

POLICY BRIEFING

PRI POLICY PRIORITIES 2022-23

July 2022

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To inform this briefing, the following investor group has been consulted: PRI Global Policy Reference Group. This consultation is not an endorsement or acknowledgement of the views expressed in this briefing.

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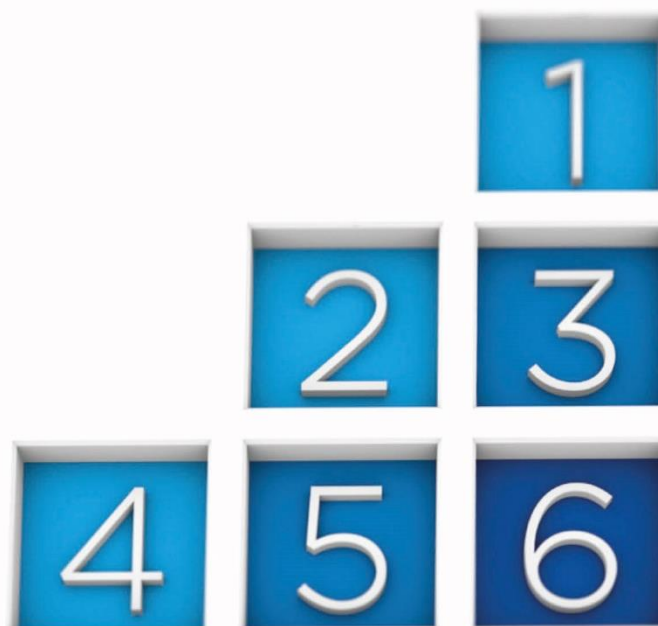
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THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

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 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.



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.

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ABOUT THIS BRIEFING

Public policy sets the rules of the game that govern the financial system, and affects the sustainability and stability of financial markets, as well as social, environmental, and economic systems. Public policy also critically affects the ability of long-term investors to generate sustainable returns and create value. Therefore, policy engagement is a natural extension of conventional investment manager responsibilities and fiduciary duties to the long-term interests of beneficiaries and savers.

The PRI actively engages with public policy where relevant to our Principles and Mission, and as outlined in our [policy approach](#). Through its [Blueprint for Responsible Investment](#), the PRI has committed to address unsustainable aspects of the markets that investors operate in, to achieve the economically efficient and sustainable global financial system that responsible investors and beneficiaries need. The current [three-year strategy](#) includes three objectives relevant to policy reform:

- Engage with policy makers on climate and other priority issues
- Contribute to ESG incorporation being implemented in financial policy and regulation
- Conduct legal and policy analysis to help develop the environment and frameworks needed to support the pursuit of desired real-world outcomes by investors

The PRI's policy positions are built to develop an understanding of key challenges and opportunities for PRI signatories. The PRI proactively develops research and analysis on foundational policy issues at regional and global levels, always involving signatories at the onset and throughout the course of policy research projects and programmes. The PRI also proactively consults with other non-signatory market stakeholders as relevant. The PRI Policy Team uses the findings of policy research to respond to consultations on different aspects of policy reform in different markets. Policy engagement topics are reviewed each year as part of its business planning and in accordance with its three-year strategy and evolving policy context.

This briefing summarises the key policy topics and developments in core markets where the PRI is conducting policy research and engagement. These priorities reflect the PRI's strategy and its current policy agenda in different markets. All PRI policy work can be consulted at <https://www.unpri.org/policy>

COUNTRY POLICY PRIORITIES

AUSTRALIA

Australia's financial sector is becoming increasingly attuned to the urgent sustainability risks threatening the strength and stability of the country's economy and global markets. However, the policy and regulatory developments required to support investors in understanding and managing these issues, in the best interests of their beneficiaries and clients, are currently lagging behind global peers.

In recent years, key financial regulators, including the [Australian Prudential Regulation Authority](#) (APRA) and the [Australian Securities and Investments Commission](#) (ASIC), have introduced important new guidance regarding the effective management and disclosure of climate change-related risks. The finance industry has also been making its own recommendations for policy and regulatory improvements through the [Australian Sustainable Finance Institute](#) (ASFI) and a variety of other forums.

In 2022/23, the PRI will work with signatories to achieve improvements in the policy and regulatory landscape to support investors in better integrating sustainability risks and impacts into their decision making. We will prioritise our work around the following key areas:

Clarifying investors' duties to address sustainability-related systematic and systemic risks

- The PRI will engage with the Government, APRA, and industry bodies on the need to update standards and guidance to clarify investors' duties to consider systematic and systemic risks in their investment governance, risk management, and strategic planning processes.

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- Considering the needs of Australian investors and global developments in relation to corporate disclosure, the PRI will engage with the Government, ASIC, other financial regulators, and key industry bodies on the need for Australia to adopt a comprehensive corporate sustainability reporting framework.

Strengthening the regulatory framework for effective stewardship

- The PRI will work with signatories to identify key opportunities for strengthening the framework for effective stewardship in Australia, including through engagement with the Government, APRA, and the industry bodies currently responsible for publishing industry stewardship codes.

Supporting the development and effective implementation of an Australian sustainable finance taxonomy

- The PRI will support and engage with ASFI in its development of an industry-led sustainable finance taxonomy for Australia that is interoperable and as consistent as possible with the range of sustainable finance taxonomies currently being developed in other capital markets.
- The PRI will engage with the Government, APRA, and other financial regulators to promote and effectively implement the regulatory framework of the Australian sustainable finance taxonomy.

Supporting strong Government action on climate change and modern slavery

- The PRI will encourage the Australian Government to introduce ambitious national climate policies aligned with the goals of the Paris Agreement. In doing so, we will support the Investor Agenda's Australia country policy group and work with signatories to engage with the Australian Government on the need for ambitious climate-related policy reforms that will help Australia meet its international commitments and ensure local markets remain competitive in accordance with global developments.
- The Australian Government is currently undertaking a review of the Modern Slavery Act. The PRI will respond to the Government's review consultation to support reforms that strengthen the operation and implementation of the act to help ensure that human rights associated with modern slavery are better respected and protected by investors and other stakeholders.

CANADA

Canada's key domestic and international priorities include gender equality, peace and security, climate change, and building a sustainable global economy. Since 2015, Canada has committed to the 2030 Agenda on Sustainable Development, signed the Paris Agreement, legislated the Net-Zero Emissions Accountability Act, and adopted the United Nations Declaration on the Rights of Indigenous Peoples.

The federally mandated Expert Panel on Sustainable Finance published its [final report](#) in 2019. In 2021, the Canadian government convened the [Sustainable Finance Action Council](#) (SFAC) to provide guidance on implementing the Expert Panel's recommendations to establish foundational market infrastructure to scale and attract sustainable finance.

In 2022/23, the PRI will work to support greater policy coherence in Canada, focusing on the following high-level priorities to improve the alignment of Canada's capital markets with its domestic and international sustainability commitments:

Clarifying investors' duties in pension fund regulation

- The PRI will conduct research on the consideration of risk, return, and the impact of climate and broader sustainability issues on financial objectives, beneficiary "best interest", and collective action as part of investors' fiduciary duties.

Supporting the implementation of a credible "made-in-Canada" sustainable finance taxonomy

- The PRI will support the development and implementation of an interoperable, technology-neutral sustainable finance taxonomy with science-based metrics and performance thresholds to facilitate the investment of domestic and global capital in sustainable activities that contribute to Canada's transition to an inclusive and equitable low-carbon economy.

Supporting the implementation of a comprehensive corporate sustainability reporting framework

- The PRI will support the development of a standardised, mandatory disclosure regime of climate and broader sustainability issues for investors and other market participants in alignment with investor needs and global corporate reporting developments.
- The PRI will pursue engagement opportunities with the SFAC, the Canadian federal government, federal and provincial regulators, standard setters, and national regulatory harmonising bodies to provide a global perspective on creating an enabling regulatory environment for sustainable finance in Canada.

CHINA

China is continuing to steadily move forward with a range of policy and regulatory reforms designed to better align its financial sector with national sustainability and carbon neutrality objectives. Support for green finance objectives can be seen in a range of recent high-level policy announcements from the Government, and key financial regulators and industry have been continuing to proceed with sustainable finance reforms relevant to their remit.

Among other things, the Ministry of Ecology and Environment (MEE) has introduced enhanced environmental disclosure requirements; the China Securities Regulatory Commission (CSRC) continues to investigate possible reforms around broader ESG disclosure obligations for listed companies; and the China Banking and Insurance Regulatory Commission (CBIRC) is in the process of developing guidance on ESG investment for insurance companies and asset managers.

In 2022/23, the PRI will work with signatories to achieve improvements in the policy and regulatory landscape to support investors in better integrating sustainability risks and impacts into their decision making. We will prioritise our work around the following key areas:

Clarifying investors' duties to consider sustainability-related risk and impacts

- The PRI will seek to engage with the Ministry of Finance (MoF) and the Ministry of Human Resources and Social Security regarding the development of potential regulations and guidance to support pension funds in pursuing responsible investment and improving their consideration of sustainability-related risk and impacts.
- The PRI will engage with CBIRC and CSRC to further clarify investors' duties relating to ESG incorporation, stewardship, understanding clients' preferences, and disclosure.

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- Considering the needs of Chinese investors and global developments in relation to corporate disclosure, the PRI will engage with MEE, CSRC, MoF, stock exchanges, and other stakeholders on the need to publish a mandatory ESG disclosure framework in alignment with international standards, including standards being developed by the International Sustainability Standards Board (ISSB).
- The PRI will engage with Chinese stock exchanges to support them in providing more comprehensive guidance covering ESG reporting for listing rules and periodic reporting.
- The PRI will publish a report proposing a just transition disclosure framework for China and engage with regulators and other stakeholders on the importance of including social issues within disclosure frameworks and indicators.

Strengthening the regulatory framework for effective stewardship

- The PRI considers that effective stewardship is a fundamental component of responsible investment and an essential tool for addressing systemic sustainability issues.
- Building on the recommendations of a [research report](#) published in June 2022, the PRI will engage with key financial regulators and standard setters to support the creation of a stronger regulatory framework for stewardship in China.
- The PRI will continue to support the Insurance Asset Management Association of China and the Asset Management Association of China on the development of a stewardship code for China and carry out research to identify specific challenges to effective stewardship in China.

Supporting the development and effective implementation of a sustainable finance taxonomy for China

- Building on the foundation provided by China's Green Bond Endorsed Project Catalogue, the PRI will carry out research to identify investor demand for a broader taxonomy for sustainable activities in China.

Advocating for a stronger policy framework for SDG and sustainability investment outcomes

- The PRI will carry out a project to help build support for a stronger policy framework for SDG and sustainability investment outcomes, including:
 - helping Chinese investors to understand the role of investors towards the SDGs and the connection between China's key sustainability issues and the SDGs
 - raising Chinese investors' awareness and capacity on ESG strategies, in particular stewardship activities for shaping SDG outcomes through their investment
 - increasing understanding and capacity of Chinese policy makers and regulators to facilitate and drive capital flows to meet the SDGs

Advocating for stronger action on climate change

- The PRI will continue to encourage the Chinese Government, policy makers, and signatories to strengthen national climate change and energy policies in line with stated objectives and commitments under the Paris Agreement.

EU

The EU has been leading the way in terms of sustainable finance policy reforms for some years. Since the new Commission took office, in July 2019, numerous sustainable finance reforms have been pushed for, especially through enhanced ESG disclosure requirements with the adoption of the [EU Taxonomy Regulation](#) (Regulation (EU) 2020/852) and the [Sustainable Finance Disclosure Regulation](#) (SFDR) (Regulation (EU) 2019/2088). Additional asset class-specific reforms to EU directives (including MiFID II, IDD, Solvency II, and AIFMD) were also adopted to strengthen investors' fiduciary duties.

We expect that within the two remaining years until the next European elections in June 2024, the European Commission will now focus its attention on simplification, coherency and implementation issues related to sustainable finance, and limit the number of new legislative initiatives which have been listed in its [revised strategy](#) published in July 2021. The EU is also moving ahead fast with real-economy policy reforms, related to climate, social, human rights and governance policies under the EU Green Deal, the Fit for 55 package, as well as the Corporate Sustainability Due Diligence (CSDD) Directive.

In 2022, the PRI will therefore focus its capacities to support the development of coherent, efficient, and ambitious sustainable finance policy reforms at the EU level and work further with its signatories on implementation challenges, making sure the EU puts in place a workable framework for investors and companies while also further embedding sustainability outcome-based considerations into relevant sustainable finance policies. Considering the climate urgency and geopolitical instability following the war in Ukraine, investors also need to better understand and support real-economy sustainability policies. In application of the [PRI's three-year strategy](#) prioritising climate and human rights issues, the PRI will continue to increase its focus and engagement with EU policy makers on related real-economy policies, in synergies with the respective content specialists across the PRI.

The EU policy work programme for this financial year is structured around the following priorities:

Enhancing operationality of the EU Taxonomy framework, making it a central tool of EU sustainable finance policies and a prime example internationally

- The PRI will continue its work programme on the EU Taxonomy, focusing on investors' implementation challenges such as the coherency and efficiency of disclosure rules through the dedicated Taxonomy Practitioners Group and engage with the European Commission.
- The PRI will engage with its signatories to assess their support for an EU Taxonomy framework extension following suggestions from the Platform on Sustainable Finance (Extended Environmental Taxonomy and Social Taxonomy) and engage with relevant EU policy makers.
- The PRI will support educational efforts in other markets regarding the development of taxonomies and support convergence efforts between regional frameworks (e.g. UK/China).

Implementing sound mandatory ESG disclosure requirements for investors and corporates while increasing data consistency, reliability, and comparability

- Regarding the SFDR, the PRI will continue supporting signatories in their implementation of the regulation and closely monitor and engage with the European Commission and the European Supervisory Authorities on future policy developments (e.g. revision of the Principal Adverse Impacts indicators and introduction of minimum sustainability criteria for financial products that promote environmental or social characteristics).
- Regarding the [Corporate Sustainability Reporting Directive](#) and the [European Sustainability Reporting Standards](#), the PRI will continue engaging with policy makers to make sure data availability is not delayed. The PRI will engage with the European Commission and policy makers on standards developed by the European Financial Reporting Advisory Group in support of the PRI's [Driving Meaningful Data](#) programme.
- Regarding the ESG data providers regulation, the PRI will respond to relevant consultations and, through policy engagement, support the research and work carried forward through the PRI's [Sustainable Financial System](#) and [ESG in Credit Risk](#) research programmes.

Incorporating the Legal Framework for Impact (LFI) findings into EU sustainable finance regulations and stewardship

- The PRI will continue to engage with the European Commission on actions needed to take forward the recommendations made in the Legal Framework for Impact EU report, including engagement around necessary reforms related to clarifying fiduciary duties and better incorporating clients' and beneficiaries' sustainability preferences.
- The PRI will continue to engage with the European Commission to ensure effective stewardship reforms are taken forward, paving the way towards the ambitious Shareholder Rights Directive II (SRD II) revision expected in 2023.

Maintaining leadership and support for sustainability policy reforms from key EU Member States (France and Germany)

- The PRI will continue to monitor and engage closely with signatories, policy makers and regulators in France and Germany to maintain their leadership and support for sustainable finance reforms at EU level, working closely with local Signatory Relation Teams.
- The PRI will publish an updated sustainable finance roadmap for France, following up from its previous [publication](#) in 2018, and monitor best policy examples and responsible investment practices in both France and Germany.

Supporting ambitious climate-related policy reforms in the EU which have a real-world impact

- The PRI will engage with its signatories to continue building the case for strong investor support for ambitious climate-related policy reforms, following up from previous EU climate briefings and based on the PRI's [Inevitable Policy Response](#) project.
- The PRI will monitor negotiations and engage with EU policy makers on key Fit for 55 package negotiations, focusing on policies related to emission reduction targets (European Union Emissions Trading System), industrial decarbonisation (Carbon Border Adjustment Mechanism), and policy developments related to bioenergy and renewable energy (Renewable Energy Directive).

Ensuring ambitious social, human rights, and governance policy reforms

- The PRI will engage with its signatories to continue building the case for strong investor support for an ambitious CSDD Directive and explore needed pathways for change to enhance human rights considerations in sustainable finance.
- The PRI will monitor CSDD negotiations and engage with policy makers to provide them with expertise on governance and mandatory human rights due diligence issues to ensure an ambitious and achievable directive aligned with EU sustainability goals.

JAPAN

Japan's government and financial regulators seek to better enable its financial sector to contribute toward global sustainability goals. The PRI Japan Policy Team engages with policy makers to ensure that upcoming policies increasingly position Japan as a leader in sustainable finance. As the world's third largest economy, Japan's government and financial regulators have taken important first steps to create a more enabling framework for sustainable finance. With leading Japanese investors becoming increasingly conscious of urgent and systemic sustainability issues like climate change, policy makers and regulators must now accelerate initiatives to provide investors with the tools, information, and guidance they need to turn awareness into action.

In recent years, key Government ministries, including the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MoE), have been supporting a range of initiatives related to [green](#) and [transition](#) finance. Recent updates to Japan's [corporate governance](#) and [stewardship](#) codes to refer explicitly to ESG considerations have already reinforced emerging market practice. The Financial Services Agency's (FSA) adoption of a [Strategy on Sustainable Finance](#) signals the potential to position Japan as a leader in the region and globally on sustainable finance. Doing so will now require increased focus and ambition.

In 2022, the PRI will work with signatories to achieve improvements in the policy and regulatory landscape to support investors in better integrating sustainability risks and impacts into their decision making. We will prioritise our work around the following key areas:

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- Following recent updates to the Corporate Governance Code, which now sets an expectation for Prime Market listed companies to make disclosures aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), the PRI will engage with the FSA, the Japan Exchange Group, and the newly created Sustainability Standards Board of Japan on the need for Japan to adopt a more comprehensive corporate reporting framework for sustainability risks and impacts.
- In carrying out these engagements, the PRI will consider recent global developments in relation to the ISSB and the appropriateness of implementing ISSB standards in Japan.

Strengthening the regulatory framework for effective stewardship

- The PRI considers that effective stewardship is a fundamental component of responsible investment and an essential tool for addressing systemic sustainability issues.
- The Japan Stewardship Code is scheduled to be updated in 2023. The PRI will undertake analysis to identify key opportunities for strengthening the Stewardship Code and engage with signatories, the FSA, and other stakeholders to advocate for revisions which support more effective and efficient stewardship by investors on systemic sustainability issues.

Identifying investor requirements for a taxonomy for sustainable activities and/or associated transition finance tools

- The PRI will carry out research on the requirements of investors active in Japan for a taxonomy for sustainable activities and associated transition finance tools that can support their sustainable finance objectives.
- Following the results of this research, the PRI will engage with signatories, the FSA, MoE, METI, and other stakeholders on opportunities to support the development of a taxonomy for sustainable activities for Japan, and opportunities to support and strengthen transition finance tools and roadmaps that are currently being developed by METI.

Identifying opportunities for clarification or guidance relating to investors' duties to support the pursuit of sustainability goals

- Building on the analysis contained in the report [A Legal Framework for Impact](#), and previous analysis on [Japan's pension system](#), the PRI will identify specific opportunities for clarification or guidance relating to investors' duties to support the pursuit of sustainability goals and carry out engagements with the Ministry of Health, Labour and Welfare (MHLW), FSA, and other stakeholders in relation to these opportunities.

Advocating for strong Government action on climate change

- The PRI will continue to encourage the Japanese Government to strengthen national climate change and energy policies in line with its stated objectives and commitments under the Paris Agreement. In doing so, we will support the Investor Agenda's Japan country policy group.

UK

Developments in recent years have helped the UK to become a key player in the field of sustainable finance, leading several international initiatives through their COP26 presidency role, and reviewing domestic regulatory frameworks following its exit from the EU.

Following the publication of the [Greening Finance Roadmap](#) by the Treasury in October 2021, the UK is moving forward with a package of consultations and reforms under the [Sustainability Disclosure Requirements](#) (SDR); the preparation of a [Sector-Neutral Framework for private sector transition plans](#) led by the Transition Plan Taskforce; the planned review of the [Green Finance Strategy](#); and the development of the UK Green Taxonomy – a tool to help investors understand whether an economic activity is environmentally sustainable, and to navigate the transition to a low-carbon economy.

The UK Policy Team will engage on these priorities, as well as on stewardship, real-economy climate issues, and building on the findings of the flagship [A Legal Framework for Impact](#) report, to guide policy recommendations on how to better integrate sustainability impacts into UK financial and sectoral policies.

The Team will also work closely with international colleagues within the PRI and institutions to ensure as much coherence as possible, especially for new regulations.

The UK Policy Team will work with its signatories and other partners to engage the UK Government (the Financial Conduct Authority, Her Majesty's Treasury, the Department for Business, Energy and Industrial Strategy, and the Department for Work and Pensions) on the upcoming policy reviews. Our priorities include, but are not limited to:

Supporting the development and effective implementation of a sustainable finance taxonomy

- Through our contribution to the Green Technical Advisory Group and responses to public consultations, the PRI will encourage the integrity and efficacy of the taxonomy, a positive impact of its implementation focused on delivering the net-zero agenda at pace, and coherence with other regimes including the EU Taxonomy to avoid creating new regulatory burdens for financial actors.

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- Supporting regulators, notably the Financial Conduct Authority, in the shaping and implementation of disclosure frameworks through our seat on the Disclosures and Labels Advisory Group and through responses to public consultations, during the development of the SDR and ensuring a sufficient degree of consistency and interoperability with related frameworks both domestically and across the EU and other jurisdictions; engaging on the next steps to be taken with regards to the role out of the TCFD-aligned disclosure requirements for relevant actors; as well as supporting the development of transition plans standards.
- Labelling: providing guidance and insights to help policy makers develop an ambitious and effective labelling regime that works to benefit all actors; ensuring that labelling systems successfully negate greenwashing and help investors to navigate sustainability issues so that they can identify opportunities to pursue sustainability goals and account for such investments.

Identifying opportunities for clarification or guidance relating to investors' duties to support the pursuit of responsible investment and sustainability goals

- Building on the findings of the Legal Framework for Impact to support long-term development of new practices and the incorporation of sustainability impact into fiduciary duties, the UK Policy Team will publish a policy paper on the LFI findings for the UK, outlining key policy recommendations for the UK landscape, working with stakeholders to identify priority areas for action and engaging with policy makers and industry to implement them.

Strengthening the practices for effective stewardship

- Engaging with regulators, investors, and other stakeholders to encourage enhanced stewardship practices, including the consideration of beneficiary preferences and/or sustainability impacts, as well as encouraging the development of relevant policy instruments.

Advocating for strong Government action on climate change

- Ensuring that work continues at pace on aligning the UK economy with net zero and ensuring that biodiversity is protected, supporting the delivery of the UK's ambitious 2030 Nationally Determined Contribution targets, as well as considering domestic and international support for the development of low-emission and climate resilient pathways.

Ensuring ambitious social, human rights, and governance policy reforms

- Continuing our engagement on social issues, including working closely with the UK Department for Work and Pensions to address gaps in policies and guidance, using investor stewardship to cast a spotlight on social issues, and remaining reactive to opportunities for policy engagement that can both shape and give more visibility to ESG priorities.
- Addressing key corporate governance issues, including plans from the UK Government for the reformation of audit and corporate governance practices as well as the upcoming Better Business Act, and identifying routes to support progression on these issues.

US

A key recent development in the US is that the Securities and Exchange Commission (SEC) has [proposed a new rule](#) that would require additional climate-related disclosures from public companies. While a final rule is not expected until the end of 2022, the proposed rule has the potential to create a step change in climate-related disclosure from some of the largest companies in the world.

The SEC has also recently proposed new rules around [cybersecurity](#) and [executive compensation](#), and the [Department of Labor](#) (DOL), which oversees \$13trn in private retirement savings, is set to clarify rules around ESG integration. Additional progress is being made at the [Municipal Securities Rulemaking Board](#), the State Department in its consideration of the US [National Action Plan](#) on Responsible Business Conduct, and across the federal government as agencies continue to implement President Biden's executive order calling for the examination and mitigation of climate-related financial risk across the Government.

In 2022/23, the PRI will continue to support progress across the US by supplying evidence-based recommendations on policy to advance responsible investment, while working to better support investors considering the growing opposition to ESG incorporation from some lawmakers and regulated entities.

Disclosure: access to consistent, comparable standardised issuer information

- The PRI [supports](#) efforts by the SEC to mandate disclosure of climate-related information by public and private companies, including the alignment of the SEC's proposed rulemaking with the work of the TCFD and the ISSB. Issuer disclosure is a key first step to enabling responsible investment.
- Investors similarly require [disclosure of human capital management \(HCM\)](#) metrics, including diversity, pay, benefits and eligibility, and health and safety, disaggregated by race and gender. The PRI's review of HCM disclosure shows that the SEC's 2020 update requiring generalised principles-based disclosure does not provide investors with the necessary decision-useful information.
- The SEC's review of the Investment Company Act of 1940 regarding ESG incorporation can provide clarity for markets and help prevent greenwashing. Furthermore, it should utilise the [Fund Names Rule](#) to require additional disclosure of underlying strategies and objectives.

Fiduciary duties: consideration and integration of ESG issues across investment activities

- The SEC should update the Investment Advisers Act of 1940 to establish ESG consideration as part of the fiduciary duty for investment advisers and broker-dealers, clarifying that fiduciaries must consider material ESG risks and opportunities as part of their investment practices and require adoption and disclosure of policies and procedures for doing so.
- We support the DOL's proposed rule on [Prudence and Loyalty in Plan Investment](#). In line with the PRI's [Legal Framework for Impact Report](#), we encourage the DOL to issue staff-level guidance to clarify that sustainability outcome considerations fall within its fiduciary duty.

Active ownership: exercising of shareholder rights via engagement and proxy voting

- As PRI signatories increasingly seek to mitigate risks posed by climate change, collaborative engagement by groups such as [Climate Action 100+](#) continues to grow. The PRI will review the legal landscape for collaborative engagements following recent policy updates.

Outcomes: ability to make investment decisions based on their impact on systemic issues

- Building on the [Legal Framework for Impact Report](#), we will analyse the opportunities for and barriers to considering investment impacts in the US legal and regulatory landscape and engage policy makers to consider investment impacts across all investment decisions.

Global alignment: efficiencies across markets through policy alignment

- The PRI will continue to support global alignment of financial policies to enable responsible investment and create market efficiencies that support the transition to sustainable financial systems. The US Policy Team will seek to review policy interventions from other markets, such as the EU Taxonomy, to support relevant policy proposals for the US market.

Real-economy policy

- The PRI has supported [comprehensive climate legislation](#) in line with the US's commitment to the Paris Agreement and goal of net zero emissions by 2050. The approval of \$369 billion in climate-related funding is a much-needed jump start for efforts to combat climate change. We will continue to support a regulatory landscape that ensures investors are equipped to consider climate risk, and to act accordingly to protect beneficiaries.
- In line with our policy recommendations, and the PRI's EU policy briefing, we recommend the administration and Congress look for alternatives to investing in additional oil and gas infrastructure. Developing new infrastructure to replace Russian gas supplies risks locking in decades of additional planet-warming emissions misaligned with [the latest scientific recommendations](#).
- Following the PRI's report on [Diversity, Equity, and Inclusion for investors](#) and further research dedicated to decent work, we will analyse minimum safeguards for decent work in the US and the necessary gaps to fill to ensure basic protections for workers.

GLOBAL POLICY

Multilateral organisations are increasingly focusing on sustainable finance policy reforms to support sustainable, inclusive growth. The PRI Policy Team has been engaging with multilateral and international organisations to promote global alignment policy recommendations to core and non-core markets through cooperation with the Organisation for Economic Cooperation and Development, the World Bank, the International Monetary Fund, UN agencies and other organisations as relevant.

Key targets of our global policy work include:

- setting a new baseline in multilateral financial negotiations that embeds sustainable finance policies at its core;
- and promoting global policy alignment on taxonomies and ESG disclosure policies.

Global policy alignment

- Policy toolkit guidance (a joint project with the World Bank): following the publication of the introductory [policy toolkit](#) on sustainable finance policies to support responsible investors, in 2022 we published a first follow-up focusing on [sustainable taxonomies](#). This normative policy work aims to support international organisations when working on financial policy reform, and policy makers from both developed and developing economies starting on the path towards sustainable finance policy reform.
- The next phase of this work includes toolkits on stewardship, investors' duties, corporate disclosures, and national sustainable finance strategies.

Embedding sustainable finance at the core of multilateral financial negotiations

- The PRI has been promoting a coherent, interconnected policy strategy at G7 and G20 levels, pushing for stronger alignment of financial negotiations and sustainability challenges. In the past, sustainability issues have not been part of the core agenda of financial ministers' meetings. To remedy this misalignment, the PRI published a [call to action](#), together with other organisations, to call for further policy reforms at both financial and real-economy levels, to support global sustainability goals.
- The PRI will continue engaging with the G7 and G20 to support ambitious policy reforms on sustainable finance and real-economy policy reform.

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



The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

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



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

