US/SIF

Investing in a sustainable future


# US Sustainable Investing Trends

## 2024/2025 Report

**15th Anniversary Edition**

**Date released:** December 18, 2024

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# History of the Report on US Sustainable Investing Trends

Pioneers and promoters are at the center of the history of the sustainable investing sector. Their dedication and hard work are behind its development and maturation. In the late 1970s, early sustainable investors joined the global anti-Apartheid movement, forcing divestment of South African holdings by both companies and big institutional investors. The end of Apartheid in the 1990s was a pivotal moment, marking how sustainable investing could—and does—create real change.

US SIF: The US Sustainable Investment Forum was founded in 1984, early in the movement's history. We've been delighted to be at the center of a widening network of investors and other capital markets actors who recognize that their role as capital stewards includes driving financial outcomes to safeguard the long-term value of their investments alongside people and the planet.

In 1995, the Trends Report was born from US SIF's recognition of the need to map the direction and scale of US-based investments committed to sustainability. In the years since, this biennial report has chronicled the remarkable growth and diversification of sustainable investing.

**Over the years, the Trends Report has highlighted major developments in the industry, including an increasing focus on climate change, the popularity of negative screening and the focus on sustainability and ESG strategies:**

- **In 1995,** the inaugural Trends Report set a benchmark for sustainable investing in the US.
- **In 2006,** the Trends Report supported the creation of the UN Principles for Responsible Investment.
- **In the 2010s,** the Trends Report documented the notable global expansion of the sustainable investment space, the rise of new sustainable asset classes such as green bonds and the growing diversity of approaches.
- **The 2020s** have seen the industry grapple with new regulations, political support and scrutiny and the rise of both greenwashing and greenhushing. Investors are increasingly focused on social risks and climate change along with other risks to the natural environment as they seek to achieve sustainable value along with financial returns.

The 2024 edition of the Trends Report is our 15th iteration. The US SIF has had a unique position as the leading resource of data and insights on professionally managed US assets in sustainable investing strategies.

**This perspective has led us to implement three notable enhancements in this year's Trends Report:**

## 1. Improved methodology and enriched data:

- Offers two estimations of the scale of the broader universe of sustainable investing in the US: (1) a data-led definition of Sustainable Investing Assets and, (2) a wider view of the assets covered by Stewardship Policies.
- Addresses double-counting issues in estimating AUM for sustainable investment, resulting in a new baseline which represents more accurate figures and ensuring replicable processes going forward.
- Integrates surveys, desk research and data-enhanced techniques for data collection and analysis.

## 2. Expanded survey questions and responses:

- Retools the Trends Survey, covering a wide range of issues, topics and themes.
- Adds survey questions—see Methodology & Survey Supplement for list of questions.
- Reports on more than 250 responses received from May-August 2024—doubling the responses of the 2022 Survey.

## 3. Enhanced reference materials and interactive online data visualization:

- Offers interactive online data visualization for key findings, with the option to purchase the full report.
- Provides the full Trends Survey 2024 in the Methodology & Survey Supplement.

These improvements reflect the evolution of the Trends Report to embrace advanced data collection and analysis techniques and reinforce the report's position as an invaluable resource for professionals and researchers in the sustainable investing field.

# Milestones in Sustainable Investment History

**1967**

First shareholder advocacy targeting Kodak initiated

**1971**

First socially responsible investing mutual fund, the Pax World Balanced Fund (now Impax) launched

**1973**

First Community Development Bank established

**1984**

US SIF founded (along with Trillium and Ceres)

**1986**

Coca-Cola, General Motors and IBM announce plans to withdraw from South Africa

**1990**

Domini Social Index established

**1995**

First US SIF Foundation Trends Report published

**1999**

Global Reporting Initiative (GRI) established

**2006**

US SIF incorporated

**2009**

GIIN (Global Impact Investing Network) formed

**2013**

SASB (Sustainability Accounting Standards Board) publishes first industry standards

**2015**

Sustainable Development Goals (SDGs) launched

Task Force on Climate-Related Financial Disclosures (TCFD) created to develop consistent climate-related financial risk disclosures for use by companies, banks and investors

US Department of Labor guidance document (IB 2015-01) acknowledges ESG factors "may have a direct relationship to the economic and financial value of an investment," for the first time.

**2021**

Launch of the International Sustainability Standards Board at COP26 Glasgow

**2023**

Global Sustainable Investment Alliance (GSIA), CFA Institute & PRI publish the Definitions for Responsible Investment Approaches

Establishment of the Congressional Sustainable Investment Caucus

# Executive Summary

# Foreword

For three decades, we have been in the privileged position of working with the US sustainable investing (SI) community to explore the trends shaping the way investors address environmental, social and governance (ESG) issues.

Now on our 15th edition of this survey, we track the evolution of a practice that has moved from a niche approach focusing on values-driven decision-making in its infancy, to a rigorous field centered on financial risks and opportunities directly impacting corporate enterprise value.

Today, we are on the cusp of yet another evolution. In the two years since we last published, SI and the financial industry's approach to ESG has been misrepresented to become the target of political culture wars; anti-ESG legislation has been introduced in multiple states (largely unsuccessfully), and ESG-marketed funds have come under scrutiny for potential greenwashing.

The attention on sustainable investment is a natural outcome for an industry that has grown in both size and influence over the past 30 years. Rather than a roadblock, this is an opportunity to continue to refine the way we address the systemic issues shaping everything from the global economy to our day-to-day lives.

Increased access to data allows investors to value the risks and opportunities associated with ESG issues more precisely than ever before and to demonstrate positive impact. And with the focus on greenwashing, practitioners will need to better articulate how their approach supports long term value creation.

Just as the industry evolves, so does this report. For *Trends*, the 2024 data represents a new start and a new baseline. We have honed our methodology to address potential double-counting of assets, more clearly identified assets marketed as 'sustainable' or 'ESG' and have taken a broader view of assets covered under stewardship policies to lay the groundwork to better understand and unpack the policies and practices of investors. This new approach also ensures a replicable process, increases the integrity of the report, improves our understanding of the trajectory of this industry and will allow us to highlight best practice over time.

The SI of ten years ago will not be the SI of 2035, but we remain confident in the power of capital markets stakeholders to drive more sustainable, resilient markets for all.

**Maria Lettini**
CEO

# Key Highlights from the US SIF 2024 Survey

## Establishing a Baseline Universe for Sustainable Investment & Stewardship

- **Market Size and Sustainable Investment (AUM)**: US SIF analysis, based on submissions to the SEC, records the US market size as $52.5 trillion[1], of which $6.5 trillion (12%) were identified or marketed as Sustainable or ESG investment.[2]
- **Market Size and Stewardship (AUM)**: US SIF analysis finds that 79% of the US market AUM, or $41.5 trillion, was covered by a stewardship policy.[3] More research is needed to drill down further within the assets covered by a stewardship policy. Clearly not every asset covered within a stewardship policy receives an action or engagement in any given year.
- Both of these numbers create a new baseline which will enable us to better understand the market, interrogate policies and practices and replicate analysis of the US sustainable investing assets and US responsible/sustainable stewardship over time.

## US SIF Survey Insights on Sustainable Investing

- **Perceptions on the Growth of Sustainable Investing**: 73% of respondents expect the sustainable investment market to grow over the next one to two years; however, only 39% of respondents expect their own organizations to increase sustainable investing.
- **Trends in Sustainable Investing:** The evolution of policies and regulations (69%) and the development of market standards (51%) continue to be leading trends, along with a focus on AI and data analytics (65%). The expansion of impact investing (58%) and the growth in subfields of sustainable investing (42%) were also highlighted by respondents.
- **Sustainable Development Priorities**: Addressing climate change and the clean energy transition are a clear priority for respondents. Concerns about how this will impact stakeholders are also high on investors' agendas (Communities, Decent Work & Equality).

**12%**

**Identified or marketed as Sustainable**

**79%**

**Of the market covered by a stewardship policy**

**73%**

**Expect the sustainable investment market to grow**

**58%**

**Expansion of impact investing**

[1] SEC ADV Forms and 13F Forms, with adjustments made to remove duplications (See Methodology Report for further details)

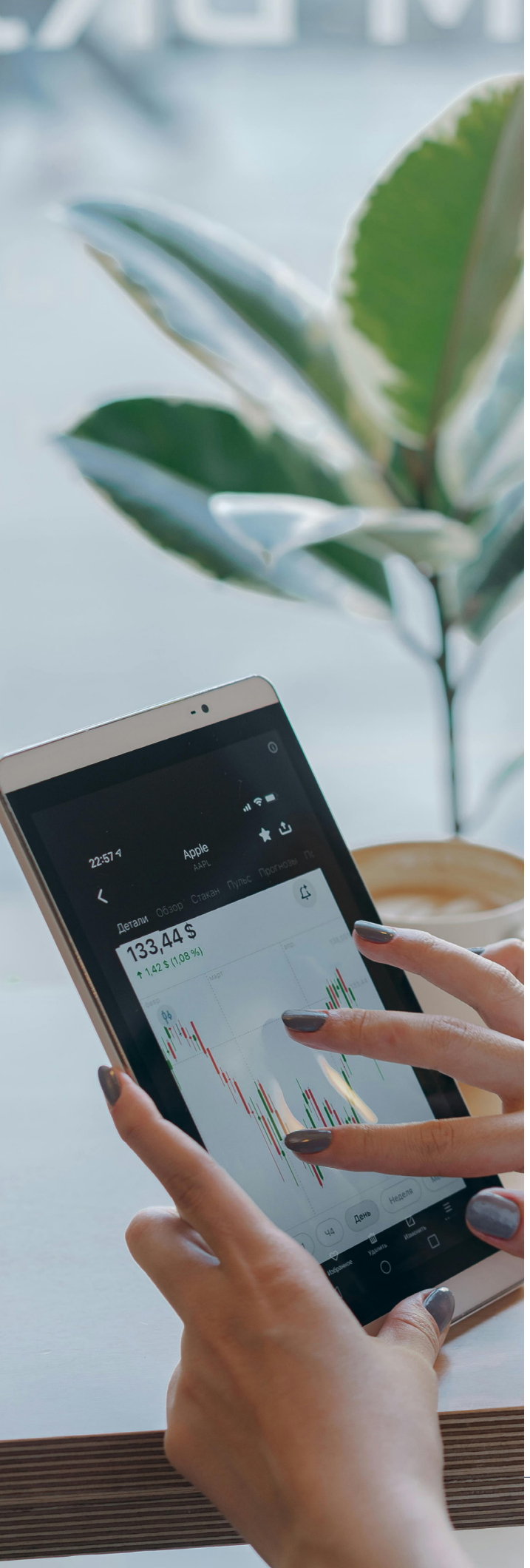
[2] "Principles for Responsible Investment Annual Report 2023" (Principles of Responsible Investment (PRI), March 2024), https://www.unpri.org/download?ac=21536. Figure calculated using disclosures in PRI Report 2023, indicator OO18. QN: Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

[3] The PRI attaches this indicator to its Principle 2 and describes its purpose of the indicator as assessing "the coverage of signatories' policies on stewardship with investees for their actively managed and passive assets (if applicable) and whether the policies cover their entire asset base or a specific asset class, fund or mandate. The PRI's Principle 2 recommends that signatories be active owners and incorporate ESG issues into their ownership policies and practices, including their engagement with companies and the exercise of their voting rights (where applicable). This applies to both passive and active strategies and across different asset classes. To ensure a consistent approach, it is considered good practice for the policy(ies) or guidelines to apply to as high a percentage of assets under management as possible, including both internally and externally managed assets, regardless of signatories' investment strategies."

## Use of Sustainable Investing Strategies

- **Sustainable Investing Strategies**: The integration of sustainability or ESG characteristics (81%) and the use of negative or exclusionary screening (75%) remain the most frequently reported strategies. Over 65% of respondents use three or more strategies across their investments.
- **Anticipated Changes in Sustainable Investing Strategies**: Survey respondents expect to maintain or increase their use of all sustainable investment strategies, (ranging from 65% to 85%). The two categories with the highest anticipated increase were impact investing (37%) and sustainability-themed investing (36%).
- **Negative Screening**: While tobacco exclusions remain a high priority (66%), the 2024 survey findings indicate that the use of partial or full fossil-fuel exclusions is now the most frequently reported negative screen (68%).
- **Integration of Environmental, Social & Governance Factors**: The most frequently selected environmental factor is the consideration of climate change (80%); social factors include the integration of labor standards (72%) and human rights (66%); and governance factors include board structure and composition (74%) and transparency and disclosure (73%).
- **Shareholder Advocacy**: Our survey results indicate that there is a strong core group of investors who undertake multiple actions in promoting the rights of shareholders. Over 60% of those who undertake stewardship adopt three or more actions, with 28% undertaking all five actions.

*Note:* The percentage is a measurement of frequency, calculated as the number of respondents who selected the category divided by the number of respondents who completed the question.




# Definitions of Approaches

Growing global interest in "sustainable" and "responsible" investing demands greater standardization of terminology to enable institutional investors, regulators and other industry participants to communicate with precision. In November 2021, the International Organization of Securities Commissions (IOSCO) highlighted the need for the global investment industry "to develop common sustainable finance-related terms and definitions, including relating to ESG approaches, to ensure consistency throughout the global asset management industry." [4]

In response, CFA Institute, The Global Sustainable Investment Alliance (GSIA) and Principles for Responsible Investment (PRI) came together to harmonize definitions and provide guidance for usage. The report can be accessed here, and the definitions are detailed in Table 1.

For purposes of this report, the category of screening is further defined to identify norms based, negative and positive screening approaches, as detailed in Table 2. In addition, stewardship is described as "corporate engagement and shareholder action."

[4] "Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management" (International Organization of Securities Commissions (IOSCO), November 2021).

**Table 1: Definitions: Responsible Investment Approaches[5]**

| Approach | Definition |
|---|---|
| **Screening** | Applying rules based on defined criteria that determine whether an investment is permissible. |
| **ESG integration** | Ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. |
| **Thematic investing** | Selecting assets to access specified trends. |
| **Stewardship** | The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend. *This involves direct engagement meetings in person or digital, proxy voting and shareholder resolutions as well as indirect engagement via key stakeholders.* |
| **Impact Investing** | Investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. |

**Table 2: Definitions: Screening Approaches**

| Screening Approach | **Applying rules based on defined criteria that determine whether an investment is permissible.** |
|---|---|
| **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** | Exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable. For example, exclusion criteria (based on norms and values) may refer to product categories (e.g., weapons, tobacco), company practices (e.g., animal testing, violation of human rights, corruption) or controversies. |
| **Positive/Best-in-Class 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. |

[5] "Definitions for Responsible Investment Approaches" (CFA Institute, Global Sustainable Investment Alliance (GSIA) and Principles for Responsible Investment (PRI), November 2023), https://www.gsi-alliance.org/wp-content/uploads/2023/10/ESG-Terminology-Report_Online.pdf.

# A Note On Methodology – A New Baseline

The global sustainable investing sector has grown exponentially, as evidenced by the substantial increase in global PRI signatories over the past 17 years. As of March 2024, approximately 20% (1,090) of the 5,000+ PRI signatories were based in the US.[6]

With this rapid expansion of sustainable investment has come increased scrutiny over the authenticity of investors' claims regarding the holistic integration of ESG and sustainability factors into their investment processes. Many have argued that these claims are overstated.

In response to these challenges, the US SIF Foundation made significant changes to its methodology in 2022 to define "sustainable AUM" more rigorously, addressing what the market termed greenwashing. These changes introduced stricter definitions for ESG incorporation. A full discussion of the 2022 methodology change can be found in the US SIF *Report on US Sustainable Investing Trends 2022*.[7]

**2024: A New Baseline**

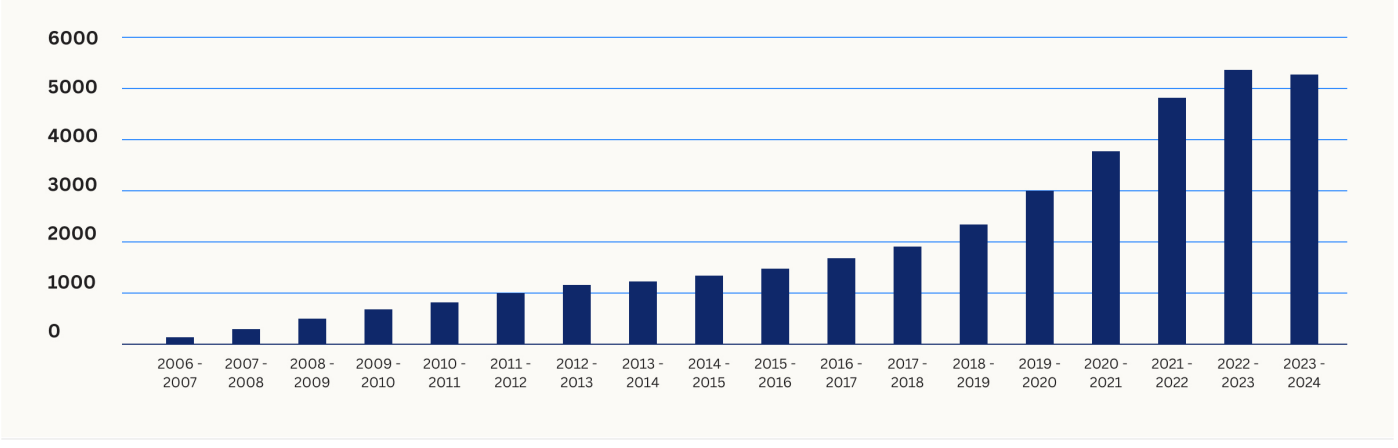
The 2024 US SIF Trends Report builds on the 2022 changes by taking another critical look at the availability of verifiable investor data and public reporting. We identified substantial variability in how—and which—specific ESG or sustainability criteria are applied by investors. These differences pose significant challenges in comparability, both among organizations and over time.

Recognizing these challenges, the 2024 Trends Report introduces a new baseline. This baseline serves as a snapshot of the current market, enabling future comparisons and helping guide how stakeholders interpret the data. Key aspects include:

- Use of publicly available data to enhance transparency and reduce the burden on survey respondents.
- Leverage of AI tools to improve data collection efficiency.
- Separation of Sustainable Investing AUM and Stewardship AUM to address differences in investor practices and reporting.

This methodology creates a foundation for consistent tracking moving forward. We encourage readers to treat 2024 data as a starting point for future comparisons, rather than an indicator of market growth over time.

**Figure 1: Total PRI Signatories by Financial Year**




Source: Principles for Responsible Investment Annual Report 2024

Note: Data for 2020 show numbers of proposals filled for 2020 meetings through July 15

[6] "Principles for Responsible Investment Annual Report 2024."

[7] "Report on US Sustainable Investing Trends 2022" (US SIF: The Forum for Sustainable and Responsible Investment, 2022), https://www.ussif.org/store_category.asp?id=4.

# Key Methodological Features

The **total market size** is calculated based on SEC disclosures via Forms ADV (Money Managers) and 13F (Asset Owners) with US-registered addresses. Adjustments are made to avoid double counting between institutional investors and asset managers.

Assets are classified as **Sustainable Investing AUM Assets** if there is specific and explicit evidence of sustainability-related AUM or percentages. Data is collected through a three-step process:

1. Reviewing the investor's public website.
2. Examining responses to the US SIF survey.
3. Reviewing PRI reporting, specifically Indicator 0018, which captures the percentage of AUM in ESG-marketed products.

Assets are classified as **Stewardship AUM Stewardship AUM** if management stewardship policies apply. A similar three-step process is followed:

1. Reviewing the investor's public website.
2. Examining responses to the US SIF survey.
3. Reviewing PRI reporting, specifically Indicator PGS 10, which captures the percentage of AUM covered by "responsible investment" stewardship policies[8]. The indicator takes values of 0%, 100% or any of the ten deciles in between.

By establishing these baseline percentages for both the sustainable investing and stewardship universes, we can then interrogate the distinct ESG incorporation practices and external facing public commitments of the investor community. By separating the two AUM numbers in this edition, we can better analyze and interrogate potential gaps and progress.

[8] The PRI attaches this indicator to its Principle 2 and describes its purpose of the indicator as assessing "the coverage of signatories' policies on stewardship with investees for their actively managed and passive assets (if applicable) and whether the policies cover their entire asset base or a specific asset class, fund or mandate. The PRI's Principle 2 recommends that signatories be active owners and incorporate ESG issues into their ownership policies and practices, including their engagement with companies and the exercise of their voting rights (where applicable). This applies to both passive and active strategies and across different asset classes. To ensure a consistent approach, it is considered good practice for the policy(ies) or guidelines to apply to as high a percentage of assets under management as possible, including both internally and externally managed assets, regardless of signatories' investment strategies."

# **Section 1:** The Sustainable Investment Market

# / US Market & Sustainable Investing

Understanding the dynamics and size of the US market can be challenging. Over the years, US SIF and its peers have been on the front lines of this effort. The market has matured and aligned in some ways since the first US SIF Trends report in 1995 however, there are still notable factors which contribute to the accuracy of estimating the market in the US:

- **Lack of Standardization**: There is no universal definition of sustainable investing. Organizations and investors apply diverse criteria, resulting in inconsistent classifications of "sustainable assets."
- **Diverse Strategies**: Sustainable investing encompasses a wide range of strategies, including ESG integration, negative screening and impact investing. Each approach can vary significantly in terms of asset classes and methodologies, complicating aggregate measurements.
- **Data Availability**: Many firms do not disclose sustainability metrics or rely on varied reporting frameworks, complicating efforts to gather comprehensive and comparable data.
- **Rapid Growth and Change**: The sustainable investment landscape and its definitions are evolving quickly, with funds opening and closing, strategies changing and regulations emerging. Rapid changes in the sustainable investment landscape often outpace data collection and analysis methodologies.
- **Varied Investor Motivations**: Different investors may have unique motivations for pursuing/ not pursuing sustainable investing, which can affect how they categorize and communicate their firms and products.

# / Market Size

Our analysis records the US Market size as $52.5 trillion. Of this, $6.5 trillion were self-declared as "sustainable" or "ESG marketed investment,[9]" representing 12% of total AUM.

In addition, $41.5 trillion (79%) were covered by a Stewardship Policy according to publicly available investor information and disclosures.

The identification of assets covered by a Stewardship Policy is an important baseline requiring further research to drill down and identify sustainable stewardship practices. We feel that stewardship warrants further interrogation given the myriad approaches from different sized investors.

**12%**
**Of total AUM are self-declared as "sustainable"**

**79%**
**Of the market covered by a stewardship policy**

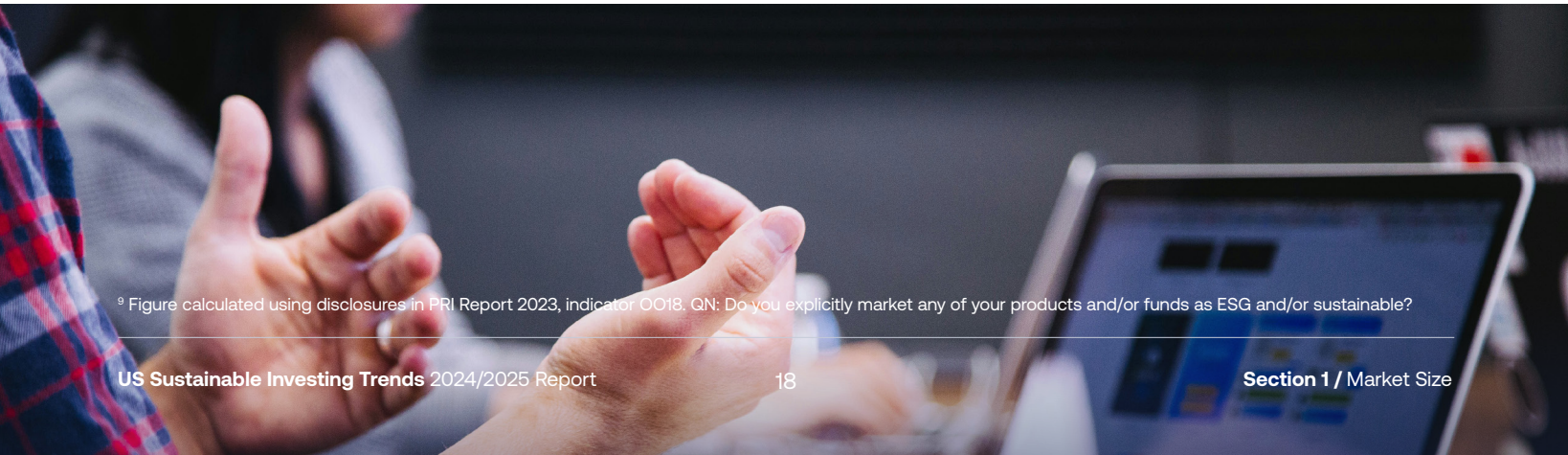
**80%**
**Indicated have policies and guidelines on stewardship**

## Sustainable Investing Assets—Evolution in the Market

As mentioned, US SIF's adoption of a new methodology for calculating the AUM of Sustainable Investments (SI) establishes a new AUM baseline that is not comparable to past years' Trends Reports.

