



# **Sustainable Investment is Good Investment**

**White Paper - May 2016**

## **Introduction to Greeneye**

Greeneye is the primary provider of independent research into the social, environmental and ethical performance of companies in Israel. Greeneye advises the financial sector on assimilating environmentally considerate thinking and incorporating environmental criteria into decision making on investment, finance and insurance issues. Greeneye is the Vigeo Eiris research partner in Israel and the environmental advisor to the Maala CSR Tel Aviv Stock Exchange Index.<sup>1</sup>

## **Background**

Previous research<sup>2</sup> has demonstrated a positive correlation between financial returns and sustainability indicators for quoted companies on international exchanges.

Greeneye determined to investigate this relationship for Israeli companies by tracking the performance of the 2012 components of the TASE-25 index from 1<sup>st</sup> January 2012 until the research date (5<sup>th</sup> May 2016).

## **Method**

Greeneye sorted the Tel Aviv Stock Exchange 25 Index from 2012 by 2011 Sustainability Ratings (a measure from the Eiris Global Platform ©) to compare the performance of the most and least sustainable companies over 4.5 years.

The EIRIS Sustainability Rating is a score that includes measures for:

Bribery and corruption, human rights, equal opportunity, pollution, corporate governance and employee engagement as well as other ESG indicators.

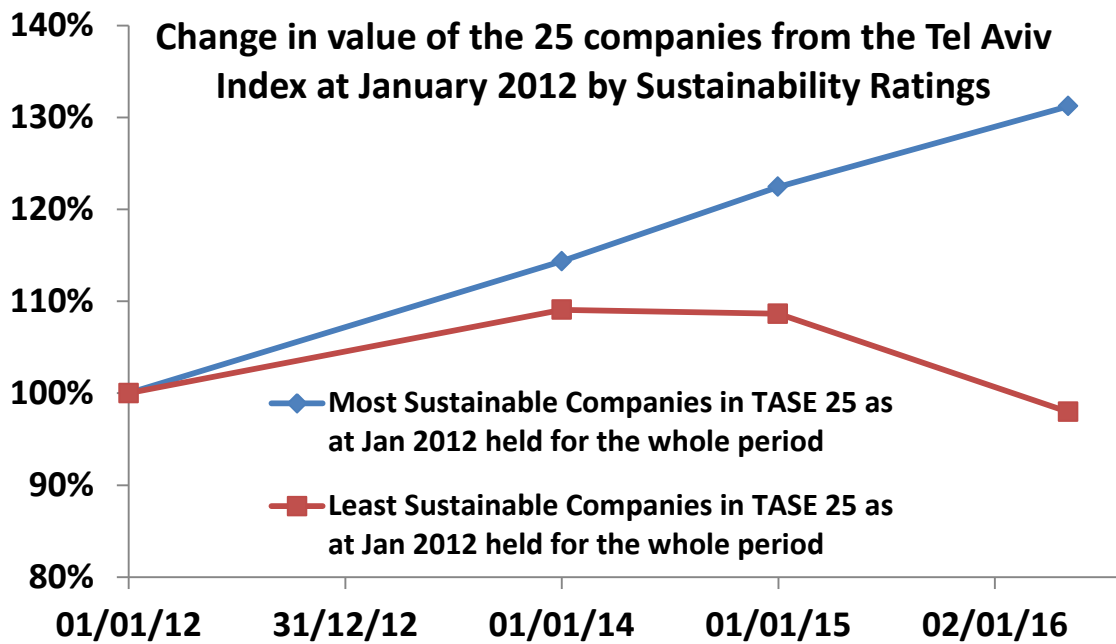
The change in share price (normalised by weightings in the index) for the group of most sustainable companies, and least sustainable companies, was tracked over the period January 2012 to May 2016. Note that the 25 companies under observation were the original list from the January 2012 TASE-25 index.

This method demonstrates what would have happened had an investor selected the most sustainable companies from the index in 2012 (using sustainability data available at that time) and held them for 4.5 years, versus holding the least sustainable companies over that period.

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<sup>1</sup> For more information please visit [www.greeneye.co.il](http://www.greeneye.co.il)

<sup>2</sup> For example: "ESG and financial performance: aggregated evidence from more than 2000 empirical studies", Friede, Busch & Bassen, Deutsche Asset & Wealth Management Investment, Frankfurt am Main, Germany; School of Business, Economics and Social Science, University of Hamburg, Hamburg, Germany, (9 November 2015).



## Results

The graph demonstrates that the top 13 sustainable companies in the 2012 TASE-25 index performed significantly better than the least sustainable companies over the period, remaining positive even when the index itself fell (Jan 2015 – May 2016). Over the whole period, the more sustainable companies provided a return of 31% versus a return of -2% for the bottom 12 sustainable companies.

## Conclusion

The results support the findings of earlier research and suggest that sustainability data is potentially critical to a comprehensive understanding of Israeli companies' financial prospects over the medium to long term.

## Further Research

Further research could be focused on investigating to what extent similar trends are seen to occur in different geographies and over different time periods. Additionally, a more dynamic investment model could be analysed where companies are moved in or out of the investigation set as they move in or out of the relevant index over time.

## Report Author

Leo Dee, Greeneye (May 2016)

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