



THE PATH TO ESG: NO TURNING BACK FOR ASSET OWNERS AND MANAGERS THE ESG GLOBAL SURVEY 2021

REGIONAL HIGHLIGHTS: ASIA-PACIFIC

01 | ESG COMMITMENT GROWING ACROSS ASIA-PACIFIC

The Asia-Pacific (APAC) region is showing strong resolve to keep pace with the growing focus on sustainability and ESG investing. Through increasing awareness among investors and policy-makers, the level of adoption here is set to rise.

Across the APAC region, more asset owners and fund managers say ESG plays a central, integral or necessary role today than the same survey two years ago¹. The future of ESG adoption in the region, though lagging global counterparts, looks bright.

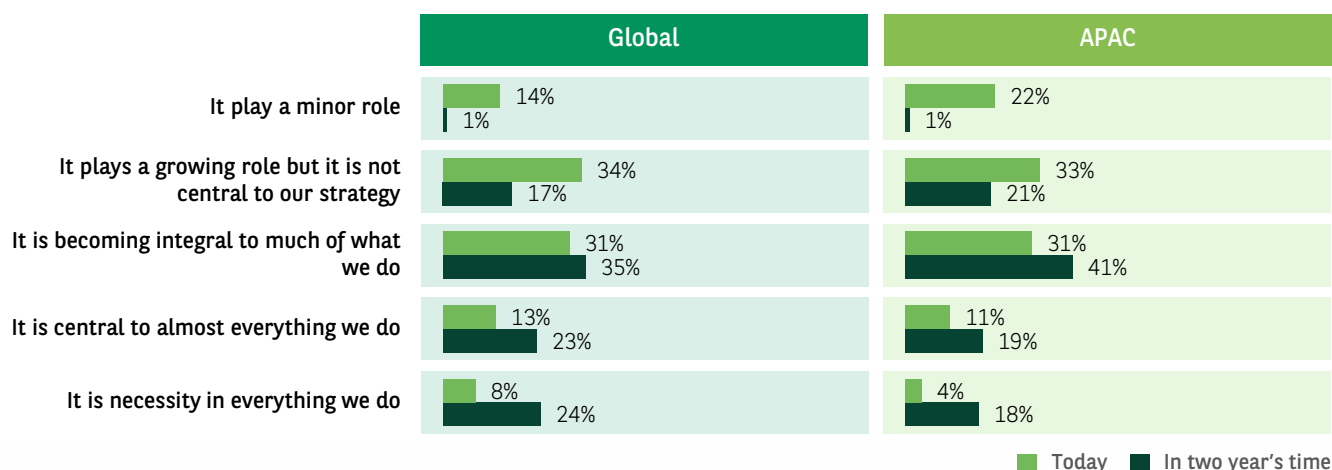
In the coming two years, the region is due to experience an uptick in the number of investors who consider this approach to be central or a necessity to everything they do. Today, 15% say ESG is essential and the number of investors who feel this way is anticipated to jump considerably with 37% expecting ESG to be central or a necessity in two years' time. These figures lag the global averages² however remain significant in light of the lower base of current levels.

Singapore leads other APAC countries in terms of how central ESG is to the current investment strategy. However, looking ahead two years, we can see a rise in the likelihood of ESG being incorporated as a necessity in investment strategies within other countries under review.

The role of ESG

Q11. Which of the following best describes the role of ESG in your organisation's investment strategy (fund and asset allocation, risk appetite and return expectations) now and in two years' time?

Data may not sum to 100% due to rounding



1. [The ESG Global Survey 2019 - Securities Services \(cib.bnpparibas\)](#)

2. 23% and 24% respectively



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A significant rise in ESG centrality can be observed in Hong Kong, where currently no investors say the approach is central or a necessity but 24% expect it to be central and another 24% say it will be a necessity in two years' time. Though the sample size here is small, the growing appetite to embed ESG further into organisations remains notable.

