

PRI Strategic Plan 2021-24 Consultation paper

Building a bridge between financial risk and real-world outcomes



The Principles for Responsible Investment

Our purpose:

Global investors leading for a sustainable future

Our mission:

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

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

The six Principles for Responsible Investment

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



Message from the Chair and CEO

Building a bridge between financial risk and real-world outcomes

We've come a long way since 2006, starting with a small but dedicated group of founding signatories and growing today to a diverse group of over 3,000 global signatories representing more than half of the world's institutionally managed funds.

Over the past decade, and particularly in the past few years, we've seen a shift, with a significant acceleration in the uptake of ESG investing and both a mainstreaming and maturing of responsible investment philosophies and practices. However, there is still much more to be done and in this period of momentum, it is clear our *Blueprint* has never been more important. It provides a meaningful framework, through which we can continue to drive progress and deliver value to our signatories around the world.



As a part of this strategy process our signatories have shared their challenges, visions and priorities. Through the lens of the *Blueprint* we've shaped these into a dynamic three-year strategy: one which plays to our strengths – drawing on our global scale and convening power as well as the breadth of our expertise across ESG issues.

Supporting ESG incorporation remains core to this strategy and we will continue to develop resources for those new to responsible investment as well as to respond to industry developments with work on asset classes and strategies where incorporation continues to progress. Empowering asset owners in their position at the top of the investment chain also remains critical to our success and we will work closely with them to increase the ambition of stewardship activities.

To complement our work on practices and frameworks, we will support the evolution of the industry. Increasingly we see investors adding a third dimension to their thinking, building from a pure risk and return focus to also considering their role in driving real-world outcomes. This trend is only being accelerated by COVID-19, so over the coming years we will begin to build a bridge between financial risks and real-world outcomes.

Finally, increasing the accountability of our signatory base will be key. We will continue to move the needle on what it means to be a signatory, celebrating leadership and raising the bar both at the bottom and the top. As we look to the next three years, we see an unprecedented opportunity for momentum, and we look forward to working together to deliver on our ambitions for a more sustainable future.

Martin Skancke (PRI Chair) and Fiona Reynolds (PRI CEO)

PRI Strategic Plan 2021-24

Building a bridge between financial risk and real-world outcomes

This strategic plan sets out how we intend to take the next step in delivering our *Blueprint for responsible investment*.

We encourage feedback from signatories on this plan. As you read about the work we have outlined here, we hope you'll think about whether this strategy represents the right level ambition for the PRI, whether the work described will bring you value, whether you support us increasing our focus on connecting financial risk with real-world outcomes – and if you think there's anything we've missed.

PRI signatories have achieved so much together – we look forward to working with you again.

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Choosing our priorities

Looking at what you told us **brings you most value**, going back to our ***Blueprint for responsible investment***, selecting our **priority work areas** and identifying the **ESG issues that we will focus on**.

We've looked at what you've told us brings you value...

Reviewing key requests from the signatory survey



...gone back to our *Blueprint for responsible investment*...



RESPONSIBLE INVESTORS

We will strengthen, deepen and expand our core work of leading responsible investors in their pursuit of long-term value.

SUSTAINABLE MARKETS

We will address unsustainable aspects of the markets that investors operate in, to achieve the economically efficient, sustainable global financial system that responsible investors and beneficiaries need.

A PROSPEROUS WORD FOR ALL

We will enable signatories to improve the real world – now and in the future – by encouraging investments that positively impact the societies in which we live and the environment we pass on to future generations.

...selected our priority work areas...

Mapping what you've asked for to our *Blueprint for responsible investment*

RESPONSIBLE INVESTORS



Driving ESG incorporation...
"What effect are ESG issues having on my portfolio?"



**Increasing
stewardship
ambitions**



**Strengthening
accountability**



**Recognising
leadership**

SUSTAINABLE MARKETS



**Addressing legal
barriers**



**Improving end-to-end
sustainability data**

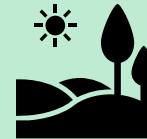


**Aligning policies,
regulation and
market incentives**



**Embedding sustainability
in the economic recovery
from COVID-19**

A PROSPEROUS WORLD FOR ALL



...and a focus on outcomes:
"What effect is my portfolio having on the world?"



