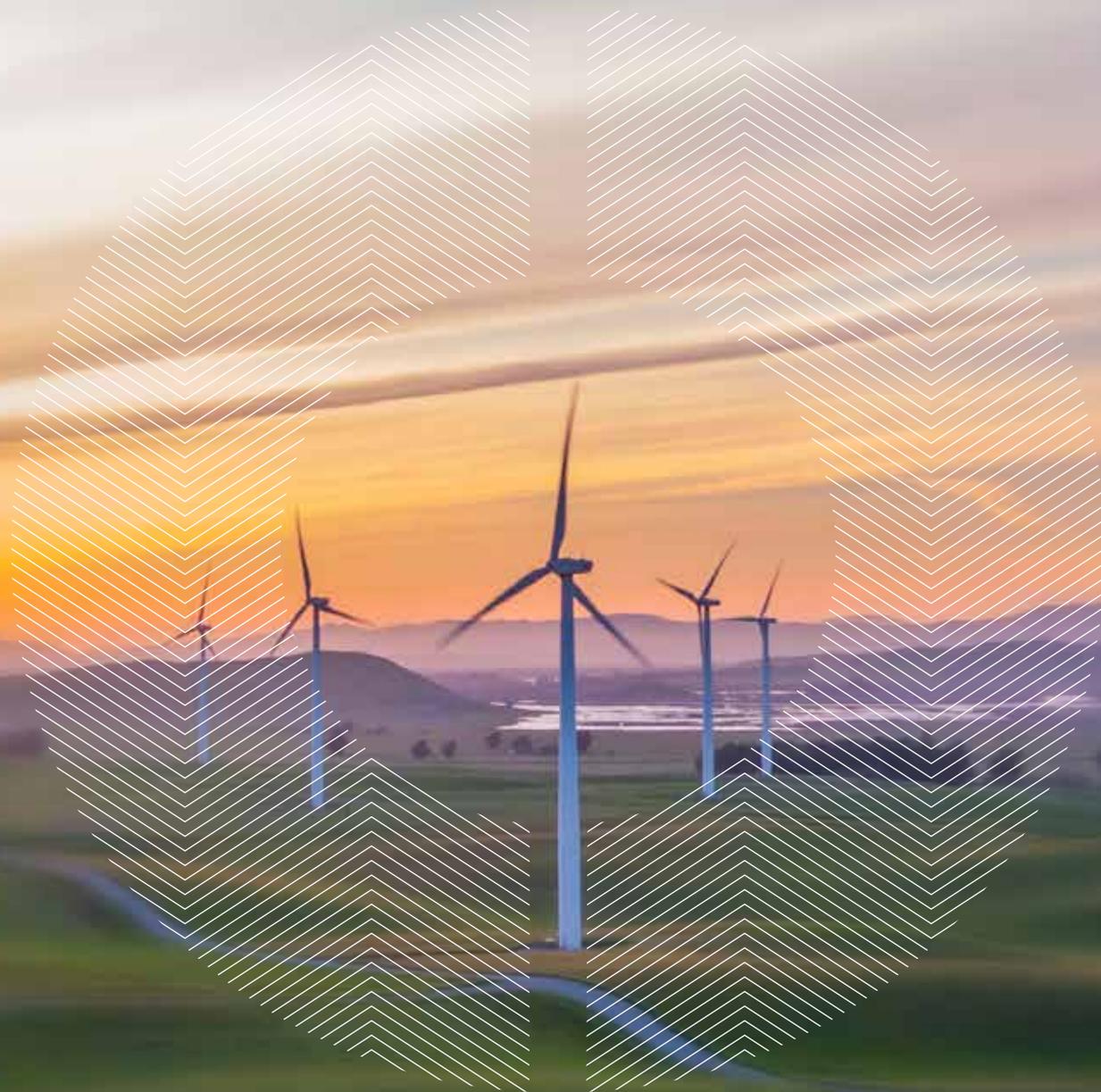


Schroders

Global Investor Study

Are people compelled
to invest sustainably?



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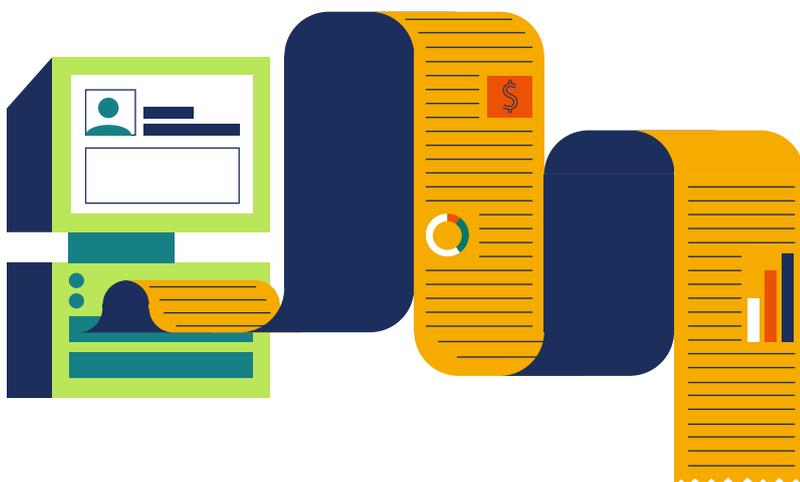
Overview

