

# GREAT EXPECTATIONS: ESG - WHAT'S NEXT FOR ASSET OWNERS AND MANAGERS

## BNP PARIBAS GLOBAL ESG SURVEY

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Singapore, July 2017



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# Key messages

■ Asia Pacific institutional investors are **increasingly** adopting **Environmental, Social and Corporate Governance (ESG)** related strategies.

■ However, **availability of robust data** is seen as the **major barrier to further adoption of ESG** currently while **analytical capabilities** is seen as the **major issue tomorrow**.

■ The BNP Paribas survey has found that **84% of APAC** institutional investors surveyed currently incorporate ESG into their investment decision making, **compared with 82% in Europe**, and **only 70% for North America**.

■ Demand in APAC is **broadly aligned across both asset managers and asset owners**, driving change.

■ While a **fifth of APAC institutional investors** currently market a majority of their funds as **ESG**, **more than 60% are expected to do so within two years** (see section 2).



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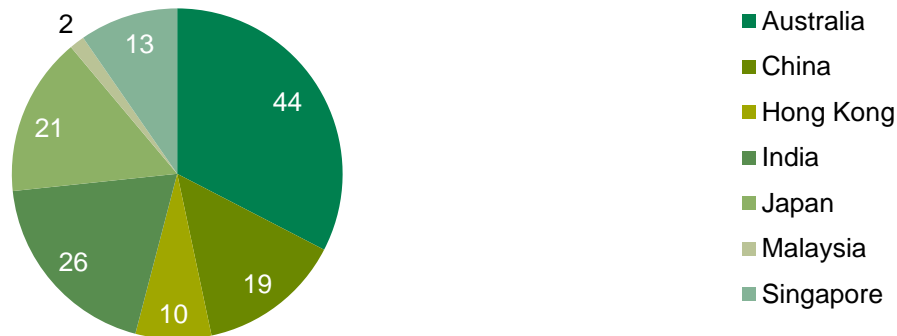
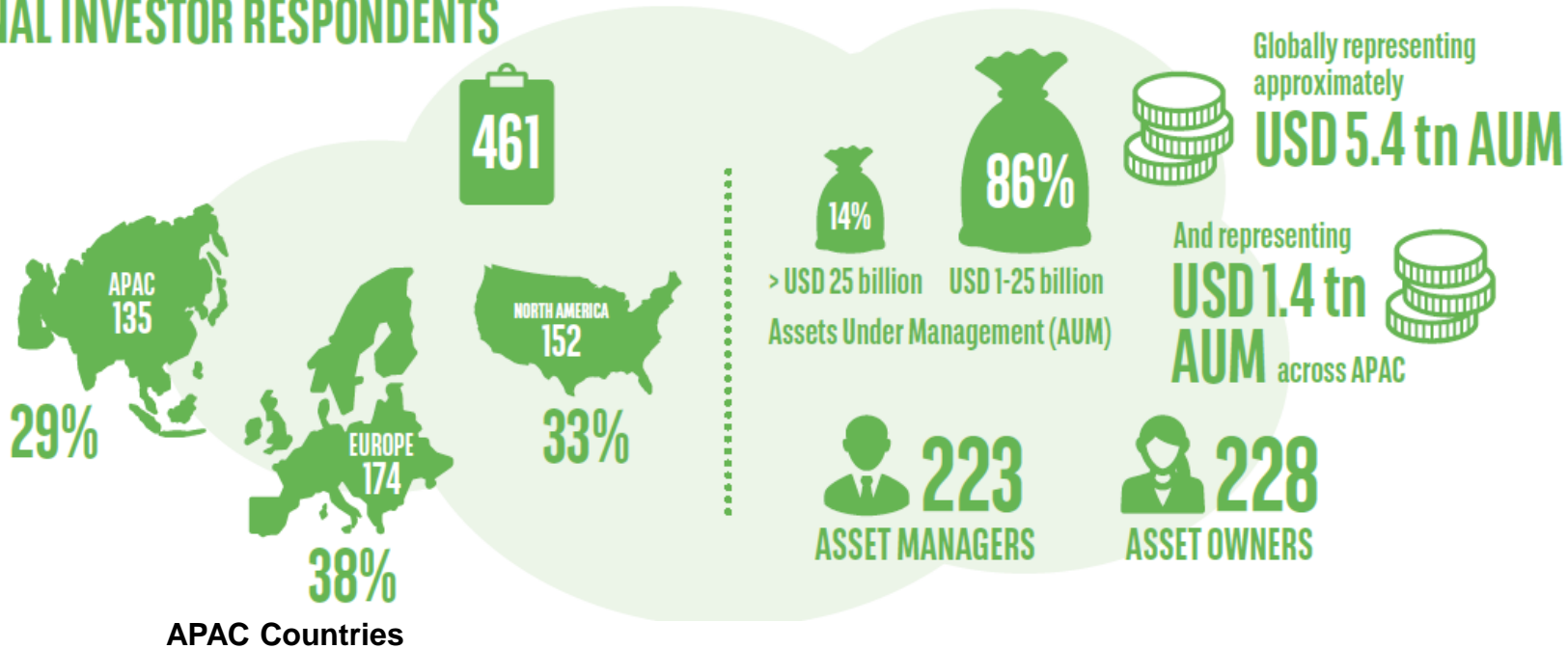
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# SURVEY BACKGROUND



