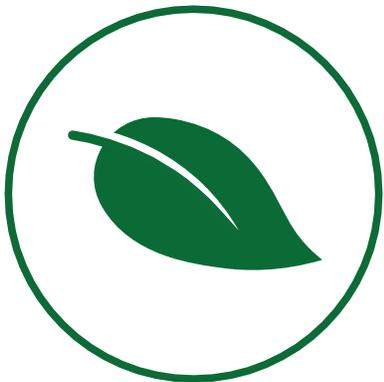


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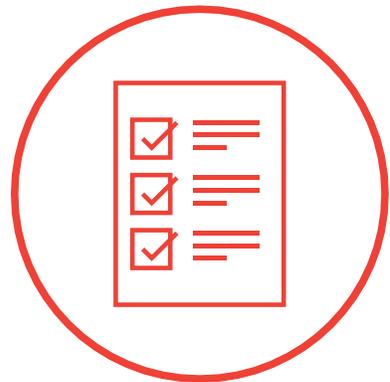
FinMason 2020 ESG Vendor Survey



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Third-Party ESG Data Providers

Summary

The field of Environmental, Social, and Governance (ESG) data providers is broad and maturing, but the industry is mainly focused on providing data to the Asset Management industry. This serves two main functions – providing data points to serve as an input for the security selection process and providing indices, either for matching via dedicated funds or for benchmarking. At FinMason, we believe that vendors are only just starting to think through the fundamental differences of providing ESG data to the Wealth Management industry.

Wealth Management offerings are seeking to add value for investors and to substantially improve engagement between advisors and their clients by adding socially-responsible investing dimensions to the traditional expected return/risk dimensions. We believe that this requires subtly different kinds of ESG data. Data that is targeted at Asset Management firms answers the question of “Have I chosen the best company in an industry from an ESG perspective?”, rather than, “How can I make choices that improve my **portfolio** from an ESG perspective?” This difference manifests itself in four ways:

1. Scores are usually **relative** to industry averages, rather than **absolute** scores.
2. Wealth management portfolios are typically made up mainly of funds, but few firms are currently scoring **funds** rather than **corporate issuers**. FinMason can easily aggregate fund holdings to create fund and portfolio scores.
3. In addition to funds and equities, some wealth portfolios also include bonds, but few firms include **fixed income** products rather than just **equities**. While equities can easily be extended to corporates, fewer firms are providing data on government, agency, project bonds, and green bonds.
4. Scores tend to be focused on aggregate ESG scores or scores for the **pillars** – E, S, and G. Advisors and retail investors are more likely to want to discuss the impact of a current or proposed portfolio from a **theme** point of view – e.g. Climate Change or Diversity.

We researched sixteen potential data providers that met the following criteria:

- Scores updated at least quarterly
- Absolute scores available
- Large coverage

We also consider the following differences between providers:

- Coverage – # of firms, Broad/Narrow Market Cap, US/Global
- Research/Analyst-based or Data/ML-based. Some providers claim that analyst-based research is more sophisticated and detailed, others claim that data-based research is less subject to bias and more transparent.
- Company-provided data, external data (typically newsfeeds and publications), or both. Some providers claim that a company provides the most detailed, accurate, and relevant information; others believe that this represents a company's intention rather than its actions and outcomes.
- Positive/Opportunity focus (companies doing good things), Negative/Risk/Controversy focus, or both.
- Frequency of updates
- Price
- Approach to Controversies – these can either be ignored, built into the scores, or scored separately.

Descriptions of Providers

ARABESQUE

A relatively new entrant, Arabesque is now a significant player in the space, using a quant-based approach. While they are focused on their asset-management products, they are also endeavoring to share their data to a broader audience. They use self-learning quant models and big data to assess the performance and sustainability of globally-listed companies, and their rules-based approach to stock selection integrates ESG information with financial and momentum analysis, processing over 100 billion data points via 250,000 lines of code to construct their strategies. Arabesque was founded in 2013 following an independent management buyout from Barclays Bank.

