Background
- BCA: Investment advisor with $36 billion AUM in investment-grade fixed income portfolios
- BCA invests 10% of AUM into companies with top-tier ESG performance

Current State
BCA was seeking to further expand the research coverage of investment grade companies with outstanding debt.

Desired State
An expanded list of investment opportunities to accommodate a variety of clients and preferences.

Why?
Environmental, social, & governance (ESG) considerations have become increasingly important in investing. This results in a stronger incentive for companies to conduct business in a more sustainable manner in order to attract ESG-mindful investment. By scrutinizing disclosure data we can help these investors make smarter investment decisions while encouraging companies to faithfully incorporate ESG factors into their business models.

Project Approach

Project Learnings
- Sustainability reporting is increasingly common, yet commonly ambiguous.
- ESG ratings are inconsistent across raters.
- Methodologies behind ratings are ‘proprietary’ and undisclosed.
- Sustainability reporting lacks standards, ubiquitous indicators and formats.
- External audit of sustainability reporting is minimal, and there is little external data is available to validate company claims.

Implications for investors
- Investors should examine self-reported sustainability reports closely; ESG ratings should not be taken at face-value.
- Investors should insist on empirical evidence to support self-reported claims, particularly ones asserting impact.
- ESG ratings should be considered in the context of the rating agency that issued them, the client’s objectives, and the investment’s return profile.

Team Findings

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<tr>
<th>Bloomberg ESG Score (Y)</th>
<th>Investment Favorability (X)</th>
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<tbody>
<tr>
<td>100</td>
<td>Not Recommended</td>
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<tr>
<td>50</td>
<td>Need More Research</td>
</tr>
<tr>
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<td>Recommend</td>
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<table>
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<tr>
<th>PHILIP MORRIS</th>
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<th>SPECTRA ENERGY</th>
<th>CORBEX</th>
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<th>VISA</th>
<th>COSTCO</th>
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