

March | 2020

# Point of No Returns

A ranking of 75 of the world's largest asset managers' approaches to responsible investment

**ShareAction»**

ASSET OWNERS'  
DISCLOSURE PROJECT

# Acknowledgements

ShareAction gratefully acknowledges the financial support of the KR Foundation for the ShareAction/AODP project. The views expressed are those of ShareAction alone.

We would like to thank the experts who gave their time for consultation on the development of this work. We also gratefully acknowledge the efforts made, and time given, by those who supplied information on behalf of their companies in this assessment. We would also like to thank the consultants and asset owners who encouraged asset managers to complete our assessment.

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## About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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The data in this report was collected between July and October 2019. Any notifications of changes, information or clarification not drawn to ShareAction's attention prior to the deadlines are not included in the report. Asset managers who did not respond were informed of the answer options selected for them by email and were given the opportunity to comment or make additional disclosures.

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# Executive Summary

## Overview

Crises in the natural world have reached a critical level. Inaction now threatens the very existence of human society: the Intergovernmental Panel on Climate Change (IPCC) warns that averting the most serious consequences of climate change requires a radical overhaul of the global economy<sup>1</sup>, while the OECD argues biodiversity loss is among the top global risks to society<sup>2</sup>. Importantly, the intersection between these crises deepens their effects. For example, deforestation is a major cause of biodiversity loss while also being the second largest source of anthropogenic greenhouse gas emissions<sup>3</sup>. Meanwhile, growing inequality, the changing nature of work, and continued human rights violations are just some of the major risks facing global society and the financial sector that supports it.

At the root of many of these problems is short-termism: businesses and financial organisations seek short-term return without accounting, or being made to account, for the externalities of their decisions. Cumulatively, these externalities have devastating long-term impacts on people and the planet, but the perceived incentives for addressing them now are low. Mark Carney, during his time as governor of the Bank of England, termed this problem “the tragedy of the horizon”<sup>4</sup>.

It is in this context that ShareAction releases this ranking of 75 of the world’s largest asset managers. ShareAction has over ten years of experience conducting responsible investment research and rankings across different sectors of the investment industry, including its 2017 assessment of 40 European asset managers<sup>5</sup>. In the same year, we took over the management of AODP, a separate investor ranking initiative that assesses three financial sectors: insurers, public pension funds, and asset managers. This year, for the first time, the AODP ranking includes the topics of biodiversity and human and labour rights, in addition to climate change.

*The 75 asset managers in this assessment manage more money than the GDP of the US, China and the European Union combined<sup>6</sup>. The overall impression from our research is that much of this money, however, is currently being managed in a way which at best ignores key systemic risks and at worst contributes to them.*

It is concerning that the combined assets under management (AUM) of asset managers who scored poorly in their approach to responsible investment (those in the D – E categories) is US\$36 trillion (64 per cent of the total assets of the assessed managers). Not a single asset manager achieved a AAA or AA rating by demonstrating leading practice across all assessment areas.

However, there are clear pockets of leading practice in the industry, with many asset managers showing innovative approaches to addressing the challenges at hand and demonstrating that a strong approach to the areas we assessed is entirely possible. The last decade has seen a surge in interest in “sustainable” or “ESG” investment products aimed at meeting investors’ needs beyond the bottom line. With only ten years left to meet the Sustainable Development Goals (SDGs), there is a clear opportunity for asset managers to capitalise on the booming interest in such products while increasing their ambition and demonstrating the transformative power of finance in moving towards a more sustainable world.

In particular, for the next generation of sustainability-aware investors, passive managers can position themselves as active stewards of their investments. Credibility on stewardship is fast becoming a key competitive differentiator amongst passive managers, while active managers can prioritise effective ESG integration alongside stewardship to the same effect.

It is clear that meeting this ambition and ensuring long-term sustainability for portfolio and planet will require an overhaul of how investors approach responsible investment. The urgency of the action necessitated by the severity of the crises in the natural and human world means small incremental steps from a business-as-usual approach will not be adequate. Asset managers, and other institutional investors, need to prioritise taking a holistic approach to addressing systemic risks while also accounting for the positive and negative impacts their investments have on society and the environment. At root, this will require a conceptual shift from taking into account ESG factors because they pose financially material risks to portfolios, towards consideration of the real-world impact of investments on the environment and society.

## How to use this report

This is the first in a series of three reports. This report includes the ranking of asset managers, and analysis of their performance on stewardship, transparency and governance. The following two parts of this series, to be released in the coming months, will offer more detailed insights into how these 75 asset managers are managing risks and impacts related to a) climate change and biodiversity and b) human and labour rights. We will also release a AAA gold standard briefing outlining what we believe AAA asset manager performance should look like.

This report, and its recommendations, are designed to be of practical value for key stakeholders in the financial community:

**Asset managers** are encouraged to use this report, and its recommendations, to benchmark their individual performance and inform areas for improvement. Examples of positive trends have been included throughout the report to help raise awareness of how leading peers are responding to various responsible investment issues.

**Asset owners** and **investment consultants** can use the information in this report to challenge asset managers, to inform the selection of managers and highlight positive trends set by leading players.

**Policymakers** can use the information in this report to identify areas of sector-wide strength and weakness and to determine appropriate policy action that helps protect consumers of asset management services and the public interest.

## Summary findings

### Chapter 1: Ranking and performance across geographies

#### Ranking

##### **FINDING 1 – The majority of the world’s largest asset managers demonstrate a substandard approach to responsible investment**

**1.1** – 51 per cent of assessed asset managers have a weak approach to responsible investment, while an additional 16 per cent have a limited approach.

**1.2** – No asset manager we assessed demonstrates leadership across its entire responsible investment approach.

**1.3** – The AUM of the assessed managers showing weak responsible investment performance (D – E rated) is greater than the combined GDP of the US and China.

**1.4** – Asset managers currently fail to grasp the systemic threat posed by biodiversity loss.

**1.5** – Although asset managers have made most progress on the topic of climate change, many are still not taking the basic steps in appropriately managing climate risks.

##### **FINDING 2 – The world’s largest asset managers demonstrate weak responsible investment performance, while some managers with smaller AUM show leadership.**

**2.1** – The world’s six largest asset managers are all ranked in the D and E categories.

##### **FINDING 3 – Being a passive investor is not a barrier to having a leading responsible investment approach**

**3.1** – There is a passive manager among the leading asset managers in the ‘A’ band, showing that investment strategy does not prevent a manager from having a leading approach.

**3.2** – There is little correlation between asset class focus and performance.

##### **FINDING 4 – PRI and CA100+ membership is not alone indicative of strong performance on responsible investment.**

**4.1** – Despite all the assessed asset managers being PRI members, 51 per cent demonstrate a substandard approach to responsible investment.

**4.2** – While many leading asset managers are members of Climate Action 100+, some members appear to not be pulling their weight.

#### Regional performance

##### **FINDING 5 – European asset managers are leading on responsible investment, while managers from the US and Asia Pacific are generally lagging behind**

**5.1** – 53 per cent of the assessed European managers fall into the AAA – B bands, while only 15 per cent of the assessed US managers fall into the AAA – B bands.

**5.2** – Within Europe, asset managers from the Netherlands, France and the UK have the highest average performance in the ranking.

**5.3** – While some US managers show leadership, the majority demonstrate weak responsible investment performance (D – E rated).

### Chapter 2: Stewardship and transparency

#### Voting policy

##### **FINDING 6 – The majority of assessed voting policies include no specific commitments with regard to shareholder proposals on climate, human and labour rights and biodiversity.**

**6.1** – Where asset managers make climate-related voting commitments, they favour disclosure over action.

**6.2** – The majority of asset managers’ voting policies lack commitments on human rights due diligence, remuneration structures and non-discrimination.

**6.3** – Only a few of the assessed voting policies contain explicit guidance for biodiversity-related resolutions.

#### Transparency on voting and engagement activities

##### **FINDING 7 – While publishing proxy voting records is becoming more widespread, reporting on voting rationales is still in its infancy.**

**7.1** – 55 per cent of the assessed asset managers disclose a record of proxy votes cast in annual general meetings (AGMs) of investee companies and 28 per cent do so within one month of the date of the vote.

**7.2** – Only 17 per cent of asset managers publish rationales for their voting decisions.

**FINDING 8 – Most asset managers report on their ESG-related engagement at an aggregate level, but rarely provide detail on their engagements and outcomes.**

**8.1** – 36 per cent of the assessed asset managers disclose no information about their ESG-related engagement activities publicly.

**8.2** – Overall quality of reporting on engagement is low, with only 17 per cent of asset managers publicly disclosing a comprehensive record of ESG-related engagement.

**8.3** – Reporting on the outcomes of ESG-related engagement is still in its infancy.

## Task Force on Climate-related Financial Disclosures (TCFD)

**FINDING 9 - While the majority of the assessed asset managers have publicly endorsed the TCFD recommendations, only one fifth report in line with the framework.**

**9.1** – 73 per cent of the assessed asset managers have publicly endorsed the TCFD recommendations.

**9.2** – Only 19 per cent of asset managers report in line with the TCFD recommendations.

**9.3** – Published TCFD reports vary significantly in quality and level of detail.

**FINDING 10 - Public endorsement of the TCFD is not necessarily an indication of real action.**

**10.1** – Only 38 per cent of TCFD-supporting asset managers that have not published a report so far have stated that they are planning to do so in the next reporting year.

## Chapter 3: Governance

### Oversight of responsible investment

**FINDING 11 – The majority of assessed asset managers do not have board-level accountability on responsible investment.**

**11.1** – Only around 20 per cent of assessed asset managers have board-level accountability for responsible investment.

**FINDING 12 – The vast majority of asset managers do not have financial incentives for staff on responsible investment, but those that do perform much better in the ranking.**

**12.1** – 93 per cent of assessed asset managers have no financial incentives relating to responsible investment. Of those that do, most came in the top five of the ranking.

**FINDING 13 – Lack of comprehensive training on responsible investment correlates strongly with poor overall performance on responsible investment.**

**13.1** – Asset managers with ad hoc or no training on responsible investment perform poorly compared to asset managers with more comprehensive and widespread training.

## ESG products and investment strategies

**FINDING 14 – While the majority of asset managers offer a selection of sustainable financial products which integrate some climate and human rights considerations, this is not indicative of their overall commitment to responsible investment.**

**14.1** – 89 per cent of the assessed asset managers offer funds labelled as “sustainable”, “ESG”, or similar, to their clients.

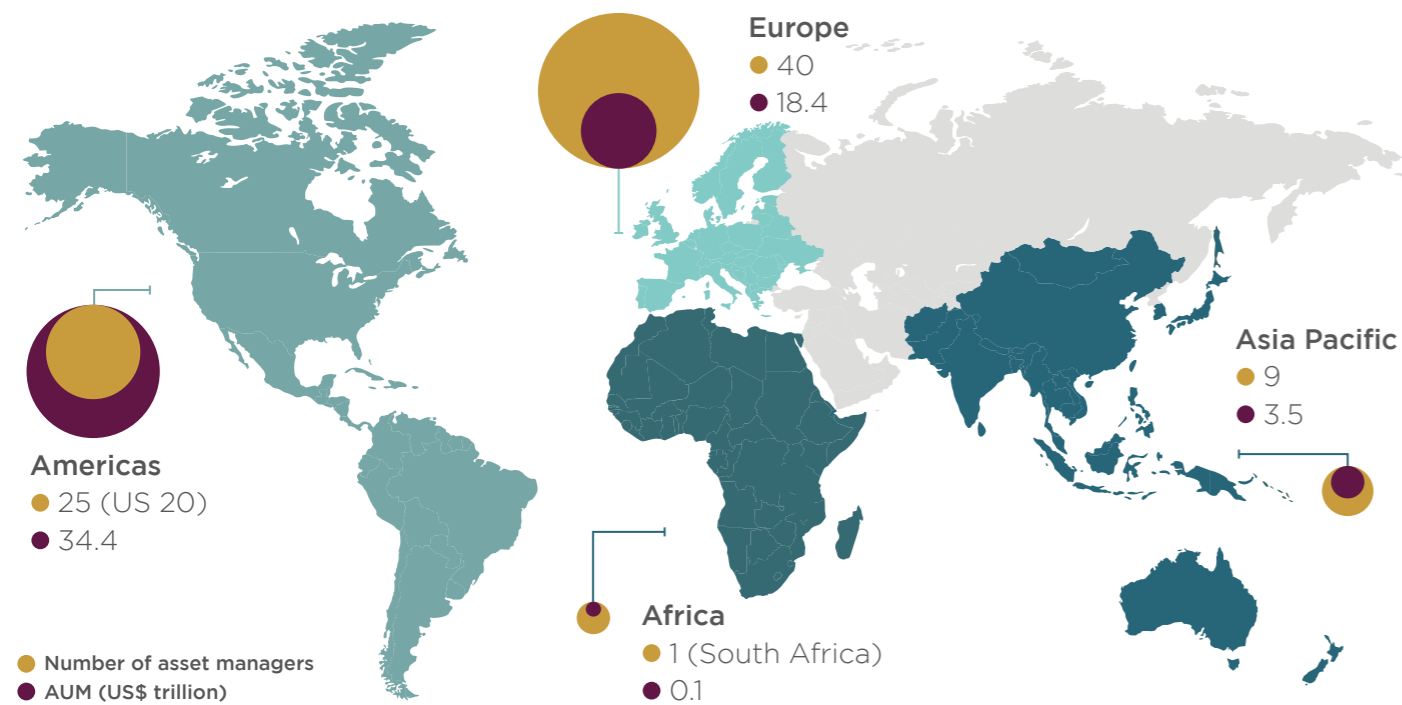
**14.2** – Where ESG thematic funds are offered, climate-focused funds are the most widespread.

