

Impact journey

02



BNP PARIBAS
WEALTH MANAGEMENT

In association with



Contents

- p.2 Welcome to the 2021 Global Entrepreneur and Family Report by BNP Paribas Wealth Management: Part II
 - p.3 Contributors
 - p.4 Word from the editor
 - p.5 Research methodology and sampling
 - p.6 Key findings
-

p.9

SECTION 1

Pre-pandemic and Covid-era attitudes towards sustainable investing

- p.10 Importance of United Nations Sustainable Development Goals across the world
- p.12 Global changes in sustainable investment
- p.18 ESG investments take off, following a strong year of growth
- p.22 Achieving impact: expectations are advancing

p.31

SECTION 2

New impact priorities to tap into growth

- p.32 Seismic shift in impact expectations
 - p.36 Snapshot: Themes from United Nations Sustainable Development Goals
 - p.42 The 'Green New Deal' and bold moves to change behaviours
 - p.51 In conclusion
-
- p.52 About us

Welcome

to the 2021 Global Entrepreneur and Family Report by BNP Paribas Wealth Management



Vincent Lecomte

Elite entrepreneurs and leading families influence the world's economies, both through their personal investments and through their businesses. They are a powerful driver for economic growth. In this seventh edition, we explored their investment decisions and how they have pursued their goals over the last year when we all experienced firsthand strong market turbulence, continued low interest rates, and the social and economic impact of the unprecedented global health crisis. In Part 2 of this year's report, we assess how entrepreneurs and multi-generation families' views on sustainable investment opportunities are shifting. Indeed, since BNP Paribas Wealth Management launched its Global Entrepreneur & Family Report in 2015, we have touched upon the 'sustainability' theme every year, encouraging clients to share their journeys towards impact. This year sustainability is a highlight of our report.

What have we learned from successful entrepreneurs and leading families?

We see a clear acceleration for sustainable investments in their portfolio with 58% reporting having sustainable investments, jumping up from 47% in 2019! Furthermore, approximately half of entrepreneurs express their need for advice from their wealth managers. With the support of our experts, our clients are able to align their investment choices with their values. This is a strong evidence for being optimistic. And I hear this myself when I speak to our entrepreneurial and family clients.

Why do entrepreneurs and families trust us for their impact journey?

Clients count on us to accompany them in having a positive impact. And they are looking to do so, both through their businesses and through their investments. When we combine our individual and collective expertise with our clients' wish for impact, we will build a better future for all of us.

But beyond our expertise in impact solutions, our clients benefit from our best-in-class offering: personalized wealth planning, credit and private equity. But we don't stop there. We open the doors to the expertise of the entire BNP Paribas Group to accompany them in their ambitions, from our corporate and institutional banking, asset management or real estate businesses.

We accompany some of the world's most demanding entrepreneurs and leading families. As a responsible wealth manager serving a sustainable economy, our objective has always been to improve our own understanding of how to support entrepreneurs and families, both personally and professionally.

This is the purpose of the report.

Vincent Lecomte

CEO BNP Paribas Wealth Management

Contributors



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Global Head of Entrepreneurs
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Caroline Burkart

Head of UK/Europe Client Insight,
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Word from the editor

Welcome to the **2021 Global Entrepreneur & Family Report** from BNP Paribas Wealth Management. This is the seventh iteration of the flagship research study conducted by Aon on behalf of BNP Paribas Wealth Management, through which we have explored the attitudes, behaviours and investment choices of nearly 16,000 high net worth and ultra-high net worth entrepreneurs across the world. Since 2015, one of the bank's missions – in collaboration with the world's most successful entrepreneurs – has focussed on assessing the unique contribution of entrepreneurship to the real economy.

While entrepreneurship remains a consistent thread across all years of the study, we have made some changes in 2021 to reflect the updated strategy of the bank. For the first time, we have expanded the scope of our target audience to include multi-generation families, addressing the critical importance of family businesses to the world's economies.

This year, we gathered feedback from 920 respondents across 19 countries, spanning the Americas, Europe, the Gulf Cooperation Council and Asia. Average investable wealth was USD17.2 million.

After a year that will never be forgotten, it will come as no surprise that the theme of our research is navigating the COVID-era market environment. As our survey was conducted in the first quarter of 2021, it provides a timely snapshot. Respondents are reflecting on how their attitudes to asset classes like stocks, private equity, real estate and cash were impacted by persistent uncertainty since the onset of the pandemic in March 2020.

Most held their nerve and, in some cases, responded to financial market volatility by increasing exposure to certain asset classes. Many are even more

open-minded now on how different instruments, including credit, could be used to enhance their portfolio and business performance.

Crucially, we are able to preview their future investment strategies, which are under consideration as vaccine rollouts pick up pace unevenly across the world. Respondents tell us that they want to learn how to respond to the low interest rate environment, how to integrate smart technologies in their business and what the discussion of the 'Green New Deal' in Europe and the US means for them. Other aspects of the bank's 2021 Investment Themes are resonating strongly in specific countries, including how to respond to economic developments in China and the opportunity of changing post-pandemic consumption habits.

To bring it all to life, and consistent with previous years, we continue to visualise selections of our survey data and highlight the most interesting insights, including trends by demographic profile. Our data is contextualised by expert commentary from across BNP Paribas – from wealth management to the corporate and institutional bank, asset management and real estate – enriching the conversation with clients.

We hope you enjoy the 2021 Global Entrepreneur & Family Report mini-series. As ever, we would like to thank this year's participants for their contributions.



Caroline Burkart

Head of UK/Europe Client Insight,
AON Client Insight

Research methodology & sampling

The research programme was undertaken by Aon's Client Insight team between January and February 2021. The audience of participants was high net worth and ultra-high net worth entrepreneurs and multi-generation families.

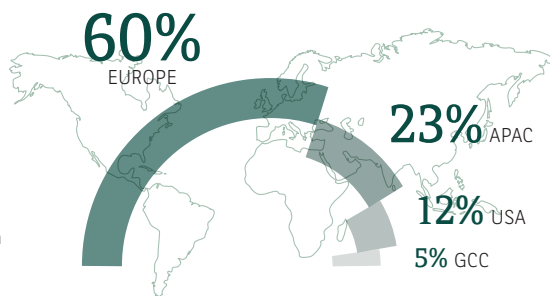
The research methodology involved a mixed online and telephone survey programme with 920 participants spanning 19 countries. In addition, Aon's Client Insight team conducted interviews with experts across the bank in Europe, the United States, the Gulf Cooperation Council and Asia.

TOTAL SAMPLE

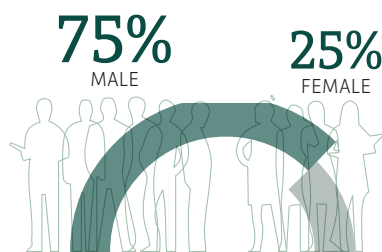
920

Countries covered:
Belgium, Brazil, China, France, Germany, Gulf Cooperation Council, Hong Kong, Indonesia, Italy, Luxembourg, Netherlands, Poland, Singapore, Spain, Switzerland, Taiwan, Turkey, United Kingdom and United States

REGIONS



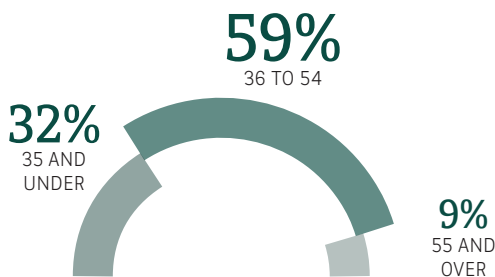
GENDER



AGE

Throughout this report, we use the following definitions:

- **'Millennipreneur':** Entrepreneur aged 35 or younger.
- **'Boomerpreneur':** Entrepreneur aged 55 or older.
- **'Ultrapreneur':** Entrepreneur with investable assets valued at USD25 million or more.



