
HOW ESG INDEX PROVIDERS INFLUENCE INVESTMENTS

STEP 1. ESG RESEARCH FIRMS

Research firms collect specific underlying ESG data through company surveys, industry research and/or analyzing and interpreting third-party data.

Sell ESG data

STEP 2. ESG RATINGS FIRMS

ESG ratings firms use thousands of sources to build a singular ESG score for the majority of publicly listed companies.

Sell ESG Ratings & Data

STEP 3. ESG INDEX PROVIDERS

Index providers buy ESG data and build off-the-shelf and customized ESG indexes based upon non-ESG parent indexes.

Sell ESG Indexes for fees

STEP 4. ASSET MANAGERS

Asset Managers buy off-the-shelf or co-develop custom ESG indexes that tell the asset managers (or a computer algorithm) what and how many shares of a company a fund should hold.

Supply passive ESG index funds for a fee

STEP 5. INVESTORS

Investors pay a small fee to asset managers in order to invest their money in the passive ESG index funds and Exchange-Traded Funds. The switch from active to passively managed funds has been driven by their lower fees and on average higher returns.
