PRI Principles for Responsible Investment

GLOBAL RESPONSIBLE INVESTMENT TRENDS:

INSIDE PRI REPORTING DATA

MARCH 2024

UN environment programme | finance initiative

United Nations Global Compact

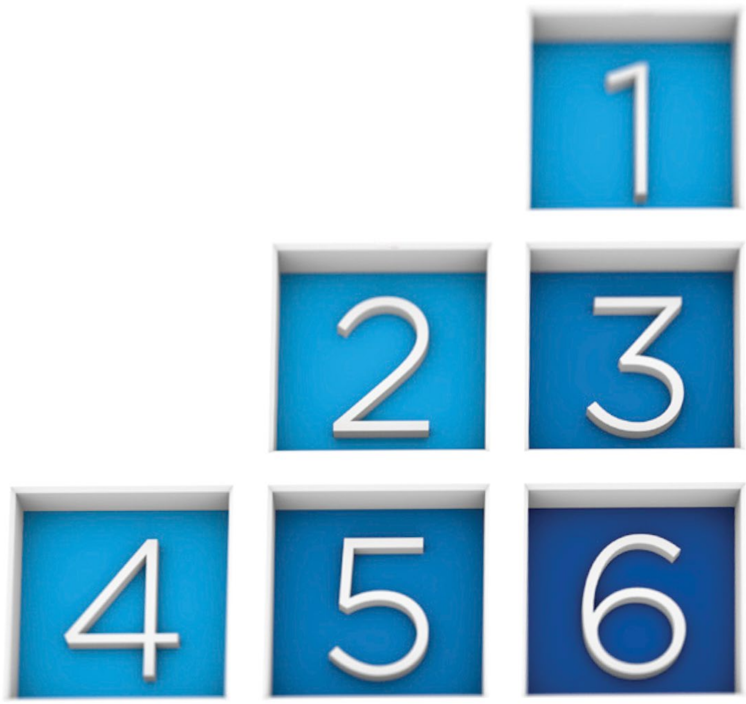
An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

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

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



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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FOREWORD

The 2030 deadline to achieve the Sustainable Development Goals is approaching. Addressing climate change cannot wait. The latest data from our 2023 reporting cycle shows that signatories are stepping up their efforts to improve their responsible investment practices. Progress is to be welcomed, but there is still much work to be done.

The data highlights the range of approaches the PRI's 5,000+ signatories take to stewardship and investment practices, and it reflects the broad range of client mandates, regulatory frameworks and levels of investor sophistication and ambition. This variation is particularly evident in how signatories address climate change, with some implementing ambitious net-zero commitments and others having no or limited processes for identifying climate-related risks.

Signatory reporting shows that both biodiversity and human rights continue to climb up the agenda. Biodiversity was referred to with increasing frequency by signatories in their senior leadership statements, and the issue of human rights now features in a significant minority of signatories' RI policies.

The reporting landscape has changed in important ways since the previous reporting period in 2021. Mandatory reporting requirements have increased for many of our signatories. The step up in regulatory requirements has undoubtedly been one of the important drivers in the development of investment practices, which are detailed in this report.

We were pleased with how many signatories responded to the updated content in the 2023 Reporting Framework. However, we do recognise that, as the industry's reporting landscape is evolving, the PRI's approach to reporting and assessment also needs to develop. Part of the response is to make the 2024 reporting and assessment voluntary for many signatories. We still encourage signatories to report as this will generate useful insights and support overall progress. Automated pre-filling for signatories that reported in 2023 will simplify the process.

David Atkin
CEO, PRI

Over the coming months and years, we will be working alongside signatories to develop a Progression Pathways framework – supporting signatories to implement practices, processes and commitments that lead to positive, real-world results.

We would like to thank signatories for completing their 2023 reporting and acknowledge the improvements demonstrated in the results. We also would like to recognise the work Baringa and Aon have done to help us analyse the data.

KEY FINDINGS

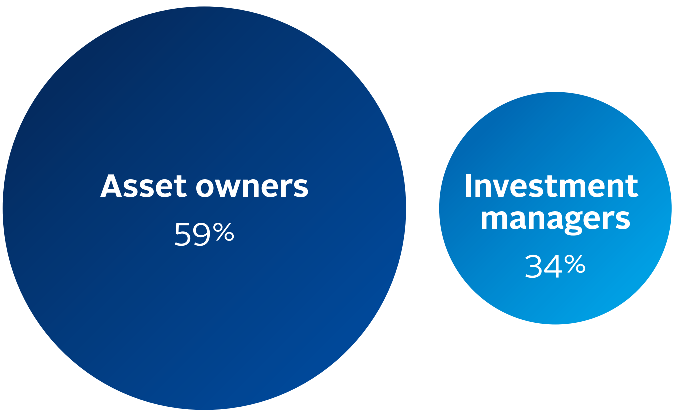
INVESTORS GLOBALLY ARE CONTINUING TO PROGRESS THEIR RI PRACTICES

- From 2021 to 2023, signatories' RI policies became more comprehensive (see p.15).
- Over that period, the proportion not identifying climate-related risks and opportunities fell from 20% to 16% (see p.32).
- The percentage identifying sustainability outcomes connected to their investment activities rose from 66% to 79% (see p.20).
- While there has been pushback in certain markets against some RI practices, such as collaborative engagement, this has not stopped overall advancement.

NUMEROUS DATA POINTS SHOW ASSET OWNERS DEMONSTRATING MORE AMBITION AND ACTION ON RI THAN INVESTMENT MANAGERS

- Investment managers are significantly less likely than asset owners to be using scenario analysis to assess the resilience of their investment strategies under specified climate scenarios (34% vs 59%) (see p.33).
- Collaborative engagement is prioritised by a higher proportion of asset owners than managers (see p.18).
- A higher proportion of asset owners are using the Paris Agreement to identify sustainability outcomes (see p.20).
- A greater percentage of asset owners provide regular reporting on human rights, climate change, stewardship activity and other RI aspects (see p.17).
- When considering these data points, it is important to bear in mind the differences in organisational structure and objectives that exist between and within different categories of investment organisations.

Figure 1: Percentage of signatories assessing the resilience of their investment strategies in different climate scenarios



Source: Indicator PGS 43 (2023). Denominators: 531 (asset owners), 2,328 (investment managers). Indicator PGS 43 requires the assessment to involve at least one scenario in which future temperature rise is kept within two degrees Celsius of pre-industrialised levels.

ASSET OWNERS' ASSESSMENTS OF EXTERNAL INVESTMENT MANAGERS HAVE BECOME MORE COMPREHENSIVE, BUT SOME AREAS LAG

- The vast majority of asset owners are reviewing how their current and potential external managers incorporate material ESG factors within the investment process (see p.24).
- Higher numbers of allocators are including RI requirements in contracts (see p.25).
- It remains the case that asset owners are doing less thorough assessments of managers of passive strategies (see p.26).
- The monitoring of managers' specific stewardship activities, such as their proxy voting records, remains limited (see p.25).
- Compared to 2021, a higher percentage of asset owners are engaging with managers and following an escalation process when concerns surface regarding managers' RI practices (see p.27).

ACTION ON SUSTAINABILITY OUTCOMES IS ON THE RISE. QUESTIONS AROUND HOW TO MEASURE AND MANAGE SUCH OUTCOMES ARE GAINING MORE ATTENTION

- There has been an increase since 2021 in the proportion of PRI signatories identifying and acting on sustainability outcomes (see p.20).
- United Nations goals and frameworks are the focal point for investor action on sustainability outcomes (see p.20).
- A significant number of signatories now manage and / or allocate to investment strategies with sustainability outcomes goals.

INVESTORS GLOBALLY ARE RECOGNISING THE URGENCY OF ADDRESSING CLIMATE CHANGE, AND NET-ZERO PLEDGES ARE INCREASING, BUT SOPHISTICATION OF APPROACHES VARIES SIGNIFICANTLY

- At one end of the spectrum, hundreds of PRI signatories have committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 or sooner and are doing in-depth work to achieve these objectives. At the other, there is a subset of signatories that are not taking the steps of identifying climate-related risks and opportunities connected to their investments (see p.32).

BIODIVERSITY IS RISING UP THE AGENDA FOR INVESTORS

- The proportion of signatories that has outlined near-term steps to protect nature and biodiversity in their PRI senior leadership statements has increased around fourfold since 2021 (see p.13).
- The adoption of the Kunming-Montreal Global Biodiversity Framework and the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations are catalysing investor action in this area.

HUMAN RIGHTS ARE INCREASINGLY IN FOCUS, BUT IMPLEMENTATION OF THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS (UNGPS) REMAINS LIMITED

- The proportion of signatories that include guidelines on social issues in their RI policies has increased from 54% in 2021 to 63% in 2023 (see p.15).
- Only a small minority has fully implemented the UNGPs (see p.36).

Figure 2: Percentage of signatories taking action on the UNGPs

Source: indicators PGS 3, 47.1, 50 (2023). Denominator: 2,859

LEVELS OF ESG INTEGRATION ARE HIGH ACROSS A WIDE SPECTRUM OF ASSET CLASSES

- The vast majority of PRI signatories are integrating ESG factors into their investment analysis and decision-making. This is true for investors in both publicly and privately traded assets (see p.28 and 30).
- Even in some asset classes where levels of ESG integration have tended to lag, such as sovereign debt, a significant majority of investors are now taking steps to integrate ESG factors (see p.28).

NORTH AMERICAN SIGNATORIES CONTINUE TO ADVANCE IN KEY AREAS BUT GENERALLY MAKE FEWER PUBLIC DISCLOSURES ON RI THAN THOSE BASED IN EUROPE, OCEANIA, AND ASIA

- North American signatories have progressed on a number of metrics over recent reporting cycles. For example, the percentage identifying sustainability outcomes increased from 58% in 2021 to 71% in 2023.
- The proportion of North American signatories that have RI policies is in line with that of other regions. However, 16% have not made their RI policies publicly available, which is notably higher than for regions such as Oceania and Europe (see p.16).
- Fewer North American investors are reporting on their RI activity for the majority of their AUM relative to peers from other regions (see p.17).

RESOURCE CONSTRAINTS ARE A SIGNIFICANT BARRIER TO RI

- Resource-intensive RI practices are much more prevalent among investors in larger AUM brackets.
- The proportion of investors using scenario analysis is five times higher in the US$250bn+ AUM bracket than it is for investors with US$0-0.99bn in AUM (see p.33).
- Larger investors are also notably more likely to be engaging directly with policy makers (see p.19).
- Resource constraints partially explain why larger managers are significantly more likely than smaller ones to undertake these kinds of RI practices; although it is also the case that larger investors tend to be subject to more regulatory requirements.

ABOUT THIS REPORT

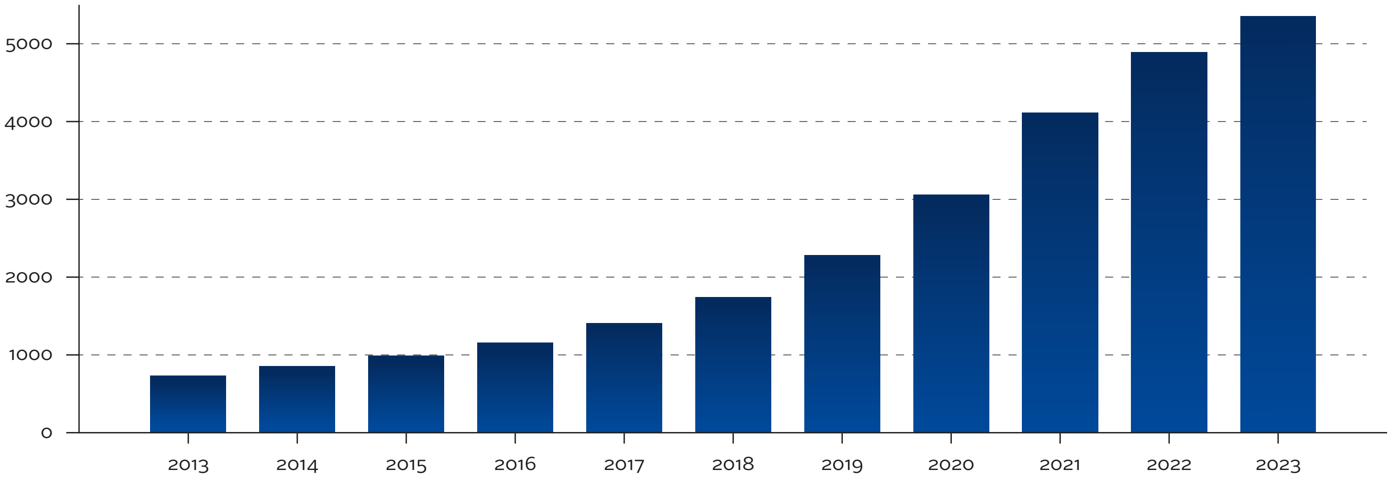
- This publication analyses data submitted by signatories through the PRI's Investor Reporting Framework to determine RI trends. Read more about the reporting process on our reporting and assessment page.
- This report analyses responses from signatories that participated in the 2023 PRI reporting cycle and opted to make their disclosures public. See the methodology section for more details on the dataset and how it was analysed.
- The report is the latest in a series of analyses of PRI reporting data. It builds upon findings in 'Inside PRI Data: Investment manager practices' (published March 2023), 'Sustainability outcomes: What does our reporting data reveal about emerging signatory practices' (published November 2022) and 'Inside PRI Data: Asset owner action' (published July 2022).
- Definitions of terms used in this report can be found in the PRI Reporting Framework Glossary. Links to the glossary are embedded in relevant sections.
- The consultancies Aon and Baringa supported with the analysis and interpretation of the reporting data.
- All data used in this report is proprietary and is derived from our reporting data or signatory directory, unless the source states otherwise.
- Feedback or questions regarding the report can be sent to guidance@unpri.org

1 Responses from a small number of signatories (<20) were not included in the analysis due to these signatories being granted individual reporting extensions. Responses from seven signatories participating in the PRI's Equivalency Proof of Concept Working Group for Stewardship were not included in the analysis to ensure consistency of the nature of the information provided across the signatory base. Reporting from these signatories is available within the PRI Data Portal

PRI SIGNATORY BASE OVERVIEW

- This section details the distribution of PRI signatories based on geography, assets under management and investor category.
- There are over 5,000 PRI signatories and this number continues to grow.
- PRI signatories are a diverse group. It is important to consider the different organisation types, sizes and geographies represented in the signatory base when assessing the range of practices detailed in this report.

Figure 3: PRI signatory numbers



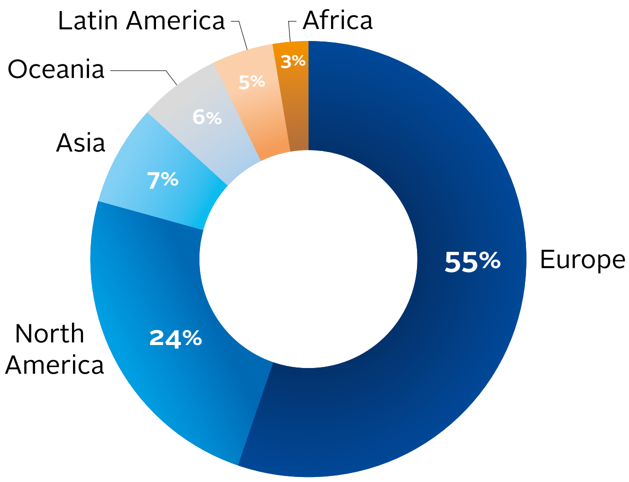
Source: PRI Signatory Directory (2023)

Not all signatories reported in 2023, as investors are not required to report during their first year after becoming signatories and there was no reporting for service provider signatories.

Of the 2,859 signatories whose reporting is included in this analysis, the majority are headquartered in Europe (55%), followed by North America (24%), Asia (7%), Oceania (6%), Latin America (5%) and Africa (3%).

