

PRI IN A CHANGING WORLD SIGNATORY CONSULTATION

PRI BOARD RESPONSE

PRI Association

Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org



United Nations
Global Compact

INTRODUCTION

In the 18 years since the PRI's founding, the landscape for responsible investors has changed dramatically. The objective of the *PRI in a Changing World* signatory consultation was to understand signatory views on the changing expectations of responsible investors, and how the PRI might adapt to better support our signatories. This consultation explored key issues for the future of responsible investment and signatories, including the PRI's mission, governance and the value we provide to signatories. Clear messages emerged regarding the need:

- to measure progress in ways that acknowledge our diverse signatory base;
- to design a more agile PRI strategy-setting process;
- to further assess and seek input on our mission statement and governance.

Following preparatory outreach with signatories to test our approach, the consultation was held in two parts:

Part 1: Signatory conversations (September – November 2022)

The PRI has had conversations with PRI signatories via the Signatory General Meeting and key-market workshops. We conducted 38 in-person workshops across 30 cities and one online workshop, reaching more than 750 signatories.

Part 2: Online formal consultation survey (December 2022 – January 2023)

Via the online survey we sought to capture all signatories' formal feedback. One survey submission was permitted per signatory organisation; 1,487 signatories responded to the online survey.

In total 1900 signatories participated in at least one part of the consultation.

The aim of this PRI Board response is to formally report back to signatories on the *PRI in a Changing World* signatory consultation, give an insight into the PRI Board's discussions about the results of the survey, and to propose next steps.

PRI FORMAL CONSULTATIONS

The survey is a [formal consultation](#), which we undertake when discussing or proposing significant changes to the organisation – changes that could affect signatories' expectations, engagement or commitment.

We must hold formal consultations before adopting a three-year strategic plan, or making any material changes to the governance structure, objects, mission, principles or fee structure. Topics of past formal consultations have included: our three-year strategic plans, reporting and assessment, signatory accountability and minimum requirements, and our sustainable financial system work programme.

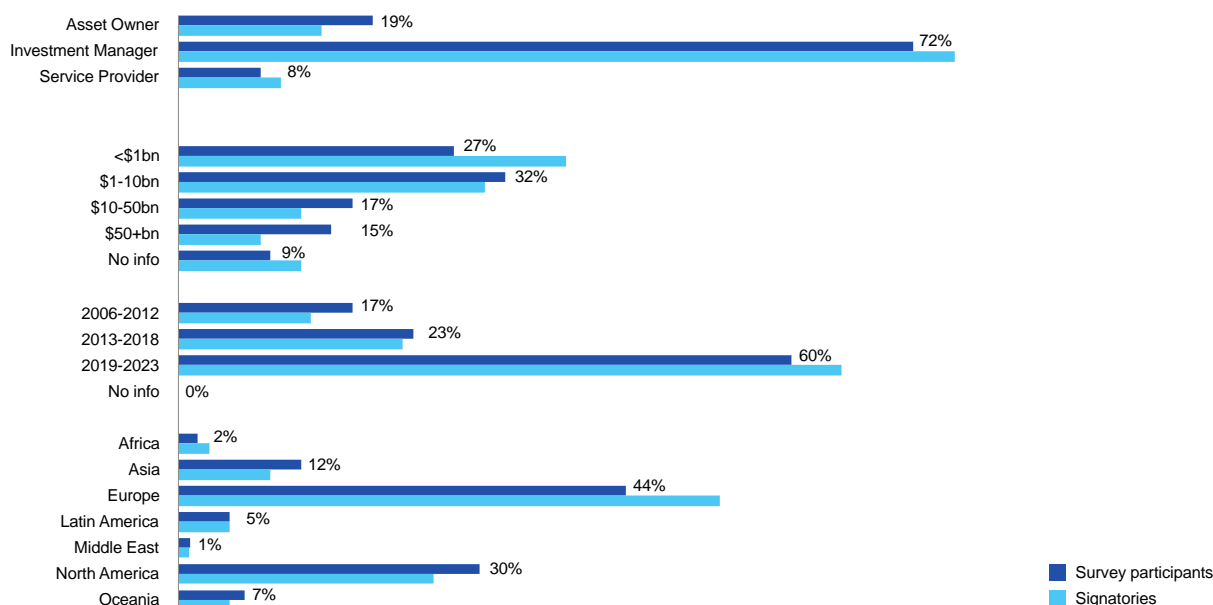
For each formal consultation there are procedural requirements. For this formal consultation the PRI published a consultation document in [Chinese](#), [English](#), [French](#), [Japanese](#), [Portuguese](#), and [Spanish](#); allowed for a consultation period of greater than four weeks; and provided multiple channels for signatories to provide feedback, including at regional events and [webinars](#). After the consultation the PRI must share:

