CFA Institute

# THE EVOLVING FUTURE OF FIDUCIARY DUTY IN AN ESG WORLD

A Survey of CFA Institute EU-Based Members

CFA Institute

# THE EVOLVING FUTURE OF FIDUCIARY DUTY IN AN ESG WORLD: A SURVEY OF CFA INSTITUTE EU-BASED MEMBERS

Sviatoslav Rosov, CFA

The mission of CFA Institute is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

CFA Institute, with more than 150,000 members worldwide, is the not-for-profit organization that awards the Chartered Financial Analyst® (CFA) and Certificate in Investment Performance Measurement® (CIPM) designations. CFA®, Chartered Financial Analyst®, AIMR-PPS®, and GIPS® are just a few of the trademarks owned by CFA Institute. To view a list of CFA Institute trademarks and the Guide for the Use of CFA Institute Marks, please visit our website at www.cfainstitute.org.

© 2018 CFA Institute. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the copyright holder. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

ISBN: 978-1-942713-63-0

# Contents



© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

# 1. Introduction

With the launch of the European Commission's (EC) sustainable finance action plan, the topic of sustainable investing—which considers environmental, social, and governance (ESG) factors and their impact—is reaching a new level of importance in the investment management profession.

Published in May 2018, the EC's sustainable finance action plan contained four proposals that were the result of a significant period of consultation among and negotiation by stakeholders:

1. Sustainability risks must be disclosed by a wide range of financial market participants, including Undertakings for Collective Investment in Transferable Securities funds, Alternative Investment fund managers, investment firms and advisers, and insurance undertakings and distributers.

2. Sustainable economic activities are to be defined by a sustainability taxonomy that must be applied by all financial market participants offering financial products marketed as sustainable investments.

3. Low-carbon and positive carbon impact benchmarks are to be introduced by the EC.

4. Existing legislation, such as the Markets in Financial Instruments Directive (MiFID II) and the Insurance Distribution Directive, is to be amended so that ESG preferences of the client are introduced as part of the suitability assessment when providing investment advice.

In the months leading up to the sustainable finance action plan, a number of stakeholders broached the issue of sustainable investing and fiduciary duty. In particular, some stakeholders felt explicit consideration of ESG factors should be made part of the fiduciary duty of investment managers, which would elevate ESG analysis to become a matter of legal obligation as opposed to a matter of professional judgment.

## 1.1. Motivation for Survey

Although the idea of incorporating consideration of ESG factors into the fiduciary duty of investment managers has not yet formed part of the EU's legislative proposals, CFA Institute sought to understand the views of its EU-based members on this issue as well as on other aspects of the sustainable finance action plan.

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

This member survey was designed to investigate what our nearly 24,000 EU-based members consider to be the correct role of ESG factoring in investment management 1) in general and 2) as part of the formal fiduciary duty of regulated investment managers specifically, along with 3) member opinions on related issues in sustainable investing.

Broadly speaking, a majority of respondents believe that ESG factors should be considered by managers when making investment decisions. However, respondents believe that regulators should not mandate the explicit consideration of ESG factors by regulated investment managers. Instead, the extent to which ESG factors are considered, like the consideration given to any other investment factors, should be left to the professional judgment of investment managers in consultation with their clients. According to respondents, any investment factors, whether ESG or other technical or fundamental factors, should not be mandated by regulators.

Despite the consistency of these responses, the survey found less consensus on whether ESG factors should be part of the fiduciary duty of investment managers. However, respondents felt strongly that any mandate to *consider* ESG factors during the investment process should *not bind or obligate* the investment manager to take any particular action or dictate subsequent investment decisions as a result of that ESG consideration. Said differently, ESG consideration should not translate into a forced ESG investment policy.

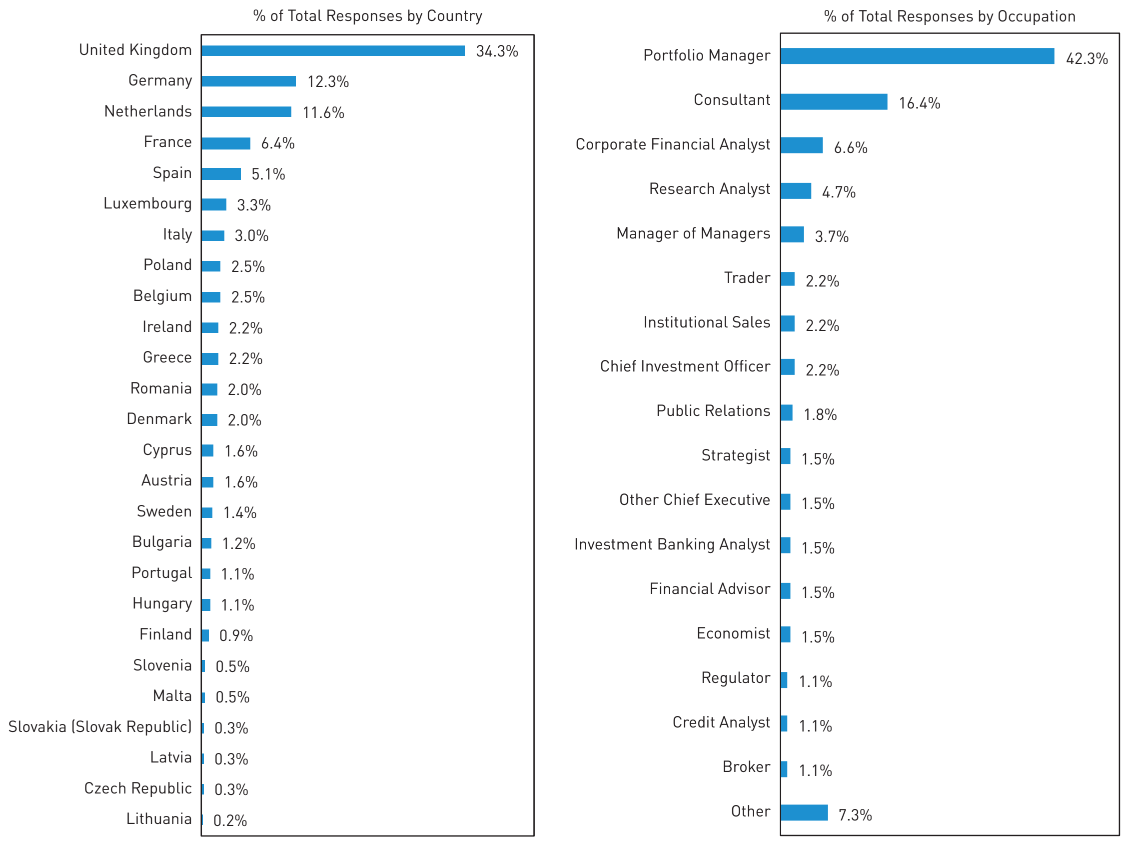
Finally, the survey found relatively weak support for a regulator-generated, EU-level, ESG product-labeling convention, or the creation of other ESG taxonomies by authorities.

## 1.2. Respondent Profile

An email invitation was sent to all CFA Institute members (23,868) in the EU. The survey was open from 17 July to 31 July 2018. We received 645 valid responses, for a response rate of 2.7% and an implied margin of error of ±3.8%.

A plurality of respondents came from the United Kingdom (34.3%), with the United Kingdom, Germany, and the Netherlands accounting for almost 60% of respondents (**Figure 1**). Approximately 42% of respondents were employed as portfolio managers, and approximately 16% worked as consultants.

## FIGURE 1. RESPONDENT PROFILE BY COUNTRY AND OCCUPATION (N = 645)*

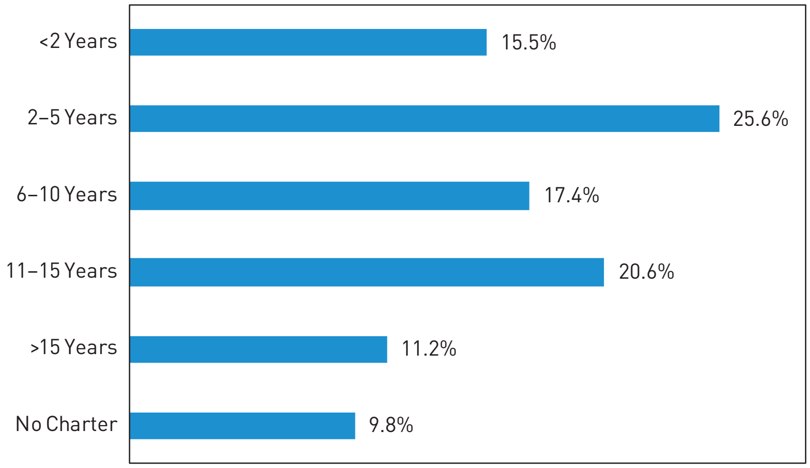



* Responses are rounded. Responses by market show only those countries with 20 responses or more. Responses by occupation show only those occupations with 10 responses or more.

