



Is Sustainability Profitable?

Web Scraping Project
Yaniv Yaffe

Here's how the world's largest money manager is overhauling its strategy because of climate change

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Pippa Stevens
@PIPPASTEVEN513

KEY POINTS

- "Climate change has become a defining factor in BlackRock CEO Larry Fink said Tuesday in his annual letter to investors."
- The world's largest money manager said that it will be offering more investments that focus on sustainable investing.
- "Clients are now asking us more and more questions about climate change," Fink said Tuesday on CNBC's "Squawk Box."

BUSINESS NEWS APRIL 29, 2020 / 6:04 PM / 3 MONTHS AGO

Goldman Sachs puts prem sustainable investing with markets council

The New York Times

WEALTH MATTERS

A Call for Investors to Put Their Money Toward a Green Future

For wealthy Davos men and women, as well as people from less rarefied air, targeted investing is one way to force change on carbon-emitting companies.



2 MIN READ



Shifts of Age

As the world's largest money manager, BlackRock is changing public sentiment led to the rise of investing for values and what it means for the future.

1 Shift

10 Sustainable Investing Stories and Their Implications for 2020

BlackRock Inc + Add to myFT

BlackRock shakes up business to focus on sustainable investing

Chief executive Larry Fink warns of risks posed to markets by climate change

Andrew Edgecliffe-Johnson in New York JANUARY 14, 2020

63

...keeping changes in an effort to position itself as a leader after criticism that the company has failed to take more action on climate change.

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BlackRock Sustainability

...ment to Sustainability Rating
...izes Material ESG Risk
...ing a New Way to Size Up ESG

Portfolios

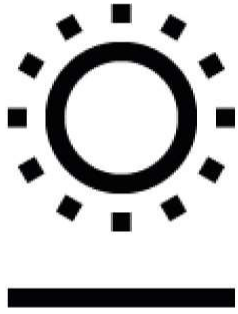
Build an ESG Portfolio

ESG ETF Portfolios for Retirement Savers
ESG ETF Bucket Portfolios for Retirees
ESG Mutual Fund Bucket Portfolios for Retirees
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What is ESG?

E

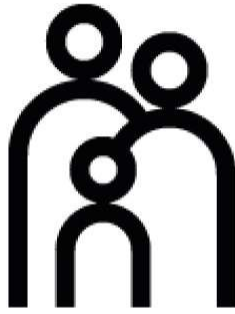
as in environment



- CO₂ emissions and climate change
- Population growth
- Biodiversity
- Food security

