



Global Asset
Management

Responsible Investing The Evolution of Ownership

2017 Responsible Investing Survey European Summary

RBC Global Asset Management (UK) Limited



Welcome to the 2017 Responsible Investing Survey



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Leads the strategy and execution of the engagement program, ESG integration strategy, oversight of voting and proxy voting guidelines and strategic direction of RBC through executive committee work.

Dear Reader,

Welcome to the results of our 2017 Responsible Investing Survey. We have built on the success of last year's survey and widened our engagement to include asset owners and consultants from around the World. This has provided a much broader perspective on how the investment community is currently thinking about Environmental, Social and Corporate Governance (ESG) issues. I am confident you will find the results interesting.

Obtaining a broader perspective has enabled us to see just how much more European investors are prepared to value ESG considerations in their investment approach, seeing it as a more likely source of performance and risk mitigation than many others. However, we also see commonalities with all investors agreeing that company owners share a responsibility to encourage better disclosure on ESG related topics and for companies to value gender diversity within their leadership.

It will be interesting to see how opinions continue to evolve. Responsible investing has moved beyond a solely exclusionary approach, based around a set of moral beliefs, to today a more complex array that can include divestment, engagement, active ownership and impact driven methods. This has created a challenging environment of nomenclature and choice that can confuse and be hard to interpret. I think we get a sense of that in these results. However, I believe it is important to keep in mind the bigger picture: that any consideration of extra-financial factors into an investment appraisal is likely to lead to a better outcome for the investor, for our industry and for society as a whole compared to simply ignoring them.

Consequently, I would like to thank all the correspondents who have contributed to this survey. By so doing they have demonstrated their engagement with the topic of responsible investing and revealed where the investment community has more to do.

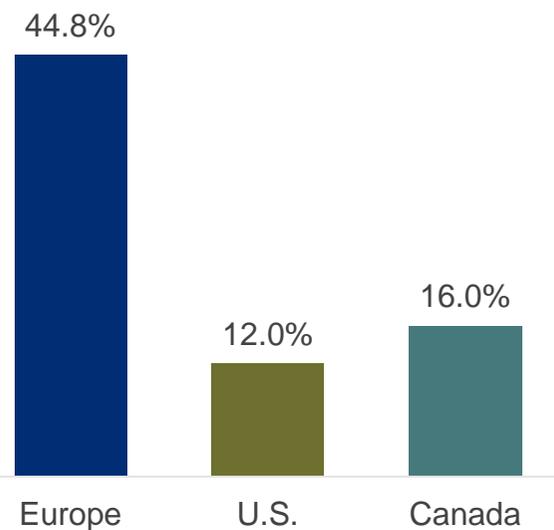
I hope you enjoy reading the results and I look forward to sharing next year's with you.

Yours truly,

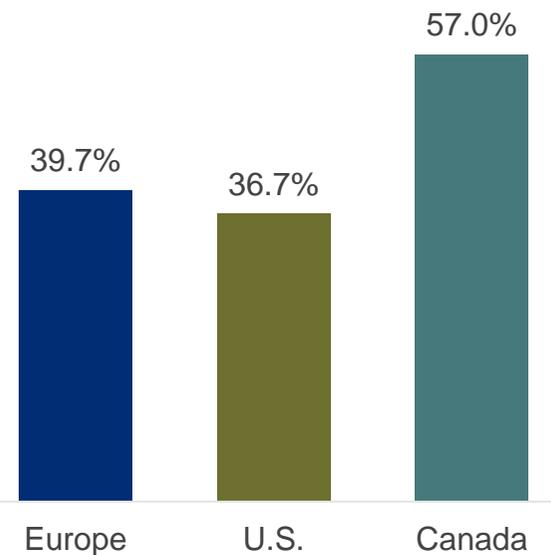
Europe is beginning to put the E in E-S-G

To what extent are ESG principles used as part of your investment approach and decision making?

Significantly used:



Somewhat used:



Methodology available on page 14.

