A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

Barriers to the Development of Sustainable Investment in Portugal

Sofia Fernandes Correia 22220

A Project carried out on the International Master in Management Program, under the supervision of:

Professor Milton de Sousa

4th of January 2019

Abstract

Given the current global context that businesses and investors must face, a focus on sustainable investment is a key strategic decision for a company or investor to make. In combination with increasing international regulations and market pressure, it seems inevitable that the Portuguese financial sector will have to adapt to this new paradigm and overcome the existent barriers to the development of sustainable investment in Portugal. Four main challenges were identified through qualitative and quantitative research amongst the sector, to which a set of recommendations was given.

Key Words: Sustainable Investment; Environmental, Social and Governance (ESG); Investment Strategies; Long-Term Returns

Introduction

In this paper, the development of Sustainable Investment in Portugal will be analysed, where barriers will be identified as well as recommendations on how to overcome them. This analysis will be made in two parts. First, the concept and practices of sustainable investment will be outlined and discussed in a global perspective. Second, the Portuguese appetite and the barriers for sustainable investing will be diagnosed through interviews and a survey to players in the Portuguese financial system. The results will then be discussed and compared with literature review.

In an increasingly interconnected and competitive business environment, the impact labour and governance standards can have on a company's reputation due to rising public expectations, as well as the environmental challenges and resources scarcity companies will have to tackle, means that the financial performance of a company or a project is increasingly dependent on environmental, social and governance factors. As such, sustainable investment, an approach that considers both social and environmental impact and financial results, is a key strategic decision for a company or investor to make. Consequently, several asset managers and investors are starting to integrate such criteria into their portfolio selection as a risk management measure and as a driver of positive long-term results (HSBC, 2018).

As a matter of fact, the financial and commercial drivers behind this new decision process are the result of a developing maturity of the market for sustainable investment as historically the use of Environmental, Social and Governance criteria to screen potential investments was a consequence of growing demand and activism from several stakeholders during the last few decades or motivated by investors with religious principles (Lumberg, 2017). However, in Portugal this concept is only taking the first steps.

Given the global context in which every country and business is now inserted, as well as the increased focus of the European Union on this subject, it seems unavoidable that the Portuguese financial sector will have to renovates itself and adapt to this new investment paradigm.

Sustainable Investment

There is no unique and worldwide definition of what sustainable investment is as it encompasses several concepts. However, Eurosif – the leading European association for the promotion and advancement of sustainable and responsible investment across Europe – defines it as "(…) a long-term oriented investment approach which integrates ESG [(Environmental, Social, Governance)] factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors, and to benefit society by influencing the behaviour of companies." (Eurosif, 2018).

As the core elements of decision-making in Sustainable Investment strategies, it is also important to define these ESG Factors. Firstly, Environmental factors relate to any activity that may affect the environment, whether in a positive or negative way, such as improving energy efficiency, greenhouse emissions, water pollution, deforestation, waste management, etc. Secondly, Social factors examine the impact of a company on a community or society where it operates, such as labour standards, human rights, discrimination, improvement of health and education, or having controversial business practices such as trading weapons. Thirdly, Governance factors concern the company's leadership and culture, such as the board accountability and structure, executive remuneration, internal audits, risk profile, quality of management and the level at which they include social and environmental performance in the strategic decisions for the company. These factors also include level of transparency on reporting and even of bribery and corruption.

In practice, taking into account ESG factors into an investment decision can be made through several strategies (GSIA, 2017), such as:

1. Negative/Exclusionary Screening: the explicit exclusion from a fund or portfolio of certain companies or even entire sectors, regardless of their financial performance, due to practices that go against specific ESG criteria or are deemed unethical. For example, excluding companies related with fossil fuel, weapons, gambling or tobacco;

2. Positive/Best-in-class Screening: selection of sectors, companies or projects with a proven positive track-record regarding ESG performance, as well as relative to their industry peers;

3. Norms-based Screening: selection of investments that comply with international norms and standards of business practices. For example, companies that respect international guidelines on labour standards, human rights, environmental protection, and anti-corruption principles;

4. ESG Integration: a holistic analysis that seeks to systematically and explicitly incorporate the environmental, social and governance factors into financial analysis. For example, requiring companies to meet a certain threshold or target regarding a specific ESG criteria, in addition to financial KPIs;

5. Sustainability Themed Investing: investment in assets that relate to a specific theme under a sustainability perspective. For example, invest in a single or multi-theme fund related with clean energy, water management or sustainable agriculture;

6. Impact/Community Investing: this strategy targets specific investments that mainly aim to solve social or environmental problems. For example, businesses with a clear social or environmental purpose and community investing;

7. Corporate Engagement and Shareholder Action: pressuring companies to improve their ESG performance through gaining shareholder power by investing in them and actively demanding a change in corporate behaviour. For example, through direct corporate engagement, filing shareholder resolutions, and proxy voting guided by ESG guidelines.

Although such strategies are still considered alternatives or complements to traditional investing, there is a clear expansion of such approaches into the mainstream. In fact, according to the biennial Global Sustainable Investment Review 2016 by the Global Sustainable Investment Alliance (GSIA), from 2014 to 2016 sustainable investment saw an increase of assets sustainably invested of 25% worldwide, which means almost USD 23 trillion in the beginning of 2016. Overall, sustainable investment has grown in nearly every market represented on the report (GSIA, 2017).

Sustainable Investment in Portugal

Though a growing global trend, sustainable investment (Investimento Socialmente Responsável) has seen a timid development in Portugal. In this section, the aim is to identify some of the products already available as well as efforts to develop this investment approach in Portugal and discover the root causes of its lack of expression.

In Europe, sustainable investment reached USD 12.04 trillion, with a 12% growth from 2014 to 2016. This number represents almost 53% of the global value, showing the evolution of this type of investments in Europe and its leading role (GSIA, 2017). However, despite Europe being the leading region when it comes to sustainable investment practices, there is no specific data regarding assets under management committed to sustainable investment in Portugal. This lack of information is the first sign of an underdeveloped market for this investment approach. Nevertheless, there have been some developments, mostly very recent ones, pushed by the need to keep on track with international markets. Examples include the creation of dedicated sustainable funds following some of the different strategies previously outlined, incorporation of ESG advise by financial intermediaries and public shows of interest from regulators and government.

Worldwide, some of the first mutual funds catering to ESG concerns where created in the 1980's and 1990's. However, the first sustainable mutual fund created in Portugal was only in January 2017, the "Caixagest Investimento Socialmente Responsável" mutual fund by CAIXAGEST - Técnicas de Gestão de Fundos, SA. Nevertheless, in two years the fund already attracted more than 86 million euros of total portfolio value (Caixa Geral de Depósitos S.A., 2018).

This pioneering fund can be classified as following an Exclusionary strategy as well as Best-in-class Screening, according to the investment policy stated on the fund's prospectus. The selection of stock is made by only investing in companies that are present on the Ethibel Sustainability Index (ESI) Excellence Europe, thus excluding those that have a significant involvement in tobacco, gambling, weapons, nuclear energy, and specifically selecting those that are considered to have social practices above their peers. Similarly, the selection of bonds follows Barclays MSCI Euro Corporate SRI+ESG Index, consequently excluding companies related to nuclear energy, GMOs, alcohol, tobacco, weapons, and including those best ranked on the MSCI ESG rating.

More recently, on the 26th of November 2018, Banco Santander, S.A. created a sustainable investment fund in Portugal, Santander Sustentável, managed by Santander Asset Management (SAM) (Banco Santander, S.A., 2018). Although the Bank already offered this type of products in Spain and Brazil, it was the first time a sustainability related fund was developed in Portugal.

According to the fund's prospectus, the selection of the financial instruments that will incorporate the fund will be made through the combined analysis of ESG factors and financial criteria of the companies or Governments in question (Banco Santander, S.A., 2018). As such, the fund's strategy can be classified as ESG Integration.

Additionally, Mustard Seed Maze - Sociedade de Empreendedorismo Social, S.A. was registered on the 20th of November 2018 as the first social entrepreneurship society in Portugal. Subsequently, it has started to constitute the first social entrepreneurship fund in Portugal, the Mustard Seed Maze Social Entrepreneurship Fund I, which seeks to be the first stable source of funding for the most promising social innovation business models in Portugal. The fund expects to reach EUR 40 million and counts with the support of the European Fund for Strategic Investments (EFSI) (European Investment Fund, 2018).

However, Caixa Económica Montepio Geral, a Portuguese mutual savings organization established in 1840, is planning to follow suit by devoting part of its results to creating a venture capital fund designed to support innovative social economy projects. There is yet no information regarding how much of the results will be allocated or other specifics about the fund, but Tomás Correia, Chairman of the Board of Directors, stressed that the bank will be focused on returns but also on applying them differently. This plan was announced on June 2018 following the entrance of Santa Casa da Misericórdia and other social economy institutions into the savings bank (Machado, 2018).

According to the Comissão do Mercado de Valores Mobiliários (CMVM), The Portuguese Securities Market Commission, the investment in social entrepreneurship can be materialized in the application of capital flows in entities that develop solutions to social problems. Social entrepreneurship funds will be available for both professional and non-professional investors, which according to the regulator is due to requests from civil society, entrepreneurs and third sector entities. CMVM is also working to professionalize and make more transparent the allocation and management of financial flows, from any investor, to social objectives (CMVM, 2018). Thus, there are signs of Impact/Community Investing strategies being developed.

Other financial intermediaries that seek to expand their offer into ESG related products include Banco Best, a Portuguese financial institution created in 2001 and based in Lisbon. The bank already offered its clients the possibility to invest in a few international funds that followed a sustainable investment strategy, but in March 2018 it developed a partnership with UBS Asset Management to significantly increase its sustainable investment portfolio. This partnership consists in Best offering 50 socially responsible investment ETFs (exchange-traded funds) in Portugal from UBS Asset Management (Ferreira, 2018). The strategy behind these ETFs is to replicate the price and return performance of the MSCI Socially Responsible indices, where companies are screened based on both positive and negative selection criteria according to certain ESG factors. By tracking a reliable benchmark, these funds provide investors with an easy way of sustainable investing (UBS Asset Management, 2018).

Furthermore, Ocidental Pensões offers the opportunity to invest in Pension Funds, namely Fundos de Pensões Abertos Horizonte, where ESG criteria is used on their securities selection process with the support of reo® service (responsible engagement overlay) of BMO Global Asset Management. Additionally, Ocidental Pensões also displays signs of following a Corporate Engagement and Shareholder Action strategy by using their voting power on companies where they detain shares to incentivize positive changes regarding social and environmental concerns (Ocidental - Sociedade Gestora de Fundos de Pensões, S.A., 2018).

