

Course 2022-2023 in Sustainable Finance

Lecture 1. Introduction

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¹The opinions expressed in this presentation are those of the authors and are not meant to represent the opinions or official positions of Amundi Asset Management.

Definition

*“Sustainable finance refers to the process of taking **environmental, social and governance (ESG) considerations** into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects. **Environmental considerations** might include climate change mitigation and adaptation, as well as the environment more broadly, for instance the preservation of biodiversity, pollution prevention and the circular economy. **Social considerations** could refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities, as well as human rights issues. The **governance** of public and private institutions — including management structures, employee relations and executive remuneration — plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.” (European Commission).*

Many words, one concept



Figure 1: Many words, one concept

RI, SI, SRI, ESG, etc.

Responsible investment (RI)

Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health of the market as a whole

Sustainable investing (SI)

Sustainable investing is an investment approach that considers environmental, social and governance factors in portfolio selection

Socially responsible investing (SRI)

SRI is an investment strategy that is considered socially responsible, because it invests in companies that have ethical practices

Environmental, Social and Governance (ESG)

Environmental, Social, and Corporate Governance (ESG) refers to the factors that measure the sustainability of an investment

Definition

Sustainable Investing
 \approx
Socially Responsible Investing (SRI)
 \approx
Environmental, Social, and Governance (ESG)

Remark

Blue Finance \subset **Green Finance**, Climate Finance \subset Sustainable Finance

Historical perspective

- Responsible investment (RI): 2000's
- ESG investing (ESG): 2010's
- Sustainable finance (SF): 2020's

Why?

Historical perspective

- At the beginning, sustainable finance mainly concerns final investors and asset owners (ethics) ⇒ **responsible investment**
- Then, it gains momentum in asset management ⇒ **ESG investing**
- Finally, it spreads across all financial actors (e.g. issuers, banks, central banks, etc.) ⇒ **Sustainable finance**

ESG motivations



Figure 2: The raison d'être of ESG investing

A myriad of acronyms

CAT: Cap-And-Trade, CBI: Climate Bonds Initiative, **CDP: Carbon Disclosure Project**, CDR: Carbon Dioxide Removal, CDSB: Climate Disclosure Standards Board, CI: Carbon Intensity, **COP: Conference of the Parties**, **CTB: Climate Transition Benchmark**, DAC: Direct Air Capture, DICE: Dynamic Integrated Climate-Economy Model, ETS: Emissions Trading Scheme, Eurosif: European Sustainable Investment Forum, ESG: Environmental, Social and Governance, GB: Green Bond, **GBP: Green Bonds Principles**, : Greenhouse gas Emissions per unit of Value Added, **GHG: Greenhouse Gaz**, **GIIN: Global Impact Investing Network**, GLP: Green Loans Principles, GQE: Green Quantitative Easing, GRI: Global Reporting Initiative, **GSIA: Global Sustainable Investment Alliance**, HLEG: High Level Expert Group on Sustainable Finance, IAM: Integrated Assessment Model (economic model of climate risk), IIRC: International Integrated Reporting Council, **IPCC: Intergovernmental Panel on Climate Change**, **NDC: Nationally Determined Contribution**, NFRD: Non-financial Reporting Directive, NGFS: Network for Greening the Financial System, OPS: One Planet Summit, **PAB: Paris Aligned Benchmark**, PBOC: People's Bank of China (China green bonds), **PRI: Principles for Responsible Investment**, **RCP: Representative Concentration Pathway (climate scenario)**, SASB: Sustainability Accounting Standards Board, SB: Social Bond, SBP: Social Bonds Principles, SBT: Science-Based Target, SCC: Social Cost of Carbon (= optimal carbon tax), SDA: Sectoral Decarbonisation Approach **SDG: Sustainable Development Goals**, **SFDR: Sustainable Finance Disclosure Reporting**, SIB: Social Impact Bond, SRI: Socially Responsible Investing, SSB: Sustainability Standards Board (IFRS), SSP: Shared Socioeconomic Pathway, **TCFD: Task Force on Climate-Related Financial Disclosures**, TEG: Technical Expert Group on Sustainable Finance, UNPRI: Principles for Responsible Investment (PRI)

Many financial actors

ESG financial ecosystem

- Asset owners (pension funds, sovereign wealth funds (SWF), insurance and institutional investors, retail investors, etc.)
- Asset managers
- ESG rating agencies
- ESG index sponsors
- Banks
- ESG associations (GSIA, UNPRI, etc.)
- Regulators and international bodies (governments, financial and industry regulators, central banks, etc.)
- **Issuers** (equities, bonds, loans, etc.)
- Society and people

ESG Investing ⇔ **ESG Financing (= Sustainable Finance)**

The issuer point of view of ESG

Corporate financial performance (CFP)

- Friedman (1970)
- Shareholder theory
- Corporations have no social responsibility to the public or society
- Their only responsibility is to its shareholders (profit maximization)

Corporate social responsibility (CSR)

- Freeman (2010)
- Stakeholder theory
- Corporations create negative externalities
- They must have social and moral responsibilities
- Impact on the cost-of-capital and business risk

Sustainable investment forums

GSIA members

- The European Sustainable Investment Forum (Eurosif),
<http://www.eurosif.org>
- Responsible Investment Association Australasia (RIAA),
<https://responsibleinvestment.org>
- Responsible Investment Association Canada (RIA Canada),
<https://www.riacanada.ca>
- UK Sustainable Investment & Finance Association (UKSIF),
<https://www.uksif.org>
- The Forum for Sustainable & Responsible Investment (US SIF),
<https://www.ussif.org>
- Dutch Association of Investors for Sustainable Development (VBDO), <https://www.vbdo.nl/en/>
- Japan Sustainable Investment Forum (JSIF),
<https://japansif.com/english>

Sustainable investment forums



Figure 3: 2018 GSIA report



Figure 4: 2020 GSIA report

Initiatives

Initiatives

- Principles for responsible investment (PRI)
- Climate Action 100+
- Net zero alliances: (NZAOA, NZAM, PAII, NZBA, NZIA, etc) ⇒ GFANZ

PRI (or UNPRI)



Figure 5: Principles for Responsible Investment (PRI)

<https://www.unpri.org>

PRI (or UNPRI)

- Early 2005: UN Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment
- April 2006: The Principles were launched at the New York Stock Exchange
- 6 ESG principles
- The 63 founding signatories are 32 asset owners^a and 31 asset managers^b and data providers^c

^aAP2, CDC, CDPQ, CalPERS, ERAFP, FRR, IFC, NZSF, NGPF, PGGM, UNJSPF, USS, etc.

^bAmundi (CAAM), Sumitomo Trust, BNP PAM, Mitsubishi Trust, Threadneedle, Aviva, Candriam, etc.

^cTrucost, Vigeo, etc.

Signatories' commitment

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.”

