

A blurred, low-angle shot of a busy office hallway with people walking in various directions. The lighting is modern, with recessed ceiling lights and a perforated metal ceiling. The overall color palette is cool, dominated by blues and greys.

ESG – Themes & Trends

European Investment Management

• Q1 2022

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2022 | ESG Market

THEMES & TRENDS

Hiring volumes continue to grow exponentially, as firms in long-only asset managers continue to shift to different organisational solutions, with bigger teams and specialised roles creating the need for multiple hires.



Growing teams: Large and increasingly mid-sized asset managers are continuing to move away from small three-to-five person teams with a “do anything ESG” mandate to more structured, specialised teams, focused not just on different parts of analysis or stewardship, but also on specific sectors.



Real Estate: In terms of team size and organisational development. Real Estate investors continue to lag behind their long-only counterparts, but it has a deeper pool of experience regarding “sustainability” with that being a feature of development for some time already.



Client facing roles : While ESG offerings become more sophisticated and differentiated as teams evolve their sales and client facing capabilities., a number of firms are developing client facing ESG “Product Specialists” or even specific ESG salespeople to help articulate the specific offering. Clients are becoming just as sophisticated in understanding ESG and what differentiates firms and so expertise is required to meet that demand.



ESG Data: The challenge around obtaining and refining ESG data is becoming vital to cutting edge analysis, and we are seeing a struggle for talent over tech and big data specialists to assist ESG analysis. Asset Managers are competing with the big tech companies for talent and are struggling to compete with them, both in terms of career opportunity and compensation.

Hiring Market Conditions for ESG

"Hot market"

High Demand, Low Supply

The ESG hiring market has been defined by high demand and low supply for the past five years. ESG has only been a mainstream concern for the past five years, and so not many people chose to specialise in before the explosion in interest. It is still a new market, but with huge client demand. This defines all the other market conditions in some way, though it is easing as each year passes.



ESG approach divergence

The market has yet to coalesce around one approach to ESG, with significant divergence in attitude to ESG.

Candidates will be better suited to cultures that match their approach.

Conviction candidates

Candidates with the most ESG experience have that because they entered that market before it was popular or lucrative.

To attract the best candidates, firms must show their full commitment to ESG.



Compensation

Since 2017, compensation for "Head of ESG" roles has grown between 2x-5x depending on the roles.

Therefore, there is a mismatch between candidate compensation and hiring compensation expectations.

Compromises

Lack of supply of candidates with all necessary experience means hiring firms must accept some compromise.

Hiring managers must decide which criteria they can afford to compromise on.



2021 | Compensation and Benefits

DATA & TRENDS

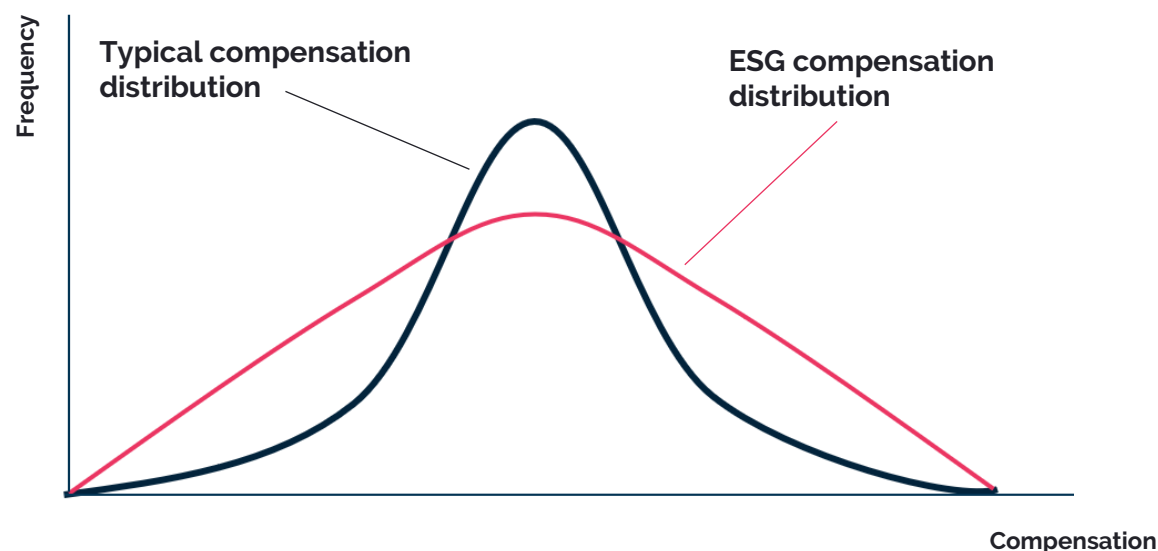
Compensation distribution is remarkably wide

As the hiring frenzy in ESG continues, compensation has become a very important topic, with the shortage of supply over demand creating big compensation changes. The market is defined by a very broad distribution. We can break down the factors affecting this as follows:

- The short timeframe over which this huge demand has grown has created compensation lag, that favours recent movers.
- The value firms place on ESG and its importance to their business and strategy vary hugely, and this has a big impact over what firms are prepared to pay their ESG experts.
- The dominance of continental European asset managers in the space means their presence is outsized compared to the rest of the asset management industry, with a roughly 15-25% discount for candidates not based in London.
- Firms have different organisational structures regarding ESG which affects compensation. “On desk” Analysts are typically on a path for portfolio management. The centralized analyst functions are a path less travelled to portfolio management, and so compensation can be different.

Level	Total Comp Range – 80% (£GBP)
Head of ESG (Global)	£300,000 – £600,000
Head of ESG (Regional)	£180,000 – £350,000
Experienced Analyst (7+)	£130,000 – £250,000
Junior Analyst	£50,000 – £130,000

Compensation Distribution



ESG Track Record

Recent ESG Search Track Record

<p>CEO</p> <p><i>\$5bn US Boutique ESG Asset Manager</i></p>	<p>Head of ESG</p> <p><i>£30bn UK Boutique</i></p>	<p>Head of Fixed Income</p> <p><i>New ESG Asset Manager</i></p>	<p>Senior Sovereign ESG Analyst</p> <p><i>€1tn European Asset Manager</i></p>	<p>Senior Banking ESG Analyst</p> <p><i>€1tn European Asset Manager</i></p>	<p>Head of ESG, Europe</p> <p><i>\$120bn Real Estate Investor</i></p>
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<p>Head of Healthcare ESG Research</p> <p><i>€1tn European Asset Manager</i></p>	<p>ESG Research Advisor</p> <p><i>\$350bn US Asset Manager</i></p>	<p>Senior Retail ESG Analyst</p> <p><i>€1tn European Asset Manager</i></p>	<p>ESG Investment Team Build</p> <p><i>\$350bn US Asset Manager</i></p>
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<p>Head of ESG</p> <p><i>\$120bn US Asset Manager</i></p>	<p>Senior ESG Investment Analyst</p> <p><i>\$600bn European Asset Manager</i></p>
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