

Socially responsible money: an alternative to the financial obsession with “short term” money?

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From the ethical point of view, sustainable investment is today considered the best alternative to short-term financial performances. This is the reason why SRI (Socially Responsible Investment) strategies are today the core activity of private banks like Sarasin Bank or KBC Asset Management. The ESG standard of exclusion practices are central to them, but research departments in various business schools (we were offered the opportunity to hear Céline Louche) highlight the need for constant analysis of the barriers and opportunities in this fast upward funding trend.

SRI strategies are based upon ESG criteria, that is to say is economical, social and governance concerns, and more concretely, renewable energy, global

warming, health, poverty issues, etc. Enhancing activities that support these concerns is as crucial as excluding activities for not respecting global norms, conventions or ethical consensus. Fundings collected by private banks mainly come from institutional investors (25% of SRI come from individual investors in France for instance).

The two key issues about SRIs are risk management and opportunity seizing according to Sarasin Bank (Private bank in Switzerland, worth 7 billion Euros of assets, is a leader in SRI). Economic, ecologic and social concerns are obviously at stake: preserving companies' reputation (cf. Mattel sold “toxic Barbies” because of an inefficient supply chain management), providing equal treatment on carbon emission taxing and efficiency in resource management (energy costs increase because of scarcity and growing added-value). Green stimulus spendings in the world show that this is a global issue: see the USA, South-East Asia and then Europe.

KBC Asset Management brought more insights about market screening. KBC stressed the transparency issue throughout the SRI value chain. It seems that the search for purity overcomes the need for performance. Unbelievable... is it an experience of true ethics? Companies which are about to be funded are thoroughly studied and evaluated: KBC looks into their intents (e.g. mission statements), the reliability of their structure, their investing in long-term sustainability, corporate governance,

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environment, in-house social responsibility, respect of human rights... thanks to the work of independent analysts. The goal is ultimately to impose non-financial criteria for project funds in a diversified and global portfolio in order to have an impact at three levels: investors, companies, and the society as a whole. However, true ethics do not pretend to be ideal: SRI is not systematically THE solution, as the risk profile is nearly the same as MSCI.

Academic research definitely proves the need to find a balance by highlighting the background barriers to SRI's success: investors' mindsets, quantitative decision techniques, short-termism in performance requirement, and a lack of education... Investors have different opinions over SRIs: there are so many issues, which ones to select? How to trust the data? Inside the firm, the main challenge for Corporate Social Responsibility (a non-financial issue) is to better relate to the overall strategy (financial stakes) -still being independent though- and thus gain legitimacy towards investors.