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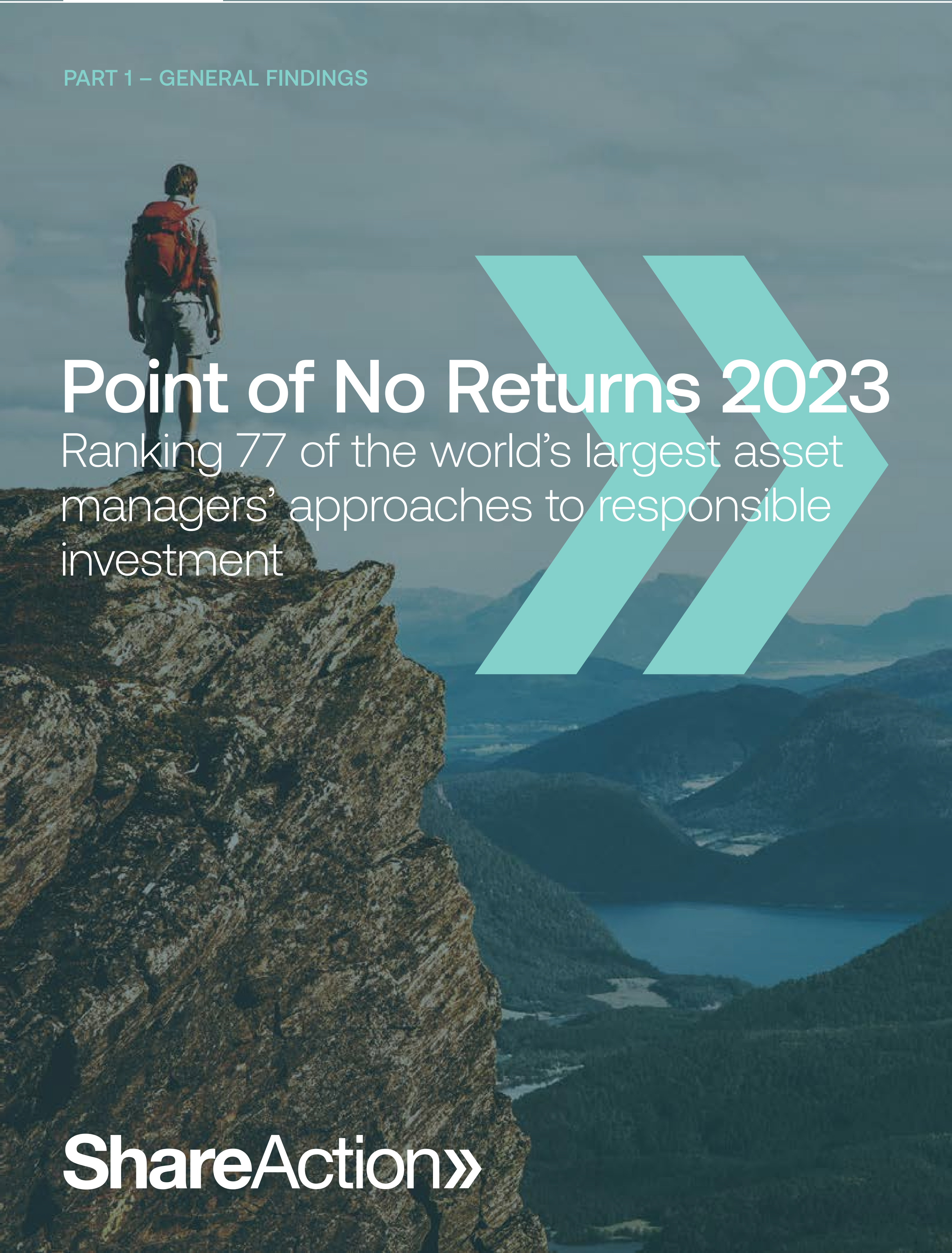
PART 1 – GENERAL FINDINGS



Point of No Returns 2023

Ranking 77 of the world's largest asset managers' approaches to responsible investment

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.

Visit shareaction.org or follow us on Twitter and Instagram @ShareAction to find out more.

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Chapter 1: Executive summary

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ShareAction's 2023 *Point of No Returns* reports assess the policies and practices of 77 of the world's largest asset managers across a range of environmental and social themes. This is the first in the series. The *Point of No Returns* reports complement our other sector specific benchmarks on insurers (*Insuring Disaster* 2021[i]) and European banks (*In Debt to the Planet* 2022[ii]).

In this report, we provide the overall rankings and a heatmap of asset managers' responsible investment performance across five areas: governance, stewardship, climate, biodiversity, and social issues. We also present the most striking trends and patterns in performance.

We found that:

Finding 1: Only four asset managers received an AA or A grade for their approach to responsible investment, while 35% of assessed managers received a D or E grade.

Finding 2: There was a wide variation in performance across the sector, with only a small number of asset managers performing consistently well across all themes.

Finding 3: Some asset managers have shown sharp changes in performance since 2020.

Finding 4: The worst performers in our survey manage a disproportionately large volume of assets and include four of the world's five largest asset managers.

Finding 5: A passive investment style is not a barrier to having a leading approach to responsible investment.

Finding 6: A focus on specific asset classes is not a barrier to responsible investment performance.

Finding 7: European asset managers lead the way on responsible investment compared to their North American and Asia Pacific peers.

Finding 8: Despite improvements in some areas, biodiversity continues to lag behind other aspects of our benchmark.

Much can and must be done to raise the standards of responsible investment across the asset management industry. Future reports in this series will analyse each of the themes covered in more detail and give examples of leading practice in specific areas.

Introduction

We urgently need to address the world's interconnected human and natural crises. The global cost of living crisis has highlighted this: inflation has soared to multi-decade highs, and the global economic outlook has suffered from geopolitical, social, and ecological shocks[iii]. These are not easy problems to address.

Asset managers can, and do, play an important role in these issues. They are custodians of a vast amount of global wealth and stewards of many influential corporations. They must demonstrate proactive stewardship of the companies in which they invest, in the best interests of the people whose wealth they look after and other affected stakeholders. International frameworks such as the Paris Agreement[iv], the Sustainable Development Goals[v], the UN Guiding Principles of Business and Human Rights[vi], and the post-2020 Global Biodiversity Framework[vii] require a stewardship approach that looks beyond financial risk and incorporates responsibility and accountability for the real-world impacts of investments.

In this report, we rank the responsible investment policies and practices of 77 of the world's largest asset managers. We assess the ambition, scope, and transparency of these firms' approaches to responsible investment, to help determine how far they are safeguarding against key social and environmental risks. We also review progress since our last benchmarking of asset managers in our 2020 *Point of No Returns* report[viii]. You can find more detail on many of these asset managers' voting records on shareholder resolutions on environmental and social topics in our 2022 *Voting Matters* report[ix].

The methodology chapter explains how the benchmarking was carried out.

How to use this report

This report includes a table ranking the asset managers and an analysis of their overall performance on responsible investment issues. The following four reports in this series will offer more detailed insights into how the 77 firms are managing risks and impacts related to governance and stewardship, climate, biodiversity, and social issues.

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.

