Sustainable Investment Trends in Europe

2010 European SRI Study

June 6, 2011

Claudia Tober,

Eurosif Board Member

Eurosif: European Sustainable Investment Forum

Eurosif is a pan-European network and think-tank

Eurosif's Mission is to Develop Sustainability through European Financial Markets

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Funding Resource: Eurosif Institutional Member Affiliates - 85

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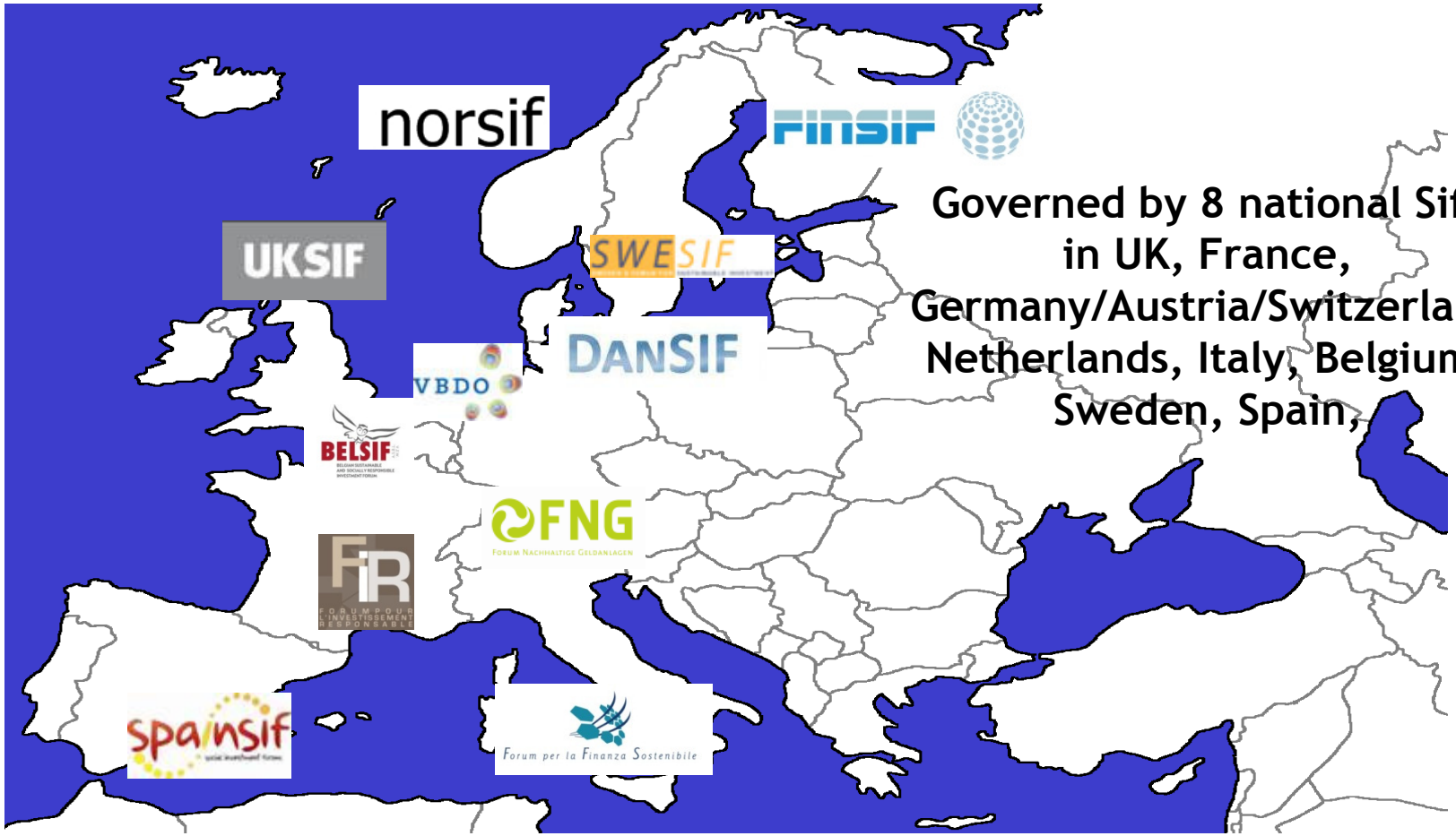
Leverage and Reach through SIFs



Governed by 8 national Sifs in UK, France, Germany/Austria/Switzerland Netherlands, Italy, Belgium, Sweden, Spain,

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Source: Basiskarte: digitale-europakarte.de‘

WORLDWIDE NETWORK of Sustainable Investment Forum

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Eurosif Activities in 2011

Lobbying

- EU Public Policy Position Papers
- Responses to EC Consultations

Research

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

Initiatives & Partnerships

- Transparency Code
- Media Partnerships

Events/ Comm's

- Workshops on Selected Topics
- Public presence at EU meetings, investor forums

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

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The Change brings many new Possiblities

Climate Change

CO2 Emission

Temperature Change

Globale Climate

Politic Change

New Generation of Political Leaders

The Examination for Copenhagen grows

Economic Change

Climate Change & Politics fix conditions

New industries originate

Reorganisation of the World Economy

- New Partnerships and Alliances
- New Commercial Models
- CleanTech is the biggest growth area
- Many special enterprises originate, in particular in the areas of:
  - Solar
  - Wind
  - Water
  - Biomass
  - CO2
  - Infrastructure
  - Investments

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Sustainable and Responsible Investment (SRI)

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.

increasingly based on the view that these issues matter for the long term shareholder value of a company

can encompass all asset classes to varying degrees

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SRI vs RI,

- RI: **Responsible Investment** is most connected to **institutional investors** where an ESG integration approach is becoming a focus
- SRI: **Social Responsible Investment** often affiliated with **retail investors where a values based approach may be observed** along with or rather than an ESG method
- SI: **Sustainable Investment** a term that encompasses the growing interest in **thematic investing and is most closely affiliated with HNWIs**
- Impact: **Impact Investment** is a growing area where investors look to both adopt SRI strategies and **evaluate their ESG outcomes.**

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ESG-Criterias: Negative Screening (Examples)

ESG-Criterias	Value-based	Norm-based
Environmental: Protection of nature and environment, sustainable use of natural goods	• Nuclear • Chemical industry (chlorine) • Green genetic engineering • Serious damages or exposures caused to the environment	• Non-Ratification of Kyoto-Protocol • Non-Ratification of Protocol of Biosafety • Contempt of Biociversity convention
Social: Promotion of Peace, protection of Human Dignity and regional cultures, combating poverty, education and cultural diversity	• Weapons (Production and Trade) • Pornography • Gambling • Animal Testing	• Contempt of ILO-Convention • Contempt on Treaty on the Non-Proliferation of Weapons • Contempt against Geneva Convention • Violation of Human Rights • Serious contempt's of Social Law or Consumer Protection Law
Governance: Corporate Social Responsibility, Cooperative, equitable and transparent governance of private businesses and public institutions, transparency of governance, fair contracting	• Contempt against Anti-Trust-Law (or abuse of monopolistic position) • Systematic and repeated Corruption	• Contempt against Laws (e.g. Environmental Law, Consumer Protection Law, accounting fraud, equal opportunities)

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ESG-Criterias: Positive Screening (Examples)

Positive Screening: Best in Class – Theme Funds (examples)

Environmental:	• Green Real Estate • Renewables, Energy Efficiency • Sustainable Commodities (Forest, Agriculture, Water etc.)
Social:	• Microfinancing • Investment in Social Projects • Culture • Education
Governance:	• Precautionary Principle: The anticipation of a company (by implemented policy and principles) on possible sustainability risks related to for instance extraction, processing and production of oil, metals and minerals, both regarding environmental and social development • ESG-Reporting • Publication of earning of the Board of Directors • Diversity and Equal treatment Efforts

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Engagement and Integration

Engagement:

A long-term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.

