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Demand for ESG data steams ahead: why being independent matters

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Over the past few years, demand for ESG data has seen explosive growth as asset managers, asset owners, banks, and insurers increasingly recognize the value of data integrity for evaluating the long-term ESG risks of potential clients, partners, and investments, as well as respond to incoming regulations and reporting requirements.

As increasing numbers of firms compete for (greater) share in this area of the market, there has been a realization of the barriers to entry in building a business around ESG data. Even though many data firms may have the resources to build out their own platforms, the real challenge is building a track record and consistent methodology that is time-tested. As the industry continues to develop apace and the role of ESG data in the capital markets grows, you're seeing firms respond by acquiring and integrating existing firms rather than building their own capabilities from the ground up.

We believe the ESG data industry will continue to see consolidation, as we've seen already amongst a number of large US providers and we'll likely see new smaller, AI-enabled players enter the space with a desire to get a slice of the pie. But this consolidation can be helpful for the industry: fewer players could lead to better transparency and standardization in ESG data, which is one of the main factors in hindering greater adoption of this in investment strategies or business operations.

So what does that mean for RepRisk? For us, remaining independent as a company is paramount to ensuring the authenticity, transparency, and agility of our business. Our independence and our sole focus on data and research – exclusively on ESG risks – means that RepRisk can deliver high-quality information that clients expect without distraction. We can be nimble and adjust easily to what our clients need and, most importantly, do what is right. For both our clients and our business.

In fact, we welcome institutions to "kick the tires" and examine our (and others') data and ask us the difficult questions. How does RepRisk maintain data consistency over time? How does RepRisk ensure all companies having ESG risk exposure are covered?

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Since the start of our ESG Risk Platform in January 2007, we have had and will continue to have a transparent, rules-based methodology. Our timeseries are not reverse-engineered but generated point-in-time. In order to preserve data integrity and provide clients with systematically analyzed and curated data that is material and actionable, we only look to external sources and stakeholders – some 100,000+ in 20 languages that are screened daily – and intentionally exclude information from companies' self-reporting or disclosures. By combining machine learning with human intelligence, we enable speed and scale while ensuring the relevance and depth of our data at the same time.