Our partnerships with universities

Vigeo Eiris supports scientific research on social responsibility. We build partnerships with academics through research agreements and enable them to access and utilise our database.

OUR PARTNERSHIPS AIM TO

- Contribute to scientific knowledge and research on CSR and SRI,
- Develop research protocols and enhance our scientific knowledge to improve ratings and evaluation methodology,
- Share research outcomes with financial organisations, companies, academics and the general public, and
- Reinforce the expertise of Vigeo Eiris' teams on relevant issues.

KEY RESULTS

6 academic partnerships signed per year on average since 2002

79 universities partners from **13** countries

22 partnerships over 79 have led to publications in a research journal or other

More than **60** publications released based on our dataset (articles, working papers, PhD theses, reports), an average of **4** articles per year

Numerous publications in top 50 academic journals, as ranked by the **FT**

www.vigeo-eiris.com

PROMOTING ACADEMIC CONFERENCES

Vigeo Eiris organises conferences with academic partners to share their latest findings and debate new trends in SRI and CSR.

- **2 October 2014:** Evaluating the intangible capital of Businesses and States

With participation from Isabelle Girerd-Potin, CERAG, IAE Grenoble; Vincent Lapointe, Kedge Business School; Patricia Crifo, École Polytechnique; Luc Renneboog, Tilburg University; Helena Vines Fiestas, BNP Paribas; Marie Brière, Amundi; Bozena Jankowska, Co-Head of ESG at Allianz Global Investors and Elisabeth Cassagnes, La Française AM.

- **25 February 2013:** The Impact of ESG rating on investing universes.

With participation from Aldo Cardoso IEP Paris; Pascal Louvet and Isabelle Girerd Potin, IAE Grenoble; Pierre Chollet, Montpellier University; Alexis Cellier, l'Institut de Recherche en Gestion de l'Université de Paris-Est; Luc Van Liedekerke, Patrick Viallanex, AGICAM; Marie-Pierre Peillon, Groupama AM; Patricia Crifo, École Polytechnique; Magalie Marais, Centre Montpellier Recherche in Management; Remi Bazillier, Université d'Orléans; Halina Ward, FDSD; Craig Smith, INSEAD; Hélène Valade, Lyonnaise des Eaux and C3D; and Claude Darnault, Essilor International.

REWARDING PHD BEST THESES ON CSR

Since 2012, Vigeo Eiris supports the French International Research Network on Organisations and Sustainable Development (RIODD – Réseau International de Recherche sur les organisations et le développement durable). It rewards every year the best PhD thesis in social sciences related to Corporate Social Responsibility and/or Sustainable Development.

RIODD
Réseau International de Recherche sur les Organisations et le Développement Durable

MAIN ISSUES RESEARCHED

Our academic partners focus their research on 9 main themes:

Finance

- **Links between CSR and SRI performance**
- **Markets and CSR**

Risk &Performance

- **CSR and risk management**
- **Corporate economic performance and CSR**
- **Environmental econmic performance**
- **Social economic performance**

Thematic Focus

- **Governance and CSR**
- **Concepts around CSR**
- **Rating countries**

KEY FINDINGS - LINKS BETWEEN CSR AND SRI PERFORMANCE

• "The Impact of Corporate Social Responsibility Rating Announcements on European Stock Prices " (2011), by Pierre CHOLET and Alexis CELLIER – IRG Université Paris Est – working paper for the International Conference of the French Finance Association (AFFI)

The announcement of Corporate Social Responsibility (CSR) ratings offers a good opportunity to assess **the impact of CSR on financial markets.** Using an event study methodology, the authors analyse the influence of Vigeo Eiris CSR rating announcements from 2004 to 2009 on short term European stock returns. **The results show a positive significant effect of the announcement on the stock returns over two days prior and two days following.** They also investigate the relation between the content of the announcement and the Abnormal Return (AR). The overall impact is positive. **The study shows that CSR really matters for financial markets** and that the reaction is driven by disaggregated measures for corporate governance.