**Securing net-zero
commitments**



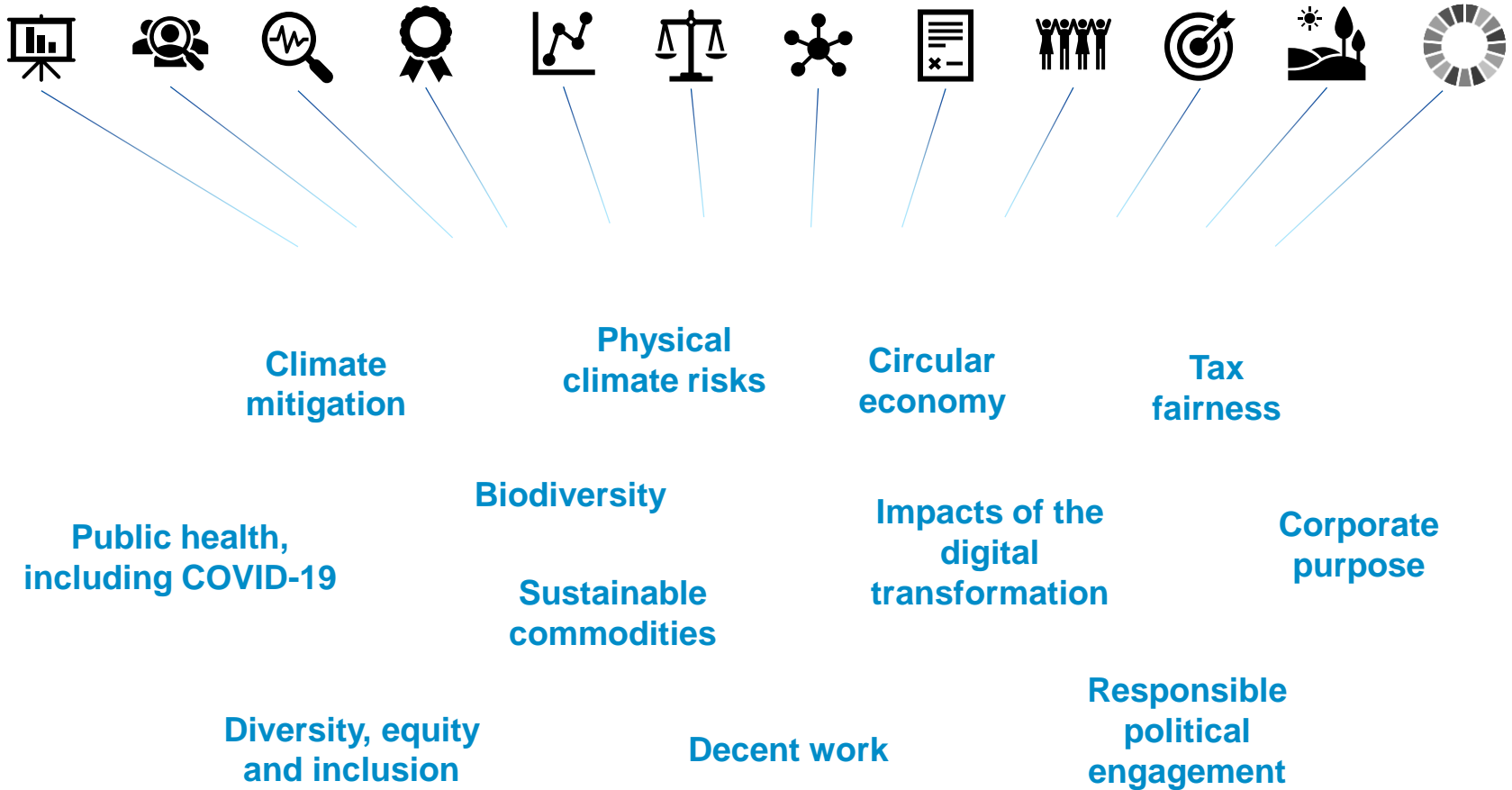
**Elevating social
issues**



**Working with signatories
to deliver the SDGs**

...and identified the ESG issues that we will focus on

Drilling down into which issues we will look at across our work areas



Our plans in detail

Supporting signatories, across all areas of our *Blueprint for responsible investment*

