nuveen
A TIAA Company

Responsible investing

Fifth Annual Responsible Investing Survey

Performance tops investors' motives for responsible investing

Demand for responsible investing (RI) opportunities continues to grow rapidly, with U.S. investors pouring $20.6 billion into funds focused on environmental, social and governance (ESG) themes in 2019, according to Morningstar. That's four times as much as in 2018. Although investing along with one's values is nothing new, the current environmental and political landscapes seem to be important factors in driving investors' decisions.

EXECUTIVE SUMMARY

- For the first time, we see that a majority of investors (53%) cited performance as their main motivation for investing in RI.
- Just as investors are understanding the potential performance benefits of RI, so too are advisors, as nearly one-third (32%) say in the past year, portfolios with RI have yielded above market-rate returns, compared with just 12% and 4% in 2018 and 2017, respectively.
- Jumping significantly from last year, 70% of advisors cite superior risk management and better performance as top reasons why their high-net-worth clients invest in RI, compared with 39% in 2018.
- Millennials have long held the spotlight in driving awareness of ESG factors in investing, but our survey suggests that greater interest in RI is coming from an older slice of the population as advisors said that Gen Xers (39%) asked about RI most in the past year, followed by baby boomers (24%) and then millennials.
- While advisors report that performance is important to investors, there has been a noticeable jump in advisors' perceptions that clients are committed to social and environmental causes in their portfolio choices, rising from 44% in 2018 to 74% in 2019.
- The majority of investors feel the country is in need of political (87%) and social change (86%). They also feel more engaged in current events than five years ago (77%) and believe that consumer and investor pressure will bring about change faster than waiting for the next election (82%).

75%

pg. 3

of investors **say that companies are risking their** *future if they fail to plan for a low-carbon economy*

pg. 4

Increase in advisors **who think RI provides better performance**

pg. 6

Rise in advisors **who indicate their clients want to make a positive impact** *with investments*

pg. 7

Advisor familiarity with RI is rising **but so is the number of advisors** *struggling to explain it*

PERFORMANCE PRIORITIES PREVAIL

The desire to make a material impact is still top of mind for investors, but this is the first time we see that a majority of investors (53%) cited performance as their main motivation for investing in RI.

85% agree

they will only invest responsibly if the returns are the same or better

Top 5 reasons for investing in RI

Better performance	53%
Align with my values	46%
Better risk management	38%
Better management for climate-change risks	34%
Better shareholder rights to keep boards accountable	28%

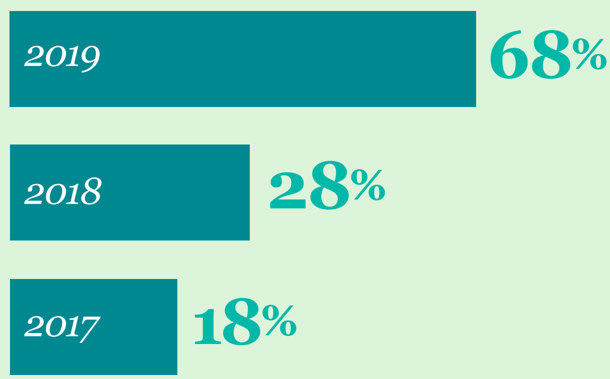
Understanding the performance benefits

Just as investors are understanding the performance benefits of RI, so too are advisors, as nearly one-third (32%) believe portfolios with RI have yielded above market-rate returns in the past year, compared with just 12% and 4% in 2018 and 2017, respectively.

32%

of advisors say portfolios with RI have yielded above market-rate returns in the past year

Even more striking in this year's study is the increase in advisors who say that investors incorporating RI in their portfolios typically outperform those without responsible investments.



Past performance is no guarantee of future results.

INVESTORS SAY COMPANIES HAVE A RESPONSIBILTY TO SAFEGUARD THE ENVIRONMENT

When it comes to the state of the environment, nearly all investors feel that companies should be taking an engaged and proactive approach.

When asked about their attitudes about companies' management and the environment, investors said:

It's absolutely essential for companies to actively manage against the risk of pollution, spills or other disasters	89%
A toxic spill or other environmental catastrophe can have a devastating impact on a company's stock value	88%
Companies need to act now to mitigate the risks of climate change to their operations	80%
Companies are risking their future if they fail to plan for a low-carbon economy	75%

Making a difference still matters to investors

While performance and risk management are important to investors, the majority still want to make a positive impact on society and the environment through their investment choices, something that has increased in importance in recent years.

