



# ESG & Responsible Investment Solutions



IdealRatings Inc. empowers capital markets' stakeholders with unique and accurate screening solutions that offer comprehensive insights of company's adherence to Responsible Investment parameters. Covering 40K+ companies globally, users have access to more than 10Mn data entries. IdealRatings offers an array of screening processes, from Environmental, Social and Governance (ESG) qualitative and quantitative data sets to ESG scores and ratings data set, regulatory reporting and business involvement data sets. IdealRatings' users can integrate their own investment guidelines to screen out irrelevant stocks from the investable universe.

# 40K+

Issuers

# 450K+

Instruments

# 800+

Indicators

# 20+

KPIs



An aerial photograph of a tropical beach and turquoise water. Several small boats are anchored in the shallow water near the shore. The beach is sandy and curved, with some vegetation visible. The water is a vibrant greenish-blue, showing some ripples and shadows from the boats.

“

***Returns are  
no longer  
compromised  
for  
sustainability***

”



# ESG Model

Due to increased global climate and resource risks, shifting demographics, regulatory changes and increased investor awareness, incorporating ESG considerations into investment decisions has become increasingly popular among all types of investors. It is also important for the companies themselves to consider ESG factors and risks. Companies that are aware of their ESG-related performance and opportunities will not only attract ESG-conscious investors—they will also be better situated for future success.

IdealRatings ESG model comprises three main pillars; Environment, Social and Governance. Each pillar is divided into subcategories called Key Performance Indicators (KPIs), and each KPI contains a series of inputs/questions.



## Environmental Pillar

Inputs included in the Environmental pillar consider the company's adherence to international and/or national guidelines and regulations on environmental protection. Abiding to these guidelines ensures that there is no excessive risk of pollution that could endanger both the environment and lives of human beings.

### KPIs

- Air Emissions
- Environmental Management
- Habitat Protection
- Water Resources
- Waste Management



## Social Pillar

Upholding sound stakeholders' relationships is considered a key aspect in maintaining a successful business. This pillar covers main stakeholders directly linked with the company, these are; Labor, Supply Chain, Consumers, and Community.

### KPIs

- Animal Welfare
- Consumer Rights
- Community Development
- Human Capital
- Stakeholders' Engagement
- Supply Chain



## Governance Pillar

For sustainability not to be an ad-hoc process, companies should fully integrate it in their businesses. This will not be done without intact governance guidelines that set the general behaviors for a company.

### KPIs

- Anti-Corruption
- Anti-Competitive
- Business Ethics
- Management
- Reporting & Transparency



# ESG Qualitative Data Set

Companies' screening against E, S, and G standards, international norms guidelines and impact investing aspects.

## ESG Integration & Positive Screening

IdealRatings screens companies against a set of in-house sustainable investment guidelines derived from national and international standards. Such screening provides an overall view of a company's non-financial performance, complements the traditional financial screening, and assists in sustainable investment decisions. It enables users to visualize a company's sustainability plans. This entails a firm's pertinent policies, programs, and plans. Once the company is assessed based on its ESG plans, that are integrated in its business activities, it would be easy to select companies with positive ESG performance compared to its industry peers; deciding the 'best-in-class'.

# 350+

Indicators

## International Norms

IdealRatings screens companies against a set of international norms that cover responsible investment guidelines. Among these guidelines:

### *United Nations Global Compact (UNGC)*



The non-binding UN guidelines encouraging businesses globally to adopt & report the implementation of sustainable and socially responsible policies. The UNGC includes ten principles covering human rights, labor, environment, and corruption aspects. The list of UNGC signatories is updated on a weekly basis. Moreover, non-signatory companies are also screened against the 10 principles to ensure abidance or violation of such standards. Users have access to a list of UNGC signatories, UNGC delisted companies, and a list of companies abiding by these principles even if not signatories.

### *Sustainable Development Goals (SDGs)*



A set of 17 global goals set by the UN in 2015 with a target of achieving them by 2030. Companies are screened against being engaged in attaining these goals or not. Accordingly, users have access to; list of companies either explicitly mentioning their involvement in SDGs or not mentioning such involvement, but their community development programs have been mapped against the 17 goals. Another list is available for companies neither mentioning their involvement in SDGs nor have relevant CSR programs.

