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2010

European SRI Study

REVISED EDITION

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FOREWORDS FROM OUR SPONSORS

Amundi

ASSET MANAGEMENT

Benefiting from the support of two powerful banking groups, Crédit Agricole and Société Générale, Amundi ranks third in continental Europe¹ and among the top ten global players in asset-management with €675.5 billion under management.² Located at the heart of the main investment regions in more than 30 countries, Amundi offers a comprehensive range of products covering all asset classes and major currencies.

SRI is no longer a niche activity: an increasing interest is displayed by clients –both institutional investors and progressively, individuals– wishing to invest according to their own values. Taking this growing interest into account, Amundi was the first company in France to create a dedicated sustainability research team in charge of the analysis of environmental, social and governance (ESG), SRI promotion and product development. Its extra-financial analysis support tool is compatible with the mainstream management tool used by Amundi's teams. The ESG ratings are available to all, as the recommendations of financial analysts and credit analysts. Amundi has developed a full range of SRI products and gradually widens the use of ESG criteria to an increasing scope of products. This is part of the commitment made by the Group in 2006, when signing the Principles for Responsible Investment (PRI).

For the second time, Amundi sponsors the European SRI study because it is unique in this particular field. The remarkable resilience of SRI market must encourage asset managers to continue to provide a clear and transparent approach towards their investors. Certainly the next challenge is to make SRI funds even more attractive and comprehensible to retail clients, helping them to find a common-ground between their needs, their risk profiles and their values. Retail clients' awareness that, through SRI, their savings can have a tangible impact on their everyday life is paramount. The growing interest for sustainable development in any field should remain a powerful catalyst for SRI funds demand.

¹ Open-ended funds, dedicated funds, mandates: Source IPE Top 400 published in June 2010, data as at December 2009.

² Amundi Group figures as at 30 June 2010.



Pierre Schereck
Président Et CEO
IDEAM (Amundi Group)



For many years, SRI appealed only to a small number of ethical investors. It has since taken on much greater prominence, with sustainable development fast taking on a sense of political and economic urgency across the globe. The recent financial crisis sharpened this trend, and a growing number of equity and bond investors are now looking for products that play an active role in promoting and supporting sustainable development while, of course, benefiting from the potential investment gains.

As a global asset manager with a worldwide presence and a multi-specialist approach, BNP Paribas Investment Partners believes SRI strategies are best delivered by investment teams who are experts in their asset class or region.

This reflects BNP Paribas Investment Partners' investment philosophy, focused around three elements:

- (i) increasing economic growth, globalisation and shareholder insistence have led to (and will for some time yet continue to create) significant environmental, social and governance challenges;
- (ii) we have an active role to fulfil within an increasingly demanding world in transition towards ensuring future development follows a sustainable path; and
- (iii) we seek to invest in companies, institutions and countries that actively contribute to, and benefit from, sustainable development.

From company restructuring to climate change, our experience at BNP Paribas Investment Partners shows a rapid broadening of the range investor concerns relating to environmental, social and governance issues, which are, by their very nature, global. Yet institutional and individual investors in Europe, the US and Asia perceive them very differently. Today, as the shift of investment interest towards emerging markets gains momentum, we believe it is time to build our focus on the profound sustainability challenges these emerging economies face.

There is no question in our minds that the SRI market is set not only to grow, but to require a broader diversity of responses. The emergence of new investment strategies will undoubtedly accompany the progressive integration of ESG criteria into the mainstream. This is fully in line with our commitment, first declared back in 2002, to develop a complete range of investment solutions to address the increasingly well-informed expectations of SRI investors.

And it explains why BNP Paribas Investment Partners is proud to sponsor this new edition of the European SRI study.



Philippe Marchessaux
CEO
BNP Paribas Investment Partners

FOREWORDS FROM OUR SPONSORS



SRI research is a key dimension of CA Cheuvreux's expertise. By providing itself with the means to take into account all extra-financial criteria and long-term considerations, CA Cheuvreux has enhanced its capability to produce more precise and more relevant equity research. Present in nine countries across Europe, and covering nearly 700 stocks with an approach organised by country and sector, CA Cheuvreux is able to provide institutional clients with local and pan-European cutting-edge perspectives on investment opportunities.

I believe strongly in the key role that a broker can play in the gradual shift towards responsible financial markets at the service of a sustainable economy. As the first equity broker in the world to become a signatory to the Principles for Responsible Investment, back in 2008, CA Cheuvreux's collaboration with Eurosif on this survey thus comes naturally: it reflects our overall commitment to SRI research and related services. In my opinion, this 2010 report will help the financial community, corporates and all the other equity and bond issuers to be better informed about the growing importance of SRI, and its specific characteristics.

As this survey demonstrates, despite the crisis, decision makers are taking extra-financial criteria into account at an impressive pace. We hope this will convince all companies to further improve both their disclosure and their performance on ESG related issues in order to meet these ever-increasing investor expectations. We believe this will be of benefit to both our investor clients and the corporates we work alongside.



Jean-Claude Bassien
Chairman and CEO
Crédit Agricole Cheuvreux



An affiliate of La Compagnie Financière Edmond de Rothschild, Edmond de Rothschild Asset Management is specialised in managing equities, convertible bonds and asset allocation for institutional investors, banking and insurance company partners and distribution platforms throughout the world. The results testify to the firm's impressive capacity to deliver sustainable performance. At end September 2010, Edmond de Rothschild Asset Management had €13bn under management.

Our strong presence abroad (in Hong Kong, Brussels for the Benelux area, Chile and soon in Spain & Germany) and our 30 funds registered in 15 countries illustrate Edmond de Rothschild Asset Management's drive to expand its business by winning new clients and expanding into new geographical zones.

At Edmond de Rothschild Asset Management, we are convinced that including ESGS (Environment- Social-Governance-Stakeholders) criteria in our company analysis will help generate regular and long term capital growth. Accordingly, in compliance with our signing of the Principles for Responsible Investment drawn up by the United Nations and our will to proactively integrate the best transparency standards (e.g. Eurosif Transparency Guidelines), we continue to gradually develop our investment management along these lines. Our SRI commitment promotes Responsible Finance in funds that amount to almost €3 billion such as:

- Saint-Honoré Europe SRI, a fund combining genuine SRI and financial convictions, with a ESGS selection focused on a best effort and best-in-universe SRI approach.
- Tricolore Rendement which enhances its investment process by integrating a SRI Dialogue and Engagement process on ESGS themes. This seeks to promote awareness of good ESGS practices and encourage improvements, through a positive and structured approach of mid-long term with the companies.
- Ecosphere World and Ecosphere Europe, both of which have strong expertise in environment stocks,

As a responsible investor, Edmond de Rothschild Asset Management aims to promote the economic development of companies committed to finding solutions to sustainable development issues. To meet these goals, Edmond de Rothschild Asset Management can rely on its SRI investment and research division which is integrated with the European equity teams to encourage information flow, team work and its active participation in the deliberations of the Eurosif working group. It is therefore natural and obvious that Edmond de Rothschild Asset Management sponsors this new edition of the European SRI market study. We hope it will favour a better understanding of the new investment tools that should progressively become mainstream.



Philippe Couvrecelle
Chairman of the Board
Edmond de Rothschild Asset Management

FOREWORD FROM EUROSIF

The sustainability theme presents some of the most pressing issues – and opportunities – worldwide today. The challenges in managing political processes across borders, successfully navigating business trade-offs and creating effective tools to explain and measure impact in the existing economic system can easily create an 'ostrich effect' – a head in the sand as a means to avoid the situation by pretending it does not exist.

On the other hand, some countries are embracing a world where sustainability solutions can lead to new industries, lifestyles and leadership in an interconnected global economy. In this setting, investors have an important role to play by addressing sustainability issues with an investment rationale. They can utilise the sustainability theme as a means to better address risk management and the incorporation of Environment, Social and Governance (ESG) issues; equally, sustainable investors can seek to generate significant returns by embracing the opportunities of tomorrow.

The European SRI Study has been one of the few sources in Europe detailing the Sustainable and Responsible Investment (SRI) market, both in terms of the amount of capital invested in SRI, as well as the highlighting of European and National market trends. There continues to be a strong demand for information about the size of the SRI market across Europe, and therefore, this study remains one of the most important services that Eurosif provides for its Member Affiliates and many other readers interested in European SRI. Capitalising on the success and experiences drawn from previous studies (2008, 2006, 2003), and with the help of the National SIFs and other contributors, Eurosif presents the 2010 European SRI Study 2010.

In this report you will find that European SRI has significantly accelerated its growth since our last study, both for its Core and Broad SRI segments. This growth is driven by an increasing demand from institutional investors, legislative changes, voluntary initiatives such as the UN-backed Principles for Responsible Investment (PRI) and a growing interest from private investors. Eurosif considers this moment to be transformative for the European SRI sector, with many drivers coming together towards the mainstreaming of the field.

Eurosif would like to especially thank the four sponsors who made this undertaking possible. Amundi, BNP Paribas Investment Partners, Crédit Agricole Cheuvreux and Edmond de Rothschild Asset Management have generously financed and supported Eurosif's efforts to collect the data, synthesise the information and ensure a quality product that benefits the European SRI sector. This research would not be possible without their support. Eurosif also recognises our Member Affiliates for their ongoing support and involvement in our mission to Develop Sustainability through European Financial Markets.

Eurosif hopes that the 2010 SRI Study will help you to better understand the intricacies of the European SRI market, the trends across Europe and the exciting opportunities that this field offers. We would like to close by strongly suggesting that the financial crisis has created an opportunity for SRI to play a helpful role in the development of the financial markets of tomorrow. Let's make it happen.

Happy reading and many sustainable returns,



Matt Christensen
Executive Director
Eurosif



Giuseppe van der Helm
President
Eurosif

EXECUTIVE SUMMARY

The Eurosif SRI 2010 Study shows that the European Sustainable and Responsible Investment (SRI) is undergoing a transformative period, having significantly grown since 2008. Eurosif research shows that the market has almost doubled, with total European SRI assets under management (AuM) now reaching approximately €5 trillion at the end of 2009. The reader will note that overall, national markets vary considerably in terms of size, strategies, growth and market share. Nevertheless, SRI has shown a remarkable resilience to the ongoing global financial crisis, in spite of evident country variations.

The study focuses exclusively on the self-reporting of asset managers and self-managed asset owners. Additionally, the report includes both institutional and retail SRI assets. Eurosif has used as much as possible the same methodology as for its previous SRI studies. However, readers should keep in mind that the scope of market coverage has increased to include the thirteen previously covered markets plus six new countries: Poland, Greece, Cyprus, Estonia, Latvia, and Lithuania. Although these newcomers are in their infancy with respect to SRI, the field is poised to grow there in the years to come.

European SRI is rapidly evolving where multiple players use different criteria and means to reach sustainable investment outcomes. This survey reveals the rising challenge to define and segment SRI due to its tremendous growth as well as its increasing link into mainstream fund management. The recurring and ever-pressing question posed by those interested in SRI is how to properly define this field. *Eurosif uses the following definition of SRI: a generic term covering any type of investment process that combines investors' financial objectives with their concerns about Environmental, Social and Governance (ESG) issues.* In order to help investors, policy makers and the public to simplify what is inherently a complicated topic due to the many SRI strategies available, Eurosif utilises Core and Broad SRI as a means to segment the SRI market. The total European SRI figure of €5 trillion in AuM represents the sum of the Core and Broad SRI segments.

The Core SRI segment consists of multiple ethical exclusions (norms- and values-based) as well as different types of positive screens (Best-in-Class, thematic funds and others). Norms-based exclusions have been one of the key drivers in the growth of SRI as this screening approach has spread quickly around much of Europe since its origins in Scandinavian countries some years ago. The Broad segment approaches SRI through the use of simple exclusions, engagement and integration, often in combination with one another. All of the Broad approaches have multiplied in the past two years and have been the most significant components in the growth of the European SRI totals.

The SRI market remains driven by institutional investors, representing 92% of the total SRI AuM. These investors are especially active in some of the larger European markets, such as the Netherlands, Switzerland, Nordic countries and the UK. Public pension funds, reserve funds, universities as well as insurance companies are the main institutional investors to perform SRI. However, the share of retail investors has increased in almost all the countries covered in this study. The Eurosif research shows that Austria, Germany, Belgium and France have all seen their share of retail markets increase notably.

In terms of asset allocation, bonds are now the favoured asset class among SRI investors at 53% of total SRI assets while equities have dropped down to 33%. Institutional investors, particularly those with long-term liabilities, allocate substantially to fixed income investments. Microfinance funds, with their long-term perspective and inherent concern for ESG issues, are also beginning to generate interest from SRI investors. Survey participants mentioned the need to diversify their SRI assets further and Eurosif expects the alternatives asset class to grow as demand generates supply.

In fact, according to the survey, a vast majority of SRI investors predict that demand from institutional investors will be the main driver for SRI growth in the next three years. Other important drivers include demand from retail investors, media coverage, legislation and international initiatives. For example, the PRI initiative, developed by the United Nations, has contributed significantly to demand for the integration of Environmental, Social and Governance (ESG) factors into fund management by institutional investors.

Undoubtedly, the 2008 global financial crisis has also impacted the SRI industry, but overall, the impacts have been more positive than negative. Survey respondents said that the financial crisis has made them more aware of the need to integrate ESG risks; from a demand perspective, the increase for more transparent products has correlated well with the SRI philosophy. Environmental and social crises have also acted as a wake-up call for many investors; the risks and liabilities of the BP Deepwater Horizon case clearly illustrates how environmental and social risks have significant and long-lasting financial consequences.

With all this said, it becomes clear that European SRI is in a remarkable place today, even when compared to the bull market prior to the financial crisis. The overall trend for SRI is positive while the ongoing questions about how to best tackle ESG factors in fund management will remain an evolving process with many unforeseen innovations in the coming years.

DEFINITIONS AND METHODOLOGY

WHAT IS SRI?

Sustainable and Responsible Investment (SRI) is a concept that continues to evolve as both veteran and newer financial service providers develop novel methods and approaches in the valuation and incorporation of Environmental, Social and Governance (ESG) issues into fund management.

The terms 'social,' 'ethical,' 'responsible,' 'socially responsible,' 'sustainable' and others are often used in a multitude of overlapping and complementing ways to approach the SRI field. It is this richness of different views that challenges the investor to perfectly define and categorise SRI – it is not easily 'boxed in.' This study shows that SRI continues to embody aspects of a multi-faceted diamond in that its different shades and colours depend on the investor's perspective.

Even if different terms are used to describe the field of SRI, there are two constant factors that remain important to investors interested in this form of investment:

1. A concern with long-term investment;
2. Environmental, Social and Governance (ESG) issues as important criteria in determining long-term investment performance.

For Eurosif, all of the existing and developing expressions of sustainability investing are valid approaches. To capture these evolving dynamics and terminologies, Eurosif continues to use the term 'SRI' as the most readily acknowledged expression for this field, identified as '**Sustainable and Responsible Investment.**' Eurosif's simplified definition for SRI is as follows:

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.

Some of the terms within SRI that are frequently utilised at the current time can be grouped and described in the following way:

- **Responsible Investment**, an area particularly popular among institutional investors and currently the most connected to the mainstream financial community. Responsible investors take into consideration the long-term influence of extra-financial factors such as Environmental, Social and Governance (ESG) issues in their investment decision-making. The Principles for

Responsible Investment (PRI), developed by the United Nations in 2006, offers a framework for investors who are seeking to fulfil their fiduciary duties by integrating ESG factors into their investment processes.

- **Socially Responsible Investment**, an area often affiliated with the retail financial sector, which may incorporate ESG issues as well as criteria linked to a values-based approach. For example, it can involve the application of pre-determined social or environmental values to investment selection. Investors may choose to exclude or select particular companies or sectors because of their impact on the environment or stakeholders. Negative screening (such as weapons exclusions) and positive screening (such as Best-in-Class or thematic approaches) typically fall in the remit of such investments.

- **Impact Investing**, a growing area where investors look to both adopt SRI strategies and evaluate their outcomes. The onus is placed on monitoring and measuring the end results of strategies in portfolio construction with the ex-post assessment of SRI strategies as important as the rationale for strategy selection. One important example of Impact Investing is microfinance investing, where the investment strategies are increasingly assessed for social and environmental impacts.

Eurosif is often asked about how SRI relates to legal obligations. For example, in 2008, the case of Belgium raised the question of whether SRI issues mandated by regulation should still be considered within our SRI definition. A law prohibiting the direct and indirect financing of the manufacture, use and possession of antipersonnel mines and submunitions was approved by the Belgian Parliament in March 2007. Eurosif's position is that **SRI should always be one step ahead of legislation**; therefore where aspects of SRI, such as a subset of negative screening, become a legal obligation, those assets are no longer counted as SRI. Consequently, as simple screening on controversial weapons has now become a legal obligation in Belgium, those assets pertaining to the Belgian asset management market have not been counted towards the total SRI assets under management (AuM) in 2010.

CORE AND BROAD SRI SEGMENTATION

Since 2002, Eurosif has utilised Core and Broad SRI as a means to segment this evolving market. This approach is meant to help the investor simplify to a degree what is a complicated subject where many approaches are available.

Eurosif does not use the Core and Broad segmentation as a means to judge one form over the other. Over time, Eurosif has refined the segmentation to reflect the SRI market evolution; for example, Core has been slightly adjusted in the 2010 study to reflect market changes. Nonetheless, the ongoing mainstreaming of SRI, which Eurosif applauds, presents inherent difficulties in capturing all of the SRI aspects in a comprehensive yet simple manner. As this field grows and expands in its scope, Eurosif will remain vigilant on whether the Core/Broad categorisation remains the most appropriate means to segment the EU SRI market in the future.

Core SRI Defined

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

- Norms- and values/ethical-based exclusions (three or more criteria)
- Positive screening, including Best-in-Class and SRI thematic funds

Several Eurosif Member Affiliates expressed that our previous distinction among ethical exclusions (Core) and norms-based screening (Broad) was subject to confusion, especially regarding the latest developments in the market. As the strategy has evolved, norms-based screening can be viewed as multiple criteria, even if only selecting one norm for exclusion. For example, if an investor chooses the Global Compact as its norm for screening, that would cover 10 specific principles. **Therefore, Eurosif has included all norms-based screening strategies within the Core SRI segment for the 2010 survey.** As in past studies, simple screening (i.e. only one or two exclusion criteria) will remain within the Broad segment to remain consistent with our previous studies and methodology.

Broad SRI Defined

Broad SRI is composed of the following strategies:

- Simple screening (one or two exclusion criteria, norms-based or values/ethical based)
- Engagement
- Integration

Generally speaking, Broad SRI practitioners tend to be large institutional investors. This segment is often considered to represent the "mainstreaming" of SRI and the growing interest of responsible investors in this area. As a consequence, the volume of Broad SRI is often much larger than Core SRI.

Broad SRI strategies are increasingly utilised in concert, with a growing number of possible combinations that are difficult to track. For this reason, adding each practice within a given SRI segment will usually yield an amount larger than the total Core and total Broad SRI. Furthermore, some practices are used in combination across the two different segments, for example ethical exclusions and engagement, or positive screening and simple negative screening. In order to avoid double counting, those assets pertaining both to Core and Broad SRI, due to combined strategies, have been included in the total Core SRI only. If a fund combines a Core SRI approach (norms-based exclusion for instance) with a Broad SRI approach (engagement), they will be accounted in each approach but only included in the Core SRI total in order to avoid double-counting.

These categories are likely to evolve further, especially as the Broad segment currently encompasses integration practices, which are not exclusively used by SRI investors. For instance, it is to be noted that, for instance, those managers who do not offer SRI funds per se but do focus on integrating ESG issues into their investment process can find it difficult to relate to our study as they do not consider themselves a part of the SRI field. Although this presents a challenge for the survey, Eurosif welcomes the development, as it is a sign of greater penetration of SRI concerns within traditional financial asset management.

SURVEY METHODOLOGY

We have used as much as possible the same methodology as for our previous SRI studies. However, readers should keep in mind that the scope of our market coverage has increased and that as previously stated, we have adjusted the Core SRI definition to follow the market evolutions in this fast-changing field.

A survey of asset management markets

The European fund management industry is highly internationalised. Therefore, SRI funds can be domiciled in one country, managed in a second and sold in a third, either within Europe or overseas. As a result, defining national SRI markets is increasingly difficult. While fund managers are rather easy to locate,¹ ultimate investors are not.

For this reason, and to remain consistent with the methodology of previous studies, **Eurosif defines a national market by the country where the SRI assets are being managed** (i.e. where the SRI asset management team is located).² As a consequence, this study should be seen as an

¹ Although this could become more complicated as SRI asset management teams split across several locations.

² For example, if a Swiss asset manager with an SRI team based in Switzerland is managing assets for a French asset owner, this is counted in the Swiss market. If the SRI team is located in London, it is counted in the UK market.

attempt to measure the size of the SRI asset management markets, rather than the SRI markets themselves.

Scope of the study

The study focuses exclusively on the self-reporting of asset managers and self-managed asset owners.³ Additionally, the report includes both institutional and retail SRI assets. This is partly due to the fact that in many cases, SRI practitioners are not able to differentiate any of the investors in their investment funds.

This year's research expands the scope to now include nineteen distinct European markets:

- Thirteen countries already covered in our SRI 2008 study: Austria (AU), Belgium (BE), Denmark (DK), Finland (FI), France (FR), Germany (DE), Italy (IT), The Netherlands (NL), Norway (NO), Spain (ES), Sweden (SE), Switzerland (CH) and the United Kingdom (UK).
- Six countries not previously covered: Poland (PL), Greece, Cyprus, Estonia, Latvia, and Lithuania.

Our aim is to continue expanding our market coverage in forthcoming studies. We are specifically looking to cover Eastern Europe, and collect quantitative data from Cyprus, Greece and the Baltic states.

Questionnaire

National Sustainable Investment Forums (SIFs) and several SRI practitioners helped revise our questionnaire in late 2009. Data was collected from fund managers and self-managed asset owners from April to July 2010. Respondents were asked to report data as of December 31, 2009.

The questionnaire included both quantitative and qualitative questions. Qualitative questions dealt with practices, means used by fund managers and trends. Quantitative questions referred to SRI assets under management according to:

- Different SRI practices used,
- Investment vehicles and allocations,
- Customer segmentation (institutional, retail).

Occasionally, questions were not understood and/or responses were inconsistent. Eurosif, National SIFs and other survey contributors have exercised due diligence, used secondary information sources where relevant, and employed their best judgement in order to ensure the answers are robust.

Some discrepancies do nonetheless remain. This can be the case for example, when the tallying of total SRI through investment vehicles (investment funds + mandates) or through customer segments (retail + institutional) do not match total SRI declared per se, as some respondents were not able to provide the breakdown of their total amounts declared. However, in this case the use of percentages rather than actual volumes should provide a fair idea of the market dynamics, particularly for the Core SRI segment.

STRUCTURE OF THE REPORT

The Eurosif 2010 SRI Study is organised geographically, starting with Europe as a whole and then in alphabetical order for the national markets. Estonia, Latvia and Lithuania are grouped together under Baltic States. This is the fourth Eurosif SRI Market Study and we invite readers to refer to the 2003, 2006 and 2008 studies for further information on local SRI background, drivers and methodologies employed.⁴

Each country report is structured in a similar manner, focusing on key features of SRI in the country, market evolution since 2008 and market predictions. As much as possible, data is presented through consistent charts to allow comparison. In the European section, where appropriate, Eurosif has created a view across countries and highlighted changes in the market since 2008.

Finally, we have collected available data from other regional SIFs and synthesised figures at a global level. This is presented in the last section of this report.

³ A list of responding organisations which agreed to be listed is available at the end of the report.

⁴ Eurosif's 2008, 2006 and 2003 SRI Studies are available at www.eurosif.org/publications.

EUROPE

This section reviews the key findings of the SRI market at the European level.¹ Particularly, we look at the following items:

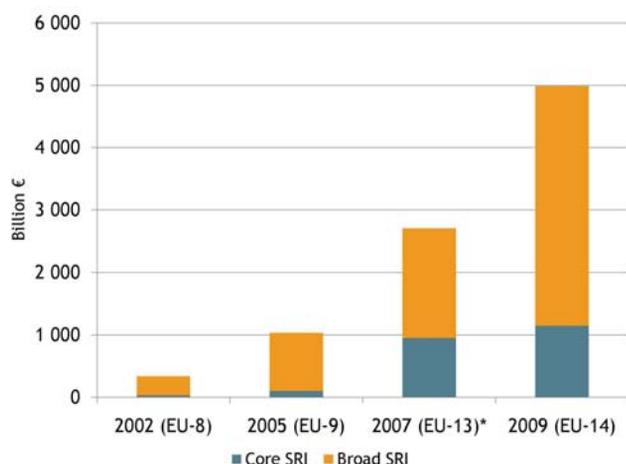
- Market size,
- Market growth,
- Market share,
- SRI strategies,
- Core SRI,
- Broad SRI,
- SRI investors,
- SRI products and processes,
- Market drivers and future trends.

