PRI 2021 U.S. POLICY PRIORITIES

PRI is excited for a transformative 2021 for sustainable investment policy in the U.S. The Biden Administration continues to focus on climate solutions and equity across federal agencies. Leadership combined with economic reemergence following the COVID-19 pandemic presents opportunities for the growth of responsible investment across industries and markets. The PRI's 2021 policy priorities focus on six areas we see as actionable and achievable to support greater adoption of the Principles and advancement of sustainable finance. For questions or comment, email policy@unpri.org.

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

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

- **At the Department of Labor,** we are encouraged by the Administration's review of the "Financial Factors in Selecting Plan Investments". We recommend the Department use existing authority to quickly establish that ERISA fiduciaries must consider material ESG factors, while beginning to write a new rule requiring plans to adopt sustainable investment policies to establish how they will consider ESG risks and opportunities as part of their investment practices.

- We also recommend the Department of Labor **review "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights".** While improvements to this rule were made between the proposed text and finalized version, DOL should still review this rule and further work to minimize barriers to, and actively seek to encourage, active ownership through the proxy voting process.

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

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

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

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

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EXPAND OFFICES AND AUTHORITIES: The President can align federal actions around sustainable finance, creating new offices and positions to coordinate climate and social equity goals, and directing monetary and staff resources to achieve specific goals. We recommend:

- The President create a **Sustainable Finance Council (SFC)** at the White House to coordinate policymaking for domestic and international sustainable finance, and ensure that capital market policy is consistent with the President's climate and social equity goals;
- The President appoint **a sustainable finance expert to the Council on Environmental Quality**, a division of the Executive Office of the President, to integrate sustainable finance into environmental considerations across the federal government;
- The Treasury Secretary reestablish the recently shuttered **Office of Energy and Environment** and expand its purview beyond international issues into domestic actions as well.

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

- **The Federal Reserve** conduct formal climate-risk stress testing of entities it oversees;
- **The Treasury Department,** through leadership of FSOC, coordinate with FDIC, OCC, NCUA, and others, to create stress test scenarios and metrics to weight climate-based risk to banks and other financial institutions and measure climate exposure across the financial system;
- **The SEC** utilize the Fund Names Rule regulating mutual funds to incorporate ESG requirements and set up the beginnings of a US Taxonomy, a classification system defining “sustainability”.

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

- **Congress can pass legislation** to support and protect active ownership and require public disclosure of corporate contributions to climate change and actions to support social equity.
- **Congress can amend Fiduciary Duties** to require consideration of ESG factors as material in all investment decisions.
- We will work with Congress on a **stimulus package** that includes climate disclosure and public investments that are sustainable and equitable, and on **real economy climate policy** aligned with PRI’s Net-Zero report, How Governments and Investors Can Deliver Net-Zero in the US.

REENGAGE ON MULTILATERAL EFFORTS: We recommend the U.S. work with allies to move beyond the Paris Climate Agreement through unified global action. Leading on climate is a first step in bringing the world together to achieve the UN Sustainable Development Goals.

- We recommend the U.S. use partnerships like the **U.K.-U.S. Financial Regulatory Working Group** and **International Platform on Sustainable Finance (IPSF)** to develop responsible investment practices and encourage leadership through the **G7 and G20, and Organization for Economic Co-operation and Development** to promote sustainable finance markets.
- Domestically, we recommend looking to state leadership on climate and ESG disclosure, taking the best ideas from states, such as California’s ESG disclosure standards, and expanding them nationwide. We will continue to implement our California Roadmap recommendations.