

# Sustainable Responsible Investments

## Sweden 2010

## Survey Design

<b>All Organisations</b>	60 Interviews
<b>Asset Owners</b>	48 Organisations with assets under management of minimum EUR 100 million who apply SRI/make ethical investments on a part or entire portfolio
<b>Asset Managers</b>	13 Large organisations that apply SRI
<b>Response Rate</b>	83 per cent
<b>Interviewees</b>	Head of Asset Management, Head of SRI, SRI Analysts, Portfolio Manager or CFO
<b>Method</b>	20-30 minutes telephone interviews by TNS SIFO Prospera's interviewers
<b>Time Period</b>	1 <sup>st</sup> of June until 15 <sup>th</sup> July 2010

- For some questions the sum of the responses for Asset Owners and Asset Managers may exceed the number of all organisations as a few organisations are counted as both Asset Owners and Asset Managers.

## Universe of Asset Owners

1 AP-fonden	Kungliga Vetenskapsakademien/KVA	Stockholms Stad
2 AP-fonden	Landskrona Kommun	Svenska Kommunförbundet
3 AP-fonden	Landstingsförbundet	Svenska Kyrkan (central)
4 AP-fonden	Lidingö Stad,	Svenska Kyrkans pensionskassa
6 AP-fonden	Lidköpings Kommun	Svenska Metallindustriförbundet
7 AP-fonden	Lunds Universitet	Svenskt Näringsliv & anslutna org.
AFA	Mistra	TeliaSonera
Alecta	Nordea Liv	Unionen
AMF	Postens Pensionsstiftelse	Västerbottens Läns Landsting
Arkitekternas Pensionskassa	PP-Pension	Västmanlands Landsting
Cancerfonden	Riksbankens Jubileumsfond	Örebro Kommun
Chalmers Tekniska Högskola	Röda Korset	Västergötlands Landsting
Ericssons pensionsstiftelse	SAAB	Östersjöstiftelsen
FAM/ Svensk Stiftelseförvaltning,	Scanias Resultatbonusstiftelse	
Frimurarorden och anknutna stiftelser	SEB Stiftelsen	
Försäkringsbranschens Pk/Skandikon	SEB Trygg Liv	
Gålostiftelsen	Skandia Liv	
Gävleborgs Landsting	Skanska AB Pensionsstiftelser	
Göteborgs Universitet	Skogs- och Träfacket	
Hallands Landsting	SKTF	
Handelsbanken Liv	Sparinstitutet Pensionskassa	
Hjärt- och Lungfonden	SPP	
Jönköpings Läns Landsting	Stiftelsen för internationalisering av	
Kammarkollegiet	högre utbildning och forskning	
KK-Stiftelsen	Stiftelsen för Strategisk Forskning	
	Stiftelsen Henry och Gerda Dunkers	
	donationsfond	

