PRI Principles for Responsible Investment

30 July 2020

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Re: Financial Factors in Selecting Plan Investments
Proposed Regulation (RIN 1210-AB95)

Dear Director Canary:

The Principles for Responsible Investment ("PRI") welcomes the opportunity to submit comments on the notice of proposed rulemaking entitled "Financial Factors in Selecting Plan Investments" ("Proposal" or "NPR").[1] If finalized, the Proposal will create confusion among ERISA fiduciaries and asset managers, chill fiduciaries' efforts to integrate material ESG factors into their investment practices and could be costly for retirement savers and investment managers. We, therefore, respectfully request that the DOL withdraw the Proposal.

The PRI supports the concept that fiduciaries are obligated to integrate all material considerations, including ESG factors, into their investment actions. We are concerned, however, that the Proposal reflects a basic misunderstanding of ESG integration practices, causes confusion, and could lead to costs for plan savers, fiduciaries and service providers.

The Proposal:

- States that fiduciaries must make investment decisions "based solely on pecuniary factors that have a material effect on the return and risk of an investment based on appropriate investment horizons and the plan's articulated funding and investment objectives"[2] and that ESG considerations may be treated as material pecuniary factors.[3]
- Reiterates the "all things being equal test," which allows fiduciaries to consider the collateral benefits of an investment option only if, after considering all pecuniary factors including

[1] See Appendix A for more information about the PRI.
[2] Proposed § 2550.404a-1(b)(1)(ii)
[3] Proposed § 2550.404a-1(c)(1)

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financially material ESG factors, fiduciaries determine that multiple options are "economically indistinguishable."[4]

- Clarifies that fiduciaries who oversee defined contribution plans are permitted to select an investment option that includes a mandate to integrate ESG factors but prohibits an investment option that includes an ESG mandate from being selected as the default investment option.[5]

The Proposal fails to provide clarity for fiduciaries and, in fact, adds to their confusion regarding if and when ESG factors may be considered material. The PRI requests the Proposal be withdrawn for the following reasons:

1. The Proposal appears to reflect a misunderstanding of the investment practices that involve consideration of ESG factors.
2. ESG factors are financially material.
3. Fiduciary duty requires integration of material ESG factors.
4. The DOL should clarify that fiduciaries have an obligation to integrate material ESG factors into investment decisions.
5. Potential cost to American savers due to the Department's confusing and burdensome interpretation of the "all things being equal test" and the chilling effect on ESG integration.
6. Depending on the interpretation of the rule's scope, the QDIA prohibition may greatly limit choices of default investment options and could deny retirement savers access to superior investment products.
7. The Proposal could impose costs on asset managers who have integrated ESG analysis, which could be passed along to savers.

In addition, we reiterate our request that the Department extend the comment period from 30 days to 90 days.[6] Signatories to the PRI have taken a strong interest in submitting comments on the Proposal. We are concerned, however, that 30 days is insufficient due to pandemic-related productivity challenges, economic challenges, and asset price volatility that asset owners and investors are trying to manage. We believe that 90 days will provide a reasonable opportunity for interested parties to submit comments.

1. The Proposal appears to reflect a misunderstanding of the investment practices that involve consideration of ESG factors

The NPR makes reference to the fact that ESG strategies can take multiple forms and that they are evolving. The directions it provides to fiduciaries, however, fail to take into account that ESG-related strategies have evolved significantly since the DOL first took up the issue of economically targeted investments (ETIs) in 1994. Instead, it lumps all strategies that include consideration of ESG factors

[4] Proposed § 2550.404a-1(c)(2)
[5] Proposed § 2550.404a-1(c)(3)
[6] The PRI, *Letter to Department of Labor requesting extension of the comment period for Proposed Rule* (June 2020), available at: https://dwtyzx6upklss.cloudfront.net/Uploads/s/l/z/dolesgrequestforextensionfinal_862506.pdf

into one category and seems to envision that investors who engage in ESG integration often accept poor performance to advance subjective goals.

ESG factors may be made part of investment practice in a variety of ways. Examples include:

- **ESG Integration.** Integration of ESG issues entails the use of qualitative and quantitative ESG information in investment processes with the objective of enhancing investment decision-making. Integration of ESG issues can be used to inform economic and industry analysis. It can be used at the portfolio level, by taking into account ESG-related trends such as climate change, or at the individual investee level.
- **Sustainability-themed investments.** Sustainability-themed investments cover passive funds investing in companies linked to specific themes (e.g. indices focused entirely on environmental and social themes such as clean technology, microfinance and impact investing).
- **Screening**. Screening may include the use of indices constructed from an eligible universe based on the ESG characteristics of a company or country, but in which ESG issues do not play a part in the weighting of those companies or countries within the index.
- **Active ownership.** Active ownership is the use of the rights of ownership to influence the activity or behavior of investees. For listed equities, it includes both engagement and voting (including filing shareholder resolutions). Engagement may take different forms for other asset classes (e.g. fixed income).
- **Engagement.** Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence, or identify the need to influence, ESG practices and/or improve ESG disclosure.

These investment practices may be conducted in isolation or in combination with other ESG strategies.[7] Despite the DOL's characterizations of the financial impact of ESG investment practices in the Proposal, investors typically undertake these strategies in order to drive outperformance. In fact, a large proportion of asset managers who are not ESG-focused incorporate ESG factors into their investment processes, meaning the Proposal could greatly diminish access to investment options for ERISA fiduciaries.

2. ESG factors are financially material

Responsible investing requires integration of material ESG factors, regardless of whether investment managers market their funds as ESG-themed or having an explicit ESG mandate. Increased public transparency and disclosure allows investors to mitigate risks and capitalize on opportunities, increasing the long-term value of their investments. Empirical evidence demonstrates that the practice of incorporating ESG factors into investment decisions is a source of investment value, while the failure to effectively manage ESG issues can destroy investment value.[8]

[7] See Appendix B for more information on ESG strategies.
[8] See Appendix C for academic research on materiality.

ESG integration is material to long-term financial performance. A meta-study by Deutsche Asset & Wealth Management and the University of Hamburg, found "62.6% of studies revealed a positive correlation between ESG investing and financial performance," while nearly 30% had neutral performance and 8% under performed.[9] In other words, integration of material ESG factors should already be part of risk management processes.

