Principles for Responsible Investment

RESPONSIBLE INVESTMENT AND SUSTAINABILITY OUTCOMES IN CHINA

CURRENT PRACTICE AND POLICY RECOMMENDATIONS

JULY 2023

UN environment programme finance initiative

United Nations Global Compact

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

THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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EXECUTIVE SUMMARY

Investors around the world are recognising that both economic growth and financial returns depend on a healthy environment and a stable society. At the same time, governments, including China's, want to help investors use their capital and influence to address challenges like climate change and poverty. Accordingly, many investors are identifying opportunities to integrate the consideration and pursuit of sustainability outcomes into their investment decision-making. Often, they are using the United Nations (UN) Sustainable Development Goals (SDGs) as a framework for doing so.

China has been a strong supporter of the SDGs both domestically and internationally. Domestically, its own development priorities, including those articulated through strategic goals such as "high-quality development", "common prosperity" and "carbon neutrality", are well aligned with the SDGs. Internationally, China's foreign investment activity, particularly through the Belt and Road Initiative, is focused on open, green, clean and inclusive sustainable development that follows high standard, people-centred and sustainable approaches. Essentially, China's strategic goals are aligned with the SDGs.

For investors active in China, these trends are highly relevant. Policy action linked to China's development goals will be a key driver for markets in the years ahead. Using the SDGs as a lens, alongside other tools, can help investors identify emerging risks and opportunities and strengthen environmental, social and governance (ESG) analysis. For investors seeking to influence the achievement of real-world sustainability outcomes and support national policy goals, such as carbon neutrality and high-quality development, the SDGs also provide a valuable set of goals and targets against which impacts and progress can be measured and assessed.

While responsible investment is growing quickly in China, the intentional pursuit of sustainability outcomes, including the use of the SDGs as a basis for doing so, is only just starting to emerge. Based on a combination of desktop research, analysis of PRI reporting and assessment data, interviews and a roundtable with Chinese signatories, this report identifies current practice, emerging opportunities and key challenges for investors in China to integrate the consideration and pursuit of sustainability outcomes and the SDGs into their decision making. It then identifies a series of recommendations for policy makers to help investors develop their practices in these areas.

POLICY RECOMMENDATIONS

Recommendation 1

Policy makers should provide clarification and guidance on investors' duties and the use of stewardship to shape sustainability outcomes

Recommendation 2

Policy makers should enhance the sustainability information disclosure requirements, frameworks and infrastructure

Recommendation 3

Policy makers should encourage capacity building and knowledge sharing for investors to better consider sustainability impacts and outcomes

SUSTAINABILITY OUTCOMES AND THE ROLE OF INVESTORS IN CHINA

The world is facing environmental and social challenges that pose material risks to the basic quality of life for current and future generations. Alongside climate change and biodiversity loss, social issues, such as gender inequality and poverty, are also gaining prominence. Failure to resolve these issues presents risks to society, the economy and investors' financial returns.

At the global level, the SDGs provide a high-level framework that establishes widely agreed sustainability objectives and sets goals and targets to meet them. At the national level, governments are setting their own development priorities and introducing policies to achieve them. In many cases, these global goals and domestic priorities are closely linked.

Against this backdrop, many investors are concluding that responsible investment practice should explicitly aim to improve outcomes in the real world. In many countries, including in China, governments are introducing policies and guidance to support them in doing so.

Understanding the relationship between global goals and domestic sustainable development priorities can help investors in China align with and support the achievement of national development objectives, while at the same time communicating the actions they are taking in ways that can be well understood by global stakeholders.

WHAT ARE THE SUSTAINABLE DEVELOPMENT GOALS?

In September 2015, the global community, represented by all 193 UN member states, adopted the SDGs, under the 2030 Agenda for Sustainable Development (the 2030 Agenda). The SDGs established a globally accepted set of 17 overarching goals for real-world outcomes in areas such as water, health, poverty, gender equality and biodiversity (See Figure 1). These goals are underpinned by 169 specific targets and 232 indicators by which progress towards them will be assessed.

The SDGs represent a blueprint to achieve a better and more sustainable future for all. They seek to address the global challenges we face, including poverty, inequality, climate change, environmental degradation, conflict and injustice. They build on other global agreements, such as on human rights, as the SDGs are grounded in the Universal Declaration on Human Rights, and on climate change, referencing as they do the UN Framework Convention on Climate Change.

Figure 1: Sustainable Development Goals (SDGs)

> “Driving sustainable development in line with the UN SDGs will create a more prosperous world to live in today and to pass on tomorrow.”[1]
>
> The PRI’s Blueprint for Responsible Investment

> “It is important that we put development front and centre on the international agenda and deliver on the 2030 Agenda for Sustainable Development.”[2]
>
> Remarks by Chinese President Xi Jinping at the High-level Dialogue on Global Development

1 PRI (2017), [A Blueprint for Responsible Investment]

2 Ministry of Foreign Affairs (June 2022), “[Forging High-quality Partnership for a New Era of Global Development]”, Remarks at the High-Level Dialogue on Global Development

CHINA'S DEVELOPMENT GOALS AND THE SDGS

DOMESTIC DEVELOPMENT PRIORITIES

In the past decade, China has made enormous progress domestically in achieving its development objectives. According to a report from the Ministry of Foreign Affairs,[3] China has made significant progress in eliminating absolute poverty, meeting the first SDG – to eliminate poverty – 10 years ahead of schedule.

In recent years, China has also shifted its focus from the quantity of economic growth to its quality. Over the period of its 14th Five-Year Plan (2021-2025), China will focus on promoting "high-quality development", which it defines as innovation-driven, balanced, green, open and inclusive growth.[4]

At the same time, China has set important climate targets, namely to peak greenhouse gas emissions before 2030 and achieve carbon neutrality before 2060.[5] To improve social equality, China's common prosperity objective proposes a vision of a more inclusive and equitable economic and social system.[6] These domestic environmental, social and economic sustainability policy objectives are well-aligned with the SDGs (see Figure 2).

NEW DEVELOPMENT PHILOSOPHY: HIGH-QUALITY DEVELOPMENT

China's economy has shifted from a stage of high-speed growth to one of "high-quality development". This concept has been adopted by the government since 2017[7] as a key guiding policy principle and aims to establish an economic system of green, low-carbon and circular development, which will be the priority of China's policy makers for the foreseeable future.[8]

14TH FIVE-YEAR PLAN

According to the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035,[9] China aims to, by 2035, achieve an advanced standard of living, create a green economy and an improved environment, and boost per capita GDP while reducing the gap between urban and rural society. The government has set major social and economic development objectives and indicators for the 14th Five-Year Plan period (see Appendix 1), which will guide all government decision-making and medium- to long-term development strategies.

