

Sustainable Future Study

Insights on where ESG investing is headed



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+

**Bloomberg
Media Studios**

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Deploying capital for a sustainable future

By 2025, ESG assets will hit \$50 trillion, representing more than a third of the projected \$140.5 trillion in total global assets under management. Bloomberg Media's Sustainable Future Study sponsored by Mubadala examines the ESG investment landscape and where it's headed by the end of the decade.

Summary of findings

Sustainable investment is a high priority

Markets are aligned on viewing sustainable investment as a “high priority” both today and in 2030.

The link between ESG and a company’s shareholder value is accepted, and serves as a key input for investment decisions.

Greater Returns is a key motivation, while the Lack of Defined Standards remains a barrier for many.

ROI expectations favor one investment area over all others

Renewables & Clean Energy rises to the top in yielding the highest ROI today and the highest ROI in 2030, yet is also cited as the investment area that will take the longest to yield ROI.

Investment allocations are increasing

Most respondents claim their investment allocation for sustainable investments has increased, and will continue to increase through 2030.

The investment areas perceived to have the most impact on a sustainable future are also most relevant to an organization’s ESG goals.

Renewables & Clean Energy stands out as the most relied-upon investment area for sustainability.

ESG will continue to drive investment decisions

There’s strong consensus around the rise of ESG as a decision-making factor across all, not just ESG-oriented, investment decisions, and that any organization or country that ignores ESG will be left behind.

Current Views

Here we explore perceptions of the importance of sustainable investment today across the private and public sectors, as well as what's driving it forward and what's holding it back.

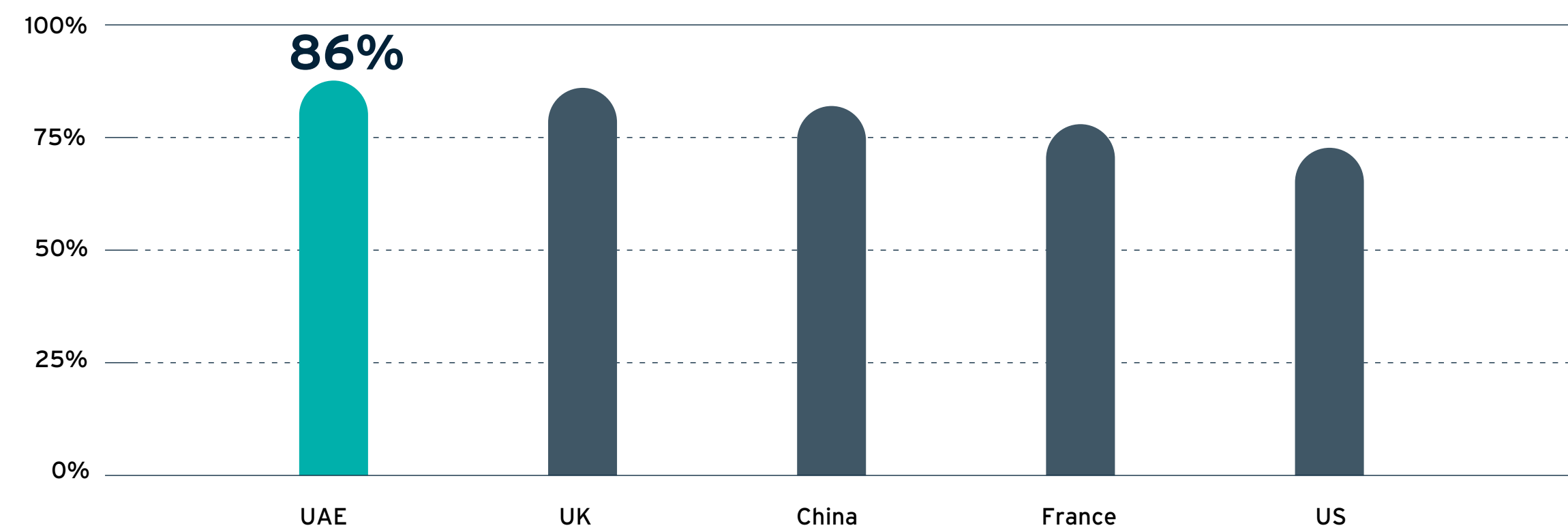
The UAE, UK and China lead markets in viewing sustainable investment as a “high priority”

There is a high degree of alignment across markets and audiences: 79% of all respondents view sustainable investment as a high priority today.

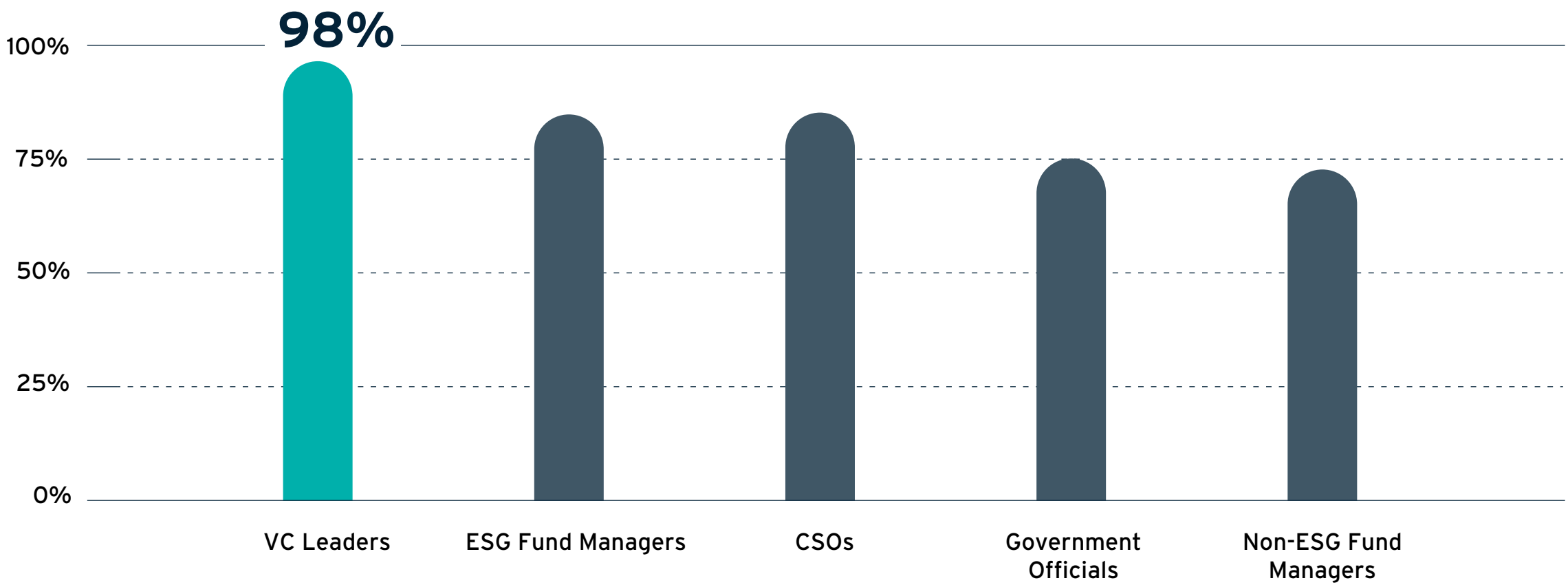
The UAE, UK and China, however, stand out as markets where sustainable investment is an even higher priority.

When the results are considered by role, 98% of VC Leaders rate sustainable investment as a high priority and, though they rate it lower than ESG fund managers and others, the majority of non-ESG fund managers agree.

■ How high of a priority is sustainable investment today?



■ Breakout by role



Q1

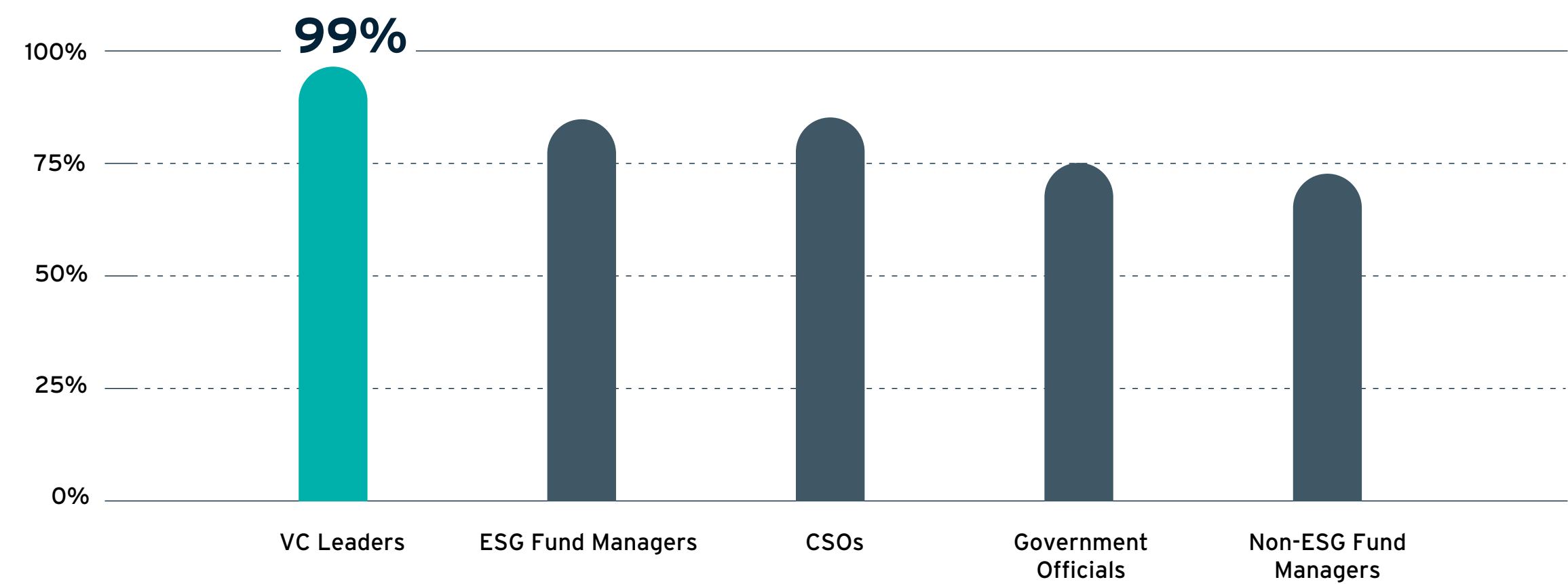
We’d like to understand the ESG landscape better. How much of a priority are sustainable investments today, generally?

Not having an ESG policy in place for investment decisions is now the exception

No matter their role, most respondents confirmed their organizations have an ESG policy in place. ESG fund managers lead the pack at 99%, while non-ESG fund managers came in at 84%.

Of those who didn't have a policy in place, 70% confirmed that their organizations were likely or extremely likely to adopt one in the next five years.

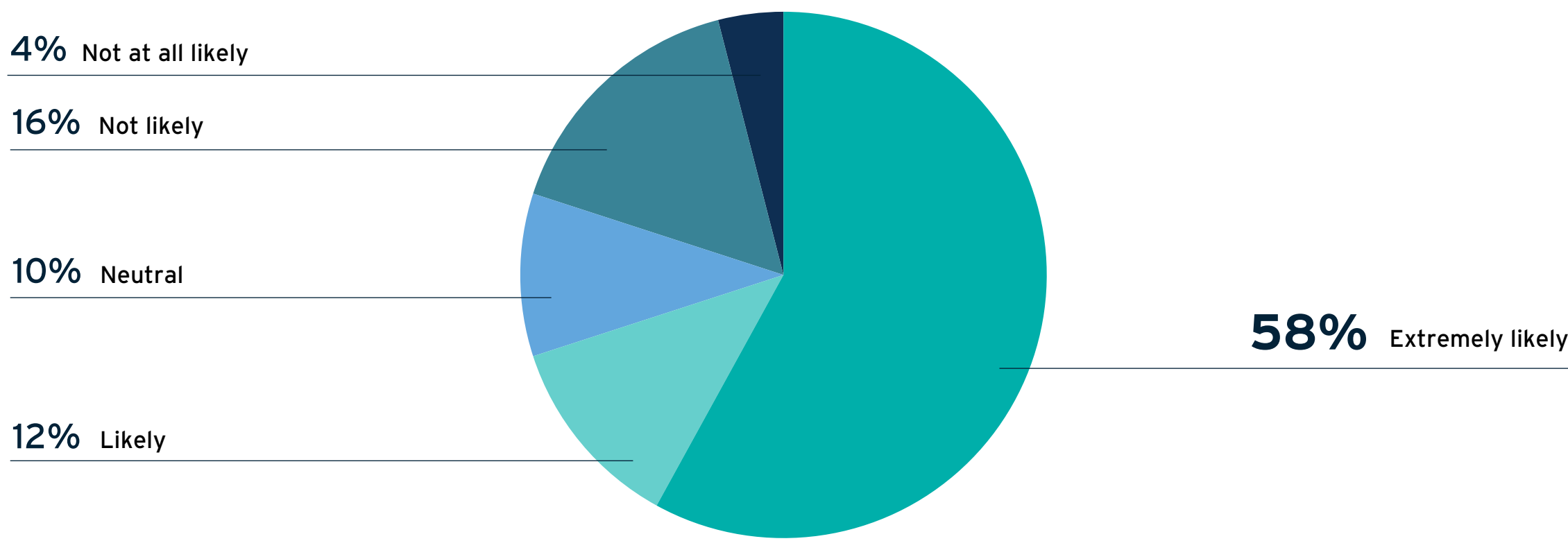
■ Existence of an ESG policy or commitment



Q3

Does your organization have an ESG policy that integrates ESG principles and considerations into its investment processes or has it made a public commitment related to ESG/taken an ESG approach to investments?

