Principles for Responsible Investment

PRI RESPONSE

GRI EXPOSURE DRAFT CAPITAL MARKETS STANDARD

May 2025

ABOUT THE PRI

The Principles for Responsible Investment (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 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 range of possible actions for incorporating sustainability-related 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.

The PRI welcomes the opportunity to respond to the Global Reporting Initiative's (GRI's) call for feedback on its Capital Markets Sector Standard exposure draft. The PRI developed its response to this consultation through evidence-based research and consultation with a small group of signatories. Except where stated otherwise, the opinions, recommendations and findings expressed are those of the PRI alone, and do not necessarily represent the views of the contributors or PRI signatories (individually or as a whole).

ABOUT THIS CONSULTATION

The GRI is consulting (until 31 May 2025) on the exposure draft of three sector standards on: Banking, Capital Markets and Insurance. At the request of the GRI's Board (the Global Sustainability Standards Board), this sector standard was prepared by the GRI secretariat, in collaboration with multi-stakeholder groups of technical committee members and an independent peer group for each standard. Once finalised in Q1 2026, these standards will operate alongside GRI's existing universal, topical and sector standards.

This consultation response is on the Capital Markets standard. The PRI have contributed to the development of this standard through its membership of the technical committee (see full list of technical committee members), and as such has provided technical input only to the GRI on the contents of the standard. The PRI has not provided feedback on how the GRI should pursue implementation of the standard or how the standard should be implemented alongside other reporting obligations on signatories, either mandatory or voluntary. This voluntary standard can be applied by Asset Owners and Investment Managers, irrespective of the jurisdiction they operate in or asset class they invest into, and is relevant for investors that are looking to assess and report on the impact of their operations and (in particular) their portfolio on the economy, environment, and people.

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KEY RECOMMENDATIONS

Voluntary disclosure standards like the draft GRI Capital Markets Standard allows investors to communicate their responsible investment approach and their (current or expected) performance to users of their reporting. However, there is no one-size-fits-all approach to investor disclosure frameworks, because investors take different approaches to responsible investment. Approaches include a combination of: (i) focusing on incorporating sustainability-related risks and opportunities; (ii) addressing the drivers of financially material sustainability-related risks; and (iii) actively pursuing sustainability outcomes beyond investment value.

Given the scope of the draft standard, it will be particularly useful where investors are either (ii) tackling the drivers of sustainability-related risks and/or (iii) pursuing sustainability outcomes as they consider reporting on their impact on the economy, environment, and people. For these investors, the draft standard is decision-useful as it provides a set of relevant indicators that are also sufficiently well-aligned with other key initiatives on impact-related disclosure. In doing so, it produces consistent and comparable (impact-related) disclosure across investors – a prerequisite for users to compare across managers or peers. The draft standard also allows investors to follow their materiality assessment to identify topics and indicators that are relevant to them and to expand their reporting over time to accommodate for data availability concerns or knowledge gaps in the decision-making process.

The PRI identified six key recommendations:

- **Ensure stronger consistency in the disclosure across the topics**. This includes new indicators on: (i) the significant impacts from biodiversity, water and effluent activities associated with investment portfolios (mirroring other topics); (ii) mirroring the additional sector disclosures on Biodiversity in the topic on Water and Effluents; and (iii) considering the inclusion of performance-related information in the topics on human rights and social issues.
- **Additional disclosures on engagement with stakeholders.** Specifically on: (i) engagement with policymakers and market stakeholders (e.g. standard setters), including specific stakeholders, processes, topics and intended outcomes; (ii) additional reporting requirements on the process for monitoring and tracking stakeholder engagement on topics that relate to human rights and social issues; and (iii) additional reporting requirements on proxy voting disclosure.
- **Provide guidance on whether indicators should be disclosed at entity (or firmwide), product (or fund) level or both**. Although the draft standard currently provides investors with flexibility on their reporting, this could result in issues of comparability across investors. To support this guidance, we have set out below recommendations on the minimum scope for a range of indicators to reflect what is generally decision useful for users, including reporting on the processes and policies at an entity level and sustainability performance information (e.g. on emissions) at a product level.
- **Limited number of additional indicators on the following topics**, including:
  - Disclosures on incorporating sustainability in investment: Disclosure of a theory of change, where this is relevant; (where this is relevant) additional requirements on the proxy voting principles and monitoring of external advisors.

