Product overview

ESG Factor-In

Integrating ESG factors that impact country economic growth

Overview

Sovereign debt is a major asset class but has been the subject of less systematic ESG considerations compared to other investment asset classes. LSEG's ESG Factor-In model offers a robust framework for assessing country ESG performance and identifying the ESG factors that impact country economic growth.

The ESG Factor-In model provides a statistical and agnostic approach to ESG analysis by linking country economic performance and ESG. This quantitative model assesses the overall ESG performance of a country relative to its peers, highlighting the ESG factors that contribute to the sustainable growth of a country.

Benefits

- More efficient screening: our statistical model allows for quickly identifying absolute and relative country ESG performance, and quickly focussing on the ESG factors that matter to a country's economic growth
- Optimize portfolio allocation: leverage insights on countries to support portfolio diversification, and monitor performance discrepancies between E, S, G, and GDP as harbingers of upcoming market corrections
- Enhance reporting impacts: use our sustainable GDP metric to support communication between asset owners and managers on the ESG performance of sovereign mandates
- Monitor ESG performance across multiple levels: track performance at the score, pillar, and indicator level
- Customize to your needs: our quantitative model allows for modification of pillar weights to reflect individual ESG priorities

Features

Comprehensive coverage

Over 175 countries covered, with historical data updated annually going back to 2000.

Data granularity

Scores available on multiple levels, allowing insights to be drawn at pillar, sub-pillar, and theme levels.

Transparent methodology

Our quantitative framework provides clarity on the materiality of ESG factors in country GDP.

Flexible access

You can access our data via LSEG Workspace, Eikon, LSEG Datastream and via the Yield Book Add-In and API.

SUSTAINABLE GROWTH

LSEG DATA & ANALYTICS

ESG Factor-In model structure

ESG Factor-In is based on an econometric model that employs PLS regressions to determine the materiality of over 220 Environment, Social, and Governance indicators. As the materiality –defined as impact on country GDP over the last 15 years – of a specific indicator differs according to the level of economic development of countries, we have built five sub-models for country groups. Each sub-model identifies the most relevant ESG factors and evaluates country performance on these indicators relative to its peers. The final output is the Sustainable GDP, a measure of the country's efficiency of wealth to generate ESG performance.

Reported GDP

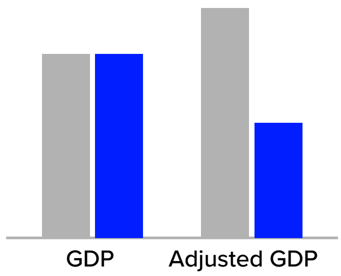
- Low Income
- Low-Middle Income
- High-Middle Income
- High Income non-OECD
- High Income OECD

Assessment against indicators

- Environmental (80+)
- Social (110+)
- Governance (20+)

Adjusted GDP

- Indicator performance weighted based on explanatory power of GDP
- Calculation of over/ underperformance of country per each of over 220 indicators, relative to peers



Using ESG Factor-In

ESG Factor-In can be used to integrate ESG considerations in sovereign bond investments, including active portfolio management and ESG reporting.

Active Portfolio Management

The ESG Factor-In data set can be used to help define ESG eligibility criteria for an investment universe or can be applied into a proprietary quant or fundamental model.

Portfolio evaluation and manager due diligence

Institutional investors are increasingly including ESG integration as criteria for asset manager evaluation and selection. ESG Factor-In can help assess the range, average and variance of asset manager portfolios with respect to ESG integration on sovereign bonds.

Internal research

The risk and return relationships of different ESG aspects will vary. ESG Factor-In provides a granular and comprehensive data set for research and analysis that allow users to develop their own views on how, or how not, to integrate ESG considerations on sovereign debt.

Portfolio reporting

Use our over 220 ESG indicators to report on sovereign ESG performance to external stakeholders, including to report on SDG alignment progress.

Contact us

To learn more, visit lseg.com; email info@lseg.com; or call your regional Client Service Team office:

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