Rate the Raters 2023

ESG Ratings at a Crossroads

The SustainAbility Institute by ERM

Contents

Foreword

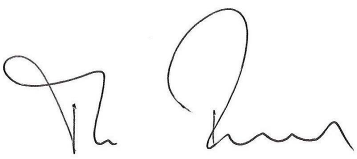
As the world's largest pure-play sustainability consultancy, supporting companies and investors globally in the transition to a sustainable economy, at ERM we know firsthand how crucial ESG ratings are to ensuring the highest performing organizations get the recognition and financing they need.

That's why, as part of a decade-long program of seminal research, we ask investors and corporates to assess ESG raters—because the better ESG ratings reflect performance, the more effectively they can play their vital role.

This year's Rate the Raters report is published at a tumultuous time for the ESG movement. ESG funds are growing rapidly, and the ESG performance of companies is being intensely scrutinized. Companies also face increasing ESG disclosure requirements, with regulators in Europe, the U.S., and other regions finalizing far-reaching new rules. At the same time, ESG is being painted as greenwashing by some of its detractors, and ESG raters face criticism over a lack of transparency and comparability in ESG data and rating methodologies.

Within that context, our research highlights a paradox. Thanks to the growing emphasis on ESG performance, ratings are more widely used than ever. At the same time, investors and companies show only moderate confidence in the accuracy and utility of ESG ratings. These trends cannot comfortably co-exist, suggesting that significant changes will be needed in order to maintain the future credibility of the ratings ecosystem.

We would like to thank those businesses and investors who have taken the time to contribute to this invaluable research. It is in everyone's interests that ESG ratings are robust and trusted. We therefore look forward to sharing the insights contained in this report and stimulating new discussions with stakeholders across the economy about how to ensure a sustainable investment environment.



Tom Reichert
CEO, ERM

Executive Summary

More than a decade since the release of the first Rate the Raters report, ESG ratings remain highly relevant. However, the industry is at a crossroads. How raters respond to the pressures they face will dictate what the field looks like in the decade to come—and, indeed, whether ESG ratings, as we currently think of them, continue to exist at all.

The knives are out.

The pressure on companies to integrate ESG standards is shifting into high gear, with regulators in Europe, the U.S., and other regions in the process of introducing a range of ESG disclosure rules. This demonstrates how ESG standards are penetrating every aspect of corporate life, from investors grilling companies on ESG performance and the explosive growth of sustainable investing, to employees demanding action on climate and diversity.

On the other hand, the soaring prominence of ESG investing has triggered a backlash, from anti-ESG legislation in the U.S. to allegations of greenwashing, and the criticism is getting louder. ESG critiques are not limited to the fringes: many NGOs, regulators, companies, and investors want more transparent and consistent ESG ratings.

These debates hit close for ESG raters. Judgements inherent in ESG ratings have been challenged at the same time that ESG investing has been embraced more widely. For example, activists harshly criticized the high marks ESG raters gave to Russian companies before the Ukraine war, reflecting how difficult it can be for ESG raters to assess corporate sustainability performance accurately when context changes rapidly.

Raters are essential, but do not have stakeholders' full confidence.

Rate the Raters' latest survey of how investors and companies rate ESG raters and their services reflects the current ESG context in all its messiness. While ESG raters have become key players in the sustainable investing ecosystem, discontent and confusion about ratings and how they work – among investors, companies, and other stakeholders – is growing.

These trends can't co-exist indefinitely. If ESG raters neglect the complaints of their core constituencies, it will hurt their credibility in the long run and their role in the sustainable finance ecosystem will likely erode.

Percentage of investor respondents who said they were required by their employers to integrate ESG ratings and data into investment strategies:

- Forty-three percent in 2022 vs. 12 percent in 2018/19.

Investors' use of ESG rating products:

- Nearly half (47 percent) of investor respondents use ESG ratings products multiple times per week versus 35 percent in 2018/19.
- Almost all (94 percent) of investor respondents use ESG ratings products at least once a month, versus 78 percent in 2018/19.

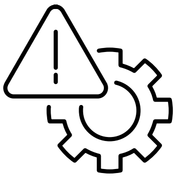
Investors’ use of ESG rating products:

- Fifty-two percent of corporates and 59 percent of investors have only moderate trust that ESG ratings accurately reflect ESG performance (where “moderate” equals a 3 rating on a scale from 1 to 5).
- Twenty-nine percent of corporates have low to very low trust that ESG ratings accurately reflect ESG performance (a “1” or “2” on a scale from 1 to 5).
- Investors rated their overall trust level in ESG ratings providers as 3.31 out of 5.
- Corporate respondents rated their overall trust level in ESG ratings providers as 2.91 out of 5.

Let’s look at how this year’s Rate the Raters surveys and other research led to these conclusions.

Investor demand for ESG ratings is strong and growing

Finding investors who don’t use ESG rating products is increasingly difficult. Close to 100 percent of investor respondents representing a variety of investor types and strategies rely on ESG ratings, in no small part due to booming demand for ESG investments. Our survey also shows that many investment teams are now required by their firms to incorporate ESG ratings and data in their investment decisions.



Discontent among investors and companies is brewing

Despite high usage, investors and corporates are also frustrated by the shortcomings of ESG ratings. Black box rating methodologies and questionable data accuracy are particular concerns. Our research indicates building tension. Most surveyed investors and companies have only modest confidence that ESG ratings accurately reflect sustainability performance, while a sizeable minority of corporates feel they do not. Views on the overall usefulness and quality of ESG ratings are also slipping.

Investor and corporate views on quality and usefulness of ESG ratings:

- More than half of surveyed investors and nearly half of surveyed companies see “greater consistency & comparability across ratings methodologies” and “improved quality and disclosure of methodology” as primary issues for ESG raters to fix.
- Corporate average quality ratings for the composite of all ESG ratings dropped by 13 percent to 3.27 out of 5 in 2022 vs. 3.54 out of 5 in 2018/19.
- Corporate average usefulness ratings for the composite of all ESG ratings dropped by 5 percent to 3.17 out of 5 in 2022 vs. 3.34 out of 5 in 2018/19.

Investors’ growing use of in-house ratings diminishes the value of ESG raters.

Another sign investors aren’t satisfied with what they are getting from ESG raters is that investors increasingly choose to build in-house ESG analysis and rating systems, only using raters as providers of data. This limits the added value of ESG raters and could create bias in ESG assessments.

Ratings leaders stay on top through waves of consolidation

The ESG rating landscape has undergone significant shifts and consolidation, but a small set of ESG raters keeps coming out on top. Surveyed investors and companies clearly prefer ESG raters with an active approach and more robust company engagement over passive ESG raters. Active raters CDP and S&P Global lead the pack. CDP is the overall favorite, and it is the only ESG rater scoring higher on quality and usefulness than in the last Rate the Raters survey.

Ranking of individual ESG raters

- Corporate respondents ranked CDP and S&P Global ESG first and second, respectively, in average quality and usefulness.
- Investors rated CDP first in usefulness and second in quality, but also give high marks to ISS-ESG.

Regulation has increasing influence

The ESG disclosure regulations expected to come into effect soon in the EU, the U.S., and elsewhere may change the ESG investing ecosystem dramatically. But that’s not the only regulatory change ESG raters may need to digest. Regulators are also taking aim at ESG raters themselves, pushing them to be more transparent and to improve data quality. If there ever was a moment for ESG raters to evaluate how they work, this is it.

A clear choice: evolve or erode

ESG ratings are vital in spurring companies to action, making ESG performance visible to investors, and steering sustainable finance to the right places. For ESG raters to stay relevant and impactful, they must go beyond current levels of transparency and ensure that rated companies fully understand the analysis and data feeding into corporate ratings. They must provide reliable and consistent decision-useful information to investors. And they must demonstrate willingness to adapt to a new world where their ratings are subject to greater regulation and public scrutiny. If ESG raters wait too long, their position may weaken or even erode. This would be a big loss not only to ESG raters, investors, and companies, but to the entire sustainable finance ecosystem.

Key Table: Rating the Raters

The heart of the Rate the Raters research project is asking corporate and investor participants to tell us which ESG rating providers they believe are currently providing the most quality and usefulness within the sustainable investing ecosystem.

Table 1
Survey Responses on Quality and Usefulness of ESG Raters*

Investor Survey: **Quality Rankings**

Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	ISS-ESG	65
2	CDP	64
3	Sustainalytics	59
4	EcoVadis	50
5	S&P Global ESG	36
6	RepRisk	35
7	MSCI	35
8	Bloomberg	24
9	Moody's ESG	19
10	FTSE4Good	17
11	Refinitiv	14
12	Sustainable Fitch	11
13	JUST Capital	6

Investor Survey: **Usefulness Rankings**

Rank	ESG Ratings Provider	% Respondents Rating High Usefulness (4&5)
1	CDP	56
2	ISS-ESG	52
3	Sustainalytics	42
4	S&P Global ESG	30
5	Bloomberg	29
6	Moody's ESG	25
7	MSCI	23
8	RepRisk	23
9	Refinitiv	20
10	EcoVadis	16
11	FTSE4Good	12
12	JUST Capital	6
13	Sustainable Fitch	6

Corporate Survey: **Quality Rankings**

Rank	ESG Ratings Provider	% Respondents Rating High Quality (4&5)
1	CDP	80
2	S&P Global ESG	53
3	Sustainalytics	46
4	MSCI	43
5	ISS-ESG	34
6	EcoVadis	32
7	Bloomberg	19
8	RepRisk	19
9	Moody's ESG	18
10	JUST Capital	18
11	FTSE4Good	16
12	Refinitiv	9
13	Sustainable Fitch	5

Corporate Survey: **Usefulness Rankings**

Rank	ESG Ratings Provider	% Respondents Rating High Usefulness (4&5)
1	CDP	71
2	Sustainalytics	51
3	MSCI	49
4	S&P Global ESG	42
5	ISS-ESG	40
6	EcoVadis	34
7	RepRisk	24
8	Bloomberg	19
9	Moody's ESG	15
10	JUST Capital	14
11	FTSE4Good	10
12	Sustainable Fitch	7
13	Refinitiv	3

*This demonstrates the percent of respondents who scored the ratings provider with a 4 or 5. See methodology appendix for scoring descriptions.

Survey Responses on Quality and Usefulness of ESG Raters*

- CDP was ranked the most useful ESG rating provider by both corporate and investor respondents. On quality, it ranked #1 with corporate respondents and #2 with investor respondents.
- Sustainable Fitch, Refinitiv, and FTSE4Good were rated lowest for both quality and usefulness by corporate respondents and did only slightly better with investor respondents.

ESG rating providers are under intense scrutiny. Investors depend on the accuracy of ESG data they provide, while corporations care more about being seen as sustainable businesses. Some regulators and lawmakers are exploring ways to rein in ESG raters' influence, and the public at large is more aware of ESG investing. On top of that, the competition between ESG ratings providers is fierce. A spate of acquisitions in recent years has narrowed the field overall, but the dominant raters —all of which we cover in this report—are working to stay on top through refinements and innovations in their product offerings.

*Note that Rate the Raters surveys asked respondents to rate the named ESG rating firms as entire entities. The survey did not provide options for respondents to differentiate between different rating products offered by the same firm.

1. The ESG Ratings Landscape

Who (and What) Are ESG Ratings For in 2023?

ESG raters strive to be fair and impartial in their assessments, but they are not journalists or regulators—they are active participants in the sustainable investing ecosystem. ESG rating firms generate their ratings, data, and related products in order to sell them, primarily to institutional investors. In 2023, Rate the Raters research shows that ESG raters are important forces in the sustainable investing ecosystem.

To succeed, ESG raters need to perform a balancing act. The ratings methodologies that they construct are highly complex, mixing quantitative analysis with hands-on analyst oversight in varying proportions. An ESG rating is a distillation of data and opinion, a third-party assessment that boils down a broad range of information about companies' sustainability performance into the types of data that investors demand, packaging it to be decision useful.

Glossary: Definitions

ESG rating firm: Any provider of ESG ratings. Most ESG ratings firms produce more than one rating product in order to serve different customer needs.

ESG rating: Assessments of sustainability performance derived by analyzing ESG data, usually numerical scores or letter grades. While ESG ratings can exist for nations, sectors, and non-corporate entities, this research report focuses only on ratings of individual corporations, especially publicly-traded companies.

ESG ranking: A type of ESG rating in which companies are not assessed on an absolute scale, but instead are ranked "best to worst" related to other companies.

ESG data: Any information that flows into an ESG rating, either quantitative or qualitative.

ESG metric: A calculation that aggregates raw data within an ESG dataset to create a measurement that can be used to understand sustainability factors

ESG ratings methodology: The sets of rules and algorithms that an ESG rating firm uses to create a rating product from ESG data and metrics.

Glossary: ESG Rating Factors and Data Type

Performance Factors: Data that quantifies the actual performance of a company on sustainability factors. Focused on what a company is doing at present.

Disclosure Factors: Data that represents a company's relative openness on sustainability factors, but does not vary based on sustainability performance. Focused on what a company reports about its past activities through sustainability reports, financial filings and other disclosure.

Risk Factors: Data that represents how much sustainability risk is inherent in a company's industry sector, business model, or other factors. Focused on potential future developments for a company.

Controversy Data: Evidence of the company's involvement in accidents, negligence, lawsuits, or other news events related to sustainability factors. This can include journalism, court filings, NGO publications, labor union actions, and public criticism by third-party stakeholders.

Peer Data: Information about the relative performance of a company against peers within its industry sector, country, and/or size.

Table 2
Comparison Table of ESG Ratings Providers

	Main customer base	Ownership	Headquarters location	Access to methodology	Coverage of ESG	Source of information for primary ESG rating
Bloomberg	Institutional investors	Private company	USA	Accessible via Bloomberg terminal	Generalized	Passive
CDP	Institutional investors, supply chain partners	Nonprofit charity	UK	Public in full	Specialized	Active
EcoVadis	Supply chain partners	Private (pre-IPO startup)	France	Overview only	Specialized	Active
FTSE4Good	Institutional investors	London Stock Exchange Group subsidiary	UK	Overview only	Generalized	Passive
ISS-ESG	Institutional investors	Deutsche Böerse subsidiary	USA	Not public	Generalized	Passive
JUST Capital	Stakeholders and the public	Nonprofit charity	USA	Public in full	Specialized	Passive
Moody's ESG	Institutional investors	Public company	USA	Not public	Generalized	Passive
MSCI	Institutional investors	Public company	USA	Public in full	Generalized	Passive
Refinitiv	Institutional investors	London Stock Exchange subsidiary	UK	Public in full	Generalized	Passive
RepRisk	Other ESG raters; third-party due diligence for M&A	Private company	Switzerland	Public in full	Specialized	Passive
S&P Global ESG	Institutional investors	Public company	Switzerland	Public in full	Generalized	Active
Sustainable Fitch	Institutional investors	Hearst subsidiary	USA	Overview only	Generalized	Passive
Sustainalytics	Institutional investors	Morningstar subsidiary	Netherlands	Overview only	Generalized	Passive

The ESG rating industry is highly competitive, and ESG raters work to differentiate themselves from one another and to gain market share. Beyond the varying quality of their ratings, the ESG raters covered in Rate the Raters are fundamentally different types of businesses in many respects.

Each ESG rating provider is unique. The raters covered in this study differ from one another not just in methodology and product design but also in size, philosophy, company goals, customer base, data sources, and communication approach. Not even their organizational structure is consistent—for example, CDP and JUST Capital are both nonprofit charities while Moody's and MSCI are public companies. The raters also strive to meet different needs, with varying success.

Investors: The Top ESG Ratings Audience and Customer

As the main consumers of ESG ratings, large institutional investors have enormous influence on the ESG rating industry. Raters bring forward new product offerings to meet the investment community's changing requirements, and they adapt and update existing product offerings to keep pace with shifts in investment decision-making processes. To meet investor needs, the information that ratings convey must be decision-useful, accurate, recent, and easy-to-use.