**14.3** – No significant correlation has been found between asset managers’ overall responsible investment performance and the breadth of their ESG product suite.

# Methodology

## Scope

Figure 1: Number of asset managers and total AUM (US\$ trillion) across regions



This report features 75 of the most influential asset management companies worldwide across 17 countries. We selected managers based on their assets under management (AUM) according to IPE’s 2018 Top 400 Asset Managers List<sup>7</sup>. In order to ensure global coverage across all continents, we balanced AUM against regional concentration. We capped the number of managers from the US at 20 and the number of European asset managers at 40 to allow other regions to be included. We excluded companies that present themselves as holding companies for independent and self-contained asset management subsidiaries.

## Survey process

The themes covered in the survey include responsible investment governance, climate change, biodiversity and human and labour rights, a development from previous AODP assessments that focused solely on climate change. The questionnaire was developed with input from external experts and mapped to the structure of the TCFD recommendations for all themes.

We sent the questionnaire to the selected asset managers and 92 per cent (69 out of 75) responded directly. For the remaining eight per cent of asset managers who chose not to participate, we populated their survey response based on publicly available information and provided them the opportunity to review this. The voting data, which formed part of the scoring for the first section of the survey, was partially provided by Proxy Insight and sent to asset managers for verification. We collected information from July to October 2019. The questionnaire consisted of multiple choice and open-ended questions and can be viewed in the appendix.

## Rating and scoring

Scores were assigned to individual answer options within the survey with some questions having a larger weighting. The weight of individual sections was determined by the sum of the scores assigned to each question in that section. These are reflected in Figure 2.

Figure 2: Score weightings across sections of the asset manager assessment questionnaire\*



After each asset manager was allocated an absolute score, rating bands were calculated relative to peers based on the number of standard deviations from the mean score. Each participant was assigned a rating applicable to their aggregated score, from AAA through to E grade. This year we did not award any AAA or AA ratings, as no asset managers were found to demonstrate leading practice throughout their entire approach. We will be outlining what AAA looks like in our forthcoming AAA gold standard briefing<sup>i</sup>.

Figure 3: Performance descriptions for rating bands.

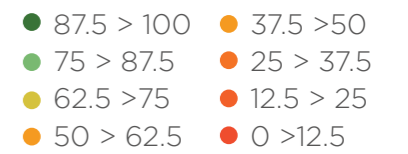
<b>AAA</b>	→	<b>Gold standard</b>	Leading practice performance in managing risks and opportunities as well as impacts across all assessed responsible investment themes
<b>AA-A</b>	→	<b>Leaders</b>	Strong management of risks and opportunities as well as impacts across multiple responsible investment themes
<b>BBB-B</b>	→	<b>Challengers</b>	Management of risks and opportunities, building capacity in accounting for impacts across some responsible investment themes
<b>CCC-C</b>	→	<b>Building capacity</b>	Building capacity in management of risks and opportunities across some responsible investment themes
<b>D</b>	→	<b>Business-as-usual</b>	Little evidence to suggest adequate management of material responsible investment risks and opportunities
<b>E</b>	→	<b>Laggards</b>	Evidence suggests poor management of material responsible investment risks and opportunities

<sup>i</sup> Note that this is a methodological shift from the ShareAction AODP 2018 assessments of the insurance and pensions industries. As a result, rating bands awarded between these sectors are not directly comparable. We will be rolling out the methodology used in this latest assessment for our future surveys.

# Chapter 1: Ranking and performance across geographies

Figure 4: Ranking of 75 of the world's largest asset managers with performance heatmap across responsible investment themes

Heatmap key: section percentage scores\*\*



Rank	Asset manager	Rating	Responsible investment governance*	Climate change	Human rights	Biodiversity	AUM (US\$ billion) <sup>ii</sup>	Country	Region	Disclosed
1	Robeco	A					193.25	Netherlands	Europe	Yes
2	BNP Paribas Asset Management	A					683.12	France	Europe	Yes
3	Legal & General Investment Management	A					1,329.05	UK	Europe	Yes
4	APG Asset Management	A					568.32	Netherlands	Europe	Yes
5	Aviva Investors	A					477.45	UK	Europe	Yes
6	Aegon Asset Management	BBB					381.65	Netherlands	Europe	Yes
7	Schroder Investment Management	BBB					571.39	UK	Europe	Yes
8	NN Investment Partners	BBB					236.21	Netherlands	Europe	Yes
9	M&G Investments	BBB					474.43	UK	Europe	Yes
10	PGGM	BBB					261.57	Netherlands	Europe	No
11	AXA Investment Managers	BBB					894.99	France	Europe	Yes
12	HSBC Global Asset Management	BBB					468.66	UK	Europe	Yes
12	Nordea Investment Management	BBB					266.80	Denmark	Europe	Yes
14	La Banque Postale Asset Management	BB					259.17	France	Europe	Yes
15	Amundi Asset Management	BB					1,711.13	France	Europe	Yes
16	Aberdeen Standard Investments	BB					778.13	UK	Europe	Yes
17	Bank J. Safra Sarasin	BB					174.41	Switzerland	Europe	Yes
18	Allianz Global Investors	BB					597.53	Germany	Europe	Yes
19	DWS Group	B					841.99	Germany	Europe	Yes
20	BMO Global Asset Management	B					260.18	Canada	Americas	Yes
21	Nuveen	B					971.94	USA	Americas	Yes

\* See appendix for more detail on topics covered in each section of the survey.

ii AUM values have been taken from IPE "The Top 400 Asset Managers" 2018 list and converted from EUR to USD based on historical exchange rates.

\*\* Colours on the heatmap correspond with the number of points scored in each section relative to the maximum available number of points for that section.

Rank	Asset manager	Rating	Responsible investment governance	Climate change	Human rights	Biodiversity	AUM (US\$ billion)	Country	Region	Disclosed
22	Pictet Asset Management	B					197.25	Switzerland	Europe	Yes
23	Union Investment	B					388.66	Germany	Europe	Yes
24	PIMCO	B					1,754.73	USA	Americas	Yes
24	Alliance Bernstein	B					554.06	USA	Americas	Yes
26	Columbia Threadneedle Investments	CCC					494.34	UK	Europe	Yes
27	Asset Management One	CCC					503.94	Japan	Asia Pacific	Yes
28	Ostrum Asset Management	CCC					415.87	France	Europe	Yes
29	Swisscanto Invest by Zürcher Kantonalbank	CCC					163.56	Switzerland	Europe	Yes
29	Caisse de dépôt et placement du Québec (CDPQ)	CCC					238.14	Canada	Americas	Yes
31	Investec Asset Management	CC					140.44	South Africa	Africa	Yes
32	Nomura Asset Management	CC					433.11	Japan	Asia Pacific	Yes
33	Generali Investments	CC					555.58	Italy	Europe	Yes
33	UBS Asset Management	CC					796.18	Switzerland	Europe	Yes
35	Wellington Management	CC					1,079.45	USA	Americas	Yes
36	Nikko Asset Management	CC					211.43	Japan	Asia Pacific	Yes
37	Manulife Investment Management	C					391.77	Canada	Americas	Yes
38	Eurizon Capital	D					371.97	Italy	Europe	Yes
39	State Street Global Advisors	D					2,779.52	USA	Americas	Yes
40	Insight	D					790.59	UK	Europe	Yes
41	Royal London Asset Management	D					154.96	UK	Europe	Yes
42	Baillie Gifford	D					242.77	UK	Europe	Yes
43	Fidelity International	D					323.08	UK	Europe	Yes
44	RBC Global Asset Management	D					335.68	Canada	Americas	Yes
45	GAM Investments	D					162.75	Switzerland	Europe	Yes
46	Invesco	D					936.75	USA	Americas	Yes
47	BlackRock	D					6,377.75	USA	Americas	Yes
48	Sumitomo Mitsui Trust Asset Management	D					787.65	Japan	Asia Pacific	Yes
48	Northern Trust Asset Management	D					960.66	USA	Americas	Yes
50	Mitsubishi UFJ Trust and Banking Corporation	D					643.48	Japan	Asia Pacific	Yes
51	MFS Investment Management	D					490.68	USA	Americas	Yes

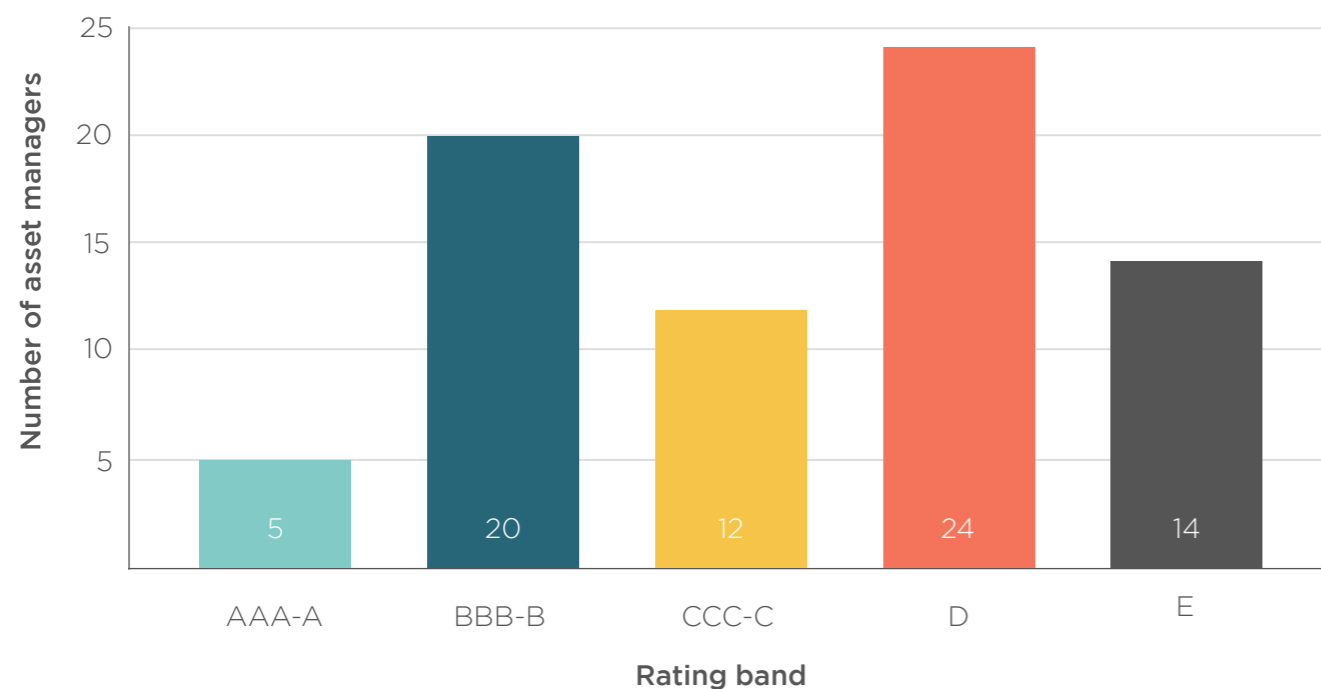


Rank	Asset manager	Rating	Responsible investment governance	Climate change	Human rights	Biodiversity	AUM (US\$ billion)	Country	Region	Disclosed
52	China Asset Management Company	D					153.76	China	Asia Pacific	Yes
53	Goldman Sachs Asset Management	D					1,288.37	USA	Americas	Yes
54	Lyxor Asset Management	D					158.62	France	Europe	Yes
55	Macquarie Asset Management	D					368.15	Australia	Asia Pacific	Yes
56	Franklin Templeton Investments	D					753.80	USA	Americas	Yes
57	Swiss Life Asset Managers	D					229.29	Switzerland	Europe	Yes
58	Capital Group	D					1,805.02	USA	Americas	Yes
59	Deka Investment	D					318.37	Germany	Europe	Yes
60	SEB	D					223.09	Sweden	Europe	No
61	Janus Henderson Investors	D					370.49	UK	Europe	Yes
62	PGIM Fixed Income	E					1,392.54	USA	Americas	Yes
63	T. Rowe Price	E					990.33	USA	Americas	Yes
64	Santander Asset Management	E					213.75	Spain	Europe	Yes
65	Eastspring Investments	E					187.85	Singapore	Asia Pacific	Yes
66	Bradesco Asset Management (BRAM)	E					185.46	Brazil	Americas	No
67	MEAG	E					302.94	Germany	Europe	Yes
68	Mellon Investments Corporation	E					569.27	USA	Americas	Yes
69	Vanguard	E					4,907.45	USA	Americas	Yes
70	Dimensional Fund Advisors	E					576.64	USA	Americas	Yes
71	J.P. Morgan Asset Management	E					1,765.27	USA	Americas	No
72	Credit Suisse Asset Management	E					396.18	Switzerland	Europe	Yes
73	Fidelity Investments (FMR)	E					2,403.65	USA	Americas	No
74	MetLife Investment Management	E					586.93	USA	Americas	Yes
75	E Fund Management	E					190.76	China	Asia Pacific	No

**FINDING 1 – The majority of the world’s largest asset managers demonstrate a substandard approach to responsible investment**

**1.1 – 51 per cent of assessed asset managers have a weak approach to responsible investment, while an additional 16 per cent have a limited approach**

Figure 5: Number of assessed managers in each rating band



Our assessment shows that 51 per cent of asset managers have a very limited approach to managing ESG risks and impacts, receiving a D or E rating. 16 per cent of assessed managers have CCC – C ratings, showing limited performance. Only 33 per cent of assessed managers show strong performance, coming in the AAA – B bands. Despite the fact that asset managers often promote their ESG credentials, it is clear that the industry as a whole has a long way to go towards mainstreaming responsible investment.

This is concerning for asset owners and other clients of asset managers. Institutional investors, like pension funds, with duties to act in the best interests of savers or to act prudently (depending on the jurisdiction) should examine carefully how their managers are approaching ESG factors in asset allocation and stewardship.

