

Lorenzo Saa
Chief Signatory Relations Officer, PRI

April 2019



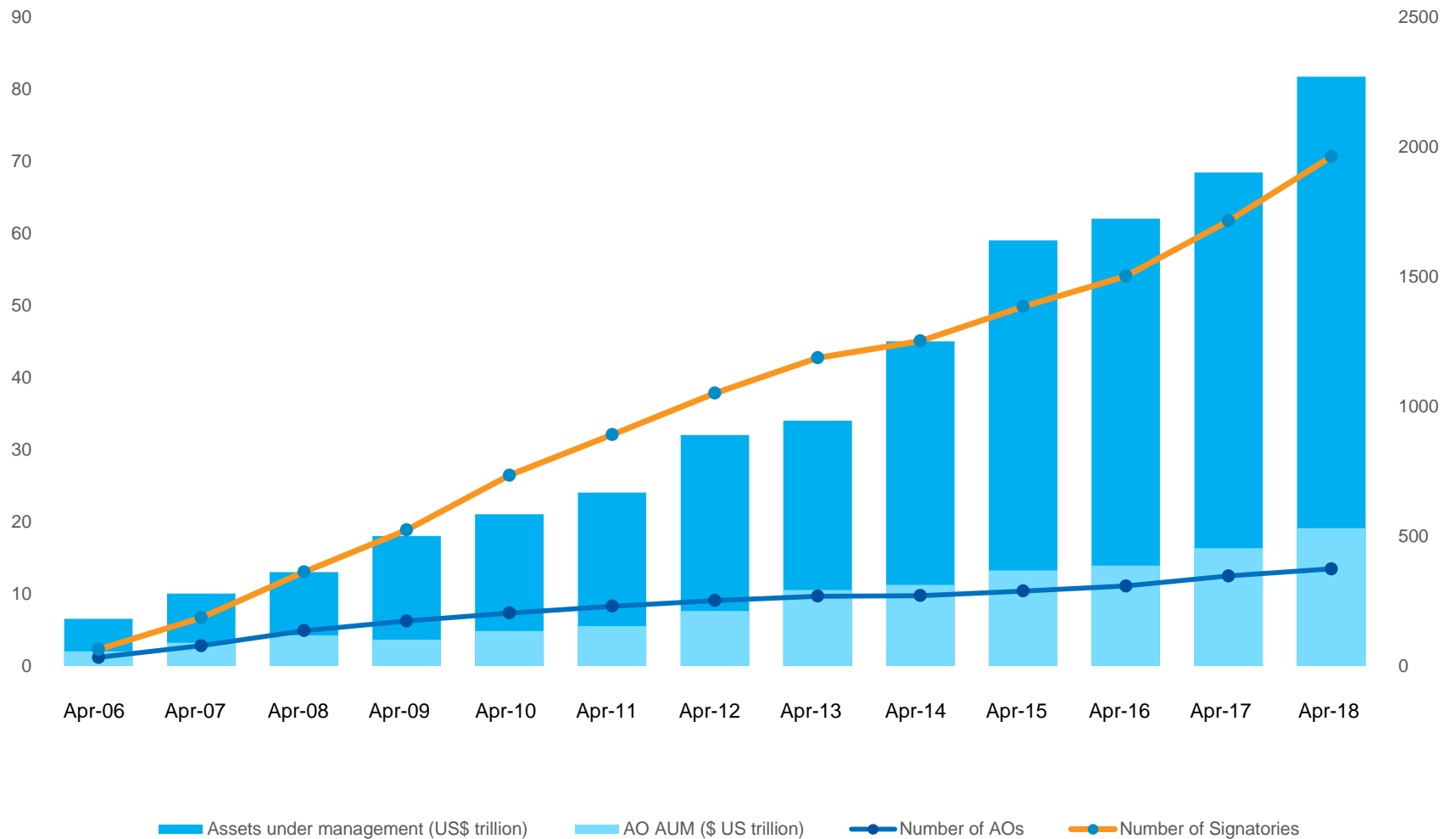
Yong-go



Responsible Investment: steady growth in interest...

Assets under management (US\$ trillion)

N° Signatories



Agenda

- **Defining responsible investment**

- Responsible investment drivers
- How investors are working on implementation with PRI

What is Responsible Investment?

Incorporates 'value' and 'values-based' investing

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.



