

Environmental, Social and Governance (ESG): An opportunity for Asset Managers

Investors are thinking in new ways about how their capital is handled. They are embracing digital technologies, changing the way they interact with asset management firms and are more interested in social responsibility. **ESG is now a fundamental priority for sophisticated investors across the globe.**

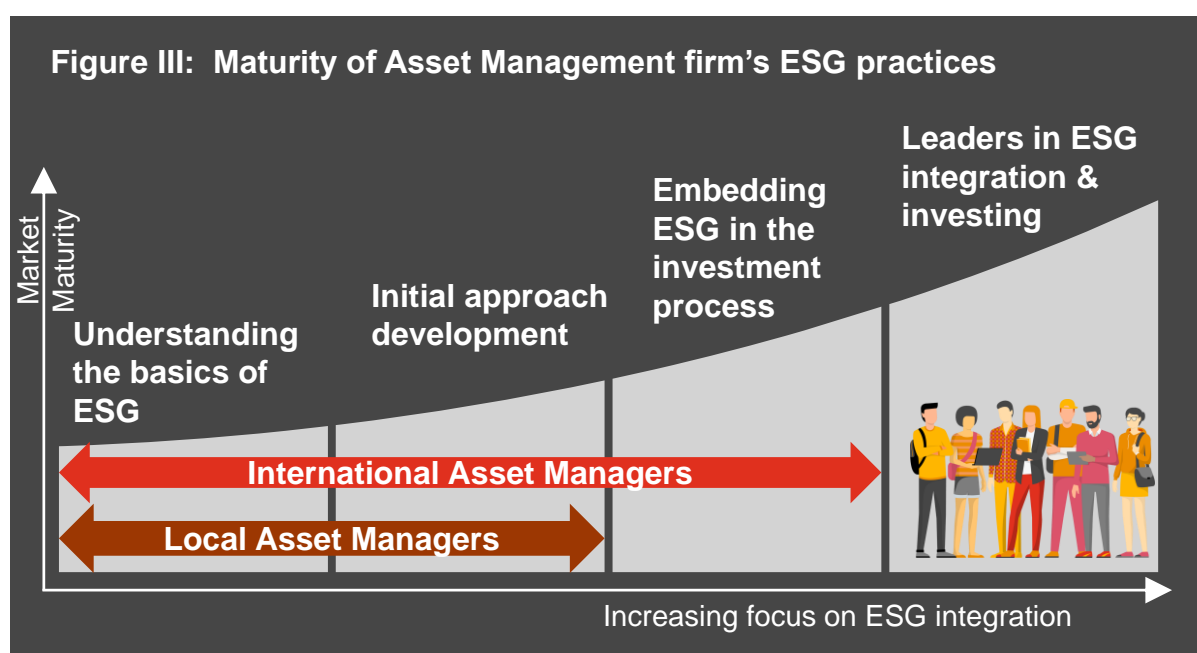
PwC estimated that overall ESG mutual fund assets will grow at a compound annual growth rate (CAGR) of 8.5% between 2017 and 2025, to reach US\$ 2.08 trillion.^[1] Investor demand and evolving regulations are pressuring asset managers to enhance their current operating models and core processes in order to embrace ESG investing.

A wave of external factors are driving asset owners to consider and enhance their ESG efforts



The race is on to embed ESG in the investment process

In recent years, Hong Kong's regulators have publicly recognised that ESG is crucial in maintaining Hong Kong's position as an important international financial center in Asia. In line with this, they are developing and enhancing the current regulatory regime to facilitate the integration of ESG factors in investment decisions by businesses and asset managers.





International asset managers, particularly those headquartered in the United Kingdom (UK) and the European Union (EU) are leading in their ESG practices by:

-  Integrating ESG in their end-to-end target operating model
-  Developing ESG investment products to meet the demands of institutional investors
-  Enhancing their business processes to comply with regulatory requirements
-  Educating their clients on the importance of ESG

Local asset managers are at risk leaving business opportunities on the table if they do not address the impact of ESG on their operating model. In order for asset managers to successfully develop their ESG practices, it is crucial that they understand the detailed implications of ESG on their target operating model and value chain.