Given the substantial body of evidence showing that ESG factors are material, a policy by the DOL clarifying that fiduciaries must integrate material factors into their investment decisions, and that ESG factors may be material, would be appropriate. The Proposal includes language that could be read to achieve that. Unfortunately, when read in its entirety, the Proposal creates confusion and could cause fiduciaries to believe they are not permitted to consider material ESG factors in their investment analysis or to hire managers who include material ESG factors in their investment diligence process.

3. Fiduciary duty requires the integration of material ESG factors

The PRI has conducted extensive research into the application of fiduciary duties in major global economies as part of the Fiduciary Duty in the 21st Century program. Through that analysis, we have determined that ESG integration is an increasingly standard part of the regulatory and legal requirements for institutional investors.[10]

In major global economies outside of the US, the fiduciary duties of investors require them to:

- Incorporate ESG issues into investment analysis and decision-making processes, consistent with their investment time horizons.
- Encourage high standards of ESG performance in the companies or other entities in which they invest.
- Understand and incorporate beneficiaries' and savers' sustainability-related preferences, regardless of whether these preferences are financially material.
- Support the stability and resilience of the financial system.
- Report on how they have implemented these commitments.

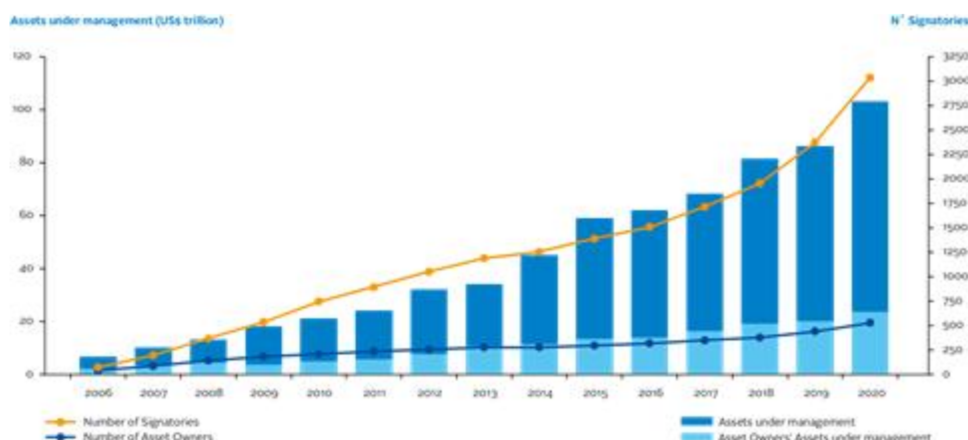
There are three main reasons why fiduciary duties require the incorporation of ESG issues.

A. ESG incorporation is an investment norm

[9] See Deutsche Asset & Wealth Management, the University of Hamburg, and PRI, *ESG & Corporate Financial Performance: Mapping the global landscape* (Dec. 2015) available at: https://institutional.dws.com/content/_media/K15090_Academic_Insights_UK_EMEA_RZ_Online_151201_Final_(2).pdf; see also The PRI, *Financial performance of ESG integration* (Feb. 20, 2018) available at:https://www.unpri.org/investor-tools/financial-performance-of-esg-integration-in-us-investing/2738.article (including results from the CFA Institute survey).

[10] PRI, *Fiduciary Duty in the 21st Century Final Report* (October 29, 2019) available at: https://www.unpri.org/fiduciary-duty-in-the-21st-century-final-report/4998.article.

There is now such consensus behind the idea of responsible investment that the PRI has grown to over 3,000 signatories, investing $103 trillion, and continues to grow. The PRI's global signatory base represents a majority of the world's professionally managed investments.



PRI signatory growth, (2020), available at: https://www.unpri.org/pri. Data and methodology updated annually, available here.

Signatories' approach to responsible investment is becoming increasingly sophisticated. In 2018, the PRI introduced minimum requirements for signatories to have an investment policy that covers the investor's responsible investment approach, which must account for more than 50% of assets under management, as well as senior-level commitment and accountability mechanisms for implementation. Investors are also increasingly adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which provides a global framework for translating climate risks and opportunities into financial metrics and disclosing that information to investors and the public.[11]

Thus, there is convergence between the ideas and motivations of responsible investment and more traditional investment practices. The incorporation of ESG issues into investment analysis and decision-making has become a necessary part of investment.

B. ESG issues are financially material

Empirical evidence demonstrates that incorporating ESG issues is a source of investment value, as discussed above. ESG analysis assists investors to identify value-relevant issues. Neglecting ESG analysis may cause the mispricing of risk and poor asset allocation decisions and is therefore a failure of fiduciary duty.

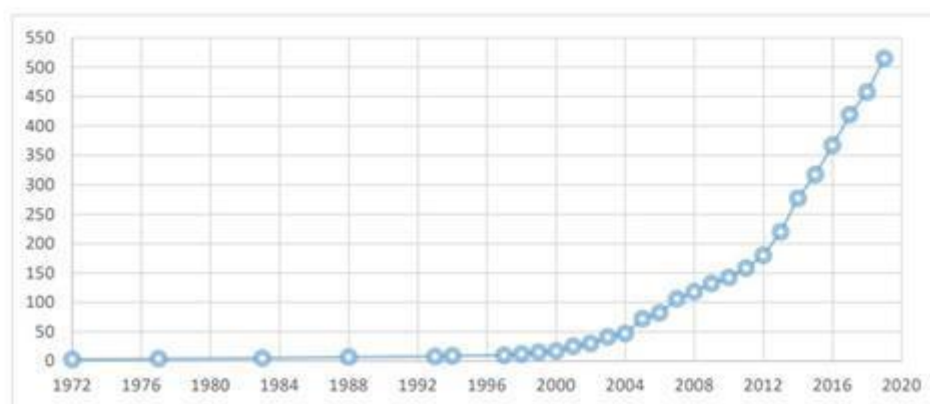
[11] TCFD, *TCFD Supporters* (as of February 2020, "support for the TCFD has grown to over 1,027 organizations, representing a market capitalization of over $12 trillion.") available at: https://www.fsb-tcfd.org/tcfd-supporters/. Support does not indicate that these organizations are reporting against the TCFD in a uniform manner. *See also* The PRI, *PRI FAQ on mandatory climate reporting for PRI signatories*, available at: https://www.unpri.org/reporting-for-signatories/faq-on-mandatory-climate-reporting-for-pri-signatories/5356.article.

Systemic issues, like climate change, may significantly alter the investment rationale for particular sectors, industries and geographies and may have generalized negative impacts on economic output.

