

2022 Europe, Asia, North America ESG Research - Results



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-  **Objectives and Methodology**
-  General Perception and Utilization of ESG
-  ESG Decision-Making Considerations
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-  Metrics, Measurement and Reporting
-  The Outlook for ESG

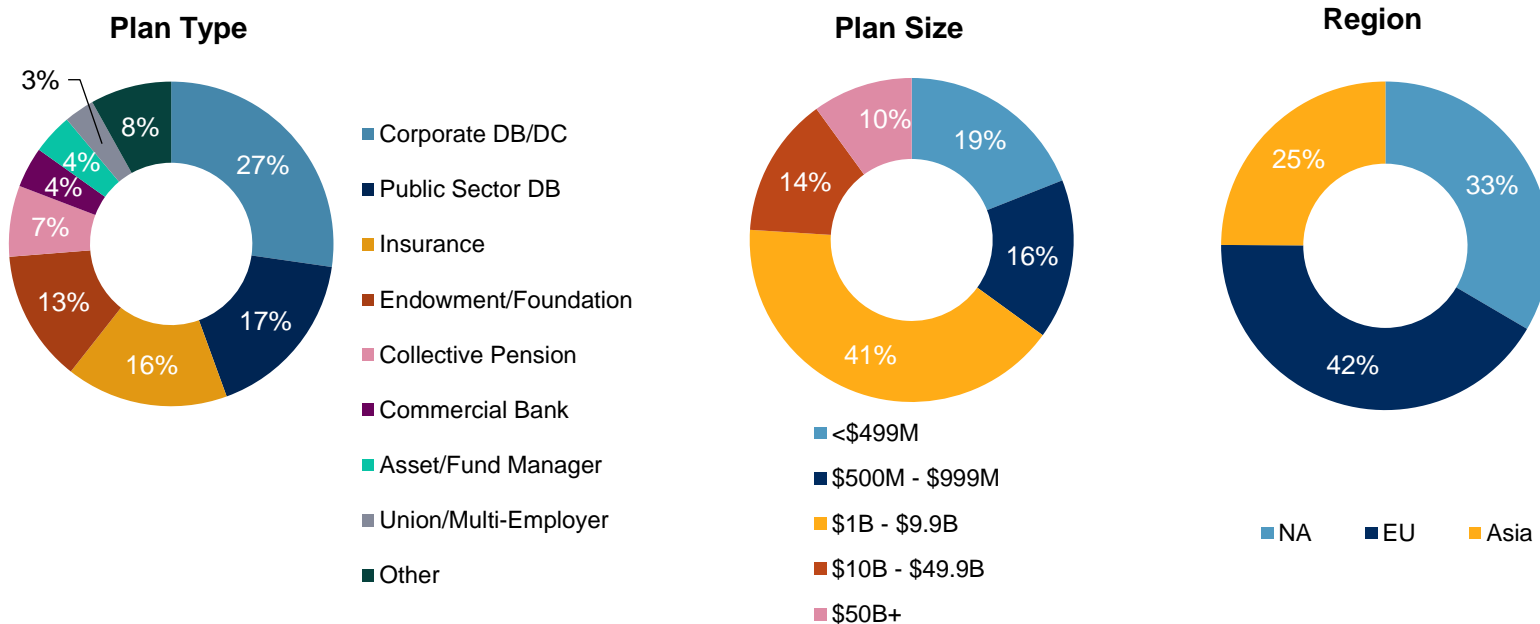
Objectives and Methodology

Coalition Greenwich conducted its fifth market study with institutional investors examining their preferences, perspectives, and future plans for employing ESG.

Results are based on 305 telephone interviews with key investment decision makers at large institutional investors across North America, Europe, and Asia.

Interviews took place from June through August of 2022.

Participant Composition









*Other includes Religious Institution, Sparkasse, and Sovereign Wealth Fund.

S2. Which of the following best describes your institution type? (Base: 305)

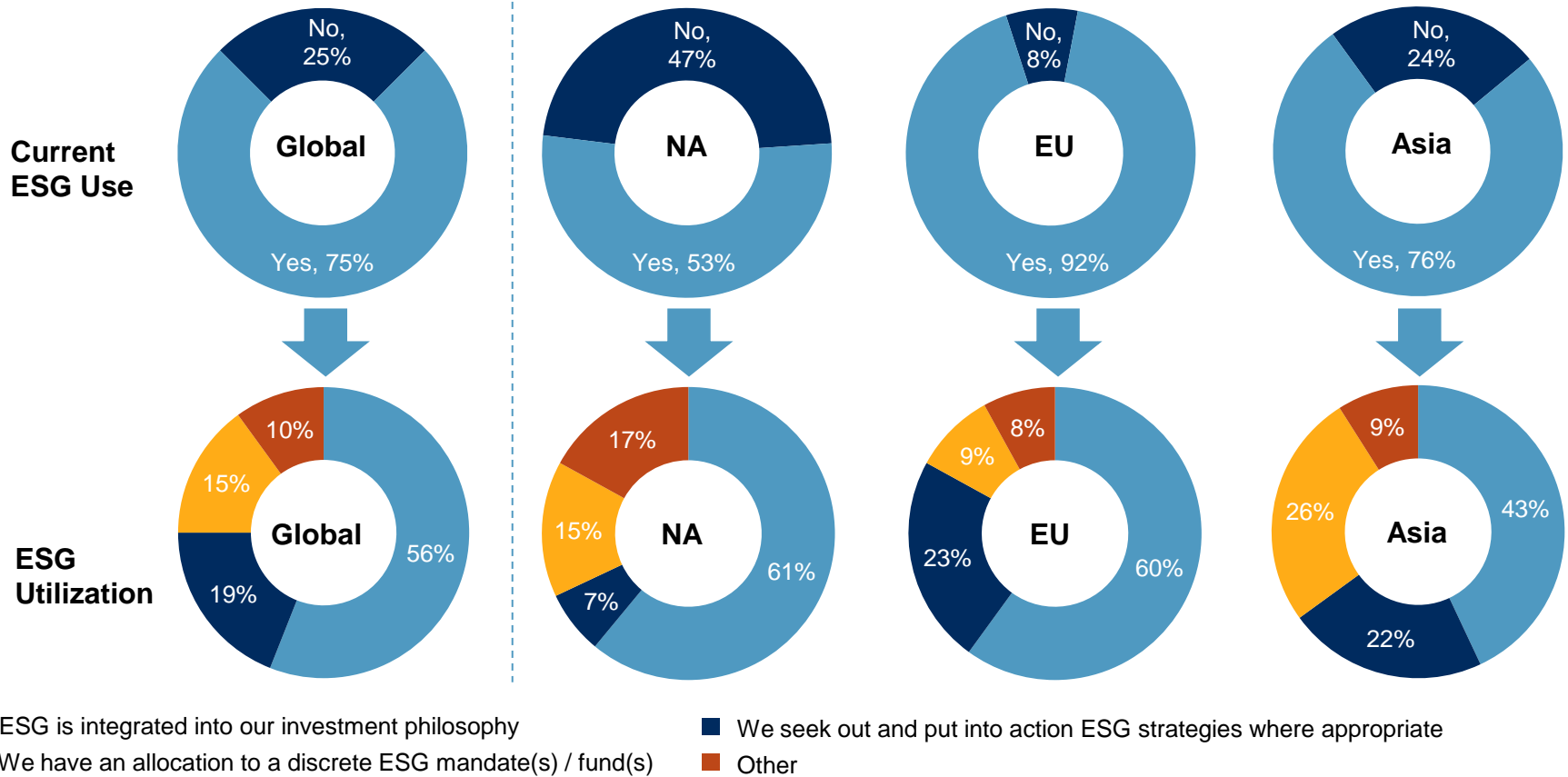
S1. Which of the following ranges represents your institution's total assets under management? (Base: 305)

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Utilization of ESG in Institutional Portfolios

