PRI APAC Climate Series: Transition Planning Workshop

Investor Climate Action Plans (ICAPs)

Presented by: Serena Li, Manager, Investor Practice
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70+ Members
Asset Owners & Managers

11 Markets
Members’ Asian Headquarters

$35 Trillion
Members’ AUM (USD)

We are a not-for-profit organisation. Our work is funded by members’ fees, philanthropy, partnerships, and sponsorship from supporters who understand the power of capital to support climate action.
ICAPs as a Transition Planning Framework/Tool

1. Purpose
2. Implementation-focused view
3. Emerging practices from ICAPs that help transition planning
4. How to get started on the ICAPs
Purpose:

How do the ICAPs help investors with their transition planning?
ICAPs is a tool to support investor climate action

**Audience:** Investors in all stages of their climate action and transition planning journey

**Use case:**

- Does **not** replace existing climate-related reporting mechanisms
- Provides investors with **clear expectations** on how to issue and implement, as well as navigate existing climate change initiatives
- Supports and communicates investor transition strategy planning, accelerates ambition
- Elements of ICAPs can be **embedded** into existing investment beliefs, transition plans, and disclosures
Implementation-focused view:

What are the major components of the ICAPs?
The ICAPs Ladder and Guidance are updated every two years to keep up with the evolving regulations and trends in the climate investment landscape.
# Interpreting the ICAPs Ladder

## Focus Area

<table>
<thead>
<tr>
<th>Tier 4</th>
<th>Tier 3</th>
<th>Tier 2</th>
<th>Tier 1</th>
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<tr>
<td>Commitments, Objectives and Targets</td>
<td>Emissions Reporting</td>
<td>Portfolio Assessment</td>
<td>1. Focus area</td>
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</tbody>
</table>

1. **Focus area**

2. **Sub-categories**

3. **Tiers**

4. **Summary of actions to increase ambition across the ladder**

**Emissions Reporting**

- Publish an assessment of the risks and opportunities presented by climate change to the investment portfolio
- Publish material shifts in the portfolio’s ESG profile at least annually
- Submitting a carbon footprint

**Portfolio Assessment**

- Publish a review of the portfolio analysis conducted by the investor, including information on underlying assumptions and sensitivities
- Publish results of annual screening and monitoring of portfolio on ESG.

**TIER Alignment**

- Have a public assessment process
- Publish partial information on TIER recommendations

**Progress and Assessment Reporting**

- Publish an assessment of the investor’s action plan and progress toward implementation
- Publish an analysis of the investor’s actions, including progress toward implementation
- Publish an independent third-party assessment of the report

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**Note:**

- Investors may be in different Tiers in different focus areas.
- Investors may also be in different Tiers within a focus area, e.g. Tier 1 in 'Commitments, Objectives, and Targets', but Tier 4 in "Progress of Assessment Reporting"
Emerging practices from ICAPs that help transition planning

*Insights from AIGCC's annual 'State of Net Zero Investment in Asia' report*
A stock take of climate progress of 200+ asset owners and fund managers in Asia.

Analysis includes 183 investors headquartered in Asia.

100 Asset Owners
Including Asian headquartered pension funds, sovereign wealth funds, insurance companies etc.

116 Asset Managers
Headquartered in Asia and global fund managers invested significantly in Asia

58 AIGCC Members
Intertwined within the asset owners and asset managers

15 Asian Markets
Investor headquartered regions included

$76+ trillion USD
Collective AUM (USD)

Report available here

NB: Investor Group on Climate Change (IGCC) will be releasing a similar report with results from investors in Australia and New Zealand.
Investors working to set transition plans

Criteria: 200+ Asia investors who published an investor climate action plan.
More than two-thirds of investors surveyed are implementing climate strategies at the board level.

(AIGCC Net zero survey, 47 responses). Regarding your organisational governance structures regarding climate change, which of the following do you generally satisfy?
Clear and informed client mandates support climate aligned investment.

**AIGCC Member Insight area 2: Investment**

**Investor Mandates**

Which of the following climate considerations do the client mandates you enter into typically include? (AIGCC Net Zero Survey, 49 responses)

- Incorporation of climate factors into investment decision making: 40%
- Climate reporting requirements: 33%
- Acting in accordance with the funds climate policy or strategy: 33%
- Acting in accordance with a fund engagement and voting policy: 33%
- Investment in climate/green solutions: 19%
- Requirements relating to net zero by 2050 or sooner: 17%
- Biodiversity/nature considerations: 9%
- Deforestation considerations: 7%
Investors are deploying a range of corporate engagement strategies.

