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PARTNERSHIP SINCE 1590

Berenberg ESG Survey: Exploring investor sentiment

A Berenberg Wealth & Asset Management Study

2021

Berenberg

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We would like to express our appreciation to the 112 participants that completed this survey.

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Executive Summary

The ways in which Environmental, Social and Governance (ESG) factors have been addressed or incorporated into investments has evolved and attracted greater attention in recent years. As we emerge from the COVID-19 lockdown, it is an opportune time to gauge the market's perspective on influences and contributing factors to ESG and impact investing.

This report is an update of a survey Berenberg conducted in 2018 on 'Understanding the SDGs in sustainable investing' with the addition of views on specific and selected topics that have emerged more prominently since, such as Impact Measurement, ESG Products, COVID-19, COP26 and B Corps.

The survey was completed this year by 112 participants across the investment community. These participants are largely based in the UK and Germany and are interested in ESG. The questions were answered in the context of public market investing.

As a result, we concluded the following:

- The use and recognition of the SDGs differ amongst investor groups while environmental factors have gained importance since our initial 2018 Survey.
- Amongst impact measurement and ESG frameworks, there remains no silver bullet.
- COVID-19 has prompted participants to place greater prominence to social factors which may grow with demand for impact-related investment products.

The use and recognition of the SDGs differ amongst investor groups while environmental factors have gained importance since our initial 2018 Survey.

c.85% of participants consider the SDGs to some degree of which **c.50%** directly integrate the SDGs into their investment process.

There are mixed views on the outcome of COP26:

41% of participants are generally optimistic

32% of participants expect relatively little or no progress

Participants use the SDGs to measure:

the positive	the avoidance of negative	the net
33%	28%	24%

impact of investments.

More environmentally-focused SDGs including Goals 6, 7, 12 and Goals 3, 9 and 11 that are more social/service or industrials based have been chosen as **more investible than important.**

Since the 2018 survey, in terms of 'Importance'

SDG 13 Climate Action has risen from 5th to 1st

SDG 4 Quality Education has dropped from 1st to 4th

In terms of investibility

SDG 7 Affordable and Clean Energy has risen to 1st

SDG 12 Responsible Consumption and Production has risen to 5th

Amongst impact measurement and ESG frameworks, there remains no silver bullet.

40% of participants were aware of the **B Corp certification and**

42% **believe it would positively influence investment decisions** (the rest believe it would have no effect or would not be applicable).

55% of participants believe **impact is equally important to returns.**

62% of participants invest on the basis of both their current and future impact.

86% of participants believe SDG alignment should be made using both qualitative and quantitative data.

52% of participants believe that up to 3 SDGs can be meaningfully contributed to through investments.

Only **12%** **of respondents found impact data providers 'very helpful'** with the rest either finding it 'somewhat helpful', 'not helpful' or 'not used/applicable'.

Most participants are either unsure or do not use impact data providers.

COVID-19 has prompted participants to place greater prominence to social factors which may grow with demand for impact-related investment products.

Social factors have gained importance in light of the pandemic with

47% **of participants believing social factors would be more significant now regarding their investment decisions**

(35% chose environmental factors as being more significant now).

The results of what ESG products participants selected as the most relevant in the future include:

19% Actively managed ESG strategies

17% Impact investing

15% Sustainability/SDG-linked bonds

Introduction

Investor sentiment, global initiatives and investment regulations are moving ESG into the core of many investment approaches. Further, not only has investor interest grown, but also expectations of what and how ESG investments should be delivered. Negative screening is insufficient for some, while positive screening remains inconsistent in its application.

The rapid pace of progress amongst investment strategies, together with the onset of COVID-19, signals an opportune time to capture the market's views on influences and contributing factors to ESG and impact investing[1].

This survey builds on our previous survey conducted in 2018[2], which focused on the interest and relevance of the UN Sustainable Development Goals (SDGs or 'the Goals') in investment strategies. Key insights from the 2018 survey were as follows:

- Engagement and impact measurement were the most critical ESG strategies.
- Investors would like to see their money being used more proactively.
- There is scope to create investment products for less accessible SDGs.
- The SDGs can be used when investing globally.
- There is a need for more genuinely impact-focused products that are accessible.
- Measuring and reporting on the impact of investments will be challenging.
- Good corporate governance should be considered alongside the SDGs.
- The majority of participants believed sustainable investments will outperform conventional investments.
- Investment performance is important to investors and should sit alongside impact.

We have also explored participants' views on impact measurement and matters which may influence investment preferences in the future. The survey results are discussed in three parts:

1. SDGs and Investing;
2. Impact Measurement;
3. Future Considerations.

Part one and two will revisit and compare to some of the topics covered in our previous survey. Part three extends the discussion to address current and future attitudes towards ESG Products, COVID-19, COP26 and B Corps.

Should you wish to discuss any part of the report please contact the authors of this document or your Berenberg Investment Adviser.

[1] This publication may refer to sustainable and ESG investing interchangeably. We consider them both as broad terms which cover all sustainability/ESG integrated investment strategies such as negative and positive screening, ethical or active investments. Although impact investment is also a form of sustainable investing, the term is specifically used for an investment strategy with the aim of driving a positive change on society and/or the environment.

[2] The full report can be found here: 'Understanding the SDGs in sustainable investing' - https://www.berenberg.de/files/ESG%20News/SDG_understanding_SDGs_in_sustainable_investing.pdf

Survey Design

The survey was conducted online and on an anonymous basis.

It was sent to participants across the investment community to gather broad insights from those who are interested in ESG investing. In time we would like to extend the survey further afield as awareness of ESG and impact investing grows.

It is interesting to note that while participants had an existing interest in ESG, some referred to ESG and impact interchangeably, particularly within Part 2 which focuses on impact measurement. It is possible that in future surveys we might consider how the terms ESG and impact may be distinguished.

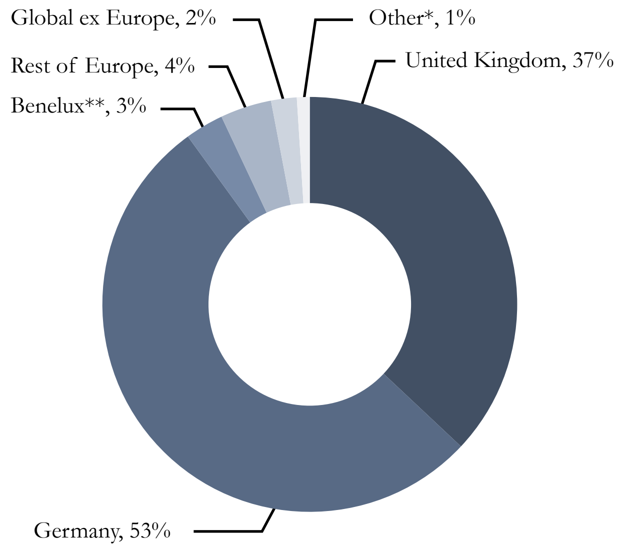
The responses were collected in the context of public market investments.

The survey results are based upon 112 respondents and the results can be disaggregated by the following segmentation:

- By investor group; and
- By geography [3]

*Other includes those who prefer not to say.