Source: <https://www.unpri.org>

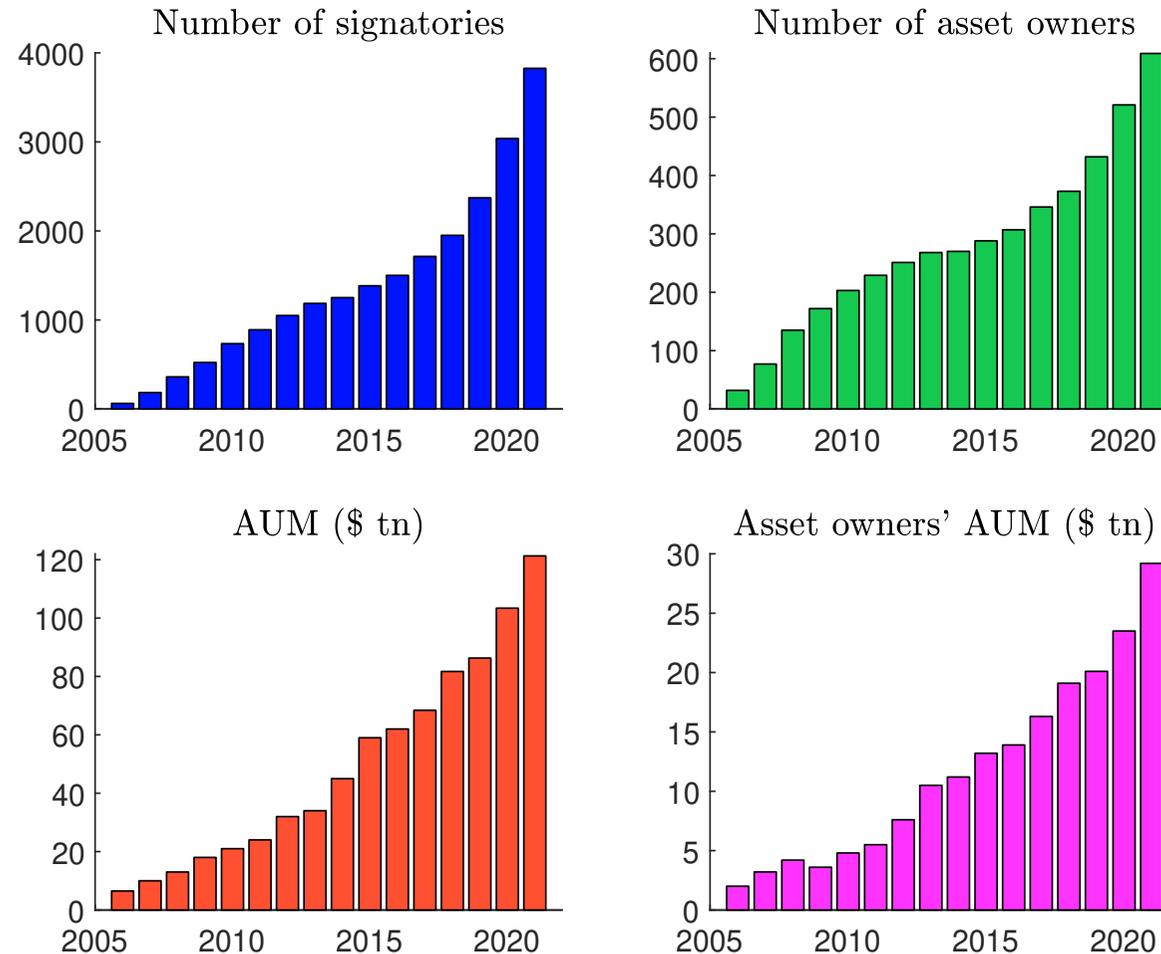


Figure 6: PRI Signatory growth

Source: <https://www.unpri.org>

Rating agencies

- Early stage (1990-2010): Eiris (1985, UK), KLD (1988, US), Jantzi Research (1992, Canada), GES (1992, Sweden), Innovest (1995, US), SAM (1995, Switzerland), RepRisk (1998, Switzerland), Oekom (1999, Germany), Ethix (1999, Sweden), Trucost (2000, UK), Inrate (2001, Switzerland), Vigeo (2002, France), DSR (2002, Netherlands), EthiFinance (2004, France), etc.
- Consolidation of the industry (2010-2020): ISS ESG, Moody's, MSCI, Refinitiv, Reprisk, S&P Global, Sustainalytics.

Rating agencies

- 1 ESG scores and ratings
- 2 ESG data
- 3 ESG indices

Regulators: Who? Why?

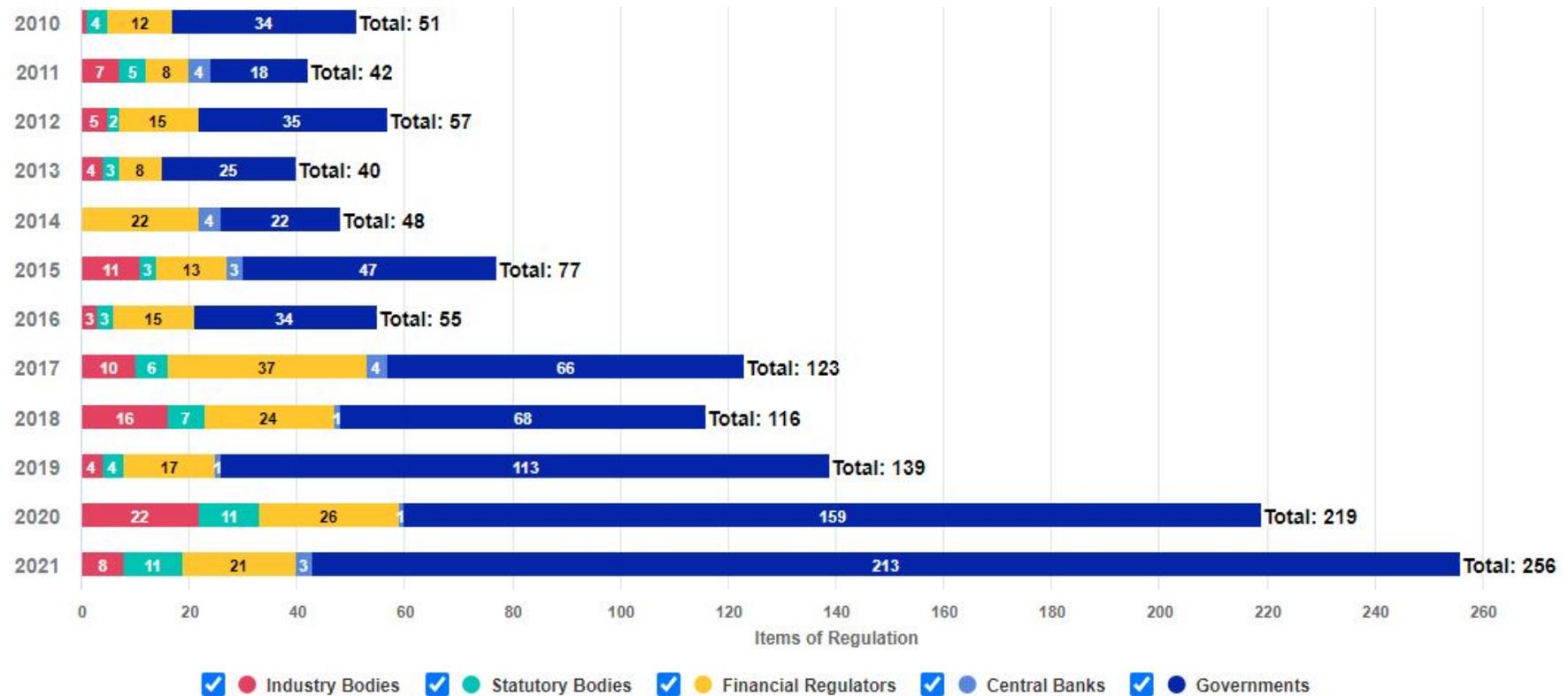
Table 1: The supervision institutions in finance

	Banks	Insurers	Markets	All sectors
Global	BCBS	IAIS	IOSCO	FSB
EU	EBA/ECB	EIOPA	ESMA	ESFS
US	FDIC/FRB	FIO	SEC	FSOC

- Greenwashing
 - Explicit & deliberate greenwashing;
 - Unintentional greenwashing.
- Fiduciary duties

