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Impact Study 2017

The Impact of Socially Responsible Investments on Companies – an Empirical Analysis

Sponsors

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Foreword
Fiona Reynolds, PRI

It is a pleasure to welcome these new findings from oekom's 2017 research study, which show that an increasing number of companies are looking at sustainability. Over half of the global companies surveyed in the study said that sustainability issues were important for their company's future development. Even more telling is that much of this demand is driven by sustainability rating agencies and the companies' clients.

The study also shows that shareholder initiatives are helping to put sustainability issues more firmly on the radar of many companies. We need look no further than the recent successful climate resolutions passed at Exxon and Occidental to see the power of shareholder actions. Investors worldwide are becoming much more vocal about using their financial muscle to enact real change at the corporate level.

In the ten years that the PRI has been in existence, we have seen our investor base increase its engagement with the companies in their portfolios on a range of environmental, social and governance (ESG) issues. We believe that investors have a critical role to play when it comes to moving ESG forward.

It is also good to see that climate change and water consumption were the two issues that are reflected — to various degrees — within the companies' sustainability considerations. Across the 1,700-strong PRI signatory base, climate change was cited as the number one priority in terms of being a material risk to investors. In May, we saw over 300 investors representing US$ 19 trillion signing a letter urging G7 and G20 leaders to stick by their commitments to the Paris Accord. And, with the release of the final report by the Financial Stability Board Task Force on Climate-Related Financial Disclosures (TCFD), we now, at last, have a framework for companies to disclose how they plan to transition to a two degrees world. Investors can use this framework to push for more disclosure on climate policies. But investors must also follow the TFCD guidelines within their own organisations.

Finally, the study showed that more guidance is needed on the UN Sustainable Development Goals (SDGs). All stakeholders in the financial sector — banks, pension funds, fund managers and others can work to support the incorporation of the SDGs as a way to strengthen financial markets and ensure their future stability. As long-term investors, this is our ultimate goal.

Fiona Reynolds

Managing Director, Principles for Responsible Investment (PRI)

Foreword
Metzler Asset Management

Metzler Asset Management GmbH systematically integrates environmental, social and governance (ESG) factors into all of its equity and corporate bond funds in order to boost performance further for our investors. In doing so, we take industry-specific standards for key performance indicators (KPIs) into account. Based on the assessments by cooperating sustainability agencies, companies that have seriously violated one or more of the 120 international norms and conventions are excluded from our investment universe. We have seen that KPIs and serious infringements can have a great impact on a company's business operations and financial performance. In our dialogues with companies, we can also observe that leading players already have sustainability factors anchored in their target and remuneration systems.

As the European Union's CSR guidelines have recently been implemented into the laws of the Member States, we offer our clients comprehensive ESG reporting. This includes not only the data provided by cooperating sustainability agencies but also an assessment of company portfolios in terms of KPIs, ESG scores, carbon footprints, and controversies as well as dialogue and voting results.

We hope this can help motivate companies to continuously improve their sustainability performance.

Dr. Axel Hesse

Division Head/ESG Integration,
Metzler Asset Management GmbH

Foreword
Evangelische Bank

As one of Germany's leading church banks, the Evangelische Bank is among the pioneers of sustainable investment. Institutional as well as private investors, both from the Church and social welfare bodies, place their trust in our sustainability management expertise — with good reason, for the potential of sustainable financial products remains unabatedly attractive over the long-term. Simultaneously, in times of digitalisation and low interest rates, investment behaviour changes, with tangible assets, such as shares, real estate and investments in renewable energy sources becoming more relevant. When managing institutional investors' assets, sound risk management and a balanced portfolio structure, as well as the observance of ESG criteria, are elementary.

This study offers enlightening impulses regarding the goal of achieving a more sustainable and fairer worldwide economy oriented towards the Principles for Responsible Investment (PRI) and the Sustainable Development Goals (SDGs). It shows that stakeholders have significant leverage over sustainable development and responsible corporate governance, provided they actively exercise this power. Although rigorous ESG criteria have frequently been integrated into investment processes, the change processes move on, follow-up tuning is needed, and pressure from institutional investors is growing: Profit is important, but so, too, is the constructive deployment of capital. This study shows clearly that, in this process, the financial market's players hold a central lever. Evangelische Bank will continue to actively accompany and promote this transformation.

Joachim Fröhlich

Member of the Board of Managing
Directors of Evangelische Bank eG

Foreword
oekom research

Four years ago, we conducted our first study on the impact that the demands of the sustainable capital markets have on corporate sustainability management. The central premise of that survey was that if investors consider sustainability in their portfolio selection and management, this will motivate companies to intensify their sustainability efforts — in other words, they will exert a sustainable impact in the true sense of the word.

Our assumption was confirmed: sustainable capital markets are, indeed, decisive in encouraging companies to invest in CSR activities. But a fair number of changes have occurred since then. Sustainable capital markets have grown massively worldwide since 2013, as ever-more investors recognise that integrating sustainability criteria into their investment decisions can positively impact their risk-yield ratios. There have also been changes in the underlying political framework, with initiatives such as the Paris Climate Accord and UN's Sustainable Development Goals propelling sustainability to the vanguard of the political agenda. And finally, a number of national and EU-wide transparency guidelines have been passed in the European Union with the goal of furthering the integration of sustainability both at an investor and corporate level.

So what does this mean for the interplay between investors and their investment projects in concrete terms? What message are the sustainable capital markets sending out to the economy? And how are companies responding to sustainability-orientated investors' inquiries?

The oekom Impact Study of 2017 reinforces how the sustainable capital markets are influencing companies in their quest for more sustainability. 60 per cent of respondents to the survey identified rating agencies as the primary driver, ahead of customers and regulation. Another striking result is that already over a third of the polled companies said sustainability analysts' inquiries have an impact on their general corporate strategies.

On this note, I warmly invite you to take a look behind the scenes and acquaint yourself with our study's detailed findings.

We would like to take this opportunity to cordially thank our partners — the UN Principles for Responsible Investment — as well as our sponsors Metzler Asset Management GmbH, Evangelische Bank, Missionszentrale der Franziskaner e.V., Sparkasse Oberösterreich, Bankhaus Schelhammer & Schattera AG and Weberbank — for their support in this study.

I wish you a thought-provoking and informative read.

Robert Haßler

CEO oekom research AG

Summary of the survey findings

The aim of the study is to identify the extent to which sustainable capital markets impact the way companies handle the social and environmental challenges of sustainability. A total of 3,660 companies worldwide from the oekom Rating Universe, which are regularly assessed in the oekom Corporate Rating, were contacted and invited to take part in the online survey. 475 companies participated in the survey. Analysis of the survey responses served as the basis of the study.

Relevance of sustainability for companies

- More than 91 per cent of the companies regard sustainability as being important. 50.5 per cent of the polled companies give a "Very high" priority to the topic of sustainable development, while 41.3 per cent classify it as "Fairly high".

Drivers for sustainability

- Companies regard sustainability rating agencies as the primary driver of sustainability, with 61.3 per cent of respondents stating it was this that initially motivated them to address sustainability. Almost as influential, at 60.3 per cent, are the demands and expectations of the companies' customers. In the first Impact Study in 2013, the top two places were reversed. In third place were regulatory requirements at 56.3 per cent, significantly higher than the 37 per cent registered in 2013.

- Future expected drivers for sustainability are somewhat different: seen as the #1 motivator by a significant margin are customers' demands, at 66.8 per cent; this is followed by regulation at 54.1 per cent, shareholder initiatives at 46.6 per cent, and conventional financial service providers' activities at 45.6 per cent. 41.4 per cent of the respondents continue to see sustainability rating agencies as the most important drivers.

Transparency of the sustainability rating

- The transparency of the rating process and results assigned to the company are vital for the sustainability rating to have a potential impact. Only if companies can understand the reason why they were awarded a certain rating will they be able to take suitable measures to improve the quality of their sustainability management. Companies' opinions of sustainability rating agency assessments have improved slightly since the first survey in 2013: while the majority of companies continue to regard the rating processes as only "transparent to a certain degree" (42.1 per cent vs. 44.4 per cent in 2013), over 35 per cent now see the rating processes as "transparent" or "completely transparent" — a slight improvement on 2013 (32 per cent).

Relevance of sustainability in financial market communication

- 62.2 per cent of the companies already integrate sustainability management information into their general financial market communication. Almost all the companies (93.1 per cent) predict that this communication will become increasingly important.

- For almost 90 per cent, a good sustainability rating was regarded as important. For 78 per cent of the companies, it is important to be included as a constituent of sustainability funds and indices.

Impact of sustainability on strategy

- More than a third of the polled companies (36.5 per cent) said that the inquiries of sustainability analysts have an impact on their corporate strategies.

- Over 61 per cent, unchanged from the last survey, said that inquiries from financial market players have a "strong" or "very strong" impact on their corporate sustainability strategies. Almost 60 per cent said the inquiries additionally serve as catalysts for optimising certain measures within their respective sustainability management systems.

- For 10.7 per cent of the companies, the company's assessment in sustainability ratings has an impact on the remuneration structure of the entire management. 22.8 per cent said that this was the case for only selected management positions. This is a slight increase from the 2013 Impact Study — which came in at 8.5 and 21.6 per cent respectively.

Benefits of sustainability ratings for companies

- For 91 per cent of the companies requirements of sustainability rating agencies act as an early-warning system helping them recognise relevant social and environmental sustainability trends early on.

- Over 61 per cent of respondants agree that, "Sustainability analysts' expectations communicated during the rating process help companies design appropriate sustainability management systems."

- The majority of the companies (over 77 per cent) use information from the sustainability ratings to analyse the strengths and weaknesses of their own sustainability management systems.

- 62 per cent of companies use the sustainability ratings as a control mechanism and benchmark which allows them to rate the success of their own measures. 20.2 per cent endorse this principle very strongly.

- Over 70 per cent of the polled companies use sustainability ratings regularly as a benchmark for comparing themselves against their competitors.

Importance of the UN SDGs

- For the majority of the companies, the UN SDGs still fail to play an important role. Only 36.2 per cent of the respondents use the SDGs together with other initiatives as a basis for their sustainability strategies.

