



# It's not easy being green

## Managing authentic transformation within sustainable investing

**Dedicated sustainable investing will more than quadruple in size**, totaling \$13 trillion in assets under management worldwide, **by 2025**. Dedicated sustainable investing represents an evolution, as these portfolios actively promote environmental, social, and/or governance characteristics as a primary investment objective, rather than only considering such factors as one of many of investment inputs. The future of dedicated sustainable investing will be:

- **Global in nature:** EMEA sustainable assets will rise to \$9.5 trillion from \$2.2 trillion, US assets will expand to \$2.5 trillion from \$400 billion, and APAC will swell to \$1 trillion from \$200 billion.
- **Accelerated by conversions:** Nearly half of the growth worldwide will come from converting existing strategies to sustainability-focused investment processes.
- **Fueled by investor demand:** Investors are expected to drive \$3.2 trillion in net new flow into sustainable strategies by 2025.

Clarifying a firmwide approach to sustainable investing is critical to investors, regulators, and internal leadership. **By 2025, a plurality (39%) of global assets will belong to firms that use their own sustainability commitments to guide investment decisions.** As asset managers worldwide develop perspectives on sustainable investing, they will coalesce into **four archetypes**:

- **ESG integrators** using ESG data as one of many portfolio inputs, but offering little to no dedicated sustainable investing; firms adopting this approach currently account for 49% of industry assets, but will fall to 34% by 2025
- **Client-led ESG solutions providers** selling dedicated sustainability options, but leaving discretion fully with the client; these managers represent 43% of assets today and will fall to 25% by 2025
- **Goals-oriented ESG outcome providers**, where investment and enterprise decisions are defined by a clear set of sustainability commitments; this will be the **fastest-growing archetype**, with asset share of these firms rising from 8% to 39% by 2025
- **"Sustainability purists,"** where sustainable investing is the core competitive advantage; this will comprise only a handful of boutique firms both now and by 2025

### **Sustainable investing leaders will require five characteristics...**

- Clear vision regarding sustainability
- Compelling sustainable investment product offering
- Credible integration of ESG and sustainability into investment processes
- Outcome-focused active ownership and stakeholder engagement
- Insight-led client engagement

### **...and will need to make changes to their operating model in three areas to support their sustainable investing approach:**

- Governance and organizational design
- Data and technology
- Talent and incentives

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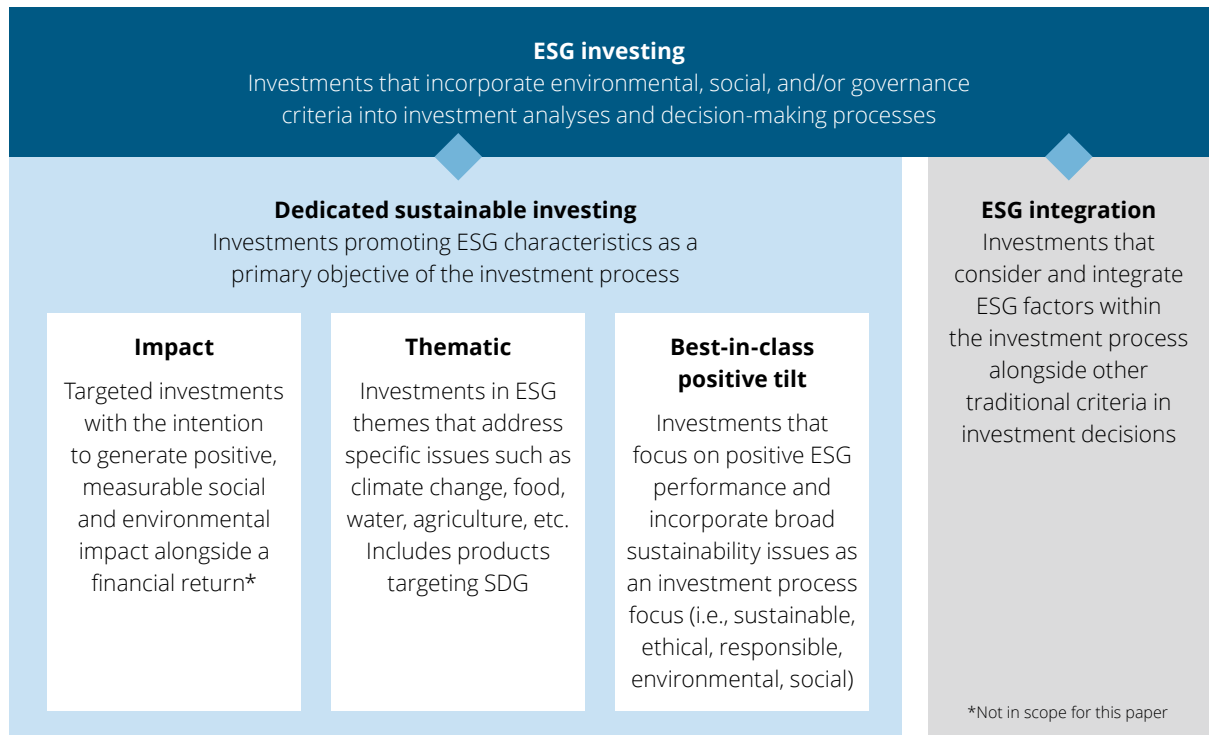
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## Introduction

ESG, the shorthand for environmental, social, and governance factors in investing, is a broad label differently defined by various asset management industry stakeholders. A lack of definitional clarity leaves key stakeholders with questions around the size of the shift, and the reaction speed required to address it. Catalyzing a discussion about ESG must begin by getting the entire leadership team on the same page regarding the scope and specific actions that distinguish different approaches to ESG. This paper focuses on dedicated sustainable investments, a subset of ESG portfolios that promote ESG characteristics as a primary objective of the investment process. For a look at the wider ESG universe, you can read more in the Deloitte Center for Financial Services paper [Advancing environmental, social, and governance investing](#). There are three primary categories of dedicated sustainable investments:

### Exhibit 1. Defining dedicated sustainable investing



Source: Casey Quirk.