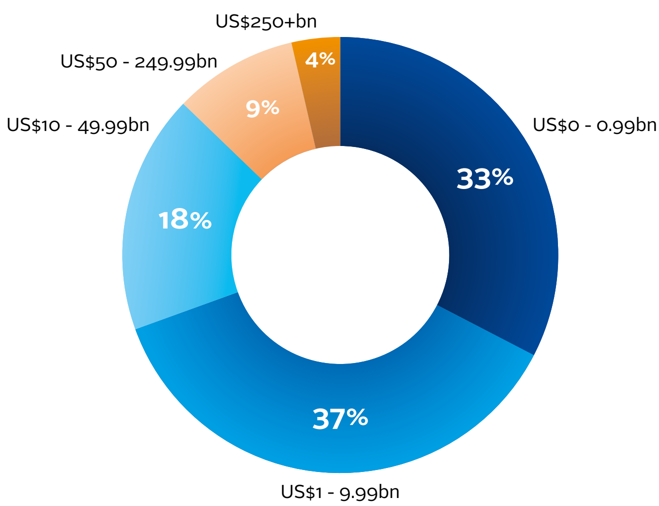
Approximately two thirds of signatories whose data was analysed for this report have US$10bn or less in assets under management (AUM).

Figure 4: Signatories by region



Source: PRI Signatory Directory (2023). Denominator: 2,859

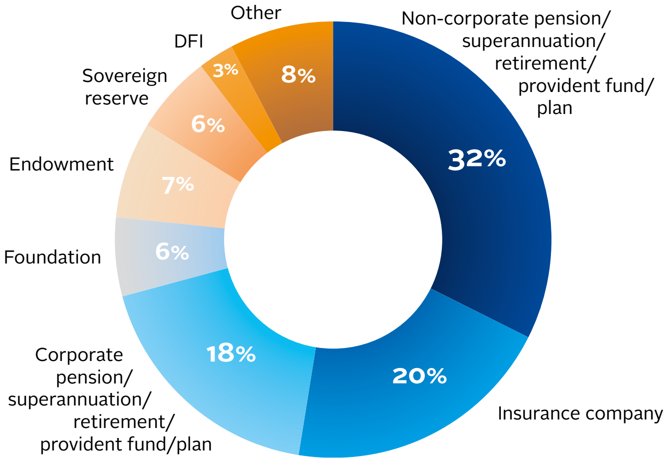
Figure 5: Signatories by AUM



Source: PRI Signatory Directory (2023). Denominator: 2,859

The majority of signatories are investment managers (81%). Retirement plans and equivalents make up half of the total asset owner signatories, while 20% are insurers.

Figure 6: Asset owners by type



Source: PRI Signatory Directory (2023). Denominator: 531

EXPLORE THE SIGNATORY DIRECTORY

SENIOR LEADERSHIP COMMITMENTS AND PRIORITIES

- This section analyses themes from signatories' senior leadership statements which set out their high-level approach to RI.
- Climate change remains the priority ESG issue for investors, with specific references to net zero commitments increasing.
- RI priorities vary by region, with diversity, equity and inclusion featuring higher on the agenda for investors based in North America.
- Regulation has been a key driver of recent action on RI, particularly for Europe-headquartered signatories.
- Biodiversity loss is a focus area for a growing number of investors.

PRI signatories are required to provide senior leadership statements as part of their reporting. These statements set out RI beliefs and priorities. The content of the statements needs to be endorsed by a senior executive to demonstrate high-level commitment to RI within the organisation.

We have analysed the responses of the signatories who reported publicly in 2023 to identify common themes in their statements.

MOTIVATIONS

The table below (figure seven) sets out the most frequently mentioned two-word phrases in investors' motivations for their RI approach.

Many of the issues, practices and objectives that were widely referenced in 2021 appeared in an even higher proportion of signatories' senior leadership statements in 2023, pointing to RI terminology becoming more standardised and a convergence toward common priorities.

References to achieving net-zero greenhouse gas emissions by 2050 or sooner increased: 12% referred to net zero in their 2023 senior leadership statements, up from around 2% in 2021.

Figure 7: Terms used most by investors in their senior leadership statements

2021			2023		
Ranking	Term	% of investors referencing term	Ranking	Term	% of investors referencing term
1	Long term	20%	1	Climate change	23% ↑
2	Risk opportunity	17%	2	Risk opportunity	21% ↑
3	Climate change	16%	3	Long term	19%
4	Due diligence	14%	4	Positive impact	16% ↑
5	Positive impact	12%	5	Due diligence	15% ↑
6	Value creation	12%	6	Value creation	14% ↑
7	Risk management	11%	7	Long-term value	12% ↑
8	Long-term value	10%	8	Risk management	12% ↑
9	Real estate	8%	9	Net zero	12% ↑

The ↑ symbol = an increase in the % of investors referring to a term since the 2021 reporting cycle

Two-word phrases or two hyphenated compound word phrases used most by investors in their senior leadership statements. See the methodology section for information on how the free-text responses were analysed. Source: SLS1 (2021, 2023). Denominators: 2,859 (2023), 2,326 (2021)

Looking at the multi-word phrases that appear most frequently in the 'motivations' section of senior leadership statements, we see the significance of **United Nations standards, initiatives and goals in shaping the RI agenda.**

The word cloud below highlights responsible investors' focus on the [Sustainable Development Goals]() and the [UN Global Compact](). The more times a phrase is mentioned, the larger it appears in the word cloud.

Figure 8: Phrases of three words or more that appear most frequently in the 'motivations' section of senior leadership statements

Source: indicator SLS 1 (2023)

NEAR-TERM PROGRESS AND PRIORITIES

In the second and third sections of their senior leadership statements, signatories must outline recent areas of progress and near-term steps they plan to take to advance their commitment to RI.

The data highlights regional differences in investors' focus:

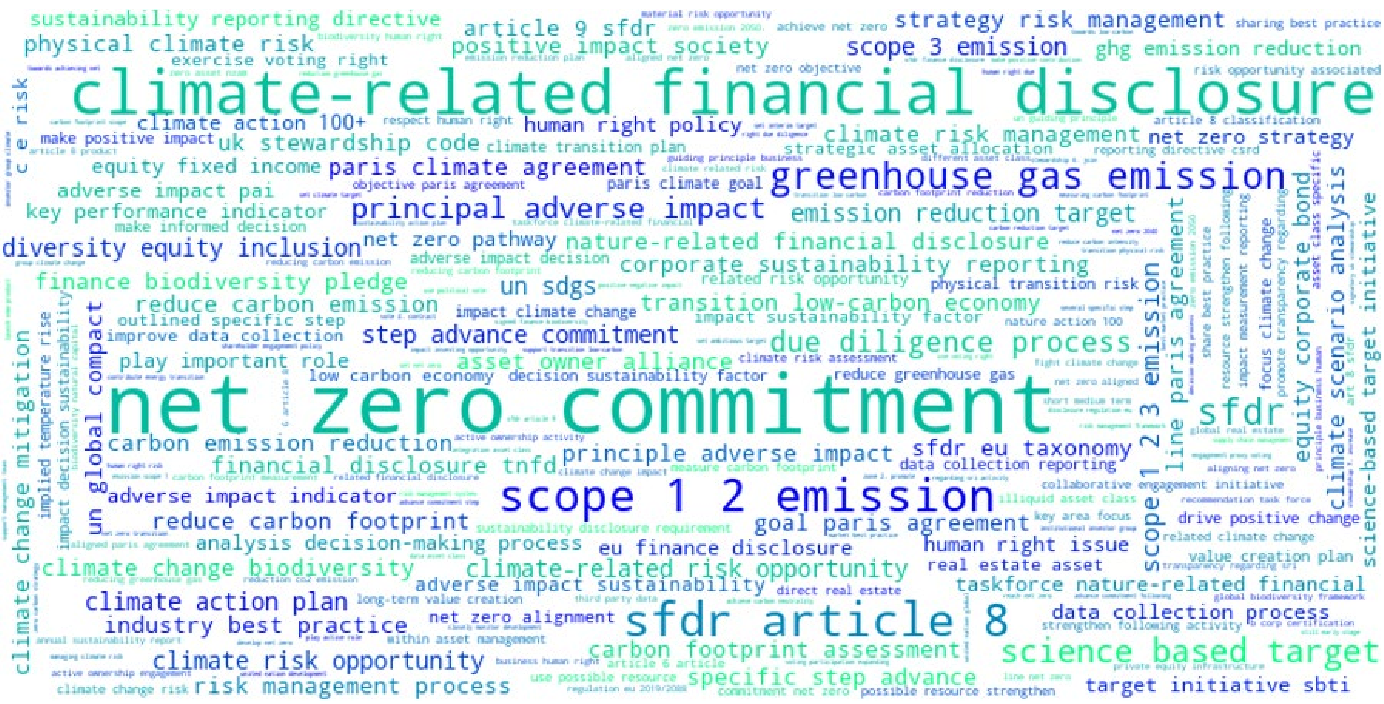
- References to regulation were particularly common among Europe-headquartered signatories, with 'Article 8', 'EU Taxonomy', and 'adverse impacts' all featuring relatively prominently.
- Diversity, equity, and inclusion was referenced more frequently by signatories based in North America.
- Tackling modern slavery is a prominent issue for signatories based in Oceania.

Differing regional priorities are reflected in the word clouds below.

Figure 9: Phrases of three words or more that appear most frequently in the future priorities section of North American signatories' senior leadership statements

Source: indicator SLS 1 (2023)

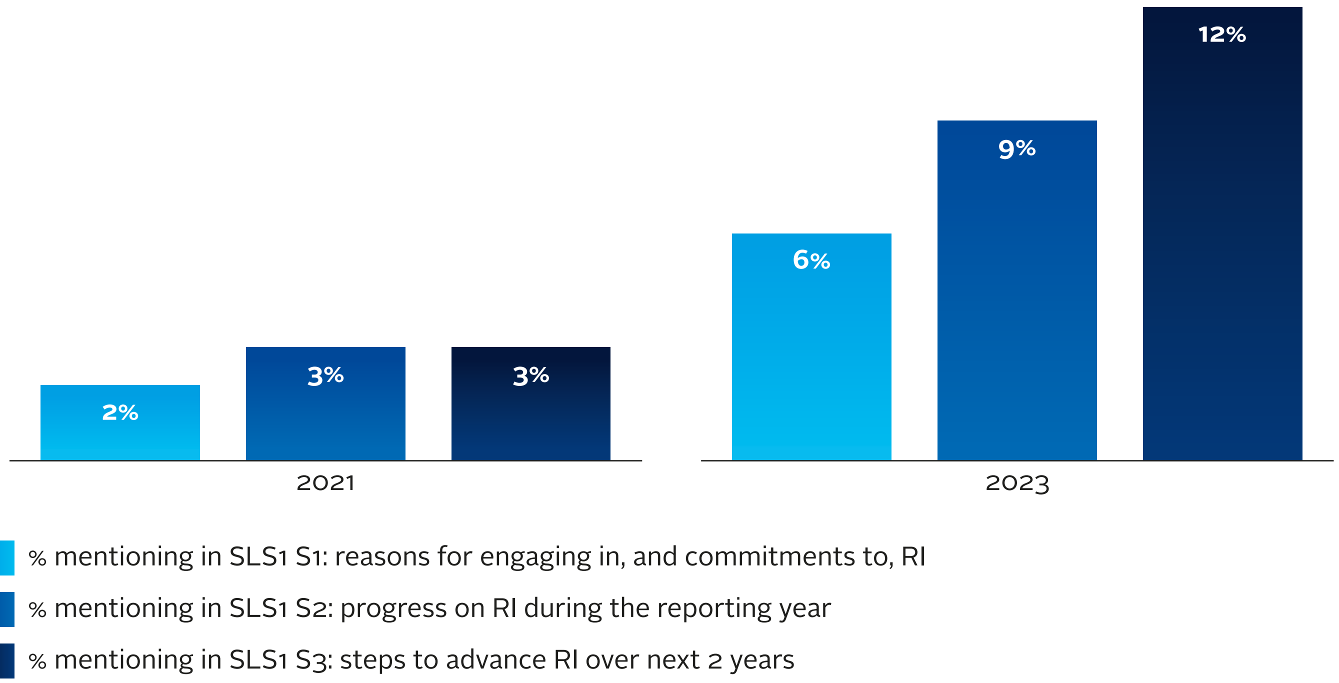
Figure 10: Phrases of three words or more that appear most frequently in the future priorities section of European signatories' senior leadership statements



Source: indicator SLS 1 (2023)

Biodiversity was relatively frequently mentioned as a priority for the next two years. During the 2023 reporting cycle, around 12% of signatories flagged this as a focus area, up from 3% in 2021. The increase in investor attention on nature comes in the wake of the agreement of the Kunming-Montreal Global Biodiversity Framework and the publication of the TNFD Recommendations.

Figure 11: Percentage of signatories mentioning 'biodiversity' in their senior leadership statements



Source: SLS 1 (sections 1-3). Denominators: 2,859 (2023), 2,326 (2021)

Figure 12: Examples of investors' recent actions and near-term priorities relating to biodiversity set out in their senior leadership statements	
Agroempresa Forestal, investment manager, Uruguay, US$0-0.99bn AUM	"In biodiversity and ecosystem conservation introduce eight monitoring and follow-up programs, including four threatened plant species and four priority bird species, according to the SNAP [Science for Nature and People partnership] criteria, to measure the impact that the development of the [funds'] projects have had on the stability or growth of the populations of these species."
AP2, pension, Sweden, US$10-49.99bn AUM	▪ "Contribute to a net positive impact on nature by 2030." ▪ "A portfolio that does not contribute to deforestation by 2025."
Boston Common Asset Management, investment manager, US, US$1-9.99bn AUM	"We attended the UN Biodiversity Conference (COP15), where we supported public policy engagement for ambitious outcomes on nature-related mandatory disclosure and global target-setting. We have subscribed to an external biodiversity assessment tool and begun to engage companies on overall biodiversity risks and impacts."
Cardano, investment manager, UK, US$50-249.99bn AUM	"Our initial focus will be on companies contributing to biodiversity loss through deforestation, climate change and water pollution and overexploitation in the following sectors: food and staples retailing; food, beverages and tobacco; oil, gas and consumable fuels, utilities and chemicals. We will further elaborate our ongoing engagement programme where we use satellite data to prevent deforestation. We shall also initiate a next phase in the programme in which we test bio-accoustics to measure changes in biodiversity levels. In addition, we will be part of several collaborative engagements that focus on several of the drivers of biodiversity loss."
Storebrand ASA, asset owner, Norway, US$50-249.99bn AUM	"We recognize our role to protect nature and tackle biodiversity loss and have therefore strengthened our commitment to nature in 2022 by launching the Storebrand Nature Policy during Q4. This policy brings an emphasis on the precautionary approach when making investment decisions and clarifies our expectations of investees in this area. Four companies have now been excluded following the implementation of the new policy. It also extends Storebrand's existing deforestation commitment by including more commodities."
To read the senior leadership statements in full, visit the PRI Data Portal	

Source: SLS 1 (2023)

Additional resources

YEAR	ORGANISATION	PUBLICATION TYPE	LINK
2024	PRI	Reporting guidance	Senior leadership statement module
2023	PRI	Introductory guide	What is responsible investment?
2023	PRI, CFA, GSIA	Technical guidance	Definitions for responsible investment approaches
2023	UNEP FI, PRI, Finance for Biodiversity Foundation	Discussion paper	What the Kunming-Montreal Global Biodiversity Framework means for responsible investors
2022	PRI	Discussion paper	Diversity, equity & inclusion: Key action areas for investors
2021	PRI, UNEP FI, the Generation Foundation, Freshfields Bruckhaus Deringer	Thought leadership	A Legal Framework for Impact
2019	PRI	Thought leadership	Fiduciary duty in the 21st century final report

POLICIES, GOVERNANCE AND STRATEGY

- This section covers investors' RI policies and disclosures; stewardship activities; and approach to sustainability outcomes.
- The level of detail in, and coverage of, RI policies is increasing, yet the regular disclosure of RI-related information remains patchy.
- The percentage of signatories with policies covering specific issues and practices is higher than the number that make disclosures to clients / beneficiaries on the topics covered in the policies.
- A greater percentage of asset owners than investment managers are prioritising collaborative stewardship.
- The number of investors identifying sustainability outcomes is increasing, as is the number taking action to address them.