- 17.4 per cent of the companies align their sustainability management systems with the UN SDGs, 15 per cent use the SDGs as an aid for their sustainability reporting. 8.4 per cent see them as a means of improving their companies' relevance on the sustainable investment markets.

- A majority of the companies (58 per cent) said they would have more motivation to improve their sustainability performance and boost their commitment to implementing the UN SDGs, if there was an SDG label for investors to utilise.

1. Background and goals of the study

In 2013, oekom research investigated for the first time the influence that sustainable capital markets' requirements have on corporate sustainability management. The findings of what was then the first empirical analysis of this type attracted considerable international interest: for almost two thirds of the polled companies, sustainability rating agency requirements were a decisive factor in addressing the topic of sustainability. One in three of the polled companies said that sustainability analysts' inquiries influenced their overall strategies, and two thirds of the companies said it had impact on their specific sustainability strategies. 30 per cent of the polled companies also declared that their companies' results in sustainability ratings had an impact on management remuneration.

A number of changes have occurred since then, with sustainability issues playing a more prominent role in capital markets, and investors placing greater emphasis on the implementation of environmental, ethical and social considerations in their investments. There is a growing empirical recognition that sustainability criteria can help avoid certain investment risks and exploit investment opportunities. Additionally, investors increasingly have regulatory requirements to incorporate sustainability criteria into their investment processes, examples including the Institutions for Occupational Retirement Provision Directive (IORPS) and Shareholder Rights Directive (SRD II) at an European level[1], and Article 173 of the Energy Transition for Green Growth Act in France. Within just a few years, these aspects have transformed what was initially a sustainable investment niche into a much larger market. This transformation is also commonly known as "ESG mainstreaming".

At the same time, companies are assigning much more importance to the topic of sustainability. The Global Reporting Initiative, the world's #1 database for sustainability reporting, now contains over 42,500 sustainability reports from almost 11,000 organisations. It is also becoming clear that the underlying political conditions are changing, resulting in a call for companies to ramp up their sustainability endeavours. Examples of these are the UN SDGs and an EU-wide transparency obligation for companies' CSR reporting.

The aim of the current study is to analyse the sustainable capital markets' impact on how companies handle the social and environmental challenges in the context of the changing landscape. In doing so, it aims to reveal the impact drivers and trends, i.e. comparing these findings against the 2013 results. A number of questions are dedicated to the UN SDGs to establish the weight companies assign to these in their sustainability management.

Source:

1 See http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595899/EPRS_BRI(2017)595899_EN.pdf and http://data.consilium.europa.eu/doc/document/PE-2-2017-INIT/en/pdf

2. Impact – A definition

In the context of this report impact is defined as the influence capital markets' wield over corporates. Sustainable capital markets aim to effect change in the real economy to benefit sustainable development, both in an environmental and social context. It is through companies recognising signals from sustainable capital markets and in turn making appropriate adjustments to their governance and business practices that such change takes place.

One of the earliest and most striking examples of the sustainable financial markets' ability to exert pressure is embodied in US investors' divestment campaigns against South Africa's then-ruling apartheid regime from the 1960s to 1980s. The boycott ultimately contributed towards ending apartheid in September 1993. By demanding adherence to a fundamental set of values, such as human rights, investors elicited a capital outflow from numerous South African businesses. The success of these campaigns ultimately marked the inception of the SRI (Social Responsible Investing) movement. It is this understanding of the term "impact" that serves as the basis of this study, in which we investigate the extent to which companies' CSR activities can be attributed to sustainable capital markets' signals.

This understanding of the term "impact", which applies to all asset classes, differs from the investment strategy known as "impact investment" which more commonly applies to the private markets. Closely linked to this impact understanding is the measurement of impact investment. The Global Impact Investment Network (GIIN) therefore expects sustainable investors to measure and report on the social and environmental performance of their investments[2]. Quantitative performance metrics have also become increasingly important with a growing market for green bonds[3] and the issuance of sustainability labels, such as that of Germany's FNG[4] or the French government's counterpart[5].

A good example of how the impact of investments can be measured is the ILG (Investment Leaders Group) Framework based on the UN SDGs[6]. The aim of the Framework is to give investors guidance on which of the social and environmental impacts of their investments should be covered by their reporting. In doing so, it concentrates on the question of how investments can engender environmental and social improvements across all asset classes and investment strategies.

Despite initiatives such as the ILG, a universal set of indicators and criteria for measuring impact does not yet exist. oekom research, which participates in numerous working groups towards such aim offers data for measuring the quantitative impact of investments, enabling reporting on the impact of portfolios.

Sustainable impact in practice: The Global Challenges Index

A prime example of sustainable impact in practice is the Global Challenges Index (GCX). It was developed by the Hanover Stock Exchange in cooperation with oekom research and launched on 03 September 2007.[7] The GCX encompasses 50 companies which make substantial and pioneering contributions to addressing the greatest challenges facing our planet: combating the causes and consequences of climate change; ensuring adequate supplies of drinking water; sustainable forestry; preserving biodiversity; dealing with demographic change; fighting poverty; and establishing governance structures. Only companies that have achieved oekom Prime status—the label attributed to companies that meet the industry-specific minimum requirements for sustainability management—in the oekom Corporate Rating and, additionally, do not violate any of a wide range of exclusion criteria, have the potential to be included in the Index. The exclusion criteria include controversial business fields such as nuclear power, green gene technology and armaments, as well as controversial business practices such as severe cases of human and labour rights violations, corruption and environmental destruction.

When comparing the 50 GCX companies to the benchmark (see Fig. 1) on ESG issues such as risk exposure to fossil fuels, water consumption, employment relationships and the adoption of ESG topics into executive remuneration systems, a much better performance is registered for almost every issue. This performance can be regarded as the positive contribution which the GCX companies' business activities make towards a sustainable future.

	GCX	Benchmark	Under-/ Outperformance of the GCX
Total Fossil Fuel Exposition (in EUR) per invested 1 mEUR	0,00	70,740	–70,740
Freshwater Use (in 1000 m^3) per invested 1 mEUR	0.25	9.37	–9.12
Share of Women in Middle Management	11.02 %	–31.56 %	+42.58 %
Share of Women in Executive Mangement Team	14.77 %	15.84 %	–1.07 %
Permanent Contracts	94.73 %	90.74 %	+3.99 %
Accident Rate (Total number of reportable accidents per 200,000 working hours)	0.87	0.96	–0.09
Integration of ESG Objectives into Remuneration of Executives	48.15 %	19.75 %	+2.,88 %
Separation and Independence of CEO and Chairman	55.37 %	35.78 %	+17.85 %
UN Global Compact Signatories	68.09 %	36.16 %	+30.08 %

Fig. 1: ESG Impact assessment of the Global Challenges Index (GCX) compared to an equivalent investment in the iShares MSCI World UCITS ETF. Status May 2017; source: oekom research (2017)

Although the data shows that GCX companies significantly outperform MSCI World enterprises in terms of selected environmental and social KPIs, the other question is how this manifest itself from a financial perspective. Since its launch ten years ago, the GCX has more than doubled in price, compared with the 19 per cent appreciation of the MSCI World (see Fig. 2). Meanwhile, the GCX carries a level of risk that is comparable to that of the benchmark

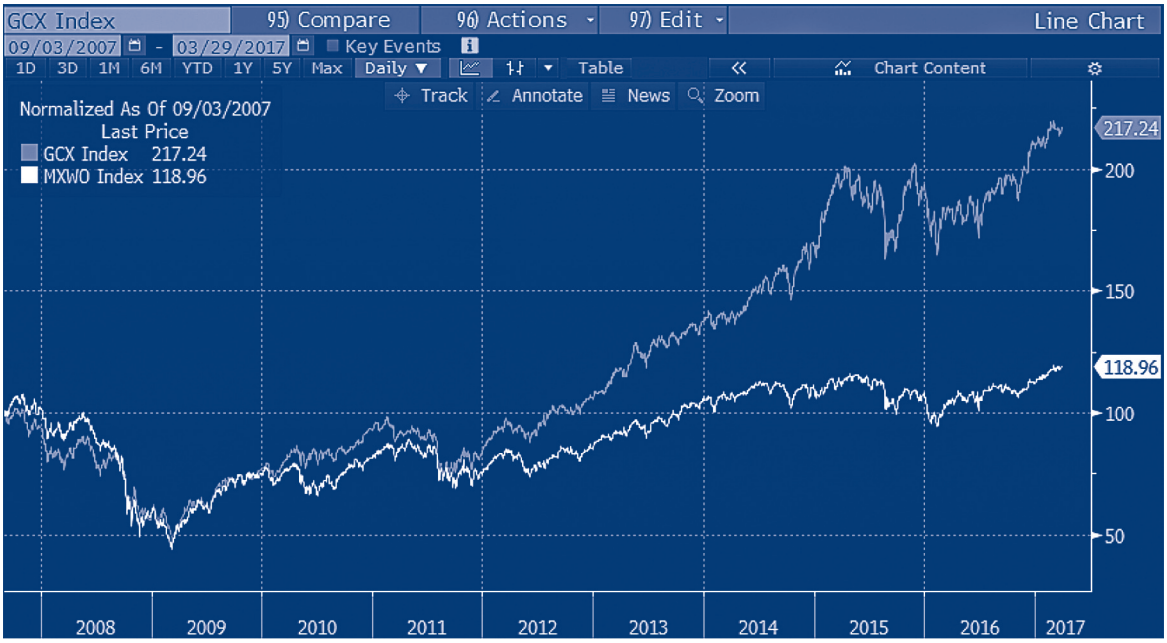

Fig. 2: Performance of the Global Challenges Index vs. MSCI World from 03.09.2007 to 30.03.2017; as at 30 March 2017; source: oekom research (2017)

The results clearly demonstrate that sustainability-conscious investors do not have to forfeit return. By taking appropriate criteria into account, investors can profit on two fronts: 1) financially with returns that are in line with or, in this case, significantly outperform the market and 2) by making a positive impact in the form of realising their social, environmental and ethical goals.

