

Standard Chartered Sustainable Investing Review 2020

Growing sustainable investments
through knowledge

In partnership with behavioural finance experts



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Cover image by Robert Bye

Foreword

As we continue to manage the enormous challenges caused by COVID-19, our brief glimpse of nature's resilience has raised hopes that we can create a more sustainable way of life.

In both the finance and social impact sector, sustainable investing is one of the fastest growing areas. We have identified this trend in previous surveys but in 2020, a year like no other, interest in sustainable investing has grown exponentially.

Our third annual Standard Chartered Sustainable Investing Review offers unique insights into how COVID-19 has impacted the sustainable investment plans of affluent and high net worth individuals in Hong Kong, Singapore, the United Arab Emirates and the United Kingdom. Undertaken in early 2020, the survey highlights growing investor interest in playing their part as responsible global citizens. It reveals that apprehension and a lack of knowledge and advice are the biggest barriers to investment in this segment.

The survey helps us understand how we can encourage and support individual investments that benefit society and the environment by simplifying jargon and debunking common misconceptions around risk and returns. It also highlights key investor profiles that reveal the attitudes and preferences of individual investors which can help us create bespoke portfolio solutions.

Financial institutions have a critical role to play in helping bridge the knowledge gap and accelerating the rising interest in sustainable investments. Using our Impact Philosophy, underpinned by the Theory of Change methodology, our relationship managers help clients crystallise their goals through a structured framework that maps the causes they are passionate about to develop a tangible action plan.

By collaborating and sharing information with our clients, we can help to identify investment approaches that translate personal motivations and individual wealth into impactful social solutions that make a real difference.

At Standard Chartered, we want to remove barriers to sustainable investing while supporting the needs of our clients as they seek to make sustainable investment decisions in these exceptional times. Sustainable investing, when incorporated into a well-defined, long-term investment plan, can be a powerful tool to address some of the world's most pressing challenges, while allowing investors to achieve their personal financial goals.



Didier von Daeniken

Global Head,
Private Banking, Standard Chartered

Executive summary

COVID-19 has caused a shift in the priorities of global investors who are re-evaluating the worth of investments that help society.

Investors turn to sustainable investments

The resilience of sustainable investments to economic disruptions, and growing interest in this sector are reflected in the Standard Chartered Sustainable Investing Review 2020.

Interest in sustainable investing continues on an upward trend

Those surveyed in Hong Kong, Singapore, the UAE and the UK indicated an increasing willingness to invest or explore sustainable investments. Interest was highest among the affluent and high net worth (HNW) individuals.



Key findings include:

- Interest in sustainable investing is very high – 90 per cent are interested and 42 per cent are considering investing 5 to 15 per cent of their funds in sustainable investments over the next three years
- More than 40 per cent of investors surveyed consider Clean Water and Sanitation, Good Health and Well-being, and Climate Action to be the United Nations (UN) Social Development Goals (SDGs) of higher importance
- Investors from different regions, have differing views on which of the SDGs are of higher importance, for instance, those from Hong Kong favour Climate Action and those in the UAE care more about Quality Education

Almost half of the respondents intend to favour sustainable investment

Over the next three years, 42 per cent of investors are considering investing 5 to 15 per cent of their funds in sustainable investment while 9 per cent of investors indicated they would like to have 25 per cent or more of their funds allocated to this area.

