

**Master of Science in Quantitative Finance**

Joint degree of the University of Zürich & ETH Zürich

**Environmental, Social and Governance  
(ESG) Measures and Stock Returns**

Master Thesis

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## *Abstract*

This Master's thesis provides new empirical evidence of environmental, social and governance (ESG) effects on monthly stock returns between 2002-2012. Factor adjusted returns of portfolios consisting of companies that differ with respect to their environmental, social and governance performances are analyzed. The model's complexity is increased by extending the Capital Asset Pricing Model to the Fama-French three-factor model while varying estimation periods, regions, sectors and single ESG indicators under investigation. The results show that in aggregate, the relationship between companies environmental, social and governance indicators and financial performances are generally negative. However, exceptions exist and some combinations of regions, sectors and indicators have a generally positive relationship.