

From Disclosure to Insight: The Future Use of ESG Data and the Role of XBRL



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Is ESG data really useful?



Why this matters now?

- Most financial models still rely on traditional ratios and cash flow assumptions
- ESG data is often used via ratings and treated as an overlay or risk flag
- The challenge is how to use ESG data in investment and lending decisions



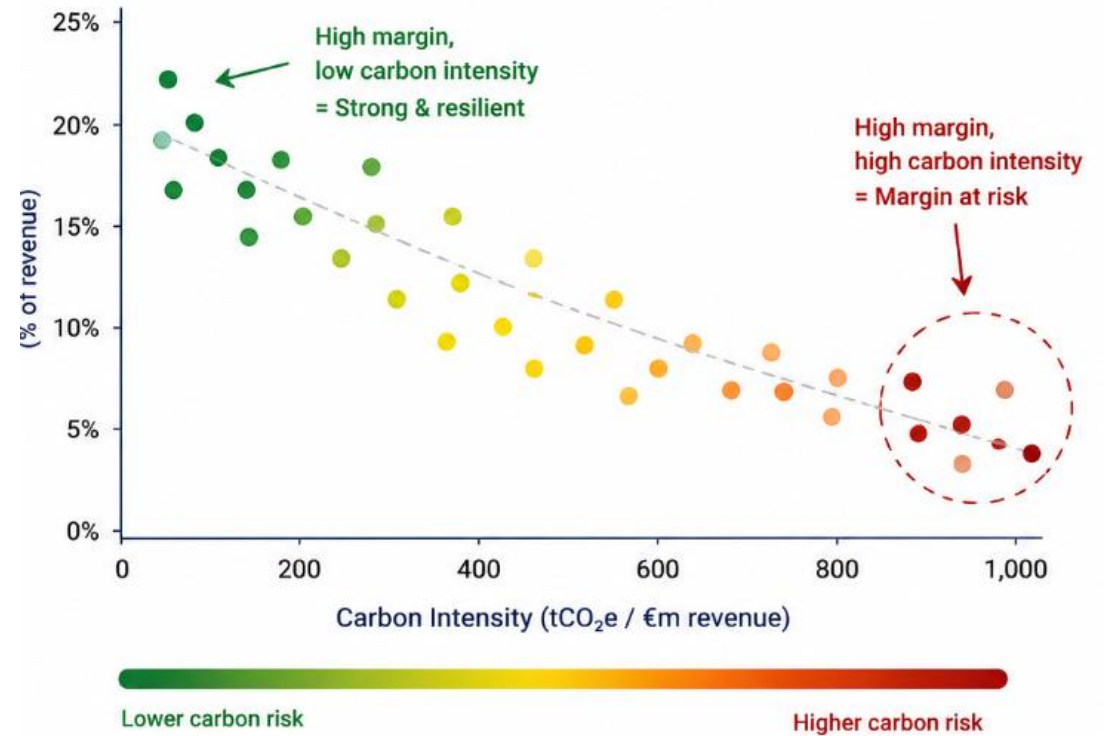


Imagine

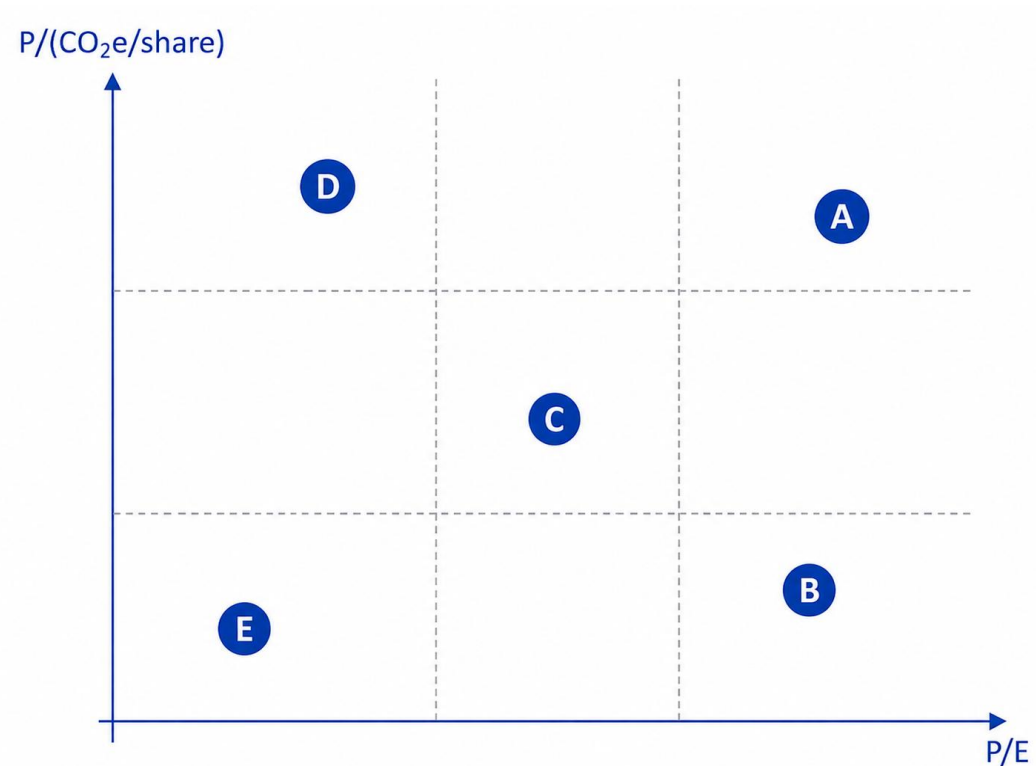
- The objective is not to replace financial analysis
- The objective is to extend existing investment and lending frameworks
- What happens if we tweak known models with 1–2 ESG variables?
- The models can be simple – but also complex time series analyses with many financial and non-financial indicators may be useful
- Can ESG data improve profitability signals?
- Can ESG data improve early risk detection?

Can ESG-enhanced models improve alpha id?

- Example: carbon-adjusted profitability models
- Other examples:
 - transition capex as indicator of future positioning
 - ESG metric momentum as a signal of operational improvement



Can ESG indicators improve risk detection?

