

Green/sustainable finance global initiatives and partnerships: PRI

Sagarika Chatterjee, Director of Climate Change, Principles for Responsible Investment



PRI at a glance

Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

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UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



2400+ 80+

SIGNATORIES:

ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



80+

US\$ TRILLION:

ASSETS UNDER
MANAGEMENT



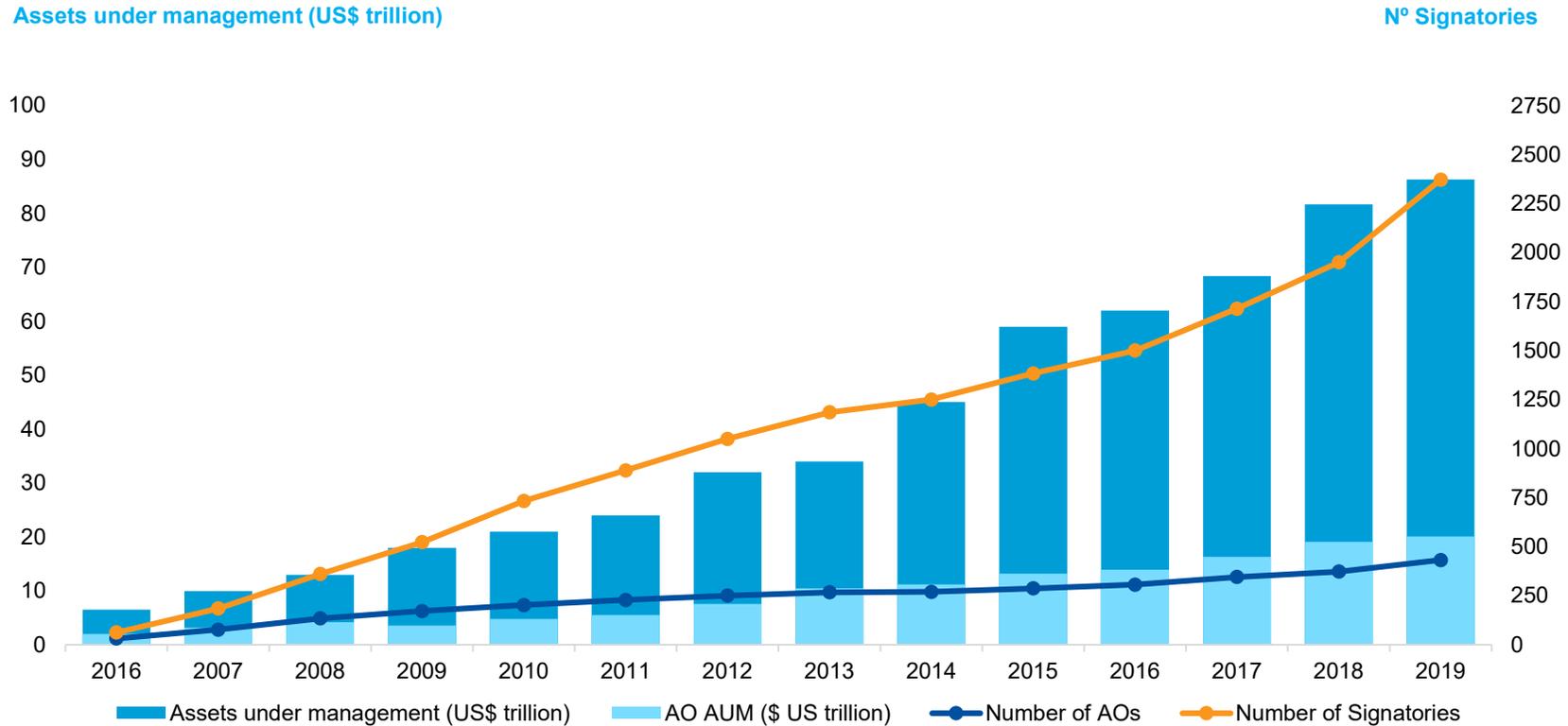
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PRINCIPLES:

RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



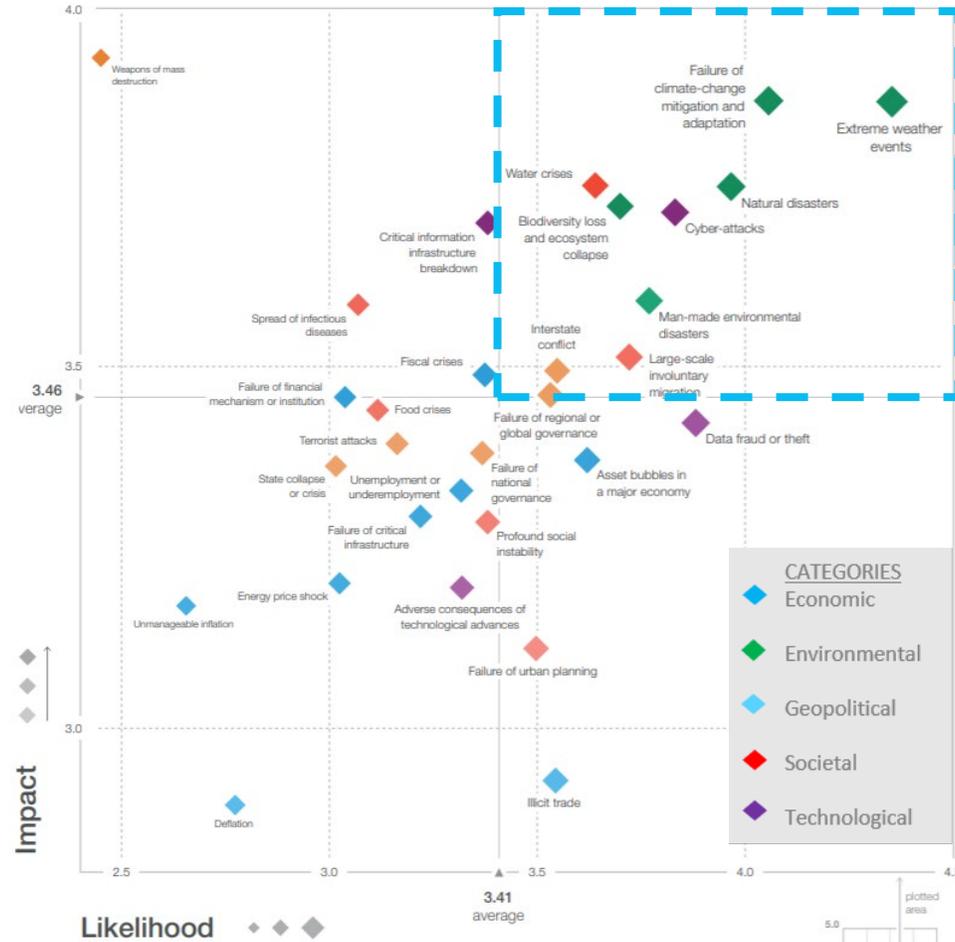
PRI's growing signatory base



*Total AUM include reported AUM and AUM of new signatories provided in sign-up sheet that signed up by end of March of that year.

ESG issues impact investments

What are the risks of tomorrow?

