

PMP Research

ESG is not just a hashtag – Part 1

Interest in, and concern with, the range of issues encapsulated in the term 'ESG' (Environment, Social, and Governance) is continuing to increase, throughout the developed world and beyond.

Much of the focus to date has been on 'E'; but 'S' and 'G' too are now fast gaining traction, intensified by the COVID-19 and other events of the past two years. The momentum for social comes from increasing recognition of growing inequality in our societies; pressure on governance arises from our recognition of the role that technology and data have played in driving those inequalities, and from increased regulatory activity in response.

Data privacy is an increasingly important aspect of governance as both populations and governments focus their attention on the corporations' responsibilities to their social context. This in turn places greater emphasis on fiduciary duty and

the governance role of corporate boards in understanding and mitigating harm to all stakeholders.

ESG concerns are driving fundamental change in the investment world with a drive towards responsibility in its stewardship of investor money, with investors seeking to understand how their savings are being invested. Indeed, some 75% of portfolio investors reportedly already factor in ESG into their investment process and in July



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2020 alone, assets in globally listed ESG, ETF's and ETPS's increased from \$88bn to \$101bn with 51.6% of those assets accounted for by European-domiciled ESG vehicles and 40% US domiciled.

Research by Securys and others demonstrates that companies with good ESG practices rate higher, perform better and outperform the market. A study by Deutsche Bank of 56 academic studies found that 89% of them showed that companies with high ESG factors outperformed the market in the in the medium (3-5 years) and long term (5-10 years) whilst according to Harvard Business School, companies that implement ESG typically perform 4.8% better than those that don't.

When it comes to the end users of VC portfolio companies' products and services, the purchasing decisions of customers (especially millennials) are increasingly ESG values-driven.

Recent data from Deloitte indicate that social impact has been rated the most important factor in assessing firm annual performance, and by some margin over customer satisfaction, employee satisfaction/retention, then financial performance (see below). Moreover, in this same study, 53% of respondents said that they had created new revenue streams from socially-conscious offerings.

