

Media Release

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A new report from Bank Sarasin confirms the positive impact of sustainability on share performance

One of the common prejudices in the world of asset management is that sustainable investment must come at a price. In fact, a new report proves exactly the opposite. Based on data provided by Bank Sarasin, statistical analyses performed by the Centre for Corporate Responsibility and Sustainability at the University of Zurich (CCRS) in cooperation with the Federal Institute of Technology (ETH) Zurich and the Centre for European Economic Research (ZEW) Mannheim, Germany, confirm that sustainable investment is a winning strategy.

In the latest study, the CCRS, ETH and ZEW set out to establish whether the link between sustainability and share performance is supported by hard statistical evidence. Based on the sustainability ratings of about 460 European and US companies produced by Bank Sarasin, an econometric analysis was undertaken to determine the additional return contributed by an improvement in a company's sustainability rating if financial parameters such as market risk, size or value effect are removed from the equation. Further, the yield differential between aggregated sustainable share portfolios and non-sustainable portfolios was analysed, also after excluding the impact of financial parameters.

Sustainability themes rapidly becoming more important

The latest results confirm the findings of similar reports published in recent years, and show that sustainability does not have a negative impact on the financial performance of share portfolios. On the contrary, sustainability seems to have a positive impact on investment returns: the results of the econometric analyses of individual shares show that the company's sustainability rating has a significantly positive impact on the average monthly share returns over the period 2003-2006.

The size of the positive impact varies depending on which rating categories, time frames and regions are analysed. It seems that the positive impact has become stronger in recent years. This is mainly due to the fact that there is growing awareness both among the general public and in financial markets of pressing environmental and social themes, such as climate change or globalisation of the production of everyday items and the associated risks. With the current financial crisis making investors more keenly aware of all types of risk, the importance of the interplay between financial performance and sustainability will continue to develop in a positive manner in future.

Sarasin's sustainable investment analysis

The sustainability analysis of companies identifies and analyses their social and environmental risks, factors which may equally have a financial impact, as a result of higher energy prices or tougher environmental legislation, for example. In addition, sustainable investment allows potential opportunities to be exploited, by identifying those companies which develop environmentally friendly and socially responsible solutions. Providers of new, cost-efficient methods of medical treatment or renewable energies are classic examples of this.



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