



AN INTELLIGENCE SERVICE FROM FOREVER SUSTAINABLE | ISSUE #13

# SUSTAIN ABILITY *BRIEFING*

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FOREVER

# Female entrepreneurs crucial for Sustainability Start-ups

## »» BOSTON IS THE LEADING

sustainability start up cluster and a high share of female entrepreneurs is driving the formation of entrepreneurial ecosystems focusing on sustainability. This was concluded in a recent study that explored the ways in which levels of sustainability entrepreneurship differ between regions and sought to identify factors that foster the development of sustainability entrepreneurial ecosystems.

Based on data from websites of 19,997 start-ups from 28 of the largest entrepreneurial ecosystems (EEs), the authors found that the highest proportion of sustainability start-ups was found in Boston, followed by Houston, Seattle and Lagos. Stockholm was on the list, but on last place of 28 ecosystems that were studied.

Data also suggests that high GDP, in combination with high percentage of female founders

of start-ups, encourages EEs with large numbers of sustainability endeavours. The authors encourage policy-makers to support female entrepreneurs, particularly those involved in sustainability start-ups, by setting up start-up incubators and accelerators to help them launch their businesses. ■



**SOURCE:** Journal of Cleaner Production  
<https://www.sciencedirect.com/science/article/pii/S0959652621012737>

## Subjective Sustainability ratings

### »» DESPITE THE GENERALLY

rational appearance of sustainability ratings practices, ratings methods are relatively flexible and adaptable to regional differences and institutional changes. Sustainability ratings appear to depend largely on the personal judgement of analysts rather than a standardised and objective method. This is the result of a study based on 36 interviews

with sustainability ratings practitioners. The study explored the practices, challenges and ethical considerations underlying corporate sustainability ratings.

The study also found that rating agencies often would engage in impression management, providing an appearance of order and measurability to the rather fuzzy and multifaceted nature of sustainability performance. Sus-

tainability Rating Agencies were also found to play an important role in institutionalising sustainable development standards and practices. ■



**SOURCE:** Accounting, Auditing & Accountability Journal  
<https://www.emerald.com/insight/content/doi/10.1108/AAJ-12-2019-4356/full/html>



## Green bonds effective tool against climate change

»» GREEN BONDS ARE becoming increasingly popular in corporate finance practice but very little is known about their effectiveness when it comes to issuers' environmental engagement. So researchers investigated whether green bond issues are associated with a reduction in total and direct emissions of companies.

Results of the study suggest that compared to traditional bond issuers with similar financial attributes and environmental ratings, green bond issuers borrowing in the green segment show a decrease in the carbon intensity of their assets for up to two years after bond issuance. The study supports the view

that green bond issues signal a credible and reliable commitment towards climate-friendly behaviour.

Researchers also found a larger reduction in emissions in case of green bonds that have external review as well as those issued after the Paris Climate Agreement. This indicates that the Paris Agreement is already driving and greening firms' economic and financial policies, the authors conclude. ■



**SOURCE:** Business Strategy and the Environment  
<https://onlinelibrary.wiley.com/doi/full/10.1002/bse.2771>

# CSR

## Higher ESG transparency brings lower interest rates for companies

»» FIRMS WITH HIGHER level of transparency in the disclosure of ESG information benefit from lower costs of debt financing. They can borrow money at lower interest rates. A recent study analysed the effect of ESG disclosures on the cost of debt based on panel data from 919 international firms at S&P 1200 Global Index over a one-year period. Results of the study indicate a negative effect of ESG disclosures on the cost of debt financing. Researchers posit that managers should collect information on critical issues related to emissions, energy, human rights and political involvement and make these disclosures easily accessible to lenders.

