

F20 High-level Forum Heading towards a New Climate Economy

PRI perspective on G20 priorities

13th June, Tokyo

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Agenda

- **What do investors want from the G20?**
- **How are investors acting on climate change?**
- **Priorities: TCFD and just transition**

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+ **89+**

SIGNATORIES:

ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



89+

US\$ TRILLION:

ASSETS UNDER
MANAGEMENT



6

PRINCIPLES:

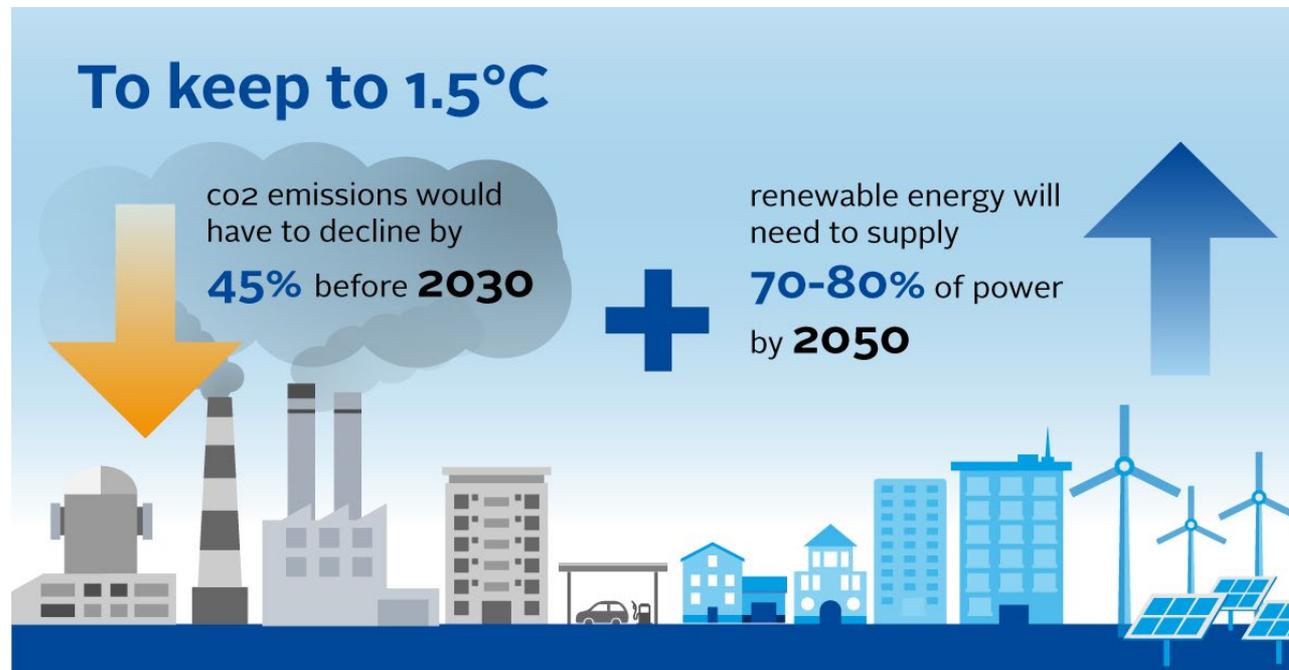
RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



What do investors want from the G20?

For investors, the IPCC Special Report on 1.5C highlights significant changes needed across sectors and portfolios

“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



Investors are calling on the G20 to act on the IPCC Special Report on 1.5C and step up in ambition

Global Investor Statement on Climate Change signed by nearly 500 investors (\$34 trillion in assets under management) in 2019

Asks the G20 for:

- NDCs strengthened by 2020
- Phase-out of fossil fuel subsidies
- Phase-out of thermal coal power
- Carbon pricing
- TCFD implementation
- Just transition



Open letter to Governments of the world,

Last year a record number of investors signed the 2018 *Global Investor Statement to Governments on Climate Change*¹ in which investors declare their strong support for the Paris Agreement and the implementation of its goals. The statement is now signed by 476 investors representing over US \$34 trillion in assets – just under half the world's assets under management².

In 2018, we – the CEOs of the seven partner organizations of The Investor Agenda – strongly welcomed the Intergovernmental Panel on Climate Change's (IPCC) *Special Report on 1.5°C* which emphasised the urgency required to successfully tackle climate change and the need for average annual sustainable energy investments of up to US \$830 billion to transition to a zero-carbon and climate resilient global economy. We especially underline the IPCC report's finding that to achieve no or limited overshoot of 1.5°C, global net emissions need to decline by 45% by 2030 and reach net zero emissions around 2050. In parallel, we note that even in limiting warming to 1.5°C, the IPCC report still finds that climate-related risks and impacts will increase, requiring adaptation and resilience measures.

How are investors acting on climate change?

