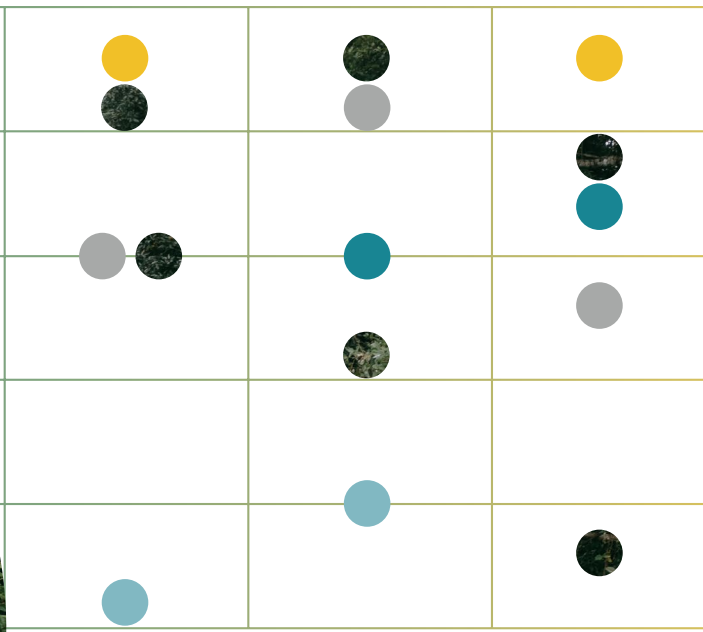
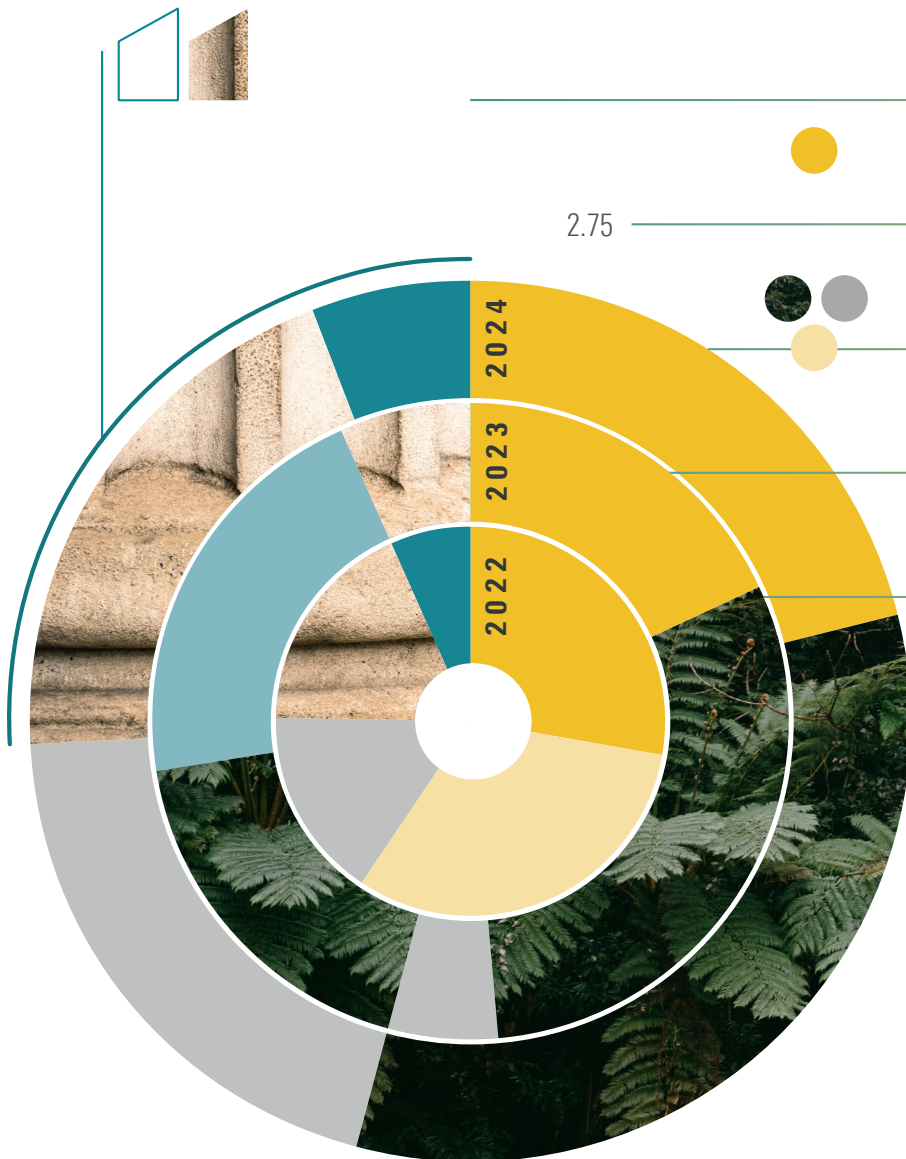


Voice of the Asset Owner Survey 2024 Quantitative Analysis

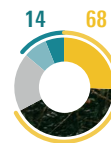
Conducted by Morningstar Indexes and Morningstar Sustainalytics



North America

Europe

APAC





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September 2024

Our third annual global survey of institutional investors' priorities and perspectives

As stewards of large pools of capital and fiduciaries for their beneficiaries and stakeholders, asset owners provide valuable perspectives on global markets, investment policies, and standards. As our clients, asset owners tell us what they need in terms of support to help them meet their challenges, such as market data, indexes, tools, and research. As fellow investors, due to their large asset bases and their ability to affect market dynamics, influence corporate practices, and set trends in investment strategy, asset owners' actions and decisions wield significant influence over other types of investors.

To better understand the global asset owner community's motivations, challenges, and perspectives, we introduced our inaugural multi-phase Voice of the Asset Owner Survey in 2022. Now in its third year, our 2024 survey validates several key assumptions from previous years while also uncovering emerging trends and fresh insights.

Phase One—Qualitative Insights: Setting the stage through direct conversations

During the qualitative phase of our survey, completed in June 2024, we conducted in-depth conversations with 13 leading asset owners who were hand-selected from across North America, Europe, and Asia-Pacific (APAC). Our intent with these one-on-one discussions was to probe for perspectives and themes to help inform our broader quantitative study. By engaging with them in personal conversations, we took their temperature on key topics related to their investment objectives and policies, the current investment environment, views on current and future investment trends, and the role of environmental, social, and governance in investment decisions. We also sought their opinions on ESG data, ratings, and index providers. [Read the full analysis.](#)

Phase Two—Quantitative Analysis

In August 2024, we conducted the second, quantitative phase of our annual survey, which allowed us to explore in greater depth the key themes identified in our initial qualitative phase of discussions. The survey was distributed to a diverse group of 500 asset owners including outsourced CIOs, or OCIOs, (20%), pension funds (19%), insurance general accounts (19%), and family offices (17%). Sovereign wealth funds, charitable/religions foundations, and endowment foundations were also represented.

Geographically, the quantitative survey spanned 11 countries with 100 total respondents from North America (US and Canada) and 200 respondents each from Europe and APAC.

The Headlines

- Two thirds (67%) of asset owners globally say that ESG has become more material in the last five years.
- Every asset owner surveyed is allocating at least a portion of their assets to strategies that take ESG factors into account, and the percentage of asset owners with more than half of their total assets reflecting ESG considerations has increased each year, from 29% in 2022 to 34% in 2023 and 35% in 2024.
- Climate transition readiness remains the most material environmental factor, with labor practices and business ethics headlining material concerns for social and governance, respectively.
- Globally, the vast majority of asset owners surveyed (78%) view active ownership as useful in driving the implementation of their ESG program overall, and direct engagement with companies ranked as the most useful method of active ownership across all regions.

- While asset owners continue to use ESG data, ratings, and indexes to implement their strategies, they increasingly recognize data as the most critical component.
- Although most asset owners believe that ESG data, ratings, and indexes have improved over the past five years, they also acknowledge that room for improvement remains.
- Most asset owners are hopeful that the adoption of artificial intelligence will increase in the next five years across aspects of ESG investing, including data collection, ESG reporting, index creation, portfolio instruction, and ESG analysis.
- The persisting Russia-Ukraine war stands out as the most material geopolitical issue to survey respondents, with 64% of asset owners considering the war as material to their overall investment decisions.

Who did we talk to?

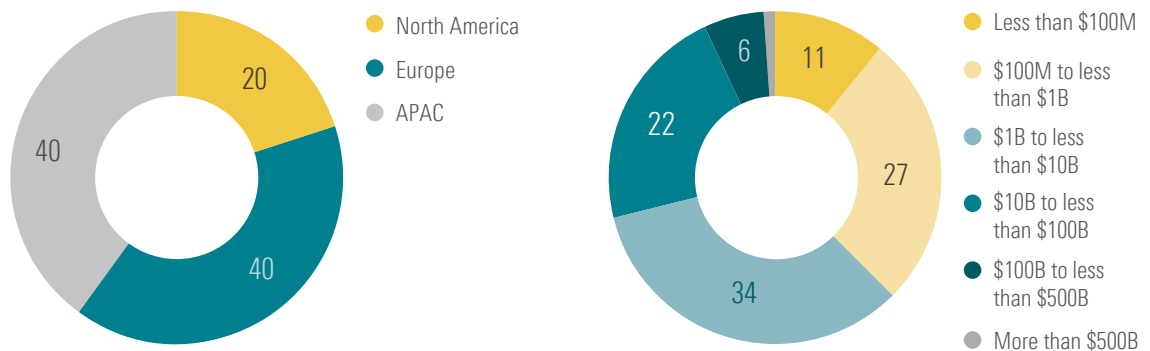
The quantitative survey gathered the responses of 500 asset owners representing combined assets under management, or AUM, of \$18 trillion.

