



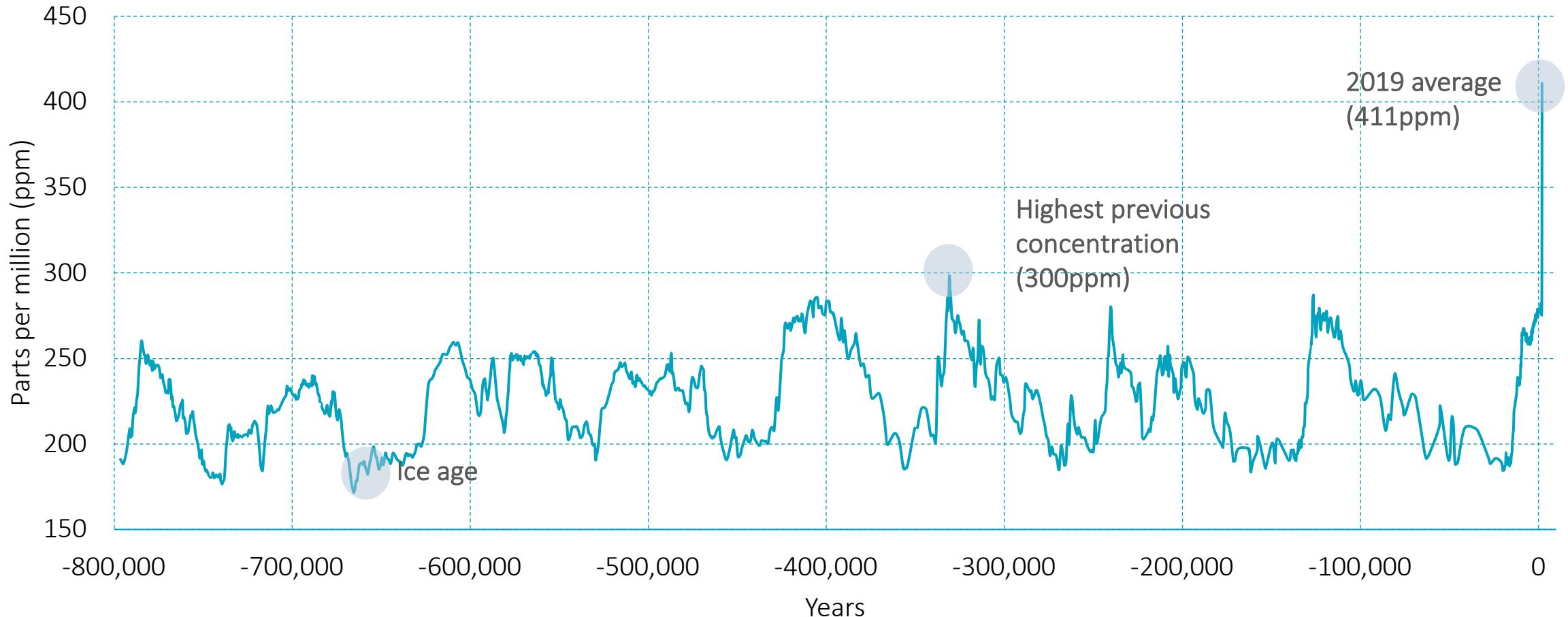
## Investing towards Net Zero Considerations and impact

