Principles for Responsible Investment

TAKING STOCK: SUSTAINABLE FINANCE POLICY ENGAGEMENT AND POLICY INFLUENCE

UNEP FINANCE INITIATIVE | United Nations Global Compact

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

“Moving to a more sustainable financial system is not an ambition, it is an imperative.”

Natasha Cazenave, Managing Director, Policy and International Affairs Directorate, French Securities Markets Authority (AMF)

“We are running out of time and we need to accelerate the rate of change. We need to move from incremental to radical change, to move beyond the conventional business case and fundamentally revisit the way we think about risks and opportunities.”

David Blood, Partner, Generation IM

“[Responsible] Investors need to understand their power, recognise the importance of what they are trying to achieve and develop their capability to act”

Guy Opperman MP, UK Parliamentary Under Secretary of State for Pensions and Financial Inclusion

“The finance sector must find a way to engage with beneficiaries in a way that links to their lives, their needs and their aspirations.”

David Atkin, Chief Executive Officer, Cbus

INTRODUCTION

Over the past five years, there has been a dramatic increase in the attention paid by financial policymakers to sustainability issues. Accompanying, and in some markets, leading this change, institutional investors have actively engaged with these policymakers on sustainability issues.

The PRI monitors global sustainable finance policy. This white paper provides an overview of recent developments and presents five key findings:

1. Sustainable finance policy matters. There have now been over 730 hard and soft-law policy revisions, across some 500 policy instruments, that support, encourage or require investors to consider long-term value drivers, including ESG factors.
2. We are moving from sporadic adoption to comprehensive national sustainable finance strategies. Further policymaking is inevitable.
3. Investors are increasingly involved in public policy development and implementation on sustainable finance.
4. We are getting more technical and implementation focussed – at least in part because the regulators have got involved.
5. Real economy outcomes are the new focus for investors and for policymakers.

Appendix 1 summarises the PRI's policy strategy and focus areas in 2019.

Appendix 2 is the agenda for the one-day global sustainable finance policy conference held in September 2019, co-hosted with BNP Paribas Asset Management, which has contributed to this white paper.

CONTACT US

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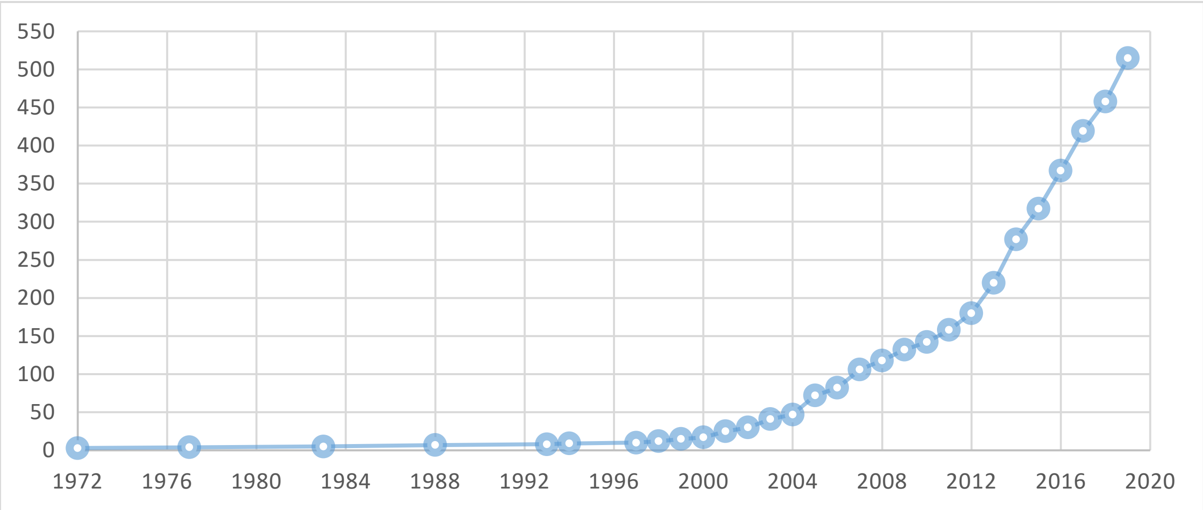
CHAPTER 1: SUSTAINABLE FINANCE POLICY MATTERS.