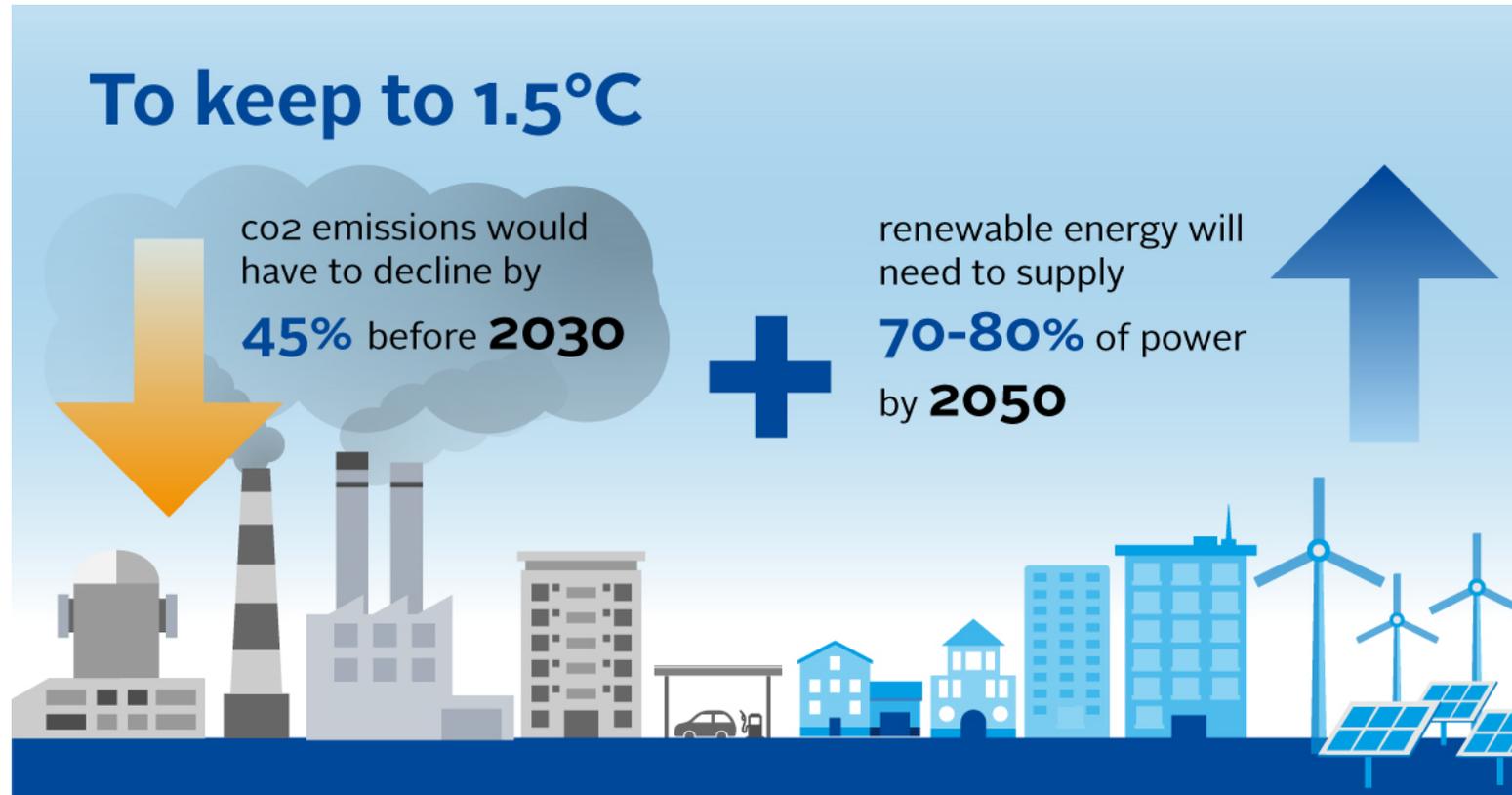


- TOP GLOBAL RISKS**
- ◆ Extreme weather events
 - ◆ Natural disasters
 - ◆ Failure of climate-change mitigation/adaption
 - ◆ Cyber attacks
 - ◆ Water crises
 - ◆ Large scale involuntary migration
 - ◆ Man-made environmental disasters
 - ◆ Bio-diversity loss and ecosystem collapse

Source: World Economic Forum 2019 Global Risks report.

See [here](#) for more detail on the 2019 Global Risks report and its implications for PRI signatories.

