

Resetting the agenda

How ESG is *shaping our future*

WRITTEN BY

The
Economist

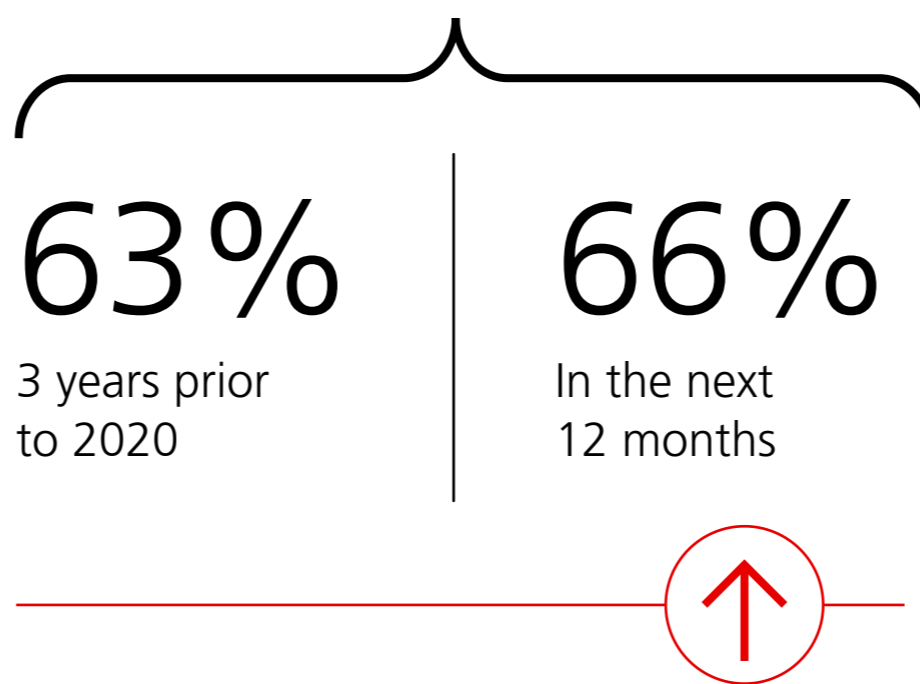
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Integration of ESG is growing steadily

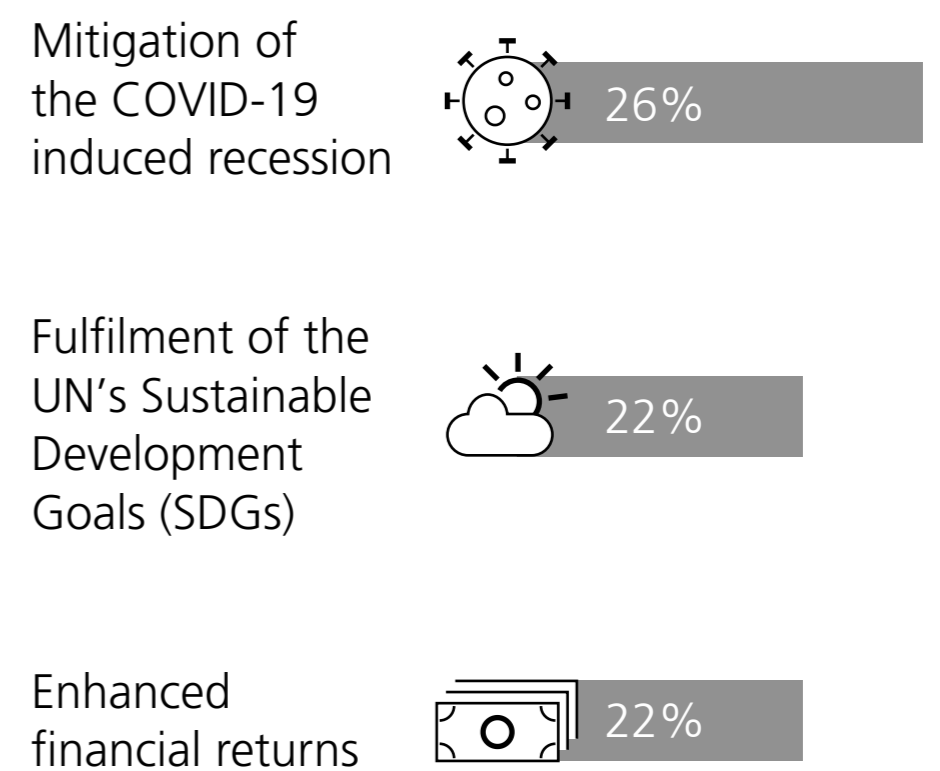
- Integration of ESG factors into investment processes is increasingly becoming mainstream.
- The global adoption of ESG will be less about mitigating risk and more about outcome-oriented investing.

