Dear Signatories,

Welcome to our Q3 2020 update. The following pages will provide a snapshot of recent PRI resources and initiatives as well as a sneak peek of what we are planning for the months ahead.

Our focus over the past quarter has been principally in supporting our signatories in their ongoing COVID-19 responses. I want to thank everyone who contacted us, and especially those who participated in our signatory groups on the short- and long-term response to the crisis. Your input has enabled us to determine the most material issues for responsible investors stemming from the pandemic.

We are now taking our work forward into a second phase, focusing on five key areas, namely: COVID-19 and ESG in the 2020 AGM season; immediate human and labour rights concerns; sustainable and inclusive recovery and reform; financial system functioning in a time of crisis; and implications of COVID-19 for emerging markets.

We are providing a plethora of digital resources on these topics, all of which can be accessed on our dedicated COVID-19 webpage. I also welcome you to join our two new signatory participation groups on the Collaboration Platform.

In light of the continuing impact of COVID-19 and with the health and safety of our staff, signatories, speakers and delegates in mind, we have taken the difficult decision to postpone the next PRI in Person conference until September 2021. In the meantime, to help keep signatories connected to the latest insights and to the responsible investment community, we are running an expanded webinar and podcast calendar and planning larger-scale virtual events for the second half of the year.

On the following pages you’ll also discover several other highlights, such as the publication of our Investing with SDG outcomes report, our proposal and second consultation on the shape of the new Reporting and Assessment framework and details of our 2020 Leaders’ Group and PRI Awards.

Finally, during the past quarter we were delighted to welcome to the PRI 70 new signatories from around the world, including 11 asset owners.

I hope you’re all continuing to stay safe and well.

Best wishes,

Welcome from Fiona Reynolds, CEO, PRI
Phase two of PRI’s COVID-19 response

Five key themes from the collaboration platform groups

Over 200 investors contributed to the two COVID-19 PRI signatory participation groups established last quarter – focused on short-term ESG responses and a long-term sustainable recovery. **We will be taking this work forward in five areas:**

- COVID-19 and ESG in the 2020 AGM season
- Immediate human and labour rights concerns
- Sustainable and inclusive recovery and reform
- Financial system functioning in a time of crisis
- Implications of COVID-19 for emerging markets

Join the collaboration platform groups

Look out for webinars, blog pieces, consultations and more…

Related resources can be found at [https://www.unpri.org/covid-19-resources](https://www.unpri.org/covid-19-resources). For more information contact [Siobhan.Archer@unpri.org](mailto:Siobhan.Archer@unpri.org).
## Executive summary

### FLAGSHIP PROJECTS

This quarter we published a major report, [Investing with SDG outcomes](#), which proposes a five-step framework for how investors can contribute to the Sustainable Development Goals. We also highlight a practitioner’s group of 40 signatories who will test the EU Taxonomy on a real portfolio – the PRI is providing support through forums and expert presentations. Meanwhile, the ESG in Credit Risk and Ratings Initiative is bringing representatives from debt issuers’ corporate finance departments into the conversation with credit ratings agencies and investors, through a series of workshops and webinars.

### NEW INITIATIVES, TOOLS [TBC]

An international group of investors made an unprecedented commitment to net-zero emissions in September 2019 at the launch of the [UN-convened Net-Zero Asset Owner Alliance](#). Membership has now grown to 24, collectively representing over US$4.6 trillion of AUM, with SCOR, the fourth largest reinsurer in the world, and Danish pension fund PFA, joining in the last quarter.

### SIGNATORY UPDATE

Over the last quarter, the PRI added 70 new signatories, including 11 asset owners. As of 31 March 2020 the PRI had 3,038 signatories, representing US$103.4tn.

### ORGANISATION UPDATE

Due to the continuing impact of COVID-19, we have taken the difficult decision to postpone the next PRI in Person conference, originally due to be held in Tokyo this October, until 14-16 September 2021. To ensure that signatories can still hear the latest insights from the PRI, leading investors, corporates and policymakers, we have expanded our calendar of webinars and podcasts.
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- Flagship projects update

- New initiatives, tools and resources

- PRI and signatory update

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Flagship projects

2020 - 2021

- Climate Action (100+, COP26, Inevitable Policy Response) ★
- ESG in Credit Risk and Ratings ★
- Sustainable Development Goals (SDGs) ★
- European Technical Expert Group on Sustainable Finance – Taxonomy ★
- Manager Selection Appointment and Monitoring
- Human Rights and Modern Slavery
- A Legal Framework for Impact ★

★ Featured in this edition
Climate action

Moving towards net zero through investor action, corporate engagement and policy reforms

The PRI encourages all signatories to take action through the following initiatives:

Climate Action 100+ wants to ensure that 160 of the world’s largest corporate greenhouse gas emitters take necessary action on climate change. So far, more than 450 investors representing US$41tn have signed up to lobby for reforms, push companies to meet 2050 net-zero targets and engage on TCFD implementation. Visit http://www.climateaction100.org/ to sign on.

