REQUEST FOR PROPOSALS

ESG DATA AND SERVICE PROVIDERS: MEETING INVESTOR DATA NEEDS FOR CLIMATE GOAL ALIGNMENT

INTRODUCTION

The rapid growth of responsible investing has led to a steep increase in the demand for ESG data and related products and services. Most investors now use third-party ESG data and service providers for obtaining at least some of their ESG data and analysis, and some investors even rely on externally processed data. Furthermore, ESG ratings or scores are often central to the methodologies of ESG focused passive investment products - which is one of the strongest growing markets - and therefore have a growing influence on capital allocation decisions by investors.

Adapting to increased demand, the market for data and service providers has changed profoundly over the last decade after a series of mergers and acquisitions and the entry of new players (mostly major US and UK domiciled financial organisations). ESG data and service providers today offer a wide and diverse range of products and services beyond the provision of ESG data, and ratings/scores based on that data. These include portfolio analysis, construction of financial indices, advisory services to companies in defining their ESG strategy and certification for ESG products. However, this proliferation of services, alongside a range of different methodologies used by
providers, has created challenges for investors and other users of their services to meaningfully compare their output. This has gained the attention of regulators like IOSCO\(^1\) and the EU\(^2\).

In parallel to this growth in demand for ESG data, responsible investing is also going through a fundamental shift in approach. Investors are increasingly moving beyond a sole focus on integrating ESG risks and are considering the real-world outcomes of their investments and how these contribute to meeting global sustainability goals. The recognition that a pure risk and return lens will not serve investor needs over the long term, nor help achieve climate and environmental goals, is driving a change in the tools and data needed by investors.

Given the dependency of investors on ESG data and service providers, and the increasing demands of investors seeking to align their portfolios with sustainability goals, it is important that these services and products and their methodologies are transparent, they are well understood by their users, and that the market is evolving to meet new demands. Post-COP26 provides a sense of urgency, and an opportunity to analyse the state of the market for ESG data and service providers.

**PROJECT AIMS**

The PRI has received external grant funding to carry out a project to influence the development of the market for climate (and in particular net zero) data products and services, and to ensure that necessary data and information is available to support investors aligning their investments with climate goals, in particular net zero commitments.

The project must be delivered by the end of February 2023.

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1 See the PRI’s response to IOSCO’s consultation on ESG ratings and data products providers https://dwtyzx6upklss.cloudfront.net/Uploads/h/f/i/20210906_priconsultationresponseioscoreportesgratingsdataproductsproviders_214450.pdf

2 See the PRI’s response to ESMA’s call for evidence on market characteristics for ESG rating providers in the EU https://dwtyzx6upklss.cloudfront.net/Uploads/f/r/s/esmaconsultationresponseesgratingsmarch2022final_897969.pdf
ACTIVITIES AND EXPECTATIONS

The consultant(s) or firm should undertake the following activities:

1. **Work with the PRI**
   - The consultant(s) will be expected to work closely with the PRI’s project manager for the project – they are a part of the PRI’s Driving Meaningful Data (DMD) team. This includes regular project updates - frequency and format to be agreed at the project kick-off meeting.
   - The consultant(s) will be expected to also engage with the PRI’s DMD and Sustainable Financial System (SFS) teams, as well as further PRI teams as required. This will be facilitated by the PRI’s project manager.
   - The consultant(s) will be expected to engage with the PRI’s editorial team during the editorial process for the final report.

**Deliverables:**
- Regular project update meetings and meeting notes.

2. **Research and analysis**
   - Analysis of the spectrum of investor (both asset owners and asset managers) needs for climate data and tools (including the PRI’s signatory reporting requirements). The PRI is currently developing a framework on investor data needs, which focuses on investors’ corporate data needs. This will inform this task by defining minimum requirements for the spectrum of investors (e.g. on type information), and will need to be expanded to cover ESG data and tools.
   - Identify the key climate data providers (including private sector and not for profit service providers) within the ESG data and services market and agree which will be the focus for this in-depth analysis. This may be an iterative process which is to be agreed with the PRI project team.
   - Carry out a comparative analysis\(^3\) of the selected data and service providers to better understand their data sources and different scoring and rating methodologies (including how they align and diverge), what they aim to measure (e.g., risk and return vs sustainability performance/historical performance vs forward looking), how they support the implementation of investors’ climate goals, progress tracking and disclosure obligations, and any additional criteria that is agreed to be of relevance. This review should take into account existing academic research on this topic, and also include the consultant’s own primary research.

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\(^3\) Analysis must take into account work under the PRI’s ongoing credit risk and ratings initiative [https://www.unpri.org/investment-tools/fixed-income/credit-risk-and-rating](https://www.unpri.org/investment-tools/fixed-income/credit-risk-and-rating) and other relevant initiatives such as the Net Zero Financial Service Providers Alliance (NZFSPA).
Map and clearly depict how the climate/net zero data products and services, that were analysed in the point above, relate to regulatory requirements such as investors' climate-related disclosure obligations and other relevant initiatives.