Concerns over sustainability are growing; from tackling climate change, to social, health and technological progress. This is reflected in the growing importance of sustainable investments, which offer people the chance to combine profit with positive impact. We spoke to over 25,000 people, from 32 locations around the world, about their attitudes towards sustainable investing.

The results identified several challenges that are preventing sustainable investing from becoming widely adopted. Whilst people see sustainability as a priority, it's often overshadowed by immediate financial motivations. Similarly, people don't feel like they are properly encouraged to invest sustainably. Therefore, their personal finances are not deployed in a way that could contribute to a more sustainable world.



About the research



In April 2019, Schroders commissioned an independent online survey of over 25,000 people who invest from 32 locations around the globe. The locations included Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. This research defines "people" as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years. In total there were 1,252 participants in Australia.

Note: Figures in this document may not add up to 100 per cent due to rounding or a multi-answer question.

Global findings in a nutshell

Sustainability factors are a key consideration when selecting investments.

57% will always consider sustainability factors when selecting an investment product, rising to 66% of people in Asia.

Investors want sustainability to be in all products.

61% of people believe all investment funds should consider sustainability factors; not just those specifically designed as “sustainable investment funds”.

People believe that their personal finances can have an impact on the wider world.

Almost two thirds of people (60%) believe their individual investment choices can make a difference to building a more sustainable world.

Interestingly, generation X appear more motivated by sustainability than millennials.

61% of generation X (38-50 years old) will always consider sustainability factors when selecting an investment product, compared to 59% of millennials (18-37 years old). Similarly, generation X were the most likely to feel that their individual investments could have a direct impact in contributing to a more sustainable world (64%) followed by millennials (60%) and then baby boomers (57%).

Environmental issues are people’s biggest sustainability concern.

Whilst all the UN sustainability development goals were important to people, protecting the planet from degradation was seen as the most critical, and 87% of people believe that climate change impacts their investments.

Financial incentives still outweigh sustainability.

Despite the interest in sustainable investments, people still ranked financial priorities above it in importance when considering their investments; with avoiding losing money the most important, followed by meeting return expectations.

People favour a responsible investment approach.

A responsible approach, which means investing in companies that are best-in-class in terms of environmental or social issues or how they are managed, was deemed the most important method (40%) followed by an integrated approach (39%) that focuses on companies more likely to be profitable through their sustainability. A screened approach, which means avoiding investing in controversial companies, was considered the least important (21%).

Not enough is being done to encourage people to invest sustainably.

People identified several drivers that would motivate them to invest more sustainably, such as changes to regulation (60%), independent ratings for funds (60%) and access to information from their financial advisors (59%).

One in four who claim to have higher levels of investment knowledge are currently investing in sustainable investments.

23% of those that considered themselves experts/advanced are already investing in sustainable funds, with 32% of all people wanting to invest in them.



Sustainable investment is important around the world

Sustainable investing is important to people around the world, with over half (57%) always considering sustainability factors when selecting an investment product. Most people (60%) also believe their individual investment choices can make a difference to building a more sustainable world.

Generally, people also believe all investment funds should consider sustainability factors not just those specifically designed as “sustainable investment funds”, with 61% of people feeling this way.

Australian results were on par with global results with 64% of investors stating they always consider sustainability factors when considering an investment and 62% believing that their investment choices can contribute to a more sustainable world by choosing sustainable investments.

Interestingly, only 51% of European investors always consider sustainable factors when investing and 55% believed that their individual choices can have a wider impact on the world. This is somewhat surprising, given the regulatory focus on sustainability in the EU. The inclination to always consider sustainability factors is lowest in Denmark (43%) and the Netherlands (45%). These are countries that have had a focus on sustainability for longer than other parts of the world; so these findings perhaps indicate that local investors don’t consider sustainability because it is implicit to investing.

