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## Sustainability | Europe

# How are Investors Approaching Sustainable Investing? Insights from Recent Polls

Over the last two weeks we have hosted ~1500 investors at various events on Sustainable Investing. Through a series of polls we gained insights into investor views on a number of topics. We summarise the results in this report.

**Growing adoption of Sustainable Investing motivated by returns.** Over 600 people attended our virtual Sustainable Investing in Practice conference with 58% already offering SRI/ ESG products and another 22% considering doing so. Interestingly, 63% said the primary driver for doing so was better investment returns whilst only 21% stated it was because of client expectations. Just 5% said they believe in investing in ethical companies.

Unsurprisingly, ESG Integration remains the most common approach (54% of respondents), but Thematic (15%) and Impact Investing (13%) are now more popular than Best-in-class (4%), Engagement & Voting (4%) and Exclusions (6%)

54% of investors said Climate and Carbon had been the main ESG topic of interest YTD with Renewables and Renovation offering the greatest EU Green Recovery opportunity. Within the Social theme, Diversity was the main area of focus, followed by Human rights across the supply chain.

**At our Trends in Sustainable Investing webcast 67% of respondents said they expect Climate Change to be the biggest driver of share price performance over the next 12 months.** Looking specifically at catalysts for sustainable investing, the US Election was deemed to be the most impactful event over the next year (51%) followed by the EU Green Deal (37%) and then China's Net Zero target (7%).

Within Fixed Income, there was a 50/50 split regarding whether ESG-labelled debt or ESG integration would be more material in driving sustainable investing. 73% of investors think that ESG ETFs will become significant enough to impact asset flows and asset prices.

**Finally, during a cross-divisional Carbon webcast, we found that 87% of investors expect EU Carbon prices to increase by at least 50% over the next 5 years.** 47% of attendees were interested in considering an allocation based on EUA market fundamentals, but the biggest barrier to participation was a lack of understanding.

Sustainability 

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**Recent Sustainability Events**

Sustainable Investing In Practice Conference

Trends in Sustainable Investing Webcast

Carbon: Insight &amp; Implementation Webcast

Hydrogen Symposium

Women in Quant ESG Panel

US Company Webcasts (TPI Composites, Boston Properties, Ameren)

EU Building &amp; Construction ESG Insights Roundtable

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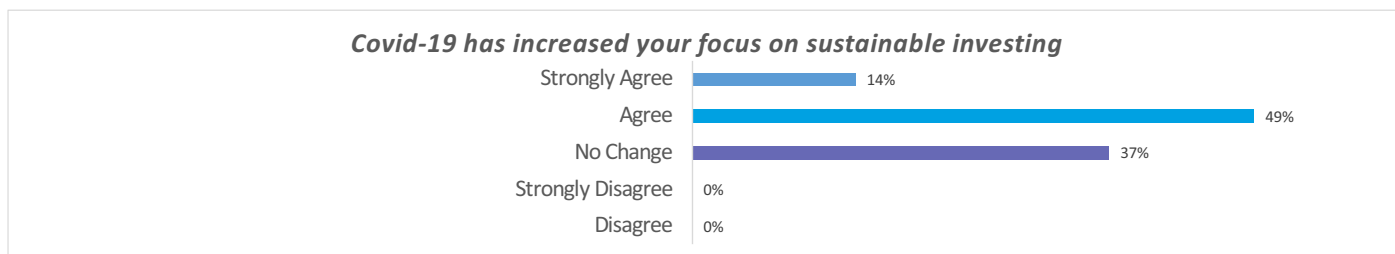
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# Trends in Sustainable Investing Webcast

