

WHAT DOES SUSTAINABILITY REALLY MEAN IN THE INVESTMENT INDUSTRY?

CONSUMER RESEARCH HIGHLIGHTS

mhpc.com/financial-services



ENGINE
mhp *mischief*

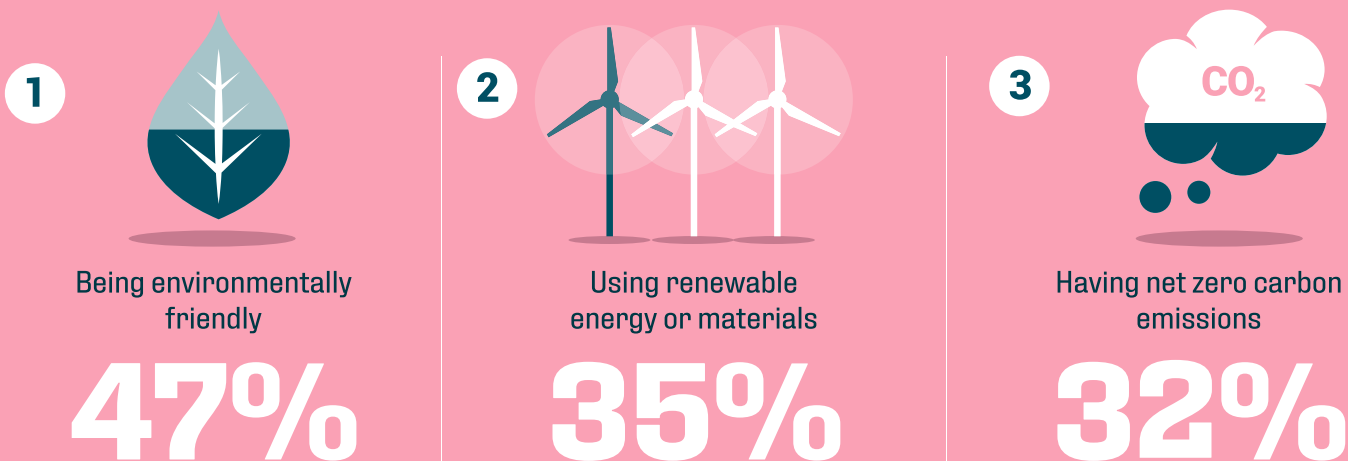
Nearly two thirds of UK investors (62%) say they would take their money out of a 'sustainable' fund if they discovered it was failing to live up to its environmental and social credentials, according to research commissioned by Engine MHP + Mischief's Financial Services team.

Our research asked investors to consider what role sustainability plays in their personal investments, pensions and stock trading, and what they understand when presented with the wide variety of ESG labels used by financial services providers.

ENVIRONMENT AND CLIMATE ARE THE MOTIVATING FACTORS

The **top three** attributes investors believe that sustainable investments should have are:

Environmental attributes are considered **much more important** than social, with 'paying employees at least a living wage' (8%) and 'equal gender pay' (6%) overlooked by most investors.



Amongst the key findings were:

- 62% of investors would pull out of a fund that was failing to meet its sustainability credentials – with one in eight doing so as quickly as possible
- Only half of investors trust that funds labelled as 'ethical' or 'ESG' actually invest in sustainable assets
- Poor ESG communications mean investors struggle to understand what they are investing in

The research highlights that, while some people hold financial returns as their only objective for investing, there is clearly a growing group who are looking to see their sustainable beliefs reflected in the way their money is managed.

The fund management industry now faces the issue of giving investors the level of information they need to find funds that invest in line with their priorities, in an accessible and easy-to-understand manner – current labels and descriptions are not yet sufficient and with an increasing number of investors threatening to vote with their feet, addressing this critical communications challenge must be a key focus for the industry.

The headline findings from our research are summarised below – examining:

- The most important factors for investors when assessing the sustainability
- How individuals act on these beliefs
- The extent to which current ESG labels are consistent with investor expectations
- Differences in perspectives on sustainable investing between men and women

A LACK OF UNDERSTANDING HOLDS INVESTORS BACK

32%

don't feel they understand sustainable investment well enough to invest that way



CONSUMERS WOULD MOVE MONEY TO MATCH THEIR BELIEFS

Nearly

TWO THIRDS

(62%) of investors would take their money out of a fund investing in something they thought was unsustainable.



CONFUSING LABELLING MISINFORMS INVESTORS

ONLY HALF

of investors trust that funds labelled as 'ethical' or 'ESG' will invest in sustainable companies and assets.



