

# PRI 2021-24 STRATEGY CONSULTATION

## PRI BOARD RESPONSE

### INTRODUCTION

The PRI is about to embark on an ambitious new three year strategy, to drive forward our Blueprint for Responsible Investment with the core theme of *'building a bridge between financial risk, opportunities, and real-world outcomes'*.

The aim of this *PRI Board response* is to formally report back to signatories on the strategy consultation, give an insight into the PRI Board's ('the Board') strategy discussions over the past year (to complement the published strategic plan), and to propose next steps for the PRI's mission.

We encourage signatories and stakeholders to read this *PRI Board response* in conjunction with:

- [PRI Strategic Plan 2021-24](#)

The 2021-24 strategy map is also included as an appendix to this document.

### FORMAL CONSULTATION

As a signatory-based organisation, the PRI encourages all signatories to participate actively in its governance and strategic direction and provide feedback on strategically important matters via formal consultations. The PRI's Articles of Association<sup>1</sup> require the PRI to formally consult with signatories before the adoption of its three-year strategic plan, making material changes to its governance structure, the Objects and/or Mission, the Principles, or the signatory fee structure. For each consultation, the PRI must publish a consultation document, have a consultation period, and provide multiple channels for signatories to provide feedback.

In October 2020 the PRI published a strategy consultation paper and asked for signatory feedback on both the draft strategy and the proposed strengthened minimum requirements.

- [PRI strategic plan 2021-24 consultation paper](#)
- [PRI strategy consultation webinar](#)

### SIGNATORY PARTICIPATION AND TRANSPARENCY

The Board welcomed the active involvement of signatories in the consultation. 10% participation is the industry average for these types of consultations. 16% of signatories responded to this consultation, 577 of the c.3500 signatories at the time. The respondents were broadly representative of the wider signatory base. The results were analysed by an independent organisation, Opinium Research.

<sup>1</sup> <https://d8g8t13e9vf2o.cloudfront.net/Uploads/g/e/r/2016-11-14-Articles-of-Association-of-PRI-Association-.pdf>

Responses have been analysed by the signatories taken as a whole, as well as by signatory category, assets under management, length of signatory status, and geographic region.

As part of its commitment to transparency, the PRI publishes a formal response from the Board to the signatory feedback, a summary of the feedback received from signatories, and their full consultation responses, after each consultation period closes. This document is the formal Board response, and for further detail see:

- [Signatory consultation summary presentation](#)
- [All signatory responses to the strategy consultation](#)

## STRATEGY CONSULTATION RESULTS

Overall, signatory respondents were supportive of the proposed strategy:

- 86% of signatories feel the strategy is the right level of ambition for the PRI;
- 82% feel the ESG integration work outlined in the strategy will help their organisation; and
- 82% of signatory respondents thought that the increased work on real-world outcomes would be of interest to their organisations.

For all of these responses there was no significant difference when analysing through the lenses of signatory category, assets under management, length of signatory status, and geographic region.

The Board is responsible for the strategic direction of the PRI, taking into consideration the views of signatories. The strategy is rooted in the PRI's ongoing engagement with the signatory base, from the original Blueprint consultation to the regular signatory survey, to focus groups, to advisory committees and working groups, to the Reporting and Assessment Framework, and regular 1-1 interactions.

The core of the PRI's work remains providing resources and support for ESG incorporation. This provides value for signatories. Signatories have also been calling for support from the PRI on the SDGs and outcomes. The work on outcomes was introduced after an extensive consultation with signatories about the 10-year Blueprint. The PRI is a signatory-based organisation and a significant number of signatories want to develop their thinking and processes around outcomes.

Signatory respondents were also asked to indicate five (out of the 22) key initiatives that would be of most value to their organisations. These questions with the benefit of hindsight were slightly reductive, forcing signatories to select five initiatives based on brief descriptions. The PRI has a diverse signatory base, requiring a wide range of support and initiatives. Also, signatories are often working on multiple complementary responsible investment actions, many of which will be aligned with the listed key initiatives.

The spread of initiatives selected was indicative of the diversity of the signatory base. However, the initiatives selected as providing the most value across the broad signatory base are also interesting, reinforcing what is of most value or top of mind for many signatories:

1. Provide evidence, tools, guidance, and examples of best practice (71% of signatories selected in their top five)
2. Facilitate collaborative engagements on systemic ESG issues (40%)
3. Collaborate with others to develop a single global sustainability reporting system (38%)
4. Deliver the new reporting and assessment process (37%)
5. Develop investors' understanding of, and approach to, stewardship (26%)

This is a sense check for the Board, to confirm that the PRI is providing value to the signatory base, putting its effort in the right place, all aligned with the PRI's role and mission.