# High level demographics

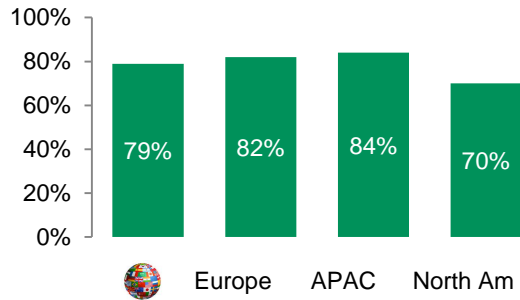
## INSTITUTIONAL INVESTOR RESPONDENTS



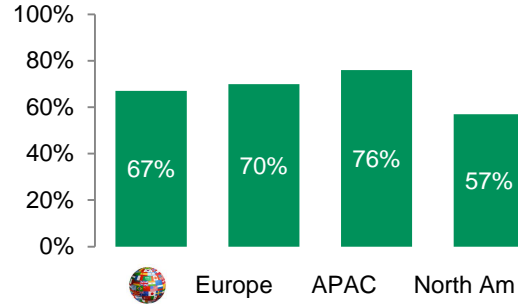
# High level findings

## Regional View

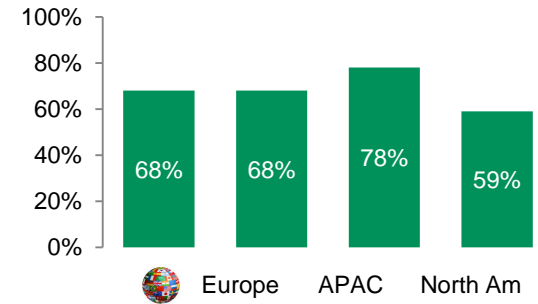
### INCORPORATE ESG IN DECISION MAKING



### BOARD DISCUSS AS ISSUE OF IMPORTANCE



### HAS ESG POLICY AS PART OF STRATEGY



## Respondent Type View

### INCORPORATE ESG IN DECISION MAKING



### BOARD DISCUSS AS ISSUE OF IMPORTANCE

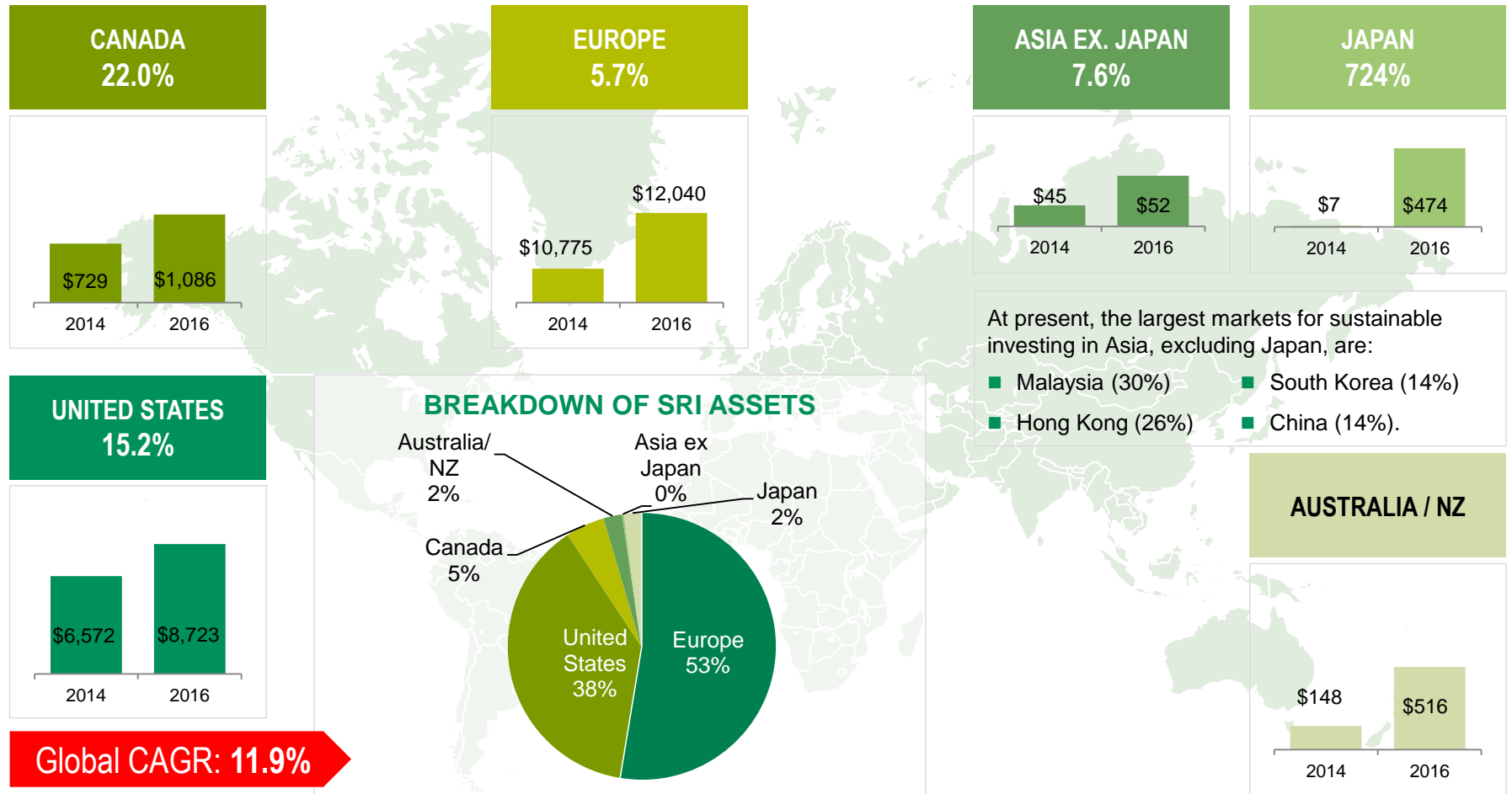


### HAS ESG POLICY AS PART OF STRATEGY



# How are investors investing in ESG

## Global ESG landscape



Note: Asset values are expressed in billions  
Source: 2016 Global Sustainable Investment Review, GSIA

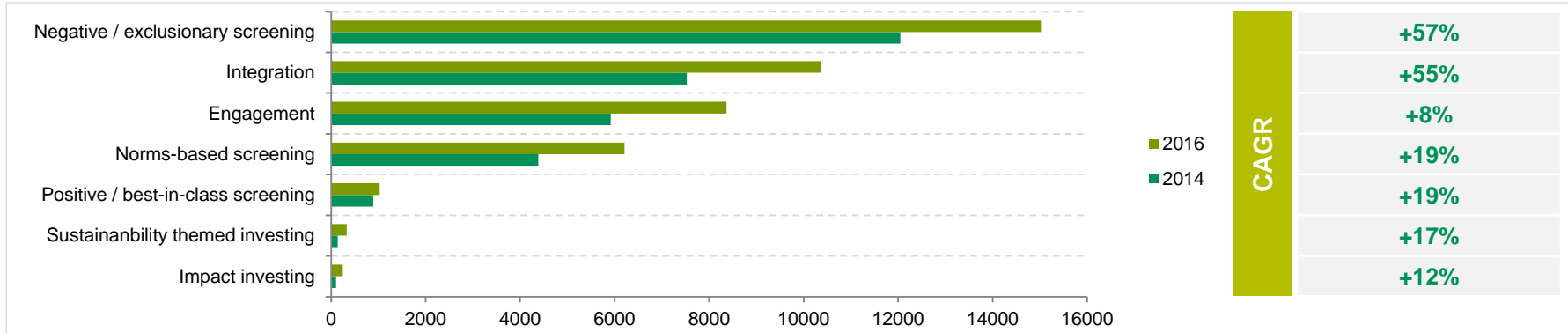


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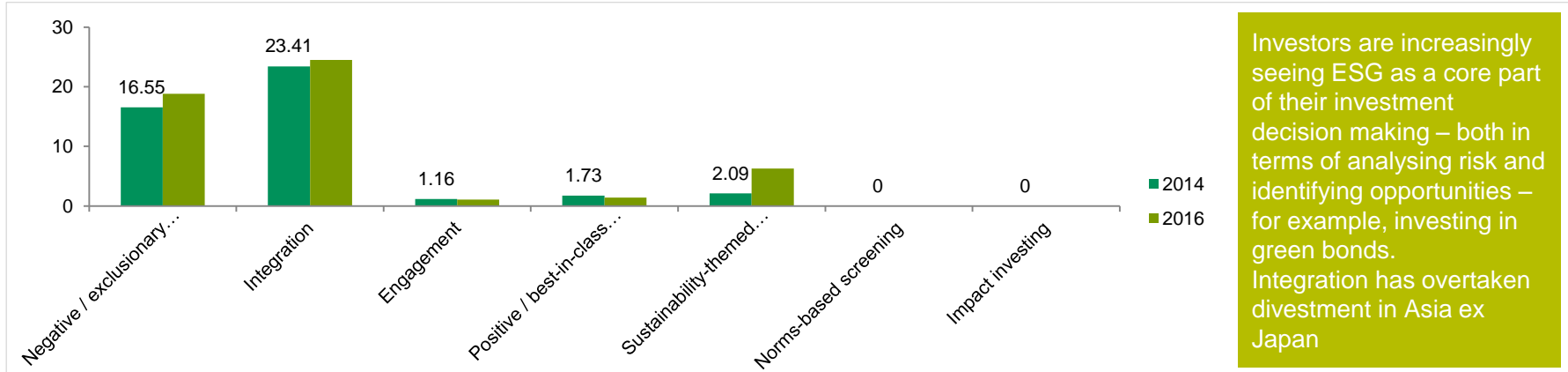
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# How are investors implementing ESG