Approaches to responsible investment

ESG Incorporation and active ownership

ESG Incorporation



ESG Integration

The process of integrating ESG issues and information into investment analysis:

ENVIRONMENTAL – e.g. chemical pollution, water management, greenhouse gas emissions, renewable energy etc.

SOCIAL – e.g. labour standards, freedom of association, controversial business practices, talent management etc.

GOVERNANCE – e.g. corporate governance issues, bribery, corruption, lobbying activity etc.



ESG Screening

The process of excluding or seeking exposure to securities based on investor values or other criteria:

Negative - Exclusionary

Positive - Best in class, themed (e.g. green bonds)

Norms-based



Active Ownership

Interactions between the investor and current or potential investees:

Voting
(e.g. AGM, EGM or special meeting)

Shareholder engagement
(e.g. Shareholder resolutions, calling an EGM, complaint to regulator)

Other engagement
(Other engagements on ESG issues: proactive, reactive and ongoing)

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Mitigating risks - macro

Environmental risks are increasingly material in terms of impact and likelihood

The World Economic Forum 2019 Global Risks Report



Top global risks in terms of likelihood

1st	Asset price collapse	Extreme weather events
2nd	Slowing Chinese economy	Failure of climate change mitigation and adaption
3rd	Chronic disease	Natural disasters
4th	Global governance gaps	Data fraud or theft
5th	Retrenchment from globalisation	Cyberattacks

2009

2019

Top global risks in terms of impact

1st	Asset price collapse	Weapons of mass destruction
2nd	Retrenchment from globalisation	Failure of climate change mitigation and adaption
3rd	Slowing Chinese economy (<6%)	Extreme weather events
4th	Chronic disease	Water crises
5th	Fiscal crises	Natural disasters

2009

2019

■ Environmental
 ■ Societal
 ■ Economic
 ■ Geopolitical
 ■ Technological

Mitigating risks - micro

Investors are increasingly focused on the impact of ESG factors



“Nike’s labor woes leave soiled footprint on image”

THE WALL STREET JOURNAL

1997



“BP set to pay largest environmental fine in US history for Gulf oil spill”

theguardian

2010



“Tokyo Electric executives to be charged over Fukushima nuclear disaster”

REUTERS

2011



“VW slumps to first net loss in 15 years and warns of scandal toll”

FINANCIAL TIMES

2014



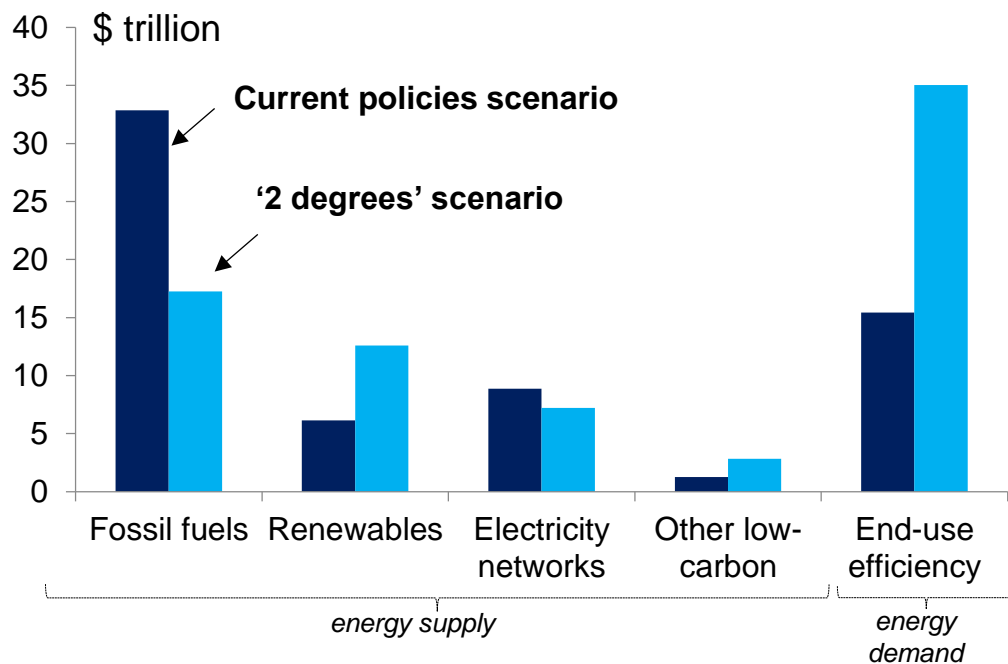
“The sharing of 50M Facebook users’ personal data led to the biggest ever one day drop in a company’s market value”

FINANCIAL TIMES

2018

Opportunities

Investment needs under different scenarios, 2016-2040



- Energy sector requires about \$70 trillion investment over next 25 years

- Total capital re-allocation needed: \$26 trillion

Source: IEA(2016).