This includes vote at AGM, filing or co-filing shareholder proposals, asking questions at AGM, collaborative engagement initiatives, individual company contact and dialogue with policy makers and industry organisations.

Integration:

The explicit inclusion by asset managers of ESG-risk into traditional financial analysis. Corporate Governance risk should be limited here to the interface between Governance and Social and Environmental issues.

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European SRI Study 2010

19 countries covered

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

2 Market Segments

CORE ***BROAD***

Created with the support of:

Amundi ASSET MANAGEMENT

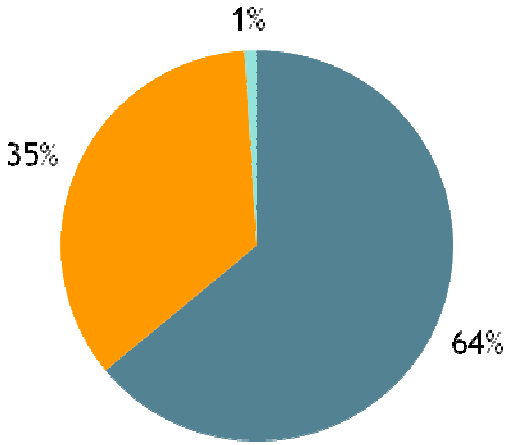
BNP PARIBAS INVESTMENT PARTNERS

CHEUVREUX CRÉDIT AGRICOLE GROUP

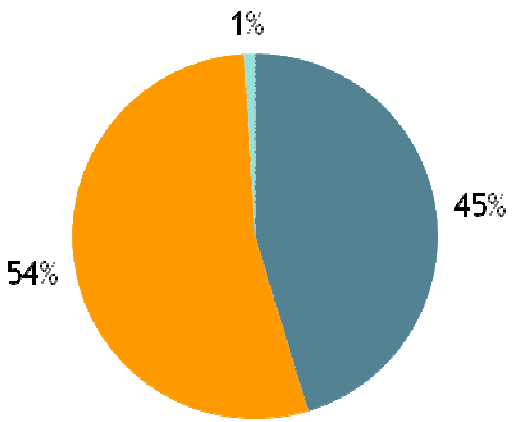
EDMOND DE ROTHSCHILD ASSET MANAGEMENT

Global SRI Market is Growing and Regional Influence is Shifting

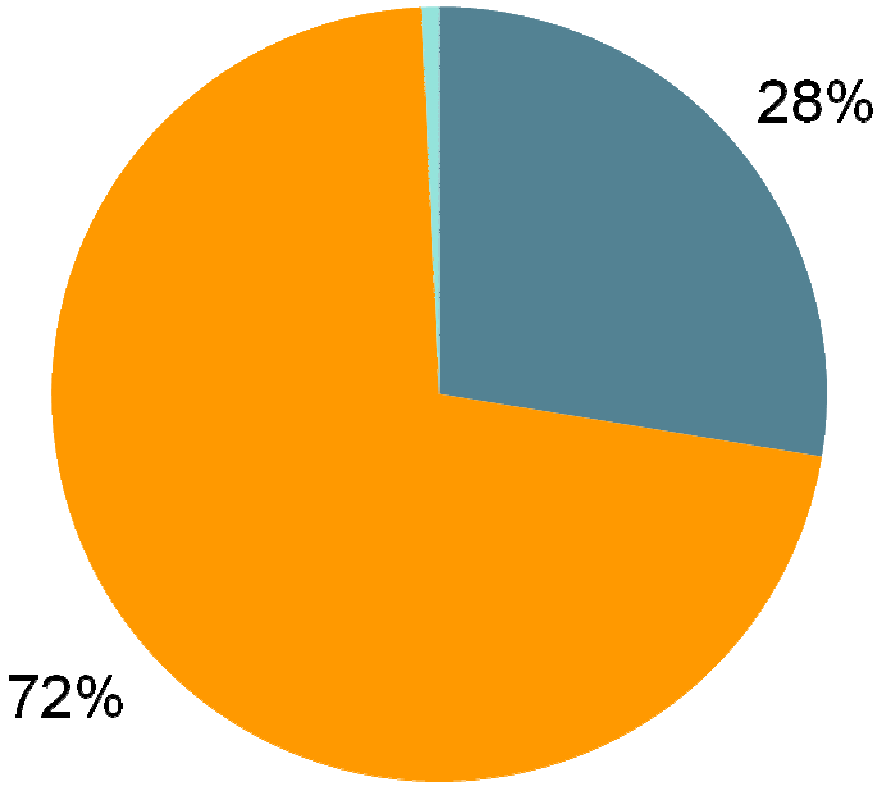
2006



2008



2010



North America Europe Australia/Asia

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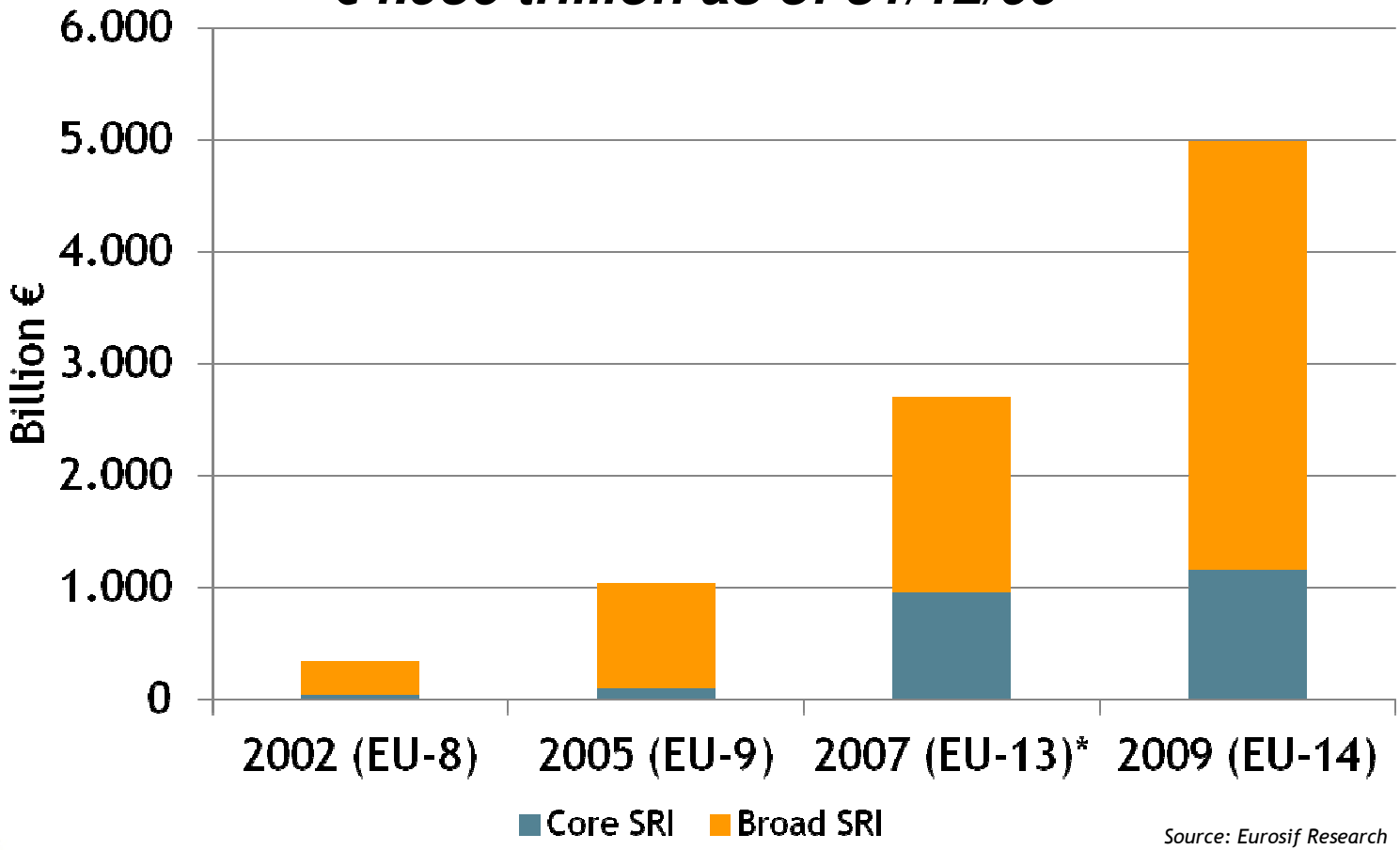
