

# PRINCIPLES FOR RESPONSIBLE INVESTMENT

AN INVESTOR INITIATIVE IN PARTNERSHIP WITH UNEP FINANCE INITIATIVE AND THE UN GLOBAL COMPACT

## PRI's 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.



# A BLUEPRINT FOR RESPONSIBLE INVESTMENT

“Our aim over the next 10 years is to bring responsible investors together to work towards sustainable markets that contribute to a more prosperous world for all.”

The PRI will focus on the following areas of impact:

## ■ RESPONSIBLE INVESTORS

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.

- EMPOWER ASSET OWNERS
- SUPPORT INVESTORS INCORPORATING ESG ISSUES
- FOSTER A COMMUNITY OF ACTIVE OWNERS
- SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY
- CONVENE AND EDUCATE RESPONSIBLE INVESTORS

## ■ SUSTAINABLE MARKETS

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

- CHALLENGE BARRIERS TO A SUSTAINABLE FINANCIAL SYSTEM
- DRIVE MEANINGFUL DATA THROUGHOUT MARKETS

## ■ A PROSPEROUS WORLD FOR ALL

We will enable signatories to improve the real world – now and in the future – by encouraging investments that contribute to prosperous and inclusive societies for current and future generations.

- CHAMPION CLIMATE ACTION
- ENABLE REAL-WORLD IMPACT ALIGNED WITH THE SDGs



# FOREWORD

Sustainability is among the biggest issues of our time; we are all responsible for helping to lay the foundations for prosperous and inclusive societies for ourselves and future generations.

However, it is not possible to grasp the growing opportunities or to overcome the myriad risks that we are facing today, as well as those in the not-too-distant future, without responsible investment. In order to invest responsibly and effectively, investors need a financial system that helps, not hinders, them in their pursuit of long-term value.

With issues such as climate change and income inequality affecting us all in one way or another, there is no time to waste in working to achieve the Principles for Responsible Investment's Mission: a sustainable global financial system that rewards its users financially and benefits the environment and society.

That is not to say that great progress has not been made already; the continued growth in the number of PRI signatories and responsibly managed investment assets, as well as other sustainability efforts by people and companies, are testaments to this.

Including environmental, social and governance factors in investment decision making and ownership is no longer seen as a nice-to-do but a must-do. Investors are increasingly seeking to enhance their performance through more insightful evaluation of long-term risk factors, and by identifying new investment opportunities that take into account the rapidly evolving needs of their beneficiaries and clients.

But never has the need to identify and address the obstacles to getting where we need to be – fighting for the structure, regulations and incentives that enable responsible investment to flourish – been so urgent. With strong links with the UN through its two founding partners, UN Global Compact and UNEP Finance Initiative, the PRI is uniquely positioned to tackle these head on – but it cannot do so alone.

Signing the internationally recognised Principles, which are voluntary and aspirational, enables organisations – whether a US\$50 billion AUM asset owner or a service provider with fewer than 10 members of staff – to publicly demonstrate their commitment to responsible investment and be part of a growing global community that is driving real change to contribute to a better world for all.



**Martin Skancke**, Chair, PRI Board and **Fiona Reynolds**, CEO, PRI

# WHAT IS RESPONSIBLE INVESTMENT?

The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

There are many terms - such as sustainable investing, ethical investing, and impact investing - associated with the plethora of investment approaches that consider ESG issues. Most lack formal definitions, and they are often used interchangeably. A key to understanding how responsible investment is broader than these concepts is that where many make moral or ethical goals a primary purpose, responsible investment can and should also be pursued by the investor whose sole focus is financial performance.

## WHY INVEST RESPONSIBLY?

 <p><b>1</b></p> <p><b>MATERIALITY</b></p> <p>Recognition in the financial industry and in academia that ESG factors can affect risk and return</p>	 <p><b>2</b></p> <p><b>MARKET DEMAND</b></p> <p>Demand from beneficiaries and clients for greater transparency about how their money is invested</p>	 <p><b>3</b></p> <p><b>REGULATION</b></p> <p>Guidance from regulators that considering ESG factors is part of investors' duties to their clients and beneficiaries</p>
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Examples of environmental, social and governance (ESG) factors are numerous and ever-shifting. They include:

### Environmental

- Climate change
- Resource depletion
- Waste
- Pollution
- Deforestation

### Social

- Human rights
- Modern slavery
- Child labour
- Working conditions
- Employee relations

### Governance

- Bribery and corruption
- Executive pay
- Board diversity and structure
- Political lobbying and donations
- Tax strategy

## HIGH-PROFILE EXAMPLES OF FINANCIALLY MATERIAL ENVIRONMENTAL, SOCIAL OR GOVERNANCE INCIDENTS



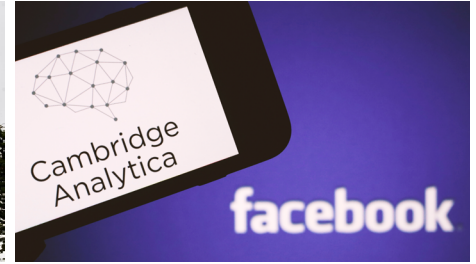
2010

The Deepwater Horizon oil spill, for which BP recorded a [US\\$53.8 billion pre-tax charge](#).