Kenny Robertson – Client Portfolio Manager | Sustainable Investing

Since the industrial revolution, global CO<sub>2</sub> levels have taken off

The energy sector accounts for almost three-quarters of global GHG emissions

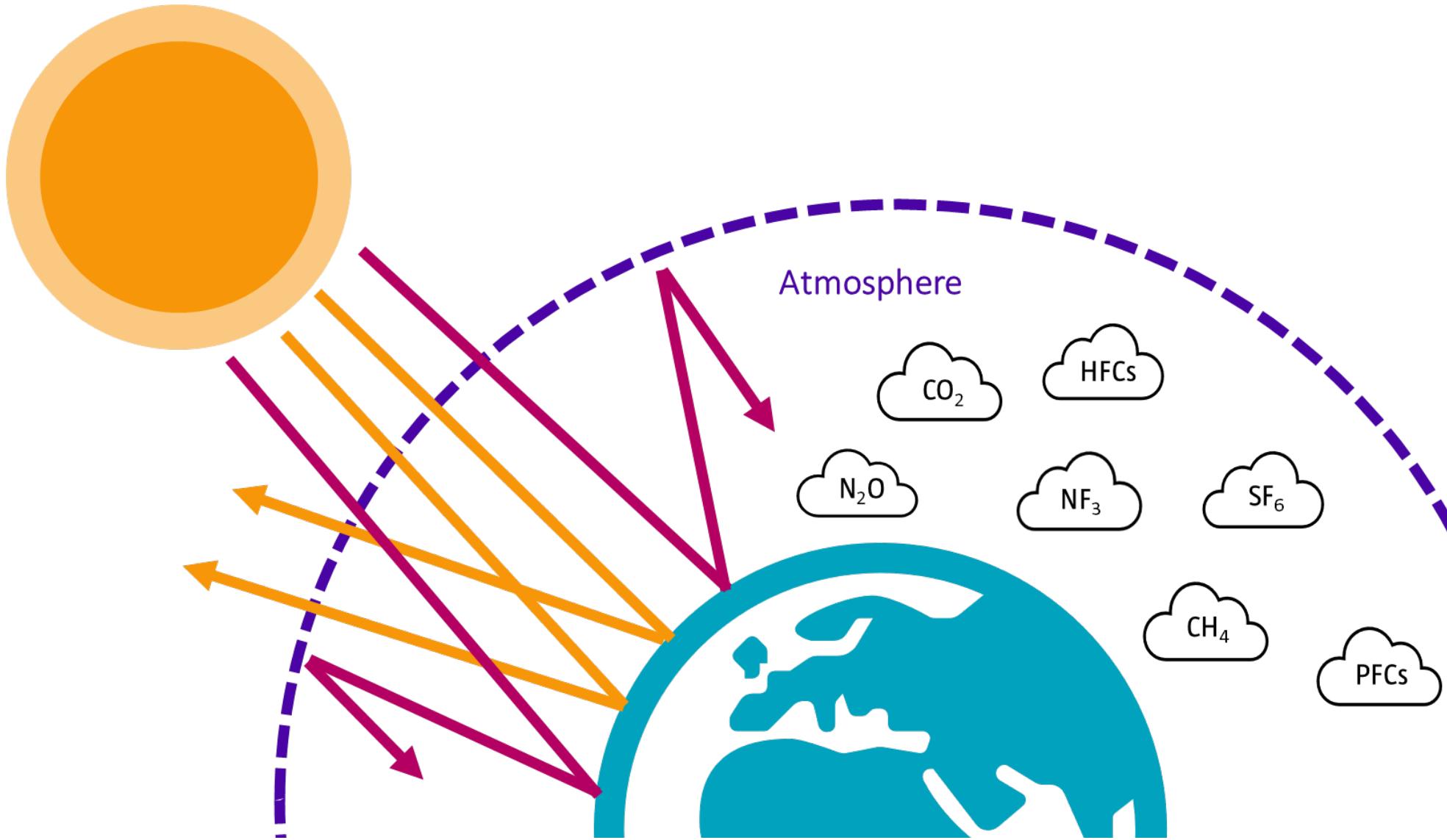
CO<sub>2</sub> atmospheric concentration for the last 800k years (ppm)



Source: ncdc.noaa.gov

# Before we can act, we need to understand the issue

The Greenhouse Gas effect – a fundamental concept for understanding global warming and climate change



And this has impacts and effects, the scale of which we still don't yet fully understand  
Changes to species type and distribution with associated effects



