

October 17, 2019

Dear US Signatories,

Since its inception, the Principles for Responsible Investment (PRI) has prioritized a market-led evolution toward long-term responsible investment. PRI remains committed to active, ongoing engagement with signatories regarding significant matters affecting financial markets including environmental, social and governance (ESG) issues.

Today the evidence of the urgent need to address sustainability issues, such as climate change, is incontrovertible—we no longer have the luxury of waiting for all market participants to accept their responsibility to contribute to a sustainable economy.

In many markets we are now witnessing financial policy-makers and regulators acting with growing urgency to adopt measures that integrate responsible investment. More than 20 countries have enacted rules requiring companies to disclose ESG information and there are now more than 730 pieces of regulation and soft law instruments that support investors to consider long-term value drivers, including ESG factors.

We are also seeing a move to comprehensive national sustainable finance strategies that increasingly involve investors in their development and implementation. More PRI signatories than ever before are engaging with policy-makers and regulators, including 61% of asset owners globally. In many cases, signatories are seeking PRI's assistance and expertise in these discussions and as far as is possible we are responding to these requests.

Increasingly regulators are understanding that sustainable finance policy matters and real economy outcomes are becoming a new focus. As such we have been developing our policy team across the globe to respond to growing activity and demands.

Despite its dominant role in the global financial industry, the United States—at a federal level—remains a glaring outlier when it comes to the growing global policy consensus surrounding sustainable finance. In some cases, we've seen it embark on a rollback of positive features in the existing regulatory framework which support good governance, transparency and consideration of ESG factors in investment processes.

Examples include:

- In April 2018, the Department of Labor issued a new policy that, while reaffirming that fiduciaries have an obligation to integrate ESG factors into investment decisions that present material business risks, also included language that has had a chilling effect on ESG integration.
- On August 8, the SEC proposed changes to public company financial reporting requirements that would shift from a rules-based to a principles-based disclosure regime, which would give

issuers more discretion in their disclosures and threatens to undermine investor access to consistent, comparable data.

- On August 21, the Commission issued two new pieces of guidance related to proxy voting that seek to impose new costs and litigation risks for investment advisers and proxy advisory firms as they carry out their obligations related to proxy voting. In addition, recent policy changes have the potential to create confusion around when companies may exclude shareholder proposals on ESG topics from corporate ballots.

These actions are out of step with what we are seeing in other markets. Given the urgency of addressing the multiple risks that issues such as climate change pose to the financial system, coupled with the fact that PRI signatories globally invest across US markets, we have concluded that we need to increase our engagement with U.S. policy and regulatory authorities on policy issues related to responsible investment. We are focusing on the following areas:

1. **ESG disclosure** -- ESG factors are material investment considerations, and investors need access to consistent, comparable disclosure of ESG data to make informed investment decisions. Yet current SEC disclosure requirements do not explicitly require corporate disclosure of material ESG factors. As such we have called on Congress and the SEC to mandate corporate disclosure of material ESG matters.
2. **Shareholder rights** -- Investors have the right to engage the companies they own through the shareholder proposal process, including around ESG issues. In conjunction with our signatories we have opposed policies that would make it more difficult for investors to file proposals at a company's annual general meeting, as well as proposals that would require proxy advisors to provide companies an opportunity to review and comment on research reports before sharing their analysis with investors.
3. **Fiduciary duties** -- Investors have duties to their clients and beneficiaries, including loyalty and prudence. This includes a requirement to integrate ESG issues and we continue to seek clear and consistent interpretations of fiduciary duty.

To advance these policies, the PRI plans to:

1. Enhance engagement with Congress and the SEC to advance a comprehensive set of policy solutions that will create a sustainable financial system that includes the integration of material ESG factors;
2. Provide signatories with information and resources to facilitate signatory participation in pressing policy debates; and
3. Educate the public, signatories and policymakers about responsible investment issues, including our research into the Inevitable Policy Response that will be deployed to combat climate change.

Active ownership is not just about engaging with corporations; engagement by the investment community with financial policy-makers and regulators is an important extension of an investor's responsibilities and duties to protect the interests of beneficiaries.

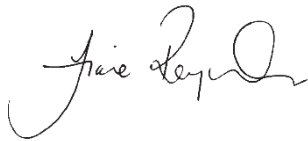
We therefore urge you to engage directly with Congress and the SEC and advocate for a comprehensive set of policy solutions to create a sustainable financial system in the U.S.

In addition we encourage your regulatory affairs staff to join our Global Policy Reference Group. Here you can participate in regular conversations about policy issues and receive the latest information about opportunities to make your voice heard.

Finally, we expect that the SEC will propose new rules related to proxy voting later this year. We will update you as soon as that proposal is released.

We are excited to work with you all as we advance this important policy agenda. If you have any questions or comments, you can contact me directly or reach out to our policy team at: policy@unpri.org.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Fiona Reynolds', written in a cursive style.

Fiona Reynolds
Chief Executive Officer
Principles for Responsible Investment