



ESG in the Post-Pandemic Era

UK adviser attitudes and outlook

Contents

- 3 Five Key Findings
- 4 Introduction
- 5 Conclusion
- 6 About Us...



FIVE KEY FINDINGS

1

UK advisers strongly disagree that ESG is a temporary trend. Just 13% think ESG is an investment bubble. Furthermore, advisers are confident the sector will continue to deliver returns over the long-term. Less than one in 10 (8%) think ESG funds will perform poorly when the pandemic ends.

2

Nearly three in 10 (28%) advisers are now paying more attention to the S in ESG. Rather than seeing ESG as a blanket strategy, advisers are adopting a more granular approach. The heightened focus on the S element is likely a consequence of the pandemic which has seen social factors take on more importance.

3

But some advisers think the noise surrounding ESG is nearing saturation point. A third (32%) say there is too much talk about ESG. Advisers serving clients lower down the wealth scale are more likely to think there is excessive hype around ESG.

4

Advisers want clearer ESG rules and a more joined up regulatory regime. Four in 10 say they are confused by the growing array of ESG regulations. Advisers also want a far tougher set of rules to deter potential greenwashers – nearly half (46%) think asset managers should face fines for greenwashing.

5

Despite confusion over the maze of different ESG regulations, advisers are reluctant to equip themselves with qualifications. More than four in 10 (41%) disagree that all advisers should have ESG qualifications.

Methodology: CoreData Research surveyed 300 UK financial advisers in July 2021.

INTRODUCTION

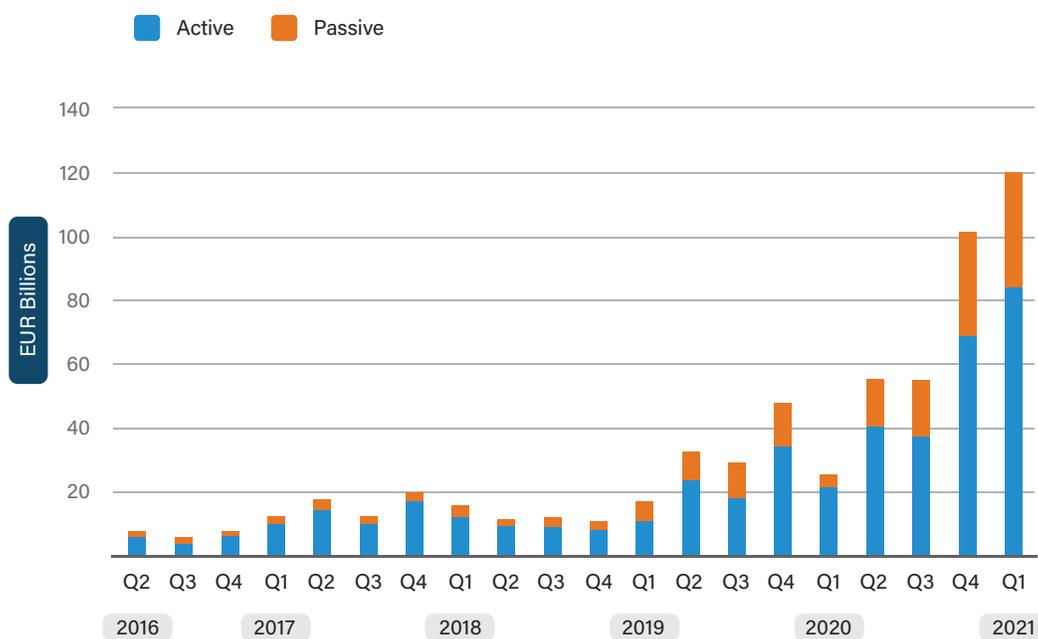
The Covid Catalyst

ESG had already shifted from niche to mainstream before the eruption of Covid-19, but the pandemic has further boosted the appeal of sustainable investments. This can partially be explained by the role of the pandemic in heightening awareness of the dangers facing our planet. And it can also be attributed to the strong performance of ESG funds investing in sectors benefiting from the structural changes unleashed by Covid-19. The ability of ESG funds to

identify and manage risks has also helped cushion them from the impact of the crisis.

According to Morningstar, European sustainable funds recorded record high inflows of €120 billion in the first three months of 2021. These inflows – dominated by active strategies – saw European sustainable fund assets surge to an all-time high of €1.3 trillion over the quarter.

European Quarterly Sustainable Fund Flows



Source: Morningstar Direct, March 2021



Conclusion

As the ESG fund sector shows signs of saturation, asset managers face a difficult task differentiating their offerings from those of rivals.

