



2022 REPORT ON US SUSTAINABLE INVESTING TRENDS

INSTITUTIONAL INVESTOR HIGHLIGHTS

As of year-end 2021, the US SIF Foundation identified \$8.4 trillion in total US-domiciled assets under management (AUM) using sustainable investing strategies. This represents 13 percent – or 1 in 8 dollars – of the total US assets under professional management.

NEW METHODOLOGY

This year, the US SIF Foundation modified its methodology in response to the rapid growth and evolution of the sustainable investment field. The revised methodology required more granular information regarding the incorporation of ESG issues in order to be included in the tally of sustainable investment assets under management. In a departure from previous editions, this report does not include the AUM of investors who stated that they practice firmwide ESG integration but did not provide information on any specific ESG criteria they used (such as biodiversity, human rights or tobacco) in their investment decision-making and portfolio construction.

BREAKDOWN OF US SUSTAINABLE INVESTING ASSETS

- \$7.6 trillion in US-domiciled assets at the beginning of 2022 held by 497 institutional investors, 349 money managers and 1,359 community investment institutions that practice “ESG incorporation” — applying various ESG criteria in their investment decision-making and portfolio selection.
- \$3.0 trillion in US-domiciled assets at the beginning of 2022 held by 224 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues at publicly traded companies from 2020 through 2022.
- After eliminating double counting for assets involved in both strategies, the net total of sustainable investing assets under management at the beginning of 2022 was \$8.4 trillion.

PUBLIC FUNDS

Among institutional investors, public funds represented the largest number of institutions reporting incorporation of ESG criteria in their investments and the largest share of sustainable investment AUM.

Public funds managed for federal, state, county and municipal governments, including public employee pension plans, incorporated ESG criteria across \$3.6 trillion in assets, up 10 percent from 2020.

In asset weighted terms, the restriction of investments in companies doing business with conflict risk countries remained the top ESG issue affecting \$2.7 trillion in assets. The remaining issues in the top five for public funds were climate change/carbon (\$2.11 trillion, an increase of 57 percent since 2020), board issues (\$1.74 trillion, up 26 percent), labor issues (\$1.73 trillion, up 19 percent) and executive pay (\$1.69 trillion).

Restricting investments in companies doing business in conflict risk countries, primarily Sudan and Iran, has been the top criterion for public funds since 2007, and the assets affected increased 10 percent since 2020, although the number of public funds with this criterion has declined.

INSURANCE COMPANIES

With \$2.4 trillion in assets incorporating ESG issues, the investment portfolios of insurance firms constituted the second largest pool of institutional ESG AUM. This is an increase of 7 percent from the \$2.2 trillion in ESG assets identified in 2020. While the ESG assets identified were significant, only 14 institutions were represented. This compares with 17 insurance companies reporting in 2020.

Environmental issues were prominent for insurance companies. The leading issue reported was climate change/carbon emissions, affecting \$1.6 trillion in assets, up 63 percent from 2020. Sustainable natural resources/agriculture followed at \$1.3 trillion, an increase of 42 percent. Fossil fuel divestment policies were applied across \$558 billion, more than doubling from two years prior.

Among governance issues, board issues and anti-corruption were each addressed across \$1.1 trillion, while executive pay issues affected \$890 billion.

Tobacco screens were applied to \$994 billion in assets.

EDUCATIONAL INSTITUTIONS

Educational institutions in aggregate held \$528 billion in AUM at the start of 2022 that were subject to various ESG criteria—an increase of 40 percent from the \$378 billion identified in 2020.

In 2022, conflict risk was the top criterion in asset-weighted terms reported by educational institutions, more than doubling from \$185 billion in 2020 to \$466 billion. Two other social issues in the top five were equal employment opportunity and diversity, affecting \$229 billion, and human rights, accounting for \$223 billion. Prison-related issues were addressed across \$60.7 billion, approximately the same as in 2020.

However, fossil fuel divestment was the second most important issue in asset-weighted terms, affecting \$448 billion, a more than four-fold increase from 2020.

Tobacco was the leading product issue, screened across \$203 billion, while military/weapons were screened across \$46.7 billion.

PHILANTHROPIC FOUNDATIONS

The Trends report identified just over 120 foundations in 2022 that applied one or more ESG criteria to \$91 billion in assets collectively, accounting for 1 percent of the total institutional sustainable investment assets. This represents a 20 percent increase in sustainable investment AUM from 2020, while the number of foundations identified stayed roughly the same.

The top two issues in asset-weighted terms remained the same as they were between 2014 and 2020—conflict risk and tobacco-related exclusions. After tobacco, the leading product-related criterion identified was military/weapons restrictions, affecting \$25.0 billion in assets and up 62 percent from 2020.

Among social issues other than conflict risk, prison-related investment screens affected \$9.7 billion, an almost three-fold increase from 2020. Racial equity concerns affected \$6.3 billion.

Among environmental criteria, fossil fuel divestment was the top issue, affecting \$22.5 billion in assets, up from just \$9.6 billion in 2020.

About the 2022 Trends Report

The US SIF Foundation's biennial Trends Report is the only report providing a detailed breakdown of the professional assets under management—across all asset classes—that are engaged in sustainable investing strategies. It provides extensive data on the numbers of money management firms, institutional asset owners and investment vehicles using sustainable investment strategies. It also distills the range of environmental, social and governance (ESG) issues that investors consider. To obtain a copy, visit www.ussif.org/trends.

About US SIF

US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable investing across all asset classes. Its mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts.

The US SIF Foundation is a 501(c)(3) organization that supports the work of the work of US SIF by undertaking educational, research and programmatic activities to advance the mission of US SIF.

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