Because the ESG rating industry designs products to meet investor needs, it adapts quickly to their demands by adding new rating products, reassessing existing frameworks, and adding or removing specific metrics from rating algorithms when the market signals that is needed.

ESG raters also compete for customers, which motivates them to differentiate themselves. Beyond aspects like cost and customer experience, raters distinguish themselves based on their data sources, methodology, and analysis. Investors may prefer to use a particular ESG rating because it:

- Drills down on a component they are leveraging in their investment decisions.
- Offers better insight into the rationale behind the number.
- Uses better peer comparisons.
- Is more responsive or accessible.
- Otherwise meets the needs of specific portfolios or industry sectors upon which the team is focused.

Each investing team generally uses only a small number of ESG rating products, and then uses them to compare many companies against one another. They can apply the same ESG ratings, data, or assessment tools across their entire portfolios.

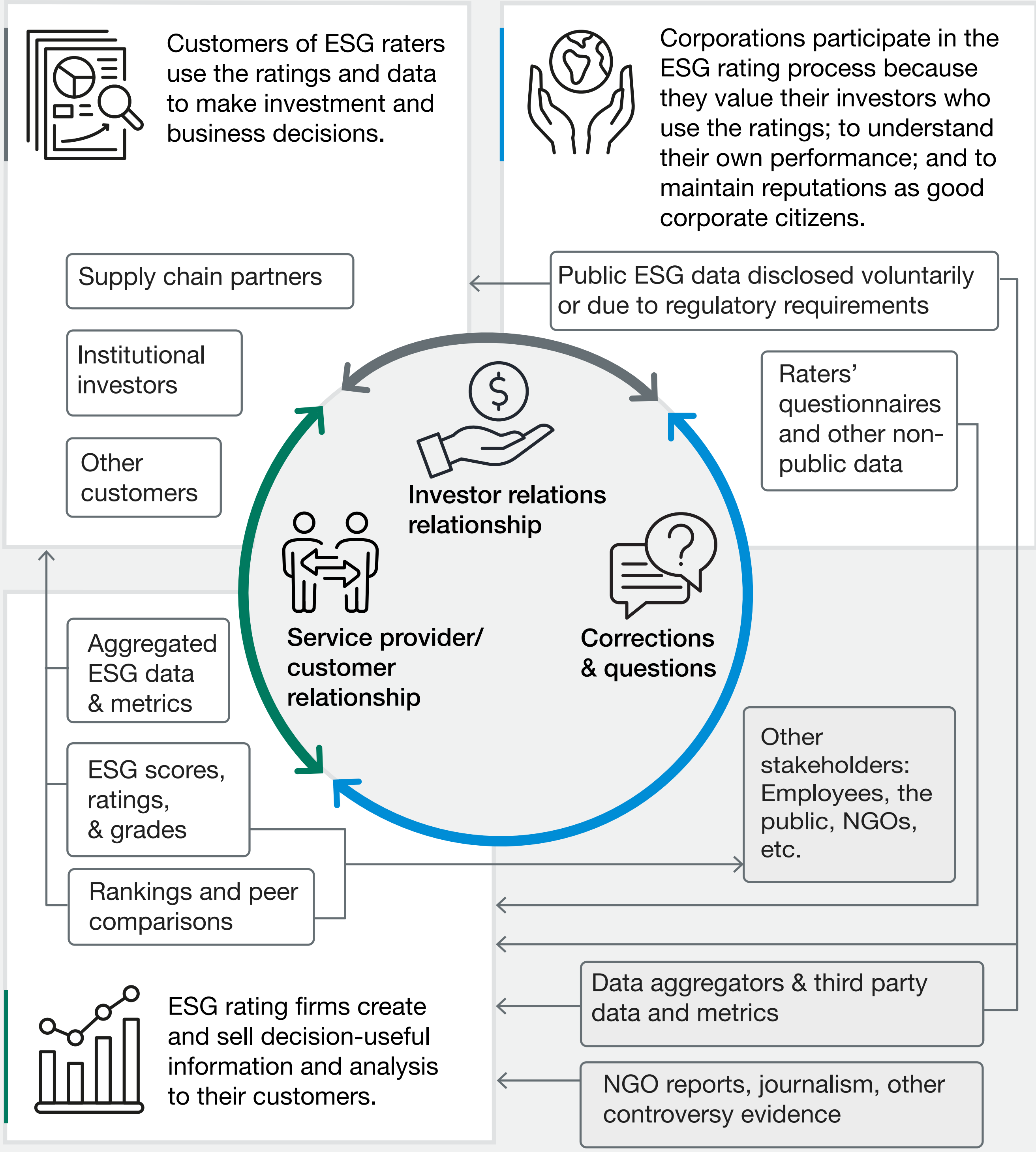
Corporations: ESG Ratings' Main Target—and Key Partner

Companies often find that ESG ratings they receive from different raters are wildly different, even for the same sustainability factor, which creates confusion about the best path forward. The reasons why a rating went up or down year-over-year, or why peers are rated differently for similar business practices, can also be a mystery.

Nearly half of corporate respondents placed 'greater consistency & comparability across ratings methodologies' and 'improved quality and disclosure of methodology' in their top three desired changes to be addressed by ESG ratings in the next five years.

Major corporations are usually rated by ten or more ESG raters, while investors are more likely to select one to three ESG rating firms for all their data and rating needs. Comparing individual companies' ratings within a single rating product lets investors compare across an industry sector and identify leaders and laggards. Investors may also value the methodological differences between ESG rating products, the same "noise" that creates serious headaches for corporations.

Figure 1
ESG Ratings in the Sustainable Investing Ecosystem



ESG rating providers must be understood as necessary and active participants in the sustainable investing ecosystem. While individual ESG raters rise and fall in favor from year to year, the field of sustainable investment is always inherently dependent on the availability of high-quality ESG data and ratings.

It is crucial for ESG raters to improve transparency and accessibility for corporations. Corporate sustainability teams still struggle to correct errors and omissions in the data feeding into their company's rating.

2. Investor and Corporate Surveys

Rate the Raters is a long-running project using multiple research approaches to provide insights into how ESG rating providers, both individually and as an industry, are valued within the sustainable investing ecosystem. In September of 2022, the Rate the Raters research team released two surveys, one for corporate sustainability professionals and one for institutional investors. The surveys and supplementary interviews revealed strong messages about corporate and investor respondents' opinions about ESG raters today.

Investor

33 investor respondents to survey

3 follow-up interviews and conversations

6 different investor types including:

- **24** asset managers,
- **4** banks,
- **2** mutual funds,
- **1** endowment,
- **1** private equity firm,
- **1** pension fund

9 countries represented in survey responses and interviews

Corporate

104 corporate respondents to survey

8 follow-up interviews and conversations

20 different industry sectors

1 Results review workshop with ESG Ratings Working Group member companies

29 countries represented in survey responses and interviews

7 internal subject matter experts consulted

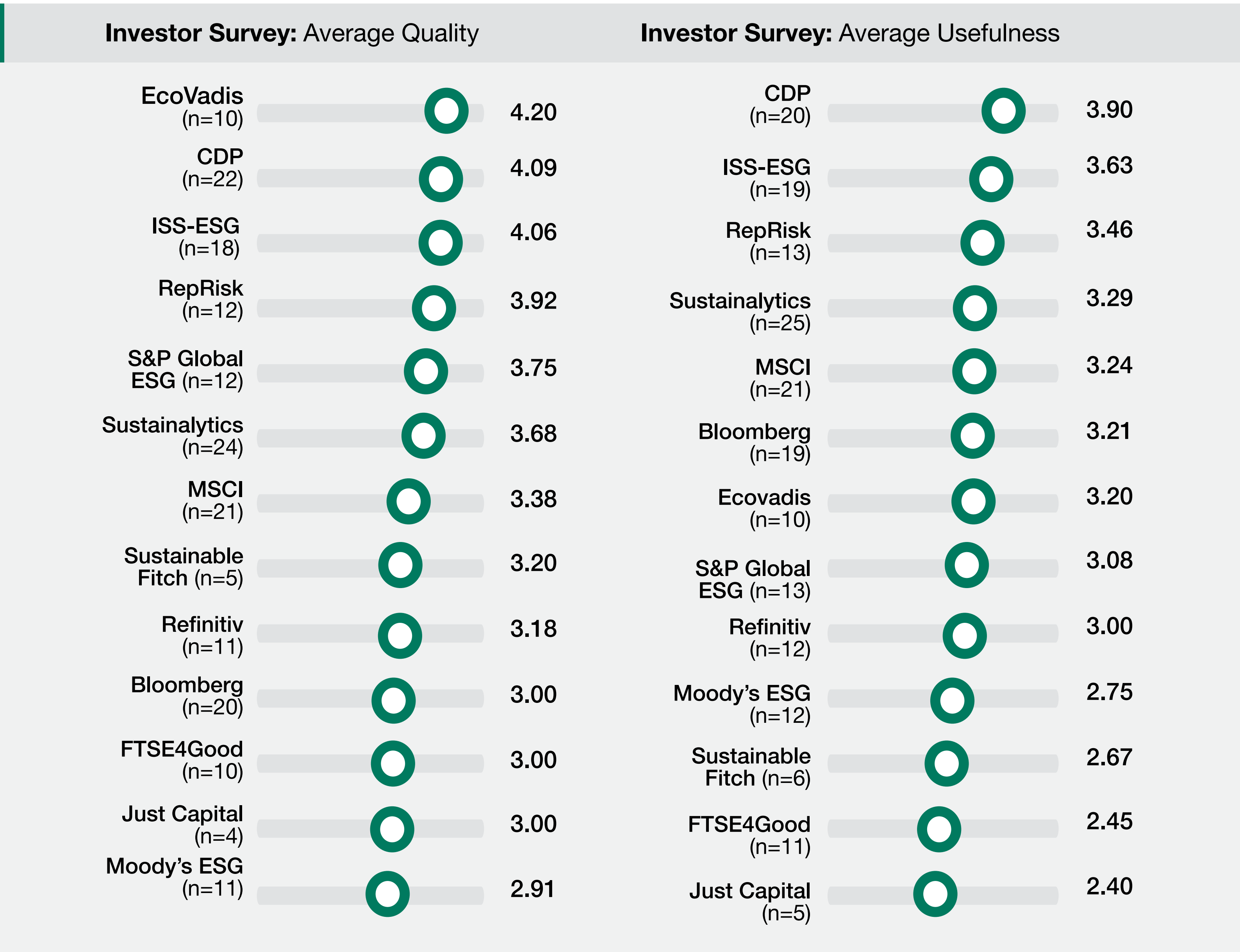
13 years of SustainAbility's Rate the Raters research project and counting!

3. The Investor Survey

Investor Views on Quality and Usefulness: Key Charts

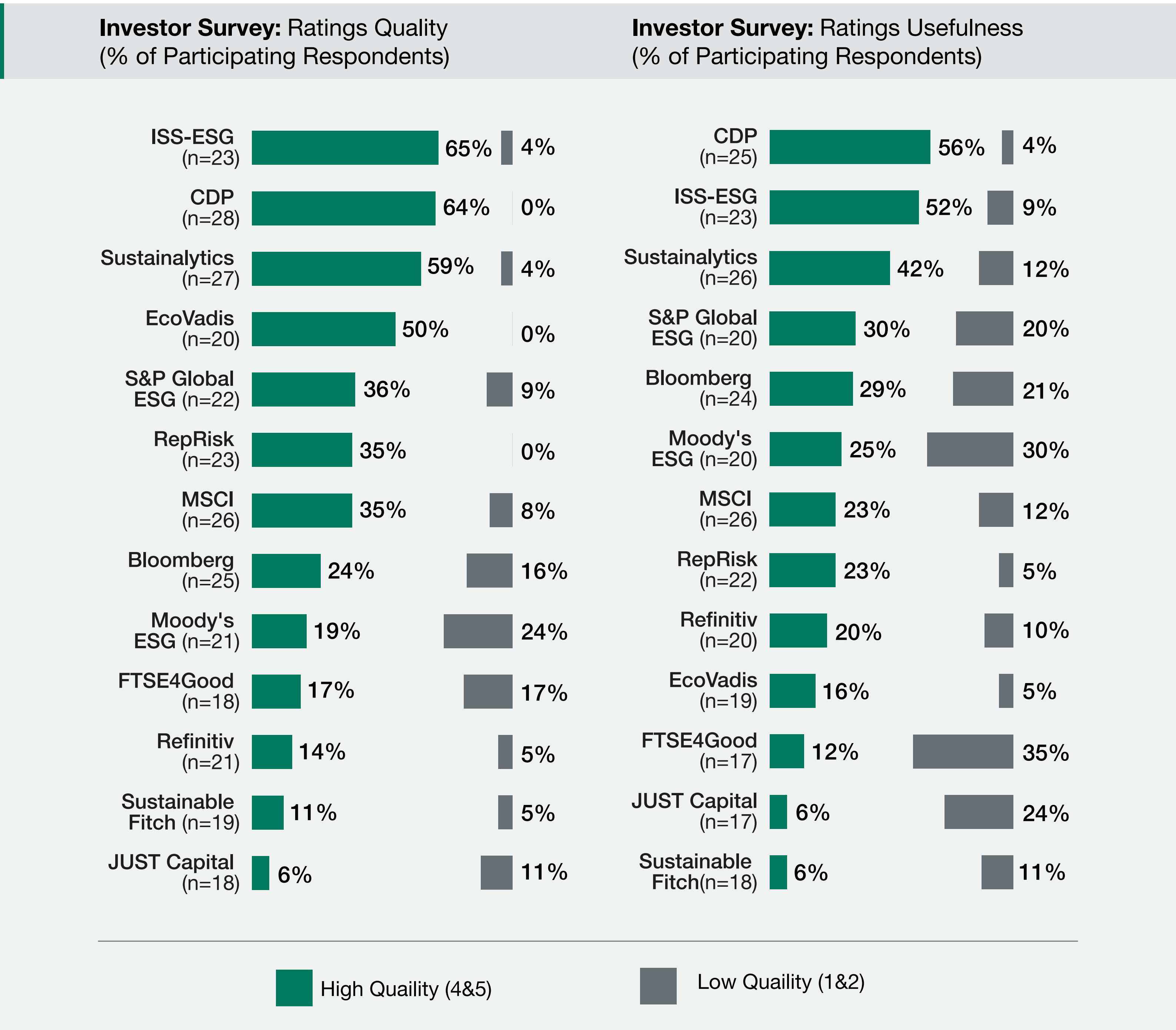
Investors are the primary customers for ESG rating products and the primary drivers of product innovations and of the industry's evolution. Our research finds that investors use ESG ratings and data when making investment decisions, even as they struggle to make sense of raters' data irregularities and questionable methodological approaches.

Figure 2
Investor Views on Quality and Usefulness of ESG Ratings



Respondents were asked to rate each ESG rating provider on a scale of 1-5 for both quality and usefulness. The above chart shows the ESG raters receiving the highest average scores in quality and usefulness among investor respondents. n only includes those who scored 1-5.

Figure 3
Comparison of Investor Views on Quality and Usefulness of Ratings



Respondents were asked to rate each ESG rating provider on a scale of 1-5 for both quality and usefulness. The above charts show the ESG raters receiving the highest average scores in quality and usefulness among investor respondents. n only includes those who scored 1-5.

