Ninety One

Investing for a world of change

Sustainable investing: investors views following COP26

Planetary Pulse

Wave 3 – Research findings

November 2021

Investing for a carbon-free world: Investor views following COP26

> Tackling climate change is high on everyone's agenda, with awareness growing that time is running out to protect the planet.

With the UN bringing world leaders together at the 26th conference focussed on tackling global climate change, net zero emissions became part of the debate on action and a part of most news reports. But what impact, if any, did COP26 have on how investors think about their wealth and whether they are prepared to adapt their investment approach to play their part?

Are returns, at any cost, still the main priority for end investors? How well do they understand the need to act and invest sustainably and are they willing to pay for returns beyond profit?

Ninety One commissioned the second edition of the **Planetary Pulse** survey to find out.

We asked investors what it means to allocate capital towards the net-zero transition both before and after the COP26 summit.

1. Our survey revealed that achieving net zero emission and climate change is important to investors.
2. ESG is already a part of their everyday decisions.
3. COP26 has not galvanised investors as much as we'd hope.
4. Investors prefer to follow an inclusive transition approach to achieve net zero emissions.
5. Many investors expect a financial return, with some feel reducing carbon emissions will produce compelling investments
6. Investors prefer to use an active manager for investments with a focus on achieving net zero or other environmental and societal benefits.

Survey fast facts

Planetary Pulse covered investors in up to ten countries - UK, US, Canada, Italy, South Africa, Hong Kong, Germany, Denmark, Sweden and Singapore.

2+
investors held at least two or more investment products in addition to pensions and property

10 years
the average time respondents have been investing for

3
large scale online surveys

9,298
investors covered in Wave 1

6,034
investors covered in Wave 2

5,010
investors covered in Wave 3 from UK, US, Italy, South Africa and Germany

Hendrik du Toit, Founder and CEO, Ninety One:

"We believe in sustainability with substance. However, there is an incontrovertible and sobering fact about the drive to net zero – any effort that does not work for the world's 7.9 billion people, will fail everywhere. To really save the planet, we must help emerging markets go green. That means robust carbon markets, debt-for-climate deals, and financing options to speed the transition. As a company with its roots firmly in South Africa, we understand this need perhaps better than most. Emerging economies, after all, are not responsible for the bulk of emissions to date."

Survey highlights

1 Net zero and climate change is important to investors and they're doing something about it

- 57% of all investors have investments with a focus on net zero or other environmental and societal benefits and the majority (67%) are in them for the long term (five years or more).
- These investors are committed to environmental and societal benefits with 70% agreeing that they will hold these investments for longer than those without environmental or societal benefits.
- But it's not just those who already have such investments that are aware of what their money could achieve: 58% of all investors agree that it's now even more important for them to invest their money to help achieve net zero emissions.
- 86% of those who've invested in Funds would be prepared to pay a higher fee on a fund that was going to achieve environmental and / or societal benefits (given the same returns between funds). This rose to 93% amongst those in Funds who had also taken an interest in COP26.

Asked to those with investment in mutual funds: Assuming all funds give you the same financial return, would you pay higher fees on a fund that achieved the following benefits?

	Total	UK	USA	Italy	South Africa	Germany
Total	**N=2335**	**N=427**	**N=628**	**N=599**	**N=313**	**N=368**
Benefited the environment (e.g. by helping to tackle climate change)	40%	41%	56%	37%	22%	30%
Benefited society (e.g. financial inclusion and affordable healthcare)	25%	27%	24%	23%	18%	32%
Only if it delivered both environmental and societal benefits	21%	15%	12%	23%	46%	22%
I wouldn't pay any higher fees for this sort of fund	14%	18%	8%	17%	13%	16%

Address climate change

By net zero, we mean achieving a balance between the amount of greenhouse gas emissions that we put into the atmosphere and the amount removed from the atmosphere, net zero being achieved when the amount added is no more than the amount taken away. This in turn would stabilise global temperatures and address climate change.

2 The ESG framework is a part of investors everyday judgment calls and decisions

2 in 3 investors think about the impact their everyday food and grocery purchases are having on the environment and society (69%) and future generations (66%), often or all the time.

1 in 4 of our global investors already have an electric car and given that 60% think about the impact of their car on the environment often or some of the time, it's unsurprising to see that 58% of those in non-electric cars intend to make the switch next time.

3 COP26 hasn't galvanised investors as much as we'd hope

58% of all investors said they took an interest in COP26.

However, interest has not led to confidence: 51% agree that COP26 made them feel confident that the world's governments will effectively tackle climate change.

