

Voice of the Asset Owner Survey 2023 Highlights



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Profile of respondents

The quantitative survey gathered the responses of 500 asset owners including pension funds, insurance general accounts, outsourced CIOs, and family offices.

500

asset owners

11

countries

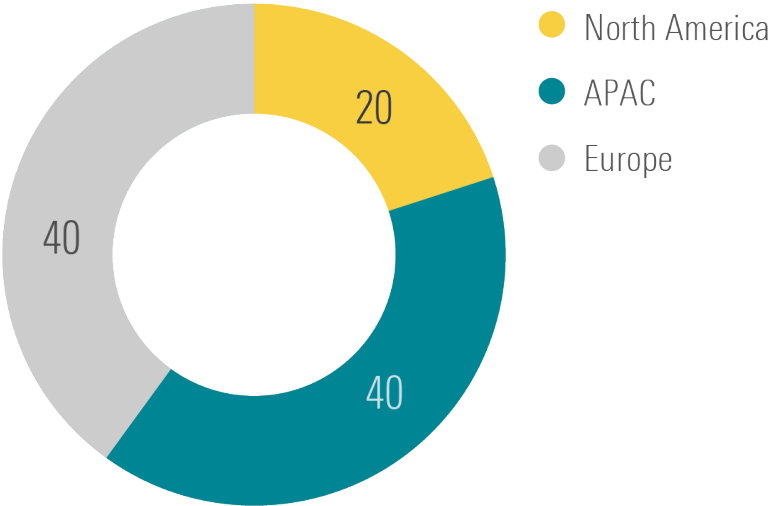
\$10.7

trillion AUM

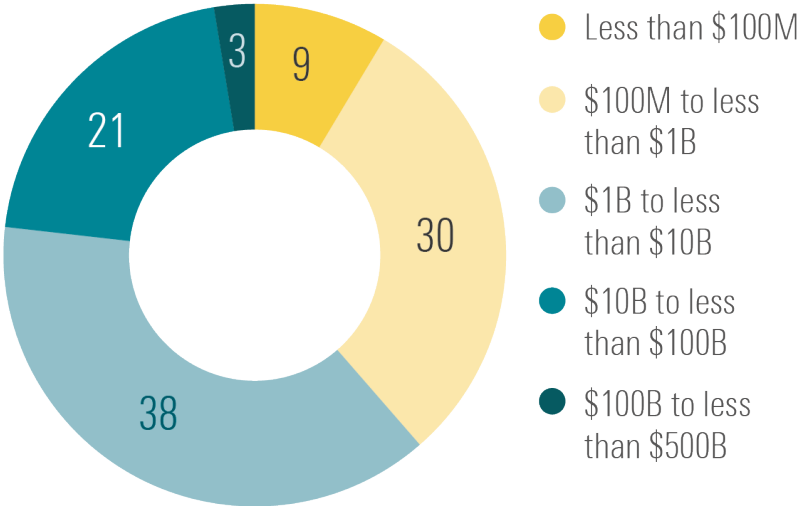
1/4

manage over \$10 billion AUM

Regional distribution (%)



AUM tier distribution (%)



Key Takeaways

What did we learn from asset owners in 2023?



More than two-thirds of asset owners believe ESG has become more material to investment policy in the past five years, with environmental issues driving materiality --- especially those related to climate change



Issues related to the market environment, regulatory confusion, and the need for improvements in ESG data, ratings, indexes and tools ranked among the top concerns of asset owners



Regulatory confusion is a significant challenge for asset owners, with the lack of clarity and rising costs related to ESG regulation cited as particular pain points



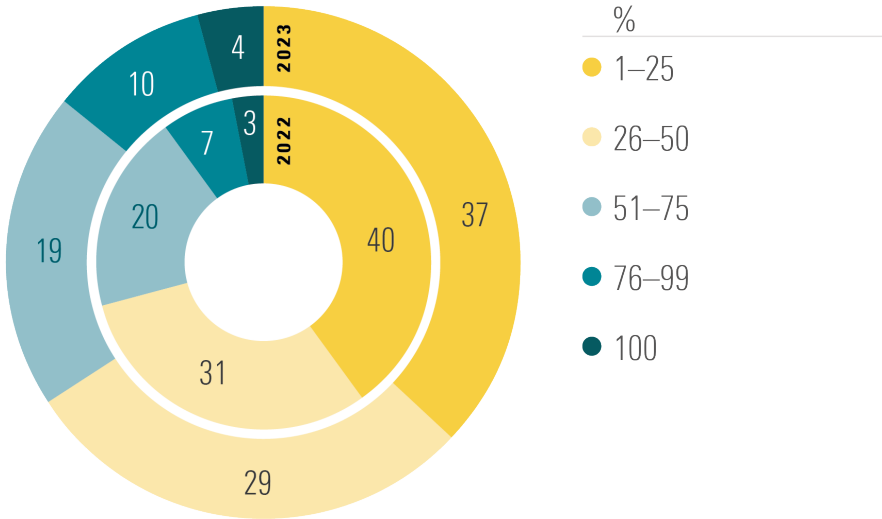
Allocations to ESG strategies are increasing, despite persistent implementation challenges

Allocations to ESG strategies continue to increase

Asset owners globally

- Asset owners with more than 50% of their total assets considering ESG increased from 30% in 2022 to 34% in 2023.
- Asset owners with 50% or less of their assets considering ESG decreased from 71% in 2022 to 66%. 2023.

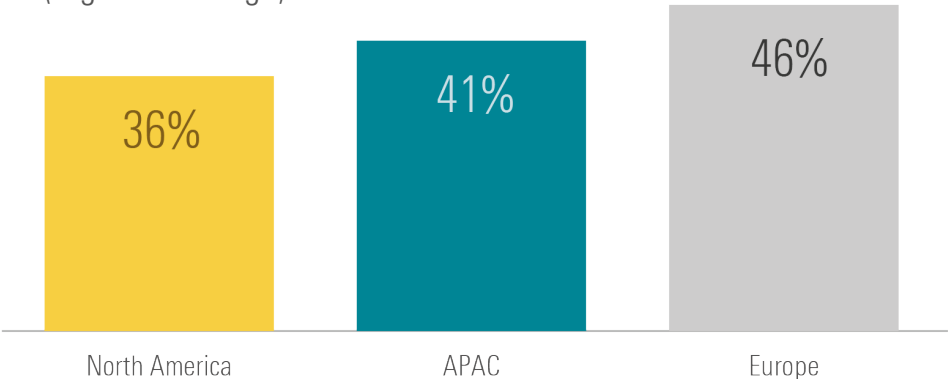
Percentage of total AUM with ESG considerations applied (%)



Regional trends

Asset owners in Europe report an average of nearly half of their assets taking ESG into account (46%) compared to 41% in APAC and 36% in North America.

