



What does Praedicat do?

Praedicat is the world’s leading liability emerging risk analytics company. Praedicat’s customers, which include 9 of the top 10 largest casualty insurers and over 25 commercial P&C insurers, have adopted Praedicat’s emerging risk framework to underwrite the risk of liability for over 100,000 companies. Building on its forward-looking science-based risk models, Praedicat has developed a company risk score that can help companies, their investors and insurers to assess the impact of the company’s operations and products on a variety of environmental endpoints to inform the ESG evaluations that are quickly becoming an important aspect of investment decisions.

Praedicat’s risk analysis platform

Praedicat has built a series of AI and machine learning algorithms that connect companies, using industry and revenue information, to their products and business activities (P/BA) and then connect those P/BA to the global peer-reviewed scientific literatures that investigate the potential for those P/BA to cause bodily injury and environmental harms. After simulating the ways in which the scientific literature evolves to understand how harmful companies’ P/BAs are, we estimate the likelihood that litigation will emerge targeting those P/BA that scientists think cause bodily injury or environmental damage. We use the model results to distill a company’s P/BA risk into a single 100-point company risk score.

Latent risk and ESG

Many ESG scores focus on corporate disclosures and emphasize carbon emissions, direct pollution from operations, and environmental sustainability. Many companies are less aware of the ways that their products and business activities can cause human harm or environmental damage beyond acute poisoning and pollution issues. Furthermore, since many ESG scores are based on a company’s self-reported data, a company’s own blind spots with respect to how their P/BA could lead to human and environmental harm may result in ESG ratings that don’t accurately reflect these risks.



Praedicat’s E score

The risk that future lawsuits can damage a company’s reputation and threaten profitable product lines is real, and current ESG solutions typically fail to adequately address this risk. Praedicat’s scalable and objective approach to connecting companies to P/BA that could harm their performance provides forward-looking companies an opportunity to improve their assessment of their operations with respect to the Environmental plank of the ESG framework. The company risk score provides a liability-weighted view of environmental risk that functions as a standalone E score that can be used to benchmark against industry peers and the markets at large. Examples of the types of risks covered by Praedicat’s E score include scientific concerns about ingredients in consumer products causing cancers and endocrine disruption, concerns about microplastics in the environment, concerns about pesticides causing neurodegenerative conditions, among many others. Praedicat’s system warned its clients about talc, Round-Up, and PFAS concerns in advance of recent mass litigation risk. Praedicat’s E score combines multiple risks weighted by the strength of scientific evidence, which facilitates a science-based foundation for ESG decision-making.

Adding greenhouse gas emissions

While attempts to establish climate change liability for greenhouse gas emissions in the US courts have to date been largely unsuccessful, continued attempts by plaintiffs to establish liability for climate change harms is expected to be an ongoing driver of defense costs, and an ongoing risk of breakthrough liability.

In addition to Praedicat's core science-based approach to connect companies and their product harms, Praedicat is extending its models and company risk score to include the potential for companies to be held responsible for their current and past emissions of greenhouse gases. While historically this type of litigation has targeted fossil fuel companies and automobile manufacturers, the risk reaches far beyond these industries. Recent research, for example, shows that the food industry is responsible for as much as one-third of carbon emissions once the entire supply chain is considered. By October, Praedicat is planning to release an expanded E score which will incorporate greenhouse gas risks into the simple 100-point risk score.

Advantages of the Praedicat E score

The Praedicat E score provides a rigorous assessment of the environmental impacts of a company's products and business activities. The assessment is:

- Tied to liability risk to capture the actual forward-looking risk to a company's future finances, reputation and revenue; based on peer-reviewed science and relying on AI and machine learning to scale the assessment to over 100,000 global companies
- Based upon objective third-party data rather than company disclosures
- Used by insurers today to underwrite the liability risk of the same companies



Summary

Praedicat's E score is available to run against investor portfolios and can be incorporated via API into broader ESG solutions. For more information on Praedicat's E score, please contact us at cs@Praedicat.com.