

It's a pleasure to be here and join a panel of such distinguished speakers.

### **Who we are?**

I'm director of policy and research at the UN Principles for Responsible Investment, known as the PRI. The PRI is an initiative set up by Kofi Annan, with a mission to put sustainability at the heart of the capital markets. We have over 2,000 investor members, investors such as UBS and BNP Paribas.

### **Why does that matter to today's discussion?**

Private capital flows dwarf development finance. The World Bank's annual commitment to development is around \$50 billion. The United States commits around \$30 billion to overseas aid. My country, the UK around \$20 billion a year. Meanwhile, every single day, \$40 billion is traded on the New York Stock Exchange.

Meeting the UN sustainable development goals implies much greater flows of private capital to low income countries – in particular, SDG 16: Peace, justice and strong institutions.

### **That's why we should care but why should investors care?**

#### **For institutional investors**

Over the last six decades, GDP growth has been three times higher in peaceful countries than in countries in conflict.

On average, inflation is three times higher and ten times more volatile in countries ranked towards the bottom of the Global Peace Index than countries at the top.

Foreign direct investment inflows are more than two times higher in countries with higher levels of peace.

#### **For investment decisions**

Long term capital expenditure decisions are difficult to make when there is political uncertainty

Contracts cannot be enforced in the absence of rule of law.

There is limited ability for all groups in society to find employment or start their own businesses.

There is enhanced risk of supply chain disruption.

There is increased likelihood that businesses will face criminality or be subject to corruption.

### **What do we expect from investors?**

Investors should require that their investment companies implement and publish policies in line with international frameworks (e.g. OECD, WTO, Ruggie). Policies should include issues such as tax, recruitment and working conditions, human rights, ethical and local sourcing.

Investors should advocate for data collection and monitoring of different policies related to trade (for example human rights, ethical trading/procurement, grievances mechanisms).

Investors should carry out full risk assessments before initiating operations in conflict regions that include issues such as human rights, including modern slavery and the environment.

### **Can we be optimistic?**

Yes and no.

Most investors have made high-level commitments to sustainability, but few have implemented at scale and depth.

Half the world's investors have signed the PRI, but that doesn't mean that all the assets they manage are sustainable. To give one example, a 2017 study of European pension funds found that only 5% have added climate change to their risk register. The percentage lower still for social issues.

There is, nevertheless, momentum.

There is a recognised need for sustainability within the capital markets; there are pockets of excellence and a constituency of expertise; and, increasingly, we're seeing policy makers begin to regulate.

For example, in 2017, signatories to PRI signed a statement in support of establishing a modern slavery act in Australia. In 2018, a coalition of investors, in partnership with the UK's Independent Anti-Slavery Commissioner sent letters to FTSE100 companies. Later this year, over 120 investors sent a statement to Canadian Minister of Labour, urging the Government to pass legislation on ending child labour in company supply chains.

And announced last month, PRI's CEO, Fiona Reynolds, will chair a Financial Sector Commission to tackle Modern Slavery and Human Trafficking.

### **And so a final word.**

In response to the financial crisis, governments sought to stabilise capital markets. Now, some governments, are reconsidering the purpose of capital markets.

The same governments that have committed to the Paris Climate Agreement and the UN Sustainable Development Goals.

And they find that the purpose of capital markets includes sustainability – and central to achieving sustainability is peace.

Thank you.