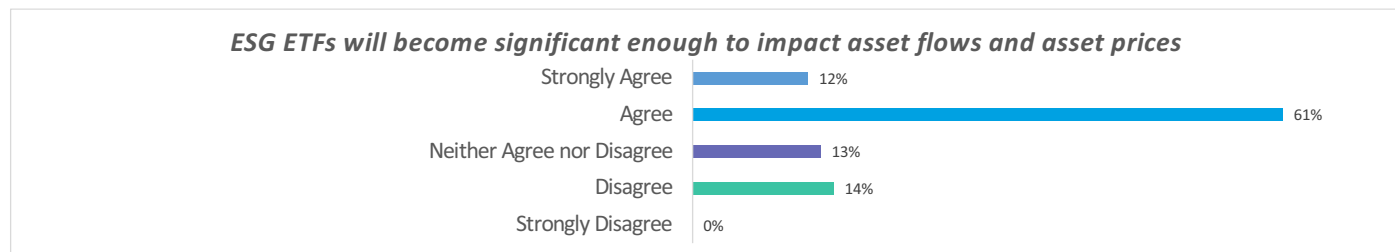
On Friday 9th October, we hosted a webcast on trends in Sustainable Investing following the publication of our [Quarterly Tracker](#). You can access the replay link [here](#). Over 100 investors dialled in, split between long only asset managers (67%), hedge funds (10%), asset owners (8%), wealth managers (6%), corporates (4%) and 6% other.