Source: Eurosif Research

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

** Re-calculated according to the 2010 Core SRI definition*

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Core and Broad SRI Segmentation

Core SRI is composed of the following strategies (with possible combinations)

Norms- and values/ethical-based exclusions (three or more criterias)

Different types of positive screens (Best-in-Class, thematic funds and others).

Broad SRI is composed of the following strategies (often in combinations):

Simple Screening (one or two exclusion criteria, norms-based or values/ethical based)

Engagement

Integration

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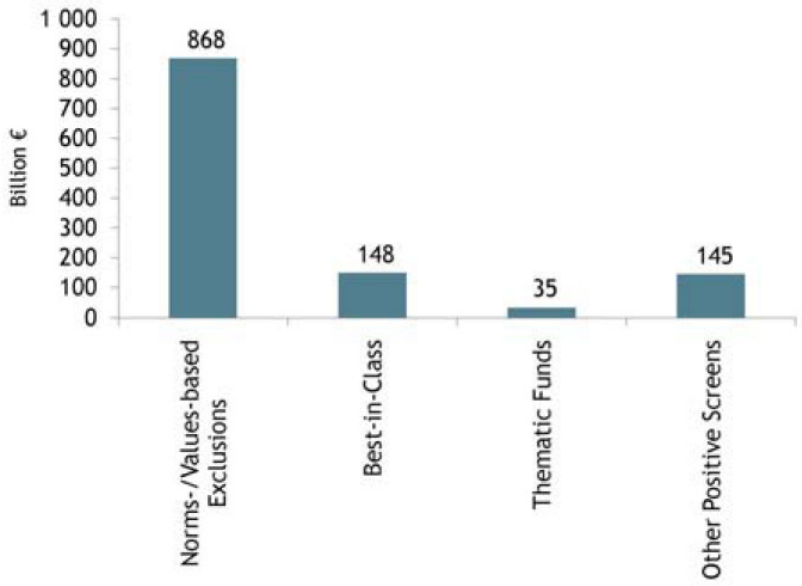
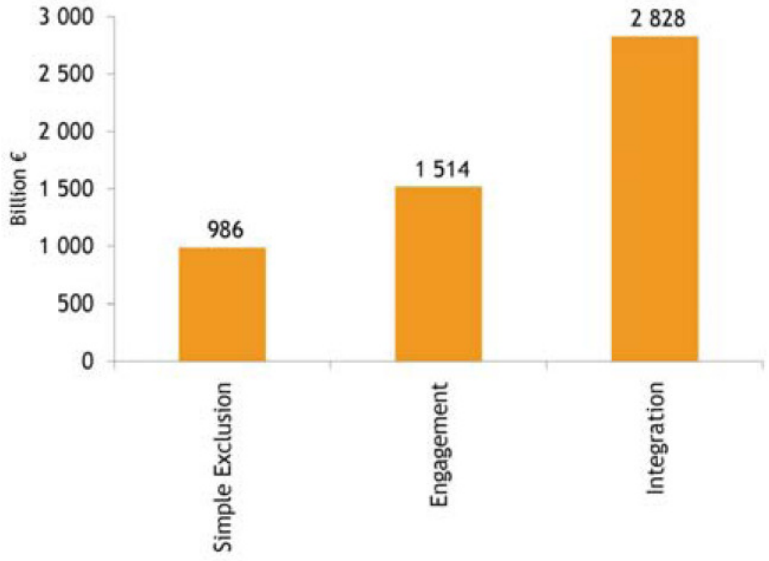
European Core and Broad SRI (1)

Core SRI - €1.2 trillion



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



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

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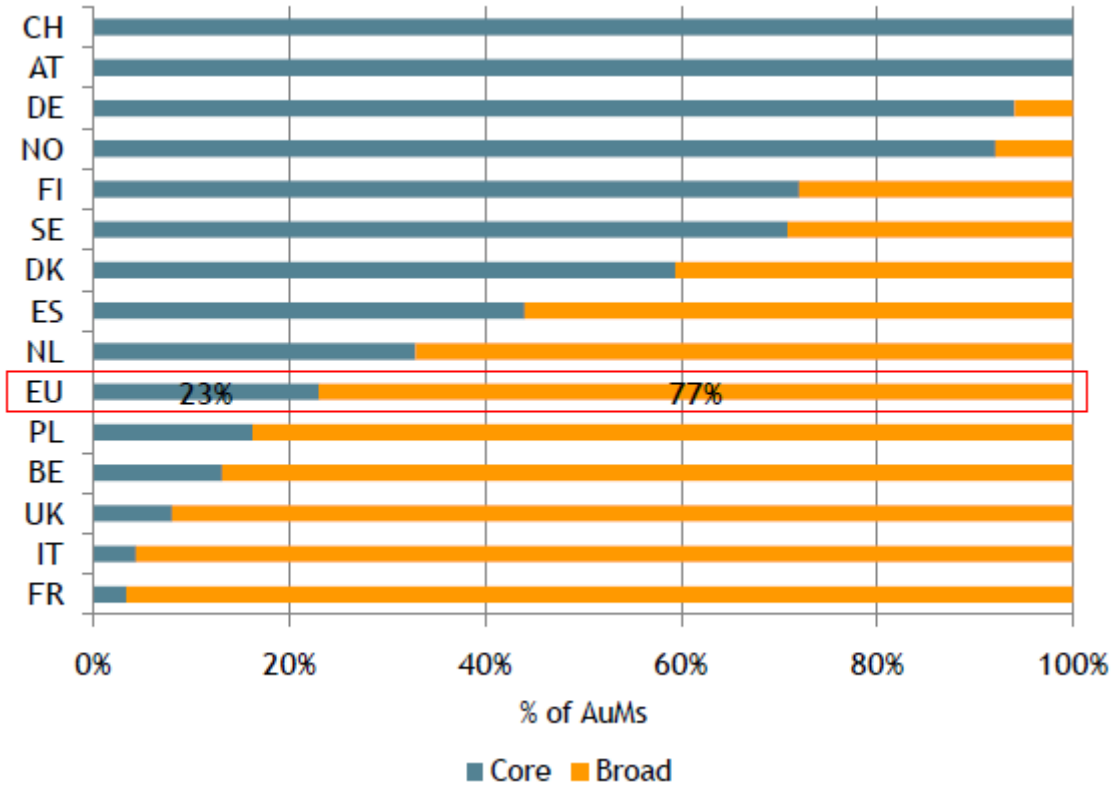
Source: Eurosif Research

