

## COMPANY MONITORING

# Banor: sustainability always under control

**Using artificial intelligence to intercept negative news that financial statements only report once a year**

Investments increasingly targeted on the basis of responsible criteria, “With the obligation upon companies to publish sustainability reports, nowadays we have a huge amount of information available that allows us to perform ESG analysis”, asserts Angelo Meda, Head of Equities at Banor SIM. “In order to manage this data, some use third party providers that assign a rating, whilst others prefer not to tie themselves to external methodologies. In fact, depending on the provider selected, the same company can receive diametrically opposed evaluations, with data coherence issues”.

Banor SIM has decided to start from the raw data, using a database that provides figures from the companies belonging to the Morgan Stanley All Country World Index, to which it applies the methodology developed by SASB, a third party institution based in the USA and financed by universities, the government and asset-management companies, that defines the key metrics for each sector. For example, greenhouse gas emissions would be of interest when evaluating an oil company, whilst for a bank the number of complaints made by customers is more important than branch consumption figures. SASB establishes which variables are linked to the applicable materiality criteria for each sector, i.e. information without which the investor cannot make an informed decision.

“By cross-referencing raw data with the materiality matrix provided by SASB, Banor SIM creates its internal rating”, explains Meda. “Furthermore, whilst the sustainability report is issued once a year, a company may encounter reputational problems at any time. Hence it is necessary to supplement this information with the information from a database of media news”. Banor SIM has selected a sophisticated supplier that uses artificial intelligence to monitor the world of data and highlight negative news in relation to material aspects of a given sector. —

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