**Exhibit 1:** 63% said that Covid-19 has increased their focus on sustainable investing



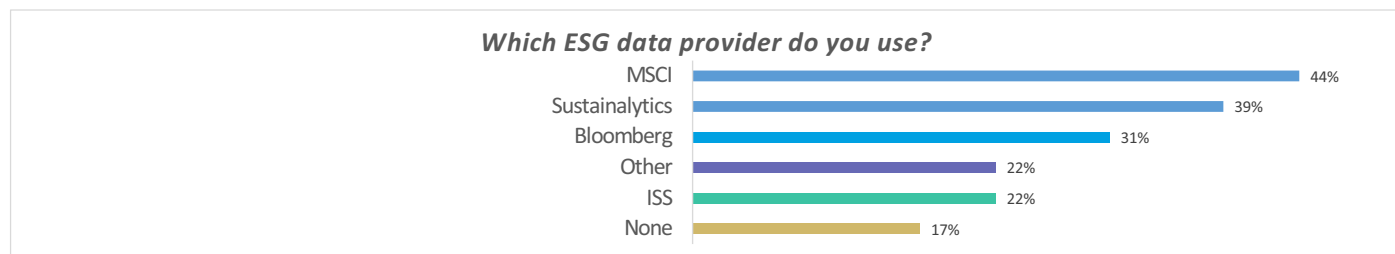
Source: Morgan Stanley Research

**Exhibit 2:** 73% believe that ESG ETFs will become significant enough to impact asset flows and asset prices



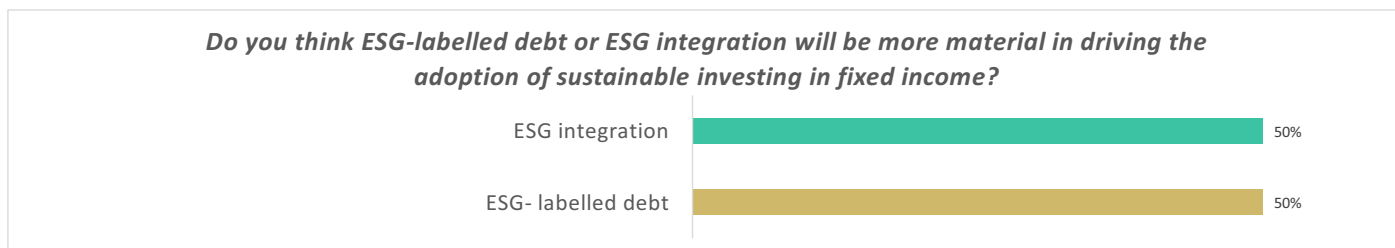
Source: Morgan Stanley Research

**Exhibit 3:** MSCI and Sustainalytics were the two most commonly used data providers



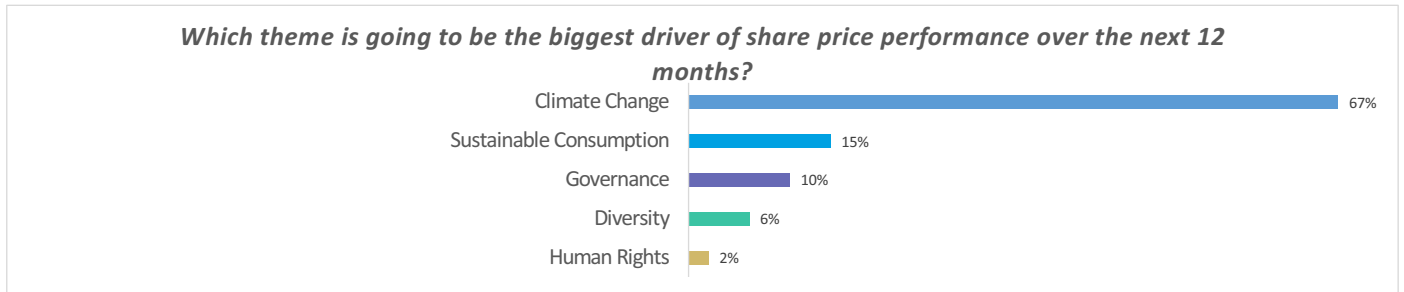
Source: Morgan Stanley Research

**Exhibit 4:** ESG-labelled debt and ESG integration were viewed as equally important in driving the adoption of sustainable finance in fixed income



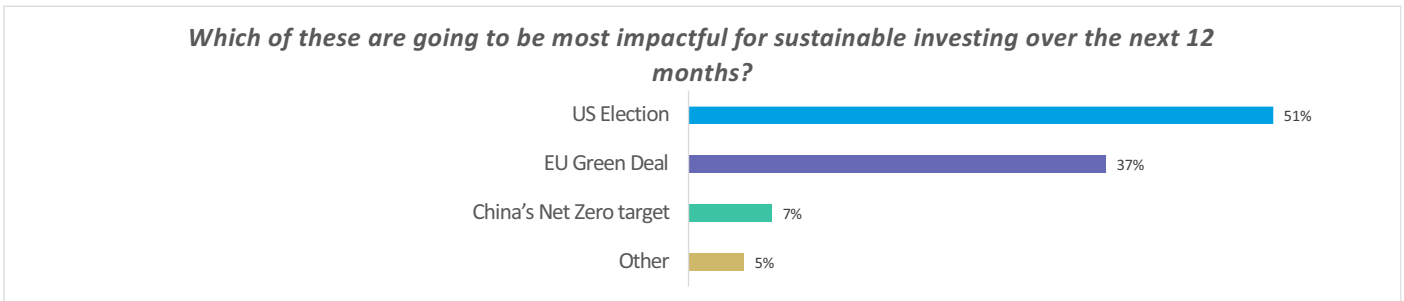
Source: Morgan Stanley Research

**Exhibit 5:** Two-thirds of respondents believe Climate Change will be the biggest driver of share price performance over the next year



Source: Morgan Stanley Research

**Exhibit 6:** 51% thought the US Election would be more impactful for sustainable investing than the EU Green Deal or China's Net Zero target