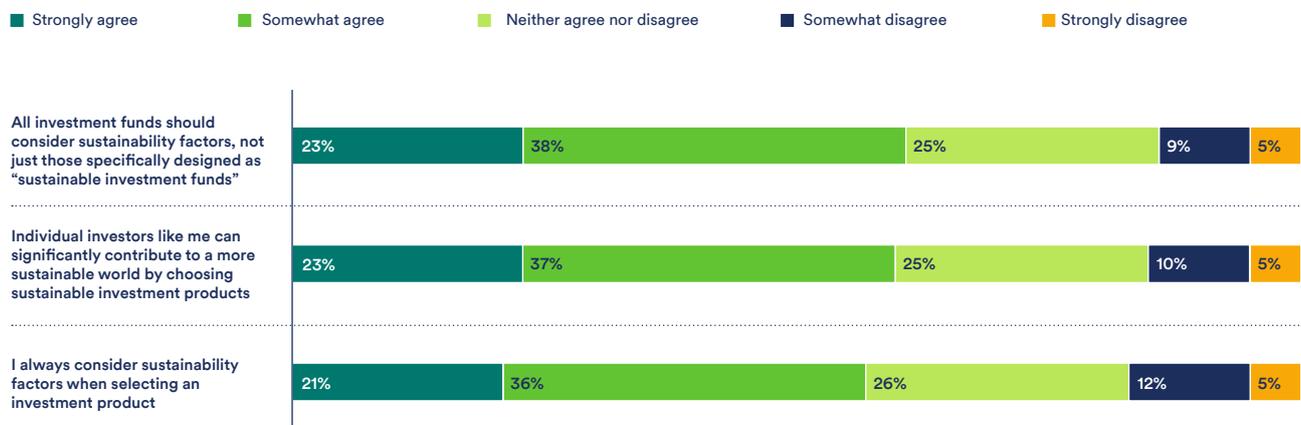
At a country level, two Asian countries stand out as the most likely to believe their personal investment behaviour could have a wider impact: India (87%) and Thailand (80%). Japan was at the other end of the scale, with only 33% of people believing their investments can help contribute to a more sustainable world. Almost nine in ten (87%) of those from India always consider sustainability factors when investing, followed by 80% in China.



57%

of people always consider sustainability factors when selecting an investment product

Which of the following statements about sustainability do people agree with?





Which of the following statements do people agree with?

Location	All investment funds should consider sustainability factors, not just those specifically designed as “sustainable investment funds”	Individual investors like me can significantly contribute to a more sustainable world by choosing sustainable investment products	I always consider sustainability factors when selecting an investment product
Argentina	59%	62%	55%
Asia	66%	63%	66%
Australia	64%	62%	53%
Austria	49%	50%	43%
Belgium	48%	48%	45%
Brazil	73%	76%	72%
Canada	51%	49%	40%
Chile	61%	62%	59%
China	78%	70%	80%
Denmark	50%	43%	40%
France	58%	55%	52%
Germany	64%	60%	57%
Hong Kong	56%	52%	53%
India	88%	87%	87%
Indonesia	74%	73%	76%
Italy	60%	58%	54%
Japan	37%	33%	42%
Mexico	71%	73%	68%
Netherlands	47%	45%	41%
Other	65%	64%	57%
Poland	63%	62%	63%
Portugal	62%	63%	55%
Russia	69%	59%	63%
Singapore	66%	64%	61%
South Africa	68%	69%	61%
South Korea	50%	55%	55%
Spain	62%	61%	54%
Sweden	53%	47%	44%
Switzerland	51%	48%	48%
Taiwan	63%	60%	59%
Thailand	79%	80%	77%
UAE	64%	66%	62%
UK	60%	61%	52%
USA	61%	62%	51%

Generation X lead the charge

When looking at attitudes towards sustainability, by age bracket, there is not a direct correlation with age. Instead, generation X appear to be most interested in sustainable investing, appearing more likely to agree that all investment funds should consider sustainability factors (65%) followed by baby boomers (62%) and only then millennials (60%).

This trend is somewhat surprising, as millennials are often cited as the most engaged age group with sustainability issues. However, in recent years it is

schoolchildren who are the most vocal about sustainability issues; striking from school and demonstrating in cities around the world. Considering that, Generation X are potentially having closer interaction with this, being more likely to have children of this age than other brackets.

Similarly, 64% of generation X felt that their individual investments could have a direct impact in contributing to a more sustainable world, followed by millennials (60%) and then baby boomers (57%).