In our survey:

indicate that they want their investments to advance environmental sustainability

RISK REDUCTION RESONATES

70% of ADVISORS

Say superior risk management is the top reason why their high-net-worth clients invest in RI

increasing **79%** *from last year*

38% of INVESTORS

Say it is their top reason for investing in RI

GOVERNANCE GAINS GROUND

Companies have always had an important role to play in society, but with the rapid spread of the coronavirus roiling global markets, companies' practices and abilities to handle such a significant crisis are drawing attention. Corporate governance, which represents the "G" in ESG, is defined as the diversity, sustainability and equity associated with a company's corporate structure and board.

While investors in our survey seem somewhat more partial to the E and S in E-S-G (48%) versus the G (13%), our results show that many are interested in issues related to governance, perhaps even if they didn't necessarily realize it.

Even before the pandemic hit, a large majority of the investors we surveyed agreed that:

Shareholders should exercise greater vigilance and control over major company decisions, especially if they personally benefit managers and directors	**87%**
Companies need to enact more policies to make them more accountable to shareholder concerns	**91%**
Diverse points of view in the boardroom lead to better stock performance	**84%**
Companies with strong governance practices can reduce risk	**83%**
Companies with strong governance practices make companies more valuable	**85%**

SOUND GOVERNANCE PRACTICES

Investor perception that RI engages in sound governance practices has jumped:

NOW TRENDING

The vast majority of investors feel the country is in need of political and social change, and feel more engaged in current events than five years ago (77%). Investors continue to want to be heard and say that their voices will make a difference, with 82% agreeing that consumer and investor pressure will bring about change faster than waiting for the next election.

initiated a discussion with their advisors to talk about at least one corporation that has acted badly over the past year

Investors are not afraid to broadcast their feelings online in reaction to negative news about a company, with many reporting they have taken at least one of the following actions:

Boycotted or posted a negative review of a retail brand based on management behavior or negative headlines	27%
Liked, retweeted or otherwise engaged in a hashtag-based campaign or cause in the past year	24%
Sold an investment due to a company scandal or objectionable behavior	23%

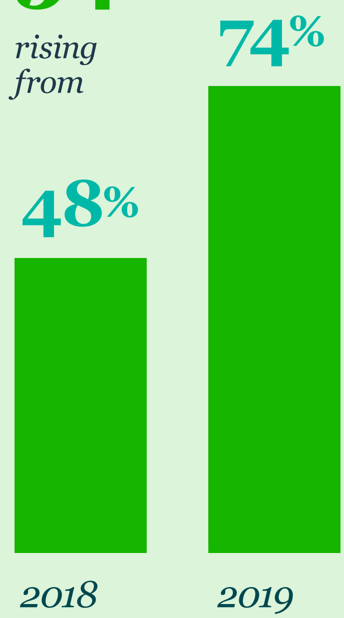
MORE ENGAGED

Advisors are significantly more engaged too, with the number of advisors who actively alert their clients about corporate scandals

increasing nearly

54%

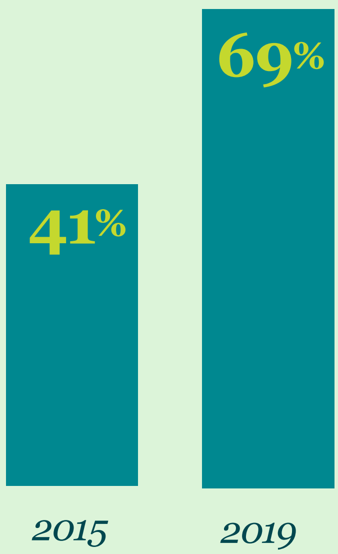
rising from



OPPORTUNITY FOR ADVISORS: BUILDING KNOWLEDGE, BUILDING BUSINESS

Interest in and familiarity with RI are increasing.

Advisors have noticed that investor interest in responsible investing has been increasing since 2015:



The vast majority of advisors (81%) acknowledge that their clients want strong performance, but there has been a significant shift in their perception of clients' desire to do good.

The number of advisors who describe their clients as committed to social and environmental causes in their portfolio choices jumped:

From
44% *2018* → **74%** *2019*

Advisors are taking cues from the rising investor interest in RI by proactively discussing it with clients.