With this report, we now rely *solely on* publicly available information instead of a mix of public and private survey responses, for a more transparent result that promises to be more consistent in future years.

While this publicly available information is free from survey response bias, it still calls for contextualization across a number of factors including: companies' internal and external communications; portfolio fund names for external marketing and client purposes; market trends and forces; and investors' own diverse investment and stewardship policies and processes.



[9] Figure calculated using disclosures in PRI Report 2023, indicator OO18. QN: Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

# / The Role of Stewardship

The role of asset stewardship is increasingly in focus, with many asset managers and institutional investors developing comprehensive Responsible Investment Stewardship Policies to guide their engagement with investee companies. US SIF research indicates that investors have Stewardship Policies which cover a significant portion of their assets - suggesting that 79% US Headquartered AUM are also overseen with through a stewardship lens.

This is important, as historically, the AUM of investment products, ESG integration and security selection has been a core focus in assessing the Sustainable Investing AUM of the US market. However, as the market evolves, it is also important to continue to identify investor engagement practices and individual dialogues with companies. Investors have been voting proxies, filing shareholder resolutions and participating in collaborative engagements with corporations for many years now. Investors are continuing to use their voices as active stewards of capital to have productive dialogues with their investee companies.

In 2023, 80% of global respondents to the PRI survey indicated that they have policies and guidelines on stewardship encompassing some percentage of their assets. Moreover, 60% provide regular reporting on their stewardship efforts to their clients and beneficiaries.

However, the rate at which these policies and/or shareholder resolutions convert into visible, tangible action often remains relatively low. For example, even the largest investment firms, which hold the highest percentages of company stock and have established strong stewardship frameworks, may only show modest support for shareholder resolutions compared to the total number of proposals submitted each year.[10] In addition, many firms claim productive engagement outside of the public eye in private discussions from which impact may be difficult to quantify. However, research does suggest that successful stewardship has been found to significantly contribute to risk reduction and therefore warrants further consideration in terms of market impact.[11] *We explore this in further detail in Section: Impact & Progress*

[10] Andreas G. F. Hoepner, "UK Asset Owner Stewardship Review 2023: Understanding the Degree & Distribution of Asset Manager Voting Alignment," *SSRN Electronic Journal*, 2023, https://doi.org/10.2139/ssrn.4643377.

[11] Andreas G F Hoepner et al., "ESG Shareholder Engagement and Downside Risk," *Review of Finance* 28, no. 2 (March 1, 2024): 483–510, https://doi.org/10.1093/rof/rfad034.

# **Section 2:** US SIF Survey Findings

# / US SIF Survey Findings

The US SIF 2024 survey received responses from 265 institutions across:

- Asset managers, asset owners or institutional investors
- Community development institutions
- Consulting firms
- Foundations and endowments
- Wealth management and financial advisors
- Faith-based institutions, and
- Government agencies (development, regulations and standards).

For the first time, respondents were asked to share their motivations for undertaking sustainable investing. We also asked for their opinions on the future of the sector. The following section provides an overview of their answers.

## What issues impact investment strategy and decision-making?

We asked survey respondents about whether and how a wide range of issues—geopolitical, climate, socioeconomic, anti-ESG attacks—had affected their investment strategies and decision-making.

What stood out was respondents' unconditional commitment to impact or sustainable investing. That was true whether organizations considered this work connected to its founding principles or having emerged over time.

Many respondents—among which a majority were asset managers—stated that no specific event, or the political environment, could change this commitment.

> *Our commitment to sustainable investing is unwavering.*

> *We were founded with a commitment to 100% sustainable investing and remain fully committed, so the various events and issues haven't changed that overall intention.*

Respondents also pointed to issues that led them to prioritize sustainable investment, or that certain issues encouraged them to accelerate integration of ESG or sustainable investment principles into their strategies.

> *We're an impact investor driven by the need to address inequality and climate change. Those challenges, and the opportunities we see to both finance social and environmental solutions and influence market transformation are the driving factors for us.*

Asset managers in particular underscored that the issues on this list were financially material:

> *For investors like us, these are not political or ideological questions, they are about investment fundamentals. Our focus is on ensuring the portfolios we manage are well placed to navigate the risks and opportunities social and environmental challenges create so we can deliver the investment outcomes our clients expect.*

Another group of asset managers emphasized client demand for sustainable investing as informing their decisions.

## How will sustainable investing in the US evolve in the next 1-5 years?

The majority of respondents expect sustainable or impact investing will continue to grow, even in the face of a challenging political environment. These respondents consisted of both asset owners and managers.

> *We believe that sustainable investing (inclusive of impact investing) will continue to grow despite some of the politicization of these investments in the US.*

Respondents predicted that was sustainable investing will become a more precise and thematically diverse practice. Investing will become more targeted, moving from decarbonizing portfolios to investing in climate solutions ranging from clean energy to nature restoration. Strategies and measurement will be improved and refined.

Related to improving measurements, others (both asset owners and managers) noted a need for increased transparency and disclosure, whether due to regulation or better practices within the sector.

Respondents indicated their expectation that integrating environmental and social issues into decision making will become standard practice as client change becomes more obvious:

> *Investment managers who want to succeed over the long term will continue to become more competent at evaluating companies on material environmental, social and governance issues.*

Finally, a slightly smaller group (evenly split between asset owners and managers) felt that the phrase "ESG" would fade away:

> *We will move from the tarnished ESG label to something with broader appeal and a less manipulatable name.*

## What initiatives or developments would increase the adoption of sustainable investment in the US?

Among both asset owners and managers, the most popular developments supportive of expand adoption of sustainable investing were increased regulation and disclosure, even in the context of political and legal opposition. Likewise, a number of respondents highlighted the need for more and better information and data to support sustainable investing.

In relation to the backlash against ESG and sustainable investing, respondents called for better communication, or even education, around sustainable investing.

> *We need to continue to reframe sustainable investing in a way that is practical, pragmatic, supportive of transition, and respectful and empathetic to the perspectives and needs of various stakeholders who are affected in real ways by both the global challenges and efforts to solve them.*

# Insights & Strategies

The following section of the report details the results of the survey, including explanatory narrative. We have divided these findings into two sections:

## Sustainable Investing Insights

1. Growth of Sustainable Investing (Personal and Organizational Perspectives)
2. Key Drivers of Integration of ESG or Sustainability Considerations
3. Trends Impacting Sustainable Investment
4. Frameworks
5. Alignment to Sustainable Development Goals
6. Effect of Issues or Events on Sustainable Investing

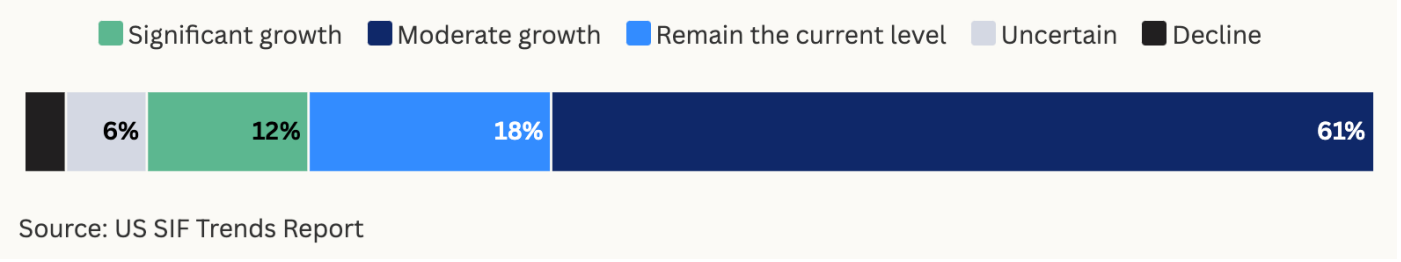
## Sustainable Investing Strategies

1. Use of Sustainable Investing Strategies
2. Growth of Sustainable Investing Strategies
3. Environment, Social & Governance Considerations
4. Negative Screening
5. Shareholder Advocacy

## Growth of Sustainable Investing

Individual perceptions on the future of sustainable investing are strongly positive, with 73% of respondents expecting that the market will significantly or moderately grow over the next one to two years. Also, 12% of respondents expect sustainable investment to increase significantly in the next one to two years, 61% anticipate moderate growth, and 18% expect the practice to remain at its current level.

**Figure 2: Growth of Sustainable Investing – Personal Perspectives**

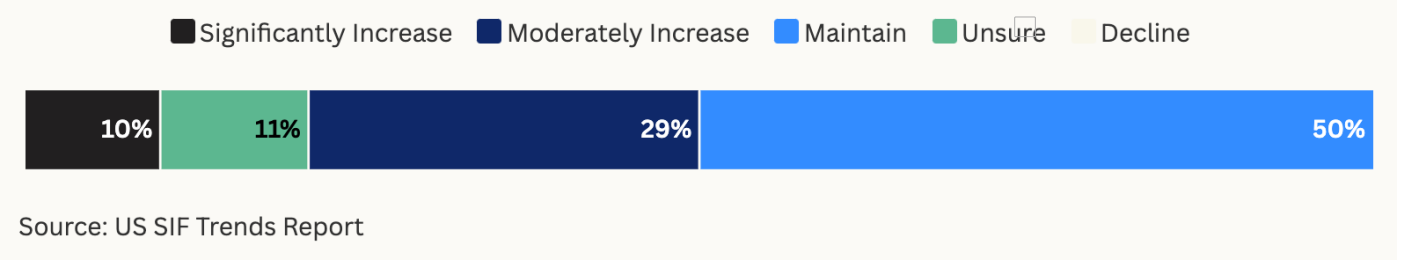



Source: US SIF Trends Report

However, this view is contrasted by respondents' thoughts on where this growth will come from. Only 39% of respondents expect their own organizations to contribute to the anticipated increase in sustainable investing. This suggests that survey respondents believe growth may come from broader market participants.

At the organizational level, survey results show 10% of organizations intend to increase sustainable investing significantly in the next 12 months, 29% plan to increase it moderately, and 50% will maintain the current level.

**Figure 3: Growth of Sustainable Investing – Organizational Perspective**




Source: US SIF Trends Report

While the data suggests that both individuals and their organizations anticipate maintaining and/or growing their sustainable investing priorities in the near-term, market enthusiasm and sentiment has been more subdued, potentially due to recent political headwinds.

Ultimately, the survey responses suggest that despite politicization of the sector, investors desire sustainable-investing solutions, propelled in part by regulatory obligations, evolving client preferences, the transfer of inter-generational wealth,[12] and the growing frequency and severity of financially material physical and transition risks associated with climate change.

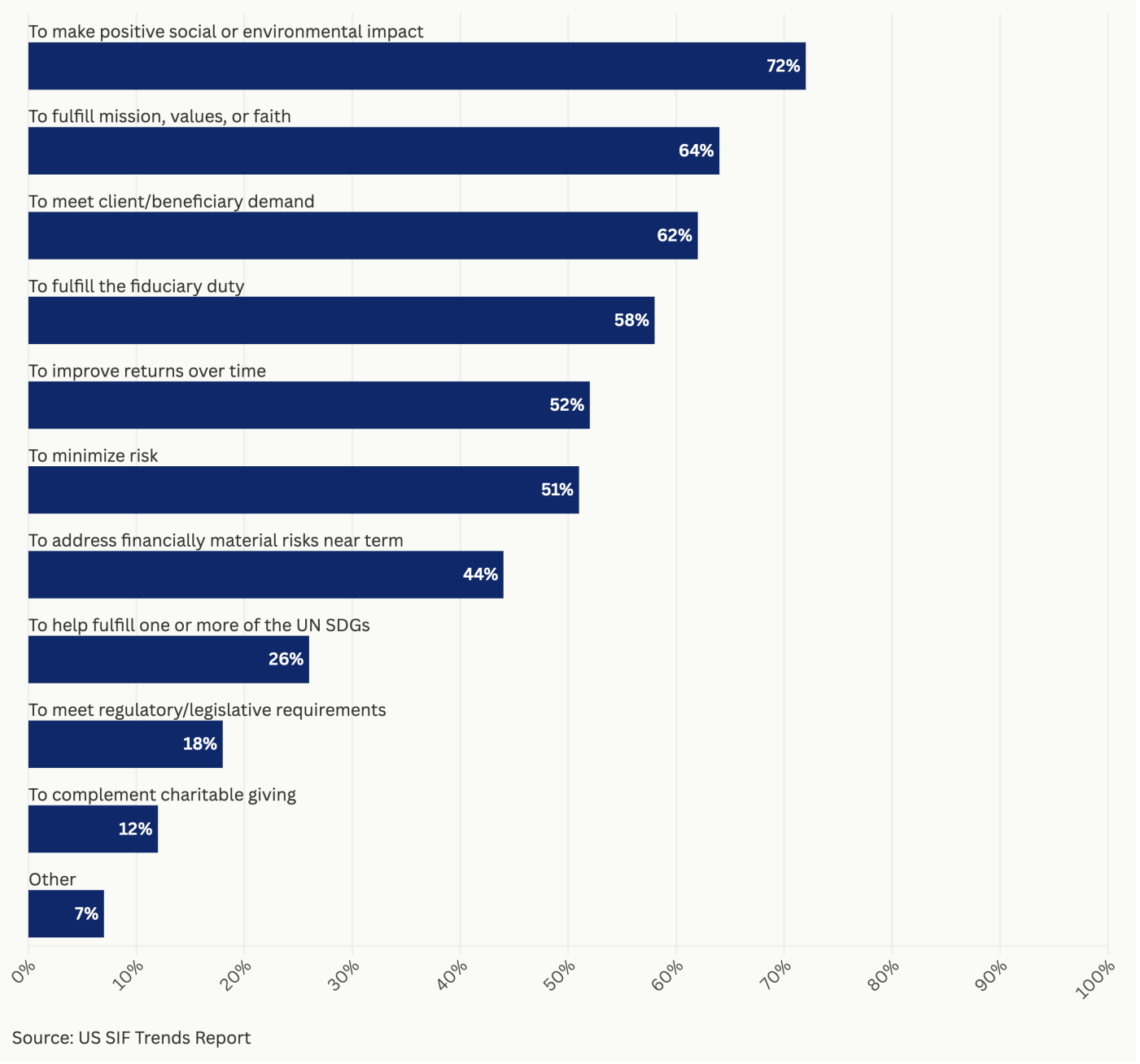
[12] "ESG Investing Can Help Bridge the Generation Gap during Wealth Transfer," RBC Wealth Management, n.d., https://www.rbcwealthmanagement.com/en-us/insights/esg-investing-can-help-bridge-the-generation-gap-during-wealth-transfer.

# Key Drivers of Sustainability and ESG Integration

We asked all survey participants to identify the key drivers for integrating sustainability or ESG factors into their investment selection and/or shareholder advocacy.

Respondents were more likely to select making a positive impact (72%), fulfilling mission, values or faith (64%) over managing risks (51%) and improving returns (52%). This contrasts with the wider political pushback on ESG and is likely reflective of the types of investors who participate in the US SIF survey.

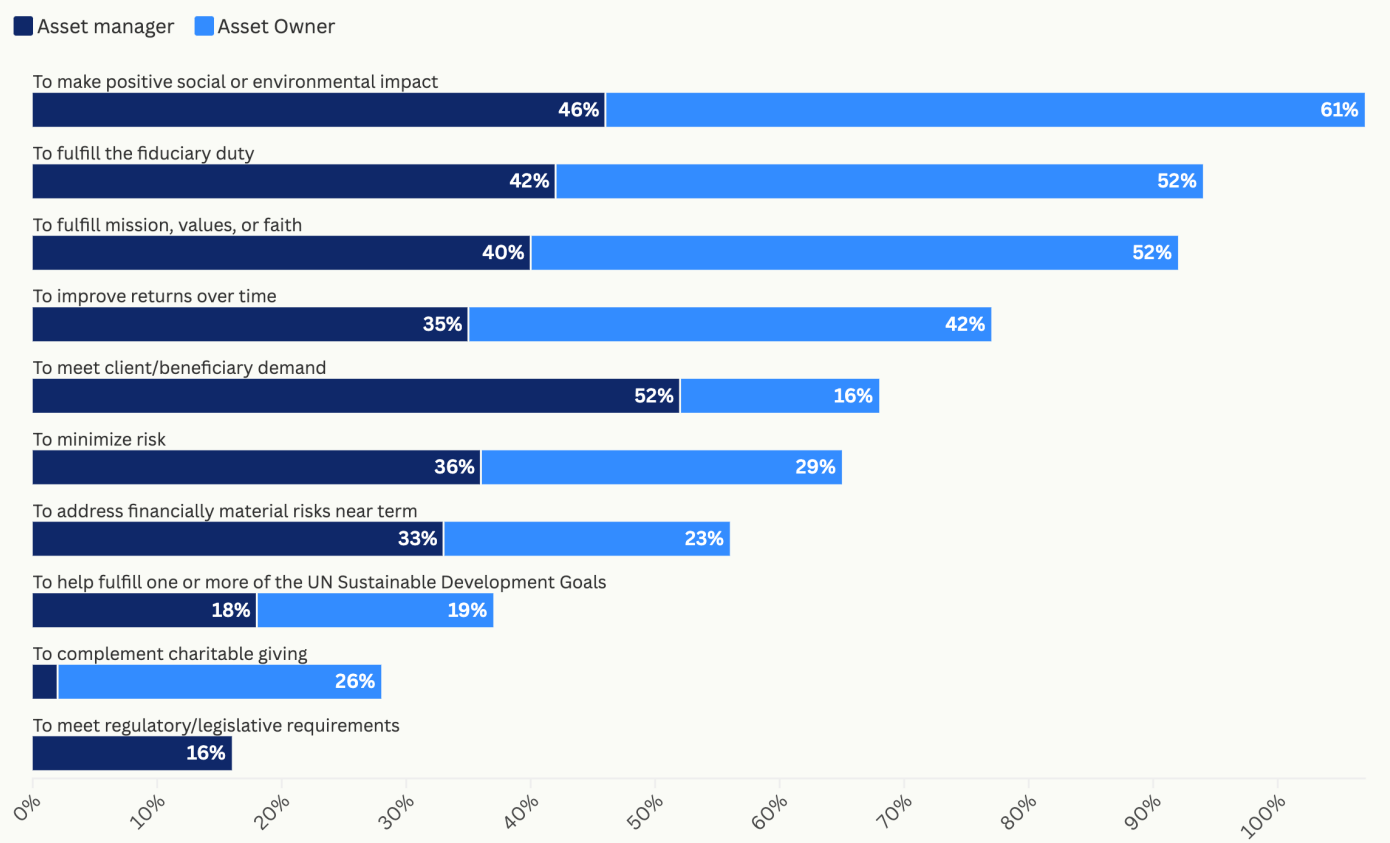
**Figure 4: Drivers of Integration of Sustainability or ESG Factors**



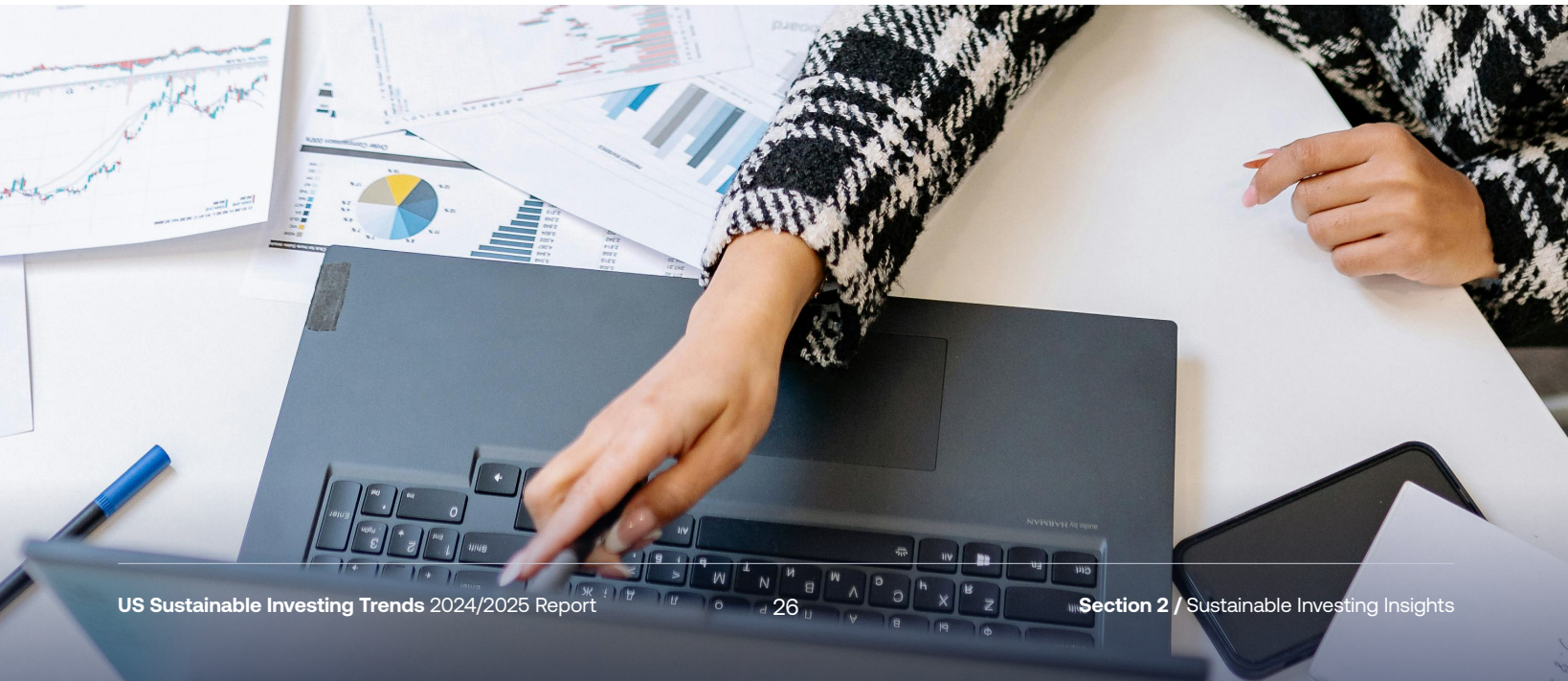

Source: US SIF Trends Report

Figure 5 extrapolates responses from asset owners and asset managers. Data shows that meeting client demands was the leading driver of sustainability/ESG integration for asset managers (52%), compared to asset owners (16%), while positive social or environmental impacts or aligning with mission, values or faith were the leading factors for asset owners with (61% and 52%, respectively).

**Figure 5: Drivers of Integration of Sustainability or ESG Factors**




Source: US SIF Trends Report



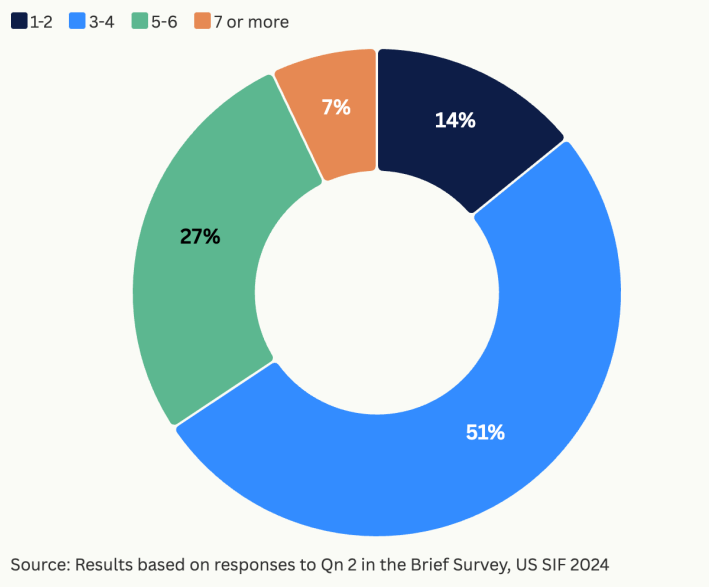
# Trends Impacting Sustainable Investment

We asked respondents to share what they see as the major trends impacting the future of sustainable investing. We offered 10 possible selections, and respondents could select as many as they liked. Slightly more than half (51%) of respondents picked 3-4 trends, and slightly more than a quarter (27%) respondents selected 5-6 trends.

Respondents selected the following trends most frequently: policies & regulations (69%); increasing use of AI and data analytics (65%); expansion of impact investing (58%); convergence of market standards (51%); improved availability and quality of ESG data (46%); and the and the growth of subfields of sustainable investment (42%).