Key findings

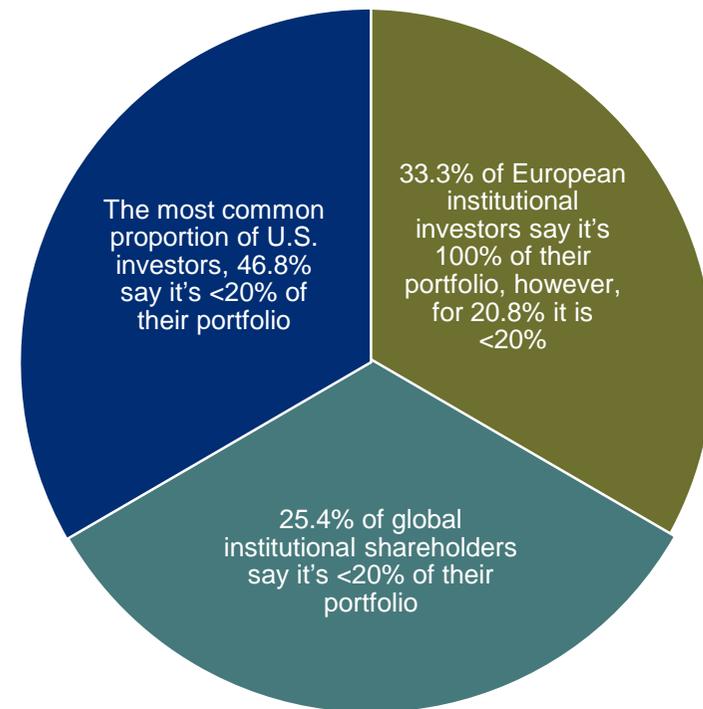
45.8% of the European institutional universe significantly apply ESG principles into their investment making decisions, indicating that the investment philosophy is becoming increasingly common place.

European managers believe a lack of demand from stakeholders is holding back ESG implementation

Across all regions, the three biggest reasons for not incorporating ESG in your investment approach?

- 1** The majority of institutional investors (51.5%) said the most common roadblock was the demand from the board, decision-makers or stakeholders
- 2** The value proposition is not clear (risk/return profile) (39.7%)
- 3** Only financial factors are used in the investment decision process (35.3%)

What proportion of your total portfolio factors in ESG principles?



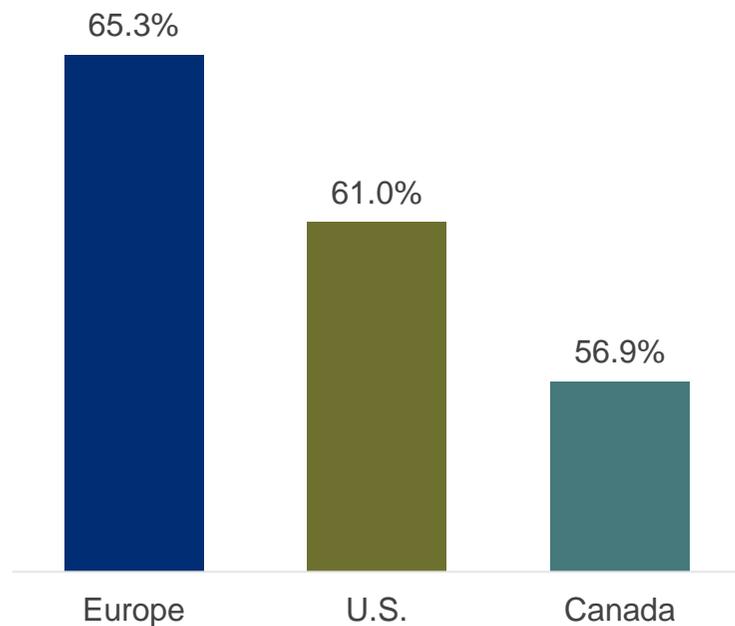
Methodology available on page 14.

Success of ESG incorporation depends on all parties buying in

What are the reason(s) for incorporating ESG in your investment approach?

Most common answer:

Multiple factors are used in the investment decision process, not just financial factors



Methodology available on page 14.