Respondents integrating ESG factors into at least

25% of their AUM



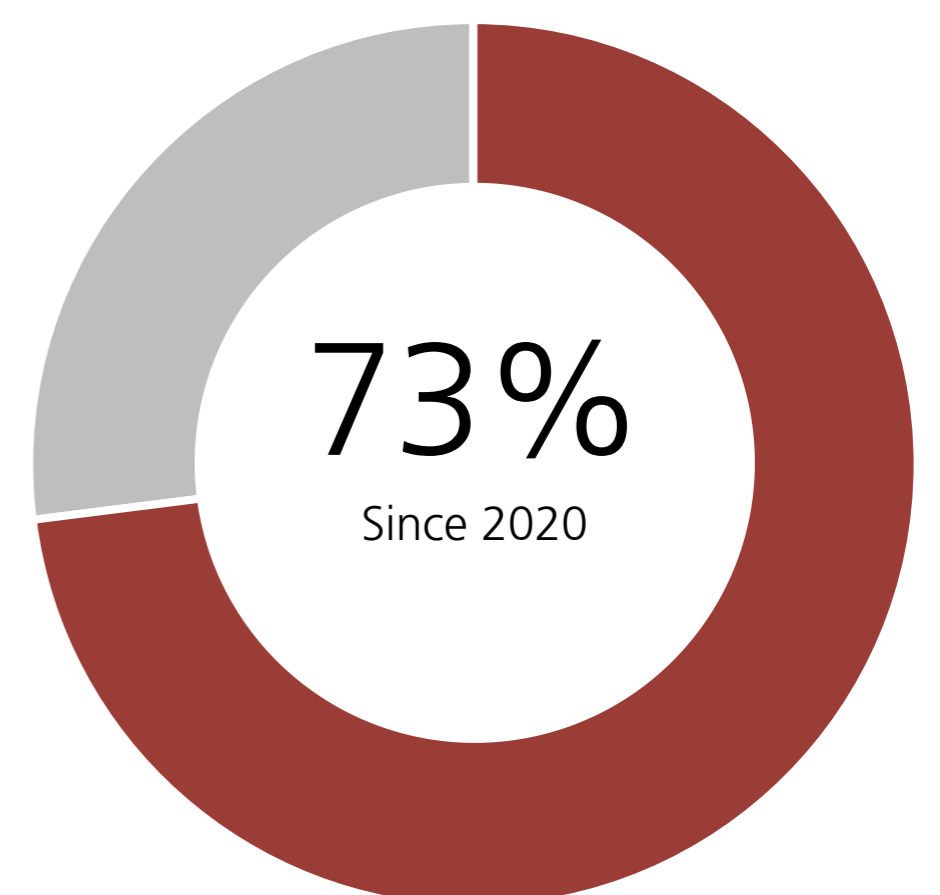
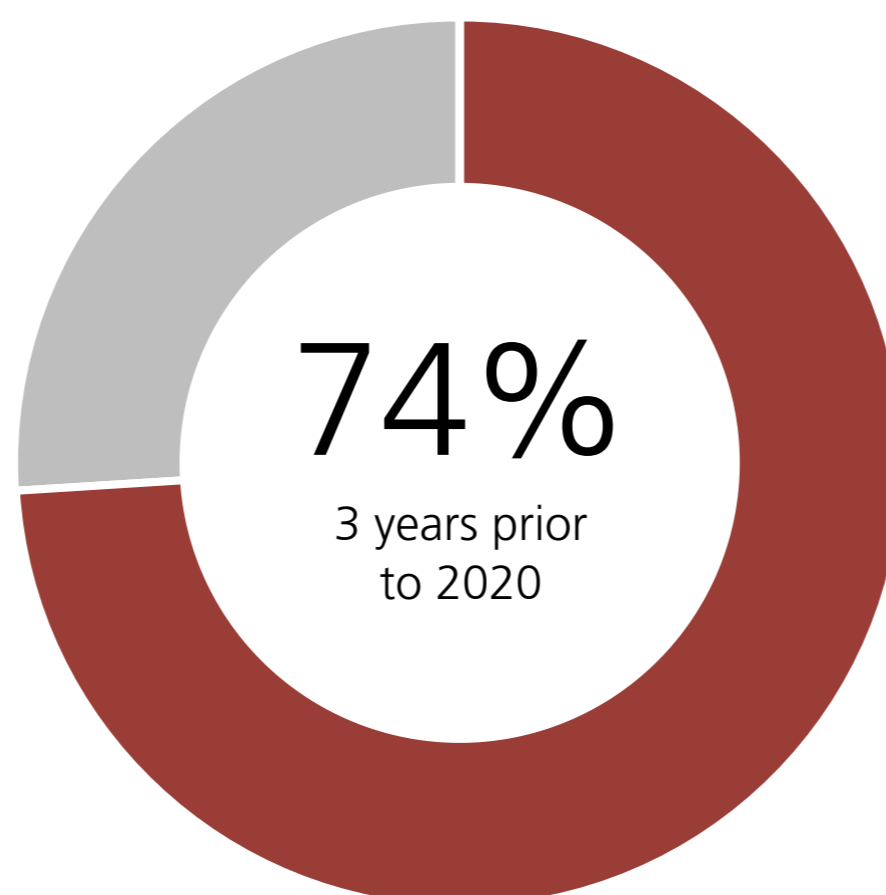
What will drive ESG integration further in the next 12 months?