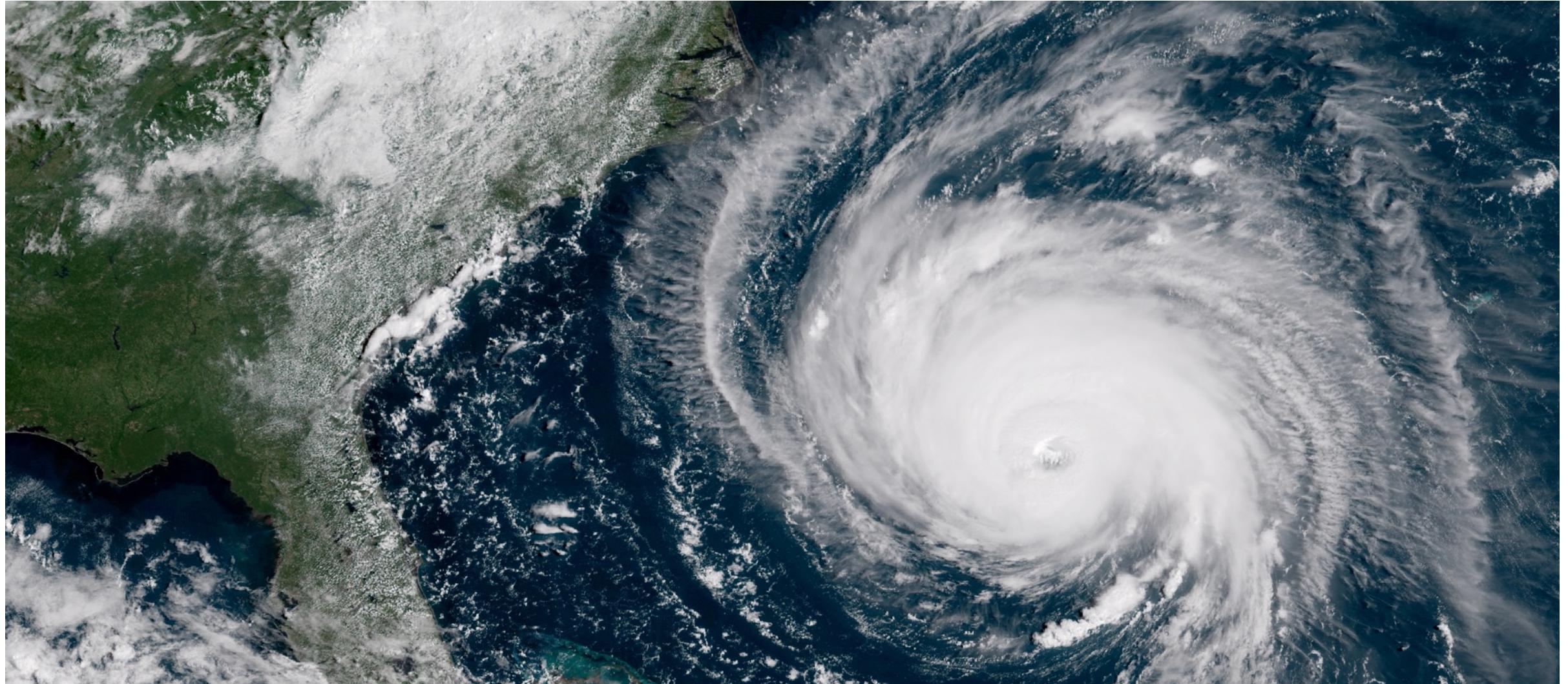
# Water availability

Less predictable rainfall patterns



## Extreme weather events

Extreme weather events are likely to become more frequent or more intense



## Ocean impacts

Increasing sea surface temperatures, ocean acidification and shifts in currents and wind patterns



## Rising seal levels

Global warming is causing global mean sea level to rise



....and associated physical impacts

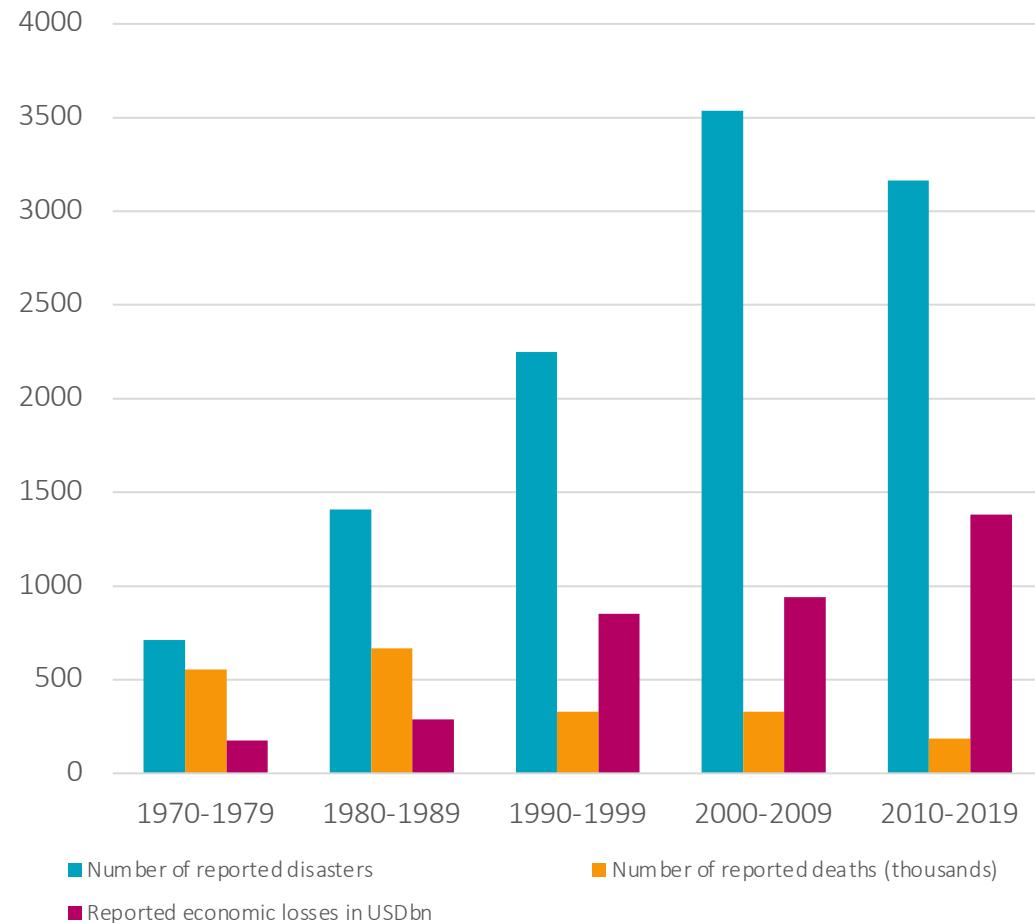
Erosion of beaches, inundation of deltas as well as flooding and loss of many marshes and wetlands



