



## Transform ESG Performance Into Enhanced Valuation

**Environmental, social and governance (ESG) criteria have quickly become a global measurement of virtually every company's commitment to performance as a steward of sustainable business, our planet and its people.**

Concepts that were once thought of as trade-offs to shareholder primacy and profitability are now viewed as essential for achieving a sustained competitive advantage in the marketplace. ESG has neatly packaged the converging environmental, social, and governance issues that present risks and opportunities in today's global economy.

Investors are increasingly evaluating these non-financial ESG criteria as part of their analysis process to determine material risks, growth opportunities, and management quality. RBC Global Asset Management recently reported that 70 percent of institutional investors, particularly in the United States, Canada and the United Kingdom, now use ESG principles as part of their investment approach and decision-making process.

Complex and often inconsistent ESG rating and ranking criteria have become a meaningful filter through which an enterprise is evaluated by investors, employees, governments, suppliers, consumers and the communities where it operates. It is essential to have a proactive strategy to address these rating and ranking systems and the impact they can have on constituents' rising expectations.

### Navigating the ESG Ratings, Rankings and Reputation Landscape

**As corporate ESG performance becomes an increasingly important benchmark, a myriad of ratings and ranking organizations have emerged that assess and rank companies based on various ESG-specific metrics.**

Each rating and ranking entity has its own unique assessment criteria, methodology, and verification process. Some focus purely on ESG issues that pose an immediate material risk to a business, while others focus on evolving issues important to the public. Some integrate industry-specific standards and weighted point systems, while others have more industry-agnostic approaches to assessing ESG performance.

The unfortunate outcome: reported results are often inconsistent from one service to another and can create uncertainty among boards of directors, investors, senior-most leaders and their most-important stakeholders inside and outside the company.

This variability presents several challenges for businesses. For example, it is difficult to track all the rating and ranking tools, and the absence of common metrics means that the same company can perform well on one ranking and poorly on another without understanding why. A poor ranking by one rating service may well be the barrier that disrupts a major financial transaction, access to capital or a desired regulatory outcome.

Furthermore, the proliferation of these tools has led to short-term thinking, with business leaders focusing on improving their scores rather than understanding and addressing the underlying issues and opportunities behind those scores. Capturing the long-term competitive advantage linked to ESG performance requires today's leaders to fully understand how their companies are being assessed and how those assessments connect back to underlying business activities and performance.

Bringing Your ESG Story to Life: As a company's ESG performance can have a material impact on valuation and reputation, the Summit team works with our clients to help translate ESG strategy and performance into language and content that addresses the expectations of stakeholders. Whether it be an investor relations update, an annual ESG report, or an op-ed to inform the public of your aspirations and performance, Summit can frame your performance in clear and concise language to demonstrate the progress, impact, and effectiveness of your ESG strategy and performance.

## ESG Ratings & Rankings

**There are dozens of ranking and ratings that focus on ESG. Each system uses its own methodology, verification process, and point system. Summit Strategy Group has identified the five we feel are the most credible and well-known for companies to be aware of and that we use for our analysis. Those include:**

**MSCI:** Launched in 2010, MSCI is one of the largest and most well-known providers of ESG ratings, assessing over 6,000 global companies and 400,000 fixed income securities. MSCI evaluates companies on their performance in addressing financially material issues specific to the industry, then continuously monitors them and invites their participation in a formal verification process prior to the publication of their ESG ratings report. Ratings range from CCC on the low end to AAA on the high end and are primarily used by the investment community.

**Just Capital:** Just Capital annually polls citizens to identify the issues that matter most to them and then ranks America's largest publicly traded companies on their performance addressing these issues. Just Capital develops metrics on how companies in the Russell 1000 Index - the largest publicly traded US companies - perform across these issues, using publicly available data, stakeholder interviews, academic research, and cross-sector partnerships. Just Capital's metrics are publicly available and used by the general public, investors and customers interested in the analysis of a business's performance.

**Institutional Shareholder Services (ISS):** ISS has three ESG "rating solutions" to meet investor demand for due diligence. Ratings can only be accessed by contacting the company directly. ISS rating methodology is based on industry-specific materiality issues and is constantly reviewed and adjusted based on relevant developments in ESG-related topics.

**RobecoSAM's Corporate Sustainability Assessment (CSA):** The RobecoSAM CSA is a prerequisite to making the prestigious Dow Jones Sustainability Index (DJSI). Selection criteria evolves on an annual basis, and company performance is monitored throughout the year, on a year-over-year basis. The DJSI is the most challenging list to make due to the extensiveness of its performance requirements and the constantly evolving criteria. Making the DJSI is the pinnacle of corporate ESG aspirations.

**CSRHub:** CSRHub aggregates data from existing rating and ranking bodies to provide a holistic assessment of a company's ESG performance. CSRHub uses over 658 ESG data sources including government, NGO, and media databases. CSRHub does not provide its own perspective on a company's performance. Rather, it uses publicly available data to determine an aggregated score.



## Our specific capabilities include:

- ◆ **Risk Management:** As ESG is increasingly intertwined with enterprise risk management, it is essential that business leaders understand how to identify, evaluate and mitigate the ESG risks that have the greatest potential impact on their businesses. Summit's process begins with a risk mapping analysis that will identify and prioritize ESG-related risks facing a client's business. This process serves as a foundation for the remainder of our ESG service.
- ◆ **Ratings Analysis:** Summit has relationships with all the ratings and rankings organizations and can quickly provide a report summarizing where and how our clients are being ranked. This report will provide a detailed summary of each ranking, including a comprehensive assessment of the ranking tools each uses, along with a risk analysis summary. Most importantly, this report will highlight how a brand is showing up on these rankings to investors and other key stakeholders.
- ◆ **Performance Improvement and Risk Reduction Strategy:** Based on our risk map and ratings analysis, we can develop a customized ESG strategy that will help mitigate any risk-related concerns and improve performance across the ratings and ranking tools.  
  
Summit Strategy Group also provides counsel on the development and management of necessary governance structures to implement an ESG strategy and will help with project management as needed. For those clients who desire additional help, Summit can manage the day-to-day implementation of the ESG strategy as well.
- ◆ **Bringing Your ESG Story to Life:** As a company's ESG performance can have a material impact on valuation and reputation, the Summit team works with our clients to help translate ESG strategy and performance into language and content that addresses the expectations of stakeholders. Whether it be an investor relations update, an annual ESG report, or an op-ed to inform the public of your aspirations and performance, Summit can frame your performance in clear and concise language to demonstrate the progress, impact, and effectiveness of your ESG strategy and performance.

## The Summit Strategy Group Advantage

**Whether you are at the beginning of your ESG journey or are looking to improve performance against a specific goal or with a particular rating system, Summit Strategy Group can help.**

We provide our clients with a clear understanding of their present ESG performance, identify potential risks to address and opportunities to capture, and design and support implementation of ESG strategies to help our clients achieve their unique goals.

We understand that a successful ESG strategy also needs to be communicated with authenticity and accuracy to our clients' most important stakeholders. The Summit team has decades of experience building and executing communications strategies that engage all audiences and stakeholders who have an interest in ESG performance.