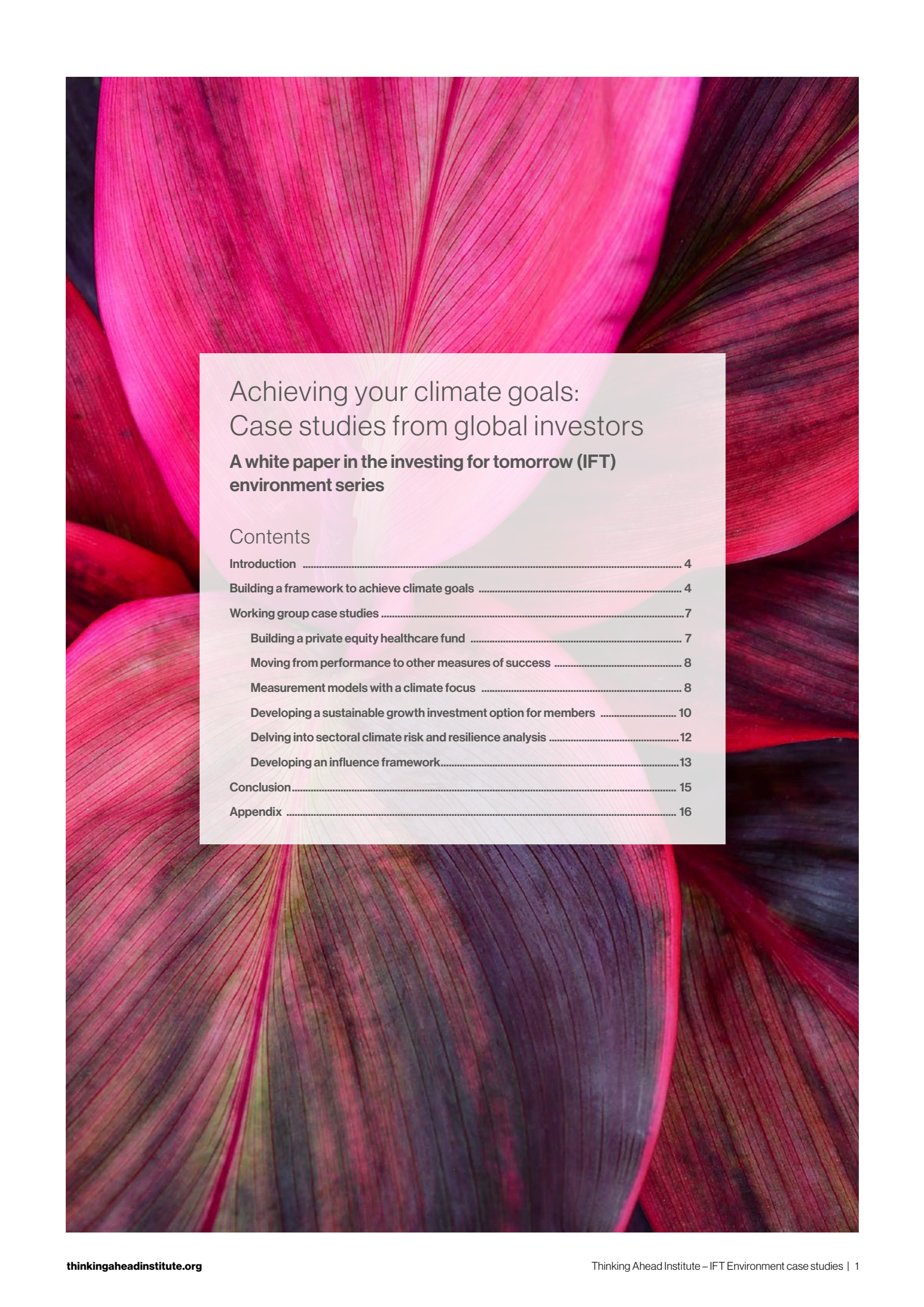


Thinking Ahead Institute

Achieving your climate goals: Case studies from global investors

A white paper in the investing for tomorrow (IFT) environment series





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This document has been written by members of the Thinking Ahead Institute (Isabella Martin and Marisa Hall) following the research and discussion conducted by the Thinking Ahead Institute's investing for tomorrow (IFT) environment working group. The authors are very grateful to the members of the working group for their input and guidance but stress that the authors alone are responsible for any errors of omission or commission in this paper.

The key objective of this working group was to explore environmental issues in the context of the investment industry. The environment working group covered 3 topics:

- What does a halving of emissions by 2030 mean?
- How can organisations achieve their climate goals?
- Is biodiversity loss a risk that the investment industry should care about?

This paper is the second in a series of outputs from the working group.

The members of this working group are as follows:

- Adrian Trollor, NSW Treasury Corporation (TCorp)
- Alison Loat, OPtrust
- Ben Leale-Green, (former) S&P Dow Jones Indices
- Caroline Cook, Baillie Gifford
- Ed Evers, Ninety One
- Emilie Goodall, Fidelity International
- George Beesley, MFS Investment Management
- George Crosby, NZ Super Fund
- Helen Christie, Uninvest
- Herschel Pant, AXA Investment Managers
- Jeffrey Chee, WTW
- Jeroen Rijk, PGB
- Leilani Weier, Rest
- Madelaine Broad, NSW Treasury Corporation (TCorp)
- Mara Schneider, (former) Quoniam Asset Management
- Oliver Carr, Baillie Gifford
- Praneel Lachman, FirstRand Bank
- Serena de Kretser, (former) IFM Investors
- Tom Lyons, Allspring Global Investments
- Will Le Quesne, Cefas



This paper includes case studies from working group members when asked to explain a change process that has helped their organisation meet its sustainability goals.

“The AXA IM Alts Impact Strategy believes that transparency and communication are core tenets of a credible impact investing strategy.”

– **Herschel Pant**, Senior Consultant Solutions, Podcast Host (Sound Progress), AXA Investment Managers

“The challenge of assessing progress towards net-zero is that a comparison of emissions versus a pathway to net zero is a “blunt” tool for assessing climate performance.”

– **Jeffrey Chee**, Global Head of Portfolio Strategy, WTW Investments

“Rest has a three-lens approach to responsible investment: member preferences; risk, return and opportunity; and community expectations.”