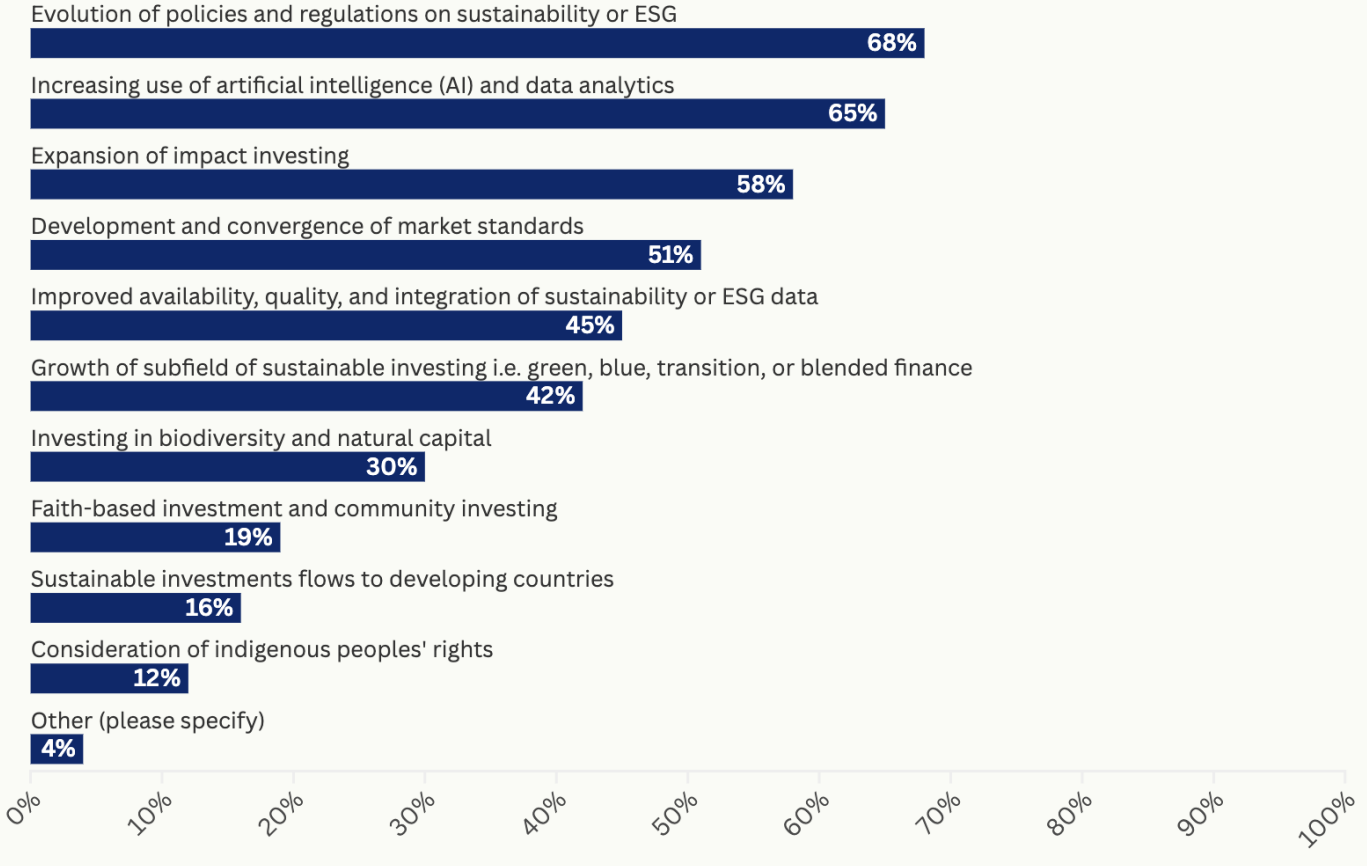
**Figure 6: Number of Major Trends Impacting Future of Sustainable Investing**

*Due to rounding, percentages may not always total 100%*




Source: Results based on responses to Qn 2 in the Brief Survey, US SIF 2024

**Figure 7: Trends Impacting Sustainable Investment**




Source: US SIF Trends Report

Because US SIF's survey approach has varied over the years, we cannot precisely align comparable data from the past decade. However, it is clear that the maturation of the sustainable investing sector has contributed to an emergence of a more diverse array of focus areas, as suggested by summary viewpoints in the following table.

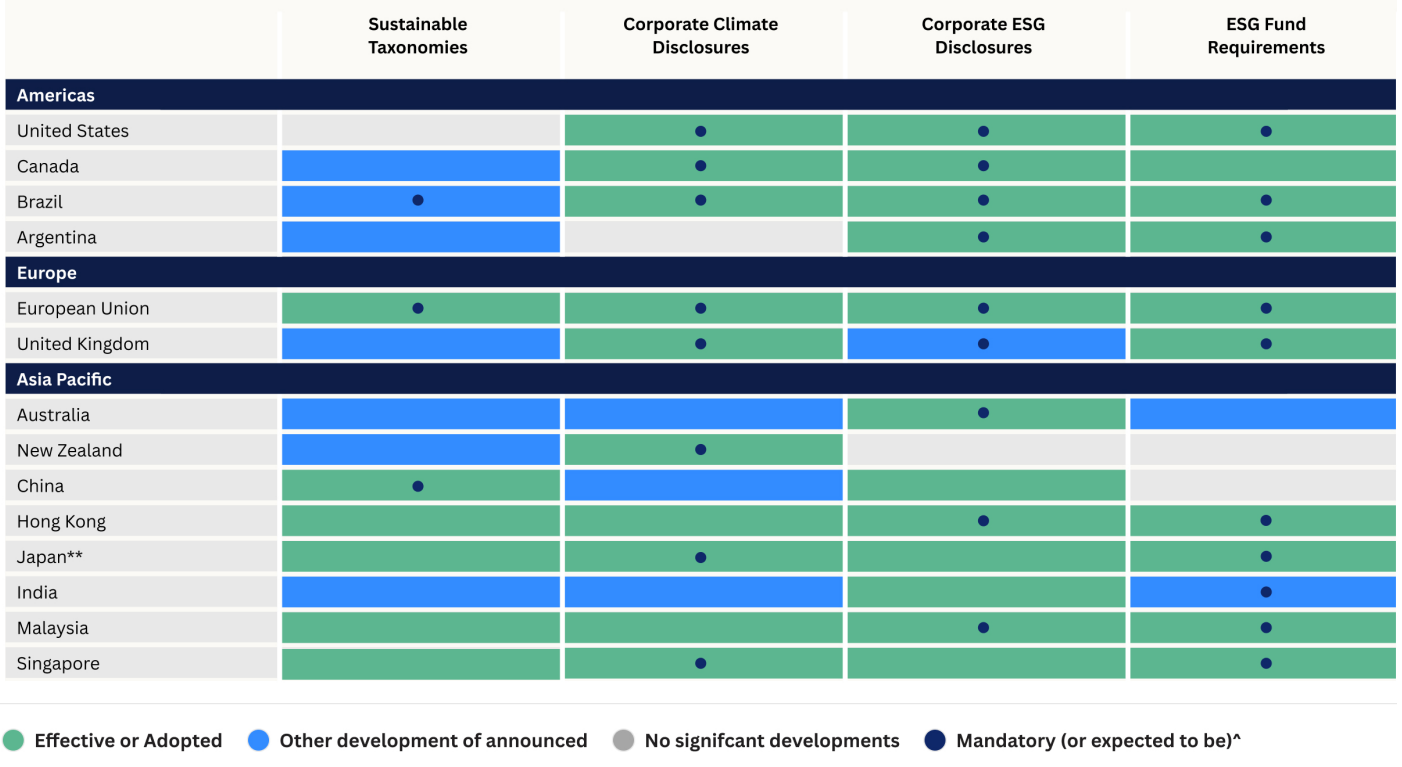
| Trend | 2014-2018 | 2018-2024 |
|---|---|---|
| **Regulatory Pressure & Opportunities** | ESG integration was largely voluntary, driven by reputation and ethical considerations. | Regulations such as the SEC Climate Rule, California's Climate Disclosure Laws & EU's SFDR make ESG disclosure mandatory, turning ESG from a value-added strategy to a legal and fiduciary necessity for asset owners and managers. The Inflation Reduction Act (IRA) incentivizes capital into clean energy sector in the US. |
| **Recognition of Financial Materiality** | ESG was viewed primarily as a tool for minimizing reputational risk. | Emergence of Frameworks such as TCFD, SASB and now the ISSB emphasize materiality and long-term financial performance. |
| **Data & Analytics** | Limited, inconsistent ESG data. | Vast improvements in ESG data, reporting and tools (including AI) have enabled deeper, more consistent analysis, driving demand for greater transparency from asset managers. |
| **Shift From Exclusion to Engagement** | Emphasis on exclusionary practices. | Focus on active engagement and shareholder advocacy, with investors pushing for better corporate ESG practices through voting and engagement. |
| **ESG Across Asset Classes** | ESG focus primarily on public equities. | ESG integration expanding to fixed income, private equity and real assets, with asset owners expecting consistent ESG practices across all asset classes. |
| **Focus on Impact** | Niche approach to investment and products. | Interest and investment from all sizes of investors, including measuring outcomes. |
| **Emergence of new products** | Growth of dedicated actively managed sustainability fund market as well as expansion of ESG ETFs. | Range of new products across asset classes, including green/sustainability bonds, thematic/SDG fund. |

# Regulation & Disclosure

Mandatory and voluntary disclosures and regulation have come a long way over the past decade. While alignment and uniformity are still a challenge, myriad disclosure requirements have helped to raise awareness of the volume of data and information needed to "meaningfully" incorporate sustainability criteria into risk and opportunity frameworks. Even the term "meaningful" has been under the spotlight as European Securities and Markets Authority (ESMA) and the EU Sustainable Financial Disclosure Regulation (SFDR) published guidelines around ESG and Sustainability-related terms.

In the EU, for example, funds must commit to invest "meaningfully" to be eligible to market funds with a sustainability-related name. In the US—in a similar effort to enhance understanding and integrity with regard to a fund's investment portfolio and the fund name—the SEC focuses on particular investment characteristics to reach a "naming threshold."[13] Needless to say, current regulations are an "alphabet soup" of terminology and rules across jurisdictions, investment themes and investment strategies, with new rules emerging.

**Chart 1: Snapshot of ESG Regulations by Jurisdiction**[14]




Source: Sustainable Fitch's ESG Regulation and Reporting Standards Tracker, June 2024

* Switzerland has opted not to introduce a sustainable finance taxonomy, although in practice certain Swiss FIs follow relevant EU standards and regulations, for instance.

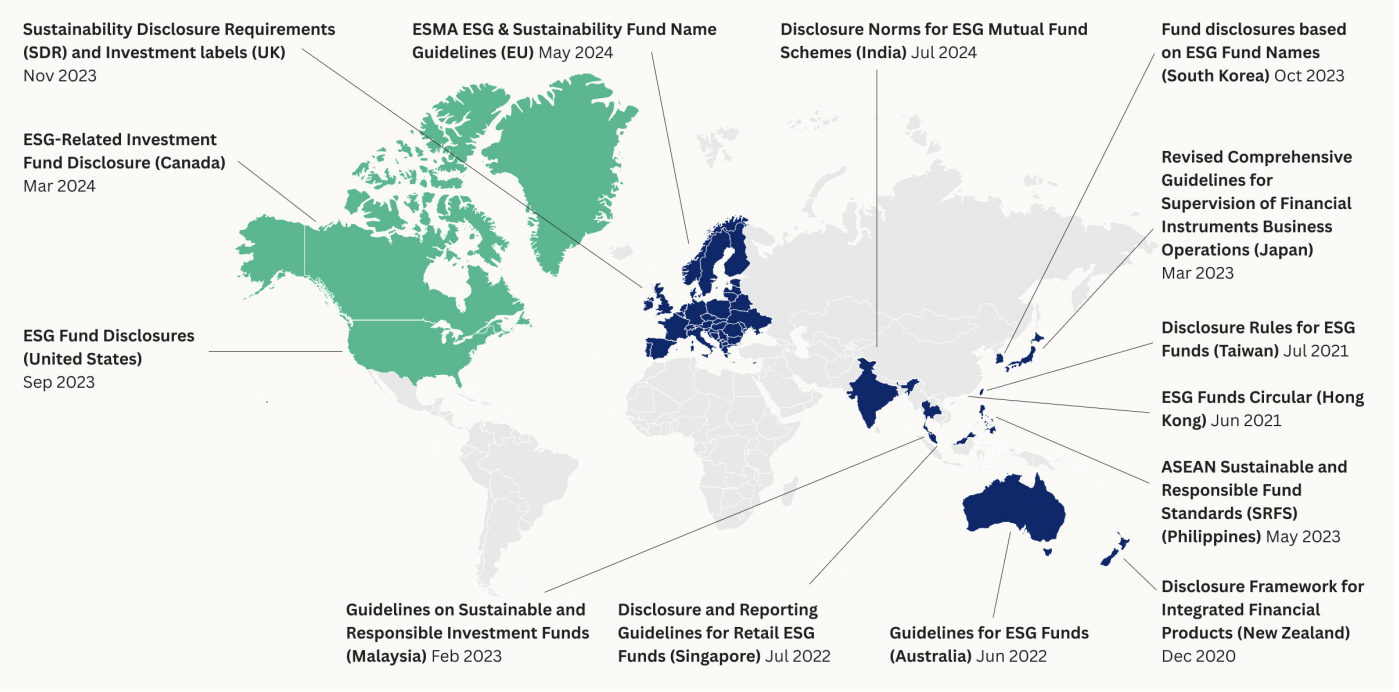
** Japan does not have a Taxonomy per se, but 'Basic Guidelines on Climate Transition Finance', which we have included under the taxonomy section.

^ In the case of sutainable taxonomies, a blue circle indicates whether the taxonomy has mandatory regulatory implications (the inclusion of the taxonomy into disclosure or investment-related rules

[13] "SEC Adopts Rule Enhancements to Prevent Misleading or Deceptive Investment Fund Names," Securities and Exchange Commission, September 20, 2023, https://www.sec.gov/newsroom/press-releases/2023-188.

[14] Marina Petroleka and Aurelia Britsch, "ESG Regulations and Reporting Standards Tracker" (Sustainable Fitch, June 2024), https://www.sustainablefitch.com/corporate-finance/esg-regulatory-reporting-standards-tracker-june-2024-update-20-06-2024#:~:text=Sustainable%20Fitch's%20ESG%20Regulations%20and,followed%20reporting%20frameworks%20and%20standards.

**Figure 8: Sustainable Fund Rules & Disclosures**




Source: MSCI Sustainability Institute

Note: This information is provided "as is" and does not constitute legal advice or any binding interpretation. Any approach to comply with regulatory or policy initiatives should be discussed with your own legal counsel and/or the relevant competent authority, as needed. Information Classification: GENERAL

# Reporting Frameworks: Adoption & Preferences

More than 88% of survey respondents use Sustainability or ESG Frameworks, with most adopting their own criteria (51%) within their investment decision-making or reporting. This emphasis on self-created criteria could reflect the need for consistency in frameworks used internally during this period, as new frameworks emerge each year to meet changing regulations.

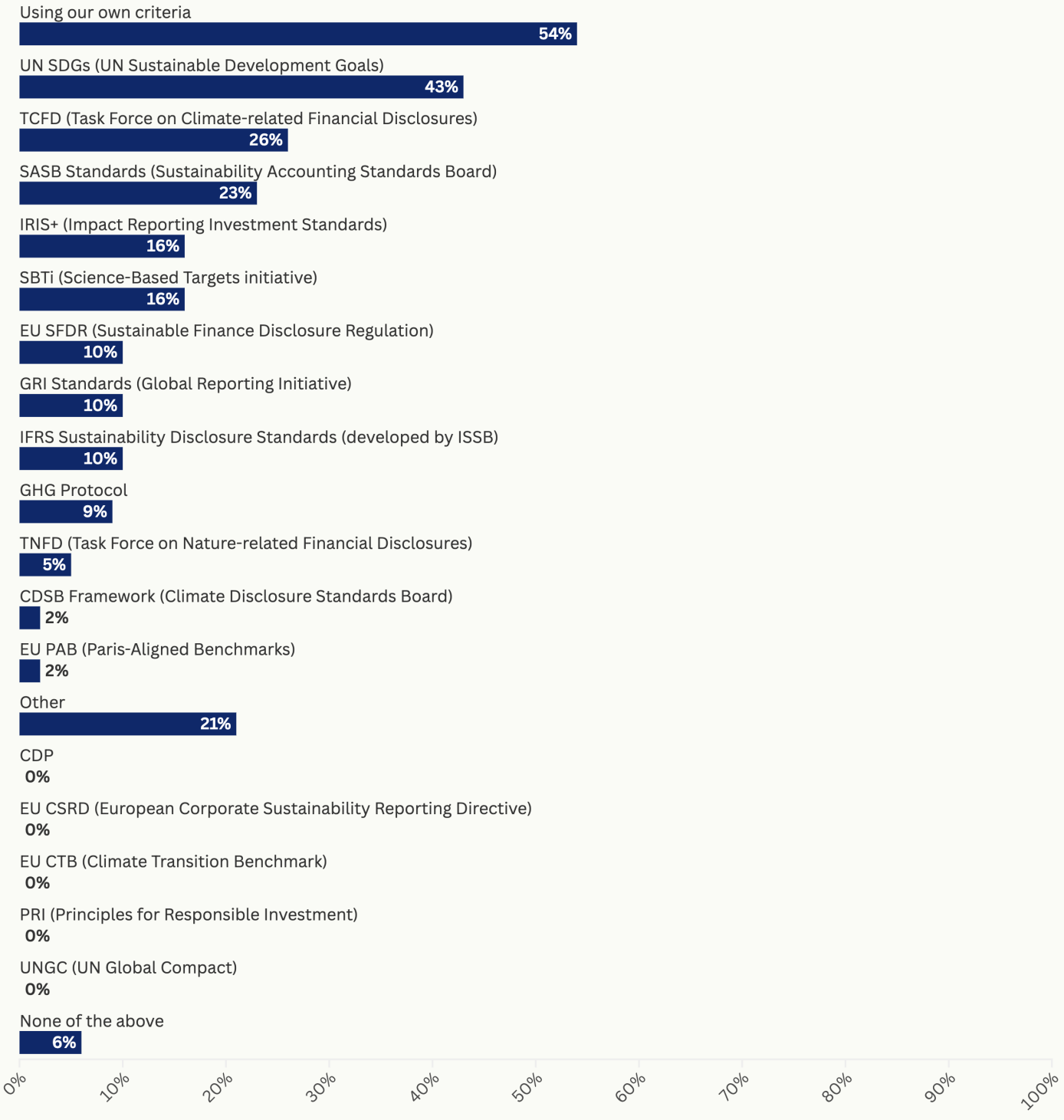
Following custom criteria, respondents' next most-used framework was the Sustainable Development Goals (42%). The longevity of the SDGs may be one reason for their popularity, along with their ability to cut across some of the emerging frameworks such as TCFD, Biodiversity and TNFD.

Note that zero respondents indicated use of several frameworks, though these may be used for reporting purposes rather than investment decisions.

These results appear consistent with survey responses showing that many investors have now shifted towards creating their own proprietary datasets and scoring methods. They may adapt from existing frameworks as they establish tailored approaches to suit distinct methodologies.

Naturally, third-party frameworks offer varying degrees of granularity and focus, and the quality of data reported by companies can vary. Recently, there have been efforts to consolidate some of the reporting frameworks and benchmarks (such as the International Sustainability Standards Board or the World Benchmarking Alliance) to reduce complexity and unify the industry's approach to integrating and reporting ESG factors.

## Figure 9: Sustainability or ESG Framework Preferences




Source: Results based on responses to Qn 15 in the Full Survey, US SIF 2024

# Alignment to Sustainable Development Goals

Forty-two percent of respondents indicated use of UN Sustainable Development Goals (SDGs)—which differs in key ways from implementing ESG data in an investment process. While both approaches promote sustainability, they serve different purposes.

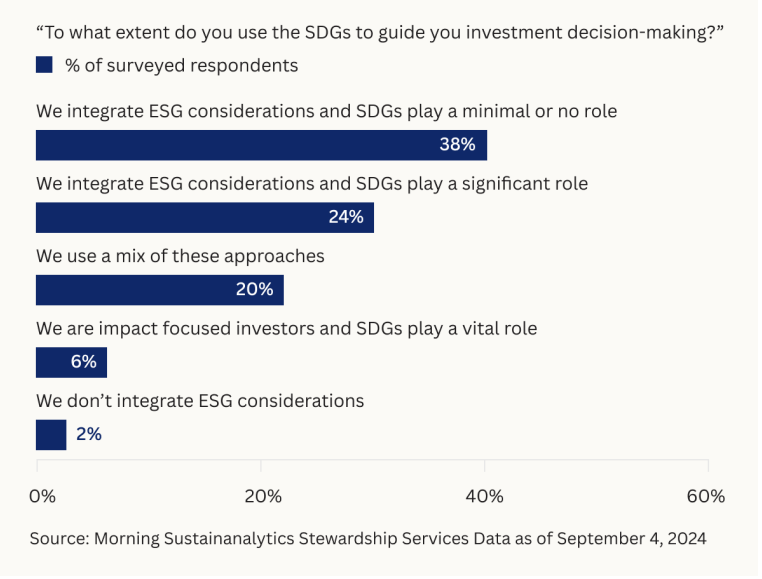
Generally speaking, investors leverage ESG analysis to improve financial performance by minimizing downside risks and capitalizing on upside opportunities within their portfolios.

In contrast, SDG-based investing is driven more societal and environmental impact rather than financial materiality.

The two approaches can be complementary. Combining ESG integration with SDG investing allows investors to manage risks, pursue financial returns, and simultaneously contribute to equitable sustainable development across markets. This dual strategy ensures that investors can address financial materiality while driving impactful change using the SDGs as a framework.[15]

While US investors are looking at both approaches as evidenced by recent data by Morningstar (Figure 10[17]), respondents views suggest a growing awareness of the interconnected nature of the SDG goals as investors cluster the SDGs into thematic or sectoral approaches.

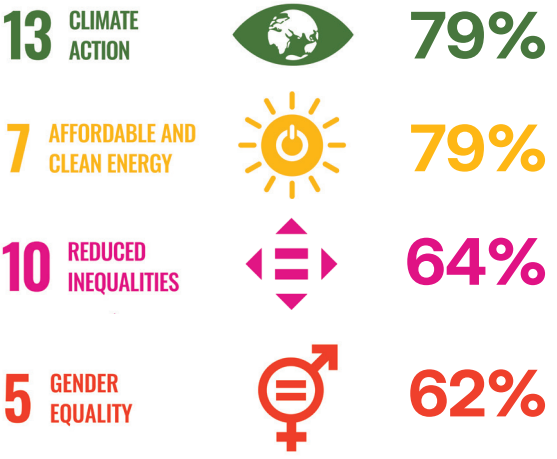
**Figure 10: Views on the Role of the SDGs in Investing[16]**




Source: Morning Sustainanalytics Stewardship Services Data as of September 4, 2024

We asked survey participants to identify current-focus Sustainable Development Goals and those for priority in the future:

## Short-term Priorities




## Future Priorities

(over the next 1-3 years)

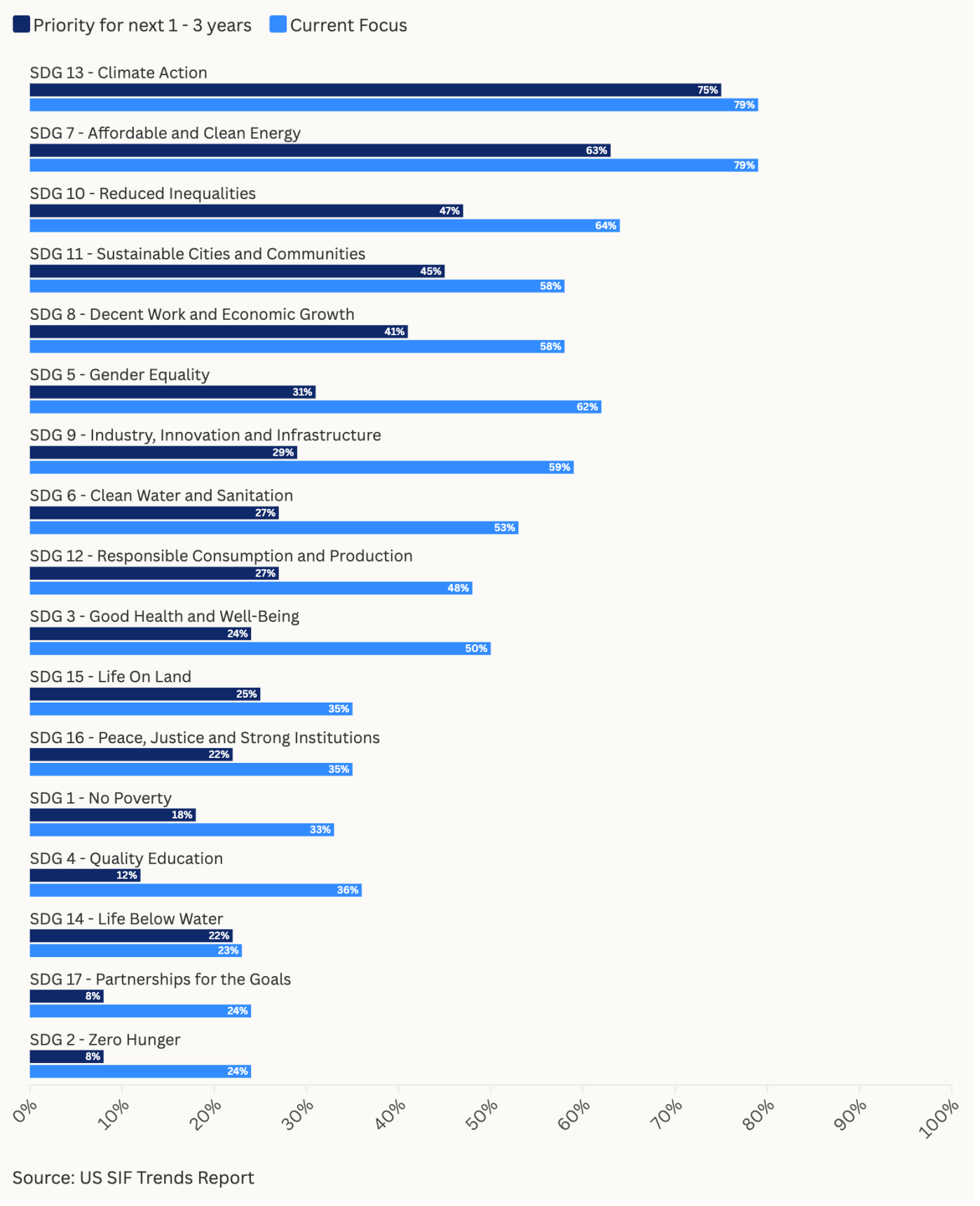

[15] "The Big Book of SI" (Robeco, n.d.), https://www.robeco.com/files/docm/docu-the-big-book-of-si-2018.pdf.

