

***European Trends in SRI:
2010 European SRI Study***

November 2, 2010

Matt Christensen, Eurosif

Hosted by SpainSIF

Madrid



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



Social Investment Forum

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

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

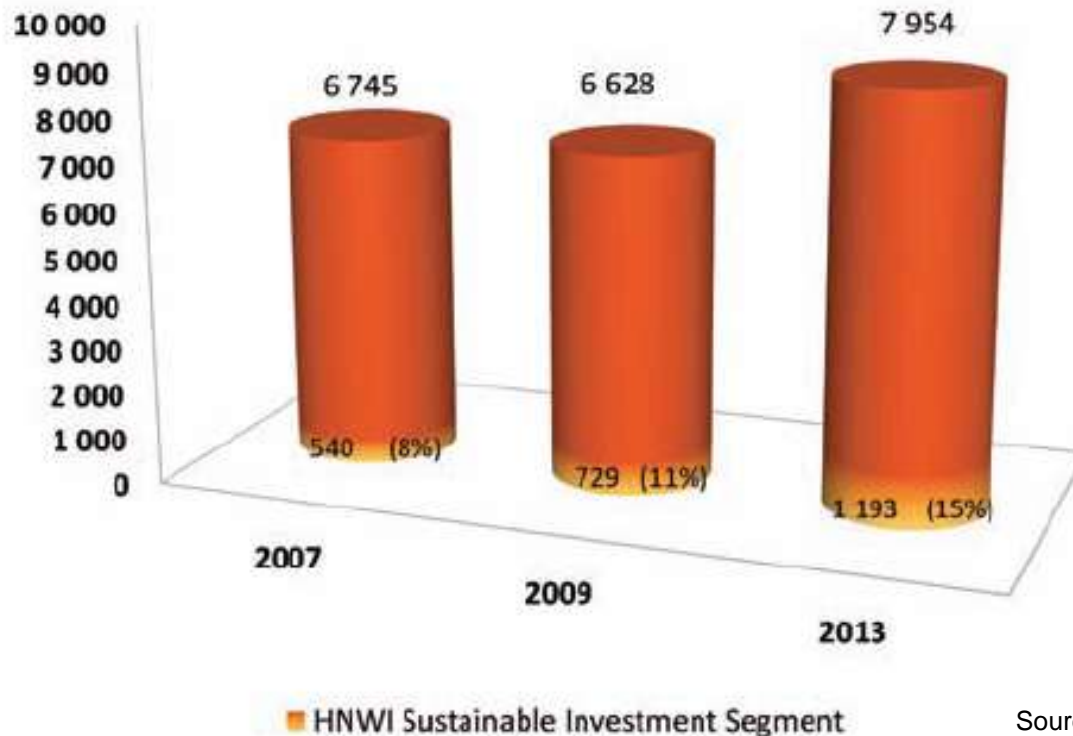
Scope and Funding

- 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

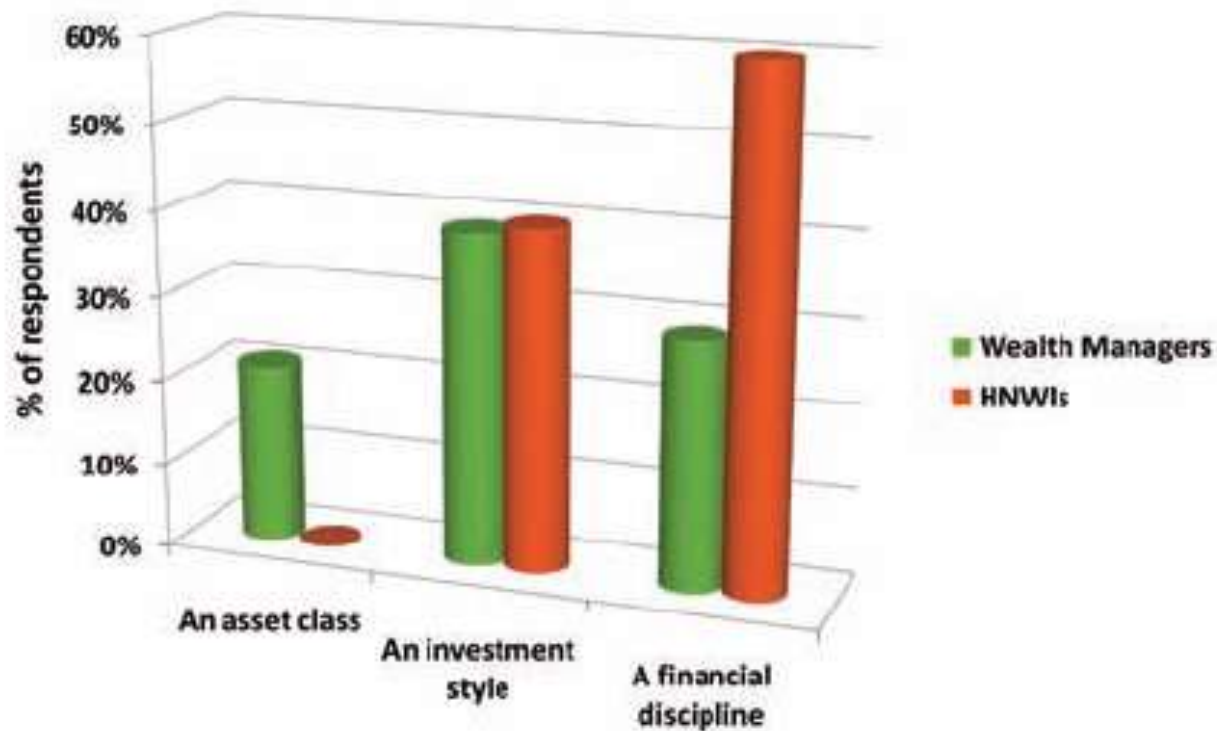


HNWI sustainable investing is projected to rise to €1.2 trillion by 2013

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

Perceptions of Sustainable Investment

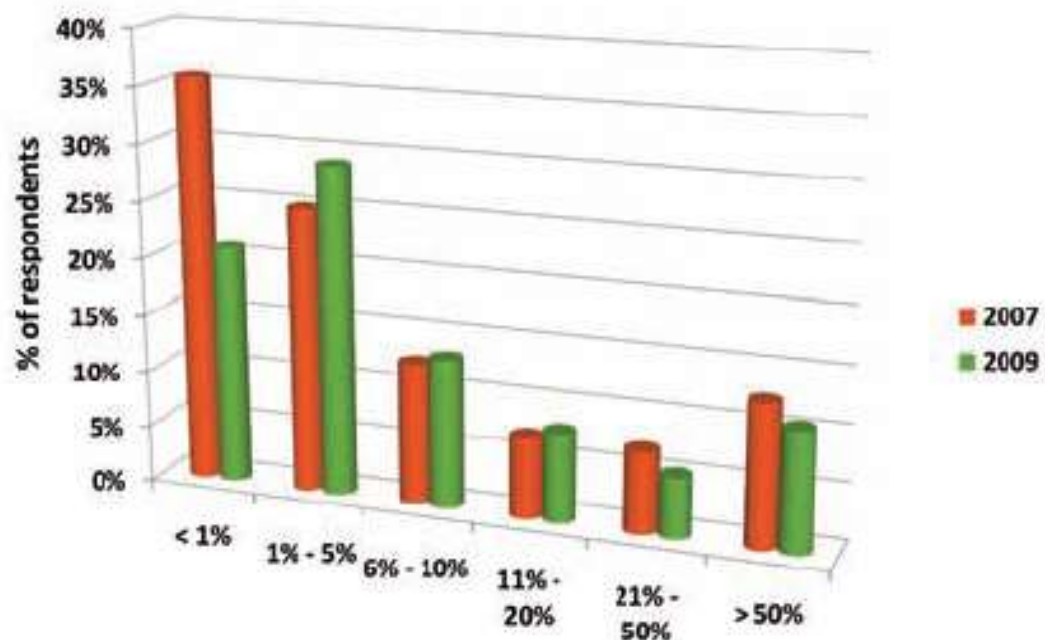
Sustainable Investment largely perceived by European HNWI population as a financial discipline, rather than an investment style