Investors in other countries with small sample sizes anticipate an increase in ESG centrality. In Japan³, its set to double, from 9% to 18% while in China it will grow to 9% from nothing at present. Due to sample sizes, these figures are directional rather than representative.

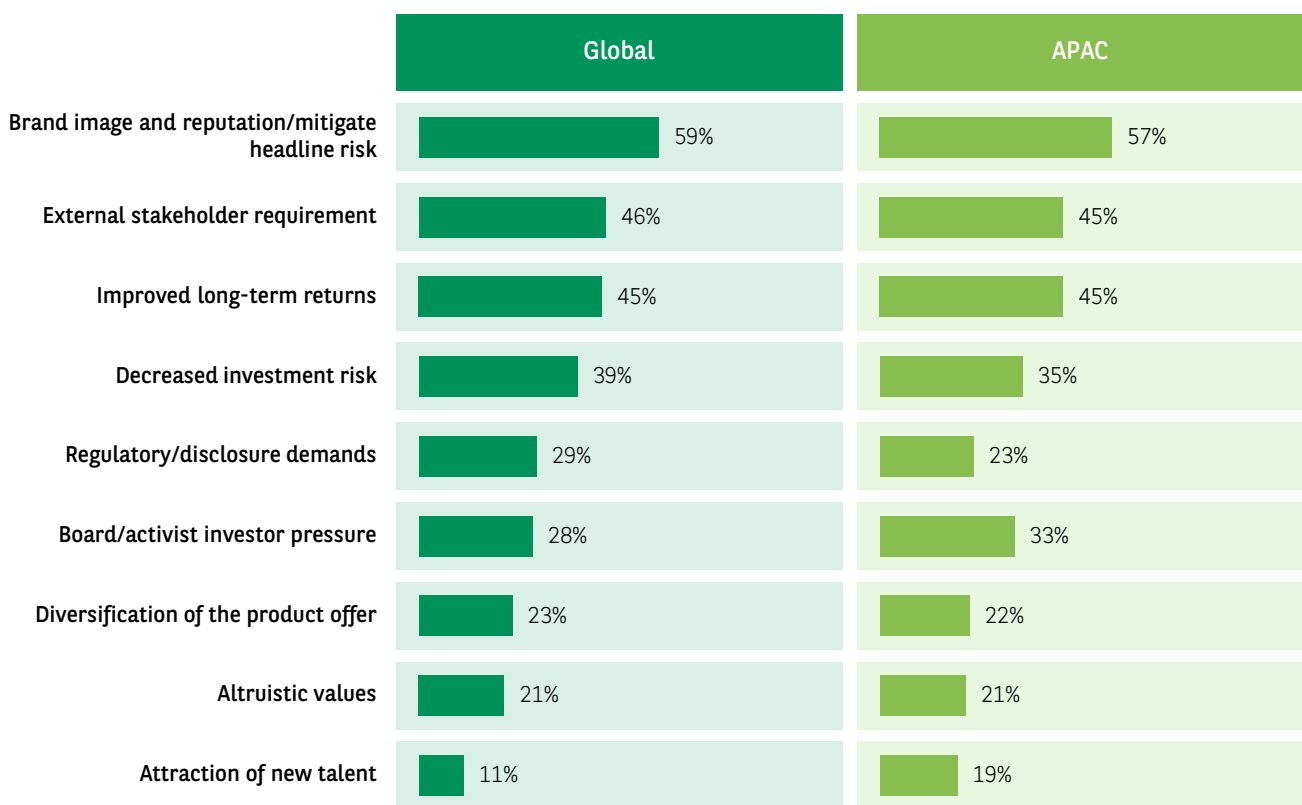
02 | REPUTATION STRONGEST ESG DRIVER; EXTERNAL STAKEHOLDERS HAVE MORE INFLUENCE IN AUSTRALIA AND HONG KONG

The importance of corporate reputation is on an upward trajectory across the Asia-Pacific region. This notion is supported by the fact that brand and reputation are the strongest drivers for investors in APAC to incorporate ESG into their investment decisions. Over half (57%) say this is the primary driver for this choice – it represents a slightly lower percentage than the global figure of 59%. This element holds more sway among investors in China and Singapore. In Australia, on the other hand, a smaller percentage of investors are motivated by brand and reputation (32%). Here, the adoption of ESG is driven more by external stakeholder requirements (68%). The same holds true for investors in Hong Kong, (48%). In Japan, a larger percentage of investors highlight improved long-term returns (64%) as a reason for incorporating ESG.

