



# FUTURE OF SUSTAINABILITY IN INVESTMENT MANAGEMENT – WAR FOR ESG TALENTS?

Presenters:

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# LET'S GET STARTED!

## How would you describe yourself?

	Polling Results
A. Investment professional _____	28%
B. Researcher / analyst _____	19%
C. Wealth manager / private banker / financial advisor _____	7%
D. Data or ratings provider _____	3%
E. Account preparer _____	1%
F. Corporate strategy / treasurer _____	9%
G. Academic / student _____	11%
H. Other _____	21%



# POLLING QUESTION 1

In your view, how important is sustainability in the future of investment management?

- A. Not important at all – it is all hype \_\_\_\_\_
- B. Neutral \_\_\_\_\_
- C. Very important – sustainability is critical to the sustainability of the profession—

## Polling Results

2%

10%

88%



# PRESENTATION

## RHODRI PREECE, CFA

Senior Head,  
Industry Research  
CFA Institute



# FUTURE OF SUSTAINABILITY IN INVESTMENT MANAGEMENT: FROM IDEAS TO REALITY

Rhodri Preece, CFA

23 March 2021



**CFA Institute**<sup>®</sup>  
Future of Finance



# CONCEPTUAL FRAMEWORK

## Future State of the Investment Profession (2017)

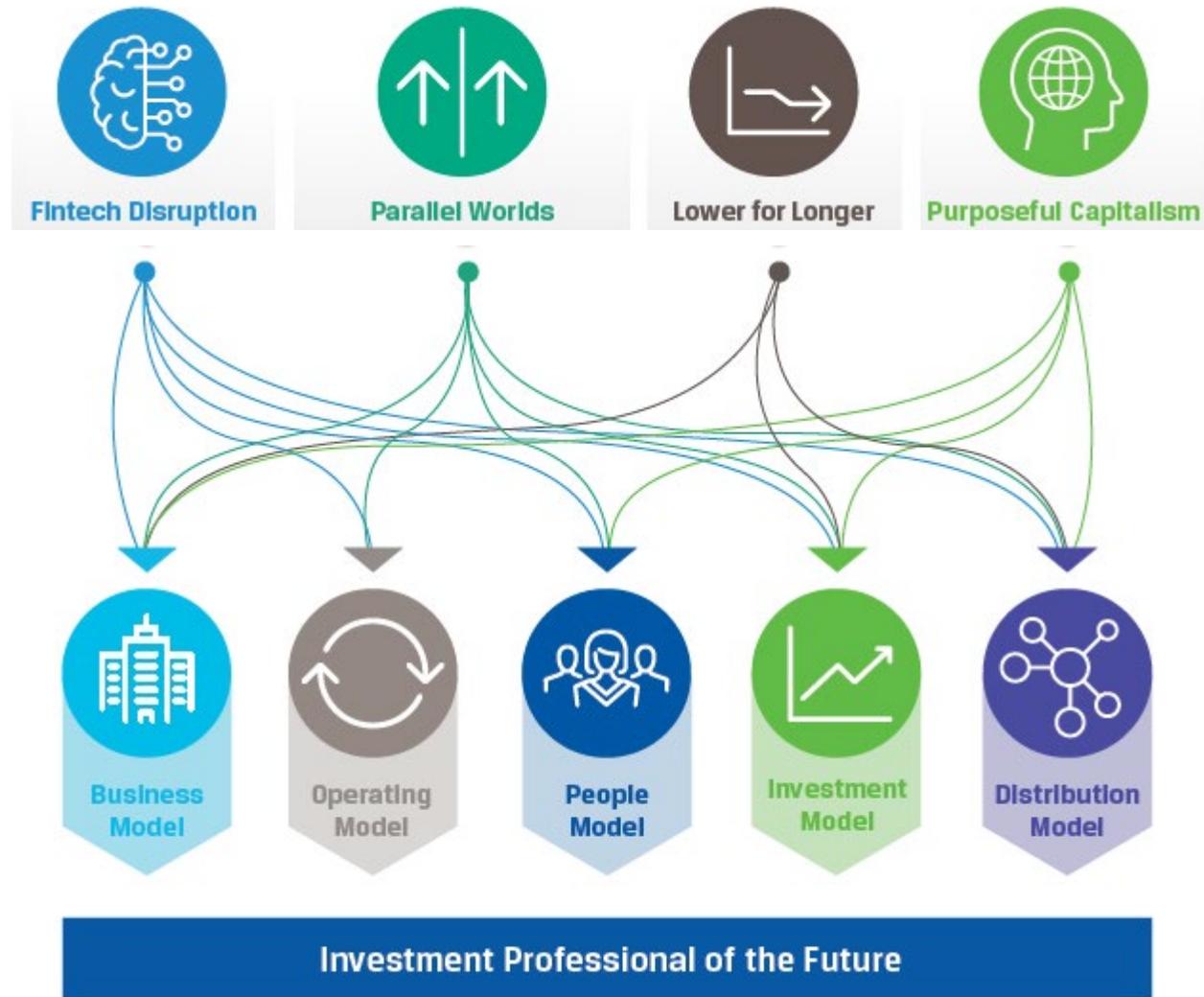
**Scenarios** reflect what the investment industry is, where it is headed, and how we would like it to develop

## Investment Firm of the Future (2018)

**Narratives** show how the scenarios apply to how investment firms work

## Investment Professional of the Future (2019)

**Roadmaps** for professionals and firms for changing roles, skills and organizational cultures



## Future of Sustainability in Investment Management (2020)

Implications for the future of the investment industry, its purpose, and its clients

Shifts firms will need to make to adapt, including products, teams, and identity

Ways investment professionals can build their sustainability-related skills and effectiveness

# METHODOLOGY: INPUT FROM 7,000 STAKEHOLDERS

Includes investment clients, investment practitioners, ESG specialists, and C-suite leaders

## Quantitative data

### Investor survey

**4,400+** investment clients:

- 3,525 retail investors (US\$100,000 asset minimum)
- 921 institutional investors (pension funds, endowments, foundations, insurance companies and sovereign funds of US\$50 million+ AUM)
- surveyed in Oct/Nov 2019