Across the world's 50 largest economies, the PRI finds that there have been over 730 hard and soft-law policy revisions[1], across some 500 policy instruments, which support, encourage or require investors to consider long-term value drivers, including ESG factors. Of these top 50 economies, 48 have some form of policy designed to help investors consider sustainability risks, opportunities or outcomes.

Sustainable finance policy is a 21st century phenomenon. Of the revisions identified by PRI, 97% were developed after the year 2000. The pace continues to increase – the PRI has identified over 80 new or revised policy instruments in 2019 so far. This continues the trend identified when the PRI first published its database of global sustainable finance policy in 2016.

NUMBER OF RESPONSIBLE INVESTMENT-RELATED POLICY INSTRUMENTS OVER TIME ACROSS THE WORLD'S 50 LARGEST ECONOMIES:



WHAT IS DRIVING THE GROWTH?

Policymakers are responding to the growing understanding of the urgency of sustainability issues. Some issues can have a profound impact on the stability of the financial system (for example, climate change, as well as emerging issues such as biodiversity and circular economy), or on the risks to an individual investor's portfolio. In parallel, better information, enhanced monitoring technology, social networking and digital communication have helped raise public awareness of environmental and social issues and has increased pressure on policymakers to act.

The market for sustainable investment has also grown rapidly, which brings both opportunities and challenges. New investment products claiming environmental and social benefits may have implications for consumer protection. Policymakers are responding to the need to clarify

[1] The PRI considers "revisions" because this encompasses ESG requirements being amended to existing legislation and systematic tightening of ESG requirements over time.

terminologies, overcome resource and information disadvantage, avoid “greenwashing”, create efficiencies and introduce minimum standards in their markets.

Policymakers also increasingly recognise that decisions made in the financial system influence the sustainability of the real economy and may even undermine progress towards environmental and social goals.

Finally, the capital investments required to achieve environmental and social objectives are considered too significant to be borne by public budgets alone. Combined with the possibility that these investments can in many cases offer attractive investment returns, policymakers and investors increasingly recognise that private finance can play a role. This is reflected in the two most significant international agreements, namely the Sustainable Development Goals and the Paris Agreement on Climate Change, both of which explicitly recognise the critical role of private finance in delivering their goals.

WHAT’S CHANGED?

Since 2016, the continued acceleration has been driven by rapid development in Europe (with many initiatives developing under the EU Action Plan on Sustainable Growth) and Asia (where markets have seen significant updates to reporting requirements and corporate governance expectations). Another significant factor has been periodic revisions of Stewardship and Corporate Governance codes, with national authorities introducing or periodically strengthening ESG expectations.

In parallel, multilateral organisations, such as the OECD, IOSCO, IOPS, G7 and G20, have begun to issue ESG guidance or incorporate sustainability in financial workstreams, suggesting the introduction of minimum globally adhered-to standards.

EXAMPLE FROM FRANCE:

2001	2002	2010	2015	2016	2017	2018	2019
Loi sur les Nouvelles Régulations Economiques	Establishment CIES	Article 225 of the loi Grenelle II	Article 173 of the Loi relative a la Transition Energetique pour la croissance verte	Establishment of two government-led labelling schemes	Rapport Ducret-Lemmet for a Green Finance Strategy for France	Roadmap for sustainable finance of the French Securities Market Authority (AMF)	Loi Energie et Climat
Article 21 of the loi sur la généralisation de l'épargne salariale					Loi relative au devoir de vigilance (Duty of Care)		Loi Plan d'Action pour la Croissance et la Transformation des Entreprises

WHAT ABOUT THE U.S.?

One notable exception to this growth is the U.S. – the world's largest capital market. Recent policy pronouncements by the Securities and Exchange Commission (SEC) create new impediments for active ownership by investors in U.S. companies and the SEC has also announced plans to propose rule changes later this year that are likely to further undermine investors' rights.

