

STANDARD ETHICS

Solicited Sustainability Ratings

Complying with the future

Standard Ethics Ltd is an independent rating agency on sustainability and governance.

- Standard Ethics has operated since 2001 in the world of Sustainable Finance and ESG (Environmental, Social and Governance) studies. The agency introduced the “institutional” approach to sustainability because its reference are the **international indications and principles**.
- In 2014, Standard Ethics became the first European rating agency on **sustainability**. The *business model* is based on the **Applicant-pay Model**: it issues *solicited rating* (requested by companies and countries) and does not provide any other service in conflict of interest.
- Standard Ethics adopts this model to issue ratings to be **independent from investors, governing bodies, consultants and certification bodies**.

Standard Ethics Rating (SER)[©]

The **Standard Ethics Rating** is about:

- **Corporate Rating**
 - *Dedicated to the issuer*
- **Green Bond Rating**
 - *Dedicated to bonds*
- **Country Rating**

The Standard Ethics Rating has 9 levels (from «EEE» to «F») and measures the compliance by companies and sovereign nations in the field of sustainability and corporate social responsibility (CSR) on the basis of documents and guidelines published by **European Union, OECD** and **United Nations**.

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level

Investment Grade	Lower Investment Grade	Non-investment Grade
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How The World's First Sustainability Ratings Agency Works



Ann Rutledge, CONTRIBUTOR

I write about risk and return in Asia's debt capital markets

[FULL BIO](#) ▾

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Much has been made of the optimism embedded in the Chinese word for **crisis** (危机). The first character means danger; the second, a dynamic, an engine or a springboard opportunity.



Many agencies or consultants provide ESG research work on behalf of investors, but the opportunity for Standard Ethics, to sell solicited ratings to corporations, was new.

Standard Ethics' business model is essentially the same one that came under intense criticism in the Crisis. Interestingly, Filippo points out the challenge of being paid by firms who ask you to judge them. "It's a hard job!"

Forbes



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TRENDING

Business model aside, Standard Ethics is unconventional and highly innovative. For one thing, it doesn't promote its own governance standard or branded CSR variables. The analysis is based on good governance benchmarks identified by the OECD, UN and the European Union, who "already have spent resources and solicited many expert minds" to establish a global code of ethics for corporate governance."

Also, instead of focusing on future "bad" events, the Standard Ethics concept encourages firms to become the best they can be through continuous improvement. The rating is a measure of the gap between the firm's CSR practice and the ideal. Filippo explains: "If a company receives an E- rating, the lowest in our scale, it does not mean the company is bad. It means the company is operating far from international standards and may face higher reputation risks than peers with higher ratings."



Standard Ethics Rating (SER) ©

The Standard Ethics Rating, that has been put to the test over the last 14 years, is a Solicited Sustainability Rating (SSR)

1

Solicited, because it is issued only on request by an applicant, the recipient of the rating.

2

Standard, because any rating is always comparable to others because the algorithms are aligned to the same guidelines. For this reason, clients or others third parties, cannot change the agency's principles of evaluation or change the procedures for issuing ratings.

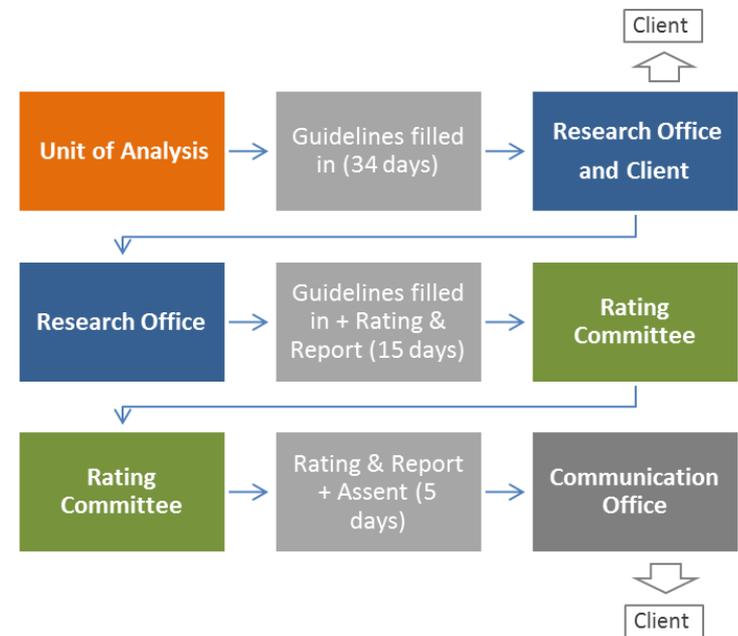
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Independent, because its assignment is incompatible with the supply of other services, research and consulting activities related to the data collected. Furthermore, no common financial and economic interests between the rating agency and applicants.

