

ESG GLOBAL SURVEY 2023

TAKING ACTION: INSTITUTIONAL INVESTORS PROGRESS ON THE PATH TO SUSTAINABILITY

BNP PARIBAS

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Research background

ESG GLOBAL SURVEY 2023

The **ESG Global Survey 2023** was commissioned to gather the views of asset owners, asset managers, hedge funds, and private capital firms on certain ESG topics.

CoreData Research administered an extensive online survey that includes a sample of **180** asset owners **180** asset managers, and **60** hedge funds & private capital firms. The data was collected from **15** countries throughout Europe (**50%**), Asia Pacific (**28.6%**) and North America (**21.4%**).

This is a summary of the study's results.



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COMMITMENT TOWARDS NET ZERO IS ACCELERATING

41%

say it is a priority for their organisation now

and that figure will grow to 48% within the next 2 years



IMPACT INVESTING IS INCREASING IN IMPORTANCE

54%

expect to use it in the next two years
(versus 45% now)

impact investing is **set to become the most popular ESG approach** globally



ACTIVE OWNERSHIP WILL PLAY A KEY ROLE

45%

say it will be a **key ESG objective** within the next 2 years



REGULATION AND REPUTATIONAL RISKS ARE MAJOR DRIVERS

Respondents say their organisation is primarily assessing the financial materiality of:

- regulation risks at **60%**
- reputational risks at **58%**



DATA QUALITY REMAINS THE BIGGEST BARRIER TO ESG INVESTING

71%

see **inconsistent and incomplete ESG data** as a significant barrier to the greater adoption of ESG



ESG EXPERTISE INTEGRATED INTO INVESTMENT-RELATED OPERATIONS

51%

say their organisation is integrating ESG expertise and data into portfolio management / investment decisions



Sustainable investing to focus on positive impacts

Impact investing

is increasing in importance

We see an increase in the future in the use of impact investing, as investors seek to make a measurable, positive impact with their investments. It is becoming more important as a key ESG objective and as a method of ESG investing and is one of the top two elements in defining a sustainable investment.

Active ownership

a key ESG objective with multiple targets

Currently, active ownership is a key ESG objective for investors. But over the next few years, its key engagement goals will broaden from climate change and decarbonisation, the priority for many now, to a wider mix of environmental, social and governance topics.

Private market assets

increasingly incorporate ESG criteria

Private equity and private debt, along with equities and fixed income, are now the asset classes most likely to have ESG criteria incorporated into investments. This ties into the growing importance of impact investing, as investors may have more scope to have a positive impact through private market investments than in other asset classes.

Giving asset managers carbon

reduction targets is on the up

We find that in two years' time, over 80% of investors will have imposed carbon reduction targets on their external asset managers. At present, investors do this through soft targets, as opposed to hard targets, by a ratio of 4 to 1.



ESG data and reporting and its challenges

ESG data remains

an obstacle for investors

Investors see inconsistent and incomplete data as a key barrier to greater adoption of ESG investing, along with its cost and poor quality. To get around this, investors use multiple data sources and ensure the transparency of raw data among other methods.

Generalists and specialists

are used for ESG data

Many investors use both generalist and specialist ESG data vendors, with the latter widely used in relation to UN Sustainable Development Goals (SDGs), the most popular external framework for sustainable investing, while a mix of data vendors is most often used for alternatives.

ESG reporting is often integrated

into financial reporting

We find that the most popular method of reporting ESG data is to integrate it into existing financial reporting, with over a third of investors doing so. The next most widely used formats and approaches are to present raw ESG data, then dynamic data visualisation and static reports.



Operating models: investors on banking partners

Areas where investors

would pick a banking partner

We find that structured ESG products is the area where investors are most likely to use a banking partner or provider, followed by facilitating access to raw ESG data. Independent monitoring of ESG guidelines, data management services and portfolio risk management are also areas where investors may use a banking partner or provider.

Criteria for selecting

a banking partner or provider

Nearly half of investors say that the transparency of data methodology is the most important criteria for selecting a banking partner or provider, followed by brand reputation on ESG and providing leading ESG skills and expertise.

Integrating ESG expertise

into investment-related operations

Investors are most likely to have integrated ESG expertise and data into portfolio management and investment decisions, followed by risk management and monitoring. And over a third have integrated ESG expertise and data into monitoring ESG rule compliance, strategic asset allocation and asset and investment selection.



