

ESG: Do you or Don't you?

Are the world's asset owners thinking about
long-term sustainable finance?

A survey from Responsible Investor and UBS Asset Management



Whether it is the Paris Agreement on Climate Change, the UN Sustainable Development Goals (SDGs) or the aims of the EU High Level Expert Group on Sustainable Finance, one thing is clear, none of these will be achievable without a major redirection of capital by the world's asset owners.

ESG: Do you or Don't you?

UBS Asset Management are delighted to have partnered with Responsible Investor to create a unique new survey which investigates, in detail, the extent to which asset owners are integrating ESG into their investment processes.

Why did we embark on such a study and how does it differ from anything else in the market?

Increasingly we see regulators and policy makers in various parts of the world promote long-term, responsible investing – incorporating clear environmental, social and governance (ESG) criteria in the investment process.

At the same time, many of the world's asset owners have made it clear that they are committed to investing responsibly, or, sustainably, by signing the UN-supported Principles for Responsible Investment (PRI). UBS Asset Management is itself a PRI signatory.

Anecdotally though, we were hearing that growing numbers of non-PRI signatories were thinking a lot about long-term sustainable finance issues in their investments.

For us, this represented a crucial step change in the way that SI was being viewed by the market. Keen to learn more, Responsible Investor and UBS Asset Management partnered to launch a joint research initiative. We wanted to know whether asset owners globally see the integration of ESG into the investment process as a risk mitigator, performance enhancer, or an unnecessary distraction.

Our aim was to find out whether, as we believed, ESG considerations were taking root more widely among asset owners than was generally recognized. We also wanted to establish a 'state of the nations' assessment of owners' attitudes towards ESG integration.

So, we asked respondents to identify themselves as either 'doers,' who currently actively engage in responsible investing, or 'adopters,' who are actively considering incorporating ESG criteria into their investment process.

We tried to keep the initial question simple: ESG – Do You or Don't You?

The short answer to our question was they are. This study gives a fascinating insight into how.

How is this study different?

Size



613 responses from asset owners

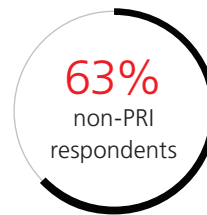


across 46 countries



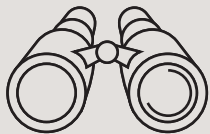
representing EUR 19+ trillion in assets

Cohort



Top takeaways

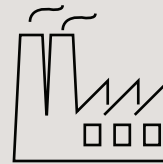
ESG adoption is flying under the radar



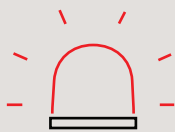
68%

of asset owners globally who are taking ESG into account (or want to), are not signed up to initiatives such as the PRI.

Over the next five years, environmental factors could outstrip financial analysis



The top reasons asset owners give for 'doing' ESG focus on:



Materiality of risk associated with not taking ESG into account



Half
said returns
got better

Positive effect on financial performance



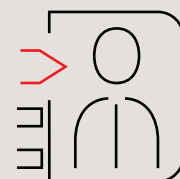
Fiduciary duty

Geographically, asset owners in Asia, Oceania and Africa are catching up fast. The Japanese market has the highest growth potential out of any market covered.



+33%

of adopters say they intend to take ESG into account during manager search and selection going forward



ESG has become a big part of asset owners' relationship with their managers. Most Doers "walk the talk" when it comes to integrating ESG into the day-to-day work with their managers.

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Americas

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