

GLOBAL SUSTAINABLE INVESTMENT REVIEW 2020



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Foreword

The Global Sustainable Investment Alliance (GSIA) is an international collaboration of membership-based sustainable investment organisations around the world. Our mission is to deepen the impact and visibility of sustainable investment organisations at the global level. Our vision is a world where sustainable investment is integrated into financial systems and the investment chain and where all regions of the world have coverage by vigorous membership-based institutions that represent and advance the sustainable investment community.

This year's Global Sustainable Investment Review 2020 (GSIR) is the fifth in our series of biennial reports mapping the state of sustainable investment¹ in the major financial markets globally.

The report again demonstrates that sustainable investment is a major force shaping global capital markets, and, in turn is influencing companies and others seeking to raise capital in those global markets.

This report brings together regional data from across the United States, Canada, Japan, Australasia and Europe. Together, sustainable investment in these markets has reached USD35.3 trillion in assets under management (AUM), having grown by 15% in two years.

The report also includes additional market insights from the United Kingdom, China, and across Latin America, Africa and Asia, to form a global picture of the sustainable investment industry. The report compiles the most comprehensive data from across regional surveys, analysis and other available data, from both primary and secondary sources.

But beyond these top line results, this year's report highlights an industry that is in transition, with rapid developments across regions that are resetting expectations of sustainable investment, with an emphasis on moving the industry towards best standards of practice.

This is playing out in various ways in different markets, including tightening regulatory frameworks and industry standards, and consumer expectations rising. For example, the European Union Sustainable Finance Action Plan has set new definitions for sustainable and responsible investment embedded in legislation. This has reshaped the way sustainable investment is defined in Europe, which is reflected in the report by a new source of data that starts to align with these new definitions.²

Concurrent to this transition is a global acceleration of an international sustainability agenda driven by international agreements such as the Paris Agreement and the United Nations Sustainable Development Goals, both of which are calling out the important role of finance.

Increasingly, there are expectations that sustainable investment is defined not just by the strategies involved, but by the short- and long-term impacts that investors are having from their sustainable investment approach.

The global network of sustainable investment organisations that make up the GSIA all work in their individual markets to progress this transition, ensuring sustainable investment is delivered in a manner aligned with best practice standards, driving positive change in corporate policies and performance and ultimately, aligning with a more sustainable future.

We would like to thank the many sponsors – listed in the acknowledgements section – of the regional research reports used to prepare the Global Sustainable Investment Review 2020, and other contributing organisations who provided regional insights.

In particular, we would like to thank RBC Global Asset Management and Robeco for the support for this global report. Without the support of these sponsors, this research and the report would not have been possible.

Sincerely



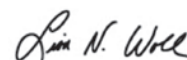
Masaru Arai, Chair,
Japan Sustainable
Investment Forum



Victor Van Hoorn,
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Lisa Woll, CEO,
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Sustainable and Responsible
Investment and the US SIF
Foundation



Simon O'Connor, CEO,
Responsible Investment
Association Australasia

¹ In this report, consistent with previous reports, 'sustainable investment' refers to a broad and inclusive definition of approaches to investment that include environmental, social and governance factors in portfolio selection and management across the seven strategies of sustainable or responsible investment as set out in this report. GSIA uses this inclusive definition recognising there are distinctions and regional variations in its meaning and use, and related or interchangeable terms such as responsible investment and socially responsible investment.

² Some of the definitions contained in the EU Sustainable Finance Disclosure Regulation (SFDR) are subject to different interpretation and additional regulatory guidance is expected. As a result, the data used is starting to align with the new settings.

Executive summary

This 2020 Global Sustainable Investment Review (GSIR) is the fifth in a series of biennial reports. It maps the state of sustainable and responsible investment of major financial markets globally, reporting on data as at the beginning of 2020³.

This report shows the continuing prevalence of sustainable investment across the global investment industry, with assets under management reaching USD35.3 trillion, a growth of 15% in two years, and in total equating to 36% of all professionally managed assets across regions covered in this report.

This report outlines the state of the sustainable investment industry based on the globally recognised sustainable investing definitions, as used globally and developed by the GSIA members. These definitions were revised in October 2020 to reflect the most up-to-date practice and thinking in the global sustainable investment industry.

'Sustainable investment'⁴, as referred to in this report, is a term that is inclusive of investment approaches that consider environmental, social and governance (ESG) factors in portfolio selection and management across seven strategies of sustainable or responsible investment (as detailed in the 'Defining Sustainable Investment' section). For the purpose of articulating our shared sustainable investment work in the broadest way, GSIA uses this inclusive definition, recognising there are distinctions and regional variations in its meaning and use, and related or interchangeable terms such as responsible investing and socially responsible investing.

This report shows that beyond the top line growth in sustainable investment assets, this is an industry that is in transition, with rapid developments across regions that are reshaping sustainable investment to increasingly focus on moving the industry towards best standards of practice. Increasingly, there are expectations that sustainable investment is defined not just by the strategies involved, but by the short- and long-term impacts that investors are having from their sustainable investment approach.

This transition is playing out differently in different regions, and this report includes a regional highlights section that provides deep insights into the different paths that various regions are now taking and the distinct drivers behind these changes.

This transition is leading to variations in the scale and growth of sustainable investment in different regions. In this 2021 report, many regions continue to see strong growth in sustainable investment assets under management – most notably Canada, the United States and Japan. Other regions are slowing down their rate of growth or have seen a reported reversal – in particular Europe and Australasia. In both cases, this is largely due to changes in how sustainable investment is defined, either by law as in the case of the EU or by new industry standards as is the case in Australasia.

This report maps out these global and regional distinctions in the evolution of sustainable investment, articulated in both the data presented, but also in the regional narrative summaries.

This report includes additional market insights from China, Latin America, Africa, the United Kingdom and other areas of Asia, all showing unique markets for sustainable investment.

Key findings in this year's report include:

- ▶ At the start of 2020, global sustainable investment reached USD35.3 trillion in five major markets, a 15% increase in the past two years (2018-2020).
- ▶ Sustainable investment assets under management make up a total of 35.9% of total assets under management, up from 33.4% in 2018.
- ▶ Sustainable investment assets are continuing to grow in most regions, with Canada experiencing the largest increase in absolute terms over the past two years (48% growth), followed by the United States (42% growth), Japan (34% growth) and Australasia (25% growth) from 2018 to 2020. Europe reported a 13% decline in the growth of sustainable investment assets in 2018 to 2020 due to a changed measurement methodology from which European data is drawn for this year's report. This reflects a period of transition associated with revised definitions of sustainable investment that have become embedded into legislation in the European Union as part of the European Sustainable Finance Action Plan.
- ▶ Canada is now the market with the highest proportion of sustainable investment assets at 62%, followed by Europe (42%), Australasia (38%), the United States (33%) and Japan (24%).
- ▶ The United States and Europe continue to represent more than 80% of global sustainable investing assets during 2018 to 2020.
- ▶ The most common sustainable investment strategy is ESG integration, followed by negative screening, corporate engagement and shareholder action, norms-based screening and sustainability-themed investment.

³ All 2020 assets are reported as at 31 December 2019, except for Japan which reports as at 31 March 2020.

⁴ 'Sustainable investment' as used in this report is different from the European regulatory definition of 'sustainable investment' enshrined in the EU SFDR regulation. This report is not claiming that all funds and strategies covered by the data would meet the EU regulatory definition.

A note on methodology

This report provides a snapshot of sustainable investing across Europe, the United States, Japan, Canada, Australia and New Zealand (Australasia) based on the regional and national reports from GSIA members or in the case of Europe, from secondary industry data.

GSIA members are the US SIF: The Forum for Sustainable and Responsible Investment (US SIF), Japan Sustainable Investment Forum (JSIF), the Responsible Investment Association Canada (RIA Canada) and the Responsible Investment Association Australasia (RIAA). Reference to 'global data' or 'regions' in this section refers to data from these regions unless otherwise specified.

Assets presented in this report have been converted to US dollars. Each region or country covered by this report uses a different method to collect data for its respective report. The consolidation in this report is made on a best effort basis, based on best available regional data. Note in particular, that Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

Detailed information on the policy, regulatory, industry, customer and market drivers across global regions has been provided by the regional sustainable investment organisations.

All 2020 assets are reported as of 31 December 2019, except for Japan which reports as of 31 March 2020. For figures which are not displayed in the region's local currency, currencies have been converted to US dollars at the exchange rate prevailing on 31 December 2019, (or 31 March 2020 in the case of Japan) for comparability.

Refer to Appendix 1 for further information on the methodology and data used in this report. Refer to Appendix 2 for a table of assets in each region in its local currency in 2018 and 2020, and the percentage growth for both the regional and global strategy totals over this period.

Defining sustainable investment

Sustainable investment is an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management. For the purpose of this global report and for articulating our shared work in the broadest way, GSIA uses an inclusive definition of sustainable investing which is presented in the strategies in the table below. The term sustainable investment may be used interchangeably with responsible investment and socially responsible investment, among other terms, whilst recognising there are distinctions and regional variations in its meaning and use.

In most regions, like Europe and Australasia, it is increasingly the case that the same investment product or strategy will combine several sustainable investment strategies, such as negative/exclusionary screening, ESG integration and corporate engagement.

The GSIA articulation of sustainable investment strategies were initially published in the 2012 Global Sustainable Investment Review and have emerged as a global standard of classification. These definitions were revised in October 2020 to reflect the most up-to-date practice and thinking in the global sustainable investment industry. The seven core approaches to sustainable investment and their related definitions are:

ESG integration	The systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis.
Corporate engagement & shareholder action	Employing shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.
Norms-based screening	Screening of investments against minimum standards of business or issuer practice based on international norms such as those issued by the UN, ILO, OECD and NGOs (e.g. Transparency International).
Negative/exclusionary screening	The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable. Exclusion criteria (based on norms and values) can refer, for example, to product categories (e.g., weapons, tobacco), company practices (e.g., animal testing, violation of human rights, corruption) or controversies.
Best-in-class/positive screening	Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers, and that achieve a rating above a defined threshold.
Sustainability themed/thematic investing	Investing in themes or assets specifically contributing to sustainable solutions - environmental and social - (e.g., sustainable agriculture, green buildings, lower carbon tilted portfolio, gender equity, diversity).
Impact investing and community investing	<p>Impact investing Investing to achieve positive, social and environmental impacts - requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution.</p> <p>Community investing Where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose. Some community investing is impact investing, but community investing is broader and considers other forms of investing and targeted lending activities.</p>



Global sustainable investments 2018-2020

GROWTH AND PROPORTION OF GLOBAL SUSTAINABLE INVESTMENT

Growth of global sustainable investing assets

At the start of 2020, global sustainable investment reached USD35.3 trillion in the five major markets covered in this report, a 15% increase in the past two years (2018-2020) and 55% increase in the past four years (2016-2020).

The total professionally managed assets under management during the reporting period has grown to USD98.4 trillion, as shown in Figure 2. Reported sustainable investment assets under management make up a total of 35.9% of total assets under management. This represents a growth from the previous reporting period of 2.5 percentage points.

