

Asia's investors making progress on climate targets, yet challenges remain in aligning with 1.5°C climate goals

Findings from the comprehensive "[State of Net Zero Investment in Asia](#)" report published today by the Asia Investor Group on Climate Change (AIGCC).

- The overwhelming majority, approximately 70 per cent, of more than 200 investors across Asia have now publicly recognised climate as a source of material risks and opportunities.
- However, investors still face challenges to effectively manage climate risks and opportunities in line with global climate goals.
- Further, asset owners in Asia trail asset managers on nearly every key climate metric surveyed.

8 April 2024 – AIGCC has published the comprehensive [State of Net Zero Investment in Asia](#), drawing on data from more than **200 mainstream asset owners and managers with more than USD \$76 trillion assets under management. All are active in Asia, and 186 are headquartered in the region.**

The report identifies five priority areas for Asian investors to protect beneficiaries from climate risks: physical damage and disruption, fossil fuel approaches, deforestation, climate solutions, and climate transition planning.

- **Physical risks**

Physical damage and disruption from climate change are enormous systemic risks but only a small portion of investors have disclosed actions to drive adaptation and resilience across their portfolios. Of the 200+ Asia investors, 15 per cent disclosed a detailed physical climate risk assessment (over part or all of their portfolios), with an additional 16 per cent having undertaken some preliminary or high-level physical risk disclosures.

The Asia-Pacific is the world's most disaster-prone region, with 80 disasters linked to climate costing USD36 billion in 2022. This poses significant and, without adaptation, persistent financial risks to investors as well as massive costs to societies, economies and governments in the region.

- **Fossil fuel approaches**

[Asia is still largely reliant on fossil fuels to meet energy needs](#). Investor engagement and collaboration with policymakers on policies to quickly transition to renewable energy is key to achieving climate goals. There has been increased participation from a small subset of investors through AIGCC's policy roundtables and direct engagements.

However, AIGCC's report found that, overall, few investors in Asia have established a strategies or policies regarding fossil fuels phase-down or transition finance: Of the 200+ investors, 24 per cent of asset managers and 19 per cent of asset owners have investment policies on fossil fuels.

- **Deforestation**

Progress on deforestation across the investment community remains relatively nascent, however, leading investors are considering deforestation in their strategies and policies through risk assessments and disclosures, company engagements, and investment decisions.

AIGCC's report found that 19 per cent of asset managers and 3 per cent of asset owners have incorporated deforestation into investment approaches.

- **Investments in climate solutions**

[Asia needs \\$71 trillion in investments](#) to achieve net zero carbon emissions by 2050. There is strong interest from investors to allocate capital to low-carbon companies and clean energy solutions under the right policy conditions. However, the vast majority of investors have not positioned themselves to capture opportunities in the net zero transition.

AIGCC's report found that only 12 per cent of investors have committed to increasing investments in climate solutions. Likewise, few investors have formalised climate solutions strategies, targets and metrics.

- **Investor climate transition planning**

Investor net zero transition plans are integral to enable the net zero transition of the financial sector. AIGCC's report found that 33 per cent of asset managers and 20 per cent of asset owners have some form of climate action plan, albeit with varying levels of detail and robustness.

These transition plans could be central to investors' performance over the long term. With a top-down strategy, leading investors demonstrate how they are addressing systemic climate risks, aligned with their fiduciary duty.

Overall, AIGCC's report shows that investors have momentum in setting climate strategies and short-term targets, however much more critical action is needed to accelerate the net zero transition. The report also identifies the actions that leading investors have taken to reach the climate objectives that are in beneficiaries' interests.

AIGCC CEO, Rebecca Mikula-Wright, said: "Institutional investors know that climate risks and opportunities are financial risks and opportunities. Asset owners, as stewards of capital, hold the power to accelerate the energy transition. Now is the time for them to act and lead by example in their respective markets and transition, not only their portfolios but whole economies, to net zero."

AIA Group Director, Investment Environmental, Social & Governance, Group Investment, Duncan Lee, said: "Holders of over 42 million policies look to us to responsibly manage their assets in the long-term. The insights from this report highlight the areas where we must all step up our efforts in order to make meaningful progress to net zero, and it is our responsibility to do so."

Asset Management One President & CEO, Noriyuki Sugihara, said: "Investors have a critical role to play in deploying capital to support real-world emission reductions and allocation to climate solutions. We are committed to bring about positive change and work towards a net zero future which includes closely collaborating with policymakers and other stakeholders to achieve these goals in the best interests of our clients."

MSCI Head of APAC ESG & Climate and Head of South & Southeast Asia, Chitra Hepburn, said: "It is now clearer than ever that climate change presents both an existential threat and a world-changing opportunity to the global economy. Through our collaboration with AIGCC, asset owners and asset managers can better understand where they stand on the climate progress, and more importantly, the challenges ahead to effectively convert climate commitments to action. Clarity, which advances through quality data, tools, indexes and insights, can drive actions and MSCI is committed to enabling clients across the capital ecosystem to get a clear view of the climate transition at different stages of the process."

MSCI collaborated with AIGCC on the *State of Net Zero Investment in Asia* report. [Read the report.](#)

AIGCC launched the *State of Net Zero Investment in Asia* report today at a webinar where Hiromichi Mizuno, Special Advisor to the CEO, MSCI Inc, delivered the keynote speeches and Li Junfeng, Standing Director of China Energy Research Society (CERS). This was followed by a panel discussion, moderated by Chris Hall, Co-Founder of ESG Investor, featuring the following panellists: Wong Dan Chi, Head of ESG Advisory and Integration, APAC, Schroders; Minako Takaba, Sustainable Investment Officer, Asset Management One; Muazzam Mohamad, Head of Investment Stewardship, Permodalan Nasional Berhad; and Peiyuan Guo, Founder and Chairman, SynTao Green Finance and China SIF.

Notes to editors:

- The report combines data from 58 investors who responded to the AIGCC Net Zero Investment Survey, supplemented with a desktop review of key metrics and aggregated progress from over 200 asset owners and managers, 186 of which are headquartered in Asia.
- [AIGCC released a policy-focussed limited extract of this report in November 2023.](#)

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About the Asia Investor Group on Climate Change (AIGCC)

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing. AIGCC provides capacity for investors to share best practice and peer-to-peer learning on sustainable investment, risk management, corporate engagement and policy advocacy. With a strong international profile and significant network, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a greener economy. AIGCC has over 70 members from 11 markets and with over USD 35 trillion in assets under management. www.aigcc.net