ESG regulations

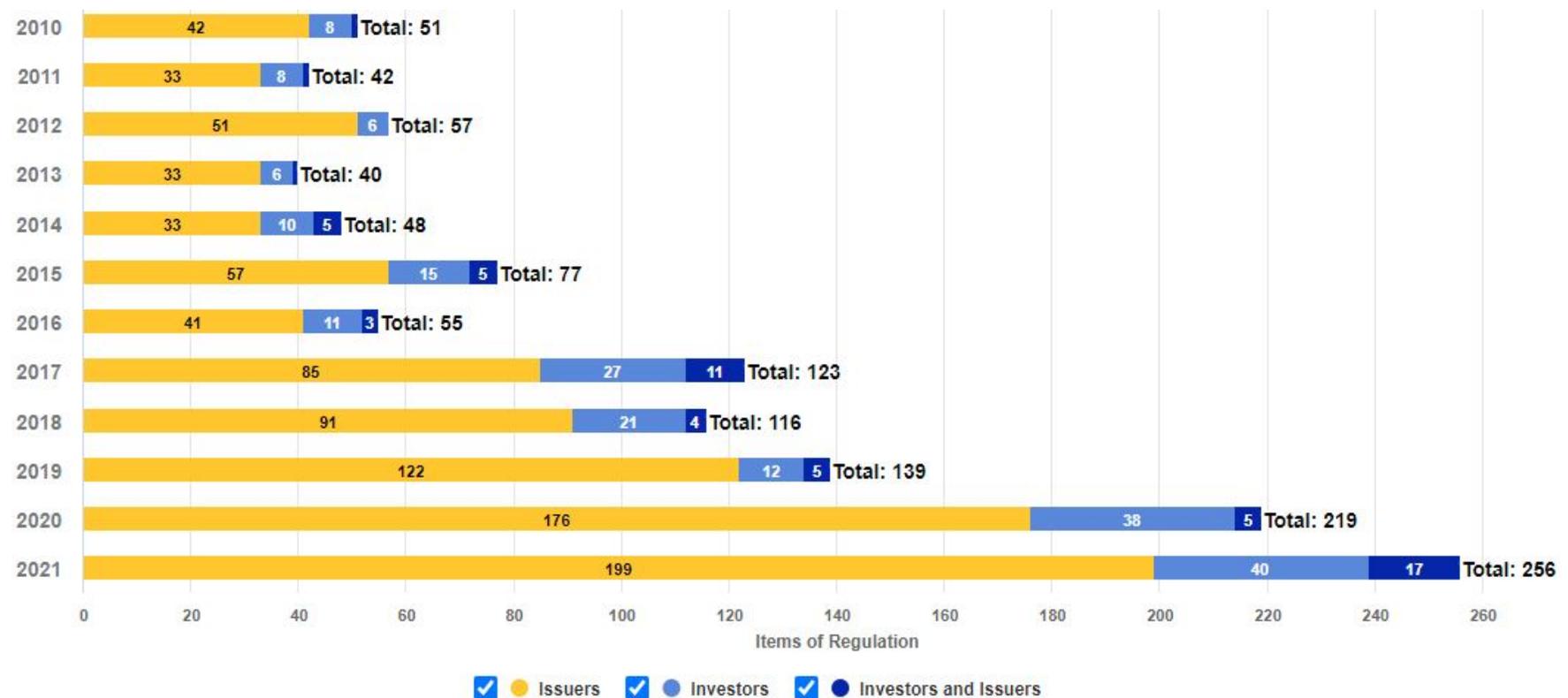
Figure 7: Who will regulate ESG? — The regulators viewpoint (MSCI, 2022)



Source: <https://www.msci.com/who-will-regulate-esg>.

ESG regulations

Figure 8: Who will regulate ESG? — The regulated viewpoint (MSCI, 2022)



Source: <https://www.msci.com/who-will-regulate-esg>.

ESG regulations

Visit the MSCI website

<https://www.msci.com/who-will-regulate-esg>

and obtain the detailed list of regulations
by year, country, regulator, regulated investors, etc.

The example of central banks

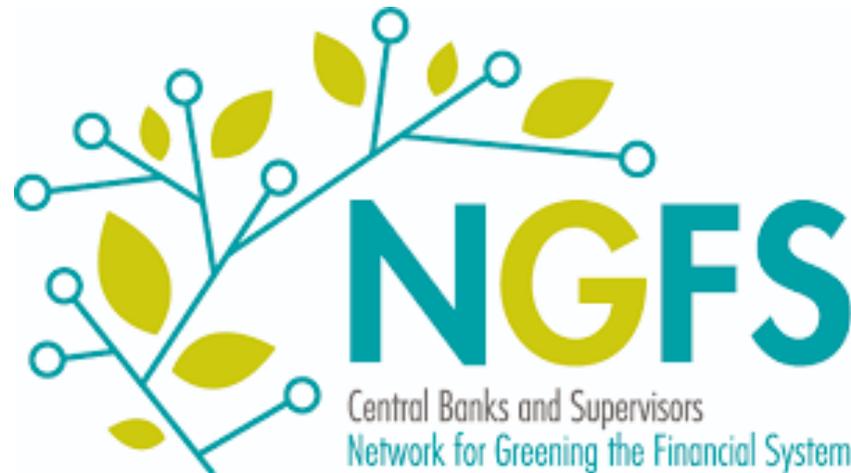


Figure 9: Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

- Launched at the Paris One Planet Summit (OPS) on December 2017
- 8 founding members: Banco de Mexico, BoE, BdF, Dutch Central Bank, Buba, Swedish FSA, HKMA, MAS and PBOC
- As of March 19th 2021, the NGFS consists of 89 members (CBs, EBA, EIOPA, ESMA) and 13 observers (BCBS, IMF, IAIS, IOSCO)

The example of central banks

Go the NGFS website (<https://www.ngfs.net>) and download the NGFS climate scenarios: <https://www.ngfs.net/en/publications/ngfs-climate-finance-research-portal>

See also <https://data.ene.iiasa.ac.at/ngfs> (NGFS scenario explorer hosted by IIASA²)

²International Institute for Applied Systems Analysis

Reporting frameworks

Table 2: List of the main reporting frameworks

Perimeter	Acronym	Name	Dates
General	GC	UN Global Compact Initiative	2000/2000
	GRI	Global Reporting Initiative	1997/2000
	IIRC	International Integrated Reporting Council	2010/2013
	ISSB	International SustainabilityStandards Board	2021/2023
	SASB	Sustainability Accounting Standards Board	2011/2016
	SDGs	UN Sustainable Development Goals	2015/2016
Climate	CDP	Carbon Disclosure Project	2000/2000
	CDSB	Climate Disclosure Standards Board	2007/2015
	GHG Protocol	Greenhouse Gas Protocol	1998/2001
	PCAF	Partnership for Carbon Accounting Financials	2019/2020
	SBTi	Science Based Targets initiative	2015/2015
	TCFD	Task Force on Climate-Related Financial Disclosures	2015/2017

Sustainable Development Goals

Figure 10: The SDGs icons



Source: <https://sdgs.un.org/goals#icons>.

Sustainable Development Goals

Table 3: The 17 SDGs

#	Name	Description			
1	No poverty	End poverty in all its forms everywhere		✓	
2	Zero hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture		✓	
3	Good health and well-being	Ensure healthy lives and promote well-being for all at all ages		✓	
4	Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		✓	
5	Gender equality	Achieve gender equality and empower all women and girls		✓	✓
6	Clean water and sanitation	Ensure availability and sustainable management of water and sanitation for all	✓	✓	
7	Affordable and clean energy	Ensure access to affordable, reliable, sustainable and modern energy for all	✓		
8	Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		✓	✓
9	Industry, innovation and infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	✓	✓	✓

Source: <https://sdgs.un.org/goals>.

Sustainable Development Goals

Table 4: The 17 SDGs

#	Name	Description			
10	Reduced inequality	Reduce inequality within and among countries		✓	
11	Sustainable cities and communities	Make cities and human settlements inclusive, safe, resilient and sustainable	✓		✓
12	Responsible consumption and production	Ensure sustainable consumption and production patterns	✓	✓	✓
13	Climate action	Take urgent action to combat climate change and its impacts	✓		✓
14	Life below water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	✓		
15	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	✓		
16	Peace, justice, and strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		✓	✓
17	Partnerships for the goals	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development			✓

Source: <https://sdgs.un.org/goals>.