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

The spread of experience among respondents was relatively uniform, with 31.8% having held the CFA® charter for over 11 years, 41.1% for less than 5 years, and 17.4% for 6 to 10 years. Approximately 10% of respondents did not hold the CFA charter (**Figure 2**).

**FIGURE 2. RESPONDENT PROFILE BY NUMBER OF YEARS HOLDING CFA CHARTER (N = 645)***




* Responses are rounded.

# 2. ESG Factors and Fiduciary Duty

## 2.1. Voluntarily Applying ESG Factors in Investment Analysis

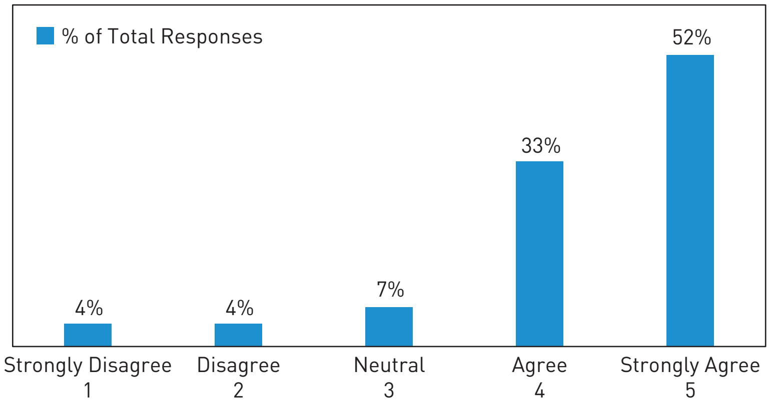
The survey's first question sought to determine whether respondents considered ESG factors relevant to investment analysis apart from any considerations of legislative mandates. We asked:

> To what extent do you agree or disagree that it is appropriate for institutional investors (e.g., pension funds) to take ESG factors into account when making investment decisions?

Respondents chose their responses on a scale from "Strongly Disagree 1" to "Strongly Agree 5" (**Figure 3**).

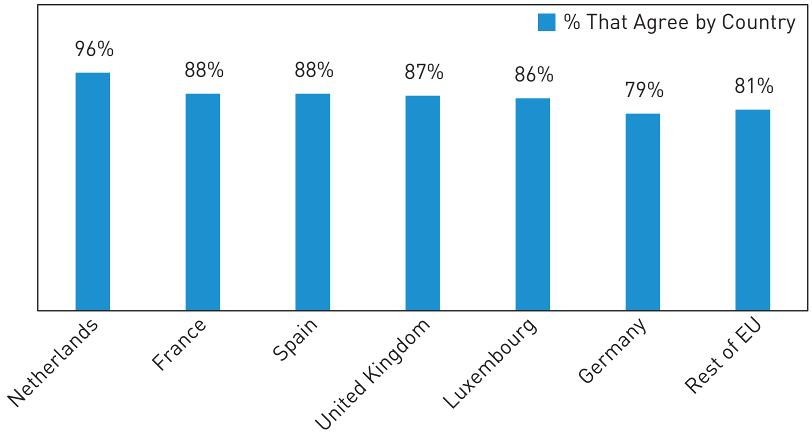
When we combine the responses for "Agree 4" and "Strongly Agree 5" we see that 85% of respondents agree in some manner that taking ESG factors into account when making investment decisions is appropriate. A breakdown of responses by country reveals that respondents across the EU have consistent opinions on this issue, with 80% to

**FIGURE 3. TO WHAT EXTENT DO YOU AGREE OR DISAGREE THAT IT IS APPROPRIATE FOR INSTITUTIONAL INVESTORS (E.G., PENSION FUNDS) TO TAKE ESG FACTORS INTO ACCOUNT WHEN MAKING INVESTMENT DECISIONS?**




© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 4. TO WHAT EXTENT DO YOU AGREE OR DISAGREE THAT IT IS APPROPRIATE FOR INSTITUTIONAL INVESTORS (E.G., PENSION FUNDS) TO TAKE ESG FACTORS INTO ACCOUNT WHEN MAKING INVESTMENT DECISIONS? (RESPONSES BY COUNTRY)**




90% agreement (i.e., those that responded agree and strongly agree) in most countries with the question being asked (**Figure 4**). Of note, fully 96% of respondents from the Netherlands agreed that ESG factors were important in investment analysis, while Germany had a relatively lower 79% agreement rate.

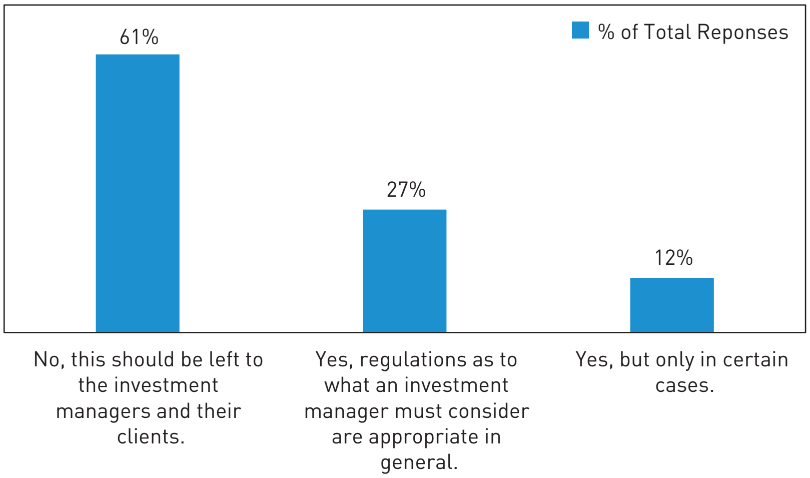
## 2.2. Mandated Application of Certain Factors in Investment Analysis

The second question in the survey broached the subject of legislative mandates in the conduct of the investment analysis process. Although not specifically referring to ESG factors, we asked:

> Do you think it is appropriate for regulators to require investment managers to consider specific factors in their analysis?

Overall, 61% of respondents think that the consideration of specific factors in investment analysis should be left to investment managers and their clients without regulatory interference (**Figure 5**). However, a significant minority (27%) felt it appropriate to see regulations as to what an investment manager must consider during the investment process.

FIGURE 5. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE INVESTMENT MANAGERS TO CONSIDER SPECIFIC FACTORS IN THEIR ANALYSIS?



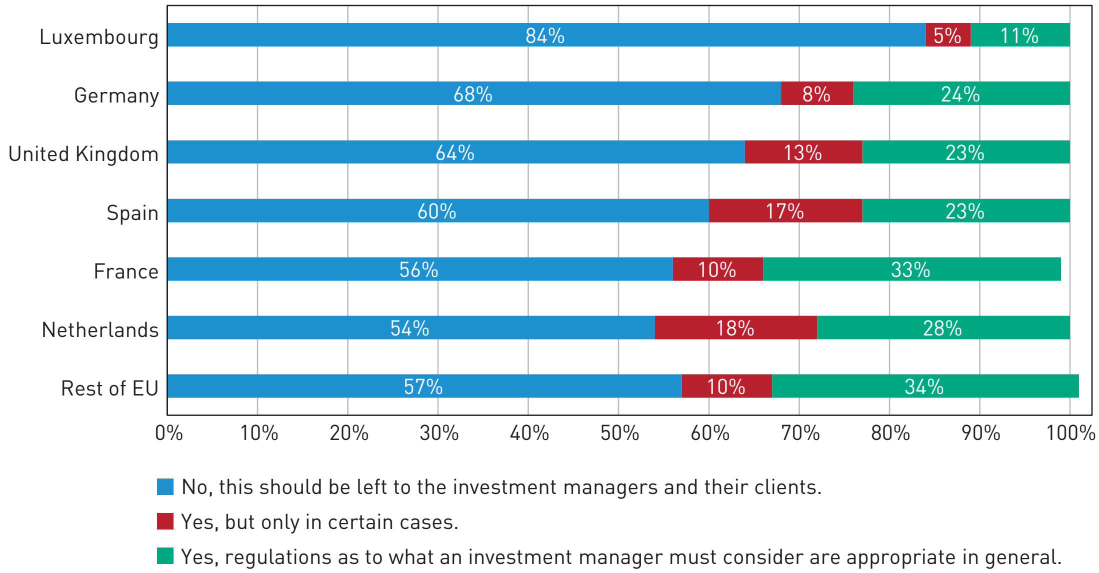

Once again, a breakdown of responses by country shows a relatively uniform body of opinion across the EU, with the exception of Luxembourg, which had the highest percentage of respondents (84%) against regulatory interference in the investment process (**Figure 6**). Consistent with responses to the first question in the survey, where support in Germany for taking ESG factors into account was relatively weakest among EU countries (see Figure 4), Germany was the country with relatively high resistance to regulatory interference in the consideration of specific factors, as reflected by the 68% of respondents in Germany (compared to 61% overall) who think that the consideration of specific factors in investment analysis should be left to investment managers and their clients. In contrast, the Netherlands had a relatively lower proportion of respondents (54%) against regulatory interference in the consideration of specific investment factors.