• "The effects of CSR on Risk Dynamics and Risk Predictability: A Value-At-Risk Perspective", (upcoming), by Jean-Laurent VIVIANI, Christophe REVELLI and Malick FALL – Kedge Business School

This paper is one of the first to empirically examine **the relationship between socially responsible (SR) dimensions and financial risk, by measuring the Value-at-Risk (VaR)** of a sample of 953 international stocks with a Vigeo Eiris social rating during the period 2006-2012. The authors conclude that **good overall SR scores reduce the downside risk level (measured by VaR), dampen the effect of negative returns on volatility by reducing the leverage effect and by softening the volatility movement.** In terms of risk predictability, they find a **clear relationship between good corporate governance and the statistical quality of the prediction of stock return risk (measured by VaR) for short sales.**

• " Measuring the effect of government ESG performance on Sovereign Borrowing Cost" (2014), by Patricia CRIFO, Marc-Arthur DIAYE and Rim OUEGHLISSI – Ecole Polytechnique, in Cahier de la Recherche 2014-16

This papers examines whether the extra-financial performance of countries on environmental, social and governance (ESG) factors matters for sovereign bond markets. Using a panel regression model over a data set with 23 OECD countries, the authors **show that ESG ratings significantly decrease government bond spreads.** Moreover, they find that the impact of ESG ratings on the cost of sovereign borrowing is more pronounced in bonds of shorter maturities. Finally, they show that extra-financial performance plays an important role in assessing risk in the financial system.

• "Does Pension Funds' Fiduciary Duty Prohibit the Integration of Environmental Responsibility Criteria in Investment Processes?: A Realistic Prudent Investment Test" (2011) by Andreas G. F. HOEPNER, Michael REZEC and K. S. SIEGL

In late 2010 the Centre for Responsible Banking and Finance, at the University of St Andrews, set up a project that aimed to see whether a **typical pension fund integrating ESG criteria into its investment process would experience disadvantages from having taken ESG information into account.** Using data from an annually updated FTSE All World Developed universe of companies from 2005 to 2010 (24 countries, c.1,800 firms per annum) and their ratings by EIRIS on five different environment criteria (Environmental Policy, Environmental Management, Environmental Impact, Environmental Reporting and Overall Environment), the academics find what they describe **as 'reduced realised risk'** for those companies EIRIS scored as 'exceptional' on environmental criteria.

KEY FINDINGS - MARKETS AND CSR

• "The Impact on European Stock Markets of Corporate Social Responsibility Alerts Dissemination and their Triggering Events" (2016), by Pierre CHOLET and Blaise SANDWINI – IRG Université Paris Est – in Finance Contrôle Stratégie [online], 19-2 | 2016

This paper examines the contribution of corporate social responsibility alerts. Based on a sample of 480 alerts released by Vigeo Eiris over the period 2004-2011, the authors find a negative stock market over-reaction to triggering events and a positive reaction to the first alert for an involved company. **The results show that the more serious the triggering event the more the positive effect of alerts on stock returns is strong.** Moreover, the authors observe that environmental alerts are a specific case, as they negatively affect stock prices.

• "Do investors trade around social rating announcement ?" (2016), by Pierre CHOLET, Alexis CELLIER and Jean-François GAJAWSKI – IRG Université Paris Est – in European Financial Management, Vol. 22, Issue 3.

This paper investigates trading around Corporate Social Responsibility (CSR) rating announcements. Focusing on CSR rating announcements made by Vigeo Eiris on European markets, it uses Euronext intraday data to prove that trading volume drops sharply before announcements and increases afterwards. Willingness to trade depends mainly on prior private information and the content of the announcement. The results show effects from disaggregated scores, but not from overall scores. More specifically, the authors find that some **topics like business behaviour, human resources and human rights significantly influence investor trades.** Environmental risk does not have an impact on trading behaviour.

• "Which Dimensions of Social Responsibility Concern Financial Investors?" (2014), by Isabelle GIRERD-POTIN, Sonia JIMENEZ-GARCES and Pascal LOUVET - Université Grenoble Alpes, in Journal of Business Ethics, June 2014, vol. 121, n°4.

Social and environmental ratings provided by social rating agencies are multidimensional. Using the six sub-ratings provided by the Vigeo Eiris rating agency, the authors perform a Principal Component Analysis and highlight three main independent SR dimensions related to (1) business stakeholders (employees, customers, and suppliers), (2) societal stakeholders (environment and society), and (3) financial stakeholders (shareholders and debt holders). The paper also explores the link between stock returns and these three Social Responsibility dimensions. **The most notable finding is that for each Social Responsibility dimension, investors ask for an additional risk premium when they accept to hold non-socially responsible stocks. Therefore, the cost of equity is lower for socially responsible firms.**

• "Does Corporate Social Responsibility Affect Firm Financial Risk? Evidence from International Data." (2014), by Mohammed BENLEMLIH and Isabelle GIRERD-POTIN - Université Grenoble Alpes, working paper for the Spring International Conference of the French Finance Association (AFFI)

This paper **examines the impact of Corporate Social Responsibility (CSR) on firm financial risk (total, systematic and specific risks)** using 5,716 firm-year observations between 2001 and 2011. Firstly, the authors argue that the overall **CSR score is negatively related to systematic and specific risks. Secondly, they show how the Human Resources score negatively affects total, systematic and specific risks.** Thirdly, they observe that community involvement has a positive impact on total and specific risks. Fourthly, they demonstrate that **corporate governance and business behaviour negatively affect firm-specific risk.** Finally, factors such as environment and human rights do not have any effect on financial risk