USD17.2 M
AVERAGE INVESTABLE ASSETS

50%
FIRST-GENERATION
ENTREPRENEURS

50%
MULTI-GENERATION
FAMILIES

The proportion of entrepreneurs with sustainable investments in their portfolio is on the rise

Nearly three in five (58%) report having some sustainable investments in their portfolios – up from 47% in 2019. As a result of the COVID-19 crisis, 63% are now also more willing to consider sustainable investments; this includes growing numbers of both Baby Boomerpreneurs (46%) and Millennialpreneurs (75%).

59% of those who currently have no ESG exposure are now more open to sustainable investments. Globally, European (67%) and US (69%) respondents have become more accepting of sustainability-related investment ideas.



49% of entrepreneurs now expect advice on sustainable investment portfolios from their wealth managers

This expectation is even higher in the US (60%) and Switzerland (64%). Some also expect their wealth managers to provide a suitable rating system to make their selections, especially in Indonesia (64%) and the UK (58%).

Millennialpreneurs and female investors are mostly self-reliant when it comes to sustainable investment research, while Boomerpreneurs tend to complement that research with recommendations from their wealth advisors.

On reporting, 36% prefer their investment performance to be tracked relative to their sustainable investment goals – rising to 42% in Europe

Boomerpreneurs are approximately three times more likely to prefer the impact of their portfolios to be measured against a sustainable index benchmark than Millennialpreneurs (18% vs. 5%). One in four Millennialpreneurs is intrigued to see impact measured against a general market benchmark.

In Hong Kong (33%), France (30%), Brazil (28%) and the US (26%), there is some interest in a global ESG score for sustainable investment portfolios.





43%
entrepreneurs
believe there is a need to compromise returns in the short-term when investing sustainably – far fewer than before the crisis

Before the pandemic, 71% held this assumption. In Europe, the perception is moving towards not needing to compromise on returns.

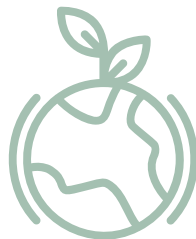
Globally, 10% believe financial returns can be higher by focussing on positive impact in the short-term – rising to 22% in the long-term, another uptick when compared with pre-pandemic views. Post-crisis, the long-term potential of sustainable investing is cutting through strongly in Asia, with 30% now anticipating higher returns than those generated by mainstream investments.

A greater sense of environmental responsibility

is accelerating interest in sustainable investments; so is their resilience during the crisis

Although climate action remains one of the top United Nations Sustainable Development Goals (UN SDGs), it has been supplanted since the COVID-19 crisis by other goals, including health and wellbeing, and alleviating poverty and inequality. Promoting good health and wellbeing ranks consistently among the top three UN SDGs in the GCC (38%), Asia (32%) and Europe (28%).

The resilience of sustainable investments has drawn particular interest from entrepreneurs in the US and Asia; while in Europe, they are associated with fast-growing sectors and companies.



Clean energy

is ranked globally as the most important aspect of 'Green New Deals'

Investment opportunities into clean energy are of interest to more than half of entrepreneurs in the US, China, Singapore, and some European markets like Italy, Poland, Spain and France. Sustainable agriculture, safeguarding biodiversity and the circular economy are other major points of interest.

Entrepreneurs are changing their choices and behaviours to be more conscious of the social and environmental challenges that have been highlighted by the pandemic – with more recycling and reducing food waste the primary adjustments globally.





SECTION 1

Pre-pandemic and Covid-era attitudes towards sustainable investing

Importance of United Nations Sustainable

1 No Poverty



Singapore	50%
China	45%
Hong Kong	43%

2 Zero Hunger



Singapore	48%
Hong Kong	38%
Belgium	34%

3 Good Health and Well-Being



Hong Kong	40%
Gulf Cooperation Council	38%
Turkey	36%

7 Affordable and Clean Energy



Indonesia	42%
Italy	42%
Brazil	40%

8 Decent Work and Economic Growth



Luxembourg	40%
Brazil	36%
Indonesia	36%

9 Industry, Innovation and Infrastructure



Luxembourg	36%
Turkey	36%
Poland	32%

13 Climate Action



Brazil	36%
Spain	34%
Italy	34%

14 Life Below Water



Luxembourg	36%
Italy	32%
Switzerland	24%

15 Life on Land



Italy	28%
Poland	28%
Switzerland	27%

Development Goals across the world

4 Quality Education



Brazil	44%
Singapore	40%
France	30%

5 Gender Equality



Hong Kong	43%
Singapore	38%
China	38%

6 Clean Water and Sanitation



Singapore	40%
China	38%
Gulf Cooperation Council	36%

10 Reduce Inequality



Poland	52%
Brazil	48%
China	40%

11 Sustainable Cities and Communities



Indonesia	40%
Switzerland	29%
USA	29%

12 Responsible Consumption and Production



Switzerland	33%
Taiwan	33%
Poland	28%

16 Peace and Justice Strong Institutions



Luxembourg	36%
Taiwan	29%
Switzerland	27%

17 Partnerships to achieve the Goal



Taiwan	40%
Netherlands	36%
Luxembourg	28%

Global changes in sustainable investment

Conscious capitalism, sustainability and purpose-driven investing are areas that have steadily risen up the entrepreneurial agenda over the years. Indeed, since BNP Paribas Wealth Management launched its Global Entrepreneur & Family Report in 2015, the ‘sustainability’ theme has featured in some capacity every year, encouraging more and more business owners to share their journeys towards impact.

In today’s COVID-era environment, the attention given to the topic has grown exponentially among Elite Entrepreneurs and multi-generation families alike. Attitudes and expectations around sustainable investment continue to evolve, presenting new opportunities.

Today, nearly three in five (58%) entrepreneurs say they hold some sustainable investments in their portfolios – a clear increase from 2019, when just under a half had exposure (47%).

Attitudes towards these investments continue to converge, as ESG (Environmental, Social, Governance) considerations become more widespread and even mainstream. For example, **male entrepreneurs are now more likely to have exposure than pre-pandemic, with take-up rising from 46% in 2019 to 60% in 2021.**

In 2019, a lack of understanding and the perceived complexity of sustainable investment products were some of the major barriers dampening take up, particularly among female entrepreneurs and those in Asia. At the same time, the greatest interest in learning




about these products was also visible among entrepreneurs in Asia (43%), as well as Boomerpreneurs (49%) who are 55 years or older; and Ultrapreneurs (46%), with investable wealth in excess of USD25 million.

Similar trends of growing awareness and consideration are reflected in the 2021 data, giving a COVID-era view of attitudes. As entrepreneurs' interest in impact and purpose grows, so do their needs and the sophistication of their questions. Since the pandemic started in March 2020, Boomerpreneurs and Ultrapreneurs have accelerated their adoption. **Boomerpreneurs are twice as likely now to have exposure to sustainable investments, rising from 34% in 2019 to 67% this year; and a similar pattern is seen among Ultrapreneurs, rising from 39% in 2019 to 69%.**

Adoption of ESG products varies globally, with interesting regional nuances. **Asia emerges as the standout story where the take-up of sustainable investments has jumped from 39% in 2019 to 69% 2021.** In particular, entrepreneurs in Hong Kong (80%), Indonesia (76%), China (73%) and Singapore (73%) are most likely to have embraced these investments, while those in Taiwan (47%) are least likely [Figure 1].