Standard Ethics Rating, key aspects

Some characteristics of the Standard Ethics Rating:

- Standard Ethics Ratings are annual and renewable and the cost depends on the size and type of Applicant
- Standard Ethics uses an analyst-driven rating process, so the work to be carried out does not require applicants to fill out forms and questionnaires or draft other documentation in addition to existing information. Standard Ethics analysts will gather the required data
- From the moment it is assigned, the Standard Ethics Rating belongs to the Applicant and it is up to the Applicant to disclose its Standard Ethics Rating. Publication of SERs grants access to Standard Ethics Indices
- The information gathered during the assessment is only kept for a limited period and is not used to enrich databases. Standard Ethics does not carry out consultations or research on behalf of third parties and does not use data collected for purposes other than rating
- If agreed by the Applicant, Standard Ethics can supply different types of reports and various supporting materials to disseminate and communicate ratings



Standard Ethics Algorithm

S.E. does not use a system of equal weights, KPIs or other information for its *database*.

To ensure accuracy and comparability, S.E. uses a more sophisticated method based on a proprietary six-variable variables **algorithm**.

Fc = Fair competition, dominant positions, market distortions, corruption

Sa = Shareholders' agreements, including voting rights

Mw = Market weight & shareholding structure, including major investor analysis

Id = Independent directorship, including Risk and Control Management

Cg = Corporate Governance & Corporate Social Responsibility policies

k = Sustainability at Risk (SaR)

Value Proposition

Corporate objectives that can be attained thanks to Standard Ethics Ratings relate to governance, relations with stakeholders, communication and relations with the finance world and the credit sector:

- **Strategy** - The analysis process, along with the reports delivered to the customer, map the positioning of the company. If appropriately used, those are useful in improving and identifying the company's sustainability strategy and in assessing investors' demands
- **Governance and CSR** – EU, OECD and UN voluntary guidelines on CSR, sustainability and governance anticipate future national and OECD legislative requirements. Standard Ethics Ratings prepare companies for the compliance procedures.
- **Investors** – The S.E. rating means an "**investment grade**" for investors that would use the S.E. ratings for their own asset management and/or for structuring their financial products.
- **Stakeholders** – Being assisted by a rating agency during this work motivates stakeholders and employees to cooperate with their companies to face a common and constructive challenge by improving relationships in order to achieve optimum internationalisation.
- **Communication** – EU, OECD and UN voluntary guidelines are clear references for the economic world. The market values each effort to comply with these guidelines. In relation to other approaches to CSR that are less measurable and comparable, corporate communication benefits in terms of incisiveness and clarity.
- **Clients and Shareholders** – Standard Ethics Ratings are a symbol of transparency because they offer comparability vis-à-vis competitors. They therefore enhance credibility and reputation with clients and shareholders.

Board, 8 members of 4 nationalities and gender equality

Chairman
(Independent, Non-Executive)
Blanche Ullens de Schooten



Non-Executive Board Members

Gabriele Capolino (Non-Independent)
Myrienne Coen (Independent)
Veronique Lafon Vinais (Independent)
Orla Ralph (Independent)



Non-independent, Executive
Research Office, Director
Jacopo Schettini Gherardini
Rating & Research
Process Owner SER
Managing Analysis Units



Powers

Ordinary administration



Non-independent, Executive
Comm. and Public Affairs, Director
Filippo Cecchi
Press relations
Communication & Data Management
Managing Web Sites



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Ordinary administration



Non-independent, Non-Exec.
Legal
Marcello Cardi
Legal
Trademark protection
Contracts



Independent
Compliance Officer
Elizabeth Hannah



Standard Ethics Board

Blanche Ullens de Schooten, Belgian. **Chairman**. 40 years old, married, mother of 3 young girls..After graduating from the Catholic University of Louvain-La-Neuve (UCL, Belgium) in “Licence en Droit” (June 1997) and “Licence en Notariat” (June 1999), Blanche has gained work experiences in various European countries as: Legal Assistant at two notary offices in Brussels (1999-2000); Tax Publication Manager at Wolters Kluwer Belgium, a Dutch Publishing House in Brussels (2000-2004); Knowledge Management Lawyer at Freshfields Bruckhaus Deringer, an international law firm in Brussels (2004-2007); Documentaliste in the R&D Department at Philip Morris International, in Switzerland (2008).

Gabriele Capolino, Italian. **Non-independent, Non-executive Director**. Gabriele has a degree in Economics and is a Chartered accountant and Auditor. He has been hired as a journalist in Milano Finanza, the economic and financial newspaper, in 1986 and become Editor and Associate Publisher in September 1999. He serves in the Board of directors of Class Editori Spa, the holding company of Milano Finanza, a public company since 1998, and in the board of other Group subsidiaries, including the American monthly magazine Global Finance, the satellite television company's Class-CNBC and E-Class, business data and information provider to banks and other financial institutions. He is Past President and current member of the Executive Board of the European Business Press, the Association of European economic and financial newspaper publishers, which includes 52 newspapers, websites and magazines from 27 different countries.