Sources:

2 See https://thegiin.org/impact-investing/need-to-know/

3 See https://www.environmental-finance.com/content/analysis/under-scrutiny-green-bond-impact-reporting.html

4 See http://www.forum-ng.org/en/

5 See http://www.novethic.com/responsible-investment-news/sri-the-french-government-creates-official-labels-for-financial-products.html

6 See http://www.cisl.cam.ac.uk/business-action/sustainable-finance/investment-leaders-group/reporting-investment-impact

7 See http://gcindex.boersenag.de/de/

3. Status of sustainable investment

As already mentioned: decisive for the effectiveness of sustainable investment is the strength of the lever concerned, i.e. the capital volumes being pumped into companies with sustainable business practices. An undeniable upward trend has emerged: the total volume of sustainable investments is continually growing worldwide, thereby increasing its leverage to impact on company behaviour.

World

The latest report published by the Global Sustainable Investment Alliance (GSIA) on the status of worldwide sustainable investments reports a figure of USD 22.89 trillion of assets invested globally from a sustainable viewpoint in 2016; this represents a 25 per cent increase compared to 2014[8].
The report consolidates the findings of the reports of the Sustainable Investment Forums (SIFs) in Europe, the United States, Canada, Australia and New Zealand, as well as Japan and Asia. In almost every one of the named markets, sustainable investment grew both in absolute and relative terms compared to 2014. Europe, alone, accounts for almost 53 per cent of the sustainable assets invested worldwide, followed by the USA, at 38.1 per cent. The strategies most commonly used worldwide are exclusions (USD 15.02 trillion), followed by ESG integration (USD 10.37 trillion) and engagement (USD 8.37 trillion).

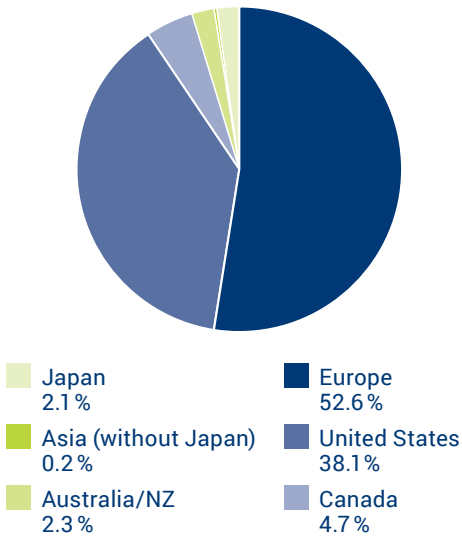

Fig. 3: Worldwide distribution of sustainably invested assets by region; in per cent; source: GSIA (Global Sustainable Investment Review 2016)

Europe

In Europe, assets aligned with ESG strategies grew by a total of 12 per cent to slightly over EUR 11 trillion. This corresponds to a 53 per cent share of all professionally managed assets in the 13 European states whose data was evaluated in the framework of the Eurosif study[9]. Exclusion Screening remains the predominant investment strategy with a volume of around EUR 10 trillion and a 48 per cent growth rate over the past two years. The second most popular SRI approach is Norm-based Screening at over EUR 5 trillion, a 40 per cent growth rate compared to 2014. This is followed closely by Engagement & Voting at EUR 4.3 billion with a 30 per cent growth rate.

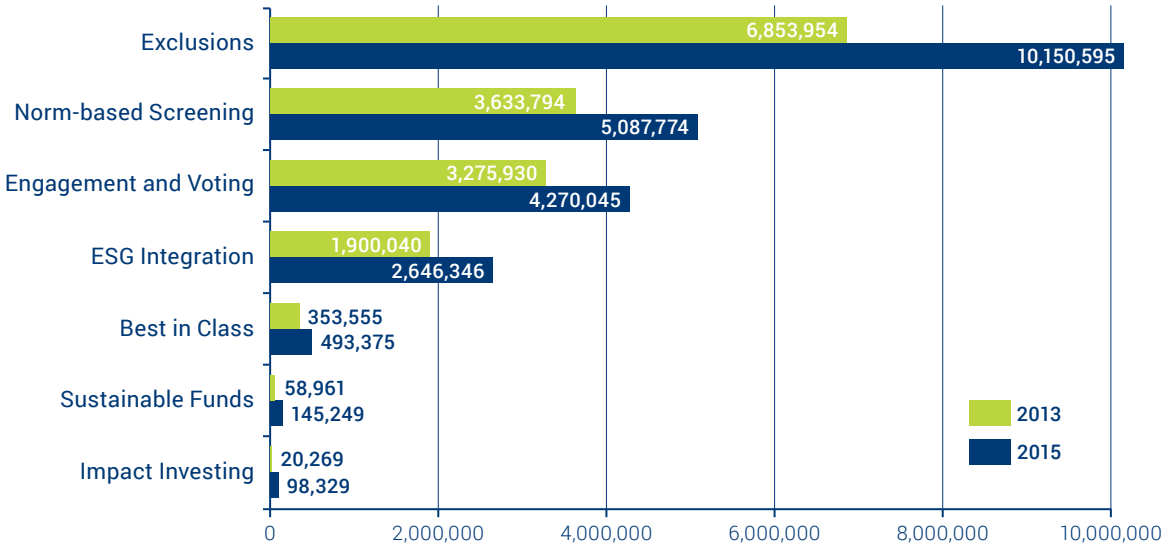

Fig. 4: Volumes of assets aligned with ESG strategies in Europe; in EUR million, source: Eurosif (European SRI Study 2016), data from end of 2013 and end of 2015 respectively

Germany, Austria and Switzerland

According to the 2017 Market Report of the Forum Nachhaltige Geldanlagen (FNG), the total market for investments aligned with environmental and social criteria in Germany, Austria and Switzerland amounted to EUR 419.5 billion at 31 December 2016. This corresponds to 29 per cent year-on-year growth. The lion's share of this, at EUR 152.3 billion, or 36 per cent, is attributed to the mandates; this is followed in second place by asset owner-managed capital, at EUR 97.3 billion, or 23 percent of the sustainable investments. In third place, at EUR 89.9 billion, or almost 22 per cent, are investment funds, followed in fourth place by customer investments of sustainability-orientated special banks and sustainably managed proprietary assets, at EUR 80.0 billion or 19 per cent.

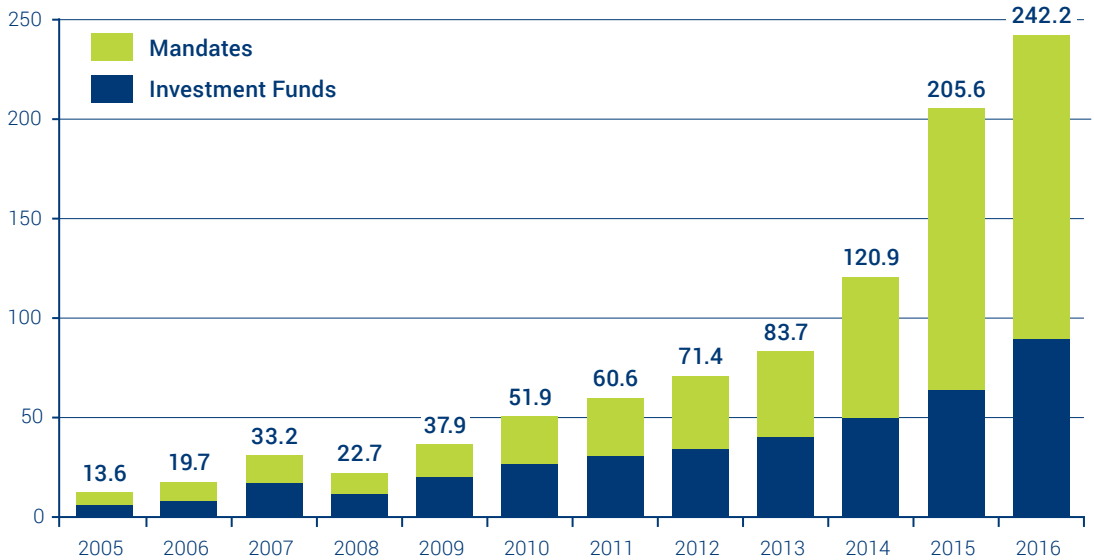

Fig. 5: Sustainable investment funds and mandates in Germany, Austria and Switzerland; in EUR billion, source: Forum Nachhaltige Geldanlagen (Market Report 2017)

USA

Sustainable investment also grew in the USA. Last year, according to USSIF[10], USD 8.10 trillion was managed by 477 institutional investors, 300 asset managers and 1,043 municipal investors that applied a wide range of environmental, social and governance related criteria into their investment analysis and portfolio selections. Moreover, assets worth a total of USD 2.56 trillion were held by 255 institutional investors and asset managers that, between 2014 and the first half of 2016, submitted or co-initiated shareholder resolutions regarding ESG-relevant topics. After deducting overlapping strategies – which either applied both strategies or which were being managed by asset managers under the commission of institutional investors – the total of these two asset segments amounts to USD 8.72 trillion. This corresponds to a growth of 33 per cent compared with the USD 6.57 trillion which USSIF calculated as being invested for 2014.