Source: Eurosif

Sustainable Investing Started as a Satellite Approach for HNWIs

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



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

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



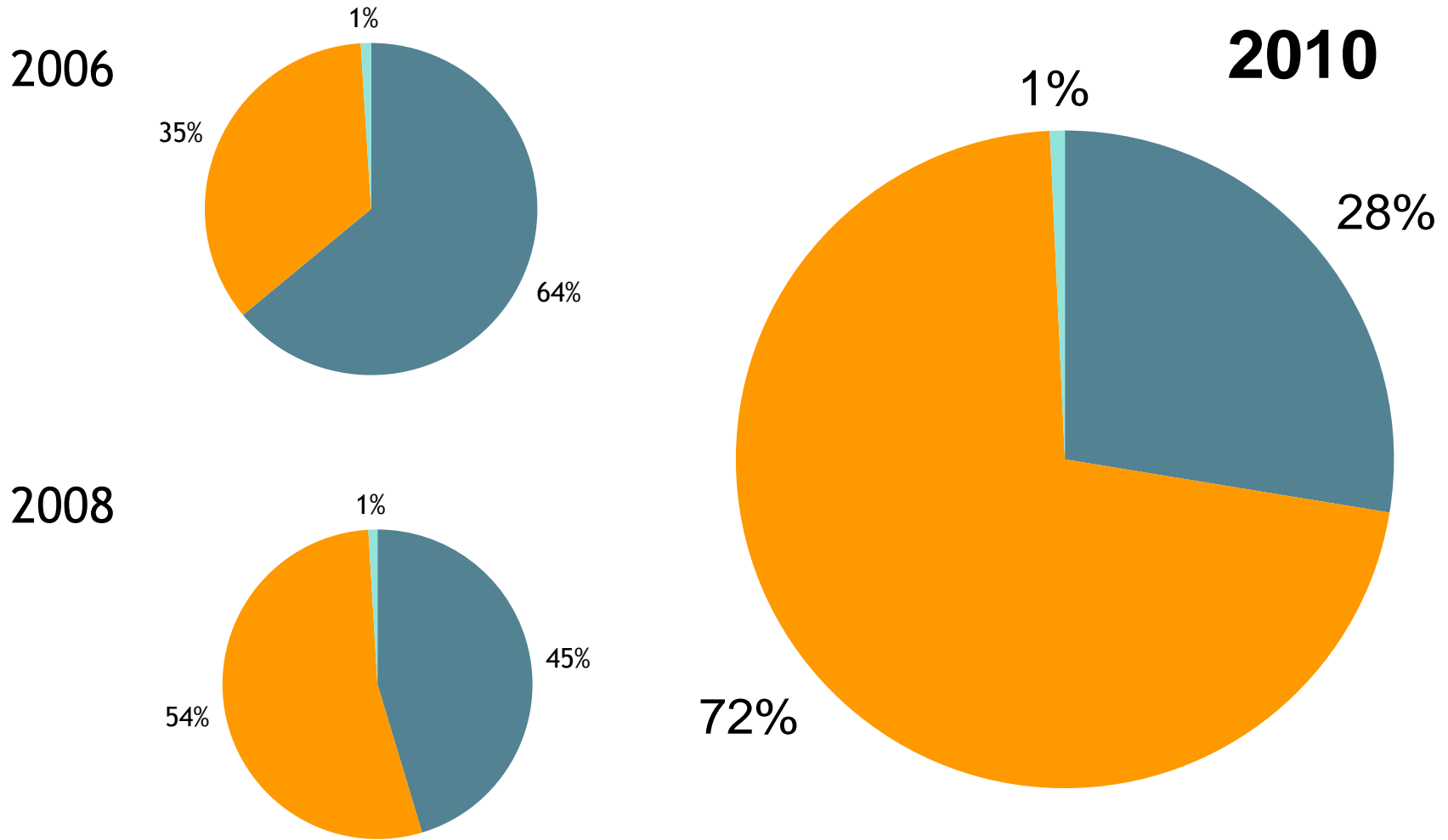
19 countries covered