## GLOBAL FIGURES



## ASIA EX JAPAN



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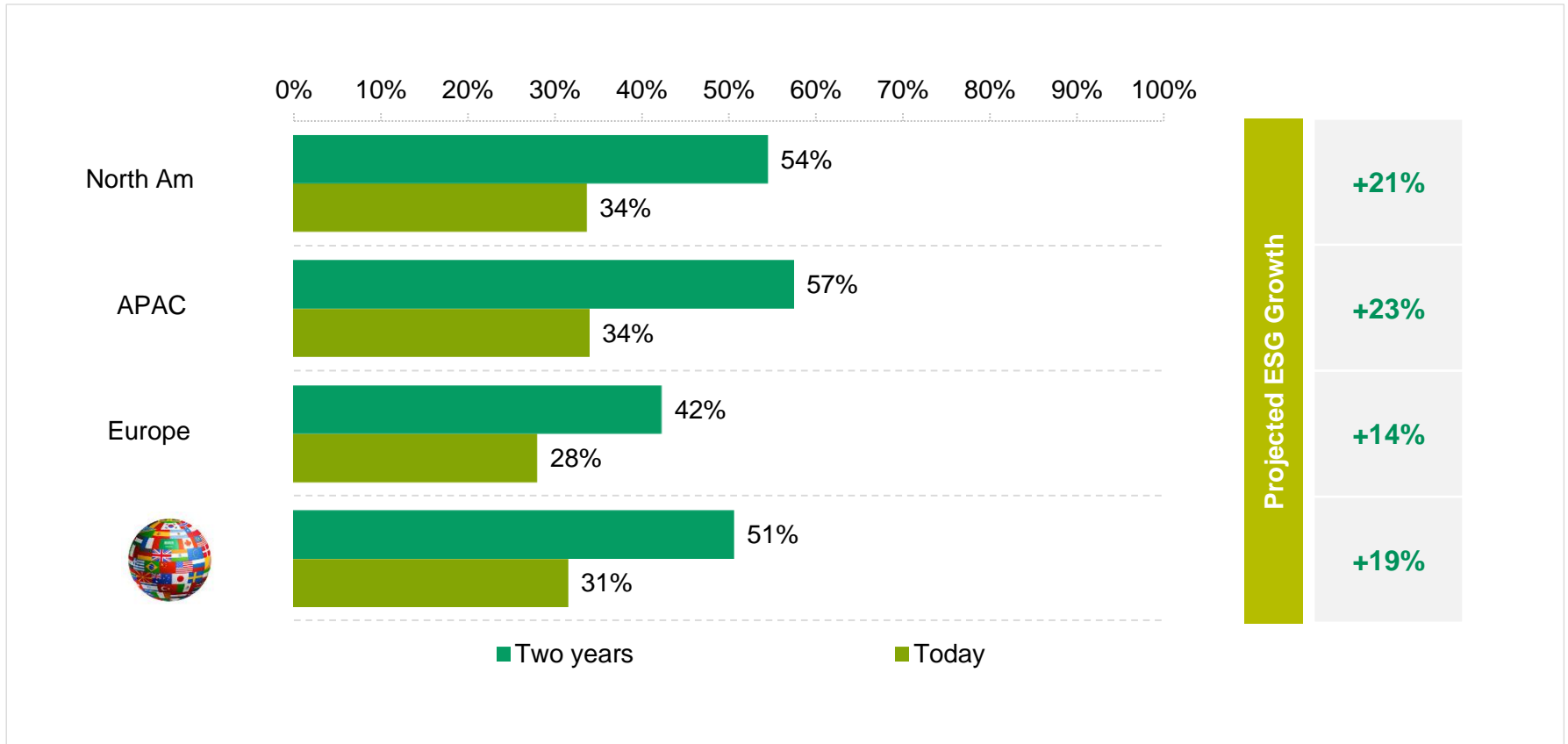
# APAC GAINS MOMENTUM ON ESG