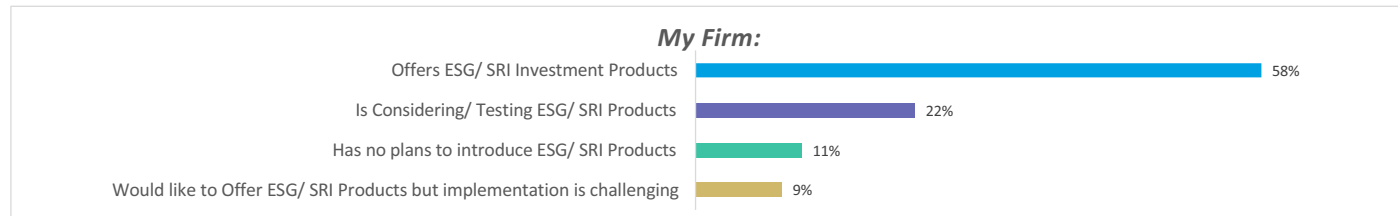


Source: Morgan Stanley Research

# Sustainable Investing In Practice Conference

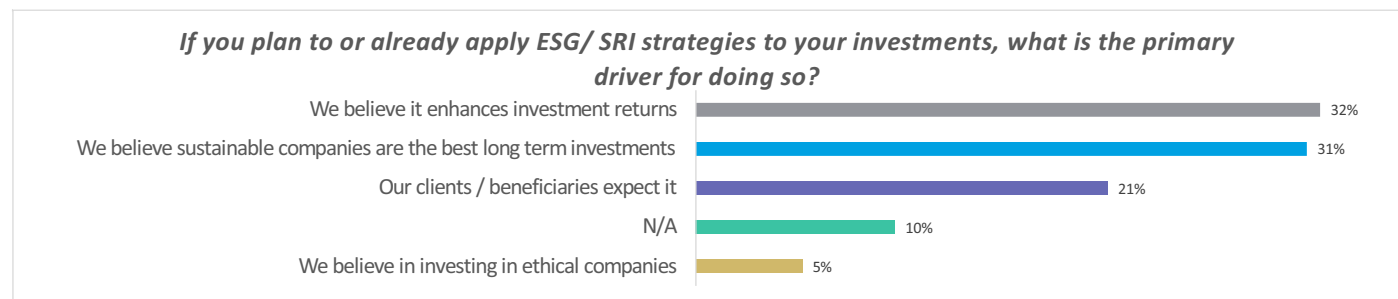
On Thursday 8th October, over 600 people attended our virtual conference on Sustainable Investing in Practice, split roughly 51% asset managers (38% HF, 13% LO), 45% allocators, and 4% corporates.

**Exhibit 7:** 80% of respondents already offer ESG / SRI products or are considering doing so



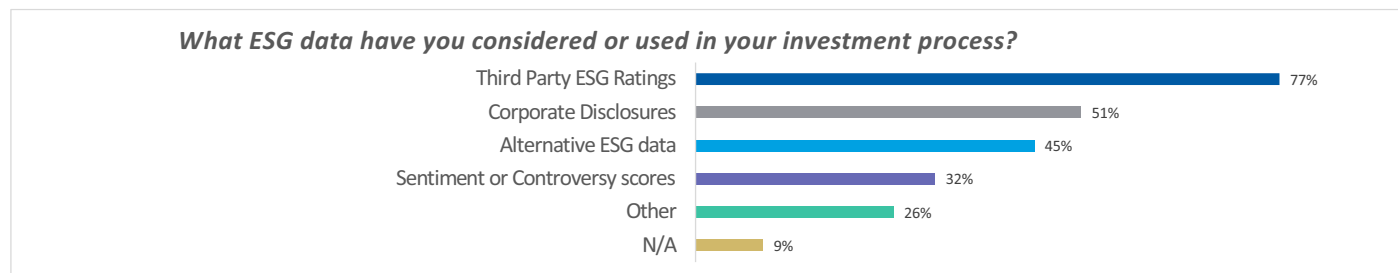
Source: Morgan Stanley Research

**Exhibit 8:** For 63% of respondents, the desire to implement ESG / SRI strategies is driven by returns vs 21% by client expectations