  - Topic [XX].10 Non-discrimination and equal opportunity: Whether and how capital markets organisations track grievances processes and take corrective action, and whether workers are using these processes to begin with.
  - Topic [XX].[8] Local communities and rights of Indigenous Peoples: An additional disclosure on how investees within the portfolio identifies, mitigates and (if needed) remediates the resettlement of local communities and Indigenous Peoples.
  - Topic [XX].[9] Conflict-affected and high-risk areas: Expanding the indicator to include disclosure on what differences exist between an organisation's approach to human rights due diligence and heightened human rights due diligence.

- **Include disclosures on the alignment with the Sustainable Development Goals (SDGs)**. This will support investors who currently already apply the framework on SDGs to assess and report on their investment practices, particularly when (iii) actively pursuing sustainability outcomes beyond investment value. Although this framing is very much in line with the approach in the draft standard that references the SDGs, it will require guidance (from the GRI or other organisations) to ensure this disclosure is not misleading.
- **Provide additional guidance and material to support financial institutions.** Given many investors will be coming to the GRI standards for the first time as a reporting entity, we have also noted the need for the final standards to be accompanied by guidance for financial institutions to apply <u>all</u> relevant GRI standards (including universal and topic standards) and the need for ongoing mapping of the GRI standards against other key investor disclosure frameworks.

DETAILED RESPONSE

The following sets out responses to the GRI's questionnaire for the public consultation. Where the PRI has no comment, we state "[No response]". Note, italicised text is used to indicate summaries or guidance included by GRI within the consultation document.

SCOPE OF THE EXPOSURE DRAFT

Section 1, 'Sector this Standard applies to' (page 4), outlines the scope of the Standard. The Sector Standard for capital markets will apply to organizations undertaking any of the following:

- *Asset ownership.*
- *Asset management.*
- *Wealth management.*
- *Custodian activities.*
- *Investment advisory.*

This Standard can be used by any organization in the capital markets sector, regardless of size, type, geographic location, or reporting experience.

Question 1.a: For this Standard, is the sector's scope clear and practical? Are there any other activities or types of organizations that should fall within the scope of this Standard? Please suggest what could be improved.

The sector scope is clear and we do not have any additional activities to be included.

We also take note of the reference that "[t]he organization must use all applicable Sector Standards for the sectors in which it has substantial activities". Given some Capital Markets organisations also operate in the Banking or Insurance sectors, this note will ensure that investors consider the remaining Financial Service sector standards.

Question 1.b: Is your organization an asset owner? If yes, are there any impacts or expectations specific to asset owners' activities missing or not accurately described in the exposure draft? Please explain why and what could be improved.

[No response]

DISCLOSURES ON INCORPORATING SUSTAINABILITY IN INVESTMENT (PAGE 15)

Through their investments, organizations in the capital markets sector can be involved with the impacts of their investees and their respective value chains on the economy, environment, and people, including human rights. The exposure draft includes disclosures for capital market organizations that focus on incorporating sustainability in investment and assessing and managing impacts from investees (see pages 15-18, Disclosures XX.0.1 to XX.0.11). These disclosures aim to provide meaningful information on how impacts are assessed and managed, including roles, responsibilities, and processes for incorporating sustainability in investment. All organizations in the capital markets sector reporting in accordance with GRI Standards are expected to report these disclosures.

Question 2.a: Is this section clear? If not, please explain what could be revised and how.

Overall, this section is clear. We see this topic as an important part of disclosing consistent information that will not be captured in the GRI's universal standards, particularly on: contextual information on reporting organisations; and reporting on relevant issue-agnostic information around their governance processes, investment decision making and stewardship.

We suggest the following minor revisions in the topic description:

- Line 328-330: Updating the sentence to include a reference to system-level risks or opportunities (addition underlined): "This includes impacts arising from the availability or lack of capital, resulting from structuring and pricing, including <u>from externalities and system-level risks or opportunities, such as</u> the impacts of investees on stakeholders along their respective value chain.
- Line 331: Suggest adding the following as a new sentence or paragraph, as there is a missing reference to other engagement levers for investors: "Organizations can therefore also contribute to efforts to improve the capacity for capital structuring and pricing models to integrate sustainability risks by engaging with policy and regulatory standard setters and engaging with investment intermediaries."
- Line 349: Replace 'Though' with 'As a part of' to ensure that it is clear that the standard is not advocating for a separate due diligence process.

Question 2.b: Do you agree with the placement of this section before the likely material topics in the Standard? If not, please explain what could be revised and how.

Yes, we agree with the placement of the section before the likely material topics. We note that the GRI sector standards do not have mandatory disclosures. As a result, by including this under the likely material topics, it ensures that reporting organisations should review the topic and determine if additional sector disclosures are material. In addition, as this sets out issue-agnostic requirements, this should be placed before the issue-specific topics.

