

ESG Asset Owner Survey

Confidential presentation to the Pension Investment Academy
January 27th 2021 (publication February 8th 2021)



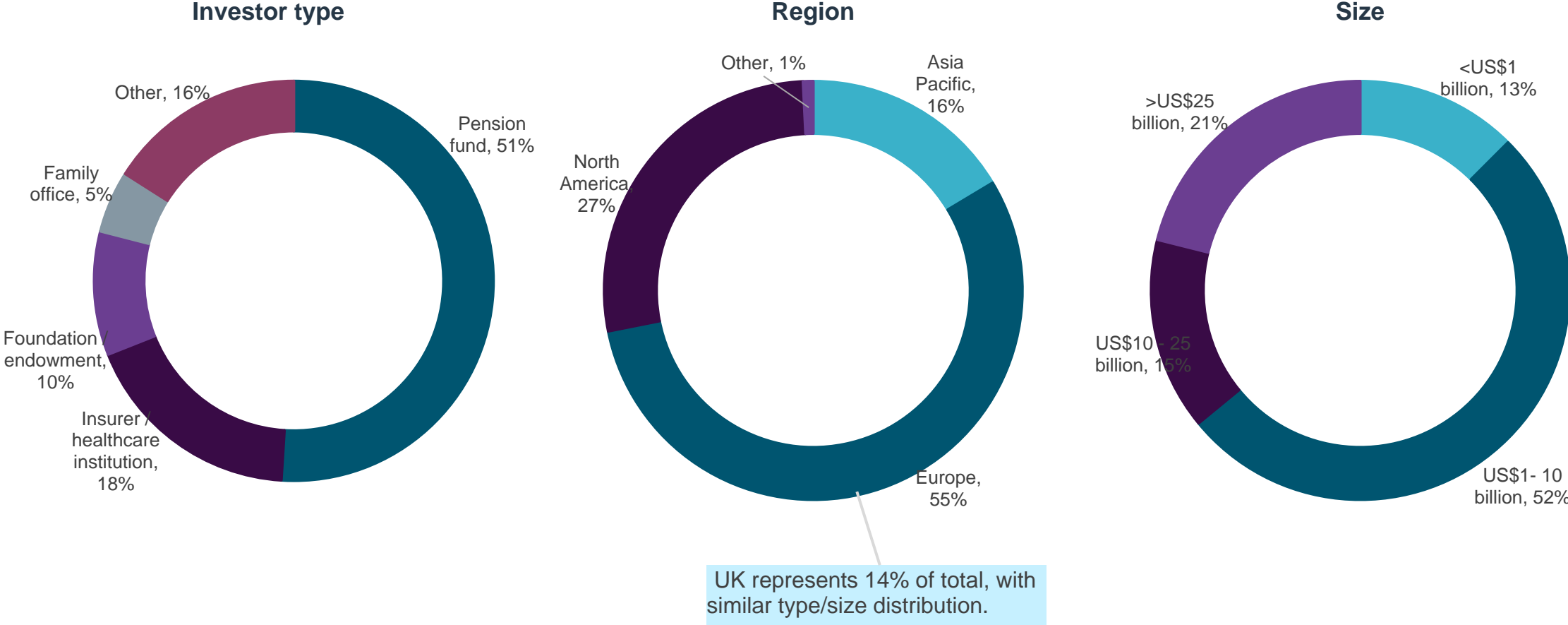
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About the respondents

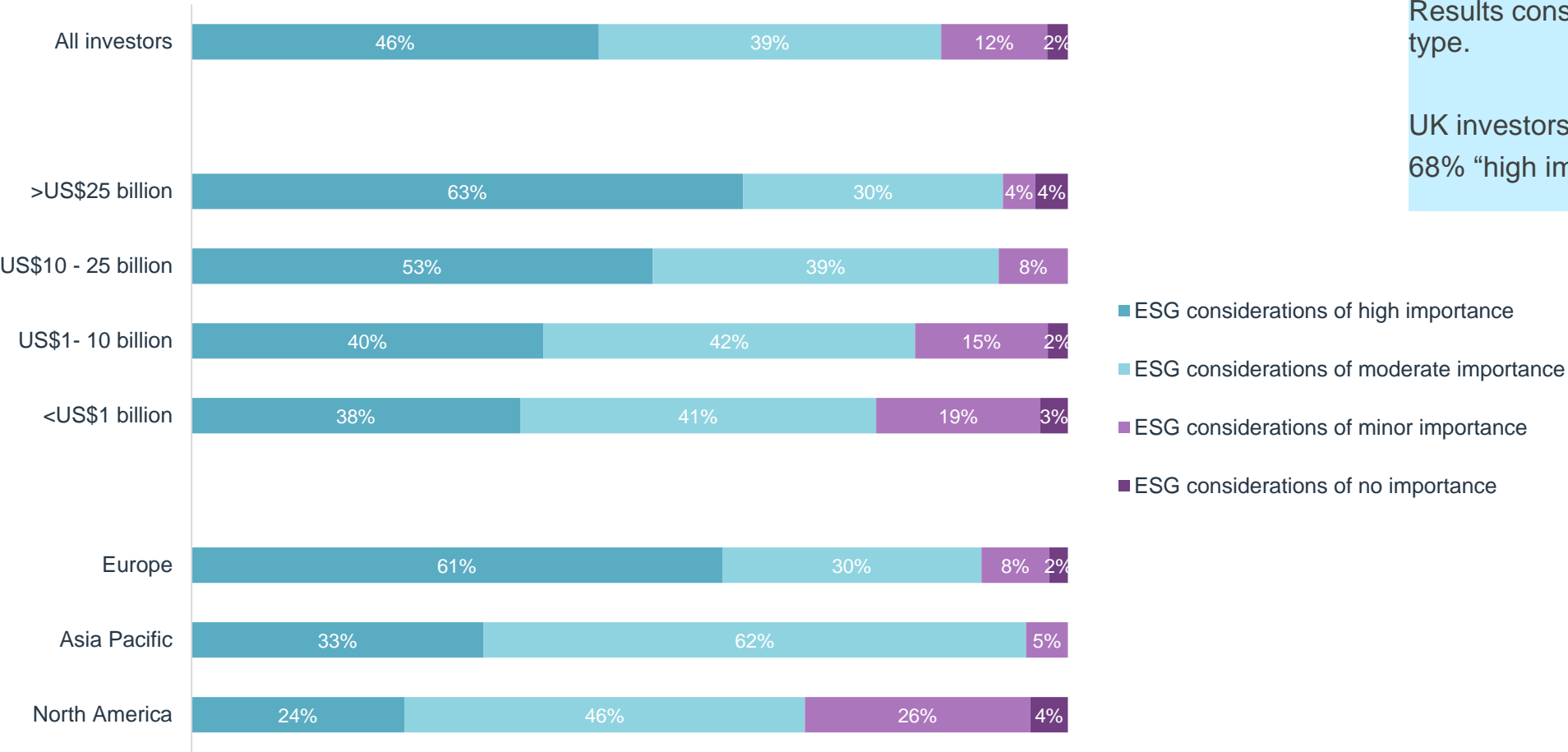
256 investor respondents, with an estimated minimum US\$7 trillion in assets.