– **Leilani Weier**, Head of Responsible Investments, Rest Super

“Understanding sectoral and geographic variation in vulnerability to physical climate risk can aid organisations to understand investment exposure to climate risks across a portfolio.”

– **Will Le Quesne**, Director International Centre for Ocean Protection and Use, Cefas

“As a large and diversified investment manager across multiple geographies, sectors, and asset classes, Fidelity International is exposed to systemic environmental and social issues. Beliefs reflect its thinking that long-term value creation is affected by system-wide sustainability themes.”

– **Emilie Goodall**, Head of Stewardship, Europe, Fidelity International

Introduction

To successfully deliver both positive financial and real-world climate outcomes, investment organisations must be clear on their climate ambitions – explicitly making connections between climate goals; strategies and actions that must be taken to achieve these goals; and a deep understanding of how success is to be measured.

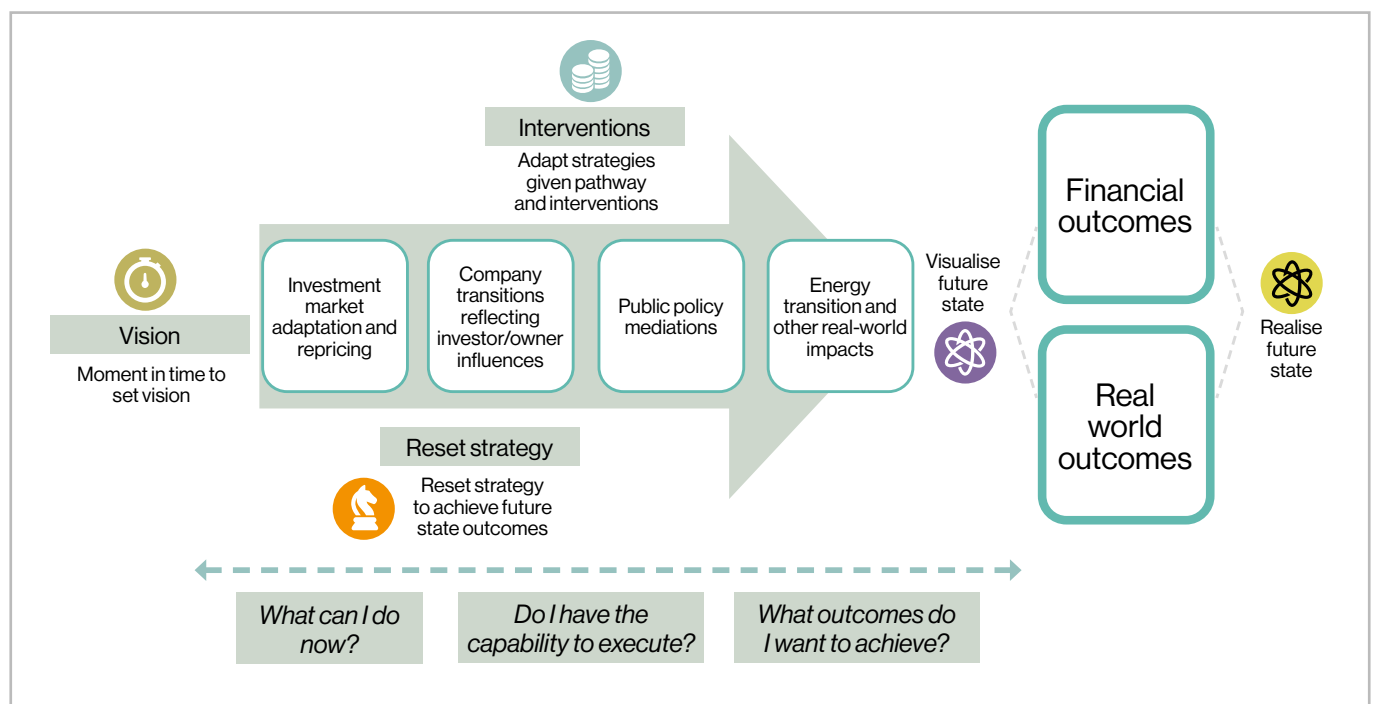
This paper covers a number of case studies from working group members – ranging from climate action plans to sustainable funds and strategic solutions – each providing practical examples of how their organisations are working towards achieving their climate ambitions.

Building a framework to achieve climate goals

Achieving an organisation's climate goals can be greatly supported by having a robust theory of change. Starting with a clear vision, organisations should:

1. Set their climate ambition
2. Understand the opportunities and barriers to achieving climate goals
3. Consider the interventions needed to achieve the desired financial and real-world outcomes.