The chart above indicates the percentage of survey respondents who selected high quality / usefulness by responding with a 4 or 5 (green) or low quality / usefulness with a 1 or 2 (grey) on a scale of 1 to 5. Figures demonstrate the percentage of participating respondents. Respondents who opted out of the question were not included in these calculations. n only includes those who scored 1-5 and "I don't know"

Figure 4
Investor Responses of High Quality and Usefulness in 2022 and 2018/19

Investor Survey: Quality Rankings

	2022	2018/19
ISS-ESG	1 ^	5
CDP	2	2
Sustainalytics	3	3
EcoVadis	4	-
S&P Global ESG	5 ⌄	1
RepRisk	6 ⌄	4
MSCI	7	-
Bloomberg	8 ⌄	6
Moody's ESG	9 ⌄	8
FTSE4Good	10 ⌄	9
Refinitiv	11	-
Sustainable Fitch	12	-
JUST Capital	13	-

Investor Survey: Usefulness Rankings

	2022	2018/19
CDP	1 ^	2
ISS-ESG	2 ^	5
Sustainalytics	3 ⌄	1
S&P Global ESG	4	4
Bloomberg	5 ^	6
Moody's ESG	6 ^	10
MSCI	7 ⌄	3
RepRisk	8	-
Refinitiv	9	-
EcoVadis	10	-
FTSE4Good	11 ⌄	9
JUST Capital	12	-
Sustainable Fitch	13	-

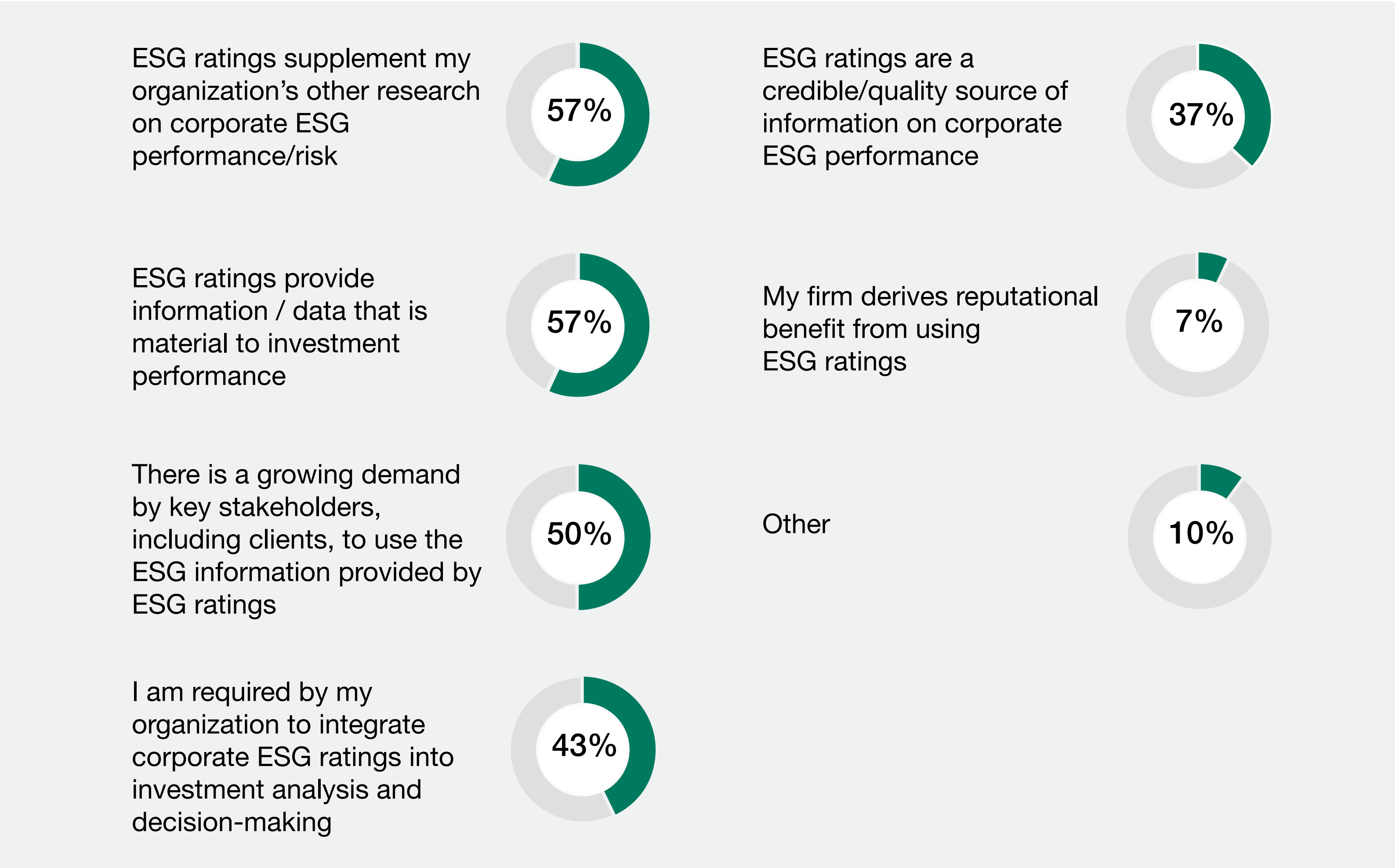
^ improved ranking ⌄ worsened ranking

This table compares the ratings that each ESG rater received in 2022 and 2018/19. It is calculated ranking the number of survey respondents scoring the respective rating firm a 'high' 4 or 5 score, whereas the previous tables were calculated using average score. It is important to note that many ESG rating firms change their product offerings frequently to meet investors' needs, and that several of the raters covered in 2022 have evolved considerably in the past four years. Also, note that some raters included in 2022 were not included in the 2018/19 survey.* ** n only includes those who scored 1-5 and "I don't know". Dash indicates "specific rating not measured in 2018/19".

*Rankings were determined based on the percent of respondents who scored the ratings provider with a 4 or 5. See methodology appendix for scoring descriptions.

**Note that Rate the Raters surveys asked respondents to rate the named ESG rating firms as entire entities. The survey did not provide options for respondents to differentiate between different rating products offered by the same firm. Temporal comparison was not possible for some ratings firms given available data.

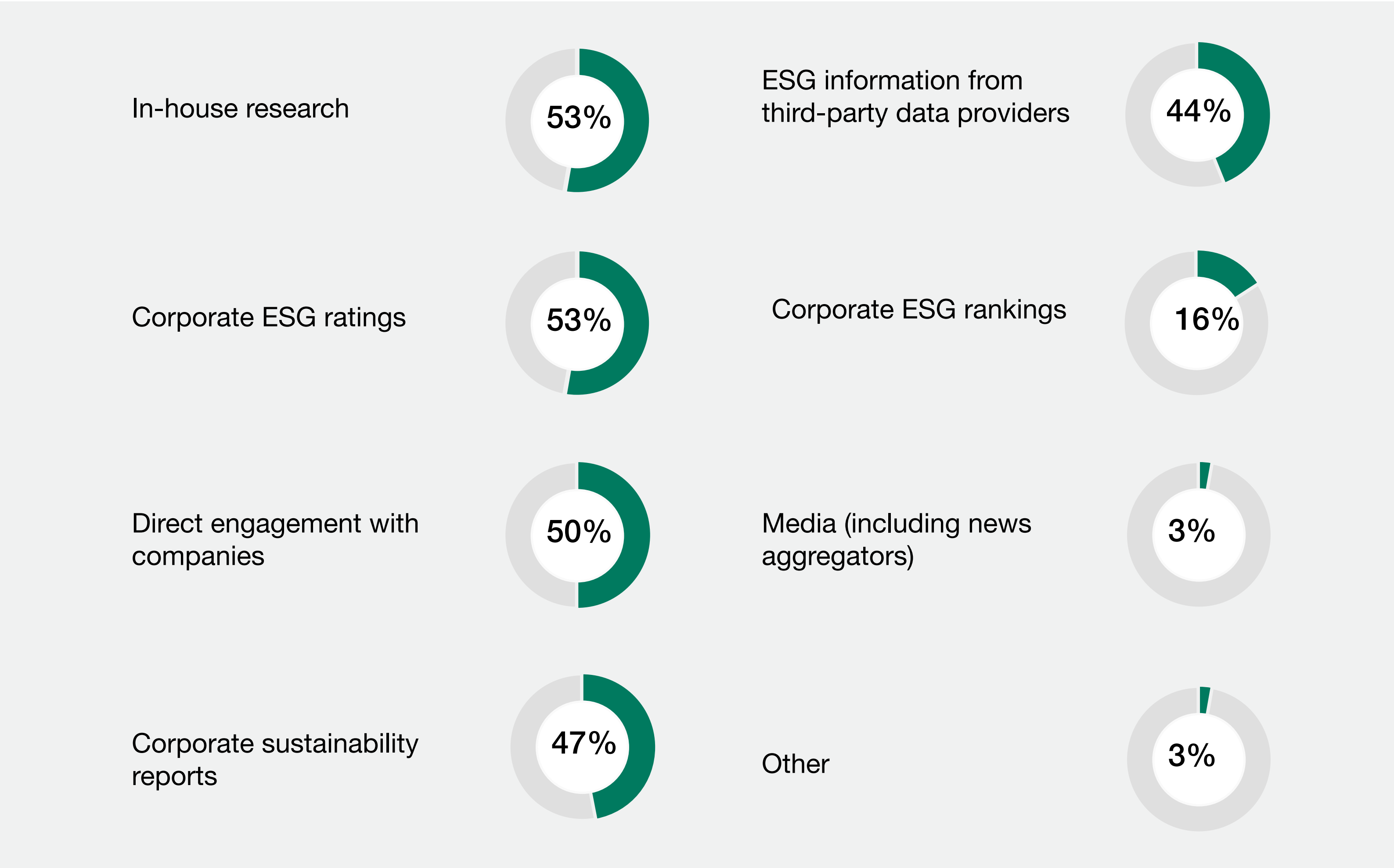
Figure 5
The Most Common Uses of ESG Ratings by Investor Respondents



The chart above indicates the percentage of survey respondents who selected the options provided in their top three. Answers selected were not ranked from top to third choice, but rather identified as a top three selection.

> “Integrating ESG data is important because if you want to manage, you need to measure. We’re integrating ESG into our investment decisions not just because our plan beneficiaries want to know, but because we want to invest in companies that are sustainable. Sustainability of companies starts with ESG and finishes with the products they put out.”
>
> **– Head of Sustainability at North American Pension Fund**

Figure 6
The Most Common Sources of ESG Data that Investing Teams use in Decision Making



The chart above indicates the percentage of survey respondents who selected the options provided in their top three. Answers selected were not ranked from top to third choice, but rather identified as a top three selection.

Wide Variation in How Familiar Investors Are With Specific ESG Raters

Our research reveals that investors are likely to focus on a small number of rating providers. As a result, their familiarity with the overall array of ESG ratings and data providers may not be complete.

Respondents were given the opportunity to skip questions concerning ESG raters with which they were not familiar. The ESG raters that investors most often provided opinions about were Sustainalytics, MSCI, and CDP. While this does not imply that respondents necessarily had the highest opinion of those raters, the fact that they were the most likely to have an opinion can be used as an indicator of a greater familiarity with those raters.

Investor respondents are least familiar with the social-interest nonprofit rater JUST Capital, with only fourteen percent offering opinions about its quality and usefulness.

Table 3
Percentage of Investor Participants Providing Responses on Quality and Usefulness of Ratings

ESG Ratings Provider	Average Investor Respondents Scoring Ratings Provider
Sustainalytics	74%
CDP	64%
MSCI	64%
Bloomberg	59%
ISS-ESG	56%
S&P Global ESG	38%
RepRisk	38%
Moody's ESG	35%
Refinitiv	35%
FTSE4Good	32%
EcoVadis	30%
Sustainable Fitch	17%
JUST Capital	14%

The table above indicates the percentage of respondents that chose to score quality and usefulness of the respective ratings provider. Response rates for the quality and usefulness metrics were averaged to calculate the overall percentages above.

Investor Assessments of ESG Rater Quality and Usefulness Are Changing

More investors are required to integrate ESG ratings and data into their investment processes today than five years ago. They are also engaging with ratings providers more frequently than the last time Rate the Raters surveyed them. These changes in investors' relationships to ESG ratings providers are reflected in our survey results.

Comparing investor survey response data from 2022 and 2018/19 showed:

- **CDP stays on top**: Investors still find CDP to be one of the highest quality and most useful ratings providers. 64 percent of respondents rate CDP to be of high quality, while 56 percent rate it to be highly useful, demonstrating a two percentage-point increase from the 2018/19 survey for both factors.*
- **ISS-ESG is catching up:** In 2019, only 32 percent of investors deemed ISS-ESG high quality, and only 25 percent found it highly useful. In 2022 these figures rose to 65 percent and 52 percent, respectively.
- **Investors dislike raters less:** The percentage of investors that rated most ratings providers "low quality / usefulness" has declined since the 2018/19 survey, indicating a more neutral or positive impression in 2022.

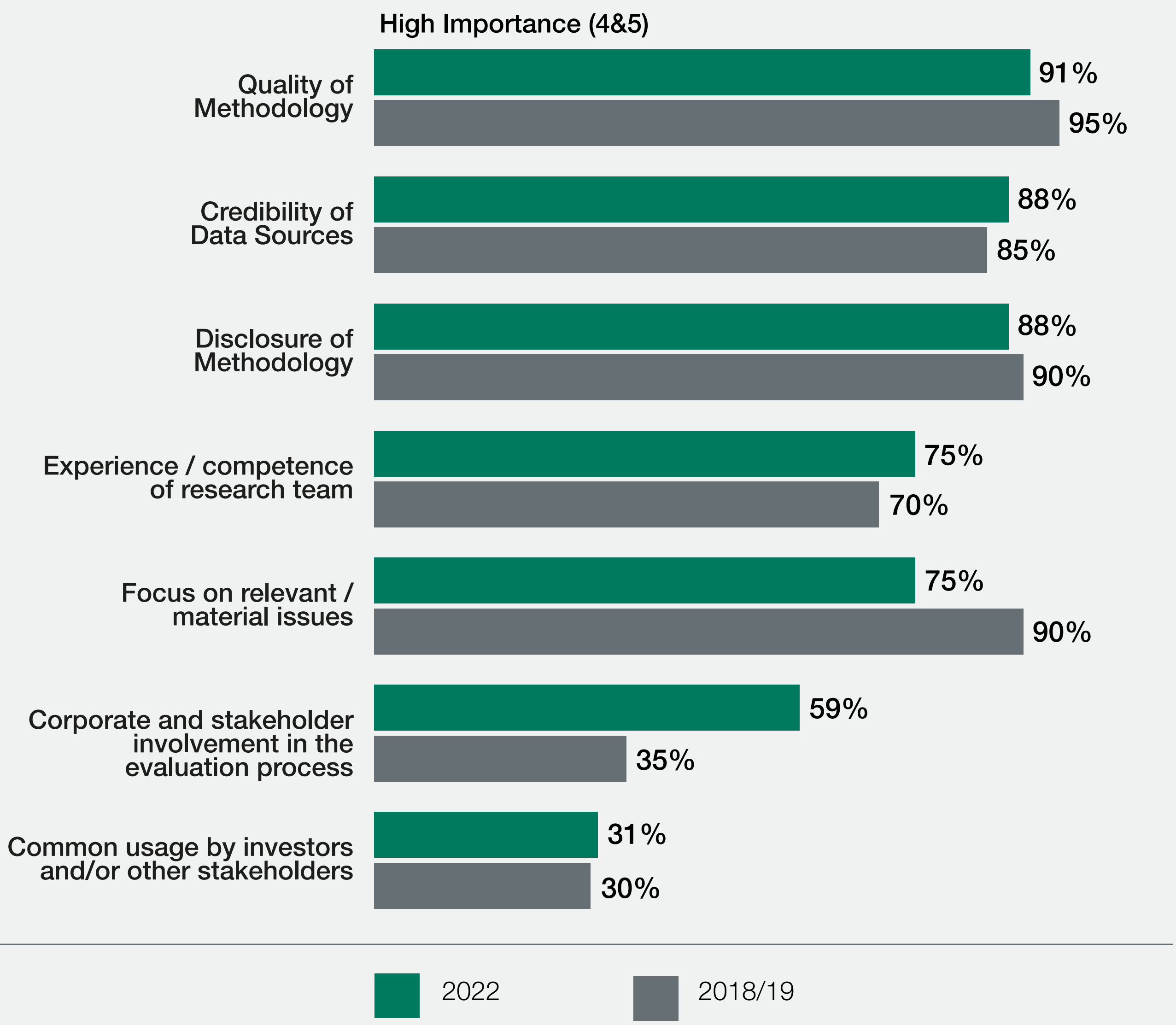
*Highly useful" and "high quality" refer to scores of 5 on a scale of 1 to 5. See methodology appendix for scoring descriptions.

