

novethic



2014 SURVEY

# PROFILE OF RESPONSIBLE INVESTORS IN EUROPE

*With the support of*

 Petercam | Institutional  
Asset Management



The results of the survey conducted among a representative sample of European institutional investors are presented in three parts. The **Summary** paints a portrait of responsible investors in Europe. **Detailed results** and **Responsible investment practices** take a closer look at current trends and put the results into perspective. Lastly, the **Country results** section highlights the features specific to each country.

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**Petercam Institutional Asset Management is happy to support Novethic's new survey of how European asset owners take ESG criteria into account.**

As a responsible investor, Petercam Institutional Asset Management naturally encourages this initiative, which every year serves to establish a profile of a financial world in flux.

Call it ESG, SRI or CSR, this more respectful vision of people and the environment is quite clearly changing the way we live, work, save and invest. The basic concern of trying to safeguard a reputation is gradually giving way to a new model predicated on sustainable growth and long-term risk management. Also, the approach now concerns all asset classes, including niches such as infrastructure. We are delighted that asset owners are aware of their social role and are therefore gradually establishing sustainable investment policies and applying them to their entire portfolio.

While this growing awareness takes different forms in different countries, asset owners are bringing their policies closer into line year by year; they are also becoming more proactive and dynamic, notably by dialoguing with companies and other stakeholders.

Far from seeking to enforce a single model, the aim of this publication is to review current possibilities and best practices in the field so as to extend the groundwork for a more sustainable financial system.

We are as convinced as you are that, while we still have a long way to go, our path has been clearly traced out. And we are certainly on the right track.

Hugo Lasat – *CEO, Petercam Institutional Asset Management SA*

Ophélie Mortier – *RI Coordinator, Petercam Institutional Asset Management SA*

The Novethic survey was administered to **185 asset owners** from **13 countries** with over **€6 trillion in assets** between June and September 2014. The respondents form a representative sample group of European investors likely to take account of Environmental, Social and Governance (ESG) criteria when managing their assets.

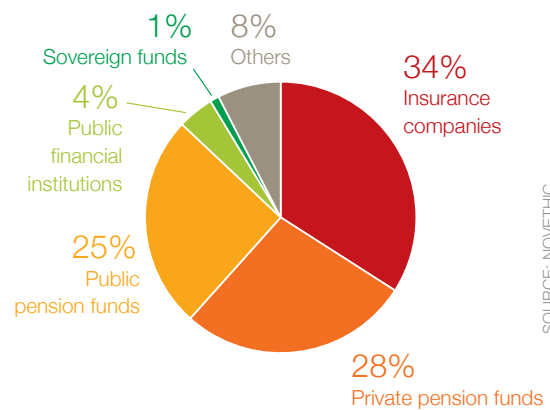
Novethic administered the survey in eight countries: **Belgium, Denmark, Finland, France, Luxembourg, Norway, Sweden** and the **UK**. In the other countries, the survey was carried out with partners:

- FNG, the German forum for responsible investment, in **Germany, Austria** and **German-speaking Switzerland**
- Novaster in **Spain**
- VBDO, the Dutch Association of Investors for Sustainable Development, in the **Netherlands**.

## Profile of respondents

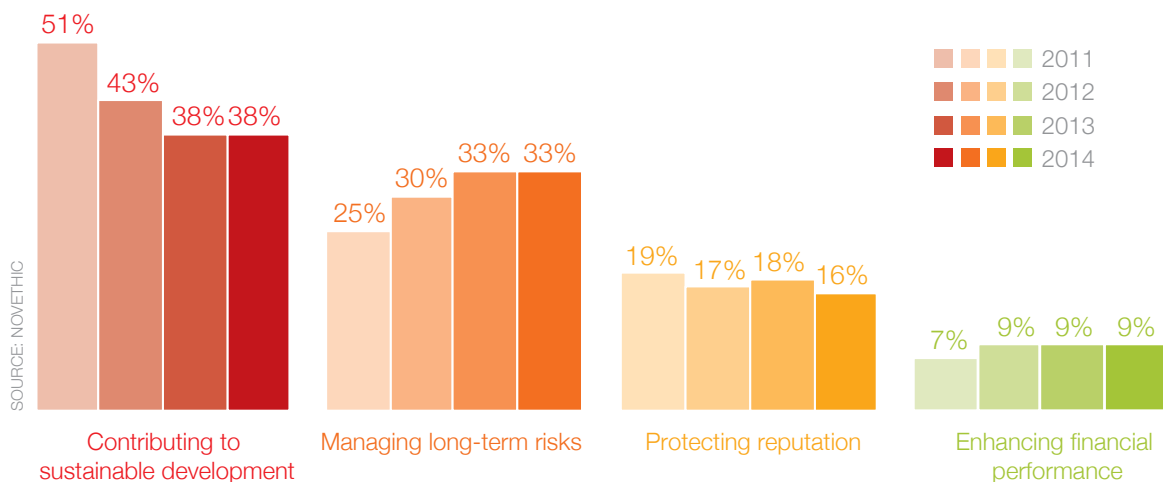
The survey sample was made up of long-term investors, primarily pension funds, insurance companies and public financial institutions. Pension funds accounted for one-half of the respondents, and insurance companies one-third.

Seventy-nine of the respondents have signed up the Principles for Responsible Investment (PRI).



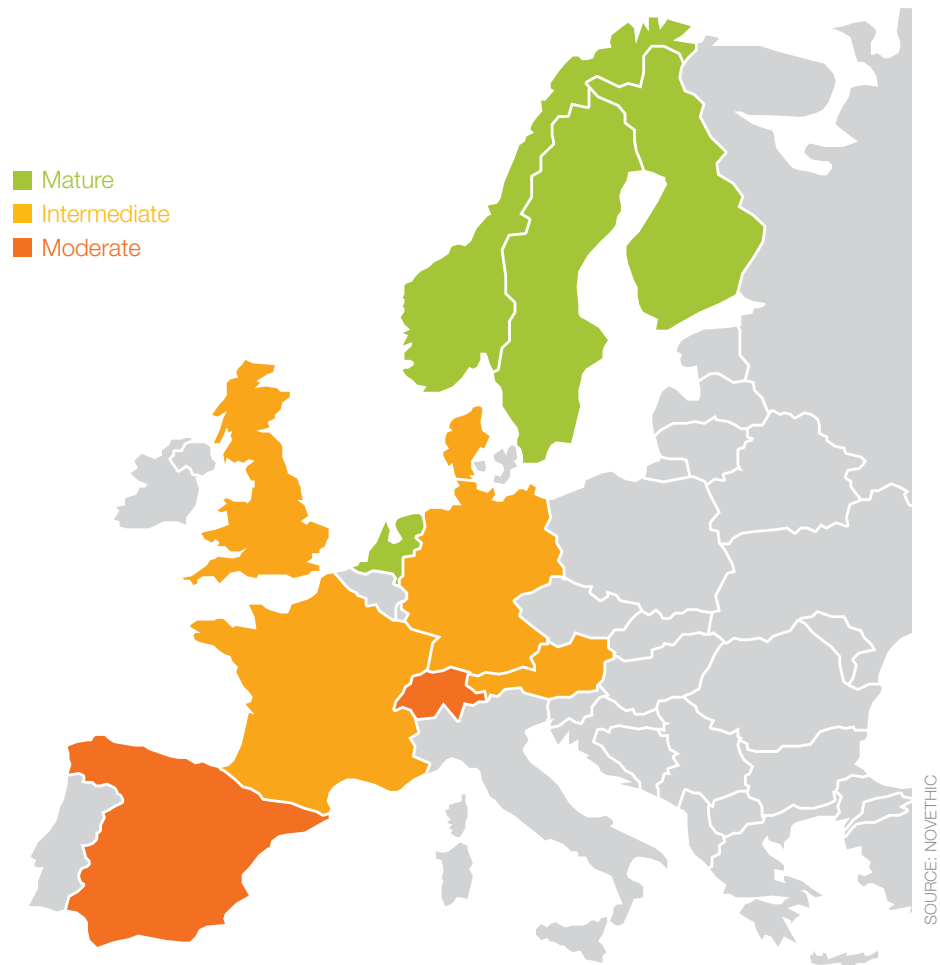
## Motives of responsible investors

The objectives of investors looking to incorporate ESG criteria are stabilising. Four years ago the main aim was contributing to sustainable development; today managing long-term risks is almost equally important for investors.



# PROFILE OF RESPONSIBLE INVESTORS IN EUROPE

## ■ Degree of formalised and implemented ESG strategies



Novethic's survey of European asset owners shows their relative maturity regarding responsible investment (RI) policy from one country to the next. A high degree of maturity is defined here as a large share of respondents having established a formal responsible investment (RI) policy and implemented it in their assets classes.

Countries can be divided into three groups with regard to RI:

**Mature:** Almost all investors in the Nordic countries and the Netherlands have been established formal RI policies and over 80% of them implemented it in all asset classes. Sweden is particularly mature in this respect.