Sustainable investment assets are continuing to climb globally, with the exception of Europe which appears to indicate a decline, however this is due to significant changes in the way sustainable investment is defined in this region under EU legislation, making comparisons with previous versions of this report very difficult.⁵

As shown in Figure 3, the largest increase over the past two years was in Canada, where sustainably managed assets grew over 48%. The United States closely followed Canada with a growth of 42%, followed by Japan at 34% from 2018 to 2020.

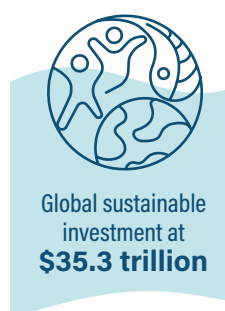
In Australasia, sustainable assets continued to rise, but at a slower pace than between 2016 and 2018 with a growth of 25% from 2018 to 2020 compared with 46% from 2016 to 2018. This slow down reflects an industry transition whereby industry standards on what constitutes sustainable investment, as defined and measured by RIAA, have tightened.

Europe reported a 13% decline in the growth of sustainable investment assets in 2018 to 2020 due to a changed measurement methodology from which European data is drawn for this year's report. This reflects a period of transition associated with revised definitions of sustainable investment that have become embedded into legislation in the European Union as part of the European Sustainable Finance Action Plan.

⁵ The decline in Europe is due to the fact that the data is taking account of regulatory definitions which may result in the fact that not all products or strategies considered in the past would meet these new regulatory definitions. The European marketplace is in constant and fast transition and therefore it is too early to draw definitive conclusions on trends.

FIGURE 1 Snapshot of global sustainable investing assets, 2016-2018-2020 (USD billions)

REGION	2016	2018	2020
Europe*	12,040	14,075	12,017
United States	8,723	11,995	17,081
Canada	1,086	1,699	2,423
Australasia*	516	734	906
Japan	474	2,180	2,874
Total (USD billions)	22,839	30,683	35,301



NOTE: Asset values are expressed in billions of US dollars. Assets for 2016 were reported as of 31/12/2015 for all regions except Japan as of 31/03/2016. Assets for 2018 were reported as of 31/12/2017 for all regions except Japan, which reported as of 31/03/2018. Assets for 2020 were reported as of 31/12/2019 for all regions except Japan, which reported as of 31/03/2020. Conversions from local currencies to US dollars were at the exchange rates prevailing at the date of reporting. In 2020, Europe includes Austria, Belgium, Bulgaria, Denmark, France, Germany, Greece, Italy, Spain, Netherlands, Poland, Portugal, Slovenia, Sweden, the UK, Norway, Switzerland, Liechtenstein. *Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

FIGURE 2 Snapshot of global assets under management 2016-2018-2020 (USD billions)

REGIONS	2016	2018	2020
Total AUM of regions	81,948	91,828	98,416
Total sustainable investments only AUM	22,872	30,683	35,301
% Sustainable investments	27.9%	33.4%	35.9%
Increase of % sustainable investments (compared to prior period)		5.5%	2.5%



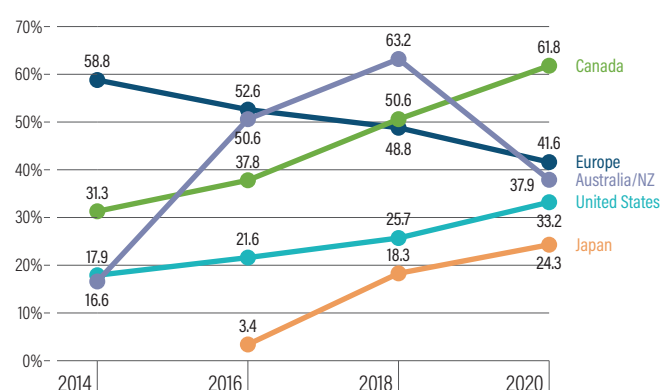
NOTE: Asset values are expressed in billions of US dollars. Global assets are based on data reported by Europe, US, Canada, Australia, New Zealand and Japan for the purpose of the 2016, 2018 and 2020 GSIRs.

FIGURE 3 Growth of sustainable investing assets by region in local currency 2014-2020

	2014	2016	2018	2020	GROWTH PER PERIOD			COMPOUND ANNUAL GROWTH RATE (CAGR) 2014-2020
					GROWTH 2014-2016	GROWTH 2016-2018	GROWTH 2018-2020	
Europe* (EUR)	€9,885	€11,045	€12,306	€10,730	12%	11%	-13%	1%
United States (USD)	\$6,572	\$8,723	\$11,995	\$17,081	33%	38%	42%	17%
Canada (CAD)	\$1,011	\$1,505	\$2,132	\$3,166	49%	42%	48%	21%
Australasia* (AUD)	\$203	\$707	\$1,033	\$1,295	248%	46%	25%	36%
Japan (JPY)	¥840	¥57,056	¥231,952	¥310,039	6,692%	307%	34%	168%

NOTE: Asset values are expressed in billions. New Zealand assets were converted to Australian dollars. In 2020, Europe includes Austria, Belgium, Bulgaria, Denmark, France, Germany, Greece, Italy, Spain, Netherlands, Poland, Portugal, Slovenia, Sweden, the UK, Norway, Switzerland, Liechtenstein. *Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

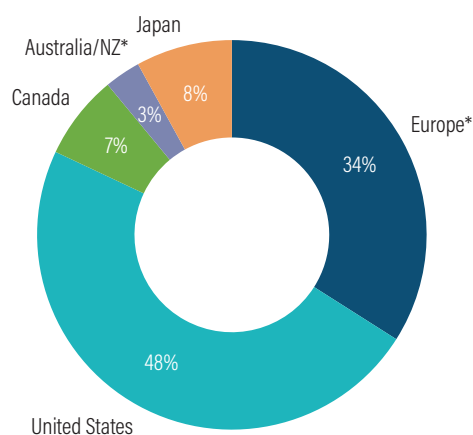
FIGURE 4 Proportion of sustainable investing assets relative to total managed assets 2014-2020



REGION	2014	2016	2018	2020
Europe*	58.8%	52.6%	48.8%	41.6%
United States	17.9%	21.6%	25.7%	33.2%
Canada	31.3%	37.8%	50.6%	61.8%
Australasia*	16.6%	50.6%	63.2%	37.9%
Japan		3.4%	18.3%	24.3%

*Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

FIGURE 5 Proportion of global sustainable investing assets by region 2020



*Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made.

Proportion of sustainable investing relative to total managed assets

As shown in Figure 4, the proportion of sustainable investing relative to total managed assets continued to grow strongly in Canada, the United States and Japan.

In contrast, Australasia and Europe both reported a lower proportion of sustainable investing assets relative to total managed assets for 2018 to 2020. This reflects significant changes in the way sustainable investment is defined in these regions, making comparisons with previous versions of this report very difficult, and highlights an evolution of the sustainable investment markets in both regions. In Europe, this was driven in large part by a strong legislative push that now explicitly sets out sustainability standards for sustainable finance products. In Australasia, this was due to two main factors: one being a shift in sustainable investment standards expected for inclusion in the regional survey data undertaken by RIAA, as well as a changed data source used to define the total market size based on the domestic central bank definition.

Proportion of global sustainable investing assets by region

The United States and Europe continued to represent more than 80% of global sustainable investing assets during 2018 to 2020. The proportions of global sustainable investing assets in Canada (7%), Japan (8%) and Australasia (3%) have remained relatively unchanged over the past two years.

SUSTAINABLE INVESTMENT STRATEGIES

Proportion of sustainable investing assets by strategy and region

The largest sustainable investment strategy globally is ESG integration, as shown in Figure 6, with a combined USD25.2 trillion in assets under management employing an ESG integration approach, also being the most commonly reported strategy in most regions. The next most commonly deployed sustainable investment strategies include negative/exclusionary screening (USD15.9 trillion) followed by corporate engagement/shareholder action (USD10.5 trillion).

This result shows a change from 2018 when negative/exclusionary screening was reported as the most popular sustainable investment

strategy. This shift towards ESG integration was particularly pronounced in Japan where ESG integration became the most common sustainable investment strategy, taking over from corporate engagement and shareholder action. European sustainable investing strategies data in this year's report is based on an extrapolation from historical data taken from previous versions of this report, due to no data being available for 2020 at a strategy level.

What is also increasingly evident by reports from across the major regions is that many investment organisations are using a combination of strategies, rather than solely relying on just one.

Popularity of sustainable investing strategies

Figure 7 demonstrates the global growth of sustainable investing strategies from 2016-2020. Sustainability-themed investing, ESG integration and corporate engagement have all experienced consistent growth during the period. However, norms-based screening, positive screening as well as negative screening have all experienced a more variable trajectory since 2016.

