What approach are asset managers taking to promote their ESG offering?

Although responsible investing is a hot topic, asset managers are not as actively promoting ESG in Europe as might be expected, research by Fundamental Media finds

- European sustainable investing assets increased from $12,040 billion in 2016 to $14,075 billion in 2018, according to the Global Sustainable Investment Review 2018, a biennial report by the Global Sustainable Investment Alliance
- Despite the increased focus on ESG, asset managers and investors remain uncertain over the best approach to incorporate ESG criteria into the investment process and have all taken their own individual approach
- The asset managers with the highest brand recognition scores are not necessarily the brands that are most actively promoting their ESG credentials, data from Fundamental Monitor found

Fundamental Media

ESG gains momentum across Europe

The adoption and integration of environmental, social and governance (ESG) criteria are gaining momentum across Europe, but there is still no common approach to implementing ESG principles.

As public awareness around sustainability issues grows, responsible investing has become increasingly important for investors and asset managers. While some investors want their investments to reflect their beliefs around climate change and sustainability, others seek to integrate ESG factors into the investment process to improve risk management or to help generate higher risk-adjusted returns.

A recent report by French asset manager Natixis found that nearly two-thirds of institutional investors believe that ESG investing will become an industry standard within the next five years. Furthermore, 60% of individual investors seek out investments that align with their personal values.

The increased importance of responsible investing is highlighted further by the industry's growth figures. European sustainable investing assets increased from $12,040 billion in 2016 to $14,075 billion in 2018, according to the Global Sustainable Investment Review 2018, a biennial report by the Global Sustainable Investment Alliance.

Although only a fraction of global responsible investments, flows into ESG funds are also surging. Total assets in ESG and SRI ETFs have increased more than six-fold in the last three years from approximately $4 billion in 2016 to $26 billion in 2019. BlackRock, the world's largest asset manager, predicts that this figure will rise to $400 billion over the next decade.

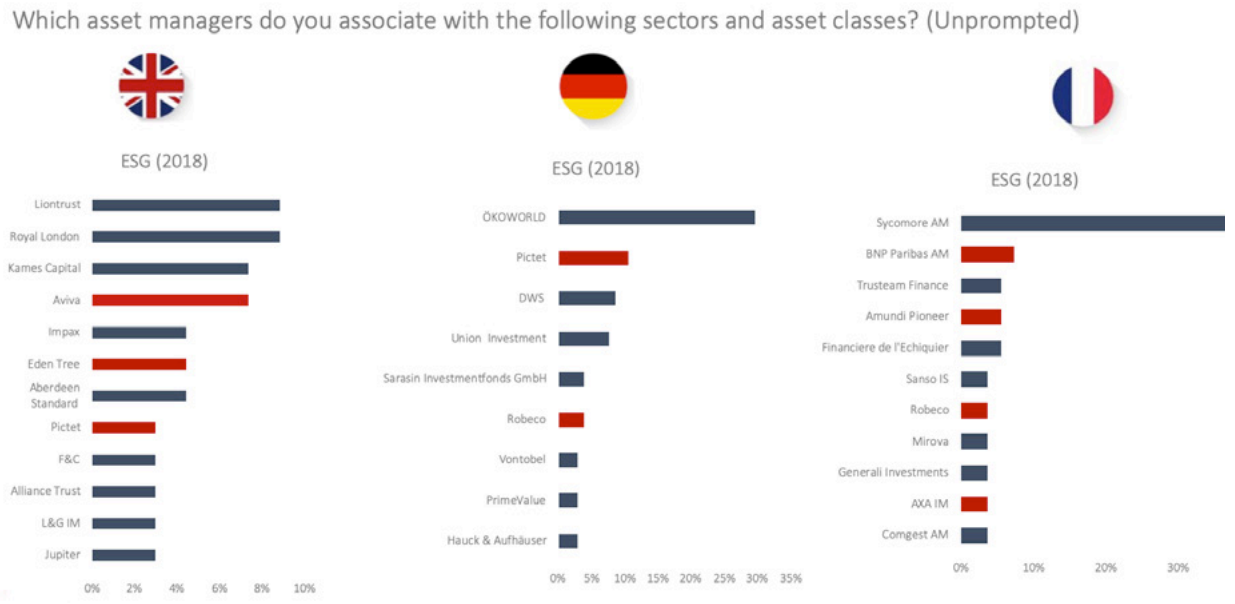
Lack of a common definition

Despite the increased focus on ESG, asset managers and investors remain uncertain over the best approach to incorporate ESG criteria into the investment process. With no regulatory guidelines available and a lack of a common definition for ESG, investors and investment firms have all taken their own individual approach, with no harmonisation yet in sight.

Furthermore, not all European countries are at the same level of maturity when it comes to responsible investing. ESG integration is most developed in the Netherlands, where the investment industry has shifted some of its focus to impact investing. The UK is also one of the most advanced markets concerning ESG integration, but in Germany many firms are still at the start of their ESG journey. In France, regulation is a bigger driver of ESG implementation than in other markets.

Despite these differences, the pace of ESG adoption and integration is accelerating across the continent. Overall, the integration of governance criteria into investment strategies is considered to be most advanced in every country, with environmental and social issues some way behind but catching up.

