
**Unlocking the Potential
of ESG Investing:**

**Key Insights into
ESG Investors**

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HIGHLIGHTS

The findings of this research underscore the diverse preferences and values among different cohorts and markets regarding ESG investing. Investors exhibit a wide range of needs, motivations, and concerns when considering ESG investments. Customised approaches are essential to effectively align investment strategies, to suit specific ESG investment preferences.

Demographics

Both younger and the wealthiest investors indicate a stronger inclination towards ESG investments. Gender appears to have a relatively limited influence on ESG investing interest. In addition to global trends, each market exhibits a unique pattern of ESG investing orientation.

Motivations

The expectation of higher risk-adjusted returns holds greater significance for younger and less affluent individuals. On the other hand, the opportunity to align investments with personal values appears to be more significant among the wealthiest investors.

Key Concerns

Among those interested in ESG investing, environmental issues, climate change, clean energy, and pollution are the most important factors driving their investment decisions. Men tend to place greater emphasis on clean energy, recognizing its potential for sustainable solutions and technological advancements. On the other hand, women show more concern for social issues, particularly human rights and gender/diversity issues.

For their 2022 CFA Institute Investor Trust Study, the fifth in their biennial series, the CFA Institute commissioned a survey of retail investors attitudes. Sincere gratitude is extended to CFA Institute for providing the valuable survey data utilised in this study.

Respondent Profile

Retail investors were 25 years or older with investible assets of at least USD100,000, except in India, where the minimum asset level was INR5,00,000 (5 lakh rupees). Investible assets include retirement plans, stocks, bonds, mutual funds, and other financial instruments.

Respondent Profile by Market

Coalition Greenwich surveyed 3,588 retail investors in October and November 2021 from 15 markets across the globe. Exhibit 1 shows the breakdown by market.

Respondent Profile by Age and Gender

The age distribution was spread across generations, as indicated in Exhibit 2 showing the distribution by age group.

The breakdown by gender was 62.9% male, 37.0% female, and 0.1% for nonbinary individuals and those who prefer not to disclose.

Exhibit 1: Respondent Profile by Market

MARKET	RESPONDENTS
Australia	250
Brazil	324
Canada	501
China *	200
France	200
Germany	250
Hong Kong SAR **	100
India	200
Japan	100
Mexico	100
Singapore	101
South Africa	100
United Arab Emirates	162
United Kingdom	500
United States	500
Total Respondents	3'588

** In this report, "China" refers to mainland China.*

*** In this report, "Hong Know SAR refers to Hong Kong, a special administrative region (SAR) of China.*

Source: 2022 CFA Institute investor Trust Study

Exhibit 2: Respondent Profile by Age

AGE	PERCENTAGE
25 - 34	20%
35 - 44	26%
45 - 54	18%
55 - 64	17%
65	19%
Total Respondents	100%

Source: 2022 CFA Institute investor Trust Study

LEVELS OF ESG INTEREST

Investors described their current level of interest in ESG at five different levels:

- **Currently employ such strategies (Currently Use):** Approximately 10% of respondents indicated that they currently use ESG investments. These investors have already incorporated ESG strategies into their investment approach, suggesting a level of familiarity and experience with ESG investing.
- **Very interested (Very Interested):** Around one-third of respondents expressed a high level of interest in ESG investing. These individuals are enthusiastic about integrating environmental, social, and governance factors into their investment decisions. Their strong interest signifies a significant potential demand for ESG investments.
- **Potential interest in the future (Potential Interest):** Another one-third of respondents indicated potential interest in ESG investing in the future. These individuals are not actively utilising ESG strategies at the moment but express a willingness to explore and consider ESG investments down the line. This group represents a key target for ESG investment providers.
- **No interest (No Interest):** A significant proportion of respondents indicated no interest in ESG investing.
- **Don't know/Not applicable (Don't Know):** A percentage of respondents indicated that they were uncertain or felt that ESG investing was not applicable to their investment preferences or circumstances. This category may include investors who have not yet considered the potential benefits of integrating ESG factors into their investment decisions.

DEMOGRAPHICS: INSIGHTS AND TRENDS

Exhibit 3: ESG Interest Levels

ESG Interest Level	Female	Male	Total
Currently Use	10.5%	9.0%	10.0%
Very Interested	34.0%	36.7%	35.0%
Potentially Interested	31.1%	34.5%	32.3%
ESG Interested	75.6%	80.2%	77.3%
No Interest	18.0%	10.0%	15.0%
Don' Know / NA	6.4%	9.9%	7.8%
Total Survey	100.0%	100.0%	100.0%