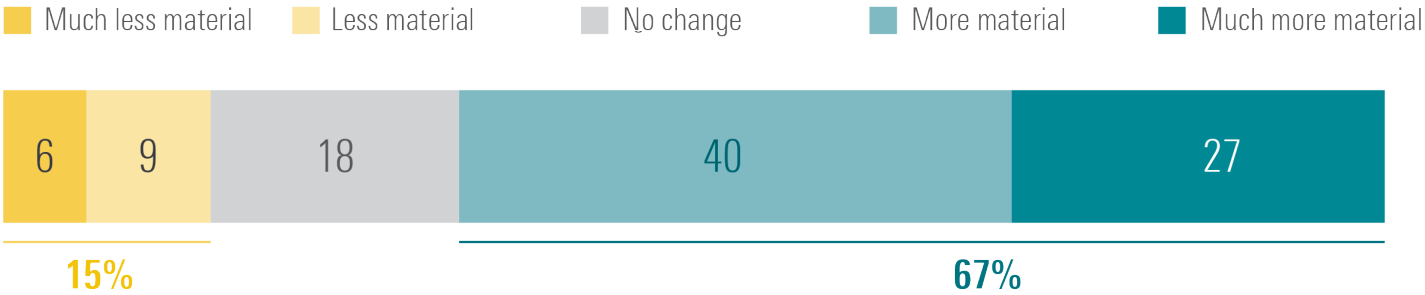
Percentage of total AUM with ESG considerations applied (regional average)



Is ESG becoming more or less material?

ESG in general

Over 2/3 of asset owners say ESG has become more material in the past five years



E, S, and G

Taking a more granular (and shorter term) view, most respondents feel that environmental, social, and governance-related factors have become more material in the last year, with environmental considerations top of mind.

Environmental factors %



Social factors %



Governance factors %



What are the issues most material to asset owner decisions?

Climate is king

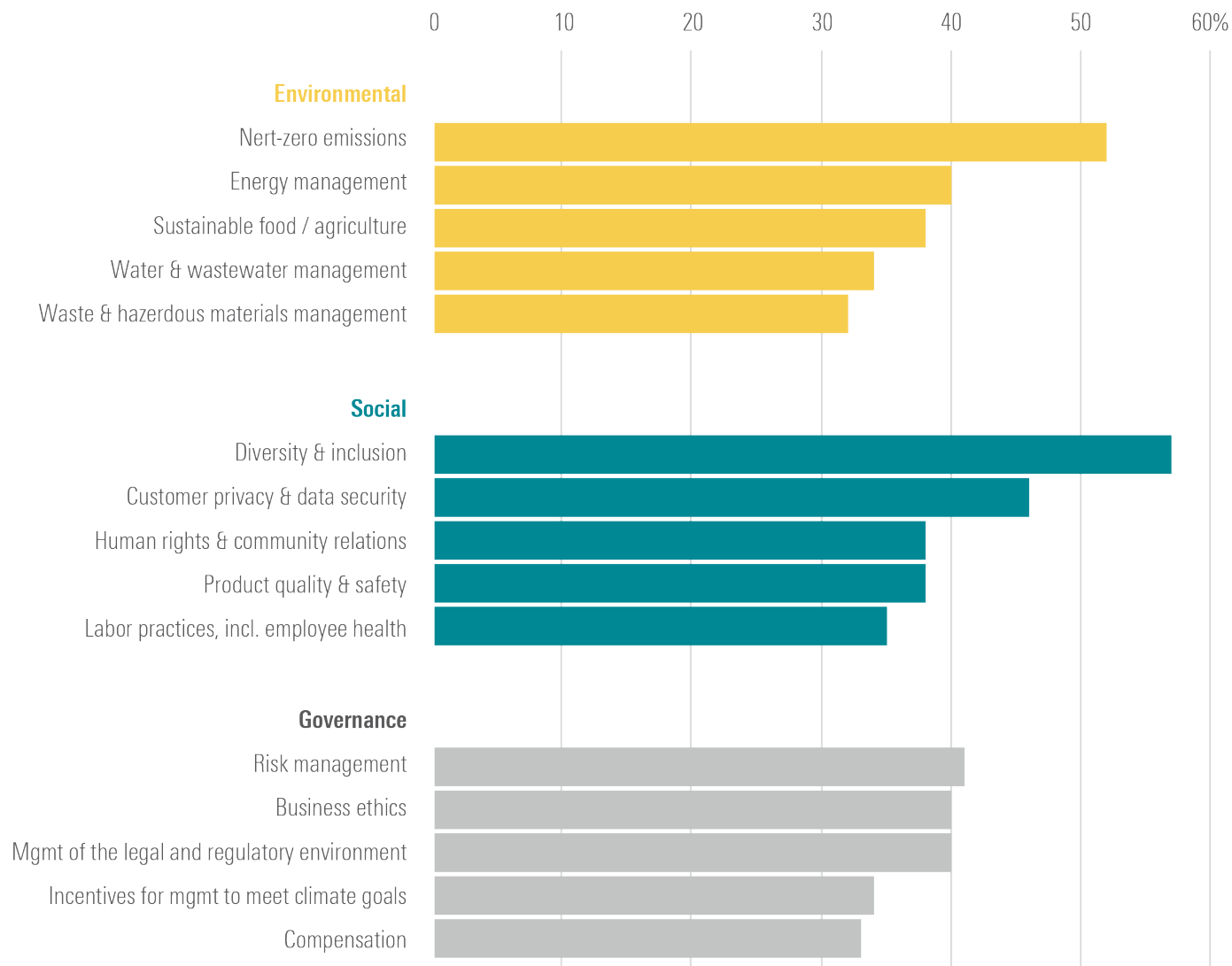
Asset owners view the transition to net zero emissions as the environmental factor most material to their decision-making (52%), followed by energy management (40%) and sustainable food/agriculture (38%).