Materiality; Growing academic evidence

ESG incorporation does not come at a cost

Meta-study (December 2015)

OUT OF
2,000+
STUDIES
SINCE 1970



**BETWEEN A COMPANY'S ESG PERFORMANCE
AND ITS FINANCIAL PERFORMANCE**

Friede, Lewis, Bassen & Busch
***University of Hamburg/ Deutsche Asset
Mgmt.***

November 2009

"There are statistically significant positive abnormal returns associated with going long good corporate governance firms and shorting those with poor governance"

Cremers & Ferrell
Yale School of Management

November 2011

"Firms with high levels of job satisfaction, as measured by inclusion in the 'Best Companies to Work For in America', generate high long-run stock returns"

Edmans
The Wharton School

January 2012

"High-sustainability companies dramatically outperformed the low-sustainability ones in terms of both stock market and accounting measures."

Eccles, Ioannou & Serafeim
Harvard Business School

March 2015

"Responsibility and profitability are not incompatible but wholly complementary... 80% of the reviewed studies demonstrate that prudent sustainability practices have a positive influence on investment"

Clark, Feiner & Viehs
Oxford University

August 2015

"After successful engagements companies experience improved accounting performance and governance and increased institutional ownership"

Dimson, Karakas & Li,
***Fox School of Business/
University of Cambridge***

January 2016

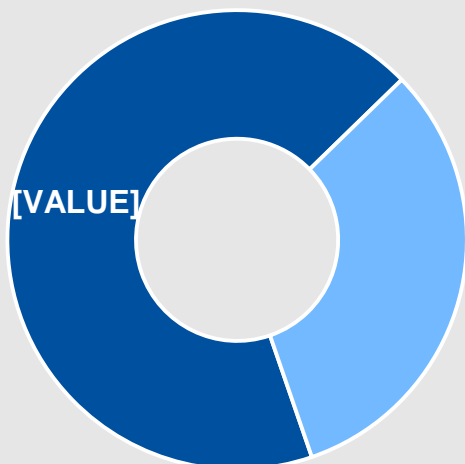
"Firm-size-adjusted carbon emissions have a positive and significant effect on loan spreads... suggesting that spread premia are driven by environmental risks rather than investor preferences"

Kleimeier & Viehs, ***Oxford
University/ Maastricht University***

Demand for responsible investment is growing

Institutional demand

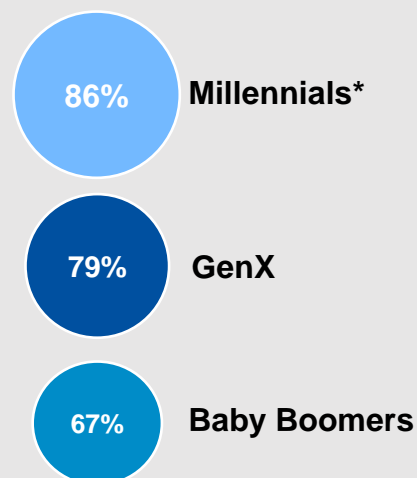
*PRI asset owner signatories **actively include ESG criteria in their RfPs***



(1)

Retail demand

*Percent who feel **sustainable investing is more important** now than five years ago (2)*



