
Tips for Developing a Strategy to Enhance Your ESG Ratings

The abundance of environmental, social and governance (ESG) ratings providers in the marketplace can be complex for companies to navigate. Aon has tips to help you manage various ratings and enhance your overall ESG strategy.

Since 1999, when the world's first global sustainability index was introduced, ESG risks have steadily moved to the top of the agenda for many investors, shareholders, and regulators. Today, insurance companies and proxy advisors increasingly rely on ratings to assess a company's exposure to long-term ESG risks.

For many companies, the primary goal should be progressing effectively from a [practical to tactical approach](#) to managing and disclosing ESG information. The proactive management of ESG reporting and disclosures benefits organizations that are new to ESG ratings, ensuring that ratings providers have access to accurate information for their ratings calculations.

Before determining whether to interact with ESG ratings providers, companies should look to address two main challenges: sorting through the different ESG ratings and methodologies in the marketplace and dedicating the resources necessary to manage ESG data verification opportunities.

Here are several steps you can take to manage your company's ESG ratings, identify topics of priority and stay ahead of financial stakeholder scrutiny and expectations.

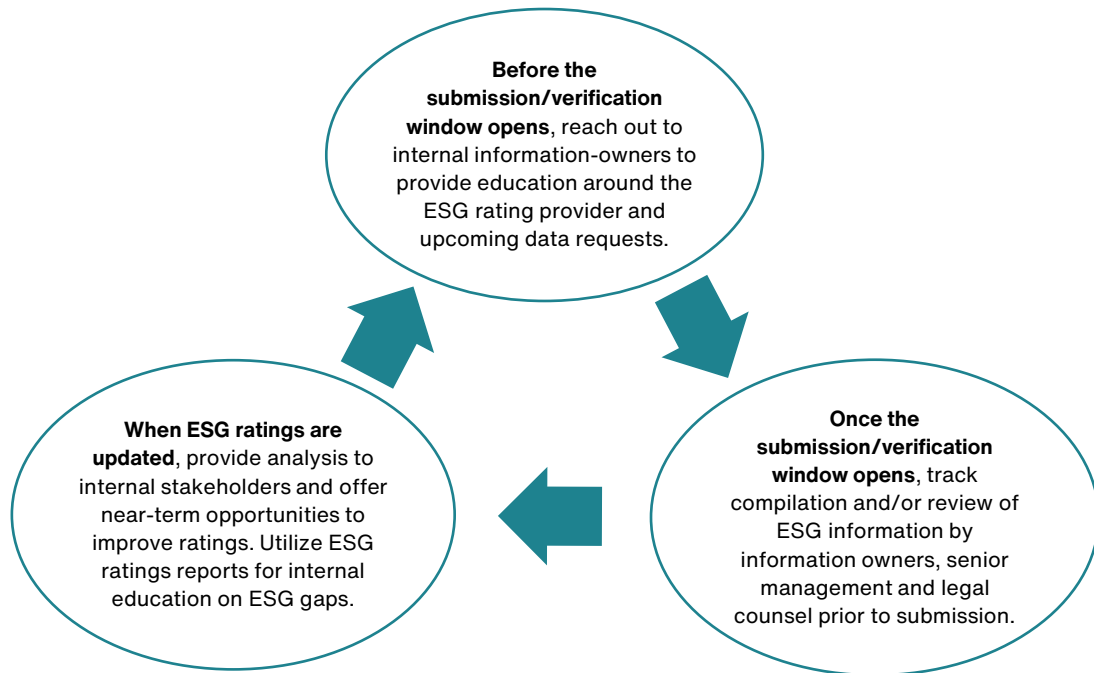
Decide What ESG Rating Providers Merit Your Primary Focus

The first step you should take is deciding what ESG ratings providers to prioritize. Consider the following questions when determining which ratings providers to engage with:

- **What is Your Company's Primary Purpose in Engaging an ESG Ratings Provider?** You might be looking to inform investors about ESG practices, improve your rating, identify an accurate ESG benchmark for internal strategy or conduct an ESG gap analysis. Establishing the primary goal(s) you want to accomplish through engagement can help you maintain focus as you work through different ESG ratings providers, data points and methodologies.
- **What ESG Ratings Providers are Most Relevant to Your Industry, Stakeholder Influence and Governance Priorities?** Investors and insurance companies might be most concerned with firms that serve as ESG dataset providers, like CDP, DJSI and MSCI ESG Indexes. Other providers like S&P Global, ESG Book, Sustainalytics are increasingly used as directional datasets by financial stakeholders as well.
- **What is Your Company's Capacity to Engage With ESG Ratings Providers?** Providers require varying degrees of your time to explain the company's business and its programs, so determining in advance what providers require more information and what resources might be available internally will increase the likelihood of successful engagement with the ratings providers your company chooses to prioritize.