In addition, another important step for the development of sustainable investment is the creation of socially responsible indices. The existence of these indices is particularly relevant as building an equity portfolio which considers ESG criteria on the securities selection process can be very costly and time consuming given the resources needed to correctly assess the compliance of companies with the chosen factors. As such, investors can instead mimic the desired indices such as the MSCI KLD 400 Social Index, the first socially conscious index launched in the US in 1990, at the time denominated The Domini Social Index, The Dow Jones Sustainability Indices (DJSI), launched in 1999, and the FTSE4Good Index, launched in 2001, which are still a reference today.

In Portugal, there are only two market indices, the PSI 20 and the PSI All Share Gross Return, and both do not account for ESG factors. However, two of the largest Portuguese companies are listed on international sustainability indices, namely EDP (EDP - Energias de Portugal, S.A., 2018) and Galp (Galp, 2018). This reveals a growing awareness from companies as well regarding the reputational and financial benefits of being involved in this thematic, namely that they might attract more international investors who follow such indices. However, previous flops with sustainability indices may contribute to a certain amount of distrust in Portugal regarding their reliability. In 2013, Portugal Telecom and Banco Espírito Santo were praised for being part of the Dow Jones Sustainability World Index (Godinho & Carregueiro, 2013) but later it was revealed that there was a shocking amount of governance issues, which eventually led to their fall (ECGS, 2014).

Furthermore, on October 2018, EDP issued EUR 600 million of green bonds with the purpose of financing clean energy projects of its subsidiary EDP R, which purpose is to develop, build and operate wind and solar power plants (EDP – Energias de Portugal. S.A., 2018).

Another manifestation of the development of sustainable investment in Portugal was the chosen theme of 2018's annual CMVM Conference, "Sustainable Finance: The Road Ahead", held on the 23rd of November. Simultaneously, it also reveals how this is a novel topic for the country and it underlines the lack of an existent significant development in Portugal. On her opening speech, Gabriela Figueiredo Dias, Chair of the CMVM Management Board, stressed that the markets should overcome any existent scepticism regarding this new investment approach and allow for the traditional investment paradigm to progress into combining profitability objectives with sustainability factors. Furthermore, it was highlighted that the CMVM is also being compelled to intervene in the creation of new European law on this matter and subsequent implementation at a national level. In fact, it was announced that the commission will soon launch a public consultation, extended to all interested parties, to gather information on this issue. Specifically, on what Portugal is already doing in terms of sustainable finance, the associated risks and opportunities, and how can the CMVM help as the supervisor and regulator (CMVM, 2018).

The event also counted with the presence of the Portuguese Finance Minister and Eurogroup president, Mário Centeno, who encouraged the development of European regulation to establish standards and provide clear definitions of what are sustainable activities and other related concepts. Additionally, Mário Centeno showed concern over the short-termism of the financial market, especially given the intrinsic risks and past negative experiences related with the pressure for results. Consequently, it was stated the importance of supporting frameworks and regulations that encourage the gradual transition to sustainable investing and raise awareness of investors and other actors to its relevancy (CMVM, 2018). However, there are no specific government incentives to promote the development of sustainable investment among financial intermediaries.

Overall, despite some positive progress, it is still on a very early stage with several initiatives only being developed and put into action on the second half of 2018. This leaves Portugal very far behind other EU countries and the evolution of international markets.

According to Zadek's scale "The Four Stages of Issue Maturity" (Zadek, 2004), the development of an issue among a society and market can be classified in one of the following stages: Latent, where only activists are aware of the issue and there is no strong scientific or hard evidence, Emerging, characterized by political and media awareness, increased but still weak research, and leading organizations experimenting with approaches on the subject, Consolidating, where there is a developing body of business practices and established initiatives from the sector, efforts to create and implement standards, and the existence of collective actions for change, and finally Institutionalized, with established legislation and business norms and practices.

Analysing the maturity of ESG concerns in the context of investment decisions in Portugal through this framework, it is concluded that the country is still on an Emerging stage, whereas Europe, for example, is already on a Consolidating stage overall. While there is some awareness for this subject on media and on a political sphere, such as the Finance Minister participation on CMVM's Conference on Sustainable Finance, there is still a discrepancy between conducted research and business initiatives in Portugal, as previously outlined, and other EU countries such as the UK, Germany, France and Switzerland (Eurosif, 2018).

Given the stark contrast between the fast-growing development of sustainable investment across the world, and specifically in Europe, and its lack of significant expression in Portugal, it is important to understand the underlying causes in order to develop strategies to incentivize its development.

Methodology

In order to gain insight from current players in the industry as to what are the major barriers for a discernible development of sustainable investment in Portugal, the chosen methodology follows a mixed approach where both qualitative and quantitative research was conducted.

Regarding the qualitative research, the chosen approach was grounded theory as it is well suited as an exploratory method for investigating issues with limited prior research (Milliken, 2010).

Specifically, data collection was done through informal expert interviews with Carlos Almeida, the Head of Investments at Banco Best, specialist in the Banking, Asset Management and Trading areas (see appendix 1), and Hugo Freitas, the Manager of Structured Products at Deutsche Bank Portugal (see appendix 2). The interviews were conducted in a semi-structured way, face-to-face, where questions were tailored to each interview. Due to privacy concerns, the interviews were not recorded but documented through note-taking in live time, and later validated by the participants.

Posteriorly, a descriptive quantitative research method was chosen in order to validate the previous findings and explanations. Data was collected by conducting an online survey among 40 financial intermediaries and financial departments of several companies in order to further gather information regarding their knowledge and view on this topic (see appendix 3). The survey contained a total of seventeen questions of which four were related with demographics, six focused on diagnosing the level of awareness of the respondents and institutions they worked for on this topic, and finally the last seven questions aimed to collect information on the participants opinion regarding the importance of sustainable investment as well as the main drivers and barriers identified.

Findings

Interviews

The main insights garnered from the expert interviews were that the primary barriers for sustainable development in Portugal are a lack of financial literacy and investment habits from the Portuguese population. Specifically, the last global financial crisis and the subsequent repercussions in Portugal, as well as the several governance issues among Portuguese banks and other institutions, led to a high level of suspicion regarding the financial sector from the general public but also investors, which constrains investment habits. In turn, the distrust leads to a short-termism behaviour further pressured by existing market incentives. This preference is also a symptom of the relative low expertise of investors in Portugal, as more sophisticated players tend to be more concerned with long-term strategic choices. The result of this general lack of knowledge and investment practice is an apparent absence of demand and interest over the use of ESG criteria in investment decisions that most likely do not reflect the reality. Although an active demand and interest from investors is not felt, when asked and informed about sustainable investment clients tend to react positively.

On the other hand, the Portuguese financial sector itself still does not have the know-how and enough information to break its own scepticism around this new investment approach and raise awareness among clients. It was also mentioned the importance of the growing maturity of this market internationally. This is not only seen as an incentive but also a source of success stories and historical data that can provide some guidance on the adoption of these strategies in Portugal. Other external incentives that were mentioned include the recent regulatory changes announced by the EU and its focus on making sustainability a key component of the financial sector within Europe.

Survey

Regarding the survey, it was mainly conducted among retail and investment banks operating in Portugal (25.64% and 56.41% respectively), but also considered professionals from financial and investors relations departments of asset owners such as insurance companies and a large conglomerate holding company. The respondents had an average age of 44, with the youngest being 24 and the oldest 60 years old, and 90% had at least 7 years of professional experience. Overall, respondents occupied either relevant managerial positions or had a close contact with clients.

According to the results, it was found that although more than half of the respondents have 15 years or more of professional experience in the sector (55%) and the vast majority (89.74%) agree that sustainable investment should be an important part of their company's strategy, only 20.51% consider themselves very knowledgeable regarding this subject. More than half (57.89%) consider that it is due to lack of clear and accurate information, which is also preventing from taking a more active approach. On the other hand, almost half of the of respondents believe their organization to be seeking to integrate ESG criteria into the investment process (48.72%) and that it has the adequate tools and incentives to assess the alignment of its investments with its customers' sustainable investing goals (42.11%).

When asked about how important a company's sustainability performance is for investors' decisions, 71.79% believe it to be only slightly or moderately important but 76.92% agree that ESG considerations should be part of the fiduciary duties of asset managers and institutional investors. Regarding drivers of sustainable development, from a selection of Risk Management, Return Potential, Social Responsibility, Supportive Policy/Regulations and Stakeholder Demand, the main factor was Social Responsibility followed by Supportive Policy/Regulation and Stakeholder Demand. In the ensuing question, the most important challenges identified from Lack of Interest, Lack of Regulations and Legal Framework, Lower Returns, Too Complex, and Lack of Reliable and Comparable Data Sources, were Lower Returns followed by Lack of Regulations and Legal Framework and Lack of Reliable and Comparable Data Sources.

Moreover, when confronted with news that in May 2018 the European Commission announced an action plan on sustainable finance and its main points, 60.53% believe that they probably will take it in greater consideration while only 10.53% stated that they definitely will.

Finally, two open-ended questions were formulated to better assess the respondents thinking and experience with sustainable investment. The first questioned what the market needs for sustainable investing to become mainstream. The main points appraised were more and better information, public awareness, and regulation/incentives. The second question challenged respondents to evaluate what their organization should do to promote sustainable investment. Some of the most prevalent answers were creating a task force/working group around this topic and advertise/distribute more information to clients.

Analysis

Following the analysis of both the interviews and survey, the main barriers found for the development of sustainable investment in Portugal were that there is a high level of (1) financial illiteracy in Portugal which makes it more difficult to introduce to investors, or potential investors, a new approach which is not primarily focused on returns and non-financial metrics such as the ones related to ESG factors. Additionally, the established culture of (2) short-termism is hindering sustainable investments as they are by nature contrary to short-term orientations. On the other hand, a very important conclusion is that the offer is still limited due to a (3) lack of information, including reliable data from companies and practical know-how in integrating ESG concerns into a portfolio, which leads to a certain apprehension regarding the financial relevancy of these strategies. Lastly, a (4) lack of regulation and actionable frameworks was identified as a delaying factor for the market to change its current behaviour. Nevertheless, the reality of the global marketplace is pressuring Portuguese institutions to adapt to this new investment paradigm.

In order to further examine these findings, the research results will be compared with other outcomes found through literature review and analysed in more detail.

(1) Financial Illiteracy

One of the first conclusions that was reached regarding sustainable investment in Portugal is that although there is evidence that there is space for a significant demand from investors, there is a very low observable demand. This insight was further credited with the survey results, as 62.5% of respondents considered lack of interest to be an extremely or very important challenge despite evidence that investors in Portugal have an interest in such an offer (Sustentare, 2007).

The limited number of investors that actively request or inquire about sustainable investments and products to their financial advisors or account managers, as stressed during the expert-interviews, entails that the apparent lack of demand is actually driven by lack of knowledge. In fact, according to a survey commissioned by Schroders, a British global investment manager, 61% of Portuguese investors blamed lack of information and/or understanding as to why they did not choose or increased sustainable investments (Schroders, 2018).