Overall, attraction of new talent is of greater significance among investors in APAC as almost a fifth (19% vs 11% globally) cite this as a reason for incorporating ESG into their investment decisions. Board/activist investor pressure is also felt more strongly in the region (33% vs 28% globally).

Reasons for incorporating ESG

Q12. Please rank in terms of importance the reasons why you incorporate ESG into your investment decision-making?



Percentage (%) rank 1 + 2 + 3

3. Note the sample sizes in the separate countries means some of the data is directional rather than representative. Samples are as follows: Australia – 28, China – 11; Hong Kong – 21; Japan – 11; Singapore – 33

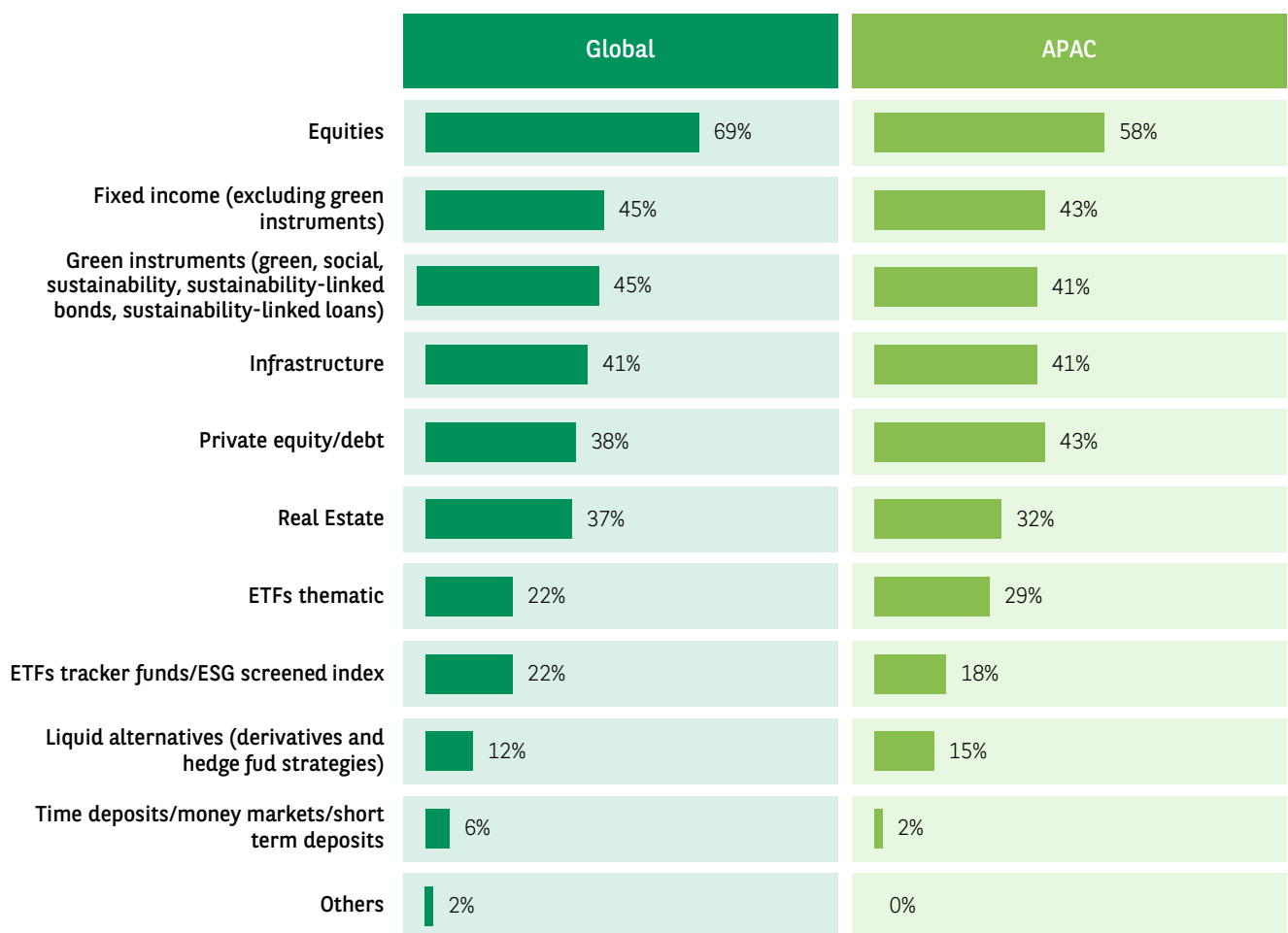
03 | GREATER PREFERENCE FOR ESG IN PRIVATE CAPITAL

Asset class preferences for ESG among APAC investors mirror the global findings, with equities at the top of the list (58%). This is however a lower percentage than the global average, indicating this belief in equities as a vehicle for an ESG approach could be less strongly held among investors in APAC. Investors in Australia show a higher propensity for using ESG within real estate (54% vs 32% APAC, 37%, globally). Support for using in ESG approach within equities is also higher in Australia than the regional average (68% vs 58% in APAC). The same is true for Hong Kong (76%).

