THE PATH TO ESG: NO TURNING BACK FOR ASSET OWNERS AND MANAGERS
CONTENTS

4
FOREWORD

5
INTRODUCTION

6
KEY FINDINGS

10
PART 1: TURNING THE CORNER: ESG COMES OF AGE

18
PART 2: ACCELERATION: NET ZERO PATHWAYS AND THE S IN ESG

46
CONCLUSION

48
ABOUT THIS RESEARCH

50
GLOSSARY
The need to transition to a fair, responsible and sustainable economy is the biggest and most pressing challenge of our time. Warnings – including those from the Intergovernmental Panel on Climate Change in its latest report dated August 2021 – are growing starker, evidencing how tight the fight against climate change has become.

Financial institutions have a huge role to play in helping support the transition, providing financing to sustainable industries and helping investors move capital towards investments that deliver measurable ESG benefits.

In this third survey of institutional investors’ attitudes to ESG commissioned by BNP Paribas, we look at how much has changed since the publication of our first report in 2017, helping you take stock on what the industry has achieved so far and identify the milestones and challenges on the path ahead.

We hope you find it an interesting and thought-provoking read ahead of COP26.

Florence Fontan
Head of Company Engagement and General Secretary,
BNP Paribas Securities Services

Delphine Queniart
Global Head of Sustainable Finance and Solutions for Global Markets,
BNP Paribas
INTRODUCTION

In 2017, we set out to understand how asset owners and asset managers planned to integrate ESG. Our results – outlined in our first ESG survey “Great Expectations” – were encouraging, showing commitment to ESG but little in the way of true integration.

Fast forward to 2021, our survey, now in its third edition, paints a very different picture of an industry on the cusp of ESG acceleration. Spurred by governments pushing towards meeting the targets set out in the Paris Agreement, new regulations, and Covid-19 raising individuals’ social conscience, asset owners and managers are reinforcing their commitment to ESG investing and net zero targets.

With knowledge of ESG embedding throughout organisations, gone are the days where ESG specialists sat on their own. You will now be more likely to find them sitting side by side with investment teams, guiding investment decisions.

Gone too are the days when negative screening was the weapon of choice against bad governance and polluting companies. Thematic investing is instead gaining ground, reinforcing the evolution of responsible investing.

Of course, challenges remain, particularly the difficulties around sourcing good quality data, which has been the main challenge since our 2017 survey. Nonetheless, solutions are now emerging.

In this report, we outline:

1. How approaches to ESG are maturing, reflected in the share of ESG investing and investment strategies moving beyond negative screening;

2. Regional differences between Europe, North America and APAC (the Asia-Pacific region) when it comes to what is driving financial institutions’ use of ESG, their approaches to regulation and how they take action on climate change;

3. Financial institutions’ net zero ambitions; identifying three groups of investors, differing in their commitment to net zero. These groups have specific characteristics such as size of Assets Under Management (AUM), use of ESG frameworks and standards, and understanding of regulation. We also benchmark the drivers of integration against 2019, such as performance, reputation, risk and stakeholder expectations; and

4. Possible solutions to the data challenge, looking at data sources and research, regulation, and the role of the asset manager.

We hope this report will help foster discussions, collaboration and action in the financial services industry, helping asset owners and asset managers meet objectives such as the UN Sustainable Development Goals (SDGs) and the net zero emissions target.
ESG maturing quicker than predicted. In our 2019 survey, not one respondent envisaged a future where 75% or more of an investor’s portfolio would integrate ESG by 2021. Today 22% of investors surveyed integrate ESG into at least 75% of their portfolios, and this is set to grow in the next two years.
2 Top motivations for ESG investing. Brand and reputation has overtaken returns as the main ESG driver. Investors are trying to mitigate risks by investing with companies that align with their values, as well as generating financial value.

3 Net zero the accelerator. We identified three groups of investors based on their current trajectory towards net zero. Each group has specific characteristics. Although we have identified ‘leaders’, all three groups face implementation challenges.
**MANAGING THE CHALLENGES**

**Regulation, regulation, regulation: readiness for SFDR.** Almost half of respondents based in Europe say they understand the Sustainable Finance Disclosure Regulation and what it means for their organisation. This reflects the phased rollout taken by the EU - with the most significant enforcement due to take place in 2022 - and the fact that institutional investors await details of the final requirements, which are still being developed.

**Data as a barrier to ESG integration.** Data remains the primary barrier to integration. 59% of 2021 survey respondents cite issues related to data as a top impediment, i.e. among their top two challenges to integration. This compares with 66% in 2019.
The S in ESG – still a challenge.
The social pillar of ESG remains the most difficult to analyse and integrate. 51% of respondents rate social factors as the most challenging, in keeping with previous surveys. Data is more difficult to come by and there is an acute lack of standardisation around social metrics. This comes at a time when the social component is of growing importance to end investors.

* For the 2021 survey, respondents were asked to rate E, S, and G on a scale of 1 to 10, with 10 being extremely challenging to analyse and integrate. In prior surveys, respondents were asked to choose which of the three pillars they found the most challenging.

The growing role of company engagement.
Investors frequently engage with investee companies. This engagement goes beyond proxy voting and includes meeting companies to influence ESG outcomes. 61% of investors engage with companies as part of their ESG strategy. (64% asset managers, 58% asset owners). Net Zero Leaders are twice as likely to engage with companies (89%) than Explorers (44%) and Observers (43%).

ESG dating tips for asset owners: what matters changes as you mature. Asset owners look for practical reporting skills and, importantly, that asset managers share their ESG values.
PART 1: TURNING THE CORNER: ESG COMES OF AGE

Benchmarking against the results of our 2019 survey, we have found areas where ESG investing has reached a critical point in its evolution – namely strategy, knowledge, and portfolio share.
The data in this year’s study indicates there are a growing number of investors “walking the walk” – putting their plans and goals into action by allocating a higher portion of their portfolios towards ESG oriented investments.

In 2019, not one respondent said their organisation incorporated ESG into all of their investments. Today, over a fifth of investors (22%) say all or most of their portfolio incorporates ESG. This represents a staggering upsurge in commitment.