FIGURE 6 Sustainable investing assets by strategy & region 2020

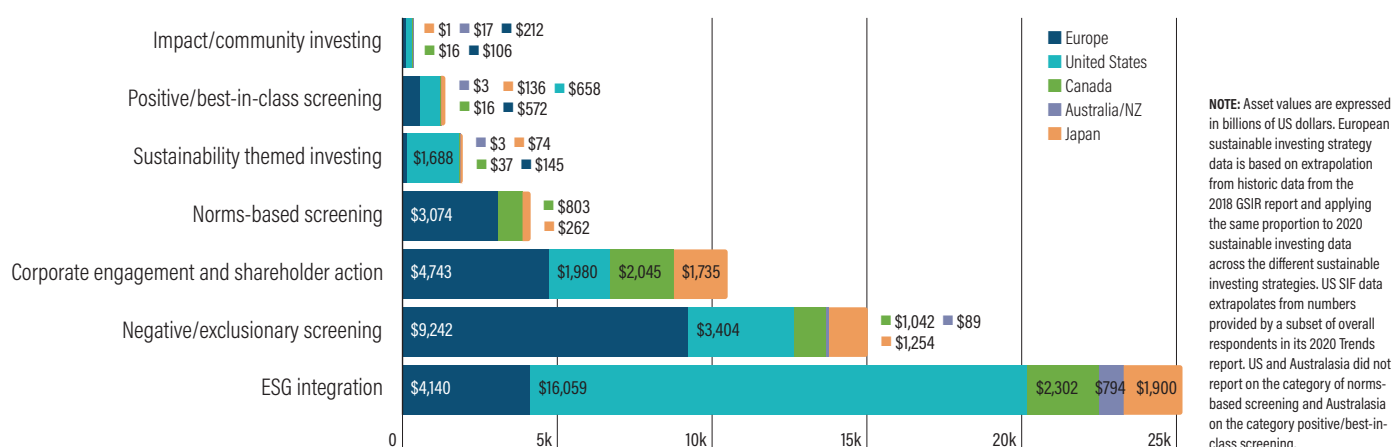


FIGURE 7 Global growth of sustainable investing strategies 2016-2020

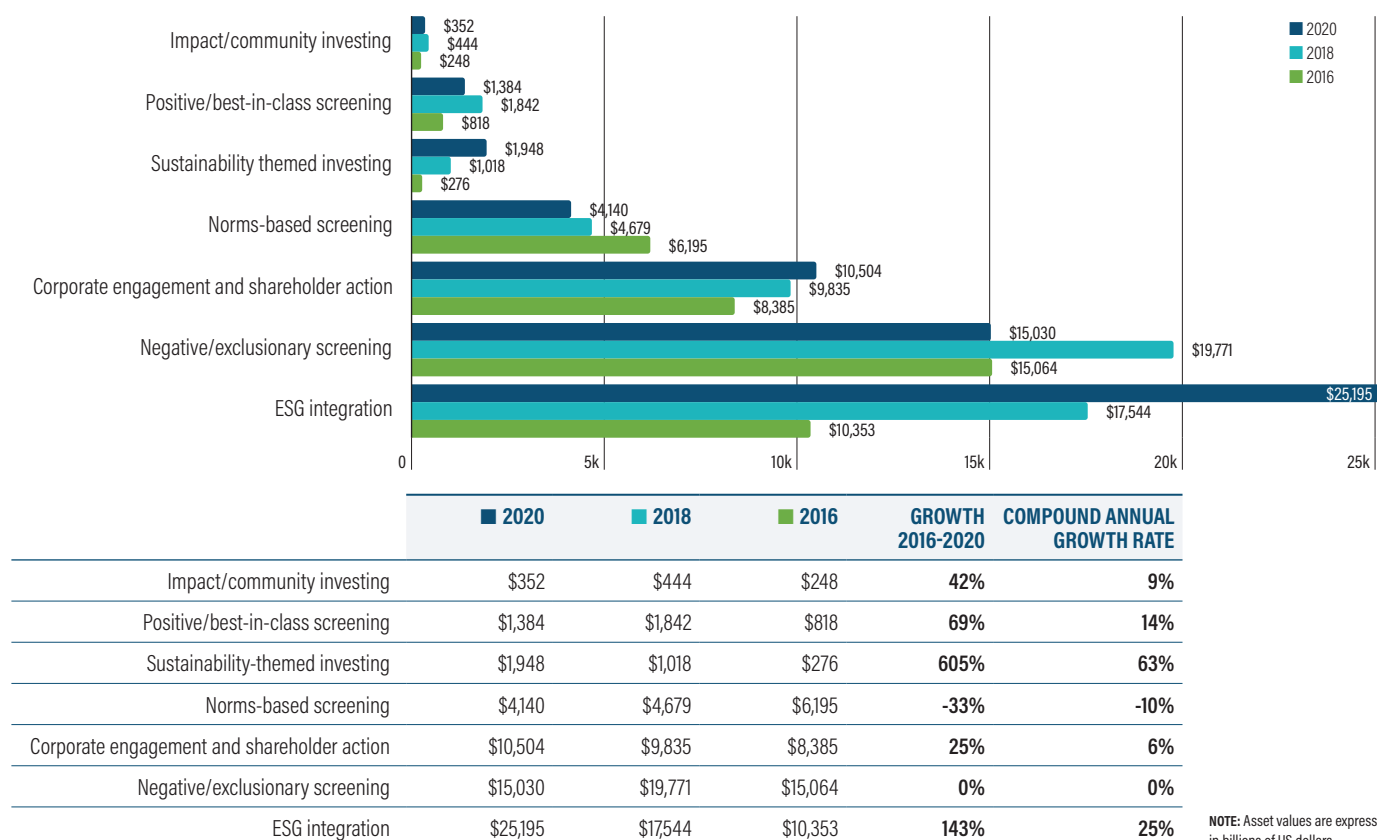
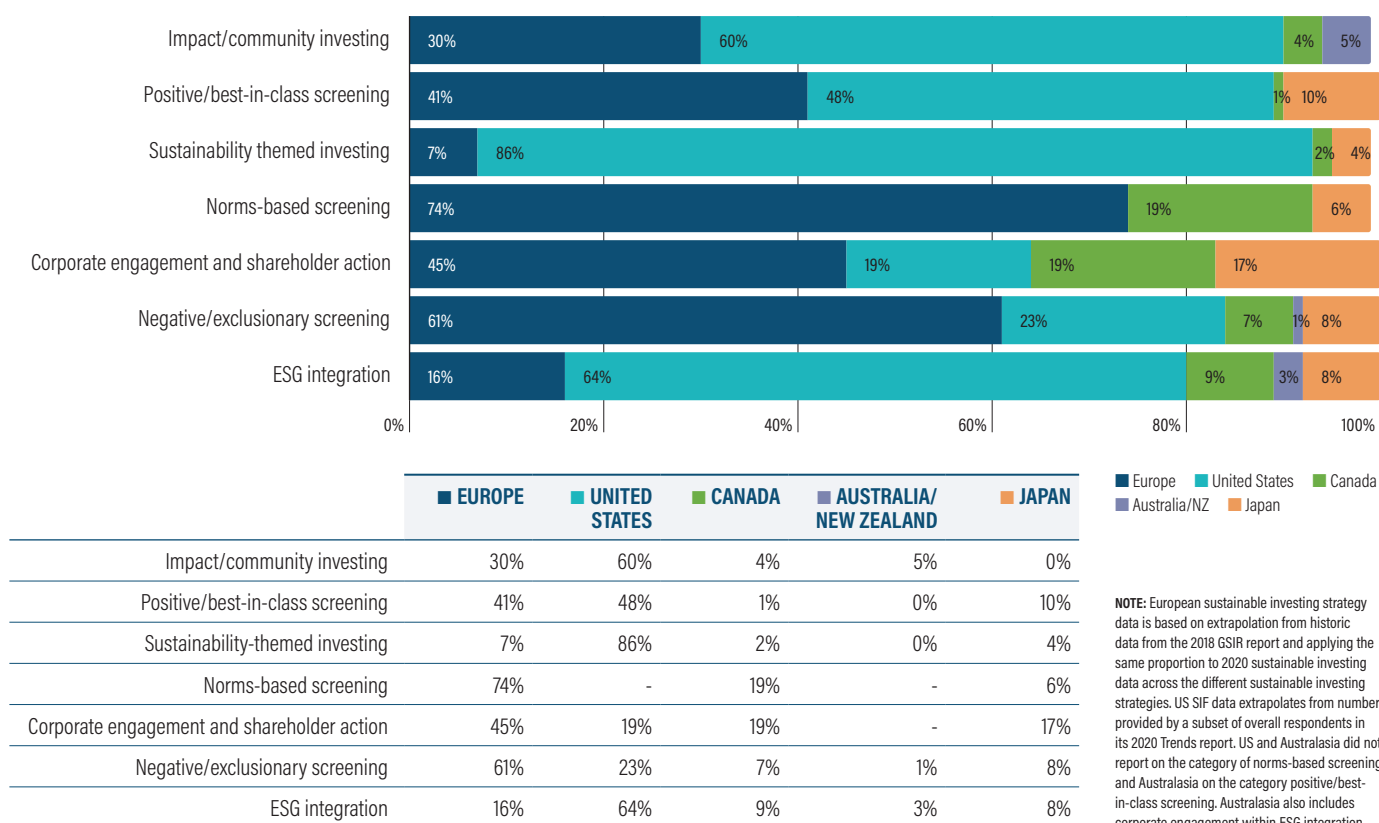


FIGURE 8 Regional shares, by asset weight, in global use of sustainable investing strategies 2020



Proportion of sustainable investing strategies by asset weight and region

Regional differences in the prevalence of sustainable investing strategies can be seen in Figure 8. These are due to a number of factors, some of which are regionally specific.

For example, Australasia combines positive, negative and norms-based screening into one bucket and does not track corporate engagement as a stand-alone strategy, so those assets are restricted to four of the seven strategies shown in Figure 8. The United States does not track norms-based screening, and for the purposes of producing an overall tally of sustainable investing assets, counts only the portion of corporate engagement assets that are deployed in filing shareholder resolutions on ESG issues.

Nonetheless, we are able to see some interesting regional variations. Although Japan holds 8% of global sustainable investing assets, it accounts for a much greater share of global assets dedicated to corporate engagement and shareholder action (17%). The United States holds the greater proportion of global assets in sustainability-themed investing, impact/community investing, positive/best-in-class investing, and ESG integration.

As mentioned above, investors may utilise multiple sustainable investing strategies as a means of integrating sustainability risks and opportunities as part of their investment processes. As such, segregating these strategies may not be representative of the holistic trends facing the sustainable investment industry globally.

Historically Europe made up the majority of assets with norms-based and negative/exclusionary screening strategies. As the recent European Union Sustainable Finance Disclosure Regulation sets out requirements for investment managers to incorporate sustainability risks in their investments, this means that negative/exclusionary screening, norms-based screening and ESG integration have become part of the expected practice of all financial products in the region.

MARKET DEVELOPMENTS AND CHARACTERISTICS

Institutional and retail investors

Investments managed by professional asset managers are often classified as either retail or institutional. Retail assets are personal investments by individuals in professionally managed funds purchased in banks or through investment platforms with relatively low minimum investment levels, while assets classified as 'institutional' are managed on behalf of institutional asset owners such as pension funds, universities, foundations and insurers through investment products with higher minimum investment levels.

Although institutional investors tend to dominate the financial market, interest by retail investors in sustainable investing has been steadily growing since this report began differentiating between these two investment classifications in 2012. At that time,

institutional investors held 89% of assets compared with 11% held by retail investors. Figure 9 shows that at the start of 2020, the retail portion sits at one quarter of total sustainable investing assets. This has remained stable since 2018.

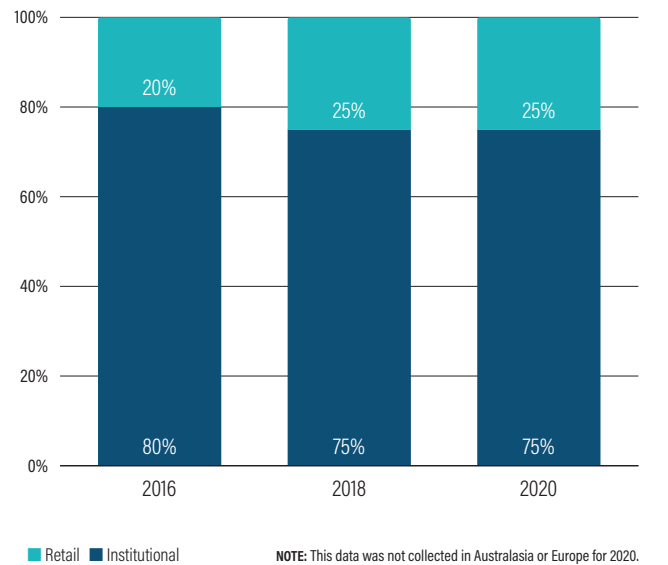
Developments in global instruments and norms

The Paris Agreement, the Sustainable Development Goals, the Task Force on Climate-related Financial Disclosures, and the United Nations Environment Program Finance Initiative (UNEP FI) Sustainable Financial Roadmap Initiative are four examples of global developments that have greatly impacted the sustainable investing industry and the financial services industry more broadly.

