



Case Study

Enhanced ESG disclosures lead to improved ratings agency scores

At Argyle, we recently undertook a benchmark of the S&P 50 and their respective ESG reporting practices. It will come as no surprise that 48 of the 50 companies have published ESG reports in the past 12 months or have dedicated ESG websites. This is a result of many contributing factors, including the influence of institutional investors and the U.S. Securities Exchange Commission (SEC), along with the ability of a company to engage with stakeholders on meaningful topics. A critical consideration when preparing disclosures are the scores a company receives from ratings agencies – both those that are willing to engage in conversation and those that simply publish a public-facing score.

In this case study, we'll review the high-level disclosure changes within two reports and the resulting boosts in ratings agency scores due to the more effective reporting practices. Argyle's use of peer benchmarking, along with reviewing a company's previous ratings, assists in identifying opportunities to improve disclosures in areas of interest to stakeholders.

Company A

Rated by MSCI

MSCI (Morgan Stanley Capital International) focuses on measuring financially relevant risks and resilience of a company. Their rating system goes from CCC at the lowest to AAA at the highest. An AA or AAA rating notes the company as an industry leader in managing the most significant ESG risks and opportunities.

MSCI rating system:



Company A was rated BBB by MSCI in 2019 after preparing their ESG report in-house. By their next report in 2020, written and designed by Argyle, the MSCI rating was the highest ranking at AAA.

In 2019, **Company A** was rated below the industry average in:

- Product safety and quality
- Privacy & data security
- Product carbon footprint
- Raw material sourcing

Enhancements to 2020's ESG report included:

- A shift from anecdotal information to quantitative and clearly designed data tables
- A full page spread on product safety
- A brief mention of carbon footprint to a qualitative list of initiatives to remediate the company's footprint
- Narrative format page on waste and material use to a 5-year data table on waste and material improvements

Company B

Rated by ISS

ISS (Institutional Shareholder Services) uses materiality-focused rating systems on 30 universal topics and up to 100 different sector-specific criteria. Ratings are provided monthly on the topics of Environmental, Social, and Governance practices. The ISS rating system is broken down into specific metrics where 10 is the highest risk and 1 indicates best practices.

ISS rating system:

ENVIRONMENT		SOCIAL	
Management of Environmental Risks and Opportunities	10	Human Rights	10
Carbon and Climate	9	Labor, Health and Safety	8
Natural Resources	8	Stakeholders and Society	10
Waste and Toxicity	8	Product Safety, Quality and Brand	10
	5		3

Scores indicate decile rank relative to industry group. A decile score of 1 indicates a high level of disclosure, while a 10 indicates little or no disclosure.

Company B was rated by ISS on Environment and Social matters. Prior to an in-depth review of their disclosure and reporting practices, their ratings were a 3 in Environment and a 5 in Social practices. Following the release of their 2021 ESG Report, written and designed by Argyle, ISS raised both their overall environmental and social scores to 2s.

Enhancements to 2022's ESG report included:

- Re-organized presentation of the report to increase navigability and readability
- Elevated discussion of business to demonstrate how ESG is core to the Company's strategy and how its products support global sustainability
- Added significant disclosures regarding ESG program oversight, stakeholder engagement, setting of ESG priorities, and how ESG is embedded in the company's core strategy
- Increased both the breadth of subject matter addressed and the depth of the substantive discussions on those topics, including key topics such as cybersecurity/data privacy, human rights, supply chain management, public policy, environmental management, and health and safety
- Demonstrated progress on goals with annual highlights, short term objectives, and increased use of metrics

At [Argyle](#), our mission is to help our clients enhance and align their disclosures to communicate with investors and stakeholders in a positive and meaningful way. With a dedicated ESG practice of GRI and SASB certified and TCFD-fluent thought leaders, our core team of securities attorneys, information designers, and creative strategists have a unique understanding of stakeholder interests and reader behavior, making Argyle a trusted partner to some of the most noteworthy companies in the U.S. For more information about Argyle's ESG, proxy and annual report services, visit [argyleteam.com](#). You can read our thought pieces at [argyleteam.com/thinking](#).



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About Argyle

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Our experienced and passionate team is composed of attorneys, designers, project managers, thinkers and web developers. We collaborate together around a process that encompasses drafting, editing, designing and publishing across all digital and print channels.

We are thrilled that communications prepared by Argyle have contributed to trustful relationships between our clients and their readers, whether investors, employees or other stakeholders.

In turn, our commitment to our clients has resulted in meaningful long-term relationships with some of the most respected public and private companies in the world.

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