### Practitioner survey

**2,821** CFA Institute members globally, including

- 325 from the C-suite
- 373 ESG specialists
- surveyed in March 2020

### LinkedIn Talent Insights data



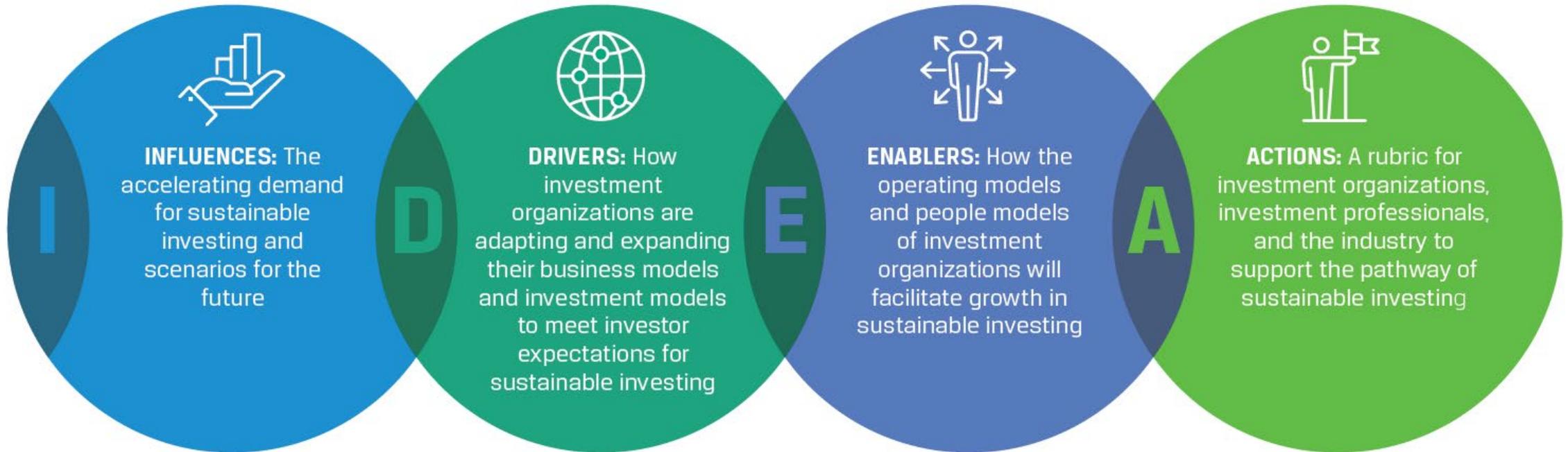
## Qualitative research

**23 virtual roundtables** with **250+** participants

- investment practitioners, ESG service providers, policymakers, academics
- conducted from April to August 2020
- 31 markets represented



# FUTURE OF SUSTAINABILITY IN INVESTMENT MANAGEMENT: FROM IDEAS TO REALITY



# INFLUENCES

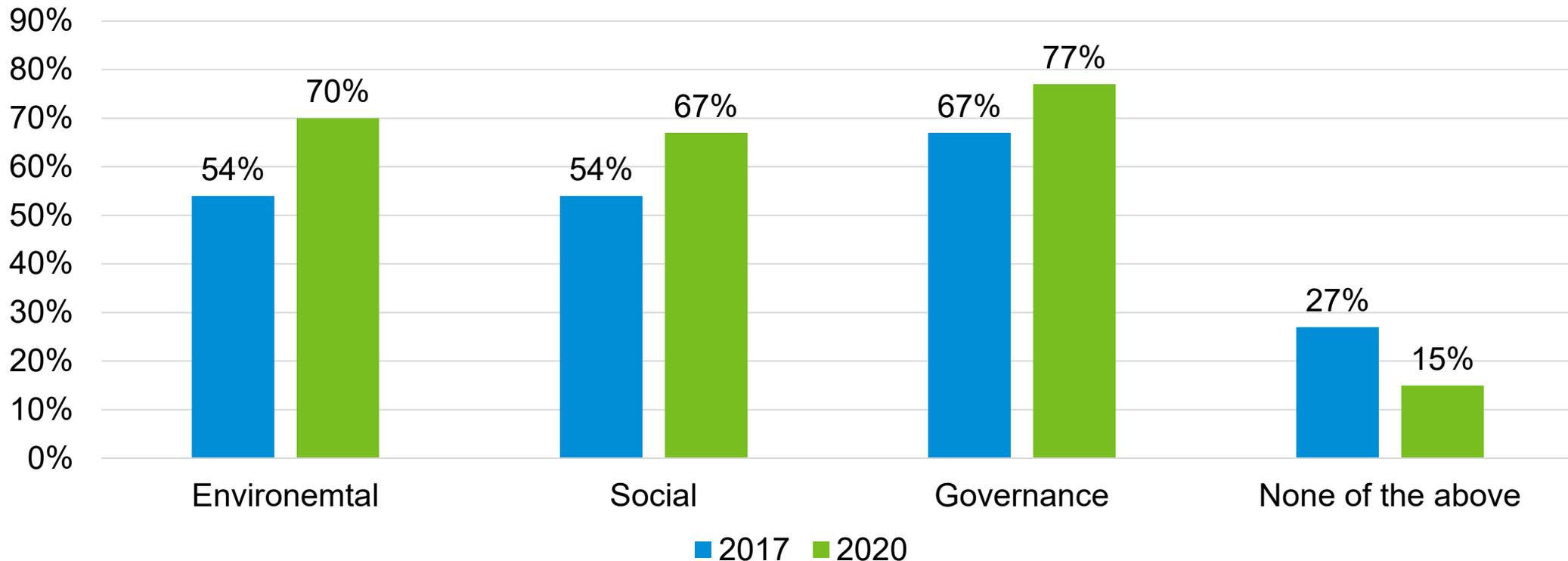
To understand the future of sustainable investing, it is helpful to understand how we got here. Both internal efforts of the investment community and external forces are driving change in this space.



# GROWTH IN ESG INVESTING



**Which, if any, of the following ESG areas do you and/or your organization take into account in your investment analysis or decisions?**

