2016 Trends Report: Highlights for Investment Managers

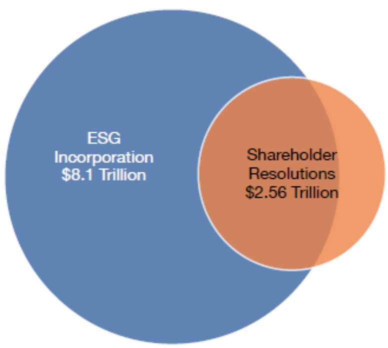
US SIF FOUNDATION
The Forum for Sustainable and Responsible Investment

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



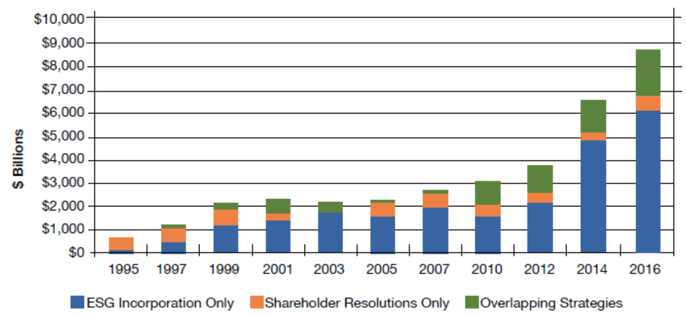
SOURCE: US SIF Foundation.
NOTE: ESG incorporation assets in this figure include those in Community Investing Institutions.

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 for Investment Managers

- Money managers and financial institutions now incorporate environmental, social and governance (ESG) issues into their investment research and analysis across portfolios that totaled $8.10 trillion at the start of 2016, a 68 percent increase from 2014. These ESG assets are managed by 300 management firms and 1,043 community investing institutions.
- This robust growth extends the trend the US SIF Foundation observed between 2012 and 2014 and reflects the consideration of ESG criteria by money managers across broader portions of their holdings. Client demand is the top reason money managers cite for ESG incorporation **(see chart on next page)**, and asset owners increasingly ask that asset managers incorporate ESG criteria into their investment mandates.
- Several money managers are only now starting to report ESG incorporation strategies that they say they have been undertaking for years. A key driver for this increase in reporting is the Principles for Responsible Investment (PRI), which requires its signatories to report on how they are implementing the principles; it has made these reports public since 2014.
- However, money managers for more than half of these ESG assets—$5.38 trillion—did not provide information on the number of specific products subject to the ESG criteria, and generally were close-lipped on the specific ESG criteria they considered.

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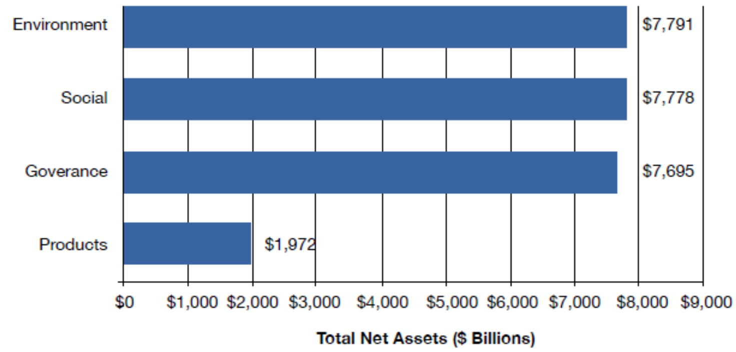
- The number of money managers incorporating environmental, social and governance criteria has continued to rise. Across all investment vehicles, the US SIF Foundation identified $7.79 trillion in assets incorporating environmental criteria, $7.78 trillion incorporating social criteria, and $7.70 trillion incorporating governance criteria, as shown in the chart immediately below.

Fig. 2.2: ESG Categories Incorporated by Money Managers 2016



- When it comes to specific ESG criteria, "conflict risk" analysis, including the exclusion of companies doing business in countries with repressive regimes or that sponsor terrorism, holds the most weight, with $1.54 trillion in assets affected.
- Consideration of specific environmental criteria has grown substantially, a reflection both of increased investor concern about risks related to climate change and of managers focusing strategies on low-carbon alternatives and climate solutions. Climate change criteria shape the investment of $1.42 trillion in assets under management, a more than fivefold increase since 2014. Clean technology is a consideration incorporated by money managers with $354 billion in assets under management.

Fig. 2.9: Reasons Managers Report Incorporating ESG Factors 2016

Reason	No. of Managers	% of Managers Responding	ESG Assets (in Billions)
Client Demand	89	85%	$2,447
Mission	87	83%	$1,844
Risk	85	81%	$2,755
Returns	84	80%	$2,714
Social Benefit	83	79%	$1,993
Fiduciary Duty	67	64%	$1,867
Regulatory Compliance	23	22%	$960
Total Responding	**105**		**$2,871**

SOURCE: US SIF Foundation.
NOTE: Managers of community development loan funds who responded to these questions are also included. Respondents could choose multiple reasons, so counts and percentages do not sum.

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.

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