

# ESG Government Risk

## ESG government risk and international IPO underpricing

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### Abstract

We study the association between environmental, social, and governance (ESG) government risk management and firm-level IPO underpricing between 2008 and 2018. Examining 7446 IPOs issued in 36 countries, we find that IPO underpricing tends to be lower in countries with higher ESG Government Ratings. When we uniquely examine the environmental, social, and governance pillars, we find that underpricing tends to be lower in countries with stronger risk management practices in each of these areas. Additional analysis indicates that the negative impact of ESG ratings on IPO underpricing is more pronounced in countries with more transparent financial disclosures, higher liability standards, and stronger shareholder protections.

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