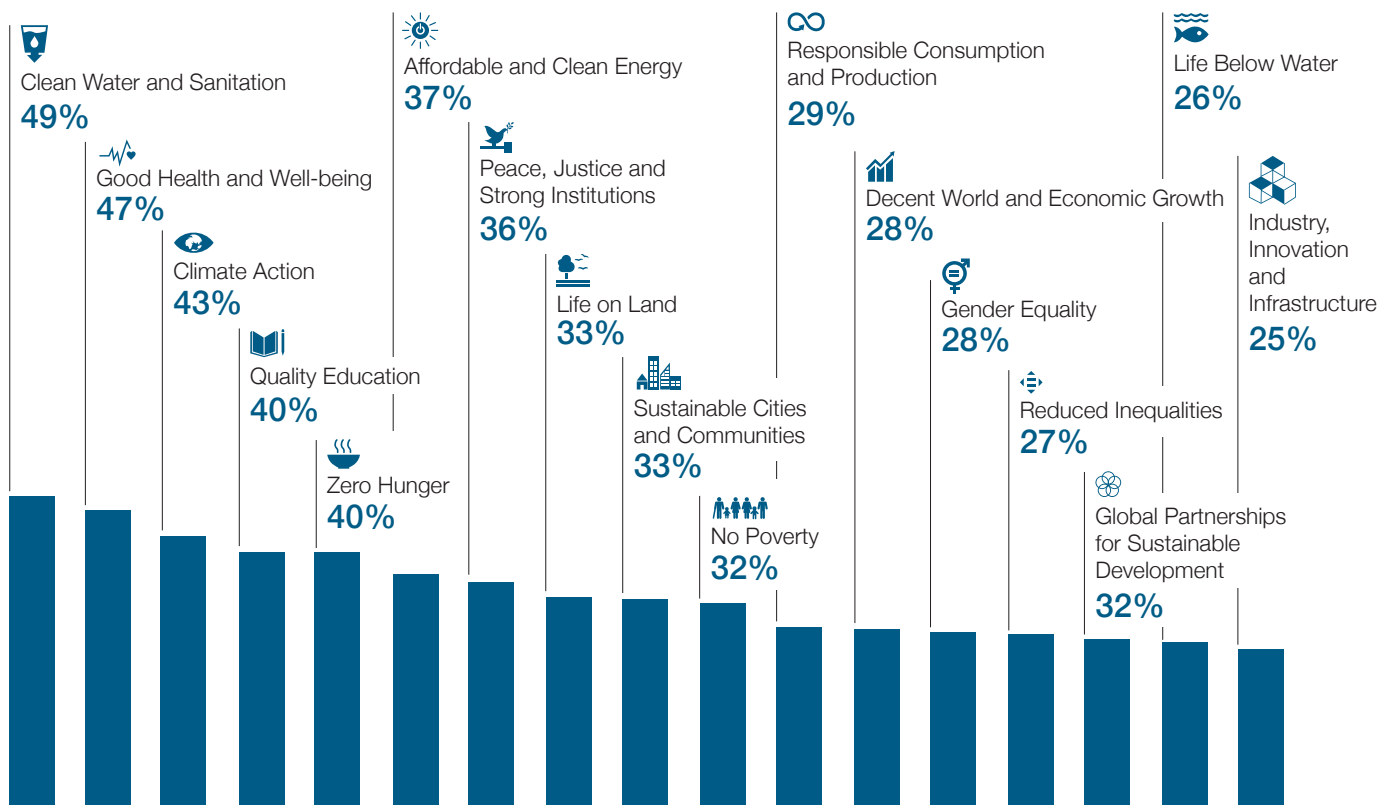
Priorities have changed

The effects of the COVID-19 pandemic are also reflected in the SDGs that individual investors care more about. This year, nearly half of those surveyed rated Clean Water and Sanitation, and Good Health and Well-being as being of higher importance, followed by 43 per cent determining Climate Action as a key issue, which edged ahead of Quality Education and Zero Hunger, both at 40 per cent.

42%

of investors are considering investing 5 to 15% of their funds in sustainable investments over the next 3 years

UN SDGs ranked by perceived importance



Percentage of respondents who consider SDGs of "higher" importance

Investment approach depends on personality

An investor's personality, based on attitudinal factors, plays an important role in their investment approach and offers richer insights than demographics or geography.

Our research found that investors broadly fall into five different categories: Optimisers, Impact Believers, Cautious, Resistant and Apathetic.

Investor interest varies across geographies

In Asia, interest in sustainable investing continues to grow, with around 43 per cent of investors considering investing between 5 to 15 per cent of their funds in sustainable investments. In general, investors in Singapore rated Clean Water and Sanitation and Life Below Water as being of higher importance, while investors in Hong Kong rated Climate Action and Life Below Water as being of higher importance.

In the UAE, 72 per cent of investors indicated they are highly interested in the possibilities presented by sustainable investing. Interest in investing or exploring sustainable investments is higher among the young and educated in the UAE. Around 71 per cent of UK's affluent and HNW investors were highly interested in sustainable investing and 45 per cent will consider investing 15 to 25 per cent of their funds in sustainable investments over the next three years.



Survey methodology

Respondents: 1,080 investors in Hong Kong, Singapore, the UAE and the UK representing a broad range of age, gender and locations.

Each market contained three sub-groups of respondents, focused on affluent and high net worth (HNW) investors:

- 600 general investors with a minimum of USD25,000 of investible wealth*
- 480 affluent (with a minimum of USD1 million of investible wealth) and HNW investors (with a minimum of USD5 million of investible wealth)

*The UK sample included affluent and HNW investors only, not general investors

The survey presented statements and questions related to attitudes to investing and financial personalities in general and Sustainable Investing in particular. The survey used robust behavioural and attitudinal techniques and was the same for each respondent, save for the order of statements, which were randomised to ensure academically reliable results.

The questionnaire had the following core components:

- Awareness of, behaviour towards and interest in sustainable investing (SI)
- SDGs preferences, based on the full list of all 17 SDGs
- Investors' trade-off preferences for SI
- Attitudinal measures – a set of over 50 statements answered on a 5-point scale from Strongly Disagree to Strongly Agree

Building resilience to future shock

The COVID-19 pandemic has raised awareness of sustainable issues in many ways, from glimpsing a more sustainable and environmentally friendly world, to a renewed interest for investing in companies that are resilient enough to weather short-term shocks and survive for the long term.



