

## GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CHANGE

### Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

**Recommendations:**      **That the Devon County Council Pension Fund becomes a signatory to the Global Investor Statement to Governments on Climate Change.**

#### **1. Introduction**

- 1.1 Climate change continues to be a significant concern nationally and internationally. Locally, Devon County Council has declared a climate emergency and continues to be lobbied to do more. The lobbying includes regular questions about the Devon Pension Fund's investments.
- 1.2 At the last meeting of the Investment and Pension Fund it was agreed to commission an analysis by Brunel on the carbon footprint of the Fund's investments. This is now underway, and a report is expected for the February committee. The Committee also noted the Climate Change Position Statement issued by the Brunel Pension Partnership
- 1.3 The Responsible Investment sub-group of the Brunel Client Group has now asked client funds to consider signing up to the Global Investor Statement to Governments on Climate Change. It is a call from investors to policy makers for the full and urgent implementation of the Paris Agreement, a quicker transition to a low carbon economy and greater climate-related financial reporting. The statement is attached as Appendix 1 to this report.

#### **2. Global Investor Statement to Governments on Climate Change**

- 2.1 Institutional investors, such as the Devon Pension Fund, have a responsibility to manage and protect the assets of millions of savers and individuals worldwide, including from the effects of climate change. Investors also manage large pools of long-term capital and play a crucial role in financing the transition to a low carbon, more climate resilient, economy. Therefore, policy engagement by long-term investors is a necessary extension of these investors' responsibilities and fiduciary duties to their beneficiaries.
- 2.2 The Global Investor Statement to Governments on Climate Change was initially launched in June 2018 ahead of the G7 Summit, and show-cased

with updated lists of signatories at the Global Climate Action Summit in September 2018, at COP24 in Katowice in December 2018, and at the G20 Summit in Osaka in June 2019.

- 2.3 Ahead of the UN Secretary-General's Climate Action Summit in New York in September 2019, a record 515 investors managing over US \$35 trillion signed the Global Investor Statement to Governments on Climate Change, which calls on world governments to:
- Achieve the Paris Agreement's goals
  - Accelerate private sector investment into the low carbon transition
  - Commit to improve climate-related financial reporting
- 2.4 The statement recognises the impact that climate change will have on future generations and states full support for the Paris Agreement. From an investor point of view, it is vital for long-term planning and asset allocation decisions that governments work closely with investors to incorporate Paris-aligned climate scenarios into their policy frameworks and energy transition pathways. The statement is not about disinvestment, but calls for improved climate related financial reporting so that investors can get a clearer picture of the risks and opportunities presented by climate change and factor that into effective risk management.
- 2.5 The signatories include asset managers with whom the Devon Fund has, or has recently had investments, such as Aberdeen Standard Investments, Aviva Investors, Baillie Gifford, Montanaro Asset Management and UBS, together with the Brunel Pension Partnership. One of the co-sponsors is the Institutional Investors Group on Climate change of which the Devon Fund is a member.
- 2.6 The Global Investor Statement to Governments on Climate Change will remain open for signatures from investors until 22nd November 2019.

### **3. Conclusion**

- 3.1 The Committee is recommended to become a signatory to the Global Investor Statement to Governments on Climate Change.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers – Nil

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# Appendix 1



## GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CHANGE

**This statement is signed by 515 investors representing well over USD \$35 trillion in assets.**

As institutional investors with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement [\[link\]](#) and strongly urge all governments to implement the actions that are needed to achieve the goals of the Agreement, with the utmost urgency.

Investors are taking action on climate change. The global shift to clean energy is underway, but much more needs to be done by governments to accelerate the low carbon transition and to improve the resilience of our economy, society and the financial system to climate risks. Investors continue to make significant investments into the low carbon transition across a range of asset classes. Investors are also increasingly incorporating climate change scenarios and climate risk management strategies into their investment processes and engaging with high-emitting companies. To build on this momentum and maintain investor confidence to further shift investment portfolios, it is vital that policy makers are firmly committed to achieving the goals of the Paris Agreement.

We are concerned that the implementation of the Paris Agreement is currently falling short of the agreed goal of “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” There is an ambition gap: the full implementation of current Nationally Determined Contributions (NDCs) would lead to an unacceptably high temperature increase that would cause substantial negative economic impacts.

This ambition gap is of great concern to investors and needs to be addressed, with urgency. It is vital for our long-term planning and asset allocation decisions that governments work closely with investors to incorporate Paris-aligned climate scenarios into their policy frameworks and energy transition pathways.

In addition, investors need companies to report reliable and decision-useful climate-related financial information to price climate-related risks and opportunities effectively. That is why we welcome the recommendations of the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosure (TCFD) and are taking practical steps to assist their implementation around the world. In order for the TCFD to be effective, it is vital that governments commit to improve climate-related financial reporting standards by publicly supporting the adoption of the TCFD recommendations.

The countries and companies that lead in implementing the Paris Agreement and enacting strong climate and low carbon energy policies will see significant economic benefits and attract increased investment that will create jobs in industries of the future. To ensure a smooth and just transition to a low carbon economy and to adapt to the warming already locked in to the climate system, it will be important that the benefits of gaining access to cleaner energy sources are shared by all, and that those workers and communities affected by the transition are supported.

With these principles in mind, we call on global leaders to:

- **Achieve the Paris Agreement's goals** ■ Update and strengthen nationally-determined contributions to meet the emissions reduction goal of the Paris Agreement, starting the process now and completing it no later than 2020, and focusing swiftly on implementation ■ Formulate and communicate long-term emission reduction strategies ■ Align all climate-related policy frameworks holistically with the goals of the Paris Agreement ■ Support a just transition to a low carbon economy.
- **Accelerate private sector investment into the low carbon transition** ■ Incorporate Paris-aligned climate scenarios into all relevant policy frameworks and energy transition pathways ■ Put a meaningful price on carbon ■ Phase out fossil fuel subsidies by set deadlines ■ Phase out thermal coal power worldwide by set deadlines.
- **Commit to improve climate-related financial reporting** ■ Publicly support the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations ■ Commit to implement the TCFD recommendations in their jurisdictions, no later than 2020 ■ Request the FSB incorporate the TCFD recommendations into its guidelines ■ Request international standard-setting bodies incorporate the TCFD recommendations into their standards.

We stand ready to work with government leaders in implementing these actions.

Signed,