KEY FINDINGS - CORPORATE ECONOMIC PERFORMANCE AND CSR

• "Visiting the Corporate Social Performance-Financial Performance Link in Europe" (2014), by Olivier MEIER, Jean-Yves SAULQUIN, Guillaume SCHIER and Richard SOPARNOT – France Business School and IRG Université Paris Est

This study aims to visit the link between Corporate Social Performance (CSP) and Corporate Financial Performance in Europe, using data from Vigeo Eiris. **The results demonstrate a strong link between CSR performance and market-based Corporate Financial Performance (CFP)** but more contrasting results between CSR performance and accounting-based CFP. Moreover they show no evidence of any link between CSR performance and a firm's risk computed as the standard deviation of Return on Assets (ROA).

• "The effects of social ratings on firm value" (2015), by Pierre CHOLET and Alexis CELLIER – IRG Université Paris Est, in Research in International Business and Finance 36 (2016) 656–683

This paper examines, from a short-term perspective, the effects of Vigeo Eiris' social ratings announcements on the firm's shareholder value. From an event study on a large sample of European firms, the authors show that **the announcement of ratings generates a strong positive stock market reaction regardless of whether the rating is good or bad.** This finding underlines the relevance of ratings and reveals the value effects of corporate social responsibility (CSR). The authors also find that the overall rating has no impact on shareholders' wealth.

• "CSR and Financial Performance: Complementarity between Environmental, Social and Business Behaviours" (2014), by Sandra CAVACO and Patricia CRIFO – Ecole Polytechnique, in Applied Economics. 46(27): 3323-3338

This article analyses the interactions between various dimensions of corporate social responsibility (CSR) that mediate the relationship between CSR and financial performance. The results show **that responsible behaviours towards employees (human resources dimension) and towards customers and suppliers (business behaviour dimension) appear as complementary inputs of financial performance, indicating mutual benefits and less conflict between those stakeholders.** Conversely, responsible behaviours towards customers and suppliers and towards the environment appear as substitutable inputs of financial performance, suggesting more conflict between or overinvestment towards those stakeholders.

• " Socially Responsible Firms " (upcoming), by Allen FERELL, Hao LIANG and Luc RENNEBOOG - Tilburg University - Finance Working Paper No. 432/2014

In the corporate finance tradition starting with Berle & Means (1923), corporations should generally be run so as to maximise shareholder value. The agency view of corporate social responsibility (CSR) generally considers CSR as a managerial agency problem and a waste of corporate resources, since corporate insiders do good with other people's money. The authors evaluate the agency view using large-scale datasets with global coverage (59 countries) on firm-level corporate engagement and compliance with respect to environmental, social, and governance issues. Using instrumental variables technique, **they document that CSR ratings are higher for companies with fewer agency problem**s (using standard proxies such as having lower levels of free cash flow and higher dividend pay-out and leverage ratios). Moreover, **certain aspects of CSR (e.g., environmental, labour and social protection) are associated with increased executive pay-for-performance sensitivity and the maximisation of shareholder value.**

KEY FINDINGS - GOVERNANCE AND CSR

• "The impact of corporate governance practices on R&D intensities of firms: An econometric study on French largest companies" (2009), by Stéphane LHUILLERY – Ecole Polytechnique de Lausane, in Industrial and Corporate Change, 20(5), 1475-1513

This paper shows that **firms with governance practices that are shaped in order to defend shareholders' rights are more R&D intensive.** The more the shareholder is taken into consideration by managers, the greater the R&D intensity will be. A second result suggests more surprisingly that the effect is non linear: whether firms take care of their shareholders seriously or moderately has no differentiated impact on R&D expenditure. However, firms with fewer democratic practices are more likely to be less R&D intensive. This paper also investigates so-called deficiencies in shareholder protection in continental European systems compared to Anglo-Saxon systems. A significant difference in R&D intensity is found between French groups listed only in France and French groups listed in New York or London.

• "The Effect of CEO Ownership on Corporate Social Responsibility" (upcoming), by Olivier MEIER and Guillaume SCHIER – IRG, Université Paris-Est (UPEC) and ESSCA, Ecole de Management

This article focuses on **CSR as a source of conflict of interests between CEOs and shareholders.** If CSR can serve the long term interests of shareholders, **it can also strengthen CEOs entrenchment by promoting coalitions with specific stakeholders.** From a sample of 591 companies evaluated by Vigeo Eiris between 2008 and 2011, the authors highlight the existence of a non-linear relationship between CEO ownership and CSR. The results suggest the existence of specific private benefits associated with CSR and significant influence of entrenchment on CSR, advocating for a form of CSR instrumentalisation.