**PERCENTAGE OF INVESTMENTS HELD IN FUNDS/STRATEGIES THAT INCORPORATE ESG**

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>Two years’ time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>44%</td>
<td>13%</td>
</tr>
<tr>
<td>25% but less than 50%</td>
<td>22%</td>
<td>32%</td>
</tr>
<tr>
<td>50% but less than 75%</td>
<td>12%</td>
<td>21%</td>
</tr>
<tr>
<td>75% but less than 100%</td>
<td>9%</td>
<td>15%</td>
</tr>
<tr>
<td>100% – we incorporate ESG into all of our investments</td>
<td>13%</td>
<td>19%</td>
</tr>
</tbody>
</table>

What percentage of your investments are held in funds/strategies that incorporate ESG? And how will this change, if at all, in two years’ time?
Though it is reasonable to be buoyed by this upswing in ESG investing, it is worth highlighting what looks like a barbell effect. Two-thirds (66%) of investors currently incorporate ESG into less than half of their portfolio, with 44% incorporating ESG only in a quarter or less of their portfolio.

Regionally, APAC is home to the largest percentage of investors (82%) with ESG applied to less than half of their portfolio. This is largely driven by 75% in China and Hong Kong SAR who have less than 25% of their assets incorporating ESG. And almost half (47%) say ESG will be that important in two years’ time.

Despite this positive trend, ESG today still plays a minor or growing role in almost half of investor organisations (48%). However, this is expected to drop to 18% in two years’ time. Though ESG investments have moved into the mainstream, institutional investors need to actively take the decision to incorporate this approach into their investment strategy – something which more will be doing within the coming two years.

**ROLE OF ESG IN THE ORGANISATION’S INVESTMENT STRATEGY**

<table>
<thead>
<tr>
<th>Role of ESG</th>
<th>2019</th>
<th>Today</th>
<th>In two years’ time</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is central to almost everything that we do</td>
<td>23%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>It is a necessity in everything we do</td>
<td>8%</td>
<td>2%</td>
<td>24%</td>
</tr>
<tr>
<td>It plays a minor role</td>
<td>14%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>It plays a growing role but it is not central to our strategy</td>
<td>34%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>It is becoming integral to much of what we do</td>
<td>31%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>It is central to almost everything we do/a necessity in everything we do</td>
<td>21%</td>
<td>47%</td>
<td></td>
</tr>
</tbody>
</table>

Which of the following best describes the role of ESG in your organisation’s investment strategy now and in two years’ time?

---

1 A full breakdown of the countries included in the research can be found in the About This Research section.
There are more board members, CEOs and executive directors who now understand the long-term value of more holistic thinking and value creation for all stakeholders.

Eszter Vitorino, Senior Responsible Investment Advisor, Kempen Capital Management

**KNOW-HOW: EMBEDDING ESG**
Today, almost half of institutional investors (45%) say their ESG capabilities are embedded throughout the organisation. This is nearly double the number (23%) in 2019. This is good news, showing know-how spreading through organisations as ESG becomes part of a firm’s core strategy.

**POSITIONING OF ESG CAPABILITY WITHIN THE ORGANISATION**

- **ESG capability is embedded throughout the organisation**
  - 2021: 45%
  - 2019: 23%

- **A dedicated ESG team sits independently of the investment team**
  - 2021: 34%
  - 2019: 30%

- **Each investment team/asset class has a dedicated ESG resource**
  - 2021: 11%
  - 2019: 44%

- **External consultants work in-house**
  - 2021: 6%
  - 2019: 3%

Which of the following best describes how ESG capability is positioned within your organisation?
Given we’re also a supervisor, a lot of attention had already been given to this topic from a supervisory perspective. Therefore, there was a lot of awareness within the board of directors and we had the luxury of ESG already being considered as important. So, when we increased our ESG efforts on the asset management side, they were warmly welcomed because we didn’t need to convince the board that it was a good idea.

Lisanne Cock, Sustainable investment specialist, DNB
In a sign that approaches are maturing, our data shows that the industry is leaving negative screening behind as the foremost approach to ESG, with three-quarters of investors (75%) now employing ESG integration as their preferred approach. Put simply, instead of merely excluding companies and certain sector from their investment strategies, asset managers and owners are now including ESG factors in their analysis and decisions to better manage risk and improve returns. Asset managers (81%) are slightly ahead of asset owners (72%).

**APPROACHES TO ESG**

<table>
<thead>
<tr>
<th>ESG Approach</th>
<th>Overall</th>
<th>Asset Owner</th>
<th>Asset Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG integration</td>
<td>75%</td>
<td>72%</td>
<td>81%</td>
</tr>
<tr>
<td>Negative screening</td>
<td>56%</td>
<td>54%</td>
<td>59%</td>
</tr>
<tr>
<td>Thematic investing</td>
<td>38%</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>Impact investing</td>
<td>36%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Active ownership</td>
<td>31%</td>
<td>27%</td>
<td>37%</td>
</tr>
<tr>
<td>Best in class</td>
<td>30%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>ESG scoring for disclosure purposes only - not integrated into decision-making</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Which of the following ESG approaches do you employ within your organisation? Check all that apply.

---

2 The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns.
The data also reveals growing support for thematic investing, indicating investors are taking an increasingly in-depth approach to ESG, actively allocating capital to themes or assets related to certain environmental or social outcomes, such as clean energy or energy efficiency.

Overall, 38% of investors are employing thematic investing. The trend is more evident among asset managers (46%), who will likely use thematic investing to identify investment opportunities, seek to generate alpha and differentiate their strategy from their peers.

**ESG INTEGRATION WITHIN ASSET CLASSES: ALTERNATIVES RISING**

Equities remain the primary asset class used to deploy ESG considerations (69%), followed by fixed income and green instruments (both 45%). What is noteworthy is a growing ESG sensibility within alternative asset classes, particularly non-listed assets. As investor appetite for private capital has increased over the course of the year, so has the application of ESG in this context. While private capital does not figure in the top three asset classes, 41% of investors incorporate ESG considerations within infrastructure, followed by private equity/debt (38%) and real estate (37%).

While non-listed assets face greater challenges with regards to standardised measurement and the absence of reporting obligations relative to listed assets, they nonetheless have considerable potential for ESG impact. For instance, a majority private equity shareholder has the ability to influence change within a company and impose reporting around certain ESG criteria.

The practice of including ESG considerations across these asset classes is more prevalent among asset owners – notably when it comes to investments in infrastructure, where almost half (47%) incorporate ESG compared to 30% of asset managers. This is perhaps not surprising. Not only do infrastructure strategies have the clear potential to influence positive environmental outcomes (for example, energy transition projects), but their longer investment horizons also align strongly with those of asset owners (54% have an average horizon of seven or more years, compared to 31% of asset managers).

*It’s not just about doing ESG, but about doing it with purpose. Everybody can say they integrate ESG, but the question is how it impacts their security selection and what their targets are. The focus on specific themes and objectives is necessary.*

**Erick Decker**, Chief Investment Officer, AXA Southern Europe and Emerging markets

---

3 The identification and allocation of capital to themes or assets related to certain environmental or social outcomes, such as clean energy, energy efficiency, or sustainable agriculture.
We assess private capital investments partly in the same way as listed names, but also in a more diverse manner. We start by considering the positive impact of the investments and then work on negative exclusions. When making the investment case we also take into consideration other factors, usually on a project-by-project basis. Essentially, it’s the same approach, but often more qualitative than in the listed space.

**Hans Stegeman, Chief Investment Strategist, Triodos Investment Management**

### HOW ESG IS INCORPORATED ACROSS ASSET CLASSES

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Overall</th>
<th>Asset Owner</th>
<th>Asset Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>69%</td>
<td>66%</td>
<td>74%</td>
</tr>
<tr>
<td>Fixed income (excluding green instruments)</td>
<td>45%</td>
<td>43%</td>
<td>49%</td>
</tr>
<tr>
<td>Green instruments (green, social, sustainability, sustainability-linked bonds, sustainability-linked loans)</td>
<td>45%</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>41%</td>
<td>47%</td>
<td>30%</td>
</tr>
<tr>
<td>Private equity/debt</td>
<td>38%</td>
<td>41%</td>
<td>34%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>37%</td>
<td>39%</td>
<td>34%</td>
</tr>
<tr>
<td>ETFs thematic</td>
<td>22%</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>ETFs tracker funds/ESG screened index</td>
<td>22%</td>
<td>18%</td>
<td>29%</td>
</tr>
<tr>
<td>Liquid alternatives (derivatives and hedge fund strategies)</td>
<td>12%</td>
<td>10%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Which of the following asset classes do you use to incorporate ESG? Check all that apply.
PART 2: ACCELERATION: NET ZERO PATHWAYS AND THE S IN ESG

In this section we introduce three net zero investor groups and discuss the drivers behind ESG, including the nuances between asset managers, owner types and regions.
NET ZERO THE ACCELERATOR

Net zero has become the North Star of the ESG narrative in recent times. Reaching net zero greenhouse gas (GHG) emissions by 2050 is considered vital to limiting global warming to 1.5°C, the primary goal of the Paris Agreement. This is widely acknowledged by the scientific community, policymakers, business, institutional investors and the broader community.

This ambitious goal has led several countries, such as the UK, France, New Zealand, Japan and Canada, to make net zero commitments, passing legislation to enshrine this target into law. Businesses and financial institutions are also committing to net zero, including asset managers and asset owners. For instance, the Net Zero Asset Manager Initiative launched in December 2020 with 30 signatories and had reached 128 members as at July 2021, representing over USD 40 trillion in assets under management.

If the world economy doesn’t go to net zero, then financial institutions won’t be able to reach their net zero goals. We can’t invest in one company alone offsetting its carbon emissions. So, even after a best in class sector and name selection approach we will only go as fast as the economy goes. Period.

Erick Decker, AXA

NET ZERO 2050 COMMITMENT

Yes, at firm level covering all asset classes and investments/funds and inclusive of risk monitoring and temperature scoring of portfolios 19%

Partially, a key subset of our ESG-aligned portfolios are aligned to a 2050 net zero target, covering all the asset classes held by these funds, and inclusive of risk monitoring and portfolio temperature scoring 18%

We have no such commitment 27%

Early stages; We are still exploring the steps necessary for our firm to set a 2050 net zero emissions goal 31%

We have made a commitment to achieving net zero emissions across all of our investments by 2050 but have not begun to make capital reallocations 5%

Do you have a commitment in place to align your investment strategy with achieving global net zero emissions by 2050?

4 At the time of writing, 49 parties, representing 60 countries and 54.1% of global GHG emissions, have communicated a net zero target: https://www.climatewatchdata.org/net-zero-tracker
THE THREE NET ZERO GROUPS

A key part of this study was asking respondents whether they have committed to aligning their investment strategy with the goal of reaching net zero carbon emissions by 2050. Based on these responses, we have divided the investors into three categories.

- **Leaders**: 37% (NET ZERO)
- **Explorers**: 36% (NET ZERO)
- **Observers**: 27% (NET ZERO)
Over a third of respondents (37%) are characterised as **Net Zero Leaders**. These respondents have committed to a 2050 net zero target, either covering all asset classes (19%) or only ESG-aligned portfolios (18%). This group has made a public pledge to align all or part of its investments with the 2050 net zero target.

The second category we identified are the **Net Zero Explorers**, accounting for 36% of the sample. The investors in this group are making the initial public steps on this journey. They have committed to the 2050 net zero target, but still have not started implementing it (5% of respondents), or are still exploring the way they plan to make this journey to net zero (31%). This journey requires in-depth preparation, to assess the extent of the changes that will be needed. Before making the first concrete steps in this regard, these respondents want to ensure they have the roadmap, capabilities and resources to achieve the 2050 net zero goal in place.

Last are the **Net Zero Observers**, who make up 27% of respondents in our sample. These investors have not made an official 2050 net zero commitment yet. It is clear from the qualitative interviews we conducted that this does not mean this group is not taking any actions to achieve net zero. They simply do not feel confident yet to make a categorical commitment.

The bar is constantly being raised within this field and the speed with which this is happening is going really fast... we are investigating how we could potentially commit to Paris aligned investing and in which asset classes this could be implemented. We are currently in the process of formulating new policies in this respect. So far we have made no formal commitment, but this is at the top of our agenda at the moment.

*Lisanne Cock*, Sustainable investment specialist, DNB
HOW THE GROUPS MEASURE UP

Leaders
- Larger organisations, with a long-standing commitment to ESG
- Make use of the full range of ESG strategies
- ESG being implemented across a wide range of asset classes
- Employment of a dedicated ESG team rather than embedding throughout the organisation
- ESG seen as providing better long-term returns and helps avoid damage to brand and reputation
- Pro-active in working with ESG initiatives and collaborations, using ESG frameworks and reporting standards and trying to shape ESG regulation
- Prepared to produce their own ESG research and seek specific ESG research and information from external sources
- More likely to engage with companies on ESG issues

Explorers
- More likely to be smaller to medium-sized investors
- A high proportion of insurance companies
- ESG-aware but it is not yet central or integral to their investment approach
- More likely to be motivated to adopt ESG by reasons beyond their investment strategy, such as board/activist pressure or external stakeholder requirements
- ESG used mainly for equity and fixed income investing, with less application across alternative and other assets
- Less likely to be members or signatories of ESG-related initiatives, but are influenced by them for guidance and information
- Tend to observe rather than comply with sustainable investment frameworks
- Use a limited number of data providers for ESG data and tend not to conduct their own research
- More likely to require broad, qualitative information from asset managers on ESG issues than specific, dedicated reporting

Observers
- More likely to be smaller organisations with higher proportion based in North America
- Asset managers, public pension funds and central banks are more likely to be Observers
- Make less use of various ESG approaches than other investors, but do use ESG within a wide range of asset classes
- Many expect their use of ESG to grow in the future
- Tend to embed ESG throughout their organisation, rather than having a dedicated team independent of the investment team
- Qualitative interviews identified some larger groups falling into this category as they outline their hesitance to make a public declaration in this regard
A net zero commitment is something we continue to evaluate. We are highly supportive of the Paris agreement, and we do view climate change as imperative. But we see a distinct lack of commitment and clarity right now in net zero. Asset managers are signing up with very low levels of long-term commitment and no clear path of what they’re going to achieve in the longer term. Before we sign up, we would want a bit more of a roadmap. And that roadmap is what we’re working on right now.

Michelle Dunstan, AllianceBernstein, Global Head of Responsible Investing

We put our carbon targets in place last year and set a net zero carbon emissions target for our portfolio by 2050. This is our first push into being more mindful of our impact and measuring progress against those targets... the shift to being more cognisant of the impact our investments are having is something I find quite powerful.

Sybil Dixon, Senior Investment Analyst, UniSuper

As a central bank, everything we do sends an important message. This is why we at Banque de France are so adamant about climate change and sustainable finance. On the other hand, it means that we need to be prudent before subscribing or following principles or initiatives publicly.

Alexandre Gautier, Deputy Secretary General, Banque de France
Climate change is the biggest threat that we face, as evidenced again by the first installment of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. There is a great deal of focus on climate change by institutional investors, not least because organisations see integration of E factors as a way to differentiate themselves and show leadership. The tendency for the E in ESG to dominate the discussion has been a recurring theme since this survey’s inception in 2017. Our research has consistently indicated that environmental aspects are less challenging to analyse and integrate than social aspects.

This remains the case today, with just over half (51%) of respondents citing social as the most challenging component to assess and incorporate into investment analysis, compared to 39% for environmental and 27% for corporate governance.

However, the past few years have seen an increasing focus on the social aspect. When asked which SDGs respondents use to align their investments, goals related to human rights and social issues were the second most common (56%), well behind SDGs related to the climate and sustainability (89%). While the impetus to include social factors into investment decisions appears to be strong, it is clear that challenges remain to putting this into practice.

*The 2021 data does not sum to 100% due to a change in the question’s format from previous surveys
Please rank in terms of importance the reasons why you incorporate ESG into your investment decision-making (rank 1+2+3)
# Drivers to Integration by Investor Type in 2021

## ESG Drivers

<table>
<thead>
<tr>
<th></th>
<th>Brand and reputation</th>
<th>External stakeholder requirement</th>
<th>Improved long-term returns</th>
<th>Decreased investment risk</th>
<th>Regulatory/disclosure demands</th>
</tr>
</thead>
<tbody>
<tr>
<td>All (n=356)</td>
<td>59%</td>
<td>46%</td>
<td>45%</td>
<td>33%</td>
<td>23%</td>
</tr>
<tr>
<td>Asset Managers (n=145)</td>
<td>48%</td>
<td>49%</td>
<td>48%</td>
<td>30%</td>
<td>32%</td>
</tr>
<tr>
<td>Asset Owners (n=211)</td>
<td>65%</td>
<td>43%</td>
<td>43%</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>Endowment/charity/foundation* (n=11)</td>
<td>73%</td>
<td>73%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Sovereign wealth fund* (n=11)</td>
<td>82%</td>
<td>36%</td>
<td>45%</td>
<td>64%</td>
<td>9%</td>
</tr>
<tr>
<td>Central bank* (n=11)</td>
<td>91%</td>
<td>55%</td>
<td>27%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Supranational* (n=8)</td>
<td>75%</td>
<td>38%</td>
<td>50%</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>Insurance company (n=59)</td>
<td>57%</td>
<td>33%</td>
<td>46%</td>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>Corporate pension fund (n=56)</td>
<td>61%</td>
<td>47%</td>
<td>49%</td>
<td>43%</td>
<td>14%</td>
</tr>
<tr>
<td>Public pension fund (n=55)</td>
<td>67%</td>
<td>36%</td>
<td>42%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>Official institutions** (n=41)</td>
<td>67%</td>
<td>44%</td>
<td>40%</td>
<td>32%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Please rank in terms of importance the reasons why you incorporate ESG into your investment decision-making

* Note sample size below 30
** Official Institutions (= Endowment/charity/foundations, sovereign wealth funds, central banks, and supranationals)
Reputation emerges as a top driver to incorporating ESG. This trend is particularly marked among asset owners with 65% citing reputation as their key driver. This rises to 67% for official institutions and 67% for public pension funds which may be more sensitive to public criticism.

Institutional investors have not taken their focus away from returns. Rather, the data indicates they are trying to mitigate risks by investing with companies, which align with their values around ESG integration, while also generating financial value.

Stakeholder expectations have grown in importance partly because investors wish to attract clients. ESG investment at a grass roots level really grew from the ultimate end investors asking where their money is being invested. They want to understand how the risk of climate change is factored into their portfolio of investments, and whether the values of the companies they choose to invest in are aligned with their own.

65% of asset owners cite reputation as the key driver to ESG

INVESTOR VIEWS ON THE DRIVERS TO ESG

“Both returns and reputation are important. However, we’re focused on the material impact of ESG factors on cash flows and valuation. A more robust assessment of risk means improved identification of opportunities, which, in turn, leads to enhanced financial outcomes. So ESG considerations provide incremental assets within a portfolio manager’s toolkit.”

