INVESTING FOR A CLIMATE RESILIENT NET ZERO EMISSIONS ECONOMY

IGCC IN 2022

Investor Group on Climate Change
CONTENTS

IGCC in 2022 ........................................... 1
THE WAY FORWARD ................................. 2
WHO WE ARE .......................................... 2
WHAT WE HOPE TO ACHIEVE ................. 2
HOW WE ARE GOING TO GET THERE ....... 2
The IGCC ATLAS: 2019 to 2022 .................. 3
GETTING INTO DETAIL .............................. 5
  ADVOCATING FOR STRONG POLICY ......... 5
  CATALYSING NET ZERO INVESTMENT ...... 6
  BUILDING RESILIENCE ......................... 7
  INFLUENCING THE REAL ECONOMY ....... 8
  MOBILISING INVESTORS IN ASIA .......... 9
ACTING THROUGH INVESTOR COLLABORATION 10
INTERNATIONAL COLLABORATION .......... 11
A WELL GOVERNED ORGANISATION DELIVERING FOR MEMBERS 12
IGCC IN 2022

The Investor Group on Climate Change was established in 2005 by ten founding investors, born from a desire to better understand the investment implications of climate change. Since then, the costs, the risks and the impacts of climate change itself have all become more acute. But so too have the potential opportunities become clearer.

Today, with more than 70 members representing over $2 trillion in assets under management, the role that IGCC plays in working with institutional investors on climate change continues to become more important with each year that passes.

The Paris Agreement has provided the international framework and the market signal needed to spur transformative change across the global economy, with flow through implications for Australia, New Zealand and all markets globally. Australia and New Zealand, alongside 185 other nations, have ratified the Paris Agreement and committed to meet the goal of limiting global warming to less than 2°C and hopefully to 1.5°C. This means, we must achieve a net zero emissions economy by 2050.

But the national policies needed to deliver on the promise of Paris remain elusive and there is more work to be done.

And even as we scale up the global transition to net zero emissions, the physical risks and impacts of climate change are increasingly being felt. Deploying more capital into adaptation and building resilience to climate change demands the rapid development of risk management tools and investment solutions required to future-proof assets, portfolios and our communities.

Collaboration is the key to success. Working across industry, with our peers globally and in the region will get us there. But investors must play our part.

This document sets out what IGCC, our members and our partners hope to achieve over the period 2019 to 2022. It is our strategic plan and a roadmap for action and we look to be held accountable to the goals and aspirations we have for IGCC in 2022.

We look forward to working with all of you in achieving a climate resilient and net zero emissions economy.

Emma Herd
CEO

Stephen Dunne
Chair

June 2019
Who we are
The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. The IGCC represents investors with total funds under management of over $2 trillion. IGCC members cover over 7.5 million people in Australia and New Zealand.

What we hope to achieve

IGCC VISION
A climate resilient net zero emissions economy by 2050.

How we are going to get there

IGCC MISSION
We will catalyse investor action on climate change to avoid dangerous global warming, responsibly manage long term risks and drive sustainable returns for investors and the beneficiaries they represent.

Article 2 and Article 4 of the Paris Agreement set out the goals of limiting global warming to <2°C and moving towards 1.5°C, which will require a shift to net zero emissions by 2050.
THE IGCC ATLAS: 2019 TO 2022

As an investor based organisation our role is to work with our members to pursue better outcomes on climate change policy and investor practice.

The landscape in Australia is changing, removing some of the barriers (real or perceived) for greater action, even as the policy environment remains challenging. New Zealand is seeing significant policy progress.

International momentum is moving firmly towards increased ambition on climate change, both in terms of urgency on the need for action as well as the policy and market response.

International investor collaboration has also grown substantively in recent years through projects such as the Climate Action 100+ and The Investor Agenda. Support for the re-establishment of the Asia Investor Group on Climate Change (AIGCC) gives us a regional presence in Asia.

There is more investor appetite for ambitious action on climate change, translating to greater IGCC member support for driving outcomes.

Over the period 2019 to 2022, we will pursue outcomes in five areas of strategic focus, supported by clear measurable goals for 2022. We will work closely with our members to ensure that the investment industry plays its part in acting on climate change.
FIVE AREAS OF INVESTOR FOCUS TO DELIVER CLIMATE IMPACT

1. Advocating for strong policy
2. CATALYSING NET ZERO INVESTMENT
3. BUILDING RESILIENCE
4. INFLUENCING THE REAL ECONOMY
5. MOBILISING INVESTORS IN ASIA
The Paris Agreement is designed to be durable, long-term and to ratchet up action over time to limit global warming to less than 2°C and move towards 1.5°C. It also sends a long-term investment signal to the market.