More so than in years past:

Advisors make clients aware of RI by raising it as a discussion point during their meetings or conversations

65% *2019* | *up from* **51%** *2018* | *up from* **41%** *2017*

These conversations are having a positive impact on investor opinions:

83% *Agree that advisors who discuss RI are forward-thinking*

Discussions about values also have a positive impact with investors:

3 *in* 5 *Say talking to their advisors about their values makes them feel prouder, more loyal and more interested in investing more with them*

Advisors also seem to be picking up on this trend:

80% *Report having a deep conversation about values with their clients, which has resulted in clients increasing their investments and loyalty*

KNOWLEDGE OF RI IS BUILDING AMONG ADVISORS, BUT CERTAIN CHALLENGES PERSIST

Today, more than four in five advisors (85%) say they have at least some familiarity with the concept of RI, and strong familiarity has risen sharply, nearly doubling in the past year.

In 2015, the first year of our survey, only 18% of advisors said they were "very familiar" with RI.

"Very familiar" increased from

18% *2015* → **53%** *2019*

But while advisors report feeling more familiar with RI and are increasing conversations, they face hurdles when it comes to explaining and implementing RI with clients, even more so than in previous years.

Some advisors still say they find it challenging to explain RI to investors

68% *2018* → **79%** *2019*

And over half admit to feeling embarrassed talking about RI due to lack of knowledge.

Not surprisingly, the majority of advisors who say they want to learn more about RI has jumped significantly

49% *2018* → **63%** *2019*

Which generation is leading the way in RI? Spoiler alert: It's not millennials.

There is one segment of the population that is currently taking the lead in interest in RI. And it might not be who most would think.

Sandwiched between baby boomers and millennials, Gen Xers may sometimes feel like the "forgotten middle child." And while millennials have long held the spotlight in driving awareness of ESG factors in investing, our survey suggests that greater interest in RI is coming from an older slice of the population — Generation X.

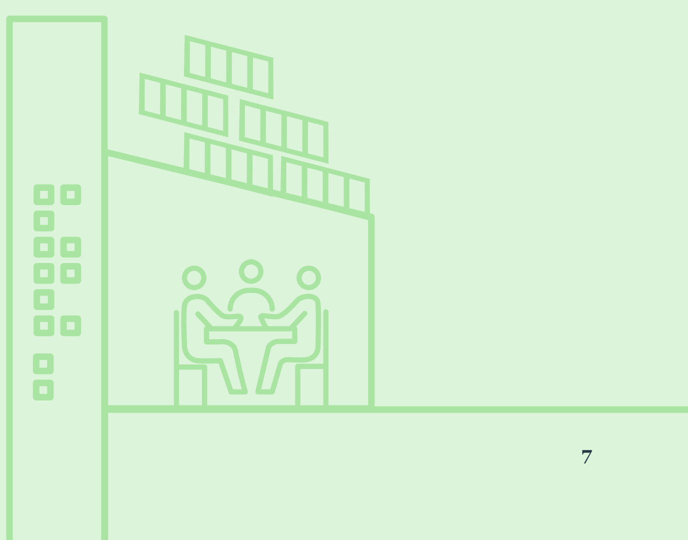
When asked which demographic showed the most interest in RI:

Gen X **39%**

Baby boomers **24%**

Millennials **22%**

These results suggest that advisors have a huge opportunity to proactively discuss RI with older clients.



About the survey

The Fifth Annual Responsible Investing Survey is a trended analysis of key issues facing advisors and investors. Nuveen commissioned The Harris Poll to conduct surveys of both populations, enabling the study to identify gaps between the perceptions of investors and of advisors. The advisors' survey was conducted online from 09 Dec 2019 – 07 Jan 2020 among 310 employed financial advisors in the U.S. Advisor data did not require any statistical weighting in order to reflect the advisor universe. The affluent investor survey was conducted online from 09 Dec – 26 Dec 2019 among 1,007 affluent investors: U.S. residents over age 21 with $100,000 in investable assets (excluding workplace defined contribution accounts or real estate), who consider themselves the decision-maker for financial decisions and who currently work with a financial advisor. Investor results were statistically weighted by various demographics where necessary to align them with their actual proportions in the population. The data was also adjusted to reflect respondents' propensity to be online.

For more information about RI, visit us at nuveen.com.

nuveen
A TIAA Company

GPE-RISVY5-0620D GWP-1215691CR-Y0620D 20012