

PRI update

Q2 2021



An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

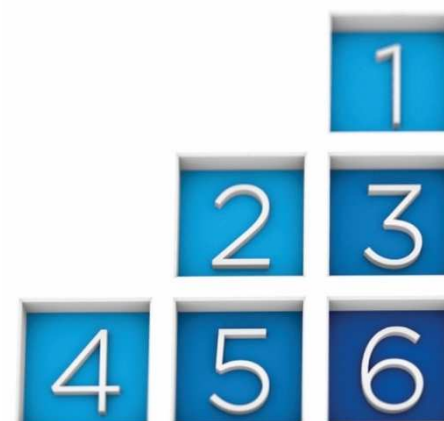
One mission – six principles

Developed by investors

"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."

- | | |
|---|--|
| 1 We will incorporate ESG issues into investment analysis and decision-making processes. | 4 We will promote acceptance and implementation of the Principles within the investment industry. |
| 2 We will be active owners and incorporate ESG issues into our ownership policies and practices. | 5 We will work together to enhance our effectiveness in implementing the Principles. |
| 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest. | 6 We will each report on our activities and progress towards implementing the Principles. |



The PRI

Investor-led, supported by the United Nations

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 issues and to support signatories in integrating these issues into investment and ownership decisions.

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



3500+

SIGNATORIES:

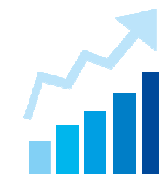
ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



