



SOVEREIGN
WEALTH
FUNDS



Framework
**Companion
Document**
2019

INTRODUCTION

The One Planet Sovereign Wealth Fund Working Group was established at the inaugural One Planet Summit on December 12th, 2017 in Paris, championed by President Emmanuel Macron of France and Prime Minister Erna Solberg of Norway. This group of six Sovereign Wealth Funds committed to develop an environmental, social and governance framework to address financial risks due to climate change, and to develop methods and indicators that can inform investors' priorities as shareholders and participants in financial markets.

In July 2018, the One Planet Sovereign Wealth Fund Working Group (OPSWF) Framework was published, consisting of a set of principles to guide efforts to further integrate climate change analysis into large, long-term and diversified asset pools. Since then, OPSWF members have exchanged practices in the implementation of these principles. This companion document to the Framework highlights the progress to date.

SIX FOUNDING ONE PLANET SWF WORKING GROUP MEMBERS:

ADIA



الهيئة العامة للاستثمار
Kuwait Investment Authority



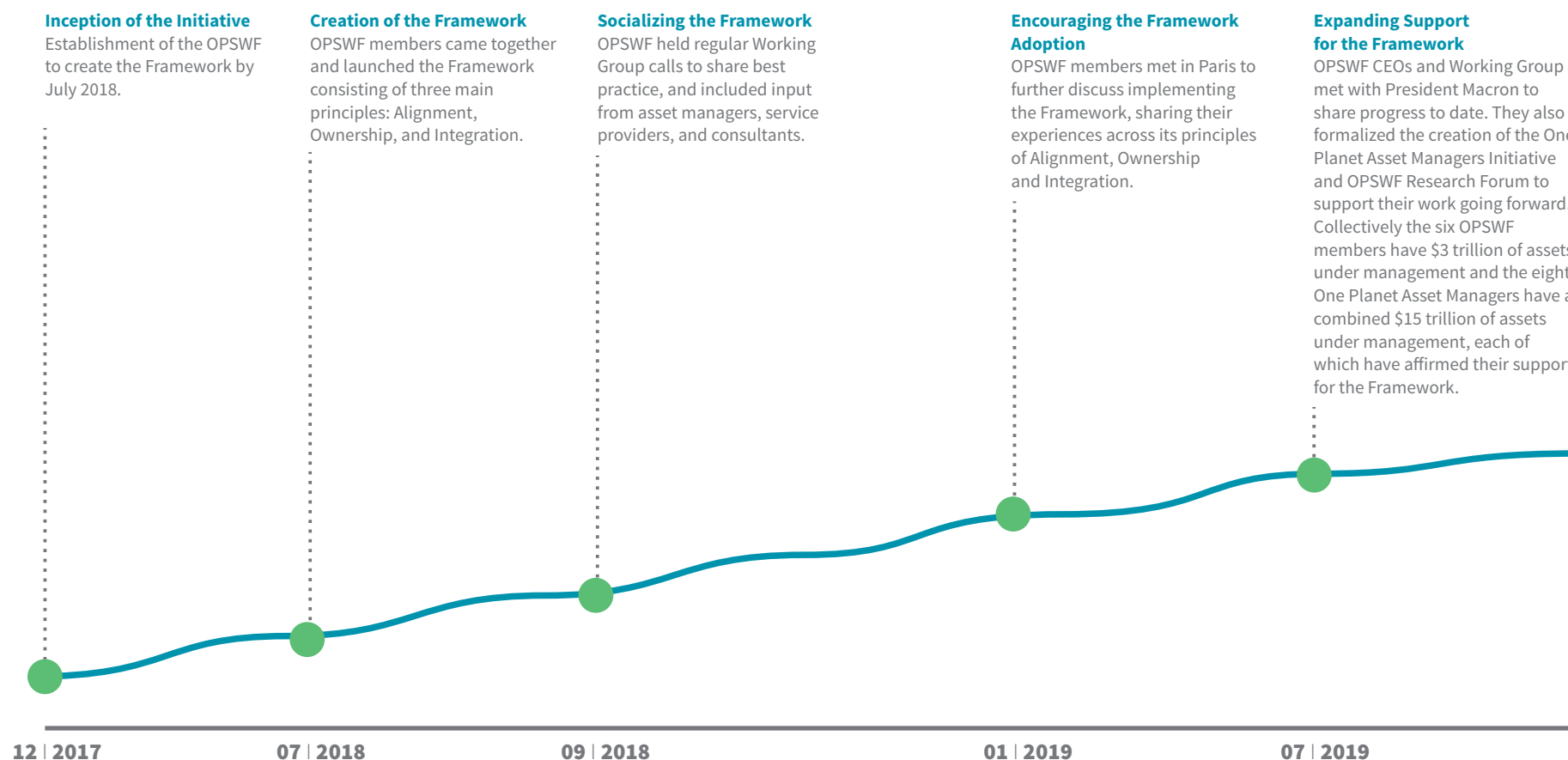
NORGES BANK
INVESTMENT MANAGEMENT



جهاز قطر للاستثمار
QATAR INVESTMENT AUTHORITY



TIMELINE OF OPSWF ACTIVITIES UP TO DATE



PROGRESS

In the year since the Framework was launched, the six OPSWF members have been exchanging practices that relate to the principles of the Framework. This practice exchange has taken place over Working Group calls, and between CEOs at two in-person meetings hosted at the Élysée Palace by President Emmanuel Macron.



POOL/AFP/Kamil Zihnioglu

Outlined below, are some of the ways in which the OPSWF members have implemented the Framework over the past year. This is not an exhaustive list, but exemplifies the diverse actions and opportunities available to all SWFs.

Principle 1: Alignment

OPSWF members support work on how to build financial risks due to climate change considerations into decision-making practices, subject to the SWFs' investment horizons. OPSWF members have sought to integrate the Framework principles into new and existing responsible investment policies.

- For example, the **Abu Dhabi Investment Authority ("ADIA")** created eight internal asset class-specific task forces, which considered in detail the potential ramifications of climate change. ADIA employees then vetted the associated recommendations, many of which are now being implemented. Newly established technology and regulatory working groups in ADIA will continue to monitor developments relating to climate change, and will provide quarterly reports to the investment committee explaining how climate developments could impact investment portfolios.

OPSWF members have also catalysed efforts to **educate and train SWF employees on climate change risks and opportunities**. In support of internal training efforts, which have already reached many employees at select SWFs in the past year, an **OPSWF Research Forum** was established and an **e-library** has been built. This OPSWF capacity is expected to further boost education, research and training opportunities for SWFs and other interested stakeholders on climate-related issues.

