

# ESG IN CREDIT RISK AND RATINGS FORUMS: INVESTOR SURVEY RESULTS

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## OVERVIEW

These are the results of the questionnaire which participants to the PRI forums, entitled *ESG in credit risk and ratings*, were asked to take before attending the roundtables in Australia, Europe and North America, as part of the [ESG in Credit Ratings Initiative](#). The PRI organised 11 forums for investors and credit rating agencies (CRAs) between September 2017 and February 2018.<sup>1</sup>

- **Format:** almost all the forums were in a roundtable format to facilitate group discussions, preceded by a short introduction to the ESG in Credit Ratings Initiative and a presentation by CRA representatives to bring investors up to speed on the latest developments.
- **Participants:** the number of attendees was limited to 20-30 to facilitate active participation.<sup>2</sup> Most were senior credit analysts and FI portfolio managers, and a small number of ESG analysts. They primarily belonged to asset managers (although, in some events, asset owners also participated). CRA representatives were senior credit officers, criteria officers or heads of research departments.<sup>3</sup>
- **Focus:** with the exception of the Berlin, London and Paris events, where sovereign credit risk was considered, the sessions focused on corporate credit risk as it was not possible to have corporate and sovereign CRA officers at all events.

For more background on the forums, please refer to the report, *Shifting perceptions: ESG, credit risk and ratings – part 2: exploring the disconnects*, the findings of which are backed by the investor surveys.

## RESULTS

The 15-question survey was aimed at credit analysts, fixed income portfolio managers/strategists and ESG analysts (excluding analysts from the CRAs). They were asked to answer in the context of ESG consideration in credit risk analysis and fixed income assets (not ESG integration for other asset classes). There were 140 respondents to the survey.

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<sup>1</sup> The PRI organised nine roundtables (in the Hague, Toronto, Montreal, New York, Stockholm, London, Paris, Frankfurt and Sydney) and two panel sessions at the Berlin PRI in Person Conference in September 2017 and at the PRI's San Francisco event on 'Responsible Investment in Fixed Income: the Road Ahead' in January 2018. The PRI is planning more roundtables in the second half of 2018. Check [www.unpri.org/credit-ratings](http://www.unpri.org/credit-ratings) for a list of forthcoming events or to access the recordings of the San Francisco conference.

<sup>2</sup> The exception was the Paris roundtable, where there were nearly 50 participants.

<sup>3</sup> Representatives of Moody's Investors Service and S&P Global Ratings participated in all roundtables. Beyond Ratings and Scope Ratings joined the London and Paris roundtables. Scope Ratings was also present at the Frankfurt roundtable, with Rating-Agentur Expert AG and Dagong Europe Credit Ratings Srl. Finally, two CRAs which are not signatories to the ESG in Credit Ratings Initiative, Fitch Ratings and Dominion Bond Rating Service (DBRS) Ltd, participated in the London and Canadian roundtables, respectively. The statement remains open to them.

