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Nuveen Investor Survey: Seeing ESG's Societal Benefits Key to Investor Participation, Market Growth

More Investors Turning to ESG Strategies;
Concern About Climate Risk Spurring Interest, Action

NEW YORK, December 16, 2021 – For investors focused on environmental, social and governance (ESG) factors, seeing the benefits of their investing at work in the world is essential to their participation – and critical to any interest they might have in dedicating even more dollars toward ESG investments, according to a new investor survey released today by Nuveen, the $1.2 trillion global investment manager of TIAA.

The survey found that ESG investment is on the upswing, although many investors are still not familiar with the approach. Concern about recent natural disasters, as well as timely societal issues, is driving fresh interest in ESG investing, with many investors saying that they have changed their investing behavior because of those concerns.

Nuveen's 6th annual Responsible Investing Survey was conducted online by The Harris Poll from Aug. 24 to Sept. 3 this year and covered 1,007 investors, including 332 who said they are currently engaged in ESG investing.

Investors Seeking Performance with Societal Impact

For ESG investors, better performance is their most important reason for participating in ESG investing, cited by 55% of those investors. At the same time, more than nine in 10 (91%) of ESG investors agree that seeing the specific societal or environmental benefits of their ESG investing is essential.

About half (53%) of ESG investors also say it's hard for them to see those results – and 95% of those investors say they would invest even more if it were easier. But among ESG investors who say seeing the results isn't hard, 94% agree that that makes them want to invest even more toward ESG.

"The ESG marketplace is increasingly sophisticated, and investors recognize it is no longer enough for a company to simply claim they are committed to ESG principles," said Amy O'Brien, Global Head of Responsible Investing at Nuveen. "We believe ESG investors are telling us that when they invest in a company that says it is ESG-focused, they want to see tangible evidence of that commitment in how the company runs its operations and behaves toward its key stakeholders. Indeed, authentic dedication to ESG management is a criterion that we now are applying across our entire investing platform," said O'Brien.

Participation in ESG Investment is Up

According to the Nuveen survey, significantly more investors who are aware of ESG investment are currently participating in it (53%), compared with 2019 (44%) and 2018 (44%).

But there is also room to grow involvement with the sector: 23% of all investors have never heard of it, and 20% say they have heard of it but are not familiar with it.

Investment performance likely is helping to drive investor interest, with ESG portfolios recently delivering above average returns to many investors. Among investors currently participating in ESG investing, 46% report above average returns and 43% say their returns are about the same as market returns were in the past year.

Those perceptions of performance are consistent with the market trend: According to a report by S&P Global, in the first 12 months of the COVID-19 pandemic, many large investment funds with ESG criteria outperformed the broader market.

"Evidence continues to grow that investors are not at all sacrificing performance when they invest with concern for urgent societal and environmental factors," said O'Brien. "In fact, ESG-focused management is all about strengthening a company's viability and sustainability for the long-term, with a measurable impact on fundamental performance."

Investors Interested in Strategies for Net Zero Carbon Emissions

Many investors are turning their interest and concern regarding urgent societal issues into action when it comes to ESG investing.

Two thirds of all investors agree (66%) that recent climate-related natural disasters have made them more interested in the sector.

Responding to the growing threat of climate change, many investment managers, including Nuveen, have committed to achieving net zero carbon emissions in the management of their portfolios. The survey suggests that investors strongly endorse the concept.

A majority of both those currently participating in ESG investing (85%) and those not (55%) agree that knowing the total carbon emissions generated by their investments would help them make more ESG choices.

A majority of all investors (58%) would be more interested in shifting to an investment strategy if it had only investments with net zero carbon emissions. And 29% of all investors have talked to their advisor about investing in low carbon solutions that take climate risk into consideration; 24% have changed how they invest.

"For many investors, interest in a net zero carbon portfolio reflects the belief that, as the world shifts toward a low-carbon economy, companies with heavy carbon exposure will be increasingly vulnerable and carry investment risk," said O'Brien. "ESG-focused investment is an effective tool for managing and mitigating precisely this kind of portfolio risk."

Investors are investing on the basis of social risk and diversity & inclusion (D&I) concerns as well. Nearly three of 10 (28%) of all investors have talked to their advisor about investments that factor in social risk and 27% have changed how they invest. Twenty-two percent of investors have talked to their advisor about investments that take D&I into consideration and 25% of investors have changed how they invest based on this concern.

Other Motivators: Knowledge and Advisors

With so many investors still unfamiliar with ESG investing, simply learning about the approach also can spark interest in participating.

After being given a definition of the strategy, most investors who are not currently involved or never heard of it say they are interested (59%) in investing in the next 12 months.

And for many investors, an advisor's recommendation is a significant motivator for getting engaged. Half of all investors cite "based on my advisor's suggestions/suggestions from my financial advisor" (50%) as reasons for participating in ESG investing.

"Our survey suggests that financial advisors are important 'gatekeepers' into the world of ESG investing and have a powerful role to play both in introducing investors to the sector and stimulating further market growth," said O'Brien. "There are compelling benefits for advisors as well: Investors tell us that support for the approach strongly sustains their loyalty to an advisor."

A majority of investors (82%) say they have used or would use advice from their advisors to decide on the current allocation of ESG investments in their portfolio. And almost four in five (79%) of all investors agree they would be much more loyal to a financial advisor who actively helps them invest in a way that also has positive impact on the world.

The Most Dedicated ESG Investors: Millennials

Younger people are considerably more likely to be ESG investors and to be committed to the approach going forward.

About three quarters (76%) of Millennial generation investors surveyed say they are ESG investors, compared with 65% of Gen X'ers and just 24% of Baby Boomers.

They are also considerably more likely than their older peers to say that climate-related natural disasters have made them more interested in ESG investing. And 86% would be interested in shifting to an investment strategy if it had only investments with zero carbon emissions, compared with 71% of Gen X'ers and just 38% of Baby Boomers.

Millennials are more likely to be looking to their advisors for ESG investing support: 85% say their advisors could do much more to help them see the specific societal or environmental benefits of their investing, vs. 64% of Gen X'ers and 50% of Baby Boomers. They also are more likely to say that having an ESG option in their retirement plan makes them more loyal to their employer.

The survey also suggests that Millennials will stick with ESG investing to a greater degree than older investors. More than half (55%) of Millennial investors say that more than 50% of their portfolio will be committed to ESG investing in five years, compared with 36% of Gen X'ers and only 11% of Baby Boomers.

"Millennial enthusiasm for ESG investing is a good omen for the market's long-term growth and development," said O'Brien. "Keeping these investors dedicated to ESG will continue to hinge on the ESG approach's ongoing effectiveness at delivering performance, risk management and societal impact – and on ready access to an expanding menu of investments that well exemplify those qualities."

About Nuveen

Nuveen, the investment manager of TIAA, offers a comprehensive range of outcome-focused investment solutions designed to secure the long-term financial goals of institutional and individual investors. Nuveen has $1.2 trillion in assets under management as of 30 September 2021 and operations in 27 countries. Its investment specialists offer deep expertise across a comprehensive range of traditional and alternative investments through a wide array of vehicles and customized strategies. For more information, please visit www.nuveen.com.

Full Methodology

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This survey was conducted online within the United States by The Harris Poll on behalf of Nuveen between August 24 – September 3, 2021, among 1,007 investors in the U.S., age 21+, with $100,000 in investable assets (excluding 401(k) or 403(b) accounts) or real estate), primary or joint decision-maker for household financial decisions, and currently working with a financial advisor.

Results were weighted for age within gender, region, race/ethnicity, household income, education, region, marital status, and size of household where necessary to align them with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in online surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in our panel, no estimates of theoretical sampling error can be calculated.

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