



## INTEGRATING CLIMATE CHANGE INTO INVESTMENT STRATEGY: A Guide for Investors

### Executive summary

The Guide was initially developed to inform discussion at the AIGCC CEO/CIO Asset Owner [Roundtable](#) in Singapore in September 2017. Feedback on the guide and from the event included has been incorporated into this guide. Additionally, investors in the Asian region, whether domestic Asian institutions or international asset owners or managers, have identified that regionally specific resources and capacity building expertise are needed to incorporate climate risks and opportunities into their investment strategies and processes. This guide was designed to help and provide a range of international peer examples that may assist investors with building the knowledge and skills needed as they transition their investments to the new and low carbon economy.

This guide aims to support Asia-based institutional investors on the subject of climate change and to highlight and explore areas of international best practice. As the guide highlights, a growing body of investors recognize, that climate change needs to be incorporated into an organisation's overarching investment strategy as part of fulfilling its fiduciary duty to end-beneficiaries. Indeed, many investors are addressing climate change as part of their broader approach to Responsible Investment (RI) – commonly referred to as the integration of Environmental, Social and Governance (ESG) issues into investment frameworks – and are collaborating to reinforce their actions on climate change<sup>i</sup>.

Financial regulations are also beginning to shift to encourage investors to adopt and implement a framework to measure, manage and publicly disclose their climate-related activities. By way of illustration, the FSB Taskforce on Climate-Related Financial Disclosure (TCFD) was established as an industry-led, multi-stakeholder process to improve financial disclosure around climate change including, but not limited to, an organisation's governance, strategy, risk management and adoption of metrics/targets. The TCFD recommendations have received widespread support by international companies and investors, with the industry's focus now shifting towards adoption and implementation<sup>ii</sup>, including the utilisation of the Investor Group on Climate Change (IGCC Aus/NZ) and the Asia Investor Group on Climate Change's (AIGCC) report: *Transparency in Transition: A Guide to investor disclosure on climate change*<sup>iii</sup>.

In addition to evolving financial standards, new and emerging voluntary principles, codes and standards related to the broader agenda of sustainable development and the role of



businesses and institutional investors are gaining momentum. Of particular note is the growing support and adoption of frameworks such as the United Nations Global Compact (UNGC)<sup>iv</sup> and the UN Sustainable Development Goals (SDGs)<sup>v</sup>.

Building on this momentum, this guide sets out a practical framework to support institutional investors (asset owners and asset managers) in the integration of climate change considerations into an organisation's investment strategy. While there is no one-size-fits-all approach, there are some emerging trends and best practice standards that are evolving that include (to varying degrees) developing a strategic position on climate change and formulating a strategic response.

AIGCC intends to use this guide to engage with investors in Asia via a range of one-on-one meetings, private roundtables, and industry events.

We welcome any feedback or insights you would like to share, or know of more examples of climate investment strategy adoption in Asia, please get in touch.

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<sup>i</sup> <http://investorsonclimatechange.org>

<sup>ii</sup> <https://www.fsb-tcfd.org/news/>

<sup>iii</sup> <https://igcc.org.au/transparency-transition-guide-investor-disclosure-climate-change/>

<sup>iv</sup> The UNGC is derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption

<sup>v</sup> The SDGs represent a universal set of goals, targets and indicators that came into effect in January 2016. UN member states have agreed to use to frame their agendas and political policies out to 2030. There are 17 overarching goals with 169 targets focusing on on key areas including poverty alleviation, democratic governance and peacebuilding, climate change and disaster risk, and economic inequality. In addition to government level support, a growing body of companies, investors, civil society groups and individuals are pledging their recognition and support for the SDGs. Further information can be found here:

<https://sustainabledevelopment.un.org/sdgs>