

Point of No Returns 2025

A responsible investment benchmark of
76 of the world's largest asset managers

ShareAction»

About ShareAction

ShareAction is an independent charity and an expert on responsible investment. We work to build a world where the financial system serves our planet and its people.

We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and we campaign for this approach to become the norm. We convene shareholders to push companies to tackle the climate crisis, protect nature, improve workers' lives and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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Executive summary



Executive Summary

This report assesses the performance of 76 of the world's largest asset managers against current standards for responsible finance, in four areas: governance and stewardship, climate change, biodiversity, and social issues. It provides overall rankings and highlights trends in performance since our first *Point of No Returns* report, published in 2020. It also includes examples of leading practice.

This updated overview of the global asset management sector is especially timely given recent global political events. However, poor performance should not be understood simply as a reaction to this context: the survey was completed between June and December 2024.

We found that:

1 Industry progress has stalled: there are some leaders but the largest US managers are lagging behind.

Only 10 of the 76 managers we assessed achieved more than half of our key standards – attainable measures of responsible investment performance (Finding 1). The poorest performers include the world's four largest asset managers, all of which were graded E or F (Finding 3). Between them, these four manage a third of all the assets of managers included in this survey. Their actions especially have a huge impact.

The rate of new investment commitments from asset managers is slowing (Finding 5) and engagement disclosure (Finding 10) has largely stalled. In some areas, there are even signs of regression, for example in the use of escalation tactics during engagement (Finding 11), and in voting at company AGMs¹.

However, a few – predominantly European – asset managers continue to demonstrate robust policies and leading practices across the themes covered in this report (Finding 2). They include Robeco, which topped the ranking for the third time.

2 Asset managers continue to invest in industries that are extremely harmful to people and planet.

Fewer than half of the asset managers we surveyed have any sort of policy restricting investment in coal mining or coal-fired power generation across most of their funds. There has been little progress on this since 2023 (Finding 5) despite the fact that coal produces more greenhouse gas emissions than any other single energy source². Many more still permit continued investment in other highly polluting fossil fuels: just four out of 76 met our key standard for restricting investment in coal and oil & gas.

The use, production and stockpiling of controversial weapons is restricted by international conventions due to the harms they cause to civilians and the wider environment (Appendix 2). Yet fewer than half of the asset managers we surveyed prohibit investment in landmines, cluster munitions, chemical weapons, and biological weapons across most of their funds. This figure drops to less than a third if nuclear weapons are also included (Finding 23).

3 Asset managers still haven't addressed their biodiversity blind spot.

Biodiversity loss has been identified as one of the biggest risks to the economy by the World Economic Forum³; at least one million species are at risk of extinction^{4,5}. It is both driven by, and a key driver of, climate change; we cannot solve one challenge without the other.

Our 2023 report⁶ highlighted asset managers' biodiversity blind spot, but found evidence that asset managers were beginning to recognise the importance of biodiversity. This year, we saw some progress in their assessments of the impacts and dependencies on biodiversity arising from their investments (Finding 18). Nonetheless, biodiversity scores continue to be the worst among the themes we assessed, and more than half of the asset managers we surveyed failed to achieve a single key standard for biodiversity (Finding 4).

Most asset managers are still not considering biodiversity when setting policies for material sectors (Finding 21) and are not considering areas of global biodiversity importance (Finding 20). The absence of biodiversity-related sector policies for energy and mining in particular suggests asset managers have a siloed approach to climate and biodiversity, despite the intertwined nature of these issues. Data availability and quality are frequently cited as challenges, but the sector is largely not engaging with investee companies to obtain the necessary data, nor are managers consistently using the data tools that are already available (Finding 19).

4 Asset managers frequently only consider environmental and social issues in a minority of funds.

Many asset managers have policies or make statements that indicate they recognise the importance of responsible investment. Yet often the more concrete parts of these policies – such as targets and formal restrictions – apply only to a very small proportion of funds (Findings 12, 13, and 20–23). As a result, the overall impacts of these asset managers' investments are barely diminished. While such funds might secure business from clients concerned about responsible investment, those clients' expressed interests are undermined if the same managers invest the bulk of their funds without restrictions in companies and industries that harm the planet and human wellbeing.

Even when restrictions do cover a majority of funds, they are not always implemented in practice. The vast majority of asset managers claim to commit to human rights frameworks (such as the United Nations Global Compact), but fewer than half provided an example of this affecting an investment decision or leading to escalation in engagement (Finding 26).

5 The asset management sector does not appear to want to fix itself.

Continued investment in harmful industries, narrow restrictions that only apply to a handful of funds, and widespread failure to respond to biodiversity loss all belie statements by asset managers that appear to recognise the importance of responsible investment. Almost all the managers we surveyed said that they conduct extensive engagements with companies on responsible investment issues, thereby acknowledging the importance of improving behaviour. Yet the desire to engage doesn't appear to be matched by a willingness to act if meaningful change doesn't result: just a third cited taking concrete action when expectations were not met (Finding 8) and escalation policies often lack timebound triggers (Finding 9).

There are some surprising mismatches between what asset managers say and what they do. Many asset managers research the effects of climate change and report on its potential impact on their investments. However they do not consistently use these findings to guide investment decisions (Finding 17), restrict investments that are likely to exacerbate climate impacts (Findings 13 and 14), or develop detailed plans and targets to support the climate transition (Findings 15 and 16). Social policies largely fail to restrict investment in some of the most damaging sectors for social and human health, including long-established areas like tobacco and more emerging issues such as anti-microbial resistance and pesticides (Finding 22).

Examples of leading practice show that responsible investment is possible. They refute arguments that no one in the market is taking action, or that certain requirements would be too burdensome.

There are valuable precedents which demonstrate that regulatory frameworks can guide more responsible investment behaviour across the industry: though still not universal, restrictions on controversial weapons investments are more common than other social issues (Finding 18). We also find that stronger legislation and codes in Europe, such as the Sustainable Finance Disclosure Regulation in the EU and the UK Stewardship code, are correlated with higher disclosure standards (Finding 10).

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How to use this report



How to use this report

This report assesses the performance of 76 of the world's largest asset management companies from Europe, North America, and Asia against key standards for responsible finance. Our report concentrates on asset managers' policies and practices regarding their investments, and not on their internal operations.

Table 1 summarises the overall performance of each asset manager. Each firm has been awarded a grade depending on how many of 20 key standards it met. These standards cover what we consider to be the most important pillars of responsible investment across the themes of governance, stewardship, climate, biodiversity, and social impacts. Firms are ranked by grade and then by overall score, which provides an additional level of detail.

The standards provide a concrete overview of how individual firms are performing, and a priority set of recommendations for asset managers to improve their performance. Standards relating to investment policies require that these policies apply to most or all of an asset manager's funds, beyond only ESG-labelled funds (or similar).

A more detailed overview of our methodology, including our process for selecting asset managers, is provided in [Appendix 1](#).

We have provided examples of current leading practice which go beyond the key standards and demonstrate what is possible. Our Responsible Investment Standards & Expectations (RISE) series⁷ of guidance papers sets out in more detail what we consider to be best practice on various specific issues.

More detailed data about the performance of individual asset managers on specific questions is published on our website.

In summary:

- **Asset managers** are encouraged to use this report, and its recommendations, to benchmark their own performance and inform areas for improvement. The key standards should be considered as a minimum set of expectations; leaders should go beyond these.
- **Asset owners, brokers, and consultants** can use the information to assess the performance of asset managers on responsible investment issues and challenge them to improve their approach, using the examples of leading practice as a guide. The findings and key standards can be used to set clear expectations and inform the selection of asset managers.
- **Policy makers** can use the report to identify areas of sector-wide strength and weakness and to determine appropriate policy action to set higher standards for investors and protect the wider public interest. They can also use the examples of leading practices as evidence of what is possible and to refute arguments that no one in the market is doing this, or that certain measures would be too burdensome.

Ranking Table



Ranking Table

Ranking 76 of the world’s largest asset managers across responsible investment themes

Heatmap key



Rank	Asset manager	Grade	Overall score	Climate Change	Biodiversity	Social	Governance & Stewardship	Country
1	Robeco	A	76%					Netherlands
2	APG Asset Management	A	75%					Netherlands
3	AXA Investment Managers	B	73%					France
4	BNP Paribas Asset Management	B	69%					France
5	Aviva Investors	B	64%					UK
6	Nordea Asset Management	B	64%					Finland
7	Allianz Global Investors	B	61%					Germany
8	SEB Asset Management	B	60%					Sweden
9	Achmea Investment Management	B	55%					Netherlands
10	Legal & General Investment Management	C	57%					UK
11	Schroders Investment Management Limited	C	52%					UK
12	Amundi Asset Management	C	50%					France
13	Eurizon Capital	C	47%					Italy
14	PGGM	C	46%					Netherlands
15	Nomura Asset Management	C	45%					Japan
16	Ofi Invest Asset Management	C	42%					France
17	M&G Investment Management	C	42%					UK
18	DWS Group	C	40%					Germany
19	Union Investment	D	36%					Germany
20	UBS Asset Management	D	36%					Switzerland
21	Generali Asset Management	D	33%					Italy
22	MEAG	D	31%					Germany
23	T. Rowe Price Associates	D	31%					US
24	HSBC Asset Management	D	30%					UK
25	Fidelity International	D	29%					UK

Rank	Asset manager	Grade	Overall score	Climate Change	Biodiversity	Social	Governance & Stewardship	Country
26	Aegon Asset Management	D	29%					Netherlands
27	Royal London Asset Management (RLAM)	D	29%					UK
28	Nuveen	D	29%					US
29	aberdeen	D	28%					UK
30	Pictet Asset Management	D	28%					Switzerland
31	Columbia Threadneedle Investments	D	27%					US
32	Ostrum Asset Management	D	26%					France
33	Wellington Management International	D	25%					US
34	Deka Investment	D	25%					Germany
35	Goldman Sachs Asset Management	D	25%					US
36	PGIM Fixed Income	D	24%					US
37	Manulife Investment Management	D	20%					Canada
38	PIMCO	E	25%					US
39	Baillie Gifford & Co	E	24%					UK
40	Vontobel Asset Management	E	22%					Switzerland
41	Morgan Stanley Investment Management	E	22%					US
42	Eastspring Investments	E	21%					Singapore
43	Northern Trust Asset Management	E	20%					US
44	J. P. Morgan Asset Management	E	19%					US
45	Asset Management One Co., Ltd.	E	18%					Japan
46	Santander Asset Management	E	18%					Spain
47	Macquarie Asset Management	E	17%					Australia
48	MFS Investment Management	E	17%					US
49	Nikko Asset Management	E	17%					Japan
50	Sumitomo Mitsui Trust Asset Management	E	17%					Japan
51	Capital Group	E	16%					US
52	Insight Investment	E	15%					UK
53	BlackRock	E	15%					US
54	Swisscanto Asset Management	E	15%					Switzerland

Rank	Asset manager	Grade	Overall score	Climate Change	Biodiversity	Social	Governance & Stewardship	Country
55	Swiss Life Asset Managers	E	14%					Switzerland
56	RBC Global Asset Management	E	14%					Canada
57	Janus Henderson Investors UK Ltd	E	14%					UK
58	AllianceBernstein	E	14%					US
59	Ping An Asset Management Co., Ltd.	E	14%					China
60	E Fund Management Co., Ltd.	E	13%					China
61	State Street Global Advisors	E	13%					US
62	Franklin Templeton	E	13%					US
63	Anima	E	12%					Italy
64	Invesco Ltd	E	12%					US
65	Mitsubishi UFJ Trust and Banking Corporation	E	10%					Japan
66	Nissay Asset Management	E	8%					Japan
67	Dimensional Fund Advisors	E	8%					US
68	Vanguard	E	6%					US
69	KBC Asset Management NV	F	7%					Belgium
70	Principal Global Investors	F	7%					US
71	TD Asset Management	F	5%					Canada
72	MetLife Investment Management	F	5%					US
73	Mirae Asset Global Investments	F	5%					South Korea
74	Fidelity Investments	F	3%					US
75	China Life Asset Management Company Limited	F	1%					China
76	Samsung Asset Management	F	0%					South Korea

Asset managers are ranked based on grade, which is determined by the number of “key standards” they achieved. Asset managers achieving the same grade are sorted by Overall Score. For more detail, see Appendix 1.

List of Findings



List of Findings

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Governance and Stewardship

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Finding 16: Flimsy investment targets are undermining the climate transition.

Finding 17: Scenario analysis is becoming more comprehensive, but blind spots remain.

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Finding 19: Asset managers appear to be using data issues as an excuse rather than a spur to action.

Finding 20: Some of the most important areas for biodiversity are still being overlooked by more than two-thirds of asset managers.

Finding 21: Asset managers urgently need to develop nature-related sector policies for fisheries and aquaculture, mining, and chemicals.

Social

Finding 22: Investment restrictions on social grounds are surprisingly rare.

Finding 23: Controversial weapons aren't taboo for most asset managers.

Finding 24: Asset managers are largely ignoring affected communities.

Finding 25: Most asset managers did not share an approach to sovereign debt for countries facing default or distress.

Finding 26: The majority of asset managers with human and labour rights investment policies aren't showing it in practice.

Finding 27: Three quarters of asset managers don't have a policy encouraging investee companies to pay a living wage.

General Findings



General Findings

Finding 1: The vast majority of asset managers continue to perform poorly, but there are some leaders.

Figure 1: Most asset managers achieved three or fewer key standards and were graded E or F



Robeco continues to demonstrate leadership in responsible investment and is ranked first in our benchmark for the third successive time. It was one of only two asset managers – with APG Asset Management – that met 16 or more of the key standards and achieved an A grade. In total just five managers – these two, plus AXA Investment Managers (third overall), Aviva Investors (fifth overall), and SEB Asset Management (eighth overall) – achieved at least half of the key standards in every thematic section.

In contrast, more than half the asset managers were graded either E (for meeting between one and three key standards) or F (for failing to meet any of the standards) (Figure 1). Many of those that scored less well did so because their policies only applied to a small portion of their funds, for example those labelled 'ESG'. The investment approach taken by these managers not only fails to protect people and the planet from harm, but also fails to safeguard investors against the financial risks that arise from their environmental and social impacts.

The survey was designed based on expert advice on the current state of the sector, and all the key standards are attainable: each of the 20 standards was achieved by at least one asset manager. Adding up the marks of the best performer on each question gives a result of 99% – more than three times higher than the average score. In short: asset managers can do *much* better.

Most asset managers included in the survey have sizable investments in both equities and fixed income, though a few specialise. Many are mainly or entirely active managers, though some are passive specialists. It is difficult to draw definitive conclusions due to the small sample sizes, but investment style does not appear to be a barrier to performance: the mainly passive Legal & General Investment Management was ranked tenth, and fixed income specialists' performances were comparable to those of generalist managers. (For more details on our approach to ensure fair comparison across investment styles, see Appendix 1.)

Finding 2: European asset managers significantly outperformed Asian and North American asset managers in every theme.

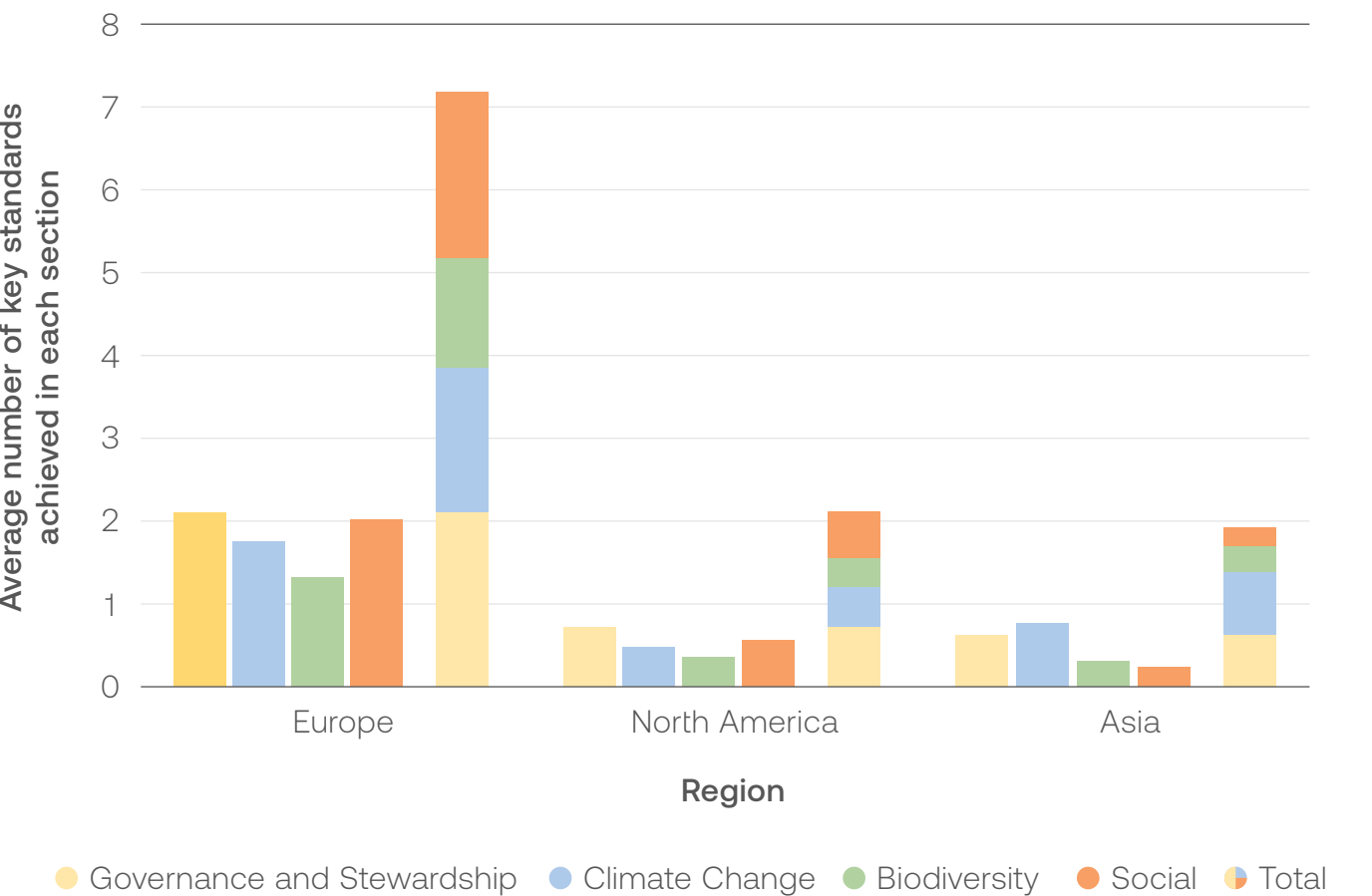
European asset managers achieved more than twice as many standards in every theme, compared to Asian and North American (US and Canada) asset managers (Figure 2).

Asian and North American asset managers' overall performance was very close, with Asian firms slightly ahead on climate, and North American ones slightly ahead on social issues, and similar performance in biodiversity and governance and stewardship.

Overall, almost half of the 38 European asset managers were graded A to C. In contrast, just one of the 38 Asian and North American managers – Nomura Asset Management from Japan – received a C; more than three-quarters received an E or F grade. Nomura Asset Management was also the only Asian asset manager to achieve more than two standards on any section (four out of six on climate) and no North American firms did so.

Our findings point to an even weaker corporate culture and regulatory framework in North America and Asia compared with Europe on all the issues covered in our survey. This was the case even before the current US-led backlash against the use of environmental, social and governance (ESG) factors in business and investing had had much time to have an impact.

Figure 2: European asset managers achieved more key standards on average in every theme than their Asian and North American counterparts



Further regional trends are as follows:

- European asset managers collectively outperformed their North American and Asian counterparts in every one of the 19 key standards which were applicable to all asset managers surveyed, as well as the key standard relating to scores from our *Voting Matters 2024ⁱ* report. Within Europe, the EU-based firms performed slightly better collectively overall than UK firms, which in turn performed better than Swiss firms.
- EU and UK firms scored especially well on the key standards relating to escalated corporate engagement (see Box 1 and Figures 17, 23, and 27). In climate (64% and 82% respectively), biodiversity (59% and 45%) and social (both 73%). North American, Asian, and Swiss firms scored poorly on engagement (averaging 20%, 10% and 13% respectively across the three themes).

ⁱ Voting Matters 2024¹ is ShareAction’s analysis of how 70 of the world’s largest asset managers voted on 279 shareholder resolutions aimed at improving companies’ impacts on pressing environmental and social issues during the 2024 proxy voting season. For more detail, and the alternative standard for asset managers outside the scope of *Voting Matters 2024*, see Figure 10.

- The biggest difference was on voting performance. No North American or Asian managers achieved the key standard relating to their score in our *Voting Matters 2024* report. In contrast, 83% of EU-based firms achieved this key standard.
- Four other standards were missed by every North American and Asian manager, and thus only achieved by European firms. These covered fossil fuel restrictions, net-zero targets, biodiversity targets, and location-based requirements for important biodiversity areas. However, beyond voting performance, this is more indicative of the few leading performers being European rather than systematic good performance across all European managers. On average, even European asset managers barely achieved one third of the standards.
- EU-based managers performed much better than their UK and Swiss counterparts on other social key standards. In particular, no UK firms achieved the key standard relating to Free, Prior, and Informed Consent (see Finding 24), only 9% did so for investment restrictions on controversial weapons and tobacco, and 18% did so for each of the standards on human rights policies and community engagement.

Finding 3: The world's largest asset managers remain some of the worst performers across responsible investment.

Between them, BlackRock, Fidelity Investments, State Street Global Advisors, and Vanguard manage assets of over \$23 trillion – a third of the total assets under management (AUM) of all the managers surveyedⁱⁱ. Their collective failures to develop sufficient approaches to responsible investment therefore has an outsized impact on the world.

All four were graded E or F, and between them, they achieved just four out of 80 possible key standards (Figure 3). Moreover, three of these were on the same key standard, for stewardship disclosure. The second standard, met by State Street Global Advisors, was disclosing impact metrics to clients.

Thus, none of them achieved a single standard within the climate, biodiversity, or social issue themes, nor did they achieve any of the more action- or policy- oriented key standards.