Demographics



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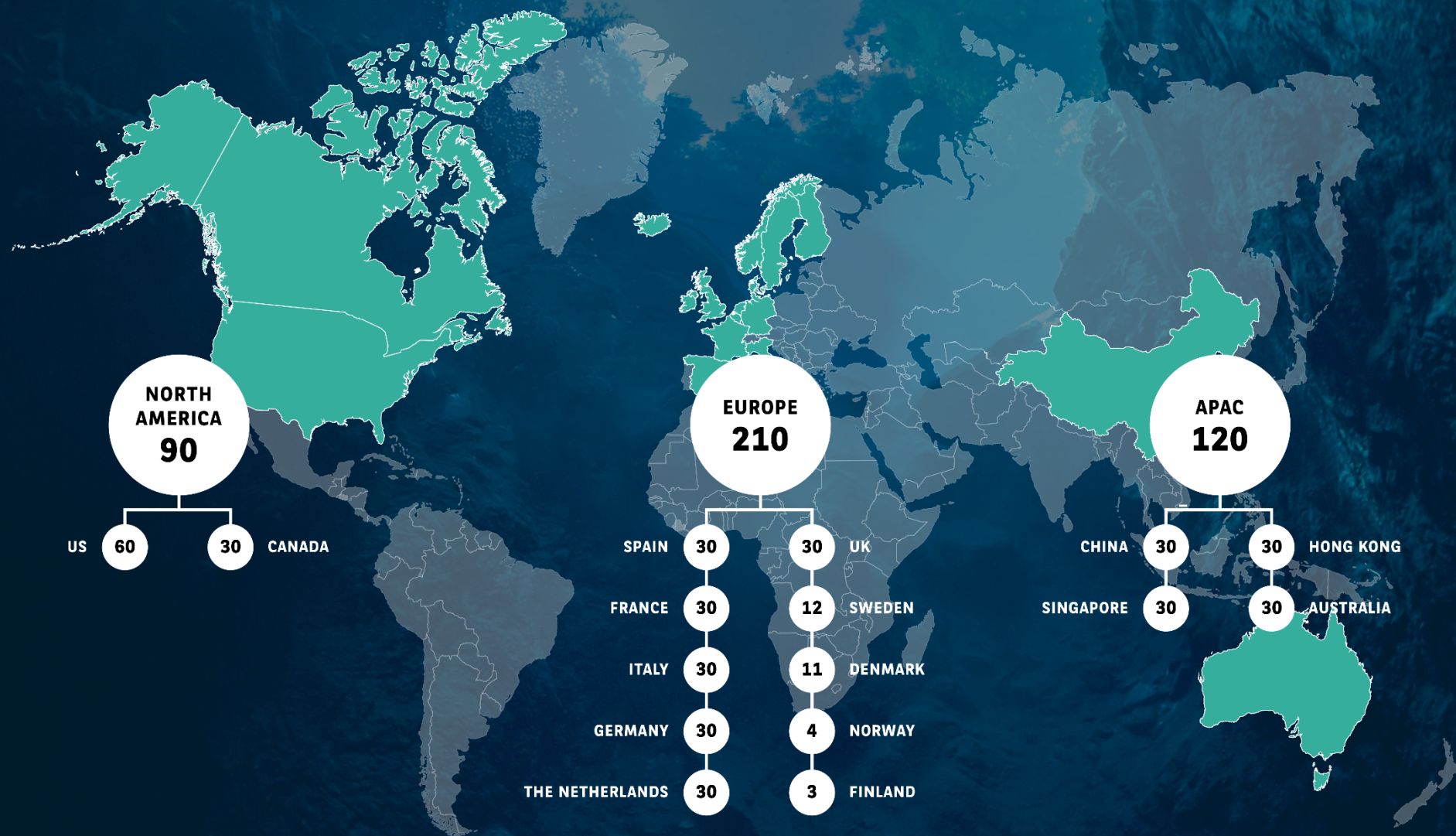
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Respondents are from 15 countries, forming three main regions

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- The study includes participants from **15 countries** around the globe.

- These countries have been categorised into **three regions** for the sake of analysis – Europe, North America and APAC.

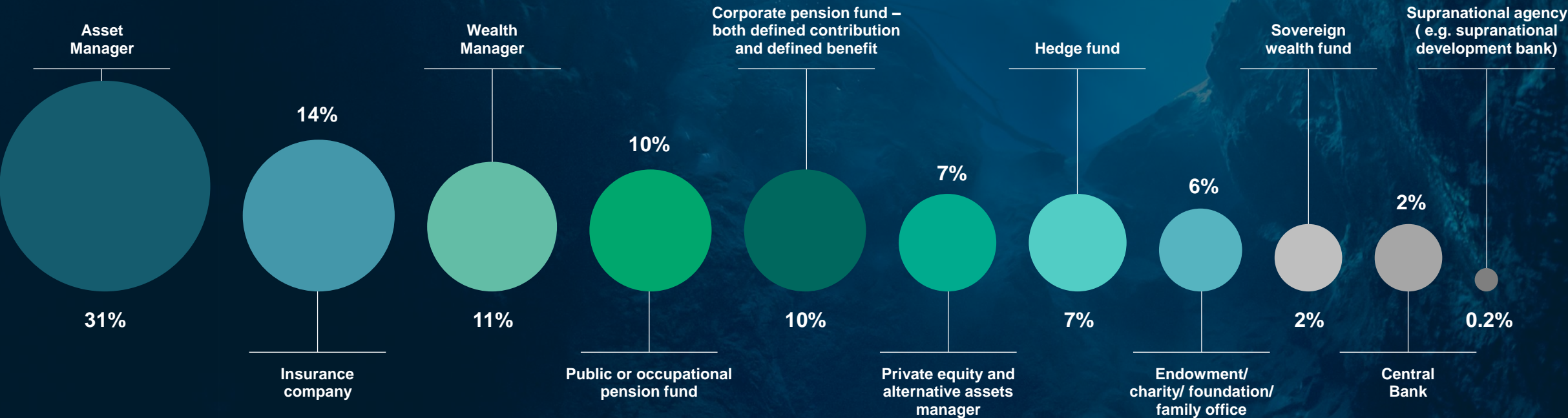


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Asset managers and asset owners from a range of institutions took part

Over three in ten (31%) of respondents are asset managers; these respondents account for the greater portions of investors within each country under review. Public and corporate pensions make up a fifth (20%) of the global sample, followed by insurance companies (14%) and a range of other institutions.



Which one of the following best describes your organisation?



Investment decision-makers are the primary data source

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- The largest portion of respondents surveyed are investment / portfolio managers (36% globally).
- Approximately one in five globally are C-Suite professionals (CEO, Chief Investment Officer, Chief Sustainability Officer, etc.).

CEO	3%
Chief Investment Officer	15%
Chief Investment Responsible Officer	0.5%
Chief Risk Officer	3%
Head of Corporate Social Responsibility	0.5%
Chief Sustainability Officer	0.5%
Head of ESG Research	1%

Head of Responsible Investment	2%
Investment Analyst	14%
Investment Director	18%
Investment Manager / Portfolio Manager	36%
RI / ESG Analyst	1%
Other	6%

What is your job title?



