oekom Corporate Responsibility Review 2012

Taking stock of sustainability performance in corporate management and capital investment

oekom research

In a nutshell: a summary of the key findings

The development of sustainable investment – facts and figures

- According to calculations made by the Sustainable Business Institute (SBI), the number of sustainable **mutual funds** licensed in **German-speaking countries** reached a historical high at the end of 2011. At this point in time, 357 funds were licensed for marketing. In contrast, losses were incurred regarding the volume, which was reduced from 34 billion euros at the end of 2010 to 30 billion euros as at 31.12.2011. ➔ p. 10

- According to a study by the Forum for Sustainable Investment (FNG), **all sustainable capital investments** in **German-speaking** countries totalled 94.5 billion euros as at 31.12.2010, of which 51.9 billion euros were allocated to the segment "mandates, mutual funds and other financial products". This totalled 14 billion euros more than the previous year (+37 per cent). ➔ p. 10f.

- The number of licensed **mutual funds** in **Europe** has stagnated. 886 respective funds were licensed for marketing as at 30.06.2011 (previous year: 879). In an annual comparison, their volume had risen by twelve per cent to around 84 billion euros. ➔ p. 11

- According to calculations by the European Industry Association Eurosif, a **total** of around five trillion euros were invested in **Europe** with consideration to ESG criteria as at the end of 2009. At this stage the market share was at around 47 per cent. An update to the market study has been announced for the autumn of 2012. ➔ p. 12

- Even **pension funds** have discovered the topic for themselves. According to a survey by Eurosif among 169 European pension funds, 56 per cent had already developed a sustainable investment strategy. 66 per cent of those questioned are convinced that a sustainability strategy is part of their fiduciary responsibility. ➔ p. 12

- **On a global scale**, sustainable capital investments total around eight trillion euros, of which Europe poses the largest share with the mentioned five trillion euros. Around 2.3 trillion euros are invested in the USA, including sustainability criteria. No current figures are available for the Asian market. ➔ p. 13f.

- Initiatives from **institutional investors** involving ESG topics enjoy great popularity. The number of signatories of the UN Principles for Responsible Investment (UN PRI) had for example risen to around 980 as at the end of 2011 (mid-2010: 870). Their investment volume totals more than 30 trillion US dollars. Meanwhile, the Carbon Disclosure Project represents the interests of more than 550 institutional investors with agency funds of more than 71 trillion US dollars. ➔ p. 14

- Various studies in 2011 also prove the **competitive ability of sustainable capital investments**. For example, a study by the asset manager RCM, part of the Allianz Global Investors, shows that the inclusion of ESG criteria in the selection of issuers derived from broadly invested indexes such as MSCI World has a positive effect on returns. The same conclusion was reached by a study performed by the Harvard Business School and the London School of Business for capital investments in US-American companies. ➔ p. 14

- A growing number of investors use **sustainability ratings** as an (additional) **risk indicator**. On the one hand, the evaluation of sustainability performance is regarded as an indicator of how well a company is being managed in general. On the other hand, the rating of sustainability performance helps identify management deficits in important social and environment related key areas. Sustainability ratings therefore contribute significantly to the reduction of performance and reputation risks. ➔ p. 15

Corporate responsibility – status and trends

- oekom research regularly evaluates **more than 3,100 companies** from 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 German DAX family, the French CAC40, the Austrian ATX and the Swiss SMI. ➔ p. 21

- As at 31 December 2011, **543 companies**, or **17.1 per cent** of the more than 3,100 companies rated, had achieved **oekom Prime Status**, having fulfilled the minimum requirements in terms of sustainability management defined by oekom research for their particular industry. Around a quarter of the companies (25.5 per cent) demonstrate sound approaches to sustainability management, but sustainability-related aspects are still not being systematically and comprehensively integrated into management systems. Well over half the companies (57.4 per cent) have taken only rudimentary action or indeed none at all in this area. ➔ p. 23

- In the **country comparison**, Germany had the highest proportion of companies with Prime Status. One in two of the total of 48 German companies in the MSCI World was rated best-in-class by oekom research. In second place was Italy (with 48.2 per cent), ahead of Finland (with 47.3 per cent). The proportion for France was 31.0 per cent. In the USA and Japan, fewer than one in ten companies demonstrated a sufficient level of commitment to sustainable development. ➔ p. 24

- Manufacturers of household products achieved the best **average rating**. On a scale ranging from 0 (very poor sustainability performance) to 100 (very good sustainability performance), they scored 46.5. They were followed by computer manufacturers (42.0) and car manufacturers (40.9). ➔ p. 26

- The list of companies which can be shown to have been involved in **violations of competition regulations** reads like a "Who's Who" of the international business world: Colgate-Palmolive, E.ON, France Telecom, Peugeot – the list could go on. The proportion of companies involved in such practices is particularly high among producers of consumer electronics – two-thirds of the companies from this sector rated by oekom research were affected. They were followed by manufacturers of household goods (54.6 per cent) and of construction materials (52.4 per cent). ➔ p. 35

- The main hotspots for **labour rights violations** are in emerging and developing countries. Conditions in the IT industry's supply chain are often abysmal, particularly among manufacturers of telecommunications equipment and computers. Here, there is evidence of labour rights violations in the supply chains of more than 40 per cent of companies. These are followed in third place by the textiles industry, where the equivalent figure stands at 30 per cent. ➔ p. 36ff.

- **Environmental violations**, such as the destruction of natural environments or the pollution of bodies of water, are a particularly frequent occurrence in the mining and oil and gas industries, with their large-scale interventions in the natural world. 39.4 and 33.3 per cent respectively of the companies rated by oekom research in these sectors have committed this kind of violation. ➔ p. 39f.

- People in industrialised countries are living longer and longer – today, the proportion of over-65s in Germany and Italy has already reached 20 per cent. **Elderly people** have specific requirements in terms of products and services. Correspondingly, many industries are faced with the decision of whether to offer special products for the elderly or to adopt a "design for all" approach. This affects not just the obvious areas such as health and care services, but also industries such as retail, real estate and media. In all three sectors, there are companies which want to retain the loyalty of this target group, which is also becoming increasingly significant from an economic point of view, through relevant measures such as providing barrier-free access to store premises, age-appropriate housing or media services for people with impaired vision or hearing. ➔ p. 45ff.