

# Asset Managers Face Higher Bar to Claim UN PRI Signatory Status

By Fola Akinnibi

**FUNDfire**

August 22, 2019

The United Nations Principles for Responsible Investment (UN PRI) is making changes to the requirements for membership beginning in 2020, a move that will force asset managers to make more robust climate-related disclosures about their investment strategies in order to maintain their signatory status.

Beginning in March 2020, members will be required to respond to 20 new questions that are mapped to the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD) reporting framework. Those responses will be aggregated and scored, much like the current annual reporting process is for members of the organization, according to UN PRI senior policy adviser for climate and energy transition Edward Baker.

TCFD is a reporting framework for uniform climate-related financial disclosures. Its aim is to identify and analyze the impact of climate change on companies' governance structures, business strategies and risk management operations, while asking firms to create metrics and targets to deal with these issues, according to UN PRI.

UN PRI has rolled out the new requirements on a voluntary basis and a quarter of its members have already begun to report to the organization under the new regime, Baker says. Some managers who are already participating say the voluntary period allowed them to learn and improve their processes.

Manulife Investment Management, which has been participating in the UN PRI's voluntary period, says it now has a cross-business internal committee that is working on UN PRI reports. Ultimately, the firm wants to go beyond the UN PRI questions and release a full TCFD report, and it sees this as an opportunity to improve and refine its processes, says global head of environmental, social and governance (ESG) Emily Chew.

Reporting under the standard is "time intensive to produce," Chew says. "Our goal is to have the information lined up to be able to release a TCFD report or to integrate TCFD-aligned disclosures into our financial reporting. We are committed to looking at climate change and how it's going to impact our various business units, particularly on the investment management side of things."

Forcing managers to prepare for and to think about the climate transition is one of the goals of the rollout. That's why UN PRI is requiring indicators based on the framework, instead of the full disclosures under TCFD, says Baker.

UN PRI will likely be able to leverage its position to push managers even further on climate issues in the future, thanks to a growing expectation from clients that their managers be signatories, says Sudhir Roc-Sennett, head of thought leadership and ESG at Vontobel Asset Management.

Now the organization is in a position where it has influence over industry behavior, he says.

"A relatively low barrier to joining [UN PRI] created a fertile ground for the membership base to sprout," RocSennett says. "Now they can start to tweak and tweak and tweak and make more things move from a 'score' to mandatory, because the downside of not being a signatory has grown."

Regulators are also flirting with the idea of requiring more disclosures in several jurisdictions, Baker adds.

California's legislature passed a bill forcing the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), the nation's two largest pensions, to file a report and analysis on the climate-related financial risk in their public markets portfolios, as reported.

The pensions would have to, beginning in 2020 and every three years after that, prepare a report on the transition risk, physical risk, litigation risk and regulatory risk in their portfolios.

"We don't want to duplicate the TCFD, our ambition is to accelerate its adoption. This [change to UN PRI reporting requirements] doesn't replace it," says Baker. "If you've been through this process, the output you get from it could be used to drop into a TCFD report. It's an accountability mechanism."

[Back to top](#)



**Michael D. Golden**

***Director of External Affairs***

Maryland State Retirement and Pension System

120 East Baltimore Street | Baltimore, MD | 21202-6700

Tel: 410-625-5603 | 1-800-492-5909 | TDD/TTY 410-625-5535

[sra.maryland.gov](http://sra.maryland.gov)