



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

## COUNTRY HIGHLIGHTS: AUSTRALIA

### 01 | SHARP INCREASE IN ESG CENTRALITY EXPECTED IN AUSTRALIA

The penetration of ESG in Australia is expected to increase significantly in the coming two years. Currently, no investors here say this approach is a necessity to everything they do. This figure jumps to 18% when asked about their future perspective. In addition, 18% also expect ESG to become central to almost everything they do in two years' time.

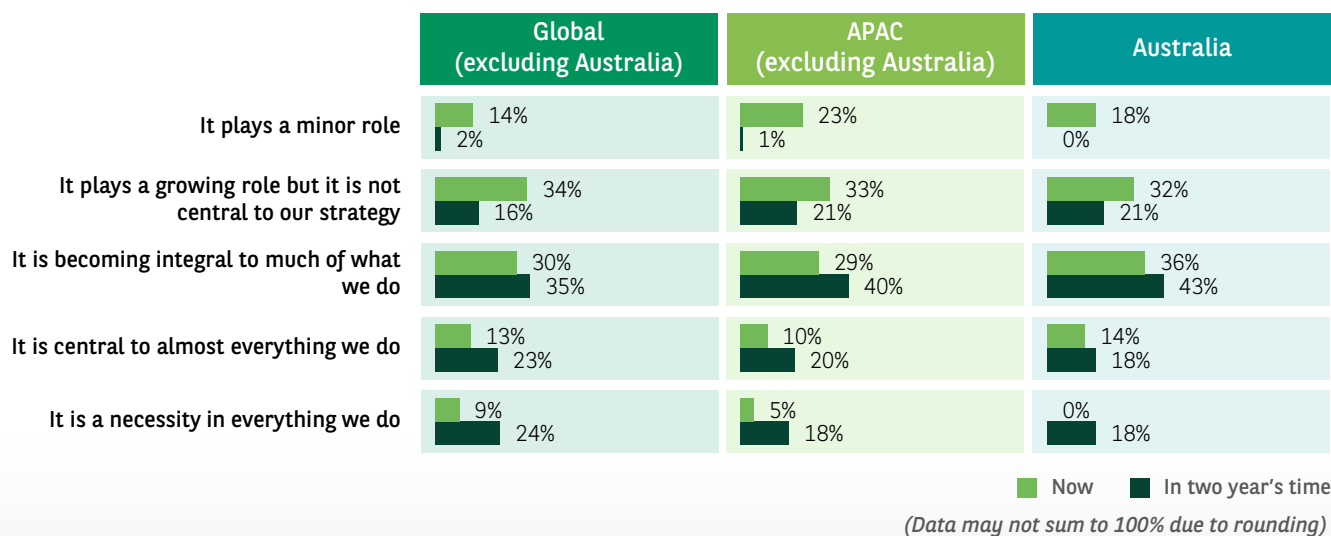
Compared to the global figures, smaller proportions of Australian investors are expecting ESG to become central or a necessity (23% and 24% globally). However, the results mirror the regional Asia-Pacific (APAC) results where 20% believe ESG will become central and 18% expect it to become a necessity.

At present, the largest portion of Australian investors (36%) say ESG is becoming integral to much of what they do. For 32% however, ESG plays a growing role but is not yet central to the organisation's strategy. A further 18% say the approach plays a minor role, which is lower than the regional average of 23% who share this view.

Looking ahead, the highest percentage (43%) anticipate ESG to become integral to much of what they do. This figure is higher than both the global (35%) and regional (40%) averages.

### 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?



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## 02 | EXTERNAL STAKEHOLDER REQUIREMENTS AND BOARD PRESSURE FELT MORE STRONGLY

Drivers for incorporating ESG differ considerably in Australia, compared to both APAC and global averages. Here, external stakeholder requirements represent the top motivation with 68% selecting this as one of the three most important reasons for using this approach. This compares to 37% in APAC and 44% globally who share this view.