48% of investors have investor expectations for companies to produce net zero transition plans. This notion of transition planning is crucial.

Which of the following shareholder engagement and corporate escalation activities do you deploy to increase the profile of engagement? (AIGCC Net Zero Survey, 48 responses).

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Actively participate in collaborative engagement initiatives that encourage companies to establish 1.5C aligned business strategies</td>
<td>54%</td>
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<tr>
<td>Requesting that companies produce or further develop their climate transition plan</td>
<td>48%</td>
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<tr>
<td>Establish a clear escalation strategy for companies that have not responded appropriately to engagement on climate</td>
<td>40%</td>
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<tr>
<td>Explicitly integrate climate change into proxy voting guidelines</td>
<td>38%</td>
</tr>
<tr>
<td>Support, file or co-file climate resolutions at companies who have not responded appropriately to engagement, and vote against directors on climate grounds</td>
<td>25%</td>
</tr>
<tr>
<td>Publish a voting policy that is consistent with a net zero ambition</td>
<td>19%</td>
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</table>
Investors are beginning to respond to physical risks, but there is more to be done.

What type of responses to physical risk are being implemented to increase resilience? (AIGCC Net Zero Survey, 48 responses).
Investor climate policy advocacy, on the rise.

Many investors recognise their influence on policymakers and view climate policy engagement as an extension of investor responsibilities.

However, many investors across Asia do not yet disclose climate policy actions or strategies.

Please indicate any of the following types of policy advocacy you have undertaken over the past 12 months regarding climate change? (AIGCC Net zero survey, 56 responses).

- Supporting advocacy through investor organisations (e.g., AIGCC, IGCC): 64%
- Public seminars and events on climate change: 49%
- Submissions to climate-related policy consultations: 46%
- Discussions with relevant policymakers/regulators via private roundtables or public panel discussions: 44%
- Investor-backed statements & letters: 41%
- Publicly calling on governments or other policymakers and regulators to work towards achievement of the Paris Agreement’s goals: 18%
- Publicly calling on governments and other policymakers and regulators to implement policy measures relating to fossil fuels, such as phasing out coal, carbon pricing, phasing out fossil fuel subsidies: 9%
### Example actions across the ICAPs

<table>
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<tr>
<th>Governance</th>
<th>Investment</th>
<th>Corporate Engagement</th>
<th>Policy Advocacy</th>
<th>Investor Disclosure</th>
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<tbody>
<tr>
<td>• Participate in <strong>peer-to-peer</strong> closed door dialogues on different approaches and perspectives</td>
<td>• Set science-based <strong>targets</strong> using frameworks like NZIF, NZAOA</td>
<td>• Join engagement initiatives like CA100+ or Asian Utilities Engagement Program (AUEP), which help set a common agenda for investee companies</td>
<td>• Sign-on the Global Investor Statements that calls for governments to implement policy measures aimed at achieving net zero emissions by 2050 or sooner</td>
<td>Develop and communicate your disclosures via ICAPs, which can be <strong>standalone</strong> or <strong>embedded</strong> into other frameworks.</td>
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<tr>
<td>• Include climate change in <strong>investment policies</strong></td>
<td>• Make net zero <strong>commitments</strong>, e.g. Net Zero Asset Managers (NZAM) Initiative, Paris Aligned Asset Owners initiative</td>
<td>• Join engagement initiatives like CA100+ or Asian Utilities Engagement Program (AUEP), which help set a common agenda for investee companies</td>
<td>• Participate in multistakeholder roundtable discussions on energy transition</td>
<td></td>
</tr>
<tr>
<td>• Develop ICAPs with board endorsements</td>
<td>• Invest increase proportion of portfolio in companies that are aligned to 1.5°C</td>
<td>• Join engagement initiatives like CA100+ or Asian Utilities Engagement Program (AUEP), which help set a common agenda for investee companies</td>
<td>• Respond to public consultations through industry associations or bilaterally</td>
<td></td>
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</table>

- **Governance**
- **Investment**
- **Corporate Engagement**
- **Policy Advocacy**
- **Investor Disclosure**
Summary

• ICAPs is tool to support investor climate action and accelerate ambition through a 4-tiered approach

• Investors can use the ICAPs as a strategy planning exercise across the focus areas:
  o Investment
  o Corporate Engagement
  o Policy Advocacy
  o Investor Disclosure
  o across an overarching theme of Governance

• Consider practical implementation exercises noted in earlier slides to get started on the ICAPs
Thank you!

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https://www.linkedin.com/company/asia-investor-group-on-climate-change

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