

The Environmental, Social, and Governance (ESG) concept was developed in 2006 by The United Nations Principles for Responsible Investment, known as UNPRI. In recent years, ESG has become a hot topic for both academic research and industry practice in the areas of finance, accounting, and other business disciplines. One of the main challenges on ESG integration in investments and ESG reporting in accounting is the measurement issue. As ESG is non-financial information, quantifying ESG data into an acceptable composite measure by all stakeholders is extremely difficult. The recent research on “Aggregate Confusion” by the MIT team and Pedersen, Fitzgibbons, and Pomorski (2020)¹ are examples of how top researchers recognize the confusion created by ESG rating divergence and its effect to pricing.

To reduce this confusion of ESG information, we propose to integrate empirical findings from four separate but related research components to construct a new comprehensive ESG intelligence database for future research. Our four research components represent pioneering effort in producing the needed alternative data for ESG integration in the business world. We integrate researchers and outside experts from different academic areas in finance, accounting, marketing, decision sciences, and communication to construct this comprehensive ESG intelligence platform which can serve as a research infrastructure for future ESG research.

This proposal recognizes the importance of measuring ESG efforts of corporations from various stakeholders’ perspectives, namely, asset owners and analysts, accounting professionals, consumers, and institutional investors. By providing research in ESG measurements and quantifying the social return aspects; we can improve the ESG intelligence for future research on business sustainability. Our proposal truly integrates different research areas from finance, accounting, marketing, decision sciences, and communication to generate the needed components for our ESG intelligence. We understand that the purpose of IDS grant must provide a significant infrastructure support across various disciplines at the university level. Therefore, our four research components will involve researchers and outside experts in different areas.

In particular, the first Research Component (RC#1) explores the finance aspect of ESG integration where ESG data is being used by investors. However, these data come from ESG reports prepared by the accounting professionals, which is the focus of our second component (RC#2). The companies engaging ESG have to find out how these ESG efforts can benefit their clients and consumers, leading to our decision of engaging the third component (RC#3). Finally, the ESG information has to disseminate to major institutional investors of the firm and our fourth component (RC#4) explores this communication channel. In short, the findings of our four research components together will provide a complete picture for the ESG intelligence from various stakeholders of the firm.

¹ Berg, Florian and Kölbel, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (May 17, 2020). Available at SSRN: <https://ssrn.com/abstract=3438533> or <http://dx.doi.org/10.2139/ssrn.3438533>; Pedersen, L.H., Fitzgibbons, S., and Pomorski, L. (2020) Responsible investing: The ESG-efficient frontier. *Journal of Financial Economics*, <https://doi.org/10.1016/j.jfineco.2020.11.001>