However, there is currently a gap between the objectives of the Paris Agreement and the domestic action governments around the world are taking. This is of concern to long-term investors because climate change risks significant impacts on the economy and the financial system.

IGCC and its members have a critical role to play in advocating for credible and effective policies to help deliver a climate resilient net zero emissions economy by 2050.

**The impact we want to have**

Australian and New Zealand governments and regulators implement mitigation and adaptation policies to achieve Paris aligned 2030 and 2050 goals and a resilient economy.

**How do we measure success?**

**Implement and pursue the 2019-2022 IGCC Policy Priorities**

- Australian and New Zealand governments update 2030 targets in line with the objectives of the Paris Agreement.
- Australian and New Zealand governments develop and submit 2050 strategies in line with the objectives of the Paris Agreement.
- Australian and New Zealand governments develop policies consistent with the ‘IGCC Policy Priorities’ which support delivery of the objectives of the Paris Agreement.
- Australian and New Zealand governments develop national adaptation and resilience responses.

**IGCC is the leading investor voice on climate change in policy and media**

- Increase IGCC messaging in influential media.
- Support IGCC members to amplify climate-related messaging and advocacy.
Low carbon climate resilient infrastructure will be a defining investment theme of the 21st century. For investors, finding and backing green infrastructure projects that generate strong, stable and sustainable returns remains challenging, but is critical for tackling climate change. Developing the real-world solutions which unlock capital and embed low carbon at the heart of investment decisions requires the financial and corporate sectors to step up ambition and act.

Institutional investors also need to ‘walk the talk’ when it comes to reporting on climate-related risks and opportunities through frameworks like the Taskforce on Climate-related Financial Disclosures (TCFD).

Through our members, IGCC is able to encourage change across the investment industry by working with our members to step up their own climate change response.

The impact we want to have

Australian and New Zealand investors are implementing a climate change policy, developing a roadmap for implementation and reporting against the TCFD.

How do we measure success?

**Australian and New Zealand investors have a Climate Change Policy and Roadmap**

- All IGCC members will have in place or are committed to implementing a Climate Change Policy and Roadmap consistent with the goals of the Paris Agreement and framed by the TCFD, and are investing consistent with their policy.

**Australian and New Zealand investors are reporting against the TCFD**

- All IGCC members will have commenced or have committed to reporting against the TCFD.
Climate-related financial risks include both the financial costs and opportunities presented by transitioning to a net zero carbon economy, and the physical effects of climate change itself.

The effects of climate change are already being felt. Science tells us that, even if all of the commitments currently set under the Paris Agreement are implemented, the world is still on track for average global warming of about 3°C by 2100. This means more extreme weather, heat waves, flooding and increased certainty around the need to understand and manage for the future.

Climate science is undoubtedly complex, but sophisticated tools are rapidly emerging. IGCC will work with our members to encourage them to strengthen the resilience of infrastructure, the economy and the community to the physical effects of climate change through their investment practices.

The impact we want to have

Australian and New Zealand investors are integrating physical risk and building resilience into portfolio management.

How do we measure success?

Assessing physical risk

- All IGCC members have undertaken or committed to undertake an assessment of physical risks across their portfolio.

Building resilience

- All IGCC members have implemented or committed to implementing a portfolio-level response to increase resilience.
IGCC members are invested across the global economy and are part owners of most of Australia and New Zealand’s largest companies. As managers of retirement savings and pooled investments, investors are concerned with the evident and increasing impacts of climate change on the global and regional economies and the flow through impacts for investment returns.

Influencing company responses can be driven through a number of channels across the real economy, including direct company engagement and ongoing promotion of the Climate Action 100+, influencing industry associations and successfully developing Sustainable Finance Roadmaps to positively influence the wider finance value chain.

By working through these channels, we have the opportunity to drive climate change outcomes across the broader real economy.

The impact we want to have

Australian and New Zealand companies are reducing emissions, implementing a climate change policy, roadmap for implementation and disclosing outcomes against the TCFD.

How do we measure success?

The Climate Action 100+

- All Australian focus companies listed in the Climate Action 100+ are reducing emissions, implementing a climate change policy, roadmap for implementation and disclosing on outcomes against the TCFD consistent with the goals of the Paris Agreement.

- Global Climate Action 100+ company outcomes are amplified to influence company responses in Australia and New Zealand, including listed companies outside of the core focus list.

Lobbying and industry associations

- Engagement with priority Australian industry associations is scaled up to encourage constructive participation in the policy response to climate change.

Australian and New Zealand Sustainable Finance Roadmaps

- Sustainable Finance Roadmaps have been developed and are being implemented for Australia and New Zealand.
The action taken by nations across Asia in response to climate change will be critical in determining whether the world is able to meet the goals set out in the Paris Agreement. Many countries across the region have become a beacon for low carbon and clean energy investment. The region is also highly vulnerable to the effects of climate change itself.