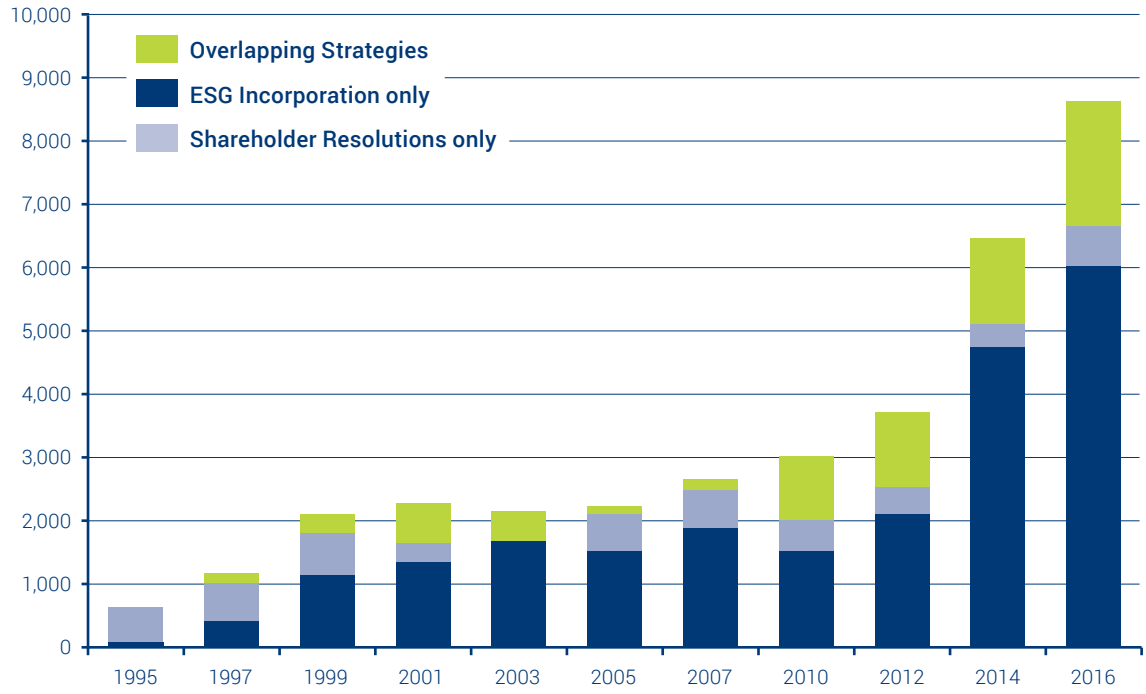

Fig. 6: Sustainable and responsible investments in the USA from 1995 to 2016; source: USSIF (Report on US Sustainable, Responsible and Impact Investing Trends 2016)

Overall, a continued growth in sustainable investment volume can be observed, but with significant differences in the customer groups, investment classes and investment strategies from region to region. At present, the associations' market statistics do not yet provide any indication about the effect/impact of the sustainably invested monies. The assessment of the corporate survey in Chapter 5 provides appropriate answers to this question.

Sources:

8 See http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

9 http://www.eurosif.org/wp-content/uploads/2016/11/SRI-study-2016-HR.pdf

10 http://www.ussif.org/trends

4. Current status of companies' sustainability performance

Following the review of sustainable development trends, the following section highlights the current status of companies' sustainability performance. The information is based on the results of the oekom Corporate Rating*.

We note a positive trend, with the share of companies receiving the oekom Prime Status (classified as "Very good" or "Good") rising marginally from 16.29 per cent in 2015 to almost 16.5 per cent in 2016. The mid-field, in particular, has grown perceptibly, with the share of companies with basic sustainability management rising from 35.86 per cent in 2015 to 40.15 per cent today. Within this group, the number of companies which narrowly missed Prime status rose slightly, giving the Prime group moderate growth potential in the future. As in the past, however, 43.31 per cent and thereby still the largest group of companies continue to show inadequate sustainability commitments. Nevertheless, this number has fallen almost ten percent over the past four years.

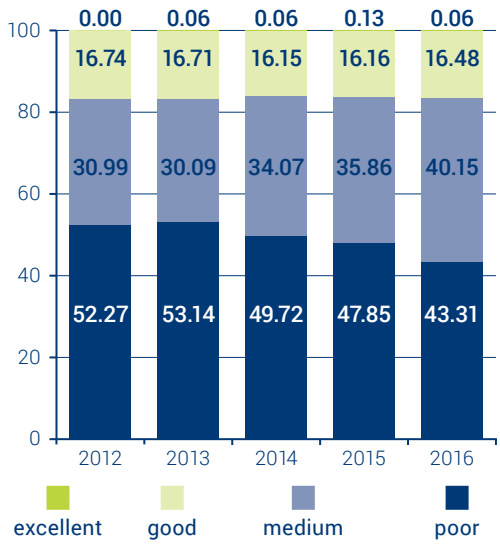

Fig. 7: Rating of the sustainability performance of large, internationally active companies domiciled in industrialised countries (GLCU); in %; in each case, as at 31 December of the respective year; source: oekom research (2017)

A similar positive trend can also be seen for companies domiciled in Emerging Market countries. Here, too, a gradual and continued positive trend towards better sustainability performance can be observed, albeit at a lower overall level than for the GLCU companies.

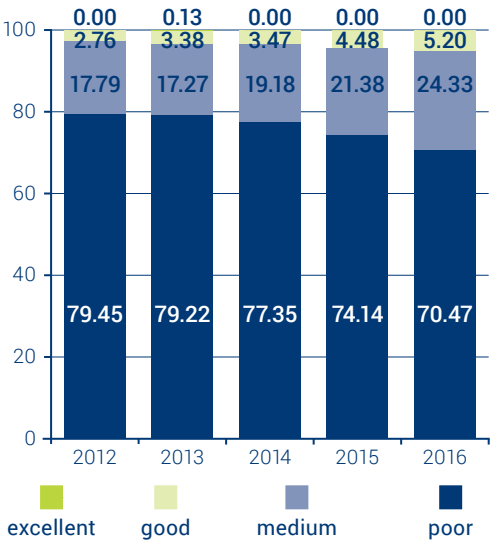

Fig. 8: Rating of the sustainability performance of large, internationally active companies domiciled in emerging market countries (EM); in %; in each case, as at 31 December of the respective year; source: oekom research (2017)

* The following evaluations of the oekom Corporate Responsibility Review 2017 relate to the universe of the internationally active large enterprises domiciled in an industrialised country. These ca. 1,600 companies in total will henceforth be referred to as the "Global Large Cap Universe" (GLCU).

The comparison of the average rating of all companies in the Universe (both GLCU and EM companies) over the mid-term also reveals a continous upward trend: while the averages for 2012 were just 26.3 (GLCU) and 13.31 (EM) points on a range from 0 (worst possible sustainability performance) to 100 (best possible sustainability performance), the 30 and 20 marks, respectively, were exceeded for the first time at the end of 2016.

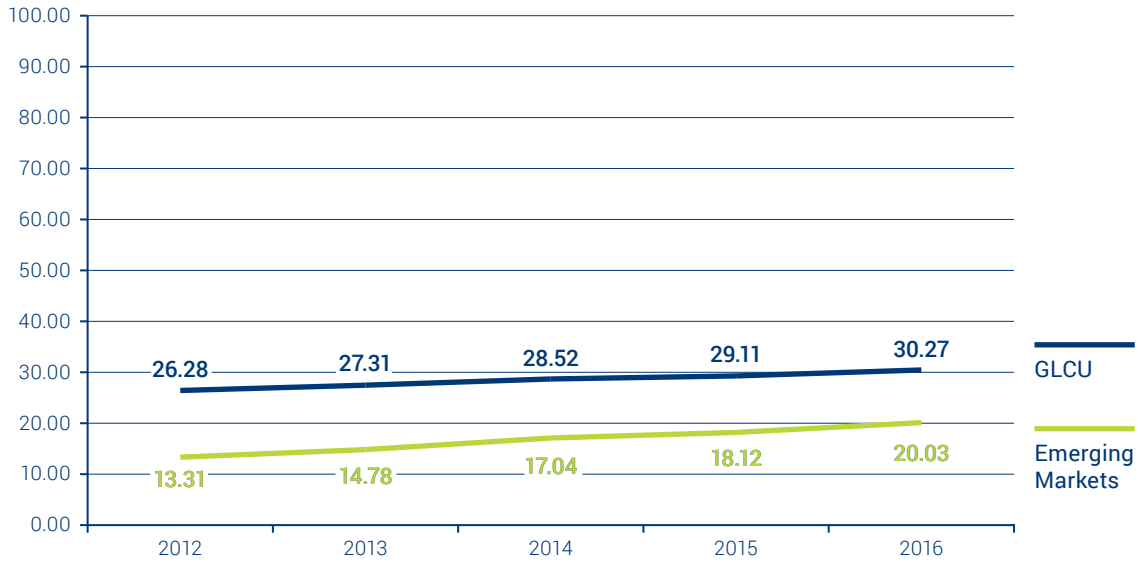

Fig. 9: Average rating of all GLCU and EM companies on a scale of 0 to 100 (best score); in each case: as at 31 December of the respective year; source: oekom research (2017)

Predicting just how these values will develop in the future is difficult, as opposing trends are expected. On the one hand, continually increasing corporate transparency and growing legislative, customer and investor pressure will prompt positive developments. On the other hand, the practical inability to align certain business models with global transformation processes over the long term may lead to deteriorating performance.

With respect to the geographic distribution of companies, European companies continue to dominate (although they only account for a quarter of the companies in the Universe). 80 per cent of the Top 3 companies are domiciled in Europe, most of them coming from France, followed by Germany and the UK. These are followed by the USA and Sweden, ahead of the Netherlands and Japan.

To summarise: both sustainable financial markets, as well as companies' sustainability performances, have undergone positive change over the past years. The question of interdependencies, and the extent of the impact that sustainable investments have on companies' sustainability performances, can be found in the following chapter.

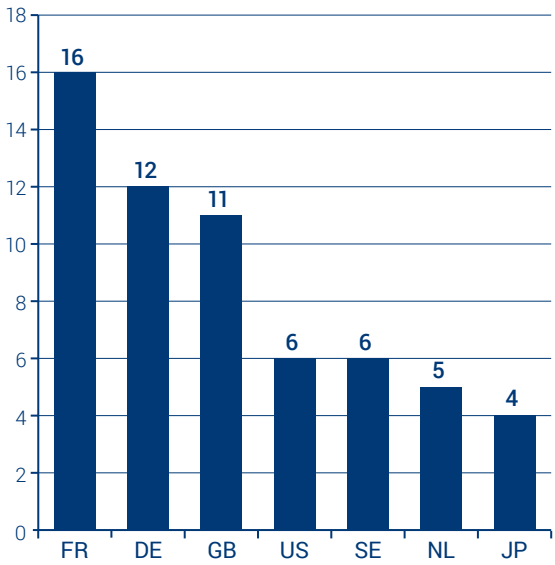

Fig. 10: Number of companies in Top 3 positions, by country of origin; basis: GLCU; as at: 31 December 2016; source: oekom research (2017)

Background: the oekom research Sustainability Rating

The oekom Universe currently encompasses 6,200 issuers comprising 5,500 corporate and 700 sovereign and municipal issuers. The constituent companies are part of the most important international and national indices, and can be broken down into the following three groups:

1. large publicly listed enterprises in conventional industries;

2. often small and medium-sized publicly listed enterprises in industries which have a clear connection to sustainable products/services e.g. in the fields of renewable energies and energy efficiency, recycling technologies, water treatment and education;

3. bond issuers which are not publicly listed, e.g. regional banks, supranational organisations such as the World Bank, or railway operators.

