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ESG AND SUSTAINABLE INVESTING AROUND THE WORLD

A LOOK AT THE NEW NORMAL IN WEALTH MANAGEMENT

FROM

bitarisk.

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1. Introduction

ESG - Environmental, Social and Governance - is no longer just a topic for EU policy-makers and environmentalists. It is gaining momentum among investors across the world, and for good reason.

Investors, particularly Millennials, are paying greater attention to the sustainability and impact of their investments. Nine out of 10 wealthy Millennials reportedly agree that ESG considerations play an important role in their investment decisions[1]. The topic has gained even more attention in light of growing evidence that companies with strong sustainable corporate policies outperform their counterparts in the longer term, even during the outbreak of a global pandemic[2] - which also benefits brand reputation and client retention.

Consequently, investors are increasing pressure on companies to pay more attention to ESG factors, with more than one board having recently faced a vote on a related resolution, most notably the historic vote on a climate change proposal at the Mizuho Financial Group in Japan earlier this summer. Though not everyone is convinced of the advisability of focusing on ESG, financial institutions have gone on a hiring spree for roles in sustainable investing.

Regulators are also catching up. While the EU is ahead of the curve with its action plan on financing sustainable growth, the Taxonomy Regulation and the Disclosure Regulation, ESG is gaining more attention in investment circles in the US and Asia too.

The lack of standardized reporting and questions around the risks and returns of ESG, SRI and impact investing remain a barrier for some; however, there is no doubt that integrating ESG factors into portfolio management can be a positive move, with or without government regulation.

This insight paper provides an overview of ESG and sustainable investing trends around the globe.

2. ESG is more than just responsible investing

ESG is often used as a synonym for responsible investing; yet it is more than that. ESG encompasses socially responsible investing and impact investing as well. Let us therefore begin by clarifying the terminology.

Socially responsible investing (SRI) historically has been an investment strategy specifically designed to avoid investing in companies that are considered socially irresponsible because of the way they are managed or the products they sell or produce. This list of "sin stocks" typically includes alcohol, gambling, tobacco, weapons, and may also factor in animal rights, child labor, and many more categories in light of the new data available. SRI benefits companies that support areas such as social justice, environmental sustainability, alternative energy and clean technology.

Impact investing, in turn, actively seeks out investments that can make a positive social and environmental impact while generating financial gains. The usual approach is to invest in nonprofits, healthcare, education, clean and renewable energy, and other companies that meet a certain level of corporate social responsibility (CSR). Criteria for impact investing are often based on the UN Sustainable Development Goals[3] and the best practice standards set forth by the International Finance Corporation (IFC) in its "Operating Principles for Impact Management in 2018"[4].

ESG combines a set of factors specifically directed at measuring how the business is run. It provides investors with a top-level view of the company, from the services/products it offers to its ecological footprint. ESG factors are compiled into three pillars, each encompassing multiple criteria:

- Environment, which considers a company's impact on nature;
- Social factors that examine a company's CSR, its relationships with employees, suppliers, customers, and the communities where it operates;
- Governance criteria, which look at a company's leadership, executive pay, audits, internal controls, and shareholder rights.

While impact investing has been more the domain of large charitable, trust and philanthropic investors, SRI and ESG are firmly embedded across investor segments, including individual clients. Now, with the availability of positive screening for companies with products and R&D in these areas, we see sustainable impact investing reaching across the board too. In this document, we will look at ESG as the umbrella for all the investment approaches described above.

3. The global impact of ESG

With current ESG assets under management amounting to $2.2 tn[5], it is clear that this is not just a fad.

Moreover, global attention on COVID-19, social issues and the ecological crisis make it increasingly risky not to include ESG in a company's management and investment policy. The findings of Société Générale attest to that. According to their study, two thirds of ESG-related controversies have led the companies concerned to underperform over a sustained period[6].

Risk management and client demand are the primary drivers of responsible investing. Many fear the economic consequences of global warming, similar to the economic fallout caused by the outbreak of COVID-19, or worse. A company's ability to manage ESG factors is therefore widely viewed as an indicator of prudent risk management[7]. The pressure is further exercised by asset managers as several prominent names - Aviva Investors and BlackRock among them - have joined the 450+ asset managers by signing the Climate Action 100+ initiative[8] to motivate the world's biggest carbon emitters to tackle global warming.

