A Decade of Data Shows the Role of MSCI ESG Ratings

Guido: In the ever-evolving landscape of investing, ESG ratings have been criticized both for being too focused on ethical considerations and not focused enough on these issues. The true goal of MSCI’s ESG rating methodology is to provide investors with a tool for assessing corporate risks as they work to build better portfolios.

Guido V.O.: We now have 10 years of global data coverage for developed and emerging markets of the MSCI ESG Ratings. Over that decade, our analysis has revealed that companies with higher MSCI ESG Ratings have not only weathered market fluctuations. They have surpassed expectations and consistently outperformed their lower rated counterparts in the MSCI ACWI Index. This was before and after controlling for all other factors such as regions, sectors, size and equity style factors.

Guido V.O.: We see similar results when looking at the different sub-regions: North America, EMEA, APAC and Emerging Markets: higher ESG rated companies were observed to have outperformed their lower rated counterparts.

Guido: ESG ratings’ economic significance becomes even more apparent when we analyze its role during times of crisis.

Guido V.O.: Take, for instance, the unprecedented challenges posed by the COVID-19 pandemic and the Ukraine war.
Once again, companies with higher ratings were observed to have exhibited greater resilience and superior performance.

Guido

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We’ll continue to monitor the utility of ESG ratings as a tool for investors seeking sustainable, high performing portfolios.

Disclosures

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