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PART III – SOCIAL

Point of No Returns 2023

Part III: Social

An assessment of 77 of the world's largest asset managers' approaches to human rights, labour rights and public health

ShareAction»

About ShareAction

ShareAction is an NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 16 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

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Disclaimer

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Executive summary

Globally, companies are failing to respect human and labour rights and to avoid damaging public health. In 2020, during the COVID-19 pandemic, the number of workers living in extreme poverty[i] went up by 8 million, reaching 228.5 million[1]. In 2021, 27.6 million people were in forced labour, 17.3 million of them were working in the private sector[2]. Each year, 17 million people die prematurely as a result of preventable poor health[3].

Businesses have a role to play in addressing all of these issues through how they hire and pay people, and the impacts of their products and services. Society's expectations are rightly growing - it's now less acceptable than ever before for companies to neglect their impacts on the wider world.

Asset managers can, and do, play an important role in driving progress on social issues. They direct a vast amount of global wealth on behalf of pension funds and many other asset owners. They are stewards of many influential corporations – their policies and practices can have real impacts on workers and communities[ii] across a range of social themes. Unsafe working conditions, human rights abuses, proliferation of weapons, falling living standards, and widening inequalities are bad for people. They also pose a systemic risk to the economy. Performing better on these issues is crucial to build the resilient businesses that will deliver for investors in the long term.

Our 2023 Point of No Returns report series assesses the policies and practices of 77 of the world's largest asset managers, who collectively manage over $77 trillion in assets, across a range of themes. This third report in the series examines asset managers' policies and practices on social issues. Human and labour rights were covered in our 2020 ranking[4], and this time are joined by emerging priority areas such as public health.

The questions that informed this research included:

- Do asset managers have robust policies in place to avoid capital being invested in worsening social outcomes?
- Are they effectively and proactively engaging with investee companies on social topics?
- How do asset managers integrate social issues into their risk analysis, management, and mitigation?

i Earning less than $1.90 per day at purchasing power parity.

ii The World Business Council for Sustainable Development has defined four categories of people as affected stakeholders: a company's own workforce (including but not limited to its employees); workers across the value chain; affected communities (whether local to a company's operations or within the value chain); and people affected by the use of a company's products and services.

Our assessment is based on comprehensive data collected from the asset managers between July and November 2022.

We found that most asset managers fail to comprehensively protect human rights. The vast majority only exclude investments in companies with negative social impacts from ESG-labelled funds. They also rarely use their influence to tackle issues such as indigenous rights and life-limiting public health problems.

Most asset managers do now consider human and labour rights in their investment strategies, and 61% have specific commitments on health. But excluding investments for these reasons rarely extends beyond ESG-labelled funds. Engaging with companies before issues occur is now more common, but the impact of engagements often remains unclear. Asset managers still need to consider more social metrics when assessing company risk, and to proactively review companies' supply chains, instead of relying on third-party data.

On average, European and North American asset managers outperformed those in the Asia Pacific region. Six of the top performing firms were European, and four were American. All European asset managers had a human and labour rights investment policy, and more European asset managers excluded some socially damaging investments from *all* of the funds they managed, rather than specific ESG funds only. However, not all European and American firms performed strongly – five American firms and one European firm scored in the bottom 10.

The world's four largest asset managers – Blackrock, Fidelity Investments, State Street Global Advisors and Vanguard – collectively manage $38 trillion in assets but performed poorly on social issues, with none ranking above 50th place. However, size was not a barrier to good performance. T. Rowe Price ranked third on social issues, with over $1 trillion in assets.

The mix of assets that firms invest in also did not affect rankings - PGIM Fixed Income ranked sixth. Passive[iii] asset managers ranked widely, with the highest performing – Nikko Asset Management – scoring 16th.

How to use this report

This report offers detailed insights into how the 77 assessed asset managers are managing risks and impacts related to social issues, including human and labour rights, as well as public health.

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iii Passive investing is an investment strategy intended to track a market index or portfolio. It contrasts with active fund management where the fund manager actively chooses whether or not to invest in a particular security.

This is the third report in the Point of No Returns 2023 series and it follows the earlier parts published in February and March:

- Part I – Ranking and General Findings
- Part II – Stewardship and Governance

All the reports in the series include examples of leading practice on various responsible investment issues. These give specific, practical insights into how asset managers can implement, and have already implemented, robust responsible investment practices.

This report, and its recommendations, are designed to be useful to key stakeholders in the financial community:

- **Asset managers** are encouraged to use this report, and its recommendations, to benchmark their own performance and inform areas for improvement.
- **Asset owners** and investment consultants can use the information to challenge asset managers, inform the selection of managers, and as a reference for positive trends set by leading players.
- **Policy makers** can use the report to identify areas of sector-wide strength and weakness and to determine appropriate policy action to protect investors and the wider public interest.

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Summary findings

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Finding 12: Nearly two-thirds of asset managers did not conduct regular direct reviews of social issues in companies' supply chains.

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Finding 14: Asset managers see data availability as the biggest barrier limiting their response to social issues.

Methodology

Methodology

- Asset managers were selected based on the size of their assets under management with adjustment for regional coverage (39 managers were from Europe, 25 from North America, and 13 from the Asia Pacific region).
- A partially pre-filled questionnaire was sent to 77 asset managers, of which 83% decided to participate by verifying and augmenting the data.
- Asset managers that declined (17%) had their response populated based on publicly available information and were subsequently provided with the opportunity to review their response.
- The analysis in this report series is based on answers to survey questions and commentary provided in survey responses. The questionnaire can be found in the Appendix to Part 1 of the series.
- Information was collected between July and November 2022.

The full methodology can be viewed here.

The table below summarises the range of topics covered by the social questions within our survey. The symbols appear in figures that give specific detail on these topic.

Symbol	Topic	Sub-topics
	Diversity and inclusion	Board-level diversity and inclusion, investee company-wide diversity and inclusion
	Supply chain due diligence	Supply chain due diligence
	Public health	Alcohol, pollution, gambling, human nutrition, tobacco, access to medicines, vaccine equity, antimicrobial resistance, quality of housing, high-cost debt/financial wellbeing
		Alcohol
		Pollution
		Human nutrition
		Tobacco
		Access to medicines, vaccine equity, antimicrobial resistance
		Quality of housing
		High-cost debt/financial wellbeing, gambling

Symbol	Topic	Sub-topics
	Disclosure of social data	Gender pay gap, ethnicity pay gap
	War and security	Controversial weapons, conventional weapons, conflict-affected and high-risk areas
*	Labour rights	Freedom of association and collective bargaining, discrimination and harassment, grievance mechanism and access to remedy, modern slavery and forced labour, child labour, workplace safety, workplace mental health, living wage, executive remuneration.
	Data privacy	Data privacy
*	Indigenous rights and FPIC	Indigenous rights and FPIC

*Created by Universal Icons from the Noun Project

Strategy and investment policies

1

Chapter 1: Strategy and investment policies

This chapter analyses asset managers' investment policies and strategies relating to social issues. We define a social investment policy as a statement that sets out the firm's approach to integrating social concerns in their investment decisions (for example, through screening or positive tilts). This is distinct from policies that set out how asset managers vote and engage on social issues. A social investment policy can be standalone or integrated as part of a wider responsible investment policy.

We assessed asset managers on the scope of their policies, the themes these cover, and the investment commitments and exclusions they encompass. We also asked asset managers about policies on investments in sovereign states and other actors engaged in human rights violations, and about integrating the principle of Free, Prior and Informed Consent (FPIC)[iv] into investment decisions.

There are many international frameworks and guidelines that asset managers can use to understand how social issues are linked with their investee companies' business operations, and how they can address social issues through their investment policies (Box 1, Box 3).

Finding 1: More asset managers had a social-issues-related investment policy in 2022 compared to 2020, but one-fifth of firms only considered social topics in ESG-labelled funds.

Only five asset managers (6%) had no social investment policy in 2022 – an improvement since our 2020 survey, when 15% of the assessed firms had no such policy[5]. All the firms who still lacked such policies were based in North America or Asia Pacific.

