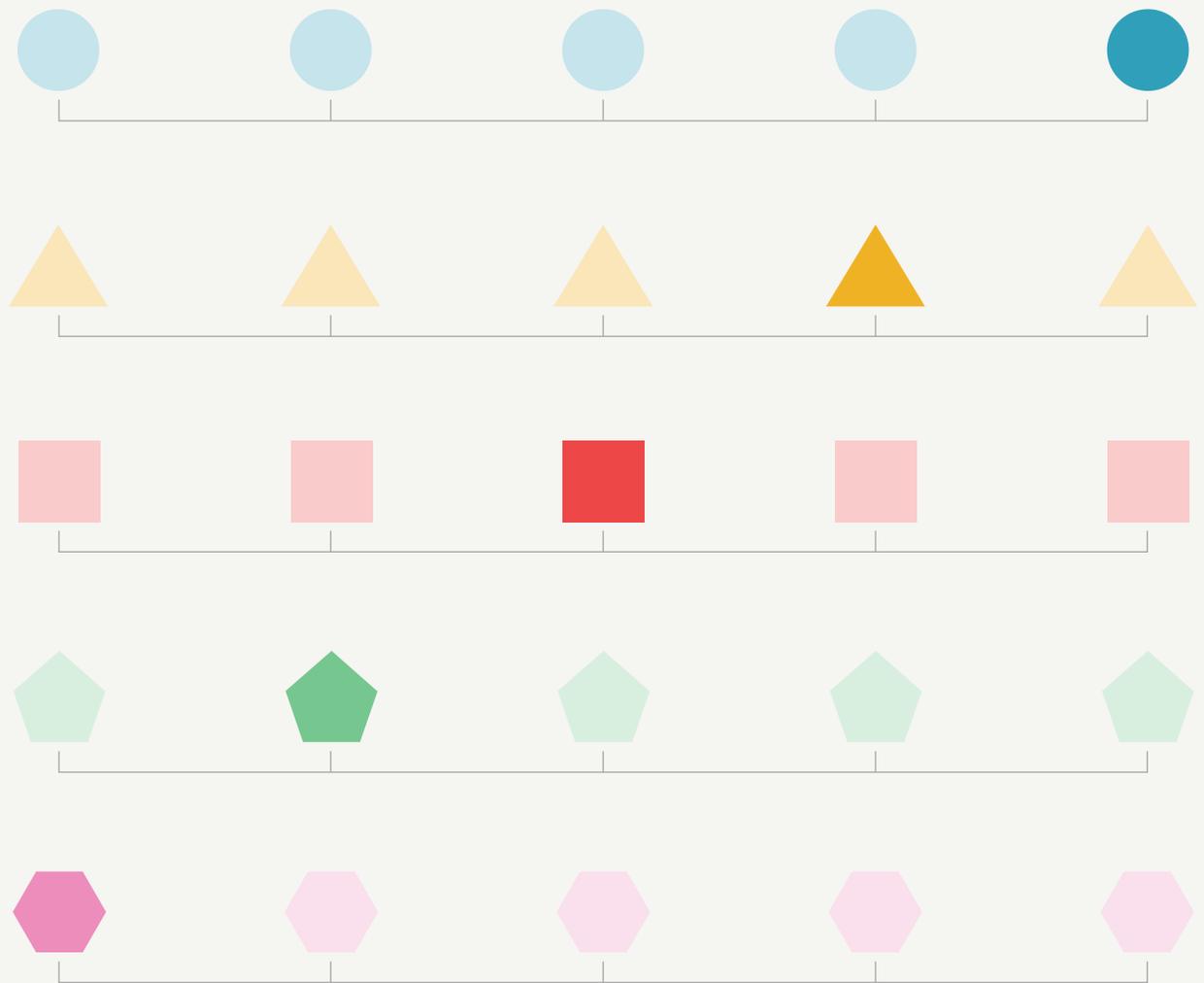


Rate the Raters 2019: Expert Survey Results

February 2019



About this Report

SustainAbility is a think tank and advisory firm that works to inspire and enable business to lead the way to a sustainable economy. Our agenda-shaping research challenges individuals, companies and industries to transform the ways they think and do business, and explains how to make change.

In 2010, SustainAbility launched a multi-phase research program, Rate the Raters. The program was designed to influence and improve the quality and transparency of corporate sustainability ratings.

This report represents the first of the two Rate the Raters outputs we have planned for publication in 2019. It reviews the key insights from our survey of over 300 sustainability professionals in corporate, NGO, government, academic and other sectors. Our second report, to be released later this year, will analyze the investor perspective and insights collected through a survey and interviews.

We express sincere thanks to our sponsors for their generous support, to GlobeScan for distributing the survey, and to all our SustainAbility, BrownFlynn and other ERM Group colleagues and peers who contributed their time and insights to this report.

We hope you will find this report useful, and we welcome your feedback.

Authors

Christina Wong, Director
Aiste Brackley, Senior Manager
Erika Petroy, Analyst

Contributors

Michael Harvey, Mark Lee, Anya Chodosh

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Contents

Introduction	4
Overview of Survey Respondents	6
What Makes a Good Rating	10
Ratings Quality	14
Ratings Usefulness	20
How ESG Ratings Are Used	25
The Future of ESG Ratings	29
Conclusions & How to Get Involved	33
Appendix: Survey Questions	37



Introduction

It has been almost a decade since SustainAbility published its first report in the Rate the Raters series. Running from 2010-2012, the project was designed to explore the evolution and challenges associated with environmental, social and governance ratings (also called ESG ratings) and to help improve their quality and transparency.

The original Rate the Raters work sought to provide a forum through which the various stakeholders in the ratings arena — raters, companies, investors, sustainability experts, etc. — could learn from then-current practices and share perspectives on how ratings needed to evolve going forward. We hold true to this purpose today in the latest iteration of Rate the Raters, which updates our previous learning.

Since our last Rate the Raters publication, we have witnessed growing interest in this topic and many changes in the field. The number of ESG ratings has grown more than five-fold during the intervening years; it is estimated that there are now over 600 ESG ratings globally. In 2018, one in every four dollars invested in the US was aligned with a sustainable, responsible or impact (SRI) investment strategy, primarily thanks to widespread ESG incorporation in investment vehicles. Driven by increasing investor interest in and demand for ESG-linked products and portfolios, asset managers are looking to ESG data and ratings providers to produce products that inform and improve investment decision making.

In parallel to this rapid growth in the overall number of ratings, some agencies have been consolidating. For example, since the publication of our first Rate the Raters report, MSCI acquired GMI Ratings, Vigeo and Eiris merged, Sustainalytics acquired Solaron Sustainability Services, and ISS bought Oekom. We also see ESG moving into the mainstream, with investors like Blackrock, State Street and Vanguard making bold statements about their desire to see stronger ESG performance from companies and putting more ESG products into the marketplace.

Our 2018 Ratings Revisited report revealed that this growth and consolidation has contributed to ongoing company struggles with how to prioritize ESG ratings and where to allocate their limited time and resources. Although many investors and companies see the value ratings have in engaging, informing and helping to change companies, they still question the overall quality, effectiveness and impact of corporate ESG ratings.

2019 Rate the Raters Research

In an effort to help inform company and investor decision making around ESG ratings, SustainAbility embarked on a two phase research process to provide updated data on perceptions of ESG ratings today. This first phase focuses on the perspectives sustainability professionals hold regarding ratings, while the second phase will focus on investor points of view.



In this first 2019 report, we analyze the results of a global survey SustainAbility conducted with our partner organization GlobeScan. We polled several thousand sustainability professionals to assess their views on what makes a good sustainability rating and which ratings they see as being of the highest value and usefulness. We also assessed how they are using ESG ratings and what changes they would like to see in order for ratings to better serve companies, investors and other stakeholders.

The following report outlines the results from the hundreds of survey responses we received, most of them from corporate practitioners in Europe and North America with more than five years of experience in sustainability. Throughout the report, we draw comparisons between the 2018 survey and the original 2012 survey. While our original Rate the Raters research considered ratings, rankings and indices, we decided to focus on ratings alone for the 2018 survey and selected eleven of the most widely used ESG ratings for assessment. We also changed the survey questions slightly. The 2012 survey asked respondents to evaluate the “credibility” of ratings, while the 2018 survey focuses on “quality” and “usefulness” of ratings. In 2012, more than 850 experts responded to the survey, whereas in 2018 we received 318 responses. This reduced response rate may align with the general survey fatigue we have seen with other survey research in the last several years.

Our second Rate the Raters report, to be released later this year, will be based on the results of an investor survey and qualitative interviews designed to gauge investor views on ESG ratings. It will provide insights on how investors use ratings data to make investment decisions, which ratings they see as being of the highest value and usefulness, and what changes the investor community would like to see in order for the ratings to become a more effective tool for evaluating a company’s performance on ESG issues.

We look forward to comparing and reflecting upon the results from both phases of this 2019 research and using the outcomes to help inform conclusions and recommendations for raters, companies, investors and other stakeholders working with and within the ESG ratings landscape.

Terminology

ESG ratings are evaluations of a company based on a comparative assessment of their quality, standard or performance on environmental, social or governance (ESG) issues. Examples include MSCI ESG Ratings, Sustainalytics ESG ratings and CDP (formerly known as the Carbon Disclosure Project) company performance scores.

ESG rankings are lists that classify companies based on their performance and put them in a certain order or grouping based on a specified grading system. Due to scope limitations, ESG rankings are excluded from this research.

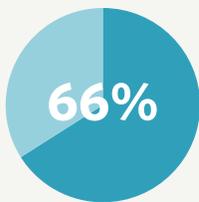


Overview of Survey Respondents

The online questionnaire was completed by 319 sustainability professionals in the fall of 2018. The majority of respondents are highly experienced corporate sustainability practitioners based in Europe and North America.