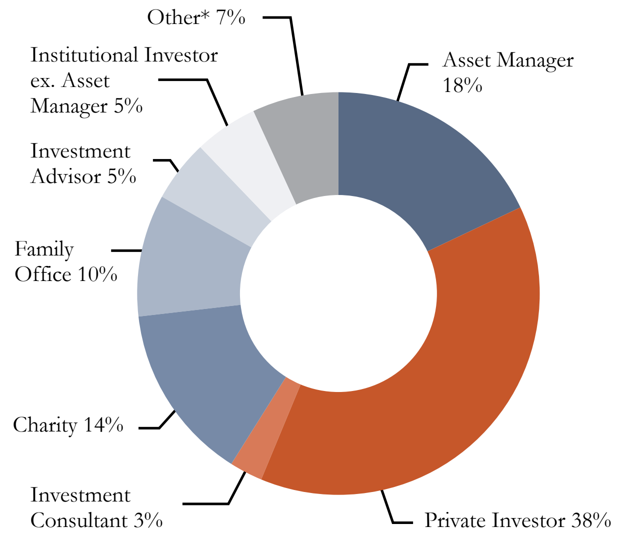
Figure 1: Respondents by geography
N=112



** Benelux includes respondents from Belgium, The Netherlands and Luxembourg.

* Other includes those who prefer not to say.

Figure 2: Respondents by investor classification
N=112

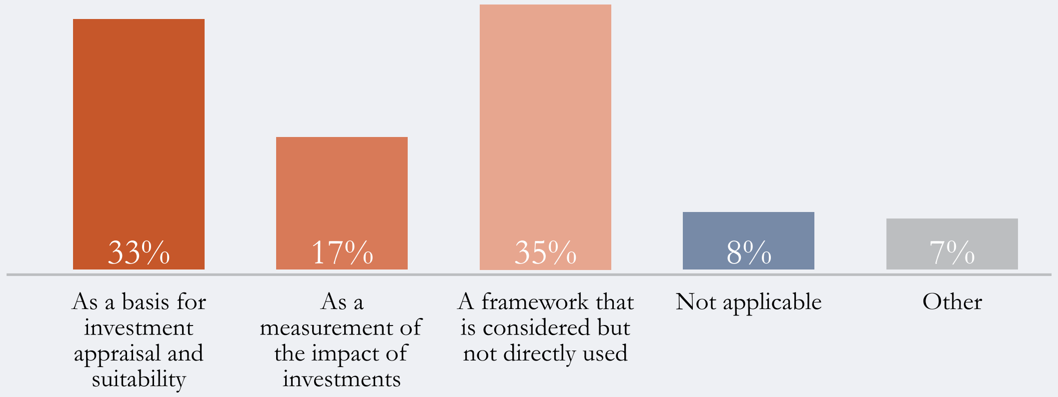


* Other includes those who prefer not to say.

[3] To ensure transparency, we noted how many respondents have answered each question e.g. 'N=103' indicates that 103 respondents provided an answer to the question with the percentages being based on this number unless indicated otherwise.

Part 1: SDGs and Investing

Figure 3: How do you primarily incorporate the SDGs into your investment process?
N=103



The United Nations Sustainable Development Goals (SDGs) represent a blueprint to address key global and sustainability challenges. While the 17 Goals and their 169 sub-targets are aimed at governments, they have been adopted by some in the financial industry as a universal framework to direct capital towards projects, products and services that address the SDGs. The UN Commission on Trade and Development estimates that the level of investment needed to achieve the SDGs will be $5 to $7 trillion per year on average, over 2015-2030 globally (PRI, 2017).

This section discusses how the SDGs are considered, in the context of public market investments, by survey participants. It also looks at how SDG alignment is assessed, how the SDGs are perceived in terms of their importance vs. investiblity and how the results this year compare to the 2018 survey.

The results in Figure 3 suggest that the SDGs have a role to play in investments, but its application continues to be a work-in-progress[4]. The extent to which the SDGs are used for investments by participants is diverse. The results show that c.85% consider the SDGs to some degree, of which c.50% directly integrate the SDGs into their investment process. Additionally, as evidenced by the results, more seek to incorporate the SDGs earlier in the investment process, forming part of the investment decision (through investment appraisal) than measuring the outcome of those decisions (through the measurement of impact).

Some use the SDGs to frame their investment preferences, others use the SDGs as a tool to demonstrate the impact of those investments. This was illustrated when disaggregating the data between investor groups. Most asset owners[5] in the survey use the SDGs to frame investment preferences by selecting the options of 'as a basis for investment appraisal and suitability' or 'a framework that is considered but not directly used' in their investment process. Asset managers however were more evenly split with slightly more selecting the SDGs as a form of impact measurement which may demonstrate these preferences[6].

[4] It is worth noting that this question did not allow participants to select more than one answer. Should an update of the survey be conducted in future, it would be interesting to see if and how the results may change if multiple selections were permitted. One respondent who selected 'Other' for example commented that they use the SDGs both for investment appraisal and impact measurement.

[5] Represented by answers from private investors, charities and family offices.

[6] Of the 19 asset managers that answered this question, 26% use the SDGs 'as a basis for investment appraisal and suitability', 32% selected 'as a measurement of the impact of investments' and 26% selected 'a framework that is considered but not directly used'.

Figure 4: What is your main criterion for selecting securities in relation to the SDGs?
N=103

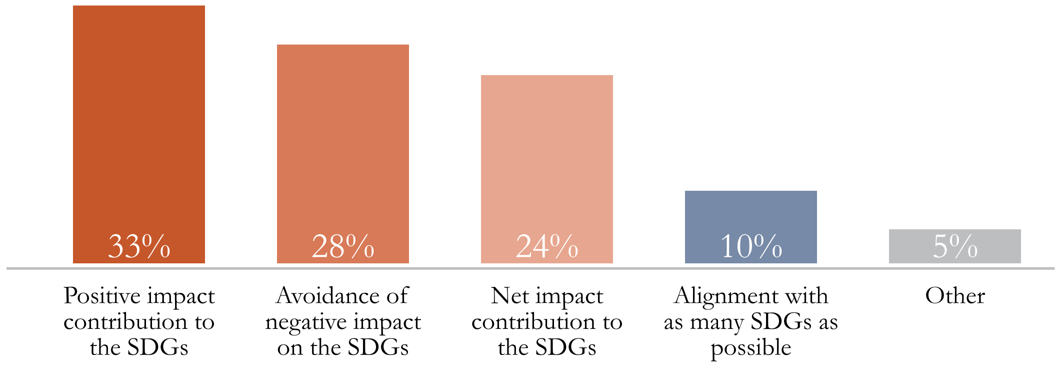
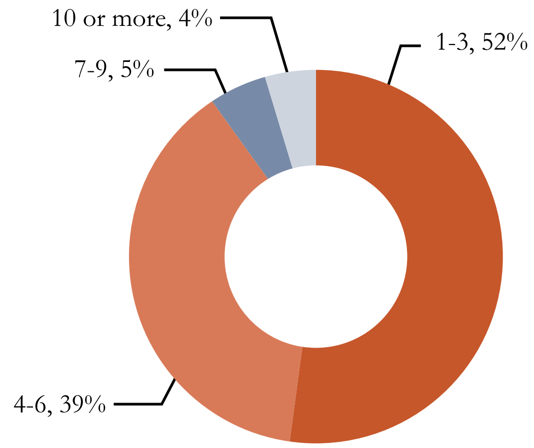


Figure 4's divided results indicate an almost equal distribution between SDGs used for positive, avoidance of negative and net impact. While the aggregated data shows a mixed picture, there is a noticeable difference amongst investor groups. A higher proportion of asset managers seek a 'positive impact contribution to the SDGs' whereas private investors were more divided between the 'avoidance of a negative impact on the SDGs' or would consider their 'net impact contribution to the SDGs'. This could be due to a level of resources and capability, particularly in the context of public market investments, to identify a positive contribution as one respondent noted:

"… Positive impact is important but harder to achieve than the avoidance of a negative impact."

Please note this quote has been edited for brevity and clarity.

Figure 5: How many SDGs do you think a security can meaningfully contribute to?*
N=103



Although the SDGs cannot be viewed independently, Figure 5 shows that participants focus on a few SDGs to meaningfully contribute to them.

