

***European Trends in SRI:  
2010 European HNWI & SRI Studies***

*November 22, 2010*

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*Hosted by Ethix SRI Advisors*

*Stockholm*



# **Eurosif Key Facts: Governance, Financing, Mission and Activities**

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## **Governance**

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



Forum per la Finanza Sostenibile

Italy



The Netherlands



Norway



Spain



Sweden



U.K.

## SIFs outside of Europe



Asia



Australia



Canada



Social Investment Forum

United States



## Eurosif Activities in 2010

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### 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

# Study: High Net Worth Individuals & Sustainable Investment



## High Net Worth Individuals & Sustainable Investment

Created with the support of



## *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)

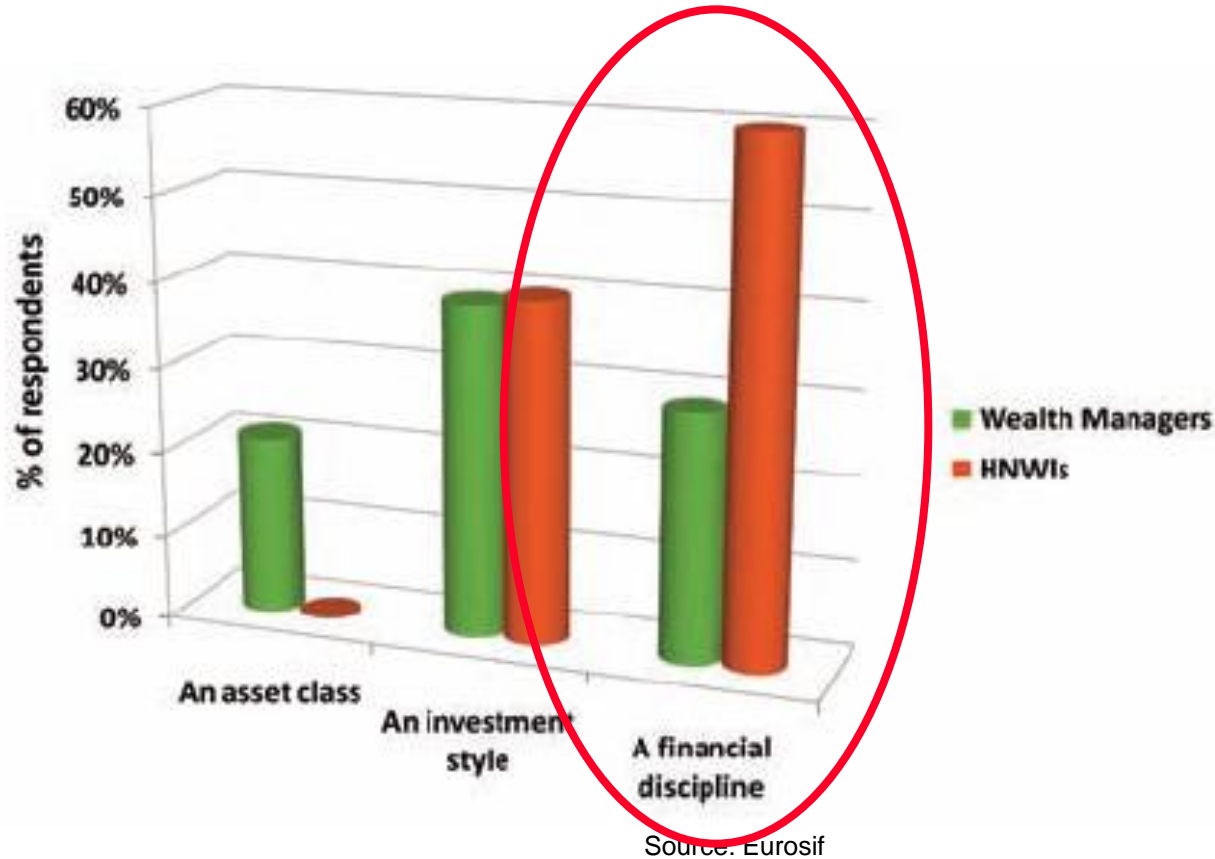


***HNWI sustainable investing is projected to rise to €1.2 trillion by 2013***

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

## Perceptions of Sustainable Investment

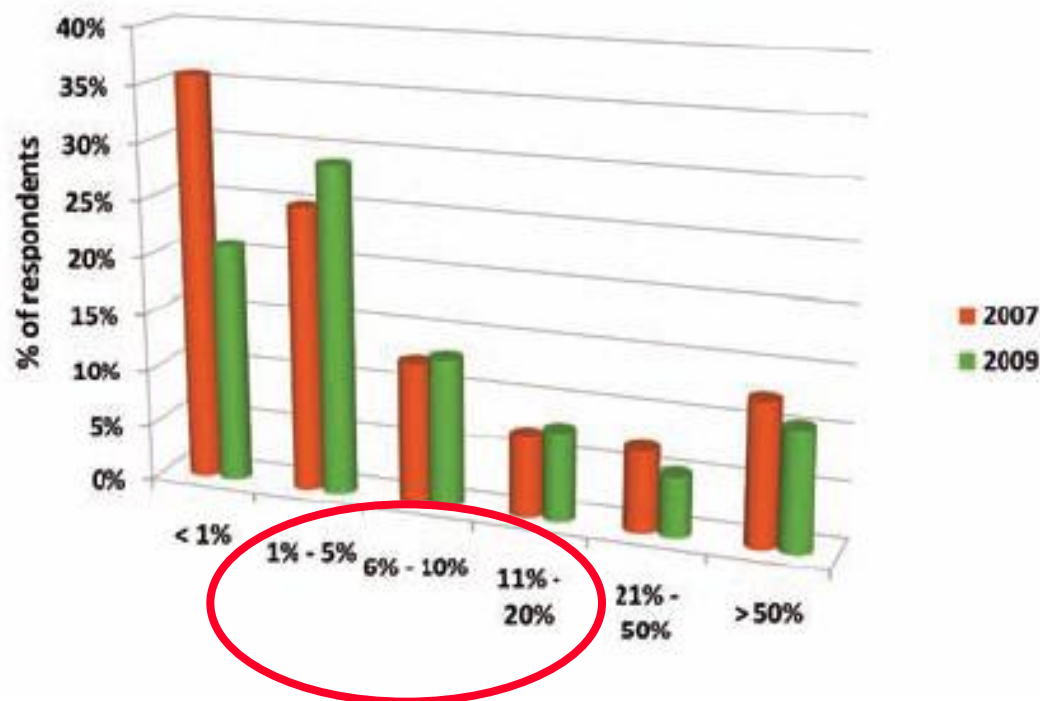
***Sustainable Investment largely perceived by European HNWI population as a financial discipline, rather than an investment style***





## Sustainable Investing Started as a Satellite Approach for HNWIs

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



Source: Eurosif

**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**

## Conclusions

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### ***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