# APAC accelerating ESG take up

## PROPORTION OF FUNDS THAT ARE ESG NOW AND IN TWO YEARS (MEAN SCORE)



# Key messages

**APAC INVESTORS ARE MORE LIKELY TO INCORPORATE ESG FACTORS AND TO COMMIT TO HIGHER PROPORTION OF ESG FUNDS**

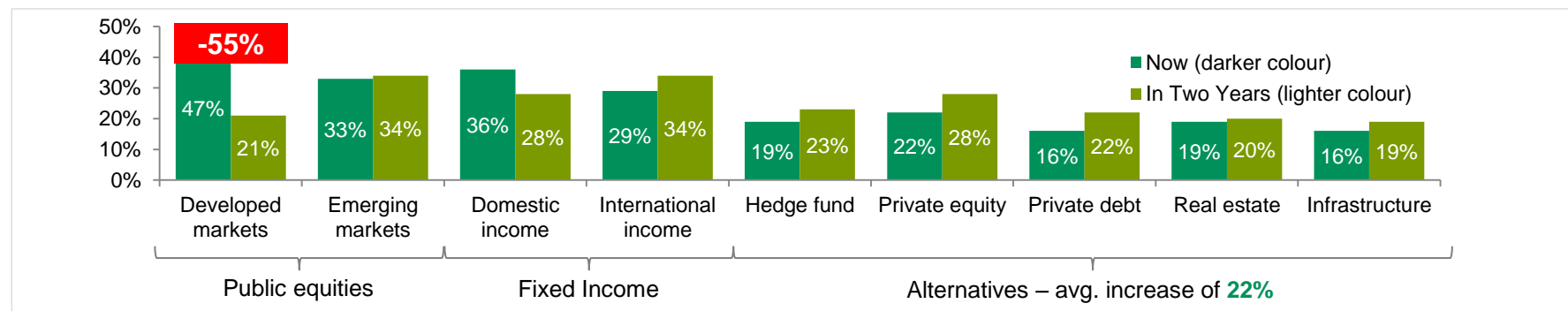


Source: Q1 Great Expectations - What's Next for Asset Owners and Managers

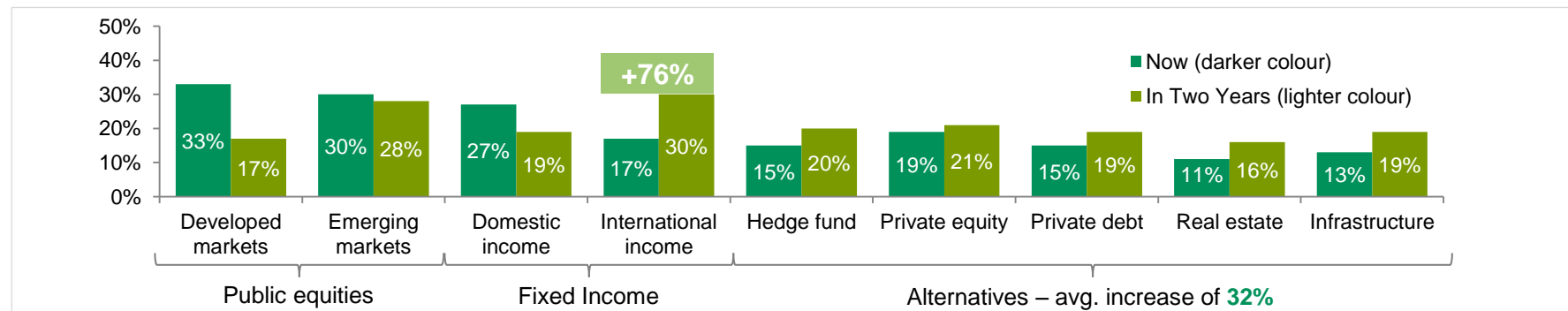


# ESG allocation to shift to alternatives in the next two years

## TOTAL



## APAC

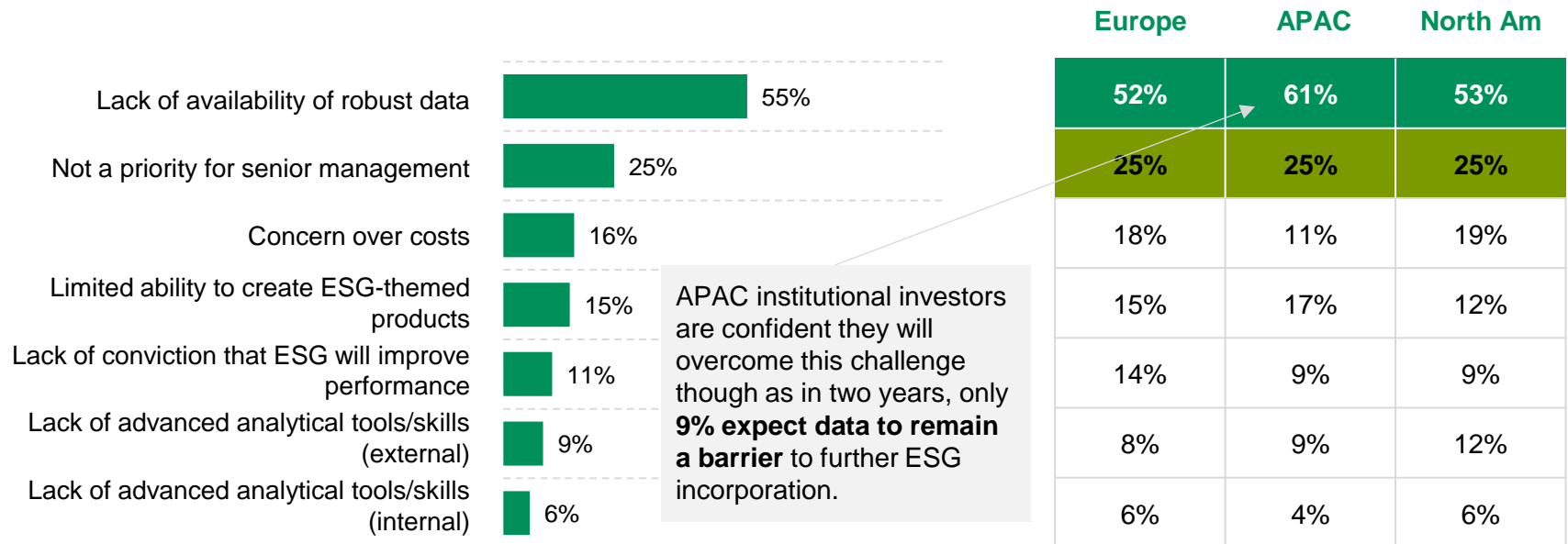


Alternative asset classes are becoming increasingly 'ESG aware' – for example, we are seeing private equity firms ensuring they can achieve a timely and quick exit from an investment and are incorporating these factors when structuring their investments



# APAC barriers to ESG

## BARRIERS TO GREATER ADOPTION OF ESG: TODAY



Gathering data can be complex – relying on quantitative and publicly available data. A shortage of data to support ESG has seen skepticism persist within some senior management ranks, which is limiting its adoption across the region, and globally more generally.

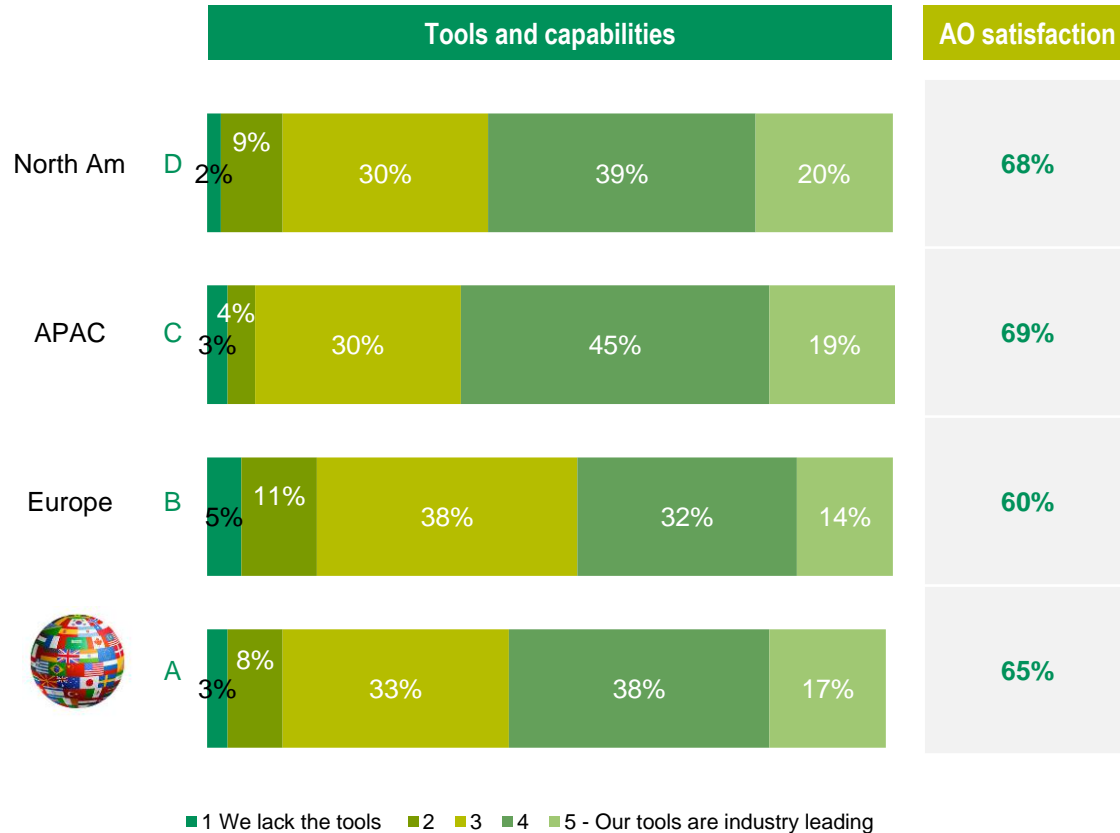
However, smart data, artificial intelligence and ESG specialists will play a key role in helping to break down these barriers in the next few years



# APAC investors – capabilities and AO-AM alignment

## ESG TOOLS/CAPABILITIES AND AO LEVEL OF SATISFACTION WITH AM (TOP 2 BOX)

Nearly two thirds of APAC investors (64%) believe their ESG tools are industry leading – likely a critical factor in bolstering enthusiasm towards ESG.



APAC boasts the highest level of asset owner satisfaction with the level of ESG reporting they receive from their asset managers (69%).