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

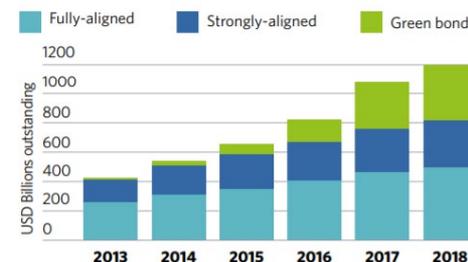
- US\$397 billion in clean technology including:
 - Energy efficiency
 - Renewables

- Examples:
 - New York State Common Retirement Fund \$10 billion in sustainable investment
 - Cbus net zero target for property by 2030
 - Green bonds growth

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



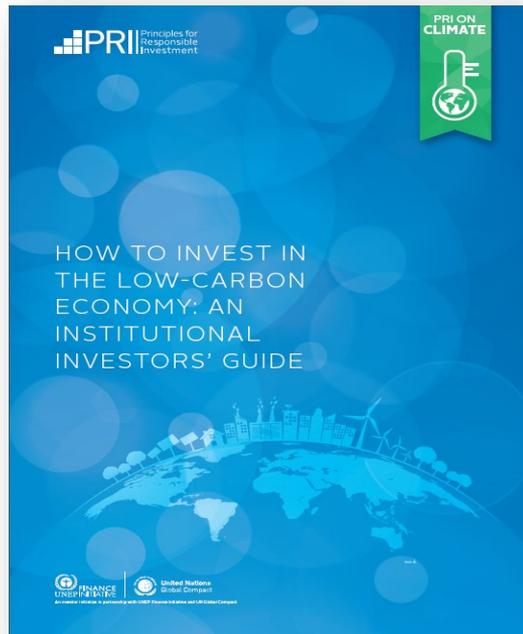
A climate-aligned bond universe of USD1.45tn



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

Mobilising private sources of climate finance

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



Investor engagement with companies on climate

Climate Action 100+

Investors signed on to Climate Action 100+ 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**

The Climate Action 100+ is a five-year investor-led initiative to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement.

340+

INVESTORS SIGNED
UP



33+

US\$ trn

ASSETS COMMITTED



The Inevitable Policy Response: Act Now

Need for critical thinking on climate scenarios



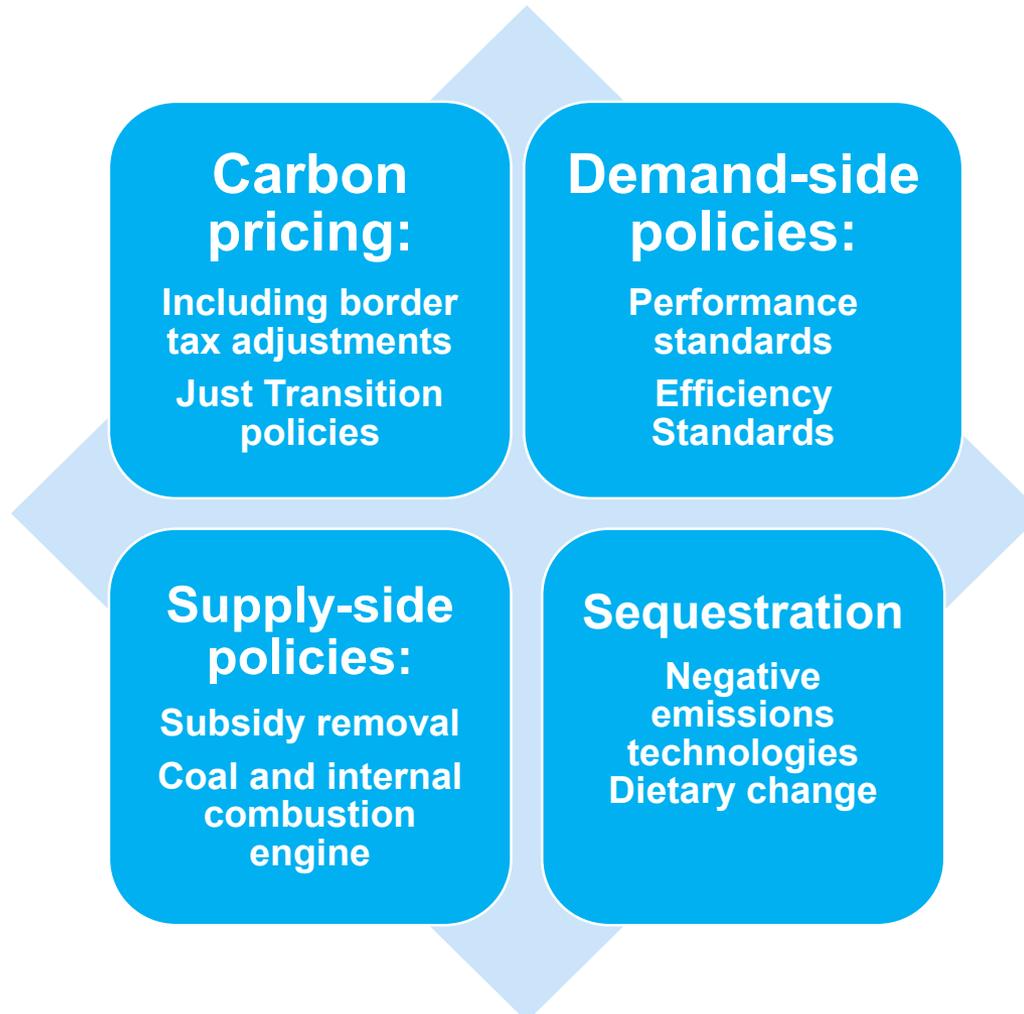
- The PRI is supporting the development of a new recommended body of work for investors
- The longer the delay in climate policy action, the more forceful and urgent the policy will inevitably need to be, bringing disruption.
- This not yet priced into todays markets and investment allocations.
- This work will support investors in taking action to build resilience across investment portfolios, now and into the future.