This knowledge limitation is not only theme-specific but there is a relatively high level of financial illiteracy in Portugal. Taking a further look at the levels of financial literacy in Portugal, results from the S&P Global FinLit Survey conducted in 2014 (Klapper, Lusardi, & van Oudheusden, 2016) show that Portugal was considered to have only 26% of adults who are financially literate, which compares to, for example, 37% in Italy, 49% in Spain and 52% in France. In the EU, only Romania had a lower score at 22%.

Furthermore, a study conducted in 2015 sponsored by Banco de Portugal (Conselho Nacional de Supervisores Financeiros, 2016) shows that 64.3% of respondents believed to have limited or no knowledge of investment products and only 4.4% of the respondents were investing in securities, where stocks were the most common at 83.3%, followed by mutual funds at 41.7%. Of the small percentage that did invest in securities, 79.2% only invest less than 25% of their wealth. Furthermore, 3.7% of respondents stated that they no longer have investments on securities due to lack of sufficient income and/or not having enough financial knowledge to invest in securities and access its risk.

Adding to these statistics, the effect of distrust following the last financial crisis and issues with several Portuguese banks leads to a general lack of appetite for investing. Moreover, the inconsistent definitions of what is sustainable investment and apparent subjectivism of ESG factors further add to the existent distrust and difficulties in understanding financial products.

This conclusion is in line with the results of the Global Investor Study 2018 by Schroders. The report states that people who assess their own investment knowledge levels to be expert or advanced on average invest 42% of their total portfolio in sustainable investments compared to people who feel they have beginner or rudimentary investment knowledge and would invest 10% less. For Portugal, the survey results show that investor considered to have a beginner's knowledge would invest 35% of their portfolio while experts would invest 46% in sustainable investments. Adding to this conclusion, people who report higher levels of expertise regarding investments expect the highest return on their sustainably invested portfolio over a five years period. This trend was consistent across regions, with Portugal showing an expectation of 14% of returns for an expert investor versus 10% for a beginner or intermediate investor. The apparent correlation between investing the most in sustainable investments and expecting the highest return suggests that having a higher level of knowledge allows investors to understand the potential for positive results with sustainable investments (Schroders, 2018).

(2) Short-Termism

Despite empirical evidence that long-horizon funds outperform short-horizon funds (Lan, Moneta, & Wermers, 2018), the general current investment behaviour shows a propensity for short-term investments. In fact, when asked how important a company's sustainability performance is for investors' decisions, 71.79% of survey respondents considered it to be only slightly or moderately important. Additionally, in the EU the average holding period of equities has fallen from around eight years to eight months over the last two decades and it is reported that on average, equity managers turn over their entire portfolio in 20 months. However, socially responsible funds exhibit a lower turnover than traditional funds. This corroborates the alignment between sustainable and long-term investment approaches and consequently the importance of long-termism when considering ESG factors (Mercer; Generation; 2Dii, 2017).

This prevalent short-term behaviour is particularly harmful for the development of sustainable investment as it is contrary to its nature and core thinking. Sustainability is undoubtedly linked to the long term as the associated actions and investments in economic, social and environmental terms require a long-term orientation. For example, investments in clean renewable energy, green transportation systems, improvement of education and health on local communities where corporations are established, job creation, actions to raise awareness and debate over discrimination, among many others, require large-scale and long-term oriented investments that may only yield returns in several years. As such, when investors make decisions for a short time-frame, ESG issues tend to not be considered financially material. Thus, it is not realistic to expect sustainable investment strategies to develop in a context of short-term decisions that are not aligned with the horizon needed for these structural changes to be made (Financial Stability, Financial Services and Capital Markets Union, 2018).

This concern was also addressed by the Portuguese Finance Minister, Mário Centeno, during his speech at the CMVM's conference: "Sustainability and the maintenance of long-term investments go hand in hand with environmental and social objectives. However, some of today's market practices focus on earning high returns over a short period of time. Thus, one of the concerns of the sustainability agenda has to be the reduction of the pressure for the so-called speculative investments, which seek results in the short term." (Intervenção do Ministro das Finanças, Mário Centeno, 2018).

There are several reasons that can be identified for the preponderance of short-termism, including incentives across the investment chain, which tend to be short-term focused, media and financial reporting, since despite a growing number of specialised ESG research providers mainstream research is still predominantly short-term oriented, and decision-making biases identified by behavioural researchers (Roberge, Flaherty, Almeida, & Boyd, 2017).

(3) Lack of Information

The most straightforward result of both research methods was that the sector is struggling with a lack of knowledge that prevents financial intermediaries and other players to devote more resources into sustainable investment. Not only was this point discussed during the expert interviews, but when asked about knowledge of Sustainable Investment practices during the survey, 79.49% of the chiefly very experienced respondents believed to only be slightly or moderately knowledge. What is more, 57.89% consider that it is due to lack of clear and accurate information.

Undeniably, the existing ESG data have several weaknesses. For instance, many sustainability indices focus on specific ESG aspects, such as environmental, which is not helpful for investors trying to have a holistic approach to sustainable decisions. Furthermore, there is limited coverage since most ESG data only started to be collected on the last decade, or for some asset classes even less. Also, as expected there is much more information regarding large-cap companies and companies in developed countries than otherwise. Overall, the level of quality of information is uncertain since it is mostly self-reported and there is a lack of consistency as individual ESG metrics are weighted differently across data providers (Blackrock Investment Institute, 2018).

Moreover, as they are facing a new market, even players interested in sustainable investment struggle to have the know-how and resources needed. Among other factors, adding the analysis of ESG considerations to the complexity of the investment structures and the uncertainty of the markets demands a new skill set and an adaptation process from the financial sector that requires both time and strong incentives (Lewis, Pinchot, & Christianson, 2016).

Given the lack of palpable success examples of such strategies in Portugal, and conflicting academic research (Sjöström, 2011), there is still scepticism regarding the worth of developing these new strategies. One of the mentioned sources of disbelief during the interviews was the possibility that sustainable investment was more of a trend than a changing investment perspective and that there is no sufficient evidence of a positive financial impact on investments returns. Indeed, results from the survey confirm this concern with lower returns as 29.73% of respondents considered this to be an extremely important challenge for sustainable investment, more than any other factor. In turn, this adds to the point of the negative impact lack of knowledge can have. Even considering that there is no consensus that ESG screening improves financial returns substantially, most studies point to ESG screening not hurting financial returns (Brière, Peillex, & Ureche-Rangau, 2017).

The fact that internationally the market is maturing and that there are now historical data and examples of successful sustainable investment strategies is an important step towards overcoming this barrier. Namely, there has been an evolution of benchmarks and products which are making ESG investing more accessible across asset classes and regions (Blackrock Investment Institute, 2018). Specifically, the existence of reliable indices which act as benchmarks facilitates the development of social and responsible investments. Moreover, the evolution of strategies from investments that meet very specific criteria to a more holistic approach allows for a wider variety of products and strategies that suit different interests and investors (Lewis, Pinchot, & Christianson, 2016).

(4) Lack of Regulation and Actionable Frameworks

The impact of regulation and frameworks is shown on the survey results. After Social Responsibility, Supportive Policy/Regulations was considered the most important driver of sustainable investment. Conversely, the lack of it was the second most important challenge. Also, knowing that in May 2018 the EU has set forth an action plan for sustainable finance, 71.06% claimed that they probably or definitely will take sustainable investment in greater consideration when analysing risks and opportunities for their investments and organisation. These results were expected given the previous classification of this issue in Portugal has being on an emerging state of maturity.

Additionally, 76.92% of respondents agreed that ESG considerations should be part of the fiduciary duties of asset managers and institutional investors, which in the EU is codified into financial services directives such as IORP II, MiFID II and Solvency II. However, these do not factor in sustainability to the level required. As such, it gives room for traditional considerations of fiduciary duty, such as maximise short-term value, to still exist (European Comission, 2016). Including the obligation to take financially material ESG issues into account would clarify duties and provide players with a binding incentive.

In fact, these conclusions are in line with the findings of the High-Level Expert Group on Sustainable Finance (HLEG), established by the European Commission. It was identified that although there is considerable evidence that most retail investors would like to invest in a sustainable manner, with over two thirds of retail investors considering environmental and social objectives as important for their investment decisions, very few retail investors currently can or know how to invest according to these preferences. National legislation on the role of financial advisers, shaped by MiFID I and II, usually contains no specific requirements to ask questions clients about such preferences. As a result, many retail investors do not express these preferences which leads to lower observable demand. (Financial Stability, Financial Services and Capital Markets Union, 2018).

Furthermore, introducing new rules or legislation, or even voluntary initiatives, can raise awareness of ESG issues, bring them onto the agenda for investors and normalise ESG incorporation (PRI, 2016).

Recommendations

Following the research findings and the subsequent analysis of the identified main barriers for sustainable investment, two sets of recommendations can be given. First, this section will focus on possible actions and policies that may help tackle these challenges. Second, based on research limitations, topics for future research will be suggested.

Taking into consideration the several obstacles that exist in Portugal for sustainable investment, it is recommended that both players from the financial sector and public authorities focus on improving access and quality of information. This encompasses increasing general financial knowledge, raise awareness for the possibility of incorporating social and environmental concerns on a portfolio strategy, and establish standards and disclosure requirements related with ESG data from companies and financial products.

Specifically, it is recommended that more resources are allocated to initiatives such as the National Plan for Financial Education (Plano Nacional de Formação Financeira) and public information sessions by the Portuguese Banking Association (Associação Portuguesa de Bancos). Moreover, concepts and facts regarding sustainable investment should be included on these financial education programs. On the other hand, it is recommended that Banks and other financial intermediaries ask about their clients' preferences regarding environmental, social and governance concerns on a compulsory basis. Consequently, investors would be more aware of these opportunities and organizations would have more information to guide their choices of product and services offering. This could be achieved through guidance from the Portuguese Securities Market Commission or through new regulation. Additionally, quality of information can be improved through the creation of international standards regarding definitions and disclosure requirements with the support of organizations such as the United Nations or the European Union.

Furthermore, due to research limitations related with difficulties in gathering specific sector information, and given the early stage of the maturity of this issue in Portugal, it is recommended for future research to examine the possible correlation between sustainable practices such as recycling, avoiding buying from businesses with controversial practices, buying locally produced or organic food, etc., and the propensity to invest in sustainable financial products. Moreover, findings from qualitative research and literature review suggest that a new focus for future studies is to analyse the relation between age and interest in sustainable investment, including not only social and environmental concerns but also the perspectives on short versus long-term vision.