Question 2.c: Is the information requested in Disclosure XX.0.1 to Disclosure XX.0.11 meaningful in understanding how capital market organizations incorporate sustainability and assess and manage impacts related to their investees? If not, please explain why and what could be improved.

Overall, we agree that the disclosures are meaningful. Specific comments we have on the disclosures are:

- XX.0.1: Suggest expanding the reference to the criteria to select managers to include ongoing review or monitoring (addition underlined): '…the criteria for selecting <u>and monitoring</u> them.'
- XX.0.1: Reporting 'whether assets are managed directly or indirectly through asset managers…' provides useful context to later indicators. However. it may be useful to include guidance that an organisation can qualify whether a majority/minority is managed externally, as it may help further contextualise the reporting unique to a specific asset class, strategy or jurisdiction. We take as given that this should be at the discretion of the investor to disclose this additional information and no additional disclosure is required.
- XX.0.3: Suggest expanding the first bullet to reference the role of systemic risks (addition underlined): "how impacts on the economy, environment, and people<u>, including as a result of system-level risks,</u> are considered in determining its strategy and business model;"
- XX.0.4: The absence of a clearly articulated Theory of Change (ToC) that guides the organisation's decision making, as we have recognised this is a key part of the approach for impact investors. As part of XX.0.4 under "Likely material topics", there may be value in disclosing whether: (1) organisation-level ToC exists and its relation to the sub-organisation levels (e.g. fund, strategies), or (2) fund level theory of change exists. Organisation may also share the content of ToC.
- XX.0.4: When defining the overarching commitments and definitions, one aspect that is not specified is the time horizon over which the investments are implemented. We suggest that the following bullet is added: 'how the commitments and targets are specified, particularly the time horizon over which the commitment or target is set'. This high-level overview is sufficient as organisations can then provide additional topic-specific information (e.g. on climate) as necessary following the topic-specific indicators.
- XX.0.5: Suggest 'the number of employees with formal responsibilities on investee stewardship and the percentage of these compared to the organisation's total number of employees is reworded to reference the aggregated in-house FTE estimate of employees that undertake investee stewardship activities, and the percentage of these compared to the organisation's total number of employees and investment management employees. The reasoning for this is given: (i) the PRI has found that the FTE estimate is a more accurate representation of estimating stewardship resourcing as it could lead to an inaccurate

representation of how resources are allocated within the organisation (see [*The Stewardship Resources Assessment Framework*]); and (ii) by estimating this proportion relative to total employees, depending on the organisation, could skew the results if there are multiple services/teams.

- XX.0.5: In line with the above point, we suggest applying the same change to the disclosure on employees with responsibilities on sustainability incorporation. Note, in many (especially smaller) organisations, it is common for the same employee (or even team) to be responsible for both sustainability incorporation and stewardship. Reporting on full-time equivalents would provide a more consistent measure of an organisation's resource intensity.
- XX.0.6: Suggest including a reference to system-level impacts when disclosing information on the process to assess impacts from investees (addition underlined): '…the material topics associated with these sectors, geographic locations and other factors. Particularly where these topics are material because of systemic risks and/or system-level impacts on the investment portfolio'.
- XX.0.9: Suggest including additional requirements on proxy voting:
  - How proxy voting has been implemented, including their voting policies or proxy voting principles (see Making voting count report).
  - The due diligence criteria used when assessing potential proxy voting advisors to be reasonably assured that they are aligned to the investors approach to proxy voting and can help the investor meet their objectives (see How to maximise the value of proxy advisers blog).
  - The following aggregate voting statistics:
    - The number of proxy votes cast as a percentage of total votes that were eligible
    - The number and percentage of proxy votes where the investor voted:
      - For / against management
      - To abstain
      - With / against the proxy advisor's recommendation
    - The percentage of times a rationale or analysis has been shared with management when voting against them or to abstain.
  - The outcomes of their use of the voting tool on their investee stewardship approach to help inform any adjustments to that stewardship approach. For example, when deploying the voting tool towards a particular sustainable investment goal (as per their responsible investment and/or voting policies/principles) an investor could consider the effectiveness of their voting activity, selecting from the following 'drop-down box' options to say whether their voting approach is:
    - working as planned, continue with unchanged approach
    - yielding some progress towards outcome but intensified engagement needed
    - not yielding sufficient progress, a change in voting approach is needed (including consideration of potential escalation steps)
    - no longer expected to yield progress towards target goal / outcome, a different stewardship tool will be considered.