## STRATEGY PROCESS

Due to COVID-19 the strategy process at the Board level was protracted. The Board had strategy discussions over a series of meetings from December 2019 to September 2020, in advance of the signatory consultation period. The Board had important discussions on the nature of the PRI, its comparative strengths, strategic risks, strategic choices, and key programmes.

In past consultations the PRI has held numerous regional workshops to complement the online survey and webinars. These in person workshops can provide the context for our plans, building the case, and communicating particularly around more complex and difficult issues. Obviously, these in person workshops were not possible in 2020. The Board has tried to rectify this in the first instance with a more comprehensive account of our strategic plan, that provides more context.

## BOARD DISCUSSIONS

### PRI's distinctive strengths

One important Board discussion was on the PRI's distinctive strengths and understanding how these might influence the strategy, where the PRI invests its efforts, and how the PRI can play a complementary role to other responsible investment organisations and initiatives. The Board based the strategy on the following assessment of the PRI's distinctive strengths:

- Investor-based organisation
- Principles-based and Mission driven
- Positioned to promote accountability
- U.N. supported
- Breadth of responsible investment topics
- Collective knowledge and experience
- Sustainable financial operating model

The final strategy plan goes into further depth about each of these elements.

Some signatories have expressed concern about a perceived mission (and cultural) shift away from the investor perspective. The strategy consultation materials should have been clearer on the PRI's distinctive strengths, taking as a starting point that the PRI is an organisation of, by and for investors. The PRI's mission, the Principles and all of the PRI's work is grounded in financial materiality. The PRI is an investor led organisation and starts from the perspective of the role of the investor in the

market economy. The PRI is unique in this way and this investor focus dictates the PRI's role, perspective, and effort, including the value that it seeks to provide to signatories.

### 'Big tent'

One fundamental choice that the Board discussed was whether the PRI should remain a 'big tent' organisation, open to all potential signatories and inclusive, or have a hurdle to entry, or even different types of signatories based on depth or 'maturity' of responsible investment practices.

The Board still supports the 'big tent' approach. Responsible investment is still building momentum and encouraging all investors is critical. The PRI's role is to promote responsible investment practices and sometimes it takes time to make progress. It is easy to improve average standards by delisting poor performers, but that doesn't necessarily improve responsible investment. Also, this approach gives the PRI its legitimacy and authority, as the leading advocate for responsible investment globally..

The 'big tent' approach welcomes a diverse signatory base. That means that while not every PRI resource will be relevant for every signatory, the aim is to provide value for all and drive responsible investment.

### Accountability

Inherent in the 'big tent' approach is the risk of greenwashing, by allowing any investor organisation to be signatory. The PRI must try to guard the credibility of signatories' responsible investment effort and actions, and by extension the credibility of the PRI.

The Board has identified greenwashing as the biggest risk to the credibility of responsible investment and the PRI itself. To try to mitigate this risk the PRI will strengthen the minimum requirements, complete the reform of the Reporting and Assessment Framework, and introduce assurance measures for the reported data. The aim of these accountability measures is always to help improve signatories' practices over time. For example, we will engage with signatories that don't meet the minimum requirements and through a structured process and guidance try to enable them to meet the minimum requirements.

At the same time the PRI is not a regulator or watchdog. The PRI's role, and where our effort is best placed, is encouraging a greater breadth and depth of responsible investment practices. This can be via facilitating engagement and collaboration on collective issues, enabling signatory transparency, helping to create the enabling environment for responsible investment through policy advocacy, providing the investor voice on the convergence of ESG reported data, or sharing best practices. Our efforts to showcase signatory leadership will increase over the next three years through the Leaders' Group, the PRI Awards, and the demonstration of leadership behaviours.

### ESG incorporation and outcomes

This strategy period the core work remains ESG incorporation. This will be augmented with further work to help support investors thinking and practices with regards to real-world outcomes.

PRI signatories have their respective mandates, with the vast majority grounded in fiduciary duty. Signatories increasingly recognize that there are feedback loops between the real economy and financial markets, where the outcomes investors help shape today impact the financial risks that they face tomorrow. Hence, they are demanding work on outcomes, and considering outcomes, for example with regards to climate change. Issues such as human rights abuses, climate change and inequitable social structures seriously threaten the long-term performance of economies, investors' portfolios and the world in which beneficiaries live. Many investors also recognize that consideration of real-world outcomes is important for their legitimacy with beneficiaries and other stakeholders in society.

The theme of the new strategy is “*building a bridge between financial risk, opportunities, and real-world outcomes*”. The aim is to support signatories to recognize and understand the interdependencies between financial markets and real-world outcomes, based on an investor perspective.