ESG rating providers constantly evolve their arrays of rating products to adapt to investor demands. As they do, investor respondents' estimation of the quality and usefulness of the rating providers often rise and fall. Other changes between 2018/19 and 2022 included:

- **MSCI dropped significantly:** In 2022, only 23 percent of investor respondents scored MSCI as "high usefulness," while in 2018/19, 40 percent did. "High quality" responses also dropped for MSCI, from 47 percent in 2018/19 to 35 percent in 2022.
- **Bloomberg gained:** The percentage of investors that rated Bloomberg as a "low quality" ESG rater dropped by 20 points in the 2022 survey, and the percentage that rated it as "low usefulness" dropped by 43 points.

Figure 7

Factors Important to Investors When Determining Quality and Usefulness



The chart above indicates the percentage of survey respondents who selected high importance by responding with a 4 or 5 on a scale of 1 to 5.

Investors Increasingly Use ESG Ratings and Data Because They Are Expected To Do So

Although ESG investing has become far more prominent over the past five years, investors' reasons for using ESG ratings and data have not changed much overall.[1]

However, two categories differ:

- **Companies now often require investment teams to use ESG ratings and data:** In 2022, 43 percent of investor respondents ranked company requirements among their top three reasons for use, a 31-point increase over 2018/19.
- **Stakeholders, including clients, are demanding it too:** The percentage of investor respondents ranking demands from key stakeholders among their top three reasons for use rose from 35 percent in 2018/19 to 50 percent in 2022.

In the past several years, major investment banks have made headlines for aligning their investing philosophies with ESG principles. Despite recent rumblings of dissent over the practice, the overall concept of incorporating ESG principles into investing has remained front and center.[2,3]

The Glasgow Financial Alliance for Net Zero and the Net-Zero Banking Alliance, among others, have led the way on policy and process for reimagining a financial sector that could accelerate climate action.[4,5]

Investors Use ESG Rating Products and Data Services More, but Rely on ESG Ratings Less

Since Rate the Raters last took the temperature of the ESG ratings landscape five years ago, ESG-aligned investment approaches have exploded in popularity.[6]

This has been a goldmine for the ESG rating industry, but it also means that investors are becoming more sophisticated about ESG ratings.

Comparing our 2022 and 2018/19 survey results reveals this change:

- **Most investors use raters a lot:** Respondents indicating they use ESG ratings products and services "regularly" or "very regularly" increased slightly, from 65 to 69 percent.*
- **Fewer investors ignore raters:** Respondents indicating they use ESG ratings products and services "rarely/never" dropped from 21 to 6 percent.

ESG ratings and data are no longer specialized add-ons for investors. As the size of ESG-aligned assets under management increases, and demand for ESG investing approaches rises, we anticipate that raters' data will be even more integral in investment decisions.

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*Response options included the following: Very regularly (multiple times per week), Regularly (at least once a week), Sometimes (once or twice a month), Rarely (a few times a year), Never

> "The underlying data is the most valuable information ESG ratings provide. We check on the ratings and the scores to get a general idea of overall performance, but often they are unclear and are not a useful data point by themselves."
>
> **– Director of Sustainable Investing at Global Global Private Equity Firm**

In the past five years, institutional investors have developed in-house ESG literacy, hiring sustainability experts and integrating ESG into investment teams' expertise. Investor survey respondents reflected these sophisticated ESG information sourcing approaches:

Comparing our 2018/19 and 2022 survey responses reveals how investors' ESG information sourcing has evolved:

- **In-house research surged:** The percentage of respondents placing in-house research among their top three sources of information rose twelve points, the only category more commonly chosen in 2022 than 2018/19.
- **All other sources fell back:** The use of all other types of information dropped—media, corporate ESG ratings & rankings and companies' own sustainability reports, as well as direct engagement with companies.

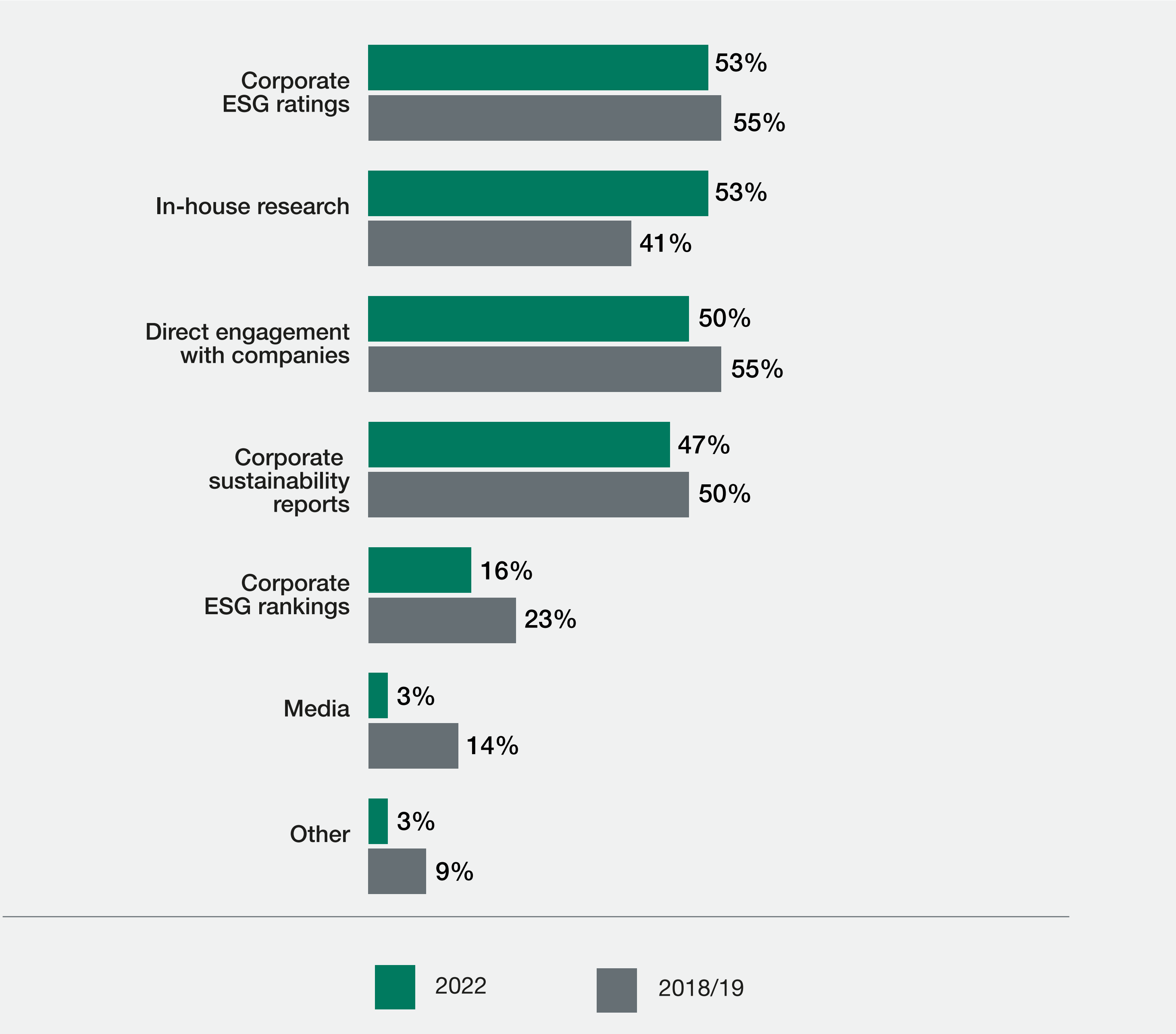
Large asset managers, including BlackRock and State Street, have developed proprietary ESG data analysis systems which pull data from various sources, including ESG raters, to develop databases, metrics, and indicators custom-tailored to investment teams' needs.[7,8]

However, these institutional investors generally remain customers of ESG ratings providers, using the ESG data that raters collect, clean, and refine to generate ratings.

> "Each of our investment teams look at ESG information differently. Fixed income will look at long-term credit from a liability perspective while the fundamental equity team will look at it differently, real estate will assess LEED metrics, etc., which is why we have all these resources available to supplement our own in-house research and analysis."
>
> **– Director of ESG Integration at Global Asset Manager**

> "We're in the process of building our own ratings system because we need to weight the whole portfolio. We need to have the same yardstick whether it's private equity or public companies. That has forced us to develop our own scoring system, which is based on a number of existing frameworks and disaggregated data from external providers. We aren't reinventing the wheel, but we're in the process of deploying something that fits our needs better than the ratings providers do."
>
> **– Head of Sustainability at North American Pension Fund**

Figure 8
The Most Common Sources of ESG Data that Investing Teams use in Decision Making

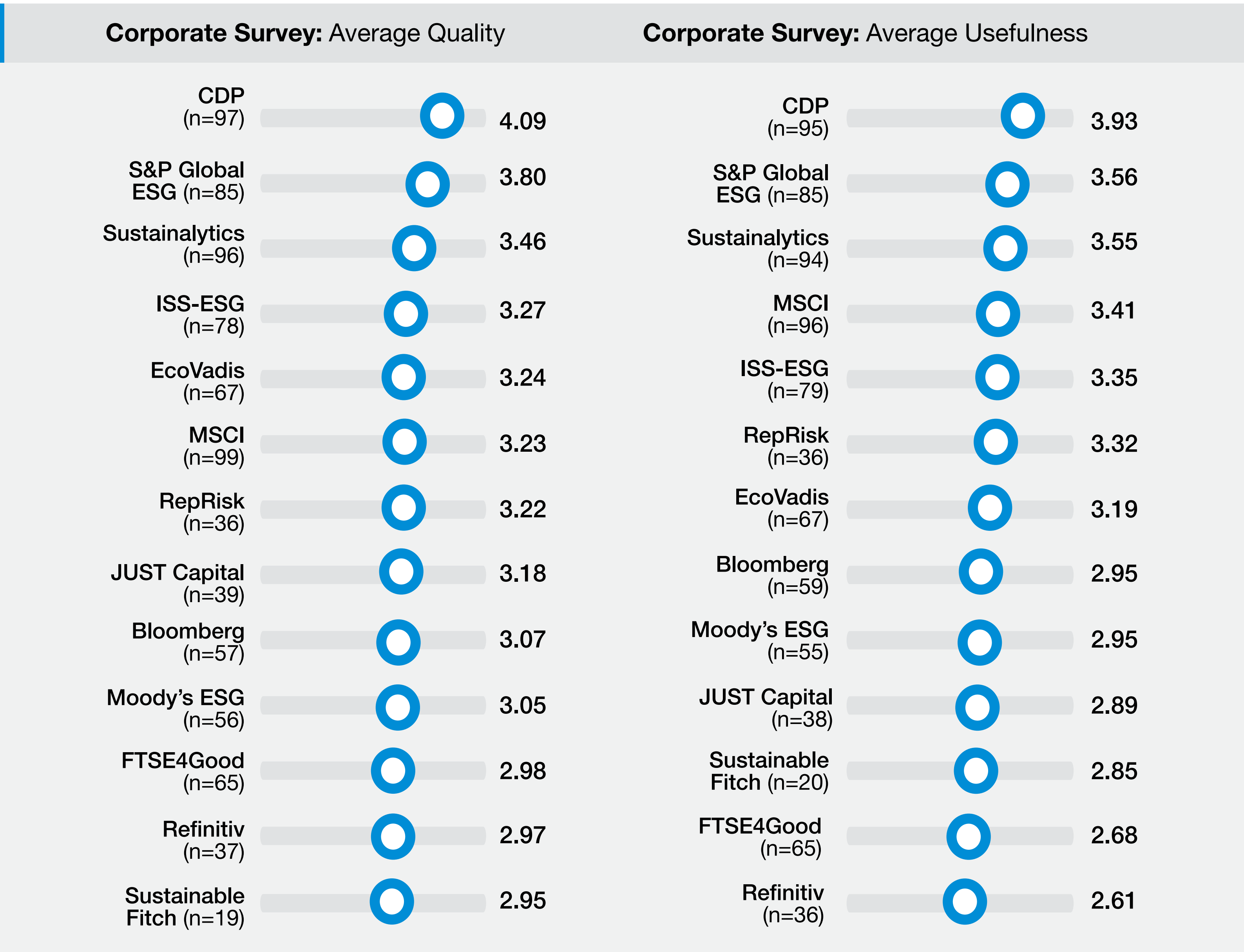


The chart above indicates the percentage of survey respondents who selected the options provided in their top three. Answers selected were not ranked from top to third choice, but rather identified as a top three selection.

4. The Corporate Survey

Corporate assessments of the quality and usefulness of different ESG ratings providers vary widely. The most well-known, and most respected, ratings providers are highly valued as signalers of companies' sustainability performance.

Figure 9
CDP and S&P Global Are Seen as Leaders on Usefulness and Quality

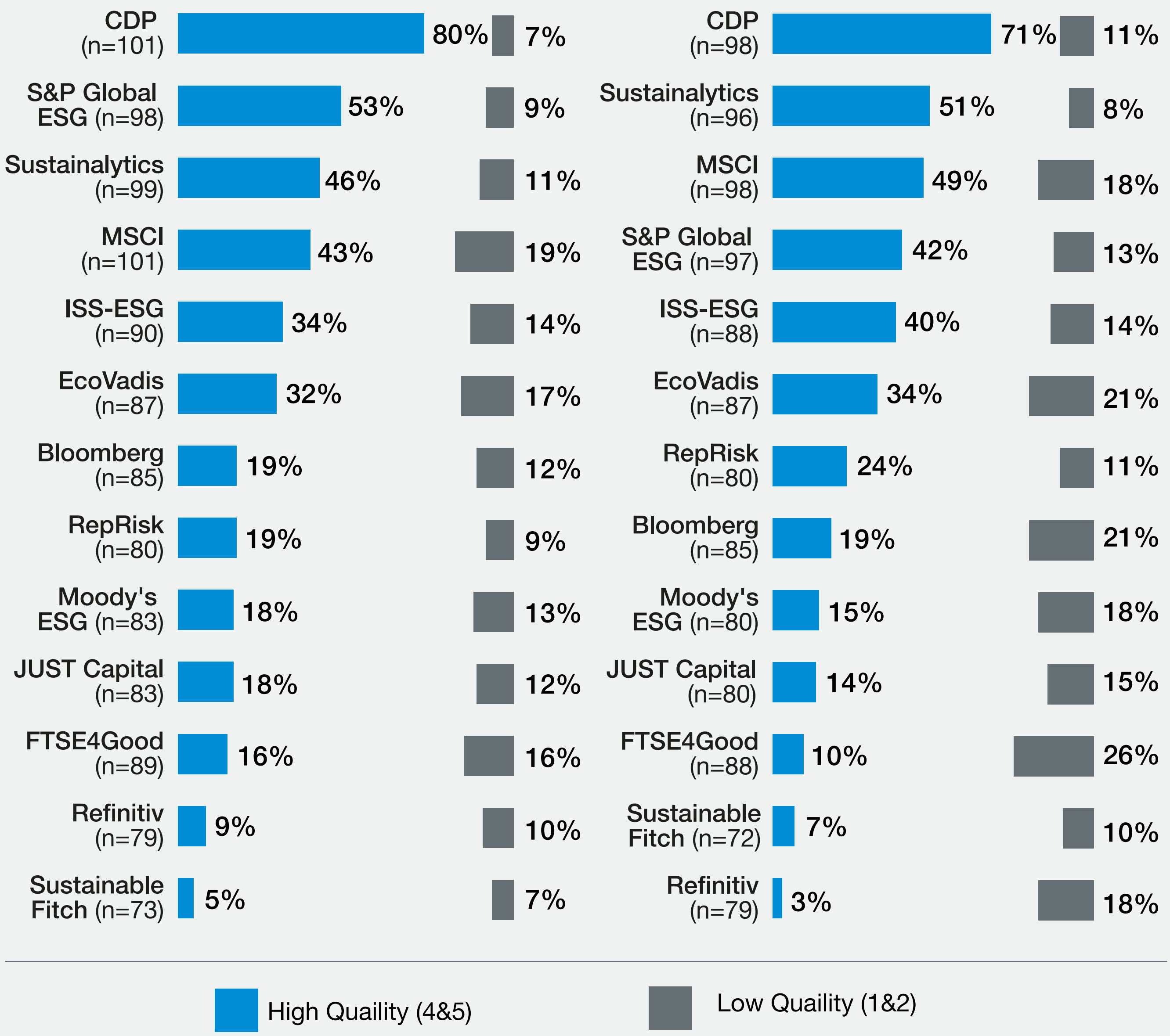


Respondents were asked to rate each ESG rating provider on a scale of 1-5 for both quality and usefulness. The above chart shows the ESG raters receiving the highest average scores in quality and usefulness among corporate respondents. n only includes those who scored 1-5.