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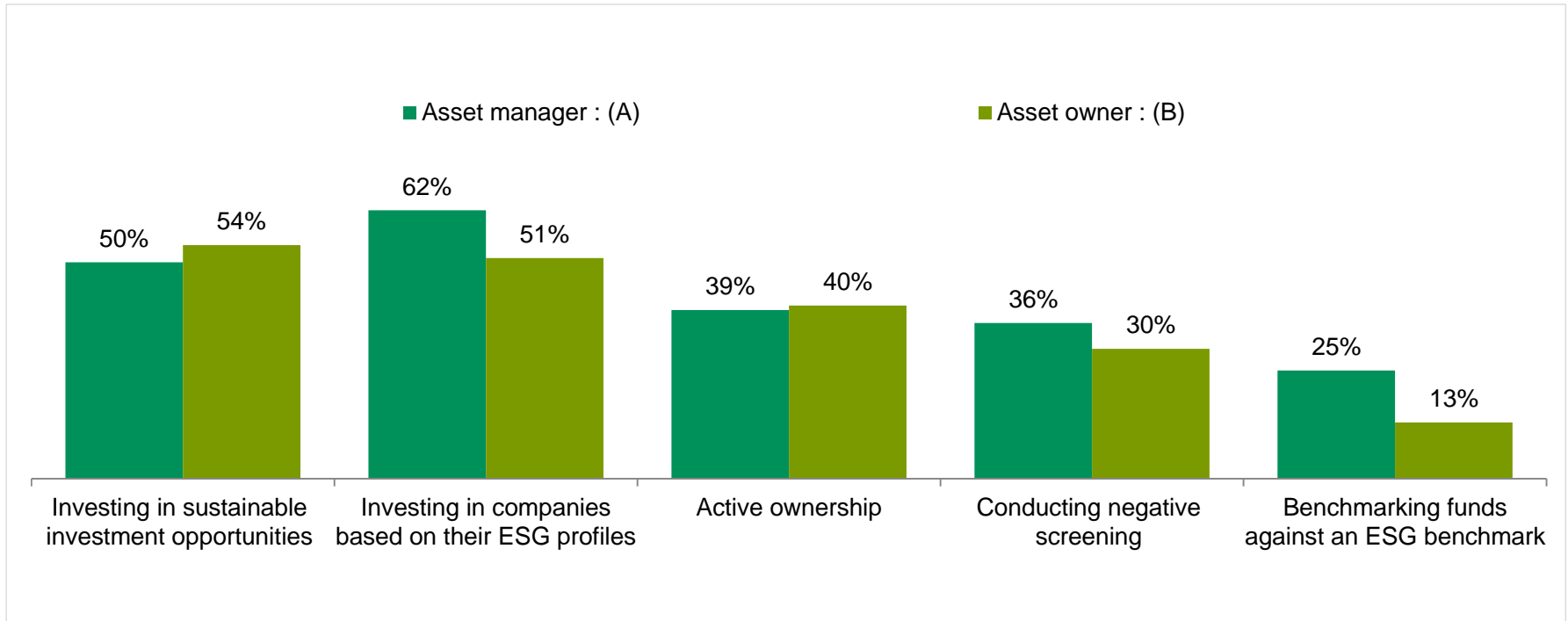
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## KEY GLOBAL FINDINGS



# How are investors currently deploying ESG

## WHAT ARE YOU CURRENTLY DOING (ASSET OWNERS) OR OFFERING (ASSET MANAGERS)?

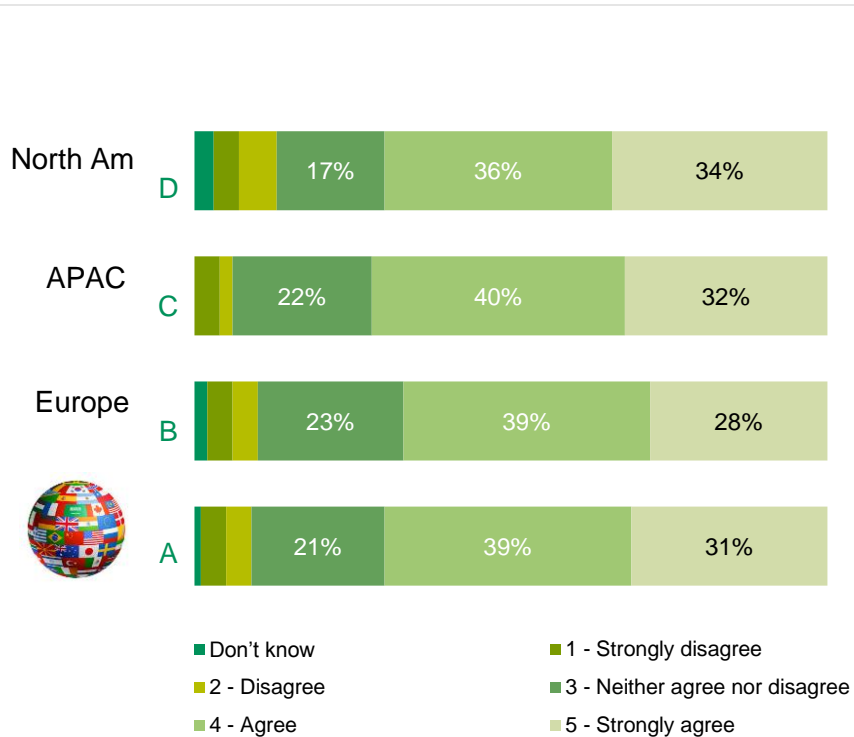


Both institutional and retail investors are demanding greater consideration of and disclosure around ESG issues and climate change in particular is a very high profile topic and one that directly affects millions of people around the world  
AOs and AMs are increasingly seeing ESG as a core part of their investment decision making – both in terms of analysing risk and identifying opportunities – for example, investing in green bonds

