GLOBAL PERCEPTIONS OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INVESTING 2017

Global members share their views on how Environmental, Social, and Governance (ESG) issues influence the investment process. For additional information, see www.cfainstitute.org/ESG

METHODOLOGY:

Sample size: 1,588
Survey response rate: 3%
Margin of error: +/– 2.4%
Respondent profile:

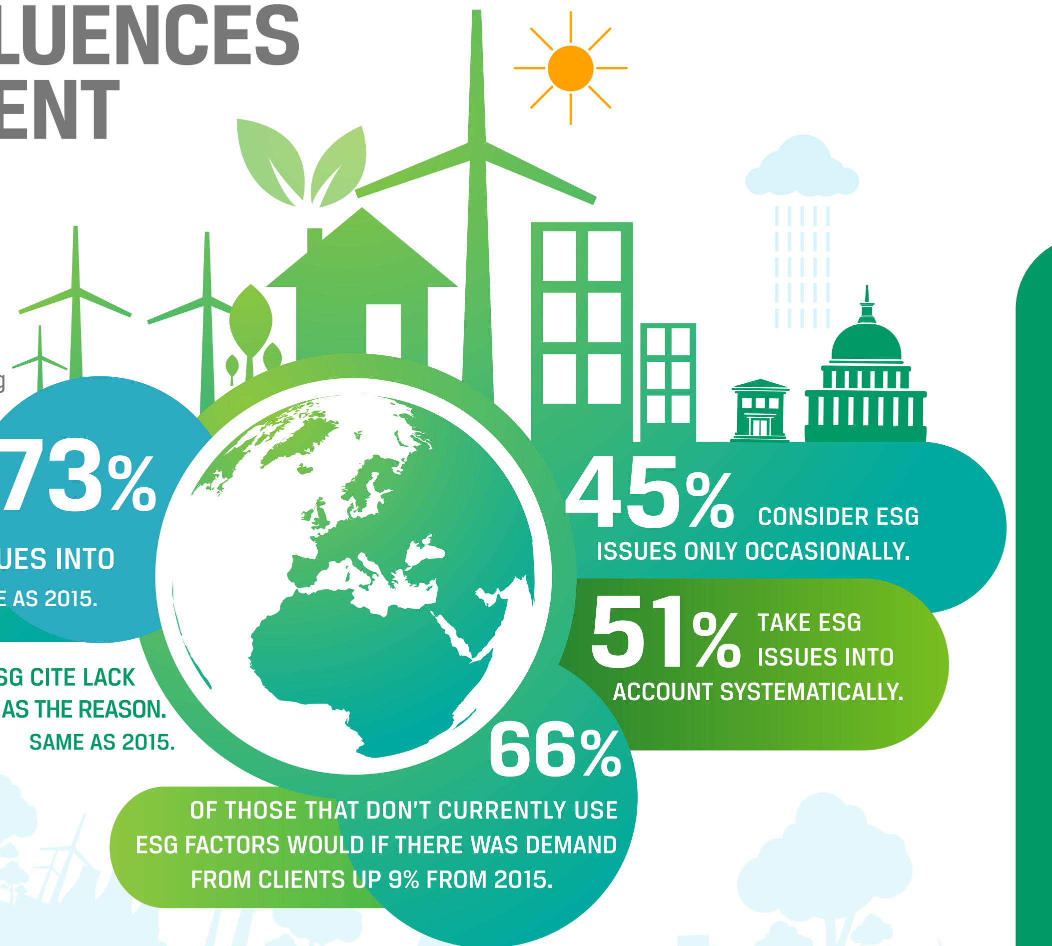
- Region: 64% from the Americas, 23% from EMEA, 13% from APAC
- Primary asset base: 42% primarily deal with institutional clients, 30% private clients, 18% both, 10% not applicable
- Gender: 84% men, 16% women

Survey time frame: 9–23 May 2017

CFA Institute

HOW ESG INFLUENCES THE INVESTMENT PROCESS:

Client demand is the primary driver in ESG investing with most respondents saying they would consider ESG if there was sufficient demand. Although those considering ESG remains the same overall, there has been growth in the use of each component.



73% TAKE ESG ISSUES INTO ACCOUNT. SAME AS 2015.

45% CONSIDER ESG ISSUES ONLY OCCASIONALLY.

51% TAKE ESG ISSUES INTO ACCOUNT SYSTEMATICALLY.

47% WHO DON'T USE ESG CITE LACK OF CLIENT DEMAND AS THE REASON. SAME AS 2015.

66% OF THOSE THAT DON'T CURRENTLY USE ESG FACTORS WOULD IF THERE WAS DEMAND FROM CLIENTS UP 9% FROM 2015.

There has been growth in the use of each E, S, and G.