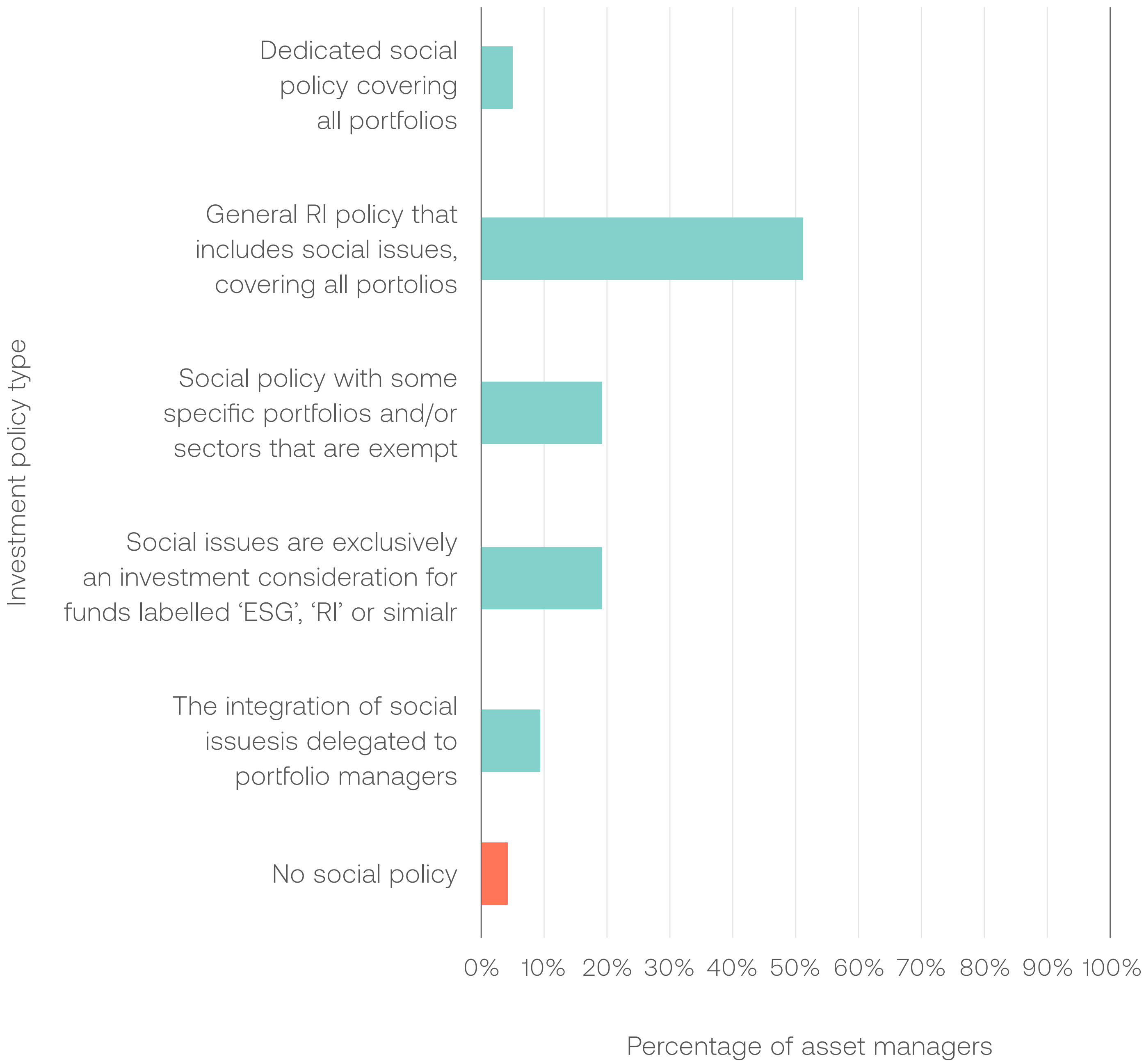
However, asset managers are not using their influence on their investee companies to its full potential: about one-fifth (19%) of asset managers reported that social issues are exclusively an investment consideration for funds and mandates labelled 'ESG', 'Responsible Investment', or similar. These funds usually represent a small proportion of asset managers' portfolios, and the real-world impacts of these policies are not as large as they could be.

Just over half (56%) of asset managers reported having investment policies on social issues that apply to all of their assets under management. Only 5% had standalone policies

iv Free, Prior and Informed Consent is a right that allows Indigenous peoples and local communities to give or withhold consent to a project that may affect them or their territories. It also enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated (Finding 3).

dedicated to social topics, while the other 51% had general responsible investment policies that include social issues (Figure 1). All of the asset managers that had standalone policies were based in Europe, and most referred only to standalone human rights policies.

Figure 1: 51% of asset managers included social issues in their general responsible investment policy



Box 1: Human and labour rights frameworks

International Labour Organization (ILO) standards

International labour standards are legal instruments that set out basic principles and rights at work. There are 11 fundamental instruments – 10 Conventions (legally binding international treaties that may be ratified by member states) and a Protocol[6]. The initial Conventions covered subjects such as freedom of association and the right to collective bargaining; the elimination of forced labour and child labour; and the elimination of discrimination in respect of employment. The right to a safe and healthy working environment was added to the ILO's framework of rights at work in June 2022.

Asset managers can engage with companies to ensure they are upholding these conventions where relevant.

OECD Guidelines for Multinational Enterprises and Responsible Business Conduct for Institutional Investors

The OECD Guidelines for Multinational Enterprises provide non-binding principles and standards for responsible business conduct for multinational corporations, including investors, which operate in or from countries adhering to the OECD Declaration on International Investment and Multinational Enterprises[7,8].

Asset managers can integrate these guidelines using the Responsible Business Conduct for Institutional Investors guidance, which provides key considerations for investor due diligence[9].

United Nations Global Compact (UNGC)

The UNGC is a non-binding initiative to get businesses to adopt sustainable and socially responsible policies, based on 10 social and environmental principles (six of which refer specifically to human and labour rights) and to report on their progress on these[10].

Asset managers can use UNGC-related data from specialist providers (such as MSCI or Sustainalytics) to engage with and/or exclude companies. Asset managers can exclude companies which have failed to report progress on the UNGC principles, and companies that are not eligible to join due to the nature of their core business activities (such as tobacco companies, and companies involved in antipersonnel mines and cluster bombs).

United Nations Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs are a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations. They rest on three pillars: the duty of the state to protect human rights; the responsibility of corporations to respect human rights; and access to remedy for victims of business-related abuses[11].

Asset managers can engage with investee companies on their due diligence processes and reporting in line with these principles, and use the principles as a framework on which to base their own social investment policies.

Finding 2: Only a minority of asset managers made commitments that were more ambitious than those set out by international conventions on controversial weapons, slavery, and child labour.

Most asset managers understand the 'social' in 'environmental, social and governance' (ESG) to refer to human and labour rights. Of the 94% that reported having a social policy, the majority covered human rights (96%)[v] and labour rights (92%). All of the European firms had some coverage of human rights in their investment policy, compared to 84% in North America and 69% in Asia Pacific. This was similar for labour rights.

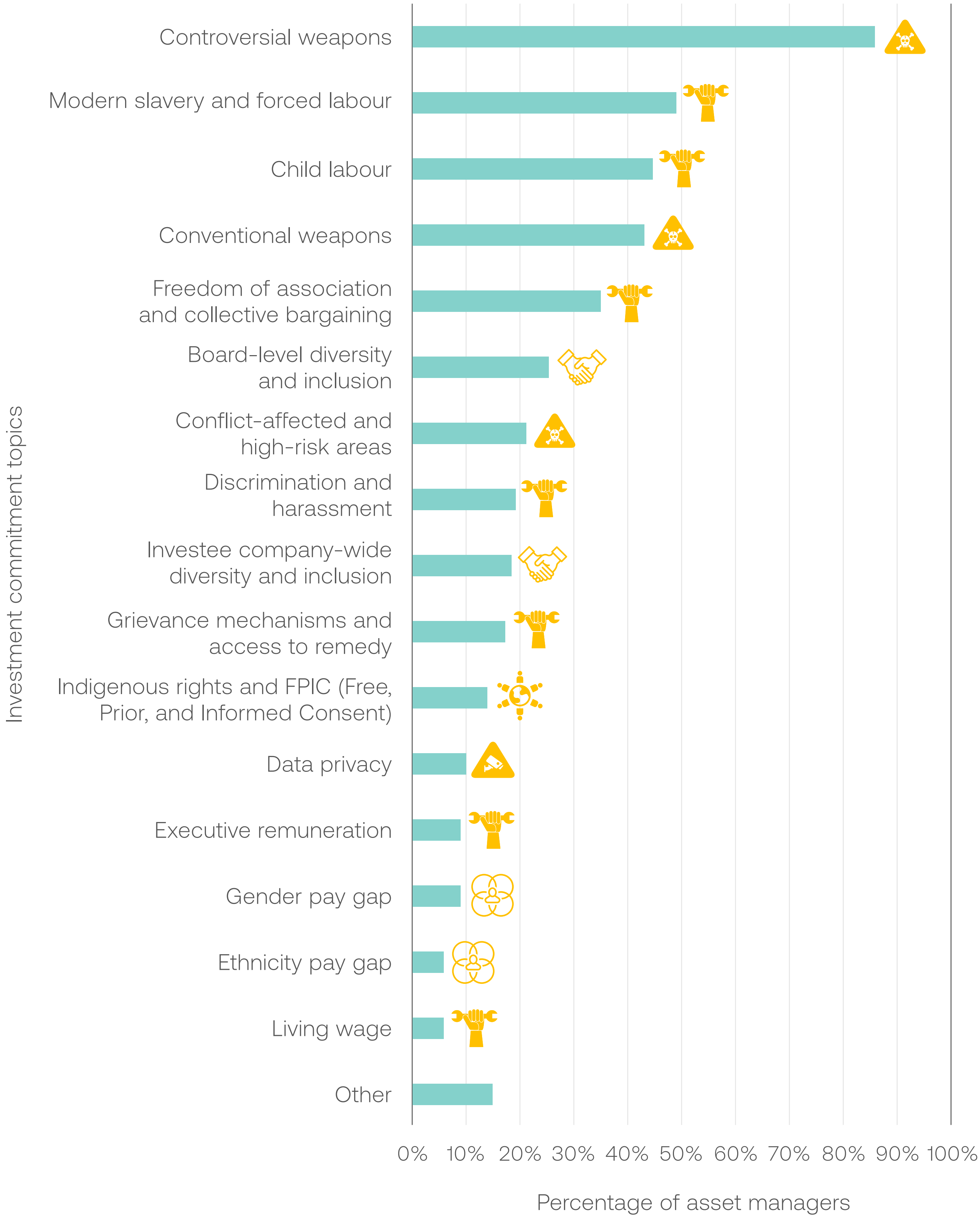
Asset managers' commitments were rarely more ambitious than international conventions[vi] on controversial weapons, slavery and child labour. The most common commitments made were on controversial weapons (86% of asset managers), modern slavery and forced labour (49%), and child labour (44%) (Figure 2). Commitments on conventional weapons were less common (43%) than those on controversial weapons, which is likely due to the difference in international agreements (Box 2).

