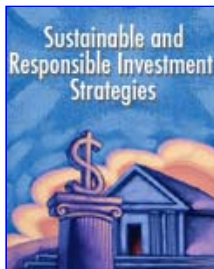




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News

September 04, 2008

Eurosif Study Finds Increasing Investment in Sustainability by Wealthy Individuals

by Robert Kropp

First-ever study addresses sustainable investment by high net worth individuals.

Wealthy investors have taken up the banner of sustainable investing in rapidly increasing numbers, which could lead to greater financial support for product innovation and green technologies.

Such is the conclusion arrived at by [Eurosif](#), a partnership of national Social Investment Forums within the European Union, in its recently published study of sustainable investment by high net worth individuals.

In the study, entitled "High Net Worth Individuals & Sustainable Investment," Eurosif estimates that sustainable investments by wealthy individuals will grow to 1 trillion Euros (approximately 1.45 trillion US dollars) by 2012 and comprise 12% of their portfolios.

Sustainable investment, or socially responsible investment, is defined by Eurosif as "an investment philosophy that combines investors' financial objectives with their concerns about environmental, social, and governance (ESG) issues." In recent years, sustainable investment has grown from a fringe interest to the point where many large financial services firms now offer clients sustainable investment options.

With the wealth of high net worth individuals at an all-time high, Eurosif projects that investment by the rich will continue to grow. Members of the baby-boomer generation, into whose hands wealth is now passing, display a markedly greater interest in sustainability issues than their predecessors, and are more willing to combine social responsibility with investment returns as motivations for their investments.

High net worth individuals (HNWIs) seem to pursue sustainable investment as an alternative method of philanthropy; in fact, in many wealthy families, philanthropy and sustainable investment continue to be handled by the same office. According to respondents to the Eurosif survey, "Many HNWIs search for market return investments but with a motivation that is underpinned by a link to philanthropy."

"The results of the study clearly show that wealthy investors are at the heart of sustainable investment. Additionally, this study clears up the distorted picture that large private capital owners are responsible for most ecological and social problems today. Investment strategies of High Net Worth Individuals are not part of the problem, but part of the solution," said Andreas Knörzer, Executive Director of Bank Sarasin & Co. LTD, a sponsor of the Eurosif study.

According to the Eurosif study, examples of sustainable investment used by wealthy individuals include the following: negative screening, which excludes sectors such as weapons or tobacco; positive screening, or investing in companies with a commitment to responsible business practices or that produce positive products; thematic investing, based on sustainable issues such as clean energy, water, climate change, lifestyle; and community investing, such as in underprivileged economic and geographic areas.

Eurosif found that "thematic investing has become big business among HNWIs." Clean energy and water are "their preferred sustainable themes."

The study reveals that wealthy individuals "are open to new and alternative sustainable investments." One-third of sustainable investments made by the rich take the form of bespoke investments, which are tailor-made to meet the values of the individual investor.

According to Eurosif Executive Director Matt Christensen, "Servicing the HNWI segment offers great opportunities for product innovation which could eventually prove useful for other investor segments such as institutional investors. About a third of sustainable products are

currently bespoke sustainable investments, which are vital to product development."

Tom Brown, the head of investment management in Europe for KPMG, another sponsor of the study, said, "Ultimately, the international HNW market may also provide a significant source of private sector capital to complement public sector funding of sustainability focused industries, products, services and business practices. Its potential relevance therefore to financial institutions, governments and regulators as both a source for sustainable business growth and contributor to the success of global emission reduction strategies should be noted."

Of course, sustainable investment by wealthy individuals will only be pursued if such investments are profitable. A recent study of ESG (environmental, social and governance) criteria in investment, entitled "Environmental, Social Governance: Moving to Mainstream Investing?" suggests that they out-perform investments that do not consider sustainability, but more data is needed. There is concern as well about a bubble risk in the thematic investments of wealthy individuals.

Eurosif concludes its study by advocating greater understanding of the motivations for sustainable investment by high net worth individuals; better reporting methodologies and track records of sustainable investments; and increased information and education about sustainable investments for the wealth management community.

Eighty-seven percent of the respondents to Eurosif's survey believe that sustainable investment among the rich will continue to grow over the next three years.

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