We encourage companies to ask these questions while considering the representative listing of ESG ratings providers provided at the end of this article (see Appendices A, B and C). We have grouped these ESG ratings providers into tiers based on their reach and your opportunity to verify company data.

Figure 1 – Establish a Process for Managing ESG Ratings



Source: Aon

Improve Your ESG Disclosure Strategy

Once you have prioritized ratings providers for engagement, the more resource-intensive work of improving your organization's ESG ratings can take shape. We encourage you to consider these organizational goals and actions:

- **Encourage Greater Transparency and Accessible Disclosure of Material Impacts.** Streamline reporting of ESG information into an ESG framework offered by the Sustainability Accounting Standards Board (SASB) or the Task Force on Climate-Related Financial Disclosures (TCFD). Your company might improve ratings by making more of your ESG-related strategies, policies, metrics and oversight disclosures easily accessible. Look to industry leaders, regulators, listing exchanges, investor preferences and ESG ratings providers' surveys for guidance on additional disclosure and where to disclose the information.
- **Lighten the Load for ESG Analysts.** Ensure your ESG information details specific company initiatives, business coverage and outcomes versus general language, especially where ratings providers are looking at ESG-related strategy and programs. This is important if providers are using inaccurate or outdated information on your business or if analysts require a public source

to verify implementation of strategy. If raters consider private information, you will most likely be required to submit a current form of verification (internal policy, SOP, etc.).

- **Assess and Monitor Your Current ESG Rating Exposure.** Understand how you fare across some of the more influential ratings, both on an absolute basis and against your industry peers. In many instances, entire industries fare poorly under certain ratings. This is important context that can help you determine if you are an outlier relative to industry peers or if there are simple improvements that can be made to put you in a better position than your industry peers. Companies can do this manually or use tools, such as Aon's Digital Business Insights (DBI) platform to monitor ratings exposure through a real time data feed.
- **Engage With ESG Rating Providers.** Many ESG rating providers and consulting firms offer fee-based services that support companies with more in-depth ESG rating analysis, best-in-class disclosures and other information that can help a business improve its ratings. Building a relationship with the ratings analyst team that covers your company can help keep them abreast of your organization's ESG milestones, ensuring timely updates to your rating.
- **Provide Proactive Context to Financial Stakeholders.** Be prepared to give specific company context about how you are faring on ESG ratings. Financial stakeholders, including investors and insurance companies, understand the limitations and the nature of ESG data as directional and are open to engagement on these topics. This is an opportunity for companies to manage the narrative on this topic and showcase sophistication and awareness with financial stakeholders that are evaluating the ESG risks of their portfolios. This can be accomplished through a thoughtful communication strategy, both in terms of public facing narrative disclosures and meetings with key financial stakeholders.

Next Steps

Investors and a growing range of other organizations are paying close attention to ESG ratings, whether as a screening tool or as a deciding factor in making investment decisions and risk assessments.

Once a company has committed to engaging with specific ESG ratings providers, it is vital that the business identifies internal owners of the engagement process, organizes internal stakeholders, and manages the compilation of data and disclosure, including a clear and consistent process for approval by the board and legal counsel for disclosure of information.

Improving ratings requires progression on an ESG maturity curve with incremental milestones that reflect enhanced corporate accountability on core ESG issues and increased transparency that highlights a company's ESG commitments and accomplishments.

For more guidance on how best to improve your ESG ratings, please contact humancapital@aon.com.

Appendix A
Tier One of ESG Ratings Providers to Engage

Provider	Ratings	ESG Resources	Coverage	Data Source	Data Verification?	Calendar	Guidance
ISS and Affiliates (acquired Oekom)	Environmental and social (E and S), and Governance QualityScore	Proxy analysis, and third-party platforms	4,700 (Governance-rated companies); 7,200+ (Environmental and social-rated companies)	Public information such as corporate disclosures (e.g., filings and public company policies)	Yes. Issuers invited to review and verify data.	Year-around with exception of blackout periods.	ISS's QualityScore ratings are most accessible to institutional investors, thus corporate boards are sensitive to these ratings. Companies may look to manage these scores by verifying company data 2x per year. These ratings are useful to inform ESG gaps.
	ESG corporate rating (ISS-Oekom)	ESG corporate rating report (ISS-Oekom)	7,000 corporate & sovereign issuers	Public and private information such as company dialogue and corporate disclosures	Yes. Issuers can send updates at any time.	Annual rating or when triggered by corporate events.	Rating is geared towards socially responsible investor audience. ISS may integrate into other ESG products in the future.
MSCI	ESG ratings and controversies; governance metrics	MSCI equity and fixed indexes	14,000 companies	Public information such as corporate disclosures, government databases, and other stakeholder sources	Yes. Questions and feedback are welcome at any time and through the annual ESG rating review process.	New information is reflected in reports weekly. Companies receive an in-depth review at least annually.	MSCI ESG research and data has a broad investor audience. Mid-cap and large-cap companies may look to manage these scores by verifying company data at least annually.
Sustainalytics (owned by Morningstar)	ESG risk ratings	Finance products; ESG risk reports;	12,000 companies	Public and private information	Yes. Every company in the ratings universe	Annual update cycle	Sustainalytics has investor attention as the

