

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

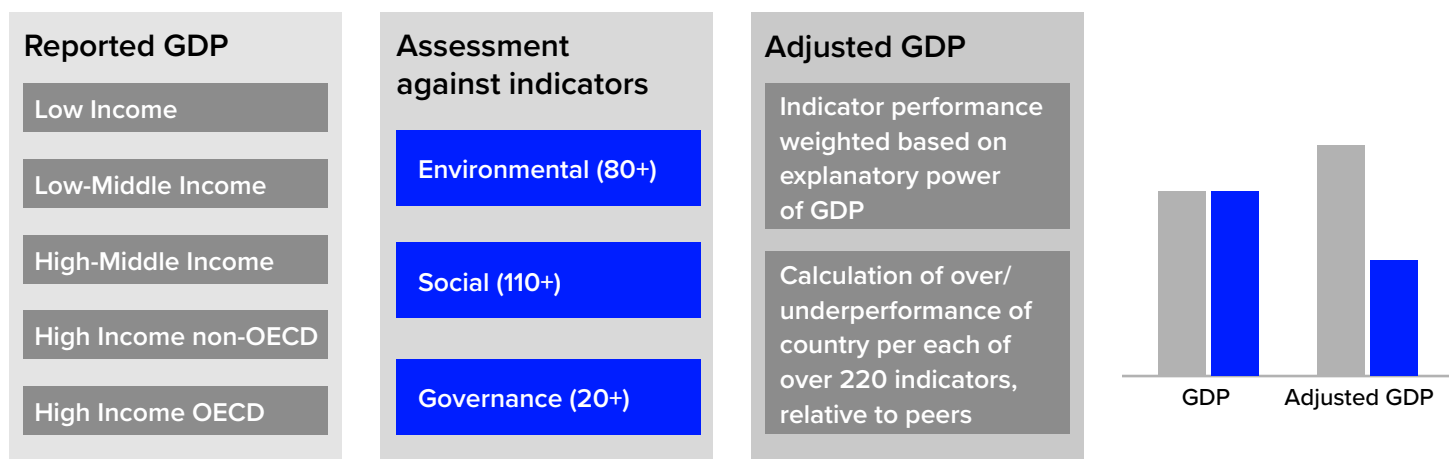
Our quantitative framework provides clarity on the materiality of ESG factors in country GDP.

Flexible access

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

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.



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.

<p>Active Portfolio Management</p> <p>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.</p>	<p>Portfolio evaluation and manager due diligence</p> <p>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.</p>
<p>Internal research</p> <p>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.</p>	<p>Portfolio reporting</p> <p>Use our over 220 ESG indicators to report on sovereign ESG performance to external stakeholders, including to report on SDG alignment progress.</p>

Contact us

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

EMEA +44 (0) 20 7866 1810

Asia-Pacific

North America +1 877 503 6437

Hong Kong +852 2164 3333

Tokyo +81 3 6441 1430

Sydney +61 (0) 2 8823 3521

The content of this publication is provided by London Stock Exchange Group plc, its applicable group undertakings and/or its affiliates or licensors (the "LSE Group" or "We") exclusively. Neither We nor our affiliates guarantee the accuracy of or endorse the views or opinions given by any third party content provider, advertiser, sponsor or other user. We may link to, reference, or promote websites, applications and/or services from third parties. You agree that We are not responsible for, and do not control such non-LSE Group websites, applications or services.

The content of this publication is for informational purposes only. All information and data contained in this publication is obtained by LSE Group from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data are provided "as is" without warranty of any kind. You understand and agree that this publication does not, and does not seek to, constitute advice of any nature. You may not rely upon the content of this document under any circumstances and should seek your own independent legal, tax or investment advice or opinion regarding the suitability, value or profitability of any particular security, portfolio or investment strategy. Neither We nor our affiliates shall be liable for any errors, inaccuracies or delays in the publication or any other content, or for any actions taken by you in reliance thereon. You expressly agree that your use of the publication and its content is at your sole risk.

To the fullest extent permitted by applicable law, LSE Group, expressly disclaims any representation or warranties, express or implied, including, without limitation, any representations or warranties of performance, merchantability, fitness for a particular purpose, accuracy, completeness, reliability and non-infringement. LSE Group, its subsidiaries, its affiliates and their respective shareholders, directors, officers employees, agents, advertisers, content providers and licensors (collectively referred to as the "LSE Group Parties") disclaim all responsibility for any loss, liability or damage of any kind resulting from or related to access, use or the unavailability of the publication (or any part of it); and none of the LSE Group Parties will be liable (jointly or severally) to you for any direct, indirect, consequential, special, incidental, punitive or exemplary damages, howsoever arising, even if any member of the LSE Group Parties are advised in advance of the possibility of such damages or could have foreseen any such damages arising or resulting from the use of, or inability to use, the information contained in the publication. For the avoidance of doubt, the LSE Group Parties shall have no liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document.

LSE Group is the owner of various intellectual property rights ("IPR"), including but not limited to, numerous trademarks that are used to identify, advertise, and promote LSE Group products, services and activities. Nothing contained herein should be construed as granting any licence or right to use any of the trademarks or any other LSE Group IPR for any purpose whatsoever without the written permission or applicable licence terms.

Copyright © 2024 London Stock Exchange Group. All rights reserved.



LSEG DATA & ANALYTICS