CARBON NEUTRALITY

As the world's second largest economy, China has pledged to peak carbon emissions before 2030 and achieve carbon neutrality before 2060. Alongside these targets, China has committed to implement stricter measures to mitigate the environmental impacts of coal, further develop non-fossil energy, increase the volume of photovoltaic, wind power and other new energy sources, develop advanced technologies and industries such as hydrogen production from renewable energy,[10] and halt the construction of new coal-fired power projects abroad.[11]

COMMON PROSPERITY

Common prosperity means "to get rich altogether". This involves closing the "three major gaps", namely of incomes, between regions, and between urban and rural areas,[12] and moving towards a more equitable distribution structure that promotes social justice and equality by building institutional structures and driving policy changes. "To build a moderately prosperous society and improve people's well-being", China will establish a "scientific public policy system and a reasonable distribution system" to promote social fairness and justice.[13]

3 Ministry of Foreign Affairs (2021), China's VNR Report on Implementation of the 2030 Agenda for Sustainable Development

4 People's Daily (November 2021), 必须实现高质量发展

5 Xinhua Net (September 2020), Full text of Xi's statement at the General Debate of the 75th Session of the United Nations General Assembly

6 Jiawei Ye, Hao Gao (2021), "What is common prosperity and how is China's philanthropic sector advancing it?", World Economic Forum

7 Xinhua Net (October 2017), "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era"

8 Xinhua Net (March 2021), "Chinese modernity features high-quality development"

9 Xinhua Net (March 2021), 中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要

10 Xinhua Net (February 2021), "Carbon neutrality, China's realizable commitment to the world"

11 Xinhua Net (September 2021), 习近平在第七十六届联合国大会一般性辩论上的讲话（全文）

12 Yuan Xiong, Tao Yang (2021), A Thorough Understanding of Common Prosperity: Its Meanings, Paths, Goals, and Implications

13 Xinhua Net (August 2021), 习近平主持召开中央财经委员会第十次会议

Figure 2: Linking the SDGs to China's sustainable policy frameworks and strategies

This figure shows how the SDGs correspond with some of China's key sustainable development objectives, and is not a comprehensive review of China's policy landscape

Carbon neutrality[14] strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Ecological civilisation and Beautiful China[15] enable "balanced and sustainable development that features the harmonious coexistence of man and nature, build a beautiful China by 2035"	6 CLEAN WATER AND SANITATION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
Common prosperity[16] close the "three major gaps", namely the income gap, the regional gap and the urban-rural gap, through "primary distribution, redistribution, and third distribution"	1 NO POVERTY; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Healthy China 2030[17] improve China's healthcare and provide universal access to healthcare	3 GOOD HEALTH AND WELL-BEING; 10 REDUCED INEQUALITIES
Poverty eradication[18] eradicate absolute poverty by the end of 2020	1 NO POVERTY; 2 ZERO HUNGER; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Rural revitalisation[19] enhance support for affairs related to agriculture, rural areas and rural residents	1 NO POVERTY; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
New infrastructure[20] invest in information-based infrastructure, converged infrastructure and innovative infrastructure	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES

14 Xinhua Net (October 2021), 中共中央 国务院关于完整准确全面贯彻新发展理念做好碳达峰碳中和工作的意见

15 Xinhua Net (October 2017), "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era"

16 Xinhua Net (June 2021), 中共中央 国务院关于支持浙江高质量发展建设共同富裕示范区的意见

17 Xinhua Net (October 2016), 中共中央 国务院印发《"健康中国2030"规划纲要》

18 Xinhua Net (April 2021), 《人类减贫的中国实践》白皮书

19 Xinhua Net (February 2018), 中共中央 国务院关于实施乡村振兴战略的意见

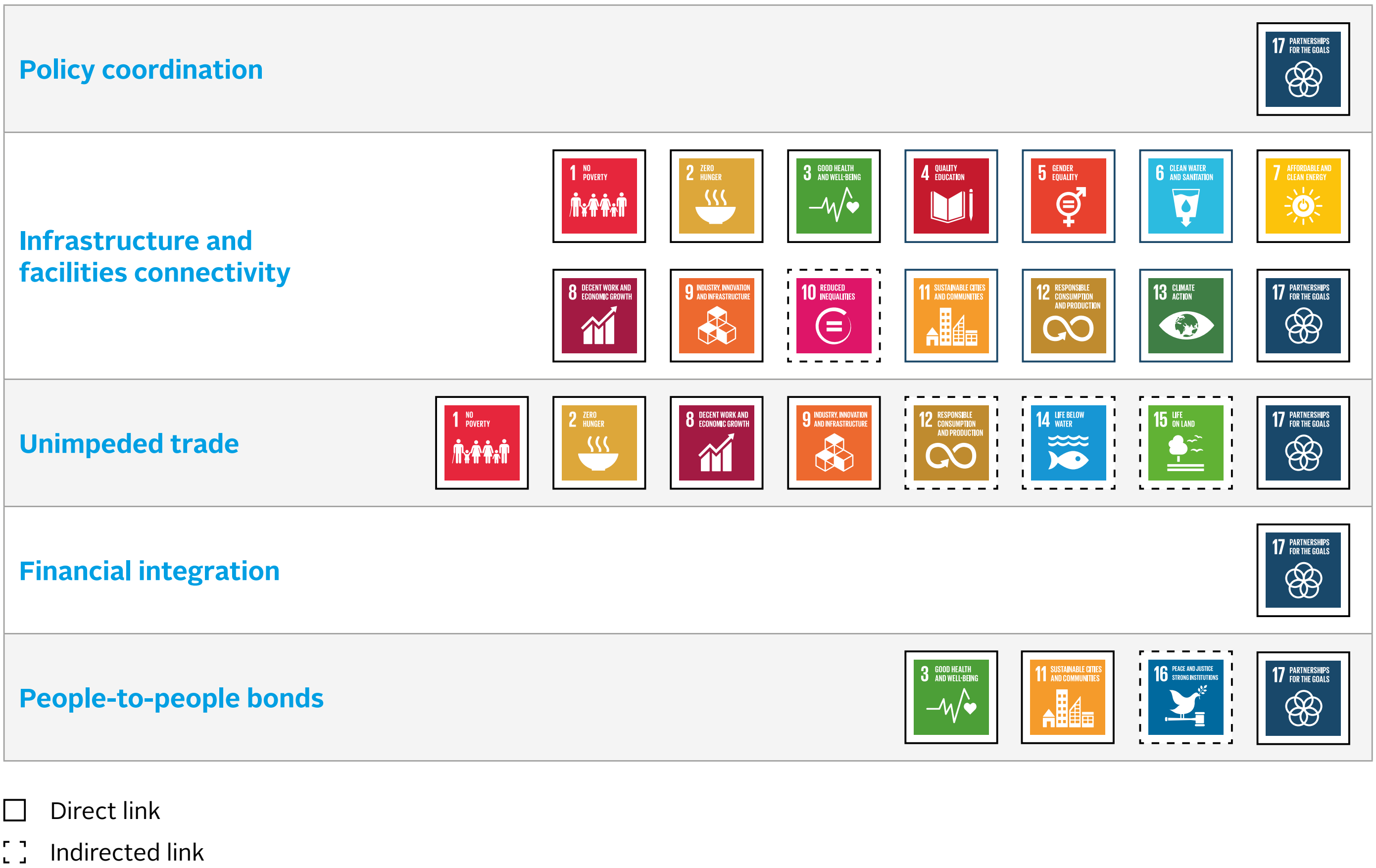
20 National Development and Reform Commission (November 2021), 十四五" 新型基础设施建设解读稿之一：系统布局新型基础设施 夯实现代化强国先进物质基础

INTERNATIONAL DEVELOPMENT PRIORITIES

Internationally, China has been supportive of the 2030 Agenda and has contributed to international cooperation. Addressing the High-level Dialogue on Global Development in June 2022, President Xi stressed that China would continue to support the 2030 Agenda.[21] A key component of this support is the Belt and Road Initiative, which was launched by China in 2013.

