



FRENCH INITIATIVE ON THE RELATIONS BETWEEN COMPANIES AND NON-FINANCIAL RATING AGENCIES

Summary of the results and recommendations

February 2019

French companies' CSR policies are evaluated by numerous actors, including non-financial rating agencies. At their request, Medef and Afep, in partnership with Cliff and C3D¹, engaged in January 2018 a **collective discussion on the relations between companies and non-financial rating agencies**.

The diversity of agencies, having each their own evaluation methodology, results in an important workload for companies who are facing numerous requests. The diversity in approaches also leads to different conclusions on a company's performance, which do not always converge.

Medef and Afep, in partnership with Cliff and C3D, therefore sent a questionnaire to 120 top French listed companies (SBF 120) allowing them to evaluate 8 major non-financial rating agencies.

This document presents a summary of the survey's results and a set of recommendations aimed at improving the relations between companies and non-financial rating agencies.

¹ Medef - French Business Confederation; Afep - Association of Large French Companies; Cliff - French association of Investor Relations; C3D - French Association of Sustainable Development and CSR Directors

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Methodology

1. List of the evaluated non-financial rating agencies

Eight agencies were evaluated by French companies:

- EcoVadis;
- CDP (distinguishing “Climate change” from “Water” and “Forest” in order to visualise the number of companies answering the various questionnaires);
- FTSE, for the FTSE4Good index;
- MSCI;
- Oekom research (now ISS-oekom);
- RobecoSam, for the DJSI index;
- Sustainalytics;
- Vigeo Eiris.

Those agencies were identified with the help of a panel of companies’ representatives among the 120 top French listed (SBF 120). The positioning of the eight agencies may differ: creation of an index, rating of companies for a use by investors, rating for a use by contractor/client companies. However, the difference in positioning was not considered an obstacle to a comparative approach. Taking the point of view of the company whose CSR performance is evaluated, the requests from these organisations are received and treated in the same manner.

In the study, top listed companies were invited to only evaluate the non-financial rating agencies to which they respond.

2. Content of the survey

SBF 120 companies were invited to give their perception of non-financial rating agencies’ performance based on 27 criteria² classified into 5 subjects:

- Governance;
- Methodology;
- Relationship with companies;
- Handling of controversies;
- Overall appreciation (notably the agency’s notoriety and the usefulness of the assessment for the company).

The survey was administrated between January and March 2018. Consequently, neither methodological changes introduced by several non-financial rating agencies in 2018 were addressed in the survey results, nor the change of name from Oekom research to ISS-oekom in March 2018 taken into account.

3. Nature of the survey

The agencies’ performance was evaluated by companies both:

- quantitatively: assessment of agencies performance with a score from 1 to 4 (1 = “highly unsatisfactory”; 2 = “unsatisfactory”; 3 = “satisfactory”; 4 = “highly satisfactory”), with the possibility to reply “No opinion/Does not answer”;

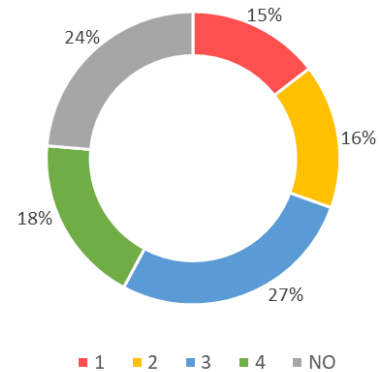
² See Annex I, page 14 for the list of criteria included in the survey.

- qualitatively: for each criterion, a comments section allowed companies to explain their answer and illustrate it with concrete examples.

4. Quantitative data processing

Quantitatively, the agencies' performance was evaluated for each criterion in two ways:

- On the one hand, on a weighted-average basis (average for each of the 27 criteria based on the scores from 1 to 4). These averages were used to determine, for each agency, a score per subject (governance; methodology; relationship with companies; handling of controversies; overall appreciation), as well as a total score between 1 and 4.
- On the other hand, by creating pie charts (see example on the side: for instance, 27% of respondents considered satisfying the performance of the agency X on the criterion Y – score of 3). These charts have the advantage of showing the percentage of companies who replied “No opinion/Does not answer” for the criterion. The pie charts for each criterion were included in the detailed individual assessment document handed to the agencies met by the partners in the initiative³.

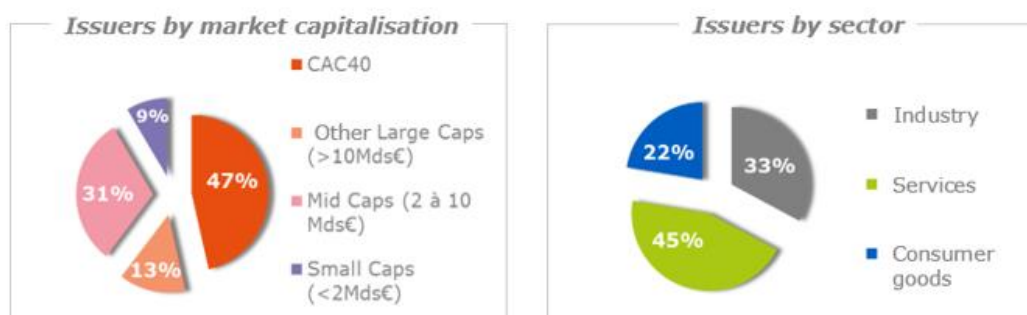


³ See Part “Dialogue with non-financial rating agencies and investors”, page 8.

