



ESG ratings

“Being Green”: monitoring sustainable R&D efforts – lessons from industry

4th GLORIA virtual workshop

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Trends of top R&D-investors on the pathways to sustainability

Results of a pilot exercise (novel indicator of companies' disclosure and reputation scores related to the UN's SDGs—big-data approach) to rank top R&D-investors with regard to 5 dimensions of sustainability

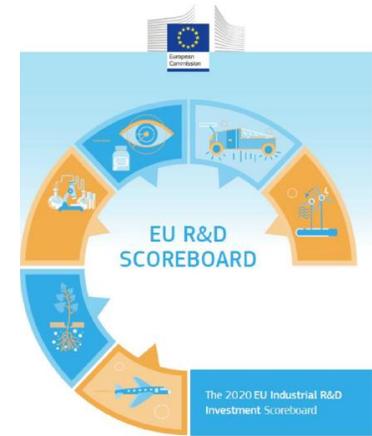


Table 5.1: Average SDG disclosure and reputation scores by sector and SDG – 2019

	top 2500				
	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Aerospace & Defence (34)	51.2	53.9	46.6	44.0	44.4
Automobiles & other transport (119)	56.7	56.2	51.1	51.4	50.3
Chemicals (81)	60.9	58.8	53.4	54.9	52.5
Health industries (328)	34.1	43.9	32.6	32.8	33.4
ICT producers (281)	50.6	55.7	44.8	45.7	42.4
ICT services (213)	37.6	44.8	34.6	35.0	35.0
Industrials (171)	56.6	55.6	49.2	47.3	47.1
Others (356)	54.8	57.0	47.3	48.9	48.7
Total (1583)	48.0	52.2	42.9	43.3	42.6

Figure S10: Scores for selected SDGs by region/country.

	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	17 PARTNERSHIPS FOR GOALS
EU (277)	59.9	60.2	51.2	51.3	51.6	54.9
US (649)	38.8	45.5	36.7	35.7	34.8	38.3
Japan (215)	58.1	57.4	50.3	54.2	50.2	54.1
China (148)	42.0	49.6	37.0	38.8	38.4	41.2
Row (294)	52.8	57.0	46.2	47.1	47.8	50.2
Total (1583)	48.0	52.2	42.9	43.3	42.6	45.8

Sectoral / Geographical benchmarking

Companies from Chemicals and Transport sectors show the highest scores on the five SDGs

EU and Japanese companies overall achieve higher average scores

Approach: multi-source, AI-powered ESG scoring system

Covalence collects data relating to Environment, Social and Governance (ESG) issues, sustainability, Corporate Social Responsibility and business ethics to produce ESG ratings. We oppose data publicly reported by companies (**disclosure**) to narrative content reflecting the views of stakeholders such as NGOs and the media (**reputation**).

Level of analysis		Type of data	Sources	Illustrations
 Disclosure	Reporting	Self-disclosed ESG data Sourced from provider	Companies	<ul style="list-style-type: none"> • H&S policy in supply chain? YES/NO • % women on board • Total water use per million \$ of revenue
	Communications	News-based ESG data Processed using in-house, AI-powered extraction and classification tools		Stakeholders Media, NGOs, trade unions, governments, etc.
 Reputation	Endorsements			
	Controversies			Negative stories on ESG issues, sustainability, CSR, ethics

Challenges of ESG assessments and benefits of news-based data

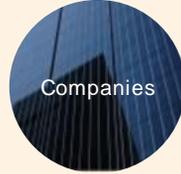
ESG news-based data is a good complement to self-disclosed ESG data and helps address several challenges of ESG analysis

	Challenges of ESG assessments	Benefits of news-based ESG data
Credibility	Sustainability reports are self-declarative and tend to focus on positive aspects (greenwashing risks)	ESG news data documenting endorsements and controversies helps reach balanced assessments
Large-size disclosure bias	Larger firms disclose more ESG data as they have more resources and face more social pressure	Systematic monitoring of controversies enables to mitigate large-size disclosure bias
Large-size controversy bias	Larger firms are objects of more scrutiny from NGOs and the media	Relative, news-based reputation score allows to compare companies of different sizes
Frequency	ESG data disclosed by companies is updated annually	ESG news data is monitored, extracted and classified 24/7 for timely investment decisions
Granularity	Self-disclosed ESG data mostly documents group-level policies and practices and is highly aggregated	News-based data documents global practices as well as local impacts and emerging issues
Complexity	ESG issues are circular, dynamic, dialectical, subjective, political	ESG news data allows to consider complex issues together with the social debate they generate
Materiality	Data disclosed by companies can be voluminous and more or less relevant, covering important as well as anecdotic aspects	News data tagged with SASB materiality map highlights positive and negative issues affecting companies' reputation

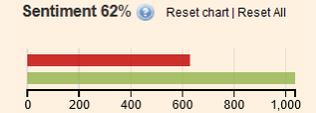
SDG mapping: example with SDG 5 Gender Equality



Disclosure



Reputation



Policy Board Diversity	Does the company have a policy regarding the gender
Female on Board	Percentage of female on the board.
Flexible Working Hours	Does the company claim to provide flexible working ho
Day Care Services	Does the company claim to provide day care services
Policy Diversity and Opportunity	Does the company have a policy to drive diversity and
Targets Diversity and Opportunity	Has the company set targets or objectives to be achie
Women Employees	Percentage of women employees.

business women	female enrolment rates	intimate partner violence
corporate women	female entrepreneurship	maternity
domestic abuse	female income	maternity benefits
domestic violence	female labour	motherhood
equal pay	gender diversity	parental
equal salary	gender equality	parental leave policy

Selected ESG indicators sourced from Refinitiv are linked to the SDGs and normalized, allowing to calculate a disclosure score.

Final score: (disclosure score + reputation score) / 2

Positive and negative ESG news data is filtered with gender-related keywords and quantified.

Reputation score is the share of positive news over the total of positive and negative news.

From ESG to SDG

Company name	4. Quality Education			5. Gender Equality			6. Water and Sanitation			7. Energy			8. Decent Work		
	SDG score	Disclosure	Reputation	SDG score	Disclosure	Reputation	SDG score	Disclosure	Reputation	SDG score	Disclosure	Reputation	SDG score	Disclosure	Reputation
ABB Ltd.	95	97	93	56	62	51	78	67	90	88	80	95	80	92	68
Danone	81	72	89	72	64	79	66	50	83	84	80	89	70	71	70
Equinor ASA	63	70	56	52	51	54	64	67	62	84	100	68	63	71	55
Microsoft Corporation	84	88	81	60	66	54	65	50	81	71	60	82	76	88	65
Akzo Nobel NV	64	72	57	48	45	52	55	50	60	64	60	68	65	75	55
Kimberly-Clark Corporation	83	72	94	65	63	67	64	33	96	78	60	95	77	75	78

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End of presentation

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