\*This paper considers only impact investment among asset managers, not development banks or other non-asset management entities

This paper will provide insight into four key topics:

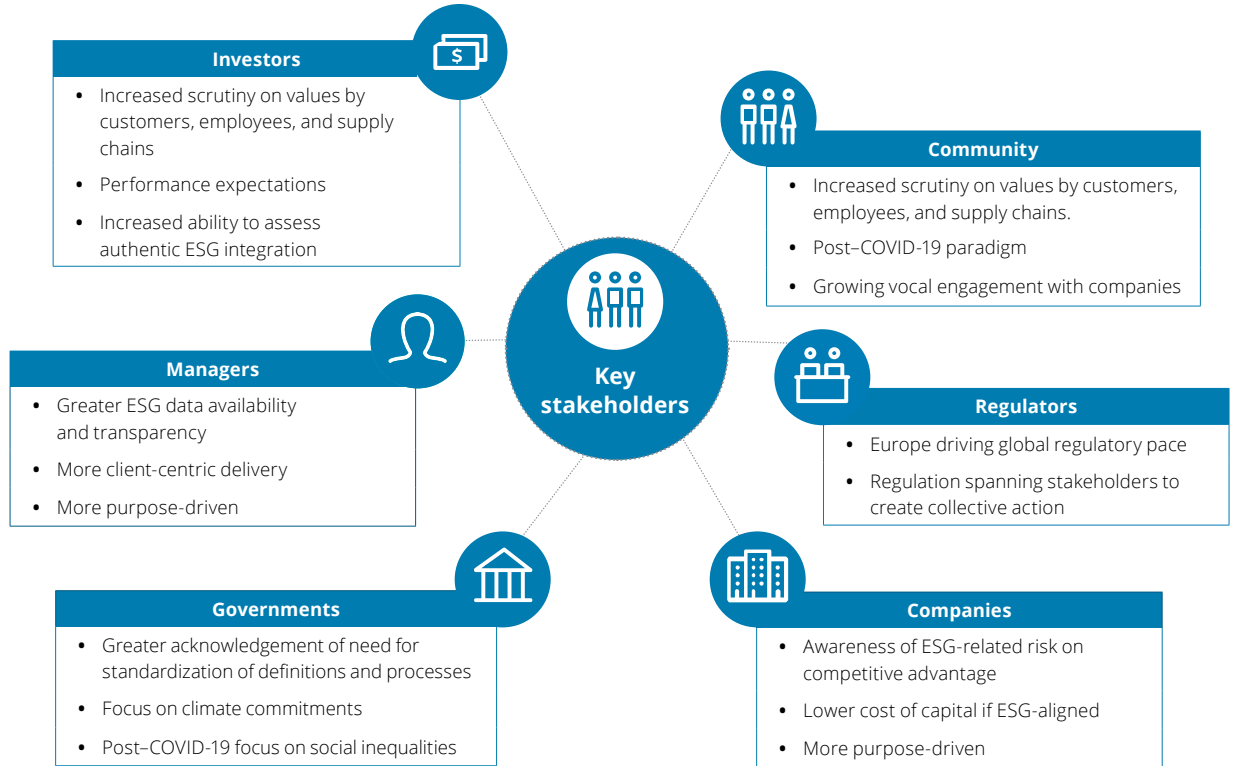
- Expected expansion and growth drivers of dedicated sustainable investing
- Four ways asset managers can define their sustainable investing vision and strategy
- Key attributes sustainable investment leaders will require to compete
- Operating model enhancements that sustainable investment leaders will need to implement

*Casey Quirk maintains an extensive industry-specific information network driven by the Casey Quirk Knowledge Center's ongoing primary research. Data cited in this paper and its exhibits, unless otherwise indicated, comes from a number of Casey Quirk's proprietary research initiatives, including our proprietary distribution benchmarking study and our Global CIO study conducted with Top1000funds.com.*

## Global growth in dedicated sustainable investing

To date, European governments and regulators have been among the biggest advocates of dedicated sustainable investing. The Sustainable Finance Disclosure Regulation (SFDR), activated in March 2021, imposes ESG disclosure obligations on asset managers selling investment products within the European Union. SFDR and other EU regulations aim to promote wider adoption of sustainable investing among retail and institutional investors. A rapidly expanding number of stakeholders, however, also encourage sustainable investing, not only in Europe, but also worldwide.

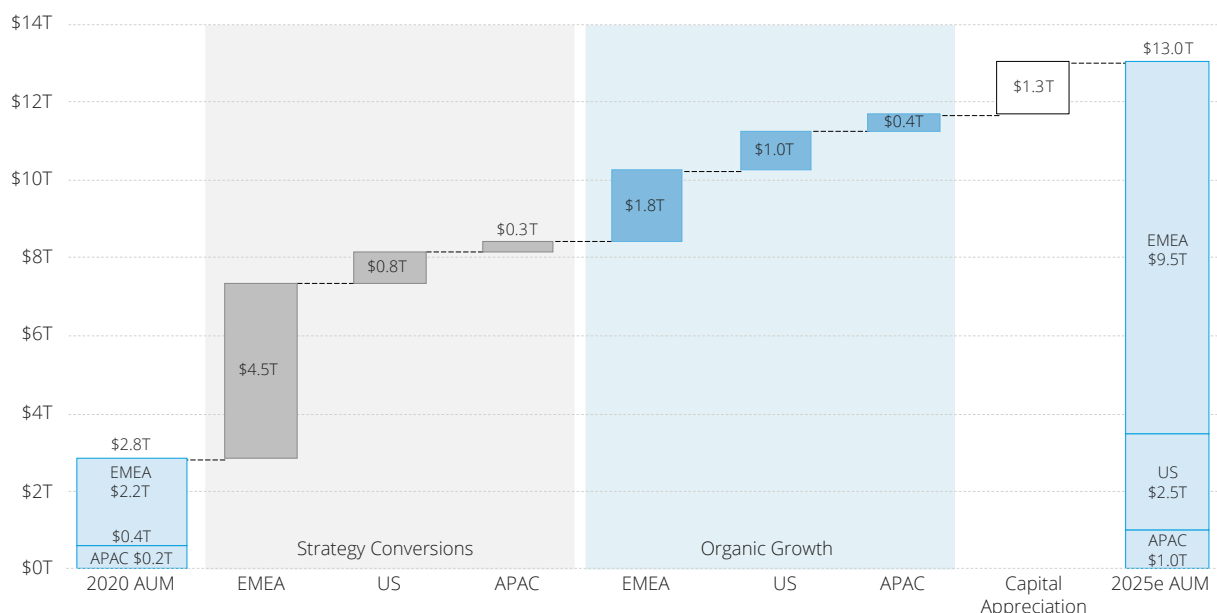
### Exhibit 2. Stakeholders encouraging demand for dedicated sustainable investments



Source: Casey Quirk.

Pushed by these industry participants, asset managers will more than quadruple their dedicated sustainable investing assets before 2025, with totals rising to \$13 trillion worldwide, representing nearly 12% of global assets under management. More than half the growth will come from asset managers converting existing strategies (whether they are ESG-aware or not) into dedicated sustainable portfolios, and customers globally will contribute over \$3 trillion of new assets to such products.