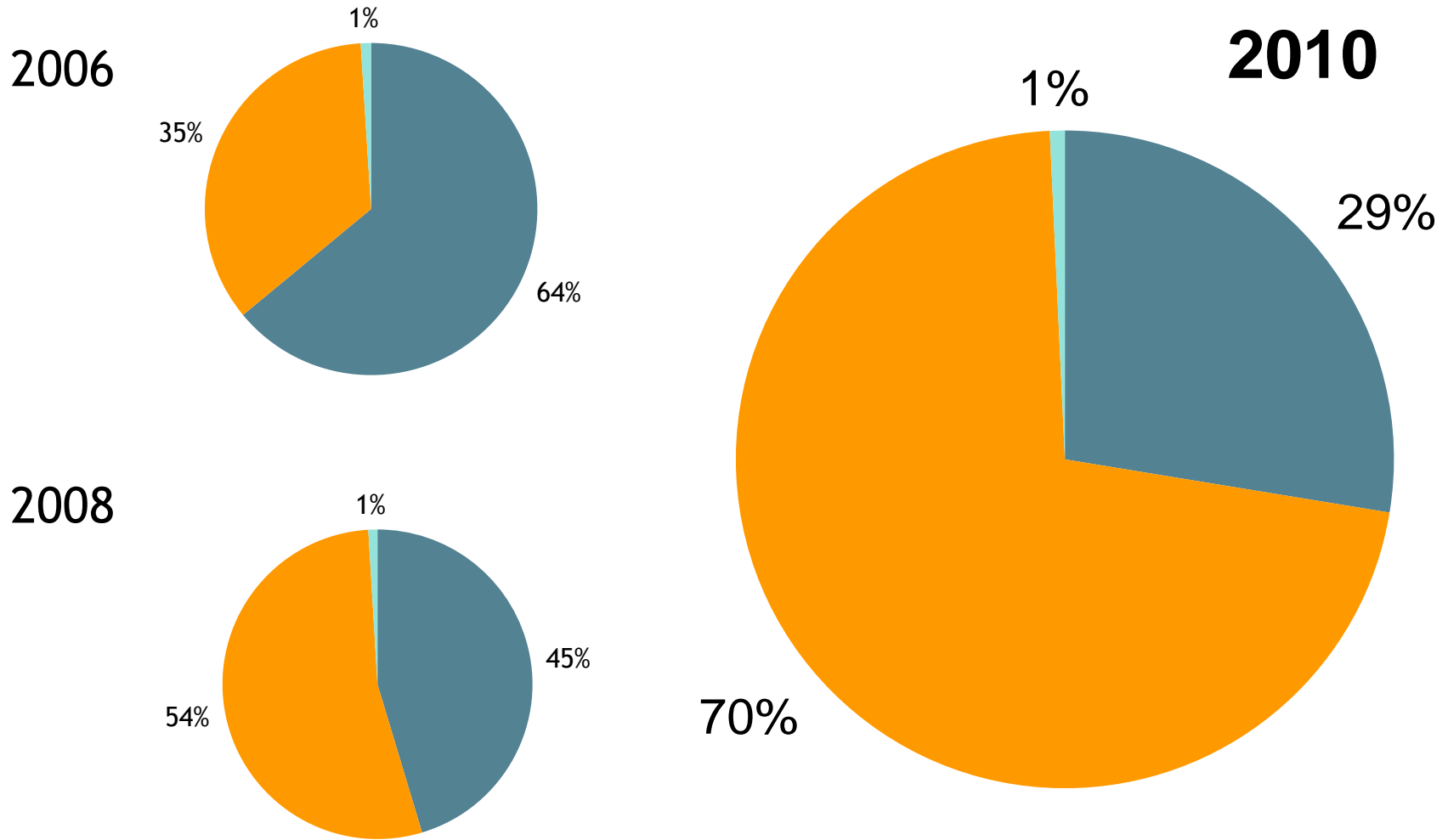
## 19 countries covered

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

2 Market Segments  
**CORE** **BROAD**

*Created with the support of:*

# Global SRI Market is Growing and Regional Influence is