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# The **European Survey** on Socially Responsible Investment and the Financial Community



Conducted by Taylor Nelson Sofres



*With the support of the European Commission-Employment and Social Affairs Directorate General*

# Foreword



The last two years have seen Corporate Social Responsibility (CSR) moving to the top of the European agenda. At the Lisbon Summit in March 2000, European Heads of State and Government defined a new Strategic Goal “to make Europe the most competitive and dynamic knowledge-based economy in the world by 2010”. Recognising the crucial role of business in achieving this goal, they challenged business leaders with a Special Appeal to further take up CSR.

In response to the Lisbon Appeal, business leaders launched the - **European Business Campaign on Corporate Social Responsibility** in June 2001, aimed at mobilising 500 000 business people and partners on CSR by 2005 – [www.csrcampaign.org](http://www.csrcampaign.org).

The Campaign represents the largest alliance<sup>1</sup> of business and stakeholders to mainstream CSR in business practice and policy-making throughout Europe. **Socially Responsible Investment** (SRI), as a major driver for CSR, is one of the highlights of this Campaign.

Several new developments have marked the SRI scene recently. These include the launch of **new indices** at national, European and international level; ground-breaking **regulation on pension funds'** disclosure practices in the UK, France, Germany, Sweden, and Belgium; the creation of **global alliances** of investment research groups such as the **SiRi Group**; and the development of a **European Sustainable and Responsible Investment Forum**.

<sup>1</sup> *Business leaders from CSR Europe, The Copenhagen Centre (TCC), the International Business Leaders Forum (IBLF) and 15 National business driven organisations have been initiating this Campaign.*



In this rapidly changing context, **CSR Europe** and **Euronext** recognised the need for a closer **dialogue** and **partnership between companies and investors**.

As a first step in this direction we decided to conduct this **European-wide survey** amongst 302 financial analysts and fund managers. The survey aims to capture the **size of the SRI market**, explore the **rationale** behind investors' preferences and investment strategies, and, finally, allow us to unveil investors' **expectations** on the role of various actors in mainstreaming SRI in Europe.

Secondly, in co-operation with the **SIRi Group**<sup>2</sup> we have produced the **SRI Compass**, an online resource featuring all green and ethical retail funds and indices in Europe. The SRI Compass aims to **lay the foundations** for a better understanding of the evolution of the SRI market as well as stimulate financial actors to mainstream SRI in their core practices.

Finally – feeding the momentum of the Sustainable Development Strategy for Europe, as well as the European Commission's Green paper on "Promoting a European framework for CSR" - we hope these **business-driven** initiatives will help Europe to achieve its **Strategic Goal 2010**.

## Methodology

The survey was conducted by Taylor Nelson Sofres in 9 European countries (Belgium, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, and United Kingdom).

The target population was composed of 197 fund managers and 105 financial analysts, for a total of 302 interviewed, carried out from 19 to 24 October 2001!

In addition, refined qualitative interviews were carried out with high-level investors in the following 5 countries: Belgium, France, Germany, the Netherlands, and the United Kingdom.

<sup>2</sup> A global alliance of 11 Investment Research Groups on SRI, [www.sirigroup.org](http://www.sirigroup.org)

# Research Partners



This survey has been developed in the framework of the CSR Europe Programme on “Finance and Social Responsibility”, developed under the leadership of **Caisse des Dépôts et Consignations** and **IntesaBci**. The mission of the Programme is “To enhance the key role that the financial sector can play in fostering Corporate Social Responsibility and promoting Socially Responsible Investing”.

In the preparatory phase of this survey, CSR Europe and Euronext built on the expertise already developed in **imug**'s survey on SRI in Germany ([www.imug.de](http://www.imug.de))



## Conducted by Sofres

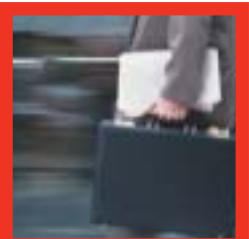
*Taylor Nelson Sofres is the leading opinion and market research company in France and the 4th group worldwide*



## In co-operation with imug

*One of the leading German Research Institutes linked to the University of Hannover*





## CSR Europe

CSR Europe is a business driven membership network whose mission is to help companies combine profitability and sustainability by placing Corporate Social Responsibility (CSR) in the mainstream of business practice.



