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PRESS RELEASE

Institutional investors accelerate their low-carbon transition strategies, BNP Paribas ESG Global Survey finds

A BNP Paribas survey of 420 asset owners and managers, hedge funds and private equity firms shows that institutional investors are mobilising capital towards investments that will deliver measurable positive impacts alongside financial returns. Despite data constraints posing the biggest barrier to ESG integration, especially in tackling financial risks posed by climate change, institutional investors are nevertheless incorporating ESG, notably in their portfolio management and investment decisions.

Building on its three previous editions, BNP Paribas's ESG Global Survey 2023 examines institutional investors' progress on the path to sustainability through three reports, to be issued separately by the end of the year. The first report (published today) focuses on ESG data and reporting, while the second will examine net zero objectives, and the third will study the integration of ESG expertise in operations.

Key findings of BNP Paribas's ESG Global Survey 2023 include:

- **Low-carbon transition strategies accelerate, despite pressure on investors' external commitments to net zero targets:** 41% of respondents say commitment towards net zero is a current priority in their organisation, and 48% say it will be within the next 2 years. In 2021, only 18% of investors had a net zero commitment, with 33% indicating they were considering a commitment.
- **Impact investing is increasing in importance:** With 54% of respondents expecting to use it in the next two years (versus 45% now), impact investing is set to become the most popular ESG approach globally.
- **Limited data quality remains the biggest barrier to ESG investing**: 71% of respondents say inconsistent and incomplete ESG data is a significant barrier to the greater adoption of ESG (+17 percentage points versus 2021). To overcome these data challenges, 65% of respondents say they use and compare multiple sources of data, while 37% conduct their own research methodologies.
- **Biodiversity data lags behind climate data:** 66% of investors believe they need to do more to take account of biodiversity loss or other environmental goals, such as water use, waste recycling, and ecosystem protection. However, biodiversity data is in its nascent stages.
- **Active ownership will play a key role:** 45% of respondents say active ownership will be a key ESG objective in the next 2 years. 76% see climate change and decarbonisation as a priority for voting, engagement and possible investment changes.
- **ESG expertise is being integrated into investment-related operations:** 51% of respondents say their organisation is integrating ESG expertise and data into portfolio management/investment decisions, with APAC at the forefront (57%). 42% say they have also integrated ESG expertise and data into risk management, and 37% into monitoring ESG compliance rules.
- **Regulation and reputational risks are major drivers:** Respondents were most likely to have assessed the financial materiality of ESG regulation and reputational risks (60% versus 58% respectively). Investors were least likely to have assessed the financial materiality of biodiversity loss at 32%.

Sophie Devillers, Head of Sustainable Finance, Securities Services, BNP Paribas, stated: "Our latest survey demonstrates that, since 2017, institutional investors have been transitioning from asking "why" integrate ESG, to focusing on the "how" of implementation. They are now increasingly tackling the challenges of using ESG data, achieving their net zero objectives, and integrating ESG expertise into their operations. The next two years will be critical for them to practically implement their ESG strategies."

Delphine Queniart, Head of Sustainable Finance Client Engagement, Global Markets, BNP Paribas, commented: "This survey shows that sustainable finance is rapidly maturing as investors look to mobilise across all different regions of the globe. We are seeing illuminating examples of investors finding ways to cope with limited data quality, working with others and leveraging new data-management techniques to effectively implement sustainability into the business. As this trend continues, investors will be better able to take advantage of developing opportunities and use their influence to move capital towards investments seeking measurable impacts."

Marie-Gwenhaelle Geffroy, Global Head of ESG, Sustainability and Private Capital Practice, Financial Institutions Coverage, BNP Paribas, explained: "ESG data must help investors assess portfolios, manage risk, and take into consideration the current and historic impact of the ESG components on performance and strategy. It is more important than ever, if we want to turn sustainability into an opportunity, that ESG data is embedded in investment strategies."

Notes to editors: Survey based on data collected between April and July 2023 from 180 asset owners, 180 asset managers, and 60 hedge funds & private capital firms across Europe (50%), Asia Pacific (28.6%) and North America (21.4%), with an estimated USD 51.2 trillion in assets under management overall. 64% of all respondents had more than USD 25 billion in assets under management. Results were compared against BNP Paribas's previous ESG Global surveys.

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