10 reasons to care about environmental, social and governance (ESG) investing

1. Beating the benchmarks

Top ESG-ranked companies recorded better performance than the average S&P 500 company.

Source: MSCI ESG Research LLC, Sustainalytics, Refinitiv, FactSet.

2. Rising investor interest

New investments in ESG funds could total an estimated $20 trillion in the next two decades. These demographic groups are taking the lead.


3. Financial metrics alone no longer tell the whole story

New ways to assess company worth

Percentage of companies’ total value attributed to “intangible assets,” like brand reputation

* Intangible assets as percentage of total S&P 500/book value

Source: FactSet.

4. Happy employees = successful companies

The bottom-line value of caring for workers

41% The amount by which employers rated as “best places to work”* outperformed those rated “worst places to work” 12/2012 – 9/2018

* Ratings by the job search firm Glassdoor

5. The best signal of bottom-line risk we’ve found

S&P 500 companies in the top 25% by ESG ratings experienced lower future earnings-per-share volatility than those in the bottom 25%*

* Median change in EPS volatility over the next 3 years, based on annual ESG ratings from 2005-2015

Source: Refinitiv, FactSet.

6. Bankruptcy risks avoided

Heeding the warnings of ESG

90% The amount of S&P 500 bankruptcies during 2005-2015 investors could have avoided, a study found, if they had screened out firms with below average environmental and social rankings 5 years earlier

Source: Refinitiv, FactSet.

7. “Good” companies enjoy lower funding costs

The lower the ESG score, the higher the cost of debt


8. ESG controversies can cost a lot

ESG controversies hurt companies’ stock prices and investors alike

When companies face problems related to ESG issues, their stock price tends to suffer for a year or even longer*

*Based on average performance of ESG controversy stocks vs. S&P 500 from 30 days before to 360 days after a controversy during 2013-2018

Source: US Equity and Quant Strategy, FactSet.

9. ESG investing opportunities

Trillions of dollars managed by U.S. portfolio managers incorporate ESG issues to address global challenges*

Source: US SIF. 4th Q of 2018

10. Chances are you already do care about ESG

- Is management compensation aligned with shareholders?
- Does lax environmental behavior mean elevated legal risk?
- Is key talent happy or at risk of moving to a competitor?

Stocks have been bought and sold on ESG concerns for decades. Today, ESG measurements are being standardized, so investors can use them with financial metrics to assess a company’s potential.
Investing in securities involves risks, and there is always the potential of losing money when you invest in securities.

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