ESG priorities

Focus on ESG

How important are ESG considerations to your investment strategy and implementation?

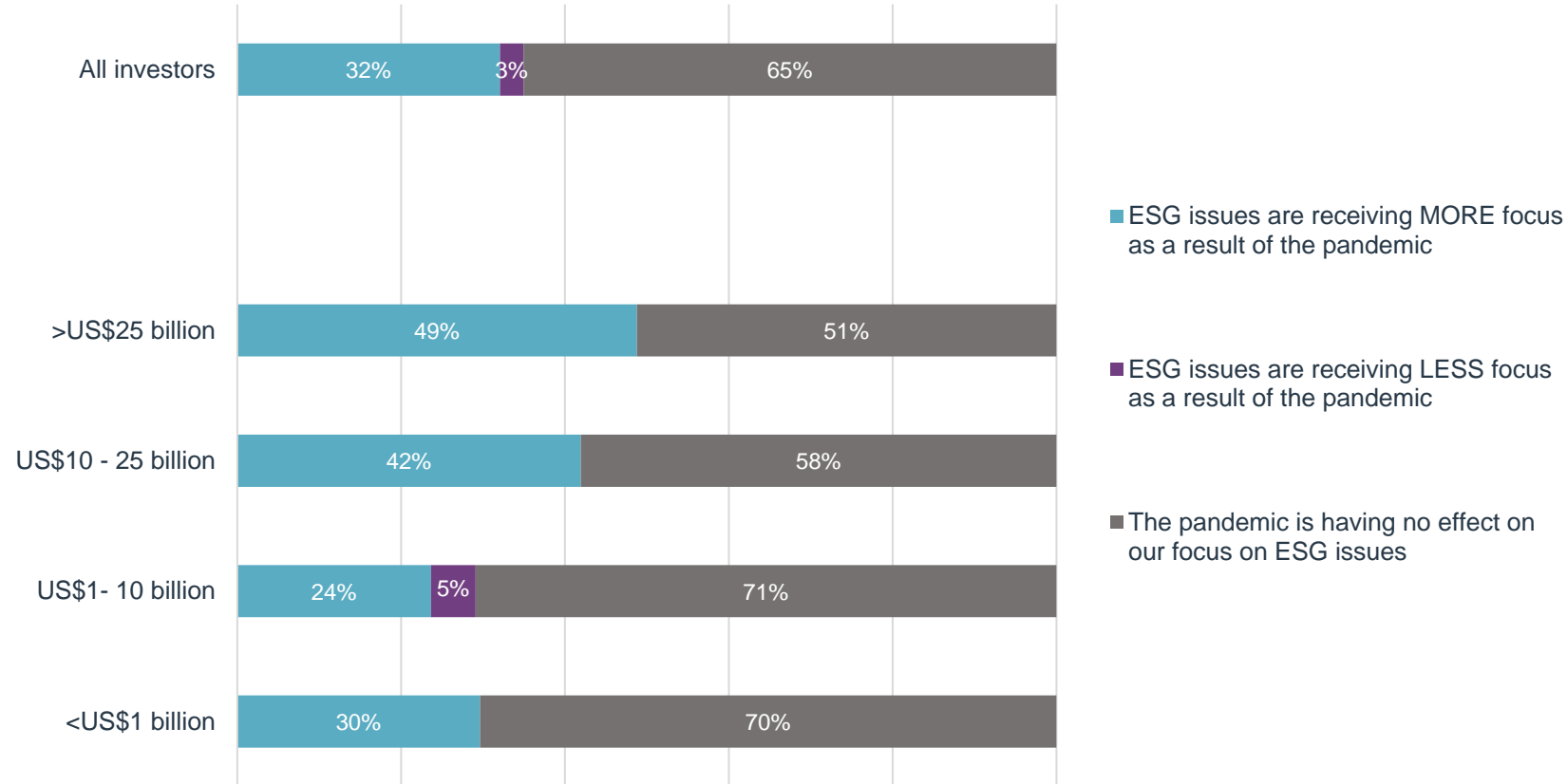


Results consistent across investor type.

UK investors stronger than average: 68% “high importance”

ESG and COVID-19

Do you believe that the COVID-19 pandemic has affected/ is affecting your investment team's focus on ESG issues?

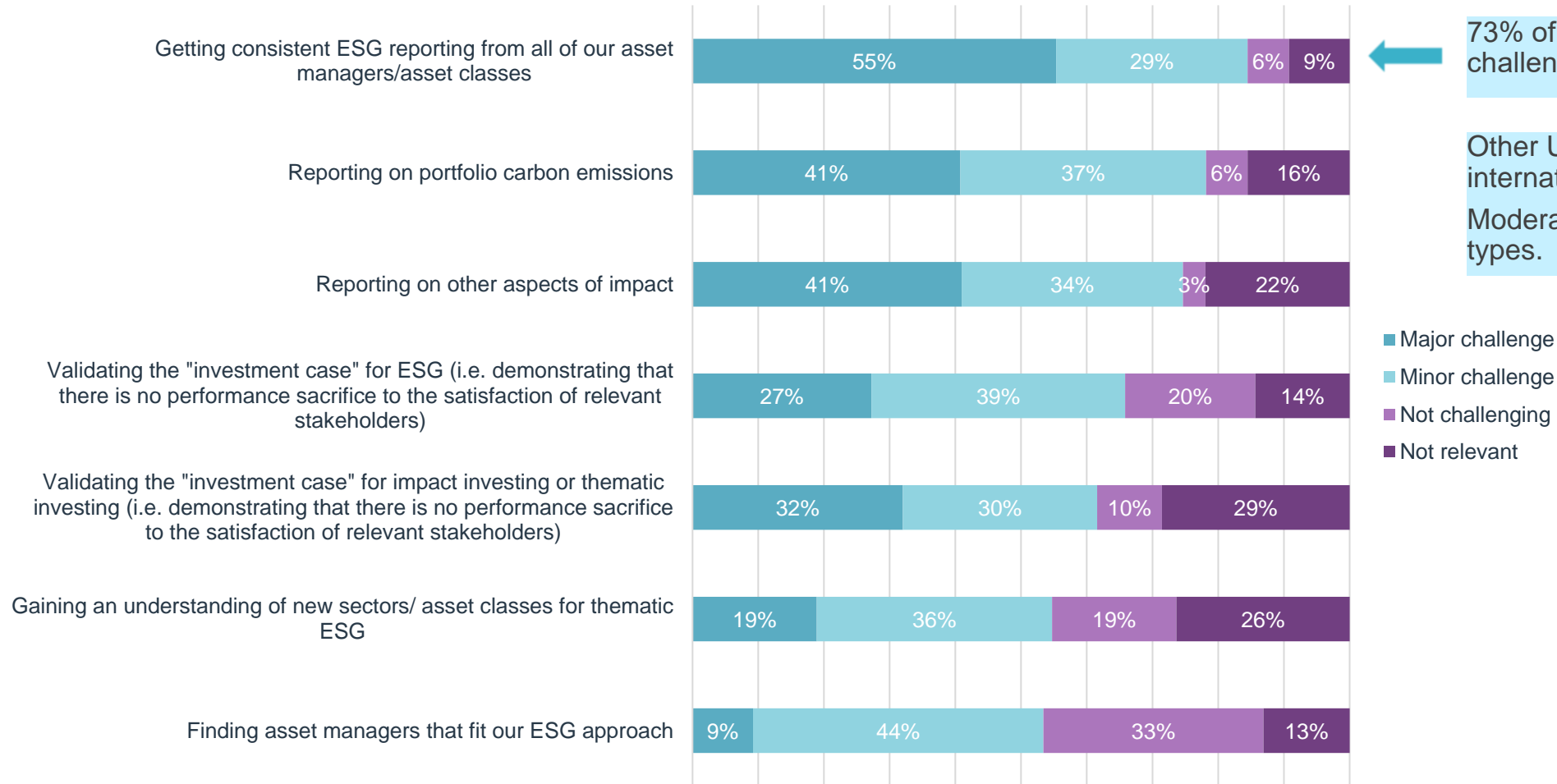


Consistent across investor types.