In 2016, IGCC supported the re-establishment of the Asia Investor Group on Climate Change (AIGCC), supported by our partners in the Global Investor Coalition on Climate Change. Since then, the AIGCC membership and regional presence has grown rapidly as it responds to a burgeoning need from Asian investors for tools, resources and networks to help tackle climate change impacts and investor implications.

We will continue to promote cross-regional collaboration to realise investment opportunities and tackle climate risks across the Asia-Pacific.

The impact we want to have

Regional investors are collaborating and sharing knowledge, tools and resources to implement climate change strategies in Asia.

How do we measure success?

**Successful implementation of the AIGCC Business Plan for 2019-2022**

- Double the number of AIGCC members.
- Promote integration of climate change risks and opportunities into policy and portfolio decisions by AIGCC members and key institutional investors.
- Engagement with all Focus List companies AIGCC has responsibility for under the Climate Action 100+.
- Establish engagement with regulators to encourage company and investor disclosure aligned to the TCFD.

**AIGCC is a leading investor voice on climate change**

- Build an AIGCC investor policy and advocacy presence.
- Build an AIGCC presence in influential regional media.
Out network of investor-led Working Groups are an integral part of the Investor Group on Climate Change. They allow our members to actively participate in the setting of research and policy objectives for IGCC, while at the same time growing expertise and knowledge in key areas of investor practice.

To better support delivery of the IGCC 2022 Strategy, in 2019 we refreshed the structure and operation of the Working Groups to take ownership of the new strategic goals and identify research and projects to support delivery of our desired outcomes.

All Working Groups will report back to the full membership at least once a year on major activities and progress achieved. IGCC recognises that participation in the Working Groups is voluntary on the part of individual member representatives, and is grateful for the insights and expertise provided.
INTERNATIONAL COLLABORATION

Climate change is a global issue, with policy, transition and physical risks felt across all nations. In addition, investors are global in outlook and invest across a range of markets. Global investors have played a key role in ensuring that climate change is seen and addressed as fundamental to future economic development and prosperity.

The Global Investor Coalition on Climate Change (GIC)

IGCC works in partnership with a number of regional investor networks and organisations to engage with global policy makers and develop investor tools and resources for managing climate change.

The four regional climate change investor groups AIGCC (Asia), Ceres (North America), IGCC (Australia & New Zealand) and IIGCC (Europe) work collaboratively under the Global Investor Coalition on Climate Change (GIC).

Climate Action 100+

Australia and New Zealand’s biggest institutional investors have joined over 300 global investors with over US$33 trillion in assets under management to engage the world’s largest emitting companies to act on climate change.

Climate Action 100+ was launched by five investor organisations in Paris at the One Planet Summit in December 2017, hosted by President Macron. It is a major five-year project harnessing the weight and influence of global investors to engage the world’s largest greenhouse gas emitting companies on climate action.

IGCC supports regional investor participation in the Climate Action 100+ and is an active participant in the Global coordination of the project.

The Investor Agenda

The Investor Agenda calls on global investors to accelerate and scale up the actions that are critical to tackling climate change and achieving the goals of the Paris Agreement. It is a comprehensive agenda for investors to manage climate risks and capture low-carbon opportunities, and a mechanism to report on their progress in four key focus areas: Investment, Corporate Engagement, Investor Disclosure and Policy Advocacy.

The agenda has been developed by Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative.
A WELL GOVERNED ORGANISATION DELIVERING FOR MEMBERS

Ensuring that IGCC remains a well governed, responsible organisation delivering for our members is critical to ensuring delivery against our 2022 strategic objectives.

Over the past ten years, IGCC has grown steadily, increasing our membership base, the breadth of projects we undertake and our organisational footprint. We will continue to maintain a focus on good corporate governance and responsible organisational management.

In addition to the specific research and capacity building projects identified through the IGCC Working Groups, over the period 2019 to 2022 IGCC will undertake a number of core initiatives which will help to deliver outcomes across all areas of the strategy. This includes, for example, the biennial IGCC Summit.

We will implement more dedicated member activity tracking to ensure that IGCC members ‘walk the talk’ when it comes to climate change, and are implementing the policies, investment practices and frameworks necessary to support our strategic goals and effectively tackle climate change.

We will continue to ensure that the governance frameworks we have in place support an effective, financially responsible organisation meeting our members needs. Our annual financial accounts and a full report on the activities undertaken during the year are published in December each year in the IGCC Annual Report.

IGCC will continue to work with investors to ensure that they have the tools and resources they need to support achievement of the goals set under the Paris Agreement to limit global warming to less than 2°C and transition to a net zero emissions economy.