In 2018, the U.S. Department of Labor released a Field Assistance Bulletin (FAB) that created confusion for fiduciaries of private sector pension plans. The FAB reiterated DOL's longstanding position that fiduciaries are obliged to consider ESG factors as part of investment decisions "[t]o the extent ESG factors, in fact, involve business risks or opportunities that are properly treated as economic considerations themselves." At the same time, the DOL stated that fiduciaries "must avoid too readily treating ESG issues as being economically relevant to any particular investment choice". While the FAB did not reflect a substantive change to the DOL's position that material economic factors, including material ESG factors, are to be considered by investment fiduciaries, explanatory language in the Bulletin created uncertainty for fiduciaries of private pension plans.

Another critical issue in the U.S. context relates to the weaknesses in the breadth, the quality, the consistency and comparability of corporate ESG disclosures. These weaknesses limit investors' ability to integrate consideration of these factors into their investment research and decision-making. A primary cause is the reality that U.S. disclosure regulation lags international peers.

The PRI's U.S. policy priorities are discussed in Appendix 1.

CHAPTER 2: WE'RE MOVING FROM SPORADIC ADOPTION TO COMPREHENSIVE NATIONAL SUSTAINABLE FINANCE STRATEGIES. FURTHER POLICYMAKING IS INEVITABLE.

"We need international standard setters to come together to address fragmentation. We need a common taxonomy and a common definition of sustainability, and then to allow sufficient flexibility for these to be tailored to and relevant to local needs."

Greg Medcraft, Director of Financial and Enterprise Affairs, Organisation for Economic Co-operation and Development (OECD)

"Collective problems require collective solutions. We cannot delegate responsibility for issues such as climate change to the individual investor."

Paul Tang, Member of the European Parliament (MEP)

In 2016, the People's Bank of China, in collaboration with six other government agencies, issued Guidelines establishing the green financial system. These guidelines marked a turning point for sustainable finance policy. Previous policy reforms had tended to be reactive and sporadic. The new generation of policy recognises that to be effective, reforms need to tackle multiple aspects of interconnected and complex capital markets. These national strategies have been a significant driver in the overall growth in policy in this space – in particular, the EU Action Plan on Financing Sustainable Growth.

These strategies are significant because they contain substantive policy reforms. But they also require policymakers to set out, often for the first time, how they understand the relationship between sustainability and finance, and the role finance is expected to play in addressing critical sustainability issues. This can help to break down the misconception that sustainability is a niche issue and give clear signals to investors on policy direction.

Until recently, sustainable finance was largely driven by voluntary adoption and market-based initiatives. Leading investors have developed forward-thinking vision and deep technical expertise in sustainable finance. As policymakers begin to develop strategies, many have sought to collaborate directly with leading investors.

EXAMPLES OF NATIONAL SUSTAINABLE FINANCE STRATEGIES

The EU Action Plan on Financing Sustainable Growth was developed in response to the recommendations of a High-Level Expert Group on Sustainable Finance. A Technical Expert Group is now supporting the EU to develop the more detailed tools required to implement the strategy.

The UK Government's Green Finance Strategy, in turn, was developed with the assistance of the Green Finance Taskforce. The Bank of England and the Financial Conduct Authority have now established an investor climate risk forum, tasked with helping the development of climate risk methodologies in the market.

Canada's Expert Panel on Sustainable Finance released its final recommendations in June 2019 and the government has accepted the report.

The model was also adopted by the Financial Stability Board as it assembled a body of industry experts to form the Taskforce on Climate-related Financial Disclosures. The TCFD, which provides a common global framework for the assessment of climate risk, was widely welcomed by regulators and industry.

Other markets are establishing similar processes, although at an earlier stage. Germany recently established an Advisory Committee on Sustainable Finance and Hong Kong launched a Green Finance Association.

This model has also been taken up in markets without political support. In Australia, where sustainable finance remains politically challenging, the Australian Sustainable Finance Initiative is led by the industry, but will make policy recommendations. The key Australian financial markets regulatory bodies – APRA, ASIC, RBA and Treasury – will participate as observers.