The Paris Agreement is a legally binding international treaty on climate change that entered into force in 2016. The Paris Agreement was signed at the United Nations Climate Change Conference (COP21), and at the time of writing 195 parties have signed, and 189 parties have ratified the agreement. The goal of the agreement is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. The Paris Agreement has been the driving force of many state-based legislations to limit greenhouse gas emissions and set net zero emission targets. Although the Paris Agreement is a state-based agreement, investors, asset owners and asset managers are increasingly looking to align their portfolios to the goal of the Paris Agreement, and monitor and limit greenhouse gas emissions, or are required to in alignment with changes in state-based legislation.

The Sustainable Development Goals (SDGs) contain 17 globally set goals to achieve a better and more sustainable future for all by 2030 and were adopted by all United Nations Member States in 2015. There are a total of 231 indicators and 169 targets that recognise ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Although the SDGs are a state-based framework, businesses and investors have also been encouraged to adopt the SDG framework. The UN Global Compact and their regional associations have been leading the development of business-based guidance for SDG implementation. The Principles for Responsible Investment (PRI) has also provided guidance to investors on the [SDGs Investment Case](#).

FIGURE 9 Global shares of institutional and retail sustainable investing assets 2016-2020



The Taskforce on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board. The launch of the Recommendations of the TCFD in 2017 has influenced policy and regulation globally, and greatly changed expectations on investors, asset managers and asset owners. The TCFD recommendations are designed to help companies to provide better information on how organisations provide information on climate-related risks and opportunities and disclosures structured around governance, strategy, risk management metrics and targets. In 2021, a new Taskforce on Nature-related Financial Disclosures (TNFD) was created to deliver a framework for organisations to report and act on evolving nature-related risks.

The United Nations Environment Program Finance Initiative (UNEP FI) Sustainable Financial Roadmap Initiative proposes an integrated approach to accelerate the transformation towards a sustainable financial system. Regionally, there have been localised Sustainable Finance Roadmaps created dedicated to accelerating sustainable financial systems locally in many markets around the world.





Regional highlights

This section illustrates examples of policy and regulatory developments, industry drivers and collaboration, customer preferences and demand, and operational and market drivers across the specific regions covered in the previous section (Europe, the United States, Canada, Australia/New Zealand and Japan).

EUROPE

Policy & regulatory drivers

Regulatory and policy drivers have influenced the sustainable and responsible investment market across Europe. The most important regulatory developments in Europe include:

- ▶ The European Union Sustainable Finance Action Plan, published in 2018, and in particular the Sustainable Finance Disclosure Regulation (SFDR) has significant impacts on the ESG/responsible investments market through new definitions set in law. SFDR requires institutional investors, asset managers and advisers to report how they integrate sustainability risks and adverse impacts at entity level, and to classify and report their ESG products' sustainability risks and adverse impacts. The EU Sustainable Finance Disclosure Regulation obliges all investment managers to incorporate sustainability risks in their investments, thus making sustainable investment strategies as defined by GSIA such as negative/exclusionary screening, norms-based screening and ESG integration part of the expected practice of all financial products.
- ▶ Corporate Sustainability Reporting Directive proposal (amending Non-financial reporting directive) - requires large companies to publish regular reports on the social and environmental impacts of their activities.
- ▶ The European Union's proposed Markets in Financial Instruments Directive 2 (MiFID II) suitability rules ensure that investors' ESG preferences are taken into consideration during investment advice and portfolio management.
- ▶ The EU Taxonomy Regulation entered into force in 2020 and establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. The delegated acts containing the technical screening criteria for climate change adaptation and mitigation, published in April 2021 further details this. Next to environmental objectives, a social taxonomy and no significant harm taxonomy are in the pipeline.

One major milestone of EU Taxonomy is the embodiment of the double materiality concept. Double materiality implies that companies and investors not only report on risks and opportunities immediately financially material to corporate valuation, but also issues that are impacting on environmental and social objectives over time and on geography should be considered. The impacts on environment and social aspects are defined with a threshold of significant contribution or significant harm to six environmental objectives (climate mitigation, climate adaptation, water, circular economy, pollution, and biodiversity) in the Taxonomy.

The forthcoming Sustainable Finance strategy by the European Commission is likely to underpin the substance of investors' corporate engagement and net zero commitments. Gradually, this is expected to lead investors and asset owners to increasingly focus on outcomes and impacts of their investments in the future.

Industry drivers

Three notable milestones of sustainable and responsible industry initiatives and collaboration in Europe targeting improved ESG outcomes are described below.

First, the promotion of voluntary sustainable fund labels as a means to demonstrate the ESG credentials of the fund to end investors. National labels exist in France, Belgium, Luxembourg and Austria, while there are cross-border labels for the German speaking region (Switzerland, Germany and Austria) and for the Nordic region. Nearly 1,500 investment funds carry at least one of these European sustainable finance labels, representing EUR827 billion in AUM as of 31 March 2021 (Novethic).

Second, FinDatEx (Financial Data Exchange Templates), a collaborative initiative of the European financial services sector to standardise and facilitate data flows, is creating a simplified 'European ESG Template (EET)' to meet the regulatory compliance (SFDR, clients' sustainability preference in MiFID II/IDD) and related client inquiries. A working draft is expected in September for public consultation with an aim of launching EET in early 2022.

Third, the United Nations-convened Net Zero Asset Owner Alliance (NZAOA), where 32 of 42 groups of institutional investors are headquartered in Europe and representing USD6.6 trillion in AUM, is accelerating its action to align portfolios to the 1.5°C scenario.

Customer drivers

In Europe, the sustainable and responsible investment industry has experienced a strong demand of retail investors in the first half of 2020, as evidenced by net inflows of EUR14 billion of EU-domiciled ESG equity funds in contrast to net outflows of EUR77 billion of other equity funds. The consistent outperformance of ESG indices over the last few years has also increased the ESG product offers to the retail market.

The European Commission aims to steer retail investors towards more ESG product choices by introducing amendments to the MiFID II. MiFID II amendments require financial advisers to inquire 'sustainability preferences' of each client and advise appropriate products.

There have been different surveys conducted across Europe that account for interest in sustainable and responsible investment themes and products. 2DII conducted a series of surveys on sustainability objectives in 2019 and found out that two-thirds of French and German retail investors want to invest in an environmentally responsible manner.

Market drivers

Morningstar Manager Research, published in 2021, reveals that while a majority of new fund offerings for 2020 were broad ESG funds, environmental focused funds accounted for 13% of new fund offerings. Other products in the European market in 2020 embed sustainability-related themes including gender, smart cities, the ocean, and the SDGs.

Effective engagement and meaningful stewardship have been examined mainly by industry as a tool to drive positive outcomes. For example, the European Union's investor stewardship tool, the Shareholder Rights Directive II, aims to promote the adoption of corporate sustainability measures through engagement activities.

Sustainable investment association in the region – Eurosif

The European Sustainable Investment Forum (Eurosif) is a European sustainable and responsible investment membership organisation whose mission is to promote sustainability through European financial markets. Eurosif works as a partnership of Europe-based national Sustainable Investment Fora (SIFs) with the direct support of their network which spans over 400 Europe-based organisations drawn from the sustainable investment industry value chain. More information on the developments in the region can be found on the Eurosif website.

UNITED STATES

Policy & regulatory drivers

In the United States, the regulatory policy environment for sustainable investing has drastically changed between the former and current administrations. The administration under former President Donald Trump sought to limit sustainable investing through actions taken at the Department of Labor (DOL) and Securities and Exchange Commission (SEC). President Biden's administration has taken measures to mitigate or reverse those actions. Despite all the regulatory and policy shifts in the last several years, investor interest in sustainable investing continued to accelerate.

Some notable regulatory and policy drivers since the election of President Biden include:

- ▶ In March 2021, the Department of Labor released a statement of non-enforcement of two previous administration rules related to consideration of ESG factors in retirement options and exercising their ability to vote proxies related to environmental, social or governance issues. The DOL also committed to revisit and release new guidance on these rules to allow consideration of ESG criteria and proxy voting in private sector retirement plans.
- ▶ In May 2021, a bill was introduced in the Senate which states that ESG criteria may be considered in ERISA-governed retirement plans. A companion bill was introduced in the House of Representatives. Passage of such legislation in both houses of Congress would end the back and forth on regulatory interpretations at the Department of Labor.
- ▶ In March 2021, the SEC issued a request for information on climate risk and ESG disclosures. This is expected to lead to a regulatory proposal for mandatory issuer disclosure on climate change and potentially a broader set of ESG issues.
- ▶ In May 2021, the White House released an Executive Order on Climate-Related Financial Risk, which included measures seeking to advance ESG disclosure as well as accelerating the use of ESG criteria in ERISA-governed retirement plans and in the Federal Thrift Retirement Plan, the largest retirement plan in the United States.
- ▶ In addition to the aforementioned regulatory changes, the US government is currently focused on tackling specific ESG themes such as labour rights and climate change. One example includes the work conducted by the White House Task Force on Worker Organizing and Empowerment with the aim of strengthening labour rights.

Industry collaboration

During the reporting period, there have been multiple strong sustainable investment industry collaborations across a wide range of ESG themes.

In 2020, the Racial Justice Investing (RJI) Coalition released the [Investor Statement of Solidarity to Address Systemic Racism and Call to Action](#) endorsed by over 120 investors and organisations. The Statement calls for accountability and action from the investment community to dismantle systemic racism and promote racial equity and justice. This initiative was launched after the murders by police of George Floyd and Breonna Taylor, the murder of Ahmaud Arbery, ongoing police violence against black communities, and the disproportionate health and economic impact of COVID-19 on black and other minority populations.

Another notable development is the CFA Institute project to establish voluntary disclosure requirements for investment products with ESG-related features. In May 2021, the CFA Institute released an Exposure Draft of the standards to solicit feedback.

Collaborations around corporate engagement have become an increasingly used tool for investors. US SIF reviewed the ESG themes of shareholder proposals filed between 2018-2020 and found the most popular thematic concern of shareholder proposals is corporate political activity, followed by labour and equal employment opportunity, climate change/carbon, executive pay, then independent board chair.⁶

Customer drivers

The 2020 US SIF Foundation Trends Report identified USD4.6 trillion in ESG assets managed for individual retail or high-net-worth clients, up from USD3 trillion in 2018.

According to a 2019 Morgan Stanley study, 85% of individual investors surveyed were interested in sustainable investing, up 10% from 2017. Among millennials, 95% were interested, up 9% from 2017. The study found that individual investor survey respondents were most interested in the themes of plastic reduction (46%) and climate change (46%), community development (42%), circular economy (39%) and SDGs (36%).

In a 2019 survey by Natixis Global Asset Management of participants in retirement contribution plans, 75% of respondents said it was important to make the world a better place while growing their wealth. Sixty-one percent said including sustainable investment options would make them more likely to contribute to their plan.

Market drivers

The United States has seen a new focus on racial justice investing. A number of asset managers, service providers, non-profits and other institutions have developed policies and frameworks to help the investment community counter injustice and advance racial equity. There has been a continued focus on gender lens investing in light of the #MeToo movement and the impact of COVID-19 on women, particularly women of colour.