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

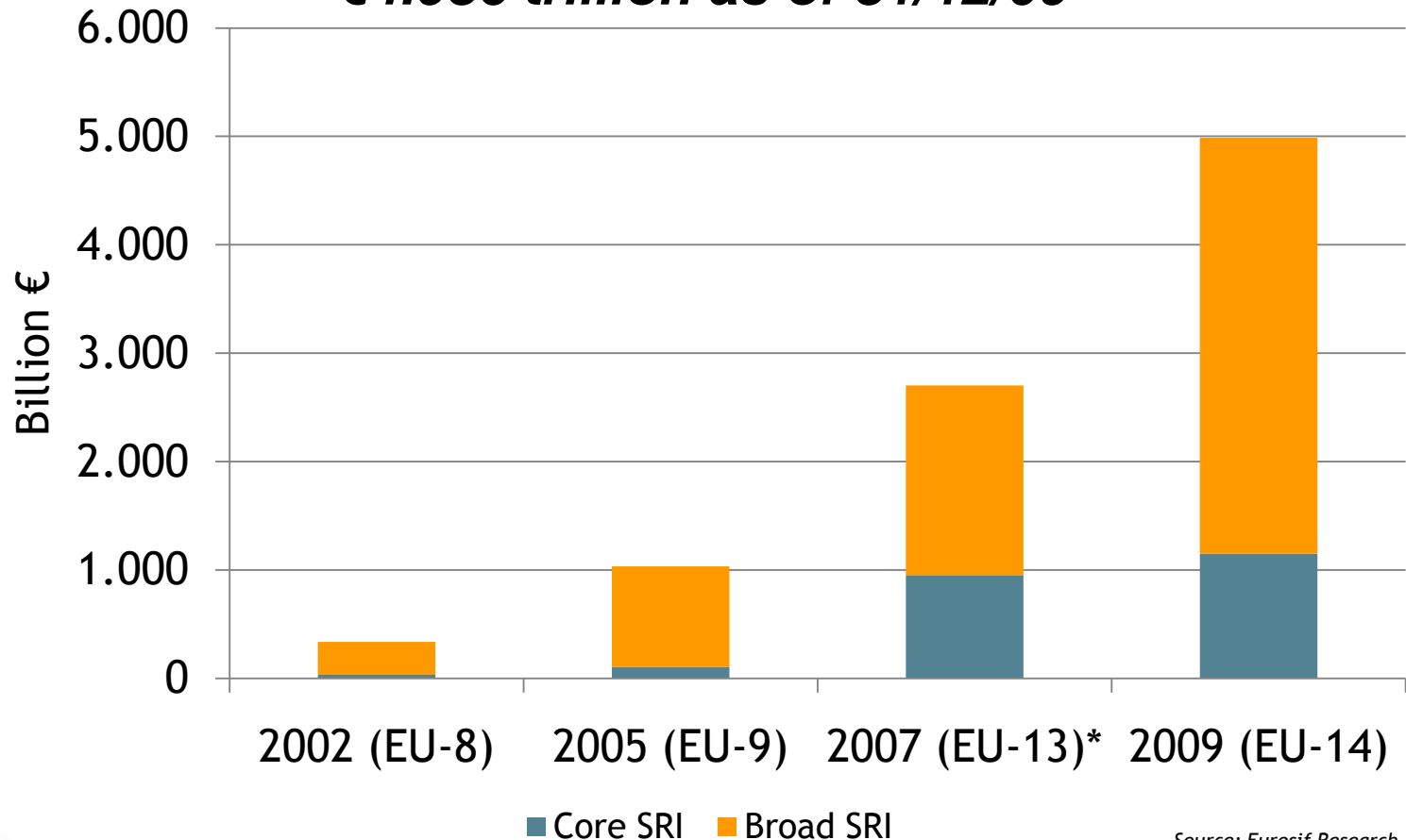


■ North America ■ Europe ■ Australia/Asia



Size of the European SRI Market

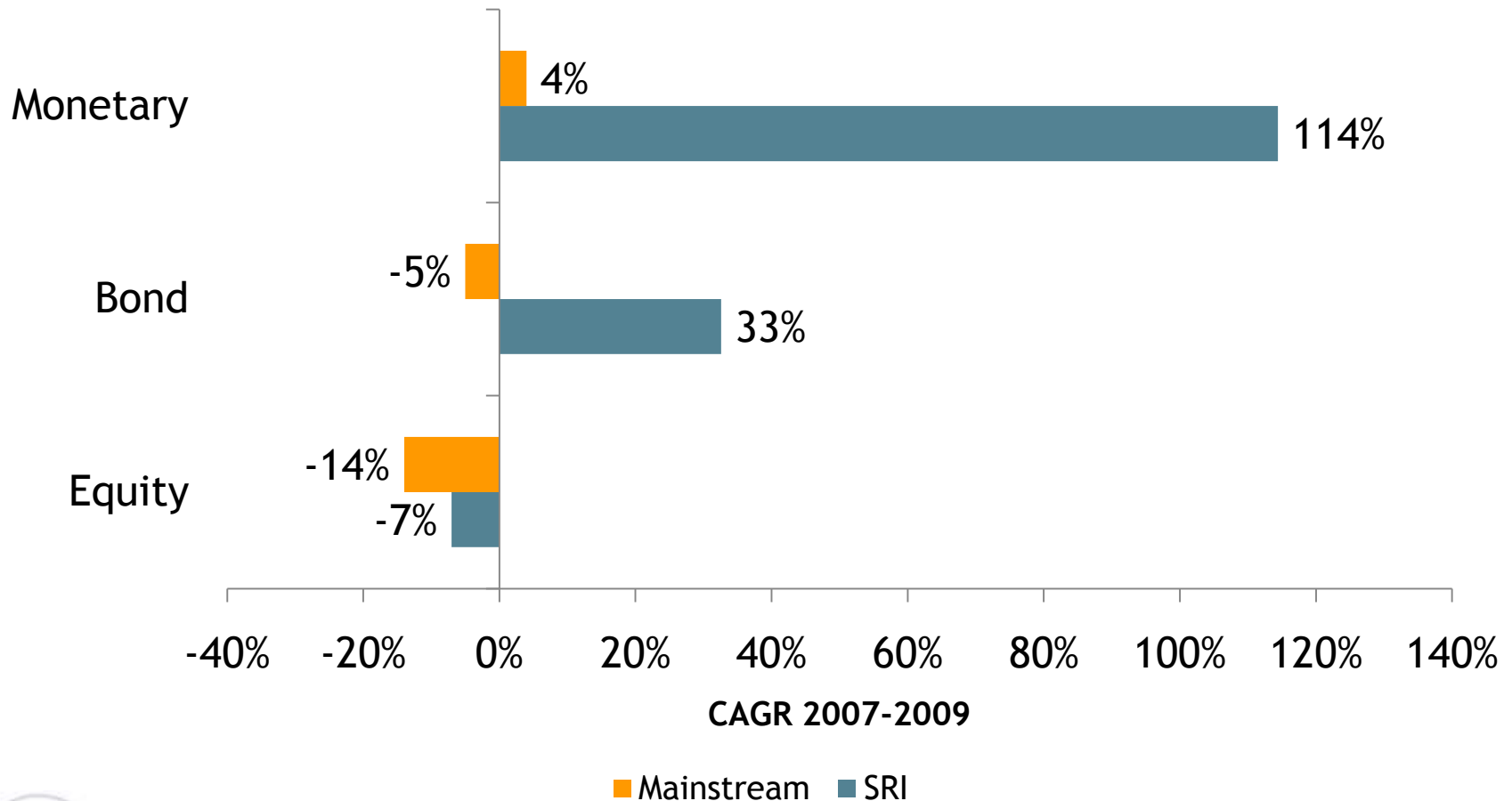
Total EU SRI assets under management have reached €4.986 trillion as of 31/12/09