Chapter 2: Ranking and performance

Chapter 2: Ranking and performance

Heat-map key: section % scores
- 87.5 > 100
- 75 > 87.5
- 62.5 > 75
- 50 > 62.5
- 37.5 >50
- 25 > 37.5
- 12.5 > 25
- 0 > 12.5

Table 1: Ranking 77 of the world's largest asset managers across responsible investment themes

Rank	Change vs. 2020	Asset manager	Rating	Governance	Stewardship	Climate	Biodiversity	Social	Assets under management[1] (US$ billion)	Country	Region	Strategy type	Asset Class Specialism
1	0	Robeco	AA						215	Netherlands	Europe	Active	Mixed
2	0	BNP Paribas Asset Management	A						755	France	Europe	Active	Mixed
3	2	Aviva Investors	A						499	UK	Europe	Active	Mixed
4	-1	Legal & General Investment Management	A						2,065	UK	Europe	Mostly Passive	Mixed
5	2	Schroders	BBB						1,064	UK	Europe	Active	Mixed
6	N/A	MN	BBB						214	Netherlands	Europe	Mostly Active	Mixed
7	4	AXA Investment Managers	BBB						1,048	France	Europe	Active	Mixed
8	N/A	Swedbank Robur	BB						204	Sweden	Europe	Active	Mixed
9	51	SEB Investment Management	BB						256	Sweden	Europe	Mixed	Mixed
10	2	Nordea Asset Management	BB						310	Finland	Europe	Data Not Found	Mixed
11	N/A	New York Life Investments	B						662	US	North America	Active	Mixed
12	7	DWS Group	B						968	Germany	Europe	Mostly Active	Mixed
13	58	J.P. Morgan Asset Management	B						2,945	US	North America	Active	Mixed

1 AUM as at 31 December 2020, according to the 2021 IPE supplement

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Rank	Change vs. 2020	Asset manager	Rating	Governance	Stewardship	Climate	Biodiversity	Social	Assets under management[1] (US$ billion)	Country	Region	Strategy type	Asset Class Specialism
14	8	Pictet Asset Management	B						252	Switzerland	Europe	Active	Mixed
15	-3	HSBC Global Asset Management	B						611	UK	Europe	Active	Mixed
16	12	Ostrum Asset Management	B						540	France	Europe	Active	Mixed
17	-2	Amundi Asset Management	B						2,112	France	Europe	Mostly Active	Mixed
18	45	T. Rowe Price	B						1,763	US	North America	Active	Mixed
19	-3	abrdn	B						623	UK	Europe	Active	Mixed
20	44	Santander Asset Management	B						221	Spain	Europe	Active	Other
21	-12	M&G Investments	B						387	UK	Europe	Active	Mixed
22	N/A	Achmea Investment Management	B						248	Netherlands	Europe	Data Not Found	Mixed
23	-17	Aegon Asset Management	CCC						475	Netherlands	Europe	Data Not Found	Mixed
24	8	Nomura Asset Management	CCC						612	Japan	Asia Pacific	Mixed	Mixed
25	34	Deka Investment	CCC						375	Germany	Europe	Active	Mixed
26	-22	APG Asset Management	CCC						700	Netherlands	Europe	Active	Mixed
27	-4	Union Investment	CCC						471	Germany	Europe	Active	Mixed
28	15	Fidelity International	CCC						480	UK	Europe	Active	Mixed

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29	-3	Columbia Threadneedle Investments	CCC						546	US	North America	Data Not Found	Data Not Found
30	16	Invesco	CC						1,348	US	North America	Mostly Active	Mixed
31	N/A	PGIM Fixed Income	CC						1,029	US	North America	Active	Fixed Income
32	-8	AllianceBernstein	CC						685	US	Europe	Active	Mixed
33	0	UBS Asset Management	CC						1,086	Switzerland	Europe	Mixed	Mixed
34	-24	PGGM Investments[2]	CC						327	Netherlands	Europe	Mixed	Mixed
35	-8	Asset Management One	CC						526	Japan	Asia Pacific	Mixed	Mixed
36	-28	NN Investment Partners[2,3]	CC						368	Netherlands	Europe	Mostly Active	Mixed
37	-16	Nuveen Asset Management	CC						1,150	US	North America	Mostly Active	Mixed
38	-9	Zürcher Kantonalbank	CC						216	Switzerland	Europe	Mixed	Mixed
39	9	Sumitomo Mitsui Trust Asset Management	C						1,058	Japan	Asia Pacific	Mostly Passive	Mixed
40	-7	Generali Insurance Asset Management	C						703	Italy	Europe	Active	Mixed
41	10	MFS Investment Management	C						607	US	North America	Active	Listed Equity
42	-7	Wellington Management	C						1,289	US	North America	Active	Mixed

2 This asset manager chose not to verify the data ShareAction provided.
3 NN Investment Partners was acquired by Goldman Sachs in April 2022. However, at the time of our data collection, the policies and reports available were separate, so we have ranked them separately here.

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Rank	Change vs. 2020	Asset manager	Rating	Governance	Stewardship	Climate	Biodiversity	Social	Assets under management[1] (US$ billion)	Country	Region	Strategy type	Asset Class Specialism
43	10	Goldman Sachs Asset Management[2]	C						1,952	US	North America	Active	Mixed
44	-8	Nikko Asset Management	C						284	Japan	Asia Pacific	Passive	Mixed
45	10	Macquarie Asset Management	C						424	Australia	Asia Pacific	Active	Mixed
46	-4	Baillie Gifford	C						489	UK	Europe	Active	Listed Equity
47	-6	Royal London Asset Management	C						203	UK	Europe	Active	Mixed
48	-8	Insight Investment[2]	C						1,262	UK	Europe	Data Not Found	Mixed
49	-11	Eurizon Capital	C						422	Italy	Europe	Active	Mixed
50	-26	PIMCO	C						2,206	US	North America	Active	Fixed Income
51	N/A	Morgan Stanley Investment Management	D						1,457	US	North America	Data Not Found	Mixed
52	-4	Northern Trust Asset Management	D						1,163	US	North America	Mixed	Mixed
52	5	Swiss Life Asset Managers	D						304	Switzerland	Europe	Data Not Found	Mixed
54	-7	BlackRock	D						8,663	US	North America	Mostly Passive	Mixed
55	-37	Allianz Global Investors	D						711	Germany	Europe	Active	Mixed
56	N/A	Ping An Asset Management[2]	D						703	China	Asia Pacific	Data Not Found	Mixed

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Rank	Change vs. 2020	Asset manager	Rating	Governance	Stewardship	Climate	Biodiversity	Social	Assets under management[1] (US$ billion)	Country	Region	Strategy type	Asset Class Specialism
57	-13	RBC Global Asset Management	D						429	Canada	North America	Data Not Found	Mixed
58	N/A	TD Asset Management	D						318	Canada	North America	Mostly Active	Mixed
59	-1	Capital Group	D						2,380	US	North America	Active	Mixed
60	-23	Manulife Investment Management	D						629	Canada	North America	Active	Mixed
61	11	Credit Suisse Asset Management	D						497	Switzerland	Europe	Mixed	Mixed
62	3	Eastspring Investments[2]	D						249	Singapore	Asia Pacific	Mixed	Mixed
63	11	MetLife Investment Management	D						660	US	North America	Active	Fixed Income
64	-25	State Street Global Advisors	D						3,462	US	North America	Passive	Mixed
65	2	MEAG	D						410	Germany	Europe	Active	Mixed
66	-10	Franklin Templeton	D						1,498	US	North America	Active	Mixed
67	8	E Fund Management	E						459	China	Asia Pacific	Data Not Found	Mixed
67	2	Vanguard	E						7,246	US	North America	Passive	Mixed
69	N/A	Vontobel Asset Management	E						274	Switzerland	Europe	Mixed	Mixed

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Rank	Change vs. 2020	Asset manager	Rating	Governance	Stewardship	Climate	Biodiversity	Social	Assets under management[1] (US$ billion)	Country	Region	Strategy type	Asset Class Specialism
70	-18	China Asset Management[2]	E						293	China	Asia Pacific	Data Not Found	Data Not Found
71	N/A	Anima[2]	E						249	Italy	Europe	Mixed	Mixed
72	1	Fidelity Investments[2]	E						3,779	US	North America	Mostly Active	Mixed
73	-23	Mitsubishi UFJ Trust and Banking Corporation	E						613	Japan	Asia Pacific	Data Not Found	Mixed
74	N/A	China Life Asset Management Company[2]	E						624	China	Asia Pacific	Data Not Found	Mixed
75	-7	Mellon Investments Corporation[2]	E						496	US	North America	Data Not Found	Mixed
76	N/A	CMB Wealth Management[2]	E						472	China	Asia Pacific	Data Not Found	Data Not Found
77	N/A	Samsung Asset Management[2]	E						267	South Korea	Asia Pacific	Data Not Found	Data Not Found