AUSTRALIAN SUSTAINABLE FINANCE INITIATIVE

Launched in 2019, the Australian Sustainable Finance Initiative (ASFI) is a collaboration of banks, superannuation funds, insurance companies, industry groups and academia which aims to develop a Sustainable Finance Roadmap for Australia. The roadmap, to be published in 2020, will recommend pathways, policies and frameworks to enable the financial services sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with global goals such as the UN Sustainable Development Goals and the Paris Agreement on Climate Change.

THE INEVITABLE POLICY RESPONSE TO CLIMATE CHANGE

The PRI believes further national strategies are inevitable. Globally, government action to tackle climate change has so far been insufficient to achieve the commitments made under the Paris Agreement, and market pricing assumptions appear to be that no further real-economy climate-related policies are coming in the near-term. Yet, as the realities of climate change become increasingly apparent, it is inevitable that governments will be forced to act more decisively than they have so far.

The question then is not if governments will act, but when they will do so, what policies they will use and where the impact will be felt. The PRI see a response by 2025 that will be forceful, abrupt, and disorderly because of the delay as the most likely outcome. This leaves portfolios exposed to significant risk. In anticipation, the PRI has commissioned The Inevitable Policy Response (IPR), a pioneering project which aims to prepare financial markets for climate-related policy risks.

A Forecast Policy Scenario has been developed, which lays out the policies that are likely to be implemented up to 2050 and then quantifies the impact of this response on the real economy and on financial markets. From late September 2019, the project will publish detailed modelling of the impact on the macroeconomy; on key sectors, regions, and asset classes; and (later in 2019) on 2,000 of the world's most valuable companies.

Investors need to act now to protect and enhance value by assessing the implications of the Forecast for portfolio risk. It will provide investors with a unique tool for navigating a complex, evolving policy and regulatory landscape:

- It provides a realistic outline of the coming policy response and quantifies the financial risks that it presents.
- Rather than working backwards from pre-defined target temperatures like most climate scenarios, it is based on working up from what policy and technology developments are most likely to emerge.
- It is focused on a timeframe that is relevant to investors.
- It models the interaction between impacts of the macro economy, the energy system and the land use system.
- It provides a granular analysis that breaks down the impact at the regional, sector and – for the first time – asset level.

CHAPTER 3: INVESTORS ARE INCREASINGLY INVOLVED IN PUBLIC POLICY DEVELOPMENT AND IMPLEMENTATION.

Over the period 2016 to 2019 the proportion of PRI signatories reporting to the PRI's annual signatory survey that they had actively engaged policymakers, regulators and standard-setters increased from 44% to 61%. This trend of increased engagement and the proportion of investors reporting that they engage apply equally to both asset owners and to fund managers. This increase is more impressive when it is considered that, over the same period, the membership of the PRI grew from 1500 signatories to over 2500.

There are however notable geographic variations. Europe has been a major driver for the increase in public policy engagement. Almost three-quarters of the PRI's European asset owner signatories engaged public policymakers on sustainable finance. The data on public policy engagement indicates that investors have responded positively to the opportunities created through participatory processes, described above. However, in percentage terms, the PRI finds a drop in public policy engagement in the US on sustainable finance policy, where there is no national sustainable finance strategy, nor expert group.

BARRIERS TO INVESTOR ENGAGEMENT IN PUBLIC POLICY

Despite the global increase in public policy engagement, we note that there are barriers for sustainable finance policy engagement, including:

- Scepticism about whether public policy engagement will make a difference
- A lack of understanding of how to influence policy processes.
- A lack of resourcing to influence policy processes, often compounded by market structure issues (e.g. fragmented, under-resourced pension funds).
- Concern about the costs and timeframes involved in policy engagement.

Policymakers should be aware of these barriers when seeking industry participation.

COLLABORATIVE ENGAGEMENT

In practice, investors conduct most of their public policy engagement in collaboration with others. This may be through the formal, well-established domestic and international networks and associations or through smaller, generally less formal groups of like-minded institutional investors that come together around a particular topic and for a particular period of time.

Collaborative policy engagement offers a number of significant advantages:

- It allows resources to be pooled, thereby helping address the resource constraints faced by individual investors. It helps avoid duplication of effort, allows tasks and responsibilities to be shared and it offers smaller and resource-constrained investors the opportunity to lend their support to the collaboration process.

