

# Thinking Ahead Institute

Sustainability summit | The climate is changing, how are we changing? | December 2021



# Welcome

## Please hold

The session will start at 3:00pm BST

Please note the audio will be muted until we start the session.

For optimal viewing please use full screen mode, and ensure you are disconnected from the VPN.

Placement and size of the windows is fully customisable. If you want to undo your changes, or close anything by mistake, use the circle with the arrow at the bottom of your screen to reset.

## Q&A

Once the session begins, please submit your questions through the Q&A chat box.

Please note the event will be recorded.

## Sustainability summit | Agenda



### Where are we now?

Taking stock and reflections on Cop26

*Featuring Diana Fox-Carney*

*Run time 10 minutes*



### The climate is changing

Not just the physical climate, but also the climate within the investment industry

*Featuring Zachary May of IFM*

*Run time 40 minutes*



### How are we changing?

And are we changing fast enough?

*Featuring Adrian Trollor of TCorp And Jeff Chee of WTW*

*Panel with Lucy Thomas of TCorp, and Kate Bromley of QIC*

*Run time 40 minutes*



### Q&A and final thoughts

*With Roger Urwin, Tim Hodgson and Marisa Hall*

*Run time 30 minutes*

# Where are we now?

Taking stock and reflections on Cop26 with  
Roger Urwin and Diana Fox Carney



Climate crisis

Biodiversity  
loss

Social inequality /  
just transition

# What did we get from COP26?

|  |                |  |  |   |
|--|----------------|--|--|---|
| Overall COP26 assessment   | Score: 1.5 / 3 | 1/2 Better alignments in place (science, politics, civil life, rules and principles)       | 1 Improved holistic understanding (& inclusion) of nature-based solutions                        | 0 Stupidity Paradox: over-simplified, over-optimistic & under-authentic                                     |
| World leaders: seriousness & collaboration                       | Score: 1.5 / 3 | 0 Lack of systems leadership. Short-sightedness  | 1/2 Lack of urgency in speed. But direction is no longer debated                                 | 1 We've been given a road forward from Glasgow, as we were with Paris                                       |
| Passing the baton  | Score: 2 / 3   | 1 Considerable progress in finance community; capital an increasing force                  | 1 Wide stakeholder system evident (activists, NGOs, lobbyists, business and government)          | 0 Peak complexity and peak messy – A challenge for those holding the baton                                  |
| Collaboration: influence through soft power & systems leadership | Score: 1.5 / 3 | 1 Relationships deepening across the value chain (PRI, GFANZ, etc.)                        | 1/2 Immature market infrastructure in climate investing (regulation, standards, data, practices) | 0 Collaborative initiatives have so far failed to foster systems leadership within and across organisations |
| Culture & change in the investment private sector                | Score: 2 / 3   | 1/2 Underexploited opportunity: Private finance could galvanise more energy and creativity | 1 A signal to the finance sector to redirect standards, and focus on redirecting capital         | 1/2 Prevailing self-interested cultures encourage greenwashing and free-riding                              |

Overall marks

8.5

15

COP26 has been moderately successful, particularly in terms of how it has mobilized thinking and action.

But it will be seen as a missed opportunity.

## Sustainability summit | Agenda



**Where are we now? ✓**



**The climate is changing**



**How are we changing?**



**Q&A and final thoughts**

# The climate is changing

As is the climate in the investment industry.  
Featuring Zachary May, IFM Investors