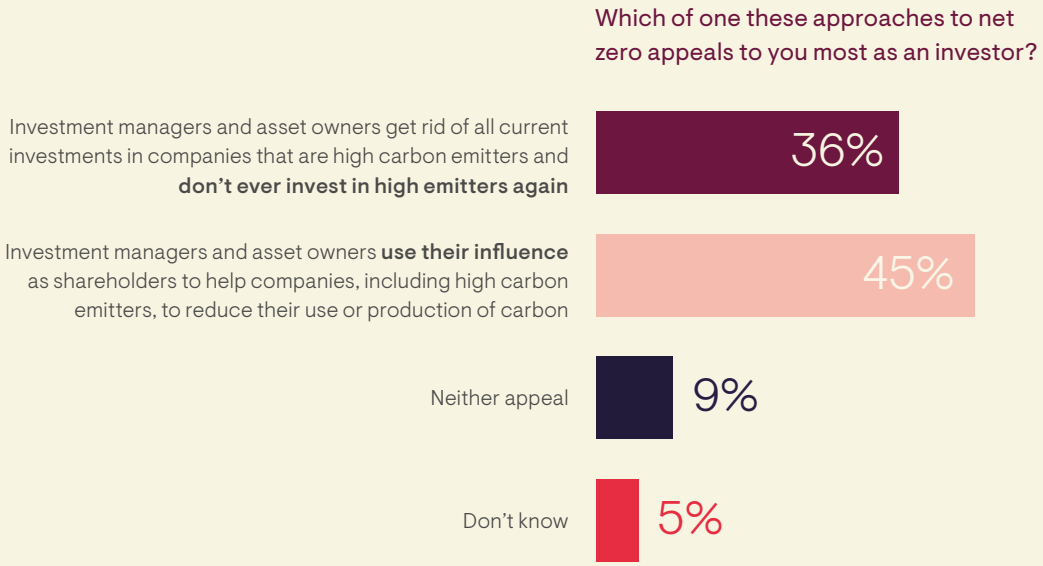
Our investors believe that the richer countries should be helping the poorer countries to transition (71%) but again we see doubt creeping in with over half (57%) not feeling that COP26 produced the outcomes that will lead to global alignment on tackling climate change. Just 21% feel alignment will be achieved.

The lack of high-profile leadership from China and Russia has, according to investors, made it even more difficult to achieve according to 69% of investors, and with little difference in view across markets.

4 More investors still prefer to follow an inclusive transition approach to achieve net zero emissions to a divestment approach which can leave some countries or industries behind

45% of all investors prefer for their investments to help companies, sectors and countries transition away from a reliance on carbon. In comparison 36% prefer a divestment approach and to stop supporting companies or countries that are high carbon users or producers straight away.

However, these preferences have changed from when similar investors in the same countries were polled before COP26 where 55% preferred investment managers to use their influence to support a transition to net zero emissions, and only 30% preferred divestment.