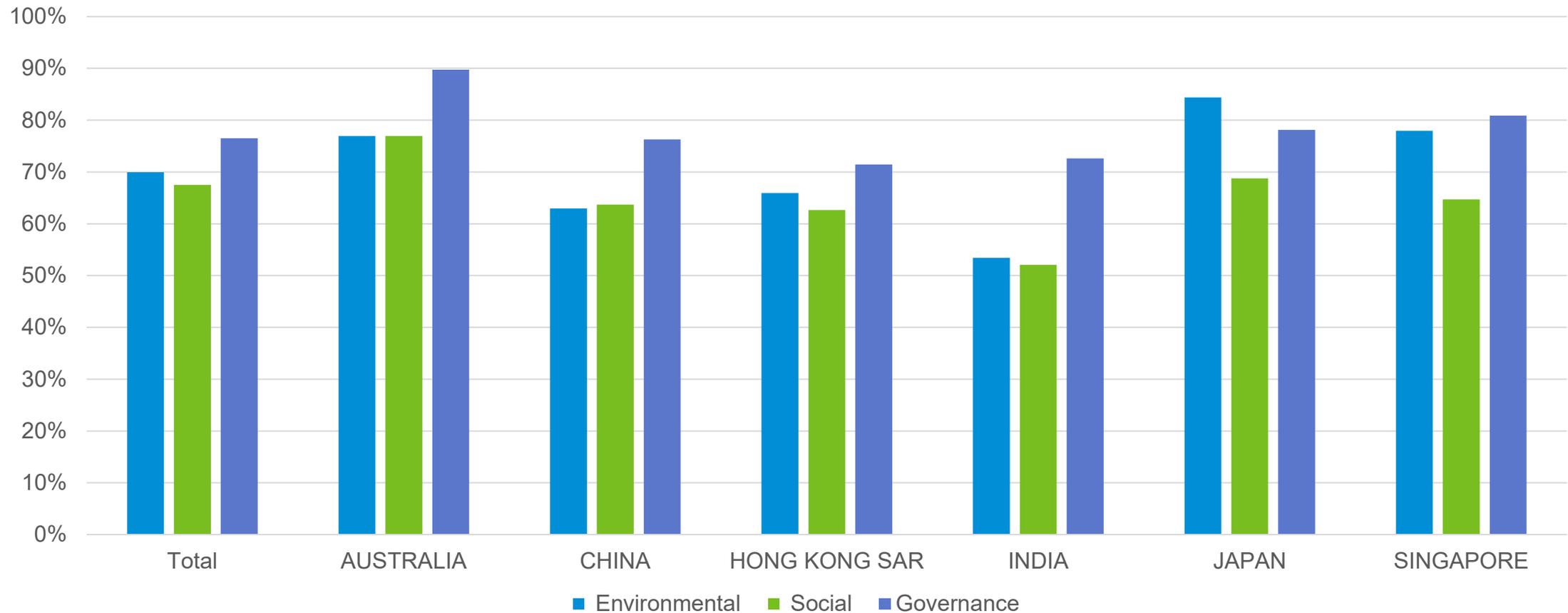


N = 1,585 in 2017 and N = 2,683 in 2020

# GROWTH IN ESG INVESTING



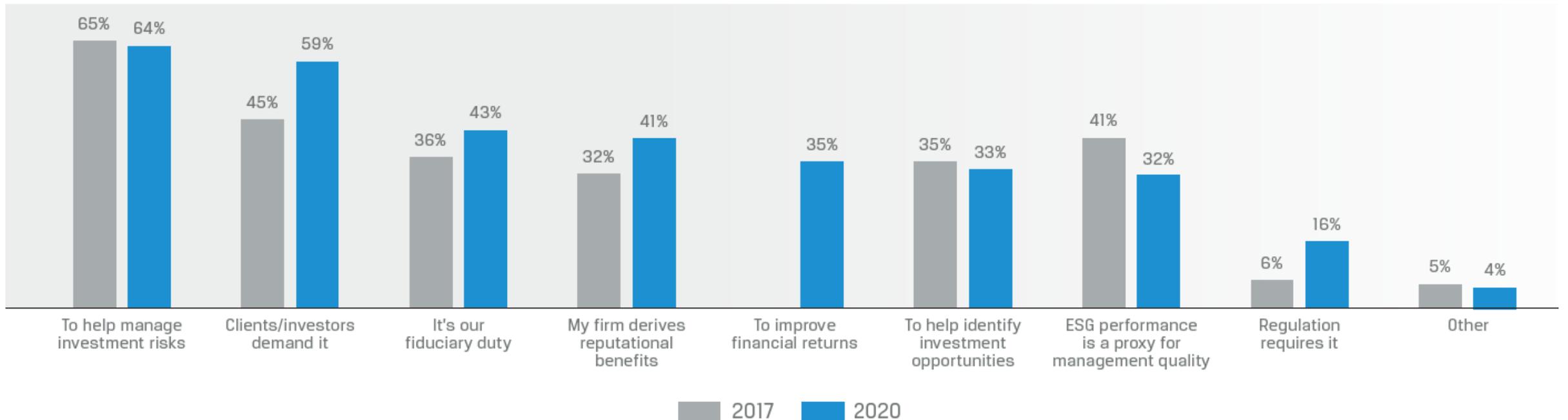
**Which, if any, of the following ESG areas do you and/or your organization take into account in your investment analysis or decisions?**





# MOTIVATION OF FIRMS FOR CONSIDERING ESG

**WHY DO YOU OR YOUR ORGANIZATION TAKE ESG ISSUES INTO CONSIDERATION IN YOUR INVESTMENT ANALYSIS/DECISIONS?**  
(SELECT ALL THAT APPLY)