27% of UK investors say ESG issues are receiving MORE focus as a result of COVID-19; none say less.

Key challenges

How challenging, in your opinion, are the following at present?

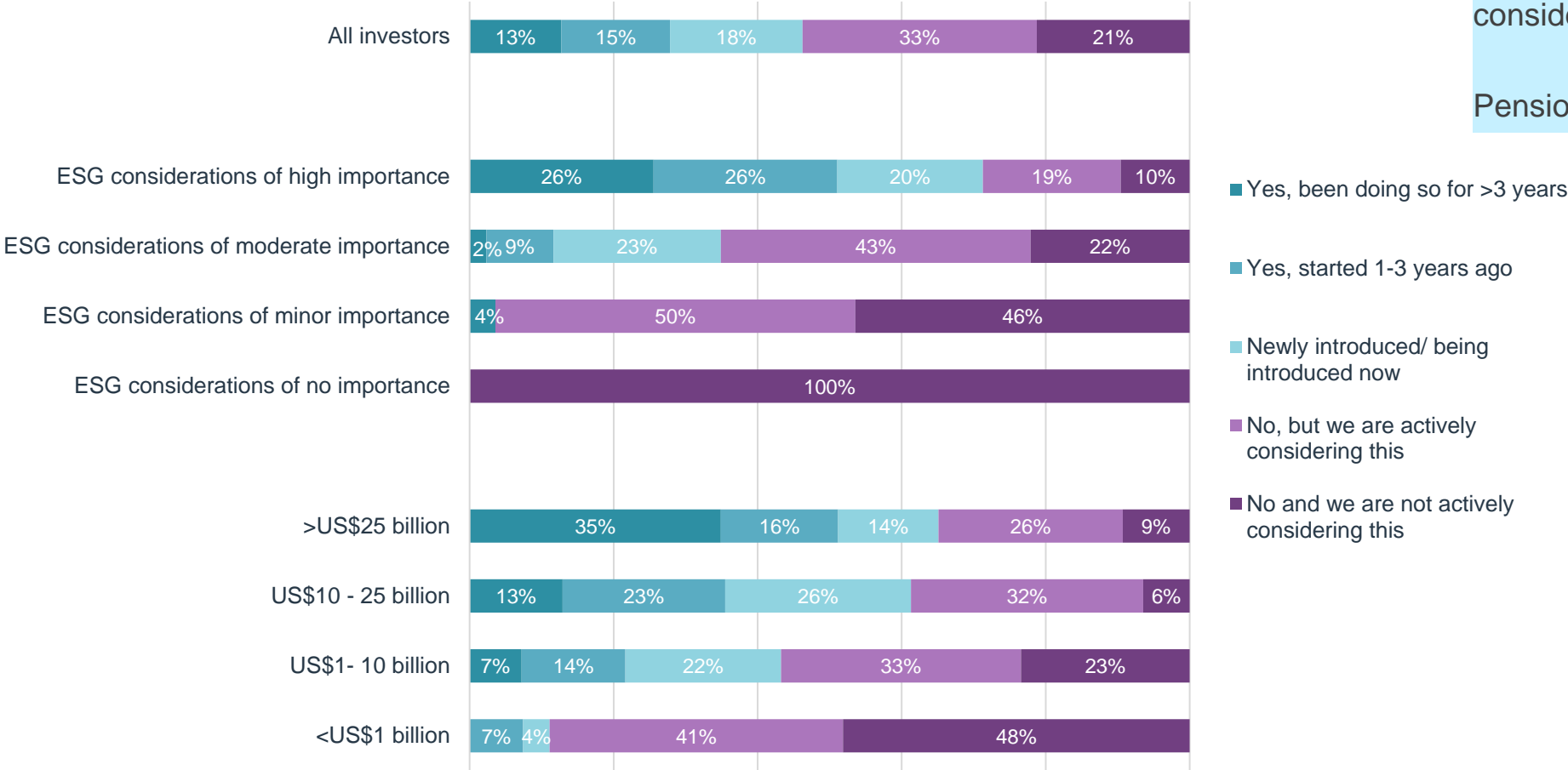


73% of UK investors call this a "major challenge", 23% "minor"

Other UK responses similar to international counterparts. Moderate consistency across investor types.

The rise of carbon data gathering

Do you assess the carbon emissions / footprint of your portfolio?



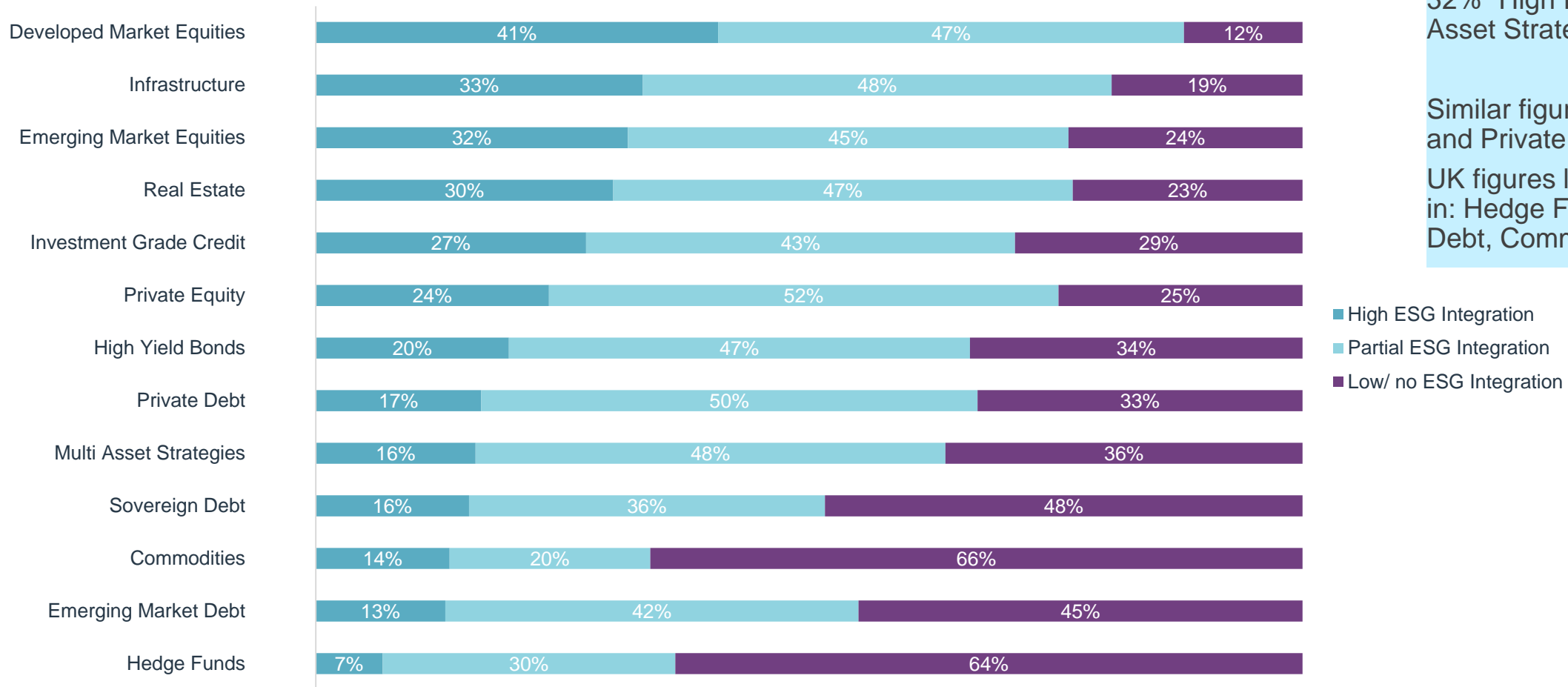
UK ahead of international counterparts: **60%** now do this (including new joiners), with a further 30% actively considering.