In addition, we note a gap in the indicators for disclosure on engagement with policymakers and market stakeholders (standard setters, service providers and industry forums). Although the universal standards cover requirements for reporting on affected stakeholders and how they inform the materiality assessment, we see a gap in capital market participants' engagement with other stakeholders. In particular, we suggest a new XX.0.9 is included as follows:

Describe the approach to stewardship with policy makers and market stakeholders:

- the list of relevant stakeholders - national, international and regional - bodies engaged or initiatives/collaborative campaigns joined
- the practices used, such as through a public consultation, private consultation, 'sign on' letters or direct engagements
- the topics covered in the engagement, and (where relevant) how the approach differs by material topic
- the desired outcomes and how those outcomes are monitored
- how the organization monitors the stewardship approaches of externally managed portfolios.

Finally, signatories have indicated that one of the potential benefits of the GRI standards is in its alignment with the Sustainable Development Goals (as noted in the Sector Profile and references in various topic descriptions). Investors that operate in the development finance and impact investing spaces already apply the SDGs when reporting on their impacts and have indicated that they want to compare themselves to their peers. However, there are no indicators in the standard requesting disclosure on the alignment with the SDGs.

We recommend an indicator is added to the ESG incorporation topic for investors to disclose all relevant SDGs that their investments are currently aligned with, where this is relevant for the investor's strategy. Given the lack of consensus around what investment actions do (or do not) contribute to the SDGs, we recommend guidance is provided by the GRI or by referencing initiatives like the SDI Asset Owner Platform (link) to ensure a level of consistency in the reporting.

LIKELY MATERIAL TOPICS

Section 2, 'Likely material topics' (pages 19-70), lists likely material topics for the capital markets sector. 'Likely material topics' encompass the sector's most significant impacts and are therefore likely to be material for most capital market organizations to report publicly.

'Impact' *refers to the effect the sector or organizations operating in the sector have, or could have, on the economy, environment, and people. Impacts can be positive or negative. Organizations can be involved with negative impacts through their activities or as a result of their business relationships (see GRI 1: Foundation 2021 for more information about key concepts).*

When determining its material topics, a reporting organization in the capital markets sector needs to review each topic described in the Standard and decide if it is material for it to report based on its specific circumstances.

Not all topics listed in the Standard may be material for all organizations in the capital markets sector. For organizations reporting in accordance with the GRI Standards, if any of the topics included in the Standard are deemed not material, the organization lists them in the GRI Content Index and provides a short explanation of why they are not material. Other topics not listed in the Standard may be relevant to an organization based on its impacts or context and should also be reported on.

Question 3: Do the topics included in the exposure draft represent the capital markets sector's most significant impacts and are therefore likely to be material for most organizations in the sector to report? If not, please explain which topics should not be listed as likely material for the sector or which topics or significant impacts are missing.

Yes, they do represent the range of potentially material impacts. However, unlike other sectors, given the diversity (in objectives, reporting obligations, investment strategy etc.) among Asset Owners and Investment Managers, it is unlikely that all of the topics will be universally applicable.

REPORTING SUB-SECTIONS

For reporters

Section 2, 'Likely material topics' (pages 19-70), also lists relevant disclosures for the capital markets sector to report on each topic. These disclosures are partly derived from existing GRI Topic Standards. However, where disclosures from Topic Standards do not exist or do not provide sufficient information about a capital market organization's impacts in relation to a topic, additional sector recommendations and disclosures are listed. If any of the listed disclosures are irrelevant to the organization's impacts, the organization is not required to report them.

Question 4.a: Are the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) relevant for most capital market organizations to report? If not, which disclosure(s) are not relevant and why?

Given the diversity in investors it is not possible to state that most of the organisations in the sector will find it relevant to report on all (or most) of the disclosures listed in this exposure draft. We recognise that the reason for the 22 topics is because investors are exposed to the impacts of all sectors in the economy particularly through their portfolio. Universal owners (i.e. investors that hold a broad set of investments in a portfolio that represent the economy) are most likely to find the broadest range of these disclosures relevant. However, for investors, factors like their investment objectives, their own reporting obligations (which relates to their operating jurisdiction), their investment strategy etc. will determine which of the disclosures are ultimately material.

Question 4.b: Are the included additional sector recommendations and disclosures understandable? If not, please identify which recommendations or disclosures and what could be improved.

In general, the additional sector recommendations are understandable and clear. Comments have been raised in the sections that follow where they are not.

Question 4.c: Are the included additional sector recommendations and disclosures feasible to report? If not, please identify which recommendations or disclosures are not feasible to report and explain why.

