

TOWARDS DECISION- USEFUL INVESTOR SUSTAINABILITY DISCLOSURE

Investor data needs, challenges and policy insights

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To inform this paper, the following group has been consulted: Global Policy Reference Group, Sustainable Systems Investment Manager Reference Group, and dedicated investor workshops organised for this research.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market led initiatives to precede regulatory requirements.

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About this report

This report aims to:

- inform policy makers about the current state of investor sustainability disclosure regulations and frameworks, and highlight the importance of integrating sustainability factors;
- identify key challenges data users and disclosing entities are facing with existing disclosure regulations and frameworks;
- propose an approach focused on **decision-useful reporting** from an investor perspective.

It supports the development of disclosure frameworks that effectively inform investment and policy decisions in the context of heightened material sustainability-related risks. By outlining key principles of good reporting practice, and identifying converging trends in disclosure topics and structures, the research also helps policy makers and regulators advance global alignment efforts.

The content of this paper is based on the analysis and synthesis of:

- **workshops** – 38 PRI signatories from around 20 jurisdictions participated in interactive discussions across six workshops;
- **signatory interviews** – 18 PRI signatories were interviewed;
- **stakeholder interviews** – 12 stakeholders across regulators, financial institutions and data service providers were interviewed;
- **landscape review and analysis** – 169 sustainable finance disclosure frameworks were reviewed, with a focus on key PRI signatory regions.

This paper provides a snapshot of the sustainable finance reporting landscape as of December 2024. Due to its broad scope, specific geographic nuances may not be fully represented across all jurisdictions. While [the research](#) engaged with a diverse range of stakeholders through interviews and workshops, the sample may not extensively capture all market perspectives, particularly those from smaller entities and emerging markets.

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Key terms

Data users: parties that rely on investor sustainability disclosures to support decision-making, oversight and accountability. Data users could include institutional investors (such as asset owners and investment managers), retail investors, beneficiaries and policy makers. They use disclosures to:

- inform the selection or monitoring of, or engagement with, investment products and managers;
- assess the integrity and functioning of the market.

Disclosing entities: institutional investors, including asset owners and investment managers, that are required by regulation or contractual obligation to provide disclosures to clients, beneficiaries or other stakeholders on how investments are managed, including the integration of sustainability related considerations.



Executive summary

Investor sustainability disclosure requirements and frameworks guide investors¹ to disclose – to clients and regulators – how they incorporate material sustainability factors into their investment strategies, stewardship, governance and risk management, whether at the entity or product level. When effective, disclosure can provide the transparency required for the smooth functioning of sustainable financial markets, enabling regulatory supervision and informed investment decisions.

For investors, there are two major use cases that well-designed sustainability disclosure frameworks should support:

- ensuring institutional investor clients have access to relevant information in relation to selecting, monitoring and engaging with investment managers. This enables clients to: hold their managers to account for managing material sustainability-related risks, opportunities and impacts; align choices of products and managers with their sustainability preferences; and reduce risks of greenwashing.
- helping investors meet their own disclosure requirements and compare themselves with peers. This enables institutional investors to better fulfil their fiduciary duties and demonstrate alignment with best practice standards.

To assess the effectiveness of current disclosure frameworks in supporting these use cases, we ran workshops, conducted stakeholder and signatory interviews and undertook a landscape review of disclosure frameworks and standards across PRI signatory regions.

This process revealed that government and non-government bodies have made progress, particularly regarding increased alignment on responsible investment objectives, disclosure topics and fund-naming rules. However, the analysis also identified a growing misalignment between investors' data needs, what disclosure frameworks and regulations require and entities' capacity and resources to prepare disclosure. Investor data needs and the related challenges have been grouped into three categories.

- **Relevance** – the data collected through sustainability disclosure is not always relevant to the users' needs. Furthermore, it is unclear how some of the disclosed data is used.

- **Accessibility and availability** – in order for data to be propagated effectively through the financial system and to be incorporated into relevant processes, it needs to be collected in a standardised digital format. The data collected also needs to be understandable by the intended user, based on their capacity and expertise.
- **Quality: comparability and credibility** – fragmented requirements across jurisdictions and entity types mean data users may discover gaps that limit their ability to make comparisons across all relevant entities or activities.

Additional challenges in the current sustainability-related disclosure landscape relate to the implementation burden – including entities sometimes being required to report similar data multiple times – and entities' capacity to report and integrate data into decision-making. These challenges are exacerbated by those outlined above.

We make seven policy recommendations to address these challenges.

1. **Layered disclosure system:** combine mandatory baseline disclosures with opt-in regimes to balance the need for a level-playing field and flexibility to accommodate varied investment objectives.
2. **Balance rule-based and principle-based approaches:** embedding principles of proportionality and flexibility in standardising disclosure and enhancing credibility.
3. **Drive global alignment:** engage in international standard-setting, adopt globally recognised indicators and support emerging economies to align with global standards.
4. **Reduce reporting burden:** streamline implementation, enhance policy consistency and cohesion and build capacity, especially for small- and medium-sized entities (SMEs) and disclosing entities based in emerging markets.
5. **Enable feedback loops:** foster two-way communication between data users and disclosing entities to improve quality and relevance.
6. **Support data users:** build capacity and develop the right infrastructure and tools to enable asset owners and retail investors to access and use data.
7. **Integrate disclosure into a holistic policy framework:** link sustainability disclosure with broader policies to ensure transparency enables efficient capital allocation and value creation.

¹ In this report, "investors" is used interchangeably with "institutional investors". They manage assets on behalf of clients or beneficiaries.



Introduction

Investor sustainability disclosure requirements and frameworks guide investors to disclose – at the entity or product level – how they incorporate material sustainability factors into investment strategies, stewardship, governance and risk management. Both government and non-government bodies have played an important role in standardising investor sustainability disclosure.

When effective, disclosure can provide the transparency necessary for the smooth functioning of sustainable financial markets and enable investors to make informed decisions by ensuring that risks and opportunities are properly evaluated.

The global landscape of investor sustainability disclosure has rapidly evolved from a handful of voluntary initiatives to a complex ecosystem of mandatory regulations, quasi-mandatory guidelines and industry standards (Figure 1). This review encompasses 169 investor disclosure frameworks in place in 2024 across 37 countries or regions.² Among the 93 government-issued frameworks reviewed, the majority (70%) are mandatory and apply at the entity level, most often to asset owners (25%), investment managers (33%) or both (34%). The intended data users are usually institutional investors (85%) and regulators (57%), although there are some frameworks that address retail investors.

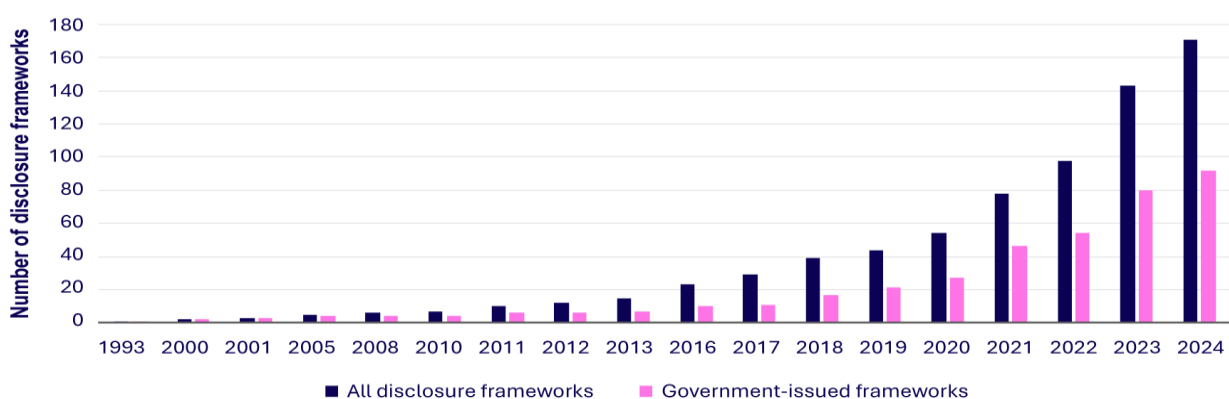
Investor disclosure can fulfil a number of purposes relevant to a range of stakeholders.³ This paper focuses on investor or consumer protection and market integrity, where the role of disclosure is to:

- enhance transparency to inform investment decisions and address risks of greenwashing;
- ensure institutional investors fulfil their duties to clients and beneficiaries. These duties include the incorporation of sustainability factors (i.e. risks and impacts) into investment decisions when they are material to achieving financial objectives, and disclosing how such duties are fulfilled.

Although disclosure quality and standardisation have improved considerably over the past decade, the overall reporting landscape remains fragmented and complex across jurisdictions. Feedback from disclosing entities and data users indicates **a growing misalignment between the information data users seek, what disclosure frameworks and regulations require and what disclosing entities have the capacity and resources to provide.**

Figure 1. Number of disclosure frameworks (last updated: December 2024)⁴

Source: Canbury Insights and the PRI



² Mandatory frameworks are from jurisdictions where most PRI signatories operate, and the frameworks require disclosures at the investment entity, product or asset class level. Voluntary frameworks cover the same reporting scales, some of these apply within the same jurisdictions while others are global. Key corporate entity frameworks – mandatory or voluntary, such as ISSB standards, listing obligations, and climate accounting rules – were selectively included based on relevance to the research and signatory exposure. For more information on the review, see

the PRI’s [Investor briefing - Investor sustainability disclosure frameworks and regulations: A global overview and comparative analysis](#).

³ For example, prudential supervision or to coordinate economic transition.