Pension fund results in line with total.

ESG across the portfolio

“ESG Integration” – a self-assessment

How would you describe your ESG approach across asset classes?



UK figures higher in Equities and Multi Asset:

65% “High integration” for DM Equities

50% “High Integration” for EM Equities

32% “High Integration” for Multi Asset Strategies

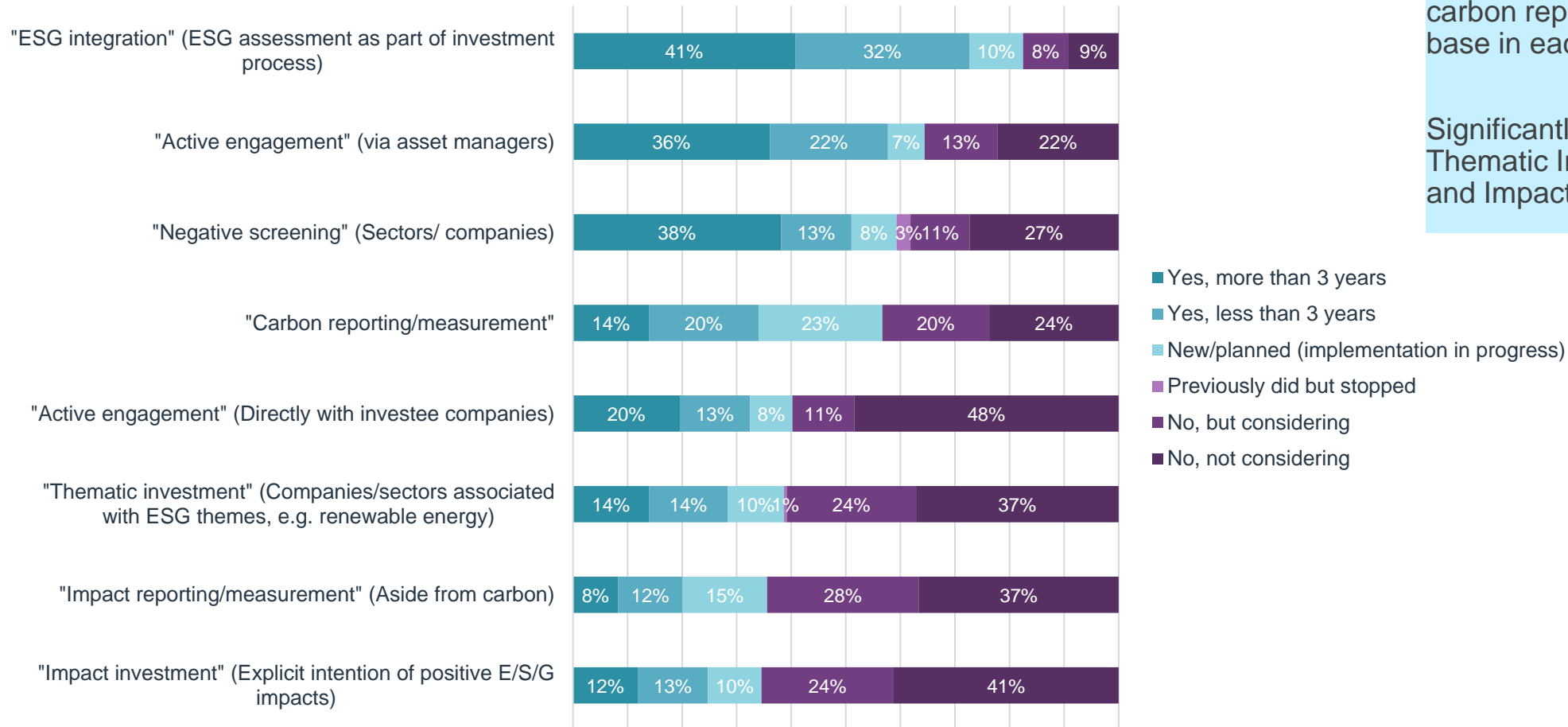
Similar figures in Real Assets and Private Markets.

UK figures lower than average in: Hedge Funds, Sovereign Debt, Commodities.

Note: only those who invest in the relevant asset class are displayed

ESG implementation: equities

Which of the following ESG approaches do you use in Equities? (for investors in this asset class)