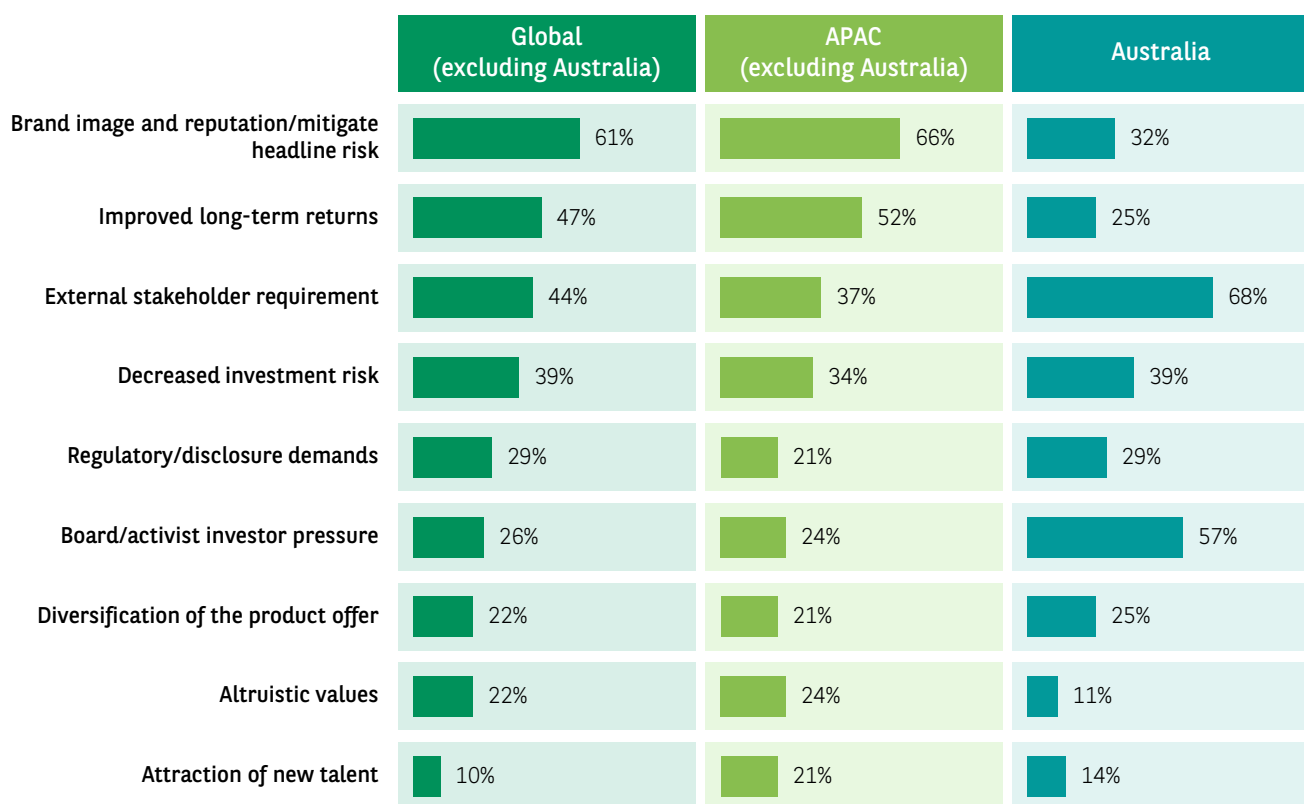
Board or activist investor pressure also has greater influence among Australia investors – 57% vs 24% APAC; 26% global.

Brand, reputation and mitigating headline risk appears to be less of a concern for this group of investors. Under a third (32%) class this as one of the main reasons for using ESG, which compares to 66% in APAC and 61% globally. In addition, incorporating ESG in the hope of improved long-term returns is also less prevalent here (25% vs 52% APAC; 47% globally).

Fewer in Australia are driven by altruistic values (11% vs 24% in APAC and 22% globally). Across APAC, a higher percentage say ESG can help attract new talent (21%). Fewer in Australia mirror this result but the proportion of 14% is higher than the global average of 10%.

