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PRI conference: Top 8 takeaways

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Konnichwa! We spent most of our first week of October at this year's Principles for Responsible Investment (PRI) conference held in Tokyo, Japan (Oct 4-6th). This event is one of the leading global sustainability conferences as it attracts influential asset owners, leading asset managers, regulators and industry professionals. Our Top 8 takeaways below are based on insights from conference panels we attended and discussions with attendees.

1. There is momentum for ESG regulation and low carbon policies in Asia. This is important as ~50% of GHG emissions come from the region. Singapore has been leading on the regulation front, but Japan is stepping up its efforts. Fumio Kishida, Japan's Prime Minister, signalled this by serving as PRI conference keynote speaker to outline his sustainable growth priorities (e.g., $600bn in pension assets moving to a sustainability mandate and the introduction of $134bn in climate transition bonds).
2. The myriad of sustainability reporting options remains frustrating and confusing for corporates and investors. There has been progress, however, in harmonizing leading frameworks and standards. In our view, the TCFD disclosure framework and ISSB standards (which provide sector specific sustainability metrics) are gaining support as a global baseline. In addition to providing these disclosures, we expect increasing pressure for corporates to provide transition plans to outline accountability for their climate commitments.
3. "Solar and wind is the easy stuff." The next wave will be much harder. We should expect the anti-ESG movement to get stronger as sustainability regulation and government policies aimed at decarbonisation advance to deliver on Paris commitments.
4. We expect sustainably managed AUM to continue to increase. Interestingly, asset managers commented that they had more sophisticated conversations with asset owners this year. While a number of asset owners have been clear on their sustainability needs for some time, one asset manager we spoke with suggested that increasing regulation has allowed asset owners to have a more pointed view regarding their sustainability requirements.
5. The panel session on "managing human rights risk across the value chain" was over capacity. Many of the conference panels were well attended, but this was the only one where we witnessed people pleading with security to let them in the room. More and more, investors are being asked to monitor these risks due to regulation or demands from capital allocators.
6. Biodiversity risk continues to be a hot topic. The Taskforce on Nature related Financial Disclosures (TNFD) recently released its disclosure framework, which has led to some optimism. There is real financial and social impact associated with biodiversity this risk, but the evaluation remains a challenge especially for those with limited resources (e.g., lack of expertise and lack of access to expensive data sets).
7. There was a strong focus on stewardship and impact investing at the conference. In fact, this year's slogan was "moving from commitment to impact." This type of investing objective is growing, and can be very inspiring. At the same time, it represents small portion of sustainably invested AUM.
8. Representation of the US discourse on ESG was generally missing at the conference. Nathan Fabian, the PRI's Chief Responsible Investment Officer, did a commendable job outlining concerns during the "understanding ESG backlash panel," but the conversation could go deeper (e.g., why is the IRA working). There will be an opportunity to address this at the PRI's 2024 conference in Toronto.

Deutsche Bank Research clients can access the full report here.