What could drive a forceful policy response?



- Falling costs of low carbon technology
- Need for certainty by all stakeholders
- Companies calling for a carbon price
- Civil society unease at weather trends
- Climate science research into impacts
- Security issues – migration, food and water

What forceful policies are needed to limit global warming?



Climate disclosures and a just transition

Investors seek better corporate disclosure to assess material climate risks and opportunities

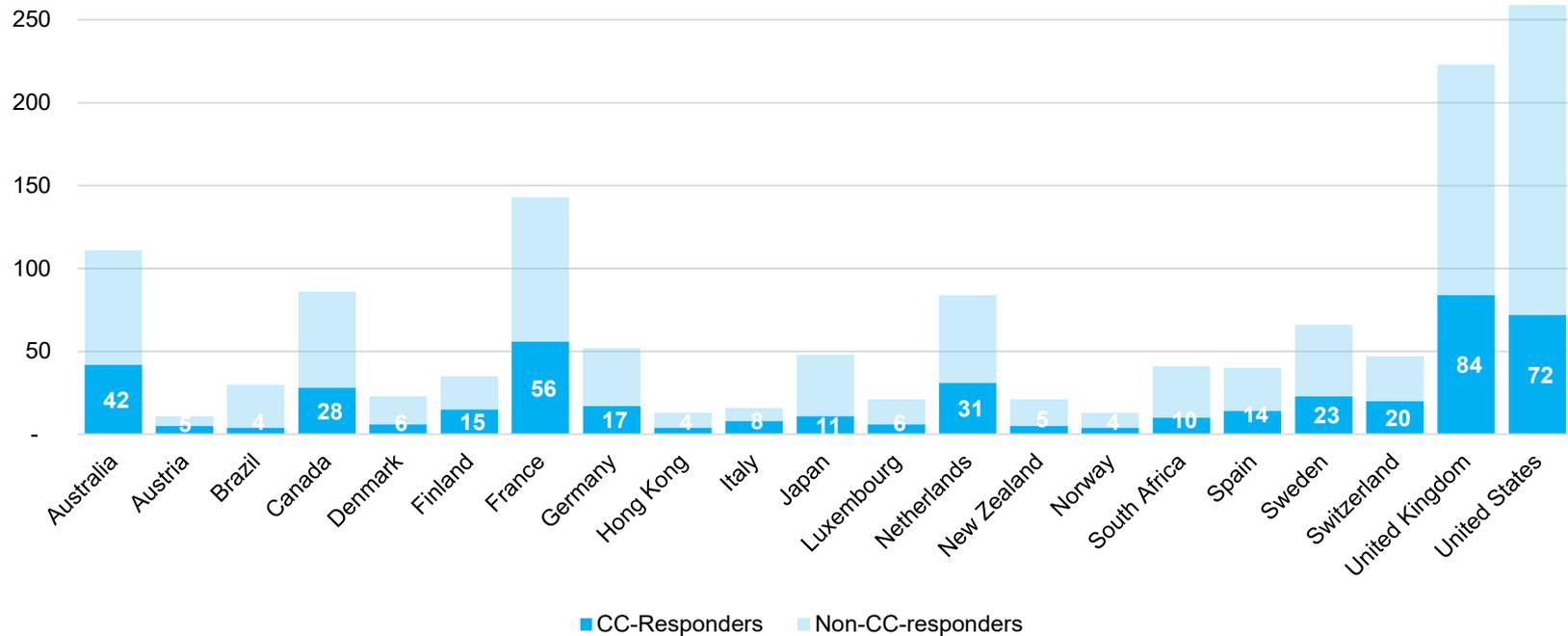
- The 2019 TCFD Status Report highlights more companies need to implement TCFD and provide decision-useful information to investors



PRI is enabling investors to disclose on climate based on TCFD through annual reporting

480 investors representing US\$42trn AUM disclosed based on TCFD in 2018

Signatories reporting on Climate Change



In depth analysis of responses published in the PRI climate snapshot

What is a Just Transition?



Summary

Global investors look to the G20 to scale-up ambition urgently:

- Global leaders need to step up to 1.5C
- Investors want strengthened NDCs, phase-out of fossil fuel subsidies, phase-out of thermal coal power and carbon pricing
- Two priorities: TCFD and just transition