C. Policy and regulatory frameworks outside the US are changing to require ESG incorporation

Across the world's 50 largest economies, the PRI finds that there have been over 730 hard and soft law policy revisions*, across some 500 policy instruments, which support, encourage or require investors to consider long-term value drivers, including ESG factors. Of these top 50 economies, 48 have some form of policy designed to help investors consider sustainability risks, opportunities or outcomes.[12]

Sustainable finance policy is a 21st century phenomenon. Of the revisions identified by the PRI, 97% were developed after the year 2000. The pace continues to increase – the PRI identified over 80 new or revised policy instruments in 2019.



Cumulative number of policy interventions per year. PRI, *PRI responsible investment regulation database*, (2019) available at: https://www.unpri.org/sustainable-markets/regulation-map.

Policy change has clarified that ESG incorporation and active ownership are part of investors' fiduciary duties to their clients and beneficiaries. Investors that fail to incorporate ESG issues are ignoring factors that are likely to have a material impact on their investments, in violation of their fiduciary obligations.

4. The DOL should clarify that fiduciaries have an obligation to integrate material ESG factors into investment decisions

There is now an extensive body of research that makes clear that ESG factors are material investment considerations. Given this evidence, the DOL should simply clarify that **ERISA fiduciaries have an obligation to consider ESG factors as part of their investment processes to ensure the integration of material ESG factors into their investment decisions.**

[12] See Appendix D for examples of global policy instruments promoting sustainable investment by pension funds.

Inconsistent statements in the Proposal regarding the Department's interpretation of whether ESG factors may be pecuniary create confusion for fiduciaries and will make it difficult for fiduciaries to understand and fulfill the DOL's expectations.

The Proposal states that an ERISA fiduciary has fulfilled its obligations if they have "selected investments and/or investment courses of action based solely on their pecuniary factors."[13] It goes on to state that "ESG factors and other similar factors may be economic considerations."[14]

The Proposal also states that "ESG investing raises heightened concerns under ERISA." And, it describes ESG factors as "non-pecuniary" in other portions of the discussion.[15] For example, it states that ERISA fiduciaries will be prohibited from selecting a default investment option for a 401(k) plan that includes an ESG mandate. The stated rationale is that the DOL "does not believe that investment funds whose objectives include non-pecuniary goals – even if selected by fiduciaries only on the basis of objective risk-return criteria… should be the default investment option."[16]

This inconsistency in the rule is confusing and is likely to have a chilling effect on fiduciaries seeking to integrate all material factors, including ESG factors, into their investment practices. By characterizing ESG factors, in some portions of the proposal, as non-pecuniary, the DOL is effectively putting fiduciaries on notice that should they choose to integrate ESG factors into their investment practices, they may face enforcement actions. This will lead fiduciaries to avoid considering these factors, even when they are financially material, and will result in suboptimal investment decisions.

The Proposal would also expand the existing regulatory framework to include the duty of loyalty. This may confuse fiduciaries because it seems to imply that considering ESG factors purely for their pecuniary merits involves a potential breach of loyalty. Accordingly, we believe that it should be made clear that the duty of loyalty will be satisfied when investment decisions are made incorporating ESG factors as a means of protecting the value of plan investments.

5. Potential cost to American savers due to the Department's confusing and burdensome interpretation of the "All Things Being Equal Test" and the chilling effect on ESG integration

The PRI is concerned that the NPR creates confusion about the proper application of the "all things being equal test" and imposes new burdens on fiduciaries that could lead to unnecessary costs for plan participants.

The "all things being equal test," which has been in place since 1994, allows fiduciaries to select an investment that provides collateral benefits, such as job creation, only after they have determined that the risk and return profile of that investment option is equivalent to that of competing options that would meet the financial needs of the fund just as well. The test was originally developed to guide the

[13] Proposed § 2550.404a-1(b)(1)
[14] Proposed § 2550.404a-1(c)(1)
[15] Proposed § 2550.404a-1(a)
[16] Proposed § 2550.404a-1(c)(3)(iii)

consideration by plan fiduciaries of the selection of economically targeted investments (ETIs). The DOL, in its 2015 "Interpretive Bulletin Relating to the Fiduciary Standard Under ERISA in Considering Economically Targeted Investments" defined ETIs as "investments that are selected for the economic benefits they create in addition to the investment return to the employee benefit plan investor."[17]

Due to the Proposal's ambiguity about the DOL's views as to whether and under what circumstances ESG factors may be considered pecuniary, fiduciaries may be reluctant to integrate these factors into their analysis of the risks and rewards of an investment course of action. This makes it all the more important that fiduciaries feel comfortable applying the "all things being equal test." Unfortunately, the Proposal raises questions about the validity of any determination that multiple investment options are equivalent.

The NPR also adds new recordkeeping requirements for fiduciaries to document their analysis that multiple options were equal and that it was, therefore, appropriate to make a decision based on collateral benefits. The lack of clarity around the application of the "all things being equal test" is likely to compel fiduciaries to undertake these additional recordkeeping requirements even where fiduciaries are only focused on integrating pecuniary ESG factors.

The PRI has heard concerns from asset owner and asset manager signatories that the DOL proposal reflects a lack of understanding about ESG integration, it creates confusion and could cause fiduciaries to believe they are not permitted to consider material ESG factors in their investment analysis**.** The Proposal appears to imagine that investors considering ESG factors are accepting sub-par returns because they are prioritizing ESG. This is not the case. Investors are increasingly integrating ESG factors because they realize that factors like climate change and corporate practices around human capital management and governance affect investment returns. Prudent risk management requires ESG integration.

The Proposal's misunderstanding of how ESG factors are integrated into investments may also have collateral consequences for asset managers who manage plan assets (either as part of a separate account or as part of a comingled fund). The Proposal does not appear to consider how asset managers would need to apply the regulation in selecting individual investments, especially in a world where many companies explicitly follow ESG-related guidelines as part of their regular governance practices.

These requirements may lead to substantial additional costs for all fiduciaries who consider ESG factors and the participants in those plans. It will also discourage fiduciaries from considering ESG factors, which will lead to the omission of material factors from investment analysis and undermine responsible investment practice. Ultimately, plan beneficiaries may suffer from diminished returns as the costs of fulfilling the burdensome process could be passed on to beneficiaries or fiduciaries forgo superior investment opportunities to avoid undertaking the necessary analysis and documentation.

