

Investors increasing ESG investment in line with the UN SDGs, but integration barriers remain, finds BNP Paribas Securities Services study

A BNP Paribas Securities Services survey of asset managers and owners incorporating ESG strategies reveals further ESG integration by investors, with over 65% of respondents aligning their investment framework with the UN Sustainable Development Goals (SDGs). Data and technology costs remain barriers to ESG integration, but investors are optimistic, with over 90% predicting more than 25% of their funds will be allocated towards ESG by 2021.

The key findings of the ESG Global Survey 2019 include*:

- **Stronger commitment to ESG investment vs 2017:** 75% of asset owners and 62% of asset managers hold 25% or more of their investments in funds incorporating ESG (vs 48% and 53% in 2017).
- **The UN SDGs are a new compass:** 65% of respondents align their investment framework with the SDGs, mainly by setting SDG-related revenue targets for investee companies.
- **Data and technology costs are barriers:** As was the case in 2017, data remains the biggest barrier - ahead of costs, a lack of advanced analytical skills and greenwashing risks. One-third of respondents cite technology costs as a barrier to ESG integration (doubling from 16% in 2017).
- **The outperformance factor:** 52% of respondents ranked 'improved long-term returns' in their top three reasons for ESG investment. 60% of all respondents expect their ESG portfolios to outperform over the next five years.
- **New jobs in ESG investing:** Tendency to upskill employees and create new jobs by recruiting from non-traditional backgrounds (29% of respondents).

Florence Fontan, Head of Asset Owners at BNP Paribas Securities Services, said: "ESG investment is becoming increasingly important for investors, and our survey highlights investors' appetite to pursue both purpose and performance. However, practical integration has its challenges due to data and technology barriers, and deep ESG investment is still finding its feet. The next two years will be critical to achieving the right investment mix, technology and skills in place."

*347 institutional investors incorporating ESG strategies were interviewed for the survey

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