There are clear financial benefits to responsible investing too. March 2020 was the worst month for European funds since the 2007-09 financial crisis, yet companies with a high ESG rating continued to outperform those with lower ESG credentials in a "remarkably strong linear relationship"[9]. Furthermore, according to Morgan Stanley's Sustainable Reality Report[10], US-based sustainable equity funds outperformed their traditional peers in 1H 2020 by a median of 3.9%, while US-based sustainable taxable bond funds did so by a median of 2.3%. These findings build on the company's 2019 report[11] which concluded that, while the performance of sustainable mutual and exchange-traded funds matched that of their traditional counterparts during 2004-2018, the former provided more downside protection in times of market volatility.

These developments have contributed to the launch of ESG funds across the world, from State Street Global Advisors' ESG version of its SPDR S&P 500 ETF Trust and BlackRock's ESG funds, to a new ESG fund at Union Bancaire Privée in Tokyo. In Q2 2020, 107 new sustainable funds launched in Europe alone[12]. Overall, from January to June 2020, funds with a strong ESG investment approach have grown by 12%, reaching a record amount of $209.5 billion in assets[13].

Companies across industries are feeling the growing investor pressure to take ESG factors into account. By July 2020, five environmental proposals had been passed (vs. none in 2019), the average support for employment diversity proposals had risen to 55.1% (compared to 38.5% in 2019), and the average support for board diversity proposals grew from 18.7% in 2019 to 32.5% in 2020[14]. Investor pressure played a part in BHP Billiton announcing plans to move away from coal, and BP and Shell announcing expected write-downs of up to $17.5bn[15] and $22bn[16] respectively in light of accelerated transition to a lower carbon economy and lower oil prices.

Earlier this year, BlackRock's CEO Larry Fink made headlines by calling global warming a risk that will impact "both our physical world and the global system that finances economic growth"[17]. The company later publicly identified[18] 244 companies that had failed to make sufficient progress in addressing climate change, voting against directors at 53 of those companies and rejecting the election of directors at several more, including global names such as Exxon Mobil Corp., Evraz Plc, and Volvo AB. BlackRock has also announced that from now on, it will assess environmental, social and governance factors "with the same rigor that it analyses traditional measures such as credit and liquidity risk"[19].

Rather unsurprisingly, asset managers are rapidly recruiting for ESG roles, with some more than doubling their sustainable investment teams over the past few years. Others, meanwhile, are investing in employee training, research facilities and technology to manage the new data load.

ESG data accuracy and reporting has been a challenge for the industry, giving way to the so-called "sustainability reporting fatigue". There have been global calls for a more standardized approach, and several attempts on the part of the Sustainability Accounting Standards Board and the Global Reporting Initiative to collaborate. Answering calls from regulators and market players alike, five ESG standard setters - the Carbon Disclosure Project, the Climate Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council, and the Sustainability Accounting Standards Board - agreed to collaborate to align the various standards and regulatory requirements. However, in a surprise move, the "big four" of accounting firms - Deloitte, EY, KPMG and PwC - managed to move first, announcing in late September 2020 a mutually developed set of metrics for ESG reporting internationally[20], built on four principal pillars: governance, planet, people, and prosperity.

3.1 Europe: Ahead of the curve

From regulators to asset managers, Europe has been ahead of the curve when it comes to responsible investing. It is home to around 75% of global ESG funds (vs approximately 20% in the US)[21]. European asset managers like Nordea, Legal and General Investment Management, BNP Paribas Asset Management, Aviva Investors, and Robeco have long been at the forefront of calls for more responsible and environmentally aware investing. To top it all, the Swiss bank UBS, whose wealth management division manages $2.6tn in client assets, came out with a landmark announcement[22] in September - the bank will recommend to its clients around the globe to invest in sustainable assets rather than traditional ones from now on.

The EU regulators, meanwhile, have developed a framework for the promotion, classification and measurement of sustainability factors. The European Commission's (EC) action plan on financing sustainable growth (the Action Plan)[23], adopted in March 2018, calls for much higher transparency in how investment companies consider their investors' ESG preferences and integrate them into the investment process. The plan stresses the importance of developing a classification system to ensure a common understanding of ESG characteristics and address the widespread practice of greenwashing.