[16] "Thematic Stewardship Programmes" (Morningstar Sustainalytics, September 2023), https://www.sustainalytics.com/investor-solutions/stewardship-services/engagement-services/thematic-stewardship-programmes.

[17] Lindsey Stewart, "Why Investors Want a Bigger Role in Shaping the UN's Sustainable Development Goals," Morningstar, September 19, 2024, https://www.morningstar.com/sustainable-investing/why-investors-want-bigger-role-shaping-uns-sustainable-development-goals.

The chart below provides further detail on each of the SDGs.

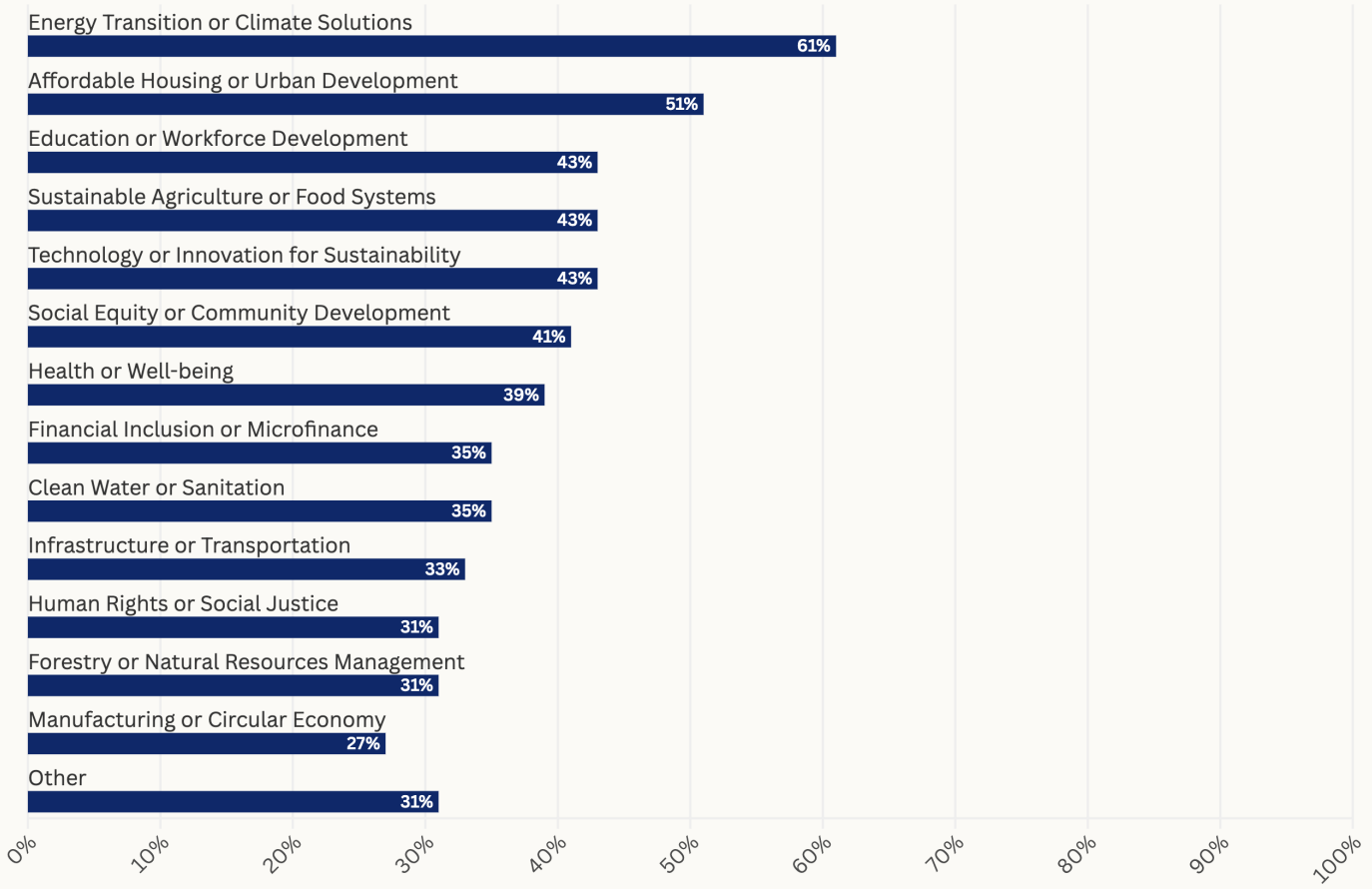
**Figure 11: Alignment to SDG Goals (Short & Long-term Priorities)**




Source: US SIF Trends Report

Respondents' emphasis on climate aligns with their current thematic investments, by which asset allocations contribute to progress toward the SDGs.

**Figure 12: Investing Themes**




Within your current U.S.-based sustainable investment portfolio, could you please provide estimated percentages for each thematic area relative to your total sustainable investments?Note: Please do not enter the % symbol. For 10% please enter "10" and not "10%" or "0.10"

Source: US SIF Trends Report

Relevant here is a recent report by the Global Impact Investing Network (GIIN), which indicated that over the next five years, investors globally will be particularly focused on the energy sector—and specifically on climate change mitigation and adaptation. The GIIN survey data showed that 69% of investors plan to make investments aimed at reducing greenhouse gas (GHG) emissions, and another 67% plan on targeting climate change adaptation and resilience efforts.[18]

This research aligns with trends in the US, where catalytic capital is flowing to address climate and transition challenges, particularly in previously underserved communities.[19] The projects incentivized by the Inflation Reduction Act are a great example of that effect[20].

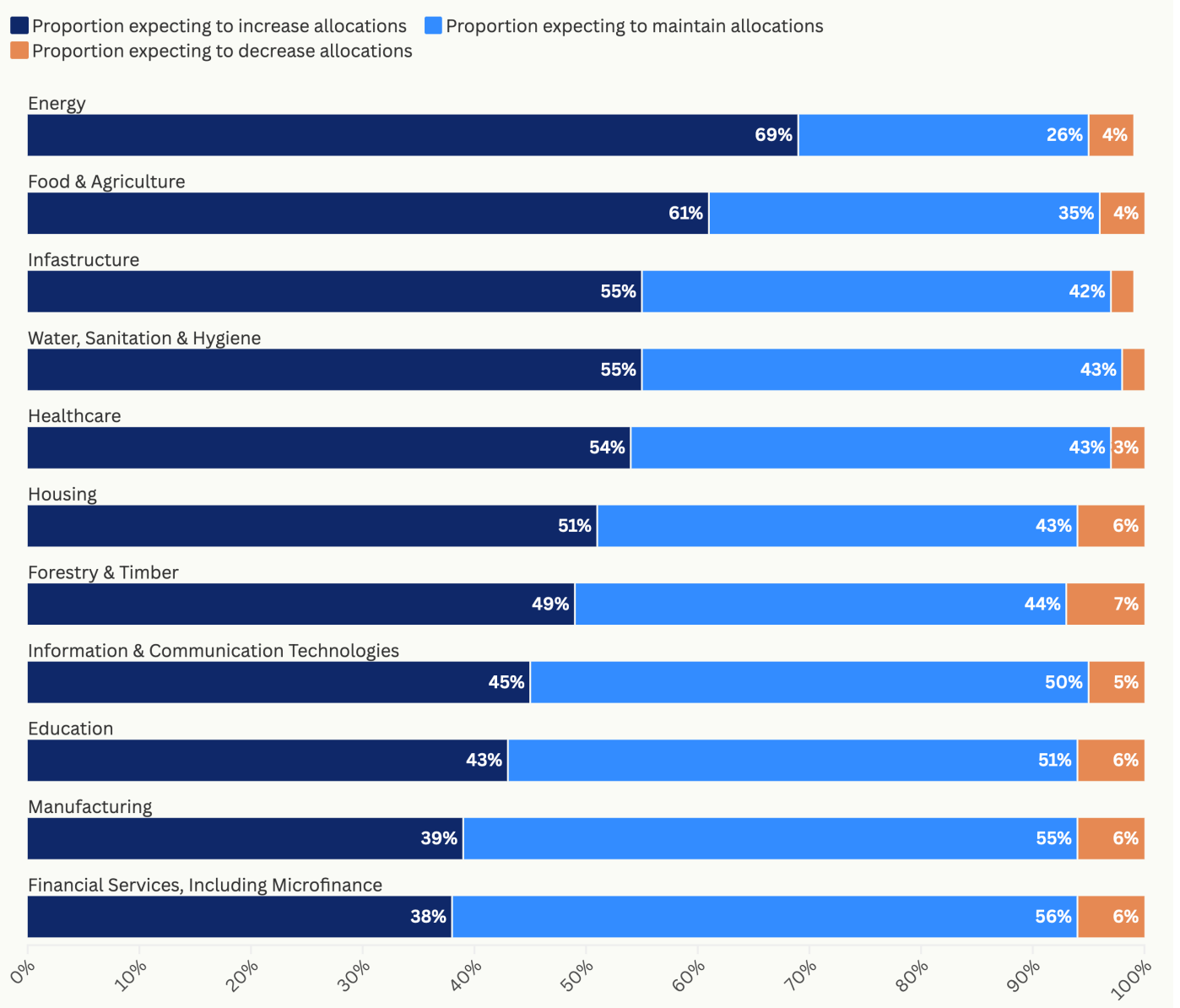
[18] Dean Hand et al., "State of the Market 2024: Trends, Performance and Allocations" (New York: Global Impact Investing Network (GIIN), 2024), https://thegiin.org/publication/research/state-of-the-market-2024-trends-performance-and-allocations/.

[19] Maoz (Michael) Brown, Riya Kadam, and Katherine Klein, "Catalytic Capital in Impact: Investing Forms, Features, and Functions" (Wharton, University of Pennsylvania, September 2023).

[20] "Treasury, Energy Release Guidance on Inflation Reduction Act Programs to Incentivize Investments in Underserved Communities, Hard-Hit Coal Communities," February 13, 2023, https://home.treasury.gov/news/press-releases/jy1269.

**Figure 13: Planned Future Sector Allocations Over the Next Five Years**

*Due to the nature of the question, percentages may not always total 100%*



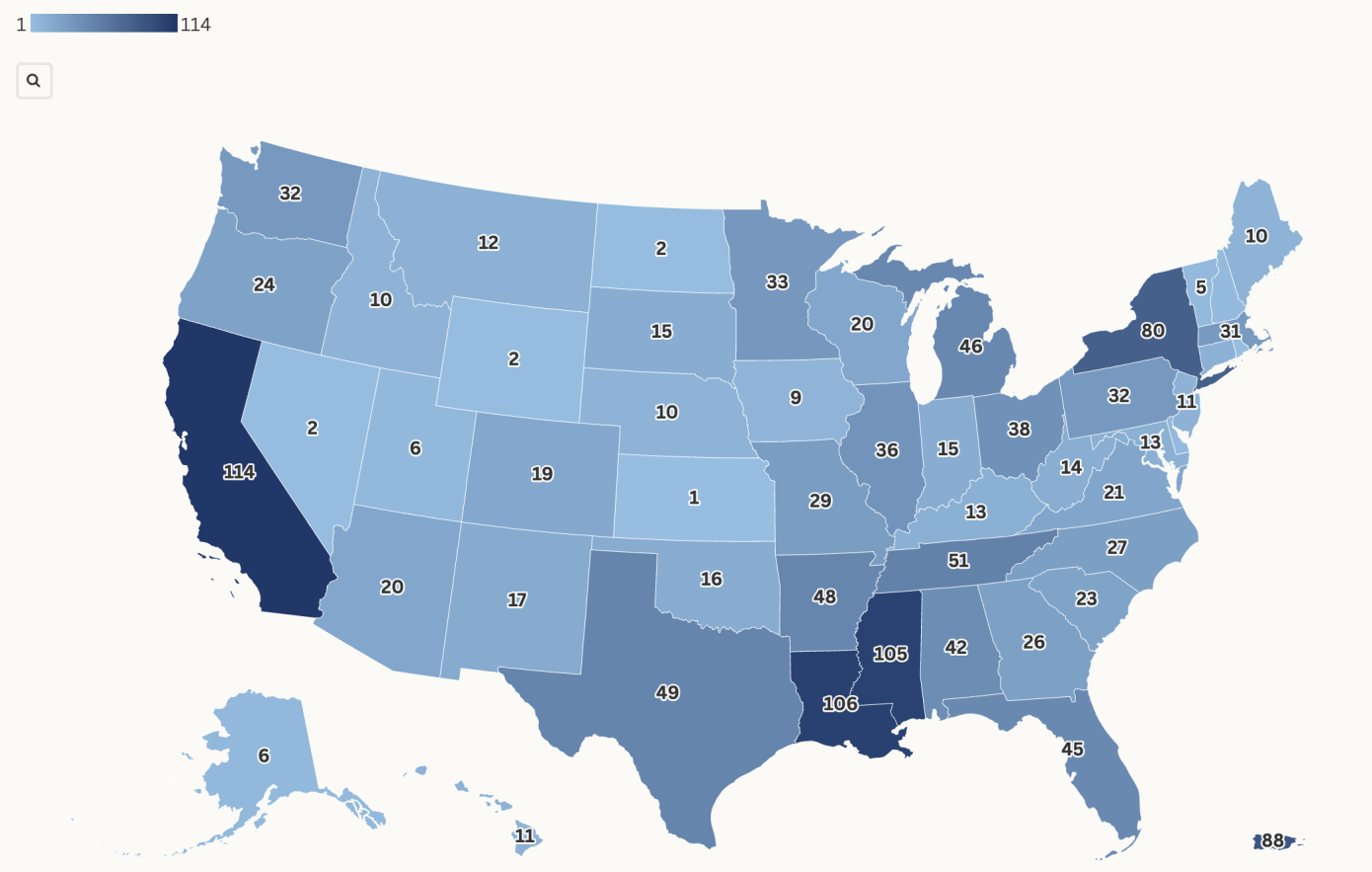

Source: Global Impact Investing Network (GIIN), 2024 • Note: Excludes two organizations that did not provide answers to this question. Respondents could select multiple options.

## Snapshot: Capital Allocation for Community Impact: Community Development Finance Institutions

Community investing institutions direct capital to communities and individuals underserved by conventional financial services. They typically provide capital and banking products for small businesses, affordable housing units, community facilities and other community amenities.

They also provide responsible lending products and related programs to help consumers avoid the predatory lenders that are often found in low-income areas. The past decade saw great advances in technology and capabilities for Community Investing Institutions (CIIs), and many now offer a full suite of banking and investing services for both investors and clients.

**Figure 14: States and Territories with Certified CDFI Headquarters**

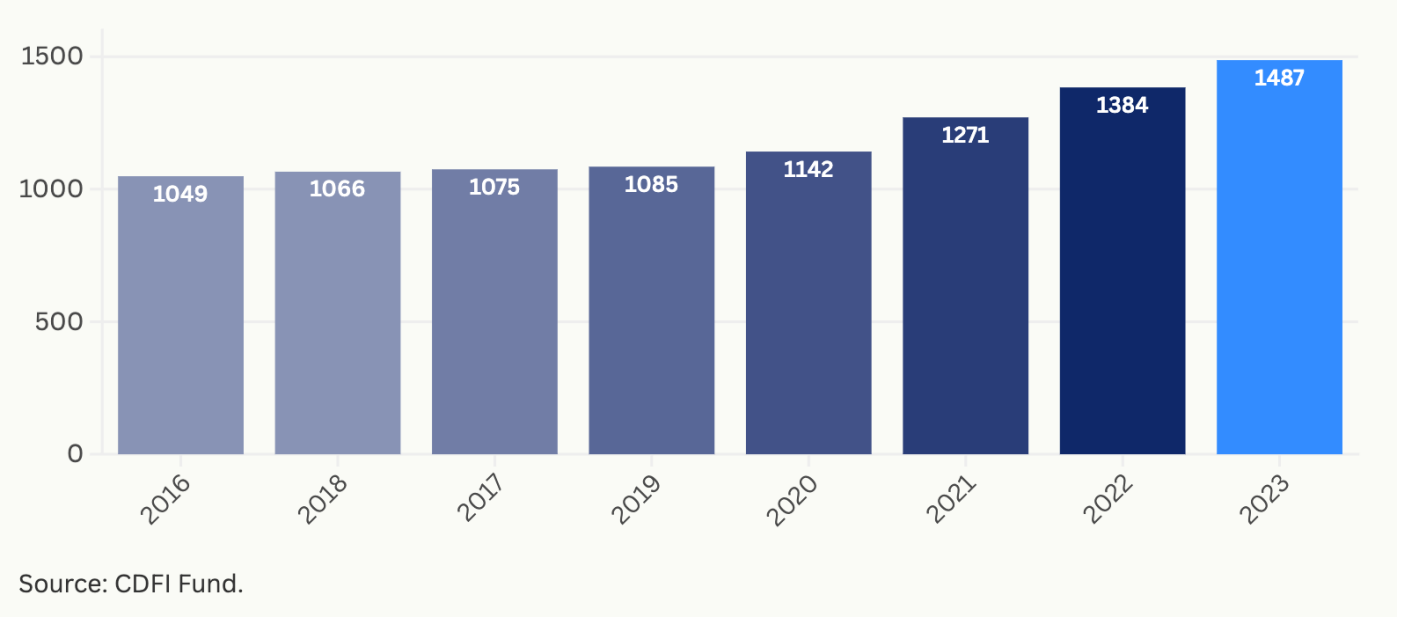



Source: US SIF; CDFI Fund • Note: Guam Territory - 1 Certified CDFI

### Historical Growth and Current Landscape

In 2014, US SIF identified 800 CIIs that collectively managed $64.3 billion in assets.[21] By 2022, this figure had surged to $458 billion, representing a 615% increase.[22]

The number of institutions has also surged. In 2000, the Community Development Financial Institution (CDFI) Fund reported 430 CDFI institutions. In 2023, that number had grown to almost 1500.[23]




Source: CDFI Fund.

**Key factors driving this growth include:**

- **Expansion of CIIs:** A large number of well-established credit unions and banks elected to become certified after 2019, causing the number of CDFIs to grow quickly in a relatively short period of time.
- **Growth and Diversification of Assets:** CIIs now invest in various asset classes, including microfinance, affordable housing and renewable energy.
- **Increased Demand for Responsible Investing:** The demand for sustainable and impact investing has fueled the growth of the community investing sector.

Our survey findings strongly support this, highlighting major themes in sustainable investing. Nearly half of these themes align with CDFIs' focus areas, including social equity, financial inclusion, affordable housing and human rights. This undeniable trend underscores the growing relevance of this vital segment of sustainable investing.

Community investing has evolved into a powerful tool for positive change. By directing capital to underserved communities, CIIs are contributing to economic growth, social equity and environmental sustainability. As the sector continues to grow and innovate, it will play a vital role in shaping a more just and equitable future.

**US SIF will be publishing a Special Focus Report on CDFIs and the Sustainable Investing Sector in Q1 2025.**

[21] "Report on US Sustainable, Responsible and Impact Investing Trends 2014" (US SIF: The Forum for Sustainable and Responsible Investment, 2014), https://www.ussif.org/files/publications/SIF_Trends_14.F.ES.pdf.

[22] "Report on US Sustainable Investing Trends 2022."

[23] Jacob Scott, Maria Carmelita Recto, and Jonathan Kivell, "Sizing the CDFI Market: Understanding Industry Growth" (Federal Reserve Bank of New York, August 2023), https://www.newyorkfed.org/outreach-and-education/household-financial-stability/sizing-the-cdfi-market-understanding-industry-growth.