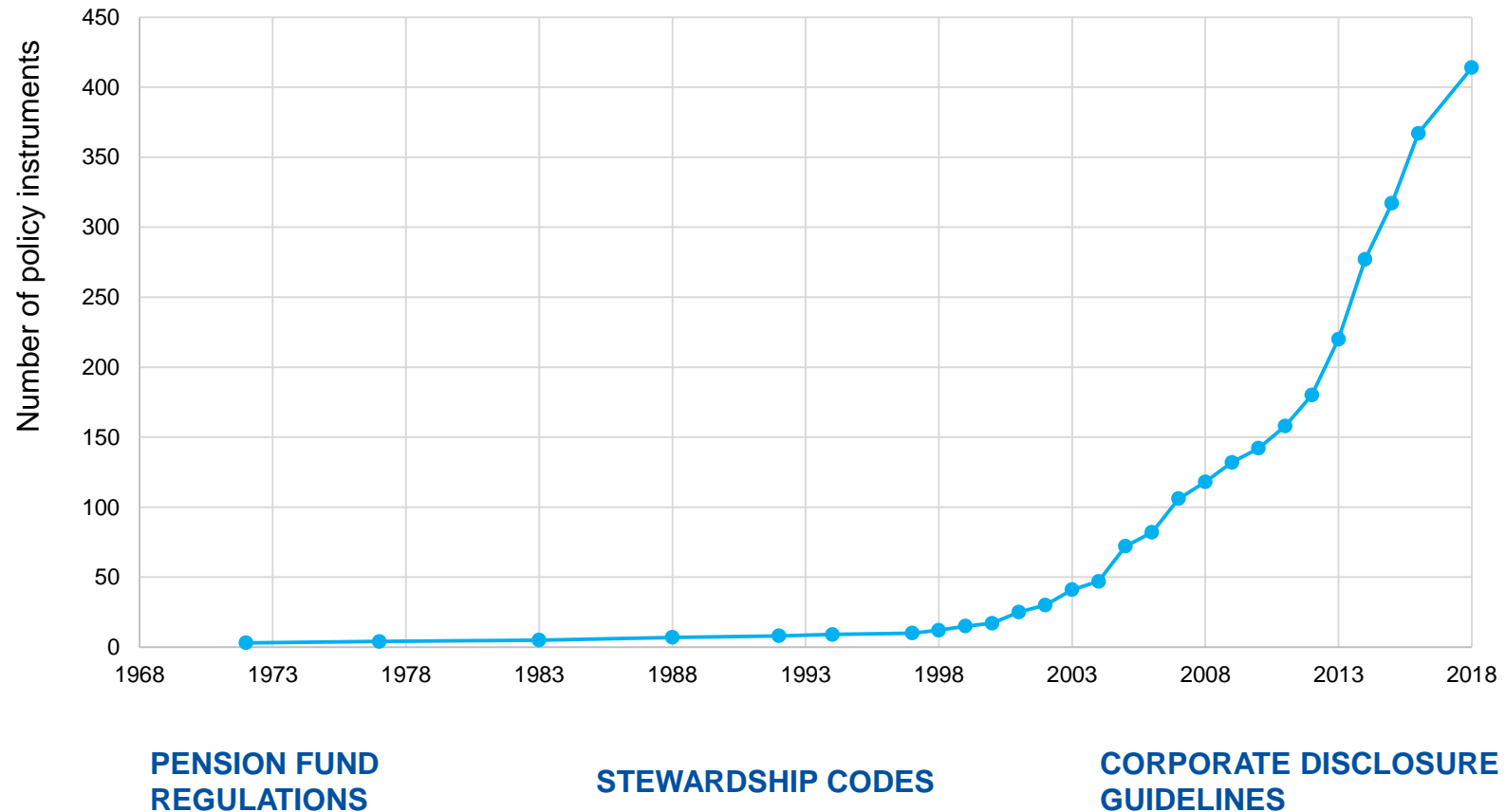
\$3.9 trillion of assets are likely to be transferred to future generations over 10 years (3)

**Millennials are born between 1983-2000, GenX 1978-1982, Baby boomers 1949-1967*

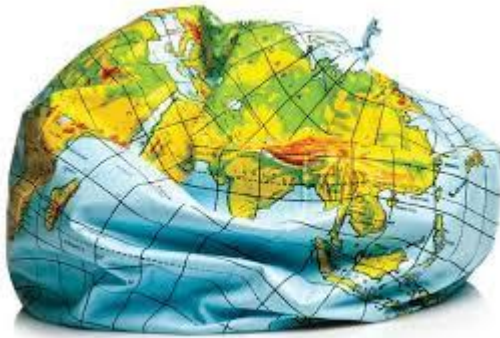
Sources: (1) PRI 2018 Reporting Framework responses, (2) "Global perspectives on sustainable investing – Global Investment study" Schroders, 2017 (3) Wealth X and NFP Wealth Transfer Report, 2016