There has also been increased investment in community development financial institutions, which serve low-income and other marginalised communities who are underserved by many financial institutions.

The last several years have also been characterised by a strong push for multi-stakeholder company models in the United States with a focus on communities, environment, and better labour conditions in addition to shareowners.

Sustainable investment association in the region - US SIF

US SIF: The Forum for Sustainable and Responsible Investment is the non-profit hub for the sustainable and impact investment sector in the United States. More information on the developments in the region can be found on the US SIF website and the [US SIF Foundation Report on US Sustainable and Impact Investing Trends 2020](#).

CANADA

Policy & regulatory drivers

The principal drivers of the growth of the sustainable and responsible investment market, as it is referred to in Canada, have been the market participants. Important sustainable and responsible investment related regulatory and policy developments in Canada include:

- ▶ The Expert Panel on Sustainable Finance released its final report in 2019 which sets out 15 recommendations to mobilise sustainable finance in Canada to support the transition to a climate-smart, low-carbon economy. One key recommendation was implemented in May 2021 with the formation of the Sustainable Finance Action Council (SFAC), which will make recommendations to the government on critical market infrastructure needed to attract and scale sustainable finance in Canada.
- ▶ The Canadian Government announced the Large Employer Emergency Financing Facility (LEEFF) in May 2020 as part of COVID-19 economic response. In order to access the LEEFF, loans companies must commit to publishing an annual climate-related financial disclosure report.
- ▶ Under amendments to the Canada Business Corporations Act (CBCA) that came into force on 1 January 2020, Canada became the first jurisdiction to require diversity disclosure beyond gender, for federally incorporated public companies. Designated groups include women, Indigenous peoples, persons with disabilities, and people of colour.

Regulatory developments across Canadian provinces that impact the sustainable and responsible investment industry include:

- ▶ Under the Ontario Pension Benefits Act Regulation, which came into effect in 2016, a plan's statement of investment policies and procedures (SIPP) is required to include information as to whether ESG factors are incorporated into the plan's investment policies and procedures and, if so, how those factors are incorporated. This legislation gave impetus for greater discussion and developments in ESG and responsible investment across Canada.
- ▶ In January 2021, Ontario's Capital Markets Modernization Taskforce Final Report included several ESG-related recommendations that would affect reporting issuers, such as mandatory climate change-related disclosure compliant with the TCFD recommendations and mandatory board and executive management-level diversity targets and implementation timelines.
- ▶ Quebec's Autorité des marchés financiers (AMF) released their Annual Statement of Priorities in June 2021. The Statement intends to provide thought and action leadership – in Québec, Canada and internationally – regarding the impact of climate change on the financial system and the incorporation of ESG issues into financial activities and decisions.

There have also been the following environmental and social legislative developments in Canada during the reporting period that may have ramifications on the financial industry:

Bill S-216, An Act to enact the Modern Slavery Act and amend the Customs Tariff, passed Second Reading in the Senate in March 2021 and was referred to the Standing Senate Committee on Banking, Trade and Commerce for further study.

Bill C-12, The Canadian Net-Zero Emissions Accountability Act, was introduced in 2020 to legislate Canada's target of net zero greenhouse gas emissions by 2050. At the time of writing, the Bill is before the Senate.

Bill C-15, The UN Declaration on the Rights of Indigenous Peoples Act, proposes a framework to align Canada's laws with the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). The Bill received Royal Assent in June 2021.

Industry collaboration

In June 2020, Canadian universities launched the Investing to Address Climate Change charter calling on universities to incorporate ESG factors into investment practices; measure the carbon footprints of their portfolios and set targets to reduce the footprints over time; engage with companies to encourage them to reduce emissions; and evaluate external managers against these objectives.

The RIA coordinated the development of the Canadian Investor Statement on Diversity & Inclusion which launched in October 2020. As of 31 December 2020, the Statement had support from 66 signatories, including 48 institutional investors with more than USD4 trillion in assets under management. Signatories to the Statement pledge to take steps to integrate diversity & inclusion (D&I) into their investment processes, and also to strengthen D&I practices within their own institutions. The RIA is also currently coordinating a Canadian Investor Net Zero Pledge with a small group of experts. The Exposure Draft will be released in summer 2021 for industry consultation.

In November 2020, the CEOs of eight leading Canadian pension plan investment managers, representing approximately CAD1.6 trillion of assets under management issued a joint statement calling on companies and investors to provide 'consistent and complete' ESG information.

In 2021, the RIA is working in collaboration with several industry partners to establish and launch Climate Engagement Canada (CEC). CEC will be a national programme to facilitate collaborative investor engagements with Canadian issuers regarding the transition to a low carbon economy and alignment with Canada's commitment to the Paris Agreement. This initiative was a key recommendation of the Expert Panel on Sustainable Finance.

Customer drivers

Designated sustainable and responsible investment retail products, including mutual funds and ETFs, have experienced a growth in popularity in Canada. Net asset flows for Canada-domiciled sustainable and responsible investment mutual funds and ETFs, estimated by Morningstar, were CAD5.3 billion for Q1 2021, already exceeding

the CAD3.3 billion in 2020. In addition, a total of 17 sustainable and responsible investment funds launched in the first quarter of 2021, compared to 40 in 2020.

According to the 2020 RIA Investor Opinion Survey, which tracks individual investors' perspectives on responsible investing over time, interest in sustainable and responsible investment remains high, and the majority of retail investors would like their financial services provider to inform them about sustainable and responsible investment options. In 2020 and 2019, 72% of respondents were 'very' or 'somewhat' interested in responsible investment, compared to 60% of respondents in 2018. However, only about one-quarter of retail investors surveyed have been asked about responsible investment.

Each year, the RIA's Investor Opinion Surveys focus on a current theme: Recent highlights included:

- ▶ 2020: Diversity & Inclusion – 73% of respondents would like a portion of their portfolio to be invested in organisations providing opportunities for the advancement of women and diverse groups.
- ▶ 2019: Plastic – 82% of respondents believe it is important for companies in their investment portfolio to reduce plastic waste.
- ▶ 2018: Climate Change – 70% of respondents believe climate change will have negative financial impacts on companies in some industries in the next five years, while 66% of respondents would like a portion of their portfolio to be invested in companies providing solutions to climate change and environmental challenges.

Market drivers

Impact investment has been steadily growing in Canada, although it still represents a relatively small percentage of responsible investment strategies being used. The broader discussion around measuring ESG and engagement outcomes is still in its early development in Canada. According to the 2020 RIA Canadian RI Trends Report, sustainable and responsible investment assets grew from CAD2.1 trillion at the end of 2017 to CAD3.2 trillion as at 31 December 2019. This represents a 48% increase in responsible investment assets under management over two years.

Issuance of green bonds in Canada has been primarily at the provincial level (predominantly Ontario and Quebec). In 2021 the federal government announced its intention to issue its first green bond in fiscal 2021-2022 with a target of raising CAD5 billion, and is also considering issuing social bonds in the future.

Sustainable investment association in the region - RIA

The Responsible Investment Association (RIA) is Canada's industry association for sustainable and responsible investment. More information on the developments in the region can be found on the [RIA website](#), [2020 RIA Investor Opinion Survey](#) and [2020 RIA Canadian RI Trends Report](#).

AUSTRALIA AND NEW ZEALAND

Policy & regulatory drivers

The growth in sustainable and responsible investment, as it is referred to in the Australasian region, has seen strong developments from regulatory drivers. In New Zealand, the policy makers and regulators have driven the growth in sustainable and responsible investment, whereas the growth in Australia has been led by industry commitments. Regulators in Australia have been progressing requirements with regards to climate change risk, however, policy makers on the issue have been largely absent during the reporting period.

Across the region a strong focus has been on climate change risk management, with central regulators requiring companies and investors to disclose climate change risks. In Australia, the Australian Prudential Regulation Authority (APRA) has highlighted the financial nature of climate change risks and strengthened its monitoring of climate change risk disclosures, and the Australian Securities and Investments Commissions (ASIC) has been progressing requirements for directors to consider climate change risk. New Zealand has moved towards legislating mandated Task Force on Climate-related Financial Disclosures (TCFD) reporting for companies and financial services organisations. An important recent development in New Zealand was the requirement in the default pension schemes (KiwiSaver) to have responsible investment policies in place, as well as exclusions across illegal weapons, tobacco and fossil fuels.

Other important legislative developments that have influenced the investment market include:

- ▶ The Modern Slavery Act 2018 in Australia, which includes a reporting requirement for entities (including investors) with an operating revenue threshold of above AUD100 million.
- ▶ The Climate Change Response (Zero Carbon) Amendment Act 2019 in New Zealand, which provides a framework for New Zealand to develop and implement Paris Agreement aligned climate change policies.

Industry collaboration

Industry has been driving sustainable investment throughout the Australasian Region through cross-industry collaboration for the purpose of policy and structural change and engagement purposes. An example of cross industry collaboration for structural change is the Australian Sustainable Finance Initiative (ASFI) that developed a roadmap for aligning Australia's financial system with a sustainable, resilient, and prosperous future for all Australians. An example of industry collaboration for the purpose of engagement is Climate Action 100+, an initiative focused on climate change-related engagement and voting outcomes among Australian Stock Exchange (ASX) listed companies.

RIAA created a Human Rights Working Group (HRWG) in 2017 with the objective of building members' understanding and capabilities for assessing and respecting human rights and mitigating human risks in investment; facilitating the sharing of leading practice knowledge and resources pertaining to human rights and investment decision-making and engagement; and designing and

delivering significant human rights research, implementation and advocacy opportunities as relevant, through collaborating with other RIAA working groups and industry forums. Since its inception, the HRWG has created an [Investor Toolkit on Human Rights](#), collaborated with NGOs and First Nations organisations, and worked on addressing issues such as the nexus between Climate Change and Human Rights.

Customer drivers

Retail demand for sustainable and responsible investment has accelerated in the Australasian region, shaping the distribution and development of sustainable investment projects. For example, additional products have been embedded into investment platforms to ensure strong ESG menus for advisers and clients.

RIAA runs annual consumer-based surveys in Australia and New Zealand to document consumer drivers.

Market drivers

As demonstrated by the data, there has been growing interest and activity in impact investment in the Australasian region. In New Zealand, place-based investment has also been of strong focus.

The market has also experienced a growing focus for investors to map their portfolios to the SDGs and align investment strategies to target specific SDGs.

Net zero emissions commitments have been made by increasing numbers of institutional investors, which is starting to shift capital flows towards cleaner assets. There has also been early growth in sustainability-linked loans and green bonds across the region.

Sustainable investment association in the region – RIAA

The Responsible Investment Association Australasia's (RIAA) mission is to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy. RIAA advocates for strong sustainability standards that embed real world outcomes as a measure of focus, and this focus is incorporated in RIAA's policy work, research and [Certification Standards](#). More information on the developments in the region can be found on the [RIAA website](#), the [2020 Responsible Investment Benchmark Report Australia](#) and [2020 Responsible Investment Benchmark Report New Zealand](#).