Our plans in detail

Supporting signatories, across all areas of our *Blueprint for responsible investment*

Our work supporting **asset owners** and **investment managers** to analyse and incorporate **ESG issues** will **expand** – to also help align purpose, strategy and activities with **real-world outcomes**. Our **stewardship** work will develop into two distinct, complementary areas: coordinating large-scale **collaborative engagements** on **systemic issues**, and **supporting** signatories' own work on targeted, **local issues**. We will continue to provide for an ever-more diverse signatory base by **strengthening** both our **minimum standards** work, and our **leadership programmes**. The **PRI Academy** and **digital events** will become increasingly important ways to **connect signatories** with each other and with other stakeholders.

Initiatives:

1. Provide **evidence, tools, guidance** and **examples of best practice** in all asset classes on **assessing financial risks/opportunities** and **aligning with real-world outcomes**, across:
 - a) **selection, appointment and monitoring of managers**;
 - b) **ESG incorporation**;
 - c) **engagement** and **proxy voting**;
 - d) **disclosure** and **oversight**.
2. Develop investors' understanding of, and approach to, **stewardship**, to prioritise **outcomes** over process, and **universal** goals over relative performance.
3. Facilitate **collaborative engagements** on **systemic ESG issues** – those that affect the whole system across multiples companies, sectors, markets and/or economies.

Our plans in detail

Supporting signatories, across all areas of our *Blueprint for responsible investment*

Initiatives:

4. Provide dedicated support for **asset owners**, including on issue-based work (particularly climate change and human rights) and in the investment process (including consultants and mandates).
5. Increase support for **emerging market investors**.
6. Deliver the new **reporting and assessment** process, ensuring that it remains **useful** and **relevant** to signatories, and **drives positive change**.
7. Develop a **leadership programme** that recognises **excellence** and supports **learning** for all signatories.
8. Increase **minimum requirements**, supporting all signatories to meet them and engaging with those that do not.
9. Build **confidence** in **data reported to the PRI**, by requiring **stronger assurance** measures.
10. Enhance **training** for **investment professionals** through updated courses on the **PRI Academy**.
11. Better connect investors and academics, to share **academic insights** and aid collaboration.

Our plans in detail

Supporting signatories, across all areas of our *Blueprint for responsible investment*

Our work on **public policy**, **market structures** and the roles of other players across the **financial system** will expand to include supporting signatories in **influencing change** on **individual sustainability issues**. Our exploration of how to **drive meaningful data** throughout the financial system will mature into a dedicated programme to encourage and support efforts to harmonise **global reporting standards** for **ESG risks/opportunities** and for **real-world outcomes**.

Initiatives:

12. Lead **engagement** with **policy makers on climate and other priority issues**.
13. Contribute to **ESG incorporation** being implemented in **financial policy and regulation** in core markets, including providing technical input on **sustainable finance policies**.
14. Conduct **legal and policy analysis** to help develop the environment and frameworks needed to support **investing for real-world outcomes**.
15. Work with other financial market participants – such as **voting chain intermediaries**, **passive index providers**, **credit rating agencies** and **investment consultants** – to ensure their products and services are **aligned** with the **sustainability needs** of their investor clients.
16. Collaborate with others to develop a single **global sustainability reporting system** for investors and corporations, including propagating **harmonised and meaningful data** on sustainability performance and outcomes.
17. Analyse **investment market structure**, to define **sustainability-enhancing interventions** for systemically important participants.

Our plans in detail

Supporting signatories, across all areas of our *Blueprint for responsible investment*

Our work supporting investors to respond to and address **climate change**, and to thrive amidst rapid global pursuit of the **Paris Agreement**, will increasingly focus on the specific demands of meeting **net-zero** targets by **2050**. We will elevate our focus on **human rights**, explicitly working to support investors embed internationally recognised human rights frameworks into their activities. Ultimately, and recognising that we are now in the decade in which the Sustainable Development Goals must be achieved, we will help investors to **shape real-world outcomes**.

