

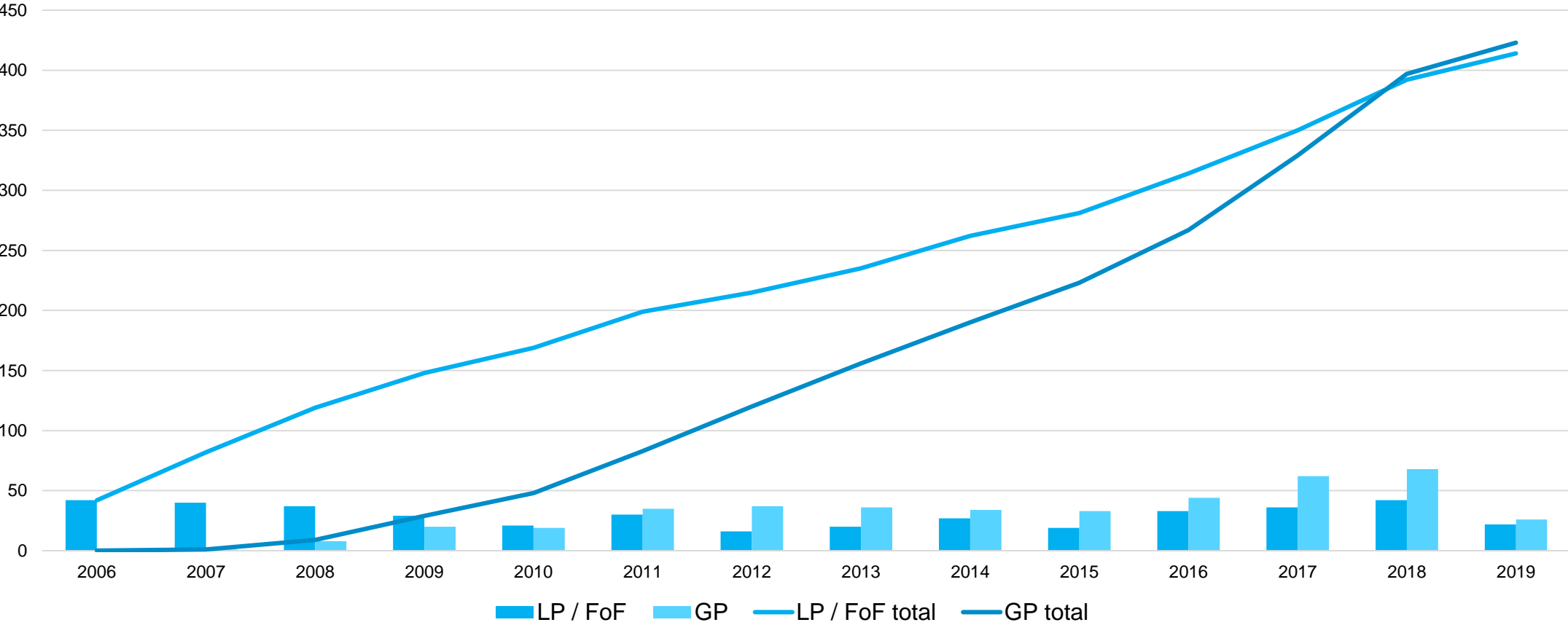
# PRI Update

Fiona Reynolds, CEO



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# PRI private equity signatory growth



## PRI private equity signatory growth

**2350+**

PRI signatories

**800+**

invest in PE

**US\$86 trn**

In AUM

**US\$1 trn**

in direct PE

**US\$1.1 trn**

in fund investments



## PRI resources for LPs and GPs

- PRI Limited Partners Guide
- PRI General Partners Guide and case studies supplement
- PRI Limited Partners Due Diligence Questionnaire
- Incorporating responsible investment requirements into private equity fund terms
- ESG monitoring, reporting and dialogue in private equity
- PE reports on progress on 2015 and 2018 signatory data



# Industry association activity

Useful resources published over the past year



## EMPEA

Governance in Emerging Market Private Capital: A practice resource for investors and fund managers



## INVEST EUROPE

A Guide to ESG Due Diligence for Private Equity GPs and their Portfolio Companies