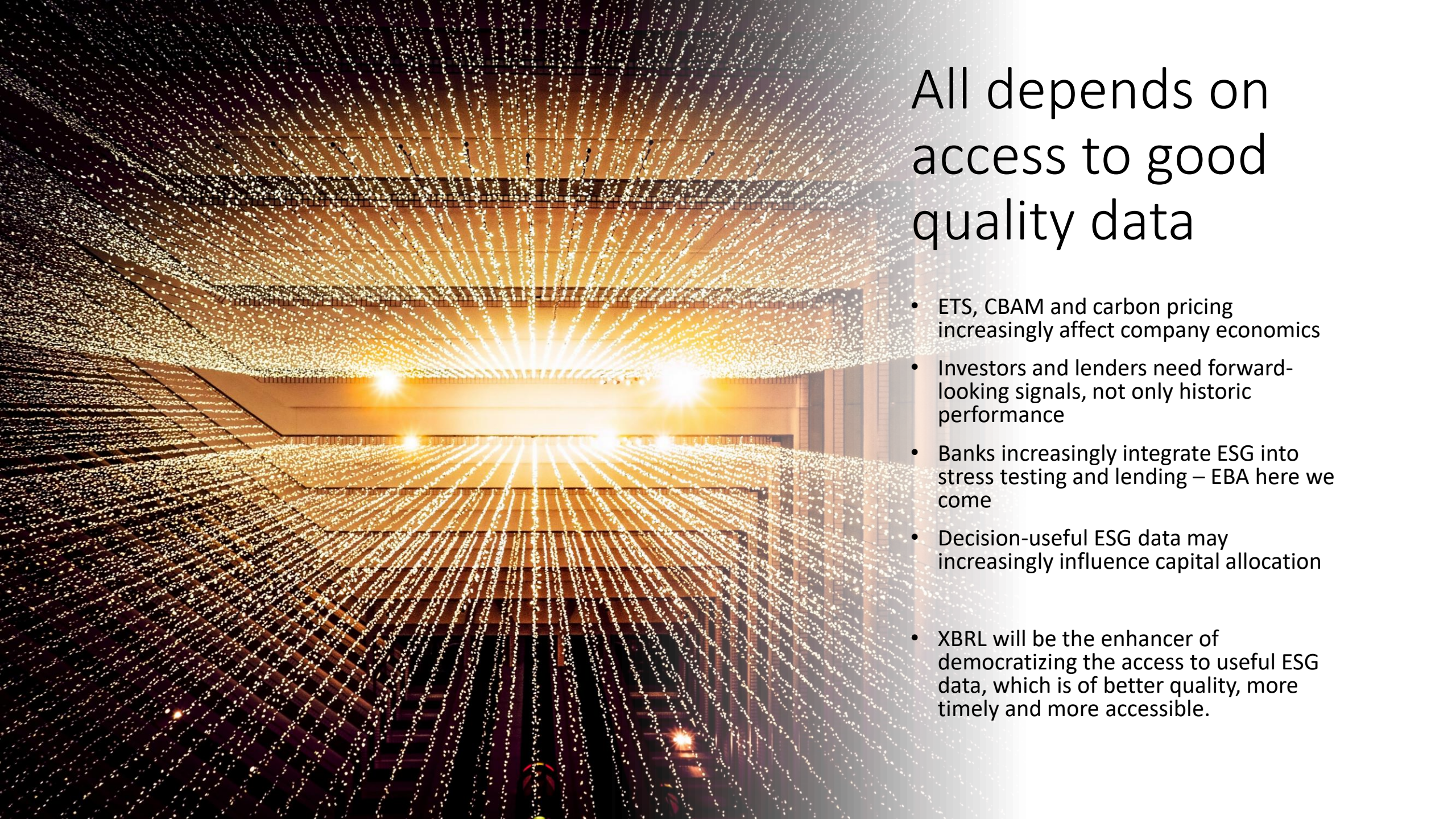


- Which company is the better choice – climate risk adjusted?
- Other examples:
 - high employee turnover in talent-dependent sectors may signal execution risk in ambitious growth plans
 - governance indicators may indicate poor business ethics
 - supply chain and operational resilience metrics may indicate future risks

Let's try it

- For years, ESG reporting focused on disclosure
- The next phase is use
- XBRL is not the end goal
- It is the infrastructure enabling scalable ESG analytics
- The key question: which ESG metrics actually improve investment and lending decisions?

