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## Green Finance: Global Asset Managers Progress Toward Tracking Sustainability Profiles of Portfolios

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**By Duncan Grieve**

Special Counsel | White Collar Defense and Investigations

In its [2022 Global Asset Manager Survey](#) focused on emerging and frontier markets, consulting firm Mercer polled over 400 asset managers across the globe, representing over \$51 trillion of assets under management. The survey found that only 27% of respondents have established climate transition targets such as net-zero in their portfolios, with only 16% having set science-based net-zero targets. On the other hand, 58% of managers track portfolio company emissions, 64% have established climate transition targets, 39% track forward-looking transition metrics such as target setting, and 59% have policies regarding how climate change is incorporated into their portfolios. In addition, 89% of respondents identified ESG-related transparency and disclosure as a barrier to investing in emerging markets, with 82% citing more regulation around financial reporting as a key to supporting increased allocations.

The survey results with respect to emerging markets are particularly noteworthy and confirm views we have previously expressed on increasing sustainable investment in developing markets such as [Brazil](#). The report states that “of the 61% of managers reporting current exposure in emerging markets, less than one in 10 have invested in infrastructure, private debt or real estate across Africa, Latin America, Asia and Eastern Europe,” and adds that a “significant step change in the robustness of data, and in transparency and disclosure around company reporting and ESG factors is required for investors to overcome current barriers to investment into emerging and frontier markets.”

**Taking The Temperature: We have written extensively on the challenges faced by the asset management industry as a result of climate change and sustainability issues, including navigating disclosures concerning the sustainability profiles of their portfolios, the need to obtain greater transparency from issuers, and the increasingly politicized atmosphere surrounding climate issues. The Mercer report underscores that the industry has not yet achieved consensus on how to approach the many different**

tests that climate change poses, but that overall, it appears that managers are increasingly incorporating climate considerations into portfolio selection and monitoring. Emerging markets appear to be particularly challenging terrain given, at times, the political uncertainty and less developed regulatory disclosure guidance in these regions. At the same time, developing countries require sustained increased investment in order to address the impacts of climate change. On a positive note, 54% of the managers surveyed by Mercer report that increased adherence to global reporting frameworks such as the Task Force for Climate-Related Financial Disclosure recommendations would be the biggest factor in increasing sustainable investment at least in one such region, Africa, and more than one-third of surveyed managers expect to see such increased adherence develop over time.