

NEWS RELEASE

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CLIMATE CHANGE INVESTOR GROUPS PUBLISH REPORT ON GLOBAL INVESTOR PRACTICES RELATING TO CLIMATE CHANGE

Majority consider climate change a material investment risk/opportunity and incorporate climate change risk assessments into their existing investments; public policy a key driver of investment decisions

The Institutional Investors Group on Climate Change (“IIGCC”), the North American Investor Network on Climate Risk (“INCR”) and Australia/New Zealand Investor Group on Climate Change (“IGCC”) have today jointly published a report detailing the investment practices of asset managers, such as primary fund managers, and asset owners, such as pension funds, towards climate change issues.

Conducted by Mercer, the report is based on survey responses from 44 asset owners and 46 asset managers with collective assets totalling more than \$12trillion. The results show that asset owners and asset managers understand the importance of addressing climate change through their investment practices and are making significant progress in a variety of areas. The majority of investors view climate change as a material investment risk/opportunity and almost all respondents report on their climate change related activities.

However the results also show that there is a significant variation in progress regionally, with US investors continuing to lag behind their counterparts in Europe, Australia and New Zealand.

As a result of stronger climate policy in the EU, specifically in relation to carbon pricing and renewable energy policy, there is greater integration of climate change across the portfolio from European investors. In Australia the lack of carbon pricing system and a less certain regulatory environment is a concern, although there is an increasing focus from investors on policy advocacy and addressing the physical impacts of climate change. In the US the lack of coherent climate policy means investors are focused on engaging with companies, particularly with regards to improving disclosure, rather than integrating climate change into valuations or actively encouraging investment managers to do so.

In addition to climate policy, demand from pension funds will remain a key driver for changes in the investment practices of asset managers. While over three quarters of asset owners (77%) consider whether potential fund managers integrate climate change in their investment processes there is still little in the way of contractual requirements, with only a minority of asset owners (18%) having developed a formal process to assess prospective managers’ climate efforts.

Ole Beier Sørensen, Chairman of the IIGCC and head of research and strategy at the Danish pension fund ATP, said:

“It is encouraging that climate change is becoming a more strategic issue with the majority of asset owners and asset managers. They increasingly view climate change as a material investment risk/opportunity. However, to address the risks and opportunities arising from climate change, investors must have the tools to take meaningful action.

More than anything investors need stable and transparent policy frameworks which provide clarity and certainty. A number of countries and regions are moving in the right direction, but

there is still a long way to go. Policy makers need to remove barriers to low carbon investment and they need to create a relatively predictable price on carbon.”

Other key findings:

- Listed equity continues to be the asset class for which investors consider climate change issues most frequently. There continues to be a lack of analysis of climate change issues for investments in hedge funds, government bonds and commodities.
- Over half of investors surveyed invest in funds focused on climate change, with a further 15% of asset managers and 45% of asset owners considering an allocation to thematic investments over the next few years.
- The integration of climate change risk and opportunity is taking place where a carbon pricing system and firm policy measures are in place, while allocations to thematic climate change investments remain at a low level.
- Despite private equity investors actively assessing climate change policy, there is very little monitoring of such issues at a portfolio level. During 2010 only 38% of GPs reported on how climate change-related investment risks and opportunities are addressed within private equity portfolios.

Mindy Lubber, Director of INCR and President of Ceres, said:

“US investors have strongly advocated for robust climate policies, and they have succeeded in getting the U.S. Securities and Exchange Commission to issue ground-breaking climate risk disclosure requirements for companies. But their climate-related investment practices, in most cases, trail their international peers, and this will be a key focus for INCR in the coming months.”

Frank Pegan, Chairman, IGCC Australia/New Zealand, commented:

“It is extremely difficult for investors to make allocations at scale to low-carbon assets while policy settings are fragmented or short term in nature. We will strive to make thematic allocations but reallocation of substantial investment to the low-carbon economy requires policy makers to step up with certain and long term investment signals.”

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NOTES TO EDITORS

About the Institutional Investors Group on Climate Change (IIGCC)

The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. The group’s objective is to catalyse greater investment in a low carbon economy by bringing investors together to use their collective

influence with companies, policymakers and investors. The group currently has 72 members, representing assets of around €6.5trillion.

In detail, the IIGCC's objectives are to: 1. encourage a pro-active approach amongst asset owners and asset managers on climate change; 2. improve company disclosure/performance on climate change; 3. encourage public policy solutions that ensure a move to a low carbon economy and which are consistent with long-term investment objectives.

For further information visit www.iigcc.org

About the Investor Network on Climate Risk (INCR)

The Investor Network on Climate Risk (INCR) supports 100 institutional investors with assets exceeding \$10 trillion in addressing the financial risks and investment opportunities associated with climate change. INCR works with its members on climate-related investment practices, corporate engagement, corporate disclosure and policy issues.

INCR is coordinated by Ceres, a US-based coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges including climate change and water scarcity.

Launched by 10 investors in 2003 at the first Investor Summit on Climate Risk hosted by Ceres at the United Nations, INCR has grown to include leading North American institutional investors. It works to shape responsible investment practices among state and city treasurers and comptrollers, public and labour pension funds, foundations, other institutional investors and a wide range of asset managers.

For further information visit www.incr.com

About the Investor Group on Climate Change (IGCC)

The IGCC represents institutional investors, with total funds under management of approximately \$700 billion, and others in the investment community interested in the impact of climate change on investments. IGCC's 60 members aim to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuants and unit holders. We also aim to:

- Raise awareness of the potential impacts, both positive and negative, resulting from climate change to the investment industry, corporate, government and community sectors;
- Encourage best practices approaches to facilitate the inclusion of the impacts of climate change in investment analysis by the investment industry; and
- Provide information to assist the investment industry to understand and incorporate climate change into the investment decision.

For further information visit www.igcc.org.au