



Client demand is driving sustainable investment adoption according to FTSE Russell global asset owner survey

- Sustainable investment (SI) is being driven by client demand across the globe, with 52% of asset owners citing this as the rationale for them implementing or considering SI – rising to 83% in EMEA
- Following five years of steady growth there has been a directional dip in the level of asset owners globally that are implementing and evaluating SI – falling from 88% in 2022 to 80%
- Fewer asset owners are considering or have implemented allocations to active sustainable funds this year compared to 2022, but more are allocating to passive funds
- Governance is now the number one priority for asset owners in all markets (54% in 2023 vs 33% in 2022)
- Data challenges cited as biggest barrier to SI adoption

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.

Tony Campos, Head of Sustainable Investment, Index Investments Group 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 continues to emphasise the importance of sustainable investment for asset owner strategies, and after five years of steady growth, sustainable investment continues to mature. Although the survey shows a directional dip in adoption, more than three in four respondents are implementing and evaluating sustainable investment, which reflects how established the topic is for asset owners.”

Sylvain Château, Global Head of Product, Sustainable Finance & Investment at LSEG comments: “This survey provides an invaluable source of intel to assess the behaviour of the global asset owner community, with more than 300 respondents to the survey. Our research demonstrates the continual evolution of sustainable investment among asset owners and the differing priorities across the globe. While the long-term trend for sustainable investment 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.”

Client demand drives SI adoption

More than half (52%) of asset owners say that external demand from members and clients is the top reason why they are consistently implementing SI, increasing from 42% in 2022 and 45% in 2021. We observe significant differences by region, with 83% of asset owners in EMEA, compared to 29% in APAC.

Half (51%) of asset owners say their motivation or rationale for implementing or considering SI can be attributed to mitigating long-term investment risk. Avoiding reputational risk (37%) and societal good (36%) are also listed as key motivators for asset owners implementing SI.

Globally, nearly one in three (30%) asset owners say a key motivator is wanting to achieve a better risk-adjusted performance, with this figure rising to 46% in EMEA.

Sustainable investment continues to mature

The influences of macroeconomic factors and geopolitical volatility have affected SI implementation. Following five years of steady growth, the data highlights a directional dip from 88% to 80% in the level of asset owners globally that are implementing and evaluating SI.

Fixed income remains the top asset class for SI allocations globally, with 45% of asset owners having implemented or considered implementing SI in the asset class (compared to private equity at 29%). Infrastructure continues to make gains in EMEA, rising from 42% in 2022 to 59% in 2023 – this is compared to 44% globally.

Increasing demand for passive instruments

As the wider institutional investment industry charts a continuous shift of fund flows from active to passive, the same trend is occurring for SI. For the first time since this survey launched, we observe that as many asset owners are implementing passive strategies as active strategies (73%). In just one year, investors strategies have changed significantly, with an 11-percentage point drop in active strategies and an impressive 15-percentage point increase in passive strategies.

In EMEA, 79% of asset owners are implementing active strategies, compared to 63% implementing passive strategies.

Governance is the top priority for asset owners

Governance is a priority that has significantly risen across all regions, increasing notably from one in three (33%) in 2022 to 54% of asset owners globally in 2023. In EMEA, climate/carbon has increased significantly as a priority among asset owners – rising from 36% in 2022, to 73% in 2023.

Across asset owners globally, social themes have fallen as a priority, dropping from 73% in 2022 to 37% in 2023. In EMEA, this has dropped from 65% to 40%.

Data challenges

While the barriers to SI remain varied, the most significant challenge to SI adoption is data focused, with half (50%) of asset owners calling out 'concerns about availability of data and the use of estimated data' (46% in EMEA). Among the most challenging factors facing asset owners to meet regulatory requirements is the lack of trust in data quality (58%), in EMEA this figure rises to 64%. Also, 42% of asset owners say data gaps with data essential for reporting form a challenging factor, this rises to nearly three in four (71%) asset owners in EMEA, compared to 34% in APAC.

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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An LSEG Business

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.

About FTSE Russell:

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