

# How asset owners prioritize action on climate change

2021 global survey findings from asset owners



**FTSE  
Russell**

# Introduction

The renewed momentum amplified at COP26 for a collective effort to avoid a climate catastrophe includes the financial community committing to greater long-term sustainable investment strategies.

At COP26 in Glasgow in late 2021, almost 200 participating countries made long-term commitments to limiting warming to 1.5 degrees Celsius, although some short-term ambitions and policy plans lacked the same backing. Countries accepted accelerating their decarbonization plans and strengthening their emissions-reduction targets for 2030 in 2022, rather than in 2025 as previously set out in the five-year schedule defined under the Paris Agreement.

Ahead of the COP26 meeting earlier last year, we conducted an important research study to investigate how and why asset owners are committed to sustainable investment. We surveyed 179 asset owners worldwide. In this special report, we examine how assets owners around the world prioritize positive action on climate change and how they are actively engaging as shareholders to encourage corporates to accelerate their own climate-focused initiatives.

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## Top focus: climate and carbon issues

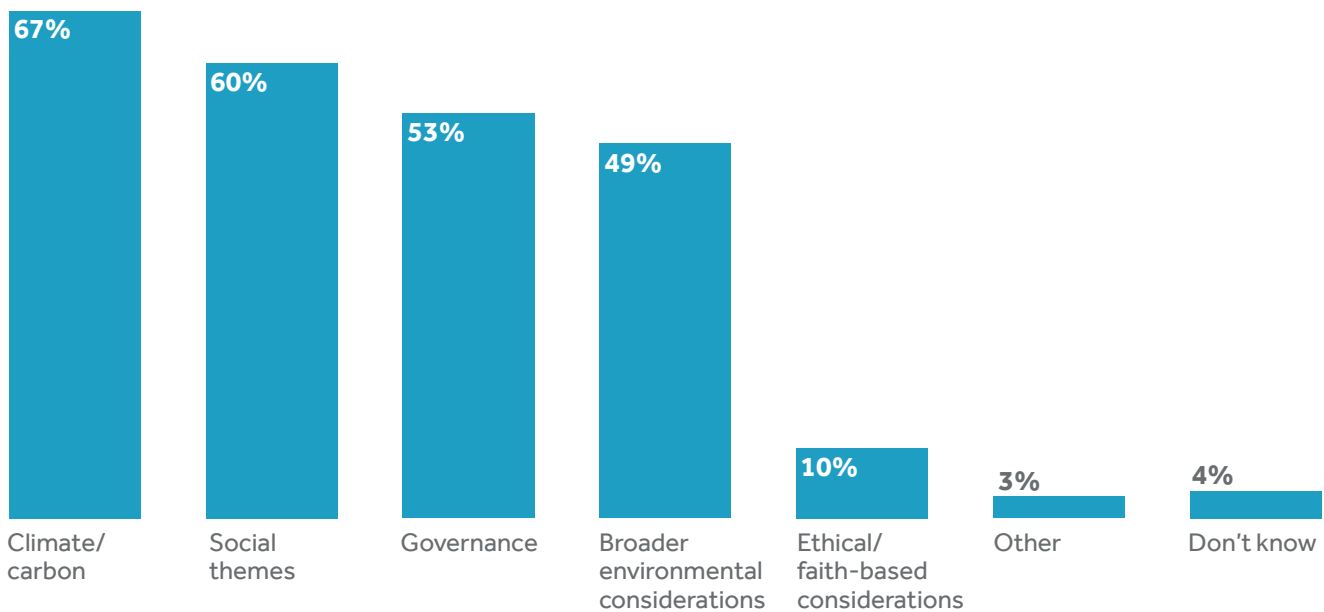
Asset owners are very focused on global climate and carbon issues in the context of their influential roles as long-term investors. In our research, over two-thirds (67%) say that climate and carbon are their leading sustainability priority

focus area. Over three-quarters (77%) of asset owners in EMEA prioritize climate and carbon issues, ahead of their peers in North America (56%) where there is equal priority given to social, governance and climate considerations.