- It allows investors to speak with a unified voice, thereby enhancing their power and legitimacy.
- It provides the strategic institutional and organisational structures necessary for public policy engagement, given the reality that the policy development and implementation process often takes many years.
- It helps build knowledge and skills, both on the substance of the issue in question and on the policy process more generally.
- It helps overcome issues with free-riding.

"Engagement with policymakers must respect and reflect national approaches and cultures if they are to be effective."

Satoshi Ikeda, Chief Sustainable Finance Officer, Financial Services Agency (FSA)

CHAPTER 4: WE'RE GETTING MORE TECHNICAL AND IMPLEMENTATION FOCUSSED – AT LEAST IN PART BECAUSE THE REGULATORS HAVE GOT INVOLVED.

Much of the growth in sustainable finance policy introduces ESG issues in financial regulation, however, many policies remain voluntary or 'comply or explain'. This leads some investors to continue to challenge the assertion that ESG integration is a requirement, particularly in North America. The 2016 Canada Pension Benefits Act, for example, requires pension plans to publish information as to "whether ESG factors are incorporated into the plan's investment policies".

Canada, Ontario	Pension Benefits Act	2016	Under section 78(3), a plan's statement of investment policies and procedures (SIPP) is required to include information as to whether environmental, social, and governance (ESG) factors are incorporated into the plan's investment policies and procedures and, if so, how those factors are incorporated.

The PRI has observed that many recent policy measures are explicitly designed to remove any ambiguity around the relationship between sustainability and finance. For example, the 2019 EU investor disclosures regulation requires investors to disclose how sustainability risks are integrated in investment processes. In parallel, the EU is working to amend the rules underpinning key sectoral legislation (such as MiFID II and Solvency II) to clarify that sustainability should be considered for an investor to comply with these rules.

In the UK, recent changes to the Occupational Pension Schemes (Investment) Regulations explicitly clarify that environmental, social and governance issues should be considered by schemes:

UK	Occupational Pension Schemes (Investment) Regulations	2018	Funds must disclose their policies in relation to financially material considerations. This is defined as including environmental, social and governance issues and climate change.

And in Canada, the final report of the Expert Panel, recommendation 6.1, says: "Issue a public statement from the Minister of Finance articulating that the consideration of climate factors is firmly within the remit of fiduciary duty" and recommendation 6.3, says: "Establish climate-related disclosure legislation for federally-regulated pension plans, and encourage provincial regulators to consider similar requirements." At time of writing, the government has accepted the report.

As policies on ESG and financial regulation reach maturity, we are seeing an increasing number of governments reviewing their implementation and identifying the importance of moving to stronger requirements, moving away from 'comply or explain' to 'comply and explain', from voluntary to mandatory, and from policy to implementation and reporting.

"Any discussion about fiduciary duty and pension funds must recognise that pension funds need to think about the future. We are currently conducting quantitative and qualitative assessments of how pensions funds are prepared for a 2 degrees scenario."

Manuela Zweimueller, Head of Policy Department, European Insurance and Occupational Pensions Authority (EIOPA)

NEW FINANCIAL POLICIES INCLUDE EXPLICIT SUSTAINABILITY REQUIREMENTS, OVERSEEN AND MONITORED BY REGULATORS

In our 2016 study, the PRI found that policymakers were more engaged in sustainable finance than regulators. Some forward-thinking regulators were already beginning to raise concerns around risks like climate change in the sectors they supervised, but many regulators had not explicitly recognised the relevance of ESG issues to their mandates.

This is no longer the case. The Network for Greening the Financial System, established in December 2017 by eight leading central banks and supervisors has now expanded to 42 Members and 8 observers. The NGFS explicitly recognises climate risks are relevant to a supervisory mandate and has challenged policymakers, other central banks and supervisors to act to limit the catastrophic impacts of runaway climate change.

NETWORK FOR GREENING THE FINANCIAL SYSTEM (OCTOBER 2018 PROGRESS REPORT)

"Climate-related risks are a source of financial risk and it therefore falls squarely within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks."