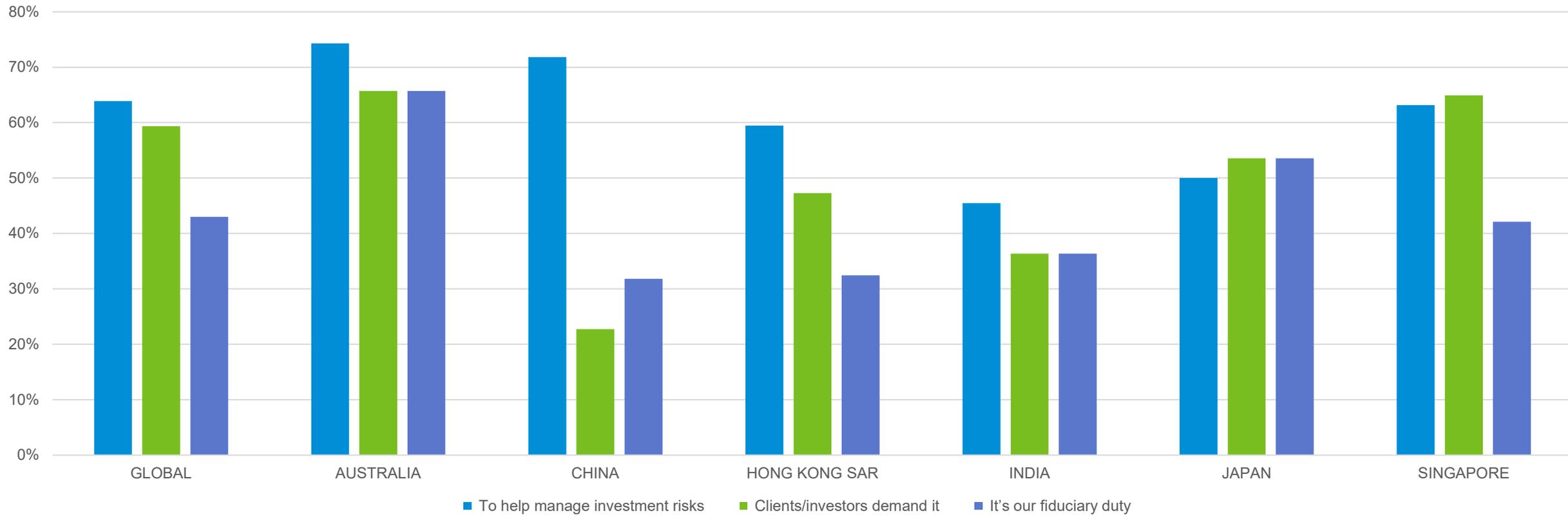


N = 1,099 in 2017 and N = 2,140 in 2020

# MOTIVATION OF FIRMS



## Why do you or your organization take ESG issues into consideration in your investment analysis decisions?



# DRIVERS

Updates to two frameworks are needed to implement sustainable investing. The investment model and business model of both asset owners and asset managers will need fresh approaches.

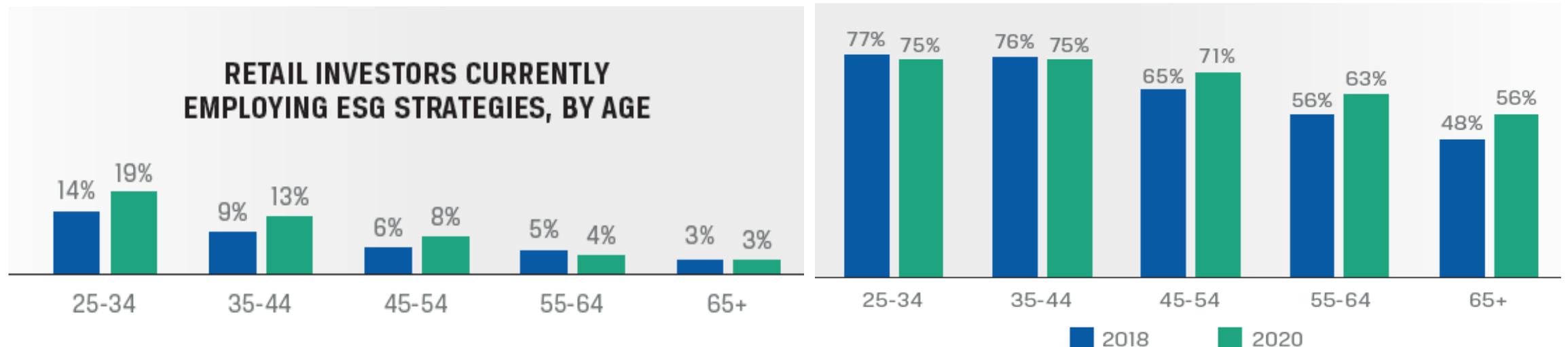




# THE BUSINESS OPPORTUNITY

- The business model looks at the way in which firms create value and competitive differentiation. Organizations need to understand external factors influencing client demand and the impact of regulation.
- Sustainability should be reflected in the governance surrounding the development of new products and strategies, including client reporting, disclosures, and incentives.
- Future growth opportunities in the product space include ESG index tracking and quant funds, ESG thematic products, ESG multi-asset products, climate transition strategies, and better benchmarks.