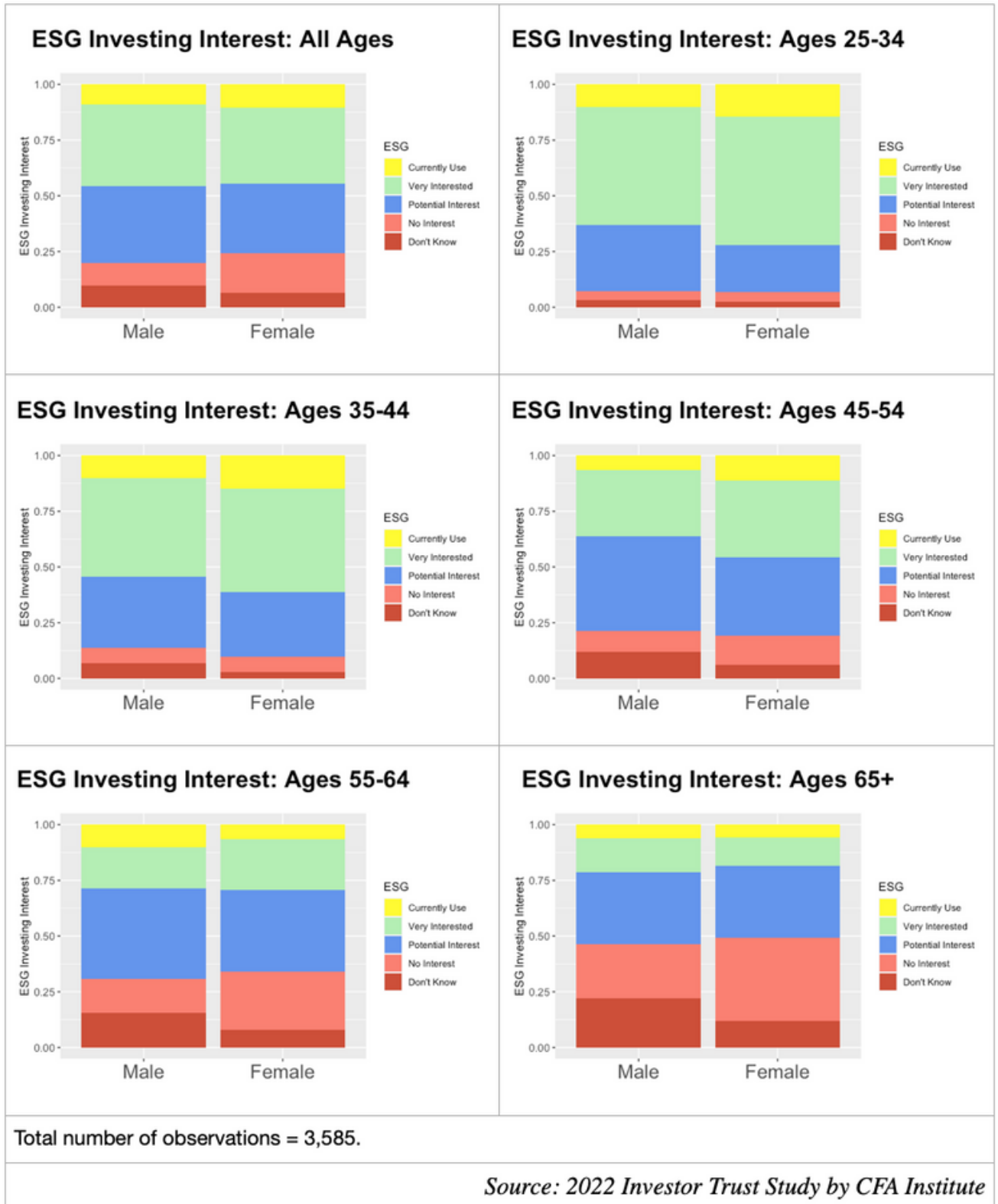
Source: 2022 CFA Institute investor Trust Study

Significant variations exist within the different levels of ESG interest, encompassing several factors, including:

- demographic aspects such as age, wealth, and specific country dynamics;
- motivations for ESG investing vary, with some investors seeking higher risk-adjusted returns while others aim to align their investments with personal values;
- underlying concerns among ESG investors, ranging from clean energy to human rights.

Understanding these trends in ESG investing interest is crucial for the investment industry to tailor their strategies and offerings effectively. By recognising the differing circumstances, preferences, and motivations among investors, financial institutions can better engage with the diverse groups within the ESG investing space. This understanding enables them to develop and provide investment products and services that cater to the specific needs and concerns of their target audience.

Exhibit 4: ESG Investing Interest by Level of Interest, Age and Gender



AGE AND GENDER INSIGHTS AND TRENDS

Age Effects

Younger investors show a higher level of interest in ESG investing compared to older investors. The interest in ESG investing gradually declines as age increases, indicating a generational difference in investment preferences. Among the oldest age cohort (65+), approximately 50% express "no interest" or "don't know," but there is still a notable proportion with potential interest.

