

POLICY BRIEFING

PRI POLICY PRIORITIES 2023–24

September 2023

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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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United Nations
Global Compact

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 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 institutional investors' 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 addressing 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 policymakers on climate and other priority issues
- Contribute to the incorporation of ESG in financial policy and regulation
- Conduct legal and policy analysis to help develop the environment and frameworks needed to support the pursuit of the real-world outcomes desired 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 the regional and global levels, always involving signatories at the onset and throughout policy research projects and programmes. The PRI also proactively consults with other non-signatory market stakeholders as appropriate. 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 the PRI's business planning and in accordance with its three-year strategy and evolving policy context.

This brief 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 current policy agenda in different markets. All PRI policy work can be found 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 system-level risks are currently lagging behind global peers.

In the past year, the Australian Government has [signalled](#) increased support for sustainable finance policies. The proposal to introduce mandatory climate-related financial reporting, confirmed support for the development of a sustainable finance taxonomy, and the announced intention to develop a sustainable finance strategy are important steps. Key financial regulators, including the [Australian Prudential Regulation Authority](#) (APRA) and the [Australian Securities and Investments Commission](#) (ASIC), have introduced basic guidance regarding the effective management and disclosure of climate change-related risks and are taking action to enhance the credibility of sustainability-related claims.

In 2023/24, 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 an ambitious and enduring sustainable finance strategy for Australia

- The PRI will engage with the Australian Government and other key stakeholders to support the development and implementation of an ambitious sustainable finance strategy that supports the financial sector's contribution to the aims of the Paris Agreement and other global and national sustainability goals. An enduring strategy will require regulators and industry bodies to be appropriately mandated and resourced to achieve these objectives.

Clarifying investors' duties to address sustainability-related system-level risks

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

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- The PRI will engage with the Australian Government, ASIC, other financial regulators, and key industry bodies on the adoption and implementation of a comprehensive corporate sustainability reporting framework that is aligned with and builds on the global baseline of the International Sustainability Standards Board (ISSB) disclosure standards and provides clear expectations and guidance for the disclosure of transition plans that are aligned with the Paris Agreement goals.

Strengthening the regulatory framework for effective stewardship

- The PRI will work with signatories and engage with the Australian Government and financial regulators to identify key opportunities for strengthening the framework for effective stewardship in Australia, including through the clarification of investors' stewardship-related duties, support for adequate stewardship resourcing and disclosure, and the removal of barriers constraining efficient and impactful individual and collaborative engagement.

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

- The PRI will support and engage with the Australian Government, financial regulators, and ASFI on the development and implementation of an industry-led sustainable finance taxonomy for Australia that is credible, interoperable, and as consistent as possible with taxonomies being developed in other markets.

Supporting strong government action on climate change and human rights

- 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 the PRI's [Collaborative Sovereign Engagement on Climate Change investor initiative](#).
- The Australian Government has recently undertaken a review of the Modern Slavery Act. The PRI will engage with the government to support reforms that help ensure that human rights are better respected and protected by investors and other stakeholders, including those related to modern slavery.

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 2023/24, 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 engage with the Canadian Association of Pension Administrators (CAPSA) and key provincial pension regulators to revise industry risk-management guidelines, affect regulatory changes, and issue implementation guidance to require the consideration of climate and broader sustainability risks and related impacts to achieve financial objectives.

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 sustainability reporting framework

- The PRI will engage with the Canadian Sustainability Standards Board (CSSB) to encourage the adoption of the ISSB standards for investors and other market participants.
- 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 a regulatory environment for sustainable finance in Canada.

CHINA

China is moving forward with 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 policy announcements and key financial regulations, and industry associations are translating high-level objectives into granular regulations and guidance.

At the level of the broader economy, the government has now put in place its comprehensive [1+n policy framework](#) designed to meet its dual carbon goals: carbon peaking and carbon neutrality.

Complementary developments in financial regulation, such as the [Green Finance Guidance for Banking and Insurance Institutions](#), issued by the former China Banking and Insurance Regulatory Commission (CBIRC), are increasingly encouraging financial institutions to support these objectives through their activities. Recent [indications](#) of support for the work of the ISSB may also signal that long-expected developments on corporate sustainability reporting regulation are also on the near-term horizon.

