

Scorecard

Sustainalytics

About Sustainalytics

COVERAGE OF COMPANIES

16,000

LAUNCH DATE

2009

FOCUS

ESG risk ratings

LINK:

<https://www.sustainalytics.com/esg-data#>

Sustainalytics Score

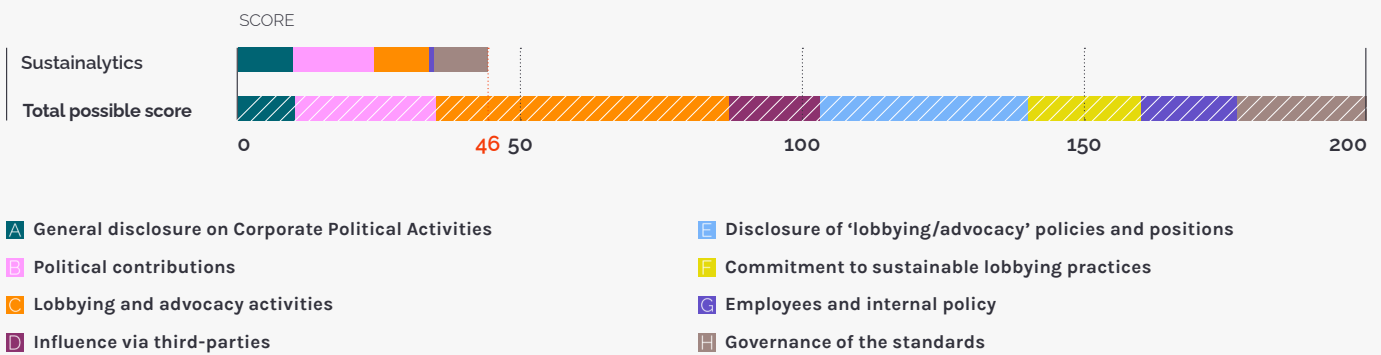
Tracker Rank and Score for Sustainalytics

The score is out of a total of 200 and the rank describes the standards position in the 26 standards assessed by the Tracker.



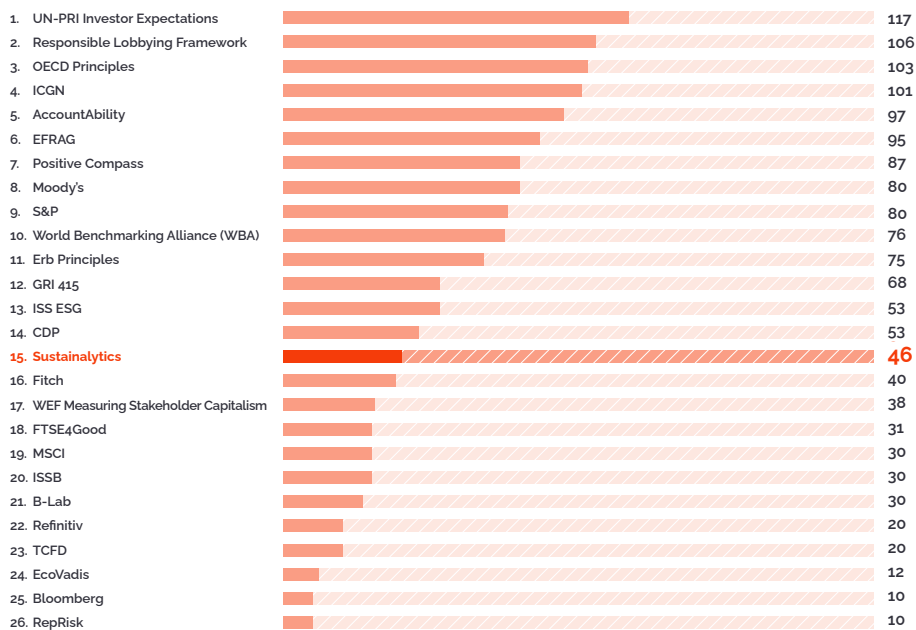
Rank 14 /26

Category scores of Sustainalytics



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

Sustainalytics Morningstar ESG ratings and research covers more than 16,000 companies, and claim to provide the widest coverage of analyst-based ESG Risk Ratings in the market. The recently expanded universe includes public and private companies, fixed-income issuers and listed Chinese companies and allows investors to support diversified investment strategies.¹ The current product suite includes Sustainalytics' ESG Risk Ratings, which measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This methodology for measuring ESG risk combines the concepts of management and exposure to arrive at what is described as an absolute assessment of ESG risk.² The ESG Risk Ratings are categorised across five risk levels. According to the company, the ESG Risk Ratings are designed to help investors identify and understand financially material ESG risks in their portfolio companies and how those risks might affect performance.

Summary

The Sustainalytics ESG Risk Rating methodology receives a Tracker score of 46 out of 200. The assessment framework receives points in Tracker category A 'General disclosure on corporate political activities' for considering companies' potential involvement in lobbying and public policy controversies. One of the Sustainalytics indicators on 'Lobbying and Public Policy' includes an assessment of the level of Lobbying and Public Policy controversies at the company. A relatively high controversy level is a signal the company is more exposed to ESG issues. Additional indicators cover 'bribery and corruption' risks and business ethics issues which may touch on corporate political activities, but the definitions provided by Sustainalytics do not indicate how detailed this assessment is. In order for users of the Sustainalytics ratings to be able to fully understand the impact and risks associated with corporate political activities, a more consistent approach is needed to both assessing and reporting on this data to users.

Opportunities for improvement

The Sustainalytics methodology could be improved by adding additional indicators across each of the 8 Tracker categories. In particular the absence of a process for consistently assessing indicators in Tracker Category C 'Lobbying and advocacy activities' could lead to significant gaps in the company ESG risk profiles under the current methodology. Information on company conduct via third party influencers, including trade associations would further support a complete assessment of companies risk profile. The Sustainalytics methodology scores no points in Tracker category D, 'Influence via third parties' indicating that this could be one area of focus to improve the methodology, given the rising importance and critical dimension of trade associations' governance and their relationship with individual members.

Endnotes

1, 2

<https://www.sustainalytics.com/esg-data#>