GHG Protocol

The GHG Protocol corporate standard classifies a company's greenhouse gas emissions in three scopes³:

- **Scope 1**: Direct GHG emissions (○)
- **Scope 2**: Consumption of purchased energy (○○)
- **Scope 3**: Other indirect GHG emissions (●●)
 - **Scope 3 upstream**: emissions associated to the supply side
 - ① First tier direct (●)
 - ② Tier 2 and 3 suppliers (●●)
 - **Scope 3 downstream**: emissions associated with the product sold by the entity
 - ① Use of the product (●●●)
 - ② Waste disposal & recycling (●●●●)

³Measurement robustness: from ○○○○ (very high) to ●●●● (very low)

Carbon Disclosure Project (CDP)

Each year, CDP sends a questionnaire to organizations and collects information on three environmental dimensions:

- 1 Climate change (based on the GHG Protocol)
- 2 Forest management
- 3 Water security

Carbon Disclosure Project (CDP)

Table 5: Examples of 2019 carbon emissions and intensity

Company	Emission (in tCO ₂ e)				Revenue (in \$ mn)	Intensity (in tCO ₂ e/\$ mn)			
	SC ₁	SC ₂	SC ₃ ^{up}	SC ₃ ^{down}		SC ₁	SC ₂	SC ₃ ^{up}	SC ₃ ^{down}
Amazon	5 760 000	5 500 000	20 054 722	10 438 551	280 522	20.5	19.6	71.5	37.2
Apple	50 549	862 127	27 624 282	5 470 771	260 174	0.2	3.3	106.2	21.0
BNP Paribas	64 829	280 789	1 923 307	1 884	78 244	0.8	3.6	24.6	0.0
BP	49 199 999	5 200 000	103 840 194	582 639 687	276 850	177.7	18.8	375.1	2 104.5
Caterpillar	905 000	926 000	15 197 607	401 993 744	53 800	16.8	17.2	282.5	7 472.0
Danone	722 122	944 877	28 969 780	4 464 773	28 308	25.5	33.4	1 023.4	157.7
Exxon	111 000 000	9 000 000	107 282 831	594 131 943	255 583	434.3	35.2	419.8	2 324.6
JPMorgan Chase	81 655	692 299	3 101 582	15 448 469	115 627	0.7	6.0	26.8	133.6
LVMH	67 613	262 609	11 853 749	942 520	60 083	1.1	4.4	197.3	15.7
Microsoft	113 414	3 556 553	5 977 488	4 003 770	125 843	0.9	28.3	47.5	31.8
Nestle	3 291 303	3 206 495	61 262 078	33 900 606	93 153	35.3	34.4	657.6	363.9
Pfizer	734 638	762 840	4 667 225	133 468	51 750	14.2	14.7	90.2	2.6
Samsung Electronics	5 067 000	10 998 000	33 554 245	60 978 947	197 733	25.6	55.6	169.7	308.4
Volkswagen	4 494 066	5 973 894	65 335 372	354 913 446	282 817	15.9	21.1	231.0	1 254.9
Walmart	6 101 641	13 057 352	40 651 079	32 346 229	514 405	11.9	25.4	79.0	62.9

Source: Trucost (2022) & Authors' calculations.

Table 6: The 11 recommended disclosures (TCFD, 2017)

Recommendation	#	Recommended Disclosure
Governance	1	Board oversight
	2	Management's role
Strategy	3	Risks and opportunities
	4	Impact on organization
	5	Resilience of strategy
Risk management	6	Risk ID and assessment processes
	7	Risk management processes
	8	Integration into overall risk management
Metrics and targets	9	Climate-related metrics
	10	Scope 1, 2, 3 GHG emissions
	11	Climate-related targets

Source: <https://www.fsb-tcfd.org>.

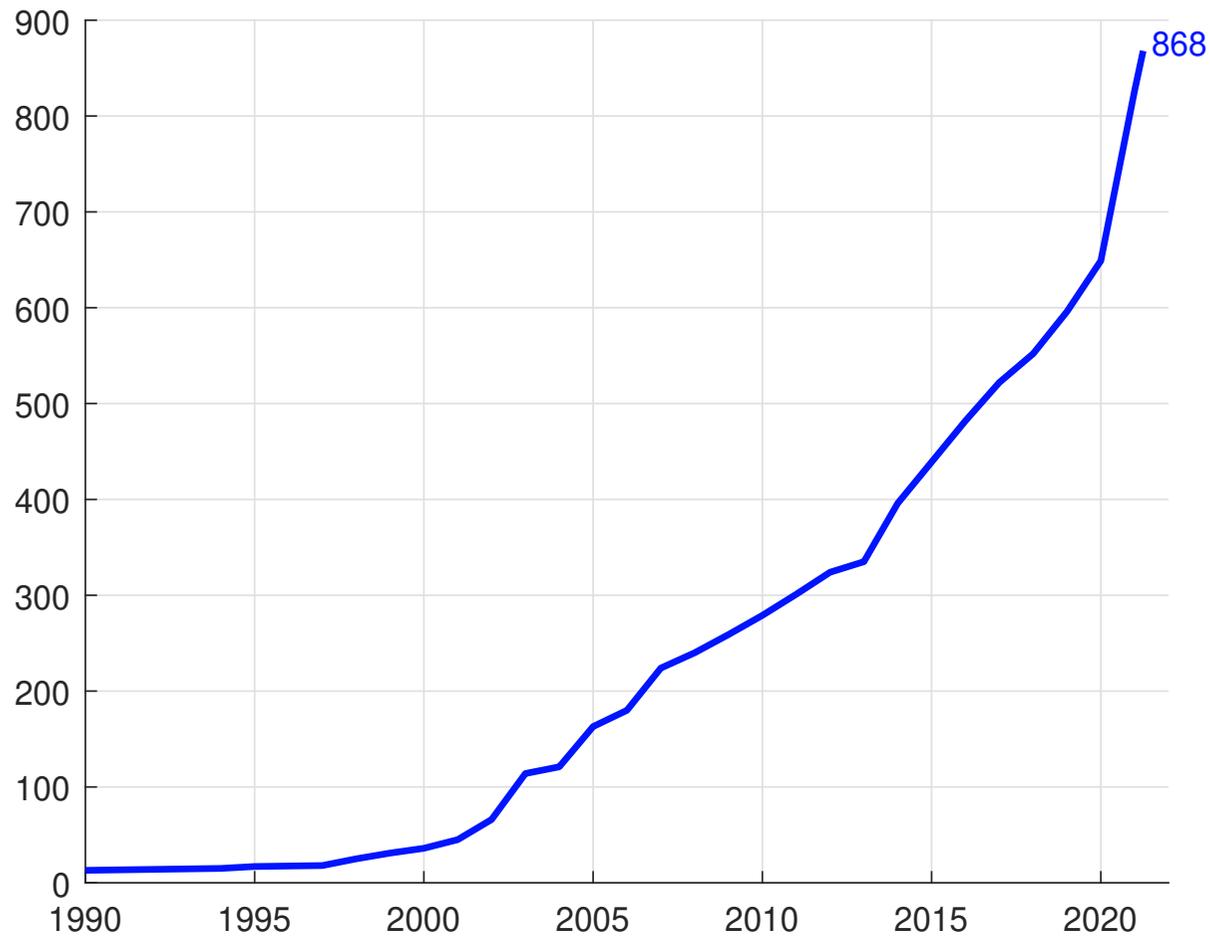
TCFD

Examples of recommended metrics

- GHG emissions (absolute scope 1, scope 2, and scope 3 GHG emissions; financed emissions by asset class; weighted average carbon intensity)
- Transition risks (volume of real estate collaterals highly exposed to transition risk; concentration of credit exposure to carbon-related assets; percent of revenue from coal mining)
- Physical risks (number and value of mortgage loans in 100-year flood zones; proportion of real assets exposed to 1:100 or 1:200 climate-related hazards)
- Climate-related opportunities (proportion of green buildings, green revenues)
- Capital deployment (green CAPEX)
- Internal carbon prices (internal carbon price, shadow carbon price)
- Remuneration