Source: Eurosif Research

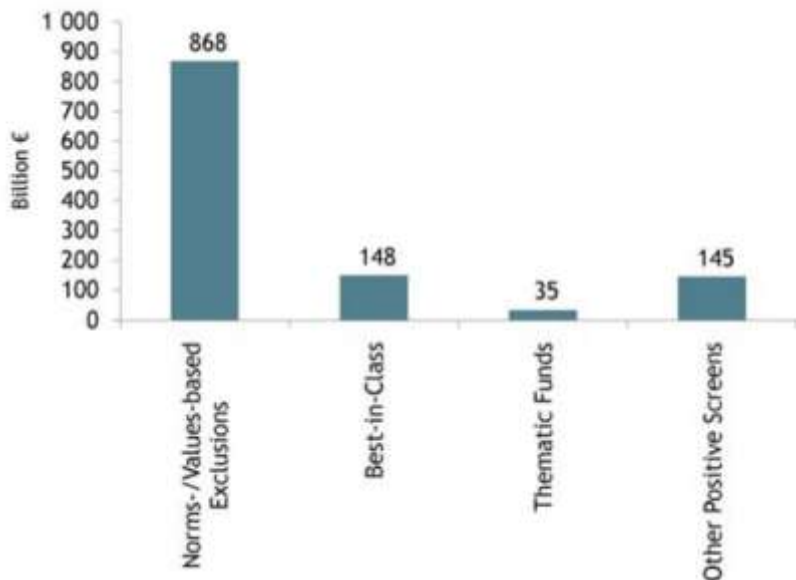
Growth of European SRI Market

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



European Core and Broad SRI (1)

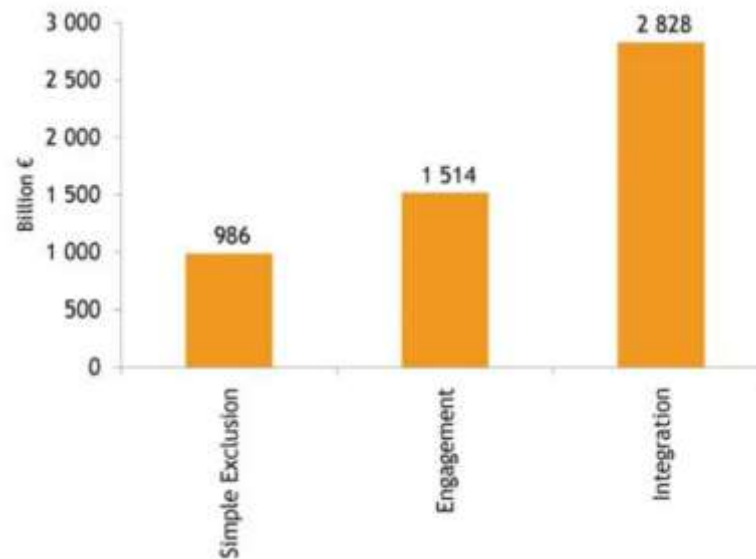
Core SRI - €1.2 trillion



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

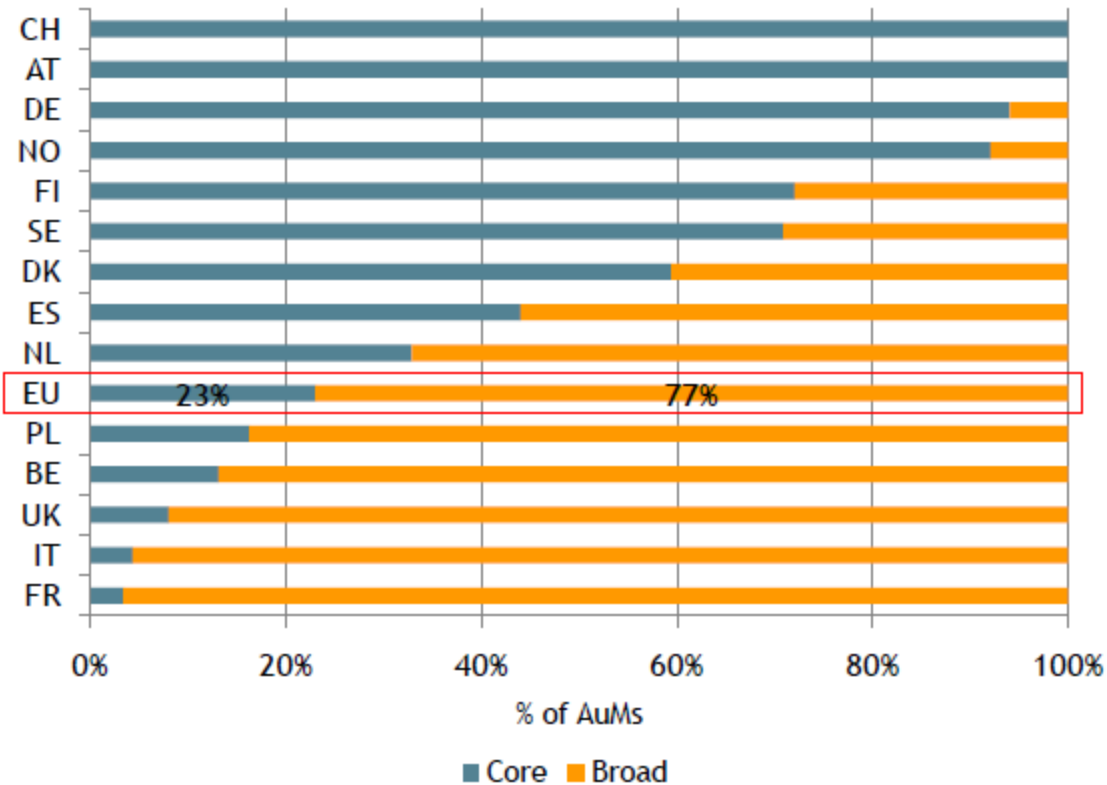


Broad strategies consist of simple exclusion, engagement and integration, often in combination with one another.