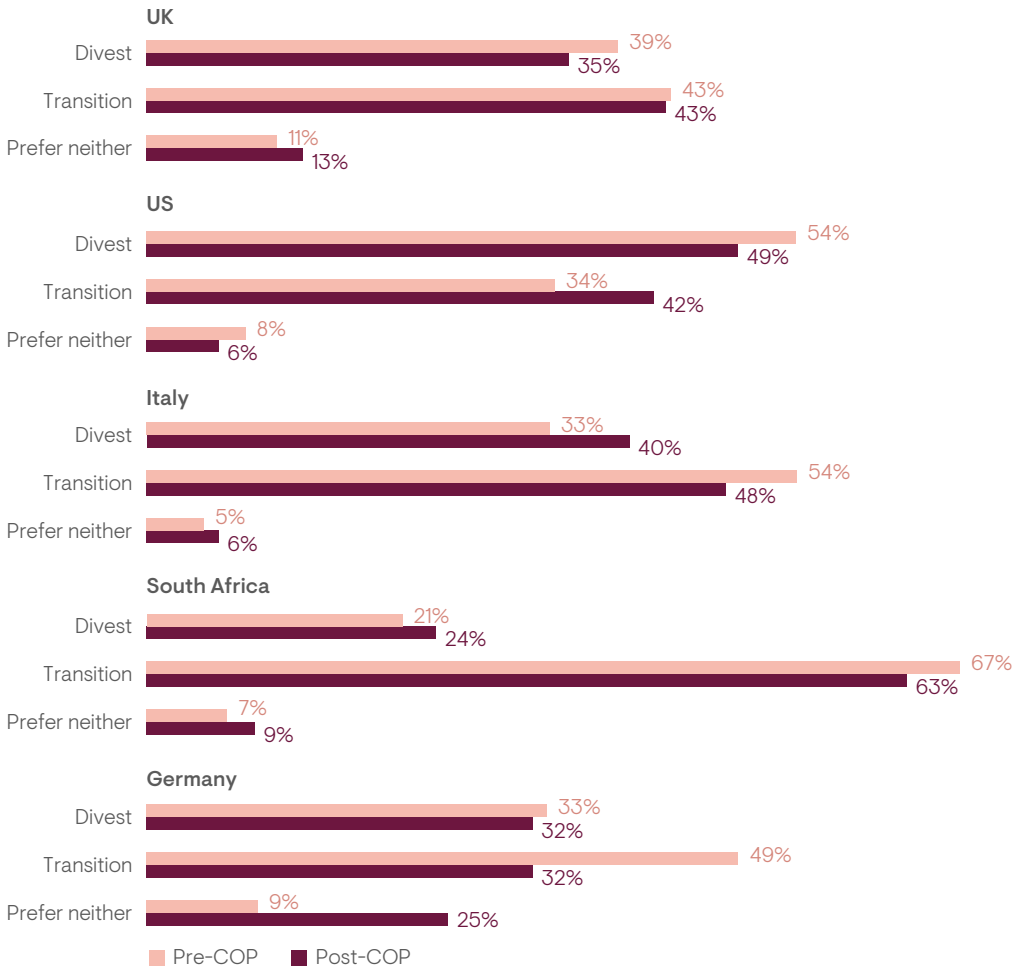


When it comes to investing, there is an increasing drive among investors and investment managers to help achieve net zero through their investment choices.

The two predominant approaches they can take are either to divest or transition. By selling an asset manager would sell any holdings in companies with high carbon use and emissions.

By transition investment managers would use their influence as shareholders to encourage carbon heavy businesses to reduce carbon emissions.

We asked investors which they preferred both before and after COP26.



Perhaps the lack of high-profile engagement from China and Russia's leaders had an impact with 47% of investors agreeing it had negatively impacted their willingness to put their own wealth into net zero investments, rising to 56% agreement amongst those investors who took a keen interest in COP26.

5 Many investors expect a financial return, with some feel reducing carbon emissions will produce compelling investments

Almost 9 out of 10 investors (89%) we spoke to in wave 2 research agreed that investment managers should focus on achieving net zero as a part of their approach.

They were split around financial return, with 40% happy for their money to influence reducing carbon emissions while also expecting a competitive financial return.

Although almost the same number (39%) are happy for their money to be used regardless of financial return.

While some investors (10%) believe investing in companies who are reducing carbon emissions will provide increased financial returns compared to companies that do not.

39% Yes, I think reducing carbon emissions should be encouraged and am happy for my money to influence this **regardless of the financial return**

40% Yes, I think reducing carbon emissions should be encouraged and am happy for my money to influence this **but also expect a competitive financial return**

10% Yes, I think reducing carbon emissions will produce a compelling investment and so **I will benefit by investing in a product like this with increased financial returns** compared to a product that does not consider carbon emissions.

7% No, I do not think my money should be invested to influence environmental factors, only to meet my financial returns

4% No, I think a product that seeks to reduce carbon emissions will mean missing out on compelling investments and so reduce my potential financial returns.

Asked to all investors covered in wave 2 in UK, US, Italy, Germany and South Africa (n=3,919). Should investment managers focus on achieving net zero as a part of their investment approach? Would you like your money to be invested in this way?

6 Investors in general prefer to use an active manager for investments with a focus on achieving net zero or other environmental and societal benefits

71% of investors overall agree that they prefer to use an active fund manager for investments focusing on achieving a sustainable outcome.

That percentage rises to 78% amongst those who took an interest in COP26, while it reduced to just under half (49%) of those who took no interest.

Ninety One commissioned Intrinsic Insight to conduct Planetary Pulse, an independent online study.

Survey Methodology

Planetary Pulse 2021 is a global study of investors that's been conducted across 10 markets to explore personal attitudes towards money and investing behaviours and beliefs. The study comprised three large scale online surveys: the first focussing on sustainable investing interviewed 9,298 investors, with a second follow up study among 6,034 end investors exploring attitudes and awareness of Net Zero investing. Interviews were conducted from July to September 2021. The third online survey interviewed 5,010 investors during the second week of COP26 in November 2021 to gather their views on what was going on at that time.

The first two waves were conducted in the following markets: UK, US, Canada, Italy, South Africa, Hong Kong, Germany, Denmark, Sweden and Singapore. The third wave was conducted in UK, US, Italy, South Africa and Germany.

All investors interviewed held at least two or more investment products, in addition to pensions and properties. Investors were excluded if they claimed to take no interest in their investments at all, or to have no real knowledge about investing. The sample survey findings represent a robust and statistically viable view of current attitudes and behaviours.

Numbers may not add to 100% due to rounding or a multi-answer question.

Intrinsic Insight

Intrinsic Insight is the consultancy arm of 4media-group that specialises in global qualitative and quantitative research. The firm uses insight to help brands better understand and deepen their relationships with consumers by identifying and expressing powerful insights that unlock game-changing innovations.

Established in 2011 Intrinsic operates at offices in both the UK and US working for major global brands in healthcare, automotive, financial services and FMCG sectors.