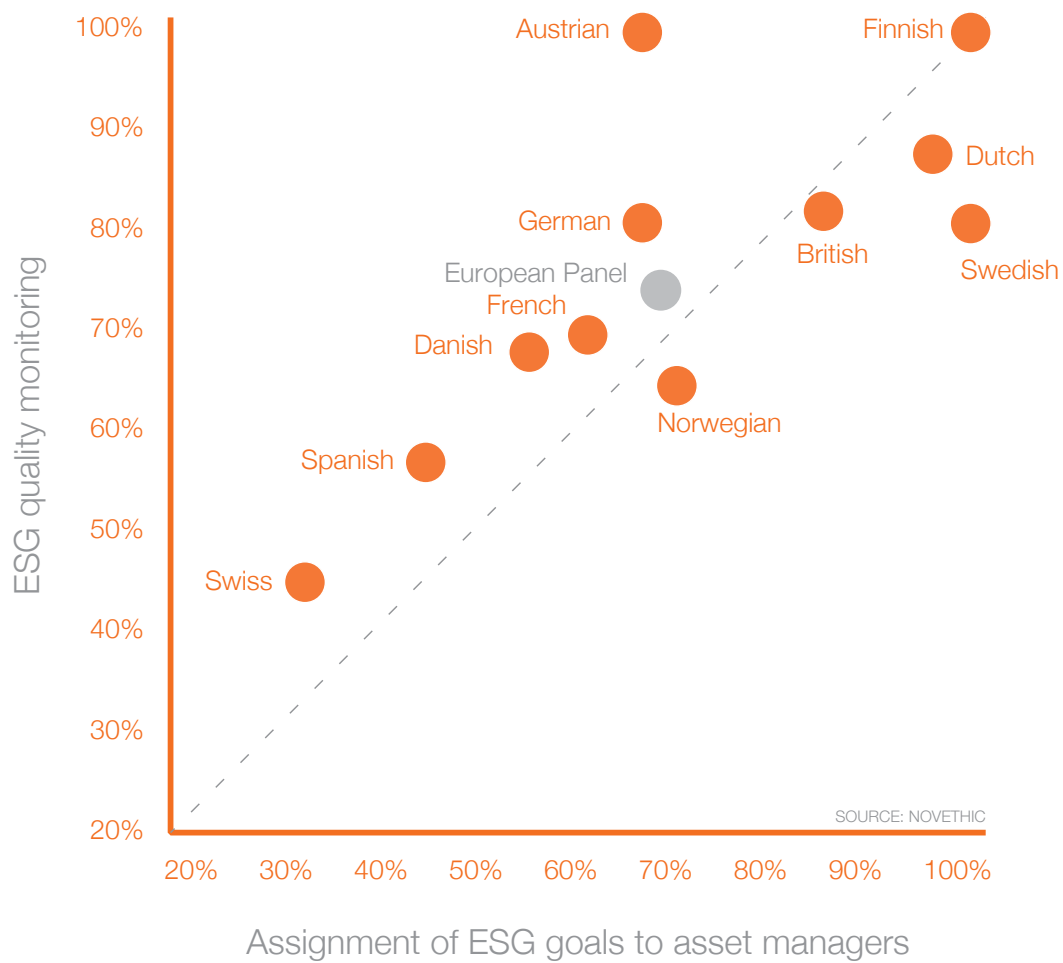
**Intermediate:** Austria, Denmark, France, Germany and the UK have what can be referred to as an intermediate level of ESG maturity, in that a majority of respondents have a formal RI policy and more than one-third have incorporated ESG criteria in all their asset classes.

**Moderate:** In German-speaking Switzerland and Spain, fewer than half of the respondents have a formal RI policy, while under one-third have incorporated ESG criteria in all asset classes.

■ Investors spell out ESG expectations with asset managers

European asset owners say they are more demanding with respect to their asset managers. They are gaining a firmer grasp of their role as the ordering party, both before and after investment decisions are taken. Beforehand, investors can include ESG objectives in their requests for proposals (RFPs); they can subsequently monitor the ESG quality of portfolios.

The table below shows the preferred practices of investors by country, although a large majority combine the two techniques.

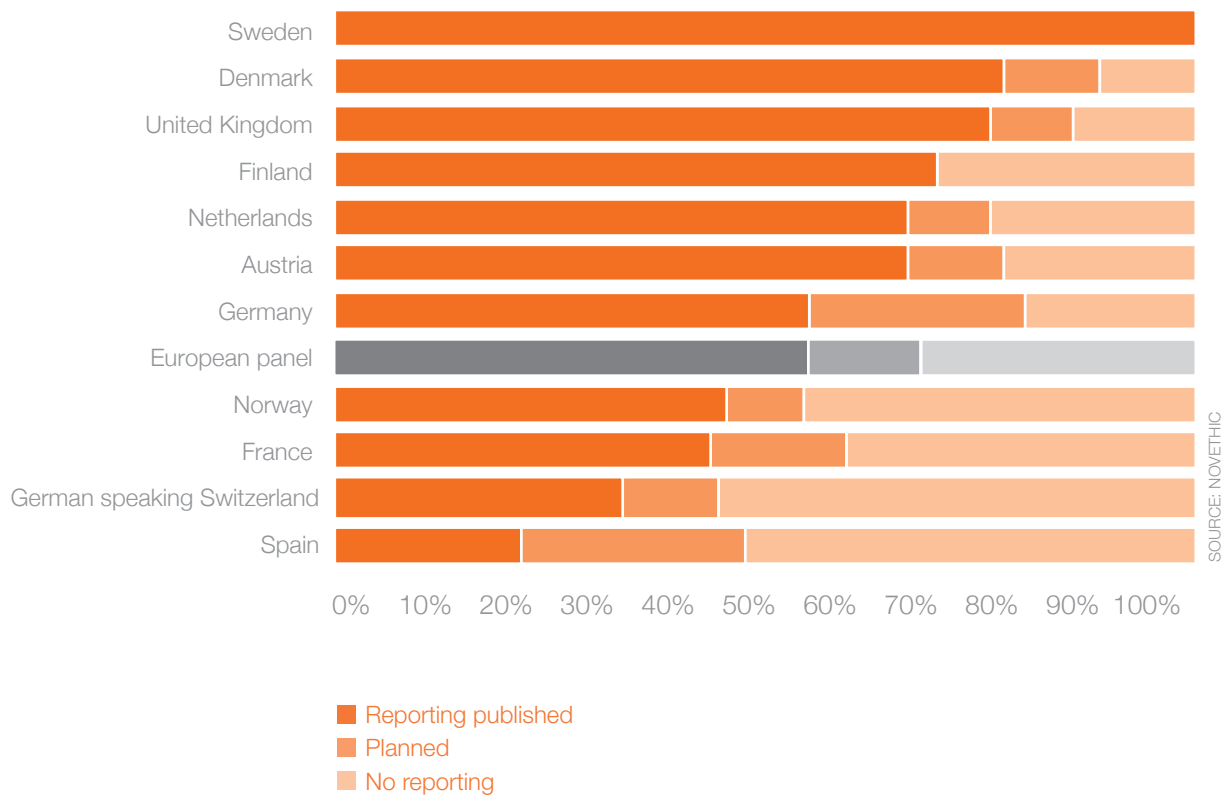


## ■ Reporting has improved but transparency varies by country

To illustrate their integration of ESG criteria, the investors publish special reports or PRI reports.

Swedish investors are exemplary in this respect, with all respondents publishing PRI reports, which they have all signed up to. The French are ranked towards the bottom of the list.

Transparency is improving, with a number of respondents in nine countries saying they plan to publish reports next year. This was the case for one-quarter of German and Spanish respondents and 16% of French respondents.





## MAIN TRENDS

### ■ Integration of ESG criteria by asset owners is gaining traction.

Three-quarters of the 185 respondents to the survey say they have a formal RI policy. 56% of them say they have implemented it across all asset classes.

### ■ Asset owners are more fully assuming their role as the ordering party.

For two-thirds of the investors surveyed, delegated management or fund selection now go hand in hand with ESG requirements, while four out of five investors monitor the ESG quality of their portfolios, requesting reports from their asset manager or making ex-post assessments of their ESG characteristics.

### ■ Exclusion is still the main practice of responsible investors.

Three-quarters of them use a sector- or norm-based exclusion list. More than half combine these exclusions with an ESG selection approach.

### ■ Risk prevention is the main focus of RI practices.

Investors that limit or eliminate issuers with the worst ESG ratings outnumber those that select high ESG-rated issuers. This is something of a paradox for investors who mostly say they want to be involved in sustainable development.

### ■ Shareholder engagement gains ground.

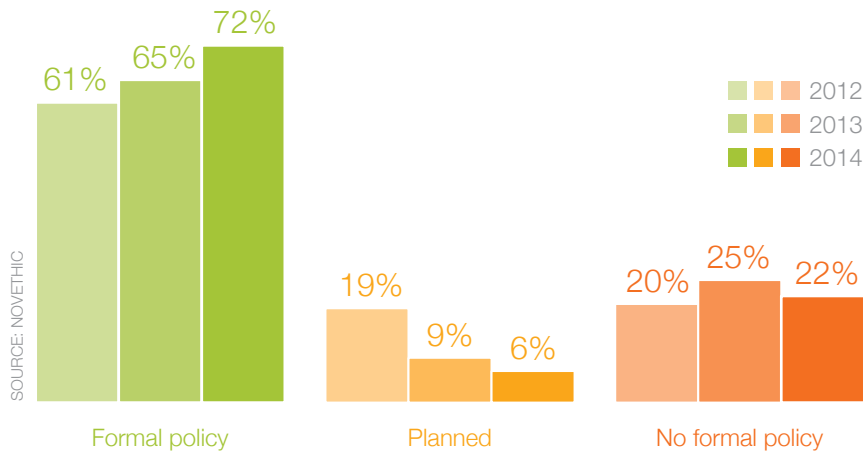
This approach still generally takes the form of direct dialogue between investors and companies. Governance topics continue to dominate, although social risks stemming from the supplier chain were highlighted by over 50% of investors. More than one out of four investors have excluded at least one issuer following an unsuccessful engagement.

### ■ Swedish investors have the most comprehensive RI practices.

They combine all the various practices, asking asset managers to respect ESG goals, monitoring the ESG quality of portfolios and selecting issuers on the basis of these criteria. Sweden is also one of the top countries in terms of investor support for shareholder engagement.