MARKET SIZE

According to Eurosif research, total SRI assets under management (AuM) in Europe have reached €5 trillion, as of December 31, 2009. This total SRI figure is made up of €1.2 trillion for Core SRI and €3.8 trillion for Broad SRI, as illustrated in Figure 1. While Eurosif's market coverage has increased in this survey (this is the first time Poland is surveyed), on a like-for-like basis, this represents a spectacular growth since the 2008 study.

These numbers may appear high to the reader, but as will be conveyed in this report, large asset owners in many domestic markets have now adopted integration strategies or screening of specific criteria such as climate change factors across their portfolios – this is a major shift in the SRI field and helps to explain the growth in the total SRI figures, and especially the Broad SRI segment.

FIGURE 1: Core and Broad SRI in Europe, 2002-2009



Source: Eurosif European SRI Survey, 2010

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

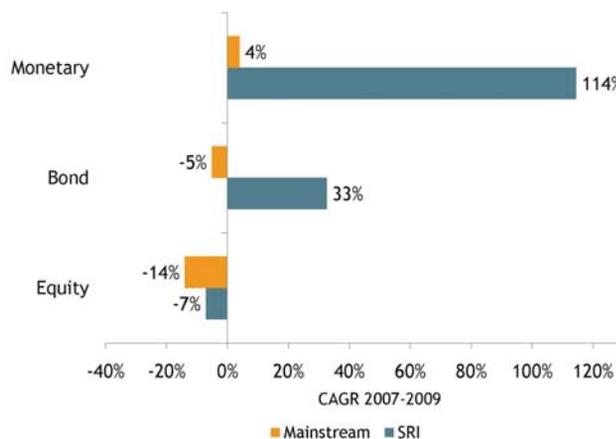
Note: Market data coverage is evolving. 8 countries were covered in 2002, 9 in 2005, 13 in 2007 and 14 in 2009.

MARKET GROWTH

As illustrated in Figure 1, the European SRI market has increased from €2.7 trillion in 2007 to €5 trillion at the end of 2009. On a like-for-like basis,² this represents a growth of about 87% over two years or a compound annual growth rate (CAGR) of 37%.

Figure 2 below breaks out the growth of SRI funds and mainstream funds by asset class (equities, fixed income, monetary) so that the investor can better appreciate the evolution of the SRI fund market compared to the traditional fund market. Traditional and SRI equity funds have both experienced negative growth between 2007 and 2009, although assets in SRI equity funds have decreased less than assets in traditional equity funds. The real growth story is in the SRI Bond and Monetary asset classes. However, the reader should be cautious in the interpretation of this spectacular growth of SRI Bond (+33%) and Monetary (+114%) funds against their mainstream equivalents. It is not known to what degree some of this growth is due to the transfer of assets from existing funds, versus the accumulation of new assets.

FIGURE 2: Growth of SRI and Mainstream Funds 2007-2009, by Asset Class



Source: Eurosif European SRI Survey, 2010, EFAMA FactBook 2009

MARKET SHARE

Concerning the market share of SRI compared to the overall European asset management market, Eurosif derives its analysis by utilising figures provided by the European Fund and Asset Management Association (EFAMA). EFAMA's estimate of the European asset management industry was €10.7 trillion AuM for both

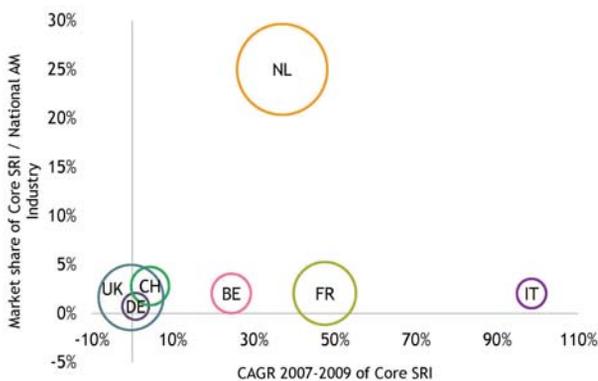
¹ Further details of each local market surveyed are available in the country sections of the report.

² All growth figures are calculated on the 13 countries covered in both 2010 and 2008 studies : AT, BE, FR, DE, IT, ES, CH, NL, UK, DK, FI, SE, NO.

investment funds and discretionary mandates by the end of 2008.³ Estimating an average growth rate of 8.4% between 2008 and 2009,⁴ this would suggest that the total Core SRI assets represent 10% of the asset management industry in Europe, led by the strength of the Dutch market.

Overall, the national markets vary considerably in terms of size, growth and market share of traditional asset management. Figure 3 provides a better picture of the European Core SRI market dynamics for the countries that were already covered in our 2008 SRI study. For Core SRI, Italy, France and the Netherlands show the fastest growth while the United Kingdom, France and the Netherlands contain the largest markets. In the Netherlands, Core SRI has the largest market share of the domestic asset management industry.

FIGURE 3: Growth, Market Share and Size of Core SRI



Source: Eurosif European SRI Survey, 2010

Note: Bubble size represents the size of Core SRI.

The chart only includes countries which showed comparable data.

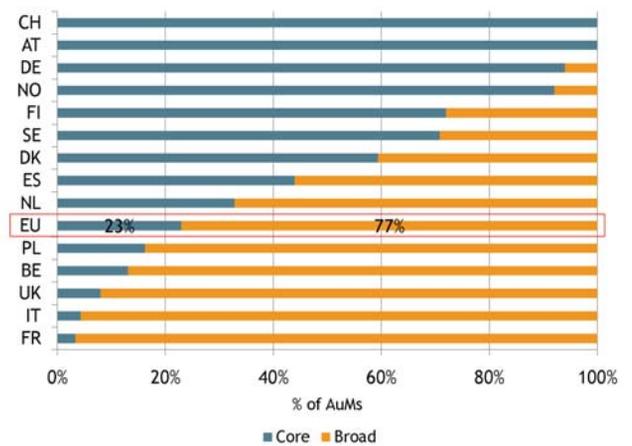
As for Broad SRI, France has experienced the fastest growth by far with a CAGR of 407%.⁵ With over €1.8 trillion reported as integration assets, France has surpassed the UK in terms of market share.

SRI STRATEGIES

European investors perform Core and Broad SRI through different strategies within these segments. The European SRI market is not homogeneous as some strategies are clearly favoured in certain countries; cultural differences found across Europe influence the shape and nuances in domestic SRI markets. For instance, Broad strategies (such as engagement and integration) are widely used in the United Kingdom, often in combination. Somewhat differently, the Swiss market has traditionally favoured a Core approach, with Best-in-Class and thematic funds being the preferred expressions for SRI.

As shown in Figure 4, the split between Core and Broad SRI varies greatly from one country to the next, illustrating the different levels of "mainstreaming" of the various SRI markets as well as the weight of a few institutional investors practicing Broad SRI strategies on large volumes of assets. Italy, France, and the UK have the largest share of Broad SRI, while Austria, Germany and Switzerland have the largest share of Core SRI.

FIGURE 4: Share of Core and Broad SRI in Total SRI AuMs by Country



Source: Eurosif European SRI Survey, 2010

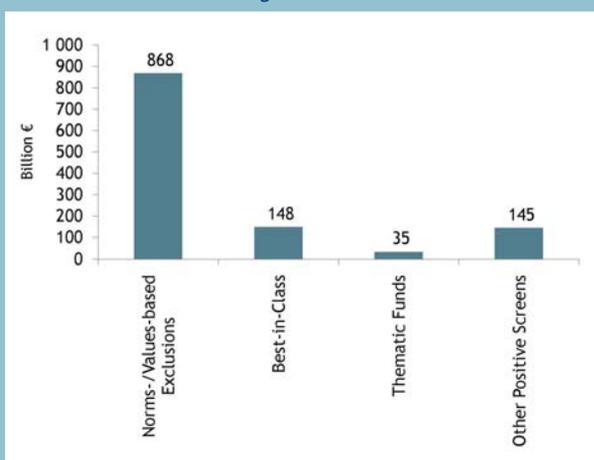
³ EFAMA "Annual Asset Management Report: Facts and Figures", July 2010.

⁴ According to McKinsey Global Capital Market report, in Europe financial depth has grown at a CAGR of 8.4% from 1990 to 2008.

⁵ The reasons behind the dramatic French growth is also explained in the French country section.

OVERVIEW: CORE AND BROAD SRI STRATEGIES APPLIED IN EUROPE

FIGURE 5: Core SRI Strategies

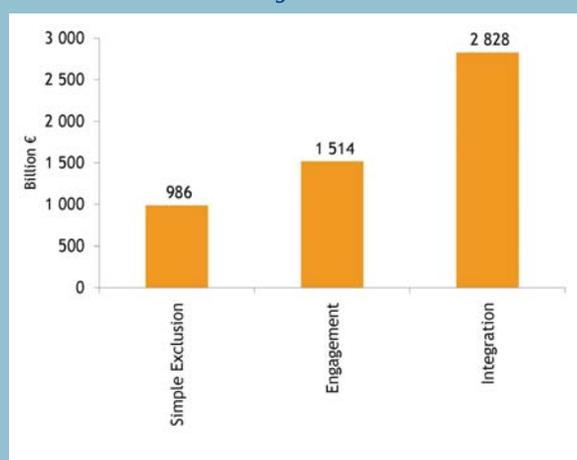


Core Strategies consist of ethical exclusions (norms- and values-based) as well as different types of positive screens (Best-in-Class, thematic funds and others).

Norms- and values-based exclusions are the most popular Core strategies in Europe, driven by the Netherlands and Nordic countries.

Source: Eurosif European SRI Survey, 2010

FIGURE 6: Broad SRI Strategies



Broad Strategies consist of 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 European SRI Survey, 2010
 Note: Total of individual strategies added together may be superior to the total of Core and Broad SRI due to overlaps.

CORE SRI

Core SRI consists of norms- and values-based exclusions (more than two negative criteria) as well as different types of positive screens (Best-in-class, SRI theme funds or others). These strategies are often combined, especially in Switzerland, France and the UK.

On a like-for-like basis,⁶ the growth of Core SRI between 2007 and 2009 is estimated at 20.7% (CAGR at 9.8%).

The growth of Core SRI is mainly due to a notable increase in the volume of norms and values-based exclusions, as well as Best-in-Class approaches.

Norms- and Values-Based Exclusions

Norms-based exclusions, the process of identifying and excluding from investment universes those companies that violate certain principles (typically based on international legal, ethical, social and environmental standards such as the United Nations' Global Compact), are a very popular form of SRI in Norway and Sweden.

Values-based exclusions, referring to exclusions where more than two negative criteria or filters are applied, are a widespread strategy in all Nordic countries (Denmark, Finland, Norway and Sweden) as well as the Netherlands.

⁶ The 2007 Core SRI figure was re-calculated and adjusted to the current definition of Core SRI in this study in order to allow for comparisons.

Best-in-Class

With the Best-in-Class approach, fund managers choose the top performing companies in a sector or category based on how they meet selected ESG challenges. For instance, an SRI Best-in-Class fund can select the best companies in their sector, based on targeted ESG screens (such as water efficiency or carbon dioxide emissions). The Best-in-Class strategy is used to a large extent in France, Belgium and Finland.

Thematic Funds with an SRI Component

SRI thematic funds are largely invested in the 'clean energy' sector. Wind power, solar or geothermal energy offer new possibilities to generate electricity and have also benefited from the ambitious renewable energy programmes launched by governments across Europe in the past few years. The range of themes is increasingly expanding, covering a broader remit than simply the energy sector, with funds on health and nutrition themes, for instance. According to a recent survey by Allianz Global Investors AG, the outlook for thematic sustainability funds is bright, with a prediction that these types of investments will grow in importance, most notably for pension funds.⁷ Switzerland, with some of the biggest thematic managers, is a leader of this segment in Europe.

These Core strategies are mostly focused on equities and bonds, which have historically been the asset classes of choice for SRI. However, the current market environment would suggest that SRI offerings will increasingly apply to a broader range of assets, including tangible assets such as real estate and forestry.

There is a soft and blurry line between Core and Broad SRI strategies, which are not exclusive from each other and are also often combined. Strict Core SRI can have Broad SRI implications, contributing to further blur the line between the two approaches. That is for instance the case when SNS, like several fund managers, decided to exclude BP and Shell from its Best-in-Class funds.

BROAD SRI

The Broad SRI segment is composed of three strategies: simple exclusions, engagement and integration. Here again, those strategies may be combined, particularly engagement and integration.

On a like-for-like basis, the growth of Broad SRI between 2007 and 2009 is estimated at 119% (CAGR at 48%).

The growth of Broad SRI is the result of the following trends:

- Growth of integration by 191% (CAGR 71%)
- Growth of simple exclusions by 23% (CAGR at 11%)
- Growth of engagement by 17% (CAGR at 8%)

The remarkable growth of the integration approach since the 2008 study is partly due to a generalisation of this practice amongst French institutional and retail investors. For segmentation purposes, the assets declared both as Core SRI and integration were only counted once, in Core SRI.

France has now surpassed the UK in terms of Broad SRI, boosted by its substantial integration figure. Denmark also saw a remarkable increase in its Broad SRI total with integration and engagement becoming increasingly popular.

Simple Exclusions

Assets managed with a simple exclusion strategy (no more than two negative criteria) represent €1.0 trillion and mostly originate in the Netherlands, Italy, Belgium and Sweden.

It is important to keep in mind that the large figures shown in simple exclusions are often the result of only a few fund managers. For example, in January 2010, the Norwegian Ministry of Finance decided to exclude 17 tobacco-producing companies from the Government Pension Fund Global (GPF), based on a recommendation from the Fund's Council on Ethics.

Another example is Italy's Assicurazioni Generali that decided in 2006 to invest all of the assets managed by the Group's companies (€299 billion, as of December 31, 2009) in accordance with the ethical guidelines adopted by the Norwegian Government Pension Fund, where negative screening is not combined with any engagement with companies.

This cross-pollination between fund managers from

⁷ Allianz Global Investors, "Doing Good by Investing Well? Pension Funds and Socially Responsible Investment: Results of an Expert Survey", *International Pension Papers*, 2010.

different European countries represents a new trend in the SRI market. Greater transparency, as well as a growing need for capacity-building, is fostering a more collaborative European SRI market over time.

Engagement

In Europe, engagement practices represent €1.5 trillion. The UK remains the leader by far in this area, followed by the Netherlands and the Nordic countries.

Engagement is practiced at both the domestic and international levels. At the aggregated European level, engagement activities mostly concern governance issues, followed by environmental and then social issues. However, it is important to note that the focus of ESG engagement differs significantly between countries, and even between asset managers within the same countries. These 'cultural' differences make up for a dynamic engagement market in Europe. With direct private engagement as the activity of choice, public engagement and filing shareholders' resolutions tend to be used scarcely. This is one of the areas where European investors most differ from their North American counterparts.

Integration

Integration is the explicit inclusion by asset managers of ESG risk factors into traditional financial analysis. It is the number one strategy in the context of mainstreaming SRI and represents €2.8 trillion of assets under management at the end of 2009. The Netherlands and Belgium have seen this practice increase rapidly, often driven by a few large institutional investors. The fastest growth in integration comes from the French market, where the figure has boomed since 2008, mostly due to a handful of large investors.

The integration approach has become one of the most readily adopted SRI strategies since the last publication date of this study, due in part to its being a quite tangible expression of fiduciary duty by investors. Out of the respondents practicing integration, over 80% indicated that they have a formal integration policy document. As a newer strategy within SRI, integration is still controversial in some European countries as the practices and depths of the approach may vary significantly. As a result, the concept of integration remains a challenge to pin down and its understanding may vary from one country or asset manager to the next.

France has been a particularly dynamic market for ESG

integration over the past few years. Nevertheless, sceptics assert that asset managers using this approach have not yet clearly articulated how ESG criteria are actually being implemented. As noted by Novethic, "the extra-financial requirements imposed on the assets subject to ESG integration are not as strict as those imposed on SRI funds, and practices can vary widely from one manager to another."⁸

In terms of integration practices, respondents that do practice integration provided the following information in our survey:

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.

SRI INVESTORS

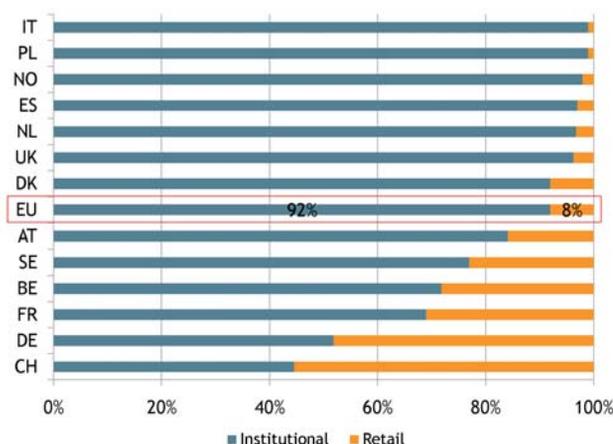
The European SRI market remains driven by institutional investors, representing 92% of the total EU SRI market. These investors are especially present in some of the larger European markets such as the Netherlands and the UK; there is also another important group in Switzerland,

⁸Novethic, 'Achieving Investment Objectives through ESG Integration', Working Paper, March 2010.

Scandinavia, France and most likely Spain in the near future.

Figure 7 illustrates the differences across the European countries.

FIGURE 7: Institutional vs. Retail SRI Investors by Country



Source: Eurosif European SRI Survey, 2010

Note: No data available for Finland; data for DK, NO, SE is from 2008.

Since 2008, the share of retail investors has increased in almost all the countries covered in this study. In particular, Austria, Germany, Belgium and France have seen the share of their retail markets increase notably. This clearly points to the growing demand of retail investors seeking sustainable investment options, as well as the growing influence of High Net Worth Individuals (HNWI).

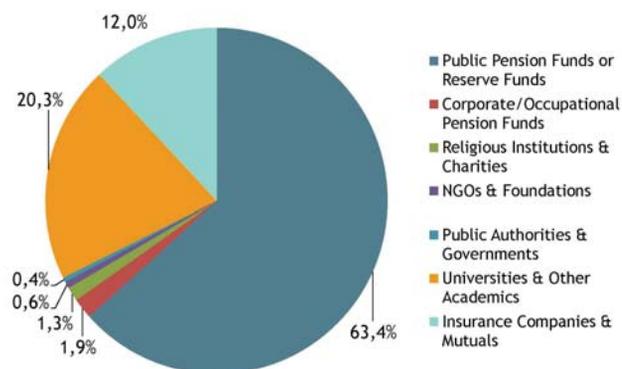
Regarding the HNWI retail segment, Eurosif found that that for a majority of HNWIs, SRI represents a good investment opportunity in the context of the ongoing financial crisis. The recent 2010 Eurosif HNWI Sustainable Market study forecasts this growth to translate into further institutional interest as the HNWI market can act as an early signal of investing appetite for future asset allocations of more mainstream institutions.⁹

Lastly, Eurosif research found that retail investors are also increasingly aware of sustainable product offerings but they are still stymied by sales channels that often have not been tailored to properly market and sell SRI vehicles; considerable efforts still need to be made in order to make SRI products more comprehensible and accessible to the wider public. With this gap in mind, UKSIF has, since 2008, organised an annual 'National Ethical Investment Week,' where SRI professionals and the public gather and exchange information on sustainable investment; this type of event has been subsequently replicated in other

European countries such as Belgium and France. Eurosif welcomes this initiative, as the public is a powerful vector in ensuring greater visibility of the SRI sector.

Figure 8 illustrates the main types of institutional investors that invest in European SRI funds (by volume of SRI assets). Public pension funds and reserve funds lead the way, followed by universities and insurance companies. It seems that insurers are increasingly looking at SRI products to address risks and liabilities with a long-term perspective. Corporate and occupation pension funds still hold a modest position amongst SRI investors. A number of domestic benchmark reports produced by national SIFs have looked at the degree to which corporate pension funds practice SRI strategies. There are signs that corporate pension funds interested in SRI are poised to expand and Eurosif plans to release a European overview of the segment by mid-2011 to examine how different corporate pension funds across Europe integrate SRI criteria in their investment strategies.

FIGURE 8: Type of Institutional Investors (by Volume of SRI Assets)



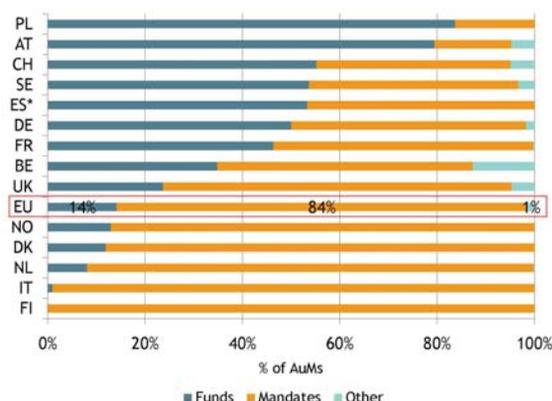
SRI PRODUCTS AND PROCESSES

Investment Vehicles

As seen in Figure 9, the SRI vehicles most often used remain discretionary mandates (84%) followed by investment funds (14%) at the European level. Structured products, included in 'others' in the same Figure remain fairly marginal. The chart provides a breakdown by country: unsurprisingly the local trends mirror the breakdown between institutional and retail investors previously observed in Figure 7.

⁹ Eurosif, "High Net Worth Individuals and Sustainable Investment", September 2010. www.eurosif.org.

FIGURE 9: SRI Investment Vehicles by Country



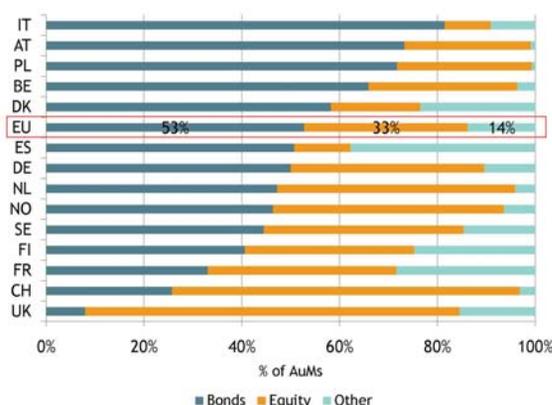
Source: Eurosif European SRI Survey, 2010
*Based on Core SRI only.

Asset Allocation

Figure 10 details SRI asset allocations by country. At the European level, equities have lost their preferred SRI asset class status, dropping down to 33% of total AuM, compared to 50% in 2008. Bonds are now the favoured asset class, representing 53% of assets at the European level.

The increase in bond allocations should not be surprising as fixed income investments have always received substantial allocations of assets from institutional investors, particularly those with long-term liabilities. Fund managers have developed new methodologies allowing them to apply SRI approaches to not only corporate bonds, but also to government and supranational bonds. An increasing number of research agencies now offer country sustainable ratings, and many SRI asset managers have developed their own set of criteria, often utilising public information from international organisations and NGOs.

FIGURE 10: SRI Asset Allocation by Country



Source: Eurosif European SRI Survey, 2010

For the remaining assets, alternative / hedge funds assets represent 5.6% of the total European SRI AuM (€95.7 billion), with the greatest contributions from Finland, Denmark and Sweden. Property assets represent 3.1% of the total European SRI AuM (€53.1 billion), originating most importantly from the UK, Finland and Italy. Private equity / venture capital stands at 1.6%, similar to the monetary asset class at 1.6%, followed by commodities at 0.5%. Most of those figures are driven by the Nordic countries, where large pension funds are delving into new asset classes. Lastly, although still marginal at the European level, SRI money market funds have particularly gained momentum in France and Spain.

Microfinance is also becoming a strategy for the SRI market. For the first time, Eurosif included specific questions on microfinance investments from asset managers and self-managed asset owners in order to gather quantitative data on the topic. The amount of European SRI microfinance investment in 2009 is about €1 trillion. Eurosif believes microfinance will be of significant interest to SRI investors in the coming years and will look to collect more information in the future as well as work collaboratively with organisations specialised in microfinance.

One of the key players in this space is CGAP (Consultative Group to Assist the Poor), an international resource centre for microfinance. Its aim is to monitor investment trends as well as promote microfinance. A recent survey supervised by CGAP assessed the market size and performance of microfinance Investment Vehicles (MIVs), estimating the global MIV assets under management at €6.2 billion. The financial crisis struck microfinance Institutions (MFIs) considerably, but overall they have shown greater resilience than many traditional banks.¹⁰

The CGAP survey shows that MIVs are increasingly committed to reporting on their ESG practices, with 40% using an environmental exclusion list and 69% reporting on ESG issues to their investors. 81% have also endorsed the Client Protection Principles.¹¹

With a long-term perspective on investments as well as a concern for ESG issues, some microfinance funds are clearly positioned to generate interest from SRI investors, even if there is still a need to bridge the gap between the microfinance and SRI communities. The ex-post assessment of microfinance funds may provide interesting examples for other SRI, whose ESG assessment is often only done ex-ante.