- a formal response from the PRI Board (this document)
- a [summary](#) of the survey responses
- all [survey responses](#) in full but not attributed to individual signatory organisations

The online formal consultation survey captured all signatories' formal feedback and formed the basis for the PRI Board's discussions and this formal response. We should note though that the signatory feedback was largely consistent across the multiple channels used to gather feedback.

The Board welcomed the active involvement of signatories in the consultation survey: 1,487 signatories, or 27% of the signatory base, took part in the online survey. The response rate far exceeds industry standards of around 10% for similar surveys. The survey participation was also broadly representative of the PRI base, whether by signatory category, size, geography or tenure. The survey responses were independently analysed at these sub-levels and at an overall level. While the results show that there are some different areas of emphasis within the sub-levels, there is also a general consistency of responses amongst the whole signatory base.

Figure 1: Proportion of respondents per signatory type



The Board appreciates that the survey took time and consideration, and we appreciate the engagement by those who took part. These are complex subjects and signatories' quantitative and qualitative responses provide a great foundation for our future direction and the value we seek to provide to signatories.

HIGH-LEVEL FINDINGS

The most important survey results from the Board's perspective are:

1. The **PRI is a big tent** whose signatories' interpretations of responsible investment vary based on their mandates, geography and other factors.
2. Most respondents (63%) see responsible investment in the future as including a combination of **managing ESG risks and identifying and acting on sustainability outcomes** – an increase from 41% today. Yet, importantly, 30% of respondents continue to see managing of ESG risks as the sole dimension of responsible investment.
3. Nearly all signatories expect to **progress their responsible investment activities** over time as a part of their PRI journey, but in a voluntary, not prescriptive, manner that is relevant to their organisation. The PRI will work with signatories to develop pathways to enable signatory progression over time.
4. Signatories are broadly supportive of the PRI's role on policy engagement, with half of respondents agreeing that the PRI should take a **more active role in policy engagement**, particularly with respect to improved access to data.
5. There is strong support for the PRI maintaining its global approach and **developing local communities of practice**, bringing the PRI closer to signatories generally.
6. Signatories would like **more input into the PRI strategy and priorities** through regional forums and signatory groupings.
7. Largely signatories report that they believe **the PRI provides value**, that they would recommend being a signatory to peer organisations and that they remain committed to being a signatory.

The Board is committed to exploring the survey results in depth and working with signatories on the suggested next steps. The PRI will be engaging with signatories via forums such as PRI in Person and on particular workstreams.

SURVEY RESULTS

As a reminder, in the survey we examined seven areas:

1. What does responsible investment mean today;
2. Expectations about signatory progression;
3. The role of responsible investors in the financial system, and in influencing policy change; and barriers to signatory action on sustainability outcomes;
4. The PRI's response to signatory needs – globally and locally – and the challenges signatories face;
5. The PRI's strategy-setting approach and governance;
6. The PRI's mission statement;
7. Signatories' engagement and satisfaction with the PRI.