Summary of the results

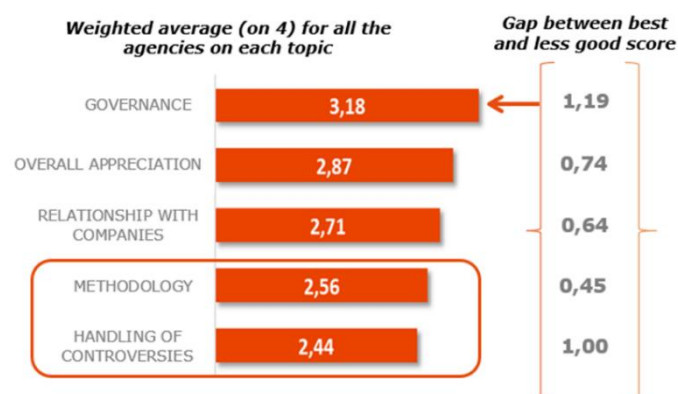
1. Distribution of respondents

58 companies answered the survey, including 27 among CAC 40 (top 40 French listed companies) and 2 companies outside SBF 120. Respondents distribution by market capitalisation and by sector is showed below:



2. Main results across the panel of agencies

Among the 5 subjects of the survey, the issues “Methodology” and “Handling of controversies” were the most poorly rated by companies across the panel of agencies. On average, “Governance” was the highest-rated subject by companies in terms of satisfaction towards agencies performance, even if there is an important gap between the best and less good score obtained by the various agencies on this subject.



The total score for the panel of agencies is 2,78/4. There is overall a limited gap between the best overall score obtained by an agency (score of 3,05/4) and the poorest score (2,55/4). In conclusion, according to the companies, there is room for improvement for all non-financial rating agencies.

AVERAGE OBTAINED	Average for the panel of agencies	Best score obtained by an agency	Worst score obtained by an agency
On all the subjects (total score)	2,78	3,05	2,55
Governance	3,18	3,74	2,54
Methodology	2,56	2,79	2,34
Relationship with companies	2,71	3,18	2,54
Handling of controversies	2,45	3,00	2,00
Overall appreciation (notoriety and usefulness)	2,87	3,22	2,48

3. Main results per agency⁴

Non financial rating agencies to which French companies answer *a priori* the most are Vigeo Eiris (evaluated by 98% of the respondents), CDP Climate (90% of the respondents) et Oekom research (86% of the respondents). No correlation was observed between the rate of response to an agency's solicitations and companies' satisfaction regarding its performance.

The survey highlighted the following key strengths and main areas for improvement, according to the companies, for each non-financial rating agency:

AGENCY	KEY STRENGTHS	MAIN AREAS FOR IMPROVEMENT
CDP	<ul style="list-style-type: none"> - Notoriety / Reference on climate (including for other non-financial rating agencies) - Good use by investors - Transparency on the methodology 	<ul style="list-style-type: none"> - Answering the questionnaire is charged - Time-consuming questionnaire - Numerous changes in the questionnaire every year (instability of the methodology) - Lack of exchange between companies and the agency (paying service)
EcoVadis	<ul style="list-style-type: none"> - Notoriety - Satisfying quality-price-time ratio - Return on investment as more and more requested by clients 	<ul style="list-style-type: none"> - Absence of a pre-filled questionnaire with the most recent information available (pre-filled with data from previous year) - Limited explanation of the final assessment (chargeable option) - Opacity of the controversies' selection criteria
FTSE / FTSE4Good	<ul style="list-style-type: none"> - Pre-filled questionnaire - Reasonable time to review the preliminary report - Satisfying quality-time ratio 	<ul style="list-style-type: none"> - Opacity of the index - Technical deficiencies of the data collection platform
MSCI	<ul style="list-style-type: none"> - Very good use by investors - Efficiency of the data collection process - Quality of the report on controversies 	<ul style="list-style-type: none"> - Lack of communication on the possibility to get the final report for free - Lack of exchange between the analyst and the company
Oekom research	<ul style="list-style-type: none"> - Transparency on the methodology and detailed weighting of criteria - Quality of the preliminary report - Free access to the final report sold to investors 	<ul style="list-style-type: none"> - Lack of predefined predictable calendar
RobecoSam / DJSI	<ul style="list-style-type: none"> - Transparency on the methodology - Assessment considering sectoral specificities - Use of "comply or explain" mechanism for some questions 	<ul style="list-style-type: none"> - Time-consuming answer to the questionnaire - Absence of a pre-filled questionnaire with the most recent information available (pre-filled with data from previous year) - Low use by investors
Sustainalytics	<ul style="list-style-type: none"> - Reasonable time to review the preliminary report - Very good use by investors - Quality of the report on controversies 	<ul style="list-style-type: none"> - Lack of transparency on the methodology - Lack of access to the final report for free
Vigeo Eiris	<ul style="list-style-type: none"> - Good use by investors in France - Predictability of the assessment period (every 2 years) - Provides a preliminary report 	<ul style="list-style-type: none"> - Absence of a pre-filled questionnaire with the most recent information available (pre-filled with data from previous year) - Deficiencies of the data collection platform - Lack of access to the final report for free