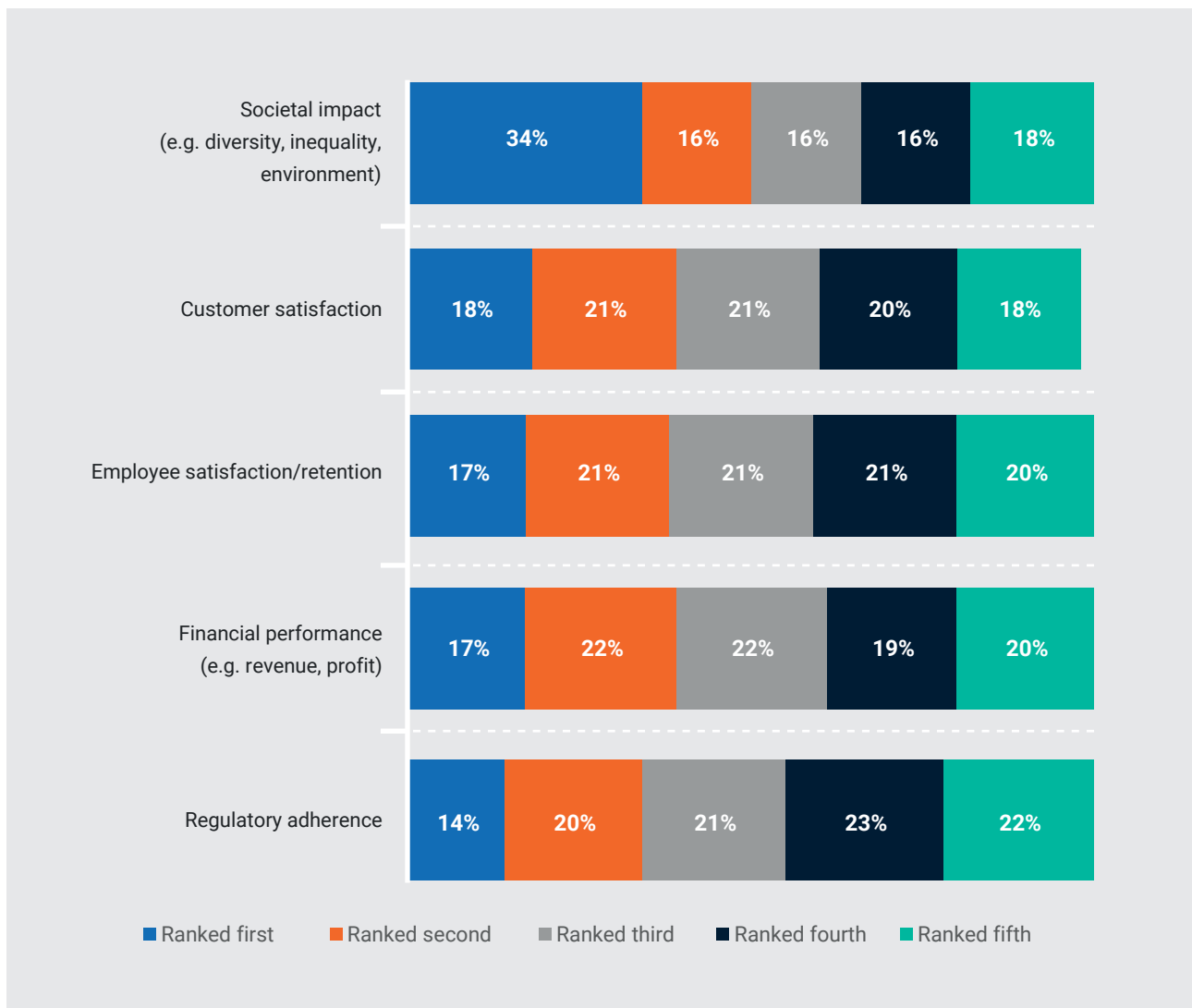
The Deloitte data also indicate a distinct correlation between company growth and

ETF: Exchange Traded Fund – a type of security that tracks an index, sector, commodity, or other asset.

ETP: Exchange Traded Products – a regularly priced security which trades during the day on a national stock exchange.



Factors used to measure success when evaluating annual performance, as cited and ranked by respondents



company concern about ethics. In slow-growing firms (those growing up to 5% per year), only 27% of respondents indicated that they strongly considered the ethical ramifications of the so-called Fourth Industrial Revolution (4IR) technologies—broadly digital, biotech, automation and AI. In high-growth firms (10%+ per year), by contrast, 55% were highly concerned about ethical considerations (see below).

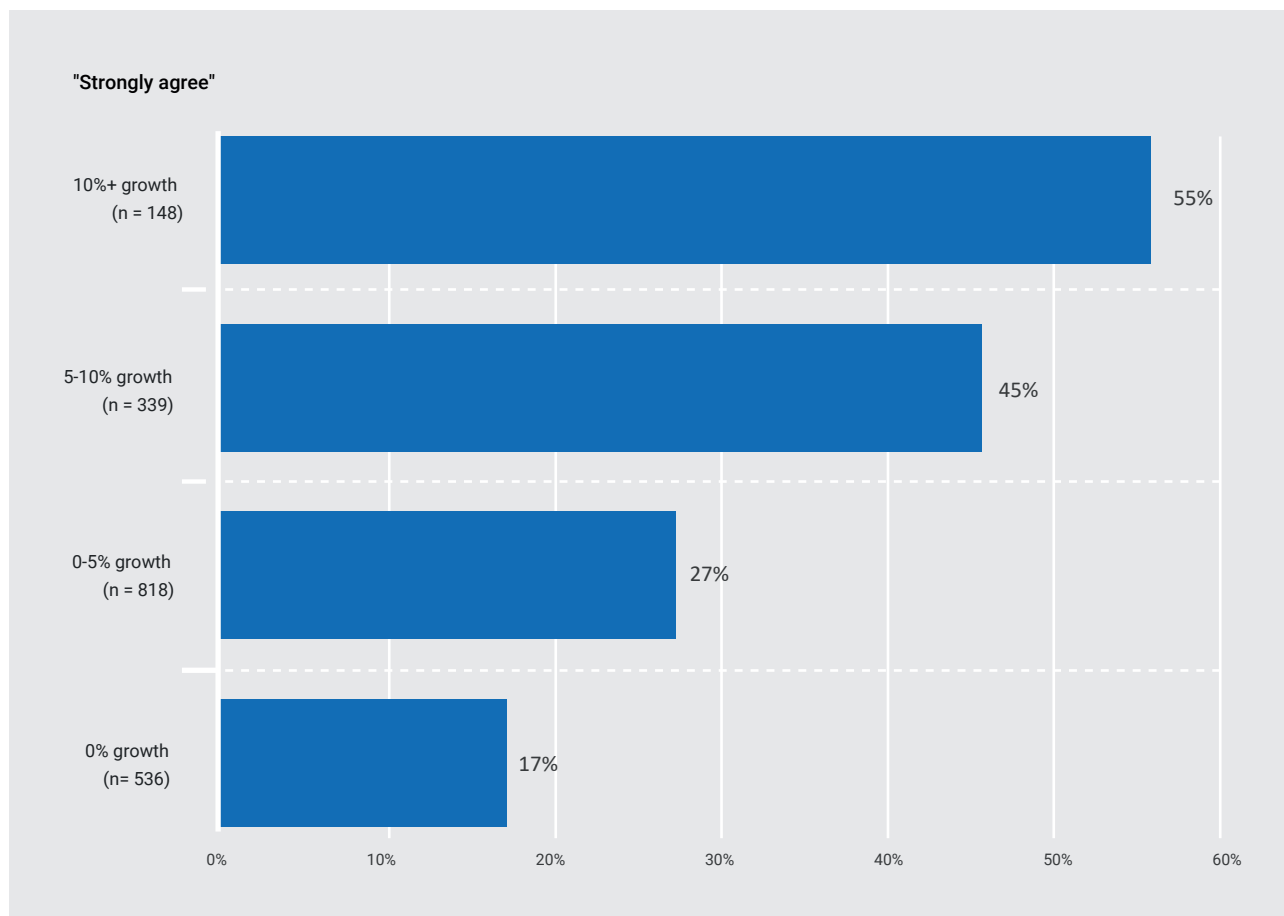
We can see that ESG is underpinned by powerful and diverse forces that are not going away and is increasingly affecting decision making across all aspects of business.

Concerns are driving fundamental change in the investment world, with around three-quarters of investors apparently already factoring ESG, to some extent at least, into their investment processes and companies with 'good' ESG practices tending to grow faster and outperform more generally.

Find out more

To find out more about how concerns about ESG directly affect people's actions and choices, and how those actions and choices feed through to your bottom line, read our specially-commissioned survey *Privacy Made Positive™* by either contacting Stuart Richards, stuart.richards@securys.co.uk or downloading the eBooks here [Privacy Made Positive from Securys](#).

To what extent do you agree that your organisation is highly concerned with ethically using 4IR technologies?



About Securys

Securys is a specialist data privacy consultancy with a difference. We're not a law firm, but we employ lawyers. We're not a cybersecurity business, but we've got CISSPs and CISAs on the staff. We're not selling a one-size-fits-all tech product, but we've built proprietary tools and techniques that work with the class-leading GRC products to simplify and streamline the hardest tasks in assuring privacy.



We're corporate members of the IAPP, and all our consultants are required to obtain one or more IAPP certifications. We're ISO 27001-certified and have a comprehensive set of policies and frameworks to help our clients achieve and maintain certification. Above all our relentless focus is on practical operational delivery of effective data privacy for all your stakeholders.



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