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Sustainable Investments Under the Aspect of ESG Criteria

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Abstract

Sustainability, particularly under ESG criteria, has gained increasing significance in the financial sector. The Club of Rome early warned about the limits of growth and the exploitation of resources. The US Brundtland Commission established ESG strategies for selecting investment properties to ensure sustainability. ESG became mainstream in the financial world. The aim was to ensure that future generations could also satisfy their needs.

The research question examines the performance of equity funds that take ESG criteria into account compared to the DAX, which ignores ESG, over a ten-year-period.

The method examines the relevant literature on sustainability and sustainable finance. The historical prices of the selected stock funds over the last ten years are then compared and analyzed every six months with the prices of the DAX. The historical prices of the equity funds and the DAX are taken from a Stock Exchange website. The consideration of ESG criteria is determined on the website of equity funds and the financial magazine's analysts. This is followed by expert interviews with fund managers, which are evaluated using Maryring's content analysis.

Based on rational choice theory, stock prices are expected not to fall despite drastic events (e.g. COVID-19) and a focus on sustainability because individuals behave in accordance with rational choice theory, maximizing benefits in every situation and trying to minimize their losses.

Keywords: sustainability, ESG, equity funds, performance, DAX