Standards still lacking in ESG research: CFS

Lack of comparable data still a challenge

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The lack of uniform standards and transparency in reporting on environmental, social and governance (ESG) issues are still the main challenges in making sound decisions on sustainable investments, according to Colonial First State Global Asset Management (CFSGAM).

"The main challenge is the lack of consistent comparable data reported by companies," CFSGAM head of sustainability and responsible investment Amanda McCluskey said.

But the quality and quantity of research on ESG issues has improved dramatically in recent years, she said.

"A couple of years ago, you only had Andrew Gray of Goldman Sachs JBWere who provided ESG research," McCluskey said.

"But now you have many sell-side brokers who provide excellent research, such a Macquarie, RBS and Deutsche Bank," she said.

CFS published its responsible investment report yesterday as part of its adherence to the United Nations-backed principals for responsible investment (PRI).

CFS does not run a responsible investment fund, but has implemented a PRI-framework across all of its funds.

Despite the improvements in ESG research, McCluskey said there was not one provider that could provide a complete service.

"When we started to look into ESG research, it became quickly clear that we needed more than one provider," she said.

Apart from research produced by brokers, CFS uses three other sources of information.

It makes use of ESG data collected by Thomson Reuters-owned Asset 4, which collects data on almost 3000 companies worldwide.

It also uses a real-time ESG news service provided by Zurich-based RepRisk.

"In the evening, my Blackberry explodes with all the negative news on ESG issues," McCluskey said.
CFS also uses information that comes out of shareholder resolutions put forward to companies it invests in.

But McCluskey is not an advocate of resolutions.

"Putting resolutions forward can be very confrontational. It is better to engage companies in discussion and spend two days with management, as our analysts do," she said.