## Universe of Asset Managers

Alfred Berg

AMF

Carlson Inv. Management

Carnegie

Catella

Danske Capital

Erik Penser Asset Management

HQ Fonder

Handelsbanken Asset Management

Lannebo Fonder

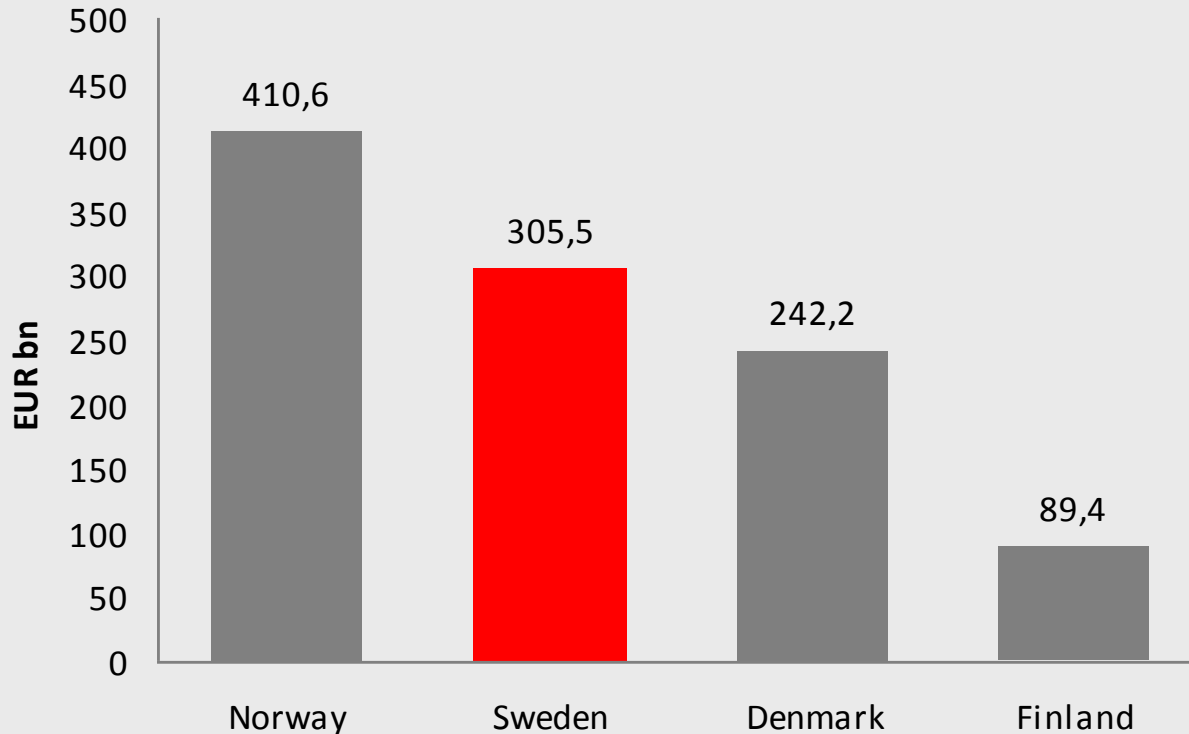
Nordea Investment Management

Odin Funds

SEB Asset Management

Swedbank Robur

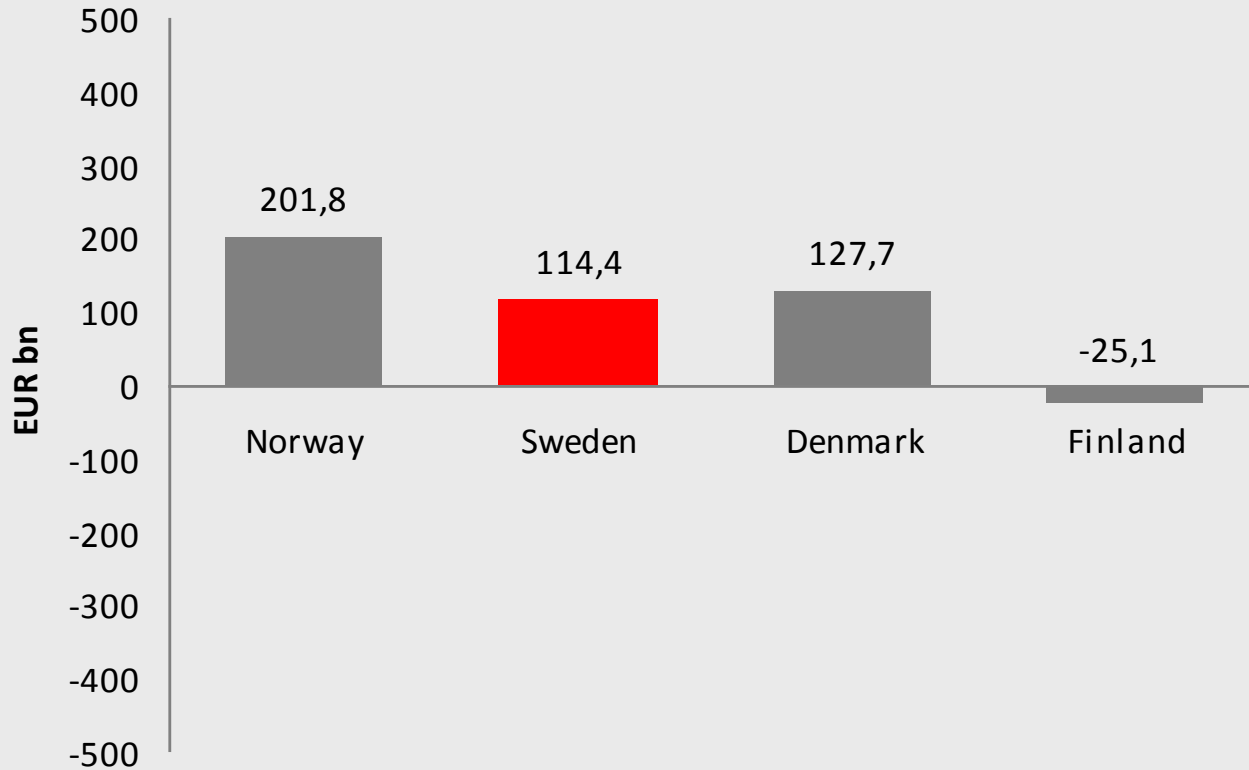
## Size of the Nordic SRI Markets



•SRI definition according to Eurosif :” *Sustainable and Responsible Investing (SRI) is a generic term covering any type of investment process that combines investors’ financial objectives with their concerns about Environmental, Social and Governance (ESG) issues.*”