All of the companies are analysed using a uniform methodology and on the basis of comprehensive and regularly updated criteria. The goal of the oekom Corporate Rating is to provide a comprehensive assessment of companies' sustainability performance and future viability and, within the individual sectors, to identify those companies with the best and most successful strategies. In doing so, the chosen criteria relate to all areas of corporate responsibility. Each sector rating structure encompasses some 100 individual criteria, a large portion of which are industry-specific. They include the way in which companies treat their workforce and suppliers, corporate governance aspects, and the environmentally-friendly design of products and production processes. All of the criteria are individually weighted, assessed and finally aggregated to an overall grade. The four to five industry-specific key issues account, in total, for a minimum of 50 per cent of the overall weighting. The criteria are further developed at regular intervals to take account of new scientific, technical, social and legal developments. Last year, for example, all industries were researched against a new product portfolio rating. This quantifies the positive or negative contributions a company's products and services make towards achieving the UN SDGs objectives. Company strategies to enhance the future alignment of their product portfolios with the UN SDGs and thereby improve long-term viability, are also assessed.

To produce a comprehensive and balanced picture of the companies, our analysts rely on information from the companies themselves, as well as from independent sources. During the rating process, the analysts enter into active dialogue with the companies, giving them an opportunity to comment on, and supplement, the results. An external Rating Committee assists oekom research's analysts with the content of the industry-specific criteria to be used for the rating, and conducts plausibility checks on the rating results.

On each company oekom research also includes a query and analysis of controversies in over 20 thematic areas. In doing so, distinctions are made between controversial business fields, such as nuclear power, fossil fuels and armaments, and controversial business practices, such as labour and human rights controversies. For the latter, a new grading system was launched in 2016 to assess the severity of the controversy.

5. Impact of sustainable investments on companies – an empirical analysis

A total of 3,660 companies worldwide which are regularly assessed as part of oekom's Corporate Rating were contacted from 01 to 25 June 2017 and invited to partake in the online survey which served as the basis of this study. Of these, 475 companies (13 per cent) participated in the survey. To the degree that some blocks of questions were occasionally omitted in the replies, the relevant response rate is stated for the evaluations concerned. Some topics were included in this year's survey for the first time, consequently preventing comparisons to be drawn with the 2013 results.

Categorising companies' locale by the locale of their headquarters, there has been a significant shift in the countries occupying the top positions compared to the first survey four years ago: In 2013, the majority of participating companies were German or French (13.1 and 8.1 per cent respectively).

Today, they have been overtaken by the equally-represented USA and Japan (each with 11.3 per cent). Noteworthy is the very low participation of British companies which have been surpassed even by South African companies.

As was the case with the study four years ago, the largest number of respondents, by a long margin, is the financial service-industry. This includes commercial and development banks, regional banks and real-estate finance. This sector, overall, also makes up the largest segment of the oekom Universe. Next – albeit with a noticeable gap – is the real estate sector, ahead of pharmaceuticals and healthcare companies.

Comparing these participation quotas with the average industry performance ratings, a surprising finding emerges: on a performance scale from 0 to 100, the real estate sector achieves – with only 21.6 points – the worst sustainability performance of any industry. In industry comparison, it has even been overtaken by the Oil, Gas & Consumable Fuels sector.

Over half the respondents have committed to observing the principles of the UN Global Compact, the world's largest initiative for responsible corporate governance. Slightly over a fifth of the participating companies endorse the Principles for Responsible Investment which promote responsible investment geared towards ESG criteria.

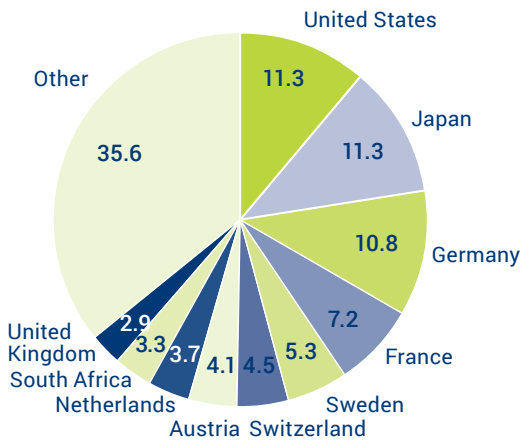

Fig. 11: Distribution of the participating companies' country of origin (n = 267); source: oekom research (2017)

Industry	Share of survey respondents	Share of Universe
Banks	17.0	16.6
Real Estate	4.5	7.2
Pharmaceuticals & Healthcare	4.1	10.4
Utilities	3.7	5.2
Retail	3.0	4.3
Telecommunications	2.6	3.6
Insurance	2.6	3.8
Metals & Mining	2.6	3.3
Oil & Gas	2.6	5.7
Energy	2.6	4.3
Chemicals	1.8	3.2
Automobile	1.5	1.1
Food & Beverages	1.5	5.3
Other	49.9	26.0

Fig. 12: Summary of the participants in the survey, broken down by industrial sector (n = 267); source: oekom research (2017)

This is a significant improvement compared to 2013, when only 14.2 per cent had endorsed the PRI.

- Signatories to the UN Global Compact (UNGC)
  58.1%
- Signatories to the Principles for Responsible Investment (PRI)
  21.0%

Among the participating companies, only 35.2 per cent achieve oekom Prime status. The overriding 64.8 per cent majority fails to fulfill the industry-specific minimum sustainability performance requirements which oekom research sets for companies. This is a sharp reversal from the first survey in 2013 when over half the participating companies (54.8 per cent) achieved oekom Prime status. While it can be assumed that the companies responding in 2013 were closely aligned with sustainability in the first place, this year's respondents present a more realistic reflection of the structure of the oekom Universe with Prime status achieved by 16.5 per cent for industrialised companies and 5.2 per cent for emerging countries (see Chapter 4).

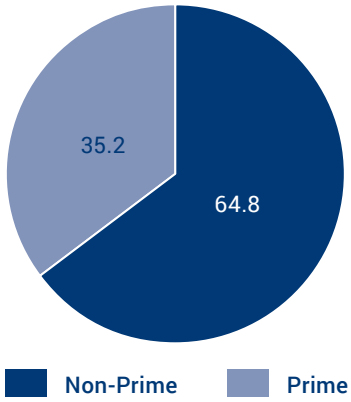

Fig. 13: Share of participating companies with oekom Prime status, in per cent; source: oekom research (2017)

5.1. The relevance of sustainability for companies

There is little doubt anymore about the general importance of sustainable development. The need for resource-sensitive business operations, an intact natural environment and a socially-just society are undisputed and are, overall, also seen as the basis for a general successful business growth. It is therefore not a surprise that over half of all the polled companies (50.5 per cent) said that sustainability plays a "Very important" role in their own development, and 41.3 per cent declared it to be "Fairly important". For a number of reasons, including differences between this study's Universe and that of the first Impact Study 2013, the current figures are altogether somewhat lower than four years ago (when 58.1 per cent said sustainability was "Very important" and 38.9 per cent, "Fairly important"). It is nevertheless noteworthy that the vast majority of companies (over 91 per cent) regard the topic of sustainability as an important factor in their future corporate development.

Which degree of importance does your company attach to the topic of "Sustainability" for your future corporate development?

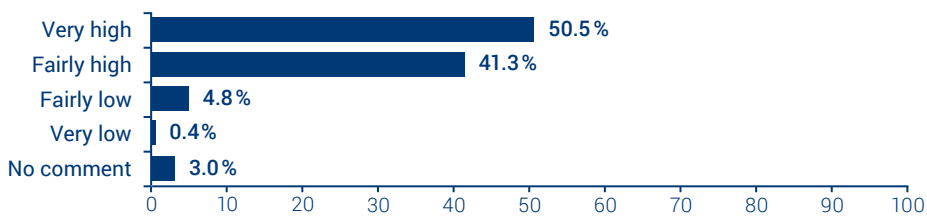

Fig. 14: Importance attached to the topic of "Sustainability" for future corporate development (n = 463); source: oekom research (2017)

5.2. Drivers of companies' sustainability activities

Respondants were provided with a list of potential drivers for their sustainability activity (see table below) and asked to tick those that are relevant. Companies still regard sustainability rating agencies as the strongest driver for the topic of sustainability as 61.3 per cent of the respondents stated this as a motivation for them to address sustainability in the first place. Against the background of rising regulatory demands on companies' sustainability performance, sustainability rating agencies provide companies a valuable means of self-orientation with regards to their sustainability performance. They also provide companies with an important information base to benchmark against business competitors (see Chapter 5.6). Almost as influential, at 60.3 per cent, are the demands and expectations of the companies' customers.

In the first Impact Study in 2013, the top two places were also occupied by sustainability rating agencies and customers, but in reverse order. Regulatory requirements have increased significantly as a motivator for corporate sustainability management and commitment — from just under 37 per cent in 2013 to 56.3 per cent today. This is followed in fourth place by competitors' activities, at 39.4 per cent, and the requirements of mainstream financial service providers in fifth place, at 37.0 per cent. The UN SDGs at present play a relatively small role as a sustainability rationale, with just 26.7 per cent, or just over a quarter of the responsdents seeing them as a reason to address the topic of sustainability.

Which factors have motivated your company to address the topic of "Sustainability"?

