New Data Framing
Moderator: Amanda Wallace, Managing Director, J.P. Morgan Asset Management

The session touched on three interrelated topics on new framing of ESG metrics: Industry Classification and ESG Standards (Decio Nascimento, Richmond Global Compass), Breaking Away: new data and models to improve investment in corporate sustainability (Dinah A. Koehler, UBS Asset Management and Ramon Sanchez, Harvard School of Public Health), and Improving Oil and Gas Sector Climate Disclosures (Nancy Cole, Union of Concerned Scientists).

Decio Nascimento, Richmond Global Compass, discussed risk management using the novel Sustainable Industry Classification System (SICS). While 95% of financial advisors use the Global Industry Classification Standard (GICS), 5% have started to use SICS, because GICS doesn’t accurately capture systemic risk. Decio used the example of drought in South Africa to explain why systemic risk on ESG metrics which would not be captured if it were evaluated using GICS. However, his firm captured these risks using SICS. Considering current inertia to using SICS as opposed to GICS, further adoption of SICS requires more publications of the risks that can be captured using this method.

Dinah Koehler discussed collaboration between UBS and Harvard’s School of Public Health via the UBS investment team evaluating ESG metrics supported by breakthrough technologies from Ramon Sanchez at the Harvard School of Public Health. Dinah and Ramon acknowledge that ESG metrics today reward companies for good housekeeping practices. The revenue-backed approach focuses on technologies whose impact is actually geography dependent. For example, Bangladesh is most likely a better place to install and equip with wind turbines than New Haven, Connecticut. UBS is engaging the firms it invests in with this outcome-based lens and helping them maximize their ESG impact. UBS has $7.3 Billion AUM and Impact Investing is growing at a 57% clip.

Nancy Cole highlighted the need for Meaningful Consistent Comparable metrics and the challenges that arise for business and society in their absence. The New York State ExxonMobil lawsuit was cited as a case in point.