### Exhibit 3. Dedicated Sustainable Investing AUM\*, Regional, 2020-2025e, \$T



Notes: Encompasses funds, ETFs, and institutional mandates that claim to generate positive, measurable, impact; have a primary sustainability objective (for retail funds inclusive of a sub-set of article 8 and all article 9 assets); and/or use binding positive ESG criteria in the investment process. Managers maintain a formal philosophy and process primarily focused on sustainability, not just organically factoring in ESG considerations for risk management purposes.

Sources: Morningstar, eVestment, Casey Quirk analysis.

EMEA will still represent a majority of dedicated sustainable investments in 2025, fueled by a number of trends:

- SFDR and local market regulation
- Growing investor demand
- Government-driven investment commitments
- Gatekeeper promotion of sustainable products
- Sustainable investment commitments of large asset owners

But the United States and Asia Pacific countries will represent a sizable portion of conversion and nearly half the world's net new flows into dedicated sustainable portfolios, driven by:

- Increased disclosure and new local market regulation
- Shifting investor demand, particularly among individual investors
- Increased ESG and sustainability fluency among key professional buyers
- Government-driven green investment volume

Growth will not be uniform across geographies or suppliers, particularly among existing product conversions. Additionally, growth estimates may fluctuate as managers may be forced to backtrack on SFDR commitments following green washing and regulatory push back. Asset managers will continue to diverge in how they react to sustainability questions across processes, products, people, and commitments, as well as the speed at which they act. These different reactions will shape the supply side and product range of dedicated sustainable investments. Some of this divergence will be reflective of different views on what sustainability factor is most important to each investor. The localized and channel-specific preferences will present a challenge to asset managers serving a global client base.

#### Selecting the best vision for dedicated sustainable investing

As regulators and buyers sift through the asset management industry's voluminous marketing material regarding sustainability, they are becoming more focused on separating vaporware from added value. Diligence, data, and research tools around sustainable investing are intensifying, and tolerance for "greenwashing" is

dropping rapidly. Asset managers can take different approaches to sustainable investing, but they must show that they put client money specifically against whatever sustainable objectives they mouth to the marketplace.

Creating a transparent and credible sustainable investing vision to guide portfolio management decisions is neither simple nor standard. Building sustainable investment processes involves navigating six core challenges, and each asset manager has different skills and tools with which to tackle each one.

There are three *external challenges*:

- *Fragmented client preferences*, as heterogeneous buyers across various geographies express different preferences around sustainability
- *Inconsistent ESG data*, given limited assured ESG disclosures in many markets and the large, fragmented, and uncorrelated pool of vendors create a lack of standardized information, which prevents investors and managers from efficiently evaluating and integrating ESG information into decision-making processes
- *Increased greenwashing scrutiny*, as regulators crack down on marketing claims and buyers plow more resources into diligence. As new data and standards come to market, managers must interpret the information, leverage it within their processes, and disclose according to these standards

There are three *internal challenges*:

- *Change management*, as investment professionals revere culture, protect established investment frameworks, and consequently resist adaptation; organizations have been slow to hire and organize necessary talent
- *Conflicting taxonomies and definitions*, complicated by efforts to balance internal processes and external regulatory requirements
- *Inadequate technology*, amplified in cases where portfolio managers use specific applications or technologies solely for their own strategies

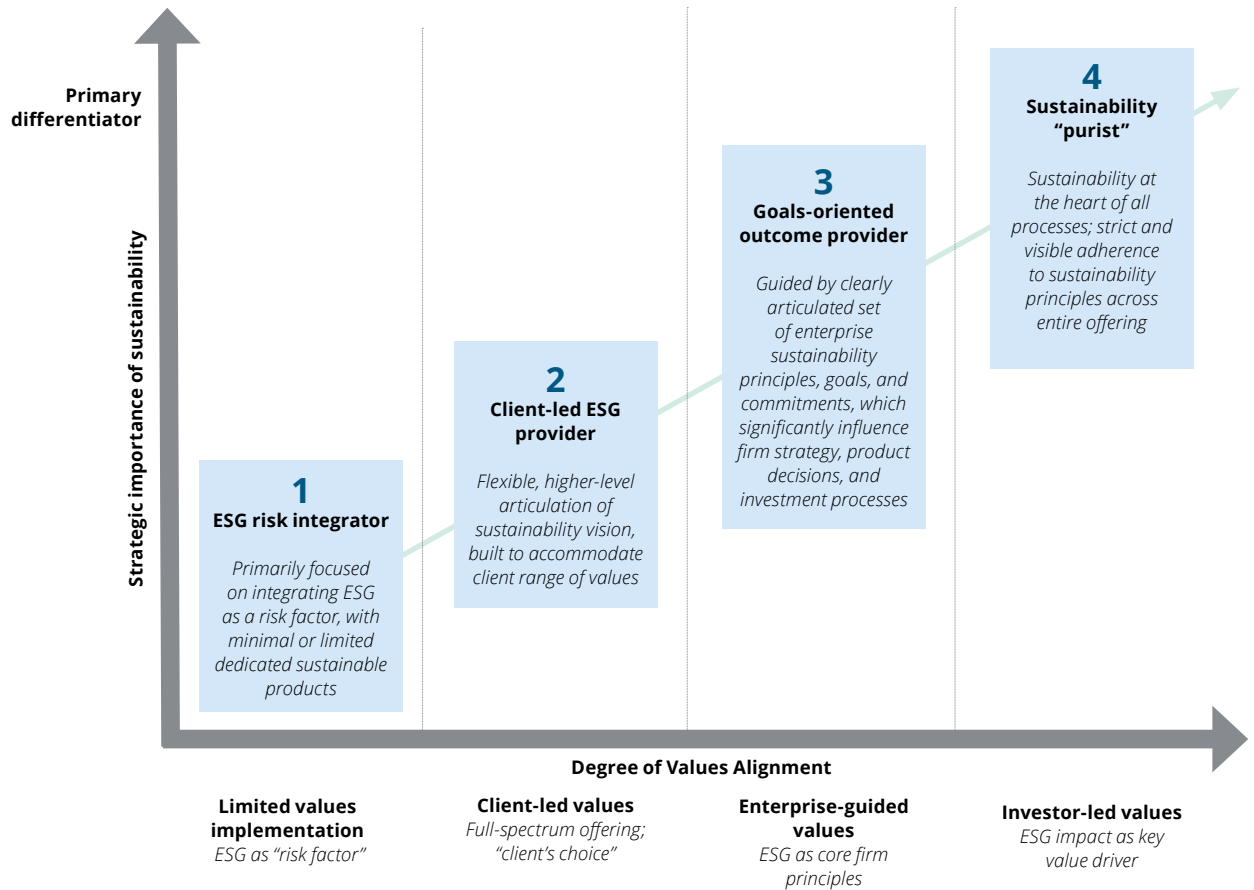
Implementing a competitive, dedicated sustainable investing process will force asset management leaders to face three truths:

1. **Only credible sustainable investing processes will succeed in the long term**, as buyers penalize greenwashing.
2. **Managers need to determine “what they stand for” amid a range of strongly held views**, assessing the trade-off between the sustainability impact they seek and the required degree of change.
3. **Successful ESG insight generation will require robust resourcing, processes, and tools**, potentially necessitating wider use of common decision-support platforms across strategies.