JAPAN

Policy & regulatory drivers

Policy and regulatory drivers have been key to the development of the sustainable investment market in Japan. The most notable policy and regulatory drivers in Japan over the reporting period include:

- ▶ The Ministry of Economy, Trade and Industry (METI) and other ministries introduced a [Green Growth Strategy Through Achieving Carbon Neutrality in 2050](#) in 2021 after Prime Minister Yoshihide Suga pledged to cut Japan's greenhouse gas emissions to net zero by 2050.
- ▶ The Financial Services Agency (FSA), METI and the Ministry of the Environment jointly released in 2021 the [Basic Guidelines on Climate Transition Finance](#), which is aligned with ICMA's [Climate Transition Finance Handbook](#) and aims to strengthen the position of climate transition finance. The FSA also established the Working Group on Social Bonds to publish Guidelines on Social Bonds aligned with ICMA.
- ▶ The Tokyo Stock Exchange's [Corporate Governance Code](#) and the [Guidelines for Investors' and Companies' Dialogue](#) was amended in 2021 to make specific mention of sustainability topics, including specifically climate change, human rights, and fair and appropriate treatment of the workforce.
- ▶ The Financial Services Agency (FSA) revised the Stewardship Code in 2020 and mentioned sustainability clearly, including ESG factors and applying the code to assets other than listed equities.

A major specific thematic regulatory policy development was the inter-ministerial committee launch of [Japan's National Action Plan on Business and Human Rights](#) in 2020. JSIF participated in the advisory board of the committee to incorporate the sustainable investment perspective and role in respecting human rights.

Industry collaboration

Sustainable industry collaborations are becoming more common across Japan. An [ESG Disclosure Study Group](#) was established in 2021 participated by 83 corporations, institutional investors, and eight other organisations, including JSIF, aiming to explore effective and efficient ESG disclosure frameworks, accumulate good practice examples and promote mutual understanding between stakeholders and investors for better decision making.

There have also been industry collaborations on specific ESG themes across the financial service industries. For example, in 2020, the Life Insurance Association of Japan published a [Climate Change Starter's Guide](#) that promotes and supports climate change initiatives by member life insurers.

Customer drivers

Japan has found an increase in investor demand for ESG products. The Global ESG High-Quality Growth Equity Fund, launched in July 2020, raised JPY383 billion, the second-largest initial launch amount in history, and exceeded JPY1 trillion before the end of the year.

With regards to retail client demand, the [Awareness Survey on ESG Investment](#) conducted by Nomura Asset Management in 2020 found that 30% of all respondents were interested in ESG investments and 50% of respondents who own stocks are interested in ESG investment.

Market drivers

Global investors have been driving ESG improvements in Japanese companies, in particular with regards to corporate governance and climate change. For example, global shareholder activists have been championing board independence and diversity at company Annual General Meetings of Tokyo Stock Exchange (TSE) listed companies. This has been met with some opposition, with the Japanese government legislating changes to limit shareholder activism through limiting the number of proposals submitted by a shareholder at a meeting and ensuring foreign investors in certain sectors submit prior-investment notification if they want to join company boards or put proposals to shareholder meetings.

Using sustainable investment as a vehicle for driving positive outcomes is still in its early stage in Japan. The multi-stakeholder Social Impact Management Initiative was established in 2016 to promote the social impacts and values of projects generated by Japanese businesses.

Sustainable investment association in the region - Japan SIF

The Japan Sustainable Investment Forum (JSIF) is Japan's not-for-profit organisation promoting the concept and practices of sustainable and responsible investment in the country. More information on the developments in Japan can be found on the [JSIF website](#), the [Sustainable Investment Survey in Japan 2019](#) and the [White Paper on Sustainable Investment in Japan 2020](#).

Additional regional highlights

UNITED KINGDOM⁷

Policy & regulatory drivers

The role of regulation and policy has been critical in driving forward the development of sustainable and responsible investment in the UK. The most important regulatory and policy developments in recent years have included:

- ▶ The UK became the first major economy to legislate a cut in greenhouse gas emissions to net zero by 2050, followed recently by a new 2035 target for 78% emissions reduction from 1990 levels.
- ▶ UK leadership on climate change disclosure, as the first G20 country to make TCFD-aligned disclosures mandatory across the economy.
- ▶ The UK's recent changes to its regime for stewardship, including reforms to the voluntary Stewardship Code, which stresses the importance of outcomes of investors' stewardship activity, which includes reporting on details of investors' engagement with assets and their voting records.
- ▶ Changes to the pensions landscape, including measures in the recent Pensions Schemes Act requiring schemes to take into account the Paris Goals in their investment strategy and ensuring schemes report against TCFD.
- ▶ The UK's commitment to the development of a UK Green Taxonomy, that aims to support investors, consumers and businesses to make green financial decisions and prevent 'greenwashing'.

Industry drivers

An abundance of industry collaborations across a range of ESG themes have been in operation in the UK during the reporting period. This includes, but is not limited to:

- ▶ Investor net zero initiatives, for example the Net-Zero Asset Owner Alliance, Net-Zero Asset Managers Initiative, as well as Make My Money Matter's 'Green Pensions Charter' calling on pensions schemes to agree net zero targets for investments ahead of COP26.
- ▶ 30% Club Investor Group, coordinating the investment community's approach to diversity, and in particular the investment case for more diverse boards and senior management teams.
- ▶ The Asset Management Taskforce, encouraging greater dialogue between the government, industry and the UK regulator the Financial Conduct Authority. The Taskforce recently published the Investing with Purpose Report on ways for the UK to build its status as a global hub for good stewardship.

Customer drivers

Retail savers and other clients' demand for sustainable and responsible investment products and funds is steadily rising in the UK, and the industry has been taking steps to help meet this demand. For example, in its latest publicly available figures for April 2021, Investment Association's monthly fund figures showed responsible investment funds receiving a net retail inflow of £1.6 billion, with responsible investment funds under management standing at £72 billion.

There has been limited research to demonstrate retail thematic preferences across the UK, though a survey by Morgan Stanley in 2017 found that 86% of millennials say they are interested in sustainable investing and are twice as likely to invest in companies targeting social or environmental goals, compared to the overall population.

Market drivers

Investors' increased focus on active stewardship has been among the most important market developments in helping drive positive outcomes.

Further, many UK managers now offer a wide range of sustainable and responsible investment products, such as ESG ETFs and climate-change funds that seek to mitigate the risks of climate-change and social impact funds. Increasingly, new funds are being launched to specifically address biodiversity related risks and opportunities. This is in alignment with the creation of the Taskforce on Nature-related Financial Disclosures.

Sustainable investment association in the region - UKSIF

The UK Sustainable Investment and Finance Association (UKSIF) brings together the UK's sustainable finance and investment community and supports its members to expand, enhance and promote this sector. More information on the developments in the region can be found on the UKSIF website.

⁷ UK data for this report is included as part of the European data, however this regional section is included for a deeper insight into the UK sustainable investment market.

⁸ China is included in this regional section for the first time in this report, reflecting this growing and significant market in sustainable investment. Content has been provided by China SIF.

Policy & regulatory drivers

Regulatory and policy drivers play a key role driving sustainable investment in China, in addition to pressure from overseas shareholders and clients. Key regulatory and policy drivers include:

- ▶ The Green Credit Guidelines, the first national-level green finance policy released by the China Banking Regulatory Commission (CBRC). The guidelines were launched in 2012 and by the end of 2020, the green credit balance of 21 major domestic banks reached CNY11.5 trillion.
- ▶ The Guidelines for Establishing the Green Financial System, which were issued in 2016 and set the green finance development pathways for China. Since 2016, more than 700 green finance policies on both national and local level have been issued according to SynTao Green Finance's 'China Green Finance Policy Database'. These policies cover selecting pilot areas, sectors, and enterprises, establishing a green projects registration platform, and providing tax and financial incentives to investors and issuers.
- ▶ The Guiding Opinions on Promoting Investment and Financing to Address Climate Change, was issued in 2020. This is the first ministry-level document on climate change mitigation after China announced the 2060 carbon neutrality target. The Guiding Opinions includes a timeline for having relevant policies for investment ready by 2025 and emphasises the necessity for regulators to support and incentivise financial institutions in developing and supporting climate and green finance products and projects.

China's carbon peak and neutrality commitments have been an important driving force for the development of China's sustainable investment market. The launch of the national carbon emission trading scheme in June 2021 is expected to drive the transition to low carbon investment.

Industry collaboration

In 2018, Asset Management Association of China (AMAC) promulgated China's first self-regulation standard for the asset management sector on green investment, the Green Investment Guidelines (for Trial Implementation). The Guidelines aim to encourage fund management firms to focus on environmental sustainability and build awareness of environmental risks, define the scope and approaches of green investment, propel green investment of the fund industry, improve the environmental performance of investment activities, and foster green and sustainable economic growth.

Though there is no public data on the scale of green and ESG investment in the Chinese private equity market, among the survey of AMAC members, eight out of 197 private funds reported that they have issued or are issuing products targeting green investment; 19 out of 224 venture capital firms reported 21 products employing green investment strategies, targeting clean energy, energy conservation, emission reduction and green agriculture. These numbers are expected to grow with the setting of China's carbon neutrality target.

Customer drivers

According to China SIF, ESG mutual funds have witnessed dramatic growth of ESG products since 2015. More than 20 ESG mutual funds were issued in 2020. The size of ESG mutual funds also grew significantly to more than twofold of that in 2019, the fastest growth on record.

The Survey of Public Attitudes towards Sustainable Investment conducted by China SIF and Sina Finance in October 2020 found that a majority of individual investors do consider factors such as 'environment', 'labour', 'health', and 'business ethics' in their investment, although they may not understand the term SRI or ESG. The survey found that 86% of the respondents express that they will consider sustainable investment factors. In terms of key ESG thematic, the survey found individual investors' concerns on ESG focus on two themes: financial fraud and product quality. In addition, more than half of the respondents believe that safety issues and environmental violation influence their investment decisions.

The top five themes are:

- ▶ Financial fraud
- ▶ Product quality
- ▶ Health and safety
- ▶ Environmental violation
- ▶ Corruption and bribery

Market drivers

In December 2015, the People's Bank of China (PBoC) first introduced green financial bonds into the Chinese market. Use of proceeds of green financial bonds must be green projects as defined in the Green Bond Endorsed Project Catalogue (2015 Edition). The catalogue was updated in April 2021, to harmonise domestic and international standards and specifications. As at June 2021, China is the second largest green bond market, with an issuance volume of over CNY1.2 trillion and a balance of CNY813.2 billion by the end of 2020. China introduced new types of sustainable bonds recently including sustainability-linked bonds, blue bonds, and carbon-neutrality bonds.

Commercial banks in China have made attempts at launching ESG-themed wealth management products. More than 10 commercial banks and their wealth management subsidiaries issued about 60 ESG wealth management products by the end of 2020.

Sustainable investment association in the region - China SIF

China Social Investment Forum (China SIF) is facilitated by SynTao Green Finance. It is a non-profit membership association that aims to provide a platform for investors and other stakeholders to discuss sustainable investment opportunities in China, and promote the development of China's sustainable investment market. China SIF publishes the list of top performers in ESG in the A-share market and disseminates research to encourage sustainable investment practices in the region. More information on the developments in the region can be found on the [SynTao Green Finance website](#).