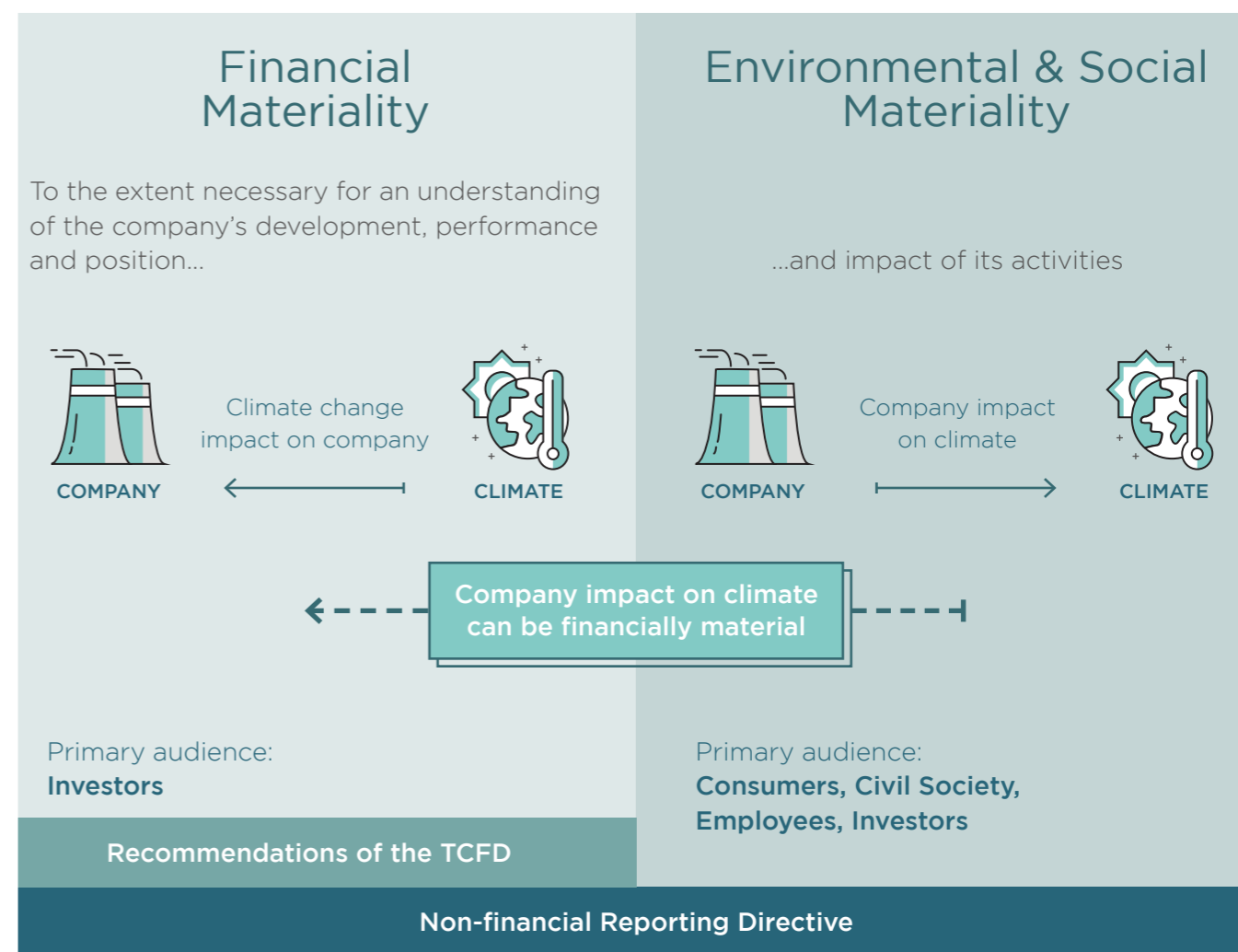
It is also noticeable that across all 75 asset managers, the majority are failing to consider and account for the negative impacts their investments are having in the real world. These managers’ approaches may become incompatible with the next generation of clients seeking greater transparency and more sustainable products, as well as increasingly stringent regulatory requirements coming from legislators, such as the EU.

**Impact: the next frontier**

Leading investors are starting to consider impact alongside risk and return in their investment decision-making. While investors have become used to considering the implications of ESG issues on financial performance, this emerging lens seeks to include the real-world impact of investments on the environment and society. Considering impact in investment decision-making can help investors take a longer-term and more forceful approach to integrating systemic ESG issues like climate change and biodiversity, which pose profound financial risks at the wider economic level. Furthermore, achieving shared societal goals, such as the SDGs and the Paris Agreement, is only possible if powerful financial actors begin to factor in how their investment decisions directly impact sustainability factors.

The EU is already starting to think in this way, as shown by the graphic below setting out the idea of ‘double materiality’. ShareAction supports the broadening of ESG to incorporate considerations of impacts.

Figure 6: EU Non-Financial Report Directive diagram on ‘double materiality’ in the context of reporting climate-related information



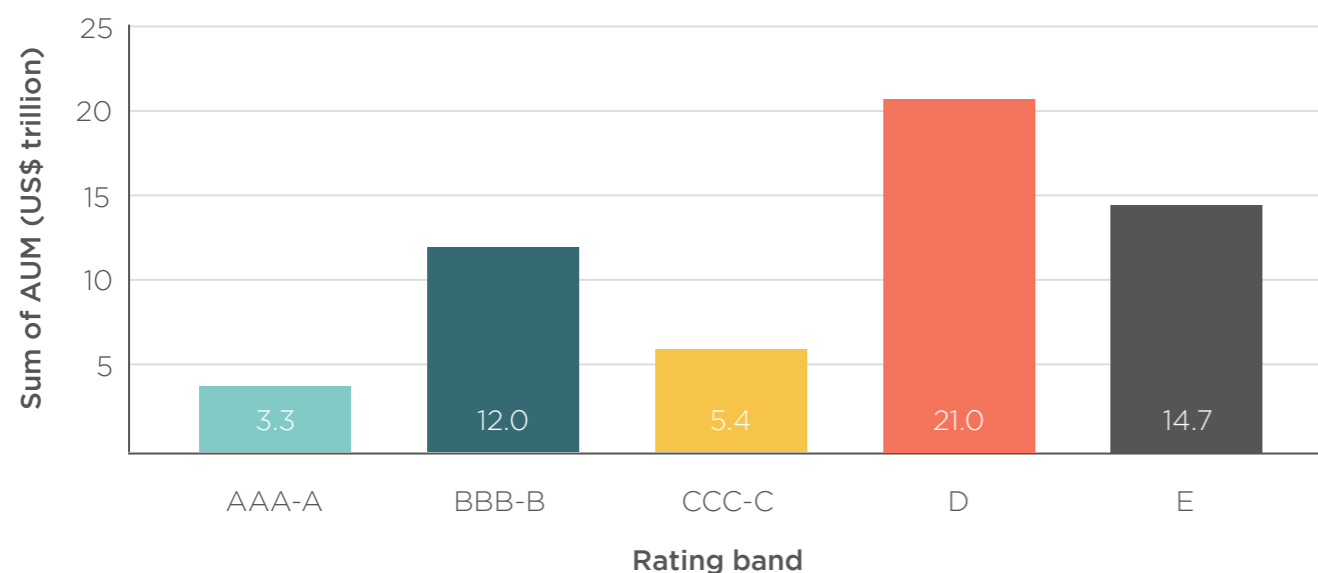
## 1.2 – No asset manager we assessed demonstrates leadership across its entire responsible investment approach

While there are pockets of leadership across different asset managers' approaches to responsible investment, no asset manager demonstrates best practice across their entire approach. For that reason, no asset manager was awarded a AAA or AA rating.

## 1.3 – The AUM of the assessed managers showing weak responsible investment performance (D – E rated) is greater than the combined GDP of the US and China

The combined AUM of asset managers who score poorly in their approach to responsible investment (those in the D – E categories) is US\$35.7 trillion, which is greater than the GDP of the US and China combined<sup>8</sup>. This figure accounts for 64 per cent of the assessed total assets under management of US\$56.4 trillion. By comparison, the combined AUM for those managers showing a leading approach (in the A band) is only US\$3.3 trillion.

Figure 7: Total AUM (US\$ trillion) for each rating band

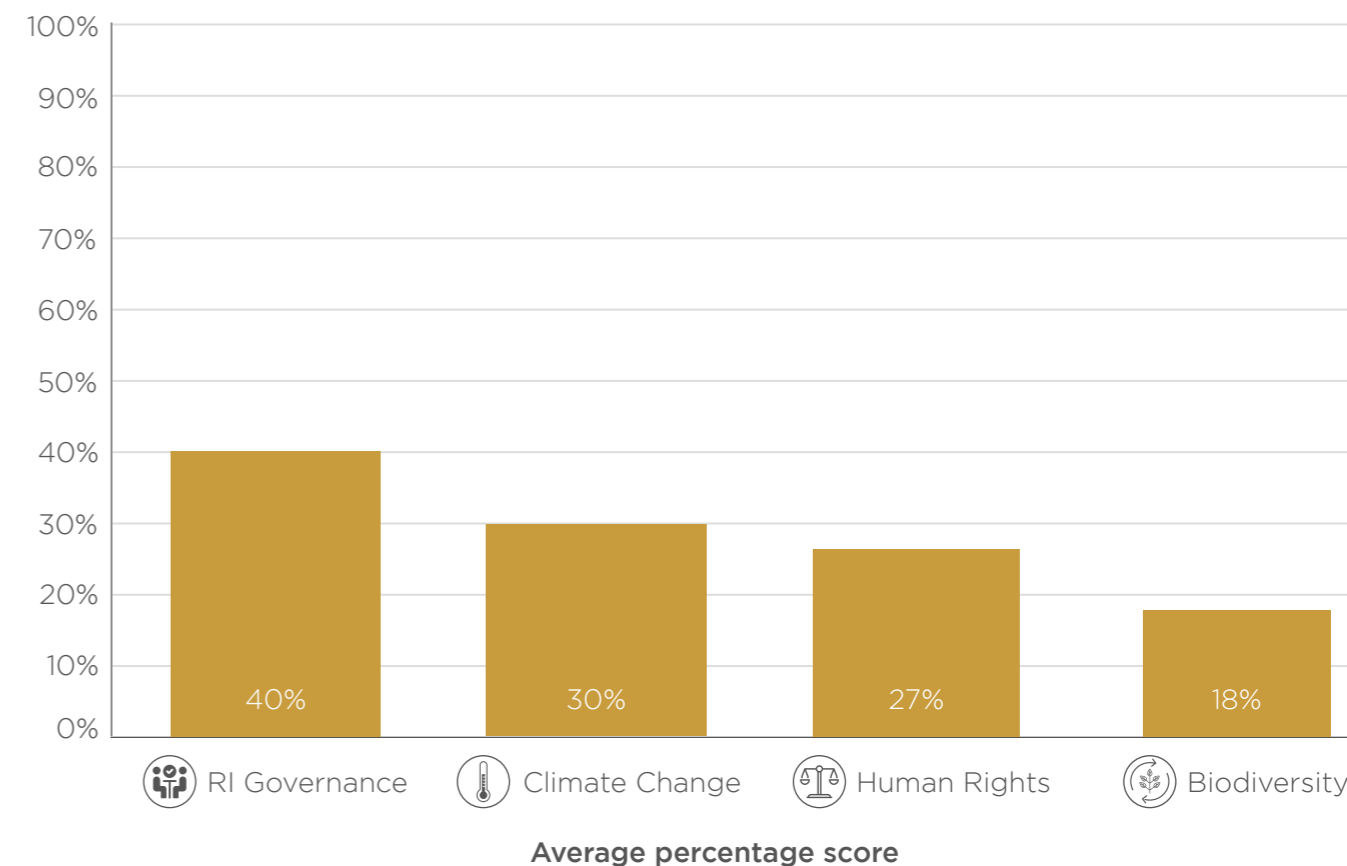


## 1.4 – Asset managers currently fail to grasp the systemic threat posed by biodiversity loss

Our research has found that, generally, asset managers have yet to develop a sophisticated approach to the issue of biodiversity loss, despite the fact that, like climate change, it poses a systemic threat to the economy and wider society. Not a single assessed asset manager has a comprehensive investment policy on biodiversity, while only a few integrate biodiversity into policies for high-risk sectors.

The 2019 [OECD report](#) on business and biodiversity states that “biodiversity loss is among the top global risks to society”<sup>9</sup> and, as with climate change, there are associated transition, liability, and physical risks. The financial costs of biodiversity loss over the last decade have also been estimated as between US\$4-20 trillion. These losses are expected to escalate as the crisis accelerates. It is imperative that investors start to engage with the issue now, especially with the forthcoming 2020 UN Convention on Biological Diversity. The outcomes of the convention could generate transition and regulatory risks while inaction on the biodiversity crisis threatens destabilisation of the global economy and society.

Figure 8: Average percentage score for 75 assessed asset managers across assessed responsible investment themes



However, whilst the majority of asset managers score poorly on biodiversity, leading asset managers in the AAA-A band tend to have relatively stronger scores in this area, as well as on human rights. This suggests that asset managers with strong overall governance frameworks on responsible investment are better at addressing emerging responsible investment risks.

*We will fully explore the assessed asset managers' approaches to biodiversity loss and provide more information on what the industry can do on this issue in our follow-up report on biodiversity and climate change (you can subscribe to the mailing list [here](#)).*

## 1.5 – Although asset managers have made most progress on the topic of climate change, many are still not taking the basic steps in appropriately managing climate risks

Within the asset management industry, the risks and opportunities associated with climate change are generally well recognised. Across the assessed managers, for example, 73 per cent have publicly stated support for the TCFD recommendations. However, our assessment shows that the majority of asset managers are still not taking appropriate action on climate change. For example, only one-fifth of assessed asset managers have a dedicated policy on climate change. Of those with climate policies, only two have committed to align all portfolios under management with the goals of the Paris Agreement.

