European Trends in SRI:

2010 European HNWI & SRI Studies

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Geneva

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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

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Eurosif Member Affiliates - 85

AG2R LA MONDIALE
alfi
Altedia Investment Consulting
apg All Pensions Group
Amundi Asset Management
Bloomberg
BNP PARIBAS INVESTMENT PARTNERS
AXA INVESTMENT MANAGERS
BANKINVEST
AVIVA INVESTORS
BlueOrchard Microfinance Investment Managers
ECPI
Caisse des Dépôts
CM-CIC Asset Management
CHEUVREUX
CARBON DISCLOSURE PROJECT
EIRiS ETHICAL INVESTMENT RESEARCH SERVICE
Forética
Deutsche Asset Management
A Member of the Deutsche Bank Group
inter expansion
aprionis
ethix SRI ADVISORS
DEXIA Asset Management
Calvert A UNIFI Company
Fundación Economistas sin Fronteras
FUNDACIÓN Ecología y Desarrollo
EDMOND DE ROTHSCHILD ASSET MANAGEMENT
FEE
G·E·S INVESTMENT SERVICES
ethos
generation
F&C Investments
KPMG
Henderson Global Investors
Groupama Asset Management
FTSE THE INDEX COMPANY
Etica SGR S.p.A.
inrate Sustainable Investment Solutions
GREENPEACE
ESADE
manifest the proxy voting agency
LOMBARD ODIER LOMBARD ODIER DARIER HENTSCH
LGT
LIVING PLANET FUND
Highland Good Steward MANAGEMENT
HSBC The world's local bank
generation
GB
KBC Asset Management
MERCER
MARSH MERCER KROLL GUY CARPENTER OLIVER WYMAN
Limestone
oekom research AKTIENGESELLSCHAFT
Meeschaert Gestion Privée
responsAbility
NATIXIS ASSET MANAGEMENT
OFI
OIKO CREDIT investing in people
ODDO SECURITIES
PhiTrust Active Investors
RiskMetrics Group
PICTET 1805
MACIF GESTION
GLASS LEWIS & Co.
Oxfam
ROBECO The Investment Engineers
Sparinvest
Schroders
PIONEER Investments
SARASIN
sam sustainability investing
SEIU Stronger Together
STANDARD LIFE INVESTMENTS
HERMES
threadneedle.
Sustainable World Capital
SUSTAINALYTICS
SNS Asset Management
febea
Eurosif
Triodos Bank
UBS
VINIS
vigeo
WestLB EQUITY MARKETS
TRUCOST
numaï partners

Leverage and Reach through SIFs

National SIFs in Europe:

BELSIF
BELGIAN SUSTAINABLE AND SOCIALLY RESPONSIBLE INVESTMENT FORUM

Belgium

DANSIF

Denmark

FINSIF

Finland

FIR
FORUM POUR L'INVESTISSEMENT RESPONSABLE

France

FNG
FORUM NACHHALTIGE GELDANLAGEN

Austria, Germany, Switzerland

Forum per la Finanza Sostenibile

Italy

VBDO

The Netherlands

norsif

Norway

spainsif

Spain

SWESIF

Sweden

UKSIF

U.K.

SIFs outside of Europe

ASrIA

Asia

riaa

Australia

SIO
SOCIAL INVESTMENT ORGANIZATION

Canada

Social Investment Forum

United States

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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

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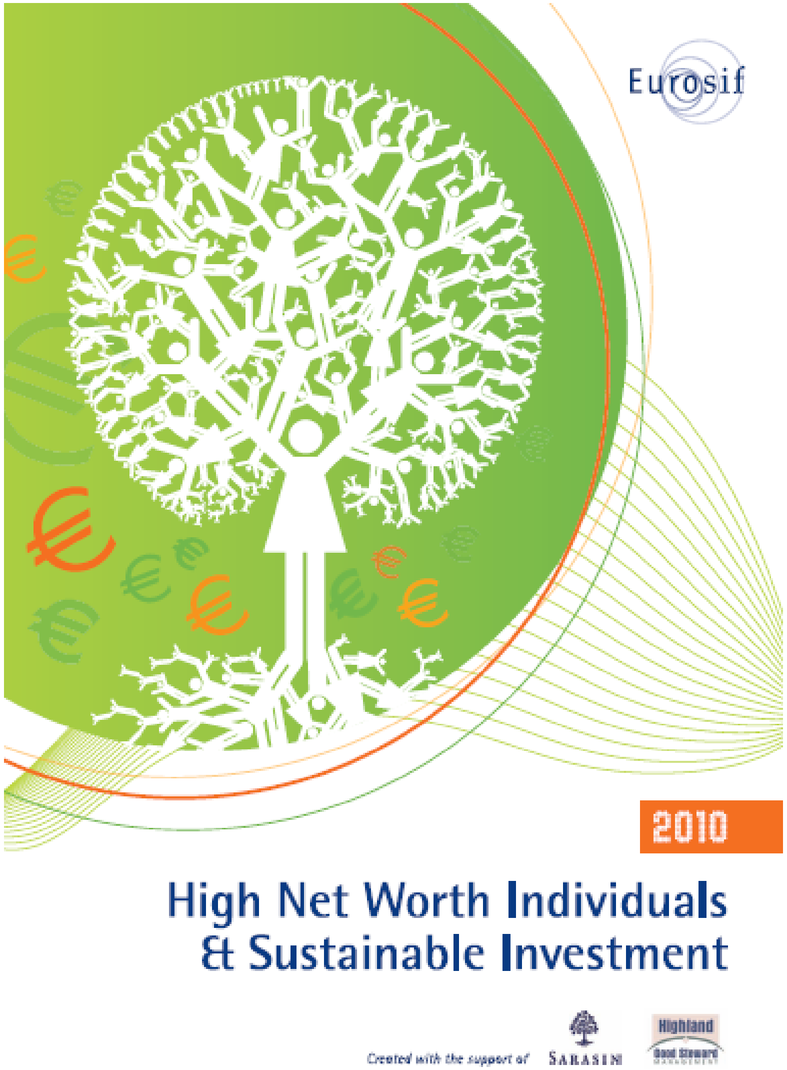
Study: High Net Worth Individuals & Sustainable Investment