Experience

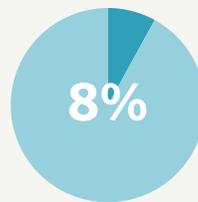
Respondents have the following experience working on sustainability issues:



More than 10 years



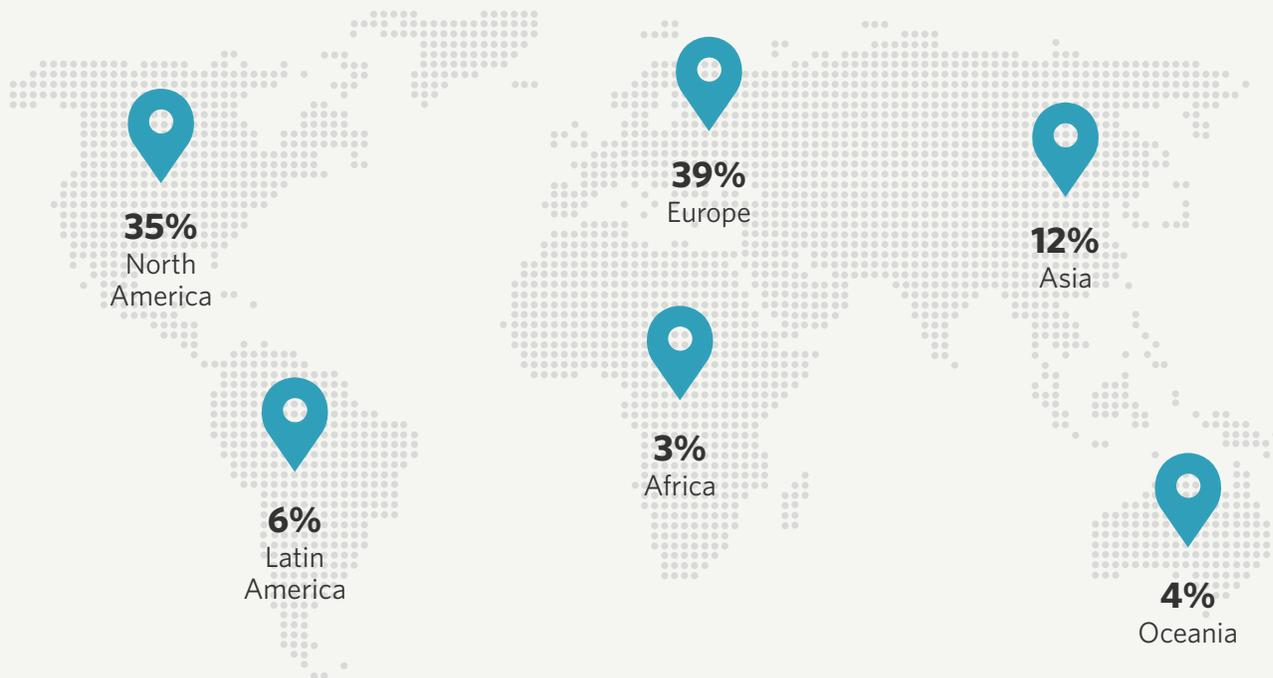
5 to 10 years



3 to 4 years

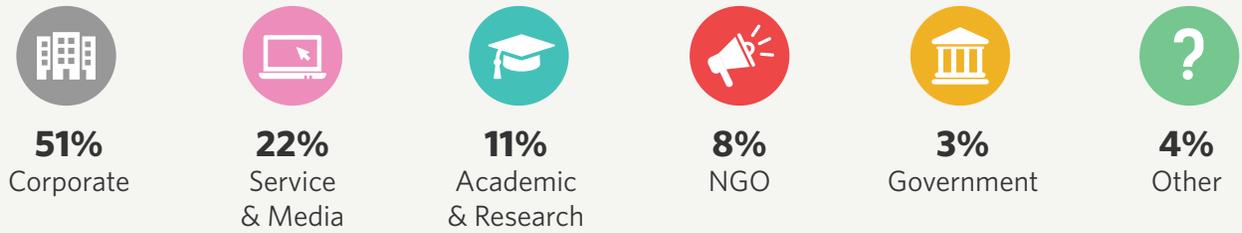
Geography

Experts surveyed span 60 countries in the following regions:



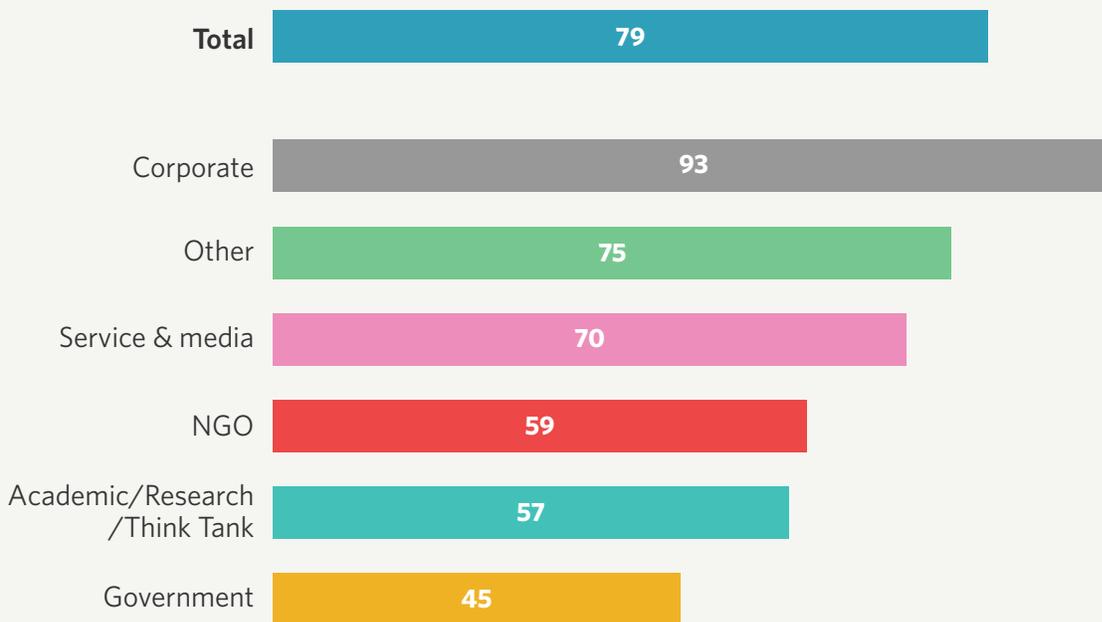
Sectors

Respondents were drawn from the following sectors:



Familiarity

Seventy-nine percent of respondents noted they were familiar with ESG ratings, with familiarity varying by sector:



Key Findings

The perspectives of sustainability experts on ratings have evolved somewhat since 2012 but still broadly align with those past findings. In 2018 as in 2012, survey respondents consistently identify RobecoSAM and CDP as leaders. MSCI and Sustainalytics also receive favorable reviews. Together, experts consider these four ratings a distinct top four compared to all other ratings covered in the 2018 survey.



Data sources and methodology drive perceived quality of ESG ratings

Trustworthiness and transparency of data sources, and robustness of methodology are seen by respondents as the key factors that determine the quality of an ESG rating. Polled experts ranked credibility of data sources as the highest factor now and in 2012. Selection of relevant and material issues has seen a rise in importance as key to an ESG rating's quality.



RobecoSAM and CDP continue to lead on quality and usefulness

When asked to list up to three ratings they consider to be the highest quality (unprompted), RobecoSAM (the underlying assessment for the Dow Jones Sustainability Index) was by far the most frequently mentioned ESG rating followed by MSCI, CDP and Sustainalytics. RobecoSAM and CDP are also the two ESG ratings perceived to be leading both on quality and usefulness among the eleven ESG ratings respondents were specifically asked to evaluate. RobecoSAM and CDP were also top-ranked in 2012.



Ratings score higher on quality than usefulness

Overall, respondents view most of the eleven analyzed ratings more favorably for quality, while assigning lower scores for usefulness.



Views on ratings are largely consistent across sectors and geographies

The vast majority of respondents agree which ratings lead on quality and usefulness but there are slight variations. North American experts have more favorable views of most ratings except RobecoSAM, ISS-Oekom and Vigeo Eiris, which are judged more favorably by European respondents. North Americans also perceive most ratings as more useful than European respondents, especially CDP, Bloomberg, FTSE Russell and ISS QualityScore, while Europeans have more favorable views of RobecoSAM, ISS-Oekom, Thomson Reuters and Vigeo Eiris.





Most corporate respondents use ratings to inform internal decisions

Close to two-thirds of polled corporate respondents use ESG ratings to inform decision-making. In open ended responses, sustainability experts most often mentioned using ratings for internal assessments and strategy, to help inform what data to disclose, identify trends and support stakeholder engagement.



Comparability and consistency are top priorities going forward

With the number of ratings continuing to grow, respondents' top priority for the future of ratings is better comparability and consistency across the landscape. This is closely followed by continued improvements on disclosure, quality of methodologies, and greater focus on material issues.

