

*Media Release*

## **Study finds nearly two-thirds of investors globally prefer using active funds to integrate ESG**

- ***APAC region sees largest increase in ESG users, from 81% to 88% year on year***
- ***APAC investors cite improving performance as a key driver for ESG adoption***

**Sydney, May 18, 2022:** Nearly two-thirds (63%) of investors prefer to use active funds to integrate ESG, with equities (80%) over bonds (58%) being the most popular asset classes globally to gain ESG exposure, according to a new study by Capital Group, one of the largest and most experienced investment companies in the world, with assets under management of \$2.7 trillion<sup>1</sup>.

Capital Group's ESG Global Study 2022 surveyed 1,130 global institutional and wholesale investors, including pension funds, family offices and insurance companies, as well as fund of funds, retail/private banks and financial advisors, located in 19 markets around the world. This is the second annual study that seeks to identify the key drivers behind how investors are integrating ESG and where the challenges lie.

"ESG adoption rates appear to be firmly embedded among professional investors globally, with a growing preference for active managers to make the critical investment decisions," said **Jessica Ground, Global Head of ESG, Capital Group**. "This preference underscores the complexity of assessing ESG issues and that reducing them to a single ESG score cannot capture nuanced company evaluations. Investors are hence turning to active managers that can focus on deep proprietary research, robust monitoring systems and engagement to analyse companies. At Capital Group, we understand our fiduciary responsibility to consider all material factors in assessing the merits of an investment. ESG issues are critical factors in companies' long-term outlooks and are therefore critical to our investment research and analysis."

### ***Regional variations persist but overall, the direction is one of increasing adoption***

ESG adoption is now widespread, with the proportion of ESG users jumping to 89%, up from 84% in 2021. Asia-Pacific (APAC) saw the largest increase in ESG users of any region over the past year (to 88% from 81% in 2021).

Among those surveyed globally, meeting client needs (27%) and making a positive impact (25%) are the most-cited motivations for adopting ESG. APAC investors are most driven by making a positive impact (23%). Compared to North American and European respondents, twice as many APAC investors also attach most weight to improving performance (21% vs. 10% in North America and 10% in Europe) as a driver for ESG adoption.

The survey also found that, compared to those in other regions, more Europeans consider ESG to be "central" to their investment approach (31% vs. 26% globally), while investors in North America have the

### **Media Release**

least conviction in ESG, with less than one in five reporting that ESG is central to their investment approach (18%), behind those in APAC (22%).

Encouragingly, the percentage of APAC investors who remain on the sidelines about ESG has decreased from 16% in 2021 to 10% in 2022. Non-adoption of ESG among APAC investors has also shrunk, from 3% to 1% in the same time frame.

Globally, almost four in 10 (39%) agree that a lack of product innovation is, in part, holding back greater ESG adoption. This is most significantly echoed in the APAC region (48%). ESG integration remains the most used implementation strategy (59%) by investors globally.

### ***Environmental focus is overshadowing the S in ESG globally***

- Half (50%) of the investors surveyed say a fund's ability to meet the United Nations' Sustainable Development Goals (SDGs) is an important consideration when making fund selections.
- Almost two-thirds (64%) of them believe that helping companies transition to a green future is key to solving the climate crisis.
- The E of ESG continues to dominate allocation preferences, with an increase of share from 44% in 2021 to 47% in 2022.
- However, 41% of investors expressed concern that social issues, the S of ESG, are being overlooked in favour of climate issues.

For more on Capital Group's ESG insights, including a copy of the full Global Study 2022 and 2021 survey report, please visit <https://www.capitalgroup.com/eacg/esg/esg-global-study.html>.

- ENDS-

#### **Media Enquiries:**

Kaitlyn Yang (Singapore)

[Kaitlyn.Yang@capitalgroup.com](mailto:Kaitlyn.Yang@capitalgroup.com)

Tel: +65 6437 0439

Anisha Patel (London)

[Anisha.patel@capitalgroup.com](mailto:Anisha.patel@capitalgroup.com)

Tel: +44 (0) 207-864-5504

Justin Kirkwood (Sydney)

[justin@kirkwoods.com.au](mailto:justin@kirkwoods.com.au)

+61 411 251 324

## ***Media Release***

### **About The Study**

This Capital Group ESG Global Study was commissioned for a second year to gather the views of 1,130 global investors via an extensive online survey conducted by CoreData Research between February and March 2022.

The sample includes 565 global institutional investors (pension funds, family offices, insurance companies, sovereign wealth funds, endowments, foundations, DC funds) and 565 global wholesale investors (funds of funds, discretionary fund managers, private banks, wirehouse broker-dealers, registered investment advisors, independent advisory, investment division of insurance companies).

Investors were based in 19 countries and regions from Europe (50%), Asia-Pacific (32%) and North America (18%).

The sample also includes ESG users/adopters (89%) and ESG non-users/non-adopters (11%).

### **About Capital Group<sup>1</sup>**

Capital Group is one of the oldest and largest asset management companies in the world, managing multi-asset, equity, and fixed income investment strategies for different types of investors. Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research, and individual accountability. Today Capital Group works with financial intermediaries and institutions to manage over US\$2.7 trillion in long-term assets for investors around the world. Capital Group has an integrated global research network of more than 400 investment professionals and its portfolio managers have an average of 26 years of investment experience.

1. Data as at 31 December 2021. Source: Capital Group

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organisation; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

### **FOR PROFESSIONAL INVESTORS AND INFORMATION PURPOSES ONLY – NOT FOR PUBLIC DISTRIBUTION**

This communication is strictly for the confidential use of the recipient, solely for the purpose for which it is provided, and may not be disclosed or circulated to, or relied upon by third parties.

This information is neither an offer nor a solicitation to buy or sell any securities or to provide any investment service. Statements attributed to an individual represent the opinions of that individual as of the date published and may not necessarily reflect the view of Capital Group or its affiliates. While Capital Group uses reasonable efforts to obtain information from third-party sources which it believes to be reliable, Capital Group makes no



***Media Release***

representation or warranty as to the accuracy, reliability or completeness of the information. The information provided in this communication is of a general nature and does not take into account your objectives, financial situation or needs. Before acting on any of the information you should consider its appropriateness, having regard to your own objectives, financial situation and needs.

This communication has been prepared by Capital International, Inc., a member of Capital Group, a company incorporated in California, United States of America. The liability of members is limited.

In Australia, this communication is issued by Capital Group Investment Management Limited (ACN 164 174 501 AFSL No. 443 118), a member of Capital Group, located at Level 18, 56 Pitt Street, Sydney NSW 2000 Australia.

All Capital Group trademarks are owned by The Capital Group Companies, Inc. or an affiliated company in the US, Australia and other countries. All other company and product names mentioned are the trademarks or registered trademarks of their respective companies. © 2022 Capital Group. All rights reserved.