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Simon Mills, Lead Consultant Sustainable Finance, The Z/Yen Group

"The primary purpose of ESG is to enhance risk management and spot price disparities - for ESG managed funds, environmental, social or reputational benefits are just positive externalities."

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Simon Mills, Lead Consultant Sustainable Finance, The Z/Yen Group

The answer is neither.

In the last eight editions of the *Global Green Finance Index*, financial services professionals have consistently rated ESG analytics as having a very significant impact on the spread of green finance. This is probably because ESG delivers.

ESG is often conflated with SRI (socially responsible investment) or impact investment. The former is a tool whereas the latter two are investment goals.

The primary purpose of ESG is to enhance risk management and spot price disparities - for ESG managed funds, environmental, social or reputational benefits are just positive externalities.

Evidence from multiple sources shows a slight, but consistent, performance premium by ESG managed funds. There is, however, little evidence showing a premium associated with SRI funds, and impact investment focuses on mission-orientated results rather than returns.

Twenty years ago, when I first started working in the City, ESG analysts were the hippies in the portacabin in the car park. Today, those people are all gone. Competent fund managers use ESG and enhanced analytics to shape their investment decisions as a matter of course.

They can’t be blamed if marketing departments spin unicorns and rainbows around what is fundamentally actuarial/accountancy/ratings best practice.