The SDGs were designed to interrelate to achieve the overarching aim of sustainable development. Similarly, a company is unlikely to have an influence that is isolated or concentrated in one area and so it may affect multiple SDGs. As observed in Figure 5, the results broadly reflect the view that being focused on a few SDGs is perceived to be more effective than trying to capture too many SDGs, which may limit a meaningful contribution towards them. This is also supportive of the results in Figure 4 where only 10% of participants seek to align with as many SDGs as possible when selecting securities.

*Note: no participant selected '0' and so it is not included in the chart.

Figure 6: Do you believe that SDG alignment should be made using qualitative and/or quantitative data?
N=103

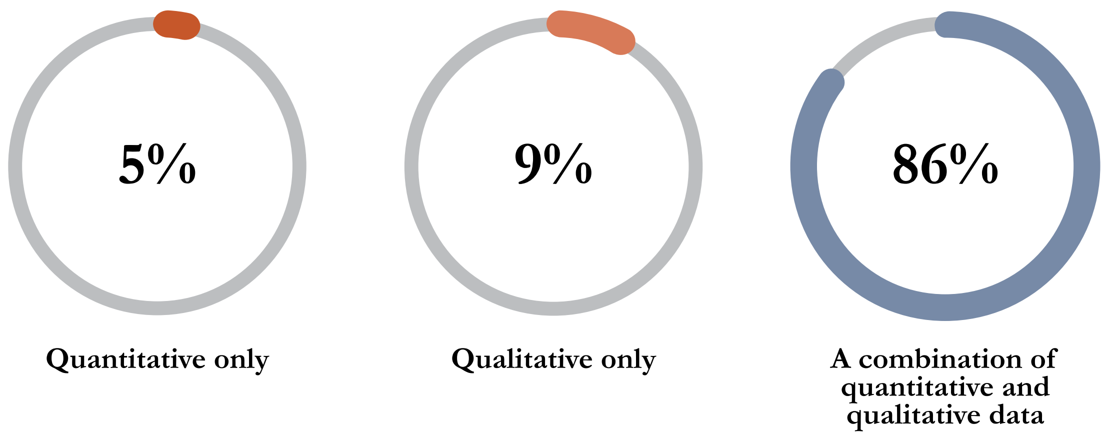
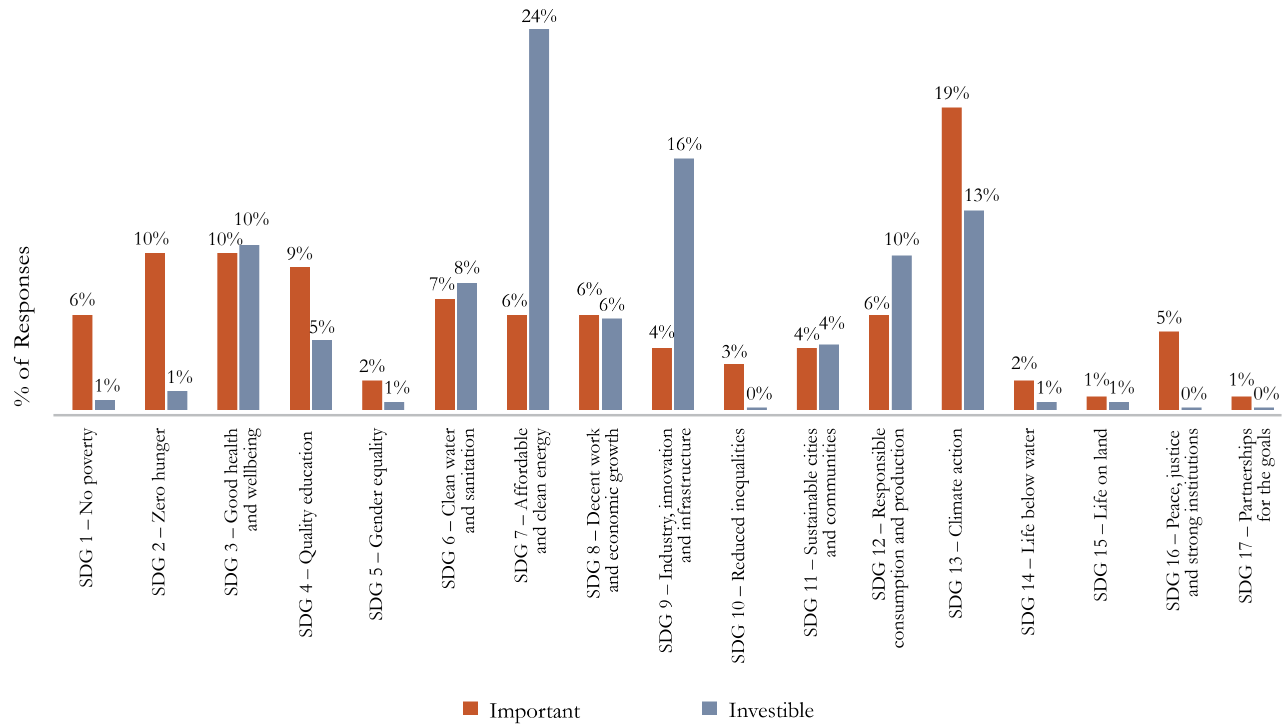


Figure 6 shows that most respondents believe that SDG alignment should be derived from both qualitative and quantitative data.
This is interesting in two ways. Firstly, it potentially reflects the difficulty in measuring alignment of the SDGs, as a variety of data points are sought. Secondly, it could reflect the lack of available or relevant data, thus calling for a mix of data points. Quantitative data is typically used for historic information and forecasts while qualitative data may need to be drawn upon to identify a company's direction of travel e.g. in the form of policies or strategies.

Figure 7: Select three SDGs you believe are most important and most investible
N=103



Differences emerge between what participants believe are most important vs. investible.
While the SDGs were designed for governments, some Goals are inherently challenging to invest in, particularly in a public market context. This difference can be observed in the results where few SDGs are considered almost equally important and investible (SDG 3, 6, 8 and 11).

The SDGs that are considered more environmentally and social/service or industrially focused have been considered more investible than important.
More environmentally-focused SDGs including Goals 6, 7, 12 and Goals 3, 9 and 11 that are more social/service or industrials based appear to be chosen as more investible than important. This could be as a result of the availability of investment products relating to these themes or sectors.

We question if the results would differ if participants were asked for their opinions on the SDGs' sub-targets.
The results collected in Figure 7 reveal participants' views on the headline Goals as opposed to SDGs' sub-targets. *SDG 13 Climate Action* for example was selected the third most frequently in terms of investibility, however the language and intentionality of its sub-targets are more overtly directed towards Governments. For example, while firms may pursue measures to minimise the negative impact of climate change, they do not have the ability to integrate climate change measures into national policies as specified in Target 13.2 (UNEP, 2021). This relates to the wider debate about the adaptability of the SDGs as a framework for companies and investments, as well as adhering to not simply the headline goal, but also its associated sub-targets which may be overlooked. In future survey updates, it would be worth gauging the market's use and understanding of the Goals' sub-targets.

Figure 8 and Figure 9 compare the top 5 most and least selected answers from the question asked in Figure 7 and the previous 2018 SDG Survey.