# Effect of Issues or Events on Sustainable Investing

We asked survey participants to assess the impact of a series of issues or events on whether investors decide to increase sustainable investments in 2024 and beyond.[24]

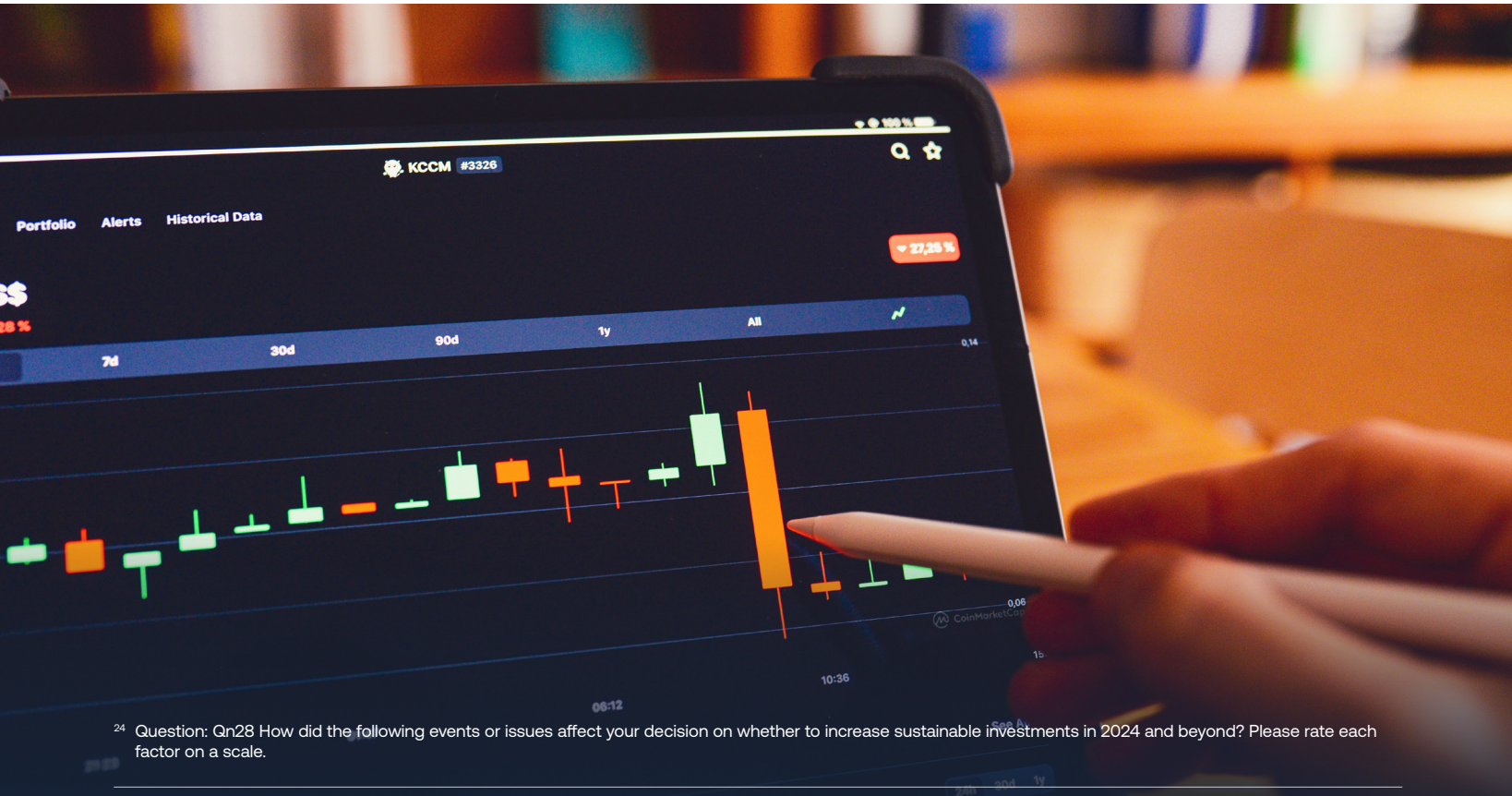
As the figure below illustrates, for the majority of topics, respondents saw no effect on sustainable investing. Climate change was the only issue where more than half of respondents thought there was either a strong positive (22%) or positive effect (32%).
Other prominent issues perceived to contribute a positive or strong positive effect on increasing sustainable investments include:

**/ Loss of biodiversity**
**/ Client preferences**
**/ Indigenous Peoples' rights**
**/ Food insecurity**
**/ Sustainability reporting standards**
**/ Regulatory change**

Respondents noted some issues or events they perceived as having a negative effect—although all of the following also received responses in the "positive" category:

**/ Anti-ESG rhetoric**
**/ The US Election**
**/ Greenwashing claims**
**/ Greenhushing**
**/ Inflation**

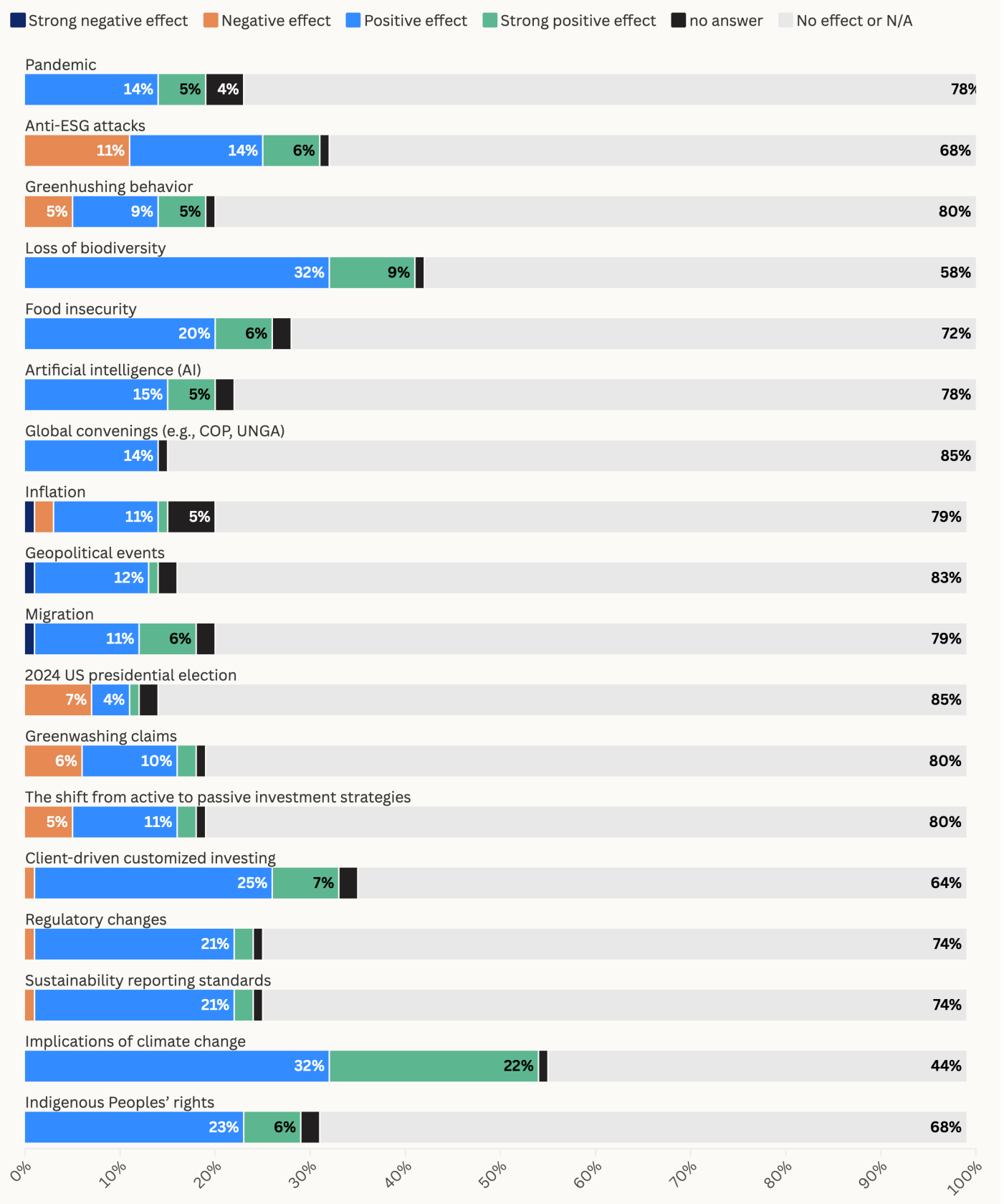
Responses suggest that some issues create pressure on the sustainable investment but do not necessarily undermine either the investment case or strategy use.




[24] Question: Qn28 How did the following events or issues affect your decision on whether to increase sustainable investments in 2024 and beyond? Please rate each factor on a scale.

**Figure 15: Effect of Issues or Events on Sustainable Investing**

*Due to the nature of the question, percentages may not always total 100%*




Source: US SIF Trends Report

# / Strategies for Sustainable Investing

Investors can adopt single or multiple strategies into their sustainable investment approach. We asked survey participants specifically about ESG Integration, Positive or Best in Class Screening, Negative or Exclusionary Screening, Impact Investing and Sustainability Themed Investing.

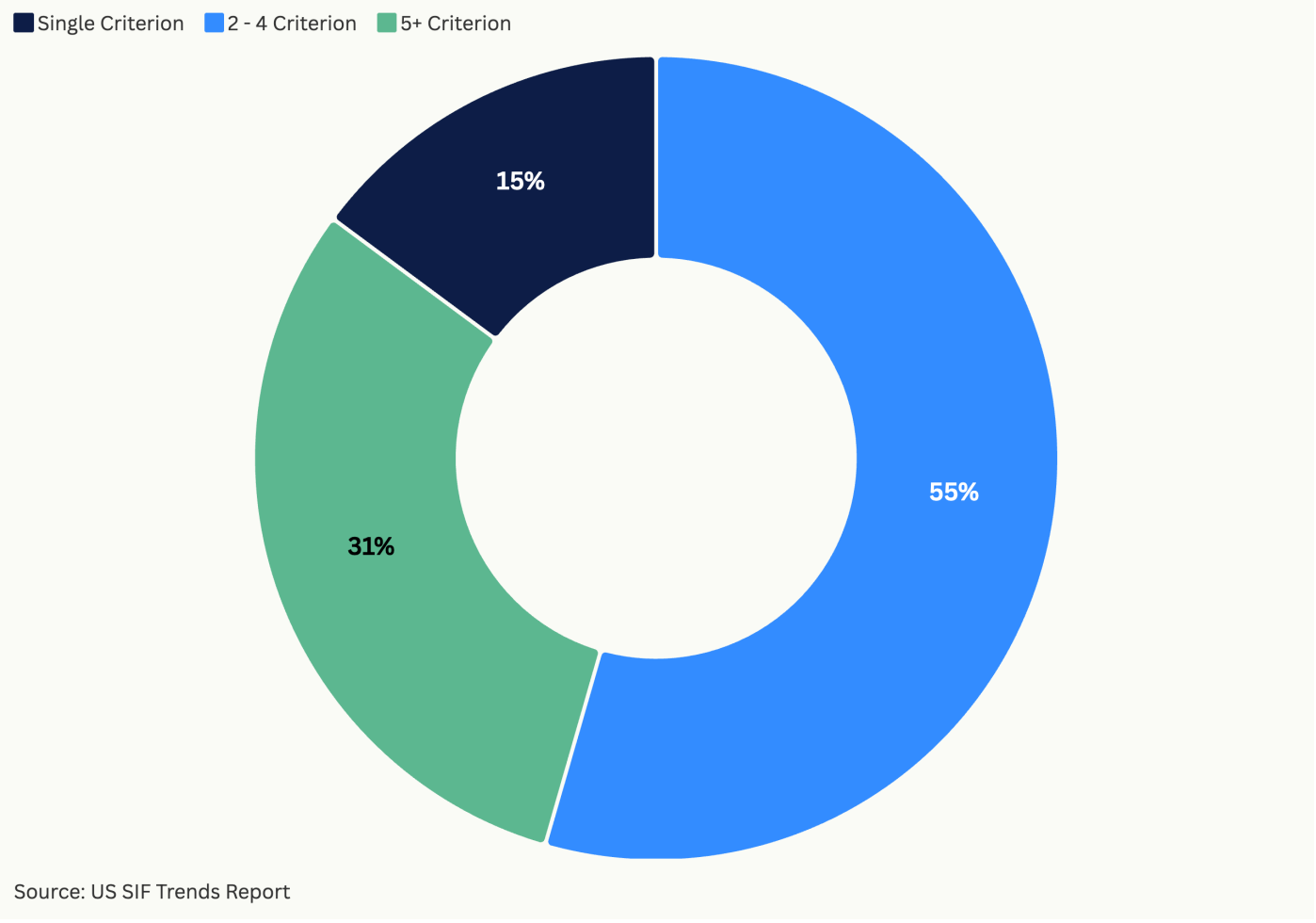
Throughout this section of the report, where we indicate a percentage, the value represents the fraction of respondents who selected the strategy.

## Use of Sustainable Investing Strategies

Most survey respondents used more than one investment strategy, with 55% using from two to four strategies and 31% using more than five. This is to be expected as survey participants are reporting on the use of sustainable investing strategies across their full product or investment range. The result may have differed if the analysis was conducted at a fund level.

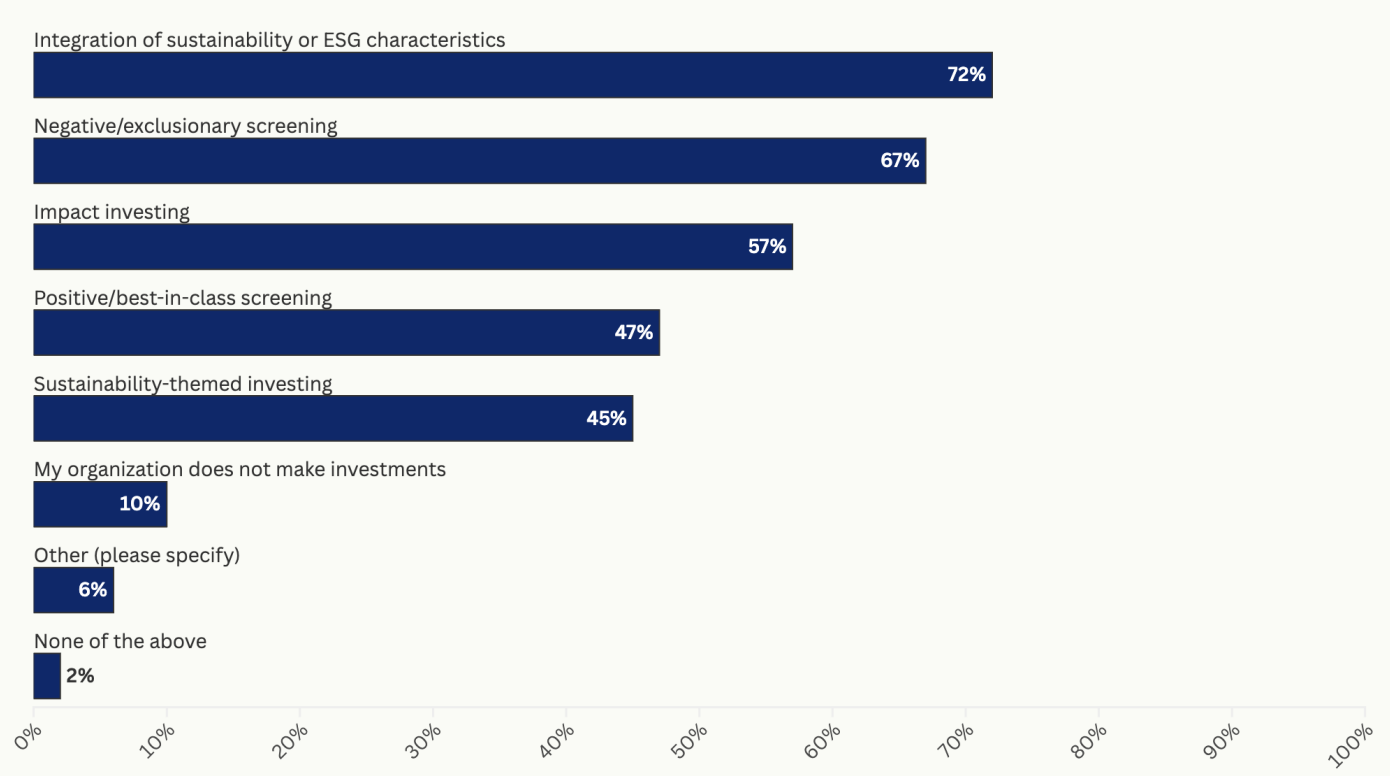
**Figure 16: Use of Sustainable Investing Strategies (Frequency)**

*Due to the nature of the question, percentages may not always total 100%*




Source: US SIF Trends Report

## Figure 17: Use of Sustainable Investing Strategies




Source: Source: Results based on aggregated responses to Qn 20 in the Full Survey and Qn 7 of the Brief Survey, US SIF 2024

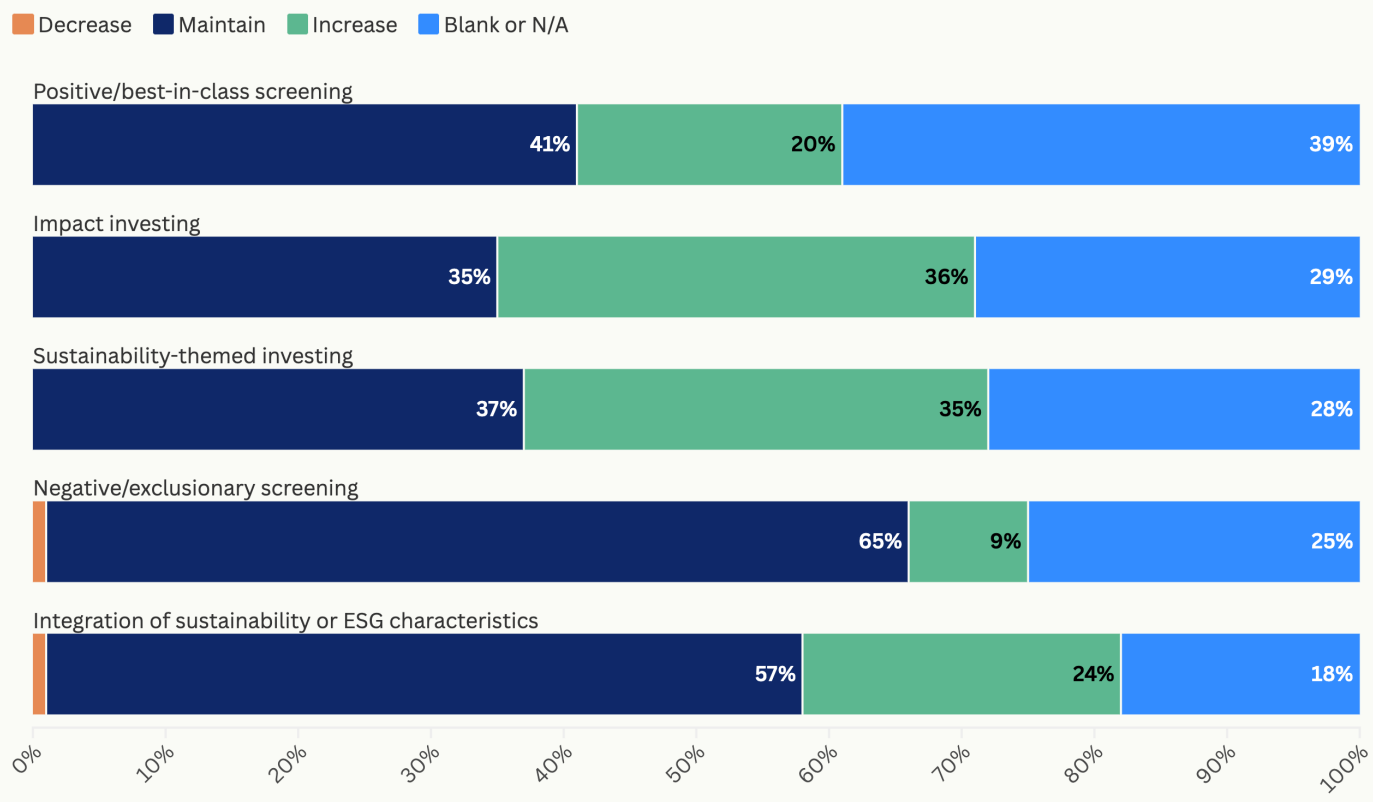
# Growth of Sustainable Investing Strategies

Most survey respondents expected to maintain or increase their use of all sustainable investment strategies. Respondents most often selected Impact Investing (36%) and Sustainability Themed Investing (35%) as strategies they would increasingly implement.

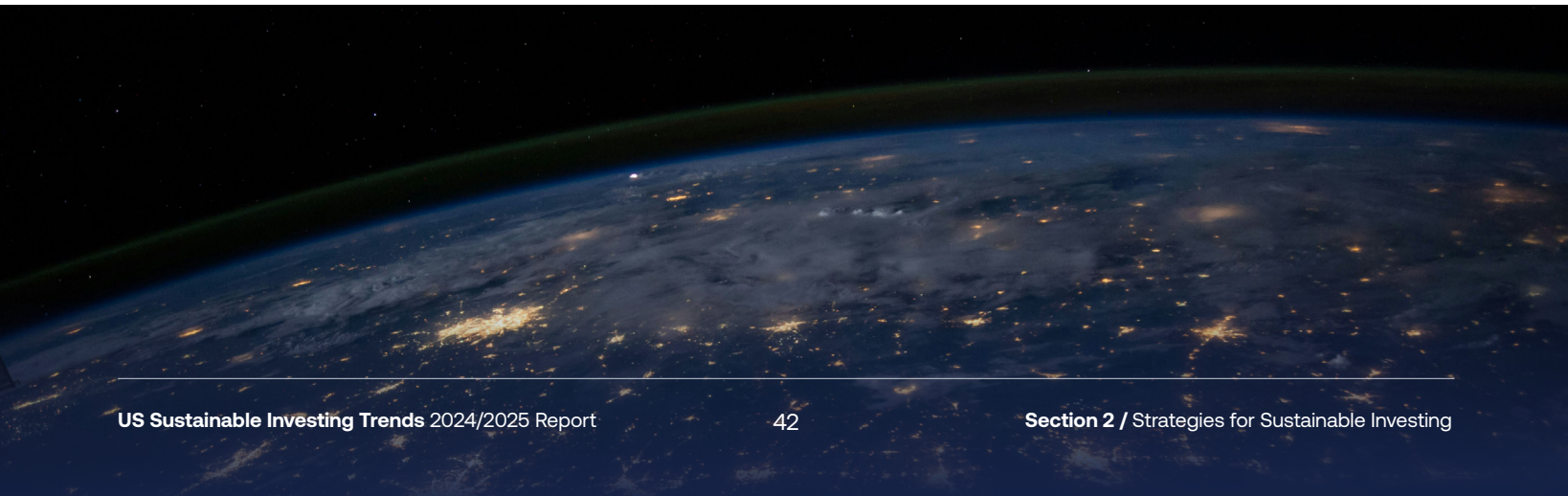
We believe some of the data in this section may have predictive power-suggesting the possible direction of travel for sustainable investing going forward.

**Note:** Hardly any participants anticipated a decline in the use of any of the strategies.

**Figure 18: Implementation of Sustainable Investing Strategies**




Source: Results based on responses to Qn 27 in the Full Survey, US SIF 2024



# Environment, Social & Governance Considerations

We asked survey participants to identify the Environmental, Social or Governance criteria they consider in their investments.

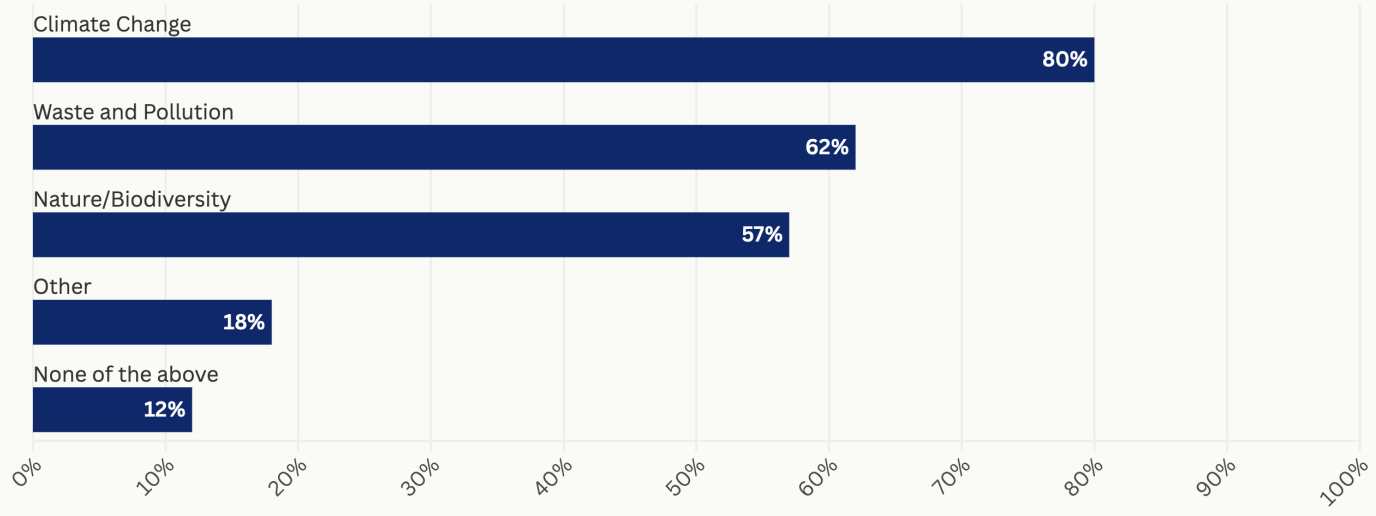
The most popular environmental factor is the consideration of Climate Change (80%); social factors include the integration of Labor Standards (72%) and Human Rights (66%), and governance factors include Board Structure and Composition (74%) and Transparency and Disclosure (73%). Further detail on each factor is included in the tables below.

Other Criteria identified by respondents included Natural Resource Stewardship Sustainable Agriculture, Food Justice, Just Transition, Environmental Justice, Renewable Energy Production and Water Stewardship.

## Environmental Considerations

We asked participants to select which environmental criteria they apply to their investments. Respondents selected climate change—including GHG Emissions, Energy Usage and Efficiency, Transition to Net Zero, Carbon Footprint—more than any others (80%). Next up were Water and Pollution (62%) and Nature or Biodiversity (57%) followed as the next most selected options. A small number of participants selected Other Criteria (18%), and 12% selected none of the above.