### The Sustainable Development Goals (SDGs) and the strategic role of finance

The 17 SDGs lie at the heart of the UN 2030 Agenda for Sustainable Development, which was adopted by the international community in 2015 as a “shared blueprint for peace and prosperity for people and the planet”<sup>10</sup>. It sets aspirations and targets for economic development, social inclusion, and environmental after development and provides a common language for governments, businesses, investors and civil society. With ten years left to deliver on the 2030 Agenda, analysis of data collected through the ShareAction AODP survey helps develop a clearer picture of the extent to which the investment community has taken action towards the achievement of the SDGs, in particular goals:



While the SDGs were not specifically designed with investors in mind, it is clear that private finance has a key role to play in bridging the financing gap<sup>11</sup>. The PRI has been clear that the financial sector needs to make stronger progress on supporting the realisation of the SDGs to ensure a stable economy and continued economic growth, which is the structural source of financial return for any long-term investor<sup>12</sup>.

In light of this, it is concerning that most of the investors assessed for this report lack a more developed approach to some of the challenges that the SDGs represent, particularly with respect to biodiversity and human rights<sup>iii</sup>. Nevertheless, it is encouraging that 48 per cent of the assessed investors state that they are developing an approach to SDGs and 33 per cent have already mapped some of their existing funds and mandates against the goals. Moreover, around 12 per cent of asset managers state that they have developed a strategy to measure their impact in line with the SDGs across all assets. This encouragingly demonstrates that, despite some of the challenges around measuring and managing real-world impacts, the goals can provide a foundation for a viable investment framework.

### FINDING 2 – The world’s largest asset managers demonstrate weak responsible investment performance, while some managers with smaller AUM show leadership

#### 2.1 – The world’s six largest asset managers are all ranked in the D and E categories

The world’s six largest asset managers have combined AUM of over US\$20 trillion (representing over a third of total assessed managers’ AUM). However, despite their size, they all performed poorly on the factors we see as fundamental to robust responsible investment practices. All six are ranked in the D and E categories and are significantly outperformed by smaller asset managers ranked at the top.

iii The average score for the three thematic sections in our survey is as follows: 30% on climate change, 27% on human rights and 18% on biodiversity. A more detailed analysis will be made available as part of the forthcoming reports on climate change, biodiversity and human rights.

Figure 9: World’s six largest managers sorted by AUM with associated rating band

Asset Manager	Rating	AUM (US\$bn)
BlackRock	D	6,377.75
Vanguard	E	4,907.45
State Street Global Advisors	D	2,779.52
Fidelity Investments (FMR)	E	2,403.65
Capital Group	D	1,805.02
J.P. Morgan Asset Management	E	1,765.27

### FINDING 3 – Being a passive investor is not a barrier to having a leading responsible investment approach

#### 3.1 – There is a passive manager among the leading asset managers in the ‘A’ band, showing that investment strategy does not prevent a manager from having a leading approach

Figure 10: Investment approach of top five asset managers in ranking.

Rank	Asset manager	Strategy	Rating
1	Robeco	Active	A
2	BNP Paribas Asset Management	Active	A
3	Legal & General Investment Management	Passive	A
4	APG Asset Management	Active	A
5	Aviva Investors	Active	A

There has been growing interest in how passive managers can effectively integrate ESG issues into investment decision-making and stewardship activities<sup>13</sup>, however, our research finds that many of the large passive managers show a generally limited approach and sit in the D and E bands.

Legal & General Investment Management (LGIM), a predominantly passive investor<sup>iv</sup>, shows leading performance (ranked in the A category). This demonstrates that passive investors can have a leading approach to responsible investment.

iv Defined here as passively managing over 60 per cent of AUM (although exceptions were included based on asset split technicalities).

### Passive investment does not mean being passive on ESG

The growth of the passive fund market in recent years has led to new challenges for asset managers to effectively incorporate ESG factors into these kinds of strategies. Passive funds are by their nature exposed to systemic ESG risks, such as climate change, as their investments are spread across a large number of companies and sectors. With regard to climate change, for example, the warming potential of the main corporate market indices is 3.3°C; signalling stark misalignment with the goals of the Paris Agreement<sup>14</sup>.

In light of this, passive investors should take significant steps in their risk management processes through stewardship activities and ESG integration. A business-as-usual approach could be putting clients' money at risk from systemic ESG issues while negatively impacting the environment and society.

Not only can management of ESG factors help ensure long-term financial security, but it can also be a source of competitive advantage. Japan's Government Pension Investment Fund (GPIF), the world's largest asset owner, has made it publicly clear that ESG-related stewardship is becoming a more important differentiator when selecting asset managers for passive mandates<sup>15</sup>.



**Leading practice** examples of effective approaches to ESG integration and stewardship that can be adopted by passive managers include:

- Choosing ESG-themed indices and benchmarks;
- Developing robust and comprehensive methodologies for identifying areas for company engagement on ESG issues;
- Engaging with investee companies on ESG issues using time-bound engagement objectives with escalation procedures for when objectives are not met. These may include voting on ESG shareholder proposals, voting against the board of directors, and/or screening a company out of the investment universe;
- Weighting of constituent companies within the index based on ESG factors;
- Engaging with index providers to exclude companies involved in ESG breaches from the overall index.

### 3.2 – There is little correlation between asset class focus and performance

Managers with portfolios that are predominantly in fixed income<sup>v</sup> account for approximately 20 per cent of the assessed asset managers. These managers demonstrate varying levels of development in their management of responsible investment risks and impacts. Fixed income managers are spread across the BBB to E bands while there are none in the AAA-A category.

v Defined here as holding over 60 per cent of AUM in fixed income.

Figure 11: Asset managers predominantly focused on fixed income

Ranking	Asset Manager	Rating
6	Aegon Asset Management	BBB
8	NN Investment Partners	BBB
9	M&G Investments	BBB
11	AXA Investment Managers	BBB
14	La Banque Postale Asset Management	BB
24	PIMCO	B
28	Ostrum Asset Management	CCC
33	Generali Investments	CC
59	Deka Investment	D
62	PGIM Fixed Income	E
64	Santander Asset Management	E
67	MEAG	E
74	MetLife Investment Management	E

### Sleeping Giants: Are bond investors ready to act on climate change?

ShareAction's 2019 [research on bondholder engagement](#) examines whether corporate bond investors are addressing the risks associated with climate change through stewardship<sup>16</sup>. The research found a lack of forceful engagement from bond investors that can be attributed to two main reasons: legal concerns and incomplete investment objectives that neglect negative impacts (an investment portfolio's externalities or footprints on environment and society).



**Best practice** for asset managers on sustainable investment in bonds would include:

- Comprehensive mapping of debt portfolios' impact profile;
- Investment Management Agreements setting out objectives on the management of negative portfolio impacts;
- Transparency about company engagement, including expected engagement outcomes, escalation process and timelines, and reporting on the state of engagement activities;
- Communication with issuers on conditions for investment in new debt issues.

## FINDING 4 – PRI and CA100+ membership is not alone indicative of strong performance on responsible investment

### 4.1 – Despite all the assessed asset managers being PRI members, 51 per cent demonstrate a substandard approach to responsible investment

Being a PRI member, while a positive indication that responsible investment is on an asset manager's radar, does not necessarily translate into strong action on responsible investment. All 75 asset managers we assessed are PRI members, including the 51 per cent who show little evidence of appropriately integrating responsible investment across all their assets (D – E categories). While many PRI members show signs of leadership in responsible investment, many of the assessed managers also appear to use the initiative as a tick box exercise. Clients ought not to take membership of the PRI as a proxy for a good responsible investment approach and should ask managers questions about their policies and practices.

### 4.2 – While many leading asset managers are members of Climate Action 100+, some members appear not to be pulling their weight

88 per cent of asset managers in the AAA – B categories are Climate Action 100+ members (an investor-led collaborative engagement initiative on climate change), demonstrating that, in general, CA100+ members have stronger responsible investment practices and processes. However, some members appear to be making less progress on responsible investment with a third of assessed managers in the CCC – D categories being CA100+ members.



## Regional performance

### FINDING 5 – European asset managers are leading on responsible investment, while managers from the US and Asia Pacific are generally lagging behind

#### 5.1 – 53 per cent of the assessed European managers fall into the AAA – B bands, while only 15 per cent of the assessed US managers fall into the AAA – B bands

European asset managers show stronger performance relative to US managers and the rest of the world. Their overall stronger performance may be in part attributable to the strong regulatory signals on sustainable finance within the region. The EU's Sustainable Finance Agenda includes the creation of a low-carbon taxonomy and regulation on increased disclosure, all of which set clear priorities and expectations of investors. Furthermore, individual European countries have developed their own progressive regulatory initiatives and standards, such as Article 173 of the French Energy Transition Law and the Dutch Climate Agreement.

This is in stark contrast to the US, where there has been far less progress on sustainable finance legislation. There has also been a strong policy signal that climate change is not a priority for the Trump administration and the US Securities Exchange Commission.

Figure 12: Number of asset managers in each rating band sorted into regions

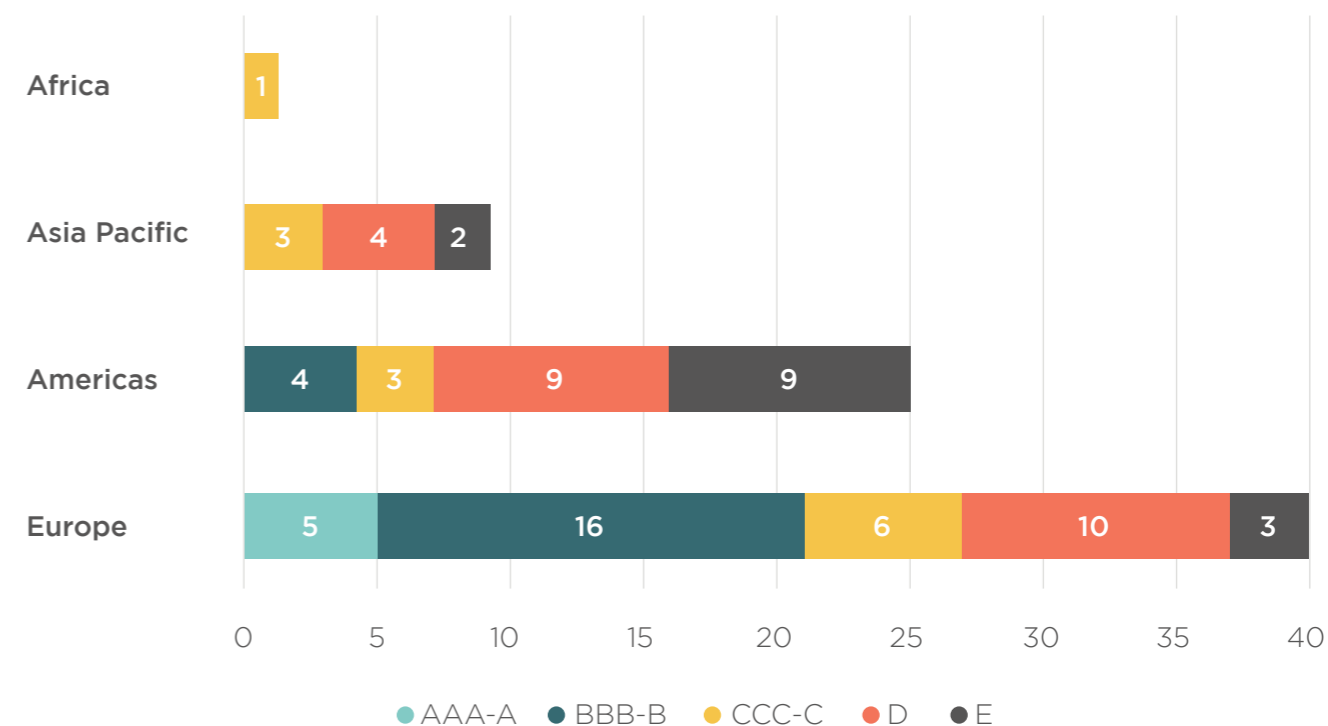






Figure 13: Total number of asset managers in rating bands AAA - B and CCC - E, sorted into regions

	<b>Africa</b>	AAA-B = 0 CCC-E = 1	<b>1</b>
	<b>Americas</b>	AAA-B = 4 CCC-E = 21	<b>25</b>
	<b>Asia Pacific</b>	AAA-B = 0 CCC-E = 9	<b>9</b>
	<b>Europe</b>	AAA-B = 21 CCC-E = 19	<b>40</b>

#### 5.2 – Within Europe, asset managers from the Netherlands, France and the UK have the highest average performance in the ranking

The Netherlands show the strongest overall performance, with all five Dutch asset managers appearing within the top ten of the ranking. This top performance is followed by France and the UK, both of which show strong performance on the leader board.

#### 5.3 – While some US managers show leadership, the majority demonstrate weak responsible investment performance (D - E rated)

Overall, we surveyed 20 US asset managers. Nuveen, PIMCO, and Alliance Bernstein have B ratings, while Wellington Management has a CC rating. However, 80 per cent of US asset managers have D and E ratings. This makes the US the region with the highest proportion of poor performing asset managers (in the Asia Pacific region, 66 per cent of the assessed managers were rated D-E). The scale of inaction by these US managers is particularly concerning given that the US accounts for 58 per cent of total assets under management, covered in this assessment, representing US\$33 trillion.

#### 5.4 – Japanese asset managers show leadership within Asia Pacific

Asset managers from Japan are leading in Asia Pacific. All five assessed Japanese managers outperform managers from China, Singapore, and Australia. (This is, however, in the context of generally poor performance from the Asia Pacific region - no managers in the region are in the AAA - B categories).