In the 45-54 age group, there is a shift in interest levels. The percentage of individuals in the "Very Interested" category decreases, while the "Potential Interest" category increases. This shift is more prominent among men, while women in the same age cohort maintain a relatively higher level of interest in ESG investing.

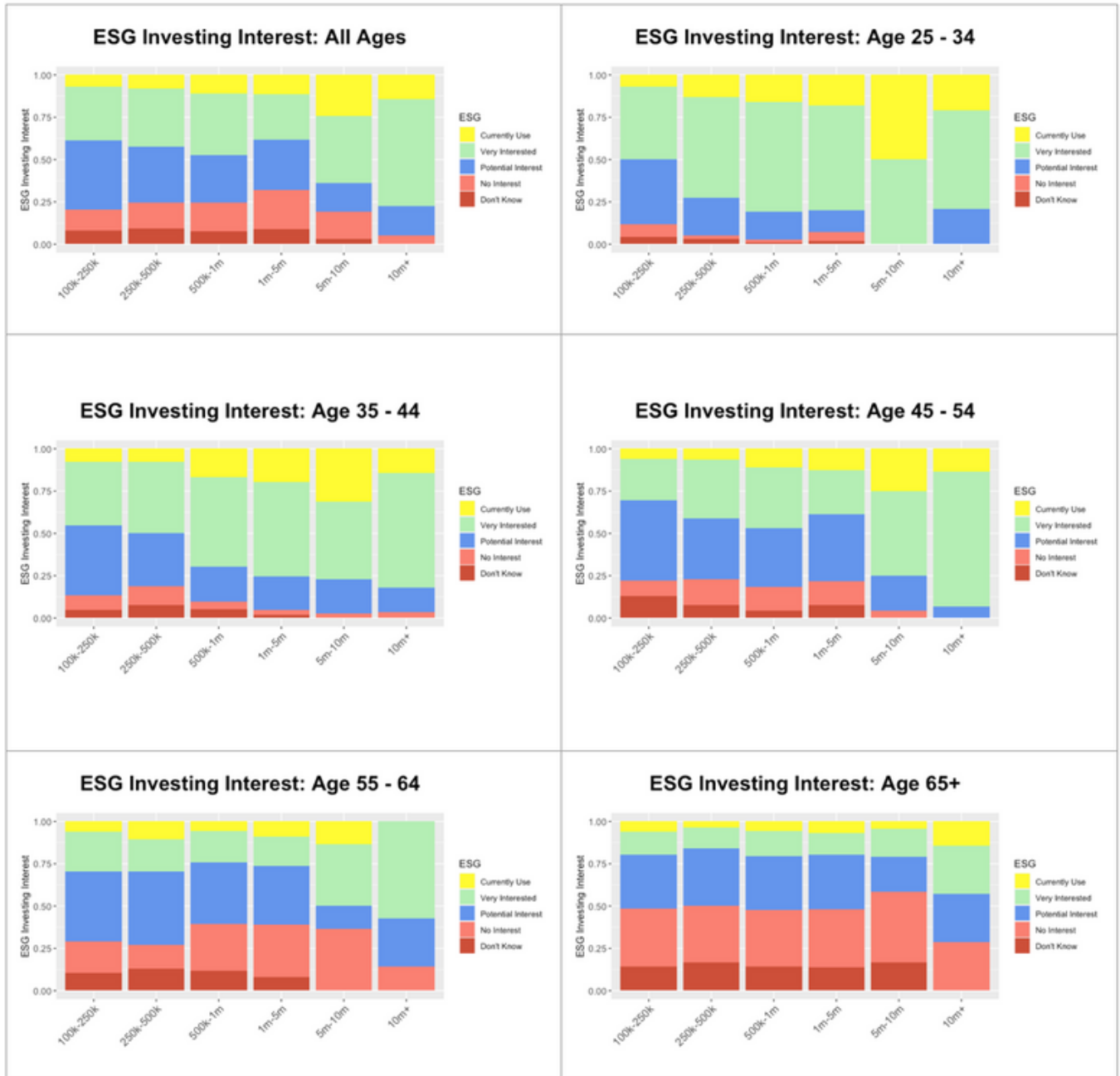
For age groups above 55, there is a notable increase in the "No Interest" category, accompanied by a corresponding decline, particularly in the "Very Interested" category.

Gender Effects

Overall, gender has a limited effect on interest in ESG investing. However, women indicate a slightly lower level of interest in ESG investing (75.6%) compared to men (80.2%).

In younger age cohorts, women demonstrate a slightly higher level of interest in ESG investing relative to men. However, older women tend to show slightly less interest in ESG investing compared to similarly aged men.