Initiatives:

18. Support **climate risk assessment**, including through the **Inevitable Policy Response project**, **PRI reporting and TCFD**.
19. Encourage investors to **align portfolios with the Paris Agreement**, including through supporting the UN-convened Net Zero Asset Owner Alliance, the EU taxonomy for sustainable activities and The Investor Agenda.
20. Build investors' understanding of **human rights** and support them in embedding the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises into their investment activities.
21. Support investors' understanding of priority issues, to help **drive investment** in line with **planetary boundaries**, **inclusive societies** and a **corporate culture that delivers sustainable performance**.
22. Provide tailored guidance on **investing with real-world outcomes** across multiple markets.

Our signatory base continues to grow, in size and diversity

Working to better serve signatories, locally and digitally



Providing dedicated local support through PRI staff in
15+ countries around the world



Expanding our range of digital resources and events



... and intending to do so without raising fees*

Leadership and accountability

How we will recognise leadership, hold signatories to account and our proposal for increasing the minimum requirements

How will we recognise leadership?

Highlighting the best work, for everyone to learn from

We will expand our programme for **recognising leadership** and **sharing examples of best practice** for everyone to learn from, with a new focus on **leadership behaviours** – in addition to our existing Leaders' Group and PRI Awards.

To support signatories in developing and demonstrating leadership in responsible investment, we will encourage them to **participate in initiatives** – such as Climate Action 100+ and the Asset Owner Alliance. We will grow the number of initiatives we offer, across human rights and the rest of our priority issues.

They will focus on leadership behaviour in:

Incorporating ESG considerations...	✓	✓
Stewardship of investees...	✓	✓
	...for risk/return	...to shape sustainability outcomes

The **leadership behaviours** we will encourage and support signatories to demonstrate are:

- **Purposeful** – publicly states and commits to their own **purpose** and contributes to the PRI's
- **Consistent** – purpose is reflected in their **actions** (including through choosing not to engage in contrary actions) and actions are **structured, methodical** and achieved through appropriate technical **processes and systems**
- **Transparent** – makes commitments publicly and regularly **discloses** in full on **progress** and **learning**
- **Engaged** – keen to **work with others**, including the PRI
- **Responsible** – seeks to understand the **outcomes of their actions**, demonstrates **progress towards a sustainable financial system** and **minimises harm**

Leaders' Group

The Leaders' Group showcases signatories at the cutting edge of responsible investment, and highlights trends in what these leading signatories are doing.

We will continue to use signatories' reporting responses and assessment data to identify those that are doing great work in responsible investment, both across their organisation, and with a particular focus on a given theme each year. In 2021 the theme will be: **stewardship**.




PRI Awards

Where the Leaders' Group assesses the breadth of signatories' excellence, the PRI Awards recognise individually excellent projects conducted by signatories of all sizes, specialisms and levels of development.

The PRI Awards are a great opportunity for all signatories to learn from each other's successes, as all the winning and shortlisted case studies are published on the PRI website.

How will we hold signatories to account?