Developing a vision around dedicated sustainable investing, one that attracts buyers and guides executive decisions, is a critical first step. Leaders of asset managers must find a balance of flexibility and conviction that works best for their stakeholders: customers, talent, and owners. These visions fall into four roughly defined archetypes, each of which reflects an increasing degree of alignment around sustainability values and a commensurate level of strategic priority for the enterprise:

1. **ESG risk integrators**: Asset managers with limited or no commitments to dedicated sustainable investing or products, instead focusing on using ESG data to inform one of several risk factors assessed in building portfolios.
2. **Client-led ESG providers**: Asset managers who maintain positions on sustainability, but present them as flexible options available for clients to direct, depending on their own range of values.
3. **Goals-oriented outcome providers**: Asset managers who clearly articulate commitments on sustainability issues, using them as core firm principles around which to make not only active investment choices, but also decisions around firm strategy.
4. **Sustainability “purists”**: Asset managers, primarily boutiques, who orient sustainability at the heart of all processes as their main competitive advantage, with strict and visible adherence to sustainability principles across the investment offering.

**Exhibit 4. Dedicated sustainable investing vision archetypes**



Source: Casey Quirk.

As sustainability commitments become more central to an asset manager's enterprise strategy and investment processes, the proportion of assets in dedicated sustainable investments rises, through both conversion and new product development. Additionally, the firm wields its proxy votes in tighter alignment with its sustainability goals.

**Exhibit 5. Key metrics of dedicated sustainable investment providers by archetype**

	Archetype KPIs <sup>1</sup>		Future-State Progression			
	Sustainable AUM % of total	% of votes supporting ESG	Share of 2020 AUM by firm archetype	Share of 2025 AUM By firm archetype	Archetype Outlook	Archetype context
Sustainability purist	91%–100%	92%–95%	1%	2%	↔	<ul style="list-style-type: none"> <li>Continued proliferation of small players, particularly around impact investing</li> <li>Difficult to meaningfully scale</li> </ul>
Goals-oriented ESG outcome provider	17%–37%	71%–79%	8%	39%	↑	<ul style="list-style-type: none"> <li>Driven by increased manager-led ESG commitments</li> <li>Requires translating commitments to clear firm KPIs and portfolio targets</li> </ul>
Client-led ESG solutions player	3%–8%	54%–63%	43%	25%	↓	<ul style="list-style-type: none"> <li>Many larger, global players migrating toward goals-oriented archetype</li> <li>Challenging to maintain divergent approaches to sustainability across product suite</li> </ul>
ESG risk integrator	0%–2%	15%–46%	49%	34%	↓	<ul style="list-style-type: none"> <li>Primarily firms outside of European markets</li> </ul>

Sources: Pensions & Investments, eVestment, Share Action, firm websites, Casey Quirk analysis.

**Exhibit 5** outlines a key trend: By 2025, a plurality of dedicated sustainable investing assets will belong to firms that use their own enterprise's sustainability commitments to guide investment decisions. This transition will reflect public declarations of sustainability commitments by large asset managers (such as net-zero emissions goals), which investment firms will then need to implement in their portfolios in order to maintain credibility. As asset managers make these public promises, they should consider both the capabilities and operating model required to follow through.

## Key attributes of sustainable investing leaders

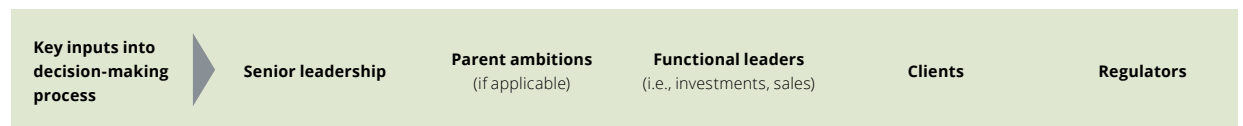
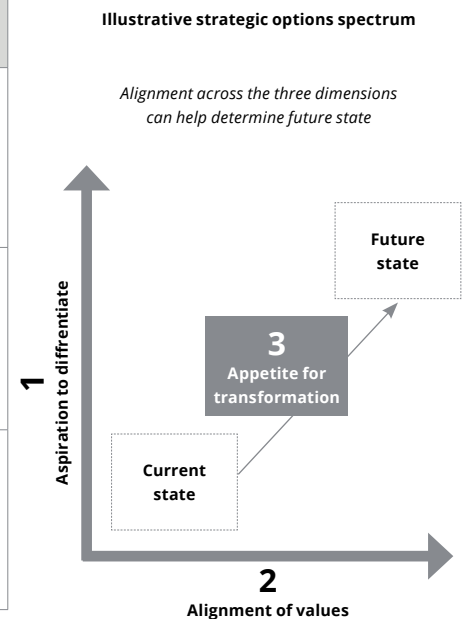
Sustainable investing leaders will effectively link strategy and their sustainability vision by aligning five key attributes, enabled by modifying three core elements of their existing operating models.

Examining each attribute in turn:

1. *Clear sustainability vision.* Building internal support for a clear, authentic sustainability vision requires settling some core decisions that will guide future enterprise strategy.

### Exhibit 6. Attribute 1: Clear sustainability vision

Decision point	Question to answer	Key points of alignment
<b>1</b> Aspiration to differentiate	How core is sustainability to how we differentiate?	<ul style="list-style-type: none"> <li>• Sustainability as core, part, or a minimal aspect of firm value proposition</li> <li>• Potential avenues of differentiation (i.e., product, process, positioning)</li> <li>• Market or regulatory view of ability to differentiate over key time horizons</li> </ul>
<b>2</b> Alignment of values	How should our firm values inform our promise to PMs and clients?	<ul style="list-style-type: none"> <li>• Core set of beliefs or principles</li> <li>• Firmwide focus issues within ESG universe</li> <li>• Discretion over sustainability decisions left up to PMs</li> <li>• Degree to which the firm accommodates client-specific values</li> </ul>
<b>3</b> Appetite for transformation	How much are we willing to change to achieve our future-state vision?	<ul style="list-style-type: none"> <li>• Degree of strategic or regulatory urgency</li> <li>• Transformation risk</li> <li>• Capacity to lead transformational change</li> </ul>



Source: Casey Quirk.



