

GLOBAL SUSTAINABLE INVESTMENT REVIEW **2024**



GLOBAL SUSTAINABLE
INVESTMENT ALLIANCE



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FOREWORD

The Global Sustainable Investment Alliance (GSIA) is an international collaboration of membership-based sustainable investment organisations around the world who collaborate to deepen and expand the practice of sustainable, responsible and impact investment through intentional international cooperation.

We envision a future where policy frameworks enable real-world change through investment, where investors find clear incentives to support the transition to net-zero, and where financial flows align with climate goals.

Measuring flows of sustainable finance is crucial to understanding both the scale of this market and the barriers preventing further investment. This report brings together regional insights from the United States, Canada, Japan, Australia & New Zealand, and Europe as well as a series of policy recommendations, many building on GSIA's 2024 report, ["Transforming Global Finance for Climate Action: Addressing Misaligned Incentives and Unlocking Opportunities"](#).

In a change from previous versions of this report, we have adapted this year's publication to reflect that many regional sustainable investment organisations are no longer collecting asset under management when surveying their members on the approaches they are taking towards responsible and sustainable investing.

In addition, rapid market and regulatory developments in sustainable investments across the globe have contributed to growing divergences in definitions and methodologies. After careful consideration, we have concluded that we no longer have sufficient data to provide an aggregated value of the size of the global sustainable investment universe.

To ensure this report remains relevant, and to deliver useful insights, we have partnered with Morningstar to present a new analysis of Morningstar's fund data in this report. Whilst this is not comparable with the previous GSIA data – it focuses on asset manager fund disclosures, many of which are only done when legally obligated to do so, and captures a much reduced value of assets than previously available from the GSIA dataset – it does demonstrate ongoing growth in disclosure of responsible & sustainable investment approaches and the impact of regulatory disclosure requirements.

We remain of the view that a global perspective on the sustainable investment practices of asset owners and their asset managers is useful, both to the financial services sector and to policymakers. We are therefore open to engagement with any partner who wishes to help us broaden this data in future GSIA publications.

We would like to thank the many contributors who helped us prepare this Global Sustainable Investment Review; in particular, thank you to Morningstar for their data and A Future Worth Living In for their research support.

James Alexander
Chair
Global Sustainable Investment Alliance



EXECUTIVE SUMMARY

This year's Global Sustainable Investment Review 2024 (GSIR) is the seventh report in our biennial series mapping the state of responsible and sustainable investment across the world's major financial markets.

The report demonstrates that despite challenges, sustainable investment has moved from a niche practice to a systemic consideration, though the pace and scale of change remain insufficient.

Economic Context

Our last report was written as the global economy responded to the aftershocks of the Covid-19 pandemic. Since then inflation has risen to levels not seen in decades on the back of supply-chain bottlenecks, labour market frictions, and energy price volatility amplified by Russia's invasion of Ukraine. As inflationary pressures eased, economic uncertainty persisted due to increasing geoeconomic fragmentation characterised by rising trade frictions and national protectionism. In the face of economic uncertainty global equity markets contracted in 2022 (-18%) before rebounding in 2023 (22%), continuing to offer positive returns in 2024 (17%) (MSCI, 2025).

Despite the challenging political and economic conditions over the last two years, there are signs that a sustainable economic transition is underway. The proportion of energy investment allocated to the clean energy sector has increased to 64% in 2024 (IEA, 2024). Whilst the market capitalisation of the green economy reached USD 7.9 trillion in 2024, making it the second-fastest growing globally after Technology, and fourth-largest sector in size, after Technology, Industrials and Healthcare (LSEG, 2025).

Deep Dive: Sustainable Finance Disclosure Regulations

This year's GSIR explores the financial services industry's approach to disclosure regulation. Positive developments to enhance sustainability disclosures that began in the EU have now spread across many GSIA regions, resetting expectations for how we define and report sustainable investment, with an emphasis on moving the industry toward a more consistent and transparent standard of practice aligned to real-world change. We outline emerging best practice which could facilitate greater interoperability between jurisdictions and ensure a clear distinction between fund objectives and investment approaches.

However, regulatory disclosures can only provide part of the picture, due to the omission of assets managed in large institutional mandates, sovereign portfolios or private-market investments, which represent 40-50% of the assets. Our latest report quantifies the investable market and demonstrates how much capital exists beyond the investment structures that current regulatory disclosure frameworks are designed to measure.

This underlines the importance of the survey and analysis work that GSIA members have previously undertaken to understand the development of sustainable finance over the last decade, which has been extensively relied upon (by academics and organisations such as the [OECD](#) and the [UN](#)) and the need for this to continue.

Research Insights from Morningstar

The data analysis presented in this report is prepared in collaboration with Morningstar, who use their global fund database to provide a consistent, transparent view of market disclosure. The analysis finds that the value of fund assets reporting the use of responsible or sustainable investment approaches has reached USD\$16.7 trillion, increasing by nearly USD\$5.5 trillion (49%) over the last two years. Whilst the proportion of fund assets reporting the use of 'R&SI Approaches' relative to the total fund market, has risen from around 3% of the fund market in 2018, to 27% in 2024. Given the focus on regulatory disclosures, the market size and trends are predominantly driven by European funds following the implementation of the Sustainable Finance Disclosure Regulation (SFDR).

Challenges Ahead

Ten years after the Paris Agreement, global emissions remain close to record highs, with the goal of a 50% reduction by 2030 increasingly out of reach. On the current trajectory, climate change is likely to drive 2.5° C of warming by 2100, well over the temperature threshold targeted by the Paris Agreement (BNEF, 2025). Meanwhile, the physical realities of climate change continue to intensify.

As we approach COP30 in Brazil, the danger is not merely stalled progress, but an erosion of the fragile consensus built a decade ago in Paris. In the absence of government interventions to reshape the global economy onto a sustainable trajectory, capital will remain incentivised to exacerbate climate change rather than address it. For investors with Net Zero commitments, this raises both systemic risk and reputational exposure, as ambition at the policy level fails to meet expectations making investment in these areas more challenging.

There exists in financial markets, a broad sense that the political and economic consensus around tackling climate change and building a global economy based around sustainability has fractured. This is leading to reduced incentivisation for the movement of capital towards sustainable projects and assets and widespread 'greenhushing' or underplaying of the sustainability efforts of investors.

While investors have a crucial role to play in addressing climate change, they cannot solve the crisis alone. A successful transition to net zero requires coordinated action between governments, investors and corporations, supported by impactful and durable public policies that strengthen the conditions for sustainable finance to continue to deliver the capital needed for a sustainable future.

Policy Recommendations

There exists in financial markets, a broad sense that the political and economic consensus around tackling climate change and building a global economy based around sustainability has fractured, reducing the investment rationale for the movement of capital towards sustainable projects and assets.

GSIA's 2024 research on [misaligned incentives](#) identifies a fundamental "policymaker investment dilemma" whereby policymakers placed significant expectations on private capital to finance the transition without fully understanding the nature of investment decisions. Simultaneously, investors developed promises and commitments to achieve Net Zero by 2050, based on government policies that have failed to materialise at the pace required. The result is an impasse between policymakers and investors, driven by a fundamental misunderstanding of the conditions and assumptions underpinning investors' Net Zero commitments.

Theoretically, investment decisions and capital flows are determined by the potential for financial return, given the associated risks and investment horizon. Practically, investors allocate capital into the projects, companies, sectors and regions that make up the global economy based on its current economic 'shape' and expectations of how this will change in the future. In the absence of government interventions to reshape the global economy onto a sustainable trajectory, capital will continue to exacerbate climate change rather than address it.

The "policymaker investment dilemma" and the structures that drive it continue to slow effective climate action by perpetuating behaviours and decision-making heuristics that are misaligned with climate goals. Our research has identified five barriers preventing the flow of capital to climate solutions and sets out actions to overcome the barriers and help direct investment towards projects and sectors that will accelerate the world's transition to a sustainable future. Key actions are included in the table below, with more detail included in the [full report](#).

FIGURE 1: PIVOT Framework & Key Recommendations

P	Policy Vacuum	Publish National Transition Plans; supported by comprehensive real-economy policies and the issuance of Sovereign Transition Bonds to address fiscal constraints
I	Self-Interest	Realign Incentives by removing subsidies and phasing out unsustainable economic activity and implement mandatory carbon pricing mechanisms
V	Mis-Valuation	Develop new valuation methods which account for climate risks/opportunities and address the current limitations of financial theory which discount future cashflows and underestimate physical risks
O	Inactive Ownership	Promote further evolution in the understanding and interpretation of investors' fiduciary duties. This includes clarifying these duties in relation to systemic risks, such as climate change, through new guidance from policymakers and industry
T	Transition Misalignment	Clarify the different yet mutually reinforcing roles of Investors and Policymakers. Foster greater knowledge sharing and collaboration between Investors, policymakers, and other stakeholders within and across regions

Source: Table based on the Framework and Recommendations from GSIA's 2024 report, "Transforming Global Finance for Climate Action: Addressing Misaligned Incentives and Unlocking Opportunities"

DEFINITIONS AND METHODOLOGY

Definitions

Responsible & Sustainable Investment Approaches (R&SI Approaches)

The [GSIR 2022](#) detailed the harmonised definitions for responsible and sustainable investment approaches, developed by GSIA, PRI, and the CFA Institute.

The phrase 'R&SI Approaches' is used throughout this report to indicate the use of one or more of these approaches, which may be adopted in pursuit of financial returns and/or sustainable outcomes. To avoid confusion the use of sustainable investing, sustainable finance or sustainable funds has been limited to instances where the objective is to achieve sustainable outcomes.

GSIA Member Data & Insights

The report includes research from GSIA members. GSIA members are Eurosif (European Sustainable Investment Forum), UKSIF (UK Sustainable Investment and Finance Association), the Forum for Sustainable and Responsible Investment (US SIF), Japan Sustainable Investment Forum (JSIF), the Responsible Investment Association Canada (RIA Canada) and the Responsible Investment Association Australasia (RIAA).

- Reference to 'global data' or 'regions' in this section refers to data from these regions unless otherwise specified.
- References to Europe should be interpreted geographically, to include the regions represented by Eurosif and UKSIF, unless otherwise stated.
- Detailed information on the policy, regulatory, industry, customer and market drivers across global regions has been provided by the regional sustainable investment organisations.
- The content of each regional section reflects the language and terminology used within that region.
- All 2024 assets are reported as of 31 December 2024. For figures which are not displayed in the region's local currency, currencies have been converted to US dollars at the exchange rate prevailing on 31 December 2024.

External Sources

Links to external sources are provided within the document.

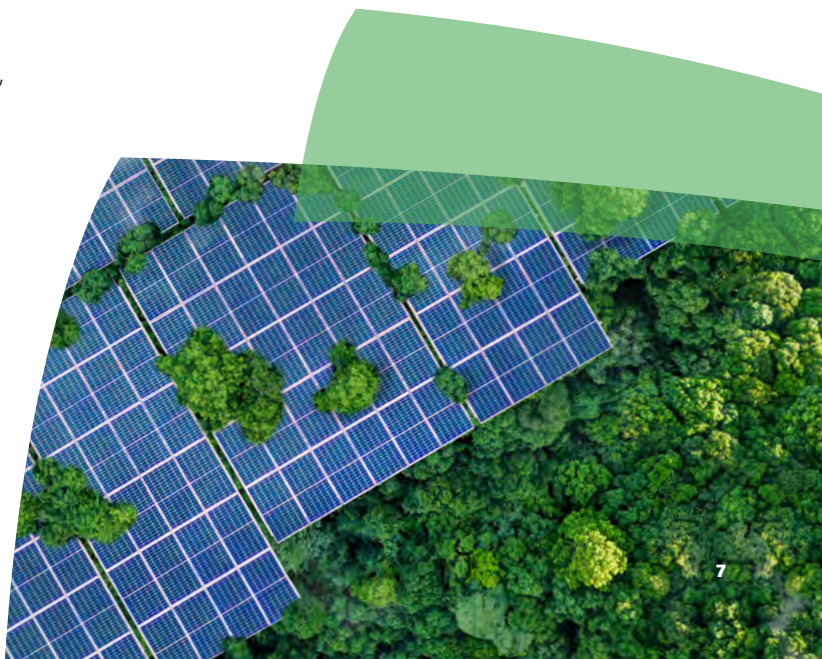
Research Limitations

This report includes analysis based on fund disclosure data from Morningstar alongside investor survey results from GSIA members, supplemented by broader industry research on asset manager and asset owner practices.

This year the United States and Europe, which together accounted for 74% of global sustainable assets in the 2022 report, were unable to provide data. Despite efforts to bridge this gap, the scope of data analysis was limited to legal fund disclosures made by asset managers, significantly reducing the volume of assets covered (a greater than 50% reduction).

Research comparing disclosure regulations regarding responsible and sustainable investment (R&SI) further emphasised the focus on fund markets and the omission of assets managed within segregated mandates or directly managed by asset owners. It also clearly identified the discrepancy between disclosed practices and investor intentions (or purpose).

The variations between Morningstar data and GSIA member surveys reflect the impact of different regulatory approaches, but more fundamentally, they highlight how much capital exists beyond the investment structures that current regulatory disclosure frameworks are designed to capture. Critically, it means that policy discussions about the effectiveness of sustainable finance actions plans, market development needs, and regulatory improvements proceed with incomplete information about how the largest pools of capital operate. The demonstrated existence of this information gap underlines the importance of the work that GSIA members have undertaken over the last decade and the need for this to continue into the future.