Living wages, the ethnicity pay gap and the gender pay gap were the least commonly referenced of the topics included in our survey. These topics were more commonly mentioned in engagement or proxy voting policies, but not in investment policies or ESG scoring frameworks. This indicates that some asset managers recognise these issues are important, but do not consider them important enough to guide investment decisions.

v Of the three asset managers that did not cover human rights, two only covered controversial weapons, and one only covered labour rights.

vi See Box 2 for treaties and conventions on controversial weapons. International conventions on modern slavery include: the UN Declaration of Human Rights – Art. 4; the ILO Forced Labour Convention, the ILO Abolition of Forced Labour Convention, 1957 – Art. 1; and the European Convention on Human Rights, 1950. On child labour, international instruments include the ILO Minimum Age Convention, 1973, and the ILO Worst Forms of Child Labour Convention, 1999.

Figure 2: Controversial weapons, modern slavery and forced labour, and child labour were the most frequently referenced topics in investment policies



Box 2: Controversial and conventional weapons

Controversial weapons include weapons of mass destruction and weapons that cause indiscriminate harm, and are covered by several international agreements:

- The 1968 Treaty on Non-Proliferation of Nuclear Weapons
- The 1972 Biological and 1997 Chemical Weapons Conventions
- The 1997 Ottawa Treaty (covers anti-personnel landmines)
- The 2008 Convention on Cluster Munitions
- The 2014 Arms Trade Treaty
- The 2017 Treaty on the Prohibition of Nuclear Weapons

The UN Charter does not forbid its Member States to own and use **conventional weapons** when this is done in conformity with international law. However, the 1981 Convention on Certain Conventional Weapons seeks to ban or restrict the use of specific types of weapons that have indiscriminate effects on civilians or cause unnecessary suffering for combatants: incendiary weapons; weapons that produce non-detectable fragments; mines, booby-traps and other devices; blinding laser weapons; and explosive remnants of war[12].

Asset managers' policies should cover the weapons outlined in these conventions.

Finding 3: Asset managers are failing to consider the principle of Free, Prior and Informed Consent in investment decisions.

Only 10 asset managers (13%) reported they had an investment commitment on FPIC (Finding 2). All of them were based in Europe or North America.

Free, Prior and Informed Consent (FPIC) is a right that originally pertains to Indigenous peoples and is recognized in the UN Declaration on the Rights of Indigenous Peoples. It allows them to give or withhold consent to a project that may affect them or their territories. It also enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated. In the last decade, development experts have recognised that FPIC is also good practice to undertake with other local communities to increase their sense of ownership and engagement[13].

Failure to respect Indigenous and other local communities' rights exposes companies and their investors to legal, political, reputational, and operational risks. These can take the form of project delays or cancellations, resulting in financial loss. Yet, companies involved in land rights abuses rarely disclose to investors the risks inherent to their operations[14].

Only three asset managers, all based in Europe, gave an example of how they considered FPIC in an investment decision – and two of these examples provided limited details. Several asset managers provided examples of engagement on FPIC but it seems unlikely that they consistently consider FPIC in the investment process.

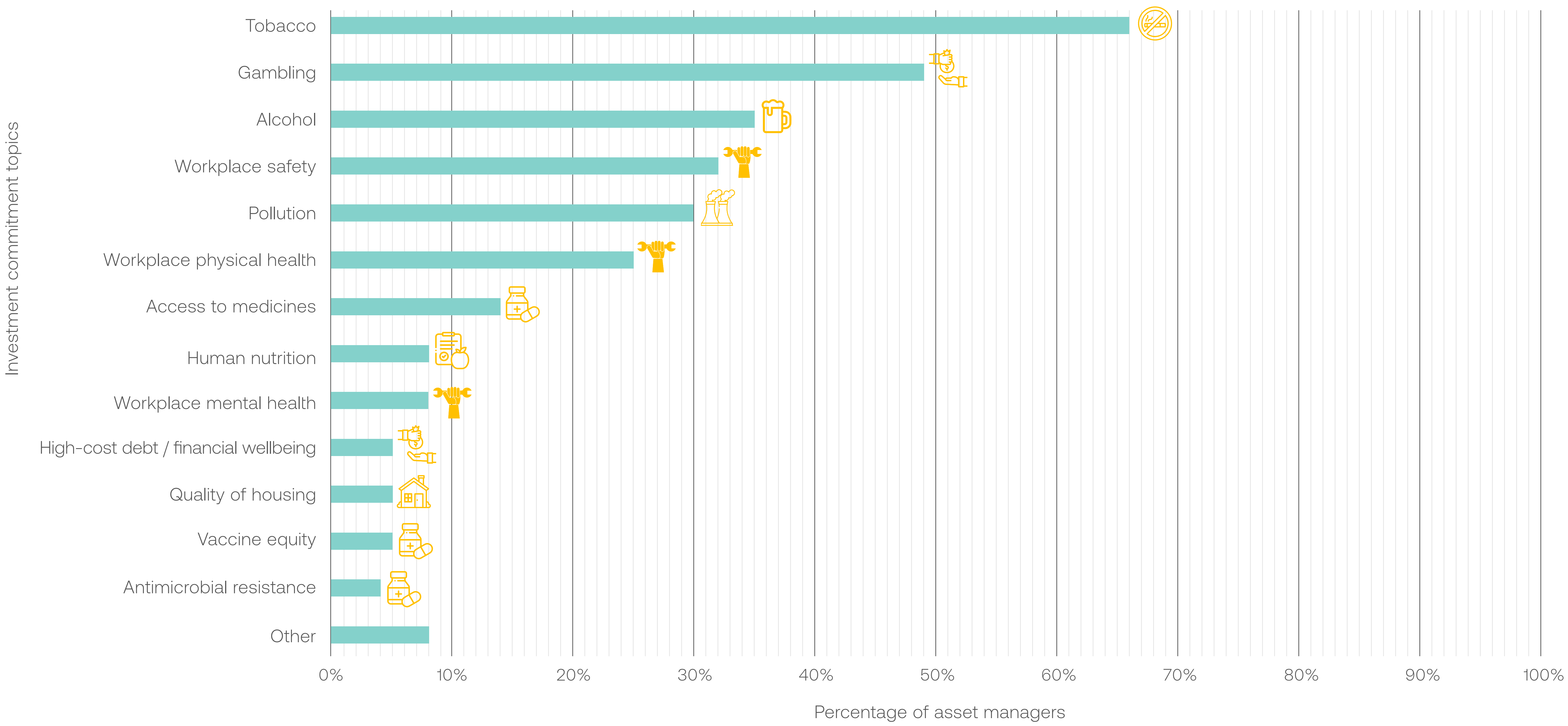
Finding 4: Asset managers largely fail to make commitments on public health; tobacco is the only health topic on which the majority made a commitment.

Millions of people's lives are limited by ill-health and health inequalities due to avoidable risk factors such as unhealthy diets, excessive alcohol consumption, poor quality jobs, and insecure housing[15]. Companies – and by extension, investors – play an important role in this. For example, businesses that are overly reliant on the sale or production of harmful products and services leave themselves increasingly exposed to risks related to regulation, tax increases, litigation, and reputational damage.

Most of the health-related commitments reported in our survey concerned the tobacco industry. 66% of asset managers reported having a tobacco-related commitment, which was usually a threshold-based or absolute exclusion (Figure 3). This was the only health topic on which the majority of asset managers made a commitment. Other well-established public health issues, such as gambling and alcohol, were not widely considered: only 49% and 35% of asset managers had a commitment on them, respectively.

The COVID-19 pandemic shone a spotlight on the links between public health and the economy. New issues, including vaccine equity, human nutrition and workplace mental health, rose up the agenda for investors. Yet fewer than 10% of asset managers made commitments on these important emerging topics. Where they did exist, such commitments were usually related to financing opportunities (such as social impact investment), company screening, and – less often – engagements that could lead to exclusions.

Figure 3: More asset managers made commitments on tobacco, gambling, and alcohol than on newer, emerging issues



Commitments on public health showed regional variance. 87% of European asset managers reported an investment policy on tobacco, compared to 56% in North America and 23% in Asia Pacific. A slightly higher proportion of asset managers based in Asia Pacific had policies on pollution, with 38% of asset managers reporting these policies, compared to 26% in Europe and 32% in North America.

Although some investors appeared to include health in their policies, very few took a holistic approach by including worker health, consumer health and community health (Box 3). However, asset managers' engagements (Chapter 2) show that this topic is growing in importance for investors, and we expect it will continue to be elevated, in part as a result of our Long-term Investors in People's Health initiative and work by other organisations such as the Interfaith Centre on Corporate Responsibility (ICCR) and CCLA Investment Management[vii].

vii In October 2022, CCLA Investment Management launched the first global corporate mental health benchmark, which evaluates how 100 of the world's largest listed companies are approaching and managing workplace mental health.