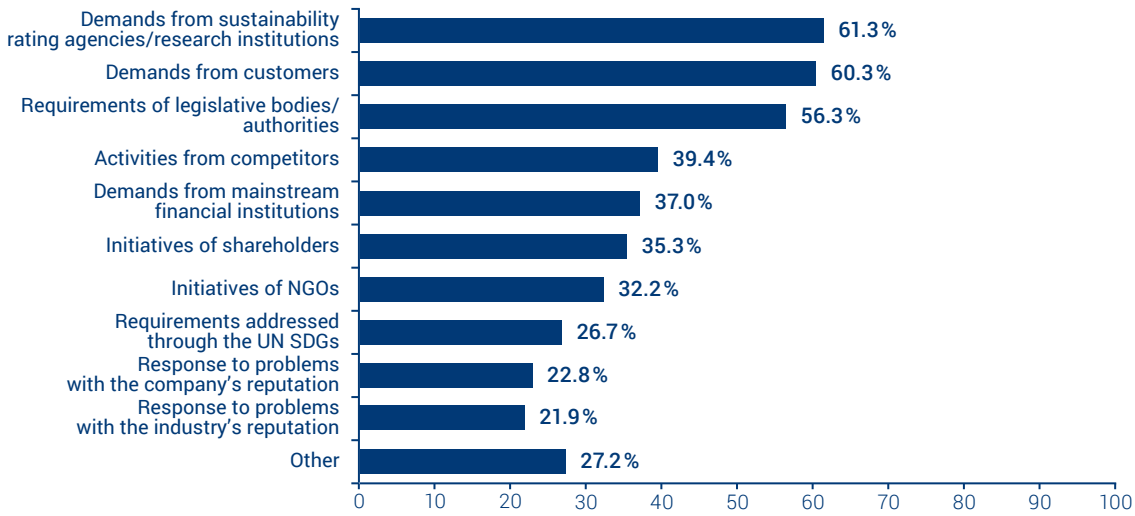

Fig. 15: Factors motivating companies to address the topic of "Sustainability" (n = 416); source: oekom research (2017)

Future drivers of company sustainability activities

Looking ahead, views of the main driving forces for sustainability are somewhat different. The relevance of many influencing factors to date is expected to change significantly in the future, as other protagonists establish themselves alongside sustainability rating agencies. Sustainability rating agencies' work will nevertheless continue to rank very highly, the reasons for this being described in the next section.

At 66.8 per cent, customers' demands were named as the most important future motivation, substantially ahead of legislative and public authorities' requirements at 54.1 per cent. The demands by shareholders (46.6 per cent), and by banks and investors (45.6 per cent), are forecast to become much more relevant than in the past. For 41.4 per cent of the respondents, sustainability rating agencies remain the most important drivers, while the role of the UN SDGs in motivating companies to address the topic of sustainability will remain essentially static at 26.4 per cent.

What, in your opinion, will become the most important drivers of "Sustainable development" at your company in the future?

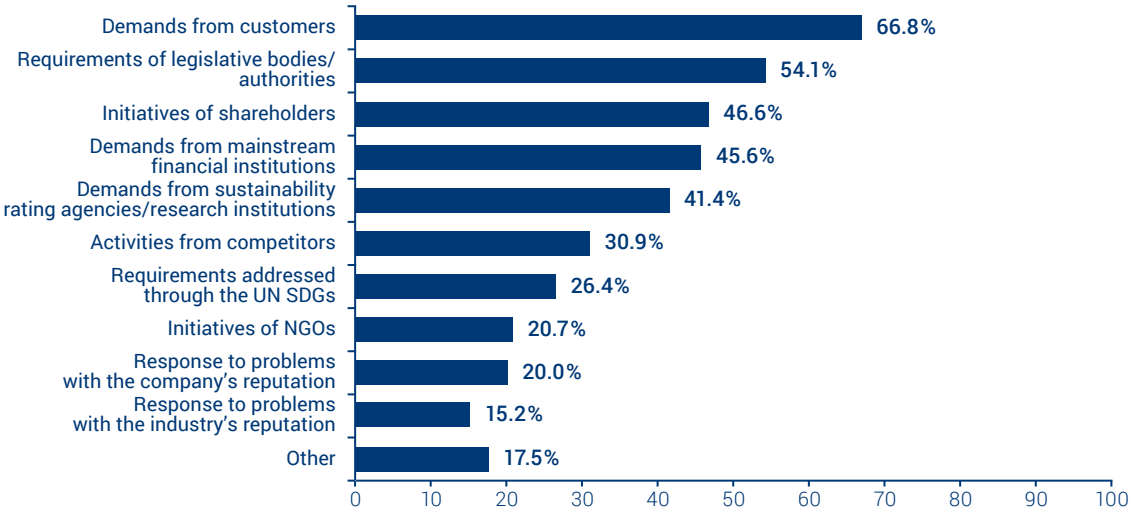

Fig. 16: The most important drivers of the future development of the topic of "Sustainable development" at companies; multiple responses possible; (n = 401); source: oekom research (2017)

5.3. Transparency of the sustainability rating

The amount of external pressure put on companies to address sustainability topics, and their willingness to embrace these, is evident by the growing share of companies that respond to related inquiries from rating agencies and other players.

While only 66.3 per cent answered up to ten such sustainability rating agency inquiries a year in 2013, the share has risen to 70.1 per cent of the respondents today. The share is even higher for companies approached by financial institutions in this regard. 75.9 per cent receive up to ten inquiries a year from sustainability analysts at banks, and 81.4 per cent of the companies receive inquiries from banks in general.

Side note: quality standards for sustainability ratings

The ARISTA Responsible Investment Research Standard is a highly comprehensive quality standard for independent sustainability rating agencies. The Association for Responsible Investment Services (ARISE) developed this voluntary international standard on the European Commission's initiative. It places sustainability rating agencies under various obligations, requiring them e.g. to: provide for continuous quality improvements and ongoing quality control systems; follow a code of conduct to guarantee impartiality, integrity, candour, transparency and responsibility in every department and in their research processes; and ensure transparency vis-à-vis their customers and other players with respect to implementing the Standard. Independent inspectors regularly conduct audits to monitor observance of these and other demands. oekom research was among the first agencies to be certified for compliance with this standard.

International investors increasingly need to be able to distinguish the differences between various research houses' methodologies and the quality of their rating processes and results to allow them to identify a suitable partner for their respective demands and investment approaches. As such, additional international transparency and quality initiatives — such as Global Initiative for Sustainability Ratings (GISR) and the Deep Data Delivery Standard — have recently started emerging on the market. oekom research was involved in designing both these initiatives and was awarded the Deep Data Delivery Gold Standard in September 2016.

The distribution changes once financial market players intensify their dialogue with the companies. In the category of 11 to 20 inquiries a year, the sustainability rating agencies have a clear lead at 21.1 per cent, while only 13.7 per cent of the companies receive corresponding numbers of inquiries from sustainability analysts at banks, and only 6.4 per cent, such inquiries from banks.

The transparency of the rating process and its results is one of the crucial questions regarding the sustainability rating. Companies need to be able to understand the reason why they were awarded a certain rating so that they are able to take appropriate measures to improve the quality of their sustainability management. Companies' opinions of sustainability rating agency assessments have improved slightly since the first survey in 2013: while the majority of companies continue to regard the rating processes as transparent only to a certain degree (42.1 per cent vs. 44.4 per cent in 2013), over 35 per cent now see the rating processes as "Transparent" to "Completely transparent" — a slight improvement on 2013 (32 per cent).

How transparent are sustainability rating agency assessment processes with regard to your company?

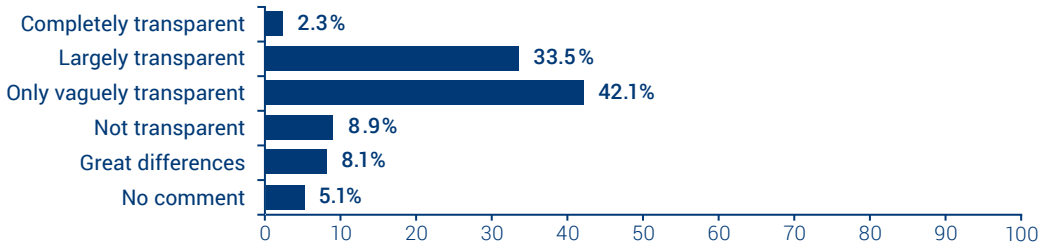

Fig. 17: Transparency of sustainability rating agency assessment processes (n = 394); source: oekom research (2017)

5.4. Relevance of sustainability for financial market communication

Almost all the companies (93.1 per cent) predict that communication with sustainability-orientated financial market is set to become more important in the future. Also, a reasonable majority of 62.2 per cent said they already publish sustainability management information as a fixed part of their general financial reporting. At 80.5 per cent, a large majority of the companies said that sustainability aspects of their own corporate governance would become increasingly relevant for mainstream banks and investors in future.

Almost all the polled companies agree on the impact and generally positive message sent by a good sustainability rating. This is why almost 90 per cent said they regarded such a rating as important. Given the highly dynamic market environment and many additional KPIs and rating systems compared with 2013, the virtually unchanged percentage shows the high value which continues to be attached to independent sustainability ratings.

How important is a positive sustainability rating for your company?

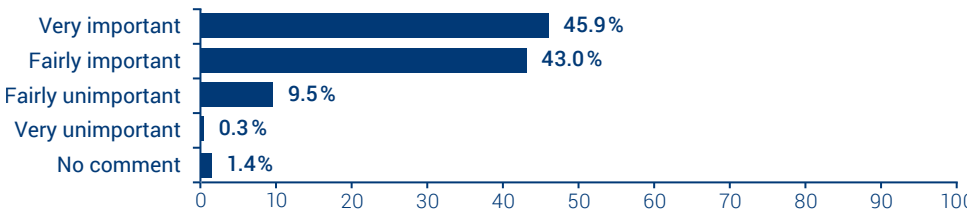

Fig. 18: Importance of a positive sustainability rating for companies (n = 370); source: oekom research (2017)

Similarly to the previous question, the companies also clearly endorsed the question of the importance of being included as constituents of sustainability funds and sustainability indices. A total of over 78 per cent regard such listings as important. They appreciate being considered by ethically motivated and

sustainably active financial service providers and institutional investors for inclusion in mutual and special funds, and asset-management mandates. However, almost 17 per cent assign little or no importance to this.