⁴ NB: Companies average perception collected via the survey concerns the performance of non-financial rating agencies for assessment campaigns in 2017 and previous years. Therefore, evolutions in methodology observed within several non-financial rating agencies in 2018 do not show in the survey results.

The table⁵ below highlights companies' perception of the 8 non financial rating agencies performance on the main criteria surveyed.

Main criteria surveyed	NON FINANCIAL RATING AGENCIES							
	CDP	EcoVadis	FTSE / FTSE4Good	MSCI	Oekom research	RobecoSam / DJSI	Sustainalytics	Vigeo Eiris
1. Independence ⁶ of the agency	●●	●●●	●●●	●●●	●●●	●●●	●●●	●
2. Effectiveness of the separation between rating and consulting activities	●	●	NA	NA	NA	●●	NA	●
3. Transparency of the methodology (including the weighting of criteria)	●●	●	●	●	●●	●	●	●
4. Manner in which sectoral specificities are taken into account	●	●	●	●●	●●	●●	●●	●
5. Methodology used for handling controversies	NA	NO	NO	●	●	●	●	●
6. Questionnaire pre-completed with the company's most recent information available	●●	●●	●●	●●	●●	●●	●●	●●
7. Time to review the preliminary report	●	NA	NO	●	●●	●	●	●
8. Dialogue between the analyst and the company	●	●	●●	●	●●	●	●	●
9. Free obtention of the complete results of the assessment	●●	●●	●●	●●	●●	●●	●●	●●
10. Usefulness of the questionnaire for the company to progress	●	●	●●	●	●	●●	●	●
11. Dialogue on the initiative with Medef-Afep-Cliff-C3D ⁷	Meeting	Meeting; written answer	No dialogue	Meeting; written answer	Meeting	Meeting; written answer	No dialogue	Meeting; written answer

Legend:

- = Respondents on average highly satisfied with the performance of the agency on this criterion
- = Respondents on average satisfied with the performance of the agency on this criterion
- = Respondents on average unsatisfied with the performance of the agency on this criterion
- = Respondents on average highly unsatisfied with the performance of the agency on this criterion
- NA = Not applicable
- NO = No opinion / Does not answer

⁵ See Annex III for explanation of the methodology, page 21.

⁶ Independence of the agency is defined as the fact that the agency does everything to ensure that it is not subject to any particular interest which could influence the results of an assessment in one way or another.

⁷ A meeting was proposed to all evaluated agencies in order to exchange on their results and the recommendations. For agencies that accepted, "Meeting" is indicated in the summary table. During the meeting, agencies were asked to later send a written feedback, to be included in this document, on their evaluation as well as containing potential commitments on the areas for improvement identified. For the agencies that did, "Meeting; written answer" is indicated in the summary table.

4. Dialogue with non-financial rating agencies and investors

Dialogue with non-financial rating agencies

The 4 partners of the initiative proposed a meeting to the 8 non financial rating agencies evaluated in order to exchange with them on their individual results and to identify areas for improvement in their practices. Two agencies refused this proposal. The agencies' responses are included in the table summarising the main results of the survey (see page 7, criterion "11. Dialogue on the initiative with Medef-Afep-Cliff-C3D").

All 8 agencies included in the panel surveyed received a synthesis of their individual results containing:

- the number of companies by which the agency was evaluated;
- the agency's key strengths and main areas for improvement, according to French companies;
- the table of averages (see page 5), completed with its individual scores for each subject (governance, methodology, relationship with companies, handling of controversies, overall appreciation) and its total score.

The 6 agencies which agreed to a meeting with the 4 partners of the initiative received an additional document containing, for each of the 27 criteria surveyed:

- the pie chart showing the distribution of scores attributed by companies;
- a synthesis of their qualitative answers.

Each non-financial rating agency was asked to react in writing following the meeting, addressing their performance as perceived by companies, as well as the recommendations⁸. Two of the agencies met did not send a written answer afterwards.

Dialogue with investors

Following the exchange with non-financial rating agencies, meetings were proposed to several French investors in order to:

- present them the results of the survey;
- present them the recommendations aimed at the agencies and the European commission;
- exchange more broadly on their use of non-financial rating.