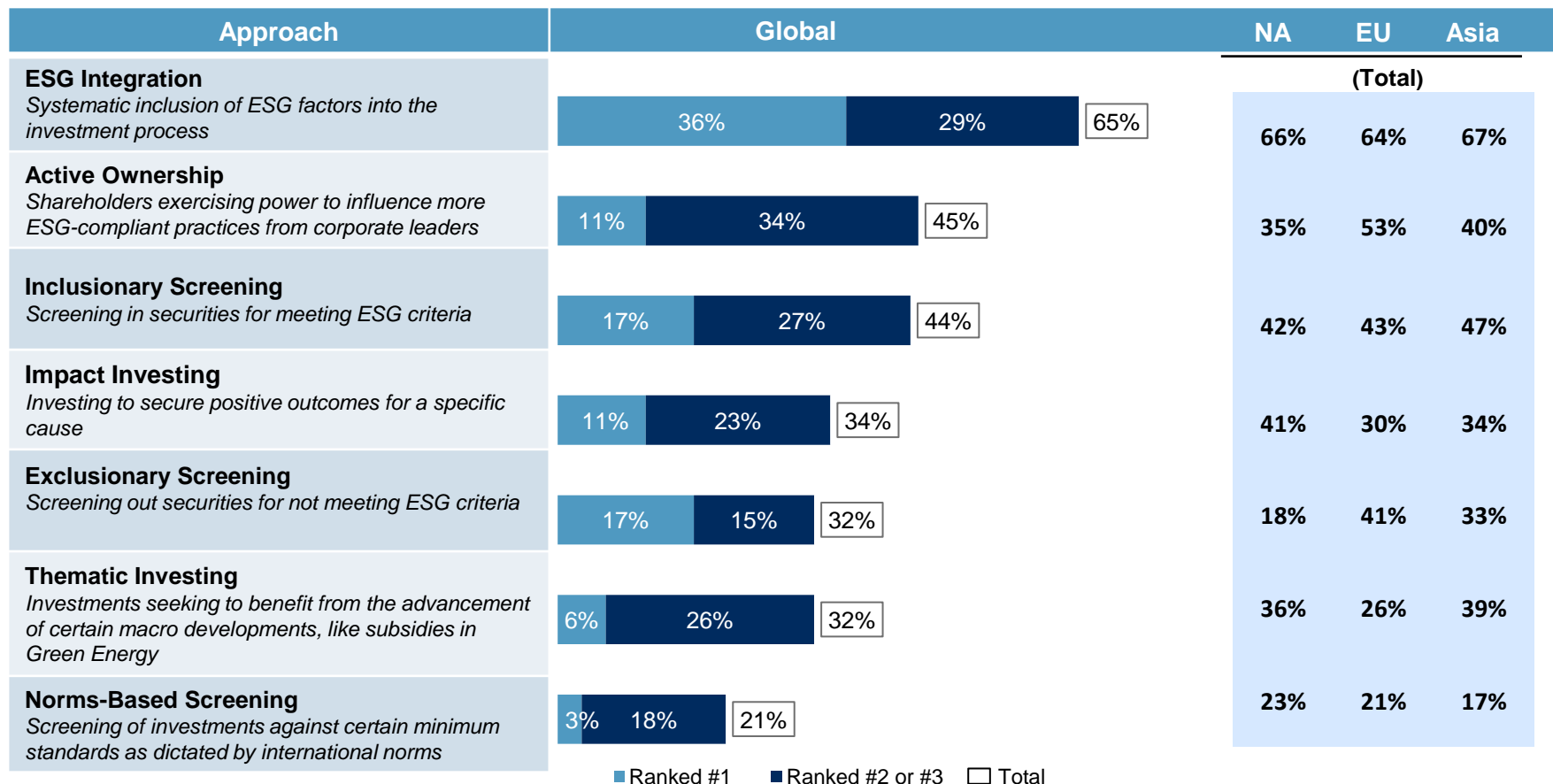
Globally, 75% of investors employ ESG strategies, varying from 53% to 92% across regions; 56% of users integrate ESG into investment philosophy.



Q1. Do you currently employ ESG in your portfolio? (Base: Global (305); NA (102); EU (127); Asia (76))

Approaches to ESG Implementation

Systematic inclusion of ESG remains the preferred approach across regions; only other approach with >50% appeal is active ownership, in Europe.

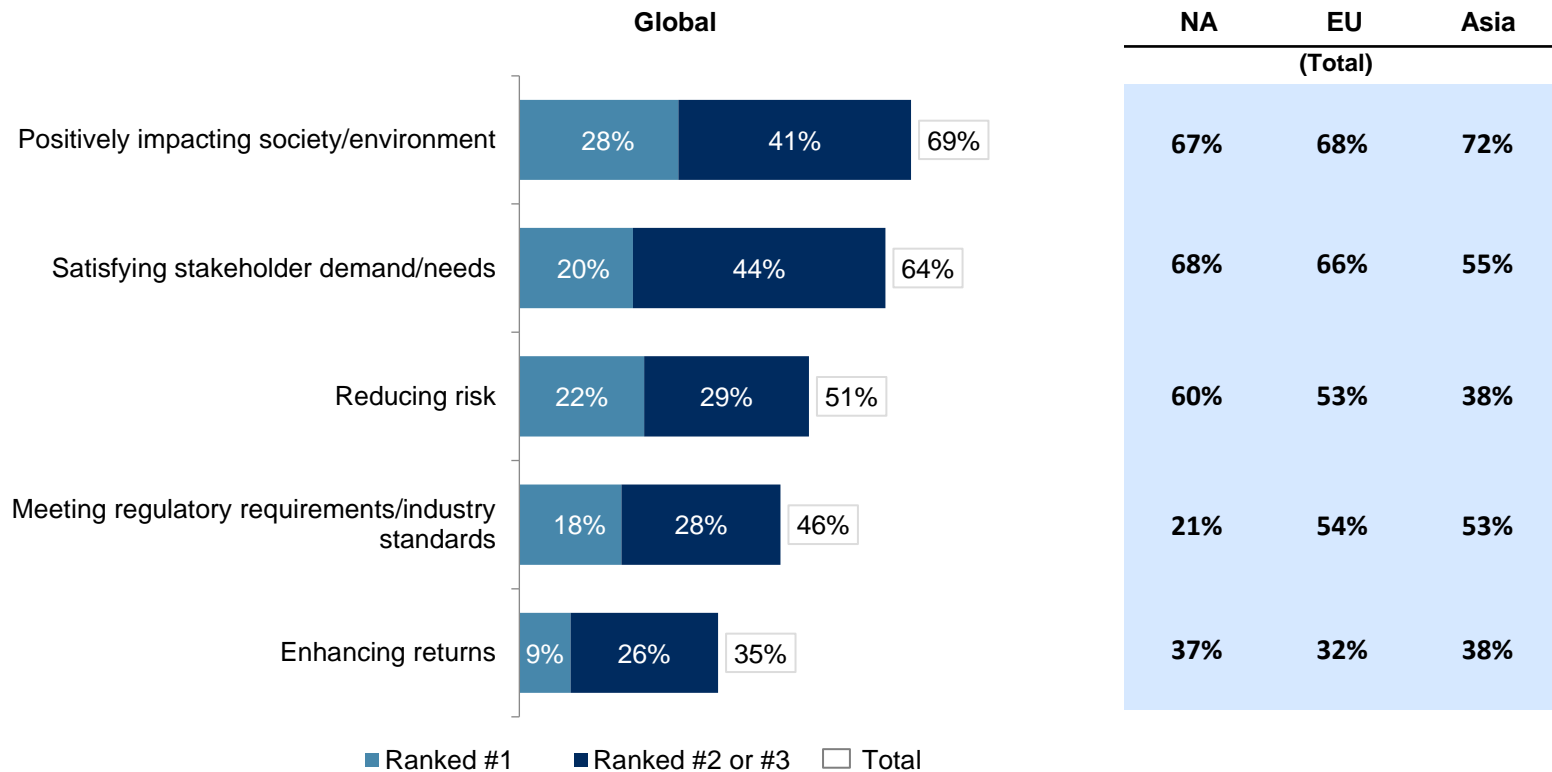


Q18. Of the following approaches to ESG investing, which ones are the most appealing to you when considering an ESG manager or strategy? Please rank top 3. (Base: Global (271), NA (80), EU (125), Asia (66))

Current ESG Investors – Main Objectives







Almost 70% of investors cite positively impacting society/environment as main ESG objective, with satisfying stakeholder demand close behind at 64%.