Those surveyed included outsourced OCIOs (20%), pension funds (19%), insurance general accounts (19%), and family offices (17%). Sovereign wealth funds, charitable/religious foundations, and endowment foundations were also represented.

Geographically, the survey spanned 11 countries with 100 total respondents from North America (US and Canada) and 200 respondents each from Europe and APAC.

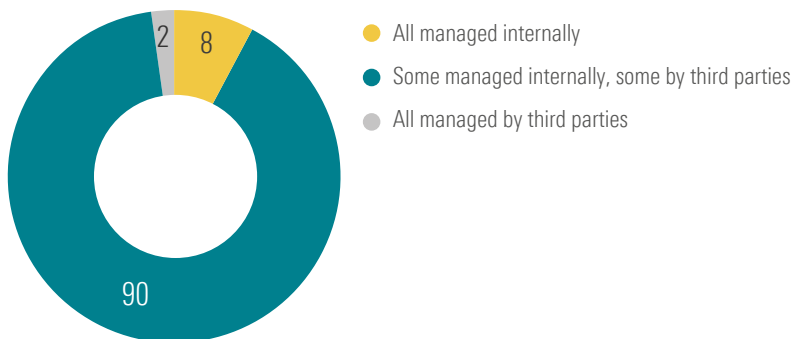
More than three in five asset owners surveyed represent institutions managing more than \$1 billion in assets (62%), and over one out of four (29%) manage over \$10 billion in assets.

Regional distribution (%) and AUM tier distribution (%)



With 92% of asset owners outsourcing at least part of their asset management, it's clear that asset managers play a crucial role in executing ESG strategies. Asset owners on average manage 60% of their own assets.

Total AUM managed internally and/or by third parties (%)

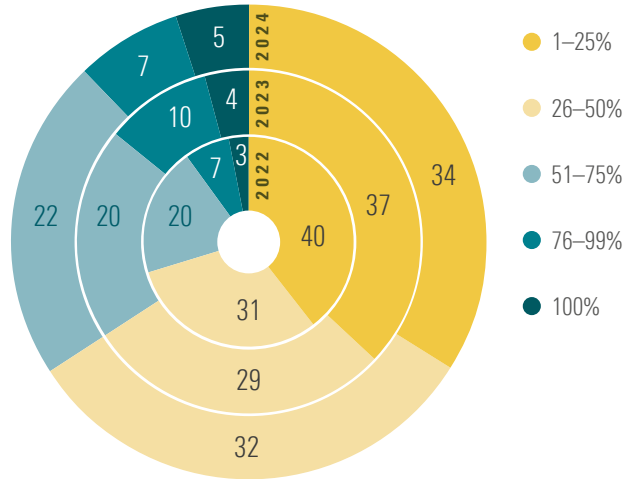


Allocations to strategies that consider ESG factors continue to increase

¹ This figure is 29% as it is the sum of unrounded numbers, 19.8% (20%) + 6.8% (7%) + 2.6% (3%) = 29.2% (29%).

Every asset owner surveyed is allocating at least a portion of their assets to strategies that take ESG factors into account. The percentage of asset owners with more than half of their total assets reflecting ESG considerations has steadily increased since our inaugural survey in 2022 (29%)¹ to 34% in 2023 and 35% in 2024.

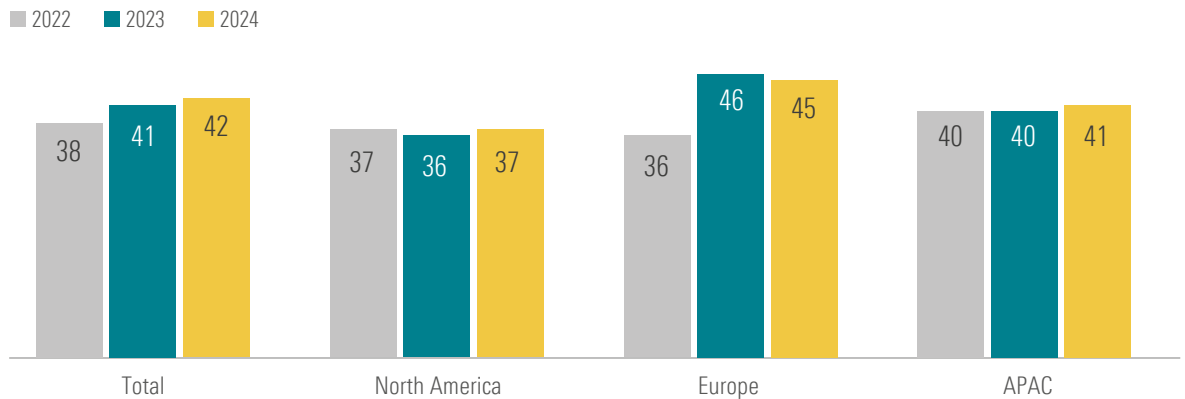
Percentage of total AUM with ESG considerations applied (%)



² This figure is the sum of unrounded numbers.

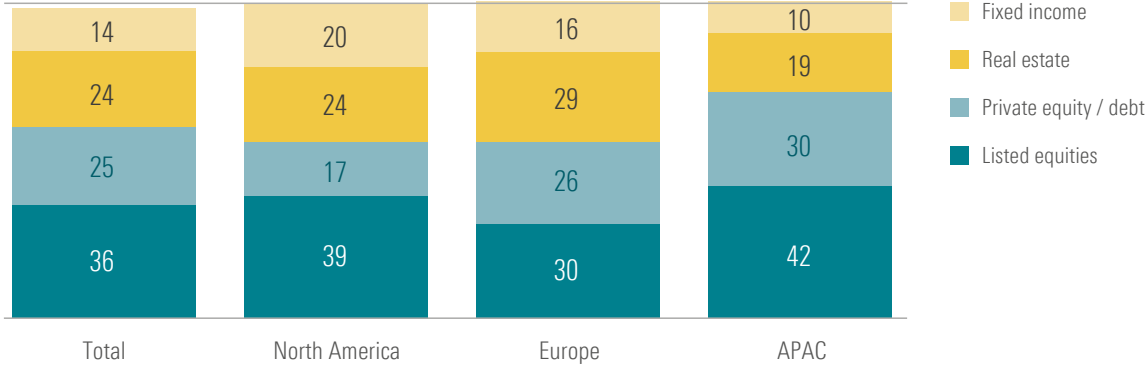
Taking a regional view, asset owners in Europe report that an average of nearly half of their assets are invested in strategies that consider ESG factors (45%) compared with 41% in APAC and 37% in North America. Europe has also seen the most growth since our initial 2022 survey with an increase of 10 percentage points.²

Percentage of total AUM with ESG considerations applied (regional average) (%)



We also asked survey respondents to indicate which of the four major asset classes (listed equities, fixed income, private equity/debt, or real estate) they consider ESG information to be the most material regarding their investment choices. Listed equities emerged as the top choice (36%), with asset owners from all regions identifying it as the asset class for which ESG considerations are most material. Private equity/debt was the second most selected asset class globally (25%). European asset owners were the most likely to look beyond public equity to identify material ESG issues across each of the four asset classes.

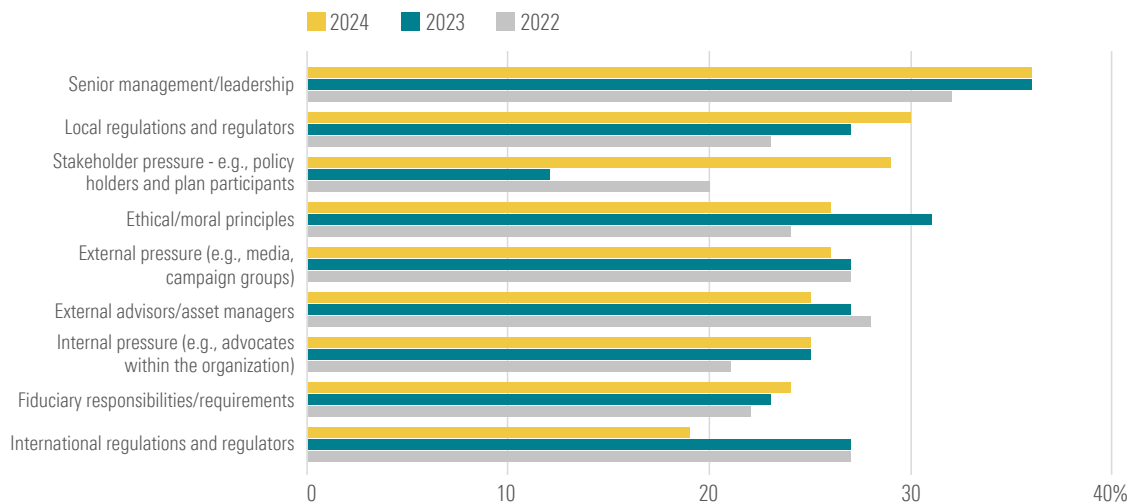
For which asset class is ESG information the most material? (%)



What are the leading motivators and barriers for considering ESG in the investment process?

When asked to select the three most important reasons their organization has chosen to consider ESG factors in their investment process, survey respondents chose senior management/leadership (36%) as the top response for the third year. Local regulation has seen a mild uptick in importance over the last three years (from 23% in 2022 to 27% in 2023 and 30% in 2024), while stakeholder pressure has grown significantly in importance, now ranking as the third most common response at 29%.

