

## PRI's Advanced Investment Strategies: a Revolution Beyond Romanticism

By

Davide Colombo

**Revolution:** "...the usually violent attempt by many people to end the rule of one government and start a new one... a sudden, extreme, or complete change in the way people live, work, etc." from *Britannica.com*

Our initial understanding of word "revolution," shaped in elementary school through examples like the American, French, and October Revolutions, often involves a sudden, transformative upheaval that fundamentally alters society and history. This ingrained concept portrays revolution as an abrupt, all-encompassing shift. However, later reading revealed that while the catalyst of a revolution might not always be a grand event, its impact is invariably profound. A true revolution, even a subtle one, always leaves a discernible mark.

For me, the Romantic Revolution stands out. This significant cultural and artistic transformation began in Europe around 1800 and resonated through the mid-19th century. This quietly powerful revolution reshaped art, literature, music, and eventually political thought, ultimately redefining modern sensibilities. Romanticism emerged as a reaction against the dominant Enlightenment, which



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it viewed as a source of sterile intellect overly reliant on reason and scientific objectivity. Romantics argued for the richness of human emotion and imagination, asserting that the human spirit should flourish in this realm, not be diminished by mere calculation and logic. This movement was spearheaded by rebellious figures like William Wordsworth, John Keats, and Byron, whose intellectual souls chafed under what they perceived as stifling rationalism. Their poems and lives inspired future generations to prioritize feelings and emotions as fundamental human needs, alongside the rationality championed by previous eras.

Historically, human progress has consistently been driven by revolutionary change; stagnation rarely yields advancement. Similarly, our current economic landscape faces a critical juncture regarding ethical investment strategies. Recent clashes in EU politics have unfortunately favored investors prioritizing traditional fossil fuel technologies over sustainable policies, representing a setback for ESG commitments. Yet, as history teaches us, such regressions often precede a renewed revolutionary push.

Drawing inspiration from the Romantic poets, particularly William Wordsworth, a key figure in the movement who wrote *"the child is the father of a man which will*



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*become*", we can frame the PRI's strategy program for Advanced Investments as a catalyst for this necessary shift against the more rational and less sustainable practices still chained to fossil fuels consumption. The Principles for Responsible Investment (PRI) engages its global network of signatories to implement six core principles, a voluntary framework developed by investors for integrating ESG issues into investment practices, with the final aim to depict an advance investment strategy for sustainability. To foster genuine and advanced sustainability in investment strategies, the following are crucial:

- **Publicly Available Responsible Investment Policy:** Transparency in our RI policy, a core commitment of the PRI, builds stakeholder trust, fosters accountability, and demonstrates our dedication to incorporating ESG factors into our investment decisions. Openly sharing this policy promotes broader industry understanding and encourages the wider adoption of responsible investment, aligning with the PRI's goal of a sustainable global financial system.
- **Stewardship Strategy and Proxy Voting Disclosure:** Stewardship involves investors using their influence to protect and enhance long-term value,



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including the crucial economic, social, and environmental assets that underpin returns. Investors can exercise this by refraining from investing in subsequent debt issuances or by implementing proxy voting policies. Both approaches encourage greater ESG awareness among CEOs and business leaders seeking new investment. When initial engagement with a company failing its ESG goals proves ineffective, refusing future debt funding or publicly disclosing proxy voting decisions can exert further pressure.

- **Regular Disclosure of RI Activities to Clients:** Responsible investors are increasingly prioritizing regular communication with clients and beneficiaries about their implemented practices, rather than solely focusing on policy creation.
- **Incorporating RI Clauses in Contractual Agreements:** Including requirements for RI practices in disclosure agreements enhances the accountability of firms and managers, encouraging more responsible behavior.
- **Identifying Climate-Related Risks and Opportunities:** The demand for environmental and climate change policies has steadily risen since 2021, with a majority of firms now having dedicated climate policies. Climate

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change is a leading sustainability concern in senior leadership statements, and the trend is to address it through capital allocation, stewardship, and proxy voting policies.

- Implementing the UN Guiding Principles on Business and Human Rights: Alongside climate change, human rights remain a critical ESG challenge. Responsible investors are increasingly pushing for the establishment of robust human rights policies and transparent processes for assessing and mitigating human rights risks. The UNGPs provide a vital framework for PRI signatories in evaluating human rights risks within their portfolios, requiring firms and investors to adopt policies respecting international human rights and ensuring access to remedies for adverse impacts.

Current strategies must be built upon a foundation that actively supports the broader goals of sustainable development, integrating climate analysis with a strong consideration of the social dimension. Delaying this crucial responsibility is no longer an option. PRI-aligned investing transcends mere ESG implementation; investors are increasingly driven by ESG factors because they represent a rapid pathway to environmental protection and the achievement of secure investment returns. Ignoring this reality risks a far more dire future, where



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resources become so scarce and fragmented that the only recourse will be a return to the traditional, unromantic definition of revolution: riots, conflict, and widespread unrest.

