

MEDIA RELEASE

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Climate change is driving a surge in Responsible Investment and ESG activity among Irish asset managers

- *94% of asset managers now have Responsible Investment policies in place*
- *53% believe that responsible investing strategies deliver superior risk adjusted returns for investors with the remaining 47% believing that responsible investing strategies do not impair returns and deliver similar risk adjusted returns to conventional strategies.*
- *60% say new EU Taxonomy Regulations will have a significant impact on their business*

The number of Irish asset managers incorporating issues like climate change and social issues into their investment decisions has increased for the third year in succession, a report published today (Tuesday) has found.

Representing 90% of institutional funds managed from Ireland, nine out of 10 asset managers (94%) now have Responsible Investment policies in place in their business which incorporate Environmental, Social and Governance (ESG) frameworks, up from 81% in 2018.

Activity has surged in 2020 as asset managers, boardrooms and investors respond to the Covid-19 pandemic and related social issues, to incorporate responsible investment into their investment strategies. ESG funds globally have surpassed \$1 trillion for the first time in record (after net inflows of \$71.1 billion between April to June this year). These issues include climate change, inequality and human rights.

The 3rd Annual Responsible Investment State of Play report 2020, commissioned by Sustainable & Responsible Investment Forum (SIF) Ireland and supported by Irish Life Investment Managers, is an annual measure of the Irish industry as it pertains to Responsible Investment practices and surveyed 17 Irish domiciled Asset Managers.

The report shows that there has been continued upward growth in Responsible Investment practices across leading Irish investment managers. Corporate Governance, climate change and environmental impacts are the most common ESG issues on their agenda.

The findings show that Responsible Investing is a prime driver in investment management in Ireland. Having an ESG policy in operation within their investment process has become more important to investment managers and asset owners. When asked about the role played by ESG factors within the investment appraisal process, just under 94% responded that the considerations may lead to the decision not to progress with an investment.

The State of Play report was published to coincide with ESG Day today, which is part of Climate Finance Week Ireland 2020. CFWI20 is a programme of 20+ virtual events organised by

Sustainable Nation Ireland in association with the Department of Finance *Ireland for Finance strategy* and is supported by AIB. CFWI20 will act as a call to action to accelerate collective efforts into 2021 to enable the financial industry to play a full role in driving a resilient yet sustainable economic recovery.

Other key findings include:

- 88% operate a fund specific exclusion policy (increased from 63% in 2018 and 79% in 2019) with the most commonly identified exclusions being tobacco and weapons (the production of)
- 53% of investment managers surveyed believe that responsible investing strategies deliver superior risk adjusted returns for investors
- the remaining 47% believe that responsible investing strategies do not impair returns and deliver similar risk adjusted returns to conventional strategies.
- 41% of respondents indicated that their company had begun preparations to implement the European Green Deal Investment Plan - Renewed Sustainable Finance Strategy (the "EU Green Deal").
- 76% of respondents agree with the EU's proposals for a unified classification system for sustainable activities (the "Taxonomy Regulations").
- 71% of the survey participants were also in favour of proposals to develop a standardised publicly accessible ESG database in Europe which could help to address some of the challenges relating to mandatory ESG disclosures.

The report also highlighted that companies are increasingly employing full time employees whose sole responsibility is around ESG. They consider training around ESG and ESG data to be a priority.

The training and upskilling of staff around ESG and sustainable finance therefore presents further employment opportunities for Ireland within the sector.

A key recommendation of this year's Report will see SIF Ireland develop a sustainable finance roadmap for Ireland.

Commenting, **Kathy Ryan, Head of Responsible Investment Irish Life Investment Managers (ILIM), Chair of the State of Play working group**, said: *"We see a continued trend towards the integration of ESG factors and the adoption of responsible Investment practices by financial market participants, driven both by legislative requirements and investor demands. As climate change and corporate governance become increasingly important considerations for asset owners and asset managers alike, the role of the financial sector in ensuring that the post-Covid economic recovery is aligned with a just transition to a lower carbon economy has never been more critical."*

Jerry Moriarty, Chair of Sustainable & Responsible Investment Forum (SIF) Ireland, and CEO Irish Association of Pension Funds, said: *"Since SIF Ireland commissioned the first State of Play report in 2018, we have seen Sustainable Finance move from being a niche investment area to becoming mainstream. This is evident in this year's report which shows that 94% of the investment managers who responded, have an ESG policy in place. As we now move into the phase of adoption and application of EU regulation, I welcome the proposal to develop an action plan for the Irish market, and look forward to SIF Ireland playing a central role in developing and delivering this plan in collaboration with key public and private sector actors."*

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NOTES:

*The analysis for Sustainable & Responsible Investment Forum Ireland included within this report is based on the figures and responses provided by the participants.

**Irish Domiciled Asset Managers and organisations who contributed responses include: Amundi Ireland Limited; Appian Asset Management; Blackrock; Cantor Fitzgerald; Cardinal Capital Group; Davy Global Fund Management; Greencoat Renewables Plc; Hibernia REIT; IPUT plc; Irish Life Investment Managers Ltd; KBI Global Investors; Mediolanum International Funds Limited; Mercer Global Investments Europe Ltd; NTR Asset Management Europe DAC; Rubrics Asset Management; Setanta Asset Management; and State Street Global Advisors.

***Sustainable & Responsible Investment Forum (SIF) Ireland is the national platform for policy makers, capital providers and intermediaries to advance sustainable & responsible investing across all asset classes. Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Globally, significant momentum is building around the sustainable and responsible investment agenda. It is driven by several factors, including recognition in the financial community that ESG factors play a material role in determining risk and return; legal and regulatory requirements protecting the long-term interests of beneficiaries and the wider financial system. The [UN-supported Principles of Responsible Investment \(PRI\)](#), which is the leading voice for responsible investment globally, now has over 2,000 signatories from more than 50 countries with over \$80 trillion AUM.

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