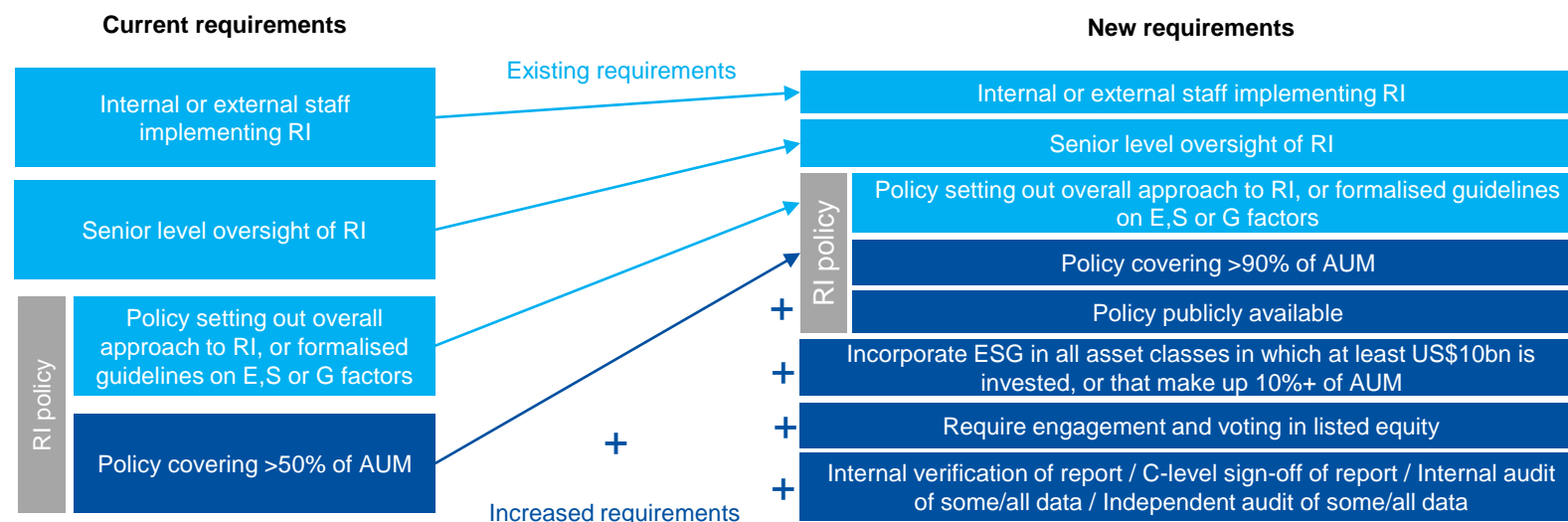
Improving reporting, increasing minimum requirements and strengthening assurance

New Reporting Framework	Minimum requirements	Assurance mechanisms
<p>A new model to ensure that the Reporting Framework: a) is shorter, easier to use and produces more useful outputs; and b) supports the PRI's <i>Blueprint</i> commitments, including to showcase leadership and increase accountability, drive meaningful data throughout markets and enable real-world impact aligned with the SDGs.</p> <p>Featuring:</p> <ul style="list-style-type: none"> ▪ A process-focused core component of closed-ended questions that will be mandatory and assessed. ▪ A more advanced, open-ended plus component of process- and outcome-focused questions, which will be voluntary and not assessed. 	<p>To continue to ensure that signatory status is meaningful, we will increase the minimum requirements, including:</p> <ul style="list-style-type: none"> ▪ increasing the standard required; ▪ reducing the time allowed to reach the required level; ▪ continuing to increase the minimum requirements over time.  <p>See the following page for a detailed breakdown of the proposed new minimum requirements, which we are keen for signatory feedback on as part of this consultation.</p>	<p>To increase confidence in reported data, we will:</p> <ul style="list-style-type: none"> ▪ require all signatories to have stronger internal reviews; ▪ make even higher standards of assurance one of the criteria for being identified as leaders; ▪ explore ways to introduce PRI-coordinated independent audits to selections of signatory reports. 

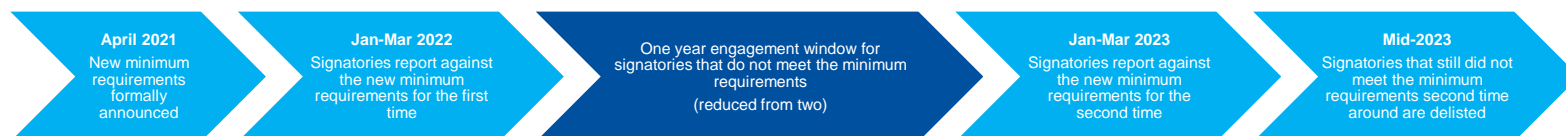
What are our minimum requirements proposals?

Asking for feedback on each proposed change, and on the appropriate timeframe

We have committed to gradually increasing the minimum requirements for signatories over time. In the next set of changes, we will introduce new requirements, and reduce the time for engaging with signatories that don't meet requirements before delisting them. We encourage feedback on the changes described (see page 19).