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[17] Federal Register, *Interpretive Bulletin Relating to the Fiduciary Standard Under ERISA in Considering Economically Targeted Investments*, (October 26, 2015) available at: https://www.federalregister.gov/documents/2015/10/26/2015-27146/interpretive-bulletin-relating-to-the-fiduciary-standard-under-erisa-in-considering-economically.

As discussed above, investment programs expressly designed to integrate ESG factors outperform those that do not. The DOL's actions to hamper the advancement of ESG integration in the US could be costly for plan savers. It will undermine risk management and other investment actions that consider ESG factors in order to maximize investor returns and mitigate risk.

6. Depending on the interpretation of the rule's scope, the QDIA prohibition may greatly limit choices of default investment options and could deny retirement savers access to superior investment products

The Proposal clarifies that ERISA fiduciaries may select "ESG-themed funds" as an investment option for a participant-directed plan but that an "ESG-themed fund" cannot be selected as the default investment option. This determination appears to be informed by the DOL's misunderstanding of investment strategies that include consideration of ESG factors.

The Department's stated rationale for prohibiting an "ESG-themed fund" from being selected as the default investment option is that it is not appropriate to select "investment funds whose objectives include non-pecuniary goals." This statement shows a fundamental misunderstanding of the purpose of ESG integration, which is to integrate all material factors into investment decision-making. In addition, it is likely to cause confusion for fiduciaries as they attempt to reconcile the Department's statements earlier in the Proposal, that ESG factors are likely to have a material economic impact with the discussion of ESG factors in this context, in which the Department has deemed them "non-pecuniary."

In our view, all investment options should be required to integrate ESG factors as part of prudent investment decision-making. While it would be appropriate to discourage fiduciaries from selecting a default investment option that is designed to prioritize non-financial considerations over financial ones, investors that integrate ESG factors into investment analysis are doing so because of their impact on financial performance. By prohibiting the inclusion of investment options that integrate ESG as part of risk mitigation and failing to clarify what investment options are "ESG-themed funds", the Proposal may actually make it difficult for plan sponsors to find any well performing funds that can serve as QDIAs.

7. The Proposal could impose costs on asset managers who have integrated ESG analysis, which could be passed along to savers

The proposal fails to assess the potential costs to asset managers that serve ERISA covered retirement plans and are already integrating ESG factors. ERISA-covered retirement plans have more than $20 trillion in AUM.[18] The vast majority of these assets are managed by outside asset

[18] *See* Department of Labor Employee Benefits Security Administration, *Private Pension Plan Bulletin Abstract of 2017 Form 5500 Annual Reports,* (September 2019), available at: https://www.dol.gov/sites/dolgov/files/EBSA/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2017.pdf. See also, Investment Company Institute (ICI), *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2016* (April 2020), available at: https://www.ici.org/pdf/20_ppr_dcplan_profile_403b.pdf.

management firms that will be tasked with ensuring that their product offerings are eligible for selection by ERISA fiduciaries. This proposal could impose significant costs on those asset managers as they are already integrating ESG factors across their investment platforms, because they are material to financial performance. A recent GAO report notes that 12 of the 14 large institutional investors surveyed reported using ESG information to make investment decisions.[19]

Because of internal discrepancies in the way the DOL proposal discusses ESG factors, it raises questions about how the DOL would view a decision by an ERISA fiduciary to invest in these funds. If the DOL finalizes the Proposal in its current form, firms that have integrated ESG factors into their investment analysis across the board will struggle to determine how to serve ERISA plans - will they be required to reconfigure their investment and risk management practices?

As Europe and other advanced economies move towards requiring ESG integration, US asset managers that serve foreign investors will be left at a competitive disadvantage. Will US-based asset managers that serve both foreign and domestic clients be forced to develop separate product offerings for US and international clients, with a set of material investment factors omitted for the former? This will be inefficient and costly to both asset managers and retirement savers.

Conclusion

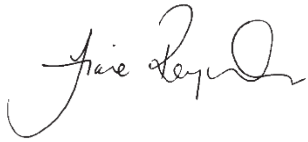
The PRI supports the concept that fiduciaries are obligated to integrate all material considerations, including ESG factors, into their investment actions. We are concerned, however, that the Proposal fails to provide clarity for fiduciaries and, in fact, adds to their confusion regarding if and when ESG factors may be considered material. This is particularly problematic given the onerous process fiduciaries must undergo if they select an investment after applying the "all things being equal test" and the questions raised by the DOL in the Proposal about the validity of that test. Finally, the new policies proposed by the Department with regard to the selection of funds with ESG mandates in defined contribution plans would: add further confusion about the DOL's understanding of the materiality of ESG factors, deny fiduciaries the opportunity to select the investment option that they believe to be the best from a risk and return perspective, and could lead to additional costs for beneficiaries. The PRI, therefore, requests that the DOL withdraw the Proposal.

Thank you for the opportunity to share our views. For further conversation and follow up, please feel free to contact our policy team:

- Heather Slavkin Corzo, Head of US Policy: heather.slavkin.corzo@unpri.org
- Colleen Orr, US Policy Analyst: colleen.orr@unpri.org

Yours sincerely,

[19] *See* GAO-20-530: *PUBLIC COMPANIES: Disclosure of Environmental, Social, and Governance Factors and Options to Enhance Them*, July 2, 2020, available at: https://www.gao.gov/assets/710/707949.pdf.



Fiona Reynolds
Chief Executive Officer
Principles for Responsible Investment

Principles for Responsible Investment

APPENDIX A

The PRI is the world's leading initiative on responsible investment.[20] It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of 3,000 investor signatories in incorporating these factors into their investment and ownership decisions. Launched in New York in 2006, the PRI's signatories manage over $103 trillion in AUM. The US is the PRI's largest market, with over 600 signatories.[21]

The 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.[22] The Principles that signatories set out to achieve include incorporation of ESG issues into investment analysis and decision-making processes; engagement with companies around ESG factors; and seeking issuer disclosure on ESG factors. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world's professionally managed investments.

Signatories to the PRI aim to integrate all financially material factors, including ESG factors, into their investment processes. This is a risk management strategy, as evidence shows factors such as climate change and human capital management have a material economic impact on asset prices, especially when taking into account the risks that long-term, universal investors like pension plans face.

[20] Principles for Responsible Investment (The PRI), *What are the Principles of Responsible Investment?* available at: https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment.
[21] As of July 1, 2020.
[22] Principles for Responsible Investment (The PRI), *About the PRI* available at: https://www.unpri.org/pri/about-the-pri.