## 2.3. Mandated Application of ESG Factors in Investment Analysis

The survey's third question explicitly raised the possibility of regulators mandating the consideration of ESG factors as part of the investment process. We asked:

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

## FIGURE 6. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE INVESTMENT MANAGERS TO CONSIDER SPECIFIC FACTORS IN THEIR ANALYSIS? (RESPONSES BY COUNTRY)*




* Responses are rounded.

> Do you think it is appropriate for regulators to require ESG factors, specifically, to be considered during analysis?

Overall, a strong majority of respondents (66%) indicate that the decision to consider ESG factors during analysis should be left to investment professionals and their clients (**Figure 7**). A significant minority of respondents (23%) consider such mandates acceptable in the case of environmental and social factors; only 11% consider mandates acceptable in the case of governance factors.

A breakdown of responses by country suggests a relatively uniform pushback against regulatory mandates regarding ESG factors, although Luxembourg (78%), the United Kingdom (71%), and Germany (69%) are noticeable in their high proportion of respondents against the mandatory consideration of ESG factors in the investment process (**Figure 8**).

Further cross-sectional analysis of the results reveals that 89% of respondents who are research analysts indicated that ESG consideration during analysis should be left to investment professionals and their clients (**Figure 9**). Consultants had the least pushback (56%) against mandatory ESG consideration.

**FIGURE 7. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE ESG FACTORS, SPECIFICALLY, TO BE CONSIDERED DURING ANALYSIS?**

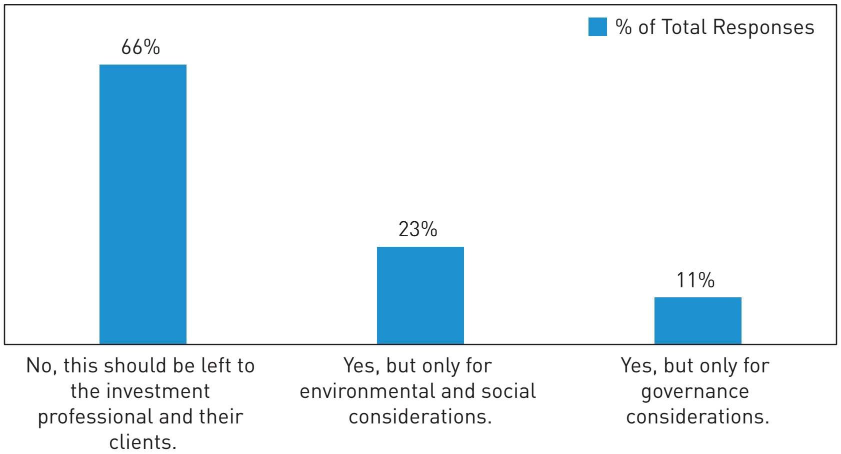
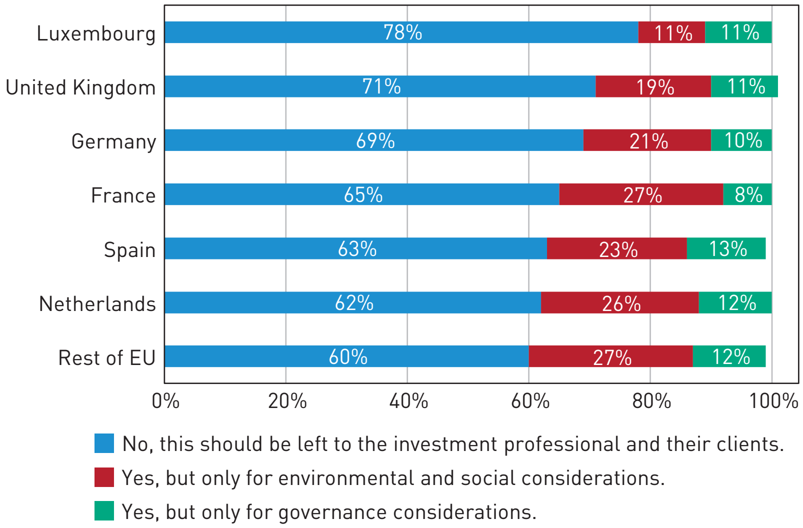


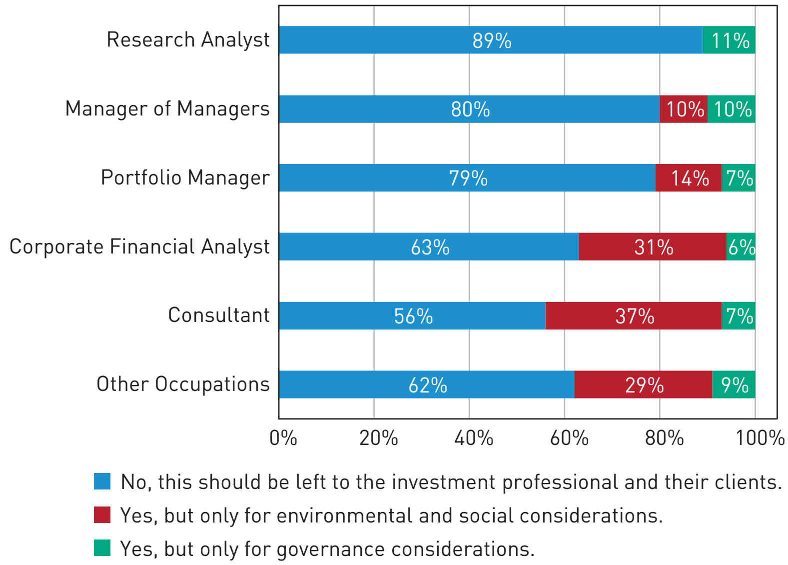

**FIGURE 8. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE ESG FACTORS, SPECIFICALLY, TO BE CONSIDERED DURING ANALYSIS? (RESPONSES BY COUNTRY)***




* Responses are rounded.

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 9. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE ESG FACTORS, SPECIFICALLY, TO BE CONSIDERED DURING ANALYSIS? (RESPONSES BY OCCUPATION)**

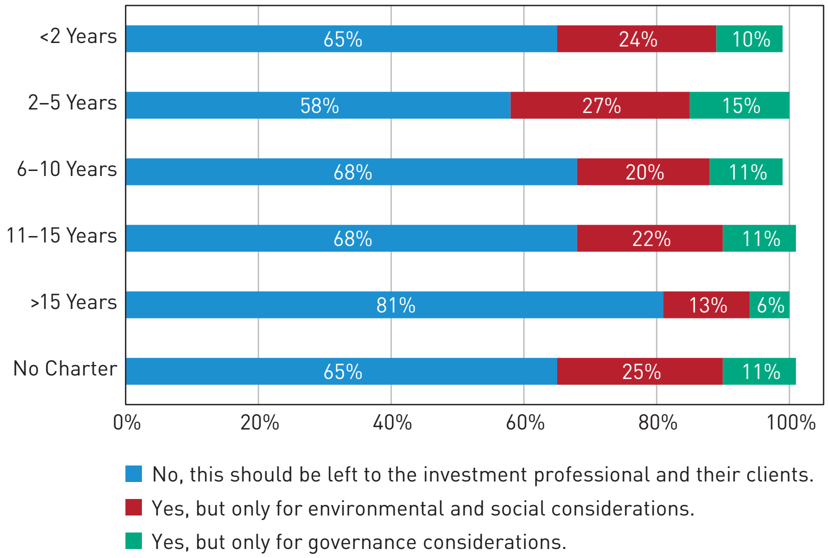



There also appears to be a difference based on the length of time respondents have held their CFA charter, with 81% of respondents who have had their CFA charter for over 15 years against mandatory ESG consideration; in contrast, only 58% of new CFA® charterholders (those who have had the CFA charter between 2 and 5 years) are against mandatory consideration of ESG factors (**Figure 10**).

