

PRESS RELEASE

BNP Paribas Asset Management announces results of first European ESG ETF Barometer, confirming optimistic outlook for ESG ETFs

The results of the BNP Paribas Asset Management ('BNPP AM') *European ESG ETF Barometer*¹ revealed that most investors surveyed expect further expansion of the European ESG² ETF³ market over the next year.

The biannual barometer, conducted for the first time in April this year, monitors how European investors' sustainable investment outlook and practices are changing over time. It canvasses the views of 250 investment executives at insurers, pension funds, asset managers and wealth managers in France, Germany, Italy, Switzerland and the UK. It assesses their perspectives on the evolving ETF landscape, as well as on ESG integration, thematic opportunities, the regulatory environment and ESG investment risks. The key findings from the first survey include:

- With ESG ETFs currently accounting for 16%⁴ of all European ETF assets, **91%** of survey respondents expect this level to remain stable or increase over the coming 12 months.
- **57%** of respondents ranked asset managers' ESG credibility and credentials as a primary consideration in deciding who to allocate to.
- Investors in Switzerland (**72%**) and the UK (**68%**) were most interested in a thematic approach to ESG investing, with the circular economy (**61%**) the most popular theme.
- **82%** of respondents consider thematic ESG ETFs to be active strategies.

Denis Panel, Head of Multi-Asset, Quantitative & Solutions ('MAQS') at BNPP AM, comments:

"The launch of the BNP Paribas Asset Management European ESG ETF Barometer provides us with valuable insights into the way in which investor preferences for thematic ESG ETFs are evolving. The results of the first survey highlight the growing appetite for this asset class. BNPP AM has ambitions to further develop as a key player in index solutions integrating ESG and decarbonisation. The results not only validate the necessary move towards sustainable indices, including Paris-Aligned Benchmark standards, which BNPP AM adopted at the end of 2021, but also show the increased use of ETFs as a means of accessing ESG themes, with the divide between what has previously been considered 'active' and 'passive' becoming increasingly blurred."

Investors are expecting further growth in ESG ETF assets over the next 12 months

The European ESG ETF Barometer found that by investor type, asset owners were particularly optimistic about the outlook for ESG ETFs, with 91% expecting the proportion of assets held in ESG ETFs to remain stable or grow. By country, respondents in the UK (96%) and Italy (96%) were the most positive about the growth outlook for the asset class. In line with these findings, only 6% of respondents expect there to be a major drop in the value of ESG assets over the next 12 months.

¹ Survey conducted in April 2022 on behalf of BNP Paribas Asset Management by Longitude, a Financial Times company. Respondents included asset managers and asset owners based in France, Germany, Italy, Switzerland and the UK.

² Environmental, Social & Governance

³ Exchange Traded Fund

⁴ Source: ETFGI, 2021

Asset managers' ESG credentials matter

The survey also found that when selecting ESG ETFs, asset managers' ESG credibility and credentials are a primary consideration for investors choosing who to allocate to, with 57% of investors ranking this among their top three criteria. However, respondents in Germany and Switzerland attached more importance to ESG fund labels and certifications, with 46% in both countries stating that these rank among their three highest priorities.

Investors were keen to see greater focus on social issues within ESG engagement and voting practices, with 43% of respondents wanting more focus on employee rights and 42% on board diversity. However, wealth management respondents were more focused on environmental issues, with 55% saying they want to see increased disclosure about climate impact, with greenhouse gas emissions prioritised in engagement and stewardship activity.

ESG integration and thematic preferences differ by client type and country

When it came to ESG integration preferences, there were notable differences between client type and country. A thematic approach to ESG investing was found to be a key approach for Swiss (72%) and UK (68%) respondents, but less so for French respondents (36%). Wealth management (63%) respondents were most likely to cite impact investing as important, while asset managers (57%) view engagement and stewardship as the most important aspect of ESG integration.

When asked which themes they were most interested in, the strongest appetite among respondents was for the circular economy. Overall, 61% of respondents expect this to be their primary focus over the next 12 months, with the greatest demand seen from those in Germany (88%), France (66%) and Italy (62%). Along with the blue (i.e. ocean) economy, the circular economy proved especially popular among asset owners, while asset managers and wealth managers view access to education as a significant focus for their thematic ESG investments.

Next-generation thematic ETFs increasingly seen as active strategies

Whereas traditional ETFs have historically been considered to be passive investments, the survey suggested that next-generation thematic ETFs are increasingly thought of as active, as investors seek to capitalise upon long-term megatrends represented by niche indices. 82% of respondents consider thematic ESG ETFs as active strategies.

BNPP AM has been at the forefront of ESG ETF innovation since 2008, when it became the first asset manager to launch a low-carbon ETF, BNP Paribas Easy Low Carbon 100 Europe. In December 2021, BNPP AM upgraded 18 of its ETFs to track ESG indices and Paris-Aligned Benchmarks standards in order to enhance the responsible credentials of its BNP Paribas Easy range. As at end of March 2022, 89% of BNPP AM's range of index funds, accounting for more than EUR 17 billion of assets, are now classified as SFDR Article 8 or Article 9 strategies. BNPP AM's ETF range now includes themes such as the blue economy, green real estate, sustainable infrastructure, medical technology, green hydrogen and the circular economy.

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About BNP Paribas Asset Management

BNP Paribas Asset Management ('BNPP AM') is the investment arm of BNP Paribas, a leading banking group in Europe with international reach. BNPP AM aims to generate long-term sustainable investment returns for its clients, based on a unique sustainability-driven philosophy. BNPP AM's investment capabilities are focused around five key strategies: High Conviction Strategies, Private Debt & Real Assets, Multi-Asset, Quantitative & Solutions (MAQS), Emerging Markets and Liquidity Solutions, with investment processes incorporating quantitative and fundamental analysis.

Sustainability is embedded within BNPP AM's strategy and investment decision-making. Among the leaders in thematic investment in Europe, BNPP AM contributes to the energy transition, environmental sustainability and the promotion of equality and inclusive growth. BNPP AM currently manages EUR 522 billion of assets (EUR 645 billion of assets under management & advisory) and benefits from the expertise of around 500 investment professionals and around 800 client servicing specialists, serving individual, corporate and institutional clients in 67 countries.

Source: BNPP AM, as at 31 March 2022

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About the BNP Paribas European ESG ETF Barometer

BNPP AM developed the European ESG ETF Barometer together with B2B thought leadership agency Longitude, a Financial Times company, to monitor how investors' sustainable investment outlook and practices are changing over time. Conducted twice yearly, the survey gauges the opinions of 250 investment executives at insurers, pension funds, asset managers and wealth managers in France, Germany, Italy, Switzerland and the UK and assesses five key areas:

- ETF landscape – Perception of the ETF market and expected allocations to ESG ETFs.
- ESG integration - Investors' reliance on different ESG integration methods and the issues they are prioritising in their engagement and stewardship activity.
- Thematic opportunities – Investors' appetite for different ESG-related investment themes.
- Regulatory environment - The perceived efficacy of regulations governing ESG products.
- Emerging risks – Investor sentiment regarding to ESG investment risk.

Additional information

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