The feasibility of the additional sector recommendations and disclosures will vary by investor and should ultimately be seen as a long-term collection and processing of relevant data over time. We would like to note that feasibility of the requirements will be determined by multiple factors, including: (i) the availability of the information; (ii) the additional cost of processing the information; and (iii) the additional compliance costs of disclosing the information publicly. For example, limitations in the availability of information is especially acute for Emerging Market investors, where availability of information on indicators like GHG emissions can be limited as local regulations do not impose reporting obligations on investees in these regions.

Question 4.d: Is it clear whether the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) apply to a capital market organization's activities, business relationships, or both?

Yes, this is clear.

Question 4.e: Are there any significant impacts on the economy, environment, or people that are not reflected in the reporting of this exposure draft but are relevant for most organizations in the sector?

No, there are no additional significant impacts that should be included. As the sector standards (for real economy sectors) are still under development, we suggest that this question is reviewed once all (or the majority) of the sector standards are in place.

For information users

Section 2, 'Likely material topics' (pages 19-70), also lists relevant disclosures for the capital markets 96 sector to report on each topic. These disclosures are partly derived from existing GRI Topic Standards. However, where disclosures from Topic Standards do not exist or do not provide sufficient information about a capital market organization's impacts in relation to a topic, additional sector recommendations and disclosures are listed. The additional sector reporting enables organization to provide sufficient and relevant information about its impacts in relation to each material topic so users can make informed assessments and decisions about it.

Question 5.a: Are the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) critical and useful for information users to understand an organization's impacts related to each topic? If not, please explain what could be improved.

Overall, the disclosures are likely to be decision-useful to institutional investor clients and informed stakeholders (e.g. regulators or NGOs) to understand an organisation's impacts related to each topic.

One of the uses of this type of disclosure (when reported by investment managers) is the selection and monitoring of managers. Although the standard has not been prescriptive on whether the disclosure should be at entity (or firmwide) level or product (or fund) level, we suggest that the flexibility to apply it to both is clarified in the standard. In general, our research has indicated that for:

- The ESG Incorporation topic: all of the indicators except stewardship and proxy voting should at least be disclosed at entity level, and then a reporting entity should distinguish if there is any deviation at a fund level. For stewardship and proxy voting, evidence indicates that although the processes might be at entity level, the number of engagements, votes, actions taken etc. should be reported (at least) at product level.
- All remaining topics: although there is a mix of indicators, the following comments generally stand on the types of indicators - the management of the topic should be at least at product level, what policies (including taxonomies) and transition/adaptation plans will most likely be

appropriate at entity level, while the sustainability performance indicators (e.g. on emissions, number of complaints, incidents) should at least be at product level.

Comments have been raised under each of the topics listed below. In addition, topic-specific comments that have not been captured in the questions below include:

- Topic [XX].3 Water and effluents: additional reporting requirements mirroring the additional sector disclosures requirements currently under 'Topic [XX].2 Biodiversity' on:
  - XX.2.3 and XX.2.5 – replacing references to 'biodiversity' with 'water and effluents'.
  - XX.2.4 – replacing the reference to 'identified sites with most significant impacts on biodiversity', with 'sites in areas of high water stress without a water management policy'. This would replace the current indicator in water and effluents XX.3.4, which only asks for the percentage of investees in these sites.
- Topic [XX].8 – 17: for all Topics related to human rights and social issues we suggest additional reporting requirements on the process for monitoring and tracking stakeholder engagement. For example, the frequency of the engagement, development and presence of an ongoing engagement strategy and the use of operational level grievance mechanisms. This will allow users of the reporting to understand if the organisation is engaging on these topics in a proactive way, which goes beyond the requirements in the universal standard[1].
- Topic [XX].10 Non-discrimination and equal opportunity: we suggest that disclosure requirements are added to capture further information on how entities track grievances processes and take corrective action, and whether workers are using these processes to begin with. This should request information on:
  - The number of reports of grievances and the corresponding resolutions.
  - The use of its grievance mechanism, and whether grievances raised were investigated and resolved in a timely manner.
  - The impact of remediation activities on workers, supply chain and consumers – or evidence that remediation is or would be undertaken systematically
- Topic [XX].20 Anti-competitive behavior: we suggest that the bullet within the indicator XX.20.1 "'describe any investment policies that intend to limit market concentration" is removed, given this implies a role that is more relevant to regulators through antitrust legislation than investors.

We also take note that investee-level disclosure on indicators around performance are not included on Forced and compulsory labor (Topic [XX].11), child labor (Topic [XX].12), freedom of association and collective bargaining (Topic [XX].13), occupational health and safety (Topic [XX].14), employment (Topic [XX].15), remuneration (Topic [XX].16) and significant changes for workers (Topic [XX].17).

