

## PRINCIPLES FOR RESPONSIBLE INVESTMENT 2022 SIGNATORY GENERAL MEETING MINUTES

**13 OCTOBER 2022 15:00 – 16:30 BST AND 14 OCTOBER 06:30 – 08:00 BST**

### Online webcast

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. All signatories were sent the [PRI's 2022 Annual Report](#) in advance of the SGM.

### In attendance:

- Martin Skancke, Chair, PRI Board (meeting Chair)
- David Atkin, Chief Executive Officer
- Shelagh Whitley, Chief Sustainability Officer
- Cathrine Armour, Chief Reporting Officer
- Esther Teeken, Chief Operating Officer
- Nathan Fabian, Chief Responsible Investment Officer
- 865+ signatory representatives attended via online webcast

### Materials:

- [SGM presentation](#)

## WELCOME ADDRESS AND PRI BOARD REPORT

### MESSAGE FROM THE CHAIR

Martin Skancke, Chair of the PRI Board, welcomed signatories attending via webcast and provided an overview of the agenda.

Martin Skancke was joined by four other speakers David Atkin, Chief Executive Officer; Esther Teeken, Chief Operating Officer; Cathrine Armour, Chief Reporting Officer, and Shelagh Whitley, Chief Sustainability Officer.

### External environment

Acute and chronic challenges are raising the bar for responsible investors. COVID-19 and the resulting restrictions showed how disruptive social issues can be for economies and markets. For investors, human health has rocketed up their Environmental, Social, and Governance (ESG) risk

priorities list. The war in Ukraine has set off a wave of human suffering. It has also highlighted the prospect of a less stable and more fragmented international order. This will have implications for investors' outlook on environmental goals, energy policy, human rights, and global governance. In this era of sustainable transition, the investment community, including the PRI, must be ready to deal with both chronic and acute disruptions. The bar for responsible and successful investors has been raised higher.

### **What makes us different: how the PRI creates value**

The PRI has a unique role to play. PRI's signatory base is unique in both its scale and diversity. The PRI works across a range of ESG issues, across regions, and across asset classes, while drawing on other organisations for specialist expertise, where and when required. As a UN-supported organisation, the PRI brings investor voices and perspectives to the UN forum, particularly through PRI's UN partners, UNEP FI and the UN Global Compact. This scale and diversity give PRI the ability to convene, collaborate, and influence globally.

### **CEO transition, recruitment, and appointment**

Martin Skancke thanked the former CEO, Fiona Reynolds, for her leadership of the PRI since 2013, and her role in achieving a smooth transition. Fiona Reynolds led the growth, scope and reach of the PRI.

CEO recruitment is a critical role of the Board. Through a dedicated Board committee, the PRI conducted an extensive and global CEO search process that was committed to enabling a strong and diverse pool of candidates. The PRI was delighted to appoint David Atkin as the new CEO in December 2021. David has a wealth of investment industry experience, having served as CEO of three Australian asset owners, Cbus, ESSSuper, and Just Superfund, and most recently as Deputy CEO of investment manager AMP Capital.

David also has a strong understanding of as well as commitment to the PRI's mission, having previously served as a PRI Board director (2009 -2015). The PRI Board has been encouraged by David's strong start to the CEO role.

### **Reporting and Assessment Framework reform**

Reporting and Assessment have been a critical item for the Board and the Executive this year. The PRI has been listening to signatory feedback on the design and functionality, as well as balancing the need to deliver the 2021 Transparency/Assessment Reports and a viable reporting process for 2023. The Board established a dedicated committee to oversee the programme, as well as employing an external consultancy to be a 'critical friend' of the programme from an outside perspective. The 2021 transparency Reports and Assessment Reports were released in September, alongside an updated 2021 assessment methodology. Further updates will follow on the launch of the 2023 reporting.

The PRI recognises that it fell short of signatories' expectations, and appreciates the patience that signatories have shown. The Board has been reflecting on lessons learned, as well as on the broader future of reporting beyond 2023.

Signatories tell us that they value the learning, benchmarking, and accountability that the PRI reporting provides, but with the reporting landscape changing rapidly, the PRI needs to deliver this value to signatories without duplicating effort.

The PRI has appointed an inaugural Chief Reporting Officer, Cathrine Armour, to drive these efforts. Cathrine will go into greater depth about the 2021 reporting, the signatory feedback, and plans for the 2023 reporting.

### **Operational oversight and organisational effectiveness**

The PRI needs to continue to evolve to serve its signatory base which is made up of over 5000+ global and diverse signatories, and it continues to grow. The PRI also needs to serve its signatory base in the context of a rapidly changing responsible investment external environment.

In 2021, the Board commissioned an external review of our financial, business, and operating models, which resulted in recommendations on organisational change including:

- Evolution of the operating model.
- Digital transformation programme.
- Internal governance and risk frameworks.

Some of the recommendations are underway including the Target Operating Model, being led by the new Chief Operating Officer, Esther Teeken.

### **'PRI in a Changing World' signatory consultation**

The PRI Board originally committed to a consultation on the PRI's mission in 2021, after setting the 2021-24 strategy. Martin Skancke and David Atkin will discuss the plans for the signatory consultation later in this SGM.

## **MANAGEMENT AND FINANCIAL REPORT**

David Atkin, Chief Executive Officer thanked signatories for joining the SGM and provided an update in the management and financial report.

### **Who and what we influence**

Achieving PRI's mission means looking far beyond in assessing PRI's effectiveness. The PRI must consider its own impact, including its impact on our employees. The PRI must also consider those it works with directly, including its signatories as well as those it indirectly influences, such as policy makers, companies, other investee entities, and ultimately the PRI's influence on the real world.

### **Our People**

To achieve PRI's mission, the PRI needs a strong team in place. The Executive Team is responsible for ensuring that the PRI continues to realise its mission statement. This is my first SGM and I have very much enjoyed meeting many signatories this year and looking forward to meeting many more signatories in the future.