Main Objective in Using ESG in Europe



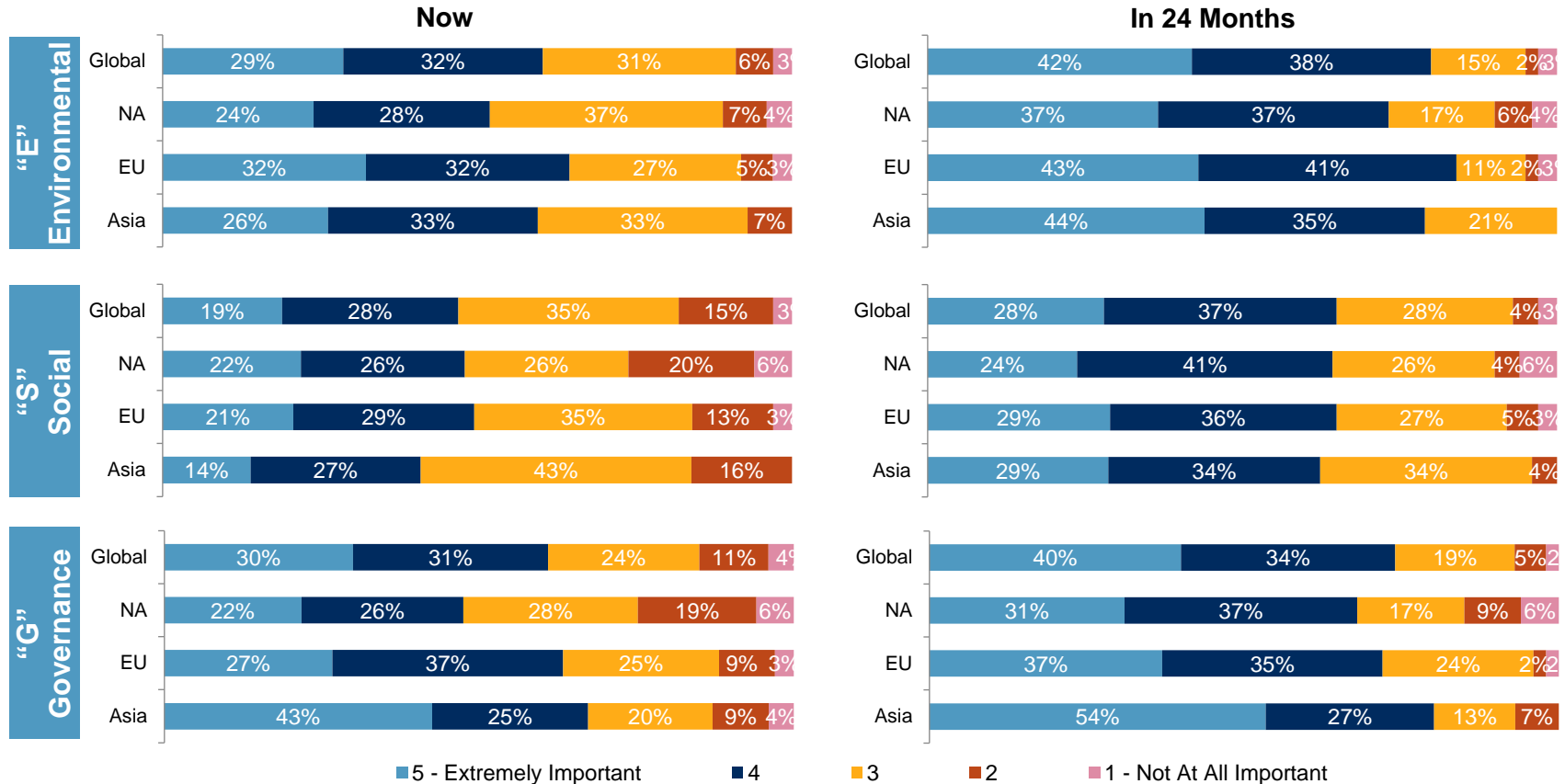
Q2. Which of the following do you consider to be the main objective in using ESG in your portfolio? Rank the top 3, with 1 being the most important. (Base: Global (229), NA (54), EU (117), Asia (58))

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Current Users – Importance of E, S and G

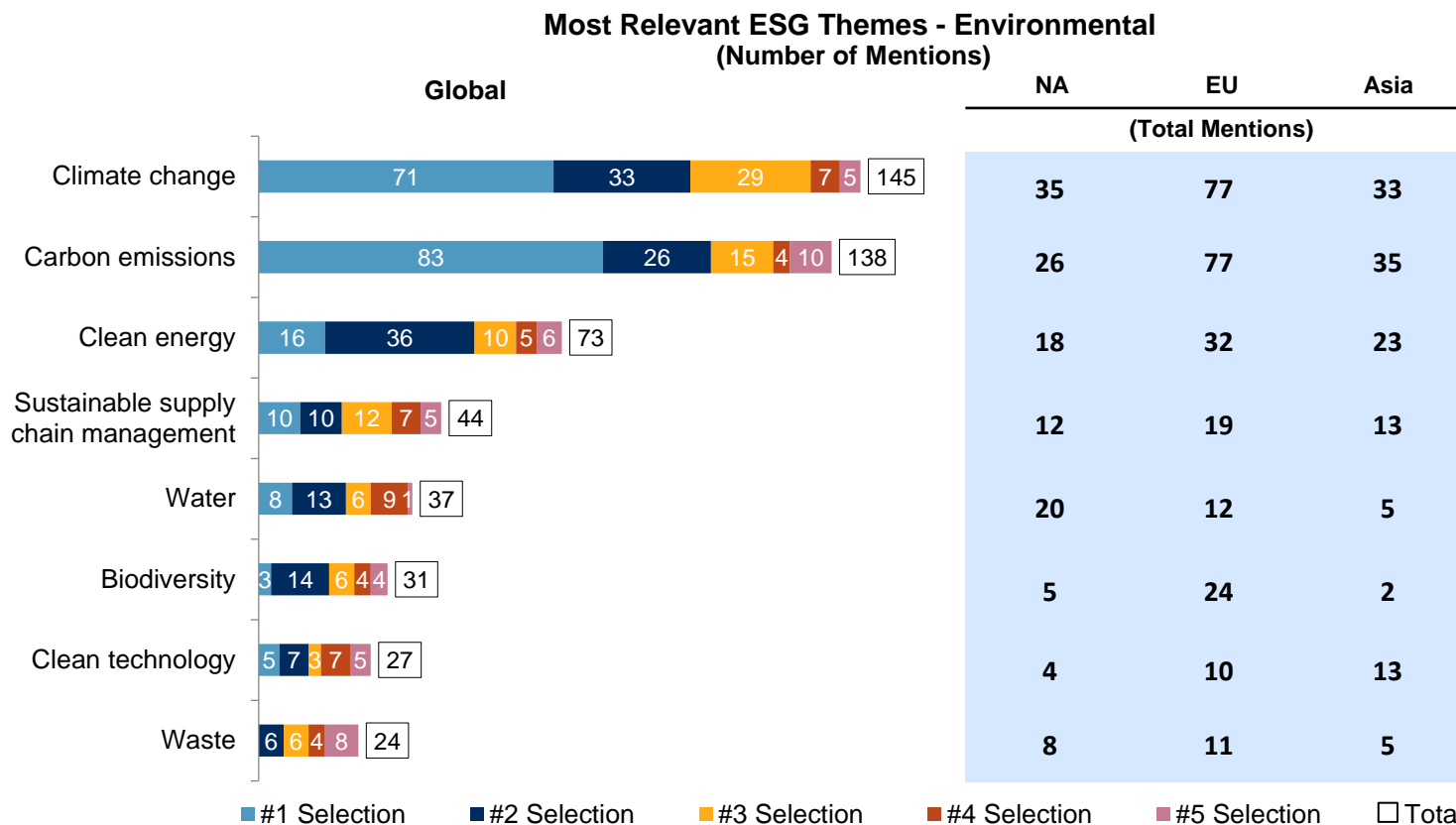
Institutional investors plan to increase their focus on all three components of ESG over the next 24 months, with a particular emphasis on the ‘E’ and ‘G’.



Q3. Among the three main constituent parts of ESG - Environmental, Social and Governance – please indicate how important their role is in your organization’s investment approach now, and how important you think they will be in 24 months? (Please use a scale from 5 = “Extremely Important” to 1 = “Not at all important”.) (Base: Global (229), NA (54), EU (117), Asia (58))

Most Important ESG Issues – Environmental

Most relevant ‘E’ themes noted across all regions are carbon emissions & climate change, which were cited twice as often as other themes globally.