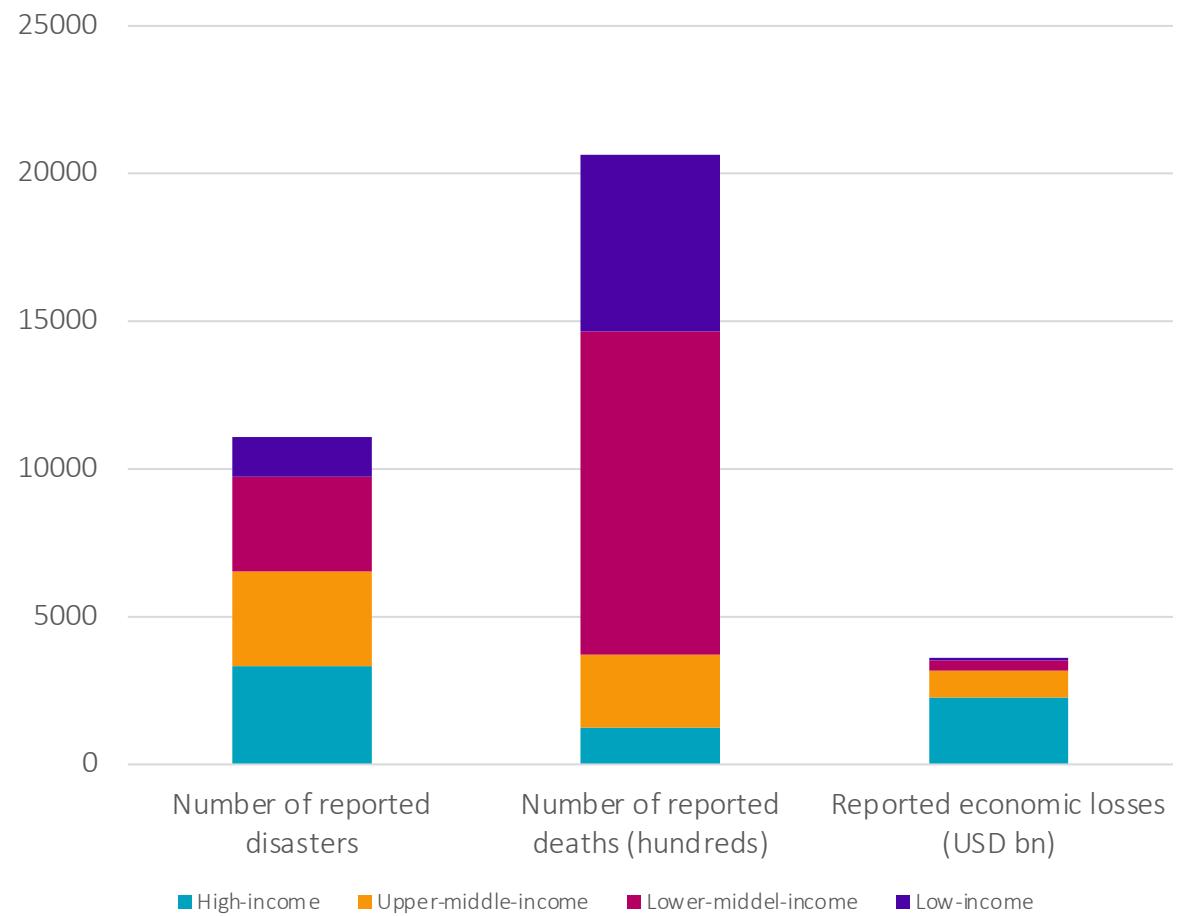
# Climate change is already affecting many weather and climate extremes across the globe

## The frequency and economic costs have intensified during the past 50 years

Distribution by decade globally



Distribution by World Bank country classifications (1970-2019)