The Action Plan comprises ten steps covering three core goals:

- Reoriented capital flows towards a more sustainable economy
- Mainstream sustainability into risk management
- Fostering transparency and long-termism

Within the framework of the Action Plan, the EC is developing sustainability benchmarks, a Green Bond Standard[24] and labels for green financial products, introducing a "green supporting factor"[25] in the EU's rules for banks and insurance companies, and connecting the Sustainable Europe Investment Plan, InvestEU and other EU funds[26].

A key step in this process is the regulation on sustainability-related disclosures in the financial services sector (the Disclosure Regulation)[27] which will apply from 10 March 2021.

The Taxonomy Regulation[28], also known as the EU Taxonomy, is another core part of the Action Plan. It came into force on 12 July 2020 and serves as a classification system for measuring the sustainability of a company, starting with its environmental credentials and labor practices.

According to the resolution, a company must:

- substantially contribute to one or more of the environmental objectives outlined in the Taxonomy;
- do no significant harm to any of the other listed environmental objectives;
- comply with the minimum social safety safeguards - the eight fundamental Conventions of the International Labour Organization[29] - in all its activities;
- comply with the technical screening criteria, which define what it means to do no significant harm and to contribute substantially to an environmental objective.

Demonstrating its commitment to the EU Taxonomy Regulation and the UN Sustainable Development Goals, the ECB has announced that, starting from 2021, bonds with coupons linked to certain sustainability performance targets will become eligible as central bank collateral[30].

While EU regulators and the industry seem to share a common ground in principle, the implementation of these standards continues to fuel debate. The tight deadlines of the taxonomy and disclosure regulations have met with criticism from the industry. The European Fund and Asset Management Association is asking for an extension of at least a year,[31] citing the time and effort required to gather the information on ESG risks in their portfolios. Several asset managers have pointed to the lack of data required for reporting, as well as the risk of creating regulatory bottlenecks in early 2021 as asset managers struggle to fulfill the new disclosure requirements. Other companies, however, claim that these are just excuses from companies who have been greenwashing rather than adhering to ESG guidelines and now fear exposure.

The industry does seem to agree there is a need for a common EU ESG data register[32] to improve the availability of relevant and reliable ESG data, facilitate related data disclosures and scale up sustainable funding.

With the final months of the Brexit transition period fast approaching, heads are also turning to the UK. The country's government has already shown an unwillingness to comply with the EU's financial regulations, CSDR being a notable example. However, with the popularity of ESG investing on the rise, the need for a regulatory framework in the area is evident. The country's regulations already require pension funds to take into account the long-term financial risks and opportunities related to ESG factors. Now, the UK Sustainable Investment and Finance Association has called[33] for the government to honor its Green Finance Strategy[34] and create a UK equivalent of the EU's Action Plan for sustainable finance. It is argued that without it, the country's financial services sector would miss out on the opportunity to maximize its expertise and gain a competitive advantage in the area.

3.2 APAC: Catching up

Despite popular belief, sustainable investing is carving a path in the APAC investment world, too, albeit to varying degrees.

The coronavirus pandemic has considerably sped up the adoption of responsible investing in the region, much as it has in the rest of the world. India, for example, had reportedly some of the lowest client interest in sustainable investing as recently as last year. Today, we're seeing new ESG funds launched[35] and ESG investing gradually gaining traction across the country.

In most cases, risk management and client demand remain the driving factors behind ESG integration[36], though regulators are catching up. While Japan's Government Pension Investment Fund committed to ESG investing over five years ago, recent years have seen sovereign funds and national pension funds in China, Hong Kong, Malaysia and Thailand follow suit. Meanwhile, the People's Bank of China has updated its list of eligible green bonds to exclude utilization of clean coal[37].

Corporate governance is by far the most influential ESG factor across all APAC countries, though there are signs of growing interest in social and environmental aspects. This comes with a notable shift towards a more long-term view among Asian investors, who have been historically known for their short-termism in investing. Today, ESG fund assets in APAC have reached $62.8bn, while APAC-based assets in ESG ETFs have grown from $1.56bn in Q1 2018 to $7.01bn in Q1 2020[38].

Limited understanding of ESG issues and lack of historical, comparable data on the benefits of sustainable investing have so far been the principal barriers to full ESG integration in the region. Despite reports of positive ESG asset market performance in Q1 2020[39], the belief that responsible investing comes hand in hand with weak returns has not yet been fully disproven in the eyes of the APAC business community.

