

**Integrating ESG Processes:**  
**Research Valuation**



FrostRB

ESG Research  
Valuation/Integration  
Frameworks



MIFID II



# INTRODUCTION TO FROST - INDUSTRY ENGAGEMENT

Strategic Solutions for Asset Managers/Owners



## Solutions

Research Valuation/Alignment



FrostRB

Aligning Manager Research Budgets With Inv. Process

Research Valuation

## RESEARCH VALUATION / BUDGETING

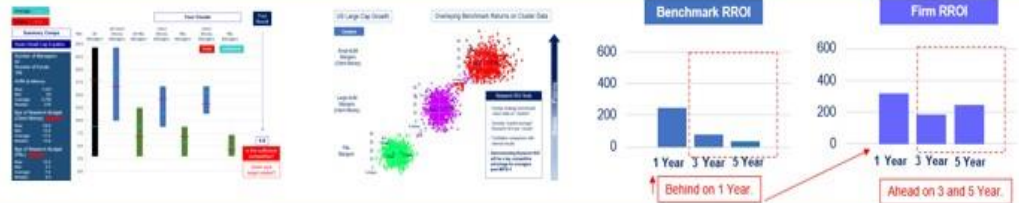
It's not about compliance. It's about Alpha.

Research Benchmarking

FrostDB

Research Spending Database: Research ROI

Research Benchmarking



ESG Integration

ESG Research Valuation/Integration Frameworks



## BACKDROP

The FrostRB ESG Research Valuation/Integration Framework allows asset managers to create customized ESG valuation parameters, regardless of their current research valuation process.

ESG research inputs are particularly difficult to value, given:

- the variety of approaches and ESG implementation strategies used by different managers
- the fact that important ESG research inputs, including databases, do not lend themselves to document or interaction counting.

### ESG Issues and Opportunities for Asset Managers

- Many asset managers are offering ESG products and are striving to integrate ESG principals in their generalist funds.
- Many asset owners would like managers to demonstrate how they are integrating ESG principals into the investment process.
- Given the variety of ESG approaches, how can managers value ESG research based on their investment investment products and their individual ESG frameworks?
- To fully participate in the growth of the ESG sector, managers will have to demonstrate that ESG integration is more than superficial.

## THE ESG INTEGRATION JOURNEY

All too often, the fundamental and ESG analyst teams at asset managers are operating in completely separate realms.

Integration is a major challenge, particularly for complex managers running multiple investment strategies/products/asset classes.



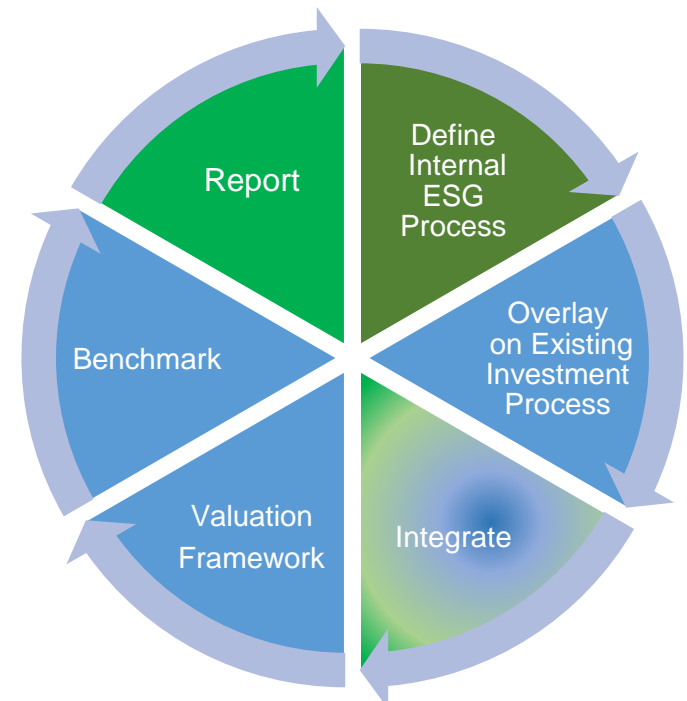
Frost**RB**

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The FrostRB Framework systematically facilitates this integration, regardless of the complexity of the manager.

Frost's unique strategy research benchmarking database provides context for both asset managers and asset owners.



## KEY CHALLENGES

Given the sheer diversity and scope of the UN's Sustainable Development Goals .....



...each asset manager must choose their own ESG focus.

## VARIABLE ESG EMPHASIS/PRIORITIES

Managers must also choose which of the ESG implementation strategies they will adopt – and in what proportion.