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:**

SARASIN

Highland Good Steward MANAGEMENT

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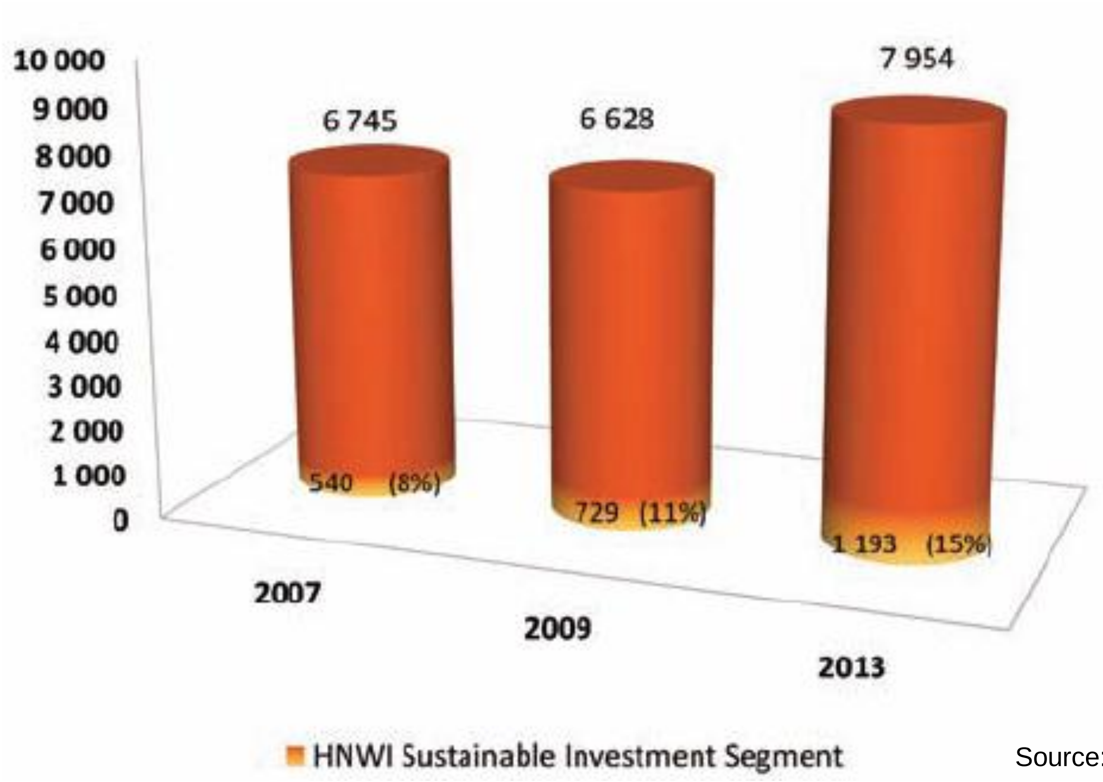
HNWI Sustainable Investment Assets