2. *Sustainable product offering.* Successful products must deliver upon their traditional objective of producing attractive, risk-adjusted returns without compromising the sustainability vision. Creating a credible offering requires a product development process that ensures new products stem from an investment platform that has the people, data, and systems to deliver upon their sustainability objectives. Sustainability adds new considerations to multiple aspects of the traditional product development process:

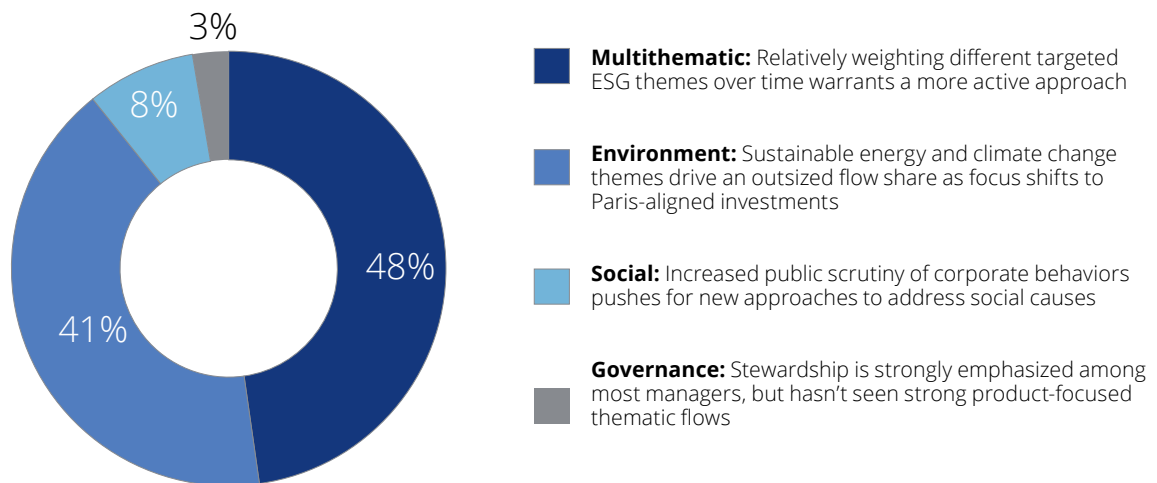
**Exhibit 7. Attribute 2: Sustainable product offering**

<b>1</b> Internal taxonomy	<ul style="list-style-type: none"> <li>• Establish whether internal investment groupings are broad versus strictly defined</li> <li>• Define ESG integration</li> <li>• Decide how closely to align internal taxonomy with external labels and regulation</li> </ul>
<b>2</b> Product management	<ul style="list-style-type: none"> <li>• Create a firm strategy to assess products for sustainable conversion</li> <li>• Assess specific ESG features to consider integrating across the platform</li> <li>• Evaluate firmwide exclusions</li> </ul>
<b>3</b> Product development	<ul style="list-style-type: none"> <li>• Decide on sustainable investment themes to target in new fund launches</li> <li>• Assess whether to launch sustainable “versions” of current flagship strategies</li> <li>• Create a strategy to properly seed new sustainable product launches</li> </ul>
<b>4</b> Vehicle packaging	<ul style="list-style-type: none"> <li>• Determine vehicle packaging for new strategy offerings</li> <li>• Evaluate existing sustainable product packaging to ensure structure meets client demand</li> </ul>
<b>5</b> Pricing	<ul style="list-style-type: none"> <li>• Establish sustainable pricing strategy to assess offering at a premium or discount versus current product lineup</li> <li>• Determine if pricing should be linked to specific ESG strategy targets</li> </ul>

Source: Casey Quirk.

As a function of both supply and demand, multithematic dedicated sustainable investing funds have attracted the most attention from retail investors worldwide, followed closely by funds focused on environmental objectives. Products oriented around social and governance goals are also growing quickly. Firms that can credibly bring these types of products to market are well-positioned to capture growth early in the cycle as investors pivot portfolios toward sustainable exposures.