- **The OPSWF Research Forum**, established in partnership with Oxford University and the Global Research Alliance for Sustainable Finance and Investment (GRASFI), brings together sustainable finance experts from across world-leading universities and investment institutions. The Research Forum will support the OPSWF objectives by identifying and facilitating rigorous and impactful research projects relevant to the pillars of the Framework, as well as identifying and facilitating relevant education and training courses.

Principle 2: Ownership

Asset Managers

Many SWFs look to their asset managers to assist with the implementation of their investment strategies. Some of the OPSWF members are **engaging with their asset managers** to understand how these intermediaries can support them in implementing the Framework throughout their investment portfolios. Some OPSWF members have written letters to their asset managers, asking them to apply the Framework within existing institutional mandates, and some have gone further by integrating the Framework contractually into all new and existing investment management agreements.

- For example, the **Kuwait Investment Authority (“KIA”)** introduced the **Framework to more than 130 asset managers**, who were requested to apply it whenever and wherever possible. The KIA shared with the OPSWF members their **implementation approach** to the Framework by creating **Core Philosophies**, which were shared with asset managers, service providers and consultants. In their **Investment Management Agreements (IMAs)**, asset managers are being requested to apply the Framework within the parameters of each mandate. Asset managers are also being asked to provide an implementation status on a periodic basis.



This engagement is generating interest in the asset management community - driving collaboration between SWFs and asset managers on how to deal with financial risks due to climate changes. Eight of the largest asset managers formed **the One Planet Asset Manager Initiative**. With a combined \$15 trillion of assets under management, the members of the One Planet Asset Manager Initiative are: Amundi, BlackRock, BNP Paribas Asset Management, Goldman Sachs Asset Management, HSBC Global Asset Management, Natixis Investment Managers, Northern Trust Asset Management, and State Street Global Advisors.

These One Planet Asset Managers are committed to supporting the SWFs in the implementation of the OPSWF Framework. This has already involved sharing updates on sustainable investment products and services, publishing relevant research and engaging with other key actors, including standard setters, regulators and the broader industry. This significant initiative was announced at an OPSWF event hosted by President Emmanuel Macron at the Élysée Palace in Paris in July 2019.



Benchmarking Agencies

Some OPSWF members have met with data and index providers to discuss climate-related data standardization and investment opportunities.

- For example, MSCI, FTSE Russell and Bloomberg have conducted workshops on strategies for implementing the OPSWF Framework at the offices of some OPSWF members. They demonstrated data showing that moving to more sustainable investments can be more profitable, re-emphasizing the fact that the Framework is compatible with financial mandates and long-term value creation.