Exhibit 5: ESG Investing Interest by Wealth and Age



Wealth levels are measured in USD. Markets include Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, Japan, Mexico, Singapore, South Africa, United Arab Emirates, United Kingdom, and United States, excludes India. Total Observations = 2,771.

Source: 2022 Investor Trust Study by CFA Institute

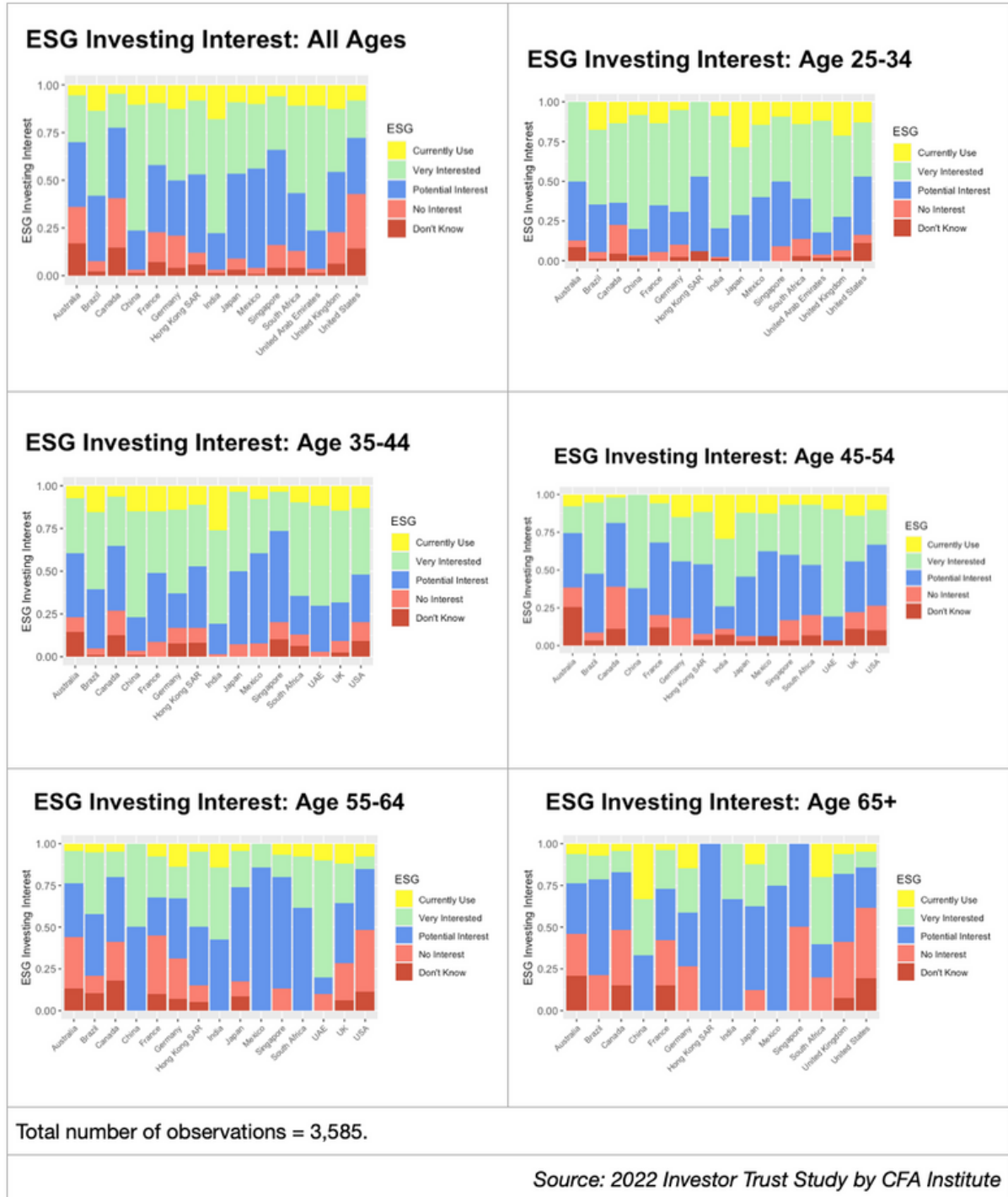
WEALTH AND AGE: INSIGHTS AND TRENDS

A positive association exists between wealth and interest in ESG investing, with greater wealth being linked to a higher level of interest. Specifically, investors with higher levels of wealth, particularly those with assets exceeding \$5 million, are more likely to express a strong interest in ESG investing. This relationship holds true across different age cohorts, indicating continued interest by wealthier individuals to consider ESG factors in their investment decisions.

As age increases, there is a notable shift in the proportion of investors expressing interest in ESG investing. Up until the age of 45-54, the percentage of investors who are 'very interested' declines, while the proportion of those who are 'potentially interested' increases. The peak in interest in ESG investing occurs for the most wealthy individuals (with assets of \$10 million or more) within the 45-54 age group.