**Abbreviations used in the survey**

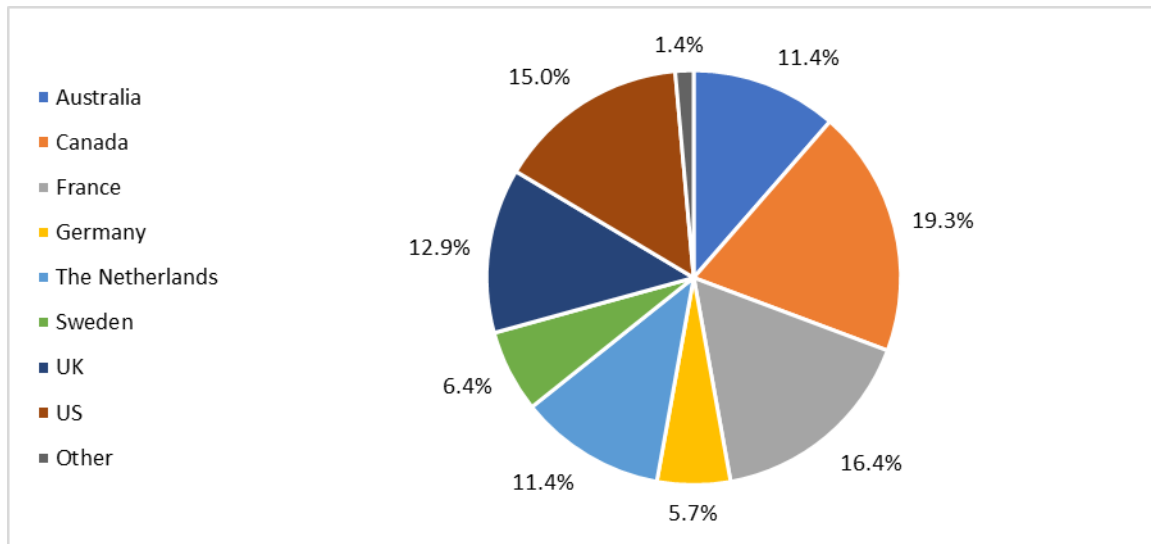
**CRA:** credit rating agency

**ESG:** environmental, social and governance

**FI:** fixed income

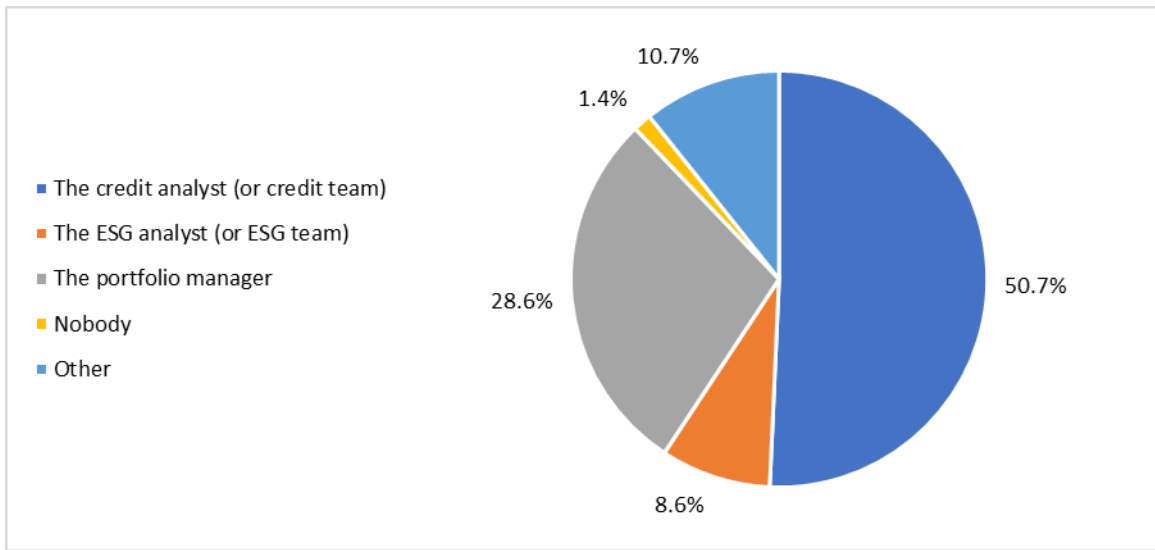
**RI:** responsible investment

**Breakdown of respondents by country of operation**

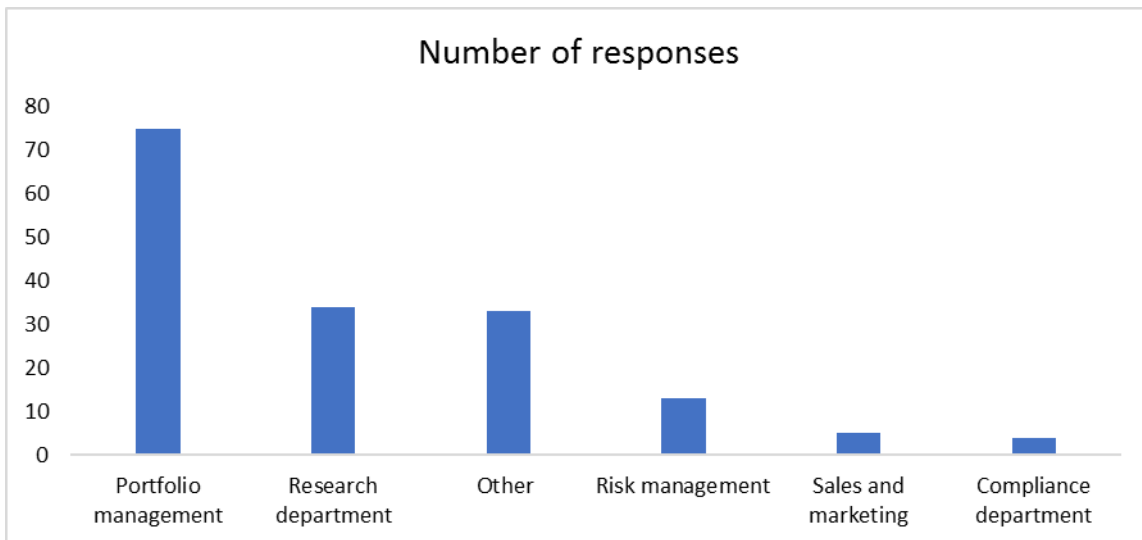


## Questions for investors and survey results

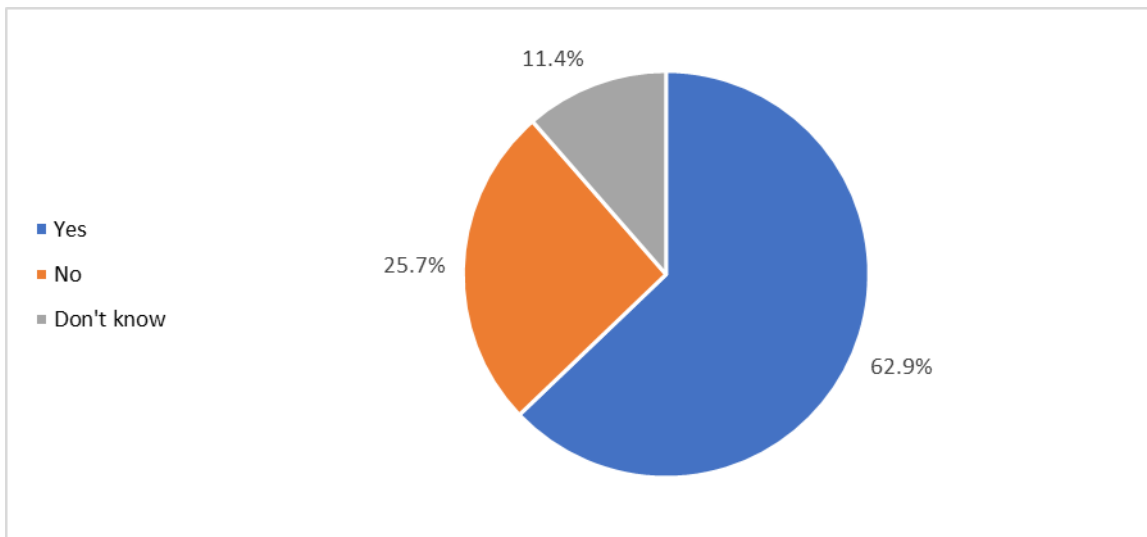
2. In your organisation, who has ultimate responsibility for incorporating ESG consideration in credit risk analysis (circle one option):