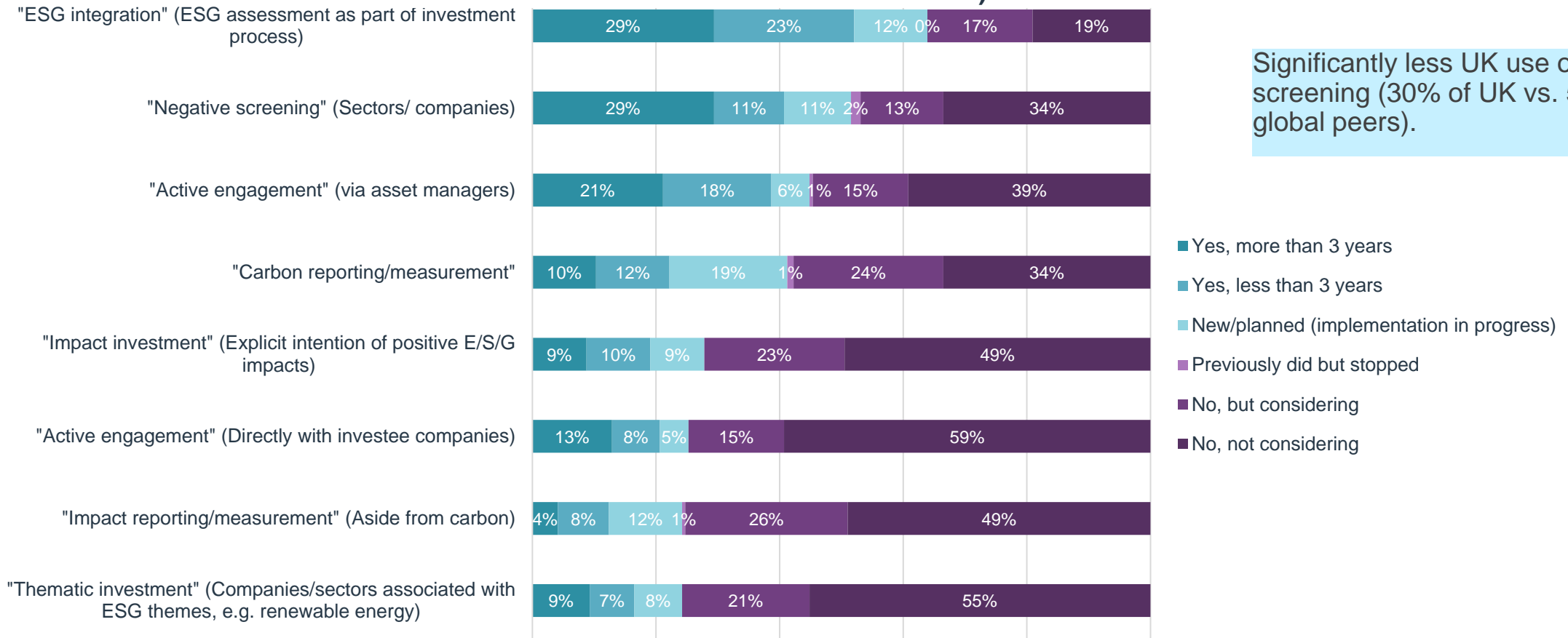


Larger UK swings towards ESG integration, negative screening and carbon reporting (albeit from lower base in each case).

Significantly larger UK adoption of Thematic Investment (now at 43%) and Impact Reporting (now at 42%).

ESG implementation: fixed income

Which of the following ESG approaches do you use in Fixed Income? (for investors in this asset class)

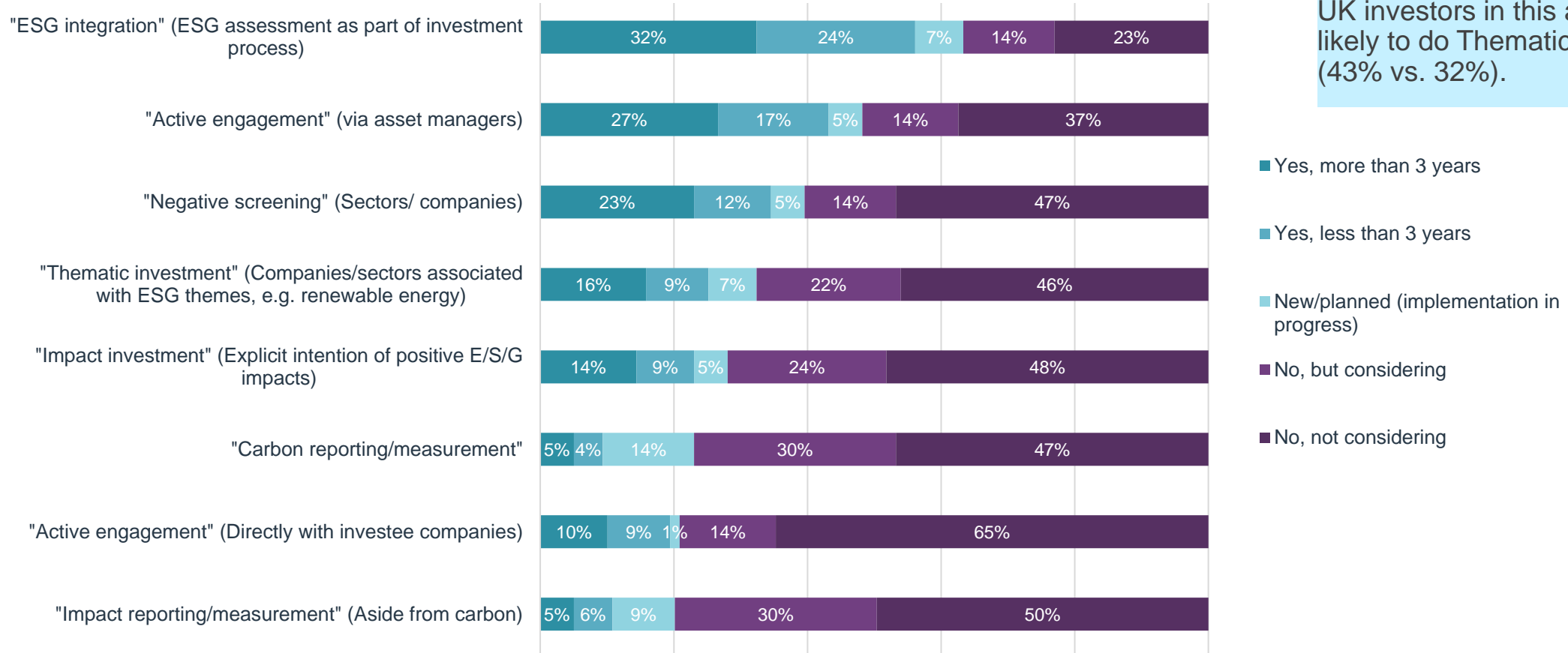


Significantly less UK use of negative screening (30% of UK vs. 51% of global peers).

- Yes, more than 3 years
- Yes, less than 3 years
- New/planned (implementation in progress)
- Previously did but stopped
- No, but considering
- No, not considering