Shifting

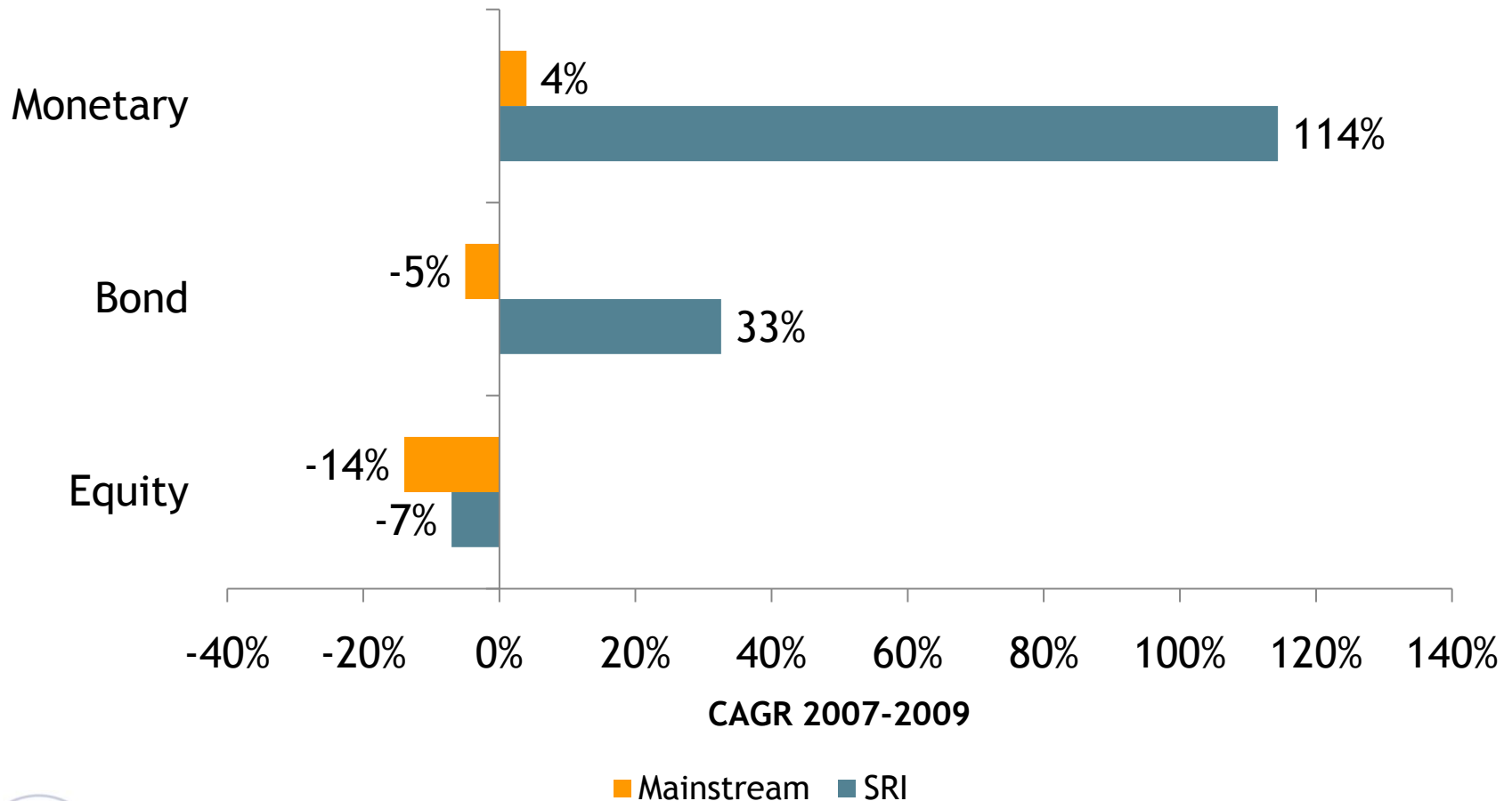


■ North America ■ Europe ■ Australia/Asia



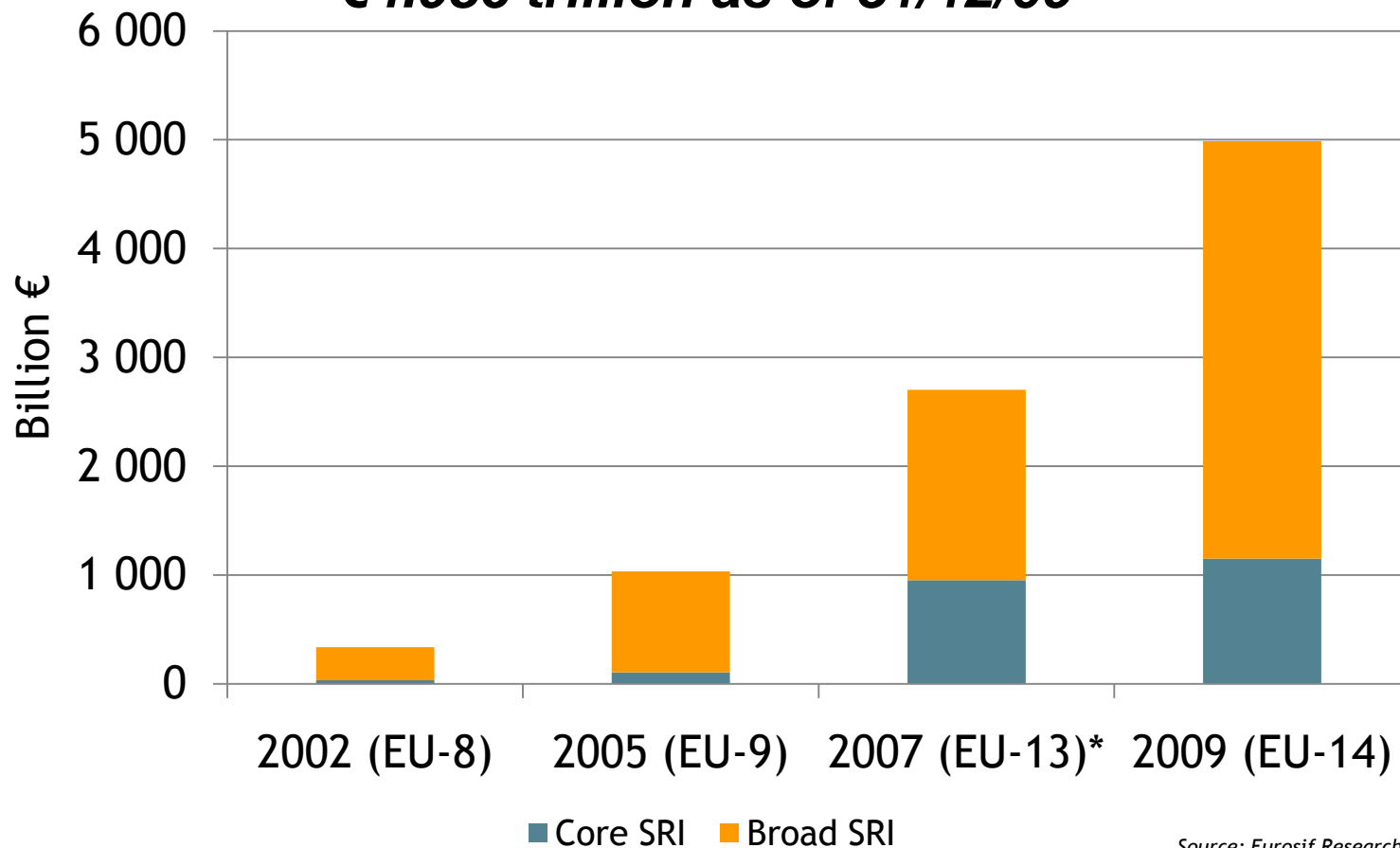
# Growth of European SRI Market

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



