Climate Change: an investors perspective
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:
Investors are at different stages in considering climate change in their investment decisions

Varies by institution, geography and asset class

- Does climate change impact your investments, clients, stakeholders, business....
- Understand how & why
- Develop a strategy that is appropriate for your institution
- Execute
- Measure & report progress
- Re-evaluate
What can investors do?

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

- Divestment & Exclusions
- Climate solutions / sustainable investments
- Integration
- Manager selection
- Engagement & voting
- Collaboration & advocacy
- Measurement
- Risk assessments
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.

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.

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

Collaboration: Climate Action 100+

Voting: Exxon Proxy Contest

Glasgow Financial Alliance for Net Zero

Source: Images from Shutterstock
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

Source: Images from Shutterstock