Conclusions

By using both qualitative and quantitative research focused on the financial sector, four main barriers to the development of sustainable investment in Portugal were found. Namely, financial illiteracy, short-termism, lack of information and lack of regulation and actionable frameworks. Consequently, it is possible to conclude that Portugal's delay regarding sustainable investment is mainly caused by structural problems with the financial sector and literacy rather than a rejection or indifference towards environmental, social and governance concerns. Market players struggle to overcome short-term biases as well as false perceptions that sustainable investment leads to negative investment consequences. However, in order to overcome these issues, it was recommended the increase of actions focused on improving the general financial knowledge of the population, as well as training and the creation of work groups among financial institutions to raise awareness and improve data on this new investment paradigm, where social and environmental concerns have a role to play alongside financial metrics. Furthermore, given the shifting demographics, it was also recommended further analysis on the possible correlation between everyday sustainable practices and investment choices on one hand, and how the next generation of investors will impact demand for sustainable investment on the other.

References

Banco Santander, S.A. (2018). *Documentos Legais: Prospecto Completo.* Obtido de Santander: Particulares: https://app.santandertotta.pt/ficheros/Completos/Fundo_Santander_Sustentavel.pdf

Banco Santander, S.A. (2018). *Santander Sustentável*. Obtido de Santander: Particulares: https://www.santandertotta.pt/pt_PT/Particulares/Produtos/Poupar-e-Investir/Investimentos/fundo-santander-sustentavel.html

Blackrock Investment Institute. (2018). *Sustainable investing: a 'why not' moment.* BlackRock Investment Management (UK) Limited.

Brière, M., Peillex, J., & Ureche-Rangau, L. (2017). *Do Social Responsibility Screens Really Matter.* Amundi.

Caixa Geral de Depósitos S.A. (2018). *Caixagest Investimento Socialmente Responsável*. Obtido de Caixa Geral de Depósitos, SA.: https://www.cgd.pt/Particulares/Poupanca-Investimento/Fundos-de-Investimento/Pages/CaixagestISR.aspx

CMVM. (November de 2018). *Comunicados e contraordenações*. Obtido de https://www.cmvm.pt/pt/Comunicados/Comunicados/Pages/20181119a.aspx

CMVM. (2018). Newsletter Conferência CMVM 2018. (pp. 2-3). Lisboa: CMVM.

Conselho Nacional de Supervisores Financeiros. (2016). *Relatório do Inquérito à Literacia Financeira da População Portuguesa 2015.* Banco de Portugal.

ECGS. (18 de July de 2014). *Home: ECGS since years keeps concerns on the Banco Espirito Santo (BES) governance*. Obtido de ECGS: http://ecgs.com/node/144

EDP - Energias de Portugal, S.A. (2018). *Sustainability: Economic Dimension: Sustainability Indexes*. Obtido de https://www.edp.com/en/sustainability/economic-dimension/sustainability-indexes/esg-indexes

EDP – Energias de Portugal. S.A. (9 de October de 2018). *Media: EDP Announcement*. Obtido de EDP: https://www.edp.com/en/news/2018/10/09/edp-issues-first-eur-600-million-green-bond-maturing-october-2025

European Comission. (2016). *Summary of the Responses to the Public Consultation on Long-Term and Sustainable Investment.* Brussels.

European Investment Fund. (6 de November de 2018). *What we do: Equity Products*. Obtido de European Investment Fund: http://www.eif.org/what_we_do/equity/news/2018/eur190-million-for-innovative-portuguese-smes-announced-at-web-summit-in-lisbon.htm

Eurosif. (2018). *European SRI Study.* Obtido de http://www.eurosif.org/mission/

Ferreira, L. M. (2018). Best investe na responsabilidade social com nova parceria com a UBS. *Jornal Económico*.

Financial Stability, Financial Services and Capital Markets Union. (2018). *Financing a Sustainble European Economy.* European Commission.

Galp. (14 de September de 2018). *Media: Press Release*. Obtido de https://www.galp.com/corp/en/media/press-releases/press-release/id/849

Godinho, R., & Carregueiro, N. (2013). Quatro empresas portuguesas entre as mais sustentáveis do mundo. *Jornal de Negócios*.

GSIA. (2017). *2016 Global Sustainable Investment Review.* The Global Sustainable Investment Alliance. Obtido de http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

HSBC. (2018). *Sustainable Financing and ESG Investing report.* HSBC Bank plc.

Intervenção do Ministro das Finanças, Mário Centeno. (2018). *Conferência Anual CMVM - "Sustainable Finance: The Road Ahead"*, (p. 6). Lisboa.

Klapper, L., Lusardi, A., & van Oudheusden, P. (2016). *Financial Literacy Around the World: Insights from The Standard & Poor's Ratings Services Global Financial Literacy Survey.*

Lewis, E., Pinchot, A., & Christianson, G. (2016). *Navigating the Sustainable Investment Landscape.* Washington, DC: World Resource Institute. Obtido de https://www.wri.org/publication/sustainable-investment-landscape

Lumberg, J. (22 de June de 2017). *Investing: Sustainable Investing*. Obtido de https://www.investopedia.com/news/history-impact-investing/

Machado, A. (2018). Montepio vai ter fundo de capital de risco para economia social. *Jornal Económico*.

Mercer; Generation; 2Dii. (2017). *How Long-only Equity Managers Turn their Portfolio Every 1.7 year.* The Generation Foundation.

Milliken, P. (2010). Grounded Theory. Em N. J. Salkind, *Encyclopedia of Research Design* (pp. 549-554). Thousand Oaks, CA: SAGE Publications, Inc.

Ocidental - Sociedade Gestora de Fundos de Pensões, S.A. (2018). *Fundos de Pensões: Sustentabilidade*. Obtido em 1 de January de 2019, de Ocidental Pensões: https://www.ocidentalpensoes.pt/fundosPensoes/Pages/Sustentabilidade.aspx

PRI. (1 de September de 2016). *Global Guide to Responsible Investment Regulation*. Obtido de Principles for Responsible Investment: https://www.unpri.org/is-regulation-perceived-as-impactful/213.article

Roberge, M. W., Flaherty, J. C., Almeida, R. M., & Boyd, A. C. (2017). *Lengthening the Investment Time Horizon.* MFS.

Schroders. (2018). *Global Investor Study - Is information the key to increasing sustainable investments?* Schroders.

Sjöström, E. (2011). *The Performance of Socially Responsible Investment - A Review of Scholarly Studies Published 2008-2010.*

Sustentare. (2007). *Environmental and social aspects in Portugal's banking and insurance sector: Challenges and Opportunities.* Sustentare lda.

Trunow, N., & Linder, J. (2015). *Perspectives on ESG Integration in Equity Investing: An opportunity to enhance long-term, risk-adjusted investment performance.* Calvert Investment Management.

UBS Asset Management. (2018). *Investment themes: Socially responsible investing*. Obtido de UBS Switzerland: https://www.ubs.com/ch/en/asset-management/etf-institutional/investment-themes/socially-responsible-etfs.html

Zadek, S. (December de 2004). The Path to Corporate Responsibility. *Harvard Business Review*.

Appendixes

Appendix 1 – Interview with Carlos Almeida, Head of Investments at Banco Best

1 – How would you describe the average investor in Portugal?

In general terms, investors tend to be male and aged between 40 and 60 years old. In Portugal most people have a low appetite for risk and when seeking long-term investments tend to invest in pension savings plans (Plano Poupança Reforma), deposit accounts (Depósitos a Prazo) or products such as Unit Linked Insurance Plan (Seguros Financeiros). Those with a higher risk profile and more inclined to invest in stock, bonds, mutual funds, etc. tend to have a more short-term approach which is not favourable for sustainable investments.

2 – Could you give a percentage or number that illustrates how many investors actively ask and demand sustainable investment strategies to be offered?

Investors that pro-actively seek to include ESG considerations into their portfolios are close to zero. However, that does not entail that when the Bank introduces this theme there is no interest.

3 – Why do you think the demand for sustainable investment in Portugal is so low?

The demand for these strategies is low mainly due to lack of awareness and reduced investment habits connected with a relatively low financial literacy in Portugal. Moreover, there is a certain sense of distrust caused by the last financial crisis and the problems several Portuguese banks experienced. On the other hand, Portugal has seen some very positive developments regarding renewable energy and other initiatives regarding social and environmental concerns. Thus, a general interest for the underlying concerns with this theme exists. Moreover, Sustainable Investment has yet to gain enough track to be seen as a social and financially sound choice when clients are seeking a safe and sustainable long-term investment. However, results show that these products can have better returns than the typical choices of long-term investors mentioned before.

4 – Do you actively recommend Sustainable Investment strategies and products to your clients?

Yes, we ty to stay on top of global trends and we believe Sustainable Investment is going to increase not only internationally but also in Portugal, especially when the millennial generation starts to be more active in making investment decisions. We already offer some products that follow a sustainable investment strategy, such as exchange-traded funds.

5 – Why aren't more banks in Portugal pushing and offering sustainable investment strategies?

Without having the pressure of a strong demand from clients, and having no government incentives for example, most institutions may not find it justifiable as it entails allocating more resources into researching and developing these new strategies. However, growing availability of data and recent indication of a positive link between ESG performance and returns may drive a change in the sector, as well as future regulation from the EU.

6 – Do you think that the new EU action plan and future legislation will help the development of sustainable investment?

Yes, I think that it will have a positive effect on giving sustainable investment credibility and an added incentive for the market, which will drive its growth.

7 – Do we need a push or pull phenomena?

Given the low financial literacy, I believe that banks should invest in the financial education and access to information of customers. More sophisticated investors would be able to choose different products other than savings plans, etc. Also, more than having immediate results, it is important to present new approaches that will remain significant in the long-term given the principles that are associated with these sustainable investment strategies. On the other hand, it is also important to consider what appeals to the next generation of investors, as younger investors around the world have shown the greatest appetite for this subject.

Appendix 2 – Interview with Hugo Freitas, Structured Products Manager at DB Portugal

1 – Does DB Portugal offer products which take into consideration ESG criteria?

Regarding structured products, so far, we have not emitted any. However, we are currently working on developing structured products that follow a sustainable investment strategy, namely by having a sustainability index as the underlying asset.

2 – Why haven't you done so before?

There are several reasons. First, we did not experienced demand from our clients to have that driver, but admittedly we haven't yet tried to appraise it. However, the main issue was lack of reliable positive data and developing the know-how. The market for sustainable investment is only now maturing on an international level and beginning in Portugal. As such, we felt that the information available was not sufficiently indicative of the benefits on one hand, and the best way to approach the design of these products on the other. Some years ago, we did develop a product that focused on companies related to sustainable agriculture as it was a hot topic at the time. As such, it also met social and environmental concerns due to population growth and the capacity to feed population in a sustainable way, as well as the need for water management. However, I believe that at the time it was successful mainly due to high interest rates typical of the market at the time and not due to its sustainability concerns. Nevertheless, it is important to have past records to learn and improve.