The PRI has recently welcomed two new members to the Executive team. Esther Teeken was appointed Chief Operating Officer, following the retirement of Graeme Griffiths. Cathrine Armour has taken up the role of Chief Reporting Officer, which is a new executive-level role to oversee PRI's critical Reporting and Assessment Framework. This work sits at the top of the agenda. I am pleased to have both Esther and Cathrine on board.

It is sad to announce the upcoming departure of PRI's Chief Signatory Relations Officer, Lorenzo Saa. Lorenzo has been a leading player in building the PRI for 14 of its 16 years. For all this time, he has been intensely invested in the PRI's mission and in supporting signatories to become better responsible investors. Lorenzo has achieved a lot during his time at PRI. Lorenzo has been key in developing our first in-house, comprehensive Reporting and Assessment Framework, managing our content teams, and more recently leading the service and growth of now over 5,000 signatories. Lorenzo has truly embodied the PRI's values, being a visionary, passionate and inspiring leader. Now that Lorenzo has delivered much more than he set out to achieve, he feels it is the right moment to take time off to identify his next career challenge. He will be missed, and I hope you'll join me in thanking him for everything he has done for the PRI. Lorenzo will be with us until early December and will be attending PRI In Person, so those of you joining the annual event will have another opportunity to wish him all the best for the future.

For Lorenzo's transition plan, it is appropriate for the PRI to take some time to think about the responses to the signatory consultation and consider how the PRI should organise itself. Nathan Fabian will take on the Executive responsibility for leading PRI's Signatory Relations team for the foreseeable future. Lorenzo and Nathan have already started work to ensure a smooth handover of all Signatory Relations activities. Nathan will also continue in his role as the PRI's Chief Responsible Investment Officer.

Over the past year at the PRI, like many of its signatories, Diversity, Equity and Inclusion (DEI) has been a strong area of focus internally. The PRI DEI Lead started in January 2022 and the PRI launched its new DEI strategy internally this year. The PRI's work is centred around creating an inclusive culture, embedding strong governance, measuring its impact through data and sharing its progress through storytelling. The PRI has seen some early successes in this important area, and we look forward to further progress in the future.

### **PRI signatories**

The PRI signatory base is unique in its scale. This year, the PRI welcomed its 5,000<sup>th</sup> signatory. Investor signatory Asset Under Management (AUM) is now estimated at over 121 trillion US dollars, which is more than half of the world's institutional capital. As a signatory-based organisation, the PRI must put its signatories at the centre of the decision making and provide value to all signatories. To service this growing signatory base, the PRI team now includes 37 signatory engagement professionals, working in 22 cities around the world.

### **Providing learning and development opportunities**

The PRI remains committed to convening its signatories for learning and development opportunities. Throughout the past year, the PRI maintained a fully virtual programme for larger-scale events.

Thanks to those signatories who shared their insights with the PRI in the regular calendar of webinars. Thousands more participants joined PRI webinars over the course of the year. The PRI hopes that signatories continue to find it insightful and inspiring when we return to in person gatherings.

### **PRI in Person & Online**

The PRI is pleased to announce that it has been able to bring back its flagship annual conference, PRI in Person, in a hybrid format which will take place in Barcelona 30 November – 2 December. This will be an important moment to reconvene PRI's global community, in person, after two years of pandemic restrictions. There is a wonderful line up of leading experts joining and the PRI look forward to hearing from all of them over the course of the conference. Whether in person or online the PRI encourage signatories to [register](#) for the conference.

### **Providing learning and development opportunities**

This year, the PRI relaunched the PRI Academy. The PRI Academy now provides new, updated courses, and digital badges for learners to demonstrate their achievements. Demand for the PRI Academy's offering continues to grow, driving revenue to more than 1.4 million pounds. 75% of this came from group purchases. This funding goes back into serving PRI's signatories. Signatories that haven't had an opportunity yet are encouraged to take part in a PRI Academy course.

## **OUR ACTIVITIES TO ENGAGE AND SUPPORT SIGNATORIES**

Shelagh Whitley, Chief Sustainability Officer, provided an overview of the PRI's activities in the 2021/22 financial year to engage with and support signatories.

The PRI continues to work to deliver against the [Blueprint for responsible investment](#), guided by the [three-year strategy](#). The PRI's work spans an enormous breadth and depth of activity. The PRI works with asset owners, investment managers, and increasingly service providers, across a wide range of asset classes and ESG issues, and across different policy jurisdictions and parts of the financial system. The PRI's support to signatories includes tools and guides, collaborative engagements, and initiatives across a range of topics. The PRI also provides an extensive webinar programme, digital forums, and our annual conference. The following section includes the highlights of the activities that the PRI undertook to engage with and support its signatories in the 2021/22 financial year.

### **Asset owner action**

One of the pillars of the Blueprint is Empowering Asset Owners, to support and further this work. Earlier this year the PRI analysed reporting responses from over 450 asset owner signatories and there is much to celebrate.

- Over 90% have a public responsible investment policy.
- The majority are analysing asset managers' responsible investment credentials.
- More than 85% of boards have some oversight of climate-related challenges.

- Three-quarters of boards are starting to take steps to implement the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

There is more work to be undertaken and the following areas highlight where asset owners can go further:

- Formalising responsible investment requirements in contracts.
- Robustly implementing TCFD recommendations.
- Increasing attention paid to social issues with a focus on human rights.
- Expanding responsible investment approaches across asset classes and strategies.
- Assessing specific stewardship practices.

The PRI encourages all asset owner signatories to review the findings, related PRI guidance, and initiatives.

### **Investment mandates: the missing piece of the puzzle**

The PRI has added guidance on how asset owners can use investment mandates to signal ESG requirements to investment managers to its existing suite of resources. The PRI also continued to expand its collection of responsible investment due diligence questionnaires to help assess investment managers' approaches. The PRI now provides questionnaires across eight asset classes. For the first time this year, the PRI released an issue-specific questionnaire [Diversity, equity and inclusion DDQ](#). The PRI highlights and shares examples of good practice from its signatories through a growing library of case studies. The PRI encourages signatories to take read more on the [PRI website](#).