S

as in social



- Human rights
- Labor conditions and standards
- Child labor
- Equality

G

as in governance



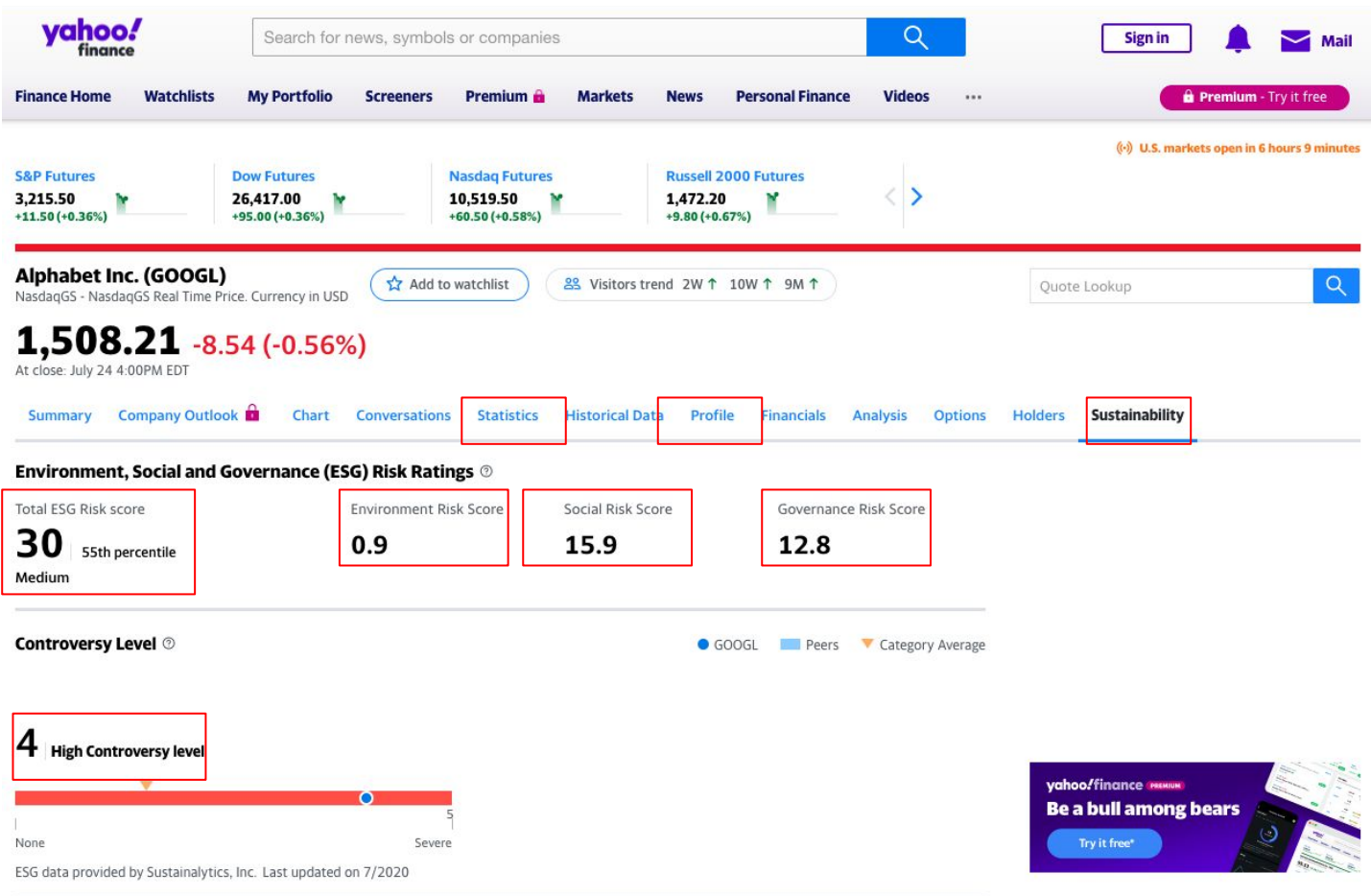
- Quality and diversity of board of directors
- Corruption
- Executive compensation
- Shareholder rights

Research Question:

What relationships exist between a company's sustainability and their financial success?

- Are the ESG metrics a reliable measure of a company's sustainability?
- For stock market investors, how should sustainability metrics be taken into consideration when building a portfolio?
- Is there evidence that there are financial incentives to being more (or less) sustainable?