DEFINITIONS OF INVESTMENT APPROACHES

The GSIR 2022 detailed the harmonised definitions for responsible and sustainable investment approaches, developed by GSIA, PRI, and the CFA Institute. These definitions have since informed, and in some cases been adopted by, regulators in the development of their classification frameworks.

Definitions: GSIA, PRI & CFA Institute

Growing global interest in responsible and sustainable approaches to investment demands greater standardisation 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 responsible investment approaches, to ensure consistency throughout the global asset management industry.”

In response, CFA Institute, The Global Sustainable Investment Alliance (GSIA), and Principles for Responsible Investment (PRI) came together to harmonise definitions and provide guidance for usage. The report [can be accessed here](#) and the definitions are detailed in Table 1. For the 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.” Providing an element of stability, these definitions remain unchanged from the [GSIR 2022](#).

FIGURE 2: Investment Approaches

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.
Impact Investing	Investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return.

FIGURE 3: Screening Approaches

APPROACH	DEFINITION
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	The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable. Exclusion criteria (based on norms and values) can refer, for example, 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.

GLOBAL MARKET PERSPECTIVES



GLOBAL MARKET PERSPECTIVES

Between 2022 and mid-2025, the global economic, political, and sustainability landscape was characterised by volatility and fragmentation alongside renewed efforts to anchor finance within the transition to a Net-Zero economy. The period has seen overlapping shocks and shifting policy regimes, challenging investors’ ability to allocate capital with confidence, while at the same time strengthening the imperative for credible, transparent, and durable sustainable finance frameworks.

GLOBAL DEVELOPMENTS

The global economy entered 2022 still absorbing the aftershocks of the Covid-19 pandemic. Supply-chain bottlenecks, labour market frictions, and energy price volatility were amplified by Russia’s invasion of Ukraine in February 2022, which reshaped energy markets, particularly in Europe, and reinforced concerns over food and resource security (IEA, 2022). Inflation rose to levels not seen in decades, with central banks in advanced economies tightening monetary policy rapidly through 2022 and 2023. By 2024, the pace of tightening had moderated, yet higher borrowing costs and fiscal constraints remained a defining feature of the investment environment (IMF, 2024). Global growth slowed to below the pre-pandemic trend, with sharp regional divergences: resilience in the United States and parts of Asia contrasted with weaker recoveries in Europe and many emerging markets. The uneven distribution of growth heightened investor focus on both geopolitical alignment and structural reform.

Political And Geopolitical Shifts

This period also witnessed a marked acceleration of industrial policy and geoeconomic competition. The United States Inflation Reduction Act (2022) and Europe’s Green Deal Industrial Plan signalled a strategic turn towards subsidised clean-energy investment and technology localisation. China reinforced its dominance in critical minerals and clean-energy supply chains, while emerging economies sought to leverage their resource bases to attract green capital. Trade tensions grew, with subsidy races and border carbon adjustments altering competitive dynamics; for example, the European Union’s carbon border adjustment mechanism entered into application in its transitional phase from October 2023. Simultaneously, conflicts in Eastern Europe and the Middle East underscored the fragility of global energy and commodity flows. Investors’ attention increasingly focused on resilience, security, and the alignment of portfolios with both national and global transition objectives.

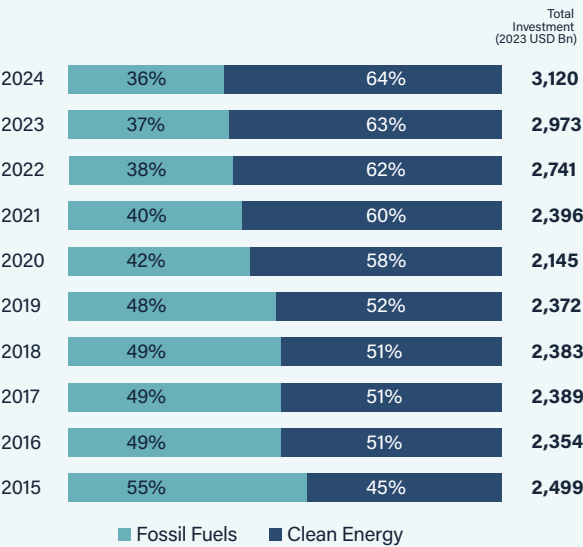
Structural Challenges And Opportunities

Investor appetite remains robust for credible, well-structured investment opportunities, but confidence is undermined when policy signals are weak or inconsistent and policy incentives misaligned. To achieve an orderly transition and decarbonise high-emitting sectors requires global coordination and consensus; industrial policy is, however, increasingly national, protectionist and sluggish.

Conversely, natural catastrophes are global and rapidly increasing in severity. Estimated direct economic costs from global natural perils were 15% higher (USD\$417bn), with insured losses 27% higher (USD\$154bn), suggesting a new ‘normal’ approaching USD\$150bn a year, with an increasing protection gap (63%) (Gallagher RE, 2024).

There are signs for optimism; the International Energy Agency (IEA) reports that the proportion of energy investment allocated to the clean energy sector has increased each year over the last 10 years, to 64% in 2024 (IEA, 2024).

FIGURE 4: IEA: Energy Investment (2015 - 2024)

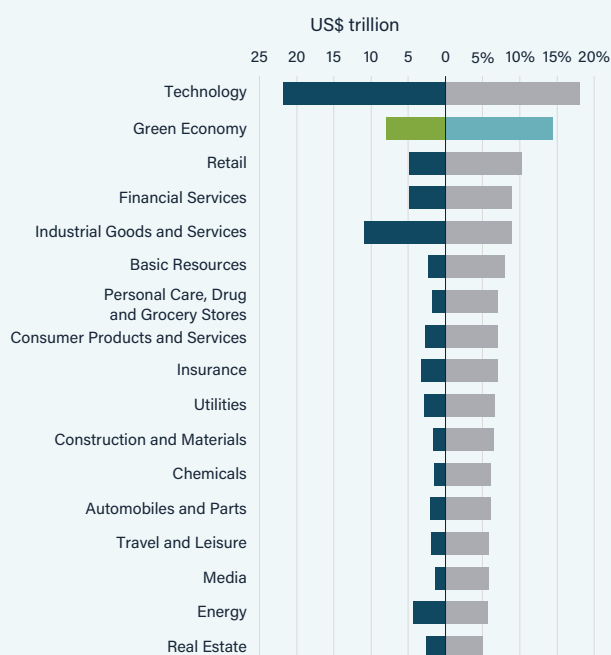


Source: World Energy Investment 2024, IEA

GLOBAL MARKET PERSPECTIVES

A recent report from LSEG, '[Investing in the green economy 2025](#)', brings to life how the transition is taking place within and across sectors. The green economy extends beyond the highly visible renewable energy sector to include a broad suite of products and services with environmental benefits spanning value chains (Waste & Pollution, Energy Efficiency, Water). If considered a standalone sector, the green economy would be the 4th largest sector, after Technology, Industrials and Healthcare, and has expanded at a compound annual growth rate of 15% over the last decade to be valued at USD\$7.9trillion in 2024.

FIGURE 5: Market Capitalisation of the Green Economy



Source: Investing in the green economy 2025, LSEG

Investor Behaviour And Market Characteristics

Capital flows reflected this mixed environment. Global assets labelled as 'sustainable' plateaued after a decade of growth, as higher interest rates, market volatility, and political contestation weighed on demand. However, segments such as green bonds, transition finance instruments, and thematic funds linked to energy security and critical minerals continued to expand. Institutional investors increasingly demanded credible transition plans from issuers, while retail investors showed more sensitivity to accusations of greenwashing. The overall trend was towards differentiation: fewer blanket "ESG" products and more precise strategies aligned to measurable outcomes.

Climate Negotiations And Sustainability Consensus

At COP26 in 2021, a coalition of institutions representing finance pledged to support the Paris Agreement, creating expectations of accelerating alignment. However, progress has been uneven. COP27 and COP28 saw incremental advances on adaptation and loss-and-damage finance, but limited breakthroughs on mitigation ambition. By 2025, political polarisation in some major economies, including explicit challenges to the legitimacy of climate science from senior leaders, has created headwinds for global coordination ([UNFCCC, 2024](#)). The danger is not merely stalled progress but an erosion of the fragile consensus built since Paris in 2015. For investors with Net Zero commitments, this raises both systemic risk and reputational exposure, as ambition at the policy level weakens.

Regulatory And Market Developments

Despite the contested political backdrop, most regions have introduced, strengthened or revised regulatory expectations and disclosure frameworks. In the EU, the Sustainable Finance Disclosure Regulation ([SFDR](#)) continued to evolve, with ESMA finalising [fund-name guidelines](#) in November 2024 and the European Green Bond Standard entering into force in December 2023. The UK introduced Sustainability Disclosure Requirements ([SDR](#)) with labelling rules effective July 2024, while Canada, [Australia](#), and [Japan](#) advanced national disclosure standards aligned with ISSB. The United States remained divided, with [SEC climate disclosure rules challenged in courts](#), yet voluntary adoption of ISSB standards and market-driven ESG integration expanded ([Morningstar, 2024](#)). This regulatory patchwork has created operational complexity for global investors, but also a convergence along the theme of credibility, in transparency, greenwashing prevention, and the transition itself.

REGULATORY DEEP DIVE: SUSTAINABLE FINANCE DISCLOSURE REGULATIONS

Regional Approaches

At the end of 2022, only the European Union had implemented a disclosure regime for sustainable finance. By mid-2025, the landscape looks very different.

- The UK has introduced its [Sustainability Disclosure Requirements \(SDR\)](#) and four sustainability labels.
- Australia, through [RIAA](#), established three voluntary fund certifications.
- Canada has refined its [staff guidance](#) into a more structured ESG fund disclosure regime, defining four categories of funds, with an indication that disclosure will be mandatory.
- Japan has tightened [supervisory expectations](#) for ESG-labelled investment trusts.
- The United States stands out as a reversal: the SEC withdrew its 2022 ESG fund disclosure proposal in June 2025.

Across regions, the common driver has been the need for greater accountability, clearer product naming, and stronger protection against greenwashing. Regions that are in the early stages of developing their regulations have the opportunity to learn from the challenges faced by early adopters.

Regional Differences

The core difference between regulatory regimes, is whether they are mandatory or voluntary.

The UK's Sustainability Disclosure Requirements (SDR) are voluntary and uptake of the official SDR labels has been significantly lower than expected (10.5%). The emergence of an unofficial 'fifth label' - via fund naming conventions - presents an administratively easier pathway for fund managers to continue using sustainability related terms. ([UKSIF, 2025](#)), reflected in the 37% of UK funds categorised as 'sustainable' by Morningstar. This may be a temporary phase as the regulation matures.

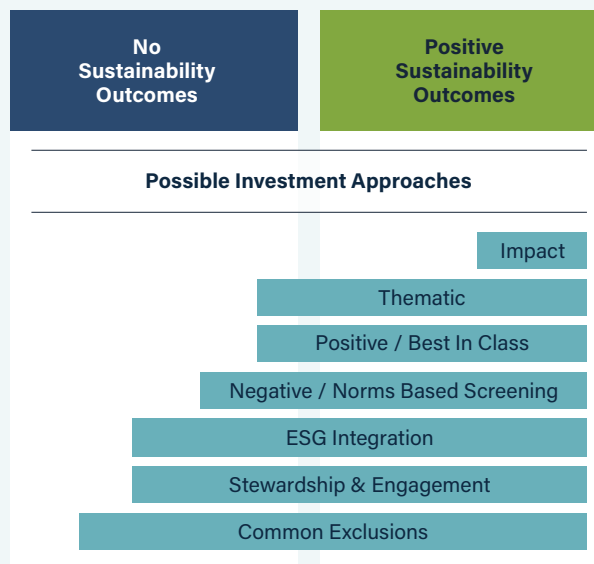
Disclosure requirements are defined across Article 6, 8 and 9, which were not intended to act as a fund classification or label. In practice, the status of products has been used as a 'quality indicator' ([ESMA, 2024](#)), which may be addressed by the forthcoming SFDR review. Following the implementation of SFDR the value of European fund assets disclosing the use of 'R&SI Approaches' increased from 20% in 2020, to 81% at the end of 2024, driven by the increasing disclosure of ESG Integration and Stewardship & Engagement. Slightly over half EU funds are Article 8 or 9 (59%) and a significantly lower proportion of EU funds are rated by Morningstar as 'sustainable' (22.6%).

In Canada, the Canadian Securities Administrators (CSA), have issued staff guidance which applies to all fund disclosures; built on the foundation that ESG factors must form part of the investment process to be considered as using one of the 'ESG strategies'. The guidance states that industry practices such as the application of a firm wide exclusions policy, or a firm-wide approach to engagement is insufficient and should be considered 'non-ESG'.

The Canadian Investment Funds Standards Committee (CIFSC) have removed 'ESG Integration' as an indicator of a responsible investment fund. This reflects an increasing concern that the term, once used to attract ESG focused investors, is now used by fund managers to improve financial returns rather than achieve social or environmental objectives.

The UK FCA contextualise this issue within their policy statement (PS23/16), clarifying the need to distinguish between 1) the objective of the fund and 2) the investment approaches that are used to achieve this objective.

FIGURE 6: Adapted from FCA Policy Statement



Achieving Interoperability

Elements of best practice are emerging across the regions, with a tentative agreement on the need for four 'buckets' which reflect:

- A Sustainable:** Investing in assets which are sustainable and/or where there is an explicit sustainability objective.
- B Transition:** Investing in assets, which are expected to improve or contribute to a sustainable transition
- C ESG Collection:** The consideration of ESG or the promotion of sustainable or ESG characteristics
- D Non ESG:** may consider ESG as financial risk; adopts exclusions and engagement at firm level

There is widespread recognition that the category of 'impact investment' is required, although this appears to be outside the scope for many regulators.