⁴ Based on the same set of 169 investor disclosure frameworks as the landscape review.



The purpose of investor disclosure

Use cases for investor disclosure

Investor disclosure is the process by which entities (including investment managers and asset owners) provide relevant, accurate and timely information to clients (including institutional investors, retail investors or beneficiaries) and regulators (Figure 2). Its purpose is to support well-functioning financial markets that enable capital allocation to where it is most needed. Disclosure supports the sustainable growth of the economy and strengthens regulatory oversight. This report primarily focuses on institutional investors, while acknowledging that retail investors have their own data needs, which often overlap with those of institutional investors.

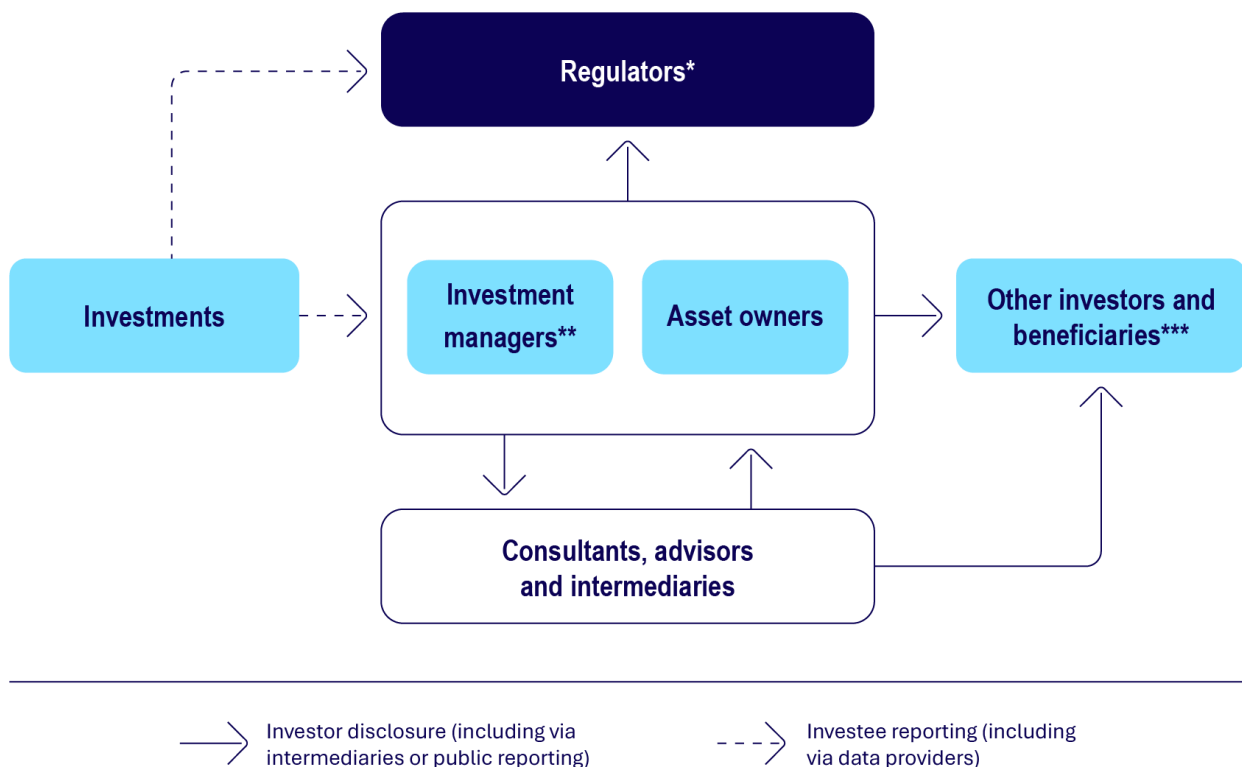
For institutional investors, disclosure:

- supports investment manager and product selection and monitoring;
- enables meaningful engagement with investment managers;
- helps them to meet their own disclosure obligations and compare themselves against other institutional investors.

Regulators use investor disclosure to:

- achieve the transparency needed to protect investors or consumers and monitor market integrity, which will be the focus of this report;
- inform their supervision of financial institutions and systems and support resilience to financial risks, including those triggered by sustainability-related risks;
- facilitate the flow of information from the private sector to the public sector to support the coordination of economic policies.

Figure 2. The ecosystem of investor disclosure



*Includes prudential regulators and financial conduct regulators.

**Includes internal managers, external managers and fund of funds.

***Includes retail investors, beneficiaries and high net worth individuals.



Why sustainability factors should be embedded in investor disclosure

Clients and regulators increasingly look for sustainability factors to be embedded in investor disclosures. Sustainability disclosure is expected specifically to highlight information about the firm or investment's sustainability-related policy, objectives, strategy, actions, progress and outcomes.

Rationales for investor sustainability disclosure

- **Financial materiality:** sustainability factors may affect both idiosyncratic and system-level investment risks and opportunities in the short, mid- and long term.⁵ Investor sustainability disclosure provides clients and beneficiaries with transparency about how material sustainability-related factors are integrated into investment decisions and advice to secure risk-adjusted returns.
- **Clients' sustainability preferences:** clients of institutional investors may have [sustainability preferences](#). These could include expectations that their money be invested to achieve sustainability outcomes.⁶ Investor sustainability disclosure helps clients understand how their investments align with their sustainability preferences. It supports informed consent and assessment of product suitability and helps to prevent mis-selling.
- **Tackling greenwashing:** increased transparency on sustainability claims and how they are substantiated helps financial regulators to prevent investors from making vague or misleading claims. This, in turn, strengthens the credibility of sustainable investment products or services.
- **Alignment with investor duties and best practice standards:** in many jurisdictions, investors are legally expected or permitted to integrate material sustainability-related risks and opportunities into investment decisions.⁷ The PRI, United Nations Environment Programme Finance Initiative (UNEP FI) and Generation Foundation research, [the Legal Framework for Impact](#), found that investors generally have a legal obligation to consider pursuing sustainability impact goals where that can help to advance their financial objectives. In addition, leading investors also hope to showcase the quality of their financial services by demonstrating alignment with global or national best-practice frameworks, such as the Principles for Responsible Investment, Taskforce on Climate-related Financial Disclosure (TCFD), Taskforce on Nature-related Financial Disclosure (TNFD) or national stewardship codes. Therefore, to fulfil their responsibilities or demonstrate their ambition, institutional investors require information that enables them to select and monitor managers and products based on their approach to managing relevant sustainability-related risks and impacts, and their alignment with best-practice standards.

⁵ System-level risks and opportunities refer to conditions in the broader economic, environmental and social systems upon which investment value relies. Investors seeking to address these risks and opportunities through their investment practice recognise that they are financially material considerations, the outcomes of which affect portfolio value. For the latest evidence on the correlation between sustainability and governance-related performance and financial performance, see Sharon S. Yang, Jr-Wei Huang, Hong-yi Chen, Min-Huang Tsay, [Detecting corporate ESG performance: the role of ESG materiality in corporate financial performance and risks](#) (2025).

⁶ Rob Bauer, Tobias Ruof, Paul Smeets (2021), [Get Real! Individuals Prefer More Sustainable Investments](#), *The Review of Financial Studies*.

⁷ Examples include but are not limited to, Markets in Financial Instruments Directive (MiFID II), Alternative Investment Fund Managers Regulations (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) in the European Union, [SFC Circular on the management and disclosure of climate-related risks by fund managers](#) in Hong Kong, [Disposiciones de carácter general aplicables a las instituciones de seguros y de fianzas](#) in Mexico, [FSCA Guidance Notice 1 of 2019](#) in South Africa, [Occupational Pension Schemes \(Climate Change Governance & Reporting\) Regulations](#) in the UK, [Guidelines for Green Finance in the Banking and Insurance Industries](#) in China and the [Employee Retirement Income Security Act of 1974 as amended in 2022](#) in the United States.



Investor needs

Based on investor engagement, this section outlines key principles to ensure investor sustainability disclosure is decision-useful for investors as data users. Effective sustainability disclosure must:

- be relevant to one or more use cases and should balance the need for standardised baseline data with the flexibility for additional disclosure.
- be accessible;
- be delivered in digital, standardised formats that are easily integrated into data users' systems;
- combine quantitative metrics with narrative context;
- provide simplified, digestible formats for retail investors;
- align with global standards to ensure comparability across entities and products.

Investor need 1: Data relevance

Supporting use cases

Effective disclosure must either:

1. **support investment manager/product selection** – helping users measure managers' ability to deliver the proposed mandate through comparable disclosure and (often) historic performance;
2. **enable ongoing monitoring** – by informing the user's assessment of the manager's alignment with their mandate. When there is misalignment, investors may need to take action through engagement;
3. **facilitate meaningful manager engagement** – providing users with information to help identify or correct any misalignment. Ultimately, asset owners want their managers to improve and meet their expectations, particularly as they do not change managers frequently;
4. **meet institutional investors' own disclosure requirements** – by informing users' own reporting;
5. **support peer group comparison** – for both investment managers and asset owners.

These five interrelated use cases form the foundation of relevance in disclosure.

Relevance of disclosure topics

Investors need information on which to base their decisions to invest, engage with or divest from their manager. This requires a combination of both entity and product level disclosure on a range of topics.

All investors interviewed were in agreement regarding the **core topics** that should be included.

- **Investment belief and philosophy** – the approach to sustainable investment.