ESG investments proved resilient during the COVID-19 crisis

- Research has highlighted the correlation between investments in companies with strong ESG ratings and superior financial performance, with the latter companies also proving more resilient in a crisis.
- More than seven in ten investors agree that their company's investments that integrate ESG factors have outperformed the market, before and after the onset of the pandemic.

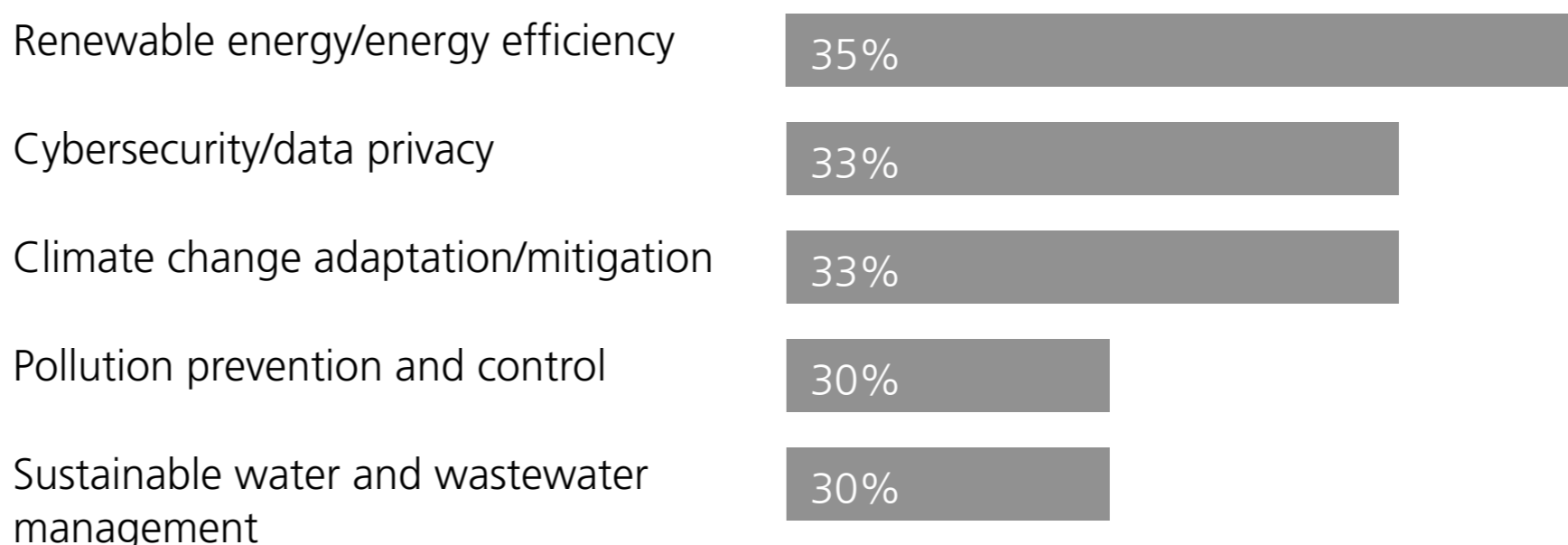
Respondents agreeing that their company's investments that integrate ESG factors have performed better financially than traditional equivalent investments



