



Key takeaways from the PRI in Person Conference



1,200 delegates attended the major global ESG conference “PRI in Person” in San Francisco, which coincided with the Global Climate Action Summit, organised by Jerry Brown, the Governor of California.

Emmanuel Parmentier, Partner at INDEFI, shares the key takeaways of the conference.

What can we expect from the US in the global fight against climate change?

While US panellists did not directly mention the Trump administration (even Al Gore avoided mentioning the President), they all reemphasised their country’s commitment at local level:

- The California State Treasurer announced having signed the “Green Bond Pledge” and set an ambitious objective of reaching carbon neutral in electricity consumption by 2045;
- Illinois will be the first State to sign the PRI;
- Chicago is the first city worldwide to join the PRI and its Treasurer shared his plan to reach carbon neutrality in its investments by 2020;
- The work of the TCFD, led by Michael Bloomberg, was prominently showcased.

US investors are usually lagging in terms of ESG implementation: is it still the case?

Apart from the leading Californian pension funds (namely CalSTRS and CalPERS), it is true that US investors are not that much involved in ESG investing. The debate about the supposed conflict between ESG investing and fiduciary duty remains very much alive.

They are not helped by the Federal administration: in April 2018, the Department of Labour published a letter that deters US pension schemes from using ESG criteria. But there is reason for hope. Several panellists declared to be very optimistic about the mainstreaming of ESG investing at US pension funds, primarily driven by the generational shift.

Millennials who are becoming today’s savers care about other things than mere financial returns. A major shift in the perception of ESG by US pension funds is thus expected in the coming decade. Investment consultants are increasingly taking ESG into consideration in their selection process: for instance, AON Hewitt announced that they are now systematically sending an ESG questionnaire to asset managers and communicate an ESG rating of asset managers to all their clients, whether they want it or not.

What about Europe and Asia?

After Martin Spolc (European Commission) explained the EC’s action plan for financing sustainable growth, a panel discussed the possibility that this forthcoming regulation could have a worldwide influence.

The situation was compared to MiFID 2: research unbundling is seen by many US investors as beneficial to financial markets, leading them to request unbundling from their brokers.

As for Asia, Chinese asset managers and asset owners were well represented on stage. Chinese regulation will require all public companies to report on ESG by 2020!

The PRI are strong supporters of the Sustainable Development Goals (SDGs) since their inception in 2015: what are the latest trends in this area?

Nearly all panels referred to the SDGs as the new reference framework for sustainable investment. They can be used in all asset classes, far beyond listed equities. In fixed income for instance, companies are eager to satisfy the needs of their investors, because they come back regularly to refinance: the corporate green bond market is thus expected to expand. Furthermore, some advocate the creation of “SDG bonds”.

In private equity, funds are being raised that are clearly positioned as impact funds selectively contributing to SDGs. In infrastructure, managers promote their projects and impact on at least half of the SDGs.

The world community clearly commits to the SDGs. It is more and more critical for asset owners and managers alike to integrate these international standards in their ESG investing policy. Impact is going to be the next big thing. To quote Al Gore’s keynote speech: “the sustainability revolution is the single largest investment opportunity in history.”

Signatory of:



Please note that the 2019 PRI in Person conference will be held in Paris on 10-12 September.

ABOUT INDEFI

INDEFI is a strategy advisor for the investment management business in Europe. Our exclusive focus on top line growth in one industry, the use of our own field research and the skill diversity of our consultants form the bedrock of our consulting philosophy. This gives us an unparalleled vantage point from which we aim to serve our clients - asset managers, private equity and infrastructure investors (and their portfolio companies) - with understanding, insight and actionable advice. We provide strategic business growth advice to our clients which can cover markets, products, client groups and a combination thereof.

With our joint private equity and asset management practices we find ourselves at the junction of change and the merging agenda in both industries. If you are an asset manager we are happy to help define any organic or non-organic corporate strategy for your business, including any private equity option. If you are a private equity investor we can help in defining and implementing your investment strategy in the asset management sector.