Regulatory action is also no longer limited to sustainability risk. In 2018 France's Autorité des marchés financiers (AMF) issued a roadmap setting out how it planned to supervise and promote the French sustainable finance market. In March 2019, the EU agreed that the European Supervisory Authorities should work to actively promote sustainable finance.

While disclosure frameworks are in place, the tools and techniques for evaluating sustainability risk are still emerging. The job isn't done yet. To accompany new expectations on sustainable finance, there has been a growth in policy-backed tools and working groups to support the market in developing risk methodologies and scrutinise financial risk due to sustainability issues. The EU Taxonomy, while not intended as a risk tool, is responding to the need for a shared understanding between investors, policymakers and regulators as to what can be considered sustainable.

THE UK PRA AND FCA CLIMATE FINANCIAL RISK FORUM

The PRA and FCA established the Climate Financial Risk Forum (CFRF) in 2019. Its objective is to build intellectual capacity and share best practice across financial regulators and industry, thereby helping to advance financial sector responses to the financial risks from climate change. It has a specific focus on the role of the regulatory framework in reducing barriers to facilitating the transition to a low-carbon economy, and in protecting market integrity and consumers against climate-related financial risks.

FRANCE AMF CLIMATE AND SUSTAINABLE FINANCE COMMISSION

The AMF's Climate and Sustainable Finance Commission, whose creation was announced on 2 July 2019, will bring together stakeholders on the subject of sustainable finance. Its role will be to assist the Authority in carrying out its regulatory and supervisory missions on issues related to sustainable finance.

THE EU TAXONOMY PROPOSAL

The EU taxonomy is a tool to help investors understand whether an economic activity is environmentally sustainable. It has been developed with input from experts across investment, industry, civil society and the public sector.

The Taxonomy sets performance thresholds (referred to as "technical screening criteria") for economic activities which:

- make a substantive contribution to environmental objectives – starting with climate change mitigation or climate change adaptation; and
- avoid significant harm to other EU environmental objectives (pollution, waste & circular economy, water, biodiversity).

They must also meet minimum social safeguards, currently defined as ILO Core Labour Conventions.

In the EU, a first set of technical screening criteria were developed by a Technical Expert Group (TEG) and launched in June 2019. They will be used to develop an EU regulation establishing the Taxonomy.

The PRI welcomes these developments and expects to see further policy-backed tools and working groups that support sustainable finance objectives.

CHAPTER 5: REAL ECONOMY OUTCOMES ARE THE NEW FOCUS.

An emerging trend is that policymakers and investors are looking beyond financial risks and considering the real economy outcomes of investment.

The new generation of government strategies have articulated a clear vision for sustainable finance which encompasses not just risks to the financial system, but the role the financial system has to play in financing the real economy.

A focus on real economy outcomes would require investors to manage not only the financial performance of assets, as well as, the way in which they contribute to the real economy.

Further policymaker attention to the real economy outcomes of investment activity is expected in the months ahead.

EU INVESTOR DISCLOSURES REGULATION

In addition to requiring ESG integration, the EU Investor Disclosures Regulation requires financial institutions and financial advisors to publish a statement on how they consider principal adverse impacts of investment decisions on sustainability factors. This is on a comply or explain basis for firms below 500 staff, and is mandatory for those above. For investors it would include:

- Policies on the identification and prioritisation of principal adverse sustainability impacts
- A description of the principal adverse sustainability impacts, and, of the actions taken
- Summaries of engagement policies
- A summary of adherence to standards for due diligence and reporting, and where relevant, the degree of alignment with the Paris Climate Agreement.

While there are emerging pockets of excellence in technical understanding, fundamental legal questions remain which a new project by the PRI, UNEP FI and The Generation Foundation aims to address. These questions include:

- Are there legal impediments to investors adopting “impact targets”—for example—that an investor’s investment activity is consistent with no more than 1.5 degrees of warming?
- Are investors legally required to integrate the sustainability outcomes of their investment activity in their decision-making processes?
- On what positive legal grounds could or should investors integrate the realisation of the SDGs in their investment decision-making?