Figure 10
Comparison of Corporate Views on Quality and Usefulness of Ratings

Corporate Survey: Ratings Quality (% of Participating Respondents)

Corporate Survey: Ratings Usefulness (% of Participating Respondents)



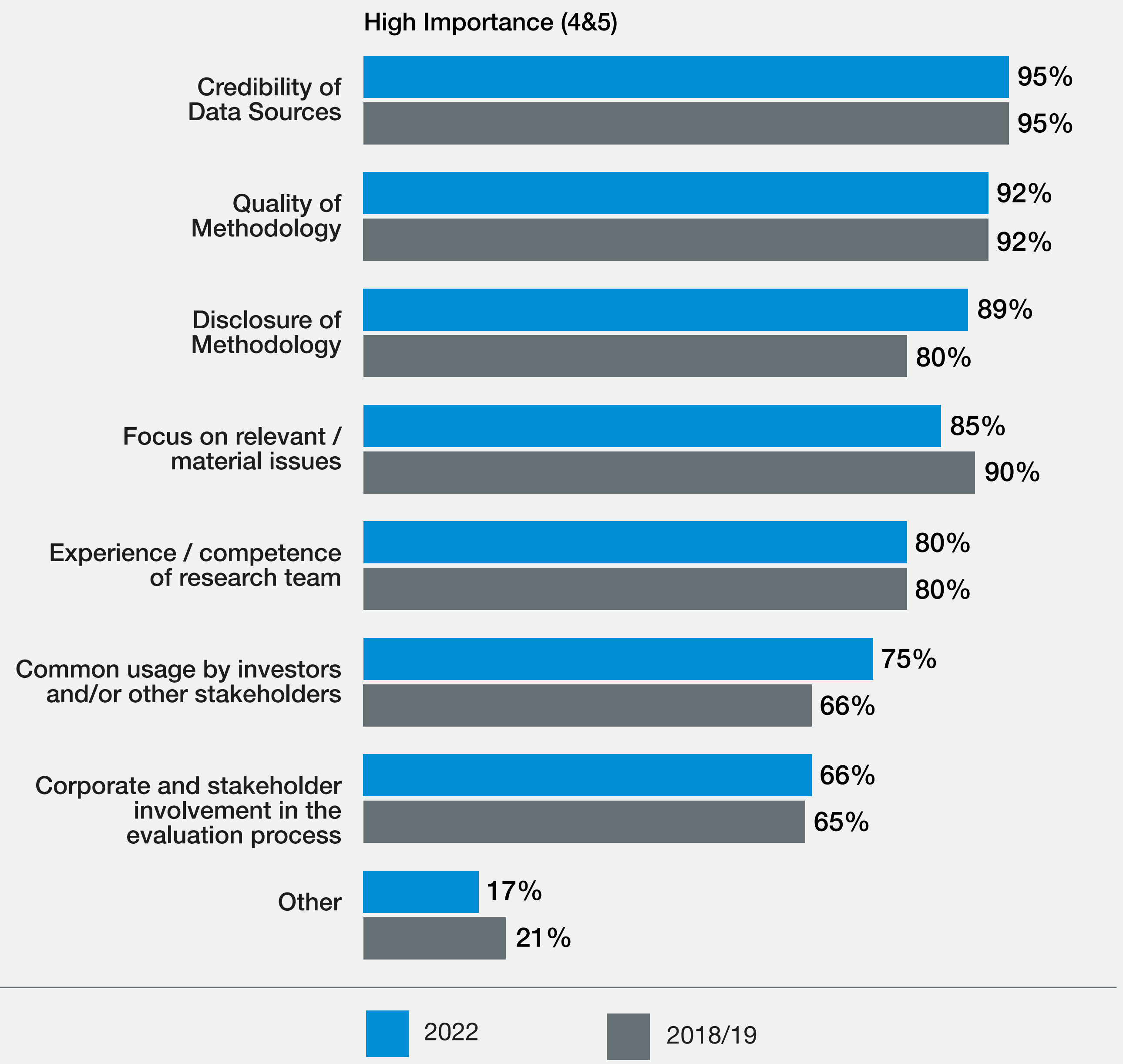
The chart above indicates the percentage of survey respondents who selected high quality / usefulness by responding with a 4 or 5 (blue) or low quality / usefulness with a 1 or 2 (grey) on a scale of 1 to 5. Figures demonstrate the percentage of participating respondents. Respondents who opted out of the question were not included in these calculations. n only includes those who scored 1-5 and “I don’t know”.

CDP and S&P Global CSA, both of which require companies to submit lengthy questionnaires, came out on top of the ratings from corporate survey respondents. They are the two most well-known “active” ESG raters, which are noted for requiring significant engagement from companies.

Respondents' first-hand experiences of the in-depth, detailed evaluation processes required for CDP and S&P Global CSA may be part of why they ranked them as higher quality and accuracy than ESG ratings providers that are more reliant on semi-automated gathering of public disclosure.

However, in 2023, S&P Global announced a methodology change.[9] This year's CSA questionnaire asked companies to provide links to public disclosures rather than inputting information to the CSA portal. As a result, companies will now be required to rely more on the S&P Global CSA analysts' accuracy in gathering information from public disclosure. Readers of this report and participants in the CSA ratings should monitor any effects that change might have going forward.

Figure 11
Factors Important to Corporates When Determining Quality and Usefulness



The chart above indicates the percentage of survey respondents who selected high importance by responding with a 4 or 5 on a scale of 1 to 5.

Corporate Familiarity With ESG Raters Varies Widely

The level of corporate familiarity with each rater varies a considerably. Corporate survey respondents were far more likely to offer opinions on the quality and usefulness of certain ratings providers than others.

The ESG raters that corporate respondents most often provided opinions about were MSCI, CDP, and Sustainalytics. This does not imply that respondents necessarily had the highest opinion of those raters. However, the fact that they were the most likely to offer an opinion can be used as an indicator of a greater familiarity with those raters.

Only 19 percent of corporate respondents provided a rating with their opinions of Sustainable Fitch, the lowest percentage of responses. Although Fitch is a well-recognized credit rating firm, its ESG rating products are new offerings with which many respondents may not yet be familiar.[10]

Table 4
Percentage of Corporate Participants Providing Responses on Quality and Usefulness of Ratings

ESG Ratings Provider	Average Corporate Respondents Scoring Ratings Provider
MSCI	94%
CDP	92%
Sustainalytics	91%
S&P Global ESG	82%
ISS-ESG	75%
EcoVadis	64%
FTSE4Good	63%
Bloomberg	56%
Moody's ESG	53%
JUST Capital	37%
Refinitiv	35%
RepRisk	35%
Sustainable Fitch	19%

The table above indicates the percentage of respondents participating in quality and usefulness scoring for the respective ratings provider. Response rates for the quality and usefulness metrics were averaged to calculate the overall percentages.

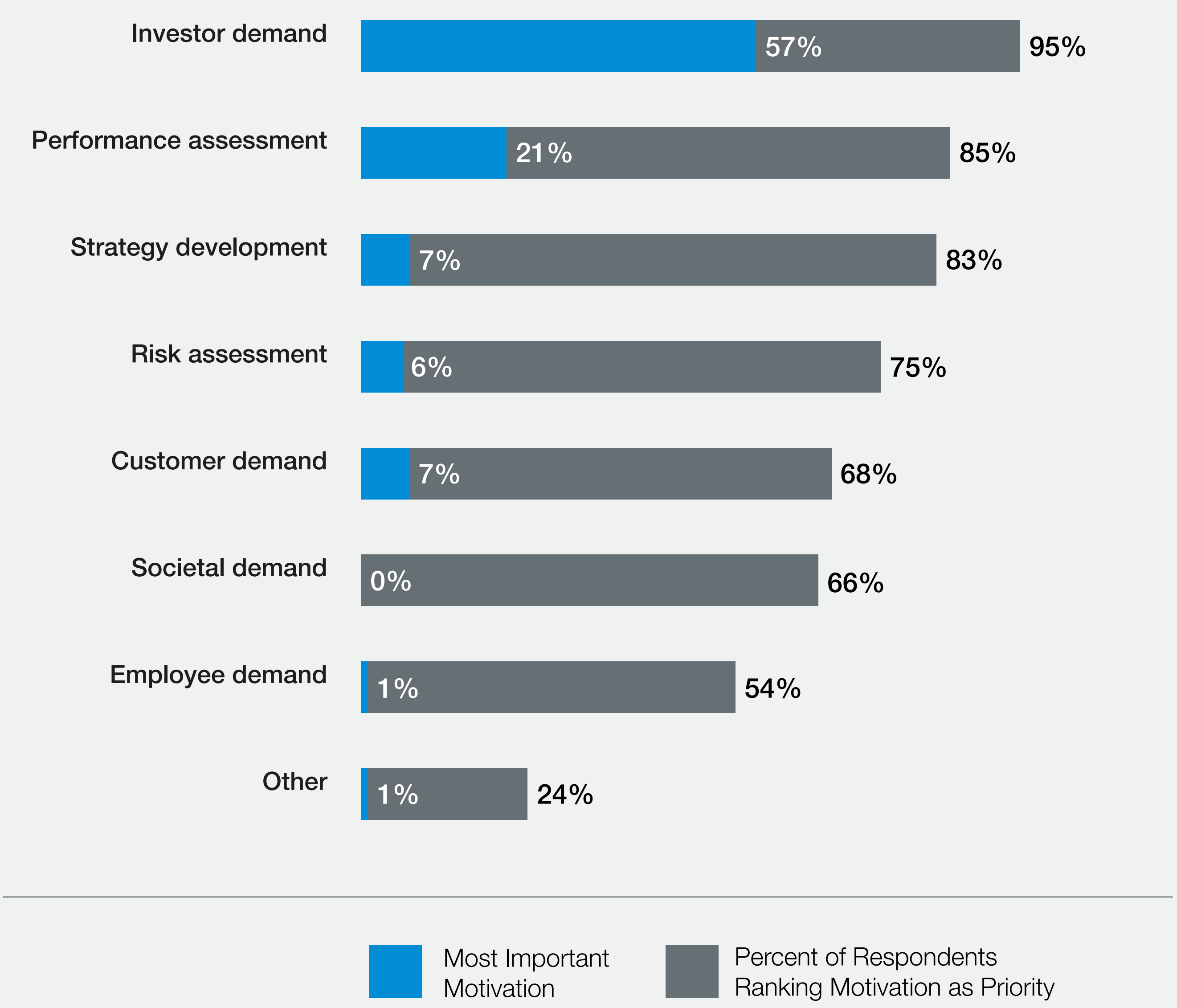
Investors Motivate Corporate ESG Ratings Participation

Most ESG ratings firms are built to serve investors and to operate as intermediaries between them and corporations on evaluations of sustainability performance, with investors using ESG ratings and data to evaluate corporations' ESG performance and risk.

Unsurprisingly, corporate respondents told us that investor demand is by far the top motivating factor for their ESG ratings engagement efforts. Investor demand not only had the highest average ranking, but it also received by far the most first-place rankings.

- **Ninety-five percent** of corporates say investor demand is a factor for them in engaging with ESG raters.
- **Fifty-seven percent** of corporates say investor demand is **the most important** reason for engaging with ESG raters.

Figure 12
Primary Motivations for Corporates Engaging With ESG Ratings



> "Part of my responsibility is working with investors, and they refer to the ESG ratings firms to understand what they're seeing on their screens. ESG has hit an inflection point—some raters are too big to ignore, and if you have the resources and time then you definitely need to tackle those."
>
> **– ESG Reporting Lead at Global Technology Company**

> "ESG ratings providers need to ensure that the data they are using is accurate. We have found instances where ESG ratings providers publish ESG scores and reports with incorrect or incomplete metrics, or don't take into consideration relevant corporate disclosures. Stakeholders utilize these ESG ratings, so it's crucial they contain decision-useful and accurate information."
>
> **– Regulatory Manager at U.S. Consumer Products Company**

Corporations Seek Commonality Between ESG Raters

Corporate interviewees noted that if there were more commonalities across ratings, it could improve how they rated those raters on quality and usefulness. Interviewees also noted that divergence between ratings made it more difficult to prioritize and track their companies' many ESG ratings.

> "We used to try to engage with all the rating firms we could, but our mandate as a sustainability team is much broader than managing ESG ratings and rankings. We're also working to implement sustainability solutions within our business across the triple bottom line. As the profile of sustainability teams becomes more integrated and material to the business, managing the accuracy of a growing number of ratings will only become more challenging. You have to be selective about how you spend your time and which firms you engage with."
>
> **– Director of Corporate Sustainability at U.S. Investor-owned Utility**

> "Each company views their ESG program uniquely, and it is difficult to fit each of their programs into the 'check the box' programs of many ratings providers. It's tough to get a full picture from just one rater's analysis given different weightings, methodologies, and analysis."
>
> **– ESG Reporting Lead at Global Technology Company**

Corporate Perceptions Have Changed

As a whole, 2022's corporate respondents rated ESG ratings providers to be of slightly lower quality and usefulness overall than the 2018/19 respondents did.

- **Quality ratings dropped slightly:** Corporate respondents' overall average quality rating for the composite of all ESG raters dropped from 3.54 out of 5 to 3.27 out of 5.
- **Usefulness ratings also dropped slightly:** Corporate respondents' overall average usefulness rating dropped from 3.34 out of 5 in 2018/19 to 3.17 out of 5 in 2022.
- **Rating criteria didn't change:** Corporate respondents were relatively consistent in their assessment of factors important in determining the quality, usefulness, and accuracy of an ESG rater.

On average, corporates surveyed in 2022 ranked more ESG raters as low quality* than in 2018/19. Responses showed:

- **CDP remains dominant:** CDP was the only rater to be deemed "high quality" by more companies now than in 2018/19, with a 13 percentage point increase. Similarly, companies' evaluation of its usefulness increased by 19 percentage points.
- **MSCI dropped the most:** Corporate respondents deemed MSCI "low quality" far more often than in 2018/19, with "low quality" scores increasing by nine percentage points.
- **Corporates are more ambivalent:** When asked about the quality of specific raters, on average respondents indicated "no opinion" or gave no response 37 percent of the time, a 22-point jump over 2018/19.
- **Raters have more haters:** Most of the raters assessed in both surveys received more "low quality" assessments from corporates in 2022 than they did in 2018/19.

