

# Climate Change, Water, Forests, and Commodities

**Fiona Reynolds, Managing Director**  
**CDP event, Tokyo 24<sup>th</sup> October 2017**



**United Nations** Global Compact

*An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact*

# THE PRI

Investor-led, supported by the United Nations

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

The six Principles were **developed by investors** and are supported by the UN. They have more than 1,700 signatories from over 50 countries representing over US\$73 trillion of assets.

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**UN PARTNERS:**

UNEP FINANCE INITIATIVE  
UN GLOBAL COMPACT



1800+

**SIGNATORIES:**

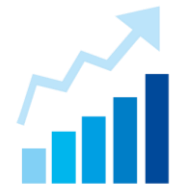
ASSET OWNERS  
INVESTMENT MANAGERS  
SERVICE PROVIDERS



70

**US\$ trn**

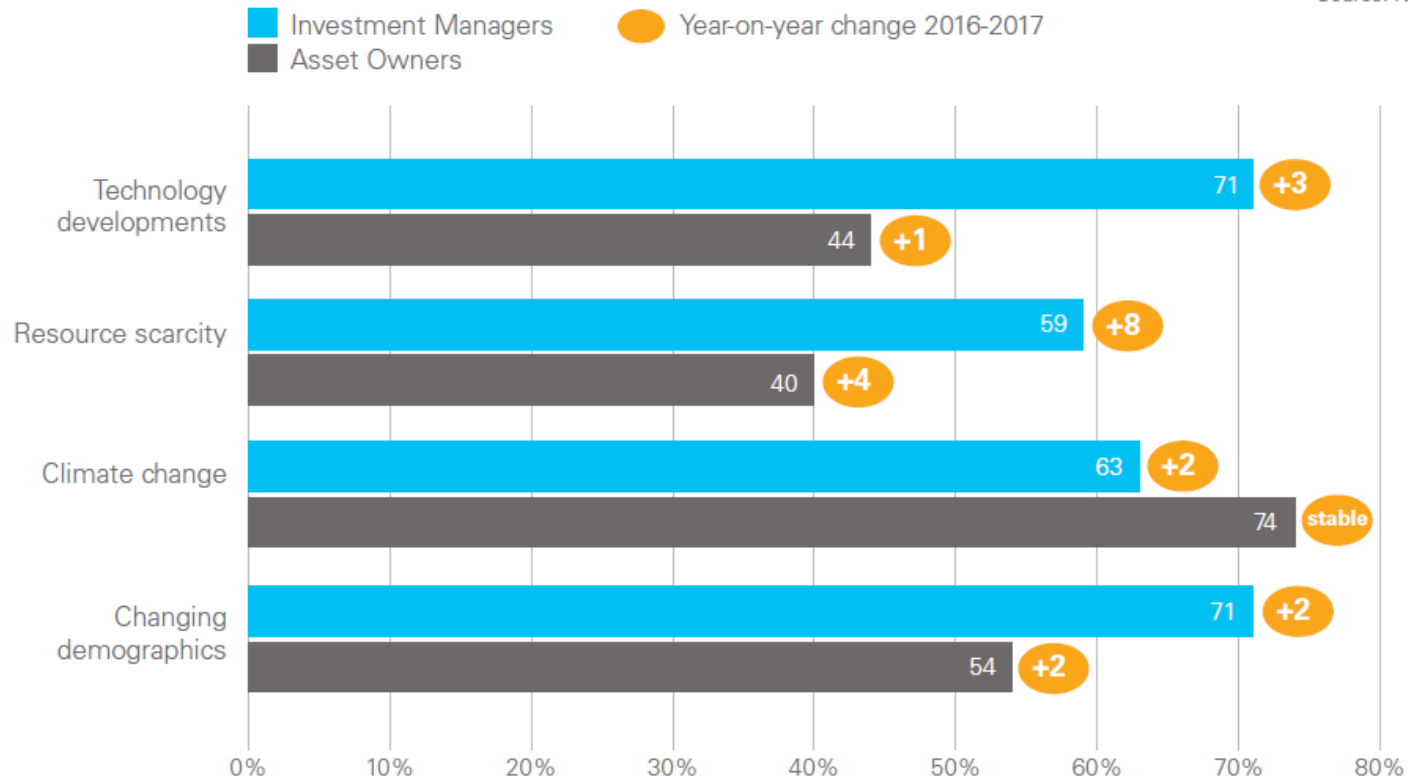
**ASSETS UNDER  
MANAGEMENT**



# Climate change: a top priority for Asset Owners

Which long-term trends are investors taking action on? (Sample of 302 AO and 935 IM)

