



CORE | DATA

ESG Global Outlook 2021

ABOUT US

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

It provides clients with bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research, database hosting and outsourcing services.

CoreData provides both business-to-business and business to-consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

GLOBAL PRESENCE, LOCAL FOCUS



The Research

- This is US/European and APAC Research
- Locally we have polled 2000 Australian Mass Affluent and HNWI
- Locally 6 Adviser Focus Groups - specializing in Behavioral Segments

This Isn't A New Idea



Let's Start With A Definition

Environmental

- Waste and Pollution
- Resource Depletion
- Greenhouse Gas Emission
- Deforestation
- Climate Change

Social

- Employee Relations and Diversity
- Working Conditions
- Local Communities
- Health and Safety
- Anti Slavery

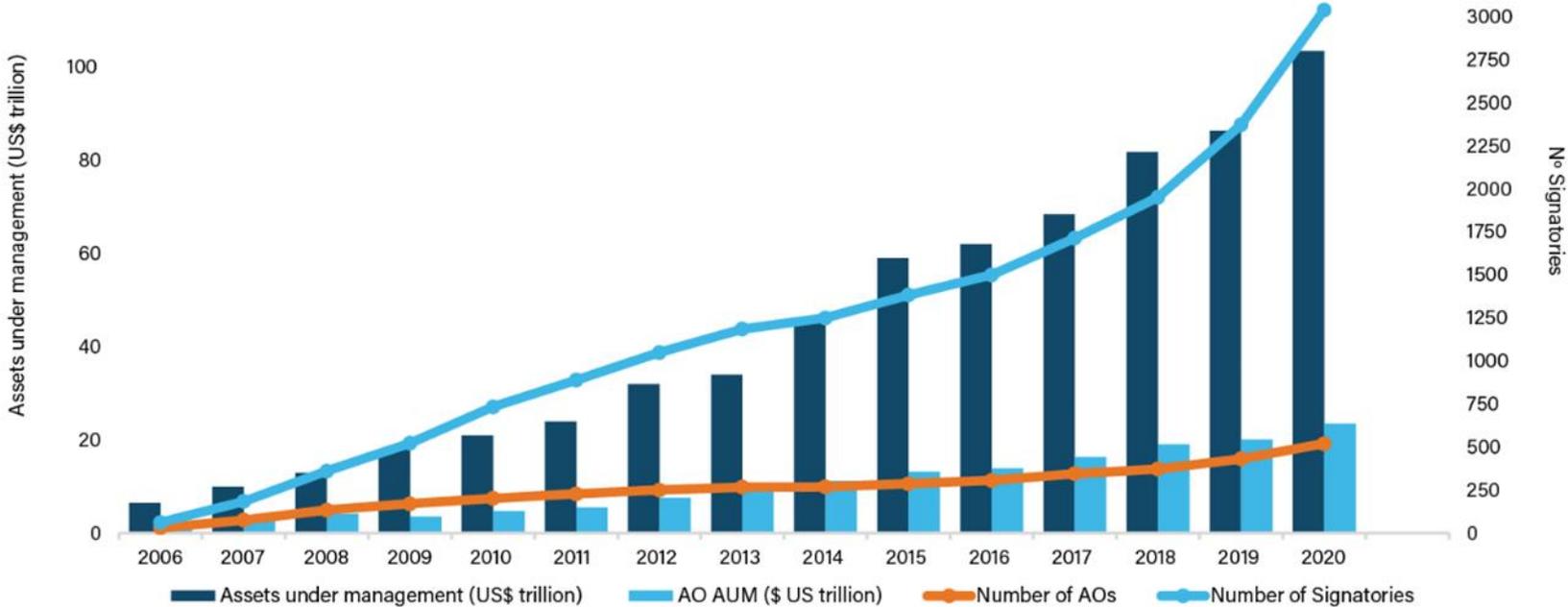
Governance

- Tax strategy
- Executive Pay
- Donations and Political Alliances
- Corruption and Bribery
- Board Diversity and Structure

The Macro Forces

- The adoption of environmental, social and governance (ESG) criteria by investors has reached a tipping point. ESG has moved from niche to mainstream and become an investment megatrend.