### *Universal Declaration of Human Rights (UDHR)*



Drafted and proclaimed in 1948 by the UN, the UDHR has become the most well-known global guidelines related to human rights. Under these guidelines 30 pertinent articles have been documented. IdealRatings has matched these articles with its own questions, to confirm a company's abidance by these norms. Companies abiding by the UDHR and relevant questions are available at IdealRatings service.

### *International Labor Standards (ILO)*



Set almost 100 years ago, ILO has been working under the auspice of the UN advocating justice and decent work standards for labor. The morals have been set to be applied on a country basis; however, given the relevant violations occurring on corporate level it is now considered as an integral part of a company's level code of conduct. Companies abiding by the ILO standards and relevant questions are available at IdealRatings service.

# ESG Scores & Ratings Data Set

Provides performance summary, ranking of all constituents highlighting best-in class and bottom performers.

IdealRatings determines a company's ESG rating by researching and documenting answers to a series of qualitative questions (or inputs) for each of the three pillars (E, S and G). There are over 200 inputs captured during the research process. Inputs are given one of three answers:

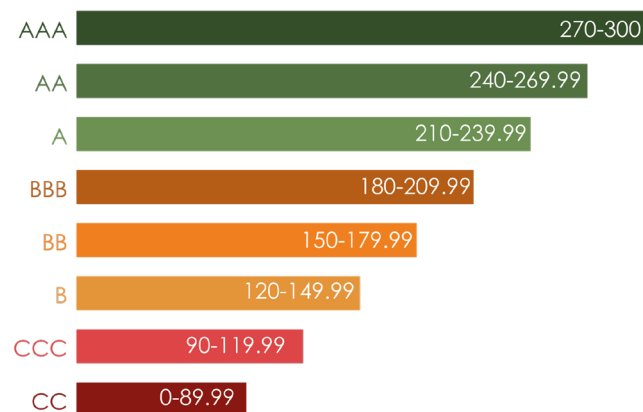
**Yes:** In case the information is available in the references used by the research team. A 'yes' answer is reflected as a full weight for the question.

**No:** In case there is no mention of the information. A 'No' answer is reflected as a zero weight for the question.

**In-Conclusive:** In case there is undetailed reference of the information or special cases (e.g. pending litigations at court). An 'In-conclusive' answer is reflected as half the weight for the question.

These inputs are categorized under KPIs which receive a score based on the sum of the inputs' weights. Some of the inputs are estimated. KPIs are reflected under its relevant pillar. Each pillar has a maximum score of 100, and the weight each KPI contributes to a company's overall pillar score is based on IdealRatings' industry materiality assessment. The sum of these KPIs provides a total score for every pillar. Total score of all pillars becomes the company's IdealRatings ESG score, which can be converted to a letter grade.

Users can build their own rating and scoring methodology by selecting to include only certain ESG KPIs and/or inputs and weighting them according to their own scale.



**IdealRatings ESG Ratings Scale**



# ESG Metric Data Set

Capturing quantitative pertinent E, S, and G data.

To complement the qualitative data captured, metric values are also researched. This facilitates:

- ✓ Tracking companies' actual implementation of their stated plans and program.
- ✓ Comparisons across various industries and between nations and/or regions.
- ✓ Easier benchmarking.
- ✓ Microeconomic analysis and forecasting.

Similar to the Qualitative dataset, the 40+ indicators are grouped under 10 of the afore-mentioned KPIs. These figures cover Environmental topics such as carbon emissions, energy usage, water consumption, recycling rates, and wastes breakdown. Moreover, in the social pillar, numbers such as training hours, training costs, injury rates, donations etc. are also included. Board members' functions, structure, compensation, and shareholders statistics are also researched for Governance coverage. All these inputs are categorized into IdealRatings ESG KPIs.