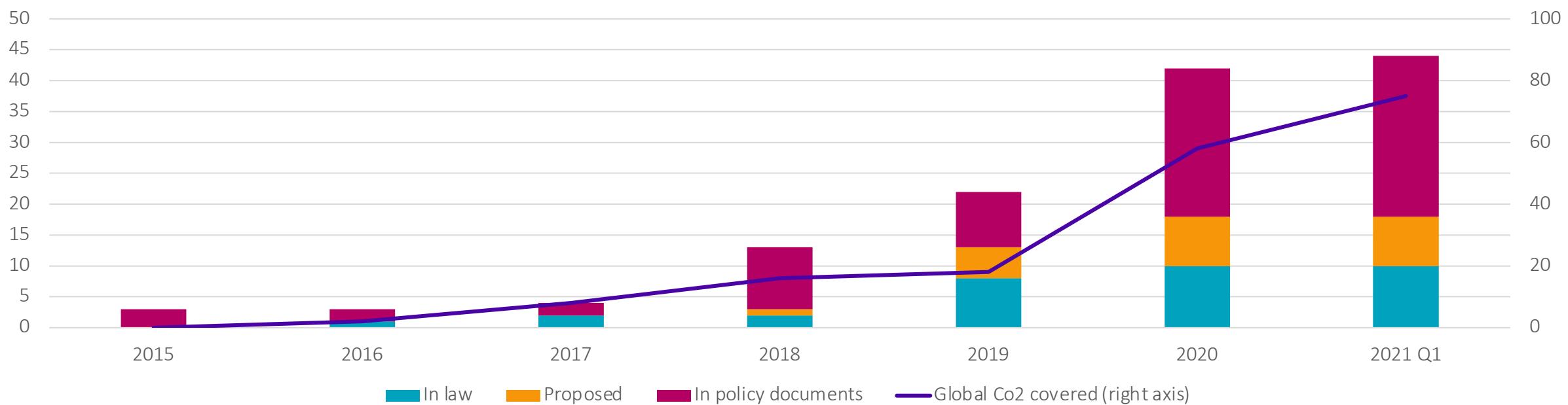
Source: World Meteorological Organization, The Atlas of Mortality and Economic Losses from Weather, Climate and Water Extremes (1970–2019)

# The inevitable policy response

No longer a question *if* the future is low-carbon, but *when and how*

- > Post COP26, around 90% of global GDP and global emissions are committed to net zero by 2050
- > However, pledged climate policies will lead to a ~10% increase of emissions by 2030, whereas 50% reduction is required
- > A forceful policy response is inevitable, anywhere in this decade

Number of national net zero pledges and share of global CO2 emissions covered



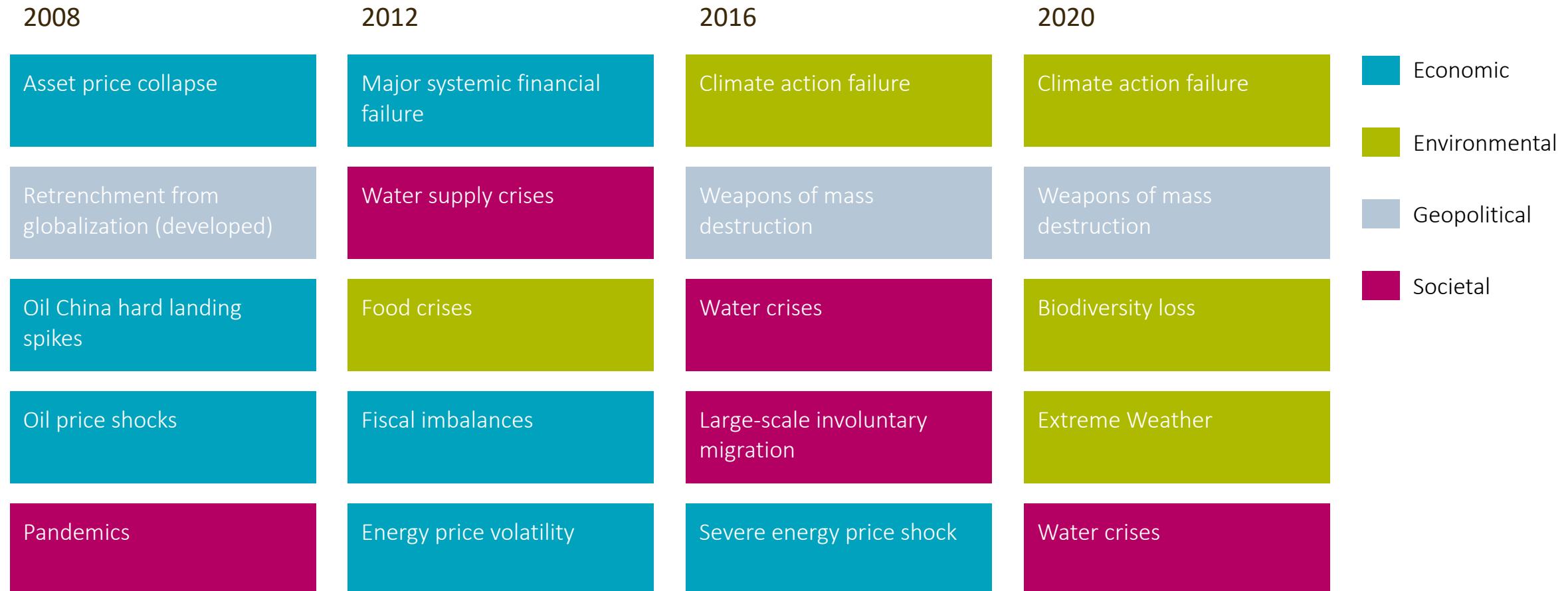
Sources: IEA net zero roadmap (2021), UNFCCC stocktaking report (2021)

