

COMMUNICATING ESG INVESTMENTS TO CUSTOMERS

Perhaps no hotter topic surfaced in investment banking in the past 5 years than Environmental, Social and Governance (ESG) investing. There is an overarching need from customers who intend to invest in an environmentally and socially conscious way amplified by regulators pushing to eliminate greenwashing and striving to create frameworks by which the ESG performance of corporations can be objectively and generally assessed and presented to investors. These investors can be fund managers and institutional investors, but equally so non-professional small investors. Thankfully, by 2022 ESG investing became a totally mainstream topic with a vast literature of project experiences. In this article we would like to share some of our most important takeaways from implementation projects of customer-facing mobile platforms with an ESG focus.

EDUCATION

We did comprehensive research on how investors feel about sustainable investments and ESG and 87% of survey respondents said that they would like to know the impact of their investments, but they are not overly familiar with the intricacies of ESG and all the different metrics and scorings. The problem of greenwashing is just as much in the public consciousness as ESG itself, and therefore most would-be investors in ESG-categorised assets would like to understand fully what ESG means, and how their money does good in the world.

While lack of awareness of ESG in general is still somewhat of a barrier to the mainstreaming of the topic, the bigger problem is now the lack of deep understanding of key concepts and practices of sustainability. In order to bridge this gap, financial service providers need to educate their clients about these on every channel they have access to. Both disseminating general educational material on the topic to all customers and bringing it up in personal investment advisory sessions are important, but an educational feature in the client portal with videos, tests and articles can also be a powerful and interactive tool to raise the general knowledge level of clients.

EASE-OF-USE

When discussing client portals and mobile applications, ease-of-use is key in delivering value to customers. Assessing ESG investments is a complex topic with a host of metrics and categories. Clarity is key when presenting this data, so the challenge for financial service providers is to display these comprehensive datasets in a way that is both easy-to-understand and accurate. This means the ESG feature of the client application (the whole application in general) has to be easy and enjoyable to use, and the hierarchy of portfolio-level and instrument-level ESG data has to be assembled into a logical and intuitive system.

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This system has to be formulated in a multilevel logic, whereby first the client is presented with a highly aggregated set of key ESG performance indicators, and they have the opportunity to drill down if more detailed information is required. Different customers have different information needs: some may be completely satisfied with only seeing green lights across the board in terms of the contribution to ESG goals of their portfolio, while others may be curious to see the underlying metrics on an instrument level to really understand the drivers of such performance. The point is that a state-of-the-art system has to cater to both tastes by providing an aggregated view that provides the “big picture” in an intuitive way as well as the option to click through to more detail if needed.

MORE TRANSPARENCY = MORE INVESTMENT

In conclusion, there is a business opportunity in supplying customers with clearly presented information about their current investment portfolio as well as investment opportunities. The term “clearly presented” in this context means different things to different people depending on their ESG-specific base knowledge and preferences to detail regarding the drivers of performance in sustainability. The good news is that the methodologies for scoring assets, mitigating greenwashing from the regulatory standpoint and presenting information to clients have all improved and have continued to improve in giant leaps in recent years resulting in both customers who are more confident that the money they invest actually goes to the right place as well as financial service providers who can find tried-and-tested solutions to their ESG presentation and reporting needs. At the end of the day, this all leads to more investment going to sustainable assets on the long run.

GYÖRGY SOMOGYI,
HEAD OF BUSINESS EXCELLENCE COMPETENCE CENTRE
DORSUM