### 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

## 03 | ESG MORE PREVALENT WITHIN REAL ESTATE

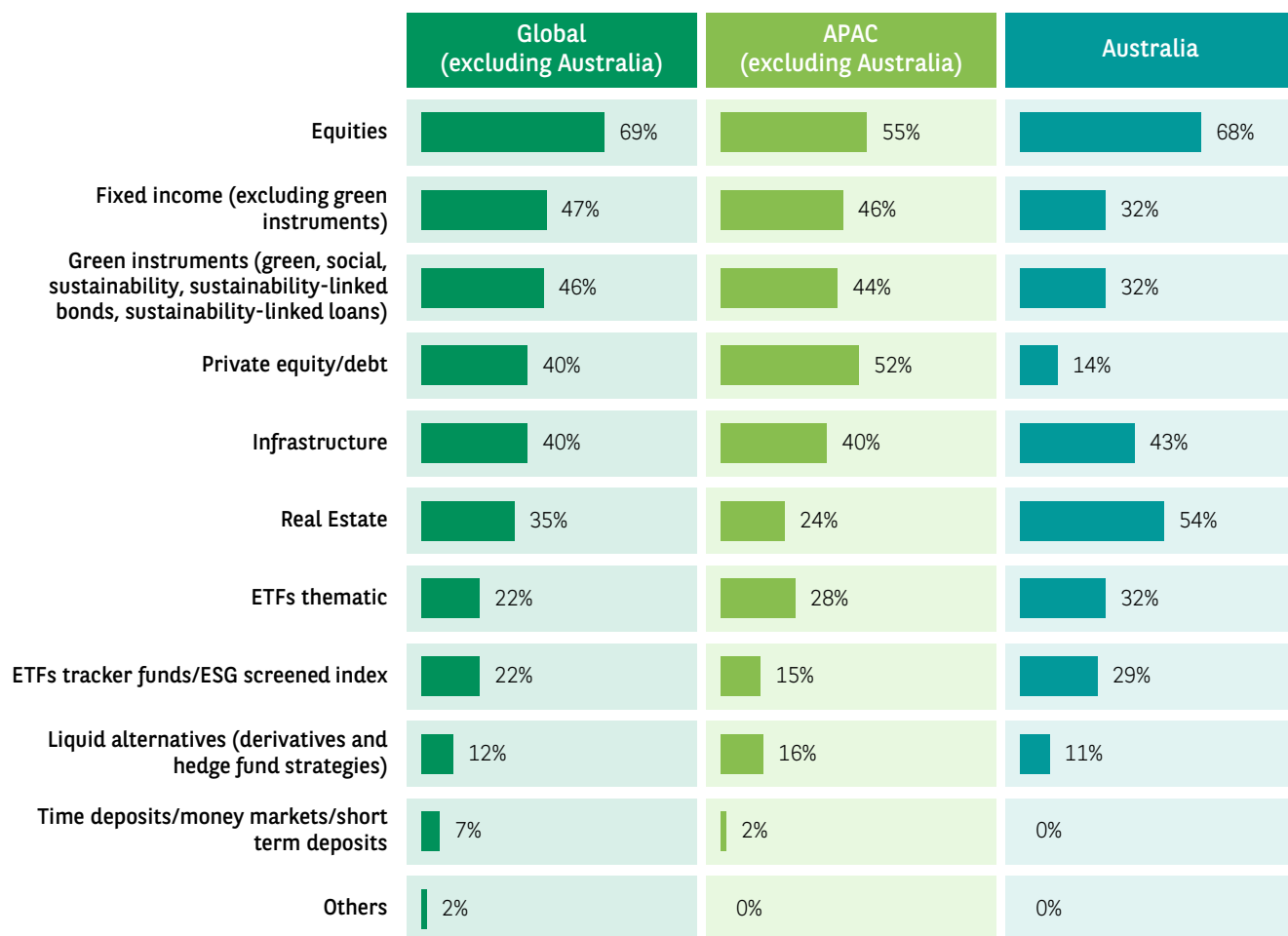
Investors in Australia show a stronger propensity to use ESG within real estate (54%), compared to their peers across the region (24%) as well as globally (35%). The proportion of investors here who use ESG within equities matches that observed globally (68% vs 69%). This however represents a higher percentage than the APAC figure of 55%.

Alternative segments like pure private equity and private debt are less appealing in an ESG context among the Australian cohort. Here, only 14% use this approach in private equity/debt, compared to 52% in APAC and 40% globally. On the other hand, ETF tracker funds (29%) and ETF thematics (32%) garner greater support in Australia compared to both regional and global figures.

The APAC and global results outpace Australia on the use of ESG in fixed income and green instruments.

