

Responsible Investing in Asia 2021

Raising the Bar for Sustainability

OVERVIEW & METHODOLOGY

This annual report examines the evolution of environmental, social, and governance (ESG)-based investing across the Asia-Pacific region, and provides an analysis of the state of ESG investing in the retail and institutional segments across Asia-Pacific markets.

In the retail segment, it assesses the demand for various ESG themes and emerging opportunities in product development. On the institutional side, the report provides analysis of ESG adoption by asset owners and their expectations of managers. With climate change becoming a central theme amid regulatory focus and governments' net zero commitments, the report provides an analysis of climate risks and opportunities.

The report covers Australia, China, Hong Kong, India, Japan, Korea, Singapore, Taiwan, and Southeast Asia. Each market chapter examines the state of ESG investing, take-up among retail and institutional investors, product developments, and managers' plans for developing their ESG strategies and capabilities to meet their clients' needs.

USE THIS REPORT TO

- Identify trends in ESG product developments and ideas to expand the product range
- Gain an understanding of the passive approach to sustainable investing and drivers for the take-up of ESG exchange-traded funds (ETFs) in key Asia-Pacific markets
- Evaluate asset owners' approaches to ESG investing, allocations toward sustainable thematic investments, implications of their enhanced ESG capabilities, and expectations from asset managers
- Review asset owners' approaches to addressing climate risk, key areas where they look for manager expertise, and their need for green assets

QUESTIONS ANSWERED

- What is the state of ESG investing among retail and institutional investors in the region?
- How can managers address products gaps as ESG mutual fund launches accelerate across Asian markets?
- What factors are driving the growing number of ESG ETF listings in some Asia-Pacific markets?
- What are Asian asset owners expecting from external managers as they grow their ESG capabilities?
- What opportunities can asset managers expect from institutional clients that are looking to address climate risks?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **ESG Fund Overview:** Size the ESG market in the Asia-Pacific and Southeast Asia regions, including an assessment of locally domiciled mutual fund and exchange-traded fund (ETF) assets under management (AUM) and net new flows by year and country. In addition, customize a side-by-side comparison of mutual fund and ETF AUM and net new flows between countries by implementation type and investment objective.
- **Approaches to ESG Investing and Climate Risks:** Compare asset owners' and asset managers' various criteria for exclusionary screening, key focus areas on UN Sustainable Development Goals, sentiment about ESG-specific risks evaluated during the investment process, and challenges in assessing climate-related risks in investments.
- **Asset Managers on ESG Investments:** Explore Asia-Pacific asset managers' ESG processes and product plans by country, including methods of incorporating ESG principles into their investment processes, plans to launch different ESG-centric products over the next two to three years, and key reasons for developing ESG products.

Almost three-quarters of Asia-Pacific ex-Japan asset owners surveyed by Cerulli said they use the integration approach to incorporate ESG factors into their investment processes. By institution type, 77% of pension funds chose ESG integration as their most-used approach. On the other hand, two-thirds of insurers chose ESG integration and negative screening each as their preferred methods of ESG incorporation.

In terms of ESG incorporation by asset class, about two-thirds of survey respondents (62.2%) have integrated ESG in local equity and more than half (55.3%) have done so for global equity. While a majority of institutional investors in our survey have integrated ESG factors into equity asset classes, due to the ease in conducting ESG analysis because of better availability of ESG data compared to fixed income and shareholder rights, some have already employed ESG factors into other asset classes, including fixed income and alternatives, as seen in the survey findings (see **Exhibit 3.02**).

Obviously, ESG incorporation across investment portfolios differs according to investor sophistication, and hence, central banks, SWFs, and key pension funds lead in this respect. For example, Japan's Government Pension Investment Fund (GPIF) applies ESG integration across its investment portfolio. Korea Investment Corporation (KIC) uses a combination of ESG approaches—such as ESG integration and ESG-themed investing—in both traditional and alternative assets, as well as direct and indirect investments, according to its sustainability report.

Exhibit 3.01

Asia-Pacific ex-Japan Asset Owners on How They Incorporate ESG Considerations in Investment Decision-Making, 2021

Source: Cerulli Associates

Analyst Note: Others include endowments, foundations, and healthcare institutions.

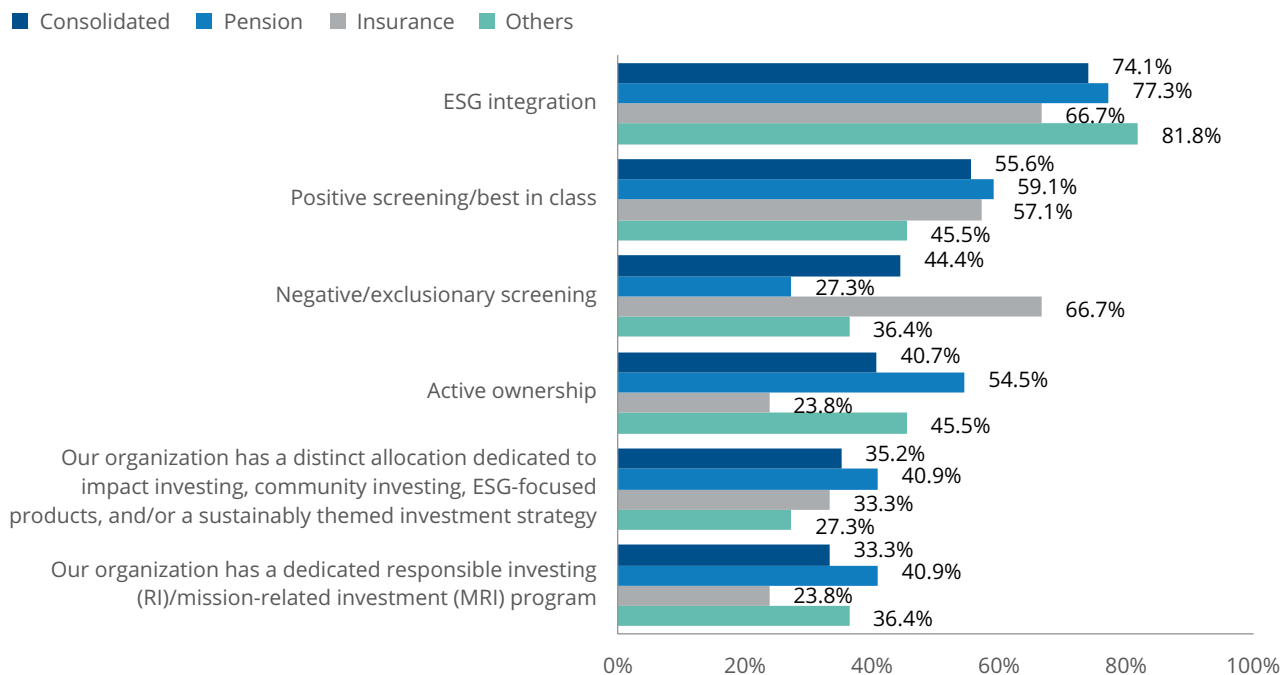


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