Regulatory framework

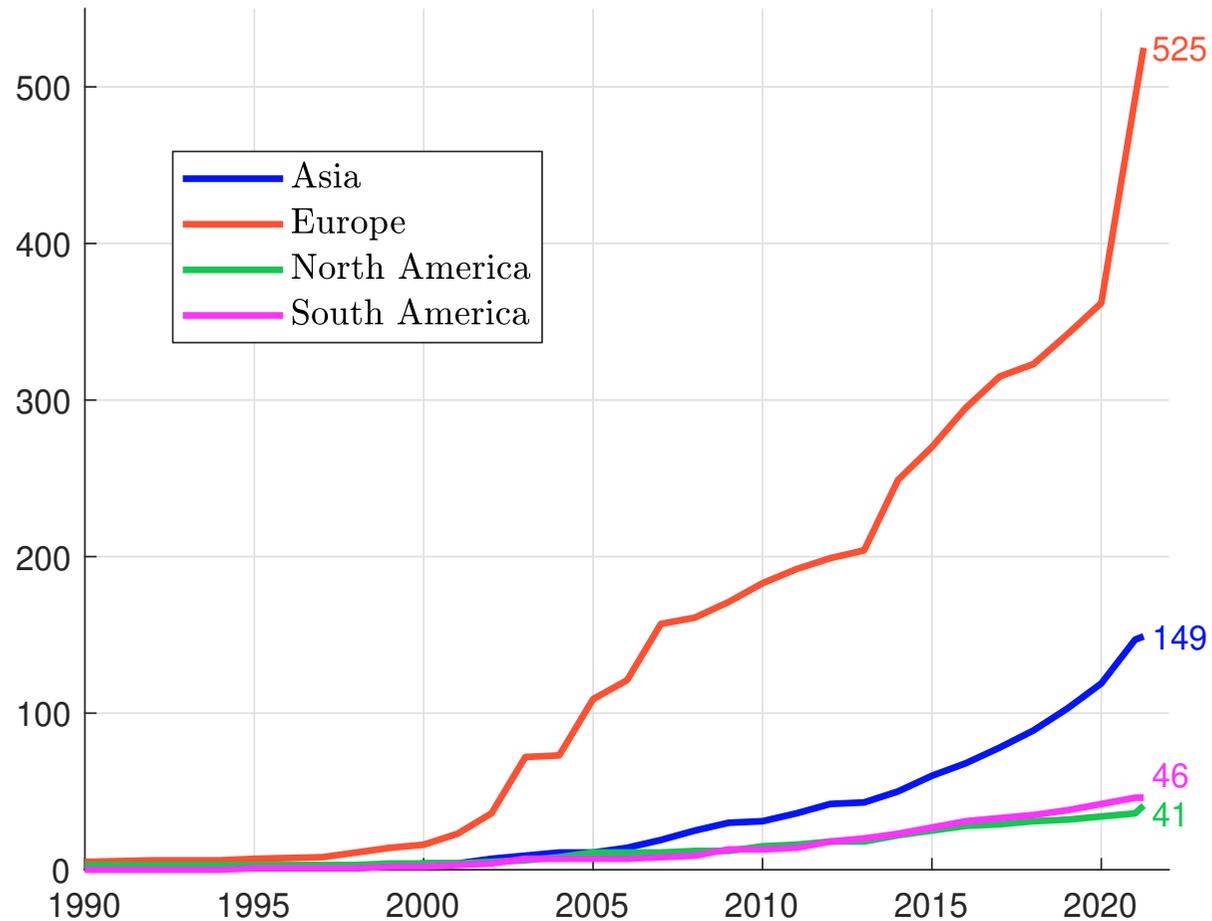
Figure 11: Total number of ESG regulations



Source: PRI (2022), <https://www.unpri.org/policy/regulation-database>.

Regulatory framework

Figure 12: Number of ESG regulations per region



Source: PRI (2022), <https://www.unpri.org/policy/regulation-database>.

European Union

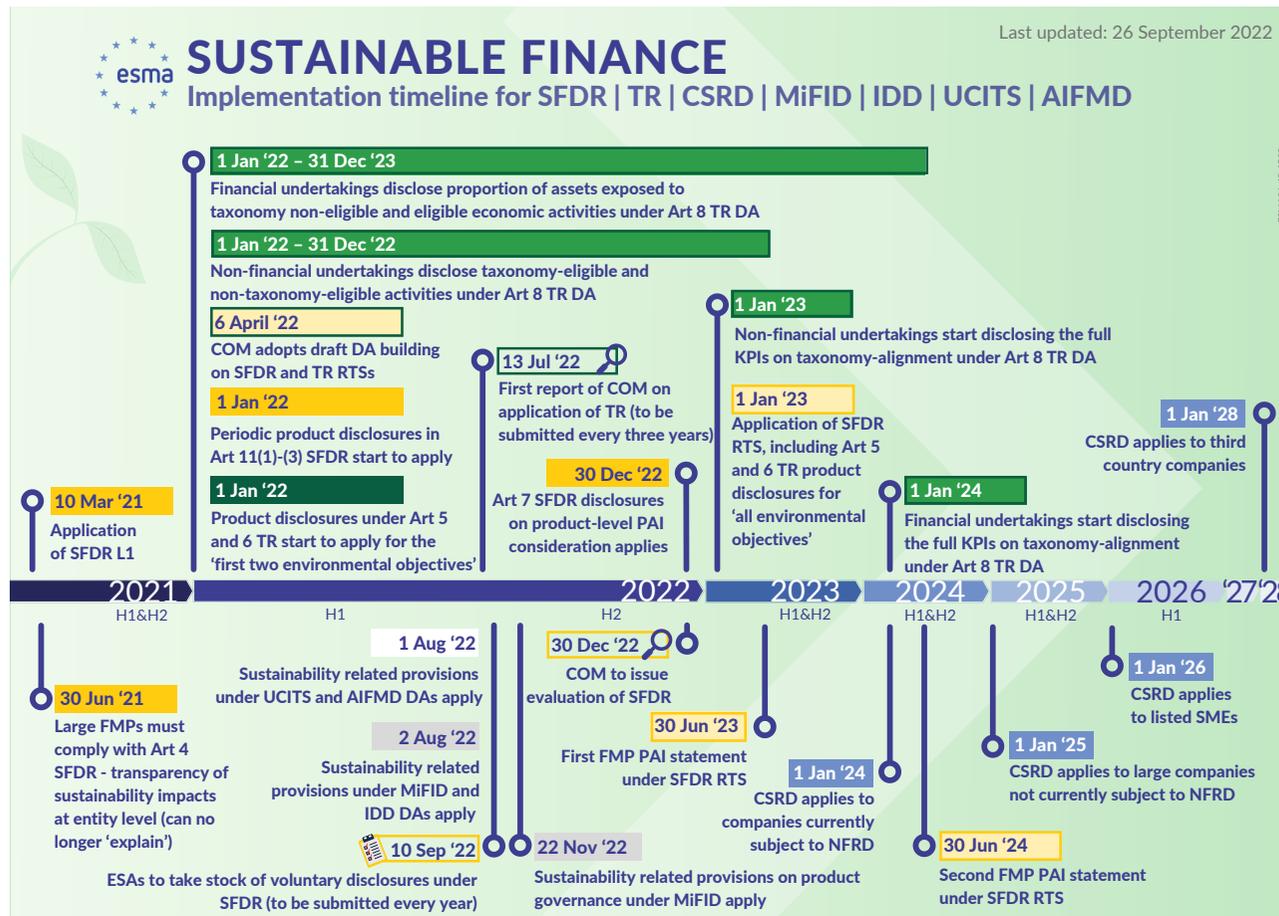
- The action plan on sustainable finance (May 2018)
- The European Green Deal (December 2019)
- The Fit-for-55 package (July 2021)
- The REPowerEU plan or energy security package (May 2022)

European Union

- EU taxonomy regulation
- Climate benchmarks (PAB)
- Sustainable finance disclosure regulation (SFDR)
- MiFID II & IDD
- Corporate sustainability reporting directive (CSRD)

European Union

Figure 13: Sustainable finance — implementation timeline



European Union

Figure 14: Sustainable finance — implementation timeline



EU taxonomy regulation

- 1 Climate change mitigation
- 2 Climate change adaptation
- 3 Sustainable use and protection of water and marine resources
- 4 Transition to a circular economy
- 5 Pollution prevention and control
- 6 Protection and restoration of biodiversity and ecosystem

Climate benchmarks

The common principles are:

- A year-on-year self-decarbonization of 7% on average per annum, based on scope 1, 2 and 3 emissions
- A minimum carbon intensity reduction \mathcal{R}^- compared to the investable universe
- A minimum exposure to sectors highly exposed to climate change

Two labels:

- 1 CTB: (climate transition benchmark) $\Rightarrow \mathcal{R}^- = 30\%$
- 2 PAB: (Paris aligned benchmark) $\Rightarrow \mathcal{R}^- = 50\%$

SFDR

- Article 6 (or non-ESG products)
It covers standard financial products that cannot be Article 8 or Article 9
- Article 8 (or ESG products)
It corresponds to financial products which “*promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices*”
- Article 9 (or sustainable products)
In addition to the points covered by Article 8, these financial products have a sustainable investment objective

+ SI, PAI, etc.