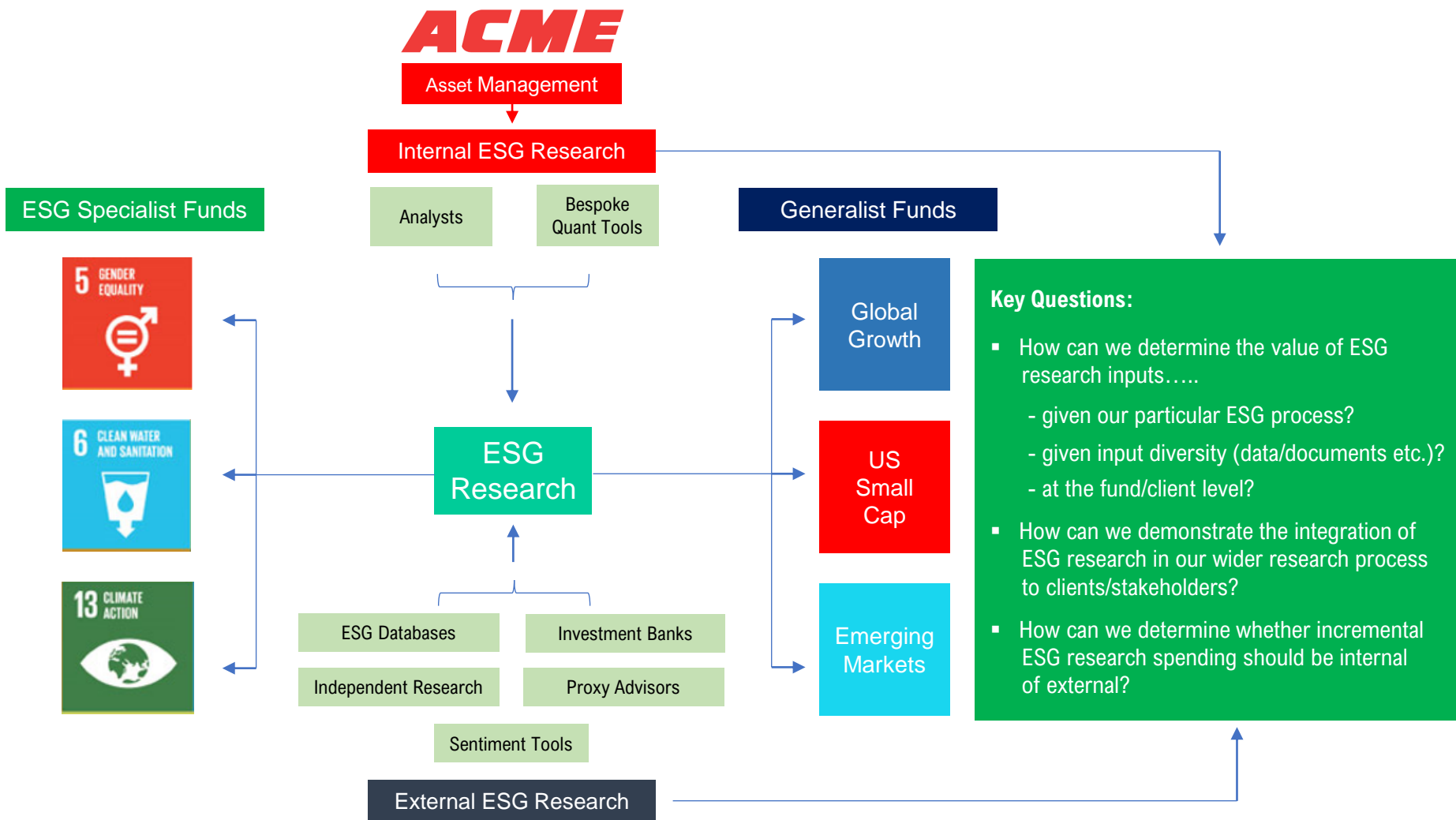


All of these choices will have an impact on the absolute and relative value of ESG research inputs to the manager.

