Is North America Finally Ready for ESG?

July 31, 2017

Over the past several years, there has been growing interest among institutional investors in environmental, social and governance (ESG) investing. In fact, ESG is possibly the most talked about topic in our recent conversations with investors, consultants and managers.

But with much of the current ESG activity focused across the pond, our clients often ask about the state of affairs in North America. Why are we behind the curve? Will ESG ever take hold in earnest here as it has in Europe? Is there actually a returns-for-impact trade-off?

Seeking answers, we went to the marketplace, conducting in-depth interviews with 150 North American institutional investors to better understand their attitudes toward ESG and their likelihood of integrating ESG principles into their investment strategies.

Growing Demand for ESG

To be clear, most institutional investors in North America have not adopted ESG strategies in a meaningful way, and many never will. As reflected in our study, only 27% of institutions reported applying some degree of ESG standard to their overall portfolio.

What’s more interesting is the 45% that are considering incorporating some form of ESG practices in the future. That forecasts a seismic shift in attitude toward ESG and likely signals a wave of fresh demand.

**ESG USAGE AMONG NORTH AMERICAN INSTITUTIONAL INVESTORS**

Note: Based on 150 responses. 
Source: Greenwich Associates 2017 North American ESG Investment Study
The Path to ESG Adoption

For ESG strategies to capitalize on this steadily growing interest and gain wider adoption in the North American market, several things need to happen along the institutional investment supply chain:

1. Individual plan beneficiaries and fund stakeholders must determine if ESG strategies represent their best interests. If so, they need to convey that message up the chain of command.
2. Fund-level leadership needs to believe beyond a shadow of a doubt that ESG strategies won’t compromise their fiduciary duty to provide optimal outcomes for stakeholders.
3. Managers and consultants need to take on an advisory role, leading the conversation on ESG topics and providing clarity to institutional investors.

The Future Looks Bright

Clearly, as the conversation on ESG develops in the months and years ahead, there will be several challenges to broader acceptance. Still, we are encouraged by the enthusiasm and activism we see in the market.

While the North American ESG wave may still be on the horizon, we’re confident that ESG becoming firmly established in the North American institutional market is a question of “when”, not “if.”

Related Research

Impact Investing: Individual Investors Seeking New Opportunities
This report is based on a study to better understand how the intermediary-sold market views and treats impact investing.

Impact Investing: Institutions Awaken to New Possibilities
Over the past decade, growing numbers of both institutional and individual investors have started considering the social impact of their investments.
About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India’s foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies’ products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF
MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF
THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT
OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS
DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2023 CRISIL Ltd. All rights reserved.