The data is provided in various metric units depending on the nature of the reported values. This includes percentages and absolute values in metric tons, gigajoules, cubic meter, etc. Some reported numbers are converted to the unified metric unit used per indicator. Monetary figures are reported in US dollars and most of the figures are reported per revenue for ease of comparisons.



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*IdealRatings believes that covering both qualitative and metric aspects provides a full picture of companies and enables analysts to easily compare between companies in various countries.*

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## Environmental Pillar

- Energy Management
- Waste Management
- Water Resources Management



## Social Pillar

- Human Capital -Diversity
- Human Capital-Human Rights
- Human Capital -Safety & Health
- Human Capital-Working Conditions



## Governance Pillar

- Reporting & Transparency
- Management
- Anti-corruption



























































































# Business Involvement Data Set



Detecting companies with positive and negative impacts based on involvement in certain activities and/or countries.

This dataset has the following underlying sub-datasets:

## Controversial Involvement

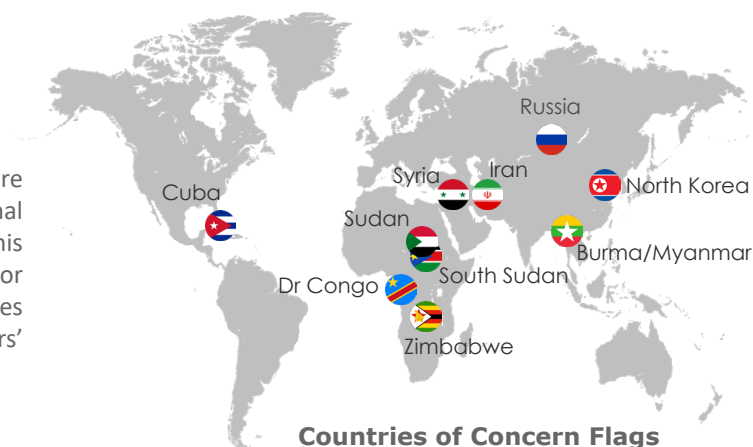
Identifies companies involved in controversial activities that have a negative impact on the environment and/or society with an involved/not involved flag. For certain business activities, revenue screening is available through which the user can specify their own tolerance (i.e., no more than 10% of annual revenue).

Flags & Revenue Segmentation			
  Abortion/Contraceptives Medication	  Anthracite Coal	  For Profit Hospitals	  Soil Sealing, Land Degradation
  Adult Entertainment	  Bituminous Coal	  Fossil Fuel	  Stem Cell Research
  Aggregated Weapons	  Black Coal	  Gambling	  Stem Cell Research (Embryonic)
  Agrochemicals	  Brown Coal	  GM Drugs	  Sub-Bituminous Coal
  Alcohol	  Cannabis	  GMO Products	  Thermal Coal
  Alcohol-Distributor	  Chemical & Biological Weapons	  GMO Research	  Tobacco
  Alcohol-Producer	  Cluster Bombs	  GMO Retail	  Tobacco-Distributor
  Alcohol-Retailer	  Coking Coal	  Hydraulic Fracking	  Tobacco-Licenser
  Alcohol-Supplier	  Defense	  Land-mines	  Tobacco-Producer
  Alcohol-Licenser	  Donation-Based Fertility	  Nuclear Power Generation	  Tobacco-Retailer
  Animal Cruelty	  Firearms Manufacturing	  Nuclear Weapons	  Tobacco-Supplier
  Animal Testing	  Firearms Retail	  Oil Sands	  Uranium Mining

 Controversial Involvement Flag       Revenue %

## Countries of Concern Screening

Identifies companies that operate in countries that are of concern to certain investors due to international controversies, global sanctions, and/or other issues. This includes having a headquarter and/or a subsidiary or selling its products/services there. Accordingly, companies involved in such countries can be removed from users' portfolios.



## Positive Flags

Companies engaged in activities that have a decent impact on the environment and/or society. Positive Flags have been segregated into:



### Green Revenue

Companies engaged in activities, generating income, benefiting the environment. This includes clean energy generation, renewable energy generation, clean raw materials, sustainable transportation, energy efficiency, environmental protection, water infrastructure.



