



# ESG names and claims in the EU fund industry

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ESMA50-43599798-  
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# Why is this relevant?

- **Market developments**

- Strong investor demand for ESG investment products
- Greenwashing increasingly a source of concern

- **Regulation**

- No official EU label for ESG or sustainable investment products
- SFDR focuses on ESG disclosures, not a labelling regime

- **Economic literature**

- Use of ESG-related terms in fund names acts as a signal to investors
- Fund names can also misinform investors

## ESG words

# Building a list of E/S/ESG words

- Built from E/S/ESG lists in academic publications, as well as UN SDGs, Taxonomy Regulation, Global Impact Investing Network, + commonly-used terms (e.g. “net zero”)
- Two lists: for ESG text (EN-only) + for EU fund & benchmark names (multilingual)
- Multiple reviews for false positives, sense checks, etc.

[Lists of ESG words and phrases used to analyse investment fund names and documents](#)

Wide variety of ESG terms

	Topic Names list: # phrases	ESG fund names list: examples	Text list: # phrases	ESG text list: examples
E	451	water waste, net zero, carbon reduction	496	forest, climate change, biodiversity
EG	N/A	N/A	2	carbon washing
ES	11	green social, cleaner living	18	urbanisation, national disaster
ESG	512	ESG, better world, global impact	42	ESG, SRI, sustainable development
G	4	governance, selected controversies	1833	compliance, audit, oversight
S	221	equality, empowerment, humanity	690	elderly, immigration, malnutrition
SG	37	gender equality, human capital	58	impact washing, gender diversity
<b>Total</b>	<b>1,236</b>		<b>3,139</b>	

Note: The table displays the breakdown in number of ESG words/phrases per ESG topic used to search for ESG language.

Sources: Baier et al. (2020), Amzallag et al. (2022), Mansouri and Momtaz (2022), UN Sustainable Development Goals, Global Impact Investing Network, Morningstar, ESMA.

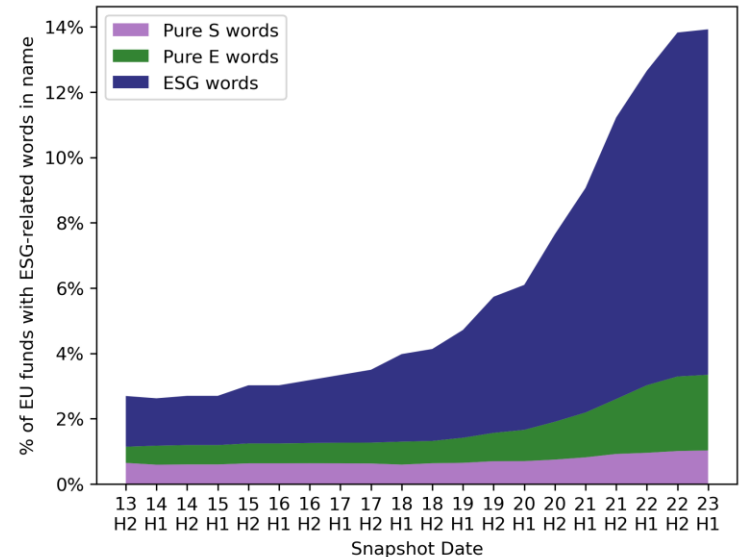
## Fund names

# Evolution in fund names

- Analysis of names covering more than 29,000 equity, bond and mixed EU funds
- The share of funds with ESG-related terms in their name increased from 3% to 14% in 10 years
- Funds tend to favour the use of generic words ('ESG', 'Sustainable')
- May reflect flexible investment approach, but also makes it harder for investors to verify claims

## Evolution of ESG names across EU funds

### Less specific ESG words used in names



Note: Cumulative use of ESG word types across actively managed equity, bond, and mixed asset investment funds domiciled in the EU, the names of which include at least one ESG-related word, relative to all investment funds domiciled in the EU, at each specific snapshot date. Each snapshot date contains a full sample of EU investment funds, with names extracted at that particular date. The three-word categories are mutually exclusive: for example, words deemed to be 'E' words are not included in words deemed to be 'ESG' words, and 'ESG' words are not included in 'E' words. Words originally tagged 'S' and 'SG' are mapped to 'S'.