# Size of the European SRI Market

**Total EU SRI assets under management have reached €4.986 trillion as of 31/12/09**

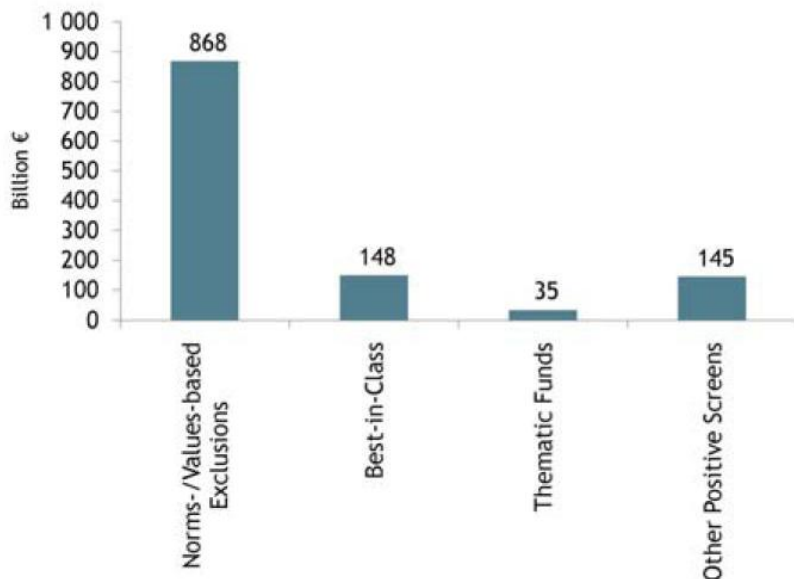


Source: Eurosif Research



# European Core and Broad SRI (1)

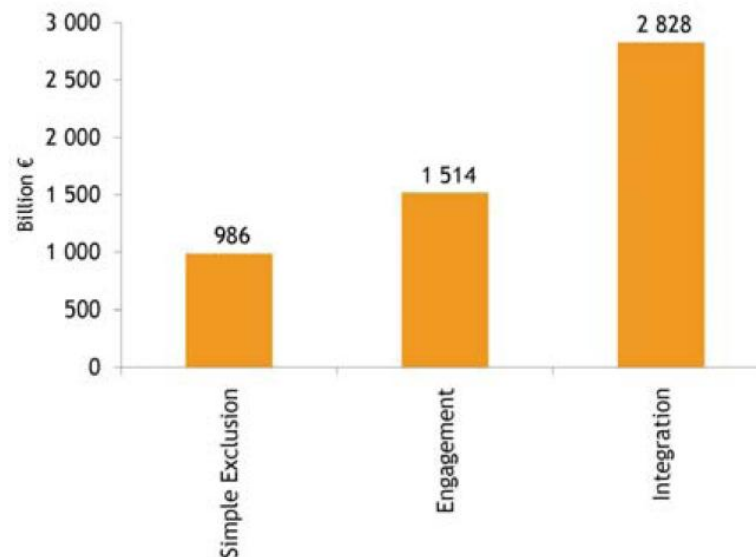
