Video Segment 5: Analytics and ESG

"Currently, it's the lack of objective measurement, analysis and transparency that is hindering these initiatives." -Dr. Michael Roberts

NOTE-TAKING GUIDE

Business can be a conversation of acronyms; an alphabet soup that means very little to the outside world. Before you consider any analytics connections, jot down your understanding of the following concepts:

ESG:

CSR:

DEI:

Both Professors Daniel Taylor and Michael Roberts believe that analytics is central to the success and progress of ESG because it will help define, measure and monitor activity. Briefly, how do the following ideas align with that central belief?

Satellite imaging to uncover greenwashing:

Infrared imaging to inform investors:

Support for Chief Diversity Officers and other decision-makers:

Manipulating ESG ratings:

Reflection: These days, many investors lead with their ideology or their beliefs when making investment decisions. They want to invest their money based on personal values, whether it be socially responsible investing, ESG, or impact investing. Do you believe personal values have a place in investment decision-making? What role do they have? Is it possible to focus on sustainability and also make a profit? If you're an investor, share your personal experiences. And then consider how analytics might help to make companies more accountable for their ESG-related actions. Where would you especially like to see analytics and accountability meet?

THE LANGUAGE OF BUSINESS
(Linked terms are defined in the Wharton Global Youth Video Glossary)

- Budget
- Company
- Corporate Social Responsibility (CSR)
- Chief Diversity Officer
- Diversity
- The Economy
- Federal Reserve Board (The Fed)
- Inclusion
- Interest Rate
- Investor
- SEC or Securities & Exchange Commission
- Sustainable Business
- Upper Management

Accountability: This refers to taking ownership of your decisions. When it comes to environmental issues, businesses need to be accountable for their actions; they need to accept responsibility for their decisions and the impact those decisions have on the planet.

Capital Allocation: When the head of a company makes strategic decisions about the distribution and investment of financial resources to maximize stakeholder profits.

Carbon Emissions: Carbon dioxide and other heat-trapping gases that are emitted from factories, vehicles and other sources of fossil fuels and are thought to be damaging the planet.

Daniel Taylor: A Wharton School Professor of Accounting and Director of the Wharton Forensic Analytics Lab.

Data Analytics (or just Analytics): The systematic computational analysis of data or statistics. It is used for the discovery, interpretation, and communication of meaningful patterns in data.

DEI: This stands for Diversity, Equity and Inclusion. At the most basic level, diversity is who is in the room [what differences are represented around the table?]; inclusivity is who has influence in the room [do all voices have the opportunity to contribute?]; and equity is are there fair practices for those in the room [for example, are men and women paid an equal wage?].

Erika James: Dean of the Wharton School with research interests in crisis leadership, workplace diversity and management strategy.

ESG: This stands for Environmental, Social and Governance and refers to a system for how to measure the sustainability of a company. It is an evaluation of a firm's beliefs and attitudes about social and environmental factors. Companies are thinking hard about how to incorporate ESG factors into their business strategy to appeal to investors, customers and other stakeholders. And investors are turning to ESG rating firms and others to screen their investments on these various factors.

ESG Rating: This measures a company's exposure to long-term environmental, social and governance risks and is used by investors to understand a company's commitment to ESG factors.

ESG Values: An individual or company's core values pertaining to a commitment to environmental, social and governance factors. How deeply do they care about the planet, its people and the decisions that a company makes about factors other than making money?

Finance: An industry or area of study having broadly to do with money and economics.

Financial Market: The market in which people trade financial securities, like stocks and bonds.

Green Company: In business, this refers to a company's environmental sensitivity, awareness and proactivity. Authentically green businesses are very tuned into their impact on the environment.

Green Investment: An investment in an environmentally friendly business.

Greenwashing: A set of deceptive marketing practices in which an entity exaggerates environmental attributes of a product, service or itself in a way that is not supported by the evidence.

Michael Roberts: A Wharton School Professor of Finance.

Stakeholder: A person with an interest or stake in something, especially a business. Investors are stakeholders, as are employees, managers and even customers.

Stock Return: The change in price of a stock over time. A positive return represents a profit while a negative return represents a loss.

Transparency: You'll hear this term a lot, especially related to ESG. Transparency in business is the basis for trust between a company and its customers, investors – all stakeholders. When a company is transparent, it is open and honest about communicating what happens behind the scenes with its operations, management and other business functions.

The Wharton School: The Wharton School, also referred to as just Wharton, is the business school of the University of Pennsylvania, a private Ivy League university based in Philadelphia, Pennsylvania. Wharton is a world leader in business education and a hub for academic research in all areas of business.

EXPLORE MORE IN OUR ONLINE BUSINESS JOURNAL

[Discovering All the Dimensions of ESG]