

# THE PRINCIPLES FOR RESPONSIBLE INVESTMENT PODCAST TRANSCRIPT

## EXPLORING ASSET OWNERS' RESPONSIBLE INVESTMENT PRACTICES

**WITH LAURA DE ORNELAS, EMPOWERING ASSET OWNERS DIRECTOR, PRI,  
TIM MANUEL, PARTNER, CO-HEAD OF RESPONSIBLE INVESTMENT,  
JENNY KVASKOVA, SENIOR RESPONSIBLE INVESTMENT  
CONSULTANT**

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### **Laura de Ornelas**

Welcome to the PRI podcast. My name is Laura De Ornelad and I am a Director of Empowering asset owners here at the PRI. And I sit within the signatory relations team. Asset owners have a key role to play in setting the agenda on a various responsible investment activities and just the nature of what these organisations are and the fact that they sit at the top of the investment chain as the owners of the assets mean that they really can exert significant influence on how those assets are invested. Today, we'll bring some of the PRI reporting data to life focusing, particularly on asset owners and their practices. So if you want to learn a little bit more about what the large investors around the globe are doing in relation to responsible investment, stay tuned.

I have two excellent guests with me today who will really get into more detail about some of the data insights that we've gathered from the PRI reporting data. We have Tim Manuel, partner and co

of responsible investment at Aon investment consultants and Jenny Kvaskova, senior responsible investment consultant.

**Jenny Kvaskova**

Hi Laura.

**Tim Manuel**

Hi Laura. Great to be here today.

**Laura de Ornelas**

Thank you. I'm really keen for this conversation. So basic outline for today. We'll touch on the why, the, how, the what and the, so what of the PRI reporting data that we've analysed. So, if we focus on the why, as I said earlier, asset owners really see at the top of the investment chain and they're very influential, but I just want to hear from you two, if you could just talk us through your experience with working with clients, is that true that they do rely generally a lot on learning from others? learning from what the leaders in the space are doing?

**Tim Manuel**

Before we start on that you mentioned this already. So I was gonna touch on it, which is a really important learning, I think, for, for asset owners or maybe a relearning. And it's this point about the investment chain and asset owners being at the top of it? I prefer to think of it like a, an investment pyramid. Those asset owners really are at the pinnacle of it. And I think sometimes in that day to day, melet of making decisions when you've got deadlines coming out, the left right and center, sometimes asset owners can forget, or underappreciate that authority, power, and influence they have over everyone who sits beneath them on that pyramid who are making names in their behalf. So just re recognising or relearning that authority, I think is a really important point. What your question was though, was about learning from others. I think there's loads that asset owners can learn from each other in this space.

There's probably two levels to this. Well, one, we don't really have a choice. Yeah, the pace of change we're seeing in responsible investment, the scale of the challenges that confront us, you know, from climate change and just transition, social equality, et cetera, individualistic efforts are just not going to be good enough to get as there fast enough. And I think you, you can see this reflected in the nature of some of the regulation for example, that's being directed at asset owners. It all focuses on transparency and disclosure, you know, providing that platform for other asset owners to learn from what you've done. So, there's a big push on the other side. I think we're seeing, we're seeing a willingness from asset owners, too. There's unprecedented degrees of collaboration across our industry on these topics and a much wider willingness of asset owners to publish what

they're doing. And not just because they're mandated to put their policies, put their reports on websites, submit to the PRI. You know, there is a spirit of openness in responsible investment.

**Laura de Ornelas**

So I think you've touched on a couple of points, collaboration and transparency is what I get from what you said. We'll focus a little bit about how did we go about this challenge, which is to understand asset owners practices, the has partnered with Aon where the PRI provided the underlying data and Aon was able to analyse that data, or you guys used, different methodologies. And we'd asked you to highlight certain areas where asset owners might want to focus so that we can use those insights going forward. We'll explore some of those insights in a moment. We'll get to those. And, and teams sort of alluded to some, some of those already, but Jenny, if I can get you to sort of talk us through a little bit, what did the data look like and what did you do with it? The methodologist that you've used