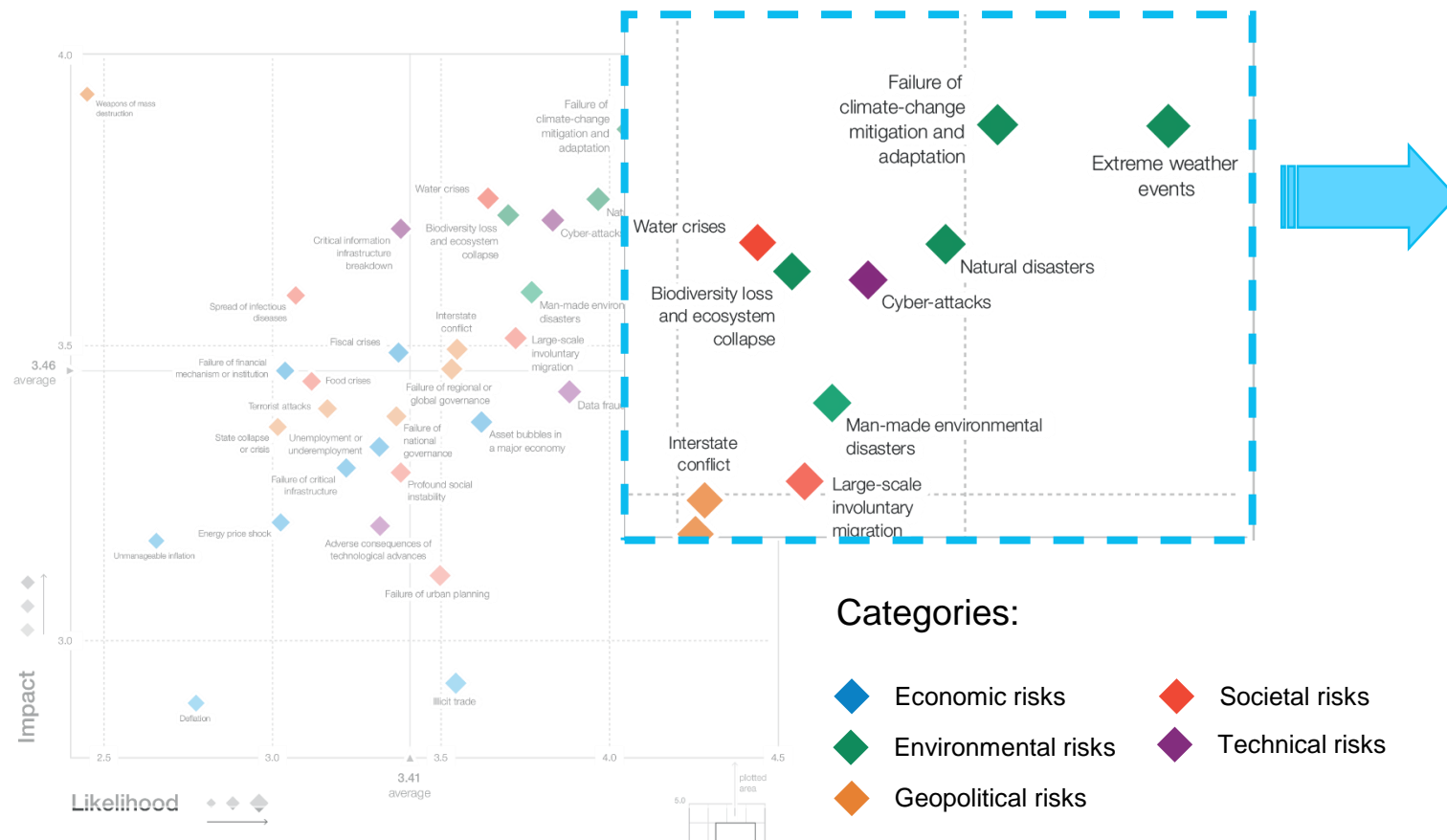
	B	C	D	E
<b>TEMPLATE</b>	GP Name: <u>Best Practice</u>			
	Countries included: <u>Country</u>			
	Date: <u>mm/yy</u>			
	M	F	TOTAL	
Managing Partners	0	0	0	
Vice Presidents	0	0	0	
GP/Entrepreneurs in Residence	0	0	0	
Team Members	0	0	0	
<b>TEAM</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>ADMINISTRATION TEAM</b>				
GP (i.e. CEO, IR Partner)	0	0	0	
Operations/Communications	0	0	0	
	0	0	0	
	0	0	0	
Administration Team Members	0	0	0	
<b>ADMINISTRATION TEAM</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTALS</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## ILPA

Diversity & Inclusion resources: expansion to DDQ, template for GP reporting and guidance on Codes of Conduct for GPs

# ESG issues impact investments

What are the risks of tomorrow?