LATIN AMERICA

Policy & regulatory drivers

Regulations mandating pension funds in key markets in Latin America is driving sustainable investment in the region. The policy developments in Chile and Colombia have a specific focus on addressing climate risk. Some of the most important sustainable investment-sector specific regulatory or policy developments in the Latin American region include:

- ▶ Regulation mandating pension funds in Mexico to integrate ESG in their investment process.
- ▶ 276 Norm in Chile mandating pension funds to integrate ESG and climate risk in their investment process, which came into force in May 2021.
- ▶ 007 Norm in Colombia mandating pension funds and insurance companies to integrate ESG and climate risk in their investment process.

Industry collaboration

Industry collaboration to improve ESG outcomes is not yet a common practice in Latin America. However, there have been sporadic examples of industry collaboration on ESG issues. For example, In September 2020, 80 institutional investors, insurance companies and investment funds issued a public declaration demanding that Mexican Stock Exchange (BMV) listed companies disclose ESG information in a standardised and considered manner.

Customer drivers

ESG products are now offered to retail clients in Brazil, Mexico, Chile and Colombia. Latin America has not conducted any research on the level of retail client interest in sustainable investment or retail customer preferences on sustainable investment or ESG themes and issues.

Market drivers

The Latin America market is early in its development of ESG products. The Latin American market has shown a growing interest in innovative products including Gender Bonds, with the funds raised aiming at promoting gender equality and the empowerment of women in the Latin America region.

Another example of an innovative ESG product in the region includes a MXN-denominated structured note linked corporate sustainability index developed by the Inter-American Development Bank (IDB). A portion of the revenues generated through the note will be channelled to the IDB to support sustainable development activities in the Latin America region.

Sustainable investment association in the region

As of June 2021, there are no existing sustainable investment industry associations or sustainable investment forums representing the Latin America region. The Principles for Responsible Investment (PRI) has a presence in Latin America and continues to work to advance sustainable and responsible investment practices in the region.

SOUTH AFRICA, NIGERIA AND KENYA

Policy & regulatory drivers

Regulatory and policy drivers have been central in South Africa, the financial hub in the region, in addition to Kenya and Nigeria. Notable regulatory and policy drivers in South Africa include:

- ▶ Regulation 28 which integrates sustainable and responsible investment requirements into the retirement regulation. Regulation 28 is currently undergoing consultation for a potential amendment to clarify the parameters and imperative for pension funds to invest in building economic and social infrastructure. The Code for Responsible Investing in South Africa (CRISA), was first published in 2011 to support the amended Regulation 28, and is undergoing its first amendment. Notably, one of the envisioned amendments is for the code to be applicable to all asset classes in order to address the bias towards equity investments.
- ▶ The Sustainable Stock Exchange Initiative (SSEI), has provided guidance for companies in disclosing relevant ESG information and increased awareness regarding the Task Force on Climate-related Financial Disclosures (TCFD). Progressively, stock exchanges from the regions have amended listing rules to include ESG reporting requirements for listed companies.
- ▶ The information on the pay gaps amongst different levels and racial profiles of company employees collected through the EEA4 form. This is influencing reporting (and possibly transparent disclosure) on income inequality and addressing issues of employment equity.

During the reporting period, two notable taxes that target the reduction of negative environmental and social outcomes of investee company operations and products have been introduced. On the environmental side, a carbon tax in South Africa effective from 2019 and on the social side there was an introduction of sugar tax effective from 2018. The Carbon trading market in South Africa has not taken off. There are, however, efforts to develop carbon markets in East and West Africa as market actors have formed alliances to develop emissions trading markets.

There is a long history of strengthening ESG disclosure requirements in South Africa. In 2016, the fourth issue of the local voluntary King CSR code was published and applies to all organisations – including companies, trusts and NGOs. Since 2009 the Johannesburg Stock Exchange (JSE) made it compulsory for companies that want to be listed to ‘comply or explain’ with regard to the King CSR Code. In 2011, a preamble was introduced in the revised pension fund regulation stipulating that pension funds should integrate ESG factors in their investment decision-making if they are deemed to be financially material. Since 2018, the South African financial regulatory body proposed reinforcing and specifying the exact type of ESG disclosure that should be required from pension funds, but initially, this would be accomplished through voluntary guidance.

In 2017, the Kenyan government released an apply or explain Stewardship Code for Institutional Investors that includes two principles out of seven covering sustainable investing and sustainability topics.

In 2018, the Nigerian government released an apply or explain voluntary Corporate Governance Code with a full section on sustainability and ESG issues that companies need to handle.

Industry drivers

There has been a growing trend towards the development of regional green bond markets to drive positive environmental outcomes. Green bond guides have been developed in Nigeria, Kenya and South Africa to enable issuers to certify and issue green bonds for investors seeking fixed income instruments. Additionally, the 2020 African Green Bond Toolkit, developed by Financial Sector Deepening Africa (FSD Africa) in collaboration with Congo Basin Institute (CBI) and UK Aid, to provide the African capital markets with the guidance on how to issue green bonds that are in line with international best practices and standards.

Another notable collaboration has been by the PRI's RI Academy and local pension associations to build capacity for improved climate outcomes through the development of a free online training programme for African trustees.

In South Africa, there have been targeted efforts to capacitate market actors (particularly asset owners and fund managers) to be able to target ESG outcomes. A partnership amongst the South African Government, financial sector players and retirement funds has seen the development of a green finance taxonomy through the South Africa Sustainable Finance Initiative. This follows from the publishing of a technical paper which proposes a road map for sustainable finance in South Africa. Similar sustainable finance roadmaps have been developed in Nigeria and to a lesser degree in Kenya where the focus of the Kenyan initiatives has been in banking.

On the retail side, there has been a launch of an ESG rating platform which rates unit trusts according to MSCI ESG scores to enable retail investors to compare unit trusts. The platform, launched in 2021 is in its early stages and will enable fund managers in the South Africa market to have their unit trusts rates for the retail market. The growing demand from retail clients is encouraging fund managers to make retail products and services available.

Customer drivers

A survey was conducted in 2020 by the University of Cape Town (UCT) Retirement Fund, a retirement fund that ranks in the top 100 in South Africa in terms of assets under management. Notably the survey revealed more than 90% of members expected investee companies to be engaged on these ESG issues. The fund members/beneficiaries were asked to rank the top issues of concerns under environmental, social and governance themes. The environmental issues of concern for the individual members were climate change/transition, land & ocean sustainability and biodiversity. The top social issues of concern were water & food security, inequality and employment security. The top issues related to governance were corruption, ethical business practices and equitable remuneration.

Market drivers

The central market drivers in the region are developments and activities to increase the use of green bonds and impact investing funds as vehicles to drive positive outcomes with SDGs as a reference point.

The investment market in South Africa notably under the influence of pan African players such as Old Mutual have driven sustainable investment in the region, primarily through the use of ESG integration and corporate engagement strategies. Private and public retirement funds are also playing a central role in integrating ESG strategies in the region. South Africa has also developed a blended finance approach to impact investments for social and environmental outcomes. Innovation in South Africa can also be seen in The Green Outcomes Fund which enables mainstream fund managers to be crowded in by allocators of concessionary capital to invest for positive environmental outcomes and green jobs.

There has been an increase in the amount of green bond listing over the past four years, which can be partially attributed to the development of green bond segments on Stock exchanges such as JSE in South Africa and the Nigerian Stock Exchange.

Notably West Africa's largest economy, Nigeria, issued the first sovereign green bond on the continent in 2017. The Nigerian government has subsequently issued more sovereign bonds and, in the process, galvanised broader market actors to participate in the growing green bond market.

Sustainable investment association in the region

At the time of this report, there is not a SIF in the Eastern, Southern or Western African Region. It should be noted that the University of Cape Town Graduate Business School has supported the collection of the data in this report. This includes the development of the African Investing for Impact Barometer.

ADDITIONAL ASIA MARKET INSIGHTS

Policy & regulatory drivers

Regulatory and policy drivers have been critical to the strong growth in several Asia financial centres, influencing investor confidence and driving new sustainable investment products in the region. Examples of regulatory developments across the region during the reporting period include:

- ▶ In South Korea, the National Pension Service (NPS) adopted a Stewardship Code in 2018 and established a department dedicated to fulfilling its stewardship responsibilities. The NPS has started to actively exercise the code which sets out principles aimed at encouraging corporate governance, and has been revised to reflect the incorporation of ESG issues as a component of standard fiduciary duties.
- ▶ In Singapore, the Monetary Authority of Singapore (MAS) issued a set of consultation papers in 2020 for proposed Guidelines on Environmental Risk Management for banks, insurers and asset managers. The Guidelines aim to enhance resilience to environmental risk and support the financial sector's role in supporting the transition to an environmentally sustainable economy.

- ▶ In Taiwan, the Corporate Governance Roadmap (2018~2020) encourages active participation of companies and investors in corporate governance. Further, in 2020, the Financial Supervisory Commission amended and implemented a new set of regulations, requiring specific TWSE- and TPEX-listed companies to disclose information on their governance on climate-related risks and opportunities.
- ▶ In Hong Kong, the Cross-Agency Steering Group launched a green and sustainable finance strategy in 2020 with five key action points to strengthen climate related financial risk management. In 2020, the Hong Kong Monetary Authority (HKMA) released the Common Assessment Framework on Green Sustainable Banking intended to facilitate authorised institutions in reviewing readiness and preparedness in addressing climate and environmental risks. There have also been discussions relating to the TCFD recommendations, with the HKMA stating that TCFD reporting will be mandatory across relevant sectors no later than 2025. Further the Hong Kong Securities and Futures Commission (SFC) released a list of verified ESG funds in 2020 as a tool against greenwashing and mislabelling of investment strategies.

Industry collaboration

Global investors have also created pressure in the Asian markets to integrate sustainable investment strategies and corporates to address and integrate ESG issues. Within Asia, there are some examples of cross-collaborations among industry players. For example, in Taiwan the Life Insurance Association and the Bankers Association respectively issued TCFD framework guidance to business owners.

Customer drivers

Asia ex-Japan's sustainable investment market continues to experience strong growth, with demand for environmental-related sustainable investments leading to an ever greater focus on products relating to renewable energy, low carbon, environmental protection, and green transport.

Market drivers

Pledges from world leaders to reach carbon neutrality are expected to drive promising changes to the sustainable investments in relation to decarbonisation, renewable energy, green transport, and more. In 2020, South Korean President Moon announced South Korea's commitment to become carbon neutral by 2050. Green recovery plans by governments have also been positive drivers in sustainable investments.

There has been an increasing uptake in sustainable investment strategies such as ESG integration, negative screening, and themed investing in Asia ex-Japan. There has also been a growth in ESG related indices and ETFs across the Asian market.



