

THE
INVESTMENT
ASSOCIATION

IA POSITION ON CLIMATE CHANGE

July 2022



ABOUT THE IA

The Investment Association (IA) is the trade body that represents UK investment managers, whose 270 members collectively manage over £9.4 trillion on behalf of clients.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital

Our members help to grow people's savings in a wide range of ways, including through authorised investment funds (schemes where several investors 'pool' their assets and invest in a professionally managed portfolio), pension funds, and stocks & shares ISAs.

The UK is the second largest investment management centre in the world and manages over a third (37%) of all investments across Europe. IA members hold in total nearly 40% of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account.

More information can be found at

www.theia.org

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OUR POSITION ON CLIMATE CHANGE

CLIMATE CHANGE IS ONE OF THE SINGLE BIGGEST SYSTEMIC RISKS FACING SOCIETY AND THE PLANET TODAY. THE INVESTMENT ASSOCIATION, REPRESENTING THE UK-BASED INVESTMENT MANAGEMENT INDUSTRY, IS COMMITTED TO CLIMATE ACTION.

We support the Paris Agreement goal to limit global warming to well below 2°C, and preferably to 1.5°C, compared to pre-industrial levels, and the global goal on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change.

We welcome the global leadership demonstrated over several years by the UK Government to bring about net zero greenhouse gas emissions by 2050, including the establishment of the independent Climate Change Committee (CCC) under the Climate Change Act 2008.

The IA is proud to support members signing up to the Net Zero Asset Managers initiative (NZAM) and was named as the first official supporting partner organisation to NZAM in July 2021. To date, investment managers with £7trn of assets under management in the UK have made this net zero commitment.



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We also recognise the important role of terrestrial and marine ecological systems and biological diversity in preventing climate change, as well as the harmful effects climate change is having on the conservation of biological diversity. We support the objectives of the UN Convention on Biological Diversity.

As the trade body for UK investment managers with a membership of over 270 firms who collectively manage £9.4trn, we seek to use our convening power to share knowledge and expertise within the investment management industry and to build coalitions of financial institutions to progress net zero alignment.

We are committed to further action and have published a Climate Change Action Plan alongside this position, which we will review every year.

We have identified some core pillars through which our industry is able to contribute to positive climate action:



By working with asset owners, investors and savers to make informed choices;



By supporting the integrity, quality and consistency of climate and sustainability disclosures;



By working with UK government to support the UK's Net Zero ambition and to lead international efforts to bring about global and systemic change;



Finally, as a businesses and employer, here at the IA, we look to our own corporate operations and work towards carbon neutrality.

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WORKING WITH ASSET OWNERS, INVESTORS AND SAVERS TO MAKE INFORMED CHOICES

Investment managers have a responsibility to act in the best interests of clients and to generate long-term returns. This requires the consideration of material risks in investment processes and judgements to be made about the relative level of risk and return that is needed to achieve their investment goals. The World Economic Forum's Global Risk Report 2022 states that climate-related risk is the number one risk in the short, medium, and longer term. Addressing climate risk is therefore among the most important actions the investment management industry can take to act in the best interests of our clients.

We do not face a choice between economic growth and climate action. Instead, this is a choice for long-term, resilient economic growth that takes account of the risks and opportunities posed by climate change to the financial system.

Our industry's clients are individual retail savers and institutional asset owners such as pension funds, insurers, charities and governments. Their investment objectives are typically financial, for instance having enough money to live on in retirement or meeting their liabilities, but can also include non-financial elements, such as to invest in companies or projects that have a specific social or environmental benefit or that "do no harm".





With increasing numbers of clients asking for both information on climate change and for products to deliver on their particular investment goals, including reflecting their attitudes towards climate change, investment managers are increasingly innovating to fulfil their clients' needs. The development of new products is being accompanied by intensive efforts to provide clients with the necessary information to make informed decisions as to whether their savings are aligned with their sustainability preferences and goals.