- The rapid growth of initiatives such as the UN Principles for Responsible Investment (PRI) underscores this trend. The UN PRI had 63 signatory organisations in 2006, managing a combined US\$6.5 trillion. By 2020, this had ballooned to 3,038 signatories with total AUM of US\$103.4 trillion.



Source: <https://www.unpri.org/pri/about-the-pri>

The Post-Covid Accelerator

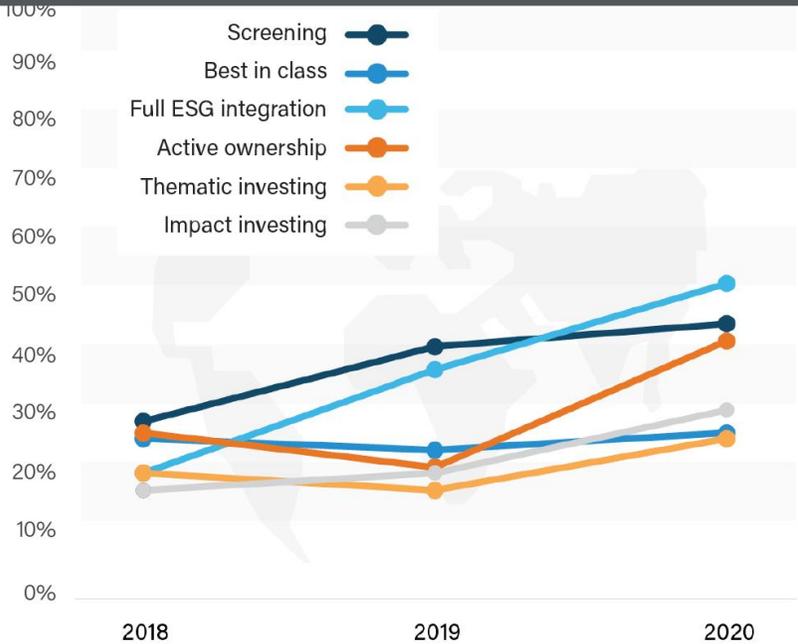
- Our research shows global institutional investors are increasingly adopting more sophisticated and integrated ESG strategies. More than half (51%) now fully integrate ESG into their investment approach – up from 36% in the final quarter of 2019.
- This suggests that far from putting the brakes on ESG investing, the Covid-19 pandemic has accelerated its adoption.

- In addition, usage of active ownership strategies to engage companies on ESG has more than doubled from 19% in Q4 2019 to 41%. And far more investors now use impact investing (29% vs. 18% in Q4 2019) and thematic investing (24% vs. 15% in Q4 2019).
- While the ESG trend was already well underway, these results suggest the pandemic has further encouraged asset owners to consider the purpose and impact of their investments.