- **Governance** – the governance processes and policies to implement and monitor progress towards objectives and commitments.
- **Resources** – the staff and their capabilities and capacity to implement the investment strategy.
- **Strategy** – investment strategy and processes, including how relevant sustainability-related factors will be integrated into investment decisions.
- **Risk management** – risk management process and policies on material sustainability-related risks.
- **Controversies** – information about any breaches of sustainability norms or illegal activities etc. of an investment or an investment manager.
- **Stewardship policies and processes** – policies and procedures for stewardship, usually covering voting, engagements and escalation.

Investors whose responsible investment objectives go beyond managing exposure to material sustainability risks require disclosure on **additional** topics.

- **Sustainability targets/objectives** – e.g. whether investors are seeking to address system-level risks or pursue impacts.
- **Stewardship activities and outcomes** – including proxy voting and wider investee stewardship. Increasingly also extending to include stewardship policy and other forms engagement with stakeholders.
- **Sustainability performance** – using indicators such as weighted average carbon intensity (WACI), carbon footprint, financed emissions or diversity, equity and inclusion (DEI) indicators.
- **Outcomes of processes/policies** – including results or progress on targets as well as the outcomes of governance, strategy and risk management processes and policies.



Factors that influence data relevance to investors

Which topics are relevant to the investor, and the specific data required, are determined by a number of factors.

Among other things, investors' data needs will be influenced by:

- **responsible investment objective:** those primarily seeking to incorporate material sustainability-related risks and opportunities into investment management decisions will require data that informs their assessment of risk exposure and evaluation of how risks are addressed. Those seeking to address financially relevant system-level risks or pursue impacts may require additional information to assess and monitor how investments affect key sustainability outcomes, especially in relation to investment targets and impacts on drivers of system-level risks or broader sustainability outcomes. See [Box 1](#) for more detail on responsible investment objectives;
- **compliance needs:** institutional investors based in jurisdictions where they are expected to comply with baseline sustainability standards and disclose relevant information for public scrutiny need access to reliable sustainability disclosures to meet these requirements;
- **investor capacity:** investors that have access to deeper sustainability expertise may wish to make use of more detailed disclosure. This is particularly relevant to information needs that extend beyond basic compliance requirements and core responsible investment objectives. Less standardised indicators may require more resources to collect, verify and compare; investors with less capacity may find it challenging to provide such data;
- **nuances at the asset class level:** investor data needs may vary by asset class (see [Box 2](#)). Data availability challenges for certain asset classes, such as private markets and real assets, underscore the need for comprehensive disclosure across all asset types and investment instruments.

Box 1. Responsible investment objectives

Through our analysis of existing disclosure frameworks and interviews with reporting entities, we have observed the emergence of three major responsible investment objectives.

- **Managing risks:** investors seeking competitive risk-adjusted financial returns by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions.
- **Addressing system-level risks:** investors seeking competitive risk-adjusted financial returns by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions; this includes addressing drivers of financially material, system-level sustainability-related risks that affect returns.
- **Pursuing impacts:** investors seeking risk-adjusted financial returns while pursuing a positive, measurable impact by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions.

Box 2. Differences across asset classes

The points below summarise the differences in data relevance between asset classes.

- **Public markets:** preferred scope is fund level, but some institutional investors collect holdings information from their managers to complete their own product-level assessment using data providers.
- **Private markets:** preferred scope is asset level, but disclosure is severely limited by the availability of information (subject to the stage of the investee).
- **Real assets:** preferred scope is asset level and investors are more likely to ask for bespoke reporting, subject to investment, geography etc. Similar to private markets, data is limited by availability.
- **Hedge funds (e.g. with derivatives and currencies):** no clear consensus on expectations – likely to depend entirely on the fund strategy.



Investor need 2: Data accessibility

Accessible channels

To ensure data is usable and to reduce collection and processing costs, investor disclosure needs to be digitally accessible to users. This means it must be in a format that can be easily fed into users' data infrastructure.

The investment chain often involves multiple intermediaries operating between managers and end clients. Standardised digital formats enable efficient absorption of information throughout this complex chain.

The growing use of digital platforms (e.g. DiligenceVault, InvestRfP and Compass Insights) and standardisation of formats for certain sustainability information – such as proxy voting (by organisations such as ISS and GlassLewis) and asset classes (based on initiatives such as the ESG Data Convergence Initiative) – have improved digital accessibility.

Digital accessibility and standardisation are especially important given the rise in use of artificial intelligence (AI) agents by investors, their consultants and digital platforms. These AI agents support the reporting process by automating the filling of reports and transfer of reporting from one framework to another etc.

In response to investor needs, regulators should:

- recognise the critical role investment consultants play in ensuring disclosure is accessible through their data collection and processing functions;
- facilitate the smooth running of AI agents through the standardisation of reporting requirements and digital formats.

A balanced combination of formats

Alongside product labels or entity sign up to voluntary codes or frameworks, investors require structured, numeric data and the supplementary narrative to be sufficiently standardised so that it can be easily processed through digital tools, such as machine learning models.

Disclosure frequency

Through our research we identified that managers are currently required to report at multiple frequencies, including:

- **immediately** – in relation to controversies (at the manager or within the fund) or reactive requests, such as clarifications based on recent news/articles (e.g. on inclusions and exclusions within the portfolio);
- **monthly** – particularly for holdings information, which some institutional investors require to complete their own assessments. Monthly reporting may also include longer responses to reactive material (e.g. on topical issues such as artificial intelligence). This is also the frequency at which many managers report their financial (fund) performance;
- **quarterly** – in relation to updates on some sustainability-related information, such as sustainability performance and stewardship. While these reports are often snapshots of information that is aggregated into annual reports, we did observe significant variation across managers regarding what is included;
- **annually** – this is the primary frequency for sustainability reporting. This could take multiple forms, including due-diligence questionnaires, annual reports (e.g. on climate, proxy voting) or mandatory/regulatory reporting.

Not all information requires high-frequency disclosure unless material changes occur. A dynamic approach is more appropriate for changes in policies, teams, governance or strategy. Disclosure requirements should reflect this dynamism by supporting timeliness alongside the ability to respond to specific needs.



Investor need 3: Data quality – comparability and credibility

The balance between standardisation and flexibility

While standardisation is crucial to enabling comparability over time and across managers, investors seek a dynamic – rather than a one-size-fits-all – approach to data needs. This requires a framework that incorporates flexibility to allow for the provision of standardised, baseline disclosures addressing core data requirements, alongside opt-in disclosures related to specific, additional data needs, for example, to meet the requirements of a particular fund label or code.

Strategy/product-specific disclosure and client-specific indicators are less standardised and are usually tailored to individual mandates and products.

Enhancing disclosure alignment

Fragmentation across investor reporting frameworks poses challenges to data comparability, increases the reporting burden and creates market barriers (and uneven competitive conditions) across jurisdictions. Unlike corporate sustainability disclosure, investor sustainability disclosure lacks a global standard. For data users who monitor managers across jurisdictions, this fragmentation is a major barrier to using government-mandated disclosures effectively. Enhancing alignment across investor sustainability disclosure frameworks would enhance data comparability.

Building trust in sustainability disclosure

Measures to tackle greenwashing have been established in many jurisdictions. These have led to an improvement in data quality and credibility. However, as regulatory schemes evolve and are being enforced, data users remain concerned about the quality of investor sustainability disclosure, driven partly by:

- the lack of guidance on identifying sustainable or transition finance leading to reliance on subjective judgments. This concern should be balanced against the risk of overly prescriptive definitions stifling innovation or losing relevance;
- the widespread use of estimation (particularly for scope 3 emissions) and projection (using forward-looking data) where data and methodologies are not robust, transparent or consistent;
- the challenges in verification and assurance, including scarcity of providers, high costs and the use of service-provider methodologies as a default, which risks displacing in-house innovation;
- the use of disclosure to market financial products or services instead of to provide information to support decision-making.

Enhancing the credibility of investor sustainability disclosures remains essential. While anti-greenwashing regulations can and have proven to be effective in curbing marketing-driven reporting, policy makers should put in place additional measures to address broader challenges. These include improving policy clarity and data availability, promoting the use of recognised methodologies for data collection and measurement, and providing support to enable wider adoption of verification and assurance practices.

Figure 3. Different levels of standardisation of disclosure topics or indicators



Data needs of retail investors and beneficiaries

Retail investors and pension fund beneficiaries represent the ultimate recipients of investment services and information.

In theory, information that is decision-useful for institutional investors should also serve retail investors and beneficiaries, though their specific needs vary in important ways.

Accessible delivery

For retail investors and beneficiaries, accessibility of information takes precedence over specific formats, particularly given the additional actors (e.g. investment consultants, intermediaries and family offices) operating between institutional investors and these other stakeholders.

Retail investors and beneficiaries do not need additional information beyond that required by institutional investors, but it must be presented more accessibly. Simple, trusted labels are needed (e.g. government-backed labelling systems), and any technical standards need to balance detail with usefulness to inform decisions.

Comparability

While institutional investors value cross-entity comparison, this is less important for many beneficiaries, particularly those with limited choice in their pension fund manager. However, comparability over time remains crucial for all stakeholders to track progress and changes.

User relevance

Disclosure for retail investors and beneficiaries should be significantly simplified compared to institutional investor reporting. These investors predominantly focus on product-level disclosure, as they are unlikely to consider the range of policies and processes outside of information implied by product labels or fund names. In terms of frequency, annual disclosure appears sufficient, supplemented by immediate reporting of significant developments or reactive news.

Box 3. Data needs of trustees

Trustees represent another data user group with varying levels of engagement and reporting needs. Trustees are typically better resourced and more sophisticated than the beneficiaries they represent; their needs are closer to those of institutional investors.