5 investors were met by the 4 partners of the initiative. These meetings permitted to identify several patterns in investors' use of non-financial rating.

- Some investors **work with one agency**, either by using its standard services, or by developing a **privileged partnership** with an agency ready to adapt to the investor's specific requirements and modify its methodology in order to provide tailor-made information's (for example, request to analyse non-financial opportunities in addition to risks).
- Other investors use **several non-financial rating agencies, both generalists and specialists** (for instance on "carbon" data or controversies). If agencies' assessments on a company align, they can be used unaltered. When they differ, the investor's analysts conduct in-depth analysis on the divergence subjects to make their own assessment. In most cases, investors in that case develop internal weighting based on agencies key areas of expertise (for instance, one agency is recognized for the reliability of its assessment of companies' performance on the environmental pillar of CSR).
- Other investors are **not interested in the ranking** made by the agencies but in their **data collection capacity**. This data is then used by the investors with their own assessment methodology. Here again, information transmitted by generalist agencies is completed with

⁸ See Annex II, page 15, for written answers.

information collected by specialized agencies (for example on controversies, climate, governance...).

- The last pattern observed among investors is to **not use non-financial rating agency services**. Those investors **base their assessments of companies' CSR performance on their public reports, usually combined with NGOs reports**. The evaluation grid used by these investors, developed internally, usually weights various criteria according to sectors.

Following those initial meetings, Medef, Afep, Cliff and C3D wish to continue the dialogue with the investors' community.

5. Next stages

For Medef, Afep, Cliff and C3D, the survey administrated to SBF 120 companies in 2018 and the meetings organised with non-financial rating agencies and investors constitute a first step. On this basis, the 4 partners of the initiative will engage:

- **awareness and communication actions** based on the survey results and the recommendations, in France and in Europe, as well as
- **follow-up procedure** to monitor the actions undertaken by the various stakeholders in non-financial rating: agencies, companies, investors and public authorities.

Recommendations

1. Recommendations aimed at non-financial rating agencies

a. Governance and independence between analysis and advisory activities

Some agencies offer companies paid consulting services, whether directly or indirectly via third parties recommended by them. These practices are perceived by companies as sources of potential or actual conflicts of interest.

Recommendations:

- All consultancy activities and possible links with other organisations to offer rating advice should be made public, as well as the policy for the prevention and management of potential conflicts of interest.
- The staff performing the analysis must be independent and distinct from the staff that carries out consulting services.
- Organisations must publicly communicate the steps taken to effectively ensure the separation of rating and consulting activities.

b. Transparency of the methodologies

Some agencies refuse to make public their detailed methodologies, assessment criteria and weightings in order to protect their specific rating model. In some cases, companies use consulting firms to help them complete the questionnaires "properly" and obtain good scores. Several companies used the image of the "black box" in their responses to the survey, underlining that the rules are not always known.

Recommendation:

The methodology of the non-financial assessment should be made public, notably regarding the following elements:

- the specific assessment criteria and expectations;
- the weighting of each criterion or sub-criterion;
- whether the rating is absolute or relative (i.e. compared with other companies in the sector);
- whether adherence to a sector-based frame of reference is considered in the rating.

If the agency does not wish to make all the elements mentioned here above public, it should at least communicate them to the companies it is rating.

c. Obtaining the results of the rating

Companies do not always obtain their detailed assessment or their classification within the sector. Moreover, some assessments are not easy to utilise internally because they are presented without explanations or without the different issues being prioritised.

Recommendation:

Companies should be given the detailed and definitive rating systematically and free of charge, to enable them to draw conclusions and continue to progress.

d. Quality of the information collection process

Some questionnaires are not pre-completed when all the information requested is in principle publicly available (management reports, registration documents, integrated reports, websites...). Companies consequently have to take on the completion of the questionnaires, which represents a significant burden and provides no added value. This considerable workload leads many companies to question the benefit of investing so much time on a rating when they do not know for certain whether it is of interest to investors.

Recommendation:

The agencies should pre-complete the questionnaires before sending them to companies for review and correction of possible errors.

e. Review of the preliminary report and dialogue with the analyst

Some assessments are made without companies being able to react to a preliminary report enabling them to point out mistakes or gaps. In other cases, the time allowed to review the preliminary report is inadequate and/or comes at the end of the process, making dialogue with the analyst difficult or non-existent.

Recommendation:

The preliminary report should be systematically provided to the company, which should be given reasonable time in which to respond, with the possibility of engaging in dialogue with the analyst responsible for the report in the event of a problem.

f. Stability of the methodologies

To enable a comparison of their performance over time, companies would like the assessment criteria and their weighting to be stable. Advance notification of any changes to the "rules" is needed so that these can be anticipated.