### **Driving consideration of ESG factors in credit risk analysis**

In the past year, the PRI also furthered its work on ESG in Credit Risk and Ratings, as part of its wider programme on fixed income. This includes broadening PRI's outreach to investment consultants and recommending how they can adjust their due diligence processes to better meet clients' fixed income needs. The PRI also surveyed signatories on the use of TCFD recommendations in credit risk analysis. The PRI found that disclosures on how companies identify, manage and integrate climate-related risks are now considered to be crucial, which points to the need for more consistent and standardised disclosures, and to address data gaps. This topic will be discussed more later in this SGM.

### **Taking stewardship to the next level**

The PRI continues its role in Climate Action 100+ (CA 100+) for its collaborative engagements. The focus for CA 100+ is now on pressing all focus companies to translate commitments into tangible near term action on climate. Another major highlight of the last year was the launch of Advance, where investors are collaborating to take action on human rights and social issues. With an initial focus on two sectors, through Advance, the PRI will support investor engagement with companies and other decision makers to drive positive outcomes for workers, communities and society.

The [PRI Collaboration Platform](#) is the forum for PRI signatories to collaborate, pool resources and share information. In the last year, it averaged over 3,000 monthly users. The PRI has made

substantial improvements to the platform to provide better controls for collaboration owners, and added a public [database of ESG-related resolutions and votes](#) where PRI signatories can use it to publicly pre-declare their voting intentions for each resolution. Please do explore this useful resource, which you can access via the [PRI website](#).

### **Helping to build a more supportive policy environment**

The PRI also continues to have a strong focus on sustainable finance policy and to engage with policy makers on priority ESG issues. Over the past year, the PRI responded to more than 65 policy consultations across the world and has published a range of policy briefings focussed on developments in specific countries and regions. The PRI grew its [Global Policy Reference Group](#) which is an important channel for signatories to input to consultation responses, strengthening signatories' engagement with policymakers.

The PRI launched the ground-breaking report: [A Legal Framework for Impact](#) in 2021 which clarified how regulators in 11 jurisdictions view "investing for sustainability impact". The PRI has also published the first regional follow-up report covering the European Union which sets out legal changes needed in the EU to enable mainstream investors to work towards sustainability impact goals. The PRI encourages signatories to read this [report](#) as well as the subsequent and forthcoming reports on Australia and the UK.

### **Working towards improved corporate disclosure**

Driving Meaningful Data for investors is another important pillar of the Blueprint and an area PRI knows is of particular importance to the signatories. Many signatories will be aware, the IFRS Foundation has recently established the International Sustainability Standards Board (or ISSB). Together with our [Corporate Reporting Reference Group](#), the PRI analysed and engaged around the ISSB's [draft standards](#) published in March, and have fed into regional corporate sustainability reporting initiatives, including those in the [EU](#), [US](#) and [China](#). Also this year, in collaboration with the World Business Council for Sustainable Development, the PRI convened a series of [roundtable discussions](#), bringing Chief Investment Officers and Chief Financial Officers together to understand each others' priorities, processes and challenges on corporate disclosure.

### **Committing to climate action**

The PRI is supporting signatories in their actions on climate across almost all of its work programmes, including where they are seeking to implement net-zero commitments. Leading up to the COP26 climate conference in Glasgow, the PRI worked with partners in the [Glasgow Finance Sector Alliance for Net Zero \(or GFANZ\)](#) to encourage signatories to sign up to net-zero initiatives and advance net-zero targets. The PRI also continued to co-convene initiatives on net-zero for asset owners, investment managers, investment consultants, and service providers, with the groups of asset owners and investment managers each releasing assessments, which provides detail on investors' progress in setting targets and taking action towards net-zero. Addressing deforestation is a critical aspect of tackling climate change. To make progress, the PRI has been convening a Practitioner Group on the topic with a series of workshops for investors to share practices and collaborate with technical experts. The PRI aims to take this work forward through a new programme on Resilient Natural

Systems that will be launched later this year in the context of the World Biodiversity Summit in Montreal.

### **Tackling human rights**

Alongside Climate, Human Rights is also a major focus of the PRI's work. The PRI launched a collaborative engagement on this topic, and with a focus on sovereign debt, the PRI have laid out a process that sovereign investors can use to meet human rights responsibilities. Other highlights have been the launch PRI's programme on Diversity, Equity and Inclusion (DEI) and more recently on Decent Work, through which the PRI will support its investors to take action on these key social issues. These programmes will provide signatories with the guidance and tools focussed on the 'S' of ESG.

Finally, through the work of PRI's governance programme, the PRI launched a multi-year programme for investor action on tax fairness, key resources on responsible political engagement, ESG, and pay.

These were some of the highlights from the past year. The PRI encourages all signatories to read [Quarterly Signatory Updates](#) and explore the [PRI website](#) to discover the full range of our activities and work areas. Signatories are encouraged to reach out their dedicated Relationship Manager to learn more about what's available and opportunities to get involved.

## **PRI REPORTING & ASSESSMENT**

Cathrine Armour, Chief Reporting Officer, provided an update on the Reporting & Assessment Framework.

### **PRI Reporting & Assessment evolution**

The Reporting and Assessment process and Framework has changed significantly since its introduction in 2006 under a self-assessment model. 2021 saw the launch of a pilot that emphasised reporting on the depth of ESG incorporation and for the first time reporting on sustainability outcomes. There were several challenges in the 2021 Pilot. The PRI collected feedback from signatories on the Reporting Framework and Reporting Tool during this pilot reporting year.

More than 1,700 signatories responded to PRI's call for feedback. Overall, signatories indicated that the content of the new Reporting Framework better captured their responsible investment activities compared to that of previous years. However, the level of satisfaction varied across modules, and a significant number of signatories indicated issues with the functionality of the Reporting Tool, which signatories found time and resource-intensive to use. Issues with data collected during the 2021 reporting was also a concern. While reviewing signatories' reporting, the PRI identified some integrity issues with the way a subset of the reported data had been captured.