Figure 3: The world's four largest asset managers are rated E or F

	Rank	Grade	Number of key standards	Score	AUM ⁸
BlackRock	52	E	1	15%	\$8.7tn
State Street GA	61	E	2	13%	\$3.5tn
Vanguard	68	E	1	6%	\$7.3tn
Fidelity Investments	74	F	0	3%	\$3.9tn

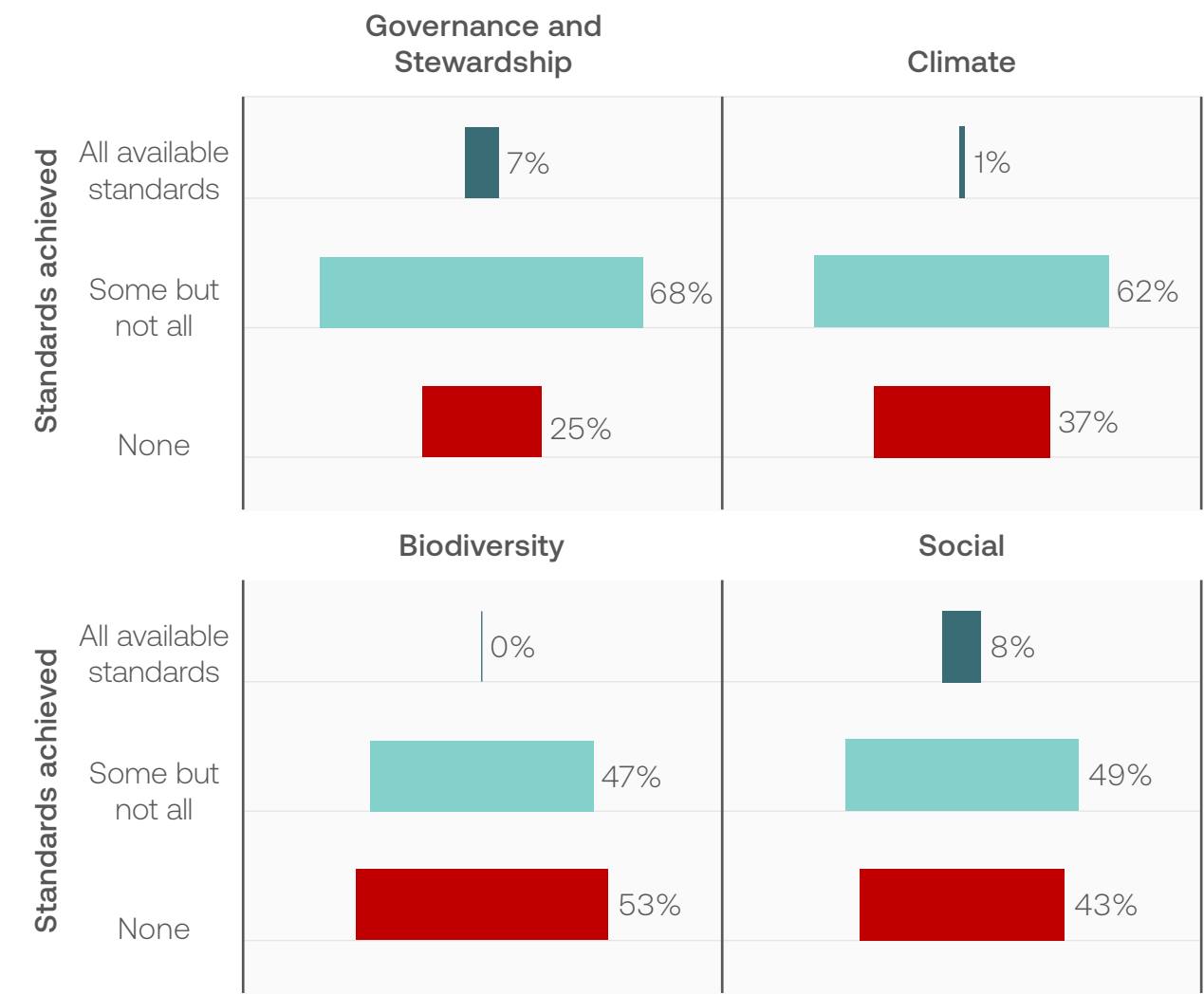
ii As at 31 December 2022⁸.

There are indications that regression may be occurring in some areas: for example, in our previous survey in 2023, we found sufficient detail in BlackRock’s “Approach to engagement on natural capital” to evidence sector- and ecosystem-specific approaches to natural capital-related risks⁹. Yet the most recent versions of this document is reduced in length and no longer covers the specifics on engagement on nature-risk for specific sectors in the same amount of detail^{10,11}.

The sheer size of these four firms, and the general underperformance of US firms (Finding 2), means that the 51% of asset managers graded E or F in our survey represent 67% of the total AUM of the managers surveyed, whereas the 12% of asset managers graded A or B represent just 5% of the overall AUM. Yet size need not be a barrier to responsible investment: Amundi Asset Management and Legal & General Investment Management both manage well over \$1 trillion and are ranked twelfth and tenth respectively.

Finding 4: Asset managers’ performance was low in every theme, and weakest on biodiversity.

Figure 4: More than half of asset managers achieved no key standards in biodiversity, while their performance on social was the most varied.



Asset managers' mean and median scores were under 50% for every individual theme. Only one key standard, relating to engagement disclosure, was met by more than half of them. Biodiversity performance is especially weak: more than half of the asset managers surveyed failed to meet a single key standard in this section, and less than a fifth achieved more than one (Figure 4). It was the only thematic section in which no individual manager achieved all of the available standards. The poor performance against our key standards, and a median underlying score of just 13% for this theme (the next worst was climate with 26%) demonstrates a long tail of asset managers with a biodiversity blind spot, mirroring our findings on the insurance sector¹².

Performance on social issues is the most varied, with the highest rate of managers meeting all the available standards, and the second highest rate of meeting none of them. Asset managers also had the biggest discrepancy between standards achieved and median score for the social section. This indicates that firms have more social policies that are partially developed but aren't comprehensive enough – for example not including all main types of controversial weapons in their investment restrictions (Finding 23).

Asset managers' performance on governance and stewardship was better than on the three other themes overall, aligning with their performance on corporate engagement within those sections (see Finding 8).

Finding 5: Progress has slowed significantly since 2022.

There are 60 asset managers that have appeared in all three of our most recent benchmarks of asset managers. The data on their policies across thermal coal, controversial weapons and tobacco investment, and biodiversity requirements in material sector policies, show a similar pattern. Far more asset managers introduced investment policies applying to most or all of their funds before our 2023 report (reflecting policies up to December 2022) than since. On both coal and tobacco, every asset manager that had a commitment in this year's survey (reflecting policies up to December 2024) already had one in our 2023 report (Figures 5 and 6). Only four additional firms have made commitments to restrict at least some form of controversial weapon since 2023, compared with 11 that made such commitments between our 2020 and 2023 surveys. Similarly, only six have introduced biodiversity requirements into policies for material sectors (such as agriculture, mining, or fisheries) since 2023, but 19 did so in the preceding period. This finding echoes the stagnation of sustainable fund assets, which, after an explosion from 2018 to 2021, have since remained roughly level¹³.

Although few asset managers are publicly making new commitments, some others are strengthening existing commitments. For example, in 2023 we found only a quarter of the thermal coal commitments made by asset managers featured revenue thresholds of 10% or lower (or commensurate low production thresholds in line with Global Coal Exit List recommendations¹⁴). This now applies to around half of those with a commitment.

Figure 5: Of the 60 asset managers which have featured in the last three reports, some have updated or strengthenedⁱⁱⁱ their commitments on coal since 2023, but no new firms have introduced a coal commitment.

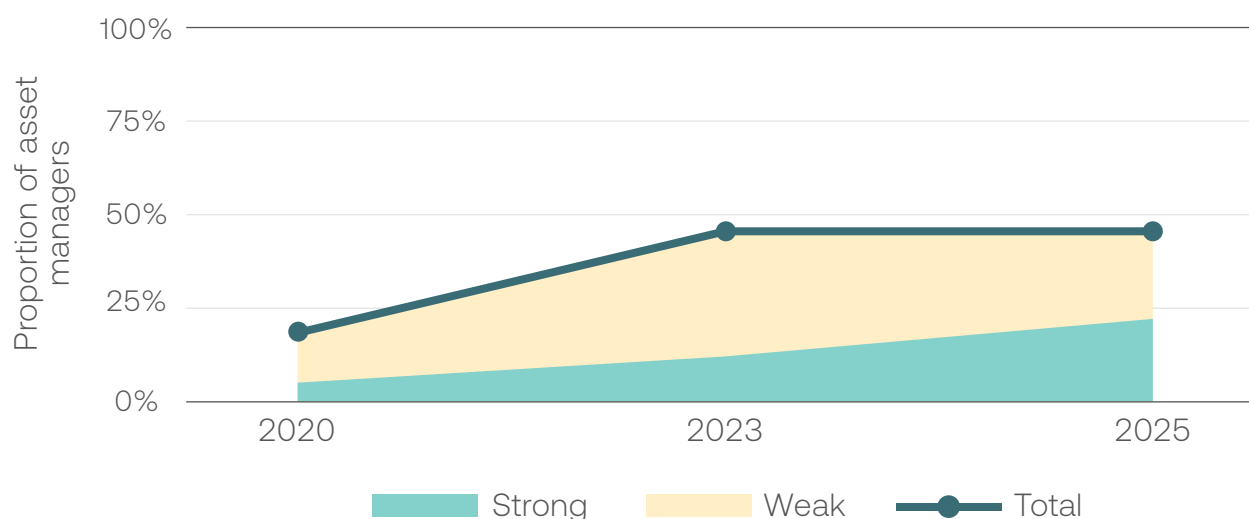
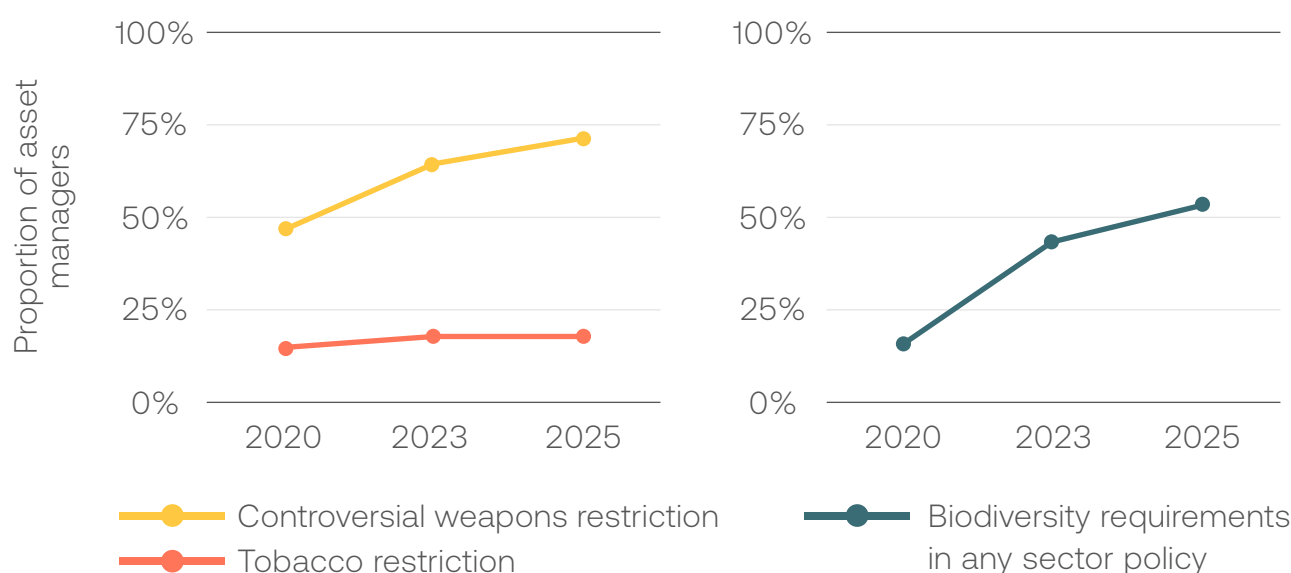


Figure 6: No new asset managers have made commitments on tobacco since 2023. Far fewer new asset managers have introduced controversial weapons restrictions or sector-level biodiversity requirements since 2022 compared with the preceding period.



For more details on the current state of commitments on these topics, see Findings 13, and 21-23.

iii Strong commitments feature absolute restrictions, 10% threshold restrictions, or tight production restrictions following the Global Coal Exit List's methodology recommendations for that year. All of the restrictions included here apply to thermal coal mining; all but 4 (7%) of the managers have a restriction on coal power also, though these restrictions are often weaker.

Finding 6: Nearly half of asset managers with inadequate fossil fuel investment policies also cannot demonstrate robust climate-related engagement.

Asset managers often state that they engage with fossil fuel companies instead of restricting investment in them. We therefore might expect that asset managers without strong restrictions on fossil fuel investments would be able to show evidence of robust engagement instead. However, a significant proportion of asset managers reported neither effective investment policies nor examples of forceful engagement.

Thirty-four asset managers didn't meet our key standard on fossil fuel investments, couldn't give an example of escalated engagement on climate topics^{iv}, and voted for less than 85% of resolutions flagged in our *Voting Matters 2024* survey (Figure 7)^v. European asset managers were most likely to meet all three standards: 81% of European asset managers did so, compared to 31% of Asian asset managers and 28% of those based in North America.

Another argument that asset managers use against divestment and associated capital allocation levers is that secondary market capital makes little difference to the provision of capital available to a fossil fuel company, and therefore does not affect overall fossil fuel capacity. We might therefore expect asset managers that do not have restrictions on secondary capital to have stronger restrictions on primary capital (such as equity and debt issuances). However, of the 72 asset managers that did not have strong fossil fuel restrictions, just two – HSBC Asset Management and Ping An Asset Management Co., Ltd. – gave any evidence of applying stronger policies when investing in primary market capital.

Finding 7: The majority of asset managers with inadequate biodiversity investment policies also cannot demonstrate robust biodiversity-related engagement.

Asset managers' approaches to biodiversity are even worse than their fossil fuel policies. Half the asset managers did not have an adequate biodiversity investment policy^{vi}, could not give an example of escalated engagement on biodiversity, and voted for less than 85% of shareholder resolutions in 2024 (Figure 8)^{vii}.

iv This is defined for the purposes of the benchmark as any action (aside from voting) from Step 3.1 of our [escalation framework](#) onwards. These actions include: asking questions or making statements of intent at annual general meetings, co-filing shareholder resolutions, rejecting documentation amendment requests, convening bondholder meetings, seeking board seats, calling an extraordinary AGM, legal processes, divesting from/excluding within labelled funds, reducing exposure/underweight in all funds, engaging index provider to exclude company at next rebalancing, not participating in primary issuance (new debt/refinancings) for labelled funds, not participating in primary issuance (new debt/refinancings) for all funds, divestment and exclusion.

v Or met an equivalent standard for fixed income investors.

vi Either place-based or sector-based.

vii Or an equivalent for fixed income specialists.

Figure 7: 34 asset managers showed inadequate fossil fuel policies and climate-related engagement practices

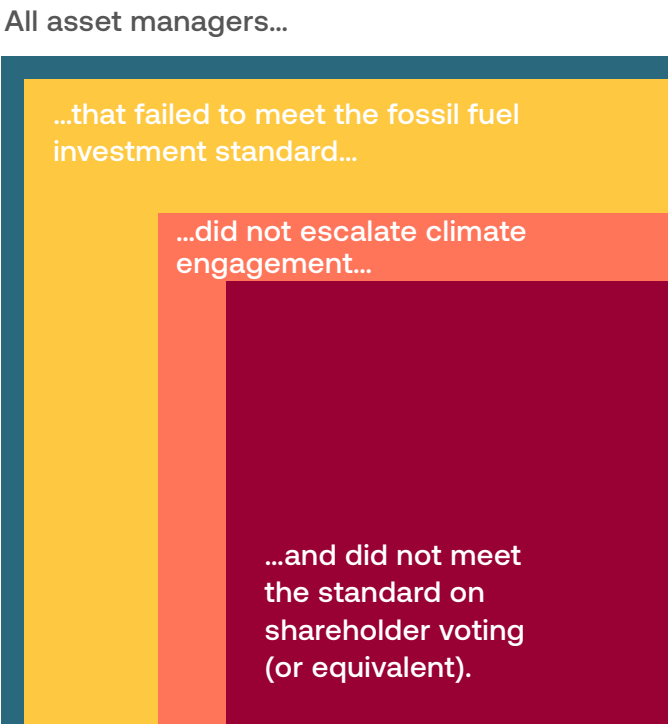
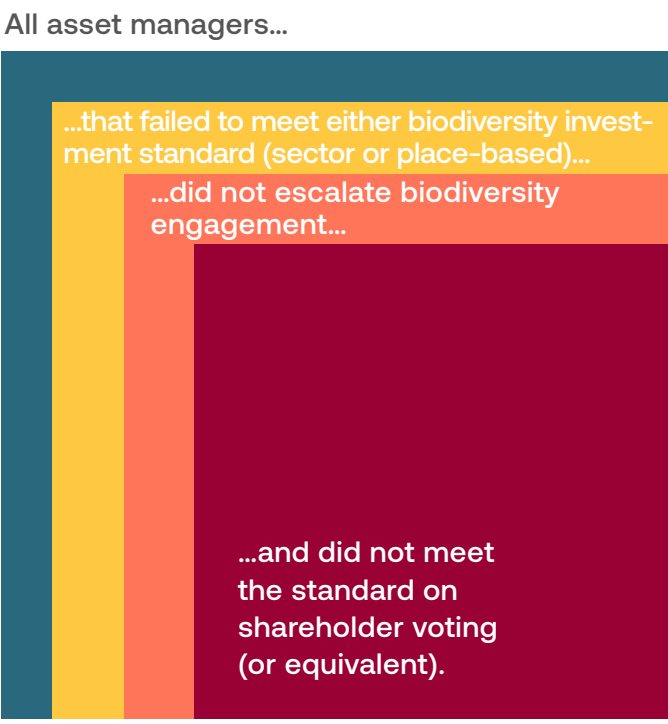


Figure 8: 38 asset managers showed inadequate biodiversity investment policies and biodiversity-related engagement practices



 = 1 Asset Manager

Integration of investment and engagement practices on biodiversity is far more progressed in Europe than other regions. Only 18% of asset managers based in Europe missed these key standards, compared with 77% in Asia and 84% in North America.

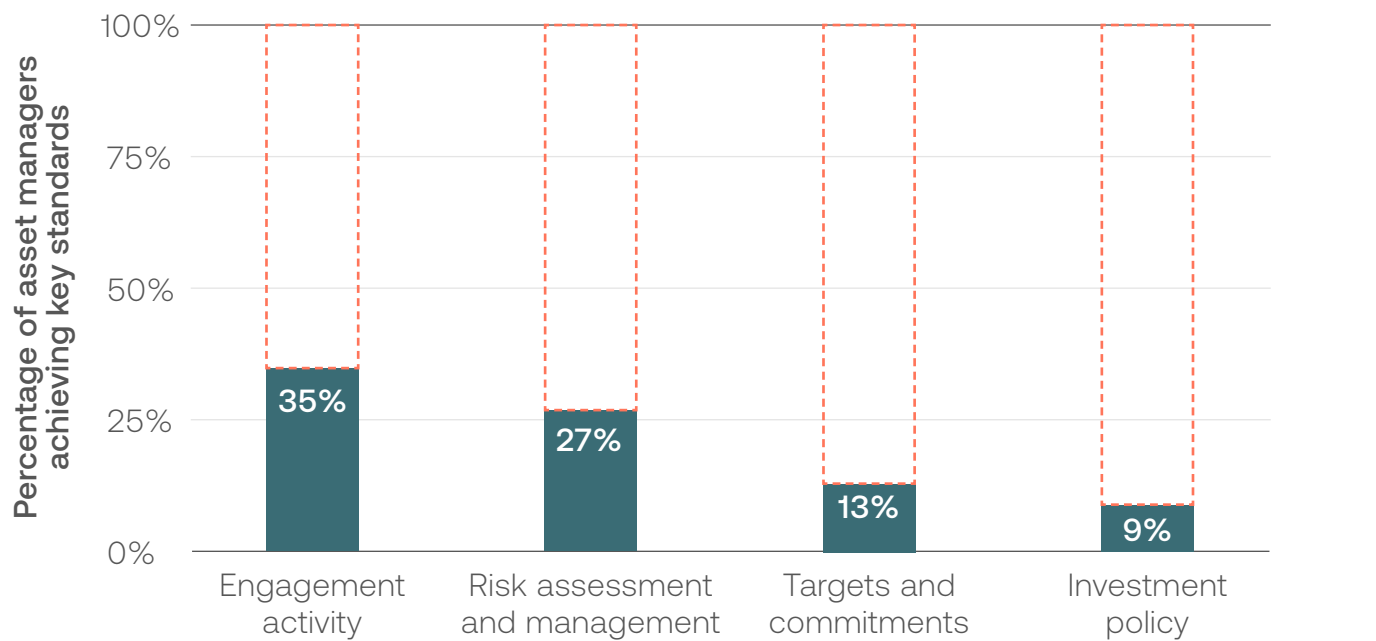
Finding 8: Asset managers are prioritising corporate engagement and risk assessment over robust investment policies and targets – yet barely a third are taking concrete actions when necessary.

Within the climate, biodiversity, and social themes, key standards related to corporate engagement were the most likely to be met, followed closely by risk assessment and management.

On average, 35% of asset managers achieved each key standard related to engagement activity. This was more than two and a half times as many as met key standards related to setting targets and making commitments, and almost four times as many as for standards related to investment policy (such as embedding investment restrictions or responsible business requirements for key sectors) (Figure 9). This highlights the lack of robustness in asset managers’ investment policies and commitments.

The fact that barely a third of managers are able to provide even a single example of escalated engagement on responsible investment issues highlights how few are taking concrete actions such as asking questions at AGMs, making public statements, and allocating capital elsewhere when necessary to escalate engagement due to lack of progress. This lack of practical action, combined with other important gaps in engagement and escalation policies (Findings 9–11), calls into question the effectiveness of asset managers’ engagement strategies.

Figure 9: Few asset managers achieved key standards related to targets and investment policies



Governance and Stewardship

Asset managers are not making good use of governance and engagement practices to promote responsible investment.

This chapter assesses how asset managers’ responsible investment policies and practices are governed, and their approach to stewardship, with respect to voting, engagement, and escalation.

Key Standards

Figure 10: Most asset managers provide detailed disclosure of their engagements, but other actions are less common

Percentage of asset managers that:			Common reasons for not meeting key standard
	Disclose sustainability or impact metrics to clients across all portfolios	21%	57% of asset managers disclosed such metrics for some but not all funds. This was often limited to ESG-labelled funds, but some managers had regional policies e.g. different disclosures for US and European funds. The remaining 21% showed no evidence of publicly disclosing any sustainability metrics for any funds. This information is important for clients to understand what they were investing in.
	Have an engagement policy with a defined escalation process, setting out time-bound escalation triggers and consequences of unsuccessful engagement	25%	83% of asset managers published an escalation policy and another 5% published some details of the escalation process without publishing a full policy. The vast majority of these included details of the consequences of unsuccessful engagement. However, many did not include time-bound escalation triggers. Ensuring these are time-bound is important to ensure progress occurs in a timely fashion, and action is not simply deferred.
	Provide detailed disclosure of engagements (One or more of the following: a full list of companies engaged with quantitative outcomes; number of times each escalation tool was used; a list of exclusions as a result of unsuccessful engagement)	61%	This was the most widely achieved key standard across the survey. Almost all those that did not achieve it failed because their disclosures were limited to case studies or very high-level summaries. Just four asset managers did not publish a report of any kind detailing their engagement activities.
	<i>For the 58 asset managers that were also included in ShareAction’s Voting Matters 2024:</i> Voted in favour of at least 85% of the resolutions assessed	33%	For more information about asset managers’ voting performance, please refer to our Voting Matters 2024 report
	<i>For the 18 asset managers not included in Voting Matters due to insufficient holdings:</i> Demonstrated engagement on equities, corporate or sovereign debt since 1 January 2022 regarding responsible investment issues using at least one of the following tactics: making a public-facing statement; filing a shareholder resolution; imposing responsible investment-related conditions on purchasing new issues; refusing to purchase new issues; divesting.	39%	Three of the 18 managers for which this standard was used did not publicly disclose using any specific engagement or escalation tactics in this period. The other eight managers that did not meet the standard disclosed meetings with issuers and having had private correspondence, but did not disclose taking any of the more escalated actions we highlighted.
	Did NONE of these	25%	
	Did more than one of these	41%	

Finding 9: Escalation policies are becoming more detailed, but still lack timebound triggers.