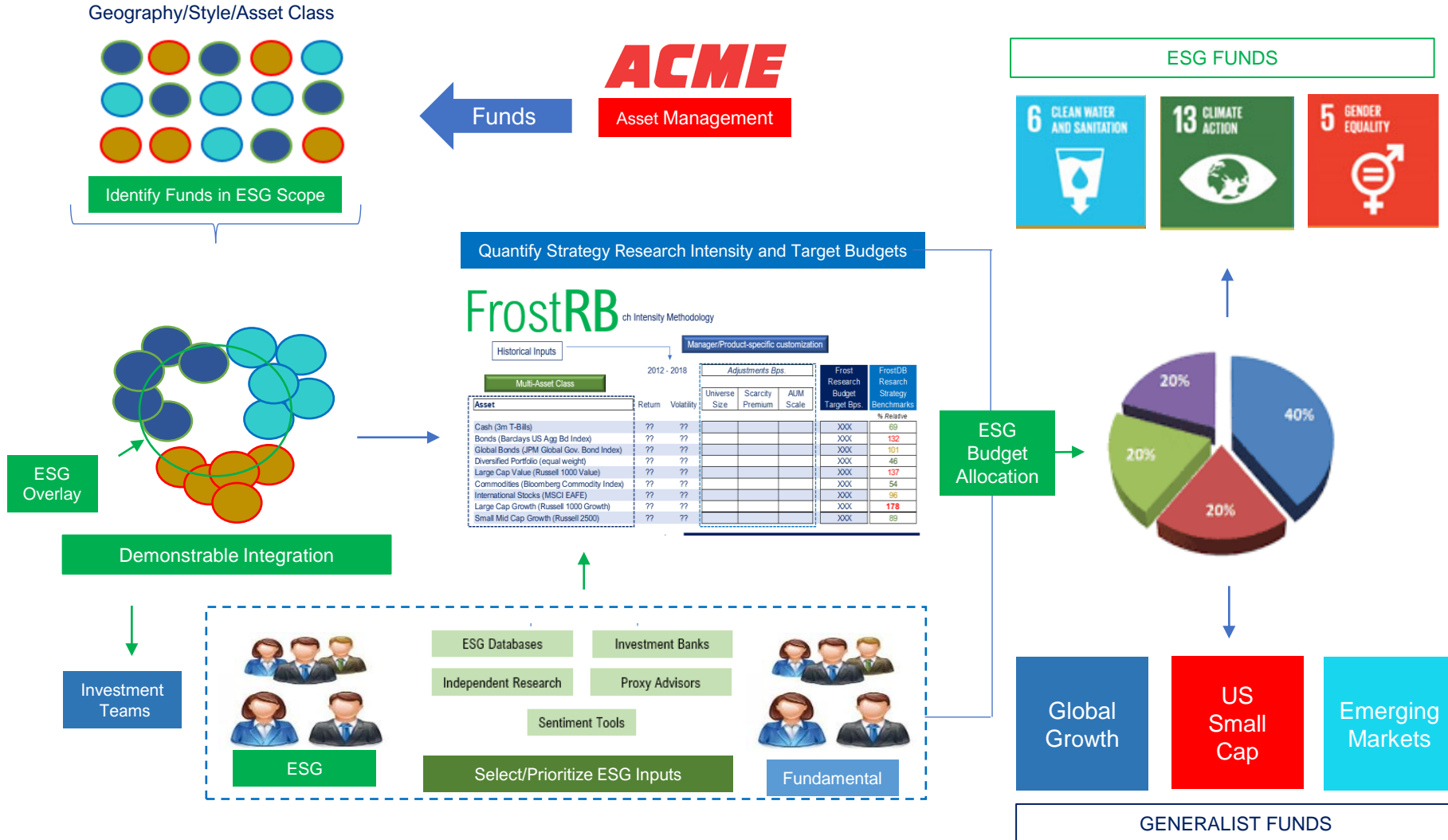
No two manager's ESG processes are identical.

ESG inputs will have differing values to each manager.

# INTEGRATION CHALLENGE: CRITICAL QUESTIONS



# ESG SOLUTION OVERVIEW





# INDEPENDENTLY VALUE ESG RESEARCH/DATA PROVIDERS

FrostRB

Dashboard | Funds | Appraisals | Valuations | Producers | Analysis

## Priced Contract Analysis: ESG

Sum of Fund Valuations per Producer

Provider	2020 Valuation	Contract Price	Differential
IntegrumESG	67,540	23,400	-44,140
SenseFolio	145,659	50,000	-95,659
Refinitive ESG Data Solutions	73,224	40,000	-33,224
RepRisk	77,074	50,000	-27,074
S&P Global ESG Solutions	115,734	30,000	-85,734
<b>MSCI ESG</b>	214,957	325,000	110,043
Sustainalytics	57,739	95,000	37,261
TruValue Labs	77,118	110,000	32,882