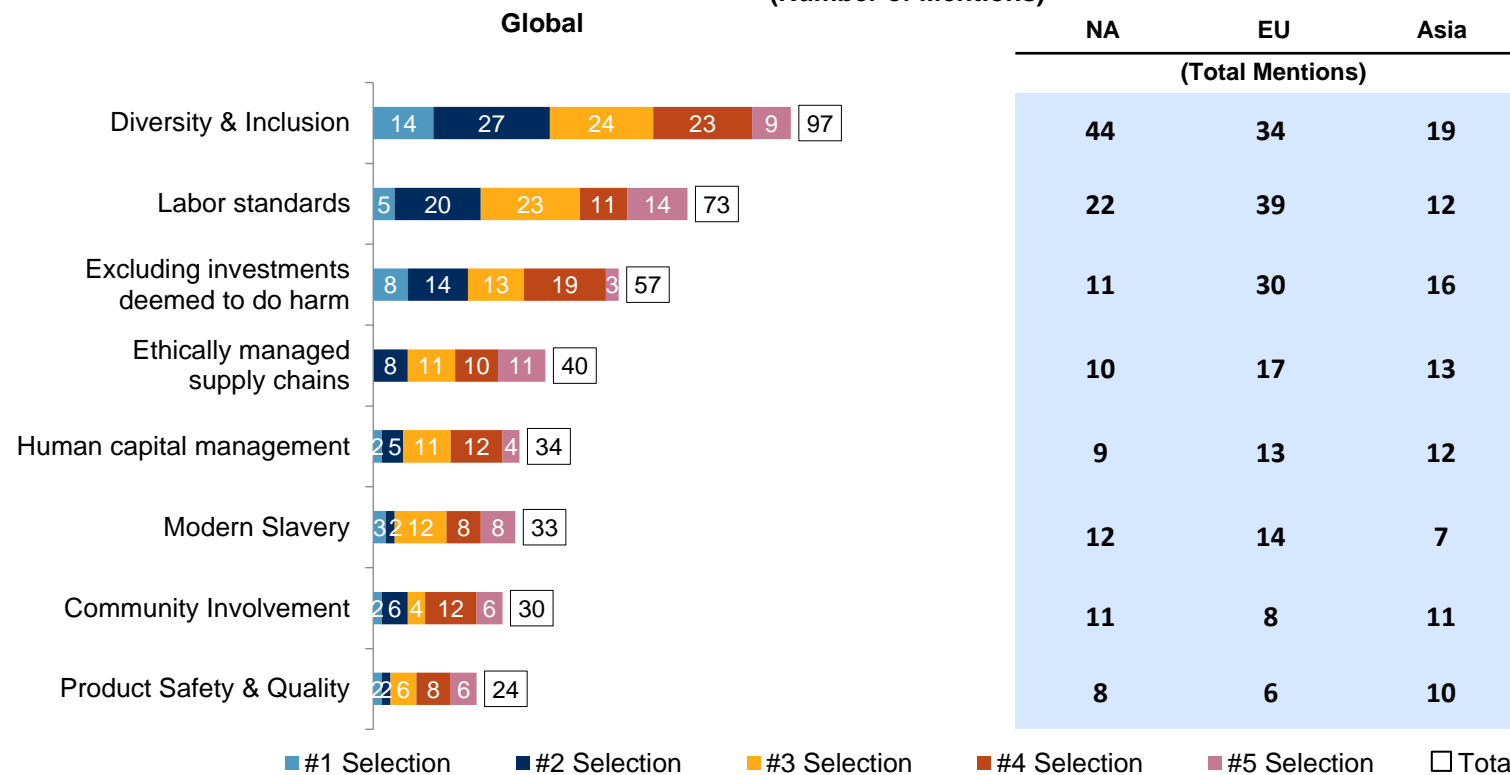


Q20. Which ESG causes or themes are most relevant or meaningful to your organization? Please rank up to five, with 1 being most relevant. (Base: Global (269), NA (82), EU (119), Asia (68))

Most Important ESG Issues – Social

‘S’ themes most relevant for investors are D&I and labor standards, with the former a dominant consideration in NA and the latter a leading issue in EU.

Most Relevant ESG Themes - Social
(Number of Mentions)

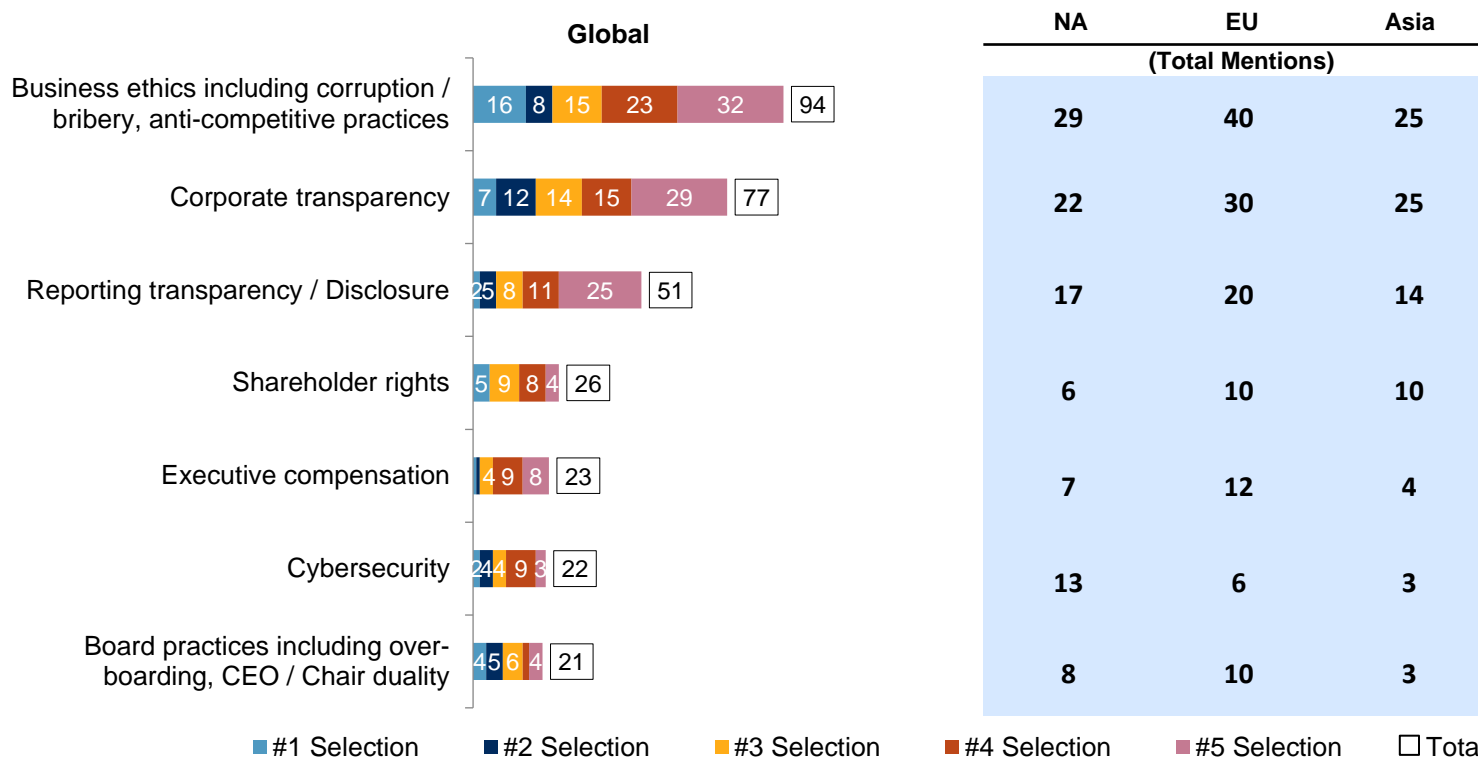


Q20. Which ESG causes or themes are most relevant or meaningful to your organization? Please rank up to five, with 1 being most relevant. (Base: Global (269), NA (82), EU (119), Asia (68))

Most Important ESG Issues – Governance



Across all regions, ‘G’ themes most relevant for investors are business ethics and corporate transparency.