Consensus on Diversity & Inclusion

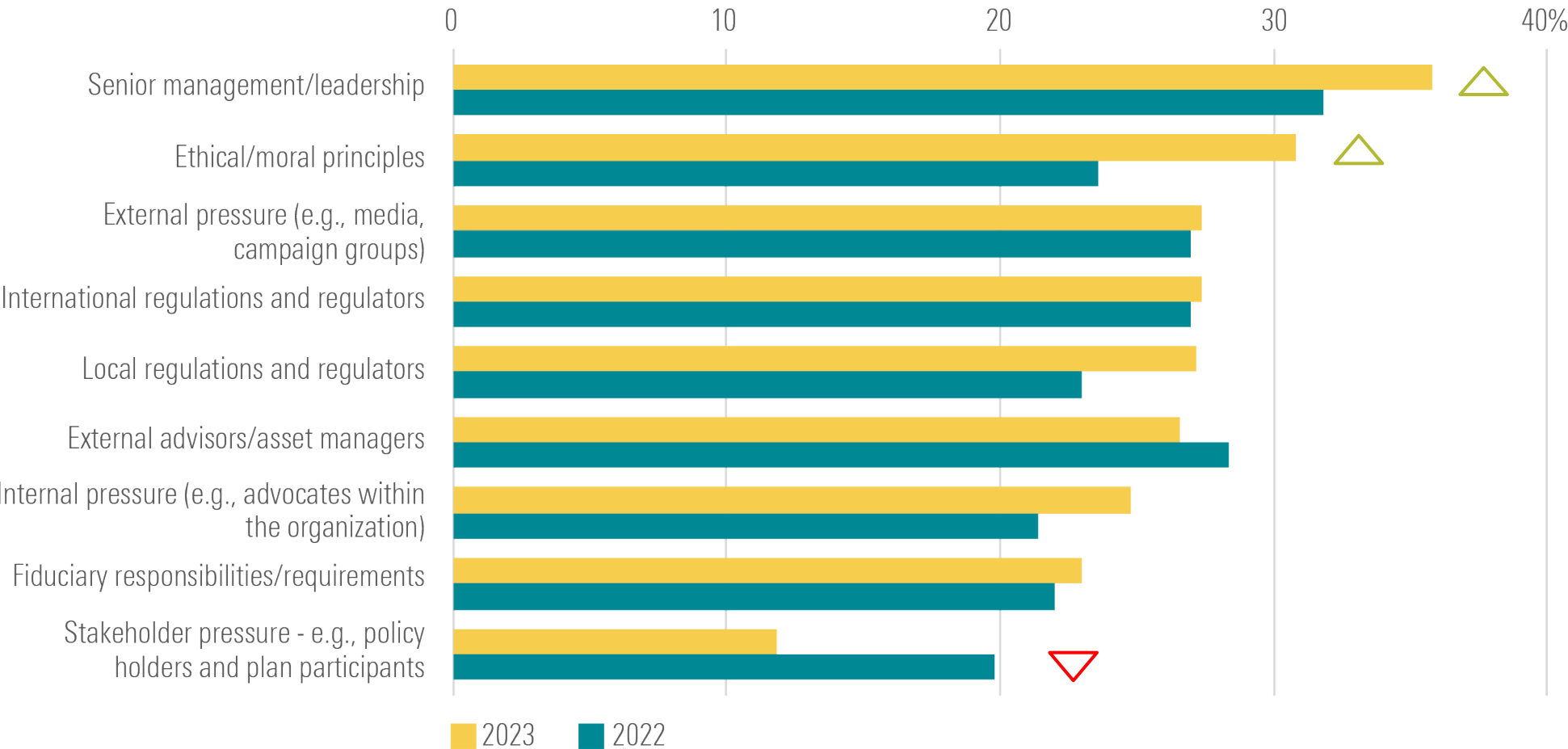
Diversity & inclusion factors are the most material according to 57% of respondents, followed by customer privacy & data security (46%).