Figure 1: Theory of change to deliver sustainability outcomes

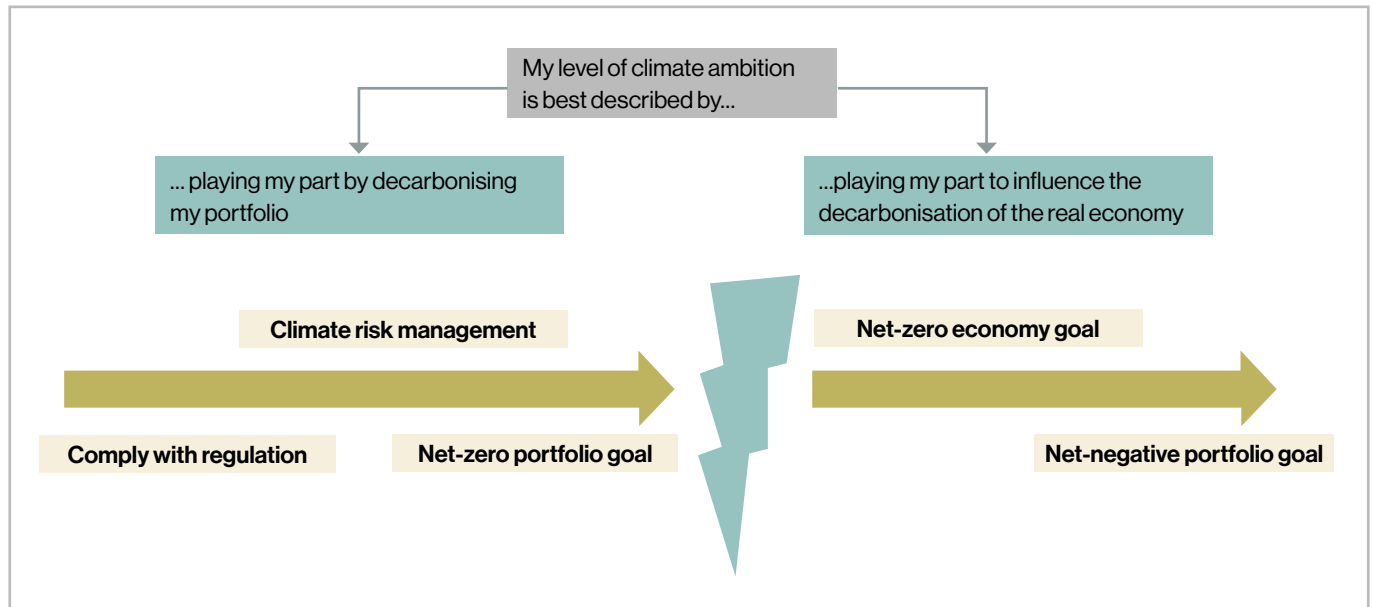


1. Set climate ambition

Organisation goals can be mapped on a climate ambition spectrum.

This spectrum ranges from those goals that are primarily focused on climate risk management and complying with regulation on the far left to those focused on climate change and net-zero economy goals on the far right. In the latter position, an organisation is not just thinking about the impact of climate change on its own portfolio but is also thinking about the impact of its portfolio on climate change, otherwise referred to as double materiality.

Figure 2: Climate ambition spectrum



Mapping to this spectrum can help an organisation realistically assess its goals. All working group members surveyed stated that their organisation's position is strictly or primarily focussed on climate risk management, meaning that most would map themselves on the left-hand side of the spectrum.

So, how can an organisation set its climate ambition? The climate goals of an organisation reflect the mindset and skillset of the organisation and opportunity set to do what is intentioned. In the Appendix we provide a survey tool for asset owners and asset managers which can help set out beliefs in each of these areas.

It is also important for any climate ambition to be aligned with the organisation's purpose and grounded in strategy. In deciding on a particular ambition and commitment with respect to sustainability an organisation should 'rightsize' its approach where they don't underdo it — foregoing the opportunity — or overdo it where legitimacy is compromised.

Rightsizing involves being joined up and brings together an organisation's:

- impact model — how to produce net positive impacts
- innovation model — applying a unique edge
- people model — employing unique passion as an attraction and retention tool
- business model — supporting commercial viability and thriving.

It also involves a clear vision and theory of change as well as an analysis of the barriers and interventions to achieving desired sustainability outcomes.



2. Understand the opportunities and barriers to achieving climate goals

While working group members were readily able to highlight significant opportunities to help achieve their climate goals, it was noted that there were a number of possible barriers that were present both within organisations but also within the wider ecosystem.

3. Think about the interventions needed to overcome barriers

Given these barriers how can an organisation achieve its goals? The Thinking Ahead Institute produced a research paper based on working group discussions suggesting 32 actions to achieve climate outcomes¹. The first 16 actions relate to decarbonising an organisation's own portfolio, such as enhancing investment decision making with better climate data and analytics. The second 16 are actions which target changing the climate trajectory such as, lobbying the private sector and creating and publishing policies.

Figure 3: Barriers to achieving climate goals

Financial outcomes: materiality and motivation	Real world outcomes: materiality and motivation
<ul style="list-style-type: none"> ▪ Limited standardisation/poor measurement frameworks ▪ Data transparency and availability ▪ Lack of suitable sustainability solutions/financial instruments ▪ Unfavourable incentive structures ▪ Tracking error ▪ The costs of integrating ESG risks outweigh the benefits ▪ Free riders – benefits accrue to everyone not just my fund 	<ul style="list-style-type: none"> ▪ Insufficient member/client alignment ▪ Short-termism/lack of vision ▪ Insular leadership ▪ Lack of understanding/knowledge ▪ Fiduciary duty limitations ▪ Peer support/reputational risk ▪ Lack of collaboration ▪ Social licence to operate ▪ Competitive disadvantage for first movers ▪ Governance (time and expertise) resource constraints

¹[We've decided to address climate change: getting our house in order](#), Thinking Ahead Institute.



Working group case studies: Achieving climate outcomes

As stated, theory of change principles can help organisations successfully achieve their desired climate outcomes. This requires meaningful interventions by organisations to remove roadblocks and deal with market evolutions.

Beyond frameworks, we can learn best from the practice of others. As such working group members were asked to explain a change process that has helped their organisation meet its sustainability goals.

Case studies

Building a private equity healthcare fund

Herschel Pant, Senior Consultant Solutions, Podcast Host (Sound Progress), AXA Investment Managers

AXA Investment Managers is a global investment management firm founded by AXA Group, a multinational insurance company². In April 2022, AXA IM's Alternatives ("AXA IM Alts") team launched a new private equity healthcare strategy, directing capital and investment expertise to meet underserved healthcare needs globally³.

This strategy seeks to increase the availability and affordability of innovative products and services - medical devices, pharmaceuticals, vaccines, and diagnostics – for priority disease areas including women, maternal & child, vision, infectious diseases, diabetes, and obesity. The strategy will seek to address inequalities in access to quality healthcare by targeting high-volume markets as opposed to only the high-income markets that private capital traditionally targets. This strategy will seek to ensure that healthcare solutions can be produced and distributed globally at accessible price points.

The target healthcare companies are typically in late clinical and/or early commercial stages, key inflection points of a company's organic growth trajectory where the capital is not traditionally available.

Additionally, an important distinction of this strategy is the intention to generate positive impact alongside financial returns. We have established clear impact objectives, key performance indicators and targets relative to which we evaluate, monitor, measure and report on the impact results generated by investments and contributions to achieving the aims and targets of UNSDG 3 – Good Health and Well-Being.

The success of this strategy depends on having the right combination of expertise to deliver on its dual financial and impact objectives. A unique value add is that our team is composed of senior investment professionals that provide a complementary mix of expertise in healthcare, high-volume markets, private equity and impact investing which we believe is vital in executing this global healthcare private equity strategy.

