

Published: 12 August 2013

Investor group report: climate change a 'material risk'

A Global Investor Coalition on Climate Change (GIC) has just published a report detailing the investment practices of asset managers and asset owners such as pension funds, relating to climate change.



Credit: ricardoinfante/istockphoto

The report details the results of the third global survey of investment practices, based on responses from 37 asset owners and 47 asset managers with collective assets totalling more than US\$14 trillion.

The results show that a majority of investors view climate change as a material risk and as a consequence have retained, and in many cases advanced, their commitment to addressing climate change in their investment activities. This is despite wider economic challenges and continuing policy uncertainty.

Assessments of climate risk are directly influencing investment decisions. Fifty-three per cent of asset managers said that they decided to divest or not invest in listed equities based on climate change concerns, and a majority of asset owners (69 per cent) said that climate change integration influenced their fund manager decisions in 2012. This was a marked increase on the 43 per cent who declared the same last year.

An increasing number of asset owners – 63 per cent – also said they are monitoring their existing asset managers on how they integrate climate change into their investment processes. This is a 10 per cent increase on last year. A majority have conducted formal or informal climate risk assessments of their portfolios.

Despite encouraging signs of progress in the assessment of both low carbon and emission intensive exposures, investors face a

number of challenges. These include a lack of clarity on which investments should be measured; patchy carbon signals; limited data, particularly for fixed interest investments and inadequate company disclosures.

Stephanie Pfeifer, Chief Executive of the European [Institutional Investors Group on Climate Change](#), said: 'There are some extremely encouraging findings in this year's report. Despite the wider economic challenges, climate change is firmly established as a material risk for investors, and their assessment of climate risk is shifting investment decisions.'

'However, investors still face many challenges, not least the on-going policy uncertainty which continues to make measuring long term climate risk and emissions exposure difficult. While clear policy signals do much to help investors measure this risk, the report shows that investors are making progress in the absence of these signals and should continue to do so.'

Nathan Fabian, Chief Executive of the Australia & New Zealand-based [Investor Group on Climate Change](#) said: 'We are now at a stage where investment practice and climate policy will need to move together to address climate change risk.'

'Policy will improve, but policy certainty will remain elusive. That is why aligning investment practice with the underlying risks of climate change is so important.'

In December 2012, the four regional climate change investor groups, IIGCC (Europe), INCR (North America), IGCC (Australia & New Zealand) and AIGCC (Asia) formed the [Global Investor Coalition on Climate Change \(GIC\)](#). The aim was to provide a global platform for dialogue between investors and governments on policy and investment practice related to climate change.

Source: GIC

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