**Jenny Kvaskova**

As you're listeners might know the PRI recently introduced a revised reporting framework for its signatory base. And so this overhaul of the framework resulted in a wealth new information. And the data itself was self-reported by asset owners themselves, and covered a range of indicators. So, looking at the senior leadership statements, responsible investment policies, how they go about selecting, appointing and monitoring their asset managers, there was a section on climate as well. So really, really it's a broad, um, set of indicators. Aon's responsible investment team in the UK, partnered with its center for innovation and analytics in Singapore to work together with the PRI to review, consolidate and analyse a subset of the data. It was both structured and unstructured. So the structured part was through multiple choice responses from asset owners that could be easily grouped and structured for analysis. And then the unstructured bit was typically open ended text boxes where respondents have sort of free flow text and they can write anything. So it's not constrained. And that's usually more insightful, but also trickier to analyse, say our team in Singapore used a range of data analysis techniques like data profiling, natural language processing, and analyse the results looking at, for example, the most commonly occurring words or pairs of words to, to see sort of what senior leaders are discussing and putting in their leadership statements. So, we've got responses from nearly 500 asset owners, I think globally. So very comprehensive data sets.

**Laura de Ornelas**

It's fascinating, really the work that you guys have done on working through that data and using technology in a way that provides further insight into what asset owners are doing.

**Tim Manuel**

You know, part of the challenge you face, you've got this huge wealth of information from your entire signature base. And, you know, within that information is a ton of great ideas that other

assets want to know about because there is so much of it, the challenges sort of digging into the stuff that really matters. What I found really interesting as we went through the process is some of those quantitative processes or quantitative methodologies that Jenny described really kind of helped us narrow down and filter through that, to identify the key themes or ideas that we should then pick up and focus on, apply a bit of elbow grease too, so to speak. And so for me, that, that mix of quantitative to help us focus on the things that were most important and then qualitative to make sure that we could draw out the insights that would be most helpful for asset owners was a great way of mixing together. Those two approaches to give something asset owners would really value.

**Laura de Ornelas**

Why don't we sort of start exploring what some of those most relevant findings from the data are? How does that look in sort of real life? And maybe if you can sort of illustrate things with examples, you'll be very valuable

**Tim Manuel**

For me, there were four areas that really well, actually, three areas let's say that really stood out as being, what was most important to asset owners today. And for me, I think you can read this section as being, you know, what represents a leader in this space. The first of those areas was quite interesting really, as we went through some of the information in, it was just about the divergence, if you like, or the variety of approaches that we're seeing asset owners take here, it really is the case of no one size fits all. I know, you know, we, we, we're sort, we're talking about this against the backdrop of what feels like some increased criticism if you like of ESG investing today, where one of those main points of criticism is some of the lack of consistency of standardisation, but actually what was interesting and, and heartening to me, if you, like, as we looked through, this was actually that responsible investment can and should legitimately mean different things to different investors. And you could see that that signature based had really thought about what it meant for them. You could see this, for example, in the fact that almost all of the signatory base had a top level responsible investment policy, but as we dug down to some of the underlying sub-policies, you could see that divergence in focus. So, some might focus more on stewardship, on exclusions, on social factors, on stakeholder reporting

**Jenny Kvaskova**

Exactly to. So we saw a range of approaches. Different asset owners are in different stages of their sort of responsible investment journey. Everyone has their desire to make a difference and wants to implement change, but the way that they're going about it is different depending on their size, their region, who their clients are, you know, their risk profiles. And so on.

**Tim Manuel**

I see this day to day in that with the asset owners or the pension funds I work with, there's two different pension funds. We work with. One of them wanted to get everything nailed down at the

outset. So they spent a ton of time thinking about what we're trying to achieve, what are our policies? How can we make sure that's reflected on our policies? How can we also make sure we know exactly what our starting point is? They really obsessed almost about where they are today and where they want to get to. And then they started to take action. I've got another pension from we work with who said, we kind of know what the right thing to do is we don't wanna spend too much time at the outset worrying about where we wanna get to. We feel like we know what the right thing to do is we are just gonna start taking that action today and see where it takes it. Those different approaches can go beyond just what the policies are, what the objectives are right through to how different asset owners are actually implementing some of this change.

**Laura de Ornelas**

So, yeah, no, that's very interesting. Definitely one size does not fit all in responsible investment. And do you, Jenny have a sense of how different regions might differ or different type of asset owners? Can you share a bit more colour on this?

**Jenny Kvaskova**

Yes. So I think from memory, areas like Europe and Oceania actually were sort of more advanced in these areas they were considering, or are considering a broader range of, uh, responsible investment policies while areas like, you know, North and South America and some of Asia were perhaps lagging their peers.

