

THE PRI LEADERS' GROUP 2020



THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

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

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



PRI's MISSION

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

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

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ABOUT THE PRI LEADERS' GROUP

As part of our 10-year [Blueprint for responsible investment](#), the PRI committed to showcasing leadership and increasing accountability, with a view to raising standards of responsible investment amongst all our signatories.

The Leaders' Group showcases signatories at the cutting edge of responsible investment, and highlights trends in what they are doing. We use signatories' reporting responses and assessment data to identify those that are doing excellent work in responsible investment – across their organisations and with a focus on a given theme each year. Read more about our methodology in the [Appendix](#).

OTHER PRI INITIATIVES TO SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY

In 2019, we also launched our first ever [PRI Awards](#). Where the [Leaders' Group](#) evaluates broad organisational practice based on PRI reporting and assessment, the PRI Awards recognises individually excellent projects, nominated by signatories and assessed for innovation and impact by an independent panel of judges.

The counterpoint to our two initiatives on showcasing leadership is our work on increasing signatory accountability. Our [minimum requirements](#) introduced in 2018 use reporting data to identify signatories that we believe are not making sufficient progress in implementing the six [Principles for Responsible Investment](#). Signatories that do not meet the minimum requirements are informed privately, provided with additional PRI support to help them improve, and – as a last resort following unsuccessful engagement – informed that they can no longer remain PRI signatories.

THE LEADERS' GROUP 2020

The PRI Leaders' Group 2020 showcases PRI signatories that demonstrate a breadth of responsible investment excellence, and that excel specifically in this year's theme: climate reporting.

The longer governments, investors and businesses operate without a safe trajectory on climate change, the greater the risks for investors of an abrupt policy response¹. Supporting the adoption of the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) is a high priority for the PRI, as they provide a global framework for translating climate information into financial metrics. As part of our programme on championing climate action, we added [climate reporting indicators](#) – designed to complement TCFD reporting – into the PRI Reporting Framework in 2018.

The 2020 Leaders' Group has, through its PRI reporting on the climate indicators, demonstrated strategic approach to aligning their organisation with the TCFD recommendations.

There is no ranking within the Leaders' Group. Signatories are listed alphabetically below, and [an interactive version](#) can be used to filter and search. To look at any given signatory's practices in detail, especially their climate reporting, follow the link to their public responses to the 2020 Reporting Framework².

The PRI congratulates the following 36 signatories for being included in the PRI Leaders' Group 2020:

Signatory	Investor category	Main asset class ³	AUM (US\$ bn)	Country
ACTIAM	Investment Manager	>50% Fixed Income SSA Internally Managed	50 - 249.99	Netherlands
Allianz SE	Asset Owner	Multi-Asset	>= 250	Germany
AMP Capital Investors	Investment Manager	Multi-Asset	50 - 249.99	Australia
AP2	Asset Owner	Multi-Asset	10 - 49.99	Sweden
APG Asset Management	Investment Manager	Multi-Asset	>= 250	Netherlands
Australian Ethical Investment Ltd.	Investment Manager	>50% Listed Equity Internally Managed	1 - 9.99	Australia
AXA Investment Managers	Investment Manager	Multi-Asset	>= 250	France
Bridges Fund Management	Investment Manager	>50% Property Internally Managed	0 - 0.99	United Kingdom
Brunel Pension Partnership (BPP)	Asset Owner	>50% Listed Equity Externally Managed	10 - 49.99	United Kingdom

¹ You can read about the [Inevitable Policy Response](#) on our website.

² Public Transparency Reports contain signatories' public responses to all relevant indicators in the 2020 [Reporting Framework](#)

³ Please note that the main asset class represents where >50% of AUM is invested, and is not the only asset class invested in.