Responsible investment policy is widespread

And the pace is increasing



Global government agenda and the Inevitable Policy response



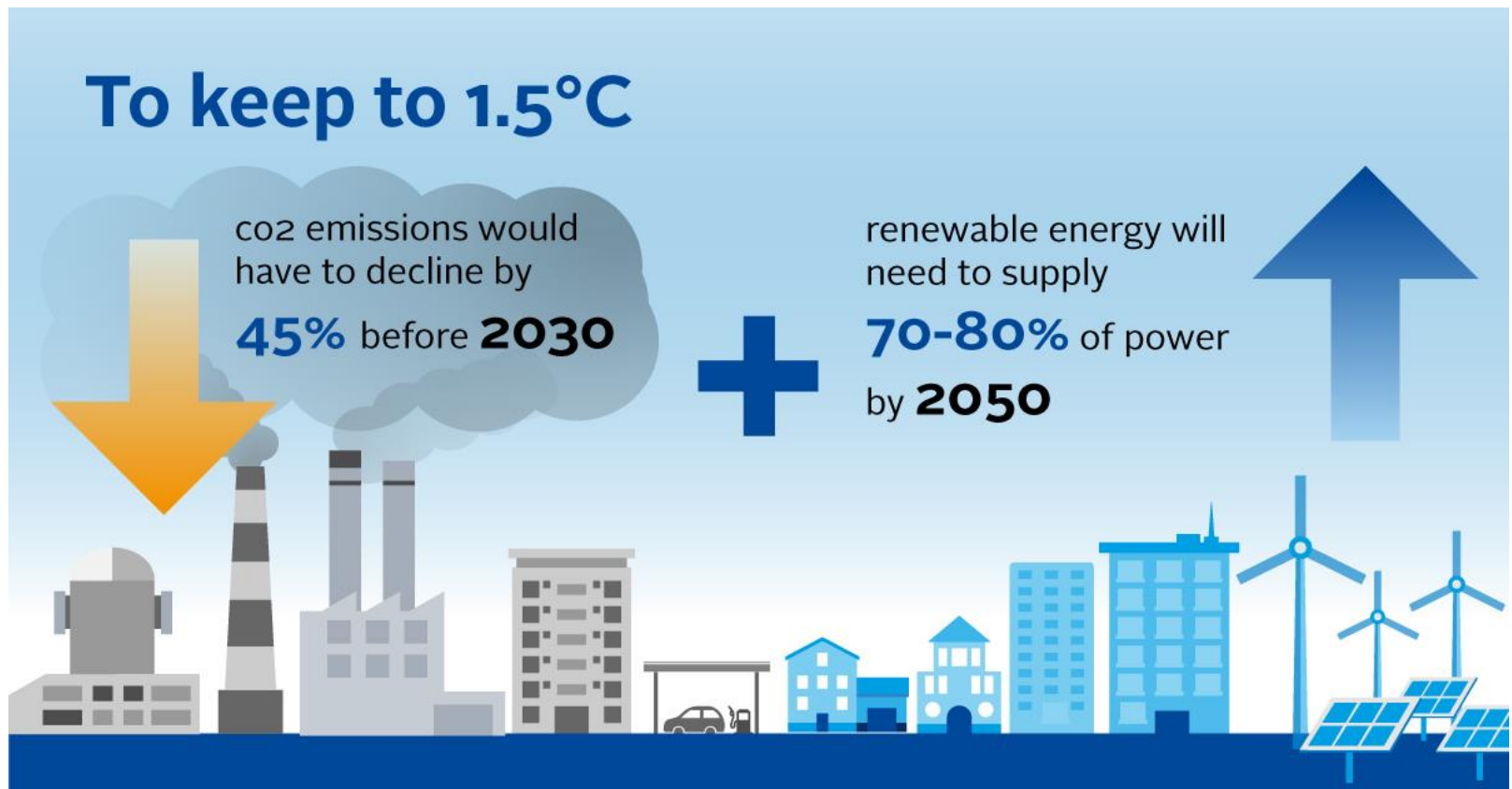
PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21•CMP11