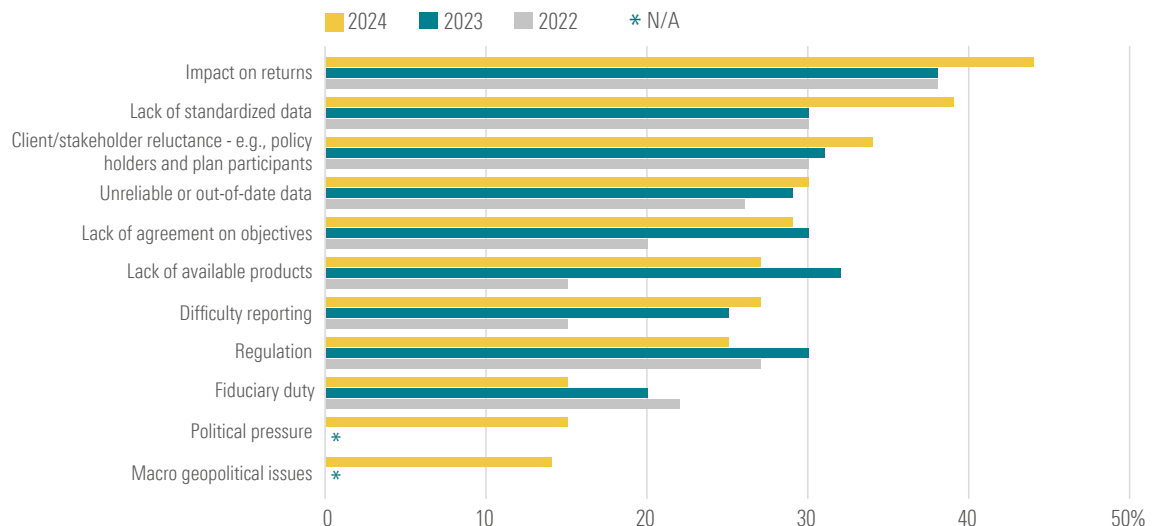
Rationale for considering ESG in the investment process — top three (%)



³ This figure is the sum of unrounded numbers.

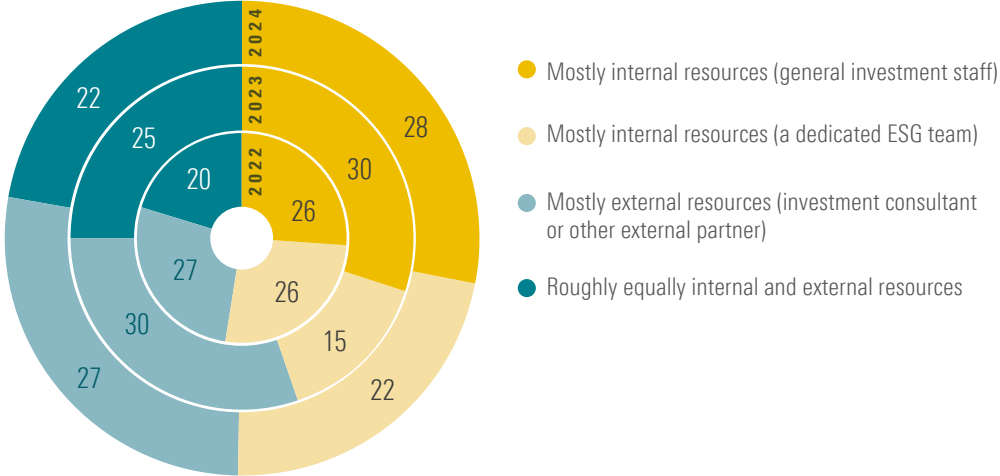
The primary barriers to pursuing an ESG strategy this year are similar to those voiced in our last two surveys, with impact on returns remaining as the leading challenge (44%), up 5³ percentage points from 2023, followed by lack of standardized data (39%), up 9 percentage points from 2023. Client/stakeholder reluctance (34%) continues to be a primary barrier this year as well.

Barriers to pursuing an ESG investment strategy — top three (%)



Asset owners rely on a mix of internal and external resources to operate their ESG programs. About 28% of those surveyed rely mostly on external resources (that is, investment consultants and other external partners). Of the 50% of asset owners who rely mostly on internal resources to operate their ESG programs, about 44% of them have a dedicated ESG team, while the other 56% rely on their general investment staff.

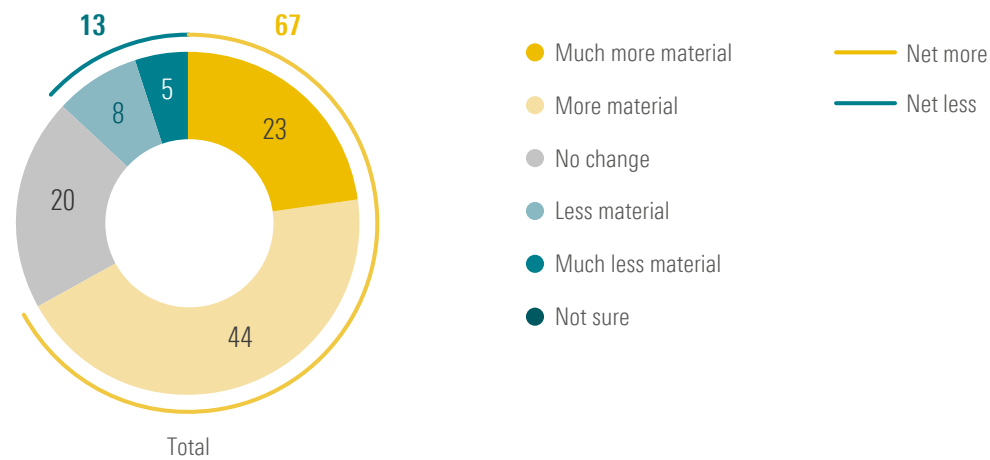
Who asset owners rely on most in the operation of their ESG programs (%)



Materiality— or the extent to which ESG factors influence investment decisions— continues to increase across the board

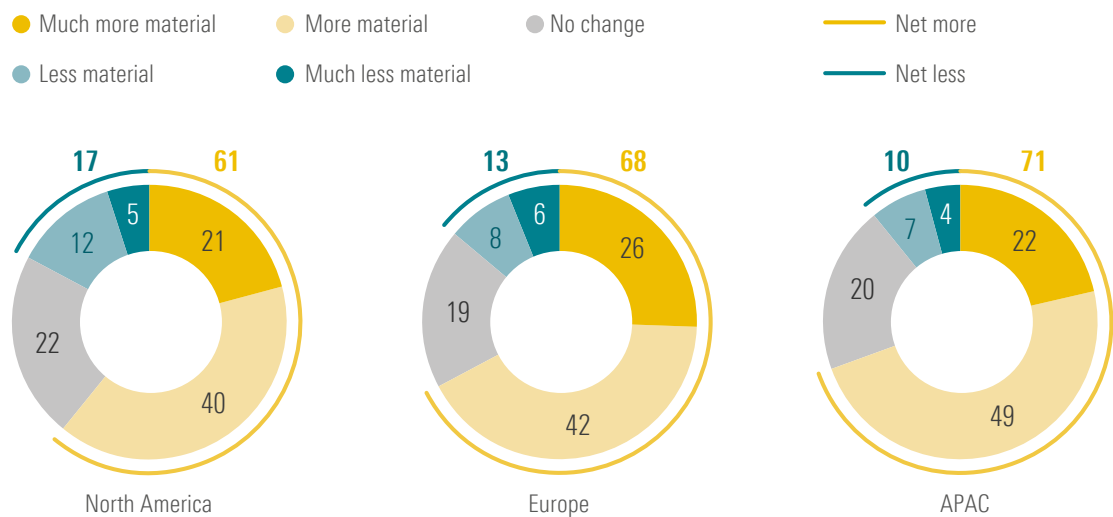
More than two thirds (67%) of the asset owners we surveyed believe ESG has become “more” or “much more” material in the past five years. We believe this is driven by improved understanding of the linkage between ESG issues and company performance, increased action by regulators, and higher levels of ESG awareness among investors and issuers. Regionally, more asset owners in APAC (71%) believe ESG factors have become more material, followed by Europe (68%) and North America (61%).

Whether ESG has become more or less material in the past 5 years (%)



⁴ Net more and net less represent the sums of unrounded numbers.

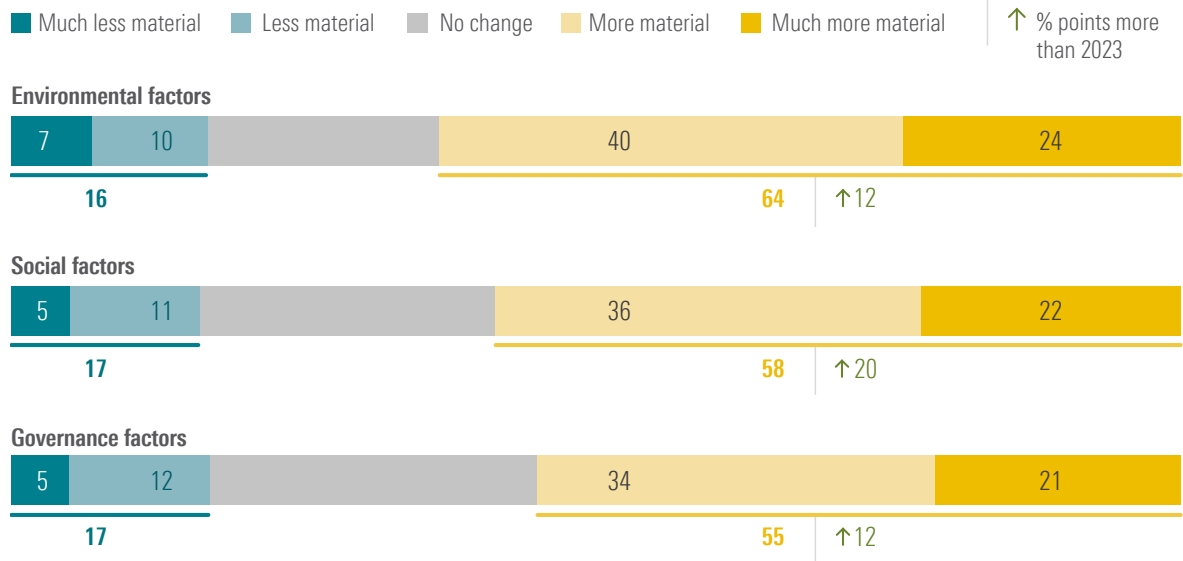
Whether ESG has become more material or less material in the past 5 years (regional average) (%)⁴



Taking a more granular (and shorter-term) view, most respondents (64%) feel that environmental factors have become more material over the past year, up from 52% in 2023, indicating that environmental considerations are increasingly top of mind. Additionally, more asset owners in 2024 (58%) said that social factors have become more material in the last year, up 20 percentage points from 38% in 2023. Governance factors are more material in the eyes of asset owners this year as well, with 55% stating they have become more material compared with 43% in 2023.