## TOP GLOBAL RISKS

- ◆ Extreme weather events
- ◆ Natural disasters
- ◆ Failure of climate-change mitigation/adaption
- ◆ Cyber attacks
- ◆ Water crises
- ◆ Large scale involuntary migration
- ◆ Man-made environmental disasters
- ◆ Bio-diversity loss and ecosystem collapse

Source: World Economic Forum 2019 Global Risks report.

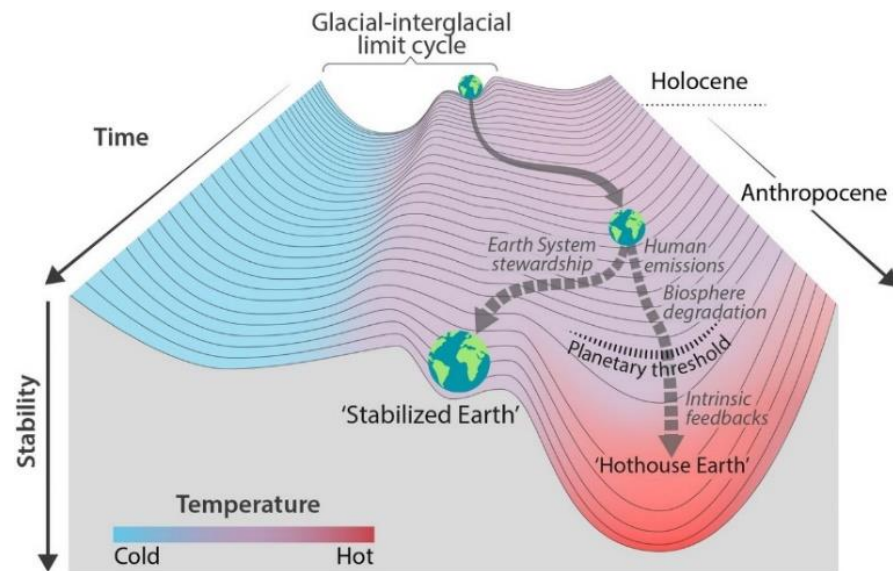
See [here](#) for more detail on the 2019 Global Risks report and its implications for PRI signatories.



# Climate change: why should investors care?

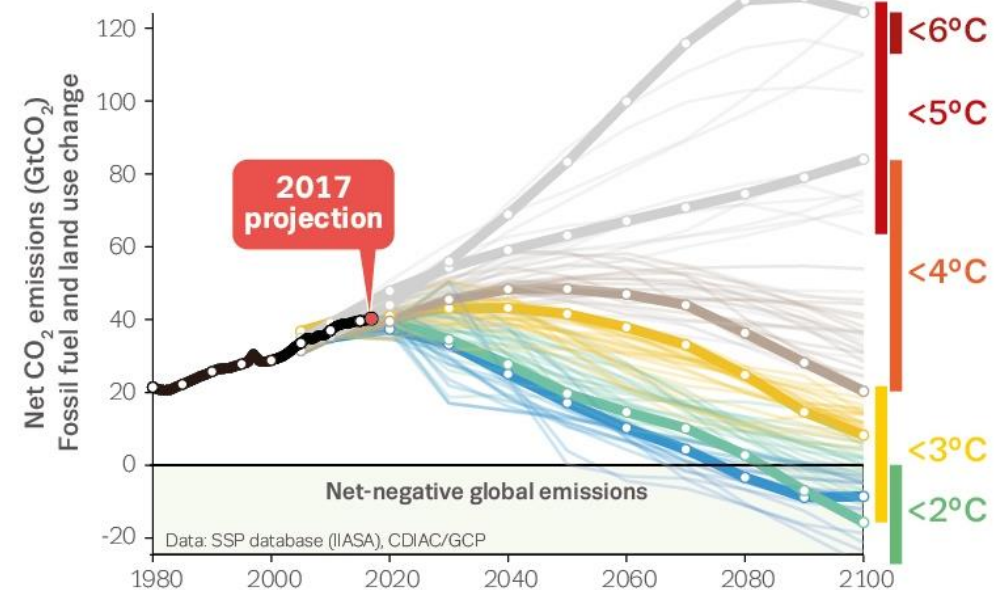
Two types of climate-related risk

## Physical risks – “hothouse earth”



Source: Trajectories of the Earth System in the Anthropocene, Steffen et al  
<http://www.pnas.org/content/115/33/8252>

## Transition risks



Source: Future Earth  
<http://futureearth.org/blog/Budget2017>



# TCFD recommendations

Core elements of recommended climate-related financial disclosures



## **Governance**

The organization's governance and climate-related risks and opportunities.