European Core and Broad SRI (2)

Core vs Broad SRI Across Europe



Source: Eurosif Research

Core SRI

- Nordics and German speaking countries remain popular Core SRI markets

Broad SRI

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

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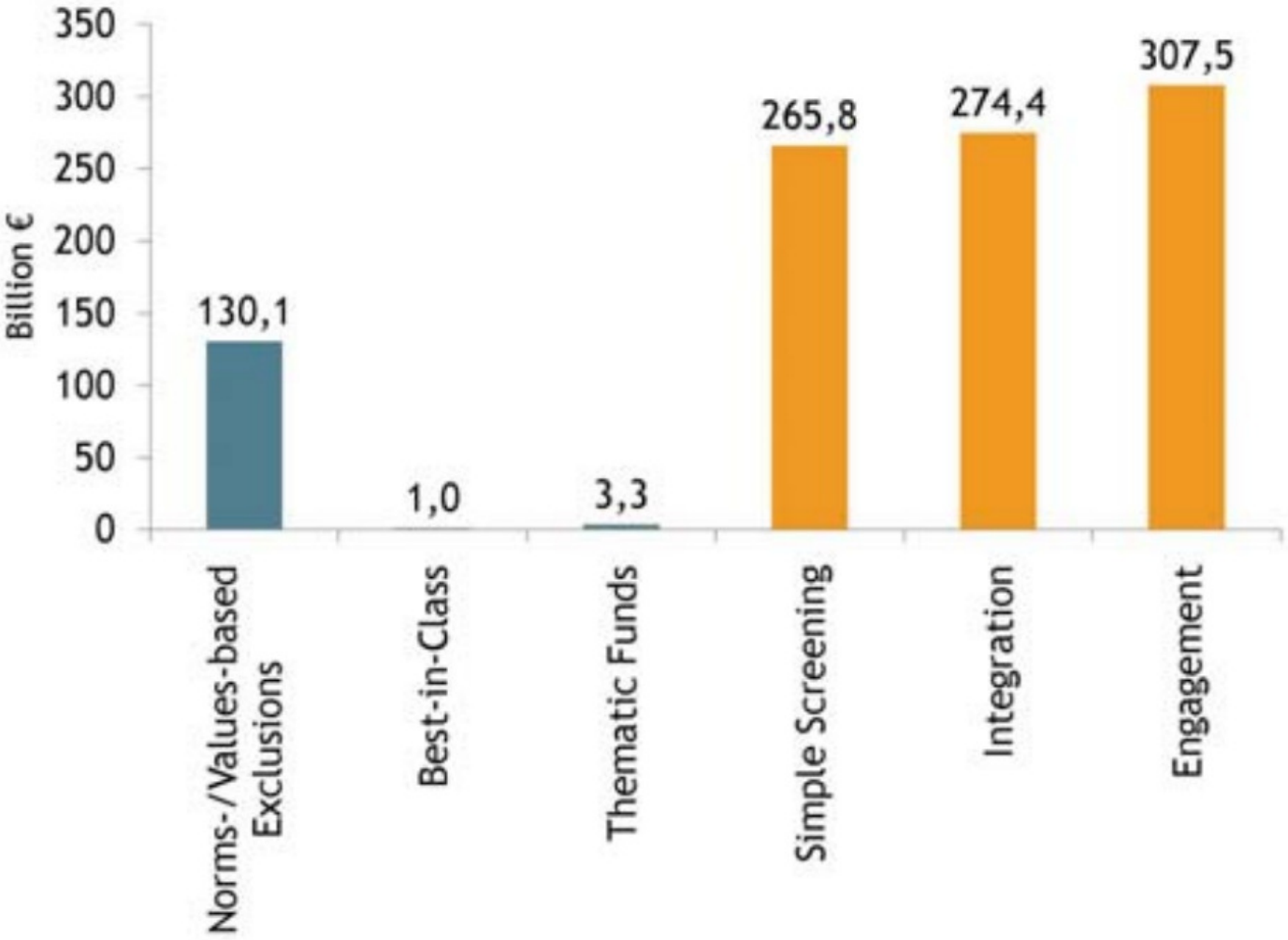
Strategies in the Netherlands

