

Recent Highlights

- **The eight themes shaping ESG data**

Environmental Finance (Peter Cripps)

1. **The Race for Geospatial Data:** A primary trend is the race for geospatial data, which pinpoints company asset locations to better assess physical climate and biodiversity risks. Data providers are investing heavily; ISS STOXX calls this its "biggest investment area" with a product planned for Q3 2025, while RepRisk is expanding coverage linking extractive and power projects to environmentally sensitive sites.
2. **Physical Risks and Adaptation Rise:** With climate change impacts intensifying, investors are more focused on physical risks like flooding and heatwaves. Demand is growing for data that quantifies the financial implications, estimated at \$25 trillion by 2050. Notably, a third of the world's largest companies still do not disclose their adaptation plans.
3. **Nature as an "Eternal Topic":** Nature and biodiversity risks remain a hot topic, with S&P Global reporting that 85% of the world's largest companies significantly depend on nature in their operations. The current challenge is translating nature-related metrics into financial information, mirroring the progress made with climate data.
4. **Transition is Transitioning:** Approaches to the net-zero transition are becoming more nuanced. Instead of simple pass/fail metrics, investors now demand credible, detailed transition plans. Moody's notes a \$2.4 trillion transition finance gap that debt markets can help bridge, while providers enhance their focus on plan credibility.
5. **The AI Gamechanger:** Artificial intelligence is revolutionizing the ESG data landscape by improving data collection, processing, and analysis. Firms are accelerating investment in AI to enhance efficiency and enable more sophisticated analyses, like improved climate modeling and understanding of tipping points.
6. **Push into Private Markets:** A significant drive exists to improve ESG data availability for historically underserved private markets. Key initiatives like the ESG Integrated Disclosure Project (ESG IDP) are now working to standardize metrics across private credit and equity.
7. **Continued Demand for Ratings and Data:** Sophisticated investors are increasingly using raw data to create proprietary scores, yet ESG ratings remain in high demand, especially from smaller asset managers. This dual demand is highlighted by a survey showing 75% of investors plan to invest in ESG management tools and infrastructure to unify various data sources.
8. **Regulatory Rollback and Focus on Materiality:** A partial rollback in some ESG regulations is shifting the focus from a compliance-driven "tick-box" exercise toward a market-led discussion on what data is truly material for investors. This change is increasing the emphasis on short-term financial materiality, particularly for assessing tangible physical risks.