



ESG Global Study 2022



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ESG adoption is on the rise, fuelled by client demand and a desire to make an impact. As ESG momentum continues to gain steam, investors are refining and evolving their strategies. This can be seen in the implementation arena, where investors are moving away from basic screening methods towards more targeted and sophisticated strategies, including thematic and impact investing. Meanwhile, ESG integration remains the top implementation strategy – showing how investors are taking a holistic approach as they look to comprehensively embed ESG into the investment process.

This rigorous approach is also evident in the strong bias towards active strategies. Nearly two-thirds prefer active funds to integrate ESG. Investors therefore want managers to use active security selection to uncover ESG opportunities and active ownership to engage and influence investee companies.

The increasing sophistication of ESG investors can also be seen in attitudes to the UN Sustainable Development Goals (SDGs). Almost a third say the ability to report on specific SDGs is one of the most important elements of fund sustainability reporting – nearly double last year's percentage. And half say the ability to offer the full spectrum of SDG themes is important when selecting funds.

Crucially, as investors expand their ESG knowledge base, they increasingly recognise that companies with good sustainable credentials are more likely to outperform. Fewer investors this year point to sacrificing returns as an adoption hurdle. And more are now investing in ESG with the specific and sole remit of generating alpha. Furthermore, investors largely agree that investment returns and sustainable impact go hand in hand.

But as investors become more knowledgeable and familiar with ESG, they are becoming more cognisant of the challenges. Data challenges continue to be a critical issue that manifests throughout the investment process. Difficulties with the quality and accessibility of data and inconsistent ratings are hampering the ability of investors to adopt, incorporate and implement ESG.

These issues also present themselves to fixed income investors who identify a lack of standardisation across ESG bond ratings as the top barrier.

Such difficulties are compounded by the fact that investors face an information overload as they swim against a tidal wave of ESG data.

It is therefore essential that investors seek help from active managers who possess the specific tools, skill sets and resources to address these challenges. Using proprietary research and fundamental analysis, active managers can bypass the problems created by superficial scoring systems and a lack of consistent and reliable data.

The support of asset managers is paramount as the knowledge paradox plays out – the more investors know about ESG, the more they realize what they don't know and the more help they need. Indeed, a third of investors say ongoing ESG education and training from their employer...

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