#### Reform of the Reporting and Assessment Framework

PRI Reporting is critical to a lot of signatories, and for many it is their principal interaction with the PRI. The design of any PRI Reporting and Assessment Framework includes the introduction of expectations, and often by extension norms, for responsible investors. Some signatories have been critical about the introduction of questions on outcomes into both the mandatory and voluntary parts of the pilot Reporting Framework.

There are only be a few select ‘core’ indicators on outcomes in the 2021 reporting cycle. These indicators are process oriented, assessed and, by default, disclosed. The majority of the outcomes-related content can be found in the ‘Sustainability Outcomes’ module, which is voluntary to report on. It consists only of ‘plus’ indicators that are not assessed and voluntary to disclose. The mandatory ‘core’ outcomes indicators cover two sections aligned with the PRI’s paper Investing with SDG outcomes: a five-part framework: Part 1: Identify sustainability outcomes; and Part 2: Set policies on sustainability outcomes. One aim of including these questions was to gather best practices, which in turn could be shared with the wider signatories.

These signatories, however, saw the inclusion of outcomes based questions as a change in the underlying principle of the PRI collecting actual investor experiences and those in turn creating the benchmark. Signatories do understand that reporting is part of the iterative process of how the PRI works, but they want guidance first, rather than reporting first.

The Board understands how signatories can be wary of reform, particularly when signatories are grappling with difficult interpretations about their role and responsibility with regards to outcomes and the expectations of wider stakeholders. 2021 is a pilot year for the new Reporting and Assessment Framework. The Board will carefully review the experiences from the pilot year and these issues raised, within the broader signatory feedback, and formally report back to signatories before the 2022 reporting period opens.

## PRI PURPOSE AND MISSION

As part of these strategy discussions the Board drafted a purpose statement for the PRI: *'Global investors leading for a sustainable future'*. The intention was to draft more of an 'elevator pitch', a summary of the long mission statement that was originally approved by the PRI Advisory Council in 2012 and included in the signatory approved reform of the PRI's Articles of Association in 2015.

However, during initial conversations some signatories had reservations about any new purpose statement. The concern was that it could signal or enable 'mission drift', with a purpose statement overlaying the existing mission and six Principles. While the intention of the Board was to provide a short version of the existing mandate without any change to the mission or Principles on which the PRI is founded, the Board recognizes the sensitivities around any changes to statements regarding the purpose of the PRI. Therefore, the Board will not adopt the proposed purpose statement at this time and ensure that any new purpose statement that speaks to the role of responsible investors is subject to signatory consultation and approval.

Looking back to the PRI ten-year review<sup>2</sup>, conducted in 2016, one of the headlines was that *"signatories' views vary as to the PRI's purpose and vision... [and] this seems increasingly to hamper its effectiveness"*. The PRI's ultimate aim is to enable a sustainable global financial system, as set out in the mission statement. At the same time, the Board notes that the external environment has changed significantly since the mission statement was originally developed: the Paris Agreement and the SDGs have been adopted, terminology is different, and investor expectations and practices are evolving. The Board thus believes now is a good time to review the mission statement with signatories as an opportunity to engage with signatories, have a more structured discussion on these issues, and strengthen a shared vision.

The PRI will start consulting with signatories on the PRI mission and purpose later in 2021. Based on feedback from the consultation, possible changes could be put to a signatory vote in 2022. Any change to the mission, embedded within the Articles, requires the approval of a simple majority of signatories *and* a simple majority asset owner signatories<sup>3</sup>.

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<sup>2</sup> [https://10.unpri.org/wp-content/uploads/2016/04/PRI-final-report\\_-\\_single-pages.pdf](https://10.unpri.org/wp-content/uploads/2016/04/PRI-final-report_-_single-pages.pdf)

<sup>3</sup> Article 18.1 <https://d8g8t13e9vf2o.cloudfront.net/Uploads/g/e/r/2016-11-14-Articles-of-Association-of-PRI-Association-.pdf>

# APPENDIX: 2021-24 PRI STRATEGY MAP

Guided by the six Principles for Responsible Investment and the PRI Mission

## OUR STRATEGIC THEME 2021-24

**BUILDING A BRIDGE BETWEEN FINANCIAL RISK,  
OPPORTUNITIES AND REAL-WORLD OUTCOMES**

### OUR STRATEGIC DRIVERS

BIG TENT	ACCOUNTABILITY	SCALABILITY
We welcome a diverse and global signatory base. Diversity gives us strength. We aim to provide value for all.	Accountability is critical for signatory credibility and drives progress.	Scale leverages signatories' responsible investment effort and impact. We aim to support signatory learning and collaboration at scale.