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## Exhibit 01

### Sustainability issues of priority focus



*Which sustainability issues does your organization consider as a priority focus?*

*Segment = Currently implementing, evaluating or plan to evaluate sustainable investment*

*Sample size 136*

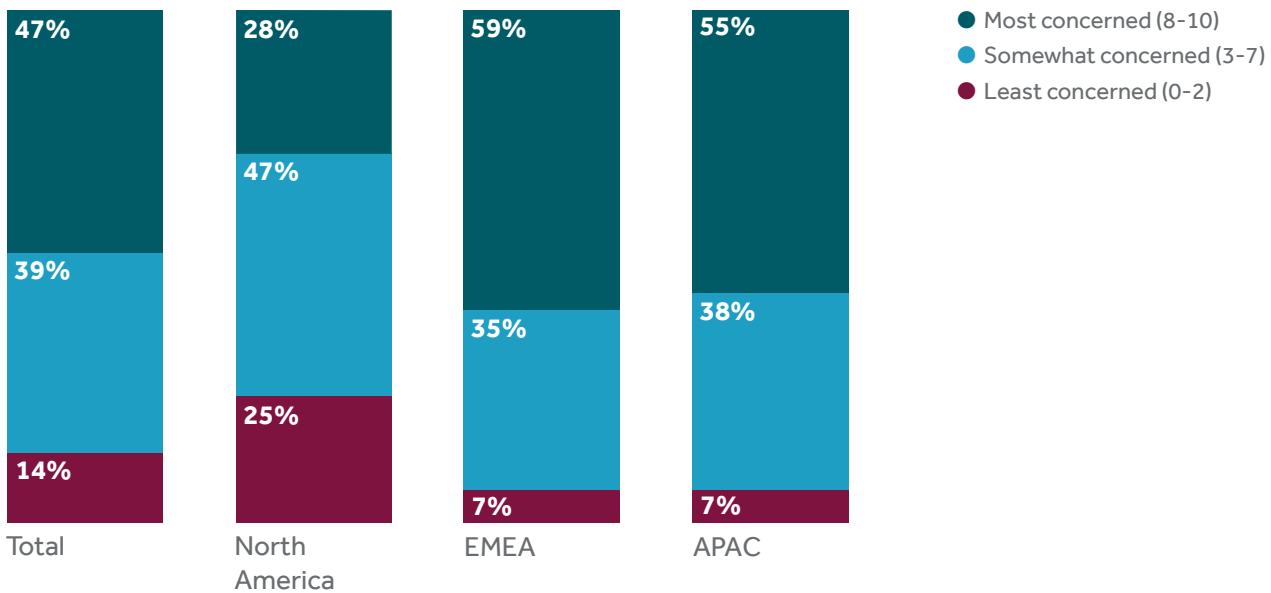
## Climate concern varies among asset owners

Although asset owners worldwide are focused on climate-related risk, they express varying levels of concern. We asked asset owners to rate their level of concern about the investment impact of climate risk. On a scale of 0-10 where 10 is the highest score, over half of asset owners in EMEA (59%) and APAC (55%) are very concerned (as expressed by their 8, 9 or 10 ratings).

In contrast, 28% of North American asset owners are very concerned. Notably, one-third of US asset owners say they are not concerned, or not very concerned, about the investment impact of climate risk (they opted for 0, 1, or 2 ratings), which contrasts with asset owners in Canada who were aligned with those in EMEA and APAC. This finding perhaps highlights how much climate and carbon are considered as part of a political debate in the US.

## Exhibit 02

### Level of concern with investment impact of climate risk



What level of concern do you have with the investment impact of climate risk? (asked on an 11-point scale; responses grouped into three buckets)

Sample size Total 158, North America 64, EMEA 58, and APAC is 29 (below the preferred threshold of 30).