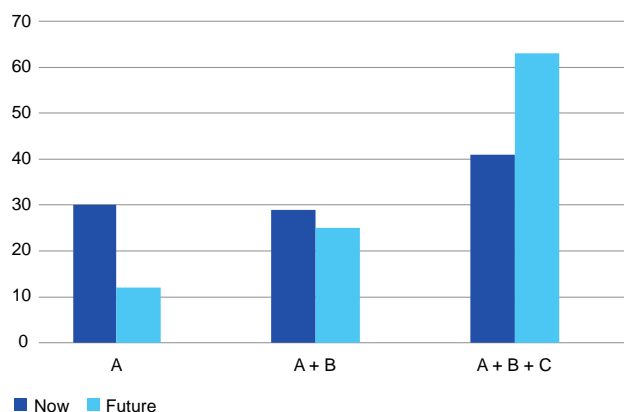
1. WHAT DOES RESPONSIBLE INVESTMENT MEAN TODAY?

Survey responses make clear that signatories have a high level of aspiration to equate responsible investment with taking action in pursuit of sustainable outcomes. Figure 2 shows the acceleration in that trend expected in the future. The proportion choosing managing ESG risks and identifying and acting on sustainability outcomes as their interpretation of responsible investment for the future – 63% – rises to 72% among asset owners.

Figure 2: Investors foresee increased action.

At my organisation, responsible investment is:

- A. Managing risks
- B. Identifying real-world sustainability outcomes
- C. Taking action on real-world sustainability outcomes.



In the PRI's history, signatories have never expressed such an expansive view of their role as responsible investors. The survey results demonstrate that the respondents expect a more evolved dialogue about how the investment community, including the PRI, contributes to sustainable outcomes. The Board views this as a positive signal for the PRI's priority setting moving forward and for the design of pathways to demonstrate how investors contribute to environmental and social outcomes, consistent with beneficiaries' best interests.

The Board noted that while the definitions provided in the survey did not explicitly reference fiduciary duty, the fundamental basis for responsible investment is that it is premised on signatories' fiduciary responsibilities. The Board further noted, based on the feedback of respondents, that the definitions were indicative and open to interpretation by respondents.

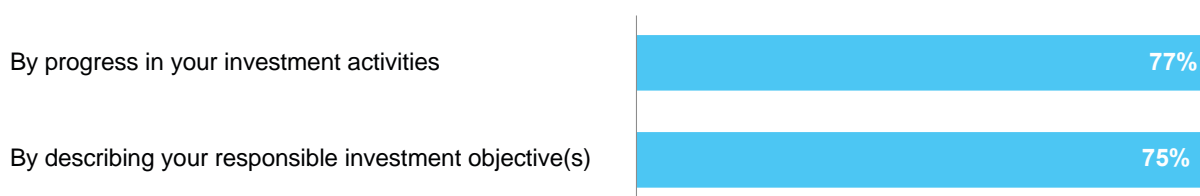
As will be discussed later, the Board will weigh the merits of updating the PRI mission statement in the future to be clearer on these matters and respond to signatory views. This could include clarifying the vision that signatories have for the future of responsible investment, while noting that signatories have different remits governed by mandates, legal environments and other factors.

2. EXPECTATIONS ABOUT SIGNATORY PROGRESSION

Similar to the appetite for action on sustainable outcomes, 95% of respondents agreed or strongly agreed that being a PRI signatory translates to an expectation of progress on responsible investment activities. More than four of every five respondents want to demonstrate progress on activities, but in a way that is more relevant to their responsible investment approach than is currently possible. Figure 3 illustrates the two ways most signatories prefer to demonstrate progress:

- investment activities: stewardship, capital allocation, disclosure, selection / appointment / monitoring.
- investment objectives: managing ESG risks, identifying sustainability outcomes, taking action on real world outcomes.

Figure 3: Which of the following ways would you choose to demonstrate your progress?



More than three-fourths of respondents agreed the PRI should establish a signatory-guided design process for a framework to show progression on responsible investment. A further 67% wish to participate in this process.