Recommendations:

- **The agencies should systematically notify companies in advance of any change in the methodology or weighting of the assessment criteria.**
- **These changes should only be operated for the second financial year following in order to give the companies sufficient time to decide whether, in the light of the announced changes in the methodology, the agency's questionnaire is still a continuous improvement tool for the company.**
- **As far as possible, rated companies ask for stability in the teams which are in charge of their evaluation. A continued dialogue with analysts is an essential factor in allowing them to understand the company's business model and ensuring the quality of the rating.**

g. Considering sector-based aspects and national regulations ("comply or explain")

With regard to governance, the rules applicable to French companies are not considered sufficiently, which puts them at a disadvantage. For example, the Afep-Medef Code accepts the 12-years rule for determining the threshold beyond which a director is no longer considered as independent. Some agencies systematically refer to the stricter Anglo-American standard of nine years and attribute poor scores to French companies despite the fact that they are compliant with the Afep-Medef Code. It should be noted that the European recommendation concerning independent directors also accepts the 12-year rule.

Likewise, the **specific features of French law** should be considered. For example, prevention of non-discrimination related to ethnic origin does not allow for a quantitative measurement by companies, given that French law prohibits the compilation of records on this subject. While French law requires the appointment of directors representing employees, who are inherently not considered to be independent, this specificity is not always taken into account when it comes to calculating the proportion of independent directors.

With regard to sector-based aspects, the situation is not satisfactory either (with some exceptions). The questions are sometimes written for a business sector generally, without considering the specific nature of the activities of certain groups. A more detailed analysis, notably according to activity, is essential to ensure that the rating is relevant.

At the very least, companies should have the possibility to explain why the answer to a particular question cannot be given or why the company complies with a particular standard. Some non-financial rating agencies offer this functionality.

Recommendations:

- **National legal, regulatory and market situations should be considered in the assessments.**
- **Some assessment criteria should involve a "comply or explain" mechanism.**

h. Handling of controversies

Companies do not always understand the choice of controversies that may arise from their activity. They are sometimes anecdotal, local or very old, and have already been handled appropriately and furthermore made public.

Recommendations:

- **The criteria that lead to a controversy being taken into account should be made public.**
- **The definition of a controversy, the time limit for taking it into account and compliance with the principle of confidentiality required of the company when a legal dispute is ongoing must be thought through within the non-financial rating agencies in order to identify good practices to be communicated to companies.**

2. Recommendations aimed at the European Commission

The work that is currently being conducted at EU level on **sustainable finance** gives companies the opportunity to formulate the following recommendations aimed at the European Commission. Companies indeed are in favour of:

- a. **requiring non-financial rating agencies to adopt a code of conduct which they apply and report upon according to the “comply or explain” principle;**
- b. **a European legal framework imposing minimum transparency requirements on non-financial rating agencies regarding the following themes:**
 1. the reference to a code of conduct which they apply and the modality in which they report on the application of this code of conduct;
 2. the essential features of the methodologies and models they apply;
 3. the main information sources they use;
 4. the procedures put in place to ensure quality of their research and qualifications of the staff involved;
 5. whether and, if so, how they take national market, legal, regulatory and company-specific conditions into account;
 6. whether they have interactions with the companies evaluated and/or with their stakeholders, and, if so, the extent and nature thereof;
 7. the policy regarding the prevention and management of potential conflicts of interests.

Annex I – Criteria contained in the survey

A. Governance

1. Effectiveness of the process in place to insure the separation between rating (unsolicited grading) and consulting activities (solicited grading)
2. Independence of the agency

B. Methodology

3. Transparency of the methodology (assessment criteria and weighting made available for companies)
4. Stability of the methodology
5. Quality and efficiency of the data collection process (for example, questionnaire pre-completed by the agency)
6. Analysis adapted to the specific nature of the company's activities (materiality / relevance)
7. Questionnaire adapted to country-specific aspects
8. Use of sector-based frame of reference developed by professional federations
9. Integration of other recognised frameworks
10. Robustness of the assessment process (unbiased treatment of the data)
11. Search for consensus with other agencies (use of their ratings, collaboration in order to align questionnaires, etc.)

C. Relationship with companies

12. Respect for the confidentiality of information
13. Qualifications of the analyst as regard to the nature of the company's activity
14. Stability in time of the analysts
15. Possibility for the company to express the complexity of its issues and to engage a dialogue with the analyst
16. Feedback from the agency on the result of the assessment
17. Reasonable time to review the preliminary report (for instance, 2 weeks)
18. Right of reply for the company *
19. In case of persistent disagreement with the agency, possibility to show discrepancies in the final report *
20. Frequency of the assessment (time between updates)
21. Quality-price ratio of the final report

D. Handling of controversies

22. Quality of the methodology used to identify controversies
23. Use of company's explanations

E. Overall appreciation

24. Agency's notoriety
25. Use of the assessment by investors
26. Use of the assessment internally
27. Would you recommend this agency? *

*: On the contrary to the other criteria, evaluated on a scale from 1 to 4, these criteria were assessed with a "yes" or "no" response (or "no opinion/does not answer").