Signatory	Investor category	Main asset class ³	AUM (US\$ bn)	Country
Candriam Investors Group	Investment Manager	Multi-Asset	50 - 249.99	Luxembourg
CBUS Superannuation Fund	Asset Owner	Multi-Asset	10 - 49.99	Australia
CDC - Caisse des dépôts et consignations	Asset Owner	>50% Fixed Income SSA Internally Managed	50 - 249.99	France
Charter Hall Group	Investment Manager	>50% Property Internally Managed	10 - 49.99	Australia
Church Commissioners for England	Asset Owner	Multi-Asset	10 - 49.99	United Kingdom
Dexus	Investment Manager	>50% Property Internally Managed	10 - 49.99	Australia
Environment Agency Pension Fund	Asset Owner	Multi-Asset	1 - 9.99	United Kingdom
ESG Portfolio Management	Investment Manager	>50% Fixed Income CNF Internally Managed	0 - 0.99	Germany
First State Superannuation Scheme	Asset Owner	Multi-Asset	50 - 249.99	Australia
Ilmarinen Mutual Pension Insurance Company	Asset Owner	Multi-Asset	50 - 249.99	Finland
Legal & General Investment Management (Holdings)	Investment Manager	Multi-Asset	>= 250	United Kingdom
Lendlease	Investment Manager	>50% Property Internally Managed	10 - 49.99	Australia
Manulife Investment Management	Investment Manager	Multi-Asset	>= 250	Canada
Mirova	Investment Manager	>50% Listed Equity Internally Managed	10 - 49.99	France
MP Investment Management A/S	Asset Owner	Multi-Asset	10 - 49.99	Denmark
Natixis Assurances	Asset Owner	Multi-Asset	50 - 249.99	France
Neuberger Berman Group LLC	Investment Manager	Multi-Asset	>= 250	United States

Signatory	Investor category	Main asset class ³	AUM (US\$ bn)	Country
New Zealand Superannuation Fund	Asset Owner	>50% Listed Equity Externally Managed	10 - 49.99	New Zealand
Nuveen, a TIAA Company	Investment Manager	Multi-Asset	>= 250	United States
Payden & Rygel	Investment Manager	Multi-Asset	50 - 249.99	United States
Robeco	Investment Manager	>50% Listed Equity Internally Managed	50 - 249.99	Netherlands
State Street Global Advisors (SSGA)	Investment Manager	>50% Listed Equity Internally Managed	>= 250	United States
Stichting Pensioenfonds ABP	Asset Owner	Multi-Asset	>= 250	Netherlands
Swedfund International AB	Asset Owner	Multi-Asset	0 - 0.99	Sweden
The international business of Federated Hermes (formerly Hermes Investment Management)	Investment Manager	>50% Listed Equity Internally Managed	10 - 49.99	United Kingdom
Universities Superannuation Scheme - USS	Asset Owner	Multi-Asset	50 - 249.99	United Kingdom
Varma Mutual Pension Insurance Company	Asset Owner	Multi-Asset	50 - 249.99	Finland

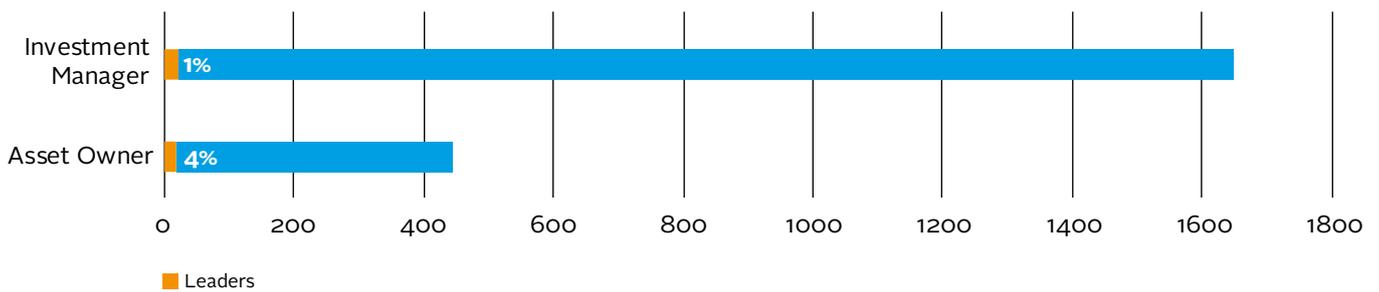
HOW DOES THE LEADERS' GROUP COMPARE TO THE OVERALL SIGNATORY BASE?

INVESTOR CATEGORY

While the Leaders' Group consists of a largely even split between investment managers and asset owners, with 20 investment managers and 16 asset owners identified as leaders in climate reporting, asset owners are better

represented relative to the PRI's total reporting signatory base. Some 4% of all asset owners made it to the 2020 Leaders' Group, compared to 1% of all investment managers.

