

Impact Consortium Global Advisory Committee

PRI's perspective on impact /outcomes

1 November 2024



About PRI

The world's leading proponent of responsible investment
Investor-led, supported by the United Nations

Works to:

- Understand the investment implications of environmental, social and governance (ESG) factors
- Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions

Acts in the long-term interests:

- Of its signatories
- Of the financial markets and economies in which they operate
- And ultimately of the environment and society as a whole



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UN PARTNERS:

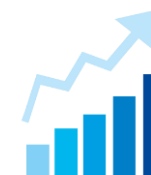
UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



5300

SIGNATORIES:

ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS

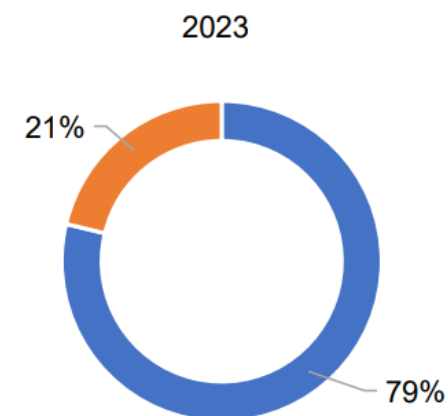


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US\$ trn

**ASSETS UNDER
MANAGEMENT**

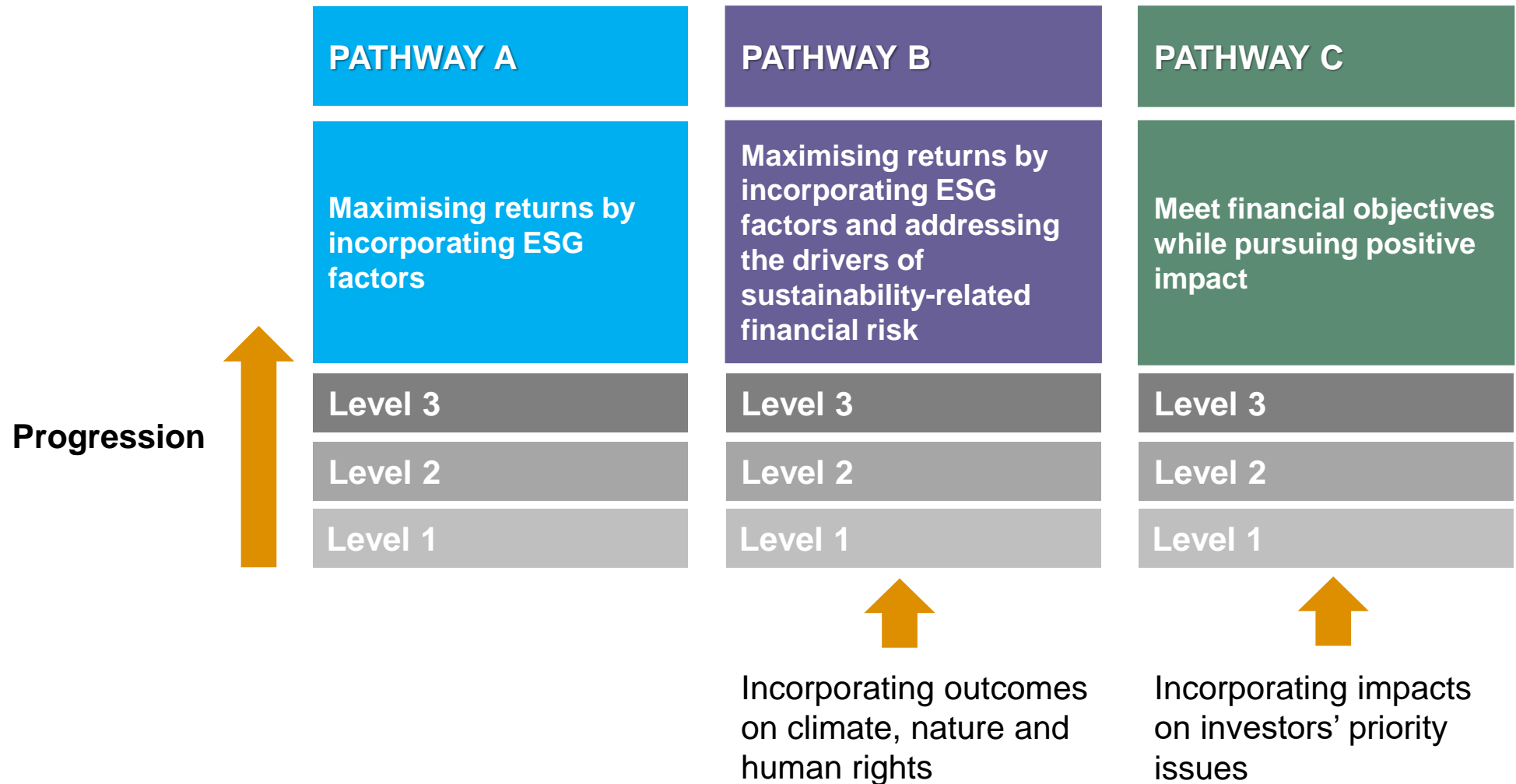
Real-World Impact / Sustainability Outcomes