After the age of 45-54, there is a general increase in the proportion of investors with 'no interest' in ESG investing across all wealth levels. However, the most wealthy individuals continue to have the highest proportion of 'very interested' investors. Among those aged 65 and above, approximately 50% of investors across all wealth levels express 'no interest' in ESG investing. However, the proportion of 'no interest' is lower for the most wealthy group, accounting for only about 25% of investors, while 'very interested' and 'potentially interested' investors make up approximately 75%.

Exhibit 6: ESG Investing Interest by Market and Age



MARKETS AND AGE: INSIGHTS AND TRENDS

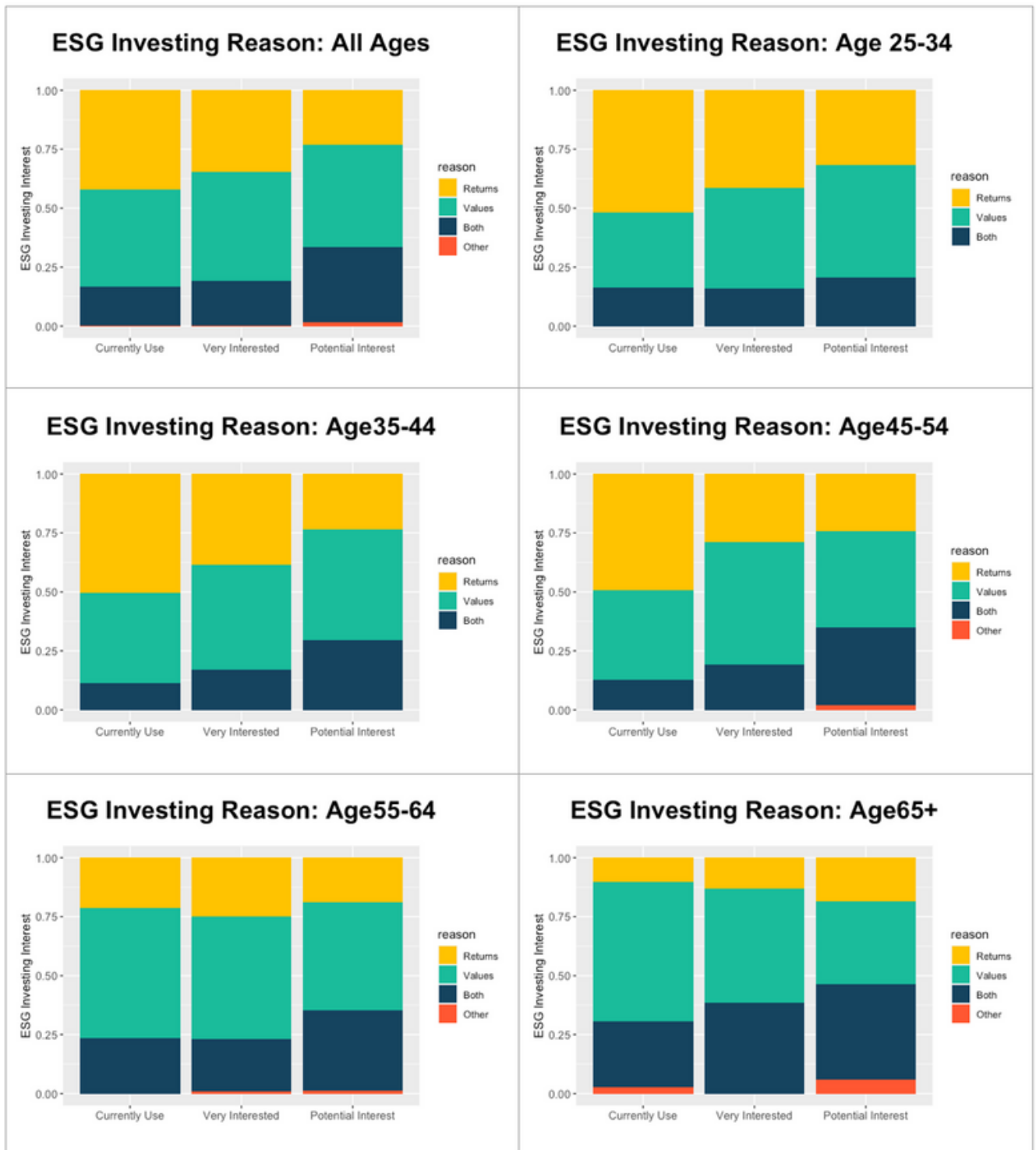
Among the youngest age cohort (25-34), there are notable differences in ESG investing interests across markets. China, India, and the UAE have a higher proportion of young individuals expressing a strong interest in ESG investing. In contrast, countries such as the USA, Hong Kong, and Australia have a larger proportion indicating only 'potential interest' in ESG investing.

