset classes.

TRADITIONAL PROVIDERS

	DATA SOURCES & PROCESS	ESG ISSUES EVALUATED	MATERIALITY	SCORING METHODOLOGY	SCORE/RATING	COVERAGE
Bloomberg Proprietary Scores Launched in August 2020	Self-reported and publicly available information	Key ESG issues determined by materiality and issue priority	Bloomberg Intelligence's dedicated ESG team conducts top-down materiality assessments by industry; SASB[2], GRI[3], TCFD[4] and other industry specific frameworks are referred to	The methodology is characterized by a bottom-up, model-driven (parametric, rules-based framework) method. ES Scores are structured into Pillars, Issues (Issue Priority - prioritized and ranked as per industry specific material sustainability), Sub-Issues, and Fields using qualitative input from research analysts, Factor analysis is used to idenitfy unique ES issues, data science is used to identify peer groups, aggregation approach (to roll up scores) rewards consistent performance, disclosure is a score dimension to incentivize improved transparency	Sub-Issue Scores are aggregated from Field Scores by a weighted average, Issue Scores are a function of the weighted generalized mean (p-mean) of the Sub-Issue Scores and a Disclosure Factor (i.e. Issue Scores capture sustainability performance + disclosure performance), Pillar Scores are weighted average of Issue Scores	Initial offering includes ES scores for 252 companies in the Oil & Gas sector, and Board Composition scores for more than 4,300 companies
ISS Deutsche Börse acquired 80% stake in ISS in November 2020	800+ indicators, approximately 90% are industry-specific	100 ESG criteria	Refers to SASB's definition of financially material issues	The rating structure provides different weights at the overall E, S, and G pillars depending on the industry. For each industry, five key issues are identified and used to represent the most material sustainability issues for the given industry and companies are compared to their peers on how they address these key issues	The Corporate Rating assesses companies' sustainability performance on an absolute best-in-class basis. Rating scale: ranging from D- (poor) to A+ (excellent)	N/A
MSCI	100+ specialized datasets like government and NGO reports, company disclosures, 1600+ media sources monitored daily. AI, combined with 200+ ESG analysts, extract investment-relevant insights from unstructured data	35 key issues selected annually for each industry	MSCI defines a risk as material to an industry when it is likely that companies in a given industry will incur substantial costs in connection with it (Update: MSCI ESG Industry Materiality Map that tabulates the current Key ESG Issues and their contribution to companies' ESG Ratings is now publicly available)	MSCI's methodology evaluates a company's exposure to the most significant ESG risks and opportunities facing a company and its industry and how well the company is managing those risks and opportunities standlone and in comparison to global industry peers	Rating scale: ranging from AAA (best) to CCC (worst)	More than 8,700 companies
SAM Now a Part of S&P Global	600-1,000 data points from direct company participation or assessment of publicly available data	E, S, and G scores are created from 80-120 industry-specific scores, which are then funneled into 16-27 criteria scores	SAM's Sustainability Investing analysts conduct a financial materiality analysis to identify those sustainability factors that drive business value and that have the greatest impact on the long-term valuation assumptions	Total Score is calculated as a weighted sum of the scores of each E, S, and G criteria (which are measured by over 100 industry-specific question scores). Media & Stakeholder Analysis (MSA) is an important part of the score that monitors controversies with potentially negative reputational or financial impacts	Rating scale: Total ESG score ranges from 0-100 (100 being the best) and are ranked against other companies in their industry	Annually in March SAM issues a SAM CSA request to over 3,400 companies across 61 industries
SUSTAINALYTICS A Morningstar Company	Company data via public disclosures, media, and NGO reports supplemented by events assessement done continuously throughout the year, driven by the relevant daily news-flow	Over 220 ESG indicators	Corporate Governance applies to all companies in the coverage universe. Material issues (assessment of material ESG issues occurs at the subindustry level) are those with a potentially substantial impact on the economic value of a company and, hence, its financial risk and return profile	Sustainalytics's ESG Risk Ratings measures the magnitude of a company's unmanaged ESG risks comprising of management gap in managable risks and unmanageable risk (at the subindustry level)	Rating scale: 0-100 (the higher, the more risk). Categories are presented among 5 risk levels: negligible, low, medium, high, and severe	12,000 companies over 138 sub-industries