Our recent assessment of the [world's 80 largest insurers](#) also found a similar trend, noting that five assessed Japanese insurers had shown improvement year on year by shifting upward in the AODP ranking.

The strong performance by Japanese asset managers could be attributed to the impact of the Government Pension Investment Fund (GPIF), the world's largest pension fund with US\$1.5 trillion in assets, which has in recent years become a vocal proponent of ESG and helped drive a threefold growth in sustainable assets in Japan between 2016 and 2018<sup>17</sup>.



## Chapter 2: Stewardship and transparency

### Voting policy

Proxy voting is the most cost-effective and impactful engagement tool at asset managers' disposal and a key component of an effective stewardship approach. Shareholder voting rights give asset managers the power to influence the performance of companies on a wide range of issues falling under the ESG umbrella, including climate change action, labour rights and the impact of company operations on biodiversity. Yet, despite its widely recognised capacity for driving corporate change, proxy voting is not being used to its fullest potential by asset managers<sup>18</sup>.

To assess the level of commitment among asset managers in terms of using their voting rights to hold companies to account, we asked managers about the thematic breadth of their voting policies and looked at concrete voting commitments in their policy documents. We also analysed the voting data for five shareholder resolutions covering the main themes of this report, which were put to vote in the 2019 AGM season<sup>vi</sup>.

We recognise that a lack of a comprehensive voting policy is not necessarily at odds with taking appropriate voting action. However, it is important that asset owners and other clients are able to select asset managers based on clear and detailed policies and to hold them to account based on their adherence to such policies as part of the monitoring process<sup>19</sup>.

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#### **FINDING 6 – The majority of assessed voting policies include no specific commitments with regard to shareholder proposals on climate, human and labour rights and biodiversity**

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##### **6.1 – Where asset managers make climate-related voting commitments, they favour disclosure over action**

While 56 per cent of asset managers state that their voting policy covers climate change, our analysis shows that only a small number make specific voting commitments. Disclosure-focused climate resolutions are the most widely supported, with 27 per cent of the surveyed asset managers committing to generally vote for those proposals in their policy documents. However, only eight per cent of the reviewed voting policies indicate clear support for shareholder proposals on corporate decarbonisation and only one policy was found to contain a commitment to vote for proposals seeking alignment of companies' business strategies with a 1.5°C scenario.

This demonstrates that asset managers are considerably less willing to support resolutions calling for concrete action than those relating solely to transparency, and that they are reluctant to assertively use their proxy voting rights in support of the efforts towards the realisation of the goals of the Paris Agreement.

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vi The resolutions selected for this report were filed at the following companies: 1. Equinor - vote on GHG reduction targets (Item 9). 2. Exxon Mobil - vote on independent chairman (Item 4). 3. Tyson Foods - vote on human rights due diligence (Item 14) 4. Mondelez International - vote on reporting on impact of deforestation in cocoa supply chain (Item 16). 5. Ford Motor - vote on lobbying report (Item 18).

While the lack of specific policy commitments does not prevent asset managers from supporting resolutions on environmental issues, it also creates no guarantee for clients that managers will act to safeguard their long-term interests. Weak voting policies send an ambiguous message about asset managers' commitment to active stewardship and contribute to the generally low level of transparency on stewardship practices within the industry.

#### **ShareAction's 'Voting Matters' report**

In 2019, ShareAction released an assessment of how 57 of the world's largest asset managers voted on 65 shareholder resolutions linked to climate change<sup>vii</sup>.

The report found:

- US asset managers are clear laggards in terms of proxy voting on climate, while European asset managers lead the way;
- A number of CA100+ investor signatories fail to support resolutions at CA100+ focus companies;
- A number of 'historical' resolutions face relatively low levels of support, with investors sticking to their voting decisions through the years;
- Resolutions on corporate lobbying and climate-related disclosures seem to have entered the mainstream<sup>20</sup>.

The full report including individual performance of asset managers is available [here](#).

##### **6.2 – The majority of asset managers' voting policies lack commitments on human rights due diligence, remuneration structures and non-discrimination**

While 53 per cent of the surveyed asset managers report that their voting policy covers human and labour rights, few make specific voting commitments in this area. Around 32 per cent explicitly state support for inclusion and diversity at investee companies, however, for the most part, this is limited to board-level gender diversity. Only a few voting policies indicate clear support for shareholder resolutions that call for the setting of diversity objectives and addressing "glass ceilings" at all levels of the organisation.

Interestingly, support for diversity-related resolutions is not a proxy for a progressive stance on gender pay gap reporting. The majority of asset managers who express support for workplace gender diversity in their policies stop short of including clear voting guidelines on the disclosure of gender pay gap data and only commit to voting on this issue on a case-by-case basis.

Perhaps most concerning, however, is that only around 12 per cent of asset managers' voting policies include an acknowledgement of investee companies' responsibility for upholding human rights and a commitment to vote for resolutions calling for improvement of due diligence in this area.

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vii Note that this was a separate assessment of asset managers' voting on 65 resolutions to the assessment carried out for the creation of the ranking in this report, which included five resolutions.



### Asset managers' voting record on human rights resolution at Tyson Foods

At Tyson Foods' 2019 AGM, a shareholder proposal was put forward requesting that a report be published on human rights due diligence processes at the company. Of the asset managers in our ranking who voted on the resolution, 60 per cent voted against it. This is despite MSCI data indicating that Tyson Foods faces "significant concerns related to Labour Management Relations"<sup>21</sup>.

Given that the commitment requested by the resolution was relatively high-level (it focused solely on disclosure on human rights due diligence and did not commit the company to any specific actions), the lack of shareholder support reinforces the impression that asset managers' human rights voting policies and practices still need improvement.

The low performance in this instance could perhaps be attributed to the fact that the major proxy advisors were split on this resolution: ISS recommended voting against the resolution, while Glass Lewis recommended voting for<sup>viii</sup>. However, this only serves to reinforce the point that asset managers need to have their own clearly defined human rights voting policy commitments to ensure that their voting decisions are in line with a robust approach to human rights.

### 6.3 – Only a few of the assessed voting policies contain explicit guidance for biodiversity-related resolutions

While 36 per cent of asset managers state that their voting policy covers biodiversity, hardly any of the reviewed policy documents contain explicit guidance for biodiversity-related resolutions. Around seven per cent of voting policies include a general commitment to vote in favour of increased transparency with regard to the wider environmental impact of company operations, typically including toxic emissions, resource use and waste management.

We found only one case of a voting policy containing an explicit commitment to vote in favour of proposals asking companies to abstain from operating in environmentally sensitive areas or using products produced from materials extracted from such areas.

viii For an in-depth analysis of the role of proxy advisors in the investment system, see ShareAction investor briefing: [Another Link in the Chain: Uncovering the Role of Proxy Advisors](#).

## Transparency on voting and engagement activities

Effective stewardship is widely regarded as a driver of enhanced operational and financial performance. It helps to reduce risks and maximise returns at the individual investment level, as well as enhance overall market stability and maximise positive impacts on society and the environment more generally.

The wider relevance and economy-wide implications of asset managers' active ownership practices evidence the need for greater transparency on their voting and engagement activities. In recognition of this, clauses referring to the disclosure of active ownership activities have been included in the stewardship codes of several countries<sup>22</sup>, as well as in the EU's Shareholder Rights Directive II, which states that "asset managers should publicly disclose information about the implementation of their engagement policy, and in particular how they have exercised their voting rights"<sup>23</sup>.

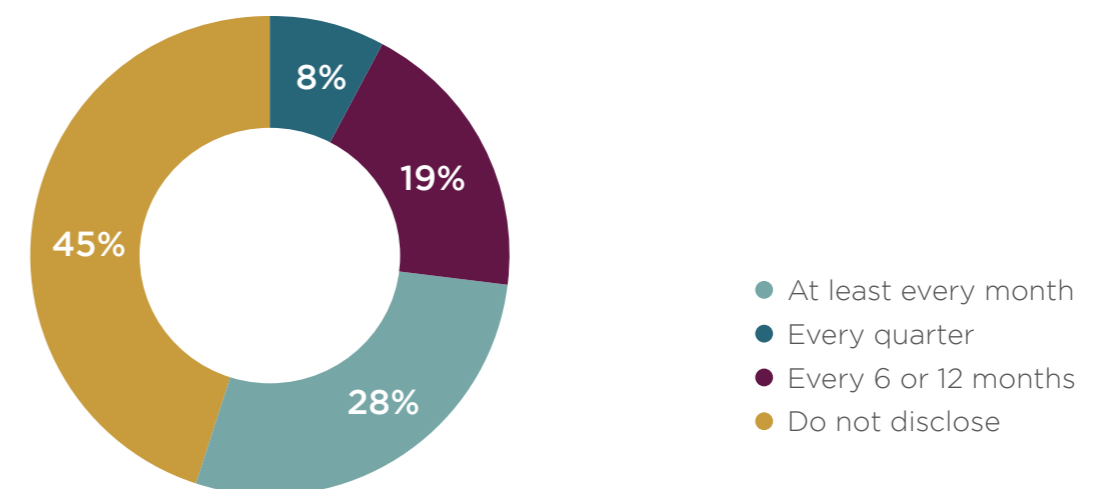
Against this backdrop, we asked the surveyed asset managers about their practices relating to the disclosure of voting information and reporting on engagement activities. Based on the collected data, this section represents an assessment of whether the industry provides enough transparency for current and prospective clients and other stakeholders to be able to hold asset managers to account for their voting decisions and progress on engagement.

### FINDING 7 – While publishing proxy voting records is becoming more widespread, reporting on voting rationales is still in its infancy

#### 7.1 – 55 per cent of the assessed asset managers disclose a record of proxy votes cast in annual general meetings (AGMs) of investee companies and 28 per cent do so within one month of the date of the vote

Around 55 per cent of the assessed asset managers disclose their voting records publicly. While this is done with varying frequency, 28 per cent of investors publish their votes within one month of the date of the AGM. The majority of asset managers in this subset do so immediately after the meeting.

Figure 14: Asset managers' voting disclosure - frequency





The provision of online databases that allow the tracking of votes on the basis of date, country and name is regarded as **leading practice** and should at the very least be expected of the larger asset managers with greater resources. A review of asset managers' public voting records conducted for this report suggests that there is still some room for improvement. While around 70 per cent of the surveyed asset managers who disclose their voting records do so through a searchable online database, the remaining 30 per cent publish their voting records in PDF documents or spreadsheets, which can be more cumbersome for stakeholders to navigate.

## 7.2 – Only 17 per cent of asset managers publish rationales for their voting decisions

Proxy voting is often the only measurable evidence that asset owners, clients and other stakeholders have of asset managers' commitment to active stewardship and responsible investment more generally. In light of this, it is crucial that asset managers provide a satisfactory explanation of their voting decisions for controversial shareholder resolutions<sup>ix</sup> and decisions that seem inconsistent with their voting policy. It is therefore concerning that only 17 per cent of asset managers publish rationales for their voting decisions.

### Proxy voting transparency – key issues

A 2018 ShareAction [study](#) of UK charity fund managers' voting records concluded that there are three main areas with regard to voting transparency that require the attention of regulators and industry bodies<sup>24</sup>:

#### 1. Publishing comprehensive voting records.

Rather than only publishing ad-hoc, limited rationales or rationales provided by proxy advisors, asset managers should provide sufficient explanation for controversial votes that reflect a considered position and ensure a level of comparability between managers.

#### 2. Explaining special exemptions and abstentions.

Voting decisions that go against an asset manager's voting policy are often justified as "special exemptions", with little further explanation. Asset managers should be clearer about their policy relating to special exemptions or abstentions and clients should seek explanation when their manager's use of special exemptions is significantly more frequent than industry average.

#### 3. Providing transparent voting records.

Asset managers should publish voting records in a format that makes it easy to identify specific voting decisions and do so within a reasonable timeframe from the date of the vote.

ix Controversial votes are defined by the Investment Association as votes with >20% shareholder rebellion.

## FINDING 8 – Most asset managers report on their ESG-related engagement at an aggregate level, but rarely provide detail on their engagements and outcomes

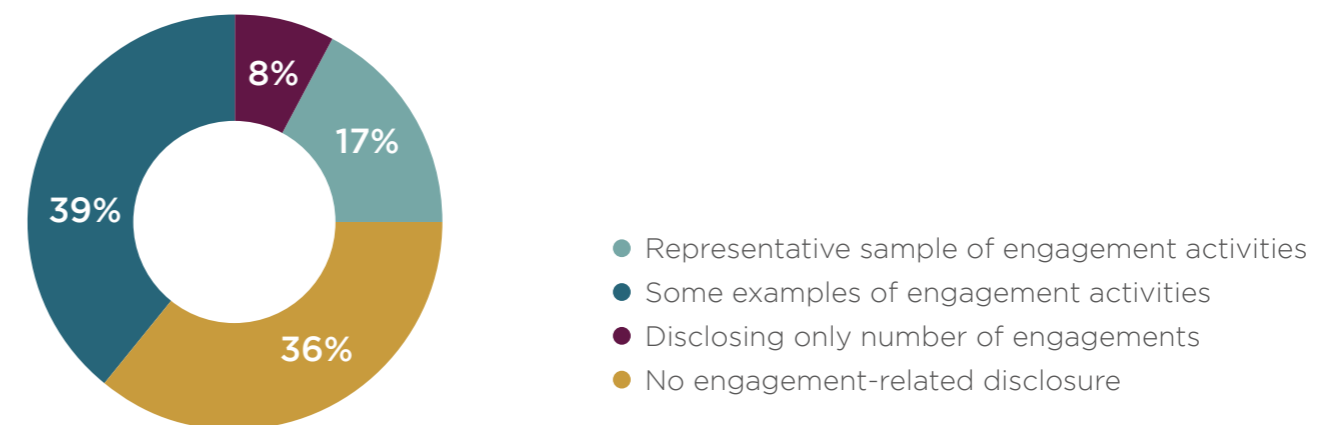
### 8.1 – 36 per cent of the assessed asset managers disclose no information about their ESG-related engagement activities publicly

Around 36 per cent of the surveyed asset managers publish no information on ESG-related engagement across all portfolios under management and 8 per cent report that they only communicate this information to clients. In the latter case, the details of engagement are largely only available on request and there is limited evidence that engagement records and outcomes are regularly communicated to clients.

