

# ESG Investing gets specialised: and it's all good news for people, the planet, and investors

Almost all VCs as well as more established funds have created portfolios for which ESG factors have been integrated into the investment process, and that's great news for society and the planet. As ESG investing has taken off, the whole field has become more specialised, as investors look more deeply into specific sectors and technologies that can do the most good. For 2022 and beyond, we're seeing four major trends that we believe will garner interest in the ESG investing community.

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Micro-mobility will be woven into the

# urban fabric, more harmoniously and tightly

The micro-mobility sector was heavily hit by COVID in 2020 and early 2021. During the pandemic, ridesharing and dockless e-bike and e-scooter sharing services suspended services in some cities, and Uber sold its e-bike service, Jump, in May 2020.

Despite these setbacks the future of micro-mobility remains bright, and it will re-emerge as a practical and safe alternative to some forms of public transit. Compared to the pre-COVID era, cities around the world are now more proactively encouraging bike and scooter-sharing players, but also becoming more attentive in the quality, durability, and safety of their operations. For example, shared electric scooters are now available in New York City, with Bird, Lime, and VeoRide dropping 1000 scooters each in August, 2021.

Also, some automotive OEMs will start taking this market more seriously. It is a natural extension and complement to passenger cars' sales; it's also in line with the overall electrification of urban vehicles. In the past, traditional automakers shunned this market because of the potential for micro-mobility to cannibalise the business of selling cars to private individuals, but a mindset shift toward shared-mobility services is underway.

# Biomaterials will continue to come of age as realistic and usable replacements of petroleum-based components, and they'll warrant more ESG investment

The increasing regulatory push in the U.S. and Europe to reduce greenhouse gas (GHG) emissions is incentivising OEMs and consumer products goods (CPG) brands to embrace compostable and low-emissions alternatives to petroleum-based materials. This is spurring development and adoption of new materials that are less damaging to the environment.

Although there are many contender materials coming from both large incumbents and start-ups, the ones that can leverage existing manufacturing infrastructures with no (or minimal) changes, as well as achieve cost parity quickly, will see more commercial opportunities. This important development requires continued innovation. A significant increase in ESG and impact-focused venture funds will play an important role in fostering much-needed advancement in this space.

# The digitisation of agriculture is set to accelerate and amplify

How can we ensure access to a sufficient supply of healthy, diverse, and safe food for a growing global population – while limiting the impact on the environment and coping with climate change? This remains one of the most important questions we face, and it's increasingly being addressed through the digitisation of agriculture.

Like what has happened in the past couple of years in the manufacturing and logistics spaces, the multiplication of farming sensors (drones, satellites, soil monitors) will logically lead to a more comprehensive and holistic “digital twin” approach that will virtualise farm management and lead to better outcomes on the ground. This will tie together more closely crop bioscience with yield, harvesting, and predictive models.

Although this sector has been challenging in terms of go-to-market due to the long tail of farms and coops, CPG brands and farming equipment providers are increasingly recommending software and cloud solutions to the farmers they serve, thereby structuring distribution so start-ups providing digital agriculture solutions can more easily scale.

## Healthcare systems will benefit from out-of-the-box thinking caused by COVID

COVID's shock to healthcare systems worldwide as well as to the health of people will likely be felt for decades to come. The out-of-the-box thinking forced by the pandemic will continue to provide momentum to the healthcare industry and to people to find ways to improve the delivery of healthcare and the maintenance of health, even if government regulation does not yet mandate major changes. Already, the emergence of online health consultations, embedded health providers in retail locations, and remote monitoring of post-surgical patients have become more accepted by patients and physicians alike. Our healthcare systems need more of these types of innovations.

COVID humbled human populations and drove home the precariousness of our existence, making the world also more receptive and sympathetic to the plight of the current state of life on Earth regarding climate change. COVID also made us more aware of the need for new solutions and changes to lifestyles and priorities.

# A final thought

ESG investing is, without a doubt, good for the planet and for people. What's more, ESG funds have discovered that profits and positive change are not mutually exclusive, and that's perpetuating a virtuous cycle. As investors, we're learning where we can have the biggest and best impact — and, because ESG investing is proving profitable — everyone wins.

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