APPENDIX B

PRI Principles for Responsible Investment

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PRI Reporting Framework
Main definitions

November 2018

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Table of Contents

Introduction 2

ESG issues 3

Active/ Passive investments 4

ESG incorporation 5

Active ownership and engagement 8

Definitions for service provider reporting 11

Introduction

This document presents some of the main and most frequently used definitions in the PRI Reporting Framework. These definitions are presented here as their use is either frequent and/or key for preparing to report, as well as to understand the reported information by other signatories. In the offline version of the Reporting Framework, you will not find these definitions repeated in each indicator, so it is key that you look at these general definitions here.

ESG issues

Definition	ENVIRONMENT, SOCIAL AND GOVERNANCE ISSUES
A definitive list of environmental, social and governance (ESG) issues does not exist. It would not be possible or desirable to produce a list, or a set of definitions, that claimed to be exhaustive or definitive. Any such list would inevitably be incomplete and would soon be out of date. Nonetheless, the table below provides examples of ESG issues, for guidance purposes. This is intended primarily for signatories who are relatively new to responsible investment and to the PRI. Some modules (e.g. Property) provides examples of ESG issues that are specific to that sector or asset class.	
Environmental (E)	Issues relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.
Social (S)	Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.
Governance (G)	Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.
Numerous organisations and projects have identified ESG issues by sector, together with associated key performance indicators. Examples include: • The European Federation of Financial Analysts Societies (EFFAS): KPIs for ESG - A Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation • The CFA Institute: Environmental, Social and Governance Factors at Listed Companies - A Manual for Investors • UNEP FI and WBCSD: Translating environmental, social and governance factors into business value ESG research providers and brokers are also well placed to provide advice in this area.	

Active/ Passive investments

Definition	ACTIVELY AND PASSIVELY MANAGED STRATEGIES
Passive strategies	Passive investments are investments which mirror the performance of an index and follow a pre-determined buy and hold strategy that does not involve active forecasting. Examples include investments in broad capital market indices, ESG weighted indices, themed indices, passive managed ETFs or indices with ESG-based exclusions. More detail on ESG integration for passive investors can be found later in this document.
Active - quantitative (quant) strategies	Investment strategies or funds where the manager builds computer-based models to determine whether an investment is attractive. In a pure "quant model" the final decision to buy or sell is made by the model. More detail on ESG integration for active investors can be found later in this document.
Active - fundamental	Fundamental strategies in which investment decisions are based on human judgment. This includes both bottom-up (e.g. stock-picking) and top-down (e.g. sector-based) strategies. More detail on ESG integration for active investors can be found later in this document.
Active - other	Strategies that do not match any of the above strategies. These may be active strategies that combine active quant and active fundamental strategies, or other strategies that you believe do not fit at all the above definitions. You may clarify your strategy in Additional Information field. More detail on ESG integration for active investors can be found later in this document.

ESG incorporation

Definition	ESG INCORPORATION

Incorporation of ESG issues into investment analysis and decision-making processes is covered in Principle 1 of the PRI.

Throughout the Reporting Framework, we refer to ESG incorporation *as the review and use of ESG information in the investment decision-making process*. The Reporting Framework addresses four ways in which this can be done:

1. Screening
2. Sustainability themed investment (also referred to as environmentally and socially themed investment)
3. Integration of ESG issues
4. A combination of the above

Assets subject to an engagement approach only and not subject to any of the above strategies should not be included in ESG incorporation.

To improve standardisation and communication in the responsible investment industry, the PRI is aligning its definitions with those of the Global Sustainable Investment Alliance. These are presented below for convenience.

Screening of investments	The definitions of the three types of screening in the Reporting Framework are: a. Negative/exclusionary screening: The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria; b. Positive/best-in-class screening: Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers; c. Norms-based screening: Screening of investments against minimum standards of business practice based on international norms. Norms-based screening involves either: - defining the investment universe based on investees' performance on international norms related to responsible investment/ESG issues, or - excluding investees from portfolios after investment if they are found following research, and sometimes engagement, to contravene these norms. Such norms include but are not limited to the UN Global Compact Principles, the Universal Declaration of Human Rights, International Labour Organization standards, the United Nations Convention Against Corruption and the OECD Guidelines for Multinational Enterprises.
Sustainability themed investing	Investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture).
Integration of ESG issues	PRI defines this as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions

Investment decision-making processes

For the purposes of the Reporting Framework, *investment decision making processes* refers to research, analysis and other processes that lead to a decision to make or retain an investment (i.e. to buy, sell or hold a security), or to commit capital to an unlisted fund or other asset.

(Proxy) voting decisions and engagement activities are not classified as investment decisions for the purposes of the Reporting Framework. These decisions fall under Principle 2 of the PRI, relating to active ownership, and within the *Listed Equity – Active Ownership (LEA)* module of the Framework.

FURTHER EXPLANATION OF DEFINITIONS FOR ACTIVE STRATEGIES	
Screening	**Screening** covers both screening conducted under a manager's own policy and client-directed screening. **Negative/exclusionary screening and positive/best-in-class screening** are based on criteria defined in a variety of ways: by product, activity, sector, geographic region or management practices. **Norms-based screening** involves either: i) defining the investment universe based on investees' performance on international norms related to responsible investment/ESG issues, or ii) excluding investees from portfolios after investment if they are found following research, and sometimes engagement, to contravene these norms. Such norms include but are not limited to the UN Global Compact Principles, the Universal Declaration of Human Rights, International Labour Organization standards, the United Nations Convention Against Corruption and the OECD Guidelines for Multinational Enterprises.
Sustainability themed investing	**Sustainability themed investing** involves the selection of assets that contribute to addressing sustainability challenges such as climate change or water scarcity. Funds can either be single-themed or multi-themed. For the purpose of this Reporting Framework, we use interchangeably the term **environmental and social themed** and **sustainability themed investments**.
Integration of ESG issues	**Integration of ESG issues** encompasses the use of qualitative and quantitative ESG information in investment processes, with the objective of enhancing investment decision-making. Integration of ESG issues can be used to inform economic analysis and industry analysis. It can be used at the portfolio level, by taking into account ESG-related trends such as climate change, or at the stock, issuer, or investee level. The term is used interchangeably with **ESG integration** or **integrated analysis**. Integrated analysis for active stock-picking or other equity investments includes analysing how ESG issues can affect a company's balance sheet, income statement or cash flow models, by affecting costs, revenues, and business growth assumptions (i.e. in the estimation of a company's fundamental value). Integrated analysis for active bond-picking and other debt funds involves analysing how ESG issues can affect an issuer's creditworthiness. This type of analysis can also be used by funds that pick bond issuers using quantitative modelling. Integrated analysis for both equities and debt includes an assessment of a company's quality of management and the business risks and opportunities it faces related to ESG issues, allowing comparisons between companies. For examples of how investors are conducting integrated analysis for listed equities, see Integrated Analysis: How Investors Are Addressing Environmental, Social and Governance Factors in Fundamental Equity Valuation, published by the PRI in February 2013.
Combined approaches	Combined approaches might include for example: • Establishing a sustainable agriculture thematic fund that screens out companies involved in producing tobacco and uses integrated analysis to select companies for inclusion in the fund. • Running a fund that applies 20 negative screens to determine the investible universe and uses integrated analysis to select companies for investment from within the investible universe. • Running a global equities fund using integrated analysis to select stocks combined with a norms-based approach, investigating any serious alleged breaches of selected international norms and divesting companies found to be in serious breach of a norm (often after engagement).

