

Bloomberg Sets Target to Be One-stop-shop for Sustainability Data

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The last major independent data provider has set its sights on being the financial industry's first port of call for ESG information.

In the past few years Bloomberg has been leveraging its huge corporate and reference data pools to spin off a number of sustainability-related products. The New York-based company now sees itself as a natural data choice of investors as the imperative to allocate capital to addressing the world's climate and social challenges snowballs.

"We would like to be a system of choice, where our clients can find all the information that they need from an ESG perspective, and be able to integrate ESG in the overall narrative of a particular company," Patricia Torres, Bloomberg's Global Head of Sustainable Finance Solutions tells A-Team's ESG Insight. "We are incorporating ESG scores and data from multiple sources, so people can look at ESG holistically, in combination – and integrated – with other data factors."

The company founded by billionaire former bond trader and New York mayor Michael Bloomberg has launched a raft of dedicated ESG data products that feed into its clients' workflows. It offers broad metrics and disclosure scores on around 12,000 companies and specific greenhouse gas emissions estimates on 50,000 businesses.

Traceable data As much of the available ESG information is unstructured data, it is not machine readable so Torres said that the hundreds of data gatherers the company has worldwide study different ESG reports to extract insights and build out the new offerings

"Ensuring that the data is good and strong, that it is comparable and can be traced back to the original documents is key," she explains.

Traceability of data is one of Bloomberg's USPs, Torres says. It's built into the company's strict data gathering rules which are geared towards preserving the company's credibility and ensuring its clients' confidence.

All data fed to clients comes with a link to its original source.

“We believe that you can only make a significant change in the world if more good quality data is available,” says Torres. “So it’s really important that we’re not using estimates to compensate for the lack of data. In our proprietary data we only use disclosed data.”

New products One of the most important data metrics fund managers want is tracking the carbon footprint of their funds, but only a few companies currently self-report this information. Bloomberg estimates Scope 1 and Scope 2 greenhouse emissions for more than 50,000 companies globally, which is based on 800 different data points per company.

To that is attached a second grading – a confidence rating that underlines the degree to which Bloomberg believes the estimate is accurate, based on the peer data available.

Bloomberg has taken more time to incorporate Scope 3 data because that information is harder to come by and if improperly gathered would create potentially dangerous gaps, Torres says.

For this reason, Scope 3 data will be available soon only for the oil and gas industry.

“We don’t have sufficient actual data that we can use to ensure that our model is strong” for all sectors, Torres says.

Transition scores Growing demand for impact investment scores and disclosures is keeping data providers and managers on their toes. For Bloomberg this has meant rolling out new products that reflect the increasing breadth and complexity of the information now required by financial institutions.

Earlier this year it launched climate transition scores starting with the oil and gas industry that benchmarks companies’ progress towards net-zero against their own published targets. The data was expanded recently to include the metals and mining sectors.

The climate transition scores are provided with insights from BloombergNEF (BNEF), the company’s new energy financing research business and its Bloomberg Intelligence analysis unit.

The scores have benefited from a year-long goal to improve transparency into the emissions records of global companies. Another fruit of BI insights has been the creation of carbon transition scores for more than 200 companies across the airlines, chemicals, metals, mining, oil, gas, steel and utilities industries. The target is to increase that to 2,000 companies.

“We have chosen these industries because they are the most carbon intensive,” says Torres. “We believe that if we tackle all these industries, which are linked to the climate crisis, we’re probably tackling a great majority of the companies” with the largest carbon footprints.

While much energy has been devoted to providing information on the environment factor in the ESG equation, Bloomberg says it is busy preparing to satisfy demand for data in the social and governance spheres.

“Clients need to understand the ESG is not just about climate but is about all three sides of the story.”

Investor activism Clients can use Bloomberg’s Gender-Equality Index (GEI), which takes a deep dive into the makeup of gender equality at a company. More than a headcount of female leaders, the index considers factors such as pay gap structures, promotions records, hiring strategies and efforts made to retain women during the Covid-19 pandemic.

Another offering through BI offers analytics on investor activism, and Torres expects later research to encompass issues such as water scarcity, biodiversity and “other topics that we also have to tackle”.

While gathering data for E is relatively straightforward, doing so for S and G will not be so easy since this type of information is not consistently reported, Torres adds.

The experience of compiling the GEI has illustrated to Bloomberg that such unstructured data takes time to collect and process. She illustrates the point with reference to concern about racial divisions, which intensified following the death last year of George Floyd in the US.

“We need better data for board composition but we don’t know everything; it’s not easy, for example, to figure out how many people are racial minorities on the board,” she says. “All of this information is crucial but not every company around the world, unfortunately, is sharing that information.”

Ultimately data is needed to help investors put their money into the companies that can help bring about needed change in the world. But Torres argues that it can serve a further purpose.

By highlighting shortcomings in companies’ ESG efforts, the data provides alerts also to the companies that are not performing well. This, she says, will ensure investors engage with them to improve their performance lest they be dropped from portfolios.

“Your journey in ESG is as accurate as the data that you’re using,” she says. “If you’re using wrong estimates, you’re probably deviating money and mobilising capital to the wrong companies.”

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