**RETAIL INVESTORS INTERESTED IN ESG STRATEGIES, BY AGE**

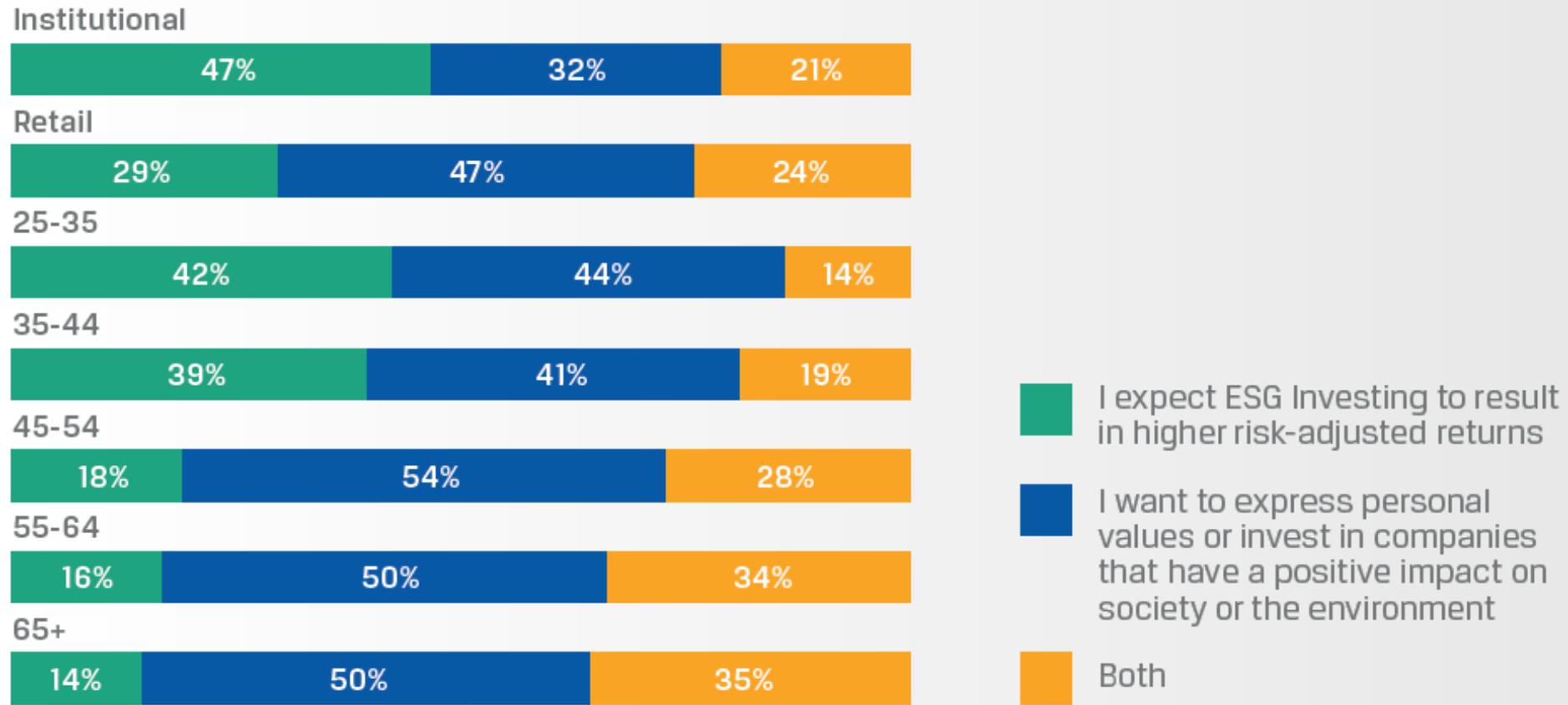


N = 2,430 in 2018 and N = 2,840 in 2020

# CLIENT MOTIVATIONS



## "WHICH BEST DESCRIBES YOUR INTEREST IN ESG INVESTING?" ASKED OF THOSE WITH AN INTEREST IN ESG INVESTING

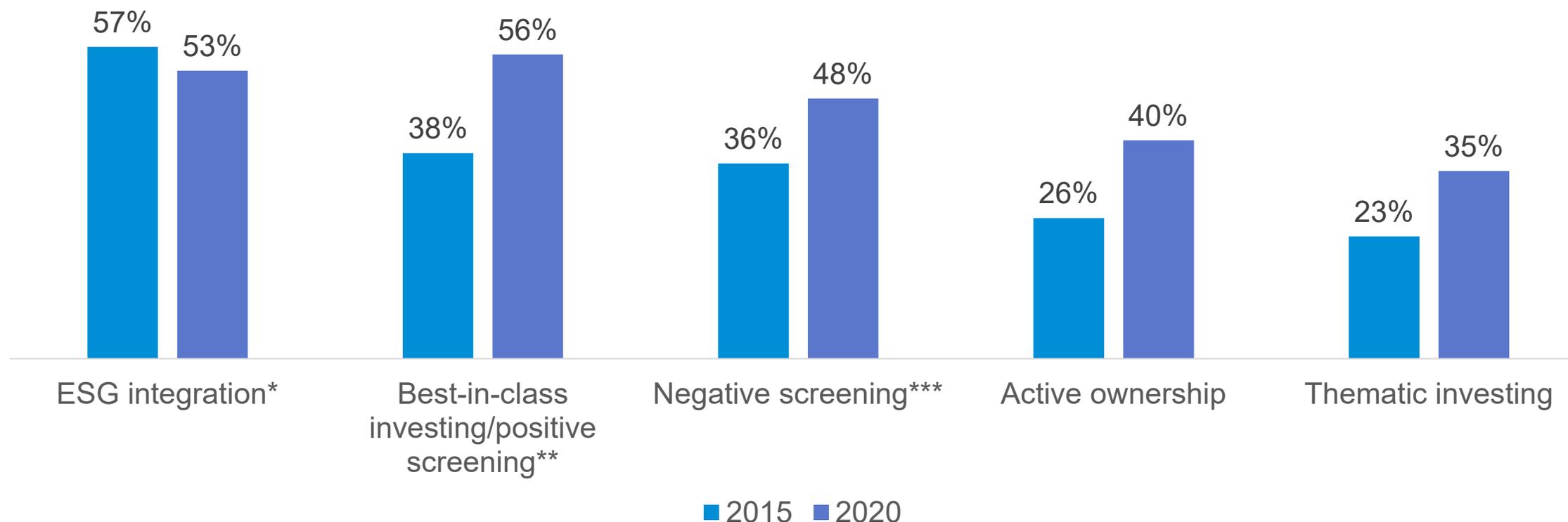


N = 2,505 for retail investors and N = 864 for institutional investors



# IMPLEMENTATION APPROACHES

What is your approach to ESG investing? (select all that apply)

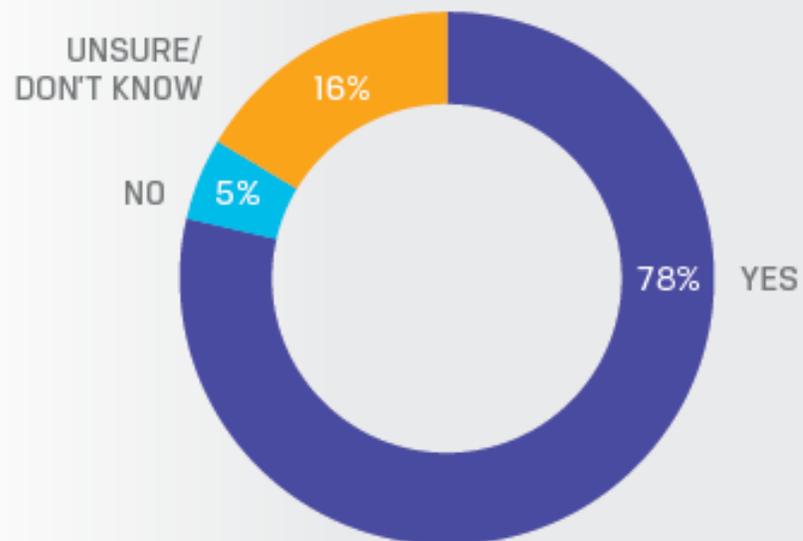


Source: CFA Institute Member Survey, March 2020, N = 946 in 2015 and 2,081 in 2020  
See additional notes on final slide



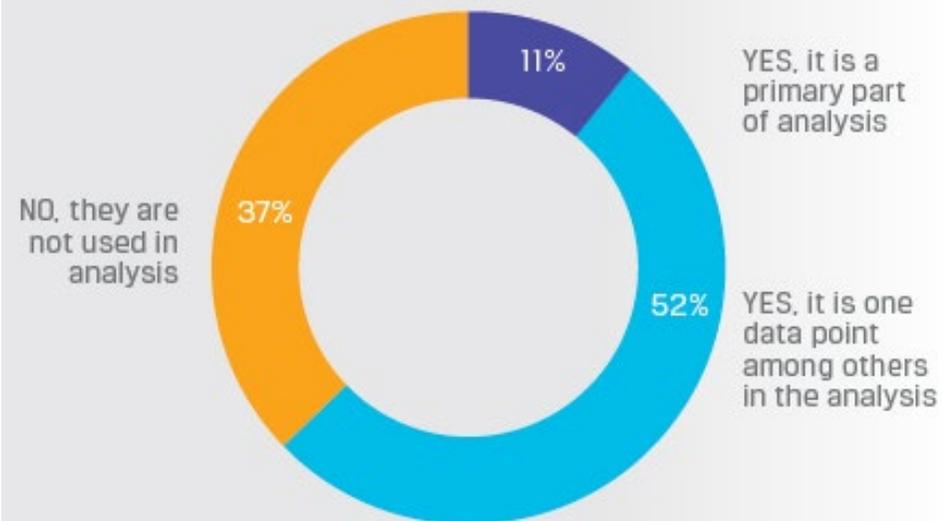
# ENABLERS: DATA

**IN YOUR OPINION, DO YOU THINK THAT THERE IS A NEED FOR IMPROVED STANDARDS AROUND ESG PRODUCTS TO DIMINISH "GREENWASHING"?**