“

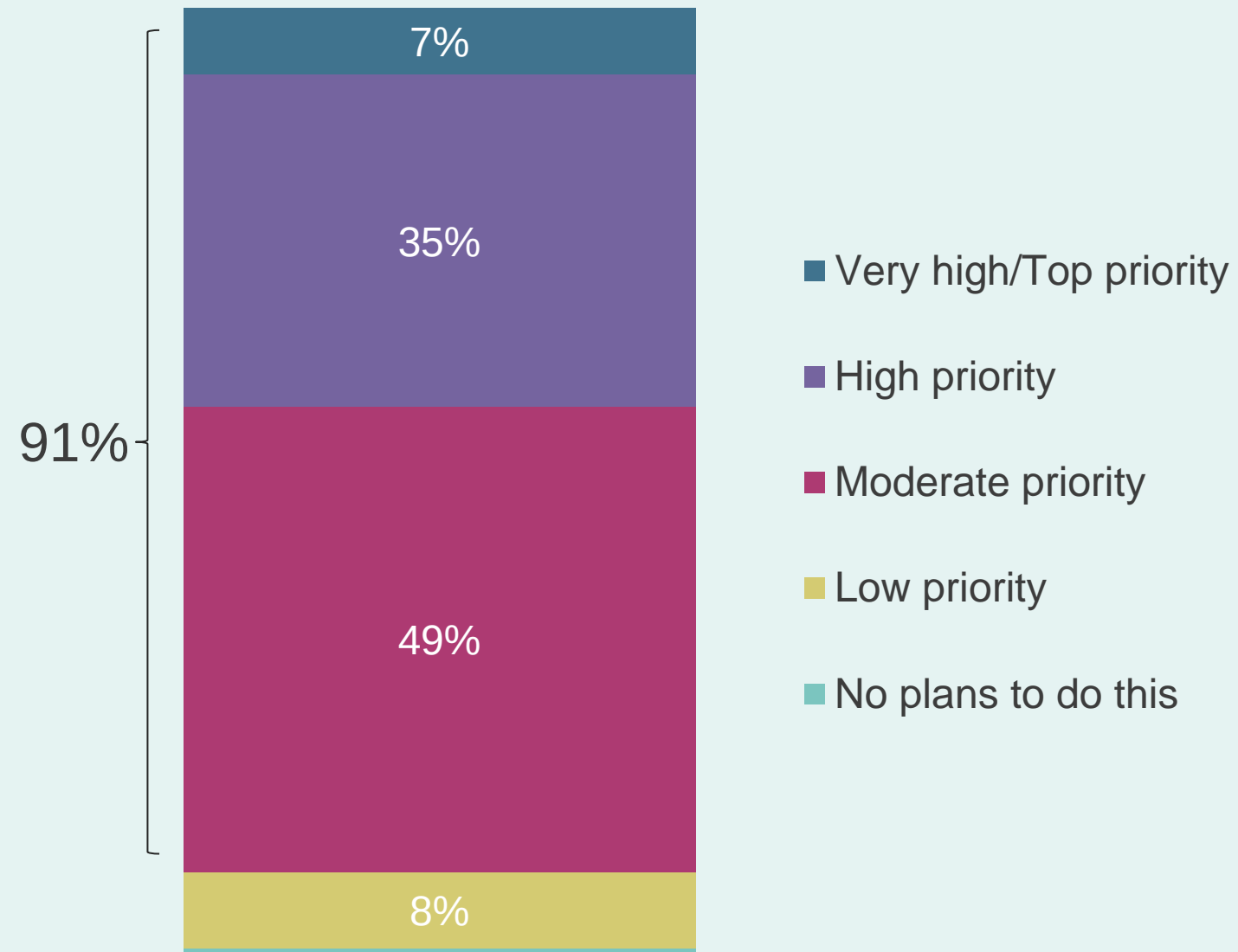
**We choose to go to the Moon not because it is easy, but because it is hard; because that goal will serve to organize and measure the best of our energies and skills.**

”