Local asset managers should embrace new opportunities in ESG and be ready to:

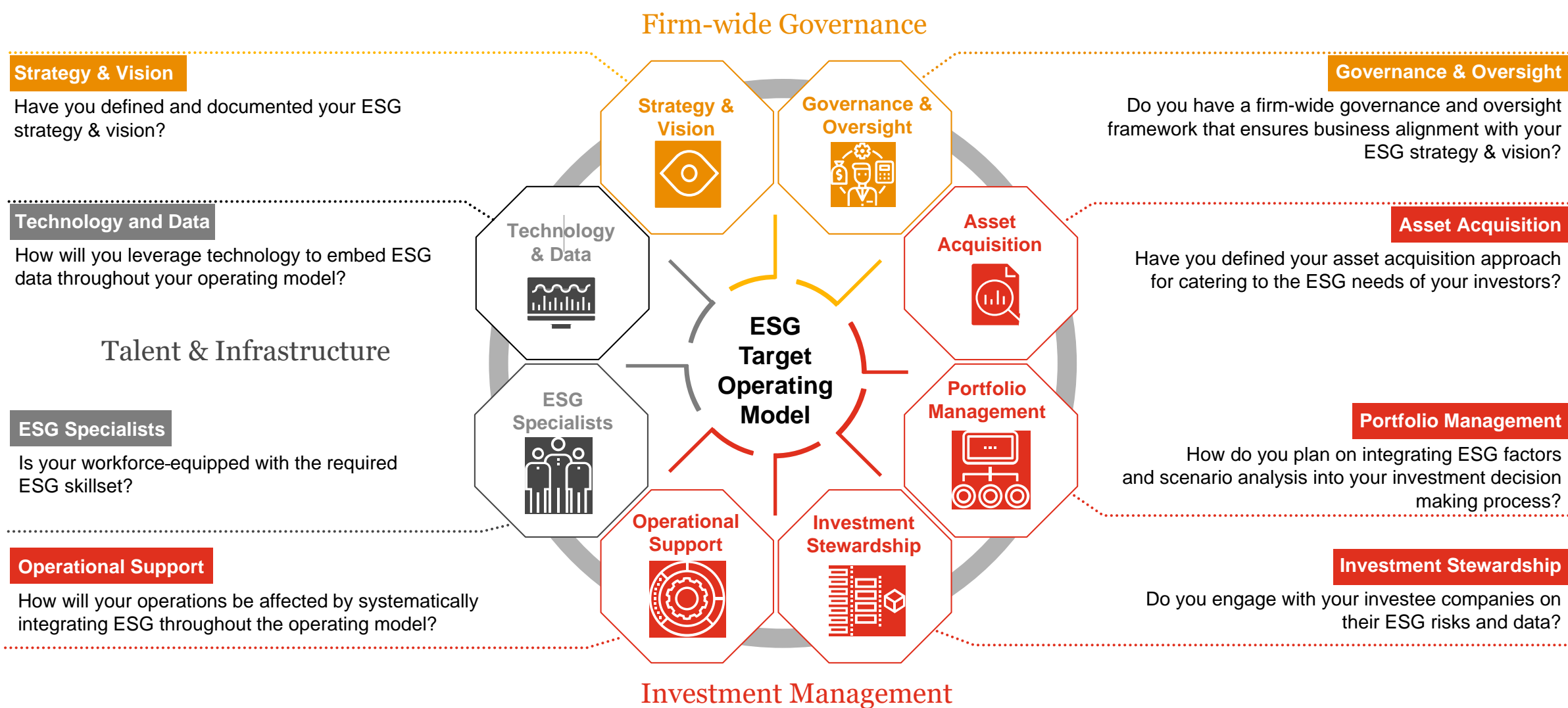
-  Answer fundamental questions on their ESG criteria and methodology, including how ESG factors have been integrated into their operating model
-  Embrace regulation as a strategic driver of the ESG business