Based on this feedback, 2023 will reflect improvements focusing on reducing the reporting effort, improving the reporting experience, and correcting errors particularly in those due to complexity.



## **Listening to signatory feedback**

The feedback received on the pilot Framework included comments on the structure and questions (content) of the Framework as well as on the experience of the Reporting Tool.

While the reporting content was well-received by many signatories, the feedback varied between modules and between asset owners and investment managers, with asset owners typically providing less favourable feedback. Many signatories acknowledged that:

- They were able to reflect their responsible investment practices over time and that the direction of the new content would lead to better responsible investment outcomes.
- Reporting in the new Reporting Framework was a great opportunity to improve responsible practices and progress.
- The senior leadership statement was a positive addition.
- The time and resource required to report on the pilot Framework was too high.

Issues with the new online Reporting Tool, which centred on navigation and functionality, contributed to the time taken to report and created problems during the review process for signatories. The PRI have been working to address the feedback received from signatories during the 2021 pilot year and throughout 2022, with a particular focus on reducing the reporting effort for all signatories. The reporting effort has also been addressed by improvements in:

- The clarity in the wording of indicators and explanatory notes.
- Consistency across the Framework.
- Elimination of repetition and duplication.
- Improvement in the applicability of indicators.

The PRI has been addressing signatory feedback, whilst staying true to the PRI's mission, being a mission led organisation, yet ensuring it remains signatory centric. It is estimated that about a third of the changes in the Reporting Framework were as a direct result of signatory feedback received during the 2021 pilot reporting year.

## **2023 Reporting Framework**

A reduction in the reporting effort has been achieved through:

- Developing Reporting Tool efficiencies. By moving to more 'fit for purpose' technologies, which enable us to enhance functionalities within the Reporting Framework. This includes improved navigation and an improved user experience.
- Restructuring the Organisational Overview module. Removing redundant indicators, improving logic, and reducing the overall length. In addition, providing clearer reporting requirements and justifications.
- Restructuring the Investment and Stewardship policy module. Enabling the elimination of duplicated reporting elements and improve consistency throughout the module and across the Framework, particularly with regards how we treat ESG issues and outcomes.

The new structure changes are also clearer and better aligned with other widely recognised Frameworks, such as the Task Force for Climate related Financial Disclosure (TCFD). The aim being improving the signatories' reporting experience more widely beyond only the context of PRI Reporting

& Assessment. This approach will also help future proof the Framework increasing its future ability to integrate new content without necessarily increasing the reporting effort.

Through incremental improvements in all modules drawing on the extensive feedback, the PRI has reduced the Framework from 357 indicators in total in 2021, to approximately 265 indicators in 2023, a 27% reduction in the total number of indicators overall. For asset owners, this is likely to be a reduction in the number of indicators by 57% with the removal of asset class module reporting.

This number of indicators in the Framework maintains the 70/30 (Core/Plus indicator split) ratio across the Reporting Framework for the majority of signatories. Indicators are signatory specific and are dependent on logic, signatories' individual asset class breakdown, and responses to indicators.

### **2023 Reporting Framework overview**

In summary, the imperative of a need for reduced reporting effort has been significantly addressed by improvements in clarity, consistency, eliminating duplication, and applicability and have been implemented throughout the Reporting Framework. Whilst addressing signatory feedback and incorporating changes to the 2023 Reporting Framework, the PRI has aimed to balance signatory needs with the PRI mission.

The result of these collaborative efforts are depicted [here](#), in the 2023 Reporting Framework overview.

### **2023 Reporting timeline**

At the September 2022 PRI Board meeting, the PRI Board signed off a May - August 2023 Reporting cycle. This will mean that the 2023 Reporting Framework will be launched in January 2023 including structure, modules, indicators and planned outputs including data and reports. The reporting window will open in mid of May until mid of August 2023. In November 2023, outputs will be issued, both Transparency and Assessment Reports with data products following shortly after as in previous years. For more information on reporting in 2023, visit [R&A updates](#).

## **FINANCIAL STATEMENT**

Esther Teeken, Chief Operating Officer, provided an overview of the financial statements.

In the 2021-2022 financial year, the PRI's total income grew to 26.8 million pounds, up from 21.5 million pounds the previous year. Total expenditure (excluding PRI in Person) grew to 24.7 million pounds, up from 18.5 million pounds. In line with this organisational growth, the number of PRI employees also continues to grow. It is forecast to reach 270 PRI employees by March 2023. Full financial details are available in the [Annual Report](#).

### **PRI signatory fees**

Signatory fees make it possible for the PRI to continue the important work. It enables us to deliver on our shared mission, and to implement the six Principles for Responsible Investment.

With this in mind, the PRI Board has approved a moderate increase in signatory fees for 2023. PRI Fees are calculated based on signatories' AUM (for Asset Owners and Investment Managers) or number of investment staff (for Service Providers). We will write to you following this meeting with details of the fee adjustment. This will range from an increase of 34 pounds sterling for the smallest asset owner, to just under 1,000 pounds sterling for investment managers with AUM of more than 50 billion US dollars. The PRI is also taking steps to achieve efficiencies and contain costs.

The PRI hopes that signatories continue to find its extensive range of publications, forums and other tools useful in supporting signatories' responsible investment activities. The PRI encourages signatories to get involved and to get the most out of their membership. Related further communications will follow, including contact details in case of any questions.

### **Target Operating Model**

The PRI is focused on delivering value to signatories. The PRI has begun work to develop and implement a refreshed, fit-for-purpose Target Operating Model. This work will ensure that the PRI delivers value to signatories, efficiently scales its operations to the large signatory base, and drives efficiencies within the organisation.

## **SIGNATORY CONSULTATION**

Martin Skancke, Chair of the PRI Board, and David Atkin, Chief Executive Officer, discussed plans for the 'PRI in a Changing World' signatory consultation. For more information on the PRI in a Changing World signatory consultation objectives and timeline, visit the [PRI website](#).