This initiative focuses on "promoting policy coordination, connectivity of infrastructure and facilities, unimpeded trade, financial integration, and people-to-people bonds".[22] The initiative, which shares a similar vision and basic principles with the 2030 Agenda,[23] has the potential to make a significant contribution to the achievement of the SDGs in many developing countries.

Figure 3: Contribution of China's Belt and Road Initiative to the achievement of the SDGs[24]



21 Xinhua Net (June 2022), "Xi hosts High-level Dialogue on Global Development"

22 The State Council (June 2017), Vision for Maritime Cooperation under the Belt and Road Initiative

23 United Nations Department of Economic and Social Affairs, "Jointly building the "Belt and Road" towards the Sustainable Development Goals", August 2016

24 Pingfan Hong (2016), "Jointly Building the 'Belt and Road' towards the Sustainable Development Goals"

POLICY SUPPORT FOR SUSTAINABILITY OUTCOMES IN CHINA

In recent years, the Chinese government has attached increasing importance to the role of the financial sector in helping mitigate system-level risks such as climate change and supporting the sustainable development of the economy.

According to a recent report from the Green Finance Committee of China Society for Finance and Banking, the cumulative demand in China for green and low-carbon investment in the next 30 years will reach RMB 487trn.[25] To help address this investment gap, China's policy makers are increasingly encouraging or requiring financial institutions to support national sustainable development objectives. For example, in 2016, the government published its "Guidelines for Establishing the Green Financial System", which aim to encourage financial services to support environmental improvement, climate change mitigation and more efficient resource utilisation.

Subsequently, it has issued increasingly clear directions. The "Guiding Opinions on Investment and Finance to Address Climate Change",[26] jointly issued by the Ministry of Ecology and Environment (MEE), the National Development and Reform Commission (NDRC), the People's Bank of China, the China Banking and Insurance Regulatory Commission (CBIRC) and the China Securities Regulatory Commission (CSRC), are intended to mobilise capital flows to support implementing China's nationally determined contribution under the Paris Agreement and achieve low-carbon development. It identifies green finance as an important means to support key environmental objectives.

While historically there has been less of a focus on social issues, there is increasing consideration for this area as well. Recently, the "Green Finance Guidelines for Banking and Insurance Industry",[27] issued by the CBIRC in 2022, introduced requirements for banks and insurance companies to align their portfolios with the goal of carbon neutrality and address adverse impacts on the environment and society.

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25 Green Finance Committee of China Society for Finance and Banking (2021), Roadmap for Financing China's Carbon Neutrality

26 The Ministry of Ecology and Environment (October 2020), 关于促进应对气候变化投融资的指导意见

27 China Banking and Insurance Regulatory Commission (June 2022), 中国银保监会关于印发银行业保险业绿色金融指引的通知

INTEGRATING SUSTAINABILTY OUTCOMES INTO INVESTMENT AND STEWARDSHIP DECISION-MAKING

For investors active in China, these trends will be highly relevant for both investment and stewardship decision-making. Policy action linked to development goals will be a key driver for markets in the years ahead. Detailed understanding of national development objectives and policies will be important. Using the SDGs as a lens can also help investors identify emerging risks and opportunities and strengthen ESG analysis and company stewardship.

As well as looking to identify ESG-related risks that may affect individual companies or assets, many investors are now also seeking to deliver improved real-world sustainability outcomes. They do this for several often related and overlapping reasons. These include addressing system-level sustainability risks that might affect long-term returns, meeting demand from beneficiaries or clients, or seeking to align with government regulation or policies.

In these circumstances, the SDGs also provide a valuable set of goals and targets against which impacts and progress can be measured, assessed and reported in a way that is aligned with global developments.

INVESTOR DUTIES: SUSTAINABILITY IMPACTS AND OUTCOMES

Around the world, investors are recognising that economic growth and financial returns depend on a healthy environment and a stable society. At the same time, many governments want to help investors put their capital to work addressing crises such as climate change and poverty.

In China, there has been strong support for green finance from policy makers and regulators. Institutional investors are required to consider ESG factors where they are financially material. However, it is not always well understood whether investment institutions in China are permitted to invest explicitly for sustainability impact – that is, to leverage their powers and resources to pursue better sustainability outcomes. This question is addressed in a recent report commissioned by the PRI, UNEP FI and the Generation Foundation.

A LEGAL FRAMEWORK FOR IMPACT[28]

The extent to which legal frameworks around the world support investors' efforts to invest for sustainability impact is examined in a 2021 report, A Legal Framework for Impact, authored by Freshfields Bruckhaus Deringer and commissioned by the PRI, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Generation Foundation.

The report found that, in the 11 jurisdictions analysed, including China:

- Generating financial returns is generally regarded as the primary purpose for investors;
- Investors are likely to have a legal obligation to consider pursuing sustainability impact goals where that can help achieve their financial objectives;
- Some investors can pursue sustainability impact goals for reasons other than achieving a financial return; and
- Investors are legally required to pursue sustainability impact goals if the objective of the financial product commits them to do so.

28 Freshfields Bruckhaus Deringer, PRI, UNEP FI, and Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making

Institutional investors tend to hold highly diversified portfolios which comprise a slice of the overall market. This means that their ability as so-called 'universal investors' to generate investment returns depends not only on decisions about what to invest in, but on the environmental and social systems that the economy relies on.[29] The stability and viability of these systems is threatened by system-level risks posed by climate change, biodiversity loss and inequitable social structures, among other things.

Accordingly, these investors' duty to act in the best interests of their beneficiaries arguably requires them to assess the real-world sustainability outcomes of their investments and consider how they can take steps to mitigate system-level sustainability risks.[30] Under Chinese law, institutional investors such as pension funds, public funds and insurance companies are generally not under an explicit duty to invest for sustainability impact. However, they may implicitly be required to consider doing so where it can lead to reduced risks or improved returns for beneficiaries – for example, where it is necessary to mitigate systemic risks to protect financial returns in the long term.[31]

SUSTAINABILITY OUTCOMES[32]