The AXA IM Alts Impact Strategy believes that transparency and communication are core tenets of a credible impact investing strategy. In line with this ethos, we developed the AXA Impact Hub, an online platform that enables us to effectively manage, monitor and report on investment impact. The platform provides real-time analysis of investments' environmental and social impacts, affording the highest degree of transparency and accountability. The AXA Impact Hub includes a dedicated client portal which provides insights into the impact programme and mandate execution and direct access to information that supports monitoring, reporting and communication by our clients. Information available on the online portal includes detailed insights on investments, qualitative and quantitative impact key performance indicators, performance tracking, and data visualisation tools.

The primary aim of this strategy is to demonstrate that purpose-driven private equity investments can deliver both positive and measurable impact for institutional investors.

²"Who we are." AXA IM. 2022.

³"AXA IM Alts launches \$500 million private equity healthcare strategy alongside two senior appointments." AXA IM. 2022.



Moving from performance to other measures of success

Herschel Pant, Senior Consultant Solutions, Podcast Host (Sound Progress), AXA Investment Managers

Over the course of 2020, AXA IM designed a strategy targeted at UK pension schemes that wanted cash to pay pensions as they became better funded and cash-flow negative. These pension funds did not need to take excessive fixed income risk and so a cost-conscious buy and maintain solution was developed which used credit assets to pay pensions.

In order to measure success, AXA IM decided to look at specific key performance indicators (KPIs) including, downgrades that the portfolio was experiencing, the spread that the portfolio was capturing, turnover and cashflow generated. Traditional performance metrics were viewed as secondary measures of success, given the maturing nature of the portfolio and lack of traditional market benchmarks.

As a result, it created both internal and external implementation challenges with this strategy. Internally, designing an appropriate dashboard for this approach and moving away from traditional risk-related measures took time for all stakeholders to buy in to. Externally, attracting like-minded investors at the start of the journey was challenging as it was different to the norm at that time.

Positively, over the last three years, the strategy has increased in its importance (and achieved greater scale) to meet pension scheme outcomes – including for clients outside of the UK. This has led to materially deeper conversations with clients, as the scope broadened to beyond basic performance metrics with a focus on delivering better outcomes. These included deeper discussions on climate integration and engagement, allowing for the development of a climate dashboard.

Ultimately, this new strategy cemented the importance of “being comfortable with being brave” and trying new approaches.

Measurement models with a climate focus

Jeffrey Chee, Global Head of Portfolio Strategy, WTW Investments

WTW is a multinational insurance and investment advisory and solutions firm. WTW Investments has committed to, “targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in its fully discretionary delegated investment portfolios⁴”. Since 2021 WTW Investments has worked on the measurement of the climate performance of portfolios and progress towards net zero pledges and how to use these measurements to develop action plans and engage with underlying managers.

The challenge of assessing progress towards net zero is that a comparison of emissions versus a pathway to net zero is a “blunt” tool for assessing climate performance. There are legitimate reasons why portfolio emissions may be high in the near term, for example investment in transitioning industries or exposure to climate solutions. Additionally, the need to balance multiple investment goals and achieve net zero goals in a financially rational way means that there are reasons to be ahead of or behind the intended long-term trajectory to net zero at various points in time.

Given these challenges WTW Investments developed a two-fold solution: a carbon journey plan and a climate dashboard. The carbon journey plan sets out the long-term trajectory to net zero with review ranges. It indicates whether a net zero strategy is working to keep the organisation on its desired pathway to net zero. The climate dashboard based on the Climate Financial Risk Forum (CFRF) framework recognises that climate change and the transition to net zero is a multi-dimensional problem and looks at multiple metrics beyond emissions. The dashboard covers five categories of metrics: financed emissions, portfolio alignment, contribution to transition finance, exposure to transition risk and exposure to physical risk.

⁴ “Our pledge: Net zero greenhouse gas emissions by 2050 for our discretionary investment portfolios.” WTW. 2021.

During this process there were implementation challenges. It proved difficult to select metrics due to the wide range of potential metrics available and the fact that it is a constantly evolving space. Additionally, there were data limitations outside of listed/liquid corporate assets. Multi-asset context increases complexity as in order to aggregate to total portfolio level the approaches used for different assets classes need to be comparable/compatible.

Despite these challenges, these tools have provided a clear framework for assessing climate performance and communicating key messages to clients. They also provide a structured approach for prioritising portfolio actions, manager engagement and setting additional targets, for example around portfolio alignment.

WTW Investments is looking to improve data and methodology for unlisted asset classes and develop the ability to attribute key metrics in both cross section and time series. It is also looking to improve the approach taken for physical risk and carry out a systematic integration of dashboard metrics into portfolio construction.

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Figure 4: Carbon Journey Plan⁵