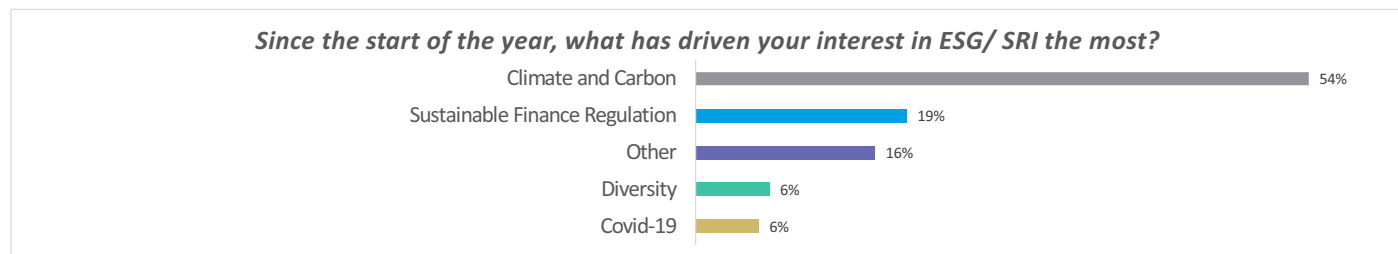
Source: Morgan Stanley Research

**Exhibit 9:** Over half of respondents use Third Party ESG Ratings and Corporate Disclosures whilst 45% are using Alternative ESG Data sets



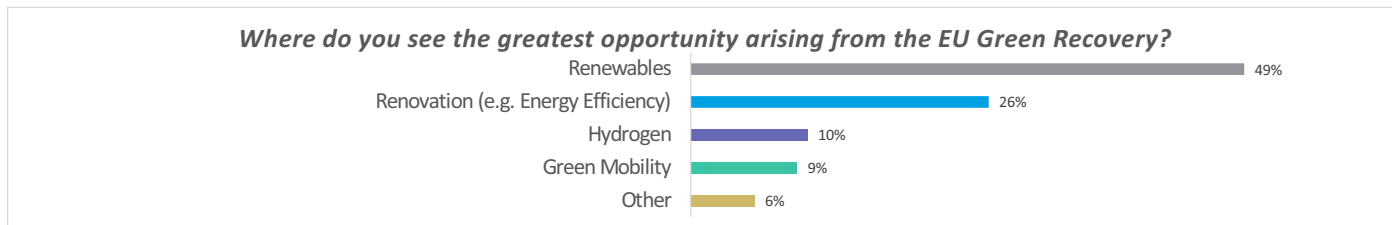
Source: Morgan Stanley Research

**Exhibit 10:** Climate and Carbon has been the main topic driving interest in ESG/ SRI this year



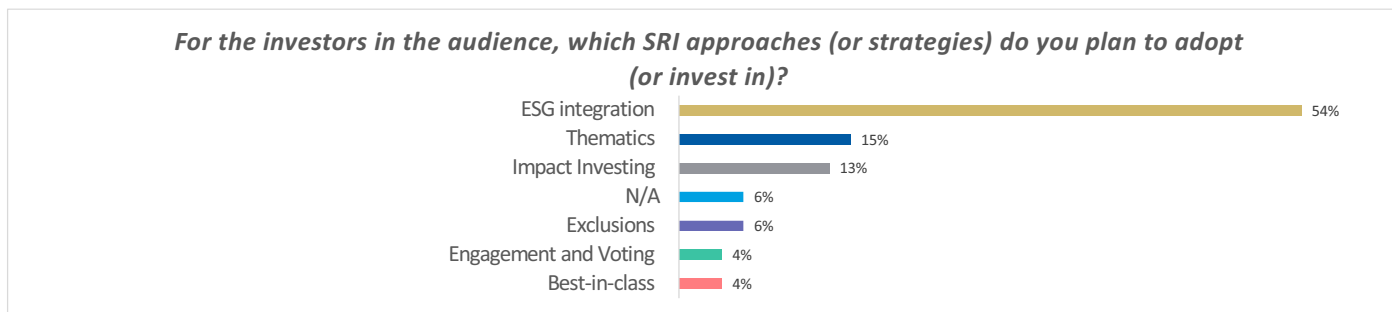
Source: Morgan Stanley Research

**Exhibit 11:** Across the EU Green Recovery theme, renewables is viewed as offering the greatest opportunity followed by renovation