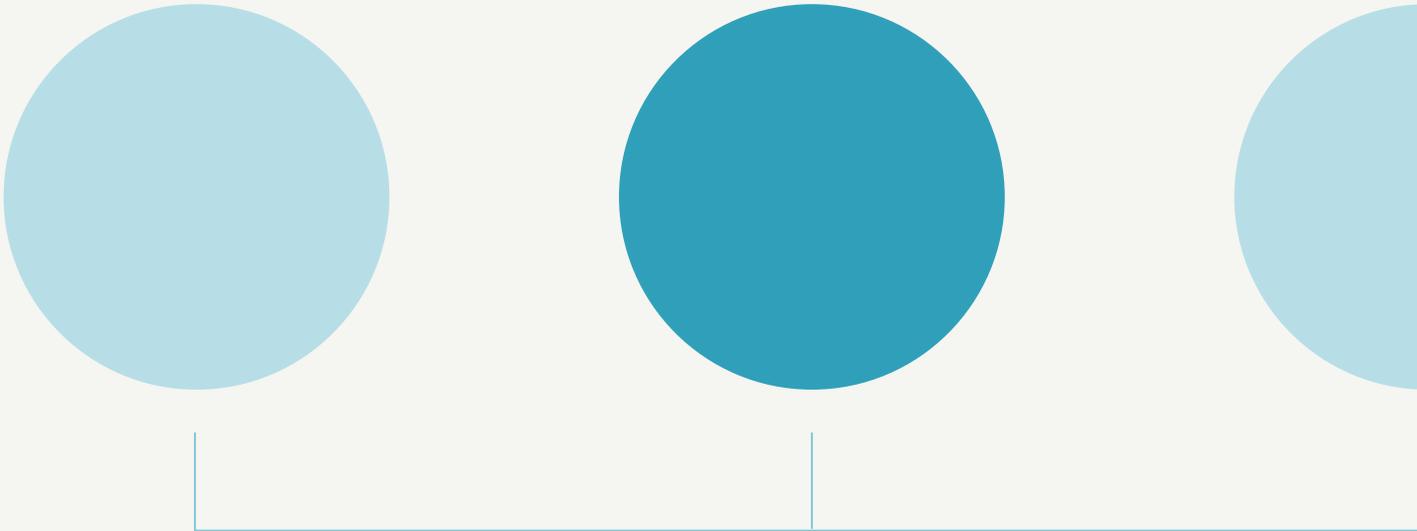


Sustainability experts offer several suggestions for ratings improvement

Several themes emerged from open-ended responses on how sustainability experts would like to see ratings improve including, making it easier for companies to respond and engage, tying ratings to global thresholds and perhaps even moving away from ratings entirely. Experts would also like greater normalization of ratings across industries, more qualitative analysis and greater transparency around methodologies.



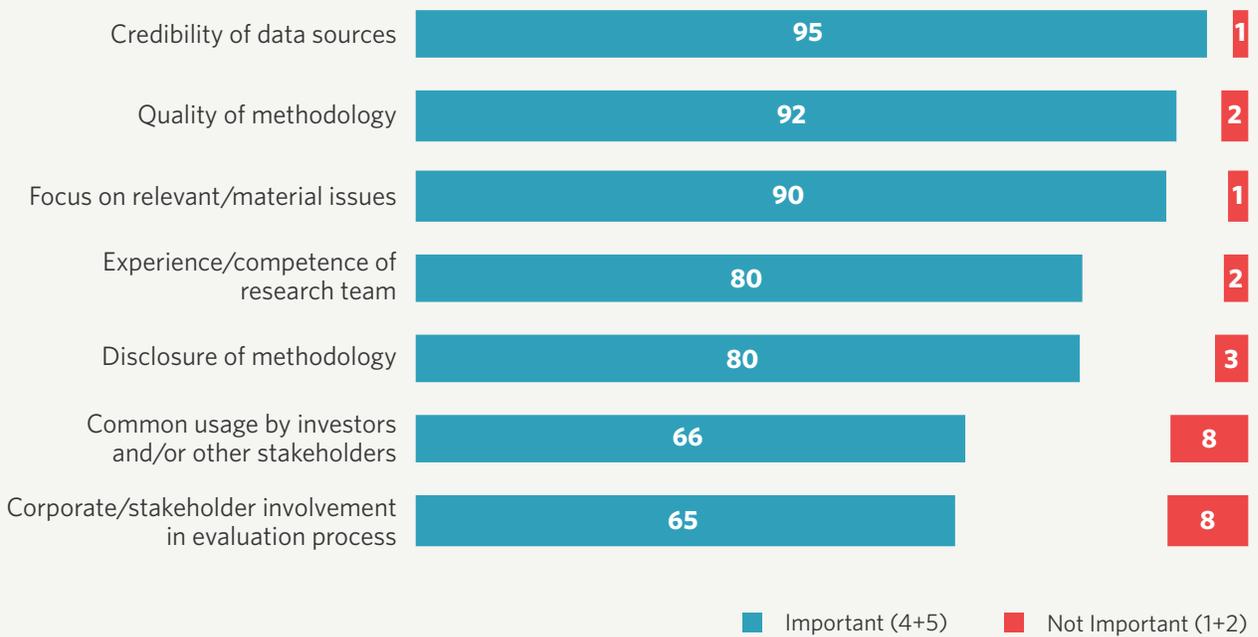
What Makes a Good Rating



Data sources, methodology and materiality shape perceptions of rating

Almost all respondents agree that the credibility of data sources is the most important factor in determining the quality of a rating, followed closely by quality of the methodology and focus on material issues. Experience and competence of the research team and disclosure of methodology are also seen as important elements of a good rating.

2018: Factors determining rating quality, bars indicate % of respondents who selected each score



Unprompted answers: In addition to being asked to evaluate the above list of prompted quality factors, experts were given the option to add any “other” factors they believed contributed to quality. The most commonly mentioned other factors were:

- Consistency
- External validation
- Independence of the raters

Question

Please rate the importance of each of the following factors when determining the quality (i.e., excellence, robustness and accuracy of evaluation) of an ESG rating. Please use a 5-point scale where 1 is not important at all and 5 is very important. (Total number of responses to question (n) =319)



Data source credibility most influences ratings perception in both 2012 and 2018

When comparing 2012 and 2018 results, credibility of data sources remains the top factor shaping respondents' perception of ratings. Focus on material issues and research team experience have increased in perceived importance, while disclosure of methodology and stakeholder involvement in the creation of methodology have decreased.

2012 vs. 2018: Factors determining rating quality, bars indicate % of respondents who selected factor as important (4+5)



Questions

2012: Please rate the importance of each of the following factors when determining the credibility of a rating or ranking. Please use the 5-point scale provided, where 1 is "no importance" and 5 is "very high importance". (n=850)

2018: Please rate the importance of each of the following factors when determining the quality (i.e., excellence, robustness, and accuracy of evaluation) of an ESG rating. Please use a 5-point scale where 1 is not important at all and 5 is very important. (n=319)



Quality of methodology and data credibility matter to respondents from all sectors

Over ninety percent of corporate sector respondents value focus on material issues, quality of methodology and credibility of data sources as important factors in determining the quality of a rating. Academic/think tank/NGO sector respondents emphasize credibility of data sources, followed closely by quality of methodology and focus on material issues.

2018: Sector views on factors determining rating quality, bars indicate % of respondents who selected factor as important (4+5), only the top three factors are listed

Corporate n=163



Academic/Think Tank NGO n=62

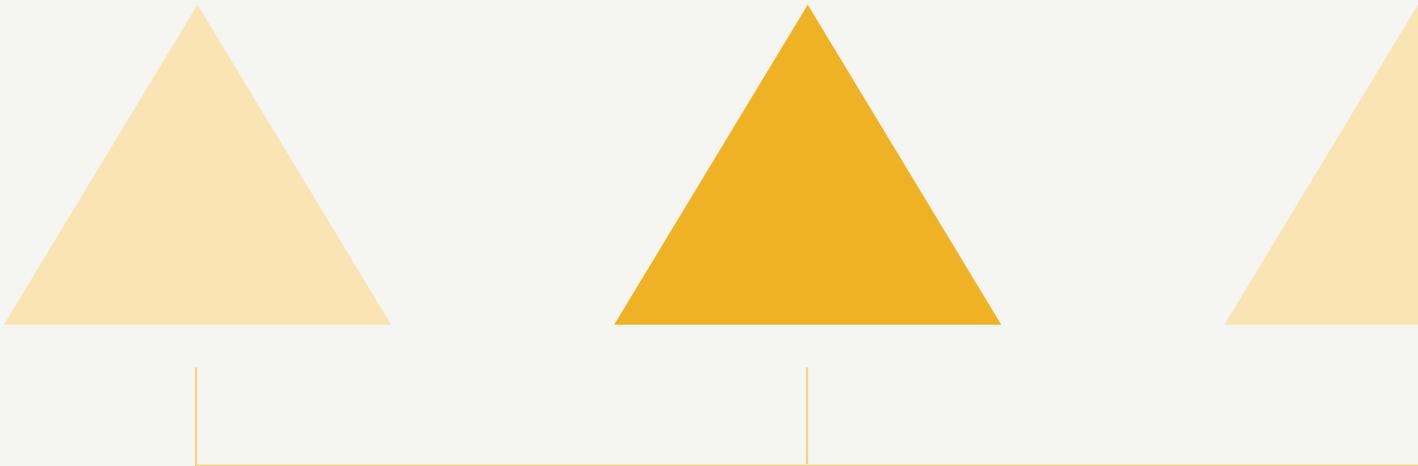


Question

Please rate the importance of each of the following factors when determining the quality (i.e., excellence, robustness, and accuracy of evaluation) of an ESG rating. Please use a 5-point scale where 1 is not important at all and 5 is very important.



Ratings Quality



Unprompted, RobecoSAM, MSCI, CDP and Sustainalytics are mentioned most often as highest quality ratings

When asked to list up to three ratings they consider to be the highest quality, RobecoSAM (the underlying assessment for the Dow Jones Sustainability Index) was by far the most frequently mentioned ESG rating by sustainability experts. MSCI, CDP and Sustainalytics were also cited far more often than other ratings, rounding out a clear top four.