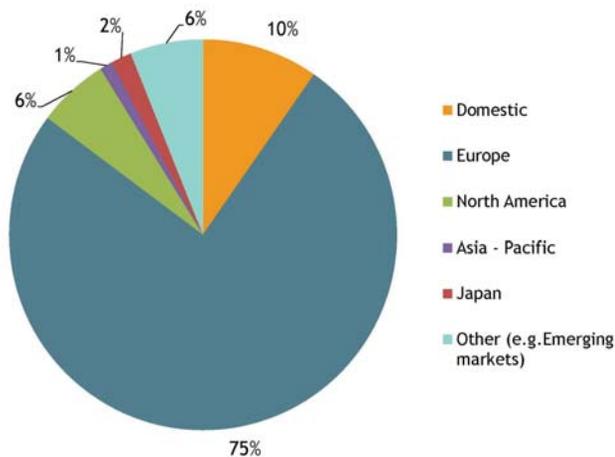
¹⁰ CGAP, "Microfinance institutions facing growing pressures", 14 May 2009.

¹¹ The Client Protection Principles for Microfinance is part of an initiative led by a coalition of Microfinance Institutions (MFIs), networks, funders and practitioners. Its aim is to ensure that providers of financial services to low-income populations take concrete steps to protect their clients from potentially harmful financial products.

Geographic Allocation

A vast majority (85%) of the SRI equity assets are invested in Europe (of which only 10% is within the respective domestic market). The share of Europe is particularly strong in the Netherlands (91%), Spain (83%) and France (74%). Asia (Japan, HK, Australia) is at 3% while the emerging markets receive 6% of European SRI, coming mostly from the Nordic countries and France.

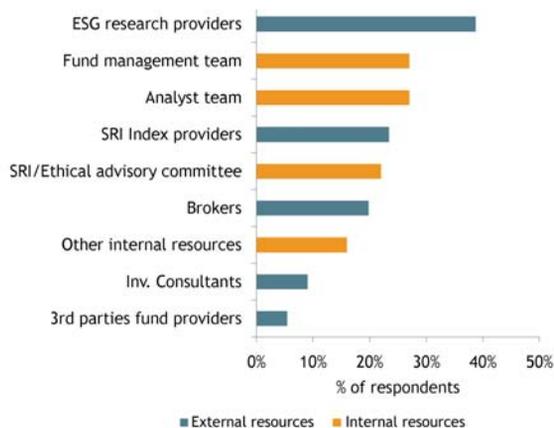
FIGURE 11: Geographic Allocation of European SRI



Processes

In terms of processes, Figure 12 illustrates the resources most often used by SRI fund managers, both internal and external. ESG research providers are the favoured resource, with internal analyst and management teams also making up for an important part of the ESG analysis process.

FIGURE 12: Internal and External Resources used by Fund Managers



Source: Eurosif European SRI Survey, 2010

MARKET DRIVERS AND FUTURE TRENDS

According to our survey and as shown in Figure 13, a vast majority of SRI investors predict that demand from institutional investors will be the main driver for SRI demand in the next three years, followed by international initiatives, external pressure from NGOs or media as well as demand from retail investors.

FIGURE 13: Top Four Drivers for SRI Demand in the Next 3 Years



Source: Eurosif European SRI Survey, 2010

Note: Ranked by order of importance as answered by respondents.

Further details on market drivers, present and future, identified by Eurosif are developed below.

Demand from Institutional Investors

SRI is increasingly a matter of risk management for institutional investors. With the success of the PRI initiative (808 signatories in September 2010, reaching over \$22 trillion in assets), Eurosif expects that integration and engagement will increase in the coming years and represent larger volumes of assets – the important measurement of this will be through recent PRI signatories actively implementing the principles.

Demand from Retail Investors

As seen previously, the demand from retail investors jumped in a number of European countries between 2008 and 2010. Eurosif expects this trend to continue; retail investor demand is particularly visible in countries like Germany, France and Belgium. With their growing mistrust of traditional financial offerings (which are easily associated with the global financial crisis), private investors present an exciting market opportunity for all sustainable investment providers.

Demand from High Net Worth Individuals (HNWIs)

The demand from HNWIs for sustainable investment will expand. Eurosif estimates that sustainable investments represented approximately 11% of European HNWIs' portfolios, as of December 31, 2009. Based on Eurosif's latest growth trends in the market, we predict that by 2013, the share of sustainable investments in HNWIs' portfolios will have increased to 15%, just below the €1.2 trillion mark.¹²

The Role of the Media

In an age of highly-mediated environmental and social disasters, where sometimes well-known companies are incurring high costs and liabilities with long-lasting effects, technology and media play important roles in informing investors about ESG risks.

In January 2008, the Dutch pension funds were put under scrutiny following the broadcast of the Zembra documentary called 'The Cluster Bomb Feeling'. In April 2010, the Deepwater Horizon oil spill acted as another wake-up call for many investors. The investment community was reminded of the need for ESG issues to be incorporated into fund management research and portfolio selection. The financial impact of this oil spill has implications for millions of pensioners in the UK. If the true merits of sustainable investing become even clearer when a financial crisis occurs, it is equally true for environmental and social crises.

Legislative Drivers

Currently, at least eight countries in Europe have specific National SRI regulations in place that cover their pension systems: United Kingdom (2000), Germany (2001), Sweden (2001), Belgium (2004), Norway (2004), Austria (2005) and Italy (2005). Spain is in the process of introducing such SRI requirements into the existing 2002 Pension Funds law. In Italy, the disclosure obligations applying to all complementary pension funds started in January 2008. Elsewhere, regulations on ESG reporting for companies (France in 2001; Denmark in 2008) provide a good basis for similar developments in SRI. The Grenelle 2 legislation recently passed in France (July 2010) introduces new obligations for asset managers to disclose on how ESG factors are being incorporated into their investment strategies. The application decree is yet to be issued.

At the EU level, the European Commission is currently in

discussions around a possible need for further transparency from institutional investors.

There are presently no mandatory transparency laws at the EU level requiring investors to disclose the ESG issues of their investments. However, Eurosif has submitted two position papers to the EU Commission on the need for proper ESG disclosure by companies and investors, and continues to advocate for improved regulation around ESG issues and its disclosure by investors. As an example, Eurosif submitted a response to the public consultation on the Modernisation of Directive 2004/109/EC (Transparency Requirements for Listed Companies), in which it makes recommendations regarding the disclosure of Environmental, Social and Governance (ESG) data by listed companies, as well as on the disclosure of voting policies by institutional investors. Eurosif hopes that these efforts will inevitably create a snowball effect and trigger down to the national level, hence further nurturing the SRI legislative landscape.

The Uptake of Voluntary Initiatives

The emergence of several voluntary schemes can complement adequate regulatory pressure in the mainstreaming of SRI considerations. Initiatives such as the PRI, the Eurosif Transparency Logo, and the several Labels for SRI Funds in Europe (see case study) all point towards greater visibility and credibility for SRI products, thus ensuring the dissemination of sustainable offerings and their improved understanding from the public.

Additionally, a number of international organisations such as the World Economic Forum have also launched consultations and working groups to think about the incentives that are necessary in the investment value chain in order to accelerate the transition towards sustainable investing. These steps clearly show that further integration of ESG considerations is currently taking place.

¹² Eurosif, "High Net Worth Individuals Et Sustainable Investment", September 2010.

CASE STUDY

The Novethic* SRI Label

Launched in September 2009, the Novethic SRI label is awarded to mutual funds distributed in France whose management systematically takes into account Environmental, Social and Governance (ESG) criteria. The purpose of the label is to encourage the development of the most transparent information possible on SRI funds and improve the availability of these funds to individual investors by providing them with a simple benchmark. Novethic awarded its label to 92 funds in 2009 and 142 funds in 2010.

The following four criteria must be met in order to obtain the SRI label:

Environmental, Social, and Governance (ESG) Screening

To be awarded the SRI Label, the fund manager must take into account ESG issues, a process that can include company- or sector-based exclusions. The SRI management approach must encourage the best extra-financial practices amongst issuers. These practices must apply to at least 90% of the portfolio in terms of both assets (excluding cash and any solidarity-oriented funds) and holdings, covering all asset classes. Whatever specific combination is applied, ESG issues must all be screened, even if the management approach emphasises one or more of these areas.

Transparency

Investors must be able to understand the fund's extra-financial characteristics and their impact on its management approach. To meet this criterion, fund managers have to comply with the Eurosif or AFG-FIR Transparency Code, which must be easily accessible in the SRI section of the fund manager's website and preferably on the fund's dedicated pages. This document must also provide information regarding the SRI process, including available resources and the steps taken during the ESG screening process.

Extra-financial Reporting

An SRI fund's monthly and/or quarterly reporting must feature an additional section that is not included in non-SRI fund reporting. It must comprise qualitative information on ESG practices that have resulted in recent investments and divestments, and/or quantitative information on the fund's ESG characteristics. This information must encompass all assets and can be separate from financial reporting, provided it does cover the securities in the portfolio, is disclosed on a regular basis and is as readily available to the public as financial information.

Disclosure of All Portfolio Holdings

The full list of portfolio holdings must be disclosed at least on a half-yearly basis and be sufficiently clear and comprehensible.

**Novethic, part of Caisse des Dépôts et Consignations, is a leading research centre in France on Corporate Social Responsibility (CSR) and SRI as well as a sustainable development media expert.*

Role of ESG Research

As part of the expansion of ESG performance, the shape of the ESG research sector will be important to monitor. Over the past two years, ESG research organisations have been consolidating rapidly. August 2009 saw the merger between Jantzi Research and Sustainalytics. In November 2009, RiskMetrics Group, a provider of risk and corporate governance services to the financial markets, acquired KLD Research & Analytics, an ESG research and indices provider for institutional investors. RiskMetrics Group had previously also acquired sustainability research provider Innovest. Thomson Reuters bought Swiss data provider ASSET4 in November 2009. Finally, Bloomberg acquired the environmental data provider New Energy Finance in early 2010. Clearly, this is a market in a state of flux - the early trend suggests that ESG research providers may be better

positioned within larger companies that offer multiple financial information services to the fund management industry.

A further area to monitor will be the transition of ESG research providers from 'information gatherers' to information diggers.' Most ESG research providers currently base their evaluation on information available in the public domain. In the future, ESG providers will be increasingly expected to anticipate future risks more actively and with information that may be outside the public domain. For example, in the BP Deepwater Horizon oil spill case, some ESG research providers counted on a number of proxies, such as public statements or marketing materials, to gauge BP's sustainability record. ESG research organisations moving forward will also employ more advanced means to complement their current processes.

Performance of Sustainable Investments

Undoubtedly, one of the main drivers of growth for SRI is the increasing understanding by investors of the impacts of ESG issues on the economy. Some SRI specialists raise the need to measure extra-financial performance of investments. There is a need for credible, comparable and

transparent extra-financial reporting, so that investors inclined towards SRI can better ascertain whether they are in fact, achieving their investment aims with the chosen investment strategy. In that respect, ex-ante and ex-post assessments are equally important to determine the nature as well as success level of sustainable and responsible investments.

CASE STUDY

The Future of SRI: Financial Performance, ex-post ESG Reporting of Funds and New Players

Much as corporations publish ESG performance data that helps nurture the SRI strategies of investors, fund managers will increasingly be expected to engage in a similar activity and provide reporting on the ESG value-added performance of their funds, along with more traditional financial performance data.

In order to assess the extent to which fund managers present such ex-post ESG reporting, Eurosif introduced additional questions in the 2010 survey focused on the extra-financial performance of funds.

While communication on financial performance of SRI funds is reasonably widespread and already established,¹³ ex-post ESG reporting is still in its infancy among European investors. For instance, few of the surveyed SRI fund managers provided information on the ESG added-value of their funds.

Eurosif predicts that ex-post ESG reporting will increasingly complement the ex-ante assessment that systematically informs SRI strategies of today. The SRI sphere is likely to evolve further, from a Strategy-based (ex-ante) to an Impact-based (ex-post) approach.

Another emerging trend in the field is the diversification of financial players across asset classes within SRI. All investors, both traditional and SRI, try to maximise returns and minimise the risk of their investments. Within the equity asset class, investors utilise the ESG assessment of companies as a critical tool for investment decisions. Within the debt asset class, investors increasingly look to the ESG performance of companies in order to determine their level of involvement and loan size. As much as portfolios can be constructed on ESG risk, so too can loan books.¹⁴ Companies with a high risk profile will be less likely to be in position to raise funds for future developments. As an illustration of asset owner interest in this area, in August 2010, Norges Bank Investment Management issued a tender for a US corporate credit mandate. With its systematic integration of ESG factors, this clearly points towards a wider scope for ESG criteria.

Final Thoughts

The 2008 global financial crisis has had a significant impact on all sectors of the economy. However, even with the slowdown in economic growth during the past two years, SRI in Europe has shown a remarkable resilience, in spite of country variations. Major structural adaptations have occurred in the financial sector, with strategies as well as processes heftily reviewed, paving the way for more responsible forms of investments.

Environmental and social crises have also acted as a wake-up call for many investors; the risks and liabilities of the BP Deepwater Horizon case clearly illustrates how environmental and social risks have significant and long-lasting financial consequences. It is evident that the true merits of sustainable investing become even clearer in times of crisis. Within this context, it is understandable that there is a trend towards the greater mainstreaming

of ESG considerations into traditional forms of investment, contributing to shape both the nature and extent to which SRI is currently practiced in Europe.

Whereas an important barrier to the growth of SRI was often related to doubts about financial performance, Eurosif considers the key barrier of today the challenge to properly define and categorise SRI. As specific ESG factors (such as climate change issues) become incorporated into the fund management sector, the question of SRI boundaries becomes even more relevant. Therefore, one outcome of the 2010 Eurosif survey is the need to further investigate a means to agree common definitions and frameworks for categorising European SRI – this would help investors, policy makers and the general public. Eurosif proposes to lead a collaborative process starting in 2011 in partnership with National SIFs, Member Affiliates and other key stakeholders in order to arrive at an improved understanding of SRI across Europe. Stay tuned.

¹³ For example, Vigeo and Avanzi SRI Research publish an annual review of European SRI retail funds (*Green, Social and Ethical Funds in Europe, 2010 Review, October 2010*).

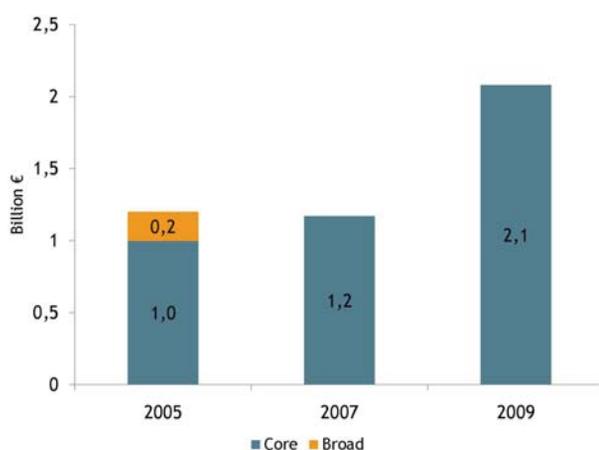
¹⁴ Zeller, T. Jr, 'Banks Grow Wary of Environmental Risks', *The New York Times*, 31 August 2010.

AUSTRIA

After a slight decline in 2007, the Austrian SRI market regained strength in 2009. It increased with an expansion rate of 77% since 2007. In general, the Austrian SRI market has emerged out of the financial crisis stronger than before.

KEY FEATURES OF SRI

FIGURE 1: SRI Market in Austria



Source: Eurosif European SRI Surveys 2010, 2008 and 2006

The Austrian SRI market amounts to €2.1 billion and is solely composed of Core SRI combined with engagement, as illustrated in Figure 1. Mutual funds, including funds of funds, are the largest group of assets among the Austrian SRI assets under management (€ 1.7 billion).

The share of SRI AuMs (mutual funds and mandates) amounts to about 1.5% of the total volume of Austrian funds. This is progress compared to 2007, when the share was significantly lower.

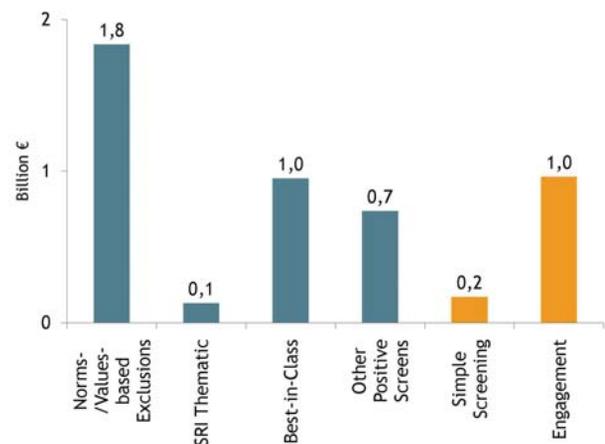
Core and Broad SRI Market

Exclusions and positive screening play a major role within the Core SRI category. As illustrated in Figure 2, norms- and values-based exclusions amount to €1.8 billion and Best-in-Class amounts to €1.0 billion. The Austrian financial service providers use norms- and/or values-based exclusion in nearly 90% of their SRI assets under management.

The simple exclusion and engagement approaches are also quite significant in Austria, whereas Best-in-Class has slightly decreased since 2007. The amount invested in SRI

thematic funds remains constant (in absolute terms) since 2007 and still equals to only a small part of the SRI AuM in Austria. Integration is not at all practiced by Austrian fund managers.

FIGURE 2: SRI Strategies in Austria



Source: Eurosif European SRI Survey, 2010

Note: Total individual strategies may be superior to total Core SRI and total Broad due to overlaps.

Who are the Main Investors?

Institutional investors account for 84% off the Austrian SRI market. Clearly, the most important institutional investors are corporate and occupational pension funds, followed by religious institutions & charities. Within the retail segment (16%), 11% are invested in by High Net Worth Individuals.

What do SRI Fund Managers and Service Providers Offer?

More than 80% of the Austrian SRI AuMs are mutual funds. The entire volume adds up to €1.7 billion, including funds of funds that total €102 million.

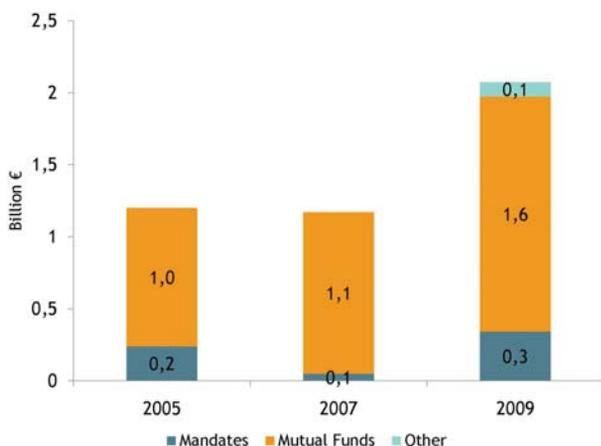
Bonds amount to nearly three quarters of the Austrian SRI market (73%), equities come up to approximately 26%. The large majority of Austrian SRI assets under management are invested in Europe (81%), followed by North America (12%). Domestic investments, with a share of 2%, play a minor role in Austria.

MARKET EVOLUTION

The SRI market has grown significantly since 2002 when the total amount of sustainable investments added up to only €109 million, with a slight decrease in 2007 (-2,5% compared to 2005). In 2009, the market grew strongly again. From 2007 to 2009, mutual funds increased by 46%, whereas mandates grew seven times in volume.

The overall Austrian funds market (€136.7 billion at the end of 2009) showed a decrease from 2007 to 2009 (-17%) due to the financial crisis. Within the same period, the SRI market grew significantly (+77%).

FIGURE 3: Evolution of SRI Market in Austria



Source: Eurosif European SRI Surveys 2010, 2008 and 2006

MARKET PREDICTIONS

The Austrian financial providers taking part in the study expect their SRI assets to grow by a rate of about 24% within the next three years. They are less optimistic concerning their SRI teams and estimate that they will only increase by a rate of 11% during the same period.

From the Austrian point of view, the outstanding key driver for SRI market growth for the three years to come will be the demand of institutional investors. However, the impact from international initiatives and external pressure applied by NGOs, unions and the media is also considered to play a prominent role.

The data and text above is based on research and analysis conducted by FNG.



BALTIC STATES

The SRI market in the Baltic states of Estonia, Latvia and Lithuania is yet to take off. The first specialized SRI fund was launched in Estonia in 2008 (the New Europe Socially Responsible Fund at Limestone Funds). In addition, BaltCap, which operates in all three Baltic countries, has signed up as a PRI signatory, with its investment policies and practices already compliant with the PRI programme to a great extent. Investing in SEB Ethical Europe Fund is also offered by local asset manager SEB Asset Management; however, the fund is managed externally. The financial market structure in the Baltic countries is somewhat special, as the main players in the market are local branches of large Scandinavian banks, with their headquarters also listed as PRI signatories. However, while the main institutions are heavily involved in sustainable and responsible investment practices, it is not known to what extent these principles are taken into account at their Baltic branches.

increasing knowledge level of this issue, investors are starting to regain confidence and the volumes of SRI funds are expected to increase.

The current market participants have expressed positive expectations towards future prospects, predicting an average growth of their teams by 20% and the SRI AuMs to rise by 30%. These figures might turn out to be even larger, as no real competition has been established yet and thus there is a possibility for new players to enter the market.

This market overview was compiled by Johanna Aasamets and Paavo Pöld.

KEY FEATURES OF SRI

Currently the only locally-managed SRI fund has a total of €16 million worth in assets under management (AuMs). It employs proxy voting, direct engagement conducted privately, filing and co-filing of shareholder resolutions as its main engagement practices. Overall, the fund's approach can be considered under the category of Broad SRI. All 100% of the fund's engagement is with foreign companies. The total amount of assets currently in Baltic pension funds is as follows: about €1.07 billion in Estonia (16.8 billion EEK); about €257 million (94.5 m LVL) in Latvia and €321 million in Lithuania.

MARKET EVOLUTION

While the SRI market in the Baltic states is still quite small, it must be noted that a great leap has been made in the previous years with the emergence of the first specialized fund in Estonia and a Baltic-wide company now listed as a PRI signatory.

MARKET PREDICTIONS

Currently the growth of the market seems to be lagging behind due to relatively low awareness and demand levels. However, the recession in the previous years has generated a wider discussion about responsible investment practices and their necessity in the Baltic countries. Along with the



BELGIUM

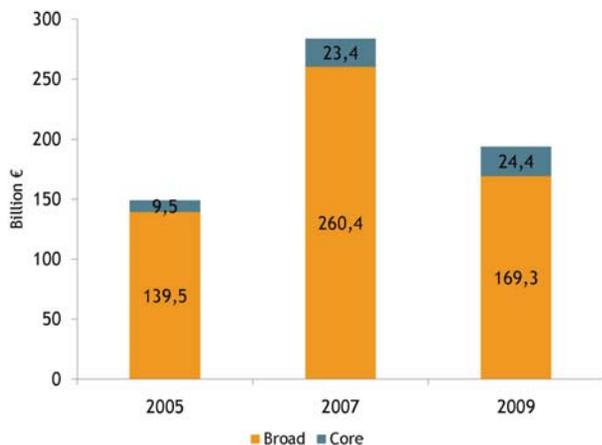
KEY FEATURES OF SRI

The recognition and the accountability of SRI in Belgium have greatly increased over the last five years. Today SRI is included in public strategies and legislative evolutions have been made concerning controversial investments. A law prohibiting the direct and indirect financing of the manufacture, use and possession of anti-personnel mines and sub-munitions was approved by the Belgian Parliament in March 2007. Similarly, a law on depleted uranium weapons was voted in June 2009. The government and the different SRI actors are currently working on a proposition of a minimal SRI norm.

The Belgian SRI market is composed¹ by a large majority of SRI funds (88%) where the offering is increasingly more diverse (140 products in 2010, 134 in 2009), but other products also exist: saving accounts (3.1%), insurance products (5.6%), pension savings and co-operator parts. In total, about 160 different SRI products are available, a number in constant increase.

The Core SRI market amounts to €24.4 billion and the Broad SRI market is €169.3 billion.