FURTHER EXPLANATION OF DEFINITIONS FOR PASSIVE STRATEGIES	
Screening	Screening may include the use of indices constructed from an eligible universe based on the ESG characteristics of a company or country, but in which ESG issues do not play a part in the weighting of those companies or countries within the index. This may include indices constructed using ESG best-in-class or positive selection methodologies which identify securities for index inclusion (e.g. FTSE4Good, Dow Jones sustainability and MSCI ESG indices) or indices that exclude particular companies or countries (e.g. on the basis of products or activities). Exclusions may also be activity-based (i.e. exclude securities on the basis of their industry or business activities, for example, tobacco or controversial weapon screens), or location-based (i.e. exclude securities from companies who operate in certain countries, or the sovereign debt from those countries). Alternatively, there may be norms-based exclusions (i.e. indices which exclude securities of issuers considered to have broken certain minimum standards of business conduct based on international norms, such as the UN Global Compact).
Sustainability themed investments	Sustainability themed investments cover passive funds investing in companies linked to specific themes (e.g. indices focused entirely on environmental and social themes such as clean technology, climate change, microfinance and impact investing).
Integration of ESG issues	Integration of ESG issues typically alternative weighted ESG indices in which constituent security weights take account of the ESG characteristics of the company or country.

Active ownership and engagement

Definition	ACTIVE OWNERSHIP AND ENGAGEMENT
Active ownership	Active ownership is the use of the rights and position of ownership to influence the activity or behaviour of investees. This can be applied differently in each asset class. For listed equities it includes both engagement and (proxy) voting (including filing shareholder resolutions). For other asset classes (e.g. fixed income), engagement may still be relevant while (proxy) voting may not.
Engagement	Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.
(Proxy) voting and shareholder resolutions	Voting refers to voting on management and/or shareholder resolutions as well as filing shareholder resolutions.

FURTHER EXPLANATION OF DEFINITIONS FOR ENGAGEMENT

Do not include the following as engagements:

- Interactions with companies for data collection and/or research purposes related to buy/hold/sell/weight decisions.
- Standard questionnaires sent to companies for the purposes of information gathering and investment decision-making related to Principle 1 only (e.g. on products, or ESG policies and performance, for screening purposes).
- Attendance at a company presentation, AGM or other company meeting without interactions or discussion.
- CDP's disclosure requests on GHG emissions, water and forests. These are not captured as engagements but are reported in Strategy and Governance (SG).
- Press releases an investor may publish regarding a practice an investee is undertaking which the investor is aiming to change.

Interactions intended to influence public policy or industry bodies defining best practices may not necessarily relate to specific underlying assets. Hence, do not report these in the asset class modules, but in the Strategy and Governance (SG) module.

ENGAGEMENTS SPLIT BY WHO CONDUCTS THEM	
There are many different configurations of engagement. Investors engage with companies directly in their own name, in collaboration with other investors and through commercial service providers. The distinctions between these are not always clear-cut. Please use the definitions below and your best professional judgement when deciding how to classify your engagement. Review the process indicators for each category (LEA 03-04 for internal; LEA 05-06 for collaborative; and LEA 07-08 for service providers) and determine which indicator/s best fit your business model. Please contact the Reporting and Assessment team if you require additional clarification.	
Individual/ Internal staff engagement	The defining characteristics of an individual/internal staff engagement are: • it is carried out by your internal staff alone, with no involvement or support from other investors, investor networks or service provider • it is conducted in the name of your organisation (i.e. the companies with which you engage can identify your organisation individually) and you do not act on behalf of other organisations. Joining the CDP should not be counted as an engagement but reported as part of the way you support responsible investment in Organisational Approach OA10. However, if your organisation engages in its own name with companies on their carbon emissions, water or forest footprint disclosure as a follow-up to CDP disclosure requests, you should report these engagements as individual/internal staff engagements.
Collaborative engagement	Collaborative engagement is engagement that an investor conducts jointly with other investors. This might include: • groups of investors working together without the involvement of a formal investor network or other membership organisation. • groups of investors working together with the support of a formal investor network or other membership organisation, including the PRI initiative.. Collaborative engagements might require different levels of involvement from participating investors. In some examples, formal networks provide support in terms of coordinating calls, defining objectives, tracking activities and measuring outcomes. In other circumstances, these activities are managed independently by investors in the coalition. Additionally, some members might have more a leading role than others (see further definition under engagement effort), Nonetheless, collaborative engagements included in this category should require the individual members to allocate some resources to and the engagement/or share information and expertise within the group. Collaborative engagements posted on the Clearinghouse and/or coordinated by the PRI staff (i.e. Investor Engagements team) should be included in this indicator. Joining the CDP should not be counted as an engagement but reported as part of the way you support responsible investment in Organisational Approach OA10. However, if your organisation engages with a group of investors in its own name with companies on their carbon emissions, water or forest footprint disclosure as a follow-up to CDP disclosure requests, you should report these engagements as collaborative engagements.
Service provider engagement	Service provider engagements include engagements conducted via: • commercial parties that provide stand-alone engagement services, without managing their clients' underlying assets. • investor organisations that conduct engagement on their members' behalf, and which have an explicit mandate from their members to represent them. These include engagements conducted entirely on an outsourced basis as well as those facilitated by the service provider but the investor's own staff undertake some of the engagement activity.

ENGAGEMENT INTENSITY AND EFFORT
Investors interact with companies and issuers at different levels of intensity and effort. The levels of intensity and effort are defined below.

