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New survey finds investors continue to mainstream climate response as COVID-19 fails to dent progress

Australian and New Zealand investors are increasingly mainstreaming their climate change responses by applying dedicated strategies and targets to portfolio-wide and specific asset classes over and above responsible investment offerings, a new survey has found.

The *IGCC 2020 Net Zero Investment Survey* canvasses the views of 38 participants from superannuation funds, asset managers and sovereign wealth funds representing \$1.5 trillion in assets under management about their current and future appetite for climate change-aligned investments.

It is the fourth survey of its kind undertaken by the Investor Group on Climate Change (IGCC). The 2020 survey was carried out in August amid the market and social disruption of the COVID-19 pandemic.

Among the headline insights uncovered by the 2020 survey were:

- Investors are increasingly setting (30 per cent of respondents) or considering (40 per cent of respondents) portfolio-wide goals for net zero emissions.
- Investors are targeting single asset classes (70 per cent) and working across their portfolios (35 per cent) to pursue net zero, climate-aligned or green investment strategies. Use of responsible investing offerings as central climate strategies is on the wane (25 per cent).
- Policy uncertainty remains a barrier to low carbon and climate-aligned investment (41 per cent), as does a lack of opportunities with appropriate risk-return profiles (41 per cent).
- Despite the growing ambition, only a quarter of asset owner respondents indicated they have dedicated climate change mandates with external managers.
- Over 70 per cent of respondents said the market and political disruption associated with the COVID-19 pandemic had failed to slow their organisation's pursuit of climate change investment.

Chief Executive Officer of the Investor Group on Climate Change, Emma Herd, said: "We are currently seeing further progress towards the mainstreaming of climate investment in business as usual investor decisions and strategies.

"This survey was taken in unprecedented times, with a once-in-a-century global pandemic causing significant disruption in the market. The fact that progress on climate risk has continued in this environment is a reminder that these trends are likely inevitable and irreversible, and will only accelerate in coming years.

"Whereas past trends had shown a preference to use responsible investment offerings in climate change goals and strategies, this is now on the wane as investors move to targeting net zero emissions investment. Where climate goals and strategies are being applied, single asset and portfolio-wide options are more likely pillars, bringing them into core investor decisions.

"This is a natural progression as investors sharpen their understanding of the financial risks climate change poses to their portfolios and the investment opportunities the transition to net zero emissions will create.



"It is positive and important to see the setting of net zero emissions goals across portfolios increasing. Investors need to back this up by implementing 'ground up' strategies such as a greater application of climate mandates between asset owners and external managers and detailed target setting.

"It is disappointing that climate and energy policy uncertainty continues to be identified as a significant barrier to climate-aligned investment.

"While the Australian Government's recent announcements on technology development are a welcome step, there is a clear need to establish a national goal for net zero emissions by 2050 and embed it in a national decarbonisation plan to attract to domestic markets the trillions of dollars in private capital investors are looking to deploy into renewable energy, clean technologies and green infrastructure."

The full [IGCC 2020 Net Zero Investment Survey](#) can be found here.

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