FIGURE 1: SRI Market in Belgium



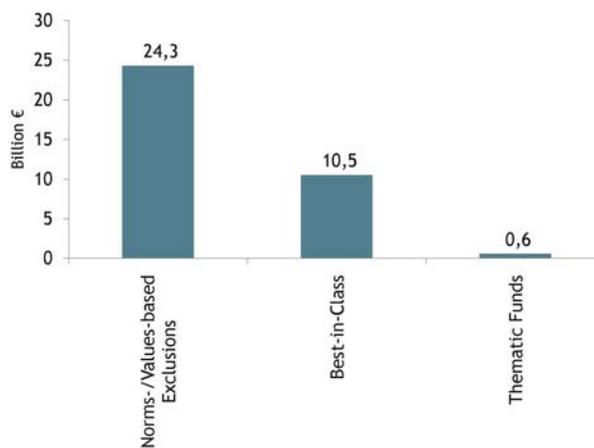
Source: Eurosif European SRI Survey, 2010

Core SRI Market

While the Best-in-Class approach represents the largest component of the Core SRI market in Belgium; ethical exclusions are also popular. These exclusions take into account elaborate norms-based principles, such as the Global Compact, in combination with arms exclusions and

other controversial activities. Thematic funds are relatively small, consisting mainly of water and environmental funds.

FIGURE 2: Core SRI Strategies in Belgium



Source: Eurosif European SRI Survey, 2010

Broad SRI Market

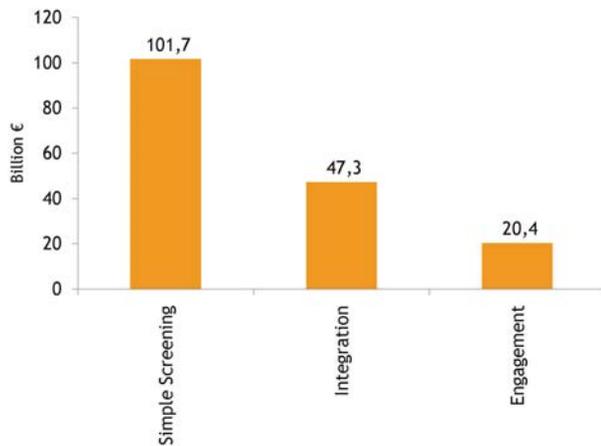
The remarkable growth of integration between 2006 and 2008 was not confirmed in 2010, whereas engagement seems to have gained momentum since the previous study (+20%). Typical engagement practices involve proxy voting, direct engagement conducted privately and collaborative engagement, which are always practiced in combination with Core strategies.

The Belgian Asset Managers Association, BEAMA, largely inspired by Belsif's work on a minimal SRI norm, imposes several requirements for a product to be qualified as 'SRI':

- The 'SRI' character must be clearly mentioned in the investment policy description in the prospectus.
- The three dimensions of SRI (Environment, Social & Governance) are always taken into account in the portfolio composition.
- The SRI portfolio is evaluated based on the UN Global Compact principles.
- The evaluation is conducted by independent specialists.
- A document ensuring the product's transparency is requested (like the Eurosif Transparency Code).
- Regular reporting and control of these conditions are planned.

¹ Data from the Belsif SRI Matrix, available on www.belsif.be.

FIGURE 3: Broad SRI Strategies in Belgium



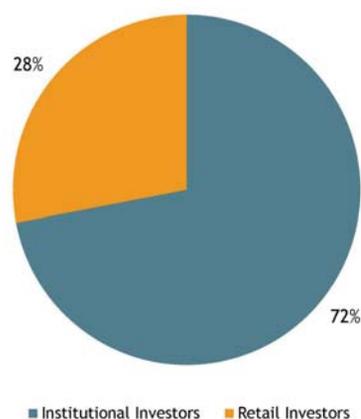
Source: Eurosif European SRI Survey, 2010

Who are the Main Investors?

It is estimated that institutional investors (Belgian and non-Belgian) account for 72% of SRI assets under management in Belgium, consisting mainly of public pension or reserve funds, corporate and occupational pension funds, as well as public authorities/governments. The vast majority of these institutional assets are managed by mandate.

Retail investors account for the remaining 28%, mainly through mutual funds. The retail market has grown by a quarter since 2007, proving to be a dynamic segment of the Belgian market.

FIGURE 4: Institutional vs. Retail Investors in Belgium

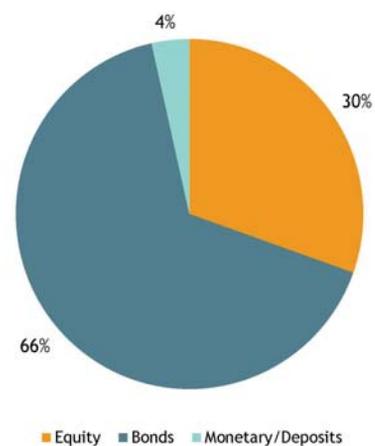


Source: Eurosif European SRI Survey, 2010

What do SRI Fund Managers and Service Providers Offer?

Bonds and equities account for the majority of asset classes for Belgian SRI. Although still negligible, the growing importance of the monetary/deposit asset class (4%), compared to other European countries, is a sign of the progressive emergence of SRI money market funds in Belgium.

FIGURE 5: SRI Asset Allocation in Belgium



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION

The total SRI market has decreased from €283.8 to €193.7 billion since our last survey (CAGR -32%). However, it is important to note that simple screening on controversial weapons have not been taken into account this year as it has become a legal obligation.

The Core SRI market amounts to €24.4 billion while the Broad SRI market is €169.3 billion (€260.4 billion in 2008). Products using the Best-in-Class methodology have remained stable (€10 billion) and thematic funds have decreased (€0.6 billion)

Furthermore, two new laws on the transparency of SICAVs have been developed.

MARKET PREDICTIONS

It is believed that growth will continue, despite the uncertainty surrounding the stock market and global economy in the last few years. All investment products are facing difficult times, including SRI products, even though the latter have shown a greater resilience than traditional investment vehicles.

The data and text above is based on research and analysis conducted by Belsif.



CYPRUS

Cyprus has traditionally operated as a centre of regional international finance in the Eastern Mediterranean. Although current levels of responsible investment assets under management are negligible, the Ministry of Finance's Planning Bureau recent efforts to promote the concept and uptake of SRI in the local market foreshadows an optimistic future.

KEY FEATURES OF SRI

The volume of responsible investment assets under management is an extremely small share of total assets under management.

At present, equities are the primary class of responsible investment instruments.

MARKET EVOLUTION

Consumer demand for SRI in Cyprus is still fairly under-developed as there has not yet been, significant evidence of either a demand for SRI practices or products. At the same time, while the regulatory framework for pensions does allow for the inclusion of ESG assessments in investment policy making, it has not yet been implemented.

MARKET PREDICTIONS

Between 2009 and 2010, the Planning Bureau of the Republic of Cyprus spearheaded an initiative to promote the concept and uptake of SRI. This project, due to its high-level of visibility and top-level Governmental support, may result in further measures that could improve the uptake of SRI in the coming years.

Within the context of the domestic business and regulatory framework, several aspects are worthy of particular mention. The overall level of sophistication of the Cypriot financial services industry is, given its size, fairly high and the Cypriot banks are key players in the wider regional market of southeastern Europe. The long tradition and growth of Cypriot provident funds, which are major institutional investors with a long-term performance horizon, is also relevant in the context of SRI. Overall, one should be cautiously optimistic that there will be a modest increase in SRI in the next three years.

This market overview was compiled by the Institute of Social Innovation (Athens, Greece).

DENMARK

The SRI market in Denmark has recently grown after a slow start due partly to lack of investment alternatives, and partly to hesitation from NGOs and the media. Recent growth has been stimulated by the introduction of SRI fixed-income investment alternatives and the founding of the Danish Sustainable Investment Forum, Dansif.

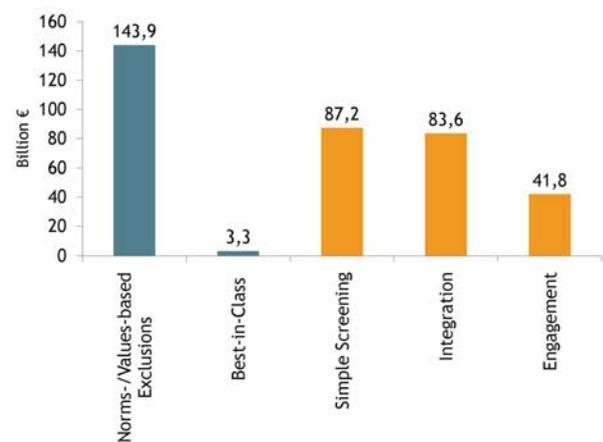
Dansif was founded with the support of a number of institutional investors and advisors on the Danish market in November 2008. The aim of the forum is to promote and inform, as well as facilitate exchanges on SRI.

Ethical exclusion is still the most commonly used SRI strategy, but more non-traditional strategies such as integration are becoming more and more common.

Ethical exclusion is the most commonly used SRI strategy in Denmark as shown in Figure 2. Norms-based screening dominates and is used by 79% of all organisations. Approximately 40% of the ethical exclusion SRI are also screened with a values-based approach. The second most common SRI strategy is simple screening approach, followed by integration.

The more traditional Best-in-Class approach has a decreasing market share while more non-traditional strategies, such as integration, are becoming more common on the Danish market. Thematic funds are non-existent along with other positive screening approaches.

FIGURE 2: SRI Strategies in Denmark



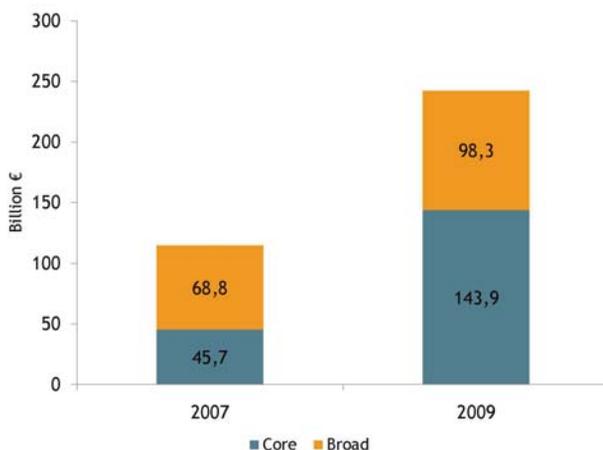
Source: Eurosif European SRI Survey, 2010

Note: Total of individual strategies may be superior to total Core and Broad SRI due to overlaps.

KEY FEATURES OF SRI

The total SRI market in Denmark amounts to €242.2 billion and has thereby increased since the last SRI survey in 2008. 59.4% of the total amount of SRI, €143.9 billion, is Core SRI and 40.6%, €98.3 billion, is represented by Broad SRI, as illustrated in Figure 1.

FIGURE 1: SRI Market in Denmark



Source: Eurosif European SRI Survey, 2010

Core and Broad SRI Market

Denmark's SRI market is dominated by Core SRI. In 2008, the allocation between Core and Broad showed a majority of Broad. The shift from Broad to Core SRI is, however, due to definition changes – norms-based strategies are now counted as part of Core SRI Investments instead of Broad SRI.

Who are the Main Investors?

The SRI market is largely driven by institutional investors, but available data cannot be broken down by market segment.¹

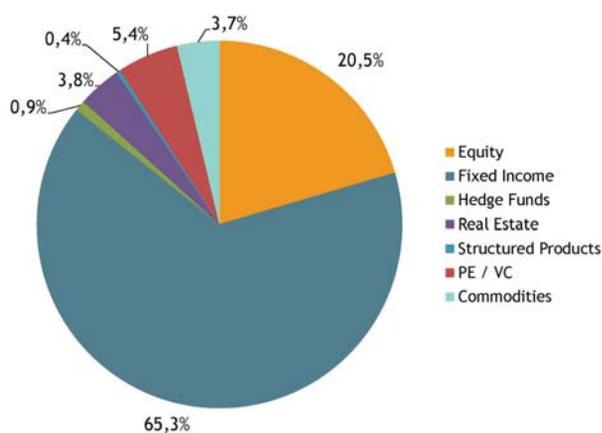
What do SRI fund Managers and Service Providers Offer?

Fixed-income products represent 65.3% of the SRI assets under Danish management and are, as illustrated in Figure 3, dominating the Danish SRI market. The fixed-income market share has also grown since the last SRI survey. Alternative investments such as hedge funds, real estate, structured products, commodities, private equity and venture capital are also growing in market shares – a shift in the SRI market also evident in other Nordic countries. The

¹ As most Nordic asset managers have a cross-Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

equity market share, at present 20.5% of the total SRI market, has decreased in volume. A large part, 63% of the investors, also state that they invest in alternative investments which cover approximately 14% of the market.

FIGURE 3: SRI Asset Allocation in Denmark



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION AND PREDICTIONS

The Danish SRI market has grown quite rapidly recently, a development that might be further spurred by the founding of the Danish Sustainable Investment Forum, Dansif, and increased interest for sustainable investments from NGO's and the media.

There is a growing interest in using more non-traditional SRI strategies such as integration. This might indicate that the market actors are willing to develop in the SRI area. A growing demand for investing in alternative investments is also apparent. As seen in Figure 3 above, the Danish SRI market provides a wide range of SRI products which has increased since the last survey in 2008.

One can predict that the Danish SRI market will keep growing and that the shift towards more non-traditional SRI strategies will continue.

The data and text above is based on research conducted by Erik Eliasson and Helena Lund at TNS Sifo Prospera.

FINLAND

Responsible Investment is gaining momentum in Finland as investors are finally set to start embracing a more sustainable approach to their investments. The development of SRI in Finland has not had the same success as in other Nordic countries. The external pressure from NGOs, regulators, media and investors has been limited. Progress has also been delayed because of a lack of knowledge and understanding of Responsible Investment among investors. However, the Finnish Sustainable Investment Forum, Finsif, was founded and officially launched with the support of 18 members in June 2010.

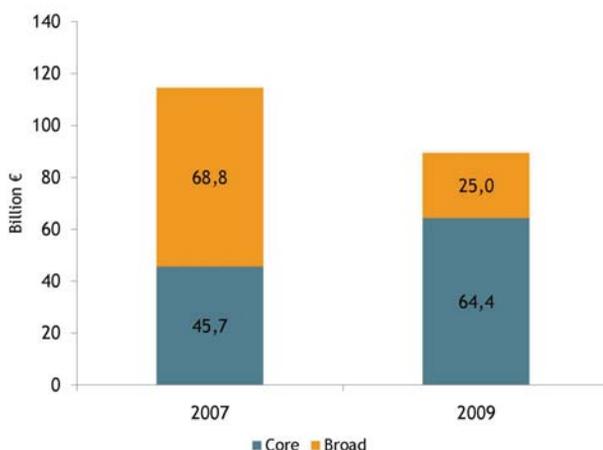
The Finsif association aims to collect and distribute information on Responsible Investment activities, as well as promote Responsible Investment practices that will factor in environmental, social and governance issues in the investment management and decision-making process. All of the founding members of Finsif have signed the Principles for Responsible Investment (PRI).

The SRI market in Finland is dominated by Core SRI. The majority of these assets are subject to ethical exclusion where norms-based screening is the most common strategy.

KEY FEATURES OF SRI

The total SRI industry in Finland amounted to €89.4 billion in 2009 and is dominated by Core SRI reaching €64.4 billion. Broad SRI cover approximately 28% of the SRI market in Finland and amount to €25 billion.

FIGURE 1: SRI Market in Finland



Source: Eurosif European SRI Survey, 2010

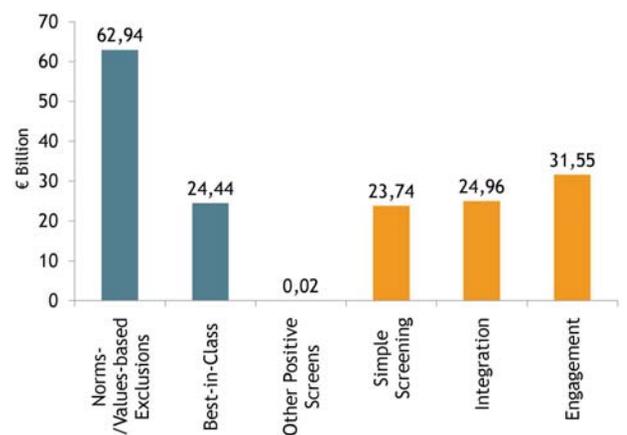
Core and Broad SRI Market

The share of Core SRI has increased since 2008. This change is partly due to a modification in the definition of Core and Broad SRI.¹

Within Core SRI, ethical exclusions play a critical role with 70.4% of the total amount of SRI, as seen in Figure 2. Norms-based screening is dominating and is used by approximately 60% of all organisations. 42% of the organisations also use values-based screening.

The Broad SRI market is mainly represented by SRI strategies such as integration and engagement. These have increased in volume and the share of engagement has especially grown over the last few years. Simple screening is losing its significance. Thematic funds have not succeeded in entering the Finnish SRI market and are still more or less absent.

FIGURE 2: SRI Strategies in Finland



Source: Eurosif European SRI Survey, 2010

Note: Total of individual strategies may be superior to total Core and Broad SRI due to overlaps.

Who are the Main Investors?

The SRI market is largely driven by institutional investors, but available data cannot be broken down by market segment.²

What do SRI Fund Managers and Service Providers Offer?

Fixed income is the largest asset class in volume, as illustrated in Figure 3, and used by 75% of respondents. The share of equities on the Finnish SRI market (39.7%)

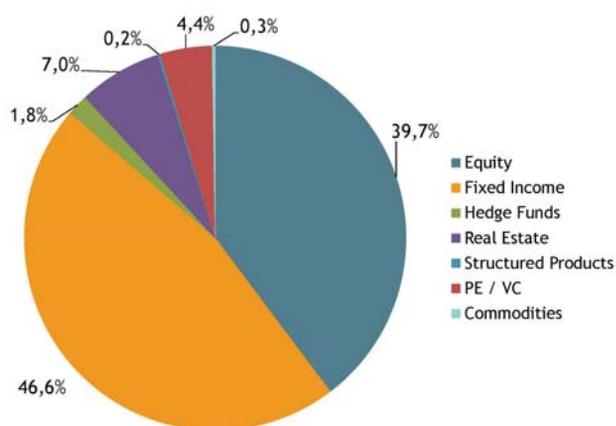
¹ For more details on definition and scope, see the Definitions and Methodology section of this report.

² As most Nordic asset managers have a cross-Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

has decreased on behalf of an increase in alternative investments. However, equities are the most popular asset class, used by over 90% of investors.

Alternative investments, now representing €12.9 billion or around 14% of the total amount of SRI assets in Finland and used by approximately 42% of all organisations, have increased since the last SRI survey. The allocation to alternative SRI in Finland is a development phase similar to that of other Nordic countries.

FIGURE 3: SRI Asset Allocation in Finland



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION AND PREDICTIONS

The SRI market in Finland has experienced a slow start and Finland is the last Nordic country to establish a Sustainable Investment Forum (SIF). The founding of Finsif is predicted to spur the development further by putting SRI on the agenda and increasing knowledge of SRI practices. It is expected to highlight SRI among the Finnish asset managers as well as retail investors. This will in turn increase demand for SRI assets.

The data and text above is based on research conducted by Erik Eliasson and Helena Lund at TNS Sifo Prospera.

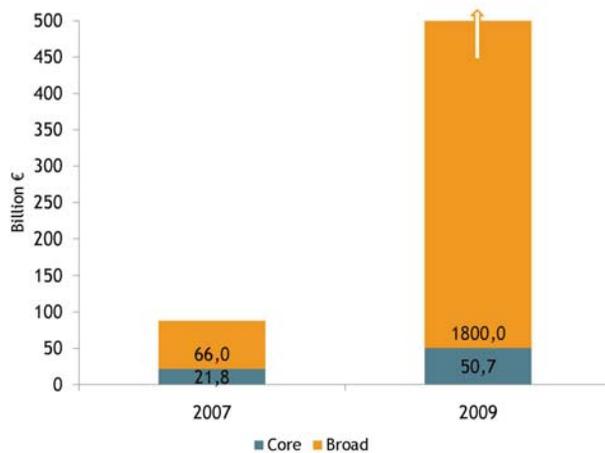


FRANCE

KEY FEATURES

On December 31, 2009, SRI assets under management held by French residents reached €50.7 billion, as illustrated in Figure 1, while the Broad SRI market soared to €1,800 billion.

FIGURE 1: SRI Market in France

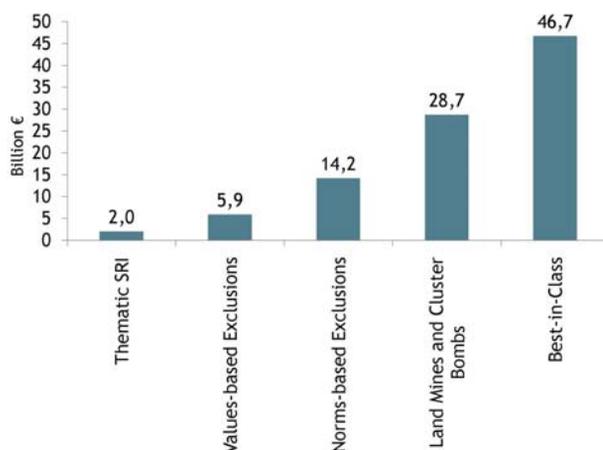


Source: Novethic

Main Practices

As illustrated by Figure 2, the Core SRI market is still made up of ESG Best-in-class approaches (€46.7 billion). Multi-factor exclusions play a small role for French clients, as they are often combined with ESG selection. Notably, more than half of the Core SRI market is also subject to land mines and cluster bombs exclusions at the crossroads between norms-based exclusions and ethical exclusions.

FIGURE 2: Core SRI Strategies in France



Source: Novethic

In the Broad SRI market, an increasing number of investors boast the application of ESG criteria to all of their financial assets, totalling €1,800 billion, contrasting to €66 billion in 2007. Both controversial weapons exclusions (land mines and cluster bombs) and integration, which includes the availability of extra-financial information to all management teams, are applied to almost all Broad SRI assets. Apart from these practices, simple exclusions are low, and engagement (€6.1 billion) is essentially only practiced by a minority group of activist funds that have their roots in corporate governance activism.

Finally, most AuM invested in company shares are being actively voted upon according to respondents, who must abide by the 'comply or explain' legislation in France. However, such voting practices rarely go beyond statutory proposal and corporate governance issues.

In terms of investment vehicles, the French SRI market, thus far driven by mandates, shifted to investments funds, as illustrated in Table 1. Indeed, except Agricola Epargne's €3 billion conversion to SRI in 2008, few new mandates have been subscribed these past two years. Over the same time period, several large money-market mutual funds have been converted to SRI.

Who are the Main Investors?

TABLE 1: Investment Vehicles in French Core SRI (€ billion)

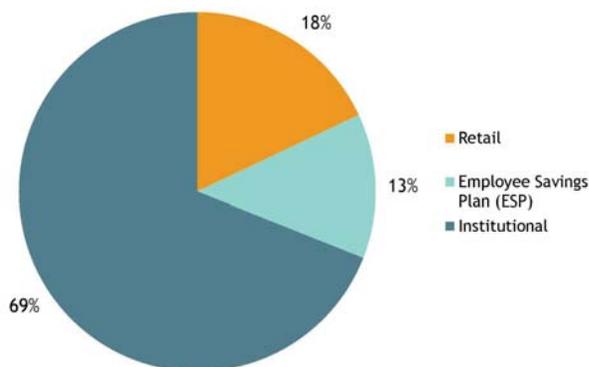
INVESTMENT FUNDS	Retail	9.0
	Institutional	14.5
	Employee Savings Plan (ESP)	5.4
	Total	28.9
TOTAL CORE SRI	Institutional	20.7
	Employee Savings Plan (ESP)	1.1
	Total	21.8
TOTAL CORE SRI		€ 50.7

Source: Novethic

Although institutional investors still account for 69% of the French SRI market, retail investors are gaining ground with an increase of 111% in their assets in 2009. Efforts have been made by banks and insurers to sell SRI products to retail investors, notably through life insurance. Combined with a wide range of SRI products offered by Employee Savings Plans, retail investors' share increased for the first time in four years, as illustrated by Figure 4. As

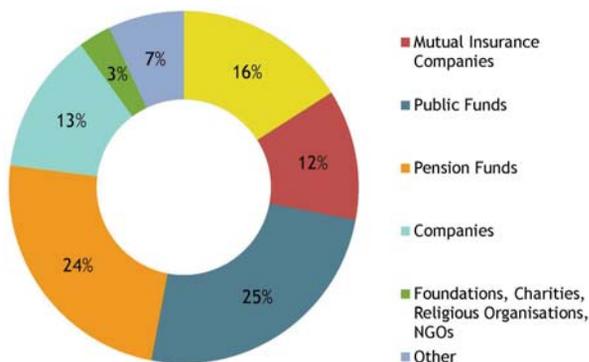
for institutional investors, they benefit from the arrival of new heavyweights on the market and the recent involvement of insurers, which own the largest proportion of SRI assets under management (28%) among institutional investors (Figure 4).