## Core SRI - €1.2 trillion



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 SRI - €3.8 trillion

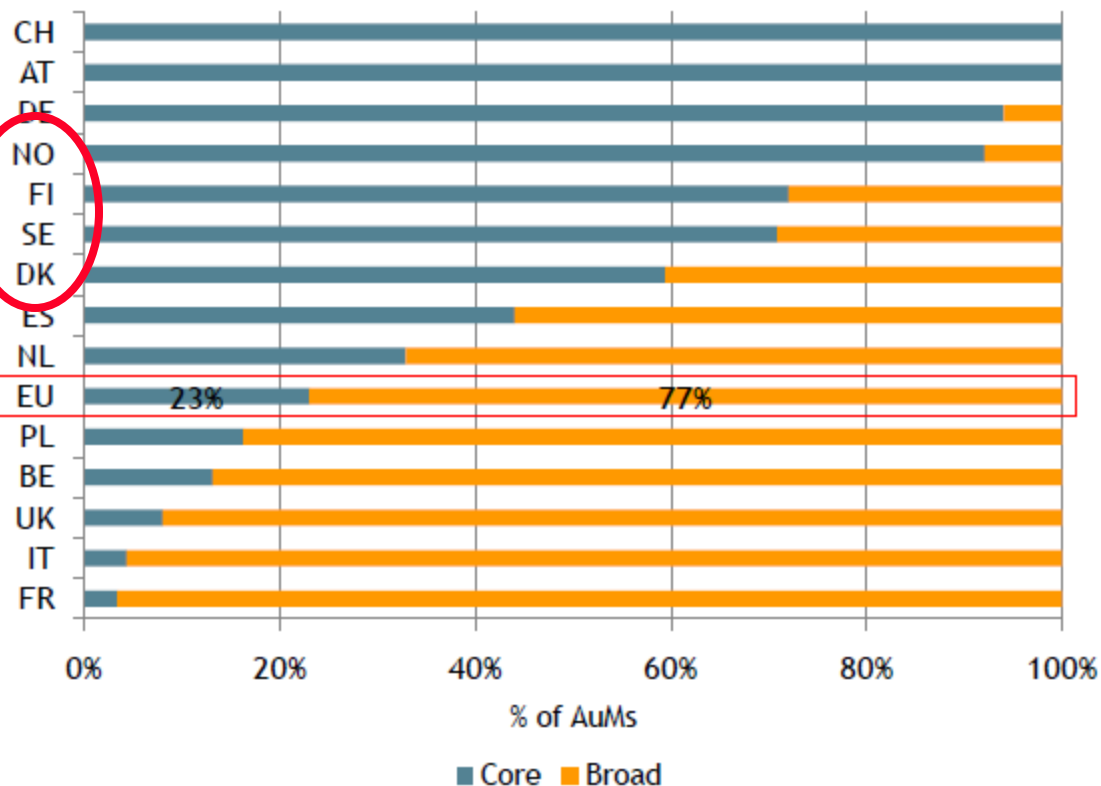


Broad strategies consist of up to 2 simple exclusions, engagement and integration, often in combination with one another.