Direct Investment

OPSWF members, as large asset owners, have a range of investment portfolios. Through ownership, the OPSWF Members may encourage companies, in both their listed and unlisted portfolios, to address material climate change issues through governance, business strategy and planning, risk management and public reporting to promote value creation. Some members have used the Framework as a tool for engagement with their **direct investments, notably in real estate and infrastructure**, to drive e.g. climate-related transparency.

- For example, **the Public Investment Fund (“PIF”) of Saudi Arabia** is using the OPSWF Framework in its engagement with the Saudi Giga-Projects - substantial investments in future industries, entertainment and sustainable tourism projects, designed from their inception to have the need to be mindful of environmental issues at their core.



Publicly Listed Companies

OPSWFs have engaged with many of their **largest investee companies** on climate performance, exposure and reporting practices.

- For example, **Norges Bank Investment Managers (“NBIM”)** voted at 11,287 shareholder meetings, held 3,256 meetings with companies, and assessed the reporting on specific sustainability issues of 2,256 companies in the past year. They have also published a climate change expectations document (2009), which states that: “Boards should integrate relevant climate change risks and opportunities in their business management, such as investment planning, risk management, and reporting. Boards should ascertain that the ensuing responsibilities are clearly defined within the organisation and they should effectively guide, monitor, and review company management in carrying out these efforts”.
- For example, the **New Zealand Superannuation Fund (“NZSF”)** is a member of the ClimateAction100+, a global investor initiative engaging with the world’s largest corporate greenhouse gas emitters to encourage them to take action and increase transparency on climate change risk and exposure.

Sovereign Wealth Funds

Some OPSWF members have started engaging with several other SWFs internationally to discuss the One Planet initiative with a view to having these SWFs (and others) officially endorse the Framework in the near future.

- For example, **ADIA** represented the OPSWF when speaking about the One Planet Framework at the 10th International Forum of Sovereign Wealth Funds (“IFSWF”) Annual Meeting in Marrakech, with 21 other SWFs present.

Standard Setters

Some members of the OPSWF have engaged with standard setters on a range of climate issues, most notably on climate data standards, such as the TCFD, and with sustainable buildings initiatives. This engagement helps ensure that our members are aware of existing initiatives. This means that the OPSWF is not replicating existing efforts, but also ensures that the individual and collective voices and experience of our Members can be mobilised as standard setters and regulators seek to develop common metrics and systems.

Principle 3: Integration

Some OPSWF members have started to assess their domestic and international portfolios for climate exposure and risk.

OPSWF members are working to integrate the consideration of climate change-related risks and opportunities into investment management. Integration is subject to each fund pursuing integration strategies relevant to their existing mandates, priorities and expertise.

- For example, the **NZSF** developed an analytical framework for an investment-led approach to climate change. As a result, a number of actions have been taken, including decarbonising global passive equities holdings. This has resulted in significant reductions in the Fund's carbon footprint.

Some SWFs are **investing in the low-carbon transition and sustainable economy** across different geographies, sectors and asset classes.

- In alignment with the Framework, **ADIA scaled up its investment in renewable energy**. They have announced additional capital investment in ReNew Power and Greenko to boost utility-scale wind, solar

and small hydro capacity in India. The recent announcement of additional investment by ADIA in Greenko in collaboration with Singapore-based GIC was one of the largest funding deals ever by an Indian clean energy producer.

- **PIF** is also investing in renewable energy and clean technology, investing more than \$1 billion in Lucid Motors, an electric vehicle maker, and is **leading the implementation of seventy per cent of Saudi Arabia's renewable energy pipeline** over the next decade.
- The chief investment officer of the **Qatar Investment Authority ("QIA")** reviewed QIA's **real estate portfolio**, and found that advancing sustainability standards in both new and old construction is more profitable, attracts more tenants and aligns with their investment mandate. QIA has invested in many iconic sustainable building projects, including the Empire State Building. **Energy efficiency retrofits of the Empire State financed by QIA have cut energy use by 38%, leading to \$4.4 million of annual energy cost savings.**

Members have commented that the opportunity to share with each other the opportunities and challenges that they each face in the integration of financial risks due to climate change in investment decision-making has been a core benefit of the group.



www.oneplanetwfs.org

Design: Other Format / www.otherformat.fr

ONE PLANET
SUMMIT

**SOVEREIGN
WEALTH
FUNDS**

For further information
contact@oneplanetwfwg.org