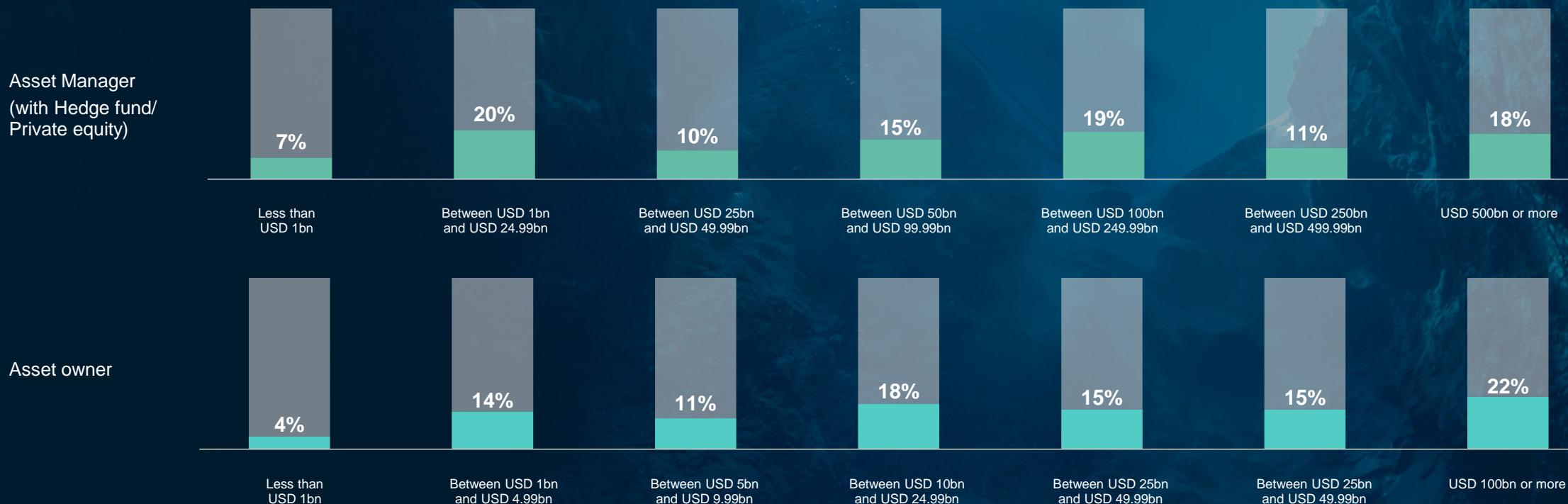
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Significant portion of investors with USD 50 billion or more in assets

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Globally, nearly half of the asset manager sample (48%) was made up of asset owners with USD 100 billion or more in assets under management. For asset owners, that figure was 1 in 5.



What is the current value of your organisation's assets under management?



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PART 1

Sustainable investing

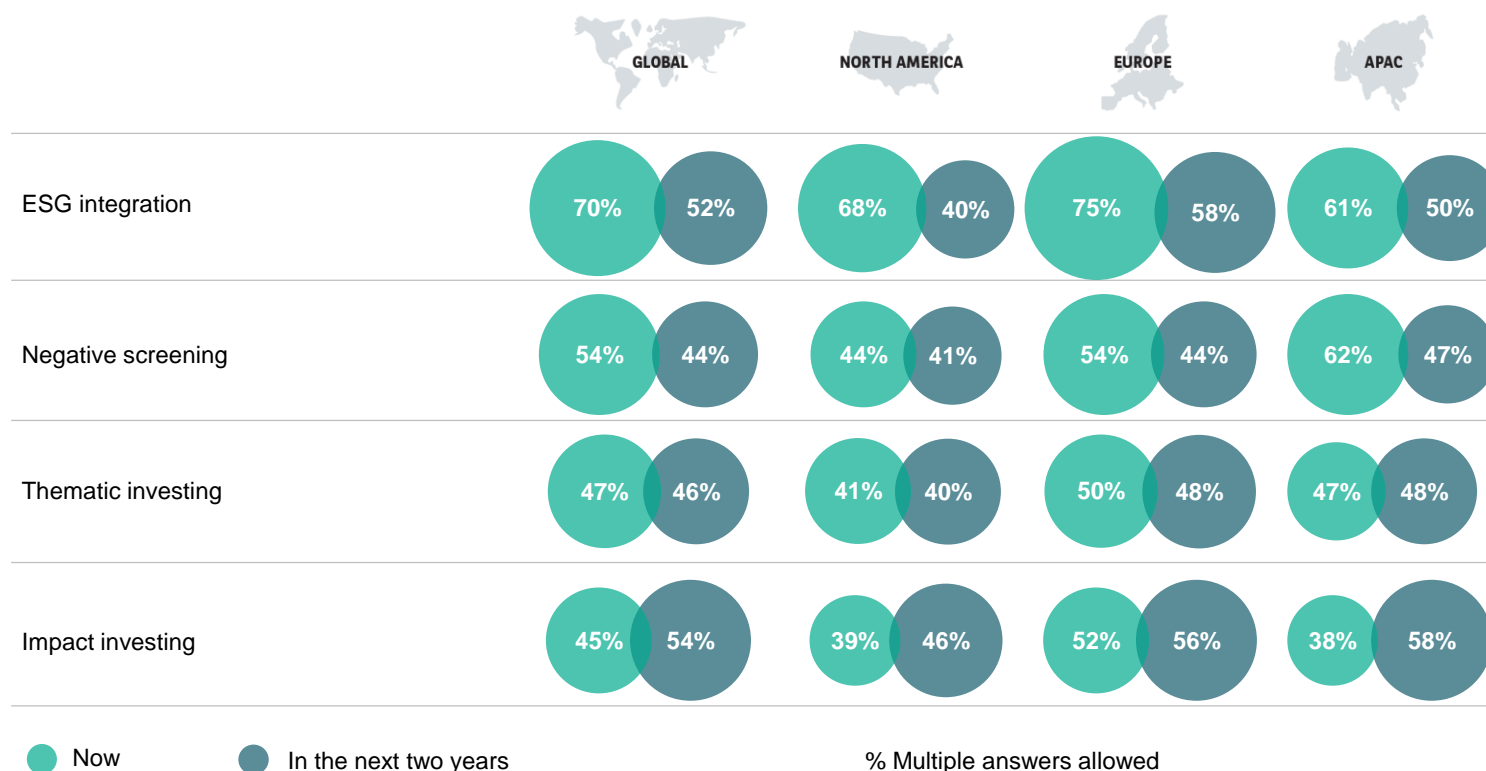


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ESG integration set to be overtaken by impact investing

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- Globally, ESG integration (70%), negative screening (54%) and thematic investing (47%) are the three most popular ESG strategies now.
- ESG integration is most prevalent in Europe (75%) and North America (68%), with negative screening taking precedent in APAC (62%).
- Impact investing is set to rise in popularity, with 54% globally using in the next two years, increasing to 58% in APAC.