### Renewable Energy

Companies involved in generation/production and/or selling of renewable energy with all its types. With the prominence of the climate related issues, especially ones aiming towards reduction of emissions and attaining net/zero emissions targets a separate flag has been set for this specific type of Green Revenue.



# Regulatory Reporting Data Set

Covering announced/released Sovereigns' sustainability-related guidelines.

Nations worldwide are paving the way towards embracing sustainability guidance. Not only will this serve the appetite of a vast segment of investors, it will also direct efforts to combat greenwashing. This dataset will be covering announced/released Sovereigns' sustainability-related guidelines.

## Sustainable Finance Disclosure Regulation (SFDR)

Supporting the EU Sustainable Finance Action Plan, IdealRatings has created its Sustainable Finance Disclosure Regulation (SFDR) solution, with the aim of assisting financial market participants' disclosure towards integrating ESG aspects in their decision-making process, in addition to risk management. IdealRatings SFDR offerings include two components:

### Principal Adverse Impact

The level II measures have set 70+ indicators as adverse sustainability factors. These indicators were mapped, by IdealRatings, to an initial 90+ in-house indicators, reflected under 13 of our KPIs, as a mean enabling our clients meet a considerable component of the required reporting standards. These 100+ indicators include metric, qualitative, and business involvement data elements.

### Articles 8&9 Alignment

As per the SFDR regulation 2019/2088 of the European Parliament, article 8 refers to products only promoting environmental or social characteristics of an investment, while article 9 refers to products that have solid sustainable objectives in its investments. IdealRatings has set a methodology for companies to ensure the alignment of their products constituents with the above-mentioned articles; 8 and 9. To materialize the real effect of the products' constituents and measure their level of alignment, different responsible investment themes were used in addition to setting proxies for key points in both articles.

## EU Taxonomy

IdealRatings' EU Taxonomy data set comes in line with the European Commission Regulatory requirements in line with its sustainability-related Action plan. The Screening process implemented by IdealRatings provides the following outputs:



### Percentage disclosures

Following the regulation's guidance, IdealRatings follows a 4-step approach to derive the required alignment percentages of: Turnover, CAPEX, and OPEX per economic activity. The level of alignment is assessed based on the activity's performance in the 2. Technical Screening Criteria (TSC), 3. Do No Significant Harm (DNSH), and Minimum Safeguards.



### Granular Data

Given that the level of alignment calculation criteria might differ from one financial market participant (FMPs) to another, IdealRatings provides raw granular data of the TSC, DNSH, and Minimum safeguards assessment per activity. This allows for internal calculations to be easily conducted by FMPs.



## Delivery Channels

### Online Portal

Offers easier accessibility to IdealRatings platforms for the different asset classes, where users can retrieve updated data once reflected on the service, as well as creating their own screening guidelines.

### Data Feed Services

Offers universe screening services with customized delivery formats for smooth integration with users' back office and trading platforms.

### Reports

Offers company/Portfolio report with more in-depth analysis.

## Frequency of Updates

Updates are done based on the nature of the data:

	Daily	Weekly	Quarterly	Yearly*
Legal Proceedings Data	✓			
International Norms		✓		
Business Involvement Data			✓	
Metric & Qualitative Data				✓

*\*Half yearly review*

Other questions might be updated on a random frequency based on some data sources that can be found to any of the inputs.



## About IdealRatings

IdealRatings is a leading financial data and technology provider that empowers global asset managers, asset services, financial institutions and asset owners with an array of responsible investment solutions. IdealRatings provides its world class clients with innovative data services, analytical tools and reports for a global universe of equities, fixed income, and REITs with a mission to enable responsible investments worldwide. IdealRatings' state of the art technology infrastructure offers over 10 million data points for diverse instruments backed by an experienced research team, proprietary methodology and robust guidelines customization engine

## Contact Us

✉ [info@idealaratings.com](mailto:info@idealaratings.com)

🌐 [idealratings.com](https://www.idealratings.com)

## Head Office

50 California Street

Suite 1500

San Francisco, CA 94111

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