Additionally, the cost of debt was found to be negatively related to the firm's size, meaning larger firms benefit from a lower cost of debt financing due to having easier access to external financing. The study also confirmed a negative association between firm profitability and the cost of debt, indicating that profitable firms are considered less risky. ■



**SOURCE:** Corporate Social Responsibility and Environmental Management  
<https://onlinelibrary.wiley.com/doi/10.1002/csr.2134?af=R>





## “Fempower-washing”: Is “Femvertising” the New Greenwashing?

**>>> COMPANIES ARE BEING** increasingly recognised for advertisements promoting gender equality, referred to as “femvertisements.” But do companies that win these femvertising awards actually support women? Are they actually working towards gender equality? Based on a study of 61 American companies (31 award winners and 30 non-winners), researchers sought to investigate this.

Results show that among companies of similar size and annual revenue, the ones that won “femvertising” awards were indeed doing more internally to support women in meaningful ways. However, these companies were no more likely than non-award winners to have greater female representation in leadership positions or on their boards. The authors caution that companies may be engaging in “fempower-washing” – displaying

some selected women in leadership positions to seem like a diverse company but lacking a genuine commitment to gender-equality. ■



**SOURCE:** Journal of Business Ethics  
<https://link.springer.com/article/10.1007/s10551-021-04755-x>

## The Greta effect measured

»» **GRETA THUNBERG** motivates others to become climate activists themselves. This is proven and measured in a new research paper. In a study of about 1300 adults in the US, it was shown that those who are more familiar with Greta Thunberg have higher intentions of taking collective actions to reduce global warming. This is the case even after adjusting for the respondent's earlier support for climate activism. The paper concludes that the "Greta Thunberg effect" motivate collective action across over the U.S. public, not only among the young but for all ages. But the effect may be even stronger among those with a shared political ideology. ■



**SOURCE:** Journal of Applied Social Psychology  
*The Greta Thunberg Effect: Familiarity with Greta Thunberg predicts intentions to engage in climate activism in the United States - Sabherwal - 2021 - Journal of Applied Social Psychology - Wiley Online Library*



## Nudges in SRI: The Power of the Default Option

»» **A RECENT STUDY** explored the role of "nudges" in socially responsible investing (SRI). Researchers found that making SRI the default investment decision increases the money allocated to SRI. It does so in two ways: first, around half of investors do not opt out of the default allocation, and second even those who opt out invest more in SRI compared to investors not receiving the "default" nudge. Surprisingly, the study also found that investors who were nudged to consider ethics through shocking images were no more likely to increase the money they allocate to SRI compared to investors receiv-

ing no nudge. The default option seemed to work better.

Coined by an economist, "nudges" refer to a method of influencing human behaviour, without relying on prohibitions or changing economic incentives. Researchers predict that some people who invest in conventional funds do so mostly by default and would consider themselves better off with investments in SRI that match their personal values. ■



**SOURCE:** Journal of Business Ethics  
<https://link.springer.com/article/10.1007/s10551-020-04731-x>

## How to best build a purpose driven company

»» **MANY COMPANIES WANT** sustainability to influence the over-all purpose of the company. Framing your company's purpose should be rational and systemic but also emotional. It should resonate with your employees and play a role into their everyday decision-making. McKinsey experts developed a framework to do just that, calling it the 5Ps, that should inform how a company frames its purpose:

- **Portfolio strategy and products:** Redefine your product portfolio – launch new products and discontinue some old ones. Revise your pricing strategy and test the purposefulness of individual assets.
- **People and culture:** Align recruiting, people development and career planning to activate purpose. Embed purpose into KPIs and offer

employees incentives for meeting targets.