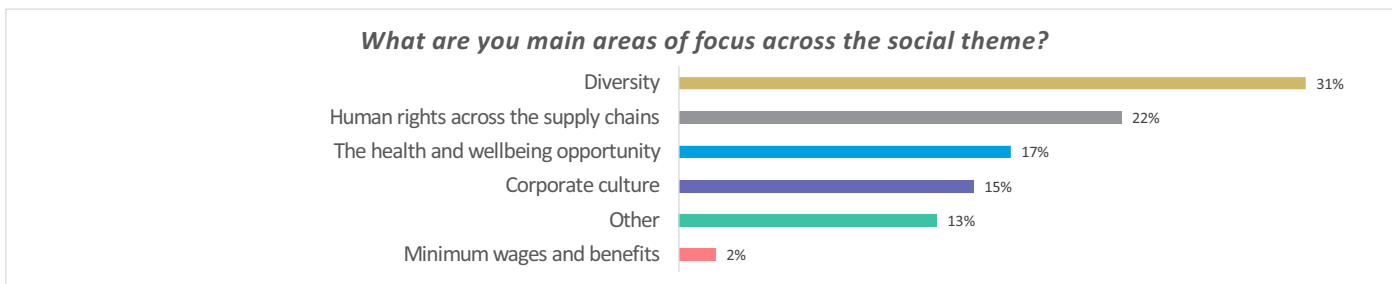
Source: Morgan Stanley Research

**Exhibit 12:** ESG Integration is the most popular investment style followed by Thematics and Impact



Source: Morgan Stanley Research

**Exhibit 13:** Almost a third of respondents are most focused on diversity within the social theme with human rights across supply chains the second most popular answer

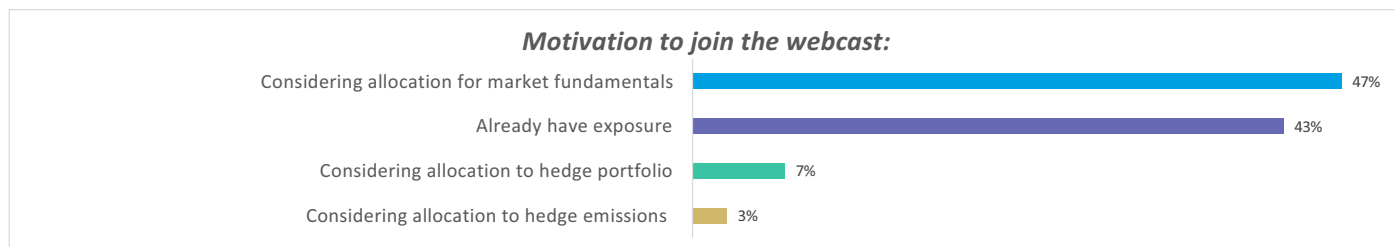


Source: Morgan Stanley Research

# Carbon: Insight & Implementation Webcast

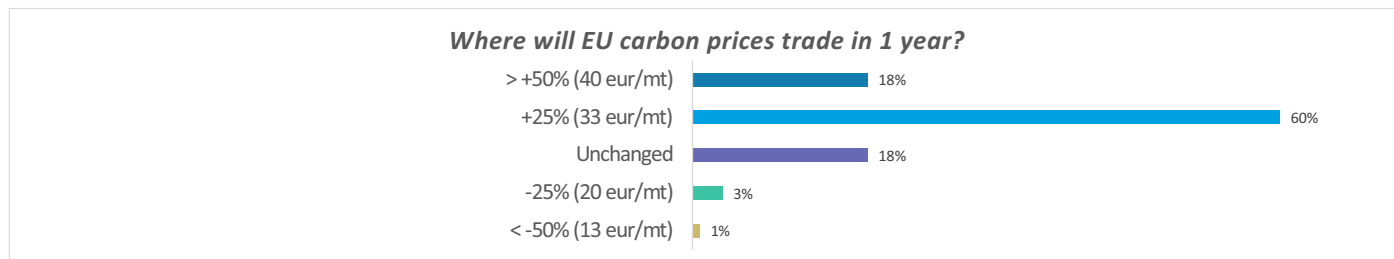
On Tuesday 6th October, we hosted a cross-divisional webcast on Carbon to discuss MS' latest EUA forecasts and the implications for investment portfolios. Access the replay link [here](#). The aggregated answers from six questions asked to ~280 participants are below and here is a link to the latest report from Rob Pulleyn, MS carbon strategist: [Utilities: EU's Carbon Drive and the Forgotten Commodity Angle \(22 Sep 2020\)](#)