ESG implementation: private equity

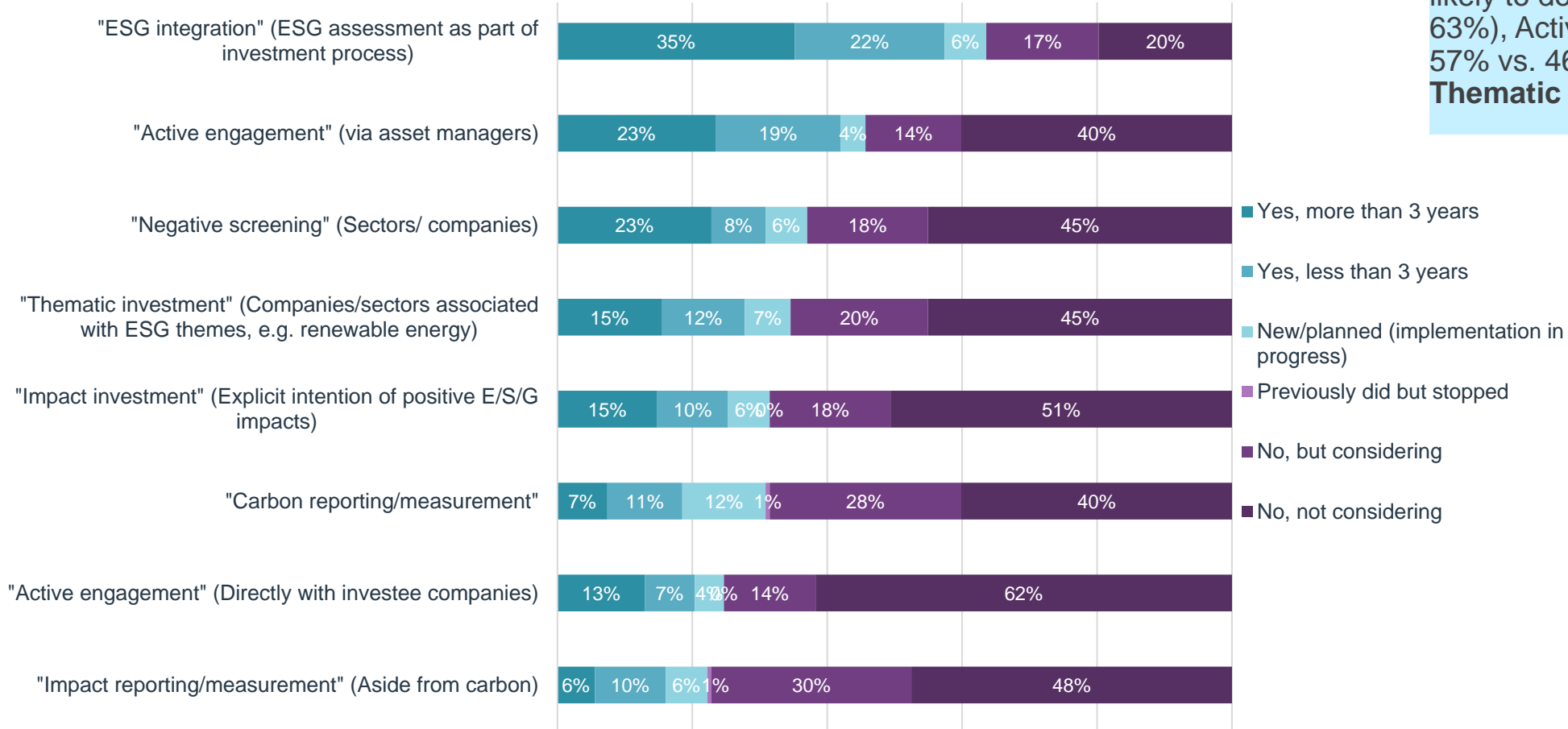
Which of the following ESG approaches do you use in Private Equity? (for investors in this asset class)



UK investors in this asset class more likely to do Thematic ESG Investment (43% vs. 32%).

ESG implementation: real assets

Which of the following ESG approaches do you use in Real Assets? (For investors in this asset class)

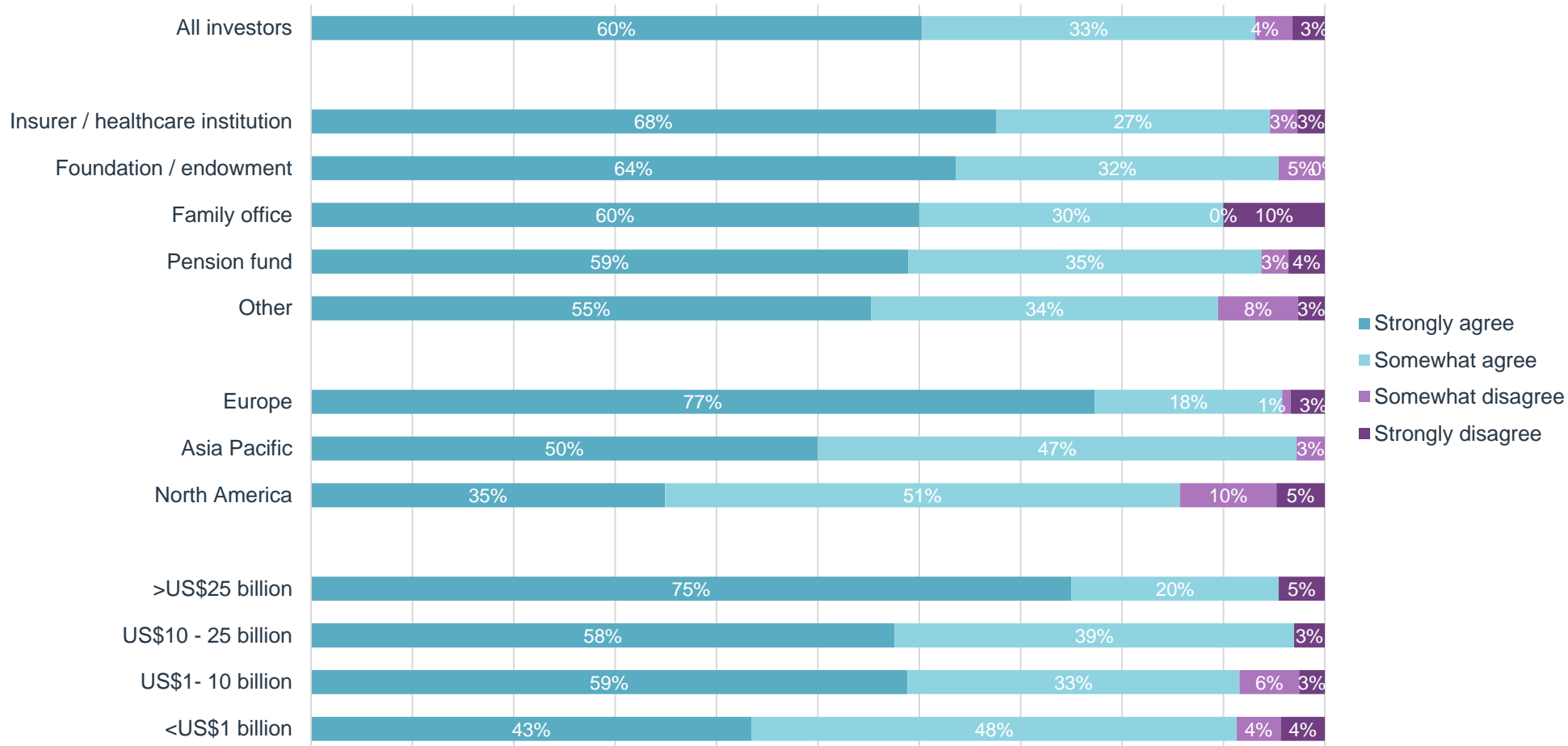


UK investors in this asset class more likely to do ESG Integration (76% vs. 63%), Active Ownership via managers 57% vs. 46%), and especially **Thematic Investment** (52% vs. 34%).