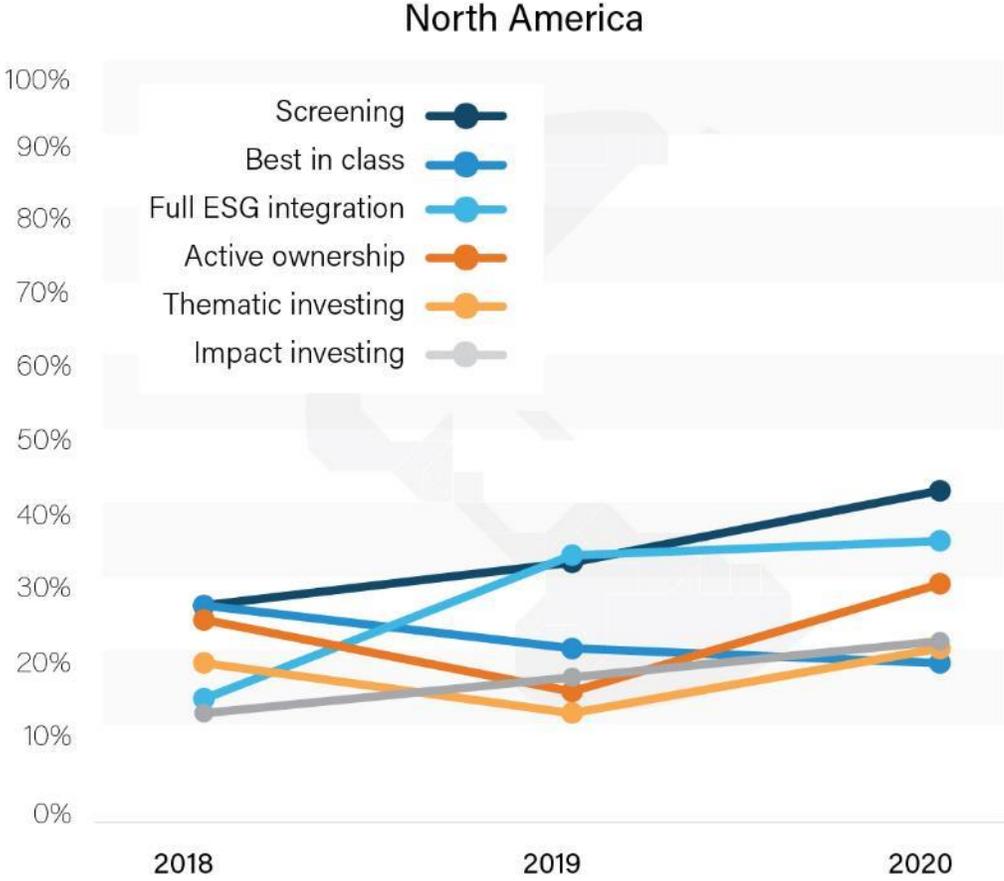


	2020	2019	2018
Screening	44%	40%	27%
Best in class	25%	22%	24%
Full ESG integration	51%	36%	18%
Active ownership	41%	19%	25%
Thematic investing	24%	15%	18%
Impact investing	29%	18%	15%