MiFID II & IDD

⇒ sustainable preferences

CSRD

- **E**nvironmental factors: (1) climate change mitigation; (2) climate change adaptation; (3) water and marine resources; (4) resource use and circular economy; (5) pollution; (6) biodiversity and ecosystems.
- **S**ocial factors: (1) equal opportunities for all; (2) working conditions; (3) respect for human rights.
- **G**overnance factors: (1) role and composition of administrative, management and supervisory bodies; (2) business ethics and corporate culture, including anti-corruption and anti-bribery; (3) political engagements of the undertaking, including its lobbying activities; (4) management and quality of relationships with business partners.

single materiality \neq **double materiality**

ESG strategies

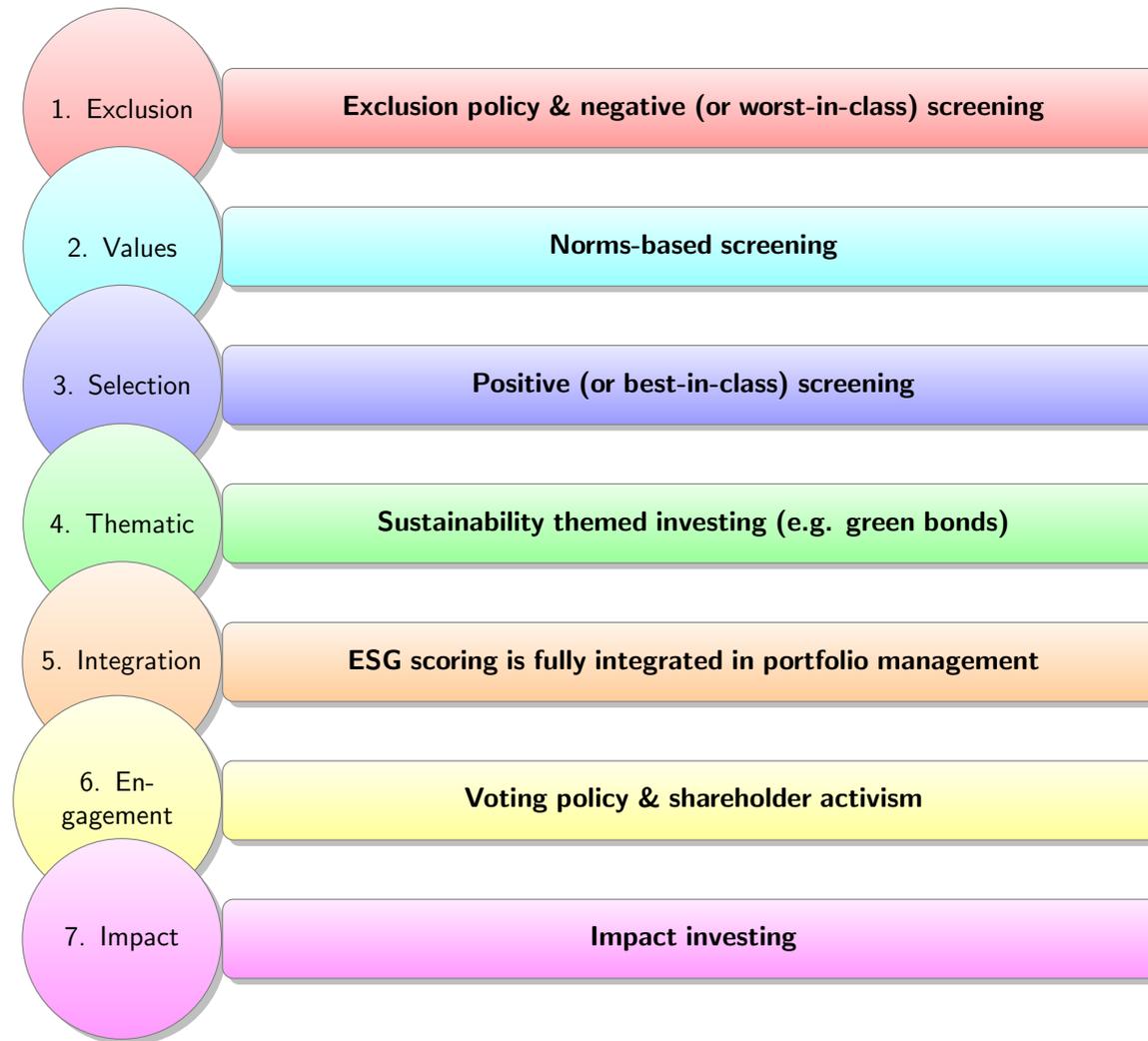


Figure 15: Categorisation of ESG strategies (Eurosif, 2019)

ESG strategies

Exclusion/Negative Screening

The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria (worst-in-class)

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Systematic exclusion of issuers rated **CCC**
- Exclusion of issuers rated **BB**, **B** and **CCC**
- Sector exclusion (e.g., Energy)
- Sub-industry exclusion (e.g. Coal & Consumable Fuels)
- Exclusion list of individual issuers

ESG strategies

Values/Norms-based Screening (and Red Flags)

Screening of investments against minimum standards of business practice based on international norms, such as those issued by the OECD, ILO, UN (Global Compact) and UNICEF^a

^aIn Europe, the top exclusion criteria are (1) controversial weapons (Ottawa and Oslo treaties), (2), tobacco, (3) all weapons, (4) gambling, (5) pornography, (6) nuclear energy, (7) alcohol, (8) GMO and (9) animal testing (Eurosif, 2019)

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Controversial sectors: controversial weapons, conventional weapons, civilian firearms, nuclear weapons, nuclear power, thermal coal, tobacco, alcohol, gambling, adult entertainment, genetically modified, fossil fuels production & reserves
- Many ETF funds

ESG strategies

Selection/Positive Screening

Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers (best-in-class)

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Selection of issuers rated **AAA**, **AA** and **A**
- Selection of issuers that have improved their rating (Momentum ESG strategy)

ESG strategies

Thematic/Sustainability Themed Investing

Investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture)

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Funds invested in Green Bonds
- Funds invested in Social Bonds
- Funds invested in Sustainable Infrastructure
- Funds invested in Natural Resources

ESG strategies

ESG Integration

The systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis

Source: Global Sustainable Investment Alliance (2019)

Examples:

- The stock picking score is a mix (50/50) of a fundamental score and an ESG score
- The fund must have an ESG score greater than the score of its benchmark

ESG strategies

Corporate Engagement/Shareholder Action

The use of shareholder power to influence corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Voting policy
- Public divestment
- Biodiversity and deforestation financing
- Engagement with target companies on a specific subject (e.g., pay ratio or living wage)
- Escalated engagement: concerns public, proposing shareholder resolutions & litigation

ESG strategies

Impact Investing

Targeted investments aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose

Source: Global Sustainable Investment Alliance (2019)

Examples:

- Funds with a Social Impact objective
- Funds invested in Green Bonds
- PAB and CTB ETFs