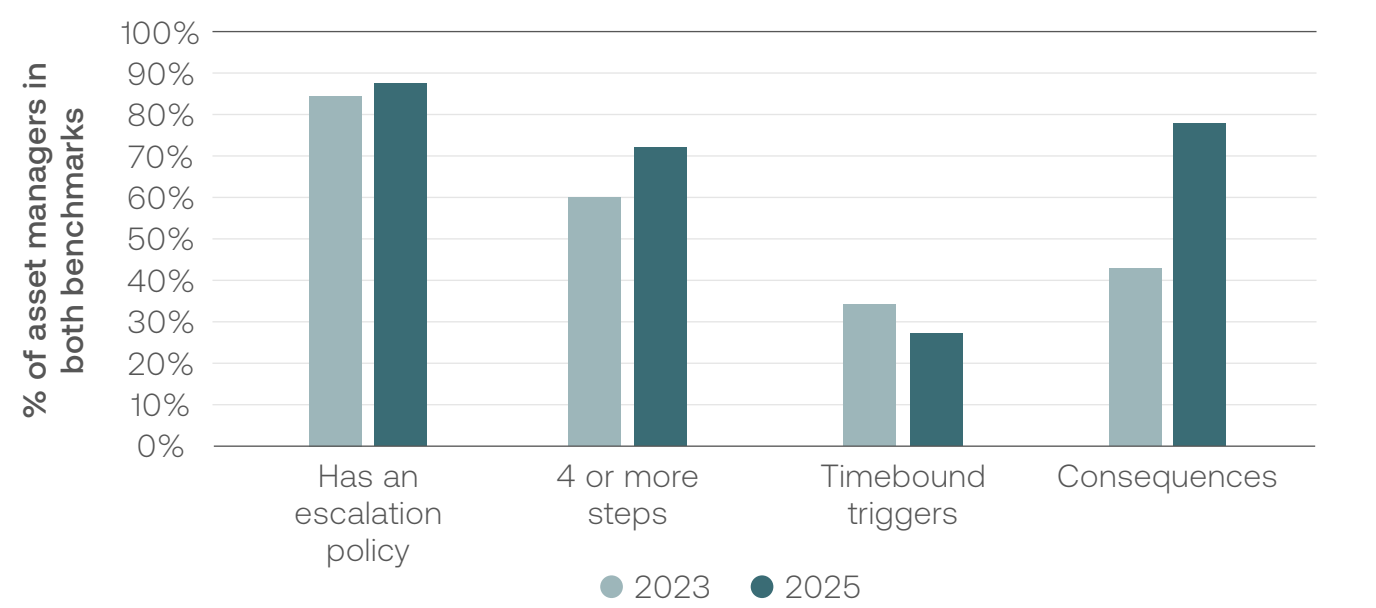
Escalation policies have generally grown more detailed since 2022, but they are still missing a key element: timebound triggers. These are references to definite or expected deadlines, either across all engagements or set for specific campaigns, after which a particular action will be taken.

For asset managers that featured in both our 2023 and 2025 surveys, a similar proportion (88%) had escalation policies in both years. These have grown more detailed, with 78% of these asset managers now disclosing consequences (meaning a reference to divestment or similar actions)^{viii} compared to 43% in 2022 (Figure 11). However, only 27% disclosed timebound triggers.

European asset managers^{ix} made up a greater proportion of those disclosing consequences and escalation triggers than other regions, although some US and Asian firms published these details.

Detailed escalation policies are vital to increase transparency and accountability, both between asset managers and investee companies and between asset managers and their clients. Publishing an escalation policy that set out timebound triggers and consequences correlated strongly with performance in the overall survey^x.

Figure 11: Asset managers’ escalation policies have generally become more detailed



viii For the purposes of this survey, we included asset managers that ‘may’ take this action.
ix Including the UK and Switzerland.
x We used the Pearson correlation coefficient to compare two sets of linear data: score on the escalation policy question and score in the survey overall; the value – 0.64 – indicates moderate to strong correlation.

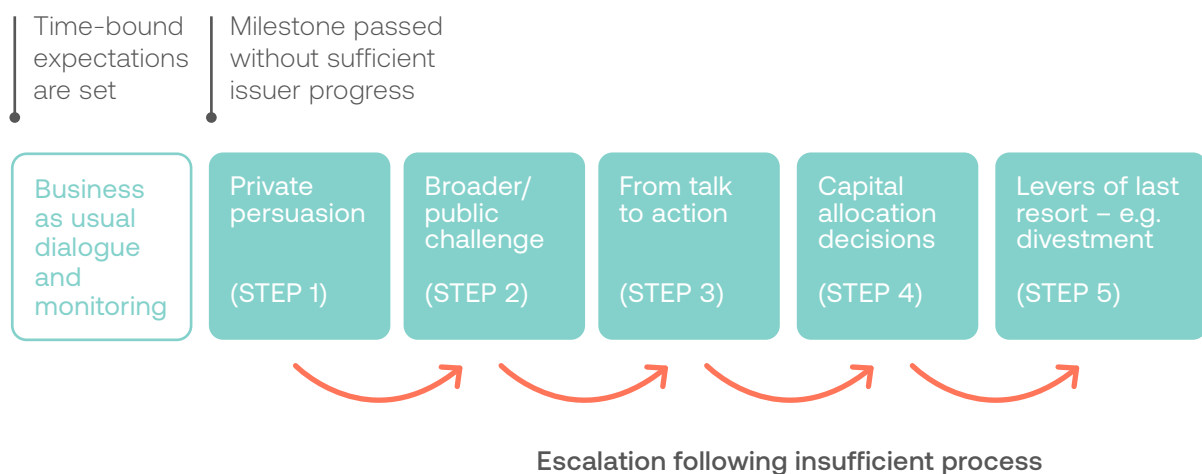


Box 1: Escalating engagement

Escalating engagement means using additional, more forceful actions if there is an insufficient response to concerns raised. Actions can include: public statements; voting against management; requisitioning shareholder proposals; reducing holdings; and, ultimately, full divestment.

Capital allocation cannot be used as a lever for assets that are managed passively as easily as for active funds (except when creating new funds or changing a fund's mandate); this makes other stewardship actions even more critical. Setting time-bound expectations for progress helps ensure that the process doesn't stall, so that the engaged company can expect consequences if it fails to make progress.

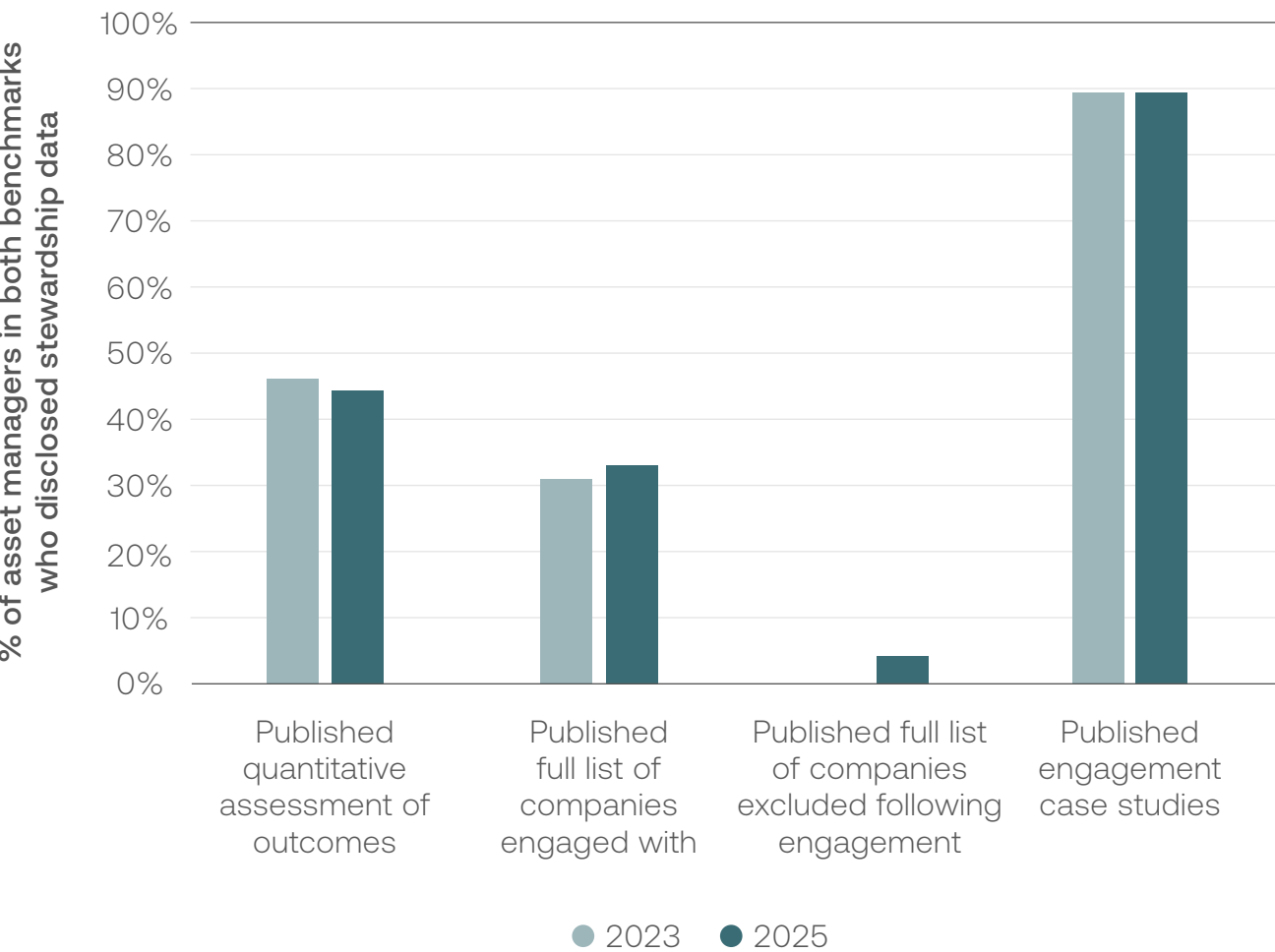
Figure 12: Engagement should escalate if insufficient progress is seen



For further information about the importance of escalation frameworks and how they can be robustly implemented, see our December 2023 RISE report, *Introducing a Standardised Framework for Escalating Engagement with Companies*¹⁵.

Finding 10: Engagement disclosure has stalled.

Figure 13: Engagement disclosure has broadly stalled

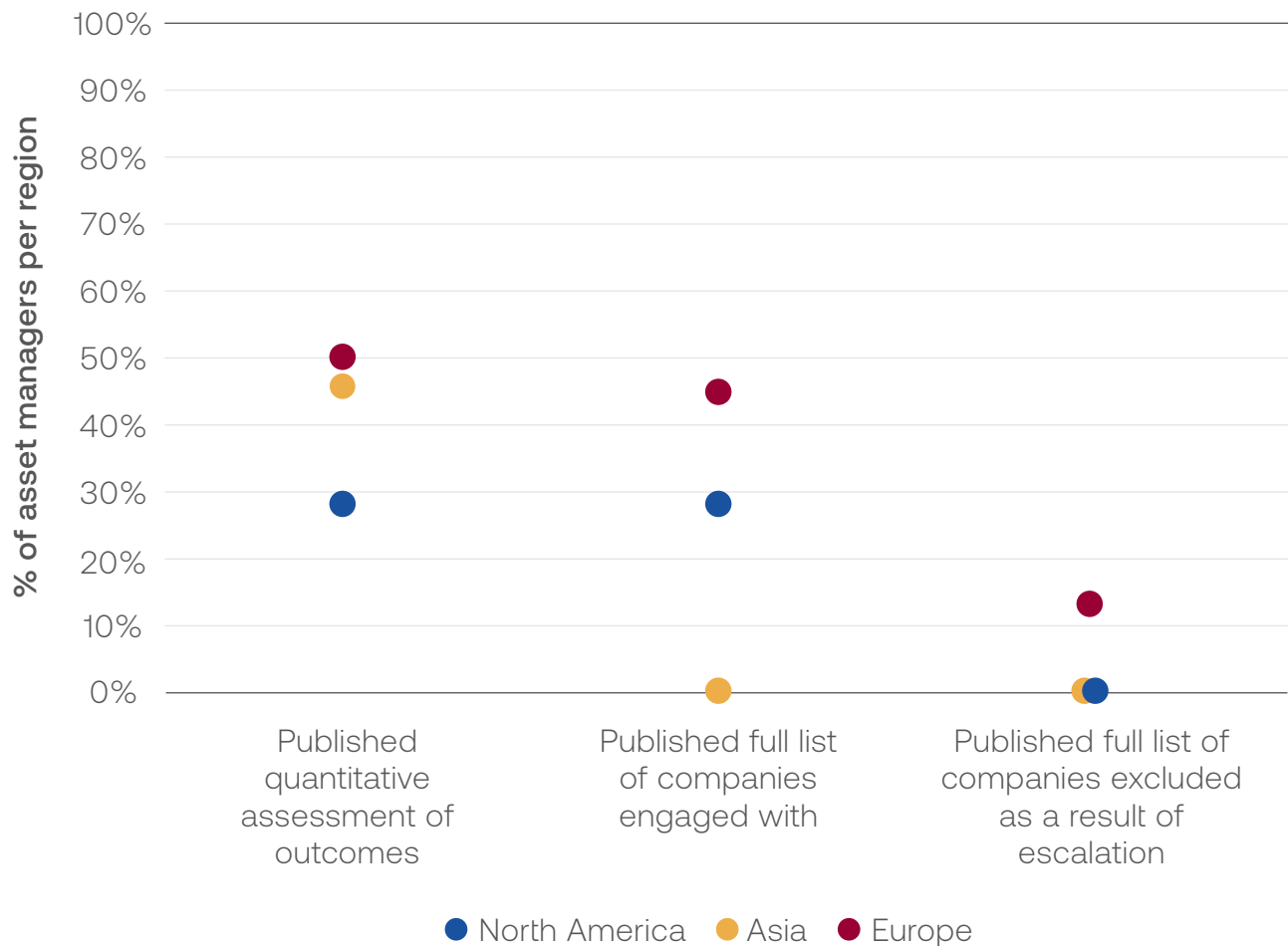


Disclosure of engagement activities has stalled, despite being correlated with overall performance^{xi}. Engagement case studies, quantitative outcomes of engagement, and full lists of companies engaged with are being disclosed at a similar rate to 2022 (Figure 13).

Use of the most ambitious types of disclosure are linked to geography (Figure 14). All the asset managers that disclosed lists of companies they had excluded as a result of escalation were based in Europe. Asset managers in Europe also disclosed quantitative engagement outcomes and full lists of companies engaged with more frequently than managers in North America and Asia. This suggests that stronger legislation and codes in Europe, such as the Shareholder Rights Directive in the EU and the UK Stewardship code, are having a positive impact.

xi Pearson correlation coefficient: 0.60 (moderate to strong correlation).

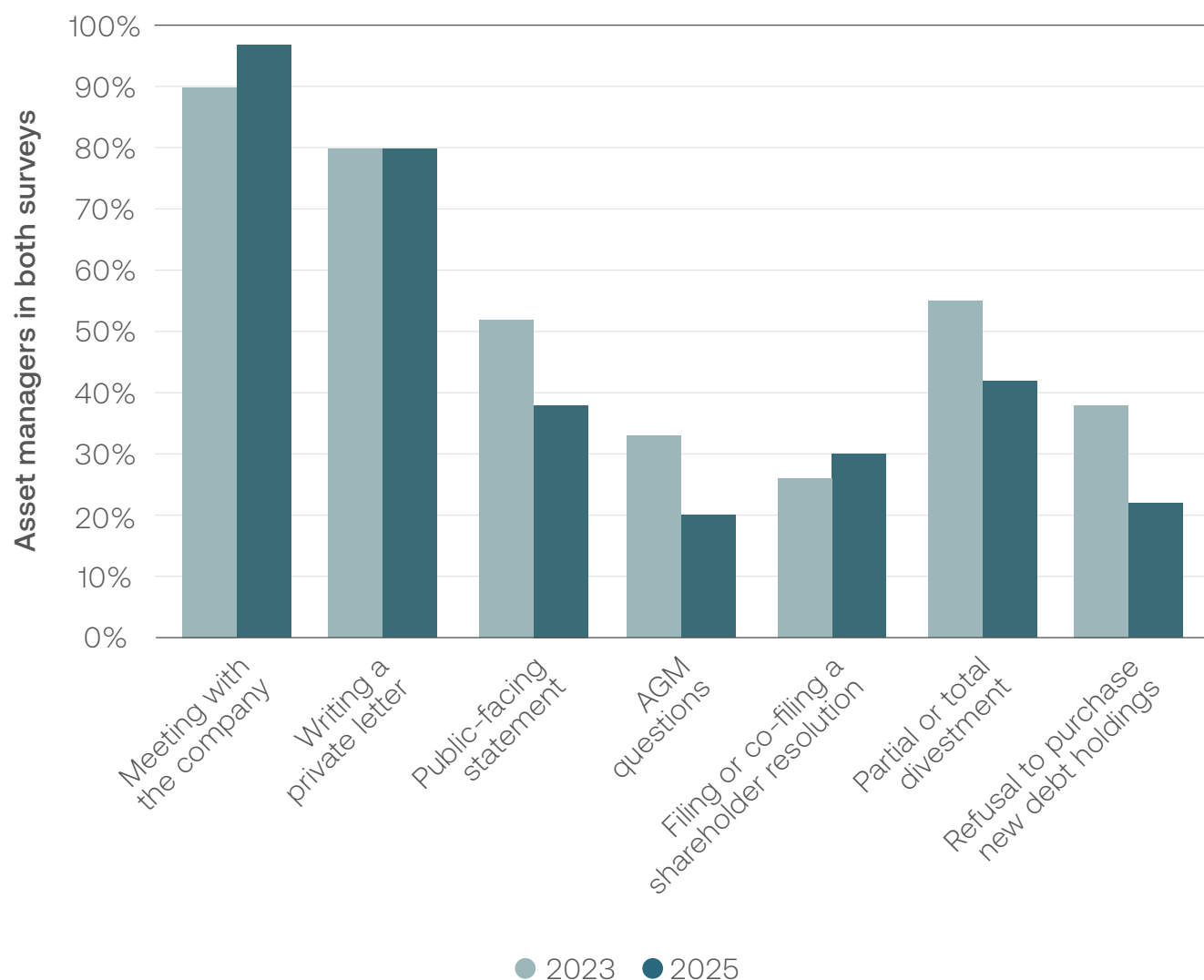
Figure 14: Use of the most ambitious types of disclosure differs according to geography



Finding 11: Asset managers are stepping back from divestment and public actions in engagement.

The number of asset managers that reported using divestment or refusal to purchase new debt holdings as engagement tools has fallen since 2022. Only 29 of the 69 firms (42%) which featured in both our 2023 and 2025 surveys reported having used total or partial divestment as part of their engagement process this time, compared to 38 (55%) last time. There has also been a drop in the number of asset managers making public-facing statements and asking questions at AGMs, even as private engagement actions (meetings and letters) stays steady. This implies that asset managers are shying away from robust escalation.

Figure 15: Asset managers are reporting fewer instances of public actions and allocation of capital in their engagements with investees



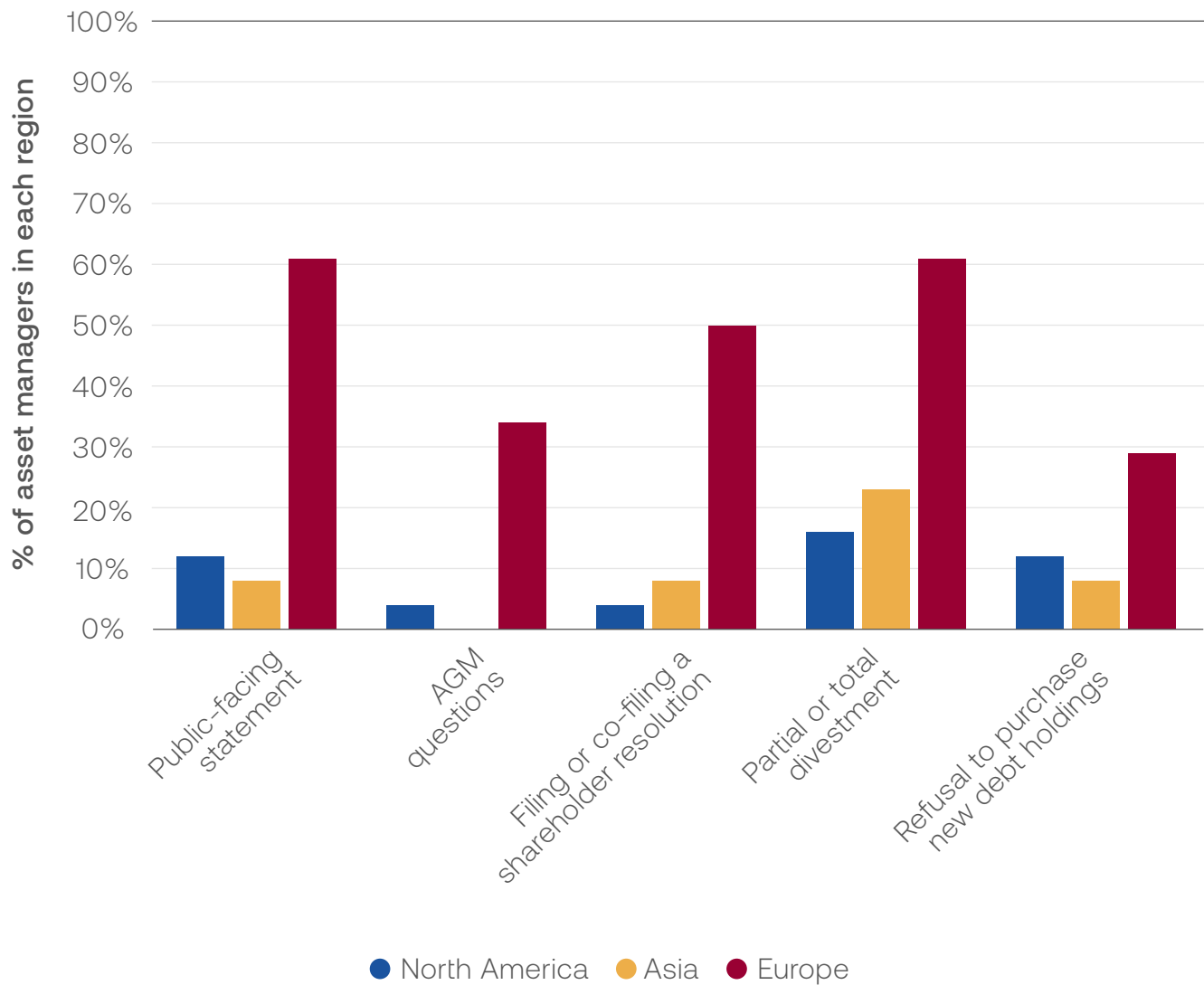
This step-back has occurred despite more asset managers than previously disclosing consequences – 53 (77%) this time, compared to 30 (43%) last time (Figure 11). Despite this, only 29 (42%) of these managers took any sort of public action^{xii}, and only 30 (43%) took actions related to capital allocation (Figure 15)^{xiii}.

European asset managers outperform their competitors in Asia and Europe significantly, with proportionally more taking public actions and making capital allocation decisions after unsuccessful engagement (Figure 16).

xii This includes public-facing statements, filing or co-filing a shareholder resolution, or asking a question at an AGM.

xiii This includes refusal to purchase new issues, partial or total divestment, or communication of responsible investment-related conditions for the purchase of new issues (either individually or part of a group).

Figure 16: A far greater proportion of European asset managers have taken robust escalatory action since 2022



Climate Change



Climate Change

Climate impacts are worsening, and the pace of warming is accelerating, yet asset managers’ ambition and action on climate are inadequate to protect industry and wider society from systemic climate risks.