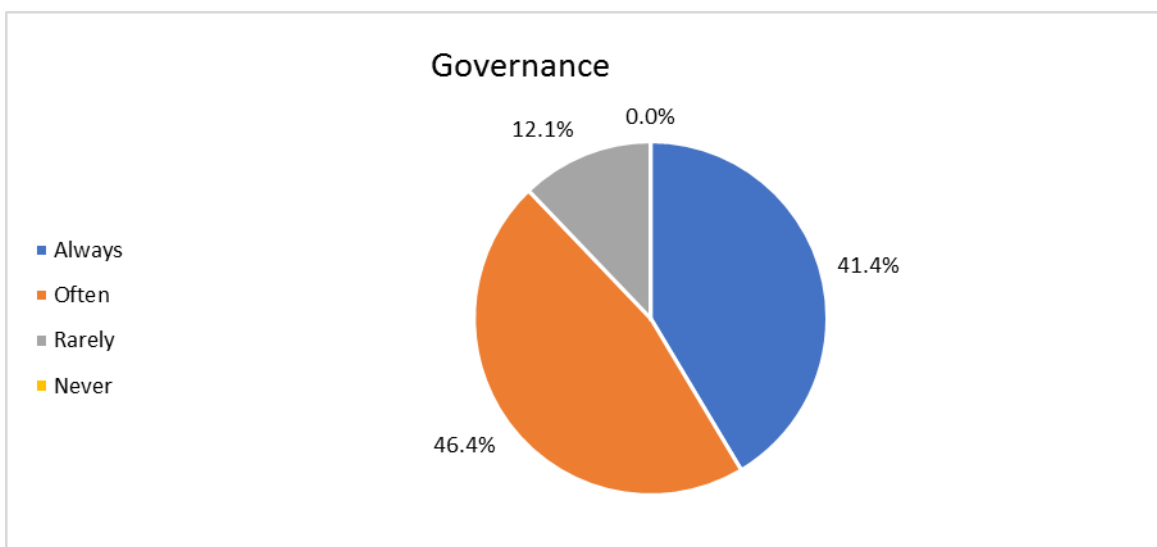
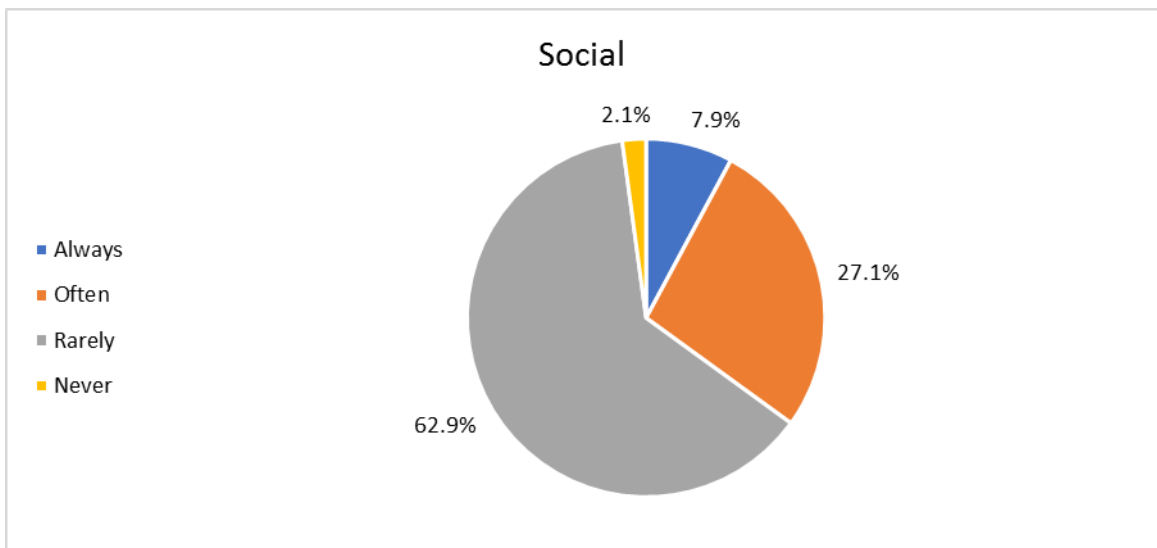
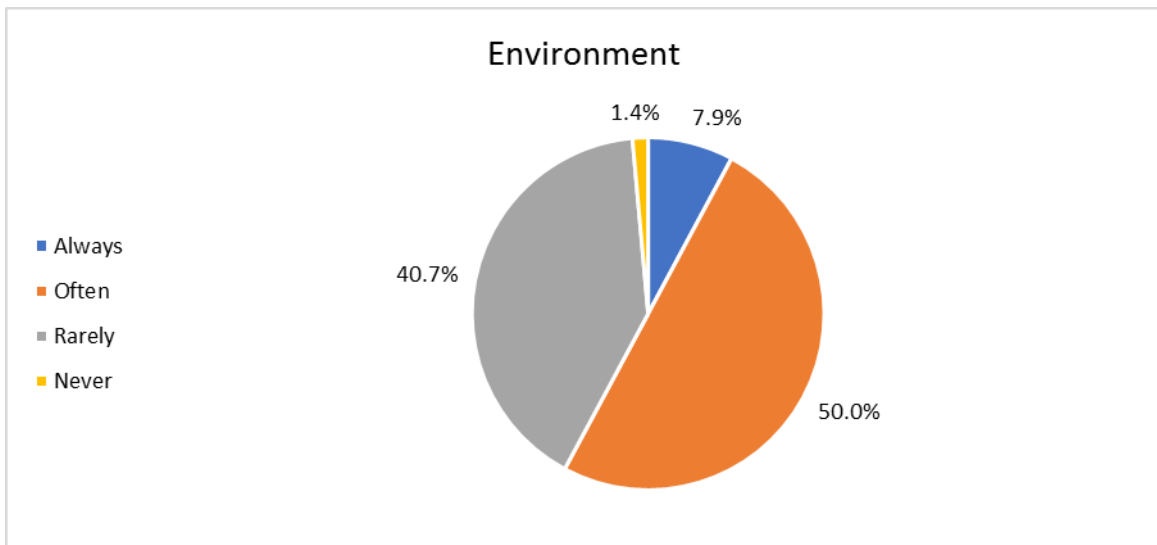
3. In your organisation, who does the team responsible for ESG consideration in credit risk analysis report to (circle the appropriate options):



