

The rise of the impact seeker

How entrepreneurs are targeting sustainable and responsible investment

Across the world, entrepreneurs are increasingly interested in contributing to better social and environmental outcomes. As well as considering 'positive impact' a key metric for their businesses, one in four (26%) have exposure to sustainable and responsible investing (SRI) through their investment portfolios.

But to what extent is interest in investing for good translating into action? Here we consider the drivers for and levels of engagement in SRI among the global entrepreneur community.

SRI seen as key growth sector in next five years

A rising interest in sustainable and responsible investment is evident among the world's entrepreneurs, driven partly by its perceived return potential. In 2017, just 18% of entrepreneurs said they were attracted to the returns generated by sustainable and responsible investments (SRI). Today, they place SRI among their top five choices for growth potential in the next five years.

Ultra high net worth (UHNW) entrepreneurs are even more bullish, putting SRI in their top two sectors for growth potential, second only to technology.



Percentage of entrepreneurs who consider 'positive impact' a key metric in business

2016.....	10%
2018.....	40%



Proportion of entrepreneurs with exposure to SRI investments

Aged 36-54.....	26%
Aged 55.....	22%



Tasha Vashisht
Senior Manager
Client Insight, Aon

Which of the investment themes do you think offer the most growth potential over the next five years?

(Responses for UHNW entrepreneurs with US\$25mn+ in investable assets)



Source: Aon/BNP Paribas

Sustainability priorities show regional variation

The return potential of SRI has become the core reason for entrepreneurs’ interest – cited by 49% as their key impact metric. But motivations go beyond financial return. Reducing carbon emissions, improving access to healthcare and advancing diversity in the workplace are cited as the most common hoped-for impacts.

The impacts that entrepreneurs want to target vary substantially from region to region. Reducing carbon emissions are a core reason for investing among entrepreneurs in Europe and the US. Investors in both the US and Asia are keen to focus on healthcare.

In the GCC, improving diversity in the workforce by ethnicity and gender is the biggest motivation for investing – greater even than investment return. This suggests a need to tailor SRI offerings carefully to the wants and goals of each target market.

Which of the investment themes do you think offer the most growth potential over the next five years?

(Responses for UHNW entrepreneurs with US\$25mn+ in investable assets)



Source: Aon/BNP Paribas

Millennials open to using a range of impact investments

Perhaps reflecting the immaturity of the asset class, entrepreneurs want a lot of support to access investment opportunity. Pooled and professionally managed SRI funds and impact funds are the most popular investment vehicles. Environmental, social and governance (ESG) screening is widely used – possibly reflecting that larger investors may be using segregated portfolios.

Generational differences are evident in the range of vehicles entrepreneurs are willing to use. Millennials are open to using nearly every investment available to them – for example, being around twice as likely as Baby Boomers to use social impact bonds.

Which investment vehicles do entrepreneurs use for sustainable investing?



But investment exposure is still low...

Almost one in three (30%) UHNW entrepreneurs have some kind of exposure to SRI, ostensibly making it one of the top four dominant investment themes for UHNW entrepreneurs alongside technology, financial services and consumer goods.

But actual levels of exposure are surprisingly low. Despite expectations of strong growth in the medium term, SRI investment allocations in the average UHNW entrepreneur portfolio dropped from 8% to 5% between 2017 and 2018 as investors reallocated away from alternative investments to more traditional fixed income, stocks and cash.

... and sustainability not a major consideration for start-up investments

It is also interesting to note that just under a quarter of entrepreneurs are business angels, seeking to support young, innovative start-ups. Yet, a young business's potential for positive environmental or social impact is cited as one of the least important investment factors – being considered by only a fifth (20%) of potential investors compared to a start-up's growth potential (58%) or the calibre of its founders (44%).

Conclusion: Interest in SRI yet to be matched by capital allocation

That sustainable and responsible investing is now considered a top-five growth sector by entrepreneurs in many regions shows a major shift in public perception. With urgent pressure on policymakers to act on global challenges such as climate change, environmental degradation, food scarcity and social inequality, entrepreneurs can see new opportunities arising both for investment return and positive impact.

Yet expectations and intentions still have to translate into meaningful levels of investment. Entrepreneurs – particularly millennials – appear convinced of the case for SRI and are willing to use a wide range of investment vehicles to get exposure. It may require these younger business owners taking centre stage before SRI truly evolves from a niche to a truly mainstream investment consideration

For More Information

Tasha Vashisht

tasha.vashisht2@aon.com

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

© Aon plc 2019. All rights reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority. Registered in England & Wales. Registered No: 4396810.