POLICIES AND DISCLOSURES

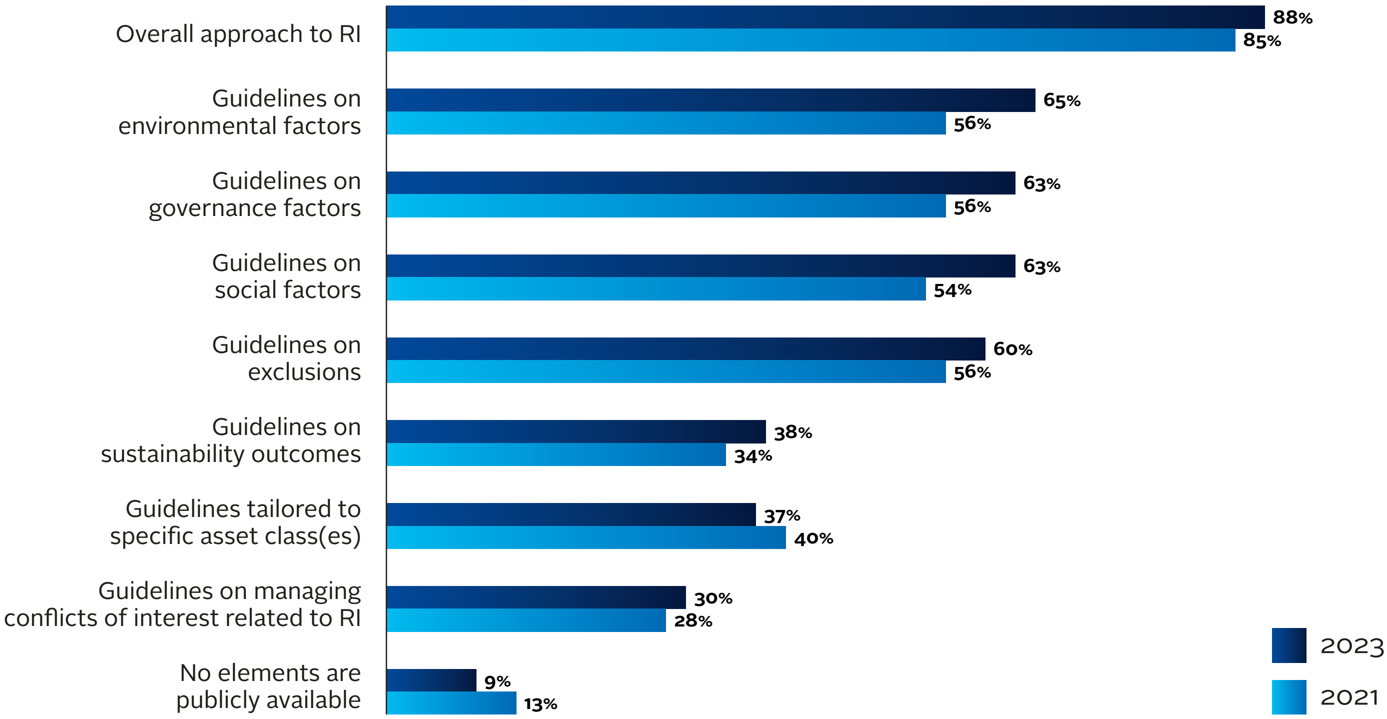
Having an RI policy is a minimum requirement for PRI signatories. It is therefore to be expected that the vast majority (>99%) of signatories have such policies in place.[2]

A significant majority (>90%) of investor signatories choose to make their RI policies publicly available, which is encouraging, as transparency fosters accountability.

There has also been an increase in the specific RI policy elements that are being made publicly available, partly due to action by investors in the smaller AUM brackets. In 2021, 27% of investors with less than US$1bn in AUM made no element of their RI policies publicly available. By 2023, the figure had fallen to 15%.

RI policies are evolving to cover more areas. In 2023, a higher percentage of signatories' RI policies contained guidelines on specific ESG factors, conflicts of interest, sustainability outcomes and investment exclusions than in the prior reporting period.[3]

Figure 13: Signatories' publicly available RI policy elements



Source: indicators PGS 3 (2023), ISP 2 (2021). Denominators: 2,859 (2023), 2,326 (2021)

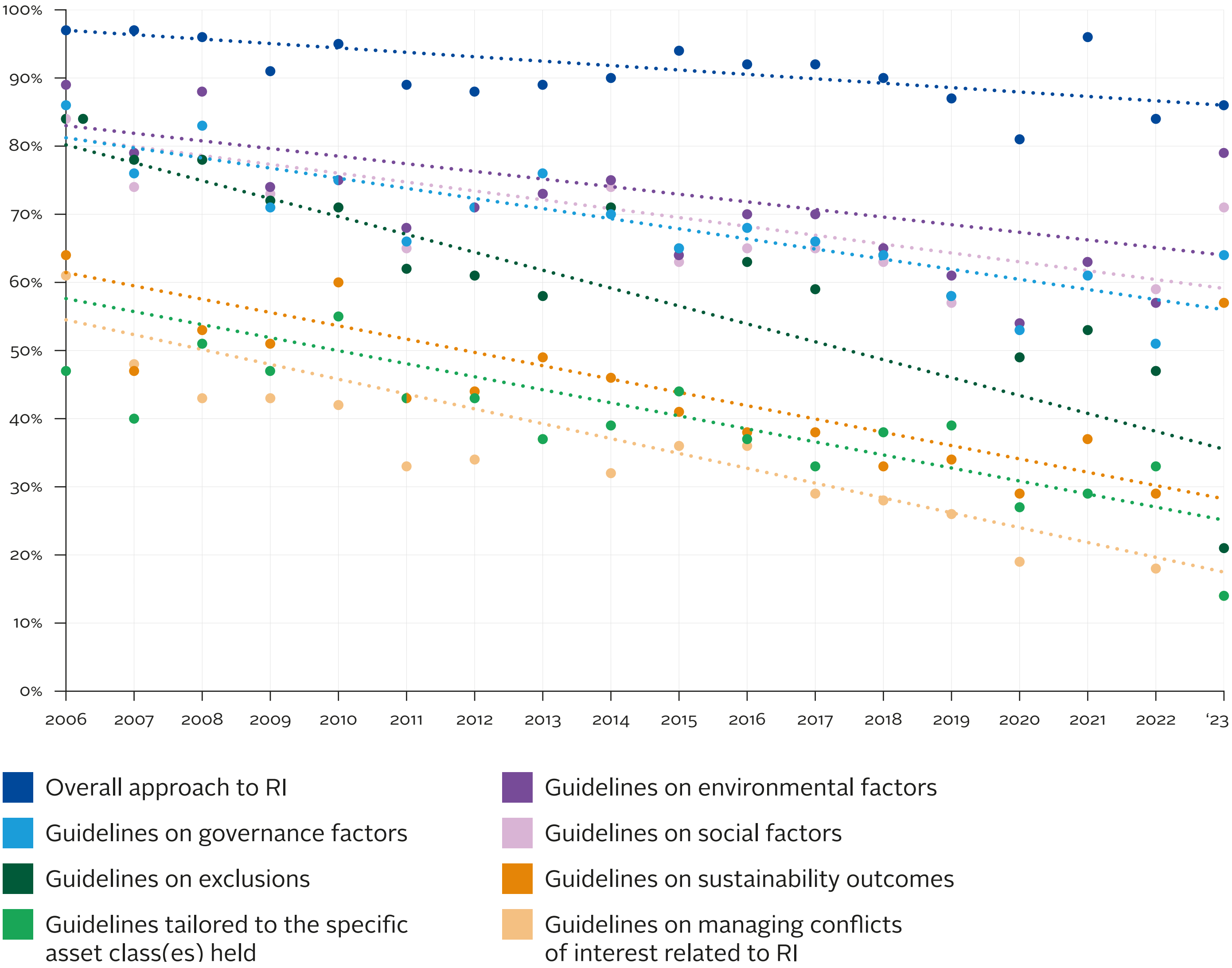
2 Source: indicator PGS 1 (2023)

3 Source: indicators PGS 3 (2023), ISP 2 (2021)

The publicly available **RI policies** of investor **signatories headquartered in North America cover fewer RI practices and contain fewer guidelines on ESG issues on average** than those of signatories based in Europe, Asia and Oceania. For example, around 54% of North American signatories have publicly available guidelines on environmental factors, compared to 63% in Asia, 71% in Europe, and 76% in Oceania.

The **longer an investor** has been a **PRI signatory**, the **likelier** they are, on average, to have **comprehensive RI policies**.

Figure 14: Percentage of signatories from each annual cohort that include the elements / guidelines specified below in their publicly available RI policies

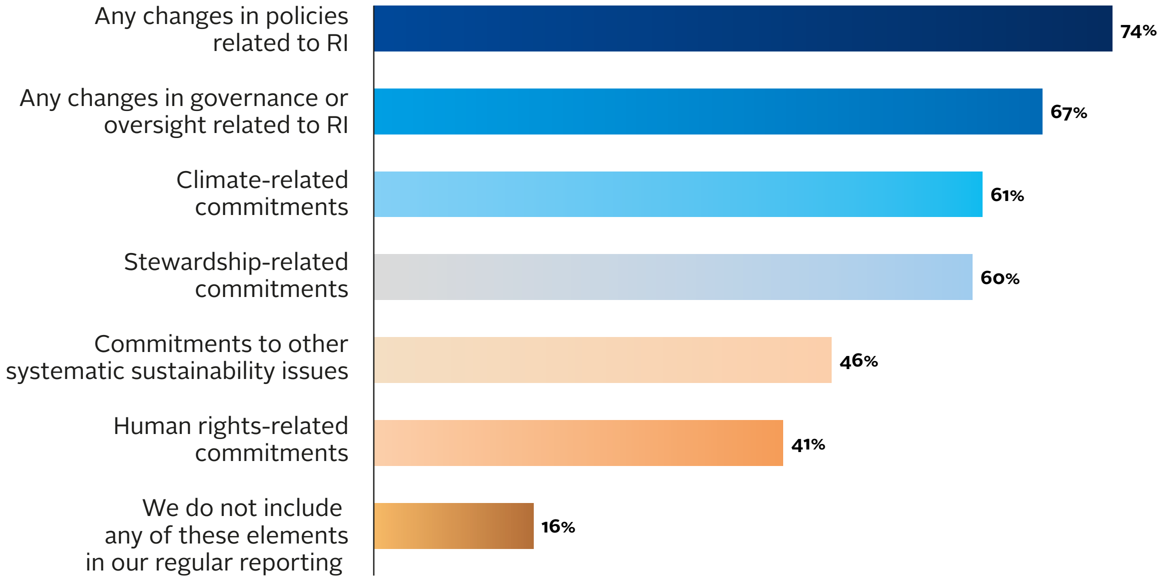


Source: indicator PGS 3 (2023)

A significant majority of investor signatories **make RI disclosures** for the **majority of their AUM**. However, a **notable minority** (16%) **do not report** on climate commitments, human rights commitments, stewardship commitments or on any changes in RI governance and policies in relation to the majority of their AUM.

Investors' RI policies tend to **cover more** areas **than** their **disclosures**. For example, around 80% of signatories have policies and guidelines on stewardship, but only 60% provide regular reporting to their clients / beneficiaries on their stewardship-related commitments.[4]

Figure 15: Percentage of signatories that include the RI elements specified below in regular reporting to clients and / or beneficiaries



Source: indicator PGS 16 (2023). The data displayed covers the majority of investors' AUM. Denominator: 2,859

Asset owners' regular reporting on RI for the majority of their AUM is **generally more comprehensive** than investment managers'. For example, 73% of asset owners report on their climate-related commitments for the majority of AUM compared to 58% of investment managers.[5]

Signatories based in North America are less likely than global peers to provide regular reporting to clients / beneficiaries on RI topics. A quarter of investors in this market do not report publicly on any of the RI elements specified in Figure 15 for the majority of their AUM.

4 Source: indicators PGS 3, PGS 16 (2023)

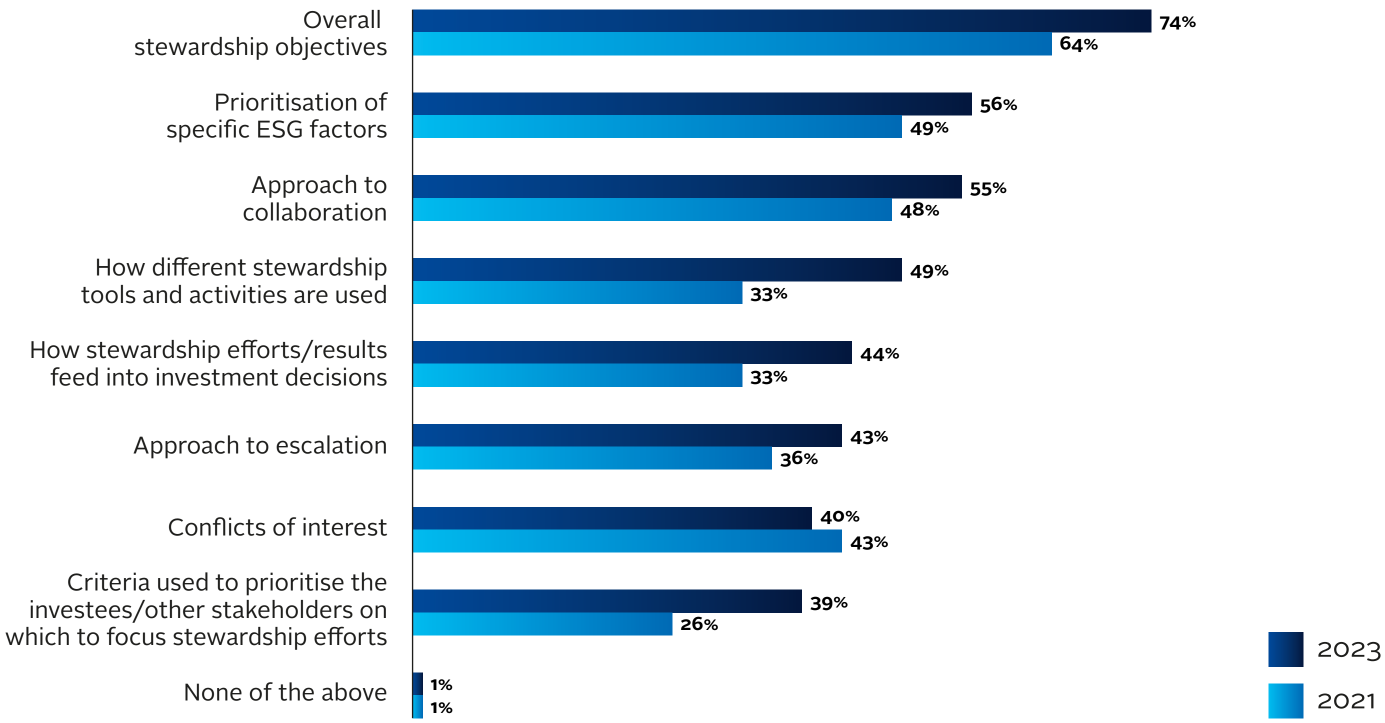
5 Source: indicator PGS 16 (2023)

STEWARDSHIP

Stewardship is a key means by which investors can achieve their RI objectives. As with broader RI policies, there is a trend for **stewardship policies** to **evolve to cover more areas over time**.