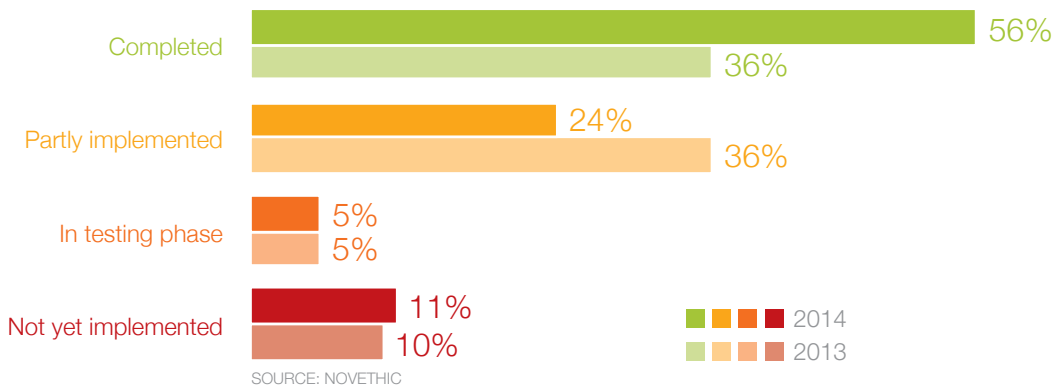
## RESPONSIBLE INVESTMENT POLICIES

### ■ A higher number of formal policies

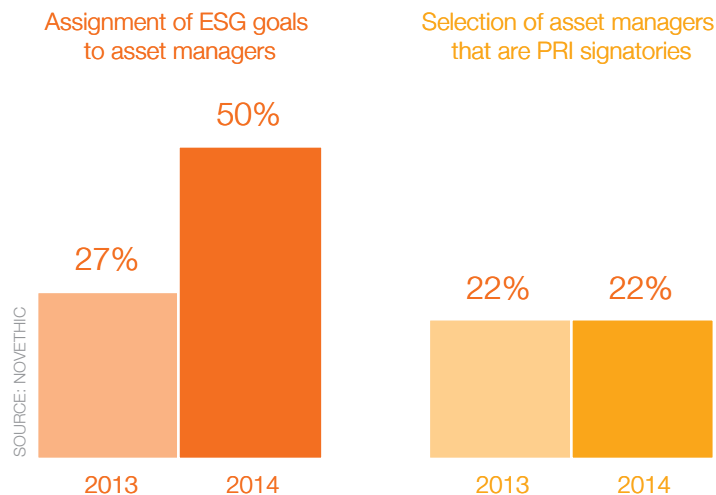


The answers given by this year's 185 asset-owner respondents reflect the robust consolidation of ESG integration practices in Europe. 72% have drawn up a formal RI policy and are gradually integrating ESG across all asset classes (56% against 36% in 2013). As a result, more of them are assigning ESG objectives to asset managers (see page 11).

### ■ Ongoing implementation of ESG criteria in all asset classes

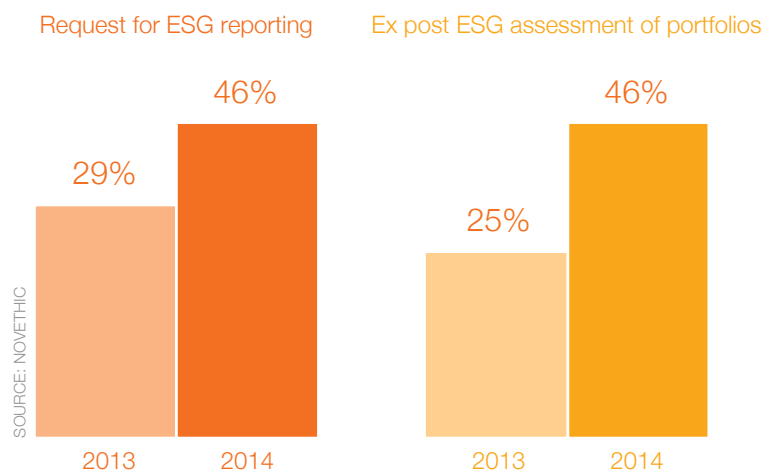


■ **Delegated management: Investors' ESG expectations of asset managers**



For the first time, two-thirds of the sample (65%) have assigned ESG objectives to the asset managers delegated to manage their assets. This represents a 30 percentage point increase on last year. Their expectations come in a range of forms and may be combined. Half of the investors surveyed set goals either from the moment they launch RFPs for delegated management or by only selecting investment funds that incorporate ESG criteria, while 22% of them stipulate that fund managers must be PRI signatories.

■ **Better organised monitoring of portfolio ESG quality**



Asset owners have increased ex-post assessments of their portfolios, with fewer than one in five saying they do not monitor ESG quality in any way.

■ **Transparency on the rise**

A full 55% of investors make disclosures on their RI policy and 8% of them publish both their own and PRI reports. Only one respondent in three sees no point in reporting on how they incorporate ESG criteria.

Most asset owners implement their RI strategies using a number of different approaches. The survey can be used to analyse three of such approaches: exclusion, ESG selection approaches, and shareholder engagement.

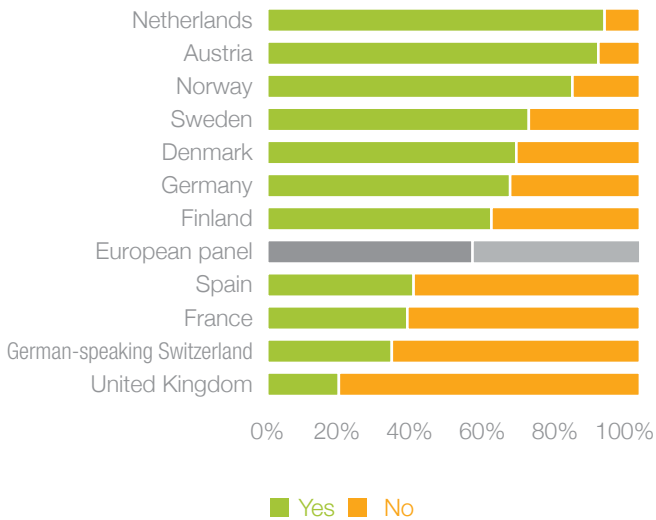
## EXCLUSION

Three-quarters of the responsible investors surveyed rely on sector- or norm-based exclusion to realise their RI strategies. Exclusion is still the most commonly used ESG approach, though this strategy differs from one country to the next.

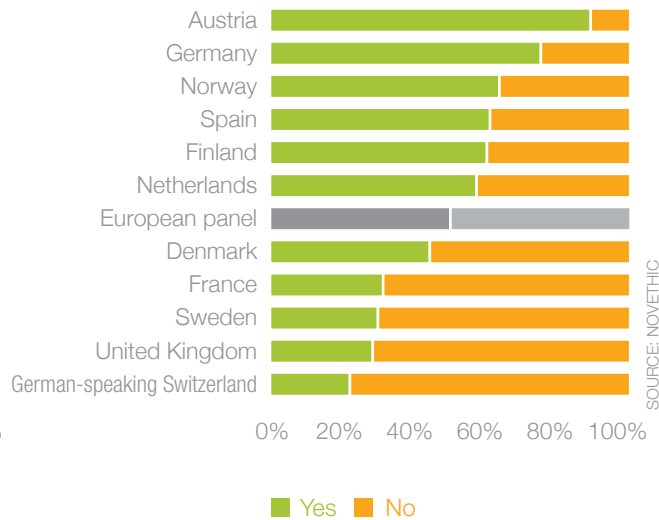
### ■ Norm- and sector-based exclusion

Half of the sample excludes companies for violating international norms, referred to as norm-based exclusion, and excludes business sectors, products and services for ethical reasons. But apart from Austria and Norway, which make comprehensive use of the two types of company exclusion, there is very little correlation between the two practices. Northern Europe ranks high in terms of norm-based exclusion. As in 2013, German-speaking Switzerland and the UK are reticent in this regard.

Practice of norm-based exclusions



Practice of sector-based exclusions



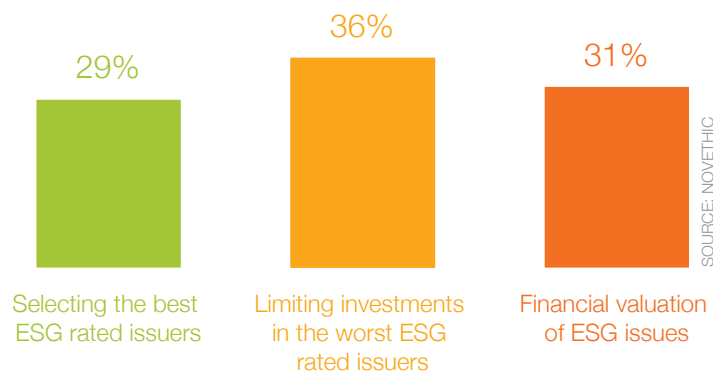
SOURCE: NOVETHIC

Investors choose exclusion in order to apply a SRI strategy without having to use complex filters that significantly change their investment universe. Exclusion lists generally include between 10 and 50 company names and their impact remains limited, if not publicly disclosed. Yet just 16% of the respondents practising exclusion publish their list of excluded issuers. Nordic investors tend to do so to a greater extent, with nearly one-third publicly disclosing their lists.

## ■ Country-based exclusion

For the first time, Novethic surveyed European investors specifically about exclusion based on countries. More than one-quarter of the investors excluded countries having failed to ratify certain international standards or those with practices they condemn, such as the death penalty. The survey found country exclusion to be the most common in Austria, with 67% of respondents saying they used the approach, the Netherlands, with 52% of respondents, and France, with 38% of respondents.