ENVIRONMENTAL	2017	54%
	2015	50%
SOCIAL	2017	54%
	2015	49%
GOVERNANCE	2017	67%
	2015	64%
I DO NOT TAKE ESG FACTORS INTO CONSIDERATION	2017	27%
	2015	27%

Of those that practice ESG integration, it is more commonly done with equities versus fixed income.

LISTED EQUITY	76%
FIXED INCOME	45%

Risk analysis and client demand were the main reasons to take ESG integration into consideration.

TO HELP MANAGE INVESTMENT RISKS	2017	65%
	2015	63%
CLIENTS/INVESTORS DEMAND IT	2017	45%
	2015	44%

While the most common use of ESG in the investment process is still integrating it into the whole investment analysis and decision-making process, there was an uptick in exclusionary screening that was offset by a slight decrease in best-in-class investing since 2015.

COMPLETE ESG INTEGRATION	2017	59%
	2015	57%
EXCLUSIONARY SCREENING	2017	38%
	2015	36%
BEST-IN-CLASS INVESTING/ POSITIVE ALIGNMENT	2017	33%
	2015	38%

When examining ESG investing practices, the most impactful issues are:

77% BOARD ACCOUNTABILITY

65% HUMAN CAPITAL

62% ENVIRONMENTAL DEGRADATION

Further, the biggest factors that limit the ability to use non-financial information include:

- **55%** Lack of appropriate quantitative ESG info
- **50%** Lack of comparability across time
- **45%** Questionable data quality

61% agree that public companies should be required to report on ESG indicators. Same as 2015.

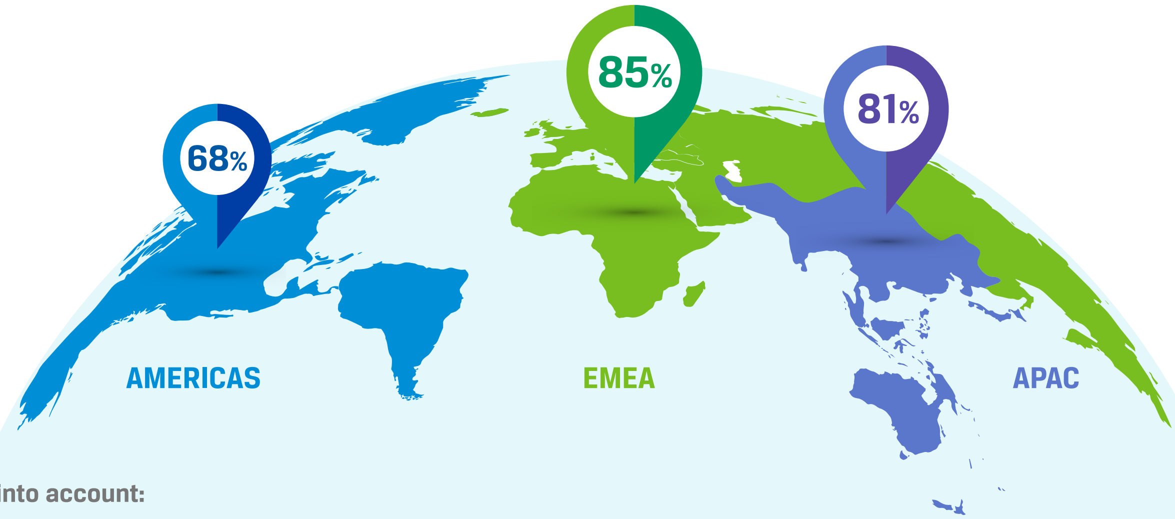
Training in ESG is rare

Only about one in three said employees receive training on ESG, up from 28% in 2015.

50% now think it is necessary to have a high-assurance, audit-quality independent verification process to verify ESG disclosures, up 6% from 2015.

HOW ESG INVESTING VARIES ACROSS REGIONS:

Investment professionals in EMEA are most likely to take ESG issues into account in their investment analysis and decisions, followed by APAC, and lastly the Americas.



Takes ESG into account:

	AMERICAS	EMEA	APAC
ENVIRONMENTAL	49%	66%	58%
SOCIAL	48%	65%	63%
GOVERNANCE	61%	74%	81%

A consistent theme among respondents across regions was that client demand drives the issue of ESG in the investment process:

AMERICAS	EMEA	APAC
67%	61%	65%

Investment professionals worldwide also agree that ESG *integration* is the most effective strategy for using ESG factors:

AMERICAS	EMEA	APAC
59%	64%	51%

Respondents are much more likely to get ESG training in EMEA than in the Americas and APAC.