Box 3: An investor framework and guide on companies' impact on health

ShareAction has published a framework and guidance to help investors understand how health and related inequalities relate to investment. Our Investor Guide on Health centres on three pillars through which companies – and investors – can influence health:

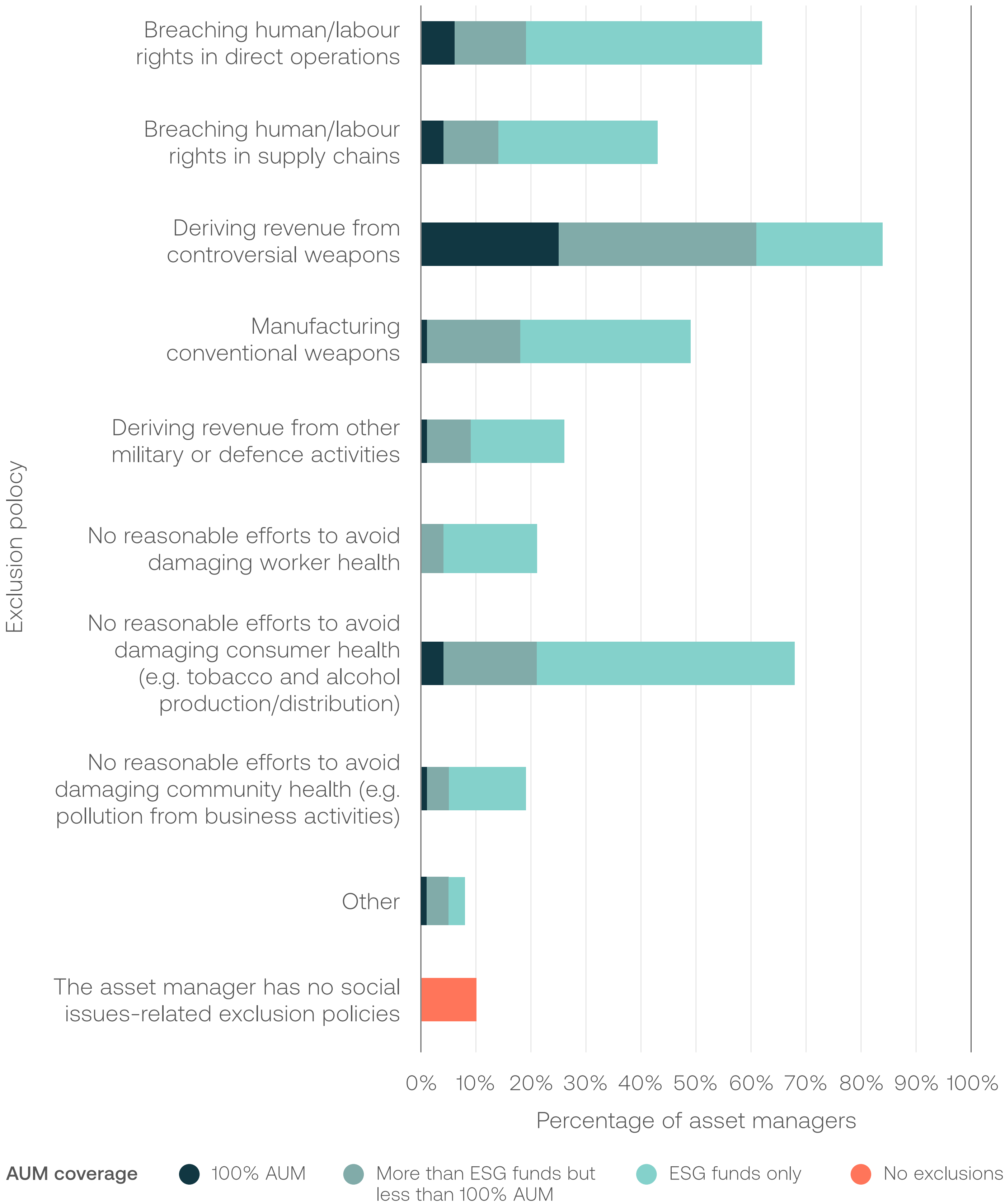
1. **Worker health.** Companies in any business sector have an influence on the health of their workers. However, poor health tends to be concentrated among workers in lower paid, precarious jobs, and those where workers have limited control and flexibility. This is an important issue in sectors such as essential retail, delivery and logistics, construction, facilities management, social care, warehousing, and food production. In multinational companies' supply chains, there are also low-paid and insecure jobs in manufacturing, agriculture, and extractive industries.
2. **Consumer health.** Companies can influence the health of their customers. This pillar includes a consideration of the products made, sold and marketed by companies and their impact on human health. Key industries include tobacco, alcohol, and food retail and manufacturing, as well as those which affect financial wellbeing and healthcare provision such as gambling, essential services, healthcare and pharmaceuticals.
3. **Community health.** Companies can also influence health by shaping the environments people live in. Pollution and other environmental side effects from business activities can affect the health of local communities. Air pollution is a particularly important health issue, relevant for the transport, construction and utilities sectors among others. The activities of agriculture, pharmaceutical, and healthcare companies most commonly shape patterns of antimicrobial resistance[16].

Asset managers can use the Investor Guide on Health to:

- identify priority health issues for action;
- develop a strategy to address these issues; and
- find issue-specific guidance on: global objectives, the investor case for action, company contribution and role, relevant sectors, investor initiatives, and existing benchmarks and metrics.

Finding 5: Asset managers' exclusion policies related to social issues rarely applied beyond ESG-labelled funds.

Figure 4: Most social-issues-related exclusion policies only applied to ESG funds



Asset managers can use exclusion policies to ensure that some or all of the assets under their management are not directed towards companies that contribute to negative social outcomes. 84% of asset managers reported having a policy to exclude companies that derive revenue from controversial weapons. This has increased by 16% since 2020; but it is concerning that 16% of asset managers still don't have such an exclusion policy, which is in line with international conventions (Box 2).

This was also the most common exclusion set by asset managers in our survey and the only type of exclusion policy that frequently applied to more than just ESG- or responsible investment-labelled funds (Figure 4). 41% of European firms reported they applied this restriction to all funds, compared to 28% in North America and 23% in Asia Pacific.

Fewer than half of asset managers reported excluding manufacturers of conventional weapons.

80% of asset managers had exclusions that went beyond weapons and military activities. However, if we don't count weapon- and military-related exclusions, the average number of exclusions per asset manager decreases from four to two, which suggests that most asset managers do not prioritise having a comprehensive set of social exclusions.

Of the 62% of asset managers that reported they exclude companies that knowingly breach human and/or labour rights in their direct operations, only 18% extended the scope of this policy beyond funds labelled 'ESG' or similar. Again, European asset managers performed best, yet the figures were low: 36% of firms based in Europe extended this policy beyond ESG-only funds, compared to 4% in North America and none in Asia Pacific. Asset managers usually reported using violation of the UN Global Compact principles (Box 1) as the basis for exclusion. Some reported that, depending on the severity or frequency of the human rights breaches, they would go through an engagement process before resorting to exclusion.

Public health-related exclusions were the least common. Only 21% and 19% of asset managers reported exclusions on the basis of worker health and community health, respectively. 68% reported they excluded companies that do not make reasonable efforts to avoid damaging consumer health – these exclusions predominantly applied to the tobacco industry. Across the regions, the coverage of public health policies was generally restricted to ESG-funds only: only 33% of European firms, 24% of firms in North America and 8% of firms in Asia Pacific extended consumer health restrictions (including on tobacco) beyond ESG-only funds.

Leading practice: Robeco's human and labour rights and health exclusions

Robeco displayed leading practice on human and labour rights-related exclusions. It reported acting in accordance with the ILO standards, the UN Guiding Principles on Business and Human Rights, the UN Global Compact principles, and the OECD Guidelines for Multinational Enterprises.

Robeco described having clear processes in place for Level 1 'Exclusions' (minimum exclusion criteria for all funds) and Level 2 'Exclusions+' (adding to Level 1 by enhancing criteria and categories in scope). If Robeco deems a company to severely breach these standards and believes engagement is possible, the company will be in scope of an enhanced engagement programme focusing on controversial international business behaviour. Companies being targeted for engagement in this programme remain eligible for investment under the Level 1 criteria, but are excluded under Level 2. If the engagement is closed successfully, the company also becomes eligible under Level 2, otherwise it is additionally excluded under Level 1.

Robeco further displayed leading practice in its other social-issues-related exclusions because of the clearly communicated level of detail:

Table 1: A selection of Robeco's exclusion policies[17]

<table>
<tr><th>Exclusion category</th><th>Measure for screening</th><th>Level 1 'Exclusions' criteria</th><th>Level 2 'Exclusions+' criteria</th></tr>
<tr><td>Controversial behaviour</td><td>ILO, UNGP, UNGC and OECD compliance</td><td>Subject to engagement[i]</td><td>Fail test</td></tr>
<tr><td>Controversial weapons</td><td>Revenues from production, key components or services</td><td>≥0%</td><td>≥0%[ii]</td></tr>
<tr><td>Military contracting</td><td>Revenues from weapon-related products or services</td><td>Not applicable</td><td>≥5%</td></tr>
<tr><td rowspan="2">Firearms</td><td>Revenues from production</td><td>Not applicable</td><td>≥5%</td></tr>
<tr><td>Revenues from retail</td><td>Not applicable</td><td>≥10%</td></tr>
<tr><td rowspan="3">Tobacco</td><td>Revenues from production</td><td>≥0%</td><td>≥0%</td></tr>
<tr><td>Revenues from retail</td><td>≥10%</td><td>≥10%</td></tr>
<tr><td>Revenues from related products/services</td><td>≥50%</td><td>≥50%</td></tr>
</table>

i Companies may be subject to engagement before exclusion. In such cases, exclusion is triggered if the engagement is unsuccessful. If engagement is deemed undesired, companies will be subject to direct exclusion. The extent to which engagement is deemed desired is based on the exclusion category and factors such as engageability, relevance, and regulatory compliance.

ii The scope under the Level 2 criteria also covers companies involved in nuclear weapons from so-called 'nuclear states' (US, UK, France, Russia and China) as defined in the Treaty on the Non-Proliferation of Nuclear Weapons (1968).

Finding 6: Fewer than a quarter of asset managers had an investment policy that considered sovereign actors engaged in human rights violations.

States are often a key source of human rights violations, and international human rights laws and norms centre on the need for states to protect individuals' rights. Despite this, investors are failing to consider sovereign actors in their investment policies.

Only 23% of asset managers – a third of European firms, compared to 20% in North America and none in Asia Pacific – reported having a policy on investments in actors engaged in human rights violations. These investments include sovereign bonds issued by countries involved in human rights violations, and corporate debt and shares of companies that are effectively controlled by – or strongly tied to – such governments. Other asset managers reported that they monitor or engage with such actors. Engagement or monitoring alone does not fit our definition of an investment policy[viii].

Where asset managers did address the issue of actors engaged in human rights violations, they mostly focused on sovereign bonds. For instance, some asset managers reported excluding bonds issued by states that rank poorly in global transparency, corruption or democracy indices. Some reported not investing in sovereign bonds issued by governments that are subject to sanctions of the UN, EU, US, or other applicable local regulators.