ISS

ISS offers multiple research and analytical products to assist institutional investor clients in assessing their portfolio risk exposure. For instance, ISS now has a custom ESG ratings service that allows an investor to focus on whichever metrics matter most to that particular investor. In February 2018, ISS launched its Environmental (“E”) and Social Quality Scores (“S”). For these scores, the selection of ESG factors and their allocations to various industry groups is informed by developments in disclosure standards and frameworks, such as the Global Reporting Initiative (GRI) and the Financial Stability Board’s Task Force (TCFD) recommendations.

MSCI ESG RESEARCH

A creator of indexes, MSCI is positioning itself to be one of the leaders in ESG equity research and analysis on a global basis. Today, MSCI provides ESG ratings for 6,500 companies, 13,000 equity and fixed-income issuers (including subsidiaries), and more than 590,000 equity and fixed-income securities globally. The MSCI ESG rating scale ranges from AAA to AA for “leaders,” to BBB, BB and A for average companies, and CCC and B for “laggards.” MSCI notes that while it takes into consideration corporate sustainability disclosures in its ESG ratings, it considers alternative data sources as well. In fact, 65 percent of a company’s MSCI rating, on average, is driven by data sources beyond voluntary disclosure.

REPRISK

RepRisk is a global leader and pioneer in data science specializing in premium ESG, business conduct risk research, and quantitative solutions. With more than a decade of experience serving the world’s largest financial institutions and corporations, RepRisk is a pioneer in ESG and business conduct due diligence data. They are the only ESG research provider to cover private companies, as well as emerging and frontier markets. RepRisk was founded in 1998 as ECOFACT, an environmental and social risk consultancy based in Zurich, Switzerland. The consultancy originated from a credit risk department at a global bank.

SUSTAINALYTICS

This global responsible-investment research firm specializes in ESG research and analysis. Sustainalytics’ approach is to assist investor clients in integrating ESG analysis into their existing valuation models. This is done by more than 170 in-house analysts who perform independent research. Its coverage encompasses 11,000 companies from all the major global indexes. The companies that Sustainalytics covers are given a numerical rating and are positioned relative to various peer groups.

CSRHUB

CSRHub is a web-based tool that provides access to employee, environmental, community, and governance ratings on most major companies in North America, Europe, and Asia. They say they are the first company to combine data from 10 of the premier socially responsible investment (SRI) analysis firms (also known as Environment, Social, Governance - ESG) and more than 600 nongovernmental organizations (NGOs), government agencies, news feeds, social networking groups, smaller for-profit organizations, and publishers. Their proprietary tools combine more than 186 million pieces of data on sustainability and CSR performance into a consistent set of ratings. They then allow users to personalize these ratings and share them. Their site enables users to learn about and compare company sustainability and CSR behavior. They provide some ratings information for free and additional information to fee-paying subscribers.

OWL ANALYTICS

OWL Analytics provides financial data, research, and indexes with the mission of making the world a better place. They help clients integrate alternative data sets like environmental, social, and governance (ESG) data into their investment strategies for increased sustainability and performance. Their clients currently manage or advise over \$2 trillion of invested capital.

OWL ESG aggregates hundreds of sources of ESG data and research to create company scores and rankings based on a stronger foundation of data, optimized to increase objectivity. OWL ESG aggregates over 100 million ESG data points from more than 400 sources of ESG research, then optimizes them to reduce subjectivity and generate consensus from the collected intelligence of all sources.

BLOOMBERG

Bloomberg's Professional Services platform collects very large amounts of ESG data from published and publicly-filed company content and integrates both narratives and data into the firm's Equities, Bloomberg Intelligence, and Fixed-Income platforms. Bloomberg distributes ESG data on the more than 11,000 public companies it covers. Its ratings take into consideration more than 700 ESG indicators from public filings by public companies, as well as its own and third-party information.

CORPORATE KNIGHTS

Corporate Knights is a media, research, and financial information products company based in Toronto, Canada focused on promoting an economic system where prices fully incorporate social, economic, and ecological costs and benefits and where market participants are clearly aware of the consequences of their actions. The company calls such a system "clean capitalism." Founded in 2002, Corporate Knights has a media and research division – which includes the award-winning sustainable business magazine Corporate Knights – and a research division which produces corporate rankings, research reports, and financial product ratings based on corporate sustainability performance. Its best-known rankings include the "Best 50 Corporate Citizens in Canada" and the "Global 100 Most Sustainable Corporations."