Appendix 1 - Methodology and data

Each region covered by this report uses a different method to collect data for its respective report. The consolidation in this report is made on a best effort basis based on best available data sourced in conjunction with the regional SIFs, however due to methodological differences across regions, and changes in methodologies by regions as explained in the text, direct comparisons between regions and with previous versions of this report are not easily made.

All 2020 assets are reported as of 31 December 2019, except for Japan which reports as of 31 March 2020. For figures which are not displayed in the region's local currency, currencies have been converted to US dollars at the exchange rate prevailing on 31 December 2019, (or 31 March 2020, in the case of Japan) for comparability. All 2018 assets are reported as of 31 December 2017, except for Japan which reports as of 31 March 2018. For figures which are not displayed in the region's local currency, currencies have been converted to US dollars at the exchange rate prevailing on 31 December 2017, (or 31 March 2018, in the case of Japan) for comparability. Historical 2016 data are reported as of 31 December 2015, except for Japan, which is reported as of 31 March 2016. Historical 2014 data are reported as of 31 December 2013, except for Japan, which is reported as of 30 September 2014. Figures which compare trends within a region have been kept in their local currencies to avoid introducing the effects of fluctuating currency exchange rates into the calculations; aggregated global totals have been converted to US dollars as of the dates these asset totals were reported. Readers should consult each regional report for more detail on data and data collection methods.

Exchange rates used in this report

CONVERSION	EXCHANGE RATE	REPORTING DATE
EUR/USD	1.11986	31/12/2019
CAD/USD	0.76524	31/12/2019
AUD/USD	0.69939	31/12/2019
NZD/AUD	0.9608	31/12/2019
NZD/USD	0.67209	31/12/2019
JPY/USD	0.00927	31/03/2020

SOURCE: OANDA Currency converter

EUROPE

The European data for 2020 are drawn from publicly available third-party data. Eurosif took an entity-level data of EFAMA⁹ and then complemented with other sources to cover some of the countries not included in the original dataset. EFAMA data were compiled based on Belgium, Bulgaria, Denmark, France, Germany, Greece, Italy, Liechtenstein, the Netherlands, Norway, Poland, Portugal, Slovenia, Sweden, Switzerland, and the United Kingdom. Together with the other sources, the European data cover 18 European countries including UK, Norway, Switzerland, Liechtenstein.

The data encompass several strategies previously covered by compiling the AUM of institutions that exercise ESG integration, exclusions and engagement but does not necessarily reflect in precise detail the distribution of assets managed under each of the sustainable and responsible investment strategies such as best-in-class, norms-based screening, and sustainability-theme investments. However, Eurosif believes it is the most available and reasonable data that reflect the current state of industry evolution.

Notably, driven by regulations and industry pressures it is becoming the norm to combine several strategies like engagement, exclusions and ESG integration to manage portfolio risks and opportunities in Europe. The recent SFDR regulation will only strengthen this trend, as all institutional investors, irrespective of managing ESG or conventional investments, must report how they consider sustainability risks on an entity level.

UNITED STATES

With its research partner, the Croatan Institute, the US SIF Foundation developed an information request that was circulated via email to 682 money managers and 1,146 institutional investors. Money managers and institutional investors responding to this information request provided much of the data for this report. Supplementary data were obtained through other primary and secondary source research.

The US SIF Foundation also used the online information request to gather responses from money managers and institutional asset owners that would provide insights into the motivations, techniques and additional activities behind their sustainable and impact investment practices.

The research team also reviewed annual reports, financial statements, SEC Form ADV from money managers, IRS Form 990 filings by non-profit organisations and US Department of Labor Form 5500 filings by plan sponsors. In addition, the team gathered data

⁹ EFAMA: Market Insights Issue #3 ESG strategies

from third-party service providers and trade associations of community investing institutions, investment companies and institutional investors.

More detail on the methodology is available in the Report on US Sustainable and Impact Investing Trends 2020, available from the US SIF Foundation website.

JAPAN

The Japan Sustainable Investment Forum (JSIF) undertook two surveys to provide the data included in this report. The first survey took place in September 2019 and received 41 responses from institutional investors, and JSIF added the reported figures of two public pension funds. The second took place in September 2020 with 45 responses from institutional investors and reported figures of the two public pension funds.

JSIF solicited the cooperation of the PRI Japan Network to spread awareness of the survey. The 47 institutions reported JPY754 trillion in total assets, of which 51.6% - JPY389 trillion – was managed using sustainable investing strategies. To obtain the net sustainable investing assets amounting to JPY310 trillion in Figure 3, the assets that were managed by fund managers and which came from pension funds were subtracted from JPY389 trillion to avoid double-counting. To calculate the percentage presented in Figure 4, JSIF divided the net sustainable investing assets by the total professionally managed assets in Japan, using the most reliable and extensive data set of Japan's Flow of Funds Accounts compiled by the Bank of Japan.

More information about the Sustainable Investment Surveys can be found on the [JSIF website](#).

CANADA

The Responsible Investment Association (RIA) collected data from 104 asset managers and asset owners via electronic surveys and emails between July and October 2020. The RIA supplemented the survey data with secondary research, using dozens of publicly available sources such as annual reports, responsible investing reports, website data, and PRI Transparency Reports. All figures shown in this report are in Canadian dollars as at 31 December 2019.

To count total Canadian RI assets, the RIA used a methodology based on the criterion of certainty. For instance, if an investment manager indicated that its responsible investment policies apply to 'a majority' of its AUM, the RIA counted only 51% of its AUM as responsible investment assets. Therefore, the RIA's methodology indicates a conservative estimate of Canadian responsible investment assets, since the cautious approach likely excluded some responsible investment assets. The RIA took precautions to avoid double counting. The result is that Canada's estimated total responsible investment AUM is very conservative.

More detail on the methodology is available in the [2020 Canadian Responsible Investment Trends Report](#).

AUSTRALIA & NEW ZEALAND

Data used to compile the Responsible Investment Association Australasia's Australia and New Zealand Responsible Investment Benchmark Reports were collected from the following sources: directly supplied by asset managers and asset owners; Morningstar statistics which provided data for the average performance of mainstream managed fund categories and also provided a secondary source of AUM data for some of the funds listed; RIAA's databases; desktop research of publicly available information regarding assets under management, performance data and investment approaches from sources including company websites, annual reports and PRI Responsible Investment Transparency Reports. Because many asset managers apply several investment strategies to the same assets, the data collection survey required respondents to identify a single primary responsible investment strategy.

For the Australian benchmark report a total of 165 investment managers were targeted as respondents to this survey; 54 financial institutions responded by providing information directly while 111 were assessed through desktop analysis. For the New Zealand benchmark report a total of 58 investment managers were targeted as respondents to this survey; 22 financial institutions responded by providing information directly while 36 were assessed through desktop analysis. The surveys also requested that respondents nominate any secondary strategies applied in order to determine the depth of responsible investment strategies applied, to identify any overlap of approaches and to assist in categorising funds.

All New Zealand assets were converted to Australian dollars as of 31 December 2019, in order to combine assets for the region for this report. Since RIAA has one category for screening which includes positive/best-in-class, negative/exclusionary and norms-based screening strategies, all of these assets have been categorised in the negative/exclusionary category for this report.

More detail on the methodology is available in the [Responsible Investment Benchmark Report 2020 Australia](#) and [Responsible Investment Benchmark Report 2020 New Zealand](#).

Appendix 2 - Data table

Assets in each sustainable investment strategy, per region and global

2018 (BILLIONS)	EUROPE (EUR)	UNITED STATES (USD)	CANADA (CAD)	AUSTRALIA/NEW ZEALAND (AUD)	JAPAN (JPY)	GLOBAL (USD)
Impact/community investing	€109	\$295	\$15	\$8	¥823	\$444
Positive/best-in-class-screening	€586	\$1,102	\$12	-	¥6,425	\$1,842
Sustainability-themed investing	€149	\$781	\$41	\$31	¥1,192	\$1,018
Norms-based screening	€3,148	-	\$981	-	¥31,604	\$4,679
Corporate engagement and shareholder action	€4,858	\$1,763	\$1,497	-	¥140,755	\$9,835
Negative/exclusionary screening	€9,464	\$7,921	\$878	\$226	¥17,328	\$19,771
ESG integration	€4,240	\$9,503	\$1,890	\$768	¥121,512	\$17,544
TOTAL Sustainable Investing*	€12,306	\$11,995	\$2,132	\$1,033	¥231,952	\$30,683

2020 (BILLIONS)	EUROPE (EUR)	UNITED STATES (USD)	CANADA (CAD)	AUSTRALIA/NEW ZEALAND (AUD)	JAPAN (JPY)	GLOBAL (USD)
Impact/community investing	€95	\$212	\$20	\$25	¥140	\$352
Positive/best-in-class screening	€511	\$658	\$21	\$4	¥14,643	\$1,384
Sustainability-themed investing	€130	\$1,688	\$48	\$5	¥7,989	\$1,948
Norms-based screening	€2,745	-	\$1,050	-	¥28,308	\$4,140
Corporate engagement and shareholder action	€4,236	\$1,980	\$2,673	-	¥187,170	\$10,504
Negative/exclusionary screening	€8,253	\$3,404	\$1,361	\$127	¥135,263	\$15,030
ESG integration	€3,697	\$16,059	\$3,008	\$1,135	¥204,958	\$25,195
TOTAL Sustainable Investing*	\$10,730	\$17,081	\$3,166	\$1,295	¥310,039	\$35,301

GROWTH 2018-20	EUROPE (EUR)	UNITED STATES (USD)	CANADA (CAD)	AUSTRALIA/NEW ZEALAND (AUD)	JAPAN (JPY)	GLOBAL (USD)
Impact/community investing	-	-28%	38%	203%	-83%	-21%
Positive/best-in-class screening	-	-40%	75%	100%	128%	-25%
Sustainability-themed investing	-	116%	17%	-84%	570%	91%
Norms-based screening	-	-	7%	-	-10%	-12%
Corporate engagement and shareholder action	-	12%	79%	-	33%	7%
Negative/exclusionary screening	-	-57%	55%	-44%	681%	-24%
ESG integration	-	69%	59%	48%	69%	44%
TOTAL Sustainable Investing*	-13%	42%	48%	25%	34%	15%

NOTE: Assets for 2018 were reported as of 31/12/2017 for all regions except Japan, which reported as of 31/03/2018. Assets for 2020 were reported as of 31/12/2019 for all regions except Japan, which reported as of 31/12/2020. European sustainable investing strategy data is based on extrapolation from historic data from the 2018 GSIR report and applying the same proportion to 2020 sustainable investing data across the different sustainable investing strategies. Conversions from local currencies to US dollars were at the exchange rates prevailing at the date of reporting. Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous versions of this report are not easily made. For its 2018 data, US SIF Foundation extrapolated from numbers provided by a subset of overall 2018 respondents. For its 2020 data, US SIF Foundation extrapolated from numbers provided by a different subset of overall 2020 respondents. This is an optional question in each year's survey, and therefore a different set of respondents choose to respond. As such, direct comparisons between 2018 and 2020 data for the United States in this appendix should not be made.

*The totals shown are net values after adjustments to remove double-counting, since managers may apply more than one strategy to a given pool of assets.

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