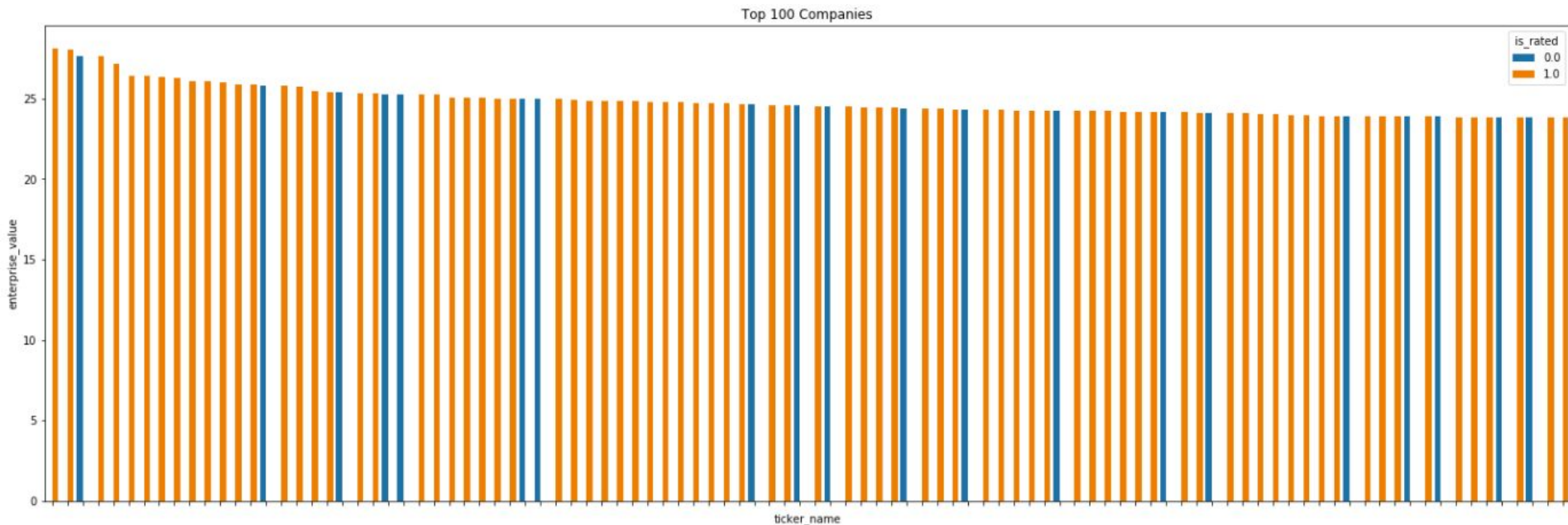
Web Scrapping Methodology



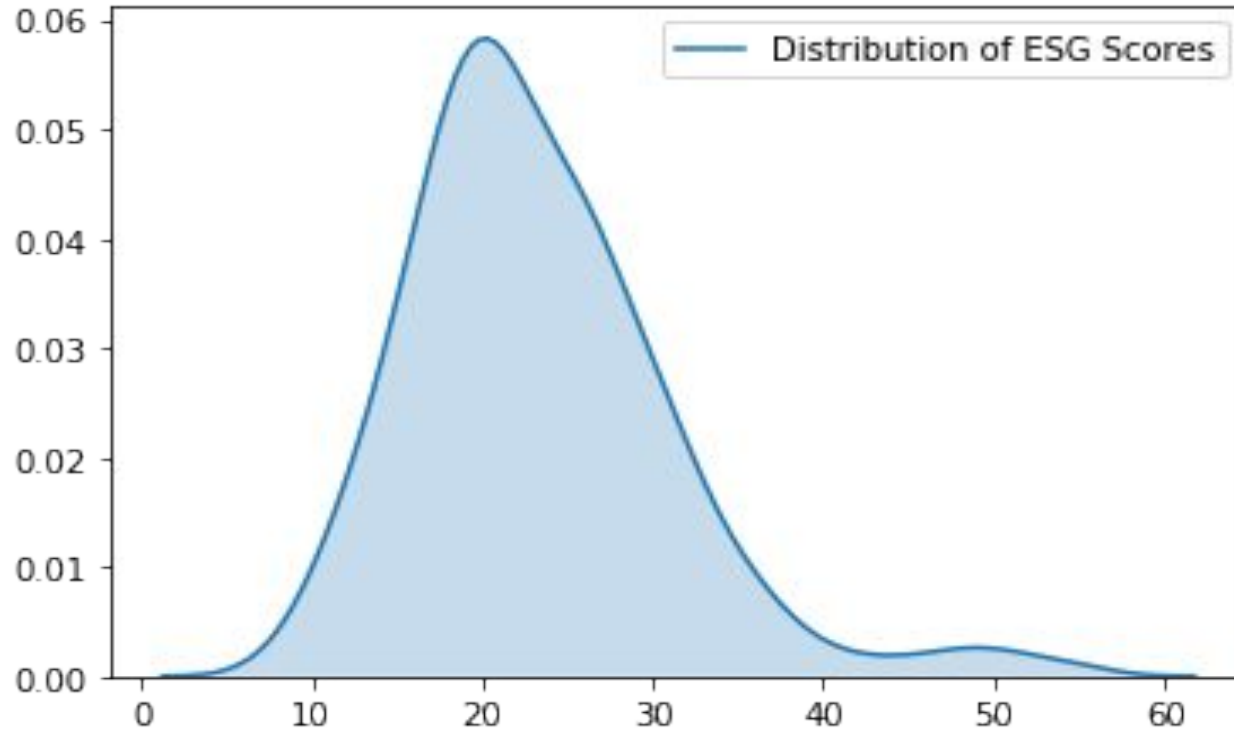
Initial Observations

Out of 2,400 stocks scraped, only 153 companies had ESG rankings (6.3%)

However, those 153 companies represent 70% of the combined value of all companies in the dataset.