## **Strategy**

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

## **Risk Management**

The processes used by the organization to identify, assess and manage climate-related risks.

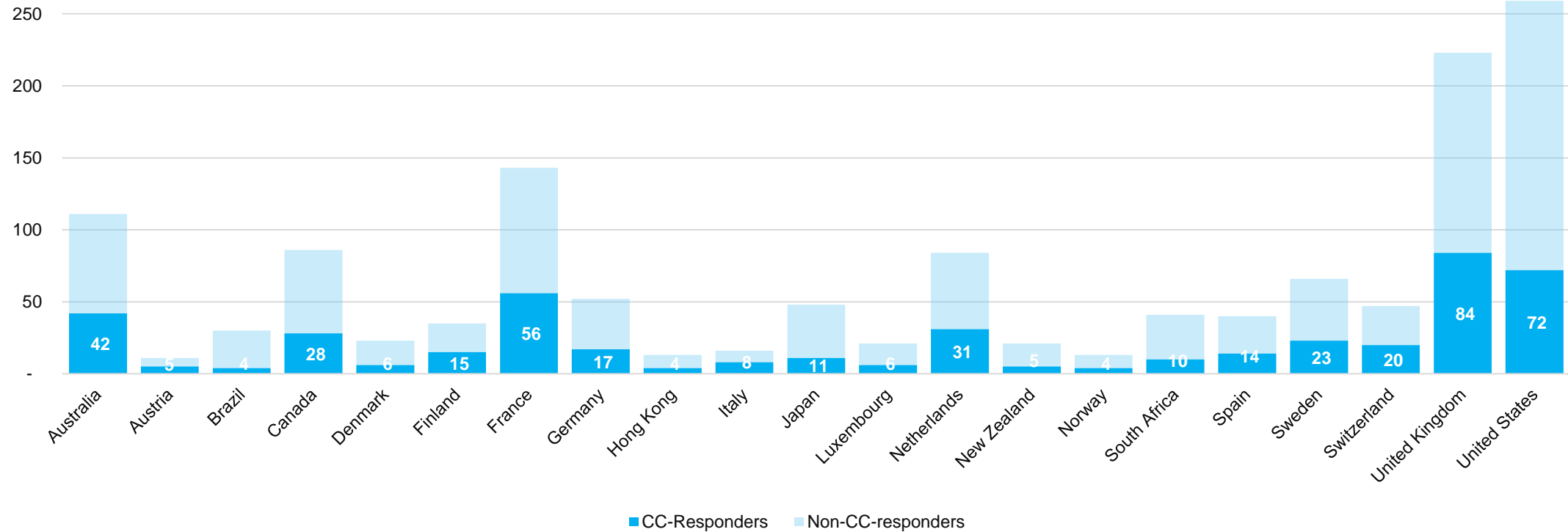
## **Metrics and Targets**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

# How have investors been responding to TCFD?

Number of responses to the PRI 2018 climate indicators: **480 investors representing US\$42tr AUM**