Governance

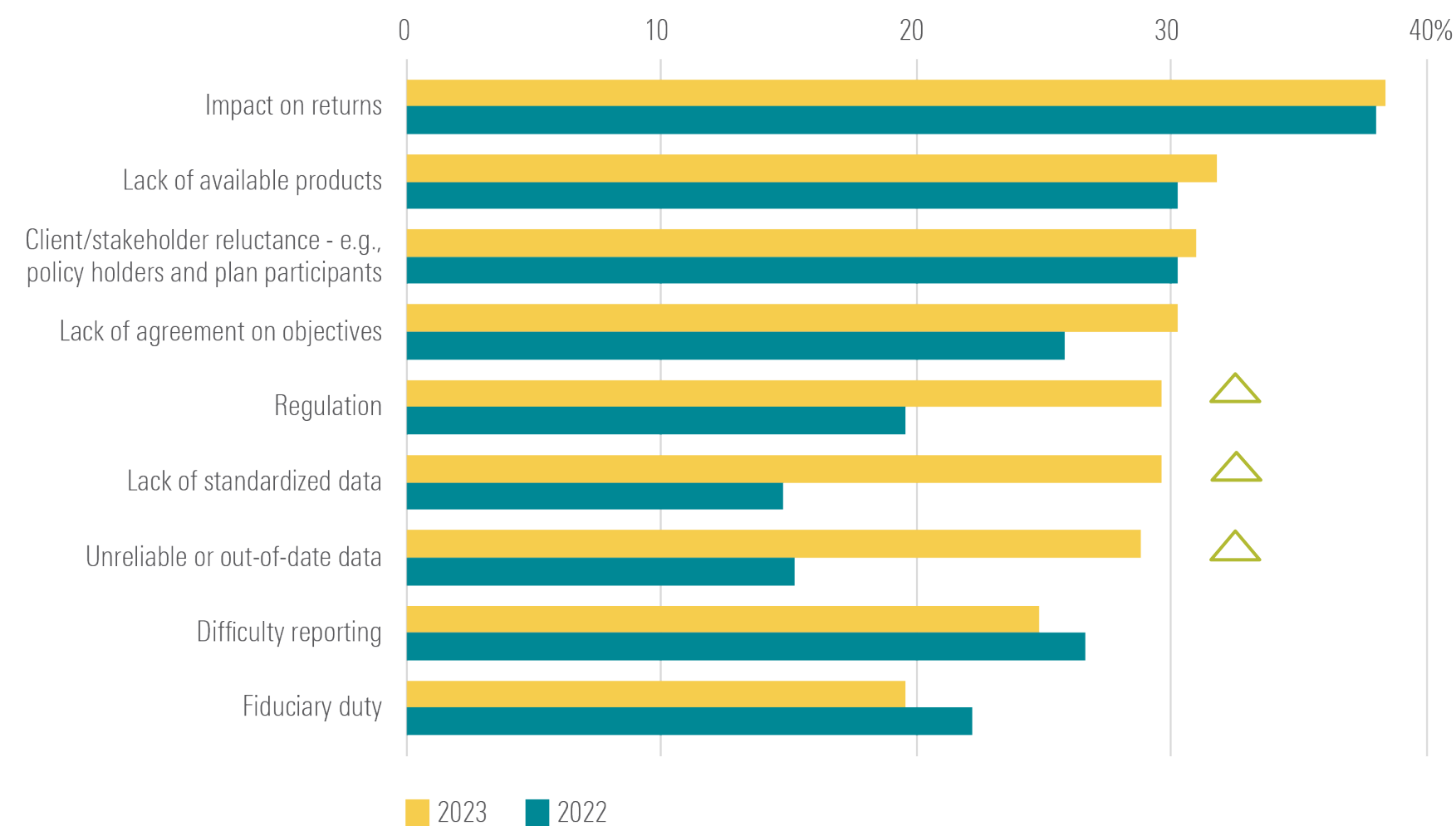
There is less of a consensus on which governance-related factors are most material. Risk management (41%), business ethics (40%), and management of the legal and regulatory environment (40%) ranked as the top three.



What are the motivators to pursuing ESG?



What are the barriers to pursuing ESG?



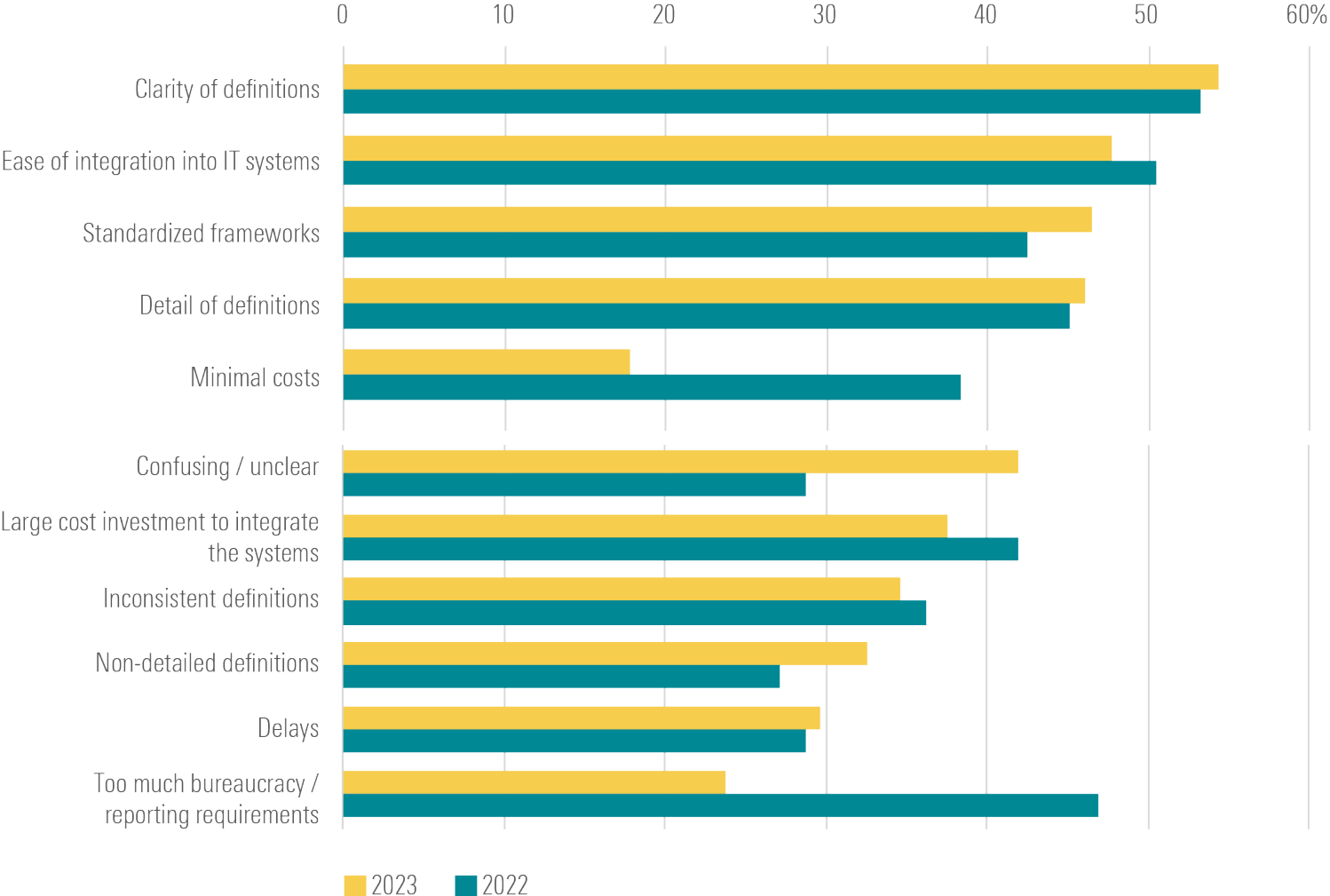
ESG Regulations – help or hindrance?