■ Likelihood to adopt an ESG policy or commitment



Q3A

How likely is your organization to adopt an ESG policy that integrates ESG principles and considerations into its investment processes or make a public commitment related to ESG/take an ESG approach to investments in the next five years?

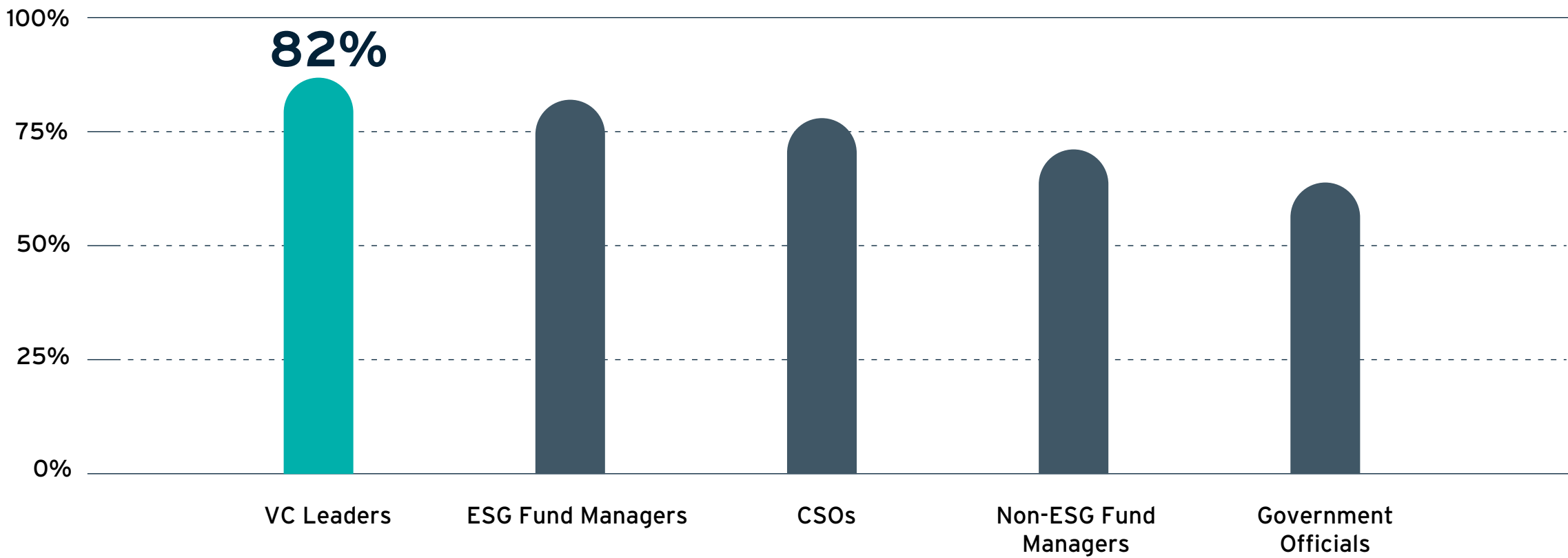
Even non-ESG fund managers see ESG as a key input for their organization's investment decisions

When it comes to their own organizations, well over a majority of all respondents see ESG as an important consideration when making investment decisions.

While it's not a surprise that 82% of ESG fund managers agree, it's important to note that non-ESG fund managers aren't far behind, at 71%.

This implies that ESG is critical for all business decision makers, even when sustainability is not central to their role.

■ Importance of ESG considerations in investment decisions



Q4

How important are ESG considerations in your organization's investment decisions today?

More respondents are motivated to consider ESG in investment decisions by the prospect of Greater Returns

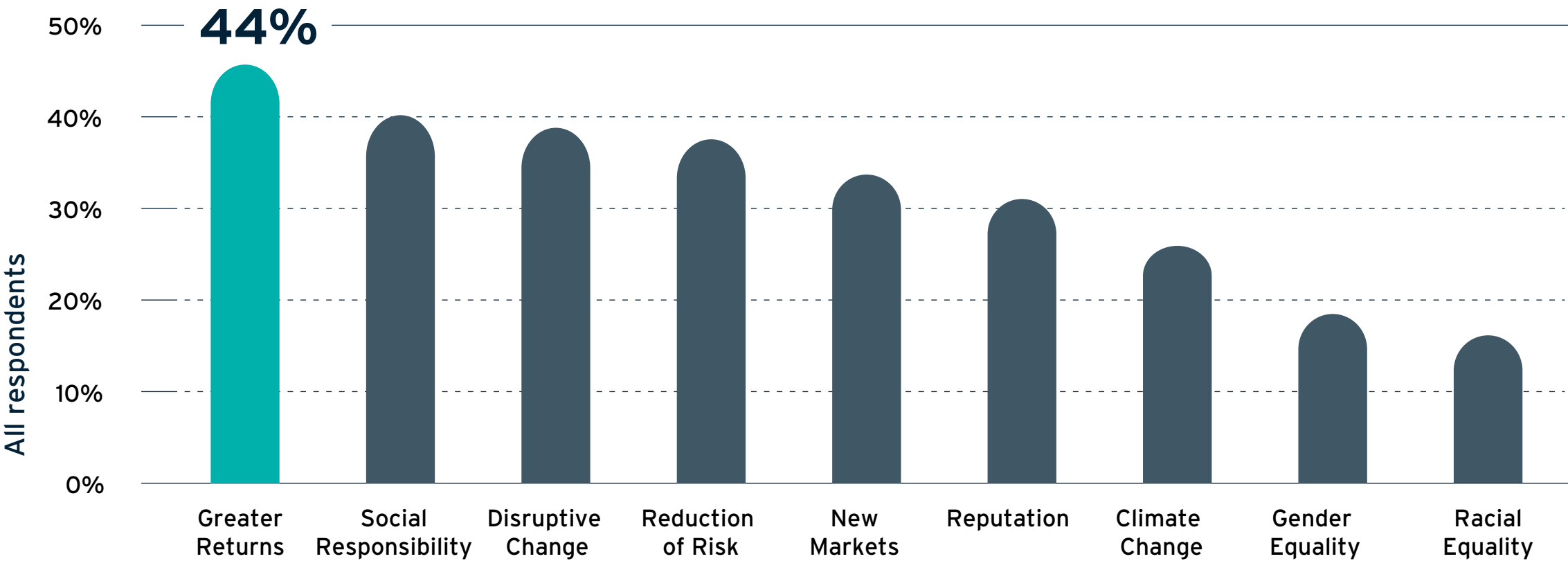
The top three motivations for all respondents in considering ESG in investment decisions are:

- Greater Returns (44%)
- Social Responsibility (40%)
- Greater Opportunity for Disruptive Change (39%)

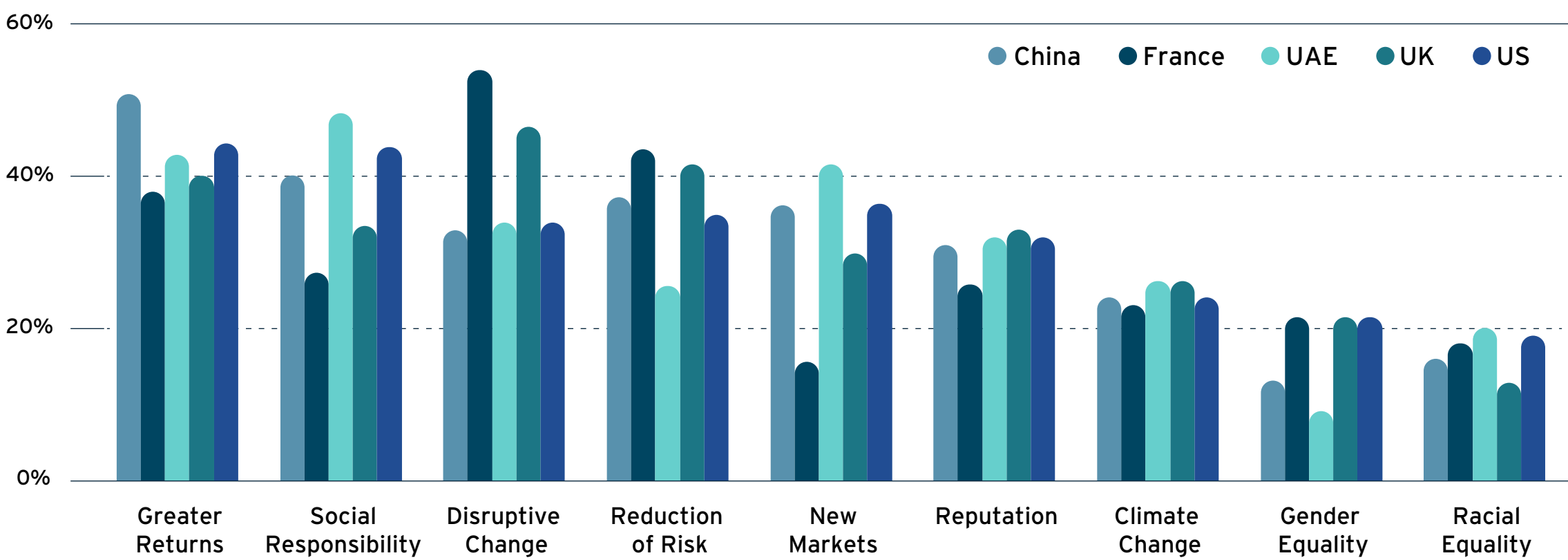
At 50%, China sees Greater Returns as its top motivation, while the European markets, France (53%) and the UK (46%), lean toward Greater Opportunity for Disruptive Change.

Despite the importance placed on ESG, it's worth noting that Climate Change, Gender Equality and Racial Equality do not stand out as strong drivers of sustainable investment.

Motivations for considering ESG in investment decisions



Breakout by country



Q5

Which of the following are your organization's top three motivations for implementing ESG considerations in investment decisions?

When the results are broken out by role, a fourth motivation emerges

Reduction of Risk
rises to the top three motivations for
four out of five audiences

ESG Fund Managers	Non-ESG Fund Managers	VC Leaders	Chief Sustainability Officers	Government Officials
Greater Returns	Greater Returns	Greater Opportunity for Disruptive Change	Greater Returns / Greater Opportunity for Disruptive Change	Social Responsibility
Social Responsibility	New Markets	Greater Returns	Reduction of Risk	Greater Returns
Greater Opportunity for Disruptive Change / Reduction of Risk	Social Responsibility	Reduction of Risk	Social Responsibility	Reduction of Risk

Q5

Which of the following are your organization's top three motivations for implementing ESG considerations in investment decisions?

Lack of Defined Standards, not High Fees/Costs, is the top barrier to considering ESG in investment decisions

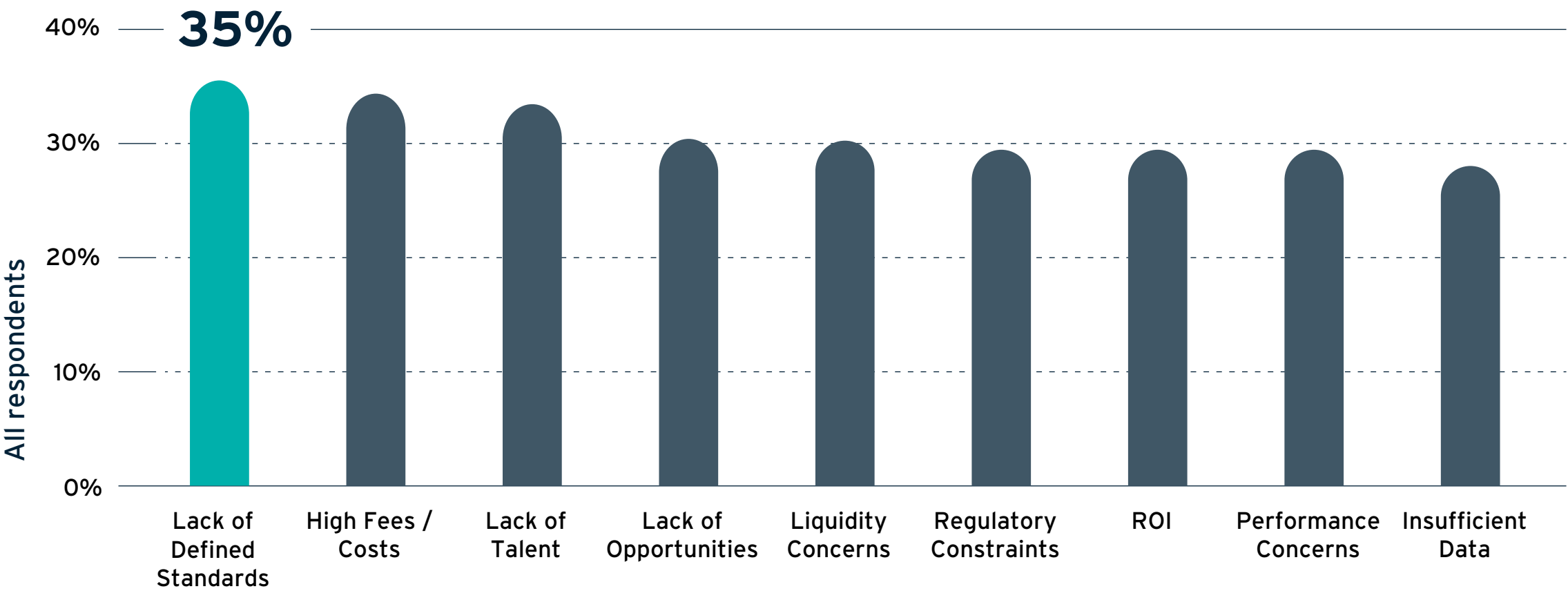
The top three barriers for all respondents in considering ESG in investment decisions are:

- Lack of Defined Standards (35%)
- High Fees/Costs (33%)
- Lack of Talent and/or External Experts (32%)

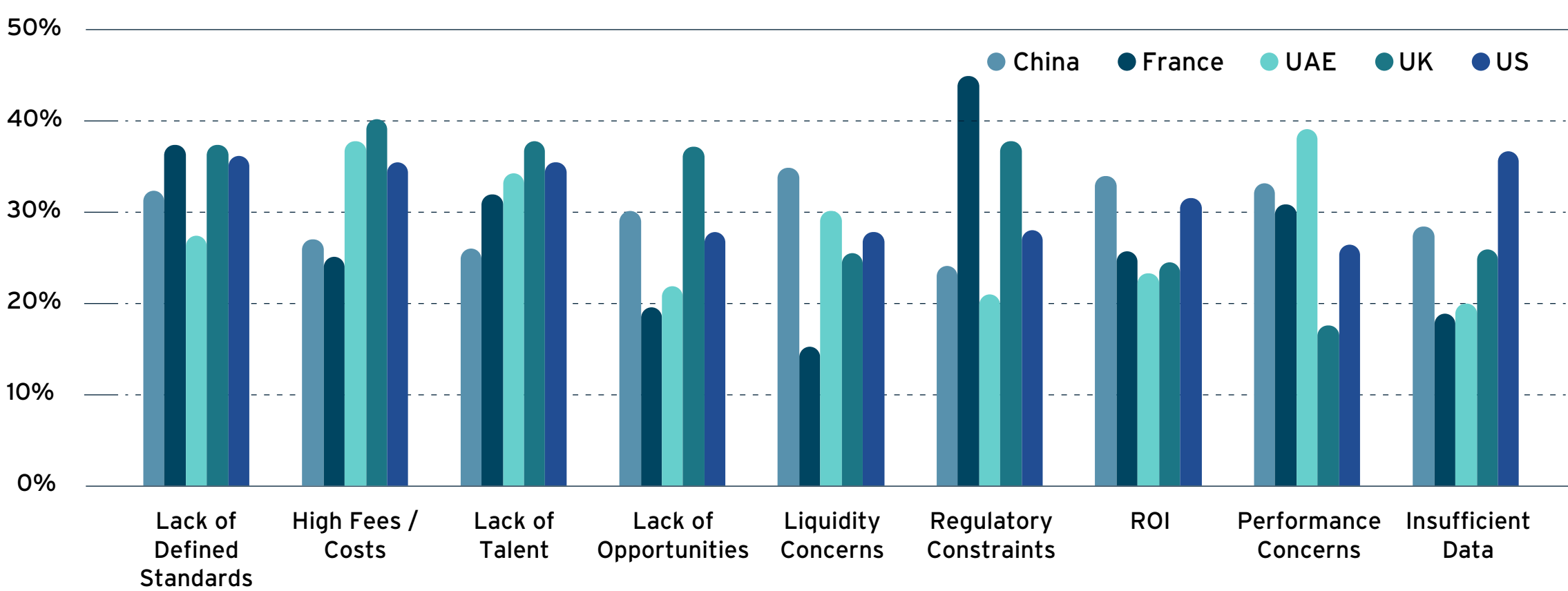
Historically, High Fees/Costs has been at the top of the list, but it's clear that the need for defined standards is on the rise.

This aligns with BloombergNEF's 2022 Sustainable Finance Market Outlook, which states, "Given the proliferation of ESG...many regions are now examining how to standardize the market via policies such as taxonomies."

Barriers to considering ESG in investment decisions



Breakout by country



Q6

Which of the following are your organization's top three barriers to implementing ESG considerations in investment decisions?
Source: BloombergNEF 1H 2022 Sustainable Finance Market Outlook

When the results are broken out by role, different barriers emerge for different audiences

The top barriers run the gamut from the top three barriers to **Liquidity Concerns, ROI** and **Insufficient Data**

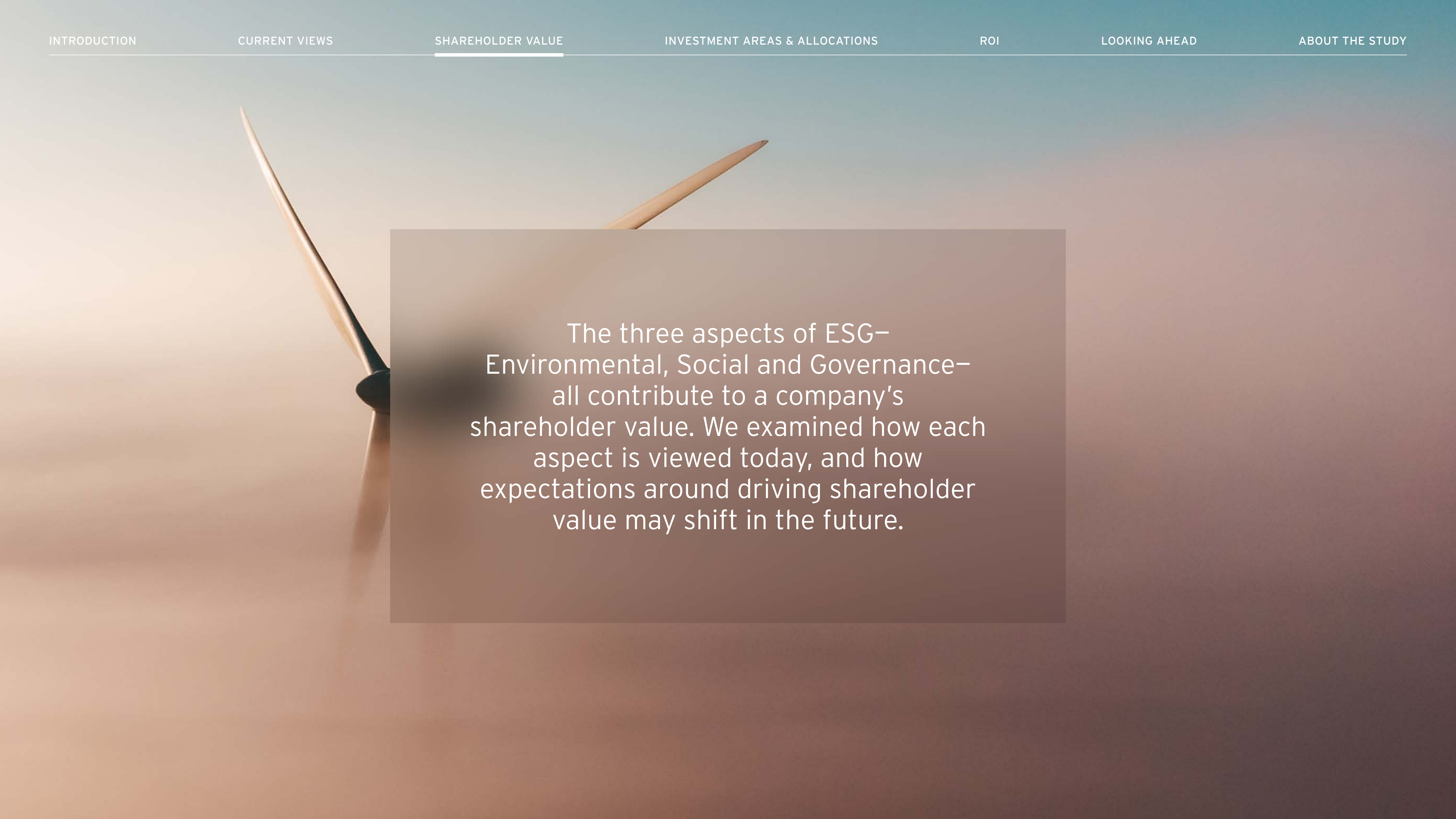
ESG Fund Managers	Non-ESG Fund Managers	VC Leaders	Chief Sustainability Officers	Government Officials
Liquidity Concerns	Lack of Defined Standards / ROI	Lack of Defined Standards / Insufficient Data	High Fees / Costs	Lack of Talent and / or External Experience
Lack of Defined Standards	Lack of Investment Opportunities	Lack of Talent and / or External Experience	Lack of Defined Standards	High Fees / Costs
Lack of Talent and / or External Experience	Liquidity Concerns / Regulatory Constraints	High Fees / Costs	Regulatory Constraints	Lack of Defined Standards

Q6

Which of the following are your organization's top three barriers to implementing ESG considerations in investment decisions?

A photograph of a wind turbine with three light-colored blades, positioned against a soft, hazy sky transitioning from light blue to a warm orange and pink at the horizon. The turbine's reflection is visible in the calm water below. A teal rectangular box is overlaid on the right side of the image, containing the title text.

Shareholder Value



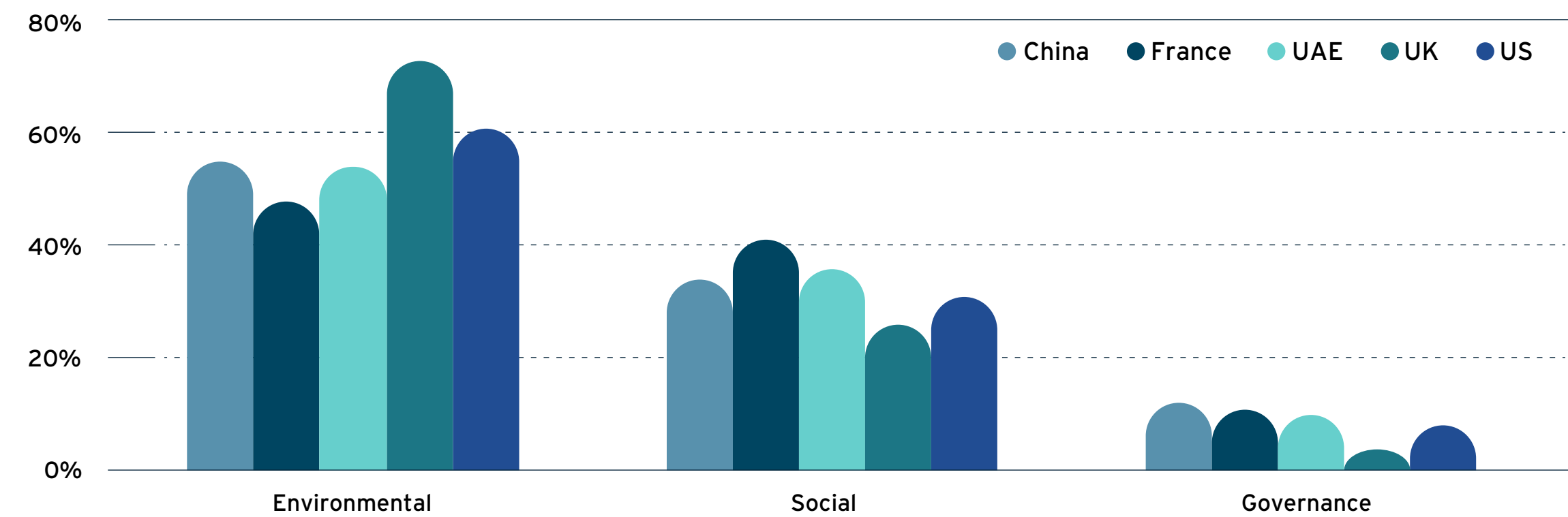
The three aspects of ESG—
Environmental, Social and Governance—
all contribute to a company's
shareholder value. We examined how each
aspect is viewed today, and how
expectations around driving shareholder
value may shift in the future.