Chapter 3: Overall performance

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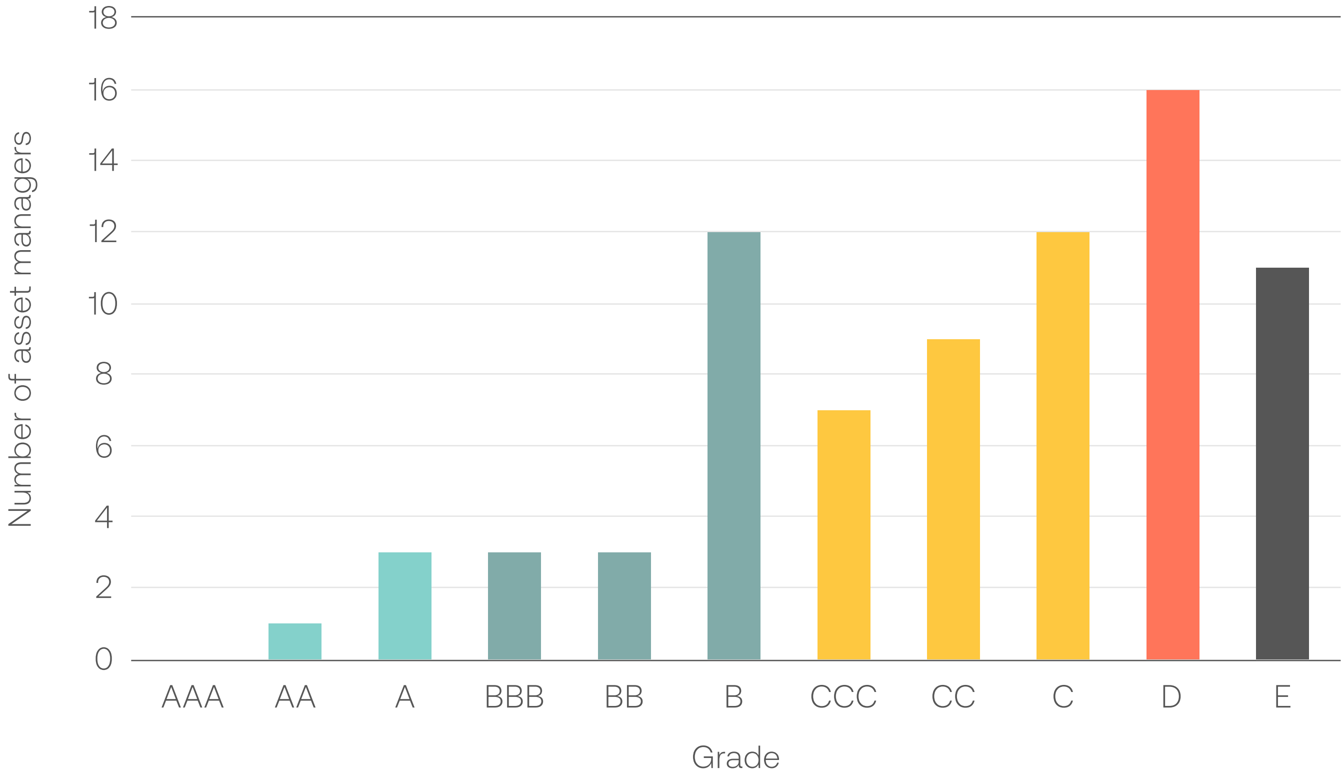
Finding 1: Only four asset managers received an AA or A grade for their approach to responsible investment, while 35% of assessed managers received a D or E grade.

Figure 1: Number of asset managers in each rating band



Most asset managers have an insufficient approach to responsible investment, despite many being keen to promote their responsible investment credentials. Only four received an AA or A grade – in ranking order: Robeco, BNP Paribas AM, Aviva Investors, and Legal & General IM – showing that investors can be responsible, and none received an AAA grade, indicating that all can still make improvements (Figure 1).

More than two-thirds of the managers surveyed received a CCC rating or worse. Since 2020[4], there has been a slight drop in the number of asset managers achieving AAA-A or BBB-B grades. It is, however, encouraging that the proportion of managers graded D or E – indicating they are performing significantly worse than their peers – has fallen, from 51% in 2020 to 35% in 2023.

4 The questions in the two surveys differed, due to changes in achievements and aspirations for responsible investment practice over time. Grades therefore give an indication of progress but are not directly comparable.

Finding 2: There was a wide variation in performance across the sector, with only a small number of asset managers performing well consistently across all themes.

The best performer overall was Robeco, which achieved the only AA grade. Robeco had the highest scores for governance and stewardship, and placed in the top six in all three thematic sections: climate, biodiversity, and social issues. BNP Paribas AM also placed in the top 10 managers in all five sections, and achieved the highest combined score across the three thematic sections. Five other asset managers – Aviva Investors, AXA IM, Legal & General IM, Schroders, and Swedbank Robur – also scored consistently well and were in the top 25 managers in each section.

Most managers had some better and worse performing areas, highlighting where much progress needs to be made. But some showed consistently poor approaches to responsible investment. Six of the survey respondents were outside the top 50 in every category: E Fund Management, Franklin Templeton, Mitsubishi UFJ, State Street GA, Vanguard, and Vontobel AM. Mitsubishi UFJ and Vanguard received the lowest score of all respondents in the three thematic sections combined. Mitsubishi UFJ were in the bottom 11 managers for all five topics, while Vanguard has no clear policy on either climate or biodiversity.

Whilst most of the asset managers who chose not to complete the survey and verify the data finished in the bottom 20 overall, some demonstrated good practice in particular areas through their public disclosures. PGGM Investments and NN IP achieved CC ratings and finished in the top half of the overall ranking. Others achieved top 20 results in individual sections: Eastspring Investments (governance), Goldman Sachs AM (governance), Insight Investment (climate), and Ping An AM (governance and biodiversity).

Finding 3: Some asset managers have shown sharp changes in performance since 2020.

Among asset managers who featured in both this survey and the 2020 one, most held a relatively consistent position in the ranking. However, some rankings changed significantly. Five asset managers – Deka Investment, J.P. Morgan Asset Management, Santander Asset Management, SEB Investment Management, and T. Rowe Price – improved by more than 30 places (J.P. Morgan gained almost 60), among a comparable sample[5] (Table 2). Their improvements have come from the adoption of effective policies across one or more of the themes we investigate, more robust stewardship practice (including, for example, formalised engagement guidelines), and the adoption of a framework for positive climate-related investment. Different asset managers made specific improvements in different areas: SEB IM

5 The 2023 survey included a slightly higher proportion of Chinese asset managers, but the overall number of participants is roughly the same, and changes to the sample or questionnaire alone would not account for such significant shifts in ranking.

was stronger on climate- and biodiversity-related issues, while T. Rowe Price performed better in stewardship and on social issues. However, these five asset managers did not represent best practice across the survey in general, despite their improvements.

Table 2: The five asset managers whose ranking improved the most

Ranking 2023	Ranking 2020	Change	Asset Manager	Rating
13	71	+58	J.P. Morgan Asset Management	B
9	60	+51	SEB Investment Management	BB
18	63	+45	T. Rowe Price	B
20	64	+44	Santander Asset Management	B
25	59	+34	Deka Investment	CCC

Conversely, some asset managers lost significant ground relative to others since 2020 (Table 3). They include some who performed relatively well in 2020, such as NN IP and PGGM, as well as weaker performers such as State Street GA. Biodiversity was a particularly weak area for all five of the asset managers whose ranking declined the most. PIMCO was also held back by its stewardship performance, and Allianz and State Street by their governance. Rather than evidence of their performance deteriorating, it is likely that the five have simply not kept up as standards have improved across the sector since 2020.

Table 3: The five asset managers whose ranking deteriorated the most

Ranking 2023	Ranking 2020	Change	Asset Manager	Rating
55	18	-37	Allianz Global Investors	D
36	8	-28	NN Investment Partners	CC
50	24	-26	PIMCO	C
64	39	-25	State Street Global Advisors	D
34	10	-24	PGGM	CC

Neither fatalism nor complacency is justified when it comes to responsible investment, as these changes show. Asset managers can improve even under less-than-supportive regulatory environments, while even progressive European managers can easily lose ground.