Michelle Dunstan, AllianceBernstein

“If the sustainability risks are becoming more material, then the asset management industry is more likely to move itself, rather than wait for regulation or the right dataset.”

Hans Stegeman, Triodos Investment Management

“Much of the drive to incorporate ESG has come from our members; they have very high expectations of us. We try to stay ahead of their needs given we’re conscious it’s a fast-moving space and something which may have been sector-leading two years ago would be quite dated today.”

Sybil Dixon, UniSuper

Brand and image is the most important driver for all three regions. However, there are several interesting differences, including:

1. The promise of an increased talent pool holds greatest appeal in APAC (19%), particularly in Singapore (33%).

2. Decreased investment risk (48%) and diversification of the product offer (29%) are both stronger drivers in North America.

3. In Europe, regulatory demands (38%) are a stronger driver than in North America or in APAC. This resonates more across the French sample (53%).
PART 3: NO TURNING BACK: THE PATH AHEAD
Given the broad scope of ESG regulation and the influential role institutional investors can play in this respect, we can identify a number are choosing to help shape the future of ESG regulation. More than four in 10 (45%) say their organisation is taking a greater role in regulatory/government consultations on ESG. This is more common within larger investors (43% of those with USD 50 billion to USD 99.99 billion and 52% of those with USD 100 billion or more) compared to 38% of those with less than USD 10 billion in assets. Unsurprisingly, Net Zero Leaders are also more proactive in this regard (56%) compared to Explorers (37%) and Observers (39%). Interestingly, although investors in North America often lag Europe on ESG adoption, these investors are more inclined to take a greater role on regulatory/government consultations on ESG (52% vs. 44% for Europe and 39% for APAC). This higher figure could be driven by the significant changes in the US government’s approach to ESG under the new administration. In this environment, institutional investors here may feel there is a more constructive platform than previously existed in the US, within which to provide input. Half of all investors have also identified the need to act on urgent issues such as climate change ahead of regulation. This rises to 59% for Europe, and is more pronounced in the UK (70%), compared to 44% for both North America and APAC. It is slightly more common within larger investors and asset owners.

We still do not have a common understanding of definitions and language around ESG. For example, when discussing methodologies with asset managers, as an asset owner you are not always sure you are talking about the same thing. There is still some fuzziness and potential for a mismatch between what you’re asking for and what someone’s response to that is.

Lisanne Cock, DNB
We are working hard to make sure our Sicav range is fully prepared to meet the Article 8 and Article 9 requirements for applicable funds as outlined in the SFDR. This is fairly challenging because the regulations are still continuing to be developed and are not fully implemented yet.

Michael Woolley, Director, Sustainability, Eastspring Investments
When asked about the potential impacts of SFDR, at least a third of respondents say they ‘don’t know’ whether they agree or disagree with the statements provided. These percentages are similar across both asset managers and asset owners. This is perhaps unsurprising given that SFDR is new and that the most significant phases of its rollout take place in 2022.

Almost half (47%) agree it is too early to know what the full impact will be, yet they see SFDR’s potential. Four in 10 (40%) believe it will broaden understanding of risk. A similar percentage (39%) believe it will lead to new products or funds. Almost a quarter (24%) say SFDR will set a global standard for ESG disclosures. While the EU’s environmental regulations are the most advanced, new regulations are emerging around the world and time will tell which ones will set a global standard.

**IMPACT OF THE SFDR**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is too early to say what the full impact of the SFDR will be</td>
<td>47%</td>
<td>34%</td>
</tr>
<tr>
<td>The SFDR will lead to consideration of a wider range of ESG and sustainability risks</td>
<td>40%</td>
<td>37%</td>
</tr>
<tr>
<td>The SFDR will encourage proliferation in ESG or sustainability products or funds</td>
<td>39%</td>
<td>36%</td>
</tr>
<tr>
<td>The SFDR will set a global standard for ESG disclosures</td>
<td>24%</td>
<td>40%</td>
</tr>
</tbody>
</table>

What impact do you think the SFDR will have on investors and other financial market participants and how they account for ESG factors?

“I don’t believe that the sector will allocate significantly to real sustainable investing by itself. The carrot will be data and the stick is regulation. I think you need both to get the sector into more sustainable investing.”

Hans Stegeman, Triodos Investment Management
THE DATA CHALLENGE

Institutional investors have access to vast amounts of data, including extensive research on asset classes, industries and companies. This data is generally sufficient to form the basis of investment decisions. However, within the realm of ESG investing, data quality and consistency remains a significant concern.

Most of the ESG metrics we use are not subject to mandatory reporting. As we are relying on corporates’ voluntary reporting, the resulting data may be inconsistent in terms of quality and what’s reported. We can certainly observe many regional disparities which can lead to the use of a lot of estimations.

Jane Ambachtsheer, Global Head of Sustainability, BNP Paribas Asset Management

What are the most significant barriers to greater adoption of ESG across your investment portfolio today?

**BARRIERS TO ESG ADOPTION**

- Inconsistent data across asset classes: 54%
- Challenges around data quality and consistency: 51%
- Conflicting ESG ratings: 44%
- Ineffective data for scenario analysis: 13%

ESG GLOBAL SURVEY 2021
For 79% of respondents, data challenges feature among their top three barriers to integration. While data solutions are emerging (as we will discuss next), it is clear that ESG data presents a major speed hump on the road to integration.

The notion of having perfect data is an illusion. To have better data we need to focus on better enforcement of standards. We would also want to have more data, in the sense of more companies reporting a certain baseline.