A few asset managers have been quick to respond to global events. For instance, in March 2022, in response to the Russia–Ukraine war, Achmea Investment Management placed Russia and Belarus on its country exclusion list, so that its funds exclude investments in Russian and Belarusian government bonds and companies with a state interest of at least 50%[18].

viii See Chapter 1 introduction.

Leading practice: AXA Investment Managers' sovereign bonds policy

As part of its ESG Standards applied to all ESG Integrated and ACT Funds, AXA Investment Managers avoids investing in debt instruments issued by countries where "the worst forms" of human right violations are observed. They exclude sovereign bonds and majority state-owned companies issuing debt and shares, from the following:

- Countries in the bottom quintile of the Civil Liberties score from Freedom House;
- Countries in the bottom quartile of the Global Slavery index from the Walk Free Foundation;
- Countries in the bottom quartile of the Child Labour index of UNICEF.

Further, AXA Investment Managers' 22 funds with the Towards Sustainability label apply additional restriction on sovereign bonds:

- Countries that have not ratified or implemented equivalent national legislation to: 1) the eight fundamental Conventions identified in the ILO's declaration on Fundamental Rights and Principles at Work; 2) at least half of the 18 core International Human Rights Treaties;
- Countries with particularly high military budgets (>4% GDP);
- Countries considered 'jurisdictions with strategic anti-money laundering/ counter-terrorist financing deficiencies' by the Financing Action Task Force;
- Countries scoring less than 40/100 on the Transparency International Corruption Perception Index;
- Countries qualified as 'not free' by the Freedom House 'Freedom in the World' survey.

Corporate engagement

2

Chapter 2: Corporate engagement

This chapter analyses asset managers' approach to corporate engagement on social themes. We surveyed the 77 asset managers on the type of approach they use (proactive or reactive, by theme, by sector, or by geography), as well as the themes on which they have engaged with companies since January 2020. We also asked them which collaborative initiatives on social issues they were members of; what their top priorities for engagement on social issues were; and how their engagement strategies have evolved over time.

Finding 7: The majority of asset managers reported conducting both proactive and reactive engagement on social issues.

Box 4: Proactive and reactive engagement on social issues

Asset managers take two distinct, but not mutually exclusive, approaches to engagement on social issues.

Reactive engagement involves engaging where issues have already occurred at investee companies, to manage material risks. It is important that asset managers have strong processes for reactive engagement in place, but it is not sufficient to rely on a reactive approach. Reactive engagement takes places after an issue has occurred, and thus focuses on mitigation rather than identification and prevention. And as a wide range of social issues are often under-reported, reactive engagement can lead to engaging with an incomplete understanding of the issue at hand.

Proactive engagement involves carrying out due diligence to identify companies whose operations may have adverse impacts on human and labour rights and public health, and then engaging to seek to prevent or mitigate any adverse impacts occurring.

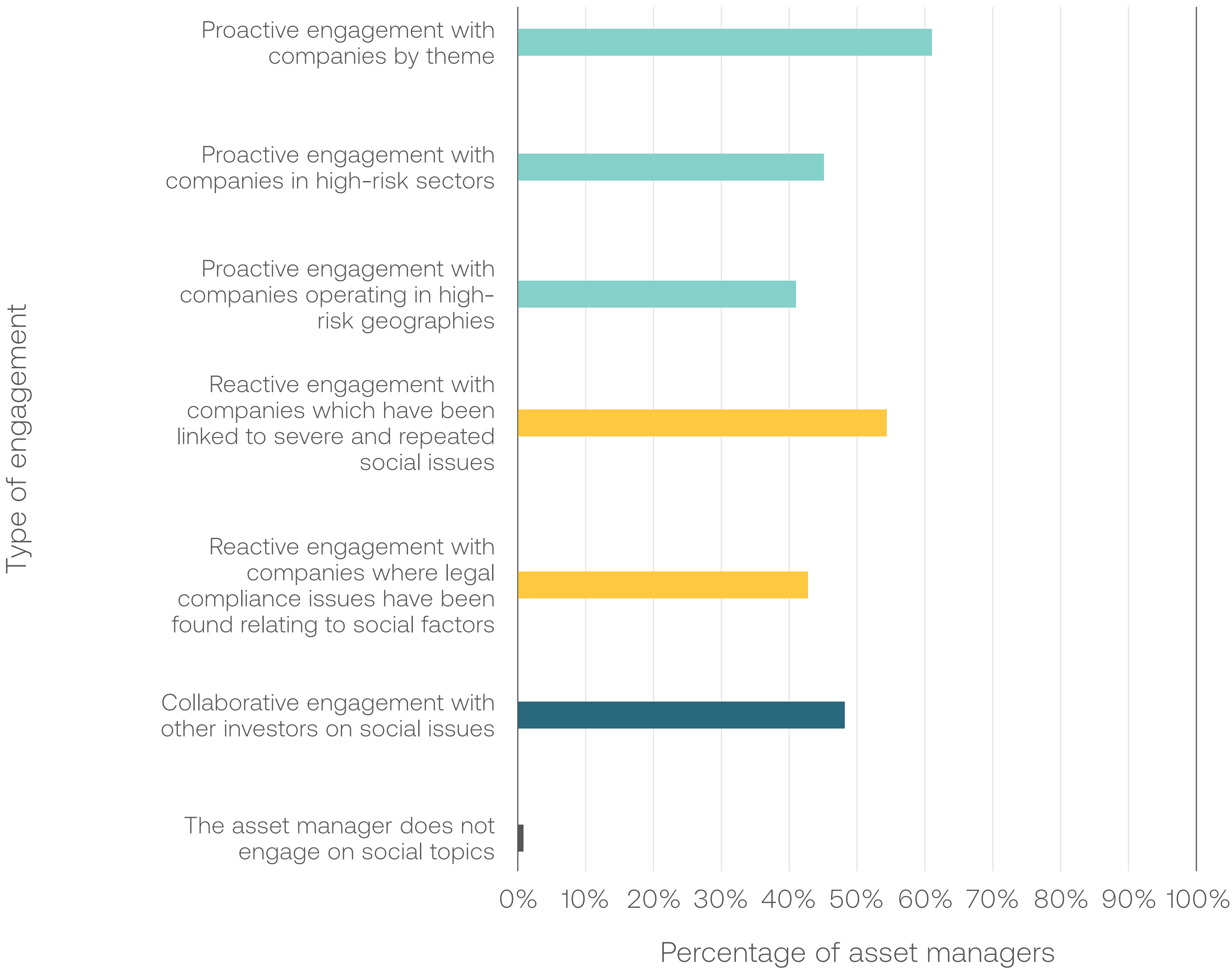
A strong approach to human rights engagement consists of both proactive and reactive engagement.

66% of asset managers reported some sort of proactive engagement, either by theme, sector or geography (Figure 5).

This forms part of a blended approach. 55% reported they were conducting reactive engagements in response to controversies, but only two said this was the sole approach that they took; both scored CC or below[ix] in our overall ranking[19].

Only 31% of asset managers in Asia Pacific reported employing proactive engagement, behind peers in Europe (77%) and North America (68%).

Figure 5: Asset managers use both proactive and reactive strategies in their engagement on social issues



ix ShareAction ranked 77 of the world's largest asset managers by performance on responsible investment, with ratings ranging from AAA through to E.