**Exhibit 8. Dedicated sustainable investment fund flow worldwide by sustainability objectives, 2016-2020**

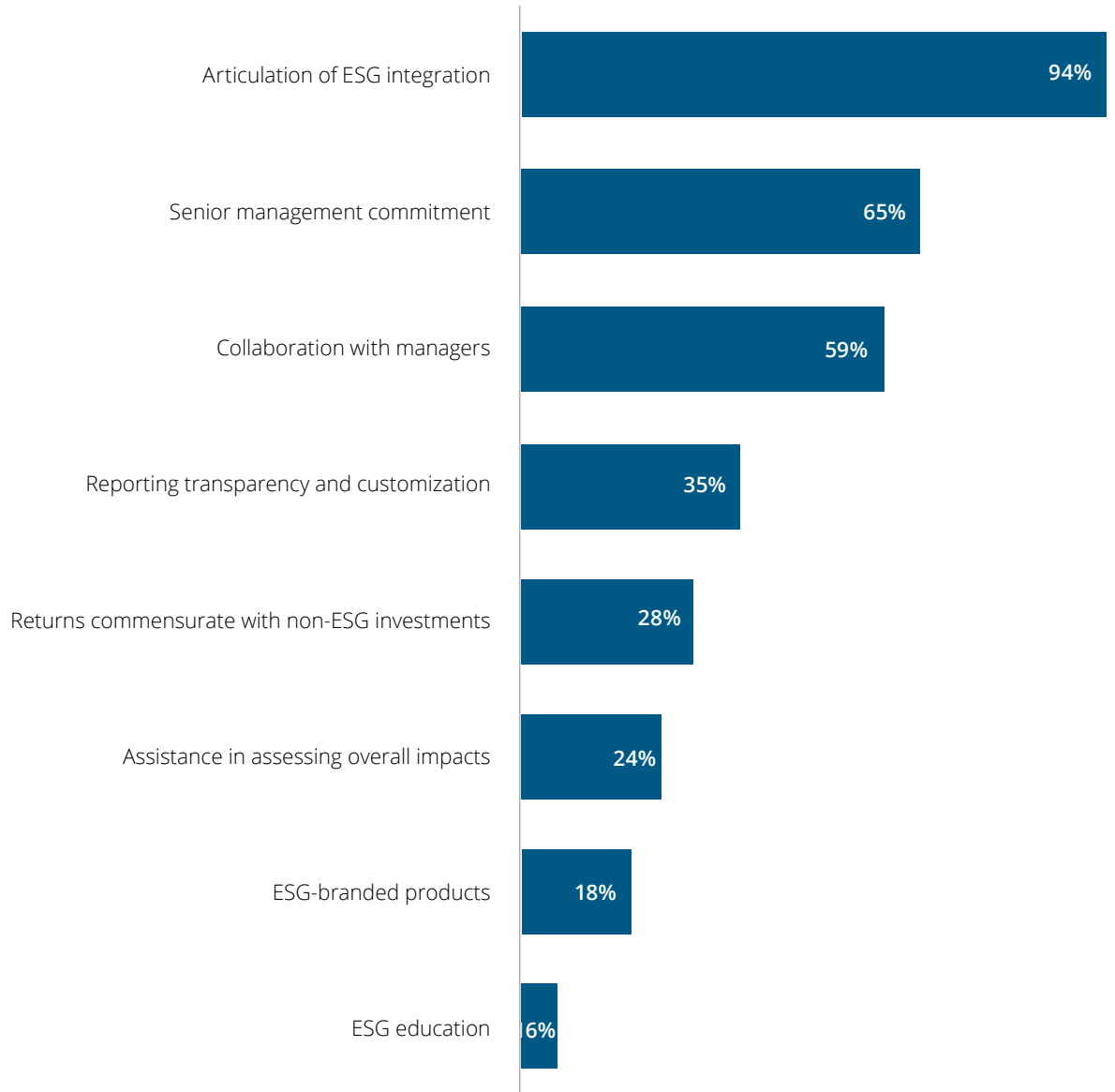


Notes: Defined as active funds positioned to deliver sustainable outcomes and/or impact by aligning with one or more specific sustainable investment themes, excluding broadly positioned ESG funds.

Source: Morningstar, Casey Quirk analysis.

3. *Credible integration of ESG factors into investment processes.* Professional buyers do not want portfolio managers that only talk about ESG. They are focusing on how (and how consistently) an investment organization sources and uses ESG data and how it translates into investment decision-making, including screening, selection, portfolio weighting, and exit strategy. Large investors with substantial sustainability commitments rank ESG articulation highest among all criteria with which they score potential providers.

**Exhibit 9. Importance of ESG factors in buying process, large asset owners worldwide with >50% ESG deployment, 2021**



Source: *Top1000Funds/Casey Quirk Large Asset Owner Survey.*

Diligence around ESG articulation involves buyers examining the decision-support platform underlying an asset manager’s entire investment organization, rather than simply reviewing the investment professionals themselves. Sustainable investing leaders will stand out from competitors by differentiating themselves with three process components:



**Exhibit 10. Attribute 3: Credible integration of ESG factors**

Process component	Best practices
<p><b>Sustainability research</b></p>	<ul style="list-style-type: none"> <li>• Use of specialist third-party ESG data providers</li> <li>• Enhanced alternative data aggregation capabilities (e.g., natural language processing) to differentiate data inputs</li> <li>• Increased sustainable resource specialization across thematic research</li> <li>• Investments contributing to sustainable research through bottom-up ESG risk analyses</li> <li>• Strong partnership between investments and sustainable research professionals across thematic and company-specific research</li> </ul>
<p><b>Aggregation engine</b></p>	<ul style="list-style-type: none"> <li>• Uniform data access layer ensuring data consistency and integrity</li> <li>• Single proprietary aggregation engine incorporating third-party and proprietary data, along with sector-specific risk frameworks, to generate ESG ratings, insights, and signals</li> <li>• Specialized resources dedicated to maintaining the aggregation engine and generating ratings, research, and frameworks</li> </ul>
<p><b>Integration approach</b></p>	<ul style="list-style-type: none"> <li>• Robust process spanning the investment platform, incorporating key data inputs, guidelines, and PM discretion expectations</li> <li>• Clearly articulated integration philosophy that links firm sustainability beliefs and source of differentiated IP</li> <li>• Centralized monitoring and oversight to ensure quality control</li> <li>• Feedback loop between investment and sustainability research teams to conduct ESG attribution, enhance research notes, and perform deep dives into material ESG issues</li> </ul>

Source: Casey Quirk.

4. *Outcome-focused, active ownership*, sometimes defined as “stewardship,” and often involving an asset manager’s voting approach. Casey Quirk research has found that asset managers are boosting shareholder engagement, with active voting at shareholder meetings jumping 33% between 2018 and 2020. Buyers expect asset managers with public sustainability commitments to drive meaningful impact by actively voting. Sustainable investing leaders have clearly articulated, better-resourced shareholder engagement efforts.

**Exhibit 11. Attribute 4: Outcome-focused, active ownership**

	 <b>Legacy approach</b>	 <b>Emerging best practices</b>
<b>Philosophy</b>	<ul style="list-style-type: none"> <li>• Passive, risk-aware approach focused on mitigating issues</li> </ul>	<ul style="list-style-type: none"> <li>• More activist, engaged approach to drive outcomes</li> </ul>
<b>Themes</b>	<ul style="list-style-type: none"> <li>• Focused on governance or select environmental or social issues</li> </ul>	<ul style="list-style-type: none"> <li>• Specific themes tied to key Sustainable Development Goals or sustainability issues (e.g., biodiversity)</li> <li>• Connected to strategic focus areas for the firm ESG strategy</li> <li>• Informed by proprietary materiality framework and internal research</li> </ul>
<b>Expertise</b>	<ul style="list-style-type: none"> <li>• Lightly staffed stewardship team focused on coordination</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding teams across disciplines</li> <li>• Specialist expertise across sectors, regions, and themes</li> <li>• Informed by proprietary sustainability research</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• Loosely coordinated approaches between:                             <ul style="list-style-type: none"> <li>– Stewardship teams leading shareholder voting efforts</li> <li>– PMs leading return- and risk-driven engagement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Fully integrated, coordinated approach tied to the investment process</li> <li>• Clear active-ownership framework with timelines and action steps</li> <li>• Leverage collaborative impact</li> </ul>
<b>Measurement</b>	<ul style="list-style-type: none"> <li>• Vague, high-level objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Specific, tailored KPIs tied to deep sustainability research</li> <li>• Measurable progress benchmarks tied to key action steps</li> </ul>
<b>Stewardship reporting</b>	<ul style="list-style-type: none"> <li>• High-level activity reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent, outcome-based reporting back to end clients</li> </ul>

