

PRESS RELEASE

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European investors launch project on the physical risks of climate change

The Institutional Investors Group on Climate Change (IIGCC) is launching a new project to develop guidance for investors on how they integrate the risks and opportunities presented by the physical risks of climate change in their investment research and decision-making processes.

Many pension funds and asset owners recognise climate change as one of the largest systemic risks in their investment portfolios. An increasing number of investors have made commitments to low carbon investment, and there is significant interest in determining how investors can support the objectives of the Paris Agreement. To date, however, relatively little attention has been paid to how institutional investors might assess and report on risks and opportunities presented by the physical impacts of climate change, or on what they might expect from companies on the issue.

The project ‘Understanding Climate-Related Physical Risks for Investors’ seeks to address that gap. IIGCC is leading the initiative with the support of the Universities Superannuation Scheme (USS), one of the UK’s largest pension funds. Guidance will be developed with technical input from the specialist advisory firms Acclimatise and Chronos Sustainability, in collaboration with IIGCC members.

The guidance will:

- Provide an introduction to the investment implications – covering both risks and opportunities – of the physical climate impacts.
- Propose a process that investors can go through to identify, assess and manage climate-related physical risks across their portfolios.
- Provide high-level guidance on how investors might report on physical risk as part of their wider TCFD reporting.
- Offer practical suggestions on issues such as the selection and use of scenarios, the available tools and data sources for identifying and assessing risks, and an analysis of specific risks and opportunities in different asset classes.

The initiative is delivered as part of IIGCC’s [‘Investor Practices’](#) programme, which helps asset owners and managers better assess and manage both climate risk and opportunity, and to report on their actions more effectively.

Stephanie Pfeifer, CEO, Institutional Investors Group on Climate Change, explains: “In many ways, adaptation is the missing issue in the climate change debate. IIGCC’s new initiative will help investors to understand its importance and act on adaptation to climate change as an investment issue. This includes ensuring investors have the practical tools to account for the physical risks of climate change

and are able to act on the opportunities found in addressing the issue, across both investment decisions and company engagement.”

David Russell, Head of Responsible Investment at USS, adds: "One of the key contributions of this project will be to focus on the risk posed by climate change across a range of asset classes. This will include sectors that are both dependent on access to water and other environmental resources, and those potentially impacted by a changing climate.”

The United Nations Environment Programme has shown that the cost of necessary adaptation to climate change is between \$140 to \$300 billion per year across the global economy by 2030 alone, and point to a major gap in adaptation finance¹. This offers potential new investment opportunities, in which investors can help build broader climate resilience, while also mitigating future losses otherwise incurred. This initiative will help investors better understand the nature of this opportunity.

The broader economic damage resulting from the physical impacts of climate change are highly significant. A study by academics from the London School of Economic shows that 1.8% of the world’s financial assets are at risk with a 2.5°C rise in global temperature². Analysis currently points to a 4°C rise in global temperatures³. In the worst-case scenarios, the losses could soar to \$24tn, or 17% of the world’s assets, with devastating impacts across the global economy⁴.

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Notes to Editors

1. The Adaptation Finance Gap Update, United Nations Environment Programme, 2015 (see [link](#)).
2. ‘Climate value at risk’ of global financial assets, Nature Climate Change, 2016 (see [link](#)).
3. Climate Progress Dashboard, Schrodgers, 2018 (see [link](#)).
4. ‘Climate value at risk’ of global financial assets, Nature Climate Change, 2016 (see [link](#)).

About IIGCC: The [Institutional Investors Group on Climate Change](#) (IIGCC) is the European forum for investor collaboration on climate change and the voice of investors taking action for a prosperous, low-carbon future. IIGCC has 170 members, mainly pension funds and asset managers, across 11 countries, with over €23 trillion assets under management. IIGCC’s mission is to mobilise capital for the low-carbon transition by collaborating with business, policymakers and fellow investors.

IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. Members consider it a fiduciary duty to ensure stranded asset risk or other losses from climate change are minimised and that opportunities presented by the transition to a low carbon economy – such as renewable energy, new technologies and energy efficiency – are maximised.

About USS: Universities Superannuation Scheme was established in 1975 as the principal pension scheme for universities and other higher education institutions in the UK. It has more than 400,000 members across more than 350 institutions and is one of the largest pension schemes in the UK, with total fund assets of more than £64 billion (as at 31 March 2018).

The scheme's trustee is Universities Superannuation Scheme Limited, a corporate trustee which provides scheme management and trusteeship from its offices based in Liverpool and London in the UK. The trustee company delegates implementation of its investment strategy to a wholly-owned investment management subsidiary company - USS Investment Management Limited - which provides in-house investment management and advisory services.

About Acclimatise: Established in 2004, Acclimatise is a specialist advisory and analytics company providing world-class expertise in physical climate risk assessment and climate change adaptation. We are leading providers of advisory services and analytical tools that help financial institutions, corporates and governments to identify, quantify, manage and disclose physical climate risks and opportunities.

About Chronos Sustainability: Chronos Sustainability is an international team of professionals with a track record of delivering transformative, systemic change in the social and environmental performance of key industry sectors. Chronos works in partnership with institutional investors, industry networks, companies, governments, regulators and civil society organisations on issues as diverse as climate change, responsible investment, oceans management, and wildlife.