– John F. Kennedy

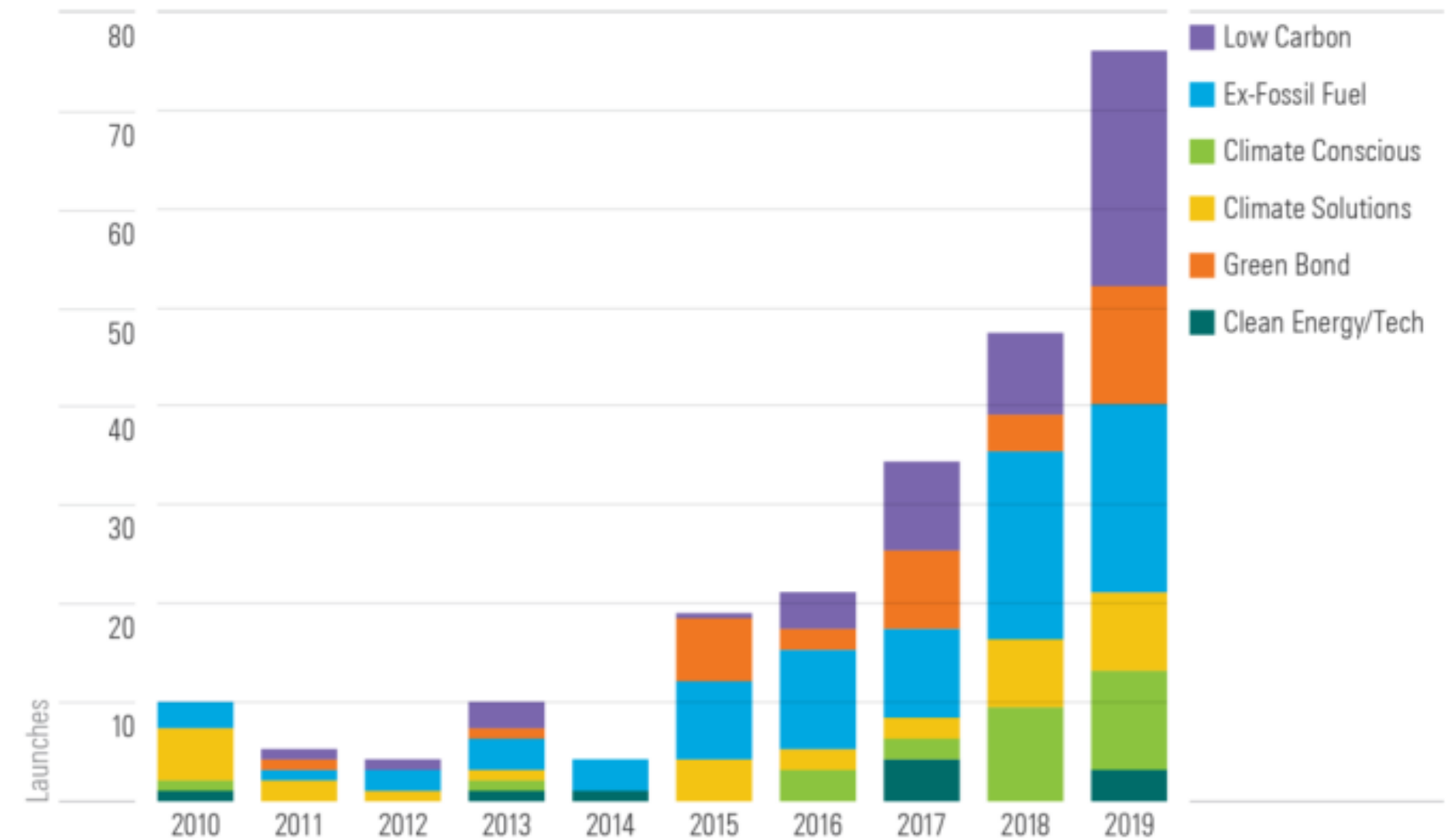
# Investor momentum is growing

91% of asset owners say portfolio decarbonisation is a moderate or high priority



Source: Longitude of FT/Fidelity, 2021

Launch of climate-aware funds

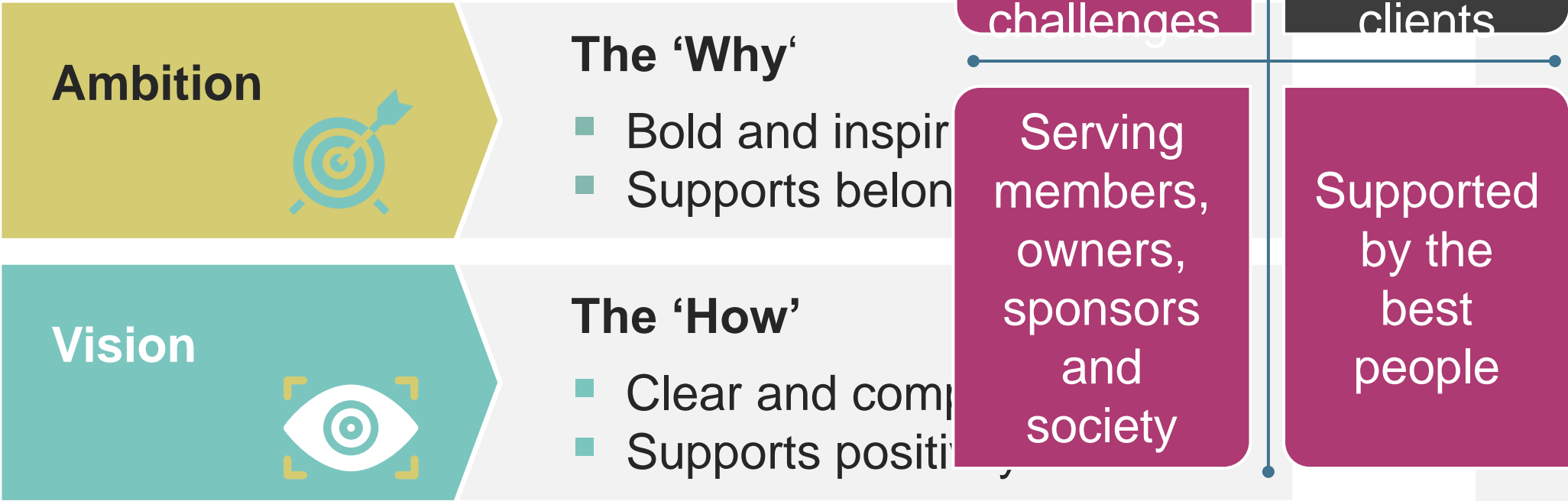


Source: Morningstar Direct, Morningstar Research. Data as of January 2019



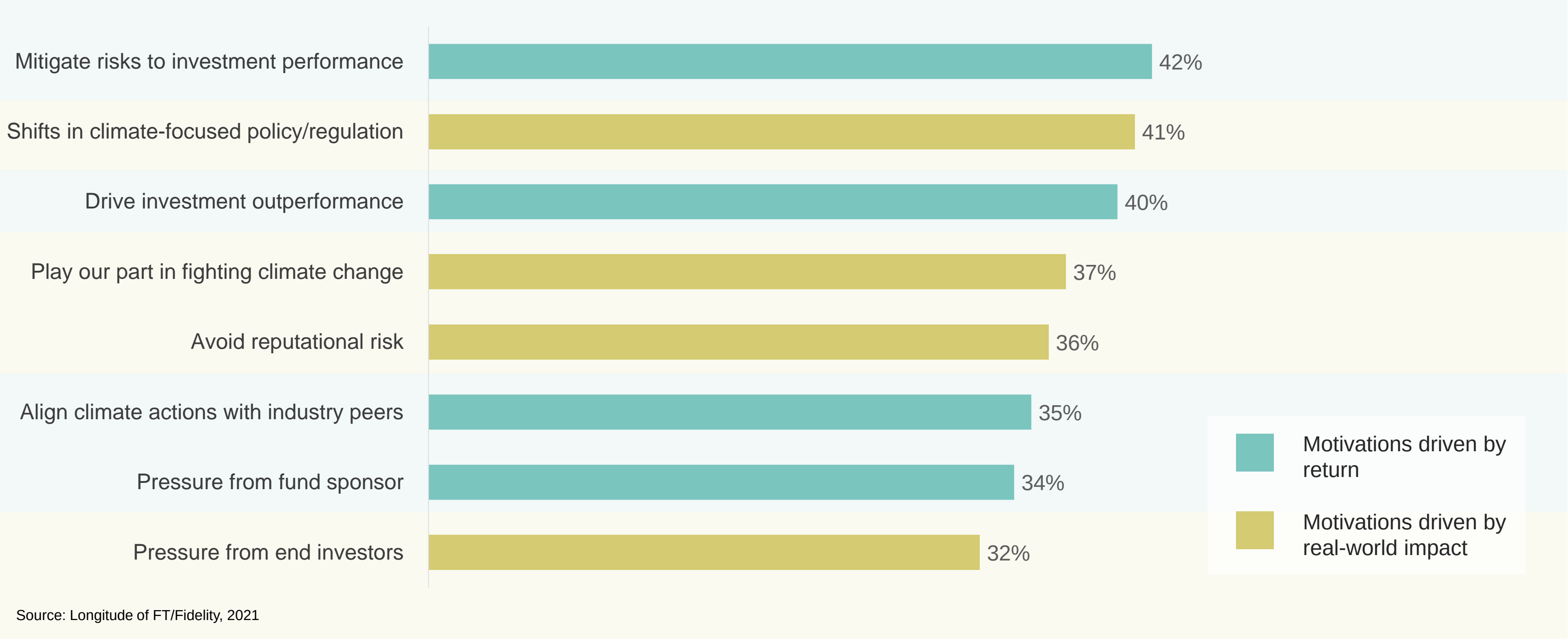
# Purpose: a word with a big future

“We see investors adding an extra dimension to their thinking... we will begin to build a bridge between financial risks and real-world outcomes”  
– UN PRI





# Motivations for prioritising portfolio decarbonisation



“

**In Tuvalu we are living the realities of climate change and sea level rise... These islands are the home of our ancestors. They are the home of our people today, and we want them to remain the home of our people into the future.**

”