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

## European Core and Broad SRI (2)

### *Core vs Broad SRI Across Europe*



#### **Core SRI**

- Nordics and German speaking countries remain popular Core SRI markets

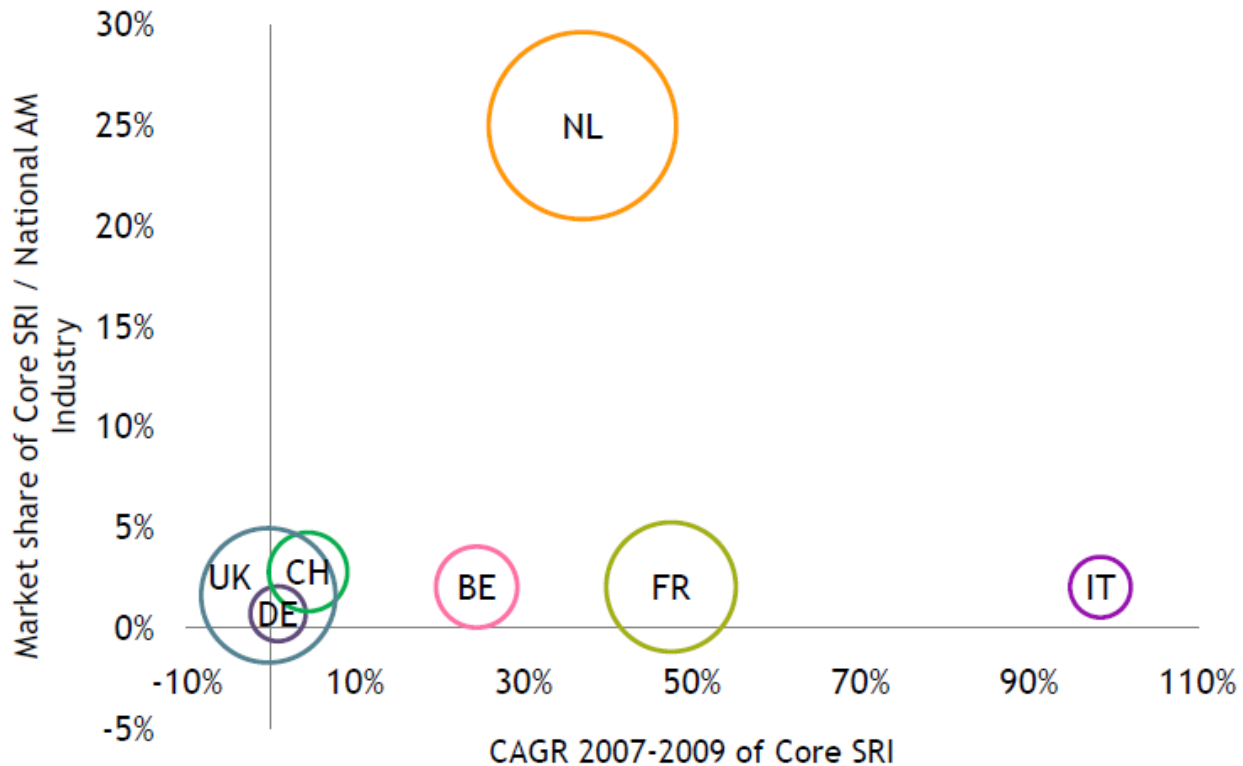
#### **Broad SRI**

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

Source: Eurosif Research