The Board is committed to co-designing a progression framework with signatories. We believe that a progression framework should respond to the different approaches investors have on responsible investment and should provide enough options to accurately describe responsible investment practices, without overwhelming signatories with complexity or prescription. In practice this could mean signatories opting into elements of the framework voluntarily and choosing as many elements of the framework as are applicable to their practices.

Additional design principles discussed by the Board include:

- **Scalability:** The framework will serve many signatories in a repeatable, cost-effective way.
- **Relevance:** The framework will allow for the many ways signatories pursue responsible investment.
- **Level of prescription:** The PRI sees its role in developing pathways not one of holding each signatory to account but rather one of helping to support signatories advance practices through the provision of tools, collaborative spaces, policy work and other means of promoting sustainable financial markets.

There will be trade-offs: the tailoring needed to increase relevance for specific groups will reduce scalability, so a balance will need to be achieved.

While any future progression framework would be voluntary, the Board noted that norms shift over time as leaders – of which there are many in the PRI – advance the practice of responsible investment. In aggregate, helping PRI signatories demonstrate progress on responsible investment, using metrics that are meaningful for them, is the best way to ensure the PRI's effectiveness in pursuing its own mission.

3. THE ROLE OF RESPONSIBLE INVESTORS IN THE FINANCIAL SYSTEM, AND IN INFLUENCING POLICY CHANGE; AND BARRIERS TO SIGNATORY ACTION ON SUSTAINABILITY OUTCOMES

Respondents indicated that the PRI and its signatories can create the right enabling environment for responsible investment through government engagement and regulation, standard setting, and promoting disclosure and transparency.

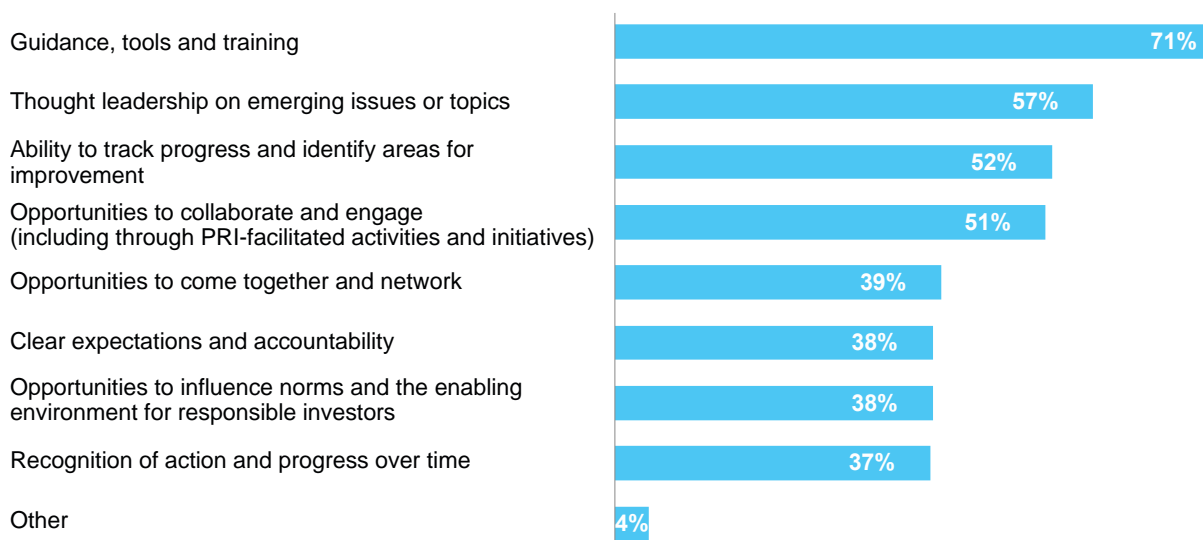
Signatories voiced strong support for the PRI's role in promoting policies and regulatory change that support sustainable markets. With 77% of respondents supporting existing or increased levels of PRI engagement in the policy sphere, it is clear the signatory base sees this avenue as central to responsible investment efforts – a significant shift since the PRI's efforts began in 2014. While the Board sees support for these efforts broadly, it is aware of the unique policy environment in each country and is committed to working with signatories on how to best address barriers in each region. It has also noted the comments from many signatories on the importance of being politically neutral.