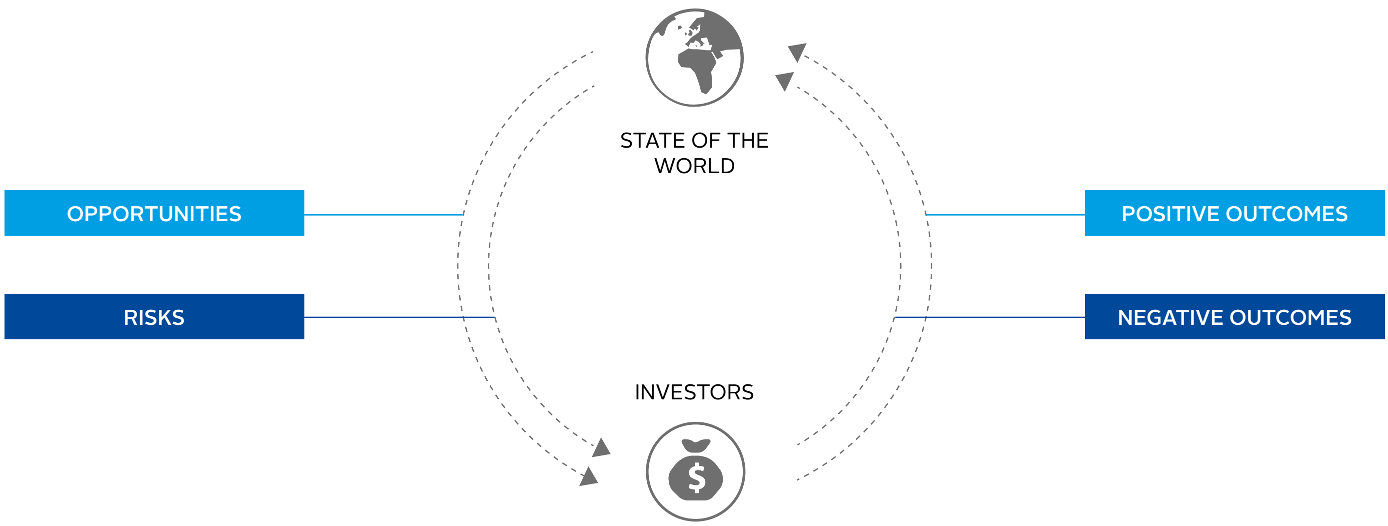
The positive and negative effects of investment activities on people and/or the planet. They can be understood in the context of global sustainability goals and thresholds.

TAKING ACTION ON SUSTAINABILITY OUTCOMES

The investors' use of their own levers or tools to work towards sustainability goals and thresholds. This means working to increase positive sustainability outcomes and/or decrease negative ones. These levers and tools include capital allocation and stewardship.

Figure 4: Feedback cycles between ESG risks and opportunities, and sustainability outcomes

There is a continuous feedback cycle between ESG risks and opportunities, and sustainability outcomes. ESG issues create risks and opportunities for investors, whose actions shape real-world sustainability outcomes, which feed back into portfolios in the form of ESG risks and opportunities, and so on.



29 Hawley, J., Lukomnik, J. (2019), Modernising modern portfolio theory

30 PRI (2022), A legal framework for impact - Australia: Integrating sustainability goals across the investment industry; PRI (2022), A legal framework for impact - UK: Integrating sustainability goals across the investment industry; Freshfields Bruckhaus Deringer, PRI, UNEP FI, and Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making

31 Freshfields Bruckhaus Deringer, PRI, UNEP FI, and Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making

32 Definition extracted from the PRI's reporting framework glossary

INVESTING WITH SDG OUTCOMES: A FIVE-PART FRAMEWORK

To guide investment for sustainability impact, in 2020 the PRI published a report that provides a high-level five-part framework for investors looking to understand the real-world outcomes of their investments, and shape those investments in line with the SDGs (see Figure 5).[33,34]

1. Identify outcomes:

Part 1 is about investors identifying and understanding the unintended outcomes of their investments and their own operations. This assessment involves identifying positive and negative real-world outcomes related to investees' operations, products and services. It can build on activities such as mapping existing investments to the SDGs and determining the scale of investments in explicitly SDG-aligned activities.[35]

2. Set policies and targets:

Part 2 sees investors setting policies and targets, moving the investor from identifying and understanding unintended outcomes towards taking intentional steps to shape outcomes. As many outcomes are connected – e.g., climate change and water scarcity, food security and poverty – investors will have to look across all investments and all SDGs holistically when considering their most important outcomes.[36]

3. Investors shape outcomes:

In Part 3, investors seek to shape outcomes in line with the policies and targets set in Part 2, and report on progress against those objectives. The report provides examples of how this takes place through investor actions, including: investment decisions, stewardship of investees and engagement with policy makers and key stakeholders, and how it can be communicated through disclosure and reporting.[37]

4. Financial system shapes collective outcomes:

Part 4 considers the contribution of the financial system. Shaping outcomes in line with the SDGs at the financial system level takes place both through aggregating the actions of individual investors, and from investors acting collectively – including alongside other financial system participants such as credit rating agencies, index providers, proxy advisors, banks, insurers and multilateral financial institutions.

5. Global stakeholders collaborate:

Part 5 recognises that no one set of actors will achieve the SDGs in isolation. The finance sector, businesses, governments, academia, civil society, the media, individuals and their communities must act collectively to ultimately achieve the SDGs. Necessary elements include programmes to connect supply and demand of investments at scale, and collaboration on tools to contextualise outcomes data in the global thresholds and timelines required to achieve the SDGs.

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33 PRI (2020), Investing with SDG outcomes: a five-part framework

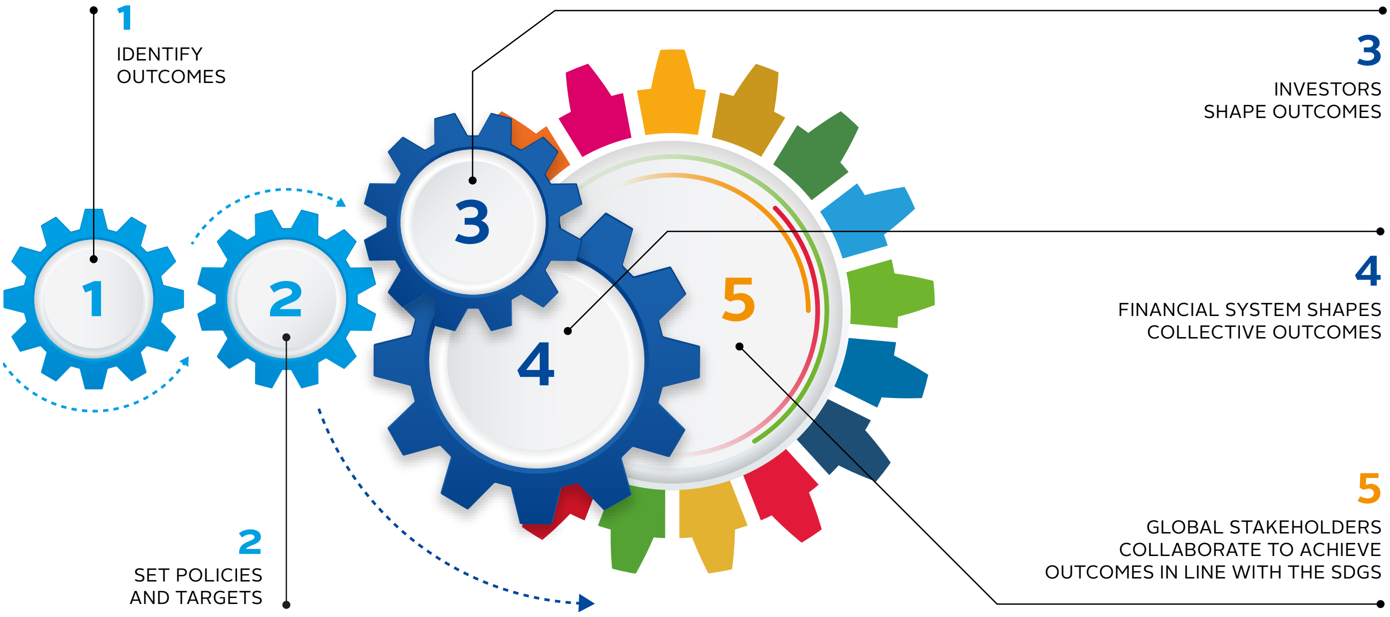
34 For tools across the five-part framework and examples of how to map existing tools against each part of the framework, see Appendixes 1 and 2 of the Investing with SDG outcomes report

