

Foresight research reveals lack of familiarity remains a major hurdle for sustainable investing

- **Lack of familiarity remains the biggest barrier for IFAs to recommend ESG investment options to clients**
- **45% of advisers say education sessions would encourage them to suggest ESG funds more frequently**

London, 22 November 2021 – Nearly half of UK IFAs believe that the biggest barrier to recommending ESG investment options is their clients’ lack of familiarity with the concept, according to a new study by Foresight Group LLP (“Foresight”), a leading independent infrastructure and private equity investment manager.

The research, conducted among over 100 IFAs¹, revealed that 43% see lack of familiarity as the biggest hurdle, which is significantly higher than the 29% who said so in 2020².

While it may seem that awareness of ESG in the retail investor space has diminished, it may be that advisers’ own understanding has improved to such an extent that they appreciate more fully the knowledge gaps among their clients. Nearly two in five (39%) this year also cite confusing terminology surrounding ESG investment as a barrier.

Evidence counters concerns over performance

However, a substantial minority of investors still question whether a focus on ESG harms investment performance, with 31% of IFAs referring to clients having concerns about performance in relation to ESG. Despite this, a majority (72%) of IFAs believe incorporating ESG considerations into investment strategies does not usually impact financial returns negatively though, with just 13% saying this is the case and 15% saying they do not know.

IFAs’ thinking on this is in line with several academic studies that have shown there can be a *positive* relationship between corporate ESG scores and financial performance. Similarly, funds with a commitment to ESG are outperforming non-ESG funds on a risk-adjusted basis. For example, a 2017 MSCI study showed that companies with stronger ESG profiles typically exhibited higher profitability, lower frequency of severe drawdowns and lower systematic risk.

Tools are needed to inform investors

This need for more information to help promote sustainable investing to clients is highlighted in Foresight’s research. Nearly half (45%) of IFAs say education sessions would encourage them to suggest ESG funds more frequently, followed by learning tools (40%), available case studies (32%) and testimonials (11%). Only 11% said none of the above would help

Mark Brennan, Partner at Foresight Capital Management, said: “As responsible investing increasingly becomes part of the mainstream, there is still much to do in terms of raising awareness and helping IFAs to educate and inform clients of the options available to them. At Foresight we pride ourselves on being a sustainability-led investment manager, and we are certainly prepared to take on responsibility in helping the investment industry to shape sustainable investing in the future.”

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¹ Research conducted by PollRight among 112 financial advisers between 15th February 2021 and 12th April 2021.

² Research conducted by PollRight among 124 financial advisers between 21 October and 8 November 2019

Notes to Editors

About Foresight Group LLP (“Foresight”):

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets. Foresight manages over 300 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets. Its private equity team manages eight regionally focused investment funds across the UK, supporting over 120 SMEs. Its Foresight Capital Management team manages four funds investing in listed real assets with environmental and social benefits, exceeding £1.3 billion Assets Under Management (AUM). Foresight operates from 12 offices across six countries in Europe and Australia with AUM of £8.1 billion as at 30 September 2021. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021. <https://www.fsg-investors.com/>