## 2.4. Making ESG Factoring Part of Legal Fiduciary Duty

The survey's fourth question looked at whether CFA Institute EU members are supportive of regulators making the consideration of ESG factors part of the fiduciary duty of investment managers, a controversial idea among some stakeholders. We asked:

**FIGURE 10. DO YOU THINK IT IS APPROPRIATE FOR REGULATORS TO REQUIRE ESG FACTORS, SPECIFICALLY, TO BE CONSIDERED DURING ANALYSIS? (RESPONSES BY YEARS WITH CFA CHARTER)***




* Responses are rounded.

> In your opinion, to what extent is it appropriate for regulators to legislate that ESG considerations be an integral part of the legal fiduciary duty owed to investment management clients?

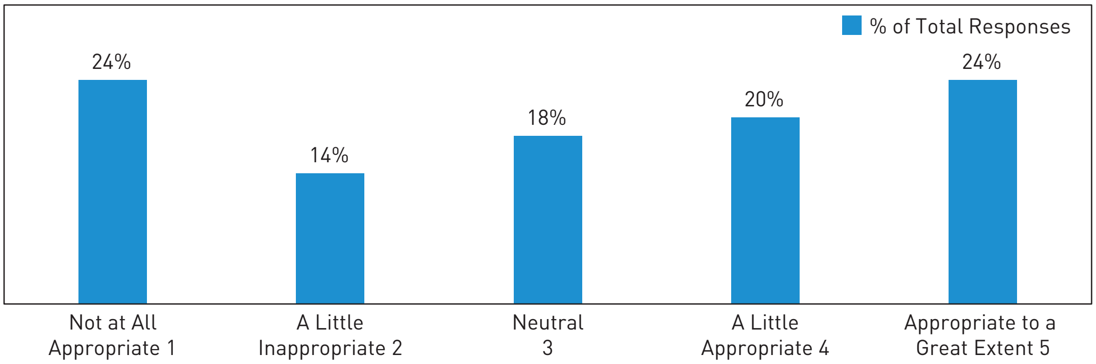
Respondents chose their responses on a scale from “Not at All Appropriate 1” to “Appropriate to a Great Extent 5” (**Figure 11**).

Overall, respondents’ opinions were mixed. When responses indicating answers 1 or 2 are combined, 38% of respondents believe that it is not appropriate for regulators to legislate that ESG considerations be an integral part of the legal fiduciary duty owed to investment management clients, and 44% (a combination of answers 4 and 5) believe it is appropriate.

The responses to this question are somewhat surprising considering the relatively strong negative response to the third question regarding regulators mandating the consideration of ESG factors in investment analysis, a seemingly lower bar than mandating ESG factors as part of fiduciary duty (see Figure 7).

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 11. IN YOUR OPINION, TO WHAT EXTENT IS IT APPROPRIATE FOR REGULATORS TO LEGISLATE THAT ESG CONSIDERATIONS BE AN INTEGRAL PART OF THE LEGAL FIDUCIARY DUTY OWED TO INVESTMENT MANAGEMENT CLIENTS?**




A breakdown of responses by occupation reveals that only 17% of research analysts indicate that it is appropriate for regulators to legislate that ESG considerations be an integral part of the legal fiduciary duty owed to investment management clients (**Figure 12**). Once again, consultants are the most supportive of regulatory intervention (51%).

A breakdown of responses by country reveals that the Netherlands had the largest proportion of respondents agreeing with ESG factors being incorporated into fiduciary duty, while respondents from Spain were the least supportive (**Figure 13**).

## 2.5. THE PRIMACY OF INVESTOR CHOICE

Should the consideration of ESG factors be made mandatory during the investment process by regulators, there is the question of suitability for clients who do not want ESG considerations to potentially influence their risk and return profile. We asked:

> Should it be possible for a legislative mandate to override what the investment manager and client believe are the relevant investment factors?

Overall, 72% of respondents indicate it should not be possible, in any case, for a legislative mandate to override what the investment manager and client believe are the relevant investment factors (**Figure 14**). A small minority (17%) of respondents consider such a mandate acceptable in the case of ESG factors.

**FIGURE 12. IN YOUR OPINION, TO WHAT EXTENT IS IT APPROPRIATE FOR REGULATORS TO LEGISLATE THAT ESG CONSIDERATIONS BE AN INTEGRAL PART OF THE LEGAL FIDUCIARY DUTY OWED TO INVESTMENT MANAGEMENT CLIENTS? (RESPONSES BY OCCUPATION)**

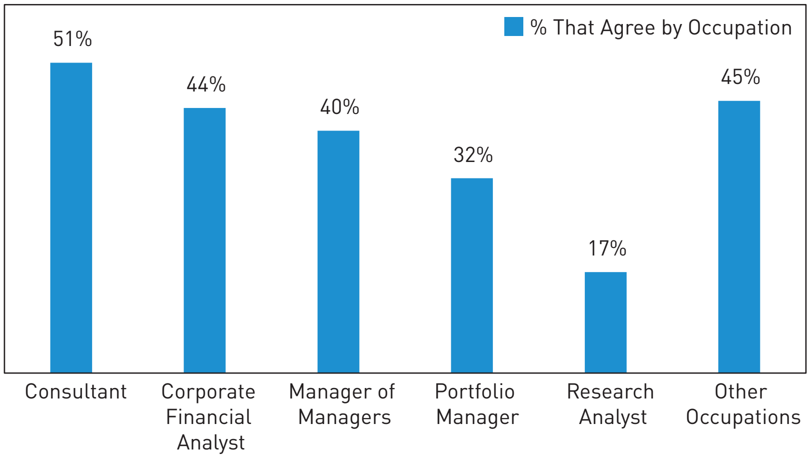
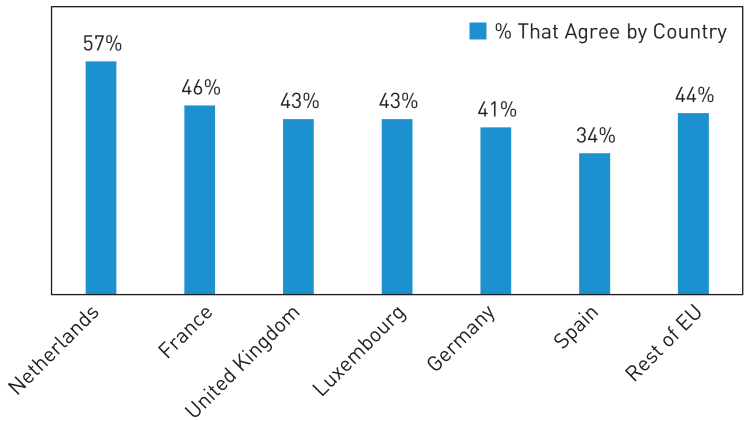
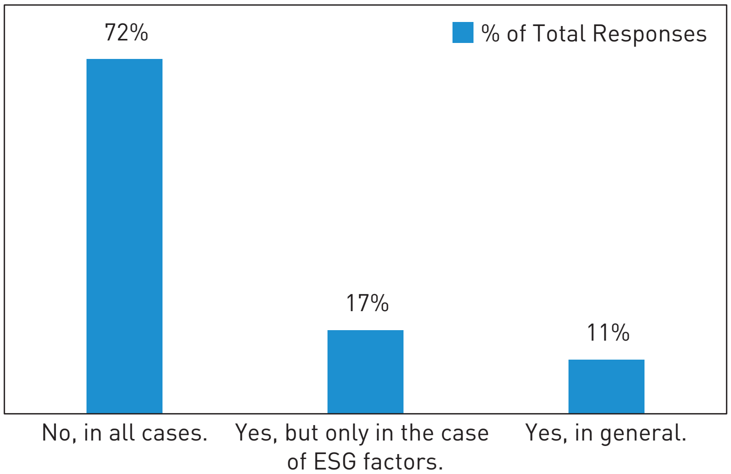



