

NEWS RELEASE

ESG rankings have no significant effect on investment performance of Canadian public companies

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For Immediate Release

VANCOUVER—Despite claims to the contrary, the ESG rankings of publicly-traded Canadian companies have no significant effect on investment returns, finds a new study published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“While government regulators and some industry executives promote the benefits of ESG investing, there’s no evidence of significant advantages for investors,” said Steven Globerman, senior fellow at the Fraser Institute and author of *ESG Investing and Financial Returns in Canada*.

Environmental, social and governance (ESG) is a movement designed to pressure businesses and investors to pursue larger social goals. In Canada, due to government securities regulation, publicly-traded companies must disclose ESG-related information on a range of issues including environmental impact, human rights, and equity and inclusion.

ESG advocates claim that government-mandated ESG disclosures improve the financial performance of companies.

However, the study—the first empirical analysis of the relationship between changes in the ESG rankings of Canadian publicly-traded companies and equity returns—tracked 310 companies on the Toronto Stock Exchange from 2013 to 2022 and found no significant relationship between changes in ESG ranking (upgrades or downgrades) and financial returns, as measured by the price of shares and dividend income.

In other words, advocates for greater ESG disclosures cannot accurately claim—based on Canadian evidence—that requiring companies to provide more information for ESG rankings will significantly affect the financial performance of Canadian investors.

“Better performance on ESG rankings simply does not translate into better financial performance for Canadian firms,” Globerman said.

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