**Figure 19: Environmental Considerations**



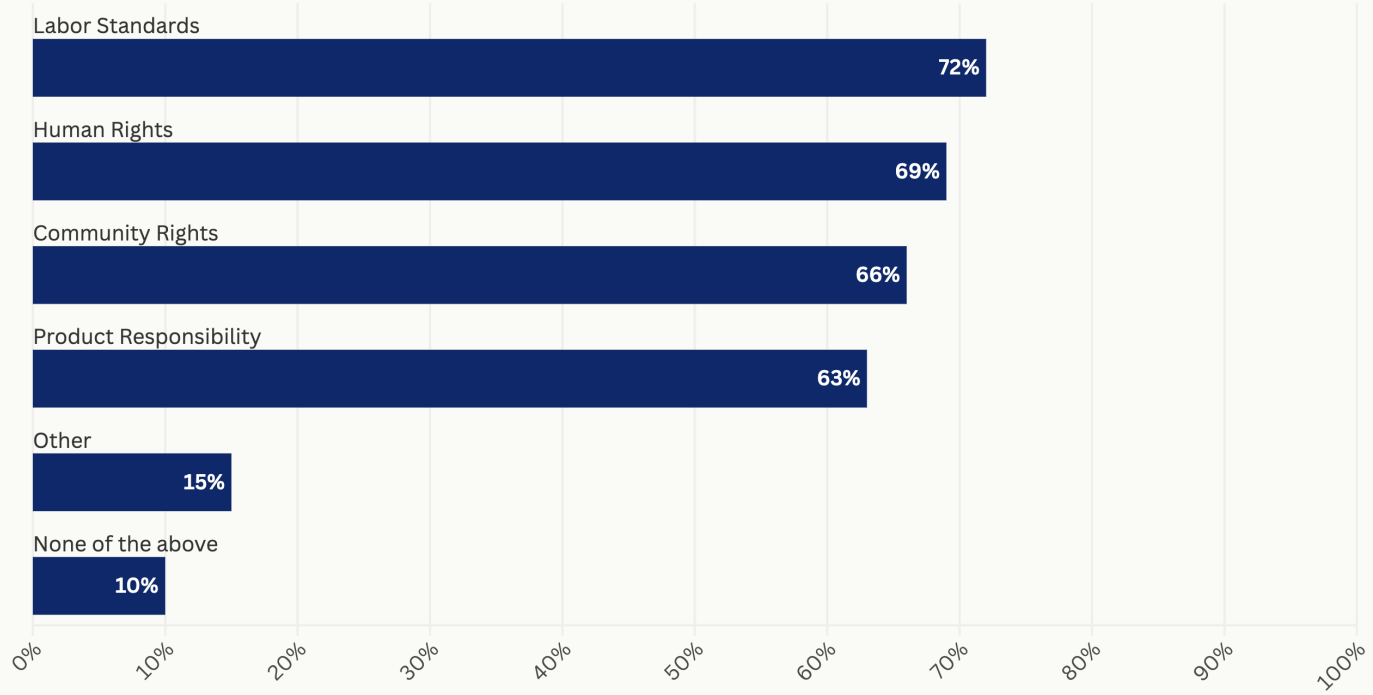

Source: Results based on aggregated responses to Qn 19 in the Full Survey and Qn 6 of the Brief Survey, US SIF 2024

## Social Considerations

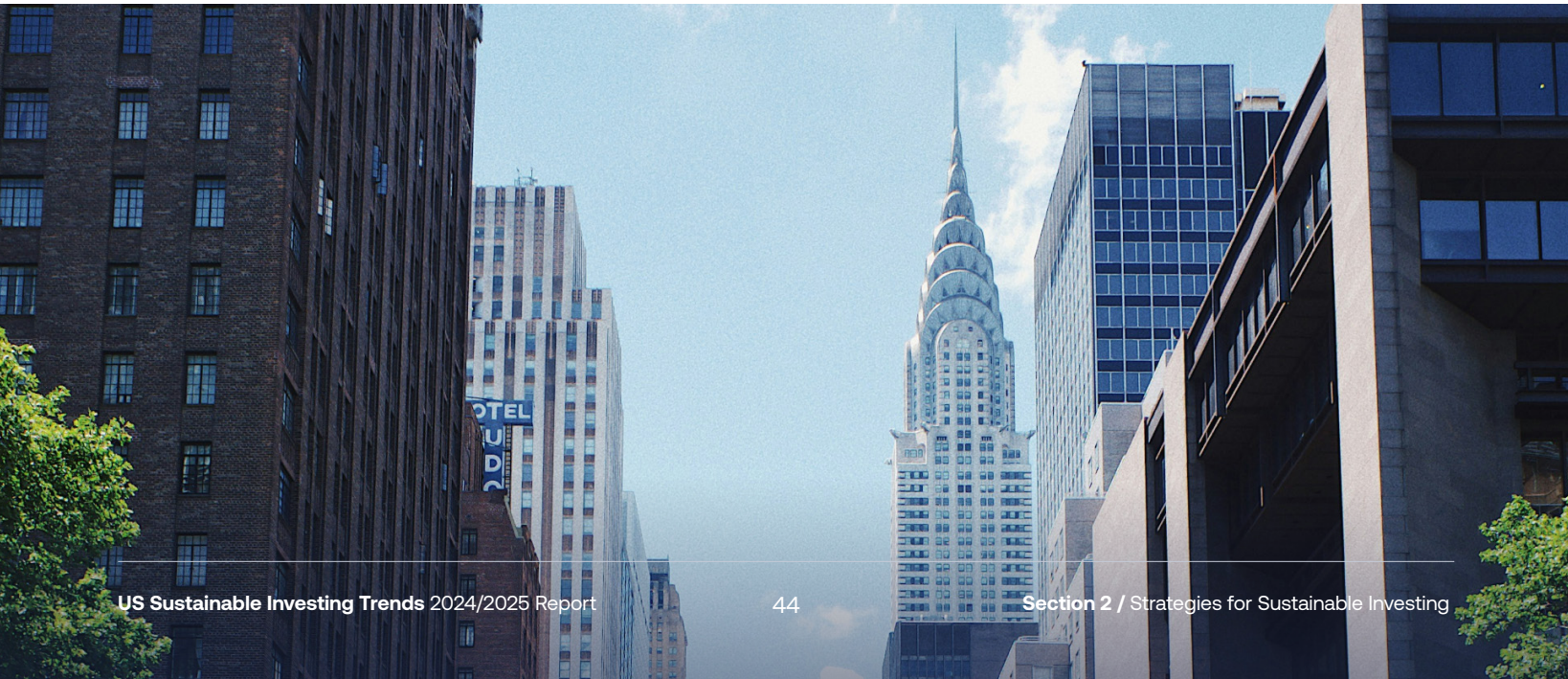
Next up was the “S” in ESG. We asked participants to select which Social considerations they incorporate into their investments. They selected Labor Standards (including fair compensation, workplace safety, freedom of association and DEI) more than any others (72%). Human Rights (69%), Community Rights (66%) and Product Responsibility (63%) followed closely thereafter. A small number of participants selected Other Criteria (15%), and 10% selected none of the above.

Other Criteria identified by respondents included Racial & Gender Justice; Diversity, Equity & Inclusion; Cybersecurity; and Faith-based criteria and Contextual Issues using Financial Materiality

**Figure 20: Social Considerations**




Source: Source: Results based on aggregated responses to Qn 18 in the Full Survey and Qn 5 of the Brief Survey, US SIF 2024

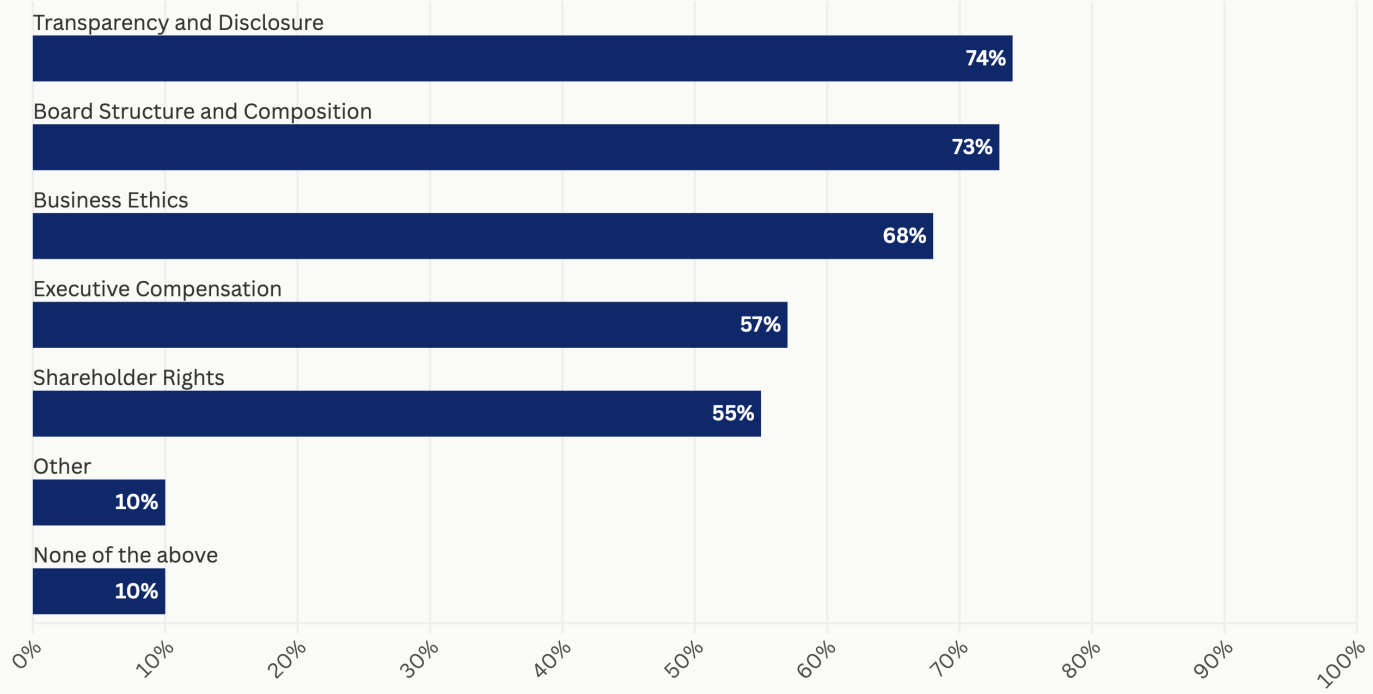


## Governance Considerations

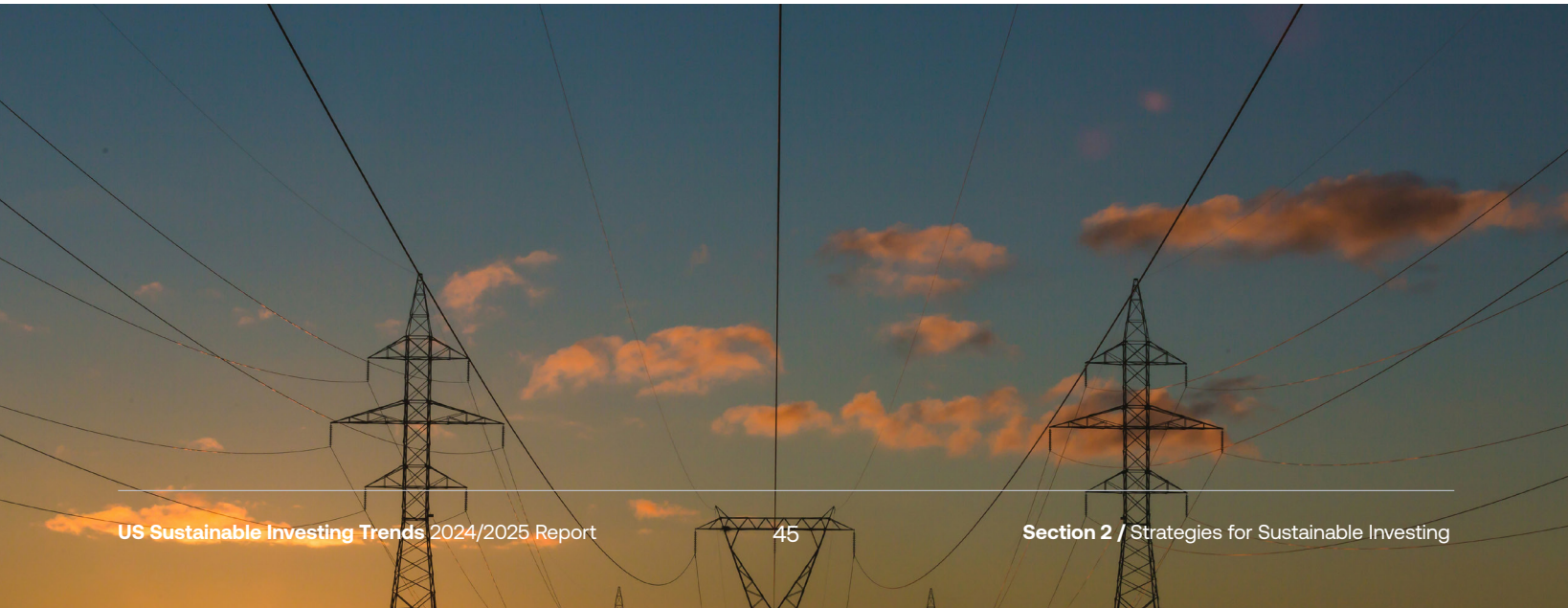
Finally, to "G": We asked participants which Governance considerations they incorporate into their investments. Transparency and Disclosure (74%), Board Structure and Composition (73%) and Business Ethics (68%) featured strongly—all selected by more than two-thirds of respondents. More than half identified Executive Compensation (57%) and Shareholder Rights (55%). A small number of participants selected Other Criteria (10%), and 10% selected none of the above.

Other Criteria identified by respondents included Materiality Assessment and Conflict of Interest.

**Figure 21: Governance Considerations**




Source: Results based on aggregated responses to Qn 19 in the Full Survey and Qn 6 of the Brief Survey, US SIF 2024



# Negative Screening

More than two-thirds of respondents (67%) reported using Negative Screening. Most respondents make use of multiple exclusions across their investments from two to five or more.

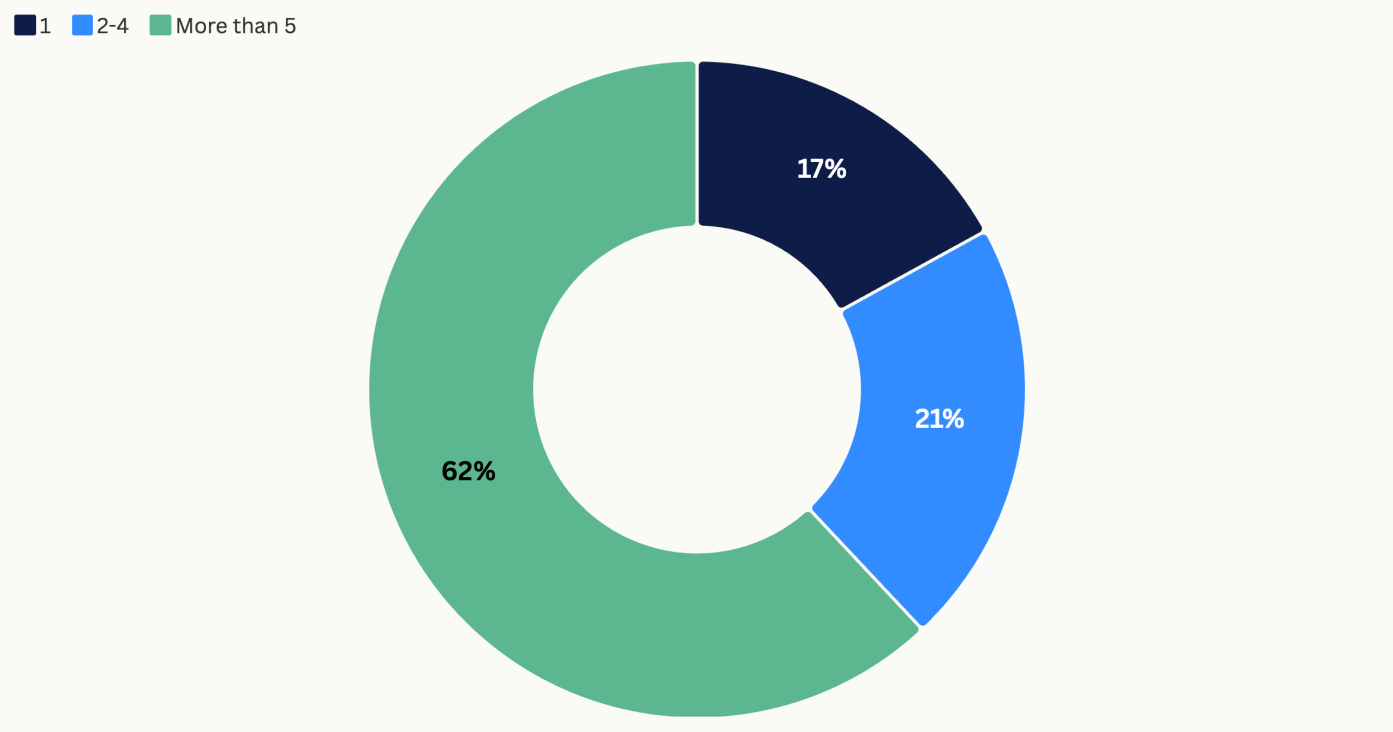
Tobacco exclusions remain a high priority (66% of those reporting the use of Negative Screening). Respondents reported even more focus on partial or full Fossil Fuel exclusions (68%). Note, however, that this figure represents use across respondents and not the percentage of assets relevant to the exclusion.

Other negative screens include Military or Weapons (63%), Gambling (55%), Alcohol (49%), Pornography (49%), Nuclear Energy (37%) and Animal Testing (28%).

Respondents who selected "Other" investment exclusions noted the following:

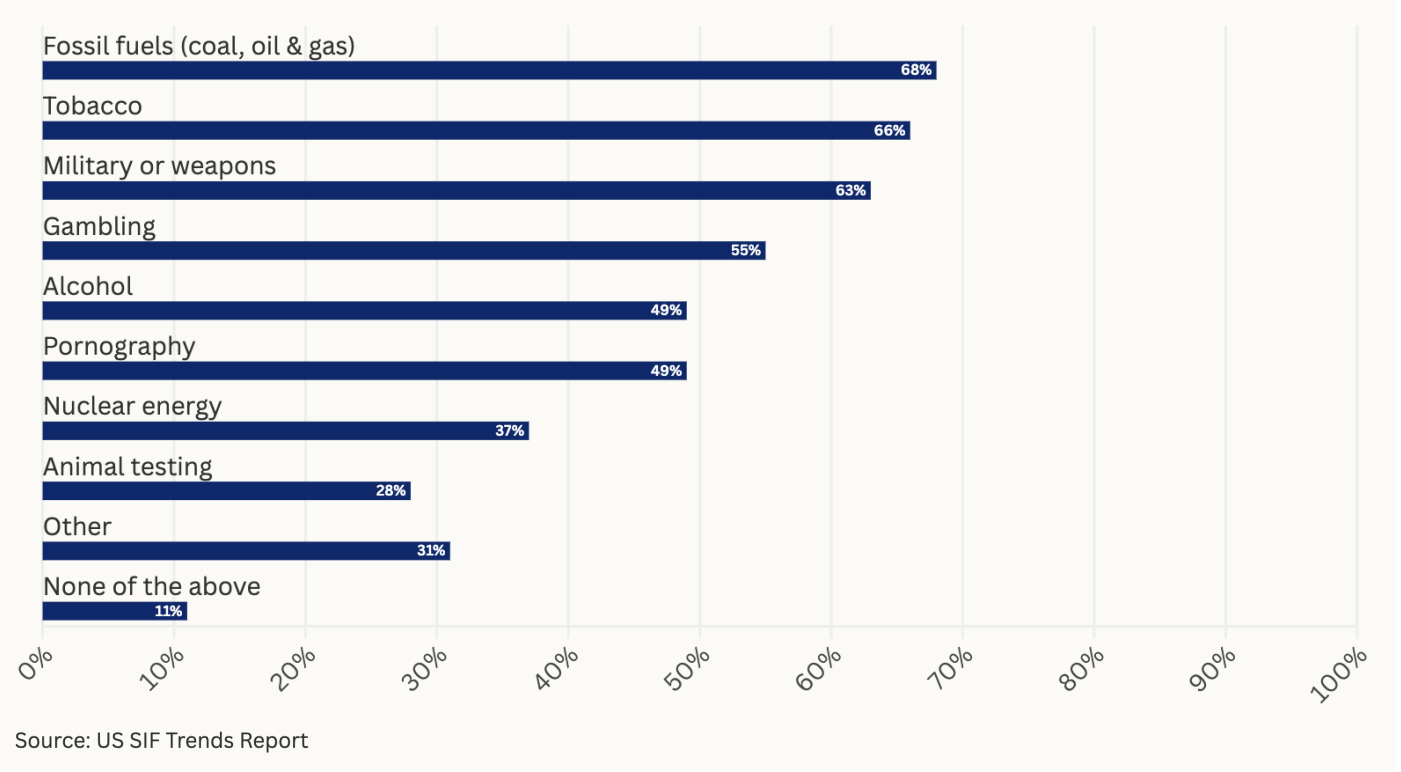
- Companies in breach of the UN Global Compact Principles.
- Private prisons; for-profit hospital systems.
- Factory farming; extractive agriculture; major producers of synthetic pesticides.
- Fossil fuel service providers and distributors; utilities that have announced plans for new coal-fired power plants.

**Figure 22: Negative Screening, Use of Exclusions**




Source: US SIF Trends Report

**Figure 23: Negative Screening from Investment Portfolio**




Source: US SIF Trends Report

Many of the responses align with emerging trends in the market where we have noted deeper investor engagement through various strategies of shareholder engagement. Examples include:

- **Deforestation-Linked Sectors:** The value of biodiversity and natural capital are becoming better understood, and as such, sectors linked to deforestation (e.g., palm oil, soy and timber production and cattle ranching) are increasingly excluded. This shift reflects investors' concern about the impact of deforestation on GHG emissions and ecosystems.[25]
- **Animal Testing and Factory Farming:** Ethical and sustainability concerns related to animal welfare have led some investors to exclude companies engaged in animal testing or intensive animal agriculture. The growing understanding of the interconnected nature of livestock production, climate and human health is also becoming a further consideration within investors' portfolios.[26]
- **Controversial Technologies:** With advances in technology, sectors such as genetic engineering and facial recognition are facing increasing scrutiny. Some investors are choosing to exclude companies involved in biotechnology related to ethical concerns about privacy, consent and human rights.[27]
- **Social Media and Data Privacy:** The tech sector, particularly social media companies, is facing scrutiny over concerns about misinformation, privacy violations and social harm. As a result, some investors are excluding companies involved in data privacy breaches or those accused of fostering societal harm through their platforms.[28]

[25] "Axa Investment Managers Expands Deforestation Exclusions," Reuters, June 16, 2021, https://www.reuters.com/business/sustainable-business/axa-investment-managers-expands-deforestation-exclusions-2021-06-16/.

[26] Puva Khanna Sethi, "Factory Farming - Unveiling the Hidden Risks for Investors," Insights (blog), August 16, 2016, https://www.fairr.org/news-events/insights/factory-farming-unveiling-the-hidden-risks-for-investors.

[27] "Investor Statement on Facial Recognition" (Candriam, June 10, 2021).

[28] Victoria Beckett, "Why Social Media Needs Active Investors - Part Two," Cazenove Capital (blog), July 11, 2022, https://www.cazenovecapital.com/en-gb/uk/wealth-management/insights/why-social-media-needs-active-investors-part-two/.

# Stewardship and Shareholder Advocacy

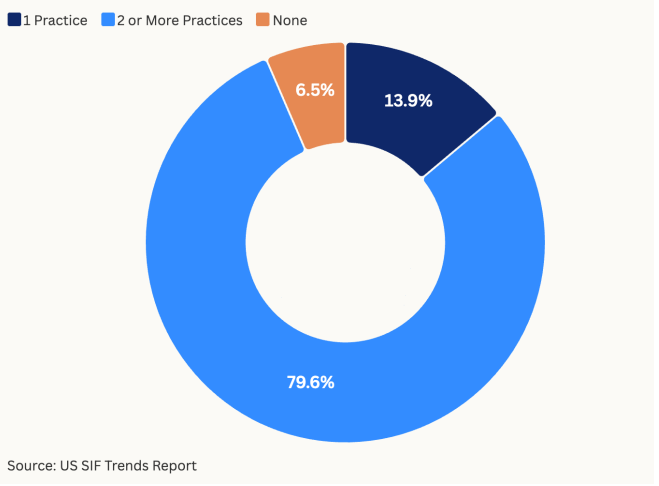
The results from the Trends 2024 Survey help to unpack the myriad approaches or actions that investors may take in order to demonstrate that they are active stewards of their invested capital. The 2024 survey indicates that there is a strong core group of investors who undertake multiple actions in promoting the rights of investors.

As we described in the Methodology section, in this edition of the Trends Report, we have divided our focus to include both "Sustainable Investing AUM" and "RI Stewardship Investing AUM." This section focuses on unpacking the latter, noting that we assess to be $42 trillion, or almost 80%, of the $53 trillion total US AUM has been declared as being covered by a Stewardship Policy.

To explore survey respondents' approach to stewardship and shareholder advocacy, we asked about five specific practices: Shareholder Engagement, Proxy Voting, Investor Coalitions, Public Policy Advocacy and Shareholder Resolutions.

