

ESG Risk Framework

Most ESG analysis is based on identifying so-called Megatrends. These describe development that is set to significantly influence the risk exposure of an affected asset. Focus on climate change and pollution as the key Megatrend in the ESG context is a common misconception.

The “E” for “Environmental” is important and climate change will be a challenge for humanity. However, “S” and “G” are equally part of a comprehensive analysis.

The Mitratesch ESG Risk Framework is based on our own in-house expertise and research from various ESG expert sources such as the World Economic Forum Global Risks Report, MSCI ESG Megatrends and the United Nations Sustainable Development Goals (SDG).

Mitratesch’s ESG Risk Framework

The Mitratesch ESG Risk Framework consists of 16 ESG Megatrends. These have been further broken down into 95 additional sub-trends. This structure contains more than 300 individual data points.



Climate Change

Increased emission of greenhouse gases in the atmosphere may lead to change in the global climate.

- Extreme Weather Events
- Uninhabitable Zones
- Ocean Level Rise
- Ocean Acidification
- Diminished Fresh Water Reserves



Environmental Pressure

Human activity, destruction of natural habitats and overuse of the planet’s resources may increase environmental pressure on flora and fauna.

- Air Pollution
- Ocean Pollution
- Soil Contamination
- Biodiversity
- Overfishing



Future of Work

Shifts in technology and society may fundamentally change the way that we work and the relationship between people and businesses.

- Remote Work
- Automation

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- Autonomous Vehicles
- Gig Economy
- Gender Pay Gap
- Female Leadership
- Change Complacency



People and Values

New generations with a different set of values, an ageing population, growing inequality and new risks to global health may change what people value in their lives.

- Social Cohesion Erosion
- Infectious Diseases
- Social Security Collapse
- Ageing Population
- Backlash Against Science
- Wealth Distribution
- Ecological Awareness
- Accesible Education
- Governmental Complacency
- Ending of Drug Prohibition



Democracy and Politics

The power structures in the world may change with current alliances and democracies weakening, with nationalism, advanced weaponry and totalitarianism rising.

- Untrustworthy News Sources
- High Government Debt
- Alliance Shifts
- Growing Nationalism
- Democratic Collapse
- Advanced Weapons Proliferation
- Autonomous Weapons Systems



Privacy and Cyber

Increased complexity in technology and an increase of malicious actors may lead to rising cyber threats to people's privacy and corporate assets.

- Technology Governance Failure
- Cyber Attacks
- Cyber Warfare
- Privacy Mindfulness
- Attack Surface Broadening
- Critical Infrastructure Vulnerability



Resource Scarcity

Finite supplies of fuels, resources and the land mass needed for growing production may lead to resource scarcity in some industries and regions.

- Fossil Fuels
- Precious Metas
- Rare Earth Minerals
- Land Usage

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Technology Advancement

Science and technology have never been developing faster. Humanity may be on a trajectory towards new discoveries that can fundamentally transform business and personal life.

- Digital Transformation
- Quantum Computing
- Brain / Machine Interface
- Space Travel
- Agriculture
- Innovation Acceleration
- Virtual and Augmented Reality
- New Building Materials
- Fusion Energy
- Machine Learning and Artificial Intelligence



Shifting Economic Powers

Traditional elements of the financial system such as interest rates and traditional asset classes may no longer be drivers of capital markets, giving way to economic fragility and digital alternatives.

- Economic Fragility
- Widening Gaps in Enterprise Size
- Digital Currencies
- Asset Buble Burst
- Economic Stagnation
- Low Interest Rates



Poverty Reduction

Existential poverty may be eradicated within the coming years resulting in a new generation of economies and societies on the rise.

- Food Security
- Access to Banking
- Remote Infrastructure Provision



Digital Power Concentration

Digital infrastructure providers may continue to accumulate market power creating significant imbalances and dependencies on certain vendors or nations.

- Single Point of Failure
- Transnational Actors
- Hardware Dependency
- National Digital Infrastructure Clusters



Digital Inequality

Access to digital infrastructure is becoming more essential to modern life, which may lead to greater digital inequality for those left behind.

- Censorship
- Weaponising Information
- Digital Access

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Human Rights

A greater focus on the fight for human rights in global supply chains may lead to higher scrutiny on modern slavery, health, and safety at work.

- Modern Slavery
- Workplace Health and Safety



Health

Many humans may be faced with greater threats to their health while some will benefit from fundamental breakthroughs in medical research.

- Medical Breakthroughs
- Access to Healthcare
- Obesity
- General Population Health
- Food Awareness



Travel and Mobility

The way we move people and goods may shift through new modes of transport and energy sources, and in its wake, disrupt entire industries.

- Electric Vehicles
- Personal Air Travel
- High Speed Rail

- Alternative High Speed Transport
- Supersonic Air Travel
- Commercial Aviation
- Inter City Mobility
- Maritime Shipping



Energy

Transitioning the global economy from fossil fuel to renewable sources may transform our approach to energy, from generation and transmission to consumption.

- Shift to Renewable Energy
- Cost of Generation Shift
- Battery Technology and Energy Storage
- Transmission
- Hydrogen
- Increased Demand of Electrical Energy