Garth Bregman, Head of Investment Services Asia Pacific at BNP Paribas Wealth Management, commented:

 **We see many Asian entrepreneurs being increasingly open to sustainable investing and integrating sustainability into their investment decisions. We help them understand the ever developing opportunities in sustainable investing, as well as how to align their portfolios with the SDGs that matter most to them. We can do this as ESG is integrated into all of our investment solutions, with us applying a robust and transparent ESG rating methodology across asset classes."**

Entrepreneurial exposure to sustainable investing is growing



[FIGURE 1]
2019: Which of the following best describes your current approach to sustainable and investments? ('I already have these investments')
2021: Does your investment portfolio currently have any exposure to ESG or any sustainable investments? (Yes)

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

In Europe and the US, enthusiasm continues to shift higher. Entrepreneurs in Switzerland are least likely to have exposure (42%), in contrast to the UK (68%) and Belgium (66%). Among GCC's entrepreneurs, 60% of entrepreneurs have exposure – down from 73% in 2019.

The willingness and openness to consider sustainable investments is also on the rise. The pandemic triggered long periods of introspection for many, with entrepreneurs and multi-generation families taking the time to reconsider not only their personal and business choices, but also their impact on the environment and wider society.

Stephane Vermeire, who is Head of BNP Paribas Fortis Private Banking in Belgium, believes this reflection on impact was partly triggered by what entrepreneurs experienced when running their own businesses during the crisis:



When we talk to entrepreneurs about business, they may not be 100% convinced at the speed with which everything is changing – but, in a way, sustainability is an existential question for them.

“Existential, because if they don’t adapt, they will not be able to remain competitive and in business for the longer term. For example, to recruit the best talent, you have to demonstrate your commitment to these topics. Shareholders too may request that the company take a more sustainable approach. And banks may be less willing to (re)finance operations unless the business has a compelling ESG slant to it, so entrepreneurs know they have to adapt and anticipate these requirements.”

Our research finds that 63% of entrepreneurs are now more willing to consider sustainable investments than they were a year ago. Of those who currently have no exposure to sustainable investments, nearly three in five (59%) are more open to these ideas.

Openness to consider sustainable investments dips with age – from 75% among Millennials to 46% among Boomerpreneurs. But contrary to the typical generational stereotypes, Boomerpreneurs are

not against sustainable investing; 44% say they are merely keeping their attitudes unchanged relative to last year.

Globally, more than two-thirds of entrepreneurs in Europe (67%) and US (69%) have become more receptive to sustainability as an investment idea. Higher interest can be found in European countries like the UK (90%), Netherlands (88%), Switzerland (80%) and Spain (72%). Others, however, such as entrepreneurs in Luxembourg (36%) are on balance less convinced.

Among those in Asia, entrepreneurs in Indonesia (80%) show greatest openness to sustainable investments; while those in China (58%), Hong Kong (53%) and Taiwan (47%) tend to say their views and attitudes have remained consistent over the last 12 months.



ESG investments take off, following a strong year of growth

A growing sense of environmental and social responsibility is accelerating interest in sustainable investing. Purpose-led businesses, for example, are perceived to be more resilient by some entrepreneurs, who feel confident having seen this assumption thoroughly tested during recent spikes of volatility.



The **resilience element of sustainable investments is especially attractive** to entrepreneurs in Singapore (40%), the US (33%) and some European markets like France (35%) and Belgium (34%) [Figure 2].

In Europe, there is a classic investment lens at play. Entrepreneurs in this region associate sustainable investments with fast-growing sectors and companies – particularly in Spain (36%) and in the UK (36%).

While in the GCC, nearly 38% of entrepreneurs believe **international coordination in this area is the most attractive factor driving the creation of new opportunities**. This sentiment is also frequently referenced by entrepreneurs in Switzerland (42%), Poland (36%) and Belgium (34%).

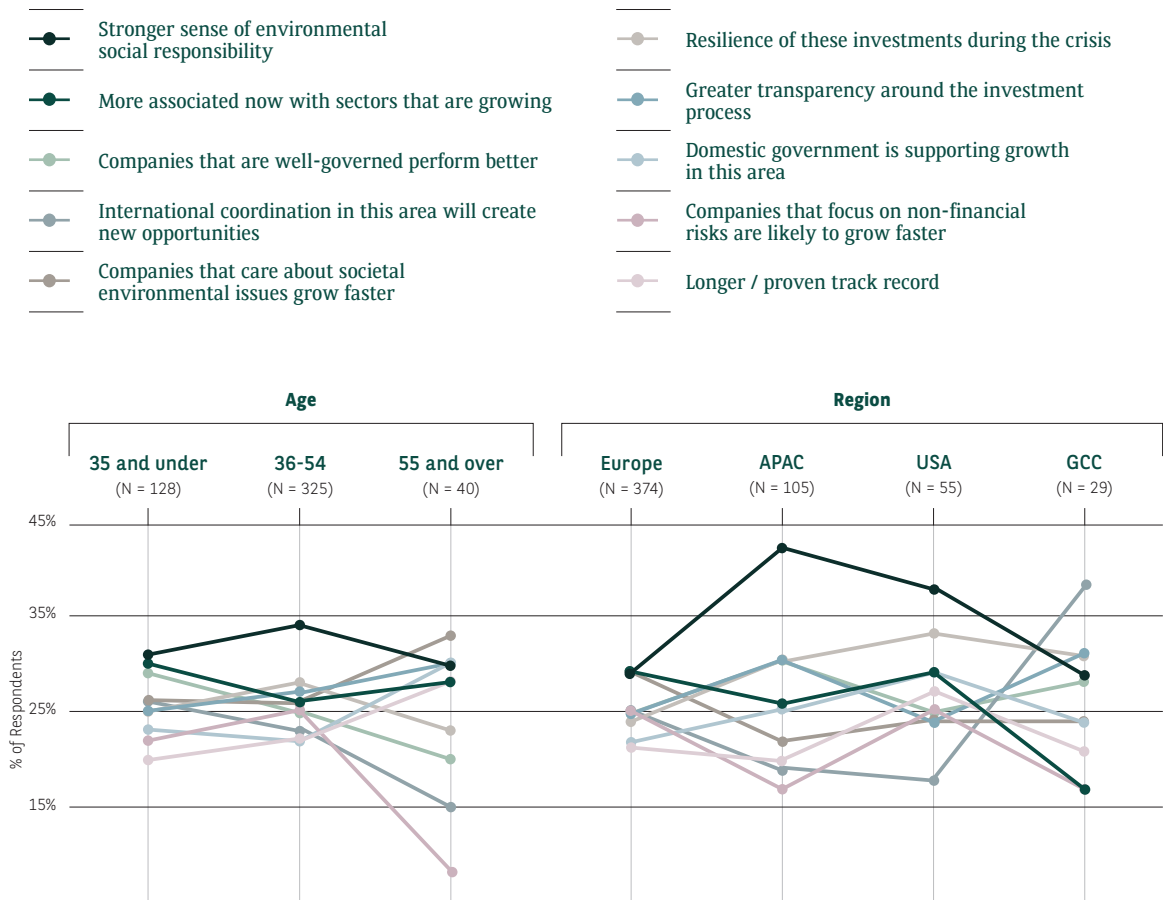
Over the last decade, **Ms Ambachtsheer**, Global Head of Sustainability at BNP Paribas Asset Management, has witnessed first-hand the evolution in how these investments are perceived:

“ Sustainability used to be a niche and subjective issue, where an investor’s non-financial beliefs created financial constraints on their investment policy statement. This policy was often driven by ethical beliefs, with investors reducing exposure to sectors or practices they considered to be harmful to society.

“With time, we moved to a risk-based approach around Environmental, Social and Governance factors, with a focus on how these factors can materially impact the value of an investment. At this point, externalities moved from being considered as extra financial factors to being integrated as key elements of risk management. It became an approach based on financial fundamentals.”

Interesting generational differences are visible between older and younger cohorts of entrepreneurs. For example, **Millennipreneurs (22%) are nearly three times more likely than Boomerpreneurs (8%) to believe that companies that focus on non-financial risks are likely to grow faster**. Boomerpreneurs (30%), on the other hand, are more likely to be influenced by news of fiscal stimulus and other forms of domestic government support in this area, indicating sustainability is an important part of the policy agenda.