The table below provides an overview of the regional approaches. The categories and definition are not identical, and it is not essential that there is conformity. However, it is essential that the implementation of resource-intensive disclosure requirements enhances rather than hinders investors' ability to comprehend and compare investment products within and across jurisdictions. This necessitates a certain level of harmonisation.



Best Practice Across Regions

- **Scope:** Disclosure requirements should cover all funds within the market.
- **Objective:** The product's intention should be clearly articulated in the investment objective and/or investment strategy/policy;
- **Approaches:** The investment approaches employed should be clearly explained and where used for financial returns only, this should be specified.
- **Measurement:** Rigorous and evidence-based KPIs in line with the individual product strategy should be used to measure the attainment of the product's intention and ambition.
- **Minimum Standards:**
 - Firm-wide policies should not be interpreted as part of the investment process and are insufficient for an 'ESG' classification
 - Funds which do not consider ESG should be clearly labelled.

FIGURE 7 : Comparison of regional disclosure approaches

			Region
SUSTAINABLE OBJECTIVE	Sustainability Impact	Targets measurable, positive real-world outcomes alongside financial return; requires impact measurement.	UK (SDR)
	Sustainable Plus	Sustainability objectives are binding & measurable. Progress is measured, tracked and disclosed.	Australia
	Sustainable Investments	Sustainable investment is the objective; must demonstrate substantial contribution, DNSH and safeguards. (So called Article 9)	EU (SFDR)
	Sustainability Focus	Invests predominantly in assets assessed as sustainable/aligned with stated sustainability characteristics.	UK (SDR)
	ESG Objective Funds	Explicit ESG/sustainability objective (e.g., climate risk reduction, thematic alignment); outcome not necessarily impact.	Canada
	Sustainable	Sustainability objectives are prominent. Portfolio and stewardship alignment with sustainability objective.	Australia
TRANSITION OBJECTIVE	Sustainability Improvers	Invests in assets expected to improve their sustainability profile over time.	UK (SDR)
ESG CONSIDERATION	ESG Characteristics	Promotes environmental and/or social characteristics; does not have a 'sustainable investment' objective. (So called Article 8)	EU (SFDR)
	Use of ESG Strategy	Applies explicit ESG screens/tilts or thematic approaches; no sustainability objective.	Canada
	Responsible	ESG considered via integration/screening/engagement avoids significant harm, active stewardship, no sustainability objective.	Australia
	ESG Limited Consideration	ESG factors considered incidentally or as part of general risk analysis; not determinative.	Canada
	Sustainability Mixed Goals	Combines Focus, Improvers and/or Impact exposures within a single product.	UK (SDR)
NON ESG PROMOTING	Non-ESG Promoting	No sustainability objective; considers ESG in relation to financial risk (so called Article 6)	EU (SFDR)
	Non-ESG Funds	No consideration of ESG factors in investment objective, strategy, or processes.	Australia
NO DISCLOSURE		Regions where funds are not required to disclose their approach to ESG	

Source: Developed by A Future Worth Living In, from forthcoming paper.

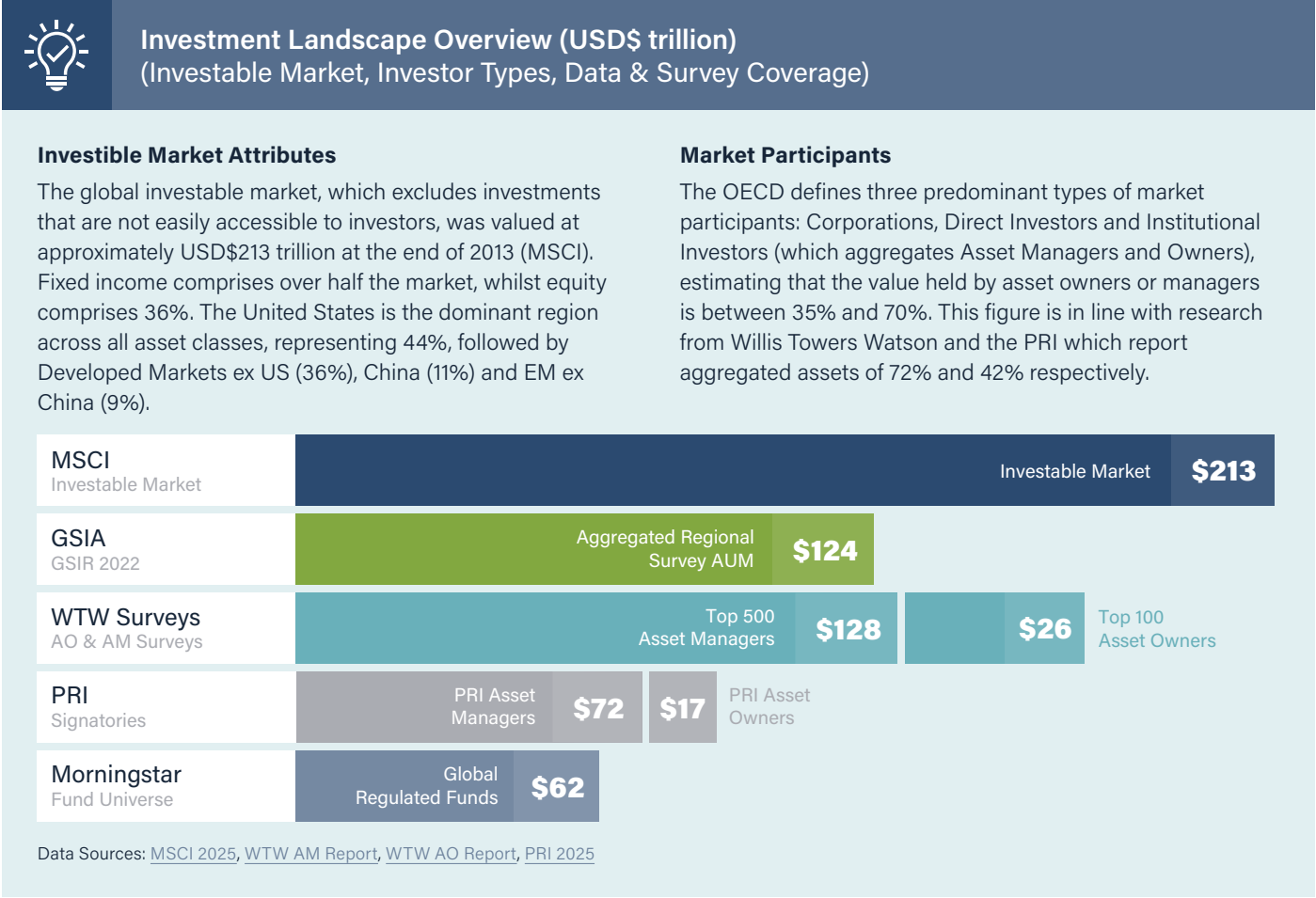
GLOBAL MARKET LANDSCAPE

For over a decade, the Global Sustainable Investment Review has tracked the growth in the use of responsible and sustainable investment approaches by bringing together comprehensive surveys from GSIA member organizations across major markets.

This year the United States and Europe, which together accounted for the vast majority of USD\$124 trillion AuM covered in the GSIR 2022, were unable to provide data on the use of responsible or sustainable investment approaches.

To bridge this gap, we have included data from Morningstar, it is important to note two material differences in the scope and measurement of this data. These differences are detailed on the following page.

Despite these differences, there is a continuation of the trends highlighted in previous GSIR; including the rise of Stewardship & Engagement and increasing adoption of responsible and sustainable investment approaches, particularly in markets where regulations are more developed. The full research and analysis is available in the GSIR Data Annex.



Differences in Scope & Measurement

1. Scope: Reduced from USD\$124tn to USD\$62tn.

- The Morningstar universe is limited to collective investment funds run by Asset Managers, representing 30% of the investable market.
- The GSIR 2022 research universe included asset managers (both funds and segregated mandates) and asset owners, representing 58% of the investable market.
- The 50% reduction in scope of assets considered within the following analysis is due to the exclusion of asset owner directly managed assets and segregated mandates run by Asset Managers, which were captured in previous GSIR reports, via GSIA member surveys.

2. Measurement: Investor practices vs legal disclosures

- Morningstar rely on **publicly disclosed fund documentation** i.e. legal filings, to measure the use of responsible and sustainable investment approaches.
- Historically the GSIR has relied upon **self disclosed investor practices** gathered through surveys undertaken by GSIA members.

Figure 1 quantifies the above differences, providing Morningstar data across all regions and GSIA member survey data reported in 2024, from Canada, Japan and Australia & New Zealand.

Impact of Differences in Scope & Measurement

The impact of the difference in scope and measurement is particularly evident in Japan, a market characterised by large and influential asset owners.

1. **Scope:** The scope of assets covered in the JSIF 2024 Trends report is USD\$8.6 trillion, whilst the Morningstar scope is limited to 15% of this value, (USD\$1.5 trillion).
2. **Measurement:** The lack of mandatory disclosure further exacerbates this difference; JSIF survey participants disclose 64% of assets or USD\$5.4 trillion adopt one or more 'R&SI Approaches', contrasting with 1.5% of fund assets (USD\$22bn) which include disclosures in fund legal filings.

This 'disclosure vs practice disconnect' reflects the impact of different regulatory approaches and highlights how much capital is managed beyond the investment structures that current regulatory disclosure frameworks are designed to capture.

More critically, it means that policy discussions about sustainable finance effectiveness, market development needs, and regulatory improvements proceed with incomplete information about how the most influential investors are managing the largest pools of capital. Reinforcing the importance of the work that GSIA members have undertaken over the last decade and the need for this to continue into future.

FIGURE 8

Comparison of Research Coverage 2024 (USD\$ billions)

REGION	MORNINGSTAR FUND DISCLOSURES			GSIA MEMBER RESEARCH SURVEY PRACTICES		
	FUND AUM	R&SI APPROACHES	%	SURVEY AUM	R&SI APPROACHES	%
Europe	17,689	14,345	81%			
Australia & New Zealand	639	366	57%	2,476	1,043	42%
Canada	1,335	420	31%	4,950	3,520	71%
Japan	1,467	22	1%	8,600	5,461	64%
United States	40,456	1,602	4%			
Total (USD Billions)	61,677	16,754	27%	16,026	10,024	63%

Data Sources: GSIR 2022, 2024 Reports from Canada, Japan, Australia & New Zealand, Morningstar Direct and Morningstar Research

REGIONAL HIGHLIGHTS

This section contains information from the regional members of the Global Sustainable Investment Alliance, covering policy and regulatory developments, customer and market drivers.



EUROPE REGIONAL OVERVIEW

The European sustainable investment market faced a complex environment during 2022-2023, characterised by evolving regulatory frameworks and challenging market conditions. Despite these headwinds, Europe continued to demonstrate leadership in sustainable finance and maintained its position as a major sustainable investment hub.

Economic & Political Context

Europe entered 2023 still navigating the economic consequences of Russia's invasion of Ukraine, an energy price shock, and record inflation. The European Commission and national governments responded with measures to stabilise energy supply and accelerate investment in renewables. At the same time, the overarching sustainability agenda, and in particular the European Green Deal, has increasingly been framed through the lens of competitiveness, energy security, and industrial resilience.

In June 2024, the European Parliament elections led to a stronger representation of right-wing and far-right political groups to the detriment of left-wing, green and liberal groups. In consequence, EU institutions' political priorities shifted towards reducing perceived regulatory burdens across Europe to encourage growth. This marked the start of an EU-wide regulatory simplification agenda which is mainly targeting sustainability rules to roll back their provisions.

Regulatory & Policy Drivers

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR dominated the regulatory landscape during 2022-2023, fundamentally reshaping disclosures on sustainable funds and how they are marketed across the EU.

[Clarification](#) by the European Securities and Markets Authority (ESMA) on how to apply the regulation created significant market adjustment, with over 300 funds with sustainable investment objectives (also referred to as "Article 9" products) being downgraded to products promoting environmental or social characteristics (so called "Article 8") in late 2022.

This wave of reclassifications reflected both regulatory uncertainty and the challenging process of interpreting the "sustainable investment" definition under SFDR. Asset managers adopted a cautious approach, leading to reduced new product launches as they awaited further regulatory guidance.

In December 2023, the European Commission launched a comprehensive consultation on SFDR, signalling potential major amendments to the framework. While a vast majority of respondents supported its objective to provide transparency over sustainability-related investments, the results of the consultation demonstrated growing concerns about unclear definitions, usability challenges, and challenges regarding coherence with other EU rules. A proposal for a review of SFDR is expected to be published in Q4 2025.

Sustainability preferences (MiFID/IDD)

The MiFID II/IDD [amendment on sustainability preferences](#), which came into effect in August 2022, introduced mandatory consideration of client sustainability preferences in investment advice.

These rules involve asking clients if they wish to invest sustainably, and, if so, guiding them towards a range of suitable products defined as sustainable investments under SFDR, offering a certain level of the EU Taxonomy alignment, and / or considering Principal Adverse Impacts (PAI).

While asking clients about their sustainability preferences is a welcome step forward, retail investors often struggle to understand the differences between sustainable investments and EU Taxonomy alignment. The concept of considering Principal Adverse Impacts is also not straightforward.

In addition, the rules do not explicitly refer to Article 8 products, which currently make up a significant portion of sustainability-related investments on the market.

Ensuring that the MiFID II and IDD rules on sustainability preferences are properly aligned with the categories under the SFDR has been recognised by the European Commission as a challenge and is expected to be addressed in its forthcoming review.