For 1.5C, significant changes are needed across sectors



“Limiting warming to 1.5°C is possibly within the laws of chemistry and physics but doing so would require *unprecedented changes*” - Jim Skea, Co-Chair of IPCC Working Group III

Investor “asks” of governments

Global Investment Statement at 2019 G20

- Over **400 investors, US\$34 trillion** in AUM calling on the G20 to:
 - 1. Achieve the Paris Agreement’s goals**
 - Strengthen nationally-determined contributions
 - 2. Accelerate private sector investment into the low carbon transition**
 - Put a meaningful price on carbon
 - Phase out fossil fuel subsidies, thermal coal power and with just transition
 - 3. Commit to improve climate-related financial reporting**
 - Publicly support TCFD

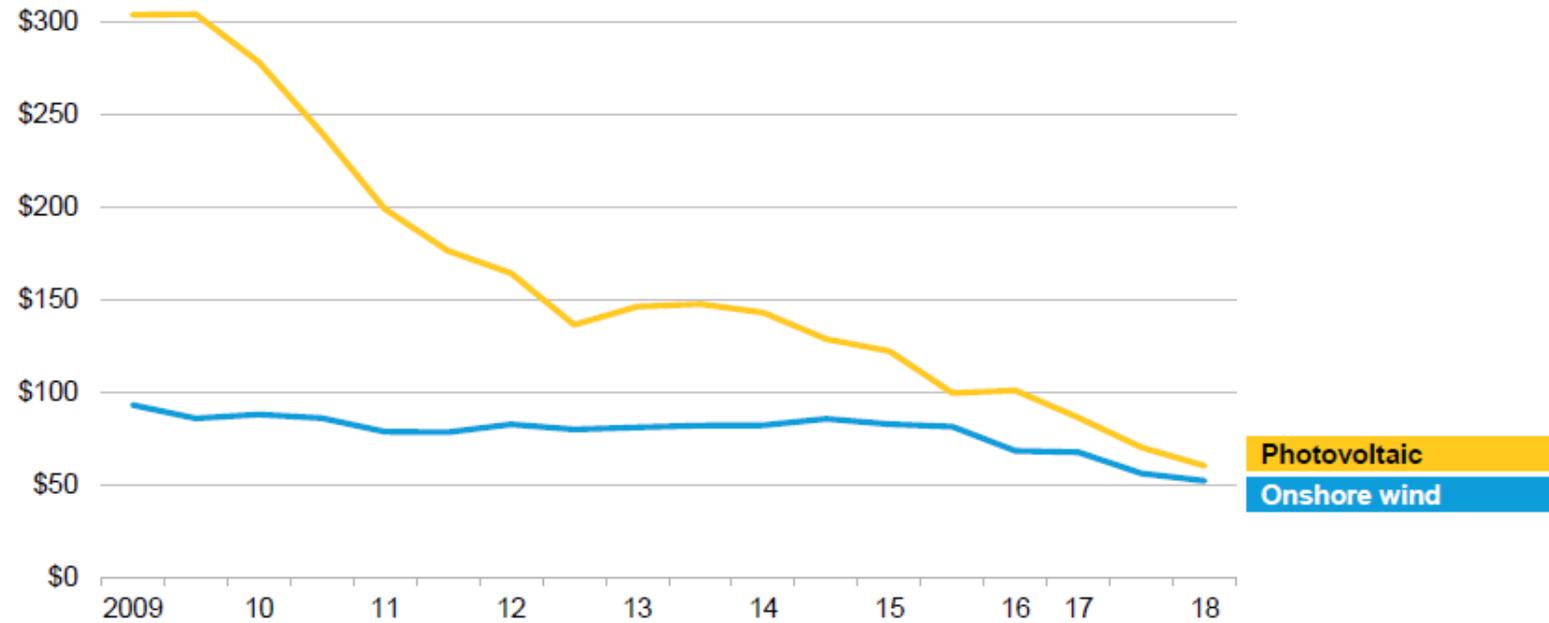


Technology-driven transition

Clean power generation costs are falling significantly