3 – Why are you doing it now, what changed?

The widespread concern and use of sustainable investment strategies is fairly recent. Though environmental concerns have been analysed in more depth, information regarding corporate governance and its impact on businesses has only now been accentuated following recent scandals. In fact, nowadays very rapidly a scandal becomes viral and a company's worth can decrease. Good governance is thus fundamental for the sustainability of companies, and the market is now aware of the need to take this factor into account when selecting a portfolio.

Also, it was important that we now have more historical data and examples of success. As the market is maturing, more reliable information is being shared which gives us more confidence in the benefit of incorporating ESG factors into our products and strategies, or at least that it won't hurt returns. We wanted to make sure it was not just a trend but a financially sound strategy.

Another important factor was the development of reliable indices. Due to current markets conditions we wanted to track an index that focused more on value rather than growth. When doing that research, we realized that sustainable indices presented that type of analysis but had the added inclusion of ESG factors. As such, we are not specifically looking to create products based only on sustainable and responsible investment concerns but rather following a more holistic approach where we track the financial metrics deemed more relevant while doing so in a socially responsible way.

4 – When deciding whether to start developing these products, was the lack of data regarding demand from investors a barrier?

Apparent lack of demand is not discouraging as investors tend to not have a very sophisticated level of expertise and thus seek advice from their account managers regarding new products and investment strategies. In turn, managers and financial advisors can then educate their clients on the benefits of not only having a longer horizon for their investments but also on how investors can translate their environmental and social concerns with financial products.

Furthermore, given the increasing concern from regulators and the general expansion of sustainable investment strategies in international markets, investors in Portugal will also be more aware of what social and responsible investment is and we want to be on the forefront of this new investment approach.

5 – What are the main difficulties you are finding?

The main problem relates with data and know-how. On one hand, it is hard to find reliable studies that prove a direct relation between ethics and sustainability with higher returns for a company, which generates some scepticism regarding following sustainable strategies. Nevertheless, as mentioned before, we believe that ESG factors should be considered as an added measure when evaluating companies and that social and environmental concerns from investors can and should be answered to without neglecting positive returns. On the other hand, as it is a new type of product, there is some uncertainty in the design process. Although a trial and error approach cannot be avoided, we would feel more comfortable having reliable and comparable sources or more examples in the Portuguese market that would help making successful choices.

I would also say that Portugal tended to be constrained by its banking sector as it was very limited to Portuguese capital, thus did not benefitted from the competitive pressure of having relevant international competitors. However, that panorama is changing which I believe will have a positive impact on the offer regarding sustainable funds and other products.

6 – Are you afraid that indices may be tracking companies based on subjective metrics that will negatively impact the correct selection of stocks?

There are great indices such as the Thomson Reuters Global Resource Protection Select Index or the MSCI Europe ESG Leaders Select Top 50 Dividend Index, where their quality is not questioned. Additionally, among comparable indices with or without consideration for ESG factors, the returns tend to be very similar.

7 – Clients mainly require products with a short or long-term horizon? What is the impact when designing sustainable investment products?

Institutional clients are more comfortable with long-term investments, but retail clients tend to prefer a short-term horizon for their investments as they are not comfortable with committing their capital to longer periods of time without having the chance to rescue it or being penalized when doing so. For many, five years is the limit of their investment horizon. However, for sustainable products I would strongly discourage horizons of less than five years and preferentially we try to create products with guaranteed capital. Not just regarding sustainable investments, in general long-term strategies have better returns than short ones. As such, it is important to push for these strategies and change investors behaviour, even if the initial reaction will not be as successful as with shorter-term products. Also, I believe that offering long-term investments with the added component of following ESG criteria will gradually help to increase investors preference for the long-term. However, this preference is a symptom of the general low expertise of investors in Portugal, as more sophisticated players tend to think more in the long term and are more concerned with making strategic choices. As such, in order to develop sustainable investment in Portugal the most important step would be to improve the level of financial literacy.

Appendix 3 – Sustainable Investment Survey

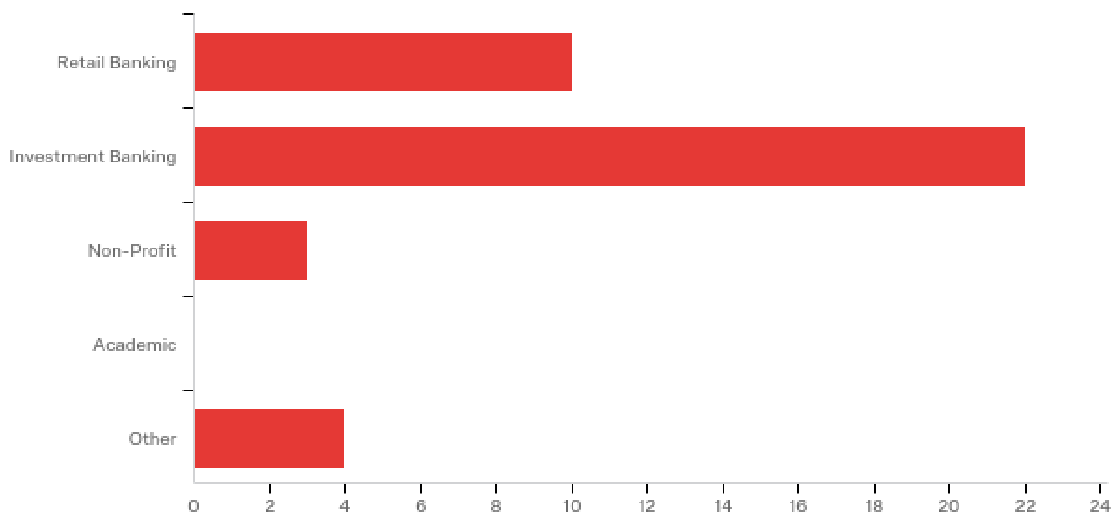
Part 1 - Demographics

Q1 - What is your age?

47	24	56	41	38	56	60	38	28	45
44	44	38	51	36	42	50	39	45	37
42	41	41	50	35	53	44	45	35	32
41	56	43	53	43	48	51	57	48	54

#	Field	Minimum	Maximum	Mean	Count
1	What is your age?	26	60	44	40

Q2 - In which sector/industry do you work?



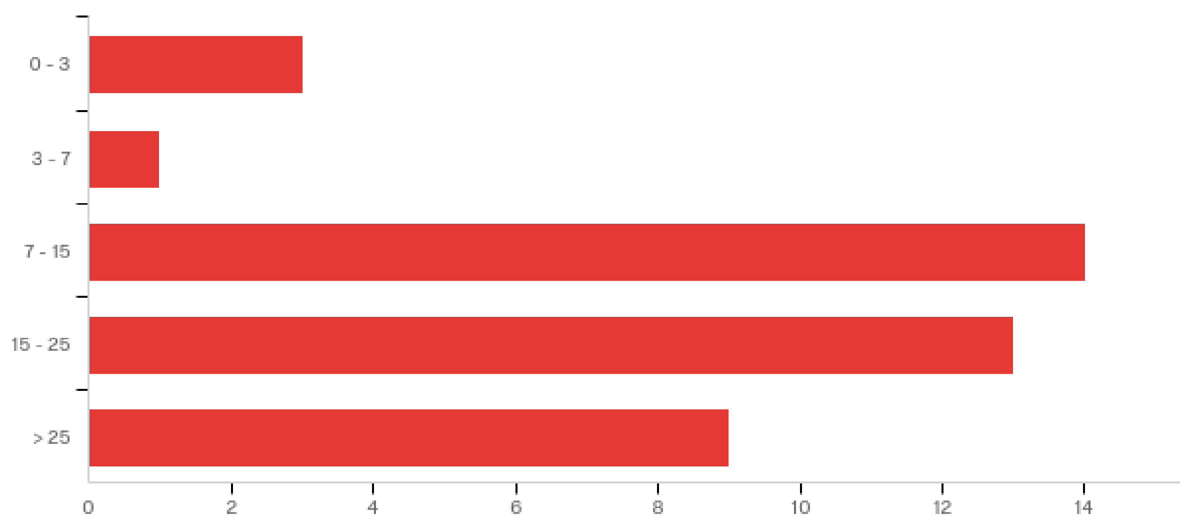
#	Answer	%	Count
1	Retail Banking	25.64%	10
2	Investment Banking	56.41%	22
3	Non-Profit	7.69%	3
4	Academic	0.00%	0
5	Other	10.26%	4
	Total	100%	39

Q3 - What is your position/department?

Financial Manager
Derivatives Sales Trading
Manager
Commercial
Product Manager
Director
Head of Investor Relations
Director
Analyst
.
Account Manager
Senior Manager / Business Intelligence
Sub-Director
Financial Director
Relationship Manager
Technical
Client Manager
Product Management
Director
Relationship Manager
Account Manager
Trading
Sales
Director
Account Manager
Commercial
Investment Department Deputy Head
Relationship Manager
Sales

Commercial
Director
Compliance
Executive Director
Manager
Assistant Private Banker
Coordinator
Coordinator
Coordinator
Top Manager

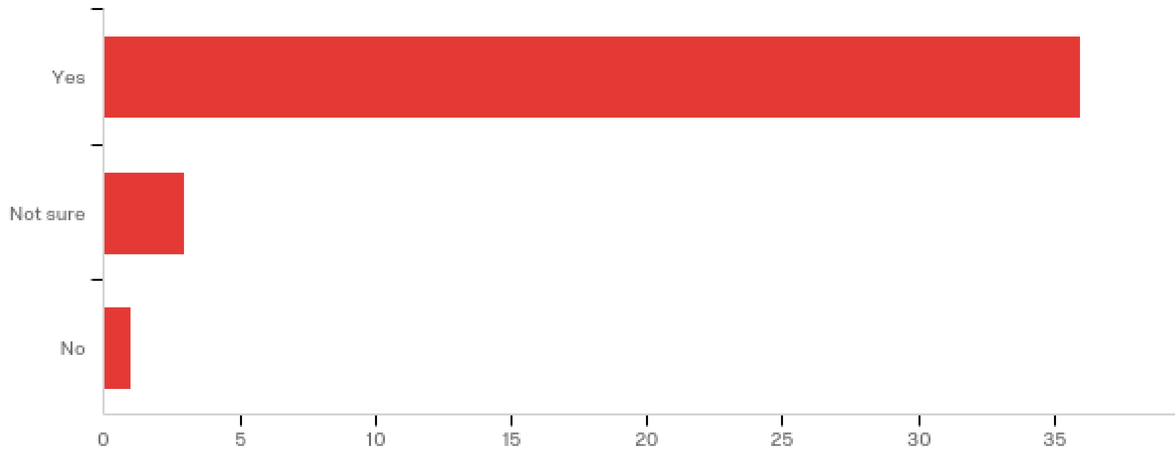
Q4 - How many years of professional experience in the sector do you have?