– Simon Kofe

# The big picture: climate

Integrating climate thinking into every part of the process

## What's happening?



### Governments' 'Race to Zero'

& the post-COP actions of  
non-state actors  
(US, UK, EU, etc)



### Investor momentum

toward climate resilient portfolios



### Risk and reward not fully reflected in valuations

Systemic risk and reputational risk  
increasingly important

## The impact

**Policy response:**  
Carbon 'price'  
& transition to renewable energy

**Enhanced climate investment  
decisions**  
(improvements in data, analytics,  
disclosures and associated standards)

**Repricing of sustainability factors**  
(influenced by new ISSB frameworks)  
Top 100 emitters could lose up to half  
of market cap by 2025<sup>1</sup>

## Portfolio opportunity

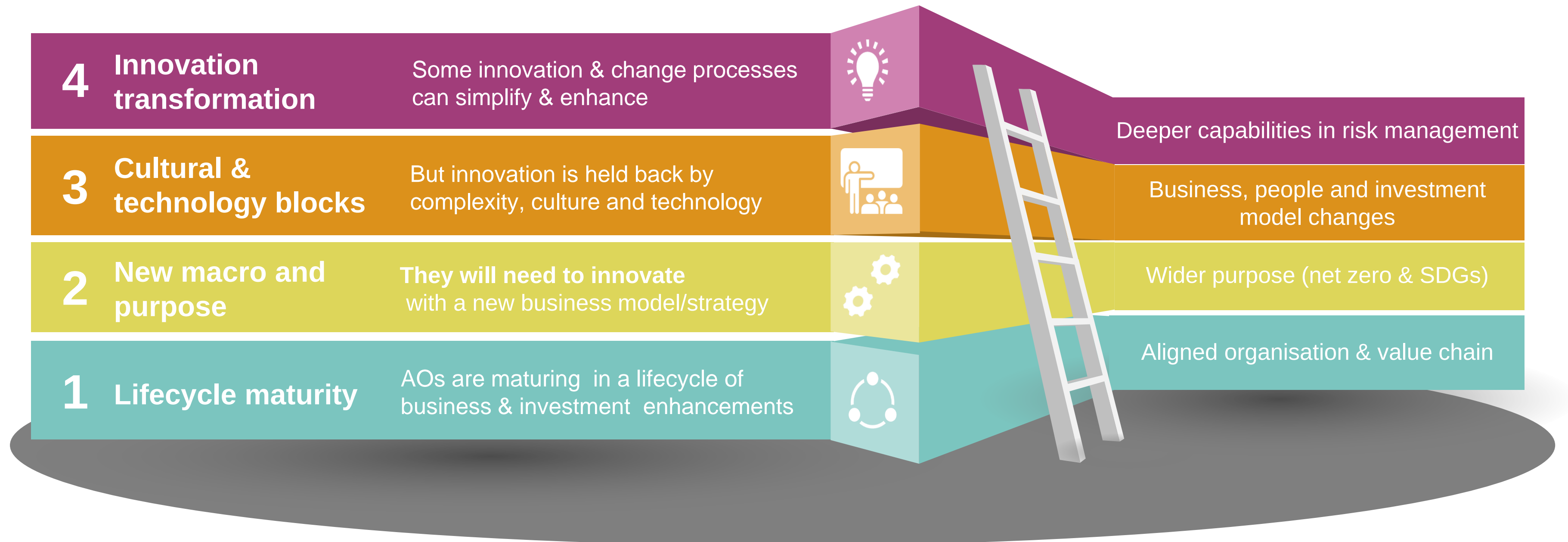
**Private capital deployed:**  
Industries rebuilt