⁵ Figures are summed on unrounded numbers.

Whether environmental, social, and governance factors have become more or less material in the past year (%)⁵



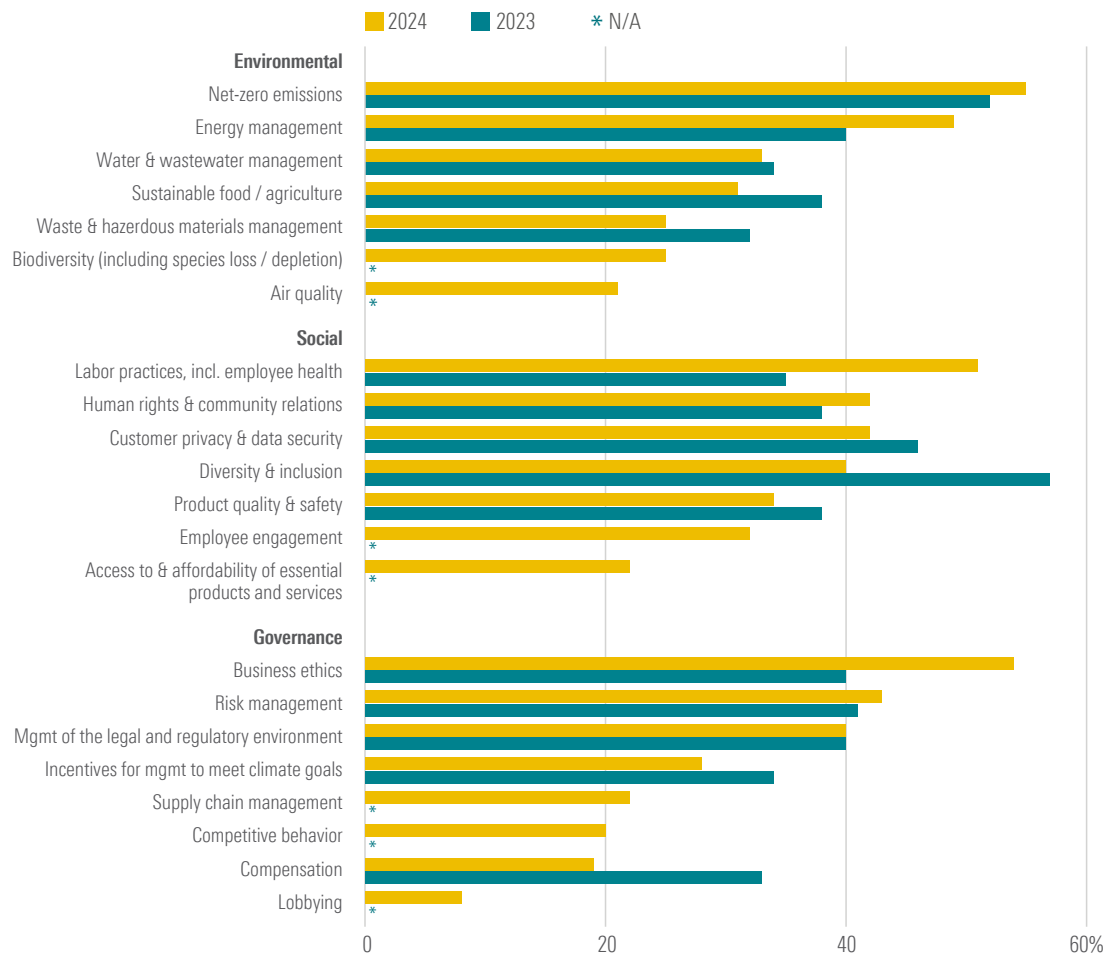
Climate remains the leading environmental concern, while labor practices and business ethics gain in importance on the social and governance fronts

Given the urgency of tackling climate change, it is not surprising that asset owners view the transition to net zero emissions as the environmental factor most material to their decision-making (55%), up from 52% in 2023, followed by energy management (49%), up 9 percentage points from 2023. New to the list of top three issues is water & wastewater management (33%), replacing sustainable food/agriculture, which ranked third in 2023 at 33%.

On social considerations, labor practices rise well above other factors with 51% of respondents (70% in France/not shown, 58% in US/not shown) saying the issue is most material. This is nearly 10 percentage points higher than the second most important social issue: human rights and community relations (42%). Diversity and inclusion, which dipped in rank since last year, tends to be considered more material in North America (46%/not shown compared with 40% globally).

There is more consensus across regions on which governance issues are most material. Business ethics (54%) has risen to the top, 11 percentage points ahead of risk management (43%). Management of the legal and regulatory environment comes in third (40%), driven heavily by North American asset owners (54%/not shown).

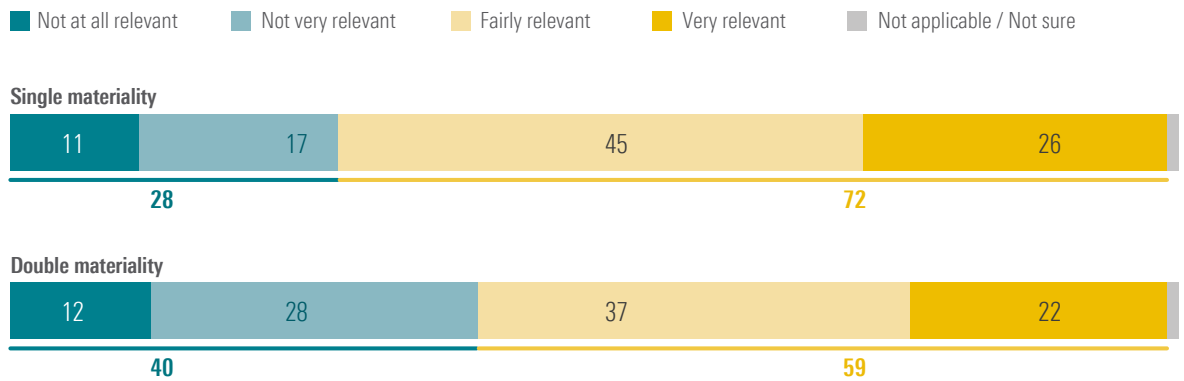
Issues most material to asset owners' investment decisions (top 5) (%)



Single materiality can be defined as the impact of ESG issues on a company and its outlook, while double materiality consists of single materiality plus the impact of a company’s operations on the social/environmental conditions in the wider world. Asset owners generally have a positive and supportive stance toward the concept of double materiality. When asked about the relevance of single- and double-materiality factors to ESG considerations, nearly three quarters (72%) consider single materiality to be relevant, while 59% say the same about double materiality. Notably, larger (AUM) asset owners were more likely to select “very relevant” for double materiality, suggesting that they tend to view themselves as universal owners who consider the broader impact of their investments on the world.

⁶ Figures are summed on unrounded numbers.

Relevance of single- and double-materiality factors to ESG considerations (%)⁶



What are the primary geopolitical concerns for asset owners?

New to our 2024 survey, we asked asset owners about the materiality of select geopolitical issues in the last year. Globally, asset owners are quite sensitive to the most salient geopolitical issues, with many of them indicating the leading issues are at least fairly material to their overall investment decisions (that is, beyond solely ESG materiality).

The persisting Russia-Ukraine war stands out as the most material to survey respondents, with 64% of asset owners considering the war as either fairly or very material to their overall investment decisions over the last year. This is reflected similarly across regions, with only slight differences reported in APAC (66%), Europe (64%), and North America (60%).

Unsurprisingly, the US presidential election is most material in the US (68% selecting fairly or very material). However, its importance extends beyond the region, with Japan (70%) and Hong Kong (68%) assigning similar levels of materiality to the November election. The Israel-Hamas war scores relatively low in materiality globally, though the portion of asset owners stating that the war is either fairly or very material is higher in Europe (47%) and APAC (47%) than in North America (35%).

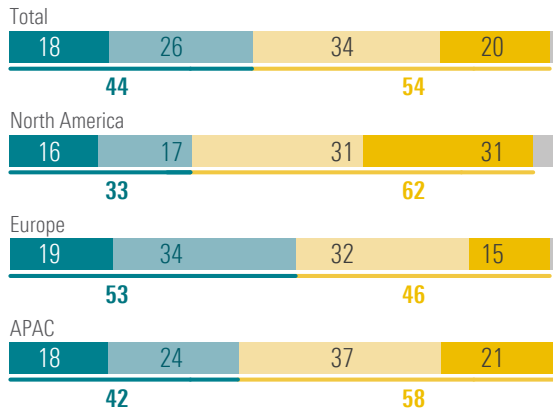
While about 50% of asset owners globally feel trade disputes between China and the US/EU are material to their overall investments, this figure rises to a staggering 72% among asset owners in China/not shown.

⁷ Figures are summed on unrounded numbers.