65%

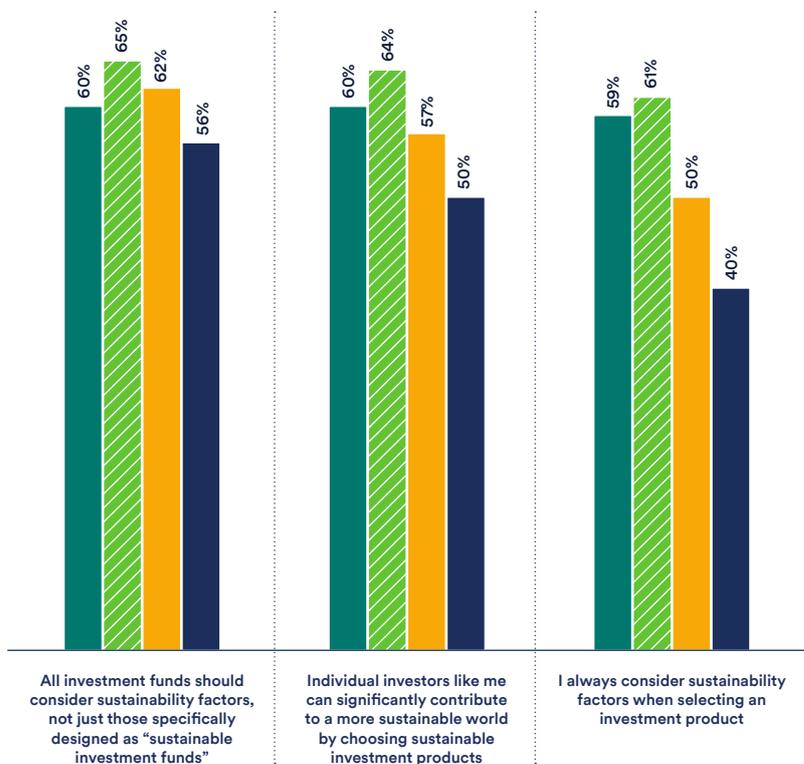
of generation X appear more likely to agree that all investment funds should consider sustainability factors

Age bracket definitions:

Millennials
18–37
Generation X
38–50
Baby Boomers
51–70
Older
71+

Which of the following statements do people agree with?

■ Millennials (18-37) ■ Generation X (38-50) ■ Baby Boomers (51-70) ■ Older (71+)



“
Generation X
appear to be
most interested
in sustainable
investing

People are prioritising the planet

In the 2030 Agenda for Sustainable Development, the United Nations identified 17 Goals to achieve a more sustainable and resilient world for all. When asked, investors across the globe felt that environmental concerns were critically important for fund managers to engage and influence companies on. People said protecting the planet and ensuring prosperity should be slightly higher on their list of priorities than ending poverty and fostering peace. This trend was reflected across most regions.

People's affinity with the planet is unsurprising when considering their attitudes towards climate change. 71% of people believe that man-made climate change is a real phenomenon which is impacting the world. 40% of those people believe the impact will be 'significant'.

Looking at a continental level, people from Europe are the most likely to either believe it has no impact, or not believe in the phenomenon at all (30%). Despite having a higher number of potential doubters, the proportion of those in Europe who thought the impact was significant was still about average (39% v 40% average) and above that of Asia (34%).



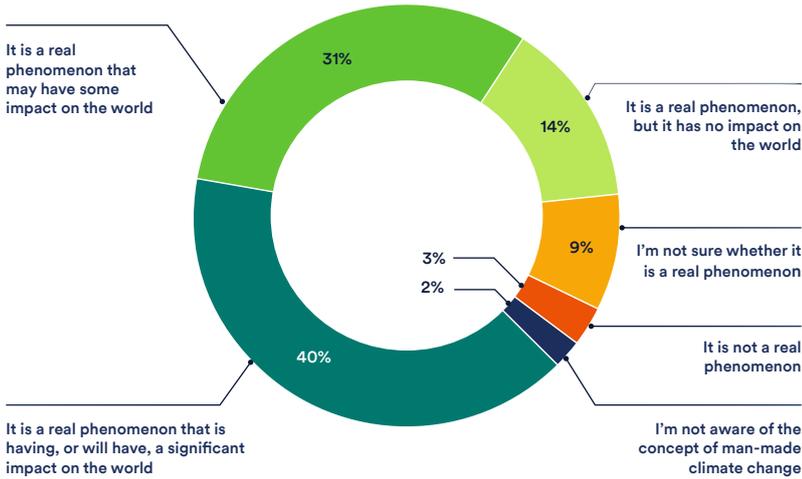
“ Environmental concerns were the top sustainability factor for people on a global level

Which of the following United Nations Sustainable Development Goals do people think are most important for Fund Managers to engage and influence companies on? (ranked 1-4, based on people distributing 100 points across categories to show how important they think each one is)

- Planet: Protect the planet from degradation, including through sustainable consumption and production, sustainably managing natural resources and taking urgent action on climate change
- Prosperity: Ensure that everyone can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature
- People: Ending poverty and hunger, ensuring everyone can fulfil their potential in dignity, equality and in a healthy environment
- Peace: Foster peaceful, just and inclusive societies, which are free from fear and violence