ESG strategies

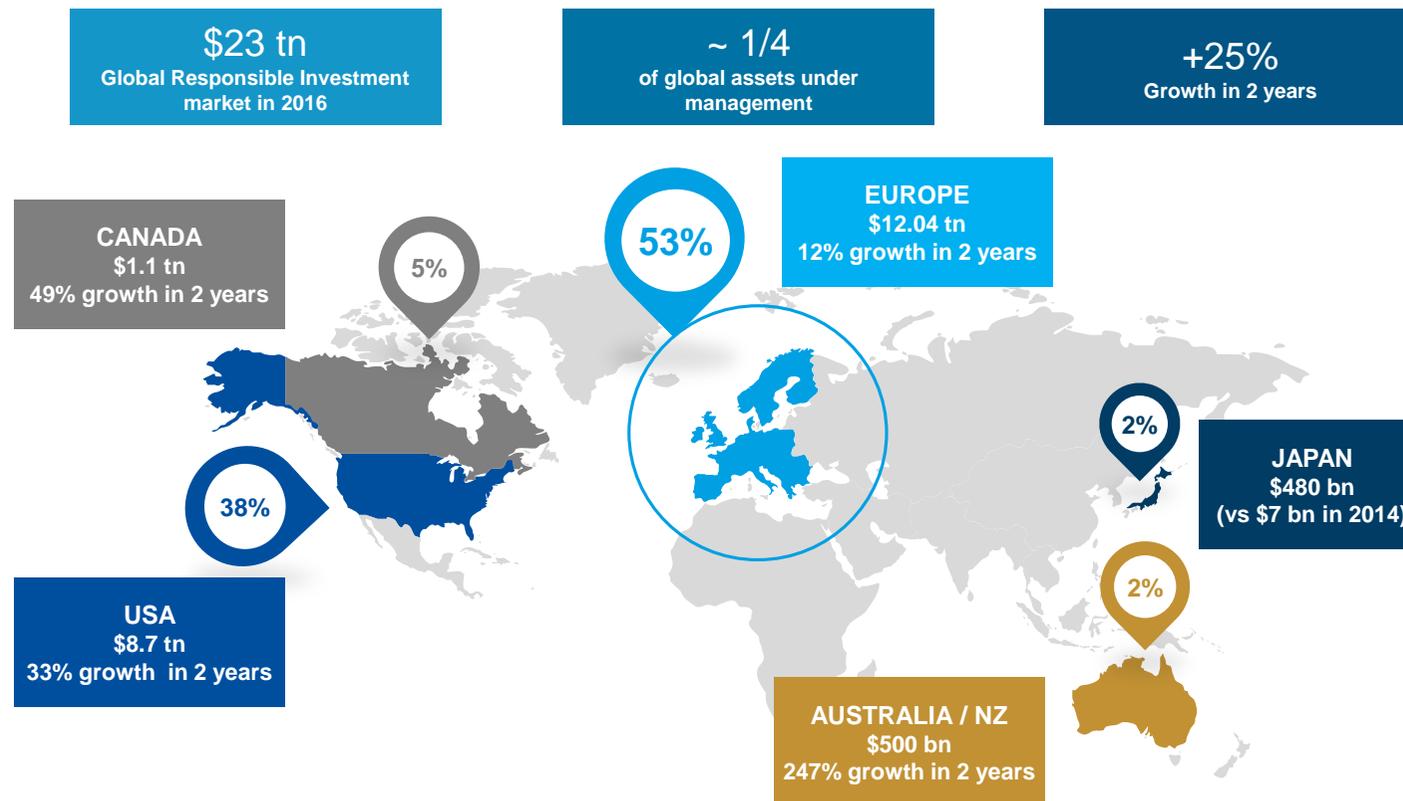
Impact Investing/Community Investing

- Impact Investing
Investing to achieve positive, social and environmental impacts – requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution
- Community Investing
Where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose. Some community investing is impact investing, but community investing is broader and considers other forms of investing and targeted lending activities.

Source: Global Sustainable Investment Alliance (2021)

The market of ESG investing

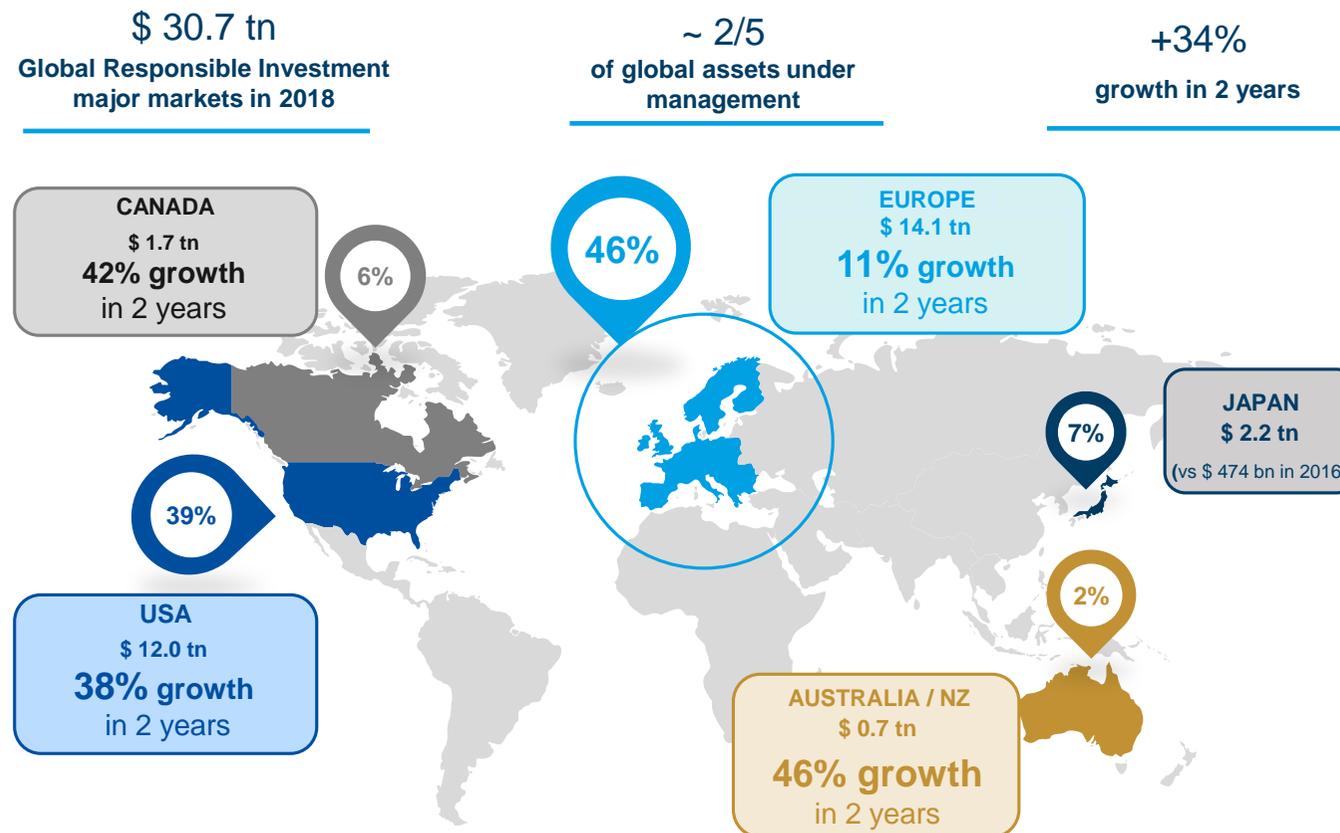
Figure 16: Sustainable investment assets at the start of 2016



Source: GSIA (2016).