- **PRI's view on sustainability outcomes**
 - ✓ Positive and negative effects that investment activities have on people and/or planet.
 - ✓ Similar to real-world impact in a blueprint for responsible investment of PRI.
- **Global sustainability goals and thresholds**
 - ✓ Social, environmental and governance objectives that are reflected in internationally recognised frameworks such as the UN Sustainable Development Goals (SDGs), the Paris Agreement, the International Bill of Human Rights, etc.
- **Insights from PRI reporting data 2023**
 - ✓ 79% of signatories are identifying the sustainability outcomes connected to their investment activities.
 - ✓ SDGs are the most widely used framework for identifying sustainability outcomes, followed by the Paris Agreement, UNGPs, EU taxonomy and OECD frameworks.
- **Signatories' expectation for responsible investment**
 - ✓ Taking action on sustainability has been identified as a part of future responsible investment organisation plan by nearly two in three signatories PRI in a Changing World signatory consultation 2022



Purpose/intention for Progression Pathways

Sustainability issues, outcomes and impacts incorporated as appropriate



Responsible investment and investor duty

There is a developing shift from investors being reactive to the risks posed by ESG factors to investors proactively pursuing sustainability outcomes that address the root causes of these risks (system-level risks).

... integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions

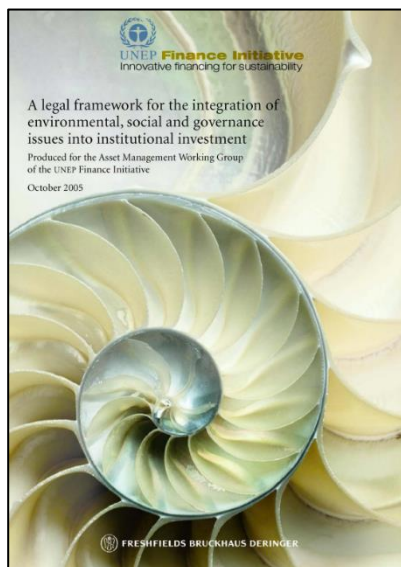
- A legal framework for the integration of ESG issues into institutional investment (2005)

Failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is a failure of fiduciary duty.

- Fiduciary Duty in the 21st Century (2015)

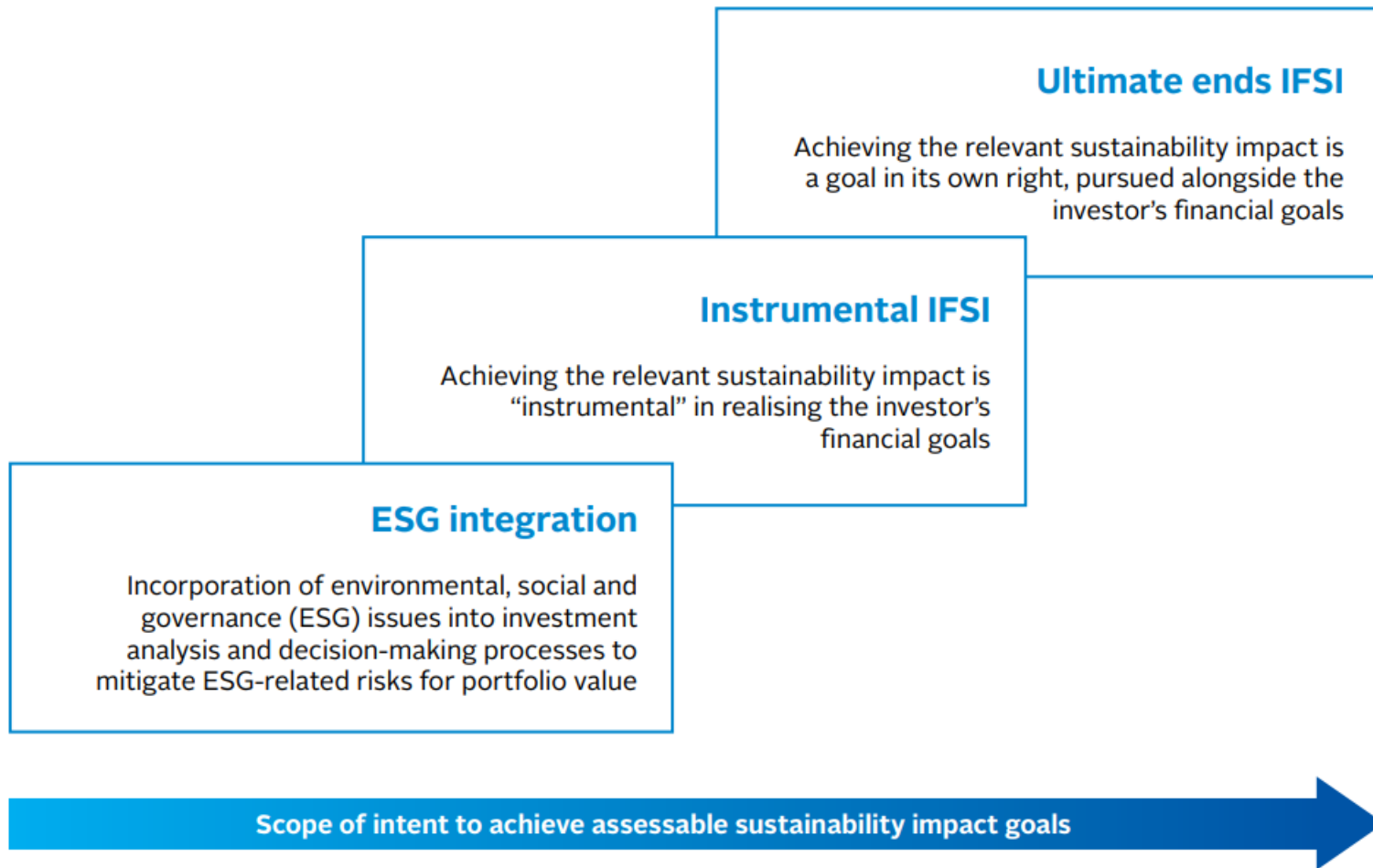
Investors generally have a legal obligation to consider pursuing sustainability impact goals where that can help pursue their financial objectives