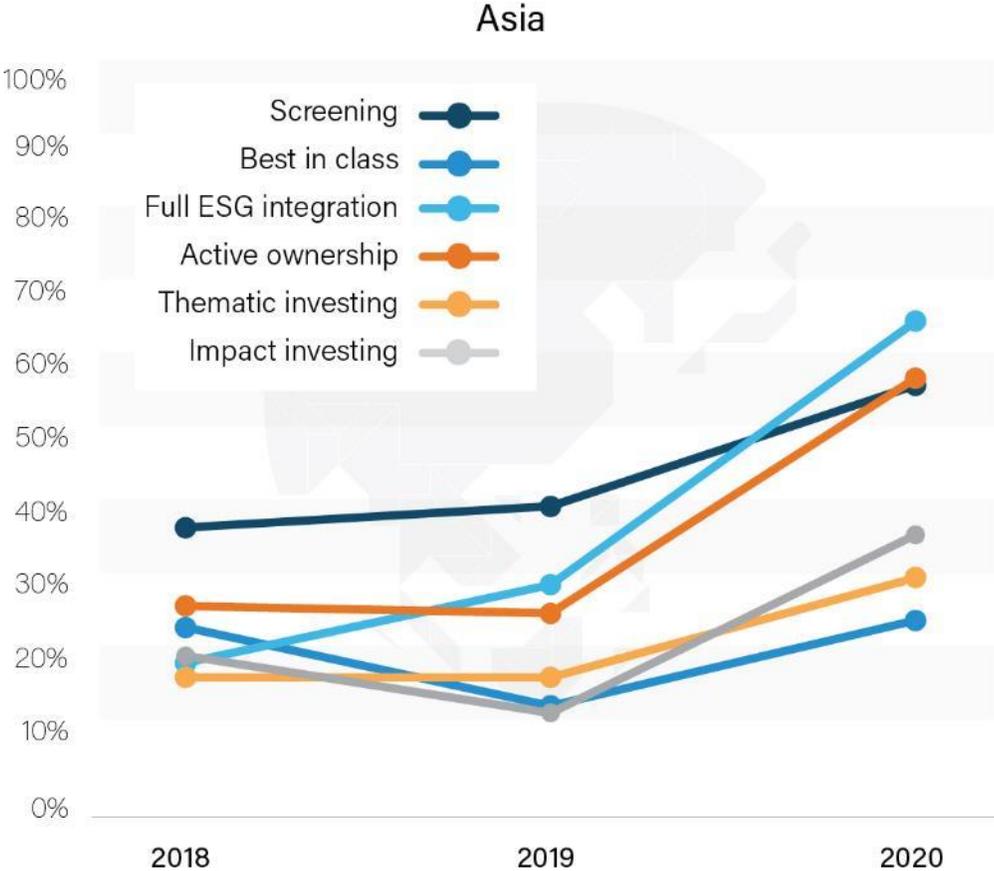
% Yes, Multiple answers allowed



Demand Is Weaker In The USA



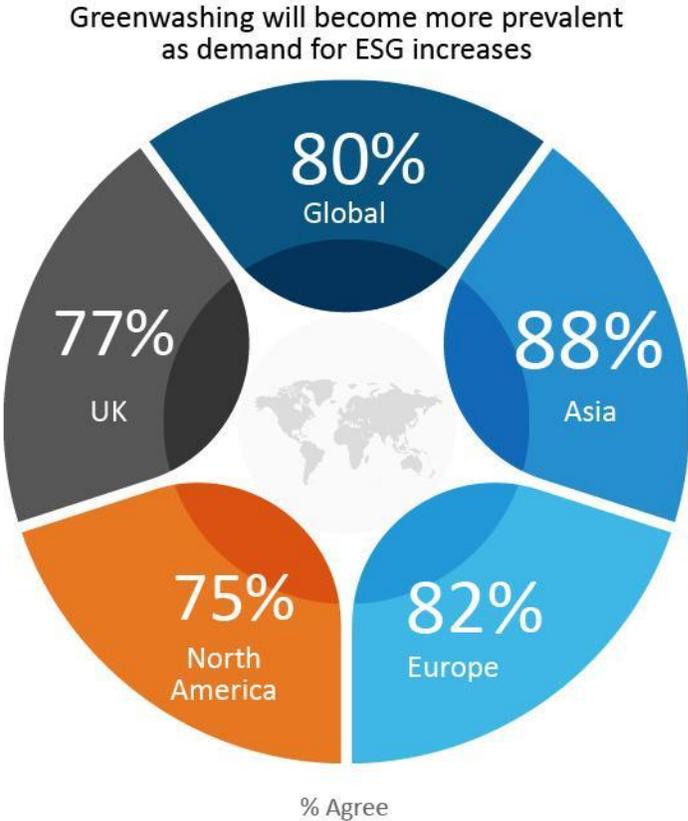
ASIA Is Leading The Charge



A Fear Of “Greenwashing” Stalks The Market Here

- As sustainable investing becomes more widespread, there are growing concerns about companies only paying lip service to ESG or making misleading claims about the ethical credentials of their products.