Collaborative stewardship involves investors, and in some cases also their service providers, working together to enhance their effectiveness in pursuing their stewardship objectives. This type of **collaboration is prioritised** by a higher proportion of **asset owners** (53%) than investment managers (25%).[6]

Figure 16: Percentage of signatories that include the elements specified below in their stewardship policies



Source: PGS 5 (2023), ISP 12 (2021). Denominators: 2,859 (2023), 2,326 (2021)

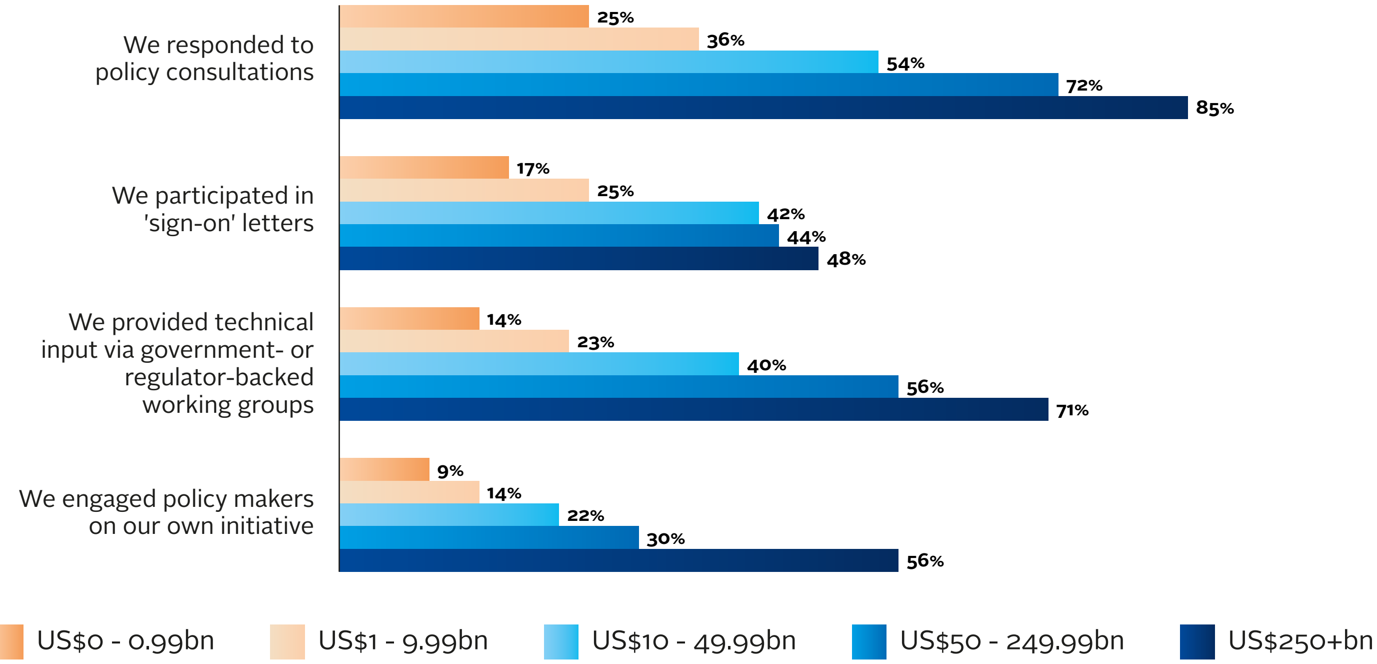
6 Source: indicator PGS 24 (2023)

Investors can also engage with policy makers to achieve their stewardship objectives. The majority of PRI signatories actively participate in engagements with policy makers in relation to RI.

The **most common method** for **engaging with policy makers** is **responding to policy consultations**, with 41% taking this action. Twenty-eight percent participated in 'sign-on' (joint) letters and the same percentage provided technical input via government or regulator-backed working groups.

Investors in the higher AUM brackets are **more likely to engage with policy makers**, and they are also notably more likely to be undertaking the most resource-intensive types of activity, such as direct engagement.

Figure 17: Percentage of signatories that use the methods specified below to engage with policy makers on RI



Source: indicator PGS 39.1 (2023). Denominators: 932 (US$0-0.99bn), 1,054 (US$1-9.99bn), 507 (US$10-49.99bn), 263 (US$50-249.99bn), 103 (US$250+bn)

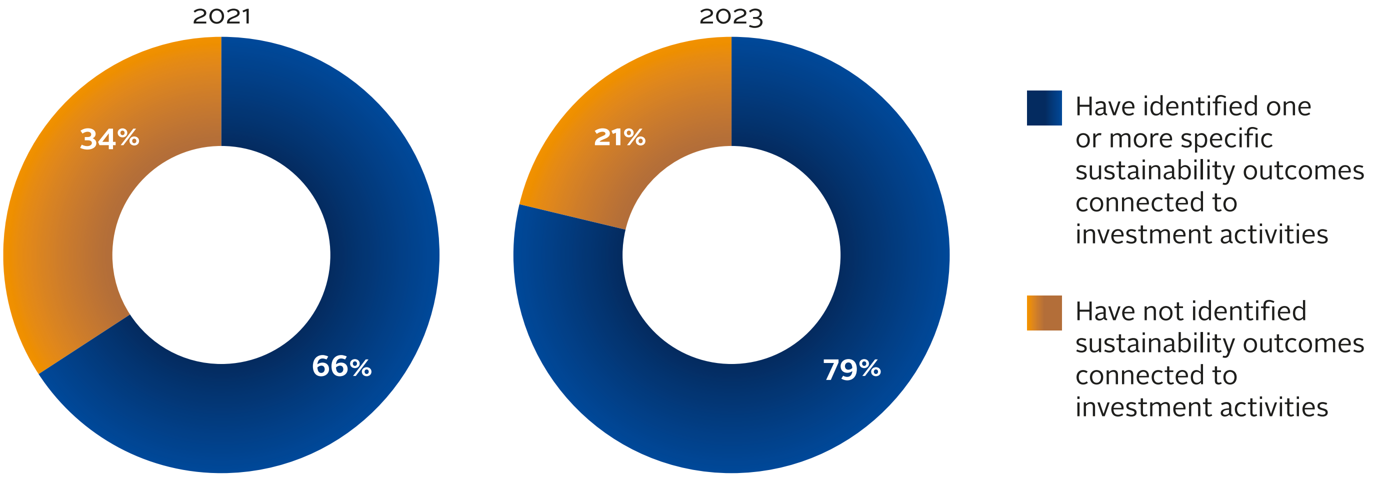
A slightly higher proportion of asset owners than investment managers are actively engaging with policy makers on RI. However, investment managers are more likely than asset owners to be engaging using means others than those specified in Figure 17.[7]

7 Source: indicator PGS 39.1 (2023)

TAKING ACTION ON SUSTAINABILITY OUTCOMES

Investment and stewardship decisions result in sustainability outcomes. **A significant majority** of signatories are **identifying the sustainability outcomes** connected to their investment activities (79%), up from 66% in 2021.[8]

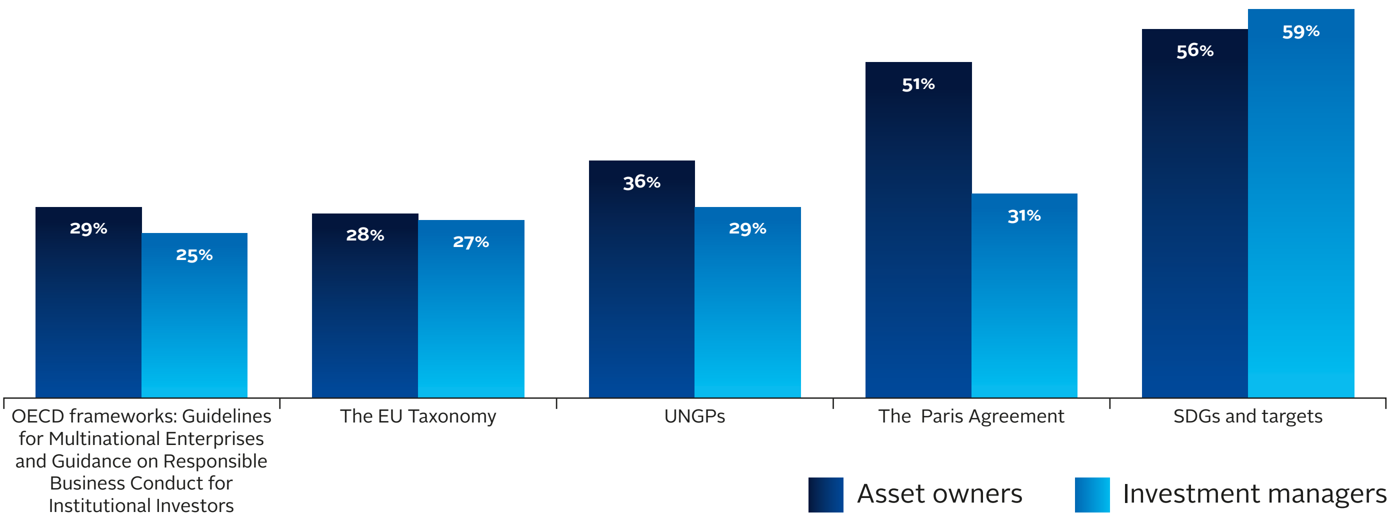
Figure 18: Percentage of signatories identifying sustainability outcomes



Source: indicators PGS 47 (2023), ISP 43 (2021). Denominators: 2,859 (2023), 2,326 (2021)

The SDGs are the most widely used framework for identifying sustainability outcomes, followed by the Paris Agreement. There is a notable gap in the percentage of asset owners and investment managers using the Paris Agreement to identify outcomes, with 51% of asset owners taking this action compared to 31% of managers.[9]

Figure 19: Percentage of signatories using the frameworks specified below to identify sustainability outcomes



Source: indicator PGS 47.1 (2023). Denominator: 2,859

Around 69% of signatories reported **taking specific action on sustainability outcomes**.[10]

8 Source: indicators PGS 47 (2023), ISP 43 (2021)

9 Source: indicator PGS 47.1 (2023)

10 Source: indicator PGS 48 (2023)

The **most common reason for acting on sustainability outcomes** is the belief that it is **relevant to financial risk and return** and thus relates to fiduciary duties, followed by a wish to **prepare for, and respond to, regulatory developments**. A noteworthy minority (24%) **believe acting on sustainability outcomes in parallel to financial goals has merit in its own right** – this response was more common among categories of mission-led investors, such as foundations and endowments.[11]

Investors can take action on sustainability outcomes through capital allocation and by conducting stewardship. For those undertaking stewardship with investees, the **most widespread action** is **engagement**, followed by (proxy) voting at shareholder meetings. Only a small minority are filing shareholder resolutions, taking roles on investee boards, or litigating.[12]

Figure 20: Examples of investors' recent actions and near-term priorities relating to sustainability outcomes set out in their senior leadership statements

Allianz SE, insurer, Germany, US$250+bn AUM	"We actively pursue investment opportunities that support solutions to environmental and societal challenges, aligned with the UN SDGs. In 2022, we added a new asset class to our sustainable investments assessment, namely Supranationals e.g., debt investments into Multinational Development Banks."
Amundi, investment manager, France, US$250+bn AUM	"By 2025, reach €20bn of assets under management in impact investment strategies. These strategies will invest in companies and projects targeting a positive environmental or social impact outcome. The impact will be measured and reported annually in line with the recommendations of the Operating Principles for Impact Management."
Eskom Pension and Provident Fund, South Africa, US$10-49.99 bn AUM	"Measuring the impact of responsible investment initiatives is essential for accountability and progress assessment. In 2022/23, by partnering with a specialist company, we enhanced our impact measurement methodologies, allowing us to quantitatively assess the outcomes of our initiatives. This transparency ensures that our stakeholders can track our progress and understand the real-world effects of our responsible investment efforts."
Meiji Yasuda Life, insurer, Japan, US$250bn+ AUM	"As we were able to achieve our ESG financing target one year ahead of schedule, we have raised our ESG investment and financing amount for the period from FY2021 to FY2023 from 500 billion yen to over 800 billion yen, and are actively promoting it towards achieving the SDGs. Moreover, we are promoting the advancement of impact finance by conducting research on global trends and case studies, and by enhancing our capabilities to identify impact and create outcomes in-house."
Office of the Illinois State Treasurer, asset owner, US, US$50-249.99bn AUM	"The Office of the Illinois State Treasurer launched a ~US$1.5 billion infrastructure investment fund with an Illinois-impact focus that would enable financial returns, while growing local economies, improving social and economic infrastructure, improving the state's position for the energy transition, and creating high quality jobs."
To read the senior leadership statements in full, visit the PRI Data Portal	

Source: indicator SLS 1 (2023)

11 Source: indicator PGS 48.1 (2023)
12 Source: indicator SO 8 (2023)

Additional resources

YEAR	ORGANISATION	PUBLICATION TYPE	LINK
2024	PRI	Reporting guidance	Policy, Governance and Strategy module
2023	PRI	Technical guide	Developing and updating a responsible investment policy
2022	ICGN, GISD	Investor tool	ICGN-GISD Model Mandate
2022	PRI	Technical guidance	Investor human rights policy commitments: an overview
2021	PRI	Introductory guide	Stewardship
2021	PRI	Thought leadership	Understanding and aligning with beneficiaries' sustainability preferences
2020	PRI	Thought leadership	Investing with SDG outcomes: a five-part framework

BUILDING PORTFOLIOS

- This section looks at how RI considerations factor into the selection, appointment and monitoring of investment managers and how ESG factors are being integrated into investment decisions across public and private markets.
- The data shows that the practice of evaluating external investment managers' RI activities during the selection and monitoring process is widespread, but there are variations between mandates and asset classes.
- The number of allocators incorporating RI aspects into contractual agreements with external managers has risen.
- Asset owners with higher AUM tend to evaluate external managers more comprehensively regarding their RI activities and approach to sustainability issues.
- An increasing number of asset owners are following an escalation process when concerns surface regarding their managers' RI practices.
- The vast majority of investment manager signatories are integrating ESG factors into their investment analysis and decision-making. The proportion integrating ESG factors is similarly high among public and private market investors.
- A growing number of private market investor signatories are taking practical steps to manage ESG risks, opportunities, and outcomes. The majority are developing ESG action plans and tracking ESG KPIs post-investment.

SELECTING, APPOINTING AND MONITORING EXTERNAL INVESTMENT MANAGERS[13]

RI assessment of external managers is evolving to cover more areas. In 2023, a higher percentage of asset owners and investment managers that allocate externally were taking steps to assess the RI approach and performance of external managers than they were during the prior reporting period.