In 2023/24, 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 risks and impacts.
- The PRI will engage with the NFRA and CSRC to further clarify investors' duties relating to ESG incorporation and 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, the MoF, stock exchanges, and other stakeholders regarding the need to publish a mandatory ESG disclosure framework in alignment with international standards, including standards being developed by the ISSB.

Strengthening the regulatory framework for effective stewardship

- Building on the recommendations of research published in [June 2022](#) and [May 2023](#), the PRI will engage with key financial regulators, standard setters, and industry associations to support the creation of a stronger regulatory framework for stewardship in China.

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

- Building on the PRI's existing work on [sustainability outcomes](#) and [just transition](#) in China, we will conduct research and engage with signatories, policymakers, and broader stakeholders on the consideration of sustainability outcomes, the Sustainable Development Goals (SDGs), and social issues associated with the carbon neutrality transition.

Advocating for stronger action on climate change

- The PRI will continue to encourage the Chinese Government, policymakers, 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 sustainable finance policy reforms for some years. Since the current European Commission (EC) took office in July 2019, numerous sustainable finance reforms have been promoted, 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 in the last year of its current mandate, until the next European elections in June 2024, the EC will focus its attention on consolidating the sustainable finance framework, improving usability, and fixing specific implementation issues. Aside from an ESG rating proposal and an expected consultation on SFDR revision, the [revised strategy](#), which was published in July 2021 and confirmed in the most recent [Package on Sustainable Finance](#) of June 2023, will list a limited number of new legislative initiatives. Trialogues on the Corporate Sustainability Due Diligence (CSDD) Directive are expected to start in Q3 2023, while important climate files related to the Fit for 55 package, such as the new [Carbon Border Adjustment Mechanism](#) (CBAM) Regulation and revision of the [EU Emissions Trading Systems](#) (EU ETS) Directive, were adopted.

In 2023, the PRI was appointed observer to the [EU Platform on Sustainable Finance](#) (PSF) for a two-year mandate and is participating in the subgroup on usability and data on the EU taxonomy. The PRI will therefore focus its capacities on supporting the PSF mission and continue to work with its signatories on implementation challenges to ensure the EU implements a workable framework for investors. The PRI will also continue to increase its focus and engagement with EU policymakers on real-economy policies, focusing on relevant climate and environmental policy developments. A key deliverable for the year ahead will be an overall policy briefing aimed at identifying the priorities for the next EC mandate from an investor perspective. The EU Policy Team will also support engagement with policymakers in member states, when relevant, for the development of the Responsible Investment Ecosystem objectives.

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

Enhancing the 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 engagement on the EU taxonomy as an observer to the EU PSF.
- The PRI will engage with its signatories and relevant EU policymakers to understand the challenges they face in implementing the EU taxonomy framework.
- The PRI will support convergence efforts between regional taxonomy frameworks and the EU taxonomy as needed.

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

- Regarding the SFDR, the PRI will continue supporting signatories in their implementation of the regulation and engage with the EC and the European Supervisory Authorities on future policy developments (e.g. revision of the Principal Adverse Impacts indicators, SFDR comprehensive assessment, interactions between SFDR and the EU taxonomy).
- The PRI will continue engaging with policymakers on the [European Sustainability Reporting Standards](#), developed by the European Financial Reporting Advisory Group, in support of the PRI's [Driving Meaningful Data](#) programme, supporting in particular continued work on interoperability between ESRS and ISSB.
- 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 where relevant.

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

- The PRI will continue to engage with the EC on actions needed to advance the recommendations made in the [LFI EU report](#). This includes engagement around necessary reforms clarifying fiduciary duties and better incorporating clients' and beneficiaries' sustainability preferences into IORPII and Solvency II.
- The PRI will continue to engage with the EC to ensure effective stewardship reforms are advanced.

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

- The PRI will engage with its signatories to continue building the case for strong investor support. This includes ambitious climate-related policy reforms and the role of transition finance to implement 2030 climate targets and related Fit for 55 files. The PRI will also seek support for net zero-aligned EU climate targets for 2040 and sectoral roadmaps for transition planning to better enable investment decisions.
- The PRI will monitor negotiations and engage with EU policymakers and leading think tanks on nature-related files that are important to achieve climate targets, including support for an ambitious nature-restoration law, and their relevance for Fit for 55 policy implementation.