Proportion of signatories reporting on climate that are leaders, by investor category

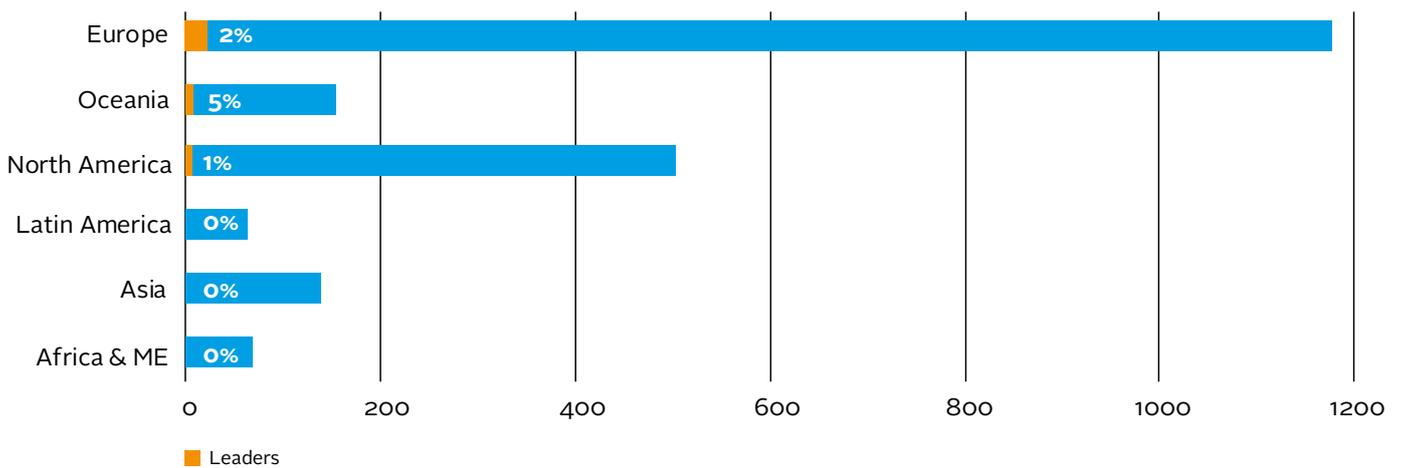


REGION

All the leading signatories identified are representatives from European, Oceanian and North American countries. The largest group are European, with 23 identified compared to eight in Oceania and five in North America.

In relative terms, Oceanian signatories are particularly well represented: 5% of our Oceanian signatory base is part of the 2020 Leaders' Group.

Proportion of signatories reporting on climate that are leaders, by region



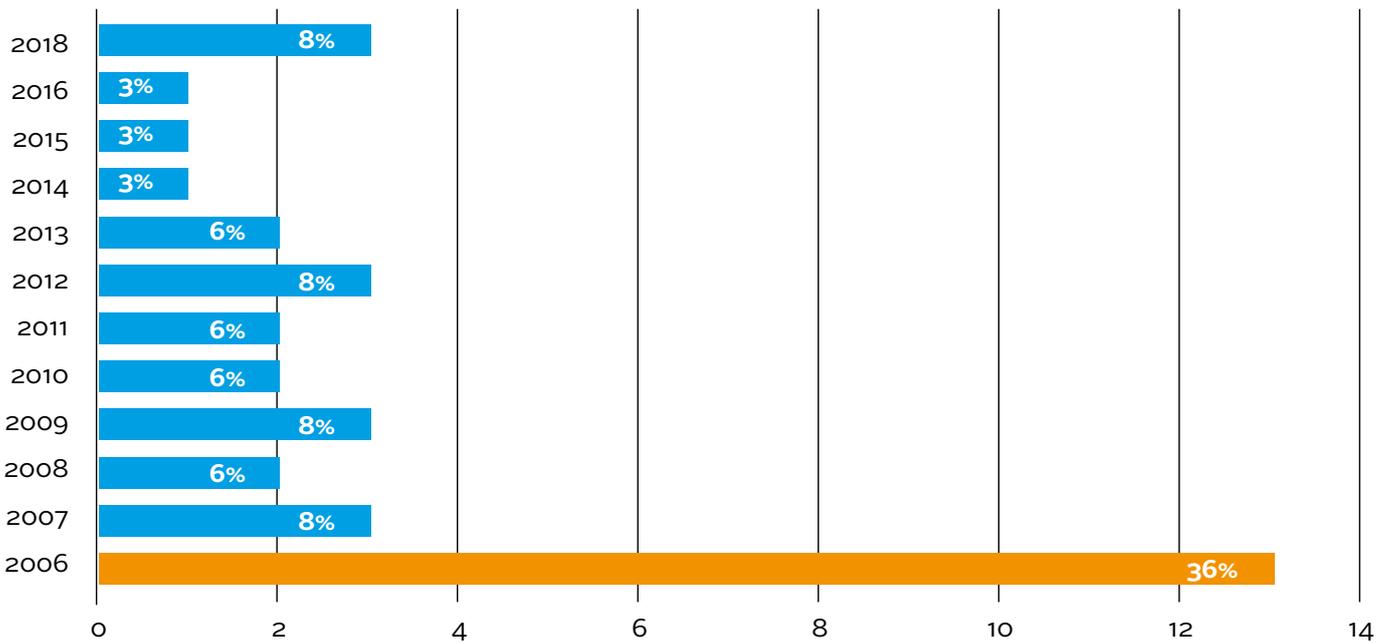
4 Sign-up years with zero leading signatories have been removed from the graph