Levelised cost of energy

\$350 dollars per megawatt-hour

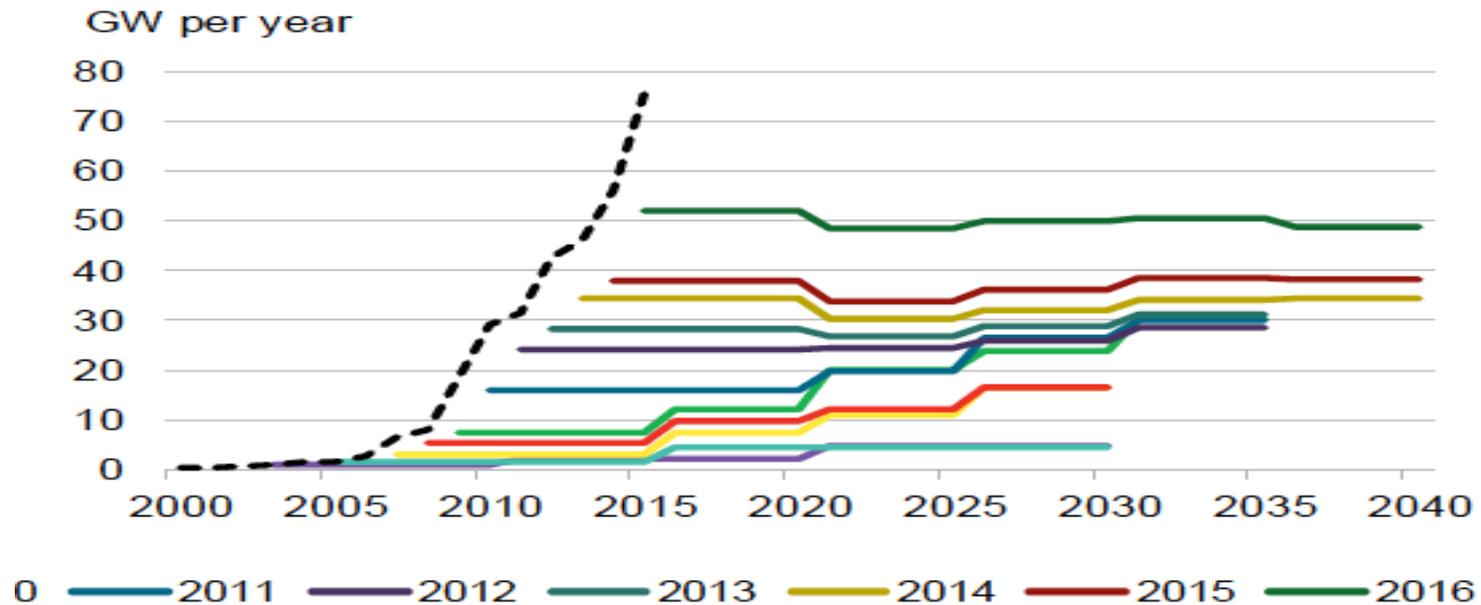


Source: BloombergNEF. Note: Nominal dollars.

Investors want to allocate more to green investment opportunities

Solar has consistently exceeded the International Energy Agency's expectations

Annual solar additions



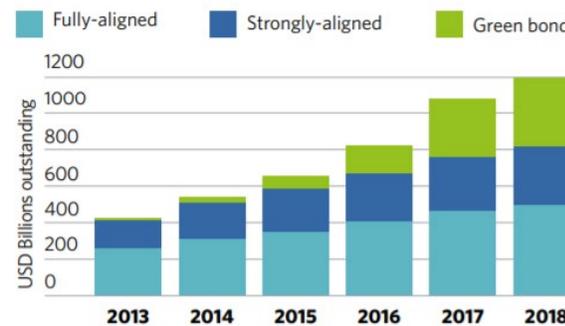
Source: IEA World Energy Outlook

US\$1 trillion invested in low-carbon by PRI signatories in 2018

- Investor examples:
 - **USA:** New York State Common Retirement Fund \$20 billion for sustainable investments
 - **Australia:** Cbus net zero target for property by 2030 and A\$2 billion in green buildings
 - **France:** Amundi Planet Emerging Green One
 - **Germany:** Allianz SE phase out of coal by 2040
 - **UK:** LGIM Future World Fund excluded ExxonMobil, reinstated Occidental Petroleum