ESG and manager selection

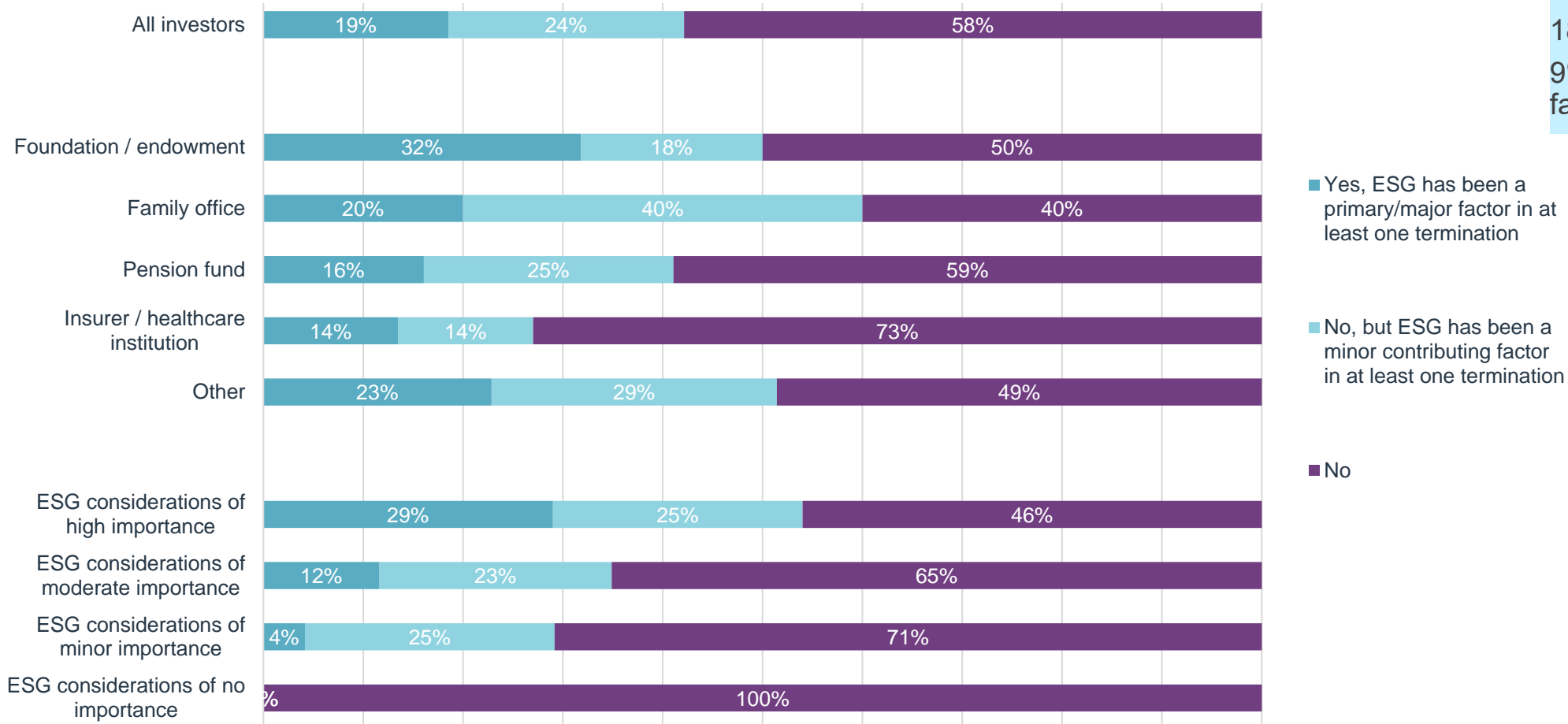
How strongly do you agree with this statement: "ESG criteria are important to us when selecting external asset managers"

UK higher:
85% "strongly agree"



ESG and manager termination

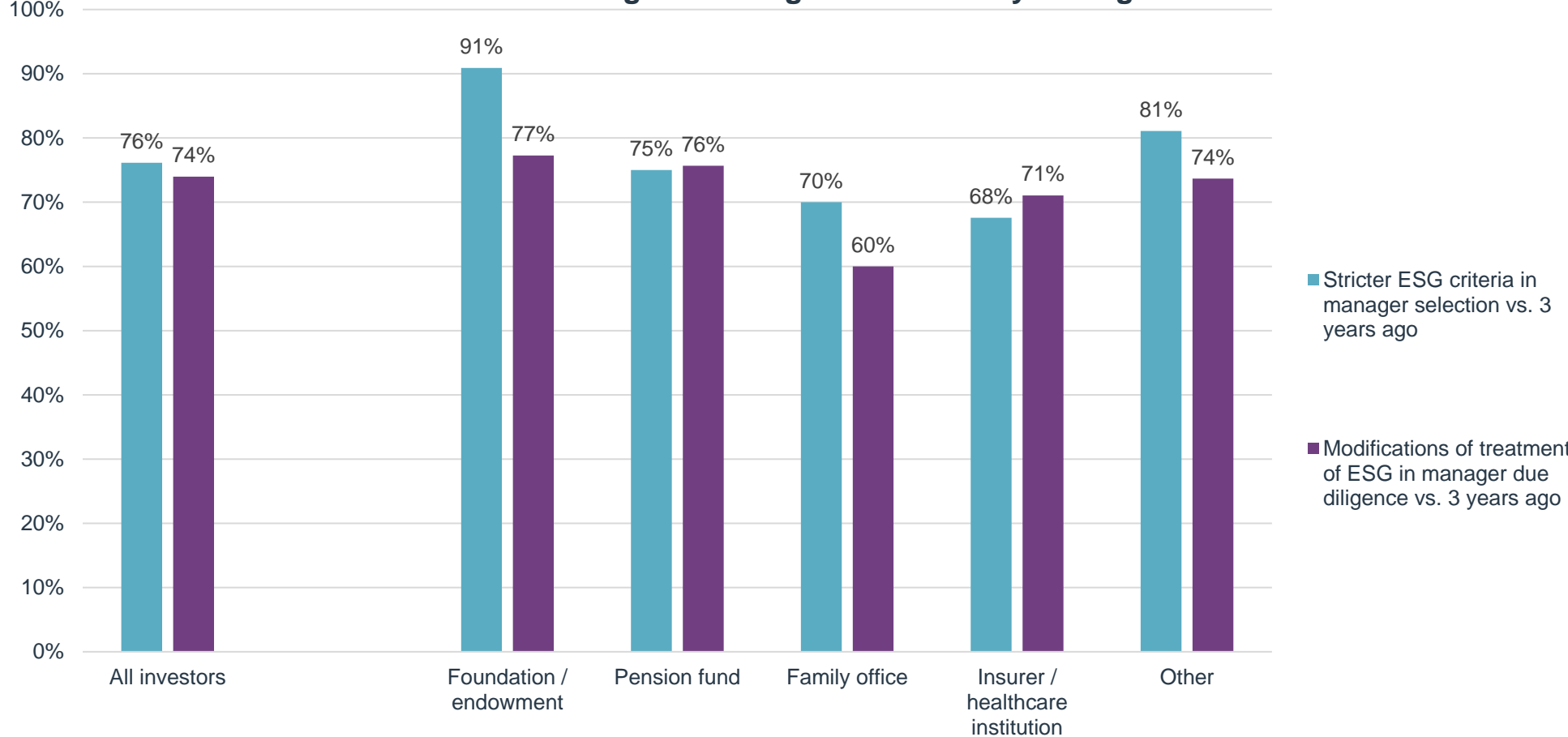
Have you ever terminated a manager where ESG considerations have been a major factor in that termination?



