

POLICY BRIEFING

SUSTAINABILITY OUTCOMES WORKSHOP

SYDNEY, 23 OCTOBER 2023

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PRI Association

Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org



United Nations
Global Compact

INTRODUCTION

Global economies are facing a confluence of crises – from climate change, nature loss, extreme poverty, and acute food insecurity. For investors and the financial system, these environmental and inequality issues are not only leading to lost opportunities but creating system-wide risks for our economies. As a result, governments globally are pressing investors to contribute to the transition to a sustainable and equitable economy. Meanwhile, investors are facing greater sustainability expectations from their clients and beneficiaries. Accordingly, investors are grappling with questions on how they meet these expectations and address the system-wide risks by shaping real world, sustainability outcomes.

At the PRI's Sustainability Outcomes Forum in Australia on 23 October, signatories came together to share their experiences and practices in pursuing sustainability outcomes and to discuss opportunities to strengthen and scale up activities.

The PRI's Chief Sustainable Systems Officer, Nathan Fabian, opened with reflections on pursuing the mission for a sustainable financial system and world and remarked on the impetus for investors to consider shaping sustainability outcomes. He noted:

“Shaping sustainability outcomes involves bringing about assessable changes in the behaviour of asset management as well as in the systems in which companies and investors operate. Achieving the impact may be instrumental to realising an investor’s financial objectives or there may be an intention to pursue a sustainability goal in its own right.”

“A key feature of this investment approach is that rather than treating outcomes as an unintentional byproduct of activities, investors intentionally set objectives to pursue outcomes that influence their returns.”

Following a panel discussion and overview of recent Australian developments, attendees participated in a workshop discussion on supporting target setting and actions towards sustainable outcomes.

CLIMATE TRANSITION PLANS

Together with the IGCC and CDP, the PRI has [called](#) on the Australian Government to establish a clear framework for developing and disclosing transition plans which support a whole of economy just transition aligned with limiting global temperatures to 1.5°C. Credible climate transition plans can inform investors on how companies are assessing risk and changing their strategies and decision-making. The PRI believes credible, corporate climate transition plans can aid investors in their capital allocation, stewardship, and policy engagement decisions as they shape outcomes for climate change.

KEY INSIGHTS SHARED BY FORUM PARTICIPANTS:

- Standardised and comparable transition plans can help investors achieve real emissions reductions.
- Investors expect their investee companies and assets to have sufficiently ambitious, credible, achievable, and science-based transition plans that are assured. They also expect companies' policy advocacy to be aligned with their transition plans.
- However, broadly corporate transitions plans are not currently reaching the needed standards to meet climate mitigation commitments and investors are concerned that companies will retract or rescind on their plans.
- To assist companies to develop credible climate transition plans, sectoral pathways at an economy level and taxonomies aligned with 1.5 degrees are needed.
- Sufficient guidance is needed for stakeholders to track progress and benchmark corporate transition plans effectively.
- Government frameworks for corporate transition plans should consider the natural capital and social impacts of the transition.

NEXT STEPS

The Australian Treasury has indicated that it will consult with the public on actions to improve corporate transition planning as part of its program under the Sustainable Finance Strategy. The PRI will seek to respond to that consultation. In doing so, the PRI will consider feedback from this workshop and consult with signatories more broadly, primarily through the Australian Policy Reference Group.

To provide further feedback or for more information about the PRI's response to the Australian Sustainable Finance Strategy, please contact Dr Kar Mei Tang, Head of Oceania at karmeitang@unpri.org.

SUSTAINABILITY OUTCOMES TARGETS

The [Legal Framework for Impact](#) (LFI) report authored by Freshfields Bruckhaus Deringer and commissioned by the PRI, UNEP FI and Generation Foundation, found that investors within Australia are broadly permitted to consider shaping sustainability outcomes. If attaining sustainability outcomes can improve financial outcomes for beneficiaries and mitigate system-wide risks to portfolios or specific investments, investors are also likely to have an obligation to consider pursuing such goals. Investors are increasingly considering targets to shape sustainability outcomes. Many investors are also seeking guidance and support on how to pursue real world sustainability outcomes.

KEY INSIGHTS SHARED BY FORUM PARTICIPANTS:

- When sustainability goals are set, some investors noted that they have seen improvements in company sustainability performance.
- However, investors have mixed levels of confidence to set sustainability goals, in part due to varying expectations of clients and beneficiaries.
- To address these challenges, policy support is needed to allow asset owners to set clearer definitions of their investment objectives incorporated in agreements with investment managers.
- Challenges exist for investors to measure and set specific targets for issues beyond climate, such as human rights and biodiversity. Clear globally and nationally developed targets as well as standardised metrics are needed to support investor-level targets.

NEXT STEPS

The PRI, UNEP FI and the Generation Foundation are investigating market practices and seeking to publish case studies of investors globally pursuing sustainability goals. These resources are intended to be used to support signatories to set sustainability outcome targets and pursue such goals.

Thank you to all signatories who participated in the workshop as well as panellists and speakers, Ashley Kopczynski (IFM Investors), Kim Farrant (HESTA), Jo Saleeba (New Forests), Rob Koczkar (Adamantem Capital) and Kristy Graham (ASFI). In addition, thank you to QBE Insurance for hosting the workshop in their offices. Their generous hospitality was greatly appreciated.

For more information about PRI activities in this area, please contact policy@unpri.org.