The market of ESG investing

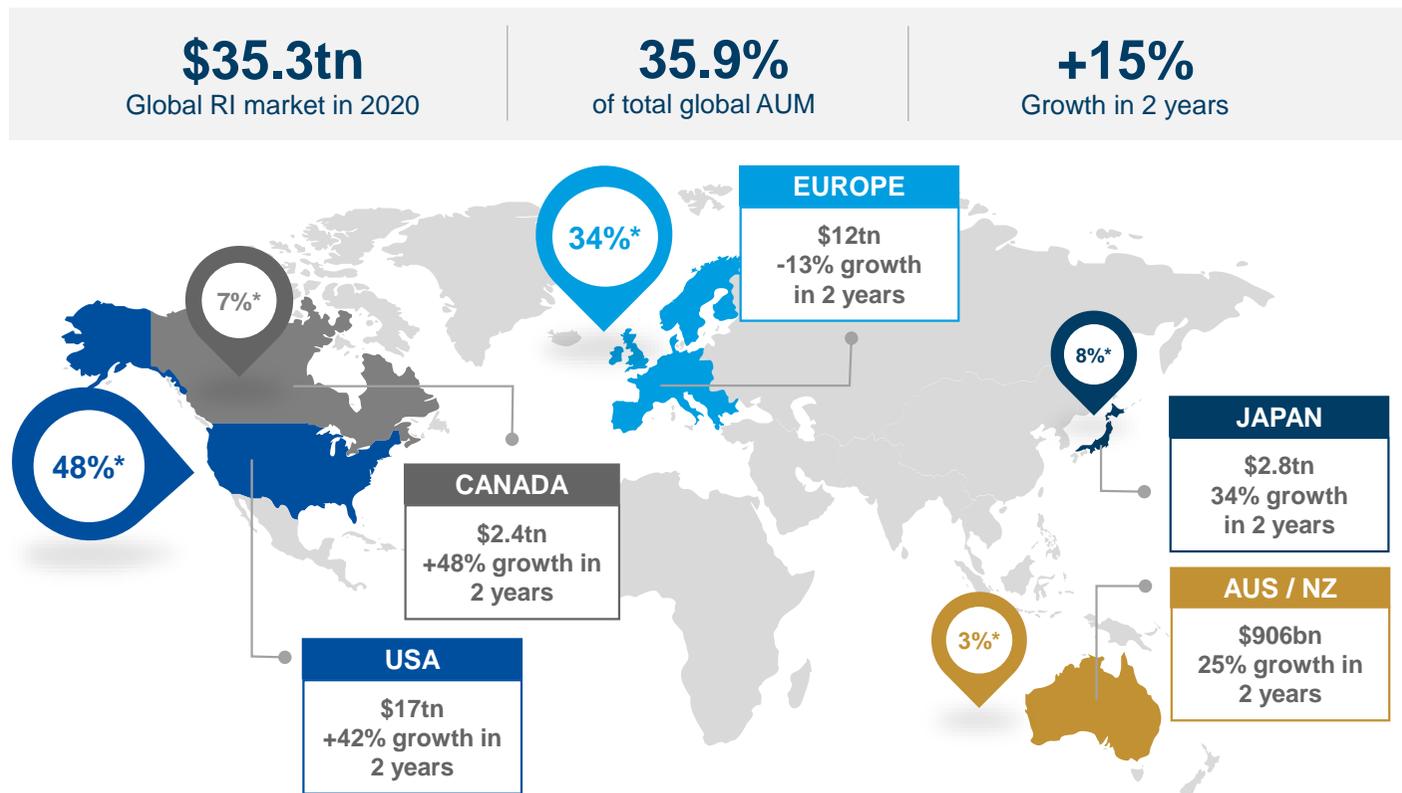
Figure 17: Sustainable investment assets at the start of 2018



Source: GSIA (2018).

The market of ESG investing

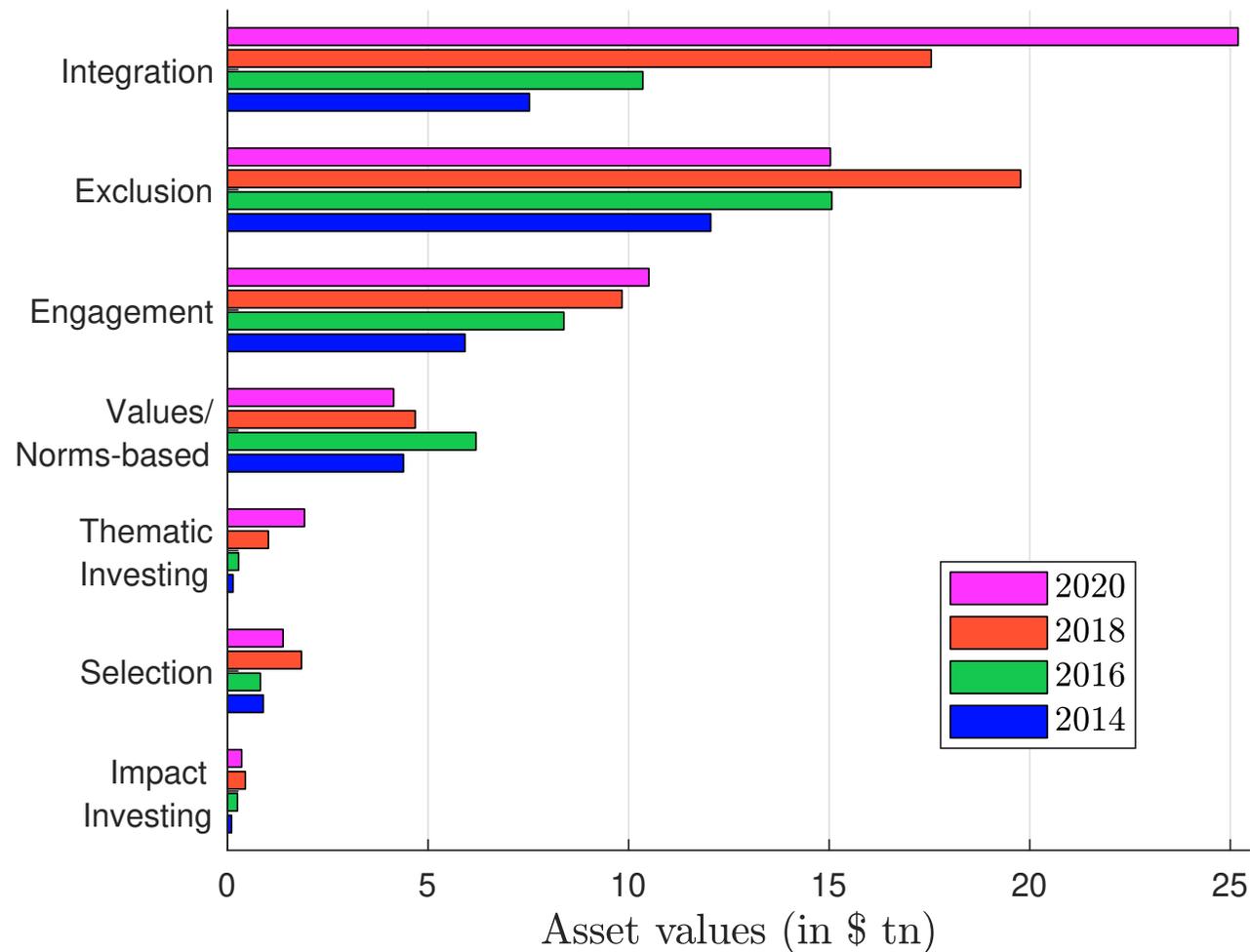
Figure 18: Sustainable investment assets at the start of 2020



Source: GSIA (2020).

The market of ESG investing

Figure 19: Asset values of ESG strategies between 2014 and 2018



Source: GSIA (2012, 2014, 2016, 2018, 2020) & Author's calculations.

The market of ESG investing

Table 7: ESG asset growth

#	ESG strategy	Asset growth			2020 AUM (in \$ bn)
		2014-2016	2016-2018	2018-2020	
1	Exclusion	11.7%	14.6%	-24.0%	15 030
2	Values/Norms-based	19.0%	-13.1%	-11.5%	4 140
3	Selection	7.6%	50.1%	-24.9%	1 384
4	Thematic Investing	55.1%	92.0%	91.4%	1 948
5	Integration	17.4%	30.2%	43.6%	25 195
6	Engagement	18.9%	8.3%	6.8%	10 504
7	Impact Investing	56.8%	33.7%	-20.8%	352

Source: GSIA (2012, 2014, 2016, 2018, 2020) & Author's calculations.