Stronger sense of environmental and social responsibility resonated during the crisis



[FIGURE 2] You mentioned earlier that you are more interested in sustainable investing than you were before the COVID-19 crisis. Which of the following factors make these investments more attractive now?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

Achieving impact: expectations are advancing

Tracking, measuring and reporting on sustainable investments have, for some time, been a complex and nuanced undertaking. Although consensus around definitions and standards is converging, it remains challenging for some to ascertain the positive impact of their overall investment portfolio.

This is where a private banker or wealth manager is called upon – to provide deeper insight, specialist knowledge and advice.

For example, last year, beyond financial returns, entrepreneurs measured impact by looking primarily at two factors – either how effectively their investments were reducing negative externalities or how successfully they were elevating positive impact. Female entrepreneurs viewed performance in broader terms than their male counterparts, assessing metrics like the reduction in the carbon footprint, decline in unemployment or increase in the supply of microfinance loans.

Since the crisis, entrepreneurs' expectations of wealth firms have accelerated. Many now expect their wealth managers to manage the responsible investment decision-making process through a hybrid and multi-layered approach.



This includes providing **advice around suitable investments; developing or using a special rating system; integrating ESG criteria into all investment processes for clients; and using influence through voting and engagement** to encourage best practice in the companies or funds invested in.

Globally, approximately half (49%) of entrepreneurs now expect advice on the sustainable investment portfolios available to them from their wealth managers. This rises to around three in five in the US (60%), Indonesia (64%) and Switzerland (64%) [Figure 3].

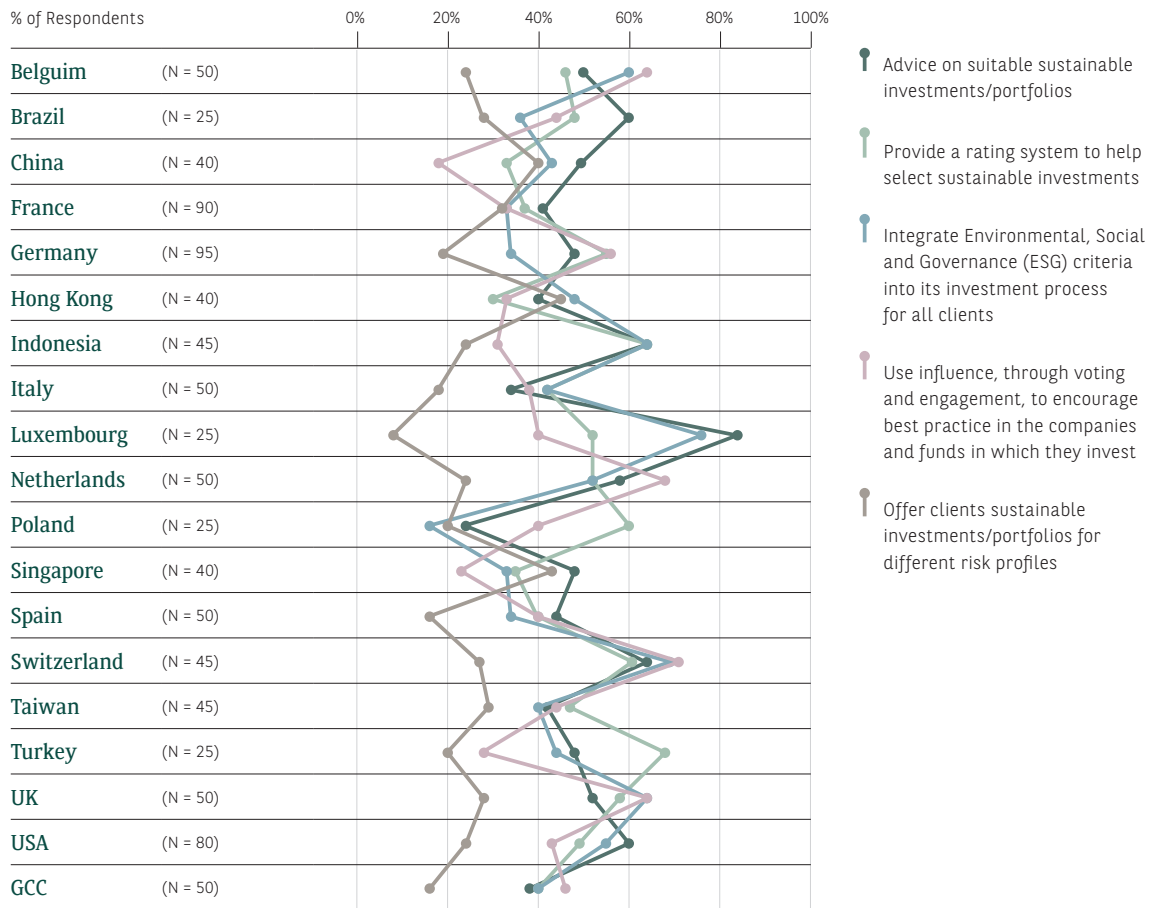
Nearly one in two (47%) say they would like to see a rating system to help make sustainable investment selections. These features resonate most powerfully in Indonesia (64%), the UK (58%) and Germany (55%).

In Europe, entrepreneurs increasingly expect their wealth advisors to exert influence through voting, with one in two identifying this as their preferred way of encouraging best practice and aligning values. Expectations of board-level engagement are advancing strongly in the dominant European financial centres of Switzerland (71%), the Netherlands (68%), Belgium (64%), the UK (64%) and Germany (56%).

Younger entrepreneurs particularly expect their wealth managers to take tangible action. For example, more than half of Millennials believe ESG criteria should be integrated into their investment decision-making process (55%); 46% also want their banks to leverage their influence to impact boardroom voting.

Entrepreneurs

expect advice on sustainable investment portfolios



[FIGURE 3] Which of the following best aligns with how you expect the investment process to be managed by wealth managers?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

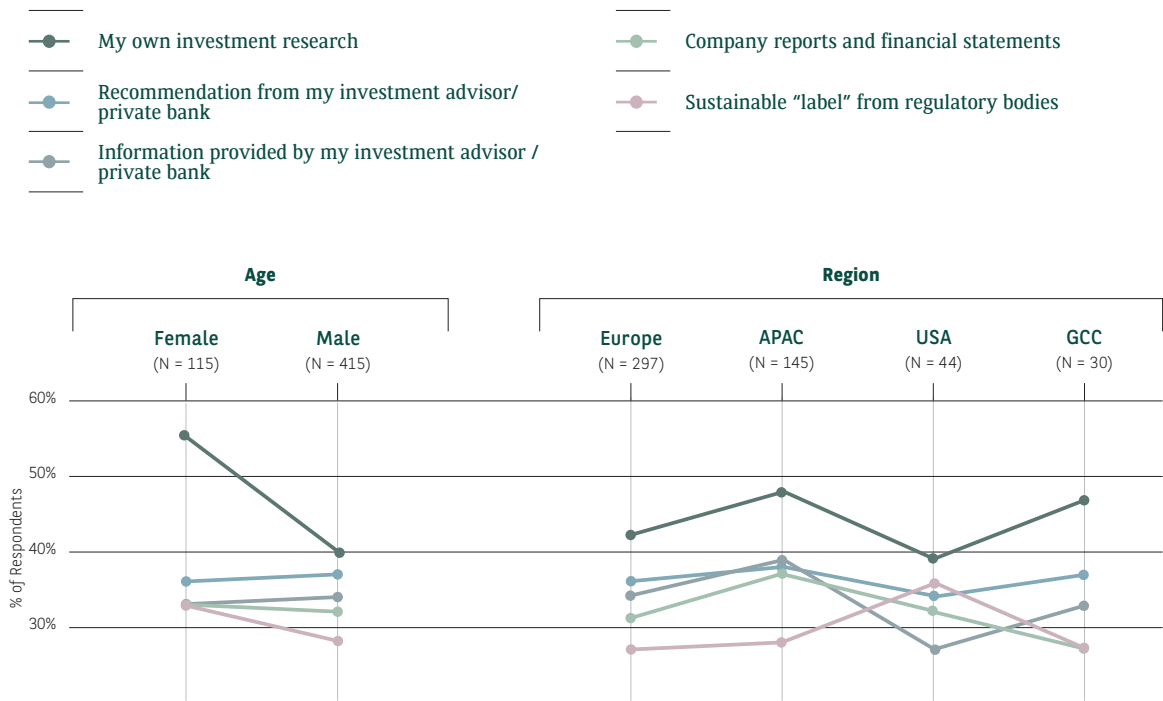
Boomerpreneurs, on the other hand, prefer to seek guidance when it comes to investment management, with 51% saying they want high-quality advice around suitable sustainable opportunities. Approximately a third of Boomerpreneurs (32%) and Ultrapreneurs (34%) indicate that they expect their wealth managers to **offer sustainable investments or portfolios that are suitable for different risk profiles**. Having a selection of risk-rated portfolios appeals strongly to APAC entrepreneurs in Hong Kong (45%), Singapore (43%) and China (40%).