How do they help?

Of the 49% who say they are helpful, more than half say it is because they bring clarity to definitions. This group also values the ease with which regulations can be integrated into IT systems and standardized frameworks.

How are they a hindrance?

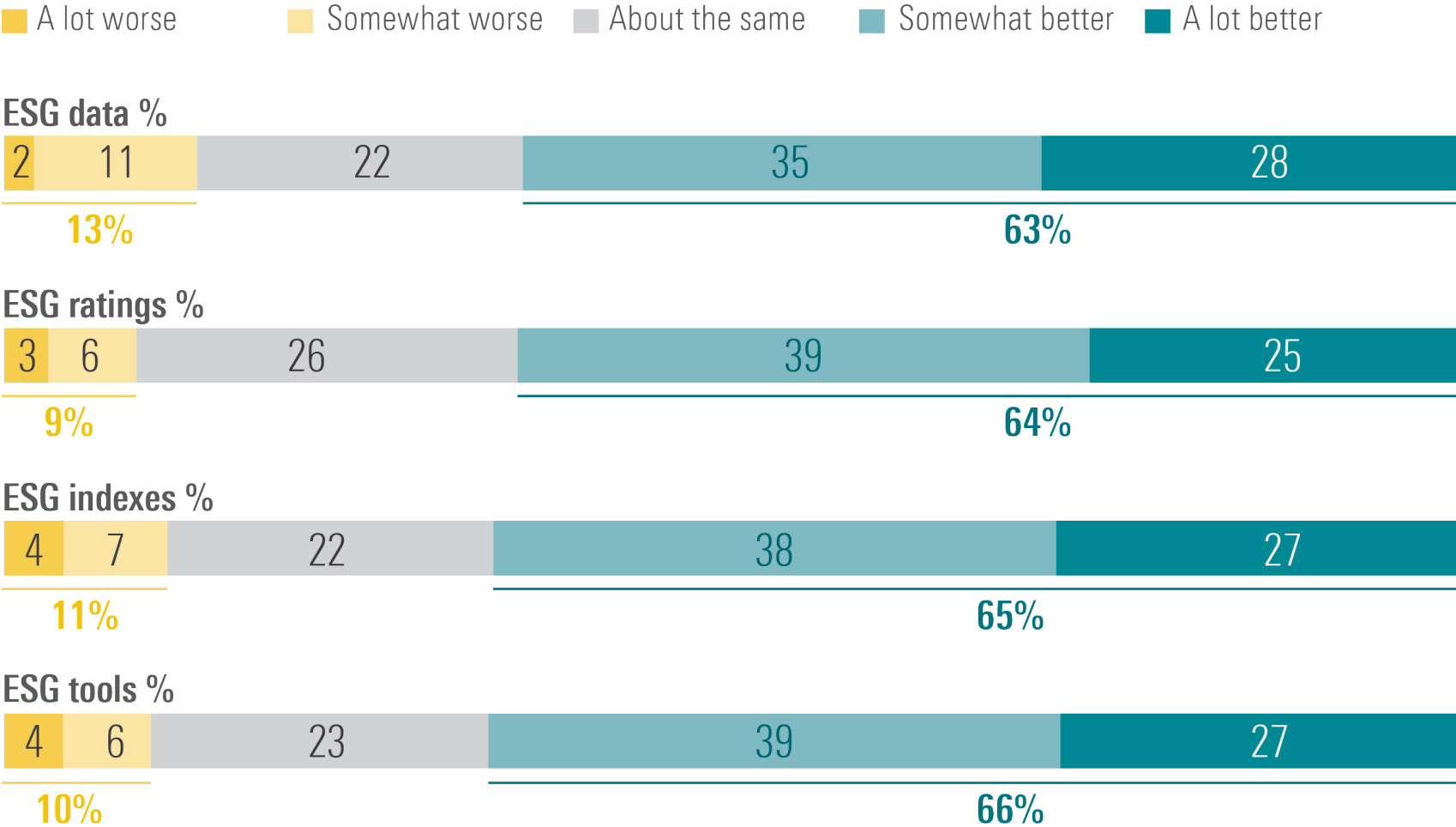
Among the 28% of those surveyed who say regulations have been a hindrance, 42% see ESG regulations as confusing or unclear. Rising costs related to ESG regulation continue to be a pain point as well.



Have ESG data, ratings, indexes, and tools gotten better or worse in the last five years?

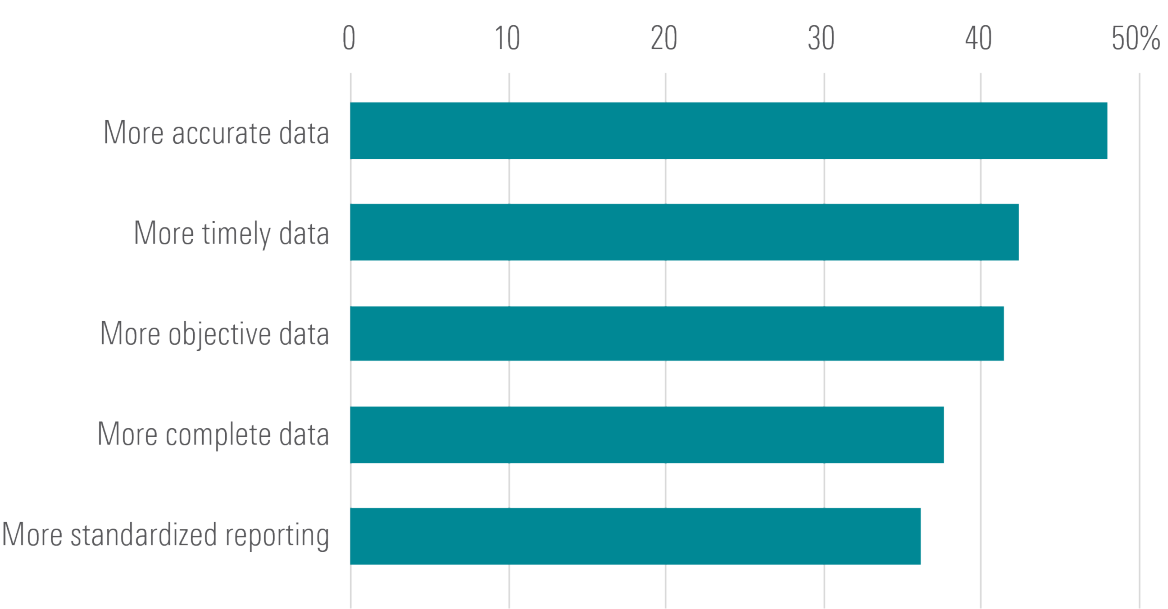
Resources have improved, but asset owners' needs are always evolving

In general, roughly two-thirds of asset owners feel that the ESG data (63%), ratings (64%), indexes (65%), and tools (66%) have gotten either “a lot” or “somewhat” better over the past five years, but there are still many asset owners who see room for improvement.

