



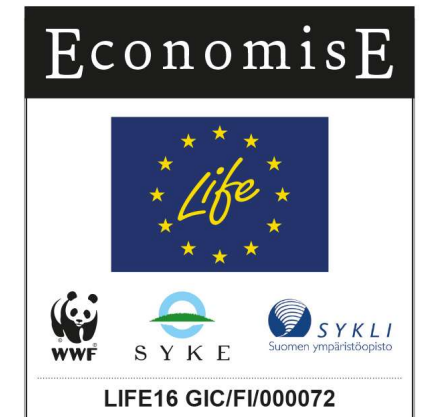
# EU LIFE EconomisE

Value for money: unlocking the investment potential for resilient low-carbon Finnish building stock

EconomisE



LIFE16 GIC/FI/000072



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# TOPLINE RECOMMENDATIONS - WWF CLIMATE GUIDE TO ASSET OWNERS: ALIGNING INVESTMENT PORTFOLIOS WITH THE PARIS AGREEMENT



# Learning and seeking advice

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# 1. Assess the evidence of climate-related financial risks and opportunities

- Asset owners are recommended to assess the evidence of climate-related financial risks and opportunities: extensive research shows these to be significant and multi-faceted, across all asset classes and all the time frames





## 2. Use tools to measure portfolio climate risks and portfolio alignment with climate goals

- Asset owners are recommended to measure and publish both the climate risk exposure and the climate alignment of their portfolio, using a few available complementary tools enabling forward-looking climate scenario analysis at portfolio level.





### 3. Assess the regulatory and policy context and ensure TCFD-aligned reporting

- The asset owners are recommended to anticipate regulatory obligations to assess climate-related financial risks and opportunities and climate alignment of portfolio: to prepare for this, asset owners should implement the TCFD recommendations as from the 2018 reporting cycle





# Decision-making

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## 4. Adopt climate-related investment beliefs

- Asset owners are recommended to formulate climate-related investment beliefs which recognise that portfolio alignment with the Paris Agreement will contribute to investing in the best interests of members and beneficiaries and therefore fulfil asset owners' fiduciary duties.







## 5. Establish a climate governance structure

- Asset owners are recommended to make portfolio alignment with the Paris Agreement a Board priority – including explicit attribution of this responsibility within the Board – and put governance structures in place that ensure proper support and implementation of the policy – including incentive schemes, commitment of resources, capacity building and involvement of members and beneficiaries.





## 6. Integrate climate change in investment policy

- Asset owners are recommended to adopt an investment policy that reflects and implements their climate-related investment beliefs – including investment targets, strategic assets allocation, engagement objectives, selection criteria and incentives for all service providers, and performance measurement and reporting.





## 7. Adjust strategic asset allocation to harness climate-related opportunities

- Asset owners are recommended to include climate risks and opportunities in strategic asset allocation (SAA), including increasing their exposure where feasible to alternative asset classes that are more likely to have direct positive climate impact on the real economy.





## 8. Adopt sector-specific policies

- Asset owners are recommended to extend their investment policy to address sectors and technologies that pose particular climate-related risks or offer particular opportunities, and actively follow-up on the implementation of these policies, notably by increasing scrutiny on investment managers.





## Develop tools and metrics to set climate science based targets

- Asset owners are recommended to publicly commit to align their investment portfolios with the Paris Agreement, actively contribute to the development of tools that enable setting climate-science based targets, and commit to setting such targets, and commit to setting such targets per asset class as these tools become available.

**PRIORITY**





# Monitoring service providers and engaging with key stakeholders

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## 10. Work collectively with other institutional investors

- Asset owners are recommended to work collectively (through investor coalitions) with other asset owners to learn, seek advice, share best practice and, most importantly, increase the impact of engagement activities with investment managers, portfolio companies and policy maker. Asset owners should, moreover, drive coalitions to promote the alignment of portfolios with the Paris Agreement.





## 11. Closely monitor investment managers

- Asset owners are recommended to require internal and external investment managers to address climate-related risks and opportunities – notably by requiring investment managers in new requests for proposals to align mandated portfolios with the Paris Agreement; to amend existing mandates; to forcefully engage with high carbon portfolio companies and align proxy voting with the climatic objectives of the asset owners; to deliver TCDF-aligned reporting; and to adjust remuneration accordingly. Asset owners should publicly signal these requirements to create market demand and increase impact.







## 12. Closely monitor other service providers

- Asset owners are recommended to ensure that all service providers – most notably investment consultants, index providers, proxy voting advisors – address climate-related risks and opportunities and adapt their core services so that they align with the Paris Agreement. Asset owners should publicly signal their climate-related requirements for all service providers to urge the service providers to act in order to avert a potential devaluation of their reputational capital





## 13. Engage forcefully with portfolio companies

- Asset owners are recommended to develop an assertive engagement strategy to ensure that high-carbon portfolio companies, in the very near term, publish time-bound well below 2°C transition plans and science-based targets, and deliver TCFD-aligned reporting. For most asset owners this will mean acting in collaboration with like-minded peers and investment managers.
- Asset owners should either escalate engagement to more public and more assertive strategies or reduce/ remove exposures to high carbon companies if engagement efforts do not result in targeted companies publishing credible targets and transition plans in a timely fashion, and require investment managers to act accordingly.





## 14. Engage forcefully with policy makers

- Asset owners are recommended to engage with policy makers to ask for climate and energy policies and regulations that drive a timely implementation of the Paris Agreement, for adequate climate and wider ESG corporate disclosure policies and regulations, and for financial policies and regulations that drive better understanding of climate-related risks and opportunities for financial institutions.





## 15. Engage with members and beneficiaries

- Asset owners are recommended to ensure they have a sound understanding of the broad range of long-term sustainability interests and preferences of their members and beneficiaries (notably on climate change), incorporate such preferences in their investment policy, and disclose how such preferences were considered.





# The following recommendations are based on the WWF Recommendations for Asset Owners published in 2017



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