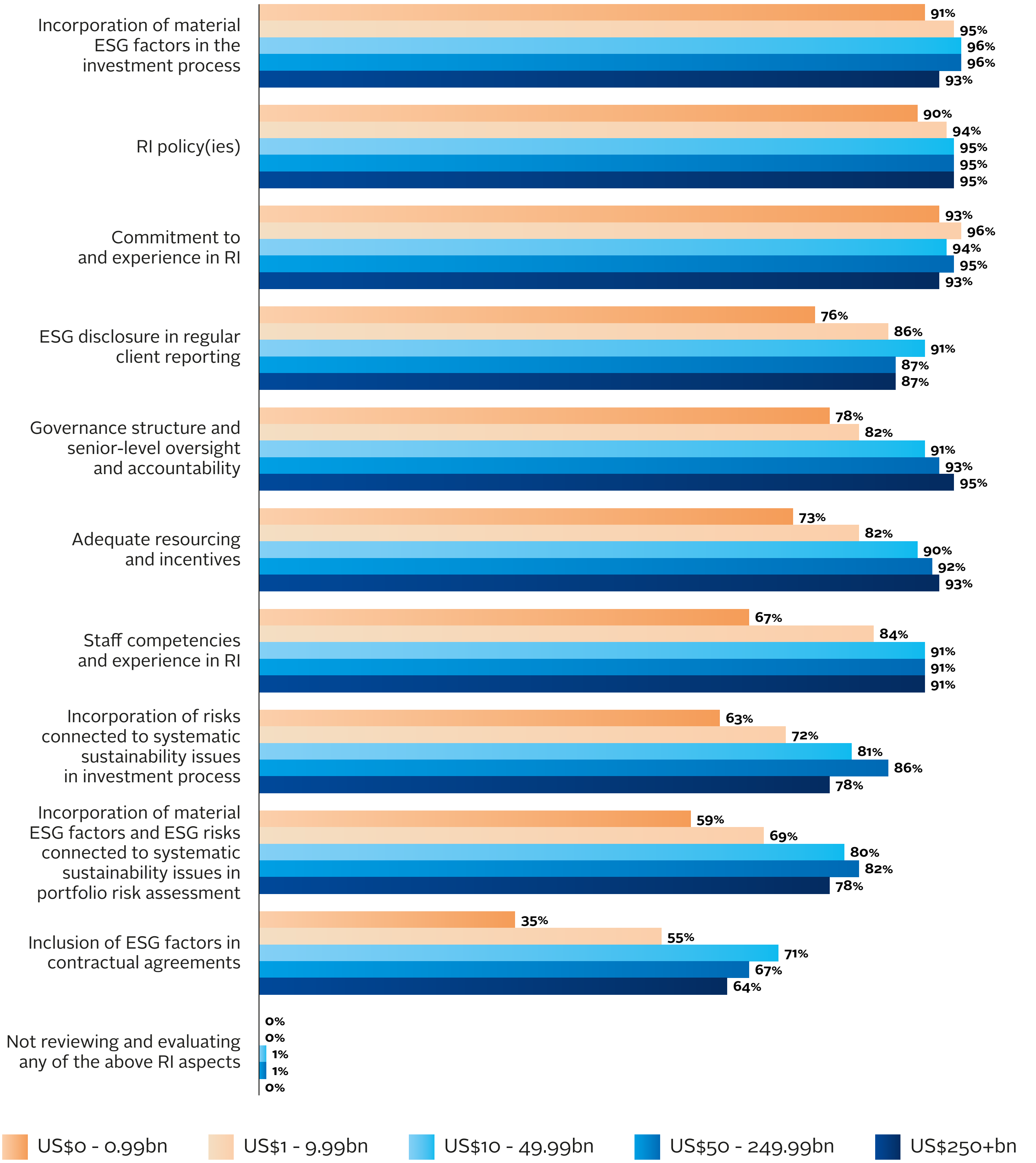
Investors in higher AUM brackets that allocate capital externally **generally assess a wider range of RI aspects** when selecting new managers or allocating new mandates than those with lower AUM.

Certain categories of asset owners generally assess a greater number of RI aspects when selecting managers. Development finance institutions, foundations and sovereign reserves tend to assess the most areas while corporate pension funds and endowments consider the least.[14]

13 This section covers actions undertaken directly by the allocator (asset owner or investment manager allocating capital externally) and the investment consultants / service providers acting on their behalf

14 Source: indicator SAM 5 (2023)

Figure 21: Percentage of signatories that allocate capital externally that review and evaluate the RI aspects specified below when selecting new managers or allocating new mandates



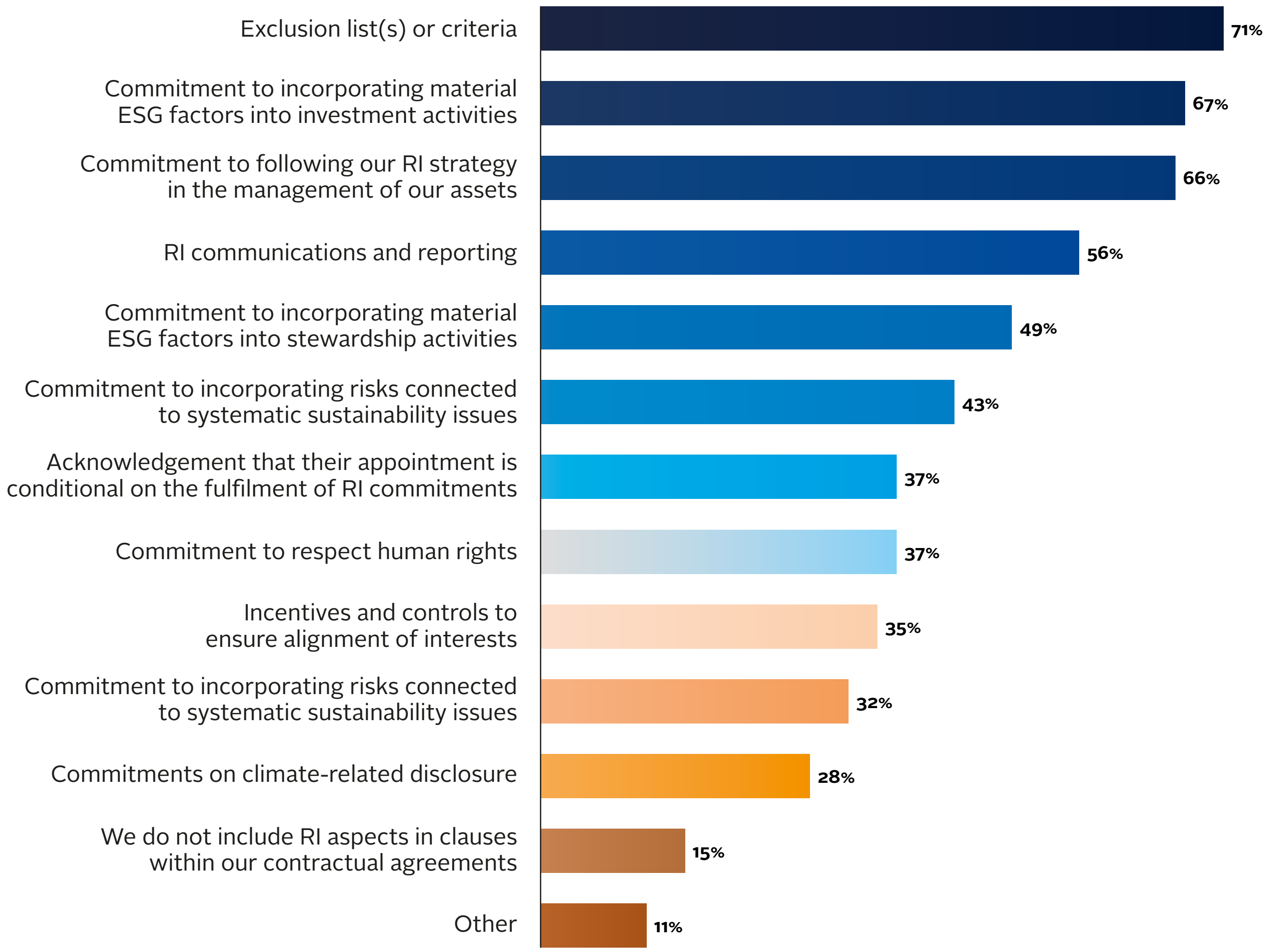
Source: indicator SAM 5 (2023). Denominators: 98 (US$0-0.99bn), 225 (US$1-9.99bn) 172 (US$10-49.99bn) 119 (US$50-249.99bn) 55 (US$250+bn)

When assessing a manager's stewardship practices, allocators most often look at **the alignment of the external manager's policies and guidelines with the mandate** (88% look at this for at least some of their mandates). Other common areas for review include how **stewardship objectives are implemented** (77%), participation in **collaborative engagements** (71%), and details of **engagements connected** to **systematic sustainability issues** (66%). The least undertaken are evaluating the managers' **escalation** process and tools (58%), and **engagement with policy makers** (38%).[15]

Assessments of managers' approaches to **(proxy) voting** generally **remain quite high level**. A majority (76%) of allocators review the **alignment of managers' proxy voting policies and guidelines** with the mandate when making selection decisions, but only a **minority evaluate specific actions taken**. More than a third – 36% – review voting records, while 27% review votes cast connected to systematic sustainability issues and 16% review votes cast involving companies where the manager or an affiliate has potential conflicts of interest.[16]

The prevalence of RI clauses in contractual agreements with external managers **has increased** slightly from 2021 to 2023. Exclusion list(s) or criteria are the most common element to cover in contractual agreements. A minority of allocators are including clauses on specific issues such as human rights and climate change.[17]

Figure 22: Percentage of signatories that allocate capital externally that are incorporating RI aspects into contractual agreements with external managers for segregated mandates



Source: indicator SAM 8 (2023). Respondents answered questions in relation to at least one of their mandates. Denominator: 547

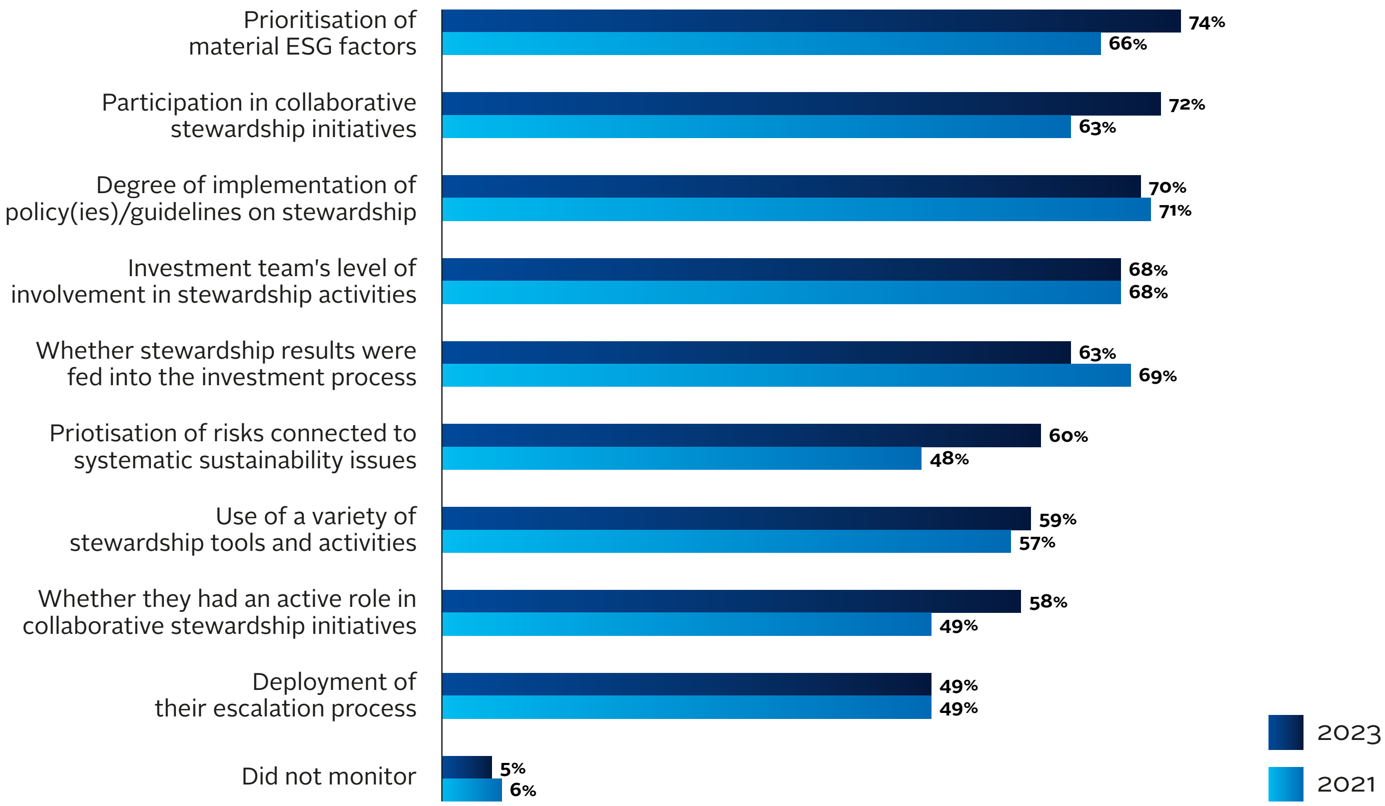
15 Source: indicator SAM 6 (2023)
16 Source: indicator SAM 7 (2023)
17 Source: indicators SAM 8 (2023), SAM 13 (2021)

A **sizeable majority** of asset owners **monitor** their **managers' ongoing performance** on a range of RI criteria. Over two thirds of asset owners monitor their managers' incorporation of material ESG factors in the investment process, their incorporation of risks connected with systematic sustainability issues, the alignment of RI policies with the mandate, and their resourcing and incentives. This is true across all major asset classes.

Asset owners typically monitor managers of passive strategies less comprehensively than their active counterparts.[18]

The **percentage** of asset owners **monitoring specific stewardship practices** has generally **increased** across asset classes from 2021 to 2023. See the listed equity example below.

Figure 23: Percentage of asset owner signatories monitoring external managers' stewardship practices - listed equity (active)

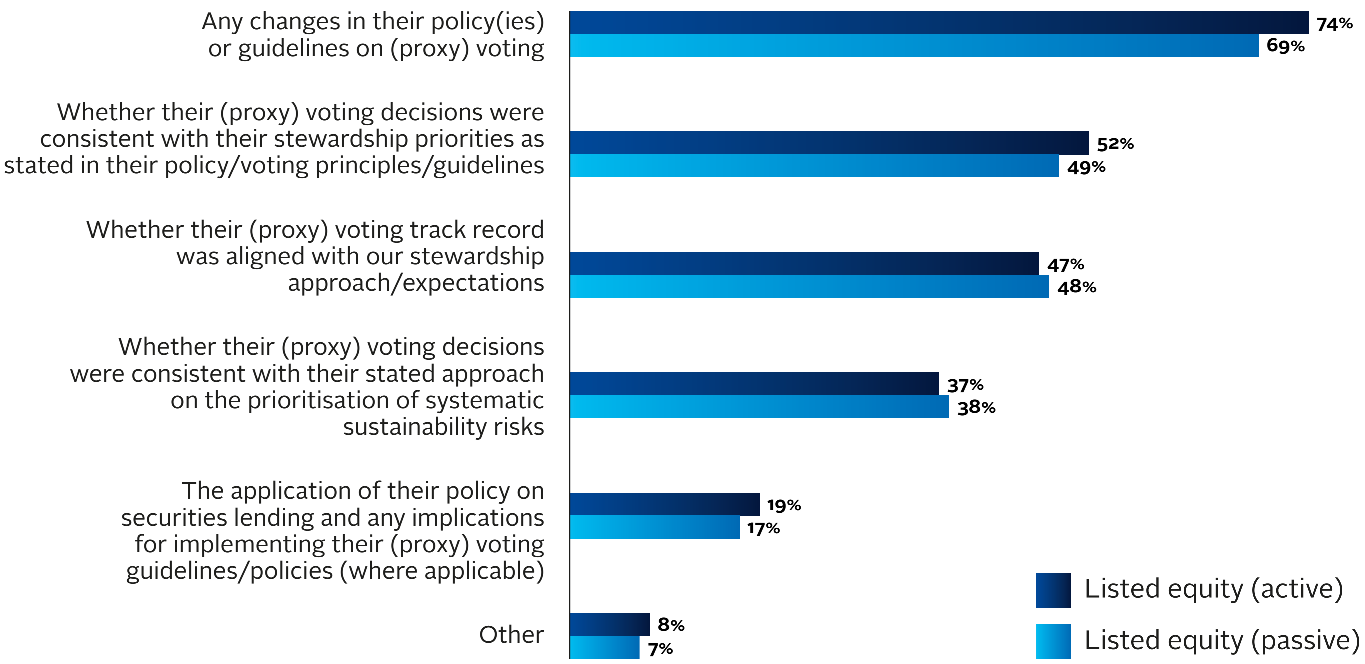


Source: indicators SAM 13 (2023), SAM 17 (2021). Denominators: 262 (2023), 244 (2021)

18 Source: indicator SAM 9 (2023)

The monitoring of (proxy) voting practices of passive equity managers was slightly less comprehensive than that of active equity managers.[19]

Figure 24: Percentage of signatories that allocate capital externally that monitor their managers' proxy voting practices



Source: indicator SAM 14 (2023). Denominator: allocators to active listed equity (345), allocators to passive listed equity (230)

The **actions included** in **formal escalation processes** to address concerns raised during monitoring of **external managers'** RI practices have **increased across asset classes** from 2021 to 2023. **Engaging** with **investment professionals, committees and other representatives** is now included by **the vast majority of asset owners. Reducing capital allocation, placing the manager on a watchlist, and terminating the contract** have also become more prevalent.[20]

REFLECTIONS ON FINDINGS

"When it comes to selecting, appointing, and monitoring investment managers, we have similarly observed that the evaluation of proxy voting approaches is much less prevalent than evaluating broader approaches to stewardship, and there is further work to be done on aligning managers' policies with their voting activities."