•An estimated 70-80 % of all assets under management in Sweden are subject to SRI

## Size of the Nordic SRI Markets 2010 – 2008



## Years of Conducting SRI/Ethical Investments

	All Organisations	Asset Owners	Asset Managers
Less than 2 years	6%	5%	8%
2-4 years	18%	18%	17%
4-6 years	18%	18%	17%
6-8 years	4%	5%	0%
8-10	8%	11%	0%
More than 10 years	46%	42%	58%
<b>Mean</b>	<b>All Organisations</b>	<b>Asset Owners</b>	<b>Asset Managers</b>
Number of years	9	8	13

## Incentives to Employ SRI

		<b>All</b>	<b>AO</b>	<b>AM</b>
<b>1.</b>	SRI can reduce the risk of negative publicity	4.05	4.07	4.00
<b>2.</b>	SRI is required by the management	4.04	4.13	3.60
<b>3.</b>	SRI is used as there are strong ethical conviction internally	3.89	3.98	3.50
<b>4.</b>	SRI is required by clients/members/citizens	3.82	3.70	4.40
<b>5.</b>	SRI is required by society	3.79	3.72	4.10
<b>6.</b>	SRI can be made without compromising return on investments	3.76	3.73	3.90
<b>7.</b>	SRI reduces the risk of the investments	3.38	3.29	3.80
<b>8.</b>	SRI can generate excess return	3.16	3.20	3.00
<b>9.</b>	SRI is used as means of competition	3.05	2.78	4.30
<b>10.</b>	SRI is superior to the return on investments	2.88	2.83	3.10

- 94 % of the Asset Owners and 92 % of the Asset Managers have a written policy for SRI



## Incentives to Employ SRI 2010 - 2008

		<b>All</b>	<b>AO</b>	<b>AM</b>
<b>1.</b>	SRI can reduce the risk of negative publicity	0.09	-0.02	0.50
<b>2.</b>	SRI is required by the management	0.19	0.07	0.60
<b>3.</b>	SRI is used as there are strong ethical conviction internally	0.11	-0.04	0.68
<b>4.</b>	SRI is required by clients/members/citizens	0.05	0.03	0.23
<b>5.</b>	SRI is required by society	0.25	0.07	1.02
<b>6.</b>	SRI can be made without compromising return on investments	-0.04	-0.14	0.35
<b>7.</b>	SRI reduces the risk of the investments	0.45	0.29	1.16
<b>8.</b>	SRI can generate excess return	0.11	0.22	-0.33
<b>9.</b>	SRI is used as means of competition	0.16	0.22	0.13
<b>10.</b>	SRI is superior to the return on investments	0.24	0.02	1.19