	1	2	3	4
Global				
Europe				
Asia				
Americas				
Australia				

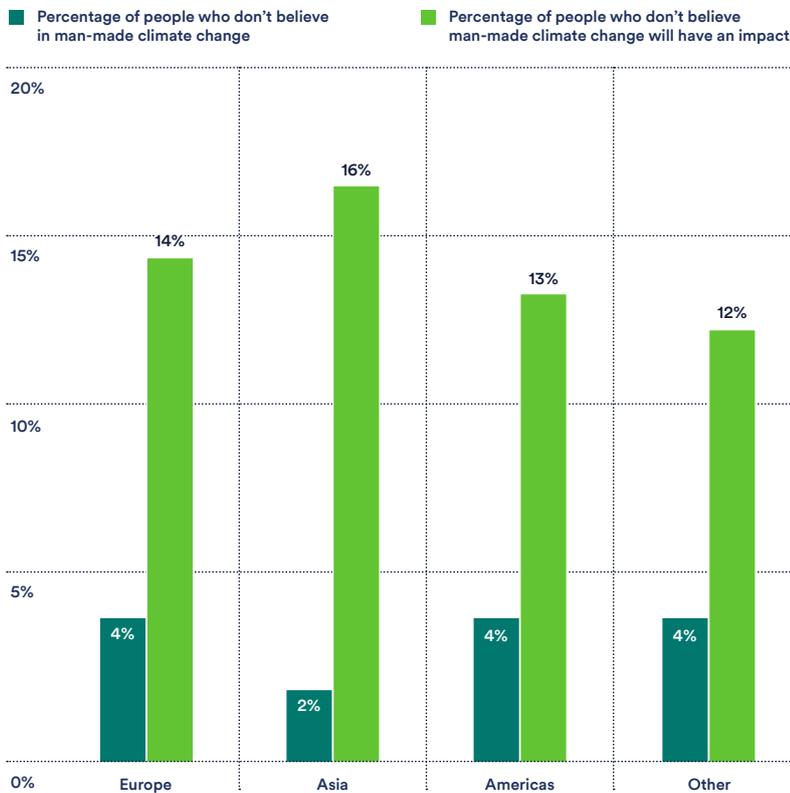
Thinking about the concept of man-made climate change, which one of the following statements do people agree with the most?



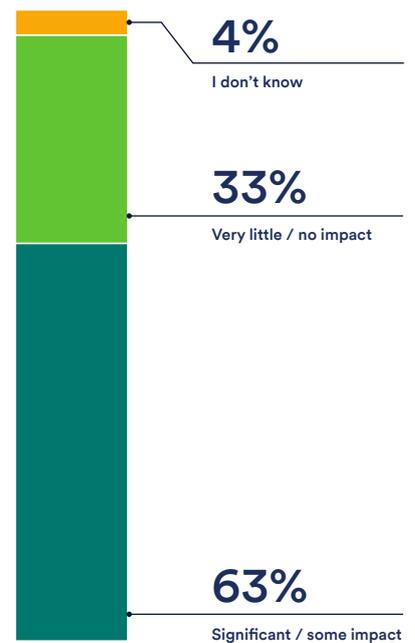
At a country level, the highest number of doubters comes from the USA, with 7% saying they don't believe in man-made climate change, followed by the Netherlands (6%).

The general awareness of climate change is clearly influencing how people manage their personal finances. The majority of people (63%) felt that climate change is having a significant, or some impact on their investments. A quarter (24%) of people believe this impact will be significant.

The Australian findings replicated global results with 63% feeling that climate change is having a significant, or some impact on their investments. However, a third of these respondents believed that the impact will be significant.



What impact do people feel climate change is having, or will have, on their investments?



Financial incentives a higher priority than sustainability

Avoiding losing money in investments was the number one priority when it comes to investing. Meeting the total investment return expectations and income expectations were ranked second and third among the top five factors. That money is invested sustainably only emerged as the fifth most important factor. This seems to suggest that although sustainability is top of mind for investors, they are still prioritising returns.

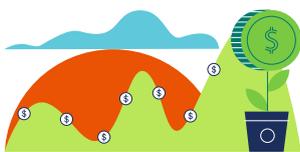
Millennials were the most likely to consider the fact that their money is invested in sustainable investment as the first or second most important factor (27%), compared to other age groups. This trend was directly correlated to age, with older respondents (71+) the least likely to feel this way (14%).

There was no significant difference in results for Australia with millennials most likely to consider sustainable investments as the first or second most important factors (26%) and older (71+) least likely to feel this way (8%).

Looking at the importance placed on sustainability, by country, Thailand and Indonesia came top, with a third of people in each country ranking this as their number one, or two, priority. Once again, people in Japan were the least likely to be influenced by sustainability, with only 7% of people in Japan ranking it number one or two.