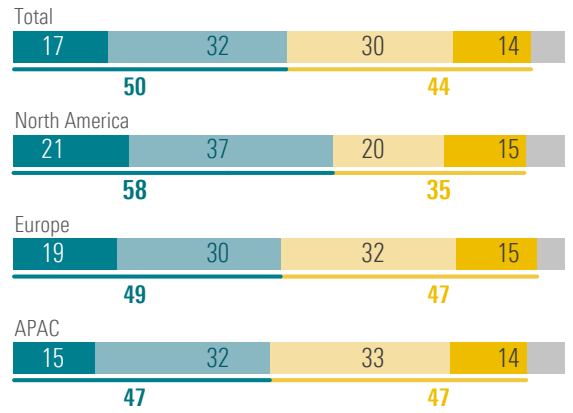
Geopolitical issues most material to asset owners' investment decisions (%)⁷

■ Not at all material ■ Not very material ■ Fairly material ■ Very material ■ Not applicable / Not sure

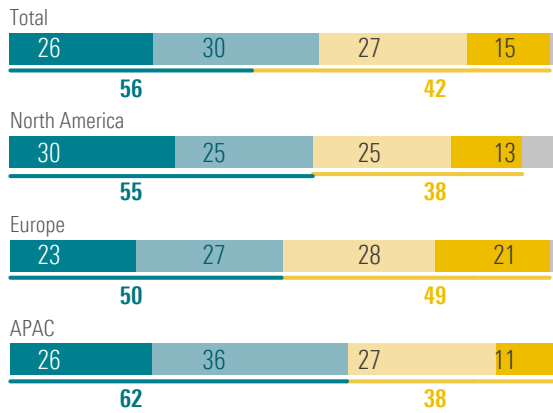
US presidential election



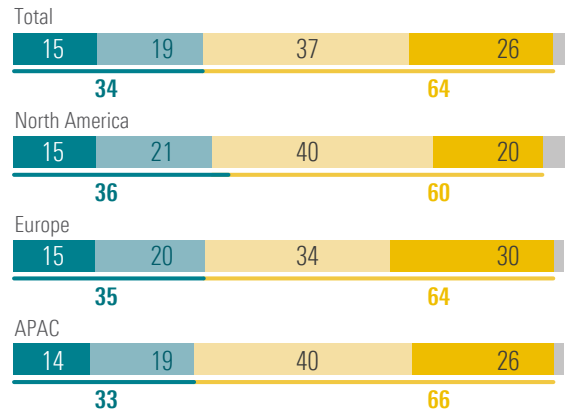
Israel-Hamas war



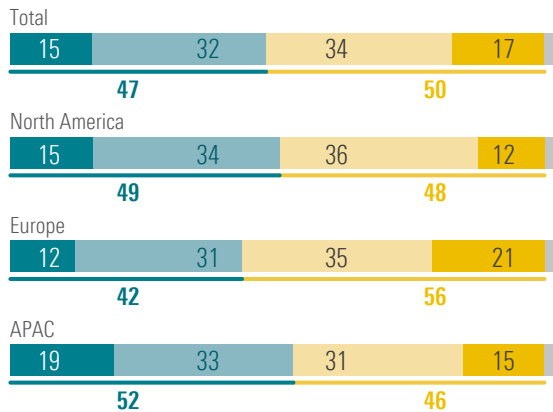
UK general election



Russia-Ukraine war



Increasing trade disputes between China and the US/EU

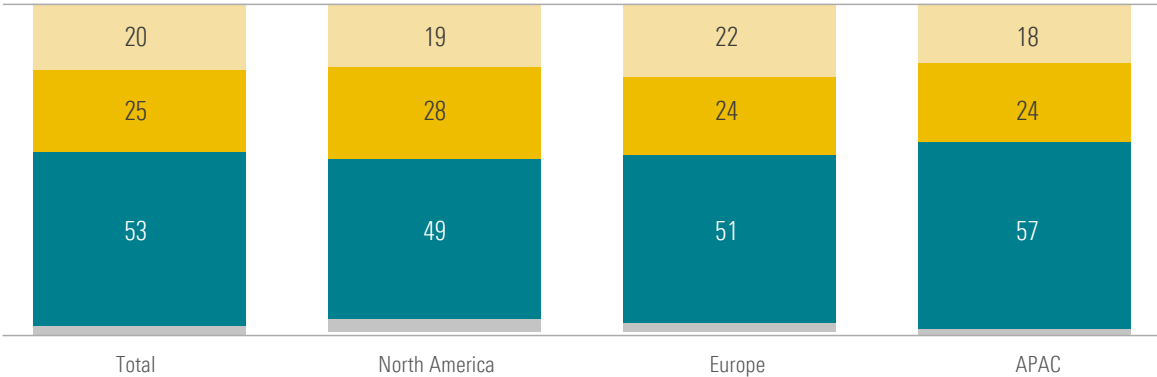


Do ESG considerations impact fiduciary obligations?

The majority (53%) of asset owners feel ESG considerations go hand in hand with the fulfillment of their fiduciary obligations. This is most apparent in APAC nations, where this figure reaches 57% (driven by 66% in China and 65% in Hong Kong/not shown). Though lower in North America, 49% still find that ESG considerations work in concert with their fiduciary goals (50% in the US/not shown).

How ESG considerations contribute to fulfilling fiduciary duty (%)

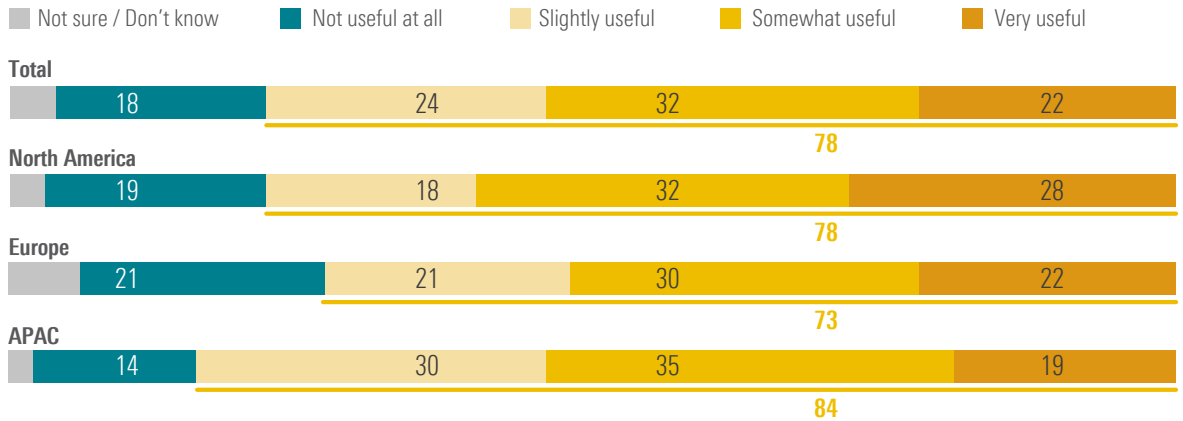
- ESG considerations hamper fulfilling my fiduciary duty
- ESG considerations have no role in fulfilling my fiduciary duty
- ESG considerations go hand-in-hand with fulfilling my fiduciary duty
- Not sure



The role of active ownership

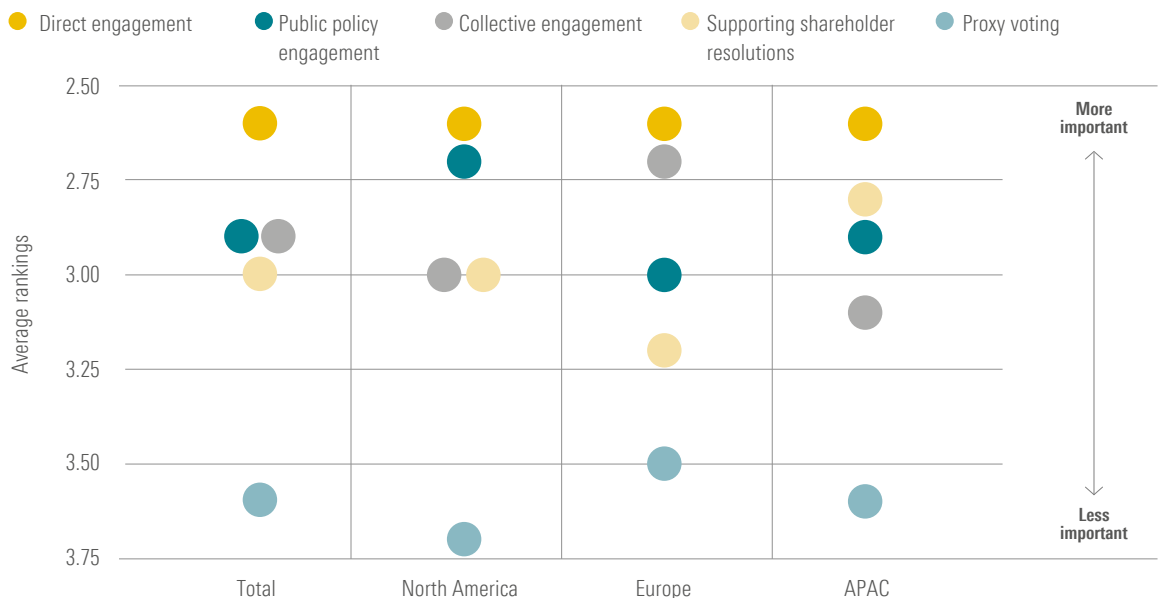
A key component of ESG strategy implementation is active ownership. In addition to proxy voting, asset owners are also leveraging collective engagement, shareholder proposals, and direct engagement. Globally, the vast majority of asset owners surveyed (78%) view active ownership as at least slightly useful in driving the implementation of their ESG program overall. Regionally, APAC asset owners are the most convinced of the value of active ownership, with 84% indicating it is useful in driving the implementation of their ESG programs.

Usefulness of active ownership (including proxy voting) in driving the implementation of ESG programs (%)



When we asked survey respondents to rank the different components of an active ownership program from most to least important, direct engagement with companies ranked as the most useful across all regions. In general, asset owners responded that proxy voting is not enough to execute their active ownership programs and assigned greater weight to direct and collective engagement followed by shareholder proposals.

