

# Raw ESG Data Powers Proprietary ESG Scoring Model

## Customer Type.

Large European insurance asset portfolio management company.

## User Base.

Asset Management Research Team, Head of Research, Head of Data and Reporting.

## Customer Background

The company is a mutual-sector insurance group that offers services across Europe and reported roughly €100 billion in assets as of April 2022. As part of its five-year plan, the company initiated a sustainable finance strategy, which included the review of environmental, social, and governance (ESG) rating methods for private issuers.

## Challenge

While ESG scoring was important to this company's growth strategy, it was also required by EU and country-specific regulators. Not implementing an accurate and robust ESG scoring method would expose them to non-compliance risks dictated by Article 29 and the Sustainable Finance Disclosure Regulation (SFDR).

Given both the internal and external pressure for precision and transparency, the company opted to develop its own ESG rating model, built upon raw ESG data. This approach would give them more confidence in the accuracy of their analysis as well as a stronger understanding of the qualitative and quantitative ESG components associated with each rating.

However, choosing the right raw ESG data to populate their model was critical to success. They sought a comprehensive ESG dataset provider that covered diverse asset classes, including public and private issuers.

## Pain Points

The mutual insurance group needed a dependable provider for ESG data on their investment universe with the ability to provide coverage of the following functional requirements:

- Raw ESG data on the company's investment universe
- Exclusion lists (e.g., controversial weapons, gambling, tobacco, coal mining, and thermal)
- Transparency for each data provided with the associated golden sources
- Historical ESG data over the last 3+ years
- Classification of the ESG data per ESG pillars

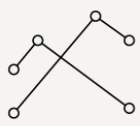
Not having a reliable ESG scoring system can lead to reputational damage, financial losses, regulatory scrutiny, lost competitive advantage, and missed investment opportunities.

“Our ESG approach runs through our entire value chain. We see ESG as a complementary means of controlling risk in our portfolios, complementing and enriching the traditional view of investment based on financial, accounting, and stock market criteria.”

## Solution

The Market Intelligence team determined that the company would achieve their goals by feeding a suite of Trucost datasets into their proprietary model, including raw ESG scores for risk and opportunities, Paris Alignment data, environmental data, and EU Sustainable Finance Disclosure Regulations (SFDR) data.

Customers can access Market Intelligence data via Workbench, enabling access to all data delivery channels, manipulation, analysis, and visualization on a single cloud-based platform. For this customer, we feed data on Workbench via Snowflake, an efficient solution that ensures the data is secure and readily available. Additional delivery channels are in the table below:



### Xpressfeed™

S&P Global's powerful data feed management solution, delivers data directly into your workflow. Xpressfeed capitalizes on the joint strengths of S&P Global and select third-party vendors to power your proprietary analytics, financial portals, CRM systems, and more.



### Enterprise Data Exchange (EDX)

EDX is a secure, multi-protocol, workflow-based managed file transfer solution with support for all major file transfer standards, security for sensitive file transfers, and enhanced file management, archiving, routing, encryption, and administration functionality. Business partners and customers receive the following:

- Reporting and alerting (e.g., notification of unsuccessful file transfers), audibility, visibility, automation of file transfer-related activities and processes, and performance metrics/monitoring.
- A robust web-based user interface that is business focused simplifies the provisioning and entitling of customers and products compared to IT-centric legacy file delivery platforms.
- Multi-tenancy - segregates individual business groups into logical partitions.
- Tight integration with internal applications and platforms via Web Services and Messaging.



### Business Entity Cross Reference Service (BE CRS)

The S&P Global Market Intelligence Business Entity Cross Reference Service provides immediate cross-reference capabilities for millions of public and private entities using standardized and proprietary identifiers.

Business Entity Cross Reference Service provides timely and reliable data mapping to systematically update and maintain the multifaceted relationships within a corporate

hierarchy, avoiding the time-consuming and costly endeavor of manually maintaining your own linkages for mapping entities to issuers.