2015

Volkswagen is exposed as having rigged 11 million diesel vehicles to pass emissions tests, resulting in costs including [€27.4 billion in penalties and fines](#).



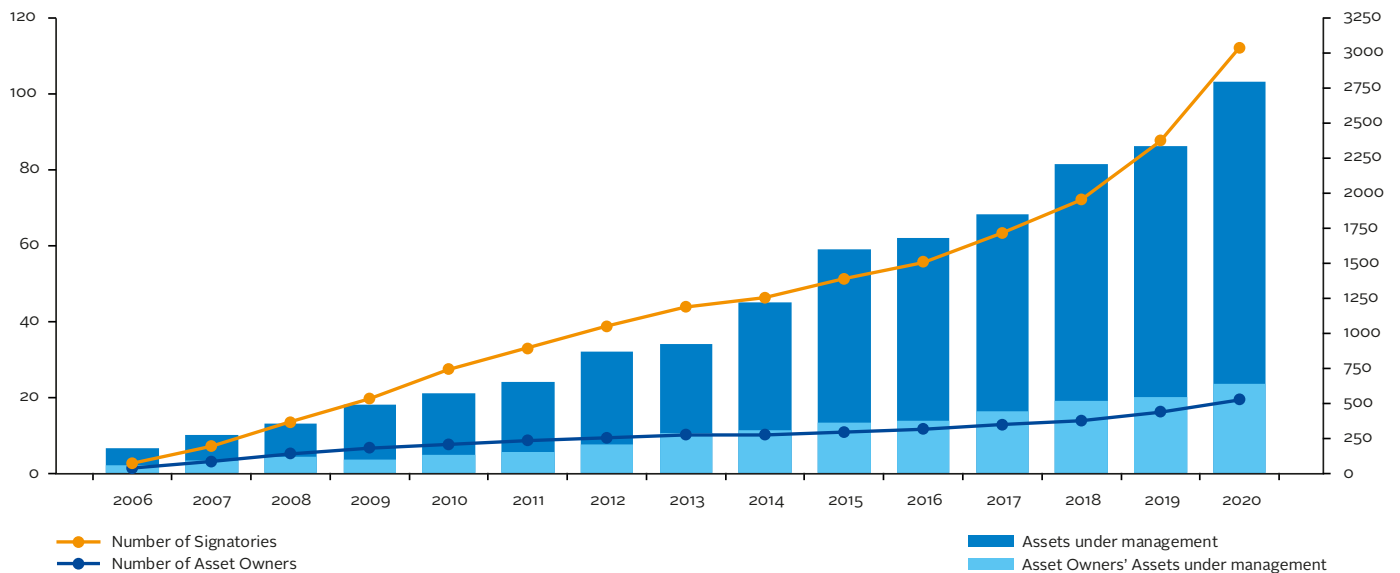
2018

Facebook sees billions wiped from its market value after [Cambridge Analytica was able to harvest personal data](#) from 87 million users without their consent.

The PRI has grown consistently since it began in 2006:

Assets under management (US\$ trillion)

N° Signatories



As of April 2020

Asset owners, are not competing against each other and should work together to make capital markets more sustainable. The PRI 's resources help less resourced asset owners to promote and integrate ESG quickly with confidence of the best practices."

Hiro Mizuno  
Ex-executive MD and CIO, GPIF

# THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

## ABOUT THE PRI AND THE SIX PRINCIPLES

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

The six Principles were developed by investors and are supported by the UN. They have more than 2,000 signatories from over 60 countries representing over US\$80 trillion of assets.

## HOW DID IT ALL START?

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices.

In early 2005, the then United Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations and civil society.