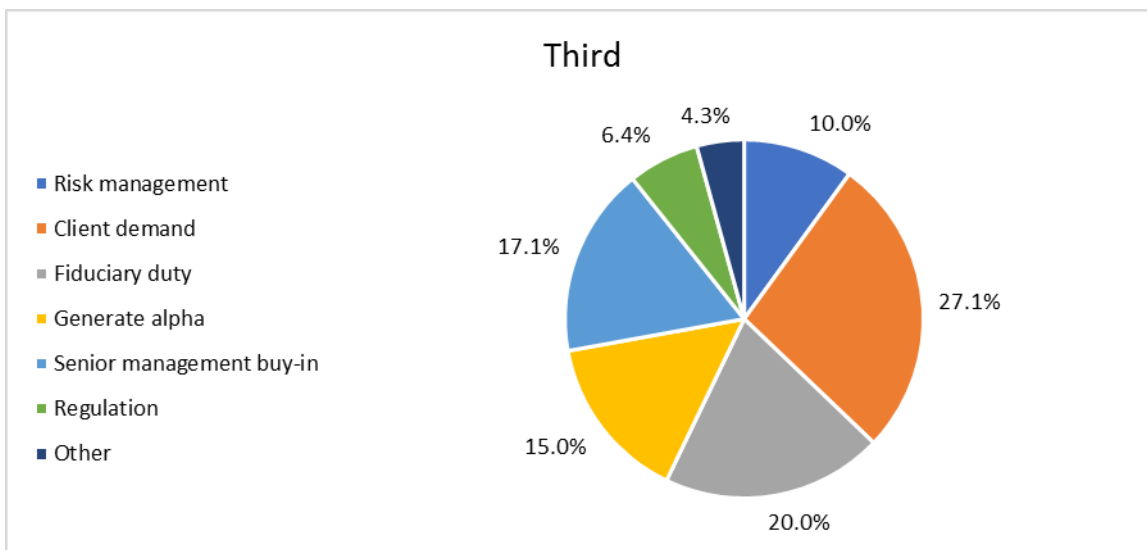
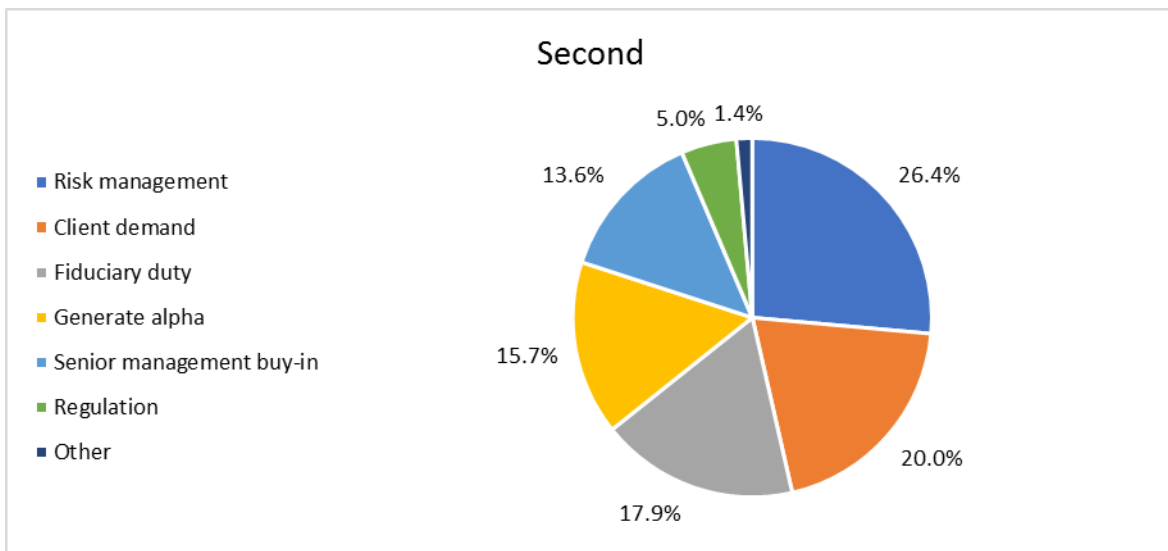
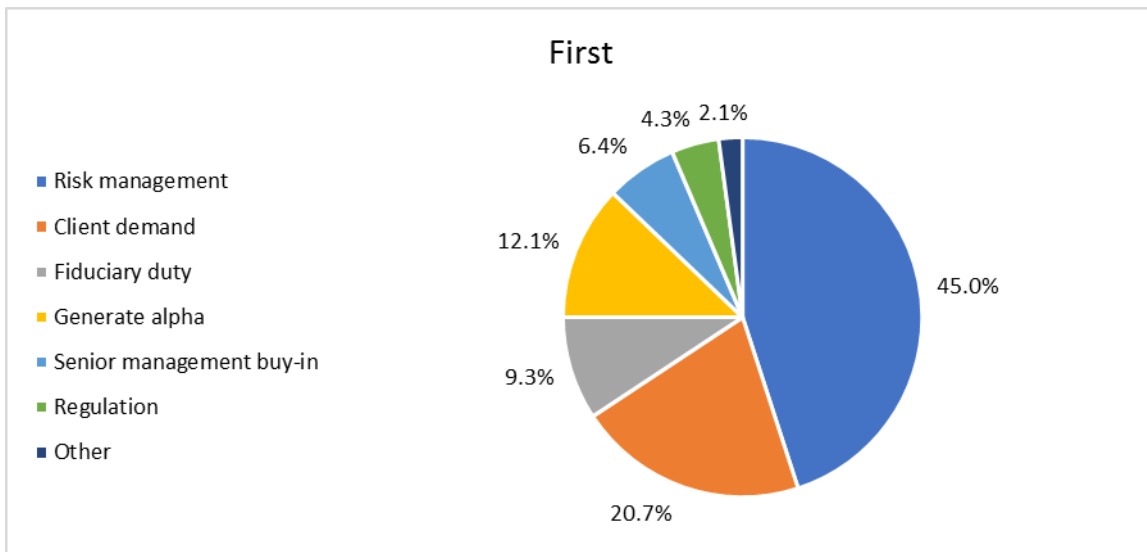
4. In your organisation, do FI portfolio managers and credit analysts adjust valuation models/tools as a result of ESG consideration (circle the appropriate option)?