**Improved risk management**  
(physical risks and transition risks)

**Capital is starting to move**  
early adopters capture opportunities  
and manage risk

<sup>1</sup>Source: UN PRI

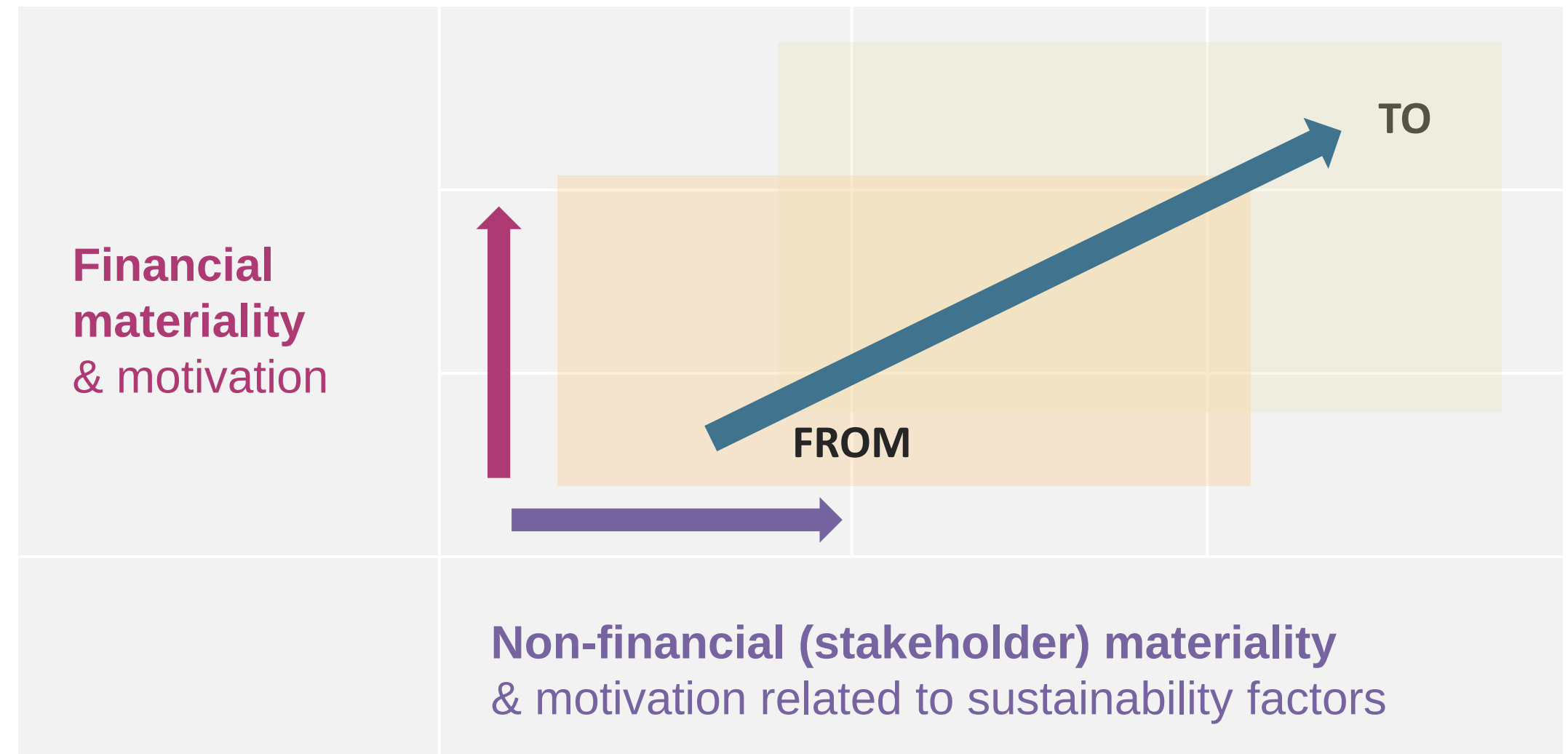
# The big picture: the asset owner storyboard



# Fiduciary duty and the fiduciary window

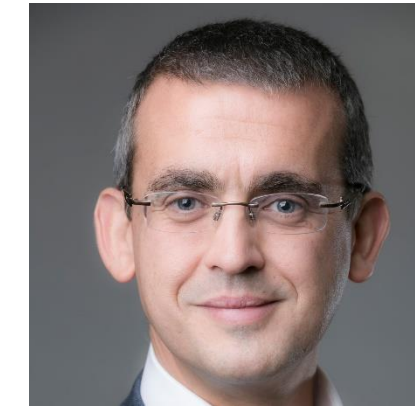
The 'fiduciary window' is shifting

- The 'fiduciary window' identifies the set of acceptable investment policies given fiduciary duty
- It is not fixed in time and is shifting
- Public policy and legal cases are key factors in the shape and shift of this window