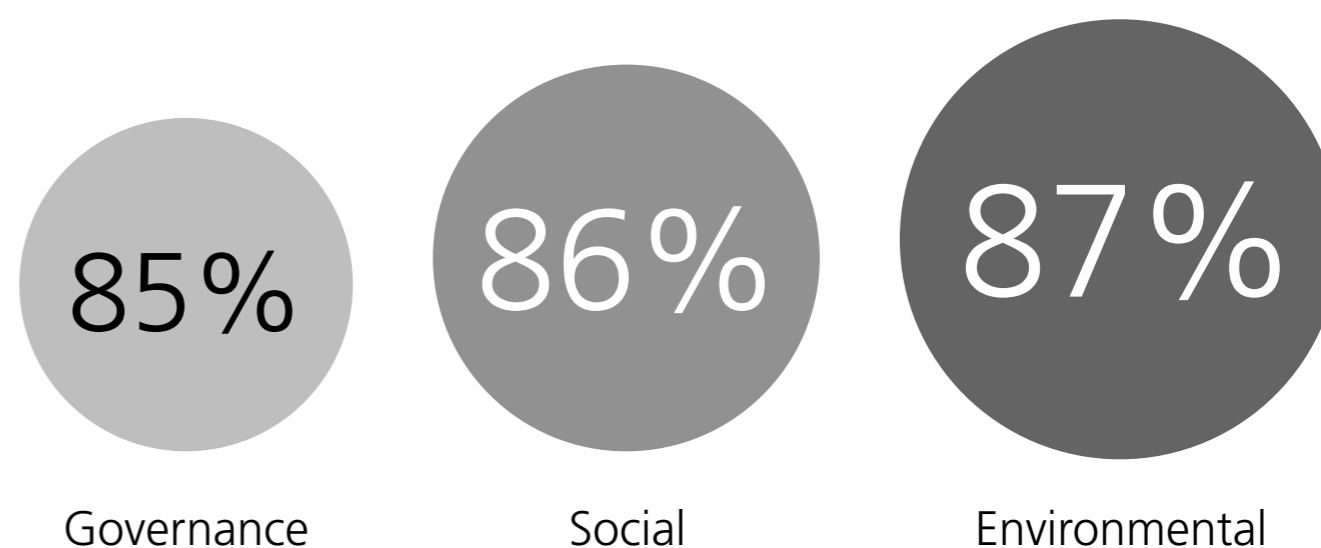
Opportunities are arising from ESG integration

- The election of Joe Biden as US president has put clean energy back at the top of the agenda.
- Of the top five investment themes favoured by investors, four are related to the environment.
- The pandemic has also put the spotlight on social and governance factors that will have a key role in building a sustainable world.