[1] We note that the GRI universal standards already capture some information on engagement with affected stakeholders. IN particular, which stakeholders' views have been considered and prioritised for engagement (GRI 3-1-b), how this engagement with stakeholders has informed the actions taken to manage the topic (GRI 3-3-f) and how it has informed the effectiveness of the actions (GRI 3-3-f).

Question 5.b: Are there impacts currently not (sufficiently) covered by the disclosures in this exposure draft, but you would expect to see reported by capital market organizations? If so, please explain what should be included and the rationale for inclusion.

As noted in Question 4.e, no, there are no additional impacts we would expect to see reported.

TOPIC-SPECIFIC QUESTIONS

Climate change (page 19)

This topic covers how organizations contribute to climate change, including the transition to a low-carbon economy, climate change mitigation and adaptation, and securing a just transition. Reporting on this topic covers a capital market organization's approach to managing climate change-related impacts, including its contribution to real economy decarbonization, its approach to investees' transition plans and just transition principles, and its contribution to climate change adaptation and resilience.[2]

Question 6.a: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' approach to climate change? Is there anything missing? Please explain what could be revised and how.

Yes, the disclosure is likely to generate relevant information. The proposed disclosures on climate change are aligned with the UN HLEG Implementation checklist key credibility criteria for transition plans of financial institutions. We have no further comments on the disclosures and see it adequately covers expectations on both climate change mitigation as well as physical risk and adaptation.

Question 6.b: Does the proposed reporting meet transparency expectations for the sector regarding climate change? Are there any gaps or additional information that should be included?

Yes, the proposed reporting meets transparency expectations in this area. However, to improve the relevance of this reporting and connectivity with other environmental issues, we suggest that "water" and "effluents" are included within the list of impacts to be reported on under the sections "Climate Topic for GRI 3: Material Topics 2021" and "GRI CC: Climate Change" (c.f. pages 20-21).

Biodiversity (page 24)

This topic covers organizations' impacts on biodiversity, including genetic diversity, animal and plant species, and natural ecosystems. Reporting on this topic covers policies for providing products and services to investees that can or could have an impact on biodiversity, including through the use of genetic resources. It also covers actions of capital market organizations to assess their portfolios,

[2] The likely material topic 'Climate change' lists relevant disclosures from the Climate Change Topic Standard exposure draft. These disclosures are subject to change based on the final revisions to this Topic Standard, which is expected to be released in Q1 2025.

identify investees with the most significant impacts on biodiversity, and actions to halt and reverse biodiversity loss.

Question 7.a: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' approach to biodiversity and how they manage related impacts? Is there anything missing? Please explain what could be revised and how.

Yes, those disclosures will provide meaningful information on capital market organisations' approach to biodiversity and how they manage related impacts. The disclosures are also sufficiently well-aligned with other key initiatives, such as both indicators within the Taskforce on Nature-related Disclosure's (TNFD's) guidance for financial institutions.

It is particular, we recognise it is relevant to report on their policies to manage investments with significant impacts on biodiversity, or activities in or near ecologically sensitive areas, and additionally for investments that conserve and restore biodiversity. This will help clients and stakeholders assess whether organisations have appropriate governance and management of nature-related risks and opportunities,

To improve the relevance of this reporting, we suggest that an indicator be added under the additional sector recommendations for the management of the topic, to describe the significant impacts from biodiversity activities associated with investment portfolios, including impacts on:

- Climate mitigation and adaptation.
- Local communities, vulnerable groups, workers and Indigenous Peoples.
- Water and effluents.

In addition, for clarity and to avoid repetition with the climate section of the standard, we suggest that the reference to climate is removed from the following disclosure requirement within "Additional sector disclosures" (XX.2.6, c.f. page 26): "Report the monetary value at the end of the reporting period of the investment portfolio, including the percentage of the total value of the portfolio, allocated to investees that:…. <u>undertake climate change mitigation or adaptation; activities that</u> contribute to the protection of biodiversity."

Question 7.b: Does the proposed reporting meet transparency expectations for the sector regarding biodiversity? Are there any gaps or additional information that should be included?

Yes, the proposed reporting meets transparency expectations in this area. In addition, we recognise the relevance of the reporting requirements on indicators and data sources used, the extent of supply chain or portfolio captured in assessments, and the taxonomies and definitions used – given ongoing data challenges related to availability and/or reliability, this reporting will help build trust between reporting organisations and clients/stakeholders.

<u>Financial health and inclusion (page 31)</u>

This topic covers an organization's approach to promoting financial health and inclusion. Reporting on this topic includes actions and processes aimed at improving access to and usage of investment products and services for identified targeted client and investee groups, as well as the percentage of assets under management allocated to micro-, small-, and medium-sized enterprises (MSMEs).

Question 8.a: Is the content of this topic clear? Are there impacts missing from the topic description? If so, please explain what could be revised and how.

Although we do not have any comments on the indicators in this topic, signatories have suggested that the topic description should clarify the scope of investment products and services that are relevant to this topic. For example, it was unclear if there should be a reference to affordable housing in the description.

Question 8.b: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' approach to financial health and inclusion, and how they manage related impacts? Is there anything missing? Please explain what could be revised and how.

[No response]

Local communities and rights of Indigenous Peoples (page 39)

This topic covers socioeconomic and human rights impacts on local communities and the rights of Indigenous Peoples, including in relation to cultural heritage and health. These impacts can stem from investing in infrastructure projects and economic activities leading to environmental degradation, displacement, involuntary resettlement, or changes in land use. Reporting on this topic focuses on managing impacts from investees.

Question 9.a: Is the content of this topic clear? Are there impacts missing from the description? If so, please explain what could be revised and how.

Overall, the contents are clear on the scope of impact and positive/negative outcomes. However, we suggest the following updates:

- An additional disclosure on how investees within the portfolio identifies, mitigates and (if needed) remediates the resettlement of local communities and Indigenous Peoples.
- Where processes such as free, prior and informed consent (FPIC) are mentioned, these should be anchored in international human rights frameworks and conventions – United Nations Declaration on the. Rights of Indigenous Peoples (UNDRIP) and International Labour Organisation (ILO) Convention 169.

Question 9.b: Additional sector recommendation XX.8.1 suggests organizations describe their approach to managing impacts from investees on local communities and rights of Indigenous Peoples, including quality assessments of investees' stakeholder engagements, safeguarding human rights defenders, and direct engagement with affected stakeholders. This additional sector recommendation is currently included for the topic of local 168 communities and rights of Indigenous Peoples. Should it also be included for other human rights topics? If so, which topics?

Yes, the PRI agrees with this proposal. Engagement with affected stakeholders is a component of human rights due diligence under the UN Guiding Principles on Business and Human Rights (UNGPs). Therefore, it is applicable across all human rights topics and should be adapted based to the nature of the entity and affected stakeholder group.

Conflict-affected and high-risk areas (page 41)

This topic covers an organization's approach and impacts related to operating in or providing services to investees in conflict-affected and high-risk areas. Reporting on this topic addresses due diligence expectations and adherence to international humanitarian law for investees, portfolio exposure, contextual information on how investment portfolios are exposed to these areas, and the organization's approach to providing products and services to investees in the defense sector.

Question 10.a: Is the content of this topic clear? Are there impacts missing from the description? If so, please explain what could be revised and how.

Yes, the content of this topic is clear. However, we suggest expanding the discussion on avoiding funds and screening to include a caveat to recognise that existing funds may be exposed to or at risk of escalating conflict.

Question 10.b: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' approach and impacts related to conflict-affected and high-risk areas, including due diligence expectations and adherence to international humanitarian law? Is there anything missing? Please explain what could be improved.

Yes, the disclosures will provide relevant information on this topic. However, to improve the relevance of this reporting, we suggest the following updates:

- XX.9.1: Expanding the indicator to include disclosure of information on what difference exist between an organisation's approach to human rights due diligence and heightened human rights due diligence. This can provide more granular information on steps taken to identify conflict-related risks.
- XX.9.4 (additional sector disclosures around defence), the standard could specify examples of investees active in the defence sector that may be included in and excluded from policies, such as weapons and components manufacturers.

Economic impacts (page 61)

This topic covers an organization's impacts on economic systems, including the economic well-being of their stakeholders through operations, the quality of products and services, and business relationships at local, national, and global levels. Reporting includes the direct economic value generated and distributed and financial assistance received from governments, including interventions during financial crises.

Question 11.a: Is the scope of this topic clear? Are there impacts missing from the description? If so, please explain what could be revised and how.

[No response]

Question 11.b: How do capital market organizations affect economic systems through their products, services, and investments? Please explain your answer.

[No response]

Question 11.c: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' impacts on economic systems and how they manage the related impacts? Is there anything missing? Please explain what could be improved.

[No response]

Prevention of corruption and financial crime (page 63)

This topic covers the impacts of corruption and financial crime, focusing on how capital market organizations can prevent such activities through their services and business relationships. Reporting on this topic covers procedures and operations assessed for risk of corruption and financial crime, training, communication of policies and procedures, and incidents of corruption and financial crime.

Question 12.a: Is the content of this topic clear? Are there impacts missing from the description? If so, please 209 explain what could be revised and how.

[No response]

Question 12.b: Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on capital market organizations' approaches and impacts on preventing corruption and financial crime? Is there anything missing? Please explain what could be improved.

[No response]

Public policy (page 69)

This topic covers an organization's approach to public policy advocacy and the impacts that can result from the influence an organization exerts. Reporting on the topic focuses on political contributions and resources allocated to public policy engagement.

Question 13.a: Do you think the section 'Disclosures on incorporating sustainability in investment' on pages 15-18 should include additional disclosures on public policy beyond those covered in this likely material topic? Please explain.

Yes, this section should include additional disclosures on public policy. The PRI recognises the importance of policy engagement as a natural extension of investors' duty to act on the best interests of their clients and beneficiaries, given that public policy critically affects institutional investors' ability and incentives to generate sustainable returns, and the sustainability and stability of financial markets and of social, environmental and economic systems.

As set out in our response to Question 2.c, these should include market stakeholders such as standard-setters, and should capture further detail on the stakeholders, their approach to engagement with stakeholders, the topics covered in the engagement and the outcomes of the engagement. Our suggested additions are different to disclosures currently in the Public Policy topic, which: (i) focus on policy makers only; and (ii) focus on the specific drivers of risk from public policy (i.e. contributions and hiring practices) rather than practices and policies.

Question 13.b: If yes, should disclosures follow the structure of the disclosures on incorporating sustainability in investment, which highlights different organizational features (governance, roles and responsibilities, and actions taken)?

See our response to Question 2.c.

Public and customer health and safety (page 70 [of the insurance exposure draft])

Public and customer health and safety is a likely material topic in the exposure draft of the Insurance Sector Standard. This topic addresses how insurance organizations utilize their risk expertise beyond their core business to support public and customer health and safety, including through product and service design, incentives, awareness-raising on risks, and collaboration with stakeholders on disaster preparedness. In addition, the topic addresses how organizations in the insurance sector can be involved with impacts related to health and safety through their business relationships (e.g., insuring or investing in organizations that manufacture tobacco). While this topic is tailored for the insurance sector, an adapted version for the capital markets sector could address their involvement with public health and safety impacts through business relationships, such as investing in organizations involved with negative impacts on health and safety.

Question 14: Do you consider an adapted version of this topic to be material for the capital markets sector? If so, what specific impacts might capital market organizations have regarding this topic?

[No response]

OPEN QUESTION

Question 15: Are there any proposed disclosures where information will either be not available, not possible to collect, or difficult to obtain over time? Please explain.

[No response]

Question 16: Are there any other comments or feedback you would like to provide about the capital markets exposure draft?

We note the following additional comments on the disclosure requirements, which we were not able to capture elsewhere:

- Recommend that the term "worker" is defined within the standard to encompass both direct and indirect workers. This will ensure that all significant labour-related impacts are identified and reported on appropriately across all relevant topics in the standard.
- Suggest generalising the reference to 'investees' to 'investees and assets' in order to fully capture the range of potential asset classes.

Although the standards have worked to ensure a strong level of alignment with a number of key reporting frameworks, we recognise that interoperability with all of the reporting requirements that investors are exposed to globally is not feasible. This is particularly due to differences in the context of the various mandatory and voluntary disclosure frameworks (the objectives, scope of the disclosures, regional context etc.). However, as the GRI standard remains a voluntary framework, it will be important for investors to be given ongoing updates on the overlap between the final standard and key investor disclosure frameworks (e.g. the EU SFDR). This will help clarify the relevance of disclosure against the standard for investors; and will minimise investors' reporting burden, by identifying common indicators (that can be cross-referenced) and by allowing investors to focus on any additional, material indicators.

We also recognise a risk that the current standard has limited interconnectivity between the topics to consider the overlap and/or trade-offs – outside of explicit indicators that link the issues (e.g. between climate change and biodiversity). Although investors have traditionally approached these issues individually, we are concerned that the absence of any reference to this need for interconnectivity or space (e.g. disclosures) within the standard to enable some level of connectivity could result in silos in the reporting. One suggestion made by our signatories is to include an indicator in the ESG Incorporation topic to request: a description of the processes used to identify, assess, and manage potential trade-offs between different topics; include examples of specific trade-offs encountered; and how they have been addressed in investment decision-making. Finally, we note that given this will be the first time that many investors will be applying the GRI standards, we recommend that guidance is developed by the GRI for financial institutions – which should cover the process for implementation across the universal, topic-specific and the sector standards. Engagement with signatories on the draft standard has highlighted the complexity of implementing the GRI standards, which can act as a barrier to entry for new reporting entities.