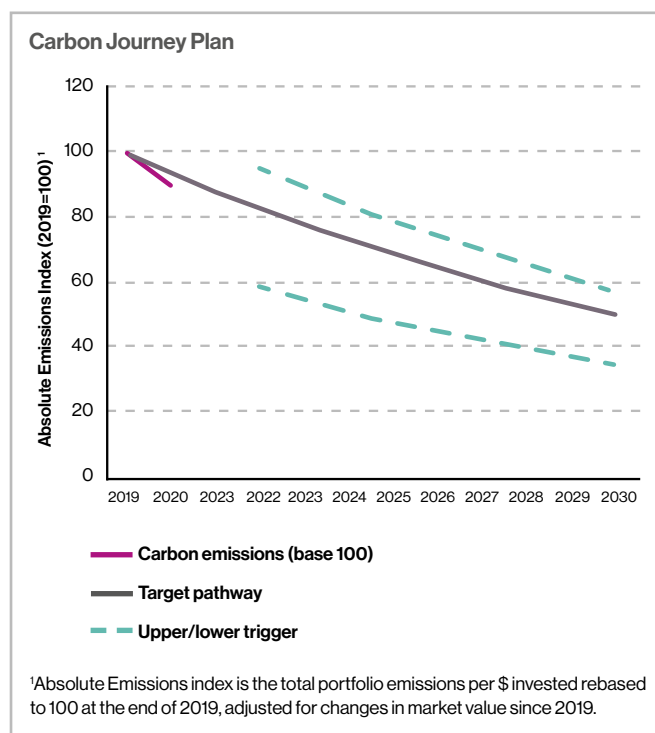
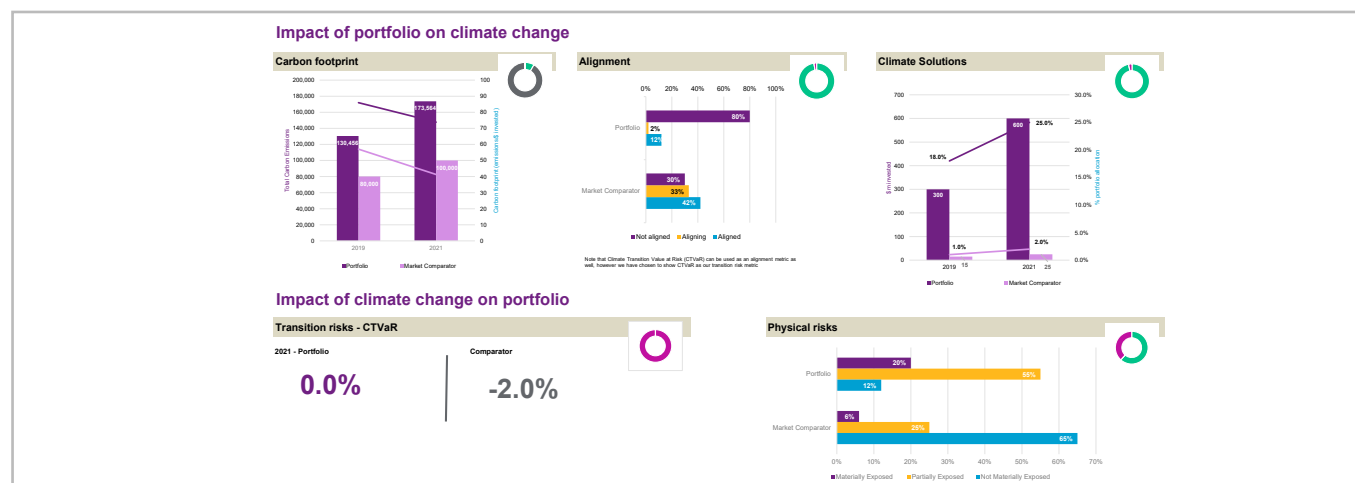


Figure 5: CFRF climate metrics framework⁶

Category	Use case
Impact of climate change on a firm	1. Transition Risks 2. Physical Risks
Impact of the firm on climate change	3. Portfolio decarbonisation 4. Mobilising transition finance
Cross-cutting	5. Engagement

Figure 6: Example climate dashboard⁷



⁵ WTW (exhibit is illustrative only).

⁶ WTW (exhibit is illustrative only).

⁷ WTW (exhibit is illustrative only).

Developing a sustainable growth investment option for members

Leilani Weier, Head of Responsible Investments, Rest Super

Rest Super is an Australian superannuation fund, with a focus on responsible investment and sustainability, and a long-term objective to achieve a net zero carbon emissions footprint for the Fund by 2050⁸. Rest represents 1.9 million Australians with their superannuation savings. In 2018 Rest observed, through end-of-membership surveys, that some members were switching to other funds because there was no sustainable growth or ethical option that suited their values.

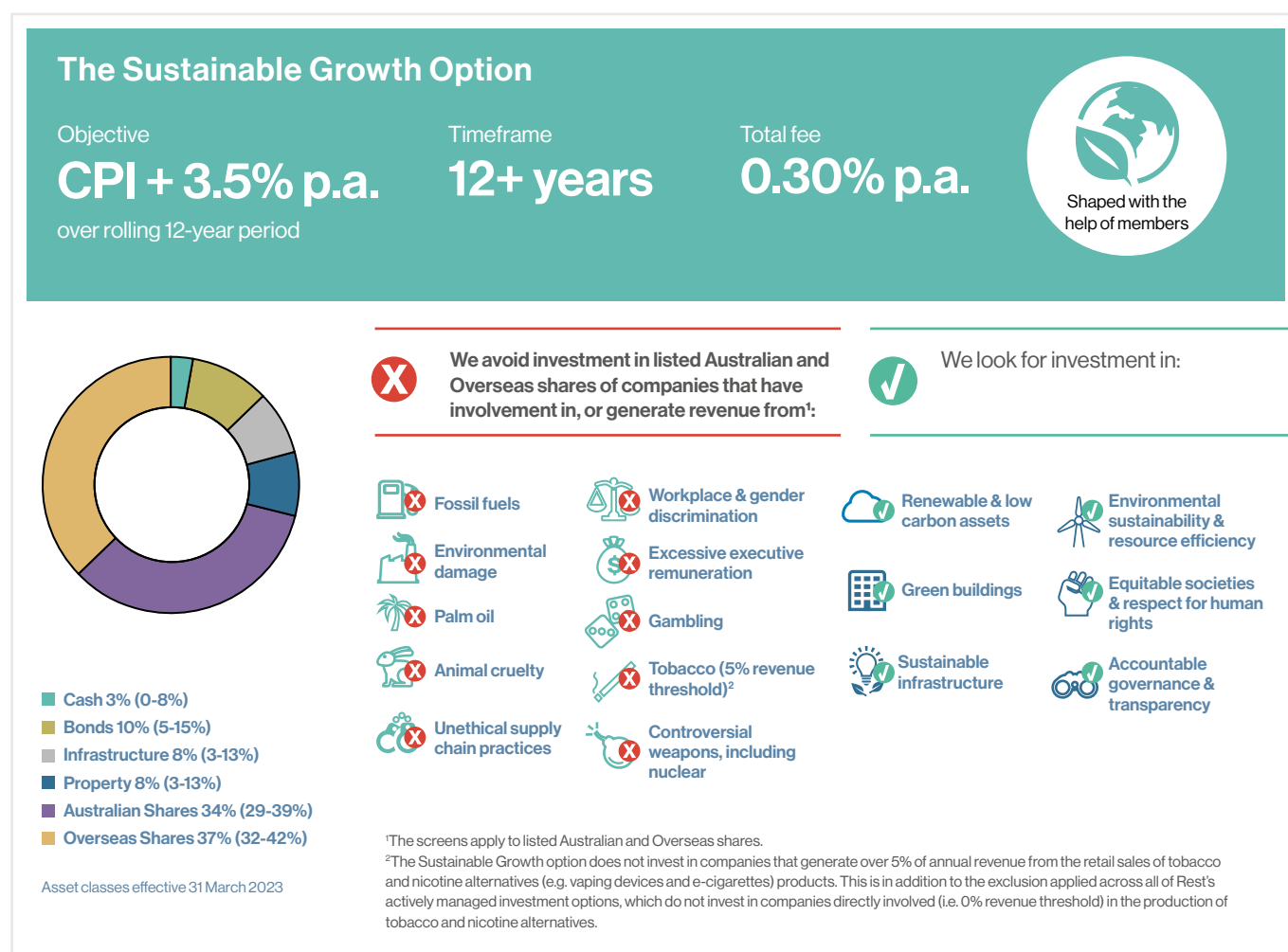
Subsequently, in 2019, they conducted a survey of over 2000 members and held three focus groups to determine interests of their members in responsible investment, including terms of exclusions. Four out of five Rest members surveyed said that they believed super funds had a responsibility towards society when it comes to investing. These members wanted low fees, high returns and for their fund to target industries or companies that are responsible. Off the back of this survey Rest built a Sustainable Growth Option⁹.