“
Although sustainability is top of mind for investors, they are still prioritising returns

Top factors for people, when considering their investments



01

Avoiding losing money



02

Meeting my total investment return expectations i.e. income and capital growth



03

Generating my expected level of income



04

The fees are reasonable



05

My money is invested in sustainable investments



06

To feel that my investment portfolio has been built according to parameters set by me



07

Online access to my investment accounts



08

Personal service from the investment provider

Percentage of people who ranked having money invested in sustainable investments as first or second priority



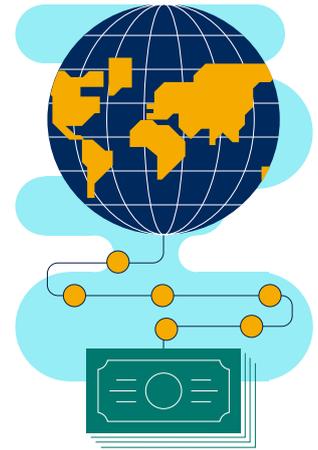
Continent	Location	Percentage of people who ranked having money invested in sustainable investments as first or second priority
Americas	Argentina	31%
	Mexico	31%
	Chile	29%
	Brazil	23%
	USA	23%
	Canada	22%
Asia	Indonesia	33%
	Thailand	33%
	India	30%
	Singapore	28%
	China	27%
	Hong Kong	24%
	Taiwan	24%
	South Korea	18%
	Japan	7%
Europe	Russia	26%
	Portugal	25%
	France	24%
	Poland	24%
	Spain	24%
	Sweden	24%
	UK	24%
	Denmark	23%
	Switzerland	23%
	Belgium	22%
	Netherlands	22%
	Austria	21%
	Germany	20%
	Italy	19%
Others	South Africa	29%
	UAE	28%
	Australia	22%

Avoiding 'sin stocks' no longer seen as enough

When considering how people would be interested in approaching sustainable investing, a responsible approach was considered the most important (40%), followed closely by an integrated approach (39%). A screened approach (that avoids controversial companies, operating in sectors such as alcohol, tobacco, gambling and weapons manufacturers – or 'sin stocks') is the least popular approach at 21%.

An integrated approach was almost as important as the top choice, defined as investing in companies that are likely to be more profitable through their approach to sustainability. When considering that financial incentives were people's top priorities for their investments this is unsurprising.

Respondents in Asia were much more likely to feel an integrated method is the best approach with almost half of people from this region selecting it as the top method for sustainable investment (47%). Looking at a country level this was topped by three Asian countries Thailand (63%), China (56%) and Japan (51%).

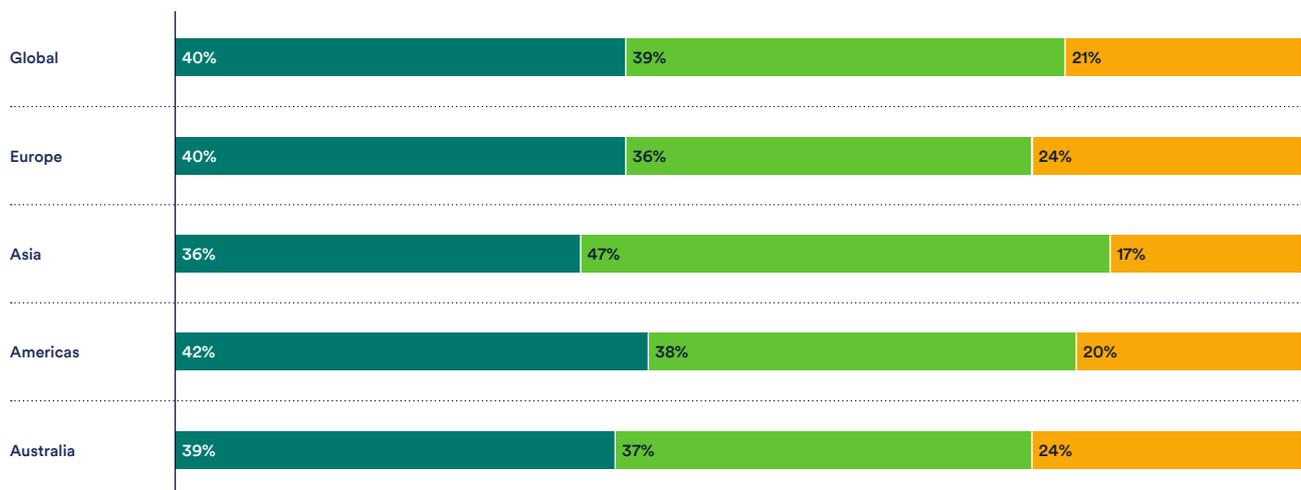


Which one of the following approaches to sustainable investing is the most important to people?

■ **Responsible approach:** Investing in companies because they are best-in-class when it comes to environmental or social issues or how the company is managed

■ **Integrated approach:** Investing in companies that are likely to be more profitable because they are proactive in preparing for environmental and social changes

■ **Screened approach:** Investing that specifically avoids controversial companies, such as alcohol, tobacco or weapons manufacturing



Experts seek profit from sustainability

A promising finding is that almost a quarter of those who claim to have higher levels of investment knowledge are currently invested in sustainable investments (23%). This indicates that despite a primary focus on financial incentives from people, profit and positive impact are not mutually exclusive.

Looking at a global level only 16% of people already invest in sustainable investments, but an additional 32% are interested in sustainability and want to invest in it. A further 25% of people are interested in sustainability but aren't looking to invest.