Importantly, trustees generally determine the decision-usefulness of disclosure on the basis of its relevance to beneficiaries. While beneficiary engagement is often limited, specific characteristics influence their disclosure needs.

- Constituency factors, including industry type (e.g. university pension funds show higher engagement), sustainability topic preferences (e.g. healthcare funds often focus on gender diversity) and demographic composition (where there may be variation in sustainability preferences between age groups, for example).
- Pension fund type affects flexibility to implement sustainability strategies, with defined contribution funds having more limited options than defined benefit funds.



Meeting investor data needs: progress and challenges

A review of 169 investor disclosure frameworks and regulations shows that recent developments provide a strong foundation for greater global alignment and a flexible approach in which both government and non-government bodies play a role in meeting investors’ diverse data needs. However, the policy review and investor engagement reveal that disclosure frameworks do not yet fully meet investors’ data needs nor address all their challenges. Continued improvements are needed to enhance disclosure relevance, data availability and quality, digital accessibility and flexibility in implementation.

Progress

Our review indicates that despite complexity in the landscape, common patterns are emerging across disclosure frameworks which could pave the way for stronger global alignment.

Comprehensive coverage of varied responsible investment objectives

Investor sustainability disclosure requirements increasingly reflect a spectrum of responsible investment objectives. These include managing risks, tackling drivers of system-level risks and pursuing broader sustainability impacts. These objectives are aligned with those being pursued by disclosing entities and with the needs of data users.

Among the 93 government-issued frameworks included in our review, the majority address multiple responsible investment objectives.

Objectives and practices that relate to sustainability-related risk management are widely considered fundamental, and are included in approximately 93% of these frameworks. 62% include some expectations for sustainability goals to address system-level risks, while 40% identify the pursuit of impact. Such objectives are typically not the sole focus of regulation but are covered alongside risk management. Only 25% of the government-issued regulations and frameworks that we reviewed cover all three responsible investment objectives.

This pattern in policy development is aligned with the [investor data needs](#) outlined earlier in this paper, where risk management is highlighted as one of the key drivers of investor data needs.

Table 1. Responsible investment objectives and disclosure requirements

Coverage of responsible investment objectives	Examples of disclosure regulations or frameworks	Examples of disclosure requirements
Managing risks	HK SFC Circular to licensed corporations - Management and disclosure of climate-related risks by fund managers	Governance, investment management and risk management related to the incorporation of relevant and material climate-related risks.
Addressing system-level risks	EBA Pillar III disclosure	Actions that support counterparties in mitigating drivers of sustainability-related risk or enable adaptation to such risks.
Pursuing impacts	Australian Modern Slavery Act	Statements on modern slavery that detail supply chains (including the investment chain), outline modern slavery risks and document actions taken to address these risks.
All three objectives	EU SFDR UK SDR (primarily via its fund-name rules and label regimes)	Separate disclosure expectations for financial products that pursue different responsible investment objectives. See the PRI’s comparative analysis for more detail.



Convergence on key disclosure topics

Regardless of sustainability objectives, disclosure frameworks consistently expect investors to disclose on the following:

- governance related to sustainability issues, such as board composition and oversight of relevant sustainability issues, board responsibilities, management accountability frameworks and sustainability committees;
- strategies to implement sustainability policies or objectives;
- processes for integrating material sustainability factors into risk analysis and management, such as climate risk assessment;
- process for and results of due diligence on material sustainability-related risks and/or impacts;
- the disclosing entities' (entity-level disclosure) and portfolios' (product-level disclosure) sustainability performance in environmental (including climate), social and governance aspects, mostly focusing on the assessment of risk exposure.

Compared to disclosure frameworks that focus only on risk management, those aiming to enhance transparency in addressing financially-material drivers of system-level risks or pursuing sustainability impacts are more likely to require investors to disclose the following:

- sustainability targets or objectives;
- sustainability performance of portfolios in terms of impacts on the environment (including climate) and society;
- entities' stewardship activities (especially with investees);
- results on or progress towards objectives;
- corrective actions in the case of challenges.

These types of frameworks consistently require disclosure of more detailed environmental metrics, particularly around greenhouse gas emissions, compared to frameworks focused predominantly on risk management.

⁸ Fund-name rules are designed to prevent the misleading use of terms, acting more as a "stick." In contrast, fund-label regimes serve as credentials that incentivise good practices, functioning more like a "carrot."

⁹ The UK Sustainability Disclosure Requirements (SDR), the EU European Securities and Markets Authority (ESMA) Guidelines and

The disclosure topics covered by current frameworks show strong alignment with the disclosure [topics required by data users](#).

Table 2 presents an overview of the topics expected to be covered in investor sustainability disclosure, taking into account the converging trends across the policy landscape and investor demands. It reflects a two-tiered structure, distinguishing between core topics that are universally applicable, irrespective of responsible investment objectives, and additional topics related to addressing system-level risks and pursuing impacts.

Table 2. Core and additional disclosure topics

Core topics	<ul style="list-style-type: none"> ■ Sustainability encompassed in investment belief and philosophy ■ Governance (including resources) ■ Strategies ■ The integration of sustainability factors into investment processes, due diligence and risk management ■ Sustainability performance (risk-focused, e.g. climate emissions) ■ Stewardship policies and processes ■ Controversies
Additional topics	<ul style="list-style-type: none"> ■ Sustainability targets or objectives ■ Sustainability performance (impact-focused) ■ Stewardship activities and results ■ Results or progress on objectives ■ Challenges and corrective actions

Converging structure in fund-name rules

Among the government-led investor disclosure frameworks with product-level disclosure requirements (38 in total), fund-name rules are currently more prevalent (nine in total) than fund-label regimes (three in total).⁸ A comparative study of fund-name rules across three major regulatory regimes show highly similar structures.⁹ All three are composed of two major elements:

1. criteria for using sustainability-related terms in fund names; and
2. requirements for disclosure.

the Monetary Authority of Singapore ESG fund guidelines (MAS Circular). For more information see the PRI's [Investor briefing - Investor sustainability disclosure frameworks and regulations: A global overview and comparative analysis](#).



Table 3. Converging characteristics in fund-name rules

Key elements	Converging characteristics
Criteria	<ul style="list-style-type: none"> ■ The fund name accurately reflects the sustainability characteristics or objectives that are material to the product’s investment strategy, policy or objective. ■ A minimum proportion of assets should be allocated in line with the sustainability-related term used in the fund name.
Disclosure requirements	<ul style="list-style-type: none"> ■ Require product-level disclosures to substantiate that the use of ESG terms in the fund name meets the criteria. Consistently required disclosure topics include: <ul style="list-style-type: none"> – responsible investment objectives or characteristics; – policies; – strategies; – monitoring processes; – methodologies and key performance indicators (KPIs); – risks and limitations.

Good examples include the entity and product level requirements set out in the Asset Management Association of China’s (AMAC) [Green Investment Guidelines](#), the range of stewardship disclosure requirements set by the Australian Council of Superannuation Investors (ACSI) ([AO Stewardship Code](#)) and the Financial Services Council (FSC) standards on proxy voting ([Standard No 13](#)) and internal governance ([Standard No 23](#)).

Similarly, fund labels can complement regional regulations and allow investors to showcase their sustainability credentials. For example, the Responsible Investment Association Australasia’s (RIAA) [Responsible Investment Certification Program](#) fills a gap in fund naming and labelling in the Australian market.

Non-government-issued disclosure frameworks also make up for shortfalls in the standardisation of disclosure indicators covering certain thematic topics applicable to specific asset classes, such as private markets (e.g. the ESG Data Convergence Initiative (EDCI)) and real assets (e.g. the Global ESG Benchmark for Real Assets), or investment impacts (e.g. the Global Reporting Initiative ([GRI](#))).

Filling gaps in regulation with non-governmental disclosure frameworks

Non-government-issued frameworks play an important complementary role to government-issued disclosure requirements, filling gaps in the reporting landscape and establishing industry norms, especially in jurisdictions where government-issued disclosure frameworks have not yet been established or fall short in meeting investor data needs.

The complementary nature of disclosure frameworks highlights the potential for cooperation between governments and non-government bodies. Governments can address core data needs through baseline requirements; non-government frameworks can build on these by covering additional data needs and reflecting evolving industry best practices. As industry consensus grows around additional data needs – both in terms of what should be disclosed and how it should be measured – governments may consider integrating such disclosure frameworks into mandatory disclosure regimes.



Challenges

Despite progress, we identified four broad challenges that disclosing entities and data users are facing with the information covered by current disclosure frameworks:

1. lack of relevance and decision-usefulness;
2. lack of data availability and accessibility;
3. limited comparability and credibility;
4. the implementation burden and lack of capacity.

Challenge 1: Lack of relevance and decision-usefulness

Challenges for disclosing entities

- **Disclosures not grounded in investment materiality:** for disclosing entities and data users, disclosure requirements are not always aligned with what is material to investment decisions.

Only 51% of frameworks analysed in this research provide explicit materiality definitions. Among these, most (97%) focus on financial materiality, with a small number (6%) adopting double materiality.

The remaining frameworks offer little or no guidance or clarification on why the disclosure of required information matters, making it challenging to assess whether disclosures are relevant to investment decisions and market supervision. There may even be some cases in which frameworks are so rigid that they prevent entities from reporting what is material to them.