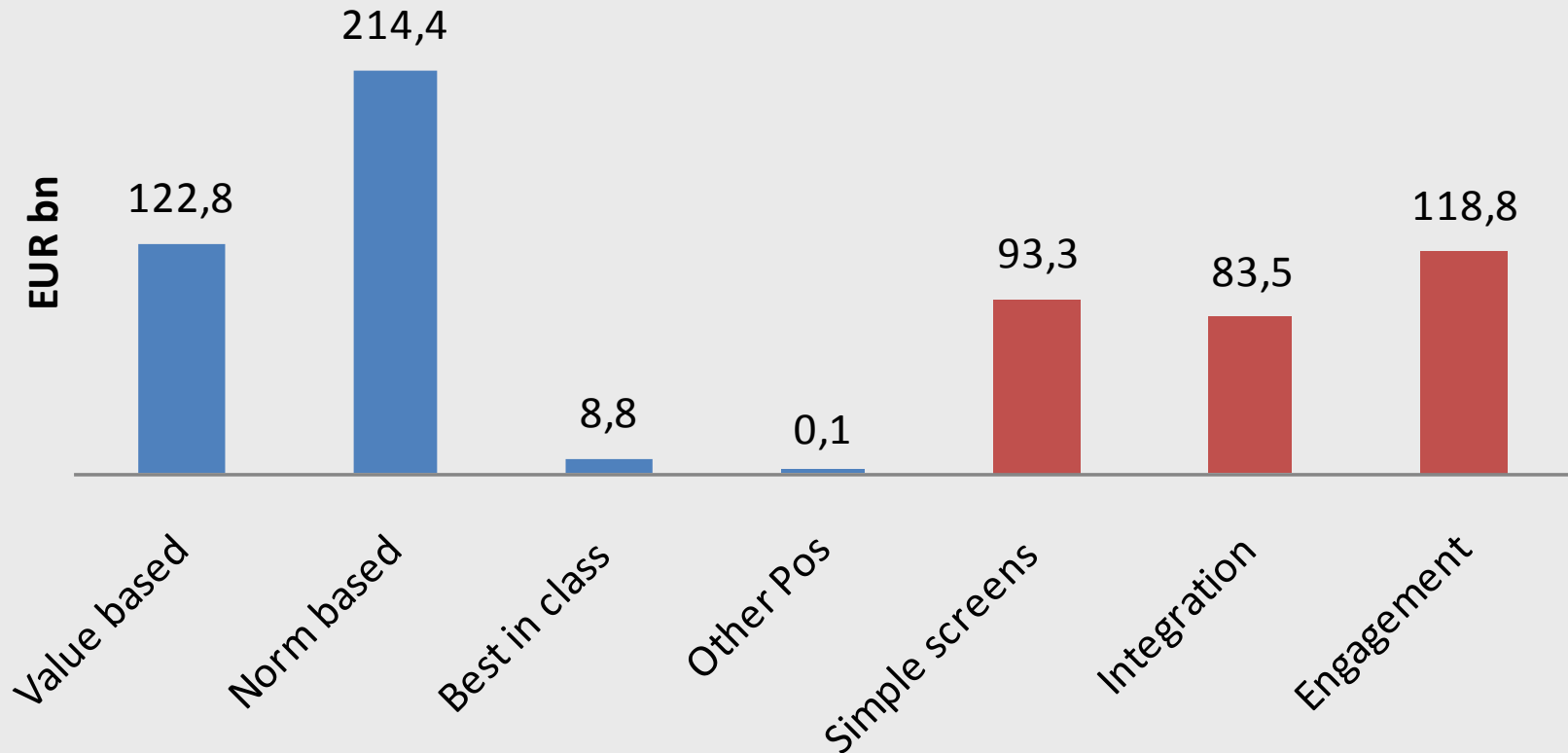
## Compliance with SRI Incentives

		All	AO	AM
1.	SRI is used as there are strong ethical conviction internally	93 %	96 %	82 %
2.	SRI can reduce the risk of negative publicity	89 %	87 %	100 %
3.	SRI is required by clients/members/citizens	88 %	89 %	82 %
4.	SRI is required by the management	86 %	89 %	73 %
5.	SRI is required by society	81 %	78 %	91 %
6.	SRI can be made without compromising return on investments	67 %	63 %	82 %
7.	SRI is used as means of competition	63 %	59 %	82 %
8.	SRI reduces the risk of the investments	61 %	59 %	73 %
9.	SRI is superior to the return on investments	40 %	37 %	55 %
10.	SRI can generate excess return	33 %	33 %	36 %

## Compliance with SRI Incentives 2010 - 2008

		All	AO	AM
1.	SRI is used as there are strong ethical conviction internally	14 %	12 %	23 %
2.	SRI can reduce the risk of negative publicity	-7 %	-9 %	0 %
3.	SRI is required by clients/members/citizens	14 %	20 %	-10 %
4.	SRI is required by the management	11 %	10 %	14 %
5.	SRI is required by society	12 %	7 %	33 %
6.	SRI can be made without compromising return on investments	-7 %	-15 %	23 %
7.	SRI is used as means of competition	1 %	2 %	-2 %
8.	SRI reduces the risk of the investments	1 %	-3 %	14 %
9.	SRI is superior to the return on investments	6 %	-2 %	38 %
10.	SRI can generate excess return	-32 %	-31 %	-39 %