Developing this was challenging as building a sustainable growth option required an innovative approach, involving significant change to governance. To remedy this the Investments team worked closely with the Products and Member Engagements teams to build this option based on member preferences.

Rest considered exclusions that members were concerned about and built an investment option that was primarily rules based. This was challenging as the approach of building this portfolio from the bottom up through active management was not the lowest fee option. Thus, Rest went with a systematic rules-based strategy that uses various data sources, such as MSCI and ISS, that utilise controversy scores. This allowed Rest to bring a low-cost option to the market.

Rest also had to go through a process of developing asset class criteria for funds or assets that contributed to a net zero by 2050 economy. To do this it was guided by the EU Taxonomy, the UN SDGs and other tools. For example, for its Property assets Rest also used GRESB ratings¹⁰. Additionally, Rest initially launched with a standard bonds fund and has since upgraded to an ESG-customised bond fund.

Figure 7: The Sustainable Growth Option¹¹



⁸"Why Rest." Rest. 2022.

⁹"Sustainable Growth". Rest. 2022.

¹⁰"Actionable ESG data". GRESB. 2022.

The investment option was launched with AUD\$50 million funds under management. Looking back, it would have been more optimal to launch with more funds under management to reduce restrictions on specific asset classes, such as mid-risk assets which are important in volatile times.

The fund's 12-year timeframe and relatively young age profile of members allowed more leeway for the potential volatile fund performance in the short-term.

Figure 8: Differences between Core Strategy and Sustainable Growth options¹²

What is the difference with the Core Strategy Option in terms of the different types of responsible investment? Well, Sustainable Growth has enhanced ESG criteria

Option	ESG Integration	Negative exclusions	Norms-based screens	Active ownership	Positive screening	Intentional Sustainability themed investing
Core Strategy	✓	✓ -2	✗	✓	✗	✗
Sustainable Growth	✓	✓ -10	✓	✓	✓	✓



¹¹ Rest Super.
¹² Rest Super.

Delving into sectoral climate risk and resilience analysis

Will Le Quesne, Director International Centre for Ocean Protection and Use, Cefas

The Centre for Environment, Fisheries and Aquaculture Science (Cefas) is an executive agency of the United Kingdom government Department for Environment, Food and Rural Affairs, and “the government’s marine and freshwater science experts, working for healthy and productive oceans, seas and rivers and sustainable seafood”¹³. Cefas conducts research across the world including recent projects in the Arabian Gulf region evaluating physical climate risk to maritime and coastal activity.

Understanding sectoral and geographic variation in vulnerability to physical climate risk can aid organisations to understand investment exposure to climate risks across a portfolio. Furthermore, evaluating the specific mechanisms of physical climate impact can help identify development of targeted adaptation actions to reduce climate risks. Cefas have been conducting regional, national and sectoral climate risk assessment based on the Intergovernmental Panel on Climate Change (IPCC) process that evaluates exposure and sensitivity to climate impacts. The climate drivers affecting the environment are determined, such as sea level rise and changes in ocean

circulation, and this is mapped onto the sensitivity of specific sectors, biodiversity and societal factors to determine overall climate.

More detailed mechanistic risk assessments can then be conducted for high-risk sectors to better understand the mechanisms of impact and associated adaptation actions that can be taken. An example of this was a risk assessment and adaptation analysis of the fisheries and aquaculture sector in Oman. The Omani government is seeking to strategically invest in this sector as part of the national programme of diversification away from oil and gas¹⁵. This analysis identified potential resilience-building actions that could be considered a prerequisite for investment.

The limitations of this style of analysis is that commonly only qualitative risk metrics can be generated. Quantitative risk factors are difficult to calculate and in many cases would require substantial research investment. This is a systematic challenge, so it may be necessary to proceed with qualitative risk metrics for the near future.

These analyses demonstrate that it is possible to evaluate biophysical climate risk across a range of sectors and geographies. And pathways for resilience building can be identified. However, further work would need to be done to apply this to portfolio construction and risk management.

Figure 9: An example of the outcome of regional biophysical climate risks for maritime and coastal sectors in the Arabian Gulf and ROPME Sea Area¹⁴

CLIMATE CHANGE RISK TO...	PROXIMITY	MAGNITUDE	RISK SCORE	RISK CATEGORY	CONFIDENCE LEVEL
Coastal communities (people, homes and local amenities)	<20 Years	High	75	Severe	High
Marine fisheries resources	<20 Years	High	75	Severe	High
Coastal industries (flooding)	<20 Years	High	75	Severe	High
Desalination plants	<20 Years	High	75	Severe	High
Coastal industries (non-flooding)	<20 Years	High	75	Severe	Medium
Maritime transport	<20 Years	High	75	Severe	Medium
Fishing communities	<20 Years	Medium	50	Moderate	High
Offshore oil and gas	<50 Years	High	50	Moderate	Low
Natural coastal protection	<20 Years	Medium	50	Moderate	Medium
Aquaculture	<50 Years	Medium	33	Moderate	Low
Coastal tourism	<50 Years	Medium	33	Moderate	High
Pearl oysters	<50 Years	Medium	33	Moderate	Low
Human health	<50 Years	Medium	33	Moderate	Low

¹³ “A world leader in marine science and technology.” Cefas. 2022.