We also work closely with large institutional asset owners, including supporting efforts to articulate clearly how investment managers manage the impacts of climate change on their investments. This helps asset owners assess whether investment managers' approaches are helping them to meet their defined investment goals. Among other asset owners, pension funds set the tone for the responsible allocation of capital across the investment chain. Strong signals from pension funds, accompanied by robust TCFD disclosures from companies, support investment managers to manage material climate risks on behalf of clients.

INTEGRITY, QUALITY AND CONSISTENCY IN CLIMATE DISCLOSURE



The investment management industry needs meaningful, consistent and comparable information across all asset classes to make well-informed investment decisions and to be assured of quality of the data that we in turn publish for clients. Accurate disclosure by investee companies of data relating to their management of material risk factors (which may include risks which are social in nature, governance-related, climate-related or pertaining to any other form of environmental risk) helps investors to assess materiality and manage the risks arising from climate change in our investment processes.

We must recognise that the nature of an economy-wide transition to net zero means that investment management firms are on a journey to develop more sustainable business practices and to ensure that all material risks are fully incorporated into their investment processes. In line with regulatory expectations, we are committed to work to improve the reporting of direct (scope 1) and indirect (both scope 2 and 3) emissions across the value chain.

In considering how best to measure the environmental impact of our portfolios, how to disclose this to our clients, and how to market funds which support climate-related objectives we must show the public that the investment management industry can be trusted on climate change. If climate change is a defining issue of this era of investing, then how we meet that challenge will be a crucial test of the industry's integrity. If we move too fast or fail to deliver on bold promises then the suspicion of "greenwashing" – fairly or not – will undermine what we are all trying to achieve.



SUPPORTING UK POLICY ACTION TO ACHIEVE NET ZERO AND SET A GLOBAL EXAMPLE

We support the UK's ambition to be the world's first Net Zero-aligned Financial Centre, embodied in the introduction of mandatory climate-related disclosures across the UK economy aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), the development of a UK Green Taxonomy, and the Sustainability Disclosure Requirement (SDR).

The UK's 2050 net zero target is among the more ambitious in the world and the UK Government must continue to display global leadership and galvanise other countries to do the same. As an industry we are aware that social inequality hampers sustainable growth. Climate change is disproportionately impacting the poorest within society and it is important that our actions to manage the climate crisis do not further exacerbate inequality. We argue for a transition to net zero which is just, allowing emerging and developing economies to continue to grow and ensuring the costs of mitigation and adaptation are borne equitably with those who have benefited the most from high-carbon growth making a proportionate contribution. We acknowledge that the transition in the UK will be stifled if households believe that the financial cost they are being asked to bear is too great.

Indeed, we should always seek to build a more resilient and sustainable global financial system. The UK must demonstrate global leadership in acting decisively to meet the Paris Agreement, utilising its seat at the G7 and G20, and working in international bodies such as the International Sustainability Standards Board to encourage global cooperation and coherence in sustainability standards around the globe.