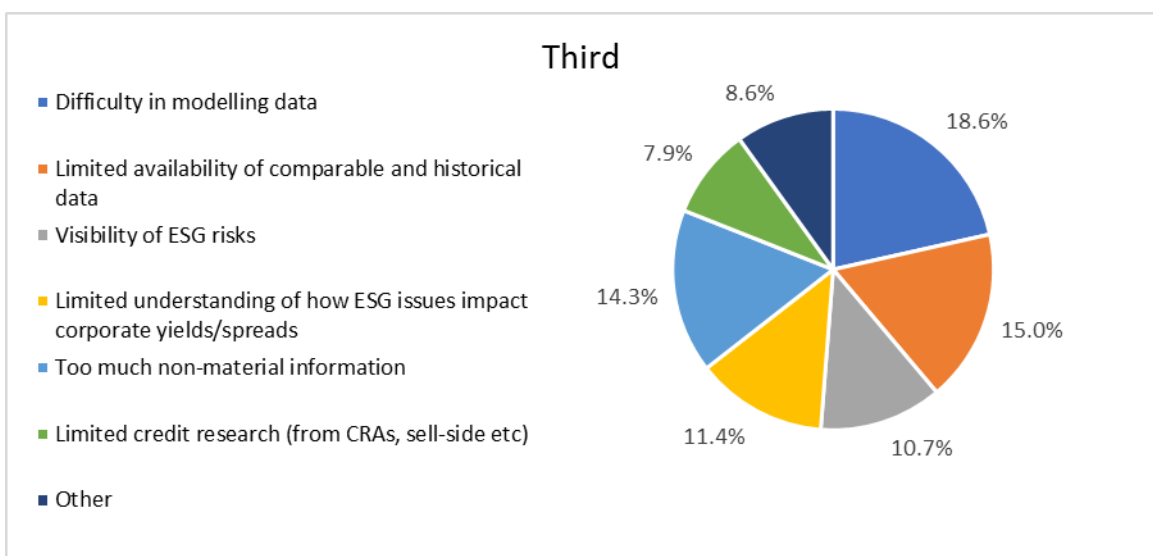
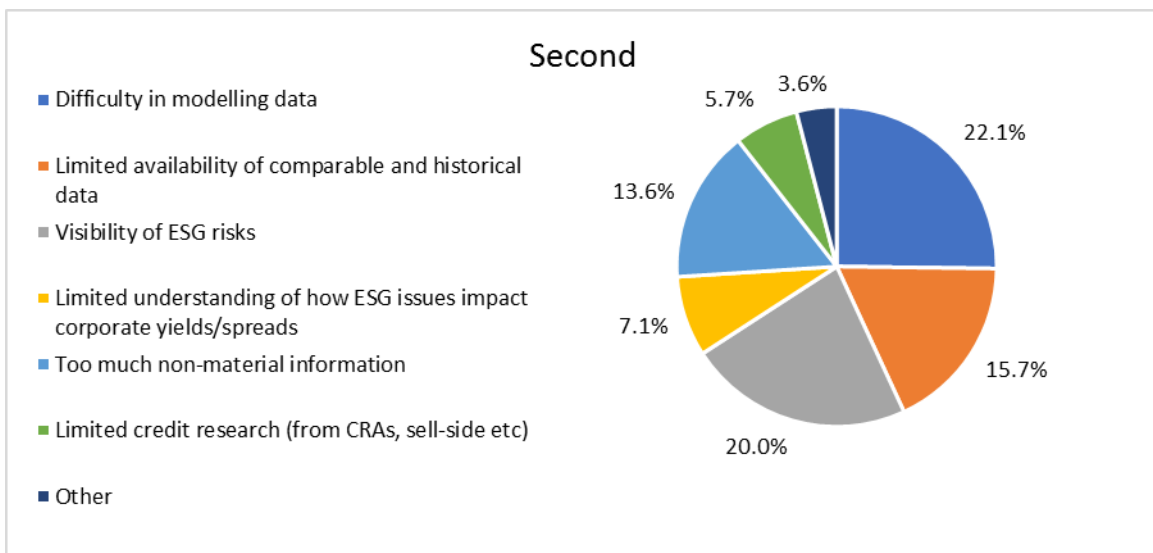
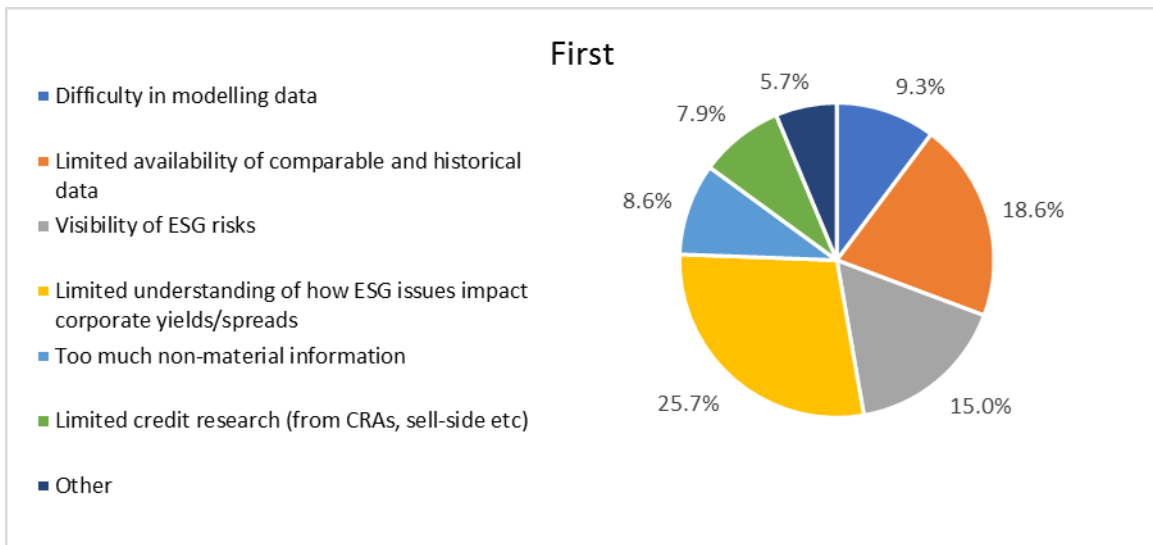
5. Based on your experience, how frequently do ESG issues impact credit risk (tick the appropriate boxes):