Annex II – Responses from the agencies

EcoVadis

“EcoVadis welcomes the initiative of Medef, AFEP, Cliff and C3D on the survey dealing with the relationship between companies and extra-financial rating agencies. This survey provides new insights that with no doubts will enrich the EcoVadis team's action plan, committed since its creation to listening to its customers and stakeholders, and to continuous improvement.

First, we noted a number of strengths that reward the work of our teams and encourage them to go even further, including the independence of the organization, the stability of the methodology and the robustness of the process. In the end, 61% of respondents recommend EcoVadis.

Secondly, to put the results of the survey into perspective, it is important to know that many companies did not respond to the survey because they are not evaluated by EcoVadis. We operate mainly in the Responsible Purchasing market segment and therefore we do not evaluate all publicly listed companies.

Finally, we identified areas for improvement, particularly in the following areas: data collection, questionnaire adaptation, controversy management, convictions and fines (360°). On these subjects we have already taken some actions.

a) Data collection

- The user interface (e. g. file management) has been improved with the launch of our new EV10 platform in September 2018,
- The questionnaires are pre-filled with answers from previous years (N-1). Going forward, we are considering offering a service to pre-fill questionnaires for evaluations (Year N) based on public documents.

b) Adaptation of questionnaires

- The new EV10 platform offers a better visibility on the activated criteria, it should meet the expectations,
- We will generalize the use of open-ended questions within each section to give companies the opportunity to explain the reasons why a question does not concern them ('comply or explain').

c) Management of controversies, condemnations and fines (360°)

- At the beginning of 2018, we activated a new procedure to inform companies about major controversies in order to gather their comments before publication.
- We are currently working on improving the platform with regard to 360° information.

We would like to thank Medef, AFEP, Cliff and C3D once again for the quality of our exchanges.

The EcoVadis team.”

MSCI

“MSCI is pleased to have had the opportunity to better understand the results of your survey from end of 2017/beginning of 2018. Since the beginning of 2018, MSCI has undertaken several projects to provide answers to companies’ expectations.

- We recently launched a platform specifically dedicated to issuers in order to give them access to their data, their ESG profile, as well as to share information on MSCI’s research process and trends in ESG investing (<https://esgicp.msci.com>). In addition, companies will find on this platform a FAQ section answering questions regarding the timing of companies’ profiles updates, access to the analysts, and main methodology features.
- We have strengthened our team dedicated to the relationship with issuers, which can be contacted via the address esgissuercomm@msci.com. This team links issuers with our team of analysts (more than 185 people worldwide).
- Since the beginning of 2018, we organised more than 25 events for issuers across the globe, in partnership with industry associations. Moreover, we organized consultations towards issuers in order to collect their direct feedback on MSCI’s analysis model (for instance with the bank sector and the real estate sector).

We wish to continue to exchange with your members to benefit from their feedback on our research and methodology.”

RobecoSAM

“We would like to thank AFEP, MEDEF, Cliff and C3D for their initiative carried out by SBF 120 companies on the perception of the practices of non-financial rating agencies. The dialogue with stakeholders is very important to us and we will pay close attention to the recommendations made in this report. We would like to contribute with the following remarks.

- Methodology:

- Whenever possible, we align our questionnaire with other industry standards and benchmarks (GRI, CDP). Our methodology is applied to 4650 companies globally. We always consider local regulations and guidelines and do not penalize companies that comply with those regulations. However, we expect companies to follow global industry standards and best practices that might go beyond local or national requirements. We expect companies operating in a global environment to uphold the highest business standards in all countries they operate, even if local laws require less or may not exist.
- Some companies have a preference for having their questionnaire prefilled with public information and see little value added in providing us with the requested information. However, we have also received opposite feedback from a majority of companies surveyed, which prefer filling in the questionnaire. We are increasingly hearing from companies that they are often spending the same or more time correcting or enhancing data collected by analysts from public sources compared to the time spent completing a questionnaire themselves. As mentioned above, we strive to refer as much as possible to other established industry standards or guidelines in order to simplify the response process for companies. As we request more publicly available information to be provided in our questionnaire, we are also paying close attention to new technologies that will allow us to significantly facilitate the collection of information.
- The stability of our questionnaire is a recurrent question, and here as well we have received diverse feedback. Some companies prefer to have a stable questionnaire over years, whereas other companies like to be challenged and expect the questionnaire to reflect the latest developments in their industry. On request from companies, we have introduced a new section to the questionnaire which is not scored and includes future questions, in order to give sufficient time to companies to familiarize themselves with new topics.
- We have been working together with Reprisk for over 10 years on the identification and evaluation of controversies. This process was significantly improved in 2018, with the publication of the detailed criteria used to identify and evaluate these controversies. All affected companies receive a request for information once a controversy is identified, and a detailed report once the analysis of the controversy is completed.