THE GLOBAL GOALS
For Sustainable Development

Climate goals for Paris Agreement

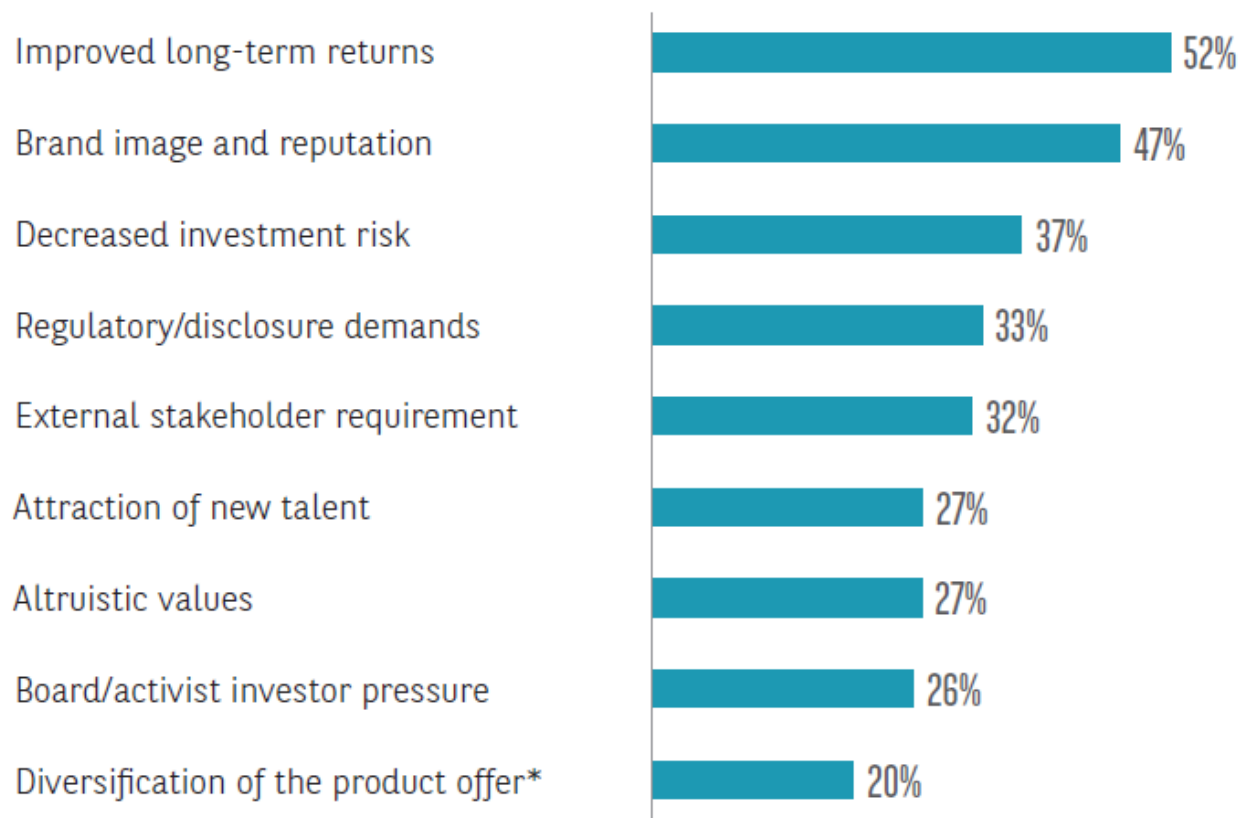
“Limiting warming to 1.5°C is possibly within the laws of chemistry and physics but doing so would require *unprecedented changes*” - Jim Skea, Co-Chair of IPCC Working Group III