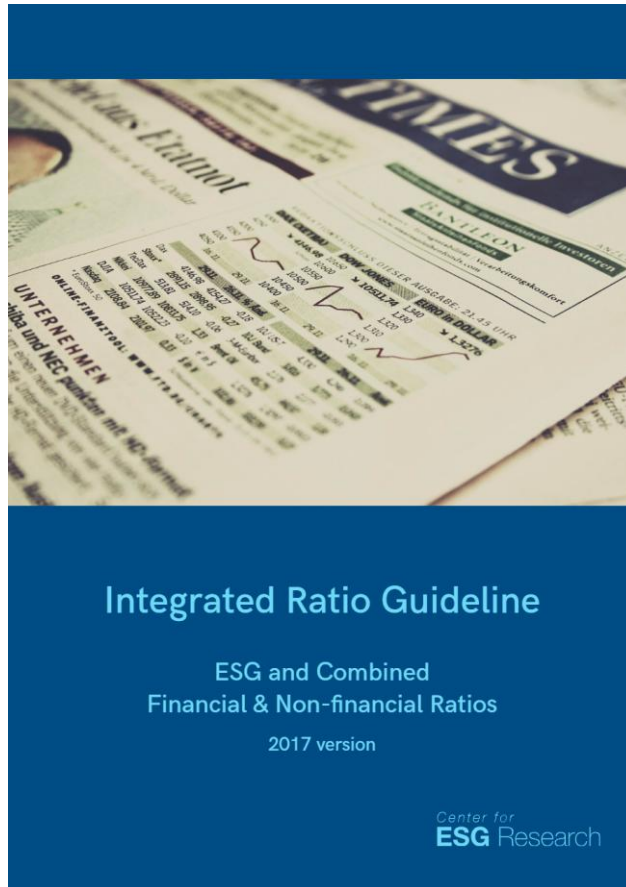




All depends on access to good quality data

- ETS, CBAM and carbon pricing increasingly affect company economics
- Investors and lenders need forward-looking signals, not only historic performance
- Banks increasingly integrate ESG into stress testing and lending – EBA here we come
- Decision-useful ESG data may increasingly influence capital allocation
- XBRL will be the enhancer of democratizing the access to useful ESG data, which is of better quality, more timely and more accessible.

Wanna know more?



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