Hong Kong has seen a noticeable increase in ESG investing since 2018. In 2019, its Securities and Futures Commission (SFC) published guidelines on enhanced disclosures for green or ESG funds[40]. July 2020 came with news that the Hong Kong Stock Exchange has introduced a series of even tighter requirements for ESG disclosures[41] covering occupational health, safety, and board oversight of ESG issues, as well as reducing deadlines for publishing ESG reports.

China has seen a significant uptake of ESG investing in recent years, largely due to international investor demand. Recent regulatory updates are also expected to motivate a shift towards ESG investing. China's Securities Regulatory Commission calls for listed companies to disclose information related to CSR, while certain local authorities have issued guidance on corporate sustainable development and social responsibility[42]. From 2020 onwards, however, all listed companies will be required to report their ESG risks.

An increase in ESG integration can be observed in **Singapore** too, with the country's Monetary Authority proposing new guidelines on environmental risk management for asset managers[43], banks[44] and insurers[45].

Given the lack of comparable, historical data on the impact of ESG factors in investment performance, investors feel that environmental and social have limited effect on bond yields. However, according to a CFA survey[46], most market players agree that these factors are likely to show a significant impact in five years' time.

As in other APAC markets, risk management and client demand have been leading ESG investing in **Australia**, fiduciary responsibility playing an important role for fixed-income investors[47]. Similarly, corporate governance remains the most influential ESG factor in investment decisions, though environmental and social criteria are gaining more traction.

Though not as keen to adopt ESG practices as the EU, the country's regulators and corporate boards are becoming increasingly aware that the trend is unlikely to slow down. Recent high-profile cases have shown the painful consequences of a lack of ESG integration.

- AMP's CEO was forced to step down after investor outrage over the company's handling of a sexual harassment complaint against him.
- QBE, Australia's biggest insurer, was convicted of wrongful rejection of numerous claims by small businesses experiencing losses due to the COVID-19 pandemic- at the cost of $70 million[48].
- The CEO and two other senior executives at Rio Tinto, the world's second largest
- metals and mining corporation, were forced to step down after an investor backlash over the destruction of an ancient Aboriginal site.
- Cleanaway Waste Management has become subject to an investigation by the government's workplace health and safety agency, Comcare, following revelations of the use of faulty scales on its trucks and alleged bullying by its CEO, who's been deducted $2.3 million in performance rights[49].

In comparison, the rise of ESG in **Japan** has been steady and uneventful, with equity practitioners more likely to incorporate ESG factors than fixed-income asset managers[50].

Japanese companies have been reporting on environmental measures since the late 1990s, and on sustainability factors since 2015, following the adoption of the UN's 17 sustainable development goals. Given that sustainability falls within the category of non-financial information, however, these disclosures are not subjected to as thorough an audit as financial reporting.

The influence of sustainable and responsible investing is certainly on the rise. In 2019, MUFG, one of the world's largest banks and investor in coal-fired power generation projects, announced[51] that it was reversing its environmental and social policy framework. Japan's $1.5tn Government Pension Investment Fund (GPIF), the largest of its type in the world, has been led by H. Mizuno, a prominent backer of ESG investment, for the past five years. In March 2020, H. Mizuno signed an open letter by pension fund executives in favor of the approach, stating that climate change has the potential to destroy $69tn in global economic wealth by 2100[52].

By the end of March 2020, the GPIF had just over ¥4tn ($37bn) of assets linked to four ESG indices, equating to 11.3% of its equity portfolio and surpassing its traditional active fund investments for the first time[53]. Given that the GPIF is largely seen as the trend-setter among the country's funds, we are likely to see more waves of ESG investing there.

Investor pressure led to another historic development - Japan's first ever shareholder vote on a climate change proposal at Mizuho Financial Group, one of the country's three leading banks. The proposal[54] addressed the bank's investments in coal power projects around the world, called for more transparency regarding climate risks and an investment strategy that aligns with the 2016 Paris Agreement on greenhouse gas emissions. Although the proposal did not secure the required two-thirds majority to pass, it did secure 35% shareholder support, including the votes of Nordea Bank and other global asset managers- enough to signal a defining shift in the market.

To conclude, the low ESG integration in APAC, when compared with Europe and the US, should not be regarded as a long-term indicator. Investor wealth across Asian markets is growing; there is an increasing number of projects and companies to invest in, and the technological capacity to do it well. Combine this with rapid urbanization and the rising awareness of the impact of social and environmental factors, and we may yet see the continent outstrip the world in responsible investing.