# Core SRI

***Core SRI makes up to 10% of the total European asset management market***



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

# 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**

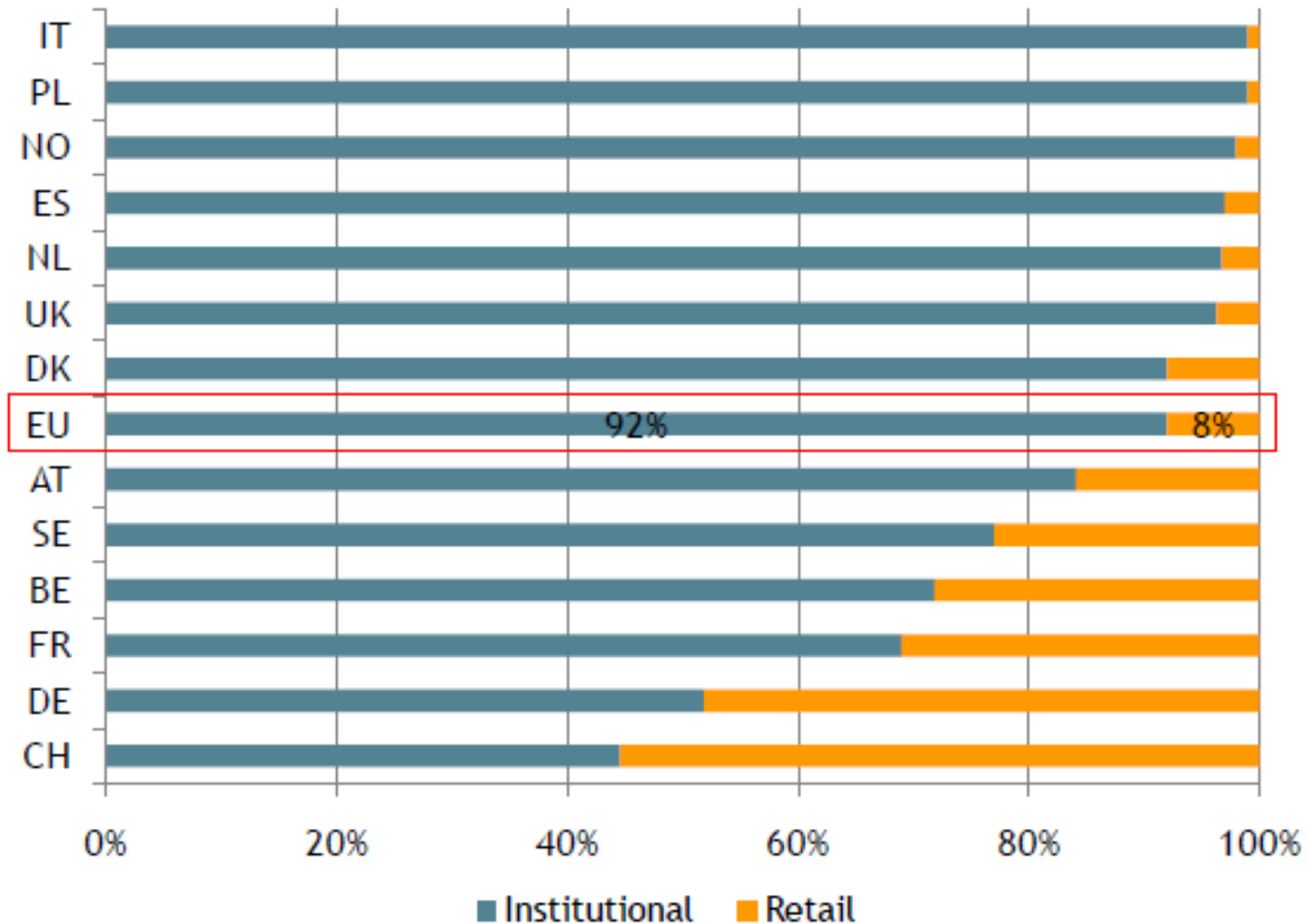
- Only 11% provide to a large extent ESG training to the organisation's non-ESG specialist investment management staff

