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Feature Articles

This month's focus: **Application of Cutting-edge Financial Information Technology**

The global asset management industry has been suffering from a structural decline in its profitability since the late 2000s and, to address this, has been focusing on pursuing operational efficiency through outsourcing non-core operations. However, leading asset managers have moved beyond this phase and have already started to work on enhancing the value added of core operations through digitalization. Leading asset managers have been working not only on enhancing the value added of individual operations, but also transforming the way asset managers add value as an entire organization. As a foundation for such efforts, it is important to augment human abilities with those of machines as well as to establish a company-wide data management capability.

Based on environment, social, and governance (ESG) criteria, corporations are evaluated and receive ESG ratings which are largely based on analyst assessments of qualitative data. Therefore, it is considered rather implausible to quantitatively deduce the assessment criteria and the action areas that corporations should focus on in order to improve their ESG ratings. We have developed a quantitative model to predict a company's ESG ratings assigned by FTSE and MSCI, by systematically collecting corporate disclosure reports and processing them using AI technology. From the wide-ranging disclosure items related to ESG, our model allows us to quantitatively identify areas that each company should strategically prioritize and the information it should disclose. Our goal is that our continuing research will encourage companies to engage in more concrete actions and appropriate information disclosure with regard to ESG.