Three in four signatories find data quality to be the most significant barrier to investor action on sustainability outcomes. They note that the lack of data and often disparate metrics make it difficult to set targets and identify investment opportunities.

4. THE PRI'S RESPONSE TO SIGNATORY NEEDS – GLOBALLY AND LOCALLY – AND THE CHALLENGES SIGNATORIES FACE

Figure 4 enumerates how signatories rate the PRI's offerings. Guidance, tools and training are seen as the most important PRI offerings, with more than three-fifths of signatories wanting more of these services. This attitude is most prevalent amongst investment managers.

Figure 4: Which part of the PRI's offering is most important to you?



A closer look at the survey results reveals differences between longer-tenured signatories and more-recent joiners, many of which are smaller in size. The former look to the PRI for thought leadership, support on engagement and influencing norms; the latter seek guidance, tools and training. A separate question looked at development of PRI-supported communities of practice at local or regional levels. This gained high support across regions, averaging 77%.

The Board notes the desire of signatories to work with the PRI in a way that is relevant in their local or regional context and reaffirms the need for better-targeted support for distinct segments of a signatory base that has grown rapidly in recent years. A general theme of the Board's discussions has been bringing the PRI closer to signatories, both in how we operate as an organisation and getting more input from signatories on the PRI's strategy and priorities. (See the strategy-setting approach and governance section below.)

5. THE PRI'S STRATEGY-SETTING APPROACH AND GOVERNANCE

PRI STRATEGY SETTING

Throughout the consultation process signatories have expressed that they would like to provide more input to the Board on the PRI's strategy and priorities. The Board appreciates this engagement from the signatories. Respondents to the survey suggested that they would like to provide input via regional forums and global signatory groupings, for example by investor type or asset class. The results also indicate that it is important to listen to multiple constituencies within the signatory base, whether by geography, category or size.

The Board's preliminary view is that, while we cannot consult with each signatory on every issue, we can make better use of existing forums to develop dialogues, for example regional groups, advisory committees, working groups, PRI in Person and other events. The next step for the Board will be to consider the construct and cadence of the PRI's strategy-setting process, and to develop the mechanisms for signatory input that would support this.

Ultimately it is the elected Board's responsibility to set the strategy, following signatory input. The Board is collectively responsible for the long-term success of the PRI, as codified in the PRI's Articles of Association and mission.

PRI GOVERNANCE

As part of the survey, we also asked *asset owner* signatories only about the composition of the PRI Board. The reason only asset owners were initially consulted is because the PRI's Articles of Association require any changes to the articles, including the PRI Board composition, to be approved by a simple majority of asset owner signatories voting, as well as a simple majority of all signatories voting. The rationale for reform as set out in the consultation paper was the evolution of the signatory base since the PRI's inception in 2006. Also, that it is important to have good representation across the signatory categories in all the Board and committee discussions to enable a well-functioning PRI Board generally. This is made difficult given that investment managers and service providers have only three representatives on the Board.

Approximately two thirds of asset owner signatories agreed with the current balance of representation on the PRI Board, and one third would agree to a greater representation of non-asset owner signatories on the PRI Board, while maintaining the overall asset owner majority. The PRI Board will reflect on the results and engage further with asset owner signatories in particular to discuss benefits to them and to the PRI of widening representation of signatories. There will also be alternative discussion channels with investment managers and service providers.

