

Sustainable investment in Asia-Pacific still high despite dip, according to FTSE Russell global asset owner survey

- Nine in 10 (90%) asset owners in the Asia-Pacific region have implemented or evaluated sustainable investment (SI) in their investment strategies, dropping from 97% in 2022.
- Fixed income remains the top asset class for SI allocations in APAC (66%), higher than the global average (45%).
- Governance remains a priority focus for asset owners in Asia-Pacific, with 53% citing it as one of their top three sustainability issues of focus, followed by social themes (43%) and climate/carbon (34%).
- Asset owners in Asia-Pacific find that recent regulatory developments around SI are helpful for investors

FTSE Russell, the leading global index provider, has today published the results of its 2023 global asset owner survey, an annual study analysing how sustainable investment (SI) is perceived, considered, and used by asset owners across the world.

Tony Campos, Head of Sustainable Investment, Index Investments Group at FTSE Russell, says: “While we see that SI in the Asia-Pacific region has dipped in line with global trends, the number of asset owners who continue to focus on SI in their strategies remains high. We are seeing more awareness from asset owners on the importance of including SI, as well as more in-depth feedback around the barriers that they face in adoption. The views expressed by asset owners reflect a need for the industry to clearly define ESG parameters for both asset owners and investors alike to better understand SI.”

Sylvain Château, Global Head of Product, Sustainable Finance & Investment at LSEG, comments: “Our research demonstrates the continual evolution of SI among asset owners and the differing priorities across the globe. While the long-term trend for SI reflects a very positive trajectory, macroeconomic and geopolitical factors have influenced respondents’ short-term sentiment. Additionally, accessing the right data and choosing effective data partners can help to alleviate concerns around gaps in data and poor data quality. But as sustainable investment strategies continue to mature and a focus on governance grows, the quest for the right data is likely to become an even greater priority for asset owners.”

Interest in sustainable investment dips in Asia-Pacific

Nine in 10 (90%) asset owners in the Asia-Pacific region have implemented or evaluated SI in their investment strategies in 2023, dropping slightly from 97% last year. This is in line with a global directional dip to 80% this year, from 88% in 2022.

Globally, client demand continues to drive motivation for implementing or considering SI – a trend defied by the Asia-Pacific region. 52% of asset owners globally cited client demand this year, an increase from 42% last year. In Asia-Pacific, this number slid from 45% last year to 29% this year.

Satisfaction with ability to deliver investment outcomes while implementing SI has also dropped in the Asia-Pacific region from 79% last year to 49% this year. This is in line with a global dip in satisfaction from 63% in 2022 to 58% in 2023.

Fixed income dominates SI allocations in APAC, sovereigns lead sustainability implementation

Fixed income remains the top asset class for SI allocations in APAC (66%), significantly higher than the global average of 45%. This is followed by infrastructure (44%) and private real estate (43%). Among fixed income asset classes, sovereigns topped the asset classes in which sustainability considerations have been implemented for the Asia-Pacific region, in contrast to the global preference for credit/corporate returns.

Similar to last year, separately managed accounts remain the preferred investment vehicle for Asia-Pacific asset owners to accomplish SI goals, but to a lesser extent. Distribution among the four investment vehicles used or planned to reach SI goals this year for Asia-Pacific is relatively even – separately managed accounts remain at the top (45%), followed by listed derivatives (41%), comingled/pooled funds (39%) and exchange traded funds (31%).

Asset owners find regulatory developments helpful for adoption, but challenges remain

In terms of sustainability issues, governance (53%) is the top priority focus for asset owners in Asia-Pacific. This is followed by social themes (43%) and climate/carbon (34%). Both social themes and broader environmental considerations (25%) reflected a significant decline from last year, which were 76% and 72% respectively in 2022.

The biggest challenge faced by Asia-Pacific asset owners when trying to meet regulatory requirements is an inability to align their portfolio with SI, cited by 52% of respondents – which may show a lack of clearly defined parameters around what constitutes SI, exacerbated by fragmented market views. Half of asset owners polled did not trust the quality of their data, and with asset owners operating in multiple jurisdictions, differences in disclosure requirements also posed a challenge to 38% of them.

Despite this, asset owners in Asia-Pacific find that recent regulatory developments around SI to be greatly beneficial for them. Two in three (65%) asset owners found the consolidation of ESG reporting standards bodies would be helpful to investors, as well as development of sustainable finance and green taxonomies (58%), as well as investor disclosures around SI strategies and outcomes (45%).

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

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Notes to editors:

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

FTSE Russell spoke to 350 asset owners with AUM between US\$7.9 trillion and US\$14.2 trillion between March 27 – April 28, 2023.

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