## 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 | ABSENCE OF SENIOR LEADERSHIP BACKING INHIBITS ESG ADOPTION

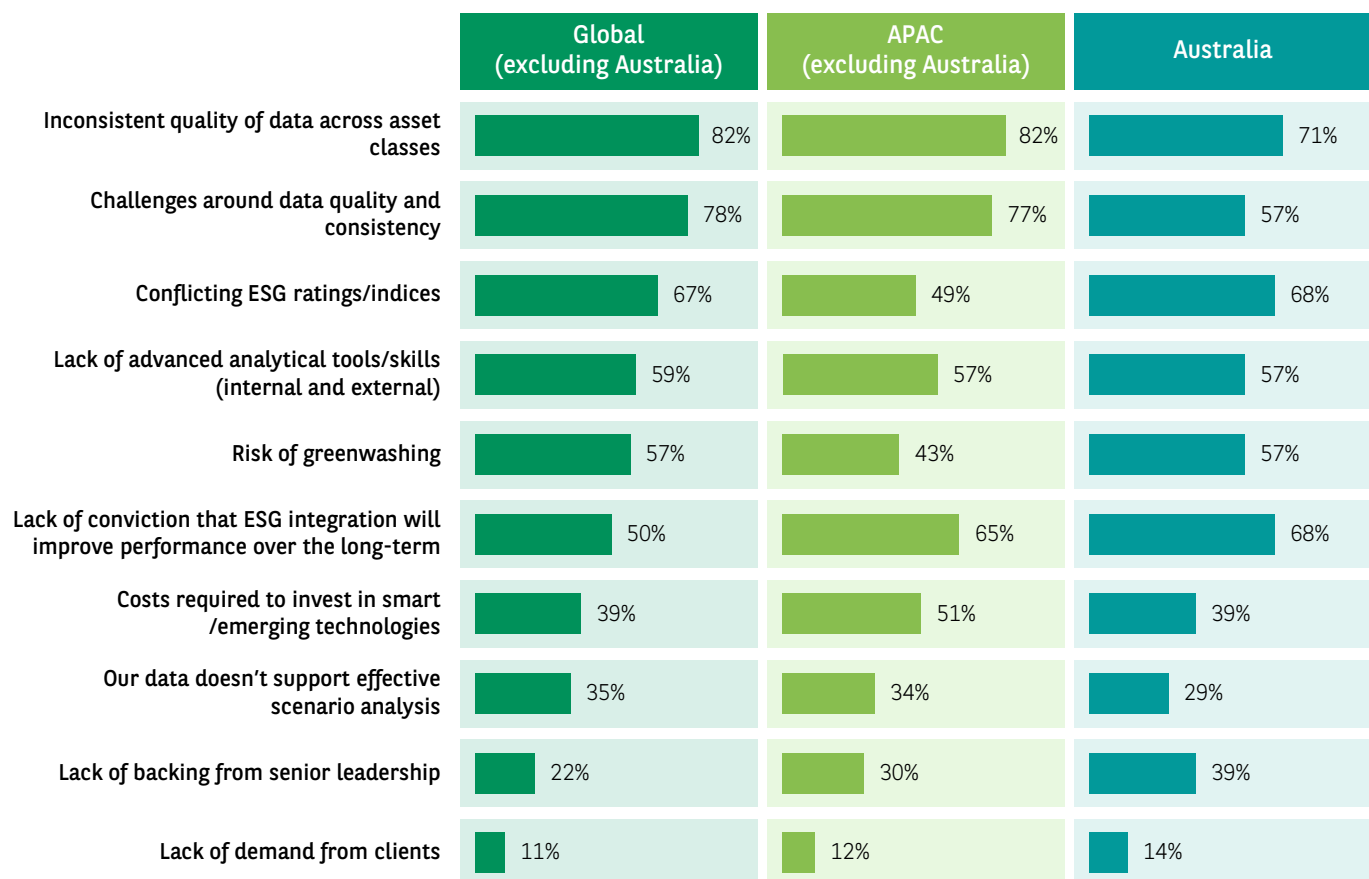
A lack of backing from senior leadership appears to be a greater barrier among investors in Australia (39%) compared to those in APAC (30%) and globally (22%). More investors also report lower conviction that ESG integration will improve long-term performance (68% vs 65% APAC; 50% globally).

Fewer investors in Australia report challenges around data quality and consistency – (57% vs 77% APAC; 78% globally). A similar trend can be seen in relation to inconsistent quality of data across asset class, though with a smaller gap in results – 71% for Australia vs 82% globally and 82% in APAC.

When it comes to some of the hindrances under review, Australian investors match the global figures but differ from the regional results. For example, 68% in Australia say conflicting ESG ratings are an issue. A similar percentage (67%) say the same globally but only 49% in APAC flag this as a concern. The same can be observed regarding costs required to invest in emerging technologies (39% for Australia and globally vs 51% in APAC).

## 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

For the full global report, please visit <https://securities.cib.bnpparibas/esg-global-survey-2021/>

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