Insights

At Aneuvia, we believe in democratizing financial wellness and investment advice for the betterment of companies, communities and individuals. Here we share our insights, point of view and advice on global impact investing, corporate diversity and inclusion, new financial market trends, impact investment funds and more.

Stay ahead of the curve with insightful news and analysis that can help your company or organization make crucial decisions for better business outcomes.

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Bridging the Gap Between “hard” and “soft” ESG Data

Posted by Janelle Metzger

Tags: Corporate Social Responsibility | ESG Investing | Social Impact | Sustainable Investing

A recent survey completed by the Chartered Financial Analysts (CFA) Institute found that “valuation approaches lack consistency, and investment professionals report various ways of incorporating ESG into equity analysis.”

It’s no secret that investors struggle with assessing the impact of their ESG investments as a result of unverified, opaque, and incompatible measurement frameworks. Many businesses have acknowledged and even embraced the U.N. General Assembly’s Sustainable Development Goals (SDGs) and often include their version of reporting in an annual Corporate Sustainability Report or company disclosure. However, not all ESG factors are created equally. So how can investors weigh ESG data to make informed and socially conscious investments?

Understanding the differences between “soft” and “hard” data.

The CFA’s report goes on to give a distinct classification between “soft” and "hard" ESG data. Hard ESG data is available in the traditional format, is easily quantifiable, and can be readily plugged into valuation models. On the other hand, soft data is qualitative and challenging to capture in the investment decision-making process.

At Aneuvia, we compensate for the inevitable task of working with potentially critical hard and soft ESG data points by taking quantitative and qualitative approaches to ESG integration.

From a quantitative standpoint, we rely on Bloomberg's proprietary scores built on the foundation of a business's ESG disclosures. In addition to collecting data from corporate filings and Carbon Disclosure Project disclosures, Bloomberg also conducts an ESG survey which is derived from a quantitative model that minimizes noise, size bias, and disclosure gaps.

ESGHardandSoftData

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From a qualitative standpoint, we procure data from Sustainalytics, which calculates an overall percentile rank assigned to a business based on its ESG total score relative to its industry competitors. We also draw insights from S&P Global's SAM, which evaluates companies on sustainability criteria within ESG factors.

Continued ESG success will hinge heavily on better data, transparency, governance, and accountability. By setting up a global ESG data measurement framework, investors can measure, monitor, and manage the impact generated by their portfolio.

This article: Bridging the Gap Between "hard" and "soft" ESG Data first appeared on http://aneuvia.com.

World Economic Forum: 3 Key Advances for Investors to Watch For

Posted by Janelle Metzger

Tags:

The 51st World Economic Forum took place between January 25-29 this year. The annual gathering usually takes place at the Davos ski resort in Switzerland, but this year, it was held virtually. Each year, global leaders from business, government, and civil society gather to discuss the issues of our day, global challenges that require global solutions and action. Aptly, this year's theme was, "A crucial year to rebuild trust."

As the week progressed, we expected the following three topics to take precedence on the world stage. Wrapped around these three topics is a need for governance, accountability, and reporting transparency.

1. **Climate change**. According to Hotwire, protecting the environment topped the list of reasons consumers switched products or brand preferences, and 5% cited concerns about climate change. We expect issues such as environmental degradation, deforestation, and destruction of natural habitats to propel leaders to enforce a regulatory framework. Regulators can support the shift towards a more sustainable future by making ESG risk management and reporting a core regulatory requirement. Further, proactive and transparent ESG reporting and data help companies to raise capital.
2. **Corporate governance**. It's clear that sustainable investments - those focused on companies with strong environmental, social and corporate governance principles are filtering into public consciousness. We expect to see more business leaders commit to sustainable growth - growth that is repeatable, ethical, and responsible to, and for, current and future communities. Sustainability will become a dimension of corporate decision-making just like cost or growth.
3. **Diversity, equity, and inclusion.** From our own proprietary research, we've seen that firms with more gender diversity on Boards and higher social factor scores perform better as a standalone measurement. Given the rise of technological advances - particularly the use of AI technology - over the past few years, we expect an ongoing robust debate on both the opportunities and risks that technology represents for diversity, equity, and inclusion efforts. We expect companies to commit to reducing bias from recruitment processes, diversifying talent pools, and benchmarking diversity and inclusion across the Board.

Where the government has left gaps, consumers and investors expect companies to fill. COVID-19 is presenting the world with unprecedented challenges in modern times. We believe ESG investing will continue to be a priority among investors as the world's markets begin to recover from the impact. Given this prioritization, world leaders, global business executives, and civil servants will need to do their part to establish clearly defined ESG reporting standards and consistent aggregation of company data. Additionally, consumers and investors will need to hold governments and businesses accountable on ESG factors, reliable reporting, and data transparency.

Learn more about Aneuvia's impact investing solutions.

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