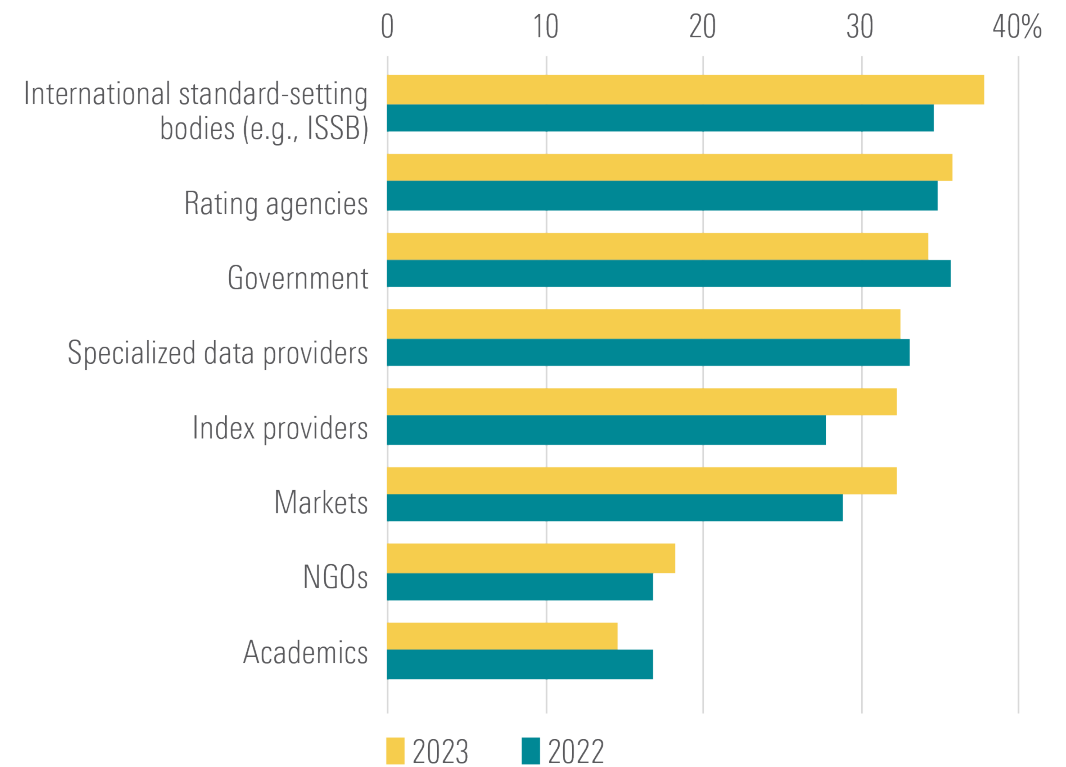


What needs to improve and who is responsible for improving it?

Improvements to ESG data, ratings, indexes, and tools that would benefit asset owners the most (%)

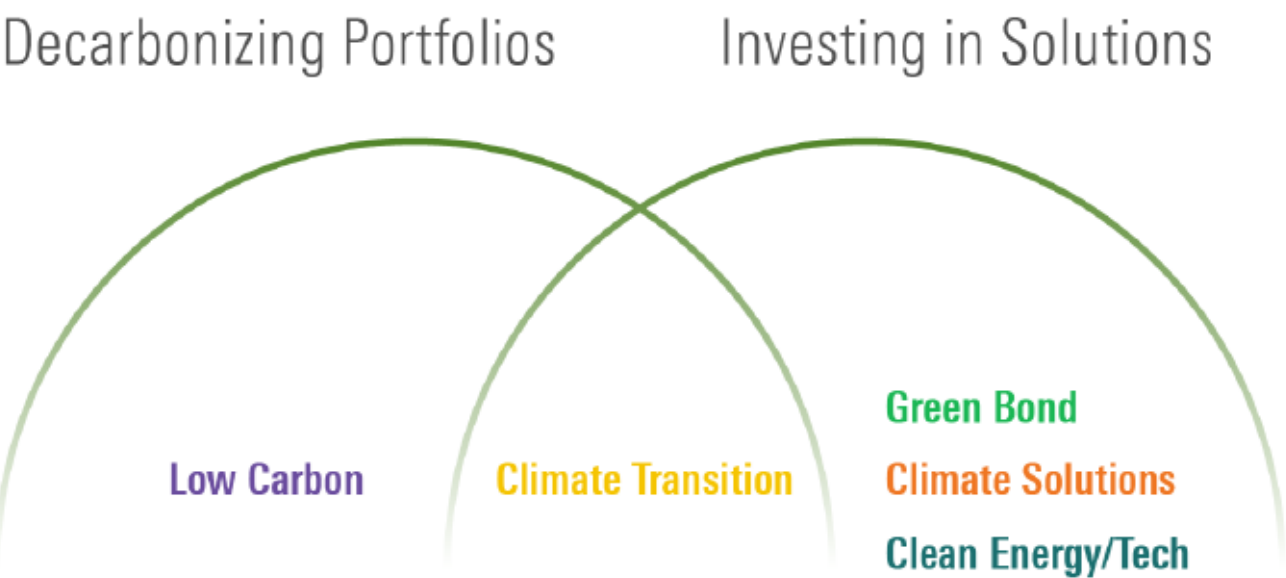


Where responsibility for improving ESG data, ratings, indexes, and tools lies (%)