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

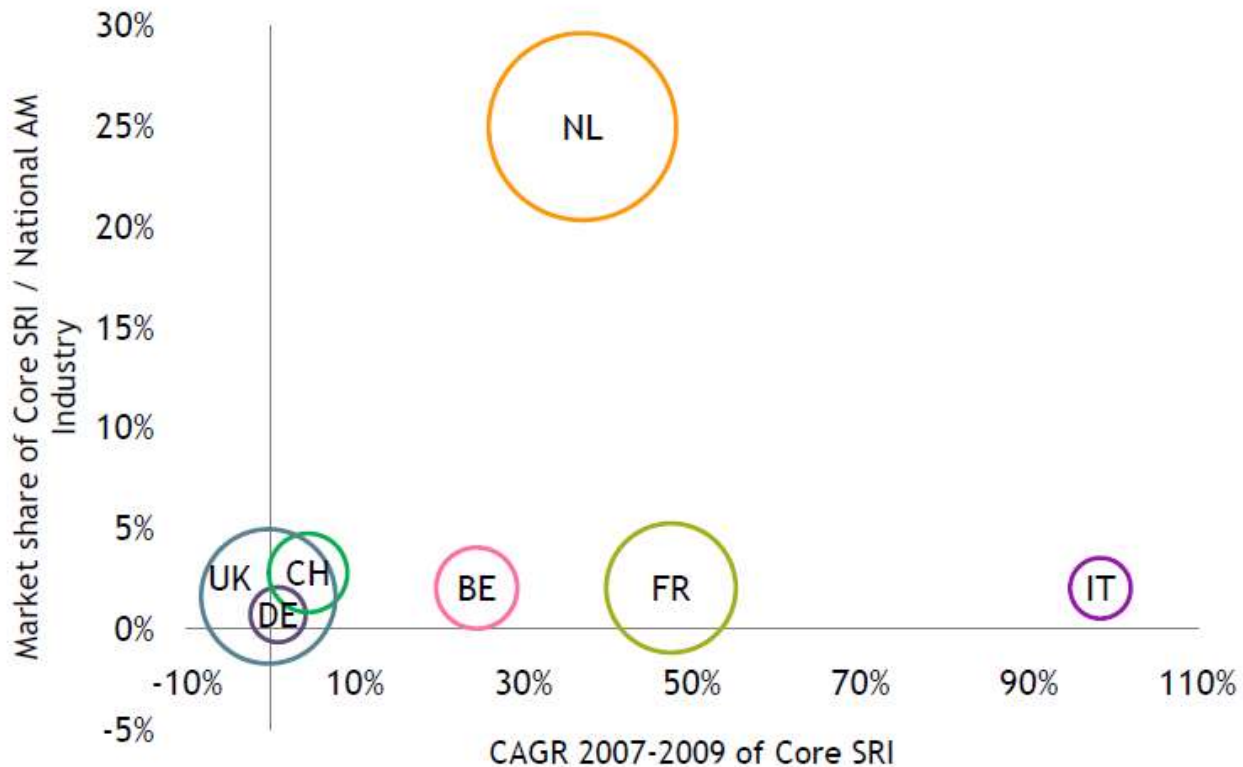
Broad SRI

- 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

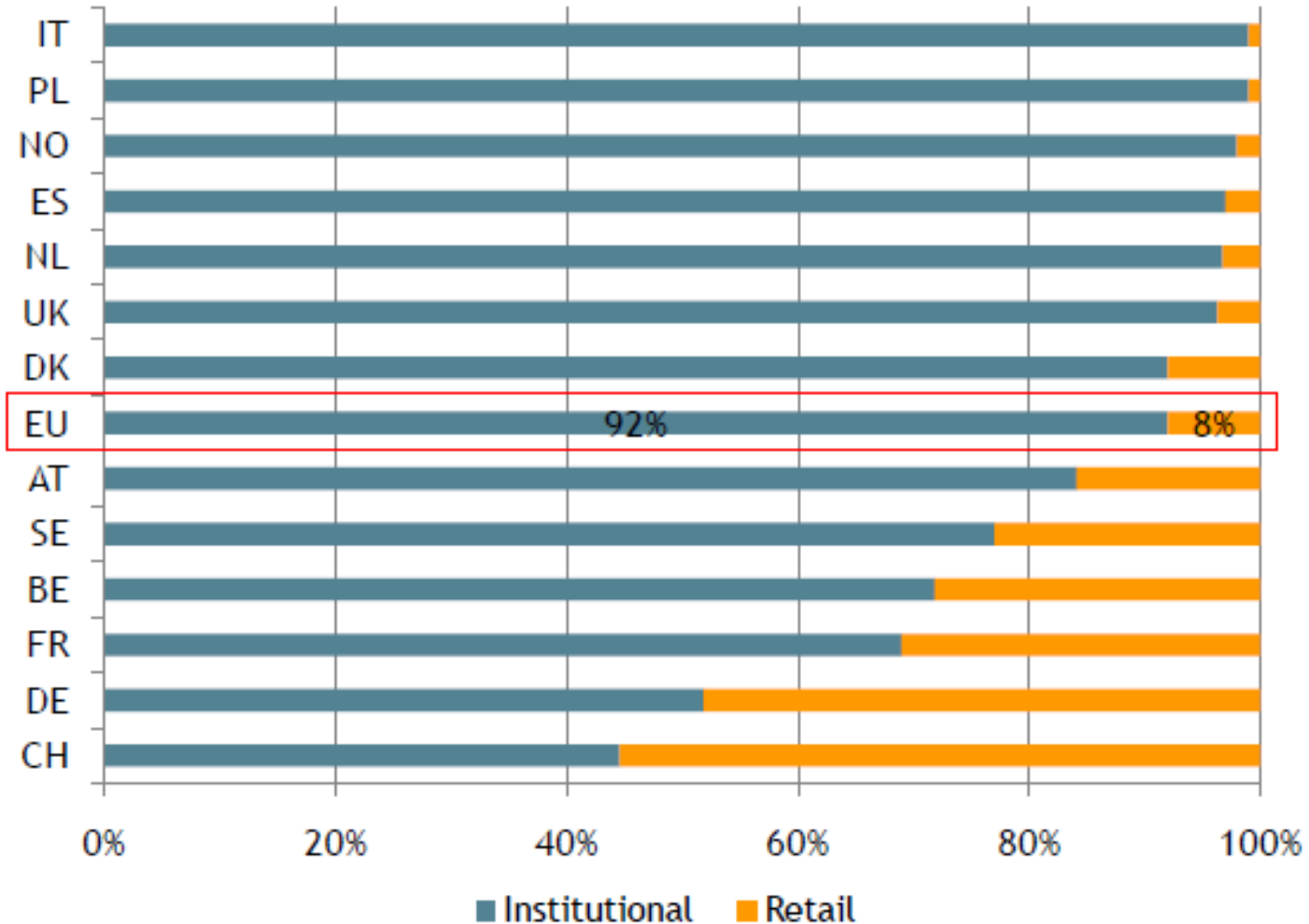