- **Processes and systems:** Ensure that supplier conduct is in line with your stated purpose, and adapt operational practices to attain purpose-based goals.
- **Performance metrics:** Set performance targets and metrics in line with your company's purpose.
- **Positions and engagements:** Align corporate affiliations with purpose, and adapt external communications and engagements with purpose. ■



**SOURCE:** McKinsey  
<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/more-than-a-mission-statement-how-the-5ps-embed-purpose-to-deliver-value>



# Exclusion by Norway's "Oil-fund" destroy target companies' value

**>>> NEGATIVE SCREENING BY** the Government Pension Fund Global of Norway causes a significant decrease in excluded firms' stock prices, a new study show. Researchers found that exclusions caused a strong price drop in targeted companies in the very short term and that this effect remains also in the medium term, although somewhat weaker. Especially, climate change-related exclusions were found to result in a decrease in stock values for firms in question,

indicating that market participants are sensitive to climate issues and penalise firms engaging in climate damage.

Government Pension Fund Global of Norway was earlier named the Petroleum Fund of Norway and is a fund where profits from the Norwegian petroleum industry is deposited, making it into one of the most influential sovereign wealth funds. Negative screening is one of the several methods through which responsible sovereign wealth funds

implement socially responsible investments. It is an exclusionary strategy that includes disinvestments in specific stocks of companies that violate predetermined criteria related to ESG issues. ■



**SOURCE:** Business Ethics  
<https://onlinelibrary.wiley.com/doi/abs/10.1111/beer.12314>

# Non-Governmental Organisation (NGO) Tweets: *Do Shareholders Care?*

**>>> NGO TWEETS ABOUT** your company is important. They significantly affect a company's stock performance, with shareholders generally reacting positively to positive tweets and negatively to negative tweets. These are findings based on an analysis of 1,611 tweets from 18 large non-governmental organisations (NGOs) over the course of eight years on how these messages affect a company's stock prices.

Overall, the study demonstrated that tweets by well-known NGOs,

irrespective of their tone, have a significant impact on the financial performance of targeted companies. The authors caution that companies should be more proactive in monitoring social media posts from influential NGOs to address concerns, engage in discussions, and stay ahead of potential controversies. ■



**SOURCE:** Business & Society  
<https://journals.sagepub.com/doi/full/10.1177/0007650320985204>

## Correlation between Corporate Social Responsibility and Stock Performance

**>>> RESEARCHERS INVESTIGATED** the relationship between corporate social performance and financial performance by comparing the portfolio returns of firms with recent changes in corporate social responsibility. Their study found that corporate social performance is positively related to financial performance, but this relationship was found to vary with non-crisis and crisis periods. Value enhancement of good employee relations was stronger during the non-crisis period, but improvement in environmental and human rights characteristics was better rewarded during crisis periods.

Additionally, during periods of crisis, when societal trust may be

low, companies with more reliable products may be perceived as more trustworthy. These firms' products therefore may be in greater demand during the crisis period, therefore leading to better financial performance. The authors conclude that CSR activities offer an insurance-like protection for companies, and so if firms engage in more CSR activities, they receive less negative judgment from shareholders. ■



**SOURCE:** Journal of Business Ethics  
<https://link.springer.com/article/10.1007/s10551-021-04772-w>



BERNIX STUDIO

People with gender stereotype thinking is **more likely to accept fraud**

**>>> USING DATA FROM** the World Values Survey, a study sought to explore whether an individual's personal beliefs and value systems affect their fraud tolerance – that is, their likelihood to accept dishonest behaviour in general. Results of the study suggest that people with stronger self-enhancing values exhibit higher fraud tolerance and that people with stronger beliefs in the importance of hard work demonstrated lower fraud tolerance. Finally, the study found that people prone to traditional gender stereotypes were much more likely to demonstrate higher levels of fraud tolerance. Hence, people that have issues with diversity could also have a higher risk for accepting fraud. ■



**SOURCE:** Journal of Business Ethics  
[https://link.springer.com/article/10.1007/s10551-020-04704-0#:~:text=Applying%20partial%20least%20squares%20path,higher%20\(lower\)%20fraud%20tolerance](https://link.springer.com/article/10.1007/s10551-020-04704-0#:~:text=Applying%20partial%20least%20squares%20path,higher%20(lower)%20fraud%20tolerance)

## 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.

### IN COOPERATION WITH:

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