**Exhibit 14:** 57% joined the webcast because they were considering making an allocation either because of EUA market fundamentals or for hedging purposes



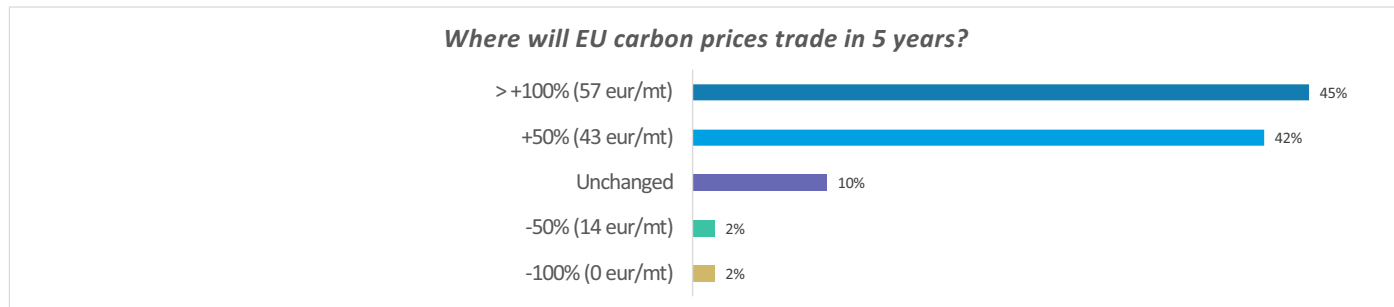
Source: Morgan Stanley Research

**Exhibit 15:** 78% of investors expect EU carbon prices to increase over the next year



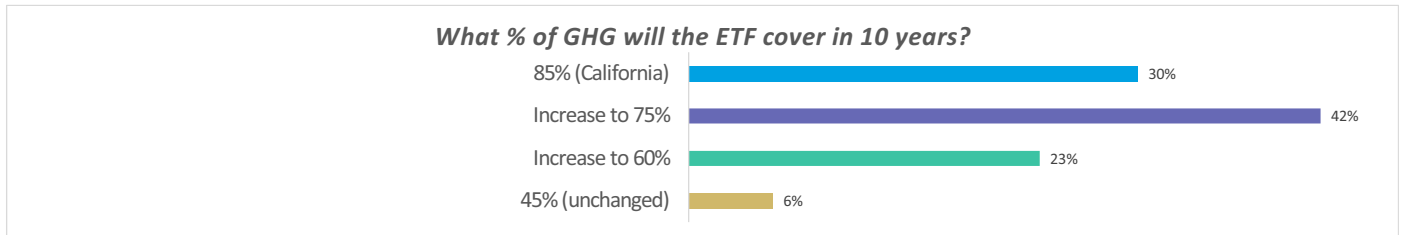
Source: Morgan Stanley Research

**Exhibit 16:** 87% expect the carbon price to be above €43/t in the next five years



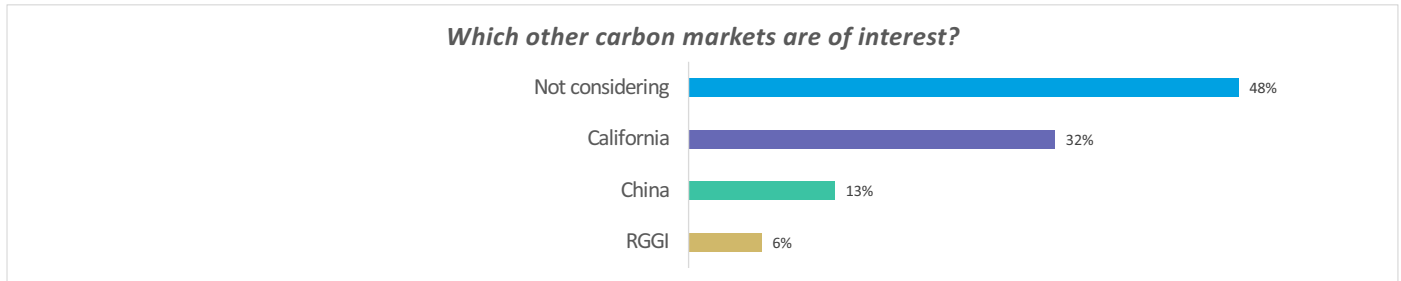
Source: Morgan Stanley Research

**Exhibit 17:** Most investors expect the ETS to cover more emissions by 2030 - but there is no consensus on by how much the scheme will expand



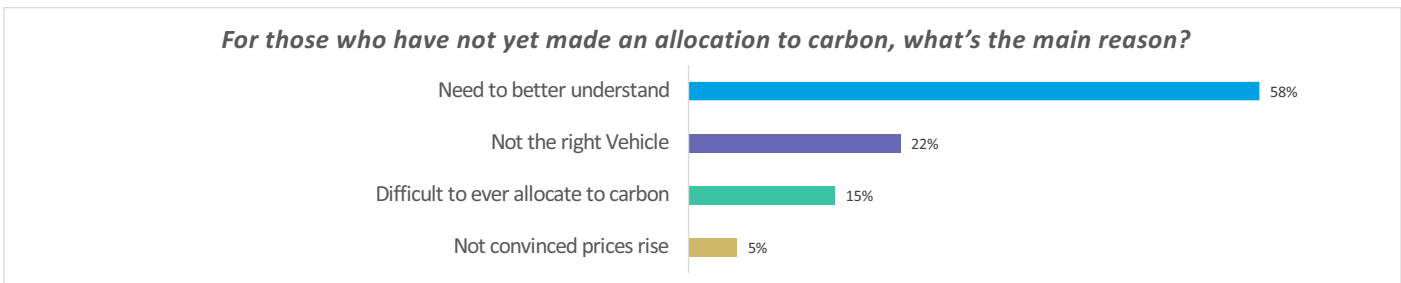
Source: Morgan Stanley Research

**Exhibit 18:** Europe's carbon market is the key area of focus but 32% are looking at California and 13% are considering China



Source: Morgan Stanley Research

**Exhibit 19:** A lack of understanding is the greatest barrier to participation in the carbon market



Source: Morgan Stanley Research

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
<b>Overweight/Buy</b>	<b>1326</b>	<b>40%</b>	<b>360</b>	<b>46%</b>	<b>27%</b>	<b>590</b>	<b>39%</b>
<b>Equal-weight/Hold</b>	<b>1444</b>	<b>43%</b>	<b>341</b>	<b>43%</b>	<b>24%</b>	<b>676</b>	<b>45%</b>
<b>Not-Rated/Hold</b>	<b>4</b>	<b>0%</b>	<b>1</b>	<b>0%</b>	<b>25%</b>	<b>3</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>557</b>	<b>17%</b>	<b>85</b>	<b>11%</b>	<b>15%</b>	<b>226</b>	<b>15%</b>
<b>TOTAL</b>	<b>3,331</b>		<b>787</b>			<b>1495</b>	

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