## ESG SELECTION APPROACHES



Investors looking to select issuers according to their ESG characteristics have varied approaches. 29% select companies with the best ESG performance within their sector (Best-in-class) or within their universe (Best-in-universe) and 36% avoid or limit the number of issuers with the worst ESG performances, which is a less stringent practice.

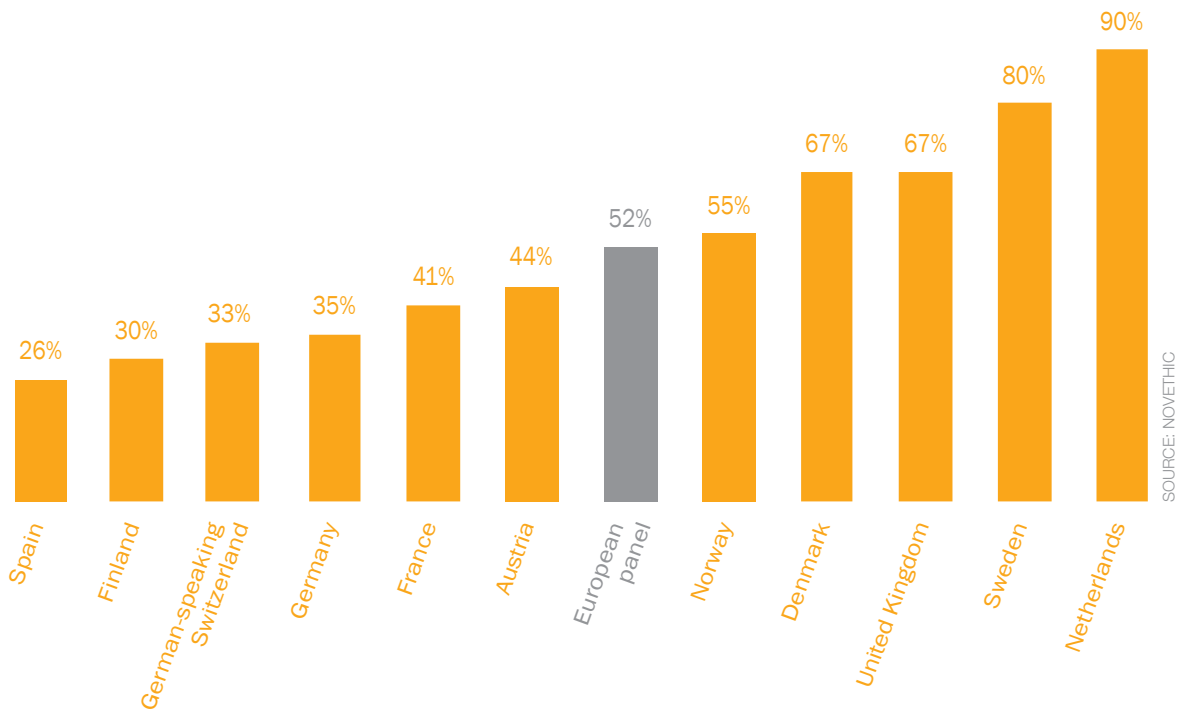
Integrating an issuer's ESG performance into its financial valuation enables stronger links with investment management. Nearly one-third of the investors use this technique and as a majority highlighted their aim of managing risks in the long term or their drive to achieve better financial performance through ESG criteria.

## ■ Sources of ESG information

A full 51% of respondents said they entrust the ESG assessment of issuers to their asset managers, compared with 27% in 2013, while 35% said they did so in-house. The share of investors using specialised rating agencies, as a complement, was stable at 44%.

## SHAREHOLDER ENGAGEMENT

### ■ Share of investors having led an engagement initiative in 2014



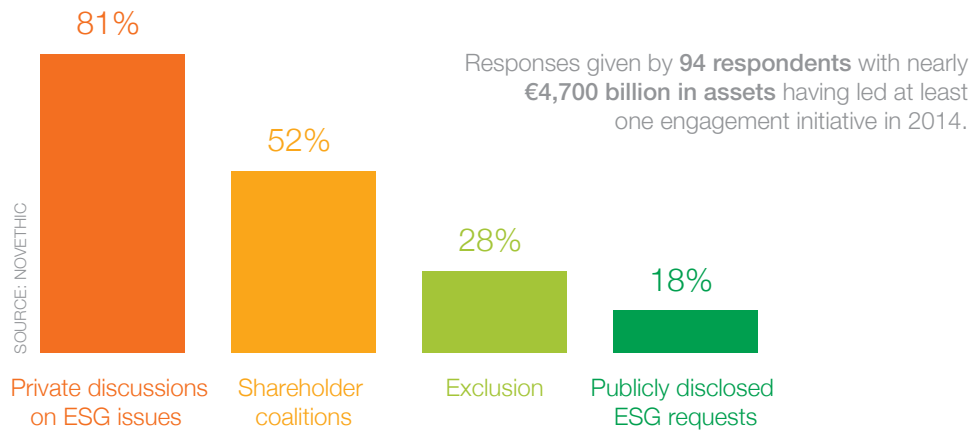
Using a structured approach, shareholder engagement aims to influence companies in order to improve their ESG performance or to end controversial activities.

On average, 52% of the investors surveyed led at least one engagement initiative this year, but the practice is common only in Northern European countries and in the UK. In addition to direct dialogue with companies, investors in these countries use threats of exclusion, sometimes combined with public statements. In these countries, the stronger the engagement, the broader the range of issues addressed by investors. In contrast, fewer than 20% of respondents in France, Germany and Spain address environmental topics such as carbon risk and water scarcity, preferring instead to focus on governance issues.

### ■ Availability of information on engagement policies

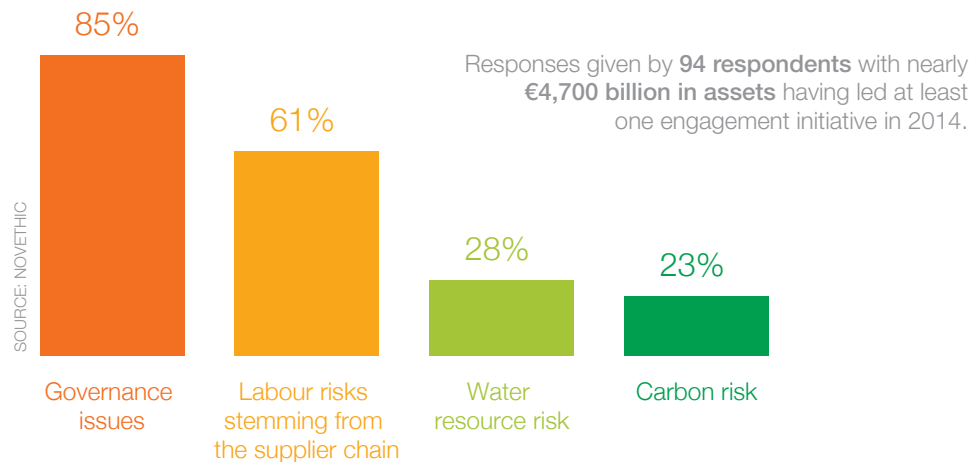
59% of investors having led an engagement initiative said they publicly disclosed aspects of those policies either by publishing an engagement policy (19%) or engagement report (33%), or through specific publications. For two-thirds of respondents these disclosures could be easily accessed on their websites.

## ■ Engagement tools



The asset owners surveyed often use a number of engagement tools. Most hold private discussions with issuers, mainly on governance issues. Collective action is developing, with more than half of the investors having joined a shareholder coalition. Lastly, one in four respondents said they had excluded at least one company following an unsuccessful engagement initiative.

## ■ Engagement topics



Governance topics continue to dominate, but less than two years after the building collapse at the Rana Plaza, the labour risk stemming from subcontracting is now among the main engagement topics. However, carbon risk is addressed by fewer than one in four investors. Following the commitments announced at the Climate Summit in New York in September 2014, this figure is expected to increase next year.

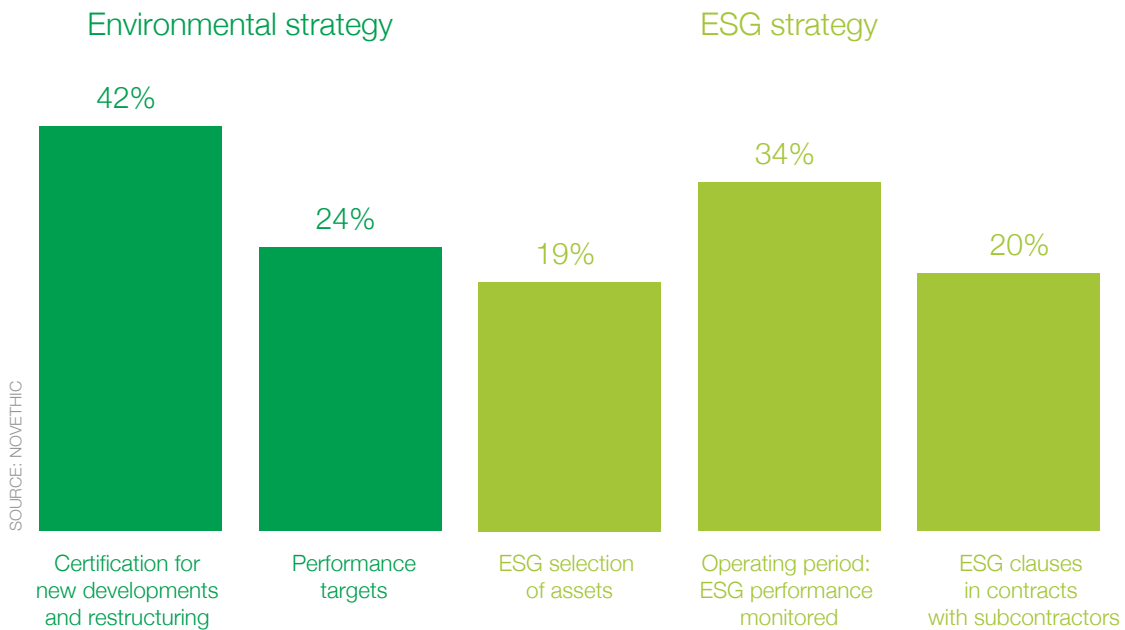
## FINANCING A LOW-CARBON ECONOMY

The survey asked asset owners about their strategies for financing the transition to a low-carbon economy. Unprompted, the respondents talked about three main courses of action: buying **green bonds**, financing **infrastructure** (renewable energies in particular) and investing in **low-carbon buildings**.