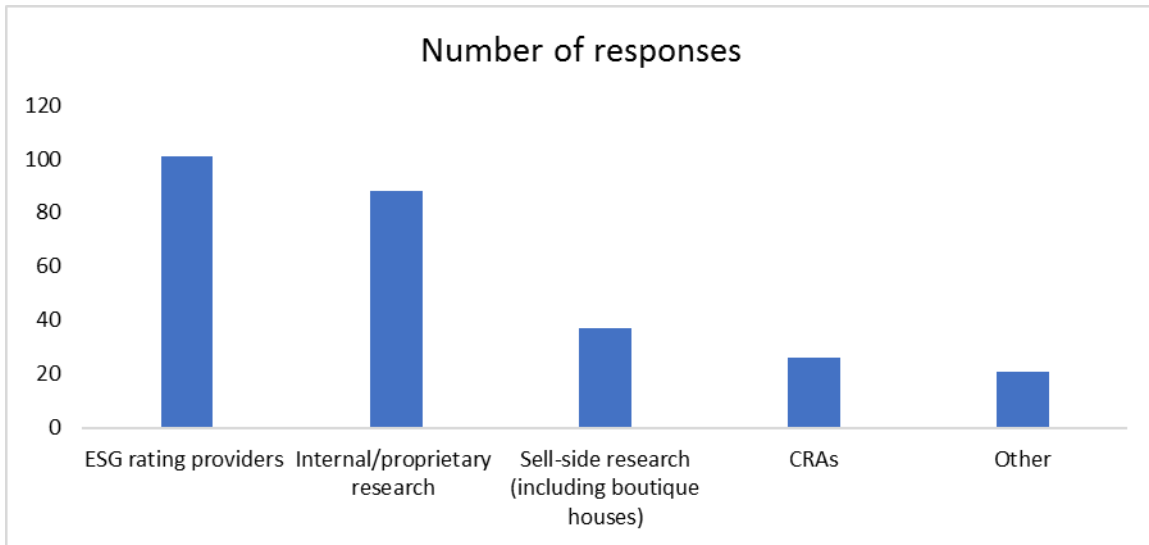
6. Which are the three most important drivers to incorporate ESG issues in credit risk analysis (please circle and rank in order of significance)?



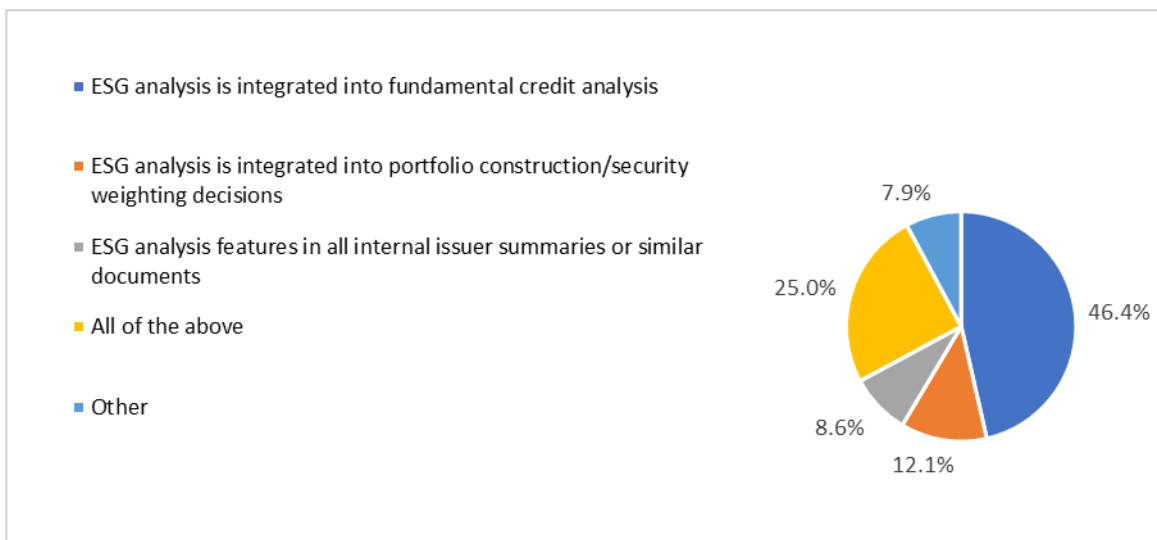
7. Which are the three main barriers to integrating ESG issues in credit risk analysis?  
(please circle and rank in order of significance)