Which of the following ESG approaches / strategies do you employ within your organisation and which do you expect will also play a part within the next 2 years?

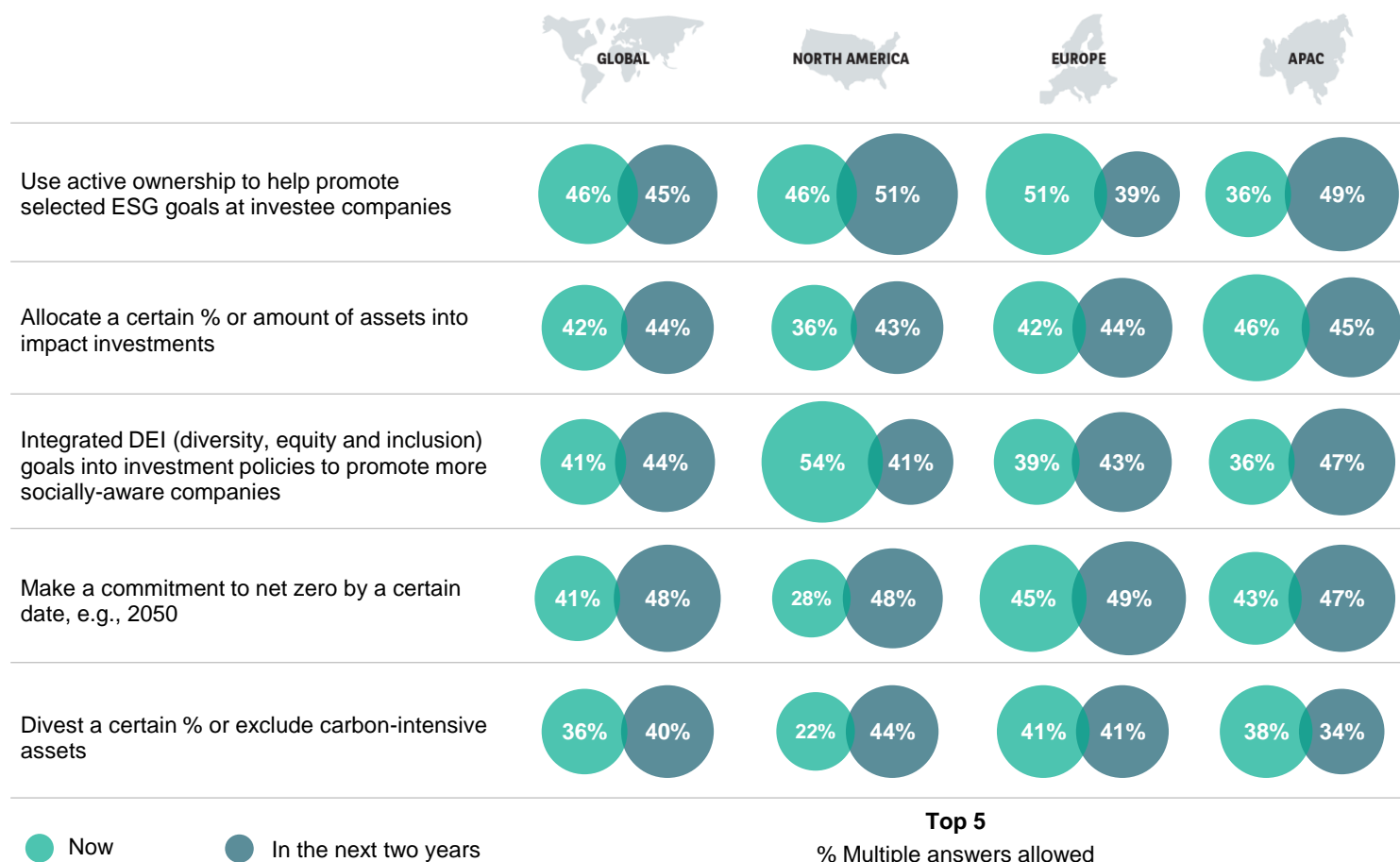


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Key ESG objectives: active ownership now and net zero commitments in the next two years

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- The key ESG objective professional investors are seeking to use right now is active ownership to help promote selected ESG goals at investee companies (46%).
- There will be a spike in the next two years of organisations committing to net zero by a certain date, jumping from 41% to 48% - largely driven by more North American respondents joining the bandwagon (28% currently vs 48% later).
- North America will also see the steepest incline of organisation seeking to divest a certain % or exclude carbon-intensive assets (22% currently vs 44% in 2 years).

What are your organisation's key ESG objectives both now and in the next two years? Please select all that apply



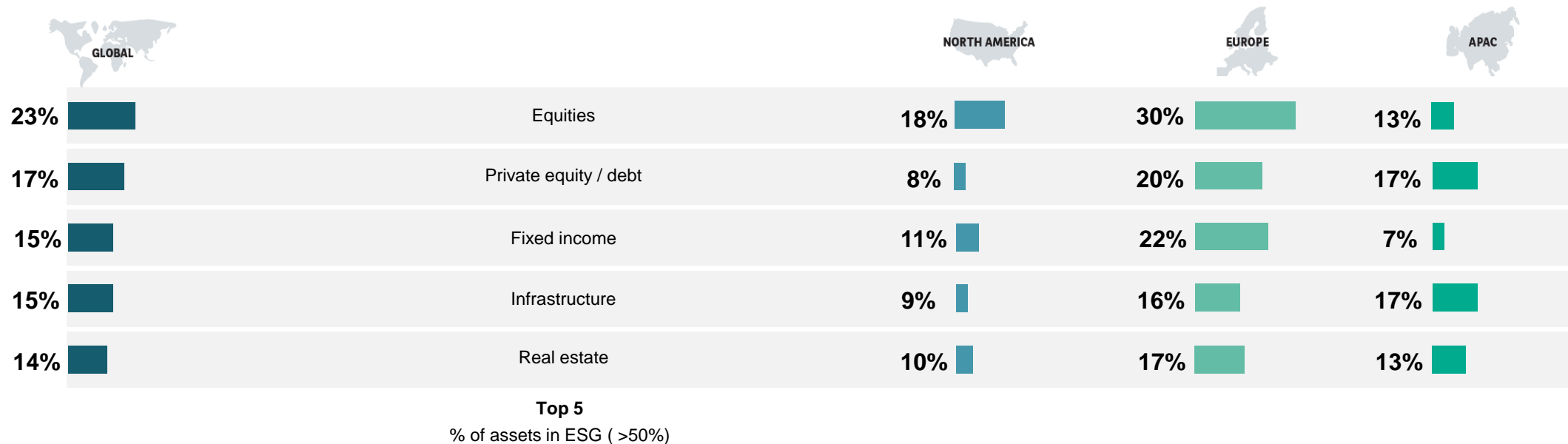
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Private market assets join equities and fixed income as asset classes with greatest use of ESG criteria

