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UN, Major Investment Firms Call for Increased Focus on Carbon Risk Management and Carbon Accounting in Investment Industry

London, 19 July 2013 – Institutional investors should start measuring, disclosing and reducing greenhouse gas (GHG) emissions associated with their investments and portfolios to reduce policy, regulatory and financial risks associated with these emissions, a new Investor Briefing launched by the United Nations Environment Programme Finance Initiative (UNEP FI) said today.

The briefing was developed jointly by UNEP and a group of leading investors, including Allianz, Aviva, Hermes, HSBC, Eurizon Capital, Inflection Point Capital, Pax World Investments, Robeco SAM and Trillium Asset Management. It argues that carbon footprinting is one of several key tools that investors should use to understand, assess and mitigate portfolio carbon risk. The briefing also lays the foundations for the development of a new market standard to measure and report financed emissions.

According to the briefing, the build-up of GHG policy is likely to accelerate in coming years as the meteorological effects of climate change continue to intensify with increasingly disruptive impacts on communities and economies.

Advocacy groups, civil society organisations and other stakeholder groups (including investment beneficiaries) are demanding that investors start measuring and disclosing the GHG emissions embedded in their portfolios, and that they take actions to reduce them over time.

"Information on the carbon intensity, performance and climate risk exposure of thousands of companies is now publicly and readily available," said Gianluca Manca, Head of Sustainability, Eurizon Capital, and Co-Chair of the UNEP FI Asset Management Working Group. "But unless we reach a similar level of transparency among investors, we won't know whether that information is used or not, nor whether it is helping to deliver the low-carbon economy."

The trend towards mandatory disclosure on climate change and other environmental, social and governance (ESG) factors by companies suggests that, from an investor perspective, GHG emissions increasingly must be treated as a source of financial risk that must be better understood, measured, communicated, and ultimately mitigated.

"Investors are starting to realize that greenhouse gas emissions increasingly represent a material risk for companies and their investors," said Matthew Patsky, CEO, Trillium Asset Management. "It is just a matter of time before fund managers start to systematically assess and reduce the carbon embedded in their portfolios."

The briefing argues that GHG emissions can in particular lead to financial risks that are regulatory or reputational in nature.

Peter Lambert, CEO, Local Government Super (LGS), said, "At LGS, we regularly monitor the carbon performance of the companies in our portfolios, as well as of our portfolios themselves. This dual approach helps us assess and manage carbon risks, compare our own carbon performance to that of our peers, and clearly communicate with our members on the carbon emissions associated with their savings."

Investors can use a range of techniques to reduce the carbon footprint and carbon risk exposure of their portfolios.

“Avoiding catastrophic climate change will require action by governments and the private sector,” said Julie Gorte, Senior Vice President for Sustainable Investing, Pax World Management, and Co-Chair of UNEP FI’s Asset Management Working Group. “Investors can play a key role in re-allocating capital to the low-carbon economy at the needed scale. The gradual decarbonization of investment portfolios is critical for the transition to a low-carbon economy; importantly, it does not have to be inconsistent with investors’ fiduciary responsibilities.”

UNEP FI is collaborating with the Greenhouse Gas Protocol, the global standard for GHG accounting and reporting, to develop such guidelines tailored to the needs of investors and other financial intermediaries.

“Institutional investors are striving to systematically address carbon and climate change risks and be more transparent about the ways in which they do so,” said Sylvie Lemmet, Director of UNEP’s Division of Technology, Industry and Economics. “There is now a need to develop and test the standards, tools and metrics that will be required, and UNEP FI will assist the investment community with that task.”

For more information, please contact:

- Nick Nuttall, Director, UNEP Division of Communications & Public Information and UNEP Spokesperson
  Tel: +254 762 3292 / Mobile: +41 79 596 5737 / nick.nuttall@unep.org
- Remco Fischer, UNEP FI Programme Officer, Climate Change
  Tel: +41 22 917 8685 / Mobile: +41 76 506 3059 / remco.fischer@unep.org
- Moira O’Brien-Malone, Head, Communications, UNEP Division of Technology, Industry & Economics Tel: +33 1 44 37 76 12 / Mobile: +33 6 8226 9373 / moira.obrien-malone@unep.org
- John Dombkins, UNEP FI Communications & Public Information Officer
  Tel: +41 22 917 8134 / Mobile: +41 79 953 2758 / john.dombkins@unep.org

Notes to editors

To download the PDF version of the Investor Briefing:
The *UNEP FI Investor Briefing – Measuring, Disclosing and Managing the Carbon Intensity of Investments and Investment Portfolios* will be available from 19 July 2013 from 15:00 BST onwards at www.unepfi.org/portfoliocarbon

United Nations Environment Programme Finance Initiative (UNEP FI)
Founded in 1992 in the context of the Earth Summit in Rio, the United Nations Environment Programme Finance Initiative (UNEP FI) is a platform that associates the United Nations and the financial sector globally. With over 200 members representing Banks, Insurers, and Investors from around the world, UNEP FI contributes the perspectives of financial institutions to the various UN and global activities on sustainable finance. UNEP FI’s mission is to bring about systemic change in finance to support a sustainable world, which is highlighted in its motto, ‘Changing finance, financing change’.
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