These results were similar for Australia with 17% already invested in sustainable investments, 28% interested and want to invest and 23% who are interested but aren't currently looking to invest.

People in Europe were the least interested in sustainable investments, with over half (55%) of people less interested, or not wanting to invest. On a country level people from Japan are the least likely to already invest in sustainability or want to invest (26%). This is in stark contrast to India where almost three quarters already invest or want to (73%).

“
Despite a primary focus on financial incentives from people, profit and positive impact are not mutually exclusive

People who invest in sustainability

23%

Expert / Advanced

11%

Intermediate

8%

Beginner / Rudimentary



16%

of people globally invest in sustainability

32%

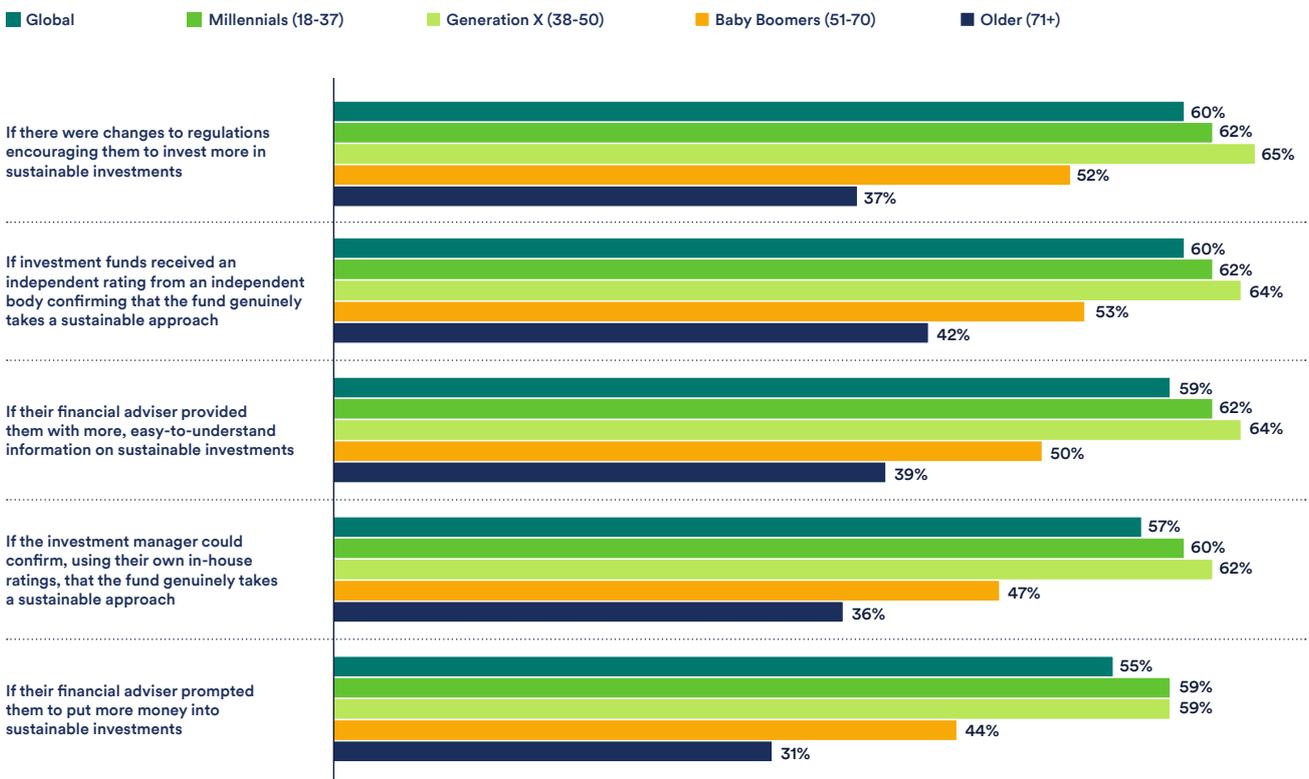
of people globally are interested in sustainability and want to invest



Continent	Location	Already invest / Want to invest in sustainability
Americas	Brazil	62%
	Mexico	53%
	Chile	48%
	USA	46%
	Argentina	44%
	Canada	36%
	Asia	India
China		66%
Indonesia		62%
Thailand		60%
Singapore		51%
South Korea		45%
Taiwan		45%
Hong Kong		42%
Japan		26%
Europe		Germany
	Spain	50%
	Switzerland	49%
	UK	48%
	Belgium	47%
	Austria	47%
	Portugal	46%
	Sweden	46%
	Netherlands	44%
	Denmark	44%
	Italy	41%
	France	40%
	Russia	39%
	Poland	36%
	Others	South Africa
UAE		52%
Australia		45%

Are people being driven to invest sustainably?