Source: Novethic



# MONTREAL CARBON PLEDGE

A PRI-led initiative supporting investor action on climate change

- For investors to measure and disclose the carbon footprint of their portfolio
- Can apply to part or all of the portfolio
- Launched at *PRI in Person* in 2014 with the support of Christiana Figueres
- Supported by nearly 120 investors with US\$10 trillion by COP 21
- Announced at COP 21 *Private Finance Focus event* attended by French COP Presidency
- Open to all PRI signatories and non-signatories to endorse at [www.montrealpledge.org](http://www.montrealpledge.org)

## Montreal Carbon Pledge signatories include:

HESTA (Australia)	AP4 (Sweden)
Bâtirente (Canada)	Nordea (Sweden)
University of Ottawa (Canada)	Alliance Trust (UK)
AXA Group (France)	Environment Agency Pension Fund (UK)
BNP Paribas Investment Partners (France)	Old Mutual Group (South Africa/ UK)
PGGM Investments (Netherlands)	HSBC Global Asset Management (UK)
Secom Pension Fund (Japan)	CalPERS (USA)
Arisaig Partners (Singapore)	University of California (USA)

# Highlights of PRI's climate work

## Supporting investor action on climate change

- Climate disclosure and FSB Task Force (TCFD)
  - PRI Chair served on Task Force, with strong signatory input
  - Final recommendations published 29th June 2017
  - PRI committed to drive TCFD implementation
- Investor action and practical tools
  - 2 degrees of separation report and regional workshops
  - PRI-Baker McKenzie country climate disclosure reviews
  - PRI collaboration platform alerts for climate resolutions e.g. ExxonMobil
- Paris Agreement and government action
  - Government response to US withdrawal: Paris Agreement is “irreversible”
  - G20 investor letter supported by nearly 400 investors (US\$22 trillion AUM)
  - PRI contributed to China's green finance leadership

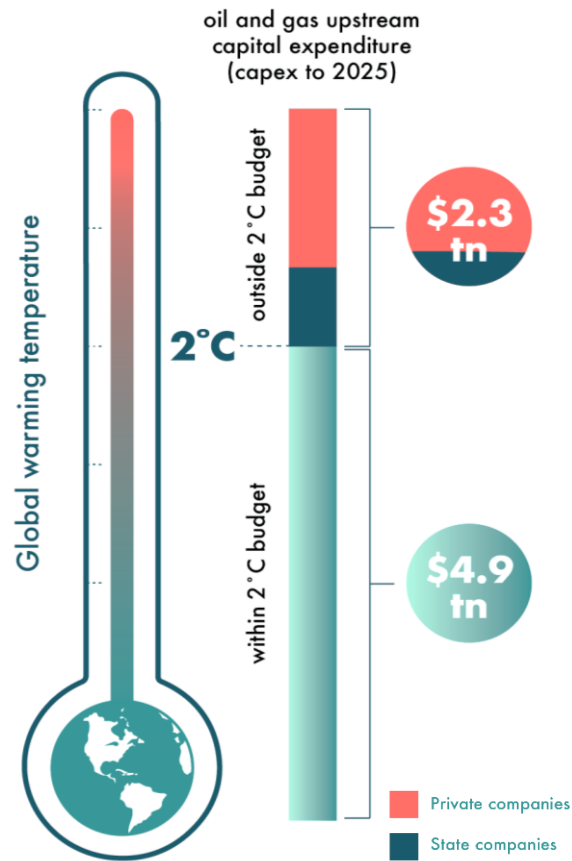
# Climate Action 100+, supporting investors and the Paris Agreement