Methods of active ownership ranked in order of importance (average)

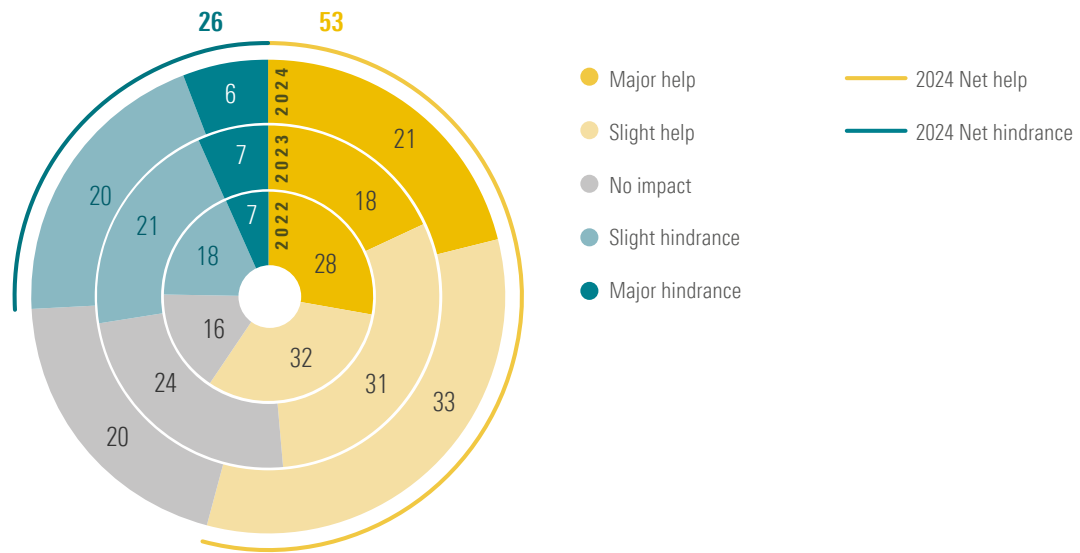


Is ESG regulation helping or hindering asset owners?

Asset owners have become a bit more optimistic about the impact of ESG regulations since our 2023 survey. The proportion saying regulations are either a “slight help” or a “major help” has increased 5 percentage points, from 49% to 53%. This corresponds with a decrease in the proportion saying that regulations have no impact (from 24% last year to 20% this year).

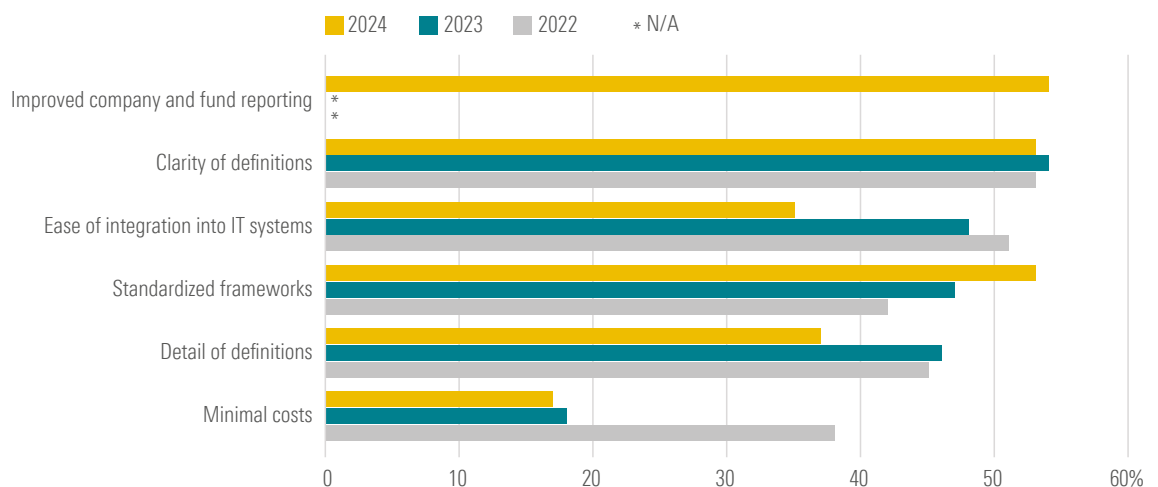
⁸ Figures are summed on unrounded numbers.

Whether ESG regulations have become a help or a hindrance (%)⁸



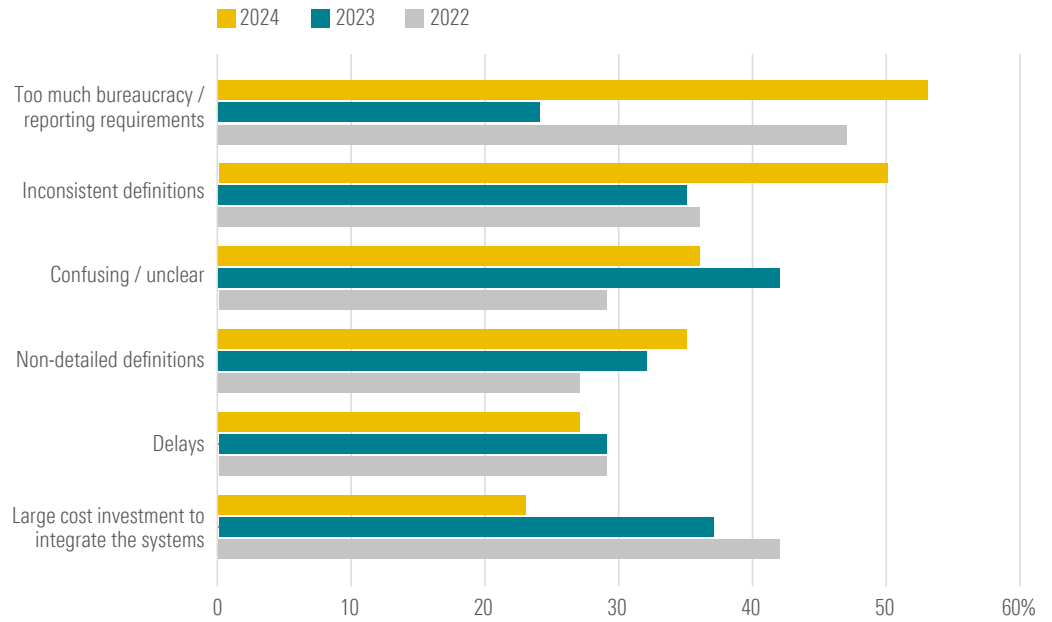
For our 2024 survey we added “improved company and fund reporting” as a choice when asking asset owners how ESG regulations have helped them. Among those who view regulations as beneficial, over half (54%) selected this option. Notably, a significant proportion of US asset owners (77%/not shown) selected improved reporting as a key way in which regulations have enhanced their ESG investing approach. Globally, clarity of definitions (53%—in line with past two years), and standardized frameworks (53%—increased from 42% in 2022 to 47% in 2023) were also popular responses.

How ESG regulations have helped (%)



Among the 26% identifying regulations as a hindrance, the biggest complaint is that there is too much bureaucracy/ too many reporting requirements (53%), which is up 29 percentage points from 24% last year. Concern over inconsistent definitions (50%) has increased significantly since 2023 (up 15 percentage points from 35% last year). The proportion citing the large investment required to integrate systems has continued to decrease each year.

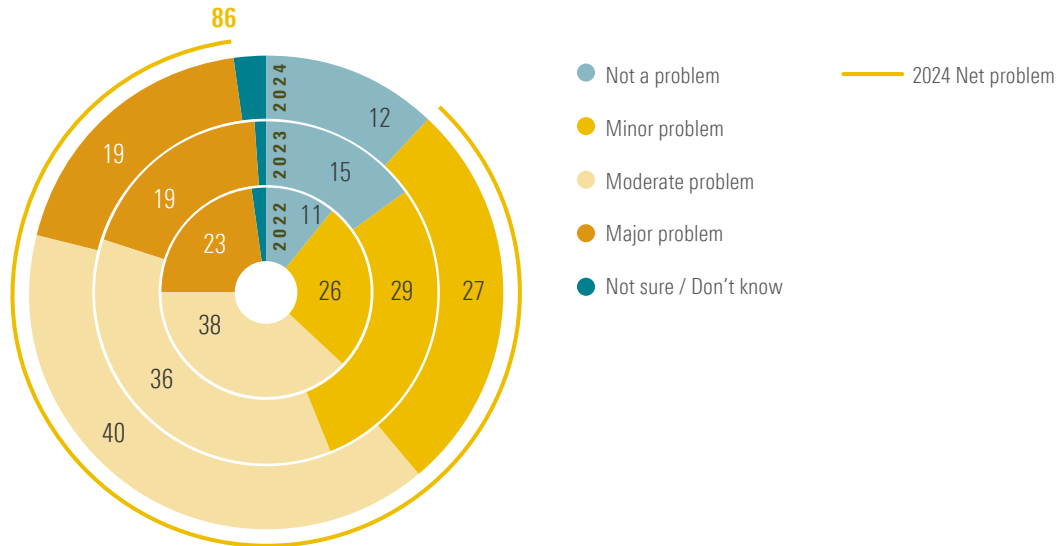
How ESG regulations have hindered (%)



Have we washed out greenwashing?