Definition	ENGAGEMENT INTENSITY
Comprehensive engagement **(for all engagement types)**	A comprehensive engagement includes multiple, substantive, detailed discussions or interactions with a company (e.g. letters, meetings and calls) relating to a particular ESG issue.

Definition	ENGAGEMENT EFFORT
Leading role **(for collaborative engagements)**	Defined as writing and/or following up on joint letters, regularly joining group conference calls, leading dialogue with companies, participating in some meetings with companies organised by other investors, and sharing relevant information on the topic and companies with other members of the collaboration. Note that leading investors cover all the activities mentioned above. Joining group conference calls, participating in some meetings with companies organized by other investors and sharing information alone will not constitute a leading role.
High involvement engagements **(for service provider engagements)**	Defined as situations where you: • spend significant time and effort setting goals and objectives for specific engagements and monitor them proactively; and/or, • wrote or followed up on joint letters with the service provider (possibly alongside other investors); and/or, • regularly joined group conference calls; and/or, • participated in some meetings with companies organised by the service provider.

Definitions for service provider reporting

Definition	
Core business offering(s)/main business activity	The Service Provider Reporting Framework will ask organisations to select which their core business offering(s) or main business activity is. For dedicated service providers this indicates the main services that you offer to clients that form an essential part of your organisation's activities. The core business offering/main business activity is often the main source of a company's profits and/or revenue and sometimes the activity the company was originally set up to carry out, i.e. their main reason for being. For investment managers, this relates to the services that you also provide that form a substantial part of your non-investment business activity.

Definition	SERVICE PROVIDER CATEGORIES
Investment Consultancy (IC)	Provision of financial or non-financial advice on a retainer or ad hoc basis relating to environmental, social, and/or governance aspects of investment activity. Services provided do **not** include active investment management and fiduciary management, or CSR/corporate sustainability services. Examples of investment consultancy services include, custodial services, investment policy development, strategic asset allocation, investment research and manager selection and monitoring.
Active Ownership Services (AOS)	Active ownership is the use of the rights and position of ownership to influence the activity or behaviour of investees. Active ownership services provided at any stage of engagement activities for investors, including engagement or engagement support services, research, and advice. Activity can be individual or collaborative. Services related to any stage of proxy voting, including voting execution and voting advisory. This category includes advice or services related to shareholder resolutions. Activity may also include engagement with policy makers or regulators. This category does not include service providers that only inform their clients of voting outcomes, e.g. as part of a custodial role or similar, or service providers that only provide a platform for voting.
Reporting and Assurance (REP)	Services relating to the preparation and presentation of corporate, sustainability or integrated reporting, and financial reporting for clients. This category also includes audit, and external assurance services for clients. Other types of reporting, such as reporting on assets and the performance of investment managers is not covered by this category.
Research and Data Provision (RDP)	Collection and preparation of raw data, ratings, or analysis of ESG related information or issues. Offerings may be off the shelf or client tailored. This category includes brokerage firms. Activities that are intended to provide strategic advice or affect investment strategy or key decision making should be reported under Investment Consulting Services instead. Examples of research and data provision services include, but are not limited to, analysis, benchmarking reports, ratings, raw data and surveys.
Other	In this instance, 'Other' will apply to any service provider signatory that does not offer any of the above services. If you report 'Other' in the Service Provider Reporting Framework, a separate indicator will be activated that will allow you to describe this business activity.

APPENDIX C

Paper Title	Summary
Financial performance of ESG integration in US investing[1]	A 2018 PRI study that used ESG data provided by MSCI ESG Research to test a momentum strategy (improving ESG scores) and tilt strategy (high absolute ESG scores) across the world. The study concluded that ESG information offers investment outperformance advantages relative to respective benchmarks across all regions. For example, it concluded that, in the world portfolio, the ESG momentum and tilt strategies outperformed the MSCI World Index by 16.8% and 11.2% in active cumulative returns respectively over a ten-year period. These general findings are confirmed by two other studies.
Guidance and Case Studies for ESG Integration: Equities and Fixed Income[2]	The CFA Institute and the Principles for Responsible Investment have produced a series of reports (for the Americas, Asia Pacific, and Europe, the Middle East and Africa) comprising guidance and case studies on how investors can analyse and integrate ESG issues into their investment research and decision-making processes.
ESG Investing Research Report[3]	BofA Merrill Lynch Global Research released information concluding that the stocks in its US portfolio that ranked within the top third by ESG scores (using ESG research from Thomson Reuters) outperformed stocks in the bottom third by 18 percentage points in the 2005 to 2015 period.
Corporate Sustainability: First Evidence on Materiality[4]	This paper found that firms with good ratings on material sustainability issues significantly outperformed those with poor ratings on these issues. They also found that firms with high ratings on immaterial sustainability issues did not significantly outperform firms with low ratings on the same issues.

[1] Nguyen-Taylor, K. and Martindale, M. (2018), *Financial Performance of ESG Integration in US Investing* (Principles for Responsible Investment, London), available at: https://www.unpri.org/download?ac=4218.A 2017 CFA Institute survey on ESG integration was used as a backdrop for this paper. The survey concluded that a proven link between ESG factors and financial performance would be among the top motivating reasons for those US investors that have not yet adopted ESG integration in their investment practices to do so.
[2] *See* CFA and PRI (2018), *Guidance and Case Studies for ESG Integration: Equities and Fixed Income*, and associated regional reports, all available at: https://www.unpri.org/investor-tools/esg-integration-in-asia-pacificmarkets-practices-and-data/4452.article.
[3] Subramanian et al. (2017), *ESG Part II: A Deeper Dive* (BofA Merrill Lynch Global Research), available at: https://www.bofaml.com/en-us/content/esg-investing-research-report.html.
[4] Khan, M., Serafeim, G. and Yoon, A. (2016), 'Corporate Sustainability: First Evidence on Materiality', The Accounting Review, Vol. 91, Issue 6, pp. 1697–1724, available at: http://www.aaajournals.org/doi/abs/10.2308/accr-51383.