The 35-44 age cohort demonstrates the highest level of enthusiasm for ESG investing. However, in some markets within this age group, including Singapore, Australia, and Canada, there is a larger proportion indicating 'potential interest' rather than a strong interest.

Starting from the 45-54 age cohort, there is a downward trend in ESG investing interest. The percentage of individuals identifying as "very interested" decreases, while the "potentially interested" category increases.

In older age cohorts (55-64 and 65+), there is generally a higher proportion of individuals expressing 'potential interest' in ESG investing across most markets. The United States, United Kingdom, Canada, and Australia tend to exhibit lower interest in ESG investing among these age groups compared to the rest of the world.

Exhibit 7: ESG Investing Motivation by Level of Interest and Age



Responses to question regarding reason for ESG Investing Interest:

Returns = I expect ESG investing to result in higher risk-adjusted returns.

Values = I want to express personal values or invest in companies that have a positive impact on society or the environment. **Both** = Both above. **Other** = Other.

Total number of observations = 3,585.

Source: 2022 Investor Trust Study by CFA Institute

Motivation by Level of Interest and Age

Motivations for ESG investing can be categorised as follows:

- **Returns:** Investors expecting higher risk-adjusted returns from ESG investing.
- **Values:** Investors seeking to express personal values and support companies with a positive impact on society or the environment.
- **Both:** Investors motivated by both returns and values.
- **Other:** Other motivations beyond returns and values.

INTEREST LEVEL EFFECTS

Among investors who have already integrated ESG products into their portfolios, the potential for superior risk-adjusted returns serves as the primary motivation.

On the other hand, those who are "very interested" in ESG investing are primarily driven by the opportunity to express their personal values through their investment decisions.

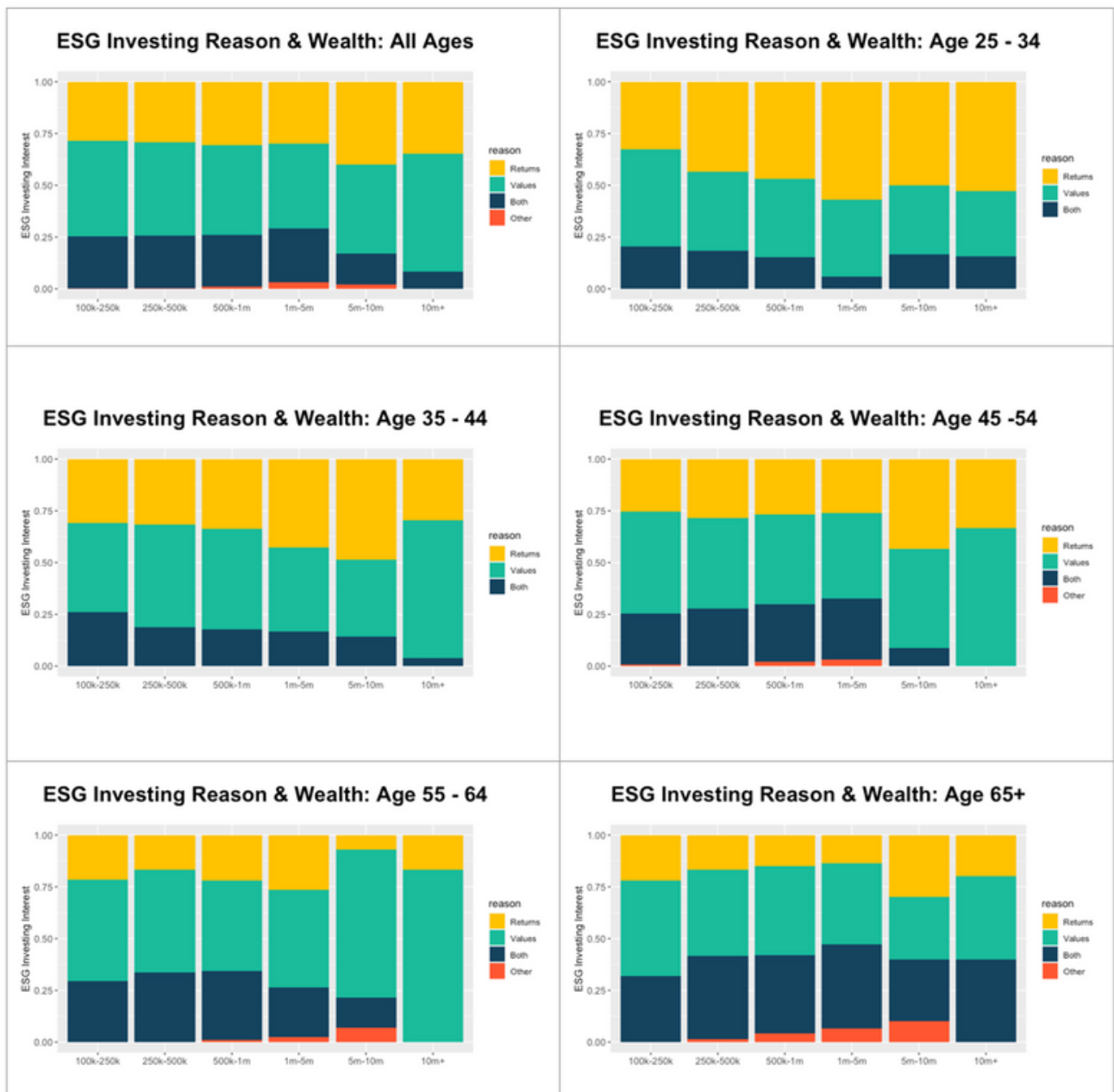
For investors who show "potential interest", motivations encompass both returns and values, with a decrease in emphasis solely on risk-adjusted returns.