_Eszter Vitorino_, Kempen Capital Management

**WHERE DATA APPEARS AS A TOP THREE BARRIER**

- Inconsistent quality of data across asset classes
- Conflicting ESG ratings/indices
- Challenges around data quality and consistency
- Lack of conviction that ESG integration will improve performance over the long-term

**Global**
- Inconsistent quality of data across asset classes: 54%
- Conflicting ESG ratings/indices: 51%
- Challenges around data quality and consistency: 35%

**Europe**
- Inconsistent quality of data across asset classes: 59%
- Conflicting ESG ratings/indices: 53%
- Challenges around data quality and consistency: 49%
- Lack of conviction that ESG integration will improve performance over the long-term: 23%

**North America**
- Inconsistent quality of data across asset classes: 56%
- Conflicting ESG ratings/indices: 51%
- Challenges around data quality and consistency: 47%
- Lack of conviction that ESG integration will improve performance over the long-term: 42%

**APAC**
- Inconsistent quality of data across asset classes: 46%
- Conflicting ESG ratings/indices: 48%
- Challenges around data quality and consistency: 33%
- Lack of conviction that ESG integration will improve performance over the long-term: 46%

What are the most significant barriers to greater adoption of ESG across your investment portfolio today?
How are asset owners in particular overcoming these data hurdles? Their primary approach involves using and comparing multiple sources of data (74%). A significant number (41%) conduct their own research methodologies instead of relying solely on third-party data, and ensure the transparency of the source of raw data (43%). Just over a quarter (28%) also implement advanced data quality controls.

Larger asset owners have greater resources to conduct their own research methodologies, so it is unsurprising that this is done by 42% of asset owners with over USD 50 billion in assets, compared to 28% of asset owners with under USD 10 billion. More committed asset owners, such as Net Zero Leaders, are also more likely to conduct their own research (53%), compared to 38% of Explorers and 24% of Observers. The same pattern applies to implementing advanced data quality controls, with 38% of Leaders, 26% of Explorers and 16% of Observers doing this.

Another possible solution to the ESG data challenge is to make use of a wider range of third-party data providers. Again, larger investors and Net Zero Leaders are more likely to use three or more third-party data providers for analysis of the ESG characteristics of investments. Overall, 30% of investors use three to six third-party data providers, but this rises to 47% for Net Zero Leaders and 41% for investors with between USD 50 billion and USD 99.99 billion, and 50% for those with USD 100 billion or more in assets.

Although proprietary research is being used by many investors to collect better quality data, some of the asset owners interviewed believe data providers are an essential part of the solution. Though they highlight some of the potential risks here.

“In the absence of [mandatory disclosure] requirements, data providers mostly fill the gap. That could be a critical growth driver for ESG in general, to have data providers like MSCI and Sustainalytics provide investors with datasets that can help us assess performance of ESG investments.”

Sarah Wilson, Head of ESG Integration, Nuveen

“Reliance on data providers is going to increase. Over time and just because there is so much information to provide, we really need convergence and use provider indicators rather than managers and investors creating their own. I personally would like to see a greater role for agency ratings, the way credit ratings are issued.”

Erick Decker, AXA

“In view of what happened in the global financial crisis with credit rating agencies, it is clear that there is a risk of greenwashing of data. This will be a major challenge for regulators, investors and customers.”

Alexandre Gautier, Banque de France

“We purchase a lot of data and suffer both from data quantity and data quality issues. Therefore, we do a lot of work to clean and improve the data. We work on some of our own estimations and we use all of our own scoring – we generate more than 12,000, proprietary ESG scores that we can continually refine.”

Jane Ambachtsheer, BNP Paribas Asset Management
## ADDRESSING THE DATA CHALLENGE

<table>
<thead>
<tr>
<th>Step</th>
<th>Global</th>
<th>Less than USD1bn and USD9.99bn</th>
<th>Between USD1bn and USD49.99bn</th>
<th>Between USD50bn and USD99.99bn</th>
<th>USD100bn or more</th>
<th>Net Zero Leaders</th>
<th>Net Zero Explorers</th>
<th>Net Zero Observers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use and compare multiple sources of data</td>
<td>74%</td>
<td>100%</td>
<td>67%</td>
<td>74%</td>
<td>73%</td>
<td>75%</td>
<td>74%</td>
<td>76%</td>
</tr>
<tr>
<td>Ensure transparency of the source of raw data</td>
<td>43%</td>
<td>40%</td>
<td>33%</td>
<td>41%</td>
<td>41%</td>
<td>53%</td>
<td>55%</td>
<td>36%</td>
</tr>
<tr>
<td>Conduct our own research methodologies, like creating benchmarks or in-house ESG scores, instead of relying solely on external providers</td>
<td>41%</td>
<td>0%</td>
<td>33%</td>
<td>44%</td>
<td>41%</td>
<td>43%</td>
<td>53%</td>
<td>38%</td>
</tr>
<tr>
<td>Implement advanced data quality controls</td>
<td>28%</td>
<td>20%</td>
<td>21%</td>
<td>27%</td>
<td>29%</td>
<td>35%</td>
<td>38%</td>
<td>26%</td>
</tr>
<tr>
<td>We do not think there are challenges related to ESG data</td>
<td>3%</td>
<td>0%</td>
<td>4%</td>
<td>2%</td>
<td>5%</td>
<td>3%</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Which of the following steps, if any, does your organisation take to get around data challenges relating to ESG? Check all that apply.
Use and compare multiple sources of data
Implement advanced data quality controls
Ensure transparency of the source of raw data
Conduct our own research methodologies, like creating benchmarks or in-house ESG scores, instead of relying solely on external providers

Global
74% 43% 41% 28% 3%

Europe
73% 41% 39% 20% 5%

North America
77% 38% 34% 29% 4%

APAC
73% 50% 48% 37%
Asset owners may also invest in technology in order to improve their use of ESG data. When asked about their main priorities for technology investment, 67% cited ESG reporting/disclosure at all levels (company, portfolio and fund), followed by 53% for ESG data aggregation/analysis and 36% for increased granularity and detail of ESG-specific data for research.

While only 22% of asset owners say ESG index creation and tracking is a priority for technology investment, this rises to 39% in the APAC region, a significant variation. APAC asset owners also prioritise ESG data aggregation/analysis (76%) but are less keen to increase granularity and detail of ESG specific data for research (19%).

Other findings show that APAC investors (both asset managers and asset owners) are more likely to consider the costs required to invest in new technologies as a barrier to greater adoption of ESG (35% vs. 23% overall). Investors in this region are also more likely to conduct their own research methodologies such as creating benchmarks or ESG scores instead of relying on third-party providers (48% vs. 41% overall). Given APAC is moving at pace on ESG adoption, there is strong indication here that asset owners are planning to develop their in-house ESG capabilities, such as their own ESG indices and ESG data analysis.

Technology has the ability to combine structured and unstructured data which then allows you to look more widely, past the formal company disclosures that might be captured through traditional ESG sources of information. So, technology is very, important. Understanding its role within our organisation is part of our journey, understanding how that becomes part of the fabric across our business is something that we are going through in terms of our own considerations.