¹⁴ ROPME Policy Brief: ROPME Sea Area Climate Change risk Assessment. Cefas. 2022.

¹⁵ Oman fisheries & aquaculture climate change risk assessment. Cefas. 2020.

Developing an influence framework

Emilie Goodall, Head of Stewardship, Europe, Fidelity International

Fidelity International is a privately owned global investment and retirement savings business. In 2022, as part of its commitment to continuous improvement, Fidelity underwent an internal review of its approach to sustainable investing. The organisation revisited its sustainable investing beliefs, guided by its purpose to work together to build better financial futures for clients.

This resulted in an update which reflects the evolution of Fidelity's active ownership practices, namely, the belief that effective stewardship combines bottom-up, thematic, and system-wide approaches. As a large and diversified investment manager across multiple geographies, sectors, and asset classes, Fidelity International is exposed to systemic environmental and social issues. Beliefs reflect its thinking that long-term value creation is affected by system-wide sustainability themes.

Figure 10: Influence Framework¹⁵

Level of influence	Example actions	Climate-specific examples
System		
Our economic, social and ecological systems are interconnected, and affected by the loss of climate change in ways that are not yet fully understood but that have wide-ranging implications for capital markets.	<ul style="list-style-type: none"> Active engagement in development of market standards, regulatory consultations and industry groups Firmwide sustainability commitments and targets (market signalling) 	<ul style="list-style-type: none"> Net zero alignment commitment Early signatory to the Global Standard on Responsible Climate Lobbying Member of Net Zero Asset Managers Initiative (NZAMI)
Industry, sector, and/or cross-portfolio		
Systemic risks arising from unsustainable economic practices are already informing change across industries. This change requires collaborative efforts to accelerate the necessary transitions.	<ul style="list-style-type: none"> Thematic engagements, undertaken individually and in collaboration Engagement with data providers, proxy voters, index providers Finance-sector specific engagements 	<ul style="list-style-type: none"> We are active lead investors on collaborative engagements under Climate Action 100+ and chair the Engagement and Policy working group for the Asia Investor Group on Climate Change (AIGCC)
Firm, entity		
Capital allocation, engagement, and voting inform company behaviour change.	<ul style="list-style-type: none"> Outcomes-driven company engagements 	<ul style="list-style-type: none"> Engagement informed by systematically applied tools that inform capital allocation and active ownership (ESG Ratings, Climate Ratings)
Individuals		
Individuals' knowledge, skills, and experience are key to effecting and informing change.	<ul style="list-style-type: none"> Training Client engagement 	<ul style="list-style-type: none"> Internal and external training on climate, including in relation to how we manage our own corporate footprint and climate-related risks

To apply this thinking in practice, Fidelity has been working with an 'influence framework' to help identify where and how it can align and further its efforts. Below is an illustration of how distinct levels of influence — system; industry, sector and/or cross-portfolio; firm, entity; and individuals — relate to potential actions. It has applied the framework to a number of systemic themes.

The framework reflects multiple forms of influence via engagement, ranging from proactive regulatory engagement (the 'system' level) to more traditional company engagements ('firm, entity' level). The actions illustrated, in this climate example, are all targeted towards Fidelity's overall net zero goals ('system' level).

The review undertaken reflects the three steps of thinking, 'left to right', outlined by the Thinking Ahead Institute: 1. acknowledge constraints and realities; 2. establish organisational purpose and beliefs; and 3. develop practical solutions. In reality, their learning has been that these three steps form a continuous feedback loop.

Practical solutions come up against constraints and realities, particularly given that different individuals, teams and stakeholders are progressing at different speeds, requiring actions to be refined, and the loop continues. This is why the cornerstone layer of the influence framework is 'individuals', who are key to any transformative change.

Finally, this framework is referred to as an 'influence' rather than an impact framework. Fidelity International can act with intent to influence but cannot always pinpoint the real-world outcomes of these actions, nor always the causality or additionality. Yet, in pursuing its mission it continuously reviews whether the actions taken are the most efficient and effective deployment of resources. Fidelity is working with The Investment Integration Project to share its experiences as part of a new system-level investing working group which is exploring appropriate, practical measurement and management approaches for these types of interventions.





Conclusion

In a multi-stakeholder world, there is increasing acknowledgement that organisations need to consider not only traditional risk and return metrics viewed from the perspective of the real-world impact on portfolios but also the real-world impact of their portfolios — also known as 3D investing. Organisations can do this by having an integrated or more joined up approach to portfolio construction and rightsizing their sustainability ambition so that it reflects the mindset and skillset of the organisation and opportunity set to do what is intended.

Through the exploration of working group case studies perspective is gained about the challenges facing the investment industry when it comes to achieving climate ambitions. This is a constantly evolving space where transparency and flexibility are tantamount. Acknowledging these barriers and then working collaboratively on solutions is imperative, allowing the industry to build more resilient portfolios for a net zero world.

Appendix

Appendix 1: Asset owners — how is your organisation positioned against these various beliefs? ¹⁶

Financial outcomes: materiality and motivation		Real world outcomes: materiality and motivation	
1. Systematically considering climate risk will lead to more complete analyses and better-informed investment decisions	6. My organisation can achieve both significant positive financial and real-world outcomes through a strategic response to climate change	11. The jurisdiction in which my organisation operates gives us sufficient flexibility to integrate climate risk as part of our fiduciary responsibilities	16. Sustainability in investing is broader than considering ESG factors, and includes sustainability of the economic and financial system
2. The market is unable to accurately price systemic risks such as climate change	7. Assets that account for climate risk will produce higher risk-adjusted returns than other assets over the long term	12. My organisation has sufficient resource (time and expertise) to achieve our climate goals and align with best practices	17. The returns we need can only come from a system that works, and so working on the resilience of the financial system should be part of our mission
3. We are able to adequately measure and manage the impact of climate change on our portfolios	8. We have access to relevant climate-related data to provide robust analysis and significantly improve portfolio performance	13. My organisation has the right social capital practices (leadership, culture and governance) to achieve our climate goals and align with best practices	18. The benefits paid to our end investors are worth more in world that is pleasant to live in so working on positive real-world impacts should be part of our mission
4. We are able to adequately measure and manage the impact of our portfolios on climate change	9. The execution of ownership rights including engagement can significantly influence the performance and risk of investments over time	14. We focus substantially on our social license to operate, long-term sustainable value creation for stakeholders and leaving a lasting legacy	19. Paris aligned and net zero ambitions are about our organisation playing our appropriate part in the just transition to a carbon zero world in which climate changes and temperature rises are limited
5. We are able to provide appropriate climate solutions and products to meet our clients' financial goals	10. The benefits of incorporating our climate beliefs into the investment process are likely to outweigh the cost of doing so	15. There is a sufficient solidarity in the industry among our peers to support our climate outcome goals and protect reputational risk	20. Net zero ambitions are about us aligning our strategy and policies with our clients' financial and real world outcome interests