When considering sustainable investments, entrepreneurs pay attention to a range of sources and evidence points. Entrepreneurs are curious by nature, so the education process tends to be a **combination of their own investment research, coupled with specialist advice and recommendations**.

Many will source ideas from their personal networks or collaborate with other business leaders that are at the forefront of innovation, so that their **learning about sustainability is organic**. The self-reliance for research comes out particularly strongly among female entrepreneurs (55%) *[Figure 4]*.

A range of proof-points

reassures that an investment is genuinely sustainable



[FIGURE 4] You mentioned that you have some exposure to ESG or sustainable investments. What evidence do you pay most attention to when deciding whether or not an investment is sustainable?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

Mr Vermeire has similar conversations with entrepreneurs, but from the perspective of their business:

“Increasingly, on the business side, entrepreneurs talk about the pandemic and how the impact of its aftermath is going to affect not only their business(es) but also the wider industry or industries they are in. The issue is high on their agenda and one of the first elements of discussion when we meet. They ask questions like: How will the pandemic and the theme of sustainability impact me and my business? How can you help me, either by (re)financing or advising around these issues?”

With concerns around greenwashing, there are important signal-points that reassure that an investment is genuinely sustainable. Female entrepreneurs are more likely to rely on **sustainable labels from regulatory bodies** when assessing potential investments, while their male counterparts show interest in **specialist blogs and digital media** (20%), as well as recommendations from personal connections (22%).

Millennipreneurs are approximately twice as likely to look at specialist online content (20% vs. 12%) and traditional media (19% vs. 7%) than Boomerpreneurs. Specialist online publications are also popular among entrepreneurs in Luxembourg (36%) and the Netherlands (39%).

Company business models and mission statements are highlighted as priority areas that provide proof of credibility to Ultrapreneurs (36%), as well as those in Brazil (50%), Singapore (45%) and China (41%).

When asked which reporting benchmarks would most clearly demonstrate the impact of their investments, over a third (36%) of entrepreneurs globally point to tracking their investments **against their sustainable investment goals**.

In Europe, this desire to measure impact against investors' own sustainable investment goals rises to 42%. Over half of business owners in the Netherlands (60%), the UK (56%), Turkey (52%) and Switzerland (51%) list this as their preferred approach to reporting.

In other countries, such as Hong Kong (33%) and France (30%) there is some **interest in receiving a global ESG score for investment portfolios**.

Measuring performance against a general market benchmark could also be a useful lens and popular with some Millennialpreneurs (25%). In contrast, Boomerpreneurs are nearly four times more likely to seek a **comparison against a sustainable index benchmark** (18%) than Millennialpreneurs (5%).

“In the short- to medium-term, it makes sense that a number of approaches will have to be adopted,” says **Ms Ambachtsheer**. “It is important to be comfortable with this and have realistic expectations. The key will be transparency. To deliver on this, it will be important to integrate credible data into the investment process, which includes research, selection, decision-making and monitoring.”





A person wearing a blue shirt is seen from the side, looking out over a vast field of tall, golden-brown grasses. The scene is captured during sunset or sunrise, with a warm, golden light illuminating the grass and the sky. The person's hand is visible near the top left, and their blue shirt is in the foreground, slightly out of focus. The background is a soft-focus field of grasses stretching towards the horizon under a clear, light sky.

SECTION 2

New impact priorities to tap into growth

Seismic shift in impact expectations

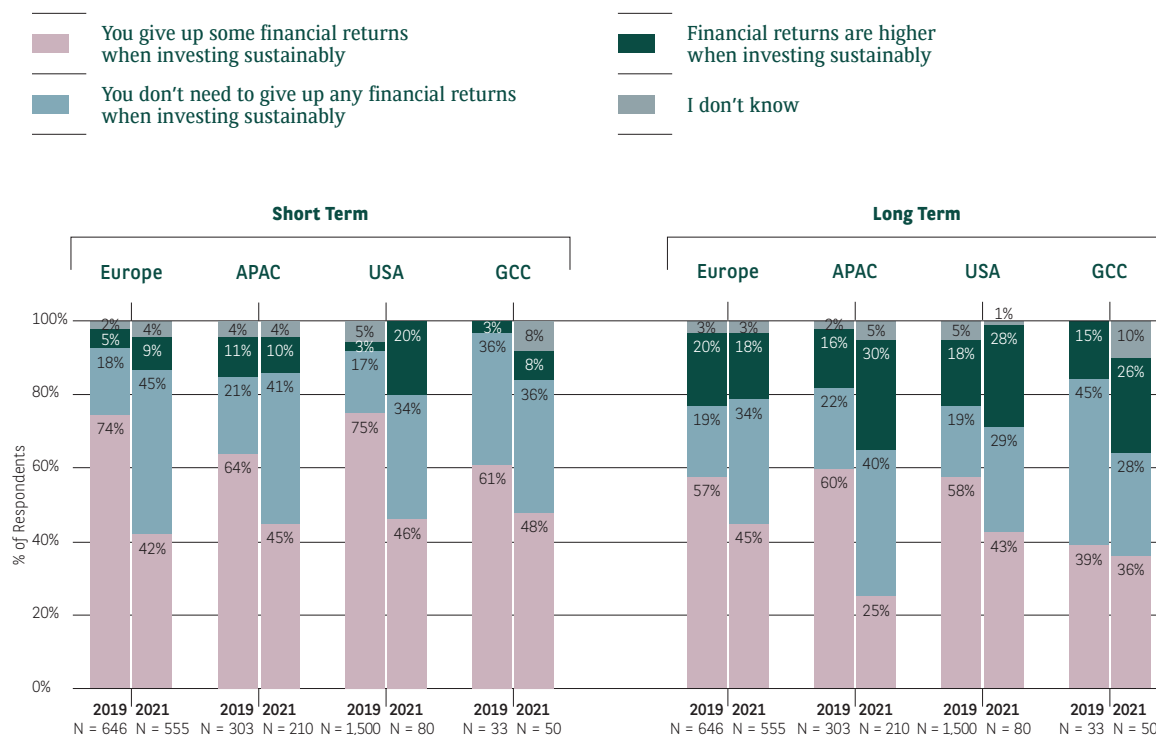
The perception that sustainable investing is a distracting alternative to philanthropy, rather than a distinct investment strategy, is increasingly outdated. During the COVID-era, investing to achieve positive impact has become far more mainstream.

