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## Publication of PRI 2023 Reporting Framework

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The Principles for Responsible Investment (PRI), a UN-supported network of investors, has **announced** the publication of its 2023 Reporting Framework along with an update on accountability. This development, according to the PRI, represents a “key step forward in the development of the PRI’s Reporting and Assessment functionality as the industry-leading reporting framework globally.” Signatories now have until mid-May to prepare their responses before the reporting cycle opens. The updated reporting framework has been designed to align with leading global standards based on feedback submitted by signatories. These standards include the recommendations from the Task Force on Climate-related Financial Disclosures and the International Sustainability Standards Board. Other changes include reducing the detail of data to be reported and decreasing the overall number of indicators to ease the burden on signatories. Over 3,800 organizations are signatories to the PRI’s six **Principles**, representing \$121 trillion under management.

The Reporting Framework consists of six generally applicable modules and six industry-specific modules, each of which must be adapted by the particular signatory as appropriate to its business, industry and particular circumstances:

- **Senior Leadership Statement:** Signatories agree to incorporate ESG issues into their investment analysis and decision-making processes by, as appropriate: (1) addressing ESG issues in investment policy statements; (2) developing ESG tools; (3) assessing the capabilities of internal and external managers; (4) requesting that service providers incorporate ESG factors into their research and analysis, and (5) training investment professions on ESG investing.
- **Organizational Overview:** Signatories will incorporate ESG issues into ownership policies by (1) developing and publicizing an ESG-minded ownership policy; (2) exercising voting rights or monitoring voting compliance; (3) developing policies, regulations, and standard setting; (4) filing shareholder resolutions consistent with long-term ESG considerations; (5) engaging

with companies on ESG issues; (6) participating in collaborative engagement issues; and (7) asking investment managers to undertake and report on ESG-related engagement.

- **Policy, Governance and Strategy:** Signatories will seek disclosures on ESG issues by the entities in which they invest by (1) asking for standardized ESG reports; (2) asking for ESG issues to be incorporated into annual financial reports; (3) asking for information on how companies have adopted or adhered to ESG norms, standards, codes of conduct, and initiatives; and (4) supporting ESG shareholder initiatives and resolutions.
- **Manager Selection, Monitoring and Reporting:** Signatories will promote acceptance and implementation of ESG principles by (1) including Principle-related requirements in requests for proposals; (2) aligning investment mandates, monitoring procedures, and performance indicators and incentive structures with the Principles; (3) relaying ESG expectations to investment service providers; (4) reviewing relationships with service providers that do not meet ESG expectations; (5) supporting the developments of tools to benchmark ESG integration; and (6) supporting regulatory and policy developments that promote the Principles.
- **Sustainability Outcomes:** Signatories will enhance their effectiveness by (1) supporting networks and information platforms to share resources and pool resources, and using investor reporting as a learning source; (2) addressing relevant emerging issues collectively; and (3) developing and supporting collaborative issues.
- **Confidence Building Measures:** Signatories will report on their activities and progress by (1) disclosing how ESG issues are integrated within investment practices; (2) disclosing active ownership activities; (3) disclosing service provider ESG requirements; (4) communicating with beneficiaries about ESG issues and the Principles; (5) reporting on progress relating to the Principles using a the comply-or-explain method; (6) seeking to determine the impact of the Principles; and (7) using reporting to raise awareness among a broader group of stakeholders.

The six asset-class modules cover industry-specific issues in the areas of listed equity, fixed income, real estate, infrastructure, private equity and hedge funds.

The PRI's accompanying press release states that even though the minimum requirements will remain in place for the 2023 reporting cycle, they will remain under review throughout the year. The PRI explains that the minimum requirements were "introduced in 2018 to strengthen accountability amongst investor signatories by providing a baseline performance requirement, determined through reporting. To keep pace with a rapidly changing landscape, PRI committed to reviewing the minimum requirements to ensure they remain fit-for-purpose, and began a formal review process in 2020. Following the 2021 reporting cycle, the review of the minimum requirements was put on hold while PRI focused on improving the quality of the 2021 reporting dataset, delivering the 2021 reporting outputs and developing the improved 2023 Reporting Framework. "

**Taking the Temperature: The changes to the PRI Reporting Framework in 2023 reflect the extensive consultation process conducted with PRI signatories and emerging consensus on the necessity for greater global coordination on climate-related disclosure standards. Greater alignment among influential voluntary initiatives is positive but emerging consensus on standards must be reflected in greater coordination**

in regulatory standards to have wider economic effect. We have previously [covered](#) the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities Report. [Recommendation 10 of the Report](#) describes the importance of moving from voluntary initiatives to regulated requirements.