FIGURE 3: Institutional vs. Retail Investors in France



Source: Novethic

FIGURE 4: Typology of Institutional Investors in France

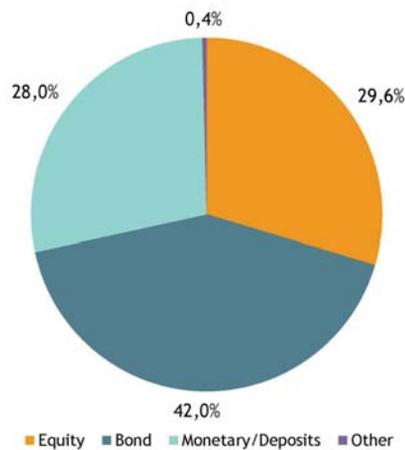


Source: Novethic French SRI Survey 2009

What do SRI Fund Managers and Service Providers Offer?

One of the main specificities of the French SRI market is its focus on fixed-income products, as illustrated in Figure 6. The negative performance of equity funds in 2007, and most importantly the conversion of major money-market funds to SRI, explains this shift in asset allocation of SRI assets held by French clients. The development of SRI bonds funds raises new issues relating to the extra-financial ratings of new types of issuers, especially governments bonds.

FIGURE 5: SRI Asset Allocation in France



Source: Novethic French SRI Survey 2009

MARKET EVOLUTION

The French SRI market is healthy and has proven to be quite resistant to the financial crisis that has persisted since mid-2007. The Core SRI market has grown by 118% since the last SRI survey (CAGR: 47%), while the Broad SRI market has jumped 2468% (CAGR: 407%). Overall, the total SRI French market (Core + Broad) has grown 1788% between 2007 and 2009 (CAGR: 335%), which is one of the fastest growths in Europe.

Concerning mutual funds, the 2007-2009 increase was mainly due to the conversion of traditional funds to SRI (+€10.1 billion) and new subscriptions (+€5.5 billion). Despite positive returns in 2009, the two years balance due to financial performance is negative with a decrease in assets of €1.1 billion.

MARKET PREDICTIONS

Along with investment professionals, Novethic and Eurosif are optimistic about the SRI growth prospects in France and predict this to be demand-driven, led by:

Retail Investors

After years of stagnation for the SRI retail market, retail banks are extending their ranges of SRI products, notably through life insurance which is particularly popular among French customers. Increasing training of customer service representatives is progressively helping sales.

Employee Savings Plans (ESPs)

Recently passed French law requires companies to offer at least one solidarity fund, which is often a SRI fund, in employee savings schemes. This contributed to the significant increase in SRI employee savings which now represents 13% of total ESP.

Institutional Investors

Insurance companies (two of the five French institutional PRI signatories) are increasingly focusing on the ESG and reputational risks and opportunities of their investments. In addition to larger SRI life insurances offerings, they gradually bring SRI strategies or at least ESG integration into all their fonds en euros, which could include up to €220 billion at CNP Assurances, for example.

The data and text above is based on research and analysis conducted by Novethic.

Methodology

Novethic's data compilation slightly differs from Eurosif's. Novethic counts assets under management (investment funds, employee savings plans and mandates) held by French residents and managed in France or abroad. French SRI AuM according to Eurosif's methodology are found in the European section of this study.



A PART OF CAISSE DES DÉPÔTS ■



GERMANY

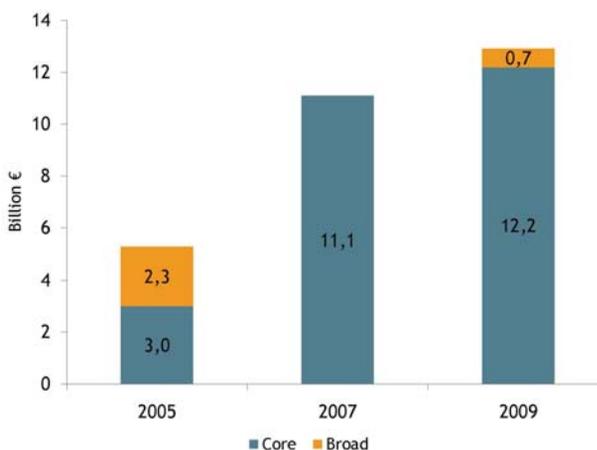
In Germany, the environmental movement is one important factor that has fostered the growth of the SRI market. Climate change has especially led to a growing awareness that ecological disasters could also lead to high financial costs. At the same time, the impact of investments themselves on the environment and climate change has become of great interest and has therefore helped to promote sustainable investments within the last years.

In terms of the evolution of the SRI market in Germany, which dates back to the ecological and pacifist movement in the 1970's, institutional investors like churches and foundations have played an important role. Today, asset managers are becoming increasingly aware of the relevance of SRI, so they offer a widespread range of sustainable investment products.

KEY FEATURES OF SRI

In Germany, the volume of total SRI assets under management represents €12.9 billion. Of this, Core SRI accounts for approximately 94% of the German SRI market, as shown in Figure 1. Broad SRI is gaining momentum again in Germany. As the amount of capital in German investment companies totals €1,706.1 billion, the share of total SRI assets add up to nearly 0.8%. This is a slight growth compared to 2007, when the share was approximately 0.7%.

FIGURE 1: SRI Market in Germany



Source: Eurosif European SRI Survey, 2010

Core SRI Market

The most popular single approach within Core SRI is values-based exclusion, followed by Best-in-Class. All positive screening strategies, which include Best-in-Class

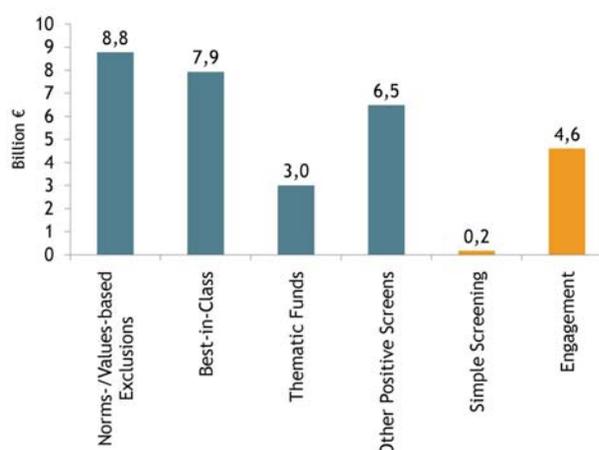
and SRI thematic funds, combined or separately, sum up to €11 billion and therefore represent the most widely used approaches.

However, compared to 2007, SRI thematic funds alone have lost their prevalence. This approach amounted to only €3 billion in 2009, which corresponds with a market share of 23%. In 2007, more than a half of all sustainable assets under management were solely, or in combination with other approaches, covered by thematic funds. An explanation for the decline of thematic funds is that one important German financial provider has strongly reduced its activity in this field due to the financial crisis.

Broad SRI Market

Proxy voting consists of €7.1 billion and is the top Broad SRI strategy applied in Germany, even if only practiced by a handful of investors. Engagement practices cover about €4.6 billion and simple screening approximately €200 million. Nevertheless, the Broad SRI market only makes up €712 million in Germany. When Broad SRI approaches are combined with Core SRI strategies, which is often the case, they are not counted, in order to avoid double counting. The same occurs with the integration approach: three participants in the study use it, but always combine it with Core strategies and engagement and/or voting.

FIGURE 2: SRI Strategies in Germany



Source: Eurosif European SRI Surveys 2010

Note: Total individual strategies may be superior to total Core SRI and total Broad due to overlaps.

Who are the Main Investors?

The German SRI market is still dominated by institutional investors, but their share has declined from 63% in 2007

to 55% in 2009. Religious institutions and charities are the most important institutional investors, followed by NGOs and foundations, as well as corporate/occupational pension funds, and public authorities and governments. Less important are insurance companies, universities, and public pension or reserve funds.

Retail investors have become increasingly significant in Germany. Their share amounts to 45% in 2009, which is an increase of 8% compared to 2007. High Net Worth Individuals (HNWIs) play a modest role within the German SRI market.

What do SRI Fund Managers and Service Providers Offer?

Mandates make up the largest part of the German SRI Assets at €6.6 billion at the end of 2009. This represents a growth of 32% since 2007. Mutual funds (€5.9 billion) have grown at a rate of 37% since the last SRI study. German SRI mutual funds represent 0.9% of the total volume of German mutual funds (€651.6 billion).

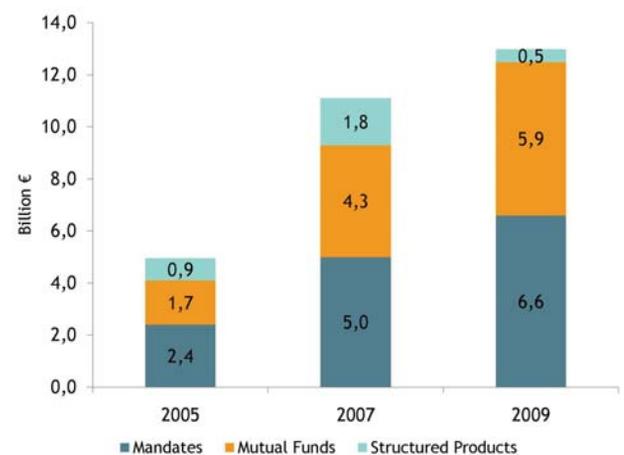
Other SRI assets, such as Exchange Trades Funds, hedge funds, closed end-funds and guaranteed funds, sum up to €408 million; funds of funds amount to €103 million.

With regard to asset allocation, German SRI is slightly dominated by bonds (52%), followed by equity (38%). Noteworthy is also the category of monetary funds, with a share of 8%.

MARKET EVOLUTION

There has been continuous growth in Germany for the past five years. The impact of the 2008 global financial crisis is no longer felt, with the SRI market growing by 16% since 2007. This growth is equally driven by mandates (+32%) and mutual funds (+37%). In contrast, structured products have decreased compared to 2005 and 2007.

FIGURE 3: Evolution of SRI Market in Germany



Source: Eurosif European SRI Surveys 2010, 2008 and 2006

MARKET PREDICTIONS

The German financial providers expect sustainable investments to grow by an average rate of 56% within the next three years. The participants of the study believe there will be a 19% increase in the size of their SRI teams. Currently, SRI teams in Germany have on average four or five employees.

Institutional investors are seen as the most important key drivers for SRI demand in the upcoming three years. In addition, demand from retail investors and international initiatives, as well as external pressure, are predicted to contribute to the growth of SRI in Germany. The development of SRI funds could also be positively influenced by the growing awareness of climate change issues among retail investors.

The data and text above is based on research and analysis conducted by FNG.

GREECE

Responsible Investment has gotten off to a very slow start in the country, with SRI assets representing a negligible portion of assets under management. This is due to current implementation of the legal and regulatory framework (which does allow for SRI screening, but is not implemented as such), as well as the level of market maturity.

Nevertheless, several pieces of evidence bode well for cautious optimism with respect to future growth prospects for SRI. CSR, frequently a precursor to SRI, has become standard best practice among the leading corporate players in Greece. As CSR continues to evolve into a system for measuring ESG performance through KPIs, the raw data required for SRI uptake will grow. Increasing awareness of environmental issues and the development of a limited number of environmentally-focused investment instruments also bode well.

KEY FEATURES OF SRI

Core and Broad SRI Market

Meaningful data concerning market size for Core and Broad SRI are not available at this time, despite outreach efforts made to the investment community in the context of this survey. In terms of core SRI strategies, there are only a few theme funds (investing in renewable energy, clean and environmental technologies, energy efficiency), which emerged recently and do not yet represent a substantial proportion of assets, while the importance of ethical exclusions and other positive screening criteria is very low. The Broad SRI market in Greece is considerably larger compared to Core SRI. Broad SRI among Greek asset managers and institutional investors consists mainly of engagement practices focusing typically on governance issues, as a result of the tight regulatory framework on corporate governance. ESG risks assessment is not yet included in mainstream financial analysis and is practiced informally only on a case-by-case basis where legal or reputation-related risks are considered important.

Who are the Main Investors?

Institutional investors have the most prominent role in the Greek SRI market, which is currently very small and, with a few exceptions, does not offer SRI products to individual investors. Public sector organisations, pension funds and the Greek Orthodox Church have not yet incorporated ESG considerations in their investment strategies.

What do SRI Fund Managers and Service Providers Offer?

Equities are currently the most prominent SRI asset class. Most of these products have simple exclusionary (arms, tobacco, e.g.) or inclusionary screens, such as clean tech. There is no evidence of responsible real estate investment instruments, bonds, venture capital or private equity.

Market Evolution

While there is a growing eco-consciousness among the Greek public and business community, and the legal framework for pension funds does allow for the inclusion of ESG risk factors in the investment process, there is a generally low level of awareness of SRI specifics, even among members of the financial community, and a lack of tools and technical knowledge on how to make the existing legal framework operational. On the retail side, customers are not well-informed about Responsible Investment instruments, and there is no evidence that brokers and other providers are actively marketing or advertising SRI products.

Market Predictions

There is strong evidence to suggest that as green economy becomes a priority for the Greek government and a way out of the economic crisis, SRI will begin to grow. There is a promising opportunity for the government and the financial institutions to make the necessary changes to attract much-needed investment to capitalize in renewable energy – especially wind and solar, which are abundant in the country. The offer of SRI products will most likely be very gradual as many financial market actors are still either not convinced that sustainability and finance are compatible, or have difficulty adapting their business. SRI will, however, continue to gain momentum as the civil society, faced with the consequences of economic crisis and the urgency of environmental and social challenges, seeks financial means to address these issues.

Given the proliferation of strategic CSR endeavours from Greek banks and the flexibility already present in pension fund regulations in Greece, where a portion of funds can be invested in equities, there is already a straightforward signal to the market that Responsible Investment is being encouraged. Should regulatory authorities or key institutional investors decide to send a strong indication to the market that sustainable development and long-term growth are worth the short-term cost and ire of those companies that are underperforming on social and environmental issues, the market would clearly sit up and take notice.

This market overview was compiled by the Institute of Social Innovation (Athens, Greece).

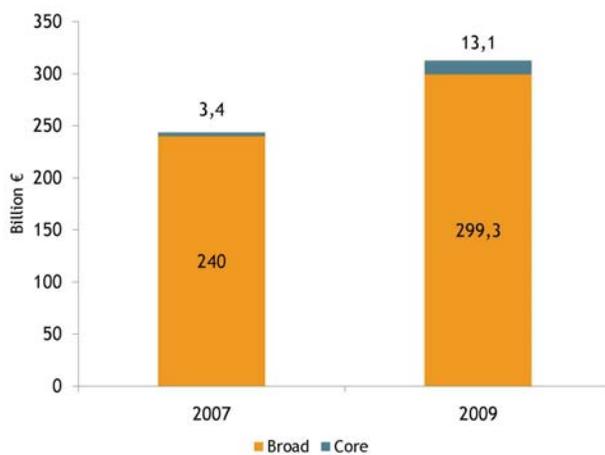


ITALY

KEY FEATURES OF SRI

The 2009 picture of the Italian SRI market is, in absolute terms, very similar to that of 2007. The total SRI AuM has reached €312.4 billion, 96% of which can be defined as Broad SRI. Institutional investors amount to 99% of the market, at €310.2 billion; they are mainly represented by insurance companies and pension funds.

FIGURE 1: SRI Market in Italy



Source: Eurosif European SRI Survey, 2010

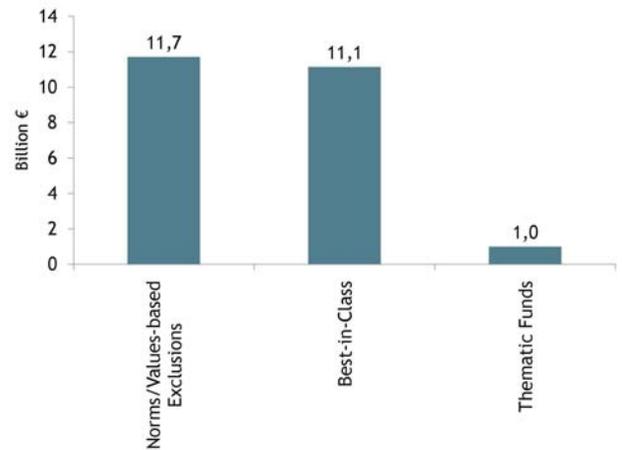
Core and Broad SRI Market

The marginal position of Core SRI is a signal of the slight progress accomplished towards fully innovative SRI practices.

Within Core SRI, negative and positive screening drive the overall increase registered in 2007; they are focused, respectively, on norms-based/values-based exclusions and Best-in-Class approach. Pension funds and mutual funds mainly adopt these practices. Negative screening is often combined with positive screening; such a combined approach aims to exclude the most controversial economic sectors while selecting the best performing companies in terms of sustainability in the other sectors.

SRI thematic funds in 2009 (€0.987 billion) decreased, as compared to 2007 (€1.512 billion); such a result might be explained by the lack of information provided by the venture capital/private equity industry that was more collaborative in the previous survey.

FIGURE 2: Core SRI Strategies in Italy

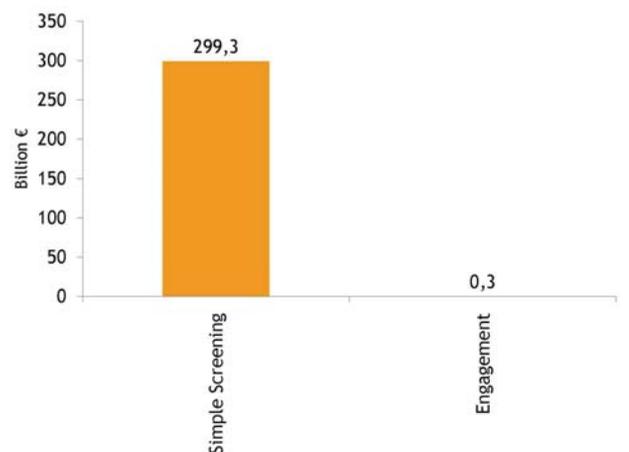


Source: Eurosif European SRI Survey, 2010

Simple screening is the leading approach within Broad SRI strategies. Assicurazioni Generali continues to play a pivotal role, having decided in 2006 to invest all the assets managed by the Group's companies (€299 billion, as of 31/12/2009) in accordance with the ethical guidelines adopted by the Norwegian Government Pension Fund.¹

Engagement remains at an initial development stage. Some relevant initiatives have been established by few small organisation pursuing an ethical mission. Institutional investors and asset managers do not systematically exercise their active ownership rights on ESG issues for a number of reasons including small size, lack of expertise and conflict of interests.

FIGURE 3: Broad SRI Strategies in Italy



Source: Eurosif European SRI Survey, 2010

¹ Negative screening is not combined with any sort of engagement with the companies.

Who are the Main Investors?

Traditionally, the Italian Core SRI market has been characterized by the predominance of retail investors through the SRI mutual funds offered by asset managers. A new landscape emerged from the 2010 survey, with the increase of institutional investors' weight – mainly pension funds – thanks to the progressive integration of ESG and/or ethical criteria in the mandates to their asset managers and the simultaneous decrease in SRI by retail investors.

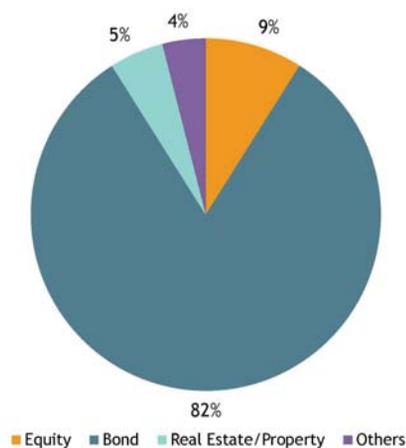
The decrease of 32% in SRI mutual funds was further exacerbated by the recovery signs registered in the Italian funds industry during 2009 (+8.7%).² Only some mission-oriented asset managers obtained a remarkable increase in their SRI AuM in the same period. How can such remarkable outflows in the Italian SRI mutual funds be explained? Reasons may be traced back by looking at the design and distribution processes of these products. The good-quality design of a product with robust ESG research and a reliable SRI approach, together with effective marketing and distribution initiatives, seems to be the right strategy to successfully place SRI mutual funds in the market. Generally, the Italian asset manager industry appears underdeveloped in this arena.

In terms of mutual investment funds, SRI AuM represents the 0.59% of total AuM in Italy, as of 31/12/2009.³

The progressive awareness of pension funds in SRI practices reflects the expectations placed over the sector. Pension funds are still taking the first steps toward the integration of the extra-financial analysis into the decision-making process. In fact, pension funds' net SRI assets represented 0.89% of the overall pension funds' net assets as of 31/12/2009.

The asset allocation of the Italian SRI market is typically exposed toward bonds and, in a lower measure, toward equities and other asset classes (Figure 4): bonds account for 81% and equities for 10%.

FIGURE 4: SRI Asset Allocation in Italy



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION

The overall SRI growth rate is 28% (CAGR 13%). While Broad SRI seems to have reached a stable growth path, Core SRI has experienced a more significant growth. Since 2007, Core SRI increased by 282% (CAGR 98%) and Broad SRI of 25% (CAGR 12%).

Such a positive trend in the Core SRI is mainly due to the increased sensitivity of pension funds toward extra-financial analysis. Even though pension funds adopting SRI practices still represent a small part of the overall institutional market, this could be considered as the first signal of a growing phenomenon. As stated in the previous study, it is worth mentioning that some of the Italian pension funds' SRI assets have not been accounted for here, when the asset management has been delegated to foreign managers.⁴ The amount of Italian pension funds' SRI assets counted in other countries' statistics is estimated to be €222 million.

Critical aspects in the effective implementation of SRI among pension funds may lie in the lack of knowledge and hence the need for better information and communication on SRI practices. Other decisive features include the strict asset management rules outlined by some Pension Funds' Statutes and the role of custodian banks in the control of extra-financial analysis. The increase in Broad SRI is mostly due to the total SRI AuM growth within the Generali Group in the 2007-2009 period.

² Data are referred to the collective AuM of the Italian asset managers groups. Source: Assogestioni (2009), *Mappa del risparmio gestito*, 4th Quarter 2009.

³ Data is calculated on the overall net assets owned by Italian Pension Funds. Source: COVIP (2010), *Relazione per l'Anno 2009*.

⁴ See the section dedicated to the survey's methodology.

MARKET PREDICTIONS

In analysing the feasible ways to stimulate the development of the Italian SRI market, the debate on the driving role of the supply-side versus the demand-side remains open.

The retail SRI market suffers from the cultural and educational gap characterizing small investors, especially on sustainability issues. Therefore, it is reasonable to focus on the role of the asset managers as drivers for a relevant and steady growth of SRI in the retail market.

In the institutional SRI market, the investment decisions made by asset owners as pension funds, insurance companies and foundations will be crucial.

Retail Market

The unsatisfying results obtained by the Italian funds industry in the past few years are a consequence of the still incomplete process of market consolidation. At this point in time, most asset managers are still too small and too dependent from the distribution networks to be in a position to develop innovative product policies and spend significant resources on the quality of investment processes. The effective implementation of restructuring processes will be meaningful as it will stimulate quality and innovation in the SRI products' design and distribution.

Specific initiatives directed at distribution networks might help in the effective development of SRI products in the retail market, such as a review of the remuneration mechanisms to stimulate stable investment strategies, and a comprehensive training on SRI to achieve a better knowledge in the area of sustainable finance. On the demand-side, the organisation of periodical and continuous information activities might bridge the cultural gap of small investors on SRI.

Institutional Market

Large institutional investors are increasingly focusing on the integration of ESG issues in the asset management process. Pension funds are taking the first steps by introducing specific exclusion and positive criteria, or adopting sustainability indexes in the portfolio screening. The future implementation of SRI initiatives among pension funds will strictly depend on the growing sensitivity to this topic and the overcoming of major

obstacles, such as: lack of information and communication on SRI practices, the strict asset management rules outlined by some Pension Fund's Statutes and the role of custodian banks in the control of the extra-financial analysis.

Encouraging signals are coming from the insurance companies too. Up to date, Assicurazioni Generali and Cattolica Assicurazioni introduced SRI policies in their asset management and investment products.

It has been forecasted that foundations would have a growing role, but very little has happened on this front. Foundations tend to prefer initial testing through an ex-post SRI screening followed by the effective introduction of ESG screening in the portfolio analysis. This is the case for Fondazione Cariplo, and could also be the case for other foundations.

The data and text above is based on research and analysis conducted by FFS.

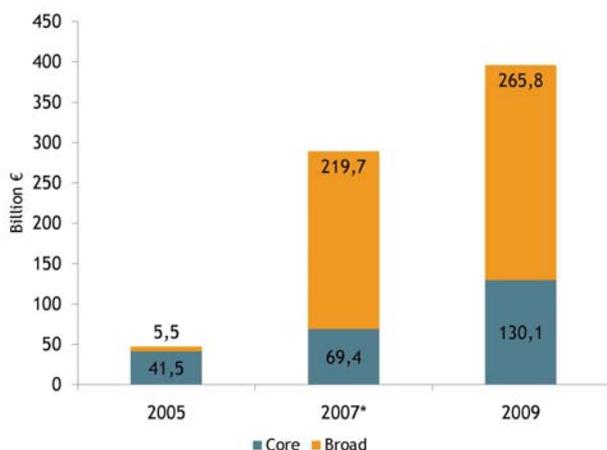


THE NETHERLANDS

KEY FEATURES OF SRI

At the end of 2009, the Responsible Investment market in the Netherlands encompassed €396 billion. This is an increase of 37% in comparison to 2007, as can be seen in Figure 1 below.