A larger percentage however say they use ESG within private equity and debt (43% vs 38% globally). Private capital investments have attracted many investors looking to diversify their sources of return. The impact of these investments can also be quantified which makes them well-placed for an ESG approach. The use of private capital is more prevalent within China, Japan and Singapore. A larger portion of investors in China are using ESG within infrastructure (91%) and green instruments are more prevalent among investors in Japan (64%).

Incorporating ESG into different asset classes

Q20. Which of the following asset classes do you use to incorporate ESG?



Percentage (%) Yes, Multiple answers allowed

04 | ESG HELD BACK BY SCEPTICISM ON RETURNS AND COST CONCERNS

Reflecting their global counterparts, investors in APAC believe the most significant barriers to further adoption of ESG revolve around data-related challenges. The majority of the sample (79%) highlight inconsistent data quality across asset classes as one of the top five hindrances, followed by 72% citing challenges around data quality and consistency.

One key difference identified in the region is that a greater portion of investors feel ESG is held back by a lack of conviction that integration will improve long-term performance (65% vs 52% globally). This barrier is a primary concern for investors in China and the Hong Kong. Concern around this is also higher than the global average in Australia (68%) and Singapore (55%). The apprehension regarding performance indicates understanding of the connection between ESG and returns still needs to be deepened across the region.

In Japan, the data issues highlighted above as well as a lack of advanced analytical tools or skills (73%) take precedence.