### **'PRI in a Changing World' – genesis of the consultation**

It is worthwhile to go back to the genesis to the Board's commitment to a consultation on the PRI mission, to shed light on why the PRI is having this conversation with signatories. As part of the 2021-24 strategy consultation, the PRI had proposed a brief purpose statement: Global investors leading for a sustainable future. The intention was to draft 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 the 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. The Board decided on reflection to not adopt the proposed purpose statement and ensure that any new purpose statement that speaks to the role of responsible investors is subject to signatory consultation and approval.

At the same time, the Board agreed that the external environment had changed significantly due to:

- The Paris agreement.
- Sustainable Development Goals (SDG).
- Different terminology.
- Different investor expectations and practices.

Therefore, having a conversation with signatories on these issues, and agreeing a shared direction for the PRI would be valuable.

The PRI originally proposed having the conversation with signatories in 2021 but decided to postpone with the CEO transition.

As the PRI now embarks on the consultation, the issues identified in 2021, such as evolving investor expectations and practices, are still very present, together with other factors in the external environment including:

- Increased regulatory expectations and increased reporting obligations in the local market.
- ESG backlash.
- Accusations of greenwashing.
- Continued urgency of addressing climate change.
- Increased focus on social issues.

### **Six key themes of the consultation**

#### *1) Expectations of responsible investors today*

Since the founding of the PRI, there has been significant uptake of 'responsible' or 'ESG' investing. However, different interpretations of what that means has led to increased confusion, and risks of accusations of greenwashing. In addition, expectations that investors should play a key role in real-world outcomes are increasing, with rising demands from stakeholders, clients, beneficiaries, and regulators. This comes in part due to the range of agreements that nations have reached on global goals including Sustainable Development Goals (SDGs), the Paris Agreement, and the UN Guiding Principles on Human Rights that are increasingly being translated into national objectives.

Signing the PRI Principles, however, does not currently require or ensure an investor will make a positive contribution to a prosperous world for all. The PRI is a 'big tent' organisation, and it recognises that different approaches to responsible investment are to be expected based on different investor mandates, different client expectations, and different regulatory requirements. Therefore, the PRI is considering how best it can support the diversity of the signatory base.

#### *2) Expectations on the PRI to ensure accountability of all signatories*

All PRI signatories are expected to improve their responsible investment performance. The PRI has so far focused only on introducing minimum performance expectations and on supporting the most advanced leaders.

Guidance and learning opportunities are available for all signatories, but there are no explicit expectations for the majority of signatories (other than the leading 10% and the lagging 1%).

The PRI could fulfil its responsibilities by providing:

- Clearer opt-in commitments to progression.
- Clearer support for these signatories to progress.

- Greater transparency and accountability on signatory progress.

### 3) *PRI's response to signatory needs*

The PRI's current approach is to support signatories with a generalised global approach. This includes opportunities to:

- Learn.
- Receive support to act (including through collaboration).
- Receive recognition (including through Reporting and Assessment).
- Influence norms and expectations for responsible investors.
- Contribute to influencing the enabling environment for responsible investment.
- Come together and network.

The PRI understands that it should maintain a global approach which is the core of its value proposition and also act more locally.

### 4) *The PRI's role on advocating for responsible investment policy*

Despite there being clearer global sustainability goals, there is a widening gap between real world outcomes and these goals. The growing gap, and a rapidly growing market for sustainable finance, is leading to more scrutiny by market supervisors on financial practices and claims, including prosecutions for serious failures. In some jurisdictions, investors are expected to play a major role in the transition to a sustainable economy. The PRI's role in contributing to policy change, regulation and industry standards such as corporate reporting standards is valued.

The PRI already works on a sustainable financial system, but is there a greater role to play in supporting these regulatory developments and clarifications of investor duties? Can the PRI support groups of investors to engage governments? Can the PRI support and amplify the work of existing investor organisations?

### 5) *The PRI's governance approach and processes*

The PRI is a growing organisation with 5000+ diverse signatories. One of the primary roles of the PRI Board is to set the strategy and direct the organisational priorities, within a framework, agreed by signatories. The PRI Board believes that PRI's governance structure, of one PRI Board, is appropriate.

However, the PRI should consider if it could facilitate better dialogue between the Board, and regional or other signatory groups to get their input into priorities.

### 6) *The PRI's Vision, Purpose and Mission statements*

The PRI's current mission statement includes many relevant elements for responsible investment today, and the ultimate objective is still valid. The PRI's belief is that *an economically efficient, sustainable global financial system is a necessity for long-term value creation...* [and that] *Such a*

*system will reward long-term, responsible investment and benefit the environment and society as a whole<sup>1</sup>.*

The current statement was designed to have wide appeal in a more formative stage of responsible investment. Greater clarity is now needed to ensure continued relevance of the PRI in a changing world. Clearer, separate organisational statements could improve understanding and facilitate agreement between the PRI and its signatories on what the PRI's role is. The initial assessment is that the mission statement gives the PRI an appropriate mandate, but for greater impact it could be more active and disaggregated into separate vision, mission, and purpose statements.

The PRI is testing these six themes with signatories and will consider whether any changes will benefit the collective effort.

### **Signatory consultation process**

The consultation is made up of two parts. Part one is currently underway, and includes a series of conversations with PRI signatories via several different means. One such engagement is this Signatory General Meeting. The PRI is also hosting a series of workshops in key global markets which is hugely valuable. The PRI would like to thank everyone who has taken the time to share their views so far.

The conversations in part one will build towards the online formal consultation survey of all signatories. The survey is where the PRI will seek to capture all signatories' formal feedback to key questions and proposals. The survey will launch in November 2022. It will be sent to the main PRI contacts within signatory organisations. The PRI encourages all signatories to engage with this survey and looks forward to hearing signatories' views.

## **SIGNATORY VOTING AND PRI BOARD DIRECTOR ELECTIONS**

Martin Skancke, Chair of the PRI Board, provided an overview of the PRI Board and annual elections.