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



Source: Eurosif

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

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

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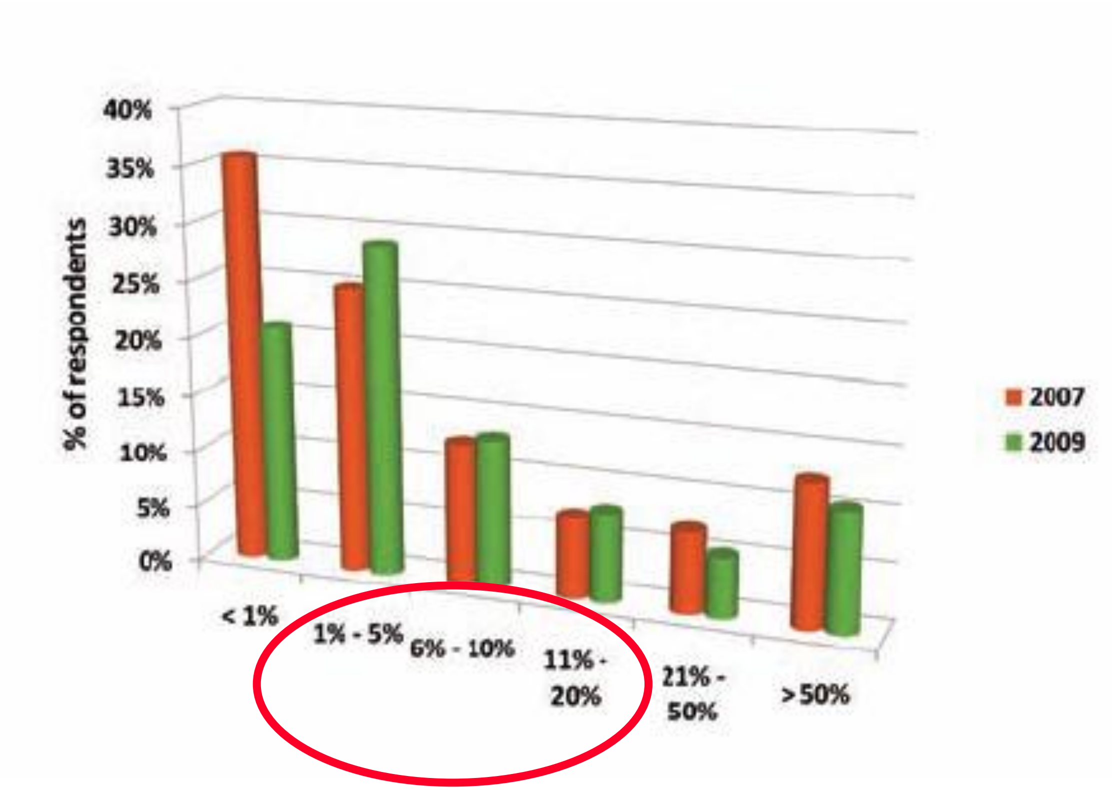
Perceptions of Sustainable Investment

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***

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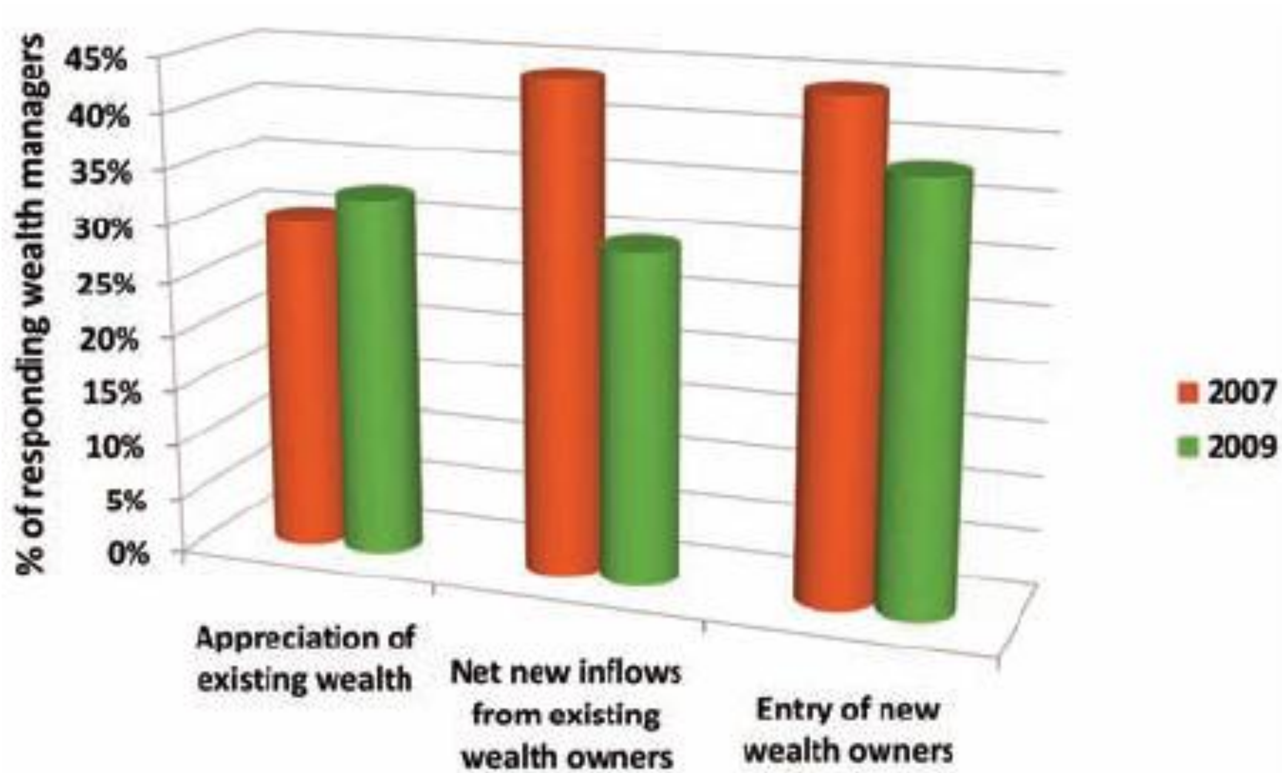
Where the Money Will Come From

