PRI 2021 U.S. POLICY PRIORITIES

As 2020 comes to a close, the PRI is actively working toward a productive and potentially transformative 2021 for responsible investment policy in the U.S. The incoming Biden Administration and economic reemergence following the COVID-19 pandemic both present opportunities for the growth of responsible investment across industries and markets. The PRI's 2021 policy priorities focus on six areas we see as actionable and achievable to support greater adoption of the Principles and advancement of sustainable finance. For questions or comment, email policy@unpri.org.

POLICY RESET: The outgoing Administration put in place a number of policies that make it more difficult for asset managers to consider ESG factors in their portfolios, erected barriers to shareholders actively engaging with management, and failed to support policies that promote ESG considerations, such as limiting climate emissions and encouraging diversity and inclusion. The PRI will work to hit reset on these policies that inhibit responsible investment and quickly restore progress in the U.S., including:

- **At the Securities & Exchange Commission,** we recommend the use of regulatory procedure to quickly rework both Rule 14a-8 (Shareholder Proposal Rule) which made it more difficult for shareholders to engage with management on ESG topics through the proxy process, and Proxy Voting Advice Rule which undermines investors' access to independent outside advice regarding proxy proposals;

- **At the Department of Labor,** we recommend leadership use existing authority to quickly establish that ERISA fiduciaries have an obligation to consider material ESG factors, while beginning the process of writing a new rule establishing that fiduciaries have an obligation to consider ESG risks and opportunities as part of their investment practices.

- **The current DOL** is still actively working on a rule to erect barriers for ERISA fiduciaries to engage in proxy voting and shareholder engagement, and it is expected to be finalized before Inauguration Day. It is likely this rule will be in direct contradiction to Principle 2, and PRI will actively work to prevent the rule from being implemented and to issue new guidance.

FOCUS ON PERSONNEL: Leadership sets priorities, as well as the tone for how work is conducted. We continue to recommend the incoming Biden Administration set clear ESG and sustainability objectives in the mandates for incoming personnel and nominate and appoint personnel to key positions who are dedicated to achieving these objectives. We recommend:

- **The Labor Secretary** clarify in ERISA fund management guidelines that investors should incorporate ESG factors in investment processes as a means for protecting the long-term investments of workers;

- **The SEC Chair** begin developing standardized ESG disclosure requirements on day one;

- **The Treasury Secretary** marshal the influence of the office, including through leadership of the Financial Stability Oversight Council (FSOC), to integrate sustainable finance practices across the federal government in a coordinated effort.

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EXPAND OFFICES AND AUTHORITIES: The President has significant Executive powers that can be used to align federal government actions around sustainable finance, including creating new offices and positions to coordinate climate and social equity goals, and to direct certain monetary and staff resources to achieve specific goals. We recommend:

- The President create a **Sustainable Finance Council (SFC)** at the White House to coordinate policymaking for domestic and international sustainable finance, and ensure that capital market policy is consistent with the President's climate and social equity goals;

- The President appoint **a sustainable finance expert to the Council on Environmental Quality**, a division of the Executive Office of the President, to integrate sustainable finance into environmental considerations across the federal government;

- The Treasury Secretary reestablish the recently shuttered **Office of Energy and Environment** and expand its purview beyond international issues into domestic actions as well.

MEASURE, TEST, AND REPORT: ESG factors in corporate action and investor considerations need to be measured and reported so investors and the market broadly can have consistent, comparable data to accurately assess risks and opportunities. We recommend:

- **The Federal Reserve** conduct formal climate-risk stress testing of entities it oversees;

- **The Treasury Department,** through leadership of FSOC, coordinate with FDIC, OCC, NCUA, and others, to create stress test scenarios and metrics to weight climate-based risk to banks and other financial institutions and measure climate exposure across the financial system;

- **The SEC** utilize the Fund Names Rule regulating mutual funds to incorporate ESG requirements and set up the beginnings of a US Taxonomy, a classification system defining "sustainability".

MAKE PROGRESS PERMANENT: Congressional action sets progress unambiguously in statute and prevents rollbacks based on political winds. The PRI's Inevitable Policy Response project demonstrates that, unless action is taken now for a smooth, orderly transition, it will inevitably be taken later in an abrupt, disorderly way, leading to more market volatility and greater cost to savers.

- **We will work with Congress on a bipartisan stimulus package** that includes climate disclosure and public investments that are sustainable from an environmental and social perspective.

- **We will work with Congress on real economy climate policy** aligned with PRI's Net-Zero report, How Governments and Investors Can Deliver Net-Zero in the US.

REENGAGE ON MULTILATERAL EFFORTS: In order to address the global threat of climate change, the U.S. must work with allies to bring the U.S. in line with the Paris Climate Agreement and move beyond it through unified global action. America has historically been a powerful voice for good around the world. Leading on climate serves as a first step in bringing the world together and gets America back to work on the UN Sustainable Development Goals.

- We recommend the U.S. use partnerships like the **UK-U.S. Financial Regulatory Working Group** to advance responsible investment and look to international groups like the **International Platform on Sustainable Finance (IPSF)** to exchange ideas and coordinate on the development of sustainable finance measures including disclosure rules and Taxonomies.

- Domestically, we recommend the federal government look to state leadership on climate and ESG disclosure, pooling the best ideas from states, our "laboratories of democracy", such as California's ESG disclosure standards, and expanding them nationwide. We will continue to implement our California Roadmap recommendations.