Struggles over accuracy of ratings can damage corporate sustainability professionals' impressions of the quality and usefulness of ESG ratings. Some corporate sustainability professionals interviewed for this report also called out specific ESG raters for declines in the accuracy of specific ratings of their companies.

> "The data captured from our company is often incorrect, and we have to comb through ratings reports to find and fix errors. In one analysis of an ESG Data Provider, we found that over 50 percent of the information required adjustments."
>
> **– Sustainability Coordinator at South American Pulp and Paper Company**

*The survey asked all responses to indicate the quality of each ratings provider listed. See methodology appendix for scoring descriptions.

Figure 13
Corporate Responses of High Quality and Usefulness in 2022 and 2018/19

Corporate Survey: Quality Rankings

	2022	2018/19
CDP	1	1
S&P Global ESG	2	2
Sustainalytics	3	3
MSCI	4	4
ISS-ESG	5 ↑	6
EcoVadis	6 ↑	9
Bloomberg	7 ↓	5
RepRisk	8	-
JUST Capital	9	-
Moody's ESG	10 ↑	11
FTSE4Good	11 ↓	7
Refinitiv	12	-
Sustainable Fitch	13	-

Corporate Survey: Usefulness Rankings

	2022	2018/19
CDP	1 ↑	2
Sustainalytics	2 ↑	3
MSCI	3 ↑	4
S&P Global ESG	4 ↓	1
ISS-ESG	5 ↑	6
EcoVadis	6 ↑	8
RepRisk	7	-
Bloomberg	8 ↓	5
Moody's ESG	9 ↑	11
JUST Capital	10	-
FTSE4Good	11 ↓	7
Sustainable Fitch	12	-
Refinitiv	13	-

↑ improved ranking ↓ worsened ranking

This table compares the ratings that each ESG rater received in 2022 and 2018/19. It is calculated ranking the number of survey respondents scoring the respective rating firm a 'high' 4 or 5 score, whereas the previous tables were calculated using average score. It is important to note that many ESG rating firms change their product offerings frequently to meet investors' needs, and that several of the raters covered in 2022 have evolved considerably in the past four years. Also, note that some raters included in 2022 were not included in the 2018/19 survey.* ** n only includes those who scored 1-5 and "I don't know". Dash indicates "specific rating not measured in 2018/19".

* Rankings were determined based on the percent of respondents who scored the ratings provider with a 4 or 5. See methodology appendix for scoring descriptions.

**Note that Rate the Raters surveys asked respondents to rate the named ESG rating firms as entire entities. The survey did not provide options for respondents to differentiate between different rating products offered by the same firm. Temporal comparison was not possible for some ratings firms given available data

> "Given the limitations of most rater and ranker methodologies today, only those that require meticulous engagement via a questionnaire are rated Very High quality."
>
> **– Write-in comment, Sustainability and ESG Professional at North American Environmental Services Company**

> "In my view, none of the raters are more useful than 3-moderate. Of course, it depends how you rate useful? But if your methodology is behind closed doors, you're measuring year-on-year performance, and you aren't taking into account planetary boundaries and societal floors, then you aren't actually addressing the systemic sustainability issues that we face."
>
> **– Write-in comment, Sustainability and ESG Professional at European Mining Company**

5. The Evolution of Investor and Corporate Perceptions of ESG Ratings

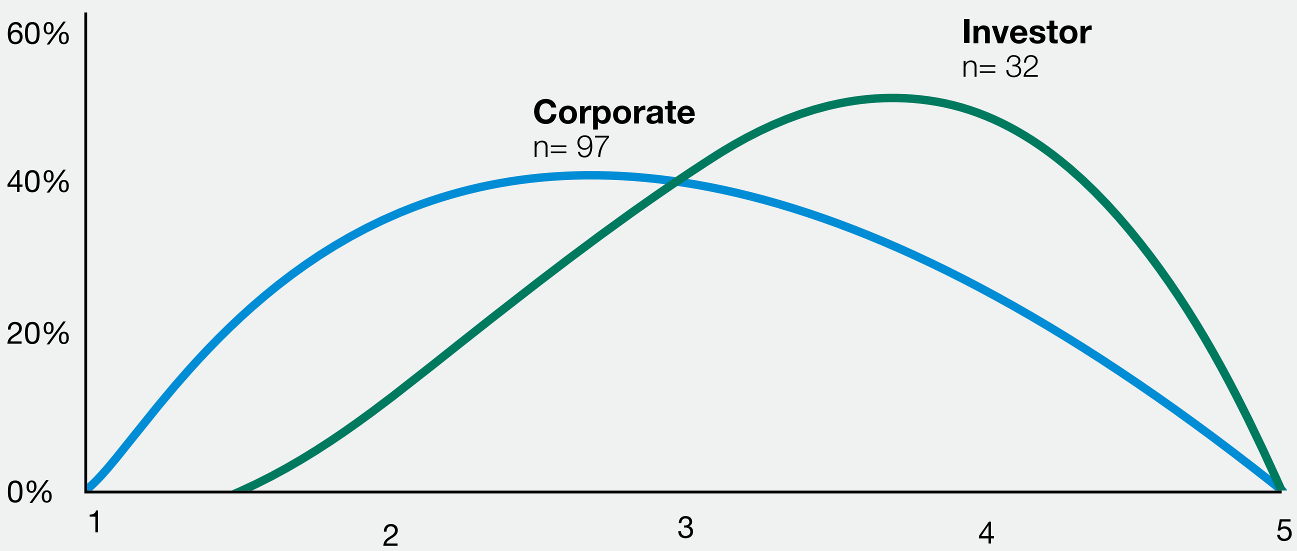
Rate the Raters compares how perceptions of ESG raters have changed over time and contributes to understanding of ESG raters' evolving role in the sustainable investing ecosystem.

Surveying corporates and investors at the same time provides enlightening findings about comparisons of the two groups' attitudes towards ESG raters. Their views on ESG rating providers differ from each other, which is to be expected as they interact with ESG ratings in such different ways. However, the divergence between the two sets of responses is striking.

Investors Have More Trust

Our survey responses indicated that investors generally trust ESG rating providers to accurately judge a company's performance on sustainability and ESG—more so than corporations do. ESG ratings are designed to meet the needs of investors, and investors are relying on ESG ratings in their investment decisions. Investors have moderate to high trust in the accuracy of those rating providers.

Figure 14
Trust in ESG Rating Providers' Accuracy



We asked both corporate and investor survey respondents to indicate on a scale of 1 to 5 how much they trusted ESG ratings providers to accurately assess corporate ESG performance. Investor respondents (green, n=32) indicated somewhat higher trust on average than corporate respondents (blue, n=97), but most respondents in both groups have moderate amounts of trust.

Investor and corporate survey respondents shared how much they trust ESG raters to accurately assess corporate sustainability performance.*

- Ninety-seven percent of investors indicated moderate to high trust in ESG ratings providers (59 percent moderate, and 38 percent high to very high).
- Seventy-twopercent of corporates indicated moderate to high trust in ESG ratings providers (52 percent moderate, and 20 percent high to very high).
- Twenty-nine percent of corporates scored trust as low or very low (1 or 2), compared to only three percent of investors.
- Thirty-eight percent of investor respondents found high trust (4 or 5) in ratings providers, compared to just 20 percent of corporates.

Investors incorporate ESG data and ratings into investment decisions, so they must be able to trust the information. Use of unreliable or unsupportable data in asset management decision making can result in regulatory actions and lawsuits, as well as reputational damage.

> "Inaccurate data can be a huge problem and can lead to us getting fined if we're holding something we're not supposed to be holding. There are regulations in place where if we make a commitment in a prospectus or a fund and somehow find out that we're not meeting that commitment, we may be required to pay out a fine or penalties if there is a material negative financial impact for the client."
>
> **– Director of ESG Integration at Global Asset Manager**

Corporates look most closely at their own ESG ratings and are primarily interested in the accuracy and completeness of the ratings of their own ESG performance. Except for peer benchmarking, corporates may not pay much attention to ESG ratings for other companies or be familiar with ratings for other industry sectors, geographies, or markets. Corporate dissatisfaction with ESG ratings accuracy, based largely on their experience of finding errors within ESG raters' analysis of their own performance data, diminishes their trust in ESG ratings overall.

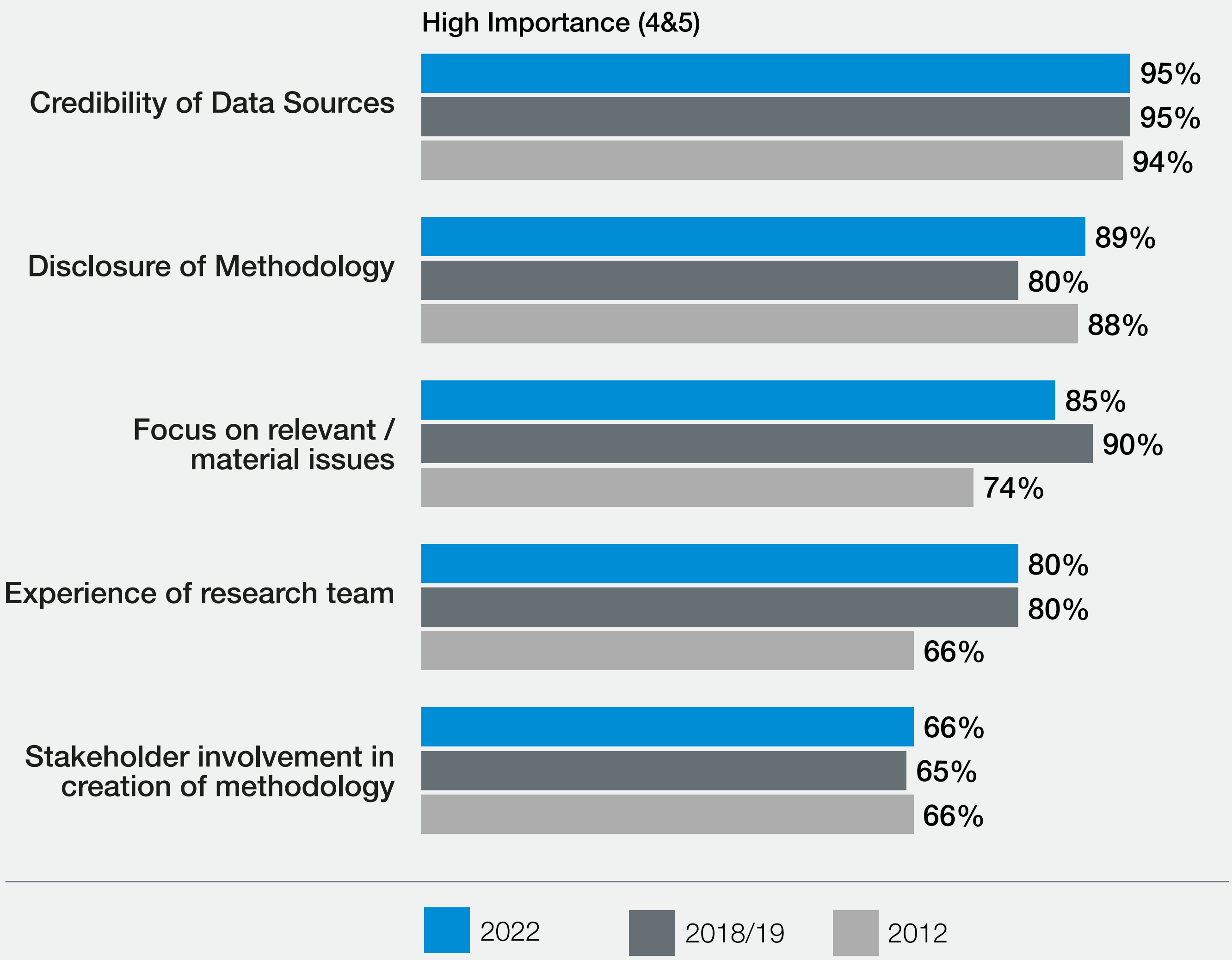
> "Our business covers a lot of different sectors, so sometimes raters will focus on just one or two of those sectors to compare us with companies in altogether separate industries. These companies and industries have very different material ESG issues, which can be a challenge for us when ensuring we're assessed by the most relevant and accurate criteria."
>
> **– ESG Manager at U.S. Media Company**

*"Moderate to high" scores include 3 or higher. See methodology appendix for scoring descriptions.

Changing Perceptions over a Decade

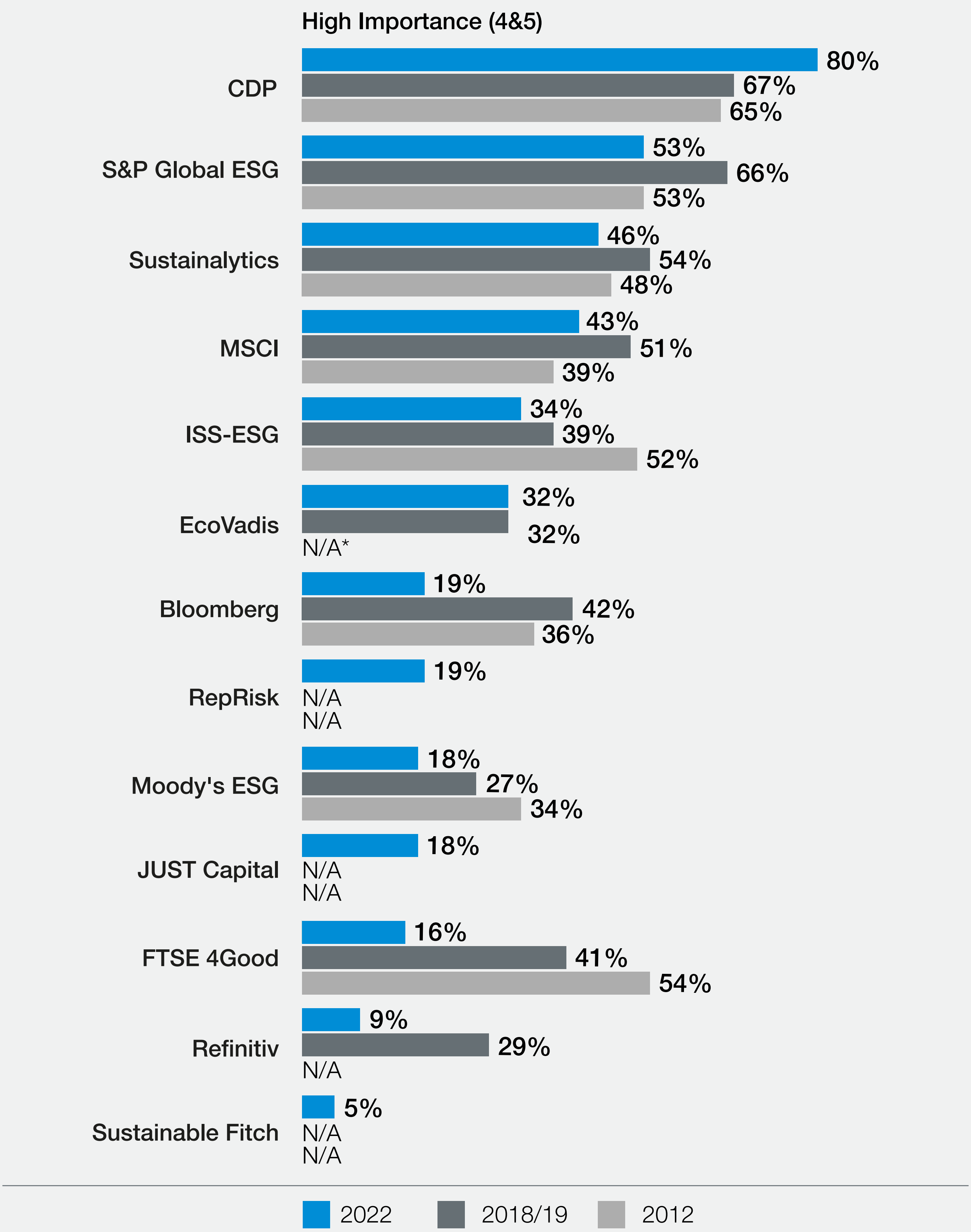
Rate the Raters 2012 research surveys are from a much different time in the world of sustainable investing. Remarkably, corporate respondents have been fairly consistent over this time in their estimation of the most important factors feeding into their estimation of the quality and usefulness of ESG rating providers.