Figure 8: Respondents 5 most and least frequently selected SDGs in terms of importance
N=103

	2021 (Top 3)[7]	2018 (Rank out of 17)[8]
Most frequently selected	SDG 13 – Climate Action	SDG 4 – Quality Education
	SDG 2 – Zero Hunger	SDG 3 – Good Health and Wellbeing
	SDG 3 – Good Health and Wellbeing	SDG 1 – No Poverty
	SDG 4 – Quality Education	SDG 2 – Zero Hunger
	SDG 6 – Clean Water and Sanitation	SDG 13 – Climate Action
Least frequently selected	SDG 10 – Reduced Inequalities	SDG 16 – Peace, Justice and Strong Institutions
	SDG 5 – Gender Equality	SDG 11 – Sustainable Cities and Communities
	SDG 14 – Life below Water	SDG 14 – Life below Water
	SDG 15 – Life on Land	SDG 15 – Life on Land
	SDG 17 – Partnerships for the Goals	SDG 17 – Partnerships for the Goals

Figure 9: Respondents 5 most and least frequently selected SDGs in terms of investibility
N=103

	2021 (Top 3)[7]	2018 (Rank out of 17)[8]
Most frequently selected	SDG 7 – Affordable and Clean Energy	SDG 6 – Clean Water and Sanitation
	SDG 9 – Industry, Innovation and Infrastructure	SDG 7 – Affordable and Clean Energy
	SDG 13 – Climate Action	SDG 13 – Climate Action
	SDG 3 – Good Health and Wellbeing	SDG 9 – Industry, Innovation and Infrastructure
	SDG 12 – Responsible Consumption and Production	SDG 3 – Good Health and Wellbeing
Least frequently selected	SDG 14 – Life below Water	SDG 1 – No Poverty
	SDG 15 – Life on Land	SDG 10 – Reduced Inequalities
	SDG 10 – Reduced Inequalities	SDG 5 – Gender Equality
	SDG 16 – Peace, Justice and Strong Institutions	SDG 16 – Peace, Justice and Strong Institutions
	SDG 17 – Partnerships for the Goals	SDG 17 – Partnerships for the Goals

Environmentally focused SDGs have grown in terms of importance and investibility since the 2018 survey.
Although these questions are not an exact replication of the questions asked in our previous survey from 2018[8], it is worth noting that in terms of 'Importance', *SDG 13 Climate Action* has risen from 5th to 1st and *SDG 4 Quality Education* which had ranked 1st in 2018 has dropped this year to 4th. In terms of investibility, *SDG 7 Affordable and Clean Energy* has risen to 1st this year and *SDG 12 Responsible Consumption and Production* has risen to 5th.

SDG 10 Reduced Inequalities and SDG 5 Gender Equality were selected less often in terms of importance when compared to the previous survey.
On the one hand, this may be as a result of simply not being participants' top 3 most important SDGs. On the other hand, it is surprising given the number of social movements and recognition of inequality, not least exposed and exacerbated by COVID-19, since the last survey was conducted. In Part 3, respondents highlighted the need to recognise this disparity and noted that social factors could influence their investment decisions – yet this is not reflected in the choice of SDGs in terms of importance.

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[7] Please note, the ranking shown is not in order of importance or investibility but in frequency of being selected as the respondent's top three, for example even though SDG 17 Partnership for the Goals was at the bottom of the list in 2021, it was still chosen as one of the top three most important SDGs by a respondent.

[8] The 2018 survey asked participants to rank all 17 SDGs by importance and investibility as oppose to selecting their 'top three' most important and investible; for example SDG 17 Partnership for the Goals was ranked the lowest, it was not part of respondents top three.

Part 2: Impact Measurement

Impact measurement faces many challenges, not least because public market reporting and measurements are in development.

Some causes are harder to invest in or measure the impact of than others, as impact is not simply the outcome of actions but the change of outcomes on society and the environment.

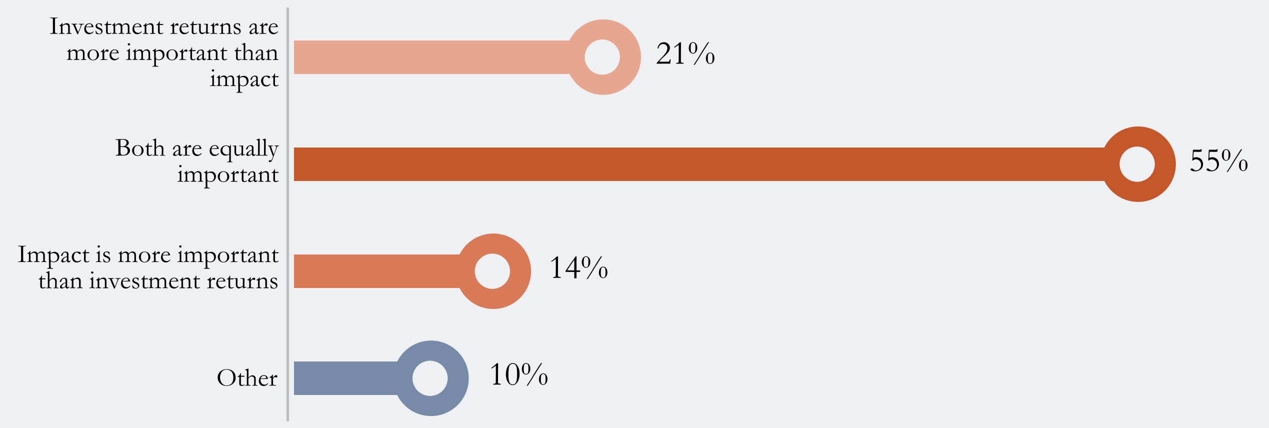
Impact data providers seek to address this issue by gathering data on companies and measuring their impact on society and the environment.

Berenberg has examined 12 SDG impact measurement providers in collaboration with the DVFA (2020) [(9)].

What emerged is that some data providers may focus on a percentage of revenue exposure or internal operations, others may measure impact based on quantitative ratings/scores/impact numbers, theme classification and/or custom made impact reports on a company or portfolio level.

Given the variety and development of approaches, we gathered the views of participants on returns and impact, the perception of impact data providers and whether they consider investments in terms of their current and/or future impact.

Figure 10: How do you rank investment returns and the impact of your investments on the environment and society?
N=103

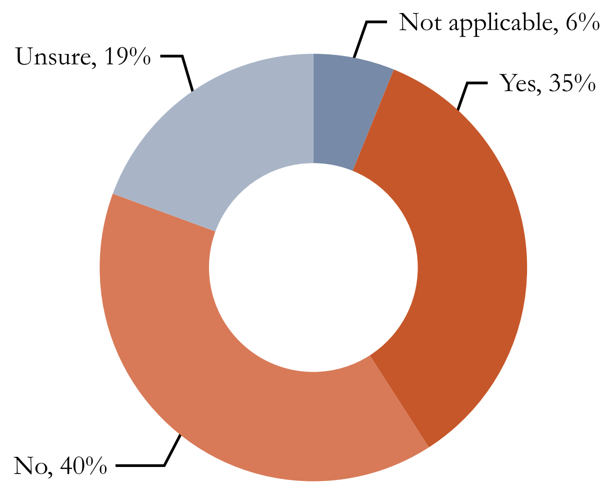


55% of participants believe impact is equally important to returns.
Although survey participants may be skewed towards impact-related preferences given their interest in ESG, the results suggest that impact should be considered during the investment process.

This was reiterated by a participant that had selected 'Other' who had commented that investment returns used to be their sole focus but they are increasingly considering impact also. The results show that 21% believe returns are more important than impact, while 14% value impact over returns; it will be interesting to review this in the next survey.