ESG contributes to a company's shareholder value, with Environmental contributing the most

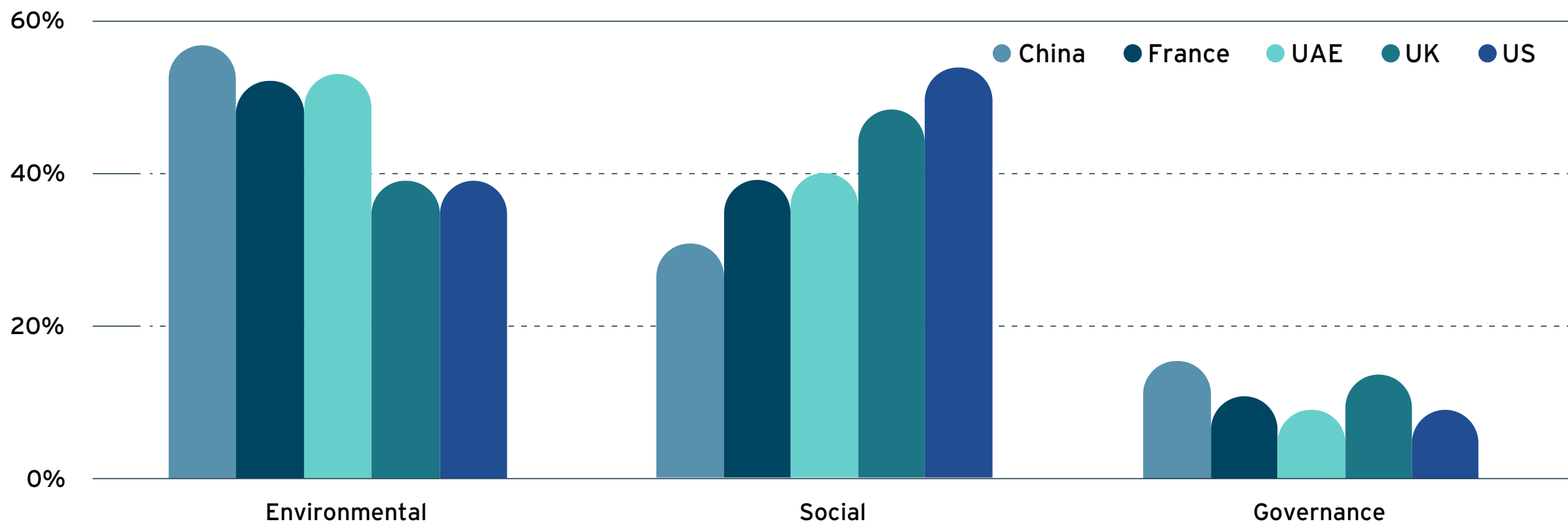
Today, 55% of all respondents see the Environmental aspect of ESG as contributing the most to a company's shareholder value and the Governance aspect as contributing the least.

In 2030, however, there's a shift for certain markets. While all markets, particularly China (53%) and the US (58%), see Environmental as continuing to contribute, the UAE (54%), the UK (39%) and France (48%) see Social contributing significantly more than it does today.

■ Aspect of ESG that contributes most to a company's shareholder value today



■ Aspect of ESG that will contribute most to a company's shareholder value in 2030



Q8

What aspect of ESG contributes the most to a company's shareholder value today?

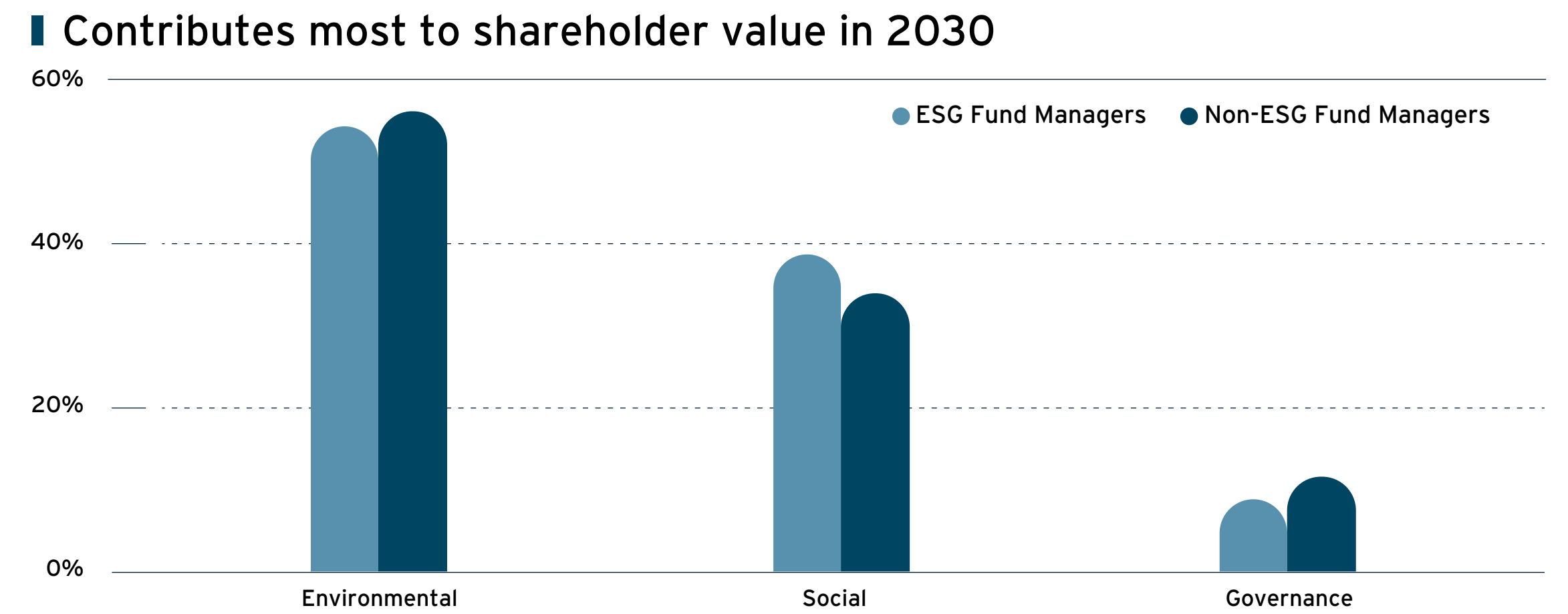
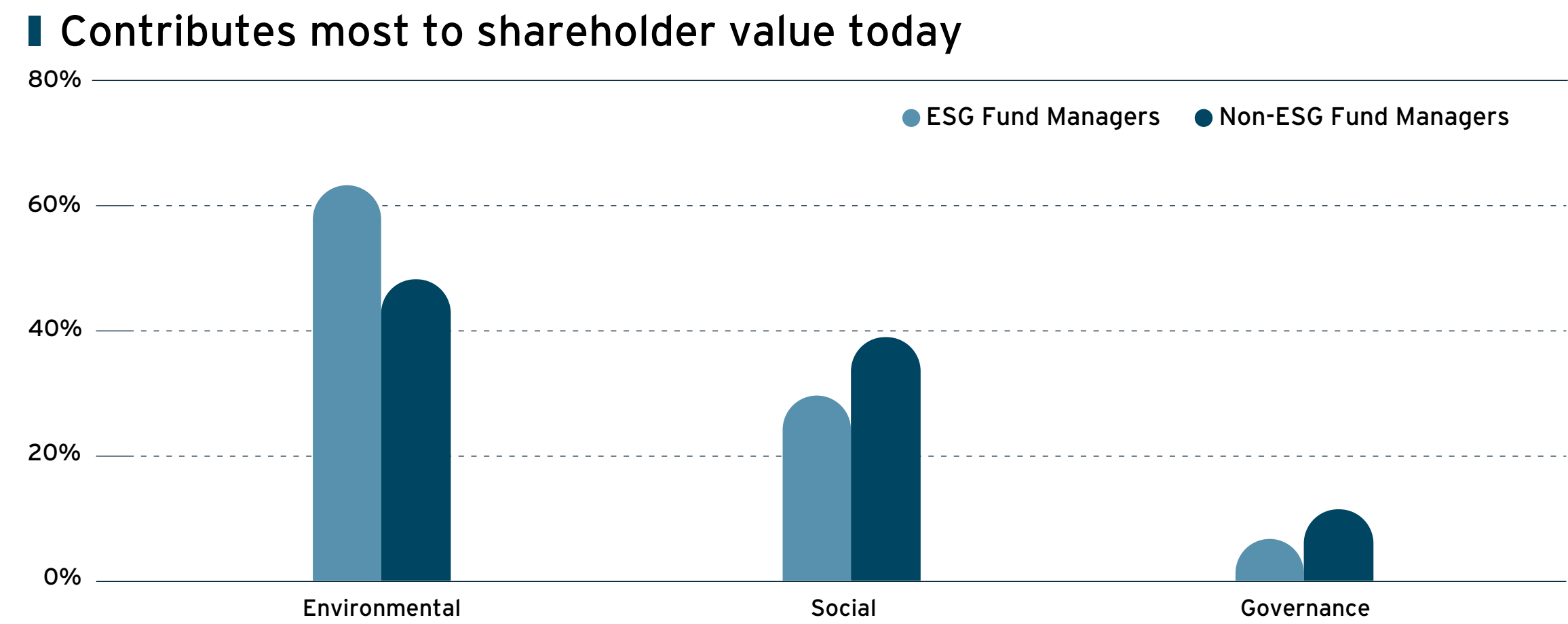
Q9

What aspect of ESG will contribute the most to a company's shareholder value in 2030?

Social is also on the rise for ESG fund managers

When results are broken out for ESG fund managers and non-ESG fund managers, both see Environmental contributing most to shareholder value today, but it's worth noting that non-ESG fund managers also see Social as important.

In 2030, things flip: ESG fund managers still see Environmental contributing most to shareholder value, but their expectation for Social outpaces the views of non-ESG fund managers.



Q8


What aspect of ESG contributes the most to a company's shareholder value today?

Q9

What aspect of ESG will contribute the most to a company's shareholder value in 2030?

Investment Areas and Allocations





With strong consensus around the importance of sustainable investment, we dove into how the investment areas featured in our study are trending and how they're linked to a more sustainable future.

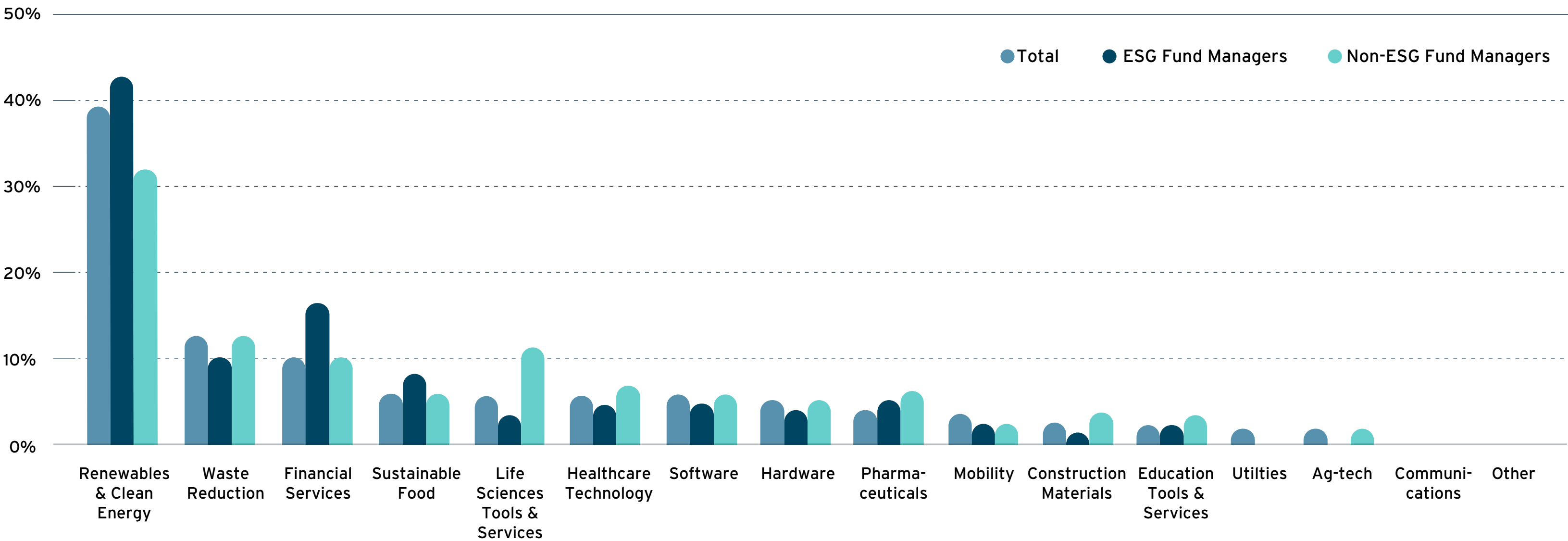
Expectations for which investment areas will drive a sustainable future

Renewables & Clean Energy is most favored, with 39% of respondents citing it as their top area. After that, there's a significant drop-off, suggesting an opportunity to see value in other areas.

The lean toward renewables is even more pronounced among ESG fund managers (44%) versus non-ESG fund managers (32%).

These two sets of respondents also diverge when it comes to Life Sciences Tools & Services, with non-ESG fund managers seeing more potential (11%) than ESG fund managers (3%). Still, this area is secondary to the perceived impact of investment in Renewables & Clean Energy.

Biggest impact on a sustainable future



Q16

A sustainable future is defined as one that meets the needs of society without compromising future generations. Which of the following investment areas will make the biggest impact on achieving a sustainable future?

