

# The emerging art of measuring ESG performance



By Laurent Verheyen, CEO of Jean Verheyen and member of IUMI's Facts & Figures Committee and ESG Working Group, 6th May 2022

Shipping's share of the global anthropogenic emissions increased from 2.76% in 2012 to 2.89% in 2018<sup>[1]</sup>. This is more than enough reason for our maritime industry to focus on its environmental impact and in particular on the "E" of "ESG". It is obvious that the emissions are quite easy to calculate which facilitates their assessment, monitoring and reporting over time.



But alongside the "E" is also the "S" for Social and the "G" for Governance, which can affect, for example, the governance in relation to IUU (illegal, unregulated, unreported) fishing, the rights of seafarers or the protection of workers in the ship recycling industry. In the financial world, we are used to following charts and trends that are based on aspects of quantification. The legal aspects that frame the rules linked to the "S" and the "G" are more qualitative and therefore less obvious to summarize in a graph that shows changes or progress over time.

Alongside CO2 emissions, IUMI's Facts & Figures Committee decided to follow IUU fishing and ship recycling to also touch on the "S" and the "G". Data on these issues is available but often it is more incidental, sporadic and less continuous and regular. Moreover, the basis of calculations by regions differs so that it is not easy to consolidate them at an international level. The qualitative aspects, on the other hand, are a plethora of local, national or international initiatives, policies, best practices, etc.

In order to go a little further in this quantitative/qualitative balance and to assess the ESG aspects of their activities, more and more companies are applying scorecard initiatives (MARSH, Chaucer, Swiss Re, Poseidon Principle for Marine Insurance, etc.). This new trend has the merit of 'showing the way' towards an ESG policy for a company.

Insurers provide an auxiliary service to the sectors and industries they insure. Hence they have a limited impact on the behaviour of their customers. However, they can increase the awareness of their insureds through tools to bring visibility and benchmarks, enabling customers to assess their ESG approach.

The advantage of these scorecards is that they will become more and more precise over time and will be able to show developments and changes which should demonstrate a trend towards more assertive ESG policies. At the time of annual general meetings, many activist shareholders are attentive to this data which can also help to show a real effort over time.

A final challenge is to find reliable information on companies' ESG policies. How can you be sure that a company is really playing the game and that it is not greenwashing? What indicators can be used to follow an evolution? Are there global ratings of ESG aspects? The future will show us if we can standardize these scores in order to compare apples to apples...

[1] Fourth IMO GHG Study 2020