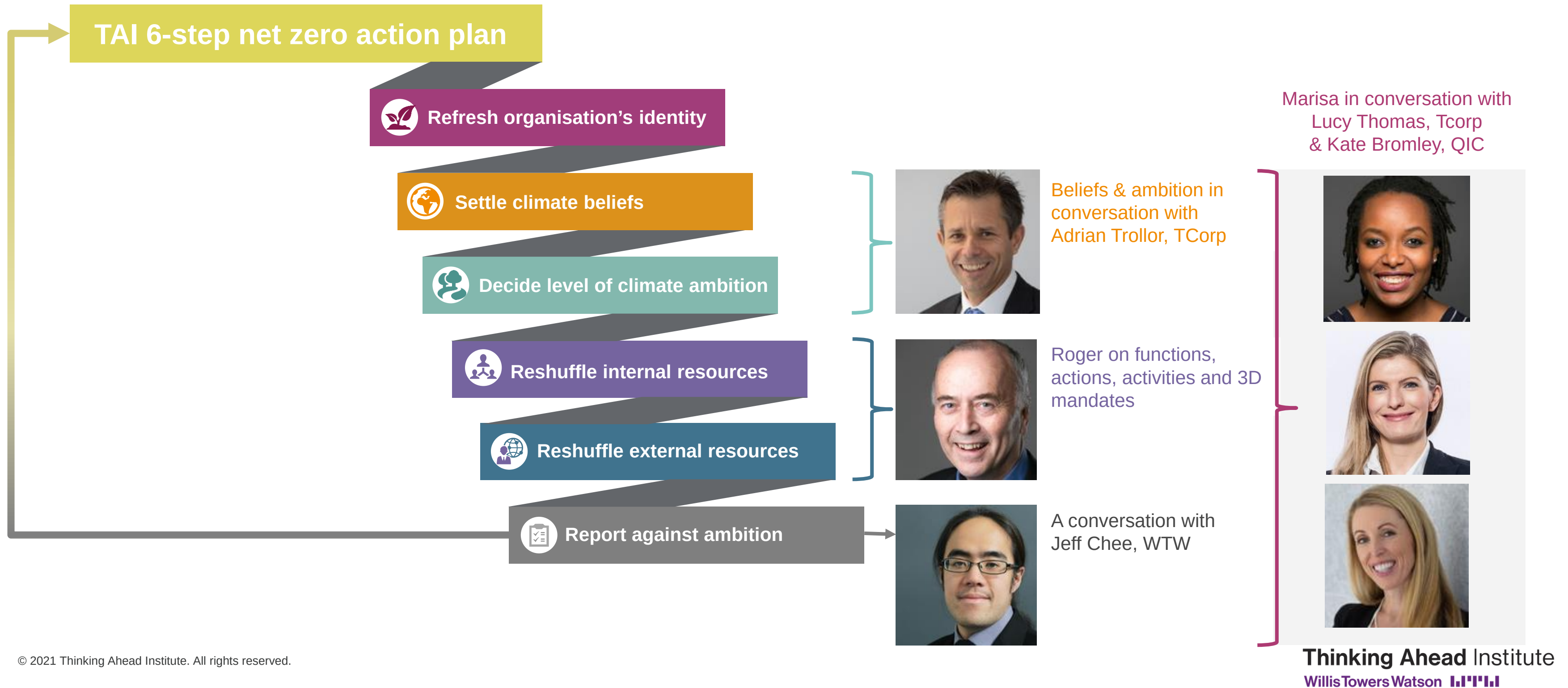


# How are we changing?

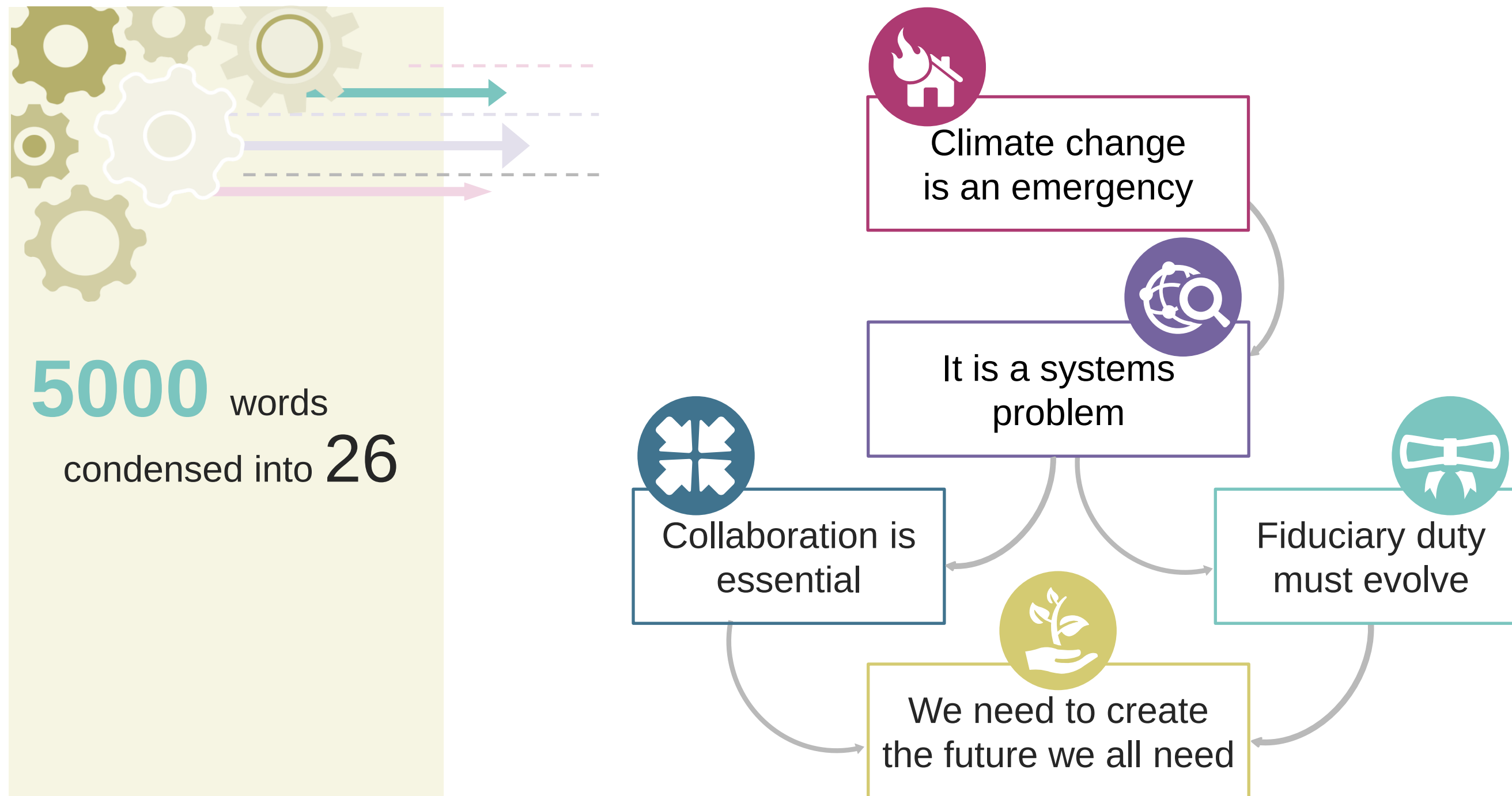
Featuring Adrian Trollor of TCorp and Jeff Chee of Willis Towers Watson