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## Using shareholding engagement to influence corporates

As asset owners express more concern about the impact of climate change, they may be more inclined to appoint third-party specialists to help them engage with their investee companies. Some 22% of the global sample engage third-party specialists, while nearly a third (32%) of EMEA asset owners and just 12% of institutions in North America do. It may reflect the various levels of sustainable investment maturation in the different regions.

Also, larger asset owners worldwide with AUM of \$10 billion or more are more inclined to outsource to third-party

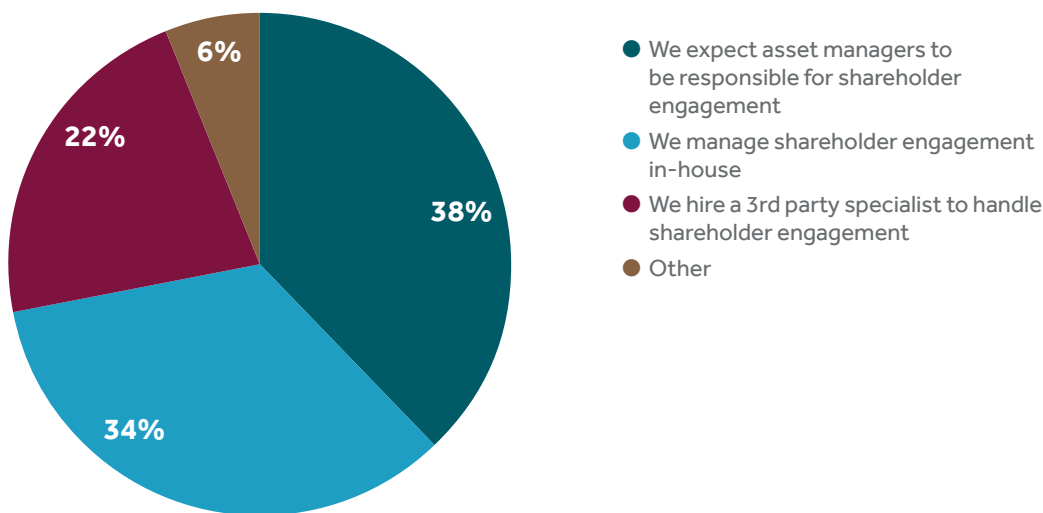
specialists than those with AUM of \$10 billion or less (32% versus 14%).

Our research indicates that asset owners in North America may be more likely to rely on their asset managers to perform their shareholder engagement. As asset owners in North America are implementing sustainable investment approaches more, this could in time result in those asset owners implementing similar shareholder engagement approaches to their peers in EMEA and APAC.

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### Exhibit 03

#### Primary method for handling shareholder engagement



How do you primarily handle shareholder engagement?

Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment.

Sample size 125.

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## Asset owners favor engagement over divestment

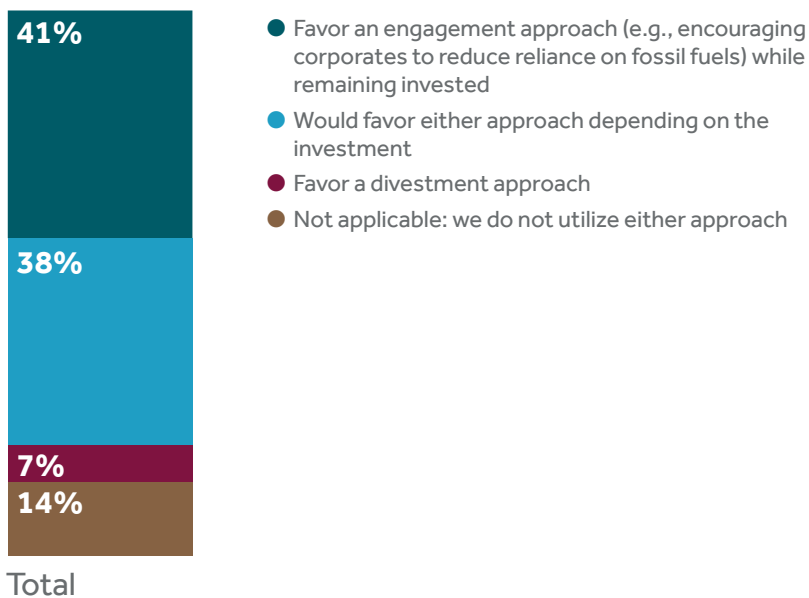
Our research shows that given a choice between divesting their holdings in companies or engaging their investee companies, such as corporates to reduce reliance on fossil

