



Position statement on climate change

11 October 2016

1. Introduction

Institutional investors believe that climate change is one of the biggest systemic risks the world currently faces. The challenges of climate change, both the physical impact and the need for a timely and controlled transition, pose risks and provide opportunities to companies. How these risks and opportunities are managed by boards of companies is likely to affect the long-term returns for institutional investors.

2. Support to mitigate climate change is mounting globally

In December 2015, representatives of 197 countries at the twenty-first United Nations Conference of the Parties (COP21) in Paris reaffirmed the goal of limiting global temperature increase¹ and agreed to aim for a global net-zero carbon energy system well before the turn of this century. The ambition was also stated to make 'finance flow consistent with a pathway towards low greenhouse gas emissions and climate resilient development'. The Paris Agreement will enter into force on 4 November 2016.

COP21 further concurred with the conclusions from the Climate Change 2014 report of the Intergovernmental Panel on Climate Change (IPCC), that 'it is extremely likely that human influence has been the dominant cause of the observed warming since the mid-20th century'². Subsequently, in January 2016 the World Economic Forum (WEF) identified climate change as the most important risk for the global economy in the years to come³.

¹ The countries agreed to holding the increase in the global average temperature 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 (Art. 2 of the Paris Agreement).

² http://www.ipcc.ch/pdf/assessment-report/ar5/wg2/ar5_wgII_spm_en.pdf.

³ http://www3.weforum.org/docs/GRR/WEF_GRR16.pdf.

3. Eumedion participants expect corporates to consider adapting strategies and reporting

It is in the interest of institutional investors, their clients and ultimate beneficiaries, to contribute to the transition to a carbon-neutral economy. Therefore, Eumedion participants ask all listed companies to analyse the potential risks and opportunities – both physical and transitional – related to climate change for their business model and strategy, and to disclose what concrete efforts will be made to contribute to a carbon-neutral economy in the second half of this century.

To better factor climate-related effects into investment decision-making processes, Eumedion participants expect companies to provide explicit information regarding any material exposure to climate risks and regarding potential business opportunities. This should be accompanied by information on the possible implications for the corporate strategy under a scenario in which governments take all necessary regulatory actions consistent with the Paris Agreement. Also, material climate change-related risks and opportunities in the supply chain need to be identified, the relevant findings and conclusions of this analysis should be disclosed.

Besides an assessment of the exposure to climate change, participants of Eumedion urge companies to provide an overview of the efforts to help deliver the goals of the Paris Agreement, accompanied by relevant data and targets. In addition, information should be provided on the governance process that explains how the board considers and approaches climate-related risks and opportunities in their business management, such as investment planning, risk management, and reporting.

Eumedion participants expect companies to provide material and comprehensive information, preferably disclosed in the management report.

Annex I: Relevant initiatives on climate change

- **Regulatory initiatives on climate change**

[The Intergovernmental Panel on Climate Change \(IPCC\)](#) is the international body for assessing the science related to climate change. IPCC assessments provide a scientific basis for governments at all levels to develop climate related policies, and they underlie negotiations at the UN Climate Conference – the United Nations Framework Convention on Climate Change (UNFCCC).

[The United Nations Framework Convention on Climate Change](#) is an international environmental treaty negotiated in Rio de Janeiro in 1992. After signing the UNFCCC, parties to the treaty regularly met at conferences (Conferences of the Parties, COP's) to discuss how to achieve the treaty's aims. The most recent conference took place in Paris in December 2015 ([COP21](#)).

- **Reporting and financial authority initiatives on climate change**

[The Financial Stability Board Task Force on Climate-related Financial Disclosures](#) aims to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The task force will consider the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries. The FSB initiative will focus primarily on developing recommendations for issuers of public securities, listed companies, and key financial-sector participants.

[De Nederlandsche Bank](#) (DNB) published the report *Time for transition: towards a carbon-neutral economy* in March 2016. In the report, DNB analyses the energy transition as one of the economy's key long-term challenges. The bank not only provides data on the exposure of Dutch financial institutions to the fossil fuel industry, but also advocates a controlled transition to a low-carbon economy.

The [Science Based Targets](#) foundation is a partnership between CDP, UN Global Compact, World Resources Institute and World Wildlife Fund, aiming to help companies determine how much they must cut carbon emissions and to help setting science-based climate targets.

- **Investor initiatives on climate change**

In November 2015, the [International Corporate Governance Network](#) (ICGN) published a statement on climate change. ICGN points at the importance of sound governance practices related to climate change strategy and risk management.

A coalition of investor groups on climate change, amongst others the Institutional Investors Group on Climate Change ([IIGCC](#)), published a [global investor statement](#) on the issue in 2014. This statement was

followed by investor expectations for the [oil and gas](#) companies as well as the [electric utility](#) companies, providing investors with engagement guidelines on strategy, and transparency on lobby activities by these companies.