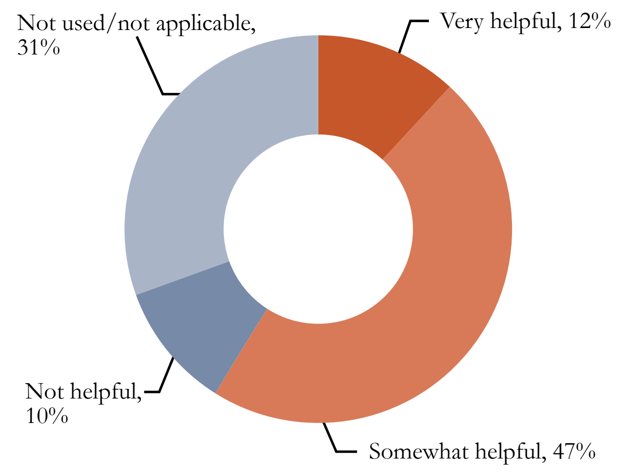
[9] The full report can be found here: https://www.dvfa.de/fileadmin/downloads/Verband/Kommissionen/Sustainable_Investing/DVFA_SDG_Impact_Measurement.pdf

Figure 11: Do you/the entity that invests on your behalf, use a third-party provider to measure the impact of your investments on the environment and society?
N=95



Most participants are either unsure or do not use impact data providers.
On the one hand, some respondents who had answered 'No' mentioned that they do impact measurement themselves. On the other hand, one respondent commented that it was too early to do so but in time they will. All bar one of the respondents that had answered 'Unsure' were private investors and charities. Through drawing parallels to Figure 3, asset managers may use data providers more than asset owners to demonstrate the impact preferences through the measurement of it, and may therefore be more aware of impact data providers than asset owners.

Figure 12: What is your view on impact data providers?
N=95



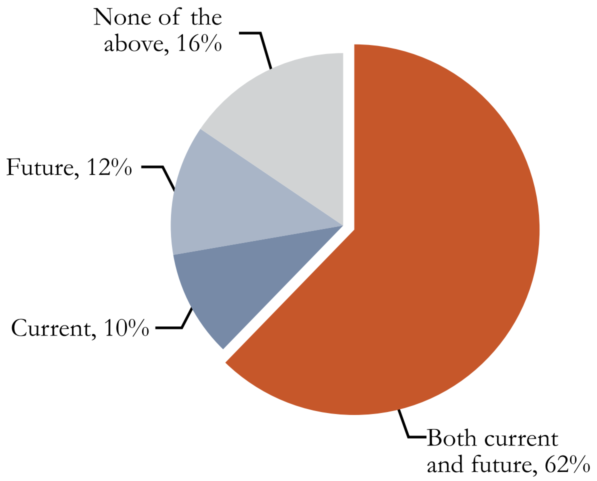
The views on impact data providers are mixed.
Only 12% of respondents found impact data providers 'very helpful' with the rest either finding them 'somewhat helpful', 'not helpful' or 'not used/applicable'. In keeping with the challenging nature of impact measurement, written commentary to this question ranged from the hopeful to the sceptical. One respondent noted that at times, impact measurement is more a case of 'mapping' the outcome as opposed to measuring impact (as a change in those outcomes). Other respondents mentioned the lack of: (i) consistency in methodology; (ii) relevant data availability and (iii) global sustainable reporting standards which cause difficulty in comparability. Nonetheless one respondent captivated the sentiment we believe exists right now:

"…This is a field in development, and we are learning how to gather, analyse and present meaningful data. This will be an evolving landscape and the important thing is that people are engaging with data and continually seek to improve the value of the data they are gathering and analysing."

Please note this quote from a respondent has been edited for brevity and clarity.

Some participants used the terms 'ESG' and 'Impact' interchangeably in the written commentary, so this data may reflect views on ESG data providers (which are more widely available) as opposed to Impact data providers. Some of the comments in response to the question in Figure 10 and 12 refer to both ESG and impact. As impact investing in public markets has evolved relatively recently, it is unsurprising that a wide spectrum of understanding and therefore applicability, persists. However, participants that had specifically referred to ESG providers instead of Impact data providers, highlighted their importance.

Figure 13: Do you invest on the basis of an investment's current impact or future impact on the environment and society?
N=95



Most participants invest on the basis of both their current and future impact.
The nature of this question is tied to the concept of sustainable development as defined by the 1987 Brundtland Report 'Our Common Future':

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
('Our Common Future', 1987, UN)

The 'current' and 'future' impact of investments are to some extent inextricably linked, however, when making decisions based on time-related impact considerations, investors may focus on one more than the other. This is particularly striking when considering the pressures each investor group faces, as one respondent commented:

"...I am mostly thinking about the following generation...I think about charitable giving more when it comes to the immediate present."

While another respondent commented:

"…As investors, we are paid to make future forecasts and anticipate direction of travel, but you clearly cannot ignore a company's current credentials…"

Please note each quote from the respondents have been edited for brevity and clarity.

This is important in terms of investment analysis because it calls for attention to be placed, not only on historic information such as revenue to understand current impact, but also forward-looking information to assess companies' potential and future impact. This also supports the findings in Part 1 Figure 6 where most participants seek to use both quantitative and qualitative data to measure alignment with the SDGs.

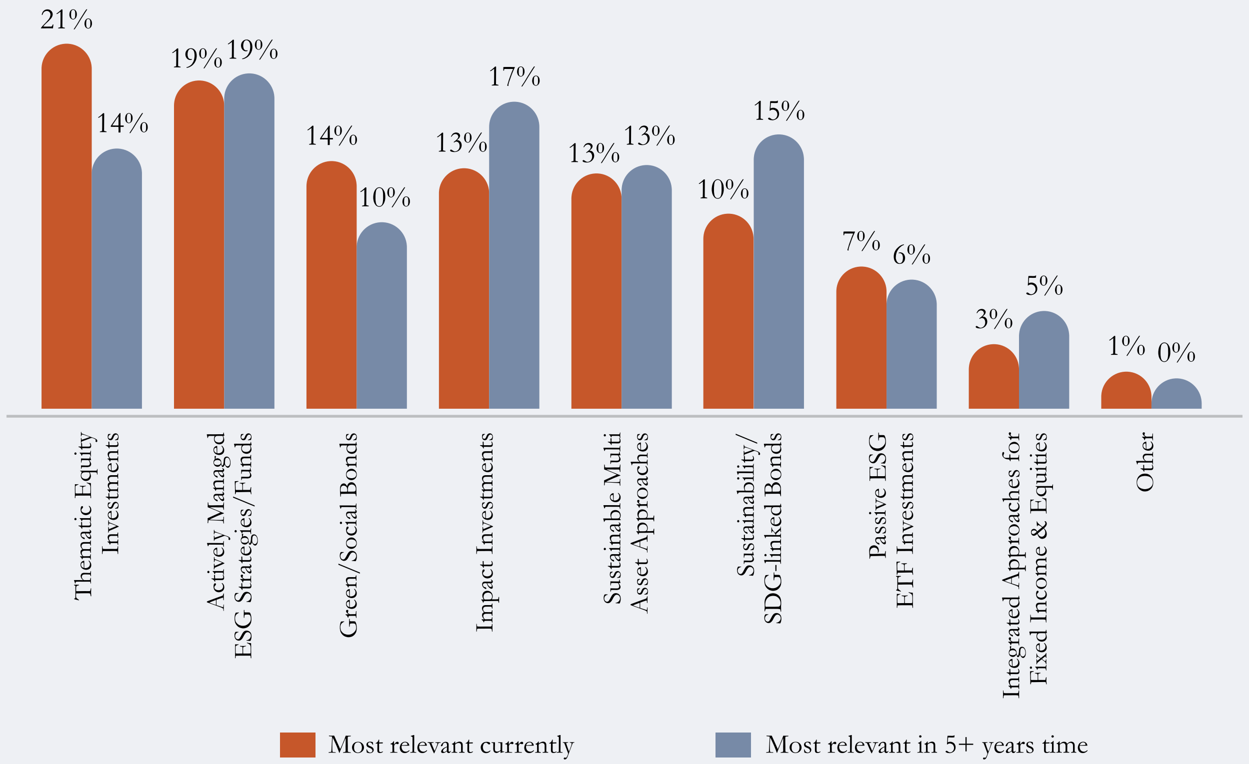
Part 3: Future Considerations

This section explores emergent topics or preferences that may influence future investment decisions, namely: **ESG products** which are relevant to the market now vs. the future; what influence **COVID-19** has had on ESG factors and investing; opinions on the upcoming **UN Climate Change Conference (COP26)** and the awareness and influence of **B Corps.**

ESG Products

The ways in which investors approach and incorporate ESG factors continue to develop, thus giving rise to demand for certain products over others. Within this question we observe which ESG products participants believe to be the most relevant to them now vs. the future and whether any similarities or differences surface.