COVALENCE

Founded in 2001, Covalence SA helps companies and investors integrate Environment, Social, and Governance (ESG) factors into strategy and decision-making. To investors and asset managers, Covalence offers services enabling them to implement responsible and sustainable investment strategies: ESG ratings, investment product design, impact analysis, and ESG controversy monitoring.

Covalence also delivers data and research to corporates, academics, and non-profits relying on its “EthicalQuote” reputation index.

DOW JONES / ROBECOSAM

RobecoSAM is an international investment company with a specific focus on sustainability investments. The company is based in Zurich, Switzerland and considers economic, environmental, and social criteria in its investment strategies. In addition to asset management, the company has an indexes and private equity portion of the business. RobecoSAM has a series of products based on themes such as water, energy, climate, agriculture, and healthy living. In 2006 RobecoSAM introduced a division called “sustainability services” that provides sustainability benchmarking reports to companies.

IDEALRatings

IDEALRatings specializes in working with investors who want to align their values with their investment goals. Keeping pace with the significant growth and evolution of responsible investing, they have been enhancing and expanding their tools and services for values-based investors since 2006. Their solutions are utilized by a diverse range of clients worldwide, including institutional investors, asset managers, index providers, brokerage firms, and individual investors.

FTSE/Russell/LSE

FTSE Russell has more than 15 years of expertise in providing sustainability data, analytics, ratings, and indexes covering thousands of companies worldwide. Their sustainability data and index capabilities are designed to help asset owners and managers incorporate their ESG objectives and investment strategies.

REFINITIV

Known for publishing news and financial data, Refinitiv offers a desktop financial analysis solution called Eikon. The company assigns its ESG scores for more than 8,300 global companies using more than 400 metrics. The data that Refinitiv uses all comes from public sources. Refinitiv provides ratings in the form of a grade, ranging from A+ to D-, across ten themes.

TRUVALUE LABS

Truvalue Labs™ amplifies the research capabilities of investment firms by leveraging artificial intelligence to analyze and interpret massive amounts of unstructured data at a speed and scale never before possible. They claim that through exhaustive testing and fine tuning, their solution has proven to drive market outperformance. Their roots are in analytics for ESG investing. Now, they are applying their technology to help firms make better-informed, data-driven decisions based on virtually any intangible factors uncovered in alternative data.

VIGEO EIRIS

With its European origins and global bent, Vigeo Eiris provides ESG research on 4,000 issuers with thematic research covering up to 10,000 issuers. The firm offers both a corporate sustainability ratings database and a generic model that can be customized to suit the ESG criteria of any investor. Not all ratings firms supply data in the same way – at least, in part, because not all investors use ESG data in the same way. The Global Sustainable Investment Alliance has identified seven categories of ESG strategies from negative/ exclusionary screening (avoiding any companies that do not meet specific ESG criteria) to

sustainability-themed investing (e.g., investing in clean tech) and corporate engagement investing (using ownership rights to meet with management and try to encourage change).

Provider Summary Table

	Arabesque	ISS	MSCI	RepRisk	Sustainalytics	CSRHUB	OWL Analytics
Pillars	E+S+G, Global Compact	E, S, G separately	E+S+G	E+S+G, Global Compact	Governance+ Material Issues+ Idiosyncratic	E+ Community+ Employees+ G	E + Community + Employees + G
Themes/ Issues	22 features	30 Topics	37 Key Issues	28 Issues + 57 "Topic Tags"	20 Material ESG Issues	12	12
Quality/Risk	Quality+Risk	Quality	Quality	Risk based	Risk based –Financial Impact	Quality and Risk	Quality and Risk
Controversies	Screen	Scores impacted	Subtract from Key Issue score	ONLY	Scores adjusted	Risk source	Controversial Revenue Screens
Focus	Company + Public Data	Company Data	Company Data	Public Data	Company Data	3 rd Party Consolidator – sells mainly to Companies	3 rd Party Consolidator – sells mainly to Asset Managers
Analysts	No	400	Yes	Yes	180	No	No
Absolute?	Yes	Yes	Yes Key Issues	Yes	Yes for Issues	Yes	Yes
Companies Covered	7200	5600, growing to 10,000	8400	25,000+ public 100,000 private	6500	17,443	25,000
Market Cap	Broad	Broad	Broad	Broad	Broad	Broad	Broad
Fixed Income (e.g Sovereign, Munis)	No (FinMason can solve)	Green Bonds, Country	350,000 Bonds	No (FinMason can solve)	Yes	No (FinMason can solve)	No (FinMason can solve)
Rating Scale	0-100	A+-D- and 1.00-4.00 (GPA-style)	AAA-CCC	AAA-D and 0-100	0-20 per MEI, 0-100 Overall	0-100	1-100
Frequency	Daily	Monthly updates, annual reviews	Weekly updates, Annual Reports	Daily	Quarterly	Monthly	Monthly
List Price/yr	\$45K	\$15K	\$200K+	n/a	No	n/a	n/a
Funds	No (FinMason can solve)	No (FinMason can solve)	23,000	No (FinMason can solve)	No (FinMason can solve)	No (FinMason can solve)	No (FinMason can solve)