## THE PRI'S MISSION

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

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

## THE SIX PRINCIPLES AND SIGNATORIES' COMMITMENT

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

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



The Principles offer a menu of possible actions for incorporating ESG issues:

**1 We will incorporate ESG issues into investment analysis and decision-making processes.**

**Possible actions:**

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

**2 We will be active owners and incorporate ESG issues into our ownership policies and practices.**

**Possible actions:**

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

**3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

**Possible actions:**

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

**4 We will promote acceptance and implementation of the Principles within the investment industry.**

**Possible actions:**

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

**5 We will work together to enhance our effectiveness in implementing the Principles.**

**Possible actions:**

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

**6 We will each report on our activities and progress towards implementing the Principles.**

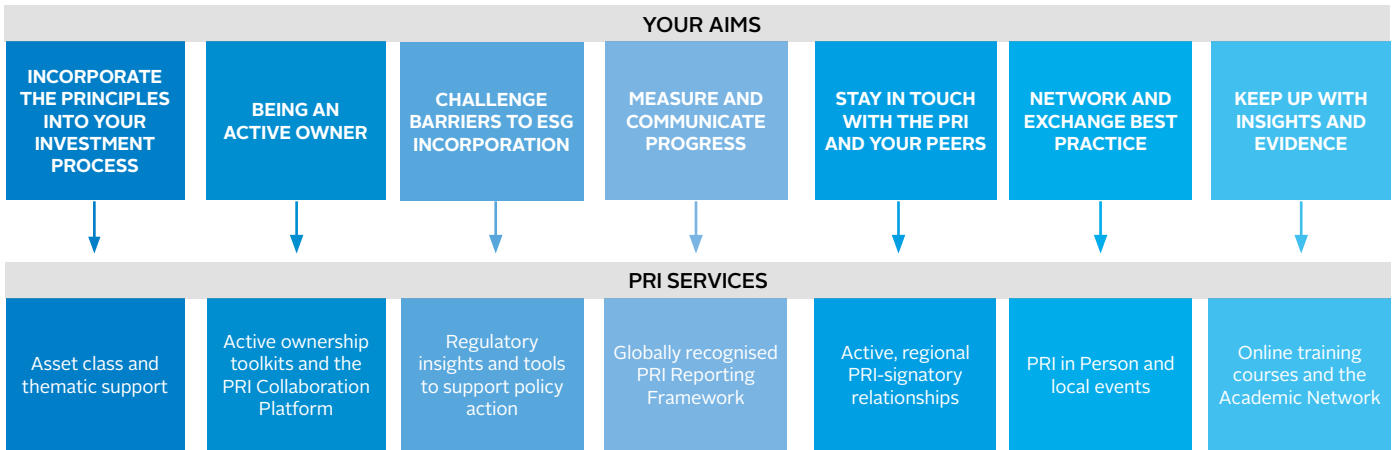
**Possible actions:**

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain' approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

“These Principles serve as valuable platforms for formalising and focusing our responsible investment efforts, raising internal awareness, and providing a common language and set of expectations for our investment partners, our portfolio company management teams, and other stakeholders. We see the value of interacting with, and learning from, others who share this commitment.”

**George R. Roberts**  
Co-Chairman and Co-Founder, Kohlberg Kravis Roberts

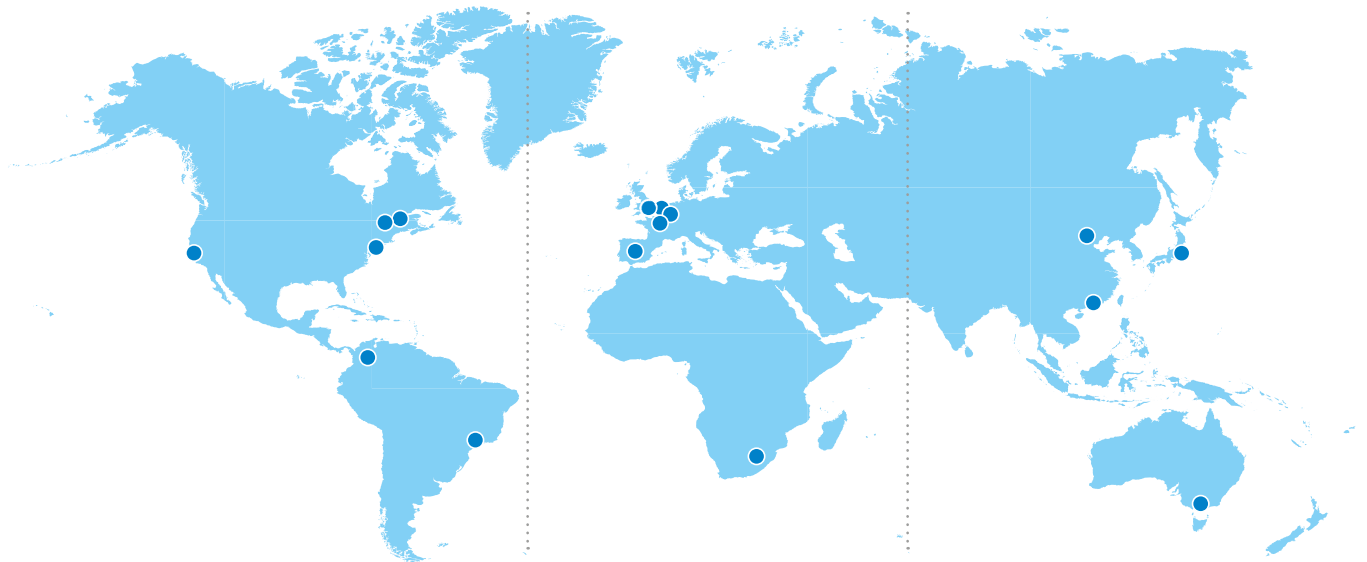
# HOW THE PRI WORKS WITH INVESTORS



\* Access to PRI Academy courses are not included in the annual PRI membership fee.