Figure 14: Select three of the following, on the basis of what you believe are the most relevant ESG-related investment products to you[10]:
(i) currently and
(ii) in five + years time
N=98



[10] 9 respondents did not answer the question in 'Figure 14 (i)' fully and 5 respondents did not answer the question in 'Figure 14 (ii)' fully (e.g. selecting 1 or 2 out of 3 answers).

‘Actively managed ESG strategies’ was selected the most for an ESG product most relevant in 5+ years’ time.
As shown by Figure 14, most participants had selected ‘Actively Managed ESG Strategies’ as being the most relevant ESG product in 5+ years time. This could be interpreted in a few different ways. Firstly, respondents may simply have a general investment preference for active strategies. Secondly, passive ESG strategies may face difficulty in achieving the ESG credentials expected from investors, given the lack of a globally standard framework or measurement of ESG performance. Lastly, relative to passive ESG strategies, actively managed ESG strategies may have a greater ability to engage and/or divest from a company that does not meet their ESG expectations.

There may be an availability bias in ESG products perceived by participants as currently most relevant. These results suggest increasing demand for more ‘impact-focused’ investment products in the future.
As thematic equity investments, actively managed ESG strategies and sustainable multi asset approaches are readily available at present, they may naturally be more relevant for investors. However, improvements in impact data availability and initiatives are likely to result in greater supply potential in public markets of impact related products. Equally, the results could reflect the baseline ESG awareness amongst respondents, which may incline them also to demand impact investments. It is feasible, then, that increased understanding of impact investing may result in increased demand, which could possibly be determined by extending the survey to investors not currently engaged with ESG.

COVID-19 and ESG Investments

The COVID-19 pandemic has evidently affected public markets over the past year. Whether it has entrenched a change in investment preferences however, is yet to be determined. Nonetheless respondents generally indicated an intention to put greater focus on rebuilding and recovering from the pandemic with the goal of achieving long term sustainability.

Figure 15 shows that participants believe social and environmental factors have more significance post-pandemic, however there is divergence between and within investor groups.
68% of asset managers (20% of the 96 respondents) that had answered this question selected ‘Social’, just over double that of those who had selected ‘Environmental’ and none of the asset managers had selected ‘Governance’. Of the asset owners, private investors (38% of the 96 responses) were more divided, showing a slight preference for ‘Environmental’ (42%), closely followed by ‘Social’ (39%), with ‘Governance’ factors being favoured least (19%). Charities (14% of the 96 responses) were even more broadly split with 38% selecting ‘Environmental’, 38% selected ‘Social’ and 24% of them had selected ‘Governance’.

The reasoning behind these results were provided through written responses. Most participants that had selected **social** factors broadly referred to the following:

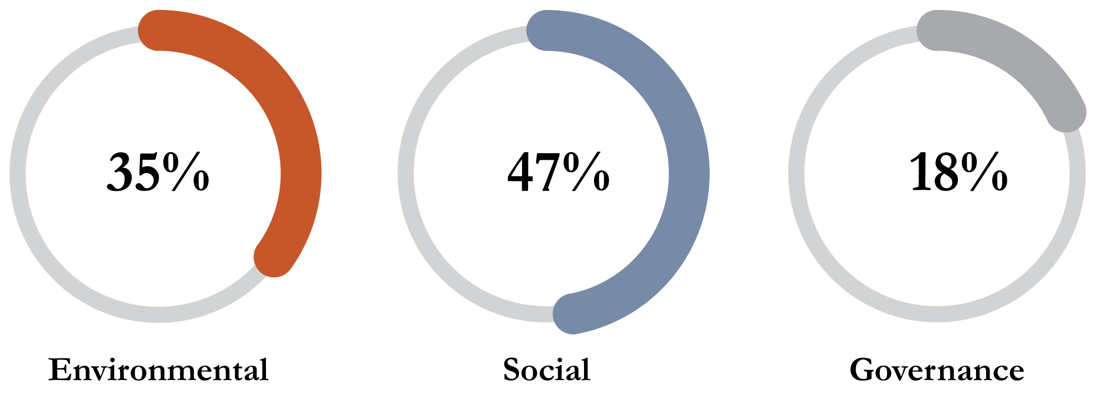
(i) **Widening inequality**
As society has become more aware of the disparity between those vulnerable to the pandemic or adversely affected by lockdown restrictions, more attention is paid to how companies and governments respond.

(ii) **Lifestyle changes**
As COVID-19 has necessitated a number of protocols, it has brought a focus on consumption habits and accelerated underlying trends which ultimately feed into investments.

(iii) **Employee wellbeing**
Greater attention is paid to companies’ attitudes towards their staff during this critical time, in addition to existing issues such as the treatment of factory workers.

(iv) **‘S’ is a priority that needs ‘E’ and ‘G’ to be addressed**
As with most topics within ESG, it is difficult to observe one factor in isolation, as each factor supports and/or contributes to another. This was reinforced in the context of the pandemic.

Figure 15: Which of the E, S and G factors do you think would be more significant now regarding your investment decisions in light of the COVID-19 pandemic?
N=96



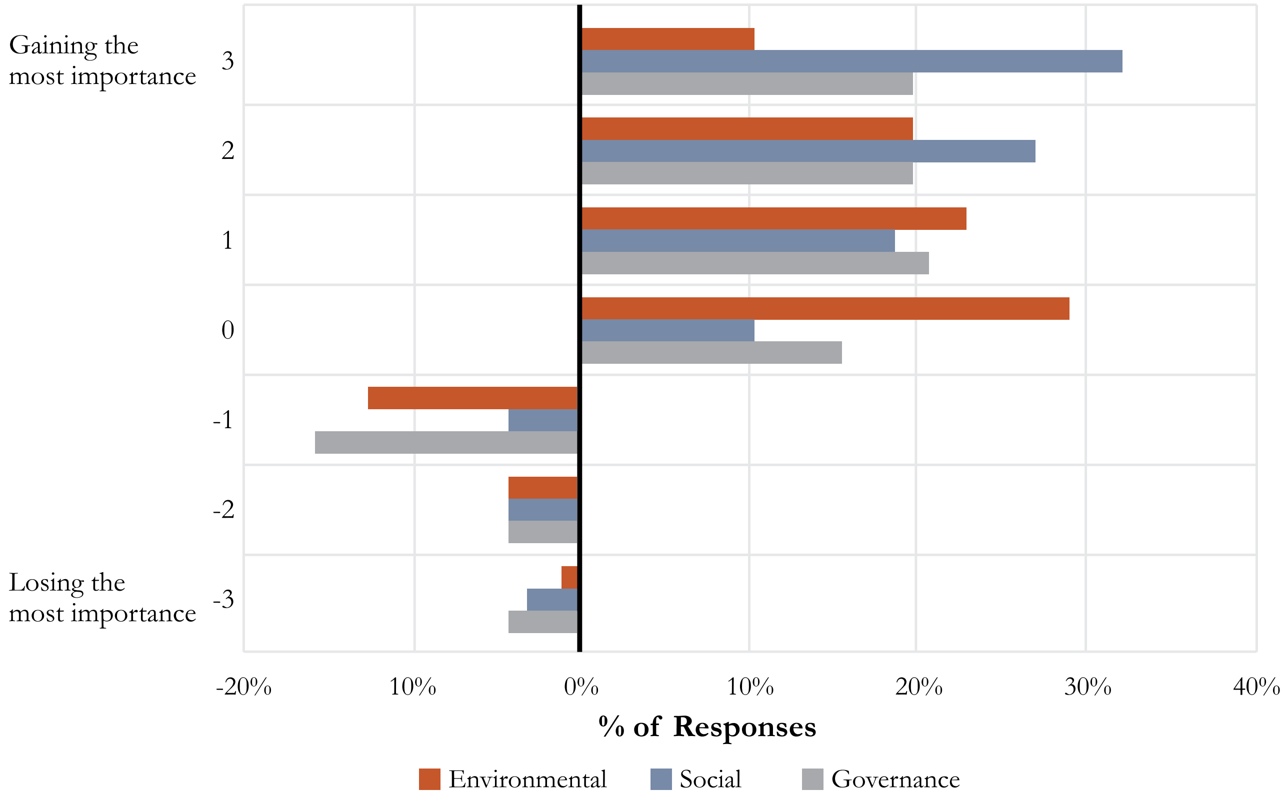
Those that had selected **environmental** factors touched upon the following:

