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ESG may entice investors to save more – Natixis Global Asset Management

- **Investors increasingly want investments to reflect personal values, with some stating access to ESG may actually increase retirement plan participation¹**
- **Professional investors say ESG becoming standard practice; looking for alpha and risk management²**
- **Better measurement and reporting on both financial and non-financial performance will speed adoption³**

The rising importance placed on environmental, social and governance investing may be the key driver in getting more individual investors, across generations, to invest more or even start planning for retirement, suggests new findings from Natixis Global Asset Management's 2017 ESG Report.

The report surveyed more than 10,000 individuals from 22 countries across three investor populations, including institutional decision makers, financial advisors, individual investors and participants in defined contribution plans in the U.S.

Dave Goodsell, executive director of the Durable Portfolio Construction Research Center at Natixis Global Asset Management says: *"Individuals tell us that they want their investments to reflect their personal values. The environmental, social and ethical records of the companies included in their investment portfolios clearly matter to investors. We also see the potential for incorporating strategies that consider ESG criteria to incentivize younger investors to increase their participation in company-sponsored retirement plans. More than eight in ten (84%) Millennials in the U.S. say they would save more for retirement if their plan offered an ESG option. We see a real desire to ensure that their money does social good."*

Three-quarters of global investors say it is important that they invest in companies that reflect their personal values – an opinion held consistently across gender, generation, and wealth bands within the survey population.

The findings show a large majority stress the importance of investing in companies with sound environmental records (70%), companies that are seen as doing social good (71%), and companies that are ethically run (78%). In addition, 71% are interested in making investments that help to fund advancements in healthcare and education

Additionally, there is a gap in the sentiment between how men and women perceive ESG and its framework within their portfolios. A slightly larger percentage of women (76%) are concerned with ESG factors compared to men (72%). Overall, there is a three- to five-point difference in opinions between the sexes across all factors.

¹ Natixis Global Asset Management, Global Survey of Individual Investors conducted in May 2016. The survey included 7,100 participants globally.

² Natixis Global Asset Management, Global Survey of Institutional Investors conducted in March 2017. The survey included 500 participants globally.

³ Natixis Global Asset Management, Global Survey of Financial Advisers conducted in September 2016. The survey included 2,550 participants globally.

Given the recent examples of Volkswagen, Mylan, and Theranos that have made headlines since 2015, investing in ethically run companies is where respondents place the greatest emphasis, with 81% of women saying it is important including 31% who say it is very important.

There is a pronounced desire among U.S. investors to invest in ESG factors and a 17-point difference between investors who use financial advisers (76%) and those who are self-directed (59%).

The Natixis report also highlights that although ESG may not be as familiar to financial advisers as traditional investment strategies, the discipline is gaining more attention within the financial services industry. Forty percent of advisers globally are already using ESG to mitigate governance and social risks. Additionally, institutions surveyed anticipate a greater role for ESG, with six in ten predicting that it will become standard practice for their organization within the next five years.

In terms of portfolio management, 55% say there is alpha to be found in ESG, while 57% say ESG can help mitigate headline risks.

"Environmental, social, and governance (ESG) investing is taking on broader dimensions over recent years, and it is going far beyond the old one-dimensional negative screens of socially responsible investing (SRI) to proactively manage portfolio risk and identify new investment opportunity," said **Matthew Shafer**, Executive Vice President of International Distribution for Natixis Global Asset Management.

Still, the investment community faces great challenges when it comes to successful implementation of ESG measures. Reporting on both financial and non-financial performance ranks as a top hurdle for institutions, while advisers are challenged by the lack of a sufficient performance track record.

However, the increasing number of fund ratings bureaus and research houses introducing tools to address monitoring and measurement of ESG factors is helping to reduce the difficulty of performance reporting.

While the dialogue on ESG may focus on screening out opportunities, institutions have an eye on sustainability as an investment theme. When asked which sectors of the private equity markets will present the best opportunities in 2017, 34% look to infrastructure, just behind technology, media and telecommunications. More than three-quarters say institutional investors will play a greater role in funding infrastructure projects.

"We need to ultimately get past the mind-set that ESG is merely the act of blocking out companies through negative screens. It is clear that there are substantial opportunities for ESG and both individuals and institutions will agree that demographics shifts, burgeoning industries and sustainable growth initiatives are attractive on both an investment level and a social level. If enticing investors to save more by offering ESG elements is the catalyst that solves the savings crisis in some developed economies – then we need to start thinking about ESG as here to stay," said **Matthew Shafer**.

About Natixis

Natixis is the international corporate, investment, insurance and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 31.2 million clients spread over two retail banking networks, Banque Populaire and Caisse d'Épargne.

With more than 16,000 employees, Natixis has a number of areas of expertise that are organized into three main business lines: Corporate & Investment Banking, Investment Solutions & Insurance, and Specialized Financial Services.

A global player, Natixis has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of Groupe BPCE's banking networks.

Figures as at March 31, 2017

About Natixis Global Asset Management

Natixis Global Asset Management serves thoughtful investment professionals worldwide with more insightful ways to invest. Through our Durable Portfolio Construction® approach, we focus on risk to help them construct more strategic portfolios that seek to endure today's unpredictable markets. We draw from deep investor and industry insights and partner closely with our clients to put objective data behind the discussion.

Natixis Global Asset Management is ranked among the world's largest asset management firms.¹ Uniting over 20 specialized investment managers globally (€837.5 billion AUM²), we bring a diverse range of solutions to every strategic opportunity. From insight to action, Natixis Global Asset Management helps our clients better serve their own with more durable portfolios.

Headquartered in Paris and Boston, Natixis Global Asset Management, S.A. is part of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Global Asset Management, S.A.'s affiliated investment management firms and distribution and service groups include Active Investment Advisors;³ AEW Capital Management; AEW Europe; AlphaSimplex Group; Axeltis; Darius Capital Partners; DNCA Investments;⁴ Dorval Finance;⁵ Emerise;⁶ Gateway Investment Advisers; H2O Asset Management;⁵ Harris Associates; IDFC Asset Management Company; Loomis, Sayles & Company; Managed Portfolio Advisors;³ McDonnell Investment Management; Mirova;⁵ Natixis Asset Management; Ossiam; Seeyond;⁷ Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Global Asset Management Private Equity, which includes Seventure Partners, Naxicap Partners, Alliance Entrepreneurs, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Visit ngam.natixis.com for more information.

Natixis Global Asset Management also includes business development units located across the globe, including NGAM S.A., a Luxembourg management company authorized and regulated by the CSSF, as well as branch offices of NGAM Distribution in France.

1 Cerulli Quantitative Update: Global Markets 2016 ranked Natixis Global Asset Management, S.A. as the 16th largest asset manager in the world based on assets under management (\$870.3 billion) as of December 31, 2015.

2 Net asset value as of March 31, 2017. Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. Non-regulatory AUM includes assets which do not fall within the SEC's definition of 'regulatory AUM' in Form ADV, Part 1.

3 A division of NGAM Advisors, L.P.

4 A brand of DNCA Finance.

5 A subsidiary of Natixis Asset Management.

6 A brand of Natixis Asset Management and Natixis Asset Management Asia Limited, based in Singapore and Paris.

7 A brand of Natixis Asset Management.

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