When launching funds for UK advisers, asset managers should focus on longevity and specialisation. Funds with long investment horizons that tap into secular ESG trends and specialist offerings focusing on one of the three ESG components will hold most appeal. Funds with a social tilt are currently in demand – but managers will need to spell out how less quantifiable social performance targets will be met and monitored. Detailed and clear fund reporting will therefore be key.

Fund reporting will also play a major part in the fight against greenwashing. Comprehensive reports explaining exactly how products will manage specific ESG risks will help ensure funds do what they say on the tin.

But crucially, regulators need to establish a widely accepted definition of greenwashing and provide clarity on what is not acceptable.

Away from the manufacturing arena, asset managers have a real opportunity to strengthen ties with advisers by providing resources and materials that will improve their ESG knowledge.

About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Spain, Malta, and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

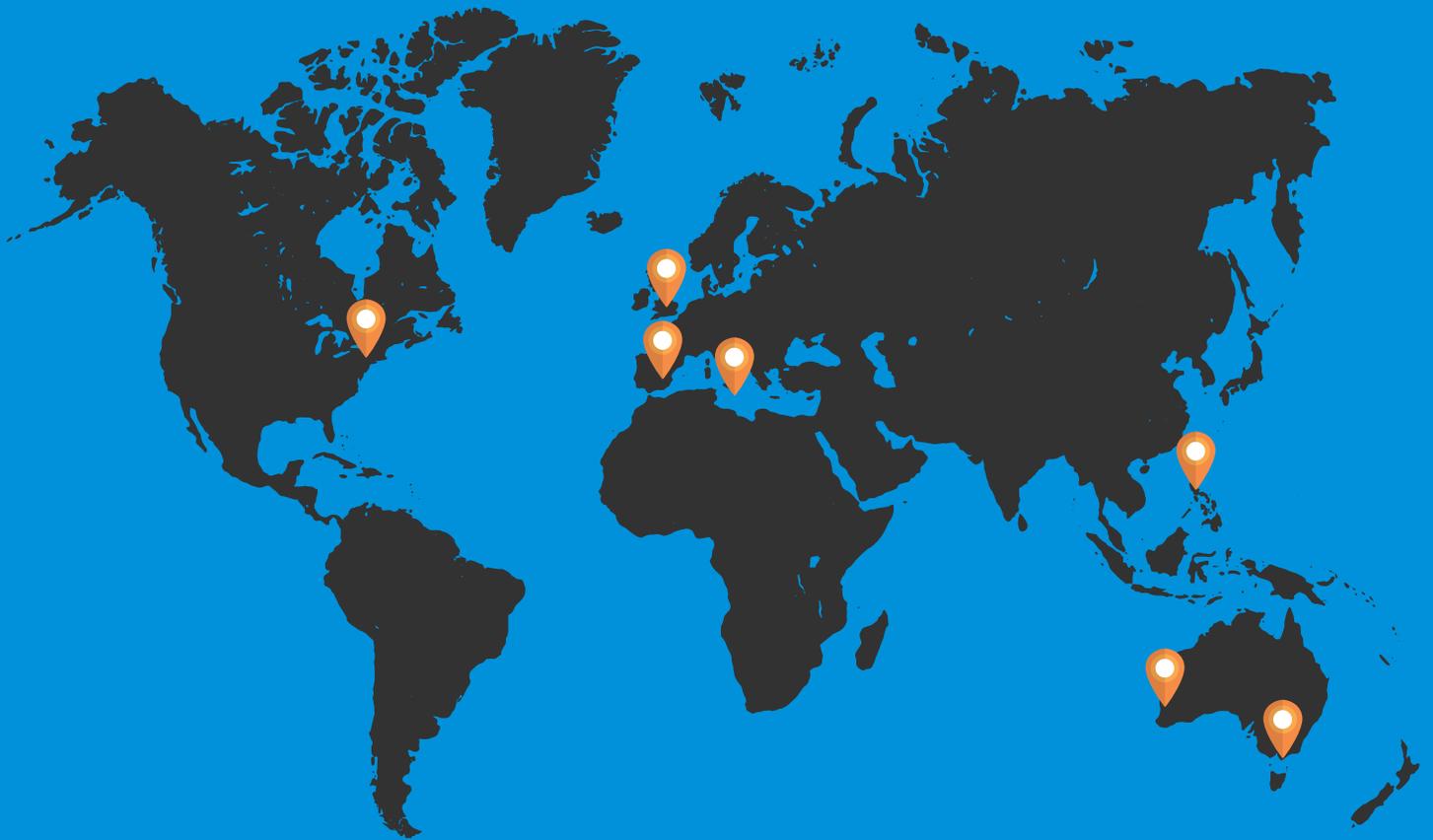
CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



Whitepaper compiled by CoreData

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