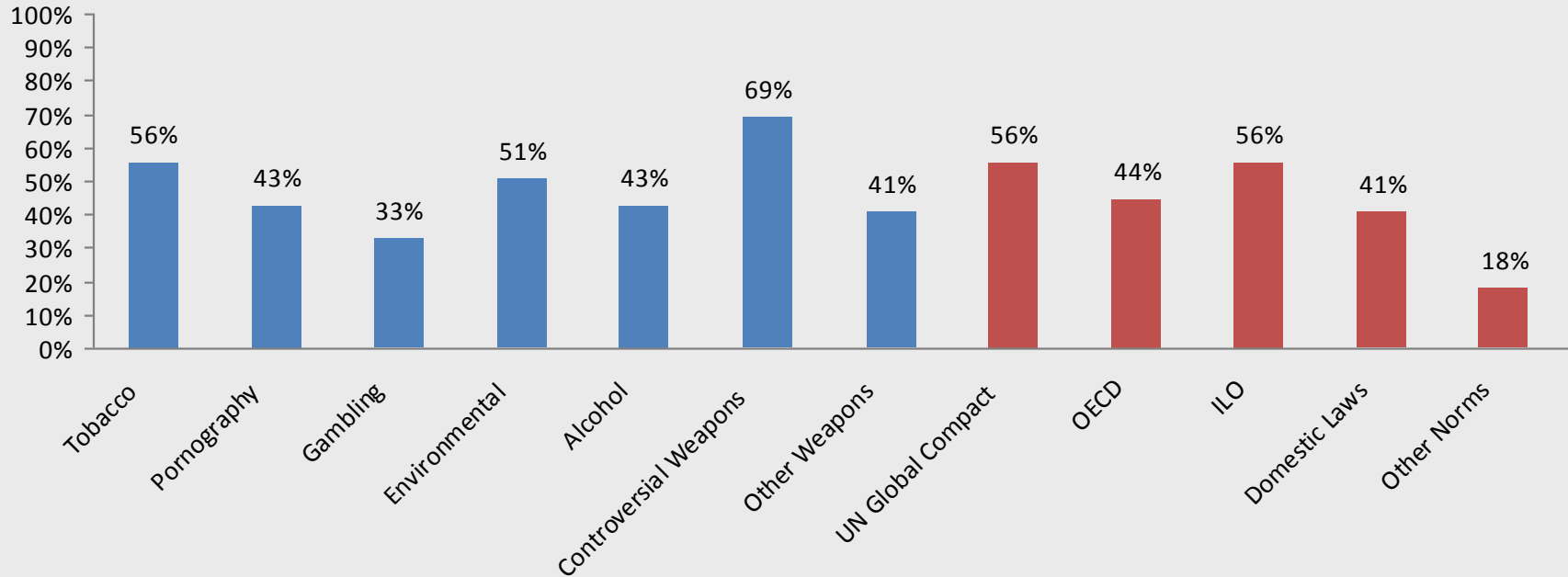
## SRI Strategies Allocation - All Organisations



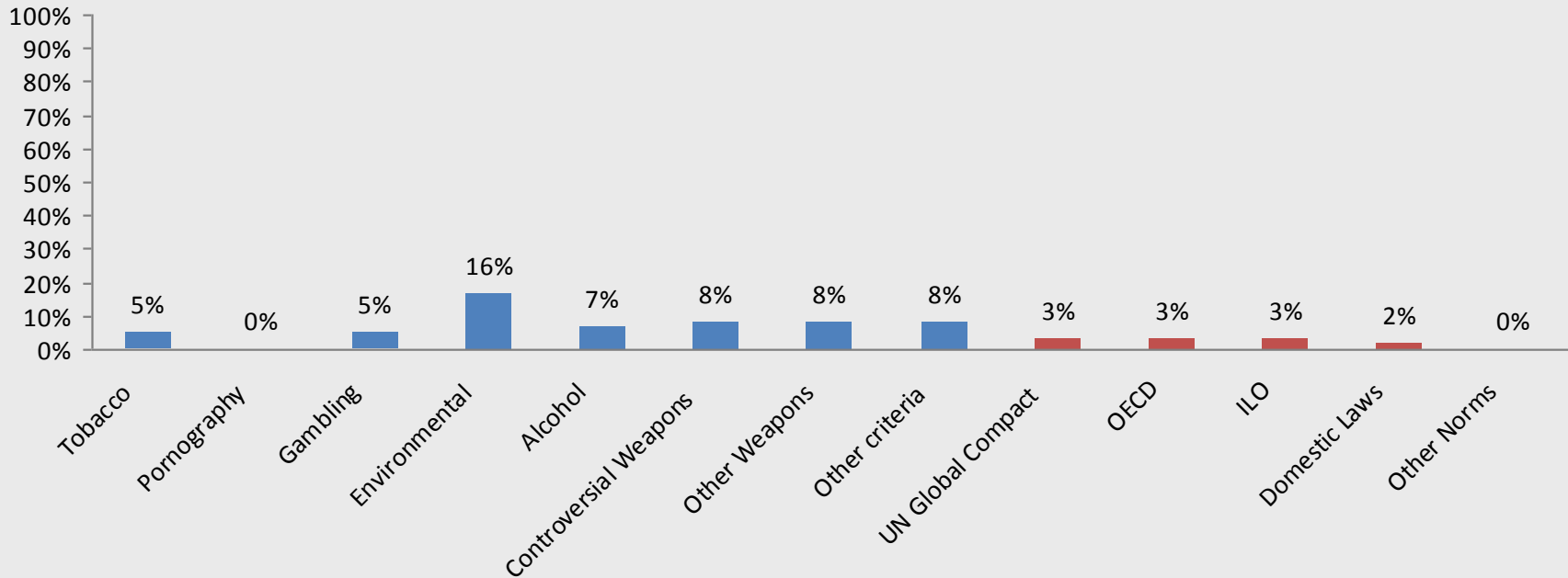
## Employment of SRI Strategies

	All Organisations	Asset Owners	Asset Managers
Value Based Screening	55 %	54 %	54 %
Norms Based Screening	73 %	73 %	77 %
Best in Class	13 %	10 %	23 %
Other Positive	10 %	10 %	8 %
Simple Screening	25 %	25 %	31 %
Integration	15 %	15 %	15 %
Engagement	32 %	23 %	69 %