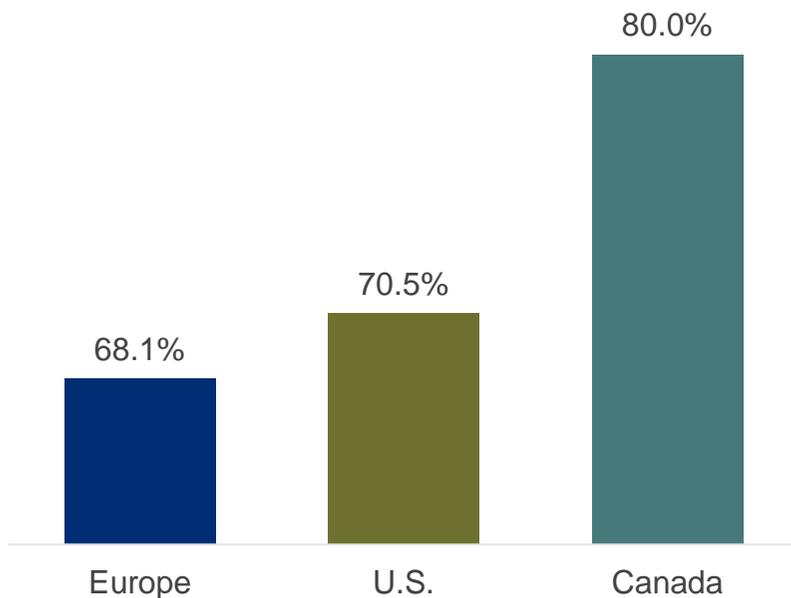
Key findings

Over half of participants cite a number of roadblocks to the successful integration of ESG principles into investment decisions, including lack of stakeholder demand, the value proposition not being clear, and that only financial factors are used in investment decision process. Around 25% factor in ESG principles for just 1-19% of investment portfolios, the highest proportion band. Challenging roadblocks could lead to a higher proportion.

2/3 of European institutional investors say gender diversity is must for companies, but they need help from governments

Is gender diversity on corporate boards important to you/your organisation?

73% of all managers believe this is important



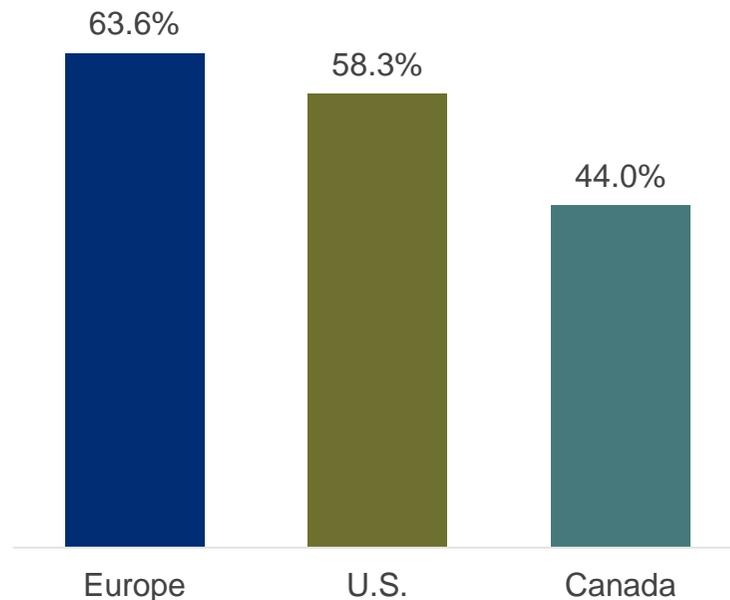
Methodology available on page 14.

Key findings

European managers believe that the best way to put this right is through government regulations (34.4%), the need to allow market forces to handle imbalances (31.3%), and requests to companies via shareholder proposals (28.1%).

ESG fast becoming key criteria in manager selection for consultants

Investment consultants sample – do you expect your organisation will routinely use ESG as a material criteria for manager selection over the next 1-3 years?



Methodology available on page 14.