<u>Increase</u> of Sustainable Investment Assets Due To:



Source: Eurosif

2008: offering sustainable investment as a means to <u>capture new clients</u>

2010: <u>retaining clients</u> who are asking for more sustainable options

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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

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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

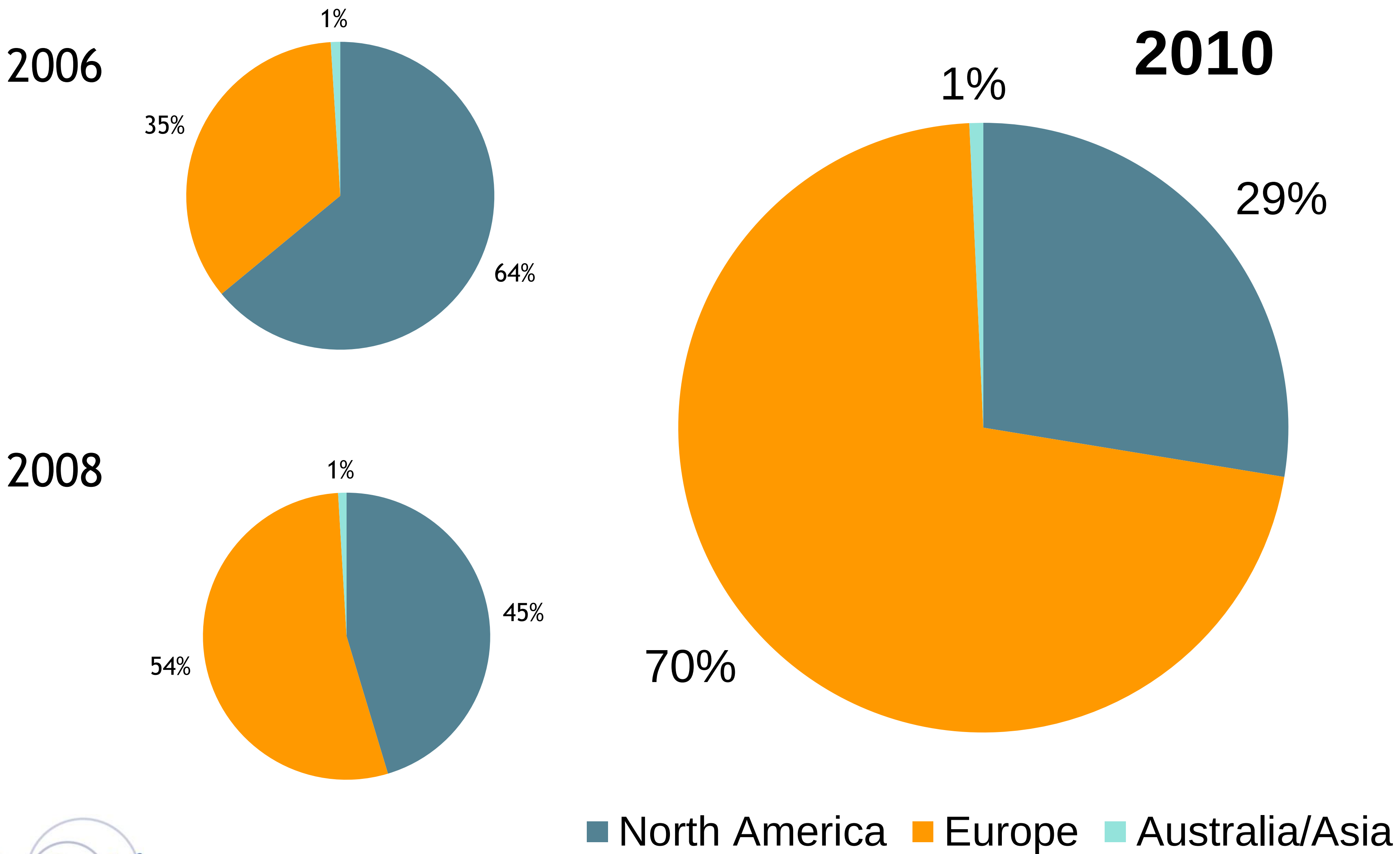
2 Market Segments

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



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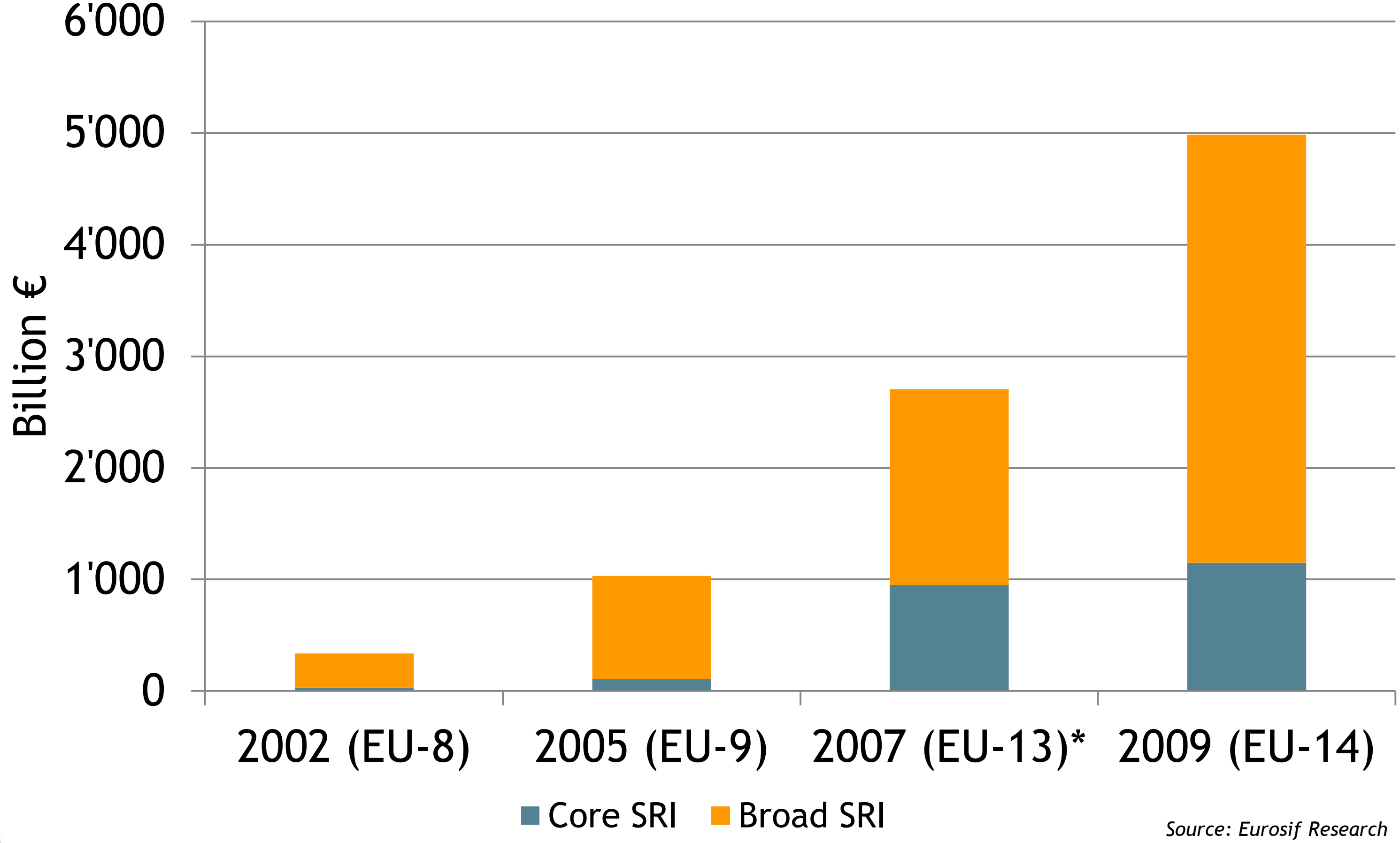
Source: Eurosif Research

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

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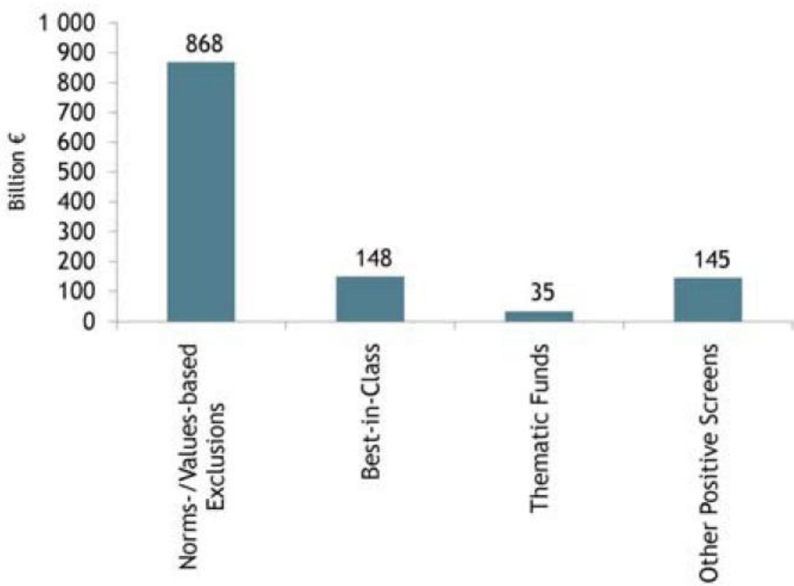
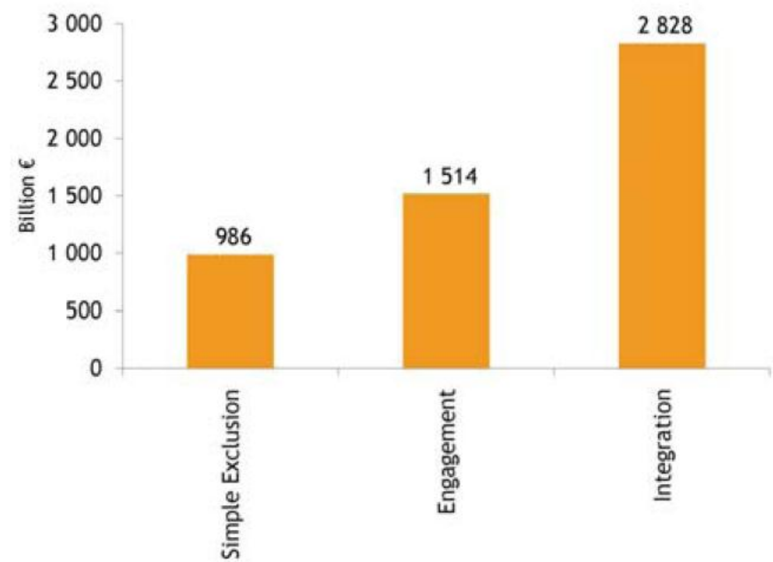
** Re-calculated according to the 2010 Core SRI definition*

