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Press release

Looking for measuring ESG investment performance

13 February 2013. For the first time, Novethic has analysed the SRI performance indicators developed by some asset managers and a handful of asset owners. The aim is to measure, for example, whether socially responsible investment contributes to generating fewer carbon emissions, creating more jobs or improving transparency on executive pay. Focused on very precise aspects, these environmental, social and governance (ESG) indicators are hard to draw up because of a shortage of data about the companies concerned. Furthermore, at present the indicators cannot be used to assess the volume of CO_2 emissions or the number of jobs created per one million euros invested.

Limited supply, growing institutional demand

Out of 65 asset management firms offering SRI products in France, only seven have developed ESG indicators, which Novethic has reviewed. Yet institutional investors applying SRI want to report on their policies using simple indicators that their stakeholders can access and use to assess the environmental and social benefits of the SRI approach. They also want to use the same criteria to compare their asset managers' performance.

Disincentives to development

Asset management companies say the main hurdle is a shortage of reliable and relevant indicators published by companies and comparable from one financial year to the next. Another difficulty is the rate at which this information is published – at best annually, with data at 31 December of the previous year.

Furthermore, indicators such as greenhouse gas emissions are not representative of an overarching sustainable development approach. SRI management uses a multi-criteria approach, which can be negatively impacted by a fund's under-performance in CO_2 emissions, whereas an overall company assessment shows ESG outperformance.

Hard to compare

The methods being developed by several market participants make it possible to compare ESG performance in relation to a fund's benchmark but not to calculate its real impact in terms of CO_2 emissions or job creation. Last but not least, participants all have their own methodologies, making it nearly impossible to compare SRI funds on the basis of ESG indicators.

To find out more: Download the report

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