Chapter 4: Performance across manager size and style

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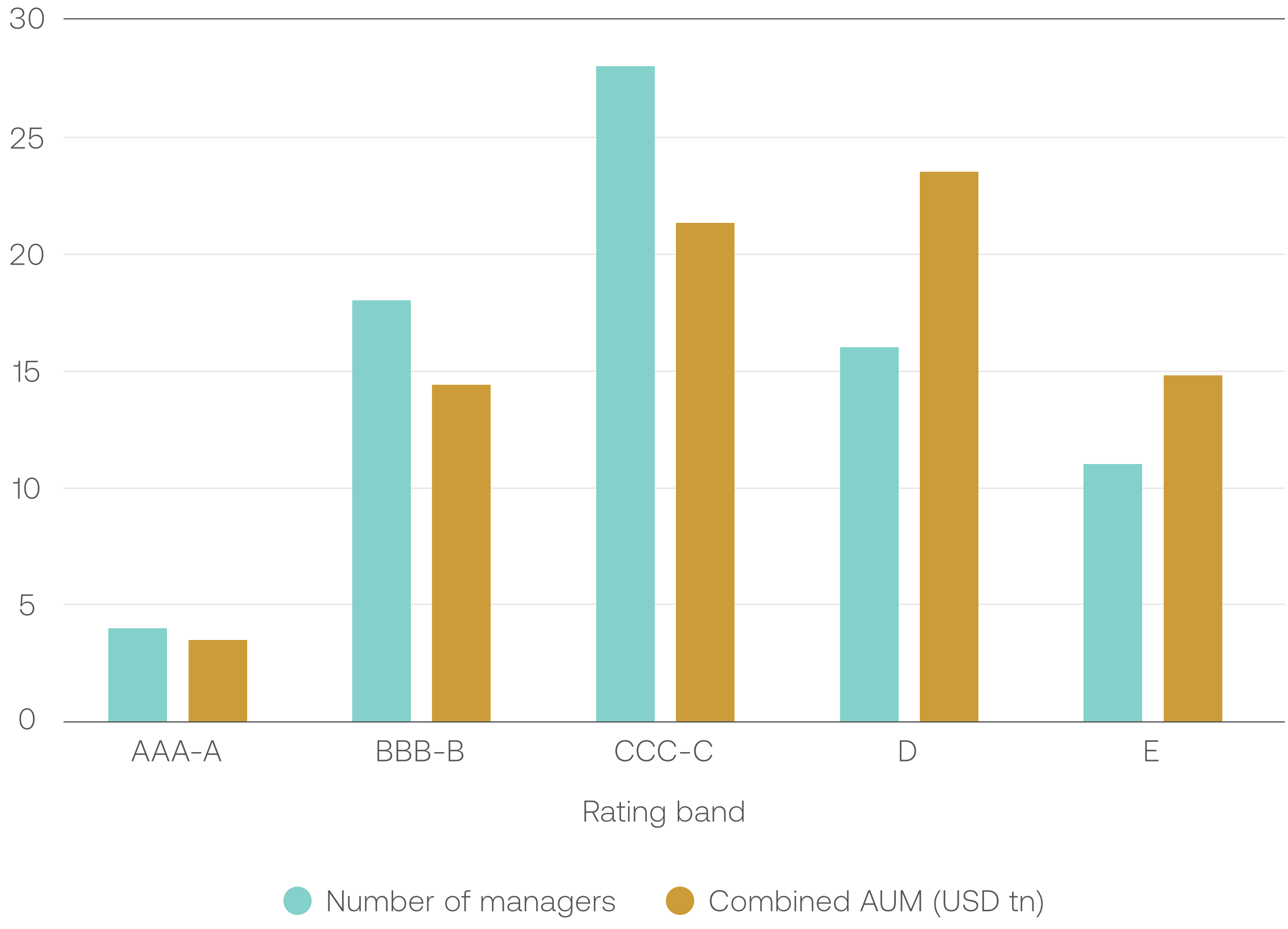
Finding 4: The worst performers in our survey manage a disproportionately large volume of assets and include four of the world's five largest asset managers.

Figure 2: The worst performers manage a disproportionately large volume of assets



The 35% of managers rated D or E control half of the total assets under management (AUM) of all managers in the survey – over US$38 trillion (Figure 2). These include four of the world's five largest asset managers (Table 4). The behaviour of these five is especially important as their combined AUM represents approximately a third of all the AUM of asset managers surveyed. In contrast, the 29% of managers rated B or higher represent only 23% of the total AUM.

Table 4: Four of the world's five largest asset managers are rated D or E

Ranking	Asset Manager	Rating	AUM (US$ billion)
54	BlackRock	D	8,663
67=	Vanguard	E	7,246
72	Fidelity Investments	E	3,779
64	State Street Global Advisors	D	3,462
13	J.P. Morgan Asset Management	B	2,945

Nevertheless, there are examples of both large and smaller managers (in the context of this survey) at both ends of the ranking table. Positively, the improvement shown by J.P. Morgan AM (Finding 3), and top ten rankings achieved by AXA IM, Legal & General IM, and Schroders - who each manage assets of over $1trillion – show that size is not a barrier to progress on responsible investment issues.

Finding 5: A passive investment strategy is not a barrier to having a leading approach to responsible investment.

Table 5: Predominantly passive asset managers show a wide range of performance

Ranking	Asset Manager	Rating
4	Legal & General Investment Management	A
39	Sumitomo Mitsui Trust Asset Management	C
44	Nikko Asset Management	C
54	BlackRock	D
64	State Street Global Advisors	D
67=	Vanguard	E

The three largest passive[6] managers sit in the D and E bands (Finding 4). However, the overall performance of predominantly passive managers[7] is more mixed, with grades from A to E (Table 5). Legal & General IM in particular – ranked fourth overall, rated A, and ninth largest by AUM – demonstrates that passive investors – even large ones – can have a leading approach to responsible investment.

Leading practice: Legal & General Investment Management (LGIM)'s targeted climate engagement

Ranking fourth in our survey and rated BBB, LGIM proves that having a predominantly passive investment strategy does not prevent asset managers from promoting responsible investment. In fact, LGIM's highest sub-score is its stewardship score, the fourth highest among the 77 managers.

One of its passively managed environmental, social and governance (ESG) funds, the Future World ESG Developed Index Fund, "does not hold 'pure'[8] coal miners, manufacturers of armaments, perennial offenders of the UN Global Compact, and tobacco companies"[x]. In addition to using LGIM's ESG score tilting and a built-in decarbonisation trajectory, the fund also incorporates the LGIM Climate Impact Pledge (a targeted climate engagement campaign) and may exclude companies if engagement proves unsuccessful. The engagement campaign[xi] strategy is sector-leading and backed up by clear, public expectations and minimum requirements for companies across 15 sectors, including hard to abate sectors.

6 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.
7 Defined as holding at least 50% of total AUM in passive strategies.
8 'Pure' coal miners are companies that are involved solely in the extraction of coal.

Finding 6: A focus on specific asset classes is not a barrier to responsible investment performance.

Table 6: Fixed income specialists show a range of performance

Ranking	Asset Manager	Rating
16	Ostrum Asset Management	B
21	M&G Investments	B
22	Achmea Investment Management	B
31	PGIM Fixed Income	CC
36	NN Investment Partners	CC
40	Generali Insurance Asset Management	C
50	PIMCO Europe Limited	C
63	MetLife Investment Management	D
65	MEAG	D

Nine managers in our survey specialise in fixed income[9]. These managers demonstrate varying levels of progress in their approach to responsible investment. Fixed income managers are spread across the B to D bands; there are none in the AAA-A or E categories (Table 6). Unlike equity owners, managers who only own fixed incomes can't effect change by voting, and we have accounted for that in our methodology. Nevertheless, they retain other levers to influence company behaviour, and we believe that fixed income investors should engage with companies on responsible investment issues: this is not a task for equity investors alone[xii].