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- The asset classes where investors have allocated the most towards ESG (i.e., over 50% of their investments in the asset class incorporate ESG criteria) are equities (23%), private equity / debt (17%) and fixed income (15%).
- Europe is the region with the most allocated towards those asset classes (30% vs 20% vs 22% respectively).



What percentage of your investments in the following asset classes incorporate ESG?



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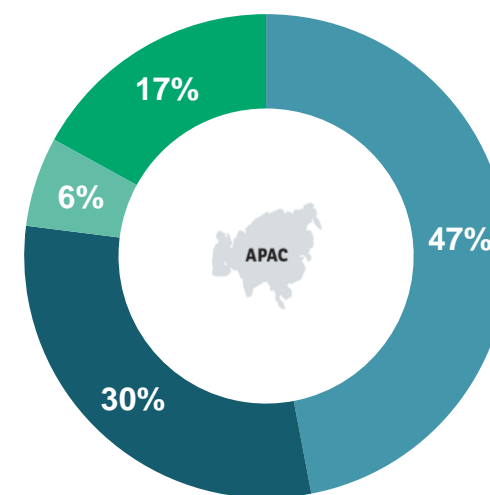
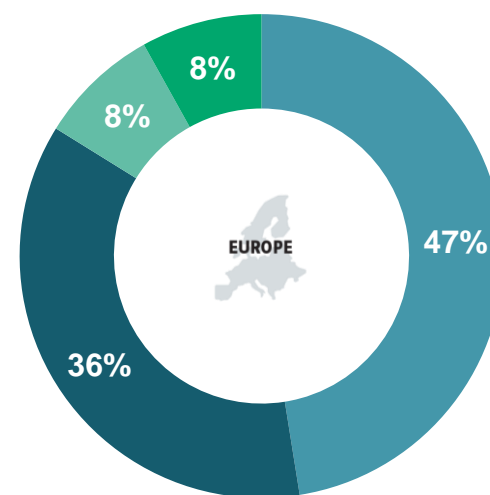
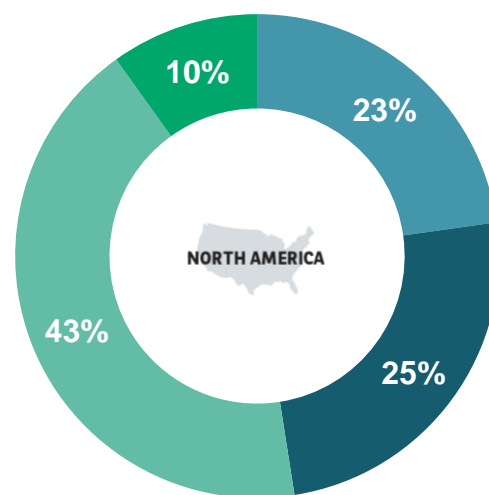
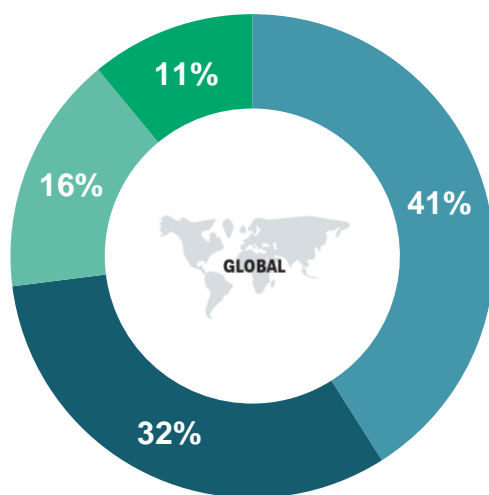
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Investors prefer soft to hard carbon reduction targets for asset managers by four to one

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- By a small majority, most asset owners (52%) are imposing carbon reduction targets on their external asset managers. Almost a third (32%) plan to do so in the next two years. Where these investors have imposed carbon reduction targets, they are more likely to be a soft target (41%) than a hard target (11%)

- Investors in APAC are most likely to impose carbon targets (64%), with North America being the least likely to do so (33%).



Yes – hard target in investment management agreement

Yes – soft target or aligning with our decarbonisation intentions

No but likely to happen in next 2 years

No plans to introduce this

Are you imposing carbon reduction targets on your external asset managers?