Deeper Dive

Good Value

Poor Value

\* Hypothetical Data – For Demonstration Purposes Only

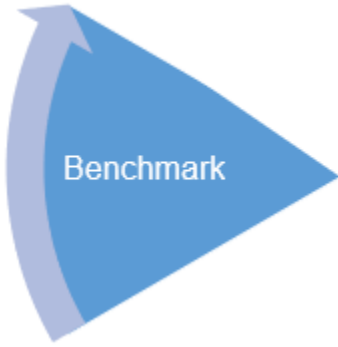
# INDEPENDENTLY VALUE ESG RESEARCH/DATA PROVIDERS

Producer▲	Service	Fund	Product	Professional	Role	Overall (%)	Appraisal (%)	Valuation	(USD)
MSCI ESG									
	Diversified Environmental								24,300
	ESG Various (F)								
<b>By Fund</b>		Emerging Mkts Growth	General	Charles Graham	PM	25.00	10.00	2,025	2,198
		Global Growth	General	Charles Graham	PM	12.00	10.00	998	1,472
		Global Growth	General	Neil Scarth	PM	45.00	10.00	3,744	5,521
		Emerging Mkts Growth	General	Neil Scarth	PM	35.00	10.00	2,835	3,078
<b>By Theme</b>		Equity Income	General	Neil Scarth	PM	50.00	10.00	945	945
		Global Property	General	Neil Scarth	PM	100.00	10.00	1,710	1,856
		Global Growth	General	Samantha Green	RA	15.00	5.00	336	495
		Global Property	General	Samantha Green	RA	15.00	5.00	86	93
		Emerging Mkts Growth	General	Samantha Green	RA	20.00	5.00	90	98
		Equity Income	General	Samantha Green	RA	12.00	5.00	76	76
		ESG Various (F) Total							15,832
	New Energy								103,950
	Sustainable Food								70,875
	MSCI ESG Total								214,957