- Only 11% provide to a large extent ESG training to the organisation's non-ESG specialist investment management staff

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.

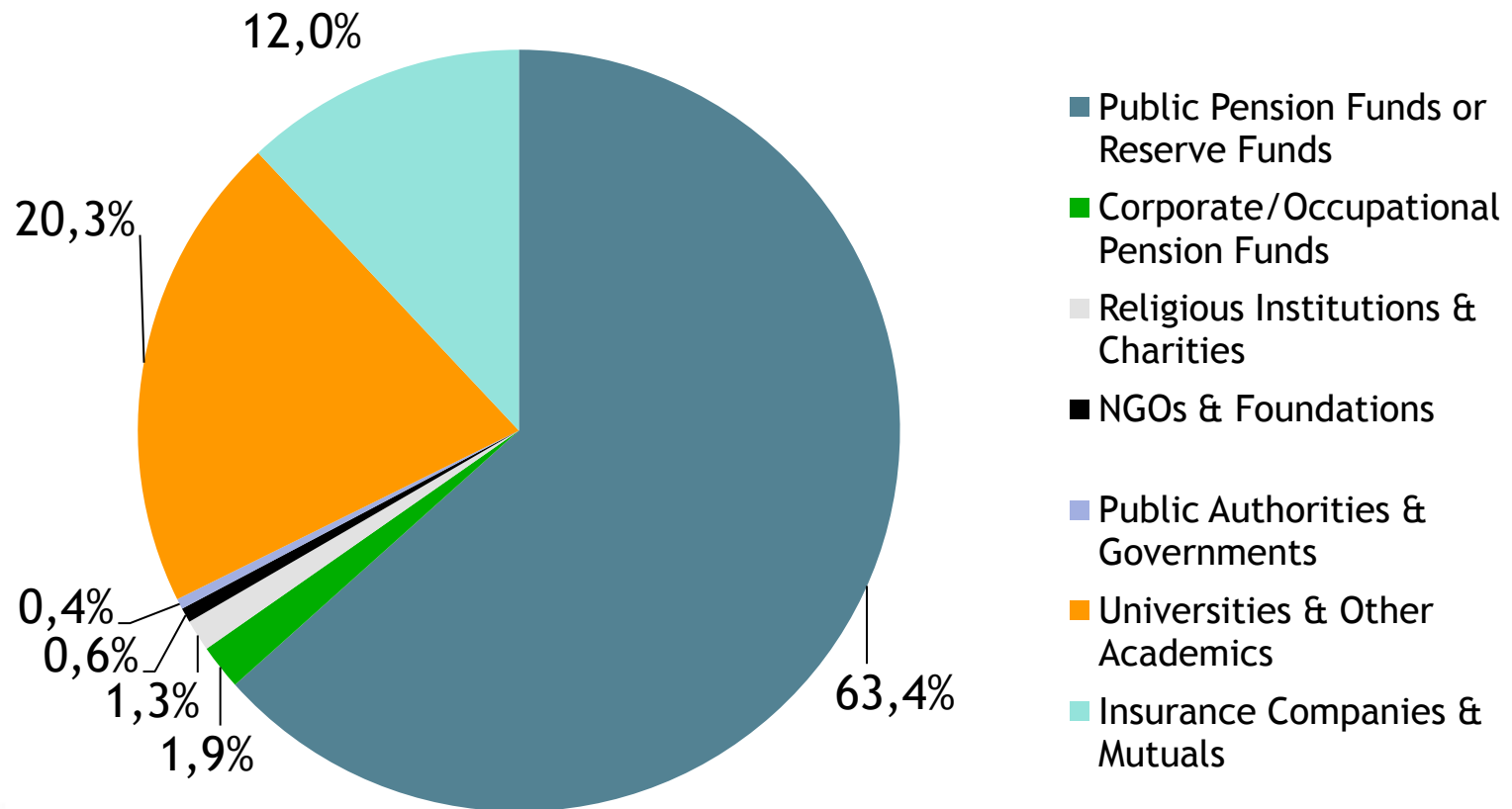
European SRI - Driven by Institutional Investors

