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ESG in the Mainstream: S&P Global, Northern Trust and T. Rowe Price Expand ESG Analytics; Sell-Side Analysts Address ESG Concerns

S&P Global, Northern Trust and T. Rowe Price recently announced the expansion of their ESG analytics offerings: S&P Global has launched its proprietary S&P Global ESG Scores which covers more than 7,300 companies; Northern Trust has launched its ESG Analytics Summary which provides investors with snapshots of their portfolio's ESG performance; and T. Rowe Price moved forward with deep integration of their proprietary "Responsible Investing Indicator Model" (RIIM) into buy-side investment professional analyses of individual companies and overall portfolio holdings and plans to implement portfolio-level ESG reporting into certain product offerings. The S&P Global ESG Scores use data from the SAM Corporate Sustainability Assessment (CSA), an annual evaluation of companies' sustainability practices which was acquired by S&P Global from RobecoSAM last year. Northern Trust has partnered with ratings agency IdealRatings to provide data for its ESG Analytics Summary. T. Rowe Price's RIIM builds an environmental, social and ethical profile for companies and the overall portfolio, and the UN Sustainable Development Goals are represented across the range of RIIM-measured factors.

The latest ESG analytics offerings underscore the significant investor demand for standardized, comparable and decision-useful ESG data. A number of investment services providers are already providing ESG analytics. For example, last year, State Street launched its R-Factor™ score which draws on third-party data to measure companies' performance on material ESG issues, and BlackRock has moved forward with its own ESG-related approaches. Earlier this year, Morningstar acquired the rest of Sustainalytics in an effort to expand its ESG research, data, and analytics platform. And late last year, ISS launched its Custom Climate Voting Service which leverages its proprietary ESG database to inform proxy voting recommendations.

As a further indication of ESG's entry into mainstream investing, equity research analysts are also increasingly incorporating ESG considerations into their reports, which may have significant implications for integrating ESG considerations into views on valuation, quarterly earnings calls and investor dialogues. By way of example, Bank of America Merrill Lynch stressed the importance of integrating ESG factors into investment decisions, and late last year issued a research report that noted that "Environmental, Social and Governance

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considerations are not optional for investors." Morgan Stanley analysts recently issued a report indicating a heightened focus on say-on-pay vote outcomes and other sustainability-related items, a move which indicates growing interest in ESG among active as well as passive investors—and which could prompt increased engagement from investors, especially when ESG issues intersect with proxy matters. In addition, Barclays recently announced that it will launch research reports that incorporate ESG assessments and indicators, and Goldman Sachs recently formed a sustainable solutions council to help build data sets and analytics tools.

Looking ahead, companies will face growing scrutiny from investors and other stakeholders on their ESG performance, including their performance relative to industry peers, and should stay abreast of how their ESG data is being collected and evaluated by third parties. Companies will also likely continue to receive requests from investors and other stakeholders for enhanced ESG disclosures, including requests for assurance on the veracity of such disclosures. These requests will be increasingly more difficult to address until there is a standardized set of ESG analytics. Notably, the U.S. Securities and Exchange Commission has not yet indicated any plans to mandate uniform ESG disclosures beyond the current materiality framework. However, the World Economic Forum International Business Council's recent consultation draft proposing standardized, industry-agnostic ESG metrics alongside the growing endorsement of industry-specific standards underscore the strength of private sector efforts to generate consensus on ESG disclosures.

David A. Katz
Sabastian V. Niles
Carmen X. W. Lu