The 2022 PRI Board election is for one asset owner representative position and one service provider representative position. Asset owner signatories will vote for asset owner candidates and service provider signatories will vote for service provider candidates. All signatories will be asked to vote on two items: to receive the [PRI Annual Report and Accounts](#); and approve the [Signatory General Meeting](#) minutes.

### **Asset owner candidate:**

In this year's Board election, only one candidate has nominated for the one open asset owner position. Although there is only one candidate, as defined in the [Election Rules](#), asset owner signatories will be asked to vote to approve the candidate's appointment as a PRI Board Director by a simple majority vote.

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- **Denísio Liberato**, Chief Investment Officer, PREVI (Brazil) – [Statement](#) & [Video](#)

#### **Service provider candidates:**

Three candidates are competing for the one open service provider position. Each service provider signatory will have one vote and the candidate who receives the highest number of votes is elected.

- **Mariem Mhadhbi**, Co-Founder & CEO, ValueCoMetrics, (France) – [Statement](#) & [Video](#)
- **Rebeca Minguela**, Founder & CEO, Clarity AI (Spain) – [Statement](#) & [Video](#)
- **Bonnie Saynay**, Global Head of ESG Investor Research & Data Strategy, ISS (United States) – [Statement](#) & [Video](#)

#### **Online signatory voting**

Online signatory voting will open on Thursday 20 October and close on 2 December 2022 17:00 GMT. On Thursday 20 October, the main contacts for every signatory organisation will be invited via email from [vote@governance.unpri.org](mailto:vote@governance.unpri.org) to vote on behalf of their signatory organisation.

Signatories are encouraged to visit the [PRI website](#) to learn more about these candidates, view their statements and videos which will help voters to make an informed voting decision.

Electing PRI Board Directors is an important signatory right. The PRI is a membership organisation, and it encourages signatories to actively participate in the signatory voting and PRI Board Director elections. Signatories are encouraged to exercise their vote.

*Signatories will be asked to approve the minutes via an online vote alongside the PRI Board election vote.*

## SIGNATORY Q&A

Signatories asked questions on a range of topics. The following questions and responses have been ordered and grouped by topic to increase legibility for the readers.

**David Atkin, could you please tell us about your experience so far regarding the conversations that you are having with the signatories for the PRI in a Changing World consultation?**

I have been travelling around the world to meet and have conversations with the signatories. My experience has been that signatories are appreciating the conversation regarding the future of the PRI. It is recognised that there are many challenges investors around the world face and the PRI has an important role to play in helping navigate these challenges. The PRI is a global organisation and more than ever, there is a need to bring investors together.

The challenge is how the PRI ensures accountability for more than 5,000 signatories in a way that enables recognition for signatories in different contexts. How signatories think about responsible investment is framed or shaped by the context they operate within. One of the questions being tested is to what extent should the PRI adjust its model in engaging with signatories and providing tools that are co-created with signatories. There are many differences in the application of the responsible investment approach and one size fits all is not a good approach. Therefore, the PRI needs to find the right balance between accountability and recognising differences amongst signatories. There should be an opportunity for signatories to improve over time. Pathways for signatory progression have been tested and the question to consider is how it will operate.

The PRI should have visibility around all the responsible investment issues and can support signatories by pointing out best practices. It is not only the PRI that is operating in this ecosystem. The PRI should play a distinct role as a global body and work better with regional initiatives, making clear to signatories how the PRI's role differs from other organisations.

There is signatory interest in having new forums for knowledge exchange between the PRI Board and regions to develop content and priorities. More work needs to be done in this area.

The PRI's strong policy advocacy role is getting strong support and signatories want the PRI to play a harmonising role and influence policy and practice.

The workshops and webinars will help design the formal consultation survey for signatories and the PRI will make decisions based on the responses. The PRI is confident that formal consultation survey questions will help to define its strategy.

For more information on the PRI in a Changing World signatory consultation objectives and timeline, visit the [PRI website](#).

**It was mentioned that there is a need to adjust the PRIs model of engaging with signatories based on different regional needs. Can you give examples of regional differences the PRI has identified so far and what type of adjustments you foresee?**



In Mexico, Latin American signatories have momentum, but they are early in their responsible investment learning curve. Most of the material that the PRI produces is aimed at signatories who are advanced in their responsible investment learning curve. Having more tailored content with translations for different marketplaces would benefit signatories. The PRI should seek to have the right balance between being a global organisation leading on responsible investment and also providing regional support and guidance.

The PRI is testing the relationship between the regions or sector groups and the work of the PRI through the discussion around strategic planning and the role of the PRI Board. There is a view that there needs to be a discussion in the annual planning cycle around priority setting between regional perspectives and the whole of the signatory base.

The responsible investment ecosystem is complex, and signatories are asking the PRI and the partner groups to provide more clarity about how they complement each other and reduce duplication.

### **What is the PRI's response to current anti-ESG sentiments, especially in the US?**

This is an important issue, and the Board had a discussion around this issue in the last Board meeting. There is a mixed picture globally. The US is having a backlash against ESG regulations, whereas in many other jurisdictions the policymakers are very ambitious. The Board has discussed how the PRI can be most useful to signatories when the regulatory developments are diverging across important jurisdictions. The PRI is aware of the political arguments around ESG in the US. The PRI's objective is to respond and to represent the interests of signatories by reassuring the importance of responsible investment and the centrality of ESG to fiduciary duty. The PRI will continue to conduct media interviews and briefings and it already had up to 20 substantial pieces in the mainstream media.

### **UK Asset Owners are increasingly frustrated at the lack of a front-footed approach to pushing back on the anti-ESG agenda. PRI has seemed absent in international media beyond a PRI blog. Is there a more assertive strategy to address ill-founded critiques whilst engaging with the legit critiques?**

The PRI Board discussed this important issue at the last Board meeting and realised that the PRI needs to communicate more. There is a mixed picture globally since different jurisdictions are moving in different directions on this issue and there is significant momentum behind pro-ESG legislation and managers' actions. This raised a question for the PRI to consider how it can best support signatories that are operating in a different jurisdiction and legal context.

