European Trends in SRI:
2010 European HNWI & SRI Studies

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Hosted by Ethix SRI Advisors

Stockholm
Eurosif Key Facts: Governance, Financing, Mission and Activities

Governance

- Governed by 8 National SIFs from European countries: UK, FR, DE, NL, IT, BE, SW, ES

Funding Sources

- Institutional Member Affiliates (85)

Mission / Benefits

- Develop Sustainability through European Financial Markets
- Networking and Promotion for Member Affiliates

Activities

- Research
- EU Lobbying
- Events and Communications
- Initiatives and Partnerships
Eurosif Member Affiliates - 85
Leverage and Reach through SIFs

National SIFs in Europe:

Belgium

Denmark

Finland

France

Austria, Germany, Switzerland

Italy

The Netherlands

Norway

Spain

Sweden

U.K.

SIFs outside of Europe

Asia

Australia

Canada

United States
Eurosif Activities in 2010

**Lobbying**
- EU Public Policy Position Papers
- Responses to EC Consultations

**Research**
- HNWI Survey
- SRI Market Study
- Sector/Thematic Studies

**Initiatives & Partnerships**
- Transparency Guidelines
- Media Partnerships

**Events/Comm’s**
- Workshops on Selected Topics
- Public presence at EU meetings, investor forums

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**Core Activities**
- Newsletter, Social Media, EU Insider, Top Research Picks
- Coordination of EU SRI information, Regional SIF quarterly updates
- Video streaming, website, Member Affiliate Servicing
HNWI Sustainable Investing Defined

- HNWIs = individuals with more than $1 mm in financial assets, excluding primary residence
- Seeking market rate returns while engaging on sustainability issues

Scope and Funding

- Focus on European HNWIs with global scope envisioned
- Surveyed 420 HNWIs and wealth managers
- Funded by:
HNWI Sustainable Investment Assets

European Sustainable HNWI Forecast
2007 – 2013 (in billion euros)

HNWI sustainable investing is projected to rise to €1.2 trillion by 2013

Will move from 11% to 15% of total EU HNWI wealth
Perceptions of Sustainable Investment

Sustainable Investment largely perceived by European HNWI population as a financial discipline, rather than an investment style

Source: Eurosif
Sustainable Investing Started as a Satellite Approach for HNWIs

Share of Sustainable Investment in Total HNWI Client Portfolio: 2009 vs. 2007

Toe-dippers (marginal sustainable investments, <1%): less than a quarter of the respondents

Share of sustainable investment being redistributed to the ‘shallow water’ segment (1%-20%): 60% of the respondents

Pure sustainable players (more than 50% of portfolio invested in sustainable products): over 10% of the respondents

Source: Eurosif
Conclusions

**HNWI market growing**

- HNWI wealth forecast to grow to $48.5 trillion by 2013
- Shift in wealth distribution to developing economies over next 20-30 years

**Wealth bands create different expectations and interests**

- Inherited: ‘wider sense of responsibility towards society’
- Entrepreneurial: ‘opportunities for a green industrial revolution’

**Interest in sustainability criteria will grow even more quickly among HNWIs in the future**

- Investing ‘sustainably’ different from ‘philanthropy’
- Generational shift creating mental shift as well
- Women play a key role as decision makers around sustainable investments
European SRI Study 2010

19 countries covered

Austria  Belgium  Germany
Cyprus  Baltic States  Poland
Greece  France  Spain
Norway  Sweden  United Kingdom
Italy  Switzerland

2 Market Segments
CORE  BROAD

Created with the support of:
Global SRI Market is Growing and Regional Influence is Shifting

Source: Eurosif Research
Growth of European SRI Market

SRI monetary, bond and equity funds significantly outgrew mainstream funds in 2009

<table>
<thead>
<tr>
<th></th>
<th>Mainstream</th>
<th>SRI</th>
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</thead>
<tbody>
<tr>
<td>Monetary</td>
<td>-4%</td>
<td>114%</td>
</tr>
<tr>
<td>Bond</td>
<td>-5%</td>
<td>33%</td>
</tr>
<tr>
<td>Equity</td>
<td>-14%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

Source: Eurosif European SRI Survey, EFAMA Factbook 2009
Total EU SRI assets under management have reached €4.986 trillion as of 31/12/09

* Re-calculated according to the 2010 Core SRI definition
Core SRI - €1.2 trillion

Broad SRI - €3.8 trillion

Core strategies consist of norms- and values-based exclusions as well as different types of positive screens (Best-in-Class, thematic funds and others).

Norms- and values-based exclusions are the most popular Core strategies in Europe, driven by the Netherlands and Nordic countries.

Broad strategies consist of up to 2 simple exclusions, engagement and integration, often in combination with one another.

Integration, the inclusion of ESG risk into traditional financial analysis, is gaining ground with some European investors, encouraged by the PRI Initiative.

Source: Eurosif Research
European Core and Broad SRI (2)

Core vs Broad SRI Across Europe

Core SRI
- Nordics and German speaking countries remain popular Core SRI markets

Broad SRI
- Integration approach leads to large Broad SRI markets in France, UK and Spain

Source: Eurosif Research
Core SRI makes up to 10% of the total European asset management market

Note: Bubble size represents the size of Core SRI domestic market

Source: Eurosif
Broad SRI: Spotlight on Integration Strategy

Integration is in the early stages according to the respondents

**Investment process**

- 29% of respondents work directly and on a regular basis with their mainstream analysts

**Practices**

- 36% practice integration on a case-by-case approach

**Training**

- Only 11% provide to a large extent ESG training to the organisation’s non-ESG specialist investment management staff

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### Table: Practices applied for the integration of ESG issues in the investment process

<table>
<thead>
<tr>
<th>Practice</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Thematic analysis and research on ESG issues fed back to mainstream analysts</td>
<td>45%</td>
</tr>
<tr>
<td>ESG analyst(s) working directly and on a regular basis with mainstream analysts</td>
<td>29%</td>
</tr>
<tr>
<td>ESG rating(s) systematically included in standard analysis spreadsheet</td>
<td>8%</td>
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</tbody>
</table>

### Table: Integration practiced on

<table>
<thead>
<tr>
<th>Integration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each company of portfolios</td>
<td>33%</td>
</tr>
<tr>
<td>A selection of companies based on specific risks / sectors identified</td>
<td>31%</td>
</tr>
<tr>
<td>On a case-by-case basis</td>
<td>36%</td>
</tr>
</tbody>
</table>

### Table: Extent of providing dedicated ESG training for the organisation’s non-ESG specialist investment management staff

<table>
<thead>
<tr>
<th>Extent of training</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Small extent</td>
<td>32%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>25%</td>
</tr>
<tr>
<td>Large extent</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Note: For Section I (Practices applied...), multiple answers were possible.*

Source: Eurosif Research
European SRI - Driven by Institutional Investors

The institutional market drives the European SRI market...

Source: Eurosif
Bonds have replaced Equities as the preferred asset class for SRI investors. ‘Other’ is a growth area that encompasses private equity, commodities, real estate.

Source: Eurosif
Demand from institutional investors remains a key driver, along with international initiatives, external pressure and demand from retail investors.
Mainstreaming: Sustainability Trends as part of Generational Change

...SRI is part of this overall trend...
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