8. When assessing credit risk, from where do you source ESG data and analysis? (circle the applicable options):

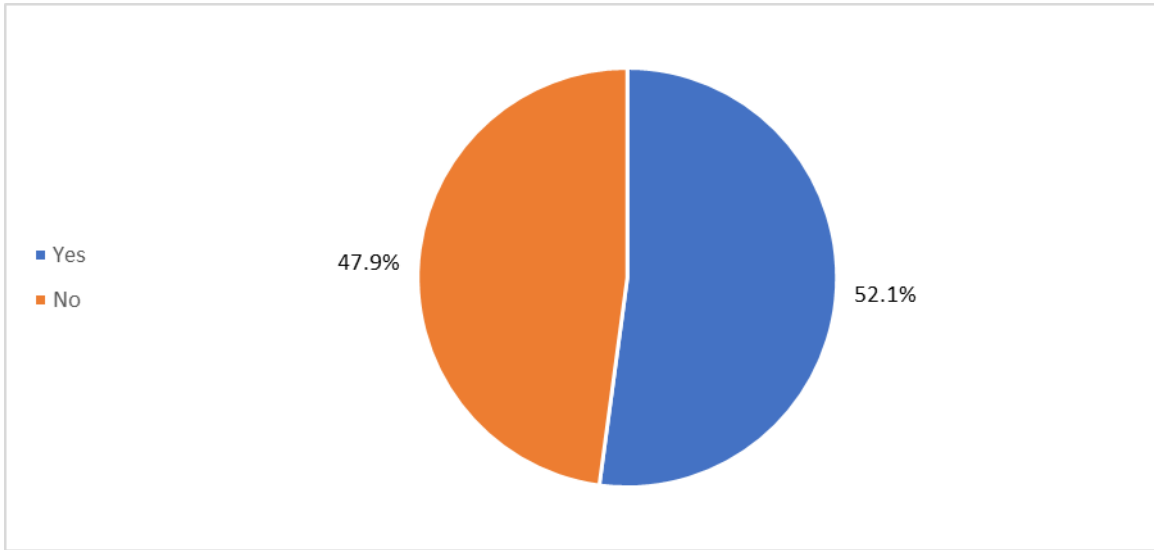


9. How are ESG data used in the ESG integration process in credit risk analysis (circle the applicable options)?

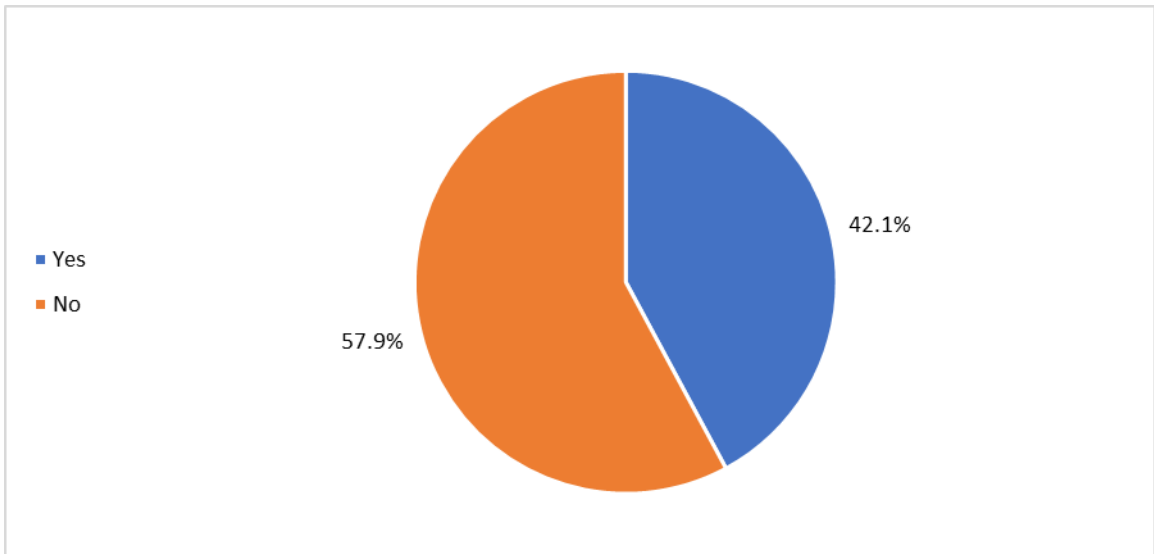




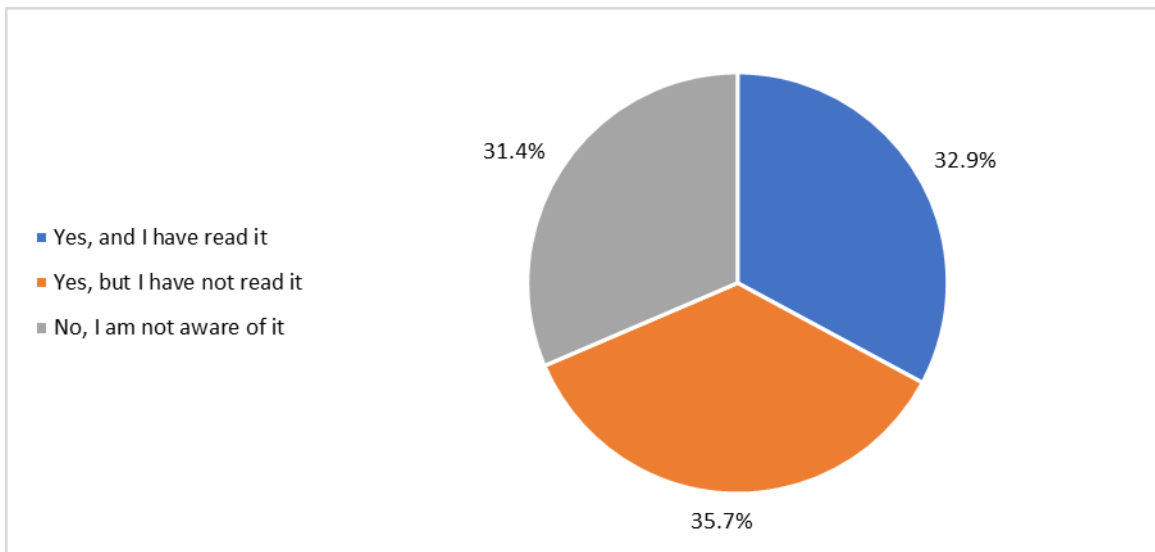
10. Before joining this forum, have you ever had the opportunity, or tried, to meet a CRA representative and ask questions directly regarding ESG consideration (circle one option):