ESMA publications and supervisory actions

In May 2024, ESMA issued [guidance](#) on fund names using ESG or sustainability-related terms, mandating that these funds must invest at least 80% of assets in line with their stated objectives and respect minimum exclusions in line with the Paris-Aligned Benchmarks and Climate Transition Benchmarks exclusions. This triggered one of the largest rebranding exercises in the market: by early 2025, Morningstar [reported](#) over 330 funds had changed their names, with more than 100 dropping ESG terminology altogether.

In July 2023, ESMA launched a [common supervisory action](#) with EU National Competent Authorities on sustainability-related disclosures, assessing compliance with SFDR, Taxonomy regulation, and implementing measures. This coordinated approach aimed to foster convergence in supervisory practices across member states through 2024. The [results](#) published in June 2025 showed an overall satisfactory level of integration of sustainability risks and disclosures.

During 2023 and 2024, ESMA published a [progress](#) report and a [final](#) report on greenwashing. Through these reports, ESMA suggested a common definition of greenwashing, identified potential channels and drivers across the financial system, and provided recommendations to National Competent Authorities to tackle related risks.

Sustainability reporting

2024 marks the first year of the Corporate Sustainability Reporting Directive (CSRD). This directive requires large EU companies to publish sustainability-related disclosures. Reporting must be conducted in line with the European Sustainability Reporting Standards (ESRS), which were developed in parallel and [adopted in July 2023](#). The ESRS provide a harmonised framework that requires companies to report in detail on their sustainability impacts, risks, and opportunities across Environmental, Social and Governance topics. The first sustainability reports in line with the CSRD were published in 2025.

However, as part of the EU's simplification agenda, the European Commission published an [Omnibus simplification initiative](#) in February 2025, proposing to roll back certain CSRD requirements. Among other changes, the proposal suggests reducing the scope of companies covered by more than 80%. This development has created significant regulatory uncertainty for both investors and reporting entities, which remains unresolved as interinstitutional negotiations on the proposal are expected to continue until the end of 2025 or early 2026.

Additionally, the EU standard-setting body EFRAG was tasked with simplifying the ESRS. In July 2025, EFRAG made a [proposal](#) to streamline and improve usability of the standards, reducing by 57% the number of data points. These proposals were open to public consultation, and EFRAG will share its final advice to the European Commission by the end of November 2025.

European Green Bond Standard

In 2023, the European Green Bond Standard Regulation was [adopted](#), establishing comprehensive requirements for companies choosing to market EU Green Bonds. The Standard mandates disclosure of the usage of bond proceeds, requiring at least 85% to be allocated to activities aligned with the EU Taxonomy. The regulation also sets up a framework for registration and supervision for external reviewers of European Green Bonds. The first European Green Bonds were issued starting 2025, attracting a significant level of demand, with the main issuer, the European Investment Bank (EIB) raising EUR 3 billion.

EU Taxonomy developments

In June 2023, the EU Taxonomy was [expanded](#) beyond climate mitigation and adaptation to cover circular economy, pollution prevention, water and marine resources, and biodiversity. The new Taxonomy criteria introduced 35 activities across eight economic sectors which apply as of January 2024.

The [Omnibus simplification](#) initiative published by the European Commission in February 2025 affects the scope of the Taxonomy reporting, reducing the number of companies required to report against the Taxonomy by 80%. Additionally, in July 2025, the European Commission proposed significant reliefs for Taxonomy reporting via [adjustments](#) to technical legal acts.

ESG Rating Provider Regulation

A comprehensive regulation on ESG rating providers was [adopted](#) in November 2024, establishing requirements for conflict-of-interest management and transparency especially regarding methodology used. The rules mandated that EU and non-EU entities wishing to provide ESG ratings in the EU must be authorised and endorsed by ESMA, creating a unified supervisory framework.

Customer drivers

Institutional investors continued to drive integration of sustainability matters in investments across 2022 and 2023, with 67% of asset owners [citing](#) ESG matters becoming more material to investment policy in the last five years and 46% of their assets under management integrating ESG considerations.

Retail investors and advisers demonstrated ongoing interest but faced complexity. Under MiFID II/IDD, advisers must capture client sustainability preferences. In practice, many defaulted to recommending broad ESG or Paris-aligned funds for clients with general interest, reserving thematic or transition strategies for cases where clients expressed explicit priorities such as biodiversity. This created a pattern of strong flows into mainstream ESG funds, with more selective uptake of niche products.

Market drivers

European sustainable fund flows demonstrated resilience despite challenging conditions. These customer preferences are reflected in the in- and out-flows of these funds

According to [Morningstar](#) data, the number of newly launched “Article 9” sustainable funds declined, with only 53 launches in Q1 2023 compared to 155 in Q4 2022. While the number of new launches was below the peak seen in 2021, the proportion of sustainable funds relative to all new products continued to rise, indicating consolidation rather than retreat.

After recording a period of net inflows, appetite for “Article 9” products slowed down starting Q4 2023, showing for the first time net outflows. Inflows towards “Article 8” products using ESG-related terms remained strong across 2023, while outflows increased for “Article 8” products not using these terms, showing a continued interest in products marketed as sustainable investments ([ESMA](#)).

Active “Article 8” funds faced outflows throughout end 2022 and 2023, with a recovery to net inflows at the start of 2024. Active “Article 9” funds, while registering inflows for most of the period, faced their first outflows in Q4 2023 and experienced consecutive quarters of redemptions through 2024. This contrasted with passive strategies, which maintained positive flows for both “Article 9” and “Article 8” products throughout the period, reflecting investor preferences ([Morningstar](#)).

Overall, while quarterly flows fluctuated, Europe’s sustainable fund market grew steadily across the two-year period. [Morningstar](#) data shows that in Q4 2023, assets in “Article 8” and “Article 9” funds rose to a historical high of EUR 5.2 trillion, constituting about 60% of the EU funds’ universe, however with a vast majority of “Article 8” funds (55.5%).

The structure of the market also matured. A smaller number of broad ESG and Paris-aligned equity funds absorbed the majority of flows, reflecting their role as “core” holdings in diversified portfolios. Alongside these, a growing range of funds were launched. In particular, transition-denominated funds attracted significant inflows during the period ([ESMA](#)) especially compared to other types of ESG funds.

About Us

Eurosif – the European Sustainable Investment Forum, is the leading pan-European association promoting sustainable finance at the European level. Its membership is comprised of Sustainable Investment Fora (SIFs) from across Europe. Most of these SIFs have a broad and diverse membership themselves, including asset managers, institutional investors, index providers and ESG (Environmental, Social and Governance) research and analytics firms. Eurosif and its members are committed to the growth and development of sustainable finance and support development of EU rules which are fit-for-purpose and facilitate the financial industry’s contribution to a just transition. More information is available at www.eurosif.org

CAPABILITIES	EUROSIF
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Accreditation	No



UNITED STATES REGIONAL OVERVIEW

The US 2024 presidential election reshaped US climate policy. President Trump's withdrawal from the Paris Agreement, anti-climate change agenda and radical approach to renegotiating international trade agreements have demonstrated how quickly the politically unacceptable can become not only possible, but policy.

United States Market Drivers

Regulatory & Policy Drivers

The United States made significant progress toward its climate commitments with the passage of the [Inflation Reduction Act](#) (IRA) in August 2022. One of the IRA's most notable achievements has been its focus on reducing greenhouse gas (GHG) emissions and transitioning from a reliance on fossil fuels to clean energy technology.

The Biden administration chose a "carrots over sticks" tactic to implement this legislation. Instead of fining corporations for GHG emissions or increasing the costs of fossil fuels, the IRA incentivized businesses and households to invest in the clean energy transition through tax benefits. Examples are consumer tax credits on electric vehicles or residential clean energy use and investment tax credits on renewable energy projects with bonus credits given to those projects located in low-income communities. Following the IRA's passage, [42% of companies](#) increased their climate solution measures.

The US Securities and Exchange Commission (SEC) moved forward and [finalized their 2022 proposed rule](#) to enhance and standardize climate-related disclosures by public companies for investors in March 2024. The final rule mandated the public disclosure of scope 1 and 2 GHG emissions for public companies.

At the state level, California advanced federal efforts with the passage of Senate Bills (SB) 253 and 261 in October 2023 that mandated private and public company disclosures on scope 1, 2, and 3 GHG emissions and on the company's climate-related financial risk.

Due to the size and influence of the Californian business sector, these laws will set a de-facto standard for the United States once reporting begins in 2026.

Despite the growth of climate efforts, a wave of anti-ESG sentiment arose in 2023. At the federal level, a wave of anti-ESG bills were proposed in Congress in June 2023. While the bills gained momentum, none of them became law. Nevertheless, the sentiment reverberated through state action. In 2024, state executives led [113 anti-ESG executive actions in 31 states](#). 10 actions took the form of lawsuits aimed at restricting or banning responsible investing, 6 of which targeted federal rules.

One prominent legal challenge targeted the [Department of Labor's \(DOL\) finalized rule](#) that allowed fiduciaries to consider ESG factors in ERISA-governed retirement plans, when looking at two seemingly equal financial investments. A conservative federal court upheld the DOL rule two times, protecting fiduciaries' right to consider any financially material factor, including ESG criteria, in their investment decisions.

The 2024 presidential election was consequential to the future of United States policy. President Trump's deregulatory agenda and public opposition to DEI and ESG has already begun to impact sustainable investment and is expected to have resounding effects in years to come.

On day one of President Trump's second term, the White House released a flurry of executive orders targeting DEI (Diversity, Equity, and Inclusion) programs in the [government](#) and [beyond](#) as well as targeting [climate change and environmental justice](#) initiatives deemed as "unduly burdensome."

UNITED STATES

Since President Trump's inauguration, the executive and legislative branches of government have worked in lockstep to quickly advance his agenda. DEI programs have been dismantled and investments into clean energy have been hampered through cuts and restrictions to clean energy tax credits established under the IRA.

The SEC stepped back from defending its own climate-related financial risk rule, which had been challenged in court under the Biden Administration. Through a decision to conserve court resources and leave rulemaking to the SEC, the court ruled to halt the case, pending a decision from the SEC on whether to defend or rewrite the rule. In addition, the SEC has already mapped out its deregulatory agenda. Notably, the SEC plans to 'modernize' the shareholder proposal process, an instrument shareholders use to raise risks and engage with management. The SEC also plans to 'rationalize' disclosure requirements. This may include changes to disclosure on executive compensation, critical minerals, and more.

The Environmental Protection Agency (EPA) has proposed two rules that threaten GHG regulation. First, the EPA has proposed to rescind the Endangerment Finding, which is the scientific and legal basis for all federal GHG emissions standards, and second, the agency has proposed to dismantle the GHG Reporting Program, which compiles critical GHG emissions data across industries for investors.

The anti-ESG sentiment raised a few years ago continues to fester in some states despite [fewer pieces of anti-ESG legislation](#) laws taking hold. Legal attacks seek to push deregulation from industry organizations and state attorneys general on the [SEC Climate Disclosure rule](#), the [DOL Prudence and Loyalty Rule](#), and the CA Disclosure rules. In addition, we have seen mounting attacks on large asset managers such as BlackRock, Vanguard, and State Street. Allegations include misleading investors in ESG products as well as antitrust claims. A wave of attacks has also begun to mount against proxy advisory services such as Glass Lewis and Institutional Shareholder Services (ISS).

On a more hopeful note, some states are making progress on environmental regulations. The California Air Resources Board (CARB), the regulatory board tasked with writing the implementation guidelines, are standing firm and ironing out final guidelines for the law's implementation in 2026.

Market Drivers

Domestic flows into sustainable investment strategies moderated in 2023–2024 compared with the rapid expansion of the prior decade. Yet institutional investors – particularly public pension funds, foundations, and university endowments – continued to integrate sustainability factors into asset allocation as part of fiduciary risk management. Notably, demand grew for strategies with specific thematic objectives, such as climate transition, renewable energy infrastructure, and workforce resilience. Investor engagement also sharpened: proxy voting and corporate dialogues increasingly centred on governance, disclosure quality, and credible transition plans.

Sustainable investment was a focal point of public debate. Critics raised questions about the definition and scope of ESG, while proponents emphasized the importance of aligning portfolios with material risks and long-term value creation. This discourse pushed asset managers to demonstrate greater rigor, transparency, and accountability in how they integrate sustainability. Companies with strong governance, robust disclosure practices, and evidence of operational resilience found themselves better positioned to attract capital and build investor confidence.

While the politicization of ESG may dampen headline growth, the underlying drivers remain powerful: climate risk, technological innovation, demographic shifts, and stakeholder expectations. We expect continued demand for credible, data-driven strategies that balance fiduciary responsibility with forward-looking risk management. For United States investors, the period ahead will be less about labels and more about disciplined execution, measurable outcomes, and alignment with long-term value creation.

Customer Drivers

The United States sustainable investing landscape is maturing and poised for long-term growth. While it faces near-term headwinds from political scepticism and the need for greater data transparency, this growth will be driven by three core factors: sustained client demand, growing evidence of financial materiality, and the pressing urgency of global challenges, particularly climate change. This evolution is expected to favour more sophisticated, thematic, and impact-focused strategies.

Despite the intense scrutiny surrounding sustainable investing, which might suggest a slowdown, recent data indicates the opposite. Research, such as that by Morgan Stanley, shows consistently high levels of interest across demographics, with 99% of Gen Z and 97% of millennials expressing interest. This demand is translating into increased engagement in the RIA (Registered Investment Advisor) and wealth management space, driven primarily by retail investors, according to US SIF.