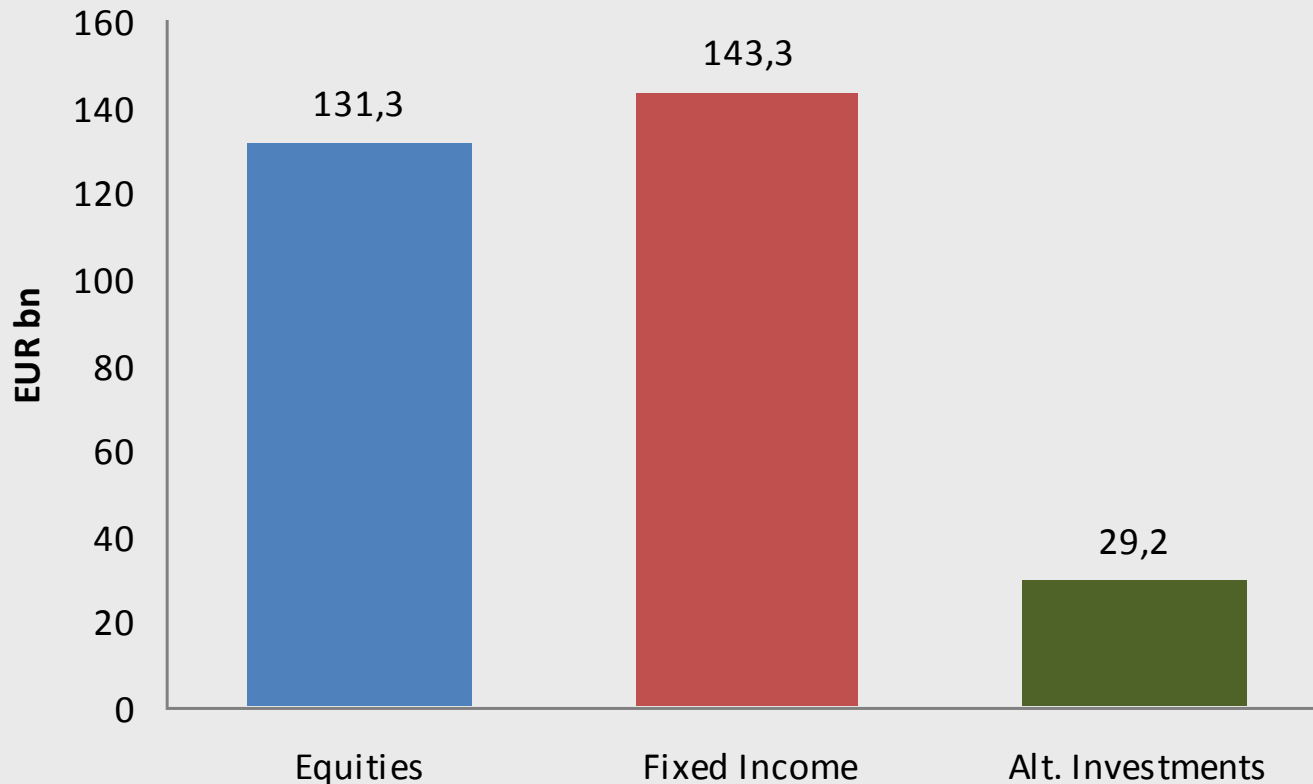
## Employment of Negative Screening Criteria - All Organisations



