Evidence shows ESG investing does not outperform similar non-ESG investment alternatives

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For Immediate Release

VANCOUVER—According to a broad review of existing research, there is no conclusive evidence that investing in companies with higher ESG rankings produces higher returns for investors, finds a new essay released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Any debate about ESG, which is gaining steam in Canada and around the world, should be based on sober analysis and empirical evidence,” said Steven Globerman, professor emeritus at Western Washington University, senior fellow at the Fraser Institute and author of *ESG Investing and Asset Returns*.

Environmental, social and governance (ESG) is a growing movement designed to pressure businesses and investors to pursue larger social goals including environmental and social objectives. Governments (including in the United States and Europe) have mandated that publicly-traded companies must disclose their ESG practises (their carbon usage, for example).

Advocates for more regulatory disclosure argue that companies with better ESG performance provide investors with higher rates of return over time. Thus, if investors had better information, they would invest more wisely in higher-rated ESG companies, and in doing so, redirect their investment capital.

However, according to a comprehensive review of existing academic studies on ESG, there’s no conclusive evidence that ESG investing enhances (or diminishes) returns on investment. In other words, the existing research does not support the claim that ESG investing outperforms non-ESG investing.

“There’s simply no conclusive evidence to suggest that a more expansive ESG reporting regime, mandated by government in Ottawa or elsewhere, will produce benefits to investors or society more broadly,” Globerman said.

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