### 8.2 – Overall quality of reporting on engagement is low, with only 17 per cent of asset managers publicly disclosing a comprehensive record of ESG-related engagement

Only 17 per cent of the surveyed asset managers include a representative sample of detailed case studies of ESG-related engagement in their reports. 39 per cent of asset managers provide more limited disclosure, typically including a handful of short examples of engagement in their reports and/or a detailed split of the number of engagements by topic.

Figure 15: Quality of reporting on engagement activities



Overall, only 52 per cent of asset managers report on the number of engagements or targeted companies and only a few provide information on the type of engagement (letter or meeting with management etc.). As a result, it is very difficult to quantify the differences in the level of ambition and quality of engagement between asset managers.

x We refer here to the five shareholder resolutions analysed for the purpose of the report.



While some investors justify not including any company-specific data in their reports on the grounds that naming companies could jeopardise ongoing engagement, **leading practice** demonstrates that there is plenty of room for improved reporting without compromising the goals of active stewardship. 24 per cent of the surveyed asset managers disclose a record of all companies targeted for engagement in any reporting year, mostly also listing the key topics addressed. The majority of asset managers who publish the most comprehensive stewardship reports also include a full list of company names in their reports.

#### Successful engagement – the importance of escalation strategies

Transparent and consistently implemented escalation procedures are a key component of a successful engagement strategy. Where dialogue with a company has not been constructive or resulted in sufficient progress, asset managers should be prepared to take further steps, which may include:

- issuing a public statement
- voting against board re-election or in favour of shareholder resolutions
- co-filing shareholder resolutions
- divesting or reducing exposure
- refusing to purchase newly issued bonds

To ensure that the escalation policy serves as an effective tool, it is also important that asset managers set time-bound engagement objectives. Having defined engagement timeframes and a clear escalation strategy can help apply pressure to unresponsive companies and foster better dialogue.

The data collected for this report suggests that the assessed asset managers are most likely to escalate engagement by voting in favour of shareholder resolutions or withholding support from the board of directors, whereas co-filing resolutions and divesting are much less commonly employed tactics. Asset managers who performed well in our ranking are also typically more transparent with regard to their escalation protocol in their publicly available policy and strategy documents.

### 8.3 – Reporting on the outcomes of ESG-related engagement is still in its infancy

Around 60 per cent of the surveyed asset managers do not disclose any information about the outcomes of their ESG-related engagement, while the vast majority of the remaining 40 per cent mention engagement outcomes in an ad-hoc manner and typically only for a handful of examples.

Our analysis shows that asset managers who do not report on the outcomes of engagement have also on average supported fewer ESG-related shareholder resolutions\* than investors who include at least some outcome-related details in their reporting. This is concerning, as it showcases the difficulty in scrutinising the stewardship efforts of some asset managers. Given that many investors frame voting against management as an intervention of last resort, their clients have the right to expect more transparency with regard to the concrete steps and results of the broader stewardship process in the run-up to the vote.

## Task Force on Climate-related Financial Disclosures

If a global transition to a low-carbon, climate-resilient economy is to be successful, it is vital that the material implications of climate change for the financial sector are well understood. In an effort to foster understanding and harmonise reporting on climate risks, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) has developed a voluntary reporting framework, which prioritises the disclosure of decision-useful, forward-looking information on the financial impacts of climate change on businesses in both the financial and non-financial sector. The widespread adoption of TCFD-aligned assessment has the potential to enhance companies' risk management and strategic planning processes, allow for more efficient capital allocation and effectively contribute to more stable and resilient capital markets.

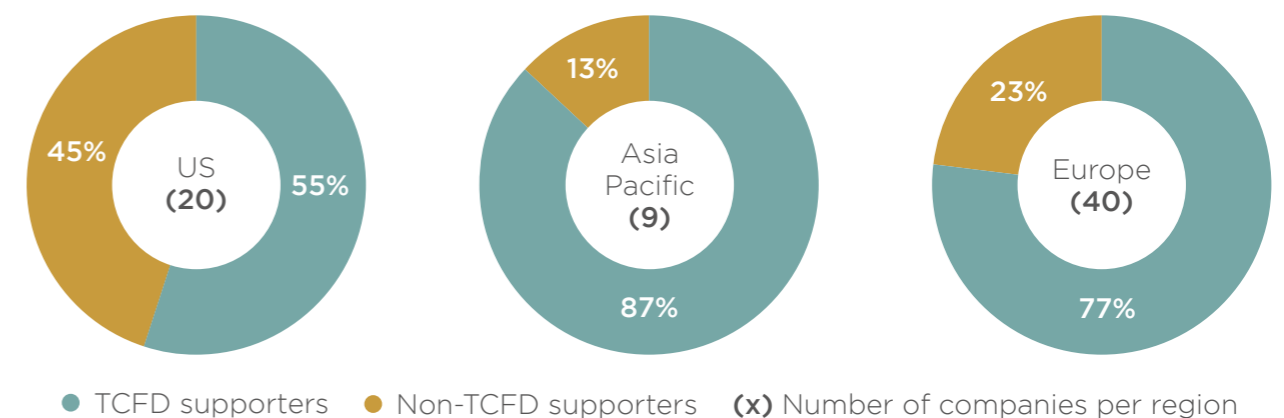
Several national regulatory bodies and other influential organisations have thrown their weight behind the TCFD recommendations<sup>26</sup>, among them the UK Government's Green Finance Strategy, which in July 2019 set out the expectation that all listed companies and large asset owners disclose in line with the recommendations by 2022. In this context, we looked at the level of industry support and progress with respect to the TCFD to assess asset managers' preparedness for more client and regulatory pressure on improved climate reporting<sup>27</sup>.

### FINDING 9 - While the majority of the assessed asset managers have publicly endorsed the TCFD recommendations, only one fifth report in line with the framework

#### 9.1 – Around 73 per cent of the surveyed asset managers have publicly supported the TCFD recommendations<sup>xi</sup>

The US has the smallest share of TCFD public supporters, with 55 per cent of the surveyed US asset managers on the TCFD supporter list. Public support for the TCFD is more prevalent in the two other main regions: 89 per cent of investors from the Asia Pacific region and 77 per cent of the surveyed European asset managers have publicly endorsed the recommendations.

Figure 16: Asset managers publicly supporting TCFD recommendations by region



xi Asset managers who are not on the TCFD supporter list, but whose parent company has publicly supported the recommendations, have also been included in this count. They account for around 25% of asset managers in this subset.

### Japan stepping up efforts on environmental disclosure

Japan's government has recently been ramping up support for environmental goals. A consortium open to all Japanese TCFD signatories was launched in May 2019, with the aim of facilitating corporate disclosure of climate-related information and, following this, many Japanese companies have thrown their support behind the TCFD framework<sup>28,29</sup>. As of January 2020, 228 Japanese companies have expressed their support for TCFD, putting the country ahead of the US, where 138 companies have backed the recommendations, and the UK, with 137 signatories<sup>30</sup>.

This has been accompanied by encouraging signals from Japan's Government Pension Investment Fund (GPIF), the world's largest asset owner, which has recently begun to award larger mandates to asset managers who commit to active long-term stewardship of their assets. GPIF's CIO, Hiro Mizuno, has been vocal in highlighting the organisation's role as a "universal owner" and emphasising the need for increased focus on the systemic risks posed by climate change<sup>31</sup>.

The rising momentum behind environmental disclosure in Japan can be seen as a contributing factor to the relatively good performance of Japanese asset managers in our ranking. All five Japanese companies included in the survey have outperformed their rivals from the Asia Pacific region and, on average, score better than their US counterparts. While only one out of the five Japanese fund managers has published a TCFD report so far, all five have expressed public support for the TCFD recommendations and disclosed information in response to our survey, which may be a sign that the Japanese financial industry will play an important role as a progressive force for responsible investment in the region.

### 9.2 – Only 19 per cent of asset managers report in line with the TCFD recommendations.

Only 19 per cent of the surveyed asset managers provide disclosure in line with the TCFD recommendations. Asset managers that publish their TCFD report only at group level have also been included, based on the assumption that such practice indicates a more developed approach to managing climate risks than in cases where no reporting takes place. However, it is worth noting that leading practice examples suggest that reporting at group level does not preclude publishing a stand-alone report by the asset management arm of a company.

### 9.3 – Published TCFD reports vary significantly in quality and level of detail.

There is great variation within the group of 14 asset managers who publish their TCFD reports in terms of the quality and scope of information reported. Some asset managers in that group only summarise their approach across the four core themes (Governance, Strategy, Risk Management, and Metrics and Targets) in a few paragraphs without providing much detail, usually as part of their regular annual reports.



There are, however, also some **leading examples** of exhaustive and thorough TCFD reporting. The most comprehensive reports include detailed information on how climate-related risks are identified across different sectors and asset classes and factored into both passive and active investment approaches, as well as outlining methodologies for calculating metrics and providing detail on the metrics themselves.

## FINDING 10 - Public endorsement of TCFD is not necessarily an indication of real action

### 10.1 – Only 38 per cent of TCFD-supporting asset managers that have not published a report so far have stated that they are planning to do so in the next reporting year

The TCFD clearly emphasises that the sooner companies start to implement the recommendations, the more they contribute to standardising this kind of disclosure in mainstream financial reporting<sup>32</sup>. It is therefore concerning that, of the TCFD-supporting asset managers that have not yet reported against the recommendations, only 38 per cent have stated in response to our survey that they are planning to do so in the next reporting year.

### TCFD recommendations and the 2020 PRI reporting cycle

The PRI reporting framework is built around TCFD-aligned climate risk indicators. While these were voluntary for signatories to report against in 2018 and 2019, reporting against selected indicators will become mandatory for all PRI members from 2020 onwards<sup>33</sup>.

All asset managers included in this analysis are PRI signatories and will therefore have to disclose information relating to certain TCFD-aligned indicators covering governance and strategy to the PRI, even if they have not committed to publicly reporting in line with the TCFD in 2020. The mandatory part of the PRI reporting framework includes questions relating to company-wide climate strategy, management of climate risks and the use of scenario analysis.

Mindful of the fact that the PRI indicators are designed to complement, not replace, TCFD reporting, asset managers should see this requirement as an opportunity to take first steps towards publishing a full TCFD report.

## CHAPTER 3 – GOVERNANCE

### Oversight of responsible investment

The TCFD recommendations highlight the role of robust governance mechanisms in appropriately overseeing systemic ESG risks, such as climate change. Strong oversight and accountability at the board level, backed up with financial incentives and comprehensive training, embed ESG into organisational culture and ensure that strong responsible investment performance is delivered. Without appropriate governance structures, investors risk leaving ESG as an ad-hoc exercise, thereby leaving systemic and emerging ESG issues unexamined and portfolios at risk.

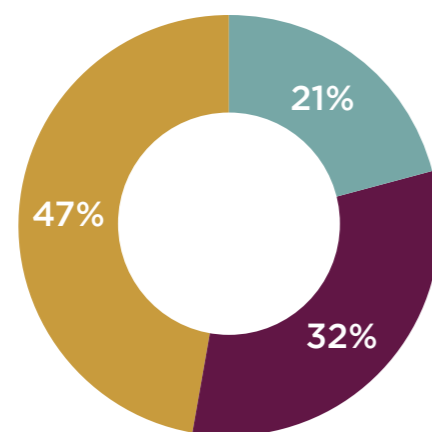
The World Economic Forum set out guidance in its 2019 publication on climate governance principles to aid businesses in appropriately overseeing climate risks<sup>34</sup>. While these principles have a climate focus, they are generally applicable to all systemic ESG risks.

As a barometer of how embedded ESG is across the assessed organisations and how robust their governance structures are, we surveyed asset managers on (1) their level of oversight of and accountability for responsible investment, (2) the degree to which ESG is incorporated into financial incentives, and (3) how widespread training on ESG issues is across the organisation.

#### FINDING 11 – The majority of assessed asset managers do not have board-level accountability on responsible investment

##### 11.1 – Only around 20 per cent of assessed asset managers have board-level accountability for responsible investment

Figure 17: Level of oversight and accountability of responsible investment



- Specific board members have accountability for responsible investment
- Specific executive management position (below board level) accountable for RI
- Responsible investment team has the highest level of accountability

Despite the vital role board oversight plays in driving performance on responsible investment, just 21 per cent of assessed managers have board-level accountability for responsible investment. 32 per cent have an executive management position as the highest level of seniority, while 47 per cent have a responsible investment team with the highest level of oversight.

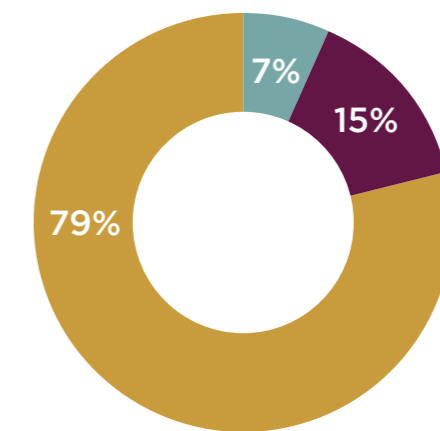
Given that boards are accountable for the long-term value of the business, the lack of oversight of systemic long-term risks that will materially affect investors' portfolios is a sign the industry has a lot of progress to make in this area. The World Economic Forum's [2019 publication](#) on climate governance lists principle 1 as 'climate accountability on boards' and sets out guiding questions for building capacity in climate governance, which can serve as a useful tool for asset managers looking to upskill in this area<sup>35</sup>.