European Core and Broad SRI (1)

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.

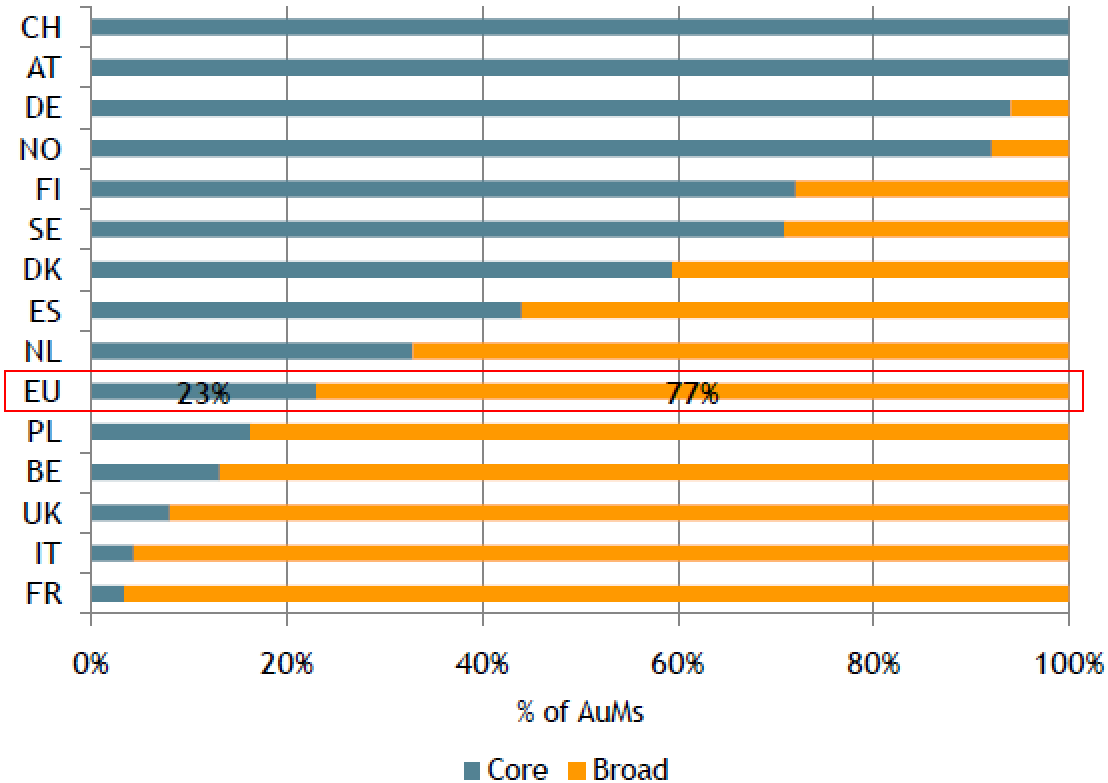
Broad strategies consist of **up to 2 simple exclusions**, **engagement** and **integration**, often in combination with one another.

