

Sustainable Investment Consulting

ESG for asset management

Ogier

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Understanding what physical, transition and liability risks are, and being able to quantify them in your portfolio, are fast becoming essential skills for asset managers. Identifying such risks and seizing the opportunities from this industry-wide shift has become a key undertaking.

Ogier Global can help you manage these risks and leverage opportunities by supporting asset managers with a wide range of consulting services and online tools. Our tailor made consulting offering can help address questions such as: What does good climate governance look like? How can I measure total carbon emissions in my portfolio? How do I set emissions reduction targets? What are my material ESG factors that are relevant for my investment strategy?

We have also built comprehensive climate risk training modules designed with asset managers in mind. Our pioneering on-demand tool, ESG Align, aims to elevate understanding of climate-related risks in portfolio management by using real world case studies collected from asset managers globally.

Another significant topic for asset managers is international regulation. Our team has extensive experience supporting clients report in line with frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), and regulations such as the European Union's Sustainable Finance Disclosure Regulation (SFDR), Hong Kong Securities and Futures Commission (SFC) climate-

related risk requirements for fund managers, and the Monetary Authority of Singapore Guidelines on Environmental Risk Management. Additionally, ESG Align has been equipped with an additional Compliance Check module which provides a useful assessment and action plan against the Hong Kong requirements for in scope asset managers.

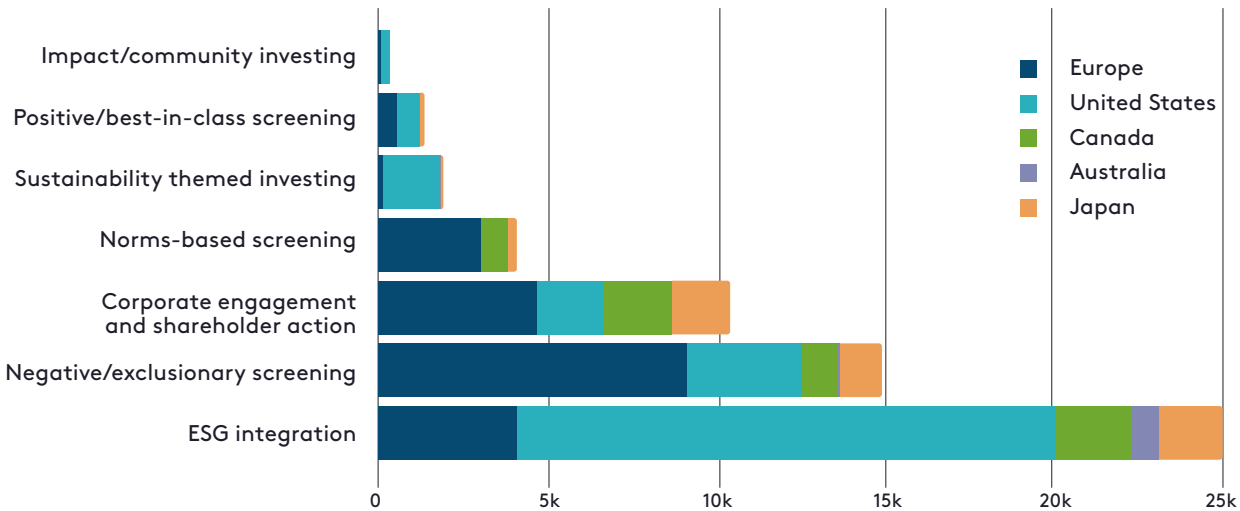
According to the Global Sustainable Investment Alliance (GSIA) 2020 review, sustainable assets under management (AUM) reached US\$35.3 trillion in 2020, representing the most significant annual growth in sustainable investment so far. This equates to 36% of all professionally managed assets across studied regions. Similarly, signatories to the Principles for Responsible Investment (PRI) have reached a total AUM of US\$121 trillion as of March 2021.

ESG integration continues to be the most common sustainable investment strategy globally, followed by negative screening, corporate engagement and shareholder action, norms based screening and sustainable themed investments according to GSIA – see Figure 1.

