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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Understanding the ESG Data Value Chain

Posted by Janelle Metzger

Tags: ESG Investing | Social Impact | Sustainable Investing

Environmental, Social and Governance (ESG) metrics are not part of mandatory financial reporting, however, investors are increasingly applying these factors to their analysis in order to identify material risks and growth opportunities. As part of the ESG data value chain, the following three factors are key for investors:

- **Negative screening** refers to the exclusion of companies and certain sectors based on ethical, social, environmental, or religious factors. Most commonly, exclusionary strategies avoid investments in companies that are fully or partially involved in gambling, alcohol, child labor, human rights violations, tobacco, and other related factors.
- **Positive screening** involves the inclusion of companies due to the social or environmental benefits of their products, brand value,

leadership team, or processes. Investors place a ‘premium’ on these ‘best in class’ businesses which ultimately increases their value.

- **Shareholder engagement and proxy voting** leverage shareholder rights to drive progressive change in investee company behavior. They can often be drivers of success, transparency, and accountability, resulting from a demand for better ESG-related disclosures and effective social and environmental impact.

In our latest report, ESG Data, Impact Criteria and Measurement, we map out the ESG data flow from companies to investors - from collection, processing, and assessment to usage.

ESGDataValueChain

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Benchmarking, data ubiquity, and quality are acknowledged as barriers to ESG analysis. In fact, a recent survey completed by the Chartered Financial Analysts (CFA) Institute found that “78% of practitioners surveyed believe there is a need for improved standards around ESG products to mitigate greenwashing… greenwashing means conveying a false impression or providing misleading information or a misleading narrative about how a company and its products are environmentally sound or positive in an ESG context.”

Without a source of truth or rubric of success, investors are left having to independently assess ESG disclosures, despite disparities in data availability, timeliness, quality, methodology, or even ESG definitions. The self-reporting nature brings the credibility of ESG data into question.

We are optimistic that cohesive, methodical reporting and transparency are on the horizon. Armed with a standardized data framework, investors will be able to make smart, informed, and socially responsible financial decisions - the holy grail of ESG.

This article: Understanding the ESG Data Value Chain first appeared on http://aneuvia.com.

Why ESG Investing is the New Normal

Posted by Janelle Metzger

Tags: COVID-19 | Corporate Social Responsibility | Diversity and Inclusion | ESG Investing | Social Impact | Sustainable Investing

ESG involves researching and factoring in Environmental, Social and Governance issues, in addition to the usual financials, when evaluating potential stocks. Due to the novel coronavirus pandemic and rising concern for the effects of climate change, socially responsible and sustainable investing has been on the rise. In the third quarter of 2020, $81 billion went towards the global sustainable fund network (Source: Morningstar).

So where does this leave ESG investing in 2021? We believe that COVID-19 has accelerated the adoption of ESG investing as the new normal. Here are three key shifts that we predict for 2021 and beyond, which further underscore why ESG is emerging as the new normal.

1. The ESG market will continue to grow.

We believe that businesses who methodically prioritize their ESG footprint and operations will increase value among investors. Building on this, Bank of America recently projected that the money in ESG investing could rise to between $15 and $20 trillion over the next two decades, which is equivalent to the size of the S&P 500 today. This could be attributed to a few factors: growing eco-consciousness among consumers, corporate America being held accountable to their ESG performance, and changing demographics.

2. ESG reporting will be a necessity - not a choice.

In our latest report, ESG Data, Impact Criteria and Measurement, we note that an increasing number of regulatory bodies are embracing ESG, and making ESG reporting mandatory for businesses and investors. The next decade might see ESG reporting becoming a necessity, rather than a choice. Ultimately, ESG data holds answers to many of the non-financial risks that affect an investment's performance.

3. Growing advocacy for a global, mandated, and auditable ESG reporting framework.

ESG data has proven to be a bottleneck for many investors due to data issues relating to quality, comparability, validity, and more. A positive development in this space, the Organisation for Economic Co-operation and Development (OECD) has noted that "ESG scoring and reporting has the potential to unlock a significant amount of information on the management and resilience of companies, but it will require agreed global data standards and regulations."

Ultimately, we believe that sustainable businesses that improve their communities and the environment are - and will continue to be - in high demand. Collective pursuit for better transparency will help investors leverage ESG to drive positive change where it matters.

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