Profitability is rarely the exclusive or primary goal of sustainable businesses, so performance does vary – especially in the shorter term, classified as under two years. The underlying philosophy of sustainable investing, however, is that for a business to be successful in the long run, it needs to be both profitable and sustainable. This thinking has now filtered through to an increasing number of entrepreneurs and families, who share this conviction.

Globally, **approximately two in five (43%) entrepreneurs still assume some returns may be compromised in the short-term** when investing sustainably. But this is far fewer than before the crisis, when 71% of entrepreneurs made this assumption *[Figure 5]*.

The greatest year-on-year uplift in perceptions is among Millennials, entrepreneurs in Europe and those with under USD10 million in assets – with approximately a third fewer now anticipating lower returns in the short-term than in 2019.

More entrepreneurs now believe that investing sustainably does not compromise financial performance




[FIGURE 5] On balance, which of the following statements best aligns with your perspective on SRI returns?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

The shift in perceptions means that the **proportion of entrepreneurs believing financial returns do not need to be compromised has more than doubled** since 2019, from 19% to 42% this year. The move is most noticeable among European entrepreneurs in Belgium (50%), France (54%), Germany (51%), Luxembourg (52%) and Poland (52%).

Entrepreneurs in the US are seven times more likely to agree that returns do not need to be compromised in the short-term when investing sustainably, from 3% in 2019 to 20% in 2021.

Olivier Van Belleghem is a Director at BNP Paribas Fortis Wealth Management, focusing on family businesses. He has seen a transformation in perceptions in this area:

 **We have seen a big shift in portfolio compositions and mindsets among large entrepreneurial families. The performance argument is an important one. For several years now, socially responsible investments have outperformed classic investments, which is something entrepreneurs realised during the crisis.”**

Globally, only 10% of business owners today believe financial returns can be improved by focusing on positive impact in the short-term. **In the long run, classified as 5 years or more, this view more than doubles to 22%.** Again, this is a notable improvement on pre-pandemic levels – when only 6% believed returns could be higher in the short-term and 19% over the long-term.


Since the COVID-19 crisis began, **the long-term potential of socially responsible investing is cutting through most strongly in Asia.** Today, 30% of entrepreneurs say they anticipate higher returns than a mainstream approach – nearly double the pre-pandemic figure (16%). This outlook is particularly prominent in Indonesia (60%) and Taiwan (36%).

As attitudes towards sustainable investing and the potential for financial returns change, so do entrepreneurs' overall views on achieving impact through their investments. For example, approximately **two in five (39%) globally would like their investments to create a positive impact for people and planet** – but only if it is consistent with maximising their financial returns and minimising risks. The proportions rise among entrepreneurs in the Netherlands (54%), Germany (48%), Poland (48%), Taiwan (47%) and GCC (52%).

A third globally have a similar objective but prioritise minimising risk before maximising returns. Entrepreneurs in the UK (62%), Switzerland (60%), Turkey (52%) and Italy (48%) in particular want their investment managers to **consider ESG factors as part of the investment decision in order to minimise risk** and maximise financial returns.

Surprisingly, Boomerpreneurs (37%) are twice as likely as Millennialpreneurs (18%) to say they are **open to adapting their risk and return profiles to achieve sustainable outcomes**. This outlook extends to Ultrapreneurs in China (43%), Hong Kong (35%) and Singapore (43%).

Garth Bregman added:

 **The investment landscape is changing – sustainability is becoming more mainstream in Asia. We see a growing appetite from leading entrepreneurs. It is important for BNP Paribas Wealth Management to accompany them on their impact journeys as they explore and invest in the transition to a low carbon economy.”**

SNAPSHOT

Themes from United Nations Sustainable Development Goals

The 'Green New Deal', exploration of Pigouvian taxes (ones applied to negative externalities, like the carbon tax) and rise in global multilateral events like the World Economic Forum's 'Great Reset' initiative or the UN's Climate Change Conference (COP26) are all adding urgency to the United Nations Sustainable Development Goals – and the limited progress made so far towards their achievement.

Entrepreneurs are joining global efforts by doubling down on impact by reviewing their business processes and re-positioning investment portfolios in parallel.




Given the rise of visible, well-known activists, it comes as little surprise that **climate action remains one of the top UN SDGs for entrepreneurs**. However, since the onset of the crisis, other goals have risen to the forefront. These include **health and wellbeing, and alleviating global poverty and inequality**.

In fact, **promoting good health and wellbeing ranks consistently among the top three UN SDGs in the GCC (38%), Asia (32%) and Europe (28%)** [Figure 6]. Its elevation to the top of their agenda could reflect the realisation that fragile health infrastructure can be hugely detrimental to economic recovery.

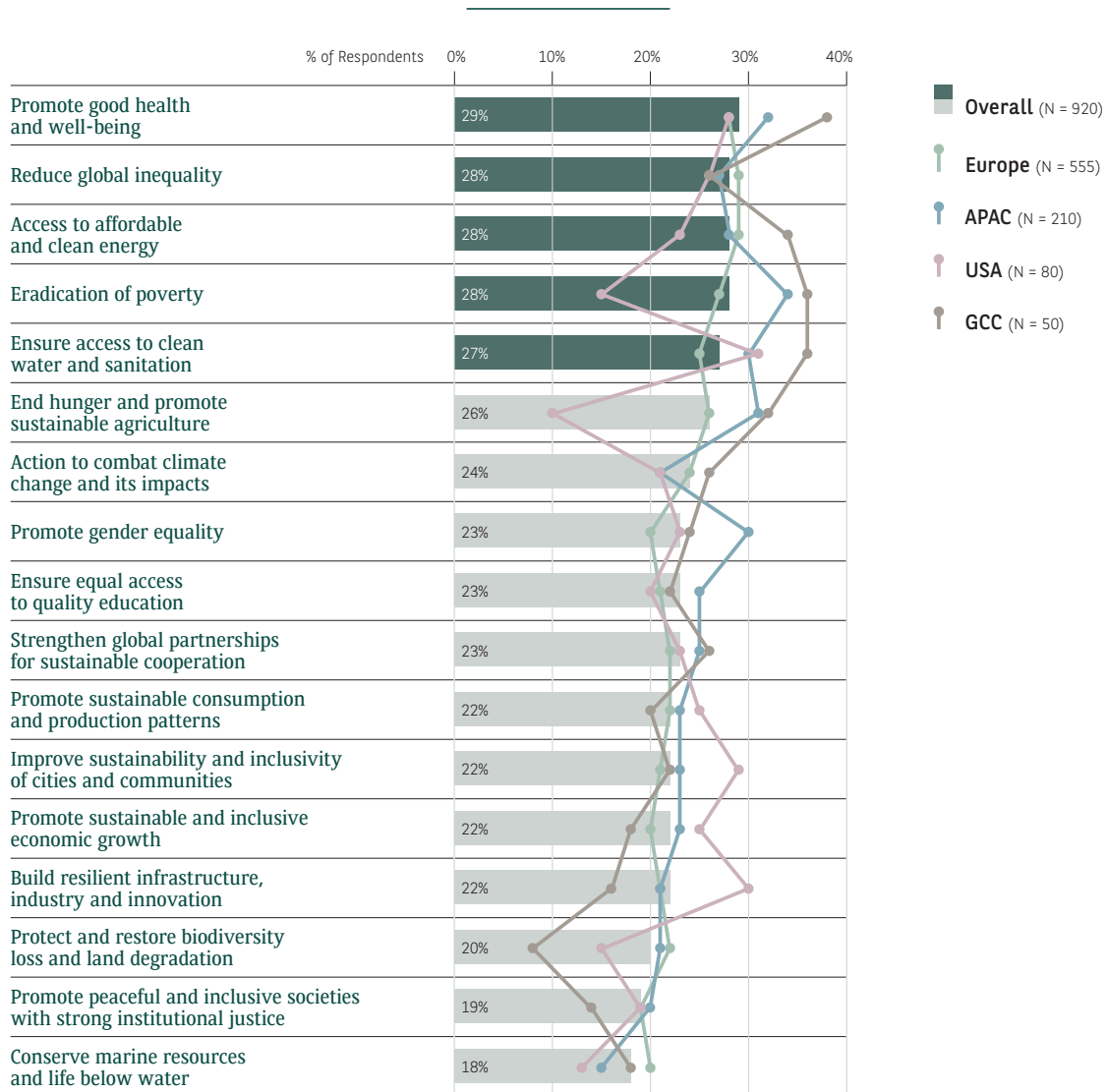
Boomerpreneurs single out UN SDGs like the eradication of poverty and ensuring equal access to a good quality education, while Millennialpreneurs' attention lie with building resilient infrastructure, industry and innovation.