35 UNEP FI has developed an investment portfolio impact analysis tool to help financial institutions holistically identify and assess the impacts associated with their investment portfolios

36 The United Nations Development Programme (UNDP) SDG impact standards, for example, provide high-level guidance for investors to integrate SDGs into organisational systems, investment strategies and target setting

37 For more guidance, see PRI (2022), Sustainable Finance Policy Engagement Handbook

Figure 5: A five-part framework for investors



* See Appendix 2 for a case study to illustrate how to integrate SDGs in investment decision-making.

Investors who want to manage the impact of their investments and align them with the SDGs may also need to go beyond the activities described above. At the organisational level, they will also need to establish oversight and accountability mechanisms, as well as develop a comprehensive strategy that integrates impact management goals and policies into their overall corporate governance and strategy, and regularly report on performance and outcomes. This will ensure that impact management becomes a fundamental part of the organisation's mission and values. By embedding impact management into the very fabric of the organisation, investors can drive meaningful change and contribute to the achievement of the SDGs.[38]

As described above, the SDGs can provide a comprehensive framework for assessing and measuring performance in relation to the pursuit of sustainability outcomes. By using the SDG lens, investors can focus on the most important sustainability issues. The SDGs also provide clear targets and indicators for investors to set targets and measure and report progress on stewardship and policy engagement activities.

Various assessment tools have been developed to apply the SDG lens to assessing and measuring investment performance.[39] For example, in 2020, the China International Center for Economic and Technical Exchange (CICETE) and the UN Development Programme (UNDP) released their Technical Report on SDG Finance Taxonomy.[40] It is the first project classification system developed in a Chinese context. It provides investors with impact assessment and reporting criteria that help them to clearly identify SDG enabling projects and measure investment impacts against SDG targets.

38 Impact Management Platform, Actions of impact management for: Investors and financial institutions webpage

39 PRI (2020), Investing with SDG outcomes: a five-part framework (A five-part framework for investors) Appendix 1

40 CICETE and UNDP (2020), Technical Report on SDG Finance Taxonomy

INVESTORS AND THE SDGS IN CHINA: CURRENT PRACTICE, OPPORTUNITIES AND CHALLENGES

While responsible investment is gradually becoming mainstream in China, the intentional consideration of sustainability outcomes and the usage of the SDGs as a basis for doing so is only just starting to emerge among investors. This section sets out current practices in relation to responsible investment in China. It also highlights key opportunities for investors in China in integrating China's development goals and the SDGs into their decision-making. Finally, it outlines potential challenges in doing so.

The findings for this section are based on a combination of desktop research, analysis of PRI reporting and assessment data, and direct market research. For the market research component, we conducted a series of anonymous interviews with several PRI signatories and held a roundtable session. Almost 30 global and domestic investors, including insurance companies, mutual funds, investment managers, private equity funds and service providers, participated in the roundtable discussion. During the interviews and roundtable, we collected information on how investors consider sustainability outcomes and the impacts of their investment decisions, and how they perceive their role in relation to sustainability outcomes such as carbon neutrality and poverty alleviation.

CURRENT PRACTICES

Responsible investment is becoming mainstream in China. Chinese investors have shown significantly increased interest in responsible investment over the last few years. More investors are starting to recognise the importance of critical sustainability issues such as climate change, especially since the government announced its carbon neutrality target in late 2020. According to the Asset Management Association of China (AMAC), more than 90% of the institutional investors it surveyed in 2020 expressed interest in carbon neutrality-themed funds.[41]

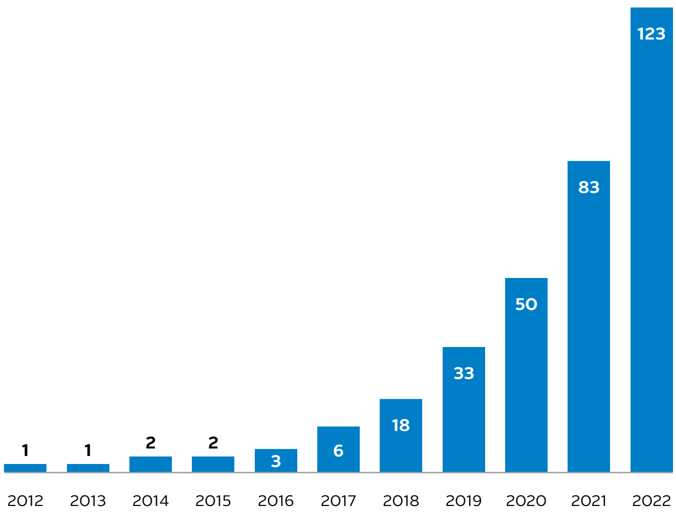
The number of PRI signatories in China has also grown rapidly in recent years, from 33 in 2019 to 123 by the end of 2022 (see Figure 6). By the end of 2022, there were 1,294 public and private funds with sustainable or ESG investment themes, with total assets of RMB 869bn, an increase of 31% compared with 2020.[42]

But consideration by Chinese investors of the sustainability outcomes of their investments is limited. Globally, among the 2,796 investment manager and asset owner signatories that reported to the PRI in 2021, two-thirds identified one or more positive or negative sustainability outcomes connected to their investment activities; half of PRI signatories reported using the SDGs to identify and contextualise those sustainability outcomes.[43]

In China, very few signatories have done so. Based on the interviews and the roundtable, many Chinese investors, including leading practitioners among PRI signatories, are currently focused on ESG incorporation as a means to manage material ESG-related risks, rather than investing to achieve sustainability outcomes. Currently, there is limited use of the SDGs as a basis for assessing investment-related impacts and outcomes in China.

One of the most well-established approaches that seeks to increase positive outcomes is impact investing. However, the impact investing market remains nascent in China.[44]

Figure 6: Number of PRI signatories in China at year end



41 Asset Management Association of China (2021), 全国公募基金市场投资者状况调查报告（2020年度）

42 21jingji (May 2023), 资金"放量"绿色转型升级赛道：ESG投资方向基金规模超8692亿元

43 PRI (2022), Sustainability outcomes: What does our reporting data reveal about emerging signatory practices?

44 Yicai Research Institute (2022),资本的血液——中国影响力投资报告2022

Figure 7: Opportunities for investors to support China's development goals and the SDGs

San Nong

The term San Nong collectively refers to agriculture, rural areas and rural residents. China's rural revitalisation strategy is considered as a high priority by the government to step up support for rural communities and rural economic development.[45] The CBIRC requires the banking and insurance sectors to promote rural revitalisation by focusing on building up China's strength in agriculture and increasing rural financial service provision.[46] Investing in San Nong-related themes will provide investors with the opportunity to tackle various rural development gaps and enhance the wellbeing of the rural population, including but not limited to income inequality, gender inequality, rural health care, rural employment, education, aging population and rural pension reform. Furthermore, in many cases, rural areas are more vulnerable to climate change and the low-carbon transition.