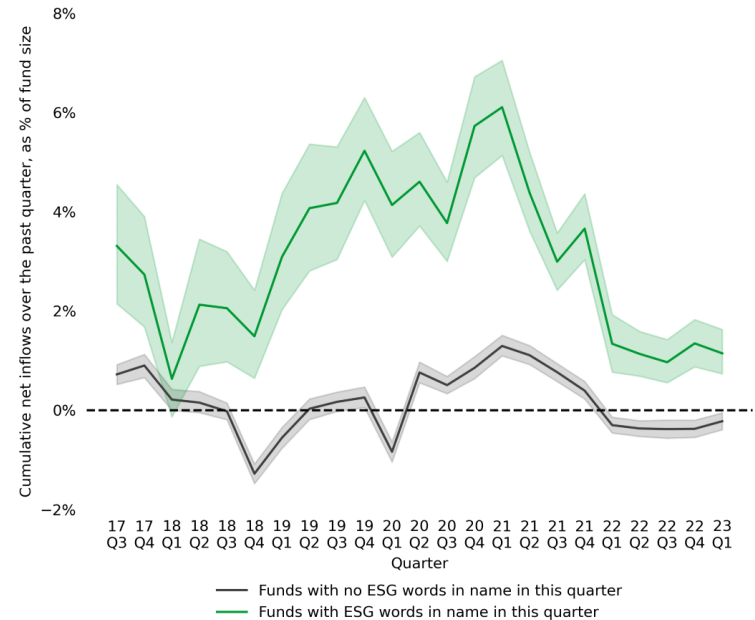
Sources: Refinitiv Lipper, ESMA.

## Fund names

# Demand for funds

- Demand for funds with ESG-related words in their name has consistently exceed demand for other funds
- Results hold when controlling for asset class and geo focus
- Reflects broader investor demand for ESG assets, but also highlights the need to ensure alignment between name and portfolio
- Number of funds adding ESG words to their name peaked in 2021-2022

## Net inflows in EU funds with and without ESG names High demand for funds with ESG names



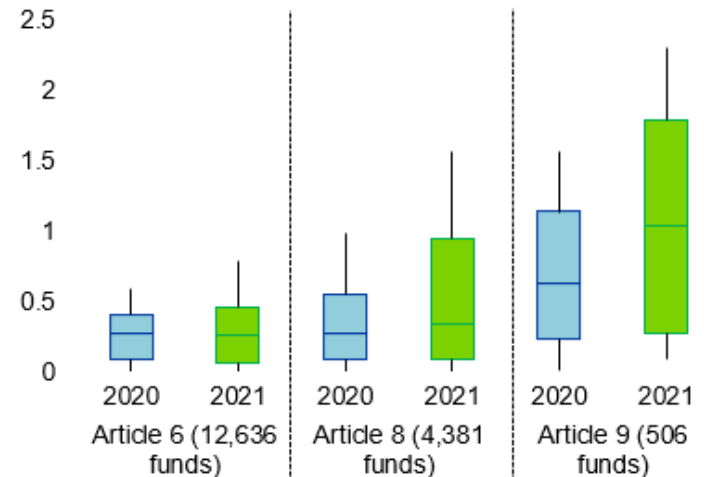
Note: Net flows, relative to fund size, into actively managed equity, bond, and mixed asset funds domiciled in the EU, the names of which include at least one ESG-related word, relative to EU funds the names of which do not include any ESG-related word, at each specific snapshot date. Each snapshot date contains a full sample of EU investment funds, with names extracted at that particular date. Fund net flows are measured as the difference between inflows and outflows during the quarter in question, divided by the fund size (AuM) at the end of the previous quarter. The lines displayed are the mean value in each quarter (dark line within the coloured bands), while the coloured bands represent the 95 % confidence interval around the mean. Sources: Refinitiv Lipper, ESMA.

## Fund documentation

# Use of ESG terms in fund documentation

- NLP techniques used to process 90,000 documents and 17,000 investment strategies
- Use of ESG words has increased; the language varies between types of documents
- ESG-related terms more present in SFDR Art.8/9 documents, and in funds with ESG words in names
- KIIDs of funds sold to retail investors also use more ESG language, while the marketing material does not

Share of ESG words in KIIDs by SFDR fund type  
Use of ESG words increased



Note: Share of ESG-related terms used in KIIDs as percentage of all words (excluding stop words). The SFDR fund type is as of mid-2021 and applied to mid-2020 and mid-2021 documents. Box edges are the 25th and 75th percentiles, box middle line is the 50th percentile, and additional lines (whiskers) illustrate the 10th and 90th percentiles.  
Sources: Morningstar, ESMA.

### Takeaways

- Growing use of ESG-related language in fund names, fund managers tend to favour generic words.
- Consistently high investor demand for investment products with ESG words in their name.
- Use of ESG-related language has increased (esp. in SFDR Art.8/9 funds) but varies by type of document