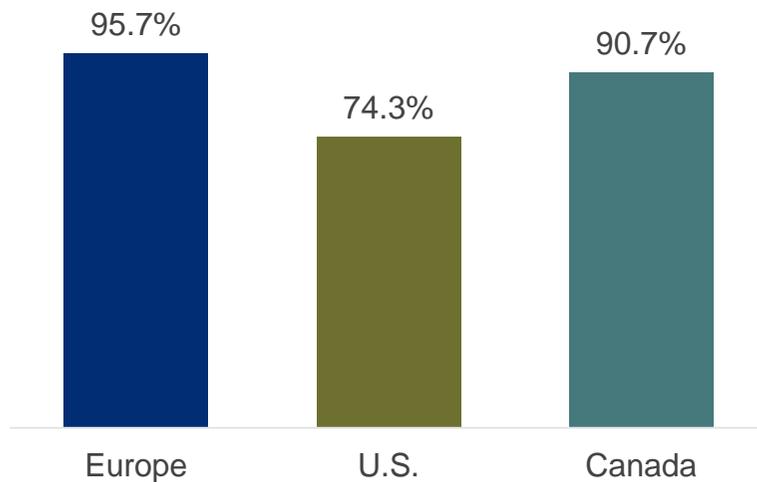
Key findings

Europe's consultant community are leading the way when it comes to factoring ESG into their manager selection decisions, suggesting the practice will organically become widespread as it becomes more intuitive systemically, laying the path for North America and the rest of the world to follow.

European investors are unrivalled in their belief that ESG not only provides alpha, but also mitigates risk (part 1 of 2)

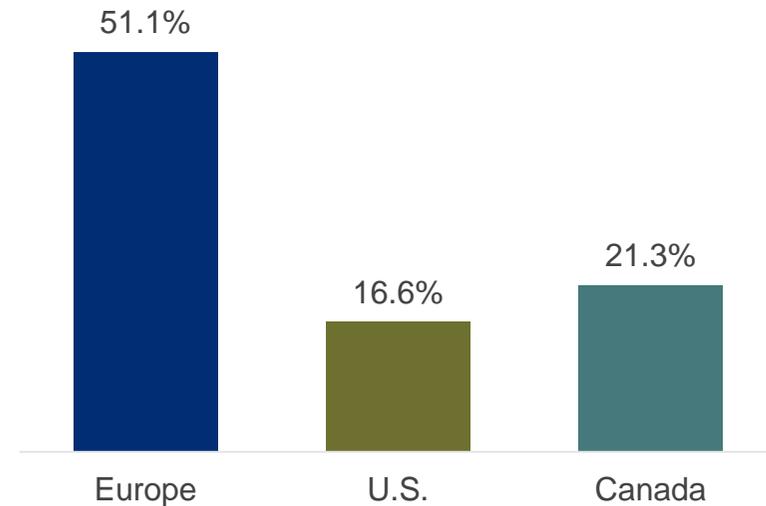
Do you believe ESG investments are likely to perform as well as or better than non-ESG investments?

Yes:



Do you think of ESG as a source of alpha?

Yes:

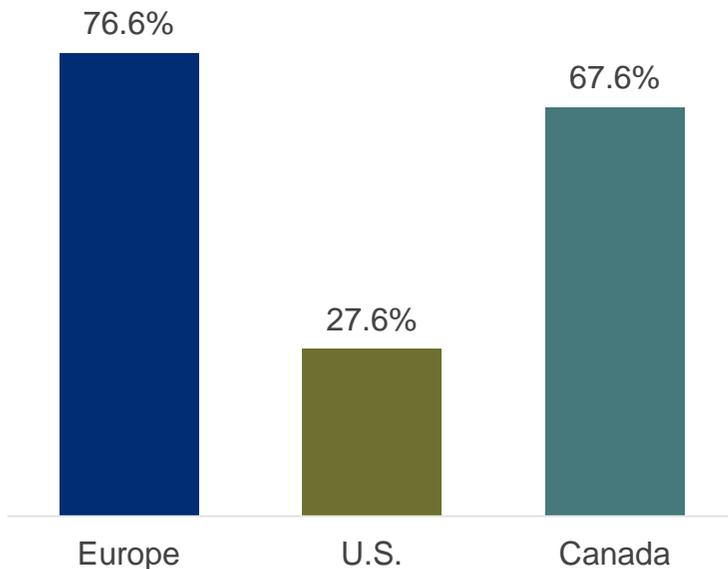


Methodology available on page 14.

European investors unrivalled in their belief that ESG not only provides alpha, but also mitigates risk (part 2 of 2)

Do you think of ESG as a risk mitigator?