- Concern over greenwashing is highest among fund buyers in Asia. Nine in 10 (88%) say greenwashing will become more prevalent as demand for ESG increases, compared to a global figure of 80%.



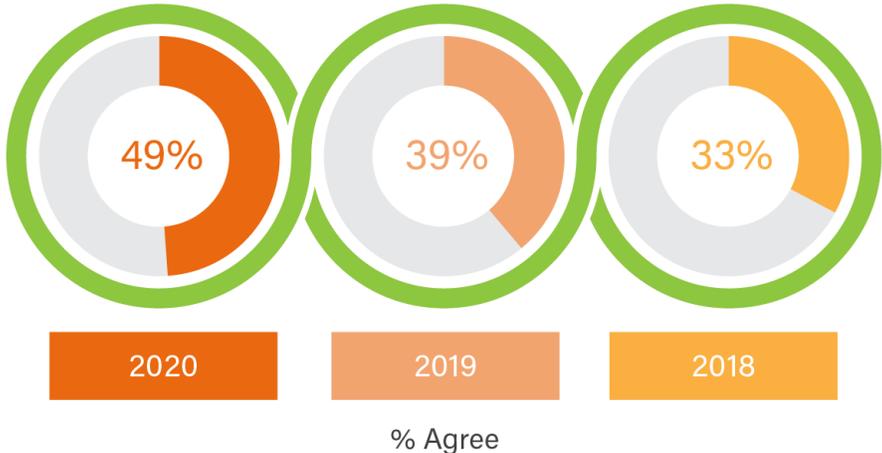
Walking The Walk Is A Challenge

- The growing global focus on ESG is also evident in the way investors increasingly consider an asset manager’s own sustainability credentials. About half (49%) of global investors now take this into account — up from 33% in 2018 and 39% in 2019.