The PRI is taking a proactive approach and realises that the critique is a threat. There is a political dimension to this discussion, but the PRI's role is to reassure signatories and restate that considering ESG as part of responsible investment is consistent with their fiduciary responsibilities.

### **Quite often E and S related shareholder proposals are poorly constructed and cannot get strong support from asset managers. What is PRI doing to provide support for proposal authors to increase their uptake by asset managers?**

The PRI will publish guidance to cover procedural elements such as filing thresholds and how investors can draft proposals to avoid common pitfalls such as being excessively prescriptive or questions that are not necessarily tailored well enough to the specific company in question.

**With respect to the challenging external environment, one can argue that the SDGs are more urgent for all stakeholders, including investors. Are you able to share your views on SDG-aligned investing and how PRI is contributing to this field?**

SDGs are more relevant than ever, and the PRI has strengthened its work on the SDGs. The PRI has made sustainable outcomes and contributing to sustainable outcomes a feature of its work programme. This includes specific guidance on how the investors can contribute to the SDGs with step-by-step instructions regarding how to understand the contribution, influence, and change in future. There will be outcomes-based questions in Reporting and Assessment to enable signatories to report on a voluntary basis. The PRI continues to work on aspects of the financial system and financial reporting that can better enable investors to aggregately influence sustainability outcomes. For more information, visit the [Sustainable Development Goals](#).

**Is PRI organising signatories at a more local level to support the PRI mission? The PRI can occupy a central position in the debate on ESG and be a powerful counterweight to the anti-ESG agenda, and the politicization of ESG that is occurring in the US. Will the PRI budget to support this effort?**

The PRI is hearing from signatories that context matters. Signatories operate in particular marketplaces, and the PRI needs to accelerate the convening of signatories in these particular marketplaces and segments to better support signatories in their work. The current Target Operating Model work will help achieve efficiencies and support these efforts.

**What are some of the limitations of ESG that PRI thinks it needs to acknowledge and educate the responsible investor community on in order to facilitate a more authentic conversation about the pitfalls and potential of ESG?**

The key issue is that the PRI needs to be clearer about who benefits from incorporating ESG and how. The PRI started as a mission-led organisation with six principles. It is close to 20 years since the PRI was established and the expectations from policymakers and the community are growing. The PRI needs to help signatories to be clearer about their work, what claims they are making on ESG, and distinguishing whether they are focusing on the risks to their portfolios and identifying where the benefits are to the environment and society.

The PRI in a Changing World consultation will include these questions which will provide signatories with an opportunity to provide input into shaping PRI's work. The PRI Board strongly encourages signatories to take part and respond to the PRI in a Changing World consultation.

**The PRI statement on the CSDD consultation was very good and ambitious. We would like to encourage a continuous ambitious focus in line with the UNGPs in the work of PRI in general and in Advance.**

The Corporate Sustainability Due Diligence (CSDD) proposal is an important part of the European Green Deal. The purpose of CSDD is to bring the UN Guiding Principles on Human Rights into the

European disclosure and Reporting Framework. Policymakers set the ambitions on these issues and the PRI's role is to help, support, and provide input to the policymakers to ensure that the policy work allows investors to report on them. This is PRI's tier one issue, and the PRI will keep signatories briefed regarding the developments as they occur.

**Is there a topic focus foreseen for next year, e.g. more initiatives in the course of the 'S' pillar, or Biodiversity?**

Topics are set out in PRI's three-year strategy. Regarding social issues, the PRI's focus has been on Human Rights as the top tier issue. The PRI is also working on Diversity, Equity and Inclusion and a new programme that was recently launched on decent work. For upcoming activities, the PRI is commencing work on research around inclusivity and advancing a number of governance issues that are critical for the wider social agenda. The PRI has a new Reference Group on Tax Fairness and signatories are encouraged to participate.

For biodiversity, the PRI has a new cross-cutting programme launching on resilient natural systems. This will combine PRI's previous work on sustainable commodities with a focus on deforestation and work on biodiversity. The team at PRI is also working closely with UNEP FI to prepare resources for signatories ahead of the forthcoming biodiversity COP taking place in Montreal in December.

**Asset Managers, Corporates and Politicians are all "agent" in a dynamic system equipped with the wrong accounting & heading for disaster. Shouldn't Asset Owners be the adults in the room (having 30 years duration), and lobby governments, not only corporate, towards implementing sobriety in socially acceptable ways?**

The PRI's Theory of Change starts at the top of the investment chain. Asset owners are top of the investment chain in the financial system and therefore they have a special responsibility. Given the importance, the PRI focuses on educating asset owners through its guidance. The PRI has an asset owner committee that guides its work and asset owner-led working spaces such as the asset owner Net-Zero Alliance. This influences market practice, and it influences the way regulators think about how the financial market should function. The PRI believes that asset owners are key to how financial markets operate and drive change.

**Will there be an opportunity to build capacity for the future and enhance inclusivity by having Board observer roles? This could give non-C suite ESG practitioners an opportunity to gain Board experience and amplify the voices of practitioners.**

The PRI Board will take this into consideration. There are many signatory groups related to a variety of issues which helps the Board in developing the work programmes and priorities for the PRI. This allows bringing signatories' and practitioner voices into the Board discussions.

**Is the Board open to a greater delegation of authority to committees, to achieve a better level of oversight and more expertise, coupled with regular meetings between committee chairs and the Board?**

The Board is elected by the signatories and accountable to the signatories. Delegating decision-making power to Board committees would hinder the Board's work to make a collective decision together. The Board committees are useful as they help the work of the Board. The Board committees

do not have the power to make decisions, they make recommendations to the Board, which then the Board takes into consideration and makes decisions collectively. The Board is diverse and represents different geographies, backgrounds, skills, and categories. Having a diverse Board result in higher quality decisions, and therefore it is valuable to make decisions by involving the whole Board.