		Glass Lewis proxy reports		such as corporate disclosures, media and non-governmental organization (NGO) reports	receives draft report for feedback and updates. Companies can download latest report from Issuer Gateway.		ESG ratings provider to proxy advisor Glass Lewis and Yahoo Finance. Recommended that companies access the Issuer Gateway to provide feedback via report markup following annual meeting and 10-K filing.
CDP	CDP scores	MSCI ESG research; Bloomberg; Climetrics fund ratings	13,000 companies	Public or private responses to online response system (ORS)	Yes. Online response system with questionnaire.	The annual submission window typically opens in April and closes in July	For mid-cap and large-cap companies, consider participation; 65 percent of S&P 500 companies report to CDP. CDP's prevalence as an investor research provider can lighten future reporting burden for companies asked to disclose this information across multiple platforms.

Appendix B
Tier Two of ESG Ratings Providers to Engage

Provider	Ratings	ESG Resources	Coverage	Data Source	Data Verification?	Calendar	Guidance
S&P Global	ESG scores	Dow Jones sustainability indices; S&P ESG index family	11,500 companies	Public and private information such as corporate sustainability assessments (CSA) or	Yes. The CSA is completed via an online portal	Invited companies need to complete the CSA in a defined (~4 month) window	This rating is geared toward a socially responsible investor audience, but investors don't have access to underlying data. The assessment is

				corporate disclosures, media sources, government bodies and think tanks		which typically opens in April.	extremely robust and helpful for companies looking to conduct an in-depth ESG peer assessment/gap analysis.
FTSE Russell	ESG ratings	FTSE ESG index series	7,200 securities	Public information such as corporate disclosures, NGOs and governments	Yes. The company is contacted and provided with an opportunity to highlight other public information that the analyst should consider.	Companies are researched annually and ESG ratings are updated on a bi-annual basis in June and November.	With less visibility than other ratings FTSE Russell may fall into a second tier of ESG rating providers to engage with depending on company resources.

Appendix C

Tier Three of ESG Ratings Providers to Engage

Provider	Ratings	ESG Resources	Coverage	Data Source	Data Verification?	Calendar	Guidance
Bloomberg	ESG scores including disclosure	ESG dataset	11,800 companies	Public information such as corporate disclosures	No	N/A	No opportunity for engagement
RepRisk	RepRisk index and rating	RepRisk; ESG risk Platform	90,000+ public and private companies	Public information such as media, government bodies, regulators, think tanks and client feedback research	No	N/A	No opportunity for engagement
ESG Book	The ESG scores (e.g., ESG, Global Compact and temperature (TM) scores)	Values Alignment Tool	25,000 companies	Public information such as non-financial disclosures (e.g., sustainability or integrated reports), 30,000 public news sources and NGO campaign activity	No	N/A	No opportunity for engagement

Moody's and Affiliates (multiple acquisitions)	ESG credit impact scores; ESG issuer profile scores; carbon transition assessment ESG score predictor	Moody's credit ratings; Moody's investor service (MIS) datasets; VE datasets; Four Twenty Seven datasets	1,700 issuers (credit impact scores and issuer profiles)	Public information such as score-specific methodology, but may include country-level climate and physical risk metrics, participation in the United Nations (UN) global compact, media, national statistical offices and World Bank statistics	No	N/A	No opportunity for engagement
	ESG scores (Vigeo Eiris or VE)	MIS datasets/ ESG Solutions	5,000+	Public information such as corporate reporting (disclosures/filings), corporate websites, human rights resource center and press databases	Yes. Specific to VE ratings/dataset: companies can provide non-confidential information through the online VE questionnaire and review draft assessment to provide commentary before publication. Other Moody's ESG ratings do not include direct company contact.	Annual 2-month window to complete questionnaire and provide links to key documents. A draft is provided to the company for review and commentary following 2-month window.	Moody's is working on integrating acquired ESG ratings providers including VE. Mid-cap and large-cap companies may consider engaging if resources allow.

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