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SUSTAINABILITY BRIEFING

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Impact funds better and more expensive



»» A MAJORITY OF the Article 9 funds have an impact oriented strategy, 60 percent, while 40 percent have a general Environment, Social, and Governance (ESG) strategy. The first type target environmental and social impact in their strategy, while the other group target broader sustainability goals. This is according to a study covering more than 1,000 investment funds within the Sustainable Finance Disclosure Regulation

(SFDR). Impact funds have higher impact rating scores in relation to how the impact contribute to the UN Sustainable Development Goals (SDGs). They are also more expensive to invest in with higher management fees. ■



SOURCE: SFDR Article 9: Is it all about impact? - ScienceDirect
<https://www.sciencedirect.com/science/article/pii/S1544612324002095>

HIGHER inflows of capital due to SFDR

»» FUNDS THAT ARE included in SFDR regulation is over time becoming more sustainable, increasing their ESG scores, compared to a control group outside the regulation. Also, these funds see a higher inflow of capital from investors, making them more attractive than other funds. Hence, the regulation makes individual investors allocate more capital into more sustainable funds. Better ESG label leads to larger fund net inflows as investors are putting more money into funds labelled as sustainable (article 8 or 9 under SFDR) compared to non-sustainable ones (article 6). This is according to a study covering 9722 EU mutual funds and 15896 US Funds 2019-2021. ■



SOURCE: The power of ESG transparency: The effect of the new SFDR sustainability labels on mutual funds and individual investors - ScienceDirect
<https://www.sciencedirect.com/science/article/abs/pii/S1544612322000332>

9 is better than 8 when attracting capital

»» AN ARTICLE HIGHLIGHTED in the newsletter by Emma Sjöström "Sustainable Capital" displays what happened when many funds changed their label from 9 to 8. It was a clear effect of reduced inflows in the funds one month after the re-classification with about 10 percent. The

interpretation is that a fund that is regarded as being all about sustainability (article 9) is more attractive than an article 8 fund. This confirms the view that SFDR labels are helpful in channeling capital flows to greener funds. It also supports the commercial case of developing ESG invest-

ment products, the authors conclude in the article published in Journal of Asset Management. ■



SOURCE: Greenlabelling: How valuable is the SFDR Art 9 label? | Journal of Asset Management (springer.com)
<https://link.springer.com/article/10.1057/s41260-023-00319-y>



Strong corporate culture drives environmental performance

»» A STRONG CORPORATE culture improves environmental performance, according to a study covering 7199 firms 2002-2018 published in *Journal of Business Ethics*. Features in the culture like innovation, quality, teamwork and technological orientation is beneficial to the performance, measured as amount of toxic chemical release. Also, authors argue that a strong corporate culture and strong environmental performance improve also the financial performance, in this case by the effect on TCR. It is also a way to signal to investors that the company is committed to sustainability which in itself is attractive. ■



SOURCE: Impact of Corporate Culture on Environmental Performance | *Journal of Business Ethics* (springer.com) <https://link.springer.com/article/10.1007/s10551-024-05674-3>



Climate change denial damage performance

»» COMPANIES BASED IN regions with a high level of climate denial have lower environmental performance than other companies. These companies are also more likely to commit environmental violations and impose greater environmental costs on society. This is a result of a study covering a large number of counties in the US, where a climate change perception surveys conducted were used to compute a measure of

climate change denial. This shows the importance of participating in a public debate on climate change and the actual negative effects on companies that denial arguments can have. ■



SOURCE: Climate Change Denial and Corporate Environmental Responsibility | *Journal of Business Ethics* (springer.com) <https://link.springer.com/article/10.1007/s10551-024-05625-y>

Addressing burnout syndromes

»» IN A SPECIAL ISSUE in *Harvard Business Review* addresses the alarming situation on burnouts among business managers. 77 percent of professionals have experienced burnout at their current jobs, according to a recent Deloitte study. Something that leaves individuals drained and companies less successful, editors in HBR argue. It could be in terms of physical burnout, meeting overload, information overload or change fatigue. Editors have compiled the best

articles from the archive that for example discuss how leaders can set boundaries and focus on what's important, how frontline managers can help their employees facing burnout and how leaders can shape work and policies in organizations to both promote productivity and protect workers' health and well-being. ■



SOURCE: HBR.org <https://hbr.org>

Nordic companies *lead the way*

>>> IN A MAJOR PIECE in the journal *California Management Review*, Nordic companies are praised for their global leadership within sustainability. The author is Robert Strand, Executive Director at Center for Responsible Business at Berkeley Haas University of California and associate professor at Copenhagen Business School. He show-case this leadership

through the examples of Novo Nordisk, Vestas, Ørsted, Neste and IKEA. The article shows that Nordic companies are over-represented in almost every sustainability index you can find. It is explained by long term vision, partnership strategies and the historical roots of the stakeholder model going back to the works by Eric Rhenman in the sixties at the Stockholm School

of Economics. A model that today is perceived both as a guide for responsible business and as a way of capturing the business case of Sustainability. ■



SOURCE: Global Sustainability Frontrunners: Lessons from the Nordics
<https://journals.sagepub.com/doi/10.1177/00081256241234709>

CSRD

already partial adopted in annual reports

»» IN AN UNSCIENTIFIC analysis of the first 70 annual and sustainability reports published in Sweden and Denmark almost all (67) write that they have started preparing for CSRD. 53 have made a Double Materiality Analysis but only 19 have published one. This means that there are a large number of DMAs, including new information on financial risk and opportunities, that has not been published yet, which is interesting from a transparency perspective. However, 29 companies or about 40 percent have started to use ESRS instead of GRI as a reporting standard. In addition, 26 companies have an illustration or table on where in the value chain different sustainability issues are most material. So, CSRD has already started to affect corporate reporting even though the regulation is not in place yet. ■



SOURCE: [Foreversustainable.se](https://foreversustainable.se)
<https://foreversustainable.se>

SFDR affect *market movements*

»» THE STUDY INVESTIGATES the impact of investor attention on the Sustainable Finance Disclosure Regulation (SFDR) on European financial markets from 2019 to 2022. The SFDR, part of the EU's effort to boost confidence in sustainable investments and reduce greenwashing, requires financial entities to disclose information on sustainability risks at both entity and product levels. This study uses the nonparametric causality-in-quantiles method to determine if investor attention, measured through Google Search Volume Index (GSVI), predicts market trends, particularly during bearish and normal market conditions. Key fin-

dings indicate that investor attention to SFDR is a strong predictor of market movements, especially when markets are not performing optimally. This predictive power is mostly observed in lower-middle quantiles, suggesting that investors' reactions to sustainability disclosures are more pronounced under these conditions. The results hold even after various robustness checks, including different sets of keywords and controlling for weekly seasonality. ■



SOURCE: SFDR, investor attention, and European financial markets - ScienceDirect
<https://www.sciencedirect.com/science/article/pii/S154461232300507X>

WARNING:
Written
by AI

Benefits with Scope 3 strategies

»» A MCKINSEY ARTICLE discusses the importance of reducing Scope 3 emissions, the indirect emissions from a company's value chain. These emissions are often the largest contributor to a company's carbon footprint but can be complex to address. There is, consequently, a growing potential for companies to capture value by reducing Scope 3 emissions through cost savings, achieve green premiums, and new business opportunities. Strategies to reap the benefits are displayed which include

establishing tighter supplier and customer collaborations, develop new products and processes that are lower-carbon, invest in recycling and develop circular economy solutions, and integrate upstream or downstream in the value chain to gain more control over emissions. ■



SOURCE: Scope 3 targets in the materials value chain | McKinsey
<https://www.mckinsey.com/industries/metals-and-mining/our-insights/the-scope-three-challenge-solutions-across-the-materials-value-chain>

ABOUT US

FOREVER SUSTAINABLE

We are a Scandinavian hybrid consultancy and think tank focusing on sustainable business and Shared Value.

SUSTAINABLE BUSINESS QUARTERLY REPORT

An intelligence service for executives engaged in sustainability, CSR and the future of business.

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