

## Sustainable Investment is now mainstream according to FTSE Russell global asset owner survey

- Sustainable investment (SI) is now mainstream across the globe as 86% of asset owners are implementing sustainability into their portfolios – an increase from 76% in 2021
- Fixed income now leads sustainable investment allocations, surpassing public equity in 2022
- The ‘S’ in ESG is a driving force – social themes are the priority focus for 73% of asset owners, compared to 60% in 2021
- Asset owners state the number one barrier to increased SI adoption is the availability of ESG data

FTSE Russell, the leading global index provider, has today published the results of its annual survey analysing how SI is perceived, considered, and used by asset owners across the world.

### Sustainable Investment becomes mainstream

The majority (86%) of asset owners globally are implementing SI in their investment strategies, compared to 76% in 2021. In APAC, this number rises to 97% of asset owners who are currently implementing or evaluating SI considerations into their strategies.

Two in five (44%) are currently considering how to incorporate climate or sustainability within SAA models or frameworks (24% already do), whilst one in four (24%) are using climate/sustainable indexes within models and frameworks.

The asset classes for implementing SI remain varied. Fixed income now leads SI allocations, surpassing public equity (53% v 45%). The relatively new alternative asset class of infrastructure has also made notable gains in SI – rising from 26% in 2021 to 45% in 2022.

### Long-term investment risk is key

Asset owners that are implementing and evaluating SI are motivated by risk management, with 57% of all asset owners admitting that mitigating long-term investment risk is a key factor. Avoiding reputational risk is 19% points less likely to be a motivator for asset owners in 2022 – falling from 57% in 2021 to 38%.

There remains a correlation between the size of the organization and a heightened focus on risk. Three in four (73%) respondents with an AUM of \$10bn or more cite this reason compared with just 42% of asset owners with an AUM between \$1bn and \$10bn.

Mitigating long-term investment risk remains a top priority across regions. However, in the Americas, the regulatory requirement of SI has seen the number of asset owners deeming it as rationale for implementing or

considering SI in their strategies jump from 12% to 36%. Respondents from APAC are more concerned with capturing investment returns from SI opportunities (58%), compared to other regions (Americas: 39%, EMEA: 28%).

## SI is facing a data problem

The number one barrier to increased SI adoption across asset classes is concerns about availability of ESG data and the use of estimated data (50%). Lack of standardization in ESG data, scores and ratings, and concern about the lack of quality or consistency of corporate reporting and disclosures follow in joint second (41%).

The costs of SI adoption have dropped in importance across asset owners quite significantly – falling from 29% in 2021 to 12% in 2022. Other barriers to increased SI adoption include: concerns about SI methodology (33%), questions about how to determine best strategy or combination of strategies for my portfolio (27%), concerns about financial performance (24%) and limited historical data (23%).

## Asset owners' SI priorities are changing

Social themes are the key priority for asset owners – increasing from 60% in 2021 to 73% in 2022. Broader environmental considerations come second in the list of priorities at 58%. Carbon/climate has fallen behind social and environment, with 41% considering it a priority in 2022. Asset owners are less likely to consider climate/carbon a key priority in 2022 – falling from 67% in 2021 to 41%. Despite the drop in prioritization of climate/carbon in favor of social themes, the level of concern with the investment impact of climate risk remains roughly stable among asset owners (52% most concerned, compared to 47% in 2021).

While priorities are similar across regions, APAC is more likely to emphasize broader environmental considerations (72%), compared to the Americas (53%) and EMEA (48%). Climate/carbon was a top priority in EMEA in 2021 (77%), but now sits as a priority for 36% of asset owners across EMEA in 2022 and has taken a back seat to social themes (65%).

Diversity & inclusion (52%), public policy (49%), and labor rights (47%) would be top priorities for asset owners if the data related to social themes was more readily available. Diversity and inclusion would be a key priority for respondents in APAC (66%), the highest out of all regions. The larger asset owners, with AUM of \$10bn or more, drive the prioritization of diversity & inclusion at 76%, followed by social standards at 48%.

## The positives of sustainable investment regulation

Sustainable investment regulation had several positive outcomes for investors that could drive sustainable investment adoption. Thinking about how regulatory and market developments can help investors, 66% of asset owners (up from 48% in 2021) cite consolidation of ESG reporting standards bodies, such as GRI, CDP and SASB.

**Sylvain Château, Global Head of SI Product Management, Benchmarks & Indices at FTSE Russell comments:** “Our latest survey takes an in depth look at the priorities, challenges, and opportunities within sustainable investment for asset owners globally. It once again emphasises the importance of sustainable investment for asset owner strategies and sustainable investing is now truly mainstream around the globe. It’s also interesting to see that in sustainable investing fixed income is now as much top of mind as the equity space.”

**Cornelia Andersson, Group Leader, Sustainable Finance and Investment at LSEG comments:** “Our survey demonstrates the continual evolution of sustainable investment among Asset Owners and the differing priorities across global regions. The current economic headwinds and the adjustments we are seeing in sustainable investment strategies, reinforces the ever-increasing need for robust and in-depth data to make informed decisions in this ever-changing economic environment.”

For more information about the survey, please visit: <https://www.ftserussell.com/index/spotlight/sustainable-investment-global-survey-findings-asset-owners>.

**ENDS**

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**Notes to editors:**

Since 2018, FTSE Russell has annually interviewed asset owners globally to understand their priorities, frustrations, and opportunities in SI.

FTSE Russell spoke to 184 asset owners with AUM between US\$1.1 trillion and US\$3.0 trillion between April 25 – May 18, 2022.

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