Press release

European asset owners: implementing more formal ESG practices to protect against long-term risks

4 December 2012 - Novethic is releasing the results of its annual survey on the integration of Environmental, Social and Governance (ESG) criteria by European asset owners, conducted with the support of BNP Paribas Investment Partners. Novethic surveyed 115 executives from the leading financial institutions in 11 countries, managing a total of €4,470 billion in assets. Assessing not only their perception of responsible investment, the 2012 survey focused on their practices for a better comparison of how they integrate ESG criteria into their asset management.

ESG strategies to protect against long-term risks

Nearly one-third of the sample emphasise long-term risk management to justify why they integrate ESG criteria. This incentive, favoured over a more general contribution to sustainable development, has steadily gained in importance over the past three years. Investors are gradually becoming aware that they should assess the economic impact of social and environmental crises. The findings also indicate that investors are less motivated by using ESG integration as a means of protecting their reputation (17%) or boosting financial performance (9%).

Practices used to influence companies

The survey shows the wide variety in responsible investment practices. Norms-based exclusions dominate, with 57% of investors stating that they have defined lists excluding companies guilty of serious violations of human rights or major damage to the environment. The most common exclusion is controversial weapons (anti-personnel mines and cluster bombs). Ethical, sector-based exclusions (tobacco, alcohol, weapons, etc) are practised by 47% of investors. These methods are often combined with engagement approaches, implemented by 54% of the sample. Particularly widespread in France and Germany, best-in-class has developed to reach 37%.
Environmental investments vary from country to country: German and Dutch asset owners are the most inclined to use them, but only one-third of the European sample indicates having green investments. The results are similar for social investments, as 34% of investors say that they use them.

Consolidated and more transparent policies

The number of firms with a charter or formal responsible investment policy rose from 42% in 2011 to 61% in 2012, and nearly 20% plan to define one within the next year.
These policies are increasingly handled at a high management level. Senior investment managers oversee them at nearly one-third of the firms in the sample, while the board of directors does so for 17%.

Less than one-third of the investors surveyed have an in-house ESG analysis team. Those that delegate the management of their responsible investment policy primarily use exclusion lists (40%). Dedicated RFPs take second place (29%).
Regarding the breakdown of asset classes, investors systematically apply ESG criteria as follows: 54% for equities, 45% for corporate bonds and 31% for government bonds.

Download the survey

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Novethic, a subsidiary of the Caisse des Dépôts, is a research centre focusing on Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR), as well as a sustainable development media expert. www.novethic.com

With the support of BNP PARIBAS INVESTMENT PARTNERS

BNP Paribas Investment Partners is the dedicated asset management business of the BNP Paribas Group. With total assets under management of EUR 502 billion*, BNP Paribas Investment Partners is the 6th-largest asset manager in Europe* and applies Environmental, Social and Governance (ESG) standards to its mainstream investments. (*Source: BNPP IP per 30 September 2012). BNP Paribas Investment Partners is also a leading player in Sustainable and Responsible Investment (SRI) with EUR 19 billion assets under management* and the expertise of nearly 60 investment professionals in 10 investment centres. (*Source: BNPP IP per 31 October 2012).