UNITED STATES

The political discourse around fiduciary duty is pushing the market to concentrate on financial materiality and explicitly linking ESG performance to tangible outcomes. As businesses navigate shifting population dynamics, resource scarcity, and the impacts of climate change, investors are increasingly demanding that corporate leaders develop strategies to mitigate these effects. This focus is acutely visible in the United States context, where devastating physical climate risks—such as recent California wildfires, flash floods in Texas, and hurricanes in the southern states—are compelling asset managers and owners to insulate and protect their portfolios from these direct threats.

Finally, the United States market continues to present significant sustainable investment opportunities, especially within the private sphere. While attention remains on investment opportunities in the energy transition, the segment of the market focusing on social and governance factors is also expanding. Investors are increasingly seeking more robust corporate disclosures on workforce diversity and data privacy, particularly concerning the use of artificial intelligence.

About Us

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

The US SIF’s 200+ Members represent trillions in assets under management. The membership includes actors across the entire capital markets value chain– including asset owners, financial advisors, asset managers, institutional investors, community investment institutions and data & service providers.

CAPABILITIES	US SIF
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Thematic Working Groups	Yes
Accreditation (Certification)	Yes





CANADA REGIONAL OVERVIEW

Canada's sustainable investment landscape demonstrated notable resilience and evolution during 2022-2024, with responsible investment (RI) assets maintaining growth momentum despite challenging market conditions.

As RI continues to mature, the anticipated rate of growth for RI AUM is expected to moderate. Risks associated with a changing climate and investors' demand for impact are seen as growth drivers, while emerging deterrents include concerns regarding performance and greenwashing, as well as a lack of standardized disclosure frameworks. Retail investors are seen as the group most likely to drive growth in RI over the next two to five years, with younger investors emerging as a powerful force.

This period was marked by significant policy developments, enhanced reporting standards and growing institutional sophistication, while persistent challenges around standardization and greenwashing concerns shaped market dynamics. A notable development included increased confidence in the overall quality of ESG reporting as a result of updated RI strategy definitions. There remain, however, strong calls for more universally accepted standards and frameworks to further enhance confidence and clarity.

While frameworks are expected to consolidate over the coming years, a notable trend in 2024 is the increase in expected use of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP). This stems from a growing recognition of the role that investors can play in advancing Indigenous economic reconciliation.

Market Drivers

Canada's responsible investment market broadened and matured between 2022 and 2025, with growth driven by product innovation and regulatory pressure. After several years of strong performance, sustainability related investments fared poorly in 2022 due in part to macroeconomic pressures, including inflation and rising interest rates. While 2023 saw a recovery, relative performance compared to traditional investment strategies was mixed. These factors seem to have manifested into concerns about performance, which negatively impacted flow into sustainable funds and strategies.

Greenwashing concerns were a defining feature of 2023, leading to product rebranding and more cautious fund launches in anticipation of regulatory scrutiny. This pushed providers to refine fund naming to align with regulatory guidance.

By 2024, global harmonization of definitions from GSIA, CFA Institute and PRI marked a significant step toward consistency in terminology and began to influence product design, in particular underpinning the development of taxonomy-aligned investment guidelines in the Canadian domestic context.

Policy & Regulatory Drivers

From 2022 to 2025, Canada saw continued regulatory momentum to align the financial system with climate and sustainability goals. In March 2023, the Office of the Superintendent of Financial Institutions (OSFI) finalized [Guideline B-15: Climate Risk Management](#), establishing expectations for federally regulated financial institutions around climate governance, risk identification, and disclosures. Implementation is phased, with large banks and insurers required to comply by fiscal year-end 2024 and others by 2025.

In January 2022, the Canadian Securities Administrators (CSA) published guidance for investment funds on their disclosure practices related to ESG considerations, where funds use ESG strategies, market themselves ESG-focused or have investment objectives that reference ESG factors. In early 2024 the CSA published [updated guidance](#) which sets out different levels of disclosure expectations depending on the extent to which ESG factors are considered in a fund's investment process.

In October 2024, the [federal government announced](#) plans to amend the Canada Business Corporations Act to mandate climate-related disclosures for large, federally incorporated private companies. At the same time, it unveiled the [Made-in-Canada Sustainable Investment Guidelines](#), a voluntary green and transition finance taxonomy to guide credible climate-aligned investments.

In December 2024, the [Canadian Sustainability Standards Board](#) (CSSB) released its inaugural Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2), based on international ISSB standards. These voluntary standards apply from January 2025 and are expected to form the foundation of a future mandatory disclosure regime.

As of early 2025, OSFI revised [Guideline B-15](#) to align disclosure requirements with CSSB standards, extending timelines for Scope 3 GHG emissions disclosures to 2028 and for off-balance-sheet assets to 2029. Efforts to address misleading sustainability claims also advanced, with proposed amendments to the Competition Act placing stricter conditions on environmental marketing.

Customer Drivers

Canadian customers for responsible investment products are diverse, though institutional investors remain the dominant force. Pension funds, asset managers, and insurers account for most responsible investment assets. ESG integration maintained its dominant position, utilized by more than 90% of institutions. This widespread adoption indicates that sustainable investment considerations have become embedded in mainstream investment processes rather than constituting a separate investment category. Risk minimization remained the top motivation for ESG factor consideration, cited by 77% of institutional investors as a top three priority. This risk-focused approach aligned with fiduciary duty requirements and demonstrated the integration of sustainability considerations into core investment analysis frameworks. Growing commitments to net-zero pathways and the use of disclosure frameworks such as TCFD and UNDRIP reflect a stronger emphasis on fiduciary duty and long-term risk management.

Retail investors have become increasingly influential, particularly younger Canadians who prioritize values alignment, climate action, and social justice. In 2024, 34% of industry respondents cited younger investors as a key driver of demand, compared with only 8% in 2023. This sharp rise underscores the generational shift shaping market growth.

Advisors and intermediaries remain central to translating investor values into product choices. Their role has driven calls for clearer labelling, greater transparency, and more reliable ESG data. Heightened scrutiny has reinforced these demands, prompting product reclassification and sharpening expectations of accountability across the market.

RI ownership experienced a decline, however individual investors' interest in RI continues to be high. A substantial "RI service gap" persists, with investors looking to their financial advisors to inform and educate them on RI products that align with their values, but not receiving the services they want. Concerns about greenwashing remain, which continues to be a deterrent to RI growth.

Industry Collaboration

Canada’s financial sector advanced collaborative sustainability initiatives alongside regulation. The Canadian Investment Funds Standards Committee published its [Responsible Investment Identification Framework](#) in 2022, categorizing six RI approaches to improve product labelling and transparency. In November 2023 the CFA Institute, the Global Sustainable Investment Alliance (GSIA), and the Principles for Responsible Investment (PRI) came together to harmonize definitions responsible investment, categorizing five RI strategies.

Investor-led initiatives such as [Climate Engagement Canada](#), launched in 2021, gained momentum, bringing together major institutional investors to coordinate engagement with high-emitting companies and support a just transition to Net Zero. Participants now represent trillions in assets under management and have integrated climate risk and transition planning into stewardship activities.

Together, these collaborative and regulatory efforts underscore the growing expectation that Canadian financial actors integrate sustainability considerations into disclosure practices, strategic decision-making, and risk oversight processes.

About Us

The Responsible Investment Association (RIA) is Canada’s industry association for responsible investment.

RIA Members include asset managers, asset owners, advisors, and service providers who support our mandate of promoting responsible investment in Canada’s retail and institutional markets. Our institutional members collectively manage over CAD\$45 trillion in assets.

Our purpose is to firmly entrench responsible investment in Canada’s financial ecosystem. Our core strategic pillars are to:

- 1. Build Community;
- 2. Drive Change & Influence Policy;
- 3. Educate & Inspire

Learn more at www.riacanada.ca

CAPABILITIES	RIA
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Accreditation	Yes





JAPAN REGIONAL OVERVIEW

Despite global economic headwinds, Japan's sustainable investment market demonstrated resilience and maturity between 2022 and 2024.

Market Drivers

In 2024, Japan's total sustainable investment assets under management (AUM) reached approximately ¥626 trillion, accounting for 63.5% of total AUM—a 16.4% increase from the previous year. This growth was driven by rising market valuations, yen depreciation, and broader adoption of ESG strategies among institutional investors.

ESG integration remains the dominant approach, followed by corporate engagement and shareholder action. ESG index-linked investment with selection-based indices was up 32.3% and ESG index-linked investment with tilted indices increased 28.9%.

Market volatility, along with heightened scrutiny around greenwashing, led to more cautious fund launches and rebranding efforts. Providers began refining fund naming and disclosures to align with emerging regulatory expectations and international standards.

Policy & Regulatory Drivers

Japan's regulatory momentum accelerated between 2022 and 2024, with the FSA and Ministry of Economy, Trade and Industry (METI) leading the charge.

In March 2023, the Financial Services Agency (FSA) amended its [supervisory guidelines](#) to address concerns over greenwashing in ESG investment trusts, stabilizing a market that had more than doubled between 2019 and 2023. At the tax policy level, the [expansion of NISA \(Nippon Individual Savings Account\) exemptions](#) in January 2024 opened new opportunities for retail investors, though only a small fraction of sustainable products qualified.

In 2024, the FSA released [Basic Guidelines on Impact Investment](#), and the Sustainability Standards Board of Japan (SSBJ) published [draft disclosure standards](#) aligned with ISSB in March 2024, laying the groundwork for a future mandatory regime. These efforts aimed to improve ESG transparency, standardize disclosures, and support the development of carbon credit markets.

Japan also became the world's first sovereign issuer of [climate transition bonds](#) in 2024, signalling its commitment to financing the decarbonization in hard-to-abate sectors such as steel, chemicals, and aviation. As of 2024, the green, social, and sustainability bonds & loans market reached ¥5 trillion, which, although small compared to the global market, showed a comparatively strong growth. The [GX \(Global Transformation\) Promotion Strategy](#) and revised [Sector-Specific Investment Strategies](#) outlined long-term investment plans across 22 sectors, including hydrogen, semiconductors, and sustainable aviation fuel, which are designed to mobilize private capital and align corporate behavior with national climate goals.

These developments reflect Japan's ambition to integrate sustainability into its financial system and corporate governance practices.

Industry Collaboration

Japan's financial sector and industry have embraced collaborative initiatives alongside regulatory reforms on sustainable business and finance practices.

Japan convened the [Asia GX Consortium](#) in 2024, fostering common standards for transition finance and disclosure across ASEAN. This reflected Tokyo's ambition to position itself as a regional convener and to harmonize standards while supporting the overseas expansion of its financial institutions. The Impact Consortium has also gained traction, promoting impact startups and impact finance.

Japanese financial institutions have also demonstrated strong support for global disclosure frameworks such as the [Taskforce on Nature-related Financial Disclosures](#) (TNFD) and the emerging [Taskforce on Inequality and Social-related Financial Disclosures](#) (TISFD). As of January 2024, Japan led the world in TNFD early adopters, with 80 organizations (which include major asset management firms, banks and insurers)—accounting for one-quarter of the global total of 320, and has also established a [TNFD Consultation Group Japan](#), which further deepens understanding and practice, including sharing the investor's view to investee companies.

While we did not observe a significant change in the overall participation status in major initiatives, there was an increase in signatory institutions to the [Japan Impact-driven Financing Initiative](#) and the Taskforce on Nature-related Financial Disclosures (TNFD).

Customer Drivers

Institutional investors remain the backbone of Japan's sustainable investment market, with ESG integration embedded in mainstream processes, with an increasing appetite to seek impact through investments. Risk management and long-term value creation are key motivators, especially amid growing climate-related financial risks. Retail investor interest is rising, particularly among younger demographics, supported by the launch of Japan's expanded NISA program in 2024.

Despite growing interest, challenges persist. Whilst there is hope that the recent NISA investment growth may lead to further uptake of sustainable investment by retail investors, the limited number of sustainable investment funds eligible within the NISA program pose a challenge. Many investors both institutional and retail still lack clarity on ESG definitions and metrics.

There is a need to bridge this gap through better education, transparent labelling, and reliable data, where advisors and intermediaries are also expected to enhance their knowledge and role. Concerns about greenwashing remain a barrier to growth, reinforcing the need for accountability and standardized disclosures.

About Us

The Japan Sustainable Investment Forum (JSIF) was formed in 2003 as Japan's not-for-profit organization promoting the concept and practices of sustainable and responsible investment in the country. JSIF provides a forum for the interactive exchange of ideas and research for financial institutions, academics, government organization and other interested parties in the field of sustainable investment. JSIF also encourages companies to provide disclosures of non-financial information to build a sustainable society through the sound development of the financial market.

CAPABILITIES	JSIF
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Accreditation	No



AUSTRALIA REGIONAL OVERVIEW

The Australian Labor Government, elected in 2022, has made significant progress in improving the policy and regulatory landscape in support of sustainable finance. The Government released a Sustainable Finance Roadmap and commenced initiatives to finance the energy transition. Consumer demand for responsible, ethical and sustainable investment continued to strengthen in Australia, with increasing sophistication and higher expectations driving market evolution.

Australian Market Drivers

Regulatory & Policy Drivers

The election of the Labor Government in May 2022 changed the landscape of sustainable finance in Australia, with the new Government prioritising action on climate change and committing to develop a sustainable finance strategy with a number of funded initiatives - the most significant financial commitment to sustainable finance to date.

Australia joined the [International Platform on Sustainable Finance](#) in December 2022.