- **Over-standardisation and compliance-driven approach:** around 70% of the 93 government-issued investor sustainability disclosure frameworks are mandatory, with most of the remainder being quasi-mandatory and only a small proportion voluntary. Investors interviewed in this research flagged that disclosure is driven more by compliance than decision usefulness, partly due to regulatory-oriented implementation. While compliance requirements enhance data credibility, and standardisation improves data comparability, this should not be at the expense of relevance. Furthermore, standardising disclosure metrics and methodologies when investment practices are still evolving may risk stifling innovation by driving managers to use third-party methodologies for safety, even if they have more nuanced internal approaches.
- **Lack of clarity and consensus:** in areas where practices are still evolving – especially for themes outside of climate – regulatory clarity and market consensus remain limited and standardisation is uneven.

The lack of clarity on the rationales for disclosure requirements makes it challenging for disclosing entities to judge relevance. On top of this is the lack of common understanding about what constitutes decision-useful information for data users, such as clients.

Best practices for measuring and quantifying key characteristics – such as sustainability impacts – of funds, products and entities are still developing. Materiality criteria for investor disclosures remain inconsistently defined, leaving both disclosing entities and users without a stable reference point.

Compared to a principle-based approach, rushing to regulate or standardise disclosure of evolving practices risks mandating information that may ultimately prove not to be decision-useful.

- **Lack of feedback:** although channels between data users (such as investors and regulators) and disclosing entities exist, feedback on the relevance and usefulness of disclosures remains sparse and inconsistent. Many disclosing entities have limited insight into how information – such as on financed emissions – is used or whether it informs decision-making and creates value. Regulators' feedback often focuses on data quality and credibility rather than on decision-usefulness – either for regulators or investors. Those overseeing disclosures are not always the ones using them for policy or investment decisions. For instance, some investors observed that financed-emissions data is more relevant to the broader economic transition than to individual investment decisions. Yet it is unclear whether such information informs wider policy actions of committed governments – typically led by real-economy policy makers rather than financial regulators – or whether investors are measuring the activities and outcomes that truly matter for the transition.

This lack of feedback on the decision usefulness of investor disclosure is rooted in the broader absence of a holistic approach by committed governments to driving the economy-wide transition. It hinders the creation of a positive feedback loop between disclosure, investment practices and capital allocation. As a result, there is limited incentive for disclosing entities to improve the decision-usefulness of disclosures and underlying practices. Instead, disclosing entities tend to focus on minimum compliance to manage greenwashing risks.



Challenges for data users

The challenges listed above also have implications for data users. The more disclosure is misaligned with investment materiality and driven by compliance, the less useful the disclosure is for institutional investors who need data for manager and product selection and monitoring. Data users also face additional challenges.

- **Limited use by end investors:** despite the fact that some disclosure regimes are intended for retail investors or beneficiaries, there is little evidence that the disclosed information is actually used by these groups, especially where disclosure is becoming increasingly lengthy and technical.

Lack of capacity to utilise disclosure and provide feedback: it is not uncommon for data users, such as asset owners, to lack the expertise and capacity to translate data into useful insights to inform decision-making.

Challenge 2: Lack of data availability and accessibility

Challenges for disclosing entities

- **Coverage gaps:** obtaining high-quality, consistent and comparable data at the asset/corporate level is a fundamental challenge, particularly for data on private markets and real estate, thematic topics beyond climate and forward-looking data. Regulation tends to target the largest and/or listed companies which may leave gaps where smaller or non-listed entities are not covered by reporting requirements.
- **Lack of policy coordination:** some of the data gaps are caused by a lack of coordination between investor disclosure requirements and corporate disclosure requirements in terms of sequencing, key indicators and methodologies. For instance, Sustainable Finance Disclosure Regulation (SFDR) reporting requires investors to collect data from corporates on principal adverse impacts (PAIs) before many companies are obliged to publish equivalent data under the Corporate Sustainability Reporting Directive (CSRD). Similarly, financial products with transition objectives must meet specific disclosure requirements, whereas corporations are not yet mandated to produce transition plans.

Challenges for data users

The gaps in data availability and access for disclosing entities cascade down to data users. In addition, they face:

- **greenhushing issues:** driven by strict regulatory enforcements, political headwinds, a lack of policy clarity and unclear rewards for high-quality disclosure, some disclosing entities may be less willing to disclose sustainability information, limiting the availability of high-quality data;
- **inaccessible data formats:** a lack of standardisation in digital formats and access to information (e.g. different systems, tags or inaccessible PDFs) forces users to expend additional resources to process data and limits its integration into their digital systems. While 75% of frameworks require public disclosure, only 20% explicitly require machine-readable formats, with greater variation in disclosure formats in product-level compared to entity-level frameworks.



Challenge 3: Limited comparability and credibility Challenges for disclosing entities

- **Regulatory fragmentation:** while corporate-level sustainability disclosure requirements (to which some investors may be subject), have become increasingly standardised, fragmentation in investor disclosure requirements remains across jurisdictions due to differences in priorities, regulatory objectives and framework scope. EU frameworks tend to be more comprehensive in their coverage of environmental, social and governance indicators. North American frameworks focus more on governance and disclosure, while Asia-Pacific frameworks emphasise risk management integration. It is important and beneficial to tailor disclosure requirements and standards to the local context. However, it is equally important to minimise unintended and unnecessary adverse effects such as increasing the implementation burden, reducing data comparability or, in some cases, undermining a level-playing field.
 - **Fragmentation across jurisdictions** may create market barriers, especially for investors operating in emerging markets. In these markets, investors as disclosing entities can struggle to meet the elevated reporting standards through their investment chain. This makes it more difficult to attract capital from regions with more stringent reporting requirements. Conversely, fragmented anti-greenwashing rules and enforcement practices across jurisdictions may unintentionally penalise managers operating in highly regulated sectors or regions when capital allocators assess and compare funds globally.
 - **Regulatory fragmentation across investor types:** even within the same jurisdiction, different types of institutional investors often face different disclosure requirements. This can create discrepancies in the availability, scope and/or content of reporting along the investment chain. Some investment managers also noted that differences across managers (e.g. based on fund type or size) could create comparability challenges across products or disadvantage managers who are subject to stricter disclosure requirements.
- **Methodological inconsistencies:** there is no widely accepted methodology or process for assessing, attributing and disclosing real world outcomes in portfolio companies. For example, collecting data on scope 3 emissions remains a significant challenge, with investors uncertain whether to request primary data from all suppliers

or instead rely on estimation models with limited transparency and consistency across the market.

- **Verification challenges:** ensuring data credibility requires robust processes, but the scarcity of skilled sustainability assurance providers pushes up the costs. Where investment practices are still developing (e.g. when pursuing sustainability impacts), an overreliance on verification to enhance data quality may lead managers to be excessively cautious and conservative and pivot to using methodologies developed by third-party service providers as a safe choice. This could potentially hinder innovation driven by investment needs.

Challenges for data users

- **Regulatory fragmentation:** for data users monitoring managers across jurisdictions, this fragmentation is a major barrier to using government-mandated disclosures effectively.
- **Credibility issues:** investors remain concerned about the quality of sustainability disclosure due to inconsistent methodologies, widespread use of estimates, marketing-driven disclosure tendencies and verification challenges (cost and capacity).
- **Inconsistent methodologies lead to data aggregation issues:** combining data from multiple managers, investees or service providers that use different methodologies often leads to inconsistencies. This challenge is amplified in areas where subjectivity plays a role, such as sustainability assessments. The problem is further compounded by the lack of clear definitions for key regulatory terms such as “sustainable investment”. Differences in how reporting requirements are interpreted across jurisdictions add another layer of complexity. The challenge is even greater for pooled funds, where access to consistent, asset-level data is particularly limited.



Challenge 4: Implementation burden and capacity Challenges for disclosing entities

- **Disproportionate disclosure requirements:** while the importance of investor protection, prudent supervision and support for transition is widely recognised, investors have raised concerns that disclosure obligations are not always proportionate to the practical value they provide to data users. In some cases, the full value of sustainability disclosures – for example disclosure of sustainability impacts – may only become apparent over time, as markets and regulators build the capacity to integrate such data into investment and policy decisions. This creates an additional reporting burden in the short term, the benefit of which is, as yet, unclear. When introducing investor sustainability disclosure requirements, careful cost–benefit analysis and a phased approach are needed, in combination with capacity building.
- **Fragmented disclosure and scale of reporting requests:** fragmented requirements could increase the reporting burden. Better coordination between regulatory bodies is key to simplifying and aligning the various channels and requests for product information, thereby reducing the burden on investment managers.
- **Resource constraints:** there are significant initial costs associated with upskilling internal teams, implementing new processes and sourcing data

for new disclosure requirements. Smaller investors face particular challenges due to limited resources. Disclosing entities are thinly stretched to respond to fragmented disclosure and reporting requests. The challenge is intensified when there is a tendency towards over-compliance. In many cases, investors indicated that resources have been diverted away from exploring innovative and effective sustainable investment practices.

Challenges for data users

- **Lengthy and complex to digest:** investor sustainability disclosure is becoming increasingly lengthy and complex, making it difficult for users to effectively digest and apply the information.
- **Resource and capacity constraints:** the primary driver of this barrier is institutional investors' resource limitations which are compounded as asset owners engage with multiple managers that have differing levels and areas of expertise.¹⁰ This resource constraint means that data users, including institutional investors, may lack the expertise (or capacity) to fully process and understand investor disclosure, which includes translating this disclosure into content that is digestible for the end users internally (board members or senior managers) and externally (clients or beneficiaries).

¹⁰ Institutional investors consistently referenced the use of external managers to fill specific gaps in their internal capabilities or knowledge (e.g. on a specific asset class). The lack of institutional

investor knowledge in these areas can limit their ability to engage with these managers.