Factors that would encourage people to invest more in sustainable funds



There are several external drivers that would encourage people to allocate more of their investment portfolio to sustainable investment funds; geared around industry-led change and access to information. All the factors were identified by most people as having a high potential impact encouraging them to invest more in sustainable funds.

Changes to regulations and independent ratings were ranked jointly as number one factors (60%) followed closely by people having access to easy-to-understand information from their financial adviser (59%).

Most people felt that changes to regulations would encourage them to invest more in sustainability. This increased among

“
There are several external drivers that would encourage people to allocate more of their investment portfolio in sustainable investment funds

those who claimed to have higher levels of investment knowledge; peaking to 69% for those that consider themselves to be expert / advanced investors.

Generally, the results highlighted that industry-wide changes would encourage more investors to invest sustainably. Across the globe, people believed all investment funds should consider sustainability factors not just those specifically designed as “sustainable investment funds”, with 61% of people feeling this way.

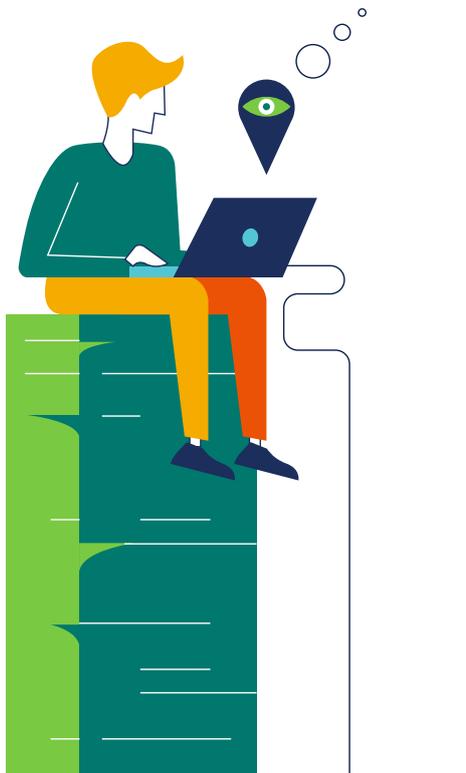
In recent years, there have been several global initiatives which seem to be responding to this demand. Most recently, the EU Sustainable Finance action plan offers guidelines on sustainable investing to encourage a two-way conversation between investors and investees.

Access to information was another factor that people believe would be a driving force in changing the way they invest sustainably. Over half of people (59%) felt that if their financial adviser provided them with more, easy-to-understand information on sustainable investments they would allocate more of their portfolio this way.

Generation X were once again the most open to sustainable investments, being the most likely to feel several drivers would encourage them to allocate more of their investments into sustainable funds.

60%

of people felt that changes to regulations and independent ratings would encourage them to allocate more into sustainable investment funds



Changes to regulations would be likely to encourage people to allocate more of their investment portfolio into sustainable investment funds

69%

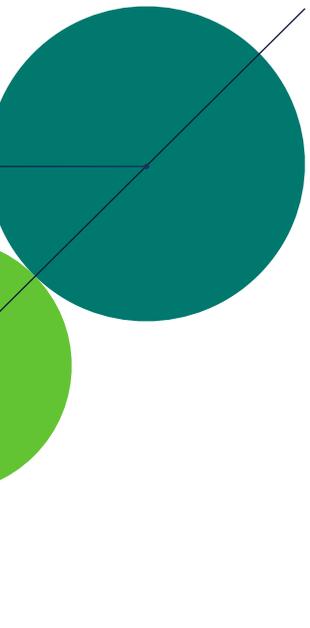
Expert / Advanced

56%

Intermediate

45%

Beginner / Rudimentary



Contributing to a sustainable world through personal finance

Over the last decade, sustainability has become an increasingly crucial aspect of investing. Social responsibility has grown in global consciousness against an ever more challenging social and environmental backdrop.

Results from the Global Investor Study 2019 show that investors care about sustainability, yet financial incentives such as avoiding losing money, meeting return expectations and generating expected levels of income are still being prioritised. But potential profit and positive impact are not mutually exclusive. People who claimed greater levels of investment knowledge recognise this to a greater extent than those less confident in their knowledge.

On an industry level, there are clearly several drivers that would empower people to allocate more of their portfolio into sustainable investments. Addressing this need for additional regulation, fund-level transparency and financial advice would encourage people to use their personal finances to contribute to a more sustainable world.

Schroders commissioned Research Plus Ltd to conduct an independent online survey of 25,743 investors in 32 locations throughout the world, with fieldwork held between 4th April – 7th May 2019. This research defines 'investors' as people who will be investing at least \$16239.70 AUD (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years; these individuals represent the views of investors in each country included in the survey. Retired investors were boosted in each country, where it was feasible.



For more information about the Schroders Global Investor Survey, visit

schroders.com.au/globalinvestorsurvey



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