Overall, those willing to make trade-offs relating to returns, liquidity and risk to achieve social outcomes were substantially more likely to invest in sustainable investments. In general those surveyed favoured targeted sustainable investments rather than engaging with companies that do harm, which they would prefer to divest from. Of the affluent and HNW investors around 45 per cent indicated they were considering putting 15 to 25 per cent of their funds in sustainable investments while 40 per cent of them would invest 5 to 15 per cent over the next three years.

Broadly speaking, affluence predicts interest, largely because affluent investors have better access to investment advice, and this in turn leads to an increased knowledge of sustainable investing options.

Around

45%

of affluent and HNW investors indicated they were considering putting 15 to 25% of their funds in sustainable investments

Additionally, investors willing to make trade-offs in risk, returns and liquidity to achieve social outcomes are substantially more likely to be interested in sustainable investing. However, such trade-offs are often perceived rather than real. Early evidence of the effect of COVID-19 has shown some form of resilience in terms of environmental, social and governance (ESG) strategies. A recent analysis by [Refinitiv](#) showed that the performance of the ESG funds analysed was higher than the average performance of conventional funds.

While investors who are concerned about financial performance or clarity of reporting are apprehensive about sustainable investment, such misgivings typically fade as individuals gain knowledge of how to meet both social and investment goals.

The age of an investor can also play an important role in sustainable investing. While older investors (above 50) are less likely to accept trade-offs and to seek guidance about their investments, those under 30 are less likely to focus only on financial returns.



Removing barriers with knowledge

One of the most significant barriers to interest in sustainable investing remains that of sharing and building knowledge about these investments.

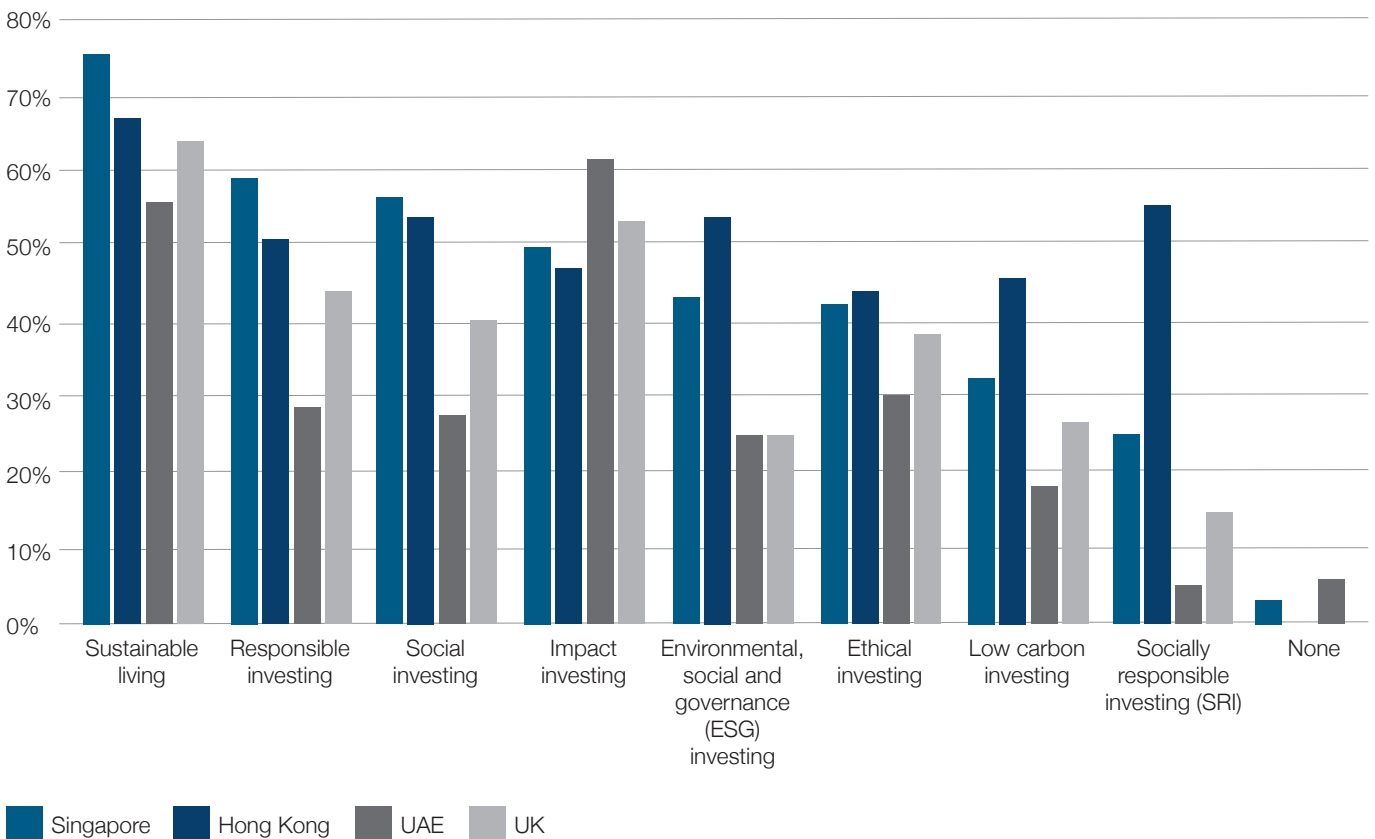
Although the term sustainable investing is widely used and is relatively familiar to investors (with around two thirds of those surveyed understanding its use), other terms such as ESG and socially responsible investing (SRI) are less well understood. This reflects one of the survey’s key findings that a lack of knowledge about how to meet social goals is an impediment to investors who want to make sustainable investments.