**DO YOU CURRENTLY USE ESG COMPANY RATINGS IN COMPANY ANALYSIS?**

N=2,113



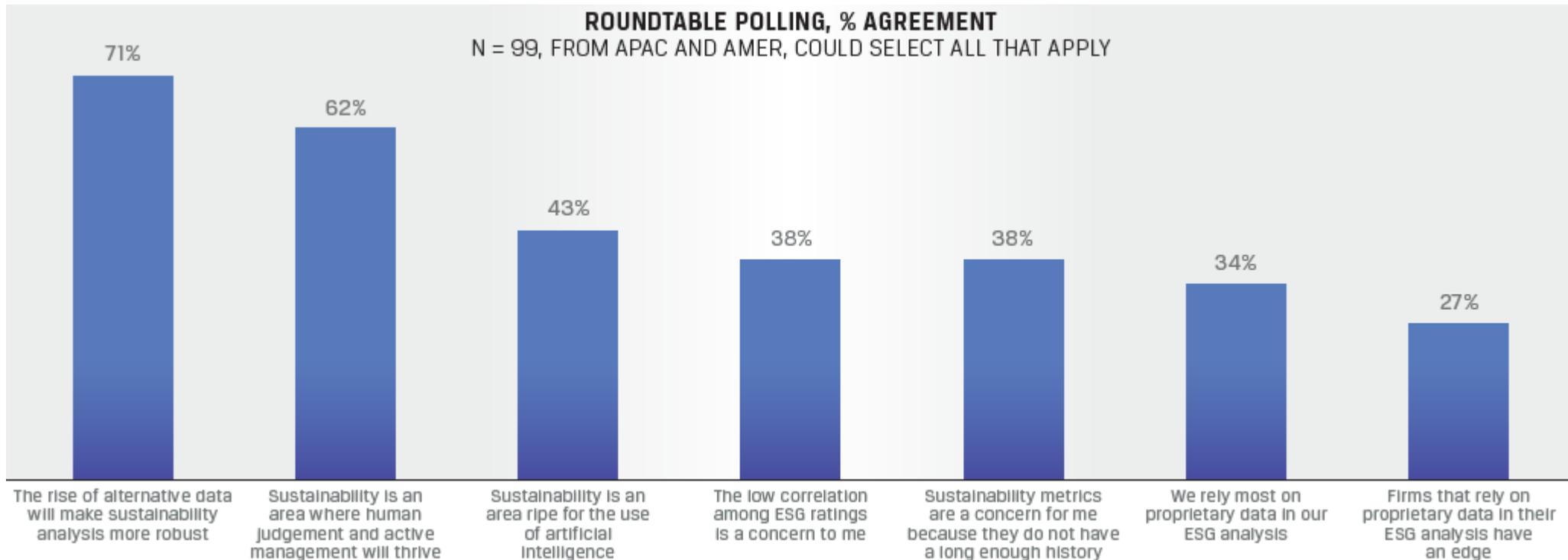
**73%** expect the influence of ESG ratings on firms' cost of capital to be greater in the next five years

