The PropTech Guide to ESG

What is ESG?

ESG stands for **environmental, social and governance** criteria, and it's pivotal to the way today's businesses operate. It's all about a company's business model, and how its products and services contribute to **sustainable development.**

Why is ESG investing growing?

01 The world is changing

Global sustainability challenges like rising sea levels, data security, demographic shifts, and regulatory pressures, are introducing new risk factors for investors.

02 Awareness is growing

We only have to look at the news to see stories about issues like climate change, racial inequality and poor working conditions. And this increased awareness is making many of us want to take real action.

03 Investors are changing

- **$68 trillion** will change hands to younger generations over the next 25 years
- **67%** of millennials believe investments 'are a way to express social, political, and environmental value' (vs. 36% of baby boomers)
- **71%** of millennials would turn down the opportunity to make a significant sum of money if it required investing in a company with a negative impact on society or the environment

04 Data and analytics are evolving

We now have access to better data and better ESG research and analytics capabilities. And this enables more systematic, quantitative, objective and financially relevant approaches.

How can ESG factors add financial value?

Institutional investors are increasingly looking to ESG factors as a way to manage risks and to achieve long-term sustainable financial performance.

Higher profitability

Companies with high ESG ratings tend to be more competitive and generate abnormal returns, leading to higher profitability and dividend payments.

Increased funding

Ensuring good ESG performance can also make it easier and cheaper for companies to receive funding, leading to a better P/L.

Lower systematic risk

Companies with high ESG ratings usually have lower systematic risk exposure, creating less volatile earnings and less systematic volatility.

What is the 'E' in ESG?

The 'E' in ESG is all about a company's influence on the environment and its ability to mitigate any risks that could potentially harm our planet. And the impact a company has doesn't have to be direct, it includes their supply chains too.

What is the 'S' in ESG?

The 'S' in ESG considers how a company manages relationships with its workforce, and the society and political environment it operates in. Investing in companies that pay attention to these social issues can enable investors to reflect their own values, and lead to higher and more reliable returns.

What is the 'G' in ESG?

The 'G' in ESG is about understanding governance risks and opportunities. These constantly change as social, political, and cultural attitudes continue to evolve. Considering governance risks is critical, as poor governance practices have been at the heart of some of the biggest corporate scandals.

metrikus