

# INTEGRITY

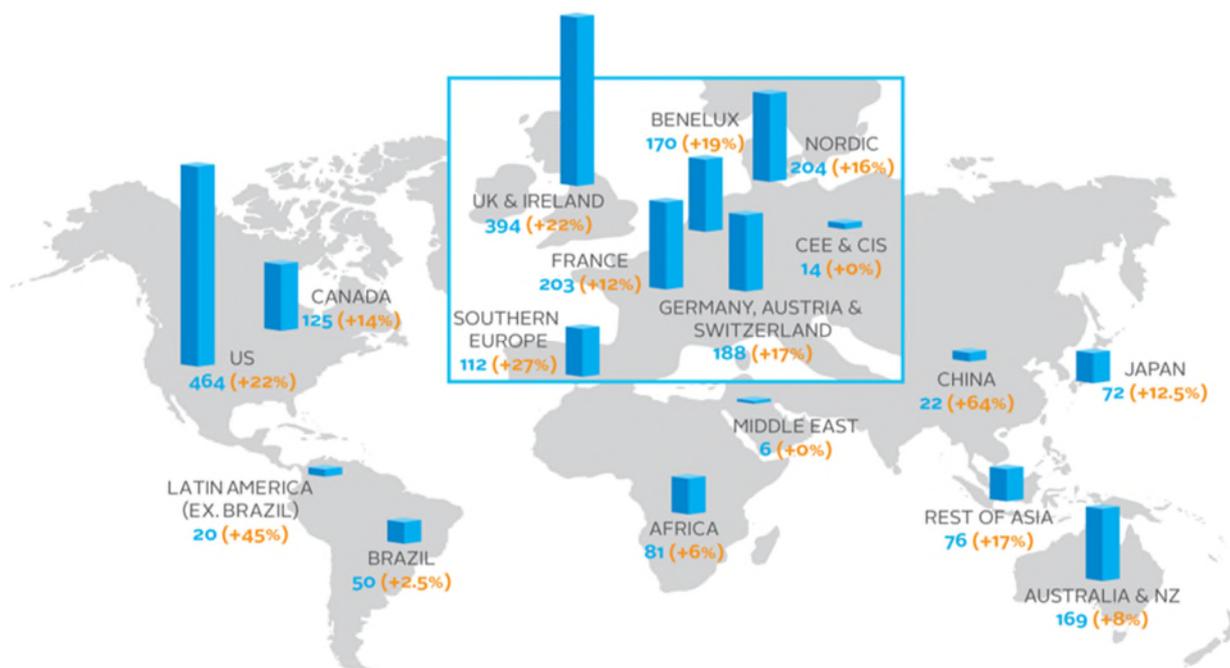
PRI makes strides in changing the global attitude to responsible investing



Originally launched in April 2006, as the globally recognised benchmark for the considerations of environmental, social and governance (ESG) issues, the United Nations-supported Principles for Responsible Investment (PRI) has become globally recognised for establishing the standards within responsible investing, challenging investors around the world to incorporate them in their investment processes.

In 2006, the PRI had 63 signatories, today there are 2372.<sup>1</sup> Russell Investments became a signatory in 2009. The number of PRI signatories continues to grow across the globe, with institutions disclosing their approach to responsible investments, policies and procedures. The PRI has become the advocate for discussion and debate and leading the financial industry through innovation in this evolving and crucial area in our industry.

Exhibit 1: PRI signatories worldwide



Source: UNPRI.org, 2018/19 signatories

<sup>1</sup> UNPRI.org, data as of October 2019.

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## The new goal is action

The PRI hosts an annual conference that welcomes signatories and other investment professionals to collaborate and learn more about responsible investing in today's landscape. This year, the PRI in-person conference was held in Paris on the 10<sup>th</sup>-12<sup>th</sup> of September. As over 100 expert speakers from across the investment industry and beyond took to the stage to discuss best practices and debate the impact of emerging global issues, there was one very important message that percolated throughout—the message to **act now**. We often talk about the need for change and the idea of creating a *2050 goal*, but as the presenters made all-too clear, that's simply not enough anymore. The PRI's new goal is to **act now** and to **act fast**.

## The key themes from the conference

### Arbitrage

ESG should be used as a means to an end, not an end in and of itself. Conference presenters reminded the audience that governance has always been around—and to consider the extension into the environmental and social realm from a sovereign perspective. In other words, the speakers argued for the development of a proprietary framework that extends the E and S analysis in a more systematic way.

One example of this is the use of carbon credits to offset an investment's environmental impact. Carbon credits—also known as certified emission reductions (CERs)—were developed under the Kyoto Protocol. They are financial assets that can be generated by companies when they remove harmful carbon dioxide emissions or greenhouse gases from the environment by adopting *greener* practices.

### Policymakers to take control

Policymakers are taking action, as evidenced by the EU Commission's recently published proposal for a sustainability taxonomy as well as the U.S. Congress' first hearing on ESG and climate disclosures. The need for greater and more strategic control is more crucial than ever in order to avoid abrupt changes. Until these policies have been established, it's crucial for the overall philosophy to be embraced in order to avoid dramatic or disorderly consequences.

### Responsibility

The investment community, given its scale and global reach, must accept that with ownership, comes responsibility. It is our duty, the presenters argued, to reframe the more limited interpretation of fiduciary responsibility, and to work together to develop harmonised frameworks that can be utilised across the globe.

### UN Sustainable development goals (SDGs)

Investing along the [Sustainable Development Goals](#) (SDGs) is a growing focus versus ESG principles. The SDG is a broader mandate which offers more flexibility. SDG bonds can be issued without as much cumbersome asset pledging, project pledging and reporting as green bonds.

## The importance of PRI

The PRI is a community of investment organisations (signatories) that believe in responsible investing and are continuously striving to better their approach and best practices.

Each year, the PRI reviews the signatory's credentials both on an individual and a peer-relative basis before awarding the company an official PRI rating for the year, generating a benchmark for signatories. At Russell Investments, we know this process intimately and have recently received our own A/A+ rating.

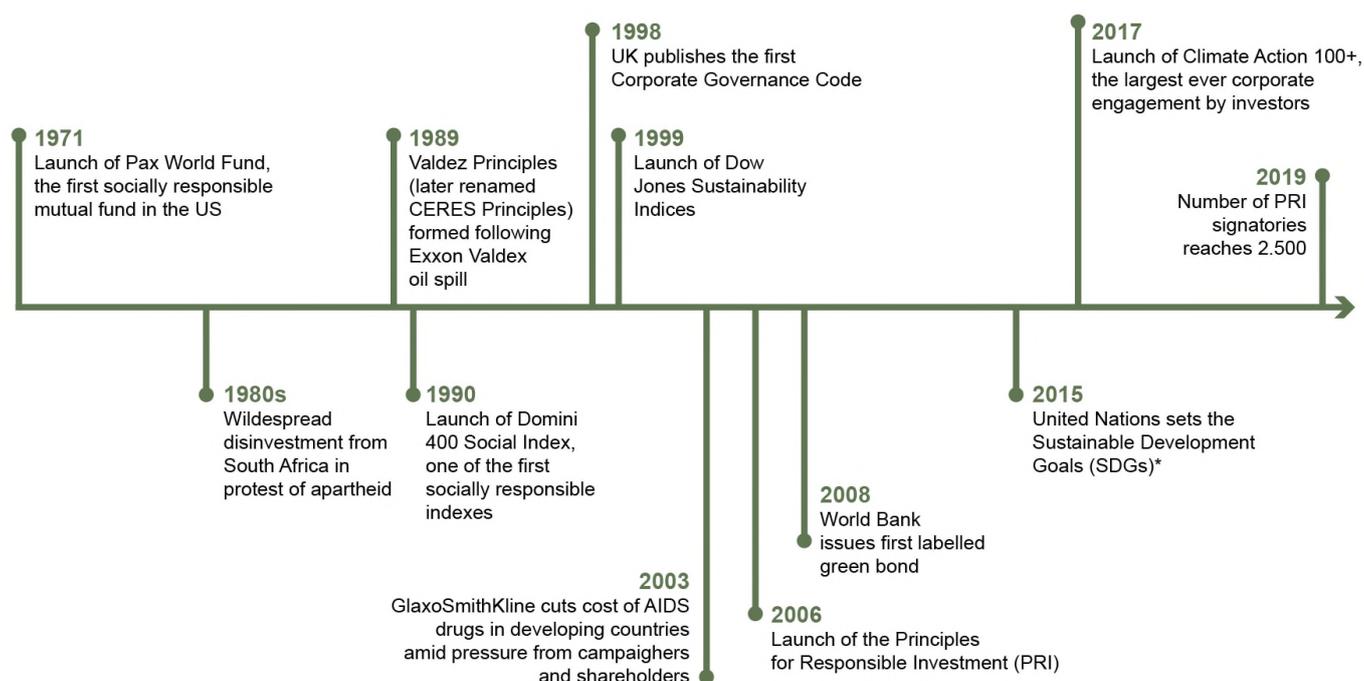
The following are the **six key principles** that the PRI have established when assessing signatories for an overall rating. These principles have become globally recognised and have helped shape the framework for better and more consistent responsible investment processes.

1. Incorporate ESG issues in investment analysis and decision-making processes
2. Actively own and incorporate ESG issues in ownership policies and practices
3. Seek appropriate disclosure on ESG issues from the entities invested in
4. Promote acceptance and implementation of the principles within the investment industry
5. Work together to enhance effectiveness in implementing the principles
6. Report on activities and progress toward implementing the principles

The lack of policies and laws in place within the responsible investment landscape makes the PRI more crucial than ever. In 1972, the first Danone chairman and CEO said, "**There is only one earth, we only live once.**" Those words kick-started a vision that lives on today: to bring health to our planet and to generations of people through the PRI and its signatories, taking responsibility now, and in the future.

An ongoing global effort and commitment to the PRI principles is one of the best ways that the influential investment community can not only demonstrate to asset owners its dedication to responsible investing but also influence and encourage peers alike to start taking action now—instead of in the future.

### Exhibit 2



\*Sustainable Development Goals: The Sustainable Development Goals (SDGs) provide a globally agreed framework to make the world more sustainable by 2030. The PRI's SDG investment case outlines five ways in which the SDGs are relevant to investors.

Source: UNPRI.org

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## The bottom line

As the PRI continues to drive change and provide the framework, tools and knowledge toward responsible investing, we firmly believe it's the investment community that needs to take responsibility for the actions of today. Tomorrow is no longer good enough.

Russell Investments has made great strides over the years in incorporating the PRI principles into our processes, including manager research, portfolio management and proxy voting and engagement. In addition, considering and incorporating ESG-specific strategies—such as our proprietary decarbonisation strategy and ESG tilting methodology—form an important part of our product development process.

We will continue to focus on the implementation of PRI's principles in order to best support our clients and society in responsible and sustainable investing. [You can view our 2019 scores here.](#)

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## For more information

Call Russell Investments at **09 357 6633** or visit [russellinvestments.co.nz](https://www.russellinvestments.co.nz)

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