Assess how the market is meeting investor climate/net zero data needs and identify where there are gaps. This will need to be assessed relative to the needs identified in the previous tasks, the PRI's signatory reporting requirements, the investor data needs framework currently under development within the PRI, and any additional requirements that are agreed to be of relevance.

Identify potential market barriers to meeting investor climate/net zero data needs and provide suggestions for how these barriers could be overcome by the industry, policymakers, and other key stakeholders.

Deliverables:

- Draft and prepare a final report for publication (maximum 20 pages). The report will include:
  - A clear overview of the structure and key characteristics of the current market, including the methodologies used, for climate/net zero data products and related tools and services.
  - Insights on whether the current market supports investors seeking alignment of their investments with climate goals.
  - Recommendations on how the market could be improved to support investors with their climate/net zero data needs.

3. Support coalition building activities within the wider project

- Draft and prepare technical briefing notes to support workshops and events organised by the PRI to test and socialise the project's findings.
- Prepare and deliver presentations, tailored to a range of audiences, at workshops and events.
- Support with convening and organising workshops and events.

Deliverables:

- Briefing notes and presentations.

4. Dissemination

- Develop high-quality summaries of the findings from point 2 (research and analysis) to share with different audiences.

Deliverables:

- Draft key messages and materials to support the dissemination of findings to investors, policymakers, regulators, and service providers, including a summary of findings. Note: the number of key messages documents is to be agreed with the consultant(s) and should be tailored to the intended audience.
DELIBERABLES AND TIMINGS

The key deliverables are mentioned above.

The project will run from 8th August 2022 until 28th February 2023. Below are suggested timings for the project - to be agreed at the project kick-off meeting. Note: there may be overlaps between the different activities, and timings are subject to change.

<table>
<thead>
<tr>
<th>Activity/deliverable</th>
<th>Timing</th>
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<tbody>
<tr>
<td>Project start date</td>
<td>8th August 2022</td>
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<tr>
<td>Research and analysis</td>
<td>8th August to 28th October 2022</td>
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<tr>
<td>Support coalition building activities</td>
<td>5th September to 28th February 2023</td>
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<tr>
<td>Final report</td>
<td>16th December 2022</td>
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<tr>
<td>Dissemination materials</td>
<td>3rd October to 28th February 2023</td>
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<tr>
<td>End of project</td>
<td>28th February 2023</td>
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BUDGET

Please submit a proposal which fits into the overall budget of £63,000-83,000 inclusive of VAT, if applicable.

WHO SHOULD APPLY?

The PRI is inviting proposals from consultants, academics or consortiums that can demonstrate extensive experience in:

- Research and analysis on the market for ESG data products, services, and their providers.
- Research and analysis on ESG data and metrics, with a focus on climate change.
- Understanding the investment industry including the structure and operation of the investment chain, and investor decision-making processes.
- Drafting and adapting technical content to communicate to diverse audiences.
- Collaboratively working with others and fostering an inclusive environment.
HOW TO SUBMIT A PROPOSAL

Please send your proposal to SFS@unpri.org by 18.00 CEST on Wednesday 29th June 2022. The RFP timings are as follows:

<table>
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<tr>
<th>RFP process</th>
<th>Timing</th>
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<tr>
<td>Deadline for RFP proposals</td>
<td>Wednesday 29th June 2022 at 18.00 CEST</td>
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<tr>
<td>Shortlisting for interviews</td>
<td>Monday 4th July 2022</td>
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<tr>
<td>Interview Process</td>
<td>Tuesday 5th July to Friday 22nd July 2022</td>
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<td>PRI final decision</td>
<td>Tuesday 26th July 2022</td>
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<tr>
<td>Start Date</td>
<td>Monday 8th August 2022</td>
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Feel free to contact us if you have any questions regarding the project or the requests outlined in this document.

The proposal should include:

- Availability for the requested period/ability to achieve deadlines.
- A summary of relevant experience, competencies, professional or academic background for individuals that would be involved in this project, especially in relation to ESG data providers and climate data and metrics.
- Reference to track record of other projects, studies or key academic work that are relevant to this project, especially in relation to ESG data providers and climate data and metrics.
- Data sources you would propose to use during the research and analysis phase of this project, with a particular focus on climate-related sources.
- A detailed summary of the approach that you would take in developing a methodology for this project and any suggestions for deviations from the scope outlined in this document.
- A breakdown of project costs for each activity.

ABOUT THE PRI

The Principles for Responsible Investment (PRI) is a membership-based organisation that works with its international network of signatories to put the six Principles for Responsible Investment into practice. The PRI works to understand the investment implications of environmental, social and governance (ESG) factors and to support its signatories in incorporating these factors in their investment and ownership decisions. The six Principles were developed by investors and supported by the United Nations (UN) and now have over 4,900 signatories.