AGE EFFECTS

Younger investors generally have a stronger expectation of higher risk-adjusted returns for ESG investments. This expectation tends to decrease as age increases. Older investors are more likely to consider both financial returns and the alignment of their investments with personal values as important factors.

The proportion of investors motivated by values remains relatively consistent across all age cohorts, suggesting that the importance of personal values remains consistent throughout different stages of life.

Exhibit 8: ESG Investing Motivation by Wealth and Age



Responses to question regarding reason for ESG Investing Interest:

Returns = I expect ESG investing to result in higher risk-adjusted returns.

Values = I want to express personal values or invest in companies that have a positive impact on society or the environment. **Both** = Both above. **Other** = Other.

Wealth population excludes India.

Wealth levels are measured in USD. Markets include Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, Japan, Mexico, Singapore, South Africa, United Arab Emirates, United Kingdom, and United States.

Total number of observations = 3,585.

Source: 2022 Investor Trust Study by CFA Institute

Motivation by Wealth and Age

WEALTH EFFECTS

Motivations for ESG investing show a stable pattern across lower wealth levels, with roughly half of investors motivated by values, one quarter motivated by risk-return expectations, and another quarter motivated by both.

However, among the wealthiest investors, there is a distinct shift towards values as a primary motivation. As wealth increases, the proportion of investors driven by their values becomes more pronounced, indicating that the desire to align investments with personal values becomes increasingly important for individuals with higher levels of wealth.

AGE EFFECTS

The age effect remains consistent across different wealth cohorts. Among the youngest investors (aged 25-34), there is a greater emphasis on the expectation of higher risk-adjusted returns for ESG investments.

This emphasis gradually decreases with age, and a larger proportion of investors aged 35-64 place greater importance on aligning their investments with personal values.

For investors aged 65 and above, a significant portion expresses concerns related to both returns and values. This trend holds true across all wealth levels, indicating a consistent interest in considering both financial and ethical aspects in investment decisions among older investors.

Exhibit 9: ESG Investing Motivation by Market and Age



Responses to question regarding reason for ESG Investing Interest:
Returns = I expect ESG investing to result in higher risk-adjusted returns.
Values = I want to express personal values or invest in companies that have a positive impact on society or the environment. **Both** = Both above. **Other** = Other.

Total number of observations = 3,585.

Source: 2022 Investor Trust Study by CFA Institute

Motivation by Market and Age

Market-specific effects play a significant role in shaping motivations for ESG investing, contributing to variations among investors.