	Bloomberg	Corporate Knights	Covalence	Dow Jones DJSI - RobecoSAM	Ideal Labs	LSE/FTSE/ Russell	Refinitiv	Truvalue Labs	Vigeo Eiris
Pillars	E+S+G	Resources+ Management+ Employee - Sanctions	E+S+G	E+S+G	E+S+G	E+S+G	E+S+G-C	E+S+G	E, S (Community, Human Rights, Human Resources), G(Governance, Business Behavior)
Themes/ Issues	120	14		120	250	14	10 + 23 "Controversy"	30 (SASB)	38 + Controversy
Quality/Risk	Mix	Quality	Quality (3 rd party) and Risk	Quality-Risk	Quality	Risk based	Quality	Positive and Negative	Risk Factors
Controversies	No	=Sanctions	Risk source	Reduce scores			Subtracted from score	Negative Factors	Yes
Focus	3 rd Party Scores	"Top 100" Ratings	Company Data	Company Survey	Company Data		Company Data, Country Data, Financing Data	News	Company Data
Analysts			No - AI		Yes		Yes	No - AI	Yes
Absolute?				No		Yes	No	Yes	
Companies Covered	11,500		6000	2500	40,000	4100	6000	9000	4500
Market Cap	\$2bn+	\$2bn+	Broad	Broad			Broad	Broad	
Fixed Income (e.g Sovereign, Munis)	Green Bonds	No		No		Green Bonds	Green Bonds, ESG related bonds, green loans	No	180 Sovereigns, Green Bonds, Loans
Rating Scale	0-100	0-100 vs industry peers	0-100	0-100 vs industry peers	0-300		Percentile and A+/D-Score and Controversy	Pulse, Insight, Momentum , Volume	0-100
Frequency	Annual	Annual -Jan		Annual-Sept		Quarterly	Weekly	Real-Time	

Funds	No	No		No			ESG Fund Flags today. ESG Fund Scores from June 2020	No	No
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Provider ESG Themes

Themes	Arabesque	MSCI	ISS	Reprisk	Sustainalytics	CSRHUB
	21	10	19	21	20 (8 not public)	12
Environment						
Climate Change/Emissions	Y		Y	Y		Y
Carbon Emissions					Y	
Climate Change		Y				
Eco-Efficiency			Y			
Energy Management			Y			
Product Impact			Y			
Renewable Energy						
Natural Resources	Y	Y		Y		
Pollution & Waste	Y	Y		Y		
Resource Depletion	Y			Y		Y
Water	Y		Y			
Environmental Opportunities	Y	Y	Y			
Animal Mistreatment				Y		
Environment Policy & Reporting						Y
Social - Community						
Human Rights	Y		Y	Y		
Supply Chain			Y			
Human Rights & Supply Chain						Y
Community Relations/Impact	Y			Y		Y
Product/Service						
Product/Service Impact			Y			Y
Product Liability/Governance	Y	Y	Y		Y	
Social Opportunities		Y				
Discrimination (Social)	Y			Y		
Data Privacy					Y	
Political Contributions						
Social - Employees						
Labor Standards	Y			Y		
Health and Safety	Y		Y		Y	
Training and Development	Y					