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PART 2

Data and reporting

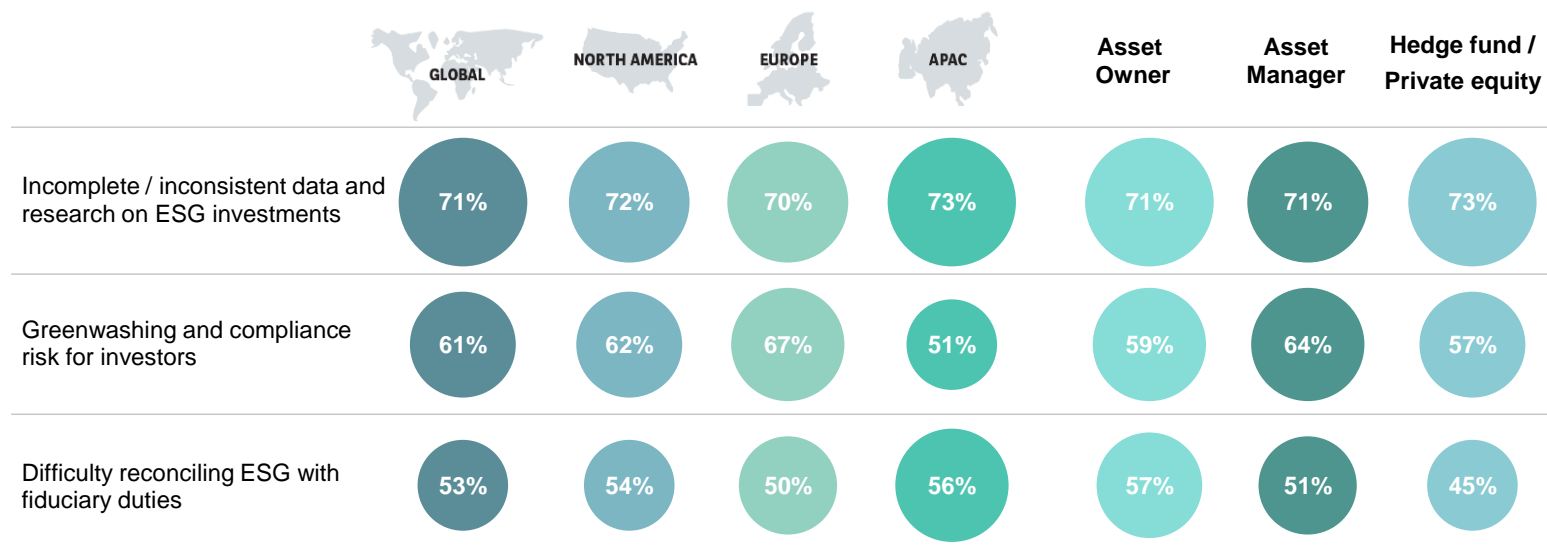


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Data issues are the biggest barrier to ESG adoption, ahead of greenwashing

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Top3
% Multiple answers allowed

- Incomplete or inconsistent data on ESG investments continues to be the biggest barrier of greater adoption of ESG strategies in investment portfolios (71%).
- Other highlighted risks are greenwashing (61%) and difficulty reconciling ESG with fiduciary duties (53%). Greenwashing fears are especially ripe in Europe (67%), despite arguably being the market with the most comprehensive ESG regulation.

What are the most significant barriers to greater adoption of your ESG strategy across your investment portfolio today? Pick three most important factors.

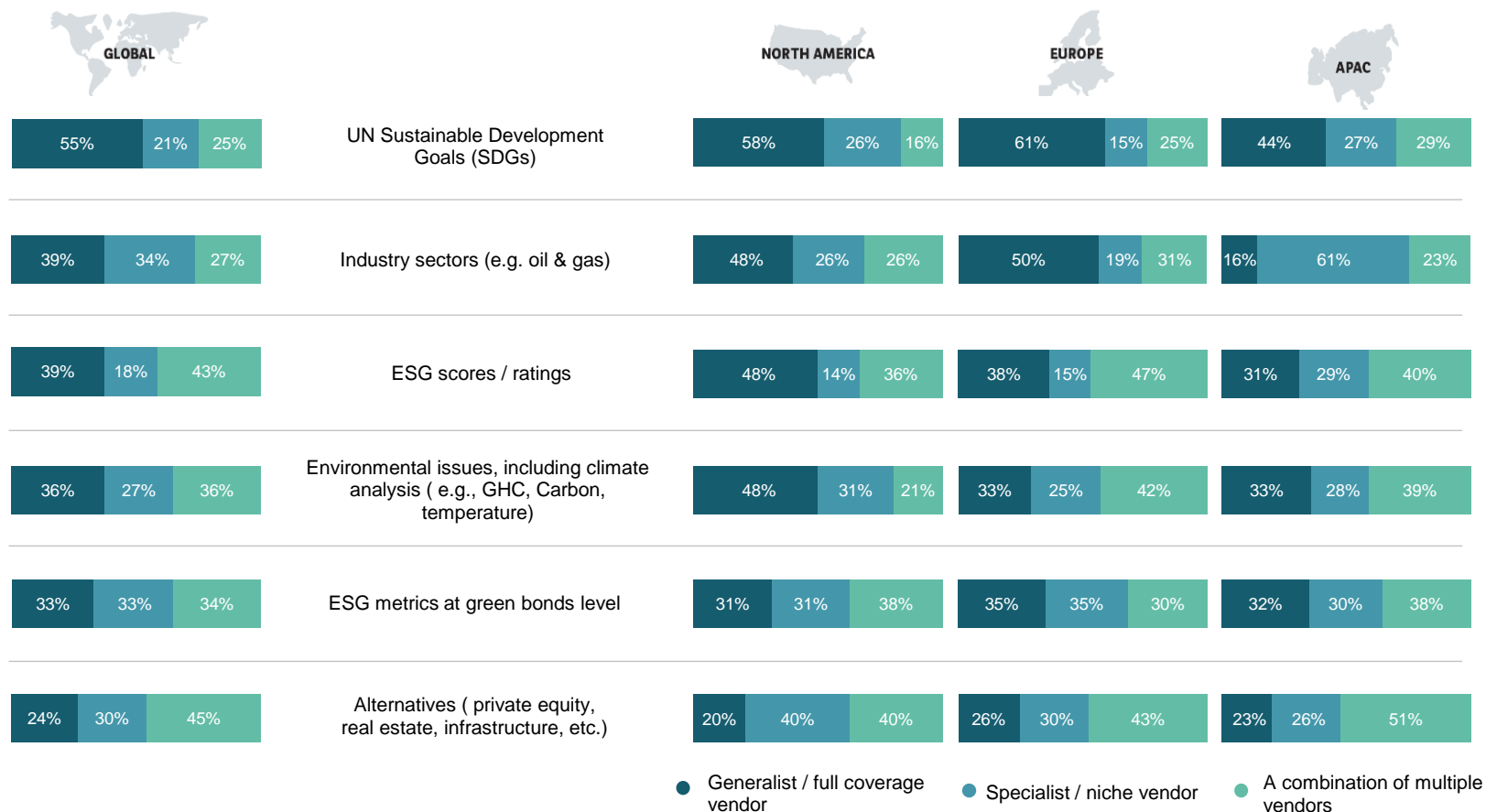


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Multiple vendors are frequently used, especially for alternatives

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- For ESG scores / ratings, using multiple vendors (43%) is slightly more popular than using generalist vendors (39%), on a global basis.
- Most respondents are happy to use generalist vendors for UN SDGs (55%) but would prefer a combination of multiple vendors for alternative investments (45%) or ESG scores / ratings (43%).
- APAC respondents stress the need for specialist / niche vendors for industry sectors above the other regions (61% vs. 26% and 19% for North America and Europe respectively).