How important is it for your company to be included as constituents of sustainability funds or indices?

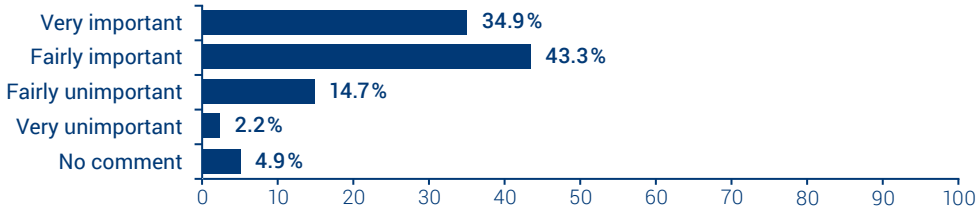

Fig. 19: Importance attached to a company's listing in sustainability funds or indices (n = 367); source: oekom research (2017)

5.5. Importance of sustainability for corporate strategy

Companies are increasingly recognising the importance of sustainability. They appreciate the inherent worth of sustainability ratings and the opportuntity to benchmark themselves against their industry peers. Sustainability ratings provide valuable guidance and information on how successful their own sustainability-related processes, strategies and goals have been. Moreover, this understanding affects not only sustainability aspects within the company, but is also incorporated as part of the general corporate strategy. It is thus not surprising that already some third of the polled companies (36.5 per cent) said sustainability analysts' inquiries having an impact on their general corporate strategies, compared with just 32.6 per cent in 2013.

What is the impact of sustainability analysts' inquiries on…

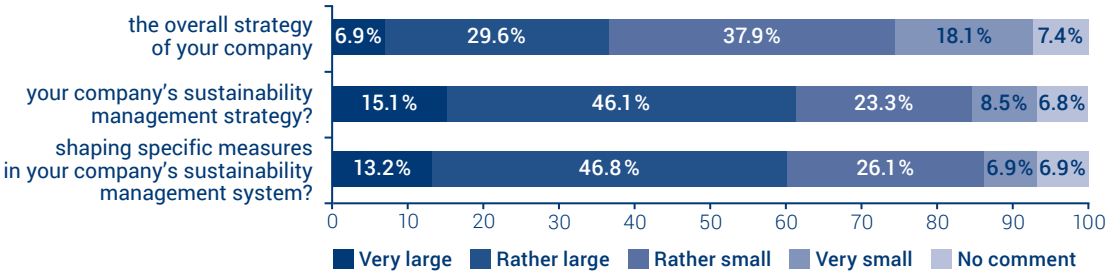

Fig. 20: Impact of sustainability analysts' inquiries on companies (n = 364); source: oekom research (2017)

Furthermore, almost exactly the same percentage of respondents as four years ago (over 61 per cent) confirm that such inquiries have a "rather large" to "very large" impact on their company's sustainability strategies. While less than in 2013, almost 60 per cent said that sustainability analysts' inquiries additionally serve as catalysts for optimising certain measures within their respective sustainability management systems. This is the only noteworthy decline compared to the 68.9 per cent in 2013. A possible reason for this is that by now sustainability has become increasingly mainstream and is no longer just limited to companies' sustainability departments. Consequently, the implementation of such measures is no longer restricted to specialist departments alone, but also extends to other areas of companies.

Water consumption and water usage are relevant topics for under 30 per cent of the polled companies. Over 33 per cent see little connection between these and their own sustainability performance. A very different picture emerges with regards to climate performance, which almost 60 per cent regard as "Influential" to "Very influential" for their own sustainability management. Respective enquiries from the sustainable financial market are implemented accordingly.

How great is the impact of sustainability-orientated investors' and rating agencies' inquiries on the following topics: water consumption and climate performance?

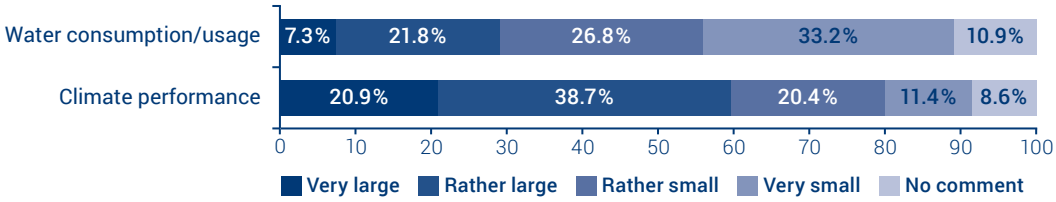

Fig. 21: Impact of sustainability-orientated investors and rating agencies inquiries on the topics of water consumption and climate performance (n = 361); source: oekom research (2017)

Over 38 per cent of the respondents said that individual concrete measures that had been implemented by their companies were in response to sustainability rating agency inquiries. These range from diversity & gender equality policies, general documentation- and reporting-transparency guidelines to the definition of threshold values for Scope 1, 2 and 3 emissions in accordance with CDP requirements, and human rights-related due-diligence obligations regarding the treatment of indigenous peoples. Sustainability rating agency inquiries were also credited with prompting not only the sustainability departments, but companies as a whole to address issues such as donations to political parties, tax avoidance strategies, supply chain management and detailed GHG (greenhouse gas) emissions reporting.

For 10.7 per cent of the polled companies, the company's assessment in sustainability ratings has an impact on the remuneration structure of the entire management. 22.8 per cent said that this was the case for only a few selected management positions. Most of the companies (53.8 per cent), however, have not yet implemented any systems linking remuneration to sustainability performance.

Does your company's assessment in sustainability ratings have an impact on management remuneration?

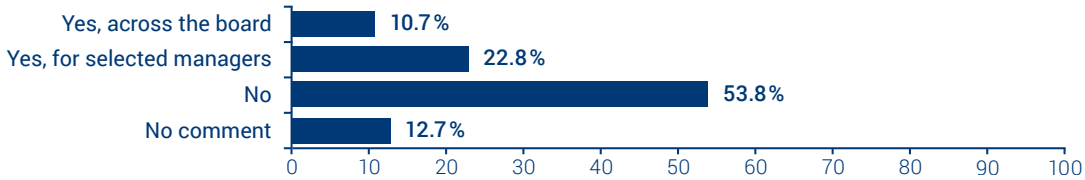

Fig. 22: Impact of the sustainability rating on management remuneration (n = 355); source: oekom research (2017)

These findings were also reflected in the results of the 2013 Impact Study, when the reported confirmation rates were 8.5 per cent (across the board) and 21.6 per cent (selected managers).

Examples

Companies are increasingly using sustainability rating agencies' inquiries as an orientation for preparing their sustainability reports and improving their own sustainability management efforts:

"Our annual sustainability report is prepared in accordance with the requirements of the GRI (Global Reporting Initiative) Standard and contains information on the areas also covered by sustainability rating agencies' inquiries. We also use the rating reports to systematically recognise where improvements can be made and, at a corporate governance level, to initiate the top-down processes needed to rectify them."

"Sustainability rating agencies' inquiries have acted as catalysts for several measures simultaneously. On the one hand, we have responded to the sharper focus on human rights aspects required by some indices by upgrading our former statement on human rights aspects to a comprehensive human rights policy; this will allow us to better address the changed magnitude of the topic and underscore the status of human rights aspects within the company. On the other hand, other indices have been increasingly focussing attention on sustainability aspects in the supply chain; this has acted as a catalyst for preparing a Supply Code of Conduct which, additionally to our already existing Green Procurement Guidelines and an EHS Policy, contains binding guidelines for business partners and suppliers and is made available to rating agencies."

5.6. Use of sustainability ratings for companies

For 91 per cent of the companies, sustainability rating agency requirements act as an early-warning system which helps them recognise relevant social and environmental sustainability trends early on. The share of companies which see no relevance in these is very low at only just over 5 per cent.

But it is not only the general requirements of the sustainability rating, but also sustainability analysts' expectations expressed during the rating process and in dialogue with the companies that help companies to design appropriate sustainability management systems. Over 71 per cent of the companies endorse this statement.

Sustainability analysts' expectations influence the development of companies' sustainability management systems

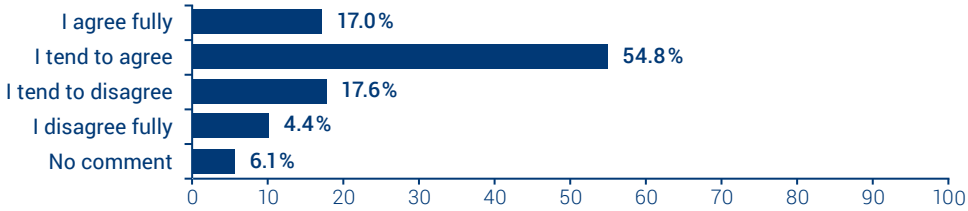

Fig. 23: Influence of sustainability analysts' expectations on the development of companies' sustainability management systems (n = 342), source: oekom research (2017)

Also, a majority of the companies (over 77 per cent) compare their respective sustainability performance with the general rating requirements to analyse the strengths and weaknesses of their own sustainability management systems. Reasons for the notable decline here (84 per cent in 2013) include: a broader range of controlling instruments being available to companies; and sustainability management feedback from other channels which have arisen along with the mainstreaming of sustainability.

For many companies, sustainability ratings also serve as a control mechanism and benchmark to assess and gauge the success of their own measures. Among the over 62 per cent of companies which confirm this, no fewer than 20.3 per cent agree with this very strongly. This is a similar response to 2013 (65 per cent).