## Employment of Positive Screening Criteria - All Organisations



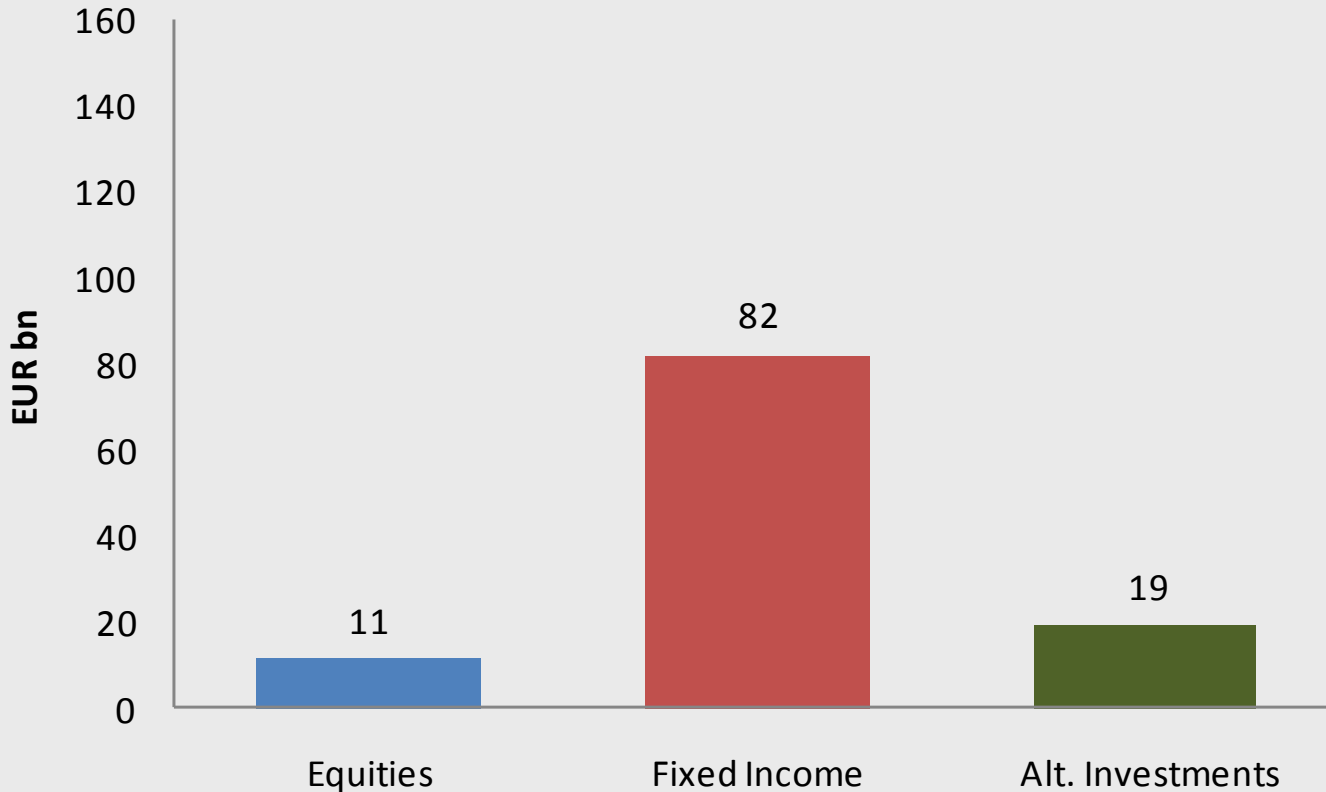
## Asset Class Allocation - All Organisations



•The alternative investments consists mainly of real estate investments (EUR 9,9 billion) and private equity/venture capital (EUR 6,9 billion).



## Asset Class Allocation - All Organisations 2010 - 2008



## Investment in Asset Classes

	All Organisations	Asset Owners	Asset Managers
Equities	98 %	98 %	100 %
Fixed Income	63 %	65 %	62 %
Alt. Investments	37 %	42 %	15 %

## Investments in SRI Equity Size

	All Organisations	Asset Owners	Asset Managers
Large caps	97 %	96 %	100 %
Small caps	63 %	55 %	92 %

## Investment in SRI Equity Markets

	All Organisations	Asset Owners	Asset Managers
Domestic	95 %	96 %	92 %
Other Develop. Markets	76 %	74 %	85 %
Emerging Markets	61 %	55 %	85 %

## Difference in Portfolio Composition

	All Organisations	Asset Owners	Asset Managers
Yes	50 %	46 %	62 %
No	37 %	42 %	15 %
Don't Know/NA	13 %	12 %	23 %

### Examples of differences in portfolio composition;

- A larger number of investments
- Would have invested more in “trash”
- Would have invested more in American securities
- Employed other asset managers

## Interest in SRI Investments

		<b>All</b>	<b>AO</b>	<b>AM</b>
<b>1.</b>	Domestic Equities	3,53	3,54	3,40
<b>2.</b>	Foreign Equities	3,37	3,27	4,00
<b>3.</b>	Emerging Markets Equities	3,26	3,19	3,67
<b>4.</b>	Domestic Government Securities	2,63	2,73	2,00
<b>4.</b>	Private Equity	2,63	2,67	2,40
<b>6.</b>	Domestic Credit Products	2,51	2,56	2,20
<b>7.</b>	Foreign Credit Products	2,50	2,42	3,00
<b>8.</b>	Real Estate	2,47	2,51	2,20
<b>9.</b>	Domestic Mortgage Bonds	2,46	2,56	1,80
<b>10.</b>	Hedge Funds	2,45	2,39	2,80
<b>11.</b>	Foreign Government Securities	2,27	2,22	2,60
<b>12.</b>	Foreign Mortgage Bonds	2,11	2,06	2,40
<b>13.</b>	Commodities	2,08	2,06	2,20
<b>13.</b>	Structured Products	2,08	2,03	2,40
<b>15.</b>	ETFs	1,94	1,93	2,00