Source: CFA Institute member survey

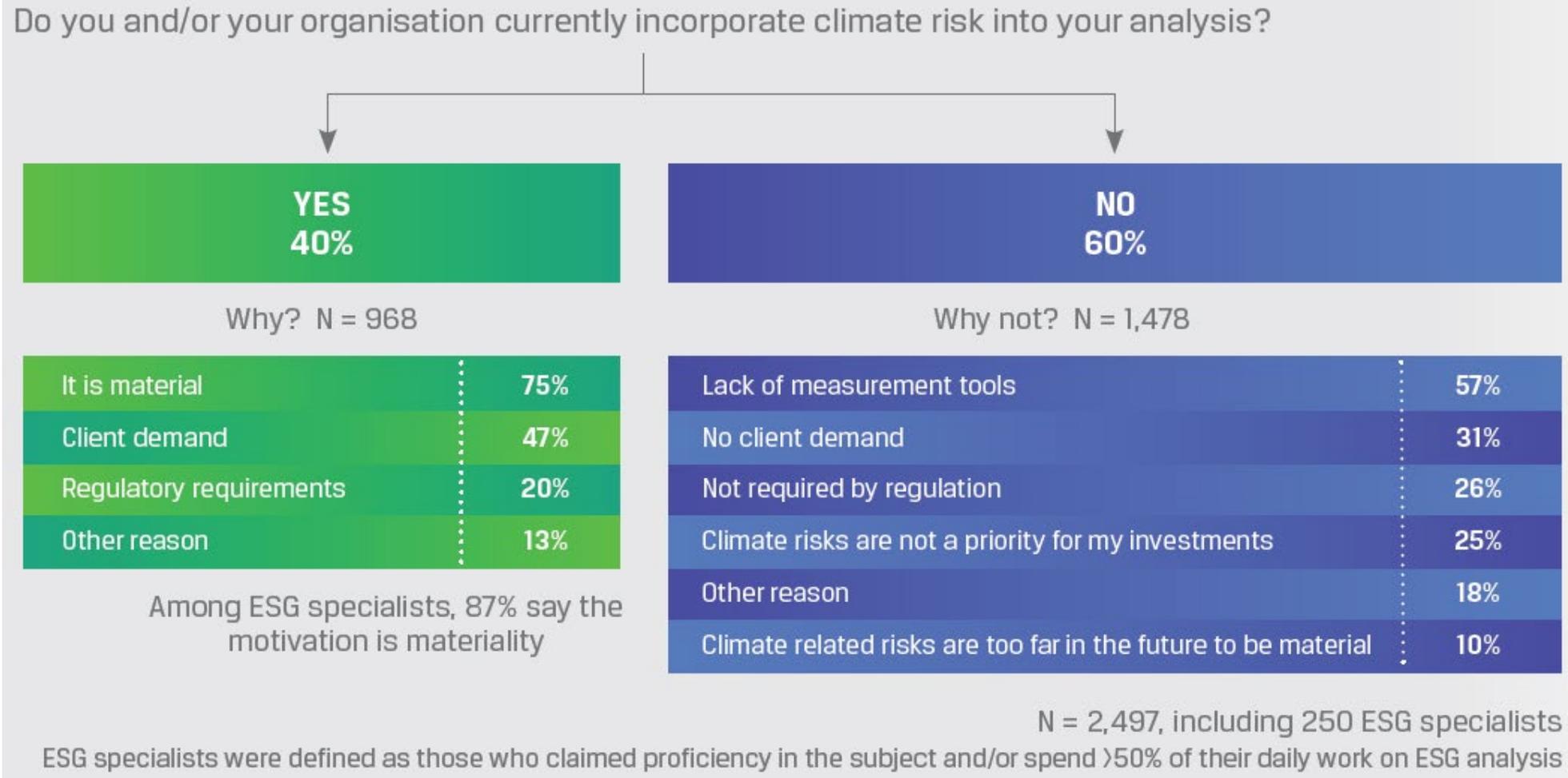
# THE RISE OF ALTERNATIVE DATA



- Technology is a necessary foundation for competitive advantage in ESG analysis, with more data sources becoming available and more differentiation among data.
- Sustainability data often is contextual and subjective.



# CLIMATE RISK ANALYSIS – MATERIALITY, CLIENT DEMAND, AND REGULATION ARE THE PRIMARY DRIVERS





# ENABLERS: PEOPLE

## ESG Expertise Supply and Demand

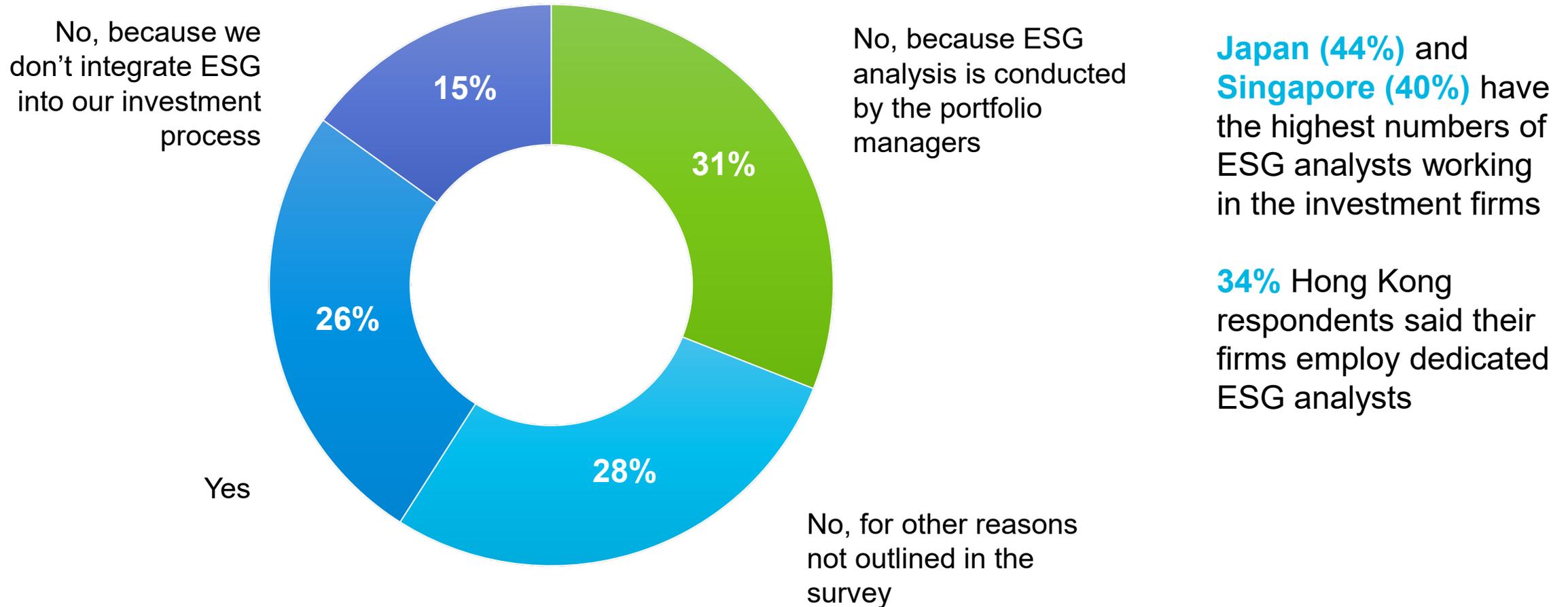
(source: LinkedIn Talent Insights)

Job title family	Profiles on LinkedIn (rounded)	% with sustainability skills	1-year sustainability expertise growth	% of postings seeking expertise
Portfolio Manager	146,000	1.5%	32%	18%
Chief Investment Officer	15,000	2.0%	18%	10%
Financial Advisor	630,000	0.5%	32%	5%
Analyst	180,000	0.7%	34%	2%
Chief Executive Officer	37,000	1.9%	12%	0%
<b>Total</b>	<b>1,008,000</b>	<b>0.7%</b>	<b>26%</b>	<b>6%</b>