98%

of affluent investors are interested in sustainable investing, although 93% are apprehensive about investing in this area

Familiarity of terms among affluent and HNWI investors differs by country

Affluent and high net worth investors





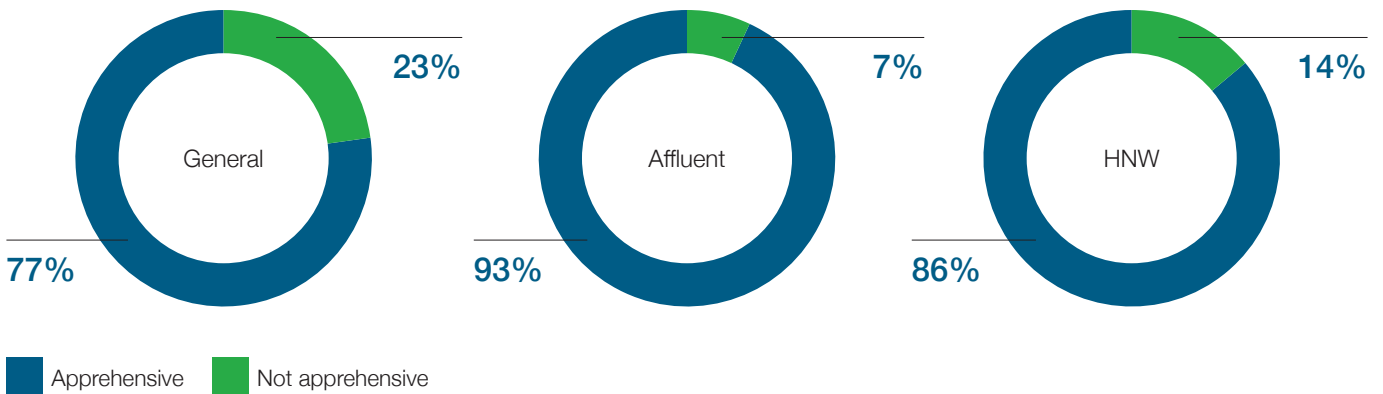
for sustainable investing. Affluent and HNW investors in Hong Kong, Singapore, the UAE and the UK who want to know more about sustainable investments will need the support of knowledgeable wealth advisors to navigate their way through existing complexities, to better understand and meet their desire to invest in opportunities in this sector.

While knowledge is the biggest predictor of interest and affluence is a strong predictor of knowledge, those surveyed indicated a strong demand for guidance to build their knowledge of sustainable investing. Advisors have a critical role in providing essential guidance to clients to unlock the growing momentum

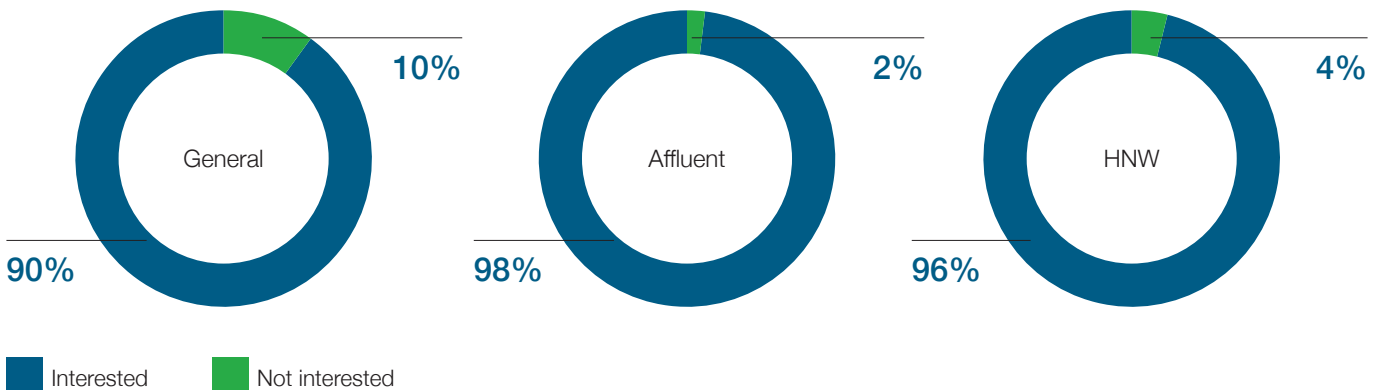
When building knowledge with individual clients, wealth advisors also need to understand the personality type of individual investors, since this can impact the successful outcome of investment in social or environmental opportunities. By gaining an understanding of each client's motivation, wealth advisors will be better able to provide guidance and support about opportunities to both build wealth and create sustainable benefits to society.