Table 2: Asset managers engaged across social themes

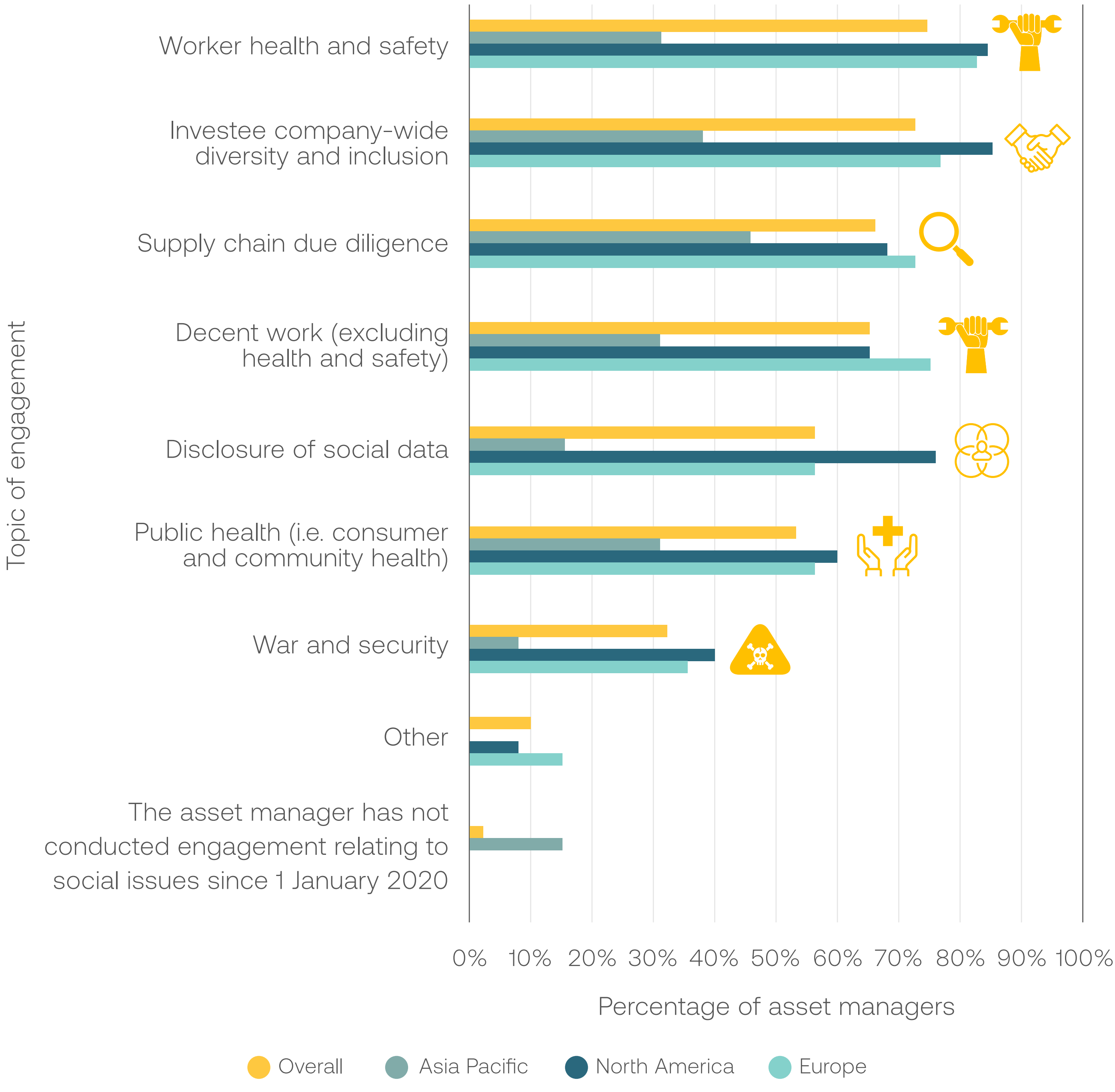
Type of engagement	Theme	Description of engagement
Reactive/ proactive	COVID-19 vaccine access	In January 2022, a coalition of investors led by **Achmea Asset Management** sent letters to major vaccine producers – Pfizer, Moderna, Johnson & Johnson and AstraZeneca – to demand greater vaccine equity. The 65 investors in the coalition held over $3 trillion in assets, and included seven of the firms in our survey[x]. The call was to link executive pay to the availability of vaccines, both to combat low COVID-19 vaccination rates in Africa and to prepare against future pandemics[20]. This engagement has seen some success: in April 2022, Moderna stated that it will link bonuses to COVID-19 vaccine access[21]. In November 2022, Achmea Asset Management led a similar coalition to extend this ask to 11 additional pharmaceutical companies, and announced it will vote against resolutions on pay at pharmaceutical companies unless they are linked to vaccine access goals[22].
Proactive	Technology and data privacy	**AXA Investment Managers** identified Meta – the parent company of Facebook, Instagram and WhatsApp – as an engagement target. The focus for this engagement, conducted via private meetings and collaborative investor initiatives, was to strengthen board oversight of data privacy and human rights issues, increase transparency and reporting on these risks, and take concrete steps to address recurrent related controversies[23]. Despite some progress – in particular in the implementation of some AXA Investment Managers' objectives, such as an oversight board – in absence of satisfactory steps to tackle responsible technology issues, AXA Investment Managers has escalated the engagement. The firm has co-filed a shareholder resolution related to publication of a Human Rights Impact Assessment that will be re-submitted to vote at Meta's 2023 AGM.
Proactive	Consumer health	**China Asset Management** identified that a producer of baijiu (Chinese liquor) was not disclosing several environmental and social risks, including those related to packaging waste, climate change and alcohol marketing practices. The asset manager started an engagement with this company, and as a result the company enacted a number of changes, including disclosure of ESG risks and implementing more responsible marketing[24].

x Achmea Investment Management, Aegon Asset Management, Candriam (subsidiary of New York Life Investments), Nomura Asset Management, Nordea Asset Management, PGGM Investments, and Robeco.

Finding 8: Asset managers prioritised worker health and safety and diversity and inclusion in their engagements.

We asked asset managers what social topics they had engaged on since 2020, and what three topics they had prioritised. Nearly three-quarters reported that they had focused on worker health and safety and diversity and inclusion. Generally, proportionally more European and American asset managers engaged on social issues across the board compared to those based in the Asia Pacific region (Figure 6).

Figure 6: Worker health and safety and diversity and inclusion were the most common topics of engagement



These were also the social issues that asset managers reported prioritising – over 40% of firms cited at least one of the following topics as a priority: diversity and inclusion, worker health and safety, and income inequality and good work (Table 3). Asset managers often stated that the reason they prioritised these topics was to ensure better financial returns.

Table 3: Asset managers' priority topics for engagement

Priority topic	Reasons for prioritising this topic	Percentage of asset managers (out of the 63 that provided priorities)
Diversity and inclusion	Asset managers focused on board diversity, employee diversity and inclusion, and gender equality and pay equity. They often referenced research suggesting that (board) diversity brings better financial performance, risk management, or more 'dynamic' decision making as the motivation for prioritising this topic. Some acknowledged that boards that lack diversity represent a potential risk to companies' competitiveness. One respondent highlighted that **"at a high level, the composition of the average company board does not yet reflect the diversity of the stakeholders these companies represent — their employees, customers, suppliers, communities, or investors."**	22%
Worker health and safety	Asset managers said ensuring that companies have comprehensive health and safety policies – that cover both physical and mental health – was an important engagement priority. Several respondents explained that the COVID-19 pandemic was a catalyst for conversations with companies about how they keep their employees safe and healthy. Seeing the economic consequences of the pandemic, asset managers wish to ensure future risk resilience. One respondent described this as a **"crucial topic that should be treated as an integral part of a company's business strategy."** A few respondents cited research suggesting that better workforce health is associated with better employee engagement and better business performance.	11%
Income inequality and good work	The reasons firms cited for prioritising engagements around inequality, living wages and good work were not as detailed as for the other topics. However, a general sentiment expressed was that companies need to continue to improve on these topics in order to align with the Sustainable Development Goals. One respondent stated that **"a more equitable and sustainable distribution of value ensures the long-term stability and resilience of societies and ecosystems,"** while another expressed that this issue is particularly important for US companies for their ESG performance and competitive advantage.	10%

There is a noticeable contrast between the topics firms identify as challenges and those they engage on. Of the asset managers who identified the biggest obstacle preventing them responding to social issues, half said this was the lack of data availability, transparency, and standardisation. Yet only 6% reported that data availability was one of their priorities for engagement.

Finding 9: Asset managers who were members of collaborative engagement initiatives performed better than those who were not, but many members are yet to implement the principles of some of these initiatives in their investment policies.

Membership of a collaborative engagement initiative can be a strong first step for managers looking to increase their understanding of and impact on social issues. Asset managers that were members of at least one such initiative generally performed better in our survey than those who were members of none. Those with no memberships all scored B or below in our overall ranking.

Although the majority of members of these initiatives engage on relevant social topics, significantly fewer have investment policies that address them. For example, 74% of signatories of the Access to Nutrition Initiative in our survey engaged on public health, but only 11% had investment policies on human nutrition. Similarly, 69% of members of the Access to Medicine Foundation engaged on public health, but only 22% had an investment policy on vaccine access or access to medicine.

Finding 10: Asset managers' plans for 2023 highlighted the Just Transition and supply chains.

We asked asset managers how their engagement strategy has evolved in recent years, and what changes they expect in the near future. Eight firms reported that they were developing approaches to engagement on the Just Transition[xi], the most frequently referenced topic by the 31 asset managers that answered this question.

Five asset managers reported that they were broadening their engagements to focus on supply chains. Two firms referenced legislation as a driver of this. In recent years, several EU countries, including Germany[25] and France[26], have introduced environmental and human rights regulation on the duty of companies to identify, prevent or mitigate and account for adverse impacts on public health and human and labour rights. The proposed EU Corporate Sustainability Due Diligence Directive is likely to impose similar requirements on large companies, including financial companies, operating in the EU internal market. Due to the scope of this directive, this is expected to have an effect on large companies globally, including many of the asset managers in our survey[27].

xi A Just Transition is a fair and inclusive process that prioritises the social needs of workers, communities, consumers and citizens affected by the transition to a net zero economy.

Risk analysis, management, and mitigation

3

Chapter 3: Risk analysis, management, and mitigation

This chapter analyses how asset managers integrate social considerations into their risk analysis, management and mitigation practices. We examine whether asset managers rely on third-party data providers for data to assess companies' social impacts and whether they use in-house methodologies; and we analyse the metrics they use to conduct such assessments. We also determine the extent to which asset managers carry out analyses to determine the financial risks from public-health-related issues. Lastly, we investigate what asset managers perceive to be the biggest gaps in their response to social issues, and what capacity developments they need to be able to address these.

Finding 11: Over two-thirds of asset managers integrated third-party data on social issues into an in-house assessment methodology, but important metrics were often left out.

Asset managers can obtain and integrate data on social topics into their analysis of investee companies and risk frameworks in various ways. They may use information from data providers (such as MSCI and Sustainalytics) or from the NGO sector, and they may integrate this data into an in-house assessment methodology.

Over two-thirds (71%) of asset managers reported integrating third-party data into an in-house assessment methodology. Only 4% reported relying solely on data from data providers – without integrating this into an in-house methodology – to assess companies' social impacts.

30% of asset managers reported using data or rankings produced by the NGO sector; none reported relying solely on NGO data. Examples of NGO data providers they used include the Access to Medicine Index, the Access to Nutrition Initiative Index, the Corporate Human Rights Benchmark, the FAIRR Index, KnowTheChain, the Ranking Digital Rights Index, and the Workforce Disclosure Initiative.

Only 13% of asset managers did not disclose any details of their assessment methodology; and 8% were among the survey's non-respondents.

While the majority of asset managers now have a proprietary methodology for assessing and scoring companies' impacts, many of these methodologies do not include some important indicators, such as the proportion of contingent workers, wage data, or ethnicity pay gap data. In general, asset managers based in North America used social indicators more than those in other regions (Table 4).

While we recognise that some companies do not yet disclose all these social indicators, it is important for asset managers to encourage their investee companies to consistently collect, monitor, and disclose these and other indicators[xii].