ALTERNATIVE PROVIDERS

	DATA SOURCES & PROCESS	ESG ISSUES EVALUATED	MATERIALITY	SCORE/RATING	COVERAGE
arabesque	250 reported metrics from non-financial disclosures like sustainability reports are collected, NLP is leveraged to scan over 30,000 public news sources, and NGO campaign activity is tracked	22 sustainability-related topics and 11 business involvements from the set of inputs	Refers to the US Supreme Court's definition of materiality[5]	Total ESG score ranges from 0-100 (100 being the best)	7,000+ public companies
RepRisk	100,000+ public news sources and stakeholders screened daily to systematically identify and assess material ESG risks	95 ESG factors mapped to the UNGC[6], SASB, and the SDGs[7]	Refers to SASB's definition of financially material issues	1. RepRisk Rating (RRR) - A letter rating (AAA to D) 2. RepRisk Index (RRI) - A quantitative measure (0 to 100) of a company's or project's reputational risk exposure to ESG issues	Over 150,000+ public and private companies
TRUVALUE LABS A FactSet Company	Unstructured text from over 100,000 sources is gathered and AI, ML, and NLP are used to distill multiple quantitative signals on ESG issues	Leverages 30 different SASB topics covering 5 dimensions of Environment, Social Capital, Human Capital, Business Model & Innovation, and Leadership & Governance	Refers to SASB's definition of financially material issues	4 scores: Pulse Score measures short-term performance changes, Insight Score measures a company's long-term ESG track record, Momentum Score measures the trend of a company's Insight score, Volume Score measures information flow tagged to SASB issues over the last 12 months	17,000+ public and private companies

CLIMATE DATA PROVIDERS

Four Twenty Seven — A Moody's Affiliate

Four Twenty Seven's on-demand climate risk scoring application provides instant insights into the forward-looking physical climate risk exposure of real asset portfolios via an intuitive, browser-based interface. Scores are developed using precise climate and flood risk data accounting for facility activity and are expressed relative to a benchmark of over one million facilities globally.

Trucost ESG Analysis — S&P Global

Trucost has 2 Climate Analytic Offerings: 1) Physical Risk Analytics: to help clients understand the exposure of businesses' assets to climate change and 2) Climate Credit Analytics to evaluate the impact of different climate-related scenarios. Trucost breaks down the world economy into 464 activities allowing users to actively screen for material risk factors and optimise portfolios accordingly.

V.E — A Moody's Affiliate

V.E's TCFD-aligned climate solutions measures climate change transition risks and opportunities:
1) Energy Transition Assessment (Weak - Advanced) is a forward-looking assessment of how well-placed a company is to mitigate the risks/take advantage of opportunities associated with the transition to a low-carbon economy
2) Climate Strategy Assessment (0-100) assesses the degree to which climate change has been incorporated into corporate strategy and governance.

OTHER PROVIDERS

Boardroom Alpha's analytics platform assesses public company directors, officers, and corporate governance. The proprietary, performance-based ESG analytics focus on actual results delivered by individual board members and executives.

Covalence's approach relies on web monitoring and artificial intelligence together with human analysis. They compare ESG data publicly reported by companies (disclosure) to online narrative content reflecting the perceptions of stakeholders such as the media and NGOs (reputation).

IdealRatings determines a company's ESG rating by researching and documenting answers to a series of inputs for each of the three pillars (E, S and G). There are over 130 inputs captured during the research process. The sum of the three pillar scores becomes the company's IdealRatings ESG score.

Nasdaq ESG Footprint (Launched in June 2020) uses a combination of Nasdaq proprietary raw ESG and machine-learning data covering 13,000 shares from 60 different global data sources.

Preqin ESG Indicators (Launched in November 2020) To overcome the gap of ESG disclosures by private companies, Preqin has developed a methodology that scores a fund based on the industry and parent company headquarters of its underlying assets. To calculate ESG Indicators, Preqin applies an Industry Lens (using SASB standards) and Country Lens (using UN SDG scores).

Thinknum Alternative Data provides insights for each stage of the investment process. It provides data points like employee satisfaction (measured by Glassdoor ratings), retailer locations mapped to pollution index, coffee shop locations mapped to plastic ban.

FOOTNOTES

1. Berg, Florian and Kölbel, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (May 17, 2020). Available at SSRN: https://ssrn.com/abstract=3438533 or http://dx.doi.org/10.2139/ssrn.3438533

2. Sustainable Accounting Standards Board (SASB) identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors. SASB standards are market informed and industry specific (currently 77 industries).

3. The GRI Standards create a common language for organizations – large or small, private or public – to report on their sustainability impacts in a consistent and credible way. The Standards help organizations understand and disclose their impacts in a way that meets the needs of multiple stakeholders including investors, policymakers, capital markets, and civil society.

4. The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. The TCFD has developed a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

5. The Materiality definition by the U.S. Supreme Court states that information is material when “there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available".

6. By incorporating the Ten Principles of the UN Global Compact (UNGC) into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

7. The 17 Sustainable Development Goals (SDGs) are a call for action by all countries to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.