#### FINDING 12 – The vast majority of asset managers do not have financial incentives for staff on responsible investment, but those that do perform much better in the ranking

##### 12.1 – 93 per cent of assessed asset managers have no financial incentives relating to responsible investment. Of those that do, most came in the top 5 of the ranking

Only five of the asset managers we assessed have financial incentives for staff linked to responsible investment. An additional 11 assessed managers have non-financial incentives such as RI-related objectives. The remaining 59 have no incentive structures on responsible investment at all.

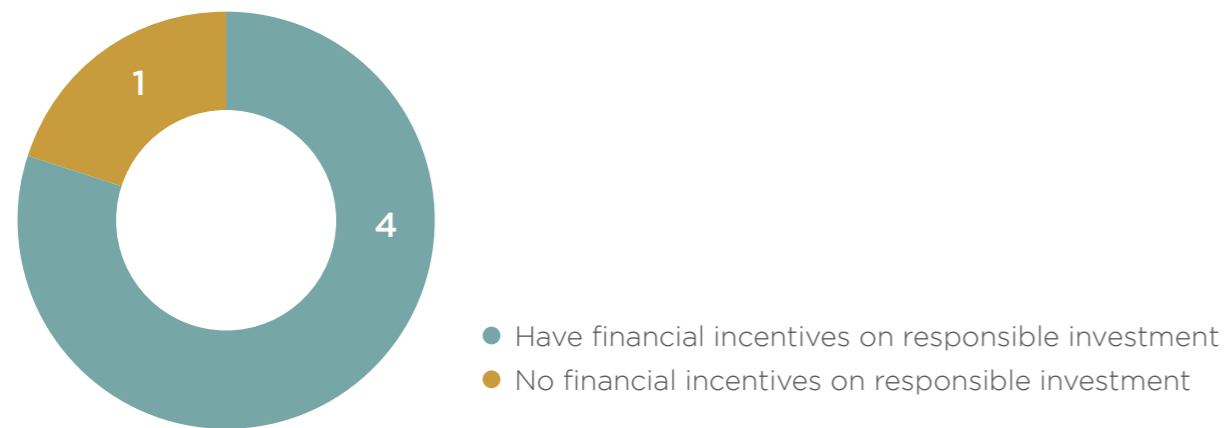
Figure 18: Percentage of asset managers with responsible investment related incentives for staff



- Financial incentives for investment staff and/or C-level staff
- Non-financial incentives: ESG included in appraisal process/ESG objectives for investment
- No incentives

The degree to which financial incentives are a key driver motivating performance on responsible investment is strongly evidenced by the fact that, of the asset managers that do have financial incentives, four out of five have an A rating.

Figure 19: Top 5 asset managers and financial incentives linked with responsible investment



**Leading practice examples** in this area include asset managers linking remuneration to responsible investment objectives across all relevant staff including at the highest level of seniority such as C-level executives. Asset managers can embed responsible investment incentives into existing incentive structures to account for a significant amount of variable remuneration. For example, one asset manager's ESG-related remuneration accounts for a third of variable remuneration. These objectives include specific quantitative targets, for example on portfolio decarbonisation.

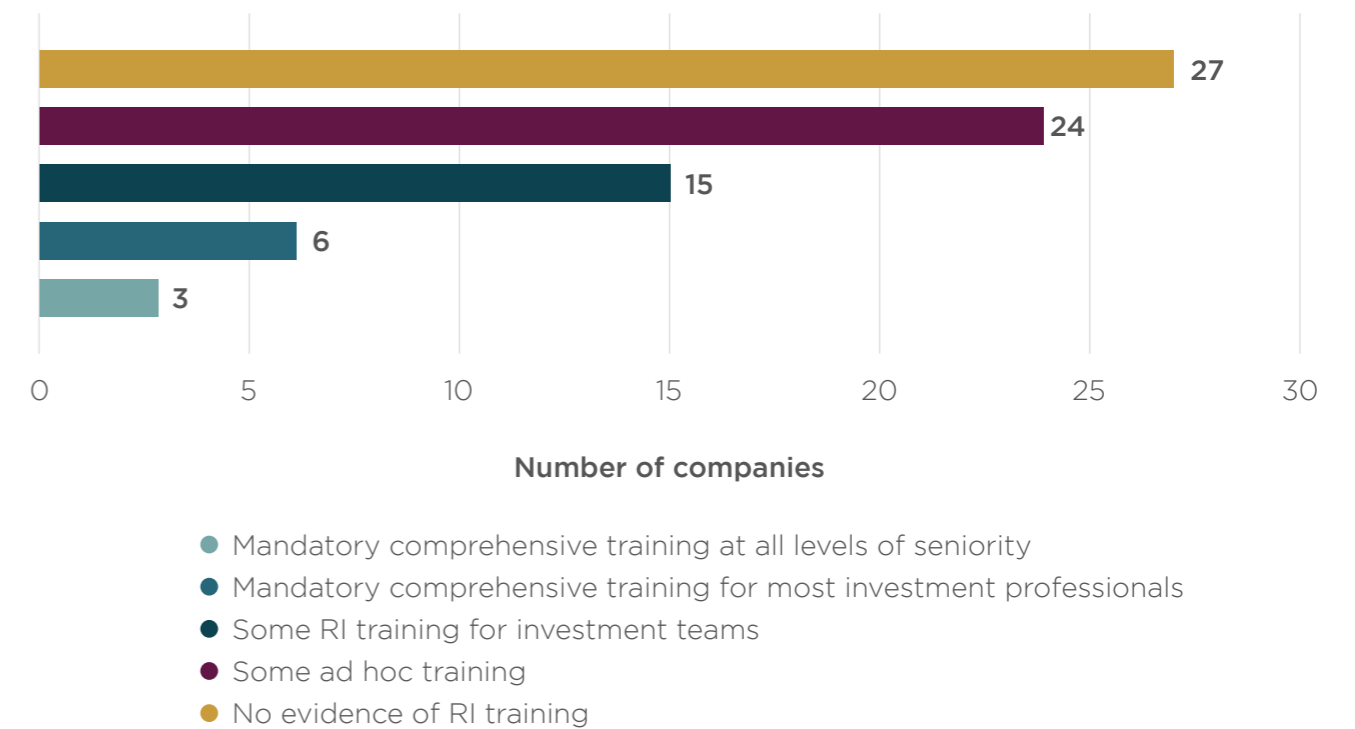
### FINDING 13 – Lack of comprehensive training on responsible investment correlates strongly with poor overall performance on responsible investment

#### 13.1 – Asset managers with ad hoc or no training on responsible investment perform poorly compared to asset managers with more comprehensive and widespread training

As can be seen in Figure 20, 27 assessed asset managers do not offer staff any training on assessing and integrating ESG considerations in investment decisions, while 24 only have basic or ad-hoc training. Only three assessed asset managers have structured training on responsible investment at the highest levels of seniority, while an additional six have formal training on ESG just for investment staff.

Of the 51 asset managers with no or ad hoc training, 34 are in the D and E band. Of the 24 asset managers with more comprehensive training, only four are in the D and E band. This shows that a strong level of commitment to training staff on responsible investment is a driver of stronger performance in this area.

Figure 20: Level of training provided by asset managers on responsible investment



**Leaders in this area** have introduced structured mandatory training on responsible investment themes for all investment staff, with strong training and knowledge sharing at the board level. In some instances, external experts and industry peers are also brought in to facilitate greater understanding at the board level.

## ESG products and investment strategies

The rise of a new generation of investors who no longer look to invest simply on the basis of yield and growth and increasingly attach more importance to sustainability and corporate ethical standards, has been accompanied by a sharp rise in the number of investment products labelled as “sustainable” or “ESG” available on the market<sup>36</sup>. The recent surge in ESG investing has attracted media attention and played a role in eliciting a policy response from the EU in the shape of the forthcoming EU Green Taxonomy.

While asset managers should strive for high levels of systematic ESG integration across all their portfolios, it is also important that asset owners and other clients are able to choose investment products that reflect their preferences and meet more stringent ESG integration criteria across the whole investment process, from screening techniques to enhanced active ownership practices.

We asked asset managers about their ESG product offering to gauge how the industry is adapting to changing investor preferences and what range of considerations are taken into account in the process of ESG product creation.

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### **FINDING 14 – While the majority of asset managers offer a selection of sustainable financial products which integrate some climate and human rights considerations, this is not indicative of their overall commitment to responsible investment**

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#### **14.1 – 89 per cent of the assessed asset managers offer funds labelled as “sustainable”, “ESG”, or similar, to their clients**

Around 89 per cent of the surveyed asset managers state that they offer financial products with an ESG focus to their clients<sup>xii</sup>. There has been a rapid flow of funds into sustainability-themed investment products in recent years, particularly in the US<sup>37</sup> and Europe<sup>38</sup>. It comes as no surprise that asset managers have sought to quickly match this growth in demand by expanding their ESG or sustainability labelled product offerings through creating new funds or rebranding existing ones. However, asset owners are finding that such branded products do not always meet their expectations and criteria<sup>39</sup>. Asset owners and investment consultants are cautioned to perform strong due diligence when selecting or recommending such products.

#### **14.2 – Where ESG thematic funds are offered, climate-focused funds are the most widespread**

Around 53 per cent of the surveyed asset managers have reported that they offer climate specific funds, while 20 per cent offer human and labour rights specific funds. Only two asset managers within the scope of this analysis offer a product that can be characterised as biodiversity-specific, which confirms the view that biodiversity remains on the periphery of investor attention.

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xii 7 per cent of survey respondents who state that they offer investment strategies labelled “ESG” or similar and have been included in this count, also reported that 100 per cent of their AUM is held in such products. Depending on the approach of particular asset managers, this may be interpreted in various ways. For the most part, asset managers in this subset apply particularly stringent ESG integration criteria without necessarily offering specialised ESG products.

### **Sustainable financial products and the EU Green Taxonomy**

The fact that a large percentage of the assessed asset managers state that they consider climate change and biodiversity in the course of ESG product creation is a positive phenomenon. While a more in-depth assessment of the quality of asset managers’ ESG products is beyond the scope of this analysis, greenwashing remains a widely recognised concern in the sustainable investing space. Without greater transparency on the underlying assets, some asset managers, in the race to promote their green credentials, risk offering strategies that are misleadingly classified as sustainable, despite holding stocks in fossil fuels companies or voting against environmental shareholder proposals<sup>40, 41</sup>.

Putting a halt to greenwashing is one of the main objectives that the European Commission is hoping to achieve through the Taxonomy regulation. The EU’s Green Taxonomy will set requirements for financial products and corporate bonds presented as ‘environmentally sustainable’ and will apply to all financial market participants offering their products in Europe. Asset managers will be required to disclose information on how and to what extent the investments that underlie their financial products support economic activities that meet the criteria of the Taxonomy. While the Taxonomy will only apply to the European market, it has the potential of becoming a global reference point, which could help set new standards in the industry world-wide.

#### **14.3 – No significant correlation has been found between asset managers’ overall responsible investment performance and the breadth of their ESG product suite**

Our analysis has found no significant correlation between asset managers’ overall responsible investment performance and the breadth and level of specialisation of their offering of ESG funds.

As more retail investors are opting to align their investments with their values, it is important that managers offer an array of products that enable their clients to channel their money into sustainable and socially responsible businesses. However, this should not be a substitute for a holistic approach to responsible investment including the full integration of ESG into their general investment philosophy and embedding it into all strategies and processes.

## Conclusions & Recommendations

The recommendations in this section broadly cover the topics contained in this first report. We will make further specific recommendations on climate change and biodiversity, and on human and labour rights in the following thematic reports, due to be released in the coming months.

To sign up to our mailing list to receive the following parts click [here](#).



### For asset managers

The findings in this report show that, within the asset management industry, much work remains to be done to raise the standard of responsible investment. While some asset managers demonstrate leadership in particular areas, none are performing strongly across each of the topics included in our methodology. The scale and urgency of current ecological and social crises demands far more than a 'business-as-usual' approach from asset managers, who are encouraged to use this ranking and report findings to benchmark their individual performance and drive improvements where needed.

In the coming months, we will seek to work with asset managers to provide resources and tailored recommendations to help them achieve this.

#### Recommendations in the context of this report:

##### Responsible investment strategies and policies

- Identify, manage and report on the real-world impacts of investment decisions on sustainability factors that correspond with the SDGs, including climate change, human rights, and biodiversity.
- Strengthen dedicated responsible investment policies by explicitly covering climate change, human rights, and biodiversity and including ambitious commitments, such as portfolio alignment with the goals of the Paris Agreement.
- For asset managers with a strong passive focus, ensure ESG integration options such as index selection and active ownership strategies are fully explored.
- For asset managers heavily exposed to fixed income, ensure that company engagement with issuers of corporate debt is aligned with responsible investment policies.
- For asset managers that depend on mainstream benchmarks and indexes, increase engagement with index providers to explore how these products can better align with the goals of responsible investment.

##### Voting and engagement

- Develop and strengthen responsible investment voting policies by explicitly committing to support shareholder resolutions related to ESG issues.
- Align proxy voting outcomes with responsible investment policy commitments.
- Improve transparency on proxy voting by publishing voting policies, voting outcomes, and voting rationales in a manner that is timely and user friendly.

- Improve transparency on ESG-related engagement by strengthening disclosure around ESG topics engaged on, companies targeted and real-world outcomes.
- Improve the quality of engagement by developing, implementing and publicly disclosing a clear escalation strategy that includes time-bound objectives.