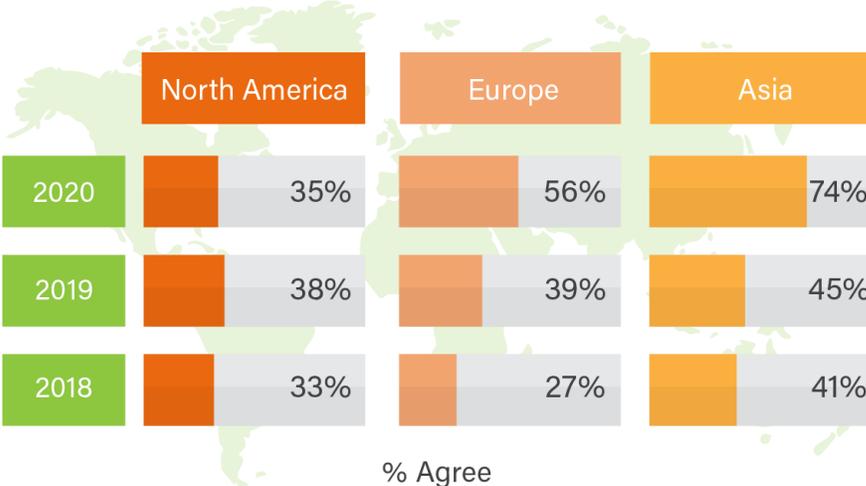
- This trend has been driven by investors in Asia and Europe. As these investors increasingly hardwire ESG into their investment process, they will look to partner with asset managers that ‘walk the walk’ on sustainability.

- In contrast, North America has seen a decline in the proportion of investors looking at a manager’s ESG track record from 38% in Q4 2019 to 35%.

My organization takes a manager’s ESG/sustainability credentials into consideration when making an investment



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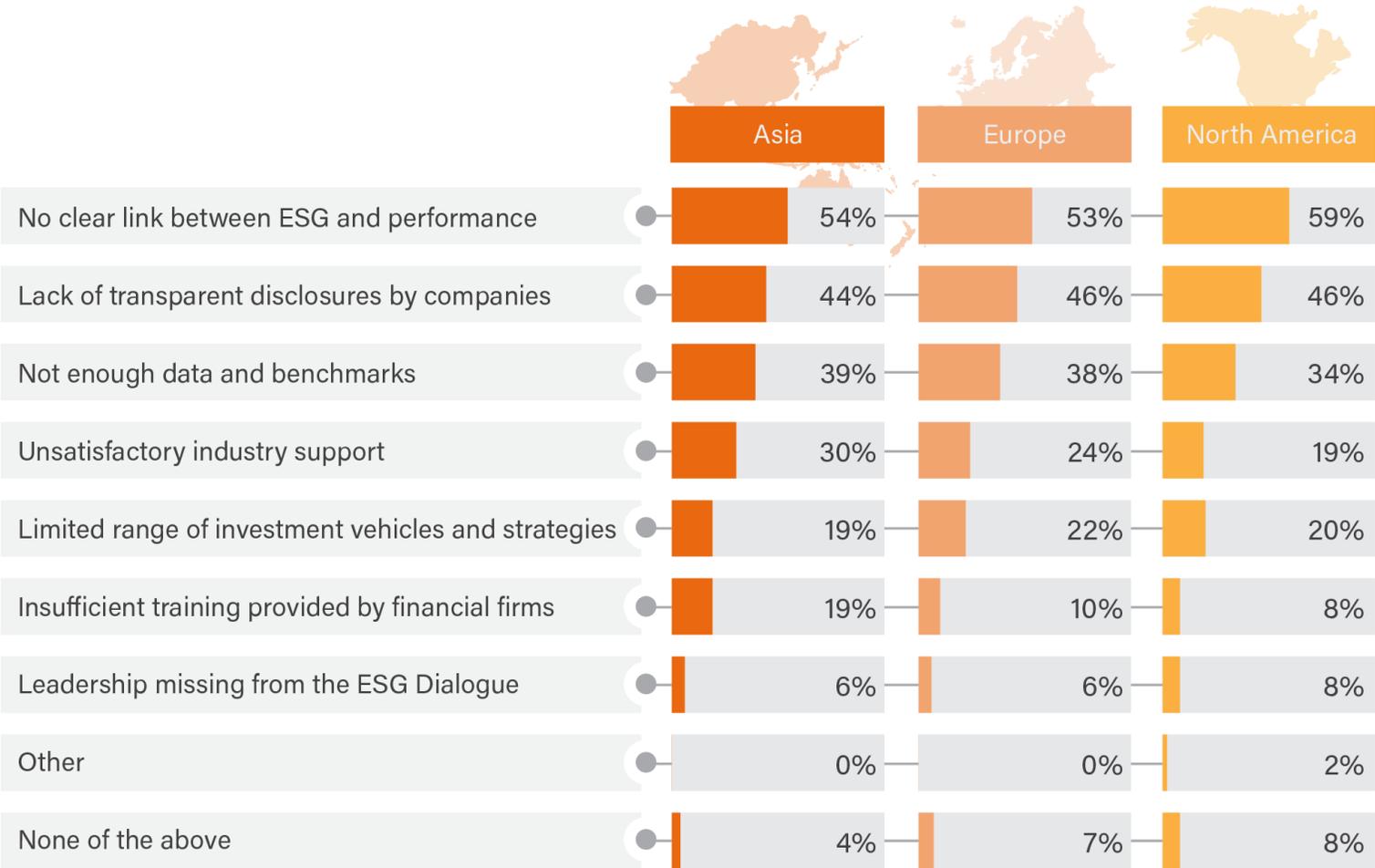