Both interest in and apprehension of sustainable investments is higher among affluent investors

Apprehension about SI by affluence



Interest in SI by affluence



Matching appetite to opportunity

The survey reveals some important differences in investor personality types and individual priorities particularly between general investors and the affluent and HNW investors in these four markets. Five distinct personality types of investors were identified – Optimisers, Impact Believers, Cautious, Resistant and Apathetic.



Optimisers have very high interest in and also high apprehension towards sustainable investing. These investors want to do good but are also focused on financial returns for their investment. Income rich, this group makes up 21 per cent of those surveyed with UAE investors accounting for nearly half of this group.



Around 23 per cent of those surveyed are **Resistant** investors with a high preference for avoiding investments that are unethical or could do harm to the environment or to society but a low interest in sustainable investing. Investors in Singapore account for 43 per cent of this group, which has similar wealth but lower income to Optimisers.



Impact Believers have a high interest in sustainable investing and low apprehension. This group makes up 13 per cent of those surveyed. They are asset rich and more likely to have previously invested in sustainable investments. They also hold strong views on sustainable investing. Investors in Hong Kong make up around one-third of this group.



Apathetic investors, which accounted for 20 per cent of those surveyed, in general had a low interest in sustainable investing and receiving investment advice.



Cautious investors are moderately interested in sustainable investing, have high apprehension, and make up 23 per cent of those surveyed. They have similar attitudes to Optimisers but their income is similar to that of Impact Believers.

Those interested in sustainable investing fall into a number of distinct groups where apprehension about investing could be replaced with knowledge. This is an area where financial institutions play a critical role in bridging that gap.

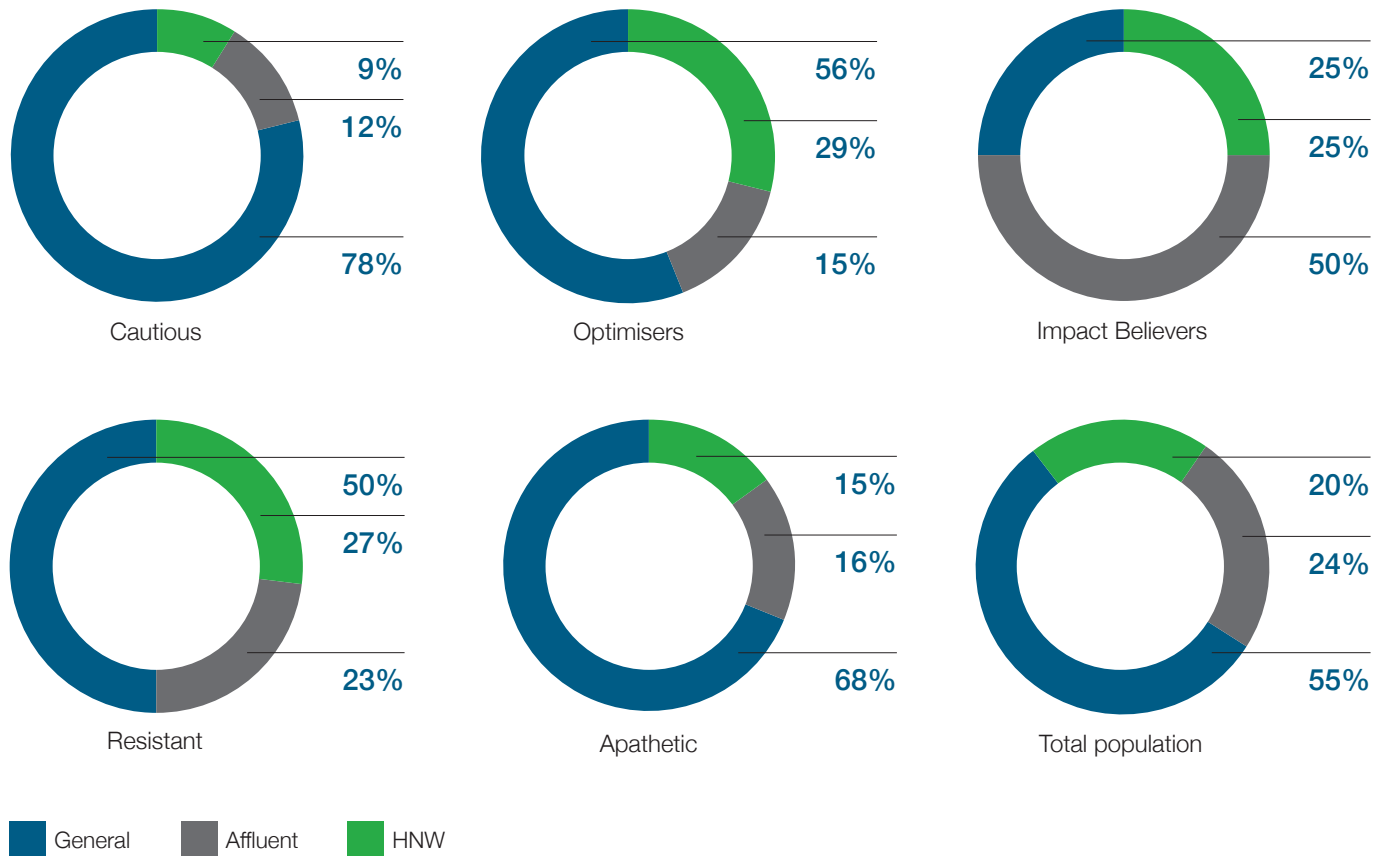
Predicting how these needs can be met requires assessing the personality of each investor. This includes:

- Attitude towards social trade-offs
- Knowledge about sustainable investing
- Previous sustainable investment experience
- Source of wealth

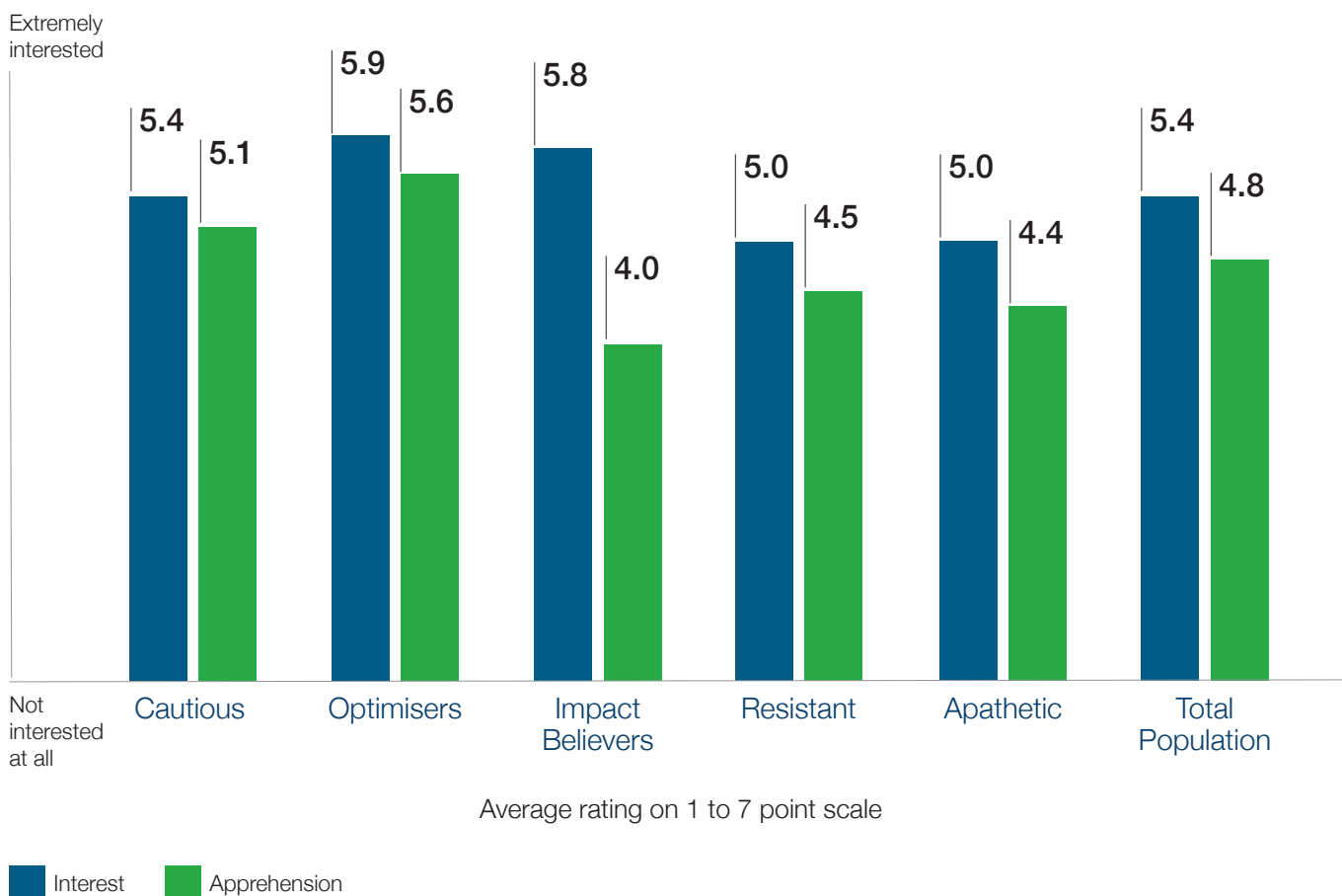


How the affluent and HNW investors divide across investor personality types

Personality types split by affluence



Interest in and apprehension of sustainable investments by investor personality type



Converting interest to investment

Of the five groups, Optimisers, Impact Believers and Cautious investor types show the most potential for converting their interest into investment. To help convert this interest they require targeted messaging relating to their personality types:



Optimisers

Individuals in this group are looking for guidance about how their SI will be both effective and efficient, in order to alleviate their high apprehension. Messaging should be specific and show how SI can be focused on tackling precisely formulated problems in a business-like manner, backed by clear evidence.