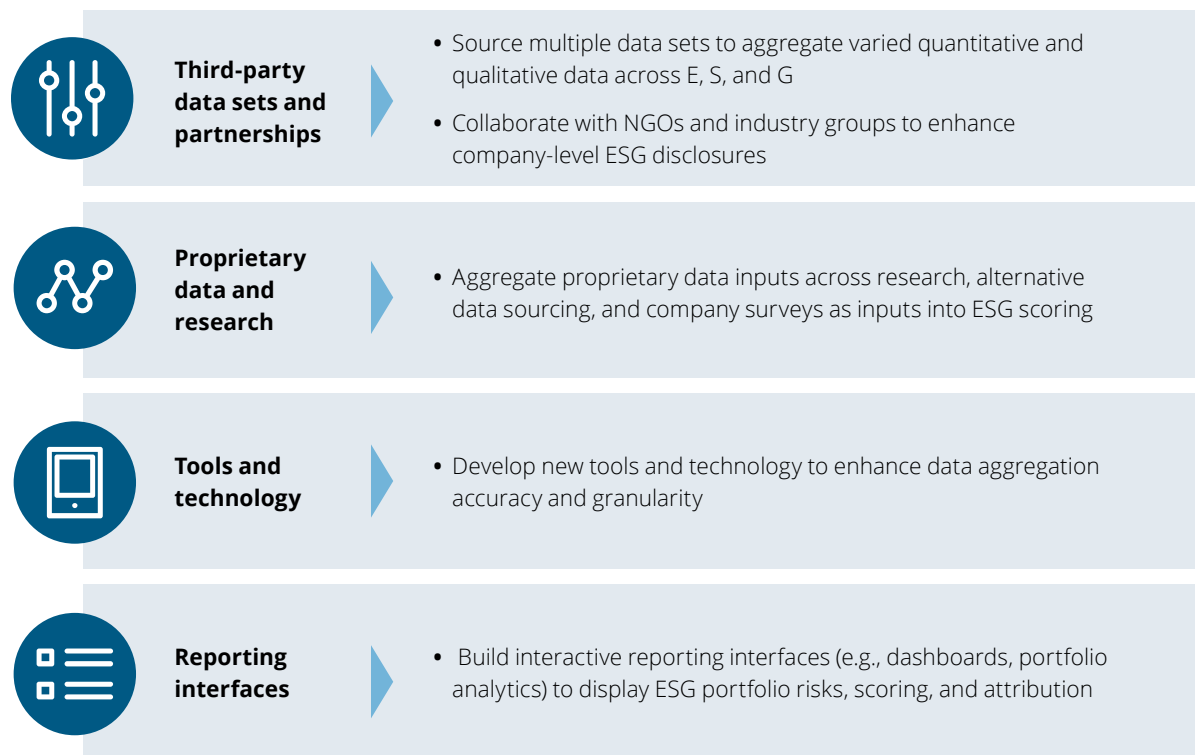
Source: Casey Quirk.

5. *Insight-led client engagement.* Sustainable investing leaders use relationship management (and client experiences) not only to explain their sustainability commitments, but also to report on their progress and impact. This manifests in multiple ways:

- a. *Thought leadership:* Unified, regularly produced content that outlines the firm's sustainability value proposition, goals, and impact
- b. *Distribution alignment:* Educating distribution professionals about the firm's sustainability advantages, along with key sustainability themes, to drive client awareness about sustainability and respond to inbound client inquiries
- c. *Access to ESG and sustainability expertise,* with strong internal communication linking distribution professionals with the firm's sustainability leaders and experts
- d. *Client reporting functions,* showing the impact of specific sustainability and ESG decisions

Reporting is likely the most important of these four points, as it provides data showing adherence to public promises. Effectively and consistently measuring and communicating the impact of these promises presents challenges due to lack of data and consistent client expectations on a framework for reporting. Many asset managers already struggle with client reporting, and any shift to sustainable investing practices will further affect these systems.

### Exhibit 12. Best practices for client reporting in sustainable investing



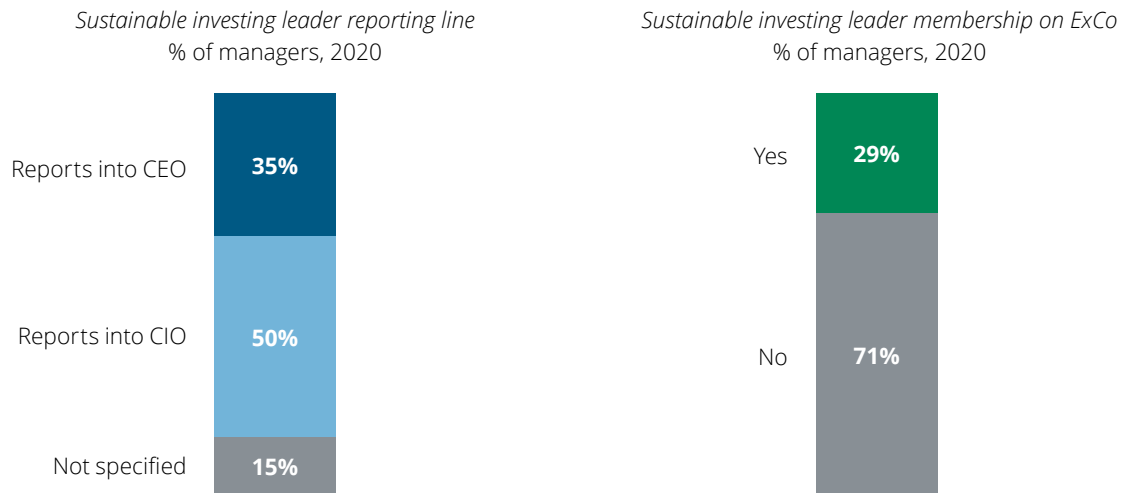
Source: Casey Quirk.

## Operating model changes for sustainable investment processes

The five key attributes outlined previously are capabilities that sustainable investing leaders add as competitive differentiators. To support them effectively, these asset managers often enhance existing elements of their operating models, particularly across three functions:

1. *Governance and organizational design.* An initial step among firms pursuing sustainability objectives has been the assignment of a dedicated leader for recruiting and establishment of sustainability. The sustainability leader within an asset manager has several different, critical roles, not only within the investment group, but also across corporate social responsibility, executive decision-making, marketing, and talent recruitment. Increasingly, sustainability leaders are moving into the C-suite, supported by dedicated investment resources across the investment platform.