To explore the push towards a cleaner, fairer and more sustainable world economy – and the implications of some of the findings contained in our research – MHP Financial Services Director Cat Ommanney spoke to FT Moral Money Editor Simon Mundy. They discuss:

- The FT's editorial stance on sustainability
- What the investment world looks like in 2030
- Whether the focus on ESG is just a bubble
- The relative importance of E, S and G factors.
- The biggest communications challenge facing asset managers regarding sustainability
- The main hurdles in reaching our climate change goals
- The clarity of current ESG labelling
- How the investment industry can best effect change.



**Watch our interview with
Simon Mundy – Moral Money Editor,
The Financial Times.**

WHAT DOES SUSTAINABILITY REALLY MEAN IN THE INVESTMENT INDUSTRY

Consumer Research Highlights*

Environmental impact is top priority

Environmental issues are the most important factors for investors when assessing the sustainability of an investment, with the top attributes which investors seek all environmentally focussed:

- Nearly half (47%) believe sustainable investments must have positive environmental effects;
- 43% want investments that do not actively harm the environment
- 35% believe sustainable investments should use renewable energy or materials; and
- 32% believe sustainable investments should have net zero carbon emissions.

Conversely, relatively few investors rank social issues amongst their priorities, with only 8% of investors selecting 'paying employees at least a living wage' and just 6% saying 'equal gender pay'.

Investors would move money to match their beliefs

When it comes to taking action on these beliefs, one in eight (12%) of investors surveyed said they would divest as quickly as possible from a fund if it fell short of their sustainability expectations, whereas others would take their time, seeking advice from a professional to find other options (17%), or waiting until they thought market conditions were better suited (15%).

Many wouldn't take any significant action on potential greenwashing though, with nearly one fifth (17%) claiming they would stay invested if the fund were performing well financially and 6% taking no action at all.

Confusing labelling misinforms investors

With these priorities in mind, this study presented investors with anonymised real world funds classified as 'ESG' and 'ethical' to judge if they matched investors' sustainability expectations. Only 43% of respondents believed that an ESG ETF would be truly sustainable, and just 50% trusted that an 'ethical' sector global equities fund would be the same, showing deep scepticism towards providers' offerings.

Examining particular holdings in each fund portfolio, there was a significant mismatch between expectation and reality. Over half of investors (53%) stated that the 'ethical' global equities fund should not invest in a luxury goods company which allegedly procures cotton produced by forced labour in China – although this fund does; and 44% said that an ESG ETF should not invest in an oil company that is due to increase annual CO2 emissions by 100 million tonnes by 2025 – which it also does.

This type of confusion deters many investors, with 32% of those who do not invest sustainably saying this is due to a lack of understanding.

WOMEN FOCUS ON THE ISSUES; MEN LOOK FOR FINANCIAL RETURNS

24%

of **men** invest sustainably as they think it will make them more money, only **16%** of women have this as a priority.



49%

of women invest sustainably to support a better environment and society, but only **35%** of men say the same.

YOUNGER GENERATIONS ARE ACTIVE AND ENGAGED

UNDER 35S
are the most likely
to invest sustainably
(57%)



more than double
than those aged
OVER 55

Women focus on the issues; men look for financial returns

Men and women generally view sustainable investing differently, with differing levels of engagement and expectations.

A quarter of men invest sustainably as they think it will make them more money than conventional assets (24%), but only 16% of women have this as a priority. Instead, half of women (49%) invest sustainably to support a better environment and society, with only 35% of men saying the same.

Men are twice as likely to invest sustainably – with nearly half (47%) of men investing this way, compared with just 26% of women.

However, this looks set to change with the next generation of investors, as those under 35 years are the most likely to select sustainable investment options (57%), and also the most likely to believe they understand how their money is invested (70%), thanks, in part, to stronger engagement.

*Survey carried out by Opinium between 16th to 19th November 2021 amongst 2000 UK adults, 1006 of which are active investors.

ABOUT ENGINE MHP + MISCHIEF

ENGINE MHP + Mischief is a team of 200 specialists combining behavioural science, influencer strategy and industry expertise to solve complex communications challenges. We are built for The Networked Age, a landscape discussed and uncovered in our 2018 study in partnership with University College London's Affective Brain Lab. It's a world that is increasingly interconnected, tribal, sceptical and activist, and this leads to rising polarisation.

mhpc.com/financial-services

CONTACT

020 3128 8100
contactus@mhpc.com
60 Great Portland Street
London, W1W 7RT
mhpc.com
@mhpc
mischiefpr.com
@mischiefpr

ENGINE
mhp *mischief*