Notes: In law = a net zero pledge has been approved by parliament and is legally binding. Proposed = a net zero pledge has been proposed to parliament to be voted into law. In policy document = a net zero pledge has been proposed but does not have legally binding status.

# So, what does this all mean?

WEF risk report: Environmental and Social risks are becoming more prevalent

## Top 5 Global Risks in Terms of Impact

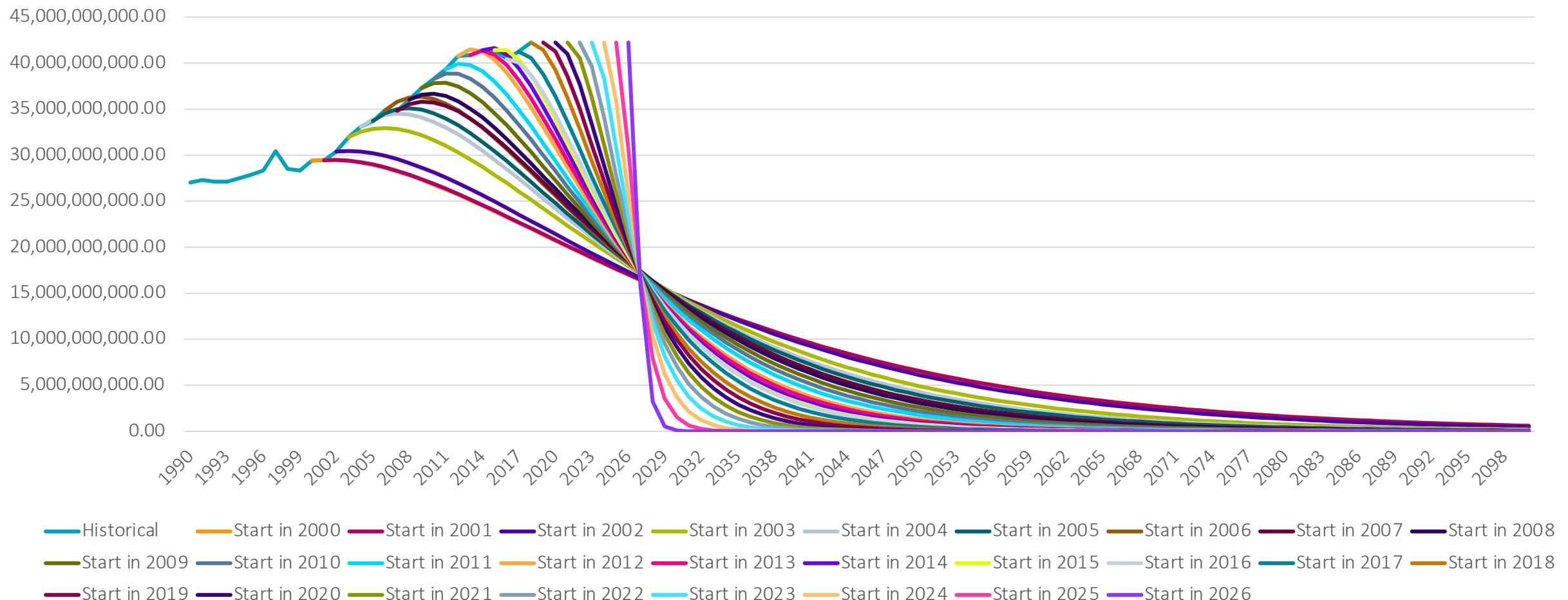


Source: World Economic Forum Global Risks Reports 2008 - 2020

# So, it is clear that action is needed soon. But when?

Climate change mitigation: The sooner the better...

CO<sub>2</sub> reductions needed to keep global temperature rise below 1.5°C



Source: Robbie Andrews, based on data from the Global Carbon Project

Note: Carbon budgets are based on a >66% chance of staying below 1.5°C from the IPCC's SR15 Report.

## Investors are starting to take action

Over the next two years', climate change will be central or significant for almost nine-in-ten of investors.