3.3 North America: Heated discussions

From wildfires in Australia and California to COVID-19 and the death of George Floyd, social and environmental issues have fueled a notable rise in ESG investing.

- US investors are reportedly pouring record-breaking sums[55] into responsible investment.
- Close to 500 actively-managed funds have added ESG criteria to their prospectuses[56].
- During the first six months of 2020, the average support for environmental resolutions in the US and Canada grew from 21.9% in 2019 to 32.7%[57], with nearly 50% of shareholders reportedly backing a climate proposal at JPMorgan.

2020 has also been a year of high-level debates and heated discussions over the role of sustainability in investment strategies, starting with the advisability of ESG investing, questioning whether businesses with higher ESG scores will continue to outperform in the long term. ESG took center stage at a US Congress debate as "one of the most important topics in the markets right now"[58]. Conversely, Marty Fridson, CIO of Lehmann Livian Fridson Advisors, has suggested that the success of ESG funds during the months of the pandemic was due to the collapse in oil prices rather than any ESG-related factors[59]. Though his analysis concluded that ESG investing had no negative effect on returns, it has been criticized over the data behind it. Large corporations, too, are lobbying to keep the focus on traditional financial metrics. And while some arguments give a nod to warnings of shareholder primacy, other market players agree that profits should not come at all costs[60].

Concerned over the rise of greenwashing, SEC is calling for better ESG labeling to differentiate between terms like "ESG", "green" and "sustainable" and how each of them affects the investment strategy. Its Investor Advisory Committee has issued a series of recommendations[61] to facilitate standardization of ESG-related disclosures.

In a different spirit, the US Department of Labor (DoL) has proposed a rule[62] that would require US pension administrators to prove that they are not sacrificing financial returns if they put money in ESG-oriented investments. In August, the DoL proposed a further rule that would essentially require fiduciaries governed by the Employee Retirement Income Security Act (ERISA) to cast shareholder votes only "only where it is financially in the interest of the plan to do so"[63], essentially requiring them to base their asset selection solely on financial considerations, prohibiting any pursuit of non-financial objectives.

The proposal has been met with fierce opposition. From Nuveen and Morningstar to Vanguard, Franklin Resources and New York State Department for Financial Services, industry leaders have asked[64] the DoL to reconsider the suggested investment rules, arguing that they could jeopardize retirement incomes. They point to the positive performance indicators of ESG assets, the considerable risks associated with ESG-related controversies, and the resilience in crisis demonstrated by companies with strong ESG characteristics.

Likewise, State Street Global Advisors has warned that the new rule, if adopted, would "undermine the Department's commitment to the long-term financial interests of millions of Americans".[65] It also points to the difference between "values-driven investing", which prioritizes impact over returns, and "value-driven" ESG investing, which pays equal attention to traditional financial metrics and ESG-related risks and opportunities. Others, meanwhile, have expressed concerns over the DoL possibly conflating ESG and sustainable investing with impact investing, as well as adding to the operating and compliance costs of investment managers.

Furthermore, Fitch has raised concerns[66] over the divergent pension regulations, particularly the different interpretations and applications of ESG factors between the US and the EU/UK. The rating agency has indicated that, in the long term, this may cause a variation in investment considerations, risks and potential returns.

Despite remaining concerns over its long-term impact, it is generally believed that the interest and structural trends in favor of ESG investing will persist in the years to come. The market can expect to see new regulations related to ESG investing sooner rather than later.

Better ESG metrics, analysis and reporting will be the next challenge to tackle.

4. Sustainable investing in times of uncertainty: data accuracy and reporting

Policies around sustainability generally lead away from short-termism and, with increased stakeholder involvement, towards long-term gains such as reduced capital costs and greater value from the human capital. BlackRock's recently launched impact fund,[67] designed to facilitate access to companies that focus on combating COVID-19, as well as advance the UN's Sustainable Development Goals, is a telling example of the powerful calls for sustainability in the current market conditions.

ESG factors can serve as a valuable tool in assessing the sustainability and likely long-term performance of a company, particularly important given the rapidly changing global market conditions. Understanding the ESG factors behind the business thus becomes an important investment consideration.

Bank of America estimates that more than $600bn[68] of S&P 500 company market capitalization alone was lost to ESG issues in the last seven years. The recent high-profile examples of the fast-fashion retailer Boohoo, payments company Wirecard and the world's second largest metals and mining corporation Rio Tinto have shown just how damaging ESG controversies can be.

