

# Climate Change: an investors perspective

Poppy Allonby, December 2021

# How do investors think about climate change?

- Fiduciary duty
- Investment risk
- Investment opportunity
- Moral priority/values driven
- Challenge

**“As fiduciaries, we must mitigate the tremendous systematic risk that climate change poses to our pension funds...”**

New York City Comptroller Scott Singer, October 2021

**“There is a growing recognition that increasingly materialising climate change risks need to be seriously considered when investing.”**

Miyazono Masataka, President of GPIF, October 2021

**“Climate risk is investment risk”**

**If no action is taken to mitigate climate change “....we estimate a cumulative loss in global output of nearly 25% in next two decades...”**

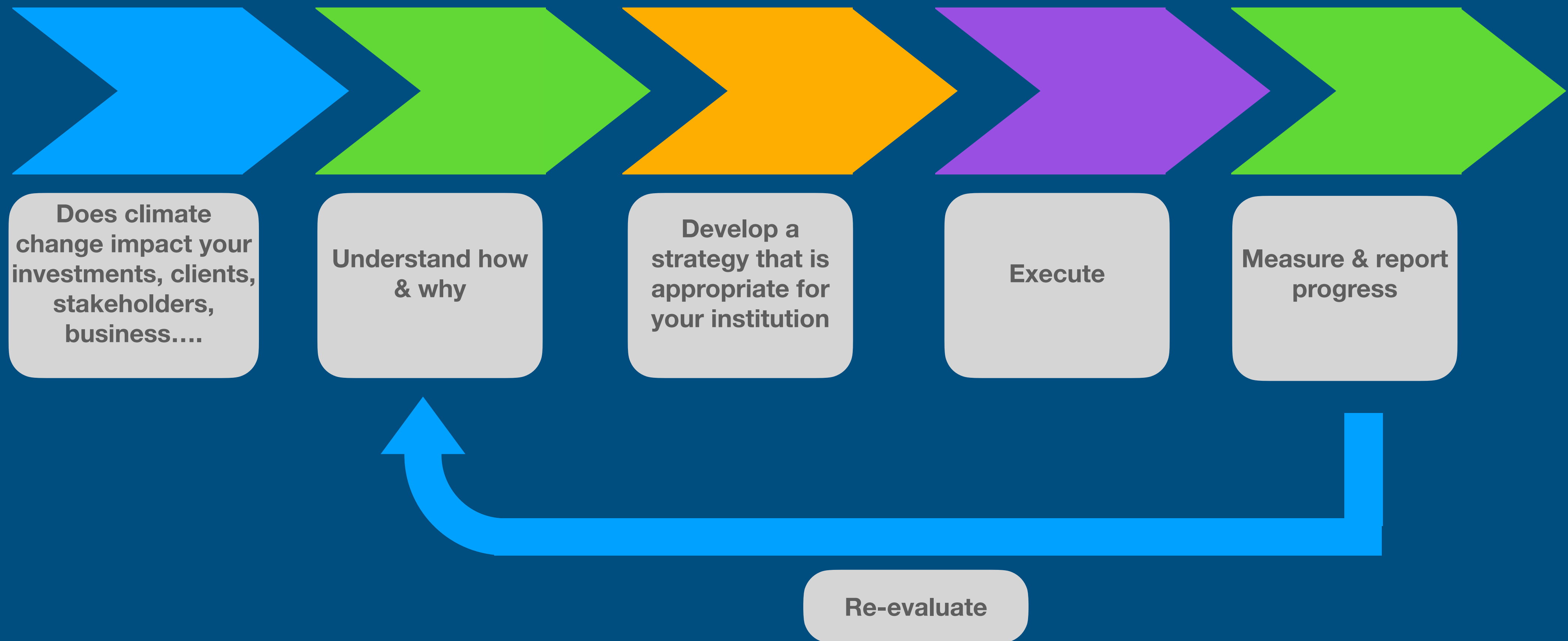
BlackRock February 2021

## Sources:

Launching climate aware asset class return expectations, BlackRock Investment Institute February 2021 <https://www.blackrock.com/us/individual/literature/whitepaper/climate-aware-investing.pdf>  
[https://www.gpif.go.jp/en/investment/esg/gpif\\_publishes\\_the\\_analysis\\_of\\_climatechange-related\\_risks\\_and\\_opportunitiesin\\_the\\_gpif\\_portfolio2020.html](https://www.gpif.go.jp/en/investment/esg/gpif_publishes_the_analysis_of_climatechange-related_risks_and_opportunitiesin_the_gpif_portfolio2020.html)  
<https://www1.nyc.gov/office-of-the-mayor/news/702-21/mayor-de-blasio-comptroller-stringer-trustees-commitment-achieve-net-zero>