9 Defined as holding at least 60% of total AUM in fixed income.

Leading practice: Ostrum Asset Management, integrating and engaging on responsible investment issues

With over 80% of assets under management invested in fixed income, Ostrum Asset Management ranked 16th overall, achieving a B rating, and scored above average in all sections.

Ostrum Asset Management reported that it will fully withdraw from unconventional and/or controversial oil & gas exploration and production businesses by 2030. In January 2021 it stopped investing in companies developing new coal projects, and as of 2022, it no longer invests in companies that have not set out a coal phase-out strategy in line with the Paris Agreement.

Ostrum Asset Management has a dedicated biodiversity strategy, which excludes some companies that carry out specific harmful activities in areas of global biodiversity importance. It also reported integrating biodiversity-related requirements into sector policies for energy, mining, and agriculture, forestry and fisheries.

On social issues, the asset manager reported having engaged on worker health and safety, public health, and diversity and inclusion issues. It excludes from its investments any issuers that are proven to contravene the main principles of international standards on human and labour rights, environmental protection, and business ethics. It also has exclusion policies on tobacco, controversial weapons, and money laundering or terrorism.

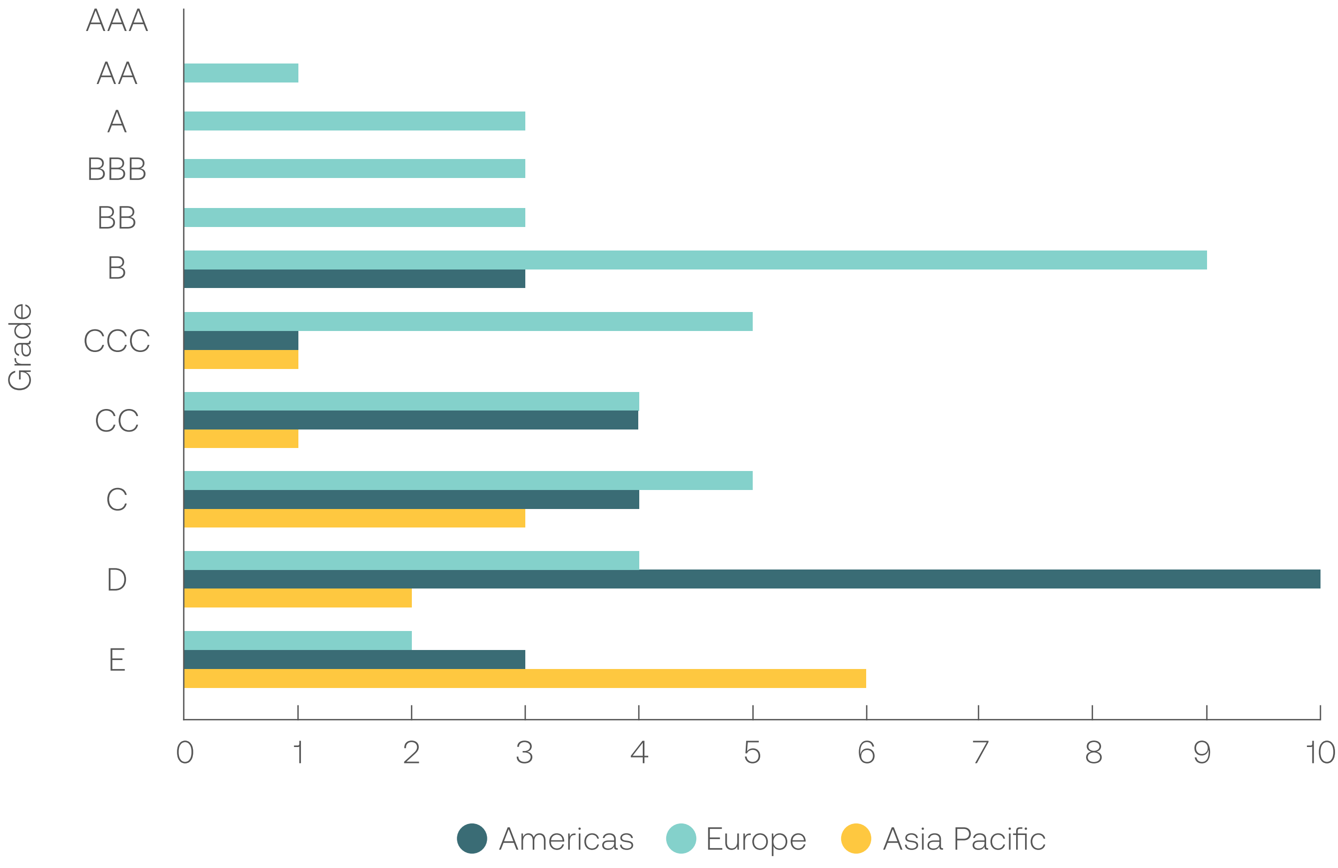
Chapter 5: Regional performance

Chapter 5: Regional performance

Finding 7: European asset managers lead the way on responsible investment compared to their North American or Asia Pacific peers.

All the firms in the top 10 were from the EU or UK, and only six of 39 European asset managers received a grade of D or E. In contrast, more than half of non-European managers (13 of 25 from North America and 8 of 13 from Asia Pacific) received a D or E grade, and none were graded higher than B (Figure 3).

Figure 3: European asset managers achieved a higher set of grades than their North American or Asia Pacific peers



Europe

European managers led the way on most responsible investment issues considered in our survey. The top 10 scores in each of the governance, stewardship, and climate sections were all by European managers, and only one non-European manager (PGIM Fixed Income) finished in the top 10 on biodiversity. On climate in particular, European managers comprised the top 17, and 26 of the top 29 scores. On social issues, the best performers were more diverse, but European managers still outperformed their peers on average.

Nevertheless, several European asset managers performed poorly in all areas of our survey, with four rated D and two – Anima and Vontobel AM – rated E and in the bottom 10 managers overall.

On average, British, Dutch, and French asset managers show particularly strong performance on stewardship relative to other regions. French asset managers also scored well on social issues. Meanwhile, Swiss and German asset managers show weaker performance on average on biodiversity than the rest of Europe.

The European regulatory environment is likely having a positive impact on the responsible investment performance of European asset managers relative to other regions. This is discussed further in our recommendations to policy makers.

North America

North American managers generally performed poorly, with 10 receiving a D grade and three – Mellon IC, Fidelity Investments and Vanguard – graded E. The highest-placed North American firm overall was New York Life Investments, in 11th place, followed by J.P. Morgan AM (13th) and T. Rowe Price (18th). These were the only three of 25 North American managers who achieved a B grade.

US asset managers showed notably weak performance on climate, with only three finishing in the top 30 for that section. Yet North American asset managers have a crucial role to play in responding to the climate crisis because of their outsized influence: they represent more than three-fifths of the total assets under management in this study, despite making up fewer than a third of the managers surveyed.

On other topics, North American managers' performance was more mixed compared with other regions, although generally behind Europe and ahead of Asia Pacific. New York Life Investments, PGIM Fixed Income, and T Rowe Price each demonstrated particularly strong performance on social issues, with New York Life achieving the highest score across all managers for that section.

Asia Pacific

Collectively, Asia Pacific asset managers demonstrated weaker performance than their European and North American peers. Nomura AM was the highest, ranked 24th and graded CCC, and Asset Management One was the only other Asian manager in the top half, ranked

35th and graded CC. However, there were some pockets of good performance in individual sections – particularly on biodiversity, with Asset Management One, Nomura AM, Ping An AM, and Sumitomo Mitsui Trust all placing in the top 20 managers for that section.