## Euronext

Euronext is the first cross-border European exchange organisation, created in September 2000 by the merger of the exchanges in Paris, Amsterdam and Brussels. Euronext manages both regulated and unregulated markets and offers a complete and varied range of services.





# Key findings



## The market for SRI is growing:

**33%** of respondents already offer SRI products and **15%** plan to introduce them!

## Investors are recognising the benefits:

- With identical or higher **long-term returns**, **77%** would prefer an SRI fund to a traditional one despite possible lower returns in the short term
- **30%** believe that **social and environmental risk management** improves a company's market value in the short term. **86%**, in the long term
- **51%** of fund managers and **37%** of financial analysts would **grant a premium** to socially responsible companies.

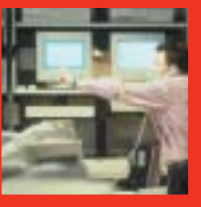
## The need for mutually reinforcing action

The results call for joint action by companies, banks and financial analysts to overcome major obstacles to the further development of SRI:

- **87%** asked companies for more communication
- **86%** urged financial actors to be more transparent on SRI criteria.



# The SRI Market begins to take shape



## To match a growing demand...

**44%** of interviewed investors perceive a specific demand for SRI products.

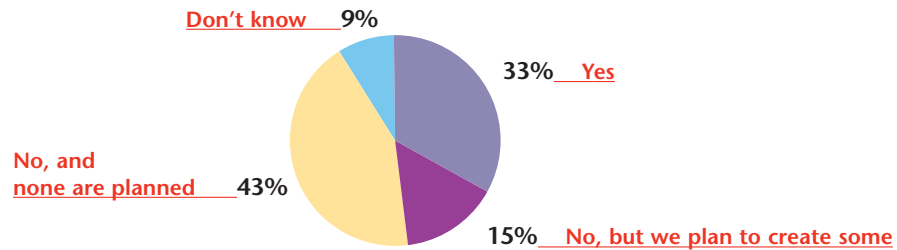
## ...the financial sector is widening its offers

**33%** stated that their company currently offers SRI products while an additional

**15%** said their companies were planning to develop such products in the future.

### Question:

*Does your company offer any SRI products?*



However, SRI opportunities are still far from being mainstreamed. Of those surveyed that offer SRI products

- **59%** said they offer only to a **select group of specially targeted customers**

- **20%**, only **on customers' demand**
- **15%** **systematically** offer to **all customers**.

## What do investors look for?

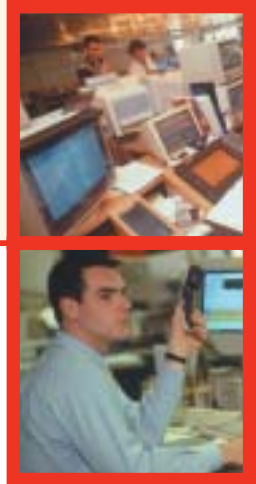
In particular, respondents considered the following **criteria** to be most important when they make their investment recommendations and choices:

- Respect for human rights
- Good corporate governance
- Communication and transparency on social practices
- Environmental policy.

**Question:** *Among the following examples of social and environmental policy in companies, which are the ones that you take into account when recommending/selecting investments ?*



