

oekom
Corporate Responsibility
Review 2011



Taking stock of sustainability performance in
corporate management and capital investment

In a nutshell: a summary of the key findings

The development of sustainable investment – facts and figures

- Overall, sustainable capital investments **continued to expand** their market share and volume during the financial and economic crisis. Worldwide, around eight trillion euros are invested taking environmental, social and governance-related criteria into account, Europe alone accounting for five trillion euros. → p. 9ff.
- In the **German-speaking countries**, 354 mutual funds with a total volume of 34 billion euros had been licensed for distribution by the end of 2010. The number of funds has hit a new high, volumes have reached pre-crisis levels. → p. 10
- **Mutual funds in Europe** have recorded new highs in terms of numbers as well as volume. 897 funds with a volume of 75.3 billion euros were licensed for distribution, as at 30 June 2010. France is by far the largest market for mutual funds. → p. 11
- As many institutional investors reduced the proportion of equities in their portfolios due to the financial and economic crisis in favour of money market investments and bonds, the interest in factoring ESG criteria into **fixed-interest investments** has risen markedly over the past two years. Additionally, more and more private and institutional investors are also taking social and environmental criteria into account when purchasing corporate or government bonds. → p. 11
- Overall, according to a study by the European industry association Eurosif, at the end of 2009, **sustainable investments in Europe** had grown by approximately 87 per cent from the 2007 year-end figure, to five trillion euros. According to Eurosif's calculations, this brings their share of the market to around 47 per cent. The bulk of this capital, however, is managed according to rather “soft” sustainability criteria. → p. 12
- The principal factor behind the strong growth in the market is increased engagement on the part of **institutional investors**. One sign of the continued growth in interest by pension funds, foundations and other institutional investors is the fact that the number of signatories to the UN Principles for Responsible Investment (UN PRI) has continued to rise. Germany is still underrepresented in terms of signatories. → p. 15
- An analysis carried out by the Centre for European Economic Research for the German environmental foundation Deutsche Bundesstiftung Umwelt (DBU) shows that during the crisis, sustainable investments showed no disadvantages in terms of performance compared with conventional investments. One interesting detail to emerge was that the more strictly the sustainability criteria were defined, the better the **performance** of the sustainable investment products. → p. 15
- In the light of global anxiety about the credit crunch and inflation, sustainability-oriented investors are increasingly focussing not only on bonds, but also on **alternative investments**. While some areas here, such as microfinance and forestry, have long been assessed against sustainability criteria, the debate about whether and how to invest sustainably in other areas, in particular in commodities, is only just beginning. → p. 16ff.
- Looking at the future development of sustainable investment, oekom research's view is that, under the motto **quality and quantity**, any further expansion of volume and market share must be accompanied by an improvement in the quality of the various SRI investment strategies. In particular, what are referred to as “broad SRI approaches”, including engagement and integration, must be systematically developed in order to achieve the core objective of sustainable investment: getting companies to change course toward sustainable management. → p. 19

Corporate Responsibility – status and trends

- oekom research regularly evaluates **approximately 3,100 companies** from more than 45 industries and over 50 countries. We cover international indexes such as the MSCI World, MSCI Emerging Markets and Stoxx 600 as well as important national indexes like the Austrian ATX, the Belgian BEL20, the French CAC40, the German DAX family and the Swiss SMI. → p. 20
- As at 31 December 2010, a total of 550 out of the 3,100 companies, i.e. approximately one-sixth, fulfilled the requirements for being awarded **oekom Prime Status**. A further quarter of all companies evaluated did at least have the basis for a sustainable management system in place, but more than half the 3,100 companies continue to perform poorly in terms of sustainability. There are some companies in the **emerging markets** which need not fear comparison with companies from industrialised countries in terms of CSR. → p. 25
- On a scale from 0 (very low sustainability performance) to 100 (very high sustainability performance), the **best performances** were from computer manufacturers, with an average score of 47.8 per cent, followed by producers of household products (45.6 per cent) and car manufacturers (42.7 per cent). → p. 26
- **Bribery and corruption** are still common at the corporate level in some sectors. As in the previous year, the ignominious top spots here are occupied by the construction industry (15.3 per cent of companies in the oekom rating universe), the aviation and armaments industry and manufacturers of consumer electronics and communications technologies as well as the leisure industry (each with 12.5 per cent). → p. 27f.
- The situation as regards **antitrust infringements** is even worse. Here, manufacturers of consumer electronics have set a sorry record: three-quarters of companies in this sector can be shown to have been involved in violations of competition regulations. Similarly, among producers of household products, chemicals and building materials, more than half the companies have been actively involved in such restraints on competition. → p. 29
- Increasing numbers of companies are altering their **incentive structures** to focus on the long term and on sustainability. These changes include spreading the payment of variable salary components over several years and linking bonuses to the achievement of ESG targets. Sustainability ratings are often used here as a yardstick for measuring target achievement. → p. 30f.
- Violations of **labour rights and human rights** are still common in some sectors. One in two manufacturers of consumer electronics and computers is in breach of recognised employment standards, either directly or through their supply chains. In the textiles sector, despite years of campaigning, more than one in three companies are still affected. The companies most heavily involved in human rights violations are those in the mining industry. **oekom research's world map of human rights violations** gives an overview of the relevant labour rights and human rights infringements. → p. 31ff.
- Despite numerous warnings, customers and members of the public are still often careless in the way they manage their data. At the same time, if customers want to use a company's services, they frequently have to provide the company with extensive data. Companies therefore have a particular responsibility to treat **customer data** sensitively. There are some positive examples of this in both the sectors examined – retail as well as internet & software – but generally, companies' commitment to data protection leaves much to be desired. → p. 36f.
- The world's forested area contracts by an average of over 15,000 hectares every day. **Sustainable forest management** as well as the use of legal timber are therefore of great importance. Some companies in both the media and construction industries are now using mainly or exclusively FSC-certified timber. However, these positive examples are countered by numerous companies which demonstrate no or very little commitment to the protection of forests. → p. 38ff.