**FIGURE 13. IN YOUR OPINION, TO WHAT EXTENT IS IT APPROPRIATE FOR REGULATORS TO LEGISLATE THAT ESG CONSIDERATIONS BE AN INTEGRAL PART OF THE LEGAL FIDUCIARY DUTY OWED TO INVESTMENT MANAGEMENT CLIENTS? (RESPONSES BY COUNTRY)**




© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 14. SHOULD IT BE POSSIBLE FOR A LEGISLATIVE MANDATE TO OVERRIDE WHAT THE INVESTMENT MANAGER AND CLIENT BELIEVE ARE THE RELEVANT INVESTMENT FACTORS?**

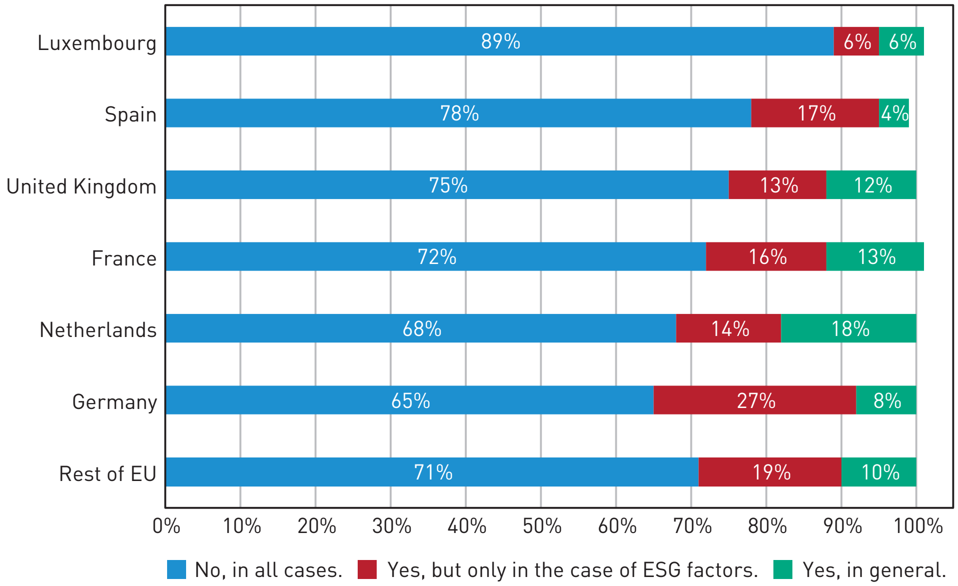



A breakdown of responses by country once again reveals that respondents from Luxembourg are the most skeptical of regulatory mandates in the field of ESG and fiduciary duty, with 89% of respondents from Luxembourg indicating their opposition to regulatory mandates overriding the manager-client relationship (**Figure 15**).

In contrast to their responses to previous questions (see, for example, Figures 8 and 13), German respondents appear the least negative (65%) to ESG overriding the manager-client relationship of the large EU markets.

We also observed a significant difference based on the length of time the responded has held the CFA charter. The percentage of respondents who responded "No, in all cases" to regulatory overriding of the manager-client relationship was the highest for respondents who have held the CFA charter for more than 15 years (**Figure 16**). Interestingly,

**FIGURE 15. SHOULD IT BE POSSIBLE FOR A LEGISLATIVE MANDATE TO OVERRIDE WHAT THE INVESTMENT MANAGER AND CLIENT BELIEVE ARE THE RELEVANT INVESTMENT FACTORS? (RESPONSES BY COUNTRY)***




* Responses are rounded.

new CFA charterholders (those holding the CFA charter for less than 5 years) were also more negative on this point than those who had held the CFA charter for between 5 and 15 years.

Finally, a breakdown of responses by occupation shows that research analysts (90%) and consultants (61%) bookend the range of opposition to regulatory mandates on ESG overriding the manager client relationship (**Figure 17**).

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 16. SHOULD IT BE POSSIBLE FOR A LEGISLATIVE MANDATE TO OVERRIDE WHAT THE INVESTMENT MANAGER AND CLIENT BELIEVE ARE THE RELEVANT INVESTMENT FACTORS? (RESPONSES BY YEARS WITH CFA CHARTER)**

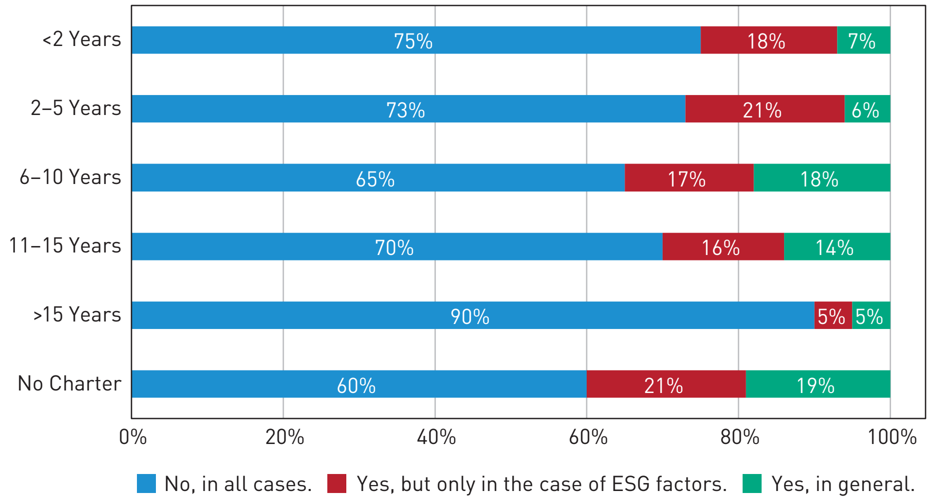
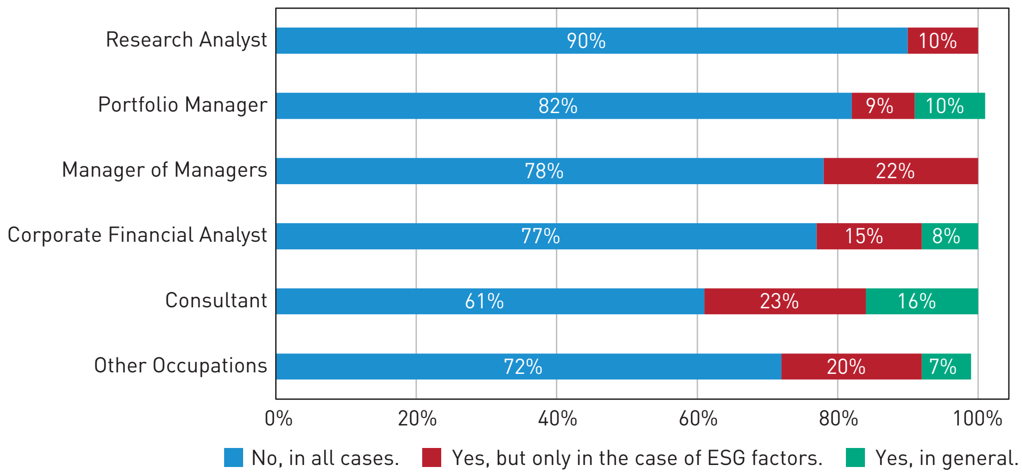



**FIGURE 17. SHOULD IT BE POSSIBLE FOR A LEGISLATIVE MANDATE TO OVERRIDE WHAT THE INVESTMENT MANAGER AND CLIENT BELIEVE ARE THE RELEVANT INVESTMENT FACTORS? (RESPONSES BY OCCUPATION)***




* Responses are rounded.

# 3. ESG Factors and Reporting

## 3.1. What Does It Mean to Consider ESG Factors?

The drive to incorporate ESG considerations into investment analysis, be it through voluntary or regulatory means, raises the question of what it means to "consider" ESG factors. One option is for the process to be defined by reference to established best practice, where managers consider ESG factors to obtain the most complete picture of risk and expected return possible; that option is the current CFA Institute position on the role of ESG factors in investment analysis. However, this does not necessarily bind managers to, for example, negatively screen investments based on ESG risk factors, which would imply a more restrictive approach. We asked:

> If it is mandated to "consider" ESG factors when conducting analysis, what do you think this should mean in practice for investment managers?

Overall, 60% of respondents believe that a mandate to consider ESG factors when conducting analysis should mean investment managers must specifically document that they have considered ESG factors but are free to make investment decisions as they deem appropriate and are not bound by ESG factors (**Figure 18**). However, a sizeable minority (32%) of respondents believe managers should subsequently act in a way that is consistent with the implications of the investment's exposure to the ESG factors.

