

An introduction to the

Principles for Responsible Investment

Message from the UN Secretary-General

The Principles have quickly become the global benchmark for responsible investing.



Launched in April 2006, the Principles are in essence a set of global best-practices for responsible investment. Rising numbers of institutional investors – from all regions of the world – are embracing them, marking a major advance in mainstream financial markets.

By incorporating environmental, social and governance (ESG) criteria into their investment decision-making and ownership practices, the signatories to the Principles are directly influencing companies to improve performance in these areas. This, in turn, is contributing to our efforts to promote good corporate citizenship and to build a more stable, sustainable and inclusive global economy.

The Principles complement the UN Global Compact, which asks companies to embed in their strategies and operations a set of universal principles in the areas of human rights, labour standards, the environment and anticorruption. The Principles are also a natural extension of the work of the UN Environment Programme Finance Initiative, which has helped sensitize capital markets to the importance of environmental and social issues.

The combined support of the UN Global Compact, the UNEP Finance Initiative and committed leaders from the investment community has helped to make the Principles a unique initiative that holds great promise for financial markets and for achieving a wide range of United Nations objectives. I applaud the leadership of the institutions that have committed themselves to this undertaking, and urge other investors around the world to join this historic effort.

Ban Ki-moon

UN Secretary-General

Introduction from the Executive Director

The United Nations-backed Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to integrate ESG factors into their investment decisions and contribute to the development of sustainable capital markets by putting the six Principles for Responsible Investment into practice.

Launched in 2006 at the New York Stock Exchange, the Principles are founded on the conviction that ESG issues can be material to the financial interests of investors, affect the performance of investment portfolios and are therefore important to fiduciary duty.

A growing number of financial market participants – including public and corporate pension funds, insurers, foundations, endowments as well as investment managers and service providers – are determined to make this century an age of sustainable investment and finance.

They recognise the importance of ESG issues when it comes to their own investment strategies and long-term performance and are integrating ESG issues into their daily investment practices. They are shaping the future of investing.

Since launch, more than 1,050 investment institutions from 45 countries have signed the Principles, with collective assets under management of more than US\$30 trillion. Our signatories include many of the world's largest pension funds, foundations, leading investment managers and their service providers.

Our signatories – both large and small – have demonstrated their conviction that long-term value creation in their portfolios will depend on the appropriate identification and integration of ESG factors across asset classes. This will also enable them to demonstrate their commitment to fostering the development of sustainable capital markets that are more closely aligned with the interests of the environment and society.



James Gifford
Executive Director

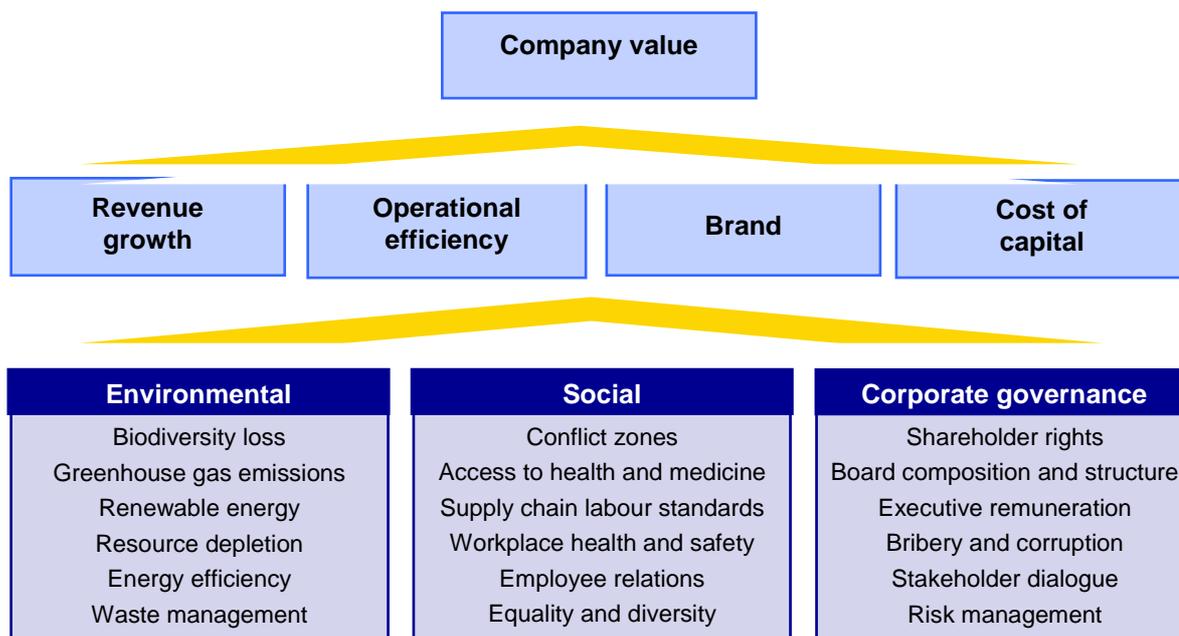
What is Responsible Investment?

Changing drivers of value

The world is changing fast. Environmental issues such as climate change, water scarcity and the depletion of natural resources create increasing challenges for business and investors. Environmental pressures can also drive up costs, such as the right to emit CO2 or use water. Human rights abuse in complex global supply chains can damage corporate reputations and drive away customers. Poor corporate governance leads to inadequate risk management, public discontent over executive pay and inadequate protection of investor rights – including those of millions of people saving for their retirement through pension funds.

ESG factors interact in complex ways with the ‘traditional’ drivers of corporate and investment performance: technological and product innovation; changes in customer needs and preferences; competition; access to resources; talent and motivation in the workforce, and more.

How ESG factors can impact company value



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 corporate 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.

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

4 We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

5 We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

6 We will each report on our activities and progress towards implementing the Principles

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'¹ approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

¹The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

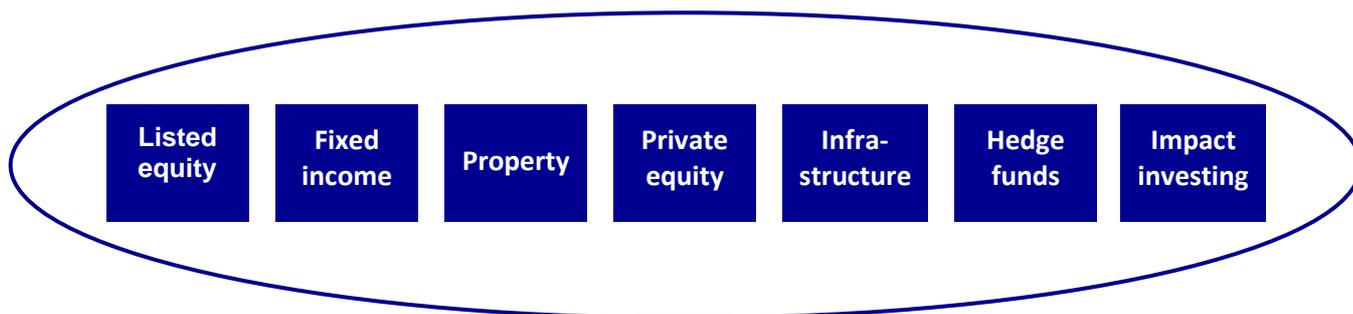
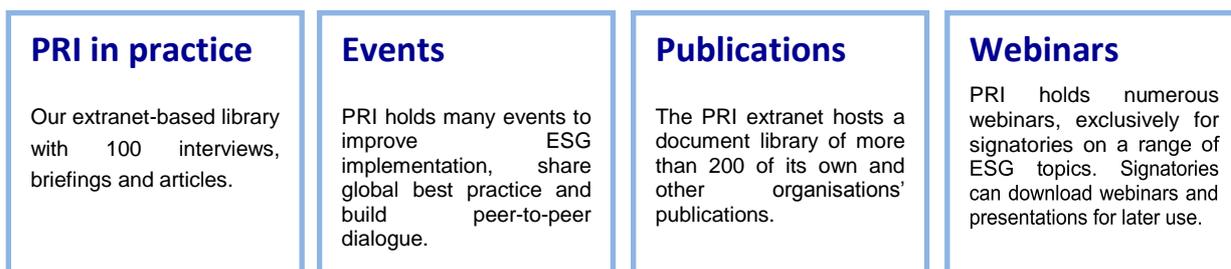
The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

Supporting our signatories

PRI signatories are not homogeneous – some are new to responsible investment, others have many years' experience in applying a strategy and responding to new factors in markets and the investment industry. PRI and its network provide a variety of support to all signatories' implementation of the PRI Principles and their activities as responsible investors. The diagram below shows how the PRI Secretariat supports investors throughout the investment process.



Become a signatory
If your organisation would like to become a signatory, please visit www.unpri.org/sign For all enquiries please contact info@unpri.org.

What our signatories say

We strongly endorse the PRI principles because they are simple, they will give encouragement to others, and they reflect our view that corporate ESG performance can have a significant impact on shareholder value

BT Pension Scheme, UK

We at CalPERS found that these principles are consistent with our own corporate governance efforts and in accounting for environmental and social factors to enhance our investment returns

CalPERS, USA

PRI are of crucial importance because they give asset owners a very useful framework with the visibility and the credibility of all the signatories, to reinforce their efforts in order to promote responsible investment

Fonds de réserve pour les retraites, France

Implementation of the Principles by the global investment community will ultimately ensure businesses who respect the environment, their community and financial stakeholders have a lower cost of capital and a competitive advantage and HESTA aims to help make this happen

HESTA Super Fund, Australia

PREVI is committed to its members and beneficiaries on a long term basis. Therefore, making sustainable investments that support the environment we live in, is more than an obligation, it is an act of wisdom

PREVI, Brazil

Our UN Partners

UN Global Compact

Launched in 2000, the UN Global Compact brings business together with UN agencies, labour, civil society and governments to advance ten universal principles in the areas of human rights, labour, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these ten principles in business activities around the world and to catalyse actions in support of broader UN goals. With over 7,700 corporate participants and stakeholders from over 130 countries, it is the world's largest voluntary corporate sustainability initiative.

More information: www.unglobalcompact.org

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique global partnership between UNEP and the private financial sector that works closely with approximately 180 financial institutions to develop and promote linkages between sustainability and financial performance. Through regional activities, a comprehensive work programme, training and research, 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