Q1. How would you describe the importance of climate change to your organisation's investment policy 2 years ago, today, and in the next 2 years?

### Global

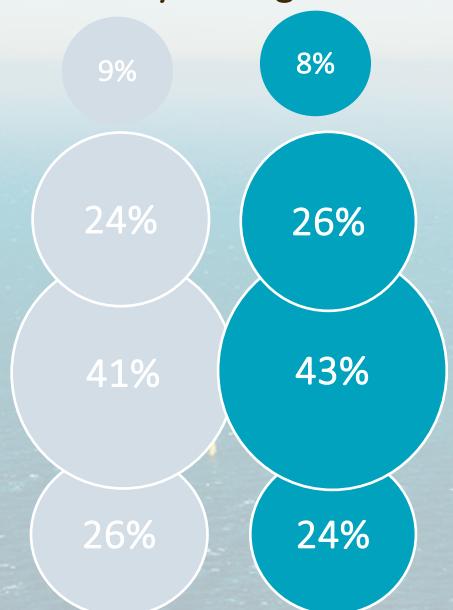
At the centre of our investment policy

A significant factor in our investment policy

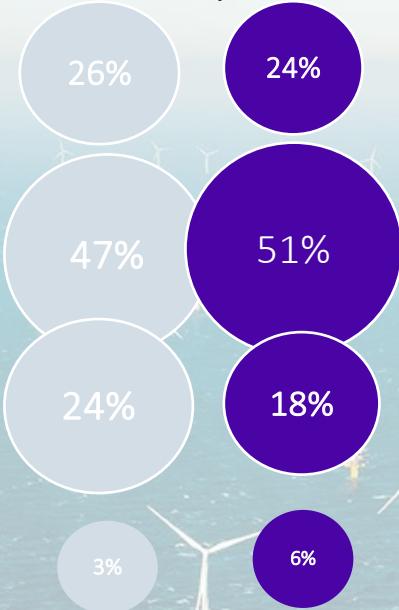
Not a significant factor for our investment policy