#	Answer	%	Count
1	0 - 3	7.50%	3
2	3 - 7	2.50%	1
3	7 - 15	35.00%	14
4	15 - 25	32.50%	13
5	> 25	22.50%	9
	Total	100%	40

Part 2 - Level of Awareness

Q1 - Sustainable Investing is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management. Were you familiar with this concept?

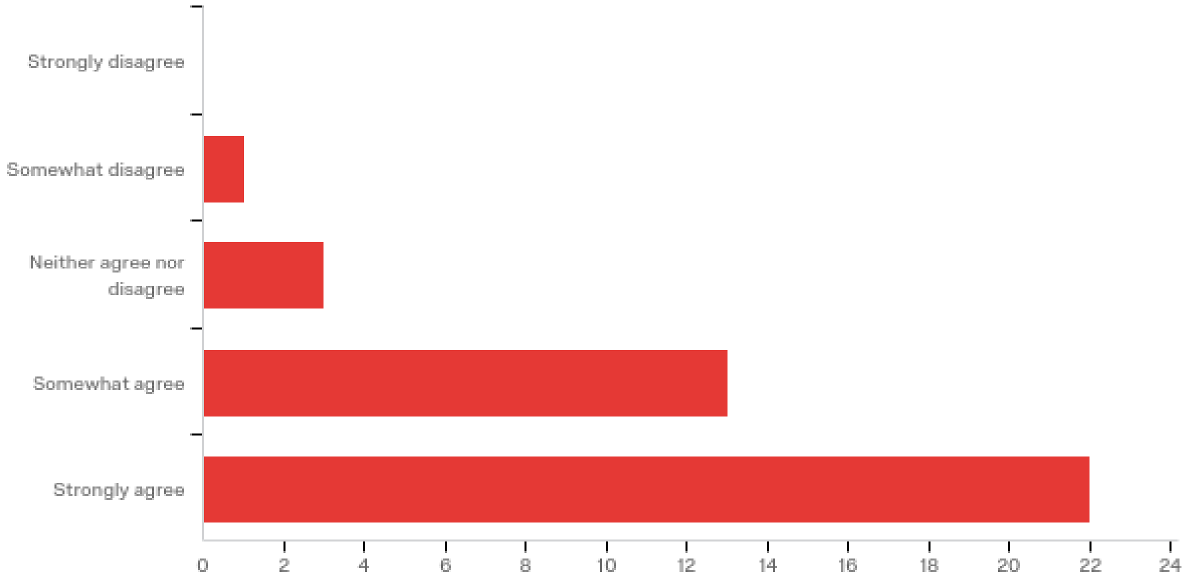


#	Answer	%	Count
1	Yes	90.00%	36
2	Not sure	7.50%	3
3	No	2.50%	1
	Total	100%	40

Condition: No Is Selected. Skip To: End of Survey.

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Sustainable Investing is (…). Were you familiar with this concept?	1.00	3.00	1.11	0.39	0.15	36

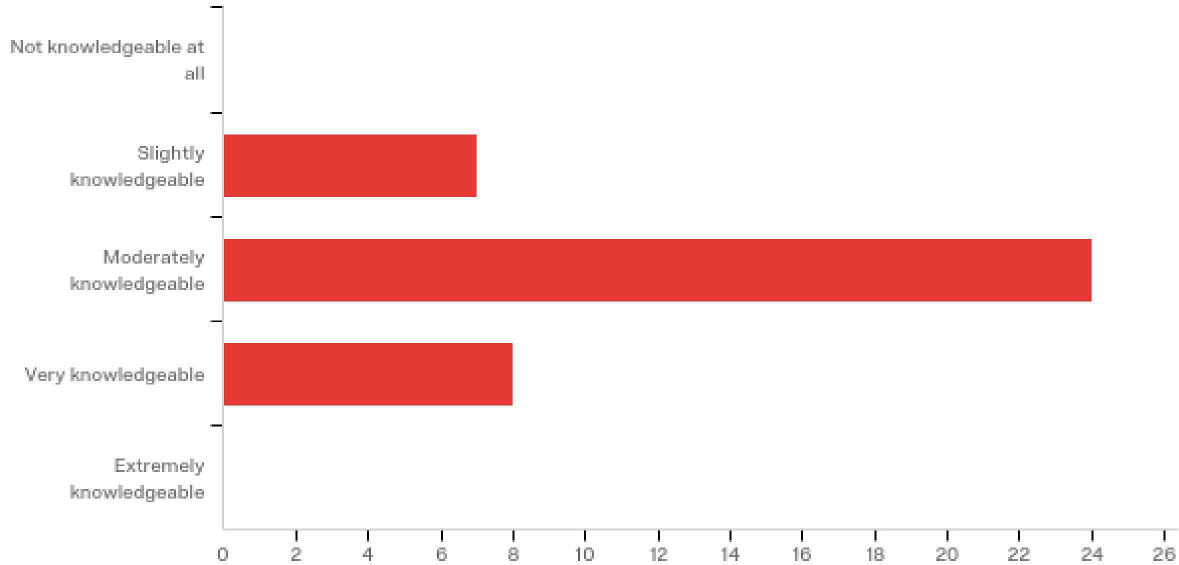
Q2 - Do you think Sustainable Investment should be an important part of your company's strategy?



#	Answer	%	Count
1	Strongly disagree	0.00%	0
2	Somewhat disagree	2.56%	1
3	Neither agree nor disagree	7.69%	3
4	Somewhat agree	33.33%	13
5	Strongly agree	56.41%	22
	Total	100%	39

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Do you think [SI] should be an important part of your company's strategy?	2.00	5.00	4.44	0.74	0.55	39

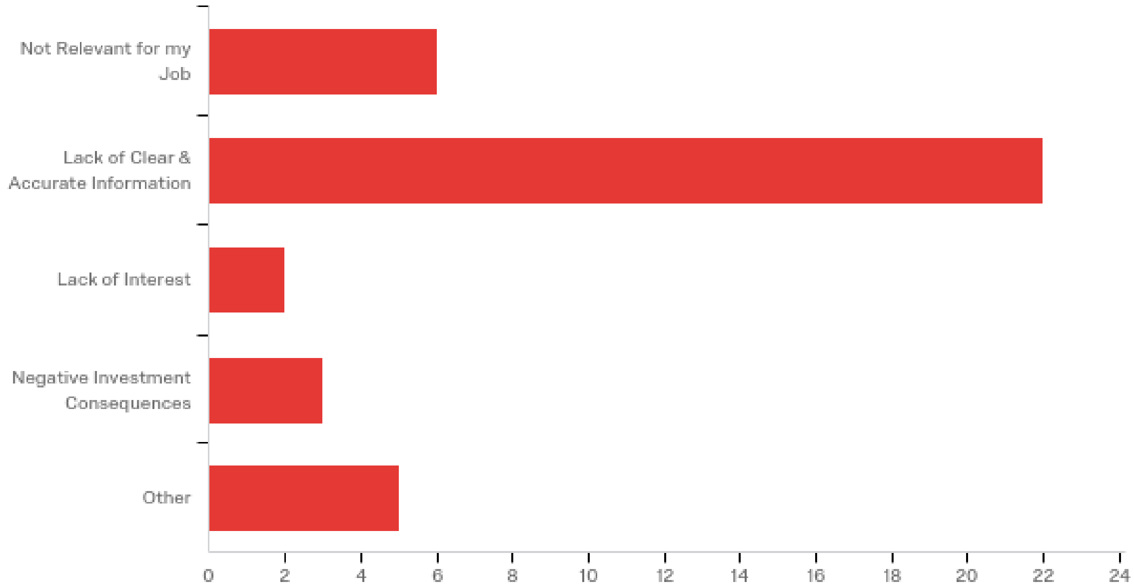
Q3 - How knowledgeable do you consider yourself to be regarding Sustainable Investment practices?



#	Answer	%	Count
1	Not knowledgeable at all	0.00%	0
2	Slightly knowledgeable	17.95%	7
3	Moderately knowledgeable	61.54%	24
4	Very knowledgeable	20.51%	8
5	Extremely knowledgeable	0.00%	0
	Total	100%	39

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How knowledgeable do you consider yourself to be regarding [SI] practices?	2.00	4.00	3.03	0.62	0.38	39

Q4 - What prevents you from learning or taking a more active approach regarding Sustainable Investments?

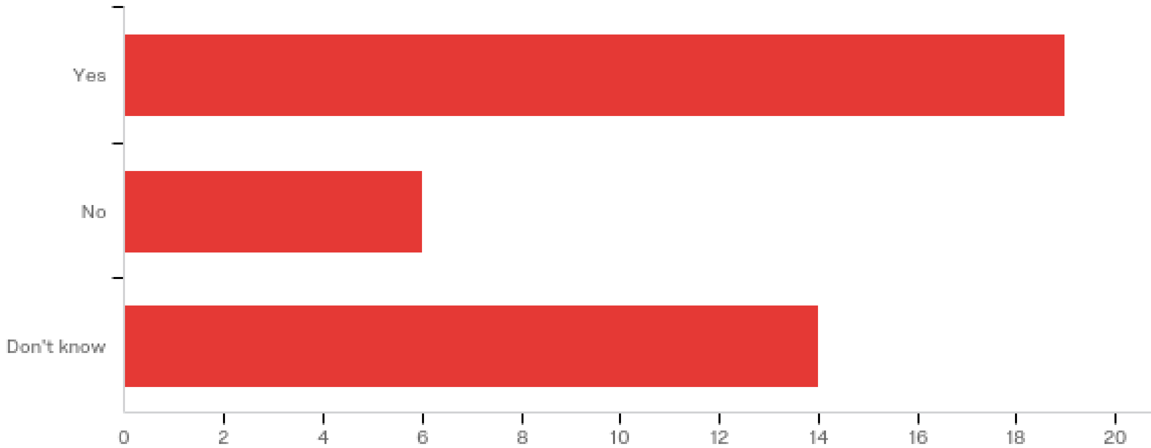


#	Answer	%	Count
1	Not Relevant for my Job	15.79%	6
2	Lack of Clear & Accurate Information	57.89%	22
3	Lack of Interest	5.26%	2
4	Negative Investment Consequences	7.89%	3
5	Other	13.16%	5
	Total	100%	38

Other - It's something new in the retail space... more important in the Institutional space

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	What prevents you from learning (…) regarding [SI]? - Selected Choice	1.00	5.00	2.45	1.23	1.51	38

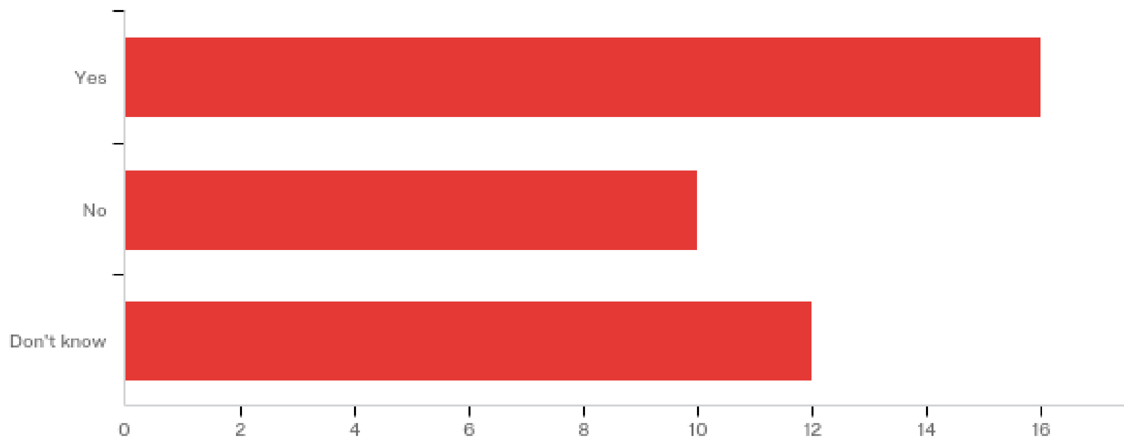
Q5 - Does your organization seek to integrate sustainable investing or ESG criteria into the investment process?