### Exhibit 13. Sustainable investing leader reporting lines, 2020

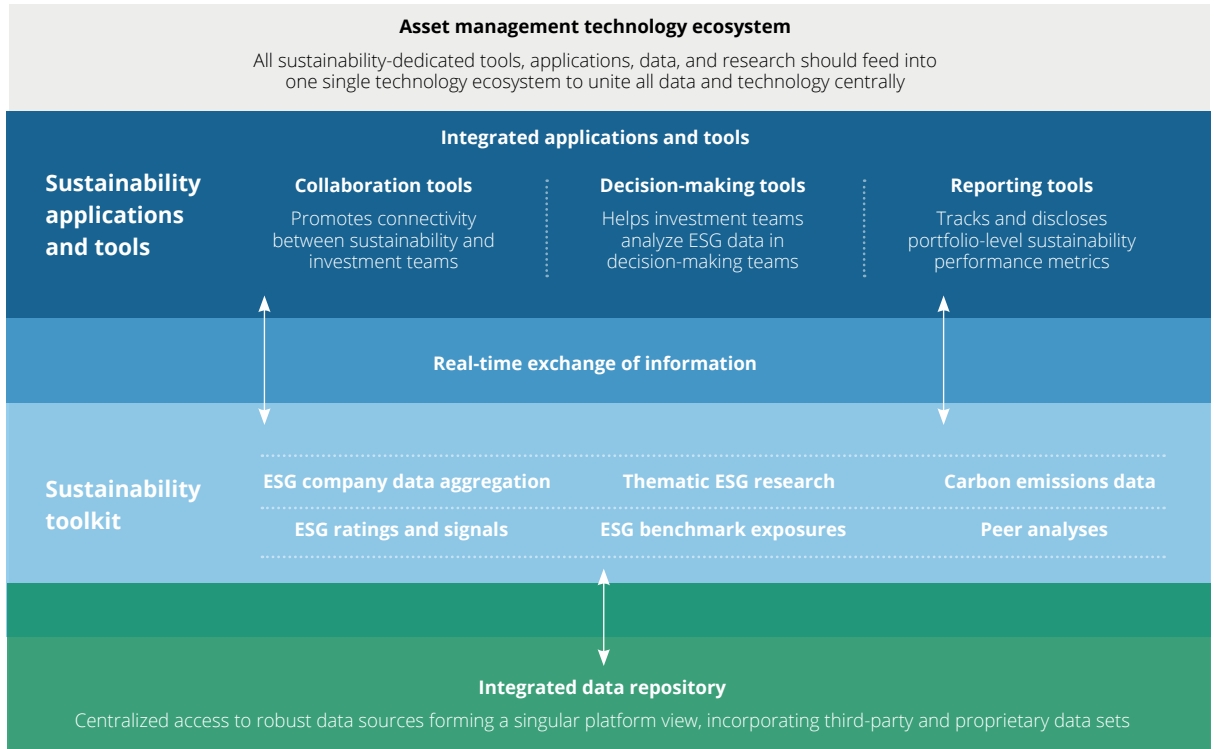


Source: Casey Quirk analysis.

Leaders in sustainable investing evolve their governance and organizational structures to support their visions internally and externally. Efforts include:

- *Empowering sustainability leadership* and asking key sustainability executives to own the vision
  - *Providing external visibility*, publicly promoting the firm's sustainability experts and leaders and letting them drive thought leadership
  - *Holding the executive team accountable* by embedding the sustainability agenda, including public commitments, into performance measurement goals
  - *Creating sustainability committees* to encourage cross-functional alignment
  - *Naming "ESG champions,"* functional liaisons to sustainability committees
  - *Ensuring the appropriate resources are recruited* and integrated into the investment team.
2. *Data and technology capabilities*, essential for aligning the firm around a single source of truth for sustainable investing implementation. Innovative ESG data and technology capabilities support long-term differentiation. Best practices include:
    - *Building a central data repository* to integrate traditional investment data with ESG and sustainability data
    - *Assigning dedicated data and technology resources* to oversee analytics engine enhancement, ESG data hygiene, and innovation
    - *Improving sustainability reporting* with better data visualization that depicts ESG risks, attribution, and performance
    - *Expanding proprietary ESG and sustainability research*
    - *Bolstering sustainable investing tool development* to align the firm's sustainability vision consistently across all portfolio managers, improving collaboration and decision-making

**Exhibit 14. Operating model changes for sustainable investing: Data and technology**



Source: Casey Quirk.

3. *Incentives.* Sustainable investing leaders realize they must incentivize their executives (particularly their investment professionals) to adopt new behaviors that support the vision. This involves examining how the sustainable investing strategy factors into five key pillars of talent alignment.

**Exhibit 15. Operating model changes for sustainable investing: Talent alignment**



Source: Casey Quirk.

Incentives are probably the thorniest of these three pillars to tackle. Sustainable investing leaders thoughtfully examine remuneration practices to ensure that rewards link to sustainability commitments by:

- *Embedding sustainable considerations* within performance measurement processes for both investment professionals and other key leaders.
- *Requiring firm leaders* to transparently account for sustainability in appraisals and compensation decisions
- *Linking sustainability objectives* to variable compensation at the board and executive levels, and publicly disclosing these decisions

To find out more, read [Incorporating ESG measures into executive compensation plans](#).

## Conclusion

As asset managers weigh their aspirations regarding sustainability, as well as the investments and changes required across firm attributes and operating model elements, different firms will take different first steps. ESG integrators, for example, require fewer changes, but in order to capture their share of the \$3 trillion in new flows, they must convincingly integrate ESG factors and data into their investment processes. Sustainability purists, conversely, will worry less about product development—all their offers will be sustainable by definition—but everything else becomes critical. Defining a vision helps asset managers structure their change management priorities and plans.

**Exhibit 16. Dedicated sustainable investing archetypes: Priorities and challenges**

	ESG risk integrator	Client-led ESG solutions player	Goals-oriented outcome provider	Sustainability purist
Clear sustainable investing vision	Potential challenges	Potential challenges	Potential strengths	Potential strengths
Sustainable product offering	Potential challenges	Potential strengths	Potential strengths	Potential challenges
Authentic ESG process integration	Potential strengths	Potential challenges	Potential strengths	Potential strengths
Outcome-oriented stewardship	Potential challenges	Potential challenges	Potential strengths	Potential strengths
Insight-led client engagement	Potential challenges	Potential strengths	Potential strengths	Potential strengths
Clear governance and org. design	Potential challenges	Potential challenges	Potential challenges	Potential strengths
Innovative ESG data and technology	Potential challenges	Potential strengths	Potential strengths	Potential challenges
Talent and incentives aligned to goals	Potential challenges	Potential challenges	Potential challenges	Potential strengths

Source: Casey Quirk.

Potential challenges Potential strengths

This prioritization helps define the key trade-offs each archetype contains:

1. *ESG integrators* require less change, but are vulnerable if buyer sustainability expectations continue to rise.
2. *Client-led ESG solutions players* can serve clients across a wide range of sustainability beliefs, at the cost of high complexity and potentially subscale offers.
3. *Goals-oriented outcome providers* align well with medium-term sustainable investment demands, but will also face hard conversations with talent and leadership about career objectives and remuneration.
4. *Sustainability purists* represent the bleeding edge of sustainable investing, but only appeal to a narrower buyer group, slowing efforts to achieve scale.

Not all asset managers will develop sizable dedicated sustainable investing businesses, and many may not need to do so. But all asset managers will require thoughtful answers to questions about their approach to sustainability—as well as the capabilities and operating models needed to support their chosen path.



# CaseyQuirk

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