

## INVESTMENT ATTITUDE TOWARDS CLIMATE CHANGE BECOMES KEY TO ASSET MANAGER SELECTION PROCESS

### *IIGCC releases annual report on investor actions relating to climate change*

**7<sup>th</sup> June 2010, London:** The number of asset owners considering investors' climate change policies as key to selection has doubled since 2007, according to a report released today by the Institutional Investors Group on Climate Change ("IIGCC"), the European investors' forum for collaboration on climate change.

The survey, conducted by Mercer, interviewed asset managers and asset owners regarding their actions on climate change during 2009. According to the findings, which are outlined in the *Investor Statement on Climate Change Report 2009*, 60% of asset owners asked climate change related questions when meeting with potential managers in 2009, compared to 30% in 2007. In addition, 70% commissioned or supported climate change research, compared to 45% in 2008.

Despite this progress however, there has been limited integration of climate change into Investment Manager Agreements, with only 20% doing so in 2009. There is also less attention applied to climate change in manager selection exercises carried out by consultants. The proportion of asset owners who asked their consultants to consider climate change when short listing fund managers fell from 30% in 2008 to 15% in 2009.

Ole Beier Sørensen, the new Chairman of IIGCC, who is Chief of Research and Strategy at ATP, comments: *"The fact that asset owners now question their asset managers about their climate change policies prior to making a selection is a clear signal of increased awareness on climate change in the investment community. This progress will be further strengthened if attention to climate change is applied throughout the decision-making process, from investment manager selection to Investment Manager Agreements."*

The report also found that the majority of institutions surveyed are continuing to prioritise climate change in their investment strategy, with 80% of those investors referencing climate change in their investment policies or belief statements. The same proportion are actively engaging with companies on issues related to climate change, including on improvements in disclosure, integrating climate change into product design and operations and incorporating climate change issues into business strategies.

In addition, 75% of these investors now also engage with companies on setting policy commitments on climate change, including absolute carbon emission reduction targets.

The report also found that a lack of high quality and comparable disclosures from companies regarding their climate change policies, combined with insufficient climate change research across a sufficiently wide range of sectors, is hampering integration of climate change issues into investment analysis. Investor focus on climate change is confined to a limited number of asset classes, including public equities and properties, while it is not yet widely considered for fixed income or hedge funds. In 2009, 90% of investors considered the impact of climate change in relation to equity and property investments, while 80% looked at infrastructure investments and 70% private equity. However, only 20% of investors applied the equivalent analysis of climate change issues to government bonds and hedge funds.

The report also stressed that, in the absence of a binding international agreement, there is an ongoing need for collaboration to engage with decision makers to drive policy development at national and regional levels, which will encourage further integration of climate change issues into investment decisions and strengthen climate related investment.

David Russell, Co-Head of Responsible Investment at USS comments: *“Investors are taking account of climate change where there is a price on carbon and where there are clear regulatory incentives, such as government support for renewable energy. However, climate change issues are largely not integrated when policy does not make the issue material, when there are uncertainties surrounding climate change policy and when the long-term nature of many physical climate change impacts means that they are outside current investment horizons.”*

**- ENDS -**

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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 58 members, representing assets of around €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.

This is the second annual report considering the actions taken on climate change by signatories to the Investor Statement on Climate Change. The Statement was launched by the Institutional Investors Group on Climate Change (IIGCC) in 2006 and by the end of 2009 had been signed by 26 institutional investors, pension funds and asset managers.

The statement is designed to provide an industry benchmark on progress regarding the consideration of climate change issues and allows signatories to share best practice and gauge their performance against peers. The IIGCC Investor Statement Report 2009 can be found at [www.iigcc.org](http://www.iigcc.org).

### IIGCC Membership, May 2009

Alfred Berg	Earth Capital Partners	London Pensions Fund Authority
Amundi	Environment Agency Pension Fund	Merseyside Pension Fund
APG Asset Management	Environmental Technologies Fund	Northern Trust
ATP	Ethos Foundation	PGGM Investments
Aviva Investors	F&C Management Ltd	PRUPIM
Baptist Union of Great Britain	Generation Investment Management LLP	Robeco
BBC Pension Trust	Good Energies	Schroders
Bedfordshire Pension Fund	Greater Manchester Pension Fund	South Yorkshire Pensions Authority
BlackRock	Grosvenor Fund Management	The Church of England Pensions Board
BMS World Mission	Henderson Global Investors	The Church in Wales
BNP Paribas Investment Partners	Hermes	The Roman Catholic Diocese of Plymouth
BTPS	HgCapital	The Roman Catholic Diocese of Portsmouth
CB Richard Ellis Investors	HSBC Investments	The Roman Catholic Diocese of Salford
CCLA Investment Management	Impax Asset Management	United Reformed Church
Central Finance Board of the Methodist Church	Insight Investment	Universities Superannuation Scheme
Church Commissioners for England	Invicta Capital	West Midlands Metropolitan Authorities
Climate Change Capital	Joseph Rowntree Charitable Trust	Pension Fund
Co-operative Asset Management	Kent County Council Pension Fund	West Yorkshire Pension Fund
Corporation of London Pension Fund	London Borough of Hounslow Pension Fund	William Leech Charitable Trust
	London Borough of Islington Pension Fund	
	London Borough of Newham Pension Fund	