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# Professional Pensions

## Research claims non-sustainable funds perform similarly to SRI funds

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- 18 Oct 2012
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Traditional funds often behave similarly to funds with clear environmental, social and corporate governance in terms of reputational risk, research claims.

The research, conducted by AfJ Investor Research GmbH and RepRisk AG used the latter's reputational risk index, assigned a sustainability value to companies comprising 166 European funds, 13 of which have ESG mandates. Controversial reports from across media and other sources relating to an organisation's ESG credentials were used to score the funds on the index.

The averaged scores of traditional funds performed on a similar level to specialised SRI funds in terms of ESG. There were also no detriments to financial performance for either strategy.

The report concluded: "Although SRI funds are not conventional funds in disguise, the difference regarding their ESG performance is very small."

First State Investment's global head of responsible investment Will Oulton said: "The research raises an interesting issue: how is the process of company selection based on ESG criteria actually contributing to a more sustainable society and economy on the ground?"

He continued: "The SRI industry globally has developed ever-more sophisticated processes for selecting 'responsible' or 'sustainable' companies for their portfolios, yet little work to date has been done to actually define and measure the social and environmental impact of those investment processes in the real world."

However, Oulton said the survey had restricted scope and did not account for strategies used by asset managers across global markets.

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