In Europe, access to clean energy (29%) and reducing global inequality (29%) are cited as the most important goals to pursue. Clean energy is an area of focus in Italy (42%), Poland (36%), Spain (36%) and the UK (34%) – with many of these countries targeting net-zero emissions by 2050.

Pierre Ramadier is the Global Head of Entrepreneurs and Families at BNP Paribas Wealth Management. He is increasingly having climate-related discussions with clients:

 **We are seeing more and more of these conversations, which highlight that there is no planet B. If we collectively don't do something significant to change behaviours, then we are in trouble. We need to take this huge topic into consideration, but I don't think we're there yet in changing mindsets. That change is coming, though."**

Since the crisis, the goal of good health and wellbeing has increased in importance



[FIGURE 6] Which of the following UN SDGs is most important to you?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

In Asia, business owners note a range of social and environmental concerns. Approximately a third of entrepreneurs pinpoint poverty eradication, health, the need for sustainable agriculture and promotion of gender equality as top challenges to address. Eradication of poverty is important to roughly one in two entrepreneurs in Singapore (50%) and China (45%).

Health and wellbeing issues are top concerns in Hong Kong (40%). And gender equality cuts through visibly in Hong Kong (43%), China (38%) and Singapore (38%).

In the US, entrepreneurs are thinking about the environment in terms of robust infrastructure. For just under a third, access to clean water, building resilient infrastructure and improving sustainability of cities and communities are important goals to advance towards. From wildfires and hurricanes, to polar vortexes and power outages – the prominence of climate-related goals is perhaps unsurprising, given the range of volatile weather conditions experienced by the US in recent years.

“**In Asia, wealthy families are investing in renewables, so the culture is pivoting in the region. In the US, some of the largest entrepreneurial families are already very much involved in this field,”** says **Mr Ramadier**. “Large foundations, for example, are choosing to switch financial institutions because their incumbent bank continues to finance fossil fuels in contravention of their personal values. This will become more mainstream – families expect money managers to walk the walk, not just talk the talk.”

For Ms Ambachtsheer, the UN SDGs provide a useful framework to discuss impact objectives:

“**Thanks to the UN SDGs, sustainability is on the agenda more visibly than it ever was before. They are a great starting-point for conversations about sustainability, assessing professionals’ beliefs and also knowledge around them. But, while SDGs are useful, they need to be contextualised to drive deeper conversations about financial fundamentals – which is sometimes lacking.**”



The 'Green New Deal' and bold moves to change behaviours



In the US, the 'Green New Deal' takes inspiration from the New Deal Franklin D. Roosevelt launched to kickstart economic recovery and employment following the Great Depression. It puts forward the case for tying social and economic reforms to a long-term transition to renewable energy.

The principles behind a green recovery are gaining traction globally. The European Union's 'Green Deal' proposes several strategic priorities to ensure strong economic growth, and the continent's ambitions to be climate-neutral by 2050, are to be achieved in tandem.

In line with the UN SDGs, **clean energy is ranked as one of the most important aspects of 'Green New Deals'** by entrepreneurs globally. This view is consistent across generations. **Sustainable agriculture, protecting the richness of biodiversity and the circular economy** are also cited as major points of interest by entrepreneurs.

According to Mr Van Belleghem, many entrepreneurs are already anticipating these moves:



They see that governments and the European Union are investing heavily in infrastructure and emphasising the importance of a transition towards a more sustainable economy."

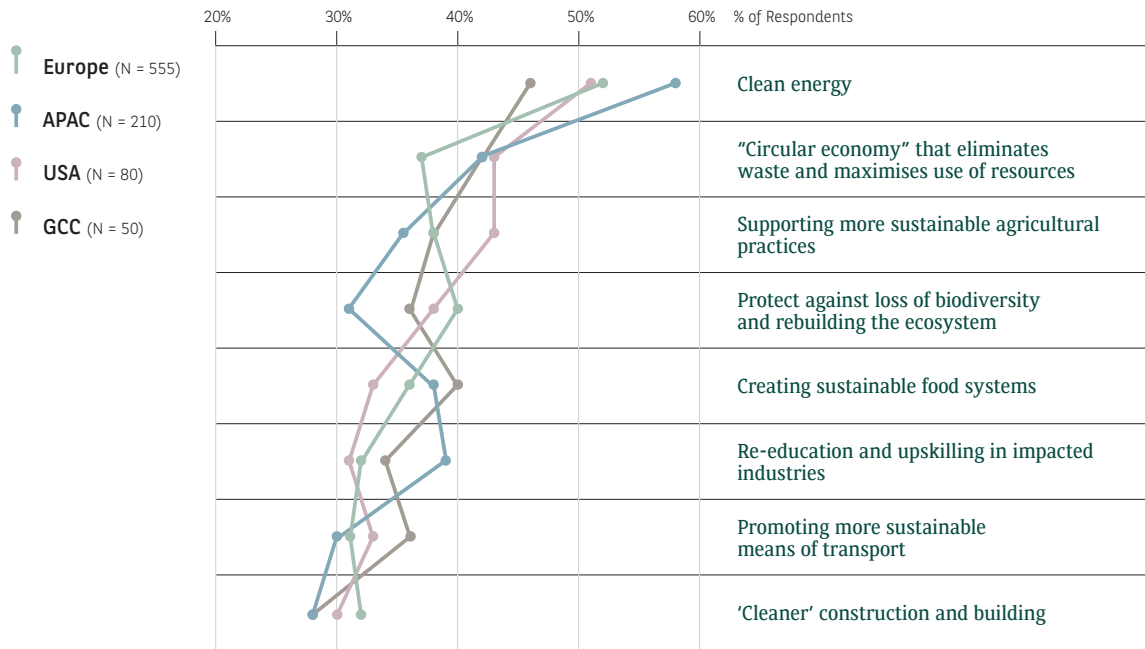
"Entrepreneurs understand that capital is flowing that way and so is outperformance. In a way, there is a selfish aspect to it. Entrepreneurs understand that whole industries are about to go through a transformation and banks are under escalating pressure to stop lending to certain businesses and operations."

More than two in five entrepreneurs in the GCC region highlight clean energy (46%), the circular economy (42%) and the need for sustainable food systems (40%) as interesting short-term investment opportunities from 'Green New Deals' [Figure 7].

Investment opportunities into clean energy are also of interest to more than half of US entrepreneurs (51%) and specific European markets, like Italy (76%), Poland (64%), Spain (62%) and France (57%).

Clean energy

is singled out as the primary investment opportunity associated with a 'Green New Deal'



[FIGURE 7] In the next 12 months to 2 years, which aspects of the Green New Deal would be of most interest to you, as an investor?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

The circular economy theme, which aims to reduce waste and maximise the potential of resources, is especially appealing to entrepreneurs in Singapore (45%), the UK (44%) and Brazil (44%); while **re-education and upskilling in impacted industries** are popular in Asia (39%), particularly Hong Kong (65%).