# Why are investors increasingly opting for SRI?



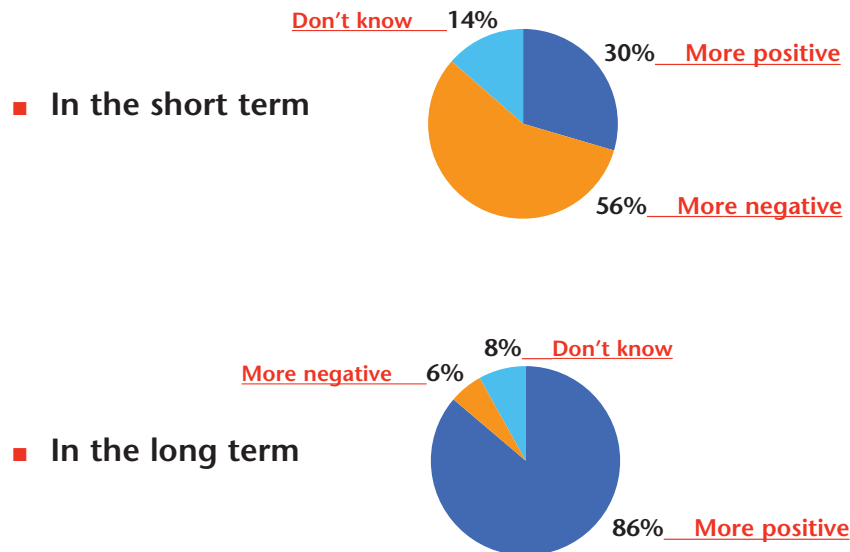
## Risk management is part of the answer...

**30%** believe that **social and environmental risk management** has a positive impact on the company's market value in the **short term**.

This builds to **86%** when the time horizon spans out to the **long term**.

### Question:

*For a company, do you think that social and environmental risk management can have a more positive or a more negative impact on its market value?*



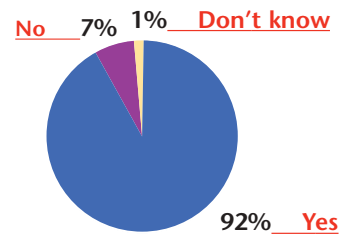
**50%** of those interviewed believe a company's socially and environmentally responsible attitude leads to a **better management** of social and environmental risk.

## ...SRI as a product of choice

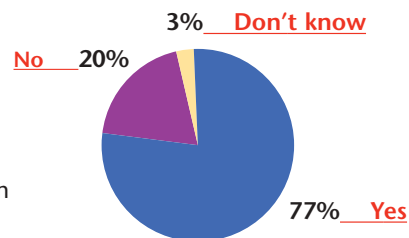
**92%** of fund managers and financial analysts stated that they would prefer SRI to traditional investment if it offered the **same conditions of returns and risk**.

More interestingly, SRI is the product of choice for **forward-looking investors**. With the promise of **identical or higher returns in the long term**, **77%** of respondents would be prepared to choose and/or recommend an SRI fund despite **possible weaker returns in the short term**.

- When the two investments present the same return and risks



- When the socially responsible investment offers weaker returns in the short term but identical or better returns in the long term



### Question:

*Would you recommend/select a socially responsible investment rather than a traditional investment in the following cases?*



## Financial Experts say CSR adds value to companies

On average **46%** of participants in the survey said they **granted a premium to socially responsible companies** when they advised their clients.

**Fund managers** were particularly likely to favour socially responsible companies (**51%**), while **financial analysts** were a bit more hesitant in awarding premiums to responsible companies (**37%**).



### Financial analysts



12%

Yes, definitely

25%

Yes, somewhat

**37%**

**Subtotal "Yes"**

36%

No, not really

22%

No, not at all

**58%**

**Subtotal "NO"**

5%

Didn't respond

105

Sample

### Fund managers



22%

29%

**51%**

33%

14%

**47%**

2%

187

### Question:

*When advising/choosing portfolios, would you say you tend to grant a premium to socially responsible companies?*



# Calling for mutually reinforcing action

To take SRI to the next level, the survey results call for the many actors involved to take up responsibility and **complement** each other's contributions.

Respondents wanted to see SRI actors further cultivate the following roles in the future:

- **Public authorities** as facilitators for development
- The **Media** as a channel to the public
- **Companies** as partners for closer dialogue
- **Investors and Financial Analysts** as market catalysts
- **Banks** as product innovators.



## Public authorities as facilitators for development

When asked which measures should be taken to broaden the reach of the SRI market, **75%** of respondents called for public authorities to act as a catalyst.

In particular, investors expressed a wish for:

- Fiscal incentives for SRI investments (**69%**)
- Clearer frameworks on investors' disclosure practices (**65%**).