But, contra previous slide, UK investors LESS likely to have terminated due to ESG:
 18% “primary/major factor”
 9% “minor contributing factor”

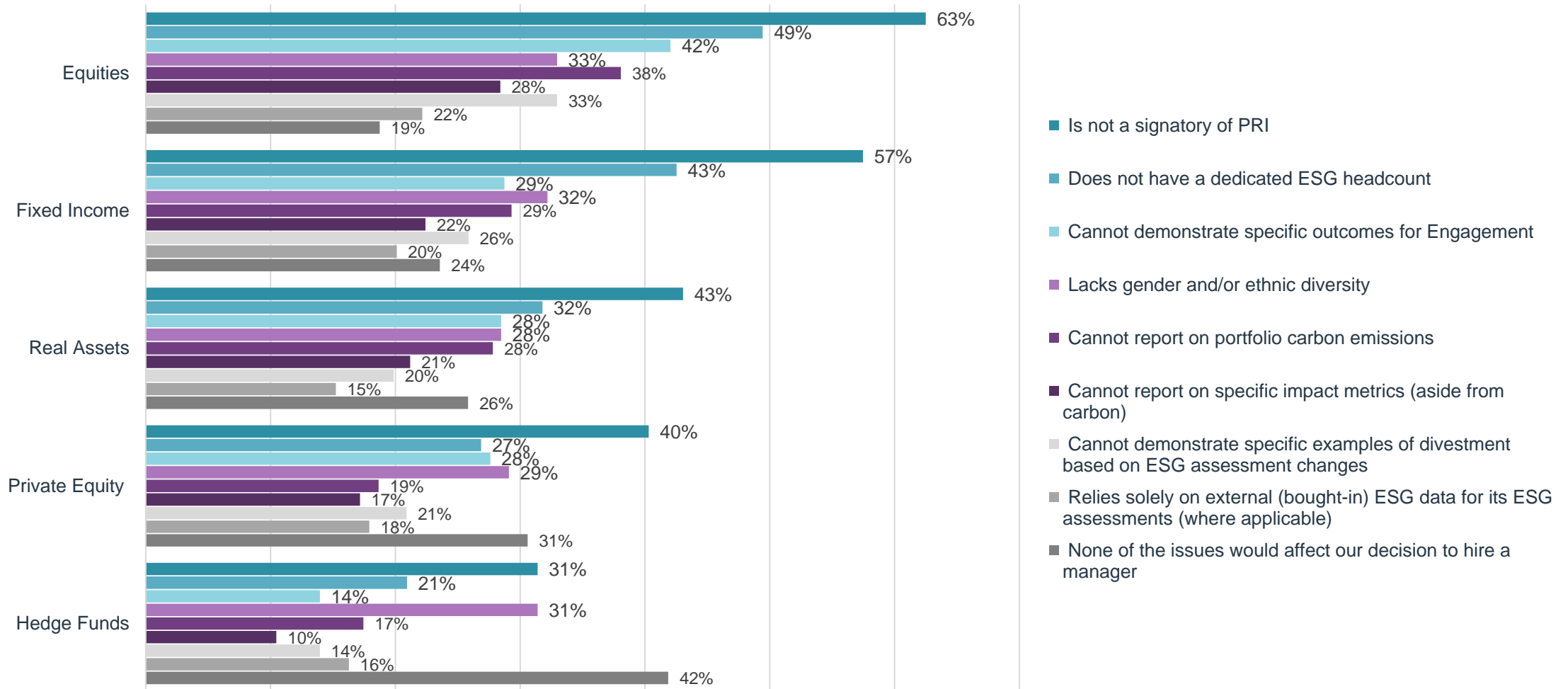
More stringent criteria and assessment

Do you have stricter ESG criteria for manager selection or have you modified treatment of ESG in manager due diligence versus 3 years ago?



Manager requirements across asset classes – Global

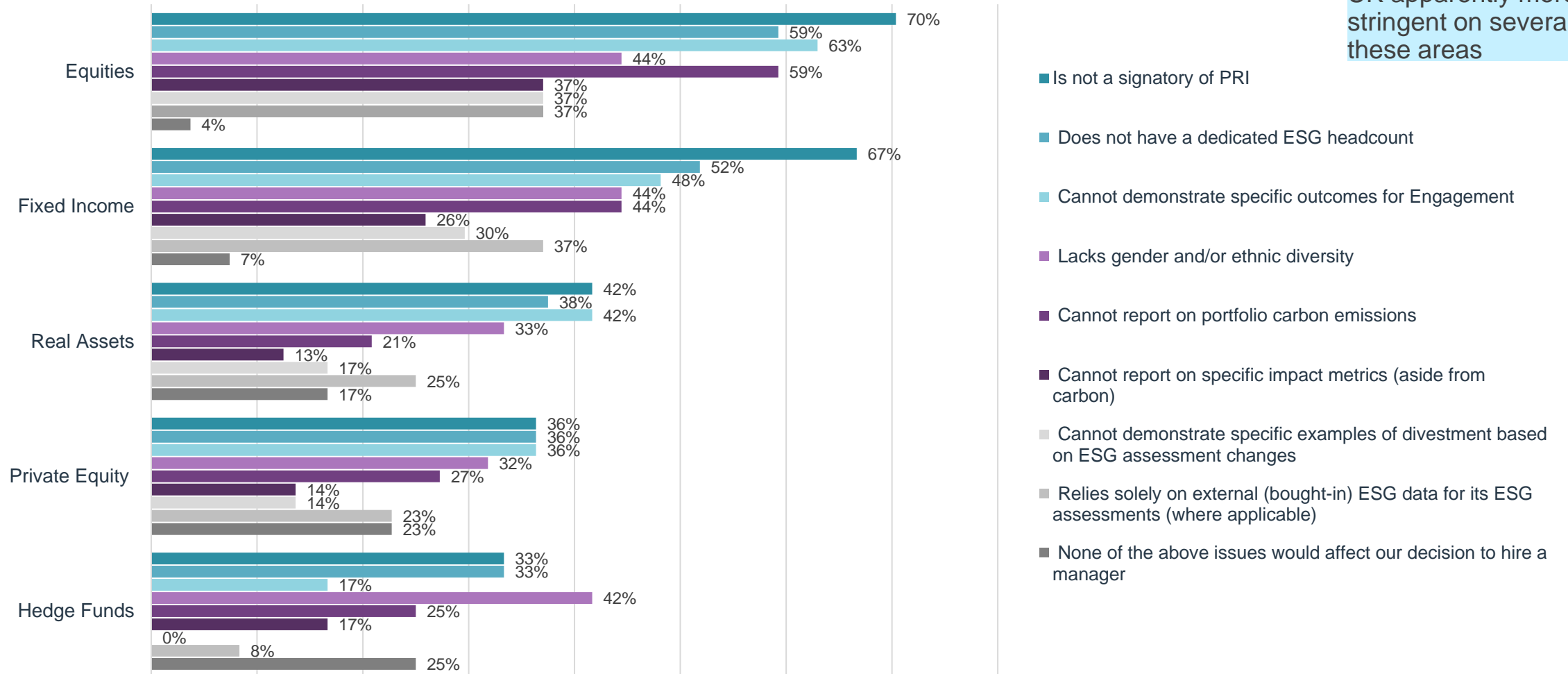
"We would be unlikely to hire an external manager in this asset class who..." (note: the response in each asset class only includes investors who invest in that asset class using external managers)



Manager requirements across asset classes – UK only

“We would be unlikely to hire an external manager who...” (note: the response in each asset class only includes investors who invest in that asset class using external managers.)

UK apparently more stringent on several of these areas



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