Negative screening continues to be the most popular ESG approach in Europe, although assets involved in negative screening fell slightly to €9.5 trillion at the start of 2018, according to Eurosif. Assets involved in corporate engagement reached close to €5 trillion, while assets deployed in best-in-class strategies grew by 19% and impact investing assets increased by 10% to €108 billion. Meanwhile, norms-based screening is falling out of favour, as assets fell by 38% from 2016 to €3.1 trillion in 2018.



Source: Fundamental Media Global Brand Survey. Asset managers highlighted in red have advertised ESG in the country indicated since the beginning of 2018.

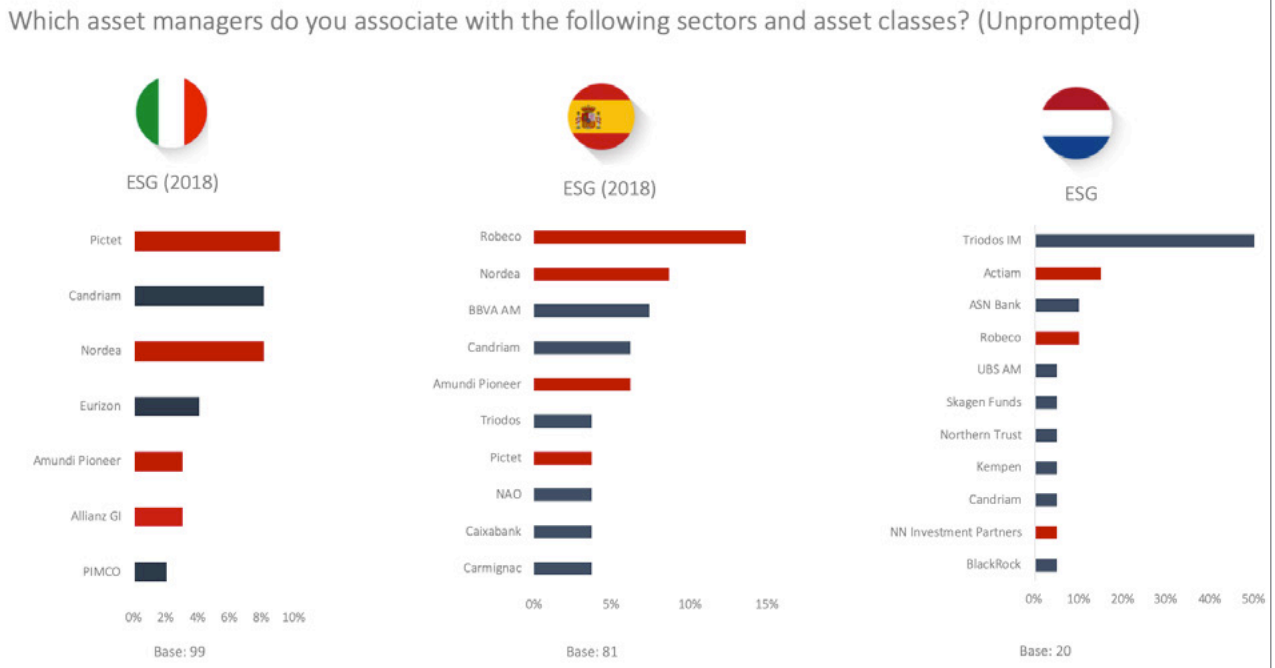
Advertising ESG credentials

So which brands are top of mind when investors think of ESG?

Fundamental Media has asked fund selectors, portfolio managers and financial advisors in six markets (the UK, Germany, Italy, the Netherlands, Spain and France) which asset managers they associate with ESG.

In the UK and Italy, no asset management firms were showing strong, unprompted brand recognition for ESG. The highest unprompted brand recognition score was only 9% in both countries, achieved by Pictet in Italy and by Liontrust and Royal London in the UK.

In the Netherlands, Triodos IM received a brand recognition score of 50%, the highest across all markets. One specialist group dominates in terms of brand recognition in France and Germany – Sycomore and Ökoworld, respectively – but other asset managers have not specifically targeted these markets.



Source: Fundamental Media Global Brand Survey. Asset managers highlighted in red have advertised ESG in the country indicated since the beginning of 2018.

However, the asset managers with the highest brand recognition scores are not necessarily the brands that are most actively promoting their ESG credentials, data from Fundamental Monitor found. Spain is the only surveyed country with a clear leader – Robeco – in terms of ESG brand recognition, perceived approach and advertising effort.

The Netherlands has the largest number of asset managers actively promoting their ESG credentials, with at least 15 different prominent advertisers, followed by the UK with 11. Germany, France, Italy and Spain have seen 7-9 advertisers in the space in recent months.

Several investment management groups, such as Candriam, Jupiter and LGIM, were found to have well-established ESG credentials despite not having been actively advertising their ESG capabilities.

Although responsible investing is a hot topic in the media globally, asset managers are not as actively promoting ESG in Europe than might be expected. There are clearly opportunities for advertisers with good brand recognition to stamp their authority on ESG messaging across Europe.

All advertising data comes from Fundamental Monitor, an innovative technology tool developed by Fundamental Media providing real-time insights into the advertising campaigns by asset managers across the globe. Fundamental Media is a specialist agency providing media, marketing and tech solutions for the asset management industry globally.
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