New timeline



Engaging with you

To deliver, we will need you every step of the way – starting with the strategy itself

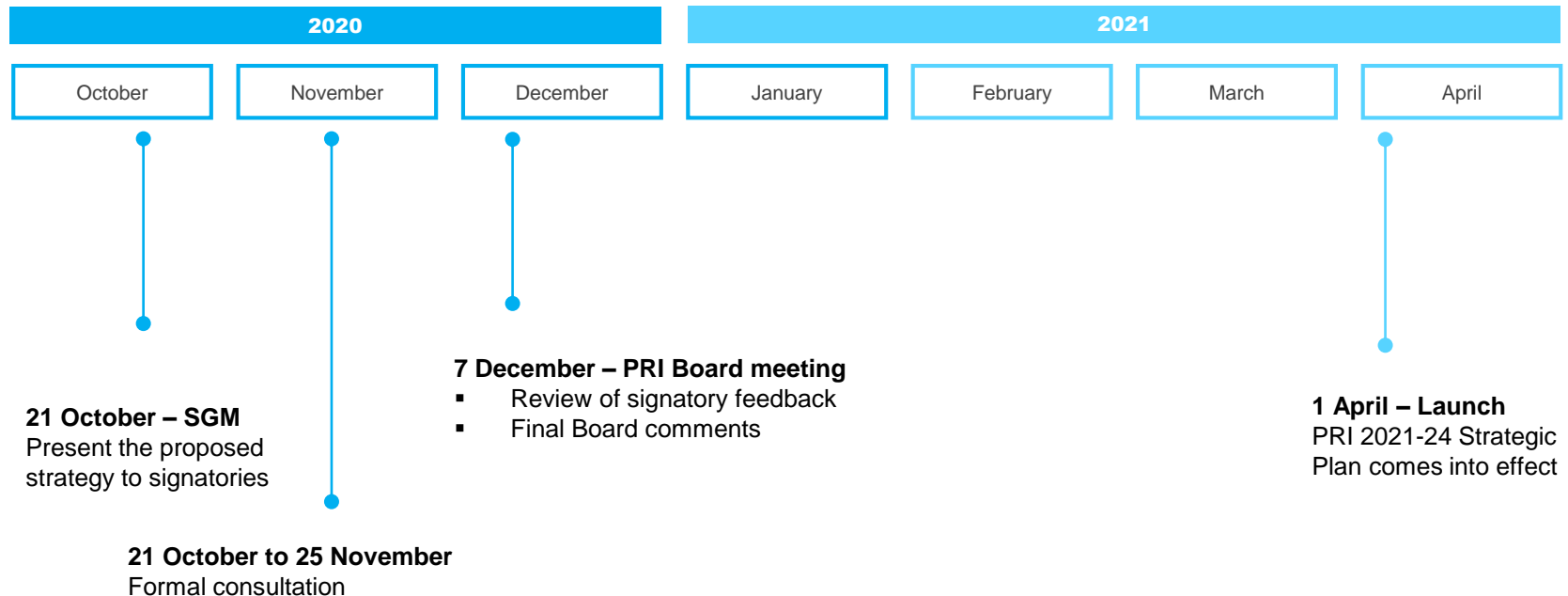
Consultation questions

Inviting feedback from signatories

1. Do you think that this strategy is the right level of ambition for the PRI?
 2. Will the work on ESG incorporation outlined in this strategy help your organisation?
 3. Will the increased work on real-world outcomes be of interest to your organisation?
 4. Which of the specific initiatives described (pages 11-14) will provide the most value for your organisation?
 5. Are there any key strategic issues that you feel are missing and would like more support from the PRI on?
 6. Are there any areas in the strategy that you don't feel the PRI is best placed to work on?
-
7. Do you support increasing signatory accountability via increased minimum requirements?
 8. What do you think of each change proposed to the minimum requirements?
 - a. Increasing responsible investment policy coverage from >50% to >90% signatory AUM
 - b. Public disclosure of responsible investment policy
 - c. ESG incorporation in all asset classes in which at least US\$10bn is invested, or that make up 10%+ of AUM
 - d. Incorporation of ESG considerations in stewardship practices for listed equity assets
 - e. Internal verification of PRI reported data
 9. Do you support the shorter timeline of one year of engagement before delisting?
-
10. Are there any other issues that you would like to raise as part of this consultation?

What happens next?

Finalising our plans



[Details of the webinars and survey](#)

What success will look like

What the world will look in 2024 if our work with you over the next three years succeeds

Global investors leading for a sustainable future

