

Press Release

Acuité Ratings is the first CRA from India to become a signatory to UNPRI's "ESG in Credit Risk and Ratings Statement"

29-September-2021

Acuité Ratings & Research Limited is the first credit rating agency from India to become a signatory to the Principles for Responsible Investment (PRI)'s "ESG in Credit Risk and Ratings Statement". By signing the statement ([please click here to access the statement and the list of signatories](#)), Acuité has committed to incorporating ESG into credit ratings and analysis in a systematic and transparent way. As on date, the statement is supported by over 170 investors (with nearly US\$40trn in collective AUM) and 27 credit rating agencies (CRAs) over the world.

"Acuité recognises that environmental, social and governance (ESG) factors play an important role in debt issuers' (borrowers') financial performance and their probability of default over the longer run. Clearly, ESG factors are increasingly relevant in the evaluation of the credit quality of debt issuers (borrowers). Acuité joins this significant initiative of UNPRI to incorporate ESG factors in a more meaningful way to make tomorrow's rating methodologies more accurate", said Antony Jose, Chief Rating Officer, Acuité.

It is increasingly visible that impaired assets linked to climate change, industrial relations challenges or questionable accounting practices in the corporate sector can not only cause operational inefficiencies, litigation, regulatory headwinds and adverse impact on reputation but also significant financial losses. For project specific bonds issued by special purpose vehicles (SPVS) promoted by state or local governments / urban local bodies, factors that can result in bond price volatility and increased risk of defaults include poor tax collections, lack of long-term investor interest due to mismanagement of natural resources and/or public funds, poor standards of public education and health, high levels of corruption among others.

The increasing prominence of ESG factors in risk and sustainability assessment is also evident through evolving international regulations and advisories from international bodies that monitor and make recommendations for the global financial system. European Commission introduced Sustainable Finance Disclosure Regulation (SFDR) that aims to provide greater transparency on the degree of sustainability of financial products that can increasingly channel private investment towards sustainable loans and investments. Financial Standards Board (FSB), an international body with diverse membership including financial authorities from individual jurisdictions has developed a roadmap for addressing climate-related financial risks. FSB's road map outlines the end goal of properly considering climate risk in all financial decisions through (i) globally consistent, comparable and decision-useful disclosures, (ii) reliable data for assessing financial risks and vulnerabilities, (iii.) systematic assessments of vulnerabilities and (iv.) consistent and effective supervisory and regulatory approaches.

Suman Chowdhury, Chief Analytical Officer, Acuité Ratings said, "One of the key aspects in the integration of ESG factors with credit risk and ratings criteria is to identify the former's financial materiality in a strategic and systematic manner. It is important for stakeholders to recognise that credit ratings reflect an assessment of an issuer's creditworthiness, largely over the medium term. Acuité will maintain full independence in determining which factors may be material to its ratings criteria. While a comprehensive issuer ESG analysis can be considered an important input to a rating exercise, these two assessments are not interchangeable."

About Acuité Group:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai. Please visit www.acuite.in for more details.

In January 2021, Acuité incorporated a wholly owned subsidiary, ESG Risk Assessments & Insights Limited (ESGrisk.ai). ESGrisk.ai is India's first ESG rating company and a pioneer in bringing ESG assessments to investors and corporates. Currently, ESG assessments of over 500 listed Indian companies can be accessed via "ESG 360 Degree" subscription platform of ESGrisk.ai

About UN PRI:

The United Nations (UN) has been supporting the Principles for Responsible Investment ever since the latter's launch. Two UN partners - UN Environment Programme Finance Initiative (UNEP FI) and UN Global Compact - play an important role in delivering the PRI's strategy, including holding a seat each on the PRI Board, and providing additional avenues for signatories to learn, collaborate and take action towards responsible investment. Please visit www.unpri.org for more details.

Media Contacts:

<p>Roshni Rohira Ph: + 91-9769383310 roshnirohira@eminenceonline.in</p>	<p>Neelam Naik Ph: + 91-9619699906 neelam@eminenceonline.in</p>
---	---

Investor Outreach:

Analytical Contact:

<p>Antony Jose Chief Rating Officer Ph: + 91-9820802479 antony.jose@acuite.in</p>	<p>Suman Chowdhury Chief Analytical Officer Ph: + 91-9930831560 suman.chowdhury@acuite.in</p>
--	--

Disclaimer: This release is sent to you for the sole purpose of dissemination through your newspaper / magazine / media / website / agency. The release may be used by you in full or in part without changing the meaning or context thereof but with due credit to Acuité. However, only Acuité has the sole right of distribution of its releases through any media. Acuité has taken due care and caution for writing this release. Information has been obtained by Acuité from sources which it considers reliable. However, Acuité does not guarantee the accuracy, adequacy or completeness of information on which this release is based. Acuité is not responsible for any errors or omissions or for the results obtained from the use of this release. Acuité has no liability whatsoever to the users / distributors of this release.