Thematic area	AUM US\$	# of signatories
Clean technology	\$397bn	341
Green buildings	\$407bn	169
Sustainable forestry	\$66bn	88
Sustainable agriculture	\$66bn	101
Total	\$937bn	405

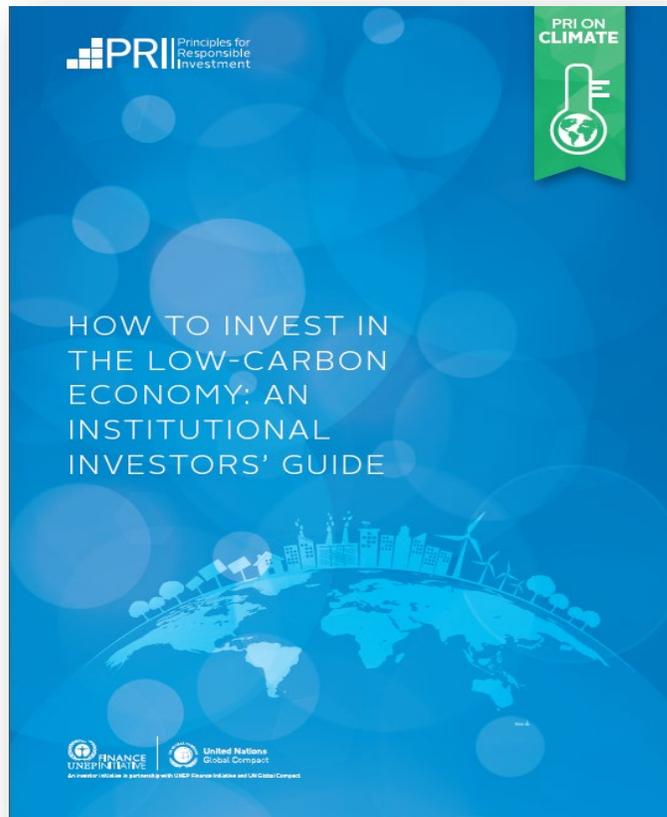
A climate-aligned bond universe of USD1.45tn



Source: 2018 PRI Reporting Framework data self-reported by PRI signatories

PRI investor capacity-building and policy collaboration to scale-up green investment

PRI has developed guidance for low carbon investment and is leading work on the EU taxonomy on sustainable economic activities to help scale-up investment