105+

US\$ trn

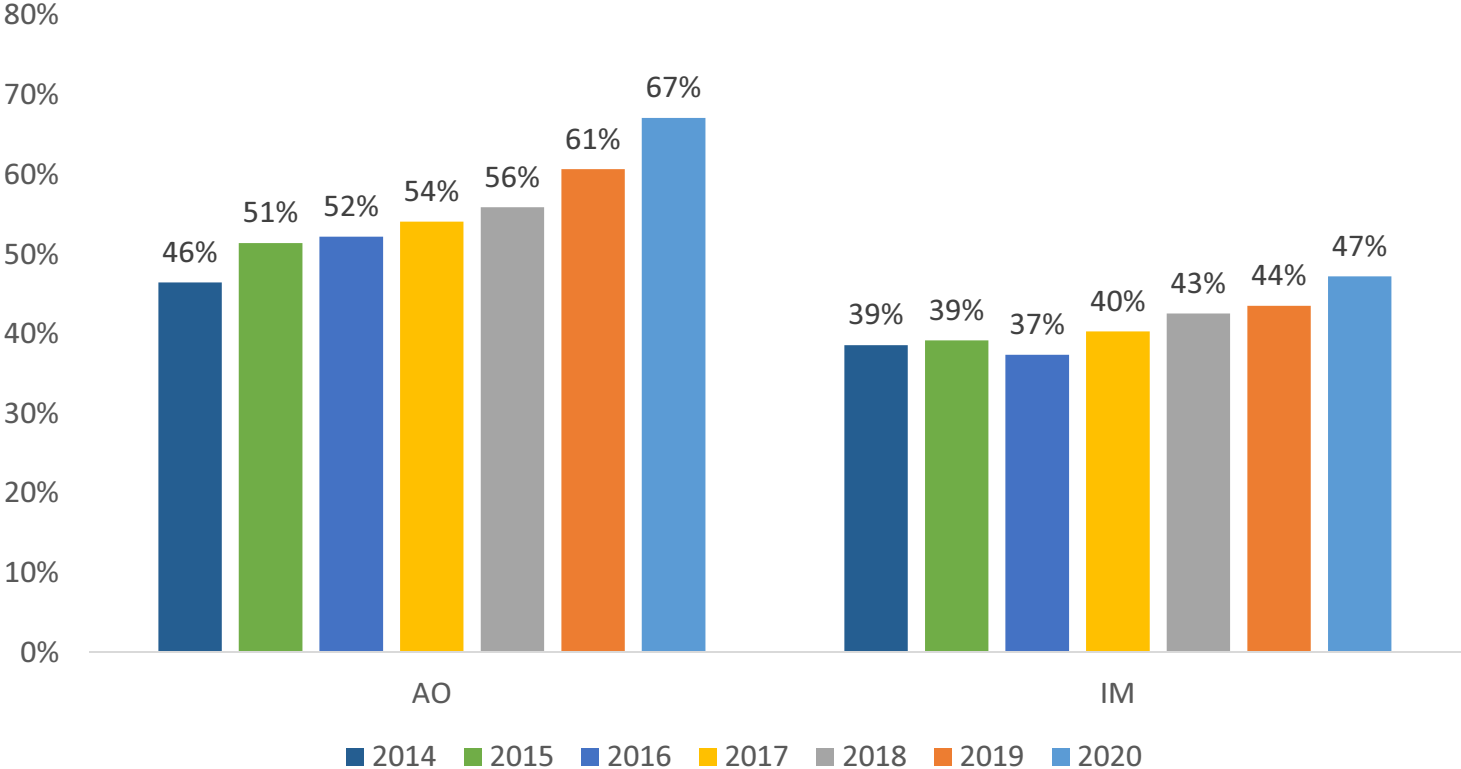
**ASSETS UNDER
MANAGEMENT**



Asset owners are engaging more with regulators and policy makers

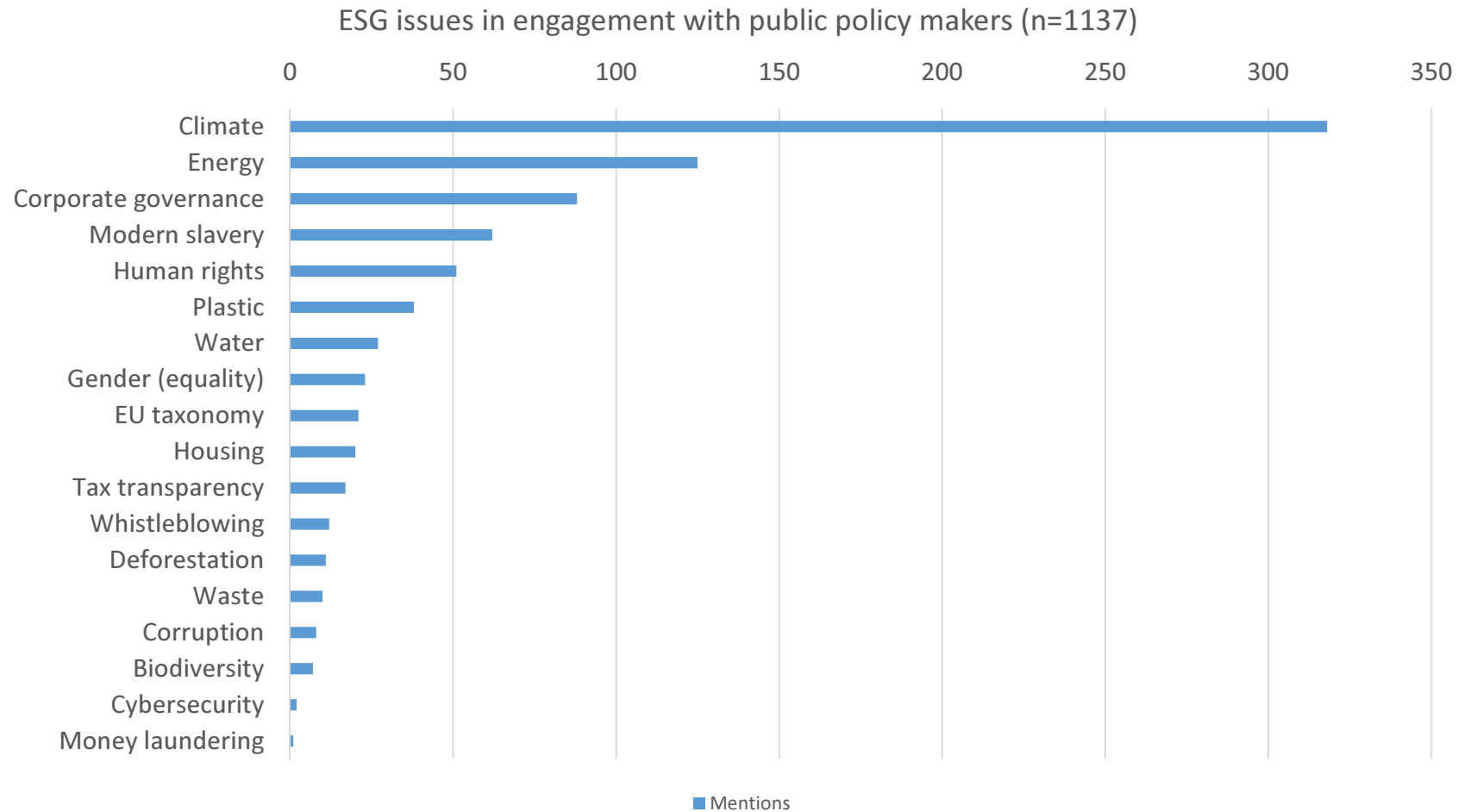
PRI supports the view that investors can and should engage not just with the companies they invest in, but also with national and internal policy makers on ESG issues. The percentage of signatories engaging with policy makers has continued to rise, despite signatory numbers has more than doubled.

Signatories engaging with policy makers (2014-2020)



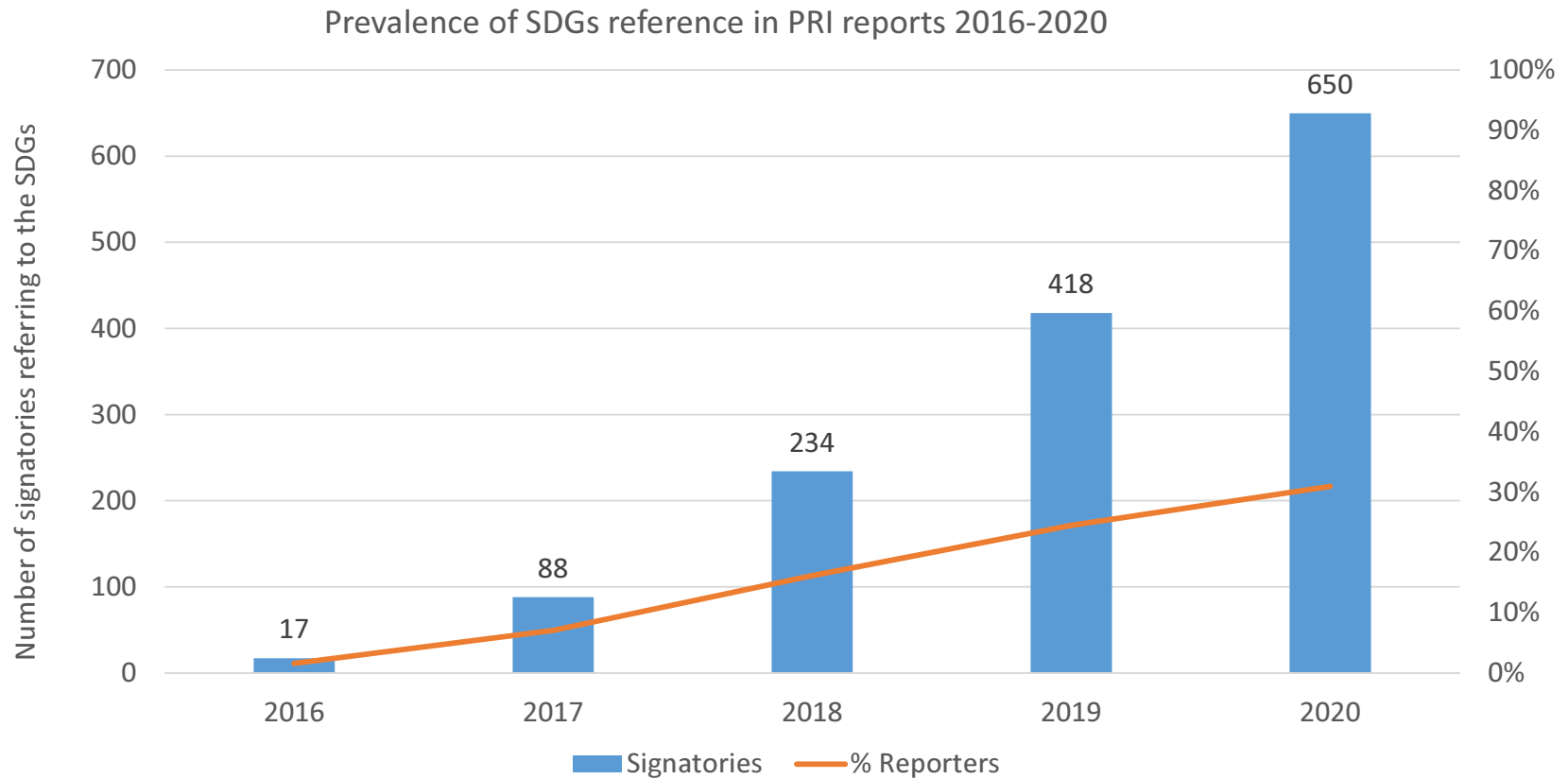
Number of reporters per year: 814(2014), 936 (2015), 1073 (2016), 1248 (2017), 1449 (2018), 1710 (2019), 2099 (2020)

ESG issues in engagement with public policy issues



This qualitative analysis looked at number of signatories mentioning specific topics in their responses.

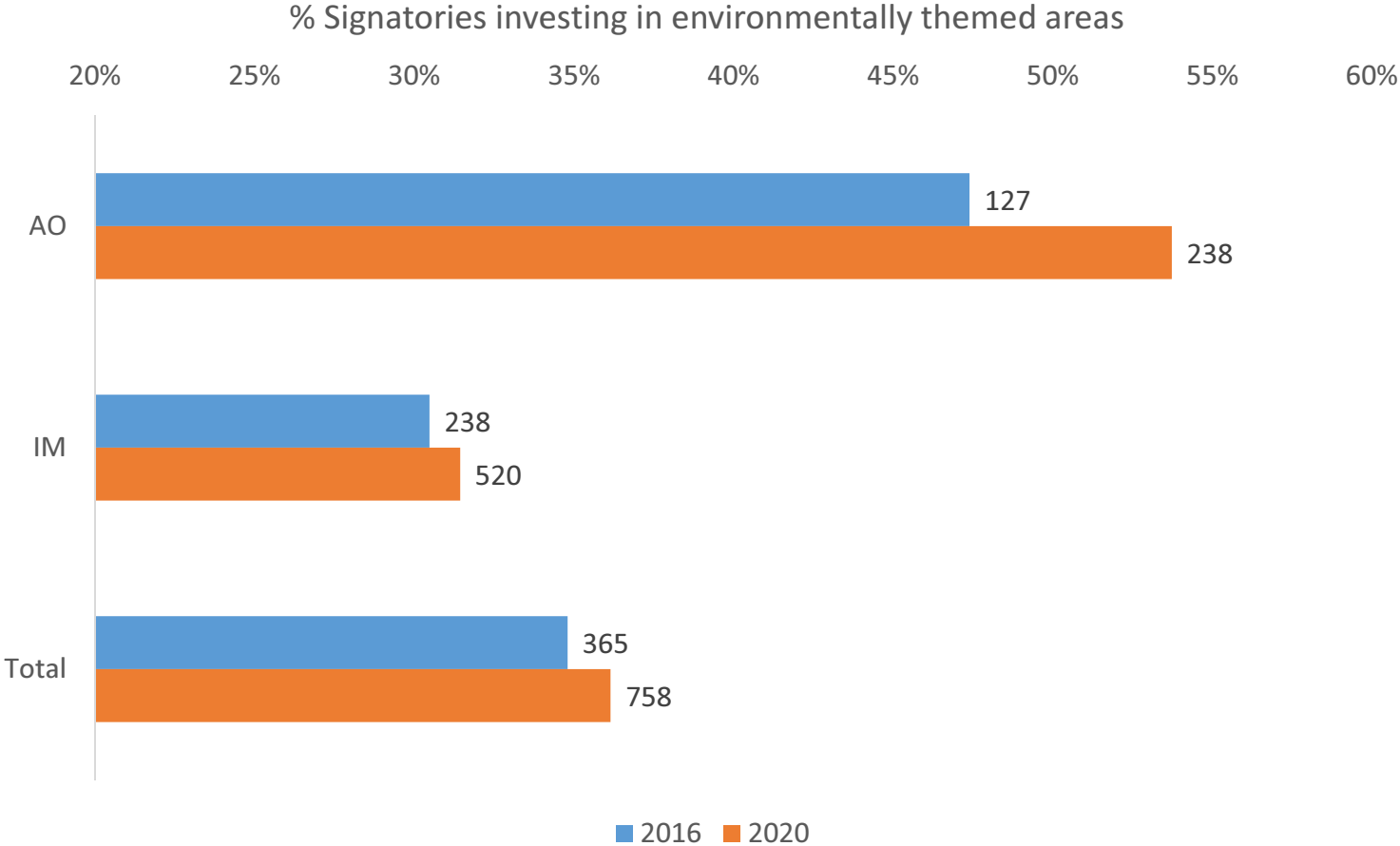
Nearly a third of investors refer to the SDGs in their reports



Number of reporters per year: 1073 (2016), 1248 (2017), 1449 (2018), 1710 (2019), 2099 (2020)

Investments in environmentally themed areas

While over 80% of signatories consider climate as a risk to their investments, less than a third invest in environmentally themed investments. Even among asset owners, the change has been slow from 47% to 54%.



Invest or Divest

The ESG investor's dilemma



- Keep your seat at the table
- Possibility to engage
- Ability to vote at AGMs
- Exposure risk



- Missed opportunity for returns
- Lose possibility to engage
- No ability to vote
- Transition risk

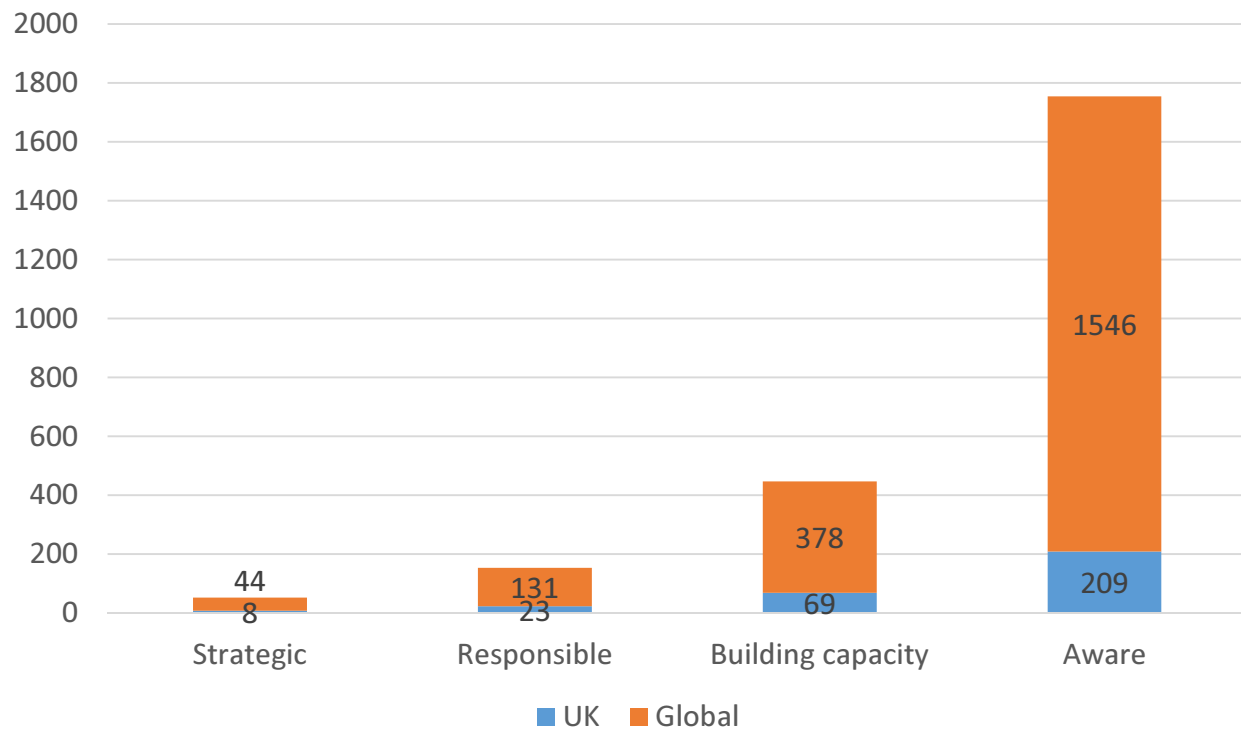
Broccardo, Hart and Zingales (2020) “Exit vs. Voice” found that divestment and boycott is less effective than voice in pushing firms to act in a responsible manner.

Introduction to UK reporting market

UK & Ireland signatories on TCFD

Strategic
44 signatories (2%)
Responsible
131 signatories (6%)
Building capacity
378 signatories (18%)
Aware
1546 signatories (74%)

Proportion of UK sigs by TCFD category



PRI services

How the PRI works with signatories