The investment areas most relevant to an organization's ESG goals follow a similar pattern

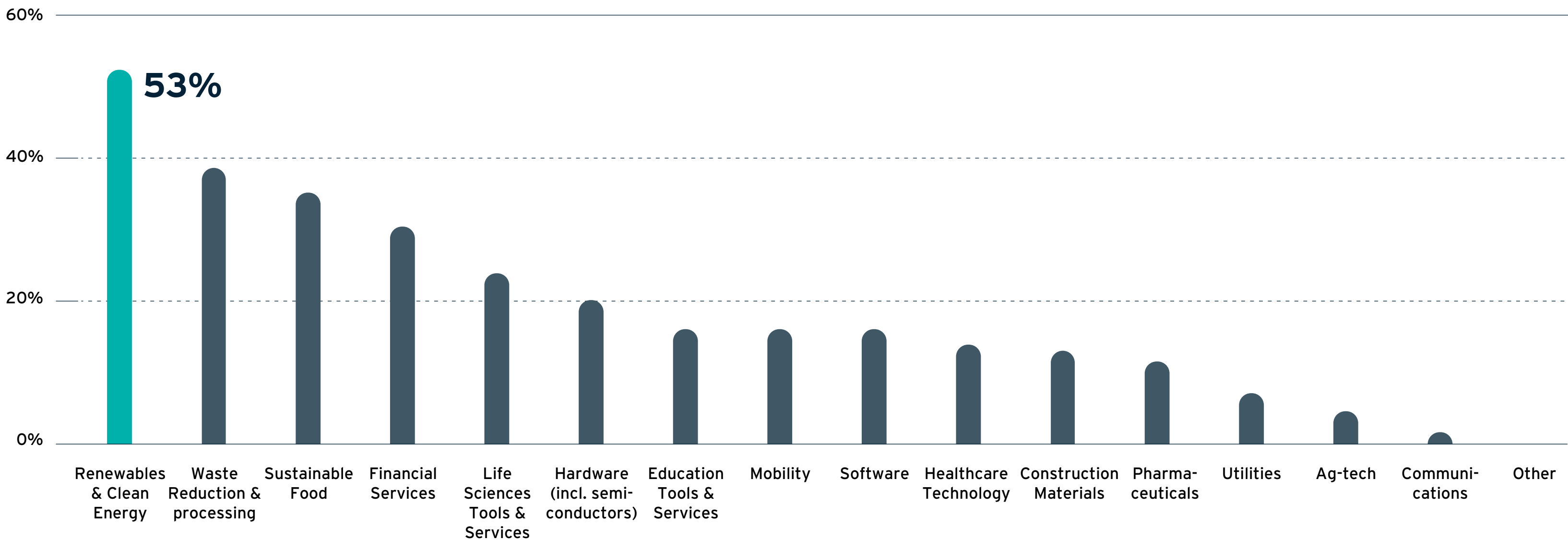
The top three investment areas most relevant to an organization's ESG goals are:

- Renewables & Clean Energy (53%)
- Waste Reduction & Waste Processing (39%)
- Sustainable Food (36%)

The UAE (69%) sees Renewables & Clean Energy as most relevant, followed by the UK (56%), China (54%), US (46%) and France (44%).

Further differences emerge by audience. CSOs are most likely to see Waste Reduction & Waste Processing (46%) as relevant, along with Construction Materials (18%).

Investment areas most relevant to ESG goals



Q7

Which of the following investment areas are most relevant to your organization's ESG objectives?

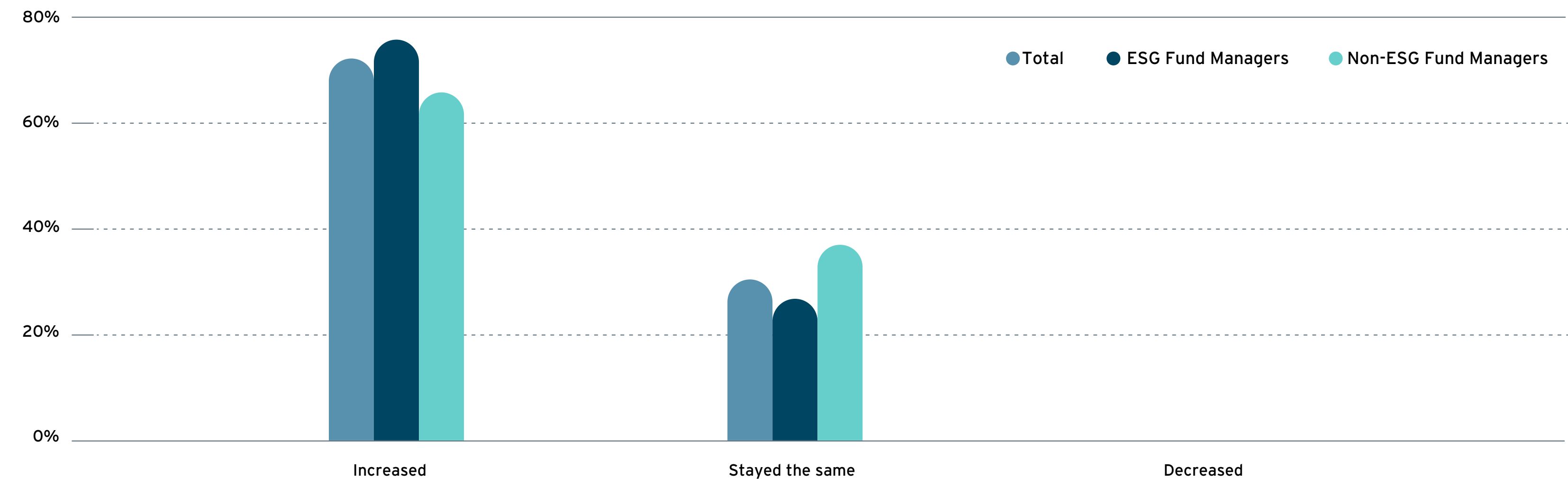
When we look at how respondents are taking action, sustainable investments increased over the last five years

The majority of respondents say their investment allocation to sustainable investments has increased, while not a single respondent noted a decrease.

This is the case for 75% of ESG fund managers and 64% of non-ESG fund managers. Non-ESG fund managers, however, are more likely than ESG fund managers to say they've stayed the course on investment allocations—36% versus 25%, respectively.

For those who cite an increase in investment, 57% say that increase is at least 10%. Among ESG fund managers, 72% say investment allocations to sustainable investments increased at least 10%. Among non-ESG fund managers, that number rises to 77%.

Change in investment allocation for sustainable investments, last 5 years



Q11 + Q12B

How has your organization's investment allocation for sustainable investments changed compared to the previous 5 years?

By what percentage do you expect your organization's investment allocation for sustainable investments to increase in the next 5 years?

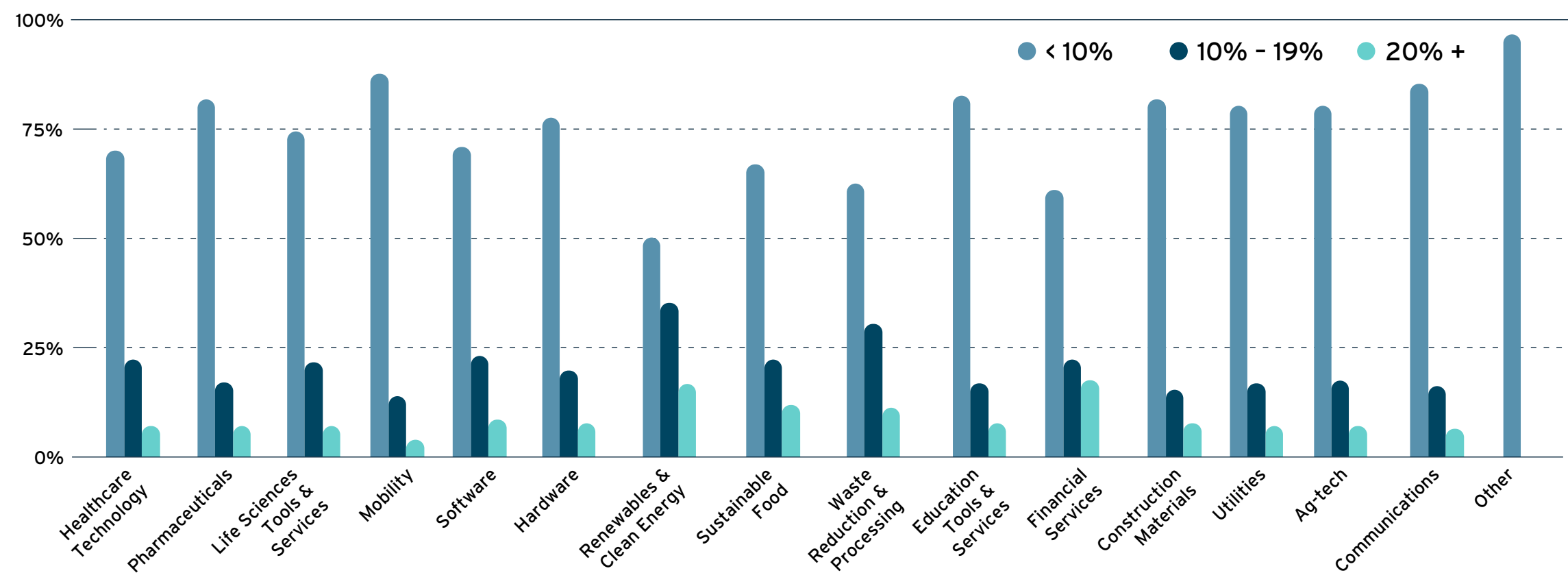
These increases in allocations to sustainable investments, again, favor Renewables & Clean Energy

Renewables & Clean Energy is one of the most common investment areas, with 10% of respondents allocating 20-29% of their portfolios to this area (vs. 2-5% of respondents who said the same for any other area).

This again calls for advocacy and understanding of how many investment areas—not only renewables—can drive a more sustainable future.

Investment allocation increased in this area for 60% of respondents and 61% expect it to continue to increase over the next five years.

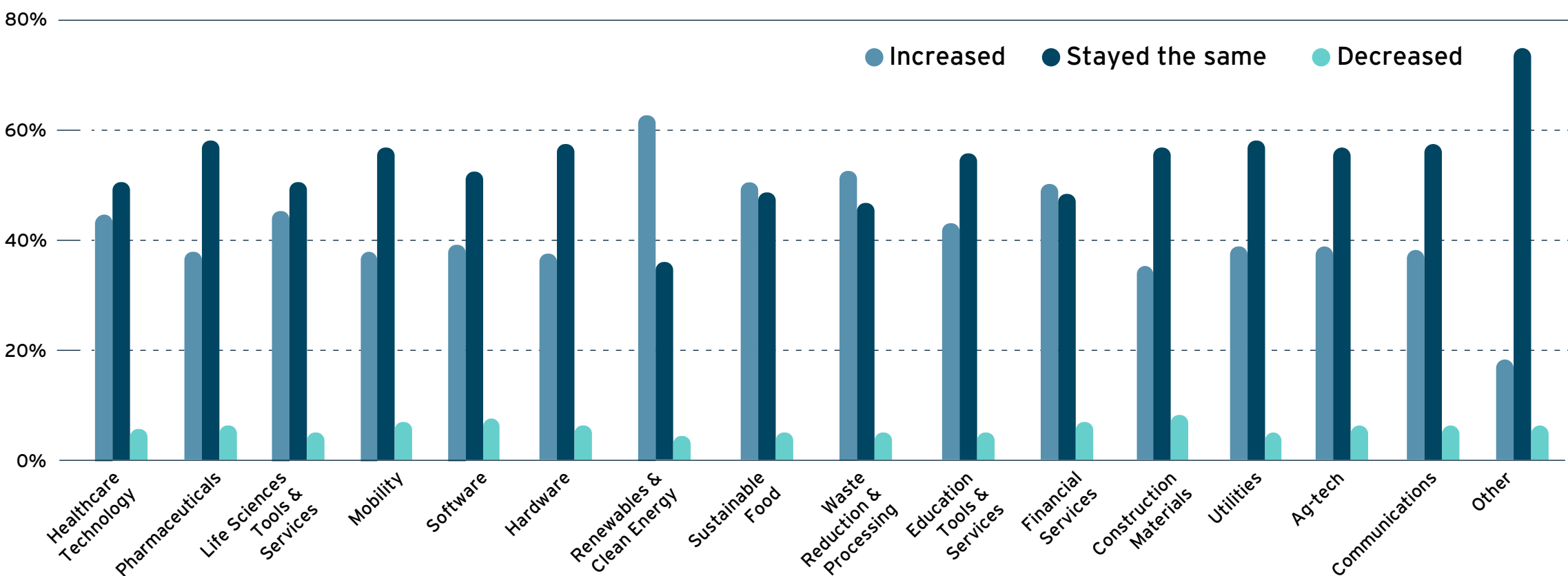
Investment allocations



Q13

Typically, what percentage of your overall investment portfolio is allocated to investing in the following areas?

Percentage of investment allocation changes in the last 5 years



Q14 + Q15

How has your organization's investment in these areas changed compared to the previous 5 years?

Moving forward, how do you expect your organization's investment in these areas to change in the next 5 years?