I. Practices applied for the integration of ESG issues in the investment process	Thematic analysis and research on ESG issues fed back to mainstream analysts	45%
	ESG analyst(s) working directly and on a regular basis with mainstream analysts	29%
	ESG rating(s) systematically included in standard analysis spreadsheet	8%
II. Integration practiced on	Each company of portfolios	33%
	A selection of companies based on specific risks / sectors identified	31%
	On a case-by-case basis	36%
III. Extent of providing dedicated ESG training for the organisation's non-ESG-specialist investment management staff	Small extent	32%
	Moderate extent	25%
	Large extent	11%

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

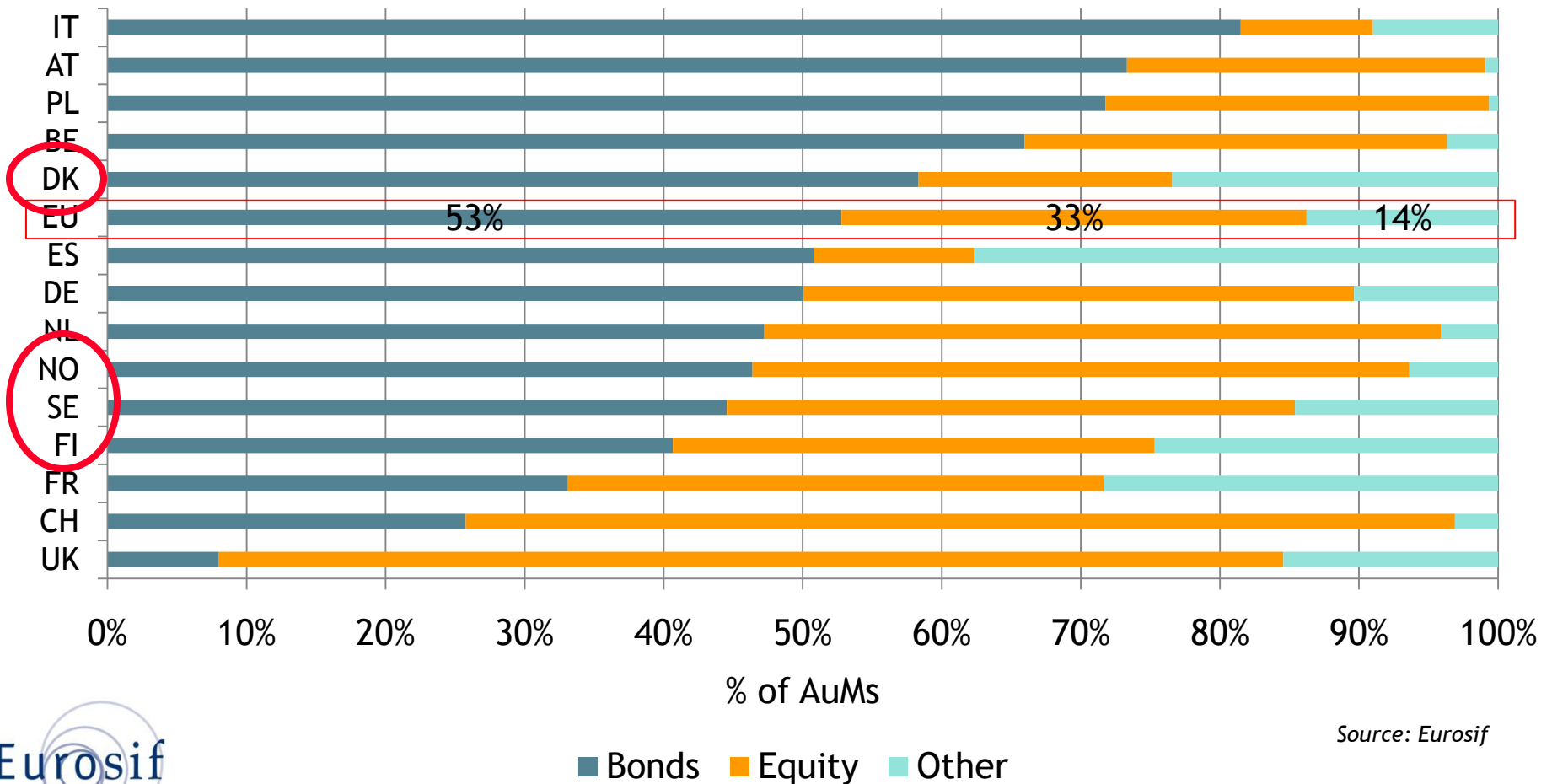
# European SRI - Driven by Institutional Investors

*The institutional market drives the European SRI market...*



# Asset Class Diversification

*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



# Market Drivers in the Next Three Years

*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...**

## Contact Details

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