- Transparency and Confidentiality:

- We strive to offer a high level of transparency on our methodology. We publish some industry-specific questionnaires on our website and detailed presentations on the main developments and new questions introduced every year. We also respond to companies' concerns through our helpline and through regular webinars. Each company, whether participating in the questionnaire or not, can request a permanent

access to our online platform, which contains a scorecard with the weights of each criterion together with the company's ranking within its industry. Since 2018, we have added to our CSA companion - our document describing the questions of the assessment - a classification of the different types of question's scoring (public documents, trend, performance, awareness, ...). Furthermore, RobecoSAM voluntarily obtains an annual independent third-party assurance of the assessment process from Deloitte.

- We do not share rating results with companies before their publication. Companies' scores are used to construct indices (DJSI) and therefore, we are required to inform all stakeholders simultaneously. However, if we notice inconsistencies in the questionnaire during the evaluation process, we contact the company to verify the information.
- Finally, Benchmarking activities at RobecoSAM are performed by the Sustainability Services department, which is a very distinct and separate department from the SI Research and ESG Ratings departments. The Sustainability Services team does not interact with companies during the evaluation process nor do they have any influence on the ratings given to companies."

Vigeo Eiris

“Our responsibilities and quality of service: 12 professional commitments to the companies & other issuers we rate

Our Role:

Vigeo Eiris helps investors and asset managers make informed investment decisions and meet their fiduciary duties towards the ESG (Environmental, Social & Governance) risks and performance of issuers such as companies, local authorities and states that seek finance from regulated markets.

We provide professional research and rating services on issuers' sustainability commitments and the impacts of their activities on society and the environment. By collecting and qualifying information disclosed by and about these issuers systematically, we measure their willingness and capacity to integrate normative and material ESG factors into their strategies and operations, and to account for their impacts and performance.

We provide comprehensive analysis and meaningful indicators to assess an issuers' current and future capacity to create value and protect and enhance their strategic assets, including human capital, operational efficiency, organisational effectiveness, legal security, their capacity for innovation, the protection and development of their brand and reputation, and social contribution and acceptability.

Our responsibilities:

We position ourselves impartially between issuer and investor interests. We proactively collect information from multiple sources, and use an unbiased process based on a clear methodology which includes forward-looking metrics to assess the ESG performance, impacts and risks of the issuers we rate.

We understand the importance of our stewardship as an independent ESG research provider and see it as our duty to collect the most accurate, comprehensive and up-to-date information available from issuers and their stakeholders. We analyse this information diligently using a rigorous process so that asset owners and managers can make fully informed decisions.

To acknowledge our responsibilities, we make the following 12 professional commitments to the companies and other issuers that we rate.

Our 12 commitments to the companies & other issuers that we rate:

1. Our methodology, analyses and ratings are independent of any interest or influence group, business relationship or role in our capital structure.
2. We apply our methodology equally and consistently to all rated issuers and during all stages of the rating process. We separate solicited and unsolicited rating analysis and exclude all forms of consulting from our rating activities.
3. We will not use language or express any opinions that would be detrimental to the dignity of any person.
4. We do not publish lists of worst performers, and we base our methodology and analysis on authoritative international principles rather than any other political, religious or philosophical stance. We work with index providers, corporate responsibility initiatives and other clients who may make public their own assessments of companies which made use of our research, but we would not provide our research or analysis to be used by a third party for the purpose of creating a public campaign against an issuer, territory or brand.

5. All company and local authority issuers will receive advance notice that we are rating them, including full access to our methodology, its evolutions over time and the specific process and timeframe of their rating. They will also receive technical support in using our platform to communicate with us.
6. All issuers are assigned a dedicated research manager to oversee their rating, and have continuous access to their analyst to whom they can ask questions, provide documents, and explain their viewpoints on the relevance of our assessment standards in the spirit of the 'comply or explain' principle.
7. All issuers have the right to choose not to interact with Vigeo Eiris. Our assessment of their performance will then be made in good faith on the basis of publicly available information.
8. All issuers are entitled to receive a high-level overview of their rating in a manner which respects our intellectual property rights: we will provide our main contact point at each issuer with free access to their final rating scores. However, we will charge fees if an issuer wishes to use, refer to or disseminate their rating report more widely internally, or for any external purpose, either in part or in full.
9. We guarantee issuers the right to appeal their rating at three levels: firstly, to the analyst, then to our methodology department, and subsequently to our Scientific Committee. Issuers are encouraged to report any behaviour they believe to be a breach of our Code of Conduct to our Compliance Officer.
10. Vigeo Eiris does not sign confidentiality agreements with issuers for its unsolicited ratings, and does not request, collect or use information that an issuer would deem non-disclosable, or which is confidential or sensitive to all or some of its stakeholders. Issuers have the right to inform their analyst if they provide us with interim, incomplete or partly confidential data or indicators whose use or dissemination should be limited.
11. We are aware of the demands issuers face in terms of reporting, and therefore base our questions and information requests on authoritative global initiatives that define corporate reporting requirements wherever possible.
12. We commit to responding to any feedback from individual issuers, as well as engaging with other stakeholders such as associations that represent issuers, with a view to continuously improving our methods and rating process."

