

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

ESG users around the world jump from 84% to 89% year on year

**LONDON, U.K., May 18, 2022:** Nearly two-thirds (63%) of investors prefer to use active funds to integrate ESG, with equities (80%) over bonds (58%) as the most popular asset class globally to gain ESG exposure, according to a new study by Capital Group, one of the largest investment companies in the world, with assets under management of US\$2.7 trillion and 91 years of experience.<sup>1</sup>

Capital Group's ESG Global Study 2022 surveyed 1,130 institutional and wholesale investors, including pension funds, family offices and insurance companies, as well as funds of funds, retail/private banks and financial advisors, located in 19 markets around the world. This is the second annual study which 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 amongst 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 who can focus on deep proprietary research, robust monitoring systems and engagement to analyze 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 saw the largest increase in ESG users of any region over last year (88% vs. 81% in 2021).

Among those surveyed, meeting client needs (27%) and making a positive impact (25%) are the most-cited motivations for adopting ESG. However, North American investors attach much more weight to meeting client needs (42%), while European investors are most driven by making a positive impact (28%). Among the three regions, Asia-Pacific investors put the most weight to improving performance (21%) as a driver for ESG adoption.

The survey also found more Europeans stating ESG is "central" to their investment approach (31% vs 26% globally), while investors in North America have the least conviction in ESG, with less than one in five reporting that ESG is central to their investment approach (18%). Globally, almost four in 10 (39%) agree that a lack of product innovation is, in part, holding back greater ESG adoption, and ESG integration remains the most used implementation strategy (59%) by investors.

### Environmental focus is overshadowing the S in ESG

- 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 [here](#).

### 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%).

<sup>1</sup>Data as of December 31, 2021.

Source: Capital Group. All references to Capital Group refer to the global organization.

### About Capital Group

Capital International Asset Management (Canada), Inc. is part of Capital Group, a global investment management firm originating in Los Angeles, California. Since 1931, the Capital Group organization has been singularly focused on delivering superior results for long-term investors using high-conviction portfolios, rigorous research, and individual accountability. As of December 31, 2021, Capital Group manages more than US\$2.7 trillion in equity and fixed income assets for millions of individual and institutional investors around the world.

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 organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

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