# How are we changing? = How are YOU changing?



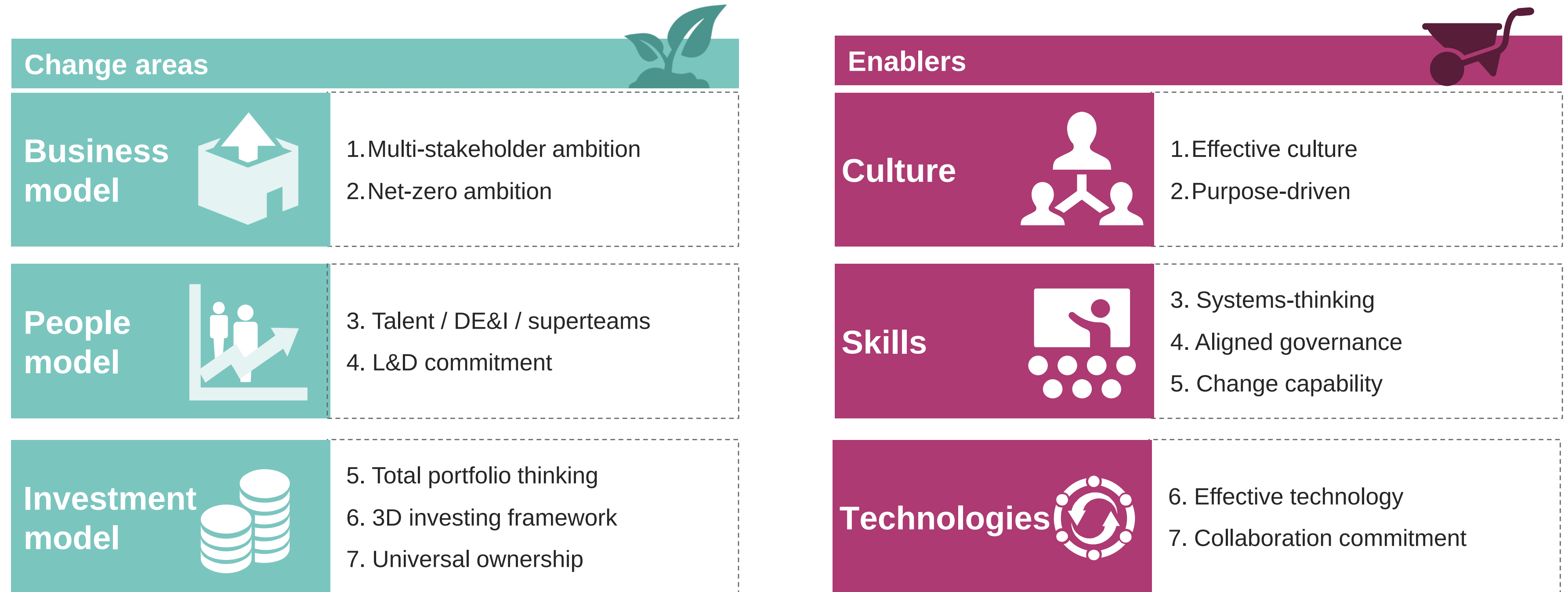
# Climate beliefs to change the climate trajectory