**Overall findings indicate that:**

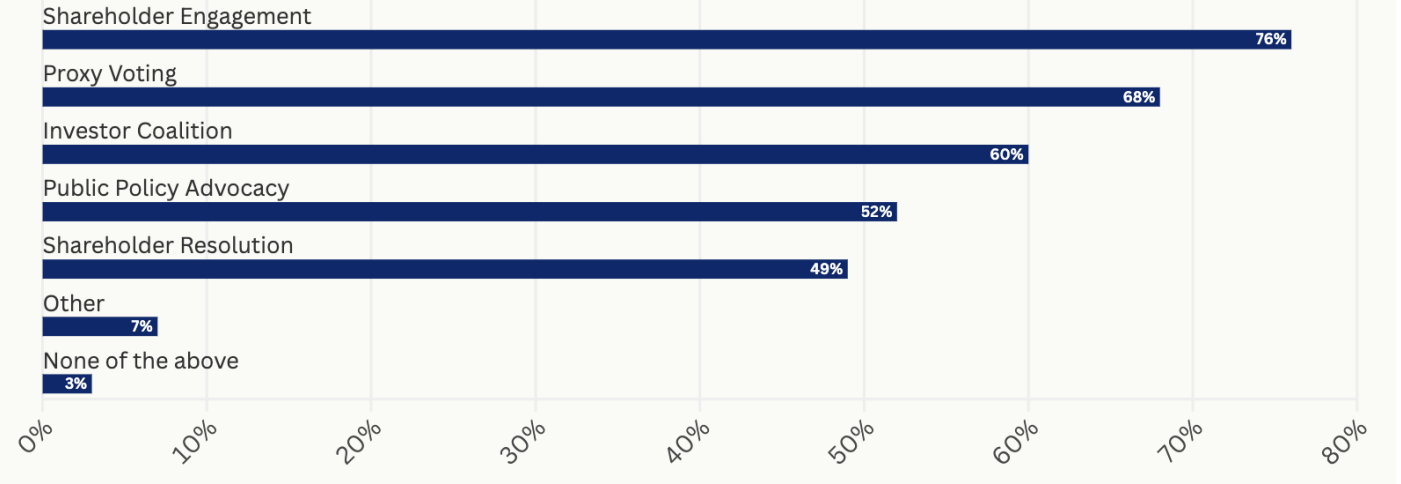
- **76% engaged in shareholder engagement**, communicating directly with company management teams or boards on sustainability or ESG matters.



Source: US SIF Trends Report

- **68% participated in proxy voting** of ballot items included in company proxy statements for annual general meetings (AGMs).
- **60% joined investor coalitions** that focused on sustainability or ESG matters.
- **52% undertook public policy advocacy**, including submitting comments on public policy consultations related to sustainability or ESG, or advocating at the local, state and national levels.
- **49% participated in shareholder resolutions**, including filing proposals for vote at company AGMs on sustainability or ESG issues.
- **More than 60% of survey respondents** who undertake stewardship practices conduct three or more of these actions, and 28% undertake all five.

**Figure 24: Asset Stewardship & Shareholder Advocacy Activities**



Source: Results based on aggregated responses to Qn 24 in the Full Survey and Qn 8 of the Brief Survey, US SIF 2024

## History of Shareholder Proposals

Shareholder engagement is the most common sustainable investing practice. In the United States, the most publicly visible corporate engagement includes shareholder resolutions.

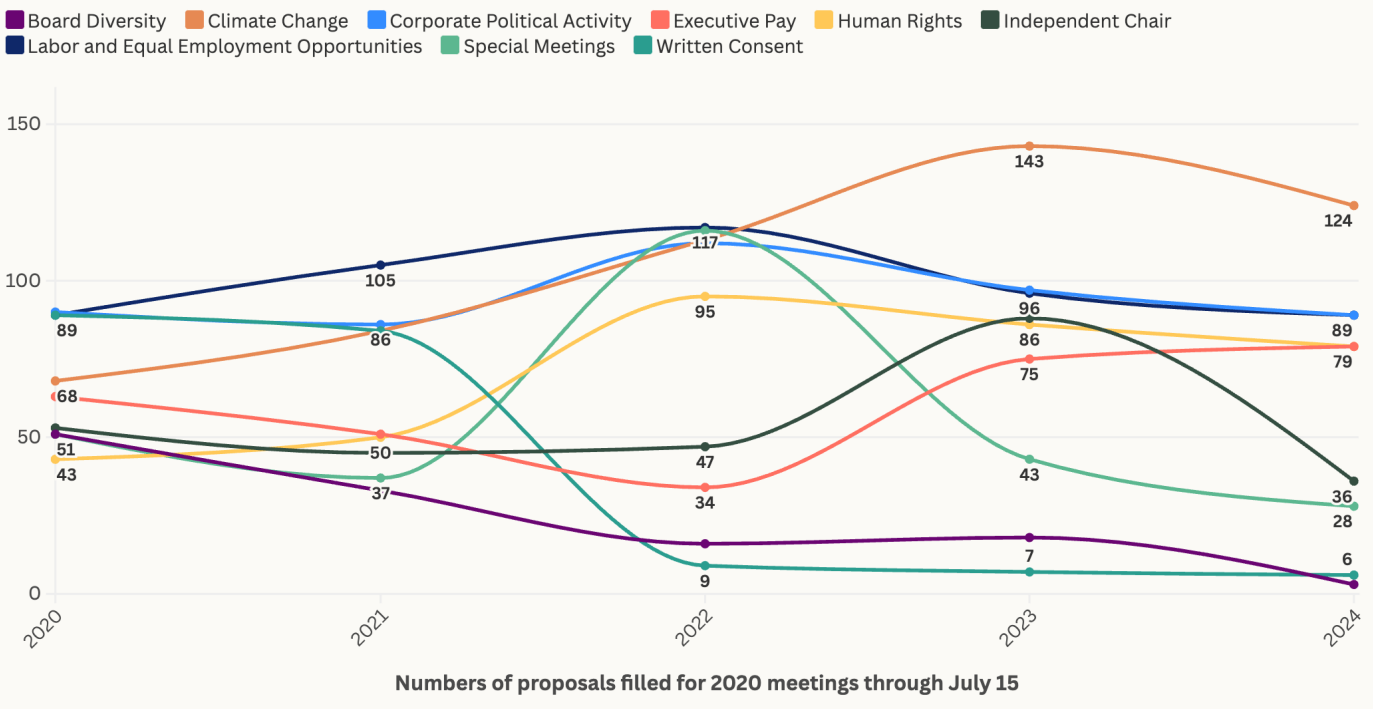
A key 1971 Supreme Court decision, *SEC v Medical Committee or Human Rights*, was one of the landmark rulings addressing the protests about napalm and Dow Chemical during the Vietnam War.

Faith-based communities used their investments to challenge corporate connection to racism in apartheid South Africa.

The 1989 Exxon *Valdez* oil spill prompted investors to engage with companies to diminish their impacts on the environment and nature.

The 2001 Enron accounting scandal, which resulted in the wide-ranging Sarbanes-Oxley Act and its reforms that remain relevant today, helped prompt widespread corporate governance proposals.

**Figure 25: Snapshot of Leading ESG Resolutions (2020-2024)**




Source: ISS, Sustainable Investments Institute, Sullivan & Cromwell • Note: Data for 2020 show numbers of proposals filled for 2020 meetings through July 15

## Shareholder Advocacy Background & Trends

To address financially material investment risks and opportunities within their investee companies, investors increasingly ask companies to report in a more orderly fashion through multi-stakeholder initiatives and to develop and report on KPI metrics to allow comparison of corporate performance on ESG issues.

Companies that lag peers on reporting and performance remain the most likely targets of shareholder engagement. Initiatives facilitating shareholder engagement have grown significantly over the years, as have the number of requests to corporates to provide ESG data, information, policies and strategic roadmaps.

However, recently, these engagement collaborations have come under increasing scrutiny, faced with criticism of "investor overreach"[29] by some pushing a political agenda. As a result, over the past year, some of the largest fund managers have exited collaborations such as Climate Action 100+, a collaboration focused on engaging the largest corporate GHG emitters on strengthening corporate governance of climate issues, reducing emissions and improving climate related financial disclosures. Some of the largest asset managers also have substantially trimmed back their support for a wide range of ESG shareholder proposals, contributing to an erosion of support on social and environmental issues.

This perceived pivot from their commitments on sustainable investing and stewardship created another perceived challenge for the largest asset managers: how can fund managers manage and represent the interests of retail and institutional clients with varying degrees of commitment to ESG? One solution is to offer them the ability to vote their shares directly.

### The Emergence of Pass-Through Voting / Split Proxy Voting

Many of the world's largest managers (e.g., Vanguard, State Street, BlackRock, Northern Trust, BNY Mellon, LGIM and others) are now empowering their institutional, intermediary and retail investor clients to vote at the AGMs of companies held within their funds. This is known as "pass-through" voting[30], or split proxy voting. Managers are enabling this partly in response to growing criticism of their stewardship practices from media, regulators and clients, but pass-through voting is also in line with wider industry trends towards greater customisation and choice.

Pension funds, wealth managers and endowments are, more and more, seeking to take ownership of stewardship in this way. In practice, pass-through voting empowers clients to customise how their portion of a fund is voted by selecting a voting policy aligned to their investment beliefs or by voting on individual issues they deem most important.

Brandon Rees, from asset owner AFL-CIO:

> *Originally the interest in pass-through voting was about control and making sure our shares were voted in accordance with our views. An example would be a pension plan filing a shareholder resolution and later finding out, to their dismay, that their own equity manager voted against that resolution — hence using the pension plan's own shares against them. So that was the original impetus for seeking to take back voting authority.*

Andrew Collins, San Francisco Employees Retirement System SFERS:

> *We have a view on corporate governance, we consider it our fiduciary duty to vote in line with those views... If there's an opportunity to take back some of those shares, that's very much aligned with our corporate governance efforts and our theory of change.*

However, pension plans need to give consideration to the in-house voting policies of their asset managers as that is what guides their stewardship engagements.

[29] "Progression Pathways: Advancing Responsible Investment Practices Among PRI Signatories" (Principles of Responsible Investment (PRI), October 2023).

[30] https://corpgov.law.harvard.edu/2024/04/17/pass-through-voting-giving-individual-investors-a-voice-in-corporate-governance/

### Long-Term Focus

Many asset owners, (including pension funds, insurance companies and sovereign wealth funds) and asset managers continue to view shareholder engagement as a crucial investment tool. Engaging directly with many companies can be resource intensive, but asset owners believe engagement helps them align portfolios with long-term investment goals, fiduciary responsibilities and commitments to sustainable investment in addition to better equip them to oversee stewardship practices by their asset managers.

Asset owners also want to make sure their asset managers honor their values and priorities. Fiduciaries such as New York City's Comptroller Brad Lander emphasize the material risks[31] that pension fund beneficiaries continue to face from climate change, and the need to confront them, pushing back against the anti-ESG narrative.

## How do shareholder proposals translate into impact?

Shareholder advocacy practitioners aim for change, not just votes, by using the shareholder process to shine a public light on controversies that put companies and investor value at risk. Success is not simply a matter of vote results, since around half of filed proposals are withdrawn when companies and shareholders reach agreements.

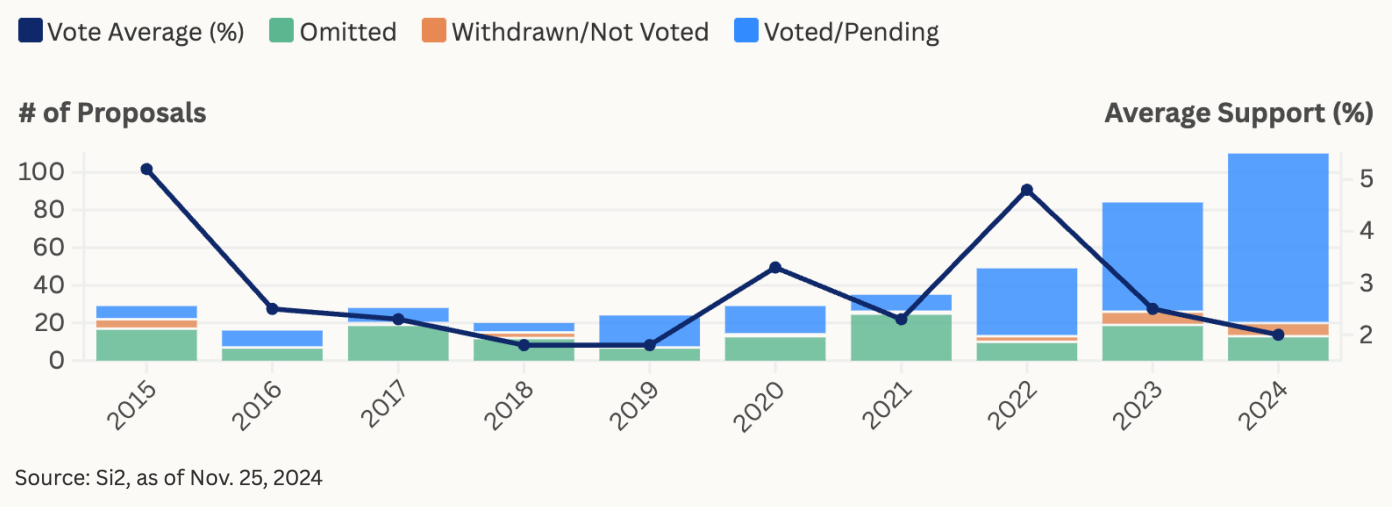
Votes of a significant minority—not just a majority—usually prompt management to proactively address concerns and align their strategies with shareholder expectations. These actions influence industry-wide standards and broader market impact.

Ultimately, shareholder engagement can contribute to long-term value creation by mitigating risks, driving innovation and enhancing a company's reputation.

### ESG Counterproposals

Although in 2024, more anti-ESG proposals were filed than ever before, support eroded and investors cast 98% of their shares against these resolutions. (See Figure 26.[32]) The primary filers of anti-ESG proposals are conservative think tanks with ideological aims that are not typically shared by the wider investors community.[33] Key themes driving these resolutions include attacks on diversity and inclusion initiatives, challenges to reproductive and transgender healthcare and opposition to corporate climate action[34].

**Figure 26: Anti-ESG Outcomes[36]**




Source: Si2, as of Nov. 25, 2024

[31] https://comptroller.nyc.gov/newsroom/nyc-comptroller-brad-lander-responds-to-congressmembers-jordan-massie-on-responsible-investing-efforts/

[32] "Si2's 2024 Mid-Year Review" (Sustainable Investments Institute, September 27, 2024), https://siinstitute.org/reports.html.

[33] Heidi Welsh, "Anti-ESG Shareholder Proposals in 2023," Harvard Law School Forum on Corporate Governance, June 1, 2023.

[34] https://corpgov.law.harvard.edu/2024/07/31/anti-esg-proposal-surged-in-2024-but-earned-less-support/

# Spotlight on the 2024 Proxy Season

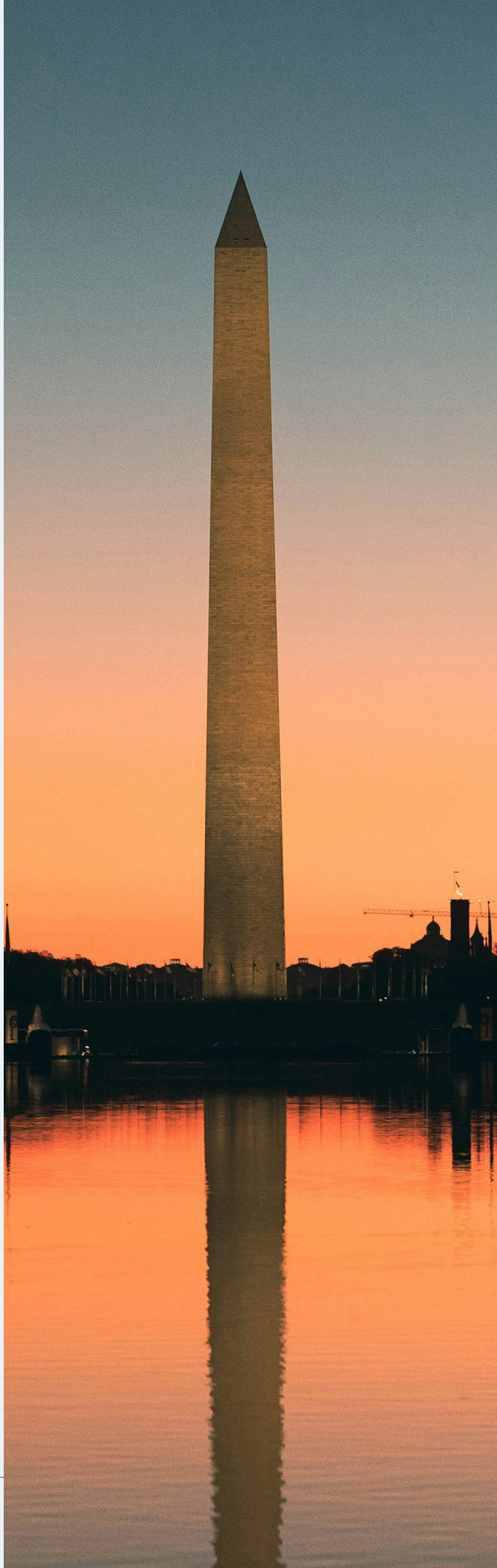
According to data from the Sustainable Investments Institute's Mid-Year Review 2024,[35] shareholder proponents in 2024 focused the most on the environment and climate change, corporate political influence and human rights, but they also asked about diversity and equitable treatment at work. A notable uptick came from new animal agriculture proposals, while brand-new AI resolutions earned notable support. The overall volume of pro-ESG proposals dropped, while proposals asking companies *not* to consider the social or environmental context for their businesses increased to 17% of total filings.

## Trends and Developments

The volume of ESG-related proposals rose to a new record of more than 650 filings and about 400 votes, but all the increase came from anti-ESG proposals. Average support for 308 pro-ESG proposals declined to 20% from 21.8% last year, while 90 anti-ESG proposals earned 2% support on average.

Only three proposals garnered more than 50% of the vote in 2024—two on climate change and one about political spending. But 12 earned between 40% and 49% and 47 more between 30% and 39%. Six proposals addressing climate change and four related to corporate political influence were among the highest scorers.

Legal and political pressures, including actions from state attorneys general and Congress, have influenced the proxy voting landscape, contributing to a pullback in ESG support from major investment managers. The market will be watching this space in the months ahead.



## Following are 2024 proxy voting season highlights across environmental, social and governance themes.

### Environmental Proposals

- Climate change remained a dominant theme with 124 proposals, slightly down from previous years. Transition planning dominated, alongside those about emissions and target setting. Average support is down from earlier highs but rose a little to about 24%. Illustrating that proponents and companies continue to find common ground, half of proposals were withdrawn.
- Environmental management proposals—including many more on animal agriculture—reached an all-time high of 80, double 2023, but overall support continued to erode. There were a record 32 proposals on animal agriculture, with nine withdrawals and 11 votes; pig gestation crates earned the most support, with two at 30%.
- Additional topics included biodiversity, plastic pollution, hazardous materials, antibiotics and pesticides.

### Governance Issues

- Proposals about board composition and executive pay continued to fall. The focus, instead, was on investment stewardship, particularly proxy voting practices by financial firms, but support was limited
- Exxon Mobil bypassed the shareholder proposal process at the SEC in 2024 and filed an unprecedented suit against its own investors who submitted a climate change proposal, although the suit ultimately was thrown out because the proponents withdrew.

### Social Issues

- Human rights: There were fewer human rights proposals and proponents withdrew about one-third of them. The biggest new issue was artificial intelligence (AI); eight of 12 resolutions went to votes with the highest reaching 43% at Netflix and 38% at Apple (See Section: Sustainable Investing Themes: Artificial Intelligence – A Rising Priority for Investors.)
- Decent work and diversity: The number of resolutions on pay equity held steady. Showing continued common ground and corporate uptake for disclosure, proponents withdrew half the workplace diversity resolutions; support for reporting on diversity metrics remained stable, with all but two of 11 votes above 20%.
- Health: The volume of health-related proposals dropped, especially on reproductive health, and support remained fairly modest, although there were new questions about limits on medical care and its implications.
- Other: Surprisingly few invoked current global conflicts and questions about domestic labor rights norms earned the most support, with a high of 46% at Warrior Met Coal and 30% at Well Fargo. Investors gave 31% support to a proposal about indigenous rights at JPMorgan Chase.

# **Section 3:**
# Beyond the Survey

# Greenwashing & Greenhushing: The Sustainability Pendulum Swings Again

Greenwashing and greenhushing are two practices that can mislead investors about a company's environmental and social impact.

Both have detrimental impacts on the financial and sustainable investing sectors by eroding market trust in sustainability initiatives, reducing overall transparency, and slowing progress toward more sustainable and equitable financial markets. These terms are increasingly mentioned in the media over the last two years as seen in Figure 28. In fact, greenwashing is so prevalent that the Financial Times has recently even published a Taxonomy of Greenwashing.[36] (Figure 27)

In the US, there has been significant evolution in policy aimed at combating *greenwashing*. While there isn't a specific, overarching "greenwashing law," various regulatory bodies including the Federal Trade Committee (FTC) and Securities and Exchange Committee (SEC) have implemented measures to address misleading environmental claims.

**Figure 27: The Name of the Ruse: A Taxonomy of Greenwashing**

| Mechanism | Classic application | Sophisticated application |
|---|---|---|
| Misleading information | Misleading claims made by firms themselves | Greenlabelling by third parties, which certify firms' performance |
| Attention deflection | Greenshifting of blame on to demanding customers | Greenlighting of good-news case studies |
| Attention reduction (absolute) | Limited disclosure of worthy ambitions | Fuller disclosure, but with green-hushing of details |
| Attention reduction (peer-overshadowed) | Decent disclosure but limited substandard vis à vis peers | Greencrowding: substandard disclosure en masse |
| Attention timing | Delayed disclosure | Greenrinsing: headline-grabbing targets get gradually diluted |

Source: Financial Times - 'Too good to be true: the greenwashers' box of tricks'

**Figure 28: Media Mentions of Greenwashing and Greenhushing (2020-2024)**

| | Greenwashing Mentions Investment Industry Publications | Greenwashing Mentions Sustainability focused Publications | Total Greenwashing | Greenhushing Mentions Investment Industry Publications | Greenhushing Mentions Sustainability focused Publications | Total Greenhushing |
|---|---|---|---|---|---|---|
| 2020-2021 | 1,406 | 420 | 1,826 | 1 | 0 | 1 |
| 2022-2024 | 4,066 | 1,639 | 5,705 | 111 | 67 | 178 |

Source: US SIF Trends Report

[36] https://www.ft.com/content/78b3c741-1ab8-48f5-92a8-4e98dfa230ab

The SEC has taken steps to enhance disclosure requirements for public companies, particularly regarding climate-related risks and opportunities. Although those disclosures are being challenged in court, the SEC's Division of Enforcement still has broad authority to regulate failure to disclose material information or misrepresentation of important information to investors. While the regulatory landscape is still evolving, efforts by the FTC, SEC, as well as state regulators represent a significant step forward in combating greenwashing and promoting accurate and transparent sustainability claims.

The table below endeavors to explain the motivations for greenwashing and greenhushing, as well as regulatory scrutiny risks, overall market sentiment and the medium to long-term consequences.

| | Greenwashing | Greenhushing |
|---|---|---|
| **Motivation** | Capitalize on growing demand for products and services by positioning themselves as leaders in the space. | Desire to avoid backlash, political scrutiny, reputational damage and potential regulatory challenges in the current market landscape (especially in the US). |
| **Regulatory Scrutiny** | Major focus of the SEC and the EU, with both introducing more stringent guidelines for ESG disclosures to prevent misleading claims. | While avoiding scrutiny in the US, greenhushing may still pose risks for investors and companies operating in jurisdictions such as the UK and EU, where lack of communication and transparency can result in compliance challenges. |
| **Market Sentiment** | Strong negative reaction from investors, regulators and consumers for misrepresentation. There is potential for legal repercussions. | Creates frustration due to reduced information from companies and investors. Hinders progress on sustainability issues. |
| **Medium and Long-Term Consequences** | Continued legal challenges, regulatory enforcement and increased disclosure to promote transparency. However, burdensome reporting and disclosure requirements may cause potential slowing of progress, even among market leaders. | Investors and companies have missed investment opportunities on capital raising or allocation where sustainability leadership can lead to a competitive advantage.<br><br>Investors may lose market trust for not communicating their approach and may foster internal skepticism in organizations who were once very engaged in sustainability to re-establish themselves as leaders. |


# Definitions

**Greenwashing** occurs when investors overstate the ESG or sustainability credentials of their portfolios or investment products. They claim that their investments are more sustainable or impact-driven than they truly are, often to attract new clients or access the growing pool of capital dedicated to sustainable investing.

**Greenhushing** occurs when investment firms downplay or reframe information about their ESG or sustainability practices, teams, products or the impact of their use of sustainability information their portfolios.

Unlike greenwashing, where sustainability is overstated, greenhushing involves understating, reframing and/or rebranding internal teams, products or approaches to avoid scrutiny or controversy.