6. THE PRI'S MISSION STATEMENT

As noted earlier, signatories responding to the survey have enlarged their definition of responsible investment to include sustainability outcomes. However, this does not seem to have led to a strong desire to revise the PRI's mission statement, even though the environment in which we operate has changed dramatically since the drafting of the mission statement. While 48% agreed the statement should be updated, 46% neither agreed nor disagreed. This survey result may be influenced by the way the consultation paper asked the question: "To what extent do you agree that the PRI mission statement should be clarified into separate vision, purpose and mission statements?" Signatories may be opposed to splitting the mission statement into three separate statements but may be in favour of updating the mission statement to include sustainability outcomes without splitting the mission statement.

THE PRI MISSION

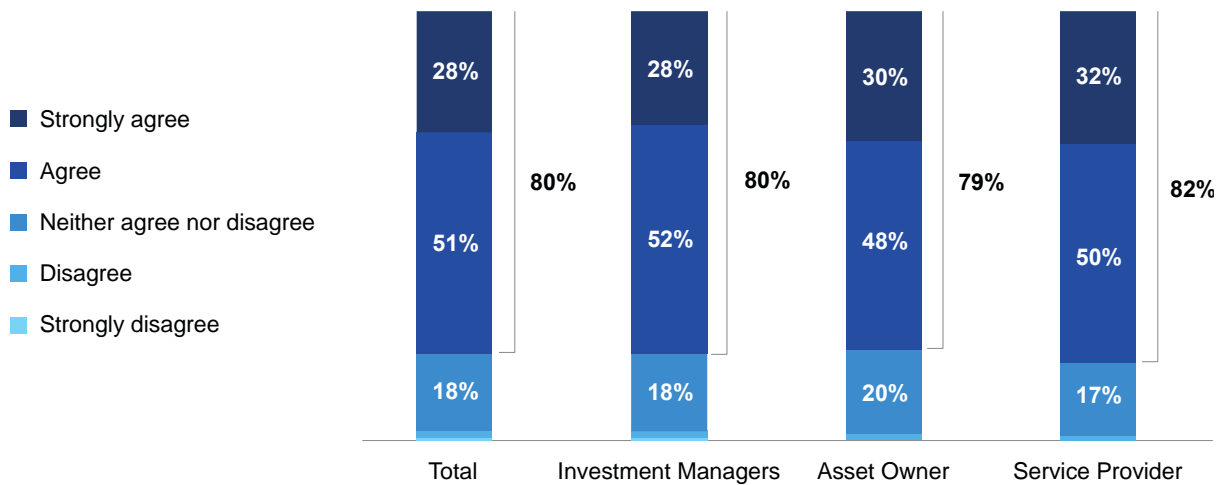
We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole. The PRI will work to achieve this sustainable global financial system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

Before considering any revisions, the Board will examine whether the current mission statement enables or inhibits the PRI in its efforts to develop strategy and support the ambitions of its signatories.

7. SIGNATORIES' ENGAGEMENT AND SATISFACTION WITH THE PRI

As part of the survey the PRI took the opportunity to gauge signatories' overall engagement and satisfaction levels with the PRI. The Board welcomed the largely positive feedback from signatories that the PRI brings value to their organisation, that signatories would recommend the benefits of being a PRI signatory to other similar organisations, and that largely signatories remain committed to being involved with the PRI.

Figure 5: Being a PRI signatory brings value to my organisation



However, there were some differences in signatory responses according to signatory category, region and tenure. The Board will be diving deeper into the quantitative and qualitative results to understand signatories' needs and expectations of the PRI. As part of the follow-up from the survey the PRI will take the opportunity to have conversations within signatory categories and particular regions about the survey results and how we can improve value and engagement.

ACTIONS AND PROVISIONAL TIMELINES

- Co-design progression pathways: July 2023 – February 2024
- Develop local responsible investment ecosystems and more-targeted signatory support via a new target operating model: May – December 2023
- Gather signatory input into the PRI's 2024-27 strategy and priorities: September 2023 – March 2024
- Engagement with signatories on the PRI's governance: to be confirmed.
- Engagement with signatories on the mission statement: to be confirmed.