In 2023, the Government committed AUD4.3 million to Australia's corporate regulator, the Australian Securities and Investments Commission (ASIC) to investigate greenwashing in the finance [sector](#), and ASIC elevated greenwashing to an organisational enforcement priority, commencing its first civil greenwashing proceeding in 2023 ([ASIC, 2023](#)). Anti-greenwashing enforcement therefore escalated dramatically over 2023-2024, with increased corrective disclosure outcomes, marking a shift from guidance to active enforcement.

The Government partially funded the development of an Australian sustainable finance taxonomy by the Australian Sustainable Finance Institute (ASFI). The initial taxonomy was delivered for voluntary use in June 2025 ([ASFI, 2025](#)).

The Australian Prudential Regulation Authority (APRA) released updated prudential guidance for superannuation (retirement fund) trustees in July 2023, explicitly requiring systematic consideration of ESG risk factors ([APRA, 2023](#)). APRA advanced climate stress testing for banks and insurers, embedding transition risk management into prudential oversight.

Specifically on climate change, the Government launched the [Future Made in Australia Act](#) in 2023, a flagship policy to align decarbonisation with industrial competitiveness. The initiative focuses on clean energy, green hydrogen, battery production, and critical minerals. To coordinate investment and support regional communities, the government established the [Net Zero Economy Authority](#) in 2023, tasked with managing the transition of energy-dependent regions and directing public and private capital into strategic sectors.

The [2023 federal budget](#) allocated A\$8.3 million over four years to establish Australia's first sovereign green bond. The reformed Safeguard Mechanism (a sector-specific cap and trade system for carbon emissions) commenced operations in July 2023, requiring Australia's largest emitters to reduce emissions in line with Australia's national climate targets. The Government introduced mandatory climate-related financial disclosure obligations, coming into effect from January 2025.

The Australian Accounting Standards Board released the [Australian Sustainability Reporting Standards](#), which are aligned with the ISSB Standards in September 2024.

AUSTRALIA

In 2024, the Government committed to reforming its “Your Future, Your Super” performance test to remove potential barriers to sustainable investing; and commenced design of a new sustainable financial product labelling regime. In December 2024, the Australian Competition & Consumer Commission (ACCC) released its [guide](#) on sustainability collaborations, designed to increase businesses’ understanding of where competition law risks are not likely to arise when collaborating to improve sustainability outcomes. ACCC acknowledged that there may be instances where businesses seek to work together to address sustainability issues more effectively and rapidly.

Australia and New Zealand enhanced regulatory coordination through the first [Australia-New Zealand 2+2 climate finance dialogue](#) in 2023, bringing together Climate Change Ministers and Finance Ministers to coordinate climate action approaches and share regulatory leading practice.

Nature-related issues rose significantly in prominence in Australia, with RIAA appointed Consultation Group Convenor for the [TNFD Consultation Group for Australia and Aotearoa New Zealand](#) in 2022.

Customer & Market Drivers

Australia’s investment market demonstrated exceptional growth and maturation during 2022-2023, driven by regulatory momentum, institutional adoption, and performance validation.

Australia’s responsible investment market expanded from approximately A\$1.3 trillion to A\$1.6 trillion during 2023, representing 24% growth ([RIAA, 2024, p. 8](#)). Market penetration deepened significantly, with responsible investment’s proportion of total managed funds increasing from 36% to 41% ([RIAA, 2024, p. 8](#)).

Professional capacity strengthened considerably, with investment managers actively practicing responsible investment increasing from 272 in 2022 to 291 in 2023. Practice quality improved substantially, with organizations meeting RIAA’s Responsible Investor threshold growing from 77 to 90 entities ([RIAA, 2024, p. 19](#)). Responsible Investment Leaders increased from 55 to 61, while the number of Responsible Investors expanded from 23 to 29 ([RIAA, 2024, p. 8](#)).

Product certification experienced robust expansion during 2023. These certified products managed A\$167.7 billion in assets by year-end, representing 24% growth. Performance outcomes supported market confidence, with certified Australian share funds delivering 13.20% returns over 10 years compared to 9.19% for the broader market.

Consumer demand for responsible, ethical and sustainable investment continued to strengthen in Australia, with increasing sophistication and higher expectations driving market evolution.

[RIAA’s 2024 consumer research](#) revealed that 83% of Australians expected their bank accounts and superannuation to be invested responsibly and ethically. However, significant gaps emerged between consumer preferences and investment practices. Research showed 66% of Australians wanted to avoid animal cruelty, while 60% sought to exclude human rights abuses, yet investment managers focused predominantly on controversial weapons (86%) and tobacco production (88%).

Performance confidence strengthened as a driver, with expectations of improved long-term performance motivating 33% of managers in 2023. Performance concerns as a deterrent decreased from 52% to 45%, indicating growing confidence in responsible investment returns.

Institutional investor demand emerged as the primary market growth catalyst in Australia, with 53% of survey respondents identifying this factor in 2023, increasing from 48% in 2022. Retail investor values alignment gained prominence, with 32% of investment managers citing growing underlying investor interest in aligning investments with personal values.

In Australia, 52% of respondents identified mistrust about sustainability claims (i.e. greenwashing) as a deterrent in 2023, increasing from 45% in 2022.

These concerns drove demand for third-party verification. RIAA’s certification program expanded to cover 339 products across Australia and New Zealand by 2023 ([RIAA, 2024, p. 22](#)), while independent assurance of sustainability claims became increasingly important for investor confidence.

Risk management integration gained importance as customers recognized ESG materiality. Integration of ESG factors in risk management processes rose from 15% to 24% in Australia ([RIAA, 2024, p. 39](#)), indicating some customer understanding that ESG represents material financial risk.

Institutional investor demand emerged as the primary market growth catalyst in Australia, with 53% of survey respondents identifying this factor in 2023, increasing from 48% in 2022 ([RIAA, 2024, p. 22](#)). This reflects the key role that Australia’s superannuation system, with over AUD \$3.5 trillion in assets as of 2024 (APRA), plays. Superannuation funds increasingly committed to net zero strategies, commissioning bespoke transition mandates and allocating to renewable infrastructure, green real estate, and private equity.

The Australian market demonstrated strong performance outcomes that reinforced investor confidence. Australian RIAA-certified products outperformed broader market benchmarks across multiple timeframes throughout 2022-2023.

Industry Collaboration

RIAA's thematic Working Groups on Nature, First Nations Peoples' Rights and Human Rights brought institutional and impact investors together to discuss sustainability issues, showcase leading practice and produce industry toolkits, including:

- 1. [Investor Toolkit on Human Rights and Armed Conflict](#) (2023)
- 2. [Artificial Intelligence and Human Rights Investor Toolkit](#) (2024)
- 3. [Nature Investor Toolkit](#) (2024)
- 4. [Investor toolkit: Human rights in global value chains](#)
- 5. RIAA established an [Aotearoa Collaborative Working Group](#) of investors in 2024, in response to industry demand for cross industry connection and engagement through an NZ-lens.

The [Dhawura Ngilan Business and Investor Initiative](#) brings together First Nations, business and investor communities, and is focused on strengthening Australia's First People's heritage laws and standards for the private sector to uphold the human rights of First Peoples.

Led by the First Nations Heritage Protection Alliance in partnership with the Global Compact Network Australia (GCNA) and RIAA, the initiative launched comprehensive guides for investors and corporates on the protection of First Nations cultural heritage.

Regional Research Insights

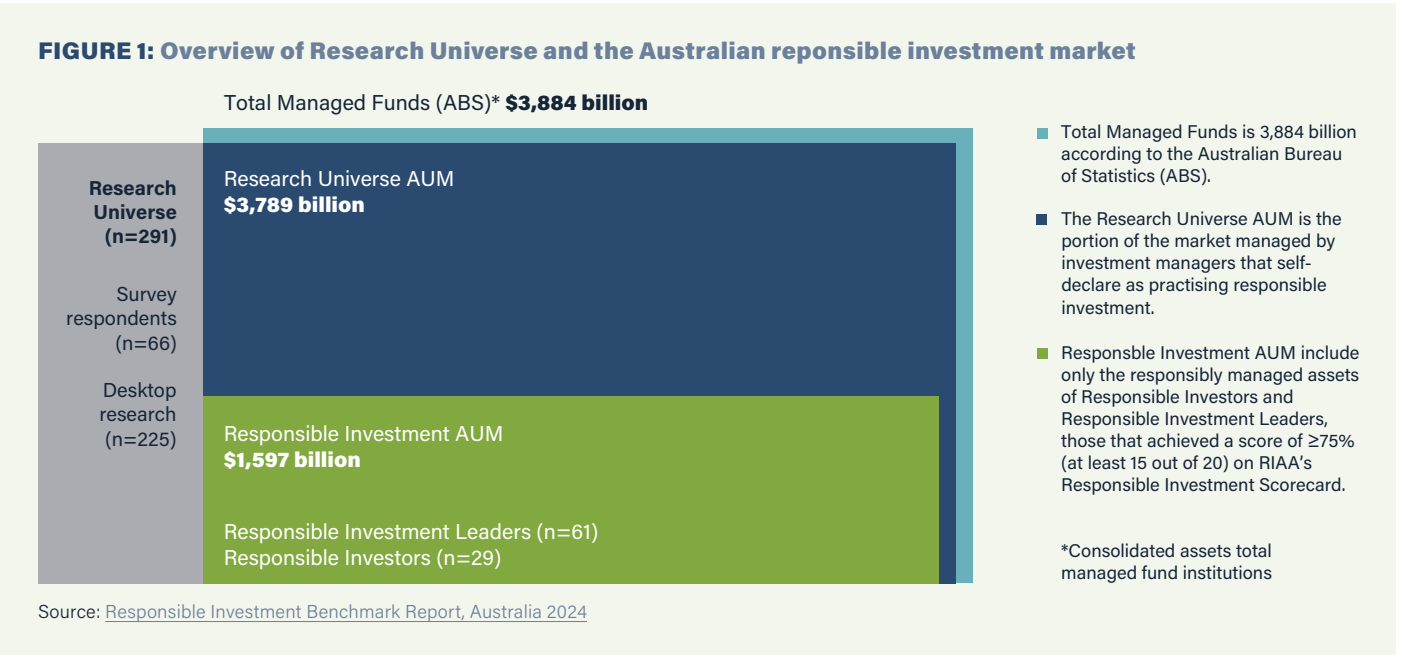
Market Overview

Despite a general slowdown in global economic growth, the Australian economy demonstrated resilience, achieving a GDP growth rate of approximately 3.6% in the 2022-2023 financial year ([Australian Bureau of Statistics, 2025](#)). In 2023, the RI market experienced significant growth, largely driven by strengthened regulatory frameworks, increased investor demand, and the expectation of improved long-term performance of RI among investors. Australia's total managed funds reached AUD3.9 trillion, with RI assets under management (AUM) growing to AUD1.6 trillion, a 24% increase from 2022 ([RIAA, 2024, p. 8](#)). The proportion of RI AUM in total managed funds rose from 36% to 41% in 2023 ([RIAA, 2024, p. 8](#)). This growth reflects both an increase in the number of investment managers implementing RI strategies and a rise in the average AUM allocated to responsible investments.

Regulatory advancements are helping to drive greater adoption of RI practices among investment managers.

One of the most significant developments in the RI market in Australia has been an increase in transparency. More investment managers are now fully disclosing their holdings and reporting the outcome of their stewardship activities.

Greenwashing concerns have escalated to become the top barrier to growth in the RI market, with more than half of respondents citing it as a major deterrent at the end of 2023 ([RIAA, 2024, p. 9](#)). On the other hand, performance concerns, which were the top barrier in the previous year, decreased to 45% in 2023 from 52% in 2022, suggesting a growing confidence among investors in the potential for RI strategies to deliver competitive returns. According to the survey, more than half of the respondents consider demand from institutional investors to be a key driver of market growth ([RIAA, 2024, p. 9](#)).



Use of Strategies from Report

As at end 2023, ESG integration and Stewardship continue to be the most widely adopted RI approaches, followed by negative screening. When looking at the popularity if the RI approaches, it was clear that there is a move from negative screening to more active screening. Proportions of positively screened and norms-based screened AUM also increased, reaching 18% and 40%, respectively (RIAA, 2024, p. 25).

In 2023, 99% of survey respondents implemented ESG integration within their investment strategies (RIAA, 2024, p. 25). Of these, 85% incorporated ESG integration across their entire organisation and 14% apply it at product level (RIAA, 2024, p. 26).

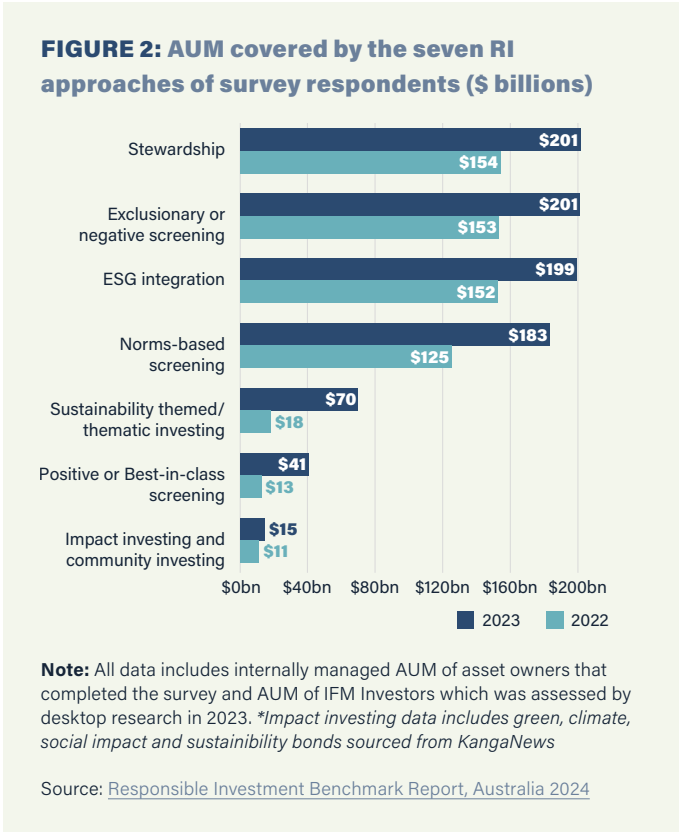
Data on stewardship indicates that investors are becoming increasingly active in engaging with investee companies on a range of environmental and social issues. Climate change (86%), diversity (80%), and human rights (74%) remained the top priorities, with the highest numbers of investors focused on these areas (RIAA, 2024, p. 9). It is expected that nature has increased in prominence since this data was collected.

