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

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

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:
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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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>54%</td>
<td>54%</td>
<td>67%</td>
</tr>
<tr>
<td>2015</td>
<td>50%</td>
<td>49%</td>
<td>64%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>To Help Manage Investment Risks</th>
<th>Clients/Investors Demand It</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>65%</td>
<td>45%</td>
</tr>
<tr>
<td>2015</td>
<td>63%</td>
<td>44%</td>
</tr>
</tbody>
</table>

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

- Listed Equity: 76%
- Fixed Income: 45%

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.

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

- Board Accountability: 77%
- Human Capital: 65%
- Environmental Degradation: 62%
Further, the biggest factors that limit the ability to use non-financial information include:

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

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

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

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

- Americas: 49% (66%)
- EMEA: 58% (66%)
- APAC: 48% (66%)

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

- Americas: 48% (63%)
- EMEA: 58% (65%)
- APAC: 61% (74%)

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

<table>
<thead>
<tr>
<th>Consider ESG in investment decisions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Investors</td>
</tr>
<tr>
<td>Private Investors</td>
</tr>
<tr>
<td>Portfolio Managers</td>
</tr>
<tr>
<td>Analysts</td>
</tr>
</tbody>
</table>

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.

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

- Environmental: 52% men vs. 62% women
- Social: 53% men vs. 60% women
- Governance: 67% men vs. 68% women

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