2024 was the warmest year on record, and likely the first calendar year with a global mean temperature more than 1.5 degrees above the 1850–1900 average¹⁶. It is therefore critical that action is taken immediately. Yet our findings show that asset managers’ level of ambition and action is insufficient to address the urgency of the climate crisis. While four-fifths of asset managers have set long term net-zero targets or commitments and three-quarters have set interim emissions reduction targets, these are not robust, nor are they backed up with sufficient actions or detailed plans to achieve them. Very few firms had strong climate policies on key areas across the survey; only 16% of asset managers surveyed met more than three of our six climate key standards.

Key Standards

Figure 17: Most asset managers have some form of long-term net-zero target for investment, but they are still falling short of robust measures to protect against climate risks

Percentage of asset managers that:			Common reasons for not meeting key standard
	Have published a climate transition plan that covers their investments, outlining how they will pivot their existing assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations, and specifically aligns with industry standards on decarbonisation (e.g. Transition Plan Taskforce, GFANZ, SBTi)	21%	Many asset managers referenced their decarbonisation targets and Task Force on Climate-Related Financial Disclosures (TCFD) disclosures. These alone do not constitute a plan as described in the standard: targets need to be supplemented with timebound actions including how they will encourage investee companies to make the climate transition and support them in doing so.
	Exclude thermal coal and unconventional oil & gas across their corporate debt and equity investments in a majority of funds, and place restrictions on companies developing new conventional oil & gas capacity	5%	This key standard was based on the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL)’s thresholds for fossil fuel investment^{12,14}. Critically, restrictions should apply to a majority of funds for them to have a sizeable effect on real-world outcomes. Consequently, restrictions that only applied to a minority of funds received only a de minimis score and did not qualify for the key standard threshold. More than half of asset managers (54%) didn’t have any fossil fuel restrictions for a majority of their funds, including nine (12%) that had no fossil fuel restrictions at all. Another 24% had at least one restriction on fossil fuel investments that applied to most funds, but all were too weak for our key standard criteria: most often this was because they only excluded companies using a very high revenue threshold^{xiv}, thereby allowing substantial continued production and/or expansion. Of the other 17% that did not meet the key standard, most met the criteria for thermal coal mining and power, and oil sands. However, only two of these managers also met the criteria for Arctic oil & gas, only one did so for ultra deepwater oil & gas, and none had sufficient policies to restrict conventional oil & gas expansion.

xiv For example, if revenues from that fossil fuel represented more than 20% or 30% of the company’s total.

Percentage of asset managers that:			Common reasons for not meeting key standard
	Have demonstrated escalated engagement with investee companies on at least one climate issue since 1 January 2022	42%	Only three asset managers (4%) gave no examples of engagement on climate. 83% of all asset managers provided at least one example of successful engagement on climate. More than half gave examples relating to emissions reduction targets and/or climate-related disclosure. Less common topics included transition plan credibility (30%), investment in climate opportunities (26%), and climate adaptation and resilience (16%). However, many of these asset managers failed to achieve the standard because, despite disclosing evidence of engagement, they did not provide evidence of having escalated their engagements through steps such as divestment; litigation; filing a shareholder resolution; or asking a question at a company AGM.
	Have conducted scenario analysis and demonstrated how this has been used to inform their investment approach, covering transition and physical risks and using at least three varied scenarios, for a substantial proportion of their investment portfolios	29%	76% had conducted scenario analysis including both physical and transition risks. Of these: • Three (4%) did not evidence using a wide range of scenarios. • 17% did not include sufficient of their assets in the analysis – often just performing it for specific funds or asset classes. • 26% used a range of scenarios and included a substantial proportion of assets, but did not give sufficient evidence of how this analysis is used to inform their investment approach. 16% of all managers had not conducted scenario analysis at all.
	Have set a specific, measurable, and time-bound target for the proportion of their investments to be invested in the climate transition, using a clear classification system	14%	78% of asset managers had not publicly set any such investment target, and none reported private targets. Of the rest, some companies had set more general targets at group level that did not contain specific targets for the asset management business, and others had aims that weren't time-bound.
	Have set an interim target to reduce CO₂ equivalent emissions that meets all the following: 1 reduction by at least 50% by 2030 2 covering at least 50% of AUM, 3 covering all listed equity and corporate bonds, and 4 using either absolute emissions or inflation-adjusted intensity-based metrics.	5%	26% of managers surveyed had not set any public interim emissions reduction target. Another 5% had set a target for 2025 but not yet set a target publicly for 2030. For those that had set targets, the most common reason for failing the key standard was due to the methodology used. Just six asset managers (8%) set a primary target for their investments using absolute emissions or inflation-adjusted emissions intensity^{xv}. 39% had set targets using emissions intensity without adjustment for inflation, and 20% had used portfolio coverage (the majority of which used a weaker approach by combining the figures for those aligned to a net-zero pathway and those in the process of aligning (see Box 3)). While most targets aimed for at least a 50% reduction, more than half did not cover sufficient AUM and/or all listed equity and corporate bonds.
	Did NONE of these	37%	
	Did more than one of these	30%	

xv Only absolute emissions reductions truly correspond to the goal of real-world emissions reductions. Other metrics, such as intensity-based ones, can be driven by factors beyond carbon emissions alone, which can distort or weaken the real emissions picture. Adjusting for inflation can at least partially address this, but different types of metrics can even move in opposite directions under identical scenarios. For more details, see Box 2.

Finding 12: Interim net-zero targets are seriously lacking in both ambition and scope.

As of December 2024, 50 (66%) asset managers were committed to achieve net-zero greenhouse gas emissions by 2050 or sooner, while a further 11 (14%) had some other form of commitment^{xvi}. Almost all of these are supported by an interim target – a milestone aiming for a partial reduction in greenhouse gas emissions, usually by 2030. Robust interim targets are crucial to ensure long-term climate ambitions can be met, but unfortunately, in practice these are generally quite weak (Figure 18).

To meet our key standard, interim targets must aim to cut CO₂ emissions by at least 50% by 2030, cover at least 50% of AUM and all listed equity and corporate bonds, and use either absolute or inflation-adjusted intensity-based metrics. Only four of the 76 asset managers surveyed: APG Asset Management, DWS Group, Robeco, and SEB Asset Management, met this standard, all of them European.

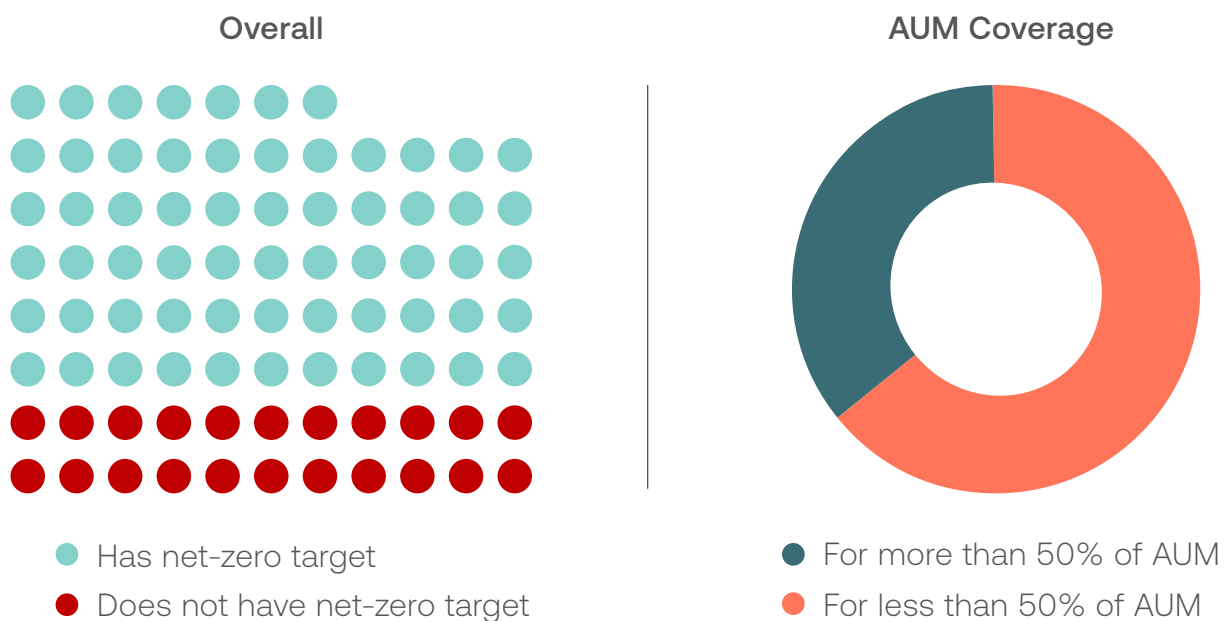
Key reasons why this standard was missed include:

- **Lack of ambition:** 56 asset managers have set interim targets, but only 20 of these cover more than 50% of AUM, and only two cover 75%. As a result, the majority of interim targets are on course to be met, but do not necessarily cover all of the most highly emitting assets.
- **Insufficiently rigorous methodology:** Only four asset managers' targets demand a reduction in their absolute level of emissions, while only 2 with an intensity-based target explicitly adjust for inflation. The remainder use a weaker methodology (Box 3). Where client consent is a barrier to committing assets to targets using rigorous methodologies, asset managers should disclose the steps they are taking to secure client commitments¹⁷.
- **Failure to cover Scope 3 emissions:** In most sectors, scope 3 emissions dwarf scope 1 and 2 emissions^{xvii}. Measuring and reducing scope 3 emissions is therefore essential to tie emissions targets to the real economy, at least for sectors where these emissions are most material¹⁸. Only 17 asset managers include scope 3 in their interim net-zero targets.

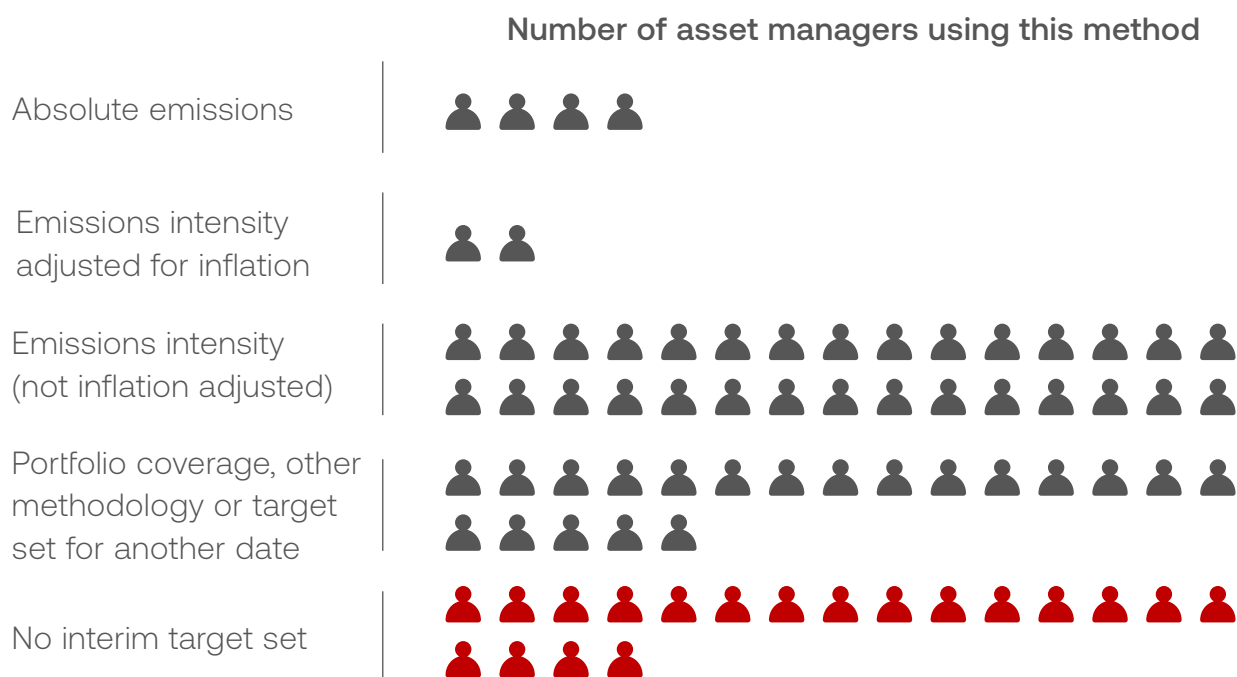
xvi The other forms of commitment included: three asset managers with a 2060 carbon neutrality target in line with China's pledge to reach peak carbon emissions by 2030 and be carbon neutral by 2060; seven asset managers that were NZAMi signatories with an aspiration to reach net-zero by 2050, but had not set explicit and public 2050 net-zero targets; one asset manager (Ofi Invest Asset Management) had an implicit ambition to reach net zero by 2050 as set out in their interim 2030 net-zero target.

xvii Scope 1 emissions come from direct sources that a company owns or controls. Scope 2 emissions are indirect emissions from the production of purchased energy. Scope 3 emissions include all other indirect emissions across the company's value chain, both upstream (e.g., supplier activities) and downstream (e.g., product use and disposal), excluding those covered in Scope 2.

Figure 18: Most interim net-zero targets use an insufficiently rigorous methodology and limited AUM coverage



Only 4 asset managers met our key standard for interim net zero targets



- **Lack of progress updates:** More than a third of the asset managers that have disclosed an interim net-zero target have not disclosed updates on progress, making it impossible to tell whether they are on track to meet their 2050 commitments. This is especially concerning for those that set interim targets for 2025.
- **Lack of meaningful engagement on climate:** Of the 11 asset managers that explicitly reference engagement in their net-zero targets, eight have not disclosed an engagement policy with a robust escalation process.



Box 2: Leading Practice: Interim Net-Zero Targets: SEB Asset Management

SEB Asset Management's net-zero targets are among the most ambitious of the asset managers we surveyed. Its targets are based on absolute emissions and apply to more than 50% of its AUM.

SEB Asset Management has set a main target to reach net-zero greenhouse gas emissions by 2040 for total assets under management. It has also set interim targets of 50% reduction in greenhouse gas emissions by 2025, and 75% reduction by 2030. These targets cover scope 1, 2 and 3 emissions and all main investment types.

Importantly, SEB Asset Management has reported on the progress made towards these targets by providing a breakdown of the reduction in CO₂ emissions across their portfolio from 2019–2023.

These findings show little progress from our 2023 *Point of No Returns* report⁶. Significant gaps in net-zero targets – regarding interim targets, asset coverage, methodology, and ambition – persist.

It is encouraging that 33 asset managers published net-zero targets for the first time since 1 January 2022. However, 30 of them referenced the Net Zero Asset Manager initiative (NZAMi), which has now been suspended. In many cases these targets were only listed on the NZAMi website, from which all targets were removed on 13 January 2025, pending a review. It is imperative that these targets should not be discarded, watered down or ignored, and that progress should be regularly reported on.



Box 3: Net-zero targets fall into three main categories

Asset managers' net zero targets usually follow one of three methods

Absolute targets, which aim to reduce the overall emissions of a portfolio.

Intensity-based targets, where emissions are reduced relative to value (in terms of company revenue or the security held). For example, targeting a 50% reduction in CO₂ equivalent emissions per dollar of revenue by 2030, relative to 2019.

Possible pitfalls:

- These targets may incentivise the acquisition of more green investments to bring down average intensity, without necessarily guaranteeing existing assets become any less emissions intensive.
- Changes in revenues or share price can distort the amount of progress made, as emissions intensity will not necessarily track absolute emissions.
- Over time, values are likely to trend upwards, so intensity targets could be met with smaller real emissions reductions than would be needed for absolute targets. Targets which **adjust for inflation** can correct for this; these are displayed separately in Figure 18.

Portfolio coverage targets, where instead of focusing on overall portfolio emissions, asset managers assess whether individual companies within the portfolio are aligned to a credible pathway towards net-zero¹⁹.

Possible pitfalls:

- The link to emissions is indirect, and it can lead to a disproportionate focus on engagement (which may not even be carried out) relative to capital allocation.
- Some targets only identify companies that already plan to be aligned, rather than actively seeking to encourage change.
- Some targets conflate companies that are aligned to a net-zero pathway (or have already achieved net-zero) with those that are in the process of aligning, or even weaker, those which have committed to align.

Regardless of methodology, asset managers may rely on portfolio-level offsets to meet targets, and may exclude the most highly emitting assets when setting targets.

Finding 13: Asset managers do not have the strong and broad fossil fuel restrictions needed to support the energy transition.

Asset managers' restrictions on fossil fuel investments fall far behind what is needed to incentivise the energy transition. Most asset managers do not have any type of fossil fuel restriction covering the majority of their funds, and only 46% of asset managers surveyed restrict at least one type of fossil fuel for the majority of their funds. There are still nine asset managers that reported no public fossil fuel restrictions at all: China Life Asset Management Company Limited, Franklin Templeton, Janus Henderson Investors UK Ltd, MFS Investment Management, Mitsubishi UFJ Trust and Banking Corporation, Nissay Asset Management, Samsung Asset Management, Sumitomo Mitsui Trust Asset Management, and TD Asset Management.

Fossil fuel restrictions are not just about environmental responsibility – they are essential for incentivising the energy transition, managing risk, and long-term financial performance. Restricting fossil fuel exposure helps to align portfolios with policy changes and investor expectations. Robust fossil fuel restrictions should exclude thermal coal and unconventional and high-risk oil & gas across corporate debt and equity investments in a majority of funds, and place restrictions on companies developing new conventional oil & gas capacity.

Thermal and metallurgical coal

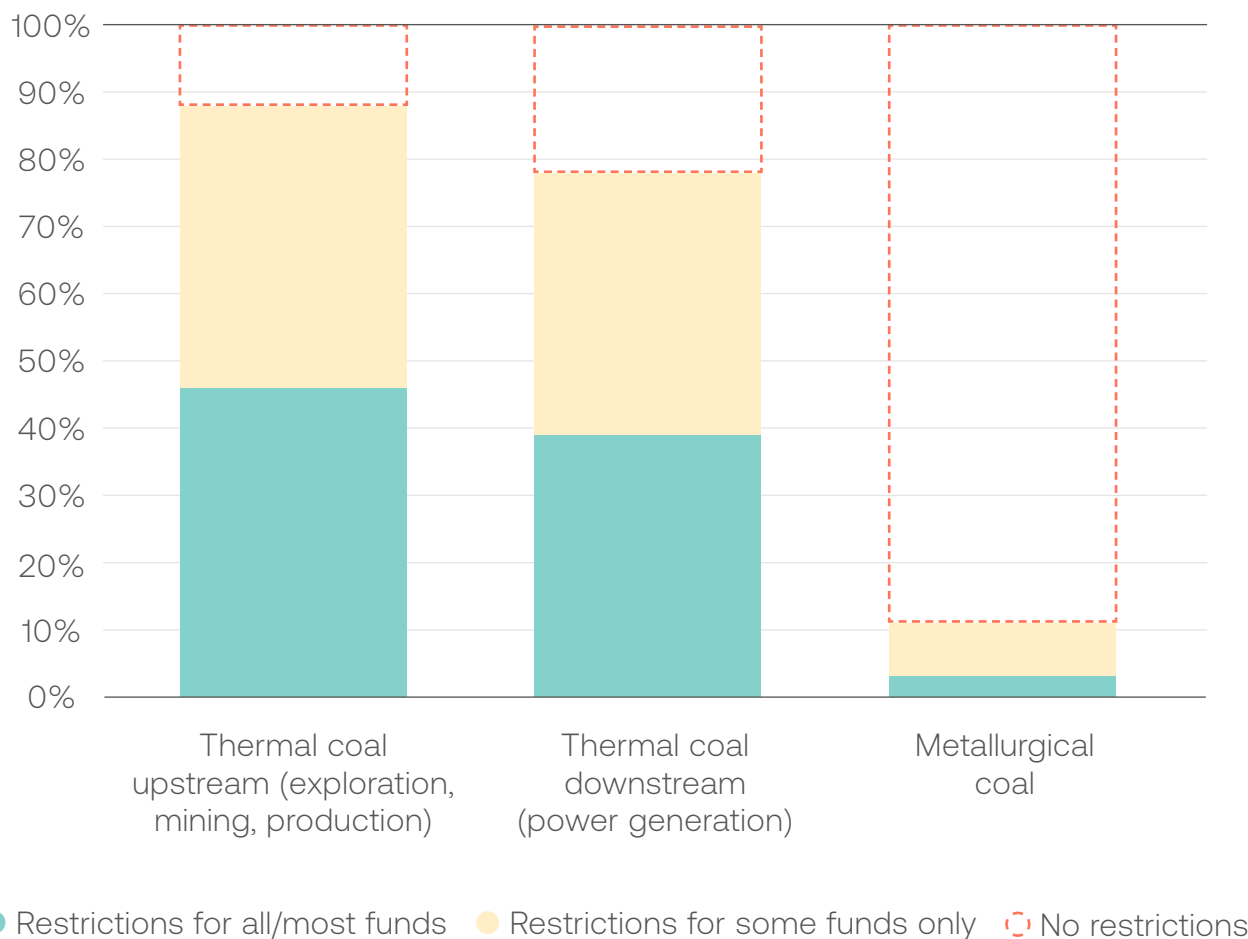
Despite coal producing more greenhouse gas emissions than any other single energy source, global coal supply and demand continue to break records. In 2023, global coal production reached an all-time high and was predicted to increase again in 2024²⁰.

Only 35 asset managers had some form of restriction on the exploration, mining and production of thermal coal for the majority of their funds. For thermal coal use for power generation, the picture was even worse, with only 30 asset managers having some form of restriction for the majority of their funds (Figure 19).

Just eight asset managers had any restrictions on metallurgical coal^{xviii} in their fossil fuel policies, and only one did so for a majority of its funds.

xviii Metallurgical coal, also known as coking coal, is used to produce coke, the primary source of carbon used in steelmaking.