**Most Relevant ESG Themes - Governance
(Number of Mentions)**



Q20. Which ESG causes or themes are most relevant or meaningful to your organization? Please rank up to five, with 1 being most relevant. (Base: Global (269), NA (82), EU (119), Asia (68))

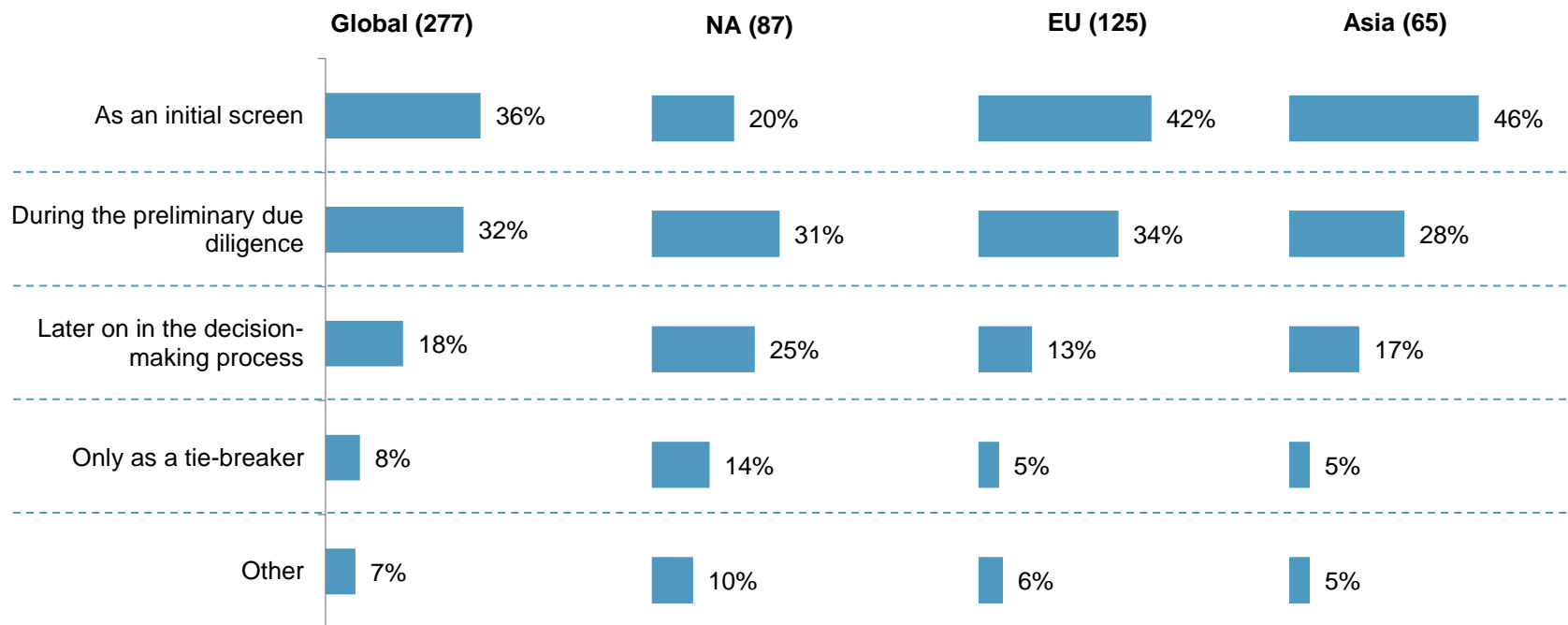
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Review of ESG Credentials in Manager Selection

Globally, investors consider ESG in manager selection early in their decision making process, particularly in Europe and Asia.

Decision Making Stage Where Manager's ESG Credentials Are Evaluated

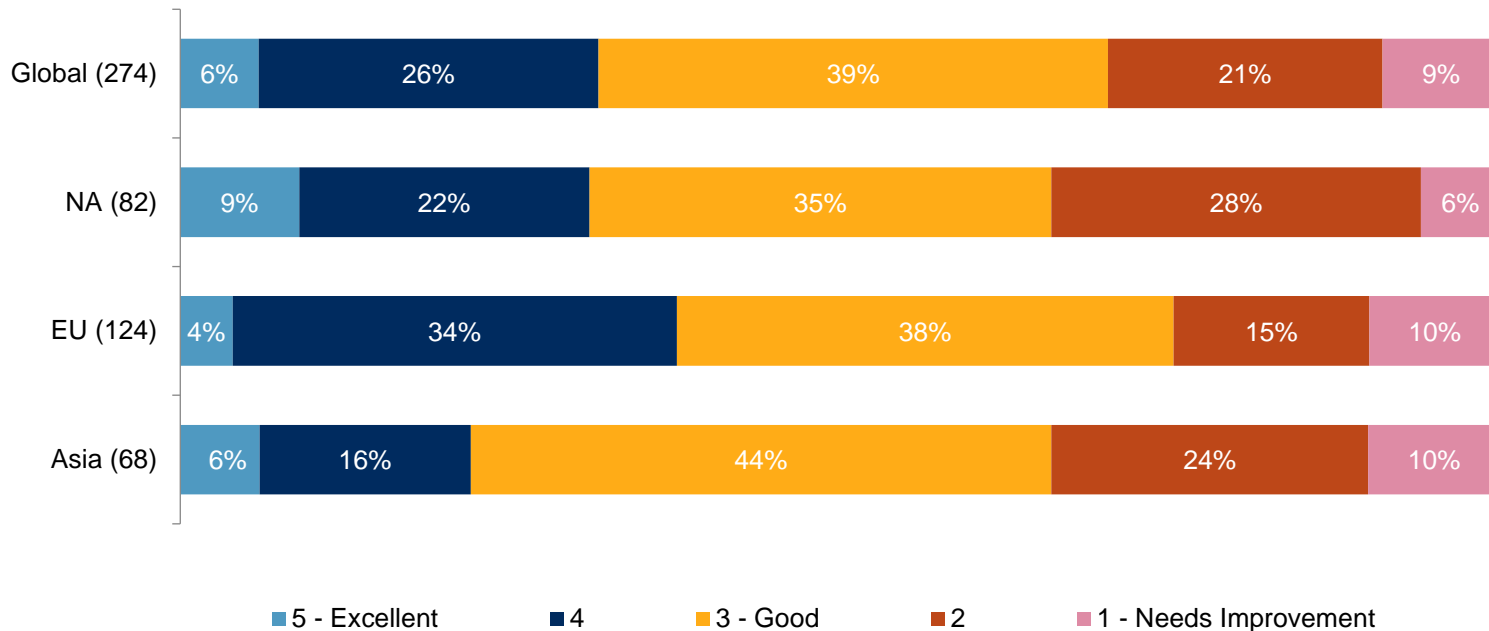


Q12. At what point in the decision-making process would you consider the ESG credentials of a manager or strategy?

Manager Effectiveness of ESG Communication

Globally, only 6% of investors rate managers 'excellent' at communicating and evidencing their ESG approaches.