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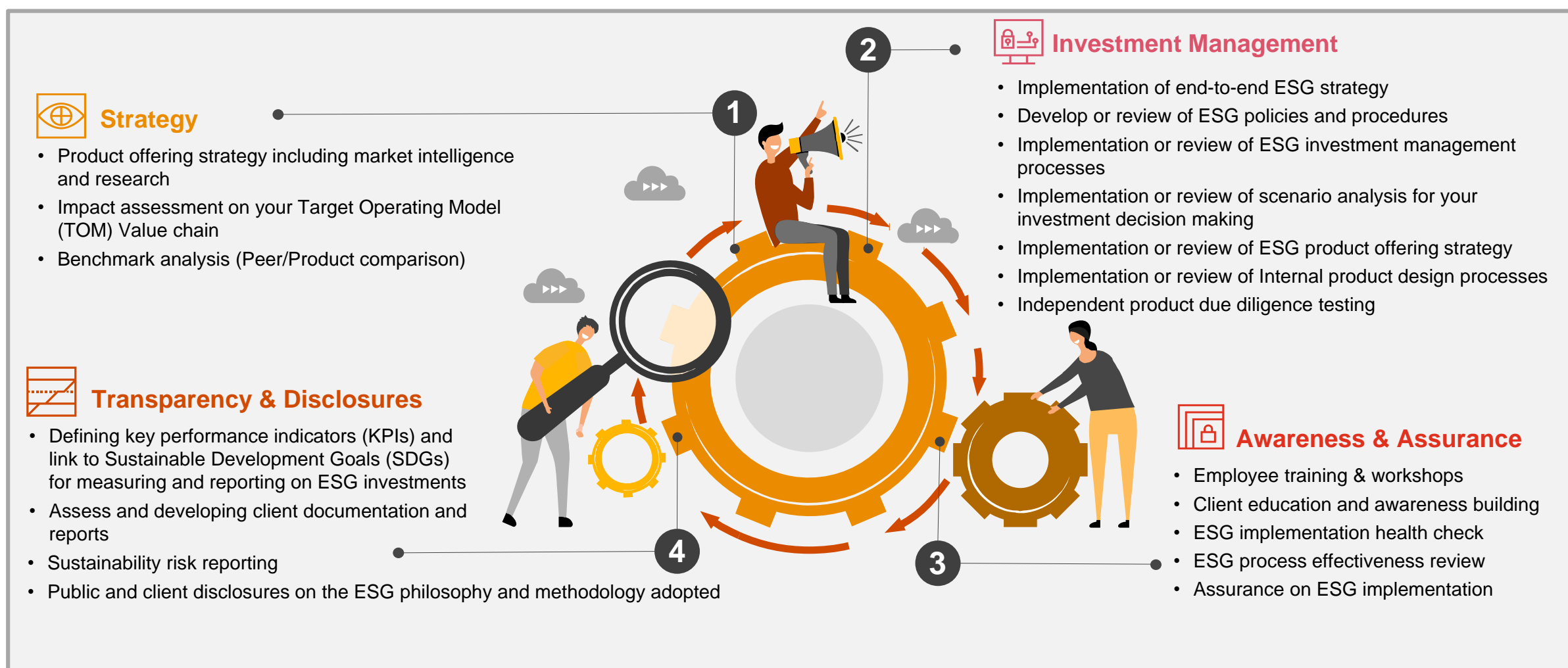
Integrating ESG in the asset management target operating model

Developing an ESG practice has implications on all functions within the asset management target operating model. The following are some key questions to consider when developing and enhancing your ESG practice.



How PwC can support your ESG transformation

Asset managers need to focus on ESG integration for their operating model and core processes to make sure these fundamental areas are addressed. We can help asset managers to create opportunities on their ESG transformation journey.



What can your business achieve in ESG? Contact us and learn more.

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