Table 4: No social metric is measured by more than half of the 77 asset managers, aside from workforce diversity

Social topics	Common indicators	Percentage of asset managers who assess this	Percentage of asset managers in Europe	Percentage of asset managers in North America	Percentage of asset managers in Asia Pacific
Diversity	Gender pay gap	43%	49%	52%	8%
	Ethnicity pay gap	26%	23%	44%	0%
	Workforce diversity	65%	67%	72%	46%
Labour rights	Workforce unionisation	45%	51%	56%	8%
	Number of grievances raised/resolved	32%	31%	48%	8%
Human capital	Staff turnover	48%	49%	52%	38%
	Wage data	40%	38%	48%	31%
	Proportion of third-party/agency/otherwise contingent workforce	22%	23%	32%	0%
Social audit data		25%	26%	32%	8%

xii Asset managers can join collaborative investor initiatives that encourage companies to disclose social data, such as the Workforce Disclosure Initiative (see Finding 14).

Leading practice: Strong social focus in abrdn's ESG scoring methodology

Leading asset managers are integrating third-party data in proprietary platforms and assessing impact in line with goals and frameworks, such as the Sustainable Development Goals. Leaders in this area are also working to tackle data limitations by supporting reporting initiatives such as the Corporate Human Rights Benchmark, Investor Alliance on Human Rights, the UNGP Reporting Framework, and the Workforce Disclosure Initiative.

abrdn offers an example of leading practice due to its transparent ESG house score methodology. Its operational score for companies has a strong focus on human rights and stakeholders (4 areas) and labour management (3 areas). Air quality is also included in the climate portion of the score (Figure 7). The weighting of these areas is based on an ESG sector specialist's view of how significant the risk is for particular sectors and geographies.

Figure 7: abrdn's ESG house score methodology

ESG Score

Operational score				Governance score	
Climate Change	**Environment**	**Labour Management**	**Human Rights & Stakeholders**	**Corporate Behaviour**	**Corporate Governance**
GHG Emissions & Resilience	Water & Wastewater	Labour Practices	Human Rights & Communities	Controversies	Board Issues
Air Quality	Waste Management	Employee Health & Safety	Privacy & Data Security	Polices & Practices	Accounting & Audit
Energy Management	Supply Chain & Materials	Engagement & Diversity	Product Quality & Customer Welfare		Remuneration
	Ecological Impacts		Supply-Chain		Ownership & Control

Source: abrdn (2021)

Finding 12: Nearly two-thirds of asset managers did not report conducting regular direct reviews of social issues in companies' supply chains.

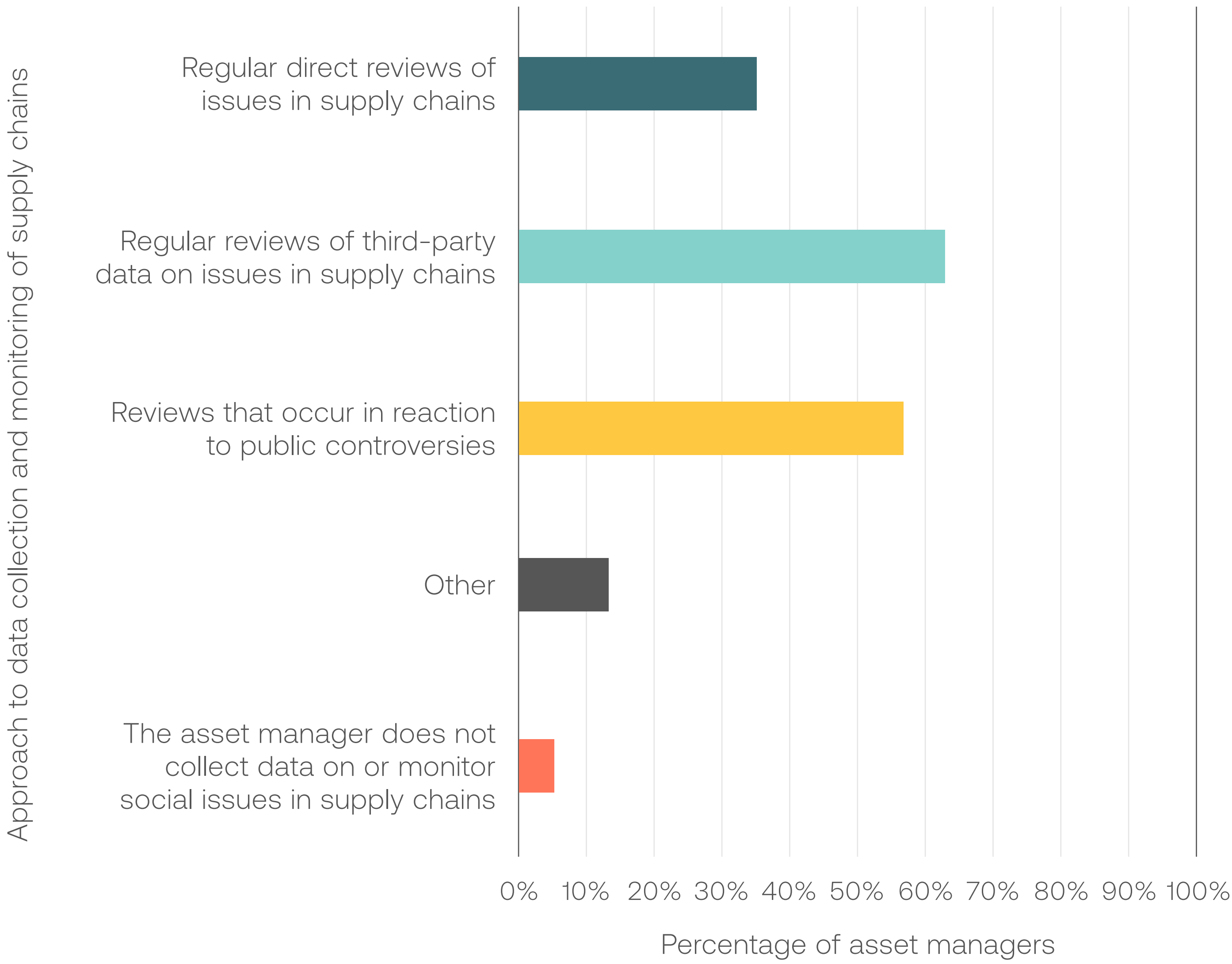
We asked asset managers how they collect data on and/or monitor social issues in investee companies' supply chains. Just over a third (35%) reported conducting regular direct reviews of issues in supply chains[xiii] (Figure 8), and they all reported doing this in addition to another method of reviewing supply chain issues. 62% of asset managers reported conducting regular reviews of third-party data on supply chain issues. And 57% reported conducting reviews in reaction to public controversies; of these, 9% reported *only* reviewing issues on a reactive basis.

Only four asset managers (5%) stated that they do not monitor social issues in investee companies' supply chains in any way.

It is important that asset managers are aware of the risk that information from third-party data providers about flagged incidents and allegations can be out of date and therefore may under-represent positive actions taken by a company[28]. Regulation such as the EU Corporate Sustainability Due Diligence Directive is likely to increase requirements on supply chain monitoring, both in the EU and globally (Finding 10).

xiii We define 'regular direct reviews of issues in supply chains' to broadly encompass activities where asset managers – or, more specifically, their supply chain specialists or analysts – investigate their investee companies' suppliers using primary data, as far as possible.

Figure 8: Reviewing third-party data was the most commonly reported method of monitoring supply chain issues



Finding 13: Public health was rarely included in asset managers' financial risk analysis.

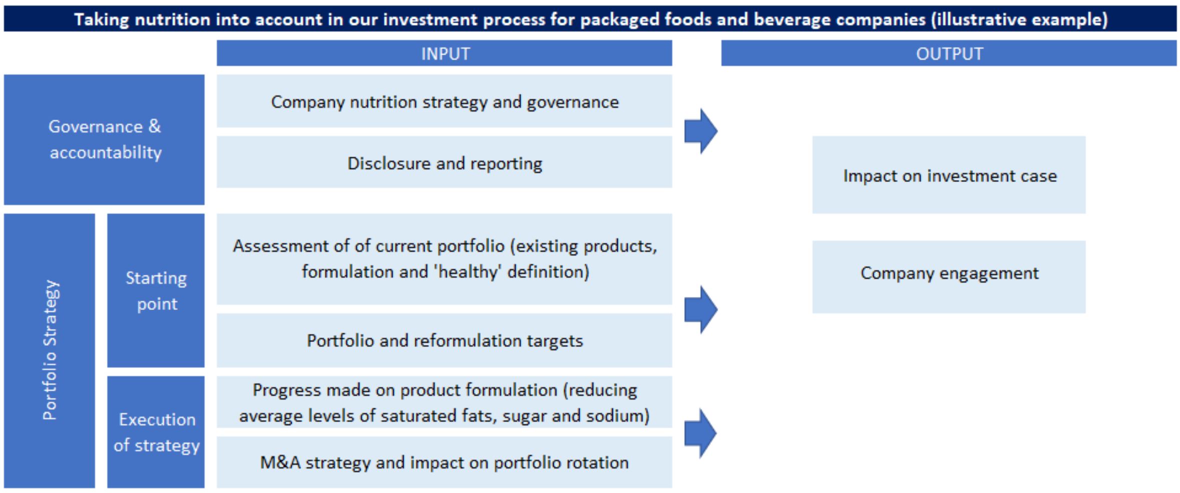
Despite the enormous impact that the COVID-19 pandemic has had on the economy and on society, only 12 asset managers (21% of European firms, 12% of firms in North America and 8% of firms in the Asia Pacific region, 16% overall) reported carrying out analysis to determine the financial risks public health-related issues posed to their portfolios. Most of the examples they provided were about measuring the impact of the COVID-19 pandemic, as well as the impact of other health crises, such as the opioid crisis in the US, on portfolios.

