

HEALTH WEALTH CAREER

# MAKE TOMORROW TODAY: CLIMATE RELATED RISKS AND OPPORTUNITIES

13 MARCH 2018

MAKE TOMORROW. TODAY 

## INVESTOR TIMELINE CHALLENGE

**THE INVESTOR ZONE** | **THE CLIMATE ZONE**

**NEW ACTION!  
MONITOR CLIMATE RISK FACTORS**

QUARTERLY REVIEWS:  
3 MONTHS

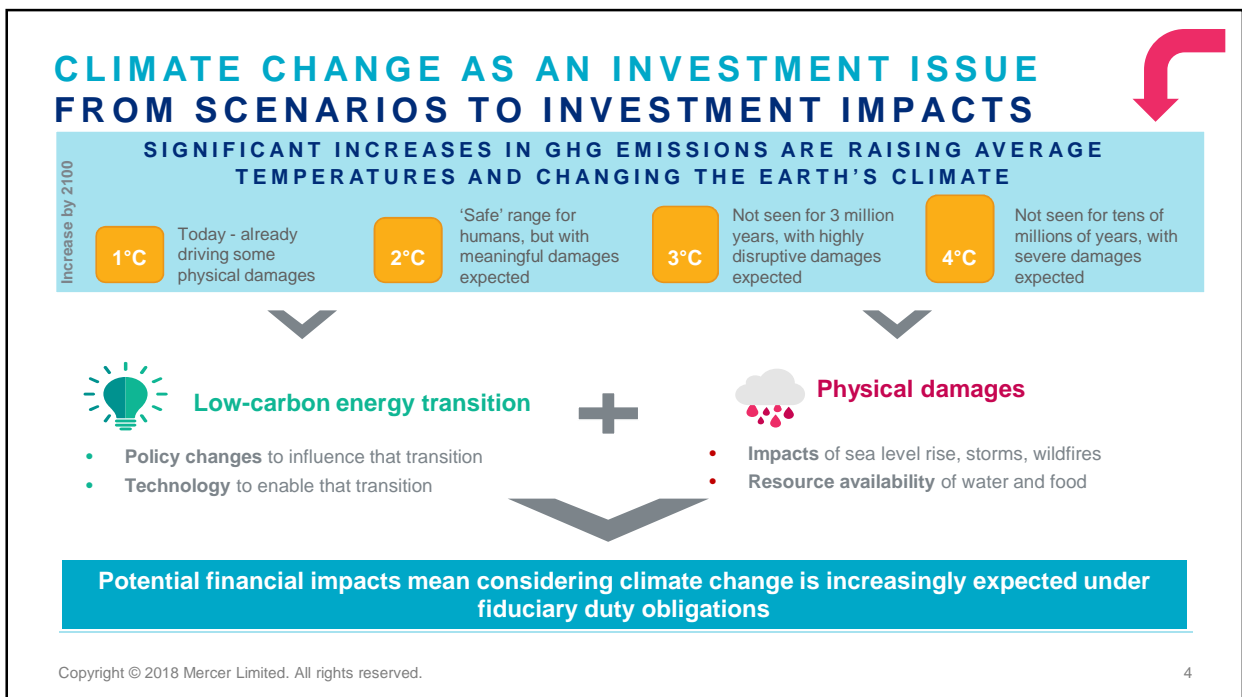
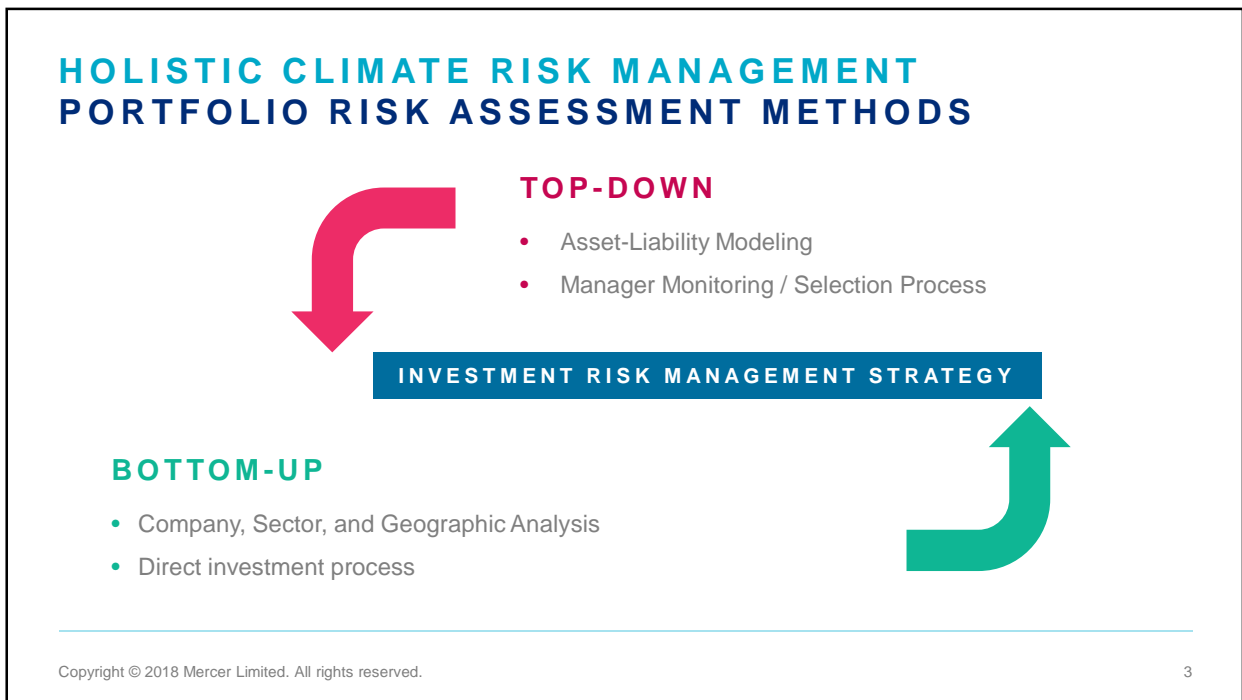
ANNUAL REVIEWS:  
1 YEAR