Which would best describe the type of vendor you use for the following areas?



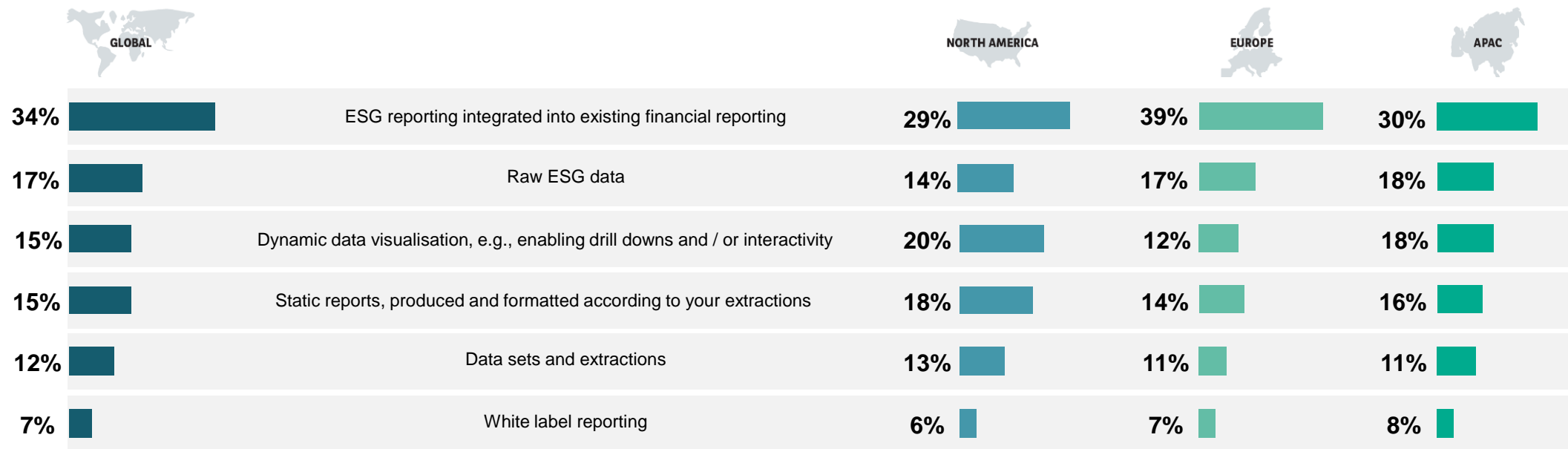
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Integration into existing financial reporting is the most popular method for ESG reporting

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- For formatting and approaches for ESG reports, the most popular approach is ESG reporting that is integrated into existing financial reporting (34%), particularly in Europe.
- Investors in North America (20%) and APAC (18%) are more likely to favour dynamic data visualisation, ahead of European investors (12%).



% Rank 1

How do you rank the following report formats and approaches in term of preference when producing ESG reports?



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PART 3

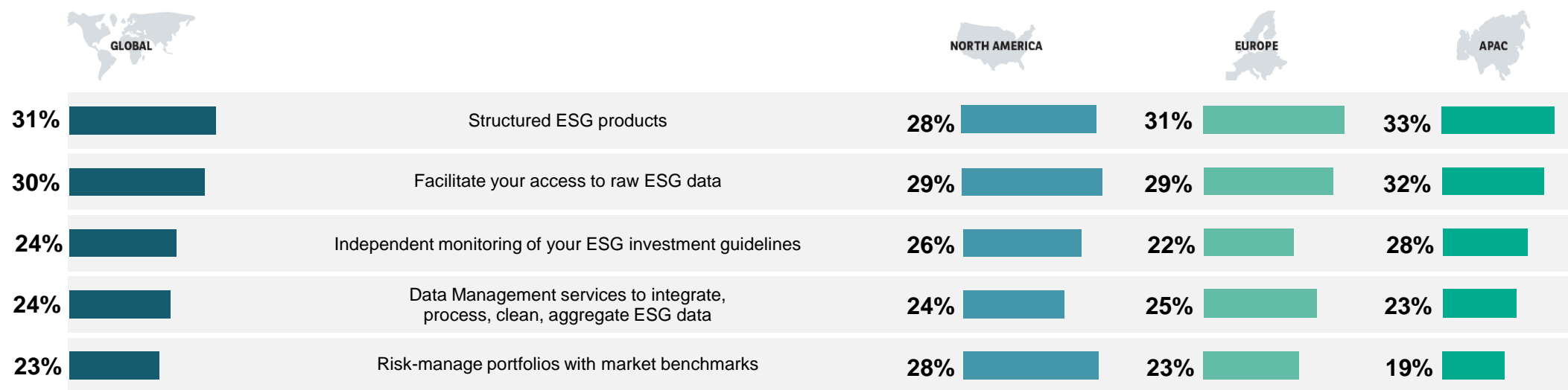
Integration of ESG expertise in operations



ESG areas where a banking partner or provider is used

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- If organisations were to involve a banking partner / provider for ESG, nearly a third would opt to use one for structured ESG products (31%) or facilitating access to raw ESG data (30%).
- North American respondents are the most likely to use a banking partner / provider to risk-manage portfolios with market benchmarks (28%).



Top 5
% Multiple answers allowed

For which of the following areas is your organisation using, or would consider using, a banking partner / provider?

