



Press Release

European asset owners' have diverging views about responsible investment but share a growing interest in Environmental, Social and Governance (ESG) risks.

Paris, 28 November 2011: Novethic with the support of BNP Paribas Investment Partners is releasing the results of its second annual survey, "European Asset Owners' ESG perceptions and integration practices". In 2011, more than 250 asset owners across 11 countries were surveyed on the incorporation of Environmental, Social and Governance (ESG) criteria into asset management. Managing a total of EUR 4,540 billion, these investors have gradually integrated the notion of ESG risks, although responsible investment is defined very differently from one country to another.

The European investors surveyed on average associate responsible investment with a triptych that combines, issuer selection based on ESG criteria, a focus on their sustainable development practices and ethical exclusions. The importance of ethical exclusions varies considerably depending on the country. More than 75% of German, Dutch, Danish and Swedish investors mention this practice, but less than 40% of the French or UK respondents do so.

The exclusion of companies or sectors due to the ESG risks that they represent ranks second, mentioned by 43% of European respondents. This practice is very common in some countries, such as Denmark (73%) and Finland (75%), but is significantly less widespread in France, for example, where it is only mentioned by 28% of the investors surveyed.

Between 2010 and 2011, two of the motivations to integrate ESG criteria grew in importance: the contribution to sustainable development rose from 46% to 51% and long-term risk management gained 6 points to reach 25%. The clearest sign of this shift is that more investors acknowledge the contribution of ESG analysis to financial analysis. Fifty-three percent of respondents believe that all issuers should be subject to ESG analysis for a better understanding of risks and opportunities. The investors surveyed feel that the best source of information for implementing responsible investment policies is specialised rating agencies (45% buy their reports). The most widespread practice is the introduction of a charter (42% already have one, and 18% are preparing one). However, only 25% have in-house ESG analysts.

Although European investors seem to be aware of certain issues, they do not always act on them. Less than a quarter of them state that they have revised their investment policy following events such as the BP platform explosion or regime changes brought about by the Arab Spring. After the explosion at the Fukushima nuclear power plant, only 16% of the investors surveyed replied that they reviewed their exposure to the nuclear sector.

Reputational risk

Ethical investment consists of excluding certain sectors for moral or religious reasons. This practice is closely related to respondents' views about reputational risk, i.e. receiving negative media coverage or being the focus of NGO campaigns due to their investments. Northern European investors express the greatest concern about this type of risk, but this fear is less prevalent in the south. It is worth noting the sharp development of certain reputational risk issues. Controversial weapons (anti-personnel mines or cluster bombs), a non-existent concern about ten years ago, are now condemned by 80% of the investors surveyed. Tax havens and commodities seem less problematic but are nevertheless mentioned by 42% and 34% of the sample, respectively. To avoid any risky securities on their investment portfolio; both in order to protect their reputation and to prevent the negative impact of controversial companies on their earnings, a new practice has developed among investors: norm-based exclusions. Among the 40% of the sample that integrates ESG analysis for all equity investments, 62% practice norm-based exclusions. This refers to eliminating companies guilty of evidenced violation of major international conventions.

Survey Sample

259 asset owners (private and public pension funds, private insurers and mutual insurance companies, not-for-profit organisations – foundations and NGOs, banks, public financial institutions, religious institutions), with EUR 4,540 billion in assets, were surveyed between June and September by telephone and email in 11 countries: Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Spain, Sweden, United Kingdom.

Novethic, part of Caisse des Dépôts, is a research centre in France on Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR). www.novethic.com

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BNP Paribas Investment Partners is the dedicated asset management business of the BNP Paribas Group. With total assets under management of EUR 540 billion*, BNP Paribas Investment Partners is the 4th-largest asset manager in Europe and the 12th-largest in the world* and applies Environmental, Social and Governance (ESG) standards to its mainstream investments. BNP Paribas Investment Partners is also a leading player in Sustainable and Responsible Investment (SRI) with €14bn* in assets under management and over 60 analysts and asset managers in 10 investment centres. (* Source: BNPP IP per 30 June 2011).