

Environmental, Social, and Governance

# 2023 Hedge Fund ESG Talent Tracker



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# INTRODUCTION

## Hedge Fund ESG Talent Tracker

A year ago, AMObserver (AMO) published our *2022 Hedge Fund ESG Hiring* report. Our main objective was to describe and quantify the efforts by hedge funds in the realm of ESG human capital. We achieved this goal by tracking employee moves, or “flows,” in fund hiring during 2020 and 2021.

In this follow-up report, we revisit the same ESG personnel hires from 2020 and 2021 to determine the progression of their careers and ESG roles. Our report offers a clear, leading-indicator snapshot of how ESG talent flows are evolving in alternative asset management.

We would typically conduct such a talent “look-back” every five years. However, with the continuous activity, debate, and changes in ESG initiatives – including serious navel-gazing on the very essence of who and what qualifies as a legitimate “ESG” player – we seized the opportunity to focus on human capital once again. This time, we measure the arc and trajectory of ESG talent flows.

Our new report features the same hiring data points and segmentation as our 2022 report. We also use the same framework and methodology, in which the movement of people into and within firms is the primary determinant of change in a company’s ESG human capital focus.

Our methodology and data-tracking platform allow us to delve even deeper into ESG in alternative asset management.

The platform can also be utilized to identify hiring trends in any industry, sector, or company across talent dimensions, including diversity, equity, and inclusion (DEI).



## FINDINGS

Some key findings from our research are highlighted below, with a focus on turnover and retention at the firm level and the sector level. This differs from most discussions on turnover, which often focus exclusively on a firm's employee departures and associated retention. In contrast, our analysis concludes that both firm and sector turnover are key metrics for accurate tracking in the realm of ESG.

### Firm and sector retention

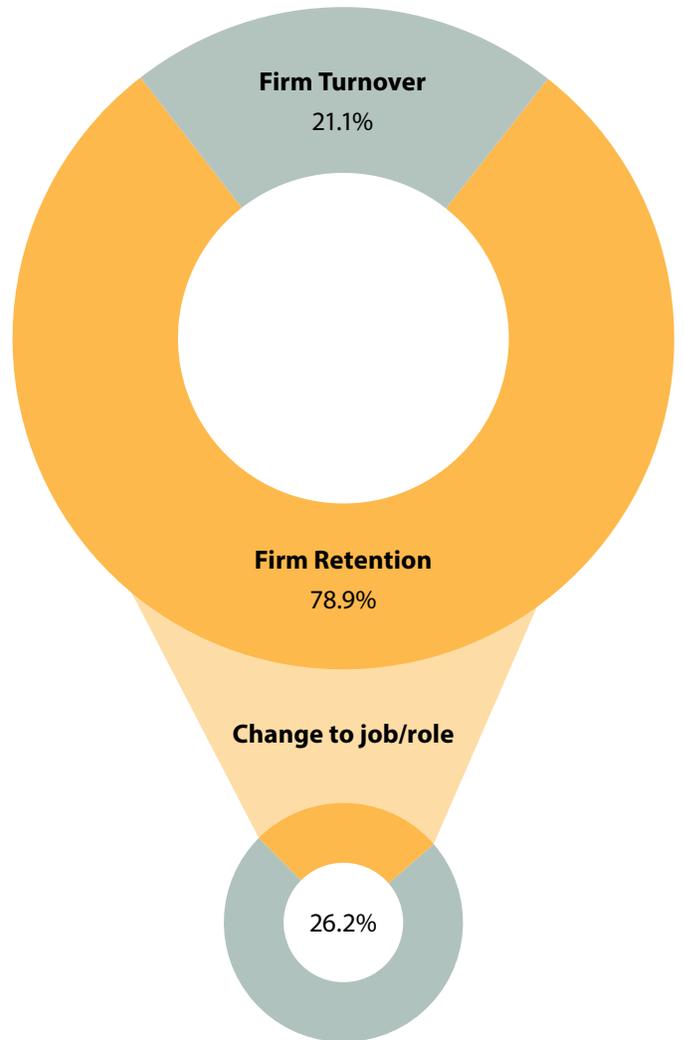
Almost 80% of the full-time hires made between 2020 and 2021 are still employed at the same firm, and the majority are still working in ESG functional roles for which they were initially hired (**Chart 1**). About one-quarter of those who are still working at the same firm had a role or responsibility change, mostly related to advancement to a more senior role.