SIGN-UP YEAR

Like the 2019 Leaders' Group, signatories from the PRI's inaugural year are overrepresented in the 2020 Leaders' Group.

More than a third of those identified signed up to the Principles in 2006, indicating a clear trend for longer standing signatories to demonstrate more advanced practices in climate reporting.

Leaders by sign-up year

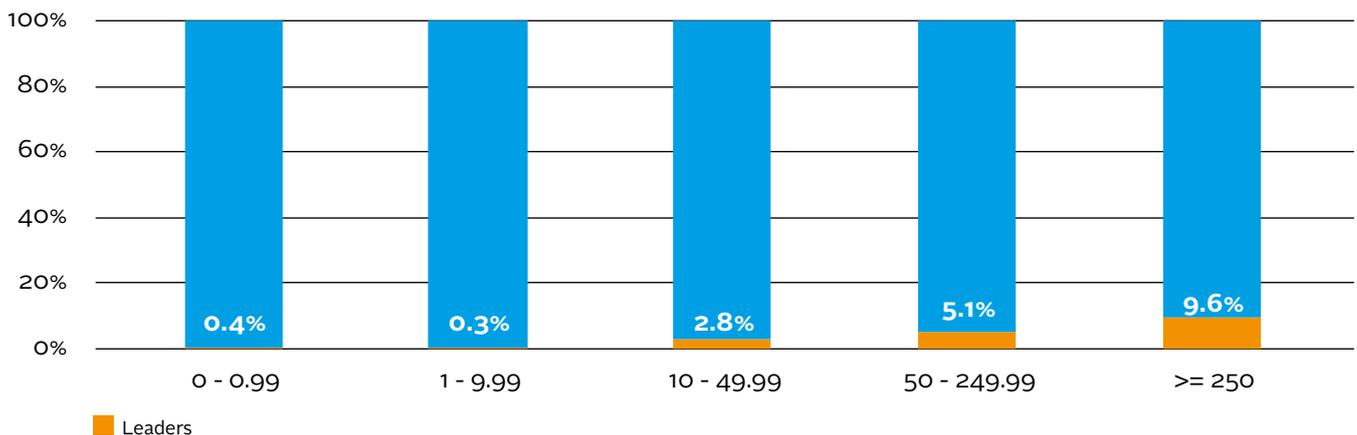


SIZE

Larger signatories are better represented in the 2020 Leaders' Group than smaller ones, a trend especially visible when looking at the proportion in each size bracket that have been identified as leading signatories. Nearly 10% of signatories with an AUM above US\$250bn made it to the Leaders' Group in 2020, compared to less than 1% of signatories with an AUM below US\$10bn.

While larger signatories are also better represented in absolute terms, it should be noted that smaller-sized signatories are also able to report well on climate practices. Nearly 50% of the identified leading signatories have an AUM of less than US\$50bn.