Recommendations to policy makers and regulators

This section provides concrete, actionable recommendations for policy makers and regulators to enhance the decision-usefulness of sustainability-related investor disclosure. These recommendations offer practical steps to address the challenges identified through our research, with case studies demonstrating how different stakeholders have responded.

Recommendation 1: Establish a layered disclosure system to meet diverse investor needs

Policy makers and regulators should introduce a layered system of sustainability disclosure requirements that combines standardised baseline and more flexible, opt-in disclosures to better meet investor data needs.

Despite the complexity and variance across the 169 investor sustainability disclosure frameworks reviewed, they typically tend to display this type of layering, irrespective of whether they are government-issued or non-governmental.

- **Baseline sustainability disclosure requirements** are usually applicable to all investors (subject to certain size-related thresholds in some regulations), regardless of their sustainability claims, ensuring a neutral and level playing field.

- **Opt-in sustainability disclosure requirements** only apply to investors that either choose to engage in investment practices with sustainability characteristics (beyond legal obligations) or are required to disclose because they offer financial products with a sustainability focus or objective(s) – whether they relate to managing risks, addressing system-level risks or pursuing impacts.

This layered system recognises that investor needs vary by responsible investment objectives, compliance requirements and capabilities, and sophistication in data use and analysis. A layered system strikes a balance between standardisation and comparability on the one hand, and flexibility and practicality on the other.

Table 4. Addressing core and additional data needs with a layered system of disclosure requirements

Layers of disclosure requirements	Data needs to be met by disclosures	Converging trends in topics	Common implementation approach
Baseline disclosure requirements	<p>Core data needs:</p> <ul style="list-style-type: none"> - to understand exposure to material sustainability risks and opportunities, including those at the system level, and how they are/have been managed; - to monitor how disclosing entities have fulfilled their fiduciary duties or other obligations; - to match data users' capacity to make use of the data; - to provide broad standardisation. 	<p>Core disclosure topics:</p> <ul style="list-style-type: none"> - how sustainability is included in investment belief and philosophy; - governance (including resources); - strategies; - the integration of sustainability factors into investment processes, due diligence and risk management; - sustainability performance related to achieving risk-adjusted financial returns; - stewardship policy; - controversies. 	<ul style="list-style-type: none"> - Disclosure requirements are typically embedded within compliance frameworks, such as financial conduct or prudential regulations. - Disclosure requirements are usually implemented on a mandatory or comply-or-explain basis.



Layers of disclosure requirements	Data needs to be met by disclosures	Converging trends in topics	Common implementation approach
Opt-in disclosure requirements	<p>Additional data needs:</p> <ul style="list-style-type: none"> - to understand how disclosing entities contribute to stated sustainability objectives or embody professed characteristics; - to understand how disclosing entities are implementing industry best practices; - to establish standardisation in emerging areas, although disclosure is usually tailored to bespoke data needs. 	<p>Additional disclosure topics:</p> <ul style="list-style-type: none"> - sustainability objectives or characteristics; - sustainability performance tailored to measuring achievement in sustainability objectives or embodying characteristics; - stewardship activities and outcomes; - progress towards objectives or characteristics; - challenges faced and corrective actions to be or that have been taken. 	<ul style="list-style-type: none"> - Applicability is triggered when disclosing entities voluntarily adopt sustainable investment names or labels for financial products, pursue investment practices with sustainability-related characteristics or objectives, or commit to specific sustainable investment initiatives or principles. - Disclosure requirements can be implemented on a mandatory, voluntary or comply-or-explain basis.

Establishing baseline disclosure requirements to meet core data needs

Rationale

- **Strengthening accountability:** standardised baseline disclosure enables clients and regulators to hold institutional investors accountable for fulfilling their investor duties. Such duties usually require investors to pursue risk-adjusted financial returns, including by incorporating financially material sustainability-related risks and opportunities (including those at the system level¹¹) into investment and stewardship decisions.
- **Ensuring basic transparency and comparability:** baseline disclosure provides broadly demanded and relatively standardised information to inform clients' selection and monitoring of investment managers and financial products.
- **Creating a neutral and level playing field:** applying baseline disclosure requirements across the financial sector and jurisdictions helps to avoid incentivising policy arbitrage or creating unjustifiable competition (dis)advantages for certain types of investors or products.

What does it look like?

- **Focus on financial materiality:** the disclosure requirements focus on enhancing transparency around how disclosing entities pursue risk-

adjusted financial returns (in line with duties listed in strengthening accountability).

- **Broad industry consensus:** the design of baseline disclosure requirements should be based on standards supported by strong industry consensus and aligned with KPIs that are commonly used by investors to integrate material sustainability factors into investment decisions. This alignment will help ensure that disclosures are relevant to investment decision-making and can be implemented consistently across the financial sector. [Table 4](#) provides examples of relevant disclosure topics, drawn from our research; the list is illustrative rather than exhaustive or prescriptive.
- **Mandatory enforcement:** to create a level playing field, baseline disclosure requirements should be consistently applied across products and the investment chain, regardless of sustainability objectives or characteristics. This reflects the intention that baseline reporting obligations are rooted in generally applicable investor duties. As responsible investment practices mature – particularly in climate risk management – disclosure indicators and risk-assessment methodologies are becoming more standardised. This creates a foundation for the progressive introduction of additional mandatory baseline requirements as practice evolves.

¹¹ System-level risks and opportunities refer to conditions in the broader economic, environmental and social systems upon which investment value relies. Investors seeking to address these risks and opportunities through their investment practice recognise that they are financially material considerations, the outcomes of

which affect portfolio value. For further guidance on incorporating system-level risks and opportunities into investment and stewardship decisions and on making relevant disclosure, please see the PRI's report, [Addressing system-level risks and opportunities: a guide for investors](#) (2025).



Encouraging opt-in disclosure to meet additional data needs

Rationale

- **Strengthening credibility:** enhancing transparency in sustainability commitments, objectives, characteristics or labels voluntarily adopted by investors. Opt-in disclosure helps build trust in investor sustainability claims at the entity and product levels.
- **Supporting economic transition:** by enhancing transparency about how capital flows align with sustainability standards (particularly those linked to national transition strategies), well-designed disclosure frameworks can facilitate capital allocation in support of the economy-wide transition of committed governments towards sustainable growth.
- **Encouraging best practice:** encouraging the financial sector to improve service quality through the adoption of best practices.

Box 4. Comparative analysis of the two-tiered structure

Comparative analysis of the [UK SDR](#) and Hong Kong's framework (which includes the Securities and Futures Commission (HK SFC) [Climate Circular](#) and [ESG Funds Circular](#)) shows that both share a similar two-tiered structure that requires baseline, mandatory, entity-level disclosures and additional product-level disclosure to be completed when sustainability characteristics, objectives or labels have been adopted.

Across both regimes, it is common practice for investors to disclose, at the entity level, how material sustainability-related risks (including climate-related risks) are considered and managed in the investment process.

Both frameworks identify opt-in disclosure requirements only at the product level, as such requirements are tied to the voluntary adoption of sustainability-related practices, fund names or labels.

However, there are nuances between them: for the UK SDR, the disclosure requirement is tied to the use of sustainability-related terms in fund names or the use of sustainability labels; under the HK ESG Fund Circular, it is tied to the adoption of ESG-focused strategies and/or objectives.

What does it look like?

- **Tailored approach:** building on baseline disclosure requirements, opt-in disclosure requirements are tailored to specific responsible investment objectives, commitments or labels voluntarily adopted by investors, reflecting distinct sustainability objectives, theories of change, methodologies and KPIs to measure progress.
- **Important role of non-government disclosure frameworks:** due to the lack of broad-based standards, policy makers and regulators may consider supporting industry-led standard-setting initiatives for under-covered areas. These may include private markets, biodiversity and social issues, and emerging practices such as impact measurement and accounting.
- **More flexibility in implementation:** disclosure is tied to voluntary adoption of sustainability objectives, labels or commitments.
- **Phase-in of disclosure requirements:** for practices that are still evolving and where consensus on decision-useful data has yet to be established, it may be too early to implement prescriptive requirements effectively. As industry consensus builds, more advanced disclosure could be gradually integrated into baseline disclosure frameworks.

Box 5. The PRI's layered approach

The PRI's signatory reporting system reflects this layered approach. All signatories report against a mandatory set of core questions covering established responsible investment practices, creating a consistent baseline for transparency and accountability. The PRI is exploring how this baseline could be complemented by optional, more detailed disclosures on sustainability-related practices and goals. This structure would allow for deeper insight where relevant, while keeping the overall reporting effort proportionate.



Box 6. Case study: phased implementation and tiered obligations exemplified by the HK SFC Circular to licensed corporations – management and disclosure of climate-related risks by fund managers

The [HK SFC Circular](#) demonstrates a proportionate approach to climate-related risk disclosure by setting out two-tiered requirements to ensure larger, more resourceful managers bear greater responsibility while minimising smaller firms' compliance burden.

- Baseline rules for all fund managers cover the identification, consideration and disclosure of material climate-related risks within their governance, investment and risk management processes.
- Enhanced standards for those managing at least HK\$8 billion in assets – including scenario analysis and carbon footprint disclosures.

This tiered structure reflects managers' varying capacity and market impact. The HK\$8 billion threshold was determined through industry consultation as an appropriate point at which managers would likely have sufficient resources for more robust analysis.

The transitional timetable also aligns with this proportionality: large fund managers had to comply first with baseline requirements and then to implement enhanced rules, while smaller managers received an extended period to adopt only baseline disclosures.