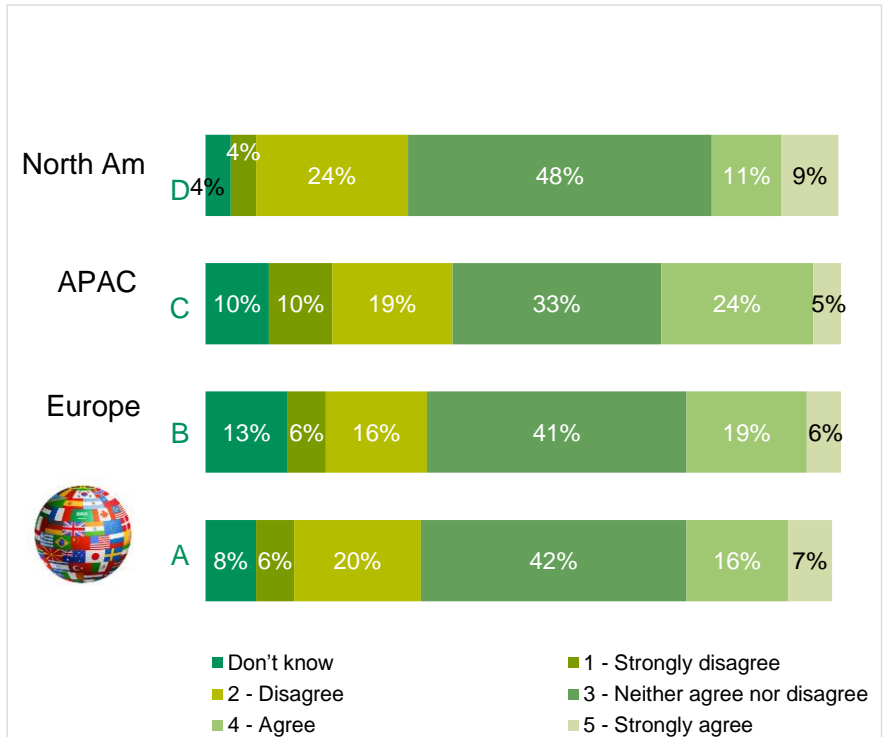


# Majority see policymakers with a stronger role to play but are not sure that regulation is needed

## POLICYMAKERS WILL INCREASE THEIR ESG REQUIREMENTS



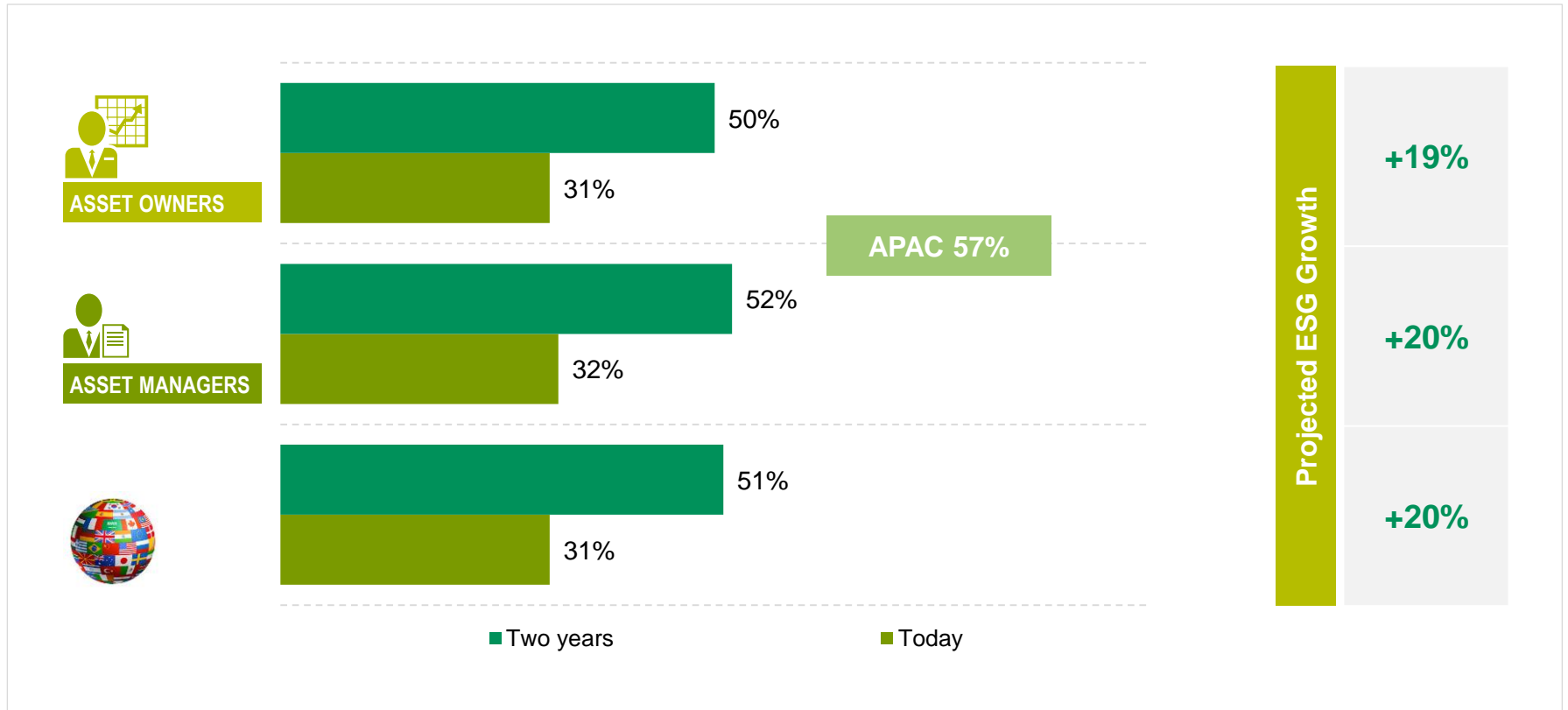
## REGULATION ON ESG IS NOT NECESSARY





# Institutional investors plan to double investment in ESG strategies over next two years

## PROPORTION OF FUNDS THAT ARE ESG NOW AND IN TWO YEARS



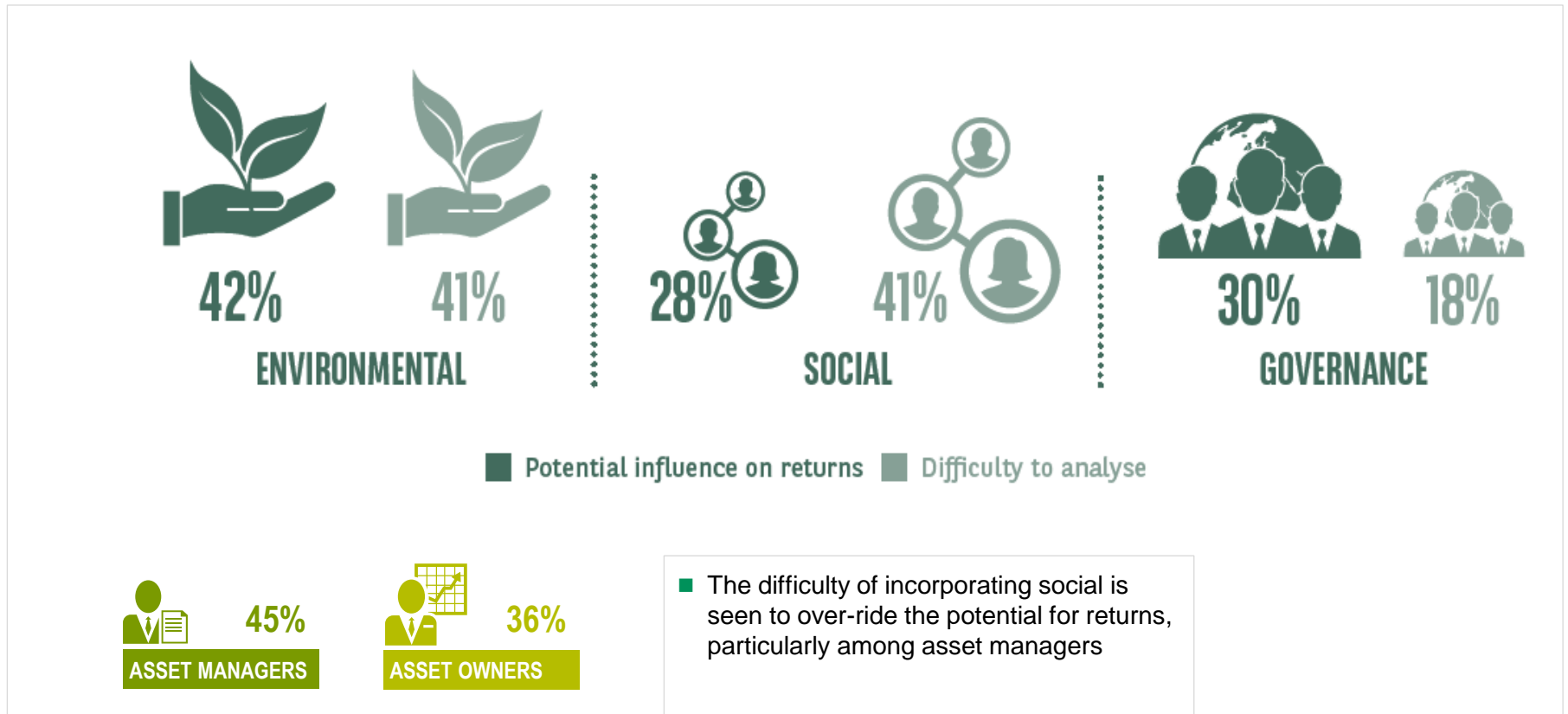
Source: Q18Great Expectations - What's Next for Asset Owners and Managers



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# The E in ESG takes centre stage