Australia’s investment sector is rising to the challenge of navigating ever-changing expectations and increasing scrutiny and providing consumers and retail investors with options that align with their values.

About Us

With 500+ members representing A\$76 trillion in assets under management, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand.

RIAA’s membership includes super funds, KiwiSaver providers, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.



CAPABILITIES	RIAA
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Accreditation	Yes





NEW ZEALAND REGIONAL OVERVIEW

New Zealand's responsible investment market reached NZD\$207 billion in assets under management during 2023, representing 13% growth from 2022 and approximately 56% of the total managed funds market. Mandatory climate-related disclosures commenced against a backdrop of expanded climate risk supervision. Consumer awareness of the option to invest responsibly or ethically continues to increase.

New Zealand Market Drivers

Regulatory & Policy Drivers

New Zealand was the first country in the world to introduce mandatory climate disclosures, requiring large financial institutions to report on governance, strategy, risk management, and metrics in line with the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#). The Financial Markets Authority began supervision in 2024, emphasising decision-useful reporting for investors and regulators focused on refining its existing mandatory climate disclosure framework during 2025. The NZ Financial Markets Authority (FMA) intensified supervision of climate disclosure compliance, conducting detailed reviews of first-year reporting under the framework that became mandatory in October 2021. The FMA issued guidance updates in 2023 addressing common implementation challenges and improving disclosure quality standards.

The Reserve Bank of New Zealand (RBNZ) expanded climate risk supervision during 2022-2023, requiring banks to conduct climate scenario analysis and integrate climate considerations into risk management frameworks. This represented a significant evolution from earlier guidance-based approaches to mandatory supervisory expectations.

KiwiSaver scheme supervision intensified following December 2021 default provider reforms, which mandated ESG considerations. The FMA conducted compliance reviews during 2022-2023 to ensure default providers met their sustainability obligations and fossil fuel exclusion requirements.

New Zealand and Australia enhanced regulatory coordination through the first [Australia-New Zealand 2+2 climate finance dialogue](#) in June 2023, bringing together Climate Change Ministers and Finance Ministers to coordinate climate action approaches and share regulatory best practices.

In June 2025, the FMA released its [Financial Conduct Report](#), which highlighted that a priority for the 2025/2026 financial year was to publish refreshed guidance in relation to ethical investment disclosures and advertising.

In November 2023, the Commerce Commission published [Collaboration and Sustainability Guidelines](#) which aimed to explain how the Commission approaches business collaborations that have sustainability objectives, encouraging lawful collaboration between businesses to help them achieve these objectives. These Guidelines were subsequently tested in a complaint alleging anti-competitive activity relating to the Net Zero Banking Alliance. This complaint was [finalised by the Commission](#) in July 2025, finding no evidence to support the complaints.

The number of investment managers in New Zealand demonstrating leading responsible investment practices increased by 15% during 2022-2023, with particular growth in ESG integration and stewardship capabilities ([RIAA, 2024](#)). Professional development accelerated, with 65% of managers employing dedicated sustainable investment expertise by end-2023.

NEW ZEALAND

New Zealand’s sustainable bond market expanded significantly, with NZD \$4.2 billion in green and sustainability bonds issued during 2022-2023, including the government’s inaugural sustainability bond program that commenced in 2022. New Zealanders demonstrated strong consumer engagement with responsible investment, with 76% of investors indicating it was important their investments make a positive difference. Consumer awareness improved significantly, with lack of awareness of responsible investment options dropping from 43% in 2022 to 30% in 2023 (RIAA, 2024).

KiwiSaver members increasingly engaged with sustainability options, with 45% of members actively seeking information about their scheme’s responsible investment approach during 2022-2023. This represented a 38% increase from the previous period, driven by increased media attention and provider communications.

Younger demographics in New Zealand showed particularly strong engagement, with 68% of investors under 40 prioritizing sustainable investment options compared to 52% of older cohorts (RIAA, 2024). This generational shift influenced product development and marketing strategies across the market.

New Zealand’s market remained smaller but strategically significant. KiwiSaver providers expanded sustainable product offerings in response to regulatory disclosure, while green and sustainability-linked bond issuance by government agencies and corporates deepened local capital markets.

RIAA established an [Aotearoa Collaborative Working Group](#) of investors in 2024, in response to industry demand for cross-industry connection and engagement through an NZ-lens.

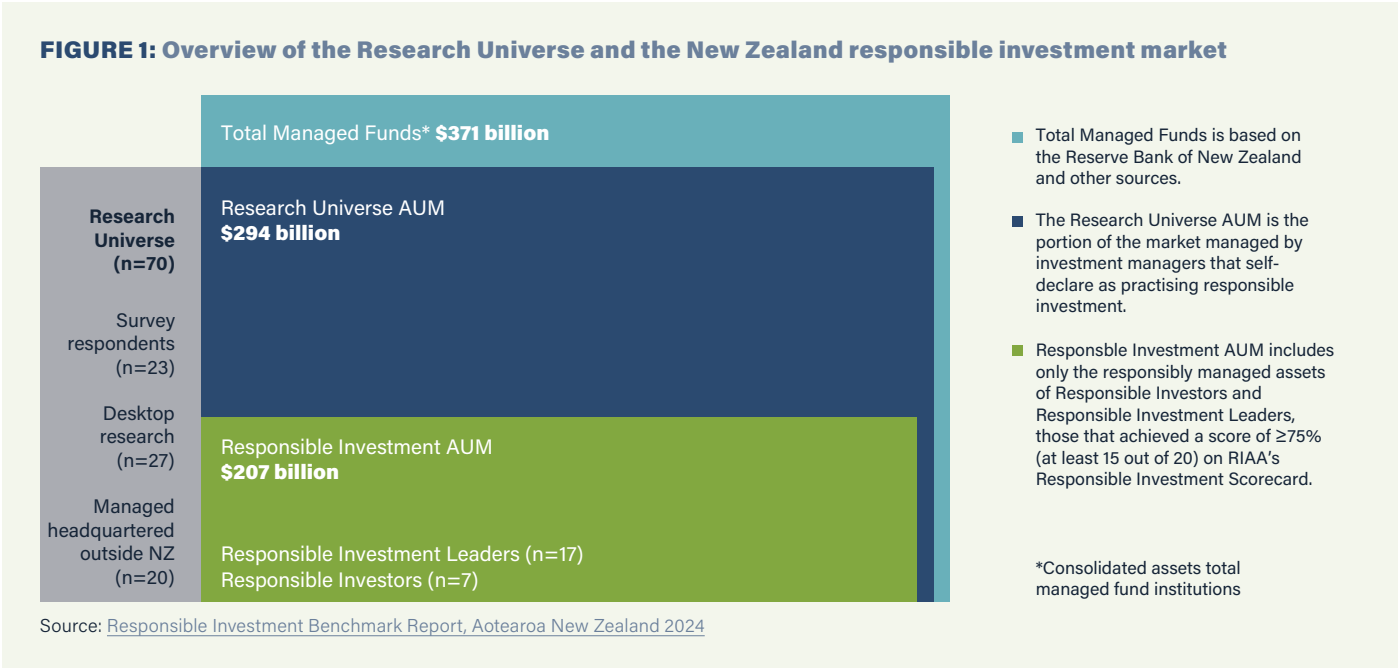
Regional Research Insights

Market Overview

The responsible investment (RI) market in New Zealand grew significantly in 2023, primarily driven by strengthened regulatory frameworks and growing recognition of the financial importance of ESG factors. In this research period, total assets under management reached NZD \$371 billion, with RI AUM climbing to NZD \$207 billion (an increase of 13% in AUM) – this represents RI comprising 56% of the total New Zealand funds market (up from 52% in 2022). With the Research Universe remaining constant, this growth is driven by overall increased allocations to responsible investments by investors. RIAA benchmark survey data confirms this shift, with survey respondents (primarily consisting of Responsible Investors and RI Leaders) reporting an average of 97% of their AUM being classified as RI, up from 92% in 2022 (RIAA, 2024).

One of the most significant developments in New Zealand’s RI market in 2023 was the notable increase in transparency among investment managers, coinciding with the first anniversary of the [Stewardship Code Aotearoa New Zealand](#). A growing number of managers are now fully disclosing their portfolio holdings and reporting on the outcomes of their stewardship activities

Concerns over greenwashing have rapidly risen to become the largest deterrent, by some distance, to RI in the market, increasing from 35% in 2022 to 61% in 2023 (RIAA, 2024, p.10). Conversely, there was a positive shift in the lack of awareness of RI, with fewer investors considering this to be a market deterrent, decreasing from 43% in 2022 to 30% in 2023 (RIAA, 2024). This shift suggests a growing public understanding of RI principles, demonstrating improved awareness and acceptance of these investment strategies. Consistent with the above trend, more investors indicated that the key driver of the market is the growing acceptance that ESG factors impact the financial performance of investments. ESG considerations are no longer optional but essential for the ordinary investment process of responsible investors.



Use of Strategies

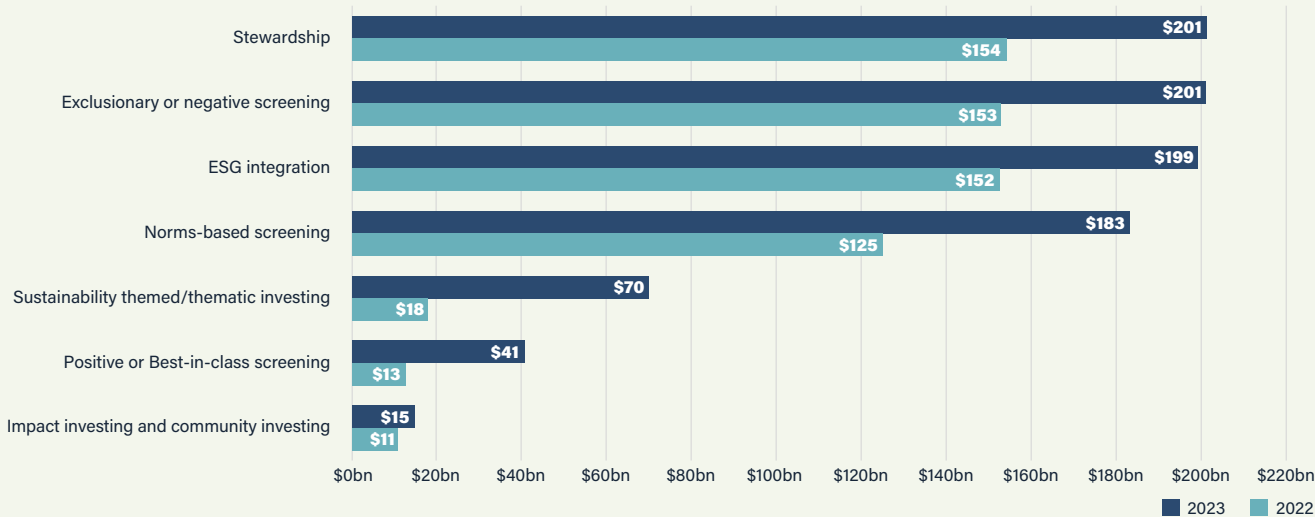
AUM allocated to each RI approach increased significantly in 2023. Stewardship, negative/ exclusionary screening and ESG integration are all used to an almost identical degree, similar to findings in 2022.

ESG integration has expanded significantly across New Zealand’s RI market, with more managers applying ESG considerations across a broader range of asset classes, including equities and fixed income portfolios. In 2023, 87% of managers incorporated ESG integration into a diverse range of asset classes, a 6% increase from 2022 (RIAA, 2024, p. 9).

This growth demonstrates the industry’s deepening commitment to embedding ESG factors into investment decision making processes. Stewardship and corporate engagement practice has seen significant progress towards greater transparency between 2021, 2022 and 2023. In 2023, more than half of asset managers reported both activities and outcomes of their engagement efforts, a significant increase from 40% in 2022. This trend indicates a positive shift toward more comprehensive and transparent disclosure, reflecting the growing importance of accountability and clarity in stewardship practices.

In 2023, thematic investment increased substantially to NZD \$70 billion from NZD \$18 billion, primarily driven by the larger asset managers integrating sustainability-themed investments into their strategies, moving away from passive investments (RIAA, 2024, p. 9). The proportion of AUM allocated to various sustainable themes, both environmental and social, also increased.

FIGURE 2: AUM covered by the seven RI approaches of survey respondents (\$ billions)



Note: Data includes green, climate, social impact, sustainability bonds, and Kauri bonds, and has been sourced from KangaNews. Some of the 2022 data is underrepresented due to some organisations being assessed by desktop in 2022 and survey in 2023.

Source: Responsible Investment Benchmark Report, Aotearoa New Zealand 2024





UNITED KINGDOM REGIONAL OVERVIEW

The UK's general election in July 2024 saw a strong mandate from the electorate to the centre-left Labour Party who have pursued an active agenda on climate change and sustainable finance in office, though a number of headwinds are increasingly becoming apparent.