Top five ESG investment themes



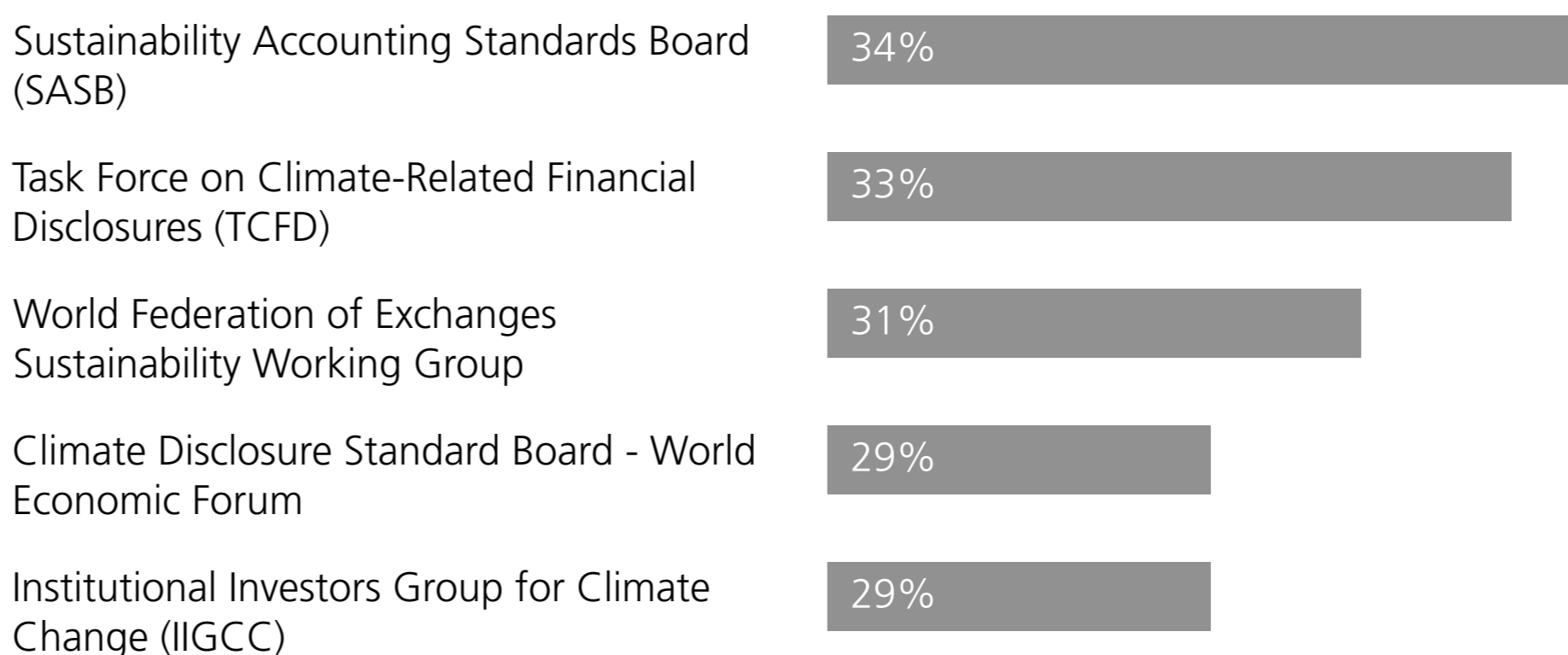
Respondents rating each ESG element as "very important" or "important"



More transparency around ESG is needed to build trust and accountability

- Cost and the lack of clarity around ESG standards, taxonomy and metrics are top concerns for investors.