#	Answer	%	Count
1	Yes	48.72%	19
2	No	15.38%	6
3	Don't know	35.90%	14
	Total	100%	39

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Does your organization seek to integrate [SI] or ESG criteria into the investment process?	1.00	3.00	1.87	0.91	0.83	39

Q6 - Does your organization have the adequate tools and incentives to assess the alignment of its investments with its customers' sustainable investing goals?

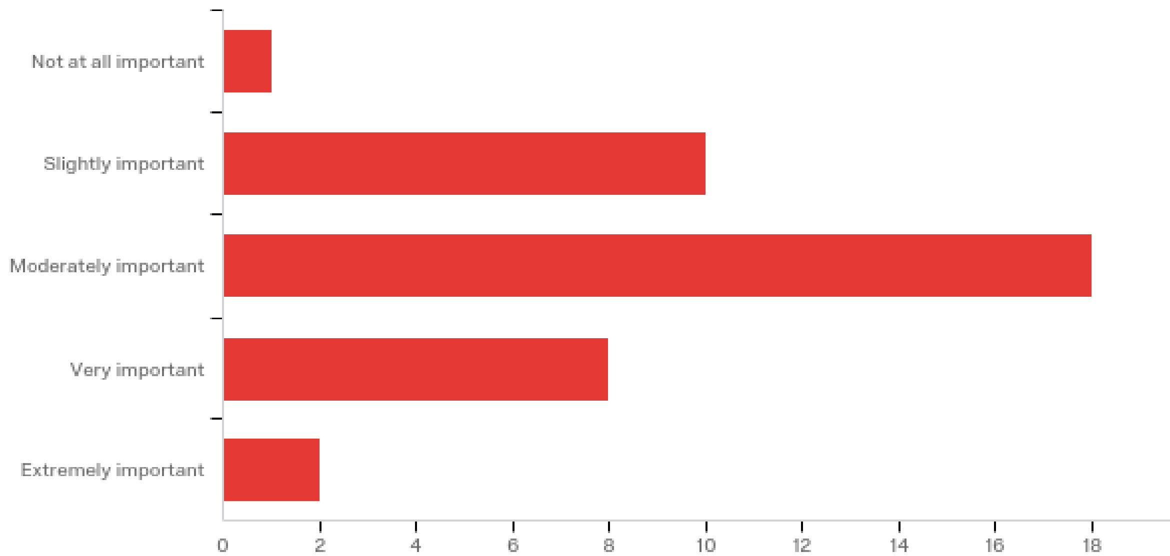


#	Answer	%	Count
1	Yes	42.11%	16
2	No	26.32%	10
3	Don't know	31.58%	12
	Total	100%	38

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Does your organization have (…) sustainable investing goals?	1.00	3.00	1.89	0.85	0.73	38

Part 3 - Opinion & Suggestions

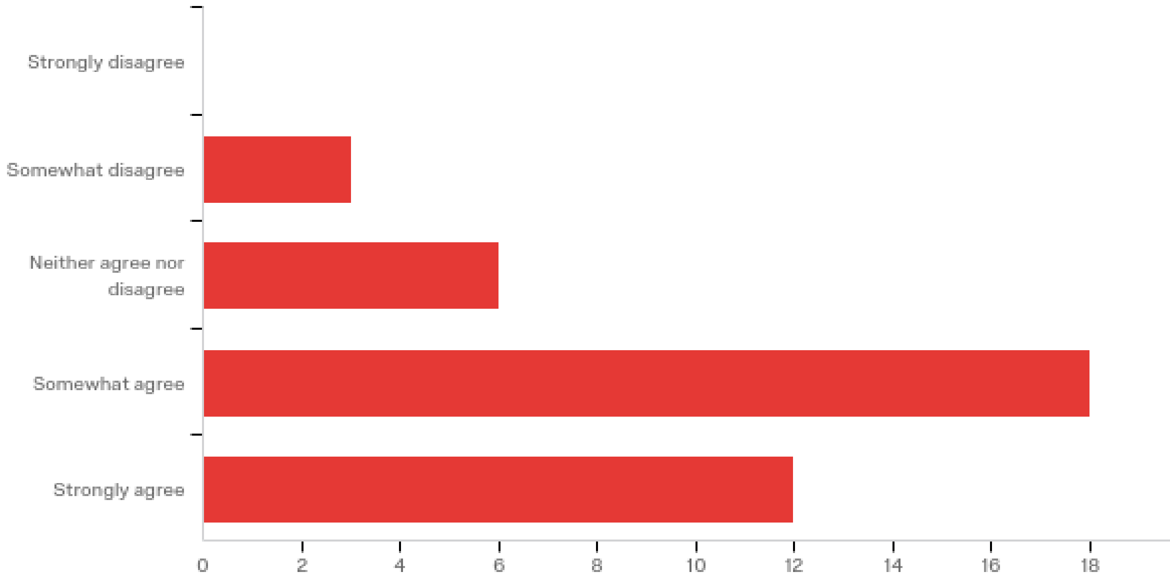
Q1 - How important do you think a company's sustainability performance is for investors' decisions?



#	Answer	%	Count
1	Not at all important	2.56%	1
2	Slightly important	25.64%	10
3	Moderately important	46.15%	18
4	Very important	20.51%	8
5	Extremely important	5.13%	2
	Total	100%	39

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	How important (…) sustainability performance is for investors' decisions?	1.00	5.00	3.00	0.88	0.77	39

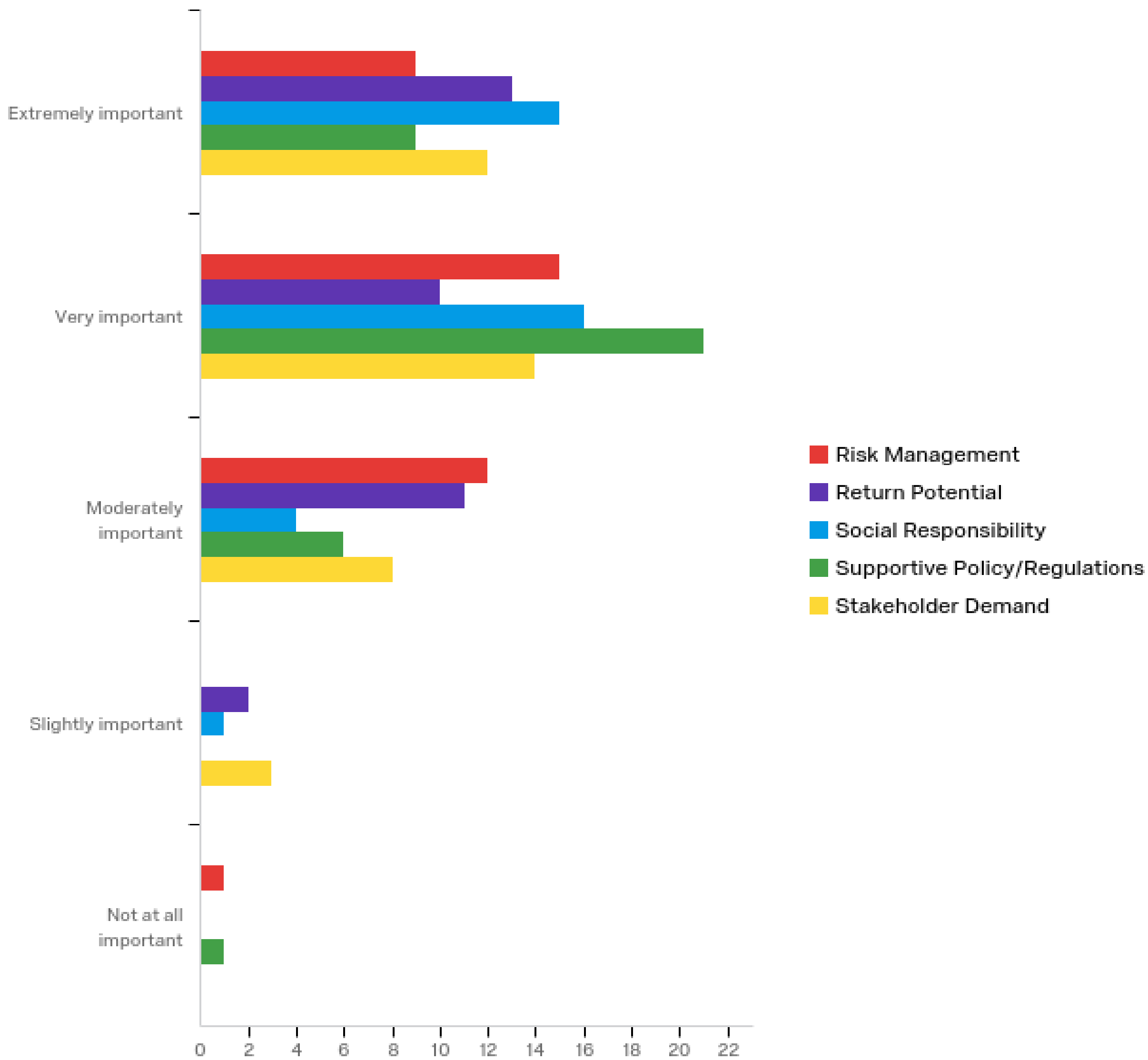
Q2 - Do you think ESG considerations should be part of the fiduciary duties of asset managers and institutional investors?