Figure 15
Quality and Usefulness Factors – Corporate respondents



Even those ESG raters that are still operating under the same name now as in 2012 are likely different in many ways due to the effects of new product development and structural changes in the business. Nonetheless, patterns emerge in the scoring of specific ESG rating providers over the three survey periods, with CDP holding the top spot in all three eras.

Figure 16
Changing Corporate Views on High Quality Ratings



*N/A designations indicate that the raters were not included in the survey in prior years.

> "The ESG ratings space isn't the most transparent at this time. Not all ESG ratings providers are open to receiving indicator-specific comments or sharing scoring methodologies. For example, we've found some are willing to line up their analysis with our annual ESG reporting timeline, while others are not, and thereby are not providing investors and other stakeholders with the most up-to-date information"
>
> **– Regulatory Manager at U.S. Consumer Products Company**

6. Pain Points and Evolutionary Paths

The ESG ratings industry is at a crossroads. Raters need to meet increasingly exacting demands from investors and increasingly pointed criticism from corporations relating to current products. At the same time, many ESG raters are looking to expand and evolve offerings. What comes next for ESG raters will relate to other developments in the sustainable investing ecosystem. Flexibility and responsiveness will be key for raters seeking to stay relevant in a competitive marketplace that is becoming more regulated.

While investors and corporates use ESG ratings extensively, survey respondents and interviewees reported pain points, particularly related to the time and effort ratings require and their cost, while also calling for ratings quality and transparency to improve. In addition to the pain points, survey and interview participants and our research highlighted how raters and ratings will likely evolve, especially to serve private markets, respond to regulation, and become more global. These issues are explored below.

Time and Effort

The challenge for corporations participating in ratings is balancing the toll on internal resources against the potential benefit. Many interviewees noted engagement with ESG raters to correct errors or supplement data points is becoming increasingly time consuming and, at times, confusing.

Interestingly, the raters ranked highest by corporates are those that issuers most frequently engage including top-ranked CDP and S&P CSA. Conversely, while FTSE4Good, Refinitiv, and Sustainable Fitch require very little, if any, input from corporations during the rating process, they ranked the lowest on quality and usefulness for corporate respondents.

Corporates appear willing to devote time to engage ESG raters they perceive as higher quality and more useful. This increases the quality of those ratings and their utility for investors. Corporate respondents also want ESG ratings to consolidate in hopes that participation will then take less time and produce more consistent evaluations.

> “We have found that the ratings providers that take the time and effort to engage with companies end up giving a more accurate assessment. When we do find inaccuracies, it’s not always clear from the disclosed information what we have done wrong. It helps if providers engage with the companies they’re analyzing and disclose their methodologies and specific criteria on their detailed assessments.”
>
> **– Sustainability Development Coordinator at Japanese Automobile Manufacturer**

> "The ESG ratings space isn't the most transparent. Not all ESG ratings providers are open to receiving indicator-specific comments or sharing scoring methodologies. For example, we've found some are willing to line up their analysis with our annual ESG reporting timeline, while others are not, and thereby are not providing investors and other stakeholders with the most up-to-date information."
>
> **– Regulatory Manager at U.S. Consumer Products Company**

Value for Money

ESG ratings, analyses, and data aren't free. Corporates incur ratings-related costs including direct payments to raters for evaluations and benchmarks, employee time, consulting support, and digital tools. Publicly traded companies among survey respondents reported an average annual spend between $220,000 and $480,000* whereas private companies reported an average spend between $210,000 and $425,000* each year. Seventy-five percent of corporate respondents estimated their costs to be less than $1,000,000 per year.

Investors' spend acquiring information from ESG ratings varies and depends on the size and complexity of the firm, assets under management, and investing approach. Investor respondents indicated an average annual spend between $175,000 and $360,000,* with most investors reporting they spend under $250,000 per year.

While ESG rating costs borne by investors are done so voluntarily, the costs borne by corporations are mainly in response to external demands and expectations. Given the significant price points, it is essential that ESG raters deliver to the highest standards of quality and usefulness possible.

Quality and Transparency

Investors fear inaccurate data. If inaccuracies or misleading information are used to build an investment strategy or fund prospectus that causes a material negative financial impact for a client, the investor may be liable. As a result, investors want more transparency surrounding data analysis and more consistency and comparability across methodologies. For their part, corporates rely on accurate ESG ratings to provide investors and other stakeholders with a true picture of their performance. Corporates also hope that if ratings consolidate, then they will produce more consistent evaluations and require less time.

Some ESG ratings providers now use enhanced Artificial Intelligence (AI) and Natural Language Processing (NLP) approaches for ESG data gathering and analysis to improve the accuracy of the data and analysis that feed into ratings, but corporate survey respondents have yet to see a noticeable shift in the error rate. Improvements in both the human and automated analysis processes are needed to ensure better accuracy of the ESG data underlying ratings.

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*Note: average spend ranges were calculated with the assumption that maximum spend does not exceed $5,000,000. Responses were not adjusted to account for differences in the respondents' company size, sector, or sustainability budget, and findings are not adjusted to account for different asset size of investor respondents, varying needs among firms, or other factors.

> "ESG raters use AI systems to gather data, but are often capturing the wrong data from our materials, sometimes with over 50 percent incorrect information. Ratings providers and data aggregators need to increase their analyst workforce and improve their AI systems. Integrating things like keywords, UX, website architecture, and so on takes time and money, but without them, the AI systems may not pick up accurate information."
>
> **– Sustainability Coordinator at South American Pulp and Paper Company**

Private Markets Expansion

Because private firms are not subject to the same disclosure requirements as public corporations, ESG raters are unable to access all the data required to assess their sustainability performance.[11] Despite this, ESG ratings firms have begun to move into pre-IPO, private equity, and corporate bond spaces.

Some ESG raters cover pre-IPO companies, and startups may engage ESG ratings providers as a part of image-building processes. For example, Sustainalytics issued a high-profile Corporate ESG Risk Rating assessment of Allbirds that was used as a part of its pre-IPO publicity and referenced in its S-1 filing.[12,13]

Most ESG raters do not offer datasets tailored to private equity firms' needs. One exception is RepRisk, which provides due diligence insights on private companies for pre-acquisition due diligence, post-transaction monitoring, and ESG-related engagement.[14] Other ESG data and rating providers specializing in private equity are gaining ground and may be more active in the private equity space soon.

> "We don't use public ESG ratings as much as one might think, primarily because we are investing in private markets. This is changing though, as raters are starting to assess privately held companies. They are all reaching for new business models and exploring new applications for their platforms, and one of those areas is private markets; especially those companies owned by private equity who may go public soon."
>
> **– Director of Sustainable Investing at Global Private Equity Firm**

ESG factors are now more prominently considered as part of credit rating processes, although ESG factors in credit ratings are not ESG ratings or holistic assessments. Moody's and S&P Global ESG ratings are separate from their credit ratings, and the United Nations Principles for Responsible Investing has emphasized the importance of maintaining the separation of ESG ratings from ratings of creditworthiness.[15,16,17]

However, estimations and assumptions that feed into private company ratings can lead to wild misrepresentations and miscalculations of ESG risk. For example, TruValue Labs scored now-bankrupt cryptocurrency exchange FTX higher than ExxonMobil on 'leadership and governance' considerations, even though FTX only had a total of three members on its board (one of whom was the controversial CEO, Sam Bankman-Fried).[18]

Regulatory Pressure

ESG's prominence is bringing ESG ratings under new scrutiny. New regulations abound, including in the EU and UK, where the European Securities and Markets Authority (ESMA) and the UK's Financial Conduct Authority (FCA) have called for assessments of ESG ratings.[19,20] These new regulations aim to improve the accessibility, consistency, and comparability of corporate ESG data for investors, which also will improve data quality for ESG ratings. In the United States, where regulation is also increasing, debates on ESG investing are beginning to boil over at state and federal levels, requiring delicacy on the part of raters, investors, and corporates alike.[21,22]

> "We are closely monitoring changes in the regulatory landscape and how they will affect our ESG ratings in the future, including new regulations that may call for additional transparency and require companies to disclose certain information that was previously only used internally."
>
> **– ESG manager at U.S. Media Company**

Global Expansion

U.S.- and Europe-based asset managers dominate the sustainable investing field, and the most prominent and influential ESG rating providers are headquartered in North America and Europe.

The United States, European Union, and UK compel listed companies to disclose extensive data covering performance on a range of environmental and social indicators, which ESG ratings providers use to create reliable and consistent ratings.[23,24] In many emerging and/or low-disclosure markets, corporations disclose less, and ratings covering companies there are generally less reliable. Studies have also shown that emerging markets companies that do receive ESG ratings are often scored lower than comparable developed-market counterparts.[25] As a result, many global companies with limited ESG ratings coverage may find it more difficult to access North American and European investor capital.

> "Being outside of the U.S. or Europe can result in a regional misreading of local context, leading to unfavorable assessments from ESG ratings providers. Being in our region can indicate high risk, and we might get capped by methodologies compared to other companies in the same sector. Controversies are difficult for raters to adapt for each different region and context. These are often sensitive topics that investors might fear, making it difficult for investors and ratings providers to distinguish between good and bad companies."
>
> **– Sustainability Coordinator at South American Pulp and Paper Company**

> "Sometimes we get marked down in our ratings because of cultural differences. There may be something specific to our country rather than our company itself that, because of certain laws or customs, we may not address or act on. This cultural difference can ultimately impact our ESG rating even if it is law or custom in our own country."
>
> **– Sustainability Development Coordinator at Japanese Automobile Manufacturer**

7. Recommendations and Conclusion

Recommendations for ESG Raters

ESG ratings promise much and often underdeliver. To remain relevant and trustworthy, ESG raters must:

- Increase transparency by providing access to the full methodology behind ESG ratings.
- Improve responsiveness to corporate complaints and questions.
- Simplify participation by streamlining questionnaires and comment processes.
- Support interoperability by allowing corporations to reference existing disclosures and minimize reliance on rater-specific portals.
- Boost quality by ensuring that ratings as well as underlying sustainability data and analysis comprise reliable investment-grade information.

Recommendations for Investors

As ESG raters' main customers, investors are pivotal to making sure that ratings are accurate and useful. Investors need to:

- Ensure data quality by cross-checking information sources.
- Engage corporations to ensure that ratings accurately reflect sustainability performance.
- Engage ESG ratings providers to communicate recommendations on improvements in methodology and analysis.

Recommendations for Corporates

As the use of ESG ratings to evaluate corporate ESG performance increases, corporates need to understand how they can strengthen their ratings performance. Companies should:

- Prioritize ESG ratings based on how frequently their investors and other stakeholders use them.
- Engage priority ESG raters and use the analyses they produce to understand their ratings, identify opportunities for improvement, and ensure raters have the information needed to accurately assess the company.
- Adjust ESG disclosures and initiatives based on ESG rater engagement and feedback.
- Conduct ESG ratings reviews and peer analyses to improve ratings performance.
- Use ESG ratings to add insight to internal risk assessment processes.
- Shape sustainability disclosures using XBRL (eXtensible Business Reporting Language, a business information exchange platform) and other means to ensure accurate uptake by ESG rating providers' systems.

Conclusion: What's Next?

ESG rating providers are incredibly important – perhaps even more than is recognized given their familiarity. The sustainable investing ecosystem is now so large and multifaceted that what were once considered sustainable investing-specific practices are now widespread, positioning ESG ratings to influence broader conversations about corporate sustainability.

To maintain their position, ESG raters need to get better at explaining what they do and why they do it. While raters may communicate effectively with customers, the industry has mainly failed in communicating its value to the public writ large – which may be one reason pushback on ESG investing is peaking as this report comes to publication. To help ESG raters improve, corporates and investors need to be active participants in the data gathering and rating process. The more corporations and investors engage, the more accurate the ratings data, which makes it more useful for all stakeholders.

The role that the private sector must play in securing a just and sustainable future, and the power of investors to move corporations to act, has never been clearer. ESG ratings support this by analyzing, compiling, and translating complex corporate sustainability performance data into material investors and other stakeholders can use in decision making. Rate the Raters aims to provide useful insight about ESG rating providers to ensure that this industry meets its promise to hold corporations accountable and motivate them to improve sustainability performance.

Appendices

Appendix I: About the Report

Although prior Rate the Raters surveys were used as a foundation in developing the 2022 survey, changes in the ESG ratings landscape prompted certain changes in survey questions and answer options.

About Rate the Raters

Rate the Raters was launched in 2010, by SustainAbility, a think tank and sustainability strategy consultancy firm. Through a series of reports, the program was designed to better understand the ESG ratings landscape and provide perspectives to help companies, investors, and other stakeholders make sense of and derive more value from ESG ratings.

In 2017-2019, SustainAbility revisited this topic to provide an updated view of stakeholder perspectives and shed light on how ESG ratings were being used, as well as to identify challenges and provide recommendations. Building on quantitative survey inputs and qualitative interviews, two reports focused on corporate and investor perspectives, shedding the light on changes and trends that emerged since the project was launched, stakeholder views, and the challenges they faced.

This report represents the third wave of Rate the Raters research, and the first published since SustainAbility's acquisition by ERM. This research aims to spur further dialogue between investors, corporations, and ESG research/rating firms to improve the ESG ecosystem for all stakeholders.

Criteria for survey inclusion:

ESG rating providers selected for inclusion in Rate the Raters surveys are those that define the field today and considered to be the dominant players in the industry at the time of the survey. The landscape of ESG ratings in 2022 differs in many respects from 2018/19, when the last Rate the Raters surveys were conducted.

In a reflection of the field's evolution, the selection of ESG rating providers chosen for inclusion in the 2022 survey includes four additional raters not included in the prior surveys. Although the current survey broadens the scope over past years, it is not exhaustive. Excluded raters include those prominent in specific industry sectors or geographies, or with specific stakeholders or investors, but which have not yet reached the level of universality to be included in the 2022 survey.

Figure 16
Ownership Structure of the ESG Rating Industry in 2023

Owned by financial data firms	Independents	Owned by stock markets	Owned by credit raters
Bloomberg	ecovadis	ISS ESG	S&P Global Ratings
SUSTAINALYTICS	RepRisk	REFINITIV	Sustainable Fitch
MSCI	JUST capital	FTSE4Good	Moody's ESG Solutions
	CDP		

As sustainable investing has matured, and the value of ESG data has become more apparent, mergers and acquisitions within the ESG rating industry have simplified the landscape. ESG raters have sorted into four main categories of ownership: independent firms, those owned by stock markets, financial data firms, and credit rating firms. These differing ownership structures reflect differing aims and methods of the ESG raters themselves.

Comparative analyses of raters:

Major ESG raters increasingly offer a broad range of rating products under a single umbrella brand, and different rating products from the same provider may include overlapping components. As a reflection of this change in the market, the 2022 Rate the Raters surveys focused on assessments of entire ESG rating providers, rather than focus on a single rating product produced by a rater, as the 2018/19 surveys did. Where possible, the surveys asked respondents to rate entire ESG raters, and in cases where the provider's name could create confusion, the survey specified a rating product or subsidiary (for example, S&P Global ESG, Sustainable Fitch).

For comparative analyses between 2022 and prior years, the survey results for a rater's specific rating product in prior surveys were considered to be stand-ins for the entire rating provider. ISS-Oekom Corporate Rating and ISS QualityScore ratings were assessed separately in 2018/19; for the purposes of this report, scores were consolidated for comparative analysis by averaging the two results, enabling comparison to the 2022 survey's "ISS-ESG" response option.