The Inevitable Policy Response



Drivers behind ESG integration

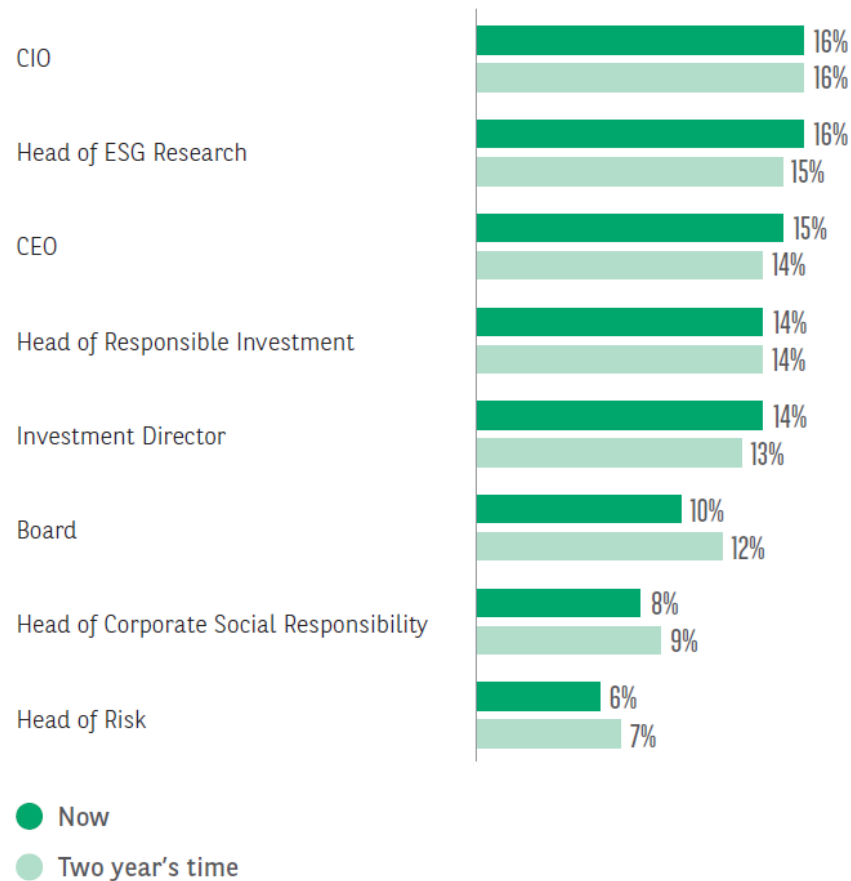


*option for asset manager respondents only

Source: BNP Paribas 2019 Global Survey; 300 institutional investors evenly spread globally, half AOs and half IMs

‘Put your money where your mouth is’

Where does strategic responsibility for ESG primarily lie in your organisation and in two year's time?



Source: BNP Paribas 2019 Global Survey; 300 institutional investors evenly spread globally, half AOs and half IMs

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- **How investors are working on implementation with PRI**

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.

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



2300+

SIGNATORIES:

ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



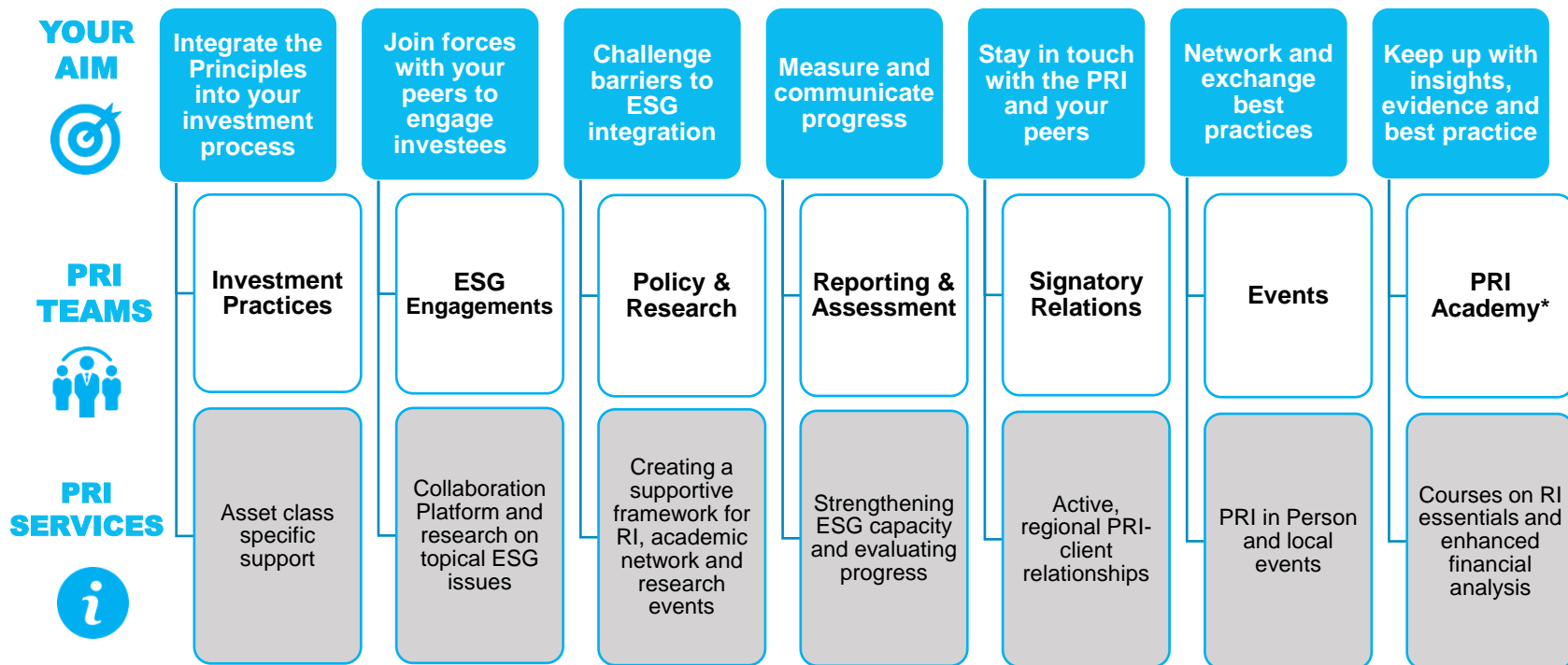
80+
US\$ trn

**ASSETS UNDER
MANAGEMENT**



PRI services

What the PRI does for you



*Access to PRI Academy courses are not included in the annual PRI membership fee

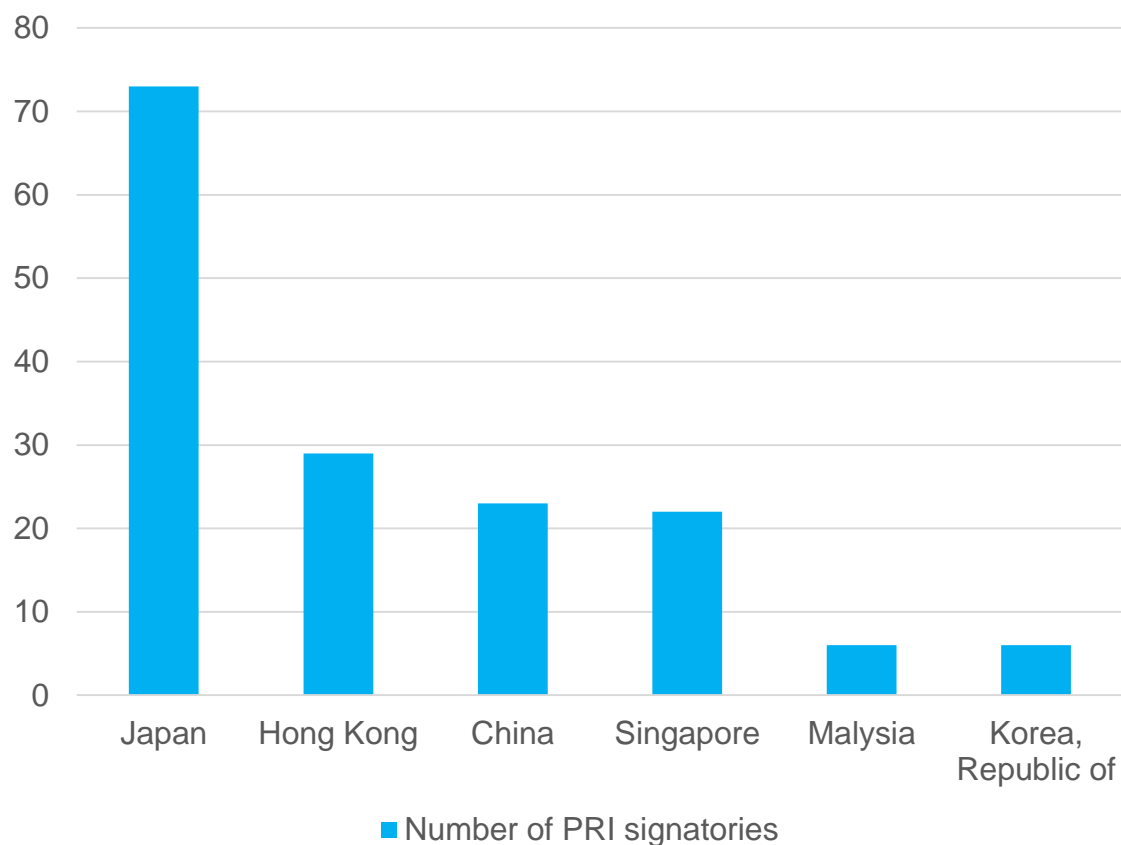
Some of our signatories



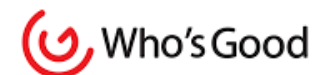
A member of Prudential plc (UK) 



PRI signatories in Asia



KOREAN SIGNATORIES



Join us and take action



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

Mark Carney, Governor of the Bank of England

Please contact us for any questions:



NAME: Lorenzo Saa
TITLE: Chief Signatory
Relations Officer

Email:
Lorenzo.Saa@unpri.org



NAME: James Robertson
TITLE: Head of Asia (ex-
China & Japan)

Email:
James.Robertson@unpri.org