Mette Charles, Associate Partner and ESG Research Lead, Aon

"A synergistic, collaborative relationship between asset owners and managers is vital to achieving critical sustainability outcomes. Asset owners must proactively consider managers' commitments and capabilities in the selection process, reflecting commitments explicitly within their investment mandates. Investment managers must adopt consistent, transparent, and outcome-oriented climate engagement strategies, recognising that climate change poses systemic risks to portfolio returns."

Emily Farrimond, ESG and Sustainability Lead, Financial Services, Baringa

19 Source: indicator SAM 14 (2023)
20 Source: indicator SAM 16 (2023)

FIXED INCOME, HEDGE FUNDS AND LISTED EQUITY

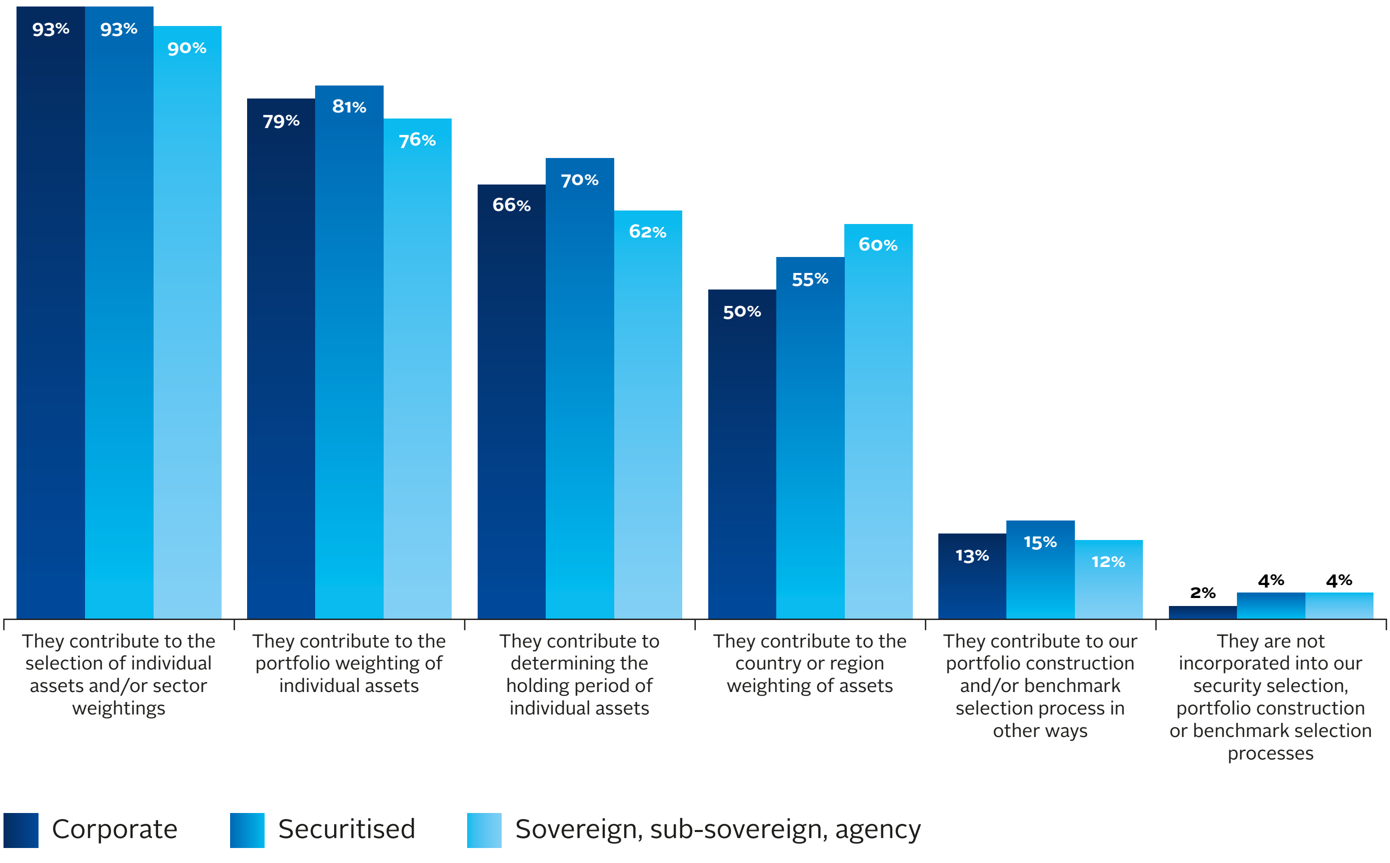
A **large majority** of the PRI's **fixed income, hedge fund and listed equity investor** signatories **incorporate material ESG factors** into their investment processes. Levels of ESG integration are similarly high among equity and debt investors.[21]

A majority of listed equity investors across strategies **consider material environmental and social risks** related to **companies' supply chains** in their financial analysis and equity valuation or security rating processes. **Environmental and social supply chain risks** are also considered by **most long / short equity hedge fund investors**.[22]

The **proportion** of fixed income and listed equity investors **use scenario analysis** to monitor the implications of ESG trends is **relatively low**. The majority of investors in these asset classes reported that their formalised monitoring processes do *not* include scenario analysis.[23]

It is more common for analysis of material ESG factors to influence the selection and weighting of individual assets or sectors than it is to impact decisions on country or region weightings. This is true for fixed income and listed equity investors.

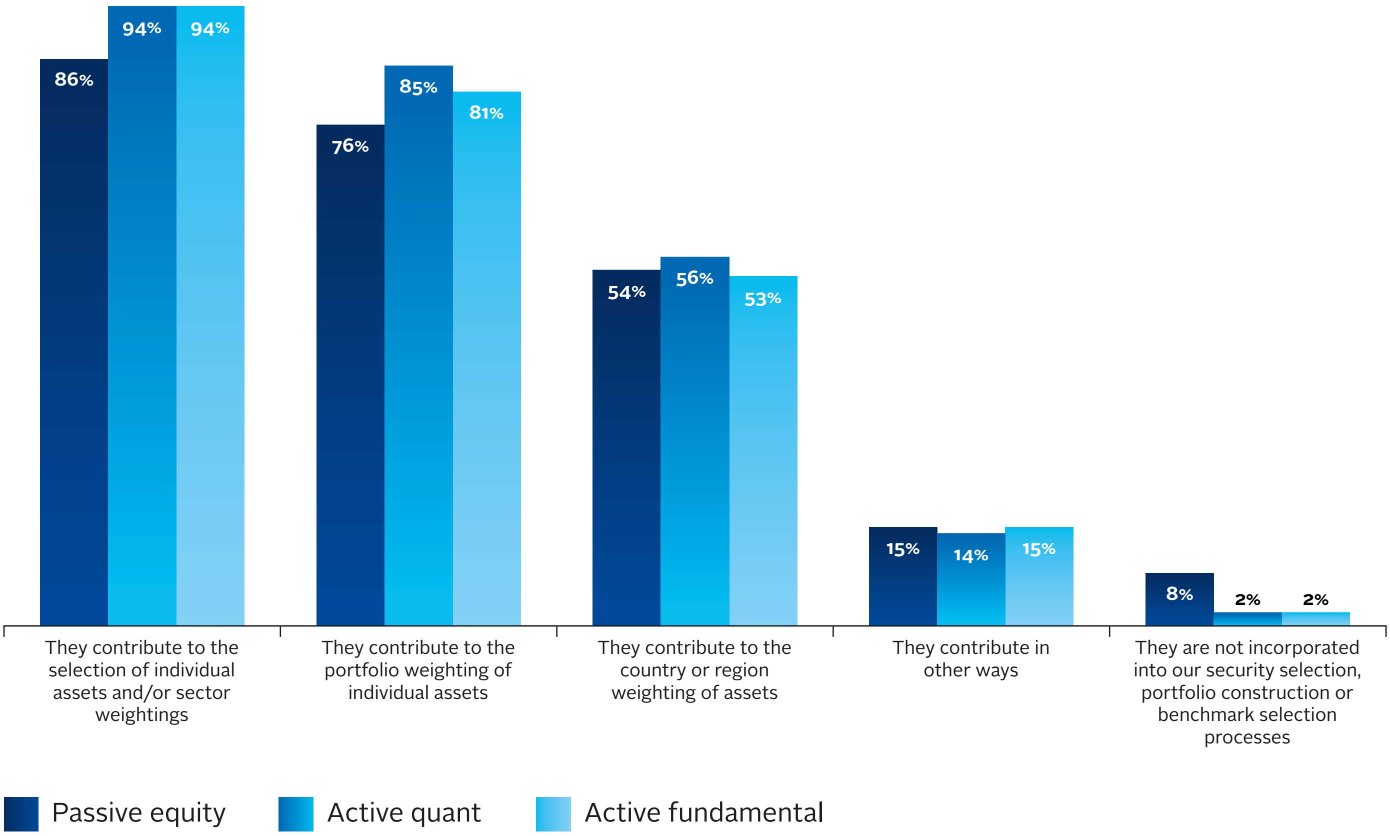
Figure 25: How do material ESG factors contribute to your security selection, portfolio construction and / or benchmark selection processes for fixed income investments?



Source: indicator FI 8 (2023). Respondents answered the question in relation to at least a minority of AUM. Denominators: 648 (corporate), 484 (sovereign, sub-sovereign, agency), 227 (securitised)

21 Source: indicators LE 1 (2023), HF 2 (2023), FI 1 (2023)
22 Source: indicators LE 3 (2023), HF 4 (2023)
23 Source: indicators LE 2, FI 2 (2023)

Figure 26: How do material ESG factors contribute to your security selection, portfolio construction and / or benchmark selection processes for listed equity investments?



Source: indicator LE 6 (2023). Respondents answered the question in relation to at least a minority of AUM. Denominators: 177 (passive equity), 236 (active quantitative), 954 (active fundamental)

Around 71% of the PRI's long / short equity hedge fund manager signatories integrate ESG factors into their construction of short positions, while 64% of long / short credit managers take this step.[24]

When it comes to **keeping clients informed about ESG screens**, the **most common step** taken by listed equity investors is **sharing a list of screens** (76%). Around 60% share information on changes to screens and 50% explain potential implications of ESG screens, such as how they might affect sector weightings.[25]

Switching focus to green, social and other types of sustainability bonds, the **majority of investors ensure these instruments are subject to external verification** (third-party assurance, second-party opinions, or other external review) in the majority of cases.[26]

A minority of investors reported having identified **the use-of-proceeds** from green, social and other sustainability bonds being **allocated in a way that was misaligned with deal terms**. In cases where misalignment was identified, the most common action investors have taken was to engage with the issuer, followed by selling the security.[27]

24 Source: indicators FI 8, HF 6, LE 6 (2023)
25 Source: indicator LE 12 (2023)
26 Source: indicator FI 15 (2023)
27 Source: indicator FI 17 (2023)

INFRASTRUCTURE, PRIVATE EQUITY, PRIVATE DEBT AND REAL ESTATE

The **majority of private markets investor** signatories **have guidelines in their RI policies** that are **tailored to** the **asset classes** they operate in.[28]

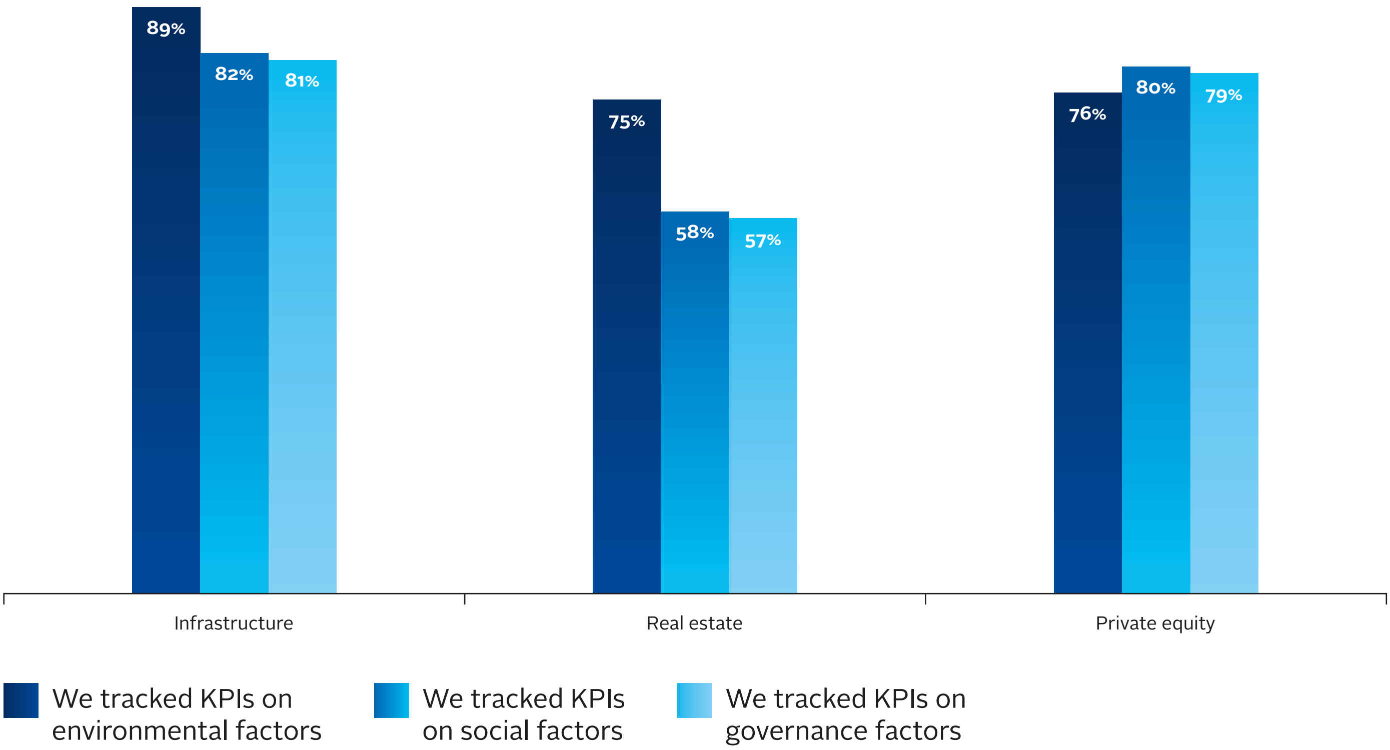
Private markets investor signatories **give extensive consideration to ESG factors during due diligence**. A **significant majority** of infrastructure investors (95%), private equity investors (90%), and real estate investors (85%) **identify ESG risks** for all or the majority of potential investments. Around 93%, 87% and 84% respectively **consider ESG factors during meetings of the investment committee** or equivalent.[29]

Similarly, the **vast majority** of signatories **investing in private debt consider ESG factors** as part of the **due diligence** process. Almost three quarters – 72% – **check whether the target investee has a sustainability policy** or equivalent for all or the majority of potential investments. 64% **assess quantitative information on material ESG factors**, such as energy consumption, carbon footprint and gender diversity for all or the majority of potential investments.[30]