Yes:



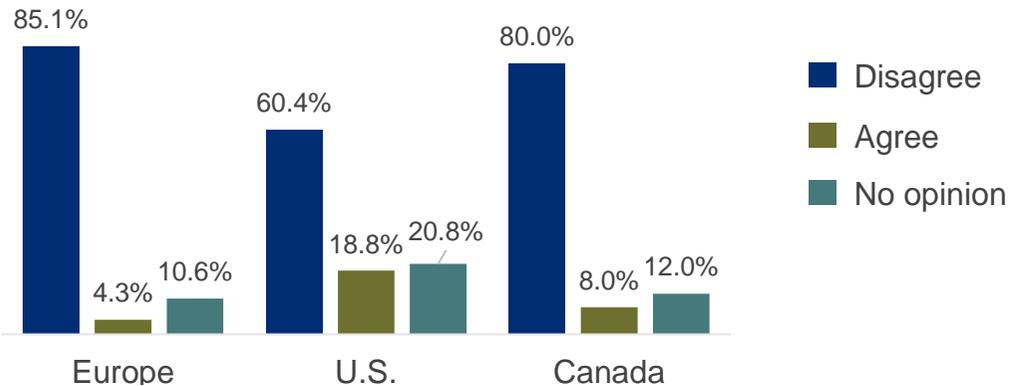
Methodology available on page 14.

Key findings

European investors are clearly leading the way when it comes to understanding the benefits of ESG. They are most positive about its alpha generative and risk mitigation qualities. The U.S. are not as bullish however with 49.7% answering 'No'.

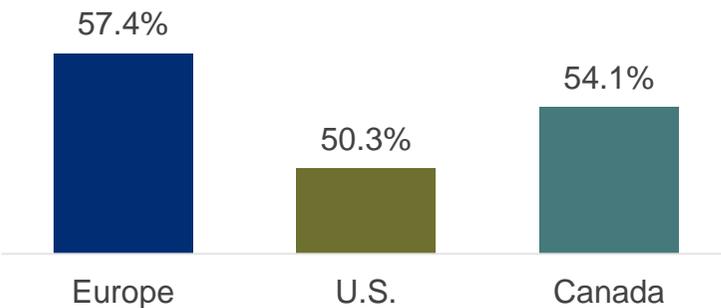
Trump's decision to pull out of the Climate Accord agreement fails to put European institutional investors' ESG interests in the shade

Do you agree or disagree with Trump's decision to withdraw the U.S. from the Paris Climate Accord?



Do you think the U.S. withdrawal from the Paris Climate Accord will impact ESG or ESG investing?

No impact:



Methodology available on page 14.

Key findings

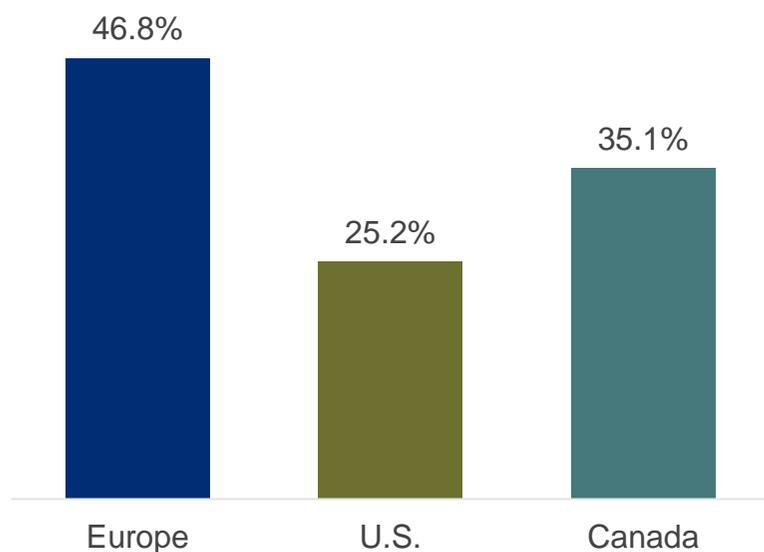
The controversial decision by Trump to pull out of the agreement will have no impact, according to 53.0% of global managers, though 49.7% of U.S. managers believe it will impact ESG or ESG investing.

