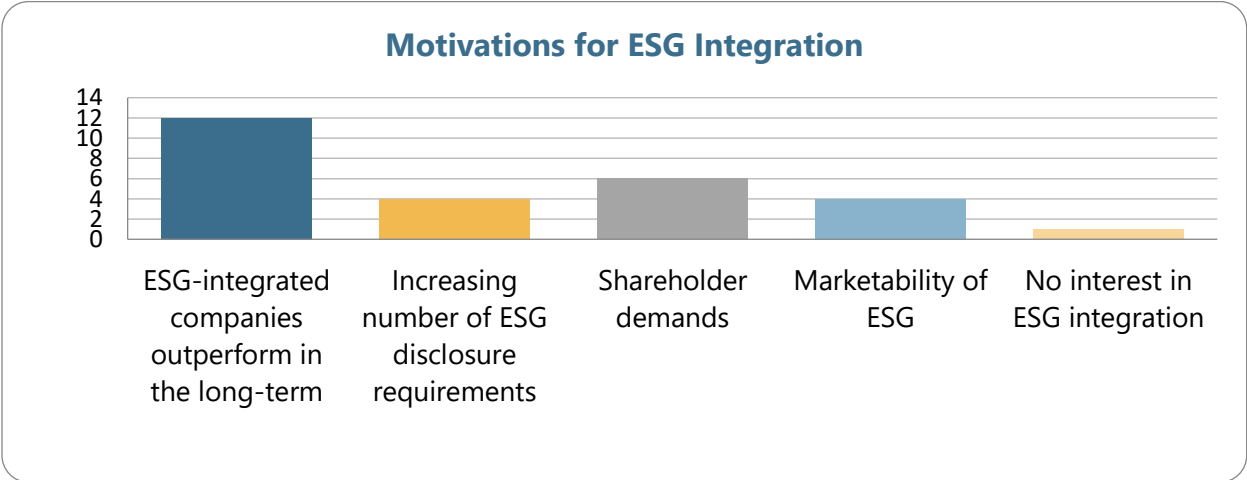


ESG Integration Practices: Research Results – Part 3

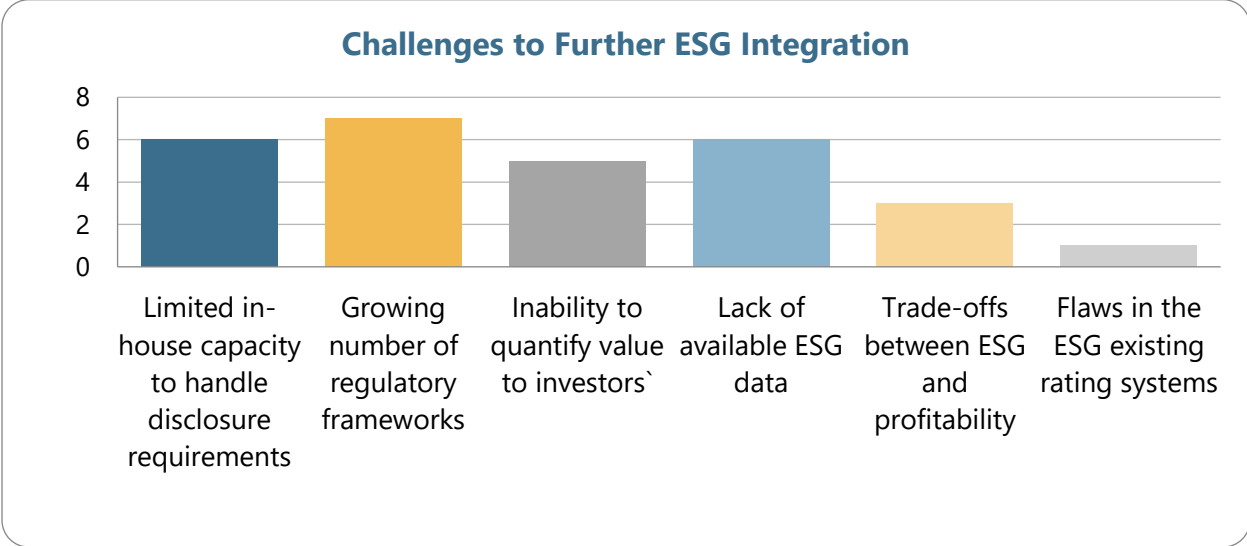
Last month we summarized [Part 1](#) and [Part 2](#) of the results of our [empirical study](#) of ESG integration and stewardship policies and practices of selected fund managers, conducted earlier this year. This Part 3 summary of the study’s results focuses on qualitative feedback from the asset manager-participants of the study and the views of selected asset owners on important aspects of stewardship in their externally managed investment operations.

Sixty percent of interviewed asset managers (12 out of 20) highlighted that their top motivation for ESG integration is driven by their belief that ESG integration contributes to portfolio performance. Six asset managers also cited that their ESG integration efforts are highly influenced by demands from their asset owners.



On the flip side, the interviewed asset managers (18 respondents) noted their top 3 challenges to further ESG integration as:

- Growing number of ESG/Stewardship regulatory frameworks (7),
- Limited in-house capacity to handle an increasing number of complex ESG disclosure requirements (6), and
- The lack of available ESG data on the medium and smaller companies (6).



In line with the views of asset managers, asset owners are a critical driver behind greater ESG integration by their asset managers. Interviews with 8 large asset owners selected by Valoris showed that their expectations for ESG integration of their external asset managers are *relatively similar* across the board, with common features including requiring or at least strongly recommending adherence by asset managers to a set of high-level principles guiding ESG investment, proxy voting and engagement. Furthermore, asset owners seek to ensure that ESG integration by their asset managers takes into consideration an alignment of risk and return. In a few limited cases, asset managers are expected to adhere to certain ESG standards and frameworks such as the UN PRI and to provide relevant disclosures such as those recommended by the TCFD.

We also enquired about the views of the asset owners on their top challenges and priorities in stewardship. Challenges mentioned most often included:

- Identifying and minimizing/avoiding greenwashing by their asset managers,
- Proliferation of multiple ESG and disclosure standards, principles and recommended frameworks that reduce convergence and harmonization, and
- Lack of available data, especially in emerging markets.

Some of these challenges, unsurprisingly, coincided with the views expressed by asset managers as noted above.

Finally, we asked the asset owners to share their views on their next priorities and the top responses related to:

- Cybersecurity,
- Geopolitical risk, and
- Diversity, equity and inclusion.

Interestingly, most respondents to our latest [Valoris LinkedIn poll](#) also showed that responding to the demands of asset owners is one of the top motivations for asset managers to integrate ESG considerations in their investment and portfolio operations.

We value your feedback and opinion. So please review the study, the summaries of the results and tell us what you think!