COP26, the most important climate summit since the Paris Agreement was agreed at COP21, will now take place in November 2021 in Glasgow. The PRI is encouraging governments to step up in ambition and incorporate climate into the COVID recovery. We are hosting a webinar series with the London Stock Exchange Group, with a focus on reaching net-zero GHG emissions by 2050. Taking place between June and September 2020, these webinars will support investors in managing climate investment risks and influencing real-world outcomes.

As the realities of climate change become apparent, governments will be forced to act more decisively than ever before. Signatories can assess the implications of a forceful, delayed and disruptive policy response by 2025 through this pioneering project. Meanwhile, COVID-19 is a wake-up call for society, governments and investors to take climate change action and prepare for the inevitable. Get the latest insights from our podcast, blog and webinars.
ESG in Credit Risk and Ratings initiative

Phase two of the initiative is broadening the investor-CRA dialogue to other stakeholders (issuers, regulators, consultants, and ESG vendors).

The credit-relevant implications of COVID-19 through the ESG lens

Bringing credit analysts and issuers together: Paris workshop

CRA quarterly updates

You can still join the initiative by signing the statement
Sustainable Development Goals

Investors can work individually and collectively to increase positive outcomes, decrease negative outcomes.

Environmental and social issues threaten economies, investor portfolios and society.

To help meet the SDGs, investors must understand how they can **increase the positive outcomes** and **decrease the negative outcomes** arising from their actions.

**THE PRI HAS PROPOSED A FIVE-PART FRAMEWORK**

1. Identify outcomes
2. Set policies and targets
3. Investors shape outcomes
4. Financial system shapes collective outcomes
5. Global stakeholders collaborate to achieve outcomes in line with the SDGs

unpri.org/sdg-outcomes
EU Taxonomy

Starting a decade of action on climate change

The EU Taxonomy is a classification tool to help investors and companies make informed investment decisions on environmentally friendly economic activities.

To be included, an economic activity must **contribute substantially** to at least one environmental objective **and** do **no significant harm** to the other five, as well as meet minimum social safeguards.

Investors with funds in Europe **will be required to disclose against the taxonomy** where the fund is marketed as contributing to an **environmental objective**.

**Taxonomy Practitioners’ Group**
A group of 40 signatories will test the taxonomy on a real portfolio. The PRI will publish their work as a series of case studies.

The PRI is providing:
- A forum for members to discuss their progress
- Presentations from experts and leading data providers
- Assistance with implementation, including on detailed usability questions

**What should PRI signatories do?**
- Read the [TEG’s final report](#)
- Watch this [PRI video](#) explaining the EU taxonomy
- Contact [policy@unpri.org](mailto:policy@unpri.org) for more information.
A Legal Framework for Impact
The new frontier for responsible investment

“With Covid19, we see the impact of externalities and they’ve never been more acute,” says Fiona Reynolds in our latest podcast with David Blood of Generation Investment Management, in which they discuss the Legal Framework for Impact project.

Pioneering research with global law firm Freshfields Bruckhaus Deringer to analyse the extent to which legal frameworks allow for investors to consider sustainability impact across major markets.

See more about A Legal Framework for Impact here
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UN-convened Net-Zero Asset Owner Alliance

Making a bold commitment to transitioning portfolios to net-zero GHG emissions by 2050

An international group of asset owners representing more than US$4.6 trillion in AUM, committing to transitioning their portfolios to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures. Members set and publicly report on intermediate targets in line with the Paris Agreement, convened by UNEPFI and the PRI.

The PRI encourages asset owner signatories to commit to net zero and join the alliance. Find out more at unpri.org/climate-change
Policy

Engagement in areas including duties, stewardship, taxonomy and disclosure

United States
The PRI is engaging with the SEC to improve ESG disclosure standards and on the protection of shareholder rights.

To find out more, read our briefing and contact us about sign-on letters.

European Union
The PRI’s report, Investor priorities for the EU Green Deal, sets out recommendations to ensure that investors can scale up their contribution to the deal and sustainability goals more broadly.

UK
With COP26 due to take place in the UK next year, the PRI is engaging with policymakers to ensure the UK shows leadership with a domestic net zero strategy and clear climate reporting obligations for investors and corporates.

