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Good Ethics Leads To Better Investment Returns

Rachel Walsh

Ethical business practices are not just good for a company's reputation, they could boost a firm's share price too, according to recently published research from the **Swiss Federal Institute of Technology**,

Mr Julian Kölbel, of the department of management, technology and environment, also concludes that unethical corporate behavior results in long term losses even if "dirty business" is more profitable in the short run.

Observing market behaviour and media reports over a two year period from 2006 to 2008, Mr Kölbel checked any negative publicity on environmental or social issues against share prices.

Using a "reputational risk index" compiled by Ecofact, the Zurich-based consulting boutique, he discovered that high reputational risk companies outperformed their kinder contemporaries in the short-term but lost out over time.

But there remains some debate on whether socially responsible investments makes sense on strictly economic grounds.

Earlier this year, Ecofact released a report on high reputational risk companies. The research found that ten most criticised companies, when measured for complaints about particular shortcomings, were: Samsung, Total, Wal-Mart, China National Petroleum Corporation, Shell, ExxonMobil, Citigroup, Nestlé, ArcelorMittal, and Chevron.

Meanwhile, HSBC Global Markets has launched a climate change research programme through which fund managers can access research on climate change from Risk Management Solutions, Ernst & Young, New Energy Finance and the UK Met Office through HSBC.

Samir Assaf, head of Global Markets at HSBC, said: "Climate change is set to be one of the defining investment opportunities in the years ahead. In their investment decisions, fund managers base selection on the best research available, and HSBC's partners in this initiative are clear market leaders in their field. Fund managers gain one central resource for research and can be sure that this is the most comprehensive available."