

Overview of extra-financial rating agencies

Paris, March 6th 2012. The extra-financial ratings market has developed considerably over the past fifteen years. A growing number of agencies have cropped up, while others have disappeared. Which are these agencies? What methodology are they using? What services do they offer? And what investment universe are they covering? Here are key questions the Novethic' review of extra-financial rating agencies is answering.

The extra-financial analysis is a relatively new field which has grown particularly since the 90's. It consists in the evaluation of Environmental, Social and Governance (ESG) policy for businesses, states or other share issuers (regional and local authorities, supra-national agencies, Para public institutions...). From this analysis emerge a notation that allows a comparison to be made of the ESG practices of various listed and non-listed issuer. This notation, basically providing by extra-financial rating agencies, is particularly used by asset managers to build up their responsible investment funds.

By contrast with the financial rating agencies, extra-financial rating agencies get paid by investors. Their work builds mainly on public data from businesses, but also from NGO's, government bodies or trade unions. This type of notation is also known as "declarative rating" as opposed to "solicited rating" (ESG audit carried out at the request of a company or a regional or local authority, and paid by the sponsor) also offered by some actors.

Brokers, the incumbent providers of financial analysis, are also committed to go the path of extra-financial analysis through the development of specialised teams.

Within fifteen years, extra-financial market has skyrocketed and it already went through a consolidation phase (2008-2010). More and more players have embarked in this market; some have disappeared, most often being redeemed by competitors. Therefore, it was essential to draw up an overview of actors in this growing market. Firstly, the different market players are aggregated into three categories: extra-financial data providers; specialized agencies; local agencies. Secondly, they are listed in alphabetical order or by region within each category.

To carry out this document, Novethic Research Centre mainly used information disclosed on market players' website.

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