Once again, a breakdown of responses by country shows that respondents from Luxembourg and the United Kingdom have the most desire to see manager independence retained when integrating ESG considerations into the investment process (**Figure 19**).

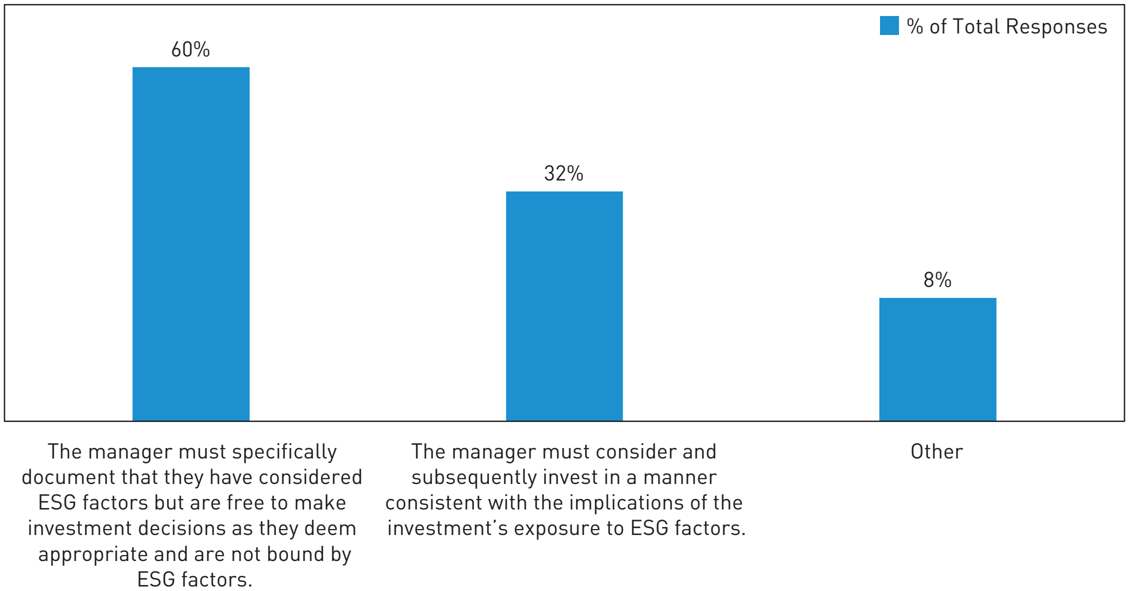
Interestingly, the breakdown of responses by member occupation is uniform: between 55% and 60% of all members support the least restrictive approach to integrating ESG factors into the investment process and maintaining maximum manager discretion (**Figure 20**).

## 3.2. ESG Labels and Ratings

Part of the EC's sustainable finance action plan concerns the creation of ESG labels and ratings for products being marketed under the ESG banner. The EC proposals are designed to improve the accountability, comparability, and integrity of the ESG financial product marketplace, which currently does not have a standardized set of investment products.

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 18. IF IT IS MANDATED TO "CONSIDER" ESG FACTORS WHEN CONDUCTING ANALYSIS, WHAT DO YOU THINK THIS SHOULD MEAN IN PRACTICE FOR INVESTMENT MANAGERS?**




CFA Institute sought the opinion of its EU members on whether the creation of ESG labels and ratings is a role for a regulatory body, or whether this issue should be left to the marketplace. We asked:

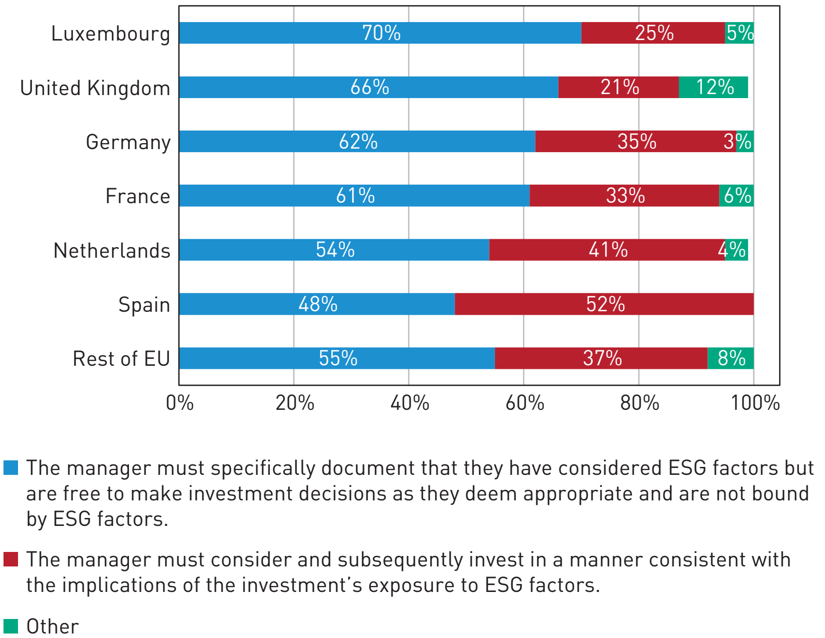
> Do you think an environmental and social sustainability label or rating (similar in concept to a credit rating) created by a regulatory body for investment products would be desirable?

Across all groups, 45% of respondents think that an environmental and social sustainability label or rating created by a regulatory body would be desirable for all products, while 37% of respondents do not think that a label or rating would be desirable (**Figure 21**). Eighteen percent think it would be desirable for retail products only.

One of the difficulties in standardizing the labelling of ESG investment products is the unclear taxonomy of "sustainable finance." The EC sustainable finance action plan contains a proposal for regulators to create a sustainability taxonomy. We asked:

> Do you believe that regulators should determine a taxonomy or classification of sustainable activities?

**FIGURE 19. IF IT IS MANDATED TO "CONSIDER" ESG FACTORS WHEN CONDUCTING ANALYSIS, WHAT DO YOU THINK THIS SHOULD MEAN IN PRACTICE FOR INVESTMENT MANAGERS? (RESPONSES BY COUNTRY)***




* Responses are rounded.

In response, 41% of respondents indicated the taxonomy of sustainable activities should not be determined by regulators, 35% indicated regulators should determine a taxonomy, but its use should be voluntary, and 24% indicated a regulatory taxonomy is necessary, and its use should be made mandatory for consistency of ESG products (**Figure 22**).

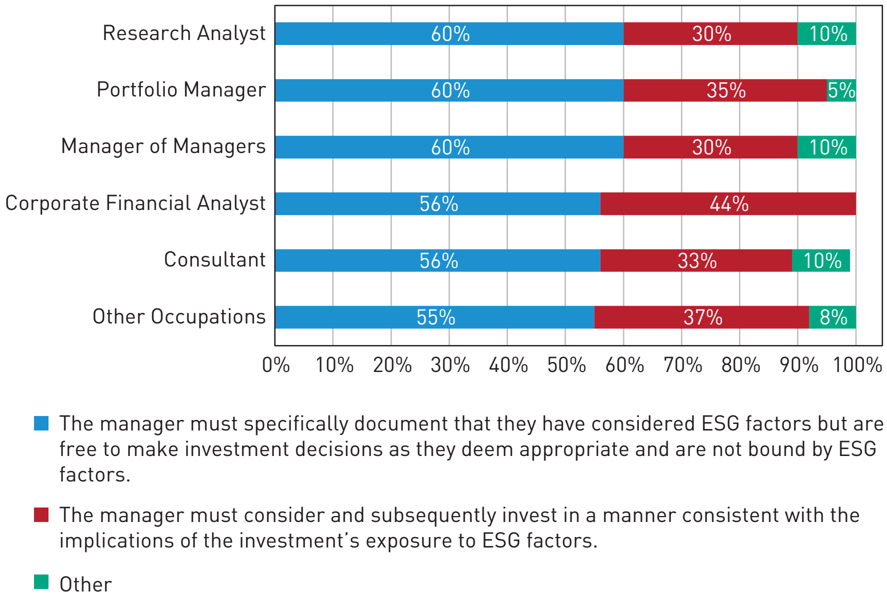
Overall, there is not overwhelming support from our EU members for regulator-determined labels or taxonomies for ESG investment products.