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



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, UK and Spain

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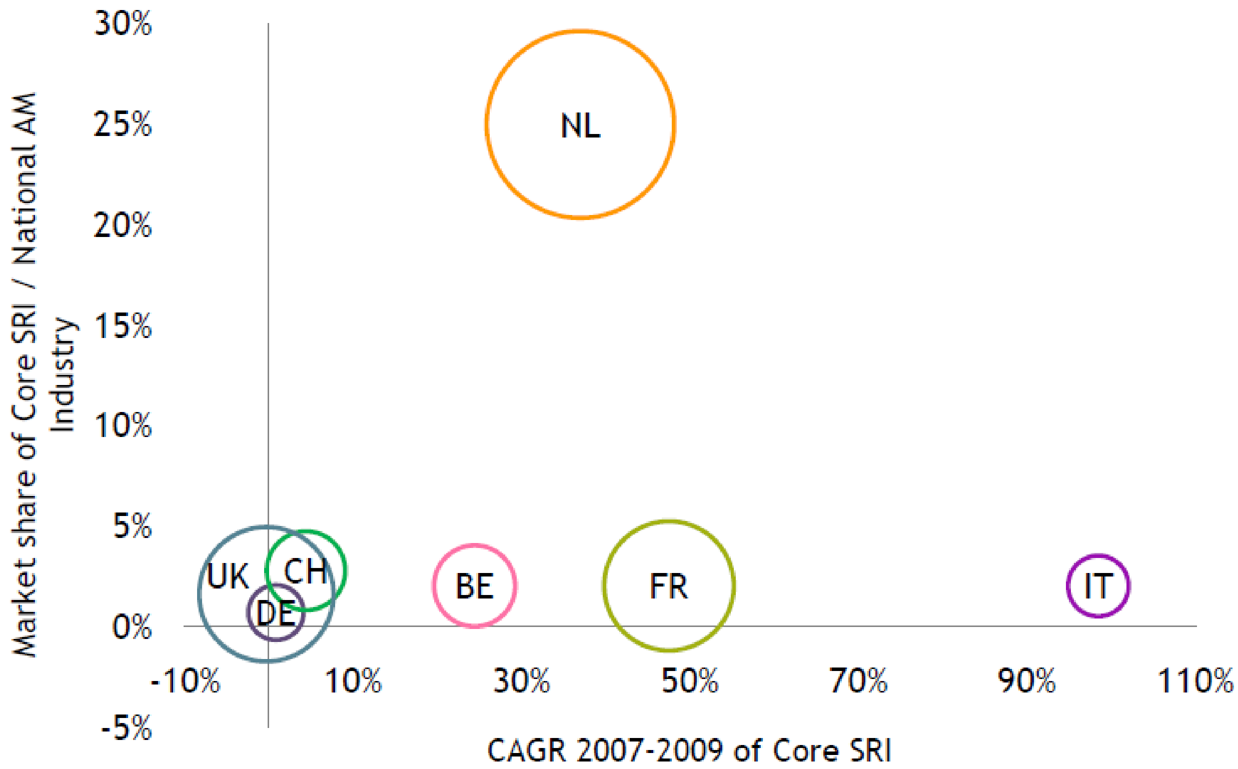
Core SRI

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



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

Source: Eurosif

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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

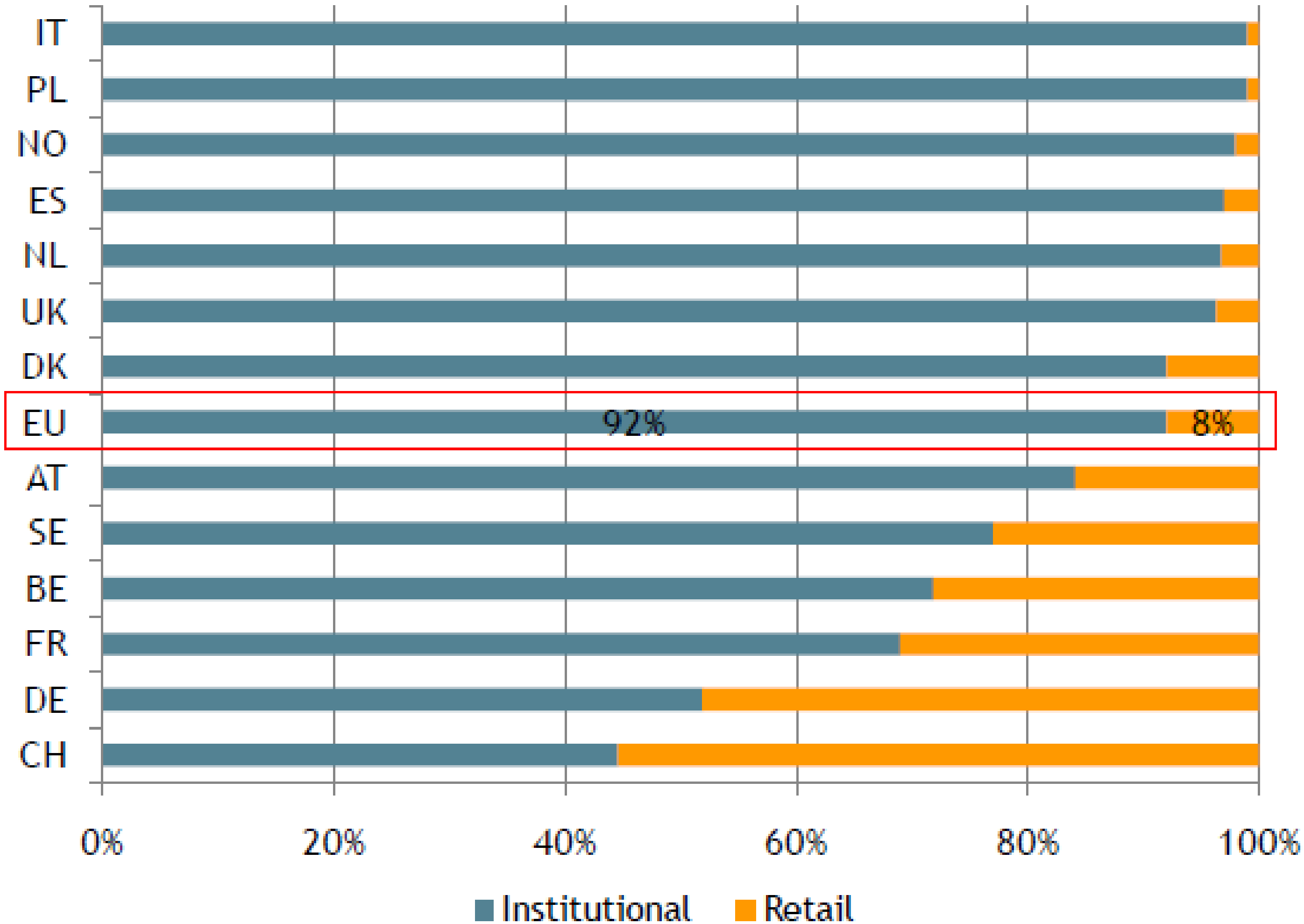
I. Practices applied for the integration of ESG issues in the investment process	Thematic analysis and research on ESG issues fed back to mainstream analysts	45%
	ESG analyst(s) working directly and on a regular basis with mainstream analysts	29%
	ESG rating(s) systematically included in standard analysis 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.