Figure 19: Most asset managers do not restrict the exploration, mining, production or use of coal for the majority of their funds



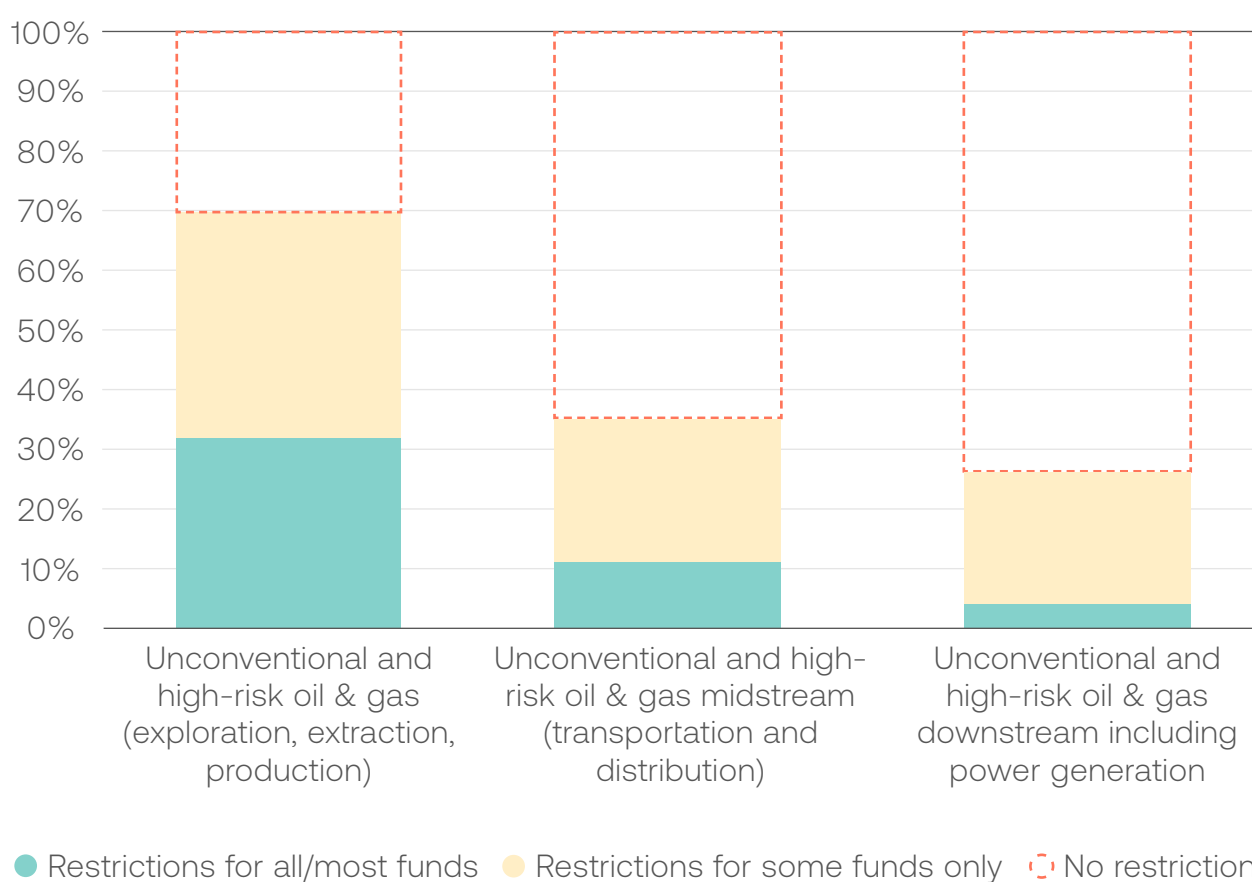
Unconventional and high-risk oil & gas

According to the Global Oil and Gas Exit List (GOGEL), 48% of the oil & gas industry's planned expansion comes from 'unconventional' or high-risk sources, such as oil sands; Arctic oil & gas; ultra-deepwater oil & gas; and fracked oil & gas²¹. These can have especially harmful effects on the health of nearby communities and the local environment. Moreover, unconventional and high-risk fuels can be more energy-intensive to extract and can present higher financial risks than conventional sources.

Even though extraction of unconventional and high-risk oil & gas types can have especially harmful effects, only 22 asset managers had restrictions across the majority of their funds on the exploration, extraction and production of oil sands, followed by 15 for Arctic oil & gas, 13 for fracked oil & gas, and seven for ultra deepwater oil & gas. Just eight asset managers restricted unconventional midstream oil & gas (i.e. pipelines, terminals etc), which supports production,

and only three had restrictions for power generation using unconventional and high-risk oil & gas (Figure 20). Restrictions on transportation and distribution, as well as the use of these fuels for power generation, are weaker than for production. This can mean that even though they may have a restriction on exploitation, asset managers are still supporting and facilitating the use of unconventional and high-risk fossil fuels.

Figure 20: Most asset managers do not restrict the exploration, production transportation, distribution or use of unconventional and high-risk oil & gas for the majority of their funds



Conventional oil & gas

Just seven asset managers had any form of restriction on conventional oil & gas across the majority of their funds.

Asset managers' restrictions on fossil fuel exploration, extraction, production and use for power generation are seriously lacking, even for the most polluting and environmentally damaging of fuels like oil sands. Where restrictions do exist, they often do not cover the majority of funds and so do not offer an effective means of curbing investment. Asset managers therefore need

to both strengthen and broaden the scope of restrictions on fossil fuel investments if they are to mitigate the risks to their investments.

Finding 14: Despite climate commitments, major asset managers are continuing to invest in new or recent issuances from fossil fuel companies.

As of 12 December 2024, for bonds issued between 1 January 2023 and 30 June 2024, BlackRock, J. P. Morgan Asset Management, State Street Global Advisors, and Vanguard collectively held over US\$4.5billion in bonds issued by:

- BP
- Eni
- EQT Corporation
- Exxon Mobil
- Petróleos Mexicanos (PEMEX)
- Power Finance Corporation
- TotalEnergies^{xix}

These investments have been made despite Blackrock, JP Morgan Asset Management, and State Street Global Advisers either being previous NZAMi signatories or making a standalone net-zero commitment with interim 2030 ambitions. Vanguard's previous target, which only ever applied to a small portion of its AUM²³, has not been re-reported by the manager since its December 2022 withdrawal from NZAMi²⁴.

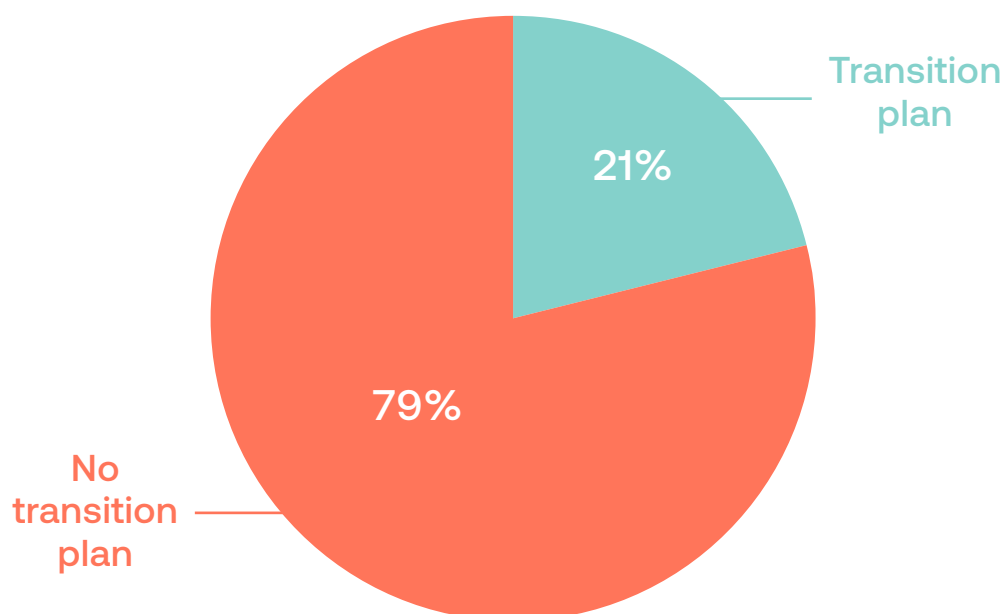
Purchases of this kind contribute to demand for new issuances of fossil fuel debt, fuelling unsustainable investment. As discussed in Finding 6, very few asset managers have either robust fossil fuel restrictions, or an investment approach with stronger restrictions for primary than secondary capital.

Finding 15: There is little evidence of detailed transition planning.

A climate transition plan is a time-bound action plan that clearly outlines how an organisation will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations. Only 21% of asset managers surveyed published a transition plan in some form (Figure 21) and the quality of the plans varied significantly. Of the asset managers we surveyed, Legal & General Investment Management and Aviva Investors had the most comprehensive transition plans (at group level), which went beyond mere target setting.

xix Not all of these managers own bonds issued by all the entities listed. More details are available in Reclaim Finance data set²².

Figure 21: Only 21% of asset managers had a climate transition plan



The absence of transition plans and the general poor performance across all the climate sections in the survey show that there is a lack of overall strategic direction on decarbonisation which must be rectified. There are transition plan frameworks, such as those published by the Transition Plan Taskforce, that could help asset managers to set strategies that go beyond mere target setting.

Finding 16: Flimsy investment targets are undermining the climate transition.

Only 17 asset managers (22%) have published some form of target for investments that have an explicit goal of funding the climate transition. Such targets are important because they signal a willingness to direct capital toward renewable energy, low-carbon technologies, and climate-resilient infrastructure. They can play a key role in supporting global climate goals, ensuring financial systems contribute to achieving net-zero commitments and real-world emissions reductions.

Most managers do not have a clear account of investments they have made in support of climate-transition efforts. While 24 firms (32%) have tracked the total amount of climate transition-related investments they have made since 2022, only three have tracked the amount in primary capital (share or debt issues). And only 13 have published a classification system

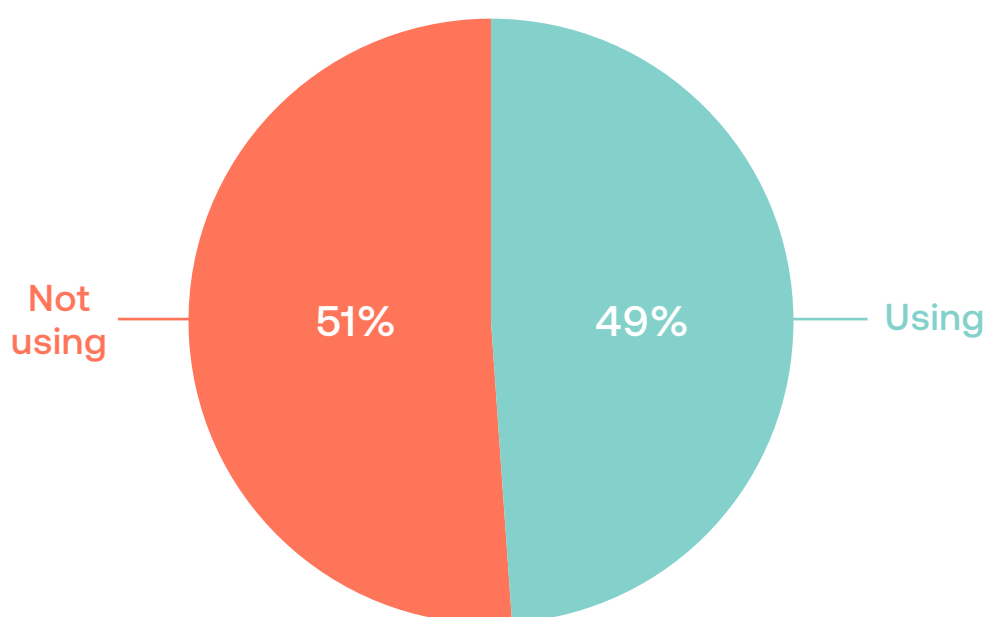
for what constitutes a climate transition-related investment, making it difficult to determine whether these investments are really supporting transition efforts.

Finding 17: Scenario analysis is becoming more comprehensive, but blind spots remain.

When used appropriately, climate scenario analysis can be a valuable tool to assess the exposure of investment portfolios to climate-related risks. However, asset managers should ensure that they are using realistic, science-informed models across a range of scenarios, and that they understand the limitations of the models they are applying.

84% of asset managers surveyed have conducted some form of scenario analysis. It is essential for asset managers to assess the resilience and impact of their investments under different temperature outcomes and pathways, so it is encouraging to see 62% of asset managers now incorporating worst-case, 3+ degrees C scenarios into their analyses. However, almost half of those conducting scenario analysis did not provide evidence that they use the results to inform their investment decision-making (Figure 22) and of the 64 asset managers that have conducted scenario analysis, only 44 included a majority of their substantive asset classes in the analysis.

Figure 22: Almost half of asset managers that had conducted scenario analysis used the results to inform investment decisions



Biodiversity



Biodiversity

The majority of asset managers are failing to recognise the biodiversity crisis. There are very few robust nature-related policies currently in place.

Recent key developments in biodiversity finance have included the publication of guidance on incorporating biodiversity into transition plans^{25,26}, setting sector policies²⁷⁻²⁹, cross mapping of disclosure frameworks (TNFD-GRI-ESRS)^{30,31}, and movement to agree on nature indicators³².

Since our 2023 report, asset managers have made limited progress in some areas. For example, we have seen some improvement in the quality and disclosure of biodiversity impacts and dependencies assessments – likely in response to the Taskforce for Nature Related Financial Disclosures’ (TNFD) recommendations that businesses and financial institutions assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

However, progress elsewhere seems elusive, especially in developing policies for material sectors, critical locations, and in setting targets for biodiversity protection and restoration. The absence of biodiversity-related sector policies for energy and mining in particular suggests asset managers have adopted a siloed approach to climate and biodiversity. This is further implied by just three asset managers including biodiversity risks in their climate scenario analysis, and just three again that incorporate biodiversity considerations and nature preservation into their climate transition plans.

Overall, the approach to the biodiversity crisis lacks the urgency required.

Key Standards

Figure 23: The biodiversity-related key standards showed particularly poor attainment levels

Percentage of asset managers that:			Common reasons for not meeting key standard:
	Have made a time-bound commitment to reduce negative biodiversity impacts or threats – or increase positive impacts – across corporate debt, equity, and infrastructure investments, measured in terms of actual biodiversity impact	9%	67% had not made any commitments and another 9% have committed to set targets by signing the Finance for Biodiversity pledge but had not yet done so. The others that did not meet the standard had made some public statements about biodiversity, but fell short of making time-bound and measurable commitments.
	Restrict investment in companies operating in areas of global biodiversity importance, using at least two definitions, including IUCN Protected Areas or Key Biodiversity Areas	5%	Just 30% had any location-based requirements that applied to a majority of funds. 13% had restrictions for some funds only, while 58% gave no evidence of any location-based restrictions. The 29% with location-based requirements frequently failed to meet the threshold because either (a) they only involved monitoring areas, with no clear requirements beyond that, or (b) the requirements only applied to infrastructure or natural capital assets, and not to equities or bonds of companies operating in these areas. Just six asset managers (8%) had any restrictions or enhanced due diligence requirements meeting the threshold. Two of these did not meet the key standard as the requirements only applied to World Heritage Sites.

Percentage of asset managers that:			Common reasons for not meeting key standard:
	Have demonstrated escalated engagement with investee companies on at least one biodiversity issue since 1 January 2022	29%	Only seven companies gave no examples of engagement on biodiversity. 61% of all asset managers provided at least one example of successful engagement on biodiversity. However, many of these asset managers failed to achieve the standard because, despite disclosing evidence of engagement, they did not provide evidence of having escalated their engagements through steps such as divestment; litigation; filing a shareholder resolution; or asking a question at a company AGM.
	Have published an assessment of the direct impacts and dependencies from their investments on biodiversity	30%	24% had carried out but not published their assessment; 42% did not provide any evidence of doing an assessment at all (of which just three asset managers mentioned an intention to do so in future). The other 4% had not performed sufficiently broad assessments to meet the standard (limited to single sectors or specific assets).
	Have specific biodiversity-related requirements for investments covering at least two sectors with high impacts	9%	Almost half (47%) had no clear sector-specific biodiversity-related requirements, of which just four mentioned plans to develop any. 17% only had sector policies for some funds. The other 26% which failed to meet the standard were roughly evenly split between those which had policies only for single commodities (e.g. palm oil) rather than whole sectors, and those which had policies only for alternative asset classes, such as infrastructure.
	Did NONE of these	53%	
	Did more than one of these	18%	

Finding 18: More than half the asset managers are assessing their biodiversity impacts and dependencies.

Investee companies can have significant impacts on nature (negative and/or positive) and also depend on nature in many ways (for example for water or raw materials). These impacts and dependencies occur both directly and indirectly through the value chain. Both impacts and dependencies on nature vary between sectors and can be financially material, particularly as a result of reputational, legal and physical risk, as well as through the emergence of new business opportunities.

We found that 34% of asset managers had carried out, and disclosed some results of, a biodiversity impacts and dependencies assessment, though some of these were limited (e.g. to only one sector).

A further 24% had carried out such an assessment but not yet published the results. Most commonly, these assessments covered direct impacts or dependencies (Figure 24).

More than half of these assessments had gone beyond sector-level analysis to look at company-level data. A company-level assessment is required to get the most accurate indication of the materiality of nature loss for investee companies, and there are already tools available to support this (see Finding 19).

Of the 69 asset managers that featured in both the 2023 and 2025 benchmarks, 15 reported some consideration of biodiversity impacts and/or dependencies in their investment process in 2023 but have not published the outcome of an assessment. Conversely, 10 asset managers that did not report any approach to biodiversity impacts and dependencies in 2023 have since published some form of assessment.

Since our 2023 benchmark, guidance and disclosure frameworks have been further developed, most notably by the Task-force on Nature-Related Financial Disclosures (TNFD)³³. In 2023 we only looked for evidence that biodiversity impacts and dependencies were considered in the investment process. However, in our 2024 survey, we looked for disclosure of the results of an assessment in line with TNFD, specifically a published summary (verbal or graphical) of the asset manager's impacts and/or dependencies (at either sector or company level).

Concerningly, only 39% of asset managers have explained how the findings of an impacts and dependencies assessment have informed an evaluation of risks and opportunities. If asset managers are not demonstrating that they have carried out these assessments, it remains unclear whether they can adequately quantify the financial materiality of their impacts and dependencies on nature. ShareAction has already published guidance highlighting the importance of materiality assessments and how to carry one out, as part of the SUSTAIN project³⁴.

Figure 24: Just over 40% of asset managers surveyed have not disclosed any assessment of biodiversity impacts and dependencies



Finding 19: Asset managers appear to be using data issues as an excuse rather than a spur to action.

In response to the questions “What do you perceive to be the biggest gap in the asset manager’s response to biodiversity issues that are yet to be addressed?” and “What capacity development does the asset manager need to be able to address this?” 20 out of 24 respondents (83%) cited data issues as an underlying challenge to their response; often specifying location- and/or company-specific data.

Yet only nine asset managers out of the 76 surveyed – and just five out of the 20 cited above – provided evidence that they were systematically engaging investee companies to disclose the kind of location data needed to adequately assess the likely risks and opportunities arising from their operations. Some gave isolated examples of engagement on data, but two-thirds of all asset managers surveyed (including 12 of the 20 cited above) gave no evidence of engaging on this topic at all.

It is encouraging that assessments of impacts and dependencies are developing (Finding 18), and that 41% of asset managers now use ENCORE (see Box 4), compared with 27% in 2023. However, use of IBAT remains low – just seven asset managers we surveyed used IBAT, including just three of the 20 cited above. This is despite the facility this tool offers to enter location data (compared with sector-level data provided by ENCORE, see Box 4) and the emphasis on location data in the TNFD framework^{33,45}.



Box 4: Tools for assessing biodiversity impacts and dependencies

A number of tools exist which asset managers can use to assess their biodiversity impacts and dependencies. The TNFD tool catalogue³⁵ provides a hub for access to data on nature, and The Finance for Biodiversity Foundation's guide details the specific features of a range of biodiversity data tools³⁶ and has been updated annually.

The ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool³⁷ was most frequently used by asset managers in our survey (31 of 76). ENCORE offers a materiality rating for the biodiversity impacts and dependencies associated with business activities. The tool was updated in 2024³⁸, and now includes value chain links and uses the International Standard Industrial Classification for all Economic Activities (ISIC) to align with more widely used classifications.

The other tools most commonly reported in our survey included Forest 500³⁹ (used by 16 of 76 asset managers), the Collier FAIRR Protein Producer Index⁴⁰ (12 asset managers), the SPOTT tool⁴¹ (11 asset managers), the World Benchmarking Alliance datasets⁴² (10 asset managers) and the self-reported CDP⁴³ data, particularly on forests (nine asset managers).

It is anticipated that better location data will increasingly become available through disclosures following the TNFD recommendations. The Integrated Biodiversity Assessment tool (IBAT)⁴⁴, and analogues that use location data, should then be used more widely by financial institutions to increase the spatial precision of company-level assessments. Importantly, IBAT offers the facility to enter locations and check against maps of threatened species, protected areas, and other key spatial data layers.

Asset managers should increase their internal capacity to process biodiversity data, and engage with investee companies to disclose location data or site specific assessments, in preparation for increasingly standardised reporting on biodiversity impacts and dependencies. The Nature Positive Initiative has recently released the first draft State of Nature Metrics³² for piloting, including measures of ecosystem extent, ecosystem condition and species extinction risk. Familiarity with tools that provide insights is therefore likely to be highly beneficial in future.



Box 5: Leading Practice: Company-specific location data: Aviva Investors, Legal & General Investment Management, and Robeco

Despite general inaction, several asset managers show clear leadership, demonstrating that action can be taken on this issue.

Aviva Investors' Nature Engagement Programme focuses on biodiversity loss linked to deforestation and ecosystem conversion and includes sector-specific asks to the mining, oil & gas, consumer staples, and banking sectors. As part of the programme, Aviva Investors requests that some companies disclose location-level data as part of their biodiversity impact and ecosystem dependency assessment.⁴⁶ Additionally, Aviva Investors (on behalf of Aviva Plc) is part of the Finance Sector Deforestation Action (FSDA) investor group and has publicly shared its expectations that companies commit to and disclose the traceability of forest-risk commodities to all tiers of suppliers, to a point which is sufficient to know and control deforestation. The FSDA's newly developed investor expectations for commercial and investment banks reiterate the expectation that banks' clients establish full traceability and compliance systems that monitor and control deforestation across value chains⁴⁷.

Legal & General Investment Management (LGIM) sets clear expectations of companies, through engagement, to develop how they understand and address their nature-related impacts, dependencies, risks and opportunities. In line with the TNFD's LEAP (Locate, Evaluate, Assess and Prepare) due diligence process, LGIM expects companies to evaluate location-specific interfaces with nature and priority impacts, dependencies, risks and opportunities across direct operations and value chains; and promotes the reporting of the TNFD's core global indicators that are relevant to a company's business model, sector(s), biome(s) and priority locations, as well as their adoption of the LEAP assessment processes⁴⁸.