**By Investment Professional**

**Complete Transparency**

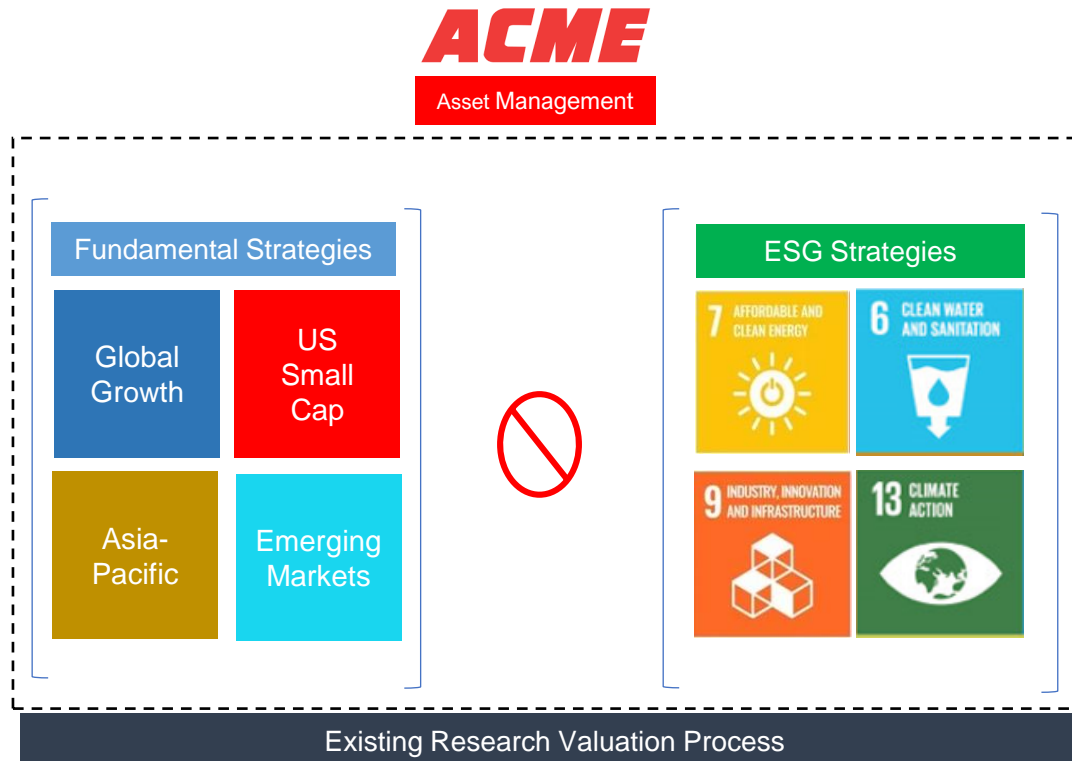
# BENCHMARKING ESG RESEARCH BUDGETS



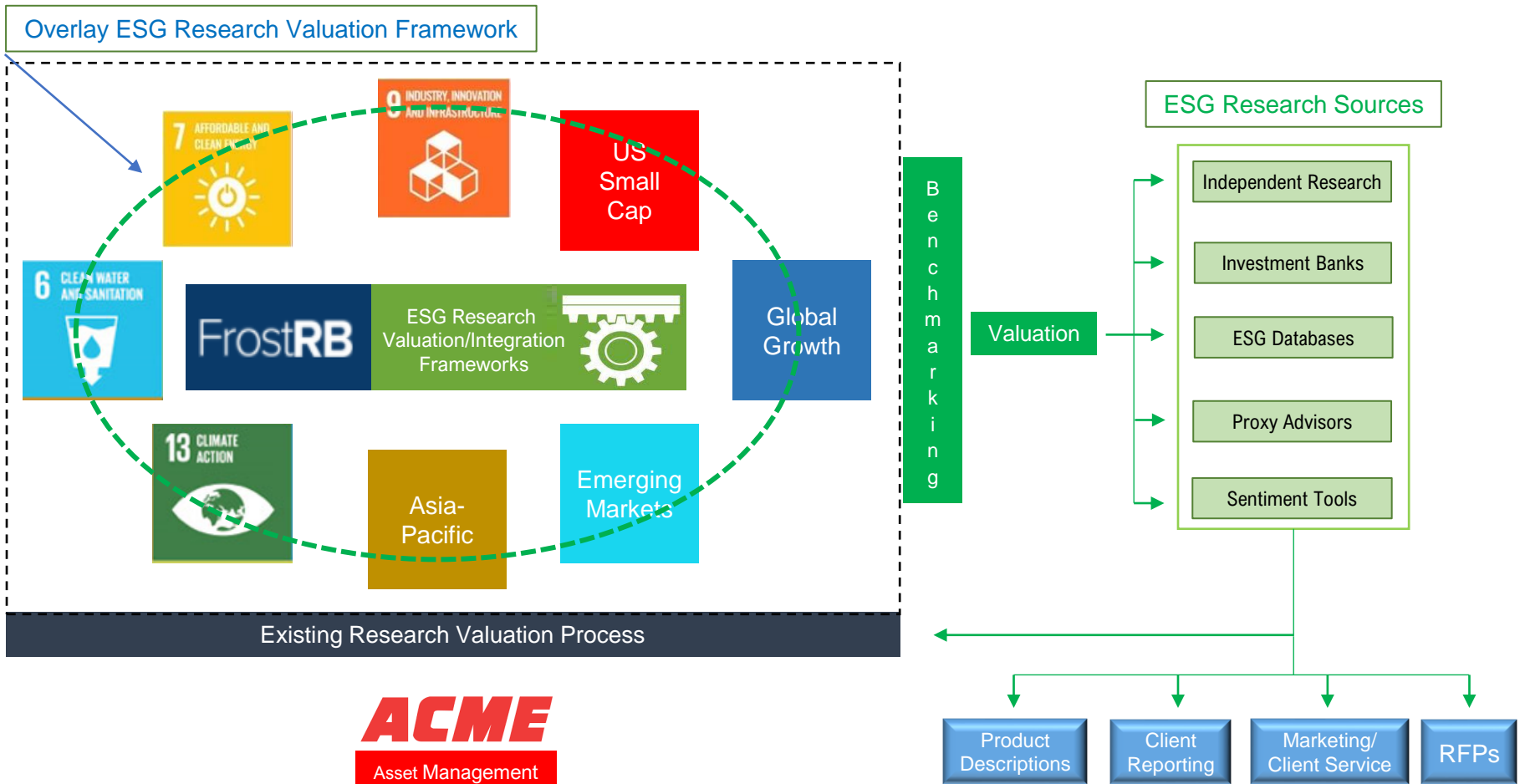
## ESG INTEGRATION CHALLENGES

Current State ....

Many managers have struggled to integrate ESG factors in the investment process and into the research evaluation process.



# ESG INTEGRATION SOLUTIONS



## CONCLUSION



Position your firm to participate in the growth in the ESG market.



Fully and demonstrably integrate ESG and fundamental investment processes.



Independently value ESG research inputs based on your unique ESG priorities.

Maximize your ESG Research ROI

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Provider	2020 Valuation
IntegrumESG	67,540
SenseFolio	145,659
Refinitive ESG Data Solutions	73,224
RepRisk	77,074
S&P Global ESG Solutions	115,734
MSCI ESG	214,957
Sustainalytics	57,739
TruValue Labs	77,118
Sanford Bernstein	97,854
Morgan Stanley	31,721
UBS	111,756
Societe Generale	43,276
Kepler Chevreux	28,765
<b>Total</b>	<b>1,142,417</b>

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