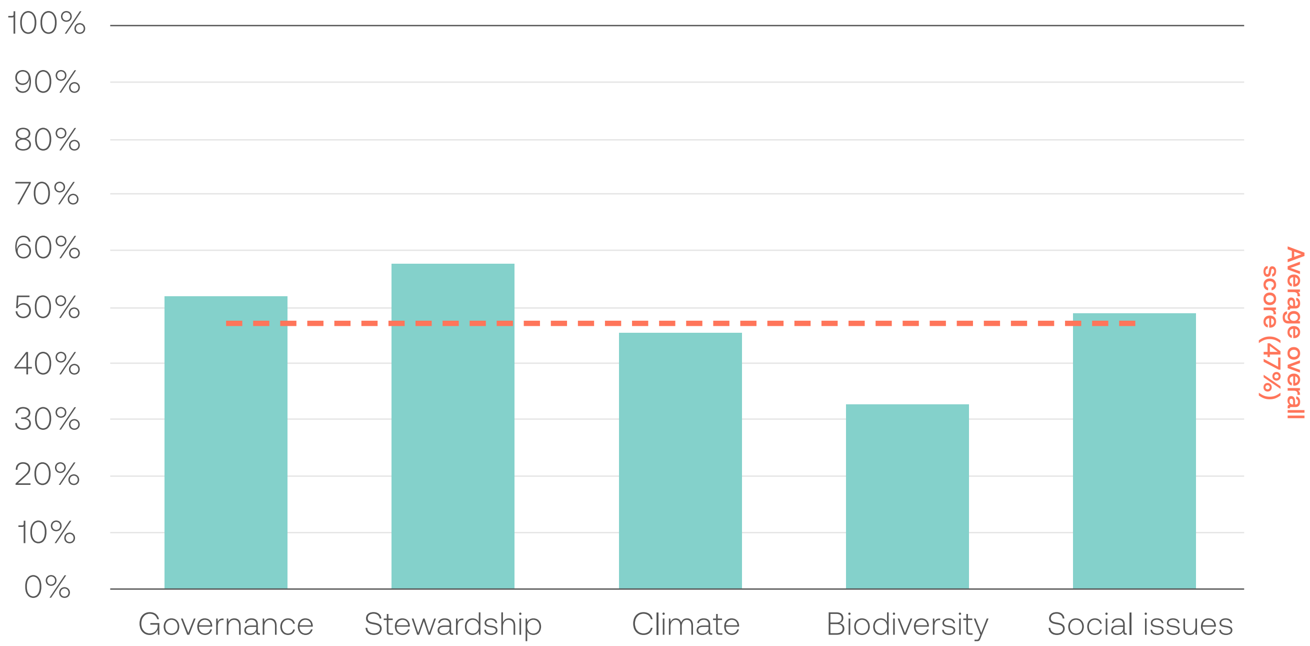
The average Japanese asset managers' scores were similar to the overall averages for each section. The Chinese asset managers generally demonstrated much weaker approaches to stewardship, climate, biodiversity, and social issues. This difference is likely to be at least partially due to the fact that some Chinese managers provide limited public disclosures about their policies. Promisingly, 2022 saw the Chinese government issue voluntary standardised disclosure practices on responsible investment[xiii] as well as specifying green finance and responsible investment-related requirements for banks and insurers[xiv]. These changes came into effect following data collection for this survey so they are not reflected in this year's ranking.

Chapter 6: Performance across themes

Chapter 5: Performance across themes

Finding 8 – Despite improvements in some areas, biodiversity continues to lag behind other aspects of our benchmark.

Figure 4: Average scores across themes



Asset managers' performance varied across themes. Biodiversity had the lowest average score of 33%, 14% below the overall average (Figure 4). This trend is consistent across regions. After stewardship and governance, the highest-scoring thematic section was social issues, with an average of 49%. The difference between the social and climate scores is due to a markedly stronger performance by North American managers on the former (47%) compared to the latter (33%).

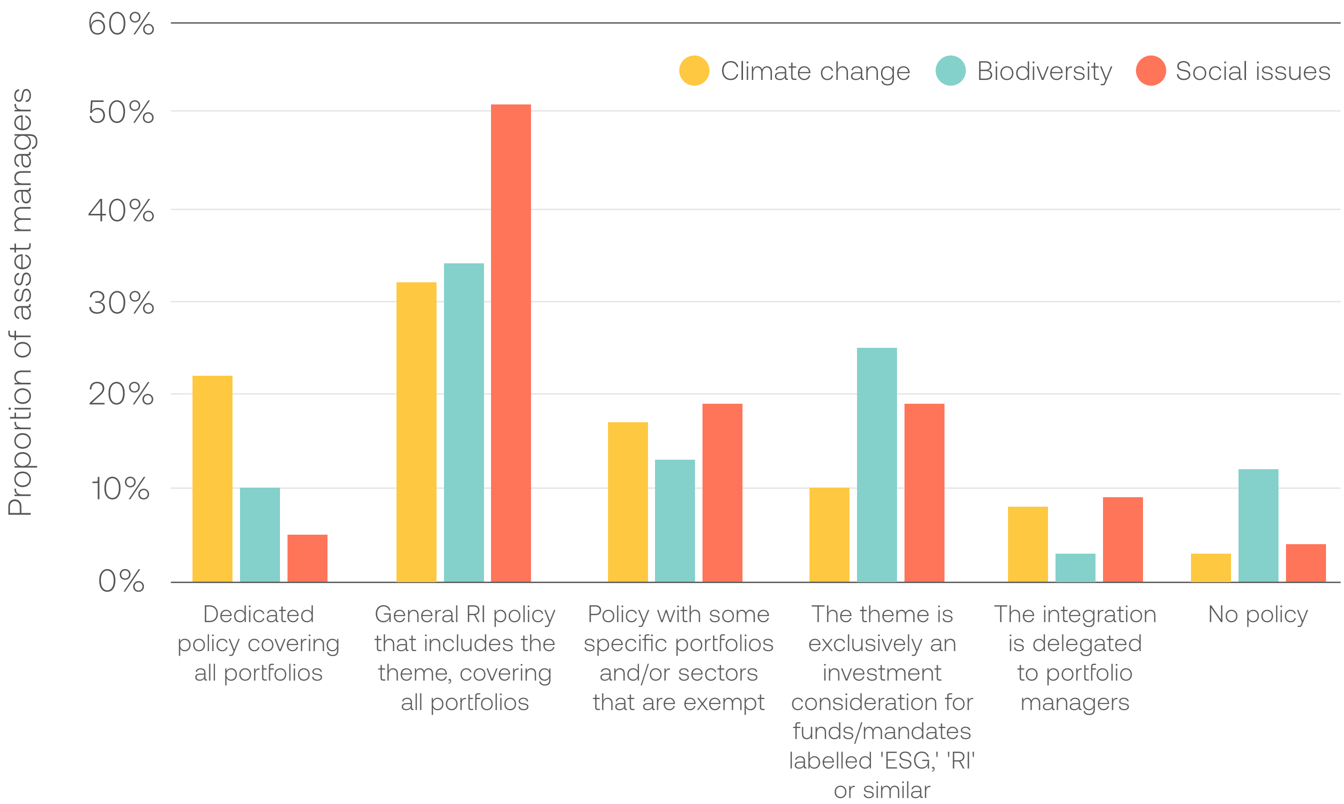
Governance and stewardship

Asset managers are making progress on introducing governance mechanisms to ensure oversight of responsible investment-related issues compared to 2020. Two-thirds of asset managers reported that the board and trustees have responsibility for the oversight of responsible investment issues, up from 21% in 2020, although their responses revealed that their boards lack specific climate-related expertise. Asset managers have also started setting responsible investment-related key performance indicators (KPIs) and objectives that are linked to remuneration, though this most often applies to staff in responsible investment teams, and fewer than a third of managers have set such KPIs for all members of their executive board.

We also analysed asset managers' stewardship practices and policies. 82% of asset managers had voting policies on climate, and 81% on social issues, up from 56% and 53% respectively in 2020. However, only 38% reported that their voting policies considered biodiversity[10]. Biodiversity was also less well represented in engagement policies, with only 49% of policies referencing the topic, compared to 79% referencing climate and 70% mentioning social issues. When asset managers engaged, most reported that they use private methods, such as letter writing or meetings with companies. Over half of asset managers reported that they had divested or reduced holdings, or refused to purchase new debt, as part of an engagement process.

We will publish our full report on the 77 asset managers' approaches to responsible investment governance and stewardship in the first quarter of 2023, in time for the 2023 AGM season. This will be published on our Investor Hub and shared on our social media channels.

