ESG Working Group update

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ESG Working Group meetings

2022
• Sep 23
• Oct 14

2023
• Jan 12
• Mar 9
• May 11
• May 25
• Jun 8
Key Takeaways since March

• We need a canonical (standardized) taxonomy, but with flexibility to allow for firm-specific (publisher-defined) taxonomies
  o Several sell-side firms are already using proprietary structures and would like to keep using them
  o Member firms have implemented industry taxonomies successfully under a similar model (GICS + proprietary), although mapping is not as straightforward in an ESG taxonomy

• SASB would suit our needs as a recognized, credible standard
  o Its two-level tree structure of five dimensions and 26 general issue categories
    1) allows for both targeted tagging at the appropriate level and reference tagging at the parent/child level
    2) allows for uneven growth (Environment dimension likely to grow faster than others in terms of more granular tagging of content)
    3) facilitates both human reading and machine reading applications
Key Takeaways since March (cont’d)

• We need to factor in licensing considerations and associated costs, and the possibility that SASB could fall out of favor
  o Implementing unique codes could help mitigate these risks and future-proof our taxonomy
  o Even breaking out E, S, and G as a starting point would be helpful, and could be done on our own timeline as there is no intellectual property behind the letters

• Some firms are employing or developing proprietary ESG scoring systems
  o ESG scoring systems are much more varied than investment rating systems, and are still in early stages
  o Would require mapping to a common RIXML standard
  o Could map to broad categories as we do for sentiment to keep scores user-friendly
ESG Publication and Tag Categories

• ESG content = property of a report → tagged within taxonomy
  o ESG “thought piece” – thematic, typically authored by an ESG strategy team
  o ESG-focused industry or company report authored by fundamental analyst
  o Would not tag “green stock” reports unless the content discussed ESG factors (nature of the report’s content vs. nature of the company’s business)
  o Would also not tag ESG dimensions that a subject company is obligated to report on (unless they are discussed in the report itself)

• ESG section = property of a component → tagged with ESG flag to indicate that the main content isn’t about ESG, but there’s a separate ESG section inside
  o Could be useful for users looking for ESG “tear sheets” within a report

• ESG scoring = property of a company → tagged with or mapped to a score
Input We Would Like

• From the buy-side
  • How do you want to search for ESG content?
  • Do you have content specialists that we could connect with?

• From the vendors
  • What kind of standardization (of taxonomies, of terminology, of scores) would help you aggregate content most effectively for users of your platforms?