### ■ Real estate

The number of respondents leading RI policies in this sector is increasing. A full 70% of respondents investing in real estate taking account of environmental criteria at the very least, compared with just 54% last year. In addition, 39% also address social and governance issues.

The strategies in place address primarily new assets and heavy refurbishments. Of all the participants invested in real estate, 42% systematically use environmental certification. Once buildings are operational, practices include monitoring and improving performance and adopting special clauses with subcontractors.



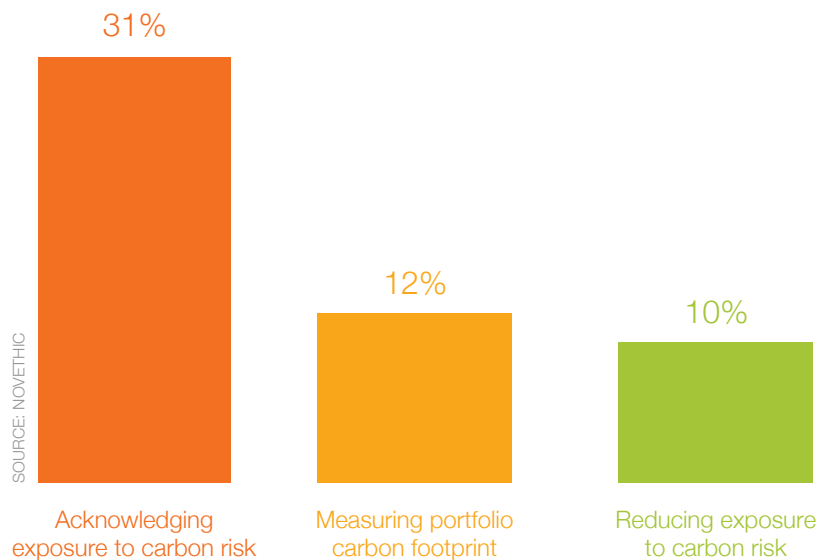


## ■ Infrastructure

45% of the respondents investing in infrastructure apply an ESG strategy to the asset class, while 11% consider environmental criteria alone.

Novethic has published a brief report on the topic to give a better understanding of how the integration of ESG criteria is developing in this asset class.

## ■ Carbon risk



In September 2014, 358 investors managing \$24 trillion in assets, signed the Global Investor Statement on Climate Change during the Climate Summit, organised in New York by the United Nations. Signatories recognised that carbon emissions have an impact on their investments and affirmed their commitment to shift investments towards a low carbon economy.

On the 185 respondents to the survey, only 31 have signed this Statement. Moreover, 67% declared that they have not yet taken any concrete action to limit carbon risk.

This survey shows the growing interest investors have regarding carbon risk. However, it is hard to assess the impacts of the different strategies investors have started to implement. A third of the European responsible investors believe they are exposed to climate risk, but only 12% of them have already measured their portfolio carbon footprint and 10% have implemented a low carbon investment strategy.

**32** respondents  
**€1,820** billion in assets  
**56%** have a formal RI policy  
**10** are PRI signatories

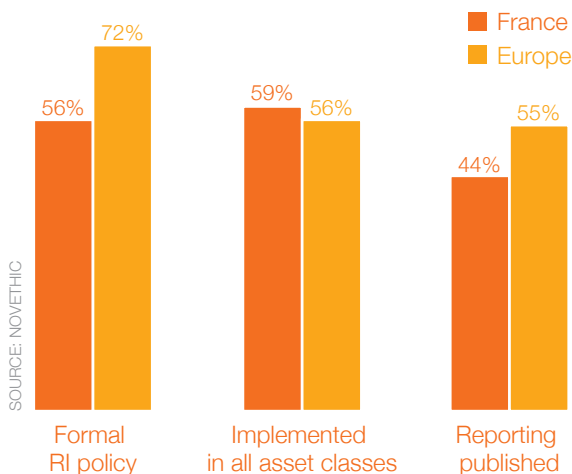
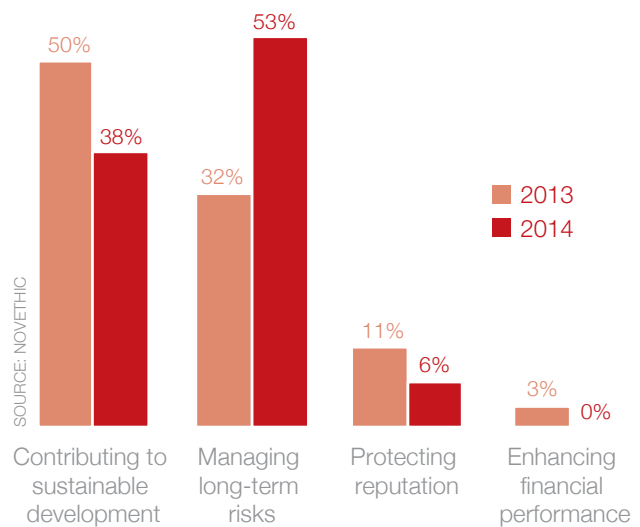
- French asset owners are establishing their RI policies
- The number of asset owners having rolled out this policy to all their asset classes was twice that in 2013 (60%)
- They have stepped up their requirements of their fund managers and are assigning ESG goals
- More of them are leading engagement policies.

Two-thirds of the French survey sample consisted of insurance companies. Most of the other respondents were public or private pension funds (25%).

### ■ Long-term risk management becomes the main incentive

French asset owners have changed their viewpoint. For the first time, a majority said their RI policy was underpinned by a desire to manage long-term risks.

This shift brings French respondents into line with those in Finland and the UK, for whom this issue is the main motivation.



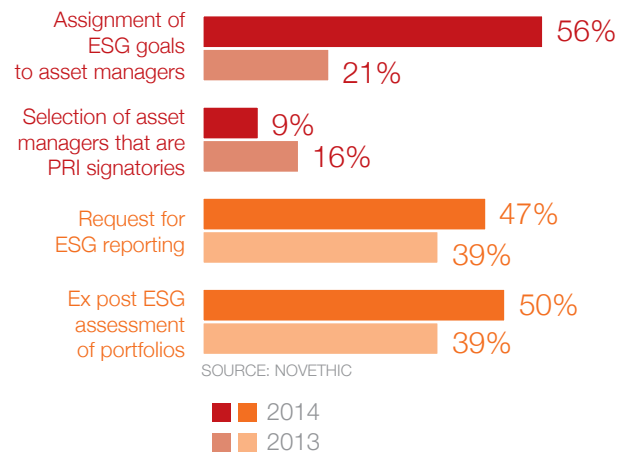
### ■ Responsible investment policy

The number of French investors with formal RI policies is on the rise, up 14 percentage points on last year. The number of investors rolling out ESG integration across all asset classes is also growing, up 22 points on 2013. But they are still behind the European average on transparency, with just 44% reporting on ESG.

## ■ ESG requirements for fund managers are growing

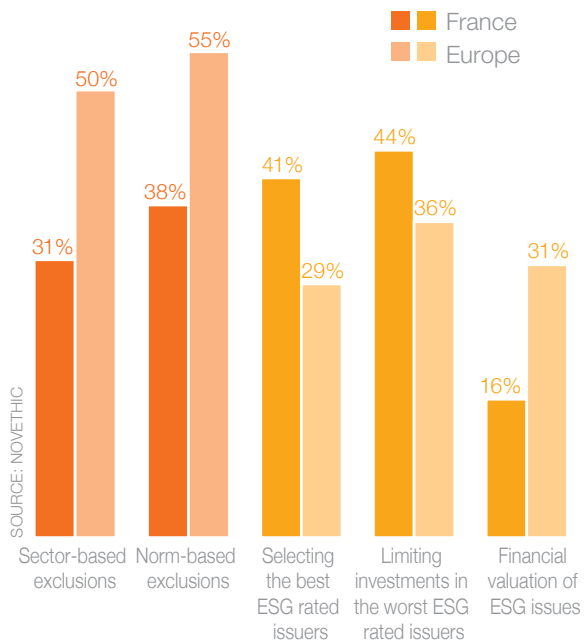
More than half of the investors delegating their management include ESG aspects in their RFPs or only select investment funds integrating ESG criteria.

Also, two-thirds of the investors monitor the ESG quality of their portfolios. Only one-half of them did so in 2013.



## ■ Selection and exclusion practices

The French investors use sector- and norm-based exclusion less than their European counterparts, except as regards country-based exclusion. Three-quarters of them have an ESG selection approach in line with their preference for Best-in-class strategies. Interestingly, the practice of selecting issuers with the best ESG ratings is applied in the same proportions as the practice of limiting investments in issuers with the worst ratings. The number of investors saying they incorporate ESG criteria in the financial valuation of issuers was lower in 2014 (16%) than in 2013 (39%).



## ■ Engagement

The number of engagement initiatives is on the rise, with 41% of the French respondents saying they had led at least one in 2014 compared with 32% in 2013.