The **proportion of private markets signatories considering ESG factors during due diligence** is slightly **higher** than those **managing ESG risks and opportunities during the ownership phase**. One of the **most common approaches** to managing ESG risks and opportunities post-investment is to develop specific **ESG action plans** that incorporate pre-investment research, with around 81% of investors in infrastructure, 72% in private equity and 68% in real estate taking this step for all or the majority of investments.[31]

Tracking ESG KPIs post-investment is a **common** practice amongst private markets investors. A higher proportion of infrastructure investors take this action compared to real estate or private equity managers.[32]

Figure 27: Percentage of private markets signatories tracking KPIs on material ESG factors

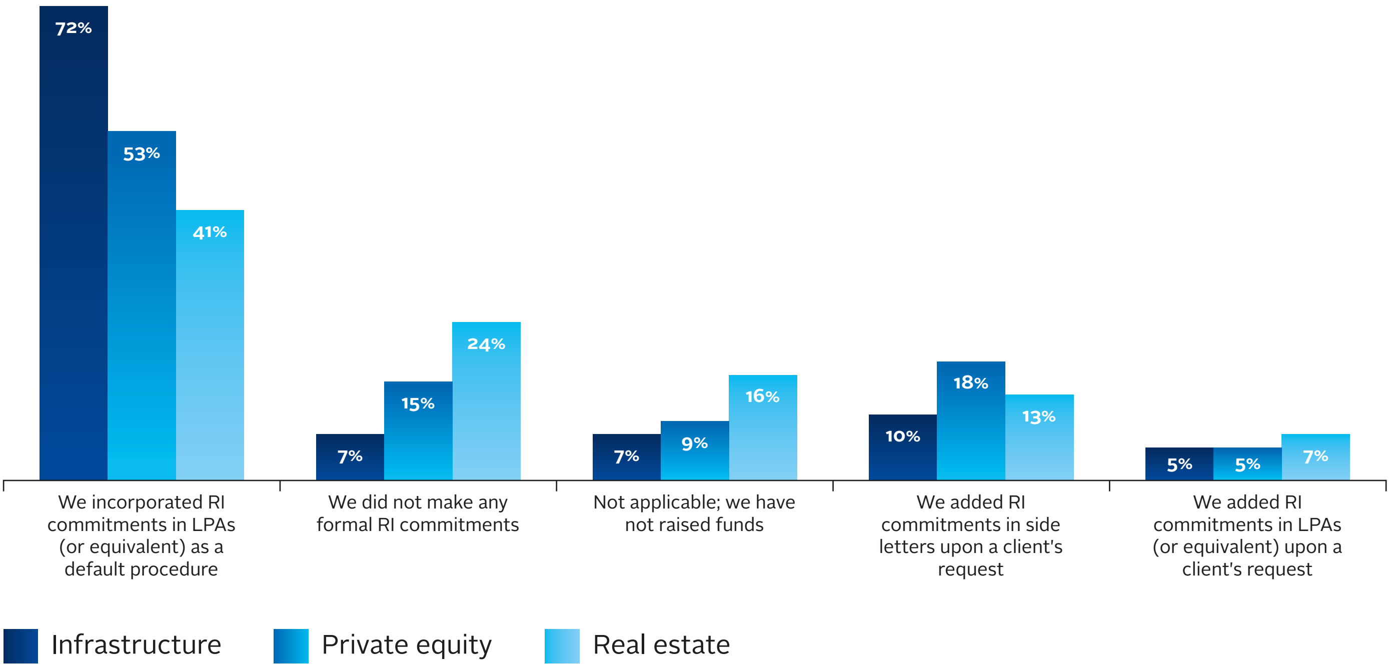


Source: indicators INF 9, PE 6, RE 11 (2023). Denominators: 211 (infrastructure), 303 (real estate), 692 (private equity)

28 Source: indicators INF 1, PE 1, RE 1 (2023)
29 Source: indicators PE 4, INF 4, RE 4 (2023)
30 Source: indicator FI 5
31 Source: indicators PE 9, INF 11, RE 14 (2023)
32 Source: indicators INF 9, PE 6, RE11 (2023)

Formalising RI requirements in contracts serves as a **key accountability mechanism**. The **prevalence** of the practice **varies markedly across asset classes**. Around 72% of infrastructure investors incorporate RI commitments in limited partner agreements (LPAs), or equivalents, as a default practice, compared to 53% of private equity managers and a minority (41%) of real estate investors.[33]

Figure 28: Percentage of private market signatories that include RI commitments in LPAs, side letters, or other constitutive fund documents



Source: indicators INF 2, PE 2, RE 2 (2023). The data relates to all funds closed during the reporting year. Denominators: 211 (infrastructure), 303 (real estate), 692 (private equity)

Additional resources

YEAR	ORGANISATION	PUBLICATION TYPE	LINK
2024	PRI	Reporting guidance	Manager selection, appointment and monitoring module
2024	PRI	Reporting guidance	Asset class modules
2023	PRI	Investor tools	Due diligence questionnaires
2023	PRI	Technical guide	Mapping the role sustainable bonds play in the fixed income market
2023	PRI	Technical guide	ESG integration in listed equity
2021	PRI	Technical guide	TCFD for real assets investors
2021	PRI	Technical guide	Investment manager appointment
2017	PRI	Technical guide	Incorporating responsible investment requirements into private equity fund terms

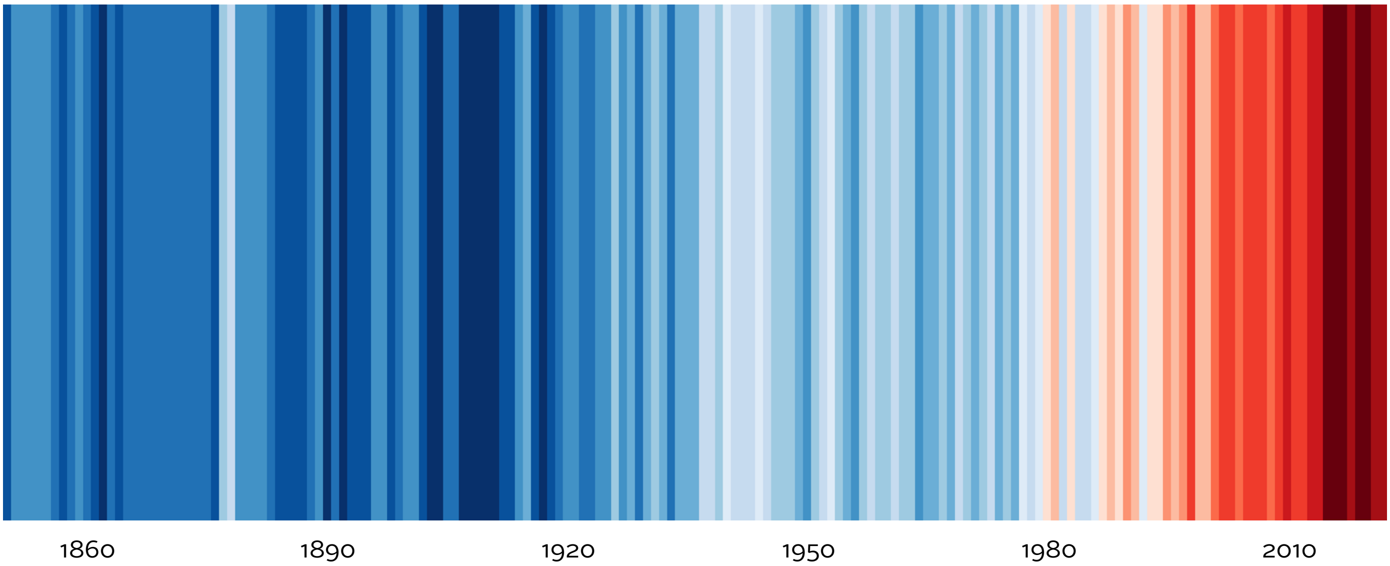
33 Source: indicators INF 2, PE 2, RE 2 (2023)

FOCUSING ON ESG ISSUES

- This section focuses on signatory action to address climate change and ensure respect for human rights.
- Climate change is the top priority ESG issue for PRI signatories.
- There is a huge spread in the level of sophistication of signatories' approaches to climate. Around 8% of investor signatories have joined a net-zero alliance, which requires setting net-zero targets, while a larger share is not taking the step of identifying climate-related risks and opportunities.
- A large portion of signatories has adopted some of the TCFD recommendations, but only a minority has implemented the recommendations comprehensively across all pillars.
- There is growing investor awareness of the importance of human rights, with an increasing number including guidelines on social issues in their RI policies.
- Only a small fraction of PRI signatories meets the requirements to respect human rights set out in the UNGPs.

CLIMATE CHANGE

Figure 29: Global temperature change (1850-2022)



Stripes represent the average temperature for a single year, relative to the average over the period as a whole. Blue indicates cooler-than-average years; red shows the opposite. The calculation methodology is available here. Source: University of Reading

The central message from the 28th Conference of the Parties (COP) is that tackling climate action cannot wait. The PRI's reporting data shows a growing number of signatories are recognising this and are stepping up efforts accordingly. At the same time, the data also highlights how much progress remains to be made.

A **significant majority** (84%) of investor signatories **identify climate-related risks and opportunities affecting their investments**; though this leaves 16% that are not. Around a quarter of signatories based in emerging market or low-income developing countries are not taking this step and neither are 15% of North American signatories.

While the overall **percentage not identifying climate-related risks and opportunities remains relatively high, it has fallen** since 2021, when it stood at 20%.[34]

Around 30% of signatories **have identified climate-related risks and opportunities affecting their investments** beyond their standard planning horizons. **Asset owners are more likely than managers to take a longer-term approach** and look beyond standard planning horizons, with 36% and 29% respectively taking this action.[35]

Identifying and assessing the potential implications of a range of plausible future climate scenarios is a central

34 Source: indicators PGS 41 (2023), ISP 30 (2021)

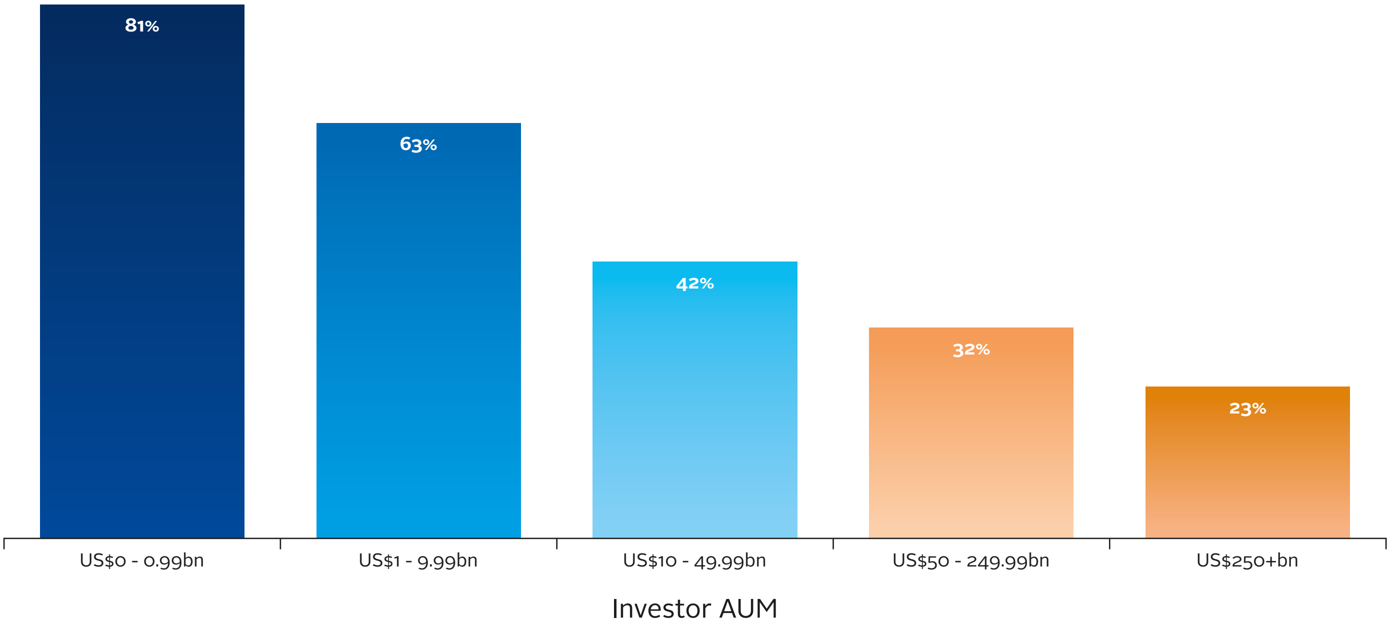
35 Source: indicator PGS 41 (2023)

recommendation of the TCFD. **A minority of signatories (39%) use scenario analysis** to assess the resilience of their investment strategies in different scenarios, including one in which the average temperature rise is held to below two degrees Celsius. Around 10% of signatories use the IEA's net zero scenario, while circa 31% employ other scenarios.

The **uptake of scenario analysis is more widespread among asset owners** than asset managers, with 59% and 34% taking this step respectively.

There is a **strong corelation** between **investor size** and the prevalence of **scenario analysis**. The majority of investors that have US$50bn or more in AUM take this step.[36]

Figure 30: Percentage of signatories that have *not* assessed the resilience of their investment strategies in different climate scenarios



Source: indicator PGS 43 (2023). Denominators 932 (US$0-0.99bn) 1,054 (US$1-9.99bn), 507 (US$10-49.99bn), 263 (US$50-249.99bn), 103 (US$250+bn). Indicator PGS 43 requires the assessment to involve at least one scenario in which future temperature rise is kept within two degrees Celsius of pre-industrialised levels

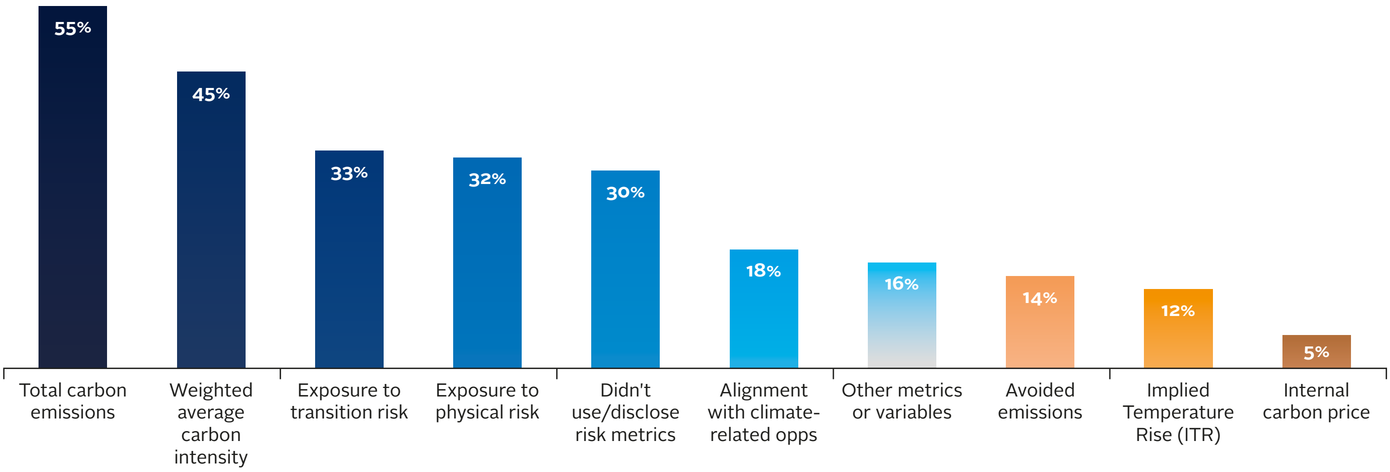
Of those that are identifying **climate-related risks and opportunities**, the **vast majority** (89%) are then **integrating them** into their overall investment strategy, financial planning and (if relevant) products.[37]

When it comes to **climate metrics**, the figures and variables that are **most widely used or disclosed** include **total carbon emissions** (55% using and / or disclosing), **weighted average carbon intensity** (45% using and / or disclosing) and **exposure to transition risk** (33% using and / or disclosing).