## Investors driving business transition

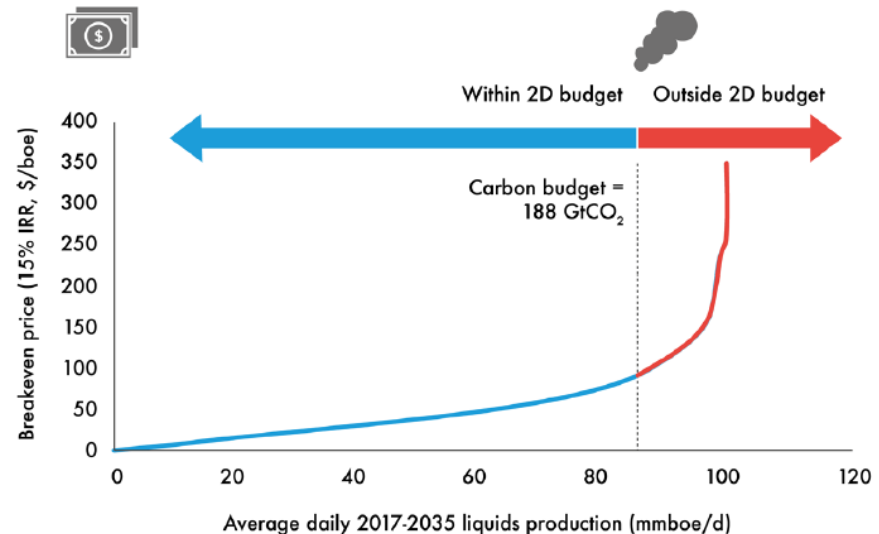
- Climate Action 100+ is a new five-year investor initiative to engage more than 100 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change.
- Builds on the commitments laid out in the 2014/2015 Global Investor Statement on Climate Change, supported by 409 investors representing more than US \$24 trillion, which stated:
  - *“As institutional investors and consistent with our fiduciary duty to our beneficiaries, we will: [...] work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change and climate policy.”*



# 2 degrees of separation: transition risk for oil and gas in a low carbon world



Oil carbon supply cost curve



Source: Rystad Energy, CTI analysis

# The Taskforce on Climate related Disclosures (TCFD)

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) on December 4, 2015 to develop recommendations for more effective climate-related disclosures that:

- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks**.”