fuels, four in 10 (41%) would prefer to engage compared with just 7% in favor of divestment approaches.

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### Exhibit 04

#### Divestment versus engagement approaches



*Which statement best reflects your views on divestment vs. engagement approaches for 'brown' assets such as oil, gas and mining stocks?*

*Segment = Currently implementing, evaluating, or plan to evaluate sustainable investment. Sample size 133*

## Preferred methods of shareholder engagement

Nearly three-quarters (73%) of all asset owners globally that currently implement, evaluate or plan to evaluate sustainable investment have a voting policy to engage with their investee companies. But this rises even further to 90% of all asset owners worldwide that have an AUM of \$10 billion or greater.

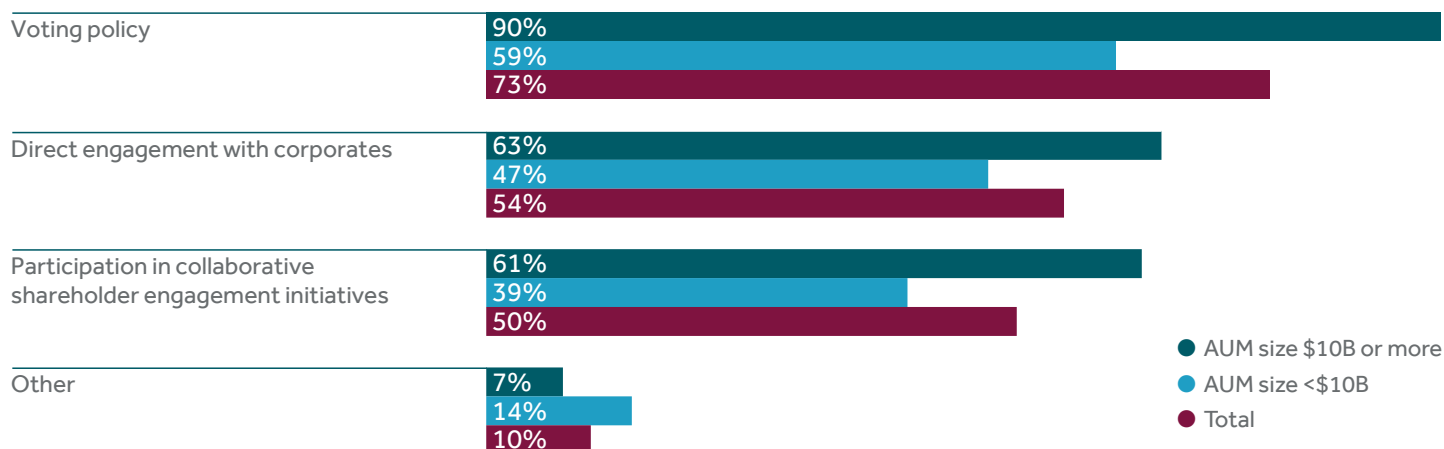
Direct engagement with corporates is also a popular approach: over half (54%) of all respondents worldwide say

they speak directly to their investee companies. The largest asset owners – likely because they have more available engagement resources – engage directly with corporates.

Exhibit 05 provides a breakdown of the global findings and a breakdown by asset owner AUM.