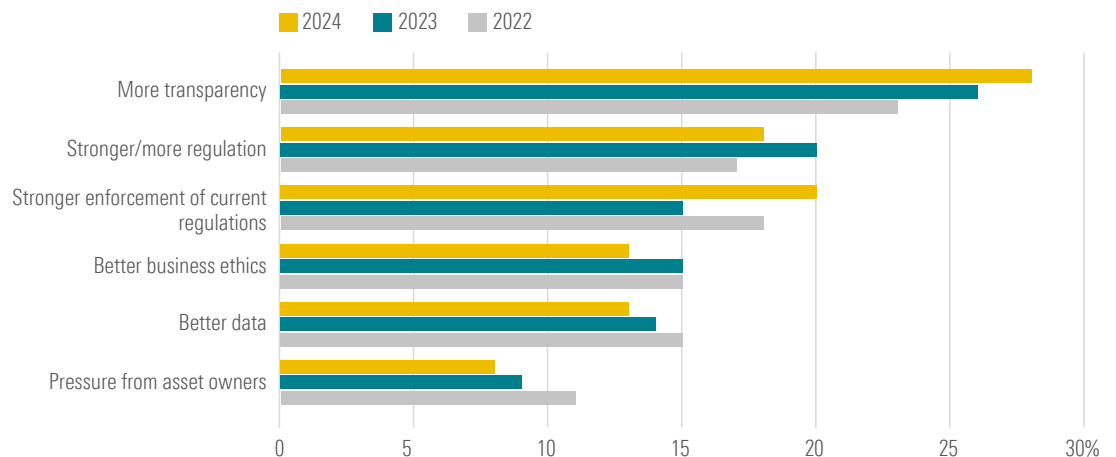
While greenwashing continues to be perceived as a problem by most asset owners, the proportion saying that it is a “major problem” has stagnated at 19%. Among their peers, asset owners in the UK (26%/not shown) and China (25%/not shown) are the most concerned about greenwashing.

To what degree greenwashing is a problem (%)



For those concerned about greenwashing, greater transparency remains the most frequently suggested solution, with 28% of respondents citing it. This figure has been steadily increasing from 26% last year and 23% in 2022. Asset owners in APAC nations are more inclined to advocate for stronger regulations to address greenwashing, with 22%/not shown favoring this approach compared with 18% globally. In contrast, asset owners in North America/not shown are more likely to support the enforcement of existing regulations, with 27% backing this measure compared with 20% globally.

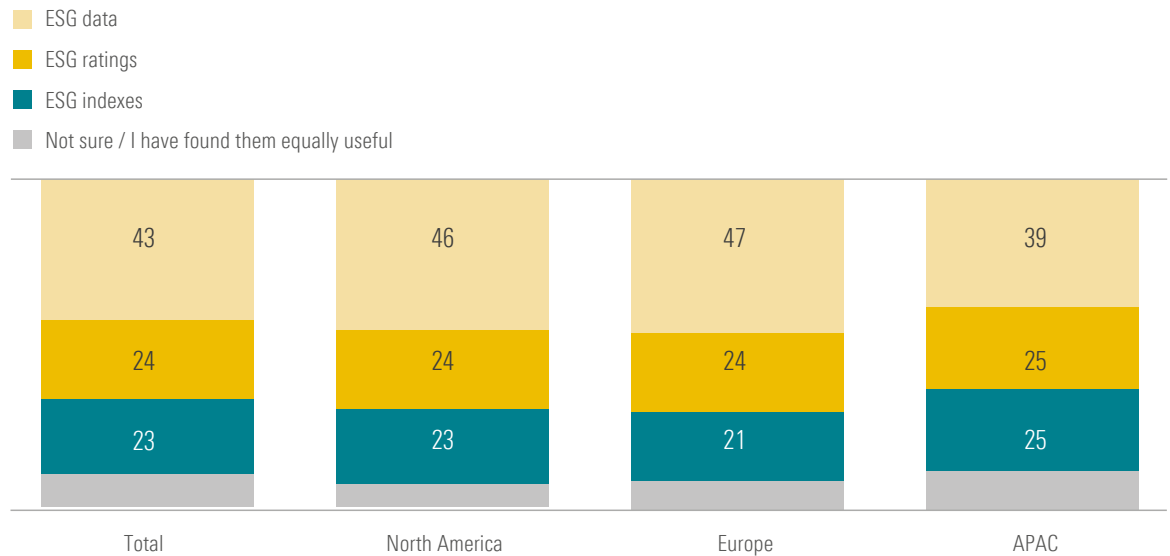
Most effective way to address greenwashing (%)



ESG data, ratings, and indexes — what’s working and what’s not working?

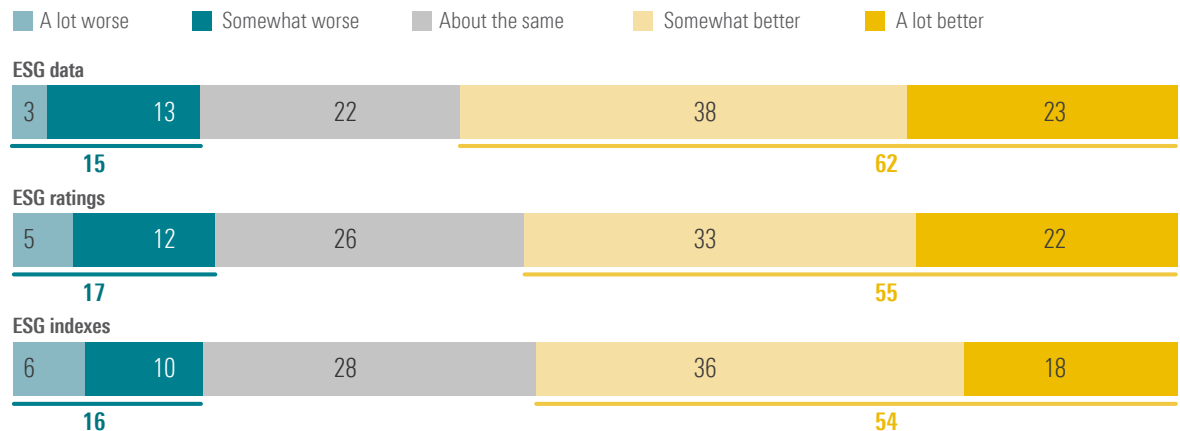
When asked to choose the most valuable component for implementing an ESG strategy, respondents consistently identify ESG data as the most important before ratings or indexes. This is particularly evident in North America and Europe, where 46% and 47% of respondents, respectively, identified ESG data as the most crucial factor for implementing an ESG strategy.

Most useful input for the overall implementation of an ESG strategy (%)

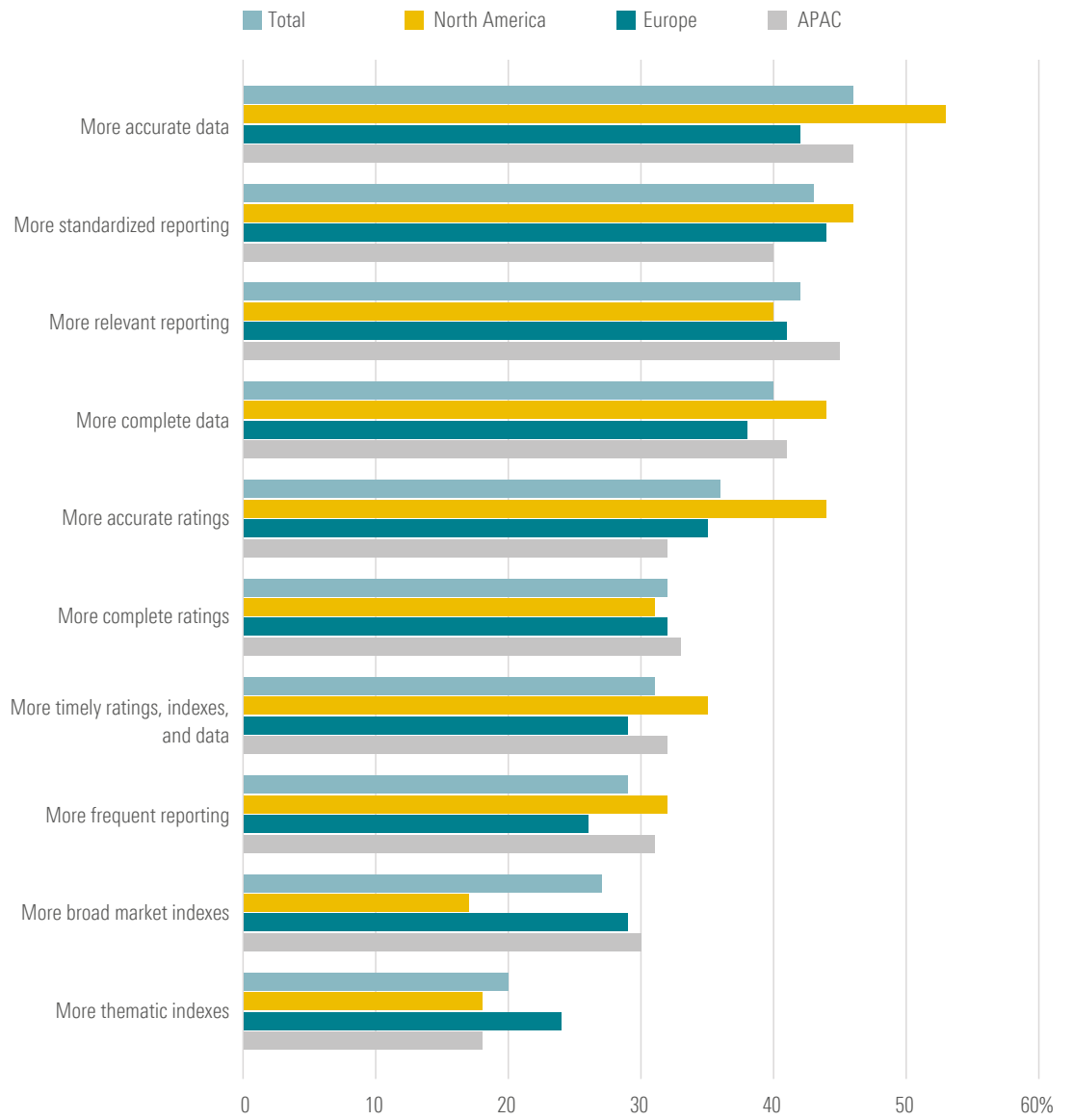


Although most asset owners believe that ESG data, ratings, and indexes have improved over the past five years, they also acknowledge that room for improvement remains. Respondents cited better accuracy and more standardized, relevant reporting as the top areas in which the greatest improvement is required. North American asset owners in particular are calling for improved accuracy, with 53% highlighting this need. Meanwhile, APAC respondents are more focused on the need for more relevant reporting than those in North America and Europe.