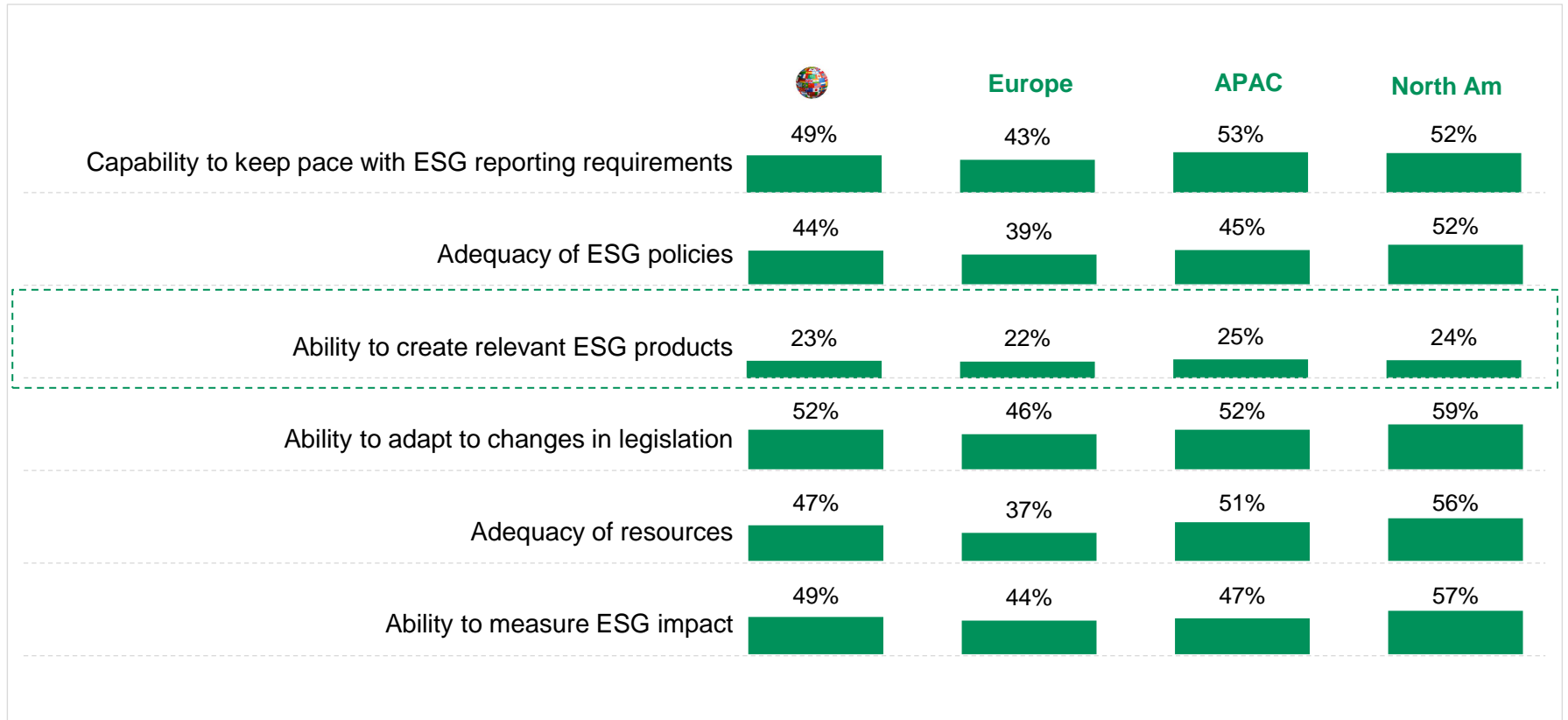


➤ This result shows organisations are planning ahead to future legislation and the transition to a low-carbon economy. However, the perceived difficulty of analysing social factors may be affecting perceptions of the “S” component’s potential influence on returns. We believe that the potential benefits of this pillar are greatly underestimated.



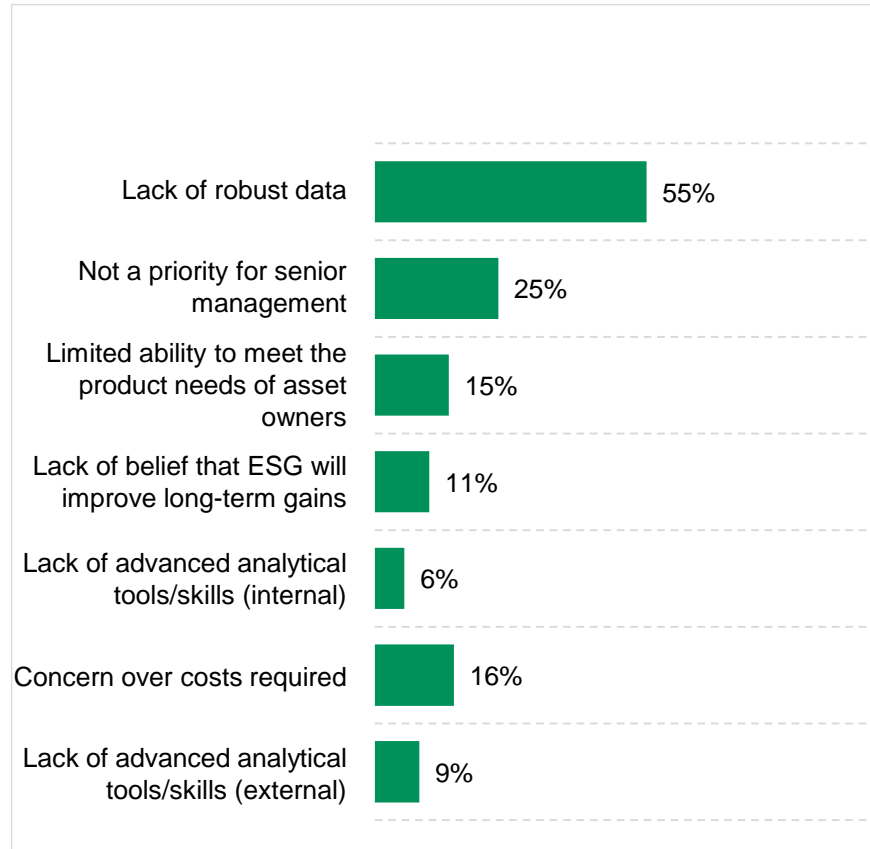
# All regions struggle to create relevant ESG products

## STRENGTHS AND WEAKNESSES (TOP 3 BOX)



# Overcoming the data challenge

## BARRIERS TO GREATER ADOPTION OF ESG: TODAY

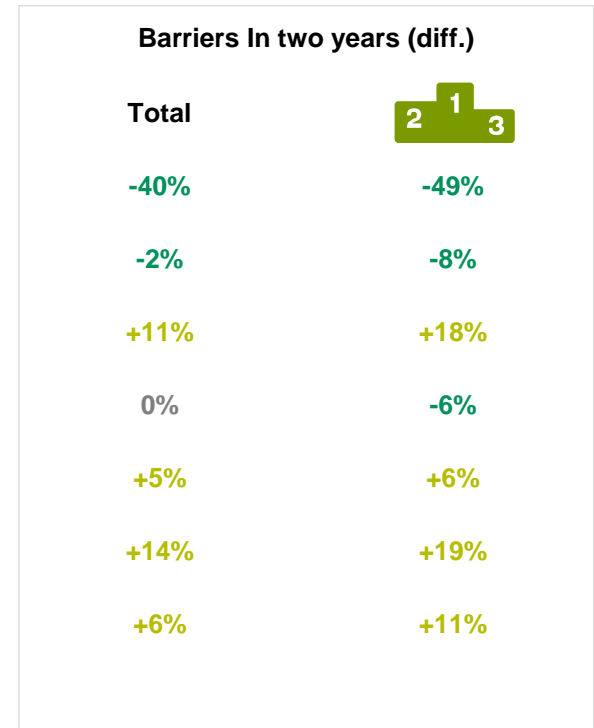
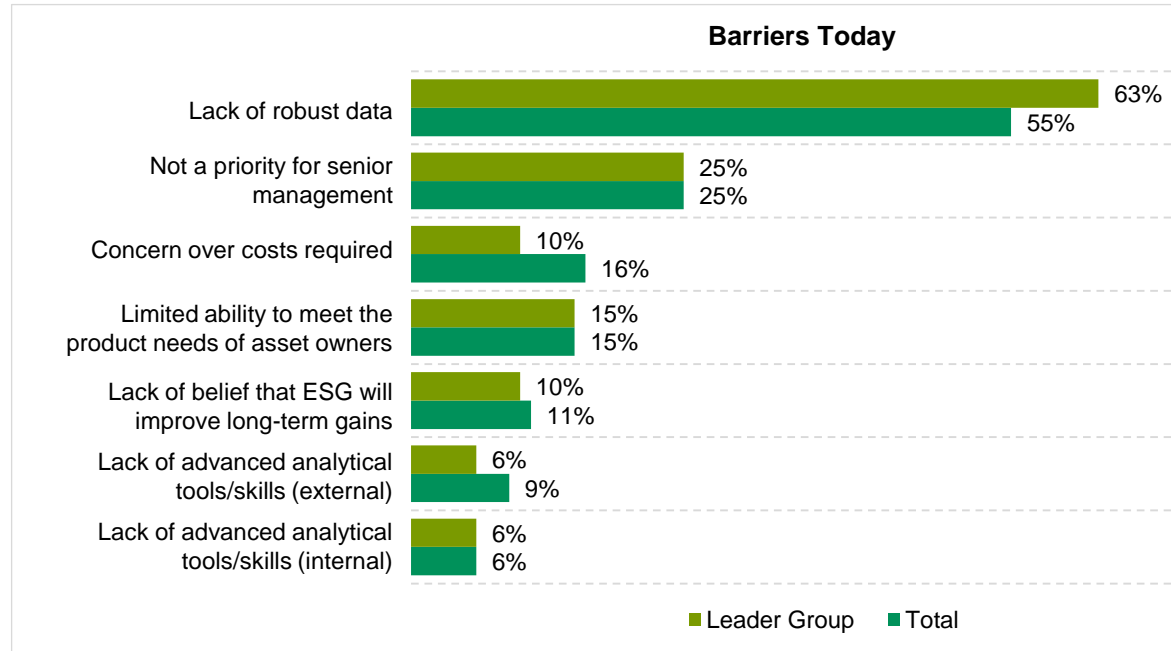