STRATEGIC REVIEWS:  
3-10 YEARS

MODELLING PERIOD FOR THIS ANALYSIS:  
TO 2050

MOST SIGNIFICANT CLIMATE CHANGE IMPACTS:  
BEYOND 2050

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## TRIP CLIMATE RISK FACTORS

Transition Risks

Physical Risks

Technology	Resource Availability	Impact of Physical Damages	Policy
The rate of progress and investment in technology supporting a transition to a low-carbon economy.	The impact of chronic weather patterns (long-term changes in temperature or precipitation) on resource production and availability.	The impact of acute weather risk (that is, extreme or catastrophic events) on physical assets and supply chains.	Regulations meant to reduce the risk of further climate change from human-induced greenhouse gas emissions.

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## ESTIMATING CLIMATE IMPACT ON RETURN CALCULATING MODEL OUTPUTS

CLIMATE SCENARIOS

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CLIMATE RISK FACTORS

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INVESTMENT IMPACTS

	T	R	I	P
	-0.25	-0.75	-0.75	-0.75
	-0.50	-0.75	-0.75	-0.75
	<0.25	-0.50	-0.75	<0.25
	-0.50	-0.75	-0.75	-1.00
	0.50	-0.25	-0.25	1.00
	0.50	-0.75	-0.25	0.50

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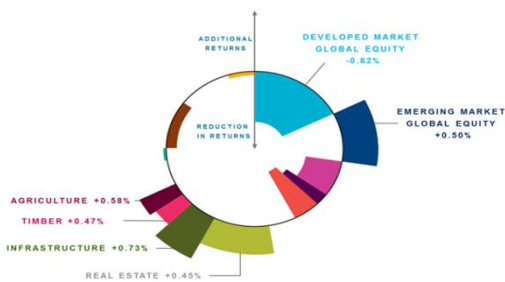
# ASSESSING CLIMATE RISK INVESTOR IMPLICATIONS – 2°C SCENARIO

## WHAT IS THE INVESTMENT RISK FROM CLIMATE CHANGE?

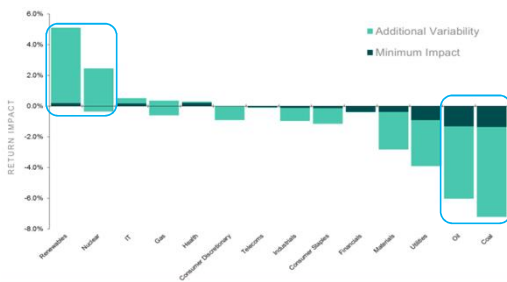
- **2°C scenario** has greatest near-term (i.e. 10 year) impacts
- **Asset classes** and **sectors** matter – review “at risk” sectors
- Consider increasing exposure to **sustainability-themed investments**