## Exhibit 05

### Shareholder engagement approaches



*Multi-pick. With respect to shareholder engagement, which approach(es) do you take?*

*Segment = Currently implementing, evaluation, or plan to evaluate sustainable investment*

*Sample size 125 (>10bn 57, <10bn 66)*

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## Larger asset owners participate more in industry initiatives

While half (50%) of all asset owners are members of collaborative shareholder agreement initiatives, the larger an asset owner's AUM the more likely they will participate. Over six in 10 (61%) asset owners with AUM of \$10 billion or greater say they are involved in such initiatives, whereas just 39% of asset owners with AUM of \$10 billion or lower say they participate.

We can conclude that higher AUM – and presumably more available resources – correlates with a more proactive role in

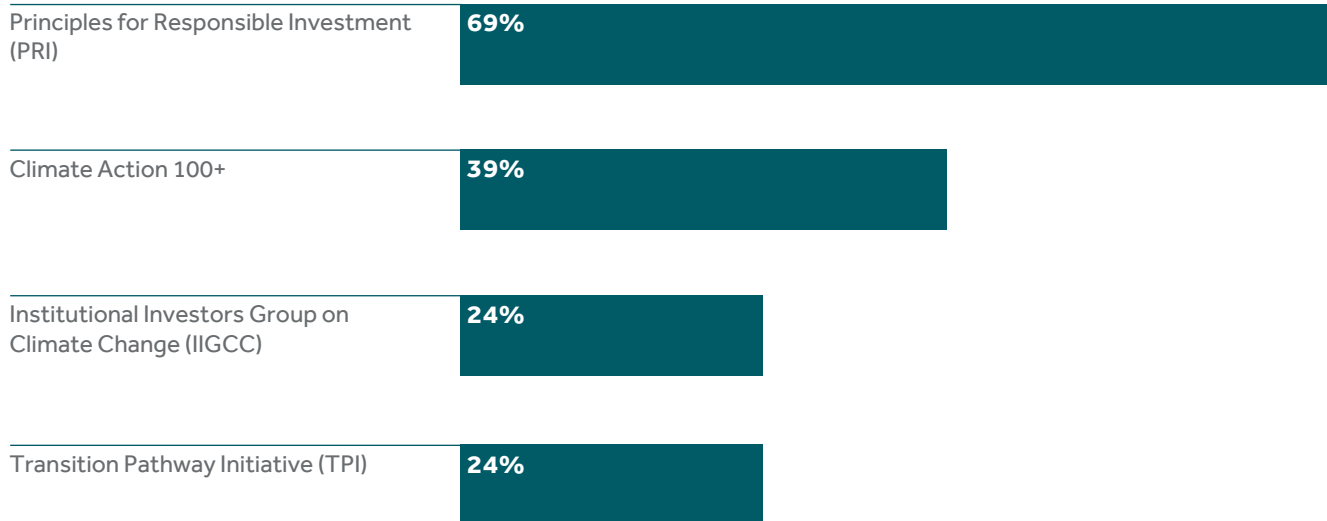
such industry initiatives that collectively prioritize acting on combatting climate change and other ESG issues.

Focusing on the mission-oriented initiatives that specifically target climate, our research presents encouraging findings about asset owner participation. Significantly more asset owners with AUM of \$10 billion or more are involved in all initiatives and associations below compared with asset owners with AUM under \$10 billion.

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## Exhibit 06

### Collaborative shareholder engagement initiatives or sustainable investment associations involvement



*Multi-pick. Which collaborative shareholder engagement initiatives or sustainable investment associations are you involved with, if any?*

*Segment = Participate in collaborative shareholder engagement initiatives.*

*Sample size 62*



# Conclusion

Our survey results show a positive, growing effort by asset owners to address the climate challenge in their investment strategies, but they can expect to face considerable scrutiny in the years to come. Will COP27 be the year of reckoning?

Further reading:

[Explore the Sustainable Investment: 2021 global survey findings from asset owners](#)



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