FIGURE 2: SRI Strategies in the Netherlands



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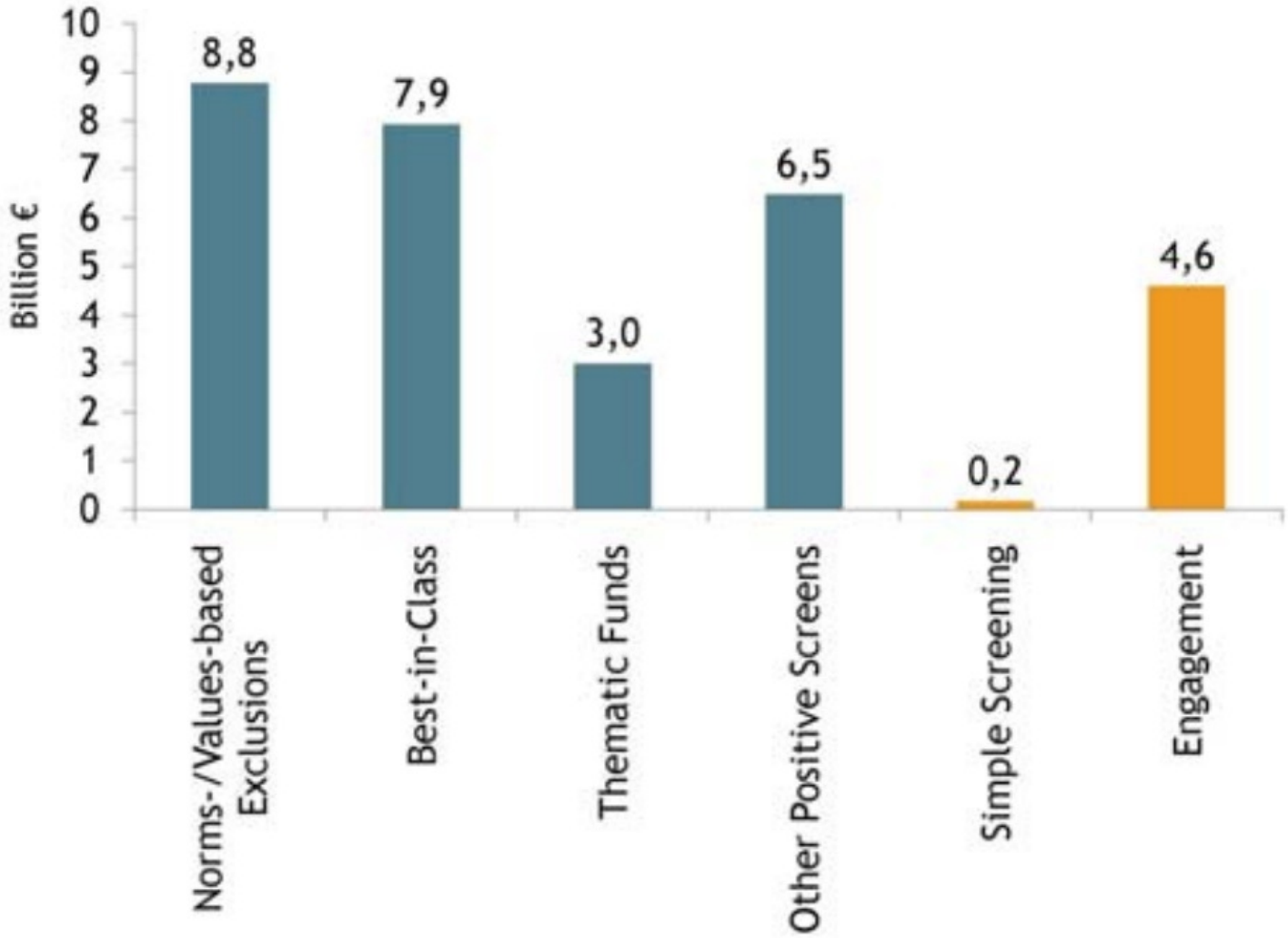
Strategies in Germany

FIGURE 2: SRI Strategies in Germany



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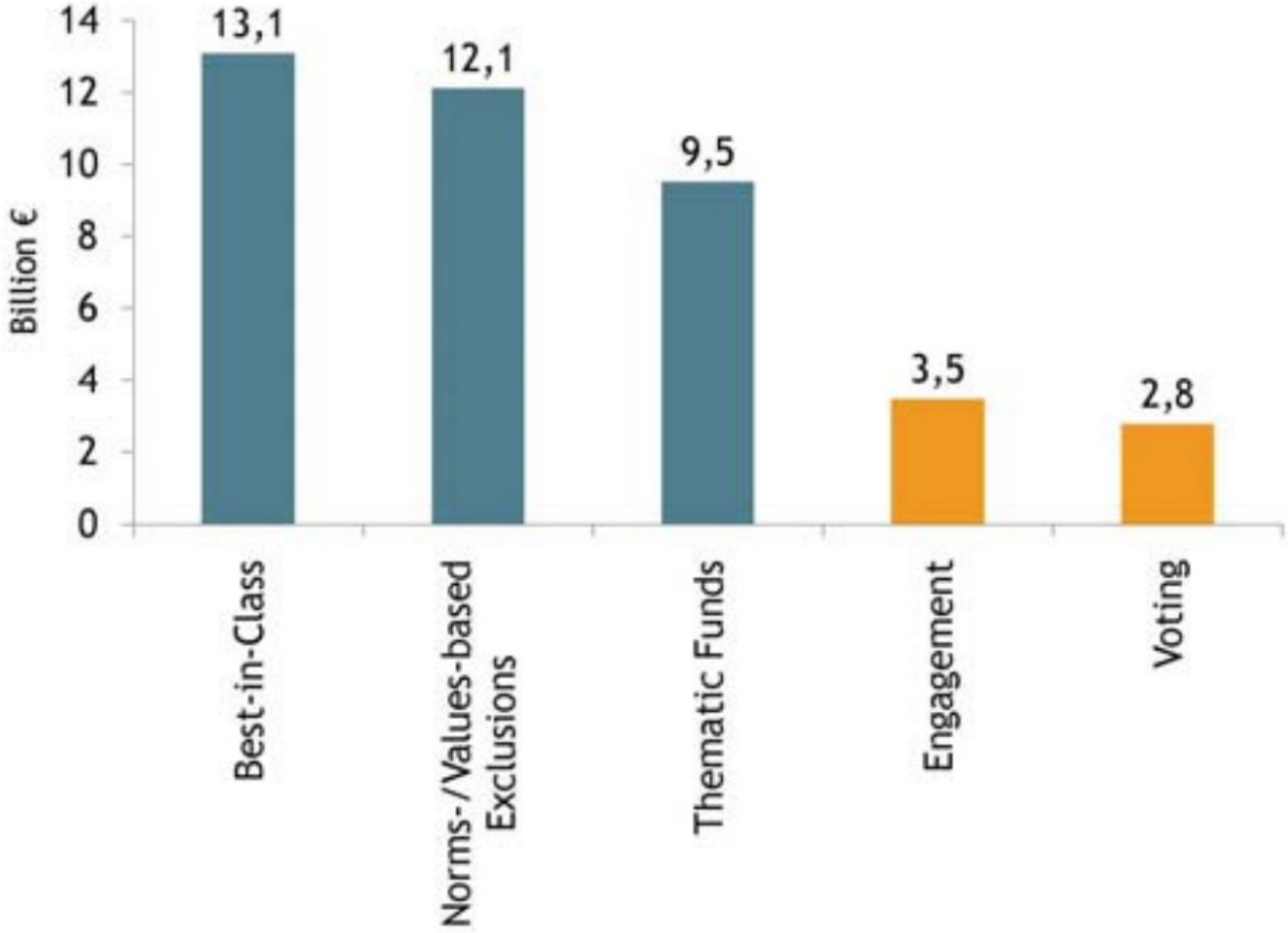
Strategies in Switzerland