**Laura de Ornelas**

Interesting. I think that if you ran an analysis on the regulatory landscape of certain regions, you would obviously, well, not obviously, but I think likely you'd find some high correlation of development and strengthened regulatory regimes in relation to, to responsible investment.

**Jenny Kvaskova**

And perhaps we saw a similar trend as well with, um, asset owner. The larger asset owners by asset center management were also, I think, approximately twice as likely to have policies in place or a greater range of policies in place than smaller asset owners. And that might be tied to resource.

**Tim Manuel**

What was really important about this report? Was it not being about dictating right or wrong, but about highlighting best practices because what that gives asset owners or readers of the report is the opportunity to learn, pick, and choose, see how others have done it, apply that to their own situation and try and make some progress off the back of it. So isn't about dictating right or wrong, but just giving that opportunity to learn and leverage from others, but not forgetting that what's most important is to not lose sight of what your key priorities and your key objectives are as an asset owner. What's most important to you.

**Laura de Ornelas**

Yeah. I suggest that relates to sort of investment beliefs as well. If you have the investment beliefs around responsible investment, really ingrains to start with the new journey is smoother investors and decision makers are more willing to make the necessary to an extent sort of leap of faith that is required onto incorporating some of those things. You know, most of the things are quite mainstream in relation to responsible investment these days. But if you go, if you go into things that are uncharted territory such as no, not zero, not so much, but say in corporation of human rights and so on, then you become to get a bit more, you have the, the beliefs driving and then the implementation following, which is, I guess the latter example that you've used, Tim.

**Tim Manuel**

One of the other topics Laura, that came through was climate change, maybe on surprisingly, I think what was I don't I want, I don't want to say a surprise, but let's say surprise was just the extent to which climate change was referenced across the policies of almost all areas references to climate change were ubi references to climate change were ubi <laugh> oh my God. I'm a moment <laugh>

**Jenny Kvaskova**

Ubiquitous.

**Tim Manuel**

Thank you. References to climate change were everywhere. So it was pretty clear that all or almost all PR I Aries think climate change is important to them. Now you could see it throughout the senior leadership statements. When we looked at those senior leadership statements through both the quantitative and the qualitative work that we did, you could see it connecting with motivations like a driver of long term value and returns heat to risk management. All of our opportunities are aligning with fiduciary duty. So not only do Aries think climate change is important, but they also see it as a key financial risk that they need to manage. And, and it was great within those senior leadership statements, the extent to which you could see support for that being driven from the top or coming from the top with backing from the senior, you know, senior representatives from the asset owners across the board.

**Jenny Kvaskova**

Mm I'd agree to, we saw a lot of commentary around, the need for climate action words around risk and opportunity coming up. So the need to address risk from a climate change perspective and also to manage the transition. Those were sort of key priorities areas of significance among our asset owners, but then among others, we also saw the need to sort of look beyond just risk and look at making progress and sort of changing behaviours and making successful investments or carving out successful investment opportunities and areas that will also become part of a solution.

**Laura de Ornelas**

At the PRI we have been very conscious about the diversity in approaches and diversity in where certain investors are. They, they might be early on in their journey and maybe later, so yeah, it's, it's not about sort of a, a formulaic approach to how to implement some of those things. It's directional as opposed to deterministic.

**Tim Manuel**

Yep. You know, we've touched a bit on this already, but Laura, I just want to connect it with someone you raised earlier, which is some of the regional disparity and some of the regional disparity that's apparent because of some of the regulatory regimes that are in place. I think one thing that's emerged from the study and I think mirrors some of what we are seeing day to day is that when it comes to collaboration, stewardship and engagement, the limits of what is possible by asset managers, let's say is really being stretched. I mean, I know that asset managers in the US find some levels of collaboration, difficult due to some of the antitrust rules there. And so some of this regional divergence is really emerging, where for example, we could see some of the UK asset managers being able to go further on that front.

**Jenny Kvaskova**

Mm. I think I just wanted to add to it that, um, that we saw and we are seeing actually with, um, with clients and, and just more broadly that lots of asset owners are looking to sort of advance their RI response for investment commitments and to do this, they need to collaborate across the industry with experts, with governments, with clients and our clients. We're seeing them running sort of initial sort of assessments to understand their carbon footprints across their portfolios. They're setting net zero targets, they're developing net zero benchmarks for their portfolios and things like that. And then they're also collaborating with peers by joining initiatives like Climate action, Net Zero Alliance. The PRI so increased activity in this area really is just indicating that progress is moving in the right direction. And then you sort of differences we might be seeing will be decreasing and narrowing over time.

