



## PRESS RELEASE

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## Global investors launch guide to drive engagement on climate risk with the automotive sector

Less than a week after the UN confirmed the Paris Agreement would come into effect on 04 November this year, a global network of more than 250 institutional investors (representing assets worth over \$24 Trn) has published a guide setting out the threats facing the automotive sector and investor expectations for how these companies must shift gear to adapt their business strategies to address climate related risk and build a sustainable low carbon transport system for the future.

Launching *Investor Expectations of Automotive Companies - Shifting gears to accelerate the transition to low carbon vehicles* Stephanie Pfeifer, CEO for European investor network IIGCC said, "This guide signals a new area of concerted engagement between big investors and one of the most significant sectors when it comes to tackling the climate challenge. As a consequence of the Paris Agreement, investors expect regulatory frameworks affecting the automotive sector to become far more stringent, not least those governing vehicle fuel performance standards in the EU and elsewhere. Several automotive companies have already recognised they must increase capital expenditure in sustainable driving technology and product pipelines if they are to develop a climate resilient business model. Likewise, that they must engage with policy makers to ensure sustainability is placed at the heart of the industry's future."

Commenting on the guide, [Dr Hans-Christoph Hirt, Co-Head of Hermes EOS](#), the stewardship team of Hermes Investment Management which led the drafting of the guide said, “Long-term investors want to ensure that automotive companies are prepared for the challenges stemming from climate change, new technologies, changing policies and shifts in demand caused by global trends. Investors expect the industry to embark upon a smoother route to future prosperity by developing and implementing long-term business strategies which are resilient to climate change and resulting regulatory shifts. Investors expect that such a strategy will feature board-level responsibility for climate change and sustainability, and emission reduction targets with challenging goals. Automotive companies should work together with policy makers to manage the shift to lower emissions vehicles and develop the new infrastructure required to deliver a sustainable low-carbon transport system.”

[Chris Davis, senior program director of the Ceres Investor Network on Climate Risk](#) said, “Strong fuel efficiency regulations are in the economic interest of the auto industry; acting as an insurance policy for automakers in the event of future fuel price spikes, and providing significant benefits to suppliers of fuel saving technologies. A growing number of institutional investors recognise that climate change will impact their holdings, portfolios, and asset values in the short and long-term. To achieve sustainable returns for clients and beneficiaries, investors in the automotive sector must engage to ensure companies are prepared to thrive in a carbon constrained environment and support robust policy action sufficient to drive the transition to clean vehicles.”

[Emma Herd, CEO at Investor Group on Climate Change and representing the Asia Investor Group on Climate Change](#) said, “Established automotive companies are highly exposed to competition from new entrants responding to growing consumer demand for cleaner vehicles and smart transport services. Consumer demand, combined with targeted government support, is already driving a shift to lower emission fleets in Japan, India, China and South Korea. Auto makers in all regions have significant challenges beyond simply producing cleaner cars, trucks or buses. To show they can act in the long-term interest of investors and beneficiaries they must drive wholesale change across their manufacturing base and through every part of their global supply chains to shrink the carbon footprint of the entire industry.”

## **About the guide**

*Investor Expectations of Automotive Companies - Shifting gears to accelerate the transition to low carbon vehicles* was developed by the Institutional Investors Group on Climate Change (IIGCC) with support from other investor networks in North America (Ceres’ INCR), Asia (AIGCC) and Australasia (IGCC) in the Global Investor Coalition ( <http://globalinvestorcoalition.org/> ). It is intended to be used in tandem with *Institutional Investors’ Expectations of Corporate Climate Risk Management* (<http://www.iigcc.org/publications/publication/institutional-investors-expectations-of-corporate-climate-risk-management> ) and is the latest in a series of sector focused guides produced to support investor engagement with key sectors to curb carbon asset and climate risk. It joins existing guides addressing engagement with [oil& gas](#), [mining](#), and [utilities](#) companies.

This guide is intended to enable investors to engage with the boards of automotive (and component supply) companies about their efforts to re-think their business models and contribute directly to the development of more sustainable driving technologies in order to mitigate long term climate change related risks. The expectations in the guide go further than suggesting automotive companies should support compliance with 2°C regulatory regime. They call on auto companies to:

- actively engage with suppliers, governments and industry peers to innovate for zero emissions vehicles and supporting infrastructure
- close the gap between real world and emissions testing
- pro-actively adjust their business models to incorporate a long-term strategy that includes decarbonisation and the shift to providing mobility services and maintaining competitive advantage over peers
- invest substantially in sustainable driving technologies and product pipelines
- set meaningful targets and metrics to reduce greenhouse gas emissions in operations, fleet and supply chain
- engage publicly with policy makers, investors and the rest of the sector to place sustainability at the heart of the industry's future.

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## Networks

The [Institutional Investors Group on Climate Change](#) is a forum for collaboration on climate change for investors. IIGCC's network includes 128 members, with some of the largest pension funds and asset managers in Europe, representing over €14 trillion in assets. IIGCC's mission is to provide investors a common voice to encourage public policies, investment practices and corporate behaviour which address long-term risks and opportunities associated with climate change. See [www.iigcc.org](http://www.iigcc.org) and [@iigccnews](#)

[Ceres](#) is a non-profit organisation mobilising many of the world's largest investors and companies to take stronger action on climate change, water scarcity and other global sustainability challenges. Ceres coordinates the [investor network on climate risk](#), a group of over 120 institutional investors managing over \$14 trillion assets focused on the business risks and opportunities of climate change. Ceres also engages with 100-plus companies, many of them fortune 500 firms, committed to sustainable business practices and the urgency for strong climate and clean energy policies. For more information, visit [www.ceres.org](http://www.ceres.org) and [@incrnews](#)

The [Investor Group on Climate Change](#) is a collaboration of over 65 Australian and New Zealand institutional investors and advisors, managing over \$1 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change. For further information, visit [www.igcc.org.au](http://www.igcc.org.au) and [@igcc\\_update](#)

The [Asia Investor Group on Climate Change](#) is an initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy. AIGCC represents the Asian perspective in the evolving global discussions on climate change and the transition to a greener economy. See [www.aigcc.net](http://www.aigcc.net) and [@aigcc\\_update](#)