Managers' Effectiveness in Communicating and Evidencing ESG Approaches

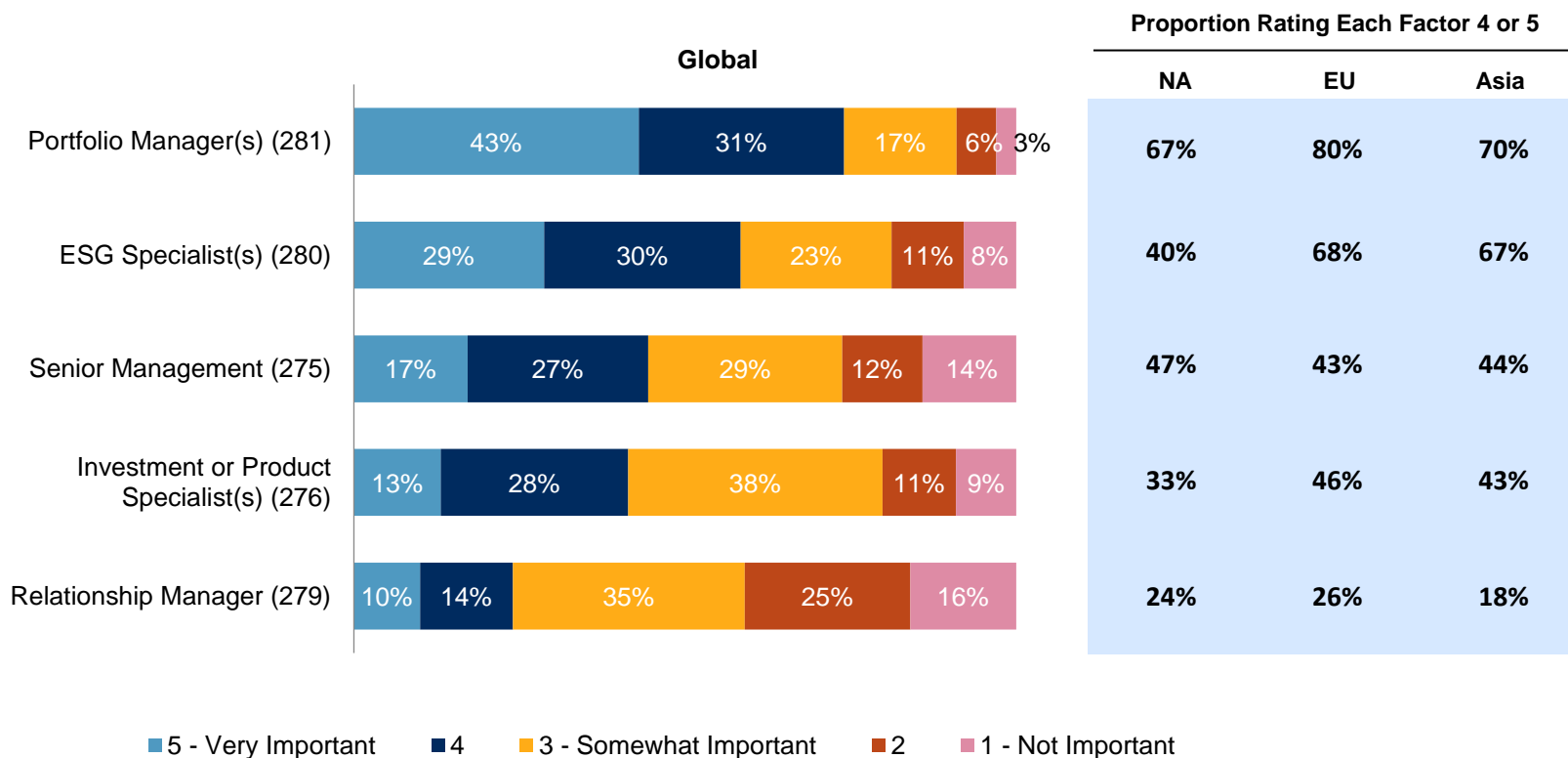


Q15 On a scale of 1 to 5, where 1 is "Needs Improvement" and 5 is "Excellent," how well, on average, do investment managers communicate and evidence their ESG approaches?

Manager Source of ESG Communication

Across all regions, investors consider it important to hear directly from PMs and ESG specialists when discussing ESG investment approaches.

Important Sources of ESG Communication from Managers



Q14. When investment managers discuss their ESG approach, on the same 5 point scale, how important is it for you to hear from people in the following roles?

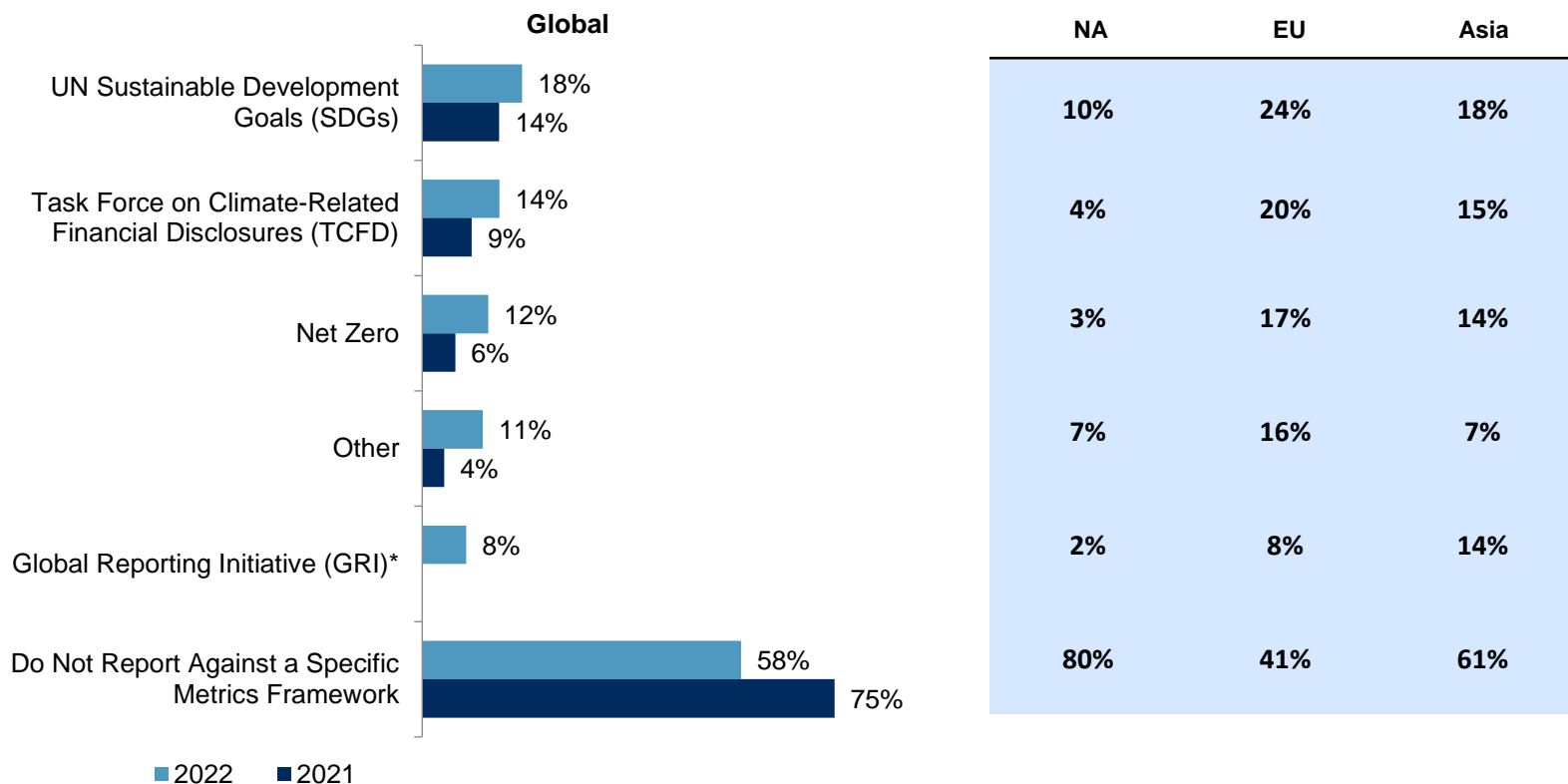
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Metrics Frameworks for ESG Reporting

58% of investors globally do not report against a specific metric framework, down from 75% in 2021; those who do report tend to use SDGs or TCFD.

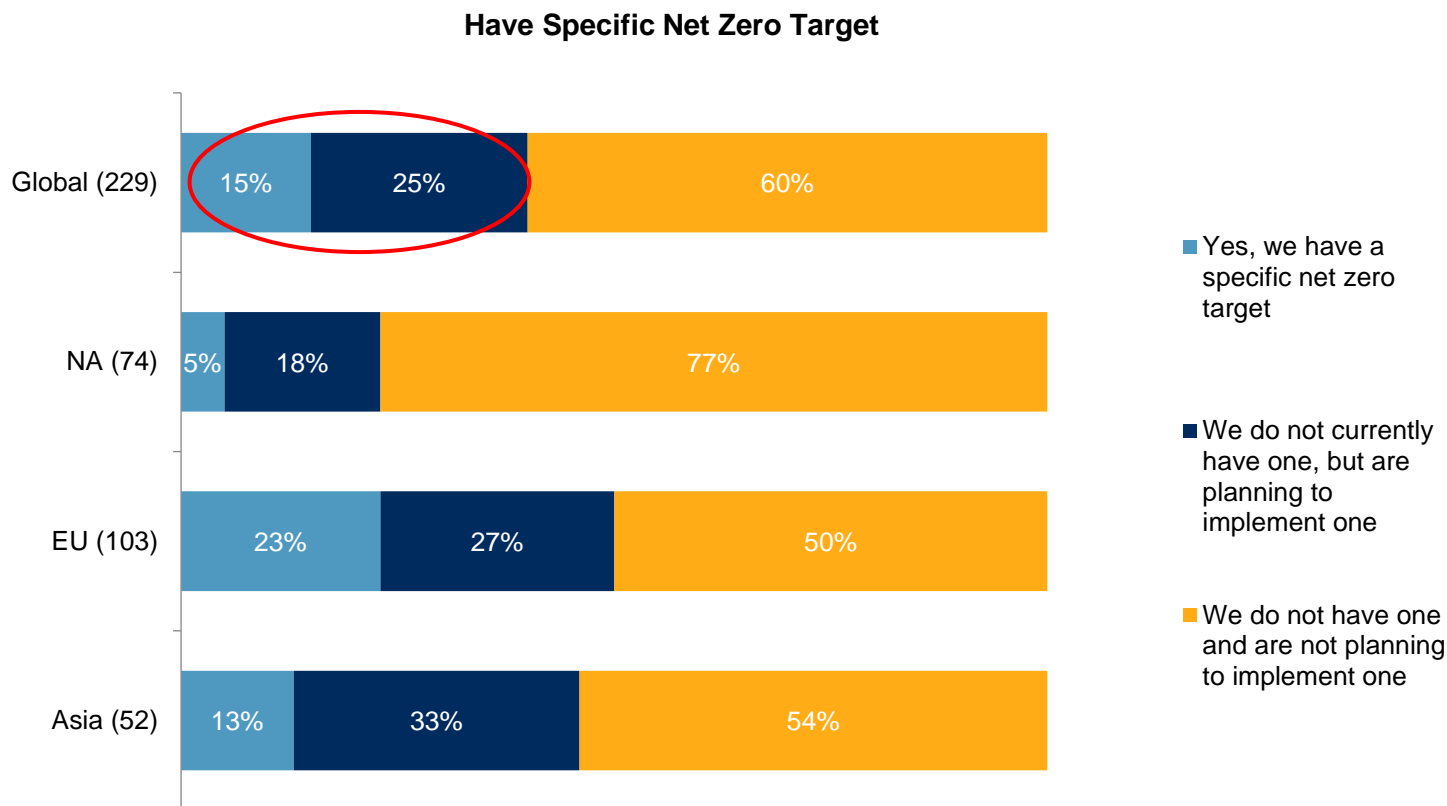
Metrics Frameworks Used for ESG Reporting in Europe



