

European Environmental, Social, and Governance Investing 2020

Leading the Global Revolution

OVERVIEW & METHODOLOGY

This is the second Cerulli report dedicated to the topic of environmental, social, and governance (ESG) investing in Europe. It focuses on the key responsible investment (RI) markets in the region: the U.K., the Netherlands, the Nordics, France, Germany, Italy, and Switzerland. The report is split between four thematic chapters and seven quantitative chapters.

The thematic chapters offer detailed qualitative analysis, supported by relevant data. The first of the four is the Market Overview chapter, which covers the growth of ESG assets under management (AUM) in Europe and provides a detailed overview of the regulatory landscape. The following three chapters take a detailed look at the product landscape and demand in the wholesale channels, the expertise required when serving institutional investors, and the region's growing focus on climate change reporting, assessment, and product development.

The quantitative chapters cover the seven markets targeted by Cerulli's research. They provide data-driven insight into the dynamics of each market's retail and institutional investment landscape. The different market structures and national regulations mean that investor demand for ESG capabilities and products differs from one country to another. The market chapters highlight these differences and the variation in preferences they cause, in addition to examining country-specific ESG regulations.

USE THIS REPORT TO

- Size the European RI market and understand the regulatory landscape
- Analyze a comprehensive overview of the RI product landscape, including wholesale trends, demand, product launches, flows, and the competitive landscape
- Identify the key approaches that asset owners apply when investing responsibly and the key drivers affecting investor behavior
- Gain insight into asset owners' demand for low-carbon or climate-resilient strategies, the availability and demand for products aligned with the EU Paris-Alignment Benchmark (EU PAB) or the EU Climate Transition Benchmark (EU CTB), and the targets that asset owners set and how they translate into reporting requirements for asset managers

QUESTIONS ANSWERED

- How has the ESG product landscape evolved, and which types of ESG-focused products are gaining flows?
- How has the regulatory landscape evolved and what reporting requirements do asset owners demand from asset managers?
- How are asset owners evaluating asset managers' RI credentials?
- Which retail channels show the highest demand for ESG products?
- How are asset owners assessing climate change risks and opportunities?

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• Institutional Market Overview:

- Assess the total volume of responsible investment (RI) assets held by European asset owners in all vehicles, as well as the volume held in Europe-domiciled vehicles. Cerulli breaks down the data to highlight which RI approaches are growing the fastest.
- Compare institutional investor opinions on RI and environmental, social, and governance (ESG) topics across markets of interest. Assess the preferred RI approaches of asset owners in different markets, or explore how the key criteria for evaluating asset managers on ESG differs by country or investor type.

• Retail Market Overview:

- Review assets under management (AUM) and net new flows for Europe-domiciled mutual funds and exchange-traded funds (ETFs) with filters by implementation type, fund type, and asset class.
- Compare the expected levels of demand from retail investors across seven European markets, and which distribution channels are most important to each market.

• Climate Change Investing:

- View a heatmap depicting European markets' target allocations to climate-resilient investments, and explore each market's preference for Paris-aligned or transition-based strategies.
- Review asset owners' climate change policies and explore how they address their carbon footprint. Additionally, gain insight into the share of pension funds and insurance companies that align with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.
- Compare how asset owners and asset managers address the reduction of carbon intensity in investment portfolios and which types of low-carbon investments are preferred by asset owners across different markets.

Exhibit 2.10
European Private Banks’, Independent Wealth Managers’, and Independent Financial Advisors’ Expectations of Their Clients’ Demand for ESG Funds Over the Next 12–24 Months, 2020

Source: Cerulli Associates

Analyst Note: Private banks, IWMs, and IFAs were asked if they expect an increase in demand for ESG/SRI funds from their clients over the next 12 to 24 months.

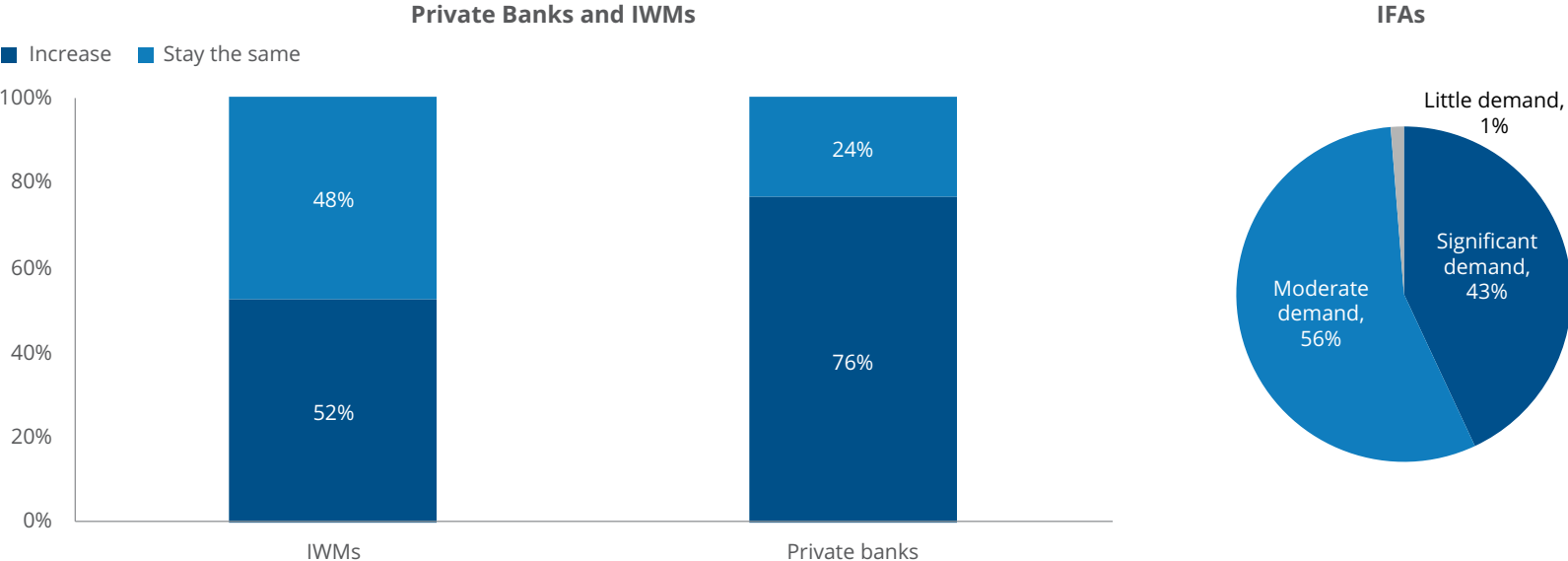


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