36 Source: indicator PGS 43 (2023)

37 Source: indicator PGS 41.1 (2023)

Figure 31: Percentage of signatories using and / or disclosing climate metrics



Source: indicator PGS 45 (2023). Denominator: 2,859

A **noteworthy proportion (30%)** of investor signatories **do not use or disclose climate risk metrics or variables** affecting their investments.[38] There is a positive correlation between investor AUM size and use and disclosure of climate metrics.

Estimates of global investments required to achieve the Paris Agreement's temperature and adaptation goals range between US$3 to $6 trillion per year until 2050.[39] Many signatories set out their **plans to provide transition finance** in the **senior leadership section of their PRI reporting**, alongside details of their efforts to decarbonise their portfolios. A selection of these is shared in the table below.

38 Source: indicator PGS 45 (2023)

39 IMF (2022), Mobilizing private climate financing in emerging market and developing market economies

Figure 32: Examples of investors' recent action on and near-term priorities relating to climate set out in their senior leadership statements	
Church Pension Fund, Finland, US$1-9.99bn AUM	"The [...] Fund's climate strategy and the interim targets set for 2025 will be in focus during the next years. These interim targets include reducing the carbon intensity (WACI) within liquid equity and corporate bond investments by 25 percent compared to the baseline. Also, green investments or investments in climate solutions should reach 10 percent of the total portfolio by 2025."
HESTA Super Fund, Australia, US$10-49.99bn	"HESTA will continue to focus its engagement on priority companies, with a particular focus on capital expenditure and board skills that support a move towards alignment with a 1.50C transition pathway. Simultaneously, we will seek out opportunities to invest in climate solutions towards our 10% target and undertake further work to measure and respond to physical climate risk."
MN, investment manager, Netherlands, US$50-249.99bn AUM	"In 2022, PMT set the ambition to invest €4bn by 2030 in investments that directly contribute to the energy transition. PME aims to reinvest €1.2bn into renewable energy, which was released in 2021 after selling fossil oil and gas investment, on top of €910mn that PME already committed to the energy transition."
Nippon Life Insurance Company, Japan, US$250+bn AUM	"We achieved our quantitative targets for ESG-themed investment of ¥1.7 trillion (FY2017-FY2023) and providing finance to business that supports decarbonization of ¥500.0bn (FY2021-FY2023) in December 2022, approximately one year ahead of schedule. We have set new targets for 2030, raising our quantitative target for ESG-themed investment to ¥5 trillion, including a sub-target for providing finance to business that supports decarbonization of ¥3 trillion."
Ontario Teachers' Pension Plan (OTPP), Canada, US$50-249.99bn AUM	"Long-term capital has an important role to play in a transition to a low-carbon economy, which is why we have been taking an active approach and steadily growing our green asset exposure over the years. In 2022, we added CAD$3bn in new green assets, which are companies that generate clean energy, reduce demand for fossil fuels and help build a sustainable economy. We now have nearly CAD$34bn in green assets, making continued progress toward our target to grow our green investments to CAD$50bn."
To read the senior leadership statements in full, visit the PRI Data Portal	

Source: SLS 1 (2023)

HUMAN RIGHTS

All institutional investors have a responsibility to respect human rights, as set out in the UNGPs, which require investors to:

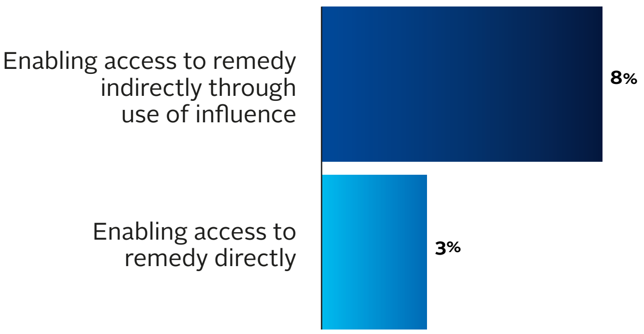
- Adopt a policy to respect internationally recognised human rights
- Adopt due diligence processes
- Enable access to remedy in case of adverse impacts

The portion that has **publicly available policy guidelines on human rights** stands at **41%**.[40] The **percentage that has** broader **guidelines on social issues has risen** from 54% in 2021 to 63% in 2023.

A little over a third of signatories **use the UNGPs, or OECD frameworks that align with the UNGPs,[41] to identify sustainable outcomes**.[42]

Circa 11% of signatories enable access to remedy. Of those, **around 8% of signatories provide access to remedy *indirectly*** by using their influence, **while around 3% provide access to remedy *directly*** themselves.[43]

Figure 33: Percentage of signatories enabling access to remedy for people affected by negative human rights outcomes linked to investment activities



Source: indicator PGS 50 (2023). Denominator: 2,859

Overall, the data suggests only a small minority **of PRI signatories takes action on all three pillars of the UNGPs.** However, the increase in the percentage of signatories with publicly available guidelines on social issues indicates positive momentum.

Figure 34: Percentage of signatories taking action on the UNGPs

Source: indicators PGS 3, 47.1, 49, 50 (2023). Denominator: 2,859

When it comes to reporting to clients / beneficiaries regarding human rights commitments, 41% of signatories are taking this action.[44]

The concept of human rights provides a set of universal principles for the fair and just treatment of all people. Social issues arise when these principles are not upheld. Many signatories set out their approach to human rights and social issues in their senior leadership statements. A selection of these statements is provided below.

40 Source: indicator PGS 3 (2023)

41 OECD Guidelines on Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors

42 Source: indicator PGS 47.1 (2023)

43 Source: indicator PGS 50

44 Source: indicator PGS 16 (2023)

Figure 35: Examples of investors' near-term action on and priorities relating to human rights set out in their senior	
Church Investment Group, endowment, US, US$0-0.99bn AUM	"Social Values: Investing in companies that actively maintain policies and practices that support workforce wellbeing, human health, worker and product safety, and inclusivity and diversity."
Federatie Nederlandse Vakbeweging (FNV), asset owner, Netherlands, US$0-0.99bn AUM	"FNV has signed the IMVB Pensioenen Covenant. IMVB stands for international socially responsible investment. The IMVB Covenant contains agreements on embedding the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs) in policy, outsourcing to external service providers and monitoring and reporting on these."
Ilmarinen Mutual Pension Insurance Company, Finland, pension, US$50-249.99bn AUM	"We are committed to respect human rights. Coming years we are further enhancing our approaches on human rights and we seek to align all of our operations, including our investment operations, with the guidance as provided in the UN Guiding Principles for Business and Human Rights. [...] We will also enhance our engagement approaches and continue to focus our Nordic collaboration (NEC) on human rights."
Tokyo Realty Investment Management, Inc., Japan, US$1-9.99 bn AUM	"The main items to be addressed over the next two years are as follows: [...] - Development of KPIs and goals for Diversity, Equity, and Inclusion (DEI) - Ongoing implementation of DEI training."
To read the senior leadership statements in full, visit the PRI Data Portal	

Source: indicator SLS 1 (2023)

REFLECTIONS ON FINDINGS

"A material percentage of signatories reports on their human rights commitments (and progress towards these), which highlights the positive momentum in this area in the last few years. This is in line with what we have observed of our client base. However, there is work to be done in assessing potential impact on investments and investors using their influence to ensure access to remedy for people affected by negative human rights outcomes linked to their investment activities."

Craig Campbell, Senior Investment Consultant, Aon

Additional resources

YEAR	ORGANISATION	PUBLICATION TYPE	LINK
CLIMATE CHANGE			
2023	AIGCC, CDP, Ceres, IGCC, IIGCC, PRI & UNEP FI	Technical guidance	Investor Climate Action Plans (ICAPs) Expectations Ladder
2023	Climate Financial Risk Forum	Technical guidance	Scenario analysis guide for asset managers
2023	IIGCC	Technical guidance	Investing in climate solutions: listed equity and corporate fixed income
2022	PRI	Technical guidance	Climate risk: an investor resource guide
2022	PRI	Technical guidance	Achieving climate commitments in multi-asset portfolios
HUMAN RIGHTS			
2023	PRI	Reporting guidance	Reporting guidance on human rights
2023	PRI	Technical guidance	How to identify human rights risks: a practical guide in due diligence
2020	PRI	Thought leadership	Why and how investors should act on human rights

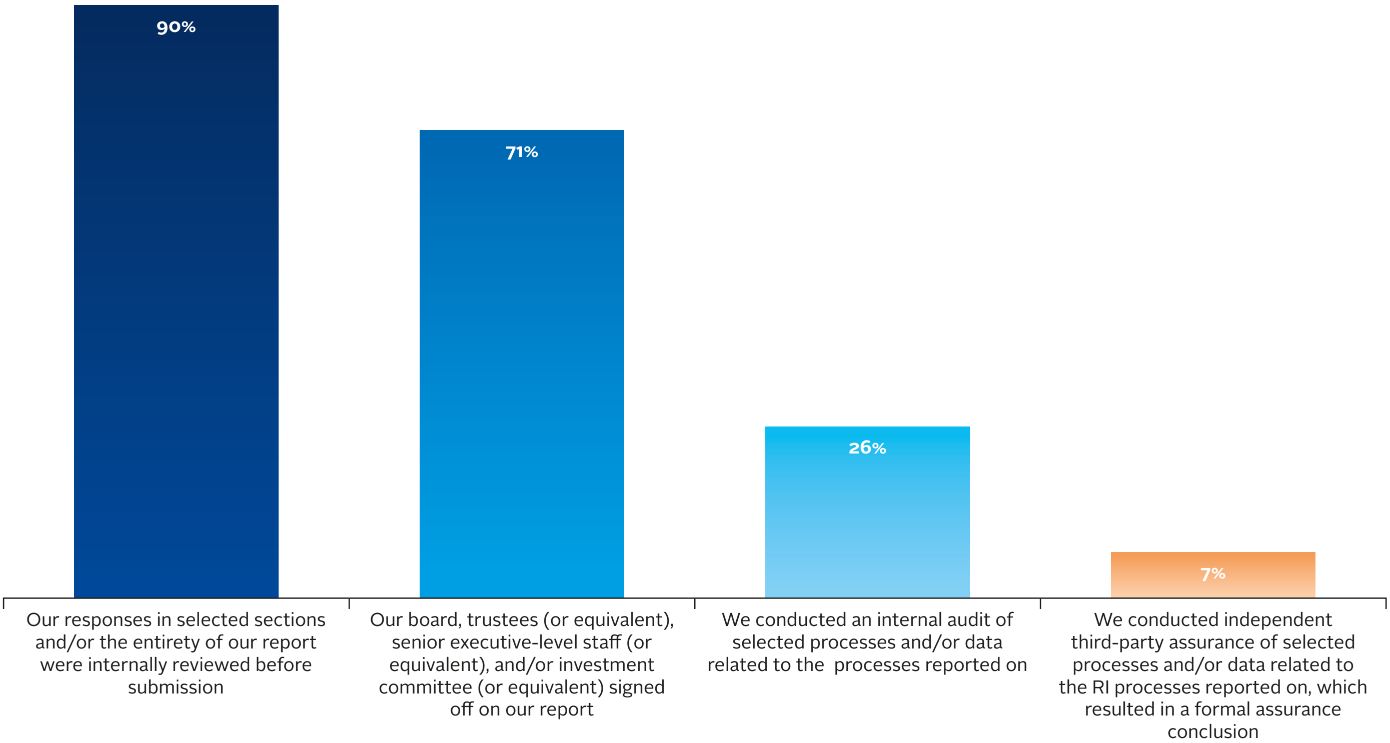
DATA VERIFICATION

Signatories are required to disclose how they verify the data they report to the PRI as part of the Confidence-Building Measures module. Verification is important because it enhances the credibility of the information reported.

The **vast majority of investor signatories** takes **steps to verify their reporting**, with a significant majority of those opting for internal review.

External third-party assurance is the strongest, most impartial and credible confidence-building measure. Only a **small minority** of signatories ensures that their **reporting is independently verified**.[45]

Figure 36: Percentage of signatories verifying submissions to the PRI



Source: indicator CBM 1 (2023). Denominator: 2,859

45 Source: indicator CBM 1 (2023)

NEXT STEPS FOR THE PRI

This report highlights the positive momentum driving improvements in responsible investors' practices. At the same time, it shines a light on areas where action is insufficient.

To help investors achieve their RI objectives, and to promote investor action in support of United Nations' goals, we will continue to:

- Provide guidance and tools on a range of RI topics.
- Coordinate opportunities for signatories to engage collaboratively with companies and other stakeholders to address high-priority ESG issues, through initiatives such as ClimateAction100+, Advance and Spring.
- Facilitate investor collaboration on RI through the PRI Collaboration Platform and asset class-specific networks such the Initiative Climat International (iCI).
- Help signatories to understand their strengths and areas for improvement through the PRI Reporting Framework.
- Engage with policy makers to support and enable investors' RI approaches. Our Global Policy Reference Group supports signatories' public policy engagement on RI topics.
- Promote academic research on RI and showcase research findings.
- Connect signatories through events, notably PRI in Person.
- Provide training to investment professionals through the PRI Academy's online courses.
- Develop Progression Pathways to provide more relevant support to signatories based on their RI objectives.

METHODOLOGY

The analysis compares data that was publicly disclosed by signatories during the 2021 and 2023 reporting cycles.

There have been some changes in indicator wording from 2021 to 2023. Only data points from 2023 and 2021 considered equivalent have been analysed.

The 2023 PRI Reporting Framework was made up of 'core' mandatory indicators and optional 'plus' indicators. Not all signatories answered all core indicators as some were contingent on answers given in prior sections. For the purposes of this analysis, the denominator used to calculate percentages is the total number of signatories for whom the indicator is relevant. For example, the human rights-specific indicators were optional, but all investors have a responsibility to respect human rights, so the denominator used to calculate percentages is all those who reported publicly (2,859) rather than the number that chose to report on these indicators (circa 1,800).

Members of Aon's Centre for Innovation and Analytics in Singapore applied natural language processing (NLP) techniques to the free-text responses across the senior leadership statement module. This involved cleaning up the responses (standardising cases; removing special characters, punctuation and hyperlinks; filtering out commonly used words that do not add value and lemmatisation), and visualising the results in bar charts and word clouds.

Asset owners did not report on asset class modules in 2023, meaning that analysis of asset class modules covers only data from investment managers.

The following Reporting Framework indicators were analysed for this report:

Organisational overview module (2023)	OO 5
Senior leadership statement module (2023)	SLS 1
Senior leadership statement module (2021)	SLS 1
Policy, governance and strategy module (2023)	PGS 1, 3, 4, 5, 16, 17, 19, 24, 39, 39.1, 41, 41.1., 43, 44, 45, 46, 47, 47.1, 47.2, 48, 48.1, 49, 50
Investment and stewardship policy (2021)	ISP 2, 12, 30, 33, 43
Sustainability outcomes module (2023)	SO 8
Selection, appointment and monitoring (2023)	SAM 2, 5, 6, 7, 8, 9, 10, 12, 13, 14, 16
Selection, appointment and monitoring (2021)	SAM 13, 14, 17, 22
Fixed income module (2023)	FI 1, 2, 8, 10, 15, 16, 17
Hedge fund module (2023)	HF 2, 3, 4, 6
Listed equity module (2023)	LE 1, 2, 3, 4, 6, 8, 12
Infrastructure module (2023)	INF 1, 4, 2, 9, 11
Private equity module (2023)	PE 2, 4, 6, 9
Real estate module (2023)	RE 2, 11

Data points included in the report are based on 50 or more responses. The discounting of data points based on too small a number of respondents is why the regional analysis in the report is focused on Europe, Oceania, North America and Asia, where signatory numbers are highest.

In presenting data for this report, sometimes wording of Reporting Framework indicators has been edited for ease of comprehension.

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org

PRI Principles for Responsible Investment

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UN environment programme | finance initiative

United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

United Nations Global Compact