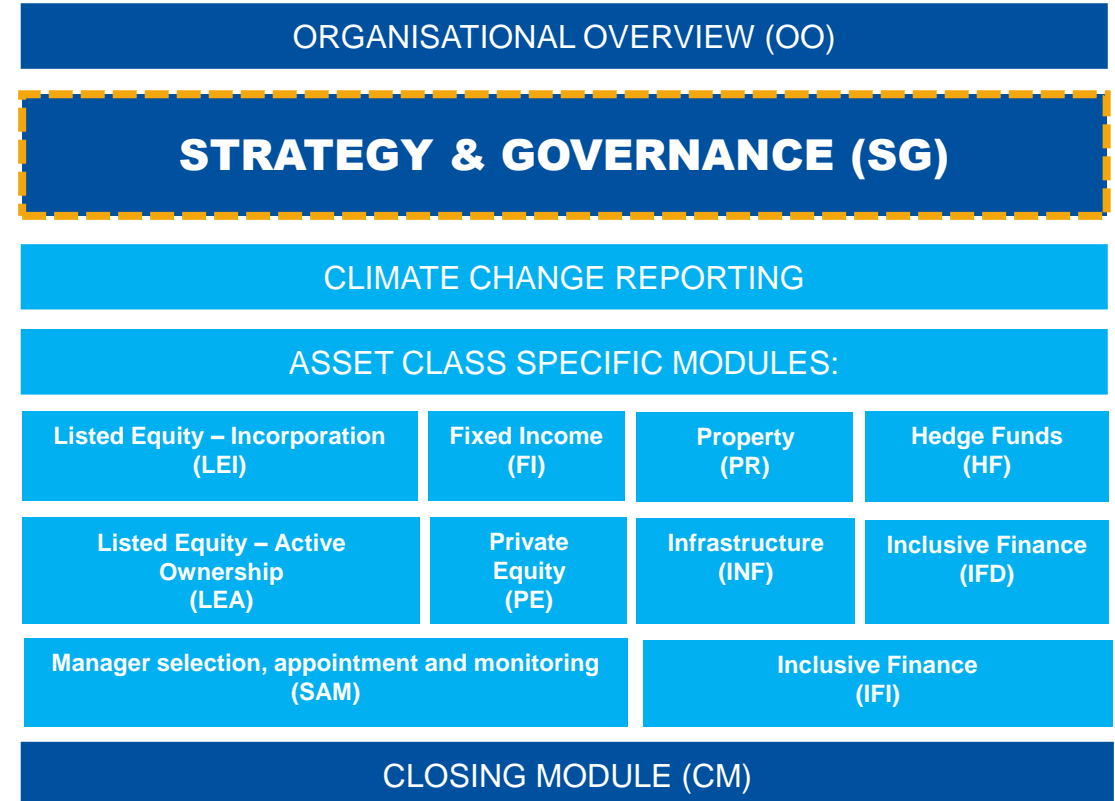
## Signatories reporting on Climate Change



# PRI Mandatory TCFD reporting

For Strategy & Governance indicators

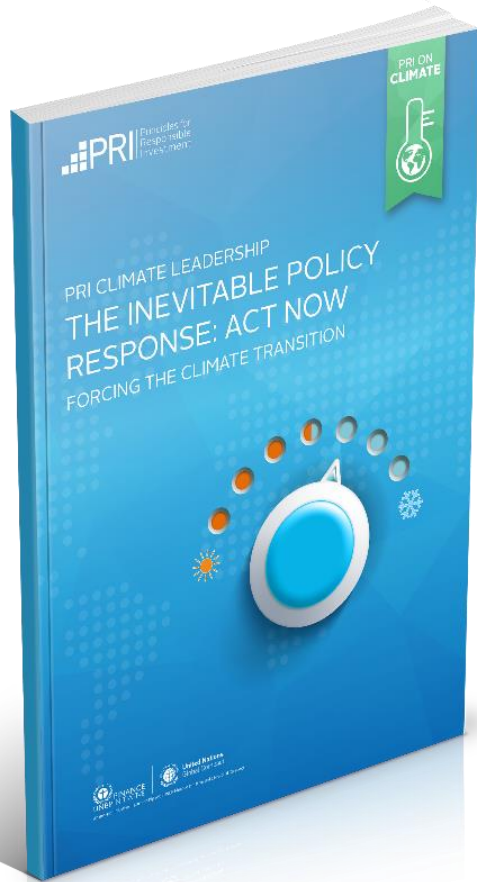
- Strategy & Governance indicators to become a reporting requirement at the end of March 2020.
- Mandatory to report, but voluntary to disclose.
- Indicator question published in the press release with links to a resources page and indicator guidance



Mandatory to complete
  Voluntary to complete or Asset class specific

# The Inevitable Policy Response: Act Now

A PRI perspective on the future launched in September 2018



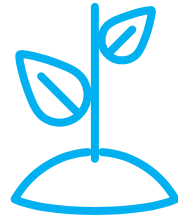
- The PRI is aware that the longer the delay in climate policy action, the more forceful and urgent the policy response will inevitably need to be.
- The PRI is supporting the development of a body of work on an inevitable, rapid and forceful climate policy response.
- This will help institutional investors take action and implement processes to build resilience across investment portfolios, now and into the future.

## Summary

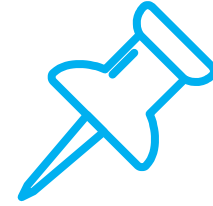


### **The trend is your friend.**

ESG risk factors will grow over time.



### **Have a climate-related view of the future.**



### **Value of simplicity.**

The real choice is between an orderly transition & a plausible worst case scenario

# Thank you

Any questions?