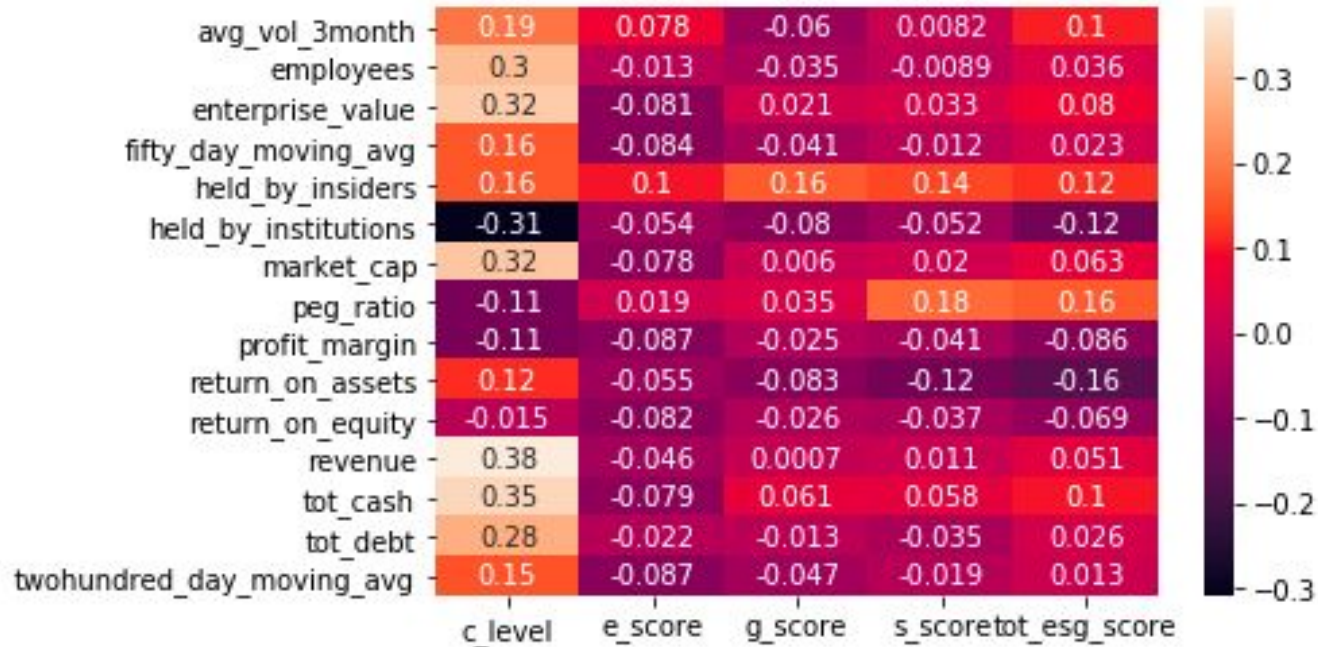


Distribution of ESG Scores

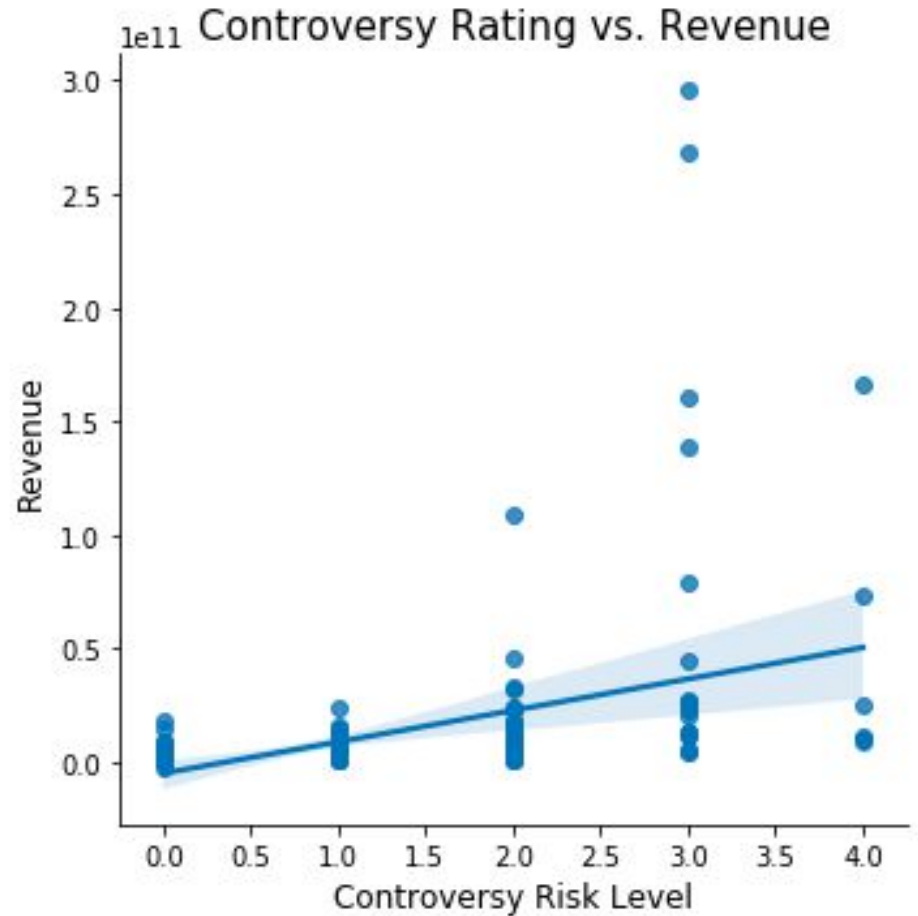


**71% of all companies have ESG scores within 1 standard deviation of the mean*

ESG Scores and Value Measures Heat Map



Sustainalytics' Controversies Research identifies companies involved in incidents and events that may negatively impact stakeholders, the environment or the company's operations. Controversies are rated on a scale from one to five with five denoting the most serious controversies with the largest potential impact.



Next Steps for Understanding ESG

1. Expand the dataset by scraping NASDAQ stocks in addition to NYSE
2. Research alternative ESG rankings with more even distributions.
3. Discuss with traders what they are using to measure ESG and how are they holding themselves accountable to sustainable investment goals.
 - **Will there ever be a unified ESG measurement?**

Conclusions

1. The ESG dataset scraped from Yahoo Finance did not yield any relationships between sustainability and company performance.
 - Since we have not seen a market shift towards companies with high ESG, it is possible that traders have not actualized their professed goals of investing in sustainability.
 - In the short term, investors should ignore ESG scores since few companies have them and they do not correlate with financial results
2. Controversy is linked to high revenue, enterprise value, and market cap, likely because big companies face more “controversy.”
3. Very few publicly traded companies on NYSE have ESG ratings, but the companies that do are dominant in the exchange.