## The Media as a channel to the public

**87%** challenged the media to act as a public broadcaster by reinforcing its commitment to spreading information on SRI.

## Companies and financial analysts as partners for closer dialogue

Companies and financial analysts were called on to further collaborate on improving and strengthening their dialogue opportunities (**87%**).



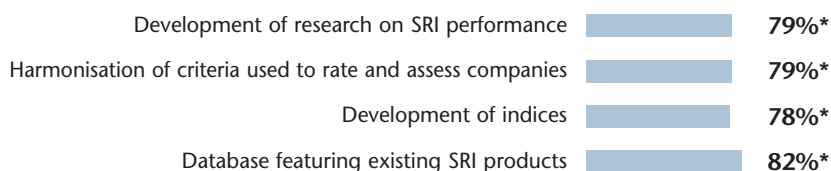
## Investors and Financial Analysts as market catalysts

Almost **80%** of investors and financial analysts identified the following **top three tools** for improving the integration of the social and environmental dimension into decisions of portfolio allocation

- Databank featuring SRI products
- Specialised research on SRI performance
- Harmonisation of SRI criteria and methodology.

### Question:

*The following are different means enabling financial analysts and investors to include social and environmental dimensions when recommending and selecting investments. For each of them, tell me if you consider them useful or not useful ?*



\* consider them useful

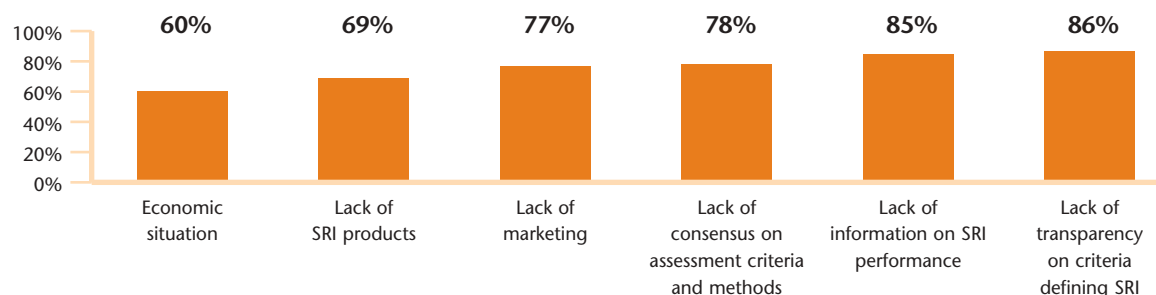
## Banks as product innovators

To remove obstacles to and support the development of the SRI market, banks were called on to

- Expand and diversify their range of SRI products
- Disclose more information on the performance of existing SRI offers
- Promote SRI products through more active marketing.

### Question:

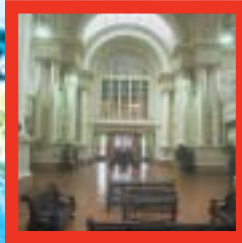
*Which of the following items could hinder the development of Socially Responsible Investment?*



# Photographing a market in evolution

To successfully take stock of the SRI market and explore the lines of its future developments it is essential to track both the **expectations of practitioners** and the **products on offer on the market**. This survey responds to the first need.

To address the second challenge, CSR Europe and the **SiRi Group**, [www.sirigroup.org](http://www.sirigroup.org), a global alliance of 11 Investment Research Groups on SRI, in co-operation with **Euronext**, have developed the **SRI Compass** ([www.sricompass.org](http://www.sricompass.org)). The SRI Compass is an online resource featuring all green and ethical retail funds in Europe. It is reference **gateway** for practitioners who want to explore Europe's **new world of investing potential**.



[www.sricompass.org](http://www.sricompass.org)

*The European Business Campaign on CSR is an initiative of*

**CSR Europe**

*The Prince of Wales Business Leaders Forum*

*The Copenhagen Centre*

*15 National Business Organisations*

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*The CSR Campaign is run by an alliance of businesses and organisations. Its mission is to help companies combine profitability and sustainability by making Corporate Social Responsibility a cornerstone of the way they operate.*