2018: ESG ratings quality: Bars represent number of respondents who listed each rating



Question

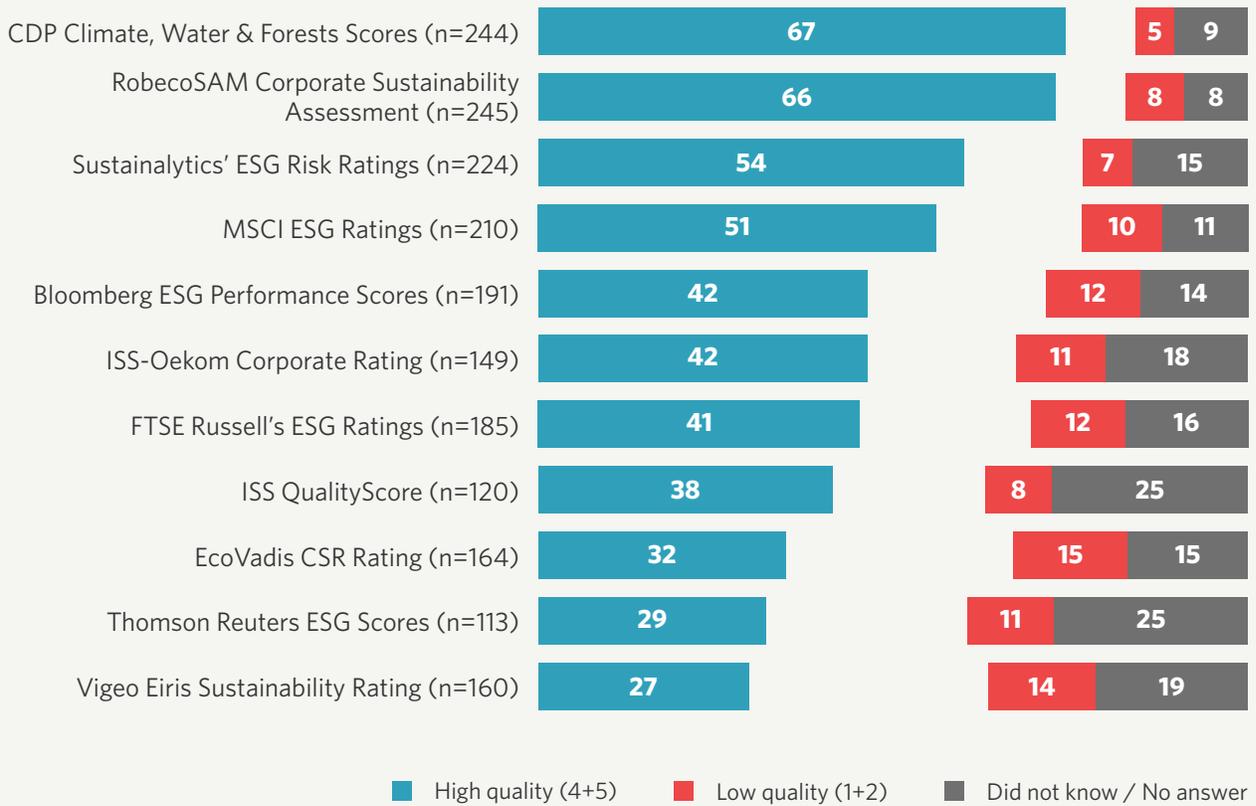
Which ESG ratings do you consider to be of highest quality (i.e. excellence, robustness and accuracy of evaluation). Please consider both broad, combined ESG ratings and those specific to individual industries or ESG issues. *Please enter a maximum of 3 ESG ratings in the spaces provided. (n=319)*



CDP and RobecoSAM are judged most favorably in forced quality rating

When respondents were asked to evaluate the quality of 11 specific ESG ratings, CDP and RobecoSAM received the most high scores, followed closely by Sustainalytics and MSCI, rounding out the same top four albeit in a different order than in the unprompted responses. These four ratings are also the ones that respondents were most familiar with as indicated by the n values in the 200+ range (where n is the total number of experts who evaluated each rating).

2018: ESG ratings quality, bars indicate percentage of respondents selecting each quality score



Question

Please rate the following ESG ratings based on: a) Quality (i.e., excellence, robustness, and accuracy of evaluation). Please use a 5-point scale, where 1 is very low quality and 5 is very high quality.

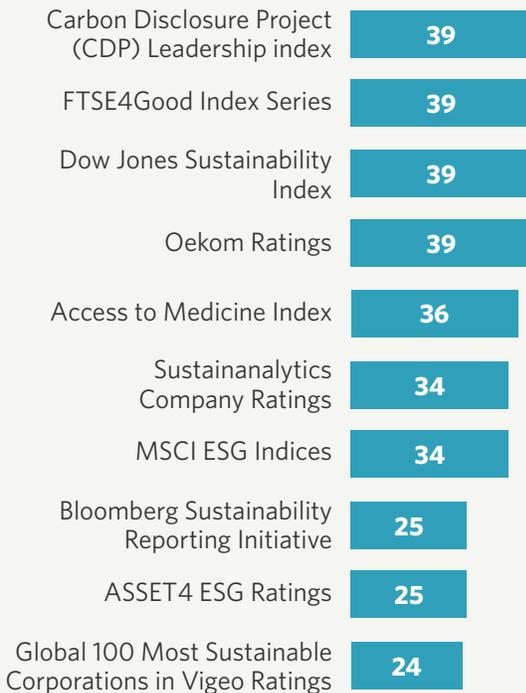


Rating perceptions have improved since 2012

All ratings evaluated in both 2012 and 2018 saw a significant favorable increase in expert perception of quality. CDP and RobecoSAM come in again near the top in 2018 vs. 2012, whereas Sustainalytics and MSCI saw the greatest jumps up in number of respondents who see them as high quality.

2012 vs. 2018: ESG ratings credibility/quality, bars indicate % of respondents who selected a rating as high quality (4+5)

2012



2018



Questions

2012: How credible do you find the following ratings and rankings to be? Only rate the ratings and rankings that you are familiar with. (n=850)

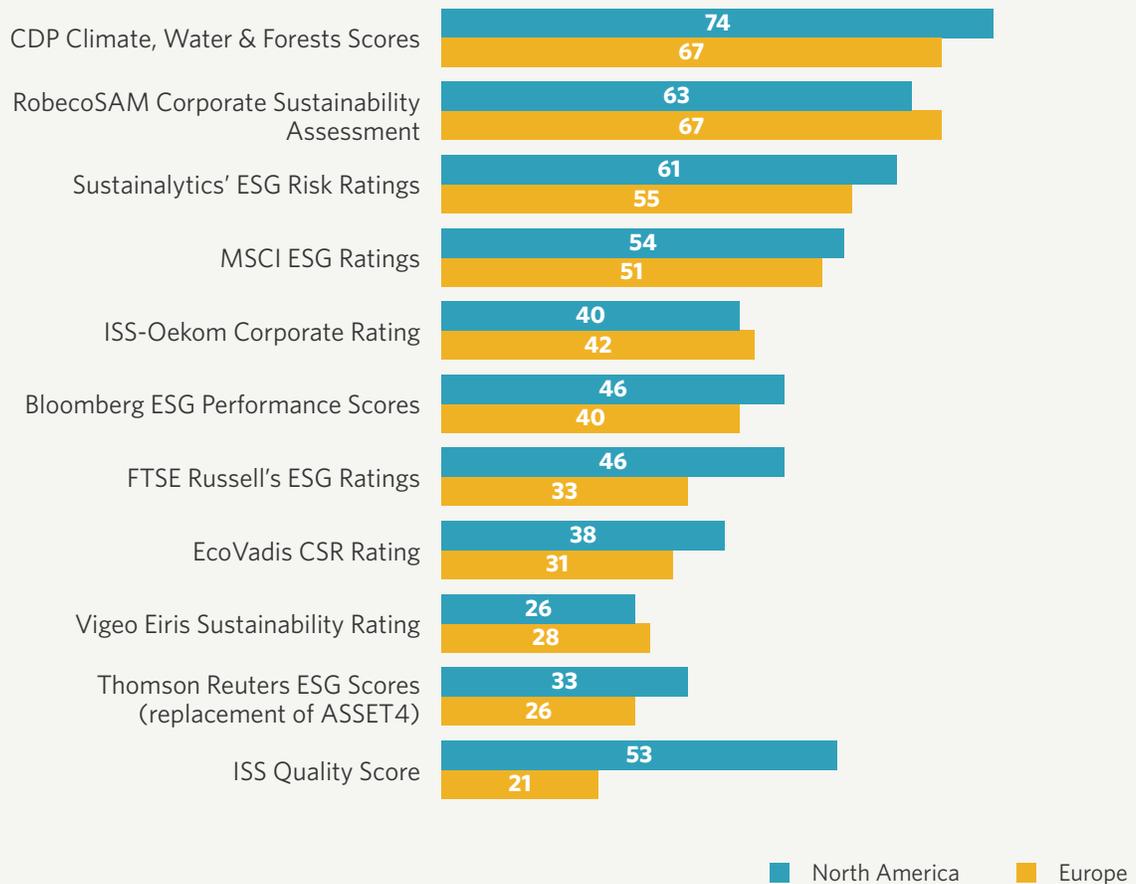
2018: Please rate the following ESG ratings based on: a) Quality (i.e., excellence, robustness, and accuracy of evaluation). Please use a 5-point scale, where 1 is very low quality and 5 is very high quality. (n=319)



Expert perceptions of ratings are similar across Europe and North America

Respondents in Europe and North America hold similar views on quality except for the ISS Quality Score, which is viewed much more favorably in North America. North American sustainability experts have more favorable views of most ratings except RobecoSAM, ISS-Oekom and Vigeo Eiris, which are judged more favorably by European than North American respondents.

2018: European and North American perspectives on ESG ratings quality, bars indicate % of respondents who selected a rating as high quality (4+5)



Question

Please rate the following ESG ratings based on: a) Quality (i.e., excellence, robustness, and accuracy of evaluation). Please use a 5-point scale, where 1 is very low quality and 5 is very high quality.