Source: Eurosif Research

European SRI – Driven by Institutional Investors

The institutional market drives the European SRI market…



Source: Eurosif

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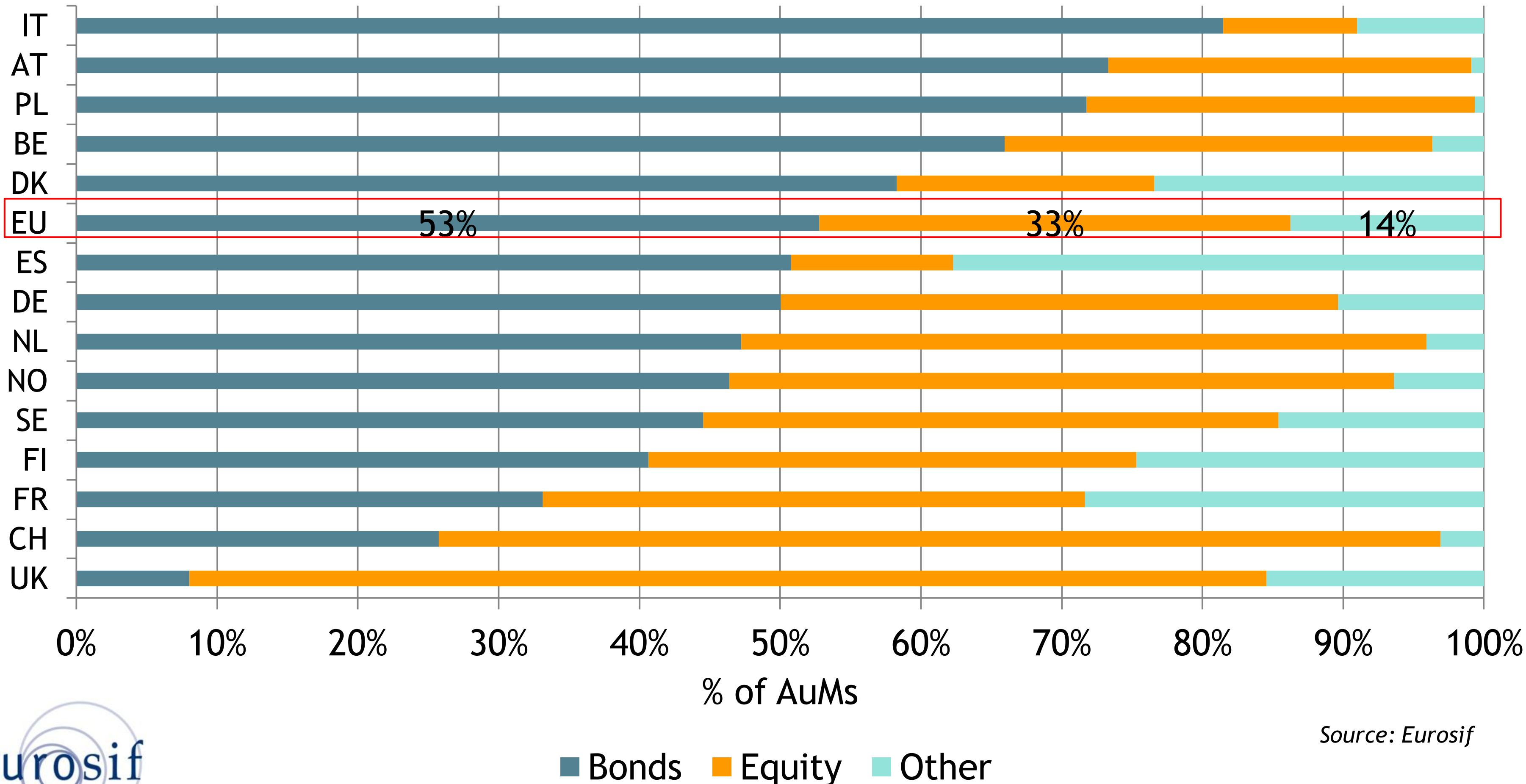
Asset Class Diversification

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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Mainstreaming: Sustainability Trends as part of Generational Change

…SRI is part of this overall trend…

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