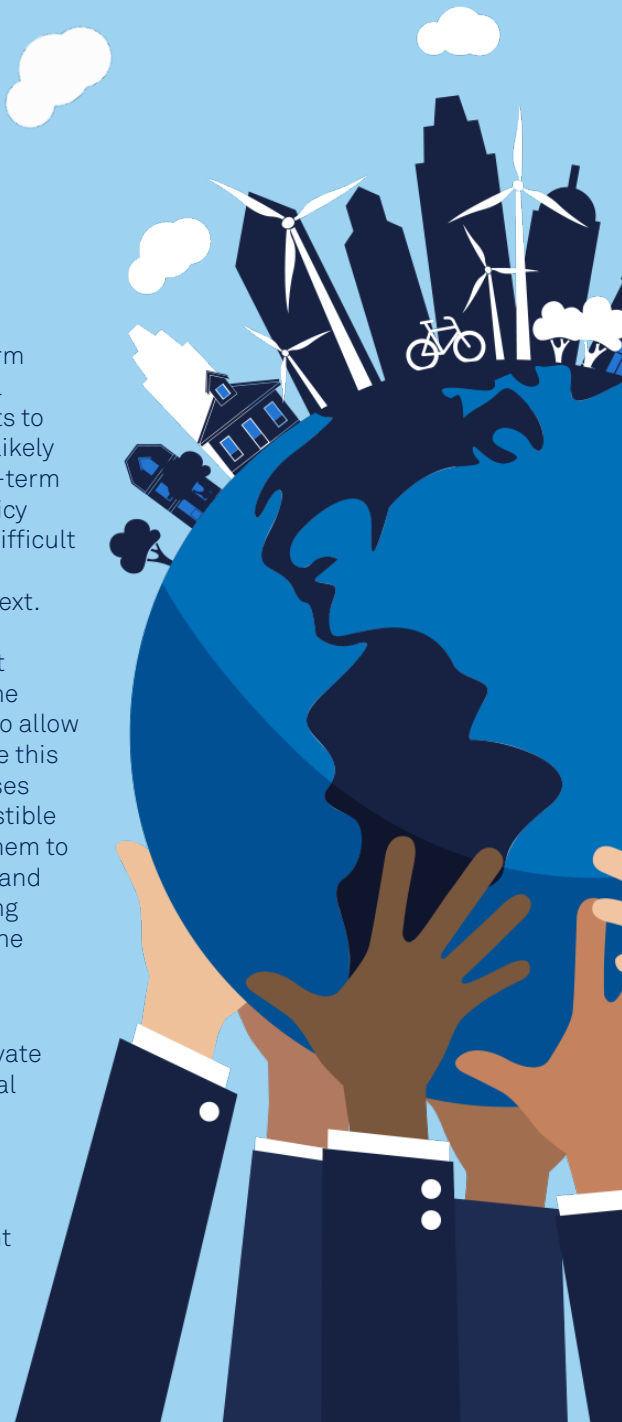
The UK's ambition to be seen as a global sustainable finance leader is also central to ensuring UK competitiveness in a more sustainable world. Action towards net zero emissions and limiting the damage from climate change must be at the heart of the UK's long-term plan for

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economic growth. As long-term investors, we seek to channel capital on behalf of our clients to companies that are deemed likely to generate sustainable long-term value. Equivocal or vague policy signalling will make it more difficult to assess sector pathways to decarbonisation in a UK context. Clear and actionable signals now from the UK Government on the nature and speed of the transition must be provided to allow investment managers to price this into their investment processes effectively, opening new investible opportunities and allowing them to support investee companies and infrastructure projects, among other investments, to make the transition.

By taking this action, the Government can help the private sector to channel more capital into investments for climate solutions, in turn, ensuring private sector can help to fill the gap between what is affordable for UK Government and the significant step up in investments required.



A CARBON NEUTRAL TRADE ASSOCIATION

As businesses and employers, we can look at our own corporate operations and work towards carbon neutrality. Following a programme of assessment, measurement and offsetting, the IA has been certified as a carbon neutral company for 2020. The IA has committed to remaining a carbon neutral company in subsequent years and will seek to identify ways in which we can reduce our emissions, while offsetting remaining emissions where necessary.





CLIMATE CHANGE ACTION PLAN

[click here to view](#)

To support the Position on Climate Change, the IA has a Climate Change Action Plan in which we have identified the steps we will take to support the pursuit of the UK's net zero target and other environmental goals. Our commitment spans six areas: investors as stewards, empowering consumers to make informed decisions, sharing knowledge and expertise, the path to net zero, data and talent. Our action plan will be reviewed on a yearly basis to ensure it is aligned with the UK economy's transition to net zero by 2050 and the latest regulatory and policy changes.





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www.theia.org

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