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September 20, 2022

Mr. Michael Jantzi
Founder & Chief Executive Officer
Sustainalytics
22 West Washington Street
Chicago, IL 60602

Dear Mr. Jantzi:

I am writing to request information about Sustainalytics's practices related to assigning environmental, social, and governance (ESG) ratings to companies. My understanding is that these ratings are intended to help investors determine whether a company may be seen favorably from an ESG perspective.

The industry of ESG investing and related services has grown tremendously in recent years. According to Bloomberg, global ESG assets are projected to reach \$50 trillion by 2025, accounting for one-third of total projected assets under management globally.¹ ESG ratings firms, such as Sustainalytics, play a key role in this activity by evaluating the degree to which more than 10,000 companies meet certain qualitative standards. As a result, they have the ability to influence capital flows to many companies.

Notably, ESG ratings take into consideration information about companies that go beyond the extensive public disclosures firms are required to make under federal securities laws. For example, existing law requires that companies describe their business, properties, legal proceedings, and risk factors. Companies must also provide management's discussion and analysis of the firm's financial condition, results of operations, liquidity, and capital resources. Each of these disclosure areas are legally required to include any material climate change information so that the disclosures are not misleading under the circumstances. In determining a company's ESG rating, however, many ESG ratings firms consider information that is not material or financially relevant under federal securities laws.

In an effort to better understand Sustainalytics's ESG ratings, please provide the following documents by no later than September 28, 2022:

1. Copies of any non-proprietary methodologies used by your firm to assign ESG ratings, including the specific E, S, and G factors that you measure and how those factors are weighed in your rating methodologies;
2. Copies of any non-proprietary sector-specific methodologies used by your firm to assign ESG ratings, including how you determine the scope of industry sectors and whether you employ

¹ Bloomberg, "ESG May Surpass \$41 Trillion Assets in 2022, But Not Without Challenges, Finds Bloomberg Intelligence," January 24, 2022, <https://www.bloomberg.com/company/press/esg-may-surpass-41-trillion-assets-in-2022-but-not-without-challenges-finds-bloomberg-intelligence/> (accessed September 14, 2022).

analysts with sector-specific expertise to work on these ESG ratings; and

3. Copies of any non-proprietary methodologies used by your firm to produce ESG ratings or reports intended to capture controversies faced by a company, such as pending litigation, negative press coverage, or shareholder resolutions.

In addition, please provide written answers to the following questions no later than October 5, 2022:

Compliance burden on rated entities

1. How do you engage with companies before and after releasing ESG ratings or data on them? How is that engagement process communicated to companies? For example, do you provide clear, publicly available contact information so that companies may contact you?
2. Do you have a process for revising your ESG analysis when provided with supplemental information by a company that you are rating?
3. In the event that a company disagrees with your ESG analysis, do you give it the opportunity to include clarifying comments with its rating for the benefit of investors who review the rating?
4. If a company does not respond to your requests for information, how does that impact its ESG rating? How do you prevent companies that provide you information from gaining an unfair advantage in their ESG ratings over companies that do not?

Data veracity

5. In general, how do you determine the credibility of the data sources you use? How do you determine that data sources are free from political or other bias?
6. Have you ever used as data sources state-controlled foreign media, such as Russia Today or Xinhua News Agency?
7. Do you use data provided by external organizations, including nonprofit groups, in your ESG ratings products? If so, please identify the names of the organizations.
8. Do you assume a normal distribution of ESG ratings for entities that you rate? If so, please describe.
9. Do you compare the financial results, including credit quality, of companies that you rate against ESG ratings that you produced for that entity?
10. What level of discretion are your analysts permitted in determining ESG ratings? Please provide copies of any guidance given to analysts to exercise that discretion.

Ratings approach with respect to political issues

11. Does a company's involvement in a legal yet politically disfavored industry (e.g., fossil fuels, firearms, tobacco) negatively impact its ESG rating? If so, please list the industries.
12. How do you determine which industries warrant a negative ratings impact and which ones do not?
13. In assigning ESG ratings, how do you take into consideration, if at all, donations to organizations that promote political causes such as voting rights, police reform, racial justice, climate change activism, and abortion rights? If such donations are considered, how do they impact a company's ESG rating? Please list any companies whose ratings have been positively impacted by the consideration of such donations.
14. Do you consider a company's political lobbying in assigning ESG ratings?
15. In assigning ESG ratings to municipal bond issuers, do you consider the presence or absence of laws and policies on controversial topics, such as abortion, gun control, or crime control measures, in the issuer's jurisdiction?

Conflicts of interest

16. Do you issue opinions or recommendations for proxy votes? If so, what processes do you have in place to ensure that your ESG ratings and your proxy voting businesses are free from conflicts of interest?
17. Do you offer advisory services to rated companies related to your ESG ratings? If so, what processes do you have in place to ensure that your ratings and advisory businesses are free from conflicts of interest?

Thank you for your attention to this matter.

Sincerely,



Pat Toomey
Ranking Member