In taking a closer look at portfolio allocations, four areas lead

Renewables & Clean Energy
Sustainable Food
Financial Services
Waste Reduction & Waste Processing

Green indicates top 3 among a subgroup

* Indicates small base

Q13
Typically, what percentage of your overall investment portfolio is allocated to investing in the following areas?
Summary of means

	UAE (A)	UK (B)	US (C)	France* (D)	China (E)
Renewables & Clean Energy	20%	11%	11%	5%	11%
Sustainable Food	11%	9%	7%	6%	9%
Financial Services	8%	10%	11%	10%	12%
Waste Reduction & Waste Processing	8%	8%	8%	7%	9%
Healthcare Technology	6%	5%	7%	7%	7%
Ag-tech	5%	6%	5%	8%	4%
Life Sciences Tools & Services	5%	6%	6%	7%	6%
Software	5%	7%	8%	6%	6%
Communications	5%	5%	5%	4%	4%
Utilities	5%	5%	6%	7%	5%
Pharmaceuticals	5%	5%	5%	7%	6%
Education Tools & Services	5%	6%	5%	7%	5%
Mobility	5%	5%	4%	6%	4%
Construction Materials	4%	5%	5%	5%	6%
Hardware (including semiconductors)	4%	7%	5%	6%	6%
Other	1%	1%	1%	3%	2%

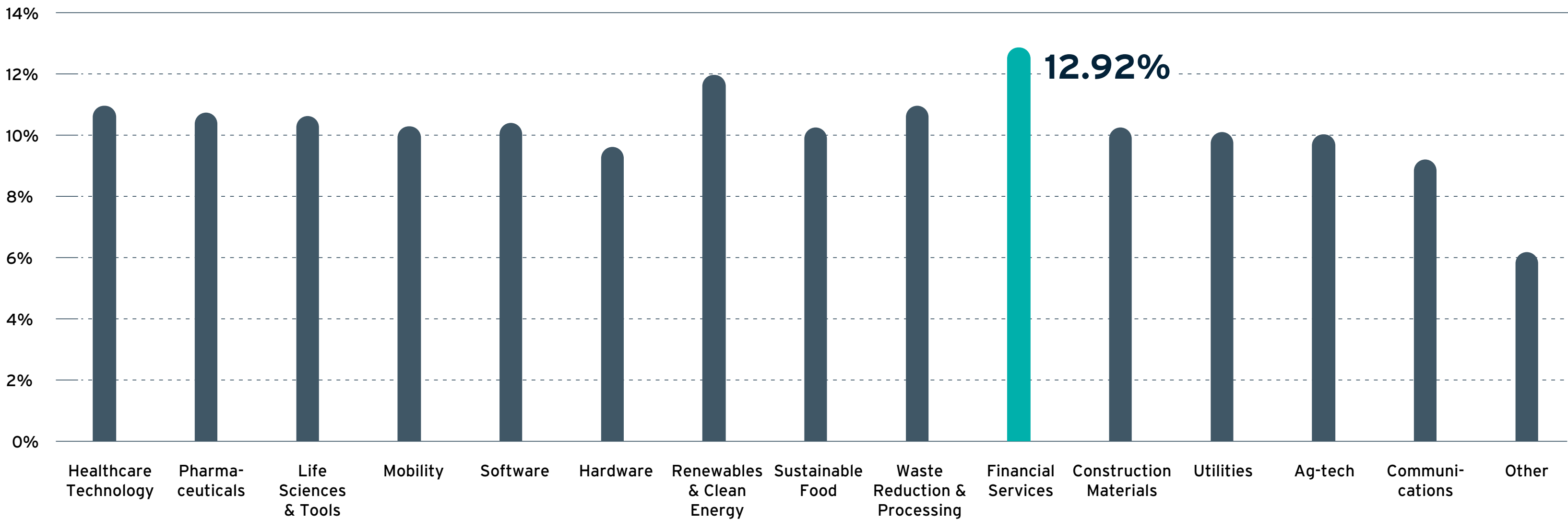
The largest increases are expected for both Financial Services and Renewables & Clean Energy

Respondents expect their organization's investment in Financial Services to increase the most in five years, at 12.92%.

ESG fund managers are more confident in investment growth. This is apparent in how the percentages of ESG and non-ESG fund managers who predict allocation increases differ:

- ESG Fund Managers
- Software (41%)
 - Hardware (38%)
 - Education Tools & Services (46%)
- Non-ESG Fund Managers
- Software (30%)
 - Hardware (29%)
 - Education Tools & Services (31%)

Expected percentage of increased investment in 5 years



Q15

Moving forward, how do you expect your organization's investment in these areas to change in the next 5 years?

ROI

The case for ROI has been made for brands in terms of how sustainability drives employee engagement and reputational value. This study shows better returns is also a leading motivator for sustainable investment. We've explored these perceptions of ROI across investment areas—both near-term as well as in 2030.

Renewables & Clean Energy tops the leaderboard for expected ROI today and in 2030, explaining allocations

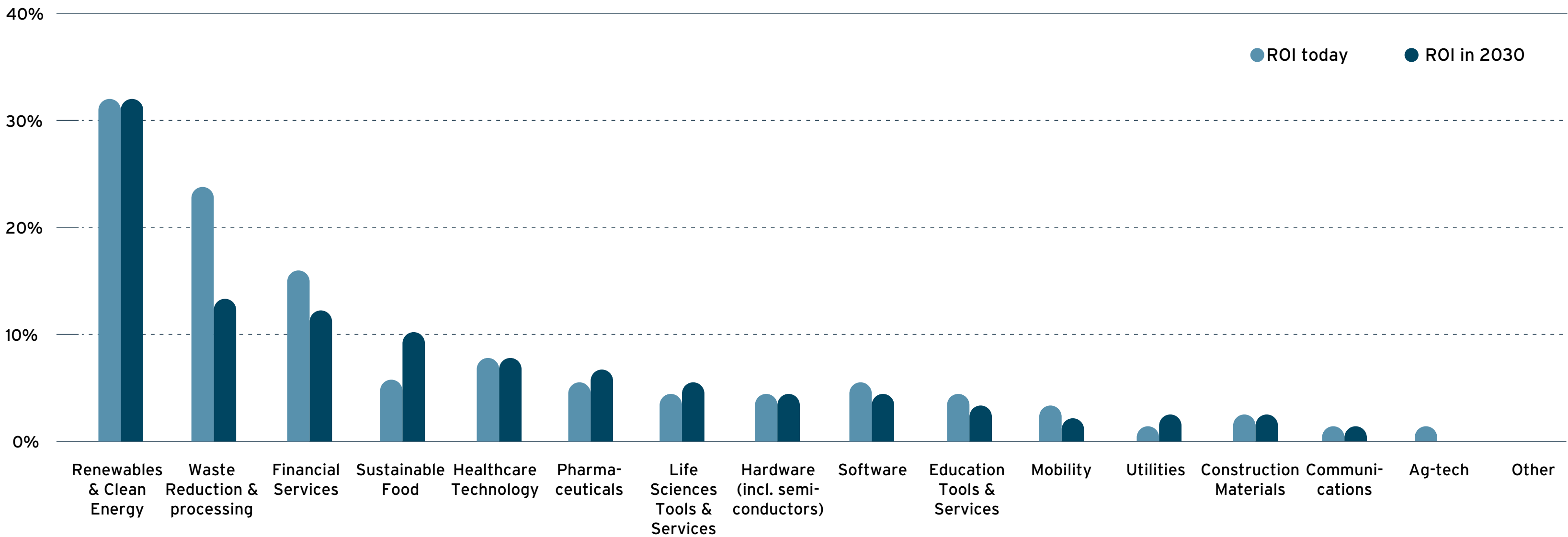
Investors are most confident in the ROI from Renewables & Clean Energy; 32% of respondents believe it yields the highest ROI today and, again, 32% believe this will be true in 2030.

Not all respondents, however, view Renewables & Clean Energy equally. At 35%, non-ESG fund managers are most confident in Renewables & Clean Energy’s ROI, compared to only 19% of VC leaders and 24% of government officials.

At 27%, ESG fund managers see the highest ROI opportunity today in Financial Services, compared to 10% of CSOs, 7% of government officials and 13% of non-ESG fund managers.

VC leaders stand out for their confidence in Life Sciences Tools & Services (16%) and Mobility (10%), which exceeds ESG fund managers, at 4% and 2%, respectively, for those areas.

■ Areas expected to yield highest ROI



Q17 + Q18

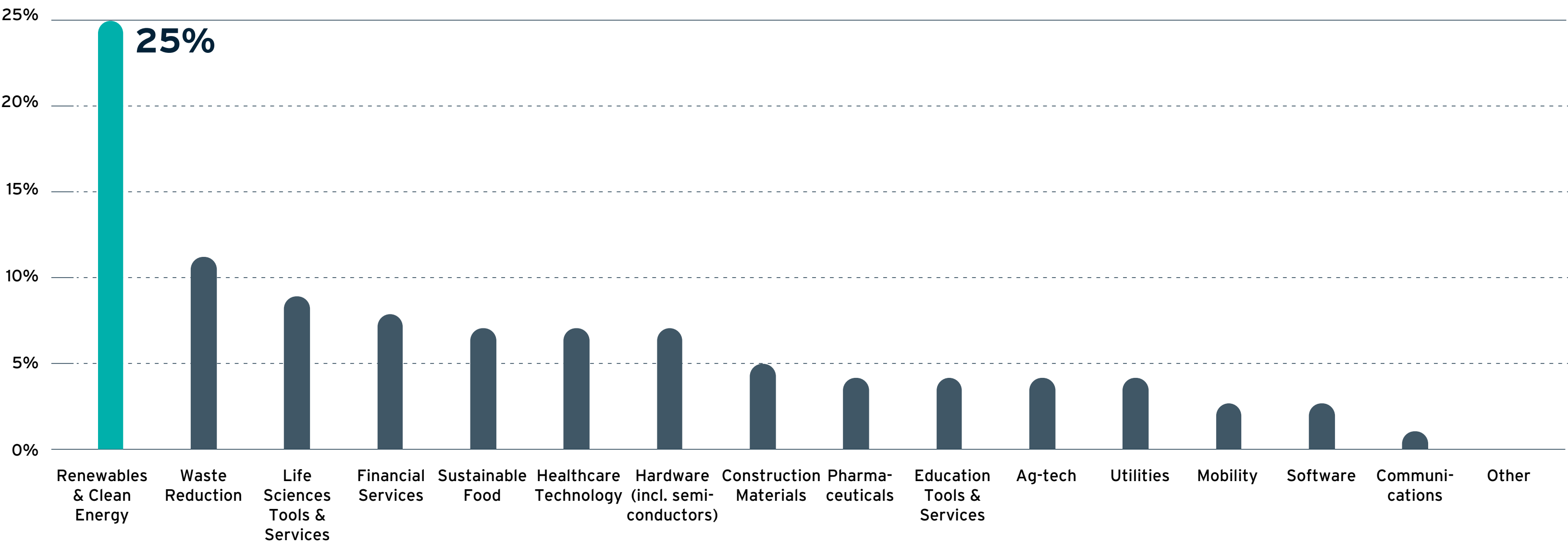
Which of these areas yields the highest ROI today?
Which of these areas will yield the highest ROI in 2030?

Despite expectations for high ROI, Renewables & Clean Energy is seen as longest to deliver returns

Renewables & Clean Energy and Waste Reduction lead in expectations of which investment areas will take the longest to deliver ROI. ESG and non-ESG fund managers are divided: ESG fund managers are more likely to say Renewables & Clean Energy will take longest to deliver ROI (30%), as well as that Financial Services will take a long time (11%).

Compare that with only 17% of non-ESG fund managers who see Renewables & Clean Energy as being the longest to deliver ROI, as well as 4% of non-ESG fund managers saying this for Financial Services.

Investment areas that will take longest to deliver ROI



Q20

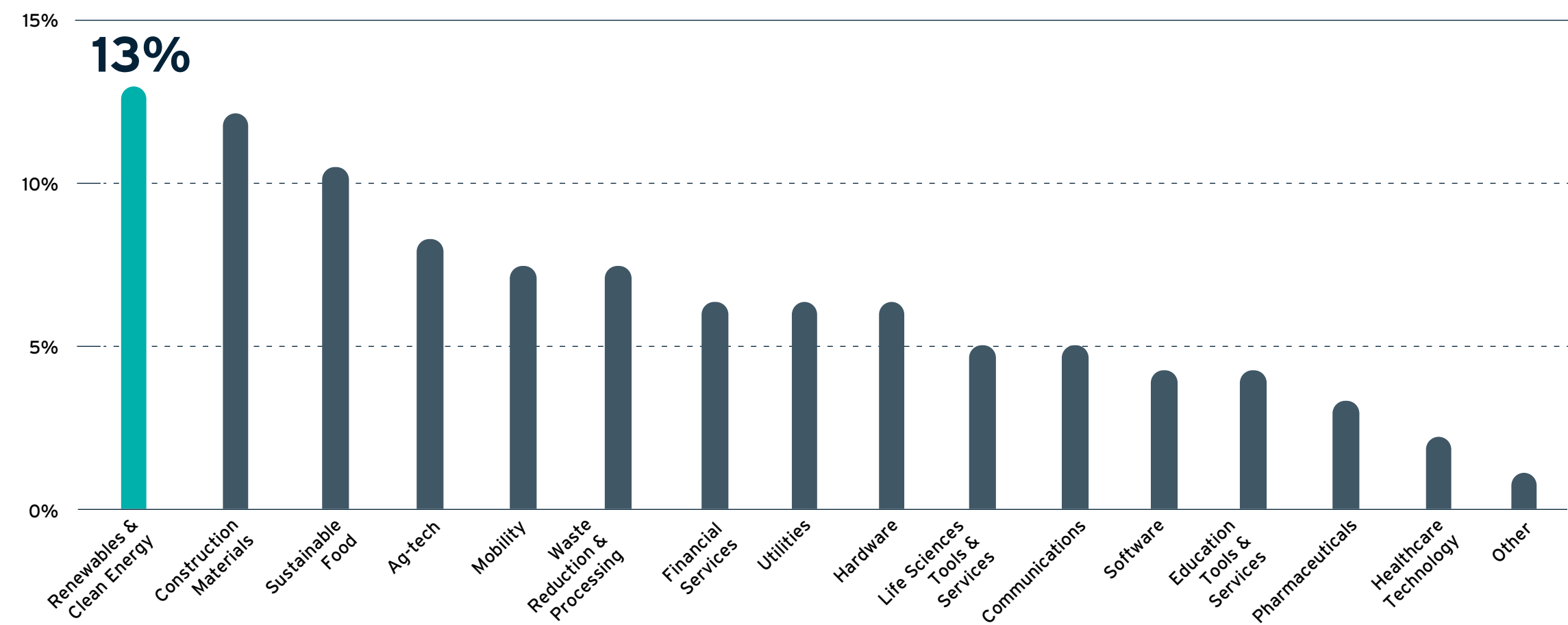
Which of these areas will take the longest to deliver ROI?