About 10% of retained employees tracked, however, were found to have tweaked or materially changed their job titles in terms of content coverage. Common title buzzwords including "Stewardship," "Responsible Investment," "Governance," "Sustainable," and the catch-all acronym, "ESG," are jockeying for position in a title skirmish that may reflect the continued evolution of the ESG sector, as regulators and government officials weigh in and stated ESG investment objectives get reshaped.

*Approximately 60% of full-time employees who left the ESG firm or role they were hired for... have transitioned out of the ESG sector altogether.*

Chart 1. Firm and Role Retention

**Key Message:** Most 2020-2021 ESG hires still remain at their firm and in their role.



### Sector turnover

Approximately 60% of full-time employees who left the ESG firm or role they were hired for in 2020 or 2021 have transitioned out of the ESG sector altogether.

This high sector turnover rate from a recently secured ESG job is unique within the financial services industry.

### Firm turnover, sector retention

The majority (60%) of those who left their hedge funds but remain in ESG roles secured positions in private capital investment, such as private equity, private debt, and venture capital firms, as well as in niche mission-centric emerging companies dedicated to solving specific ESG challenges (**Chart 2**).

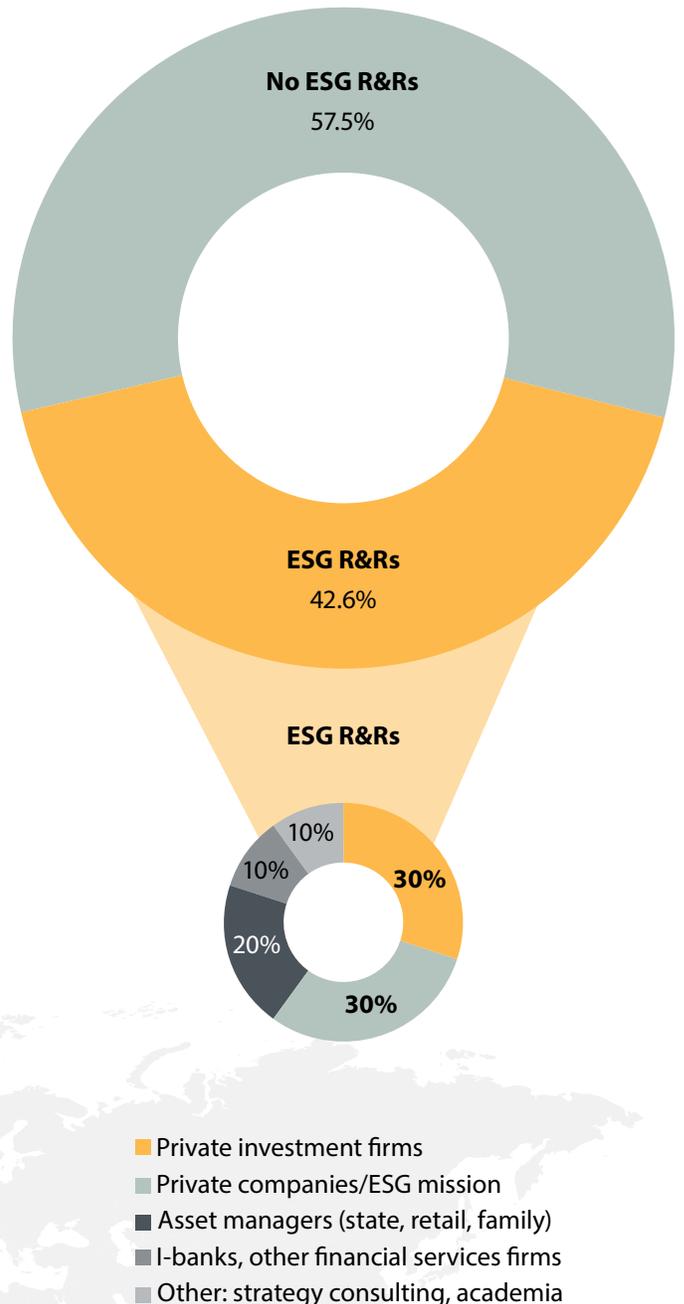
Private investment firms actively hiring ESG talent include dedicated ESG firms, mostly in clean energy infrastructure and impact investment more broadly. Industry generalist firms also onboarded ESG leaders to build dedicated ESG mandates or roles within their organizations.

