

## Talking Heads podcast with Jane Wadia

**Andy Craig:** Hello and welcome to this week's BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis through the lens of sustainability on the topics that really matter to investors. In this episode, we'll be discussing developments in sustainability and the topics currently in focus. I'm Andy Craig, Co-Head of the Investment Insights Centre, and I'm joined today by Jane Wadia, Head of Sustainability at AXA IM Core, part of BNP Paribas Asset Management. Welcome Jane, and thank you for joining me today.

**Jane Wadia:** Delighted to be here.

**AC:** The sustainability landscape is changing a lot. What kind of conversations have you been having with clients recently?

**JW:** There's been a lot of change over the last two years or so and the conversations with clients are somewhat different than they were in the early 2020s. I would give a couple of overall observations. The first one is recognising that certainly within a more retail slash wholesale type landscape, there still is interest for sustainability, but in most cases, [it] is relatively small or niche.

Where we continue to see a significant amount of commitments is from institutional clients, particularly in Europe, but also Asia. We all have read enough of the headlines to know that in the US, it's a very different story. But institutional investors that had made a number of commitments a couple of years ago remain very committed to the sustainability journey and, in particular, climate.

If I try and put a couple of proof points to that statement, there are two that I'd like to share with you today. The first one is a study from Morgan Stanley on institutional investors' appetite for sustainability. The reason I specifically chose this study is that it was published at the end of 2025. It reached out to a large number of asset owners and asset managers globally. In that study, 86% of investors shared that they intended to increase their allocations to sustainable investments over the next two years, which underpins the statement that I've just made. What I found pleasantly surprising was to those same institutions when the question was asked, why are you choosing to increase your allocations?, the top response given was because of better performance.

Closer to home, we've taken on board a number of institutional clients in Europe and particularly in the UK. Over the last four to five years, every single one of those UK-based clients has asked us to add some sort of climate goal or consideration as part of their investment guidelines. And we have not had any of those clients in the last one to two years calling us up and actually saying, Hey, we would like to dial back on some of those commitments. That gives me a lot of confidence when I say that when I say that European investors are remaining committed. That should continue to be the case going forward as well.

The last point I'll make is that for retail/wholesale distributors type clients, climate does remain our clients' top priority. There is some interest in more socially orientated strategies, but that is more on the margins. Clearly, climate is the main area for our clients and arguably looking in the future, I would expect that to remain the case.

**AC:** So, with climate remaining our clients' top priority, what are the different approaches that you see in the way investors, especially institutional investors like pension schemes and insurers, think about climate change and the way they should invest to address climate risks and opportunities?

**JW:** There's no single investment strategy that is going to meet clients' needs today. I would say that there are two broad approaches. One is around decarbonisation. The way that they may implement it can vary depending on the asset class and on whether the clients are focused on reducing the portfolio's carbon emissions. Decarbonisation type strategies are typically portfolios that are made up of companies that are a mix of brown and green. The intent is to move those companies that are brown to olive and then to green. So, you're supporting the transition to that lower carbon economy. They can easily be incorporated into investment strategies and that can be done across equities and fixed income.

The second broad approach is what I call climate solutions. And this can be done across listed assets. Typically, these are strategies that invest in companies whose products or services are designed to tackle some of the most pressing environmental challenges that we have today. Renewable energy is the classic poster child for these types of strategies, but it goes way beyond. Within fixed income, one of the most common tools is what are called use of proceeds bonds, green bonds. What is a green bond? Well, it's exactly the same as a conventional bond except that the capital that's being raised must be allocated to finance an environmental project. The benefit of green bonds is it's an incredibly liquid asset class and very large.

And the last point I want to make on this question is, given the crisis that we're experiencing with the conflict in the Middle East, I expect that this is only going to reinforce the fact that climate will remain our clients' and our top priority. From an investment perspective, there is a new impetus for renewable energy. If we want energy security more globally, that means decreasing even more our dependency on fossil fuels which came to the fore after the outbreak of the war in Ukraine. While it would be remiss of me to pretend that I can forecast how that is going to end and how soon, I do think this need to reduce dependency on fossil fuels will continue. This conflict has only brought this even more to the fore.

**AC:** Jane, we're in the fourth week of the conflict and, obviously, that is dominating headlines and dominating investors' considerations. But in the background is the narrative around artificial intelligence. It remains a major development. It's everywhere these days. It'd be good to talk to you about your view on artificial intelligence and sustainable investing.

**JW:** The answer to that one is multifaceted. On the one hand, we have very large AI and tech companies that are extremely high consumers of, of energy and water in particular for the datacentres that they need to build to be able to power the AI revolution. Datacentres are going down a more renewable energy route or a nuclear energy route. And the reason that they're doing that is an economic argument: that it is cheaper for them. Some tech companies in the US have bought small renewable energy companies to help satisfy that element.

Equally, AI can be very much part of the solution to the environmental challenges that we are facing today. The ability to analyse vast amounts of data to help predict weather patterns that can help with the management of buildings to reduce energy consumption. Other examples are the use of satellite imagery for methane leaks. Climate tech where you bring together the notion of technology as a solutions or an enabler has been growing for many years and will only continue to grow.

I've spoken a lot about climate. Obviously, what is also in the headlines at the moment is the social impact and particularly social media elements of large tech and AI. On the one hand, we see lots of studies and analysis that is saying that AI will replace jobs. And that will materialise. But I also believe that it will create as many, if not more, jobs in the future in the long run. I've personally

experienced how the use of AI can help with early detection of health issues. These are just some examples of areas of the positive power of AI. We need to recognise that we are in the midst of that powerful revolution. There's a fantastic investment opportunity in companies where the power of AI can help meet the environmental and social challenges of today.

**AC:** That's a very interesting analysis of the state of play in the sustainability investing arena today. Thank you for joining us.

**Jane:** Thank you very much for having me.

**Andy:** That's it for this week's episode of Talking Heads. If you'd like to learn more about our investment insights, please reach out to your BNP Paribas Asset Management contact or check out Viewpoint, our website for investment insights at [Viewpoint dot BNP Paribas am.com](https://viewpoint.bnpparibas.com). Viewpoint brings you commentary and analysis on a variety of formats from investment outlooks to asset allocation videos and podcasts to help investors make better informed decisions. You've been listening to the BNP Paribas Asset Management Talking Heads podcast with me, Andy Craig, and Jane Wadia, Head of Sustainability at AXA. IM Core, part of BNP Paribas Asset Management. Please do join us again next week. Until then, take care.