## 3.3. ESG Benchmarks

CFA Institute was also interested to know the prevalence of the use of ESG benchmarks among its EU members. One proposal in the EC's sustainable finance action plan is the creation of low-carbon and positive-carbon (i.e., carbon removal) benchmarks. We asked:

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 20. IF IT IS MANDATED TO "CONSIDER" ESG FACTORS WHEN CONDUCTING ANALYSIS, WHAT DO YOU THINK THIS SHOULD MEAN IN PRACTICE FOR INVESTMENT MANAGERS? (RESPONSES BY OCCUPATION)*** AQ9




* Responses are rounded.

> Do you currently use any sustainability benchmarks to track the performance of your investments?

Across our sample, 58% of respondents currently do not use any sustainability benchmarks to track the performance of their investments, which reflects the still-fledgling nature of ESG investing as a mainstream practice (**Figure 23**).

A breakdown of responses by country shows that the Netherlands is significantly ahead of other EU countries in using ESG benchmarks, with 38% of respondents reporting their use (62% including those responding "Sometimes"; **Figure 24**). This compares to less than 30% in Spain and Luxembourg.

We also investigated the reasons for not using sustainability benchmarks, asking those who reported in the previous question that they did not use them:

> What is your main reason for not using sustainability benchmarks?

**FIGURE 21. DO YOU THINK AN ENVIRONMENTAL AND SOCIAL SUSTAINABILITY LABEL OR RATING (SIMILAR IN CONCEPT TO A CREDIT RATING) CREATED BY A REGULATORY BODY FOR INVESTMENT PRODUCTS WOULD BE DESIRABLE?**

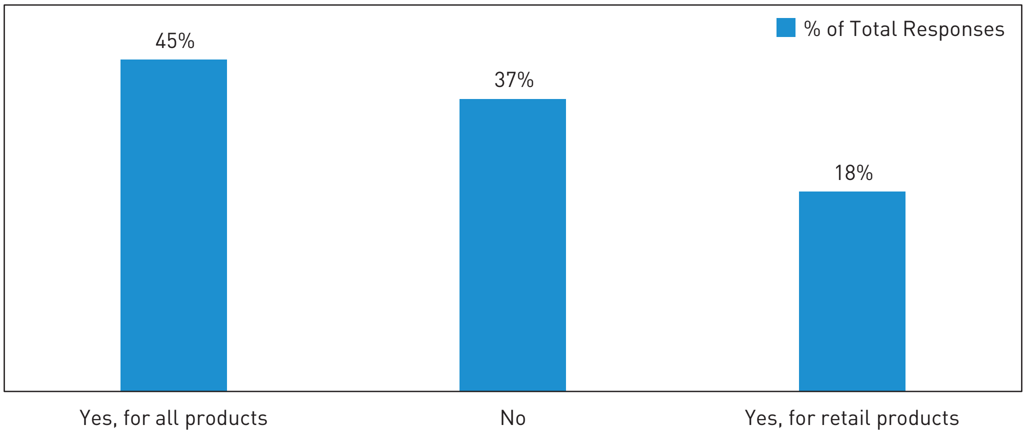
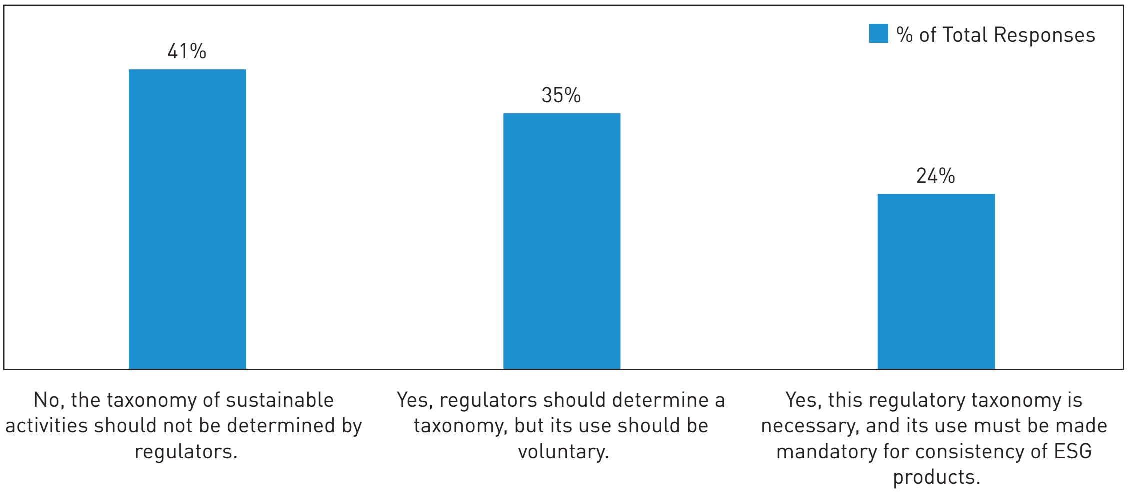
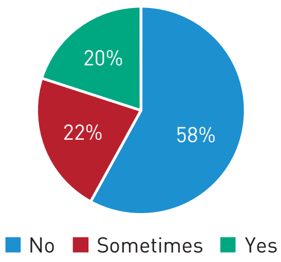



**FIGURE 22. DO YOU BELIEVE THAT REGULATORS SHOULD DETERMINE A TAXONOMY OR CLASSIFICATION OF SUSTAINABLE ACTIVITIES?**

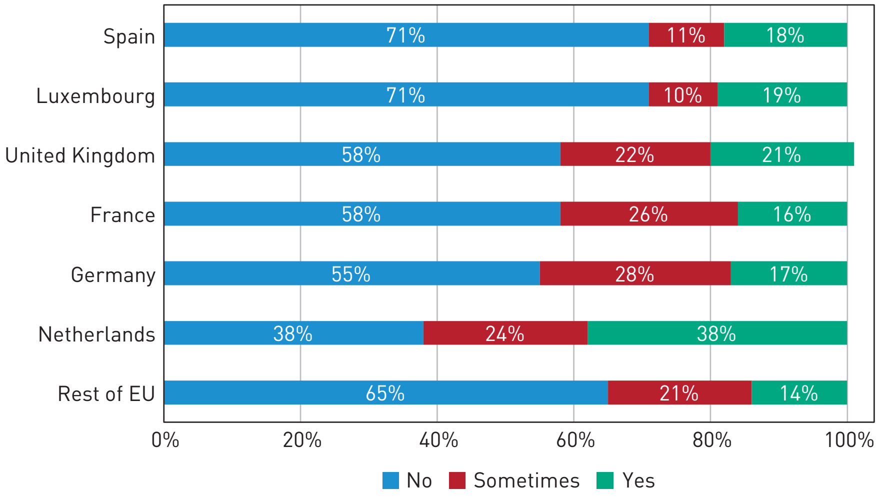



© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

### FIGURE 23. DO YOU CURRENTLY USE ANY SUSTAINABILITY BENCHMARKS TO TRACK THE PERFORMANCE OF YOUR INVESTMENTS?




### FIGURE 24. DO YOU CURRENTLY USE ANY SUSTAINABILITY BENCHMARKS TO TRACK THE PERFORMANCE OF YOUR INVESTMENTS? (RESPONSES BY COUNTRY)*




* Responses are rounded.

Out of the respondents who do not use sustainability benchmarks, the most popular reason for not using the benchmarks is that there are no set standards ensuring the soundness of methodologies (37%), which appears to give support to the EC proposal to create both an ESG taxonomy and related benchmarks (**Figure 25**).

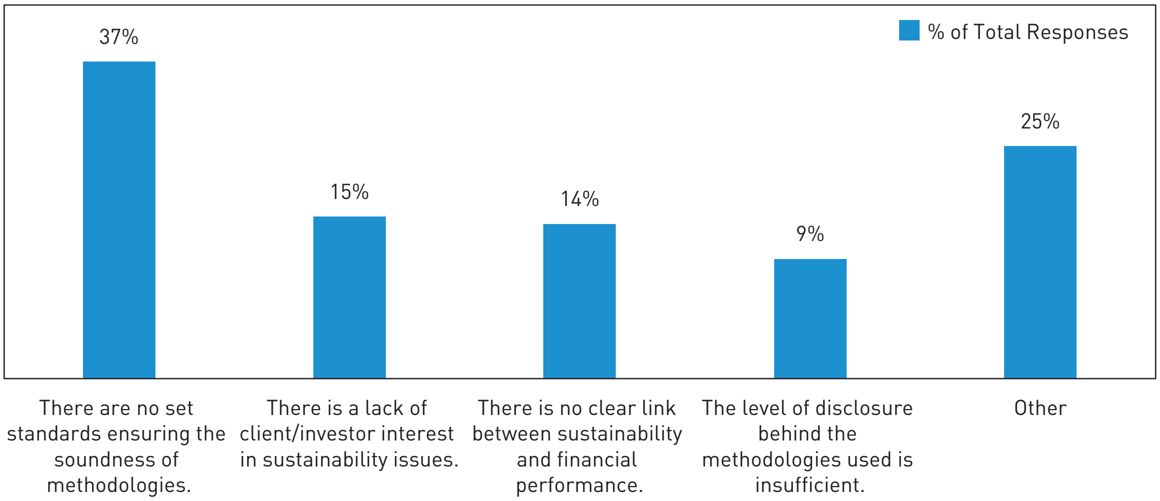
For those respondents who use sustainability benchmarks, CFA Institute wanted to know what was currently the most popular climate change mitigation category considered during the investment process. We asked:

> Which, if any, of the following climate change mitigation categories do you currently take into account in your investment analysis/decisions? Select all that apply.