European institutional investors demand more disclosure and quality ESG reporting from companies (part 1 of 2)

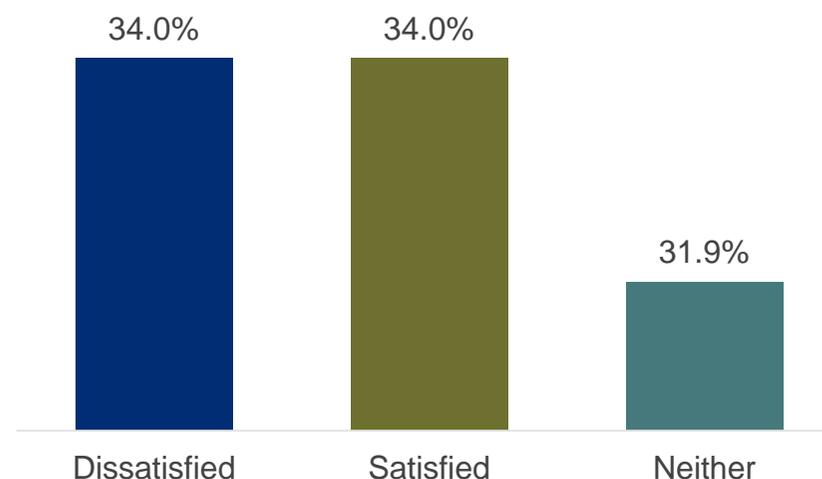
If you/your company employ ESG criteria, are you satisfied with the level of reporting provided by companies?

How satisfied are you with the amount and quality of ESG-related information being made available by companies?

Dissatisfied:



European institutional investors:



Only 29.8% of European institutional investors are satisfied with the level of reporting

Methodology available on page 14.

European institutional investors demand more disclosure and quality ESG reporting from companies (part 2 of 2)

In your opinion, who should take the lead in influencing companies to provide better ESG related information?

Just over two-fifths (42.6%) of European investors want the help of government, to create new regulations that force companies to disclose far more...

...closely followed by a third of them (34.0%) who want shareholders to help them bang the drum through ballot initiatives

What metric(s) do you expect would improve the most for companies with high quality ESG practices?

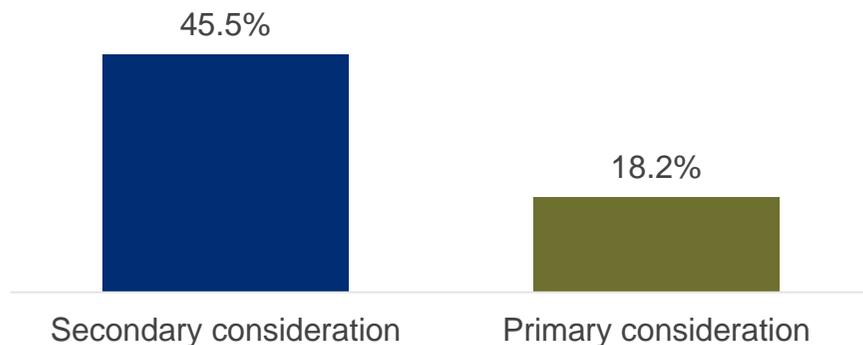
An overwhelming majority of European institutional investors believe companies will benefit from more sustainable long-term returns (76.6%), while a majority of investors in the U.S. (55.9%) and Canada (81.3%)

Methodology available on page 14.

Institutional consultants want active ownership from their fund managers

To what extent do you/your company consider the asset managers' approach to ESG issues and active ownership/stewardship when advising your clients?

European institutional investors:



How integral are voting rights to active ownership?

The majority (58.7%) of institutional investors in Europe believe this to be the case

Methodology available on page 14.

Key findings

We are seeing ESG issues and active ownership/stewardship still being a secondary consideration in Europe, this drops to tertiary when considered from all three regions 39.6%, while 33.3% of U.S. consultants do not consider it at all. Europe are leading the way in this area, but it may be a matter of time before this consideration becomes widespread globally.

Methodology

RBC Global Asset Management (RBC GAM) in partnership with Pensions & Investments developed a survey of 27 questions around the topic of responsible investing.

The survey was distributed during the months of July and August of 2017 to institutional asset owners, consultants, clients, P&I Advisory Panel members, and members of the Pensions & Investments database throughout Canada, Europe and the United States.

Signet Research, Inc. collected and analysed the results of 434 respondents and determined that the findings from the survey could be accepted as accurate at a 95% confidence level within a sampling tolerance of approximately +/-4.7%.

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