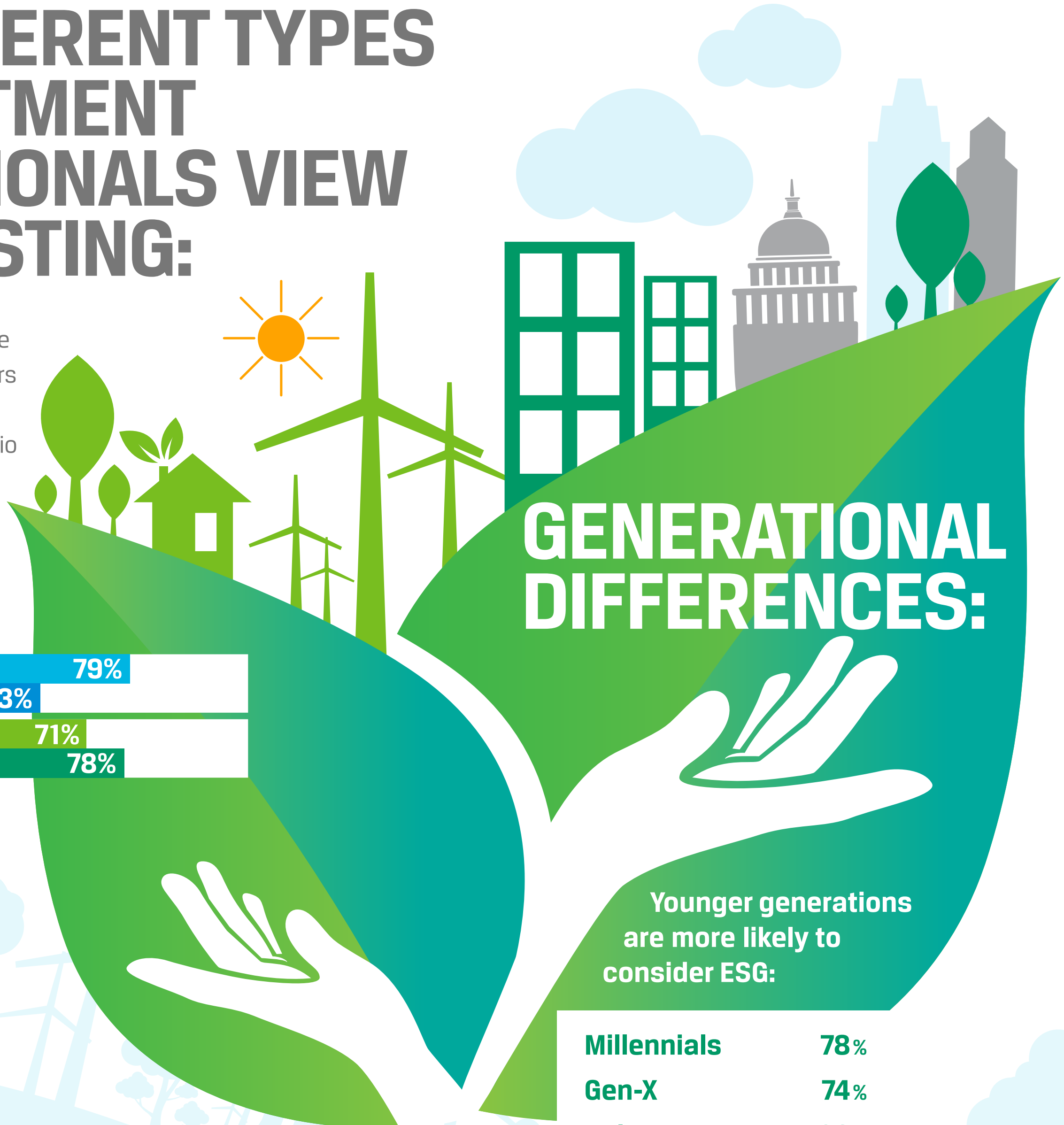
AMERICAS	EMEA	APAC
28%	43%	30%

HOW DIFFERENT TYPES OF INVESTMENT PROFESSIONALS VIEW ESG INVESTING:

While institutional investors are more likely than private investors to take ESG into consideration, the difference between portfolio managers and analysts is less pronounced.

Considers ESG in investment decisions:

INSTITUTIONAL INVESTORS	79%
PRIVATE INVESTORS	63%
PORTFOLIO MANAGERS	71%
ANALYSTS	78%



GENERATIONAL DIFFERENCES:

Younger generations are more likely to consider ESG:

Millennials	78%
Gen-X	74%
Baby Boomers	68%

GENDER DIFFERENCES:

Women are more likely than men to include ESG data in their investment process.

62% of women and 49% of men *systematically* consider ESG issues in their investment analysis.

46% men VS. 18% women say ESG issues are immaterial or add no value to investment analysis or decisions.

	Men	Women
Environmental	52%	62%
Social	53%	60%
Governance	67%	68%

Those who consider ESG in investing put different emphasis on the components.

CFA Institute