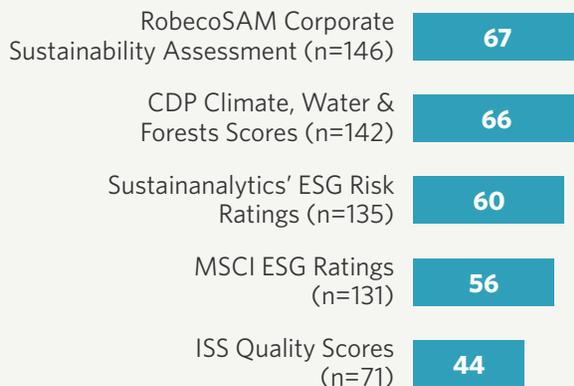


Experts from different sectors rank ratings differently

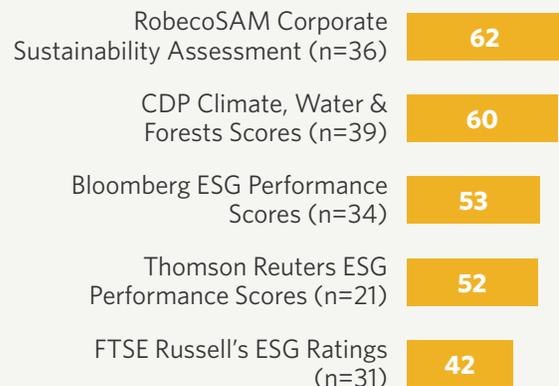
Corporate and academic/think tank/NGO respondents are aligned in their positive views of RobecoSAM and CDP as the two ESG ratings with the most high quality scores, but differ on the next three. For Corporates, Sustainalytics, MSCI and ISS-QualityScore are the next highest, while Bloomberg, Thomson Reuters, and FTSE round out the top five for academic/think tank/NGO respondents.

2018: Sector perspectives on ESG ratings quality (top five listed), bars indicate % of respondents who selected a rating as high quality (4+5), only the top five ratings are listed

Corporate



Academic/Think Tank/NGO

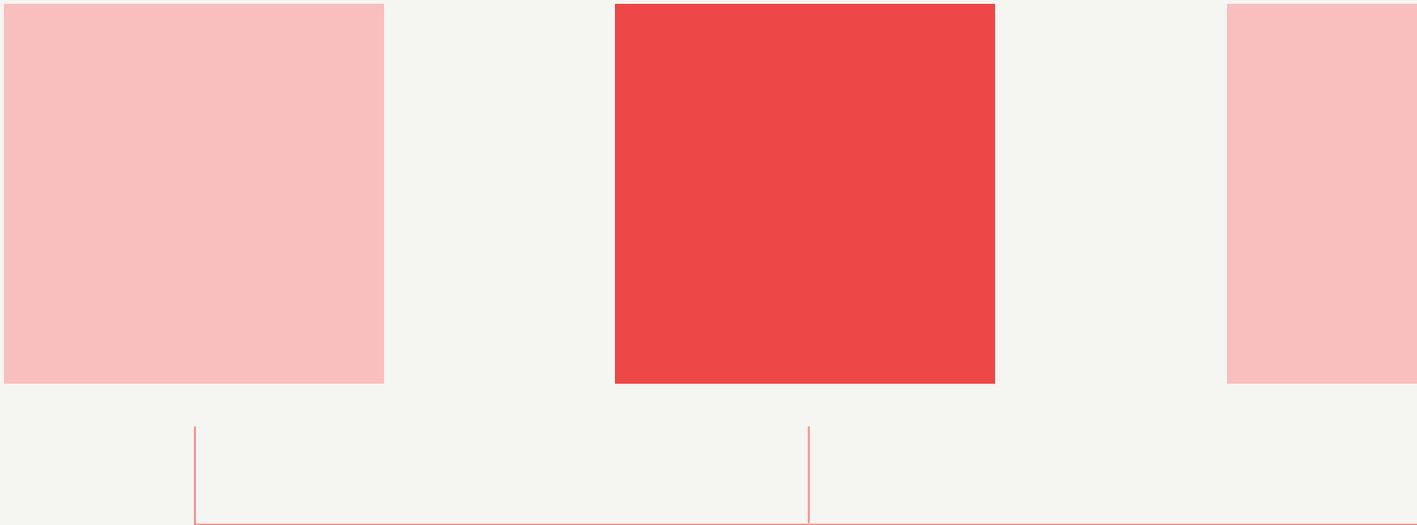


Question

Please rate the following ESG ratings based on: a) Quality (i.e., excellence, robustness, and accuracy of evaluation). Please use a 5-point scale, where 1 is very low quality and 5 is very high quality.



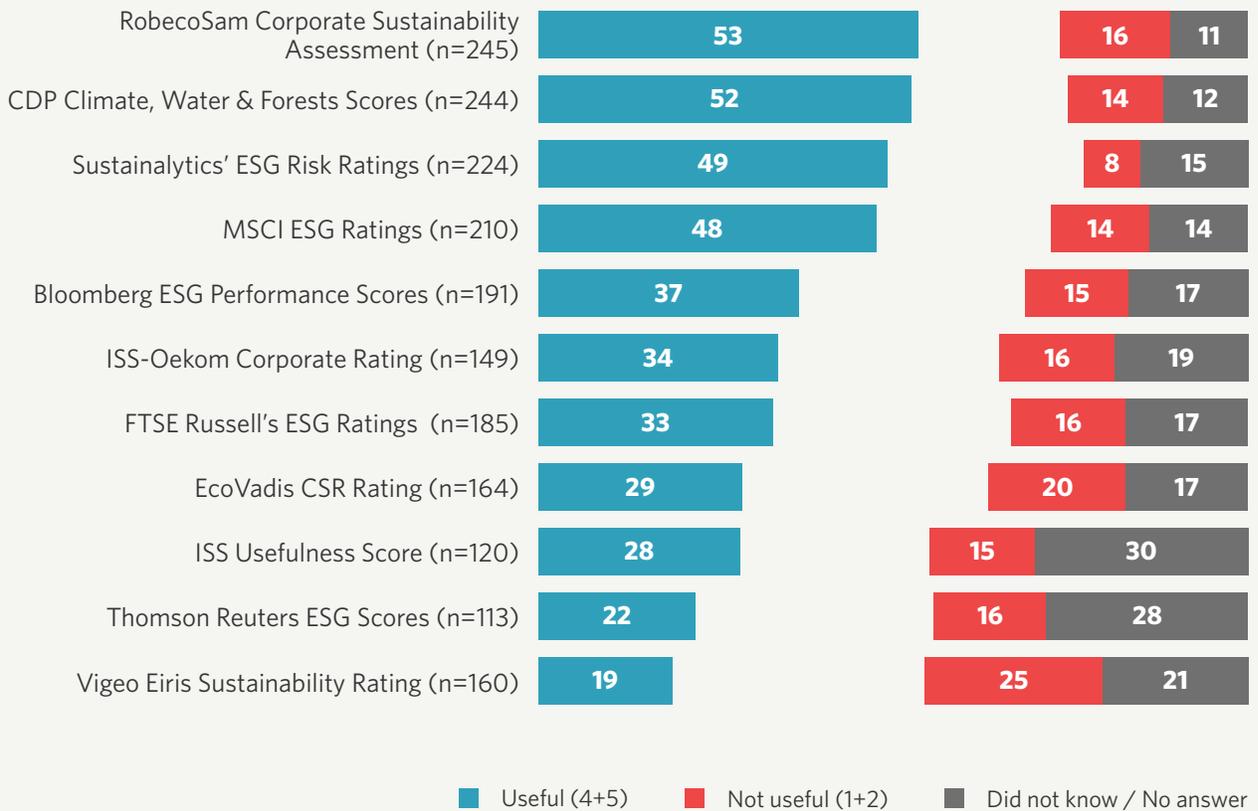
Ratings Usefulness



RobecoSAM and CDP judged most favorably in forced usefulness rating

Perceptions of usefulness map closely to perceptions of quality with RobecoSAM, CDP, Sustainalytics and MSCI again at the top. The overall scores for usefulness were lower than those for quality.

2018: ESG ratings usefulness, bars indicate % of respondents selecting each usefulness score



