The Basics of ESG

Corporate Social Responsibility (CSR)
Officially coined in 1971, CSR can be accurately described as the Social “Contract” or “License” that communities give a corporation to operate. It has been said that companies only exist because of public consent, and that corporations have an obligation to positively contribute to society. In the 1980s, corporations began to listen to their communities more closely, and as a result became more responsive to the opinions and values of their stakeholders. By the 1990s, we witnessed a widespread integration of positive and responsible corporate behaviour across the world, and by the 2000s this became an essential component of running a successful business.

Environmental, Social, & Governance (ESG)
ESG has developed into a primary component of ethical and sustainable investing and includes many critical considerations that impact the decision-making process. ESG outlines important social factors that were often overlooked when using traditional financial analysis methods. We now know that an organization’s commitment to ESG values can directly impact financial performance, such as climate change, water management, health and safety, corporate diversity, social justice, and so much more.

It has been proven that ESG has significant financial relevance, and that companies that do good in the world do better on the market.

Different Ways to Engage in Sustainable Investing
By making a conscious effort to invest in companies that are actively doing good in the world, you can make a serious societal impact while also achieving your financial goals. Some of the most important considerations are as follows:

• **Sustainable and socially responsible investments** – Meeting moral criteria such as avoiding investments in alcohol, tobacco, weapons, or other industries where society’s values do not align.

• **Following important ESG criteria** – Making an effort to limit negative impact and/or deliver benefits to society as they relate to environmental, social, and governance concerns.

• **A focus on impact investing** – A direct connection is made between value-based priorities and the use of an investor’s capital. This includes a combination of financial performance and the ability to generate and quantify a positive societal impact.

• **Striving to achieve Sustainable Development Goals (SDGs)** – Born at the United Nations Conference in Rio de Janeiro in 2012, the SDGs are a set of universal goals that aim to meet the urgent environmental, political, and economic challenges facing the world today.

The Challenges and the Opportunities
The number one barrier that faces ESG in the financial field is the lack of data currently available. However, as ESG recognition grows, so does the development of reliable data.

Orenda, a SIX company – has created a new ESG technology using machine learning and big data. Its main purpose is to unlock valuable social insights and offer an easy way to apply ESG data in addition to conventional financial information. It has the ability to accurately and dynamically assess corporate risk using an endless stream of data, allowing for the development of new successful strategies.

As an example, you may want data that accurately outlines a company’s commitment to climate change, how it treats employees, and how well it’s integrating diversity into its leadership group. Orenda is able to extract this information from public Twitter data, which consists of real conversations taking place among key stakeholders in real time. The use of social media provides accurate metrics to allow for creating a strategic investment plan.

Orenda’s technology is AI-based, allowing for a better interpretation of non-traditional financial information. It also provides tremendous transparency by leveraging public conversations that are taking place within the communities of a company’s stakeholders and shareholders, ensuring a wide and inclusive perspective. ESG data allows investors to express their values and reflect their own preferences without compromising their returns.

Community Voice Empowered by Technology
Orenda provides unique value in the timeliness and all-encompassing perspective of its product. ESG provides an opportunity for change both in thinking and for new concepts of valuation. It’s being used to identify those companies with a healthy future and helping to avoid those companies that are likely to fail or underperform.

Technology has provided an opportunity for communities to have their voices heard. Orenda recognizes the influence that these voices have on society and is effectively transforming them into reliable financial data.