# Investors are at different stages in considering climate change in their investment decisions

Varies by institution, geography and asset class

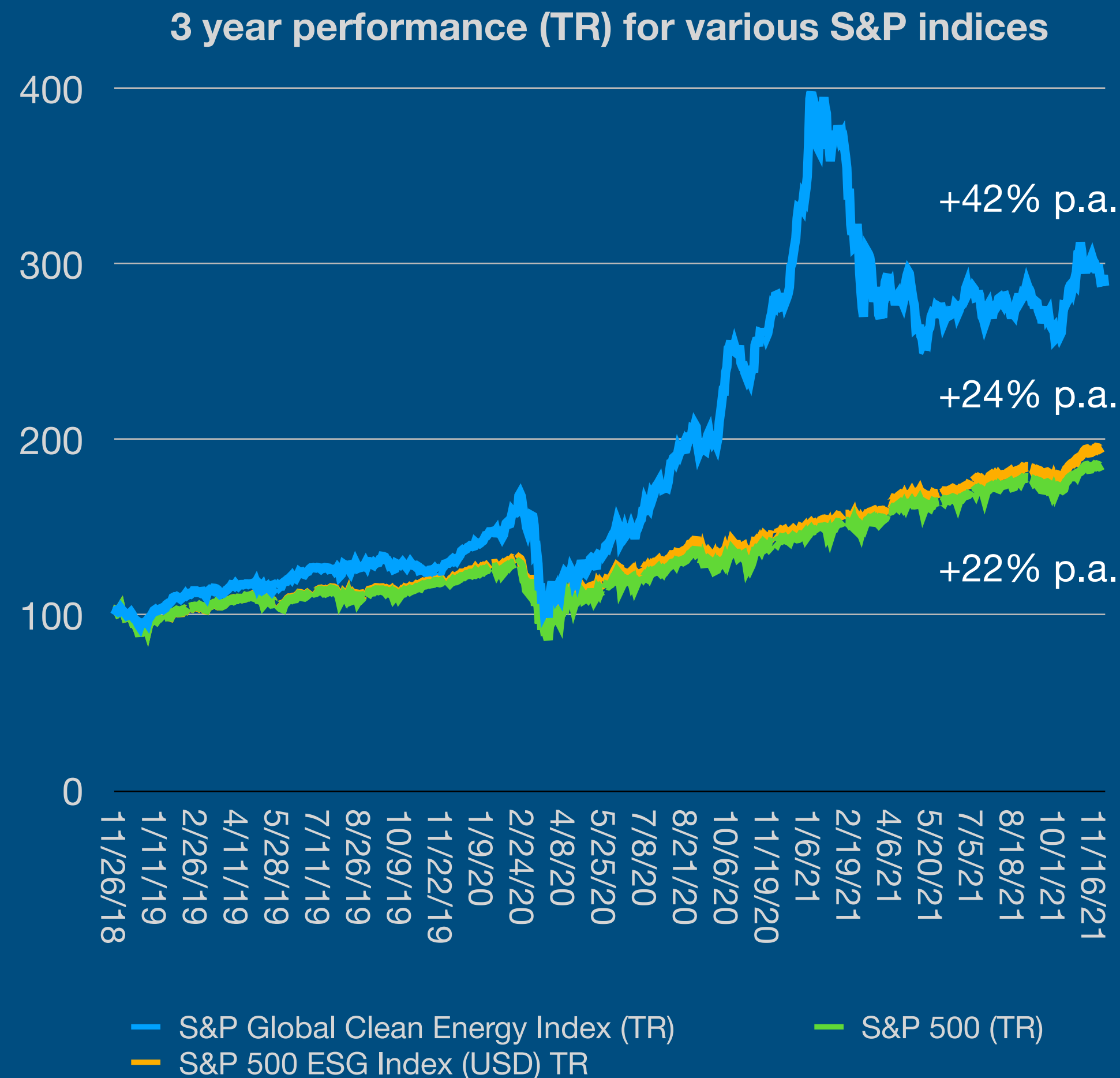


# What can investors do?

There are a number of ways for investors to consider climate change in their decisions



# Recently, sustainable funds have performed well..... and are attracting capital



According to UBS Investor Sentiment Survey: over three quarters of investors expect sustainable investing returns to match or exceed traditional investing returns

UBS Investor Sentiment Survey, 3Q21

According to Morningstar data, in the 12M to the end Oct, funds with sustainability mandates gathered \$75bn in assets (US fund flows) - more than 50% of total flows

Morningstar October 2021 US Fund Flows Commentary

Respondents plan to double their sustainable assets under management in the next 5 years - rising from 18% of AUM on average today to 37% on average by 2025

BlackRock 2020 Global Sustainable Investing Survey

Sources:

Graph data: [www.spglobal.com](http://www.spglobal.com) 12 months to the 26th November 2021

<https://www.ubs.com/global/en/media/display-page-ndp/en-20211027-investor-sentiment-survey.html?caasID=CAAS-ActivityStream>

<https://www.morningstar.com/lp/fund-flows-direct>

<https://www.blackrock.com/corporate/literature/publication/blackrock-sustainability-survey.pdf>



# Collaboration, corporate engagement & voting engagement are making an impact



**Collaboration: Climate Action 100+**



**Voting: Exxon Proxy Contest**



**Glasgow Financial Alliance  
for Net Zero**



# A number of challenges face investors

Data quality / lack of formalised methodology

Improving

Lack on investment products (at scale)

Improving

Varying regulatory frameworks

Improving/Need to  
accept

Investment in emerging & developing economies

Challenged

# What are investors asking for?

Investors have different perspectives but there are some common requests

- Increased disclosure and transparency
- Net zero aligned business plans
- Carbon pricing
- Country and/or industry level roadmaps
- Private-public partnerships/risk sharing in emerging and developing economies



# What might we expect going forward?



**Natural capital & biodiversity**



**Shareholder activism / active ownership**



**Increased focus on private assets**