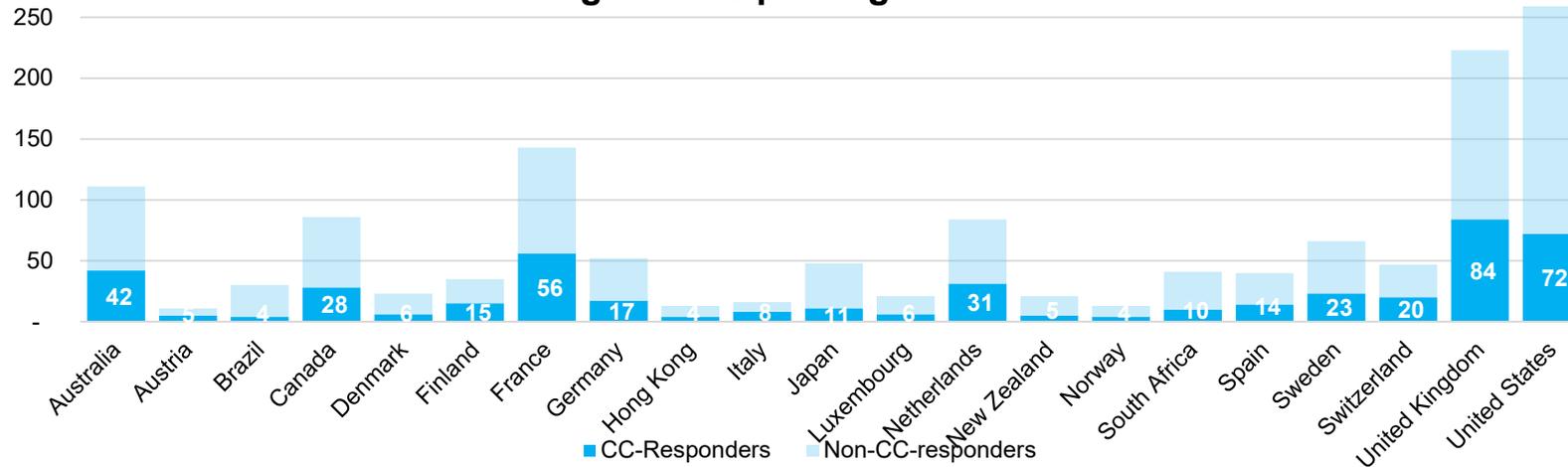
Breaking the tragedy of horizons



“The more we invest with foresight,
the less we will regret in hindsight”

Mark Carney, Governor of the Bank of England and former Chair of
the FSB

PRI signatories piloting TCFD in 2018



Investors engagement with companies

Climate Action 100+

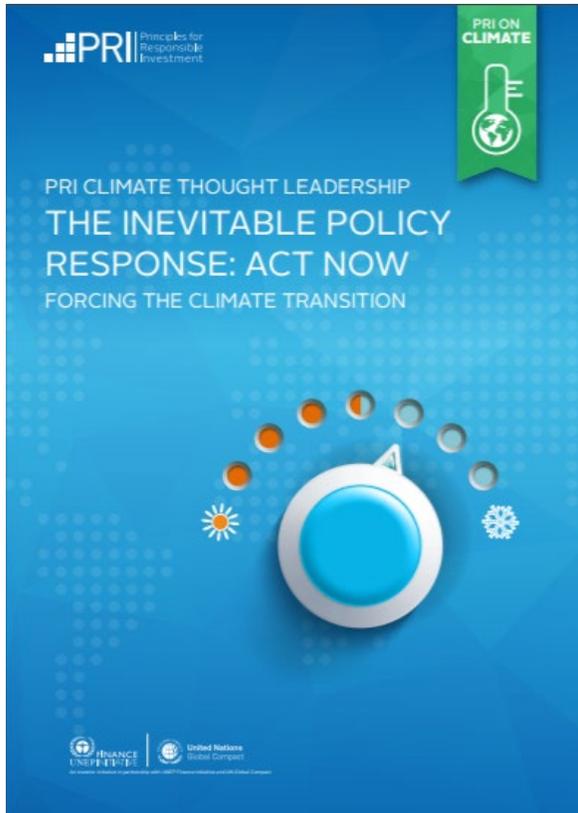
340 investors (US\$33 trillion) are requesting the boards and senior management of companies to:

- 1. Implement a strong governance framework**
 - 2. Take action to reduce greenhouse gas emissions across their value chain**
 - 3. Provide enhanced corporate disclosure**
- Recent outcomes:
 - Maersk
 - Glencore
 - BP
 - Royal Dutch Shell
 - Equinor
 - Exxon
 - Standard Bank