*Note: Global Reporting Initiative was not asked in 2021
Q25. Do you report against a specific metrics framework? (Base: Global 292 (2022); 277 (2021))

Adoption of Net Zero Target

Globally, 40% of investors currently have or plan to implement a Net Zero target; this varies widely by region, with NA at 23% and Europe at 50%.

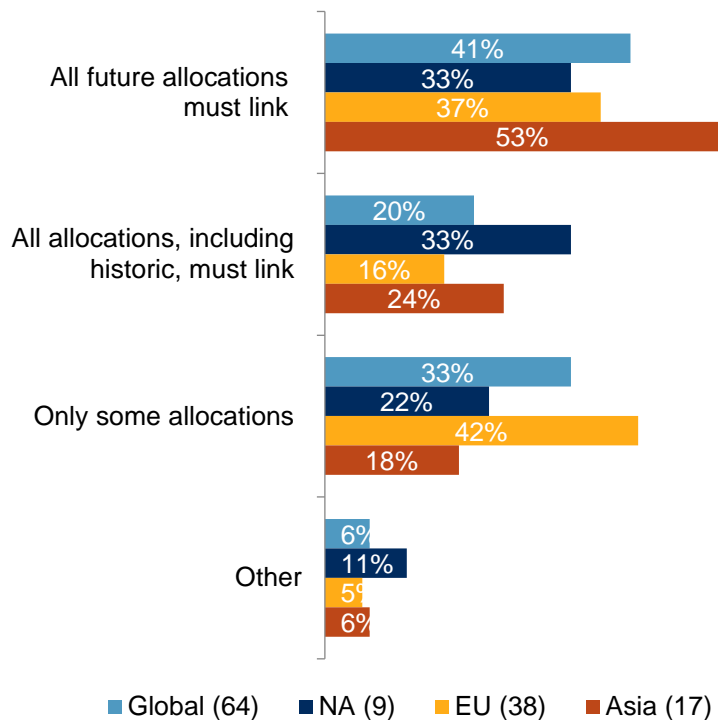


Q26. Do you have a specific net zero target?

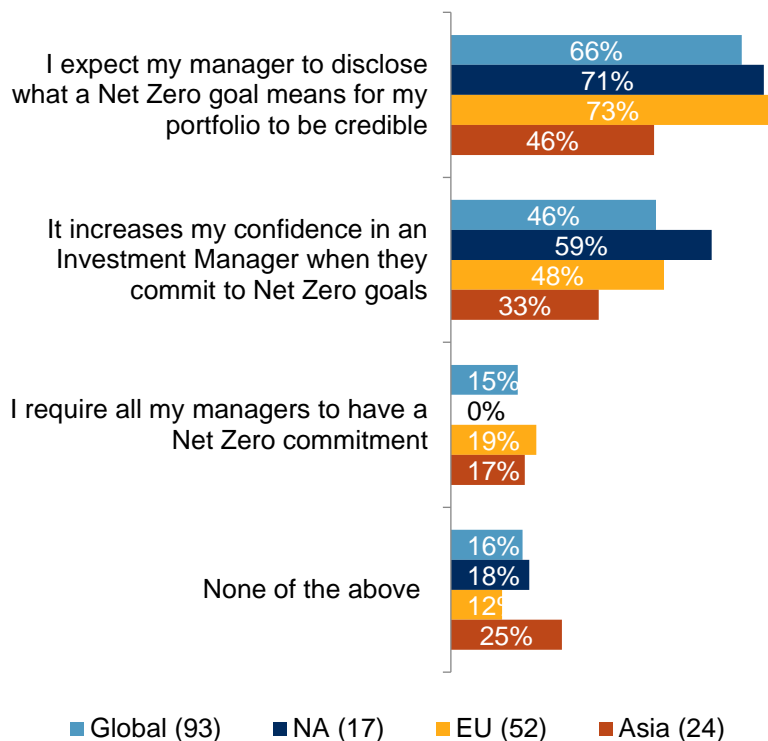
Adoption of Net Zero Target (cont.)

41% of investors adopting/plan to adopt Net Zero want future allocations linked to target; 66% expect their managers to disclose portfolio impact.

Allocations Linking Back to a Net Zero Target



Net Zero Expectations for Managers

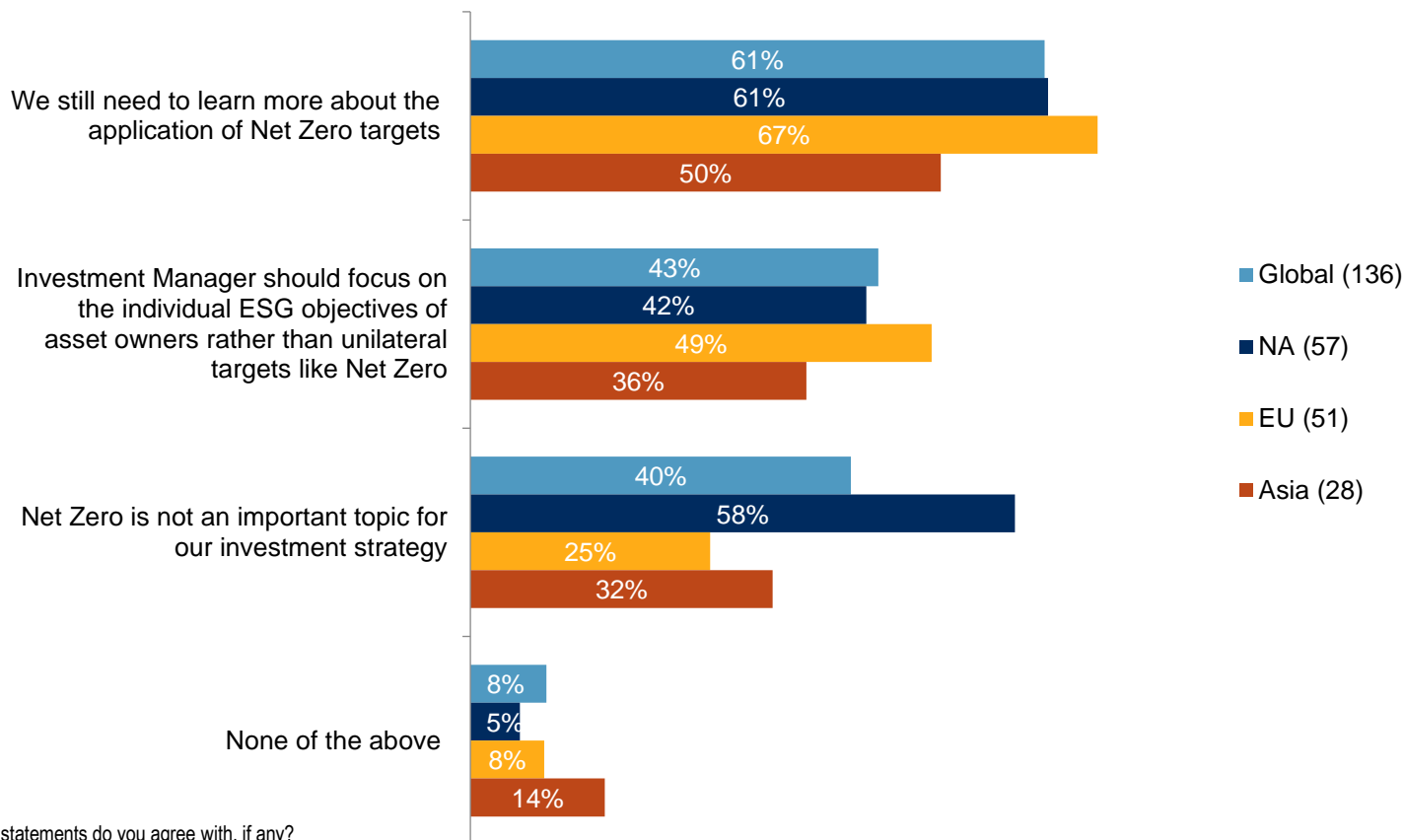


Q26a. Do all allocations have to link back to the target?
 Q26b. Which of the following statements do you agree with, if any?

