CONNEXIS

NEWSLETTER

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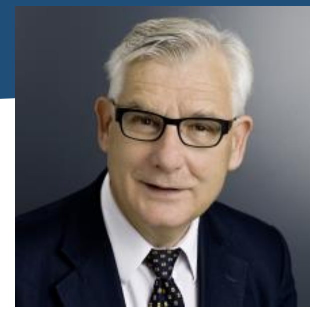

Oxford University: "From Stockholder to Stakeholder"

In cooperation with Arabesque Asset Management researchers at the Smith School of Enterprise and Environment at the University of Oxford analyzed over 190 academic studies, industry reports, newspaper articles and books to produce their comprehensive meta-study on sustainability and financial markets "From Stockholder to Stakeholder".

According to their report sustainability has now reached the mainstream in financial markets - with 72% of S&P 500 companies report on sustainability – and is among the most significant trends in financial markets for decades.

However, sustainability is not only a major trend, it is also a major performance driver:

- 88% of the research shows that solid ESG practices result in *better operational performance* of market participants.
- 90% of the analyzed reports show that sound sustainable development standards *lower the cost of capital* of companies
- 80% of the studies show that *good sustainability practices positively influence the stock price performance of companies.*

The authors conclude that

- It is in the best interest of investors and corporate managers to incorporate sustainability considerations into their investment decision processes
- Active ownership allows investors to influence corporate behavior and benefit from improvements in sustainable business practices
- The future of sustainable investing is likely to be active ownership by multiple stakeholder groups including investors and consumers

http://www.smithschool.ox.ac.uk/library/reports/SSEE_Arabesque_Paper_16Sept14.pdf

Private Equity Concerns: Bribery, Transparency & Working Conditions

For their latest publication (Reputational Risk in Private Equity Index, RRIPE, May 2015) UK Private Equity (PE) consulting firm Pivot Partners asked over 100 Limited Partners (LPs) about their primary reputational risk and ESG concerns in their investment decisions.

Out of 24 ESG issues the LPs ranked bribery as their primary concern, "concealing bad news from investors" as the second most important issue and "Providing unsafe work conditions" as third most important risk.

By contrast deforestation, fracking and "Polluting the Environment" are the highest ranked environmental risks at position 11, 12 and 16 (see full ranking on next page).

Portfolio performance leads the additional factors that influence investment decisions, followed by labor standards and integrity.

The authors also note that family offices seem to be less concerned about the tested risks: 10 of the 24 risks scored lowest among family offices.

http://www.pivotpartners.co.uk/2015/05/lps-worry-more-about-bribery-and-about-gps-hiding-bad-news-than-traditional-esg-issues-reveals-the-rripe-index/

Small Breakthrough on the Road to Paris

In a recent interview the Chief Negotiator of France – Laurence Tubiana – summarized the latest preparatory meeting for the UNFCCC Conference of the Parties (COP 21) in Paris (November 2015) as a significant breakthrough. According to Ms. Tubiana the negotiations had taken a major turn for the better.