#### Responsible investment governance

- Ensure accountability for responsible investment issues at the senior executive and board level.
- Meaningfully embed responsible investment performance criteria in executive remuneration structures.
- Ensure all relevant staff receive training on responsible investment issues, particularly at portfolio manager, senior executive and board levels.
- Address client concerns about the integrity of ESG labelled products by strengthening integration and disclosure on issues such as climate change, human rights, and biodiversity.
- Publicly endorse TCFD recommendations and publish TCFD-aligned disclosure, even if early on the responsible investment journey.



### For asset owners

Given the systemic risks associated with the themes this report has covered, asset owners and their beneficiaries ultimately have the most to lose from inaction. The wide-reaching and systemic nature of these risks means that it is not possible to avoid them simply through diversification or divestment. Asset owners should use their influence to hold asset managers to account on these risks.

#### Recommendations in the context of this report:

- Strengthen due diligence of asset manager selection by reviewing performance in the areas of ESG-related voting and engagement, responsible investment governance, and how real-world impact is considered.
- Be aware that signing up to supportive initiatives such as the PRI or Climate Action 100+ does not always correspond with having a fit for purpose responsible investment approach.
- Firmly embed clear and specific expectations on the integration and reporting of climate change, human rights and biodiversity issues into Investment Management Agreements (IMAs).
- Require asset managers to regularly report on how responsible investment issues are being managed throughout all stages of the investment process, including case studies.
- End relationship with asset managers who do not live up to set expectations on managing responsible investment issues.
- Asset owners who are also shareholders in asset management companies should use their shareholder influence via voting or engagement to address poor performance on responsible investment issues.



## For investment consultants

Investment consultants often act as a critical link between asset owners and the asset managers they recommend. To help match their clients with the best suited asset managers, investment consultants need to be acutely aware of how asset managers perform on managing financially relevant ESG issues such as climate change, human rights, and biodiversity across their investment practices.

### Recommendations in the context of this report:

- Regularly meet with recommended asset managers to ensure up to date awareness of how responsible investment issues are meaningfully integrated.
- Challenge asset managers directly where performance on responsible investment issues is substandard.
- Be firm on not recommending asset managers to clients where performance on the topics covered in this report is insufficient.
- Encourage asset managers to improve both performance and disclosure on the topics covered in this report.

## For policymakers

Regulation is a powerful way of driving best practice across an industry. The EU's Sustainable Finance Agenda (broadly considered here as encompassing the Action Plan on Financing Sustainable Growth and the forthcoming work under the European Green Deal) has been at the forefront of the regulatory push for sustainability, setting a global standard of ambition for governments worldwide. The upcoming legislative requirements have helped to drive sustainable finance up the agenda within Europe, which may account for the higher scores in our ranking for asset managers in that region. These findings may be attributable to the interest investors have in pre-empting regulatory risks. In order to be effective, regulation needs to be accompanied by strong supervision, including clear guidance on expectations and penalties in the case of non-compliance. Furthermore, while it is understandable that the pre-eminent focus of regulatory initiatives so far has been climate change, policymakers need to think about how to address other issues which have the potential to pose significant threats to financial and social stability. It does not seem feasible to do so on an "issue-by-issue" basis – what is needed is a holistic approach to ensuring that the financial sector is fit for the challenges of the decade, and beyond.

**We will release a more detailed briefing addressing priorities for EU policymakers in the context of the European Green Deal. However, below we make some recommendations relevant to policymakers globally on the minimum of what regulation and supervision should seek to achieve in this area:**

- Introduce mandatory reporting in line with the TCFD recommendations and work with the asset management, and wider investment, industry to develop guidance to help with implementation
- Develop and enforce strong, mandatory stewardship codes covering asset owners, asset managers and service providers that cover ESG factors as well as engagement, disclosure, and voting.
- Empower regulators with clear mandates to supervise and, where necessary, penalise performance on responsible investment practices, such as responsible investment policies, TCFD disclosures, and stewardship.

- Mandate voting disclosure by institutional investors, including setting a compulsory timeframe, and work with industry to develop guidance for a framework of what good voting disclosure looks like.
- Ensure that regulation requires granular disclosure and integration of ESG risk and impacts beyond climate change, including biodiversity and human and labour rights.
- Move away from legislation which frames ESG factors as relevant only as material financial risk to portfolios towards considerations of the impact investment has on the environment and society.



<b>RESPONSIBLE INVESTMENT GOVERNANCE</b>	
<b>GOVERNANCE</b>	
<b>Question</b>	
<b>G1 - OVERSIGHT &amp; AWARENESS</b>	<b>G1.1 - 2%</b> How does your organisation allocate resources to the governance and implementation of responsible investment (RI)?
	<b>G1.2 - 2%</b> Do you have RI-focused financial incentives for board members, executives, portfolio managers and analysts? Please provide details on these incentives.
	<b>G1.3 - 1%</b> How extensive is training on RI? Please describe what level of staff seniority this training covers, and describe the RI themes covered.
	<b>G1.4 - 1%</b> How have you responded to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations?
	<b>G2.1 - 3%</b> What ESG, RI or similar investment strategies do you offer?
	<b>G2.2 - 2%</b> What percentage of total AUM is directly held in ESG, RI or similar products?
	<b>G3.1 - 2%</b> How are RI related risks and impacts communicated with clients?
<b>G3 - STEWARDSHIP</b>	<b>G3.2 - 5%</b> Do you publicly disclose a record of ESG related engagement activities and engagement results for all portfolios under management?
	<b>G3.3 - 1%</b> Does your escalation procedure for engagement on RI include the following actions? Please provide details on your escalation strategy and which RI topics your escalation strategy covers. Have you used any of the above actions?
	<b>G3.4 - 2%</b> Please outline collaborative engagement initiatives you are part of which you believe have been most impactful. Provide detail on how you actively participate in these initiatives.
	<b>G4.1 - 0%</b> Do you publicly disclose a record of proxy votes cast in annual general meetings (AGMs) of investee companies?

<b>G3 - STEWARDSHIP</b>	<b>G3.5 - 1%</b> Do you publish a publicly available policy that explicitly covers shareholder resolutions for all portfolios under management?
	<b>G3.6 - 11%</b> How did you vote at Equinor's annual general meeting on 15th May 2019 on shareholder proposal Item 9 for 'setting medium and long-term quantitative targets that include Scope 1, 2 and 3 greenhouse gas emissions'?
	<b>G4.1 - 0%</b> How did you vote at Exxon Mobil's annual general meeting on 29th May 2019 on Item 4 - Independent Chairman?
	<b>G4.2 - 3%</b> How did you vote at Tyson Foods' annual general meeting on 7th February 2019 on shareholder proposal - 'report human rights due diligence'?
	<b>G4.3 - 3%</b> How did you vote at Mondelez International's annual general meeting on 15th May 2019 on shareholder proposal - report on environmental impact of cocoa supply chain?
	<b>G4.4 - 3%</b> How did you vote at Ford Motor Company's annual general meeting on 9th May 2019 on shareholder proposal 6 on corporate lobbying?
<b>G4 - IMPACT</b>	<b>G4.1 - 0%</b> How have you responded to the UN Sustainable Development Goals (SDGs)?
	<b>G4.2 - 3%</b> Please provide any further comments on the UN SDGs as a framework for investors, or comments on your implementation of the SDGs.
	<b>G4.3 - 3%</b> How do you measure the positive and negative impacts of your investments? If third party auditing is carried out, please specify the auditor.

CLIMATE CHANGE	
STRATEGY - CLIMATE CHANGE	
Question	
S1 - IDENTIFYING RISKS & OPPORTUNITIES	<b>S1.1 - 2%</b>
	Please outline the top 3 material climate-related risks you have identified and explain how they may affect your portfolios under management.
	Please outline the top 3 material climate-related opportunities you have identified and explain how they may affect your portfolios under management.
	<b>S1.2 - 3%</b>
	Please outline the top 3 climate-related <b>positive</b> impacts of your investment portfolios that you have identified.
	Please outline the top 3 climate-related <b>negative</b> impacts of your investment portfolios that you have identified.
S2 - POLICIES	<b>S2.1 - 2%</b>
	Do you have a climate-related investment policy covering all portfolios under management?
	<b>S2.2 - 6%</b>
	Does your policy include a formal climate-related commitment to any of the following across all portfolios under management?
	If applicable, please describe any exclusion criteria and for each exclusion specify whether this covers all portfolios and all asset classes
If applicable, please describe how you approach alignment with the goals of the Paris Agreement, at an asset level, portfolio level or stewardship.	
S3 - SCENARIO ANALYSIS	<b>S3.1 - 4%</b>
	Have you conducted climate scenario analysis?
	Has scenario analysis been applied across all assets?
	Please provide details on the scenario analysis, for example which specific reference scenarios were used.
	How have you altered your investment processes as a result of climate scenario analysis?

RISK MANAGEMENT - CLIMATE CHANGE	
Question	
RM1 - ENGAGEMENT	<b>RM1.1 - 2%</b>
	When engaging with investee companies what are your main climate-related priorities?
	Does your engagement strategy differ by asset class or across portfolios?
RM2 - ASSESSMENT & INTEGRATION	Please describe any other climate-related engagements you undertake with policymakers, developers of climate reference scenarios, and trade associations. Please outline the nature of these discussions.
	<b>RM2.1 - 1%</b>
	At what level do you assess climate-related risks and opportunities?
RM2 - ASSESSMENT & INTEGRATION	<b>RM2.1 - 2%</b>
	How do you integrate climate-related risks and opportunities into investment decisions?
	<b>METRICS - CLIMATE CHANGE</b>
Question	
MT1 - METRICS	<b>MT1.1 - 7%</b>
	What metrics do portfolio managers use to assess climate-related risks and opportunities?
	For each option selected above, please indicate whether these metrics apply across all assets, for particular asset classes, or for specific funds and mandates.
	Which framework or definition do you use to define low-carbon assets? Please indicate if this definition includes any of the following: biomass, clean coal, natural gas, fossil fuel power efficiency, nuclear power.
	Are you developing enhanced or improved climate-related metrics to improve assessment of evolving climate risks and impacts? What limitations have you identified in available metrics?
If any of the above metrics been verified or assured by a third party please state below.	

HUMAN AND LABOUR RIGHTS	
STRATEGY - HUMAN AND LABOUR RIGHTS	
Question	
S1 - IDENTIFYING RISKS & IMPACTS	<b>S1.1 - 2%</b>
	Have you identified material human and labour rights risks to your investments. Please outline these risks.
	Have you identified material human and labour rights opportunities to your investments. Please outline these risks.
	<b>S1.2 - 3%</b>
	Have you identified <b>positive</b> human and labour rights <b>impacts</b> of your investments? Please outline these impacts.
Have you identified <b>negative</b> human and labour rights related <b>impacts</b> of your investments? Please outline these impacts.	
S2 - POLICIES	<b>S2.1 - 2%</b>
	Do you have a human and labour rights investment policy covering all portfolios under management?
	<b>S2.2 - 5%</b>
Does your policy framework include a formal commitment to any of the following covering all portfolios under management?	
RISK MANAGEMENT - HUMAN AND LABOUR RIGHTS	
Question	
RM1 - ENGAGEMENT	<b>RM1.1 - 2%</b>
	Across all portfolios under management, when engaging with investee companies what are your main human and labour rights priorities?
RM2 - ASSESSMENT & INTEGRATION	<b>RM2.1 - 2%</b>
	At what level do you assess human and labour rights related risks and impacts?
	<b>RM2.2 - 2%</b>
How do you integrate human and labour rights related risks and impacts into investment decisions?	

METRICS - HUMAN AND LABOUR RIGHTS	
Question	
MT1 - METRICS	<b>MT1.1 - 3%</b>
	Have you developed, or are you developing metrics, to assess and/or integrate human and labour rights into investment decisions?

BIODIVERSITY	
STRATEGY - BIODIVERSITY	
Question	
S1 - IDENTIFYING RISKS & IMPACTS	<b>S1.1 - 2%</b>
	Have you identified material biodiversity-related risks to your investments? Please outline these risks.
	Have you identified material biodiversity-related opportunities to your investments? Please outline these risks.
	<b>S1.2 - 3%</b>
	Have you identified <b>positive</b> biodiversity-related <b>impacts</b> of your investments? Please outline these impacts.
Have you identified <b>negative</b> biodiversity-related <b>impacts</b> of your investments? Please outline these impacts.	
S2 - POLICIES	<b>S2.1 - 3%</b>
	Has biodiversity been integrated into your investment policy?
S2 - POLICIES	<b>S2.2 - 2%</b>
	What specific commitments does your biodiversity policy include? Please specify whether this consideration covers all portfolios under management or relates to specific ESG funds and mandates.
RISK MANAGEMENT - BIODIVERSITY	
Question	
RM1 - ENGAGEMENT	<b>RM1.1 - 2%</b>
	When engaging with investee companies what are your main biodiversity priorities? Please specify whether this consideration covers all portfolios under management or relates to specific ESG funds and mandates.
RM2 - ASSESSMENT & INTEGRATION	<b>RM2.1 - 2%</b>
	How do you integrate biodiversity risks and impacts into investment decisions?  Please describe how biodiversity risks and impacts are assessed. Please provide any further comments on how biodiversity related risks and impacts are integrated.

METRICS - BIODIVERSITY	
Question	
MT1 - METRICS	<b>MT1 - 3%</b>
	Have you developed, or are you developing, metrics to assess and/or integrate biodiversity into investment decisions?

The questionnaire in this appendix does not include answer options for multiple choice questions; a full version of the survey is available upon request.

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## About ShareAction

ShareAction is a non-profit working to build a global investment sector which is responsible for its impacts on people and planet. We mobilise investors to take action to improve labour standards, tackle the climate crisis, and address pressing global health issues, such as childhood obesity. Over the last 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. We want a future where all finance powers social progress.

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