## INTERNATIONAL SUPPORT

The PRI works with more than 3,000 signatories in over 60 countries. Our regional relationship managers are signatories' first point of contact with the PRI. The team works to raise awareness in local markets and guide signatories to PRI resources and expertise.



- Canada
- US
- Latin America (ex-Brazil)
- Brazil
- Nordic, CEE & CIS
- UK & Ireland
- Benelux
- France
- Germany, Austria & Switzerland
- Southern Europe
- Africa & Middle East
- Japan
- China
- Asia (ex Japan & China)
- Australasia

“The PRI has played and must play an important role in mainstreaming responsible investing for institutional investors. Especially for pension funds as they play such an important role in generating benefits for an aging population.”

Xander den Uyl , Trustee, ABP



# PRI in Person

The next PRI in Person is set to take place in Tokyo in September 2021. During the COVID-19 crisis, we will continue to convene and educate responsible investors through an expanded selection of online events. **Find out more at [www.unpri.org/events](http://www.unpri.org/events)**

Since its inception, PRI in Person has brought together:

**500+**  
SESSIONS

**1,000+**  
SPEAKERS

**8,000+**  
ATTENDEES

PRI in Person is the only truly global conference on the responsible investment industry calendar, providing a platform for PRI signatories and investment professionals to learn, network and collaborate over several days. The conference allows attendees to discuss topical issues and share experiences from their own region and organisation with peers from around the world. For sponsors, the conference offers a wide range of opportunities to reach a global investor audience.

More than 8,000 delegates have attended the conference since the inaugural PRI in Person in Geneva in 2007. For more information, please visit: [www.unpri.org/pri-in-person](http://www.unpri.org/pri-in-person).

## PRI ACADEMY

EDUCATION SUPPORTED GLOBALLY

The PRI Academy was developed to provide industry leading training on how ESG issues are impacting company performance, shareholder value and investment decision making. Since its founding in 2014, the PRI Academy has become the global leader in responsible investment training having enrolled over 10,000 professionals from over 65 countries.

Courses feature content from international experts, real and hypothetical case studies and financial modelling. Every course is delivered entirely online, which means you can start and finish when and where you please: no travel, no pressure, lower greenhouse gas emissions.

[TRY OUR DEMO](#)



### COURSES

The PRI Academy offers four courses:

- [GETTING STARTED IN RI](#)
- [FOUNDATIONS IN RI](#)
- [ADVANCED RI ANALYSIS](#)
- [RI FOR TRUSTEES](#)

Available for:

[CFA Institute CE Credits](#)

&

[CFP Board CE Credits\\*](#)

\* US Only

### HOW TO ENROL

- To enrol please visit our website at [www.priacademy.org](http://www.priacademy.org)
- For group enrollments please email us at [priacademy@unpri.org](mailto:priacademy@unpri.org)

# HOW TO BECOME A PRI SIGNATORY

1

**COMMIT TO THE PRINCIPLES BY SUBMITTING THE DECLARATION ON YOUR COMPANY'S LETTERHEAD, SIGNED BY YOUR CEO (OR EQUIVALENT)**

Declaration forms can be accessed at <https://www.unpri.org/signatories/become-a-signatory>

2

**PROVIDE YOUR COMPANY DETAILS, CONTACT INFORMATION AND REASONS FOR SIGNING IN THE APPLICATION FORM**

Application forms can be accessed at <https://www.unpri.org/signatories/become-a-signatory>

3

**PROVIDE AN ORGANISATION CHART, SHOWING THE STRUCTURE OF YOUR ORGANISATION INCLUDING ALL ITS LEGAL ENTITIES**

Send all of the above information to [info@unpri.org](mailto:info@unpri.org)

4

**FINALISE APPLICATION**

Once provisionally approved we will send you an invoice, upon payment of which your application will be fully approved\* and your organisation will be a PRI signatory.

\*The PRI aims to process applications within two weeks. The invoice will cover the period until the start of the next fee year (1 April). Upon payment, the PRI will contact you to welcome you and introduce you to all of the resources at your disposal.

*Signatory of:*

 **PRI** | Principles for  
Responsible  
Investment

## OUR UN PARTNERS

### United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: [www.unepfi.org](http://www.unepfi.org)



### United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: [www.unglobalcompact.org](http://www.unglobalcompact.org)



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## GET IN TOUCH

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