FIGURE 2: SRI Strategies in Switzerland



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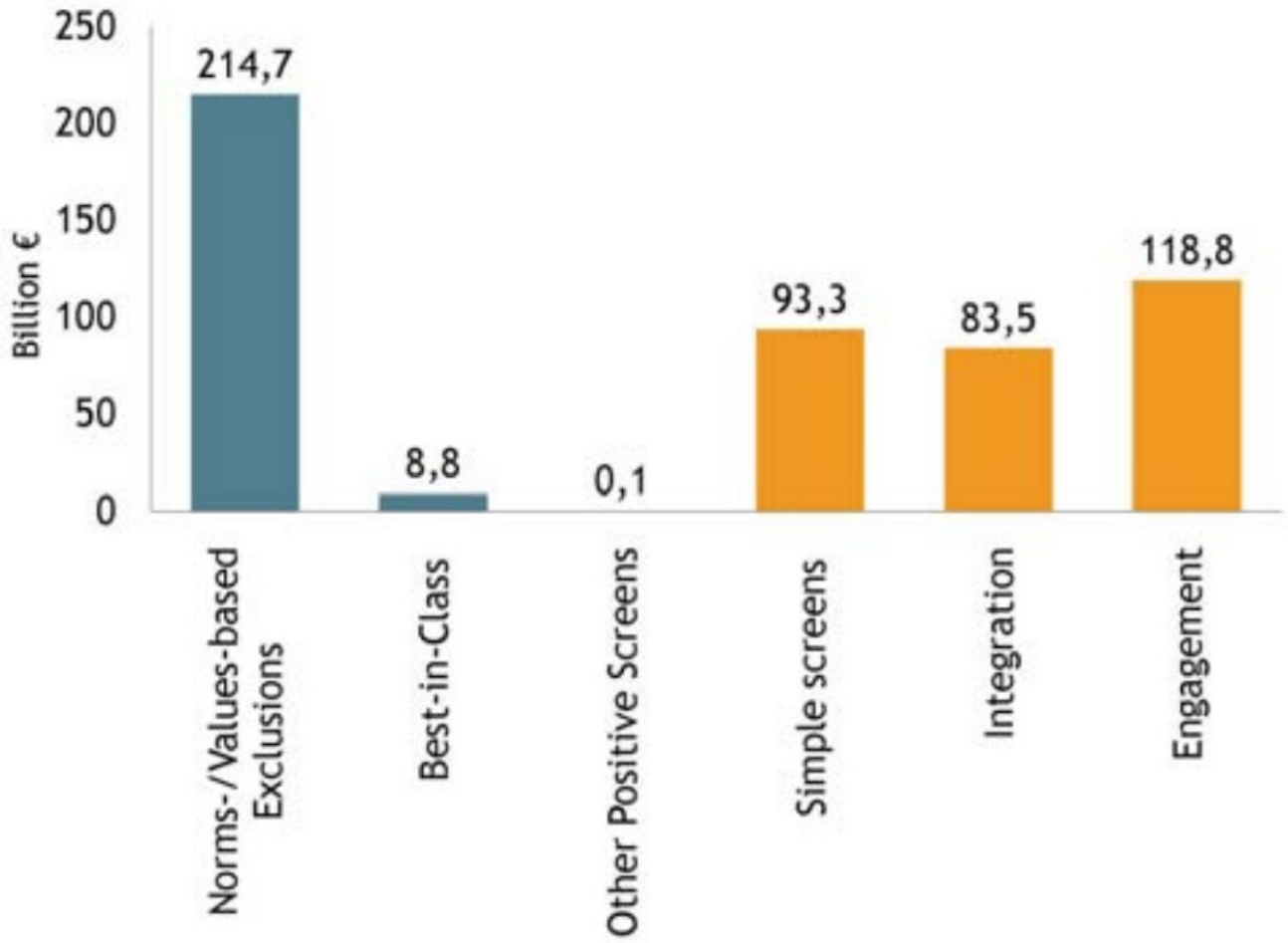
Strategies in Sweden

FIGURE 2: SRI Strategies in Sweden



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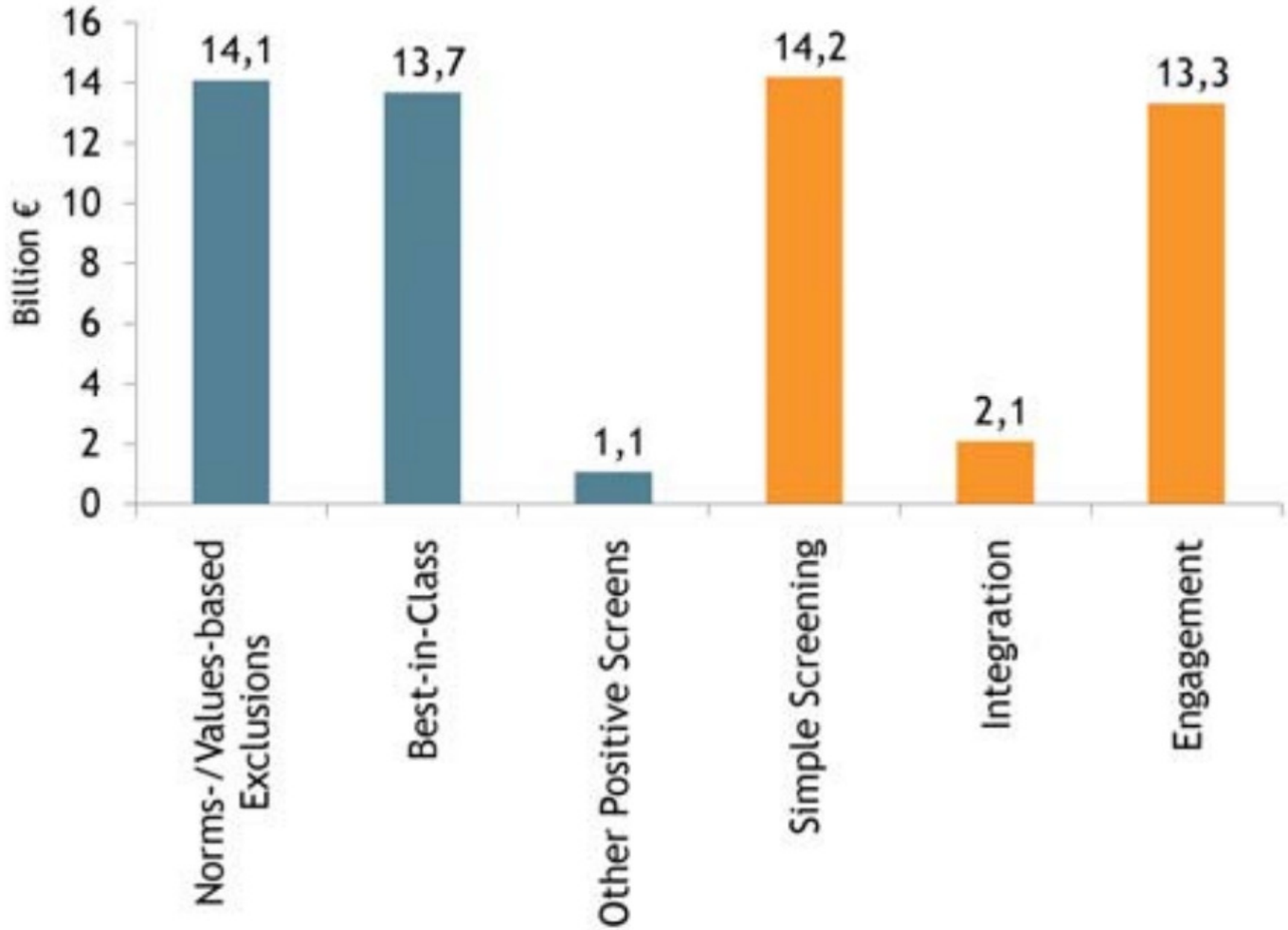
Strategies in Spain

FIGURE 2: Core and Broad SRI Market in Spain



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Strategies in United Kingdom

FIGURE 3: Core SRI strategies in the UK (in Pounds Sterling)