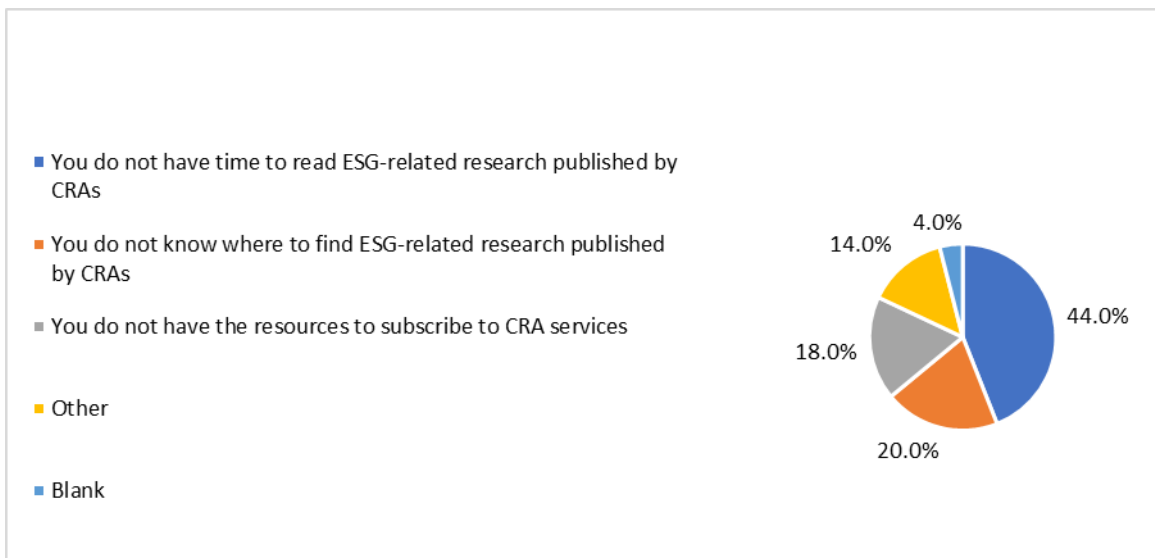
11. Are you aware of how CRAs incorporate ESG factors in their rating methodologies (circle one option)?



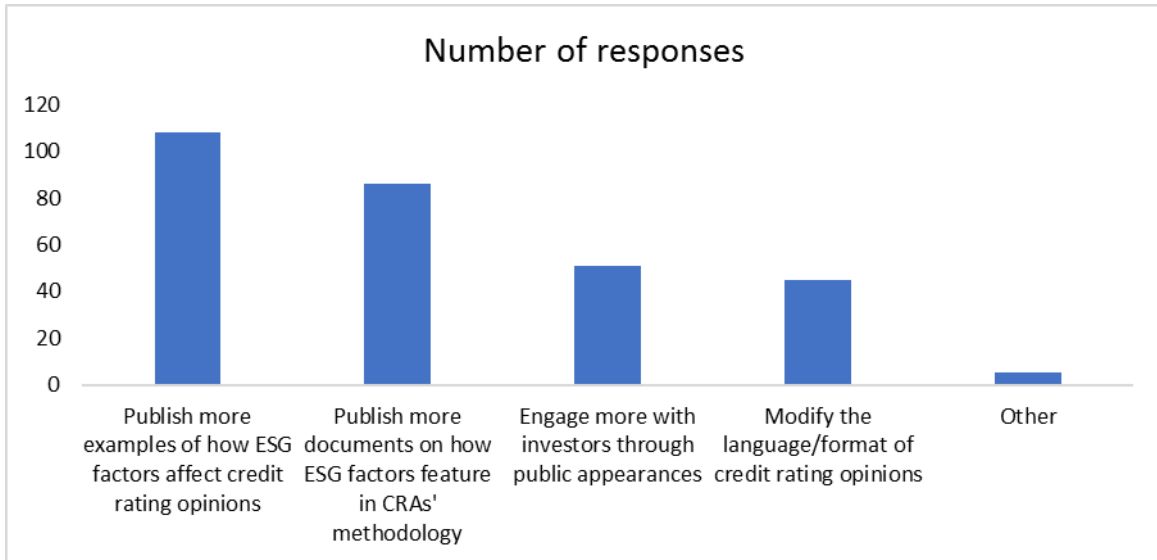
12. Are you aware of the research material that CRAs have published related to ESG (circle one option)?



13. If you answer to 12 is “Yes, but I have not read it”, is this because (circle one option):



14. To increase transparency and communication related to ESG factors in credit risk analysis, do you think that CRAs should (circle the appropriate options):



15. To address the inherent challenge arising from the long-term nature of some ESG risks and the time horizon of a typical credit rating (allowing for different CRA methodologies), do you think CRAs should express their views via (circle the appropriate options):

