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GOING GREEN PAYS DIVIDENDS

OLAF WEBER

Sure, green business practices are good for the planet. But are they good for the bottom line? That's the question that WISE's Olaf Weber has been probing for more than a decade. And according to his research, the answer is (mostly) yes.

In 2008, Weber analyzed the most recent sustainability, environmental, social and financial reports of 100 companies around the world. He discovered that the higher firms scored on an internationally recognized set of sustainability measures, the better they tended to perform financially.

In another study published that same year, he showed that small- and medium-sized companies with a strong environmental track record were less likely to default on loans. Weber and his colleagues concluded that financial institutions could reduce their risks by incorporating environmental criteria into their lending decisions.

Most recently, Weber turned his attention to the performance of more than 400 equity funds. His analysis revealed that every 100 tonne drop in carbon dioxide emissions per million dollars in sales correlates to a 10 per cent increase in the fund's three-year compound return. Adding more green companies to a fund's portfolio also yielded a small bump in returns.

It all adds up to a compelling business case for sustainability. However, Weber does sound one note of caution. According to his results, Canadian equity funds that invest in a greater percentage of green companies underperform those with less eco-exposure, perhaps due to the small pool of green firms in Canada.

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