Aligning portfolios to S&P Global ESG Scores can maintain performance and characteristics of the underlying benchmark, analysis finds

Portfolios derived from S&P 500® & S&P 1200® improved their weighted S&P Global ESG Scores by an average of 24% & 22% respectively, without sacrificing underlying characteristics.

LONDON, Oct. 26, 2020 /PRNewswire/ -- A recent analysis conducted by S&P Global Market Intelligence revealed that by aligning a portfolio to the S&P Global ESG score, investors can optimize the environmental, social and governance (ESG) tilts of their portfolios without sacrificing benchmark characteristics.

The analysis shows that the S&P 500 over the past 6 years had a weighted average ESG Score of 43.48 whereas the average score of the ESG tilted S&P 500 was 53.7. The S&P 1200 had an average ESG Score of 50.6 whereas the average score of the ESG tilted S&P 1200 stood at 61.8, an average increase in the ESG Score of 11.2. This marks an average increase in the ESG Score by 24% & 22% respectively, as compared to the benchmark, while largely maintaining the underlying S&P 500 & S&P 1200 characteristics.

Liam Hynes, EMEA Head, Capital Markets Product Specialists, S&P Global Market Intelligence said: "It has become evident that businesses that focus on ESG considerations tend to be better-managed with stronger competitive advantages, healthier balance sheets, and a better social license to operate compared to their non-ESG peers. Our analysis shows that it is possible to incorporate S&P Global ESG scores into the portfolio construction process without sacrificing the desired portfolio characteristics. This can likely be extended to using ESG as an overlay to other existing strategies."

From January 2014 to July 2020, the ESG titled S&P 500 portfolio had a positive active return of +8.5%, according to the analysis. Since the COVID-19 outbreak in March 2020, the ESG titled S&P 500 portfolio had a positive active return of +1.8%.

The approach of S&P Global ESG Scores focused on financially relevant material factors in each industry drawing on more than two decades of engaging with thousands of companies through the Corporate Sustainability Assessment from SAM. With coverage of 7,300 companies representing approximately 95% of global market capitalization, S&P Global ESG Scores give financial institutions the flexibility to drill down into three underlying Environmental, Social and Governance & Economic Dimension Scores.

Research shows that ESG investments achieved record inflows in 2020, pushing assets under management to a new high of more than $1tn[1]. Furthermore, global sustainability indices outperformed mainstream market benchmarks through the pandemic. According to S&P Dow Jones Indices, the S&P 500 ESG Index outperformed the S&P 500 by 2.5% and the S&P 500 Paris-Aligned Climate Index outperformed the S&P 500 by 5.57% from January – September 2020.

Market participants can access S&P Global ESG Scores on S&P Global Marketplace.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep and insightful information. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, perform valuations and assess credit risk. Investment professionals, government agencies, corporations and universities around the world use this essential intelligence to make business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. S&P Global has been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. For more information, visit www.spglobal.com/marketintelligence.

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[1] Hortense Bioy, CFA. https://www.morningstar.co.uk/uk/news/204525/sustainable-fund-flows-hit-record-in-q2.aspx. Morningstar. 4 August 2020. Accessed 10 October 2020.

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