

# ESG IN 2021

## Closing the Expectations Gap

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# CLOSING THE ESG EXPECTATIONS GAP

1

- Demand for ESG products
- ESG can mean all things to all people



2

- Lack of ESG standardisation and data
- Simplistic ESG company ratings
- 'Green-washing'

The industry needs improvements in ESG reporting alongside a more realistic and contextual approach to company evaluation.

# THE PROMISE OF STANDARDISATION



- Standardisation of ESG reporting essential to tackling 'green-washing'
- Common metrics and KPIs needed
- Global convergence in ESG standards slowly emerging
- Growth in regional ESG regulation



# NOT EVERYTHING THAT COUNTS CAN BE COUNTED

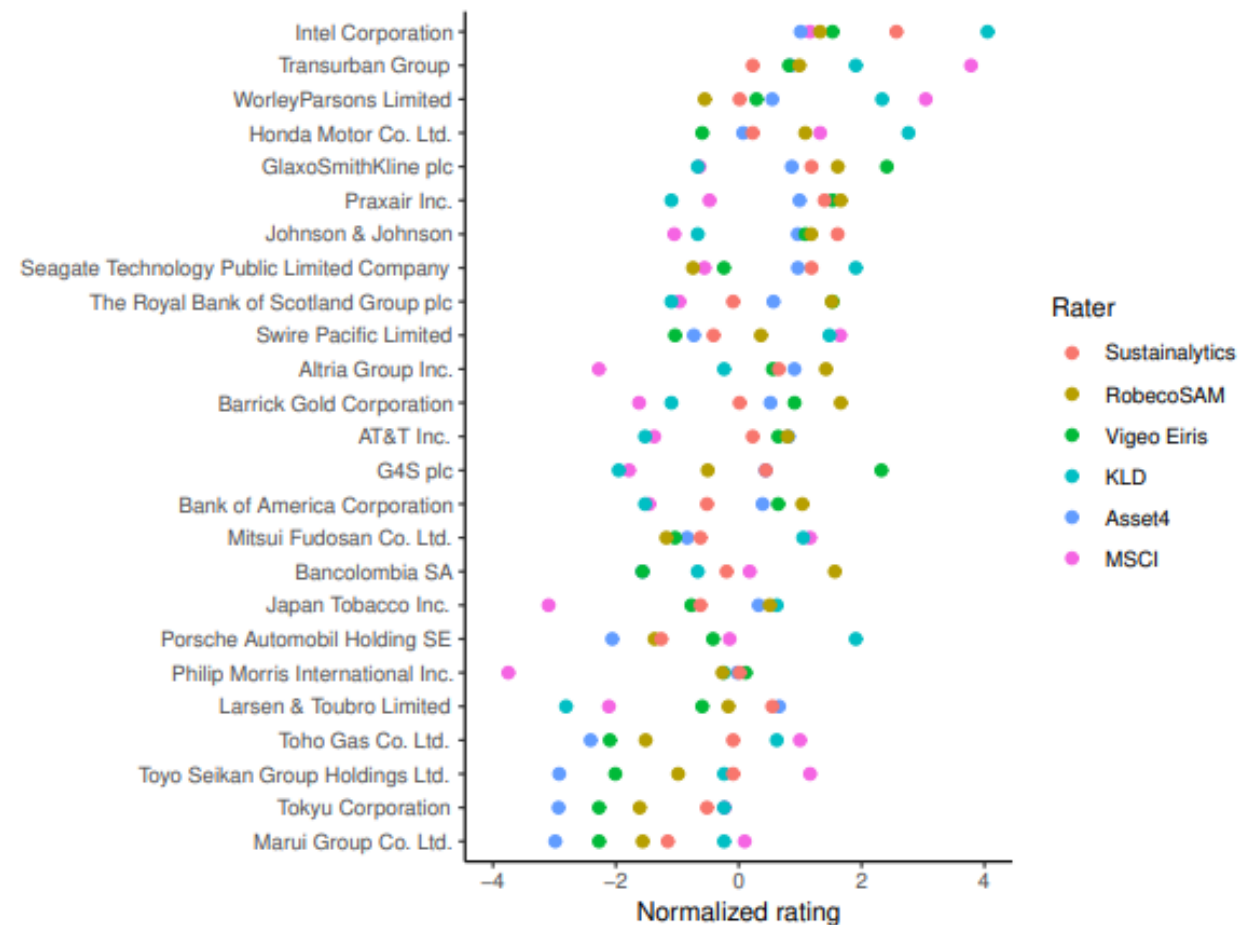
Numerical scores focus on what is **easily measured**, ignoring more difficult but *more meaningful information*



# RATINGS LIMITATIONS

- ESG is subjective
- Danger of over-reliance on quantitative data and simplistic ESG scoring
- Intangible assets often missing from ESG ratings

## ESG Ratings Providers Frequently Disagree



Source: MIT Sloan School Working Paper 5822-19 by Berg, Koelbel and Rigobon

# THE TECH SECTOR CHALLENGE

- ESG scoring systems are backward looking and rely on company disclosures
- How do we assess the technology impact on:
  - Privacy
  - Mental Health
  - Democracy
  - Addiction
  - Broader well being
- Holistic ESG analysis is required



# SUPPORTING SUSTAINABILITY PIONEERS



ESG metrics can **misrepresent**  
fast-growing innovative companies



# KEY TAKEAWAYS

- Closing the expectations gap means **better educating all parts of the investing chain** in the complexities of ESG investing and the dangers of standardisation and oversimplification
- **Improvements to company reporting and the development of global ESG standards** are important but not enough in themselves
- A **more realistic and contextual approach to company evaluation** is needed to realise the promise of standardisation





# BIOGRAPHY



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Antony Marsden is Head of Governance & Responsible Investment at Janus Henderson Investors, a position he has held since 2014. In this role, he leads the implementation of Janus Henderson's responsible investment policies and supports the integration of environmental, social, and corporate governance (ESG) issues across Janus Henderson's investment teams. Antony joined Henderson in 2005 as corporate governance manager. Prior to Henderson, he spent over six years at Pensions & Investment Research Consultants Ltd (PIRC), a corporate governance consultancy, in a variety of roles.

Antony has a degree in politics and international studies from the University of Warwick and an MSc with distinction in corporate governance and ethics from Birkbeck College, University of London. He holds the Investment Management Certificate (IMC) and has 22 years financial industry experience.

Source: Janus Henderson Investors, as at May 2021

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