Robeco encourages companies to disclose location-level data when they operate or source in high-risk areas and incorporates this information in its proprietary biodiversity assessment of companies. Robeco's 2023 Stewardship Report states: "This process will include looking for sector-specific biodiversity data and information specific to particular biological communities (such as forests and oceans), where there are big knowledge gaps. We will continue our research combining the location of company assets and biodiversity data and intend to explore conducting scenario analysis."⁴⁹ In a separate white paper, Robeco highlights that by focusing "on a limited number of sectors, where

data coverage is generally better, investors can address a large part of their biodiversity footprint, and also leverage their existing work in the same sectors around climate change [...] This includes, for instance, an inquiry into how might we use geospatial data to inform the localised impact of mining companies within our portfolios.”⁵⁰

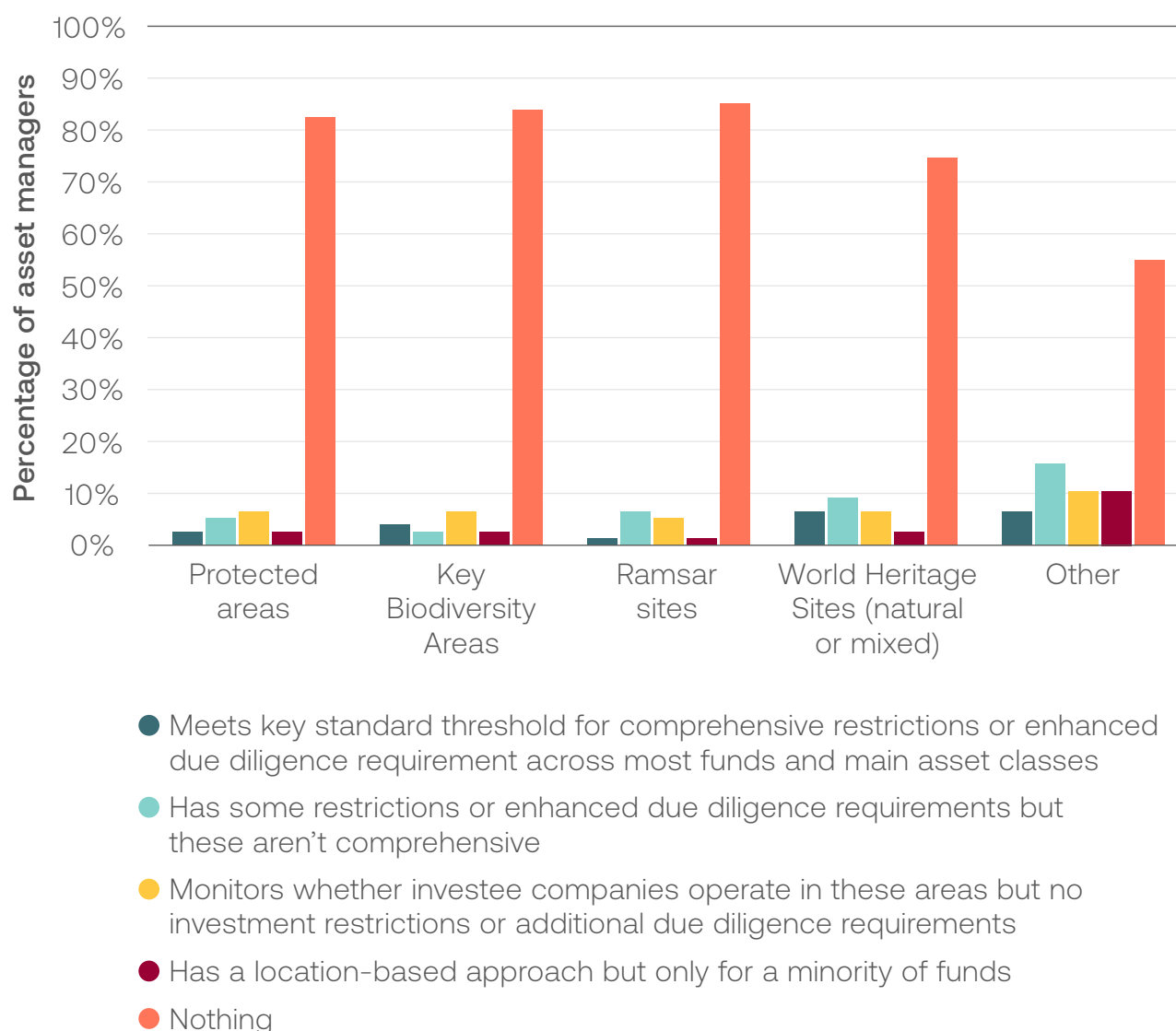
Robeco recently conducted a study jointly with Climate Engine which explored the opportunities and challenges of integrating geospatial data and analysis into financial decision-making in order to protect biodiversity⁵¹.

Finding 20: Some of the most important areas for biodiversity are still being overlooked by more than two-thirds of asset managers.

More than half of asset managers (58%) had no specific approach to protecting areas of global biodiversity importance and another 12% did not do so beyond a minority of funds. These areas have been identified as especially rich in biodiversity, sensitive to disturbance, or important for ecosystem services, and are considered a priority for conservation efforts. As well as safeguarding biodiversity, key benefits of conserving these areas include improving access to food and clean water, respecting Indigenous Peoples’ rights, lands, and traditions, providing economic opportunities, improving public health and supporting adaptation to climate change⁵².

As in 2023, World Heritage Sites remain the areas most commonly considered, but only by 24% of asset managers, even including those that do so just for their ESG-labelled funds (Figure 25). Protected areas (17%) and Key Biodiversity Areas (16%) still lag behind and even fewer managers have an approach that goes beyond monitoring and covers most funds (just 8% and 7% respectively).

Figure 25: Most asset managers don't consider areas of global biodiversity importance



Clearly, screening and due diligence in relation to areas of global biodiversity importance rely on high quality data about locations of corporate activities. This is not just limited to activities directly within these areas; operations nearby can also have highly material impacts. This further emphasises the point that asset managers need to engage with companies to encourage wider disclosure of location-level data.

We prioritised Key Biodiversity Areas and protected areas in our survey primarily due to their scientific importance and legal foundations, but also because their availability as data layers in the IBAT data tool makes them relatively easy to access (Box 6).



Box 6: Important locations for biodiversity

Key Biodiversity Areas (KBAs) are areas identified scientifically as the most important places in the world for biodiversity. KBAs include both areas where biodiversity is under threat and areas with special ecological value, for example because of their ecological integrity, geographical isolation, or uniqueness. They are designated based on criteria that consider populations of species as well as their habitats or ecosystems⁵³.

Protected areas are designated or recognised – normally by legislation – and managed for conservation, but may allow variable amounts of human activity. They include areas such as nature reserves, national parks, wilderness areas, community conserved areas, and protected land and seascapes.

There is some overlap between KBAs and protected areas, as the criteria for establishing a KBA are similar to the reasons why an area would be designated as protected. However, on average, 43% of the area of each KBA is covered by protected and conserved areas⁵⁴ and analysis from 2017 found that just 20% of KBAs were completely covered by protected areas, 45% were partially covered, and 35% weren't covered at all⁵⁵.

The definition of Critical Habitats using IFC performance standard 6⁵⁶ is similar to that for KBAs, but is not commonly used by asset managers. Spatial data for Critical Habitats are now available via the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC)⁵⁷.

Other common location-based restrictions apply to much more specific types of area:

World Heritage Sites are the most common type of area considered (24% of asset managers have some policy on World Heritage Sites for at least some of their funds) and are particularly significant protected areas. However, the 266 natural World Heritage Sites cover only about 8% of the total area covered by the almost 300,000 protected areas⁵⁸.

Ramsar sites are wetlands of international importance that are designated under the Convention on Wetlands⁵⁹. They are a subset of protected areas.

Indigenous and community conserved areas (ICCAs) are territories and areas managed by Indigenous People or local communities in a way that positively contributes to the conservation of nature. There is some overlap with protected areas but not all ICCAs meet that definition, and many are not recognised by governments. UNEP-WCMC maintain a database⁶⁰ but information is provided voluntarily, so these data are not definitive.

Finding 21: Asset managers urgently need to develop nature-related sector policies for fisheries and aquaculture, mining, and chemicals.

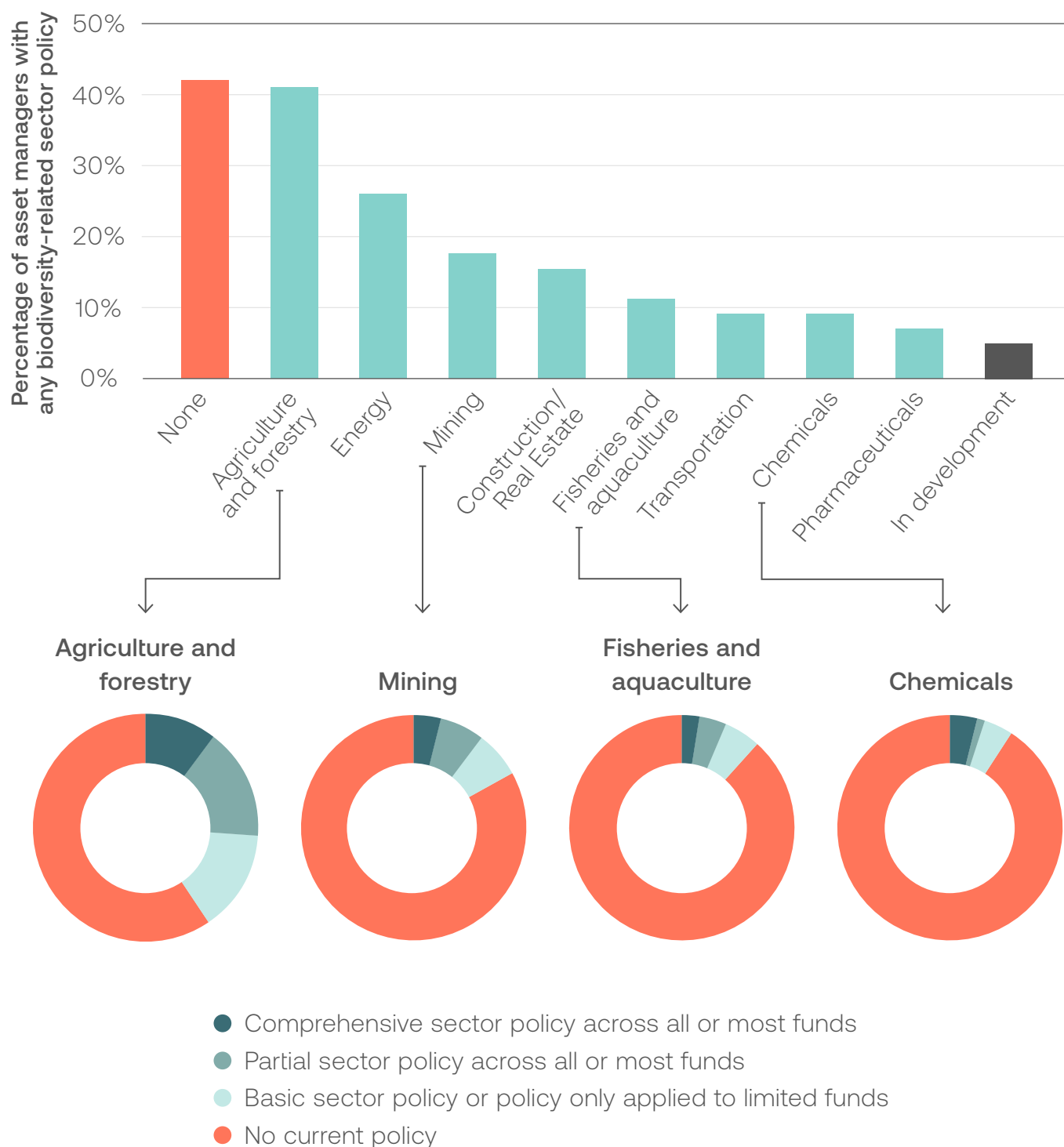
53% of asset managers had some kind of nature-related policy for at least one sector. Sector-specific approaches are critical, as different industries have different impacts and dependencies on biodiversity. Sector policies that incorporate biodiversity remain most common for the agriculture and forestry sector, followed by the energy sector (Figure 26).

Overall, the number of asset managers with nature-related sector policies is similar to 2023. However, some asset managers have published more information on biodiversity within sector policies since then (e.g. Allianz Global Investors and UBS Asset Management), while others no longer provide the same level of detail in sector-specific approaches to biodiversity (e.g. BlackRock).

It is concerning that only 17% of asset managers consider biodiversity within policies for the mining sector, only 12% do so for fisheries or aquaculture, and only 9% for the (agri)chemicals sector (Figure 26), given the high impacts that these industries have on biodiversity. Incorporating biodiversity into these sector policies should therefore be a priority (see Box 7 for features that some asset managers have already implemented in such policies).

In the 2024 survey, we collected data on more sectors and types of sector policy than previously. We found that seven asset managers have at least one ‘comprehensive’ biodiversity-related sector policy, across the majority of equity and fixed income funds. We considered a comprehensive policy to include multiple commodities within each sector and/or use multiple approaches to benefit biodiversity (e.g. specific restrictions, commodity certification, or enhanced due diligence); this level of detail was required for the policy to meet the threshold for our key standard. Across all sectors, many policies provided only partial coverage, as they applied only to a single or small number of commodities (e.g. only oil palm) or only to alternative assets (i.e. real assets in forestry and/or agricultural land). Many policies applied only to a limited number of funds (e.g. those with sustainability labelling) or gave only a very basic description of their requirements.

Figure 26: The most common sector policies are still for agriculture and forestry with many asset managers failing to publish a comprehensive biodiversity-related policy for four key sectors with particularly high biodiversity impacts.



We found that existing, comprehensive investment and engagement policies for forestry and agriculture contained the following features (which should be considered by asset managers looking to incorporate nature):

- coverage of multiple commodities (meat, cocoa, coffee, palm oil, animal feed, paper and forest products)
- multiple dimensions of biodiversity impacts (burning, agrichemical use, water use, use of antibiotics) both upstream and downstream in the value chain
- multiple types of habitat (peat, forests, freshwater)
- time-bound targets for putting in place biodiversity-related policies (including achieving certification), commitments, or assessing and disclosing nature-related impacts, dependencies and risks
- clear stewardship approaches, such as use of votes against directors if required standards are not met.

A lot of nature-related sector-specific guidance has been published since our last *Point of No Returns* report, for example by the TNFD²⁷, Business for Nature²⁸ and the World Business Council for Sustainable Development²⁹. These publications should guide financial institutions' sector policies for investment and engagement.



Box 7: Leading Practice: Biodiversity-related features of less common sector policies that are already implemented by asset managers in our survey.

Fisheries and Aquaculture

- Company certification by the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC) (e.g. KBC Asset Management)
- Investment restrictions related to fishing in the high seas, shark finning, commercial whaling, bottom-trawling, cyanide fishing, blast fishing, lack of approach to bycatch, or any form of Illegal, Unregulated and Unreported fishing (e.g. Allianz Global Investors – which applies these restrictions to most of their private market products, KBC Asset Management, Ping An Asset Management Co., Ltd. and SEB Asset Management all include some of these considerations)
- Requirements related to animal welfare (e.g. APG Asset Management)

Mining

- Consideration of habitat removal or conversion (e.g. Legal and General Investment Management)
- Minimising negative impacts of water use and groundwater extraction (e.g. BNP Paribas Asset Management, Morgan Stanley Investment Management)
- Requirements for safe waste storage and disposal programmes, particularly for mine tailings (e.g. APG Asset Management)
- Avoidance of air pollution (e.g. Legal and General Investment Management)
- Exclusions for deep water drilling (e.g. UBS Asset Management)
- Minimizing visual, noise and vibration impacts (e.g. SEB Asset Management)
- Reporting on the closure and rehabilitation of sites (e.g. BNP Paribas Asset Management)

Chemicals sector

- Avoidance of pollution in the manufacturing, use or disposal of chemical products (e.g. Legal and General Investment Management)
- Specific investment exclusions and stewardship approaches for pesticides, particularly neonicotinoids (e.g. Ofi Invest Asset Management)



Box 8: Leading Practice: detailed sector-specific biodiversity policies: BNP Paribas Asset Management

BNP Paribas Asset Management updated its Responsible Business Conduct Policy in November 2024⁶¹. The policy applies to all active and passive open-ended funds managed or delegated by BNP Paribas Asset Management entities, with some flexibility for certain portfolios (e.g. certain passive exchange-traded funds and indexed funds).

There are sector-specific policies that directly consider biodiversity impacts for agriculture (including fisheries, and with separate detailed specifications for oil palm and wood pulp), oil & gas, and mining. The oil palm and wood pulp policies also specify expectations for upstream and downstream companies.

Social



Social

Most asset managers show evidence of some consideration of human and labour rights issues, yet robust details behind this and evidence of implementation are lacking. The approach to public health is even further behind.

While 88% of managers claimed to have an approach to human rights issues in their investments, most firms’ policies do not extend to all funds under management. For example, the majority permit investment in controversial weapons in most portfolios, most are not considering the rights of Indigenous People, and very few have ever seriously escalated their company engagements. Two-thirds of managers reported some form of engagement on a public health issue, but far fewer expressed clear consideration of these topics in their investment policies.

Key Standards

Figure 27: Asset managers’ approaches to social issues generally focused on engagement, but only a minority demonstrated clear escalation. Integration of these considerations into investment policies, especially beyond ESG and active funds, was also lacking.

Proportion of asset managers that:			Common reasons for not meeting the standards
	Had an investment policy that considers Free, Prior and Informed Consent (FPIC)	17%	34% of asset managers gave a response which related solely to engagement, but made no clear statement of how this might directly affect investment decisions. A further 4% of asset managers gave ambiguous or limited answers in relation to their investment approach. The remainder provided no clear evidence of either an engagement or investment approach on FPIC.
	Had a policy that excludes investment in controversial weapons ^{xx} and tobacco for a majority of funds	17%	32% of asset managers had no restrictions applying to a majority of funds covering any category of controversial weapons. This includes four firms which gave no evidence of any restrictions on controversial weapons at all. 25% of asset managers had restrictions for a majority of funds covering chemical and biological weapons, landmines and cluster munitions, but not nuclear weapons. 12% of asset managers met the controversial weapons part of the key standard but not the tobacco part (one had tobacco restrictions that weren’t broad enough, one had no tobacco restrictions at all; the rest had tobacco restrictions for some funds only), while two asset managers met the threshold for tobacco but not controversial weapons restrictions.
	Have demonstrated escalated engagement with investee companies on at least one social issue since 1 January 2021	42%	Only five companies gave no examples of engagement on social issues. 92% of asset managers gave examples of engagement on human and labour rights compared with 67% on public and consumer health. While 76% of all asset managers provided at least one example of successful engagement on social issues overall and 74% did for human and labour rights, just 28% did so for public and consumer health. However, many of these asset managers failed to achieve the standard because, despite disclosing evidence of engagement, they did not provide evidence of having escalated their engagements through steps such as divestment; litigation; filing a shareholder resolution; or asking a question at a company AGM.

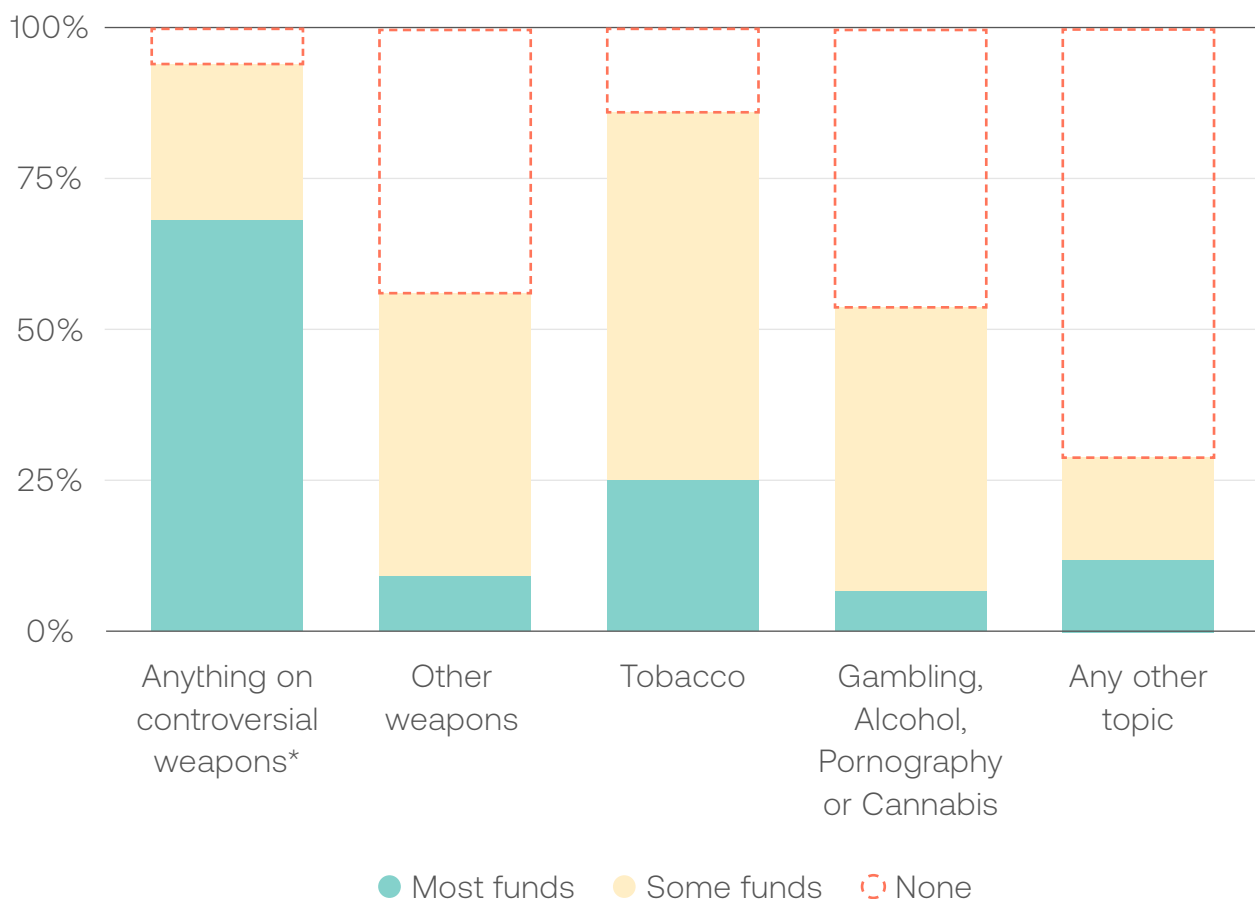
xx Nuclear weapons (as defined by the 1968 Treaty on Non-Proliferation of Nuclear Weapons and 2017 Treaty on the Prohibition of Nuclear Weapons); Chemical weapons (as defined in the 1997 Chemical Weapons Convention); Biological weapons (as defined in the 1972 Biological Weapons Convention); Landmines (as defined by the 1997 Ottawa Treaty (covers anti-personnel landmines)); Cluster munitions (as defined by the 2008 Convention on Cluster Munitions).

Proportion of asset managers that:			Common reasons for not meeting the standards
	Had an investment policy for a majority of funds that commits to restrictions (either absolute or after engagement) where there is evidence of companies transgressing any human and labour rights frameworks and have demonstrated that it has excluded a company on this basis at least once	22%	12% of asset managers showed no restrictions at all on this basis, and another 46% only did so for a minority of funds. 13% didn't have a policy to include these restrictions when launching new passive funds. To meet the standard, asset managers must have a policy that applies these restrictions for actively managed funds and newly-launched passive funds^{xxi}. 5% had sufficient restrictions but did not give an example of where they had been applied. Key human and labour rights frameworks referenced by asset managers for this question are listed in Appendix 2.
	Had engaged with communities whose human rights, labour rights, or health have been – or may be – affected by its investments, and helped them seek access to remedy, since 1 January 2022	25%	While almost all asset managers gave examples of corporate engagement (see above), just a quarter of all managers demonstrated that they had engaged with communities affected by their investments. We did not measure the number of cases where negative impacts were actually remedied, but we hope this is a sign of a trend towards developing appropriate grievance mechanisms. Such examples are rarely reported publicly, though we encourage asset managers and owners to disclose this information.
	Did NONE of these	43%	
	Did more than one of these	33%	

xxi Unless they are active-only managers.

Finding 22: Investment restrictions on social grounds are surprisingly rare.

Figure 28: Beyond controversial weapons, social restrictions do not commonly apply to most/all funds.



*This percentage refers to restrictions on any type of controversial weapon, as opposed to all types (for the latter, see Finding 23).

A strikingly small number of asset managers have investment restrictions across most of their funds which address social issues (Figure 28). A majority have some form of restriction on controversial weapons across most or all their funds (most often on cluster bombs), but this is not the case for any other topic.