Several raters covered in Rate the Raters surveys have operated under different names in different years, due to acquisition or rebranding. For simplicity, comparative analyses within this research report have used the current names of all ESG rating providers when referring to 2018/19 data.

Survey methodology:

The 2022 survey was developed using the survey platform Alchemer and was distributed to over 1,400 corporate sustainability professionals and 450 investment professionals across 20 industries, six asset classes, and 29 countries. Survey links were distributed by conduits including email lists, social media, professional networks, and two 2022 Rate the Raters blog publications. Data was collected between 21 September and 11 November 2022, resulting in responses from 104 corporate and 33 investor respondents.

The responses were reviewed to ensure data quality and to eliminate outliers and invalid responses. The resulting refined dataset was subjected to in-depth analysis using Microsoft Excel, yielding the insights presented in the report. ERM data scientists conducted additional statistical analysis, providing supplementary context and insights through the identification of trends and relationships among respondents.

Scoring terminology: For certain questions in the survey, respondents were asked to provide their answers in the form of 5-point scale, described as a scale "where 1 is not important and 5 is very important," "1 being the lowest and 5 being the highest," or "1 is very low quality / usefulness and 5 is very high quality / usefulness."

In the analysis and discussion of these results, the scoring terminology for the numbers is referenced as follows:

Score of 1: very low.
Score of 2: low.
Score of 3: moderate.
Score of 4: high.
Score of 5: very high.

Interviews and consultations: Following the survey, the Rate the Raters research team conducted a series of in-depth interviews with a pool of corporate and investor experts selected for diversity of industry sector and geography. Quotes appearing in this research report were taken from those interviews, as well as from the written comments submitted by survey respondents. Eight sustainability experts at major corporations and three sustainable investing professionals were interviewed from a variety of geographies, sectors, and investment strategies.

Members of ERM's ESG Ratings Working Group were convened in December of 2022 to review preliminary findings of the Rate the Raters survey and provide more in-depth insights into the state of the ESG Ratings landscape. This 'Chatham House Rules' conversation allowed for the Rate the Raters team to gather further insights from several survey respondents and ultimately influenced the direction of report development. Though no quotes from this session are directly attributed in the text, the influence of the working group is seen throughout this year's Rate the Raters update.

About the ESG Ratings Working Group

The SustainAbility Institute has conducted the ESG Ratings Working Group since 2020, facilitating conversations between corporate working group members and representatives from ESG ratings providers, disclosure frameworks, regulators, and other relevant stakeholders. The working group was designed to help members address ESG disclosure challenges and improve the flow of ESG data from their companies to investors, creditors, insurers, and lenders. The working group consists of approximately three dozen large, publicly listed North American companies.

If you are interested in joining the ESG Ratings Working Group, please reach out to Director of the SustainAbility Institute Mark Lee at mark.lee@erm.com for further information.

Appendix II: Corporate and Investor Survey Questions

Corporate Survey

Page 1: Introduction

Thank you for taking the time to contribute your insights to our survey on ESG ratings. This survey is part of the SustainAbility Institute's ongoing research that aims to identify how ratings are currently used and provide recommendations on how to improve their quality and transparency. Results from this survey will be used to inform the 2022/2023 Rate the Raters report series.

For the purpose of this survey, corporate sustainability/ESG ratings (also known as "corporate sustainability ratings") are defined as score-based evaluations of companies providing a comparative assessment of their performance on environmental, social, and/or governance issues. Indices and rankings are excluded from this research.

This survey is primarily aimed at corporate issuers, but we welcome responses from private companies as well. This survey contains up to 12 questions and should take about 10 minutes to complete. If you do not know the answer to a question, please ignore it and move on to the next one.

Please note that all answers will remain anonymous, and that personal information collected will be kept confidential.

Please use the arrows within the survey and do not use your back browser button.

Page 2: Respondent demographics

1. **Participating in this survey will guarantee you an invitation to an exclusive survey respondent webinar featuring ERM's ESG researchers. Please enter your contact information below.**

   Results from the survey will be anonymous and personal information gathered will be kept confidential.

   a. Name
   b. Organization
   c. Title
   d. E-mail address

2. **How many years of experience do you have as an ESG or sustainability professional?**
   a. 2 years or less
   b. 3-4 years
   c. 5-10 years
   d. 10+ years

3. **In what region is your organization headquartered?**
   a. Africa
   b. Asia
   c. Australia / Oceania
   d. Europe
   e. Middle East
   f. North America
   g. South America

4. **What is your organization's operational sector?**
   a. Academic
   b. Corporate
   c. Government
   d. NGO
   e. Service
   f. Other

5. **If you answered 'corporate' or 'service' for Question 4, is your organization publicly traded?**
   a. Yes
   b. No

6. **Companies use ESG ratings for a variety of reasons, including those listed below. Please rank the reasons below in order of importance to your company.**

   If your firm does not use ESG ratings, please move on to the next question.

   a. Investor demand
   b. Customer demand
   c. Employee demand
   d. Performance assessment
   e. Risk assessment
   f. Societal demand
   g. Strategy development
   h. Other (please specify in the comments box)

7. **How many ESG ratings agencies does your organization actively engage?**

   Engagement activities may include filling out questionnaires, providing data, engaging in communications, etc.

   a. None
   b. 1 or 2
   c. 3 to 5
   d. 6 to 10
   e. More than 10

8. **On a scale of 1 to 5, with 1 being the lowest and 5 being the highest, how much do you trust ESG ratings agencies to accurately judge a company's sustainability performance?**
   a. Sliding scale 1 to 5

Page 4: ESG ratings quality

9. **Please rate the importance of each of the following factors when determining the quality, usefulness, and accuracy of an ESG rating.**

   Please use a 5-point scale where 1 is not important and 5 is very important.

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

10. **Taking into account all of the ratings products generated by each rater, please rate the following ESG ratings agencies based on their quality and usefulness.**

    Please use a 5-point scale, where 1 is very low quality / usefulness and 5 is very high quality / usefulness. Only rate the ratings that you are familiar with. If you are unfamiliar with the rating, please select "I don't know."

    If you score any agencies as a 5 for either quality or usefulness, please explain why in the comments box.

    a. CDP
    b. Refinitiv
    c. Moody's ESG
    d. Sustainable Fitch
    e. FTSE4Good
    f. RepRisk
    g. EcoVadis
    h. JUST Capital
    i. S&P Global ESG
    j. MSCI
    k. Bloomberg
    l. Sustainalytics
    m. ISS-ESG

11. Please estimate the cost range ($USD) your organization spent on activities related to ESG ratings for the year 2021. These costs may include, but are not limited to:

ESG ratings & data provider fees & subscriptions: all costs for external services your firm uses to acquire information related to ESG ratings, data, and analysis (e.g., subscription costs to an ESG ratings agency, Bloomberg Terminal, etc.)

External ESG consulting: all costs for external services your firm uses to analyze or implement ESG-related information (e.g., ESG Advisory consulting services, external auditing & verification services, etc.)

In-house expertise: all costs associated with internal employees and teams working directly with ESG ratings, data, and strategy (e.g., ESG research analyst, ESG reporting and disclosure activity, etc.)

a. $0
b. Up to $50,000
c. $50,001 - $100,000
d. $100,001 - $250,000
e. $250,001 - $500,000
f. $500,001 - $1,000,000
g. $1,000,001 - $2,000,000
h. Other (specific amount)
i. I don't know

Page 5: Future of ESG ratings

12. Please rank the options below in the order of what you would like to see happen in the next five years to ensure ESG ratings better serve companies, investors, and other stakeholders.

a. Improved quality and disclosure of methodology
b. Consolidation of ratings
c. Greater consistency and comparability across ratings methodologies
d. Greater focus on relevant/material issues
e. Greater engagement of rated companies in evaluation processes
f. Better linkage to company financial performance
g. Further integration of artificial intelligence in data collection and analysis processes
h. Regulation of ESG ratings and assessment processes
i. Greater alignment with leading disclosure frameworks (TCFD, SASB, GRI, etc.)
j. Other (please specify in the comments box)

Investor Survey

Page 1: Introduction

Thank you for taking the time to contribute your insights to our survey on ESG ratings. This survey is part of the SustainAbility Institute's ongoing research that aims to identify how ratings are currently used and provide recommendations on how to improve their quality and transparency. Results from this survey will be used to inform the 2022/2023 Rate the Raters report series.

For the purpose of this survey, corporate sustainability/ESG ratings (also known as "corporate sustainability ratings") are defined as score-based evaluations of companies providing a comparative assessment of their performance on environmental, social, and/or governance issues. Indices and rankings are excluded from this research.

This survey contains up to 15 questions and should take about 10 minutes to complete. If you do not know the answer to a question, please ignore it and move on to the next one.

Please note that all answers will remain anonymous, and that personal information collected will be kept confidential.

Please use the arrows within the survey and do not use your back browser button.

Page 2: Demographics

1. **Participating in this survey will guarantee you an invitation to an exclusive survey respondent webinar featuring ERM's ESG researchers. Please enter your contact information below.**

   Results from the survey will be anonymous and personal information gathered will be kept confidential.

   a. Name
   b. Organization
   c. Title
   d. E-mail address

2. **What type of investor is your firm? Please select all that apply.**

   a. Asset management or investment advisory
   b. Bank
   c. Endowment
   d. Hedge fund
   e. Insurance company
   f. Mutual fund
   g. Pension fund
   h. Other (please specify)
   i. I am not an investor

3. **What are your firm's total assets under management (AUM) in $USD?**

   a. Under $100 million
   b. $100 million to $1 billion
   c. $1 billion to $100 billion
   d. $100 billion to $500 billion
   e. $500 billion to $1 trillion
   f. Over $1 trillion

4. **In what region is your organization headquartered?**

   a. Africa
   b. Asia
   c. Australia / Oceania
   d. Europe
   e. Middle East
   f. North America
   g. South America

Page 3: ESG ratings data utilization

5. **Which sources of information on corporate ESG performance does your firm find most useful when making investment decisions? Please select your top three.**

   a. Direct engagement with companies
   b. Corporate sustainability reports
   c. ESG information disclosure in filings for securities authorities (e.g., SEC in the U.S., ESMA in the EU, etc.)
   d. Corporate ESG ratings (I.e., score-based evaluations of companies that provide an assessment of ESG performance such as MSCI, Sustainalytics, etc.)
   e. Corporate ESG rankings (I.e., lists that classify companies based on their performance and rank them in an order or grouping based on a specified grading system such as Corporate Knights Global 100)
   f. In-house research
   g. ESG information from third-party data providers
   h. Media (including news aggregators)
   i. Government or regulatory agency databases
   j. My firm does not incorporate ESG data when making investment decisions
   k. Other (please specify)

6. **How often does your firm use ESG ratings products and services (e.g., raw data, analysis, or scores) in your investment process?**

   a. Very regularly (multiple times per week)
   b. Regularly (at least once a week)
   c. Sometimes (once or twice a month)
   d. Rarely (a few times a year)
   e. Never

7. **If your firm does use ESG ratings products and services very regularly, regularly, or sometimes, how many separate ratings agencies do you utilize in your investment processes?**

   a. 1 or 2
   b. 3 to 5
   c. 6 to 10
   d. More than 10

8. If your firm does use ESG ratings very regularly, regularly, or sometimes, why and how? Please pick your top three reasons.

a. I am required by my organization to integrate corporate ESG ratings into investment analysis and decision-making
b. There is a growing demand by key stakeholders, including clients, to use the ESG information provided by ESG ratings
c. ESG ratings provide information / data that is material to investment performance
d. ESG ratings are a credible/quality source of information on corporate ESG performance
e. ESG ratings supplement my organization's other research on corporate ESG performance/risk
f. My firm derives reputational benefit from using ESG ratings
g. Other (please specify)

9. If your firm rarely or never uses ESG ratings, why?

a. Lack of interest in ESG-related information on companies
b. ESG data analysis falls outside of my role / remit
c. ESG ratings do not provide the relevant information / data that I need on corporate ESG performance
d. ESG ratings do not focus on material issues
e. ESG ratings' methodologies are not high quality enough
f. ESG ratings' methodologies are not transparent
g. I use other sources (e.g., company sustainability reports, interviews, etc.) to gather information on company ESG performance
h. Other (please specify)

Page 4: ESG ratings quality

10. Please rate the importance of each of the following factors when determining the quality, usefulness, and accuracy of an ESG rating. Please use a 5-point scale where 1 is not important and 5 is very important.

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

11. On a scale of 1 to 5, with 1 being the lowest and 5 being the highest, how much do you trust ESG ratings agencies to accurately judge a company's sustainability performance?

a. Sliding scale 1 to 5

12. Taking into account all of the ratings products generated by each rater, please rate the following ESG ratings agencies based on their quality and usefulness.

Please use a 5-point scale, where 1 is very low quality / usefulness and 5 is very high quality / usefulness. Only rate the ratings that you are familiar with. If you are unfamiliar with the rating, please select "I don't know."

If you score any agencies as a 5 for either quality or usefulness, please explain why in the comments box.

a. CDP
b. Refinitiv
c. Moody's ESG
d. Sustainable Fitch
e. FTSE4Good
f. RepRisk
g. EcoVadis
h. JUST Capital
i. S&P Global ESG

j. MSCI
k. Bloomberg
l. Sustainalytics
m. ISS-ESG

13. Please rank the following reasons why your firm uses ESG ratings in order of preference, where the first selection is the primary reason your firm uses ESG ratings.

If your firm does not use ESG ratings, please move to the next question.

a. As a basis for engagement with companies on their ESG performance / to push companies to improve ESG performance
b. As a basis for further in-house research on corporate ESG performance
c. To determine companies or sectors to exclude from a fund / portfolio (negative screening)
d. To determine companies or sectors to include in a fund / portfolio (positive screening)
e. To determine corporate ESG performance relative to peers (best-in-class)
f. To select companies that will improve the ESG performance of an existing portfolio (tilt)
g. Other (please specify in the comments box)

14. Please estimate the cost range ($USD) your organization spent on activities related to ESG ratings for the year 2021. These costs may include, but are not limited to:

ESG ratings & data provider fees & subscriptions: all costs for external services your firm uses to acquire information related to ESG ratings, data, and analysis (e.g., subscription costs to an ESG ratings agency, Bloomberg Terminal, etc.)

External ESG consulting: all costs for external services your firm uses to analyze or implement ESG-related information (e.g., ESG Advisory consulting services, external auditing & verification services, etc.)

In-house expertise: all costs associated with internal employees and teams working directly with ESG ratings, data, and strategy (e.g., ESG research analyst, ESG reporting and disclosure activity, etc.)

a. $0
b. Up to $50,000
c. $50,001 - $100,000
d. $100,001 - $250,000
e. $250,001 - $500,000
f. $500,001 - $1,000,000
g. $1,000,001 - $2,000,000
h. Other (specific amount)
i. I don’t know

Page 5: Future of ESG ratings

15. Please rank the options below in the order of what you would like to see happen in the next five years to ensure ESG ratings better serve companies, investors, and other stakeholders.

a. Improved quality and disclosure of methodology
b. Consolidation of ratings
c. Greater consistency and comparability across ratings methodologies
d. Greater focus on relevant/material issues
e. Greater engagement of rated companies in evaluation processes
f. Better linkage to company financial performance
g. Further integration of artificial intelligence in data collection and analysis processes
h. Regulation of ESG ratings and assessment processes
i. Greater alignment with leading disclosure frameworks (TCFD, SASB, GRI, etc.)
j. Other (please specify in the comments box)

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About The SustainAbility Institute by ERM

The SustainAbility Institute is ERM's primary platform for thought leadership on sustainability. The purpose of the Institute is to define, accelerate, and scale sustainability performance by developing actionable insight for business. We provide an independent and authoritative voice to decode complexities. The institute identifies innovative solutions to global sustainability challenges built on ERM's experience, expertise, and commitment to transformational change.

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