APPENDIX 1: AN UPDATE ON PRI'S POLICY ACTIVITIES AND POLICY PRIORITIES

The PRI policy team targets influential markets and contributes where we can, noting that, globally, there are more opportunities than we can cover. Our policy priorities for 2019 and 2020 are in the US, EU, UK and China.

US

In the US, our top priority is protecting shareholder rights. SEC policies on the topic have a substantial impact on signatories' ability to engage in active ownership. In the past year, we have taken multiple steps to communicate to policymakers the importance of maintaining regulations that ensure investors' voices may be heard in the proxy process.

In general, the steps we have taken have been aimed at informing policymakers of the PRI's views that they should refrain from instituting:

- Significant increases in the ownership requirements that an investor must meet to qualify to submit a shareholder proposal.
- Increases in the portion of the vote a shareholder proposal must receive to qualify to be submitted again in subsequent years after being voted on.
- Onerous new regulations on proxy advisory firms that allow issuers to exercise undue influence over proxy advice.

We have communicated this message through:

- Letters to the SEC and the House Financial Services Committee.
- Meetings with SEC leaders including Chairman Jay Clayton, Commissioner Robert Jackson, Commissioner Allison Lee, former Commissioner Kara Stein, Investor Advocate Rick Fleming, and staff for members of Congress.
- Publication of a briefing paper for the PRI signatories explaining the current proxy voting process and changes under consideration;

The US policy team will continue to prioritise these matters and work in coordination with signatories to protect shareholder rights.

EUROPE

The responsible investment story in Europe is a positive one, with political agreement on the first dedicated sustainable finance regulations to originate in the EU Action Plan on Financing Sustainable Growth achieved in 2019. The PRI welcomed the investor disclosures proposal which will require the following:

- Mandatory disclosure of policies in relation to ESG risk (consistent with the PRI's fiduciary duty recommendations) for all firms and financial products;

- Comply or explain disclosure of the principal adverse impacts of the investment on sustainability factors (mandatory for firms with more than 500 staff) at firm and product level; and,
- Enhanced disclosure obligations for firms promoting specific environmental or social objectives.

A “Technical Expert Group” was established to assist the European Commission in technical development of various delegated aspects of sustainable finance regulation. In June 2019, the TEG issued:

- A final report on a future voluntary EU Green Bond Standard.
- An interim report on low carbon benchmarks.
- A substantive report on the EU Taxonomy.

In parallel, the European Commission issued an update to the non-binding guidelines underpinning the Non-Financial Disclosure Directive which embed the recommendations of the TCFD (following an earlier report prepared by the TEG).

PRI’s Nathan Fabian is acting as Rapporteur for the Taxonomy working group. Supporting this has been a critical priority for the Policy team and has been a significant part of the overall work this year. The PRI has been engaging with members around the Taxonomy with a view to raising awareness and acceptance of the Taxonomy and increasing responses to the ongoing consultation.

CHINA

In China, we welcomed AMAC’s Green Investment Guidelines, published in November 2018. The guidelines are the first policy-led guidance for investors on how investment decisions can align with a green financial system in China. The PRI’s comments to the draft guidelines contributed to inclusion of ESG integration, long-term investing and engagement.

Grant funding from the UK government has provided the PRI with the opportunity to significantly support work on ESG disclosure in China with the publication of a report on ESG data, an investor workshop, contribution to two conferences in China, and the organisation of a very successful visit for Chinse financial regulators in the UK and the EU, to discuss best practice on ESG disclosure and integration.

GENERAL

Over the past year, the team has prepared multiple policy briefings and responded to multiple policy consultations. We also run a Global Policy Reference Group. Policy professionals at our signatories are encouraged to participate.

We recognise that if we are to be effective, we need to engage with stakeholders who may not share all of our views or who may have different views on how or on the rate at which we make progress. We recognise the legitimacy of alternative views and intend to proactively engage with these stakeholders to understand their positions, and to identify areas of common interest and agreement so that we can work with them to make progress on these areas.