Michael Woolley, Eastspring Investments
Which of the following areas are the main priorities for technology investment?
ENGAGING WITH COMPANIES AS PART OF AN ESG STRATEGY

In addition to conducting their own research methodologies and using multiple third-party data providers, investors with an active approach to ESG investing frequently engage with companies in their efforts to both collect more cohesive, coherent data and also in the hope of improving business practices within their investee companies.

This engagement goes beyond proxy voting and includes meeting companies to influence ESG outcomes.

Our study finds 61% of investors engage with companies as part of their ESG strategy. This varies among investors, with 64% of asset managers doing so, compared to 58% of asset owners. APAC (68%) and European (63%) investors are more inclined to do this than North American investors (48%), as are larger investors (67% of those with USD50bn or more compared to 54% of investors with USD1bn to less than USD10bn). It is also another distinguishing factor between our net zero archetypes, with Net Zero Leaders twice as likely to engage with companies (89%) than Explorers (44%) and Observers (43%).

### Table: Engaging with Companies as Part of the ESG Strategy

<table>
<thead>
<tr>
<th>Region</th>
<th>Asset Owners</th>
<th>Asset Managers</th>
<th>Global</th>
<th>AUM</th>
<th>Net Zero Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>63%</td>
<td>66%</td>
<td>61%</td>
<td>58%</td>
<td>USD10bn-USD49.99bn</td>
</tr>
<tr>
<td>North America</td>
<td>48%</td>
<td>68%</td>
<td>61%</td>
<td>54%</td>
<td>USD50bn-USD99.99bn</td>
</tr>
<tr>
<td>APAC</td>
<td>58%</td>
<td>58%</td>
<td>61%</td>
<td>66%</td>
<td>USD100bn or more</td>
</tr>
</tbody>
</table>

Does your company engage with companies it is investing in as part of its ESG strategy, beyond proxy voting (e.g. meeting with the boards of companies to influence ESG outcomes)?
Engagement is a tool to understand the companies we are invested in and also to have more influence on their direction of travel. If we buy data, this is backward looking. We want to have a view of what’s going to happen next in the company. For example, with companies which have terrible controversies or accidents, we can go and engage with management and talk to them. This helps us understand what happened and what is necessary for them to have a better trajectory in the future, which we can then manage and monitor in terms of our ongoing relationship with them.

Jane Nicholls, Global Head of ESG Client, Aberdeen Standard Investments

We engage with companies for insight and action. A lot of the third-party ratings are very historical, and based on web scraping. This information is less useful than the forward looking perspective. So that’s why we want to engage; we want to see a company’s strategies, actions, plans, and where they plan on being in three to five years. We also engage for action – to encourage them to take decisions that are in the best interests of long term sustainable cash flows.

Michelle Dunstan, AllianceBernstein
The majority of investors (66%) in this study expect policymakers to increase their requirements related to ESG. They also believe that regulation is likely to accelerate and deepen their organisation’s ESG strategy (65%).

To what extent do you agree or disagree with the following statements about ESG regulation?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Global</th>
<th>Asset Owner</th>
<th>Asset Manager</th>
<th>Less than USD1bn and USD9.99bn</th>
<th>Between USD1bn and USD49.99bn</th>
<th>Between USD50bn and USD99.99bn</th>
<th>USD100bn or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policymakers will increase their requirements on ESG disclosure over the next 12 months</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>40%</td>
<td>65%</td>
<td>64%</td>
<td>70%</td>
</tr>
<tr>
<td>Regulation is likely to accelerate deepen my organisation’s ESG strategy</td>
<td>65%</td>
<td>64%</td>
<td>66%</td>
<td>20%</td>
<td>61%</td>
<td>62%</td>
<td>66%</td>
</tr>
<tr>
<td>Increased regulation will drive up costs</td>
<td>63%</td>
<td>61%</td>
<td>66%</td>
<td>40%</td>
<td>70%</td>
<td>59%</td>
<td>66%</td>
</tr>
<tr>
<td>We cannot wait for regulation to take action on urgent ESG issues like climate change</td>
<td>50%</td>
<td>52%</td>
<td>48%</td>
<td>40%</td>
<td>47%</td>
<td>49%</td>
<td>48%</td>
</tr>
<tr>
<td>Our organisation is taking a greater role in regulatory/government consultations on ESG</td>
<td>45%</td>
<td>47%</td>
<td>40%</td>
<td>60%</td>
<td>38%</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Regulation is not likely to have an impact on our ESG investment strategy</td>
<td>17%</td>
<td>18%</td>
<td>14%</td>
<td>40%</td>
<td>18%</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

To what extent do you agree or disagree with the following statements about ESG regulation?
**The Role of the Asset Manager**

Asset owners select managers for ESG mandates with certain characteristics in mind. Our survey found that the practical aspects of ESG reporting and disclosure capability is the primary requirement for asset owners (53%) with aligned values coming in second (47%). The growing need for thematic funds identified earlier can be reflected here. Such strategies can allow asset owners to make investment decisions at a more granular level, thus supporting greater alignment of values with the managers they work with.

The criteria identified by asset owners when choosing managers are in contrast with prior surveys, where reporting capabilities and values have been far further down the list, trailing proven ESG track record and ESG research capability as the dominant factors.

Asset managers have a hugely important role to play in helping asset owners to navigate ESG: they have a greater understanding of SFDR than asset owners, and are more likely to use thematic investing (46%) to identify investment opportunities.

The alignment of values is a challenge because each institutional investor has their own set of exclusions or views they want to implement when investing with third party asset managers. When dealing with shared vehicles, how do you align the investment strategy of that vehicle using the views of each asset owner? It’s a learning process and we have refused to participate in some funds where the asset manager did not want the investment scope to be as restricted as we would have liked it to be.

**Erick Decker, AXA**

Having a clear understanding of your edge, your philosophy, and how you execute on it and where ESG fits into it is vital. There is no one single correct way to invest in ESG. So having that clarity and transparency around what you aim to deliver and being able to explain it and report on it very clearly makes it easier for everyone involved.

**Michael Woolley, Eastspring Investments**
Which of the following are important when you select an investment manager for ESG-factored investments?

