

COUNTRY RISK RATINGS

The Country Risk Ratings measure the risk to a country's long-term prosperity and economic development by assessing how sustainably it is managing its following assets:

Natural





Human



Institutional



When investors conduct sovereign bond analyses, analyze country-specific issues affecting investment decisions or carry out macro-economic analyses, it is imperative to:

-  Have a long-term view on how ESG issues affect a country's prosperity and economic development
-  Consider the impact and outlook from events happening in a country

Credit rating agencies rate a country on its creditworthiness by looking at key economic indicators. However, it is equally important to consider a country's assets. How well is the country utilizing and managing its natural, social and institutional capital to generate long term wealth and prosperity? This is the focus of the Country Risk Ratings.

The Country Risk Ratings serve to complement traditional credit ratings by providing a more holistic perspective of county risk. In addition, it can be used to support country assessments and help investors anticipate and manage emerging risks with an analysis of events happening in a country. Finally, because the Country Risk Ratings are designed to be aligned to Sustainalytics' ESG Risk Ratings, subscribers to both can use a single rating for ESG risk for both corporate and sovereign bonds when analyzing or reporting on their portfolios.

Country Risk Ratings are delivered as a raw data feed through (S)FTP or an API solution. Individual PDF reports for all 172 countries are available on Global Access, Sustainalytics' online client interface.



How it Works

A

Sustainalytics utilizes wealth data provided by the World Bank and groups a country's assets (or National Wealth) into three categories:



Natural & Produced Capital

(e.g. natural resources, machinery, buildings, energy sources)



Human Capital

(e.g. experience and skills of the working class)



Institutional Capital

(e.g. quality of institutions)

B

A country's ability to utilize and manage these assets in an effective and sustainable manner is determined by:



ESG Performance



ESG Trends



ESG Events

(e.g. civil conflicts, disease outbreak)

COUNTRY RISK RATINGS:

30+
INDICATORS

By incorporating more than 30 indicators, the Country Risk Ratings compile the above two components to provide one comprehensive rating for each country. A lower rating indicates a low risk to country's long term prosperity and economic development. Countries

are also categorized into 5 risk categories (Negligible, Low, Medium, High and Severe).

5 RISK CATEGORIES:



Investor Use Cases

ESG integration/Sovereign analysis

Supplement credit risk analysis by focusing on risks to country's wealth which may not be explicitly captured in credit ratings

Macro-economic analysis

Combine ESG and economic indicators for more holistic assessment of country risk

Anticipate emerging risks

The Country Risk Ratings are forward-looking and enables you to anticipate and manage emerging risks with regular assessment of country events

Screening

Include best-in-class countries and combine with Country Screening to identify countries in breach of UN, US, EU sanctions, and international norms



Coverage

- 172 countries
- Historical data covering the past 8 years



Related Products

Country Screening

Identify countries in breach of UN, US, EU sanctions, and international norms and can be combined with the Country Risk Ratings for a holistic perspective on country research.

Learn More About Sustainalytics

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