

Case study

Actionable ESG insights empower leading asset manager with enhanced decision-making and 60% faster ESG assessments

Background



- A leading asset management firm was seeking to enhance its sustainable investment capabilities and respond to growing stakeholder demands to integrate environmental, social and governance (ESG) requirements
- The firm aimed to enhance its understanding of the financial materiality of sustainability factors to enable portfolio managers better determine their impact on investment strategy

Our solution



- Conducted ESG due diligence (equities) of 180 companies spanning 40+ industries and 15+ emerging markets, apart from the Asia-Pacific equities portfolio
- Customized each assessment to identify financial risks and opportunities
- Leveraged generative artificial intelligence (GenAI) to extract macro data and quantitative information to support financial materiality claims
- For example, when assessing the financial materiality of 'financial Inclusion' initiatives for an Indian bank, we used GenAI to extract data on:
 - Banking penetration in India
 - Credit gap among micro, small and medium enterprises in India
 - Bank branch network expansion
 - Growth of digital banking in India
 - Digital banking transactions per year
- Based on the assessment of ESG performance, we recommended engagement objectives for each portfolio company
 - These objectives helped enhance the sustainability commitments of the companies
- Conducted governance assessments of companies included in the SFDR Article 8 funds to tap funding opportunities in developed markets through regulatory compliance
 - Governance assessments were based on four pillars—sound management structure, tax compliance, employee relations and employee remuneration
- Assessed governance of SFDR Article 8 funds of clients, ensuring compliance with developed market regulations and unlocking funding opportunities
 - Qualitative assessments focused on strategy, management incentives, Board structures, reporting transparency, shareholder representation and controversies, among others

Client impact



- Streamlined data extraction by leveraging GenAI, freeing up resources for higher-value activities. This helped reduce the turnaround time 60% to some eight ESG factors in 1.5 days from five-odd factors in the same timeframe
- Enabled portfolio managers to integrate sustainability factors into their investment process, enhancing their grasp of financial materiality and the impact on investment strategy
- Provided actionable insights that facilitated constructive dialogue and engagement with portfolio companies, leading to improved sustainability commitments, thus enhancing long-term value creation

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