Views on which investment area will deliver the lowest ROI in 2030 are more mixed

While Renewables & Clean Energy again tops a list—this time for expected lowest returns in 2030—it's followed closely by Construction and Sustainable Food, resulting in less of a clear “leader” overall.

Greater discrepancies appear when we compare countries. France is the most pessimistic about returns on Renewables & Clean Energy investments, while the US and China are far less likely to see low returns as a possibility.

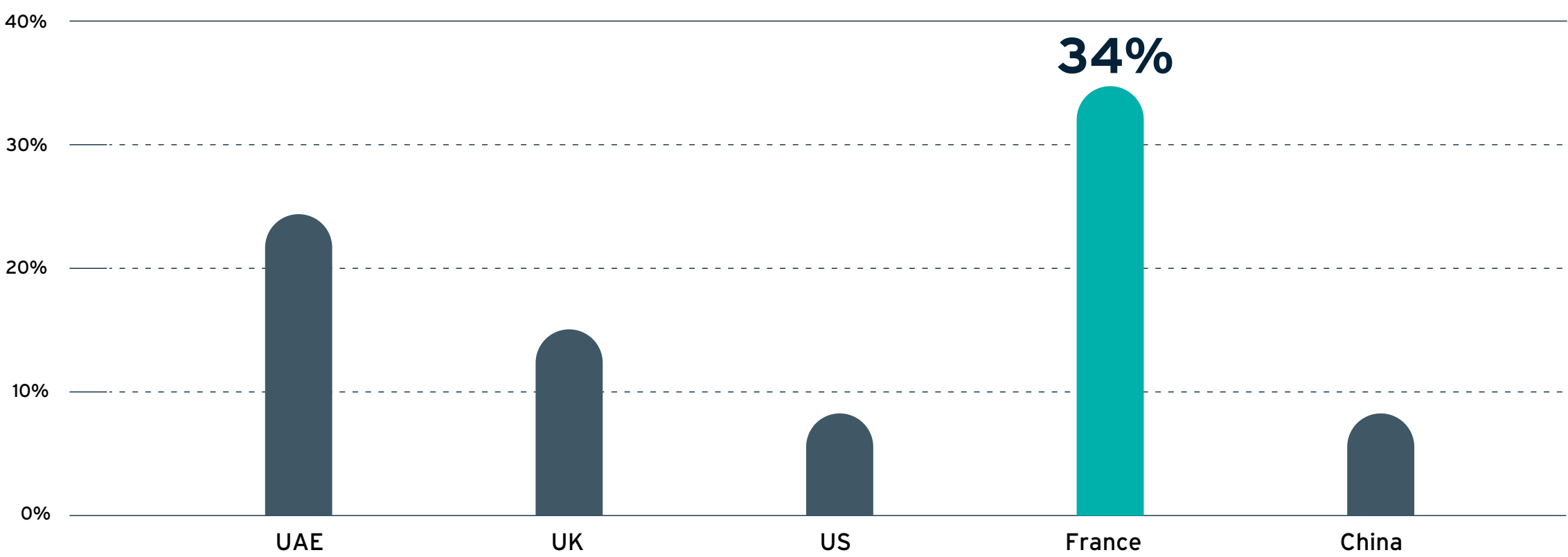
Lowest ROI in 2030



Q19

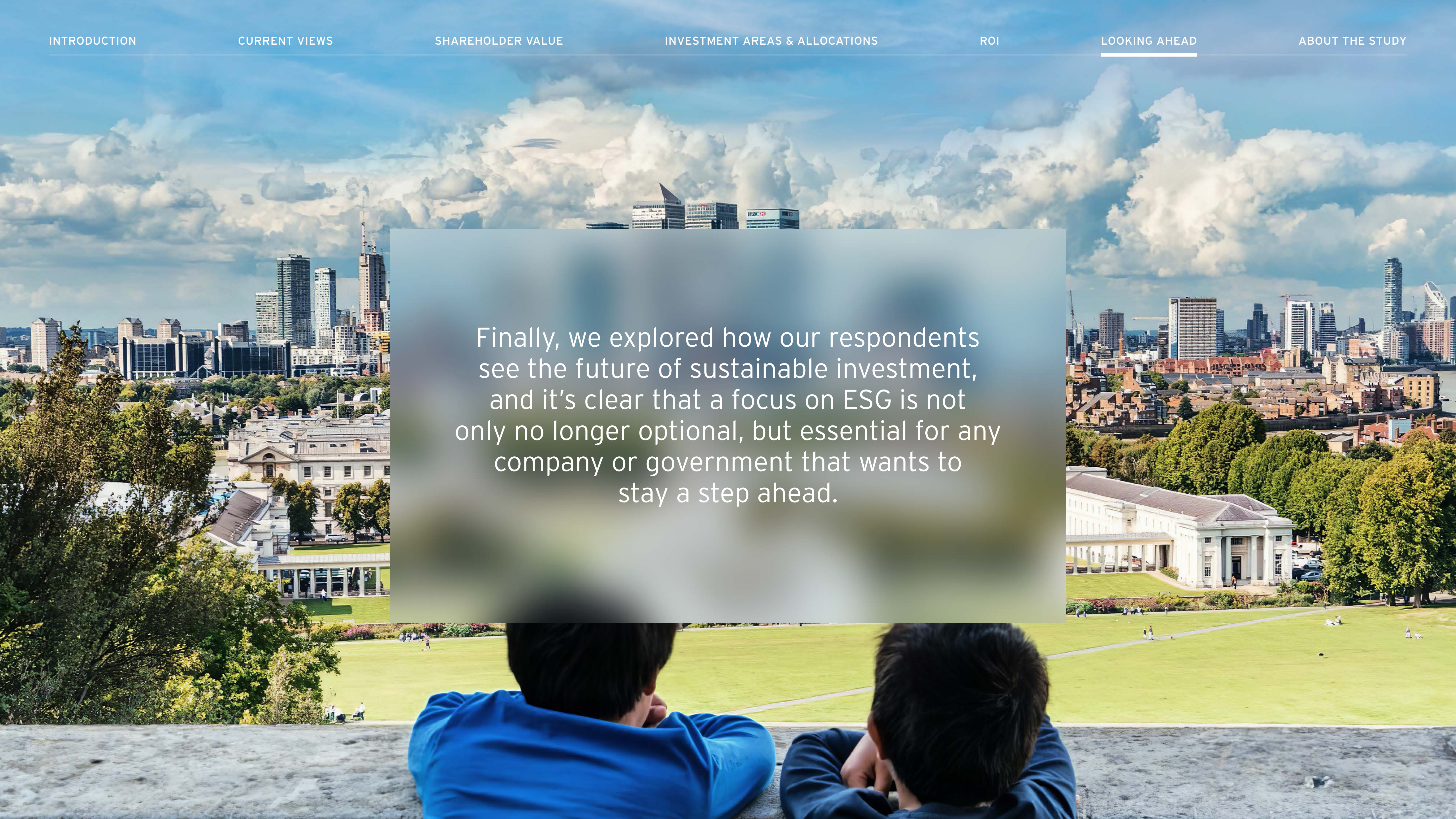
Which of these areas will yield the lowest ROI in 2030?

Renewables & Clean Energy as lowest ROI in 2030





Looking Ahead



Finally, we explored how our respondents see the future of sustainable investment, and it's clear that a focus on ESG is not only no longer optional, but essential for any company or government that wants to stay a step ahead.

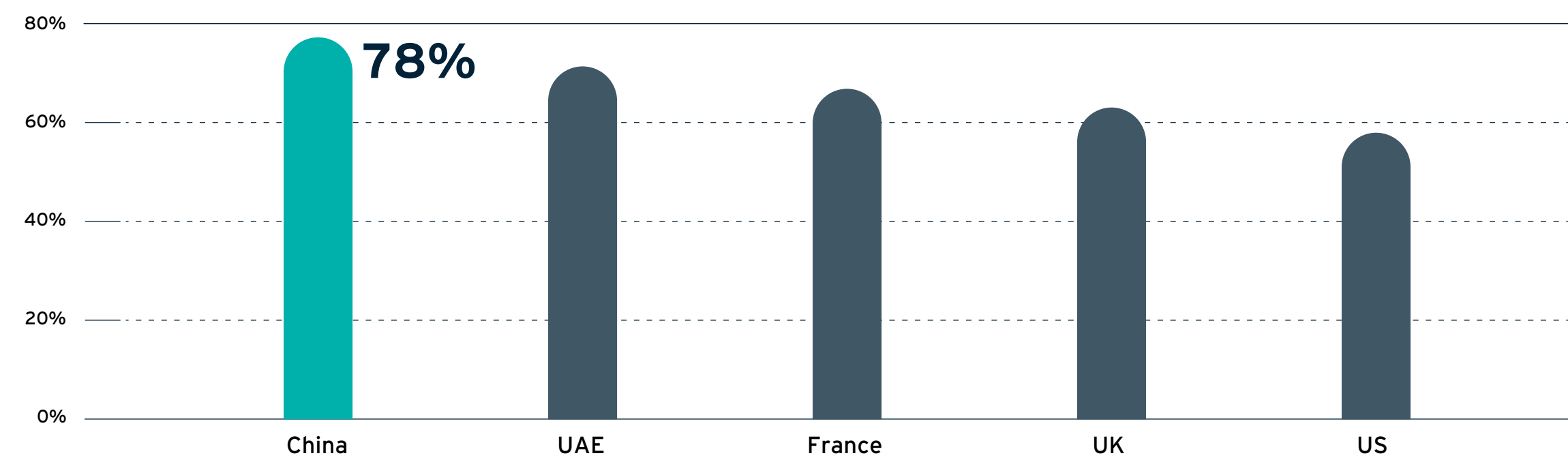
Considering that ESG is no longer a nice-to-do, but a must-do

67% of all respondents believe governments and companies that choose not to consider ESG will be left behind, and 70% believe that eventually no investment decisions will be made without considering ESG.

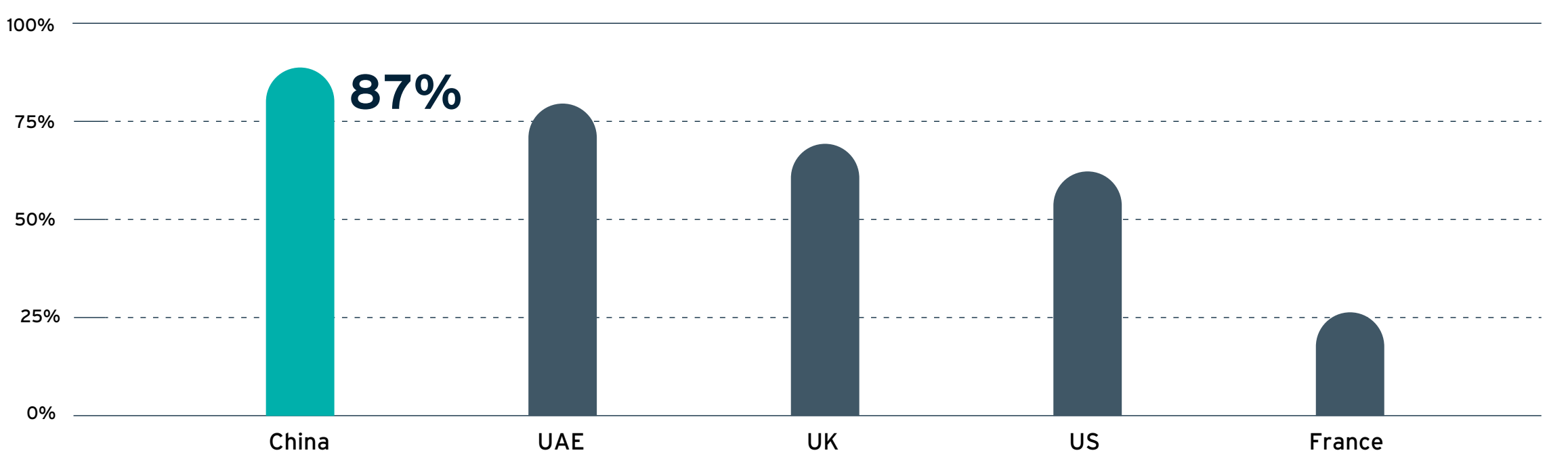
At 58% and 61%, respectively, the US and the UK are slightly less likely to believe governments and companies will get left behind than China, which clocks in at 78%.