Emerging companies hiring in the ESG space span a range of industries. Examples include a European low-carbon battery production firm, a real estate company assisting corporate tenants in decarbonizing buildings, a firm providing climate scenario forecasting for land and property valuation purposes, and a healthcare firm focused on servicing underprivileged populations.

*The majority (60%) of those who left their hedge funds but remain in ESG roles secured positions in private capital investment... and companies dedicated to solving specific ESG challenges.*

Chart 2. Firm Departure

**Key Message:** Most ESG hires who left their ESG role have left the ESG sector altogether. Those who moved to another ESG role chose private markets investing or an ESG company.



### Firm turnover, new asset managers

Some candidates who left their previous firms joined asset management firms with a different mix of asset owners as clients. These include private wealth managers (retail clients), family offices, and state-owned sovereign wealth funds.

Hedge funds were noticeably absent from these recruiting initiatives.

### Firm turnover by function

Turnover rates for investment and operations functional roles generally matched associated hiring rates (**Chart 3**).

Attrition rates were higher than hiring rates, however, for marketing/investor relations/branding roles, strategists/product specialists, and quantitative/data analysts.

As noted in our 2022 report, ESG investment roles may differ from non-ESG investment roles. ESG responsibilities may include, for example, “corporate engagement,” “company advocacy,” and “strategy,” with relatively more emphasis on research than profit-and-loss, risk-taking decisions.

***Hedge funds were noticeably absent from these recruiting initiatives.***

### Consultant/Part-time staff turnover

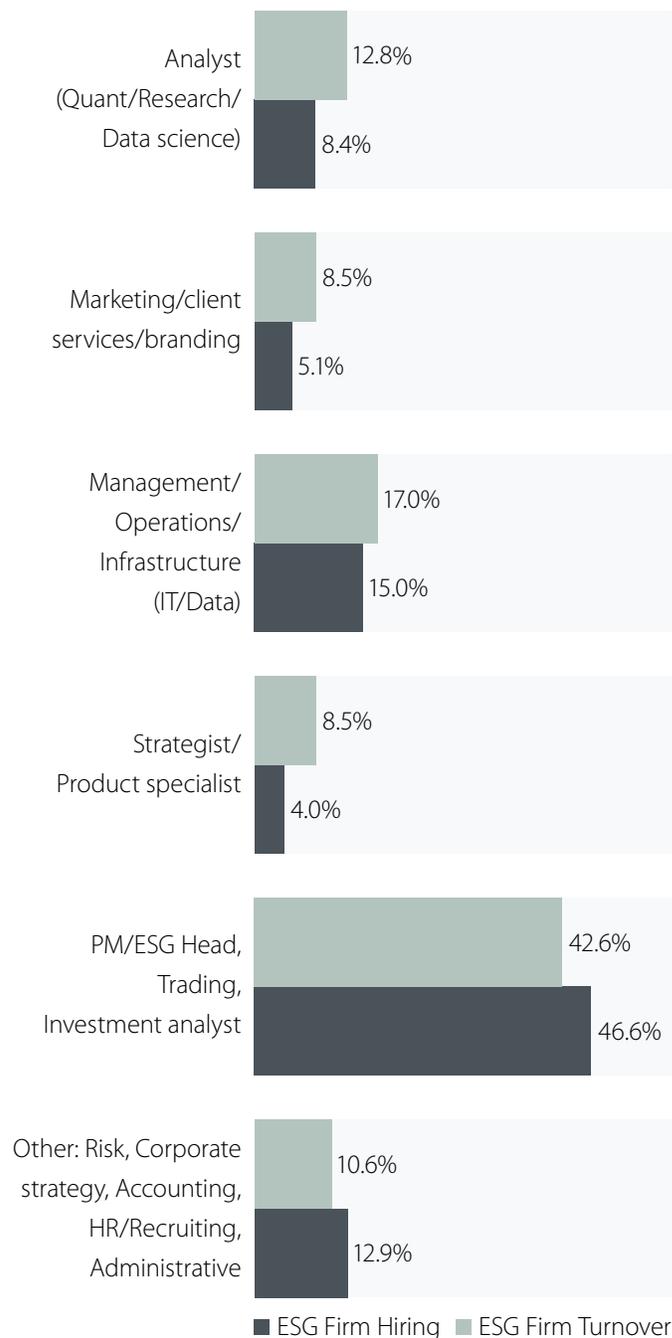
Unsurprisingly, part-time employees were more likely to have left the firm into which they were hired in 2020 or 2021.