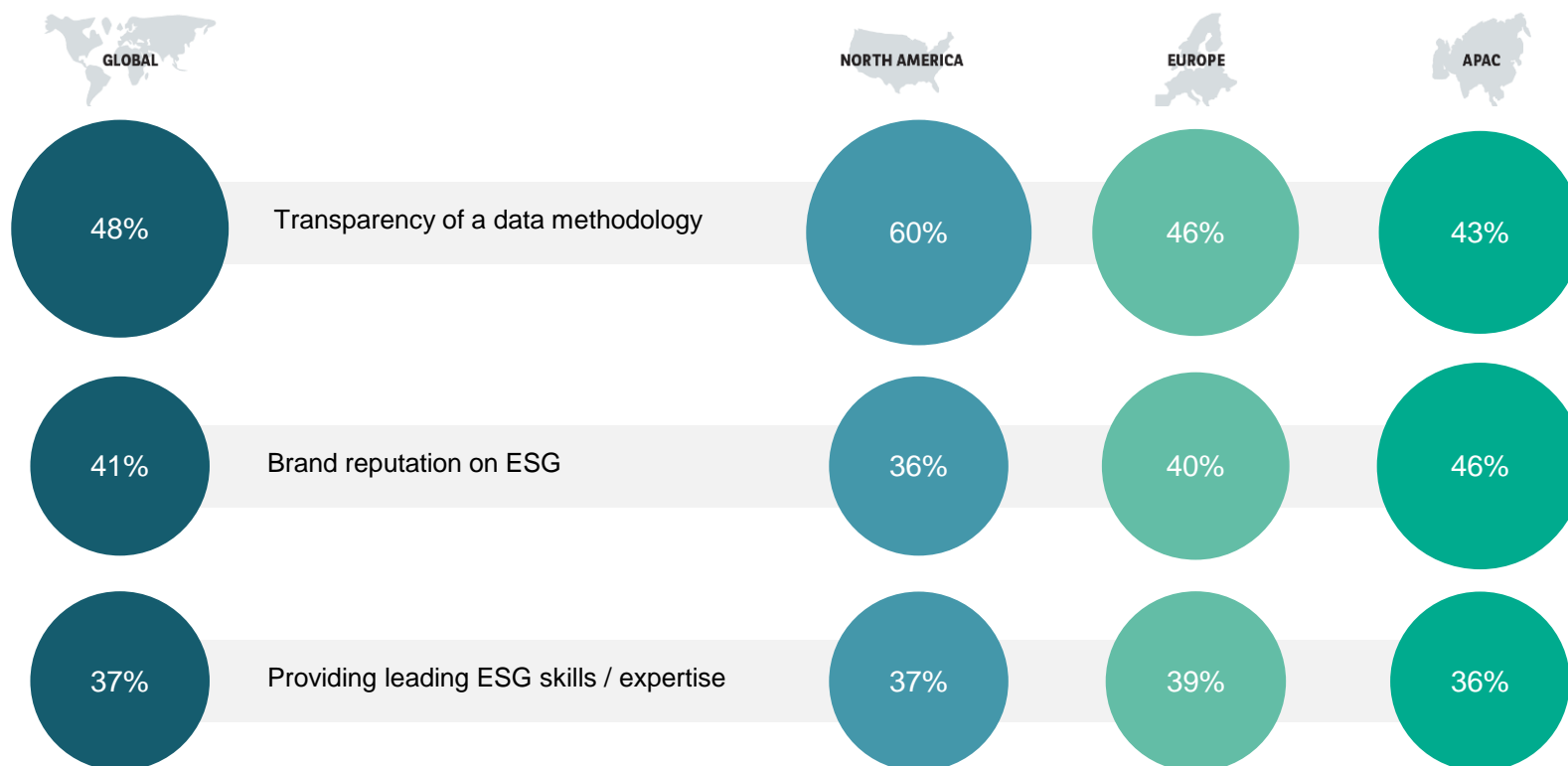


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Data transparency and brand count when choosing an external partner

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- The criteria to select an external partner for ESG related operations is focused on ensuring transparency of data methodology (48%), something that is most important for North American organisations (60%).
- Brand reputation on ESG was most important to professional investors in APAC (46%)

Which of the following criteria is most important to you when selecting an external partner for ESG related operations? Pick top three.



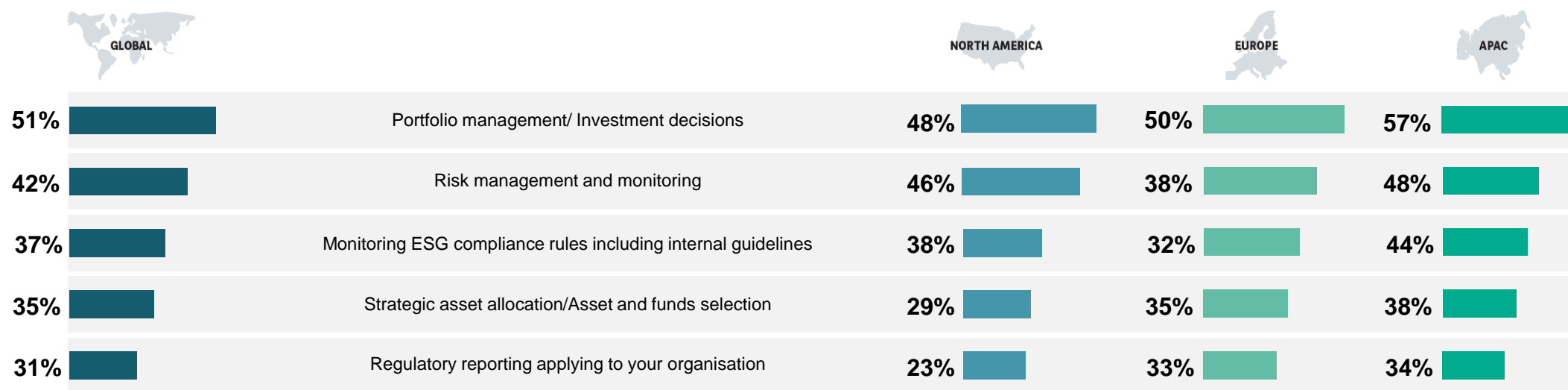
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Integrating ESG expertise and data into investment operations

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- Over half of organisations are integrating ESG expertise and data into portfolio management / investment decisions, with APAC at the forefront (57%).
- Many have also integrated ESG expertise and data into risk management (42%) and monitoring ESG compliance rules (37%).



Top 5
% Multiple answers allowed

Has your organisation integrated ESG expertise and data into any of the following investment-related operations?



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