Impact Believers

This group is likely to respond best to messaging around the impact that their SI can have, almost divorced from financial outcomes. They want to be shown how SI can target specific causes globally and produce a long term impact.



Cautious

This group will respond to similar messaging used for Optimisers, but it needs to be kept in mind that Cautious investors are less wealthy, so SI should always be positioned as “within their reach.”

Market differences



Sustainable investing in Asia

Despite recent pandemic disruptions, the interest in sustainable investing in Asia continues to grow. Over the next three years, 43 per cent of investors in Asia said they are considering putting 5 to 15 per cent of their funds in sustainable investments with 8 per cent looking to invest more than 25 per cent. Of this, 47 per cent of Hong Kong's investors would consider investing 5 to 15 per cent of their funds while 39 per cent of those in Singapore considered the same allocation in their investments.

Those who had invested in sustainable investments in the past indicated a willingness to invest further.

However, Asia's investor interest in these areas overall remains below levels seen in other markets.

The COVID-19 pandemic and ongoing uncertainty continues to exert an impact on both affluent and HNW investors in Hong Kong and Singapore and has also highlighted key differences in attitude and investment between these two financial centres.

Among Asia's affluent and HNW individuals who previously made sustainable investments, Climate Action remained a motivating priority in both 2019 and 2020.

On the other hand, individual investors in general have reassessed the importance they place on individual SDGs. Investors in Singapore tend to care more about Clean Water and Sanitation and Life Below Water and relatively less about Gender Equality when compared with individuals in other markets, while Hong Kong investors cared more about Climate Action and Life Below Water, and relatively less about Peace, Justice and Strong Institutions.

Additionally, a basic understanding of terms varies significantly from region to region. In Hong Kong, for instance, one in three investors are familiar with ESG, SRI and low carbon investing, compared with one in four in Singapore. When it came to sustainable investing, in both Hong Kong and Singapore 55 per cent believed they understood the terminology.

In terms of concerns about investing, 45 per cent of Singapore's affluent and HNW investors were highly apprehensive about sustainable investing compared to Hong Kong at 30 per cent.

Investors in Singapore
cared more about
**Clean Water
and Sanitation
and Life
Below Water**
while investors in
Hong Kong cared more
about Climate Action



Capitalising on sustainable opportunities in the UAE

Affluent and HNW investors in the UAE, which has the highest number of affluent investors and whose wealth is largely salary-based, are keen to capitalise on green and sustainable opportunities. Here, 72 per cent of potential investors indicated they are highly interested in the possibilities presented by sustainable investing.

This interest was matched by 39 per cent of UAE investors expressing an interest in allocating 15 to 25 per cent of their funds to sustainable investments within the next three years.

An interest to invest or explore sustainable investments was particularly noticeable among the young and educated in the UAE. Those already committed to sustainable investments were also most likely to increase their stake.

But the survey reveals that investors in this market also had a higher degree of apprehension compared to Asian investors, as well as a need for increased knowledge about terminology. For instance, UAE investors were the least familiar with low carbon investing.

72%

of potential UAE investors indicated they are highly interested in the possibilities presented by sustainable investing



Same intent, different priorities in the UK

Around
71%
of the UK's investors
said they were
highly interested in
sustainable investing

Around 71 per cent of the UK's affluent and HNW investors said they were highly interested in sustainable investing. In this market 93 per cent of affluent and HNW investors also demonstrated a higher level of familiarity in relation to the SDGs, higher than those in the other three markets. UK investors also revealed a significantly higher level of previous investment (86 per cent) in this segment.

Among affluent and HNW investors who have previously made a sustainable investment, Affordable and Clean Energy remained a key motivating SDG in both 2019 and 2020.

Like investors in the other key markets, affluent and HNW individuals in the UK are also keen to assess opportunities in sustainable investing. Of those surveyed, 45 per cent said that over the next three years they would consider investing between 15 to 25 per cent of their available funds in sustainable investments.



Our commitment to meeting investor needs

Engaging more investors in sustainable investing requires a much greater sharing of knowledge, although knowledge alone is just a starting point for engagement. Focusing on specific achievable outcomes that meet the individual personalities and wealth of investors and address their levels of apprehension is just the beginning of the investment journey. By identifying the needs of the individual investor, Standard Chartered can offer guidance, tailor assistance and provide advice with customised information that helps clients achieve better investment outcomes and avoid pitfalls, particularly during times of market turbulence.

