

Green and ethical retail investment in 2021: Looking behind the numbers

The EIRIS Foundation has released an annual estimate of Assets under Management in UK green and ethical retail investment funds since 1989. In 1989 that figure was £199 million. In 1996 it reached £1 billion for the first time and now, in October 2021 it has reached a record amount of £66.12 billion. This is almost double the total from a year ago, which was £33.5 billion.

In 2020 8 of the funds considered had Assets under Management of over £1billion. This year there are 18.

Full press release: [Investment in Green and Ethical Funds almost doubles in 12 months as retail investors look to build back better](#)

There have been a number of indications from various data sources showing a high level of actual and predicted growth in both institutional and retail green and ethical or ESG investments. Bloomberg recently indicated that global ESG assets are on track to exceed \$53 trillion by 2025, representing more than a third of the \$140.5 trillion in projected total assets under management. <https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/>

Recent figures from the Investment Association provide further evidence:

Investment Association Figures	AuM of Responsible Investment Funds	AuM of All funds
July 2020	£41.6bn	£1,302.7bn
July 2021	£80.6bn	£1,532.8bn

[Investment Association Full July 2021 Statistics](#)

For many years research into public attitudes towards green and ethical investment has suggested a higher demand for related products than the numbers reflected. This latest growth and interest seem to indicate that this is changing, and consumer intentions are now being acted on. A shift in attitudes towards ethical consumerism more generally, a regulatory push for the industry from a number of sources and an increase of both new investment funds and more established ones with a proven track record are all reasons for the escalation we are now seeing.

Last year the Foundation conducted research on the three key types of organisations that individual investors are most likely to utilise: pension funds, banks and fund managers. The organisations and funds were measured against a set of six ethical themes, which were based upon current events, including reactions to COVID-19 and the Black Lives Matter movement, as well as longer term strategies such as Net Zero Portfolios, the Task Force on Climate-related Financial Disclosures and the Sustainable Development Goals. In addition, the organisations and funds were judged on how easy to find and understand the information was likely to be for an individual. The research was combined to form an extensive data set. We have published a paper on our findings and made a number of recommendations to encourage greater transparency and better integration of current ESG issues by financial institutions.

The full report: [Retail Finance and a Green and Fair Recovery: An Agenda for sustainable and responsible investment options for UK savers and investors](#)

It was clear from this research that the lack of accessible and understandable disclosure from these organisations is a real shortcoming which impairs the ability for individuals to engage with or choose

between providers. Investors need to know if the fund has a clear bias towards particular sectors or types of companies; what negative screens are in place and any limitations in those; what engagement is taking place with portfolio companies (particularly any that would not qualify to be in the portfolio without the potential engagement outcomes); and what engagement objectives and timescales are being set. Overall, people need to understand how the fund intends the combination of these approaches and any other actions of the asset manager behind the product to advance objectives such as Net Zero, Diversity & Inclusion, Building Back Better or the achievement of the Sustainable Development Goals, and to understand the progress made and challenges faced. As the narrative around ESG becomes more 'mainstream' the industry needs to welcome scrutiny from all stakeholders.

We are living in a time of climate emergency and rising social and economic inequality. Our financial system has to work for both people and planet. 2021's growth in green and ethical investment is hugely welcome, we must make sure this actually makes a difference to the issues these funds aim to address. The financial sector cannot conduct or condone greenwashing, real solutions are needed that have real and lasting positive impacts. Those organisations, such as the EIRIS Foundation, that have always been at the forefront of innovation in this area of finance must continue to push forward the notions of best practice and ambition for all that can and needs to be achieved.