The ESG Advantage in Fixed Income Investing: An Empirical Analysis (Calvert Investments)[5]	This study concluded that companies ranked in the top half compared to bottom half of entities by aggregate ESG scores and by individual environmental, social and governance scores (using data from Reuters) delivered significant outperformance as measured by the annual rate of change in CDS spreads. These results appear to statistically validate the value proposition of investing in the credit of companies with superior ESG profiles.
From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance[6]	This paper found the consequences of failing to effectively manage ESG related risks can be significant – For example, one analysis of the financial costs of corporate fines and settlements shows that the ten largest fines and settlements in corporate history together amount to USD 45.5 billion, that banks have paid out USD 100 billion in US legal settlements alone since the start of the financial crisis and that global pharmaceutical companies have paid USD 30.2 billion in fines since 1991.
ESG and Financial Performance: Aggregated Evidence from more than 2000 Empirical Studies[7]	This study provides a more comprehensive analysis of investment performance in practice, as it analysed more than 2,000 empirical studies on the relationship between ESG criteria and investment performance dating back to the 1970s. The paper concluded that there is a well-established empirical evidence base to support the business case for analysing ESG in investment research and decision making. It notes that approximately 90% of studies find a nonnegative relationship between ESG performance and corporate financial performance, with the large majority of studies reporting positive findings.
The Impact of Corporate Sustainability on Organizational Processes and Performance[8]	Using a matched sample of 180 US companies, the paper found that corporations that had voluntarily adopted sustainability policies significantly outperformed those that had adopted almost none of these policies, and that these 'high sustainability' firms generated significantly higher stock returns, signifying that indeed the integration of such issues into a company's business model and strategy may be a source of competitive advantage in the long run.

[5] Kim Nguyen-Taylor, K., Naranjo, A. and Roy, C. (2015), *The ESG Advantage in Fixed Income Investing: An Empirical Analysis (Calvert Investments)*, available at: https://www.environmental-finance.com/assets/files/WP10011.pdf.
[6] University of Oxford and Arabesque Partners (2015), *From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance* (March 2015), available here.
[7] Friede, G., Busch, T. and Bassen, A. (2015), 'ESG and Financial Performance: Aggregated Evidence from more than 2000 Empirical Studies', Journal of Sustainable Finance & Investment, Vol. 5, Issue 4, pp. 210–233, available at: https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917.
[8] Eccles, R., Ioannou, I. and Serafeim, G. (2014), 'The Impact of Corporate Sustainability on Organizational Processes and Performance', Management Science, Vol. 60, Issue 11, pp. 2835–2857. https://doi.org/10.1287/mnsc.2014.1984.

Corporate Social Responsibility and Access to Finance[9]	This paper found firms with better corporate social responsibility (CSR) performance, better stakeholder engagement and better transparency on ESG issues faced significantly lower capital constraints.

Additional academic research from the PRI, available at: https://www.unpri.org/academic-research/academic-esg-review/5024.article.

[9] Cheng, B., Ioannou, I. and Serafeim, G. (2014), 'Corporate Social Responsibility and Access to Finance', Strategic Management Journal, Vol. 35, Issue 1, pp. 1–23, available at: https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.2131. Similar conclusions were drawn by El Ghoul, S., Guedhami, O., Kwok, C. and Mishra, D. (2011), 'Does Corporate Social Responsibility Affect the Cost of Capital?', Journal of Banking and Finance, Vol. 35, Issue 9, pp. 2388–2406, available at: https://econpapers.repec.org/article/eeejbfina/v_3a35_3ay_3a2011_3ai_3a9_3ap_3a2388-2406.htm.

APPENDIX D

Examples of policy instruments promoting sustainable investment by pension funds

Country	Title	Date	Relevant Text	Source
UK	Pension Schemes Bill 2019-21	2020	The Pension Schemes Bill, currently being considered by Parliament, would require trustees of UK pension schemes to disclose their approach to dealing with the risks and opportunities related to climate change, and to ensure there is effective scheme governance in place with respects to the effects of climate change. The Bill provisions are consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The Bill would also require trustees to disclose the extent to which the scheme's investments are aligned with the goals of the Paris Agreement.	Available here
EU	Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)	2020	The Regulation sets out the legal framework for the Taxonomy, including new disclosure obligations for investors and companies and amends the Sustainable Finance Disclosures Regulation. All financial products offered in the European Union will be required to make reference to the Taxonomy. The Taxonomy sets performance thresholds (referred to as "technical screening criteria") for economic activities which: make a substantive contribution to environmental objectives – starting with climate change mitigation or climate change adaptation; and avoid significant harm to other EU environmental objectives (pollution, waste & circular economy, water, biodiversity).	Available here
EU	Regulation (EU) 2019/2088 Sustainable Finance Disclosures Regulation	2019	The Regulation introduces new requirements and clarifies the sustainability-related disclosure obligations in the financial services sector. Disclosure requirements are set out at entity and product level and requires financial market participants to disclose on the integration of sustainability risks, on the consideration of adverse sustainability impacts, on sustainable investment objectives, or on the promotion of environmental or social characteristics, in investment decision-making and in advisory processes. The requirements distinguish between all products and financial products targeting or promoting environmental and/or social objectives. The regulatory technical standards are currently under development.	Available here

US	Department of Labor EBSA, Field Assistance Bulletin No. 2018-01	2018	“To the extent ESG factors, in fact, involve business risks or opportunities that are properly treated as economic considerations themselves in evaluating alternative investments, the weight given to those factors should also be appropriate to the relative level of risk and return involved compared to other relevant economic factors.”	Available here
Hong Kong	Strategic Framework for Green Finance	2018	“To conduct a survey of asset managers and asset owners participating in the Hong Kong market on their sustainable investment practices, to engage with the industry to formulate appropriate policies, codes and guidance, and to work towards obliging asset managers to disclose how and to what extent they consider ESG, especially environmental factors, in the investment and risk analysis process.”	Available here
Canada	Final Report of the Expert Panel on Sustainable Finance – Mobilizing Finance for Sustainable Growth	2019	RECOMMENDATION 6. Clarify the scope of fiduciary duty in the context of climate change. “Legal practitioners indicated to the Panel that fiduciaries that fail to consider relevant long-term ESG matters, such as climate-related risks or the potential for stranded assets, could expose themselves or their firms to legal liability for various claims.” RECOMMENDATION 10. Promote sustainable investment as ‘business as usual’ within Canada’s asset management community.	Available here
Australia	Australian Sustainable Finance Initiative	2019	Objective 3: “Ensuring better informed financial decision making by enhancing disclosures and transparency in financial markets for enhanced valuation of environmental and social risks and opportunities”	Available here

Updated from Fiduciary Duty in the 21st Century Final Report (2019) at 14, Figure 2 available at: https://www.unpri.org/download?ac=9792.