Press Release

7 October 2021

Sustainable investment is now standard according to global asset owner survey

- Sustainable investment is now standard globally: 84% of asset owners are either implementing or evaluating sustainability into their portfolios
- Risk management considerations fuel appetite for sustainable investment, with two thirds stating mitigating long-term investment risk is a key factor
- Globally, climate and carbon are the leading priorities for 67% of respondents, but US asset owners cite social themes as top focus
- Sustainable investment regulation is viewed positively, with 82% seeing it as enabling or potentially enabling

FTSE Russell, the global index, data and analytics provider, has published the results of its annual survey examining how sustainable investment is perceived, considered and used by asset owners around the world—*Sustainable Investment: 2021 global survey findings from asset owners*.

Jaakko Kooroshy, Global Head of SI Research, FTSE Russell:

For many years, FTSE Russell has conducted these asset owner surveys on ESG considerations in the context of smart beta. This year, we have deepened the survey around sustainable investment and the results paint a clear picture. Sustainable investment is not a trend—it is now the market standard, with 84% of asset owners around the globe evaluating or implementing sustainability into their portfolios.

David Harris, Global Head of Sustainable Finance, London Stock Exchange Group:

This survey provides a rich source of detail around the differing conviction, sophistication and approach of asset owners to integrating sustainable investment into their strategies. One of the most striking findings is whilst asset owners' views on general financial regulation is variable, 82% of them support sustainable investment regulation where it is regarded as enabling consistency of reporting. A note of caution is the concern 60% of asset owners have over regional inconsistencies in such regulations.

How asset owners are implementing and evaluating sustainable investment

Looking back at data from previous years, sustainable investment has clearly gained momentum among asset owners. Over eight in ten (84%) asset owners globally are implementing or evaluating sustainable investment considerations in 2021, up from a little over half (53%) in 2018.

In EMEA, sustainable investment evaluation and adoption by asset owners is nearly universal (97%), up from the 85% in 2020 and 72% in 2018. The figures for North America also show an increase from 39% in 2018 to 68% in 2021.

Managing risk considerations is key…

Asset owners that are implementing and evaluating sustainable investment are motivated by risk management, with almost two-thirds (64%) of all asset owners noting that mitigating long-term investment risk is a key factor. There is a correlation between size and a heightened focus on risk: 70% of respondents with AUM of US$1 billion or more cite this reason compared with just 42% of asset owners with AUM of less than US$1 billion.

Moreover, not allocating to sustainability-focused investments is perceived to come with a risk to institutional reputation. Nearly half (49%) of asset owners in North America implement sustainable investment strategies to avoid harming their institution's reputation while 60% in EMEA and 64% in Asia Pacific choose this reason.

…but priorities differ by region

Examining the regional data, differences of opinion exist. In EMEA and Asia Pacific, the priority focus area is climate and carbon, with over two-thirds of asset owners focused on this area (77% and 68%, respectively). In North America, the focus is strongest on social themes (62%), followed by governance (58%) and climate/carbon (56%).

Asset owners in different regions also express diverging opinions on the investment impact of climate risk. Rating their sentiments on a zero-to-ten scale, over half of asset owners in EMEA and APAC are very concerned (8, 9 and 10). In contrast, less than 30% of North American asset owners expressed this level of concern, with one-third of US asset owners stating they were not concerned or not very concerned about the investment impact of climate risk (0, 1 and 2).

As the Covid-19 pandemic spread in mid-2020, many social issues intensified in communities and in the media around the world. Of all asset owners, 60% say that social themes – including diversity and inclusion, human rights, customer responsibility and social impact – are a sustainability priority focus. Among the 40% of respondents that do not view this as a current priority focus, over half say that they would prioritise social themes if social data were reliable and widely available.

Regulation is viewed positively, but there are concerns about regional inconsistencies

Asset owners worldwide have mixed views about how supportive regulation is in the financial services industry at large but tend to have a more positive view in the context of sustainable investment. Of those surveyed, 82% view sustainable investment regulation as enabling or potentially enabling adoption of sustainable investment depending on the specifics of the regulation, while only 15% view this regulation as exclusively constraining.

For those asset owners that agree with the potentially enabling benefits of regulation, over three-quarters (78%) say that regulations might improve the quality and consistency of corporate reporting and disclosures. In Europe where sustainable investment strategies have been most widely implemented, 93% of asset owners see regulation as enabling or potentially enabling. However, the majority (60%) of asset owners say the regional inconsistencies across regulation of sustainable investment and ESG are a cause for concern.

With the rise of corporate ESG and climate-reporting requirements, asset owners say that there are notable benefits to investors of improved reporting and standardisation: 61% say that the development of corporate ESG and climate-reporting requirements are beneficial to their institutions' investment approaches.

For more information about the survey, please visit our website.

Press Release

– Ends –

For further information:

Global Media

Jelena Nedelka (Americas)	+1 929 228 6987 jelena.nedelka@lseg.com
Oliver Mann (EMEA)	+44 (0)20 7797 1222 oliver.mann@lseg.com
Silke Marsh (APAC)	+65 9793 4140 silke.marsh@lseg.com

Notes to editors:

About FTSE Russell

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately $17.9 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit www.ftserussell.com