Figure 5: Types of policies used across climate, biodiversity, and social investment issues



10 For more detail on asset managers' voting performance, see ShareAction's *Voting Matters* report, published in January 2022: https://shareaction.org/reports/voting-matters-2022

Climate policies

Many asset managers have responded to the urgent need to act on climate. 22% had dedicated climate-related investment policies[11], while the other themes are more likely to be included in a general policy (Figure 5). Only 10% reported that climate was exclusively an investment consideration for funds or mandates labelled 'ESG' or similar – significantly fewer than for biodiversity and social issues.

Even though climate policies are increasingly common, there is still room for improvement. Only slightly more than half (53%) of the surveyed asset managers reported having set a public net-zero target for 2050 at the latest. Fewer than a quarter (22%) have published a climate transition plan, which is a time-bound action plan that clearly outlines how an organisation will transition its existing assets, operations, and business model towards a trajectory aligned with credible science-based pathways. 12% reported they do not yet intend to publish such a plan. 42% said that they intend to publish a plan in the future and 16% wanted to do so within 12 months of completing the survey.

Biodiversity policies

Only 10% of asset managers reported having a dedicated biodiversity policy covering all portfolios under management, and 34% reported having a general responsible investment policy that includes biodiversity issues for all portfolios under management. A quarter of asset managers said that biodiversity is exclusively an investment consideration for funds or mandates labelled 'ESG' or similar – more than for climate or social issues.

There is a lot of room for improvement. 40% of asset managers do not monitor whether investee companies operate in areas of global biodiversity importance; 20% monitor this, but do not have any asset manager-wide restrictions. 62% did not report having made any commitments regarding the conversion and protection of ecosystems. The most common biodiversity commitment, made by 14% of asset managers, is the No Deforestation, No Peat, and No Exploitation commitment.

Social policies

This was the first time our survey covered not only human and labour rights-related topics (for example, decent work, forced labour, war and security), but also public health (including worker, consumer, and community health topics). Dedicated investment policies on social

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11 In our survey, we defined climate-, biodiversity-, and social issues-related investment policies as "a statement that sets out the asset manager's approach to integrating [climate/biodiversity/social] concerns in their investment decisions (e.g. screening, due diligence, and positive tilts). This is separate from voting and engagement principles. A policy can be standalone or integrated as part of a wider responsible investment policy."

issues are rare: only 5% of asset managers reported having a dedicated social policy that covers all portfolios under management. Just over half of asset managers (51%) reported having a general responsible investment policy that includes social issues for all portfolios under management. 19% reported that social issues are exclusively an investment consideration for funds and mandates labelled ‘ESG’, ‘responsible investment’, or similar.

While 90% and 86% of asset managers have social policies that cover human rights and labour rights, respectively, 61% also have a public health-related investment commitment. Though this is often a tobacco- or alcohol-related exclusion, this topic is clearly growing in importance, and we hope it will continue to be elevated to reach a status comparable to human and labour rights.

Overall, the most common exclusions are related to controversial weapons, consumer health issues, and the violation of human and/or labour rights in companies’ direct operations. Only a minority of asset managers considered other critical emerging social themes, such as the ethnicity pay gap or community health issues.

We will release our detailed reports on the 77 asset managers’ performance on climate, biodiversity, and social issues in the second quarter of 2023.

Leading practice: BNP Paribas Asset Management's policies on social issues, biodiversity, and climate

BNP Paribas Asset Management placed in the top 10 managers on all five sections of the survey, and achieved the highest combined score across the three thematic sections: social issues, biodiversity, and climate. These three themes are covered by its integrated Global Sustainability Strategy.

On social issues, BNP Paribas Asset Management reported having commitments and integration strategies on diversity and inclusion, freedom of association, grievance mechanisms, modern slavery, and controversial weapons, among others. The firm also stood out for its integration of public health considerations into investment decisions and exclusions policies, as well as for its detailed policies that restrict investment in sovereign actors engaged in human rights violations.

On biodiversity, BNP Paribas Asset Management goes beyond simply monitoring operations in areas of global biodiversity importance. It reported that its policy places restrictions on operations by not investing in companies developing new sites in certain areas. It also makes investment in certain sectors (palm oil, pulp, and agriculture) conditional on additional biodiversity due diligence.

On climate, the asset manager has set a public net-zero by 2050 target which is aligned with the Intergovernmental Panel on Climate Change's 1.5C scenario with no or limited overshoot. It has made a commitment to exiting coal, with the aim of excluding mining companies that do not have a strategy to exit thermal coal activities and power generators that still have coal capacity in their generation mix in 2040 worldwide (2030 in EU and OECD).

We will provide further information on these policies in our detailed thematic reports.

Chapter 7: Conclusions and reccomen-dations

Conclusions

The asset management industry needs to change urgently if it is to demonstrate proactive stewardship that safeguards against key social and environmental risks in the best interests of the investors.

Currently, some asset managers demonstrate leadership in particular areas, but only a very small number are performing strongly across all the topics included in our survey. Though it is encouraging to see some asset managers improving, too many still need to substantially improve their policies and practices. Most only offer a tiny proportion of strategies with sustainability labels instead of embedding responsible investment practices across their portfolios. This ‘business as usual’ approach is insufficient to drive the change needed to match the scale and urgency of the environmental and social crises we face.

In the coming months, we will release reports reviewing asset managers’ performances in greater detail on the topics of stewardship and governance, climate, biodiversity, and social issues.

Recommendations

These recommendations broadly cover asset managers' overall responsible investment policies and practices. We will make further specific recommendations in our forthcoming thematic reports.

Recommendations for asset managers

We encourage asset managers to use the rankings and findings in this and our forthcoming series of reports to benchmark their own performance and drive the improvements needed. We will also provide asset managers with resources and tailored recommendations to make progress and we will constructively engage with them to achieve this. We recommend these actions:

- Identify, manage and report on the real-world impacts of investment decisions on sustainability issues, including climate, biodiversity, and social issues.
- Strengthen dedicated responsible investment policies by explicitly covering climate, biodiversity, and social issues and by making ambitious commitments, such as setting net-zero targets and developing transition plans to align all portfolios with the goals of the Paris Agreement and a 1.5C scenario.
- For passive asset managers, focus on directing inflows of capital towards funds which align with the goals of responsible investment, through investor education and the creation of new products via appropriate index selection; and engage with index providers to develop new indices where necessary.
- Use proactive stewardship to foster positive change by engaging with investee companies and exercising voting rights on responsible investment issues. Passive managers have a particularly high burden of responsibility for stewardship due to the limited influence they can have via capital allocation.
- For asset managers heavily exposed to fixed income, ensure that company engagement with issuers of corporate debt is aligned with responsible investment policies.

Recommendations for asset owners

Asset owners and their beneficiaries have the most to lose from inaction on the themes covered by this report. The wide-reaching and systemic nature of the associated risks mean that it is not possible to avoid them simply through diversification or divestment. Asset owners should use their influence to hold asset managers to account on these risks. We recommend these actions:

- Strengthen due diligence of asset manager selection by reviewing responsible investment performance and real-world impact, using this report and our detailed thematic reports.
- Firmly embed clear and specific expectations on the integration and reporting of climate, biodiversity and social issues into Investment Management Agreements.
- Require asset managers to regularly report on how responsible investment issues are being managed at all stages of the investment process, and include case studies.
- End relationships with asset managers who do not live up to set expectations on managing responsible investment issues.
- Asset owners who are also shareholders in asset management companies should use their shareholder influence via voting and/or engagement to address poor performance on responsible investment issues.