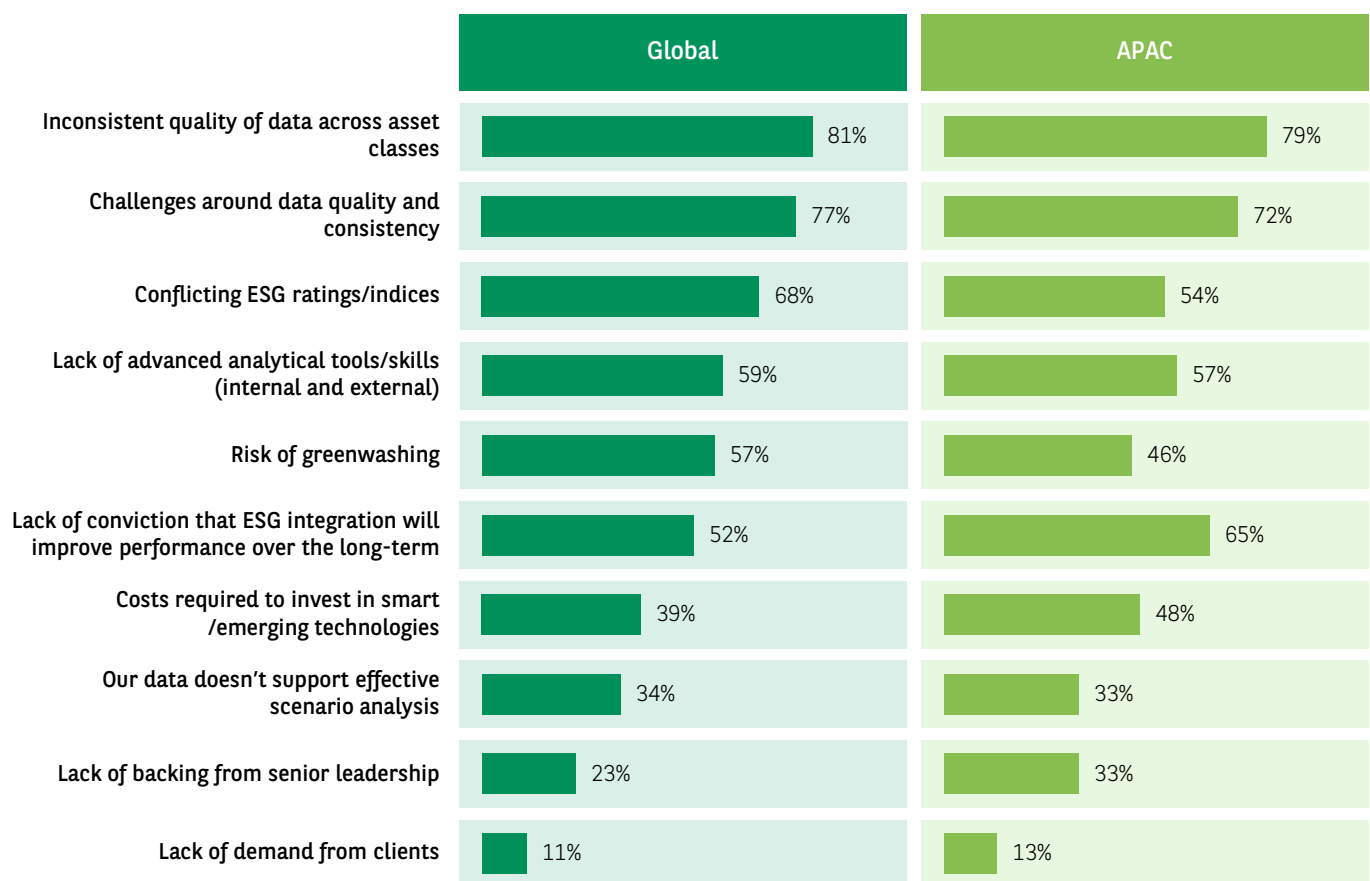
More in APAC also view the cost required to invest in new technologies to be a barrier (48% vs 39%). Investors in Hong Kong (67%) are the most likely to highlight cost as being an impediment to ESG adoption. A higher percentage of APAC investors also say lack of backing from senior leadership is holding back adoption of ESG (33% vs 23%). Investors in China and Hong Kong do not cite this as being an issue while it is highlighted as a barrier by a larger portion of investors in Singapore (45%), Japan (45%) and Australia (39%).

Across the APAC region, investors are generally less concerned by the potential of conflicting ESG ratings or indices (54% vs 68% globally) and the risk of greenwashing (46% vs 57% globally).

Inconsistent ratings are still highlighted as an issue by those in Australia (68%), Hong Kong (67%) and China (64%). Investors in Japan however drive the overall APAC average down as only 36% say this stops them from adopting ESG. Those in China are the least worried about the risk of greenwashing (27%), followed by Singapore (33%).

Significant barriers to greater adoption of ESG

Q24. What are the most significant barriers to greater adoption of ESG across your portfolio today?



Percentage (%) rank 1 + 2 + 3 + 4 + 5

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