FIGURE 1: SRI Market in the Netherlands

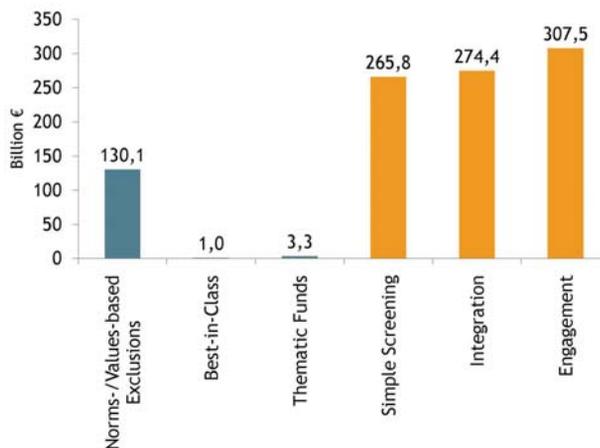


Source : Eurosif European SRI Survey, 2010-09-27
*The 2007 figure was readjusted in 2009.

It is clear that the explosive growth seen from 2005 to 2007 has not continued. This was to be expected, as the global economic crisis has left its mark everywhere, including on the Responsible Investment market segment. Total institutional AuM at the end of 2009 was approximately €1.21 trillion.¹ This means that the share of SRI is 33% of the total AuM.

A possibly more significant change, however, can be seen in the growth of the Core SRI segment in the Netherlands. Where two years ago the vast majority of the Dutch SRI market was categorized as Broad SRI, the 2009 figures show that the Core SRI remit has expanded, following a more rigorous exclusion policy.

FIGURE 2: SRI Strategies in the Netherlands



Source: Eurosif European SRI Survey, 2010

The respondents to the Eurosif survey in the Netherlands were almost unchanged from those that responded to the 2007 edition of the survey, even though an ever-increasing number of asset managers offer a variety of Responsible Investment options to institutional investors, such as pension funds and insurance companies. This means that the total SRI AuM are actually higher than reported here.

This trend is a reflection of the steady growth in awareness among Dutch institutional investors for Responsible Investment. The VBDO has published its annual benchmark report on the Responsible Investment policies of pension funds since 2007. This benchmark has tracked significant progress; 72% of the 51 pension funds had finalized a Responsible Investment policy. In 2007, 21 of 24 investigated pension funds were in the process of developing a policy. There was also significant growth in the instruments used to implement this policy: more pension funds made use of exclusion criteria, ESG-criteria in selecting investments, as well as exercising their voting rights and engaging with companies.

Dutch insurers lag significantly behind pension funds when it comes to Responsible Investment. The first benchmark study among insurance companies showed that two-thirds of the 30 largest insurers in the Netherlands did not have a responsible investment policy. Nevertheless, insurance companies are increasingly becoming aware of Responsible Investment.

Responsible Investment continues to receive attention in the media. In addition to reports coming from the VBDO, initiatives such as the Fair Bank Guide create a lot of media exposure for

¹Source: DNB, Statistical Bulletin 2010.

the Responsible Investment policies of Dutch banks, and have had a stimulating effect on these policies.

Main Practices

When looking at the main practices employed, there is significant overlap between the Core and Broad categories. This is, to a great extent, because many institutional investors employ both norm- or values-based exclusions as well as engagement strategies.

As previously mentioned, the vast majority of Dutch institutional investors use Core SRI strategies. More than €130 billion are values-based exclusions while a further €125 billion falls under norm-based exclusions.

Who are the Main Investors?

Pension funds and insurance companies are still the dominant institutional investors in the Netherlands. At the end of 2009, Dutch pension funds represented approximately €743 billion in assets, with insurance companies contributing just under €369 billion.² The two largest pension funds in the Netherlands, ABP en PFZW, and their asset managers, APG and PGGM, represent almost half of the pension fund assets and still remain at the forefront of Responsible Investment in the Netherlands.

MARKET EVOLUTION

Even though the global economic recession was felt in the Netherlands, this has not brought the trend of Responsible Investment to a halt. The studies mentioned earlier indicate that the attention paid to SRI will continue to grow.

The evolution of the Responsible Investment market in the Netherlands continues to be influenced by the focus on cluster munitions and other controversial weapons. Most exclusion policies begin with excluding these controversial weapons. The Dutch Parliament recently passed a resolution to ban cluster munitions for all Dutch investors, which was overturned by the interim Minister of Finance.

In terms of transparency, many pension funds have taken to providing information on their Responsible Investment activities in their annual reports, websites or even in special Responsible Investment reports. This development, with a few notable exceptions, has not been as visible among insurance companies or foundations.

In the last few years, institutional investors have become more aware that Responsible Investment is important for all asset classes, not just public equities. This can be seen, for example, in that APG and PGGM, along with USS, initiated a worldwide research project on the sustainability of real estate funds. This study will be repeated on an annual basis.³

MARKET PREDICTIONS

Whether this trend towards Responsible Investment for all asset classes will manifest itself in the future remains to be seen. It can be said, however, that attention to ESG issues will continue to gain importance. This is not just because of the continued media attention on Responsible Investment, but also because of a growing awareness regarding the scarcity of (natural) resources and issues such as global warming.

The data and text above is based on research and analysis conducted by VBDO.

² Source: DNB, Statistical Bulletin 2010.

³ The press release and report can be found on the website of the European Centre for Corporate Engagement (ECCE), www.corporate-engagement.com.



The SRI market in Norway is increasing and has done so since the introduction of Responsible Investment during the late 1980s. The Norwegian SRI market is now the largest in the Nordic region, mainly due to the Norwegian Government Pension Fund Global. Core SRI is dominating the SRI market and ethical exclusion is the most widely used SRI approach.

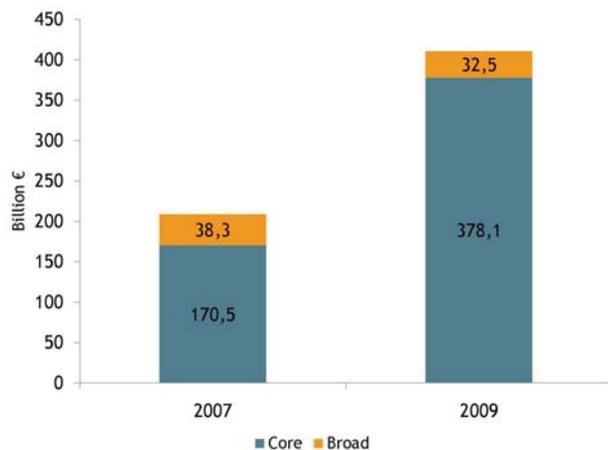
The Norwegian Government Pension Fund Global serves as a role model for asset managers and investors both in Norway and abroad. Due to its dominance on the Norwegian market, the Fund defines the Norwegian Responsible Investment market in terms of its guidelines and investment approaches. The Fund's guidelines are based on a combination of engagement and ethical exclusion involving both values- and norms-based screening. The Norwegian Government Pension Fund Global is now also taking a more active corporate government stance globally.

Nevertheless, it is important to keep in mind that other Norwegian investors and asset managers, individually and collectively, have made important contributions to increase the size, breadth and depth of the Norwegian responsible investment market, in spite of the pre-eminence of the Norwegian Government Pension Fund Global.

KEY FEATURES OF SRI

The Norwegian SRI market in total amounts €410.6 billion. The majority of the investments, 92%, are Core SRI, as illustrated in Figure 1. The remaining 8% are Broad SRI.

FIGURE 1: SRI Market in Norway



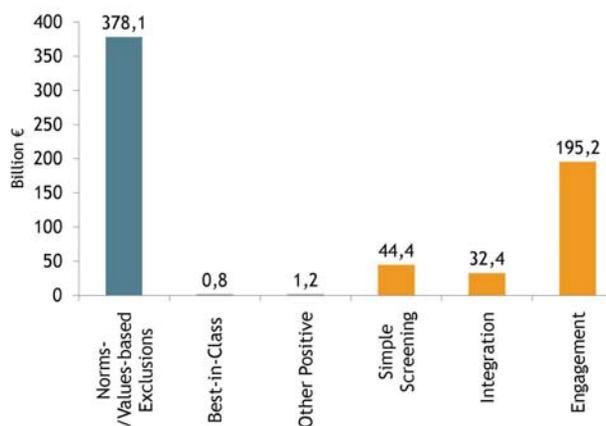
Source: Eurosif European SRI Survey, 2010

Core and Broad SRI Market

The Core SRI market in Norway is dominated by and consists almost exclusively of ethical exclusions, as seen in Figure 2. The Best-in-Class approach and other positive SRI strategies/SRI thematic funds account for a small part of the SRI market in Norway.

The Broad SRI market is dominated by the engagement approach, applied to almost 50% of the total SRI capital. Simple screening and integration are applied to a smaller portion of capital. The use of the integration approach has increased compared to 2008.

FIGURE 2: SRI Strategies in Norway



Source: Eurosif European SRI Survey, 2010

Note: Total of individual strategies may be superior to total Core and Broad SRI due to overlaps.

Who are the Main Investors?

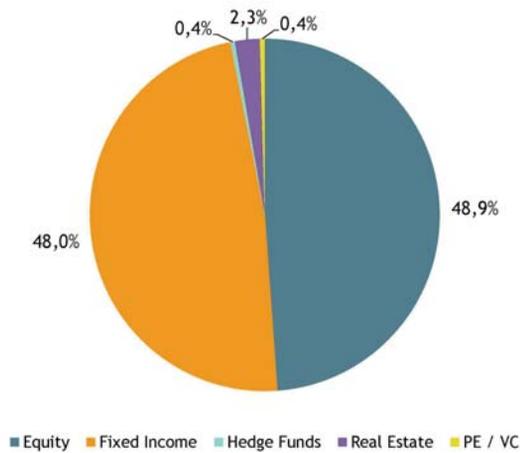
The SRI market is largely driven by institutional investors, but available data cannot be broken down by market segment.¹

What do SRI Fund Managers and Service Providers Offer?

As illustrated in Figure 3, the majority of the capital has been invested in either equity or fixed income. Over the last few years an increasing portion of fixed income capital has been allocated to SRI (in the previous SRI survey, 75% of the SRI assets were invested in equities and 23% in fixed income). Alternative investments (hedge funds, real estate investments and private equity/venture capital) account for approximately 3% of the SRI market and have undergone a small increase. Due to the Norwegian Government Pension Fund Global, only a small portion of the assets are Norwegian.

¹ As most Nordic asset managers have a cross Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

FIGURE 3: SRI Asset Allocation in Norway



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION

The oil crisis in the Gulf of Mexico has set Responsible Investment on the agenda and increased the debate of the responsibility of investors, particularly in Norway due to the petroleum related industry.

According to the recent Sustainable Value Creation Survey of Norwegian companies, sustainable investment initiatives are common within companies' business plans. However, there is still much to do on the reporting of internal targets.

Norges Bank Investment Management, manager of the Norwegian Government Pension Fund Global, is taking a more active international corporate government stance globally. They aim to work with regulators and other shareholders, on a case-by-case basis, to promote ethical guidelines for the operations of companies in which they invest. The objective of being such an active shareholder is to enhance long-term financial performance through dialogue with companies in which the pension fund invests.

MARKET PREDICTIONS

It is likely that the SRI market in Norway will continue to increase. The oil crisis in the Gulf of Mexico and its related media debate are also likely to affect the expansion of Responsible Investment in Norway, both among professional investors and in the retail market.

Today, relatively few Norwegian organisations have signed the PRI. In fact, all other Nordic countries have more signatories than Norway. It can be expected that the number of Norwegian signatories will increase in the coming years.

Given the size of the assets under management of the Norwegian Government Pension Fund Global, the Fund will continue to be a major power in the world of SRI. However, the size of the assets makes it more difficult to apply SRI together with other targets, such as return and risk. How these issues are dealt with will influence the SRI strategies that are applied both domestically as well as internationally.

The data and text above is based on research and analysis conducted by Erik Eliasson and Helena Lund at TNS Sifo Prospera.

POLAND

BACKGROUND

The Polish market, although very dynamic in growth, is still very young of age (20 years).

Thanks to the evolution from a '100% banking-based system' to a mixed 'banking- and market-based system,' Poland's capital market is characterized by the growing strength of institutional investors (pension funds, investment funds), elaborate institutional infrastructure, as well as high disclosure requirements. At the present time, there are 384 listed companies (domestic and foreign) on the Warsaw Stock Exchange (WSE). At the end of November 2009, the total capitalization of domestic companies listed on WSE accounted for €102.6 billion. In contrast to other EEC countries, Poland's economy is experiencing a solid growth, benefiting from significant share of domestic demand on GDP that sends positive signs to investors as strong economies help create efficient capital markets.

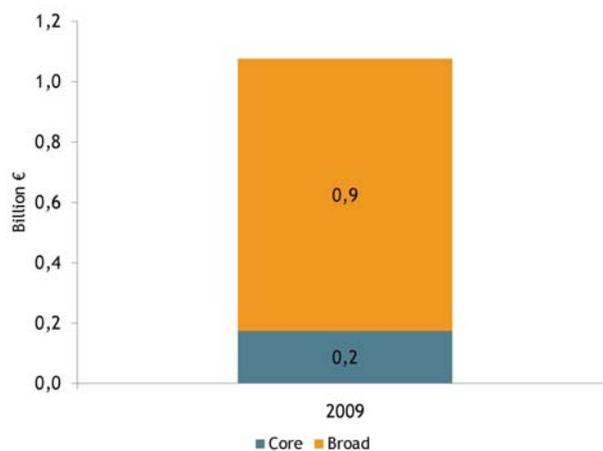
A survey conducted in November 2008 on 17 Polish Investment Fund Companies (TFI) with assets under management worth €10 billion showed that Polish investors know about SRI and implement basic elements of extra-financial analysis of companies. This is mostly done in-house, without any specific structure or policy.

Corporate governance is the first and foremost factor of the ESG umbrella for Polish investors. Therefore, companies' reports and rankings on corporate governance are of the greatest interest, as opposed to sustainability reports. Most Polish CSR and sustainability reports of listed companies are still considered as a media exercise (lot of social campaigns, tree-planting, philanthropy, and employee volunteering) rather than a desire to address the most challenging sustainability issues for the business itself as well as the sector as a whole.

KEY FEATURES

The Polish SRI market amounts to €1 billion, which represents approximately 0.3% of total financial assets under management. Core SRI amounts to €0.175 billion and Broad SRI to €0.901 billion, as illustrated in Figure 1.

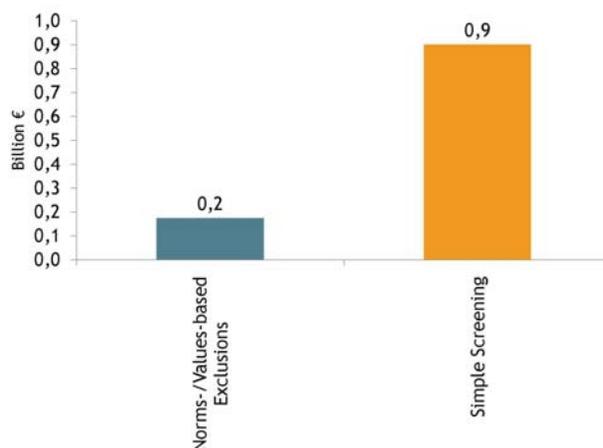
FIGURE 1: SRI Market in Poland



Source: Eurosif European SRI Survey, 2010

SRI Strategies in Poland

FIGURE 2: SRI Strategies in Poland



Source: Eurosif European SRI Survey, 2010

Simple screening is the most popular approach in Poland. It mainly concerns mutual funds (open funds), whereas core SRI is mostly done via mandates.

Institutional investors account for 99% of the total SRI AuM. Pension funds and investment companies seem to play the most important role as institutional investors. The Polish SRI market consists mostly of bonds (71%) and equity (28%).

MARKET EVOLUTION

The assets of financial institutions in Poland represent approximately 0.35% of the world's financial assets. The biggest part of these assets comes from commercial and cooperative banks (approximately 73%). Pension funds (10.6%), insurance companies (9.7%), investment funds (5.3%) and brokerage companies (0.7%) making up for the rest. Remarkably, pension funds in Poland are all self-managed; investment companies on the other hand either manage the funds themselves or let external asset management companies do it.

In Poland, the concept of responsible investing took off with the development of corporate governance standards (the first best practices were introduced in 2002). Since joining the European Union, Poland has felt the pressure to converge on financial regulations and corporate governance so that it can compete with other European countries for investors and capital. The newest 'Best Practices of WSE Listed Companies' were effective in January 2008 and refer to areas where they may have positive impacts on market valuation of companies, thus reducing cost of capital. The main topics addressed in these 'Best Practices' are transparency of companies, communication between investors and companies, as well as the protection of shareholders' rights.

Over the past year, there have been positive signs for SRI in Poland. Two thematic funds (ethical and ecological) have been introduced, along with one ethical pension fund. Since 2009, the Polish government has taken some interesting initiatives with the development of a working group on Responsible Investment under the auspice of the Ministry for the Economy. The Code of Commercial Companies was amended in August 2009 to provide better and more efficient shareholder engagement. Moreover, 2009 saw the launch of the first Polish educational portal on Responsible Investment¹ and the creation of a CSR Index (RESPECT) by the Warsaw Stock Exchange, listing 16 companies with the highest 'A' rating.

MARKET PREDICTIONS

Responsible Investment faces a number of important challenges in Poland. The lack of research and professional literature on Environmental, Social and Governance issues makes it difficult for potential investors to gauge opportunities. Only a few companies offer consulting or advisory services on ESG criteria at the moment. This

market is expected to grow significantly in the next few years, as Polish companies increasingly adopt reporting practices that will allow for greater visibility and transparency. At present, the lack of transparent and comparable ESG data on companies' performance leaves most investors with few options for SRI.

Over time there may be greater commitment to stakeholder interests as a result of the country's developmental needs, possible sustainability regulations or society/customer expectations (for example demand for sustainable financial products). This new, hybrid model of corporate governance could be further developed by reflecting the needs of this aspiring, New Europe market.²

Despite these challenges, a majority of Polish investors are planning to implement ESG criteria into investment analysis in the future. Although investors regard sustainability investment as a costly strategy, they do not consider it as having a negative impact on investment returns.

The data and text above is based on research and analysis conducted by Izabela Kwiatkowska.

¹ www.odpowiedzialne-inwestowanie.pl.

² Tom Mortimer, *Corporate Governance in Poland, Corporate Ownership & Control / Volume 7, Issue 2, Winter 2009, p. 388.*



SPAIN

KEY FEATURES OF SRI

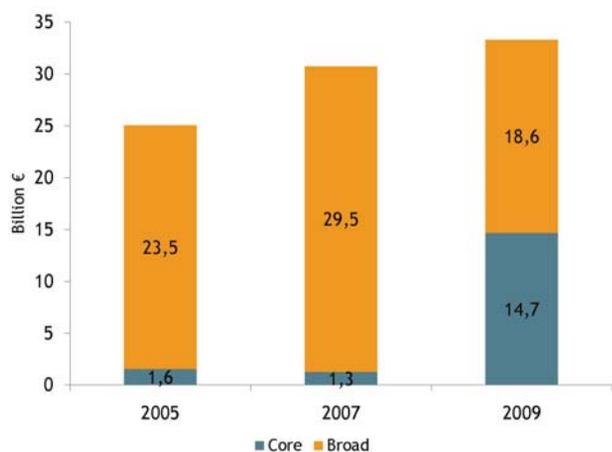
The Spanish SRI market has grown slightly from €30.8 billion to €33.3 billion. The total SRI assets in the market have decreased as a consequence of the financial crisis, mainly due to the large reduction in the mutual funds sector. The mutual funds industry has decreased from €238.7 billion in 2007 to €162.6 billion in 2009. The SRI assets are over the 18% of the total AuM, which means that the penetration of the SRI assets has doubled in percentage over the past two years.

Therefore, on a homogeneous basis, the assets under a SRI management have increased by more than 50% over an adjusted basis from 2007. By category, €14.7 billion are Core SRI and €18.6 billion are Broad SRI. The large increase in Core SRI, from only €1.3 billion in 2007, is mainly due to more stringent exclusion conditions and the enrichment of SRI policies in large institutions; It is not a general trend.

Main SRI Practices

Simple screening continues to be the most commonly used practice. However, complex strategies such as integration, Best-in-Class and, in some cases, engagement, have begun to be introduced.

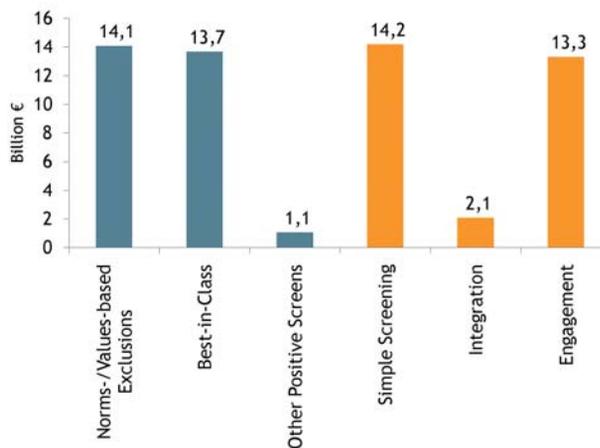
FIGURE 1: SRI Market in Spain



Source: Eurosif European SRI Survey, 2010

Values-based exclusions that are compatible with a non-explicit SRI policy and encompass social and some environment values (arms, child labour, nuclear plants) tend to overshadow more 'moral' or 'personal' values like pornography and alcohol, which are very rare.

FIGURE 2: Core and Broad SRI Market in Spain



Source: Eurosif European SRI Survey, 2010

Voting and responsible ownership have begun to be introduced but still with a low ESG component. Most of the issues targeted concern governance and executive compensation. Trade unions are beginning to enhance guidelines for pension institutions for the AGMs of larger Spanish companies.

Best-in-class and integration strategies are gaining ground, usually with the support of ESG research agencies. In Spain, in fact, the practical difference between these two strategies is not very clear.

Engaging directly with companies is still not an integral part of Spanish sustainable investment practice. The engagement mentioned in the survey tends to be more of an evaluation of the SRI policies of the managers of mutual funds in which the investors invest. Thus, it becomes, 'engagement with the manager.'

As membership to the PRI becomes more popular, it is expected that the Spanish institutions will get more involved in PRI engagement activities.

Who are the Main Investors?

Retail-specific SRI mutual funds are marginal. Only €842 million assets under management are SRI, and these are not necessarily retail. There is no a significant demand at the individual level. Therefore, SRI activity is concentrated in:

- The institutional investors, mainly occupational pension funds.
- The retail sector, particularly when management companies or financial institutions introduce SRI policies in their mainstream activities.

MARKET PREDICTIONS

Spanish mutual funds' managers expect a large increase in the ratio of dedicated SRI funds in the retail sector, but the current number is very low.

On the other hand, there will likely be a significant and quite rapid growth of SRI among occupational pension schemes, both in breadth (more SRI AuM) and in depth (upgrading to core strategies).

This is mainly due to the pressures from trade unions that actively promote responsible policies in the pension funds where they usually have a majority stake. In addition, Spainsif is currently advocating before the Insurance Directorate that the statements of investment principles should include a 'comply or explain' clause. Many schemes have decided to set up SRI policies, but formulating a specific policy takes time for discussions with sponsors and management teams.

The total Spanish occupational pensions' industry accounts to no more than €45 billion, pension funds and mutualities included.

In the mid-term, and from a management perspective, the importance and size of fund managers penetrating the SRI market signals a take-off of the Spanish SRI market, due to asset managers more so than individuals. Many asset managers are beginning to consider that SRI adds value to their products and avoids reputational risks.

Additional Comments

In Spain, the majority of assets are invested in the European area (91%) and in fixed income/monetary investments (more than 70%), in line with the typically conservative mainstream Spanish investment policies.

Investments in microfinance are, at this time, negligible.

SRI teams in Spain are still very small, due to the small size of the Spanish financial and pension institutions, as well as cost controls. Nevertheless, 21% of surveyed institutions have set up ethics committees, and hiring ESG research providers is becoming more common.

The data and text above is based on research and analysis conducted by Novaster.