Asian economies play a vital role in global manufacturing. They supply a high proportion of the raw materials, produce large volumes of goods for export and underpin many of the world's supply chains. As the region continues to develop and more people move into middle- and higher-income brackets – there is an urgent need for much greater public awareness and interest in the circular economy, upskilling and re-education to avoid environmental degradation and a breakdown of social cohesion.

For Mr Van Belleghem, the 'Green New Deal' presents both opportunities and challenges:

“On the investment side, as a bank we will be mandated to screen and assess our credit portfolios for sustainability risks – a highly complex undertaking. The EU is coming out with a new regulatory framework that is requiring us to be more forward-thinking with the sustainability footprint of our clients' portfolios.

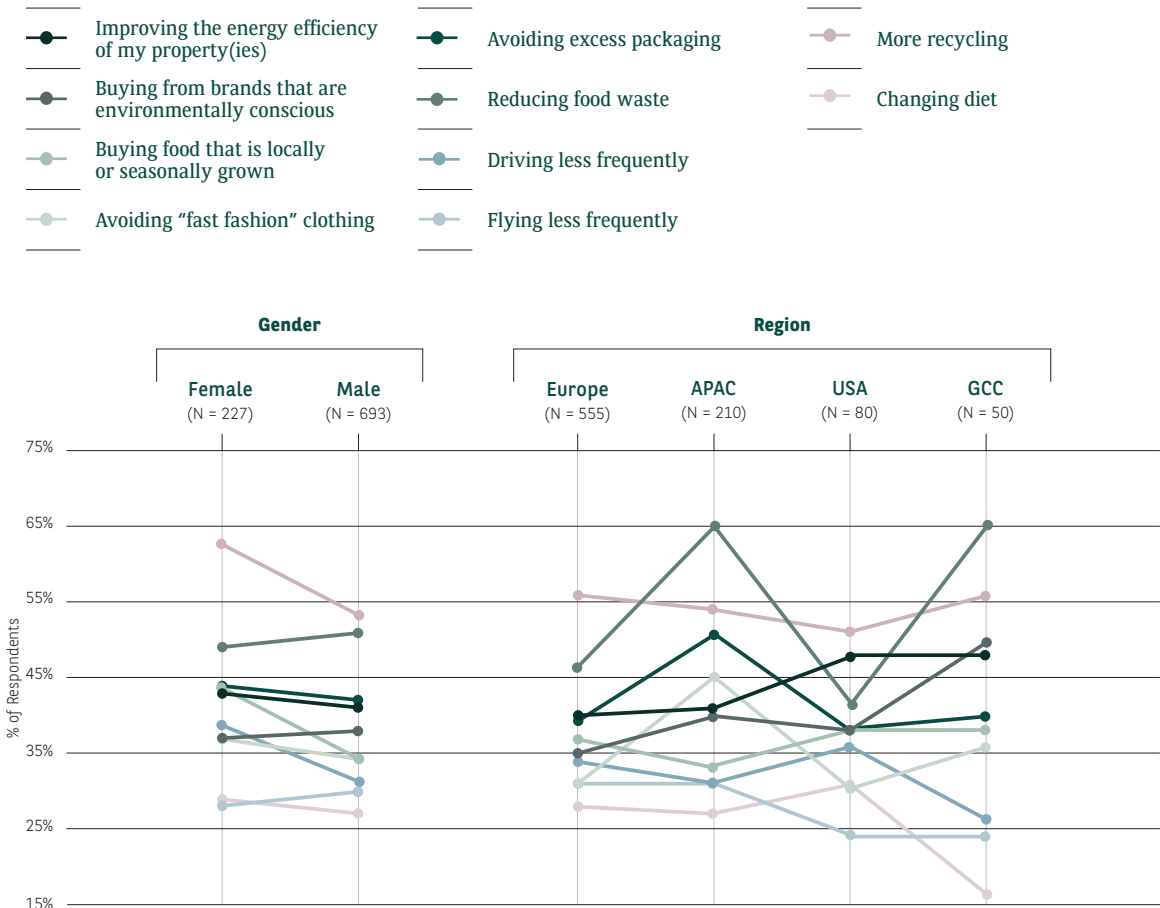
“BNP Paribas Wealth Management is responding proactively and has already put in place a team of engineering experts who help companies assess risks across their business models.”

To address some of the social and environmental challenges spotlighted by the pandemic, entrepreneurs are already changing their personal choices and behaviours. The survey data shows that, on average, **entrepreneurs adjusted four behaviours in the last year** – with more recycling and reducing their food waste, two important changes globally to reduce their environmental impact *[Figure 8]*.

Some behavioural changes are easier to implement than others. For example, as well as recycling more, female entrepreneurs are **buying food that is locally or seasonally grown and choosing to drive less frequently**.

Entrepreneurs focus on recycling

to reduce their environmental impact



[FIGURE 8] Are you making any changes to your behaviour or activities to support action against climate change?

Source: 2021 BNP Paribas Global Entrepreneur & Family Report

Boomerpreneurs are also open to living in a more environmentally conscious way. To reduce their carbon footprint, more than half are reducing food waste, recycling more, improving the energy efficiency of their properties and avoiding excess packaging.

In Brazil and Asian countries, like Indonesia and Singapore, most entrepreneurs are trying to reduce food waste to safeguard against environmental degradation. **Reducing unnecessary packaging is a popular choice in Brazil (56%) and Asian countries like Hong Kong (60%) and Singapore (63%), where single use plastic reliance can be high.**



A lot of entrepreneurs are saying – we were a bit irresponsible to travel as much as we did before,” says **Mr Ramadier**.

“In doing that, they realise they had limited consideration for their impact on the planet and the carbon emissions of flying so much. Some have realised: if I can reduce travel by 30% among all my staff, that would not only reduce costs for the business, but also reduce carbon emissions for the planet. We are seeing a re-evaluation of individual choices.”

Other new behaviours like avoiding fast fashion are taking hold in China (65%), Hong Kong (60%) and Singapore (53%), particularly as consumers become aware of the hidden social costs associated with their purchases.

In the GCC region, overconsumption and food waste have long been a challenge, so most entrepreneurs are now trying to reduce food waste and buying from brands that are environmentally conscious.

Although only 27% globally are adapting their diet in response to the climate crisis, the behaviour is becoming more prevalent with international campaigns like Meatless Mondays, the growth in plant-based substitutes entering the market and celebrity lifestyle endorsements. The trend is particularly prevalent in some European countries, like Switzerland, the UK, the Netherlands, as well as Hong Kong.





In conclusion

In Part 2 of this year's report, we re-assess how entrepreneurs and multi-generation families' views on sustainable investment opportunities are shifting.

For many, COVID-19 was a time of introspection and served as a catalyst for change. As a result, most entrepreneurs are more willing to consider sustainable investments. Their evolving perceptions of their resilience and financial performance spurred new portfolio choices. They have refreshed expectations of the wider impact journey that cover research and selection of securities, as well as portfolio monitoring and reporting.

With global cooperation and a range of social and environmental initiatives underway, like COP26 and proposed Green Deals in the US and the European Union, entrepreneurs are actively re-thinking business processes and re-positioning their investment portfolios to amplify impact, particularly around the green recovery. Approximately half now expect advice on sustainable investment portfolios from their

wealth managers and fewer anticipate compromised returns when investing sustainably.

In relation to the UN SDGs, the most notable shift in attitudes relates to climate action, clean energy opportunities and the importance of health and wellbeing.

In Part 3 of this mini-series, we look at the wider private and professional needs of elite entrepreneurs and families. This includes some of the new areas in which families, in particular, seek support to organise their governance arrangements, and as they re-fresh business strategy, their plans for the increased involvement of the next generation.

By seeking feedback directly from these entrepreneurs and multi-generation families, our purpose is to identify the actions and information that help global and family entrepreneurship thrive.

We hope you enjoyed Parts 1 and 2, and stay tuned for Part 3.

BNP Paribas Wealth Management

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