As always, the devil is in the detail. An overall "good" or "bad" ESG score is essentially meaningless. It provides you with no information on the company's policies, strengths and weaknesses that will influence its performance. It can score well in terms of social or governance practices, while having extremely low environmental scores. Several ESG funds, for example, have found themselves to be heavily exposed to tech giants like Amazon, Microsoft, Google and Facebook, which have all been subject to controversies over data privacy, labor practices and business ethics. Keeping this in mind, as well as being clear on client preferences in such cases, is crucial to both managing the portfolio and maintaining successful client relations.

Unsurprisingly, many large asset managers are turning to technology and data science to accommodate this need, investing considerable resources into new systems to examine and evaluate ESG-related risks. Man Group and Aviva Investors have launched their ESG tools, DWS and Pimco have both invested in ESG measuring tools, while others are developing their own internal frameworks.

Having a well-established methodology and a clear set of ESG factors in place means the business is always well-equipped to react swiftly to new market trends, risks and opportunities.

There are several key elements to effective ESG investing in wealth management that profits balance sheets, as well as the company brand and client retention:

- **ESG Management Policy** that captures client preferences and helps implement them in practice. There are different approaches a company can take, from a pre-screened list of companies and/or funds, a standard set of models and tilting, to a predetermined ESG portfolio. In each case, it is essential that the client has a clear understanding of how their preferences will be applied. Without such a framework and constraints, the company could fail to meet client expectations and be overwhelmed by complex requirements.

- **Understanding of the source of asset data**, its strengths and limitations. When choosing a data vendor, it is fundamental to know how the data will be sourced and used within the investment process, the required depth and breadth of the factors measured, and the instrument coverage.

- **Investment approach that incorporates client preferences** into the portfolio management process. This means that ESG factors should be an integral part of the portfolio modeling and management process, rather than screened after the fact. Screening, best-in-class and tilting are all possible portfolio construction approaches.

- **Sound exception management and "always on" monitoring**, both on a pre- and post-trade basis. Conflicts between companies' factor scores and client preferences should be monitored and highlighted for action on an ongoing basis. They will serve in both auditing and reporting for the client. An effective automation software solution can deliver that. This is especially useful if the portfolio is tax-constrained, meaning that changes have to take place over time. In this instance, the factor exposure history demonstrates the path to achieving the client's ESG preferences.

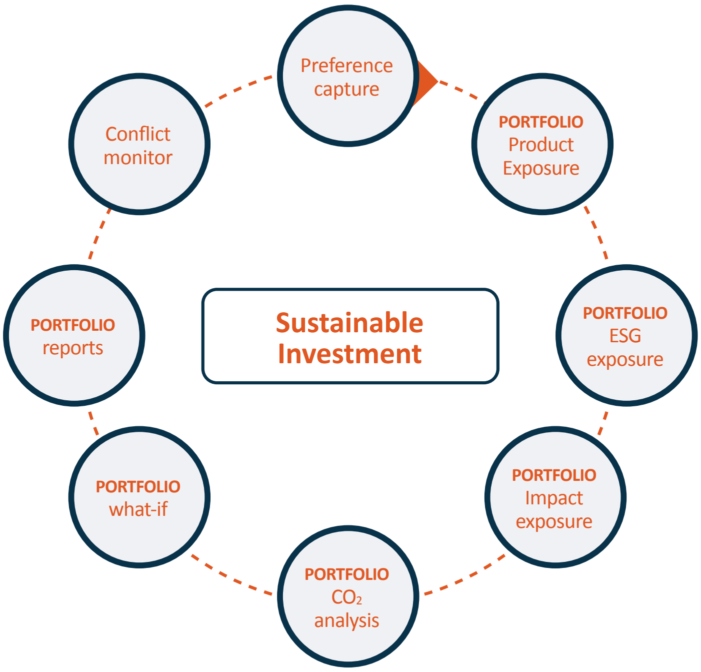
5. BITA ESG Manager

ESG investment data is complex and, too often, oversimplified to averages that hide the true nature of a holding or a portfolio. BITA Risk has built its reputation on taking complex risk and portfolio data and making it highly usable and accessible in its efficient portfolio management applications.

We have now applied this approach to ESG management, automating many manual processes and integrating core data as part of the client profiling and investment processes.