**Laura de Ornelas**

Yeah. The collaboration point is, is a really interesting and fascinating one. You ask yourself how much market dynamics are playing a part, particularly if you, if you look into asset managers as well, you know, I'm not sure that there has been anything else in the past that have made them work together so much, despite the potential pressure or competitive vibe that there might be within, within those organisations and, and across, I guess, with other peers and for us at owners, I think, you know, it is such an UN uncharted territory, as I, as I said earlier, that, you know, it's not like you have a rules book with methodologists that, that are settled, that can just be implemented as you would have in a traditional sort of investment framework. It is all new, and it's not only new for individual organisations, it's just new as, as a whole to, to the industry.

So, it makes a lot of sense to collaborate and think about how to tackle some, some of the more intellectual challenges together, as opposed to in isolation, we do want to now focus on, but what did the data say in terms of the gaps that we must close? You know, what's in the horizon for responsible investment investors in general and what are the next frontiers that they going face ahead of them?

**Jenny Kvaskova**

So, what the data has shown is that strategy has sort of been shifting among asset owners from being responsive and reactive, to taking on a more proactive and forward thinking approach and direction. So asset owners are using engagement and their voting rights as a tool for change, they're looking to encourage action or discourage a pursuit of certain initiatives. They're also, so through some of the senior leadership statements, we saw that they're wary for example, of strategies that involve carbon offsets, just because it means that carbon reductions are needed elsewhere, further down the line. So they're taking on this kind of more forward thinking approach today

**Tim Manuel**

When we went through the data and, and, and you should see this in the report, there was lots of constructive opportunities for learning as well for those asset owners that really want to push forward and be the leaders of tomorrow. So to speak, there was a few key themes that I'll, I'll just summarise.

Now. I think the first one, which was really interesting was, what I might call contractual, the responsible investment obligation. We see the beginnings of asset owners really starting to formalize the arrangements that they have in place with their fund managers or with other parties to make sure that those other parties are acting much more strictly in line with how they expect them to, or in line with the objectives of the asset owners. I think what, this is what this is representative of a bit is a bit of a shift from a, a kind of inward to an outward perspective.

So rather than the asset owner, thinking about its objectives in terms of how it might impact on its own decisions, the asset owners starting to put in place the frameworks and the documentation to make sure that everyone that sits underneath that pyramid, that we described earlier, make sure that they are acting and making decisions in line with their objectives too. So that formalization of roles, responsibilities expectations is a clear theme that we're seeing and connected with. That is another lesson, if you like is what we're called directing, not expecting. So rather than having some conversations with these third parties, having a look at what those asset owners might be able to offer and accepting it or not, the asset owners getting much more proactive, taking much more ownership and control over objectives and outcomes, and being much more directive about those third parties delivering on them.

So just being really clear about what they want to achieve and expecting others to follow. How have we seen this play out? There's a pension fund we worked with. It was actually the pension fund. I



mentioned earlier that had spent a lot of time thinking about their own objectives and policies. You know, they recognized that a big part of how they were going to achieve their objectives was through engagement with our asset managers. So, they set out very clearly what they expected the full managers to achieve, what the thresholds were, what timeframe, what the escalation policy was, and then essentially what the consequences would be of not meeting them. I think that was a great example of the asset owner, taking control, telling others what they expect, being really clear on what they need and what the consequences are. If they're not delivered, we're seeing more of that.

**Laura de Ornelas**

Thank you so much. We all know either have been involved in this industry, know that a lot of progress has been made, but there is still a long road ahead. We'll continue to watch the space to see where we go.

**Tim Manuel**

We could talk about this all day, Laura, couldn't we? I think the best thing for anyone who's interested in more in this is to pick up that report and have a read. I think it does a great job of highlighting some of what the leaders today are doing, but also some of these themes in terms of what those leaders for tomorrow are planning to do for those asset owners that want to carry on with their own progress.

**Laura de Ornelas**

So thank you very much, Tim and Jenny, this is a great, great conversation. Very insightful that you can find the full report as Tim suggested, go and read the report is really good idea. Inside PRI data asset owner action on our website so [unpri.org](http://unpri.org), and thank you very much for listening today. Don't forget to tune in again for our next podcast.