Question

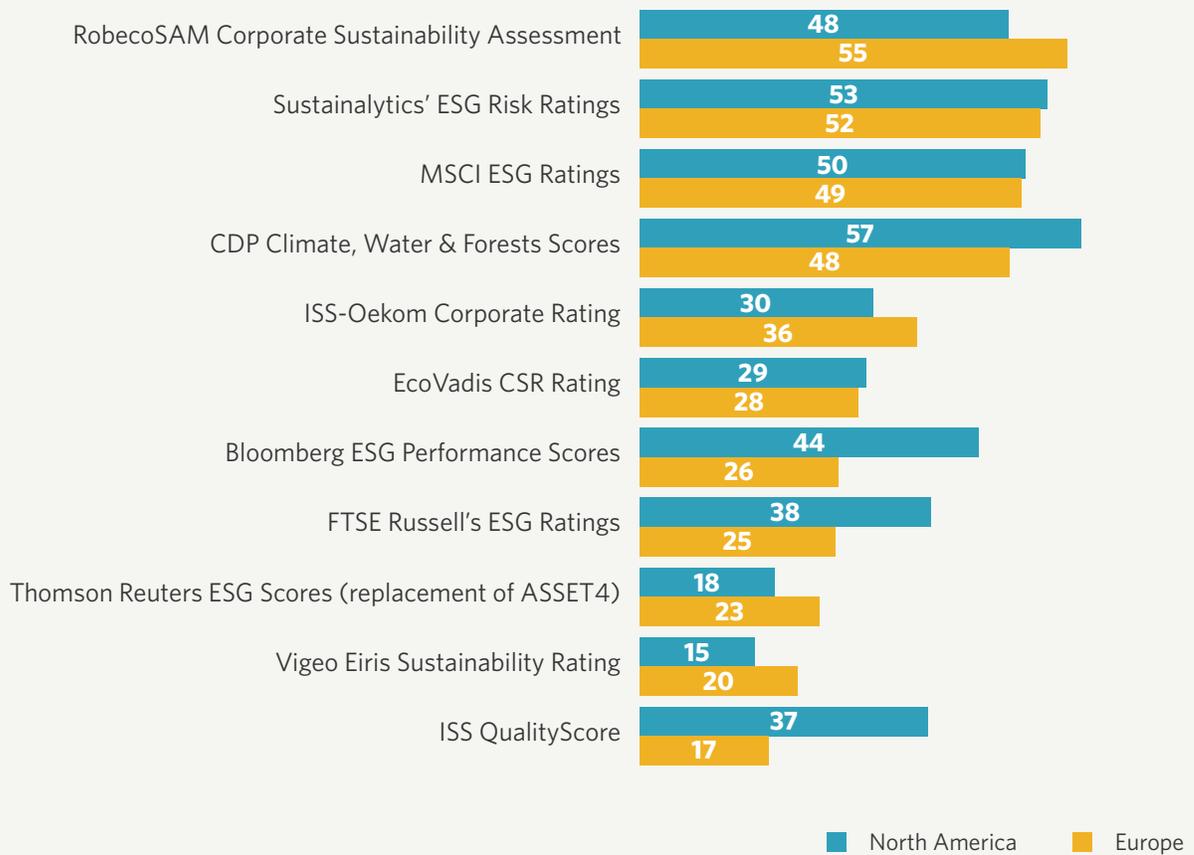
Please rate the following ESG ratings based on: b) Usefulness (i.e., how useful they are). Please use a 5-point scale where 1 is not useful at all and 5 is very useful.



Regional views differ more on usefulness than quality

There are more regional differences about the usefulness of ratings than on perception of quality. North Americans perceive most ratings as more useful than European respondents, especially CDP, Bloomberg, FTSE Russell and ISS QualityScore, while Europeans have more favorable views of RobecoSAM, ISS-Oekom, Thomson Reuters and Vigeo Eiris.

2018: European and North American perspectives on ESG ratings usefulness, bars indicate % of respondents who selected a rating as high usefulness (4+5)



Question

Please rate the following ESG ratings based on: b) Usefulness (i.e., how useful they are). Please use a 5-point scale where 1 is not useful at all and 5 is very useful.



Corporates respondents cite RobecoSam most often for usefulness

RobecoSAM had the highest percentage of corporates perceiving it to be useful, followed closely by Sustainalytics, MSCI, and CDP (all tied) and Bloomberg. Combined academic/think tank/NGO respondents perceive CDP most often as useful, followed by Sustainalytics, RobecoSAM, Thomson Reuters and ISS QualityScores.

2018: Sector perspectives on ESG ratings usefulness, bars indicate % of respondents who selected a rating as high usefulness (4+5), only the top five ratings are listed

Corporate

RobecoSAM Corporate Sustainability Assessment (n=146)	52
Sustainalytics' ESG Risk Ratings (n=135)	49
MSCI ESG Ratings (n=131)	49
CDP Climate, Water & Forests Scores (n=142)	49
Bloomberg ESG Performance Scores (n=103)	34

Academic/Think Tank/NGO

CDP Climate, Water & Forests Scores (n=35)	49
Sustainalytics' ESG Risk Ratings (n=36)	42
RobecoSAM Corporate Sustainability Assessment (n=34)	38
Thomson Reuters ESG Performance Scores (n=21)	33
ISS Quality Score (n=22)	32

Question

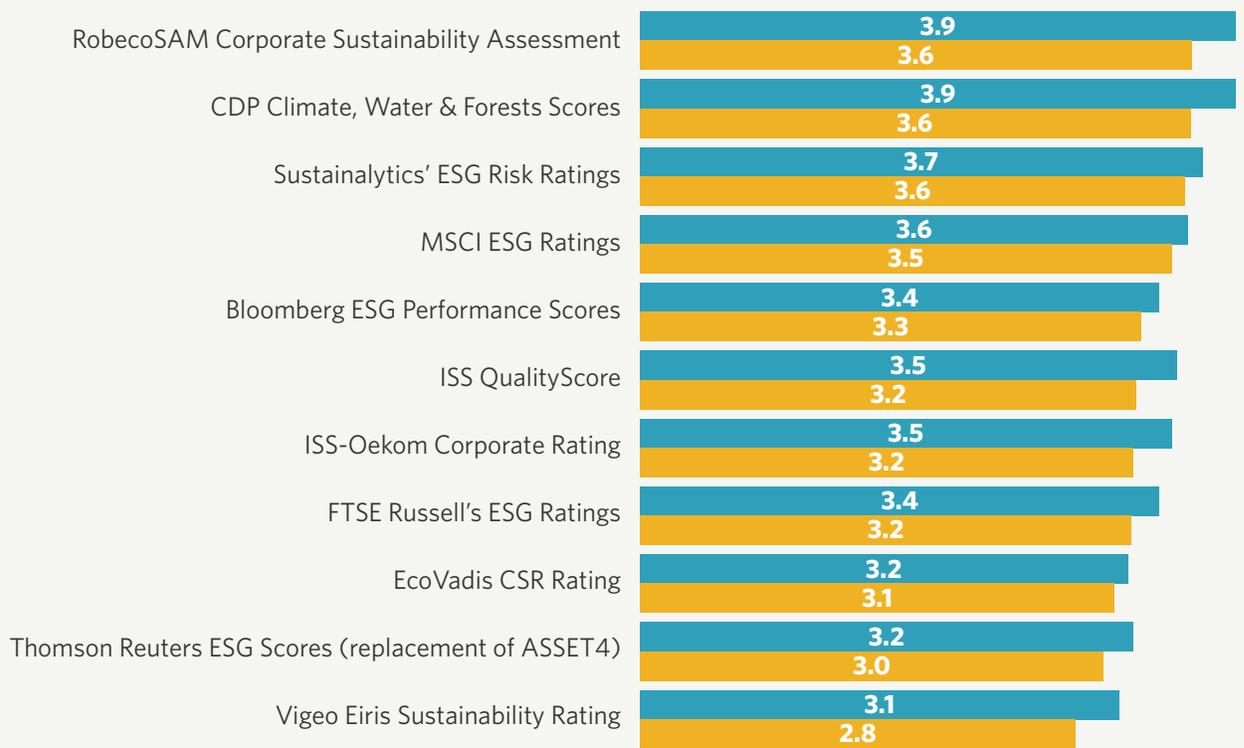
Please rate the following ESG ratings based on: b) Usefulness (i.e., how useful they are). Please use a 5-point scale where 1 is not useful at all and 5 is very useful.



ESG ratings receive higher scores for quality than usefulness

For all 11 analyzed ESG ratings, perceived average quality scores are slightly higher than scores for usefulness. This indicates that for the sustainability experts polled, ratings are often seen as less useful even if they are of good quality.

2018: ESG ratings quality and usefulness, bars represent the average score given to each rating among all respondents



Average score for ESG ratings quality: **3.6**

Average score for ESG ratings usefulness: **3.4**

■ Quality

■ Usefulness

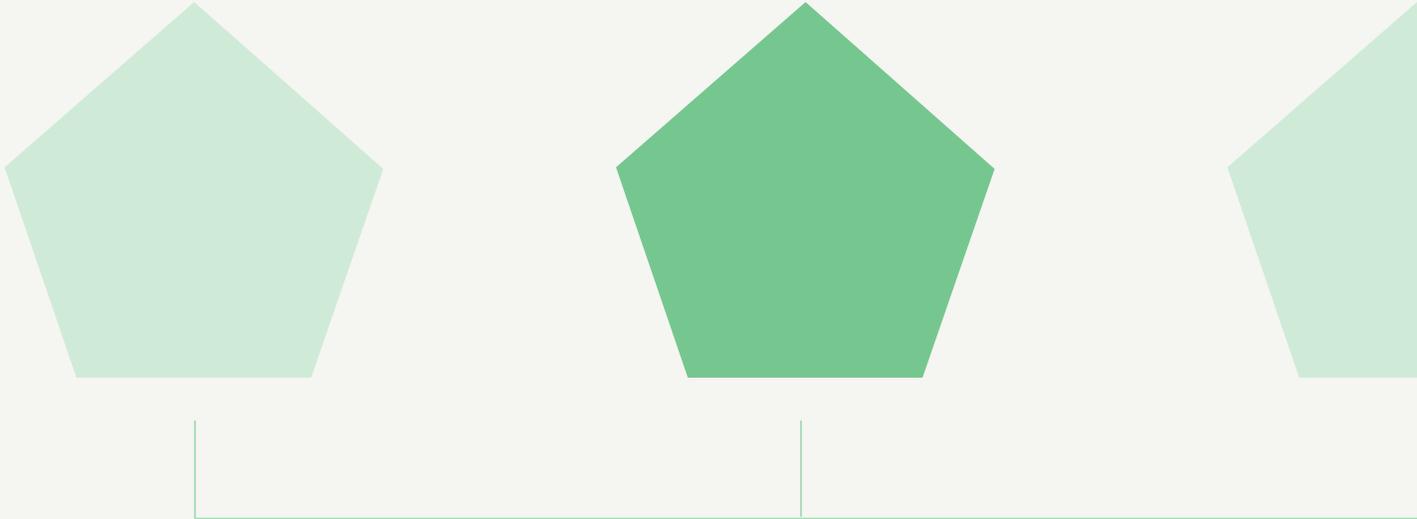
Questions

Quality: Please rate the following ESG ratings based on: a) Quality (i.e., excellence, robustness, and accuracy of evaluation). Please use a 5-point scale, where 1 is very low quality and 5 is very high quality.