- LFI Summary Report (2024)



LFI Project: key global findings

Pursuing impacts is no longer a narrow practice for specialized investors, and is likely to be consistent with the duties of asset owners under the “instrumental IFSI” concept



LFI Japan Report

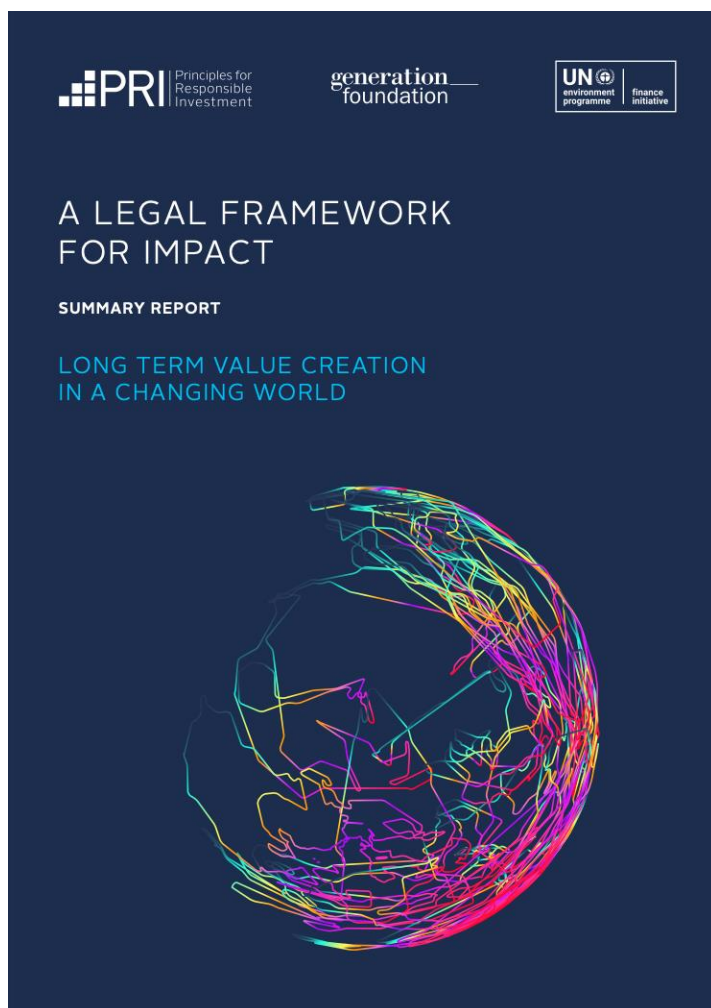
The New Form of Capitalism policies position Japan to be in a strong position to better clarify the notion that sustainability impacts can and should be integrated into the duties of asset owners.

- Japan is no exception – investors are generally able to and potentially required to pursue sustainability impact where it supports financial goals
- Investors in Japan have a strong case to invest for sustainability impact as market and policy environments increasingly support investors to address system-level sustainability issues
- There remains an imperative for policymakers to actively support and guide investors by providing clearer rules and messaging on investor duty, policies to create an enabling environment, as well as policies to maintain transparency and market discipline for a level playing field
- Proposed 5 recommendations



Next steps

The LFI project has formally closed, but PRI's promotion of sustainability impacts and outcomes will continue, with a broader focus beyond policy, including a consideration also for practical support for investors.



- Case studies ([Nippon Life case study](#) published from Japan)
- Stakeholder and topic-specific briefings (policymaker briefing published)
- PRI's policy program informed by the LFI project (policy priorities 2024-2025)