Part of BITA Wealth, the BITA ESG Manager meets the challenges of combining complex ESG data, client preferences, and portfolio management. When reviewing a client's portfolio, it combines their preferences and the company's ESG policies with the preferred ESG vendor's data. This enables portfolio screening, analysis, modeling, and reporting linked to client preferences with the option of full risk analytics.

BITA ESG Manager can be used for the portfolio of prospects and current clients, adding value to the sales process and client portfolio reviews. The BITA Wealth model management function also accesses this analysis, allowing models to be screened, managed and reported on for ESG factor exposures.



Overview

BITA ESG Manager gives you freedom within your defined ESG framework. Thanks to its thorough screening, you see not only the overall portfolio characteristics, but how they are achieved and any ESG issues hiding within the overall score. This creates a transparent ESG process that you can discuss with confidence with your client.

BITA Wealth brings practical ESG management to your desktop in four easy steps:

1. Capture the client preferences

Whether the client preference is simply a "greener" portfolio or specific ESG factors and impact statements, they are all captured within one flexible framework addressing business and regulatory requirements.

2. Screen the portfolio

Review exposure to the different factors, assess conflicts between client preferences and exposures, and compare it to benchmark exposures. This step provides an overview of the portfolio as well as the detail needed to understand where the exposures come from.

3. Manage the portfolio exposures

What-if analysis updates the portfolio exposures and conflicts with client preferences as you change holding weights or add positions. See where holdings are conflicted and what the impact of changing them is on risk, yield asset allocation, and other key portfolio metrics.

4. Report

Share the insights with your client, engage and discuss with them how the ESG preferences are impacting the portfolio and what changes have been made to improve positive exposures and limit negative exposures.

Advantages of the BITA ESG Manager:

BITA Risk has profiled clients since 2003. Its flexible, fact-finding engine now allows you to offer client-driven ESG preferences efficiently across a range of investors - from individuals to charities, trusts, and institutions. Each client segment can be directed to the appropriate level of detail in the preferences capture.

Through the intuitive, award-winning BITA Wealth Portfolio Modeling Page, each change in the holding weight, or addition of a holding, is instantly reflected in the portfolio's overall ESG score and attribution to the factors. They are checked against the client preferences, along with changes in risk, yield, asset allocation and other key portfolio characteristics.

The report provides an overlaid view of the portfolio ESG factor exposures, along with a list of proposed transactions and summary metrics. Visualizations show where the changes have impacted ESG exposure and how individual holding characteristics influence the overall portfolio and potentially conflict with the client preferences. The ESG Analysis report brings all the key data together in one place.

✔ Better client engagement

Sustainable investing is a key topic, especially with intergenerational wealth transfers. BITA ESG Manager will enable you to demonstrate your commitment to sustainable investing, illustrate the ESG impacts within a portfolio, and help the client make informed choices.

✔ Meeting ready

BITA ESG Manager reports are ready at the push of a button, so managers are always prepared for a client meeting or call. They can provide the level of detail you need to meet the needs of individuals, charities, trusts, and family offices.

✔ Control

Whether controlling exposures and conflicts at the asset or portfolio level or across the whole client base you have the option to monitor and manage by exception, ensuring that breaches are identified and rectified.

✔ Efficiency

Having client preferences captured in a framework with structured data portfolios that are automatically screened means there is no need to cut and paste data between systems, create reports manually or undertake reviews. It is all done for you so that time can be focused on investments and the client.

✔ Data

We offer different data options, allowing you to choose which provider fits your business best.

✔ Transparency

From the top of the portfolio, any poor performance against any ESG factor can be seen, however small in weight. The same applies to look-through on funds, models and ETFs. So, while the portfolio may be greener than the benchmark, you can spot the hidden issues.

✔ Modelling

Compare the current, what-if and model portfolios on one screen and, as holdings are changed with what-if, see how ESG exposures, conflicts, risk, yield, asset allocation and return change. Together with detailed ESG exposure data at the company level, it gives you a full set of analysis pre-trade.

1 Financial Times, Take ESG sceptics' claims with a lorry load of salt
2 Funds Europe, ESG rating "linked to outperformance" amidst coronavirus pandemic
3 UN Sustainable Development Goals
4 Operating Principles for Impact Management
5 Fitch Ratings, U.S., EU Investment Management ESG Rules Diverge
6 Financial Times, Take ESG sceptics' claims with a lorry load of salt
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