Inclusive finance

Inclusive finance aims to ensure that individuals and businesses have access to affordable financial services. In the Chinese context, it aims to provide access to financial services to small and micro enterprises, farmers, urban low-income people, disabled people, the elderly and other vulnerable groups. The current trend of integrating inclusive finance with green finance is also important to ensure a just transition away from carbon-intensive economies.[47]

Innovative technology

Technological innovation plays a vital role in achieving sustainable development and will also be a primary driver of growth in the pursuit of high-quality development in China. According to official data, China's total spending on research and development was RMB 2,786bn in 2021, reaching a new high of 2.44% of GDP.[48] In particular, technological innovation is the key to achieving carbon neutrality, which will in turn help drive a revolution in China's energy and industrial sectors. Advances in technology will create new investment opportunities in renewable energy, transportation, buildings and industry.

Sustainable infrastructure

Infrastructure investment has always been a key driver of economic growth in China, and it has an important role to play in the transition to a just, low-carbon and sustainable economy. Economic studies have attested to the importance of infrastructure investment in reducing poverty. It can improve opportunities for the poor to access health and education, thus enhancing human development.[49] Investments in new information infrastructure, transport infrastructure (such as the railway networks and charging infrastructures for electric vehicles), social welfare infrastructure (such as affordable housing) and environmental infrastructure (such as waste treatment and disposal facilities) will not only directly contribute to domestic sustainability goals but will also create jobs, helping to ensure a just transition.

Renewable energy

China is seeking to reduce its carbon dioxide emissions per unit of GDP by 18% by 2025. In its renewable energy development plan for the 14th Five-Year Plan period (2021-25), China has set targets for renewables to supply 33% of China's electricity and for non-hydro renewables to reach 18% by 2025.[50] According to market research firm BloombergNEF, China invested $546bn in 2022 in new energy technologies including solar and wind, electric vehicles and batteries.[51] Investment in renewable energy will allow investors to directly contribute to positive outcomes in terms of China's low-carbon transition and sustainable development.

45 Xinhua Net (2021), 中共中央 国务院关于全面推进乡村振兴加快农业农村现代化的意见
46 China Banking and Insurance Regulatory Commission (2023), 中国银保监会办公厅关于银行业保险业做好2023年全面推进乡村振兴重点工作的通知
47 China Finance (2022), 刘桂平：金融系统要坚定不移践行新发展理念
48 National Bureau of Statistics (2022), 2021年我国R&D经费为2.79万亿 与GDP之比达2.44%
49 United Nations Department of Economic and Social Affairs, "Jointly building the "Belt and Road" towards the Sustainable Development Goals", August 2016
50 NDRC and National Energy Administration (2022), 十四五" 现代能源体系规划
51 China Daily (February 2023), China tops investment in energy transition

KEY OPPORTUNITIES

Investing for sustainability outcomes need not be in conflict with investing for financial returns – indeed, it could be instrumental to investors achieving those financial returns. By aligning investment with achieving SDG outcomes, investors could help to mitigate system-level sustainability risks. The SDGs can also provide investors with a useful lens for understanding government priorities in the context of global sustainability goals, and as an input into assessing future investment decisions.

Based on the interviews and roundtable, we have identified the key areas (see Figure 7) that present investors with opportunities to explore long-term growth in financial returns while contributing to environmental and social goals in line with the SDGs.

KEY CHALLENGES

Through desktop research and discussions with investors during the interviews and roundtable, we identified the following challenges which may hinder investors' ability to consider sustainability outcomes in the investment process and deliver outcome-driven results:

LACK OF CLARITY AND GUIDANCE ON INVESTORS' DUTIES

Currently, there is a lack of clarity about if and how investors can pursue sustainability outcomes alongside their objectives to deliver financial returns. It may require laws and regulations to be updated or clarified. It is important that regulators and policy makers clarify the linkages and alignment between global sustainability goals set by the SDGs and the Paris Agreement on the one hand, and domestic policies and regulations on the other. Doing so could create an enabling environment for investors to consider sustainability outcomes and the impacts of their investment decisions. In particular, the circumstances in which asset owners should consider sustainability outcomes may need to be clarified.

A key finding of Legal Framework for Impact, a joint project by PRI, UNEP FI and the Generation Foundation, suggests that institutional investors in China do not have an express duty to invest to deliver sustainability impacts. There is, however, flexibility to construe existing duties to clients or beneficiaries (i.e., the duties of honesty, good faith and care) as requiring the pursuit of sustainability objectives to address system-level risks that would affect long-term financial returns.[52] However, legal uncertainty may discourage investors from taking direct action to pursue such sustainable impacts.

Another example of legal uncertainty is around investor duties related to stewardship, which can be a key lever for investors to shape investment impact. Except for insurance companies, there are no explicit requirements for investors to exercise stewardship as part of their duties towards clients or beneficiaries. For insurance companies, despite clear obligations to exercise stewardship,[53] there are limited criteria or best practice standards (for example, a stewardship code) to help them enhance the effectiveness, transparency and accountability of voting. Regarding collaborative engagement, there is no law prohibiting collaboration; however, concerns over acting-in-concert regulations and competition law enforcement[54] may discourage cooperation.

Chinese investors could also be encouraged to more directly take into account social outcomes and contributions they may be able to make to national goals of high-quality development and common prosperity. China has set important policy targets on various environmental, social and economic sustainability issues. Clear and detailed guidance and requirements for investors to improve social justice and equality, such as addressing labour rights and protecting the rights of women along the investment value chain, are still relatively limited and could be improved.[55]

LACK OF DATA AND INFORMATION ON SUSTAINABILITY RISKS AND IMPACTS

The lack of relevant data and information on sustainability impacts is another critical challenge. First, there is a lack of mandatory corporate sustainability disclosure requirements aligned with international standards; this means investors often lack access to quality and comparable data to enable them to understand companies' material ESG risks and impacts on key sustainability factors. Reporting frameworks for social issues are underdeveloped compared with those for climate and other environment issues.[56] Reporting metrics associated with the impacts of economic activities also need further improvement so that their linkages with sustainability outcomes could be clarified and strengthened.

Secondly, most data providers and rating agencies take a risk management approach to ESG factors, using them as an input in the investment process to reduce risks and enhance financial performance. There is a lack of data or rating services customised for the Chinese market that assess the impacts of economic activities on sustainability factors and how they contribute to or are detrimental to the achievement of sustainability outcomes in China.