This tiered, phased approach ensures regulatory expectations remain both meaningful and achievable across the industry.

Box 7. Case study: Transition Plan Taskforce (TPT) – adopting baseline disclosure requirements based on broad industry consensus

The UK Government has taken a phased approach to developing transition plan disclosure standards – first building industry consensus through voluntary frameworks and now consulting on pathways towards mandatory requirements.

Launched by HM Treasury in April 2022, the TPT's mandate was to assemble leaders from across finance, business, academia, civil society and regulatory authorities to create a robust, gold-standard framework for climate transition plan disclosures. This process involved input from and engagement with over 500 organisations and more than 100 institutions, facilitating broad testing to ensure the resulting framework reflected best practices and international alignment.

The UK Government is now consulting on mandatory transition plan requirements for large companies and UK-regulated financial institutions. It is considering the extent to which TPT alignment might factor into the implementation of these requirements.



Recommendation 2: Balance credibility and comparability of a rule-based approach with the proportionality of a principle-based approach

Data users demand credibility and comparability in investor sustainability disclosure to be able to meaningfully assess and compare investment managers' and financial products' sustainability performance. Standardising key indicators or metrics, implementing anti-greenwashing rules and requiring verification would contribute to that objective. Meanwhile, embedding flexibility in design and implementation through a principle-based approach is essential to accommodate market evolution and prevent over-standardisation. The latter may increase the risk of greenhushing, create unnecessary burdens and stifle innovation. To achieve the necessary balance, policy makers and regulators may consider applying a dynamic combination of rule-based and principle-based approaches in a proportionate manner.

Box 8. Features of principle-based and rule-based approaches in investor sustainability disclosure

- Rule-based approaches prescribe what must be disclosed and how, enhancing comparability, credibility and regulatory certainty through standardised indicators and methodologies. They work best where practices are mature (e.g. climate risk), but can increase reporting burdens, reduce flexibility and constrain innovation as practices evolve.
- Principle-based approaches set high-level expectations without mandating specific metrics, offering flexibility and proportionality across asset classes, strategies and emerging practices, and reducing greenhushing. However, they can lead to inconsistent implementation and weaker comparability, making guidance and feedback essential to maintain quality.

What does it look like?

- **Disclosure format:** encourage a balanced combination of standardised metrics and narrative reporting to ensure comparability and contextual understanding.
- **Regulatory design:** take a rule-based approach where disclosure practices are mature and standardised while ensuring the necessary flexibility to accommodate different asset classes, investment strategies and responsible investment objectives. Where practices are evolving, regulators may consider beginning with a principle-based approach, while taking action to prevent abuses of flexibility. When adopting a principle-based approach, policy makers and regulators should clarify rationales for disclosure requirements and the selection of indicators or metrics to help disclosing entities judge whether their disclosure aligns with requirements.
- **Implementation approach:** in addition to sanctioning greenwashing, policy makers and regulators may adopt feedback-driven measures to clarify disclosure expectations and provide guidance on improving quality. Regulators can also create positive incentives by recognising and showcasing good practices.
- **Verification and assurance requirements:** while assurance may help enhance credibility, any verification requirements need to be applied proportionately to avoid unintended consequences. Requirements may account for:
 - the capacity of disclosing entities;
 - the availability of skilled assurers;
 - the coverage of verification (for example, whether it is limited to specific indicators or applicable across the framework);
 - the degree of standardisation in disclosure indicators;
 - the costs of compliance, particularly to small and medium-sized firms.

Governments may consider improving transparency and consistency in assurance methodologies and standards by establishing baseline principles on what constitutes quality assurance.

Box 9. Case study: Japan's FSA – principles-based guidance

Japan's Financial Services Agency (FSA) introduced [supervisory guidelines](#) anchored in broad principles that ESG references in fund names should reflect substantive ESG integration and avoid misleading investors about the role of ESG in the investment process. It does not exhaustively define acceptable ESG strategies but instead expects managers to exercise judgement in classifying funds, based on their investment strategy and portfolio composition, and to explain that judgement where needed. Supervisory checks focus on outcomes, such as credibility of ESG claims, clarity of prospectus language, and consistency between naming, disclosures and actual portfolio construction, rather than prescribing a single ESG methodology.



Recommendation 3: Drive global alignment and mutual recognition of disclosure standards

Recent developments in disclosure standards provide a strong foundation for greater global alignment. To maintain and increase this alignment, financial authorities could consider the following when developing and reviewing investor sustainability disclosure frameworks or regulations:

- reflecting various responsible investment objectives – including managing risks, tackling system-level risks and pursuing impacts – in policy design;
- adopting globally applicable core indicators, metrics and methodologies in coordination with regional and international policy makers and regulators;
- building on commonality that is emerging across investor sustainability disclosure frameworks, particularly in fund-name rules (see [Table 3](#));
- recognising the role of non-governmental disclosure frameworks and encouraging standardisation driven by industry consensus.

Beyond that, financial authorities may contribute to advancing global alignment through international collaborations, including:

- engaging actively in global and regional taskforces (e.g. the International Organization of Securities Commissions (IOSCO)) and standard-setting forums to promote alignment of sustainability disclosure frameworks;
- creating mechanisms to recognise equivalent disclosure standards from other jurisdictions or international bodies that follow similar principles;

- supporting emerging economies in developing and implementing globally aligned disclosure standards by providing capacity building and technical assistance.

Box 10. Case study: the Monetary Authority of Singapore ESG fund guidelines (MAS Circular) and Hong Kong SFC ESG Fund Circular equivalency mechanisms

Both Hong Kong and Singapore have set good examples of enhancing global interoperability by embedding recognition mechanisms in their sustainability disclosure frameworks. These help investors navigate the increasingly fragmented landscape of investor disclosure. When assessing compliance, [MAS](#) will consider the scheme/products' compliance with relevant ESG rules in their home jurisdictions. It is explicitly set out that Undertaking for Collective Investment in Transferable Securities (UCITS) schemes in compliance with Article 8 and 9 of the EU SFDR would be considered to be in compliance with disclosure requirements set out in the MAS Circular, though it would still be necessary to prove that they comply with the net asset value (NAV) threshold.

The Hong Kong SFC [ESG Fund Circular](#) introduces similar equivalency measures.



Recommendation 4: Reduce the cost of data management and the disclosure burden

Policy makers and regulators should aim to address implementation inefficiencies which can result in unnecessary cost increases or create negative incentives, for example those that inadvertently incentivise greenwashing (underreporting), create disproportionate disclosure burdens or which result in the shifting of resources away from innovation and responsible investment practices.

The following measures could be considered to address these challenges.

- Phased implementation timelines and tiered obligations based on firm size, resources and capabilities to ensure proportionality and avoid overburdening smaller entities.
- Improved data availability at the asset/corporate level through the coordination of corporate and investor sustainability disclosure requirements, including on core indicators and implementation timelines. Governments should consider aligning national corporate disclosure requirements with internationally recognised standards where they are available, for example the International Financial Reporting Standards (IFRS) S1 and S2, to ensure data availability and comparability across borders.
- Improved coordination between regulatory bodies (especially within a jurisdiction) to simplify and align the various channels and requests for product- and entity-level information.
- Ensure policy stability to avoid frequent changes to disclosure requirements. This would enable disclosing entities to undertake long-term planning and reduce the costs of establishing disclosure processes and systems (by ensuring that, once developed, these processes and systems will remain relevant for the long term).
- Implement capacity-building programmes for investment managers and asset owners as

disclosing entities. Capacity building is especially necessary for small and medium enterprises in emerging markets to close data availability gaps.

- Establish centralised data platforms powered by existing and emerging technology to reduce the disclosure burden on individual entities and enable data aggregation from diverse underlying sources (e.g. across multiple funds, portfolio companies or external data providers).

Box 11. Case study: EU's ESAP System – machine-readable format

The EU's [European Single Access Point](#) (ESAP) will require data in an extractable format with specified metadata requirements from January 2028. This approach is innovative because it not only requires machine-readable formats but also integrates them into a centralised access point, creating an ecosystem for sustainability data rather than just isolated disclosure. The inclusion of specific metadata requirements allows digital tagging, demonstrating strategic thinking about how data will be searched, filtered and compared across entities. The 2028 implementation date suggests this is being built with future capabilities in mind. This system resolves one part of the challenge related to the adoption of machine-readable formats (currently required by only about 20% of frameworks reviewed).



Recommendation 5: Enable feedback between data users (including regulators) and disclosing entities

Policy makers and regulators should establish structured mechanisms for continuous feedback and improvement to ensure policy objectives are achieved and unintended consequences are addressed. For example, they should:

- conduct regular reviews of policy effectiveness to help assess whether regulatory objectives are being achieved, including developing stakeholder surveys to understand on-the-ground impact and disclosure utility;
- facilitate and encourage communication between disclosing entities and data users to enhance relevance for different stakeholders. This will enable disclosure to meet evolving user needs and help create a feedback loop to address practical challenges in disclosure;
- where regulators and policy makers collect and assess disclosure, they should provide clear and timely feedback to disclosing entities on the quality and utility of their disclosures to inform and improve subsequent disclosure cycles. Such a feedback loop should involve not only regulators monitoring disclosure activities but also other data users, such as broader economic policy makers and clients, to ensure the feedback strengthens the usefulness of disclosure. Technological developments, such as AI tools, could be helpful to support regulators' review of disclosed information in an effective and timely manner.