Climate Funds

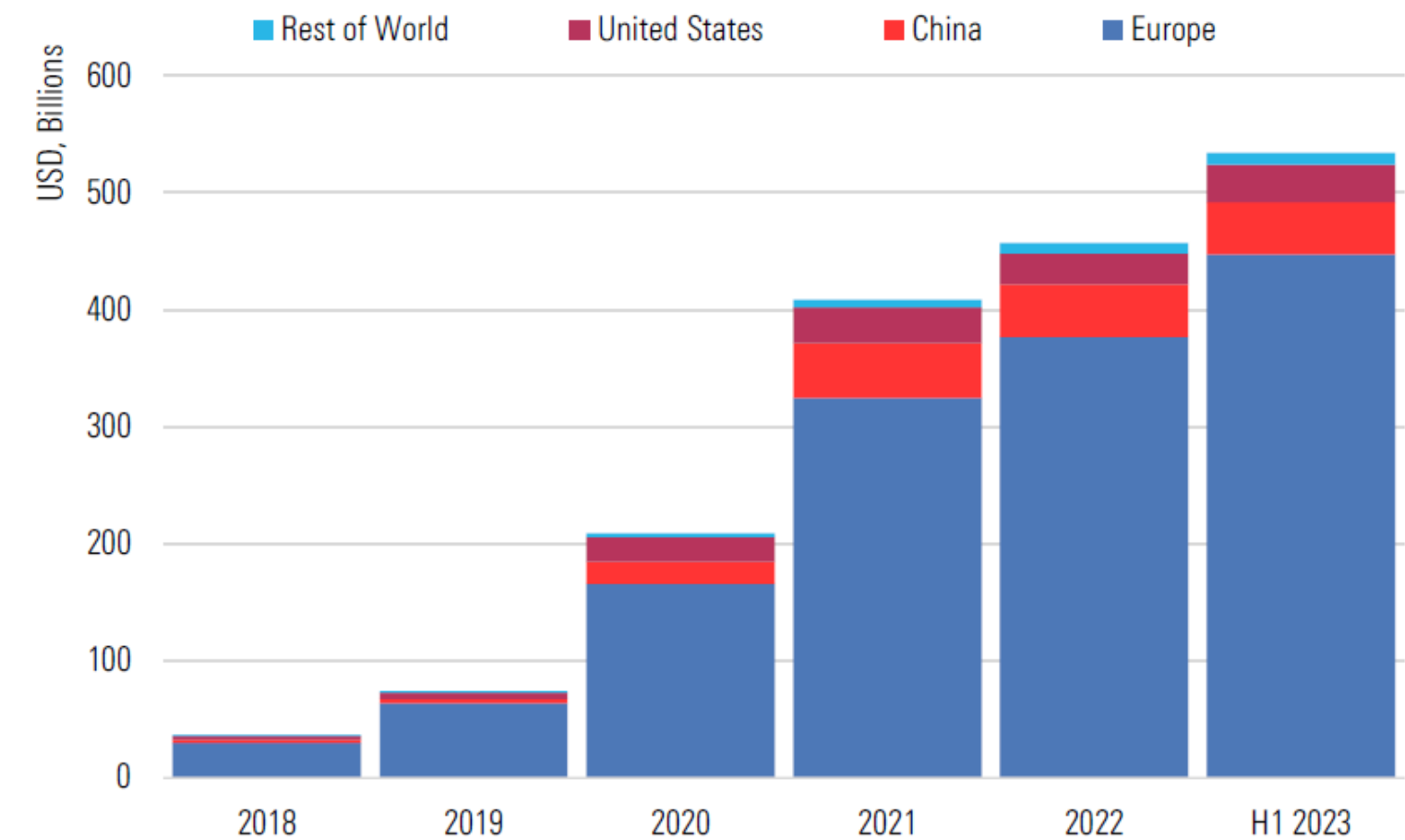
Exhibit 1 Climate Strategies and Their Roles in a Portfolio



Source: Morningstar Research.

Climate Funds

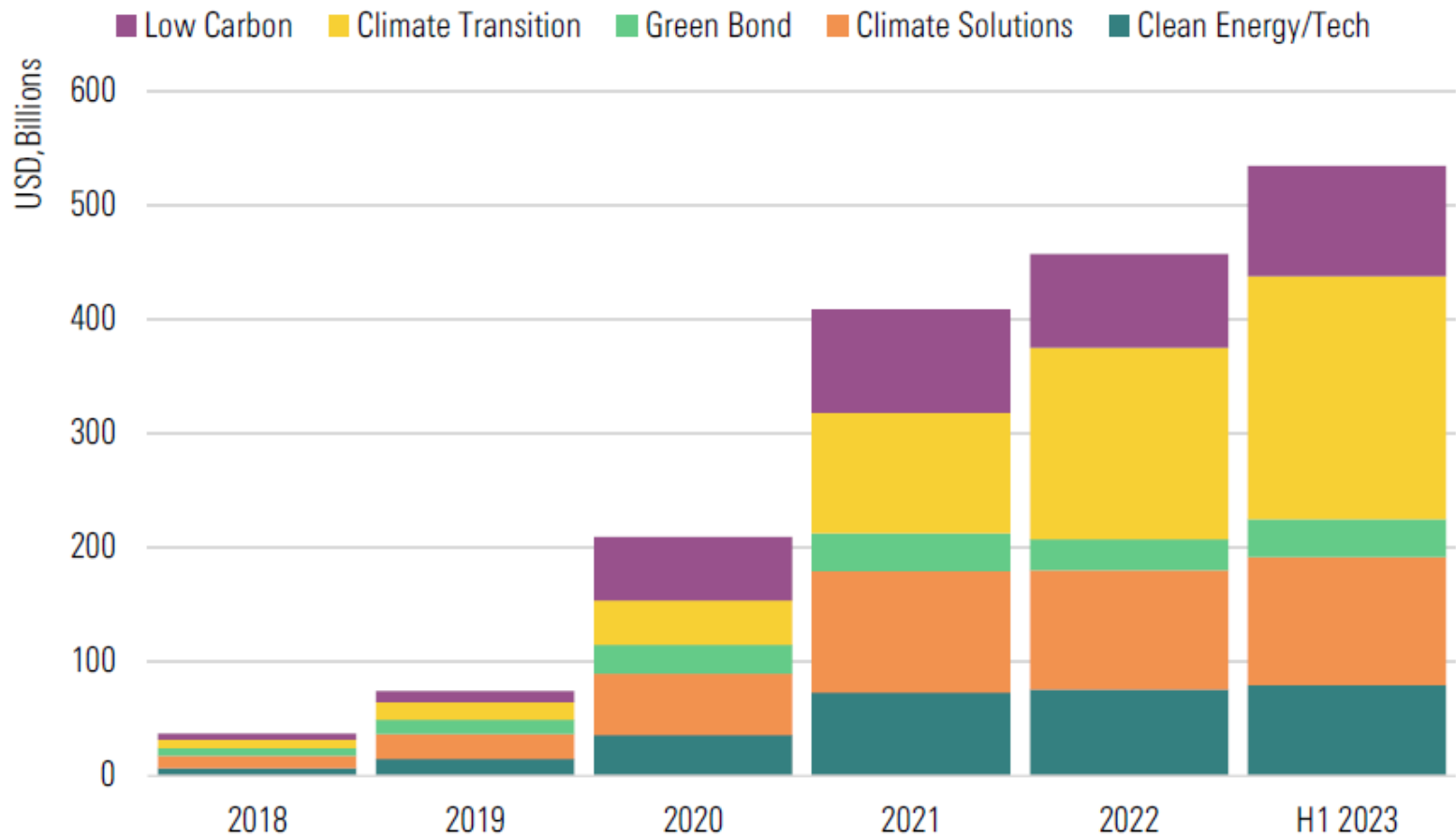
Exhibit 2 Global Landscape of Climate Funds