We asked asset managers what actions they had taken as a result of their analysis; however, only five provided a detailed response. This raises questions about whether firms are integrating their risk analyses into investment and engagement decisions, and whether health is holistically factored into asset managers' strategies.

Leading practice: Legal & General Investment Management's work on health and nutrition

Legal & General Investment Management ('LGIM') considers nutrition as a factor both in its investment process and its engagements with companies (Figure 9). The Active Strategies team factors the issue into its assessment of packaged food and beverage companies. It believes "companies with high revenue exposure to unhealthy products are more likely to face the dual headwinds of increasing regulation and limitations on marketing of unhealthy foods"[29].

Figure 9: How LGIM takes nutrition into account in investment and engagement decisions



Source: LGIM (2023).

LGIM's Investment Stewardship team worked with ShareAction on engaging with Tesco plc, helping to prompt the retailer to set a nutrition target. Tesco plc has pledged to derive 65% of total sales from healthy products by 2025. LGIM also works with the Access to Nutrition Initiative to engage with the world's 20 largest listed food and beverages companies on their nutrition strategies.

Finding 14: Asset managers see data availability as the biggest barrier limiting their response to social issues.

We asked asset managers what they saw as the biggest obstacle preventing them responding to social issues; and what changes they need in their capacity to be able to address this. Only 38 answered this question, and half of them said that the lack of data availability, transparency, and standardisation limited their response to social issues (Table 5). The next two most commonly reported gaps were in asset managers' own knowledge and capabilities on social issues, and external stakeholders' prioritisation of social issues.

Given the importance of addressing social issues globally, investors should not let data limitations prevent them from progressing their work on these topics.

In November 2022, the Principles for Responsible Investment (PRI) published useful case studies of 'promising practices' by firms that are making progress on social issues while using imperfect data – showing that incomplete or nonexistent data points do not entirely prevent engagement and assessment from taking place[30]. For example, to understand companies' inherent human rights risks, an investor reported "experimenting with analysing business model-driven risks to people as part of its screening process." For instance, data-driven business models (which increase privacy risks) or fast-fashion ones are inherently associated with greater human rights risks. Moreover, acknowledging the data challenges of human rights due diligence (HRDD), some investors "agree KPIs with investees as part of actions plans to move companies from high- to lower-risk thresholds. Such KPIs sometimes reflect an agreement that the company will take HRDD steps that investors see as meaningful"[31].

Asset managers can also play an important role in encouraging companies to disclose social data. One way they can do this is by joining collaborative investor initiatives that aim to improve corporate transparency and accountability on social issues, such as the Workforce Disclosure Initiative. Through its annual survey and engagement programme, the Initiative generates new data on workforce practices, which signatories integrate into their investment analysis. In 2021, 173 global companies took part in the Initiative[32].

Table 5: The barriers most often reported by asset managers

Topic	Summary of barriers identified	Percentage of asset managers (of 38 that provided answers)
Data availability and standardisation	**Asset managers reported the lack of availability, integrity, transparency, and standardisation of data on social issues was the biggest barrier to their response.** This was often compared to climate data, which is increasingly available and standardised across companies. Some asset managers said that they focus their efforts on board diversity because this is the only social topic on which data is consistently available. Some managers said they were working with their research teams, clients and external stakeholders to resolve data gaps and promote transparency. However, most asset managers claim that a lack of industry-wide standardisation of the data that companies should disclose slows down progress.	50%
Knowledge and capabilities on social issues	**Asset managers reported having a limited understanding of relevant social issues and their financial materiality, especially compared with climate issues.** One respondent said that the links between social tipping points and the potential knock-on impacts on our ability to deal with climate change and biodiversity loss are not understood in the industry. Several asset managers reported they aim to improve their capabilities on social themes.	18%
External stakeholders' prioritisation of social issues	**Asset managers felt that environmental issues – especially climate – are prioritised over social issues, particularly by clients, regulators, and government and industry bodies.** There is much less urgency when it comes to tackling social issues. Some firms said that this translates into a lack of clear guidelines and specialised resources on social issues. Some respondents reported feeling a lack of consensus and evidence on social issues, which makes it difficult for the asset management sector to take a coordinated approach. One said that they needed "the equivalent of an IPCC/IPBES[xiv] on social [issues]".	16%

xiv They were referring to the International Panel of Climate Change and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

Recommendations

Recommendations

We make the following recommendations based on the findings in this report.

For asset managers

The asset management sector largely fails to adequately address human rights and wider social issues. The sector must show more robust policies and practices on these issues. Asset managers need a stronger and more consistent approach to mitigating and avoiding the negative impacts their investee companies have on society, including through human and labour right abuses and public health impacts.

Strategies and policies

- Develop and publicly disclose a dedicated social-issues-related investment policy that covers all portfolios under management. This should set out the asset manager's approach to integrating social concerns (including human rights, labour rights and public health concerns) into their investment decisions.
- Ensure the engagement and escalation framework includes consequences (such as the exclusion of holdings where possible) for companies that are knowingly in breach of human rights and/or labour rights in direct operations or in supply chains, as well as for companies that do not make reasonable efforts to avoid or reduce negative public health impacts.
- Develop a specific investment policy on actors engaged in human rights violations (e.g. sovereign bonds issued by countries involved in human rights violations, and corporate debt and shares of companies which are strongly tied to such governments).
- Develop a controversial weapons exclusion policy, covering companies involved in the production of whole weapons systems, delivery platforms, parent companies, and investors in these companies, across all portfolios under management. Policies should cover the weapons outlined in key international treaties[xv].
- Publish a clear policy covering all portfolios under management for investments in conventional weapons manufacturers, detailing 'red lines' for escalation and exclusion.

xv These include: the 1968 Treaty on Non-Proliferation of Nuclear Weapons; the 1972 Biological and 1997 Chemical Weapons Conventions; the 1981 Convention on Certain Conventional Weapons; the 1997 Ottawa Treaty (covers anti-personnel landmines); the 2008 Convention on Cluster Munitions; the 2014 Arms Trade Treaty; and 2017 Treaty on the Prohibition of Nuclear Weapons.

Corporate engagement

- Set targets (with a clear escalation strategy) and report on engagement with investee companies on a broad range of social topics.

Risk analysis, management and mitigation

- Assess the social performance of investee companies, using in-house and third-party data, and metrics that include, but are not limited to: ethnicity and gender pay gap, staff turnover, social audit data, workforce unionisation, workforce diversity, wage data, and grievances raised/solved.
- Monitor social issues in the supply chains of investee companies by conducting regular direct reviews of issues and regular reviews of third-party data.

For asset owners

Asset owners are key in raising standards across the asset management industry. As the direct representatives of investors and savers, they have an interest in ensuring that asset managers adequately reflect the growing desire of beneficiaries to have their money managed responsibly. Part 1 in this report series contains recommendations on investment practices. Asset owners should also examine their asset managers' practices on social topics, and hold managers to account when they fall short.

- Strengthen due diligence of asset manager selection by reviewing performance on social themes and the real-world social impact of their investment and stewardship activities.
- Firmly embed clear and specific expectations on the integration, reporting and scope of social issues into investment management agreements.
- Be aware that asset managers signing up to social-issues-related collaborative initiatives does not itself represent a fit-for-purpose responsible investment approach and can be used to mask inactivity. Encourage asset managers to actively participate in collaborative initiatives and to disclose details of their contribution to these initiatives. Participation key performance indicators (KPIs) should be included in the asset manager–asset owner contract.
- Require asset managers to regularly report on how they are managing social issues at all stages of the investment process and engagement activities, including through case studies, clear engagement priorities, detail of progress of ongoing engagements and quantitative assessments of actions and outcomes.
- Use KPIs to measure asset managers' performance, challenge them, and be prepared to end mandates for those who do not live up to pre-established expectations on social policies and practices.

- Asset owners who are also shareholders in asset management companies should use their shareholder influence via voting or engagement to address poor performance on social issues.

For investment consultants

Investment consultants must be informed on asset managers' social policies and practices so they can match clients with the most appropriate firms.

- Regularly meet with recommended asset managers and monitor social-issues-related policy commitments and stewardship activity to ensure up-to-date knowledge.
- Engage asset managers directly where social-issues-related investment decisions or stewardship activities are not in line with stated policies, or are substandard.
- Do not recommend asset managers to clients where their performance on social issues is substandard.
- Encourage asset managers to improve both disclosure and performance on social themes.

For policy makers

Asset managers require greater clarity on the legal requirements that exist for investors and companies on social issues. Comprehensive regulation can play an important role in levelling the playing field between asset managers that have implemented international frameworks such as the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights and those that haven't. It also has a role in clarifying how they should balance their fiduciary duty constraints and the need to actively mitigate impacts on people and planet.

- Introduce or strengthen legislation for mandatory environmental and human and labour rights due diligence for companies – in their own operations and throughout the value chain – with a focus on how to make this useful for investors and other stakeholders.
- Introduce or strengthen legislation for mandatory environmental and human and labour rights due diligence for investors.
- Develop a social taxonomy as part of sustainable finance regulation, to guide investors by classifying which economic activities can be considered 'socially sustainable'[33].
- Ensure that regulators' assessments of greenwashing claims go beyond 'green' investments to cover misleading claims on social sustainability too[xvi].

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xvi For example, the Financial Conduct Authority in the UK is due to introduce a general anti-greenwashing rule for all asset managers. We have urged them to clarify that this should cover all misleading ESG claims – not just those relating to climate.

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About ShareAction

ShareAction is a NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide. We mobilise investors to take action to improve labour standards, tackle climate change and address pressing global health issues. Over 15 years, ShareAction has used its powerful toolkit of research, corporate campaigns, policy advocacy and public mobilisation to drive responsibility into the heart of mainstream investment. Our vision is a world where the financial system serves our planet and its people.

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