



Press Release

Eurosif releases new report:

"Shareholder Stewardship: European ESG Engagement Practice 2013"

Engagement on ESG issues is growing in Europe as its potential to deliver long-term value becomes apparent.

27 September 2013, Brussels – During its first European SRI Symposium on 24 September 2013 in Brussels, Eurosif unveiled its latest report entitled “Shareholder Stewardship: European ESG Engagement Practice 2013”. The report demonstrates that investor dialogue with companies regarding material environmental, social and/or governance (ESG) issues has the potential to deliver value by generating profits, reducing risks and negative ESG externalities, encouraging better business practices, changing ethical behaviour and improving reputations. As such, engagement forms an important component of the responsible investment toolkit. The report describes in detail five distinct phases of ESG Engagement – including defining a policy, selecting targets, developing achievable objectives, evaluating outcomes, as well as measuring impacts/value and communicating these to stakeholders. It also provides numerous practical examples from European asset owners and asset managers of their experiences engaging with companies, including results achieved.

The report also highlights that in Europe:

- Assets subject to an ESG engagement policy have been steadily growing for the past ten years, reaching almost €2 trillion in 2011.
- Private issuer engagement is the most preferred form of dialogue with 37% of the SRI industry participants surveyed by Eurosif using this approach.
- Collaborative engagement is the second most preferred form of engagement reaching a 27% score demonstrating that investors are increasingly joining forces with other shareholders to engage with companies in an effort to reduce costs and increase their chances of a positive outcome.
- Engagement is often combined with other sustainable or responsible investment strategies, most notably ESG Integration and Exclusions¹. In fact, around 70% of European assets under an ESG Engagement policy are also subject to an ESG Integration approach.
- 35% of industry participants surveyed have an ESG Engagement policy. 24% of these make the policy publicly available and 16% disclose the actual results of their engagement.
- Investors can best achieve positive results from ESG Engagement through constructive, strategic and targeted engagement based on sound business analysis. Best practices include a well-reasoned business case for change, with measurable actions that can be discussed with the company’s senior management or board.

¹ See: ‘Eurosif (2012) : European SRI Study. In : <http://www.eurosif.org/research/eurosif-sri-study/sri-study-2012>. p.10.’



While engagement practices are making significant progress, policy-makers can play an important role in reducing barriers to, and costs associated with, engagement. Using a smart combination of legislation and initiatives, they can for instance:

- Mandate strong ESG disclosure from companies as proposed for instance in a recent proposal by the European Commission;
- Remove technical barriers such as share-blocking and allowing for investor identification;
- Support voluntary stewardship codes that reference engagement, and more broadly, the importance of active ownership;
- Require the disclosure of engagement and voting policies and practices from investors.

An overview of the report served as an introduction to a panel at Eurosif's Symposium regarding the recent European Commission's Action Plan: European Company Law and Corporate Governance – a Modern Legal Framework for More Engaged Shareholders and Sustainable Companies. The panel convened senior representatives of the European Commission and prominent European pension funds. Over 100 European SRI professionals, policy-makers, regulators and other stakeholders also attended the event.

François Passant, Executive Director of Eurosif commented: “The ownership of European and global companies is now overwhelmingly held by Institutional shareholders. The global financial crisis and recent corporate controversies have highlighted the perils of passive ownership. While taking stock of recent markets practices, the report highlights the benefits of being an engaged investor, in particular around environmental, social and governance issues. It clearly demonstrates the potential of engagement to create value in the long term and be an agent of positive change.”

The report can be downloaded [here](#).

ENDS



Notes to the Editor:

ESG Integration is the explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources.

Exclusions is an approach that excludes specific investments or classes of investment from the investible universe such as companies, sectors, or countries. This approach systematically excludes companies, sectors, or countries from the permissible investment universe if involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be applied at individual fund or mandate level, but increasingly also at asset manager or asset owner level, across the entire product range of assets.

The percentages quoted are based on primary research conducted by Eurosif in 2012 with European Asset Managers and Asset Owners. The data reported is from December 2011. The percentage relating to the combination of engagement and other strategies covers 9 markets and 140 responses. The disclosure percentage for engagement policies is based on a sample of 189 industry participants from 10 markets.

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About Eurosif

EUROSIF, the European Sustainable Investment Forum, is the leading European investment membership association whose mission is to develop sustainability through European financial markets. Being a multi-stakeholder organisation, Eurosif works as a partnership of national Sustainable Investment Forums (SIFs) with the support and involvement of a broad network of Member Affiliates drawn from the industry and related services. These include asset owners, asset managers, ESG rating agencies, research and investment service providers, academic institutions and NGO's. The main activities of Eurosif are public policy, research and supporting platforms for nurturing best practices regarding SRI. As such, Eurosif speaks authoritatively and broadly on SRI (Sustainable and Responsible Investment) issues. www.eurosif.org

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