#	Answer	%	Count
1	Strongly disagree	0.00%	0
2	Somewhat disagree	7.69%	3
3	Neither agree nor disagree	15.38%	6
4	Somewhat agree	46.15%	18
5	Strongly agree	30.77%	12
	Total	100%	39

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Do you think ESG considerations should be part of the fiduciary duties (…)?	2.00	5.00	4.00	0.88	0.77	39

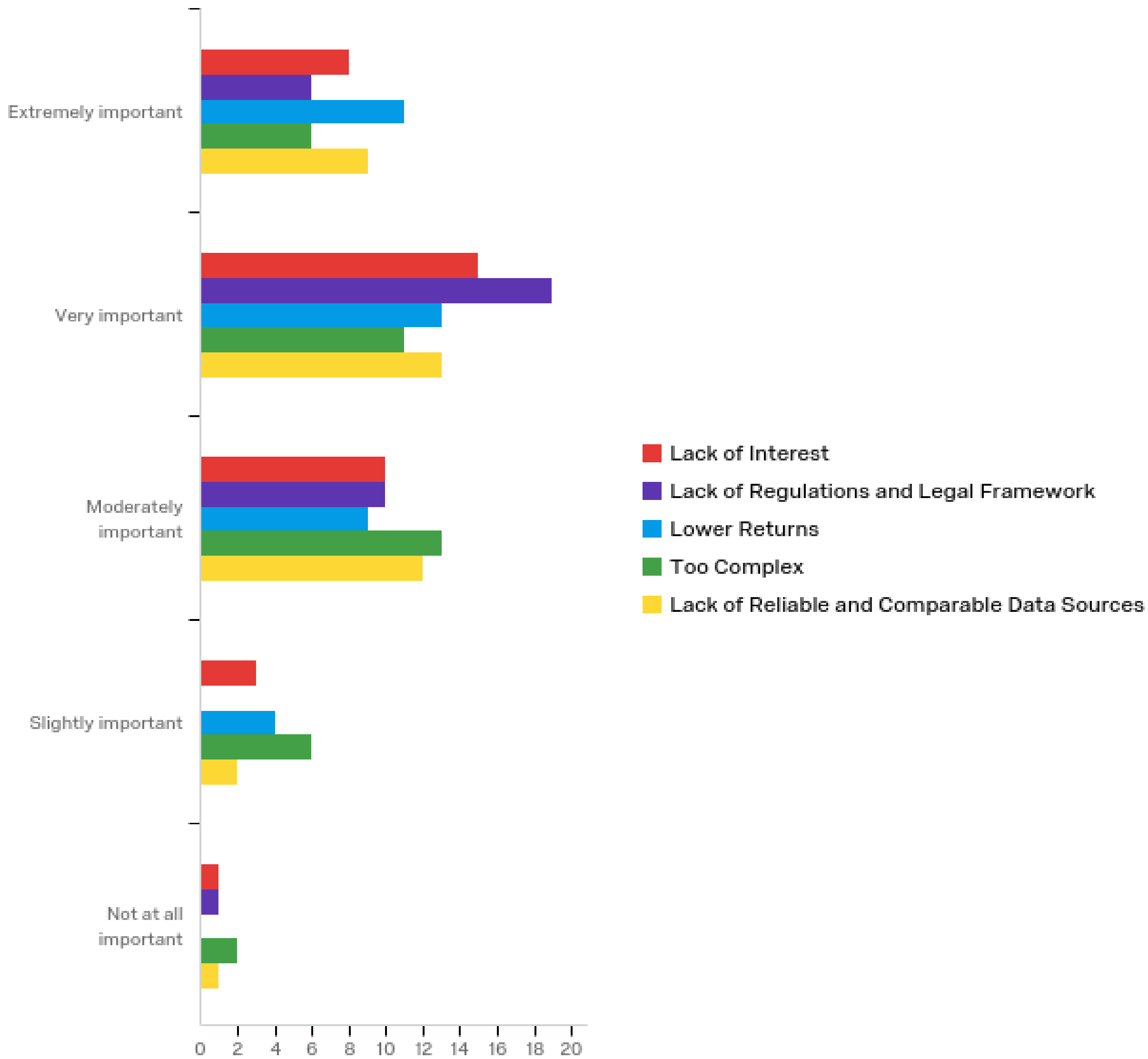
Q3 - In your opinion, what are the most important drivers of sustainable investment development?



#	Question	1 - Extremely		2 - Very		3 - Moderately		4 - Slightly		5 – Not at all		Total
1	Risk Management	24.32%	9	40.54%	15	32.43%	12	0.00%	0	2.70%	1	37
2	Return Potential	36.11%	13	27.78%	10	30.56%	11	5.56%	2	0.00%	0	36
3	Social Responsibility	41.67%	15	44.44%	16	11.11%	4	2.78%	1	0.00%	0	36
4	Supportive Policy/ Regulations	24.32%	9	56.76%	21	16.22%	6	0.00%	0	2.70%	1	37
5	Stakeholder Demand	32.43%	12	37.84%	14	21.62%	8	8.11%	3	0.00%	0	37

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Risk Management	1.00	5.00	2.16	0.89	0.78	37
2	Return Potential	1.00	4.00	2.06	0.94	0.89	36
3	Social Responsibility	1.00	4.00	1.75	0.76	0.58	36
4	Supportive Policy/Regulations	1.00	5.00	2.00	0.81	0.65	37
5	Stakeholder Demand	1.00	4.00	2.05	0.93	0.86	37

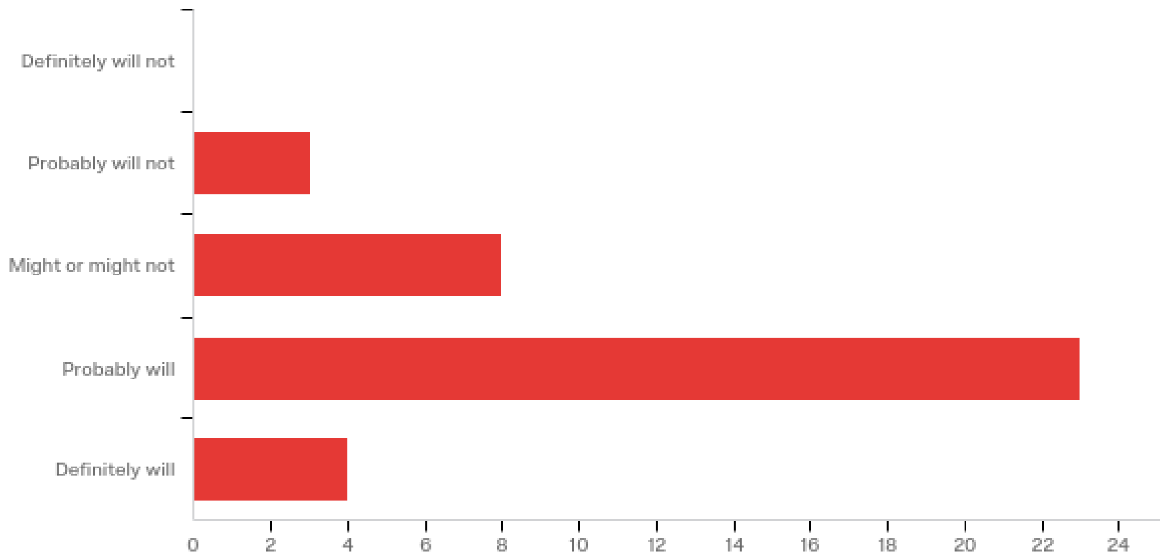
Q4 - In your opinion, what are the most important challenges of sustainable investment development?



#	Question	1 - Extremely		2 - Very		3 - Moderately		4 - Slightly		5 – Not at all		Total
1	Lack of Interest	21.62%	8	40.54%	15	27.03%	10	8.11%	3	2.70%	1	37
2	Lack of Regulations and Legal Framework	16.67%	6	52.78%	19	27.78%	10	0.00%	0	2.78%	1	36
3	Lower Returns	29.73%	11	35.14%	13	24.32%	9	10.81%	4	0.00%	0	37
4	Too Complex	15.79%	6	28.95%	11	34.21%	13	15.79%	6	5.26%	2	38
5	Lack of Reliable and Comparable Data Sources	24.32%	9	35.14%	13	32.43%	12	5.41%	2	2.70%	1	37

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Lack of Interest	1.00	5.00	2.30	0.98	0.97	37
2	Lack of Regulations and Legal Framework	1.00	5.00	2.19	0.81	0.66	36
3	Lower Returns	1.00	4.00	2.16	0.97	0.95	37
4	Too Complex	1.00	5.00	2.66	1.08	1.17	38
5	Lack of Reliable and Comparable Data Sources	1.00	5.00	2.27	0.98	0.95	37

Q5 - In May 2018, the European Commission announced an action plan on sustainable finance which includes: establishing a EU classification system and requiring insurance and investment firms to inquire and advise clients on the basis of their preferences on sustainability. Knowing this, do you think you will take SI in greater consideration when analyzing risks & opportunities for your investments/company?



#	Answer	%	Count
1	Definitely will not	0.00%	0
2	Probably will not	7.89%	3
3	Might or might not	21.05%	8
4	Probably will	60.53%	23
5	Definitely will	10.53%	4
	Total	100%	38

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	In May 2018, (…) will take SI in greater consideration (…)?	2.00	5.00	3.74	0.75	0.56	38

Q6 - What do you think the market needs for Sustainable Investing to become mainstream?

Enforcement, regulation + public awareness
For it to provide constant long-term superior returns
More information
More regulation initiatives.
Adequate returns
Clear information and recognized track record
Awareness
.
.
Regulation
Communicate the importance of Sustainable Investment
More information and data comparison
More flexible
More awareness of the benefits vs impacts of non-SI
More interest and information.
Nd
Data
Politicas mais activas e lei mais direcionadas de sustentabilidade
Think more long term than short term
Yes
Time
Stakeholder demand and profit return
In Portugal, more financial literacy. Around the world, I think that the taxonomy about SRI will be a game-changer.
Confidence
Incentives
.
Information

Q7 - What should your company do to promote Sustainable Investing?

1st - create a task force to study the subject (regulation, market opportunities, risks, ...)
Disclose all wrongful actions from non-responsible companies
Distributing more information
Have more research and working groups around this topic.
Financial education for investors
Follow all developments in terms of market procedures and regulatory environment
Information
.
.
Focus on Facts and Potential Return for investors. Internally it should evaluate potential return of these measures.
Communicate it well
Provide clients more information
Advertisement near the clients
Make it a strategic goal
Show the future consequences of unsustainable investing.
nd
Politicas ativas na area de incentivo das boas praticas de sustentabilidade
Proper training and information sharing
More information to end clients
Keep doing what we're doing, promoting the SRI and development initiatives to promote the financial literacy in Portugal.
Diversity
.
.
Look for details