Sustainable investments will gain greater traction if they are concentrated on specific and achievable outcomes. By meeting the needs of investors for knowledge and guidance, Standard Chartered's advisors can support and educate clients about the wealth of opportunities in this area. Recognising this growing need, the Bank has focused on increasing the expertise of our wealth and investment advisors.

Our private bankers are graduates of our Private Bank Academy learning programme, while our INSEAD programme curriculum includes sustainable investing units. Additionally, we have created an internal community of bankers and investment specialists, who receive specialised training to engage in conversations about sustainable and impact finance. Equipping our internal community of wealth advisors with the expertise they need to support the aspirations of our clients is our priority.

The Bank recognises that clients want to make a positive impact. The Standard Chartered Sustainable Investing Review 2020 will help to align their personal goals and values with our efforts to build sustainable benefits for society and the environment. By supporting our clients with their need for greater knowledge and guidance through our wealth management advisory services, we can work together to become a force for good while seizing opportunities for growth and returns.



Supplementary information

Understanding the terminology

Impact Philosophy

Our Impact Philosophy comprises a four-step process to determine the impact profile of clients, and to provide a practical methodology to identify and map solutions, including sustainable and impact investing solutions. The Theory of Change helps clients develop solutions to complex social problems by mapping their goals and how they would want to achieve them. Find out more [here](#).

Do no harm

Do no harm refers to how much emphasis an individual would like to place on filtering out unethical investments.

Social trade-off

Broadly speaking, social trade-offs include an individual's willingness to accept reduced financial returns, reduced liquidity, or extra risk for social impact.

Key terms

These are the most commonly used definitions, although there is no standardisation across the finance industry. Respondents were not given a list of these definitions prior to answering the survey questions.

Environmental, Social and Governance (ESG)

Environmental, Social and Governance (ESG) is a set of standards used to measure a company's sustainability, corporation or business – across environmental, social, and good corporate governance factors. These criteria are used to screen for material risks and opportunities, in addition to traditional financial criteria.

Environmental standards: this relates to how a company impacts the environment and includes carbon emissions, water stress, energy usage, and pollution.

Social criteria: this examines how a company manages relationships with employees, suppliers, customers, and the communities where it operates and can include diversification of supply chains, ethical treatment of society, payment of workers, etc.

Governance: this looks at the quality of governance, and includes, among others, board diversity, executive pay, audits, internal controls, and shareholder rights.

Ethical investing

Ethical investing uses an individual's personal beliefs as a driver for selecting investments in order to avoid those that the individual considers to "do harm." The term is sometimes used as an alternative to socially conscious investing or socially responsible investing (SRI).

Impact investing

Impact investing refers to investments that look to create measurable positive social or environmental outcomes and financial returns. This can span a range of strategies, from the environment to healthcare, poverty alleviation and education. Measurement of impact outcomes is a key aspect of impact investing.

Low carbon investing

Low carbon investing refers to investment in new clean energy technology with the aim of lowering greenhouse gas emissions to mitigate the effects of climate change. This means actively investing in companies with enhanced emissions reporting and moving investments away from, for example, traditional coal power. Low carbon investing also incorporates related matters such as deforestation.

Responsible investing

Responsible investing is a broad term used to define any investment that considers environmental and social factors. It is often used when referring to green, clean, socially conscious and SRI.

Over time, some have also associated this more with SRI, which allows investors to avoid investments in companies in certain controversial business areas or practices and to align investments with an individual's ethics or values. This is often used interchangeably with sustainable investing and SRI.

Social investing

Social investing is defined as investing in people, with key areas including education, quality childcare, healthcare, training, job-search assistance, and rehabilitation.

Socially Responsible Investing (SRI)

Socially Responsible Investing (SRI) was originally developed to allow investors to avoid investments in companies in certain controversial business areas or practices and to align investments with an individual's ethics or values.

In addition to exclusionary screening, some asset managers also implement SRI through positive screening, including companies that meet pre-set criteria.

SRI became a generic term covering responsible, socially responsible, ethical, environmental and social investments. Over time, however, the use of the term sustainable investing became more widespread, and SRI is now associated more with negative/positive screening and a subset of sustainable investing. Despite the nuances, it is still used interchangeably with responsible investing and sustainable investing.

Sustainable Investing (SI)

Sustainable Investing (SI) is a broad term covering responsible, socially responsible, ethical, environmental, social investments, impact investing and any other investment process that incorporates environmental,

social and governance issues. It is defined as investing capital in businesses, funds, or other financial vehicles that actively seek to generate social and/or environmental benefits and financial returns. While it is now commonly used as the overarching term to encompass the gamut of strategies, it is, at times, still used interchangeably with responsible investing and even SRI.

Sustainable living

Sustainable living is a lifestyle choice where an individual makes a conscious decision to reduce their overall demand for resources to the best of their ability in order to personally limit environmental harm or damage resources needed by future generations.

Credits

The Standard Chartered Sustainable Investing Review 2020 is based on research commissioned by Standard Chartered Private Bank, field work by Agility Research & Strategy and analysis by behavioural finance experts, [Oxford Risk](#).

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