The institutional market drives the European SRI market...



Who are the Main Institutional Investors?

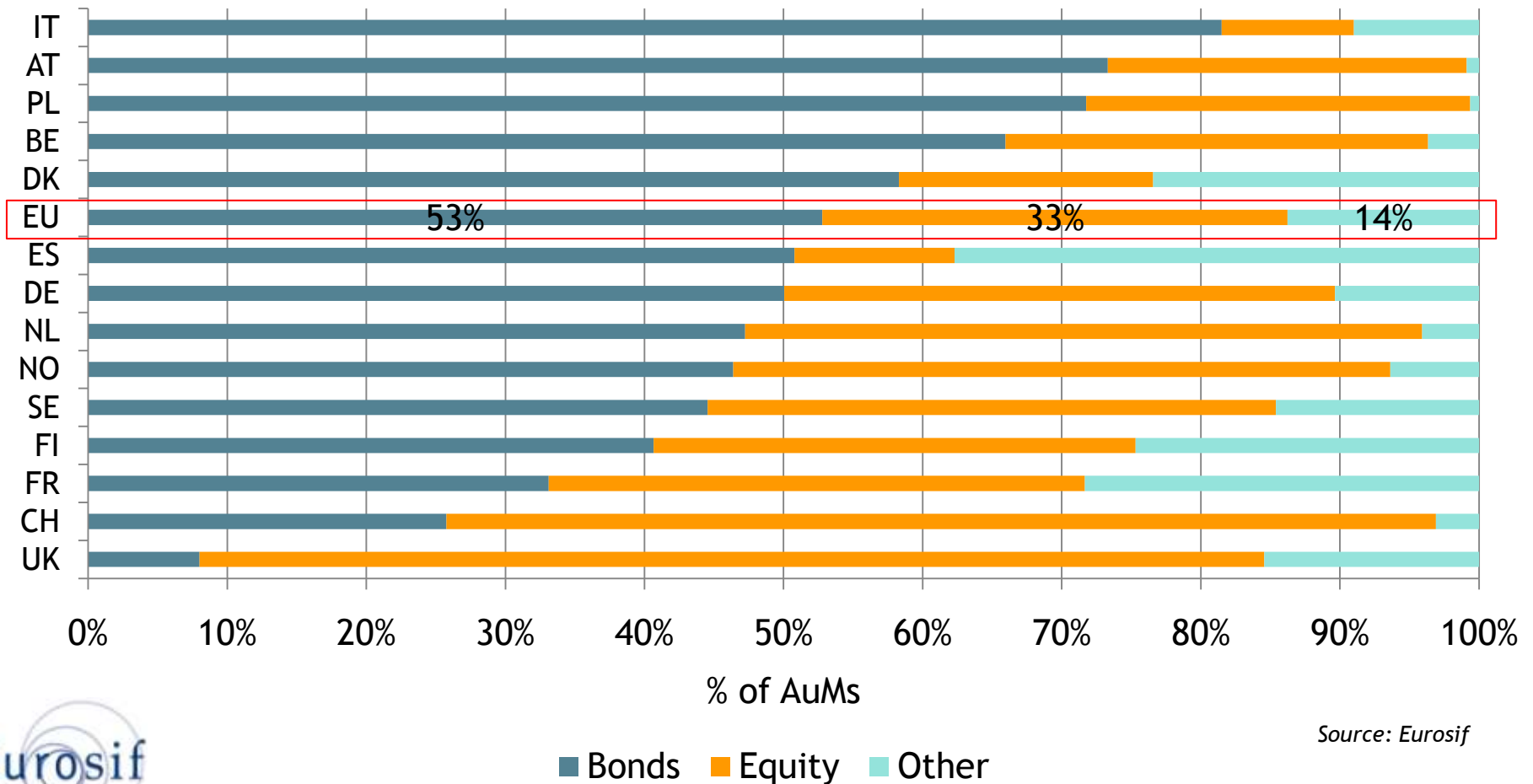
Public pension and reserve funds lead the way, followed by universities and insurance companies. Corporate and occupational pension funds still hold a modest position amongst SRI investors.



Source: Eurosif

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.



Contact Details

Eurosif

La Ruche

84 Quai de Jemmapes

75010 Paris FR

+33 1 40 20 43 38

www.eurosif.org