Proportion of signatories that are leaders, by AUM



EXAMPLES OF LEADING CLIMATE REPORTING PRACTICES

GOVERNANCE

LEADERS HAVE A ROBUST GOVERNANCE STRUCTURE FOR CLIMATE-RELATED ISSUES

Signatories in the Leaders' Group have a well-developed process for reporting on climate-related practices, along with robust governance structures to manage them.

Ultimate oversight and accountability for climate-related issues tends to lie with boards, but many leading signatories also demonstrate well-established internal climate and ESG functions, such as cross-functional advisory groups, committees and task forces. Senior-level staff often have assessment and management responsibilities for climate-related issues. They review strategies and policies on climate which cover the entire investment process, from investment beliefs to evaluation, and set priorities and review targets. We see examples of leading signatories that address climate change through an overarching risk reporting framework, where data-driven dashboards are used for senior management to monitor climate risks. Boards receive regular and comprehensive updates to monitor and oversee the progress made on climate-related targets and goals.

In their PRI Transparency Reports, leading signatories are transparent about their governance functions, and often mention the specific internal roles with climate responsibilities. Detailed governance frameworks are further set out in publicly available documents, such as in annual reports and/or policies.

Some of our leading signatories also apply a variety of instruments to foster board and management-level competency on climate issues and link their KPIs and remuneration to climate-related targets, making climate an integral part of their organisations.

Additional resources

[The PRI Asset Owner guide to TCFD](#)



[The TCFD Knowledge Hub](#)



STRATEGY

LEADERS LOOK AT CLIMATE RISKS AND OPPORTUNITIES OVER DIFFERENT TIME HORIZONS

Leading signatories report on a range of climate-related risks and opportunities, identified using scenario analysis and/or modelling for transitional and physical risks in portfolios and companies. There is a strong trend among the Leaders' Group to look at different time horizons in their scenario analyses, going beyond short-term risks and opportunities to explore how risks will evolve over time. Many leading signatories publicly provide examples of short, medium and long-term climate risks and opportunities identified as material for their organisations. They all evaluate the potential impact of climate-related risks on their investment strategy as well, over a range of time scales within and beyond their investment time horizon.

Almost all leading signatories use a below 2°C scenario, envisioning an orderly transition where countries start to reduce emissions in a consistent and measured way in line with the objectives of the Paris Agreement. Many assess for more than one scenario, by using a 4°C+ scenario and/or a disorderly scenario in line with the [Inevitable Policy Response](#), based on a forceful and abrupt tightening of climate policy.

Climate-related scenario analysis is used to improve investment decisions, and the leading signatories report multiple uses for their scenario analyses. Examples include stress testing, due diligence, ESG reappraisal, portfolio allocation, stewardship efforts, and to test that their investment strategies are fit for purpose.

Additional resources

[The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities](#)



[Directory of climate-scenario tools](#)



RISK MANAGEMENT

LEADERS INTEGRATE CLIMATE-RELATED RISK INTO RISK MANAGEMENT

The leading signatories use a robust set of tools to manage climate-related risks and opportunities. In addition to using scenario analysis and various metrics to set climate-related targets, they provide disclosures on emissions risks to clients, trustees, management and beneficiaries, and encourage internal and external portfolio managers to monitor emission risks. We also see that signatories in the Leaders' Group formalise emission-risk monitoring and reporting into contracts when appointing managers to manage climate-related risks.

Nearly all leading signatories have processes in place to integrate climate-related risks, such as climate change, into their organisations' overall risk management policies. They manage climate risks by downgrading ESG scores where relevant and engage with companies where risks are high. They also use their voting rights to vote against board chairs if a company refuses to take adequate steps to improve the quality of management in relation to greenhouse gas (GHG) emissions or risks and opportunities related to the transition into a low-carbon economy.

Many leading signatories are active members of collaborative engagement efforts such as Climate Action 100+, but also engage individually with companies. We see examples of leading signatories that engage with companies to adopt TCFD recommendations and improve disclosure on climate, and that vote against annual reports if companies refuse to adequately disclose climate data. External managers are also actively encouraged to provide TCFD disclosures, and climate considerations are often factored into mandates for external managers to manage risks.

Finally, we also see that leading signatories are participating in policy engagement, including on climate-related risk management.