## Internal Resources

	All Organisations	Asset Owners	Asset Managers
SRI/Ethical Committee	33 %	25 %	62 %
Other Personnel	22 %	19 %	31 %
Analysts	18 %	13 %	38 %
Portfolio Managers	15 %	8 %	38 %

## External Resources

	All Organisations	Asset Owners	Asset Managers
SRI Specialists	60 %	54 %	85 %
External Analysis	20 %	13 %	46 %
SRI Index Providers	17 %	13 %	31 %
Consultants	10 %	8 %	15 %
No External Resources	25 %	27%	15 %

## Forefront of Development within SRI

	All Organisations	Asset Owners	Asset Managers
Yes	38 %	33 %	54 %
No	62 %	77 %	46 %

### Asset Managers mentioned to be in the forefront of development within SRI

- KPA, Swedbank Robur, SEB, Carlson Investment Management, Handelsbanken, Carnegie, Bank Sarasin, First State and Nordea.

### Others mentioned to be in the forefront of development within SRI

- Ethix, Church of Sweden, ATP, EIRIS, the AP Funds, Folksam and GES

## Change of Investment Regulations During the Last Two Years

	All Organisations	Asset Owners	Asset Managers
Yes, changed	-	19 %	-
Yes, considered	-	21 %	-
No	-	54 %	-
Do not know	-	6 %	-

### Examples of changes of investment regulations;

- Changed in order to include SRI
- Make the investment regulation more specific when it comes to SRI
- Changed funds/fund managers
- Included new screening criteria
- Initiated a process for a new SRI policy



## Change of Asset Managers During the Last Two years

	All Organisations	Asset Owners	Asset Managers
Yes	-	13 %	-
No	-	81 %	-
Don't know/NA	-	6 %	-

### Examples of important criteria for selection asset managers for SRI;

- A high rate of return
- Work actively with SRI in a structured way
- Openness to different SRI approaches
- Transparent processes
- Flexibility in following the clients' policies and demands
- That the asset manager has functioning processes regarding SRI
- Competence and reputation within SRI
- Communication between asset managers and asset owners
- Dedicated SRI resources
- Sufficient SRI resources
- A wide range of SRI products

## Range of SRI Products/Investment Options

Mean Value	All Organisations	Asset Owners	Asset Managers
The Range of SRI-products/investment	3.13	3.29	2.80

## Quality of SRI Products/Investment Options

Mean Value	All Organisations	Asset Owners	Asset Managers
The quality of SRI-products/ investment	3.28	3.39	2.90

## Range of information

Mean Value	All Organisations	Asset Owners	Asset Managers
Range of Information from Nordic AM	3.19	3.24	3.00

## Range of Unbiased Information

Mean Value	All Organisations	Asset Owners	Asset Managers
Range of Unbiased Information	3.07	3.23	2.64

## Quality of information

Mean Value	All Organisations	Asset Owners	Asset Managers
Quality of the Information from Nordic AM	3.13	3.39	3.00

## Flexibility in Meeting clients' Needs Concerning SRI

Mean Value	All Organisations	Asset Owners	Asset Managers
Flexibility in Meeting Clients' Needs	3.27	3.39	3.00

## Clearness of SRI Definitions and Policies

Mean Value	All Organisations	Asset Owners	Asset Managers
The Clearness of Definitions and Policies	3.31	3.41	2.45

## External Pressure on the Swedish Market

Mean Value	All Organisations	Asset Owners	Asset Managers
External pressure on the Swedish market	3.29	3.32	3.18

## Resources to Realize the Value of SRI

Mean Value	All Organisations	Asset Owners	Asset Managers
Resources to Realize the Value of SRI	2.91	3.04	2.56

## How Should Swesif Work to Best Promote SRI in Sweden?

- Provide more information about SRI
- Make the information more accessible and thereby raise the knowledge level about SRI
- Reach compliance about definitions
- Establish and implement a classification for SRI products
- Cooperation between Swesif and NGOs
- Cooperation between Swesif and education institutions
- Prove that the rate of return is as good as without ethical filters
- Work more with companies instead of asset managers
- Increase retail pressure