Economic & Political Context

The election of a new, 'climate friendly' government in the summer of 2024 provided positive signals to many sustainability-focused investors and other financial market participants. This followed a period of relative uncertainty for the UK's climate policy under the previous government, which had adopted various measures that the UK's independent adviser on tackling climate change, the Climate Change Committee (CCC), had expressed some concern over. For example, in September 2023 the Conservative government had outlined plans to delay a number of decarbonisation milestones for certain sectors (including the automotive industry and home heating). This attracted criticism at the time from the CCC and a range of business and investor-led organisations.

With the Labour government signalling its intention to re-assert the UK's climate leadership internationally and with detailed plans on Net Zero in its manifesto, naturally the expectations of industry stakeholders have been relatively high. In a number of respects, the UK has shown positive leadership over the past 18 months. For example, it has set a [2035 Nationally Determined Contribution](#) (NDC) that has widely been viewed as ambitious when compared with other countries. A wide-ranging programme of reforms to planning and permitting regulations, including for clean energy projects, and grid connectivity is also under way, while clean energy was identified as a core growth sector in the UK's recent '[Modern Industrial Strategy](#).' The CCC's [latest annual progress report](#), published in June 2025, highlighted the benefits of the government's policy approach, citing progress in addressing planning rules for onshore wind and heat pumps alongside a marked increase in adoption of electric vehicles across the UK.

Despite tangible signs of progress, questions have remained on delivery and speed of implementation across initiatives, which have increased in light of the ongoing, challenging geo-political environment for sustainability. Political parties on the right and centre-right of UK politics have been adopting increasingly sceptical stances on Net-Zero policy, with the Conservative Party recently pledging to repeal the UK's landmark Climate Change Act. As with other jurisdictions, politics in the UK is also increasingly fragmented. Smaller parties with more strident positions, for example Reform and the Green Party, are gaining some traction with the public. Separately, the European Union's rollback of sustainable finance rules through the 'Omnibus' initiative appears to be mirrored to an extent in the UK. For instance, with proposals for a 'green taxonomy' put aside by government and delays most recently to the UK's commitments on transition plans for companies and adoption of the International Sustainability Standard Board's (ISSB's) disclosure standards.

Regulatory & Policy Drivers

FCA's Sustainability Disclosure Requirements (SDR)

Regulatory developments on sustainable finance in the UK continue to be a driver in how investors are addressing sustainability-related risks and opportunities. The Financial Conduct Authority's (FCA's) [Sustainability Disclosure Requirements \(SDR\)](#) and [investment labels regime](#) was introduced in December 2023. Asset management firms have been able to apply for sustainability labels for their funds from July 2024. The initial implementation phase of the FCA's SDR has been relatively mixed. While the regime has been largely welcomed by investment industry participants and wider stakeholders for making progress in tackling greenwashing risks in the UK market and promoting transparency for retail clients in investments, the overall uptake of labels has been lower than expected under the SDR.

UNITED KINGDOM

Other issues have arisen in the implementation of SDR; for example, the 'naming and marketing' rules which aim to ensure funds' names match their sustainability approach and strategy in practice. Challenges have led the regulator to make clarifications in its approach to the SDR over the past year, as well as produce [guidance](#) to support asset managers to meet the standards set by the labels. Most recently, the FCA has sought to clarify its approach to the treatment of index products under SDR.

UK Stewardship Code

In the first half of this year, the Financial Reporting Council (FRC) conducted its review of the UK Stewardship Code. Today, the Code is viewed by many jurisdictions as setting a high standard of practice for investor stewardship and stewardship-related reporting. A wide-ranging industry engagement programme was carried out by the FRC ahead of the Code review, which helped set out a clear direction of travel to stakeholders in advance and was welcomed by many industry participants.

Most notably, the review of the Code proposed an amended definition of 'stewardship', contending that references to the 'environment', 'society', and the 'economy' should be removed from this definition. This proposal was received relatively negatively by many UK asset owners and wider stakeholders, by appearing to downgrade the importance of considering sustainability factors and governance as part of an investor's engagement activities. The finalised [Stewardship Code](#), published in June 2025, largely retained these proposals, though included references to the 'environment' and 'society' in the definition's supporting statement. While welcomed by some sustainability-focused firms, it will take some time for the UK market to adapt to the revised Code's expectations and for a clearer picture to emerge on how the new definition and supporting statement are interpreted by clients and their asset managers.

Wider sustainability reporting landscape

The UK's sustainability reporting landscape on the whole continues to experience evolution. There have been a number of reviews carried out by policymakers on the operation of the Task Force on Climate Related Financial Disclosures (TCFD) regulations for different groups in the investment chain. The FCA completed its TCFD review for UK asset managers and FCA-regulated asset owners in August 2025, while the Department for Work and Pensions is now carrying out its review for certain pension schemes. There has been an emphasis so far on the need for simplification of sustainability-related reporting for firms, who have fed back to policymakers the pressures and costs incurred by some sustainability reporting initiatives. Some of the discussion in the investment industry has focused on questioning the value of reporting at the entity-level, while market participants have stressed the importance of consumer-friendly and accessible disclosure.

Separately, developments are ongoing over the UK's adoption of the [ISSB's IFRS S1 and IFRS S2](#). The government closed its consultation on adoption of the disclosure standards in September 2025 and next steps are anticipated shortly.

ESG ratings regulation

Although continuing to experience some delay, we saw developments take place in the UK's regulatory approach in the ESG ratings market. At the start of 2025, Treasury published its [draft statutory instrument](#) (SI) relating to the scope of its regulations which broadly draw on the EU's approach to regulation. Once the SI is finalised, the FCA is expected to consult on details of its regulatory regime for ESG ratings providers, which is expected to align with the EU's rules (for example on transparency requirements for providers).

Pensions policy developments

Pensions policy has featured heavily as part of the Labour government's agenda for the financial services community. This has been a prominent priority for the Chancellor of the Exchequer, who announced plans for a wholesale review of the UK's pensions system within the first few weeks of the new government.

The government's pensions investment review has moved quickly, with the first phase now complete and the second phase well underway. Thus far, there have been ambitious measures laid out which are beginning to be implemented across the following areas: consolidation of the defined contribution and Local Government Pension Scheme (LGPS); an increasing emphasis on total 'value' versus cost in private pensions; and the launch of an independent Pensions Commission, which is expected to make recommendations on pensions adequacy in Spring 2026.



Market overview

Similarly to various other markets around the world, in the UK client inflows into sustainable and responsible investment funds based domestically have experienced a slowdown over the last year. Partly, this is a result of the ongoing challenging global environment for sustainability. The FCA's new SDR and investment labels regime may have also played a role in this slowdown.

While in some respects it remains too early to judge the impacts of the SDR given its nascency in the UK market, there are nonetheless clear signs that a relatively large number of funds with sustainability-related terms in their names or marketing have re-branded and dropped these terms over 2025. This is in contrast to the relatively low number of UK funds that have received approval for sustainability labels under SDR, which stands at more than 150 (as of November 2025). This figure on labelled funds in the UK market is around half of what had been estimated by the FCA previously, based on its analysis in its November 2023 Policy Statement on SDR. While sustainability labelled funds have been lower than expected, the SDR has helped encourage the growth of a new category of sustainability-themed funds in the UK market that have specific 'sustainability characteristics', though do not have a label. There are over 350 UK-based funds identified specifically in this category.

In terms of client inflows into labelled funds under the SDR, some surveys have shown a mixed picture. For example, an LSEG Lipper [survey](#) from September 2025 indicated outflows of around £3.5 billion from these labelled funds over the period January to July 2025. The only labelling category for this period to experience positive inflows from clients was the 'Mixed Goals' label, while the label category which had the most outflows was the 'Impact' label. More positively though, the survey showed costs for clients were competitive for these labelled funds.

Other data has also shown a relatively mixed picture. Data from the Investment Association ([IA, 2025](#)) highlighted that over 2024 there were some, albeit limited, areas of retail client inflows into responsible investment funds; for example, into fixed income responsible funds. Overall, IA data showed that retail outflows have taken place from the second half of 2023 onwards. From 2020 to 2022, by contrast, retail inflows had been very strong, and were accompanied by high levels of new product launches relating to responsible investments.

UK institutional investors' interest continues to be an important driver in the UK's sustainable investment landscape. A [study](#) from Legal & General from November 2024 highlighted that sustainable and impact mandates are expected to account for almost half of private markets portfolios over a two-year period. Of client segments surveyed, defined contribution schemes were expected to have the largest number of impact and sustainable mandates, followed by insurance investors and defined benefit schemes. A separate [study](#) from Robeco of 35 UK institutional investors representing 26% of the UK institutional market showed growing adoption of sustainable investment principles.

Going forward, we may see a shifting picture on inflows especially as the FCA's SDR evolves and potentially captures a broader group of funds. For example, index funds are at present largely excluded from the regime.

About Us

The UK Sustainable Investment and Finance Association (UKSIF) is the UK's leading membership organisation for sustainable finance, committed to promoting a financial system and wider economy that works for the benefit of the environment and society.

UKSIF represents a diverse range of global and UK-based financial services institutions and investors committed to these aims, and our more than 300 members- representing over £19 trillion of global assets under management (AUM)- include investment managers, pension funds, banks, wealth managers, financial advisers, ESG data and research providers, NGOs, among other groups. UKSIF and our members have played a prominent role over recent years to facilitate a more supportive policy environment in the UK for the growth of sustainable finance and to support the private finance sector's efforts in helping advance the transition to a more sustainable future. For more information, please visit www.uksif.org

CAPABILITIES	UK SIF
Member Communications	Yes
Member Events	Yes
Policy Influencing	Yes
Research	Yes
Education	Yes
Accreditation	No

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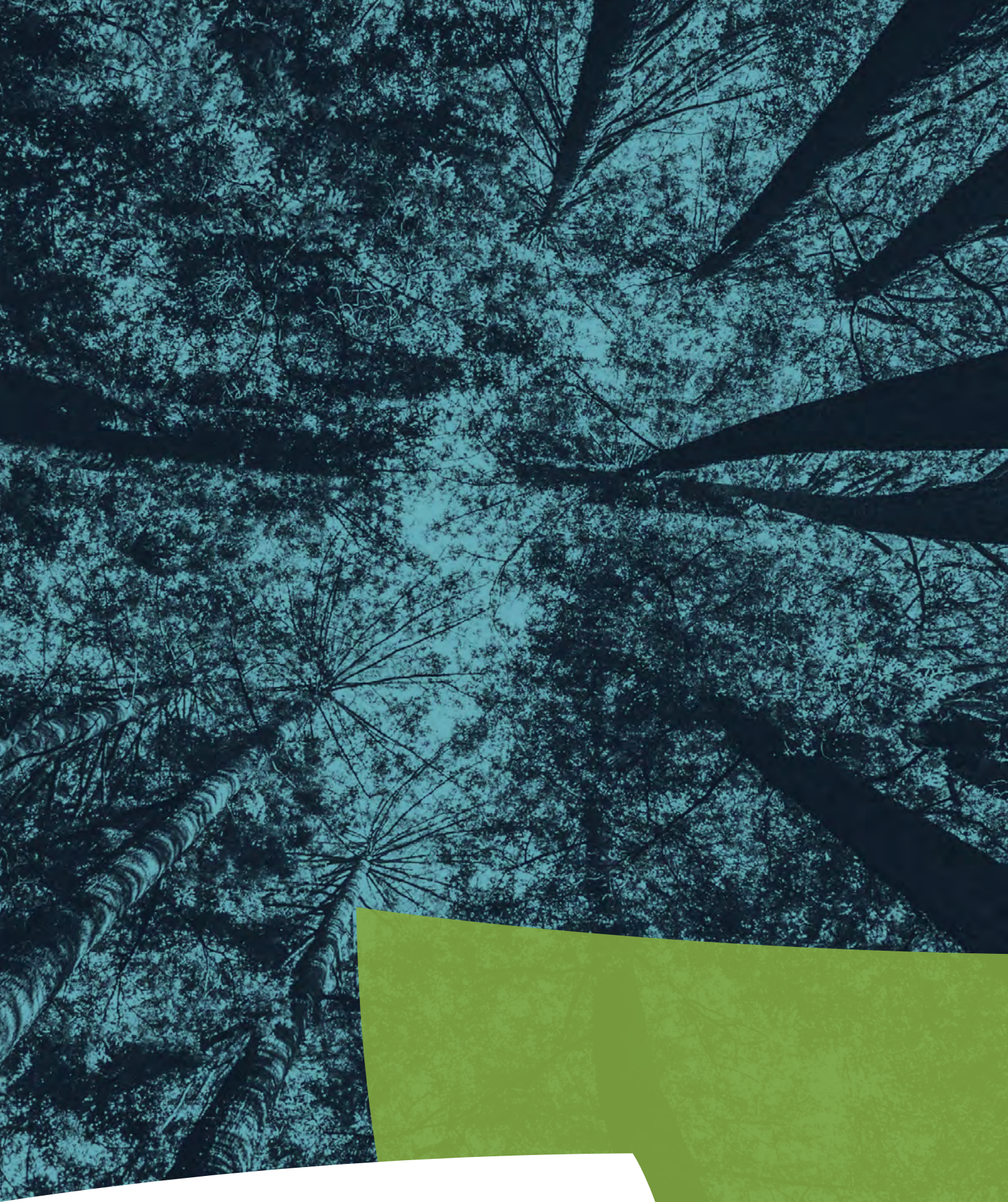
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