¹⁶ Thinking Ahead Institute, [We've decided to address climate change: getting our house in order](#), p. 5

Appendix 2: Asset managers — how is your organisation positioned against these various beliefs?¹⁷

Financial outcomes: materiality and motivation		Real world outcomes: materiality and motivation	
1. Systematically considering climate risk will lead to more complete analyses and better-informed investment decisions	6. My organisation can achieve both significant positive financial and real-world outcomes through a strategic response to climate change	11. The jurisdiction in which my organisation operates gives us sufficient flexibility to integrate climate risk as part of our fiduciary responsibilities	16. Sustainability in investing is broader than considering ESG factors, and includes sustainability of the economic and financial system
2. The market is unable to accurately price systemic risks such as climate change	7. Assets that account for climate risk will produce higher risk-adjusted returns than other assets over the long-term	12. My organisation has sufficient resource (time and expertise) to achieve our climate goals and align with best practices	17. The returns we need can only come from a system that works, and so working on the resilience of the financial system should be part of our mission
3. We are able to adequately measure and manage the impact of climate change on our portfolios	8. We have access to relevant climate-related data to provide robust analysis and significantly improve portfolio performance	13. My organisation has the right social capital practices (leadership, culture and governance) to achieve our climate goals and align with best practices	18. The benefits paid to our end investors are worth more in a world that is pleasant to live in so working on positive real-world impacts should be part of our mission
4. We are able to adequately measure and manage the impact of our portfolios on climate change	9. The execution of ownership rights including engagement can significantly influence the performance and risk of investments over time	14. We focus substantially on our social license to operate, long-term sustainable value creation for stakeholders and leaving a lasting legacy	19. Paris aligned and net zero ambitions are about our organisation playing our appropriate part in the just transition to a carbon zero world in which climate changes and temperature rises are limited
5. We are able to provide appropriate climate solutions and products to meet our clients' financial goals	10. The benefits of incorporating our climate beliefs into the investment process are likely to outweigh the cost of doing so	15. There is a sufficient solidarity in the industry among our peers to support our climate outcome goals and protect reputational risk	20. Net zero ambitions are about us aligning our strategy and policies with our clients' financial and real world outcome interests

¹⁷ Thinking Ahead Institute.

Disclaimers

AXA Investment Management

Risk Warning

No assurance can be given that our strategies will be successful.

Capital at Risk. The value of investments and any income from them may fall as well as rise and investors may get back less than they originally invested.

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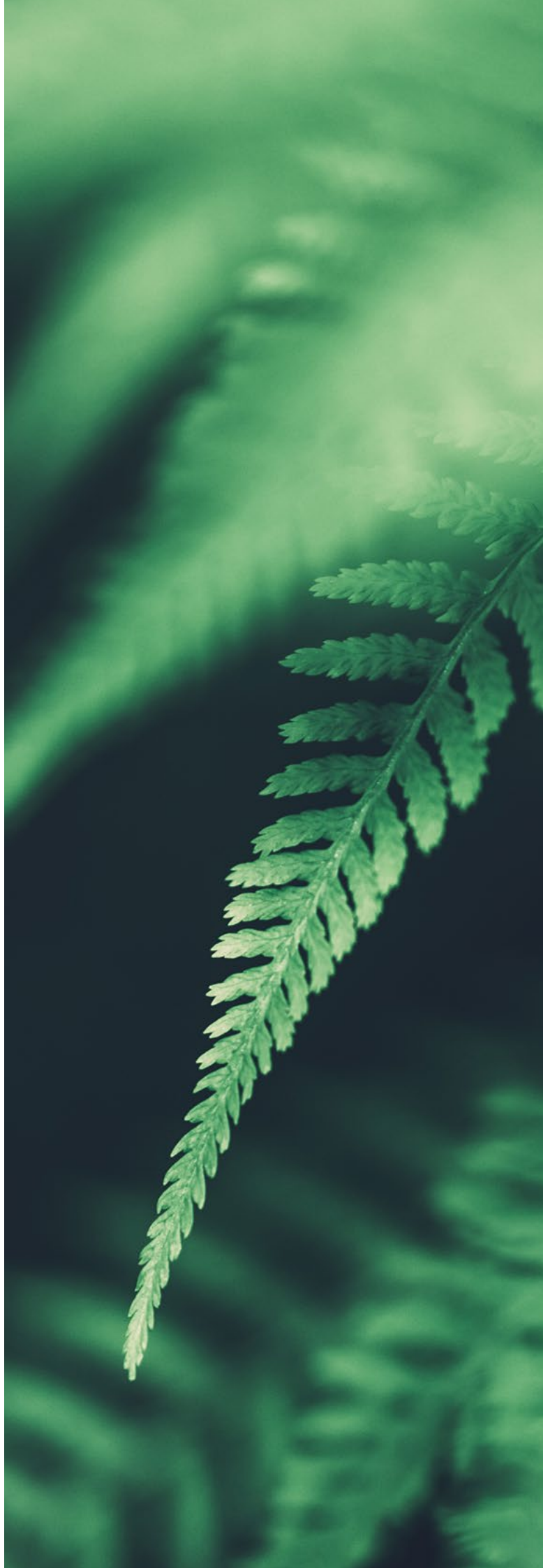
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Led by Marisa Hall, Tim Hodgson and Roger Urwin, the Thinking Ahead Institute connects our members from around the investment world to harness the power of collective thought leadership and develop innovative solutions for the investment industry.