# ORGANIZATIONAL STRUCTURE



## Does your organization employ dedicated ESG analysts? (APAC)

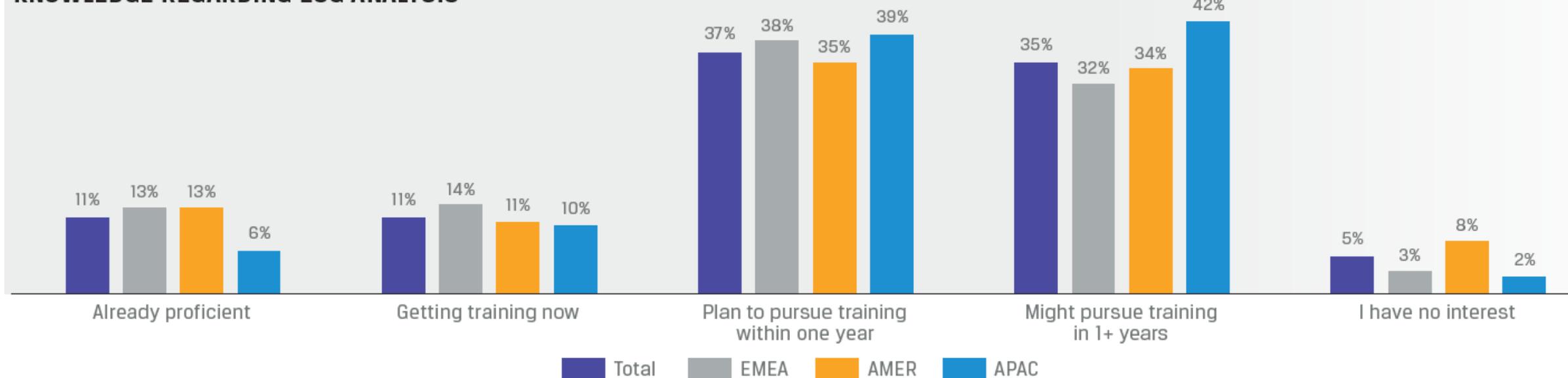




# INTEREST IN ESG TRAINING

Few are already proficient, though more than 70% may increase skills

## INTEREST IN BUILDING SKILLS AND KNOWLEDGE REGARDING ESG ANALYSIS



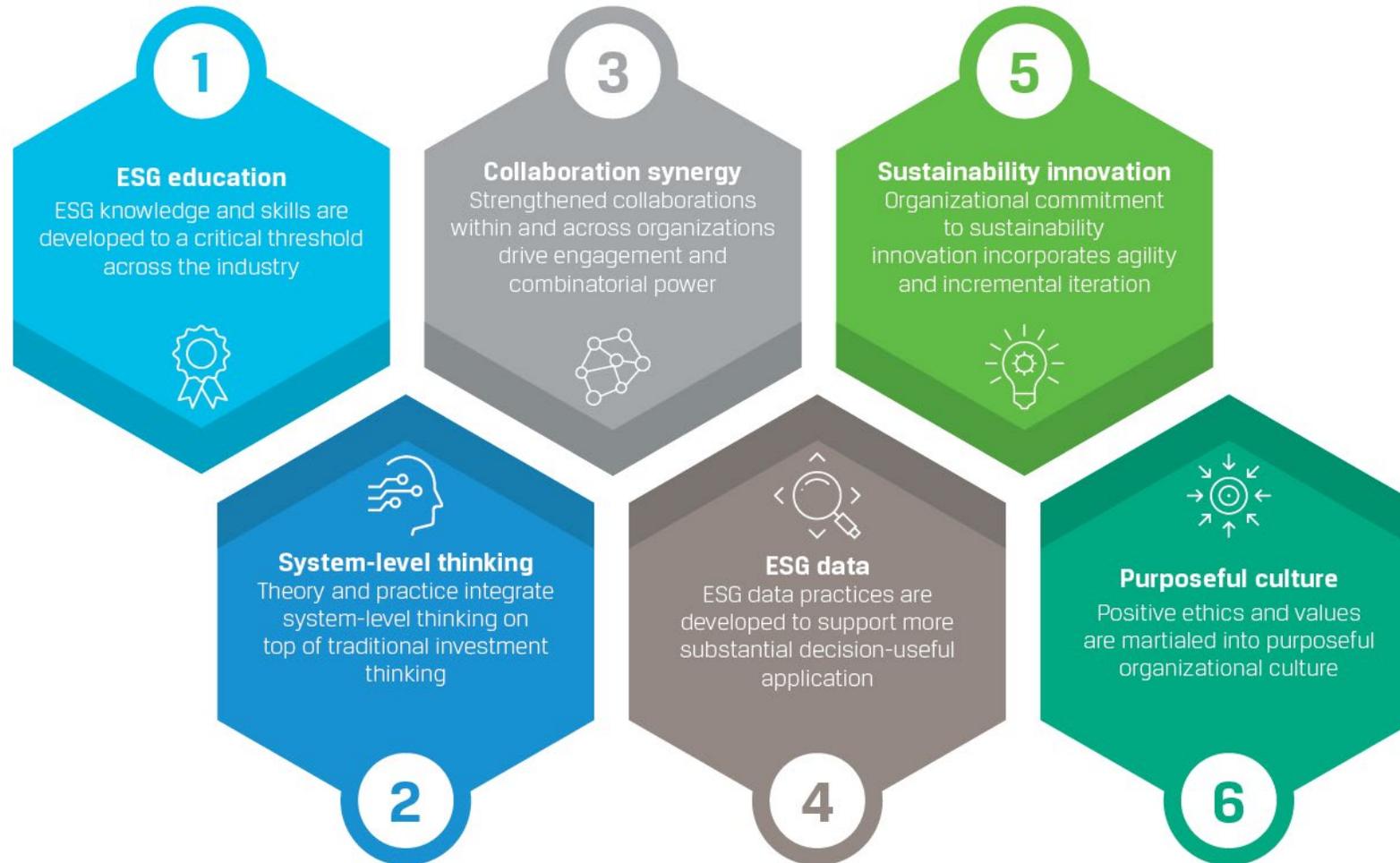
N = 2,501

# ACTIONS

Where are we on the sustainable investing journey? Where are current trends likely to take us, and what *scenarios* are plausible for the next 5–10 years? The preferable future state is the industrywide attainment of excellent investing outcomes, balancing intergenerational equity and regard for multiple stakeholders. What are the catalysts to achieve this outcome? What is holding us back?



# A RUBRIC FOR PROGRESS



# REFERENCES AND NOTES

## References

See [www.cfainstitute.org/esg-investing](http://www.cfainstitute.org/esg-investing) for various resources, such as:

- *ESG and Responsible Institutional Investing Around the World: A Critical Review*, a Research Foundation literature by Pedro Matos, May 2020
- *Climate Change Analysis in the Investment Process*, Sept 2020
- *Positions on Environmental, Social, and Governance Integration*, CFA Institute policy position, Jan 2019

## Notes

For Drivers slide:

- The 2020 descriptions were taken from the 2018 *Financial Analysts Journal* paper “Why and How Investors Use ESG Information: Evidence from a Global Survey” by Amir Amel-Zadeh and George Serafeim
- In 2020, “ESG integration” combines “full integration” (26%), “risk factor/risk premium investing” (25%), and “overlay/portfolio tilt” (15%), and the total is the number of respondents who selected one or more of these options. The latter two were not collected in 2015.
- 2020 combines “relative/best-in-class screening” (30%) and “positive screening” (45%) and the total counts each respondent only once; in 2015 there was a single category called “best-in-class investing/positive alignment.”
- In 2015 the term used was “exclusionary screening.”

# FUTURE OF SUSTAINABILITY IN INVESTMENT MANAGEMENT – WAR FOR ESG TALENTS? PANEL DISCUSSION



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# POLLING QUESTION 2

What are the key drivers for you in selecting an employer? (Select all that applies)

	Polling Results
A. A company's size, brand, growth prospects and reputation _____	53%
B. The company culture (e.g., authenticity, work-life balance, inclusion and diversity)	64%
C. Alignment of the company's values with mine _____	53%
D. Compensation package / job title _____	68%
E. Career path _____	59%
F. Professional development opportunities _____	54%



**THANK YOU**