China
The National Energy Administration (NEA) of China has published a consultation on the draft National Energy Law. The PRI welcomes the inclusion of climate change and low-carbon transition topics. It recommends that the NEA clarify the longer-term targets of emission and energy use aligned with the Paris Agreement. See full response here.

Contact policy@unpri.org for more information
Reporting and Assessment review – second consultation

The proposal of what a new Reporting and Assessment framework could look like

Key elements of the ‘Core’ and ‘Plus’ model

Assessment

Outputs

267 Survey respondents
9% of all signatories

The survey included 10 closed questions and 10 optional, open-ended responses

See here for a summary of the consultation results
We committed to undertaking a comprehensive review of the PRI Reporting Framework to ensure it is fit for purpose, remains relevant to evolving RI practices and is useful for signatories. More information on the review can be found at [www.unpri.org/2020-reporting-review](http://www.unpri.org/2020-reporting-review)
PRI in Person & virtual events

PRI in Person Tokyo postponed until 2021

With the health, safety and wellbeing of our staff, signatories, speakers and delegates our primary concern, and in light of the continuing impact of COVID-19, we have taken the difficult decision to postpone the next PRI in Person conference, originally due to be held in Tokyo this October, until 14-16 September 2021. We are still very excited about PRI in Person Tokyo and look forward to hosting an informative, impactful event there next year. **We plan to open registrations early in the new year and will share further details in due course.**

Webinars, podcasts and other virtual events

**We continue to pursue our commitment to convening and educating responsible investors.** To ensure that signatories can hear the latest insights from the PRI, leading investors, corporates and policymakers, we have expanded our calendar of webinars and podcasts, including a series of a COVID-19-focused events. Topics including workers’ protections, cyber security and emerging markets.

A full schedule of webinars can be found at [https://www.brighttalk.com/channel/17701/](https://www.brighttalk.com/channel/17701/)
PRI Awards and Leaders’ Group
Showcasing leadership and best practices from across the PRI signatory base

Leaders’ Group
- Evaluates broad organisational practice based on PRI assessment
- 2020 theme: Climate reporting
- To be considered for the Leaders’ Group 2020, signatories must demonstrate a strategic approach to aligning their organisation with the recommendations of the FSB’s Task Force on Climate-related Financial Disclosures (TCFD) as interpreted by the PRI
- The identified leaders will be announced on the PRI website in early October along with a report which highlights trends in what these leading signatories’ practices are

PRI Awards
- Recognising individually excellent projects in four categories (ESG incorporation, stewardship, real world impact and ESG research), and celebrating the best projects from emerging markets conducted by signatories of all sizes, specialisms and levels of development
- The PRI has received 119 entries from signatories headquartered in 25 countries, from all regions of the world
- Shortlisted entrants will be announced online at the end of July

For more information, please visit https://www.unpri.org/signatories/showcasing-leadership
PRI collaborative engagements

Whilst most engagements posted to the [Collaboration Platform](#) are led by signatories, the PRI also coordinates several in-depth collaborative engagements on selected ESG topics.

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To learn more about ongoing PRI collaborative engagements please contact [tom.barron@unpri.org](mailto:tom.barron@unpri.org)
PRI governance

2020 PRI Board elections

The 2020 PRI Board election will see one asset owner and one investment manager representative elected.

For the AO position, the PRI Board is encouraging candidates from signatories headquartered in emerging markets. The board should have the appropriate balance of skills, diversity, experience, independence and knowledge so it can discharge its duties and responsibilities effectively. Diversity, including geographical diversity, is a critical component of effective debate and decision making. The PRI is a global organisation, and aims for its board representation to reflect that, particularly within the asset owner positions.

For more information on board nominations and voting, visit https://www.unpri.org/2020-signatory-voting-and-PRI-board-elections
New resources

COLLABORATIVE ENGAGEMENT ON CYBER SECURITY: OUTCOMES REPORT

INVESTOR PRIORITIES FOR THE EU GREEN DEAL

FROM FARM TO TABLE: ENSURING FAIR LABOUR PRACTICES IN AGRICULTURAL SUPPLY CHAINS

ARE NATIONAL INFRASTRUCTURE PLANS SDG-ALIGNED, AND HOW CAN INVESTORS PLAY THEIR PART?