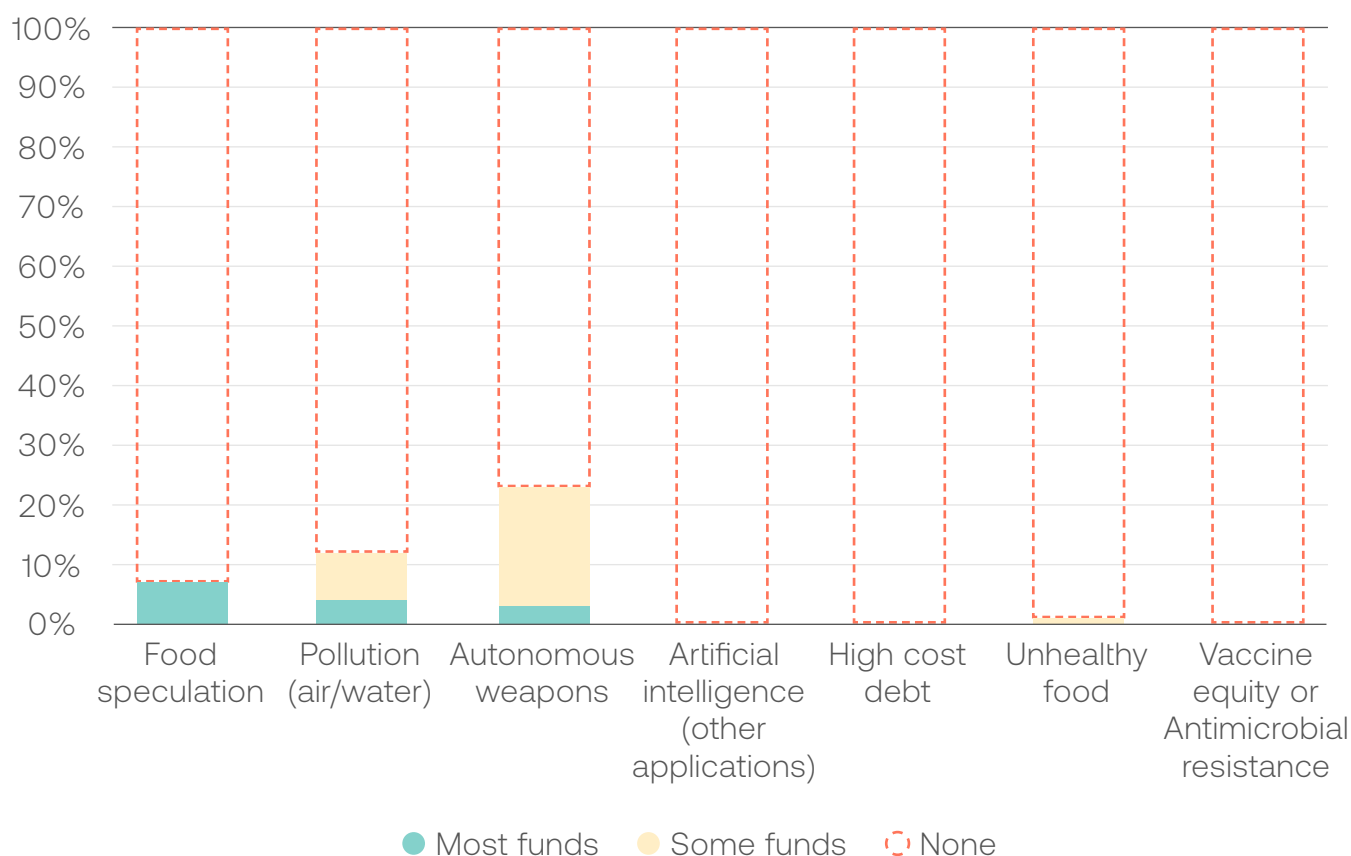
Only 25% of asset managers exclude tobacco production from most or all funds, despite the well-established negative health and environmental costs of tobacco⁶² and the long history of public divestment campaigns against this sector⁶³. In other words, the vast majority of asset managers (including every North American manager we surveyed) believe that an industry which may prematurely kill a billion people by 2100⁶⁴ could have a place in a general investment fund.

Beyond controversial weapons categories (see Appendix 3), weapons restrictions usually only feature in ESG-labelled or similar funds, which represent a very small fraction of overall assets under management (47% of asset managers have restrictions in ESG funds compared with 8% that do so in general funds). These restrictions are often limited: for example, restrictions on small arms often have exceptions for law enforcement and militaries. Only 22% of asset managers reported any form of restriction on investment in autonomous weapons systems in any fund, despite their emerging prominence⁶⁵. Despite political rhetoric suggesting investors are eschewing arms investments due to ESG rules⁶⁶, in practice restrictions are limited in both strength and scope.

Other social issue-related restrictions most often applied to gambling. Other emerging issues, such as high-cost debt (payday lending firms, etc.), unhealthy foods, vaccine equity, access to medicines, and anti-microbial resistance do not generally feature in investment policies (Figure 29).

Five asset managers had a form of restriction on food speculation across all funds, which may become important as climate change and biodiversity loss increase uncertainty in the global food system. Nordea Asset Management’s responsible investment policy articulates clear reasoning for this: “This position is due to conclusions from international studies indicating that excessive financial speculation contributes to increasing the volatility of food prices and driving prices to record highs”⁶⁷; a position supported by the broader literature^{68,69}.

Figure 29: Most asset managers’ investment policies neglect social topics, including pollution and artificial intelligence



Finding 23: Controversial weapons aren't taboo for most asset managers.

Less than half of the asset managers (47%) excluded all of the following from a majority of their funds: anti-personnel landmines, cluster bombs, chemical weapons, and biological weapons (Figure 30)^{xxii}. In other words, a majority of the managers we surveyed permit new investments in companies which manufacture weapons that are so controversial they contravene international statutes (see Appendix 3). This number is surprisingly high given that several countries have some form of proscription on such investments (either through legislation or official statement⁷⁰⁻⁷²) which asset managers in those jurisdictions follow^{xxiii}.

Only 23 asset managers (30%) also applied restrictions to nuclear weapons across all or most funds. All but one of these managers was European^{xxiv}. Of these asset managers, all but six mentioned the 1968 Treaty on the Non-Proliferation of Nuclear Weapons in the context of their restriction, meaning that they may allow investment in nuclear weapons as long as they are produced for states which are permitted to have them under the Treaty^{xxv}.

This is a disquieting picture: most asset managers are willing to align their profit incentives with the manufacture of weapons which could result in widespread loss of life and long-term devastation. Those asset managers which maintain such holdings often do not steward them responsibly; asset managers in this survey with holdings in Lockheed Martin, Northrop Grumman, or RTX (formerly Raytheon) voted for resolutions on human rights and political lobbying less than half the time in the 2024 proxy season.¹ All three of these companies are currently involved in nuclear weapons production⁷³⁻⁷⁵, have a historic involvement in the manufacture of other controversial weapons, and have been linked to recent human rights abuses^{xxvi}.

However, a small number of asset managers are leading the way with robust restrictions, and there is even progress among those that are not. For example, since our last survey, MEAG has expanded its restriction to cover biological, chemical, laser-blinding, and (some) incendiary weapons, and weapons producing non-detectable fragments, in addition to anti-personnel mines and cluster munitions. This demonstrates that progress is possible.

xxii Including new passive funds for those asset managers with at least 10% of AUM passively managed. A further nine asset managers have a fairly broad restriction on these topics, but we found no evidence this extends beyond active products. For further details on our categorisation of asset managers, see Appendix 1.

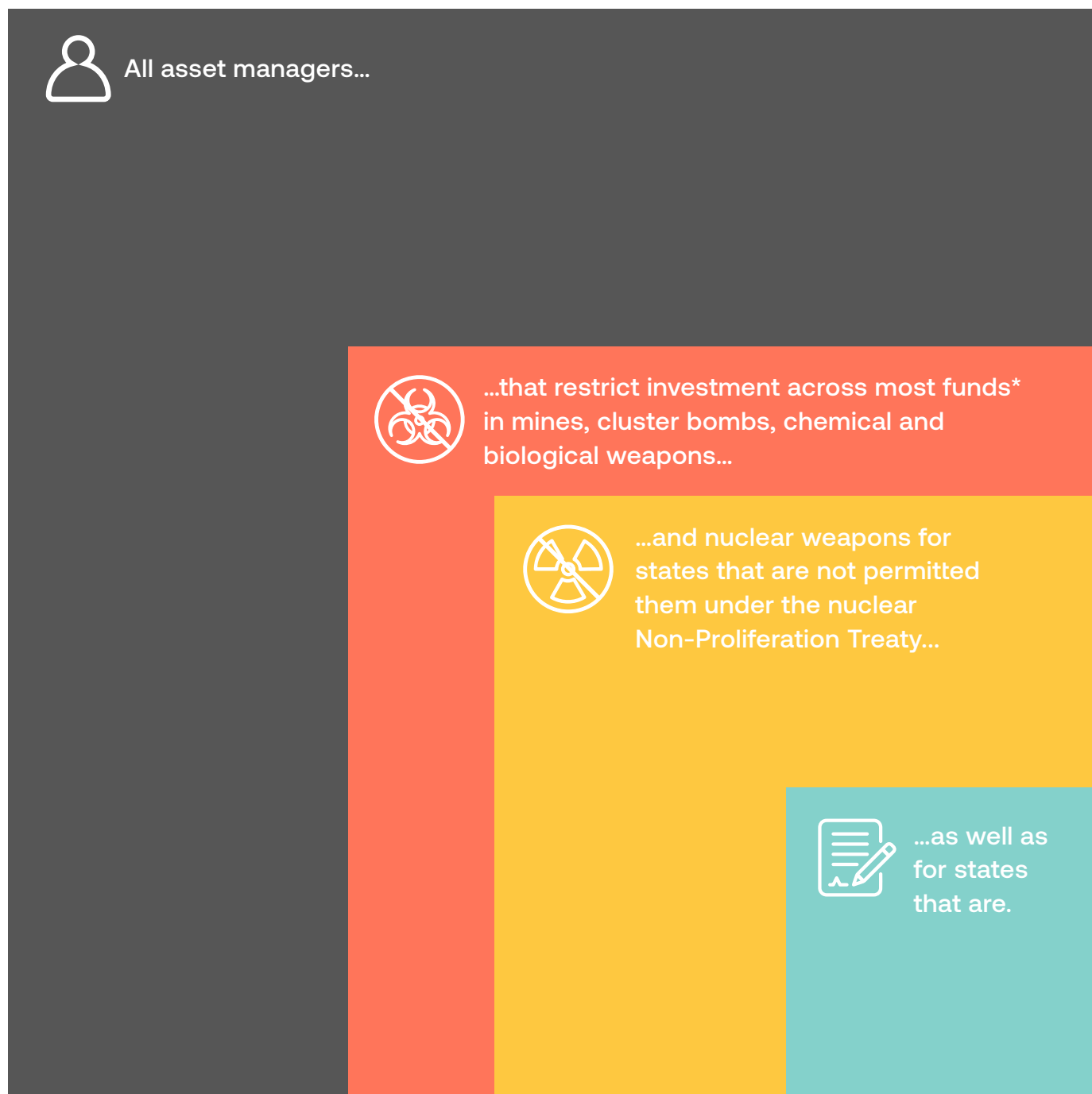
xxiii For example, the three Italian managers (Anima SGR, Eurizon Capital, and Generali Asset Management) adopted controversial weapons exclusions in 2021 or later, following the passage of a law in Italy prohibiting such investment⁷¹. Several other asset managers reference restrictions in their Luxembourg-listed funds, following local law⁷².

xxiv The sole exception, Eastspring Investments (based in Singapore) is a subsidiary of a major European insurer (Prudential plc).

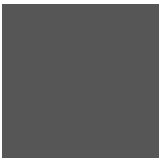
xxv In practice, this usually means the UK, the US, or France, as restrictions also often mention NATO membership.

xxvi For more details, see Finding 9 in *Voting Matters 2024*, our assessment of voting behaviour in the 2024 proxy season.

Figure 30: Only a small minority of asset managers have robust controversial weapons exclusions which apply to nuclear weapons investment across all jurisdictions



*including passive funds where appropriate

 = 1 Asset Manager



Box 9: Leading practice: controversial weapons exclusions: Achmea Investment Management and APG Asset Management

Achmea Investment Management and APG Asset Management, both based in the Netherlands, implement restrictions which cover anti-personnel landmines, cluster bombs, chemical weapons, biological weapons, and nuclear weapons, and do not include a caveat in relation to the Treaty on the Non-Proliferation of Nuclear Weapons^{76,77}. These restrictions apply across the vast majority of the investments they make on behalf of their clients.

APG implements its clients' exclusion policies, which includes ABP, the Dutch civil service pension scheme which is its majority owner and largest client⁷⁸. The strength of ABP's nuclear restriction in particular means it is listed in the Hall of Fame in the 2023 report by Don't Bank on the Bomb, *Moving away from mass destruction*⁷⁹.

Meanwhile, Achmea Investment Management, a subsidiary of a major insurer with other institutional clients, only makes the runners-up list in the Hall of Fame. This is because it does not guarantee the application of its restriction to the roughly 1% of its assets which are managed externally by external illiquid investment funds, though it does urge compliance among its external managers. While this is a loophole, in our view, its limited nature means that it does not fundamentally undermine the strength of the restriction. All other externally managed liquid mandates comply with the Achmea IM restriction list and are monitored by its compliance department.

These asset managers both have strong restrictions on tobacco production and screening for human and labour rights issues – helping them meet our key standards on these topics. However, neither reported a restriction on any other social topic.

Finding 24: Asset managers are largely ignoring affected communities.

Only 14 asset managers (18%) gave clear evidence that they consistently consider Free, Prior, and Informed consent (FPIC, see Box 10) as part of their investment approach. Only five (7%) provided a specific example of consideration of FPIC informing an investment decision. 'Consideration' is a low bar – our key standard says nothing about the strength of the approach, the details of its content, or how consistently it is applied. Our findings suggest that most asset managers are neglecting a key facet of human rights, despite the fact that the vast majority report incorporating such considerations into their investment approach (see Finding 26). A further 26 asset managers (34%) mentioned some form of engagement approach in

relation to FPIC. However, only 19 (25%) provided any evidence of speaking directly to people affected by their investment decisions: an Indigenous community group, a trade union, or a representative of either (Figure 31). Again, the bar set was low – we asked for only one example, and this count includes those that provided this information to us privately. These 19 managers are disproportionately European, though five were North American; none were from the Asia-Pacific region. This is in stark contrast to company-level engagement. While there are limitations to this, outlined in the Governance & Stewardship section of this report (and Figures 17, 23, and 27), 97% of the asset managers surveyed – all bar two – provided at least one example of company-level engagement.

Figure 31: Only a quarter of asset managers reported direct engagement with an affected community



Two asset managers informed us privately that community engagement had led them to withdraw support for resource extraction projects, while Nordea Asset Management publishes a list of excluded companies, citing several that are excluded due to 'Norms violation[s] of indigenous rights'⁸⁰.



Box 10: Free, Prior, and Informed Consent and Indigenous rights

The principle of Free, Prior, and Informed Consent (FPIC) is recognised in the UN Declaration on the Rights of Indigenous Peoples. Indigenous Peoples have the right to give or withhold consent to a project that may affect them or their territories. This right extends to the conditions under which the project will be designed, implemented, monitored and evaluated. If FPIC is not respected, and explicit consent not given, then a project cannot go ahead without violating the Indigenous Peoples' rights. Simply consulting with potentially affected Indigenous Peoples, or complying with local laws, are not sufficient in isolation to justify a project.

While FPIC originally was applied only to Indigenous Peoples, in the last decade, development experts have recognised that it is also good practice to undertake with other local communities, to protect “everyone’s right to self-determination”⁸¹.

For FPIC to be more than a tickbox exercise, asset managers must clearly define how they expect investee companies to ensure all three elements (free, prior, and informed) are met, with clear reference to international agreements (such as the UN Declaration on the Rights of Indigenous Peoples) and Indigenous Peoples' own laws, protocols, and processes^{81,82}. Consent itself must be explicit, take a form that reflects the laws and practices of the potentially affected Indigenous Peoples, and detail both the process underlying the agreement and commitments the parties will uphold. FPIC is iterative, meaning consent must be reaffirmed throughout the development of the project as circumstances change and new information becomes available.

Full respect for FPIC should be complemented by fair and accessible grievance mechanisms, robust due diligence frameworks, and disclosures on both ongoing FPIC processes and the implementation of agreements with Indigenous Peoples. The asset manager should seek expert third-party verification of investee companies' respect for FPIC, and identify conditions under which it will seek direct engagement with potentially affected Indigenous Peoples. Where investee companies fall short of FPIC standards, asset managers should follow an engagement and escalation process (see Finding 9), culminating in divestment if concrete progress is not made⁸³.

Respecting FPIC and the rights of Indigenous Peoples is not only a moral imperative, but also a strategic necessity for asset managers that want to mitigate risk. Ignoring or neglecting these rights may lead to conflicts and resistance from local communities – causing disrupted operations, delayed projects, financial losses, legal challenges, and reputational damage.

Finding 25: Most asset managers did not share an approach to sovereign debt for countries facing default or distress.

The issuance of sovereign debt is an important mechanism by which governments raise the finance necessary for public investment. However, recent history has revealed the challenges this can cause when a country can no longer service its debts, often because of changes in broader macroeconomic circumstances that lead to reduced income and/or increased interest rates⁸⁴.

In 2024, for the first time, we asked asset managers about their approach to sovereign debt for countries facing significant distress, or that are at risk of default. Most asset managers did not answer this question; most of the 20% that did so provided responses privately.

Recurring themes from the small number of responses included:

- An acknowledgement of the importance of restructuring for the sake of debt sustainability
- A willingness to reinvest in sovereigns that have faced difficulties, particularly through instruments such as debt-for-nature swaps where a portion of debt is effectively forgiven in exchange for funding conservation efforts⁸⁵
- (Less encouragingly) a lack of support for changes to the legal process by which the debt restructuring process may occur

These responses came from large asset managers with significant fixed income holdings, as well as those that scored generally well across the survey.

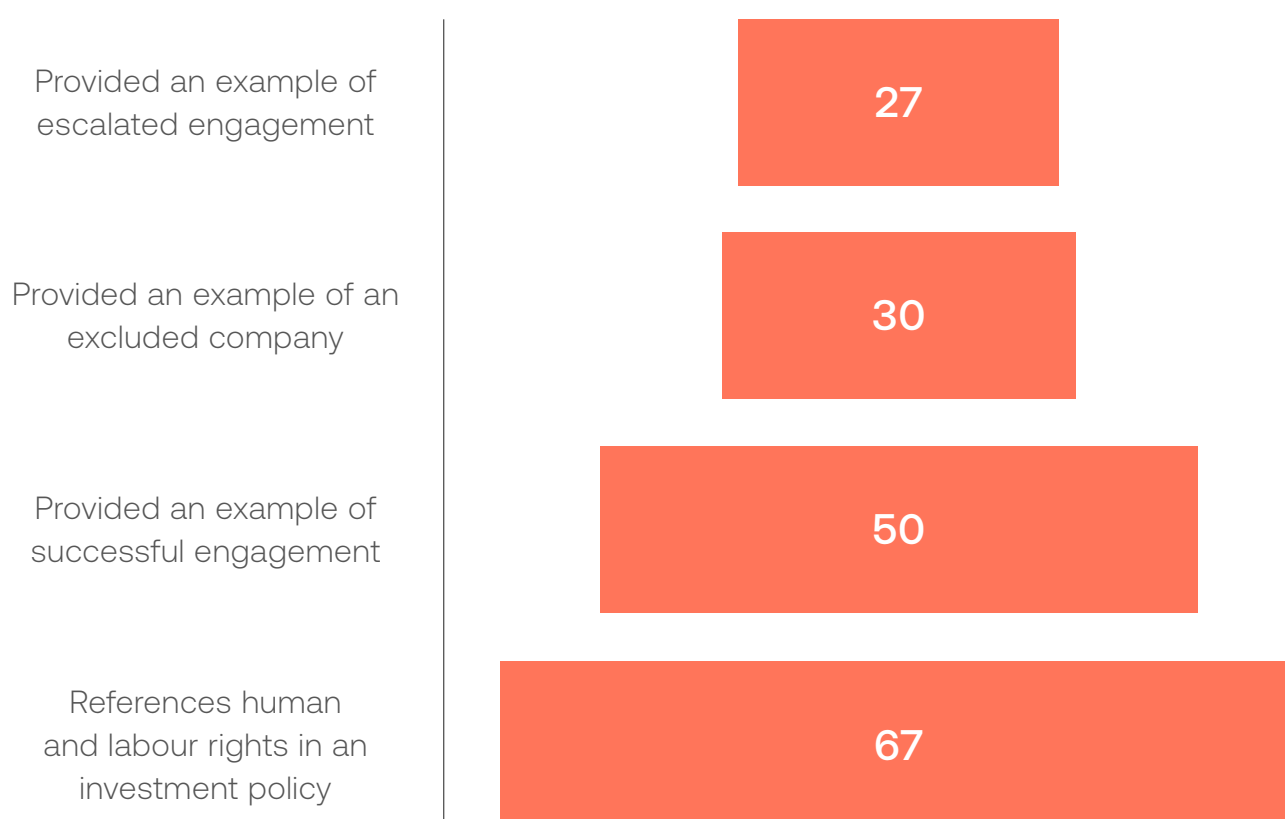
Intertwined environmental crises are creating a world with increasing uncertainty, where investment in mitigation and adaptation is of ever-growing importance. Asset managers are encouraged to proactively adopt approaches to sovereign debt which treat debtors in a fair and sustainable fashion and put in place stronger disclosure mechanisms on large transactions involving sovereign debt in line with agreed standards (such as the Institute of International Finance (IIF) voluntary principles⁸⁶).

Finding 26: The majority of asset managers with human and labour rights investment policies aren't showing it in practice.

Sixty-seven (88%) asset managers in our survey referenced human and labour rights in their investment policies, although 35 of these policies did not cover all funds. These policies commit either to exclude investments or to engage with and then exclude investee companies.

However, 37 of these asset managers could not give a single example of a company they had excluded on this basis over the past two years. Fifty asset managers reported successful engagement on the topic and an additional 27 demonstrated escalated engagement (Figure 32)^{xxvii}. While it might be argued that successful engagement means that escalated engagement is not needed, our figures disprove this: 22 of the 30 asset managers that showed successful engagement on human and labour rights topics also escalated on the subject.