• "The effect of CEOs' turnover on the Corporate Sustainability Performance of French firms" (2016), by Yohan BERNARD, Laurence GODARD and Mohamed ZOUAOUI - Université de Franche-Comté in Journal of Business Ethics, 10.1007/s10551-016-3178-7

This paper examines **the relationship between turnover of chief executive officers (CEOs) and corporate sustainability performance (CSP)**, by identifying the influence of two major types of succession to the top job (internal or external promotion) and the reasons for change. Analysing data from 88 public companies across 13 years in France, the authors find that **a change of chief executive has a positive and significant effect on CSP five years after the change. This positive effect is stronger when the new CEO is recruited from outside the firm.** The impact on CSP is invariably positive and significant, except for voluntary departures. The arrival of a new CEO affects CSP less when the firm has already achieved a high standard of CSP and participates in the Global Reporting Initiative.

KEY FINDINGS – CONCEPTS AROUND CSR

• "Speaking of Corporate Social Responsibility" (2014), by Hao LIANG, Christopher MARQUIS, Luc RENNEBOOG and Sunny LI SUN – Tilburg University – in Harvard Business School Organizational Behavior Unit Working Paper No. 14-082 ;

This paper argues that **the language spoken by corporate decision makers influences their firms' social responsibility and sustainability practices.** The authors theorise that companies with strong "future time reference" (FTR) languages as their official/working language would have less of a future orientation and so perform worse in future-oriented activities such as corporate social responsibility (CSR) compared to those in weak-FTR language environments. Examining thousands of global companies across 59 countries from 1999- 2011, they find support for their theory, and further that the negative association between FTR and CSR performance is weaker for firms that have greater exposure to diverse global languages as a result of (a) being headquartered in countries with higher degree of globalisation, (b) having a higher degree of internationalisation, and (c) having a CEO with more international experience. **The results suggest that language use by corporations is a key cultural variable that is a strong predictor of CSR and sustainability.**

• "On the Foundations of Corporate Social Responsibility" (2016),), by Hao LIANG and Luc RENNEBOOG – Tilburg University – in Finance Working Paper N° 394/2013, August 2016.

This paper shows that **a firm's corporate social responsibility (CSR) practice and the origin of its country's legal system are strongly correlated.** This relation is valid for various CSR ratings coming from several large datasets that comprise more than 23,000 large companies from 114 countries. The authors find that CSR is more strongly and consistently related to the origin of a country's legal system than to "doing good by doing well"-factors, and most firm and country characteristics such as ownership concentration, political institutions, and degree of globalisation. In particular, **companies from common law countries have lower levels of CSR than companies from civil law countries, and Scandinavian civil law firms assume the highest levels of CSR.** Evidence from quasi-natural experiments such as scandals and natural disasters suggest that civil law firms are more responsive to CSR shocks than common law firms, and such responsiveness is not likely driven by declining market shares following the shock.

• "Are environmentally responsible firms less vulnerable when investing abroad? The role of reputation" (2016), by Rémi BAZILLIER, Sophie HATTE and Julien VAUDAY, – Université d'Orléans, in Journal of Comparative Economics

Globalisation allows multinational firms to locate polluting activities strategically in countries with weaker regulatory systems. This paper revisits the empirical evidence by exploring the differences in firms' environmental images. While locating in countries with weak environmental standards is likely to be detrimental for a firm's image and reputation, **investing in corporate environmental responsibility can help firms to convince consumers that they have good environmental practices, even when investing in "dirty" countries.** Using a database that records an index of environmental responsibility for large European firms, the authors find that the **firms viewed as environment-friendly are more often than others located in countries with weak environmental regulations.** Interestingly, this relationship is observed only among the firms with a well-established reputation for environmental responsibility.

OUR MAIN ACADEMIC PARTNERS

CONTACT US

Fouad Benseddik

Director of Methodology and Institutional Affairs
Paris Office

fouad.benseddik@vigeo.com

Elise Attal

Institutional Affairs Manager
Paris Office

elise.attal@vigeo.com

Stephen Hine

Director of External Affairs
London Office

stephen.hine@eiris.org

ABOUT VIGEO EIRIS

Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making

Vigeo Eiris offers two types of services through separate business units:

- **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is CBI (Climate Bond Initiative) Verifier. Vigeo Eiris' research is referenced in several international scientific publications.
Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Milan, Montreal, Santiago and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: www.vigeo-eiris.com