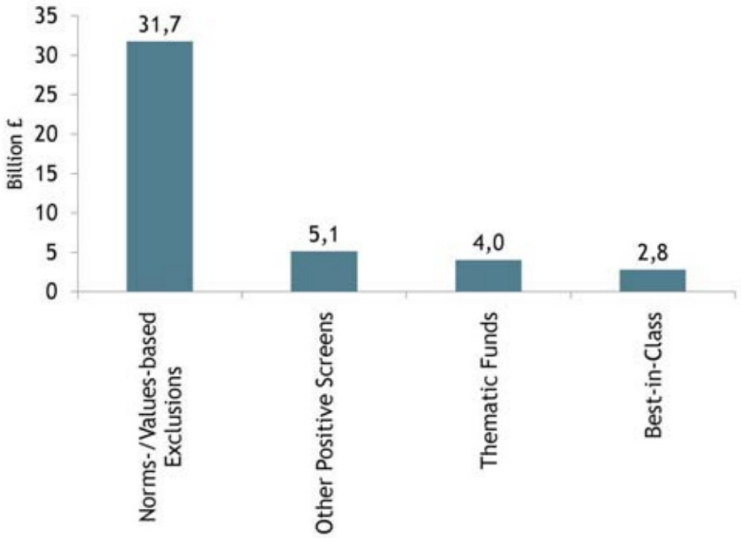
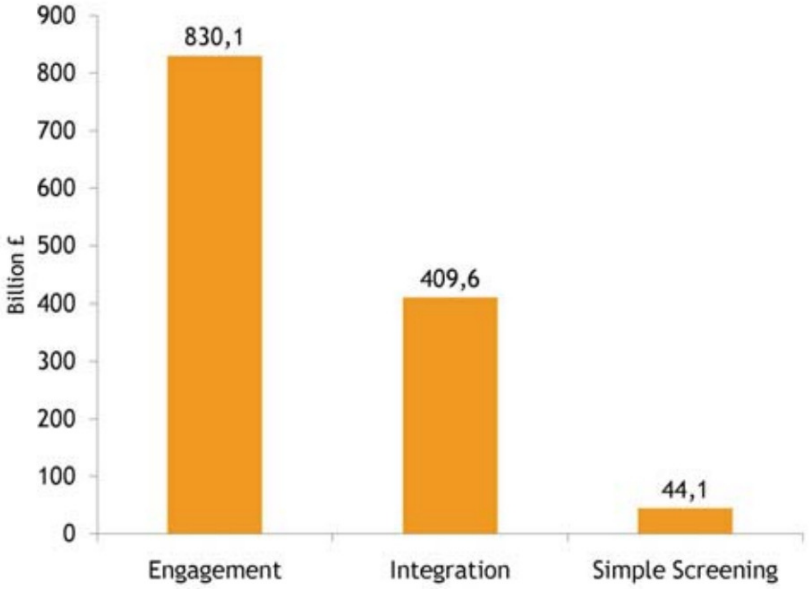


FIGURE 2: Broad SRI strategies in the UK (in Pounds Sterling)



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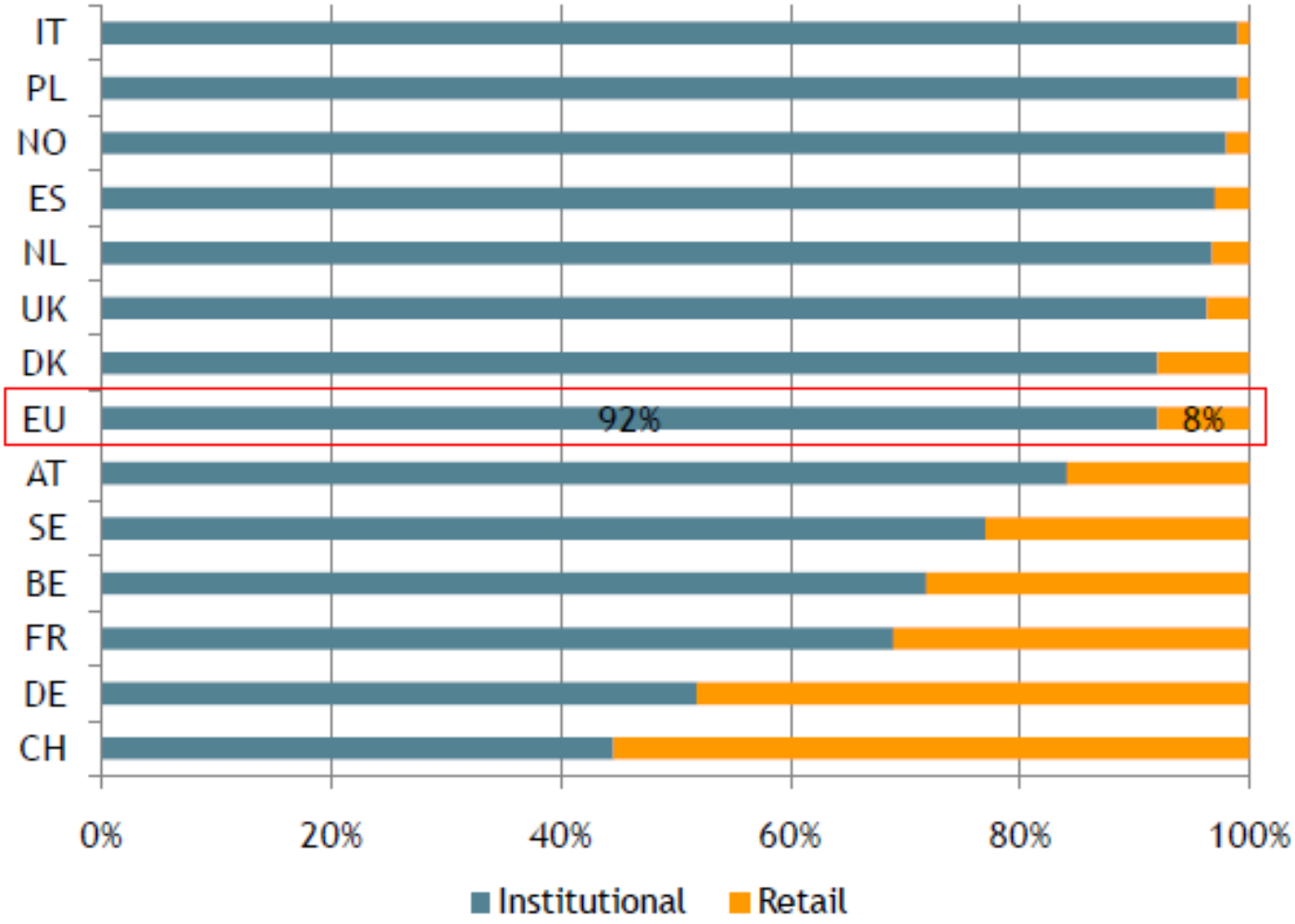
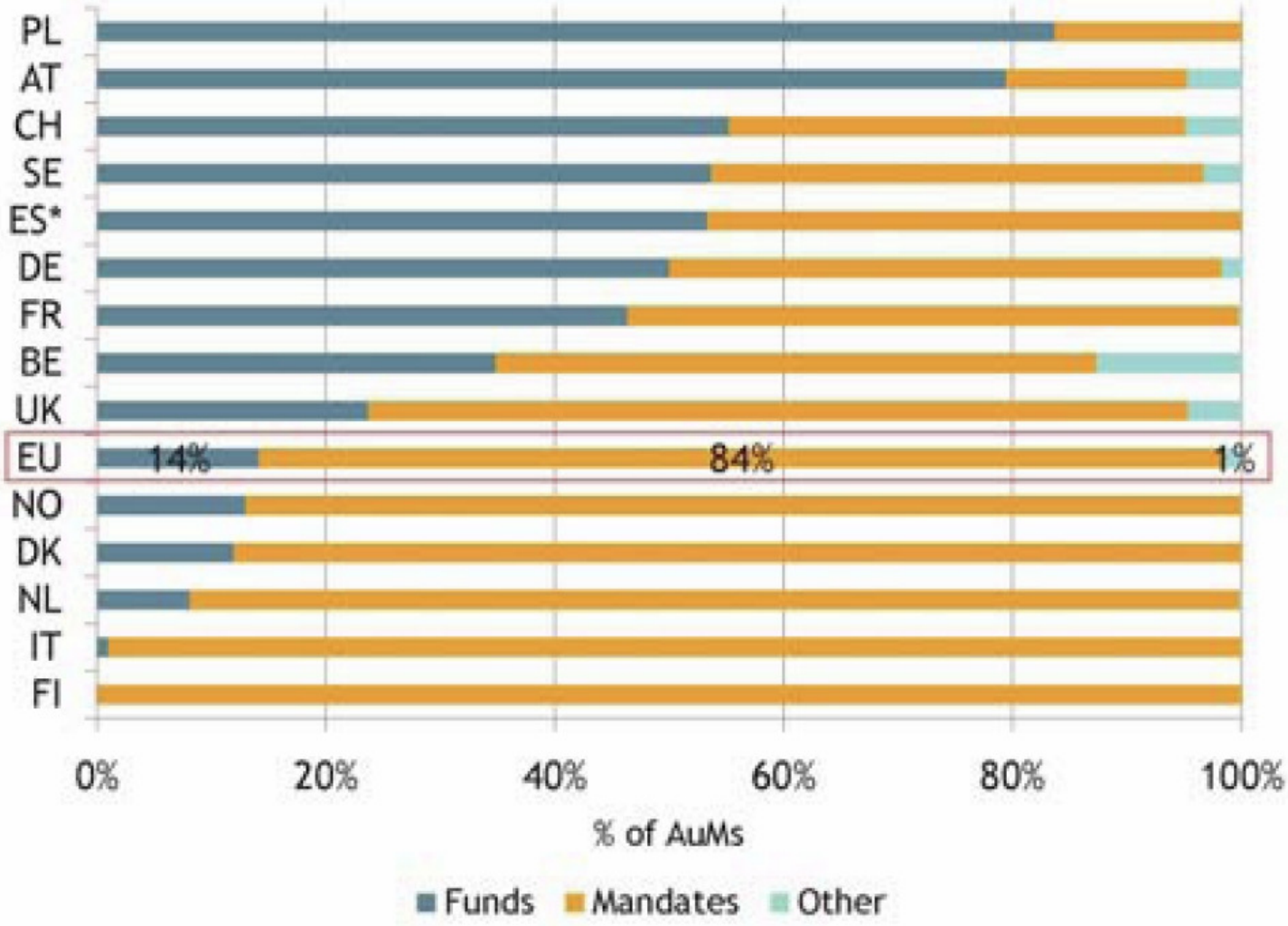
European SRI – Driven by Institutional Investors