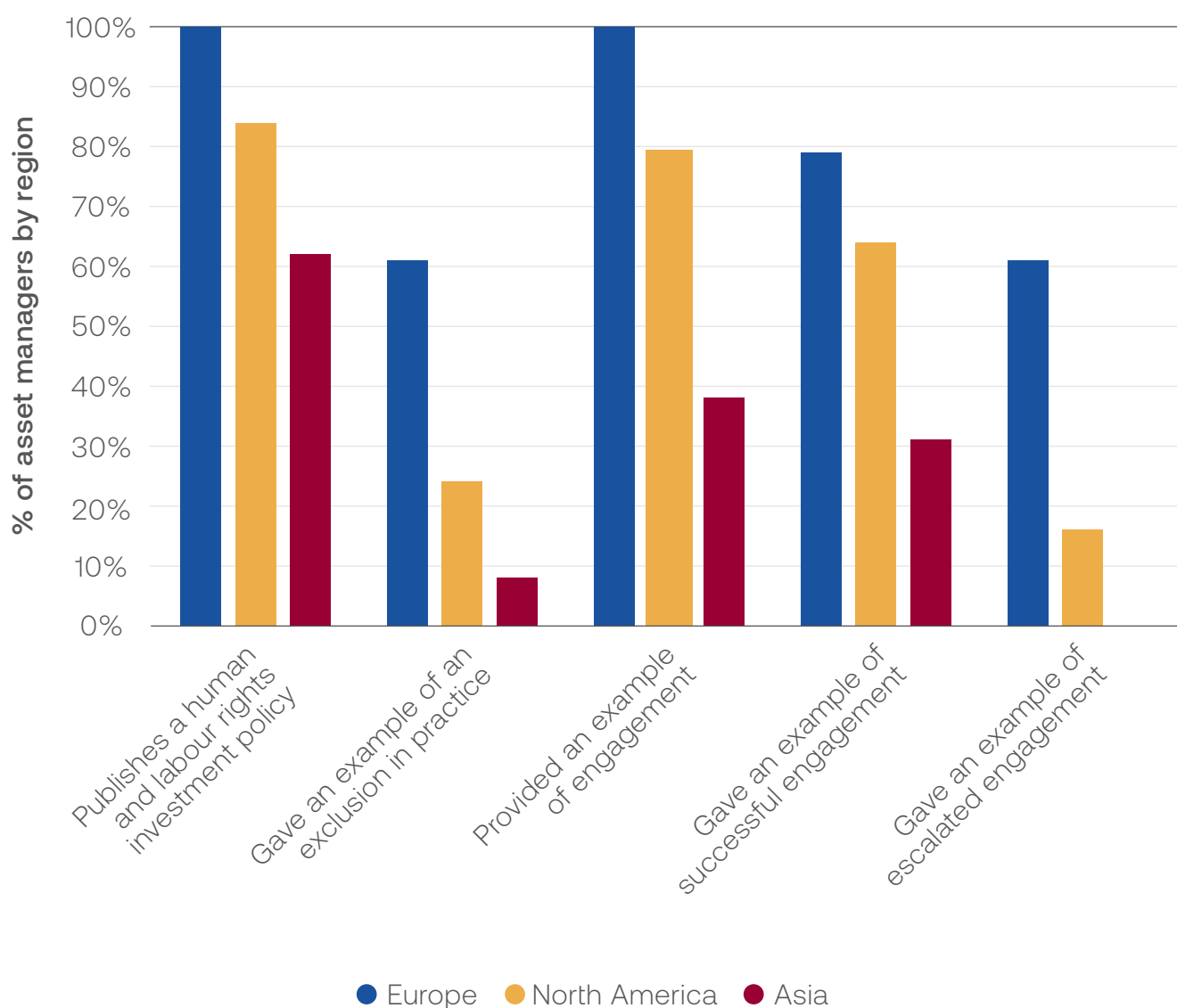
Figure 32: Although asset managers reference human and labour rights in their policies, the majority are not taking robust action



xxvii This is defined for the purposes of the benchmark as any action (aside from voting) from Step 3.1 of our escalation framework onwards. These actions include: asking questions or making statements of intent at annual general meetings; co-filing shareholder resolutions; rejecting documentation amendment requests; convening bondholder meetings; seeking board seats; calling an extraordinary AGM; legal processes; divesting/excluding from labelled funds; reducing exposure/underweight in all funds; engaging index provider to exclude company at next rebalancing; not participating in primary issuance (new debt/refinancings) for labelled funds; not participating in primary issuance (new debt/refinancings) for all funds; divestment; and exclusion.

European asset managers were most likely to show action on human and labour rights, with 61% giving an example of an exclusion and 79% giving an example of successful engagement. In contrast, only 24% of US managers could give an example of exclusion in practice, and no Asian managers could give an example of escalated engagement (Figure 33).

Figure 33: European asset managers are more likely to act on their human and labour rights policies





Box 11: Leading practice: Escalating on human and labour rights: Robeco

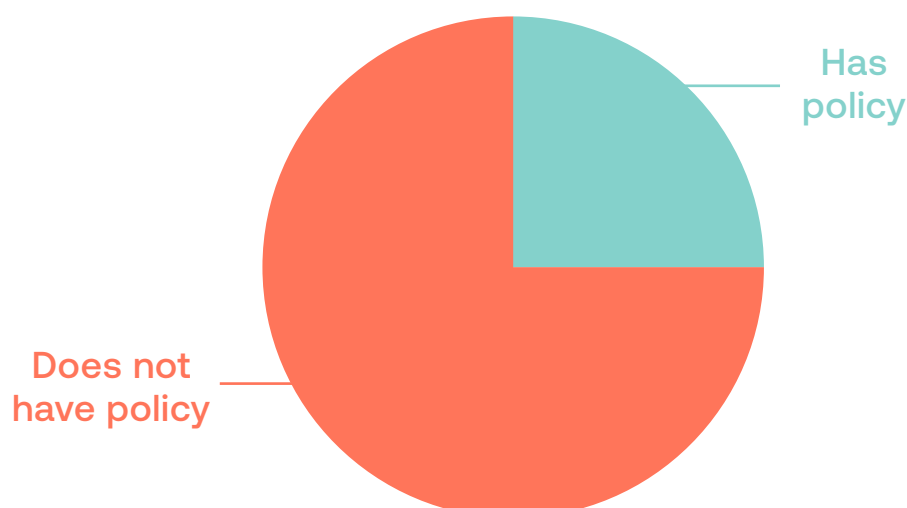
Amazon Web Services provides services to governmental customers with a history of human rights abuses, and Amazon's collection of user data is associated with a risk of mass surveillance. However, the company's disclosures are unclear on how the company aims to prevent customer misuse.

After engaging with Amazon on human rights topics for several years, **Robeco** co-filed a shareholder proposal in 2023. This requested the board of directors to commission an independent third-party report assessing Amazon's customer due diligence process. This is necessary to determine whether customers' use of its products and services that have surveillance, computer vision or cloud storage capabilities contributes to human rights violations. This shareholder resolution received 34% support⁸⁷.

Finding 27: Three quarters of asset managers don't have a policy encouraging investee companies to pay a living wage.

Of the 76 asset managers in this survey, only 19 (25%) asset managers had an engagement strategy to implement a 'living wage' (Figure 34). A living wage is a wage based on the cost of living, and is a campaigning focus for a number of civil society organisations and investors worldwide^{88,89}.

Figure 34: Only a quarter of asset managers have an engagement policy on the living wage



Of the European asset managers, 39% had a living wage engagement policy, compared to 12% of North American and 8% of Asian asset managers. This reflects both the overall higher performance of European asset managers across this benchmark and the increased focus on this topic in Europe compared to other regions. However, 61% of asset managers based in Europe did not have an engagement strategy on this topic.

Regardless of location, low pay is a systemic risk which will burden investment portfolios if not addressed⁹⁰, and all asset managers should be including this topic in their engagement policies and practices.

Recommendations & Full list of Key Standards



Recommendations & Full list of Key Standards

Recommendations for asset managers

Asset managers should use our full list of key standards (Figure 35) as a focused but not exhaustive set of recommendations for how they can improve their responsible investment approach. This should include ensuring that policies apply to all of their active and newly-launched passive funds to ensure maximum effectiveness.

We have provided the asset managers included in this survey with a tailored assessment of their performance against these standards, clarifying where they fell short and what they should improve. These assessments will also be published on our website.

Figure 35: List of key standards

Theme	Key standard
Governance & Stewardship	Discloses impact metrics to clients across all portfolios
	Has an engagement policy with a defined escalation process, setting out timebound escalation triggers and consequences of unsuccessful engagement
	Provides detailed disclosure of engagements (full list of companies/quantitative outcomes/frequency of escalation/exclusion list)
	For asset managers included in ShareAction’s 2024 <i>Voting Matters</i> assessment: Voted in favour of at least 85% of the resolutions assessed in <i>Voting Matters 2024</i> *
	For asset managers not included in ShareAction’s 2024 <i>Voting Matters</i> assessment (including fixed income specialists): Has demonstrated engagement on either equity, corporate or sovereign debt since 1 January 2022 regarding responsible investment issues using at least one of the following tactics: made a public-facing statement; imposed responsible investment-related conditions on purchases of new share or bond issues; refused to purchase new share or bond issues; divested equities or bonds.”

* NB One of these two key standards applied, depending on whether each asset manager was included in *Voting Matters 2024* or not

Theme	Key standard
Climate	Has published a climate transition plan that covers its investments, outlining how it will pivot its existing assets, operations, and entire business model towards a trajectory that aligns with climate science recommendations, and specifically aligns with industry standards on decarbonisation (e.g. Transition Plan Taskforce, GFANZ, SBTi)[1]
	Excludes thermal coal and unconventional oil & gas[2] across its corporate debt and equity investments in a majority of funds, and places restrictions on companies developing new conventional oil & gas capacity
	Has demonstrated escalated engagement with investee companies on at least one climate issue since 1 January 2022
	Has conducted scenario analysis and demonstrated how this has been used to inform its investment approach, covering transition and physical risks and using at least 3 varied scenarios, for a substantial proportion of its investment portfolios.
	Has set a specific, measurable and timebound public target for the proportion of its investments to be invested in the climate transition, using a clear classification system[3]
	Has set an interim target to reduce CO2e emissions that meets ALL of the following: 1 a reduction by at least 50% by 2030 2 covering at least 50% of AUM, 3 covering all listed equity and corporate bonds, and 4 using either absolute emissions OR inflation-adjusted intensity-based metrics.

Theme	Key standard
Biodiversity	Has made a timebound commitment to reduce negative biodiversity impacts or threats – or increase positive impacts – across corporate debt, equity, and infrastructure investments, measured in terms of actual biodiversity impact.
	Restricts investment in companies operating in the most sensitive locations for biodiversity, using at least two definitions, including IUCN protected areas or Key Biodiversity Areas
	Has demonstrated escalated engagement with investee companies on at least one biodiversity issue since 1 January 2022
	Assesses direct impacts and dependencies from its investments on biodiversity[4]
	Has specific biodiversity-related requirements for investments covering at least two critical sectors, covering at least equities and fixed interest
Social	Has an investment policy that considers Free, Prior and Informed Consent (FPIC)[5]
	Has a policy that excludes investment in controversial weapons and tobacco
	Has demonstrated escalated engagement with investee companies on at least one social issue since 1 January 2022
	Has an investment policy that commits to restrictions (either absolute or after engagement) where there is evidence of companies transgressing any human and labour rights frameworks and has demonstrated that it has excluded on this basis at least once
	Has engaged with communities whose human rights, labour rights, or health have been – or may be – affected by its investments, and helped them seek access to remedy, since 1 January 2022

[1] Targets alone should not be considered a plan.

[2] We include in this definition oil sands, Arctic oil & gas, ultra-deepwater oil & gas, and fracked oil & gas.

[3] For example, low-carbon and climate-resilient technologies, assets, or projects

[4] We define biodiversity-related impacts and dependencies as the ways in which businesses affect (both positively and negatively) and also rely on natural ecosystems. Impacts and dependencies can arise directly from business operations or indirectly from the use of products and services (either upstream or downstream).

[5] FPIC is a right that is recognised in the UN Declaration on the Rights of Indigenous Peoples. It allows Indigenous People 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.

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 that asset owners:

- 1 Use this research to inform selection, monitoring and review of asset managers.
- 2 Firmly embed clear and specific expectations on the integration and reporting of climate, biodiversity and social issues into Investment Management Agreements.
- 3 Publish these expectations to establish and reinforce the importance of responsible investment.
- 4 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.
- 5 Engage asset managers where the above expectations are not met.
- 6 Consider engaging collaboratively with other asset owners that share their asset manager. When multiple clients engage an asset manager on a specific topic it can enhance their effectiveness by demonstrating the strength of feeling among their clients. Public statements can be particularly effective in this⁹¹.
- 7 Cease to award new mandates and – as the ultimate sanction – end relationships with asset managers that do not live up to set expectations on managing responsible investment issues.

Recommendations for policy makers

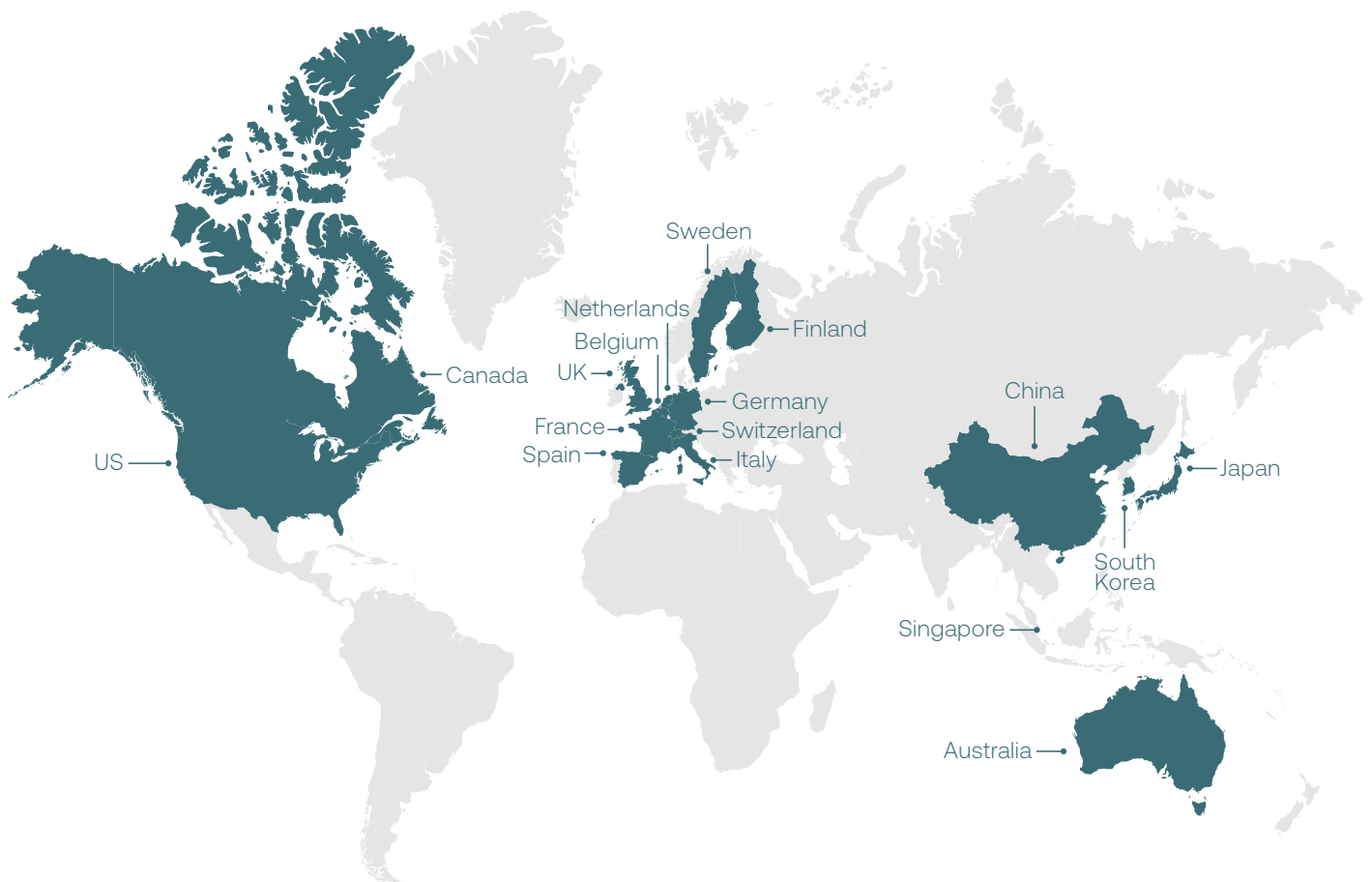
Regulation is a powerful way to raise minimum standards across an industry. The development of sustainable finance legislation across Europe likely contributed to the higher ratings attained by European asset managers in our survey. We recommend that policy makers:

- 1 Ensure that regulation requires asset managers to be transparent in reporting on how their investments affect climate, biodiversity, public health, and human and labour rights.
- 2 Ensure that regulation requires transparency on engagement and escalation policies, activities, and outcomes.
- 3 Empower regulators with clear supervisory and enforcement mandates including, where necessary, the ability to penalise poor performance on responsible investment practices, such as responsible investment policies, sustainability disclosures, and stewardship.
- 4 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.

Appendix 1: Methodology

How asset managers were selected

Figure 36: Our survey included asset managers on three continents



This report covers 76 of the world's largest asset management firms. We selected managers based on their assets under management as well as their location. We used a similar selection process to previous years with a minor change to provide greater consistency year-on-year.

This year:

- We selected the largest institutions, using managers' rankings in the IPE's Top 500 Asset Manager list⁸.
- We excluded firms if their structure makes them ineligible (for example if they are part of a group, consultants, institutional investors, or asset owners) or if they focus on private equity or alternative asset classes.
- We set a maximum number of institutions from different geographic regions, to ensure that the benchmark is global, and not overly dominated by US firms.
- We selected 22 US asset managers:
- The largest 20 US managers were automatically included.
 - Of the next four largest US managers on the IPE list, we included the largest two that were included in our 2023 *Point of No Returns* report.
 - For China, we selected the three largest firms which have some global presence.
- For the rest of the world, we selected 51 managers:
 - The top 46 managers from the rest of the world were automatically included.
 - Of the next ten in the IPE list, the five largest asset managers that were included in our previous report were retained.
 - We reviewed the selection to make sure no single country appeared more often than the US (22), and no region overly dominated.

How the survey was conducted

ShareAction developed the survey underpinning this report in 2024, based on the one used in our 2023 report⁹², with updates made to reflect changes in responsible finance guidelines and frameworks since then. The updated survey was reviewed by both internal and external subject matter experts. The full survey included 87 questions and can be found by clicking the button below.

[See all the questions here](#)

ShareAction's Financial Sector Research team prefilled the survey for each of the asset managers, selecting answer options for each question based on publicly available information. Every answer option was populated with supporting text and the references to any source documents or webpages.

All 76 asset managers in scope were sent the prefilled survey between 25 September and 9 October 2024. They were invited to check the submission and provide additional publicly available evidence to support their answers. We accepted evidence related to any policies that were due to be made public before 31 December 2024. The asset managers also had the option to provide further clarification privately, should there be relevant information that was not yet released or commercially sensitive. In a small number of cases (for example where the original message had not been received, or where additional translation was required), a short extension was granted, with all data submitted by 25 October 2024. 54 of the 76 (71%) asset managers verified the data.

We then reviewed all submissions in full. Scoring was led by publicly available information, however we used information supplied privately to understand the exact application of public documents and to inform our commentary in the report and the development of future surveys. At least two team members reviewed the data for each thematic topic (climate, biodiversity, social issues, governance and stewardship). Any unclear answers or borderline cases were discussed by all researchers focusing on that topic to ensure consistency in scoring. Any further queries or outliers that arose during the data analysis stage were double checked against source material where appropriate.

Asset managers were given a final opportunity to respond to our assessment of whether they had achieved each of the key standards. 25 asset managers did so, including five which had not responded to the original verification request.

Preliminary results were communicated internally with subject matter experts, to inform our analysis and presentation of results. The draft report was also reviewed both internally and externally.

How asset managers were graded and ranked

We assigned each institution a grade from A to F as a measure of their performance. These grades were based on 20 'key standards'. Asset managers were ranked first by grade and then by overall score within each grade.

Key standards

We identified 20 key standards across the themes in the survey: six on climate; five each in biodiversity and social; and four in governance and stewardship. The standards are intended to give a clear and simple overall summary of each asset manager's performance across the themes covered in this report. They are based on indicators which we considered to be the most important and fundamental in each section, while the overall score measures supporting details and answers across all questions in the survey.

The key standards are designed to be consistent with ideas of best practice but have been set at a level that is achievable and realistic given the current state of the sector: all 20 standards

were met by at least one asset manager. To ensure asset managers are judged as fairly as possible, we set the thresholds to achieve the standards in a way that is not overly prescriptive. For clarity and simplicity, we assessed the standards on a simple yes/no basis. This means that an asset manager that meets a standard may be doing just enough, or may be exceeding the standard by some distance. Conversely, an asset manager that does not meet a standard may be falling a long way short, or only just missing the threshold. This extra level of detail is captured in the overall score (which is used for the ranking), and additional data on key questions are disclosed for each insurer on our website. We have highlighted examples of asset managers demonstrating leading practice above and beyond the key standards throughout the report, and our *Responsible Investment Standards & Expectations (RISE)* papers⁷ set out in more detail what we consider best practice on various issues.

Asset managers' collective performance against these standards is summarised at the start of the relevant chapter of this report. The full list of the 20 key standards is set out in Figure 35.

Assigning grades

We assigned grades based on the number of key standards achieved (Figure 37). To score an A grade, asset managers had to achieve key standards in all of the five sections.

Figure 37: Grades were determined by the number of standards an asset manager met

Grade	Required proportion of standards	Number of standards required	Additional requirements
A	≥ 80%	16	At least one standard in each section
B	≥ 60%	12	-
C	≥ 40%	8	-
D	≥ 20%	4	-
E	At least 1	1	-
F	None	0	-
Total number of standards available		20	

Scoring

We assigned a maximum number of available points to each question, and to each answer option within it. Higher numbers of points were available where the question covered more content or was of greater significance for responsible financial performance. We included some questions in the survey to enhance our understanding of the results and/or overall trends in responsible finance; these were not scored.

Available points were distributed across the thematic topics in line with the distribution of key standards across the sections (Figure 38).

Figure 38: Overall score weightings by theme

Governance and stewardship	Climate	Biodiversity	Social
20%	30%	25%	25%

The asset manager's overall score is the sum of all the points it scored across all questions for which it was eligible, plus a bonus for each key standard achieved.

Approach for specialist asset managers

All asset managers were asked the same set of questions. However, our sample included both managers which invest across a broad spectrum of different asset classes and others which specialise. Also, some managers use both active and passive management styles, and some do not. A small number of questions in the survey were not applicable to all asset managers. For example, some are only relevant to specific asset classes, such as questions on voting in relation to equities, while others relate to policies for passively managed assets. In both cases, the scores for the affected questions were small in the overall context, and the number of managers affected was small. Nevertheless, to ensure fairness, we categorised asset managers and took additional steps to ensure they weren't unfairly penalised:

Equity and fixed income specialists

Some asset managers prioritise bond investments over equities. We categorised asset managers with less than 10% of holdings in listed equity or corporate debt as fixed income and equity specialists respectively. Asset managers in these categories received full marks on questions about the applicability of policies if they applied to all of their equity or fixed income respectively.

Active and passive specialists

We categorised asset managers which held less than 10% of their total holdings in passive funds as active specialists. No asset managers held less than 10% of their assets under management in actively managed funds, and so none were classified as purely passive management specialists. Eight managers were mainly passive investors.

Questions about investment policies or actions were focused on active funds and *newly launched* passive funds – thus acknowledging that existing passive funds tracking an index

cannot freely use capital allocation as a stewardship lever, but setting expectations for new funds.

Asset managers categorised as specialist active managers received full marks on questions about the applicability of policies if they applied to all of their active equity and fixed income. Unlike more generalist managers, they weren't penalised for not extending investment policies to new passive offerings.

Figure 39: Most asset managers were generalists in terms of asset class, but more than half specialised in active management

	Active	Mixed	Passive
Fixed income	7	0	0
Mixed	36	29	0
Equity	1	3	0

Implications for key standards

One of the key standards relates to the score received by asset managers in the 2024 edition of ShareAction's annual *Voting Matters* survey. Fund managers that did not qualify for inclusion in *Voting Matters* – typically those which specialise in fixed interest, but also some which did not have sufficient holdings – were assessed on an alternative standard relating to their engagement activity. To ensure fairness, the thresholds for these two standards were set carefully so that neither group was systematically disadvantaged.

Appendix 2: International human and labour rights frameworks

Asset managers can integrate the following standards, guidelines, and principles into their policies and their due diligence processes, while engaging with companies and clients to ensure they are meeting these expectations and reporting in line with them.

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 Protocol⁴⁴. 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.

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^{93–95}.

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 these⁹⁶.

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 abuses⁹⁷.

Appendix 3: 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 the 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 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 weapons that leave explosive remnants⁹⁸.

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ShareAction is an independent charity and an expert on responsible investment. We work to build a world where the financial system serves our planet and its people. We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle the climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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