Source: Morningstar Direct. Morningstar Research. Data as of June 2023.

Climate Funds

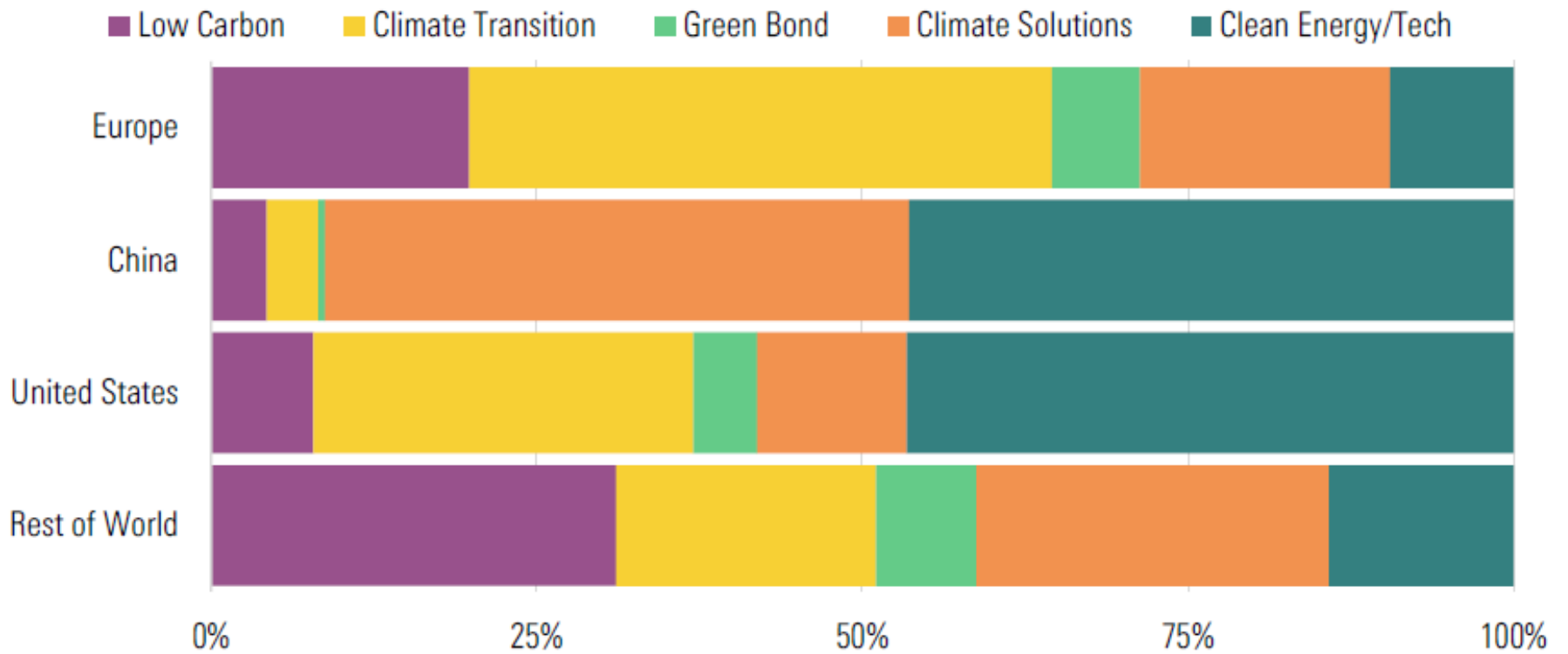
Exhibit 3 Global Landscape of Climate Funds



Source: Morningstar Direct. Morningstar Research. Data as of June 2023. These include 170 Low Carbon funds, 448 Climate Transition funds, 125 Green Bond funds, 401 Climate Solutions funds, and 263 Clean Energy/Tech funds.

Climate Funds

Exhibit 4 Regional Breakdown of Climate Fund Assets by Category



Source: Morningstar Direct. Morningstar Research. Data as of June 2023.

About Morningstar Indexes

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Economic Moat



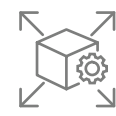
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distribution



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governance



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consultancy

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expertise

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AUM linked to
Morningstar indexes

\$497B

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Morningstar indexes

Data as of December 2022

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