Annex III - Methodology of the summary table

The summary table (see page 7) depicts companies' average perception of each non-financial rating agency's performance on the main criteria surveyed.

Choice of main criteria – On the 27 criteria used in the survey (see Annex I) to evaluate the agencies' performance, the 10 main criteria appearing in the summary table were identified according to 2 indicators: they were the most commented upon by companies, as well as the criteria for which companies identified the largest room for improvement for the profession. The main criteria surveyed are showed below, in comparison to the 27 original criteria:

Criteria used in the survey	Criteria used in the summary table
Governance	
1. Effectiveness of the process in place to insure the separation between rating (unsolicited grading) and consulting activities (solicited grating)	2. Effectiveness of the separation between rating and consulting activities
2. Independence of the agency	1. Independence of the agency
Methodology	
3. Transparency of the methodology (assessment criteria and weighting made available for companies)	3. Transparency of the methodology (including the weighting of criteria)
4. Stability of the methodology	
5. Quality and efficiency of the data collection process (for example, questionnaire pre-completed by the agency)	6. Questionnaire pre-completed with the company's most recent information available (<i>Yes/No answer</i>)
6. Analysis adapted to the specific nature of the company's activities (materiality / relevance)	4. Manner in which sectoral specificities are taken into account
7. Questionnaire adapted to country-specific aspects	
8. Use of sector-based frame of reference developed by professional federations	
9. Integration of other recognised frameworks	
10. Robustness of the assessment process (unbiased treatment of the data)	
11. Search for consensus with other agencies (use of their ratings, collaboration in order to align questionnaires, etc.)	
Relationship with companies	
12. Respect for the confidentiality of information	
13. Qualifications of the analyst as regard to the nature of the company's activity	8. Dialogue between the analyst and the company
14. Stability in time of the analysts	8. Dialogue between the analyst and the company
15. Possibility for the company to express the complexity of its issues and to engage a dialogue with the analyst	8. Dialogue between the analyst and the company
16. Feedback from the agency on the result of the assessment	
17. Reasonable time to review the preliminary report (for instance, 2 weeks)	7. Time to review the preliminary report
18. Right of reply for the company	
19. In case of persistent disagreement with the agency, possibility to show discrepancies in the final report	
20. Frequency of the assessment (time between updates)	
21. Quality-price ratio of the final report	9. Free obtention of the complete results of the assessment (<i>Yes/No answer</i>)
Handling of controversies	
22. Quality of the methodology used to identify controversies	5. Methodology used for handling controversies

23. Use of company's explanations	
Overall appreciation	
24. Agency's notoriety	
25. Use of the assessment by investors	
26. Use of assessment internally	10. Usefulness of the questionnaire for the company to progress
27. Would you recommend this agency?	

These 10 main criteria match the recommendations made by Medef, Afep, Cliff and C3D towards non-financial rating agencies.

In addition to the criteria extracted for the survey, another criterion ("11. Dialogue on the initiative with Medef-Afep-Cliff-C3D") was added to the summary table to indicate the agencies response to the meeting proposal.

Performance assessment – Companies' average perception of each non-financial rating agency's performance on the main criteria surveyed is based on the quantitative results of the survey (score from 1 to 4) and the synthesis of the qualitative answers.

- ● ● = Respondents are on average highly satisfied by the agency's performance on the criterion studied → More than 50% of companies (taking into account the ones which replied "No opinion / Does not answer") gave the agency a score of 3 or 4 on the criterion studied, with a majority of companies giving a score of 4 (highly satisfied) and few companies giving a score of 1 (highly unsatisfied). The score is confirmed by the synthesis of qualitative answers. For the 2 criteria allowing a yes/no response, the answer "Yes" was considered highly satisfying, as a positive evaluation on the criterion is a strong demand from companies.
- ● = Respondents are on average satisfied by the agency's performance on the criterion studied → Companies gave the agency more scores of 3 or 4 than scores of 1 or 2, with a majority giving a score of 3 (satisfied). The score is confirmed by the synthesis of qualitative answers.
- ● = Respondents are on average unsatisfied by the agency's performance on the criterion studied → Companies gave the agency more scores of 1 or 2 than scores of 3 or 4, with a majority giving a score of 2 (unsatisfied). The score is confirmed by the synthesis of qualitative answers.
- ● ● = Respondents are on average highly unsatisfied by the agency's performance on the criterion studied → More than 50% of companies (taking into account the ones which replied "No opinion / Does not answer") gave the agency a score of 1 or 2 on the criterion studied, with a majority of companies giving a score of 1 (highly unsatisfied) and few companies giving a score of 4 (highly satisfied). The score is confirmed by the synthesis of qualitative answers. For the 2 criteria allowing a yes/no response, the answer "No" was considered highly unsatisfying, as a positive evaluation on the criterion is a strong demand from companies.
- NA = Not applicable → The criteria studied does not apply to the agency.
- NO = No opinion / Does not answer → More than 50% of companies answered "No opinion / Does not answer" in the survey for this criterion.