The institutional market drives the European SRI market…



Source: Eurosif

SRI Investment Vehicle by Country



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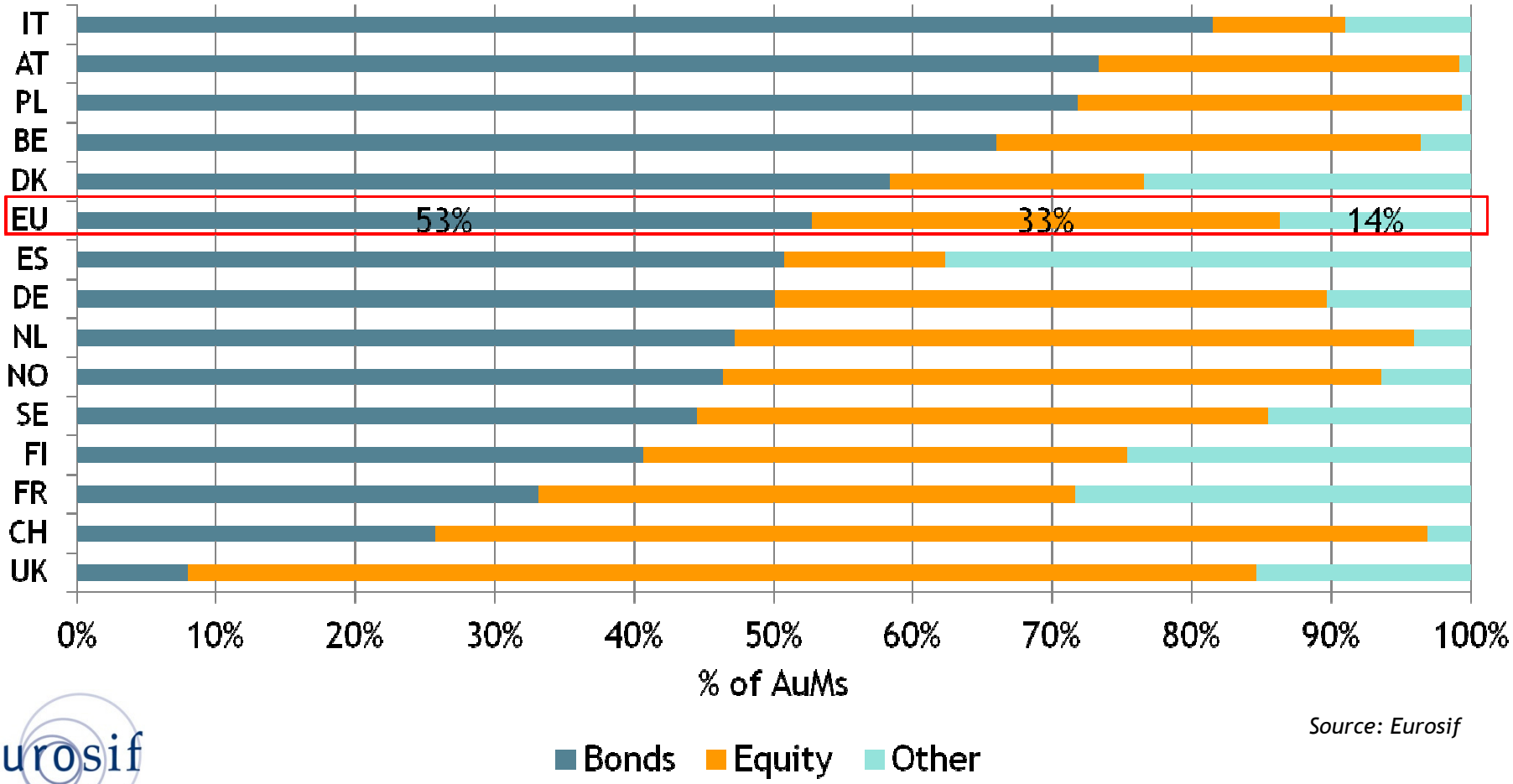
Asset Class Diversification

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

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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.

Source: Eurosif Research

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Many thanks for your attention!

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