Whether ESG data, ratings, and indexes have gotten better or worse over the past 5 years (%)

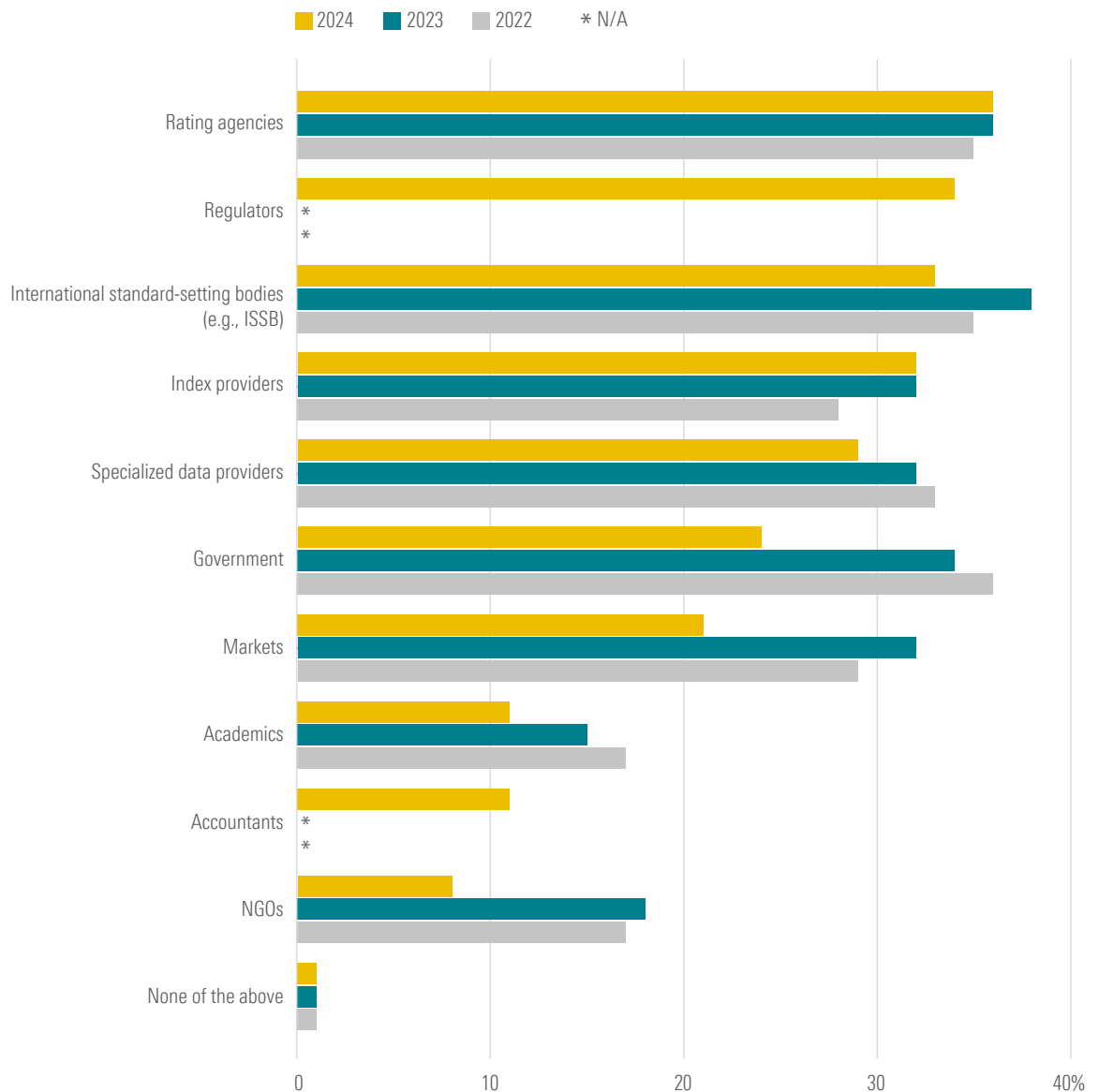


Where the greatest improvement of available ESG data, ratings, and indexes is required (%)



Opinions on who bears the greatest responsibility for driving these improvements are still divided. In similar proportions to what we saw in the two years prior, rating agencies (36%), international standard-setting bodies (33%), and index providers (32%) ranked highly. We introduced regulators as a new option in this year's survey, and it emerged as the second-most selected choice, with 34% of respondents choosing it. This likely explains the drop in those selecting government, markets, and NGOs. Although each of the listed parties plays a role in ensuring the accuracy, standardization, timeliness, and relevance of ESG data, it is important to note that the issuer also bears a significant portion of the responsibility.

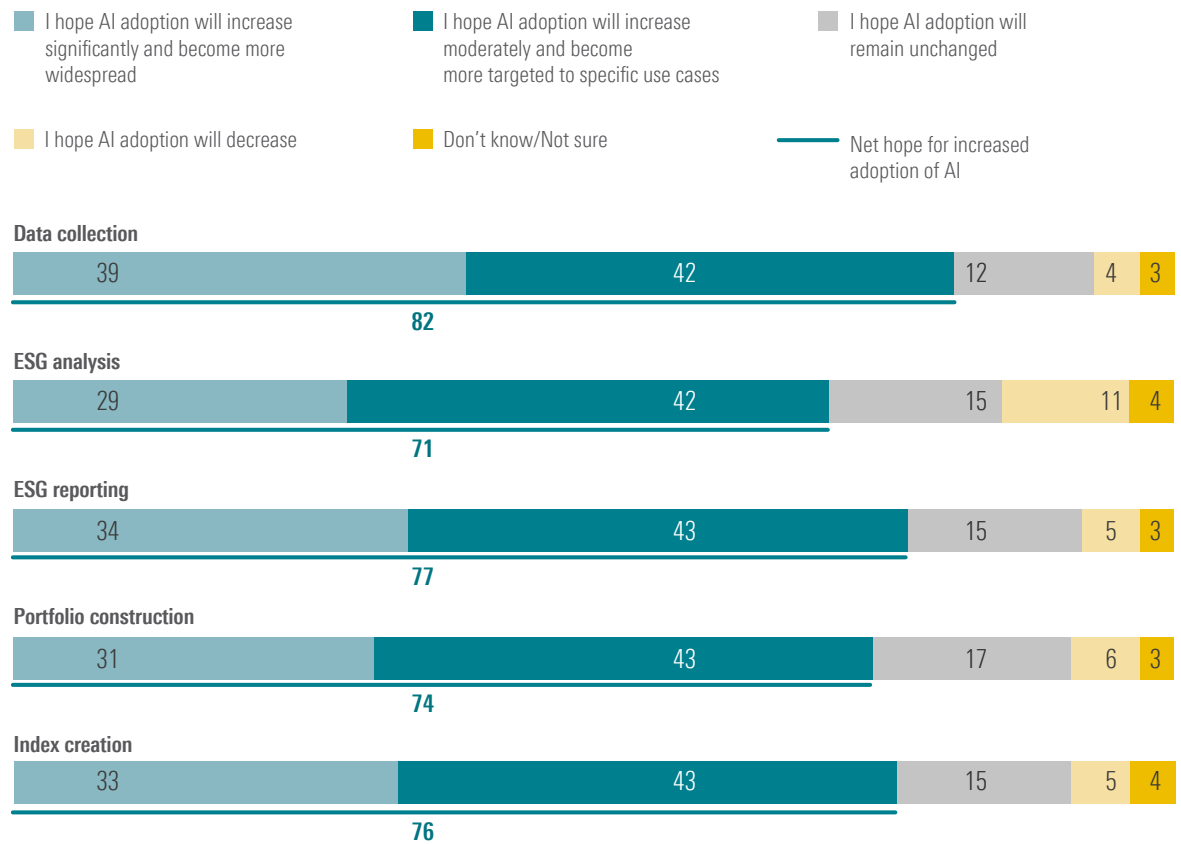
Where responsibility for improving ESG data, ratings, and indexes lies (%)



Asset owners are optimistic about artificial intelligence

Most asset owners are hopeful that the adoption of artificial intelligence will increase in the next five years across all aspects of ESG investing. More than 8 out of 10 (82%) hope adoption will increase at least moderately to help with data collection. When it comes to ESG reporting, 77% are hoping for more AI adoption. Asset owners are also optimistic about the adoption of AI to improve index creation (76%), portfolio construction (74%) and ESG analysis (71%).

Whether asset owners are hoping for increased adoption of artificial intelligence across different components of ESG investing (%)



Conclusion

The influence of institutional asset owners extends beyond their immediate beneficiaries and stakeholders, affecting market dynamics corporate governance, investment trends, and regulatory landscapes. This year's survey results clearly indicate that while there are regional differences in priorities and challenges, the overarching trend is a positive move toward more sustainable investing. As long-term investors, asset owners are increasingly prioritizing ESG factors for managing risk, meeting regulatory and fiduciary requirements, aligning with stakeholder expectations, and in some cases, considering the broader impact of their investments on the world. For asset owners, investment firms, asset managers, and financial analysts, understanding these trends is crucial for staying competitive and meeting stakeholder expectations.

About Morningstar Indexes

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MORNINGSTAR Indexes

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider material sustainability factors in policies, practices, and capital projects. With 17 offices globally, Morningstar Sustainalytics has more than 1,800 staff members, including more than 850 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

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