## Industry Led and Geographically Diverse Task Force

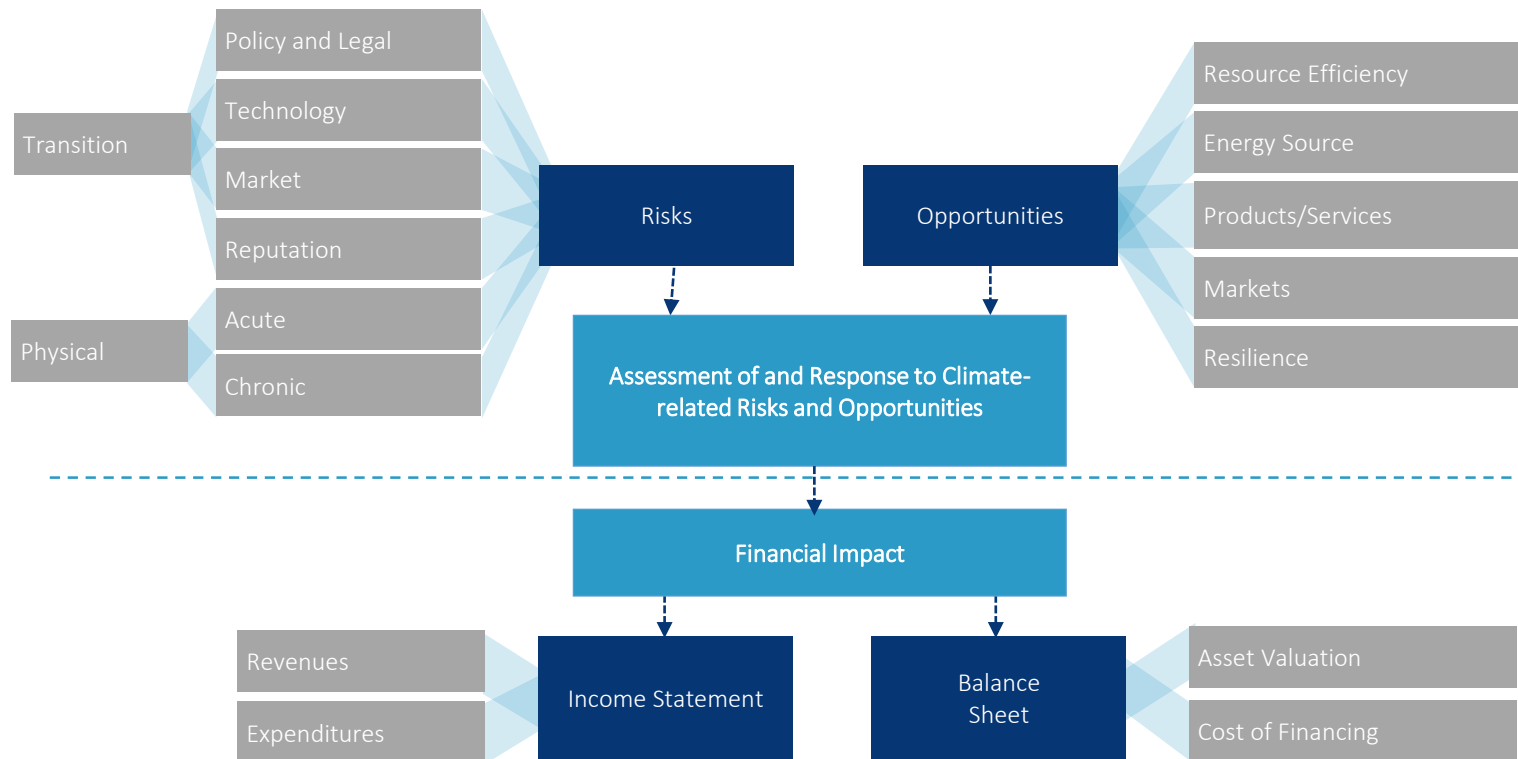
The Task Force’s 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.





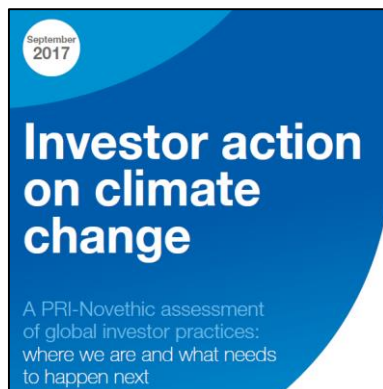
# The Taskforce on Climate related Disclosures (TCFD)

Climate-related risks and opportunities can impact an organization's financial performance.



# PRI'S GREEN FINANCE WORK TO DATE

- PRI recommendations adopted in 2016 G20 Green Finance Synthesis report
- Chinese investor capacity-building with the Peoples Bank of China in 2017
- Practical investor guidance: greening equities, air pollution, fixed income carbon footprinting
- Policy collaboration: PRI serves on the UK Green Finance Task Force, UK-China Green Finance Task Force, Financing for Tomorrow (France), Sustainable Finance Hub (Germany) and EU High-Level Expert Group, FSB Task Force on Climate-related Financial Disclosure



# BARRIERS INVESTORS FACE TO SCALING UP GREEN INVESTMENT

Investors cite the following barriers to scaling-up green investment:

- **Supply and shortage of bankable green projects:** Regular equity and debt capital market options, sufficient green bonds supply = limited allocation to green investment.
- **Definition and standards:** Green washing risk = higher transaction costs.
- **Data:** Lack of comparability and consistency = data can not be used.
- **Risk analysis:** Lack of methodologies = weak green assessment.
- **Investor governance:** Short-termism = lack of consideration of green.

# Fiduciary in the 21<sup>st</sup> Century



Al Gore

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FORMER VICE PRESIDENT  
CHAIRMAN OF GENERATION INVESTMENT MANAGEMENT

# Q&A