**Will the PRI enhance the Board reporting to signatories regularly?**

All PRI Board meetings start with a signatory interaction agenda item which sets the tone of the meeting. The PRI needs to improve the reporting from the Board and the PRI is in the process of developing a user-friendly format for Board reporting for signatories to read which can be part of the quarterly signatory updates in a dedicated section.

**With only one relationship manager for the whole of Africa, as well as the absence of any racial diversity in your leadership, how can we assess the UN PRI's credibility in guiding asset owners and managers on DEI initiatives? Who is consulting the UN PRI on these guidance?**

From the DEI perspective, there needs to be an improvement in the PRI's management team. The PRI has done significant work to understand DEI across the organisation. PRI's DEI Lead has been working on the strategy and DEI metrics, which are now included in the organisation dashboard. The PRI is also including DEI-related KPIs in the Executive team's performance. With these efforts, the PRI expects to see an improvement in DEI across the organisation and in the leadership team. DEI is an important Board agenda item which has been and will be tracked.

The PRI allocates resources based on the number of signatories in the regions therefore Africa only has one Relationship Manager. It is recognised that there needs to be more support and the PRI will consider this challenge further.

**What assessment has there been of the Board and Board Chair's oversight of the executive in how in your own words 'PRI fell short' on the Reporting and Assessment Framework and what new measures have been put in place to address any shortcomings that have been addressed?**

The PRI had a capable Reporting & Assessment team who did great work under difficult circumstances. However, in retrospect, the PRI realised that it had underestimated the complexity of the Reporting & Assessment project and overestimated its capacity to implement a complex Reporting & Assessment project. As a result, the Board focused on two key areas.

1. Strengthening the PRI's internal capacity. Catherine Armour is the PRI's new Chief Reporting Officer who will oversee the work on Reporting & Assessment. In addition, Esther Teeken is the new PRI's Chief Operating Officer who will oversee PRI's work on strengthening its capacity to deliver on complex projects. The PRI has embarked on the Target Operating Model project which will be the bridge between the strategy and execution. The Target Operating Model project is closely linked with the PRI in a Changing World consultation. The consultation will enable PRI to understand what needs to be done to address strategic issues and advance responsible investment. Whereas the Target Operating Model will address how the PRI will work in order to deliver value and meet the expectations of signatories and stakeholders.

2. Strengthening the PRI Board oversight. The Board has established an ad hoc Board subcommittee to focus on the Reporting & Assessment project work, challenge and support the Executive. To provide independent assurance, the PRI has hired an independent consultant to provide assessment and risk management to the Board.

**What changes, if any, will be made to the survey questions for the 2023 reporting cycle (e.g. will the number of questions be reduced, scoring or benchmark changes, consideration of different financial institutions in scoring/applicability of certain questions, the option to report every 2-3 years)**

The Board discussed this issue and decided to reduce the number of questions, particularly for asset owners in the new Framework. The PRI will provide more details to signatories regarding reporting in 2023 on [R&A Updates](#). Signatories will be able to see the questions in January 2023 and the reporting window will open in May 2023.

The PRI recognises that while there have been significant changes made, there is more work to be done to address the concerns raised. The PRI will look to address the issue related to duplication of reporting by signatories as part of future changes. There is also discussion around the frequency of reporting and whether reporting every year is feasible or not. After the 2023 reporting cycle, the PRI will look to make further changes for Reporting & Assessment based on the feedback received and aim to get the right balance.

**Is the 2023 reporting timeline going to be the timeline the PRI sticks to moving forward? Reporting at the height of the proxy season will be challenging for many signatories, especially for the EU asset managers as we will combine the proxy season, new regulatory disclosure deadlines by 30 June and the beginning of the holiday season. Is this timeline the definitive one?**

It is difficult to find a window that works for signatories around the globe due to other reporting requirements and proxy season. The May reporting window appears to be the most appropriate window and the PRI will constantly review the reporting cycle.

**Why do the minimum requirements don't have to be fulfilled in the first mandatory report, but only from the second mandatory report onwards?**

The PRI would like new signatories to join and begin their learning journey, adopt new practices and reflect that in their reporting. A concern is that if the initial benchmark for minimum requirements is set too high, it may prevent signatories from starting their learning journey with the PRI. The PRI in a Changing World consultation will be useful to assess signatories' needs and expectations.

**Whether the proposed minimum requirements are finalized? If not, what is the timeline for releasing the finalized minimum requirements and what are the main changes?**

The minimum requirements have not changed at this point.

**Will the 2023 reports pre-fill the 2021 responses in order to help signatories reduce preparation time? Can you let us know what will be the major difference between the previous year's framework and the new 2023 framework?**

The 2023 reports will allow pre-filling of information. Signatories will be able to access their 2021 reports to enable them to transfer information over to 2023 reports where appropriate to improve efficiency. The PRI has reduced the number of indicators, improved the logic, and asset owners won't be required to do asset class reporting. The PRI is looking into the voluntary responses around climate to ensure alignment. The PRI will review beyond 2023 to reduce duplication of reporting. From 2023 onwards, pre-filling will be built into the framework.

**Given the delay in the PRI assessment on the latest reporting cycle, and the time signatories need to process the new framework, can PRI move the next reporting cycle to early 2024?**

There has been criticism about the significant delay of the reporting to 2023. It would not be ideal for the PRI to further delay the next reporting cycle to 2024.

**Strategy-based questions in each of the asset modules will be still there?**

Strategy-based questions will be included in 2023 reports and the PRI will confirm this in due course.

**Will there be any guidance provided on how to present the results of the 2021 PRI scores and reports and the context in which to present these?**

The guidance will be included in the 2023 report. If this changes, the PRI will communicate with the signatories.

**When will the new reporting cycle take place?**

The 2023 Reporting Framework will be launched in January 2023 including structure, modules, indicators, and planned outputs including data and reports. The reporting window will open in mid of May until mid of August 2023. In November 2023, outputs will be issued, both Transparency and Assessment Reports with data products following shortly after as in previous years. For more information on reporting in 2023, visit [R&A updates](#).