## Engagement Focus

### Artificial Intelligence – A Rising Priority for Investors

The growing use of AI and data analytics are already reshaping the landscape of sustainable investing. AI offers unprecedented opportunities to enhance sustainable investment practices, from providing predictive analytics and optimizing portfolio construction, to enhanced impact measurement and automated reporting and compliance. The 2024 GIIN report shared that 53% of impact investors planned to incorporate AI into their investing processes while a quarter planned use AI for due diligence and sourcing, and as a tool for measurement and management.[37]

The rapid expansion of AI has been accompanied by concerns about its significant electrical and water footprints. AI systems are highly energy intensive to train and maintain, with estimates suggesting that the energy demand for generative AI will grow at an annual average of 70% to 2027 and account for approximately 25% of all data center energy consumption.[38] These environmental concerns could potentially undermine decisions to integrate AI into sustainable investment practices.

### Recent Regulatory Actions

In 2023, the European Parliament passed the world's first comprehensive Artificial Intelligence (AI) law. The priority was to ensure AI systems used in the EU are safe, transparent, traceable, non-discriminatory and environmentally friendly.

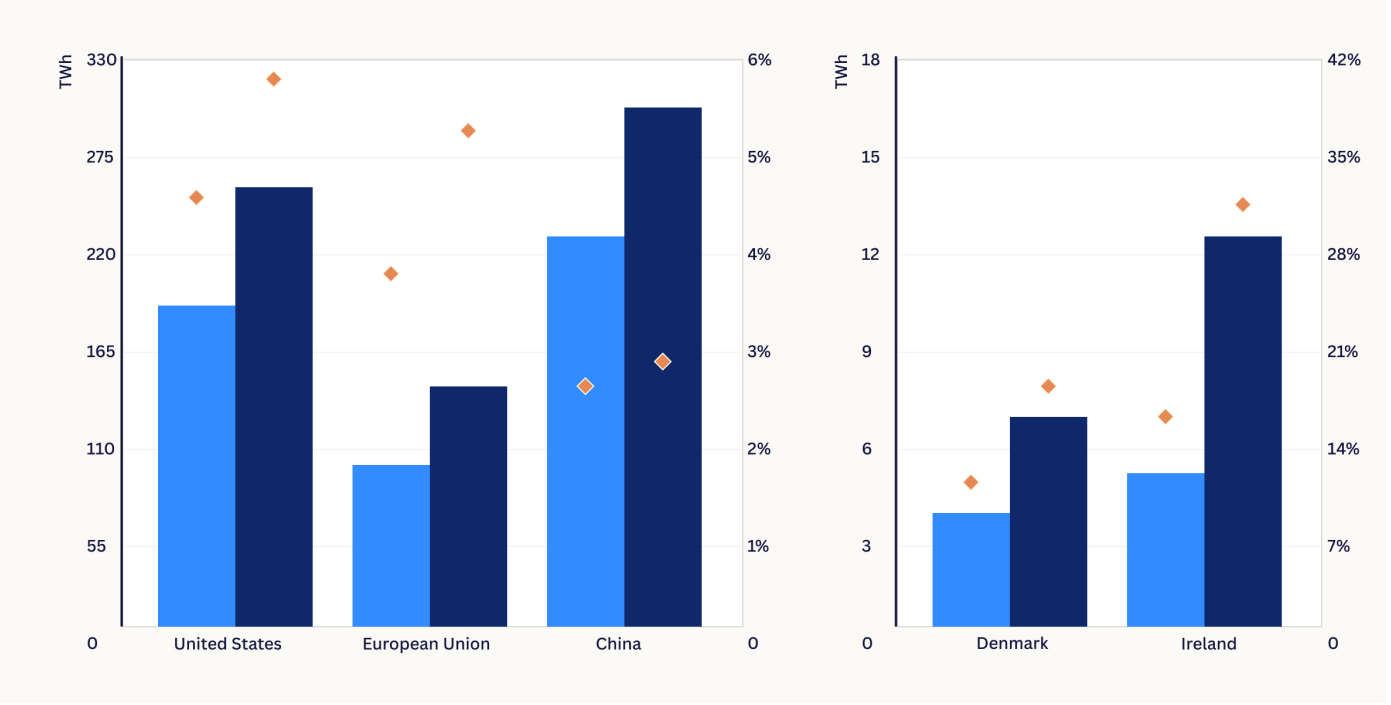
Meanwhile, in the US, President Biden issued an Executive Order in October 2023 that established new standards for AI safety and security, protecting citizens' privacy, and addressing concerns around equity, discrimination and worker rights.

Later, in March 2024, the UN General Assembly adopted a landmark resolution on AI, which highlighted the respect, protection and promotion of human rights in the design, deployment and use of AI, as well as its potential to accelerate progress towards the SDGs. The legislative landscape around AI is rapidly evolving in an attempt to keep pace with AI development and expansion.

[37] Hand et al., "State of the Market 2024: Trends, Performance and Allocations."

[38] "Powering the AI Revolution," Morgan Stanley (blog), March 8, 2024, https://www.morganstanley.com/ideas/ai-energy-demand-infrastructure.

**Figure 29: Estimated AI Data Center Energy Consumption (2022 & 2026)**[39]




Source: International Energy Agency, Electricity 2024: Analysis and Forecast to 2026, p. 33 [link]
Other Sources: IEA, Data Centres and Data Transmission Networks; Lawrence Berkeley National Laboratory, United Stated Data Center Energy Usage Report; Ireland Central Statistics Office, Data Centres Metered Electricity Consumption 2022; Danish Energy Agency, Denmark's Energy and Climate Outlook 2018; China's State Council, Green data centres in focus; European Commission, Energy-efficient Cloud Computing Technologies and Policies for an Eco-friendly Cloud Market; Joule (2023), Alex de Vries, The growing energy footprint of artificial intelligence; and Crypto Carbon Ratings Institute, Indices.

Note: Includes traditional data centres and dedicated AI data centres, excludes consumption from cryptocurrencies and data transmission networks.

The AI phenomenon has brought the environmental footprint of big tech companies into clearer focus: investors will need to evaluate how they will address energy consumption in their reporting and strategies. In trying to account for the significant power demands of AI, big tech could increase investment into renewable energy and energy storage solutions, driving the transition to cleaner energy. However, this raises questions of equitable resource use: how big tech companies will affect the global transition to clean energy, if finite resources of metals and minerals are being concentrated on powering AI systems.

Another source of concern around the development of AI is the potential for job displacement, data privacy breaches, intellectual property violations and discriminatory practices. Investors are taking steps to ensure companies have established policies and processes to identify, assess and mitigate potential risks from AI, and to formalize governance and oversight structures around its use.

[39] Eren Çam et al., "International Energy Agency (IEA)" (International Energy Agency (IEA), January 2024), https://iea.blob.core.windows.net/assets/6b2fd954-2017-408e-bf08-952fdd62118a/Electricity2024-Analysisandforecastto2026.pdf.

## The 2024 Proxy Season and AI Issues

AI has consequently risen up the investor agenda, which was reflected in the 2024 proxy season. In a number of resolutions, proponents addressed questions of ethics, including bias and error in algorithms, and misinformation risks arising from AI use. Twelve new AI proposals were filed, with eight going to vote. Proposals on ethical guidelines received the greatest support.

| The Digital World | | | |
|---|---|---|---|
| **Proposal** | **Company** | **Proponent** | **Status** |
| Report on AI ethical guidelines* | Apple | AFL-CIO | 37.5% |
| | Comcast | AFL-CIO | Withdrawn |
| | Netflix | AFL-CIO | 43.3% |
| | Paramount Global | NYC pension funds | 2.4% |
| | TransUnion | NYC pension funds | Withdrawn |
| | United Health Group | SHARE | Withdrawn |
| | Walt Disney | AFL-CIO | Withdrawn |
| | Warner Bros. Discovery | AFL-CIO | 24.0% |
| Report on AI-generated misinformation risks | Alphabet | Arjuna Capital | 17.6% |
| | Meta Platforms | | 16.7% |
| Report on AI-generated human rights impacts* | Alphabet | SHARE | 18.6% |
| | Meta Platforms | Mercy Investments | 14.5% |
| Report on AI-generated misinformation risks | Microsoft | Arjuna Capital | **Dec. 10 AGM** |
| Report on AI use implications | | As You Sow | |
| Report on AI development and data ethics | | NLPC | |
| *Plus one more company recipient for each proposal; neither went to a vote and neither was made public | | | |

Source: Updated from Si2 2024 Mid-year Review, p 73 [40]

[40] "Si2's 2024 Mid-Year Review."

# / Impact & Progress

## Corporate SEC Filings Relating to Climate Change

In an effort to track different aspects of climate impact and progress, we examine US corporate disclosures to the SEC from 2018-2024 (Figure 31). To analyze the growth in the awareness of climate risks, we observe the average number of corporate risks filed in Form 10K to the SEC with headline concern relating to climate change. Specifically, we cover filings of publicly traded companies in different industries or sectors submitted to the SEC. These corporate disclosures, as part of the SEC's broader push for transparency on ESG issues, aim to help investors understand how climate change might affect a company's financial performance, operations and long-term strategy. They also provide excellent data sources to assess the growing trend of climate change in sustainable investing.

## What the results show:

The percentages of climate change related headlines in publicly disclosed reports grew threefold from about 10% in 2018 on average to 30% in 2024 across many industries/ sectors. This suggests that about 1 in 3 companies in these industries report a risk specifically 'headlined' to be related to climate change. Please note that while we are counting only the climate change headlines, climate change may additionally be mentioned in the text body of other related risks. Also, noteworthy, only the biotech and health care tech industries have limited risk filings mentioning climate change. By looking at climate change through a disclosure lens, we find that corporates have increased their filings related to climate risk substantially since 2018.

## Stewardship: Examining Engagement as a Proportion Of Outstanding Shares

Global and US investors engage in dialogues with thousands of companies in any given year, often covering a notable portion of their investable assets. Many investors produce comprehensive publicly available stewardship reports that detail their company engagements on ESG issues[41].

To begin to track the trends and potential impact of active investor stewardship, we explored the intersection between investors' corporate share ownership with their publicly disclosed ESG dialogues with their investee companies. While a dialogue does not correlate to change or impact in all cases, it does indicate an active stewardship approach.

As an initial exercise, we selected 5 of the largest US companies in the Climate Action 100 universe[42] alongside their percentage of outstanding share ownership by US investors. Given these companies are part of a current engagement on climate, we chose this universe as a starting point. We then searched for evidence within the public domain (such as investor engagement disclosure and reports) that the investor had conducted specific engagement with those companies on climate-related issues. Overall, we found that roughly 12% of the dollars invested in these companies are from US investor owners who publicly disclose that they are conducting climate-related dialogues with these 5 large investees. These dialogues could be as part of the Climate Action engagement or via other channels (such as separate one-on-one discussions), but nevertheless points to a significant proportion of ownership (and therefore a significant dollar amount in this example) employing active stewardship. While this is just an initial step in exploring this intersection, it is a replicable process (through leveraging the use of AI tools) to continue to develop further research on sustainable investing engagement trends, and active stewardship's effectiveness and real impact going forward.

**Figure 30: 5 US Large-cap Climate Action 100 Companies' Outstanding Shares**

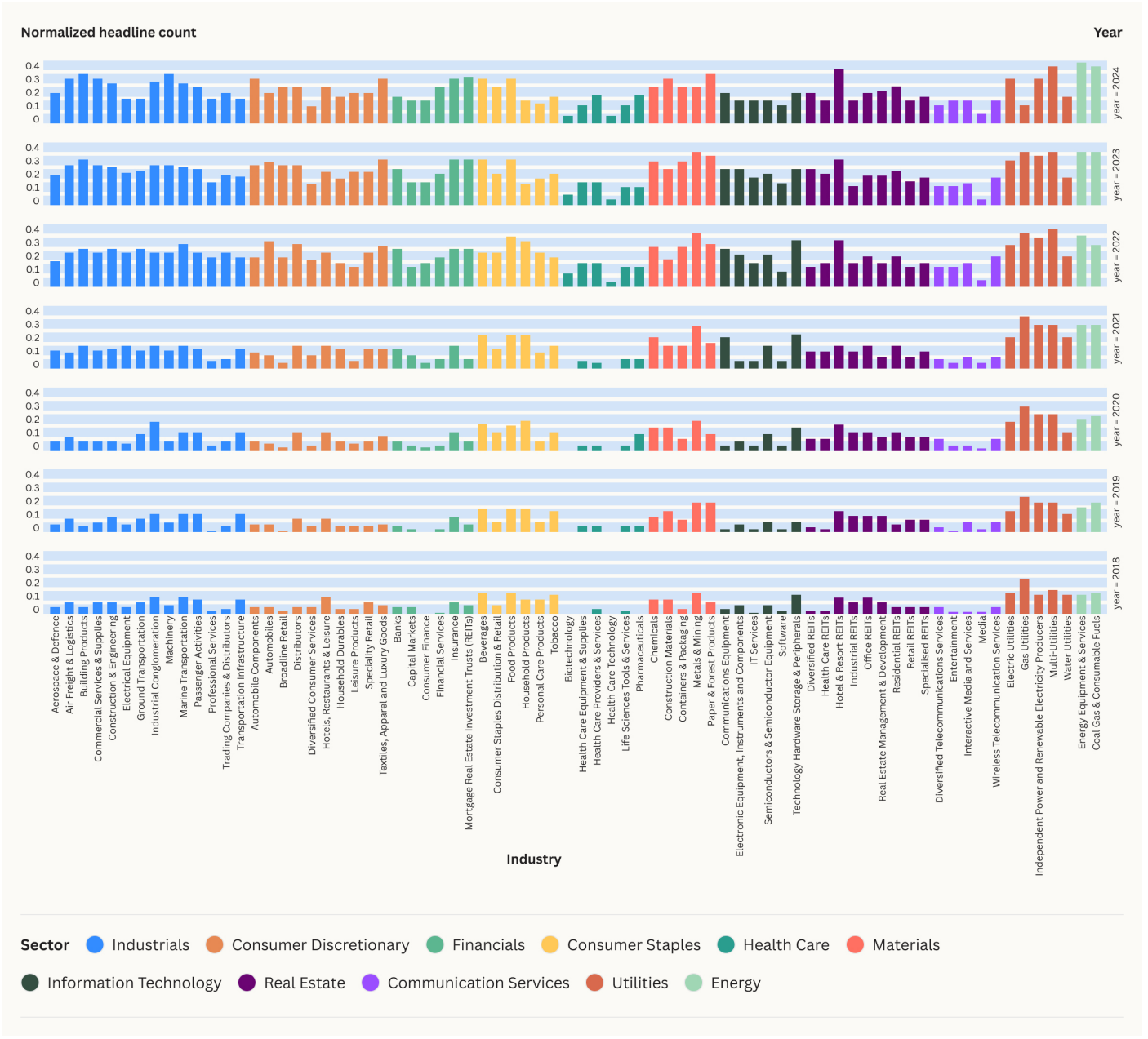
| Company Name | % of Outstanding Shares |
|---|---|
| WEC Energy Group Inc | 22.75% |
| Duke Energy Corp | 20.10% |
| Marathon Petroleum Corp | 20.77% |
| Philipps 66 | 20.06% |
| Colgate Palmolive | 20.02% |

Source: Stewardchamps

[41] As one example, see "Investment Stewardship Global Engagement Summary Report" (BlackRock, n.d.), https://www.blackrock.com/corporate/literature/press-release/investment-stewardship-global-quarterly- engagement-summary.pdf.

[42] Methodology includes the following steps: 1) Selected 5 US companies that are part of the Climate Action universe . 2) Examined each company's capitalization table and their US investor ownership; 3) Searched for the investor's existing publicly available steward policies and most current engagement reports using AI tools; 4) Identified explicit reference to the company and a specific climate dialogue as evidence of their climate- related engagement with their investee company.

## Figure 31: Climate Change Risk per Sector as Reported to the SEC (2018-2024)




Source: US SIF and Sociovestix Labs. Data extracted from publicly disclosed reports submitted to the SEC.

## Climate Change at the Fund Level

In order to examine climate change impact further, we explored whether progress could be identified at the individual fund level by measuring the reductions in individual investment fund carbon intensity over time (Figure 32). We selected a randomized and anonymized group of 100 large funds from a universe of 500 equity funds with assets over $10 billion.  We looked at the fund's carbon intensity (CO2e/revenue) over a + 3-year time period. The anonymization ensured that the findings served more as an industry benchmark rather than critique of individual funds.

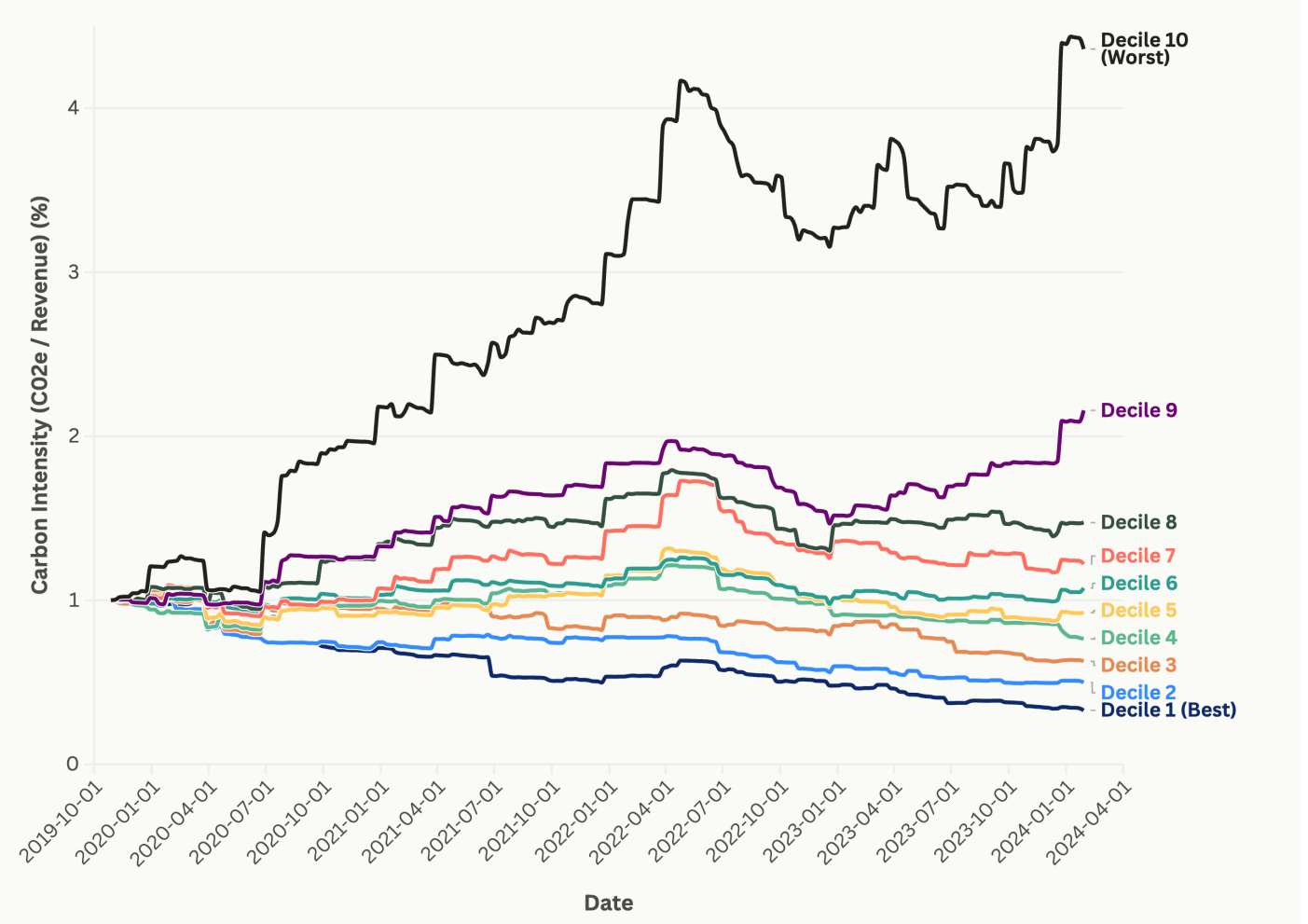
The 100 funds were then categorized into deciles to assess their progress on CO2e/revenue to from 'most reduction' to 'least reduction'  to illustrate the distribution of their sustainability performance over the time period.  This approach not only provided a structured framework for benchmarking progress but also highlighted the range of outcomes across funds.

**The climate impact performance across the deciles displayed varied outcomes:**

- **The top decile demonstrated remarkable reduction in CO2e/revenue:** the funds reduced their carbon intensity (CO2e per revenue) by approximately 60% to 80% over the time period.
- **The middle deciles exhibited a mix of outcomes,** with some funds achieving moderate reductions while others showed little to no change.
- **The bottom decile saw a significant increase in carbon intensity**, signaling a reduction in sustainability performance among the worst-performing funds.

We feel this lens can help institutional investors better analyze fund manager progress on carbon intensity and CO2e and potentially better tease out progress over time. We will continue to explore different avenues to highlight impact and progress (or lack thereof) in the coming year through our Deep Dive reports.

**Figure 32: Climate Impact Track Records by Deciles of US Mutual Funds (ESG & non-ESG)**




Source: US SIF and Sociovestix Labs. • Source: Data extracted from publicly disclosed reports submitted to the SEC, Refinitiv Point-In-Time, and corporate websites.

## Moving Beyond Static ESG Assessments

In traditional finance, track records are an indispensable tool for evaluating corporate financial performance. In SI, on the other hand, static and backward looking ESG scores have taken center stage as the dominant metric. While ESG scores provide a snapshot of a corporate or investment fund's alignment with ESG frameworks or principles, they face widespread criticism for their (i) lack of transparency, (ii) reliance on static evaluations, and (iii) overly convoluted frameworks. Arguably, a more meaningful and actionable approach lies in impact track records, which evaluate improvement on relevant sustainability metrics over time.

In 2025 we aim to debut further analysis to spur dialogue and debate around the demonstrable contribution that ESG considerations and asset stewardship can have over time. Our first themes will continue to explore CO2e emissions as well as gender diversity. The ultimate challenge for sustainable finance is not about static labels and backward looking scores but about dynamic data and impact.

# Looking to the Future

Sustainable investing has always been about more than financial returns. It's about leveraging the power of capital to shape a more equitable and resilient future. It's a commitment to addressing the pressing challenges of our time – climate change, social inequity, corporate responsibility – while recognizing that these challenges are deeply interconnected with long-term financial performance.

The next evolution of SI will rightly reflect the systemic global changes occurring around us.

The rise of AI, maturing data analytics, and evolving standards will sharpen the way in which SI practitioners target returns and impact.

In the US, in the midst of a challenging federal regulatory environment, we expect individual states, philanthropy, the investment community and to some extent, private corporations, to continue to champion SI efforts.

Our data shows investors are zeroing in on climate action, biodiversity, energy transitions, and related social issues around human health, a just and equitable transition and Indigenous Peoples' rights. These are likely to stay big priorities. And there are still some tough issues to work through, like addressing greenwashing, balancing impact with profits, and making sure stewardship efforts are transparent.

As SI enters a new era, we are reminded that progress is possible when purpose meets action. Together, we can chart a path toward markets that reflects the promise of sustainability. Not as a trend, but as a lasting framework for prosperity.

## The Role of US SIF in Driving Toward a Sustainable Future

For the remainder of 2024 and into 2025, the US SIF will be building on the foundation laid by pioneers and reset our own "north star" to incorporate the lessons learned from the past decades to continue to support the sustainable investment community.

In 2025, we will produce a series of deeper dive insight reports and impact track records which will expand and deepen on some of the key takeaway themes from the 2024 Trends Report. We look forward to working with our membership and other capital markets stakeholders to address risks and challenges and uncover and unlock the opportunities to maximize the value of investment portfolios and safeguard people and the planet.

# About US SIF

## / US Sustainable Investment Forum

The US SIF works to ensure that the US capital markets play an active role in driving investments toward more sustainable and equitable outcomes. US SIF and its members are the leading voices of sustainable investment. We aim to create a level playing field in capital markets, which includes increased transparency and disclosure across the industry.

US SIF's 200+ members represent trillions in assets under management. Our member base includes investors across the industry-including asset owners, financial advisors, asset managers, institutional investors, community investment institutions and data & service providers.

We employ five key strategies to advance sustainable investing:

### / Research

We produce cutting edge research, including our US Sustainable Investing Trends, as well as fact sheets and guides on sustainable investing.

### / Education

We offer education and training through online and in-person courses for financial professionals and retail investors. We also host webinars on various topics in collaboration with practitioners and thought leaders.

### / Public Policy

Our policy program works to advance a regulatory agenda that maintains and enhances the sustainable and impact investment field.

### / Media Engagement

We engage with the media to enhance public awareness of sustainable investing practices and to give our investors a public voice. We are active participants in key investor events.

### / Networking

We provide opportunities for the sustainable and impact investing community to convene at our annual national conference and at local events.

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