Ensuring ambitious due diligence requirements are developed to complement disclosure obligations

- The PRI will engage with its signatories and policymakers to continue building the case for enhanced due diligence requirements for investors, as proposed under the CSDD directive, focusing on coherency issues with the wider sustainable finance framework and ensuring legislation is workable for investors.

JAPAN

As the world's third-largest economy, Japan's government and financial regulators have taken important steps to create a framework that better enables sustainable finance. Against the backdrop of the government's Green Transformation (GX) policy and its focus on social issues in recent years, key government ministries, including the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MoE), have supported 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 practices. The Financial Services Agency's (FSA) adoption of a [Strategy on Sustainable Finance](#) signals Japan's potential as a leader in sustainable finance in the region and worldwide. We also acknowledge that the FSA is considering plans to accelerate corporate governance beyond revision of the Code, which will also focus on better communication between investors and corporates regarding sustainability issues.

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:

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

- Building on the analysis contained in the [LFI Japan report](#), the PRI will identify specific opportunities for clarification or guidance concerning investors' responsibilities in promoting sustainability goals. It will also engage with the Ministry of Health, Labour and Welfare (MHLW), FSA, and other stakeholders in relation to these opportunities.

Supporting the adoption of a comprehensive corporate sustainability reporting framework

- The PRI will engage with the FSA, the Japan Exchange Group, and the newly created Sustainability Standards Board of Japan (SSBJ) regarding the need for effective and comprehensive adoption of the ISSB sustainability reporting standards in Japan.

Strengthening the regulatory framework for effective stewardship

- 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 supporting more effective and efficient stewardship by investors on systemic sustainability issues.

Enhancing transparency and market discipline on responsible investment claims

- The PRI will engage with the FSA and other stakeholders to emphasise the need for continued improvements in regulatory frameworks to address transparency and market discipline in relation to responsible investment claims. This will include consideration of investor disclosure requirements on the entity and product levels and whether Japan should consider the adoption of a [sustainable finance taxonomy](#).

Advocating for better communication between investment managers and their clients and beneficiaries on sustainability objectives and preferences

- The PRI will engage with the FSA and MHLW on the introduction of measures to support investors in engaging with their clients and beneficiaries on sustainability preferences and objectives.

Advocating for strong government action on climate change and the energy transition

- The PRI will continue to encourage the Japanese Government and relevant ministries to strengthen national climate change and energy policies in line with its stated objectives and commitments under the Paris Agreement.

UK

Following the COP26 presidency and delays in the implementation of the October 2021 [Greening Finance Roadmap](#), the UK government and regulators have resumed work on key regulation packages. These include, through consultation by the Financial Conduct Authority on [Sustainability Disclosure Requirements](#) (SDR), the preparation of a [Disclosure Framework and Implementation Guidance for Transition Plans](#) led by the Transition Plan Taskforce; the updated [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.

No longer a first mover on many topics such as disclosures and taxonomy, the UK's focus is firmly on interoperability and usability: learning from the experiences of the EU framework in particular and identifying key areas of expertise that can be used to adapt and influence international regulation.

The UK Policy Team will engage on these priorities, as well as on stewardship and real-economy climate issues, and build on the findings of the flagship [LFI 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 (His Majesty's Treasury, the Department for Energy Security and Net Zero, the Department for Business and Trade, the Department for Work and Pensions (DWP), the Financial Conduct Authority, and the Financial Reporting Council) on upcoming policy reviews. Our priorities include, but are not limited to:

Supporting the development and effective implementation of a sustainable finance taxonomy

- Through our engagement in the Green Technical Advisory Group and our responses to public consultations, the PRI will encourage the integrity and efficacy of the taxonomy, as well as ensure that its implementation has a positive impact on the timely delivery of the net-zero agenda 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

- During the development of the SDR, we will support 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 responses to public consultations. We will also ensure a sufficient degree of consistency and interoperability with related frameworks both domestically and across the EU and other jurisdictions, initiate discussions on the next steps for implementing the TCFD-aligned disclosure requirements for relevant actors, and support the development of transition plans standards.
- We will also support international interoperability, including following the work of the [Sustainability Disclosures Technical Advisory Committee](#) and supporting the integration of IFRS standards into UK regulation.

Identifying opportunities for clarification or guidance concerning investors' duties in supporting responsible investment and sustainability goals

- Building on the LFI work programme to support the long-term development of new practices and the incorporation of sustainability impact into fiduciary duties, the publication of the [LFI UK report](#), and subsequent commitments from the UK government to clarify fiduciary duty, the UK Policy Team will continue to engage with the DWP, the Financial Markets Law Committee, the Financial Reporting Council, investors, lawyers, and other stakeholders to address the remaining barriers to sustainable investing in the UK.

Strengthening practices for effective stewardship

- Following the publication of the PRI's [Stewardship Implementation Guide](#), the Policy Team will continue to work with UK regulators to support the commitment made by the Green Finance Strategy to review the regulatory framework for effective stewardship, 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 domestically and internationally

- The PRI is committed to maintaining momentum in aligning the UK economy with net zero goals and conserving biodiversity. This commitment involves actively supporting the delivery of the UK's ambitious 2030 Nationally Determined Contribution targets, facilitating the execution of the [updated Net Zero Strategy](#), exploring both domestic and international means of supporting the development of low-emission and climate-resilient pathways, and supporting the implementation of the Government's [International Climate Finance Strategy](#).
- The PRI will also engage with the Transition Plan Taskforce's sectoral roadmaps, due to be published in Q3 2023.

Ensuring ambitious social, human rights, and governance policy reforms

- We will continue our engagement on social issues, including working closely with the UK DWP to address gaps in policies and guidance, using investor stewardship to cast a spotlight on social issues, and identifying opportunities for policy engagement to shape and raise awareness of ESG priorities.
- We will address key corporate governance issues, including UK Government plans for [corporate governance](#) practices, the review of [non-financial reporting rules](#), and upcoming changes to the UK Companies Act, and identify ways to support progress on these issues.

US

The United States continues to integrate responsible investment policies across financial markets and accelerate its transition to a low-carbon economy following Congress's approval of \$369 billion in funding for climate-related initiatives via the Inflation Reduction Act (IRA). Federal government agencies continue to examine climate-related risks for regulated markets, including the Financial Stability Oversight Council, Federal Reserve System, Federal Insurance Office, Comptroller of the Currency, and National Credit Union Association, among others. The Securities and Exchange Commission (SEC), which oversees public markets, has proposed and finalised a number of provisions to improve the transparency of investment practices and address greenwashing.

In 2023 and beyond, 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 certain markets.

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

- The Department of Labor (DOL) finalised its proposed rule [Prudence and Loyalty in Plan Investment](#), making clear that private pension managers can consider ESG factors where useful in securing returns for clients and beneficiaries. The DOL oversees the over \$10 trillion private pension market that supports retirement funds for 160 million Americans, and its rules are often used as best practices for public pensions and other non-regulated entities.
- Despite a coordinated effort at the state level to pass [legislation that would interfere with investment managers](#) carrying out their fiduciary duties to consider material ESG information, most states rejected anti-ESG proposals. These bills were [met with unified opposition](#) – from banking associations, chambers of commerce, pension managers and others – including on the costs the legislation would impose.

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.
- The SEC [finalised updates](#) to the primary reporting form for funds on their proxy voting activities, Form N-PX, to [increase transparency and usability](#) for investors and facilitate the interpretation of funds' proxy votes.

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. Investor demand for climate disclosure [continues to advance](#) apace.
- Investors similarly require the [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 principles-based disclosure does not provide investors with the necessary information for useful decision-making.
- The PRI supports the SEC's two proposed rules requiring increased investor and fund disclosure – the [Fund Names Rule](#) and [Enhanced Disclosure for Funds and Investors on ESG Practices](#) – which seek to improve the ESG-related information provided to market participants.

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

- Building on the [LFI report](#), we will analyse the opportunities and barriers associated with considering investment impacts in the US legal and regulatory landscape and encourage policymakers to consider investment impacts across all investment decisions.

Global alignment: Efficiencies across markets through policy alignment

- The PRI will continue to support the 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 as part of the Inflation Reduction Act (IRA) is a much-needed jump-start to efforts to combat the existential challenge of climate change.
- We will continue to support the implementation of the IRA and, along with PRI's Global Policy Team, review how this and other provisions are being leveraged to create a just transition for all communities and segments of society.

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 UN agencies, IOSCO, the Organisation for Economic Cooperation and Development, the World Bank, the International Monetary Fund, 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
- Engaging on the topics of system-level issues and risks and sustainability outcomes, building on the findings of the LFI project
- Promoting global policy alignment on key sustainable finance policies and regulations

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 follow-up focusing on [sustainable taxonomies](#), and in 2023, on [stewardship](#). This normative policy work aims to support international organisations in their work on financial policy reform as well as policymakers from both developed and developing economies initiating sustainable finance policy reform.

Embedding sustainable finance at the core of multilateral financial negotiations

- The PRI has been promoting a coherent, interconnected policy strategy at the G7 and G20 levels, pushing for a stronger alignment of financial negotiations and sustainability challenges. Key recommendations to G7 and G20 host governments include aligning mainstream financial and economic policy with global sustainability goals. In the latest [G7 briefing](#), PRI recommended governments to lead by example and embed these issues at the core of their work, and not address them separately from mainstream economic policy discussions. An integrated economic policy approach will effectively address key issues, including financing the transition to net zero, climate and energy security and ensuring socially just and inclusive economic growth.

Investing for sustainability outcomes

- Ever since the 2021 launch of the flagship [LFI report](#) (in collaboration with UNEP-FI and Generation Foundation), the PRI has been working to connect financial investments and real-world outcomes on issues such as climate change, sustainable development, and human rights. To this end, we published a [briefing for policymakers](#) with a set of recommendations on how policymakers can integrate investing for sustainability impact into the core framework of mainstream investment practices.
- The PRI has completed in 2023 the development of [jurisdiction-specific policy reports](#) and will continue to engage with policymakers on this issue.

A whole of government approach to the economic transition

- The transition to a sustainable and equitable economy that benefits natural and social systems has become an increasingly urgent policy objective in many countries and within international forums. governments are introducing policies and regulations to address climate change, biodiversity loss, macroeconomic instability, effects on the cost of living etc. However, these reforms are often

pursued in isolation to each other, and with insufficient influence over business-as-usual public policy and business strategy.

- PRI has published a white paper that argues that an effective policy approach to redress decades of market and government failures on environmental and social issues needs to be the responsibility of governments as a whole and needs to be executed as such. It sets out what is understood by a sustainable, just economic transition, and presents a high-level framework to support governments in pursuing such a transition. It also examines how key jurisdictions are approaching the economic transition – particularly with regards to climate change – and finally explains how investors might best support governments in their efforts.
- The PRI will engage signatories and policy makers on the basis of the report findings. It will also issue jurisdiction-specific policy reports on the economic transition, starting with Japan.

Reforming the multilateral financial architecture

- The PRI has been focusing on the role of the multilateral financial architecture and its stability and fit-for-purpose to meet present economic and sustainability challenges. The requisite capital for tackling today's interconnected crises is beyond the capacity of the public or private sector alone, meaning that responsible investors have a relevant interest in how the multilateral financial architecture is structured. The PRI explored this topic in a [briefing](#) that suggested a suite of mutually reinforcing reform priorities to align public and private finance with the goals of the Paris Agreement, Kunming–Montreal Global Biodiversity Framework, and broader sustainability goals.
- The PRI will continue researching this topic and ramp up its engagement with multilateral development banks and international financial institutions as part of a wider multilateral engagement strategy.

Exploring the role of policy in tackling ESG issues

- Beyond its more financial policy–focused work, the PRI has long been dedicated to exploring the role of policy in tackling ESG issues such as climate change, nature, and human rights and social issues. While strictly connected to the functioning of the financial system, these issues require a specific and diversified approach, which is also reflected in the types of policies to be adopted (for example, entailing a stronger focus on real-economy policies).
- The PRI published its initial strategy document on human rights and social issues policy, highlighting the areas of focus it plans to pursue in the future. The same will be done for nature-related policy. The existing work on climate policy will continue. A particular focus will be placed on the intersectionality of these three main issues, with the goal of achieving an efficient, fair and equitable economic transition.

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