However, approximately 25% of interns graduated into full-time roles at the same firm, mostly in investment roles at firms well-known in the ESG investment sector – making such internships a valuable point of entry into the ESG sector.

Approximately 40% of consultants/board advisors were still serving at the firms into which they were hired. A small number of advisory board consultants were no longer at these firms and had removed the “advisory board” role from their experience set.

Chart 3. Turnover Rates by Job Function

**Key Message:** Firm hiring and turnover rates were pretty evenly matched except among Marketer/IR, product strategist, and quantitative/data analysts.



AMObserver’s methodology can be used to address a range of questions pertaining to the movement of talent in various sectors. If you are interested in customizing an ESG analysis or exploring other specialty areas, please contact [AMObserver](#) to learn more.



## Definition

Numerous terms are routinely used to define the scope of investing as it relates to stated improvements in social and global welfare, including environmental, social, and governance (ESG); socially responsible investing (SRI); and impact investing. While each term has distinct aspects and investment criteria, we have combined them and include diversity, equity, and inclusion (DEI) as a component within the social pillar of ESG.



## Timeline

To determine the trajectory of individuals hired into ESG roles in 2020 and 2021, we tracked their job status in Q1 2023. The initial and subsequent time periods chosen seek to capture the start of major ESG initiatives in the U.S. investment industry as well as how ESG talent flows and ESG alternative asset management are evolving.



## Employee Type

Analysis within the report focuses on full-time hires and personnel promotions and, in some cases, ESG-specific advisory and intern hiring. While full-time staff best capture a firm's commitment to ESG hiring, given the evolving nature of hedge funds' ESG human capital field, inclusion of dedicated advisor and intern roles provides a more comprehensive picture. For the purposes of this report, "hiring" represents both new hires and internal promotions.



## Functional Role

This report analyzes hiring information across all functional roles. In some cases, the focus is on functional roles that have been most impacted by ESG hiring and for which prior ESG experience is more relevant. To be counted in the report, a hedge fund hire must have an ESG-focused role or be primarily responsible for a firm's ESG initiatives, or both.



## Hedge Fund Specific

AMObserver data includes only hedge fund investment or support roles at firms with both traditional and hedge fund offerings. Several sectors associated with the general phrase "alternative asset management" were excluded, including private equity, venture capital, capital allocators to hedge funds such as fund of funds, pensions, endowments, and foundations (unless direct investors in the financial markets).

# ABOUT US

## The Author

**Claude Schwab** is founder and CEO of AMObserver. Claude served as Bridgewater Associates' talent strategist for senior investment talent and consulted with BW's CIO team. He has also led several executive search firms' alternative asset management divisions. Earlier in his career, Claude founded a hedge fund search and media firm that was acquired by Heidrick & Struggles (NASDAQ: HSI) and where he served as a partner in charge of alternative asset management for North America.

Claude has authored several reports and publications, including the *2022 Hedge Fund ESG Hiring* report; the *2021 Hedge Fund Diversity, Equity, and Inclusion* report; *Hedge Me*; and *Pay Me*. He holds an MBA from The Wharton School, an MA from Columbia University, and a BA from the University of Pennsylvania.

## AMObserver

AMObserver (AMO), formerly HFObserver, is an online platform that tracks human capital developments in the alternative asset management industry. AMO leverages a network of experts and a unique data methodology that optimizes firm and industry benchmarking and talent insights.

[AMObserver.com](https://www.amobserver.com)

For copies of the *2022 Hedge Fund ESG Hiring* or *2021 Hedge Fund Diversity, Equity, and Inclusion* reports, please visit <https://www.amobserver.com/reports/>



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