# The spectrum of climate ambition



# Investment organisation of tomorrow – the roadmap

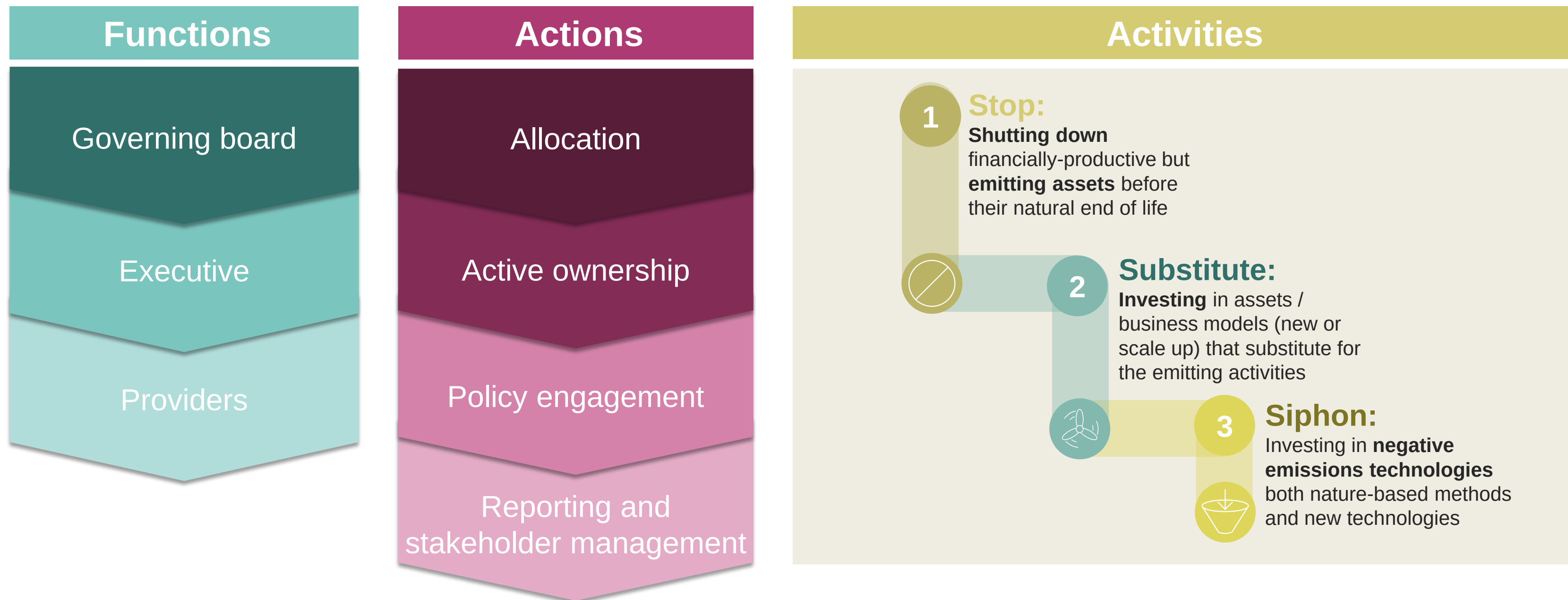


# 3D mandates

- 1 3D goals 
- 2 Engagement with asset managers 
- 3 Core sustainability strategies 
- 4 Impact strategies 
- 5 System-level engagement 
- 6 Scorecard and monitoring 

# Net zero aligned plans

The actions asset owners can take to implement their climate ambition



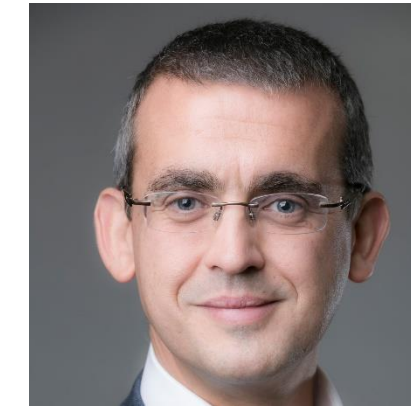
# How are we changing? | Part two

Panel discussion with Marisa Hall, Lucy Thomas of TCorp and Kate Bromley of QIC



# Q&A and final thoughts

Hosted by Paul Deane-Williams, with  
Marisa Hall, Tim Hodgson and Roger Urwin





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## **Limitations of reliance – Thinking Ahead Group 2.0**

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## **Contact Details**

Paul Deane-Williams, +44 1737 274397

Paul.Deane-Williams@willistowerswatson.com

**Website:** [www.thinkingaheadinstitute.org/en](http://www.thinkingaheadinstitute.org/en)

**LinkedIn:** Thinking Ahead Institute

**Twitter:** @InstituteTAG

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