52 Freshfields Bruckhaus Deringer, PRI, UNEP FI, and Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making

53 CBIRC (2019), 中国银保监会办公厅关于保险资金投资集合资金信托有关事项的通知，第十二条; 中国保监会关于印发《保险资金投资股权暂行办法》的通知，第十九条(3)

54 PRI (2021), A Legal Framework for Impact, China Annex, 262

55, 56 PRI (2022), Investing for a just transition: Proposals for a just transition disclosure framework in China

LACK OF CAPACITY AND PRACTICAL EXPERIENCE

Integrating the consideration of sustainability outcomes into investment practice will require investors to develop new skill sets, for example, identifying potential investment impacts, incorporating outcomes in investment target setting, strategy design, investment decisions and stewardship, and setting up oversight and accountability for impact management.

Some of these will need to be developed internally, to enhance the work of existing ESG and investment teams. Other skills may need to be developed through external organisations or networks, such as service providers and investor initiatives. Investors also need more practical examples of how investors are incorporating the consideration of sustainability outcomes into different stages of the investment process. The lack of local market practice and examples of how to identify outcomes, set policies and targets, and shape outcomes poses a barrier for Chinese investors to take further action on this issue.

POLICY RECOMMENDATIONS

Investors will play a critical role in supporting high-quality development and the transition to a sustainable, green and low-carbon economy in China. With the right policy settings, Chinese investors can shape sustainability outcomes in line with the SDGs while contributing to key national sustainability goals such as rural revitalisation and carbon neutrality.

Investors are beginning to make decisions based on the impact of their investments on the real world, including the environment, society and the economy. To allow for and encourage investors to aim to deliver sustainability outcomes aligned with the SDGs and the Paris Agreement, more policy reform and guidance are needed. To effectively support and enable investors to consider sustainability outcomes in investment decision-making, and to bridge the gaps we identified above, we recommend the following measures:

RECOMMENDATION 1

Policy makers should provide clarification and guidance on investors' duties and the use of stewardship to shape sustainability outcomes

Financial regulators such as the National Financial Regulatory Administration and the CSRC should:

- provide guidance and clarification on investors' (and asset owners' in particular) obligations and discretion regarding addressing system-level risks and supporting national development goals by shaping sustainability outcomes in parallel with their obligations to deliver financial returns;
- develop a stronger regulatory framework for effective stewardship to better enable investors, individually or collectively, to influence investee companies to deliver real-world outcomes aligned with key national sustainability goals;
- develop a sustainability reporting and assessment framework for institutional investors to enhance transparency regarding capital flows and measure their performance against sustainability objectives (such as for each separate SDG); and
- develop label or name rules for sustainable financial products to ensure that the use of proceeds aligns with the sustainable goals or objectives claimed by those investment products, so as to prevent greenwashing and enhance accountability.

RECOMMENDATION 2

Policy makers should enhance the sustainability information disclosure requirements, frameworks and infrastructure

Relevant policy stakeholders, such as MEE, CSRC and SASAC, should:

- develop a comprehensive corporate sustainability information disclosure framework, which takes into consideration both the Chinese domestic context and global mainstream frameworks such as that developed by the International Sustainability Standards Board;
- introduce social metrics and indicators in relevant disclosure frameworks to address the social and economic implications of investment activities, such as a just and low-carbon transition;[57] and
- provide tools and information infrastructure, such as taxonomies and sustainability information databases, to help investors measure sustainability impacts and outcomes.

RECOMMENDATION 3

Policy makers should encourage capacity building and knowledge sharing for investors to better consider sustainability impacts and outcomes

Financial regulators and industry bodies, such as the AMAC and the Insurance Asset Management Association of China, should provide:

- capacity building on how to build consideration of sustainability impacts and outcomes into the investment process;
- examples of domestic and international market practices of investing for sustainability impact;
- case studies on how to use stewardship activities to shape sustainability outcomes; and
- networks for investors to acquire relevant skills and knowledge from domestic and global peers.

57 PRI (2022), Investing for a just transition: Proposals for a just transition disclosure framework in China

APPENDIX 1: THE 14TH FIVE-YEAR PLAN

The main objectives of the 14th Five-Year Plan include:

- Improving the quality and effectiveness of development and maintaining sustained and healthy economic growth
- Pursuit of innovation-driven development and an acceleration of the modernisation of China's industrial system
- Development of a robust domestic market and fostering a new development pattern, the so-called "Dual Circulation Strategy"
- Advancing rural revitalisation and improving the new urbanisation strategy
- Improving regional economic structures and promoting coordinated regional development
- Advancing reform and opening up the market and bolstering the momentum and vitality of development
- Promoting green development and ensuring harmony between humanity and nature
- Improving people's well-being and striving for common prosperity.

Major indicators of socio-economic development and linkage with the SDGs during the 14th Five-Year Plan period[58]

Category	Indicator	2020	2025	Annual average/ [cumulative]	Attribute	Linkage with SDGs
Economic development	GDP growth (%)	2.3	—	Keep growth within reasonable parameters, depending on the situation each year	Indicative	8 DECENT WORK AND ECONOMIC GROWTH
	Labour productivity growth (%)	2.5	—	Higher than GDP growth	Indicative	8 DECENT WORK AND ECONOMIC GROWTH
	Urbanisation rate (%)	60.6	65	—	Indicative	10 REDUCED INEQUALITIES
Innovation	Growth in R&D spending	—	—	Growth of more than 7%. Aiming for a higher share in GDP than under the 13th Plan (2.2% of GDP)	Indicative	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Number of innovation patents per 10,000 people	6.3	12	—	Indicative	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	The digital economy's share of GDP	7.8	10	—	Indicative	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

58 Xinhua Net (March 2021), 中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要

Category	Indicator	2020	2025	Annual average/ [cumulative]	Attribute	Linkage with SDGs
People's wellbeing	Growth in disposable income	2.1	—	Consistent with GDP growth	Indicative	10 REDUCED INEQUALITIES
	Urban (survey) unemployment rate	5.2	—	<5.5	Indicative	8 DECENT WORK AND ECONOMIC GROWTH
	Average years of education of working-age population	10.8	11.3	—	Binding	4 QUALITY EDUCATION
	Number of licensed physicians per 1,000 people	2.9	3.2	—	Indicative	3 GOOD HEALTH AND WELL-BEING
	Basic pension insurance participation rate (%)	91	95	—	Indicative	10 REDUCED INEQUALITIES
	Nurseries for infants under three years old per 1,000 people	1.8	4.5	—	Indicative	3 GOOD HEALTH AND WELL-BEING
	Average life expectancy (years)	77.3	—	[1]	Indicative	3 GOOD HEALTH AND WELL-BEING
Green Ecology	Reduction in energy consumption per unit of GDP (%)	—	—	[13.5]	Binding	13 CLIMATE ACTION
	Reduction in carbon dioxide emissions per unit of GDP (%)	—	—	[18]	Binding	13 CLIMATE ACTION
	Share of days with good air quality in cities in prefecture level and above (%)	87	87.5	—	Binding	11 SUSTAINABLE CITIES AND COMMUNITIES
	Share of surface water at or better than class III (%)	83.4	85	—	Binding	6 CLEAN WATER AND SANITATION
	better than class III (%)	23.2	24.1	—	Binding	15 LIFE ON LAND
Security/ Safety	Comprehensive grain production capacity (m tons)	—	>6.5	—	Binding	2 ZERO HUNGER
	Comprehensive energy production capacity (bn tons of coal equivalent)	—	>46	—	Binding	7 AFFORDABLE AND CLEAN ENERGY

APPENDIX 2: SDG OUTCOMES ASSESSMENT CASE STUDY[59]

East Capital is a leading active asset manager specialising in emerging and frontier markets. Its investment philosophy is to build portfolios around reasonably valued companies with strong structural growth exposure and management of material ESG risks and opportunities. In its sustainable global emerging markets (GEMS) fund, it also uses the SDGs to identify structural growth themes.