The Barriers Are Real

- The lack of a clear link between ESG and performance, cited by over half of investors, is the biggest hurdle when investing in ESG. More investors in North America point to this barrier. While investors are increasingly receptive to the argument that ESG enhances risk-adjusted returns, they crave hard data and evidence to back this up.

- Lack of transparent disclosures by companies and a paucity of data and benchmarks complete the top three ESG hurdles.

- These findings indicate a need for improved ESG data and reporting to give investors a fuller picture of the risks and potential rewards of sustainable investments.



% Yes, Multiple answers allowed

Investing In Darwinism

Accelerating The Arches – in a Time of ESG



Menu Adjusted Daily



McPlant – Ready To Go



Steve Easterbrook - \$40 million

The Challenges Now

Older Advisers
Tend to Reject
ESG

Younger
Advisers
Wedded To Price

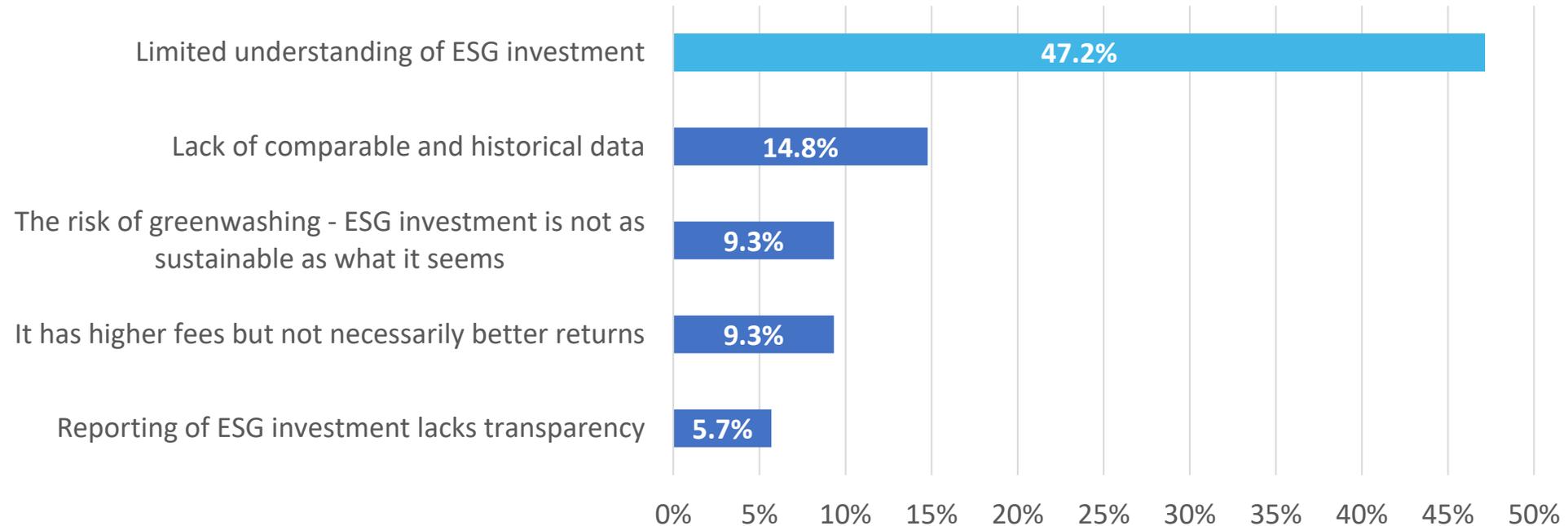
Consumers
Tending To Drive
Demand

A Ubiquitous
Opaque Product

The
Decarbonisation
Project

Education Could Unlock the Potential of ESG Investment

What are your concerns about ESG investment that prevent you from investing in it?

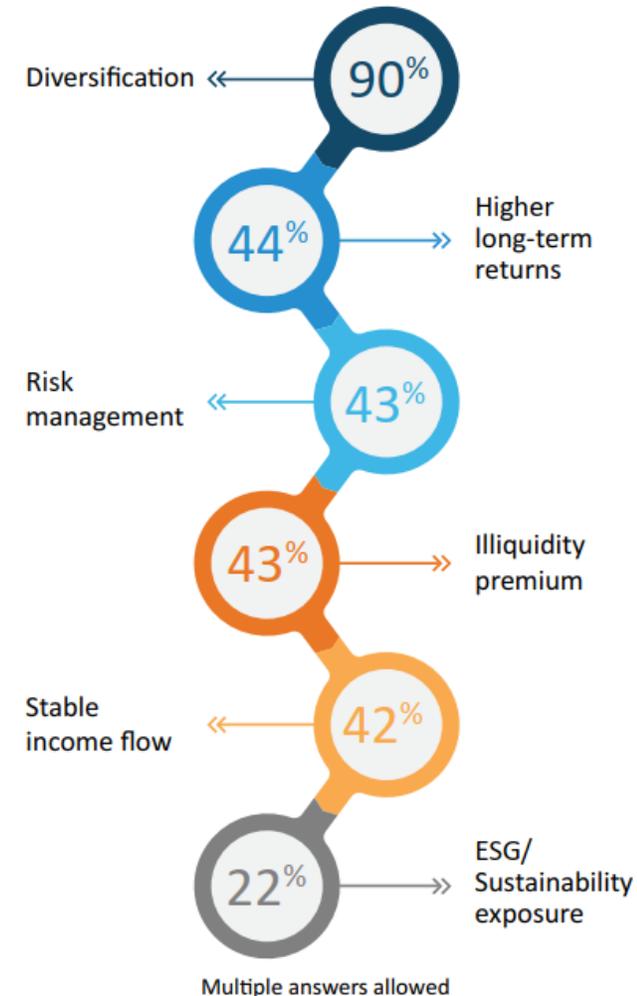


n=1,386

ESG = Alternatives in Australia

- Investors' search for diversification dominates drivers for alternative investments' strong growth, with almost all the surveyed institutional investors citing it as one of their drivers.
- Given alternatives' inherent nature of illiquidity, investors are also attracted by their superior source of return.
- A similar proportion of investors cited stable income flow as their driver, which is particularly important for investors with long-duration liabilities.