SWEDEN

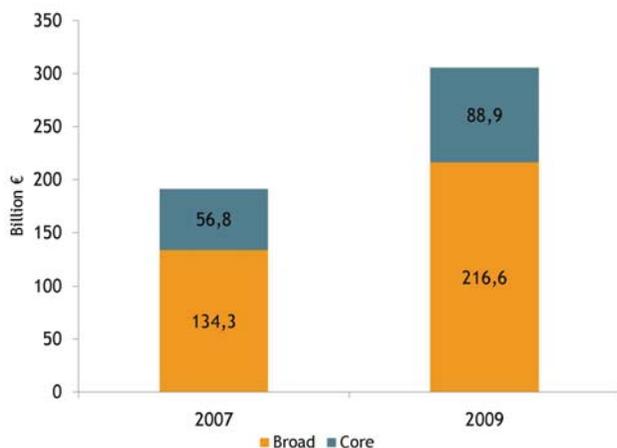
Sweden has, for many years, been a frontrunner in terms of SRI. The total amount of SRI assets in Sweden has grown continuously during the last years and at present amounts to more than €300 billion. The SRI market in Sweden is dominated by ethical exclusion and engagement. Historically, the Swedish state pension buffer funds, the AP Funds, have held a leading position as a role model in the Swedish SRI market. Today other organisations, such as the Church of Sweden, Folksam and MISTRA are also seen as role models by many organisations.

Currently, most of the institutions with managed assets of at least €100 million apply SRI at least to some extent. The employment of dedicated SRI consultants is also becoming common in this category.

KEY FEATURES OF SRI

The total SRI market in Sweden amounts to €305.5 billion, an increase since 2008. As illustrated in Figure 1, 70.9% (€216.6 billion) are Core SRI and 29.1% (€88.9 billion) are Broad SRI.

FIGURE 1: SRI Market in Sweden



Source: Eurosif European SRI Survey, 2010

Core and Broad SRI Market

In the previous SRI survey, Broad SRI represented approximately 70% of the total SRI market volume. As seen in Figure 1, the distribution between Core and Broad SRI has changed in 2009. This change is partly due to a change in definition, as norms-based screening, commonly used in Sweden, is now considered Core SRI instead of Broad SRI.

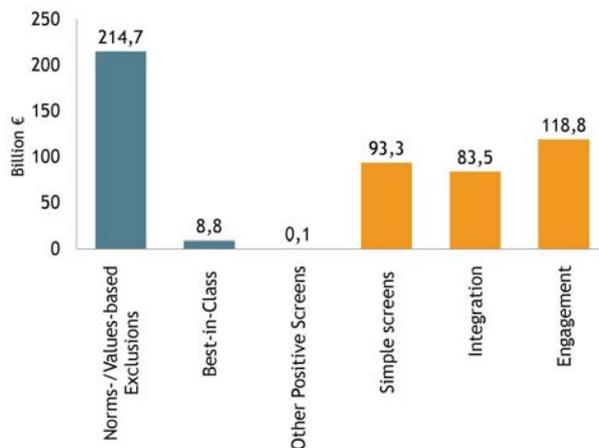
Ethical exclusion, especially norms-based screening, is the most commonly used SRI strategy in Sweden, as illustrated in Figure 2. A norms-based approach is used by 67.5% of all SRI investors. In 2009, norms-based screening strategies cover €214.4 billion. Values-based screening is commonly used by 45% of the organisations on the Swedish SRI market and amounts to €122.8 billion. The screening includes mainly environmental aspects, weapons and tobacco.

The second most commonly employed SRI strategy in Sweden is the more non-traditional strategy of engagement. The use of engagement has increased recently and currently represents 38.9% of the total SRI capital and is used by more than 40% of SRI professionals. The AP-funds have, since 2007, joined forces to work toward positive change in companies outside Sweden that are associated with violations of international conventions on the environment and human rights. Its council has ongoing dialogues with several companies, which are closed once companies have improved their policies, or after recommendations for the exclusion of such companies. PetroChina Company Ltd and Yahoo! Inc. are two recent examples where these dialogues have been successful.

The use of the non-traditional strategy of integration has increased and is becoming more common, while the use of simple screening has decreased. In the previous survey, simple screening was the most frequently used strategy, but has since decreased due to the definition modification.

The use of Best-in-Class approach has decreased and thematic funds and other positive strategies are almost non-existent.

FIGURE 2: SRI Strategies in Sweden



Source: Eurosif European SRI Survey, 2010

Note: Total of individual strategies may be superior to total Core and Broad SRI due to overlaps.

Who are the Main Investors?

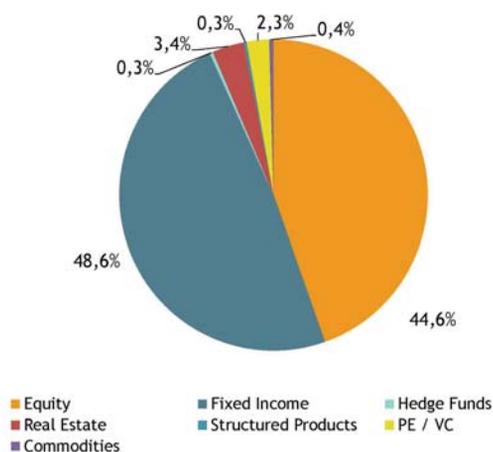
The SRI market is largely driven by institutional investors, but available data cannot be broken down by market segment.¹

What do SRI Fund Managers and Service Providers Offer?

Fixed income investments represent 48.6% of the SRI assets, and are, together with equities, dominating the Swedish SRI market, as illustrated in Figure 3. The market share for fixed income products has grown at the same time as the equity market share has decreased. Alternative investments such as hedge funds, real estate, structured products, commodities, private equity and venture capital have increased their market shares from 5% in 2008 to 6.7% at present – a shift in the SRI market also seen in several other Nordic countries.

The large allocation to fixed income SRI is due to a few organisations with significant fixed income portfolios. 53% invest in fixed income whereas 78% of all investors invest in equities. A relatively large number of organisations (55%) state that they invest in alternative investments, which might indicate an increased interest in alternative SRI.

FIGURE 3: SRI Asset Allocation in Sweden



Source: Eurosif European SRI Survey, 2010

MARKET EVOLUTION

The Nordic countries are regarded as leaders in public policy in support of SRI. Nevertheless, voices are now being raised for stricter regulations and the introduction of minimum ethical standards for investments. The AP Funds have recently been criticized for investing in companies that do not consider environmental issues.

The Church of Sweden, a role model for several actors on the Swedish SRI market, has revised its investment policy and decided to restrict its investments in fossil fuels as well as include investments in alternative assets. However, other actors on the SRI market do not believe that this model will spread amongst other SRI practitioners as one might expect due to the Church of Sweden's role on the SRI market.

MARKET PREDICTIONS

According to the recent Sustainable Value Creation survey of Swedish companies, sustainable investment initiatives are common within company business plans.² Companies regard that they have sufficient resources and these have not been used to a satisfactory extent regarding the implementation of good practices. There is still much work to be done on internal targets reporting.

Given the increase in alternative investments, asset managers are likely to experience increased pressure from investors to better accommodate for SRI in hedge funds, private equity and real estate.

The data and text above is based on research and analysis conducted by Erik Eliasson and Helena Lund at TNS Sifo Prospera.

¹ As most Nordic asset managers have a cross Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

² In September 2009, the largest institutional investors in Norway and Sweden launched, in their respective home market, the Sustainable Value Creation Initiative. Its aim is to influence listed companies to develop sustainably while at the same time creating long-term value for their owners.



SWITZERLAND

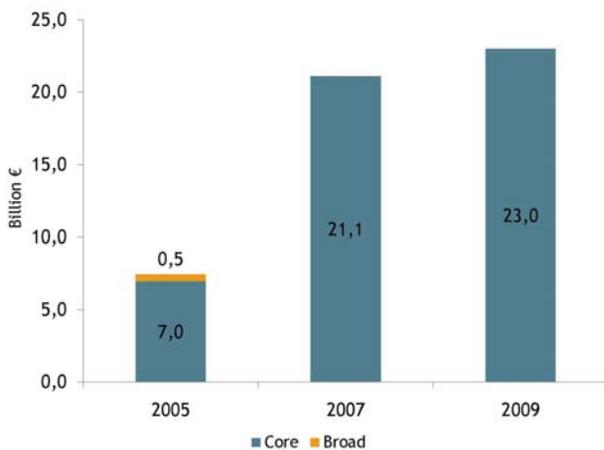
Switzerland is still one of Europe's leading countries for SRI. The Swiss banks were among the first to offer SRI products and to develop expertise, including the first sustainability index.

The Swiss SRI market has been particularly dynamic since 2005. After the decrease experienced in 2008 due to the financial crisis, the Swiss SRI market has returned to the strong growth pattern observed in previous years.

KEY FEATURES OF SRI

The Swiss SRI market has reached a new historical maximum in 2009. The total SRI AuM amounts to €23 billion.¹ The Swiss SRI market has boosted its position, although there has only been a moderate increase between 2007 and 2009 (+8%).² As in 2007, Core SRI still represents 100% of the total SRI market today (see Figure 1).

FIGURE 1: SRI Market in Switzerland



Sources: onValues, Eurosif European SRI Surveys 2010, 2008 and 2006

Core SRI Market

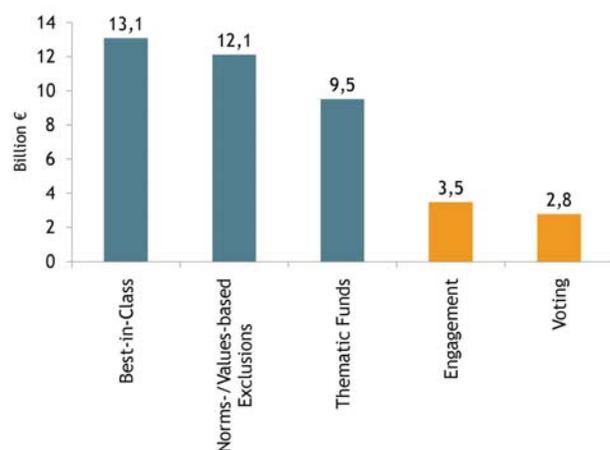
As illustrated in Figure 2, within Core SRI, Best-in-Class has the biggest share with €13.1 billion. The second most commonly used investment strategy is negative screening, amounting to €12.1 billion. Sustainable themes are reflected in the budget with an amount of €9.5 billion, which equals an increase of 10% compared to 2007.

Broad SRI Market

In terms of Broad SRI, engagement is the most prevalent SRI strategy. Its share has grown by 66% since 2007.

Contrary to this development, proxy voting has decreased within the same period (-56%) and amounts to €2.8 billion in 2009. Engagement and voting are always used in conjunction with Core strategies and are therefore added to the Core segment in order to avoid double-counting. It is for this reason that the total Broad SRI amounts to zero. Integration beyond Core SRI assets is being tested, but has not yet been implemented by Swiss financial providers.

FIGURE 2: SRI Strategies in Switzerland



Source: onValues 2010, Eurosif European SRI Surveys 2010, 2008 and 2006

Who are the Main Investors?

Retail investors have again extended their majority position in 2009. They now account for 55.4% of the SRI assets under management, while their share amounted to 53% in 2007. Institutional investors account for 44.6% in 2009.

What do SRI Fund Managers and Service Providers Offer?

In Switzerland, sustainable funds are still the most important investment vehicles with almost €12.7 billion (55%). €9.2 billion fall upon mandates (40%), and €1.1 billion upon structured products.

With a share of 61.5%, equity is the predominant asset class within the Swiss SRI market. Fixed income adds up to 22.3%. There is a small but growing share of real estate investments.

¹ Converted with a currency rate as of 31 December 2010 (CHF/EUR=1.4844).

² All growth rates in this article are calculated in CHF.

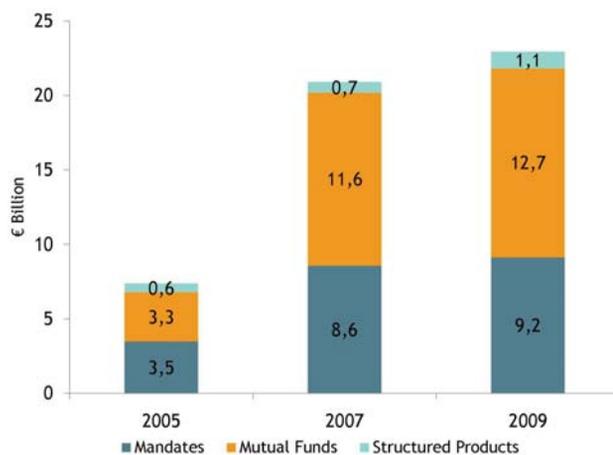
MARKET EVOLUTION

The SRI market in Switzerland has continuously grown during the last years with the exception of 2008, when the SRI AuM went down (-38.7%) due to the financial crisis.³ The volume of SRI assets under management grew again considerably from 2008 to 2009 by 63.4%. If one simply observes sustainable funds, the assets rose by 54.4%. In comparison, the volume of the Swiss fund provider market (equity funds and asset allocation funds) increased by 12.2% in the same period.

The volume of Swiss SRI AuM amounts to €23 billion altogether by the end of December 2009. It was only €7.4 billion in 2005 and made a significant jump in 2007 with a volume of approximately €21 billion. However, when the currency exchange rate effect is factored in, the difference of nearly €2 billion between SRI AuM from 2007 and 2009 is more modest in CHF.

According to Swiss fund data, assets managed by Swiss fund providers (excluding discretionary mandates) was estimated at 491.3 billion CHF at the end of 2009 (€330,9 billion), suggesting a market share for the Swiss SRI management market of 3.8%.

FIGURE 3: Evolution of SRI Market



Sources: onValues, Eurosif European SRI Surveys 2010, 2008 and 2006

MARKET PREDICTIONS

The large majority of Swiss financial providers participating in the study expect strong growth of SRI AuM within the next three years. Accordingly, they calculate the SRI market to double the growth rates experienced by the average Swiss investment market. The asset classes that are expected to benefit most from this growth are particularly equity (and within that mostly the themed approaches) and real estate. Despite the gradual shift in favour of retail and private investors observed in the market in the past years, the majority of the survey participants believe that it will be mostly institutional investors that will drive growth in the coming three years.

The above section is based on data provided by onValues and analysis conducted by FNG and Eurosif.

³ onValues, Sustainable investments in Switzerland 2008, page 4. Download: http://www.onvalues.ch/images/pagecontent/news/09-03_Sustainable_investments_in_Switzerland_2008.pdf (07.07.10)

UKSIF

UNITED KINGDOM

KEY FEATURES OF SUSTAINABLE AND RESPONSIBLE INVESTMENT IN THE UK

The UK is widely acknowledged as a global leader in sustainable and responsible finance. Its dynamic cluster of sustainable and responsible investment expertise is spread across a range of institutions, including asset managers, investment consultants, investment banks and independent research houses. It was a pioneer in carbon trading and is now a key centre for the carbon markets.

In September 2010, 13% of the asset managers (57 of over 400 worldwide) and 16% of the professional service providers (26 of more than 150) among the signatories to the UN-backed Principles for Responsible Investment (PRI) were from the UK, as were 10% (22 from about 200) of the asset owner signatories.

In addition to UKSIF, the sustainable investment and finance association, globally significant responsible investment initiatives headquartered in the UK include the UN-backed Principles for Responsible Investment (PRI), the Carbon Disclosure Project (CDP), the Institutional Investors Group on Climate Change (IIGCC) and the Forest Footprint Disclosure Project (FFDP).

Key developments in 2010 include:

- The 10th anniversary of the introduction in the UK of the world's first regulation requiring disclosure by occupational pension funds of their policies on responsible investment. This UK leadership triggered similar initiatives from Scandinavia to Australia and was the first step towards today's wide acceptance of the value of long-term responsible ownership and investment approaches.
- The launch by the UK Financial Reporting Council of the world's first "Stewardship Code" on responsible asset ownership. Asset managers regulated by the UK's financial services regulator will be required to disclose whether or not they implement this principles-based 'comply or explain' code.
- National Ethical Investment Week, which raises awareness among private clients and values-based organisations, takes place for the third successive year. Now being replicated in both Europe and the United States, it was the world's first ever promotional week for sustainable and responsible investment when it was launched in 2008.

Building on the shocks of the financial crisis, UK public opinion has been shaken by a growing awareness of the financial implications of environmental risks. In particular,

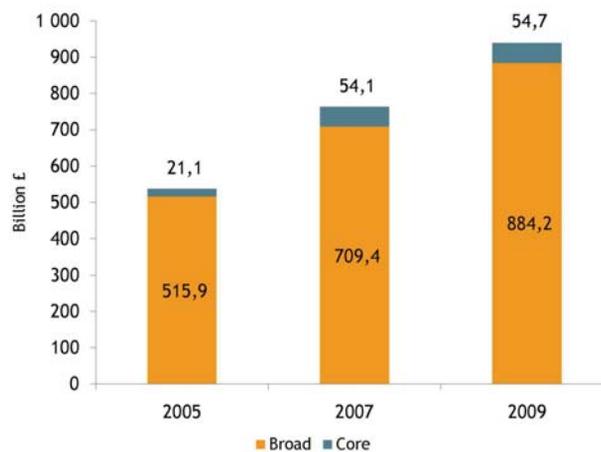
the impact on UK dividend income of BP's Gulf of Mexico oil spill has delivered a wake-up call.

Sustainable and Responsible Investment has developed and evolved in the UK in recent years for both institutional and private clients. Today's product and service innovation focuses on investing in solutions to environmental and social challenges or encouraging improved management of associated risks and opportunities.

This study found that the total of SRI AuM in the UK at end December 2009 was £938.9 billion (€1,043.3 billion) with £54.7 billion (€60.7 billion) defined as Core SRI and £884.2 billion (€982.5 billion) as Broad SRI.

Comparing these figures with the total assets managed in the UK by member firms of the UK's Investment Management Association, which remained broadly static at £3.4 trillion at end 2009 compared with end 2007, the 19% increase in total SRI AuM is a positive indication that despite the financial crisis, SRI continues to grow and develop.¹

FIGURE 1: SRI market in the UK, in Pounds Sterling



Source: Eurosif European SRI Survey and UKSIF, 2010

Main Practices

SRI strategies in the UK may be grouped as:

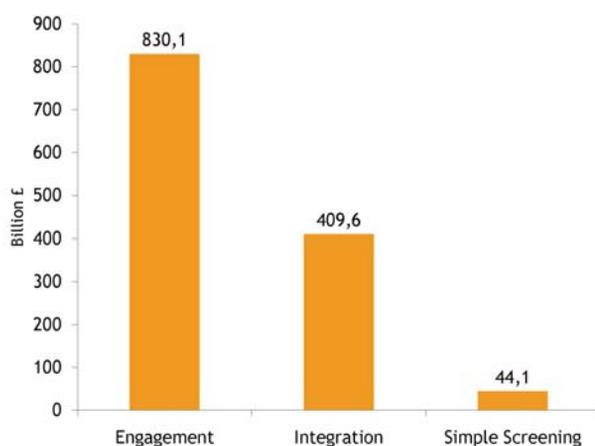
- **Responsible ownership**, where asset managers engage with companies about their ESG performance – voting shares, monitoring corporate behaviour and intervening where necessary. According to this study, £830.1 billion (€922.3 billion) in AuM in the UK are managed under an Engagement policy.

¹ Investment Management Association Annual Surveys, http://www.investmentuk.org/statistics/fum_survey/default.asp.

- **Integration** of Environmental, Social and Governance (ESG) issues into investment decision making to deliver improved financial returns. This integration is performed for investors looking purely for improved risk management or greater alpha. Integration is also combined with other SRI strategies to form part of the offer to values-based investors. This study found that in the UK, £409.6 billion (€455.1 billion) in AuM were considered subject to Integration.
- **Thematic investment propositions** based on sustainability themes such as healthy lifestyles or the transition to a low carbon economy. These thematic funds may cover multiple social and environmental issues or may address a more focused theme such as environmental solutions or climate change.
- **Positive or negative screening** to select companies with superior social and/or environmental performance or to avoid particular industries or activities.
- **Impact investing** is emerging as a further investment technique particularly for private and charitable investors. It focuses on investments like microfinance, community enterprise and other areas where the social or environmental impact of the investment is a benefit in its own right, independent of whether it is material to the desired financial return. This study did not gather data on what proportion of investments were classified in this way.

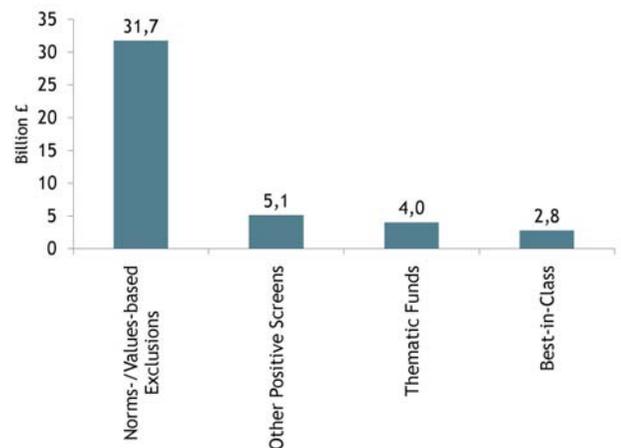
Investments are often subject to some mixture of these strategies. The funds subject to the various Broad SRI strategies are described in Figure 2, while the funds subject to Core SRI strategies are described in Figure 3.

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



Source: *Eurosif European SRI Survey and UKSIF, 2010*

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



Source: *Eurosif European SRI Survey and UKSIF, 2010*

Who are the Main Investors?

Some **insurance companies, banks and asset managers** use integration and/or engagement on ESG issues across all relevant asset holdings to manage risk and enhance investment performance.²

Major **occupational pension funds** form a significant force within broad SRI in the UK. As described above, the UK provides some 22% of the asset owner signatories to PRI; most of these are pension funds. In 2009, UKSIF published its second bi-annual study of the Responsible Investment policies of the occupational pension funds of UK listed companies that are corporate responsibility leaders. This found that a group of Responsible Investment champions had started to emerge among pension fund trustees. In addition, those pension funds who had begun to implement Responsible Investment practices by 2007 continued to develop and deepen their activities.

High Net Worth Individuals and ultra high net worth individuals form a significant group within the UK SRI market. In general, their interest has focused particularly on thematic investment propositions. They are also the pioneers in impact investing. The 2010 Eurosif report on High Net Worth Individuals and Sustainable Investment considers this group in more detail.

Mass Market Individual Investors: £9.5 billion (€10.5 billion) was held in the UK's green and ethical retail funds (ie. funds available to the UK general public) at end 2009, according to EIRIS. These were held in approximately three quarters of a million accounts invested across nearly 100

² Investment Management Association Annual Surveys, http://www.investmentuk.org/statistics/fum_survey/default.asp.

funds.³ Effectively all of this investment was in Core SRI although the totals do include a very small number of Broad SRI funds. In addition, some fund managers practice engagement on behalf of investments held in unscreened retail funds.

Church and Charity Investors: Church and charity investors remain the largest force in Core SRI within the UK. In recent years, pioneering UK charitable foundations have

developed their interest in impact investing although the total charitable assets invested in this way remains small.

What do SRI Fund Managers and Service Providers Offer?

The SRI services provided by UK asset managers may be grouped as

SRI Service	Comments
Engagement on ESG issues to protect or enhance financial return.	This engagement takes place for: <ul style="list-style-type: none"> • AuM not managed using overtly SRI criteria (including assets managed by investment subsidiaries for their parent bank or insurance company and unscreened pooled funds not marketed as SRI) • SRI funds and discretionary portfolios • 'Engagement overlays' where an 'engagement only' mandate is awarded to a different provider from the asset management mandate
Investment services not necessarily marketed as SRI but which incorporate the integration of ESG issues to some degree.	See the Market Evolution section below for a discussion on the increased availability of financially-oriented ESG research.
Pooled SRI funds for charity investors, pension funds and other institutional investors.	For charity investors, these may be charity-specific funds approved by the Charity Commission (CIFs) or other pooled SRI funds. ⁴
Pooled SRI funds for individual investors	Normally such funds either deliver a thematic investment proposition using sustainability themes or are positively and/or negatively screened. In addition to more broadly based options, funds available include 'environmental solutions' and 'climate change' funds. Engagement with companies may take place in addition to stock selection. Index funds are available and exchange traded funds are starting to be added. Funds are available across a range of asset classes. They feature in more than ten of the Investment Management Association (IMA) investment sectors. Fixed income funds and protected funds are among the options available.
Discretionary management services and segregated SRI mandates for institutional investors and high net worth individuals.	This includes SRI and impact investing support from wealth managers and family offices.

In addition, an increasing range of associated services are available including:

Provider	Service
Investment Consultants	Assessment of ESG-related competencies of asset managers for use by institutional asset owners
Investment Banks and Independent Research Houses	Financially oriented SRI research for use by asset managers.
Independent Financial Advisers and their support providers	Assessment of ESG features of green and ethical investment funds – particularly to assess suitability for values based investors rather than to assess ESG-related competencies in effective integration or engagement using material ESG criteria.