10 YEAR MEDIAN ANNUAL RETURN IMPACTS – ASSET CLASSES



10 YEAR MEDIAN ANNUAL RETURN IMPACTS – SECTORS



Source: Mercer (2015)

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# SUSTAINABLE OPPORTUNITIES GLOBAL DEMAND DRIVERS

## RESOURCE PRESSURE

40%

ENERGY DEMAND GROWTH TO 2040 (IEA)

60%

INCREASE IN FOOD PRODUCTION BY 2050 (FAO)

40%

GLOBAL FRESHWATER DEMAND-SUPPLY GAP BY 2030 (WRG)

## MARKET / DEMAND GROWTH

\$5tn

VALUE OF LOW CARBON BUSINESS OPPORTUNITIES BY 2030 (BSCG)

10%

LOW CARBON ECONOMY ANNUAL GROWTH RATE – TO 2020 (HSBC)

\$500+bn

ANNUAL INVESTMENT TO 2040 IN RENEWABLE POWER, NEEDED TO MEET 2DC TARGET (BNEF)

## LOW CARBON ECONOMY

\$600bn

ANNUAL REVENUES FROM LOW CARBON TECHNOLOGIES (GS SUSTAIN)

30%

RENEWABLES SHARE OF GLOBAL ENERGY BY 2020 – TO STAY WITHIN 2DC WARMING TARGET (MISSION 2020)

\$3tn

GLOBAL INDEX MARKET VALUE DERIVED FROM “GREEN REVENUES” (FTSE)

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## FUTURE PROOFING YOUR PORTFOLIO REQUIRES A NEW APPROACH TO “PERFORMANCE”

For example, performance of Mercer’s Sustainable Strategies include comprehensive sustainability / ESG monitoring.

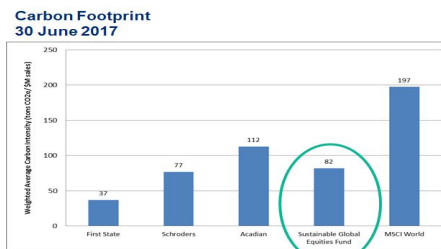
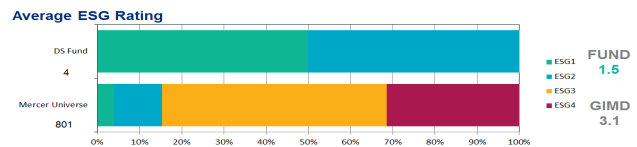
 **Sustainability Themes:  
Impact Metrics & Examples**

 **ESG Integration:  
Ratings Comparisons**

 **Stewardship: Voting and  
Engagement Activity**

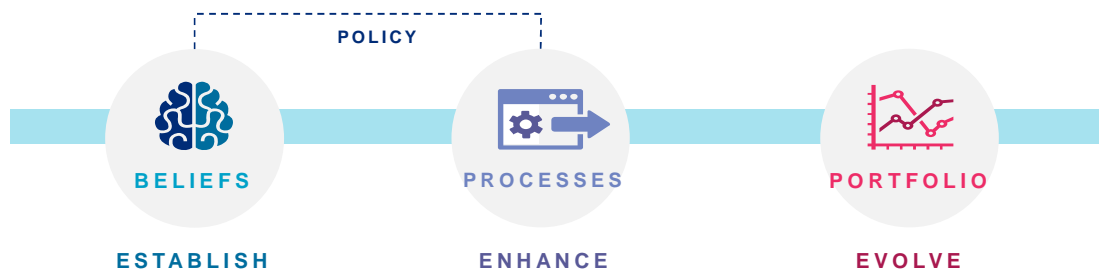
 **Climate Metrics:  
Carbon Footprinting**

 **Exclusions:  
Compliance Monitoring**



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## INSTITUTIONAL INVESTORS WHERE TO FROM HERE?



THE WORLD IS MADE UP OF FUTURE TAKERS, AND FUTURE MAKERS.

 WHICH ONE ARE YOU?

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