Recommendations for policy makers

Regulation is a powerful way to raise minimum standards across an industry. The development of sustainable finance legislation across Europe is likely contributing to the higher ratings attained by European asset managers in our survey. The EU's Sustainable Finance Disclosure Regulation (SFDR), which came into force in 2021, lays down requirements for investors to disclose their adverse impacts on people and planet, playing an important role in improving transparency. Meanwhile, the UK Stewardship Code 2020 has helped improve stewardship by UK investors, according to a November 2022 report by the Financial Reporting Council[xv]. However, these requirements are not without their shortcomings, and inconsistencies in their application can create challenges for investors[xvi]. We recommend these actions:

- Introduce mandatory reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD)[xvii] recommendations and work with the asset management, and the wider investment industry, to develop guidance to help with implementation.
- Develop and enforce strong, mandatory stewardship rules covering asset owners, asset managers and service providers that cover responsible investment factors as well as engagement, disclosure, and voting[12].
- Empower regulators with clear mandates to supervise and, where necessary, penalise performance on responsible investment practices, such as responsible investment policies, sustainability disclosures, and stewardship.
- Mandate voting disclosure by institutional investors, including setting a compulsory timeframe, and work with industry to develop guidance for what good voting disclosure looks like.

12 Our recommendations to the EU Shareholder rights directive may be found at: https://shareaction.org/news/responsible-stewardship-how-can-the-eu-improve-the-shareholder-rights-directive

- Ensure that regulation requires granular disclosure and integration of responsible investment risk and impacts beyond climate, including biodiversity and human and labour rights.
- Move away from legislation which frames responsible investment factors as relevant only as a material financial risk to portfolios towards legislation which addresses the impact investment has on the environment and society.
- Provide clarity that market abuse rules and anti-trust rules will not apply to institutional investors when they conduct collaborative engagement activities relating to sustainability issues like climate change.

Recommendations for investment consultants

Investment consultants often act as a critical link between asset owners and the asset managers they recommend. To help match their clients with the most suitable asset managers, investment consultants need to be acutely aware of how asset managers perform on responsible investment issues such as climate, biodiversity, and social issues across their investment practices. We recommend these actions:

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

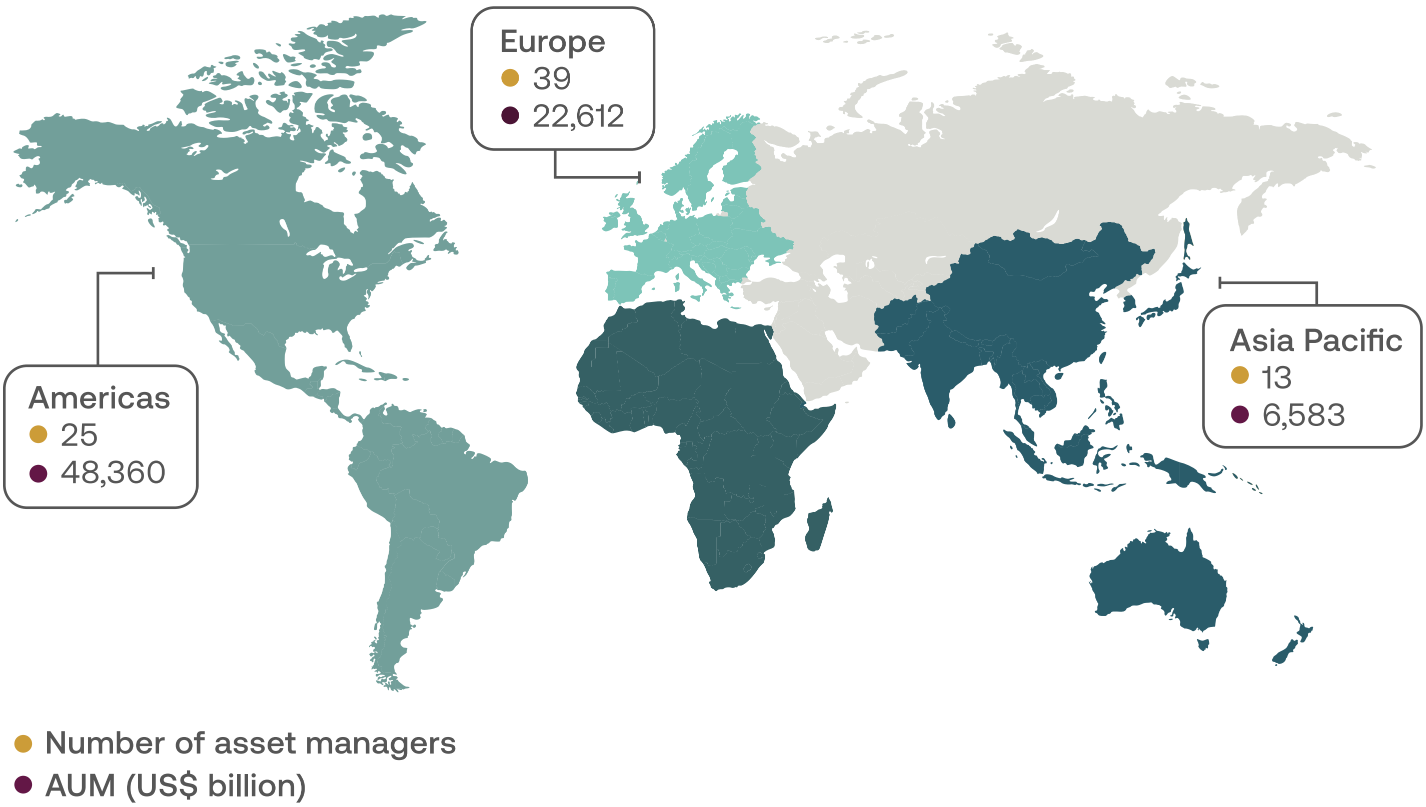
Chapter 8: Methodology

Methodology

How asset managers were selected

This report features 77 of the most influential asset management companies worldwide across 16 countries. We selected managers based on their assets under management (AUM) according to IPE's 2021 Top 500 Asset Managers List[xviii] as well as their location. As a UK-based charity, we wanted to assess the largest asset managers worldwide as well as the largest European and, specifically, UK asset managers. We therefore capped the number of managers from North America at 25 to allow other regions to be included (Figure 6). We excluded companies that present themselves as holding companies or umbrella organisations for independent and self-contained asset management subsidiaries.

Figure 6: Number of asset managers and total AUM across regions



How the survey was conducted

The survey consisted of 107 questions across five thematic sections: stewardship, governance, climate, biodiversity, and social issues. The sections and questions were broadly consistent with our 2020 *Point of No Returns* survey, which was mapped to the structure of the TCFD recommendations. This year, we increased the breadth and depth of questions in key areas across all sections, reflecting our raised expectations. These areas included net-zero targets, areas of global biodiversity importance, and public health considerations. The questionnaire will be released once all the reports in this series have been published.

We prefilled core questions in each section of the questionnaire for each asset manager using publicly available information. We sent this pre-filled questionnaire to the selected asset managers and 83% (64 out of 77) responded directly to verify and supplement answers.

Thirteen asset managers chose not to participate. This is largely due to the expanded number of Asia Pacific managers included in this year's survey. In these cases, we completed their questionnaire based on publicly available information and provided them with a further opportunity to review this, though none chose to do so.

We collected information from July to November 2022.

How asset managers were rated and scored

Scores were assigned to answer options within the survey, with some questions having a larger weighting, and some being unscored. The weight of individual sections was determined by the sum of the scores assigned to each question in that section (Figure 7).

Data auditing was carried out thematically, to ensure consistency of scoring across all questions for all asset managers. In a small number of specific circumstances, we made minor adjustments to the scores. These were: a) to compensate fixed income specialists without equity holdings, and b) to compensate asset managers who were not able to verify questions about information which could reasonably be expected to not be publicly disclosed. Our survey structure also accounted for differences in regulatory contexts.

Figure 7: Score weightings across different sections of the questionnaire

Responsible investment governance	10%
Stewardship	25%
Climate change	25%
Biodiversity	20%
Social issues	20%

After each asset manager was allocated an absolute score, rating bands were calculated relative to peers based on the number of standard deviations from the mean score. Each participant was assigned a rating applicable to their aggregated score, from AAA through to E.

This year we did not award any AAA ratings, as no asset managers were found to demonstrate leading practice throughout their entire approach. Examples of leading practice on specific topics are given throughout the report to illustrate our expectations for asset managers on the issues covered by this survey.

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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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