To incorporate its SDG analysis in a systematic way, East Capital developed an SDG value chain analysis (VCA) tool. It incorporates Sustainability Accounting Standards Board (SASB) metrics that have been mapped to the SDGs by the Value Reporting Foundation.

The tool uses these metrics as inputs, combined with SDG revenue alignment analysis across the value chain, as described in the process below:

1. Use a combination of revenue alignment and SASB materiality mapping and metrics to identify the two most important SDGs for a company.
2. Assess how the company's activities (including its value chain) have impacted these SDGs over the last one to three years and how East Capital's analysts expect them to do so in the next three to five years. The latter often requires dialogue with companies as guidance on non-financial metrics/target setting is fairly limited in general and even more so within emerging markets.
3. Based on the assessment, East Capital's analysts apply a simple five-point rating system: strong positive impact, weak positive impact, neutral impact, weak negative impact, strong negative impact. Analysts use the four principles (materiality, intentionality, additionality, and criticality) to determine the impact a company has on the SDGs identified and assign a rating – activities meeting one or two of these principles would be given a weak positive impact rating whereas those meeting three or four would get a strong positive impact rating.
4. As part of the SFDR Article 9 obligations, East Capital's analysts also look at whether the company's activities are significantly misaligned with any of the SDGs.
5. The company is then given an overall score, based on a simple weighted average of the four impact assessments – 100 is given for strong positive impact and 50 for weak positive impact.

APPLYING SDG VALUE CHAIN ANALYSIS TO A CHINESE WIND ENERGY COMPANY

To illustrate how East Capital's VCA tool can be used, it has been applied to Ming Yang. The company is one of China's leading wind turbine manufacturers and wind power generators.

The SDG VCA tool looks at both revenue alignment and non-financial operating metrics to assess the impact of the company's value chain on the SDGs. Ming Yang's revenues are strongly supportive of SDG 7 – Affordable and Clean Energy. The total installed capacity of plants using Ming Yang wind turbines up until the end of 2021 was 33.2GW. Assuming the turbines replace coal power generation, this capacity would reduce carbon dioxide emissions by 46.5 million tonnes per year. Each one of its latest MySE 16.0 model turbine, with its242m diameter rotor, can eliminate 1.6 million tonnes of carbon dioxide emissions over a lifetime of 25 years.

Looking forward, Ming Yang aims to strengthen its photovoltaic business to achieve 5GW PV cell and 5GW PV module capacity annually by 2025. Given the company's considerable environmental benefit, East Capital considers that its activities have a strong positive impact on SDG 7, both in its current activities and on a forward-looking basis.

The SASB mapping, meanwhile, suggests that the other material SDG is SDG 9 – Industry, Innovation and Infrastructure; this predominantly relates to how efficiently the company is managing its operations across its supply chain.

The company has good disclosure around the impact of its operations, including in areas like Scope 1 and 2 emissions, water usage and waste. All metrics look reasonable on a normalised basis compared with its peers, although a change in its calculation methodology in 2021 means it is difficult to assess how much the company is improving; this will be something East Capital will focus on following the 2022 reporting cycle. The company also does not disclose much information on its approach to sourcing materials for its turbines, which would include its Scope 3 emissions. This is an area of engagement for East Capital, which is seeking greater clarity on the issue. Overall, East Capital assesses the company's impact on this SDG as neutral for the time being, both on a current and forward-looking basis.

Ming Yang's overall score is based on a weighted average of these four impact assessments, where 100 is given for strong positive impact, 50 for weak positive impact, and 0 for neutral impact. Ming Yang, a long-term holding in East Capital's Global Emerging Markets Sustainable fund, scored 50.

59 This case study is a edited version of the original, East Capital: Assessing SDG outcomes across the value chain (2022)

Figure 8: SDG value chain analysis of Ming Yang Smart Energy

MINGYANG SMART ENERGY 明阳智能	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
How have the company's activities (including its value chain) impacted this SDG in the last 1-3 years?	**Strong Positive impact** ▪ Ming Yang is one of China's leading wind turbine generator (WTG) producers and wind power operators. ▪ Total wind turbine installation until the end of 2021 was 33.2GW, which can reduce GHG emissions by 46.5 million tons per year compared to coal power generation.	**Neutral impact** ▪ Ming Yang has good disclosure around the impact of its operations, including areas like emissions, water usage and waste. Metrics look reasonable on a normalised basis vs peers (i.e. carbon intensity 15 tco2e / USDm of revenue). ▪ Co. does not disclose much information on its sourcing approach for the turbine material, which would constitute its Scope 3 emissions; this is an area of engagement for us
How do you expect the company's activities (including value chain) to positively impact this SDG in the next 3-5 years?	**Strong Positive impact** ▪ In addition to WTG development, Ming Yang aims to strengthen its photovoltaic business to achieve 5GW PV cell and 5GW PV module annual capacity in 2025. ▪ Per single MySE 16.0 model with staggering 242m diameter rotor can eliminate 1.6 million tons GHG over a lifetime of 25 yrs and will be put into use in the following years.	**Neutral impact** ▪ Company does not have clear targets for operating metrics and so we do not expect any material changes in impact here ▪ We will focus on following the 2022 reporting cycle and assess how much the company is improving.
Is the company's activities or value chain significantly misaligned with any of the SDGs?	**No** Turbines can have a negative impact on regional biodiversity given the noises created and collision incidents from birds; the company's latest wind turbines are equipped with ultrasonic bird repellers to reduce the damage to birds to the greatest extent.	

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APPENDIX 3: RELATED PRI RESOURCES

- The SDG investment case
- Investing with SDG outcomes: a five-part framework
- Bridging the gap: how infrastructure investors can contribute to SDG outcomes
- Are national infrastructure plans SDG-aligned, and how can investors play their part?
- ESG integration in China: practical guidance and case studies
- Unlocking the potential of investor stewardship in China: towards a more sustainable economy
- A Legal Framework for Impact: sustainability impact in investor decision-making
- Closing the funding gap: The case for ESG incorporation and sustainability outcomes in emerging markets
- Delivering carbon neutrality in China
- Policy briefing: sustainable infrastructure
- Investing for a just transition: Proposals for a just transition disclosure framework in China
- PRI sustainability outcomes webpage
- PRI A Legal Framework for Impact webpage
- PRI China conference: investing for Net Zero and SDGs

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI 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.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org

PRI Principles for Responsible Investment

The PRI is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UN environment programme finance initiative

United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

More information: www.unglobalcompact.org

United Nations Global Compact