THE MARKET SIZE OF SUSTAINABLE, RESPONSIBLE AND IMPACT INVESTING

How did the US SIF Foundation calculate $12 trillion in US sustainable investment assets in 2018?

US SIF Foundation's *Report on US Sustainable, Responsible and Impact Investing Trends 2018* identified $12 trillion in total US-domiciled assets under management (AUM) using sustainable investment strategies at the start of 2018.

US SIF Foundation defines sustainable investing as an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

The Trends report measures professionally managed investment assets that either:

(1) incorporate ESG criteria into investment analysis and portfolio selection, using strategies such as ESG integration, negative screening, positive screening, sustainability-themed investments and impact investing; or

(2) engage in filing shareholder resolutions on ESG issues.

The report avoids making qualitative judgments about intent. If an institution or money manager confirms that it incorporates ESG criteria, its affected assets are included in the report. If an institution or money manager is documented as having filed shareholder resolutions on ESG issues, its assets are counted as well. Some investors, money managers and mutual funds included in this study may not consider themselves to be actively involved in sustainable investing.

To collect data, the US SIF Foundation employed a combination of direct surveying as well as primary and secondary research. Through this process, the report identified 496 asset owners, 365 money managers and 1,145 community investing institutions in 2018 engaged in some form of sustainable investing.

Three Frequently Asked Questions about the Trends Report

Q. Isn't a large portion of the Trends Report total of $12 trillion the assets that just screen out tobacco-related investments?

No. Avoiding tobacco-related investments has long been a feature of sustainable investing, and money managers reported that they applied this criterion across $2.9 trillion in assets in 2018. However, only 6 percent of sustainable investment vehicles in 2018 considered just one ESG issue such as tobacco, and 40 percent incorporated more than five ESG criteria. The relative percentage of single-issue investment vehicles has declined over time as more money managers embrace broader ESG incorporation.

Q. Isn't a large portion of the Trends Report total of $12 trillion the assets of managers who just report they practice "ESG integration" without providing details?

It's complicated, as shown in the table below. Until 2014, it was rare for money managers to report that they considered environmental, social and governance in general across large portions of their assets.

- In 2012, money managers collectively reported that they considered general governance issues across $512 billion in assets, but they reported nearly twice as much—$999 billion—as affected by Sudan-related restrictions.
- In 2014, in contrast, money managers collectively reported that they considered general environmental, social or governance issues across $2.5 trillion in assets, on average, 1.7 times more than they reported for the top specific criterion of tobacco.
- By 2016, the assets subjected to general E, S or G factors had surged to approximately $6.9 trillion, more than four times the assets reported as subject to conflict risk concerns, the top specific ESG criterion that year.

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ASSETS REPORTED BY MONEY MANAGERS AS SUBJECT TO GENERAL OR SPECIFIC ESG CRITERIA

	1	2	3	4	5	6	7
Year	General Environment	General Social	General Governance	Average in General ESG	Top Specific ESG Criterion	Top Specific ESG Criterion by Name	Ratio of Column 4 to Column 5
2012	$ -	$ -	$512	$512	$999	Sudan	0.51
2014	$2,571	$2,550	$2,497	$2,539	$1,468	Tobacco	1.73
2016	$6,971	$6,969	$6,609	$6,850	$1,536	Conflict Risk	4.46
2018	$8,964	$9,052	$9,218	$9,078	$2,995	Climate Change	3.03

Note: All assets reported in billions.

The failure of many large money managers to detail the ESG criteria they consider has led to suspicions that their claims to practice ESG integration are hollow. The latest Trends data suggests that money managers may be starting to respond to these "greenwashing" concerns.

- In 2018, money managers reported more than $9 trillion, on average, subject to general ESG criteria. While that was three times greater than the assets they reported as subject to climate change criteria, the top specific issue in 2018, the ratio of general to specific ESG criteria is notably smaller than in 2016.

Q. Why are different numbers cited by the media, academics and others in reference to the size of sustainable investing?

Other organizations in the field are measuring different aspects of sustainable investing to provide **global** totals. Here is a summary.

Global Sustainable Investment Alliance (GSIA)

The GSIA measures global sustainable investment assets, which reached $30.7 trillion at the start of 2018, according to its *Global Sustainable Investment Review 2018*. Now in its fourth edition, the biennial study is the only report presenting results from Europe, the United States, Japan, Canada, and Australia and New Zealand. The report draws on in-depth regional and national reports from members of the GSIA—US SIF, Eurosif, Japan Sustainable Investment Forum, Responsible Investment Association Australasia and RIA Canada.

Principles for Responsible Investment (PRI)

PRI has over 2,300 signatories from across the globe that commit to the organization's "Six Principles," which are "a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice."[1] While all signatories commit to sustainable investing, they are not necessarily engaging in sustainable investing yet. Their combined assets are over $80 trillion, and this figure is often used to describe the level of global institutional commitment to sustainable investing.

Global Impact Investing Network (GIIN)

GIIN's 2019 report *Sizing the Impact Investing Market* estimated the global impact investing market size to be $503 billion.[2] It defines impact investments as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."[3] GIIN did not count in the $503 billion total any assets employed in other ESG incorporation strategies—such as negative screening and ESG integration—if they did not meet the above impact investing definition.

[1] https://www.unpri.org/pri

[2] https://thegiin.org/research/publication/impinv-market-size

[3] https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing