US SIF Foundation Biennial Report on
US Sustainable, Responsible and Impact Investing Trends

US SIF FOUNDATION
The Forum for Sustainable and Responsible Investment

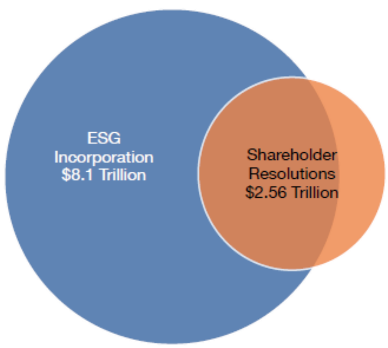
2016 Trends Report Highlights

Snapshot of US Sustainable, Responsible and Impact Investing

What the *Trends Report* measures

The 2016 *Trends Report* is a snapshot of US-domiciled assets engaged in sustainable, responsible and impact (SRI) strategies at year-end 2015. The report measures two SRI strategies: (1) ESG incorporation, and (2) Filing shareholder resolutions on ESG issues.

Sustainable, Responsible and Impact Investing Assets in the United States 2016



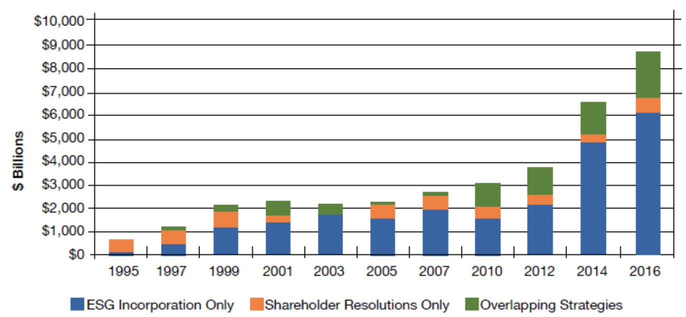
SOURCE: US SIF Foundation.
NOTE: ESG incorporation assets in this figure include those in Community Investing Institutions.

Data from Report on US Sustainable, Responsible and Impact Investing Trends 2016; SRI assets represent nearly 22% of $40.3 trillion in assets under professional management tracked by Cerulli Associates at year-end 2015.

33% growth over the past two years, and a 14-fold increase since 1995

- SRI investing continues to expand—now accounting for more than one out of every five dollars under professional management in the United States.
- The total US-domiciled assets under management using SRI strategies grew to $8.72 trillion at the start of 2016, an increase of 33% since 2014.

Sustainable, Responsible and Impact Investing in the United States 1995-2016



SOURCE: US SIF Foundation.

Significant Findings

- The *Report on US Sustainable, Responsible and Impact Investing Trends 2016* identified:
  - $8.10 trillion in US-domiciled assets at the outset of 2016 held by 477 institutional investors, 300 money managers and 1,043 community investing financial institutions to which various ESG criteria are applied in investment analysis and portfolio selection, and
  - $2.56 trillion in US-domiciled assets at the start of 2016 held by 225 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues from 2014 through 2016.
  - These two segments of assets, after eliminating double counting for assets involved in both strategies and for assets managed by money managers on behalf of institutional investors, yield the overall total of $8.72 trillion, a 33 percent increase over the $6.57 trillion that the US SIF Foundation identified in sustainable investing strategies at the outset of 2014.
- The significant growth in these ESG assets reflects several factors. These include growing market penetration of SRI products, the development of new products that incorporate ESG criteria and the incorporation of ESG criteria by numerous large asset managers across wider portions of their holdings.

Continued on the next page

ESG Incorporation by Money Managers

- Environmental investment factors apply to $7.79 trillion in AUM.
    - Of environmental factors, **climate change** criteria shape the investment of $1.42 trillion in AUM, a more than fivefold increase since 2014.
    - **Clean technology** is another consideration incorporated by money managers, applying to $354 billion in AUM.
- Social criteria, which include criteria related to issues such as conflict risk, equal employment opportunity and diversity, and labor and human rights, apply to $7.78 trillion in AUM.
    - **Conflict risk** analysis, including the exclusion of companies doing business in countries with repressive regimes or that sponsor terrorism, apply to $1.54 trillion in assets.
    - **Human rights** was the next most widely considered social criterion in terms of assets, with $821 billion affected.
- Governance issues apply to $7.70 trillion in assets under management, a twofold increase since 2014.
    - **Board issues**, which includes matters such as directors' independence, diversity, pay and responsiveness to shareholders, affected $778 billion in AUM, an increase of over 240% from 2014.
- Product-specific criteria, such as restrictions on investment in **tobacco and alcohol**, apply to $1.97 trillion in assets.
- The top reasons managers report incorporating ESG factors include client demand (85%), mission or values (83%), risk reduction and management (81%), financial performance (80%), social benefit (79%) and fiduciary duty (64%).

ESG Incorporation by Institutional Investors

- Continuing the trend first observed in 2010, policies related to **conflict risk** countries, primarily Sudan and Iran, affect the largest pool of institutional investor assets at $2.75 trillion
- Concern about **climate change** and **carbon emissions** now ranks as the second most important ESG issue for institutional investors, affecting $2.15 trillion in assets, nearly quadrupling since 2014.
- Institutional investors now collectively consider the following issues across more than $1 trillion in assets: board issues, executive pay, human rights, labor, sustainable natural resources/agriculture, pollution/toxics and tobacco.

Investor Advocacy

- From 2014 through 2016, 176 institutional investors and 49 money managers filed shareholder resolutions on ESG issues.
- In addition, 57 institutional asset owners reported that they engaged in dialogue with companies on ESG issues, as did 61 money managers.

About the 2016 *Trends Report*
The US SIF Foundation's biennial *Trends Report* provides extensive data on the assets using one or more sustainable investment strategies and examines a broad range of significant ESG issues such as climate change, human rights, weapons avoidance and corporate governance.

This report is the only report of its kind in the United States and is extensively used by other institutions and organizations. To obtain a copy, visit **www.ussif.org/trends.**

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

The US SIF Foundation undertakes educational, research and programmatic activities to advance the mission of US SIF.

2016 *Trends Report* Donors and Sponsors: Wallace Global Fund, Bloomberg, Calvert Investments, Candriam Investors Group, JPMorgan Chase, TIAA, KKR, MacArthur Foundation, Neuberger Berman, Saturna, Bank of America, BlackRock, CBIS, Community Capital Management, ImpactUS, Legg Mason Global Asset Management, Morgan Stanley Institute for Sustainable Investing, Sentinel Investments, Trillium Asset Management, and Walden Asset Management