These initiatives mainly took the form of direct dialogue, followed by joining shareholder coalitions. Only 15% of the engagement initiatives led to the exclusion of an issuer, and none of the investors publishes information on its ESG improvement requirements. French investors appear to be less concerned by the environment than their European counterparts, with only 6% of those in the sample mentioning carbon risk or water scarcity as one of their engagement topics.

# AUSTRIA

**9** respondents  
**€22** billion in assets  
**78%** have a formal RI policy  
**2** are PRI signatories

• The interest of Austrian asset owners in RI is growing strongly • They are introducing RI policies across more asset classes, pinpointing their ESG requirements in their mandates and monitoring the ESG quality of their portfolios • Exclusions are a widespread practice in the country.

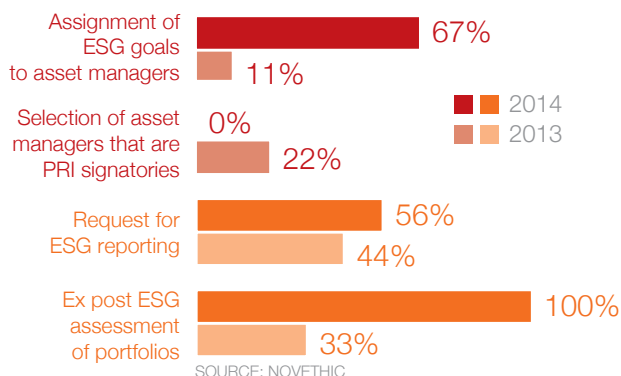
## ■ Increasing interest in responsible investment

Three-quarters of the Austrian respondents have drawn up a formal RI policy, up from just half in 2013. Incorporation of ESG criteria in a part or in all asset classes is progressing.

## ■ Sharp increase in manager monitoring

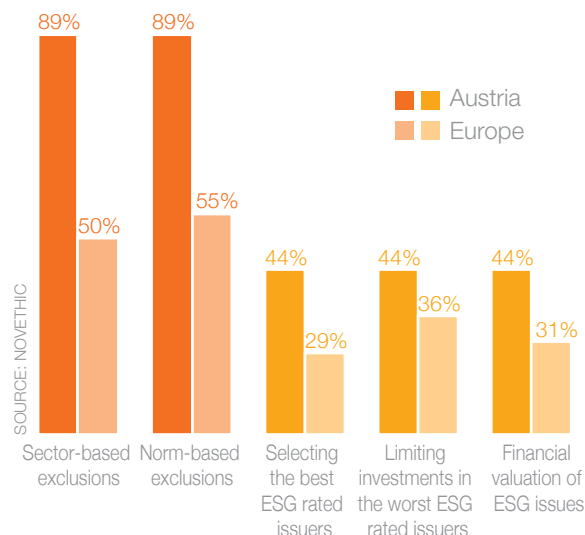
The number of Austrian investors including ESG criteria in their RFPs is rising sharply, with two-thirds of the respondents saying they did so, compared with 11% in 2013.

Likewise, all the Austrian respondents made ex-post assessments of their investments this year, up from one-third in 2013.



## ■ Exclusion first and foremost

Of the countries surveyed, exclusion, both sector- and norm-based, was the most widespread in Austria. Two-thirds of the Austrian respondents also exclude countries having failed to ratify certain international norms and countries imposing the death penalty. These exclusions are combined with other ESG approaches.



## ■ Shareholder engagement on the rise

44% of the Austrian respondents practice shareholder engagement, up from 33% in 2013.

9 respondents  
 €220 billion in assets  
 89% have a formal RI policy  
 None are PRI signatories

• Responsible investment is growing in Denmark • The accent is on monitoring the ESG quality of portfolios • Selecting issuers on the basis of strong ESG ratings is not part of the Danish investors' strategy • They also practise shareholder engagement, possibly leading to exclusion.

## Organised responsible investment policies

A full 89% of the respondents have formal RI policies, stable on 2013. All the respondents said that they applied that policy to at least a part of their asset classes.

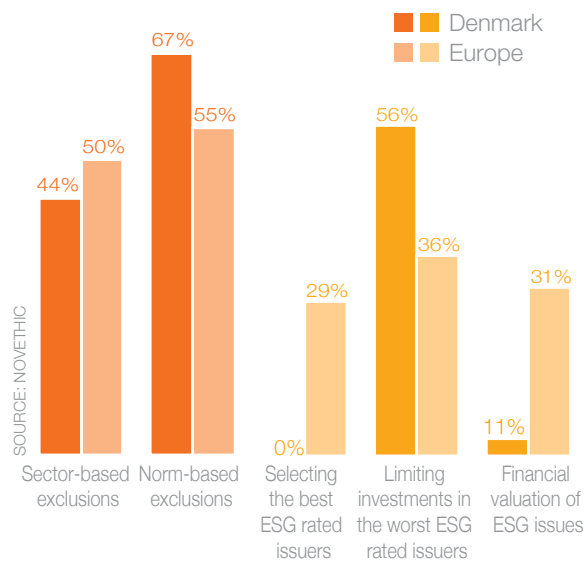
Despite having withdrawn *en masse* from the PRI, the Danish respondents publish activity reports on ESG criteria integration more often than the other respondents, with over three-quarters doing so.

## Monitoring fund managers

More than half of the Danish investors said they define ESG guidelines when delegating management. But the strongest trend is the rise in ESG quality monitoring, with two-thirds of the respondents saying they did so with their portfolios. Over half of them made ex-post assessments of the ESG characteristics of their portfolios this year, something none of them did in 2013.

## Responsible investment practices

The Danish respondents are below the European average in terms of combining exclusion lists with an ESG selection policy. None of the Danish investors choose a Best-in-class approach for selecting the best issuers. However, over half have introduced a less demanding approach aimed at limiting or prohibiting investment in the worst-rated issuers.



## Engagement

67% of the Danish respondents led at least one engagement initiative this year, ranking Denmark in the top four survey countries on this question. Engagement initiatives cover a broad range of ESG topics.

**10** respondents  
**€142** billion in assets  
**All** have a formal RI policy  
**7** are PRI signatories

- The Finnish investors are among the most efficient in terms of formal policies and ESG integration
- Eight out of ten respondents assign ESG goals to their fund managers and all the respondents monitor the ESG quality of their portfolios
- The respondents led few engagement initiatives and are not particularly interested in demanding ESG selection strategies.

## ■ Comprehensive ESG integration and policy implementation

All the Finnish asset owners said they had a formal policy and four out of five consider they have implemented ESG integration comprehensively with all their asset classes. They lead the way on transparency, with 70% publishing reports.

## ■ Fund manager monitoring

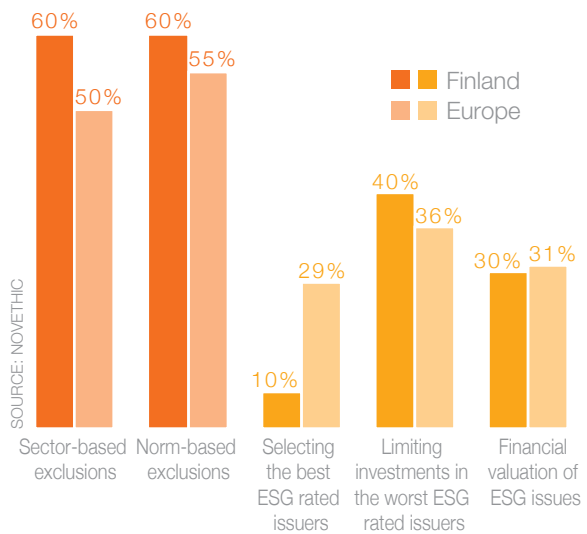
A full 80% of the Finnish asset owners surveyed set RI goals for asset managers. Forty per cent of them include ESG requirements in RFPs for delegated management and 50% require asset managers to be PRI signatories. The remaining 20% said they hold regular dialogue on these issues with their delegated fund managers.

All the Finnish respondents monitor the ESG quality of their portfolios. 80% make ex-post assessments of the ESG quality of their portfolios, while 60% ask their managers to report on the ESG characteristics of portfolios.

## ■ RI practices focused on exclusion

Sector- and norm-based exclusions are widespread, with a slightly higher percentage than the average for European investors.

In terms of ESG selection approaches, the Finnish respondents prefer to limit their investments in the worst-rated issuers, and just 10% select the issuers with the best ESG ratings when building their portfolios.



## ■ Engagement

Only 30% of the Finnish investors led an engagement initiative in 2014, a slightly lower percentage than the average for European investors.

*Novethic would like to thank Finsif, the Finnish Sustainable Investment Forum, for its assistance in obtaining answers from Finnish investors.*

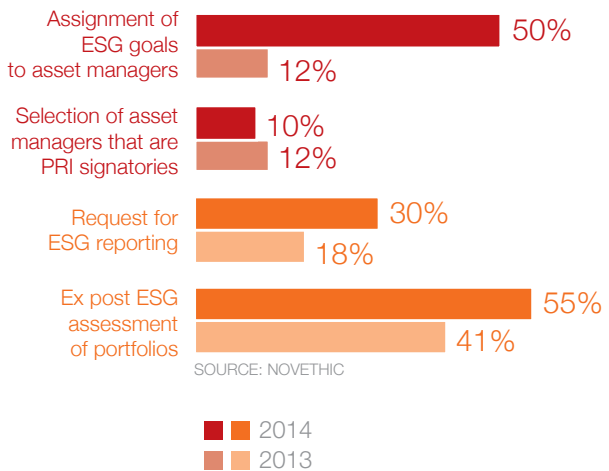
**20** respondents  
**€1,204** billion in assets  
**70%** have a formal RI policy  
**10** are PRI signatories

- More and more German asset owners are integrating ESG criteria
- More of them are assigning ESG goals to their fund managers
- 80% of the respondents apply at least one sector- or norm-based exclusion
- Engagement is still underdeveloped

**Implementation is a priority for German investors**

German investors are making brisk headway. They have adopted formal RI policies as a whole, signed the PRI and many more of them are assigning ESG goals to their fund managers – a full 50% of the sample compared with 12% in 2013. Ex-post controls are also increasing.