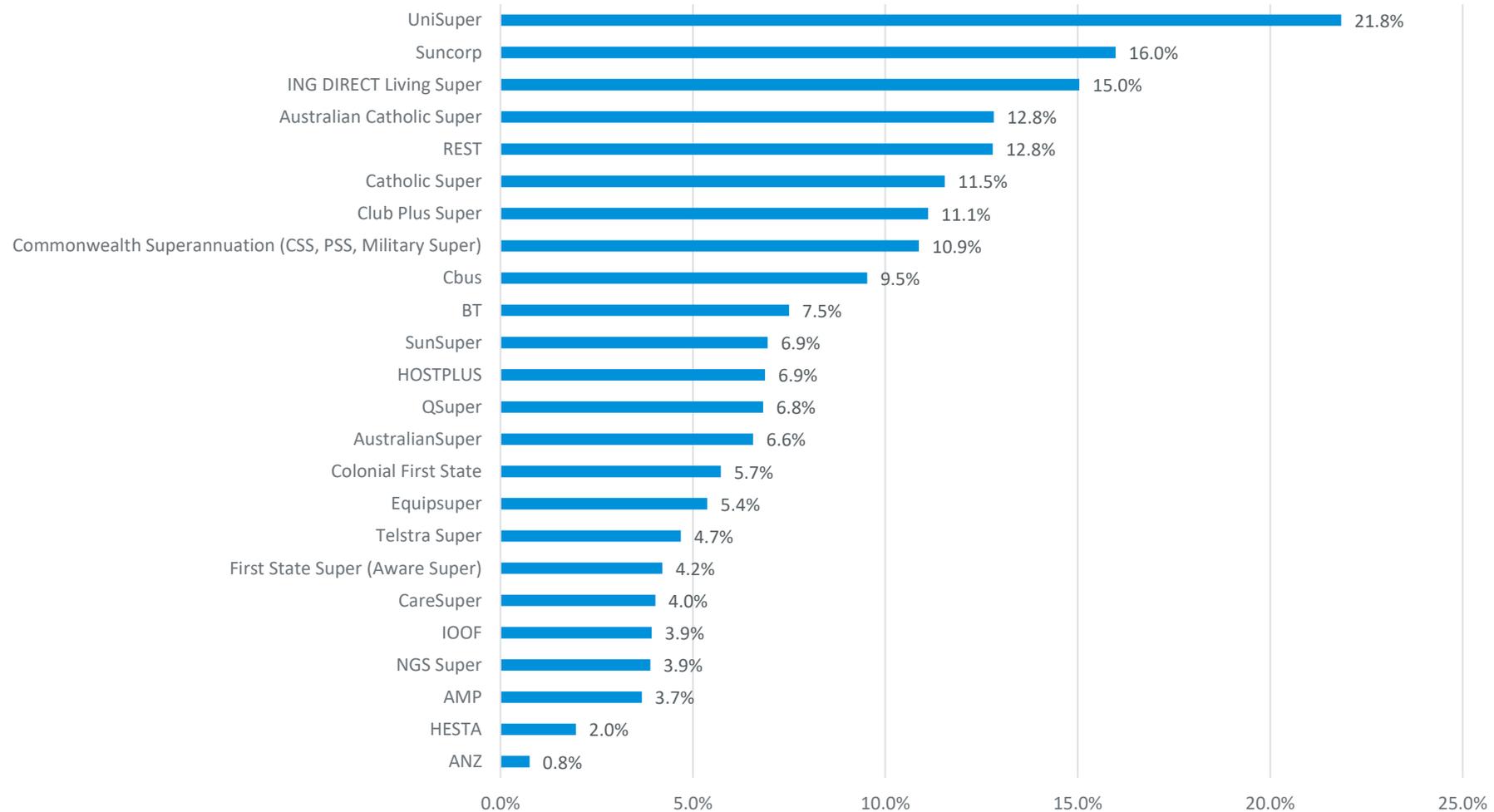
Drivers for investing in alternatives



Source: CoreData 2020

Do We Care Locally?

% of members who are willing to sacrifice net returns for socially responsible investments



The Next Wave



Five Things To Do Right Now

- Understand your consumers – what is relevant for some isn't relevant for all
- Pick a Provider – not all are created equal
- Choose your narrative. Why are you doing this?
- Choose a model - How are you doing this.
- Be True To Label. Everyone hates a fraud.

Hutton's Death Bed Announcement



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