

EY Ratings Intelligence Solution for ESG (RISE)

Optimizing rating agency scores

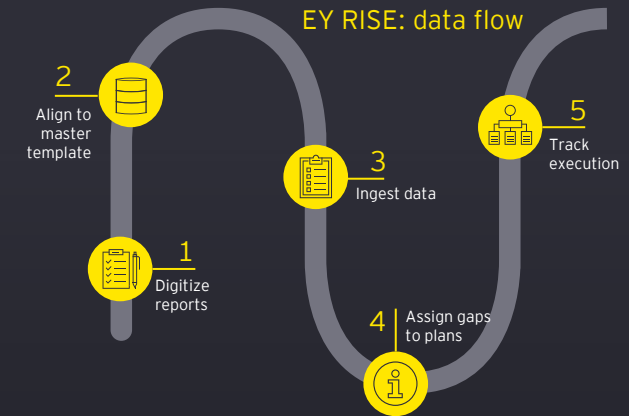
Business drivers

Banks, insurers and asset managers face rising pressures to better anticipate and manage ESG issues and improve investment decisions. Key challenges:

- ▶ Presence of more than 600 global ESG ratings and rankings makes it difficult for investors to categorize ESG issues.
- ▶ ESG ratings vary by rating agency creating “aggregate confusion.”
- ▶ Companies are evaluated using different ESG topics per rating agency.
- ▶ Agencies assign varying degrees of importance to attributes.
- ▶ Agencies will measure the same attribute using different indicators.

Solution overview

Environmental, social and governance (ESG) performance has become increasingly important to stakeholders, investors, and governments. While ESG rating agencies such as MSCI, Sustainalytics, and ISS provide valuable firm-level ESG performance and risk information, changing qualitative and quantitative criteria, dimly understood methodologies and difficult to compare scores can make responses burdensome and score improvements uncertain. The EY Ratings Intelligence Solution for ESG (RISE) built on Microsoft technology standardizes and enriches company rating data, calculates score gaps at the most granular level, and makes rating improvements faster and easier.



Solution benefits

- ▶ Prioritizes ESG rating agency and set ratings objectives
- ▶ Identifies the biggest score gaps and improvement drivers
- ▶ Helps enable scenario planning and “what if” analysis
- ▶ Allows multiyear ESG disclosure planning
- ▶ Facilitates identification of high-value response criteria and improvement opportunities
- ▶ Supports peer benchmarking across different rating agencies
- ▶ Provides guidance on strategic changes that can help your organization better manage ESG risks and opportunities

EY RISE capabilities	Features
Digitize and consolidate	▶ Leverages human and machine intelligence to convert ESG rating PDFs into a standardized database that captures criteria at the most granular level
Calculate opportunities	▶ Strips away unnecessary ESG rating agency methodology details to estimate point gaps
Enrich criteria data	▶ Enhances data by mapping criteria to a common ESG taxonomy and level-of-effort indicators, enabling comparison across multiple rating agencies
Empower	▶ Allows ESG teams to rapidly identify improvement opportunities through ESG disclosures, activities, and strategy

Joint value proposition

By leveraging this solution and teaming with Microsoft, clients can be confident that they are implementing a proven approach to ESG ratings management built on the Microsoft platform. Through our work with clients across multiple sectors we have solved the ESG ratings challenges that plague sustainability teams and embedded those solutions into Microsoft's trusted software.

- ▶ Once ESG ratings gaps have been identified, the process of improving scores requires project management solutions that align with existing Microsoft tools (e.g., Teams, Outlook, Excel).
- ▶ EY teams bring an unrivaled approach to ESG ratings analytics that provides clients with a quantitative understanding of improvement opportunities across multiple ESG ratings.

Solution differentiators

EY RISE offers a suite of tools that help clients of varying sizes and business models focus their ESG ratings strategy. Other differentiators include:

- ▶ Ratings gap analysis: Jumpstart ESG capabilities: Transform ESG ratings data into a convenient database that powers a suite of capabilities
- ▶ Prioritization framework: Simplify a complex challenge: Discrete categories that allow companies to plan improvement activities
- ▶ Disclosure benchmarking: Clarify ratings requirements: Evaluate leading peer disclosures to inform activities and reporting
- ▶ ESG capital analysis: Evaluate market impact: Prioritize ratings and topics that have the greatest impact on access to ESG capital
- ▶ Response support: Realize score improvements: Identify and address actionable gaps to submit a response within the allocated window

Case study

A large healthcare services company with strong scores used ESG RISE to align hundreds of criteria to establish ESG reports and confirm prioritized ratings

Client challenge	Engagement summary	Value delivered
<ul style="list-style-type: none">▶ Integrate ESG ratings opportunities into existing sustainability disclosures▶ Prioritize ESG rating agencies and set goals for ratings performance	<p>EY teams undertook a multiyear effort to align ESG ratings opportunities and sustainability disclosures, and prioritize ESG ratings using a common set of variables:</p> <ul style="list-style-type: none">▶ Align each opportunity to sustainability report chapters and other relevant disclosures (e.g., Environmental Policy)▶ Overlay investor priorities and regulatory issues to refine focus areas▶ Evaluate the influence of ESG ratings across relevant funds to estimate market returns of improved ratings▶ Support ongoing ESG ratings management and response processes	<ul style="list-style-type: none">▶ Integrated approach to ESG disclosure, considering ratings improvements and investor priorities▶ Provided convenient resource to review and track ESG data throughout sustainability disclosures

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