- Comparable metrics will boost transparency, trust and accountability, in turn directing capital flows into ESG-themed investments.

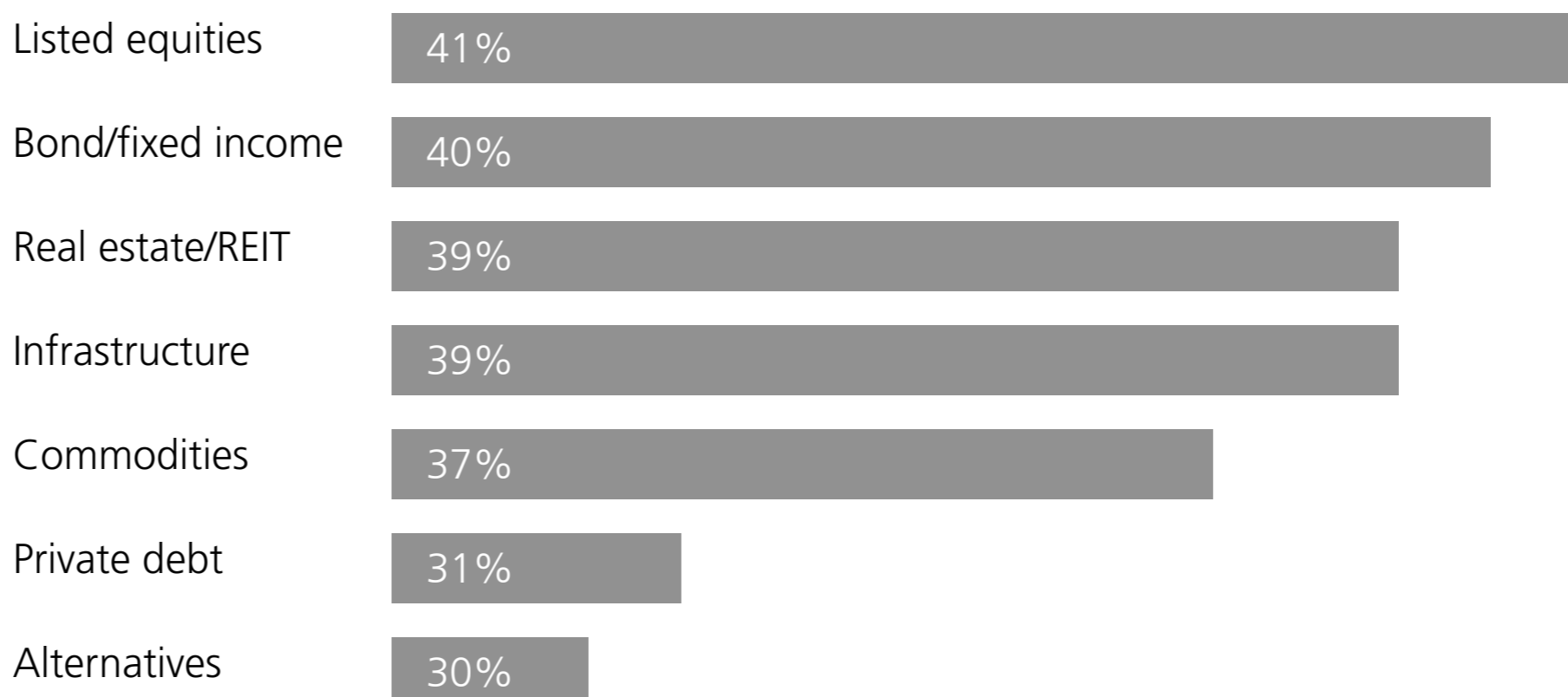
Top five guidelines for measuring impact and non-financial reporting