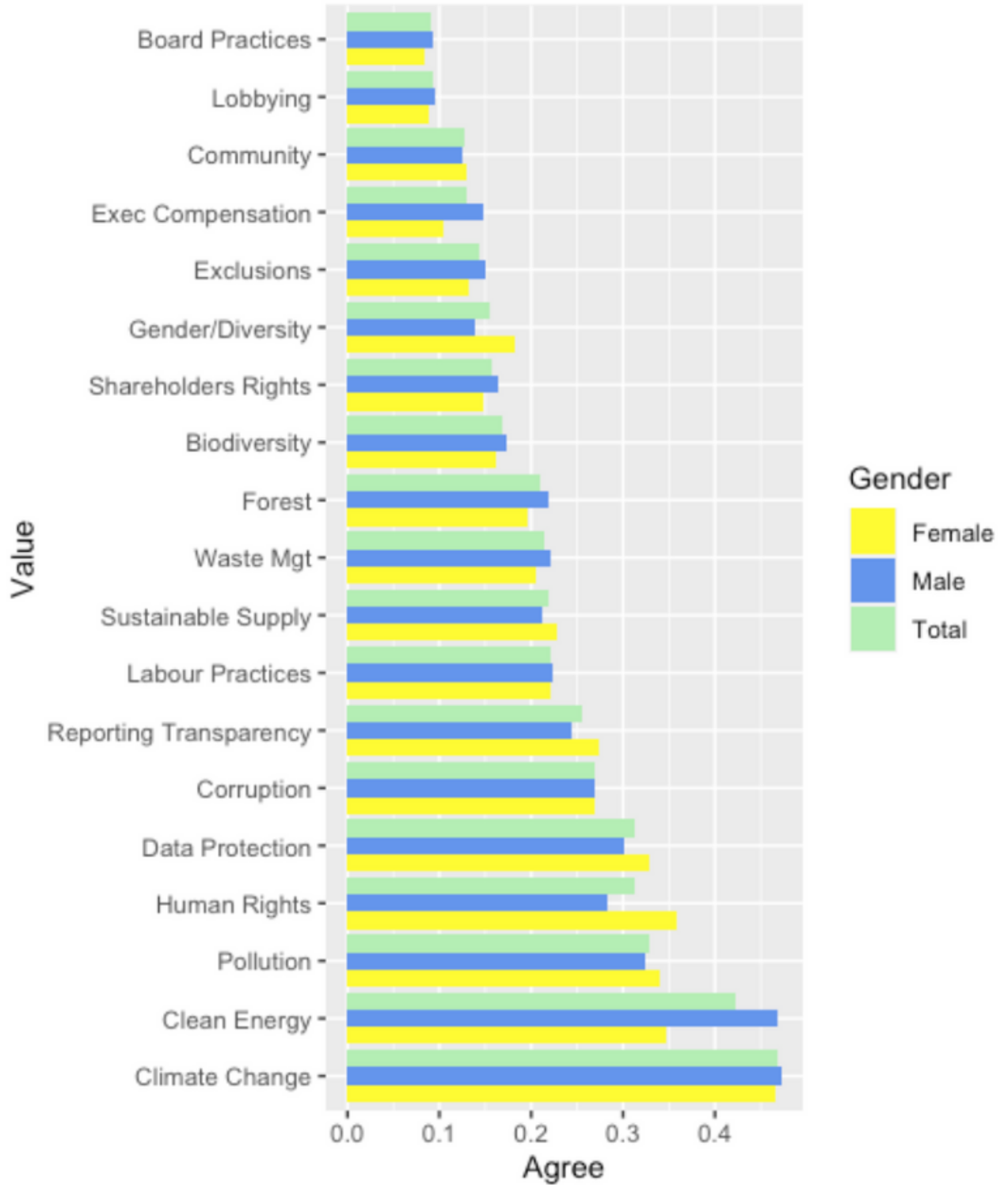
While the proportion of individuals motivated strictly by values tends to remain consistent across markets, there are notable differences in the influence of expected risk-adjusted returns and motivations combining both returns and values.

Each market exhibits its own unique characteristics in the expression of these global trends. Factors such as cultural values, regulatory frameworks, and market dynamics may influence the priorities and motivations of investors when it comes to ESG investing.

Understanding these market-specific effects is crucial for the investment industry to effectively tailor their strategies and offerings to meet the specific needs and preferences of investors in different markets.

Exhibit 10: Concerns Underlying ESG Interest by Gender

Survey Question: Regarding your investments, which of the ESG-related areas are most important to you? (Select up to five).



Total number of observations = 2,770.

Source: 2022 Investor Trust Study by CFA Institute

Concerns Underlying ESG Interest by Gender

Environmental issues, climate change, clean energy, and pollution emerge as the top priorities for those interested in ESG investing. Also important are social and governance issues, including human rights, data protection, corruption, and reporting transparency

There is a notable consensus among genders regarding these concerns, with men showing greater emphasis on clean energy, while women exhibit higher concern for social issues such as human rights and gender/diversity matters. However, it is worth noting that gender/diversity issues receive limited attention, even among women, who indicate only a modestly higher level of concern compared to men.

These findings underscore the need for the investment industry to tailor their approach to ESG investing to respond to the specific concerns of investors.

The research findings underscore the crucial importance of recognising that investors have a wide array of needs, motivations, and concerns when evaluating ESG investments. Consequently, adopting customised approaches, based on understanding individual preferences, is essential to align investment strategies effectively.

Younger investors have a higher interest in ESG investing, and a large proportion are motivated by the expectation of a higher risk adjusted return.

Higher wealth levels are associated with a higher interest in ESG investing and the largest proportion of the wealthiest investors are motivated by incorporating their personal values into their investment decisions.

Gender has a limited effect on interest in ESG investing. However, men are more concerned about clean energy and women indicate more human rights concerns.

Each market exhibits its own unique characteristics of expression of global trends.

CONCLUSION

Acknowledgement

Sincere gratitude is extended to CFA Institute for providing the valuable survey data utilised in this study.

Their contribution has been instrumental in shaping the insights and findings presented in this research.



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