(i) **'E' should remain a priority**
One respondent noted that while social factors will rise in importance as a result of the pandemic, the climate crisis is not going away. In addition, some respondents stressed the fragility of the environment which we inhabit and depend on, and so without greater care for it, issues will persist or worsen.

(ii) **COVID-19 affects the pace of 'E's progress**
Despite 'Environmental' factors increasing in importance, some respondents were sceptical about the speed at which solutions will be implemented given the pressing humanitarian and medical needs as a consequence of the pandemic. Although environmental factors are recognised, some felt it must be prioritised to the same level of urgency as social needs.

Those that had selected **'Governance'** found this factor to be needed to address both social and environmental factors.

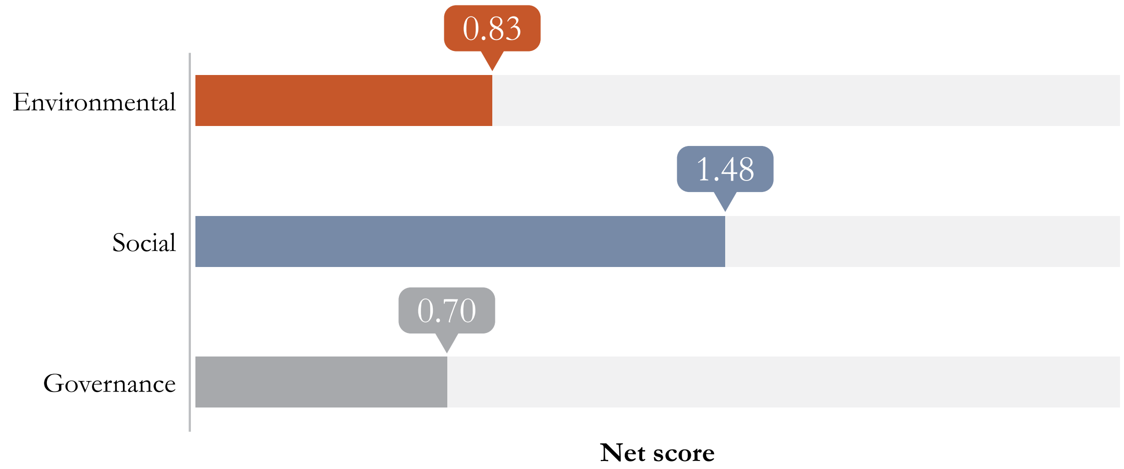
Figure 16: On a scale of -3 to +3, (with -3 losing the most, 0 being no difference and +3 gaining the most), for each of the E, S and G factors, how much importance do you think each factor has gained/ lost in light of the COVID-19 pandemic?
N=96



Note: although the question in Figure 16 is similar to the last question in Figure 15, this question identifies the extent of influence COVID-19 has had on the change of importance of 'E', 'S' and 'G' factors.

Social factors gained the most importance in light of the pandemic, followed by 'Environmental' then 'Governance' factors. The result of this is broadly in line with the data shown in Figure 15. In order to observe the overall change in importance, the net score of each factor was determined. The net score is calculated through the multiplication of the scale (i.e. one of -3 to +3) and frequency with which it was chosen by participants [11]. The net scores can be observed in Figure 17.

Figure 17: Net score for each of the E, S and G factors, in terms of how they have changed in importance as a result of COVID-19
N=96



Amongst private investors, the change in importance vs. what they now view as the most significant factor (Figure 15) in light of COVID-19 differ.
For private investors, the change in importance as indicated by the net score was highest for 'Social' factors followed by 'Governance' then 'Environmental' factors. However as mentioned in Figure 15, private investors were more divided in what they consider to be more significant now given the pandemic, with 42% of the private investors who had answered this question choosing 'Environmental' and 39% of these participants choosing 'Social' factors (as per the question asked in Figure 15). The views of asset managers and charities were broadly aligned with the order demonstrated in Figure 17. This implies that although social factors have gained greater consideration as a result of the pandemic, environmental factors are also a priority with regards to their investments.

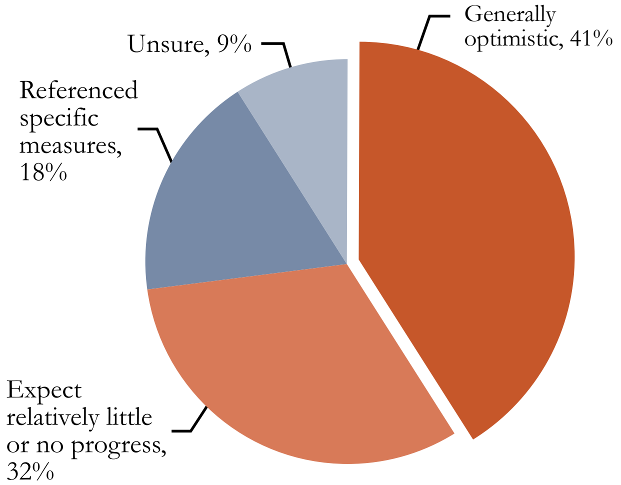
[11] For example, for a particular factor, if a quarter of respondents chose +3, another quarter chose '0' and the remaining respondents chose -1, the net score would be 0.25 (=(3*0.25)+(0*0.25)+(-1*0.5)).

UN Climate Change Conference (COP26)

The UN Climate Change Conference (also referred to as Conference of the Parties or COP), will be held this year in Glasgow. The Summit is attended by those who have signed the UN Framework on Climate Change treaty.

Much attention is being paid to the COP26 this year, having been postponed from 2020. Under the Paris Agreement, signatories must communicate or update their 'nationally determined contributions' (NDCs) every five years, with 2020 being the first of these five year cycles. It is therefore timely to gauge the market's views on the potential outcomes of the Conference.

Figure 18: What progress are you expecting, following the UN Climate Conference (COP26) this year?
N=95



Note: this question comprised entirely of freely written answers and were categorised according to Berenberg's own interpretation.

Of those that are generally optimistic, just under half cited that the US Administration and/or international co-operation are needed to provide impetus for progress regarding emission reductions.
Beyond the delay, this year's COP26 is also attracting attention given that it marks the official return of the US Administration to the Paris Agreement. As the US is one of the world's largest greenhouse gas emitters, any abatement efforts are needed from the US to drive meaningful progress relating to climate change, which is reflected in participants' written responses. Further, as exemplified by the pandemic and other crises, for such widespread and complex issues to be addressed, global co-operation is required.