Reasons for Not Having a Net Zero Target

Investors without a Net Zero target indicate a need to learn more about it; Net Zero is a less important topic in NA compared to Europe and Asia.

Reasons for NOT Adopting a Net Zero Target



Q26c. Which of the following statements do you agree with, if any?

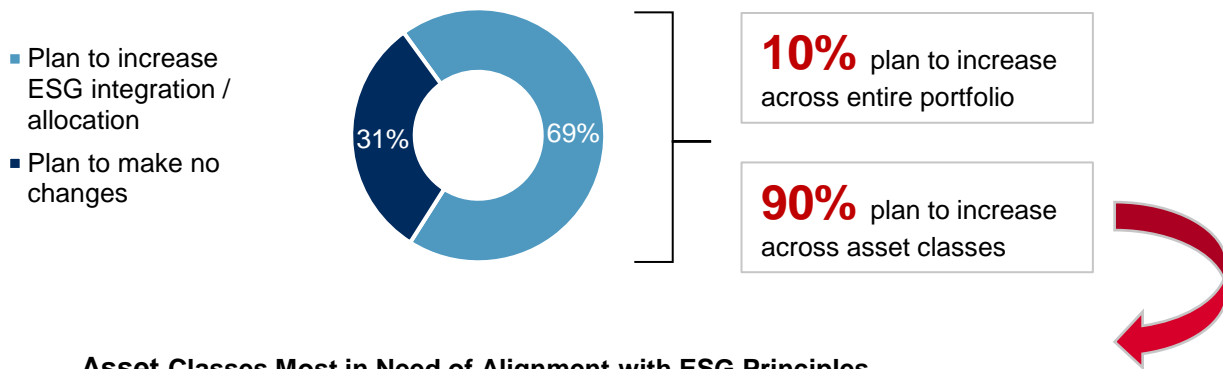
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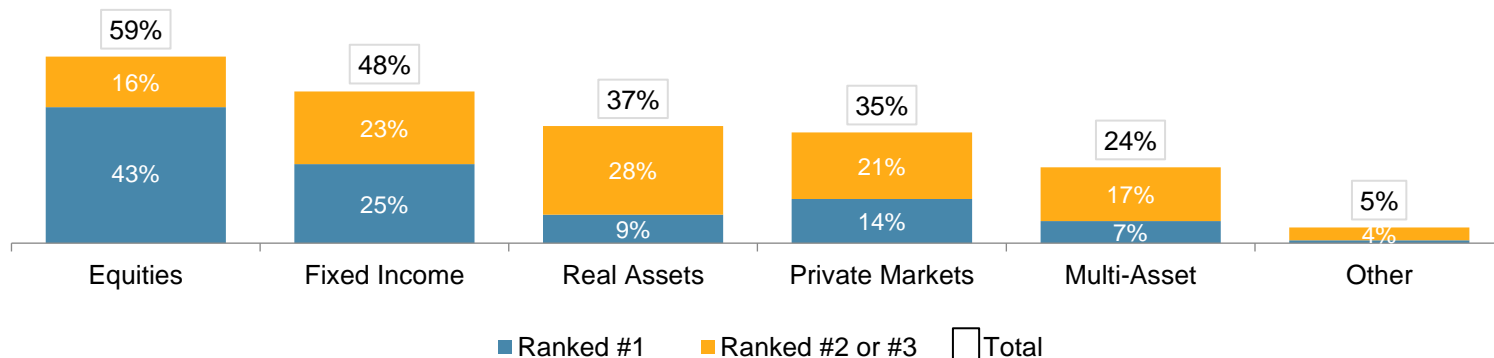
Changes to ESG Use in Next 3 Yrs. – All Investors

Globally, almost 70% plan to increase ESG integration/allocation in next 3 yrs.; equities are most in need of ESG alignment, followed by fixed income.

Expected Changes to ESG Usage in Next 3 Years



Asset Classes Most in Need of Alignment with ESG Principles

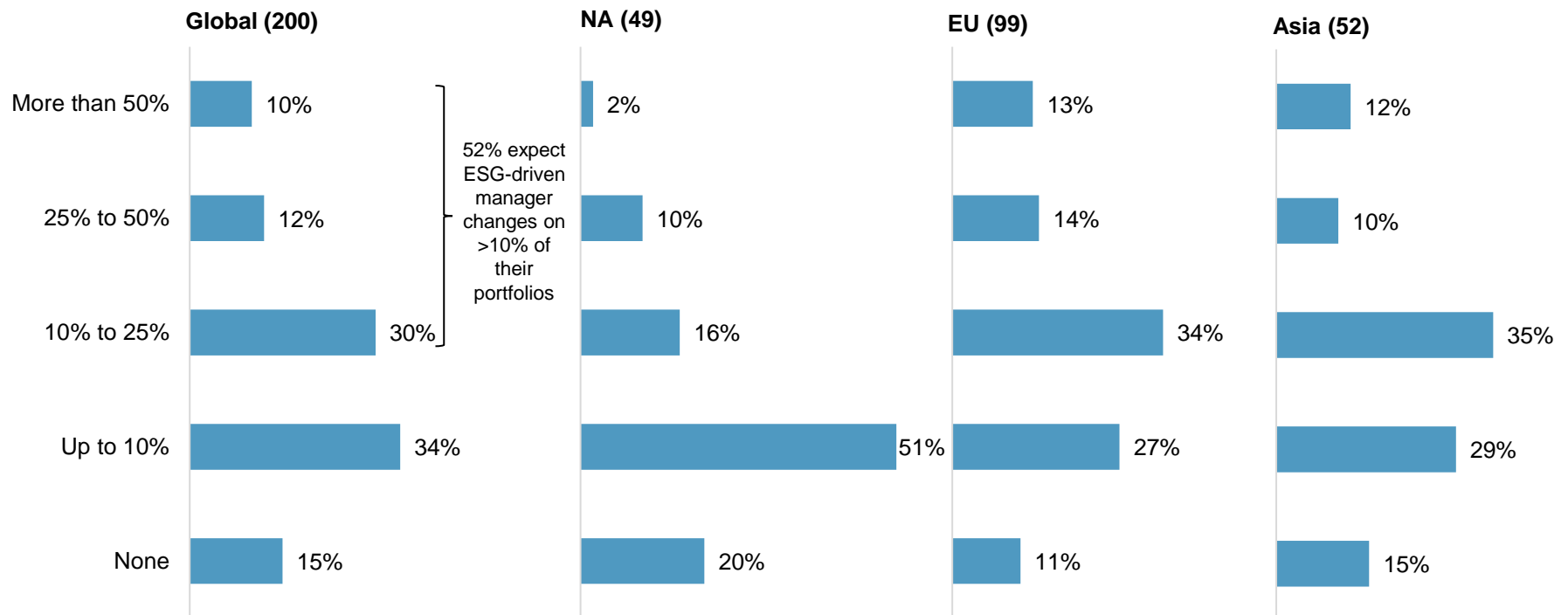


Q32. Over the next three years, how do you plan to use ESG in your portfolio? (Base: 285)
 Q32a. Which areas of your portfolio are most urgently in need of greater alignment with ESG principles? (Base: 166)

ESG Manager Changes Over 5 Yrs. – Current Users

Just over half of current ESG investors expect to make manager changes on >10% of their portfolios in the next 5 years due to ESG considerations.

Percentage of Portfolio Potentially Undergoing Manager Changes in Next 5 Years Due to ESG Considerations



Q4. Over the next 5 years, what percentage of your portfolio could potentially undergo manager changes due in large part to ESG considerations?

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