

### **Abstract for the general public**

## **‘Innovative sustainable investment funds in Europe: determinants of development and socio-economic consequences. The sustainable development perspective.’**

Within the project five major goals have been defined:

- Determination of the detailed criteria that can be applied in order to identify and categorize sustainable investing ETFs.
- Evaluation of the development of sustainable investing ETFs in Europe and other selected regions: size of this segment of the ETFs markets, its structure and projected changes.
- Detection and analysis of the firm- and country-level factors of the development of sustainable investing ETFs in Europe and other selected regions.
- Analysis of the firm- and country-level socio-economic effects of the sustainable investing ETFs in Europe and other selected regions.
- Examination of the significance of the sustainable investing ETFs in the context of the sustainable development policies enacted in Europe.

Research sample will cover sustainable investing (ESG) exchange-traded funds (ETFs) in at least 5 European countries: France, Germany, Italy, Switzerland, and the United Kingdom; in the other countries with the ETFs markets no ESG funds were identified. Total net assets of the funds will be utilized as the key indicator; the number of funds and the turnover of their shares will be used as supplementary measures. The core time coverage will be the period 2006-2020 (due to lack of ESG ETFs in Europe prior to 2006). Data on the sustainable investing ETFs in the other countries will be used for comparison purposes.

ETFs have over the last several years been one of the most rapidly growing categories of investment funds on the major financial markets. Due to their innovative attributes they are able to compete with the more established categories such as mutual funds. Another important process is the rising popularity of various forms of sustainable investing – this initially niche market has emerged to become a mainstream part of the asset management industry. The issue of ETFs that focus on sustainable investing remains substantially understudied. It constitutes an important gap both in the academic and policy-making perspective, taking into account the fact that sustainable investing ETFs can potentially contribute to the process of sustainable development. Most previous studies covered their performance in relation to the conventional (i.e. non-ESG) counterparts. There is a variety of factors that can be hypothesized to affect the development of sustainable investing ETFs. Some authors claim that the crucial group of determinants that affect the decisions of investors to choose sustainable investment products are behavioural and socio-demographic factors. The other factors that affect the size of the sustainable investing segment of the asset management industry is the topic almost absent in the academic literature. Some studies underlined the importance of the country-level institutional factors. However, regional or even global policy actions should not be neglected. In case of Europe they include the European Commission’s action plan entitled ‘Financing Sustainable Growth’. The contribution of the ESG ETFs to the process of sustainable development is also a relatively understudied topic. The vast majority of the previous studies focused on the role of the banking sector but the significance of the investment companies was rarely considered. Some authors claimed that integration of ESG criteria in the investment decisions may result in business practices being more ecologically and socially sustainable. Furthermore, decisions made by investors may create barriers for some companies that are socially irresponsible through the effects on, for example, the company’s cost of capital. It was also stated that one of the main areas of impact of the financial sector is through channelling capital to the activities beneficial for the society.

Effects of this project will significantly contribute to the present state of knowledge due to the planned accomplishment of theoretical-methodological and empirical aims. With regard to the first aspect, contribution of this project is the establishment of the criteria that can be applied in order to identify the sustainable investing ETFs. In the second, empirical, aspect this project will contribute by conducting and presenting the results of the extensive analysis of the sustainable investing ETFs in the European countries over the selected time period. The results of the study will be used to identify the barriers in the development of sustainable investing ETFs in Poland and to formulate recommendations for this country.