In some cases, feedback-driven implementation could serve as an alternative or complement to compliance-driven approaches to help address the risk of over-compliance. By providing constructive feedback, regulators can clarify disclosure expectations and offer guidance on improving quality. This approach would help foster a more constructive disclosure environment, where compliance is seen as a process of continuous improvement rather than a box-ticking exercise.

Box 12. Case study: EU SFDR – annual assessment by European Supervisory Authorities

Under Article 18 of the SFDR, each year the European Supervisory Authorities (ESAs) assess and publish a comprehensive [report](#) on the quality of principal adverse impact (PAI) disclosures by EU financial market participants. The report draws on surveys of national regulators and direct examination of entity- and product-level disclosures. Based on their findings, the ESAs provide detailed, feedback-driven recommendations: they identify both good and below-average disclosure practices, highlight gaps and urge improvements such as greater clarity and completeness, as well as quantification of actions taken to address sustainability impacts.

This feedback-driven process has led firms to improve disclosures in subsequent years, while positive practices are publicly recognised, encouraging higher standards across the market.

Box 13. Case study: UK Stewardship Code

Under the UK Stewardship Code, organisations submit detailed reports on their stewardship policies, activities and results, which are not only reviewed but also assessed by the Financial Reporting Council (FRC). Organisations providing high-quality disclosures earn recognition by being listed as Code signatories – a status widely regarded as a mark of excellence in stewardship. In the [Review of stewardship reporting](#) and [Effective stewardship reporting](#), the FRC provides constructive suggestions and clarifies expectations to help organisations strengthen the clarity and usefulness of their reports, encouraging signatories to go beyond minimum compliance and fostering a culture of continuous improvement in disclosure practices.



Recommendation 6: Support investors to use sustainability disclosures

Policy makers and regulators should support analytical capacity development for data users – particularly asset owners – so they can integrate sustainability disclosures into manager and product selection and monitoring. This will strengthen the practical use of such data, incentivising transparency and rewarding investment practices aligned with sustainability standards.

For retail investors and beneficiaries, introducing a simplified and straightforward disclosure format would make investor sustainability disclosure more accessible and digestible.

Examples of such measures may relate to:

- **data collection:** establishing a centralised, publicly accessible disclosure platform or database hosting the disclosed data. The EU’s ESAP ([Box 11](#)) provides a forthcoming example for the whole investment chain. Another example with a narrower focus is the Hong Kong SFC publication of a [list of all ESG funds](#) authorised by the SFC under the [ESG Fund Circular](#). This substantially improves public access to sustainability-related fund information;
- **data analysis:** establishing benchmarks (whether as an assessment or defining best practice) or publishing assessment reports to support data users in digesting disclosed information. For example, see [Box 13](#) on the UK Stewardship Code.



Recommendation 7: Integrate sustainability disclosure into a holistic policy approach for sustainable growth

Policy makers and regulators of governments who have committed to transitioning their economies often expect investor sustainability disclosures to help channel capital towards a more sustainable future. Achieving this outcome requires more than adjustments to disclosure rules. A holistic policy approach is needed – one that aligns disclosure with incentives, builds investor capacity and ensures policy coherence.

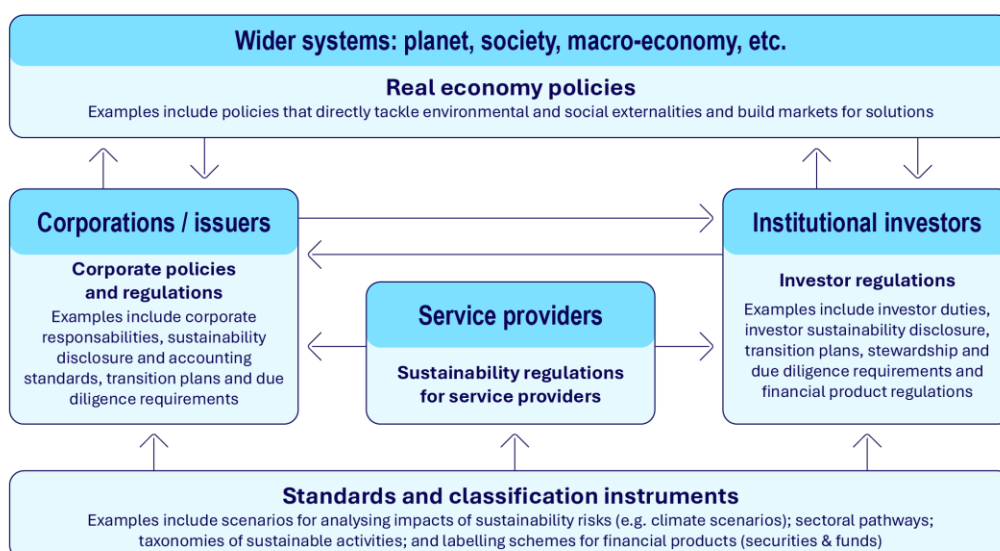
The PRI's *Sustainable Investment Policy Toolkit (Part I)* identifies ten priority policy tools and recommends a whole-of-government approach for financial authorities to achieve more holistic policy. Embedding disclosure within a well-coordinated policy framework can help activate and strengthen the positive feedback loop, enabling capital markets to reward responsible investment and support the transition to a sustainable economy. In particular this requires:

- **real economy policies** that – through both pricing and non-pricing measures – address externalities and create markets for solutions to sustainability challenges. These measures ultimately shape the investment universe and encourage investors to better price in material sustainability factors, including risks and impacts.
Real economy policies strongly influence which sustainability factors are material to investment

decisions. At the same time, effective policy-making depends on investor disclosures to reveal how capital is allocated in line with pathways towards transition targets, and to identify and tackle capital gaps and investment barriers (see [Figure 4](#));

- **financial and corporate policies governing corporates/issuers, service providers and institutional investors** to ensure basic guardrails and create an enabling policy environment for sustainable investment. Well-coordinated sustainability disclosure requirements for corporates, investors and service providers are important to provide the transparency needed to align incentives, responsibilities and actions across the investment chain;
- **sustainable investment classification instruments** – such as taxonomies, scenarios and transition pathways – to provide investors with tools to identify sustainable or transition assets and products, and to objectively assess their exposure to sustainability risks and progress toward sustainability objectives. Integrating these instruments into investor sustainability disclosures can offer data users deeper insights into both risk exposure and transition progress.

Figure 4: Integrating investor sustainability disclosure into a holistic policy approach that supports the economy-wide transition towards a sustainable future





Annex: Layered disclosure requirements

Layers of disclosure requirements		Examples of disclosure requirements	Basis/objectives	Examples of disclosure frameworks	
Baseline disclosure requirements	Entity level	<ul style="list-style-type: none"> Impacts of material sustainability factors on investment and how they are addressed, including through governance, strategies, risk management and tracking metrics and targets Consideration of severe adverse sustainability impacts of investment decisions, particularly those that may drive systemic or systematic risks 	<ul style="list-style-type: none"> Investor protection Prudential supervision 	<ul style="list-style-type: none"> UK TCFD entity report and SDR disclosure requirements on firms' management of sustainability-related risks/opportunities Office of Financial Sanctions Implementation (OSFI) Climate Risk Management Guideline B15 HK SFC Circular on management and disclosure of climate-related risks by fund managers Australian Prudential Regulatory Authority (APRA) CPG 229 Climate Change Financial Risks Australia RG 280 sustainability reporting 	
	Product level	Pre-contractual	<ul style="list-style-type: none"> How sustainability factors are considered in investment decisions Impacts of material sustainability factors on investment and how to address them, including through governance, strategies, risk management and tracking metrics and targets 	<ul style="list-style-type: none"> Investor protection Consumer duties 	<ul style="list-style-type: none"> Section 1013DA of the Australian Corporations Act 2001 Chartered Financial Analyst (CFA) Institute ESG Disclosure Standards for Investment Products
		Periodic	<ul style="list-style-type: none"> Impacts of material sustainability factors on investment and how to address them, including through governance, strategies, risk management and tracking metrics and targets 	<ul style="list-style-type: none"> Investor protection Consumer duties 	<ul style="list-style-type: none"> UK TCFD product report Article 7 of the EU SFDR EDCI
Opt-in disclosure requirements	Entity level	<ul style="list-style-type: none"> How adopted principles or commitments have been implemented and achieved 	<ul style="list-style-type: none"> Sustainability initiatives 	<ul style="list-style-type: none"> UK Stewardship Code 	
	Product level	Pre-contractual	<ul style="list-style-type: none"> How requirements specified for funds with sustainability characteristics are to be met 	<ul style="list-style-type: none"> Investor protection Market integrity Consumer duties 	<ul style="list-style-type: none"> UK SDR label regime and fund name rules SEC Fund Names Rule HK SFC ESG Funds Circular Japan Guidelines for Supervision of Financial Instruments Business Operators CFA Institute ESG Disclosure Standards for Investment Products Luxflag ESG label
		Periodic	<ul style="list-style-type: none"> How requirements specified for funds with sustainability characteristics have been met over the reporting time frame 	<ul style="list-style-type: none"> Investor protection Market integrity Consumer duties 	<ul style="list-style-type: none"> UK SDR label regime and fund name rules SEC Fund Names Rule HK SFC ESG Funds Circular Japan Guidelines for Supervision of Financial Instruments Business Operators
Anti-greenwashing rules	Usually applicable at the product level	<ul style="list-style-type: none"> Whether communications to clients or consumers are clear, fair and not misleading 	<ul style="list-style-type: none"> Investor protection Market integrity 	<ul style="list-style-type: none"> Australian Securities and Investments Commission Act 2001 UK FCA non-handbook guidance on anti-greenwashing rule 	