This trend is set to continue as regulation, consumer demand and institutional investors' mandates

continue to push asset managers to consider sustainability risk and opportunities. Asset managers are responding by building out the internal investment and risk management processes, reshaping existing products by adopting an ESG or "sustainable" lens and potentially forming new sustainable product offerings.

Sustainable investing assets by strategy and region 2020 (Figure 1)

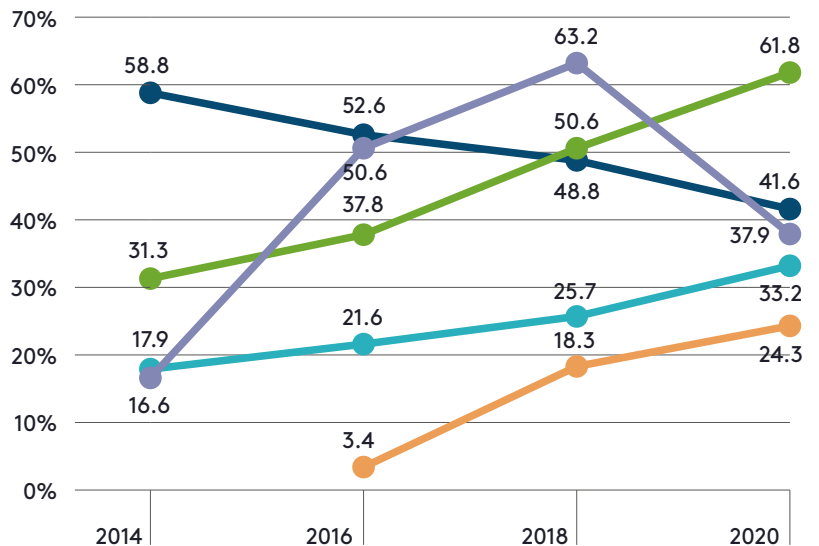


Note: Asset values are expressed in billions of US dollars. European sustainable investing strategy data is based on extrapolation from historic data from the 2018 GSIA report and applying the same proportion to 2020 sustainable investing data across the different sustainable investing strategies. US SIF data extrapolates from numbers provided by a subset of overall respondents in its 2020 Trends report. US and Australasia did not report on the category of norms-based screening and Australasia on the category positive/best-in-class screening.

Sustainable investment assets relative to total managed assets 2014-2020 (Figure 2)

- Europe
- United States
- Canada
- Australia/NZ
- Japan

*Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made



Region	2014	2016	2018	2020
Europe*	58.8%	52.6%	48.8%	41.6%
United States	17.9%	21.6%	25.7%	33.2%
Canada	31.3%	37.8%	50.6%	61.8%
Australasia*	16.6%	50.6%	63.2%	37.9%
Japan		3.4%	18.3%	24.3%

Ogier's Sustainable Investment team supports assets managers with:



Development of ESG policy and strategy

- Sustainable investment strategy and policy development
- Portfolio benchmarking and materiality mapping



Portfolio Integration

- ESG and impact measurement and management for portfolios
- ESG metrics identification
- Review of various methodological approaches to ESG integration



Optimisation

- Action plans and training packages that enable clients to improve overall performance and compliance
- Disclosure gap analysis



Due diligence

Screening and alignment with international frameworks, standards and best practice



ESG Regulation

ESG regulatory health checks across jurisdictions, including but not limited to EU SFDR, Singapore MAS, Hong Kong SFC, UK FCA

There is no one-size-fits-all approach to sustainable investing given the diversity of the asset management industry. Managers globally and locally are responding in ways commensurate to their size, nature and financial risk-return and impact goals. Some managers are looking to ramp up their ESG and climate-risk knowledge either through building in-house talent or working with external advisors.

Regardless of the fund's jurisdiction and the local rules that apply, managers are advised to examine the true intention of what they are trying to accomplish when factoring in ESG. As stewards of capital, asset managers are in a good position to maintain dialogue and positively influence a broad range of stakeholders.

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