APPENDIX 2: SUSTAINABLE FINANCE POLICY CONFERENCE AGENDA HOSTED BY THE PRI, BNP PARIBAS AND BNP PARIBAS ASSET MANAGEMENT

11.00 – 11.25	**Welcoming remarks** – Nathan Fabian, Chief Responsible Investment Officer, PRI **Opening keynote** – Guy Opperman MP, UK Parliamentary Under Secretary of State for Pensions and Financial Inclusion
11.25 – 12.35	**Around the world in sustainable policy updates** This opening session will provide "snapshot updates" of sustainability policy reform in key markets. France: Natasha Cazenave, Managing Director, Policy and International Affairs Directorate, French Securities Markets Authority (AMF) EU: Roxana De Carvalho, Head of the Corporate Affairs Department, European Securities and Markets Authority (ESMA) EU: Manuela Zweimueller, Head of Policy Department, European Insurance and Occupational Pensions Authority (EIOPA) Canada: Barbara Zvan, Chief Risk Officer, Ontario Teachers Pension Plan (OTPP) Australia: David Atkin, Chief Executive Officer, Cbus Japan: Satoshi Ikeda, Chief Sustainable Finance Officer, Financial Services Agency (FSA) *Moderated by Will Martindale, Director of Policy and Research, Principles for Responsible Investment (PRI)*
12.35 – 13.30	Lunch
13.30 – 14.30	**The role of multilaterals in mainstreaming sustainable finance policy** This session will explore the challenges and opportunities for multilaterals – the OECD, IOPS, IOSCO and World Bank – in mainstreaming sustainable finance policy. Keynote: Greg Medcraft, Director of Financial and Enterprise Affairs, Organisation for Economic Co-operation and Development (OECD) André Laboul, Secretary General, International Organisation of Pension Supervisors (IOPS) Ekaterina Gratcheva, Lead Financial Officer, World Bank Group Tajinder Singh, Deputy Secretary General, International Organization of Securities Commissions (IOSCO) *Moderated by Margarita Pirovska, Head of Fiduciary Duty in the 21st Century, Principles for Responsible Investment (PRI)*
14.30 – 15.00	**A Legal Framework for Impact** The PRI, UNEP FI and The Generation Foundation have launched a new project, a "Legal Framework for Impact", to understand how investors should be assessing and accounting for the sustainability impact of investment decision-making as a core part of investment activity. Keynote: David Blood, Partner, Generation IM

	Introduced by Elodie Feller, Programme Lead, Investment, United Nations Environment Programme Finance Initiative (UNEP FI)
15.00 – 15.20	Break
15.20 – 16.00	**The inevitable policy response to climate change** Investors today do not fully recognize the likelihood and impact of an ‘inevitable policy responses (IPR)’ to climate change. Keynote: Teresa Ribera Rodríguez, Minister for the Ecological Transition, Spain *Introduced by Helena Viñes Fiestas, Deputy Global Head of Sustainability, Global Head of Stewardship and Policy, BNP Paribas Asset Management*
16.00 – 17.00	**The future of sustainable financial regulation: Stewardship, Beneficiaries and Technology** This session will look at the future of sustainable financial regulation through the lens of beneficiaries’ “best interests”. How is policymakers’ understanding of this term likely to evolve over the coming years, and how will emerging technology facilitate it? Jen Sisson, Chief of Staff, Financial Reporting Council (FRC) Martin Spolc, Head of Unit, DG FISMA, European Commission Paul Tang, Member of the European Parliament (MEP) Sharon Hendricks, Chair, CalSTRS *Moderated by Alyssa Heath, Head of EU and UK Policy, Principles for Responsible Investment (PRI)*
17.00 – 17.30	**What’s next for sustainable finance in the US** The US is the world’s largest capital market by some way. The conference concludes with a Q&A with SEC Commissioner Robert J. Jackson on the opportunities for US sustainable finance policy, despite political headwinds. Commissioner Robert J. Jackson, U.S. Securities and Exchange Commission (SEC) *Moderated by Heather Slavkin Corzo, Head of US policy, Principles for Responsible Investment (PRI)*
17.30 – 17.45	**Conclusion remarks** – Frédéric Janbon, Chief Executive Officer, BNP Paribas Asset Management