More German investors reported on their RI initiatives than did their European counterparts (55%).



**Responsible investment practices**

A full 80% of the German investors have introduced an ESG strategy. Four out of five respondents use sector-based exclusions, and 65% exclude companies implicated in violations of international norms.

Paradoxically, German investors are keen to incorporate ESG issues into the financial valuation of issuers (40%) but none said that achieving better financial performance was an incentive behind RI.

**Engagement**

Germany is one of the countries where shareholder engagement is rather rare. Only 35% of the investors in the sample said they had led at least one engagement initiative this year, in the shape of direct dialogue with companies and mainly focused on governance issues.

# NETHERLANDS

**21** respondents  
**€346** billion in assets  
**All** have a formal RI policy  
**14** are PRI signatories

• Dutch investors have put in place a structured responsible investment approach • Four out of five respondents consider that they have completely integrated ESG criteria • Two-thirds report on their ESG strategies • Norm-based exclusions and engagement initiatives are implemented by all or nearly all the respondents.

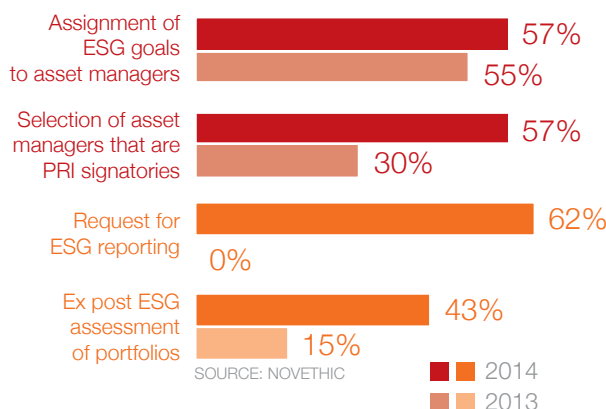
## Formal RI policies and complete ESG integration

All the respondents have formal RI policies. Four out of five said they had integrated ESG criteria across all asset classes, up from one-third last year. Two-thirds of the respondents report on their RI activities, primarily through PRI reporting.

## Monitoring fund managers

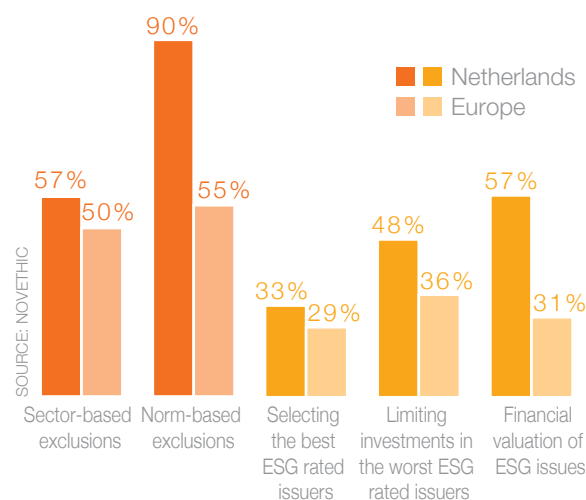
All but one of the Dutch respondents indicate their ESG expectations of their managers when delegating management, whether by including an ESG section in RFPs or by requiring managers to be PRI signatories.

They have stepped up portfolio monitoring, with 43% now making ex-post ESG assessments compared with 15% in 2013. Similarly, 62% of the respondents ask for reports on the ESG quality of their portfolios, something that none of them did in 2013.



## Responsible investment practices

A full 90% of the Dutch asset owners surveyed exclude companies implicated in violations of international norms. The Netherlands is one of the countries in which the most investors lead a country-based exclusion strategy.



## Engagement

All the Dutch investors surveyed said they had led an engagement initiative this year on a range of topics. 60% of them said they had excluded an issuer following an unsuccessful initiative, a proportion significantly higher than the European average.



**11** respondents  
**€762** billion in assets  
**91%** have a formal RI policy  
**4** are PRI signatories

• Norway is one of the most advanced countries in terms of formal and implemented RI policies • Norwegian investors use all ESG selection strategies and all types of exclusion • They stand out on transparency, with several respondents publishing a list of excluded issuers and details on their engagement initiatives.

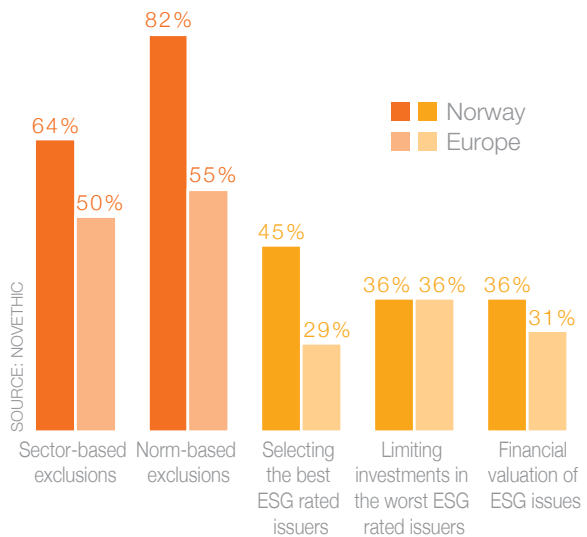
## ■ Implementation complete and fund managers monitored

Norway is one of the most advanced countries with regard to SRI, with all the respondents saying they had implemented their policy across all asset classes.

More than half of the Norwegian respondents express ESG expectations ahead of investing by integrating ESG aspects into RFPs on delegated management and selecting fund managers having signed the PRI. The same proportion of investors monitor the ESG quality of their investments, placing them in the European average.

## ■ All practices used

Norm-based exclusions are used frequently in Norway as in the other Nordic countries. For all the ESG strategies listed, the percentages indicate that they combine several ESG investment strategies.



## ■ Engagement

55% of the respondents said they had led engagement initiatives this year, close to the European average of 52%. Half of them address water resource-related risks, twice as high as the European average. Norway is also one of the countries in which investors frequently publicly disclose their engagement initiatives.

# SPAIN

**23** respondents  
**€78** billion in assets  
**48%** have a formal RI policy  
**6** are PRI signatories

• Spanish asset owners lag in terms of establishing and implementing formal RI policies and of transparency • They are, however, making increasing demands on their fund managers, be it in their RFPs or in monitoring the ESG quality of their portfolios.

## ■ Trailing in terms of RI policy implementation

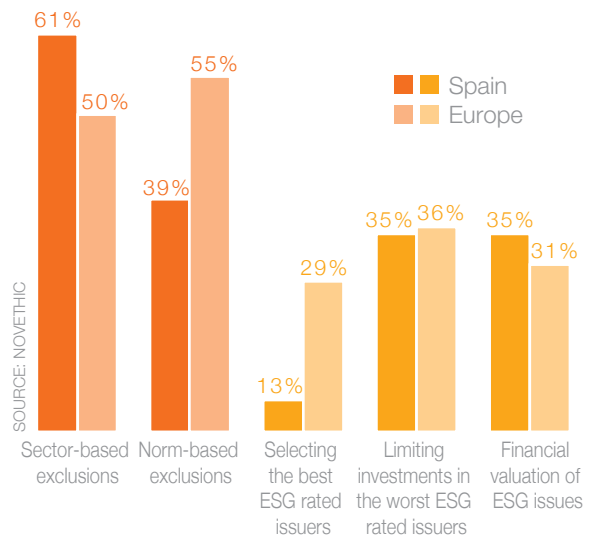
Spanish investors are at the bottom of the European rankings. Only half have a formal RI policy and under one-third considered their ESG integration as complete. Only 22% of the Spanish respondents reported on ESG.

## ■ Monitoring fund managers

Spanish asset owners have increased their ESG requirements. Nearly half of the respondents included an ESG criteria section in their RFPs or required asset managers to be PRI signatories, whereas just one in four had initiated this type of requirement in 2013. At the same time, Spanish responsible investors are keeping a closer eye on the ESG quality of their portfolios. More than 50%, or double the proportion of last year, make ex-post assessments or ask their fund managers to report on ESG.

## ■ Responsible investment practices

Spanish investors' policies on exclusion and ESG selection have changed little since last year. The Spanish respondents said they preferred to value ESG issues financially and limit investments in issuers with the worst ESG ratings rather than selecting those with the best ESG ratings.



## ■ Engagement

Engagement is not very common among Spanish investors; under one-third of the investors surveyed said they had led an engagement initiative in 2014.

**10** respondents  
**€147** billion in assets  
**90%** have a formal RI policy  
**10** are PRI signatories

- Swedish investors are the European leaders in RI
- They establish and implement formal policies and set ESG goals for asset managers
- They monitor the ESG qualities of their portfolios and select the best-rated issuers
- They also make active use of engagement.

**Full implementation**

All the respondents have rolled out their policy across all asset classes and now report on their RI activities.