The top three categories were improving energy efficiency (77%), using renewable materials (62%), and developing energy storage (59%) (**Figure 26**).

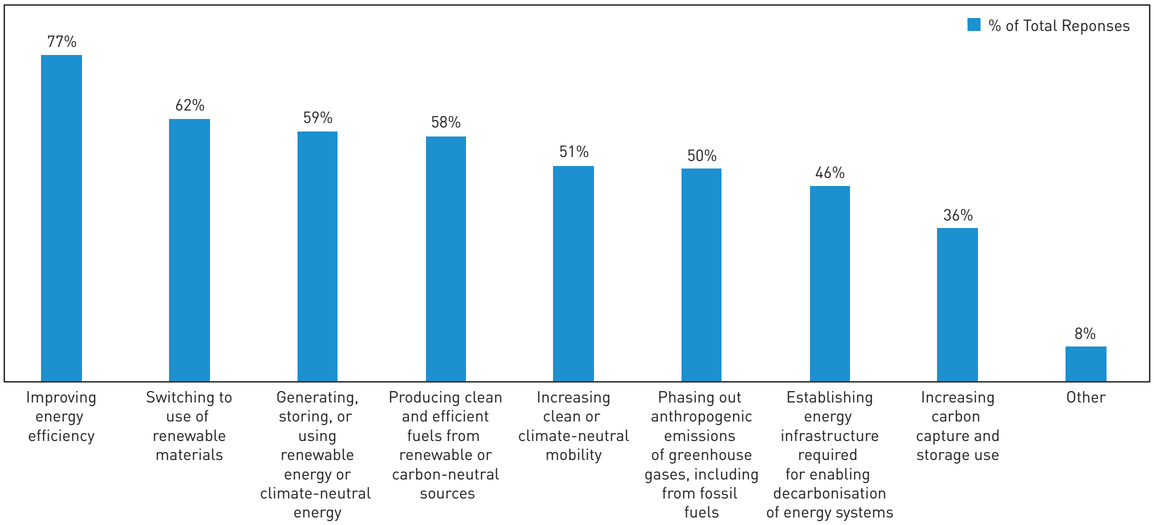
A breakdown of responses by country and by occupation shows the broad-based approach that the Netherlands takes when considering climate mitigation categories during the investment process; the approach is also observed among managers of managers in the by-occupation analysis (**Figure 27**).

## FIGURE 25. WHAT IS YOUR MAIN REASON FOR NOT USING SUSTAINABILITY BENCHMARKS?




© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**FIGURE 26. WHICH, IF ANY, OF THE FOLLOWING CLIMATE CHANGE MITIGATION CATEGORIES DO YOU CURRENTLY TAKE INTO ACCOUNT IN YOUR INVESTMENT ANALYSIS/ DECISIONS?***




* Respondents were asked to select all answers that applied.

## FIGURE 27. CLIMATE CHANGE MITIGATION CATEGORIES FOR RESPONDENTS USING SUSTAINABILITY BENCHMARKS (RESPONSES BY COUNTRY AND OCCUPATION)

| | Luxembourg | Spain | Netherlands | France | United Kingdom | Germany | Rest of EU | Research Analyst | Portfolio Manager | Consultant | Manager of Managers | Corporate Financial Analyst | Other Occupations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Improving Energy Efficiency | 100% | 86% | 83% | 75% | 75% | 64% | 77% | 100% | 85% | 70% | 67% | 50% | 67% |
| Generating, Storing, or Using Renewable Energy or Climate-Neutral Energy | 50% | 71% | 66% | 63% | 58% | 57% | 54% | 50% | 69% | 40% | 67% | 25% | 57% |
| Producing Clean and Efficient Fuels from Renewable or Carbon-Neutral Sources | 67% | 57% | 66% | 44% | 56% | 61% | 56% | 25% | 62% | 60% | 67% | 50% | 52% |
| Phasing Out Anthropogenic Emissions of Greenhouse Gases, Including from Fossil Fuels | 50% | 43% | 66% | 38% | 50% | 50% | 40% | 25% | 56% | 50% | 67% | | 62% |
| Increasing Clean or Climate-Neutral Mobility | 50% | 43% | 59% | 50% | 50% | 57% | 44% | 25% | 62% | 50% | 67% | 75% | 38% |
| Switching to Use of Renewable Materials | 67% | 43% | 68% | 75% | 63% | 43% | 63% | 50% | 51% | 70% | 67% | 25% | 52% |
| Establishing Energy Infrastructure Required for Enabling Decarbonisation of Energy Systems | 50% | 29% | 54% | 38% | 51% | 46% | 38% | 50% | 51% | 50% | 33% | 25% | 43% |
| Increasing Carbon Capture and Storage Use | 33% | 29% | 46% | 31% | 39% | 29% | 31% | 50% | 41% | 30% | 33% | 25% | 43% |
| Other | | | 10% | 6% | 11% | 7% | 6% | | 5% | 20% | | | 10% |

© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

# 4. Summary

Sustainable investing and ESG are becoming increasingly important for investors, managers, and regulators. CFA Institute commissioned a unique survey of its EU members on attitudes toward the appropriate role of ESG factors in the investment process. Broadly, the main findings of this survey can be summarized as follows:

- Respondents believe that ESG factors should be considered by investment managers when making investment decisions.
- In general, regulators should not be mandating specific factors to be considered by managers during the investment process; inclusion of such specific factors should be left to the investment managers and their clients.
- In particular, regulators should not be mandating ESG factors to be considered by managers during the investment process; consideration of ESG factors should be left to the investment managers and their clients.
- Consensus is lacking on whether ESG factors should be part of the fiduciary duty of managers.
- Respondents feel strongly that any mandate to consider ESG factors during the investment process should not, in turn, include any binding obligations on the subsequent investment decisions taken.
- Support for an EU-level ESG label and taxonomy is relatively weak.

# CFA Institute


## Author

Sviatoslav Rosov, PhD, CFA, Director, Capital Markets Policy, Europe, Middle East, and Africa

## Contributors

Kurt N. Schacht, JD, CFA, Managing Director, Advocacy

Rhodri Preece, CFA, Head, Industry Research


© 2018 CFA INSTITUTE. ALL RIGHTS RESERVED.

**THE AMERICAS**
(800) 247 8132 PHONE (USA and Canada)
+1 (434) 951 5499 PHONE
+1 (434) 951 5262 FAX

915 East High Street
Charlottesville, VA 22902-4868, USA

292 Madison Avenue
2nd Floor
New York, NY 10017-6323, USA

**ASIA PACIFIC**
+852 2868 2700 PHONE
+852 2868 9912 FAX

23/F, Man Yee Building
68 Des Voeux Road
Central, Hong Kong SAR

Si Wei (Beijing) Enterprise Management Consulting Co. Ltd.
Unit 5501, 55/F China World Tower B
No. 1 Jianguomenwai Avenue, Chaoyang District
Beijing, 100004, China

CFA Institute India Private Limited
Naman Centre, Unit No. 103
1st Floor, Bandra-Kurla Complex, G Block, Bandra (East)
Mumbai 400 051, India

**EUROPE, MIDDLE EAST, AND AFRICA**
+44 (0) 20 7330 9500 PHONE
+44 (0) 20 7330 9501 FAX

67 Lombard Street
7th Floor
London EC3V 9LJ
United Kingdom

Rue du Champ de Mars, 23
1050 Brussels, Belgium

ISBN: 978-1-942713-63-0
90000
9 781942 713630

CFA Institute

www.cfainstitute.org
info@cfainstitute.org