Usefulness: Please rate the following ESG ratings based on: b) Usefulness (i.e., how useful they are). Please use a 5-point scale where 1 is not useful at all and 5 is very useful.



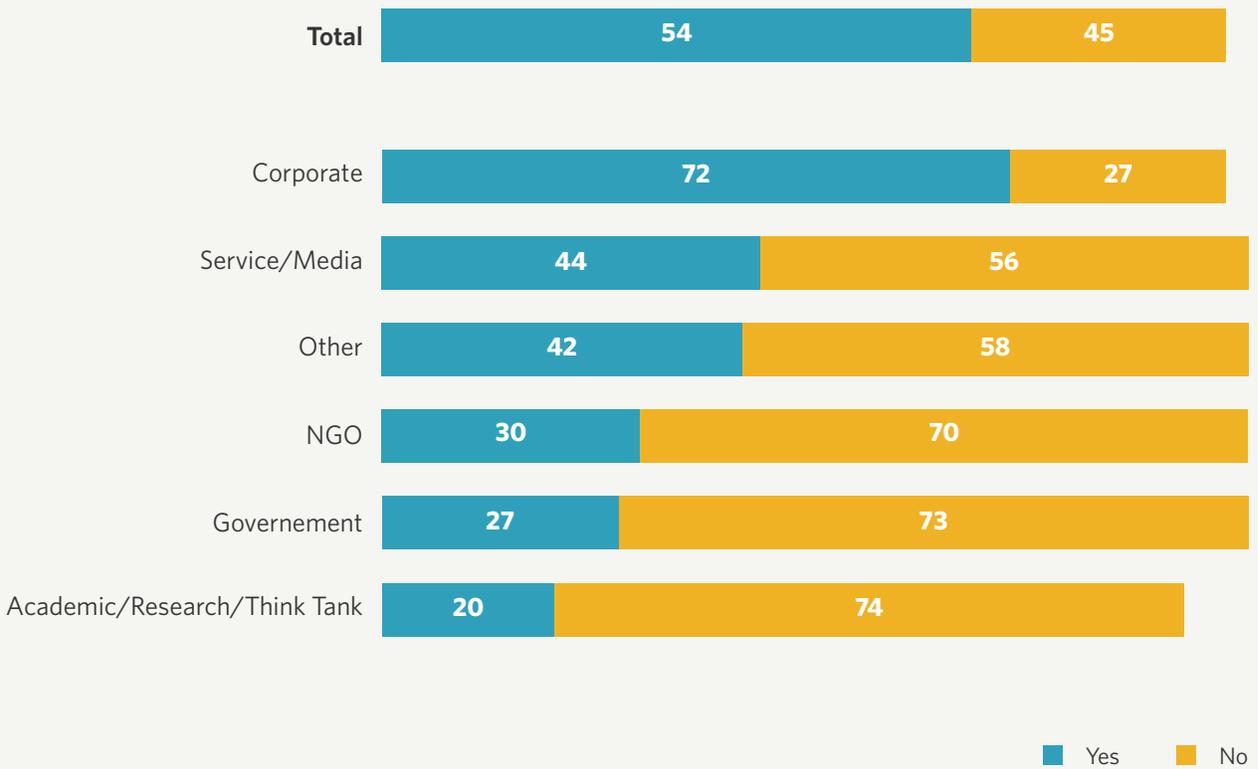
How ESG Ratings Are Used



Corporates use ESG ratings to inform decision-making

While more than half of all respondents use ratings to inform decision-making, corporate respondents do this more than others. Seventy-two percent of corporate respondents say ESG ratings are useful for informing decision-making. Government and academic experts are least likely to use ratings to inform decisions.

2018: Organizations' use of ESG Ratings to inform decision-making by sector, bars represent % of respondents



Question

Has your organization used any ESG ratings to inform decision-making? (n=319)



In their own words: How sustainability experts use ESG ratings

Several themes emerged from the open ended responses of how sustainability experts use ESG ratings to inform decision-making. Sustainability experts use ratings for internal assessments and strategy, to help inform what data to disclose, identify trends and support stakeholder engagement.

Internal assessment and strategy development

- “DJSI has been used as an **internal assessment tool** since it is so comprehensive. The CDP has served the same purpose.”
- “DJSI, Sustainalytics, MSCI, CDP – for **identifying areas of strength and opportunities.**”
- “ESG ratings are used **as inputs in the materiality analysis**, prioritization of action plans, and as a sign of **external recognition** of our approach to sustainability.”
- “We are using Sustainalytics and MSCI ratings as one of many inputs as we consider our **strategic priorities for the next 5 years.**”

Data collection and disclosure

- “All ESG ratings inform what **data we collect and compile** so we can be responsive. Impact on business decisions is minimal.”
- “High quality ratings are used **to assess performance and disclosure** as well as **design and prioritize improvement plans.**”
- “In general, we analyze our scores across multiple ratings to look for **common trends and potential areas to improve our disclosure.**”
- “We mainly use CDP and DJSI. While not decisive, they **inform us on trends in disclosures** and complement direct requests for information or feedback from stakeholders.”



Gap analysis and trends

- “DJSI, FTSE and Sustainalytics are used to answer the questions: **What are the latest trends in different ESG issues?** What’s the expectation level? i.e. what measures should be implemented?”
- “We use DJSI, MSCI and CDP to **benchmark against industry and identify gaps** so that we can 1) improve on responses to questions in the areas, and 2) to improve business practices.”
- “We use MSCI, Dow Jones, Sustainalytics, CDP, etc. mostly for research and to **benchmark companies**, often in partnership with the companies themselves.”
- “DJSI and Sustainalytics helps **us to understand what areas need more attention from our teams.**”

Stakeholder engagement

- “We use our own ESG ratings to help **steer our stakeholder engagement, priority actions and disclosures.** We have explored using ESG ratings in our client environmental and social screening process, but have not found that they offer sufficient identification of material issues to make the cost and effort worthwhile.”
- “We share our performance on ratings most used by investors (MSCI, Sustainalytics, ISS Ethix and FTSE) as one of the **metrics to assess our investor engagement and reporting strategies.**”
- “...Used as an **engagement tool with internal stakeholders, which may lead to change in practices.**”

Question

Which ESG ratings has your organization used to inform decision-making and in what way? (n=150)



Respondents want greater consistency/comparability

More than sixty percent of respondents want to see greater consistency and comparability across ratings methodologies, followed by improved quality and disclosure of methodology, and a greater focus on relevant and material issues.

Preferred changes and solutions over the next five years of ratings, bars represent percent of respondents who picked the solution, 2018



Question

Which of the following changes and solutions would you like to see in the next five years for ESG ratings to better serve companies, investors, and other stakeholders? Please pick the top three and rank from 1 to 3, where 1 is the change/solution you would most like to see. (n=319)



In their own words: Sustainability expert recommendations for ratings improvements

Sustainability experts would like to see ratings make it easier for companies to respond and engage, tie ratings to global thresholds and perhaps even move away from ratings entirely. They would also like greater normalization of ratings across industries, more qualitative analysis and greater transparency around methodologies.

Make it easier for companies

- “Make the process **less time consuming** from companies - i.e. prefill with last year’s responses and invest in high quality initial research of publicly available information.”
- “**More efficient engagement** of rated companies in the process. Too much input required currently to several ratings well. MSCI asked for input and then ignored it; a waste of our time and a blemish on their credibility.”
- “Ensure **ready access to rater/ranker personnel** (for free) before information is due and after results are published. If we can’t get questions answered while preparing submittal, our commitment wanes. If we can’t get a meeting on the details on why we scored like we did (this isn’t about whining over the score), we can’t give the business the feedback they need and they lose interest.”

Tie ratings to sustainability thresholds and systemic changes

- “I would like to see a **threshold for contributing/undermining the future we want** (e.g. future fitness and/or emitting vs. drawing down more CO2).”
- “Focus on and transparency about **systemic conditions** of the underlying transformation that is required for sustainability & tech and therefore drive ESG and financial performance.”
- “Many miss the really important issues - positive **engagement on policy** to affect changes in line with sustainability. Actions to share power with stakeholders and actors in the value chain. Willingness to step out front on key issues such as climate change.”

Move away from ratings

- “I would actually like to see these **ratings become irrelevant and replaced** by higher engagement between companies and investors - the ratings are never going to accurately capture sustainability performance.”



Industry-specific materiality and normalization within industries

- “Greater **industry normalization**; currently raters seem to be comparing apples to oranges within industries.”
- “**Better understanding by ratings agencies of companies’ industry** and the relevant factors.”

More qualitative analysis and preparation by analysts

- “A **move from quantitative to qualitative evaluations**. An expert valuation of a company’s sustainability impact is far more useful than trying to measure and compare. It will always be prone to the history and legal/national/physical/value chain environment that the company itself operates in.”
- “**Greater preparation and seniority of analysts** performing the assessments to be able to evaluate effectively every single situation as well as more time dedicated to each assessment.”

Greater transparency of methodology and assured independence

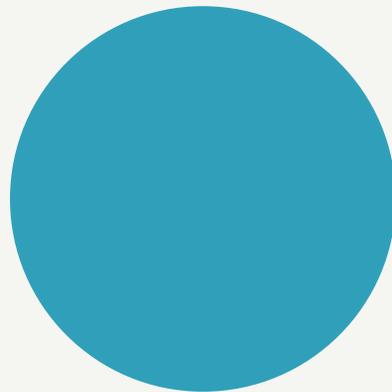
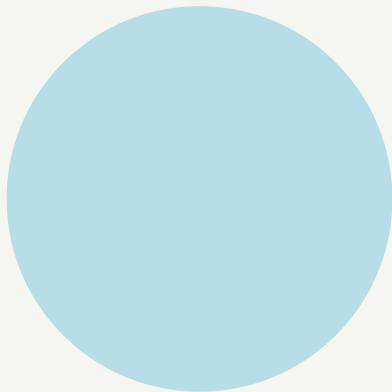
- “Published, complete, **full accounting of information requested and scoring criteria**. Don’t make us guess what you want for each question. Don’t make us wonder what you expected after we get our scores (if we even get a breakdown of the top ranking/score).”
- “We’d really like some organization to keep a “genealogy” chart showing **what data sources (public or behind the scenes) are behind each ranking/rating** and how the rankings/ratings themselves cross-pollinate. This genealogy would be a significant factual input into assessing throw-weight.”
- “**Elimination of paid support services** (e.g. CDP’s Responder Services), which in my opinion compromise the integrity of the ratings.”

