



ACTION POINTS: INVESTORS AND CLIMATE CHANGE

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10 Action Points

- 1 **Property portfolio:** identify climate risks, and risk mitigation measures
- 2 **Company Engagement:** dialogue with companies on climate risks and strategy.
- 3 **Statement of Good practice:** on managing climate change for companies.
- 4 **Brokers:** persuading to research climate risks
- 5 **Asset allocation:** consider sector weightings, pro-climate investments



Actions points

- 6 Investor awareness:** raise through training and seminars
- 7 Statement on climate change,** as investment policy or other statements
- 8 Engage in policy debate,** at a macro level
- 9 Policies for low carbon investment**
- 10 A multi-investor initiative.**



AP10: A multi-investor initiative.

- Has been established:
IIGCC - the Institutional Investors Group on Climate Change
- 12 members, representing € 600 bn
- Held a number of meetings,
- Looking to formalise structure, funding.



IIGCC

- Four Work Streams
 - Property(Action Point 1)
 - Company engagement (AP 2&3)
 - Policy: (AP 8&9)
 - Investor Engagement (AP 4,5,6 & 7)



AP1: Property portfolio

- Significant support
 - from those with property holdings (3 of 12)
- Developing business case:
 - focus on need to “future proof” investments
- Planning a seminar
- Collaborating to reduce energy use in shopping centres (with BRC and others)



AP2: Company Engagement

- Substantial activity
 - Much in partnership with / outside of IIGCC
 - Carbon Disclosure Project
- IIGCC met with companies in water & retail sectors (2 in each)
 - next: aviation & mining
- Many investors engaging on CC
 - Notably ExxonMobil, but also others



AP3: Statement of Good Practice.

- Limited progress
- One aim of engagement process is to produce guidance
- At present, mostly linked to other initiatives
 - e.g. ABI guidelines on social and environmental disclosure.



AP4: Brokers

- Some brokers starting to look at CC
- IIGCC requested reports looking at climate change impacts in key sectors
 - Dresdner doing aviation
 - HSBC doing Mining
- Will use as tool for engagement
- Still scope for further activity.



AP5: Asset allocation

- One of the more controversial areas.
- Limited activity so far
- Need analytical development - greater understanding of risks
- Recently, alternative energy investments have faired poorly.
- CERES considering a study in this area.



AP6: Investor awareness

- Some activity
 - Seeking new members
- USS representing IIGCC at Swiss-Re conferences in US and Switzerland
- Planning conference for new year



AP7: Statement on climate change

Mixed response:

- IIGCC has statement
- USS doing as part of generic position based on OECD guidelines, rather than explicit CC focus
- Henderson's SRI Climate Change Position Paper



AP8: Macro Policy

- A controversial area
- Focus bringing IIGCC to the attention of policy makers and vice versa
- Planning seminar
- IIGCC responded to one consultation on Water resources
- USS responded to Energy White Paper



AP9: Policies for low carbon investment

- Limited activity as part of IIGCC,
- UK's Carbon Trust starting to consult with investors



Overview

- Mixed progress on action points
 - Good: 1,2,10
 - Some: 4,6,7,8
 - Limited 3,5,9
- Constrained by resources?
 - And other priorities



Overview (cont)

- Built on strengths of UK SRI community
 - Engagement & Dialogue
- Avoiding technical areas -
 - need more understanding
 - and greater resources
- To date UK focused



Challenges

- Are investors moving fast enough on CC?
- Still many investors sceptical or ignorant of climate change risks
- Climate risk analysis tools weak
- Much remains to be done.



Case Study

- UK Listing of Xstrata - a coal company
- Exposed limits in regulation
 - limited disclosure of climate change risk
- And of asset allocation by investors
 - € 1350 in one high climate risk investment!
 - more than in pro-climate investment?
 - and they have lost money on it!



Moving Forward

- Still early days for the IIGCC
- Keep to expand and develop
- Europe a priority
 - CC a global issue
 - Pan-European companies
 - European policy important
- **Welcomes new members!**



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