³ This policy may be subject to restrictions on grounds such as geography and size.

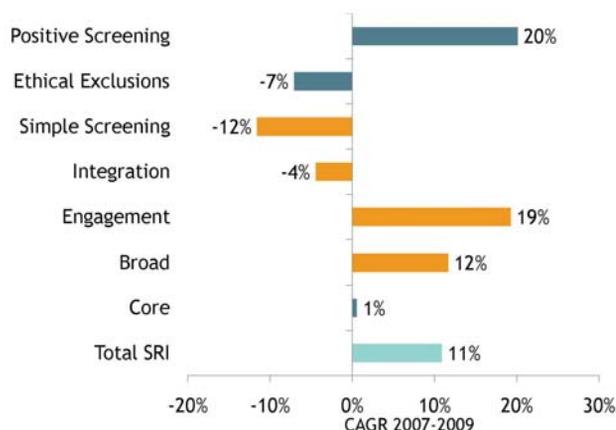
⁴ EIRIS, 'UK ethical investment hits record high of £9.5 billion,' News Release, 1 June 2010.

MARKET EVOLUTION

What is the Growth Rate of AuM?

Broad SRI grew by approximately 12% by end 2009 compared with end 2007, measured in Pounds Sterling. In contrast, the total assets managed in the UK by member firms of the UK's Investment Management Association remained broadly static at end 2009, compared to end 2007. Assets managed using Core SRI also remained broadly static, with this study finding about 1% growth, as illustrated in Figure 4. It is most accurate to consider the UK growth rate in Pounds Sterling rather than in Euros so that the effect of exchange rate changes is excluded. The growth in Broad SRI can be largely attributed to a growth in engagement.

FIGURE 4: Growth in the UK SRI Market 2007–2009 (in Pounds Sterling)



Source: Eurosif European SRI Survey and UKSIF, 2010

What Lies Behind This? Have New Trends Emerged?

Global Leadership

The UK has seen increased leadership by Chief Executives of UK investment institutions and other senior city professionals (including fund managers and investment consultants) in championing SRI.

Following the financial crisis, there is a new openness to the limitations of current established valuation and market models. The barriers to SRI have much in common with the factors that led to the financial crisis. They include conflicts of interest, perverse incentives, lack of transparency and other dysfunctional practices within the investment chain.

The range of asset classes has developed, with innovation in fixed income and property particularly notable recently.

Non-SRI investors are now gaining exposure to ESG factors, such as climate change, because these are widely recognised as significant investment issues. The protection and management of natural resources (including forests, water and agricultural capacity) are joining low carbon emissions as key issues. Executive remuneration – while it has always been a concern – has become a very hot topic following the financial crisis and the recession.

Cross-party support has developed for a new UK Green Investment Bank to mobilise the investment needed to support the UK's transition to a low carbon economy.

Increased Capacity

The number of people working in the field continues to grow. The capacity within the sell-side and within major investment consultancies is particularly noteworthy.

One feature of the last two years has been the entry of major investment industry research providers into the market for Environmental, Social and Governance (ESG) research. This has been accompanied by consolidation among the specialist research providers. Bloomberg, MSCI and Thomson Reuters have all entered the market as a result of strategic acquisitions of specialist providers and/or building new internal capacity. EIRIS, the UK's first specialist Responsible Investment research house, remains independent and has developed into a globally recognised organisation. Research houses such as Trucost and other new entrants continue to grow and widen their offerings.

In spite of some shrinkage in the immediate aftermath, most buy-side Responsible Investment research teams remained in place during the financial crisis. While the crisis had significant impact on the sell-side, this was due to the wider contraction within investment banking. In general, Responsible Investment teams suffered less than some other research areas. In 2010, as headcount pressures ease, those investment banks that contracted are rebuilding their UK Responsible Investment research teams.

In one notable new trend, professionals are leaving large investment houses to set up boutiques specifically focused on Sustainable Investment, initially for high net worth clients.

UK Clients

Today, all major asset owners are being encouraged to demand responsible ownership practices from their asset

managers. The UK's new Stewardship Code is a key tool in that process. As a result, it becomes increasingly difficult and meaningless to measure assets subject to SRI practices, compared with those that are not. It is more meaningful to consider the depth of the practice but this is liable to be a qualitative rather than quantitative assessment. Dedicated teams within the major investment consultancies are likely to have an increasingly important role to play in assessing the market as it evolves.

As previously mentioned, UKSIF 2009 research found that a group of Responsible Investment champions had started to emerge among the pension fund trustees of the UK's corporate responsibility leaders and those corporate pension funds who had begun to implement Responsible Investment practices by 2007 continued to develop and deepen their activities.

A wide range of "non-traditional" individual investors are interested in SRI today. This includes younger entrepreneurs and those inheriting wealth. The typical modern green and ethical investment client of a non-specialist adviser will probably want to add some green and ethical exposure to an existing portfolio. This may be to diversify their investments, benefit from new themes or make a difference in the world while achieving their financial aims.

Since 2008, UKSIF has organised an annual "National Ethical Investment Week" to raise awareness and promote discussion of how a greater focus on Environmental, Social and Governance (ESG) issues in investment can help investors to grow and protect wealth and make a positive difference in the world at the same time. Research for National Ethical Investment Week 2009 found that this was not a minority concern. Half of investors were interested not just in making money but also in making a difference in the world through how they save and invest – so long as they can achieve both at the same time.

National Ethical Investment Week has achieved a country-wide reach in its first two years. In National Ethical Investment Week 2009, supporters organised 33 events in 16 towns and cities across the country, including receptions at the Westminster and Scottish parliaments. A national media campaign saw wide coverage in the personal finance and trade press.

MARKET PREDICTIONS

Responsible Investment is reaching a tipping point, both internationally and within the UK. It is now reasonable to

assume that it will become the norm for major occupational pension funds, insurance companies and other significant investors worldwide by 2020. It is harder to predict the speed of movement over a shorter timescale like three years. Engagement and integration in particular will grow and the quality of how these techniques are implemented and managed will become a differentiating factor among asset managers. Diversity in both products and asset classes should also continue to develop. However, reaching this tipping point will require activity and commitment from major asset owners, governments and civil society.

The growing international demand for SRI is a significant opportunity for UK asset managers. As sovereign wealth funds and both institutional and retail clients internationally seek SRI solutions, the UK is well placed to respond.

For major UK asset owners, increased demand for Responsible Investment will take place against a backdrop of debate and change in the pensions settlement. Defined contribution pension solutions are likely to become the norm over that time and arguably there may be increasing changes to decision making about accumulated defined benefit assets. Over the next three years, it would not be surprising to see the oversight of investment management of defined benefit assets shift dramatically away from pension fund trustees as part of moves to cap deficits or insure against risks.

Also over the next three years, charitable foundations should continue to deepen their interest in aligning their investments with their mission although it is difficult to predict both whether progress will accelerate and the speed of its diffusion from the leading actors to become the norm for the sector.

An increasing number of private investors are likely to seek SRI options for part of their portfolios. This is likely to be driven by the changing priorities of both "baby boomers" moving towards retirement and the following generation entering their capital accumulation years. It should also be spurred by increased awareness and choice of Sustainable Investment propositions.

With new educational standards for financial advisers and a ban on commission for most products from 2012, private investors may receive advice on a wider range of investment options. On the other hand, some commentators believe that this change may focus advice towards the private investor's personal financial

circumstances and limit the investment options recommended.

Within the UK, the coalition government seems likely to focus initially on three Responsible Investment priorities:

1. Encouraging responsible ownership through the Stewardship Code
2. Increasing investment flows to low carbon infrastructure in the UK and developing countries. This includes financing of energy efficiency, renewable energy, smart grid and sustainable transport. A new Green Investment Bank should play a key role in supporting this change.
3. Potentially capitalising social enterprises to deliver public service outcomes in health and social welfare.

In addition, regulators may encourage asset owners to increase their skills in "sustainability governance" so that good ownership and ESG integration practices drive investment mandates. We may also see greater demand for major pension funds to disclose publicly how their Responsible Investment strategies are implemented. Major new pension providers and public sector asset owners may shape industry and public opinion by becoming beacons for responsible ownership and investment.

Non-governmental organisations may build capacity and consumer support for understanding and challenging pension and insurance investment decisions. FairPensions, the NGO campaign, is just one example of this starting to happen.

Trade and professional associations may deepen their support for skills development in Responsible Investment and encourage greater debate on investment timescales and how investment can be aligned more closely with the public interest.

Looking forward, UK employers will be required from 2012 to enrol employees automatically into a pension fund. If corporate responsibility leaders and values-based organisations use this as an opportunity to offer excellent Responsible Investment choices for both default and optional defined contribution funds, this could provide the most significant driver of sustainably and responsibly managed personal investment assets over the coming years.

The data and text above is based on research and analysis conducted by UKSIF.

GLOBAL SRI DATA

Below is a table presenting the main SRI data from various regions of the world, as of September 2010. The global SRI market can be estimated to reach approximately €6.9 trillion, with Europe holding the largest share, as illustrated in the table below.

While methodologies of SRI market studies from the various regional Social Investment Fora are converging, SRI practices can be quite specific from one region to another. As an example, shareholders advocacy, i.e. proposing to sponsor or co-sponsor shareholder resolution(s) based on ESG issues, is specific to the US market, for both cultural and regulatory reasons.

In addition, the year of the available data may differ. Please note that for purposes of estimating a global figure for SRI AuMs, the 2007 and 2008 figures published by the Social Investment Forum (USA) and SIO (Canada) have been used. The Social Investment Forum will release its latest study in November 2010 and SIO will publish its SRI Review in February 2011. RIAA (Australia/New Zealand) will also release updated data in the coming months.

For more details and in-depth analysis, readers are invited to consult the regional SIFs. All market data is available to the public.

		2009	Total SRI (bn)	Total SRI (€ bn)
United States (2007)	Total SRI	US\$2,710	US\$2,710	1,514
Canada (2008)	Core SRI	Cnd\$54.2	Cnd\$609.2	405
	Broad SRI	Cnd\$555.0		
Australia / NZ (2009)	Core SRI	Au\$15.8	Au\$75.7	47
	Broad SRI	Au\$59.9		
Japan (2009)		¥579	¥ 579	4
Europe (2009)	Core SRI	€1,150	€4,986	4,986
	Broad SRI	€3,836		
TOTAL WORLD				€6,956

GLOSSARY

CORE STRATEGIES	
Positive screening	The selection, within a given investment universe, of stocks of companies that perform best against a defined set of ESG criteria. This may include Best-in-Class or SRI theme funds for instance.
Best-in-Class	Approach where the leading companies with regard to ESG criteria from each individual sector or industry group are identified and included in the portfolio. (Subset of positive screening).
SRI theme funds	Thematic funds may focus on sectors such as water or energy, or issues such as the transition to sustainable development and a low carbon economy. To be considered SRI, a theme fund must show an explicit SRI motivation, taking into account ESG considerations in the fund construction process. This requires the existence of specific mechanisms, such as the involvement of SRI expertise in stock analysis selection, the application of an ESG screen, or the management of the product by the SRI team. (Subset of positive screening).
Values-based exclusions	This refers to exclusions where more than two negative criteria/filters are applied (as opposed to just tobacco or weapons for example).
Norms-based exclusions	Negative screening of companies according to their compliance with international standards and norms such as issued by OECD, ILO, UN, UNICEF, etc. ¹
BROAD STRATEGIES	
Simple screening	An approach that excludes given sectors or companies from a fund if involved in certain activities based on specific criteria, such as arms manufacture, publication of pornography, tobacco, animal testing, etc.
Engagement	A long-term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.
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.

CAGR: Compound Annual Growth Rate. The year-over-year growth rate of an investment for a specified period of time.

Country abbreviations used in Figures: AT: Austria, BE: Belgium, DK: Denmark, FI: Finland, FR: France, DE: Germany, IT: Italy, NO: Norway, PL: Poland, ES: Spain, SE: Sweden, CH: Switzerland, NL: The Netherlands, UK: United Kingdom, EU: Europe.

ESG: Environmental, Social, Governance.

High Net Worth Individuals (HNWIs): Individuals with more than \$1 million in financial assets, excluding primary residence.

¹ If the exclusion approach is based on more than two criteria, it is considered to be an 'ethical exclusion.'

LIST OF SURVEYED ORGANISATIONS

(This list is not exhaustive as some respondents preferred not to have their organisation's name disclosed)

ABN AMRO • AFA • Agicam (AG2R) • Agrica • AI Pension Fund • Aktia Asset Management • Ålandsbanken Asset Management • Alcyone Finance • Alecta • Aletti Gestielle Sgr • Alfred Berg Asset Management • Alfred Berg Asset Management • Alfred Berg Asset Management • Allianz GI France • Alto Invest • AMF • AP Pension • ATP • Aureo Gestioni S.G.R.p.A • Aviva • AXA IM • Bank Coop AG • Bank Degroof • Bank für Kirche und Caritas eG • Bank IM Bistum Essen eG • Bank Sarasin & Cie. AG • Bank Vontobel AG • Bankhaus Schelhammer & Schattera Kapitalanlagegesellschaft m.b.H. • BankInvest • Banque Privée 1818 • Bawag P.S.K. Invest • BBK Gestión SGIC • BBVA • BFT Gestion • BlueOrchard • BNP Paribas Investment Partners • Caja Madrid Pensiones • Caja Navarra • Care Group AG • Carlson Investment Management • Carnegie Asset Management • Caser • Catella Asset Management • Cattolica Assicurazioni • CDC • Chalmers University of Technology • CM-CIC AM • CNP Assurance • Cogefi Gestion • Confederation of Swedish Enterprise • Covea Finance • Credit Suisse AG • Danica Pension & Danica Link • Danske Capital • DekaBank Konzern • Dexia AM • DIP (The Danish Pension Fund for Engineers) • Dr. Höller Vermögensverwaltung und Anlageberatung AG • DWS Investments • Ecclesiastical Investment Management • Ecofi (Crédit coopératif) • Edmond de Rothschild Asset Management • Elkarkidetzta • EPS Value Plus AG • ERAFP • Ericsson Pension Foundation • Erik Penser Asset Management • Erste-Sparinvest KAG • Etica Sgr • Etoile Gestion (Amundi) • Eurizon Capital Sgr • Evli/Carnegie Asset Management • F&C Management • FAM/ Swedish Foundation Management • Federal Finance (CM Bretagne) • Fédérés Gestion • FIM Asset Management • Financière de Champlain • Financière de l'Echiquier • FNV • Fondaco Sgr • Fonditel • Fongepar Gestion Financière • Gålö Foundation • Gävleborg County Council • Gesmadrid • Gestión de Previsión y Pensiones • Good Growth Institut für globale Vermögensentwicklung mbH • Grand Lodge of Sweden • Groupama AM • GS (Union) • H. Lundbæk • Halland County Council • Handelsbanken Asset Management • Handelsbanken Life • Henderson Global Investors • HQ Funds • HSBC AM • Ibercaja • IDEAM (Amundi) • Ilmarinen Mutual Pension Insurance • Industriens Pension • ING • Inter Expansion (Ionis) • Invercaixa • Invesco Asset Management GmbH • IT AM • Jönköping County Council • JøP (The Danish Ass. of Lawyers and Economists) • Jyske Invest • KBC AM • Kepler-Fonds KAG • Keskon Pension Fund • KEVA • Kirkbi • KK Foundation • La Banque Postale AM • La Financière Responsable • Landskrona Municipality • Lannebo Funds • Lazard Frères Gestion • LBBW Asset Management Investmentgesellschaft mbH • LD • Legg Mason Zarzadzanie Aktywami • LFP-Sarasin AM • Lidingö Municipality • Lidköpings Municipality • MACIF Gestion • MAIF • Mandarine Gestion • Meeschaert Asset Management • Metropole Gestion • Missionszentrale der Franziskaner • Mistra • Montepio Loreto • MP Pension • Natixis AM • Nord/LB Kapitalanlagegesellschaft AG • Nordea Investment Management • Nordea Life & Pension • Nykredit Pørtfølje • Odin Funds • OFI AM • Oltre Venture Capital • Örebro Municipality • Orsay Gestion (Banque d'Orsay) • Östergötlands County Council • Pensam • Pension Danmark • Pension Fennia • Petercam • PFA Pension • PGGM • Phitrust Active Investors • Pioneer Investments • PKA • Pocztylion-Arka PTE • Pohjola Asset Management • Popular Gestion • PP-Pension • Prado Epargne Gestion (AG2R) • Pro BTP Finance • ProVita GmbH • Raiffeisen Capital Management • RCM • Red Cross Sweden • responsAbility Social Investments AG • Riksbankens Jubileumsfond • Rothschild & cie • SAAB Pension Foundation • Sampo Group • Santander AM • Scania Foundation • Schroders • SEB Asset Management • SEB Gyllenberg Asset Management • SEB Pension Foundation • SEB Trygg Life • SegurCaixa Holding • Sella Gestioni • Skandia Life • Skandikon • Skanska Pension Foundation • SKTF • SNS • Société Générale AM (Amundi) • SPK • SPP • Standard Life Investments • Stockholm Municipality • Swedbank Robur Asset Management • Swisscanto Asset Management AG • Syntrus Achmea • Tapiola Asset Management • Tapiola Life • Tapiola Mutual Pension Insurance • Teliasonera • The Evangelical Lutheran Church of Finland • The Foundation for Baltic and East European Studies • The Foundation for Strategic Research • The Foundation for the Internationalization of Higher Education and Research • The Henry och Gerda Dunker's donation Foundation • The Legal, Financial and Adm. Serv. Agency • The Post Pension Foundation • The Royal Swedish Academy of Science • The State Pension Fund • The Swedish Association of Local Authorities and Regions • The Swedish Cancer Society • The Swedish Church • The Swedish Church's Pension Foundation • The Swedish Heart-Lung Foundation • The Swedish Metalworkers' Union • Threadneedle Asset Management • Topdanmark • Triodos • Ubi Pramerica Sgr • UniCredit Bank AG (HypoVereinsbank) • Union Investment Institutional GmbH • Unionen • Unipol Gruppo Finanziario • Universities Superannuation Scheme • University of Gothenburg • University of Lund • Varma Mutual Pension Insurance • Västerbottens County Council • Västmanlands County Council • VCH Vermögensverwaltung AG • Veritas Pension Insurance • Zegora Investment Management Ltd. • Zürcher Kantonalbank (ZKB)

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ABOUT EUROSIF

Eurosif (the European Sustainable Investment Forum) is the pan-European network and think-tank whose mission is to Develop Sustainability through European Financial Markets. Eurosif acts as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates include institutional investors, financial service providers, academic institutes, trade unions and NGOs. The association is a not-for-profit entity that represents assets totaling over €1 trillion through its Member Affiliates. Eurosif's activities are focused across asset classes – equity, fixed income, property, private equity, microfinance and hedge funds – all centred around the trends and future legislation affecting sustainability. Eurosif's ultimate goal is to aid the integration of environmental, social and governance (ESG) issues into European financial services, and to provide a multi-stakeholder network to share best practices on Sustainable and Responsible Investment (SRI).

EUROSIF'S AIMS ARE:

- To act as the voice of the SRI community to the European legislative and decision making bodies such as the European Commission and European Parliament.
- To initiate and publish research related to legislation, policies and practices for the integration of Environmental, Social and Governance (ESG) issues into European financial services.
- To inform, educate and provide a European network for discussion about sustainable financial services.
- To actively expand the above European network by supporting the development of existing SIFs and encouraging the creation of new national SIFs.

WHO CAN BECOME A MEMBER AFFILIATE?

Membership to Eurosif is open to organisations with a commitment to SRI at a European level. Eurosif invites asset owners, investment institutions, research providers, NGOs, and trade unions to become Member Affiliates.

MEMBER AFFILIATE BENEFITS

EU Policy

- The opportunity to help shape public policy on sustainability at a European level through exclusive meetings with policy makers and position papers that Eurosif regularly submits in response to European Commission's legislative and non-legislative initiatives.
- Exclusive editions of the 'EU Insider': a Member Affiliate bulletin that provides details on how Eurosif is involved in the latest debates and animated discussion at the European Commission and European Parliament.

Access to Groundbreaking Research

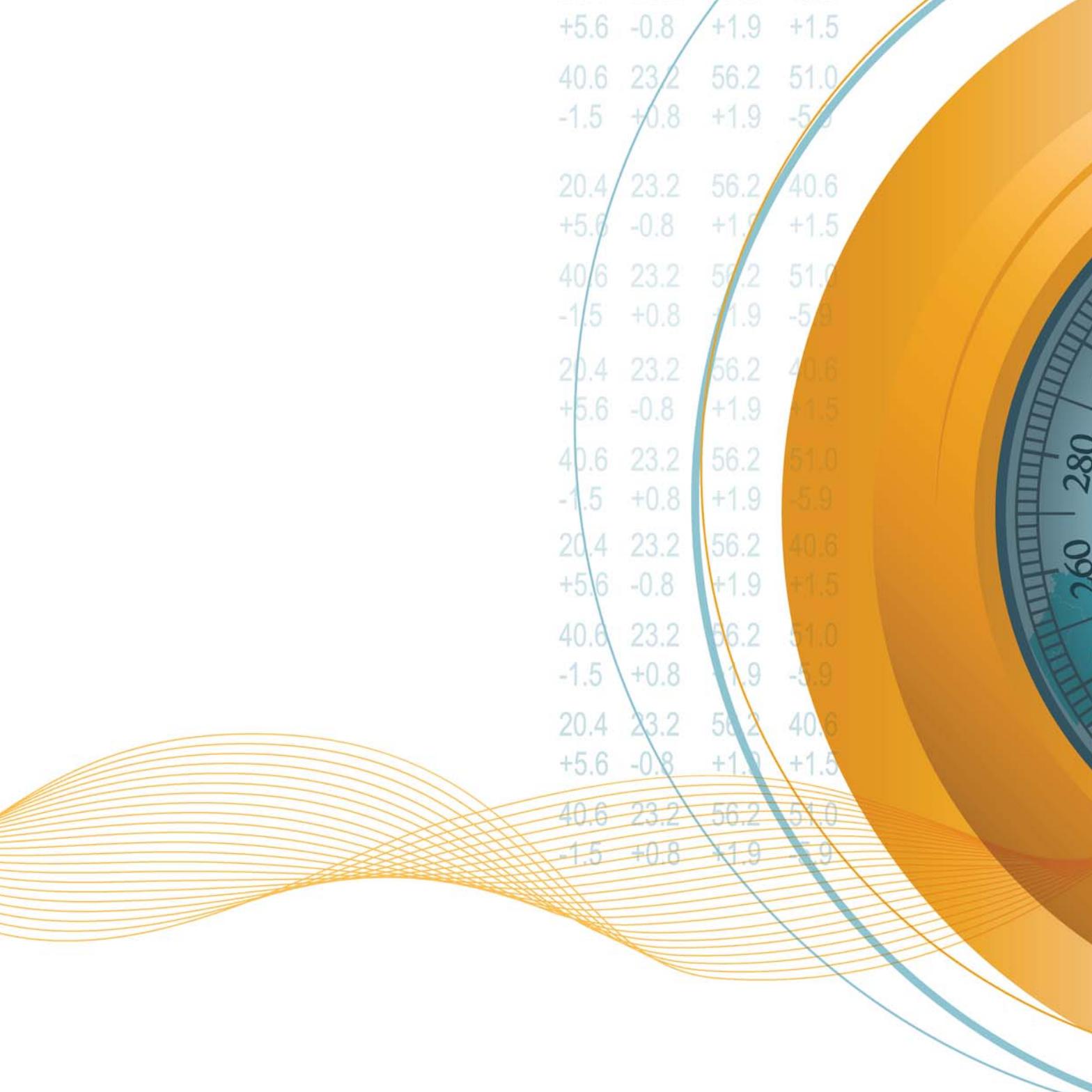
- Ability to help Eurosif choose research subject matter and act as advisory member to research initiatives.
- First-hand access to information & trends to help Member Affiliates improve their own development and client reach.
- Access to all Eurosif research before it is made publicly available, with limited numbers of free copies for Member Affiliates. Member Affiliates have access to premium research products which are not available to the general public.

Initiatives and High-Level Events

- Influence in shaping initiatives such as the development of voluntary codes and standards that will affect all actors in the European SRI industry. The European Transparency Code is one such initiative with over 350 retail fund signatories.
- Opportunity to shape the content in the long-standing media partnerships that Eurosif develops with brands such as Le Monde, Die Zeit, Financial Times, La Stampa, El País and Le Temps.
- Participation in key EU level events and roundtables reaching key SRI policy makers, asset owners and eventually, the general public. Member Affiliates are invited or receive discounts to participate in such events.

Continuous Learning

- Opportunity to draw on the experience of other Member Affiliates through exclusive regional meetings, on-site visits, and workshops.
- Access to a multi-stakeholder environment to learn from different organisations.



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