TECHNICAL GUIDE: ESG INCORPORATION IN HEDGE FUNDS

AN INTRODUCTION TO RESPONSIBLE INVESTMENT: SCREENING
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PRI signatory growth in 2019 - 2020

AUM, number of signatories and number of asset owner signatories all increase

*Total AUM includes reported AUM and AUM of new signatories (provided in sign-up sheet) that signed up by end of March of that year. Annually updated data and methodology can be found [here](https://www.pri.org).
More than 3,100 investors worldwide

Have signed the Principles for Responsible Investment

1: As of 1st June 2020
2: Net new signatories since 1 April 2020
Signatory growth in Q2 2020

3,108
Signatories

70 new
2.3% growth on a base of 3,038

532
Asset owners

11 new
2.1% growth on a base of 521

103.4
US$ trillion*

12.3% growth on a base of US$86 trillion

*As of 30 March 2020, updated annually
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An introduction to responsible investment

A new series of short reports providing an accessible introduction to the main approaches to responsible investment

- What is responsible investment?
- Policy, structure and process
- Listed equity
- Fixed income
- Private equity
- Real estate
- Screening

Coming in Q3: Climate change for asset owners

See all introductory guides at https://www.unpri.org/pri/an-introduction-to-responsible-investment
Asset owner resources

**HOW TO CRAFT AN INVESTMENT STRATEGY**
Supports asset owners, including their board of trustees and executives, in developing and formulating their investment strategy for a rapidly changing investment landscape.

**ASSET OWNER MANAGER SELECTION GUIDE**
Aims to support asset owners in making informed decisions about the managers they select and the specific funds in which they want to invest. This includes guidance on asset owner requirements on active ownership in the selection process.

**INVESTMENT POLICY: PROCESS & PRACTICE**
Provides a concise and implementable framework to support asset owners in revising their investment policy in order to incorporate long-term factors in their investment chains.

**INVESTMENT CONSULTANTS AND ESG**
Guides asset owners on how to ensure that the services they get from their consultants, whether covering specific assignments or the full-service suite, are aligned with their own responsible investment objectives, strategies and policies.

See all asset owner resources at: unpri.org/asset-owners
A PRACTICAL GUIDE TO ESG INTEGRATION IN SOVEREIGN DEBT
Despite its size and importance, the sovereign debt market has been the subject of less systematic ESG consideration than other investment asset classes. However, appetite for ESG integration is growing among investors, with a rising number appreciating that ESG factors can and do affect sovereign debt valuations.

A PRACTICAL GUIDE TO ESG INTEGRATION FOR EQUITY INVESTING
The guide contains information and case studies on integration techniques that apply to investment strategies including fundamental, quantitative, smart beta and passive investment.

GUIDANCE AND CASE STUDIES FOR ESG INTEGRATION: EQUITIES AND FIXED INCOME
This guide produced by the CFA Institute and the PRI sets out best practices for ESG integration across the globe. They surveyed 1,100 financial professionals in 17 markets. The report has over 30 case studies written by fixed income and equity practitioners.

ESG MONITORING, REPORTING AND DIALOGUE IN PRIVATE EQUITY
The aim of this guidance is to support an exchange of information, underpinned by dialogue, that will keep LPs informed about the ESG characteristics of their private equity investments and the responsible investment practices of their investment managers.

See all investment practice resources at: unpri.org/investor-tools
Responsible investment DDQs by asset class

- **PRIVATE EQUITY**: A tool to establish dialogue between LPs and GPs. Limited partners (LPs) should first establish their own expectations and processes around responsible investment before they can engage with their general partners (GPs).

- **HEDGE FUNDS**: Helps identify those hedge funds that have the personnel, knowledge, and structure to incorporate environmental, social and governance (ESG) factors in the investment decision-making process.

- **PRIVATE DEBT**: Designed for use by indirect investors (e.g. limited partners or asset owners) when assessing potential private debt managers.

- **INFRASTRUCTURE**: This publication aims to ensure a globally consistent approach to infrastructure investor due diligence and ESG disclosure by infrastructure managers.

- **REAL ESTATE**: Developed to help investors appraising potential real estate investment managers to evaluate how a manager handles ESG factors.

- **FORESTRY**: Developed to help investors appraising potential forestry investment managers to evaluate how a manager handles ESG factors.

- **FARMLAND**: Developed to help investors appraising potential farmland investment managers to evaluate how a manager handles ESG factors.

Discover all our DDQs at: unpri.org/ddqs
Stewardship resources

**ACTIVE OWNERSHIP 2.0: THE EVOLUTION STEWARDSHIP URGENTLY NEEDS**

This paper proposes a higher standard for active ownership, in which investors work to deliver real-world outcomes on critical systemic issues, using strengthened collaboration. Contribute to the discussion here.

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**INTRODUCTORY GUIDE TO COLLABORATIVE ENGAGEMENT**

This guide is designed to provide a practical introductory guide on engaging collaboratively with listed companies on environmental, social and governance (ESG) issues.