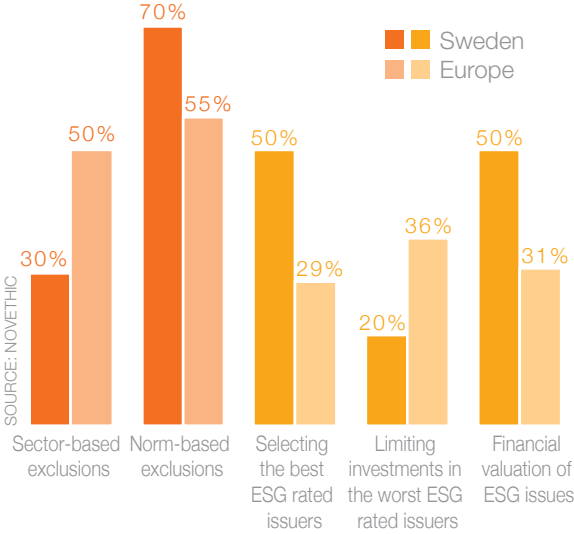
**ESG objectives assigned to asset managers**

More than two-thirds of the Swedish respondents set ESG goals for asset managers. Also, 80% of the Swedish investors surveyed monitor portfolios quality. A little over two-thirds of the respondents request ESG reporting, while 20% make ex-post ESG assessments.

**High standards**

Sweden has the highest proportion of respondents selecting issuers with the best ESG ratings. Half of the Swedish investors surveyed used this demanding ESG selection method.

As with their Nordic counterparts, the majority of Swedish respondents practise norm-based exclusion, but the proportion of Swedish investors using sector- and country-based exclusions is lower than the European average.



**Engagement**

80% of the respondents have led engagement initiatives in 2014, making Sweden the number-two country for shareholder engagement, after the Netherlands.

# UNITED KINGDOM

21 respondents  
 €604 billion in assets  
 81% have a formal RI policy  
 13 are PRI signatories

• The number of formal RI policies continues to grow in the UK • ESG reporting is developing and more requirements are being made of fund managers • In terms of ESG practices, the British make the least use of exclusion lists compared with the rest of Europe • An increasing number of investors are selecting issuers with the best ESG ratings, and shareholder engagement is still a widespread practice.

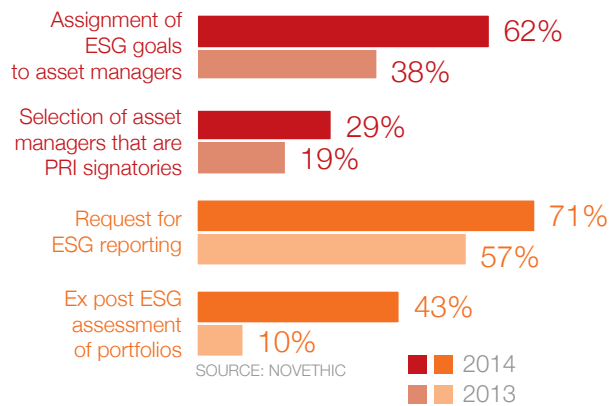
## Increased implementation

A full 81% of UK asset owners said they had a formal policy, a higher percentage than the European average. 38% considered that they have integrated ESG criteria to all their asset classes, up from 25% in 2013. In addition, a higher share of UK investors is now reporting on their RI policies (76%, against 67% in 2013.).

## Closer monitoring

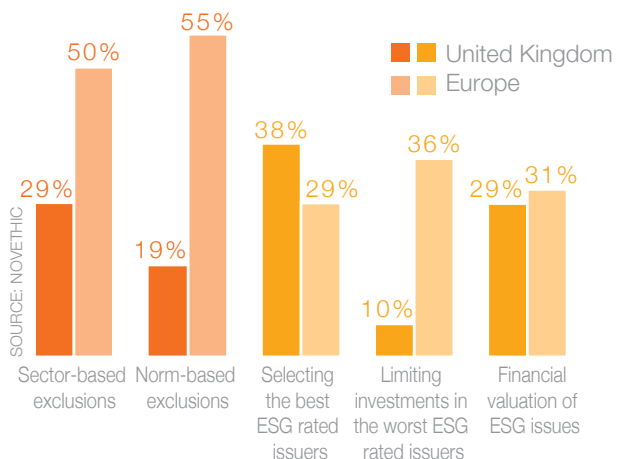
Two-thirds of the investors set ESG goals for asset managers, a sharp increase on 2013.

Furthermore, three-quarters of the UK asset owners surveyed monitor the ESG quality of their portfolios, compared with just one-half last year.



## Exclusions remain rare

UK investors make little use of exclusion. They are more inclined to use ESG selection and prefer to select the best-rated issuers. Just 6% of the respondents used this practice in 2012, while nearly 40% do so today.



## Engagement

Two out of three respondents said they had led an engagement initiative this year. Governance is still the key focus, but the topics are varied. Few UK investors said they had excluded an issuer following an unsuccessful engagement initiative.



# INVESTORS RESPONDING TO THE SURVEY

A total of 185 asset owners were surveyed in 2014, 20 more than in 2013. The list below includes only those that consented to their name being published.

## Supranationals

- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD)

## Austria

- Bonus Vorsorgekasse AG
- Bundespensionskasse
- fair-finance Vorsorgekasse AG
- Grazer Wechselseitige Versicherung AG
- Niederösterreichische Vorsorgekasse AG
- VBV - Vorsorgekasse AG
- Victoria-Volksbanken Vorsorgekasse AG

## Belgium

- Belfius Insurance
- Curalia
- Ethias
- Fédérale Assurance

## Denmark

- ATP
- PBU
- Pensam
- PKA

## Finland

- Central Church Fund of Finland
- Etera Mutual Pension Insurance Company
- Ilmarinen Mutual Pension Insurance Company
- Keva
- State Pension Fund (VER)
- Veritas Pension Insurance Company

## France

- AG2R La Mondiale
- AGIRC-ARRCO
- BNP Paribas Cardif
- BPI France
- Caisse des Dépôts
- Caisse Générale de Prévoyance (CGP) des Caisses d'Épargne
- CNP Assurances
- COFACE
- Crédit Agricole Assurances
- ERAFF
- FRR
- Groupama
- Groupe AGRICA
- Groupe AXA
- Groupe Malakoff Médéric
- Humanis
- IRCANTEC
- MACIF
- MAIF

- Mutuelle de Poitiers Assurances
- Préfon retraite
- PRO BTP
- REUNICA
- SMACL Assurances
- Union des Caisses de France (UCF)

## Germany

- Allianz SE
- Bayerische Versorgungskammer
- Canada Life Assurance Europe
- Deutsche Bundesstiftung Umwelt
- Evangelische Kreditgenossenschaft eG
- Generali Deutschland Holding AG
- Hannoversche Alterskasse VVaG
- KfW Bankengruppe
- Landesbank Baden-Württemberg
- MEAG (Munich Re & ERGO)
- MetallRente GmbH
- oeco capital Lebensversicherung AG
- R+V Versicherung AG
- Skandia Lebensversicherung AG
- Steyler Bank GmbH
- Talanx

## German-speaking Switzerland

- Gebäudeversicherung Bern (GVB)
- NEST Sammelstiftung
- Pensionskasse der Zürcher Kantonalbank

## Netherlands

- Ahold Pensioenfond
- ASR
- BPF Levensmiddelen
- Delta Lloyd
- Legal & General
- Menzis Zorgverzekeraar
- Pensioenfond ING
- Pensioenfond vervoer
- Pensioenfond Zorg en Welzijn
- Philips Pensioenfond
- PNO Media
- Rabobank Pensioenfond
- Stichting Pensioenfond DSM
- Stichting Pensioenfond Openbaar Vervoer
- Stichting Pensioenfond TNO
- Stichting Pensioenfond Unilever
- Stichting Pensioenfond UWV
- Stichting Pensioenfond voor Huisartsen
- Stichting Spoorweg Pensioenfond

## Norway

- DNB
- Folketrygdfondet (Norwegian Government Pension Fund)
- Gjensidige Forsikring

- Opplysningsvesenets fond
- Storebrand ASA
- Yara Pensjonskasse

## Spain

- Bridgestone Hispania Pension
- Caja Ingenieros
- Catalana Occidente Empleo 1, Fondo de pensiones
- Deutsche Zurich Pensiones E.G.F.P.
- Elkarkidetza EPSV
- Endesa, Fondo de pensiones
- Fondo de Pensiones de la Age
- Fons de Pensiones de l'àmbit de la Generalitat de Catalunya, FP
- Geroa Pentsioak EPSV
- GM Pensiones
- Hazia-BBK EPSV
- Hermandad Nacional de Arquitectos
- Itzarri EPSV
- Lagun-Aro EPSV
- Loreto Mutua
- Mutual Médica
- Plan de Pensiones Caixa
- Plan de Pensiones Empleados de Telefónica
- MC Mutual-MC Prevención / Midat Cyclops
- Repsol II
- Surne
- Vidacaixa

## Sweden

- AP1
- AP4
- AP6
- AP7
- Church of Sweden
- Folksam
- Stiftelsen för miljöstrategisk forskning (MISTRA)
- Swedfund International

## United Kingdom

- Aviva Group
- BBC Pension Trust
- British Airways Pensions
- Church of England Pensions Board
- London Pensions Fund Authority
- Merseyside Pension Fund
- National Employment Savings Trust (NEST)
- North East Scotland Pension Fund
- Royal London
- SAUL
- Strathclyde Pension Fund
- Uninvest Company
- Universities Superannuation Scheme (USS)



2014 SURVEY

# PROFILE OF RESPONSIBLE INVESTORS IN EUROPE

A survey of Novethic's research centre,  
conducted by **Aurélie de Barochez**.

With the collaboration of **Alison Amiell** and **Ann-Catrin Sträter**,  
under the supervision of **Dominique Blanc**.

Novethic, a subsidiary of Caisse des Dépôts, is a research centre on responsible investment and an expert media on the responsible economy. Founded in 2001, Novethic is the sole provider of SRI statistics in France. The research centre analyses the major trends in SRI and explores them in theme-based studies. Novethic's SRI and green fund Labels provide an assurance of the responsible investment quality and transparency of the European financial products certified. [www.novethic.com](http://www.novethic.com)