The customer can also access historic Trucost data that is stored in CSV format on our SFTP Server, Enterprise Data Exchange (EDX), directly on Workbench. This streamlined process extracts the necessary information from the server without any complications.

With this combination of datasets (detailed below), the company can effectively assess and evaluate the ESG performance of its portfolio while tracking its progress over time, ensuring transparency and accountability.



### S&P Global Trucost

Trucost Environmental data measures environmental impact across key dimensions for over 16,800 companies. This data can be used to assess environmental costs, identify, and manage environmental and climate risk as well as conduct peer and portfolio analysis from a climate and environmental perspective.

Trucost Environmental data covers: greenhouse gas (GHG) emissions, land, water, air pollutants, and waste disposal, natural resource and water use, revenue generated from each sector of a company's operations, and fossil fuel reserves, power generation capacity and associated carbon metrics.



### S&P Global ESG Raw Data

The granularity of our offering enables clients to lower or remove factors where they see less value and increase the weights on aspects, they find more relevant. This enables a wide range of workflows, including customization of scoring-related analytics and models, thematic analysis of portfolios, and development of alternative peer groups. Data coverage includes: up to 1,000 datapoints per company per methodology year based on CSA questionnaire responses, question level scores, raw historical data from 2020 and question level scores from 2013. This coverage universe is ~13,000 companies.



### Trucost Paris Alignment

Trucost Paris Alignment data assesses company-level alignment with the Paris Agreement goal to limit global warming to well below 2°C from pre-industrial levels. The approach taken by Trucost is a transition pathway assessment, which examines the adequacy of emissions reductions over time required in order to meet either a 1.5°C or 2°C carbon budget. Coverage includes ~18,000 companies globally with a set of forward-looking analytical tools to quantify and track energy transition to a low carbon economy. Additionally the data includes forward-looking indicators over a medium-term time horizon, tracking the adequacy of company decarbonization across historical emissions and projected future emissions data.



### S&P Global EU Taxonomy Data

The S&P Global EU Taxonomy Data Solution provides a comprehensive assessment of the Eligibility, Substantial Contribution (SC), Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) requirements of the EU Taxonomy across a large universe of equity and fixed income issuers.

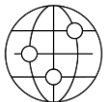
The dataset helps financial institutions to report EU Taxonomy alignment and incorporate the framework in decision-making by identifying companies with business activities that are either fully aligned with, or which have the potential to make a substantive contribution to, the climate change mitigation and/or adaptation objectives of the Taxonomy.

Coverage includes comprehensive assessment across 20,000+ companies and 464 business activities, qualitative data from the S&P Global Corporate Sustainability Assessment (CSA), and a transparent approach across Revenue Eligibility, Substantial Contribution (SC), Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) assessment criteria.



**EU Sustainable Finance Disclosure Regulations (SFDR)**

The EU Sustainable Finance Disclosure Regulations (SFDR) dataset provides a comprehensive set of indicators collected from internal and external datasets to support financial market participants (FMPs) to comply with the EU Sustainable Financial Disclosure Regulation (SFDR). This dataset covers financial, people, and environmental data from S&P Global Trucost and linkages to other S&P Global datasets using S&P Global IDs and other identifiers.



**Trucost ESG Financial and Market Data**

The Trucost ESG Financial and Market data offering provides key standardized financial and market data metrics for public entities in the Trucost universe with environmental emissions data. The data is available for 15,000+ companies with historical annual data available as far back as 2002.

**Preliminary Results**

S&P Global Market Intelligence's products provide the insurance asset portfolio management company with the raw ESG data needed to build a comprehensive ESG scoring model and conduct deep ESG analysis on its investments.

These products and services enable the company to create a comprehensive ESG scoring method for public and private issuers. This allows them to accurately assess the ESG credentials of the company's investments and adhere to their standards of corporate governance. Our solution helps the company further its commitment to transparency and meeting the requirements of the SFDR, which went into effect on March 10, 2021.

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