**A PRACTICAL GUIDE TO ACTIVE OWNERSHIP IN LISTED EQUITY**

Guides investors on their responsibilities to conduct, request and monitor effective engagement and proxy voting activities.

**ESG ENGAGEMENT FOR FIXED INCOME INVESTORS**

Guidance on how fixed income investors might structure their engagement strategies as an integral part of their approach to RI.

See all our active ownership resources at: unpri.org/investor-tools and unpri.org/esg-issues
Issue-specific guides

**ENVIRONMENTAL**
- Plastics: challenges and potential solutions
- Implementing TCFD recommendations for methane emissions
- Growing water risk resilience in agricultural supply chains

**SOCIAL**
- From farm to table: ensuring fair labour practices in agricultural supply chains
- Human rights and the extractives industry
- Drilling down into the cobalt supply chain
- Moving the needle on responsible labour practices in the apparel sector

**GOVERNANCE**
- Collaborative engagement on tax transparency: Outcomes report
- Collaborative engagement on cyber security: Outcomes report
- Investor-company dialogue on cyber security
- Engaging on director nominations

See all our investor guides on ESG issues at: unpri.org/esg-issues
The Global guide to responsible investment regulation uses perceptions of the investor community to draw conclusions about the impact of regulation on investment practice.

There have been more than 730 hard and soft-law policy revisions, across some 500 policy instruments, that support, encourage or require investors to consider long-term value drivers, including ESG factors.

The RI regulation map indicates the year of implementation, the responsible authority, whether the measure is voluntary or mandatory and if it addresses ESG issues in isolation or in combination.

See all policy publications and briefings at: unpri.org/sustainable-markets
# Climate tools

The climate emergency – how can investors take action?

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These four areas are defined by the Investor Agenda, a global investor platform set up by investors to tackle climate change. PRI is a co-founder.

Visit unpri.org/climate-change or contact climate@unpri.org for more information.
Contents

- Flagship projects update
- New initiatives, tools and resources
- PRI and signatory update

**Appendix**
  - Key resources
  - Blueprint and services
The Blueprint vision

**Responsible investors**
- Empower asset owners
- Support investors incorporating ESG issues
- Create an industry of active owners
- Showcase leadership and increase accountability
- Convene and educate responsible investors

**Sustainable markets**
- Challenge barriers to a sustainable financial system
- Drive meaningful data throughout markets

**A prosperous world for all**
- Champion climate action
- Enable real-world impact aligned with the SDGs
PRI services

What the PRI does for you

YOUR AIMS

- Incorporate the Principles into your investment process
- Be an active owner
- Challenge barriers to ESG incorporation
- Identify and understand key ESG issues in the market
- Measure and communicate progress
- Stay in touch with the PRI and your peers
- Network and exchange best practices

PRI TEAMs

- Investment Practices
- Stewardship
- Policy & Research
- Climate
  - ESG
  - SDGs
- Reporting & Assessment
- Signatory Relations
- Events

PRI SERVICES

- Asset class specific guidance and case studies
- Stewardship toolkits and the PRI Collaboration Platform
- Regulatory insights and tools to support policy action
- Research on topical ESG issues
- Globally recognised Reporting Framework and the PRI Data Portal
- Active, regional PRI-signatory relationships
- PRI in Person and local events
PRI Academy

The global leader in responsible investment training

The PRI Academy trains financial services, corporate and other professionals seeking to learn how ESG issues impact company performance, shareholder value and investment decision making.

Drawing on the PRI’s unique global perspective, the PRI Academy’s flexible, online courses feature content from leading international experts, practical case studies, financial modelling, and have been designed to help maximise the practical application of key ESG concepts in a convenient timeframe.

Courses

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Case studies

Available for CFA Institute CE Credits.
Available for CFP Board CE Credits (USA Only)

GET IN TOUCH

For more information on how to enrol, visit our website at [www.priacademy.org](http://www.priacademy.org) or email priacademy@unpri.org

9000+
Enrolments since 2015

70+
Countries represented by participants

90%+
Satisfaction rate
Get in touch
Contact your regional relationship manager for tailored local support

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For general queries, please contact info@unpri.org
Stay informed

Access the latest PRI updates online and via social media

Stay up-to-date with the latest insights via the PRI website: www.unpri.org

Need resources in other languages? Visit https://www.unpri.org/signatories/multi-lingual-resources

Stay informed on topical debates in responsible investment by reading the PRI blog: https://www.unpri.org/pri/pri-blog

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Email: info@unpri.org

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The Principles for Responsible Investment (PRI)

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 (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org