	Rank	Reputational Risks in Private Equity REPUTATIONAL RISK AND ESG ISSUE	All LPs	Nth Am LPs	European LPs	Asia, RoW LPs	Endowments/ foundations	Family office/ private wealth	Financial institutions	Funds of funds	Government	Pension funds
			Score									
●	1	Bribery	9.1	9.0	9.3	9.1	9.1	8.6	8.4	9.3	9.7	9.6
●	2	Concealing bad news from investors	9.1	9.2	8.8	9.3	9.1	9.2	8.8	9.2	9.3	8.9
●	3	Providing unsafe work conditions	8.8	8.4	8.9	9.2	8.3	8.8	8.3	8.8	9.1	9.2
●	4	Charging hidden fees	8.5	8.4	8.6	8.7	8.6	8.2	8.0	8.9	8.6	8.8
●	5	Avoiding tax at operational locations	8.5	8.4	8.5	8.5	8.9	8.3	7.3	8.8	8.0	8.9
●	6	Ignoring reports of sexual, racial or religious discrimination	8.4	8.2	8.5	8.5	7.7	8.4	7.3	8.9	8.6	8.9
●	7	Employing under-age staff	8.1	7.5	8.6	8.0	7.9	7.0	8.1	8.4	8.2	8.5
●	8	Key man scandal	8.0	7.3	8.5	8.0	6.9	7.5	7.6	8.5	8.6	8.2
●	9	Price fixing or other anti-competitive behaviours	7.3	6.8	8.1	6.7	7.6	6.4	6.9	7.0	8.2	8.1
●	10	Failing to pay a "living wage"	7.3	6.6	8.0	7.1	7.0	7.0	6.8	7.5	6.7	8.1
●	11	Deforestation and/or intensive farming	7.2	6.7	7.5	7.7	6.8	6.9	6.4	7.2	7.9	7.8
●	12	Fracking	7.1	6.4	7.5	7.5	6.8	6.3	6.4	7.1	7.0	8.0
●	13	Ignoring manufacturing or labour issues in the supply chain	7.0	6.6	7.2	7.0	7.7	5.8	6.6	6.4	7.6	7.9
●	14	Adult entertainment / sex industry	6.9	6.7	6.9	7.1	7.1	6.9	7.0	6.5	6.9	7.0
●	15	Arms or armaments	6.3	4.2	7.8	6.8	4.7	5.8	5.2	7.2	5.4	7.4
●	16	Polluting the environment	6.2	5.5	6.7	6.7	5.8	5.5	6.1	6.5	5.8	7.0
	Total	Average rating given across all issues	6.9	6.3	7.4	7.0	6.8	6.3	6.7	7.0	6.9	7.4

● environmental ● social ● governance

The 46 participating countries agreed that the new climate accord needs to provide a

- permanent solution for carbon emissions and a
- mechanism to continuously increase future reduction targets.

In combination with a principal agreement between the world's leading emitters USA and China from late 2014 to commit to binding reduction targets this latest accord increases the hopes for the Paris conference in November.

Following the failure of the UNFCCC COP 15 in Copenhagen in 2009 the French Government is showing significant efforts to prepare for COP 21.

The Paris conference is widely regarded as the best opportunity in several years to agree on a follow-up treaty to the UN Kyoto Protocol that expired in 2012.

COP 21 is also seen as the possibly last chance for years to find a global agreement that supports the G7 target to limit global warming to 2 degree Celsius.

http://derstandard.at/2000019520811/Klimaverhandlungen-Frankreich-meldet-Durchbruch

Renault Only Car Maker in GCX

Renault is the only car manufacturer in the Global Challenges Index (GCX), developed and operated by Hannover Stock Exchange in cooperation with Oekom Research. The GCX combines 50 international companies that actively address seven key global challenges

- Climate change
- Access to drinking water
- Biodiversity
- Sustainable forest management
- Population growth
- Poverty reduction and
- Responsible leadership.

Through a variety of measures, including solar and biomass energy generation combined with waste water, plastic, metal and engine recycling, Renault achieved a 98% reduction of the carbon footprint at its new production facility in Tanger (Morocco). Renault reports that it invests 60% of its R&D into the reduction of carbon emissions.

As a consequence the French company features one of the lowest average fleet emissions in the EU with 113.5 gCO2e/km (December 2014) and is well on its way to achieve its targeted 3% carbon emission reduction per year. According to GCX officials Renault successfully combines these environmental measures and targets with social projects in France and abroad.

In the first six months of 2015 the company's revenue grew by 12% and its net profit by 83%, leading to a 55% increase in its stock price.

Please contact us at info@connexis.ch to subscribe to our newsletter or to start a conversation about CSR and ESG in your organization.

For more information you can also visit us at our new, re-designed website at www.connexis.ch