Marcello Cardi, Italian. **Head of Legal Unit. Non-independent, Non-executive**. Law degree (MSc) at the University of Perugia (1987). Lawyer and Member of the Bar at the supreme Court of Cassation and Arbitration Courts. Specialized in administrative law. Founding Partner of “studio Legale Cardi” in Rome. He provides consultancy and represent, before Tribunals and Courts, public Authorities, public service companies (mostly listed companies) operating in electricity, telecommunication, insurance services. Member of the Camera Amministrativa Romana.

Filippo Cecchi, Italian. **Communication Research Office, Executive Director**. Graduated in Economics and Business Administration at the University of Florence with and MBA at the Hong Kong University of Science & Technology (HKUST). He started in Standard Ethics in 2004 as Ratings Analyst and then promoted as Senior Researcher. Between 2009 and 2010 he worked in London as Brand Manager for a beverage company.

Veronique Lafon-Vinays, French. **Independent and Non-Executive Director**. Professor at the Hong Kong University of Science and Technology (HKUST) since 2004: Associate Director, Centre for Asian Financial Markets; Associate Professor of Business Education, Finance; and Associate Director, World Bachelor in Business program. She graduated in Business Management (MSc) at the École des hautes études commerciales de Paris (HEC) and she has a Masters in International Law (La Sorbonne).

Before joining HKUST, Veronique has gained extensive experience in all the major financial and debt markets including loan syndications and assets sales (par and distressed debt), money markets, debt capital markets (including derivatives structured products distribution) and structured, trade and project finance. She developed the secondary market for loans at First Chicago in London (1984) and she moved to Chicago in 1990. She arranged and syndicated plain vanilla and structured transactions in Europe, the US and Asia for sovereign, public and corporate entities including the Kingdom of Spain, Republic of Ireland, Kingdom of Sweden, ICO, Cathay Pacific, FECSA, Endesa, Motorola and numerous financial institutions. Veronique moved to Hong Kong in 1994 joining First Chicago as Managing Director, Head of Financial Markets, Asia Pacific. She joined Standard Chartered Bank plc as Head of Treasury Origination in 2000 and retired from banking in 2001.

Standard Ethics Board

Orla Ralph, British. **Independent and Non-executive**. After university, where she trained as a modern linguist and specialised in European business studies, Orla started her career in the British security and intelligence service before moving into the international financial services sector where she has worked for almost 30 years. She moved from London to Milan in the early 1990's to open the representative office of Visa International. Since then she has been the CEO of a number of start-ups in Italy of global insurance companies including Swiss Re, Aegon, Nationwide Global and Assurant Solutions. She is Non Executive Board Director of Homeserve Italy which partners with Italian utility companies to offer home emergency repair services. She is currently Executive Board Director of Kube Partners, an international niche insurance technology consultancy operating in the areas of anti-fraud, predictive analytics, enterprise fraud management and insurance business applications. She acts as a consultant in the financial services sector in Italy for Enterprise Ireland, the government organisation responsible for the development and growth of Irish enterprises in world markets. Orla is listed in the 100 top Italian businesswomen of the national newspaper "La Repubblica" and is married to an Italian academic.

Jacopo Schettini Gherardini, Italian. **Research Office, Executive Director**. Graduated in Political Sciences, Strategic Studies (MSc), University of Florence (1992), Ph.D. in Corporate Finance, Doctoral School of Finance, University of Trieste. He started his professional career working for HSBC in London (1992), covering all major derivatives markets: LIFFE (UK); CBOT (US); MATIF (France); DTB (German); CME (US). He also worked for other banks (like IMI Bank in London, owned by the Italian Ministry of Finance) before joining AEI in 2001 as CEO. Then, he began to focus intensely on such issues as corporate governance, corporate social responsibility and sustainable development. He became Directeur Exécutif of Standard Ethics AEI GEIE (Brussels) in 2004.

Elizabeth Hannah, British. **Independent Compliance Officer**. Elizabeth is a solicitor of the Courts of England & Wales. She qualified as a solicitor in 1995 and practised as a solicitor in London from 1995 - 2003. Elizabeth advises internationally focused companies and individuals with cross border operations, in relation to new business ventures and in managing assets in more than one country. She has extensive experience of working with international companies (principally industrial companies supplying to the oil & gas sector) both as an external lawyer and in legal counsel roles covering the EMEA region, including advising in relation to increasingly important corporate governance and compliance issues.

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