Training Health & Safety						Y
Human Capital		Y			Y	
Forced Labor				Y		
Child Labor				Y		
Stakeholder Inclusion/ Collective Bargaining	Y	Y	Y	Y	Y	
Compensation/Benefits	Y					Y
Diversity / Discrimination	Y		Y	Y		
Diversity & Labor Rights						Y
Governance						
Corporate Governance	Y	Y				
Cumulative Voting	Y					
Executive Compensation			Y	Y	Y	
Shareholder Rights			Y		Y	
Takeover Defense						
Board structure				Y	Y	
Board quality/integrity				Y	Y	Y
Staggered Boards						
Independent Directors			Y			
Transparency	Y					
Financial Reporting	Y				Y	
Transparency & Reporting						Y
Corporate Behavior		Y				
Business Ethics/Corruption	Y		Y	Y	Y	Y
Misleading Communication				Y		
Tax Optimization / Evasion			Y	Y		
Anti-Competitive Practices				Y		
Fraud				Y		
Compliance			Y			

Appendix A – SRI Organizations:

US|SIF – The Forum for Sustainable and Responsible Investing www.ussif.org

In 2012, the US SIF Foundation and the other members of the Global Sustainable Investment Alliance (GSIA)⁷ decided to share data and coordinate efforts in order to produce the first-ever report reviewing the extent of sustainable and responsible investing. One of the seven members of the Global Sustainable Investment Alliance - <http://www.gsi-alliance.org/>

PRI – Principles for Responsible Investment www.unpri.org

In early 2005, the then United Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations and civil society. The Principles were launched in April 2006 at the New York Stock Exchange. Since then the number of signatories has grown from 100 to over 2,300.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

SASB – Sustainability Accounting Standards Board www.sasb.org

SASB standards enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors.

SASB has developed a complete set of 77 industry standards. In November 2018, SASB published these standards, providing a complete set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry.

Coalition for Inclusive Capitalism - <https://www.inc-cap.com/>

As a not-for-profit organization, the Coalition for Inclusive Capitalism engages leaders across business, government, and civil society in their efforts to make capitalism more dynamic, sustainable, and inclusive. **The Embankment Project for Inclusive Capitalism** - EPIC is a market-led initiative with 30 organizations representing the entire investment value chain and almost \$30 trillion in AUM. The goal of EPIC is to work to develop a standardized, material and comparable set of metrics for the measurement of activities that create long-term value and affect a broad range of stakeholders, including customers, employees, suppliers, communities and shareholders.

ICMA – International Capital Market Association www.icmagroup.org/green-social-and-sustainability-bonds

The transition to a sustainable global economy requires scaling up the financing of investments that provide environmental and social benefits. The bond markets through Green, Social and Sustainability Bonds can play an essential role in attracting private capital to finance these global needs.

Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and/or social projects. They are regulated instruments subject to the same capital market and financial regulation as other listed fixed income securities.

The Green Bond Principles (GBP) and Social Bond Principles (SBP), as well as the Sustainability Bond Guidelines (SBG), referred to as the “Principles” have become the leading framework globally for issuance of green, social and sustainability bonds.

The International Capital Market Association (ICMA) serves as Secretariat, assuming administrative duties, and providing guidance for the governance of the Principles. As the principles are designed to be industry wide, bond issuers and investors as well as banks are invited to participate.

STAR Communities www.starcommunities.org

As of June 2018, STAR Communities has formally merged with the U.S. Green Building Council (USGBC). Now part of the LEED for Cities & Communities Team at USGBC, we are working to evolve the STAR Community Rating System and the LEED for Cities performance metrics into a globally applicable program that combines performance standards and action strategies into a streamlined set of opportunities for benchmarking, verification and recognition.

Expected in early 2019 will be a new, expanded LEED for Cities & Communities program that integrates content from STAR and aligns with global programs, such as the UN Sustainable Development Goals.

GRI – Global Reporting Initiative www.globalreporting.org

GRI is an independent international organization that has pioneered sustainability reporting since 1997. GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being. This enables real action to create social, environmental and economic benefits for everyone. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest.