

# TERMS OF REFERENCE - WORKING GROUP INCORPORATING SUSTAINABLE DEVELOPMENT GOALS IN ASSET ALLOCATION

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## INTRODUCTION

The PRI aims to deliver practical, action-oriented research, tools, events and support to signatories around the world, no matter where they are located or their level of responsible investment knowledge. Signatories that are committed to implementing the Principles are one of the greatest strengths of the PRI. Advisory committees (formerly known as “steering committees”) and Working Groups (together known as “signatory groups”) provide opportunities for signatories to convene, to share knowledge and to collaborate for change and impact.

Achieving the Sustainable Development Goals are at the core of the PRI’s responsible investment agenda for the next 10 years.

The PRI Mission states: “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.” Even before the PRI Mission was formulated the preamble to the six Principles of PRI said: “We recognise that applying these Principles may better align investors with broader objectives of society.” The PRI Mission and the Preamble to the Principles make clear that the six principles of PRI should not be seen in isolation, but as a ‘means’ to an ‘end’. They should contribute to a sustainable global financial system that will allow investors to achieve long-term value creation, aligns investors with the broader objectives of society and benefits the environment and society as a whole. The SDGs act as welcome guidance as to what the ‘broader objectives of society’ are. The PRI’s roadmap towards achieving these objectives are clearly enunciated as the SDGs in our 10-year Blueprint.

The PRI SDG Advisory Committee has agreed a five point workplan to guide the PRI’s work on the SDGs. The first two points, the SDG landscape map and the investment case, are currently being drafted. As a next step the PRI Executive will convene 2 new Working Groups. This Terms of Reference is for the Working Group looking at the inclusion of the SDGs in asset allocation decisions.

## OBJECTIVE

The main question that the Working Group will deal with is if and how the SDGs can, and maybe should, effect decisions on asset allocation?

The PRI will soon publish the SDG Investment Case, which addresses the question 'why' SDGs are relevant for investors. The PRI has also produced a paper on investment strategy which highlights the importance of taking into account the real world impact, aligned with the SDGs, in the development of such a strategy. Finally, the PRI also published a guide for asset owners to help develop an investment policy, which may include SDGs. In the next couple of years SDGs will be incorporated in further guidance for separate asset classes.

## ROLES AND RESPONSIBILITIES

### PRI EXECUTIVE

The PRI Executive responsible for this project is the Director of Investment Practices & Engagement.

The PRI Executive will:

- Maintain overall management responsibility for the project ensuring that it remains focused, sticks to the agreed timescale and delivers the project objectives;
- Write the deliverable through an iterative revision process of drafting and soliciting feedback from the Working Group and external parties as required;
- Oversee Working Group composition, manage the application process and review commitment/meeting attendance;
- Convene, administer and facilitate Working Group meetings and activities;
- Keep Working Group members updated on project activities between meetings;
- Coordinate external communication on the activities of the Working Group;
- Manage communication flow between the Working Group and the SDG Advisory Committee, Asset Owner Advisory Committee, PRI regional networks and ensure alignment with PRI's high-level objectives;
- Be responsible for final editing of any deliverable;
- Be responsible for the graphic design of the final deliverable;
- Utilise the PRI network to promote the deliverable once it has been published.

### CHAIR

A chair for the Working Group will be selected by the PRI Executive. The chair will be preferably from the SDG Advisory Committee in order to simplify the communication process between the two groups. If this is not possible then a chair will be selected from the Working Group members.

The chair will:

- Work with the PRI Executive to provide leadership to the Working Group;
- Attend meetings with the PRI Executive (by phone) to discuss progress of the project and prepare for Working Group meetings;
- Provide the PRI Executive with guidance on overarching project strategy;

- Attend and chair Working Group meetings;
- Designate enough time to fulfil the commitments listed above.

## PROJECT WORKING GROUP

A Working Group will be formed to develop the project. The Working Group will act in an advisory role to the PRI Executive to provide inputs, advice and feedback to help scope, strengthen and ensure the credibility of the guidance.

In selecting members of the Working Group the PRI will:

- Only select PRI signatories;
- Limit the size of the group to between 15 and 20 members;
- Focus on people with clear expertise and/or experience in strategy development, asset allocation, quantitative / fundamental ESG or SDG integration;
- Include a limited number of representatives of the SDG and AO advisory committees;
- Aim for reasonable diversity in terms of the scale, geography and type of member organisations and a range of skills among individual members;
- Look for members who hold a relatively senior position within their organisation;
- Select individual members on the strength of their application which demonstrates proactive interest/a history of activity with the PRI and/or leadership in SDGs and responsible investment.

The PRI executive may decide to involve a consultant in the work of the Working Group.

Working Group members will:

- Participate in scheduled Working Group meetings via telephone or in person;
- Provide input and advice on the direction and scope of the project;
- Provide detailed written feedback to the PRI Executive on the draft deliverable at key stages;
- Draft parts of the deliverables, case studies and other written project material if required;
- Designate enough time to fulfil the commitments listed above (estimated at 4 hours per month).

Members terms will be for the life of the project which is expected to be 1 year.

Working Group members will be acknowledged in the published deliverable, dependent on their approval having viewed the final version, and their attendance in a majority of the meetings.

## CODE OF CONDUCT

- Working Group meetings should proceed only if a majority of members can attend (via teleconference). Due to regional time differences, separate calls will be held;
- The proactive involvement of signatories is important to the success of the group. The PRI Executive may cancel individual members' participation and invite other interested parties to participate if the required level of commitment is not demonstrated;
- Members must refrain from using these forums for explicit commercial purposes and should focus on furthering the goals and objectives of the project. Failure to meet these requirements may also lead the PRI Executive to cancel a member's participation;

- Working Group members are welcome and encouraged to advertise their participation in the project in other forums such as LinkedIn.

## GOVERNANCE

The project falls under the oversight of the PRI SDG Advisory Committee. The PRI Executive is responsible for updating the SDG Advisory Committee and the Asset Owner Advisory Committee on the progress of the Working Group, and the SDG Advisory Committee may provide feedback during the scoping and drafting phases of the project. The PRI Executive bears responsibility for final sign-off on the completed work.

## CONFIDENTIALITY

The theme of the project, and membership of the Working Group will be available on the PRI website. The PRI Executive may record Working Group meetings for internal purposes (i.e. note taking). Recordings are not circulated externally, including to members. Where recordings of group discussions are taken, PRI staff will state at the start of the call that the call is being recorded. Call recordings will be deleted within 1 year.

## CONTACT

Asset owners interested in being involved, are invited to contact Jake Goodman ([jake.goodman@unpri.org](mailto:jake.goodman@unpri.org)). The email should include:

- A brief biography;
- A paragraph summarising their potential contribution to the group and the motivation to be a member;
- Approval of this Terms of Reference.