Pathways in action

Find out how pathways, pillars and practices work, plus how an example implementation guideline could help you ensure robust responsible investment practice

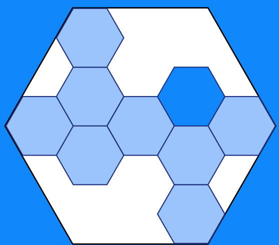
Understanding Pathways

Pathways

A B C

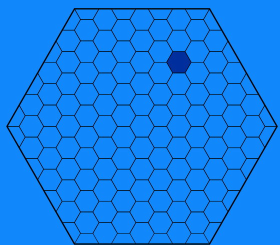
Three pre-defined journeys signatories choose to follow. Pathway A - managing risk, Pathway B - addressing system-level risk, and Pathway C - pursuing impact.

Pillars



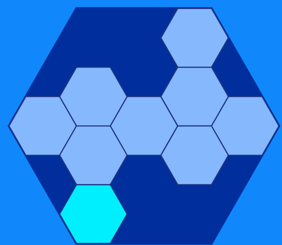
Foundational to Pathways are pillars, which are areas of responsible investment practice. There are nine pillars in total, covering topics from stewardship to governance.

Practices



Practices are the specific actions within pillars that signatories can take to advance their responsible investment. There are over 120 responsible investment practices.

Guidelines



Practices have specific implementation guidelines, which help investors adopt appropriate practices depending on relevant asset class or sustainability issue.

To understand more about pathways, pillars and practices visit **pathways.unpri.org**

Follow this example journey to discover how your organisation can advance its responsible investment practice using **Pathway B.**

B

Example pathway

Addressing system-level risk

For investors seeking competitive risk-adjusted financial returns by incorporating financially material sustainability-related risks and opportunities into investment and stewardship decisions which includes addressing drivers of financially material, system-level sustainability-related risks that affect returns.

Example pillar

Investment analysis

We seek to identify financially material sustainability-related risks and opportunities, including those at the system level, across all investment horizons relevant to our clients and beneficiaries. Within Pathway B, the investment analysis pillar has 10 practices. For this example we have exposed the forward-looking analysis practice.

PRI Principles for Responsible Investment

Example practice

Forward-looking analysis

The investor conducts scenario analysis, or other form(s) of forward-looking analysis in relation to sustainability-related risks and opportunities that are likely to be financially material (including system-level sustainability-related risks) and over timeframes that are aligned with clients' or beneficiaries' own investment time horizons.

Coming soon - Pathway Insights

In future, signatories will have the option to answer questions related to specific practices that are relevant to their responsible investment objectives. By choosing to answer these questions, signatories will gain access to tailored insights and opportunities to benchmark performance against peers.

Key implementation guidelines*

Each practice will be supported by key implementation guidelines describing the components of effective practice. An approach to this practice can include:

- Considering a range of plausible future scenarios, as opposed to a single scenario.
- Running regular updates of the analysis, incorporating the most up-to-date information available.
- Communicating transparently about the methodologies/assumptions used in the analysis.
- Using recognised methodologies to conduct the analysis, where available.
- Conducting the analysis at a range of levels (e.g. at the asset and portfolio levels).
- Incorporating real-time signals, including anticipated shifts in the market.
- Feeding forward-looking analysis into forecasts of valuation metrics.
- Conducting the analysis over multiple timeframes aligned with the end investor's own investment timeframes.

Additional practice resources

Deepen your understanding of each practice by exploring additional resources within Pathways. Resources related to forward-looking analysis include:

Tools

IEA Net Zero Emissions by 2050 scenario

IPR 2025 Transition Forecast

Technical guide

ESG integration in listed equity

Case study

WWF Water Risk Filter

***Please note final implementation guidelines may change based on input from PRI Advisory Committees and working groups.**
Each signatory's implementation of the responsible investment practices described in the pathways is subject to any client mandate and any legal, regulatory, fiduciary or other professional obligations that apply to them ('signatory's duties'). In the event of any conflict between the responsible investment practices described and the signatory's duties, the signatory's duties will prevail. Each signatory retains their discretion to act independently in the best interests of their clients and beneficiaries.

Example implementation guidelines

Forward-looking analysis

In addition to key implementation guidelines, some practices are accompanied by asset class or issue specific implementation guidelines. These are illustrative, not exhaustive or prescriptive. A selection of the asset class-specific implementation guidelines related to forward-looking analysis are shown below. Where relevant, issue-specific guidelines will be available, describing how to implement practices in ways that are relevant to sustainability issues including climate, human rights and nature.

Listed equity

- Factoring in the impact of company transition strategies within forecasts.
- Analysing the trajectory of a company's management of sustainability-related risks (including system-level) and opportunities over time to inform future forecasts.
- For investors invested in, or offering, index-tracking strategies: conducting the analysis in relation to specific indices.
- For active quant investors: using forward-looking objectives or constraints when designing factor strategies.

Fixed income: corporate debt

- Stress testing an issuer's cashflow and balance sheet resilience under one or multiple severe scenarios related to sustainability issues, which are not necessarily correlated.
- Conducting a sensitivity analysis to evaluate how changes in individual sustainability-related variables affect the issuing entity's cash flow and balance sheet.

Fixed income: sovereign, sub-sovereign and agency debt

- Tracking the evolution of the issuer's management of sustainability-related risks (including system-level) and opportunities to inform forecasts.

Fixed income: securitised debt

- Analysing the impact of sustainability-related risks (including system-level) and opportunities using various scenarios (e.g. high/medium/low risk assumptions) on investment performance.

Infrastructure and other real assets

- Analysing financially material sustainability-related risks (including system-level) and opportunities under a range of future scenarios at different stages of the investment cycle: pre-investment, during due diligence, the holding period and exit stage. This will depend on information available at various stages.
- Considering the geographic location of assets as part of the analysis.

Private debt

- Analysing financially material sustainability-related risks (including system-level) and opportunities under a range of future scenarios at different stages of the investment cycle: pre-investment, during due diligence, the holding period and exit stage. This will depend on information available at various stages.
- To the extent possible, analyse the impact of identified sustainability-related risks and opportunities using various scenarios (e.g. high/medium/low risk assumptions) on investment performance.

Private equity

- Analysing financially material sustainability-related risks (including system-level) and opportunities under a range of future scenarios at different stages of the investment cycle: pre-investment, during due diligence, the holding period and exit stage. This will depend on information available at various stages.

Real estate

- Analysing financially material sustainability-related risks (including system-level) and opportunities under a range of future scenarios at different stages of the investment cycle: pre-investment, during due diligence, the holding period and exit stage. This will depend on information available at various stages.
- Considering the geographic location of assets as part of the analysis.