<table>
<thead>
<tr>
<th>Criteria for Investment Manager Selection</th>
<th>2021</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG reporting/disclosure capability</td>
<td>53%</td>
<td>29%</td>
</tr>
<tr>
<td>ESG values/mission are aligned to ours</td>
<td>47%</td>
<td>27%</td>
</tr>
<tr>
<td>Proven ESG track record</td>
<td>42%</td>
<td>46%</td>
</tr>
<tr>
<td>ESG research capability</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>Best-in-class ESG integration</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>Competitive fees/costs</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Dedicated ESG investment team</td>
<td>27%</td>
<td>36%</td>
</tr>
<tr>
<td>Board-level support for ESG strategy</td>
<td>25%</td>
<td>31%</td>
</tr>
<tr>
<td>Ability to use smart technology (e.g. machine learning, big data analysis)</td>
<td>8%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Our latest research indicates a key turning point in the maturity of incorporating ESG. While previous surveys consistently demonstrated growing ambitions around responsible investing, there are now strong signals that concrete actions have followed, and are accelerating at pace.

Once treated as a standalone function within the business, ESG is now being embedded throughout the organisation. In parallel, methods of integration are growing in their sophistication. Negative screening is no longer the dominant approach, superseded this year by ESG integration and trailed by a marked upswing in thematic investing. The path to net zero has also emerged as a major talking point that was not heavily featured in the mainstream discussion only two years ago. The data identifies key characteristics among respondents who have already set a net zero target, and those who are still laying out their roadmap. This is an area that will garner increasing attention in the years to come, spurred on by government and industry developments in the collective race to zero emissions.

However, despite these positive signals, there remains considerable areas for development. A significant portion of respondents still incorporate ESG into less than half of their portfolio. Challenges around data continue to impede wider integration. Although, here too there is room for optimism, as asset managers and owners look to mitigate these issues through a multi-layered approach to ESG data analysis, and increase their engagement with investee companies.

All told, this year’s survey paints a positive picture in the move towards a more sustainable investment landscape. We have passed some notable milestones that indicate we are heading in the right direction. However, there is a long road ahead. The forthcoming years will be a defining period in setting a global roadmap to 2050, and the role that asset managers and asset owners have to play in this transition should not be understated.
ABOUT THIS RESEARCH

- Asset manager
- Corporate pension fund – both defined contribution and defined benefit
- Insurance company
- Public pension fund
- Central bank
- Sovereign wealth fund
- Endowment/charity/foundation
- Supranational agency (e.g. supranational development bank)

Global

<table>
<thead>
<tr>
<th>Country</th>
<th>US</th>
<th>Singapore</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>Sweden</th>
<th>China</th>
<th>Japan</th>
<th>Norway</th>
<th>Italy</th>
<th>Switzerland</th>
<th>New Zealand</th>
<th>UAE</th>
<th>Finland</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3%</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>0.3%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>0.3%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>Sweden</th>
<th>Norway</th>
<th>Italy</th>
<th>Switzerland</th>
<th>Finland</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>22%</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>21%</td>
<td>32%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>20%</td>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>9%</td>
<td>14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>9%</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>5%</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>5%</td>
<td>7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>4%</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

North America

<table>
<thead>
<tr>
<th>Country</th>
<th>US</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>Canada</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

APAC

<table>
<thead>
<tr>
<th>Country</th>
<th>Singapore</th>
<th>Australia</th>
<th>Hong Kong SAR</th>
<th>China</th>
<th>Japan</th>
<th>New Zealand</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>30%</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>25%</td>
<td>28%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>18%</td>
<td>21%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>10%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>10%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>2%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>2%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In April and May 2021, CoreData Research, commissioned by BNP Paribas, collected responses from 356 institutional investors with an estimated USD11.3 trillion in assets under management, from 19 countries across three regions. They included asset managers and asset owners (pension funds, insurers, sovereign wealth funds, central banks, endowments and supranationals). The quantitative survey was conducted online and the results were supported by a qualitative exercise which was carried out through in-depth interviews.
GLOSSARY

Carbon intensity
Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO₂e (carbon dioxide equivalent)/$M revenue. This is in line with the TCFD’s definition.

Climate-related risks
Potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute), such as increased severity of extreme weather events (e.g. cyclones, droughts, floods and fires). They can also relate to longer-term (chronic) shifts in precipitation and temperature and increased variability in weather patterns; or other long-term changes such as sea level rise. Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. This is in line with the TCFD’s definition.

Engagement
Interactions between an investor (or an engagement service provider) and current or potential investees (e.g. companies), conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome, or improving public disclosure. Engagements can also be carried out with non-issuer stakeholders, such as policymakers or standard setters.

ESG factors
Environmental, social and governance issues that are identified or assessed in responsible investment processes.

ESG index/ESG benchmark
Index or benchmark that includes ESG considerations in the selection or weighting of its securities.

ESG integration
The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns.

ESG materiality analysis
The process of the identification, assessment, and incorporation of material environmental, social, governance, and emerging issues into the process of investment research, portfolio construction, or asset selection.

ESG risks
A factor or issue that may expose a security, issuer, investment, or asset class to unexpected changes in its current and future financial, economic, reputational, and legal prospects.

Green bond
Bond instrument whose proceeds will be applied exclusively to finance or refinance (in part or in full) new and/or existing projects which contribute to environmental objectives; within four core components (use of proceeds, process for project evaluation and selection, management of proceeds, and reporting). Environmental objectives include, for instance, climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation and pollution prevention and control. This is in line with ICMA’s definition.

Long-term ESG trends
Environmental, social or governance issues or conditions that play out over time.

Negative screening/exclusions/negative exclusionary screens
Excluding certain sectors, companies or projects for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g. avoiding particular products, services or business practices).

Net zero
A state in which the greenhouse gases going into the atmosphere are balanced by their removal out of the atmosphere.

Positive/best-in-class screening
Investing in sectors, companies or projects selected for their positive ESG performance relative to industry peers.

(Proxy) voting
The exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics that management raises, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person, during an Annual General Meeting (AGM) or by proxy.
Screening
The application of filters to lists of potential securities, issuers, investments or sectors to rule investments in or out based on an investor’s preferences, such as ethics and values, and/or investment metrics, such as risk assessments.

Thematic investing
The identification and allocation of capital to themes or assets related to certain environmental or social outcomes, such as clean energy, energy efficiency, or sustainable agriculture.

Total carbon emissions
The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e (carbon dioxide equivalent). This is in line with the TCFD’s definition.