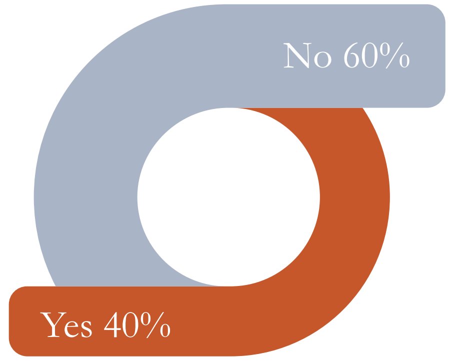
Some respondents who 'Referenced specific measures' suggested a 'stick' over 'carrot' approach.
Some of the written responses which had 'referenced specific measures' believe restrictive measures on carbon emissions should be implemented in the form of carbon taxation, regulation and policies. Relatively few had suggested financial incentives to encourage more environmentally-friendly measures. The severity and scale of climate change is likely to need both given that it is an issue which does not discriminate between region or demography (though it affects some to a worse degree than others, due to an inequitable distribution of resources to withstand its negative effects).

Some participants who do not expect any progress cite the fear of Parties paying 'lip-service'.
It must be noted that while the treaty is legally binding, the achievement of NDCs may not be. The success of initiatives and outcomes of the Summit may therefore depend on the active will of its members.

B Corps

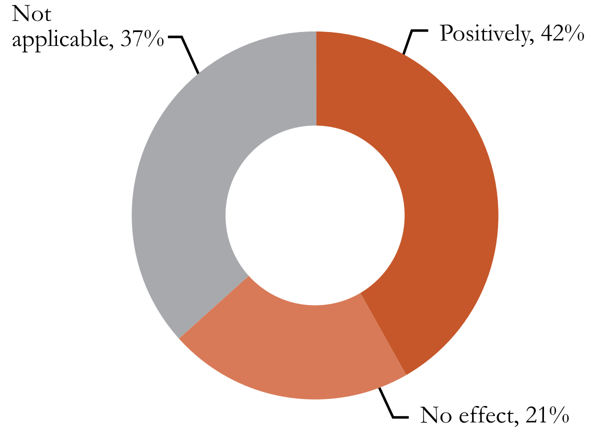
Amongst ESG certifications, the B Corp Certification has surfaced as a popular standard to demonstrate the balance between profit and purpose. Its adoption has grown from 82 B Corps[12] in 2007 to more than 3500 in over 70 countries (B Corporation, 2021). While this report and the view of Berenberg are not necessarily endorsements of B Corps, it provides an example of a certification that may exhibit an influence on investments with sustainability in mind.

Figure 19: Are you aware of the 'B Corp' certification for companies?
N=95



Participants' awareness of B Corps is greater in the UK than in Germany.
Slightly more asset managers were aware of the certification whereas almost 70% of private investors who answered this question were not – keeping in mind that over half of the asset manager participants are based in the UK, while approximately three quarters of the private investor participants are based in Germany[13]. This could reflect that, at present, there are more B Corps located in the UK relative to Germany[14]. It would be interesting to ask this question again in the next update of this survey to observe if and how the result may change with the geographic adoption of the certification and its awareness amongst asset owners and managers.

Figure 20: If a company was certified as a 'B Corp', how does it influence your investment appraisal?[15]
N=93



Participants believed that the B Corps certification would either have a positive effect, no effect or would not be applicable to their investment decisions.
When observing participants' written responses to this question, one highlighted that the certification is a helpful framework that gives visibility to a wide range of impact metrics. Drawing parallels to Part 1 Figure 3 on the use of the SDGs, B Corps offer a comparable framework[16] however, some participants indicated that it is currently insufficient on its own to determine their investment decisions.

c.24.6% of participants that were not aware of B Corps said that it would 'positively' affect their investment appraisal.
This gives rise to the perception that such certifications are assumed to be 'positive' without necessarily knowing what they entail. Some participants who were unaware of it, expressed that they would need to know more about the certification to influence investment decisions while another mentioned that it could help in the future.

[12] Companies which achieve the certification may be referred to as 'B Corps'.

[13] Note the remainder of private investors who participated in the survey are based in the UK and one of them selected 'Other'.

[14] The B Corps directory can be found here: https://bcorporation.net/directory.

[15] No participant selected 'negatively' and so it is not included in the chart.

[16] Although one respondent noted a challenge faced by many certifications, in that its credibility depends on its users achieving and maintaining the standards B Corps set.

Conclusions

The use and recognition of the SDGs differ amongst investor groups while environmental factors have gained importance since our initial 2018 Survey.
The survey results show that c.85% consider the SDGs to some degree, of which c.50% directly integrate the SDGs into their investment process. Some participants, notably asset owners, use the SDGs to help frame investment preferences while others, such as asset managers executing investments, use the SDGs to demonstrate those investment preferences. The form of contribution towards the SDGs also varies amongst investor groups. 33% of participants aim to have a positive impact, 28% seek to avoid a negative impact and 24% observe their investment's net impact on the SDGs. Most asset owners selected the latter two, which could be because at times they are easier to determine than measuring investments' positive impact contribution. The SDGs which participants believe are the most important and investible also differ. More environmentally-focused SDGs including Goals 6, 7, 12 and Goals 3, 9 and 11 that are more social/service or industrials based have been chosen as more investible than important. Compared to the 2018 survey in terms of 'Importance', *SDG 13 Climate Action* has risen from 5th to 1st and *SDG 4 Quality Education* which ranked 1st in 2018 dropped to 4th this year. In terms of investibility, *SDG 7 Affordable and Clean Energy* rose to 1st this year and *SDG 12 Responsible Consumption and Production* rose to 5th. Further in Part 3, although there are mixed views on the outcome of COP26 (41% of participants being generally optimistic while 32% expect relatively little or no progress), many participants emphasised the need for action against Climate Change. *SDG 10 Reduced Inequality* and *SDG 5 Gender Equality* were selected less often in terms of importance when compared to the previous survey (though this may be as a result of the question being asked in a different form).

Amongst impact measurement and ESG frameworks, there remains no silver bullet.
Overall, the understanding and recognition of ESG and impact is varied amongst investor groups. Across parts of the survey, ESG and impact were terms used interchangeably by participants. Furthermore, the awareness and application of certain frameworks vary e.g. only 40% of participants were aware of the B Corps certification. Nonetheless 55% of participants consider impact to be equally important to returns, underpinning its significance as a consideration. The availability of impact-related public investment products however is relatively limited at present and although many participants believe impact data providers help in part, they are not sufficient in of itself (only 12% of respondents found them 'very helpful'). In addition, as 62% of participants consider the current and future impact of investments, a range of data would likely be required. This is reinforced by the findings relating to the SDGs, where 86% of participants believed both quantitative and qualitative data is needed for SDG alignment. In order to be effective however, focus is needed as 52% of participants believe that up to 3 SDGs can be meaningfully contributed to through investments.

COVID-19 has prompted participants to place greater prominence to social factors which may grow with demand for impact-related investment products.
COVID-19 has caused many to reassess how their values materialise in investment decisions. In Part 3, the results show that in light of the pandemic, 47% of participants believe social factors are more significant with regards to their investment decisions, closely followed by 35% choosing environmental factors. The results of what ESG products participants selected as the most relevant in the future support these findings as 19% selected 'actively managed ESG strategies', closely followed by 17% choosing 'impact investing' and 15% chose 'sustainability/SDG-linked bonds'. It must be noted however that we are still in the midst of the pandemic and COP26 is yet to take place, so time will tell if this sentiment as a result of COVID-19 will cause a structural shift in investment preferences.

We would like to thank all participants of this survey who have shared their views. We strive to continually develop our understanding and improve our ability to serve our clients which would not be possible without this dialogue. As we develop our sustainable investment offering, should you have any feedback or questions please feel free to reach out to the authors of this document or your Berenberg Investment Adviser.

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