At 87%, China is also bullish on ESG as a core consideration, while France, at 27%, bucks every other market in betting that ESG won't factor into all investment decisions.

■ Agreement with the statement “Governments and companies that choose not to invest with ESG in mind will be left behind”



■ Agreement with the statement “Eventually no investment decisions will be made without considering ESG”



Q21

How much do you agree or disagree with the following statements: Governments and companies that choose not to invest with ESG in mind will be left behind, AND, eventually, no investment decisions will be made without ESG considerations being a key part of the decision process.

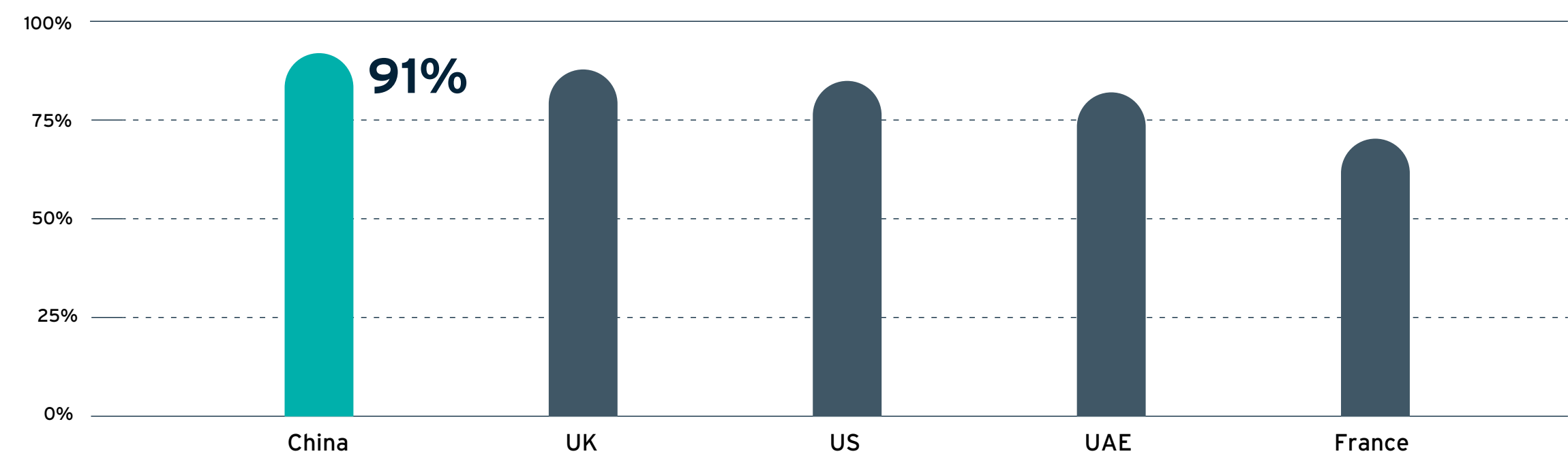
All markets agree investment drives a more sustainable future, and considering ESG will improve overall returns

86% of all respondents believe that investment is a powerful driver of a more sustainable future, and 85% believe that investing with ESG in mind will improve overall returns.

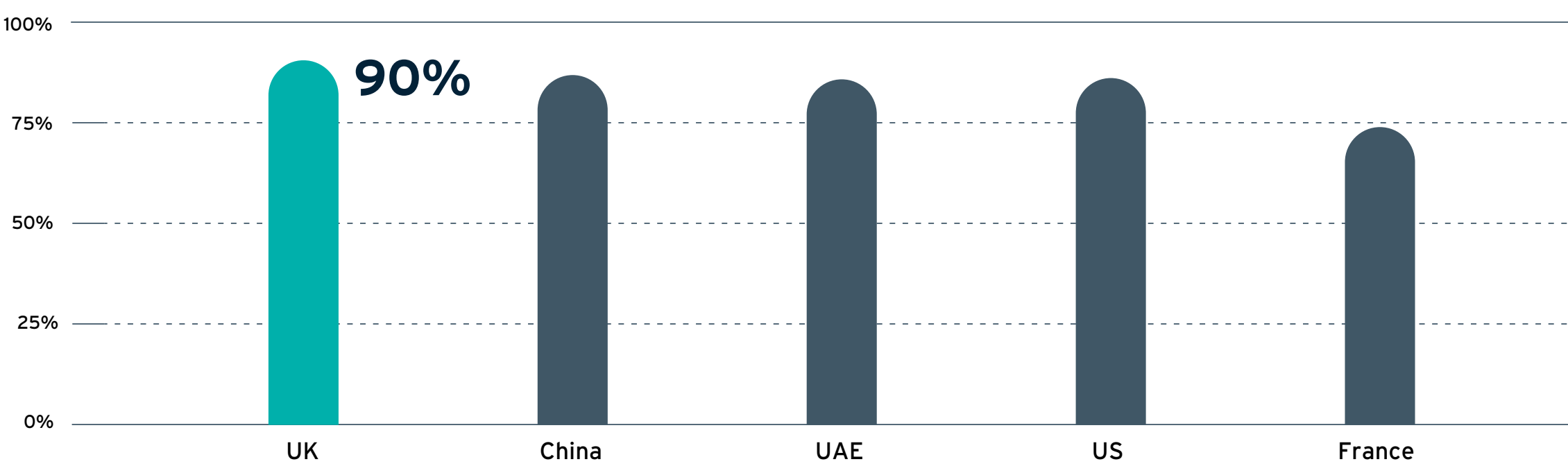
Four out of five markets—China (91%), the UK (88%), US (86%) and UAE (83%)—strongly agree investment drives a more sustainable future. France (70%), however, is slightly less confident.

When it comes to improved returns, the UK (90%), China (86%), UAE (85%) and US (85%) see great opportunity in ESG. France (73%), however, is again behind the others.

■ Agreement with the statement “Investment is a powerful driver of a more sustainable future”



■ Agreement with the statement “Considering ESG will improve overall returns”



Q21

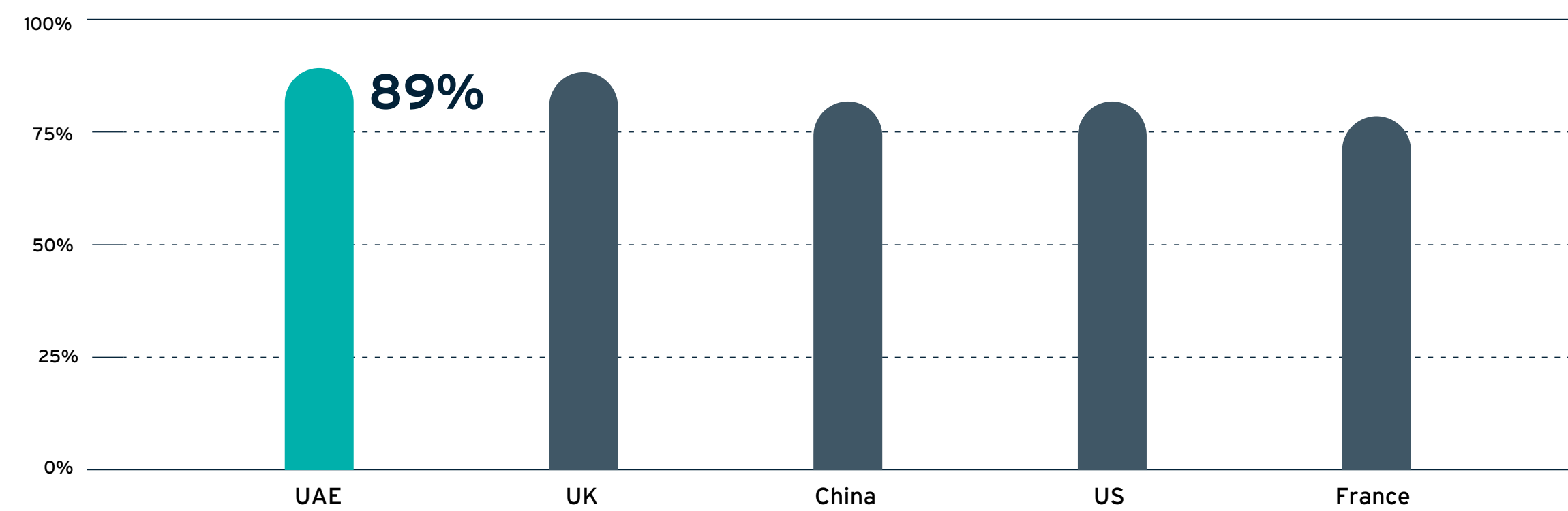
How much do you agree or disagree with the following statements: Investment is a powerful driver of a more sustainable future AND Investing with ESG in mind will improve overall returns for investors.

Sustainable investment will continue to be a “high priority” in 2030 with many seeing a bump of at least 20%

In contrast to 79% today, 83% of all respondents agree sustainable investment will be a high priority in 2030. The US jumps nine percentage points from 72% today to 81% in 2030.

When it comes to how respondents will allocate moving forward, 45% predict that their sustainable investments will increase by at least 20% in the next five years. This indicates that a sustainable future may be closer than we think.

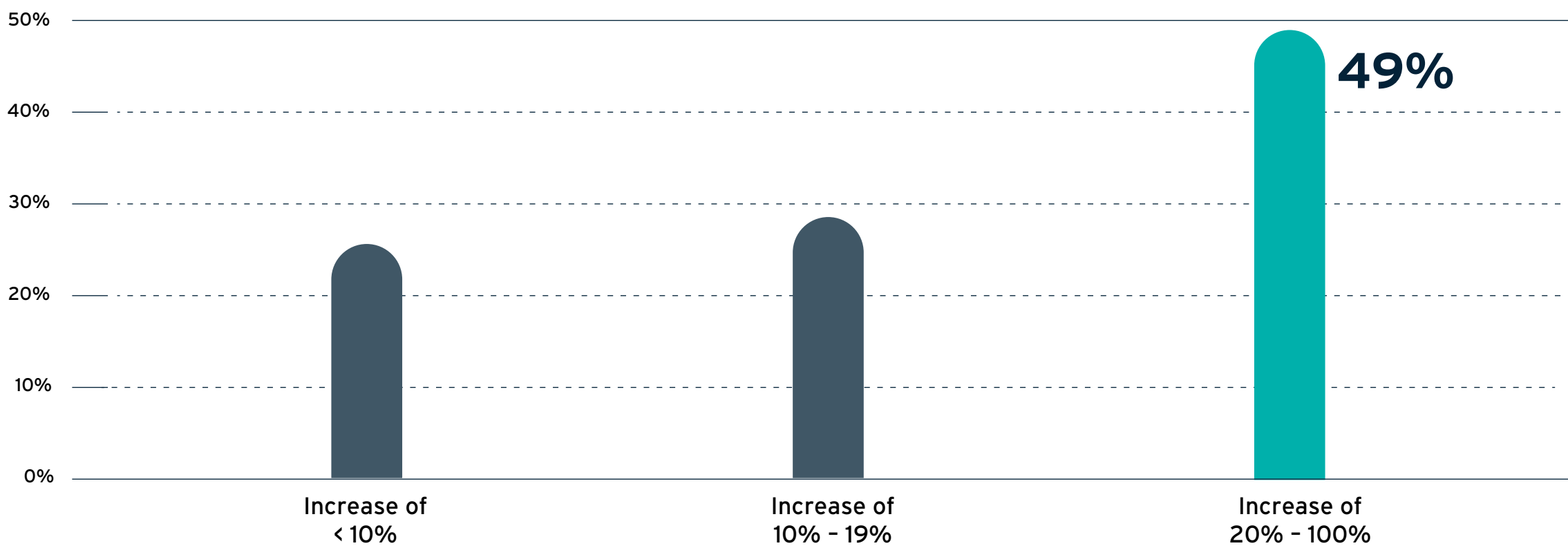
■ How high of a priority will sustainable investment be in 2030?



Q2

Thinking of the future, how much of a priority do you envision sustainable investment being in 2030?

■ Change in investment allocation for sustainable investment, next 5 years



Q12B

By what percentage do you expect your organization's investment allocation for sustainable investments to increase in the next 5 years?

About the Study



Methodology

What
A 15-minute survey designed by Bloomberg Media and Mubadala and fielded by Market Probe International Inc.

Who
Nearly 800 global business decision makers—most with responsibility for sustainability-oriented goals and operations.

When
The study was fielded March 29 to April 13, 2022.



Respondent role breakout
N = 789
N = 225 ESG fund managers
N = 119 Non-ESG fund managers
N = 58 Venture capital (VC) leaders focused on ESG, director and above
N = 251 Chief Sustainability Officers
N = 136 Government officials responsible for sustainability goals and operations, director and above

Respondent market breakout
Expected 50-100 per region
N = 264 China including Hong Kong
N = 77 France
N = 71 UAE
N = 170 UK
N = 207 US



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