### OUR 10-YEAR BLUEPRINT THEMES

<b>RESPONSIBLE INVESTORS</b>	We will strengthen, deepen and expand our core work to lead responsible investors in their pursuit of long-term value and to enhance alignment throughout the investment chain.	<ul style="list-style-type: none"> <li>Empower asset owners</li> <li>Support investors incorporating ESG issues</li> <li>Foster a community of active owners</li> <li>Showcase leadership and increase accountability</li> <li>Convene and educate responsible investors</li> </ul>	<p><b>The changes we need to realise the Blueprint:</b></p> <ul style="list-style-type: none"> <li>Financial markets better price ESG factors</li> <li>Cost and availability of capital changes to reflect future ESG risk and return prospects</li> <li>Investors seek company change</li> </ul>
<b>SUSTAINABLE MARKETS</b>	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.	<ul style="list-style-type: none"> <li>Challenge barriers to a sustainable financial system</li> <li>Drive meaningful data throughout markets</li> </ul>	<p><b>The changes we need to realise the Blueprint:</b></p> <ul style="list-style-type: none"> <li>Companies change their products, governance and practices to align with sustainable outcomes</li> <li>Government policies and market structures align with sustainable outcomes</li> <li>Other financial system actors incorporate, and align with, sustainable outcomes</li> </ul>
<b>A PROSPEROUS WORLD FOR ALL</b>	We will enable signatories to incorporate real-world outcomes in their investment process by providing them with the necessary tools, frameworks and guidance.	<ul style="list-style-type: none"> <li>Champion climate action</li> <li>Enable real-world impact aligned with the SDGs</li> </ul>	<p><b>The changes we need to realise the Blueprint:</b></p> <ul style="list-style-type: none"> <li>Economies operate within planetary boundaries</li> <li>Societies are inclusive</li> </ul>

### OUR KEY INITIATIVES 2021-24

<b>RESPONSIBLE INVESTORS</b>	<ol style="list-style-type: none"> <li>1. Provide evidence, tools, guidance and examples of best practice on assessing financial risks/opportunities and links to real-world outcomes</li> <li>2. Develop investors' understanding of, and approach to, stewardship</li> <li>3. Facilitate collaborative engagements on priority ESG issues</li> <li>4. Provide dedicated support for asset owners</li> <li>5. Increase support for responsible investment in emerging markets</li> <li>6. Deliver the new reporting and assessment process, following the pilot</li> <li>7. Develop a leadership programme that recognises excellence and supports learning</li> <li>8. Increase minimum requirements</li> <li>9. Build confidence in data reported to the PRI, by exploring stronger assurance measures</li> <li>10. Enhance training for investment professionals through the PRI Academy</li> <li>11. Better connect investors and academics</li> </ol>
<b>SUSTAINABLE MARKETS</b>	<ol style="list-style-type: none"> <li>12. Engage with policy makers on climate and other priority issues</li> <li>13. Contribute to ESG incorporation being implemented in financial policy and regulation</li> <li>14. Conduct legal and policy analysis to help develop the environment and frameworks needed to support investing for real-world outcomes</li> <li>15. Work with other financial market participants to ensure their products and services are aligned with the sustainability needs of their investor clients</li> <li>16. Collaborate with others to develop a single global sustainability reporting system for investors and corporations</li> <li>17. Analyse investment market structure, to define sustainability-enhancing interventions for systemically important participants</li> </ol>
<b>A PROSPEROUS WORLD FOR ALL</b>	<ol style="list-style-type: none"> <li>18. Provide tailored guidance on investing with real-world outcomes across multiple markets</li> <li>19. Develop tools and guidance for assessing climate risk</li> <li>20. Support signatory climate action in aligning portfolios towards net zero by 2050.</li> <li>21. Build investors' understanding of human rights and support them in embedding the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises</li> <li>22. Support investor action on priority ESG issues, including through incorporation activities and shaping outcomes in line with planetary boundaries, inclusive societies and a corporate culture that delivers sustainable performance.</li> </ol>

### OUR ENABLERS

Supporting signatories	Supporting people	Financial management	Governance
<ul style="list-style-type: none"> <li>Increased global operating presence</li> <li>Digital transformation</li> <li>Deeper signatory engagement</li> </ul>	<ul style="list-style-type: none"> <li>Post-pandemic ways of working</li> <li>Diversity and inclusion</li> <li>Professional development</li> <li>Recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>Signatory certainty on fees</li> <li>Strong reserves</li> <li>Strong financial oversight</li> </ul>	<ul style="list-style-type: none"> <li>Elected representative board</li> <li>Strategic direction and oversight</li> <li>Accountability and transparency</li> <li>UN links</li> </ul>