Question

Which of the following changes and solutions would you like to see in the next five years for ESG ratings to better serve companies, investors, and other stakeholders? – Other specify (n=40)



Conclusions & How to Get Involved



Conclusion

We have seen many changes in ESG ratings since the first wave of Rate the Raters research, and we expect the landscape to continue on the trajectory of rapid change and maturation in the coming years. As companies, investors and other stakeholders continue to search for the most effective ways to capture company ESG performance, our survey has shown that credibility of data sources, transparency of methodology and selection of the most relevant issues will be key.

While the number of ratings has increased dramatically in the last decade, the leaders in the ratings space remain largely unchanged. RobecoSAM, CDP, MSCI and Sustainalytics have come across as leaders across all categories evaluated in this study and were also seen as leaders by our respondents seven years ago. This is no small achievement in a crowded and highly competitive space.

At the same time, while all ratings have enjoyed a rise in their positive perception for quality, the scores for their usefulness are noticeably lower. Companies, NGOs, academics and other respondents polled in this survey believe that there is still a lot to be done to improve the efficiency of processes for capturing ESG data and putting it to use in decision making.

We encourage raters in particular to consider these findings and work towards driving greater comparability and consistency, improving disclosure and methodologies and focusing on material issues by sector. We also encourage companies to regularly assess which ratings to prioritize and move towards corporate reporting that maximizes ESG disclosure and simplifies ESG integration into the investment decision making process.

Exploring further questions around the use of ratings and how to improve the ratings ecosystem for all stakeholders will be at the core of our second Rate the Raters report. We look forward to sharing the results from our dedicated investor survey and qualitative interviews later in 2019. Until then, we welcome any feedback, ideas or questions.



Get Involved

We invite you to join us in future Rate the Raters research in the following ways. Your involvement will directly support leading thinking and research on the ratings agenda.

1 Help us collect feedback from investors on how they use ESG ratings
 We are collecting investor views through a dedicated survey and interviews. Get in touch if you can help distribute the survey, reach investors or connect us to your investors through your Investor Relations teams.

2 Become a sponsor of our forthcoming Rate the Raters research
 Partner with us to help support our ongoing research.

Research Partner	Research Sponsor	Principal Sponsor
\$10,000 (or equivalent)	\$25,000 (or equivalent)	\$50,000 (or equivalent)
<p>Benefits for Research Partners include:</p> <ul style="list-style-type: none"> ▶ Participation in the research process, including regular updates ▶ Brand association with project outputs including logo inclusion in the research in print and online ▶ Social media engagement via Twitter and LinkedIn 	<p>All Research Partner benefits, plus:</p> <ul style="list-style-type: none"> ▶ Exposure and potential speaking roles at launch events ▶ Engagement with media partners ▶ A customized briefing applying our findings to your company 	<p>All Research Sponsor benefits, plus:</p> <ul style="list-style-type: none"> ▶ Logo inclusion on the cover of the research outputs in print and online, as well as within all related press releases, articles, blogs, presentations and webinars ▶ Opportunity to host a launch event

3 Share suggestions for future research
 We welcome feedback on this report and invite your suggestions on the focus areas for our future Rate the Raters publications.



4

Engage SustainAbility to improve your engagement on ESG ratings

SustainAbility has worked with a range of companies to assess and prioritize ESG ratings in order to focus on the ratings that provide the most value to the business. With our support, companies are able to allocate team resources more effectively, reduce stress from tracking and responding to ratings, increase performance on fewer ratings, and engage with stakeholders more efficiently. Our process involves exploring the existing ratings landscape through key trends and gap analysis; identifying the most relevant ratings for your company through desk research, stakeholder interviews and our own expertise; and finally developing an effective strategy.

Get in touch to find out how SustainAbility, BrownFlynn and ERM can support you in setting an effective ESG ratings strategy.

Contacts

For more information on how to get involved in this exciting project, please contact:



Christina Wong

Director & Project Lead

wong@sustainability.com



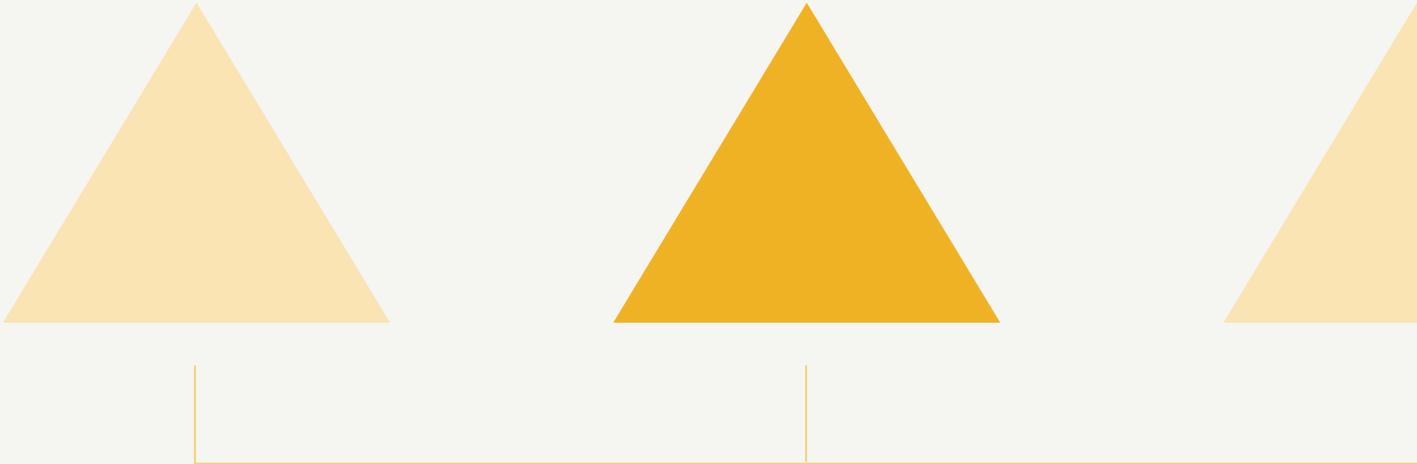
Aiste Brackley

Senior Manager

brackley@sustainability.com



Appendix: Survey Questions



Survey Questions

Familiarity

1. How familiar are you with corporate ESG ratings?
 - a. Very familiar
 - b. Familiar
 - c. Somewhat familiar
 - d. Slightly Familiar
 - e. Not familiar at all

Factors that determine perceptions of ratings

2. Please rate the importance of each of the following factors when determining the quality (i.e. excellence, robustness and accuracy of evaluation) of an ESG rating. Please use a 5-point scale where 5 is very important and 1 is not important at all. If you are unfamiliar with the rating, please select "I don't know". (presented in randomized order)

- a. Credibility of data sources
- b. Disclosure of methodology
- c. Quality of methodology
- d. Experience/competence of research team
- e. Focus on relevant/material issues
- f. Corporate and stakeholder involvement in the evaluation process
- g. Common usage by investors and/or other stakeholders
- h. Other (Please specify and rate)

What makes a good rating

3. Which ESG ratings do you consider to be of highest quality (i.e. excellence, robustness and accuracy of evaluation). Please consider both broad, combined ESG ratings and those specific to individual industries or ESG issues.

Please enter a maximum of 3 ESG ratings in the spaces provided.

- a. Rating #1: _____
- b. Rating #2: _____
- c. Rating #3: _____



4. Please rate the following ESG ratings based on a) their quality (i.e. excellence, robustness and accuracy of evaluation) and b) how useful they are. Only rate the ratings that you are familiar with.

- a. Please use a 5-point scale, where 5 is high quality and 1 is low quality
- b. Please use a 5-point scale where 5 is very useful and 1 is not useful at all

If you are unfamiliar with the rating, please select "I don't know".

*Please note that although we asked about both combined ESG and specific/ issue focused ratings in question 3, here we have included only broader, combined ESG ratings. (presented in randomized order)

- a. Bloomberg ESG Disclosure Score
- b. Carbon Disclosure Project (CDP) Climate, Water, Forests
- c. EcoVadis CSR Rating
- d. FTSE ESG Rating
- e. ISS QualityScore
- f. MSCI ESG Ratings
- g. ISS/Oekom Corporate Rating
- h. RobecoSAM Corporate Sustainability Assessment (CSA; the rating underlying Dow Jones Sustainability Index)
- i. Sustainalytics Company ESG Reports
- j. Thomson Reuters ESG Scores (replacement of ASSET4)
- k. Vigeo Eiris Sustainability Rating

The future of ESG ratings

5. Which of the following changes and solutions would you like to see in the next 5 years for ESG ratings to better serve companies, investors and other stakeholders? Please pick top 3. (presented in randomized order)

- a. Improved quality and disclosure of methodology
- b. Consolidation of ratings
- c. Greater consistency and comparability across rating methodologies
- d. Greater focus on relevant/material issues
- e. Greater engagement of rated companies in the evaluation process
- f. Better linkage to financial performance
- g. Other (please specify)

How are ESG ratings used

6. Has your organization used any of the above ratings to inform decision-making? If yes, how? (Open question)