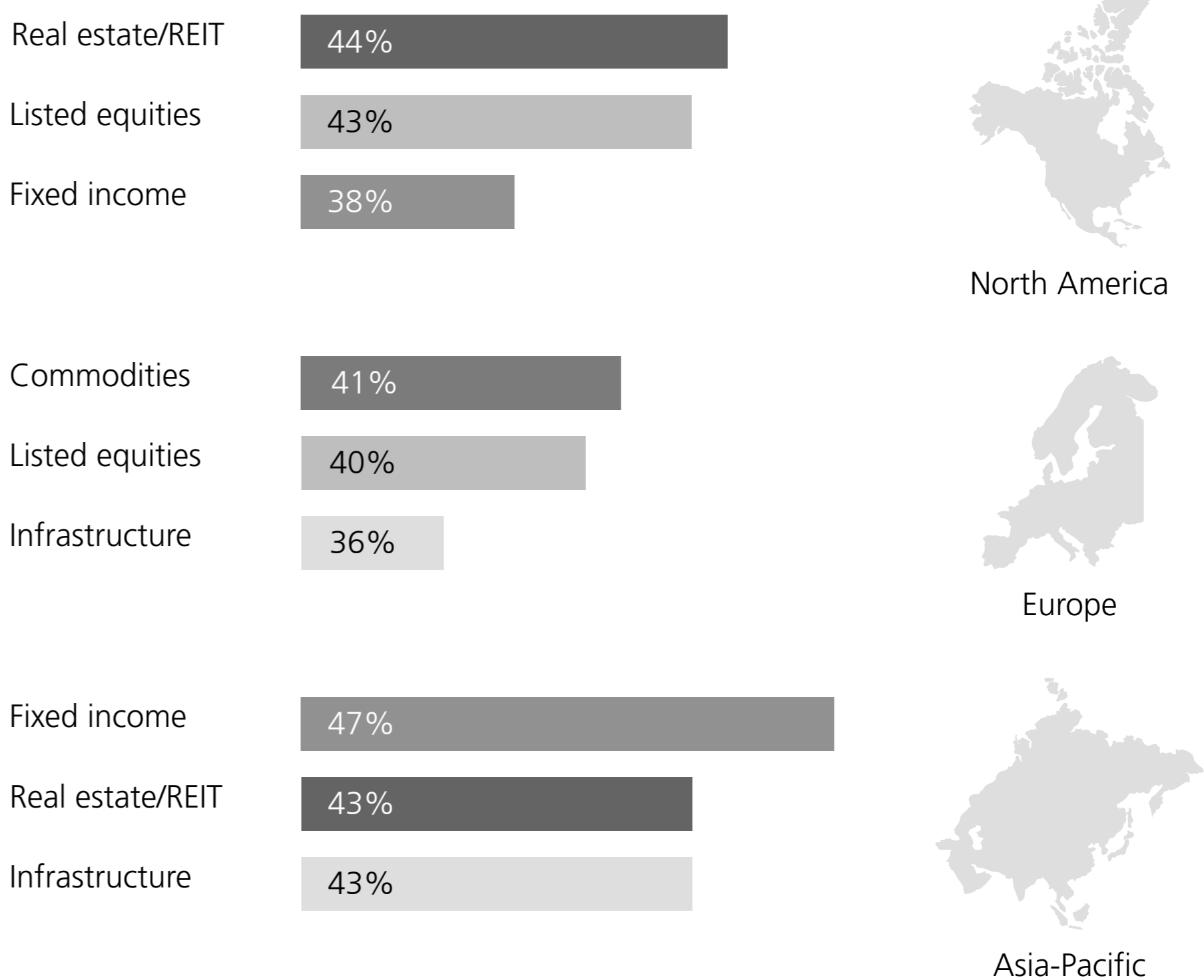
ESG concerns all asset classes

- At least 30% of respondents use ESG factors across all asset classes including commodities, private debt and alternatives.
- In North America, the asset class where ESG factors are most considered is real estate, in Europe the same is seen in commodities, and fixed-income is the most ESG-integrated asset class in Asia-Pacific.
- Increasing integration is driving a strong demand for robust ESG data and disclosure, with investors turning to issuer-disclosed data, big data from media, alternative datasets, and estimations from in-house modelling.

Respondents integrating ESG into different asset classes



Top three ESG-integrated asset classes

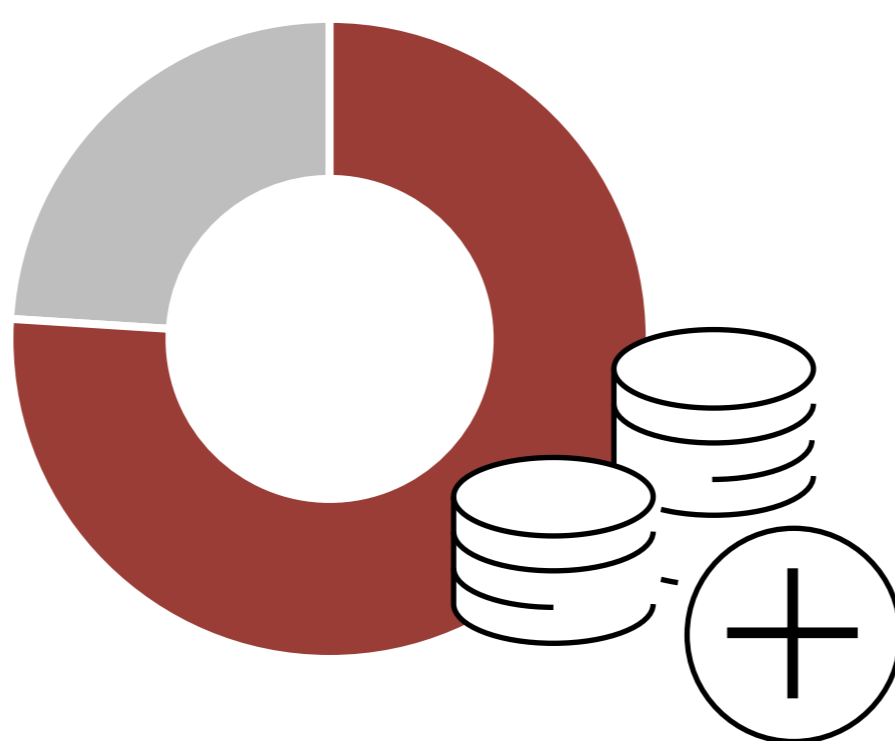


Will ESG integration across portfolios be the 'new normal'?

- Nearly three quarters of investors agree that the SDGs are the main guiding framework when it comes to defining and measuring the positive impact of their organisations' investments.
- Increased inflows into sustainable investing funds will bring new opportunities for economies while benefiting societies and the environment.

76%

of investors agree that the pandemic will accelerate inflows into sustainable investments



74%

of investors agree that the SDGs are their main guiding framework when it comes to impact investing