Additional resources

[The PRI Asset Owner guide to TCFD](#)



[TCFD Taskforce guide on risk management⁵](#)



METRICS AND TARGETS

LEADERS SET LONG AND SHORT-TERM TARGETS

Leading signatories use climate metrics to benchmark their portfolios and track performance over time. The most commonly used key metrics to measure and manage climate-related risks and opportunities in line with their strategies and risk management processes are carbon footprinting (scope 1 and 2), portfolio carbon footprinting, total carbon emissions, carbon intensity and weighted average carbon intensity.

These metrics are used for various purposes. They often determine the performance of holdings in various climate scenarios, the risks and exposure in portfolios, and as such inform investment decisions and stewardship strategies. Other examples include:

- achieving long-term carbon emissions reduction targets;
- achieving desired exposure to climate-related opportunities; or
- steering investments towards alignment with the Paris Agreement.

Metrics are also used by leading signatories in their climate reporting to demonstrate the GHG emissions intensity of investments to clients and progress towards meeting climate-related targets. They demonstrate long and short-term accountability by setting multiple targets over different time periods, ranging between 2020 and 2050. An example of targets from leading signatories demonstrating this is to achieve net-zero targets for scope 1 and 2 by 2030 and scope 3 by 2040 for all property assets, and to achieve net-zero targets for scope 1 and 2 by 2050 for all assets.

Additional resources

[UK PRA – FCA Climate Financial Risk Forum Disclosure Chapter](#)



[Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#)



⁵ The TCFD is working on new guidance for implementing the risk management recommendations, to be published in 2020

CLOSING REMARKS

Climate change remains the highest priority ESG issue facing investors and the PRI will continue to support signatories in protecting their investments from climate-related risks. Investors are strongly encouraged to adopt the TCFD recommendations to assess financial impacts of climate-related risks. This report aims to help investors learn from the examples of leading practices and associated resources, and to inspire more investors to align their organisations with the FSB's TCFD.

General resources

Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.



Advancing TCFD guidance on physical climate risks and opportunities



2020 Climate change snapshot report



APPENDIX

BACKGROUND

[Extensive consultation](#) with signatories in recent years has shown strong support for the PRI to use [the Reporting and Assessment Framework](#) to further differentiate signatories at different stages of implementing the Principles. This includes showcasing leadership to share good practice and to encourage other signatories to improve their performance.

METHODOLOGY

Signatories were screened based on this year's leadership topic: **Climate reporting**

- Signatories must be asset owners or investment managers demonstrating a strategic approach to aligning their organisation with the [FSB's TCFD](#), as identified by the PRI.
- To assess this, we looked at their publicly disclosed responses throughout the climate change reporting indicators of the Strategy and Governance (SG) module, as well as whether they report:
 - publicly expressing support for the TCFD;
 - having a board-approved implementation plan in place;
 - how their organisation is using scenario analysis;
 - considering short- and long-term climate risks;
 - working towards specific climate-related targets.

A combined score using responses from across the Reporting Framework was then used to identify, from that pool, a group of leading signatories.

The combined score covers three areas of responsible investment practice:



FAQS

WHO WAS NOT ELIGIBLE FOR THE 2020 LEADERS' GROUP?

- signatories that are classified as service providers;
- signatories that do not publicly disclose their responses to the climate change reporting indicators of the Strategy and Governance (SG) module; and
- signatories that opted out of being included in the Leaders' Group (2020 Reporting Framework indicator CM 10.3).

WHAT IS THE LEADERS' GROUP NOT?

- ...a ranking of signatories – the Leaders' Group identifies a group of leading signatories, it does not rank the signatories within it (nor those outside);
- ...an exhaustive list of all leading practices in climate reporting – it identifies a group of leading signatories, and the associated commentary highlights trends and common practices amongst that group. Other leading practices might exist that this approach does not capture;
- ...PRI validation of signatories' reported data – while the PRI encourages signatories to pursue [assurance mechanisms](#), the Leaders' Group is based on the same self-reported data that underpins all PRI reporting and assessment.

The Principles for Responsible Investment (PRI)

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

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

More information: www.unpri.org



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

United Nations Environment Programme Finance Initiative (UNEP FI)

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

More information: www.unepfi.org



United Nations Global Compact

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

More information: www.unglobalcompact.org