	ASSET OWNERS	ASSET MANAGERS	
	47%	64%	Lack of data is a major barrier at the moment, particularly for asset owners
	26%	25%	
	28%	NA	Asset managers are concerned about limited ability to meet asset owner needs
	10%	13%	
	NA	11%	Lack of analytical tools and concerns over costs is a minor barrier currently for both managers and owners
	15%	17%	
	14%	5%	



# But data is today's problem, analytics tomorrow's challenge

## BARRIERS TO GREATER ADOPTION OF ESG: TODAY AND IN TWO YEARS

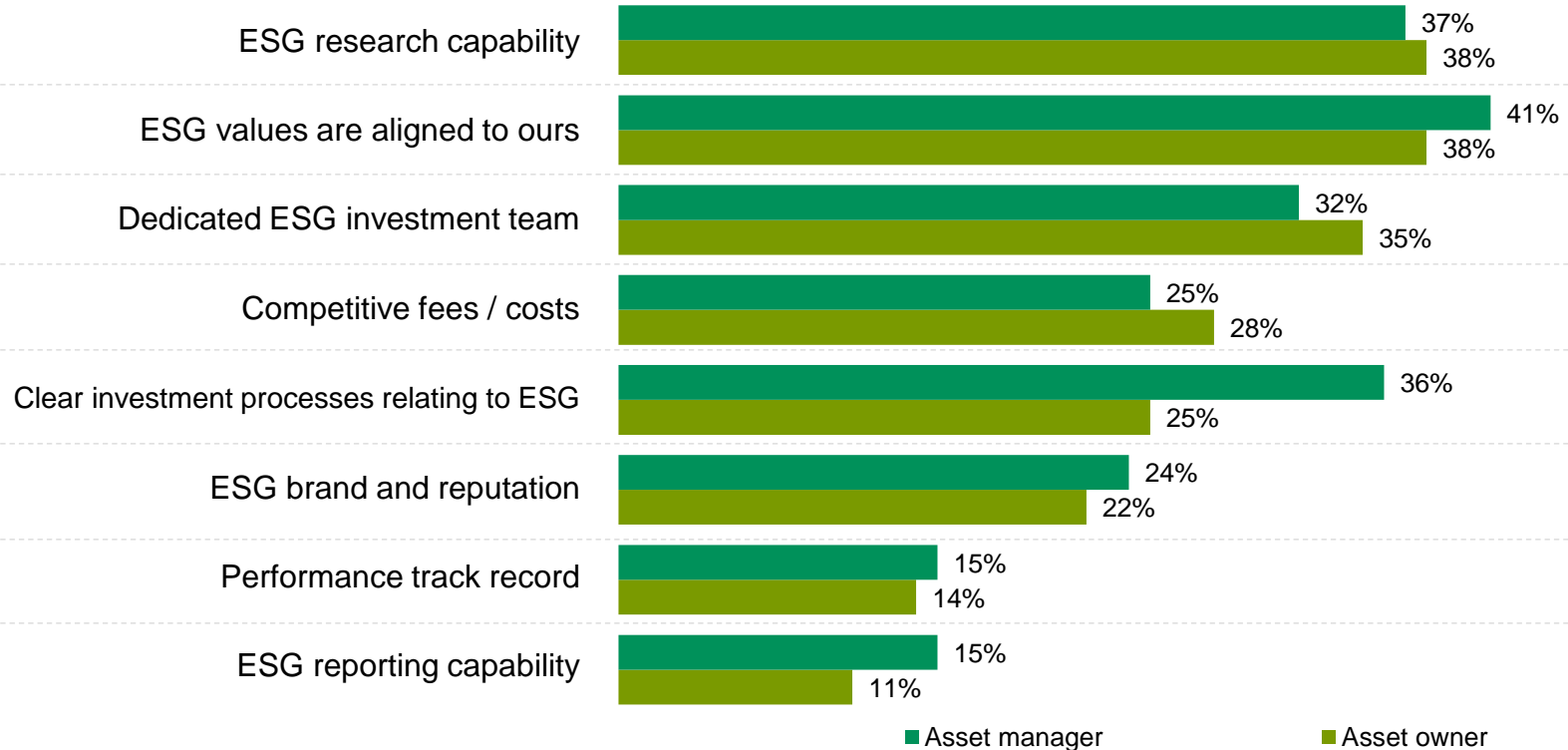


- There remains a lack of consensus as to all the relevant ESG factors, while gathering data can be complex – relying on quantitative and publicly available data
- However, the industry is solving this with new standards and definitions
- To overcome the analysis issue, companies will need to seek technological solutions using things like AI and smart data. ESG specialists will also need to be recruited



# What asset owners seek from their asset managers

## IMPORTANCE OF ATTRIBUTES IN ASSET MANAGER SELECTION



**Good communication between the two groups is going to be increasingly critical to align the right products with the right organisations**



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# BNP PARIBAS SECURITIES SERVICES AND ESG



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# Our commitment to ESG

## WE ARE COMMITTED ACROSS THREE KEY DIMENSIONS

### Global Sustainable Finance Programme

- 1<sup>st</sup> global custodian as a signatory of the UN PRI
- 14 workstream global programme chaired by global head of CIB
- 150 people across the CIB business
- ESG Reporting as a dedicated workstream, sponsored by BPSS global CEO



### ESGRA Roadmap (2016-17)

- Data: continuous improvement programme focused on increase and enhancement in data sets, across asset classes and within ESG pillars
- Solutions: integration into multi-asset risk, ESG attribution
- R&D: climate change stress tests, green / shariah bond premia, carbon footprinting, ESG-aware beta



### Thought Leadership & Research

- ESG Made Simple Guide (working with the UK PLSA, the Dutch pension industry)
- Carbon stress testing paper published
- Partnered on the 2016 UNEP “Investor Obligations & Duties in 6 Asian Markets” report
- Hosted 10 roundtables / seminars globally in 2016 on ESG
- Flagship Sustainable Finance Forum in Singapore 2016 & 2017





# THANK YOU!

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