REQUEST FOR PROPOSALS

ESG IN CREDIT RISK AND RATINGS INITIATIVE
COMPARING ESG SCORES AND CREDIT RATINGS

INTRODUCTION

The [ESG in credit risk and ratings initiative](#) aims to enhance the transparent and systematic incorporation of ESG factors in credit risk analysis. The initiative was launched in 2016 with a statement, still open to sign, endorsed so far by 174 investors (both asset owners and investment managers with close to US$40 trillion of assets under management collectively) and 28 credit rating agencies (CRAs). For over five years, the initiative has been facilitating a dialogue between investors and CRAs to cultivate a common language, discuss ESG risks to creditworthiness and bridge disconnects.

Whilst continuing engaging with CRAs, the PRI has also extended its outreach to ESG information providers, who provide ESG data, research and insights to investor clients which inform investment decision-making. The ESG information landscape has developed significantly in the last few years. CRAs have made progress in transparency and in making ESG factors more explicit in their credit risk analysis. At the same time, ESG information providers have proliferated, and now produce more ESG data and analysis, albeit their methodologies vary and are not always clear. The ESG data and information sector is dynamic and evolving, as demonstrated by increasing industry consolidation, with some CRAs buying ESG information providers and vice versa.

During the course of the initiative's work, and through its interactions with key stakeholders, it has become apparent that there remains meaningful confusion in the market as to the distinction between how ESG factors are utilised by CRAs and ESG information providers, the objective of doing so, and
what the resulting outputs relates to. Mixing up the two undermines confidence in the industry, and ultimately the goals of effective incorporation of ESG considerations within investment practices. Whilst both have value in their own way, they should not be taken to measure or represent the same risks. The PRI believes there is value in promoting a better understanding of the distinction between the incorporation ESG factors in credit ratings – that are computed by CRAs, which have specific characteristics and are regulated products – and what are known as ESG ratings, that is scores or evaluations which are produced by ESG information providers and are not regulated.

**PROJECT AIMS**

This is a request for proposals to support the PRI with the compilation and curation of content to map the current market offering of ESG information providers, including what is measured by each product, and how this differs from incorporating ESG factors in credit ratings, which will form the basis for material to be published on a PRI dedicated webpage. The PRI believes that this project will help bringing clarity to the market and support fixed income investors in their due diligence when selecting providers.

**ACTIVITIES AND EXPECTATIONS**

The consultant should undertake the following activities:

1. **Work with the PRI**
   - With the head of fixed income and the fixed income analyst dedicated to the ESG in credit risk and ratings initiative as well as selected members of advisory committee to the PRI on the ESG in credit risk and ratings initiative.

2. **Carry out an initial market study**
   - Using the work of the PRI as a starting point: the results from a survey for fixed income investors to gauge their use of providers’ data and services, as well as the article Do ESG information providers meet the needs of fixed income investors? summarising the discussions between investors and 20 ESG information providers on the usefulness of such services and remaining gaps.
   - Identify the different categories of ESG information providers and the main players for each.
   - Suggest a selection of providers to cover in the in-depth analysis.

3. **Conduct desk-based research on the selected ESG information providers**
   - Using the information available on their website as well as all documents related to their methodology.
   - Draft an interview guide and conduct interviews with the providers.

4. **Map the providers’ ESG information and product offering**
• Provide exhaustive information, for each provider selected, on its scoring methodology (including, but not limited to: What do the scores measure? How are the issuers/instruments assessed and ranked? How transparent and accessible is the methodology? How relevant is the methodology for fixed income assets? What are the gaps?)
• Suggest several criteria for the analysis and comparison between providers – for instance, but not limited to: type of issuers, product specialisation, geography, each E/S/G pillar etc.
• Compare what ESG scores measure and what credit ratings measure, and where it overlaps and differs. Provide examples (including sectoral ones) of where they are aligned and where they differ.

5. Advise on the content of the dedicated website page
• Referenced on the main page www.unpri.org/credit-ratings.
• Devising a process to update the webpage regularly (e.g. semi-annually or annually).
• Working with the PRI editors and designers to determine the webpage content (the technical side and the final design and layout of the page to be managed by the PRI).

The PRI is therefore inviting proposals from individuals or organisations with the following:
• Demonstrable fixed income asset class and market knowledge and experience, in order to be able to effectively articulate the role of ESG factors plays in the outputs of ESG information as distinct from CRAs.
• Expertise on identifying the difference between credit-relevant ESG factors and ESG factors that are useful for the overall sustainability profiling of an issuer.
• Ability to conduct in depth and high-quality research and analysis.
• Experience in producing and presenting the outcomes of research in a way that key findings, analysis and recommendations can be clearly identified and are engaging to a wide range of audience, including non-experts.

DELIVERABLES AND TIMINGS

The key deliverable for this project is the webpage mentioned above.

The project will run from January 2021 until July 2022. Below are suggested timings for the project, to be agreed with the selected consultant:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timing</th>
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<tbody>
<tr>
<td>Deadline for RFP responses</td>
<td>25 November 2021</td>
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<tr>
<td>RFP Shortlisting by the PRI (with applicant interviews)</td>
<td>15 December 2021</td>
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<tr>
<td>Project start date</td>
<td>4 January 2022</td>
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<tr>
<td>Initial market study</td>
<td>January-February 2022</td>
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<tr>
<td>Desk-based research and interviews</td>
<td>March-April 2022</td>
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<td>Mapping</td>
<td>May 2022-June 2022</td>
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OVERALL BUDGET

Please submit a proposal which fits into the overall budget of ~£30,000-35,000.

HOW TO SUBMIT A PROPOSAL

Please send your proposal via email to Sixtine Dubost (sixtine.dubost@unpri.org) by 25 November.
Feel free to contact us for any questions regarding the project or the requests outlined in this document.
Proposals must include:

I. Details of proven experience and knowledge demonstrating appreciation of how ESG factors can affect credit risk analysis. Knowledge of and experience in working on ESG information providers’ offering. Examples of prior written articles or reports are welcome.

II. Knowledge of and experience in working with institutional investors.

III. A brief biography of individuals that would be involved with indication of their locations.

IV. Proposed costs of the project for each element and completion dates.

V. Availability for the requested period / ability to achieve deadlines.