climateaction100.org

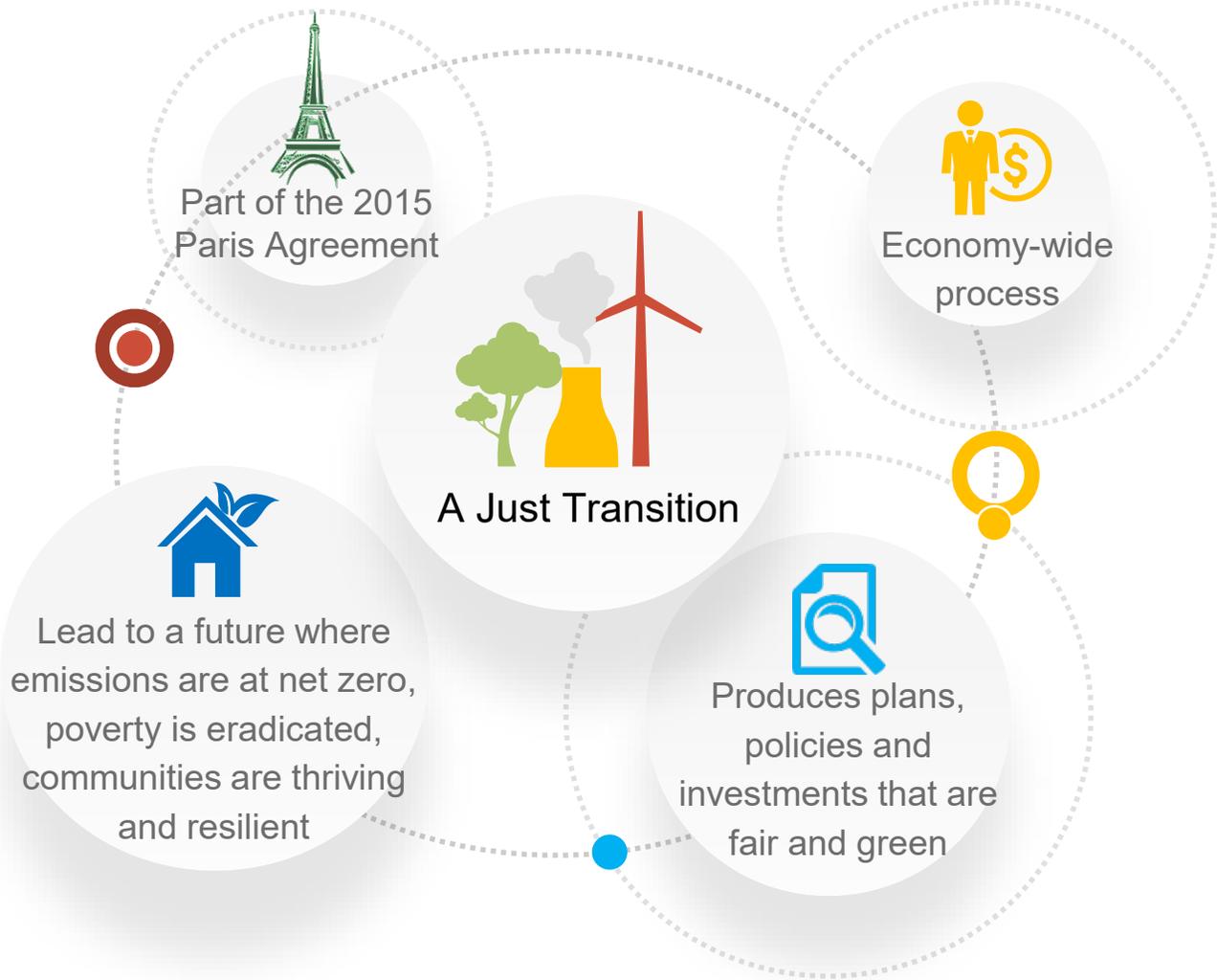
The Inevitable Policy Response: Act Now

Need for critical thinking on climate scenarios



- The PRI is supporting the development of a new recommended body of work for investors
- The longer the delay in climate policy action, the more forceful and urgent the policy will inevitably need to be, bringing disruption.
- This not yet priced into todays markets and investment allocations.
- September 2019: Research papers and model in collaboration with Vivid Economics

A just transition is critical, not optional



Summary

- Global leaders, the finance sector and investors need to step up towards 1.5C
- Green finance presents significant opportunities
- An abrupt, forceful transition presents significant risks
- Act sooner, not later