We use sustainability ratings to verify and gauge the success of our own measures

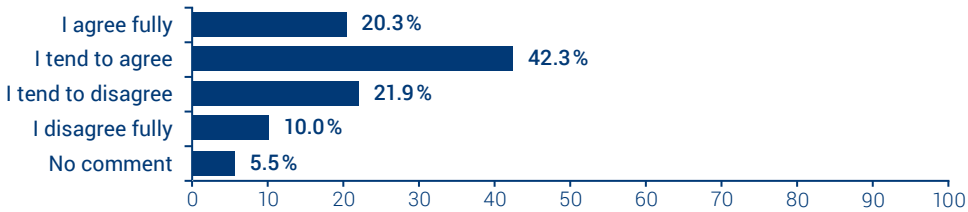

Fig. 24: Use of sustainability ratings for monitoring sustainability measures (n = 342), source: oekom research (2017)

The systematic and transparent assessment of a company also helps it identify its standing compared with its peers. This year's study also inquired about benchmarking for the first time: over 70 per cent of the polled companies regularly use sustainability ratings to compare themselves with their competitors for the purpose of benchmarking.

Sustainability ratings provide companies with important information about the status of their respective sustainability performance. It is thus not surprising that over 90 per cent welcome more industry-specific, comparative values in the rating reports.

5.7. Importance of the UN SDGs

Initiatives such as the UN SDGs and Paris Climate Accord are intensifying the transformation processes which will increasingly change the economy. The transformation poses both challenges and opportunities for companies and is becoming increasingly important for investors as a part of their risk analyses.
In 2015 already, 41 per cent of almost 1,000 companies polled by PwC worldwide said they wanted to actively integrate the UN SDGs into their business strategies within the next five years[11]. It remains to be seen, however, how these policy statements — many of which are still very vague — will be transformed into verifiable actions in the coming years.

At present, the picture is mottled with respect to the importance of the UN SDGs: already 36.2 per cent of the respondents use the UN SDGs along with other initiatives as a rough orientation for their sustainability strategies. 17.4 per cent of companies align their sustainability management systems with the UN SDGs' goals, though at this number still a minority. 15 per cent of respondents use the SDGs for their sustainability reporting, while 8.4 per cent already see them as a means of improving their companies' relevance on the sustainable investment market. Despite these confirmations, the UN SDGs continue to be irrelevant for almost 15 per cent of the companies responding.

What role do the UN SDGs play within your company's sustainability strategy?

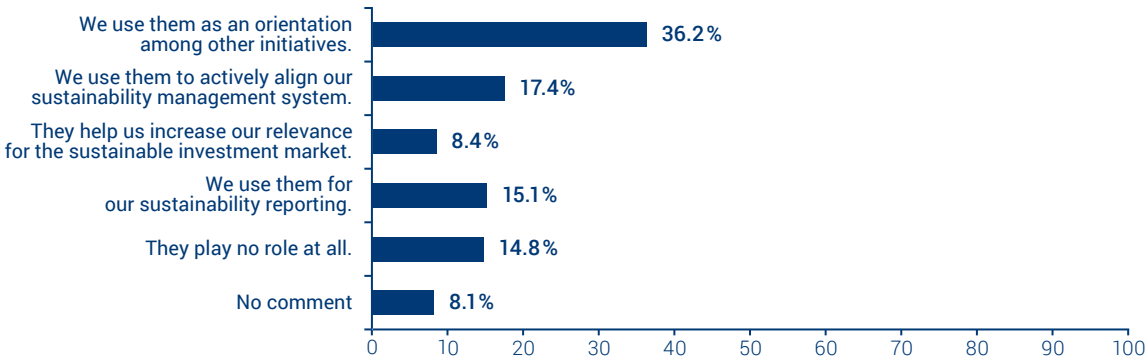

Fig. 25: The role of the UN SDGs with companies' sustainability strategies (n = 345); source: oekom research (2017)

Based on the responses below, at least nearly half of all companies need more support and assistance with regard to implementing and applying the goals of the UN SDGs.

Do you need more support and assistance with regard to implementing the UN SDGs?

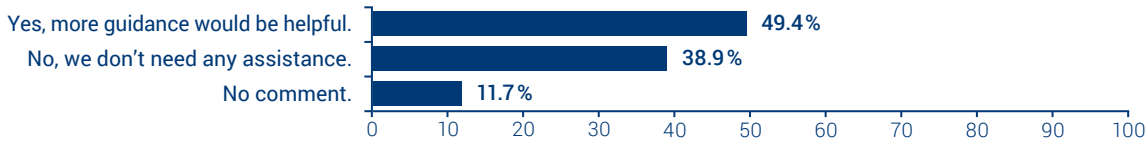

Fig. 26: Support and assistance with regard to implementing the UN SDGs (n = 342); source: oekom research (2017)

Slightly over 37 per cent of the companies see a connection between sustainability-orientated investors' inquiries and companies' implementation of UN SDG-related measures. On the other hand, 20.8 per cent, or slightly over a fifth, of the polled companies perceive the UN SDGs as being of little relevance.

A similar picture emerges with the question regarding the UN Global Compact. Investors' inquiries regarding companies' orientation towards the UNGC guidelines are "important" or "very important" for 41 percent of the companies, while they are of little importance for 47 per cent.

What is the impact of sustainability-orientated investors' and rating agencies' inquiries on the following topics?

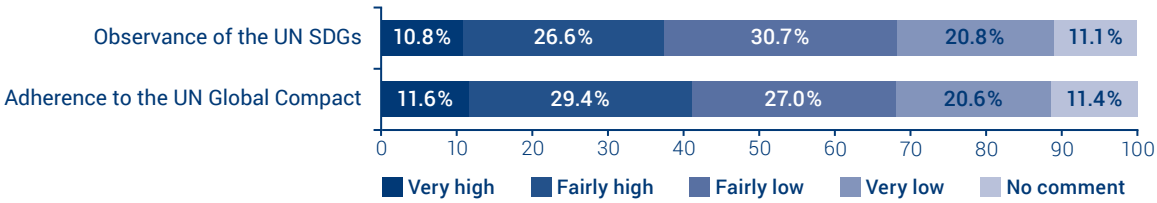

Fig. 27: What is the impact of sustainability-orientated investors' and rating agencies' inquiries on the following topics: UN SDGs, UNGC? (n = 361); source: oekom research (2017)

A majority (58.7 per cent) of the companies said they would be motivated to improve their sustainability performance and boost their commitment to implementing the UN SDGs, were there an SDG label towards which investors could orientate themselves.

Were investors able to acknowledge your company's investments by means of an SDG label, your company would be motivated to comply more rigorously with the goals of the UN SDGs

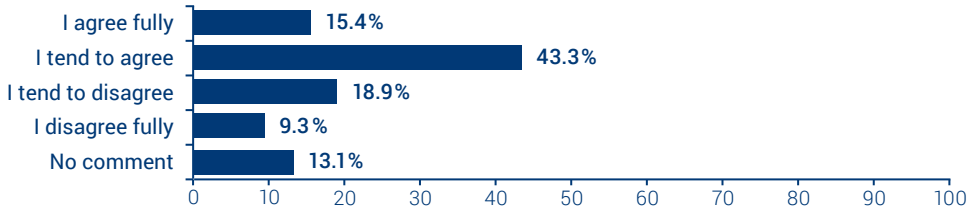

Fig. 28: How companies perceive the impact of a UN SDG label (n = 344), source: oekom research (2017)

Source:

11 See https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf

6. Conclusion: the ongoing improvement cycle

Sustainable development requires an ongoing improvement process. Accordingly, goals, once achieved, serve as the starting point for the next, higher-level goal. This cycle is confirmed via this study's findings. They not only prove that sustainable investment has a concrete impact. They also highlight that this impact continues to function with ever-increasing demands. The response of the companies polled in this study, as well as their continually improving sustainability performances, underpin this assumption.

The general direction is thus clear: sustainable investments are continue to leave an increasing positive footprint on the management and business activities of companies. A similar progress is being motivated by a range of other factors which trigger this increasing trend. While sustainability rating agencies were — and continue to be — the primary motivators, the field has significantly broadened to increasingly include impulses from other players such as the financial market, investors, customers, legislators and public authorities.

Measurability is becoming a vital aspect, both for investors and businesses. The better sustainability-related topics can be translated into concrete, measurable criteria, the greater the acceptance they will enjoy among businesses. Greater uniformity in reporting is also expected to gain in significance — both as a decision-making basis for investors, and as a comparative yardstick and benchmark instrument for companies. There are numerous reporting initiatives which are currently working on establishing standards and providing for comparability. One is the IIRC's (International Integrated Reporting Council) Integrated Reporting for promoting greater integration of key social and environmental topics into the economic context. Others in this field are the central activities of the GRI (Global Reporting Initiative) and CDP (Carbon Disclosure Project) or, recently, the TCFD (Task Force on Climate Related Financial Disclosures). The TCFD provides recommendations on embedding climate-relevant information into conventional financial reporting. In addition, the first regulatory guidelines are also beginning to emerge at a national and European level (e.g. Article 173 in France, and the EU's Nonfinancial Reporting Directive). It will depend on what synergies can be derived from this wide range of reporting requirements in order to provide companies with manageable measurement and improvement frameworks.

With consensus on sustainable development having been reached at the highest political level, the UN SDGs with their application for the private markets could serve as the next lever in the continual improvement cycle. For example, in the July 2017 Interim Report[12] of the EU's High Level Expert Group, the UN SDGs are envisaged as the basis for future EU measures relating to sustainable financial markets. In addition, the first green bonds are looking towards the SDGs in their impact assessments[13]. In this respect, the SDG's are becoming relevant also for corporate issuers.

Nevertheless, their way of functioning must be better explained and their objective requirements made more feasible if companies are to derive concrete actions and goals from them. It thus remains to be seen how companies master the next rounds of the improvement cycle, and which role the sustainable investment market — with its likewise dynamic demands — will assume in this process. For the time being, the main focus will be on using the existing tool box to further sustainable impact.

Sources:

12 See://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

13 http://treasury.worldbank.org/cmd/htm/World-Bank-Launches-Financial-Instrument-to-Expand-Funding-for-Sustainable-Development.html

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oekom research is one of the world's leading research and rating agencies for sustainable investments. oekom research analyses businesses and countries with respect to their environmental and social performance. As a long-standing partner to institutional investors and financial service providers, oekom research develops tailor-made services and helps realize investment strategies in a rapidly growing sector.

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