No part of our investment policy at all

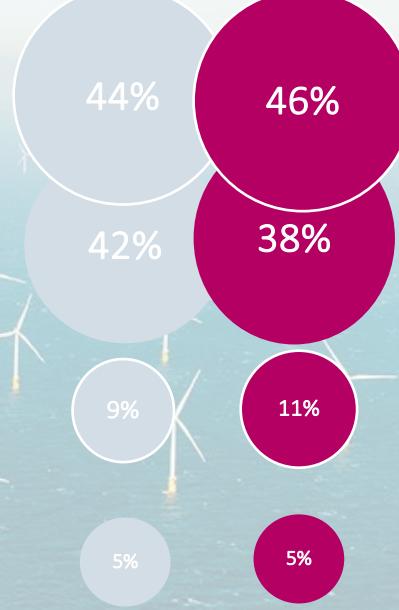
### 2 years ago



### Today



### Next 2 years

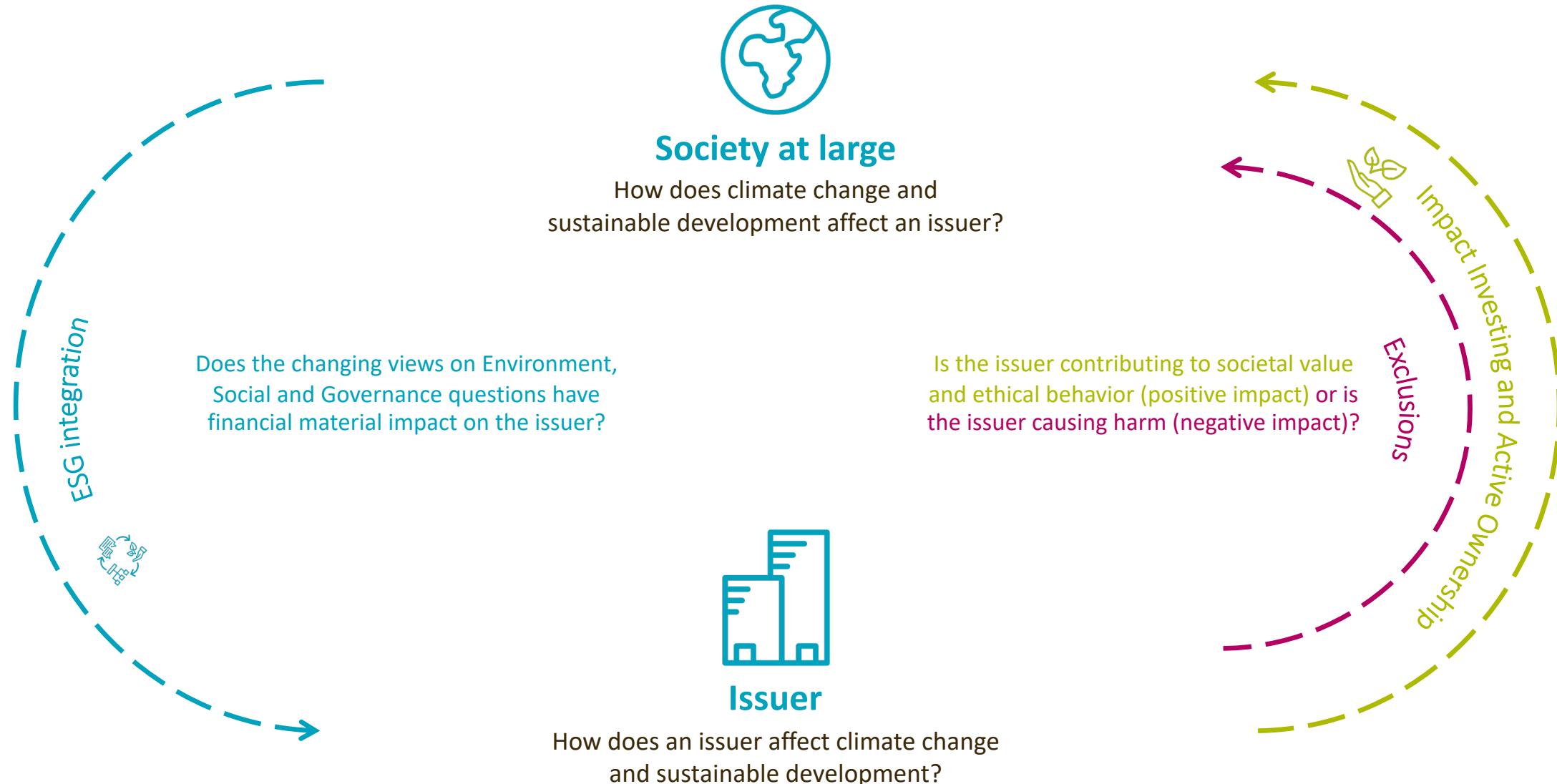


2022  
2021

Source: Robeco 2022 Global Climate Survey. Responses cover 300 of the world's largest institutional and wholesale investors in Europe, North America and Asia Pacific, representing a total of around USD 23.4 trillion in assets under management.

# So what is now expected from investors?

## The move from ESG Integration to real world impact



# Key climate-related initiatives in the sector

## Key climate-related initiatives in the sector



### Risk and opportunity



Taskforce for Climate-Related Financial Disclosure (TCFD)



Financial supervisors, including Network for Greening the Financial System (NGFS)



Carbon measurement, notably Platform for Carbon Accounting Financials (PCAF)



### Impact



EU Sustainable Finance Action Plan: Benchmark Regulation, EU Taxonomy, Sustainable Finance Disclosure Regulation



Investor initiatives for Paris Alignment, such as UN Asset Owner Alliance, IIGCC Portfolio Alignment Investment Initiative, Climate League, and Science-Based Targets for Financials



### Instruments

- > Company engagement, notably Climate Action 100+
- > Divestment, e.g. Powering Past Coal Alliance
- > Green bonds, e.g. Climate Bonds Initiative

# Where to start?

Pledge and start planning



## Step 1: Pledge

Join an initiative to align your portfolio with a net zero economy.  
For example, the UN-convened Net Zero Asset Owner Alliance.

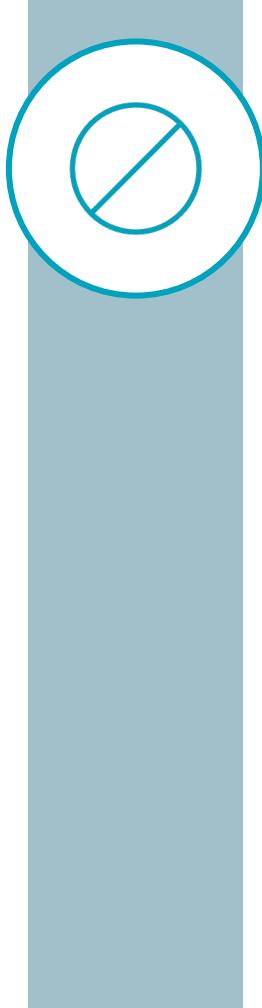


## Step 2: Plan

Align with the UNFCCC ratchet mechanism and make a structured planning to concretize the pathway to net zero.

# What is next?

## Decarbonization



### Step 3a: Exclude carbon related investments

Exclusions is barring a company's securities from a portfolio due to activities that are unethical, harmful to society, or in breach of laws or regulations.



Thermal coal

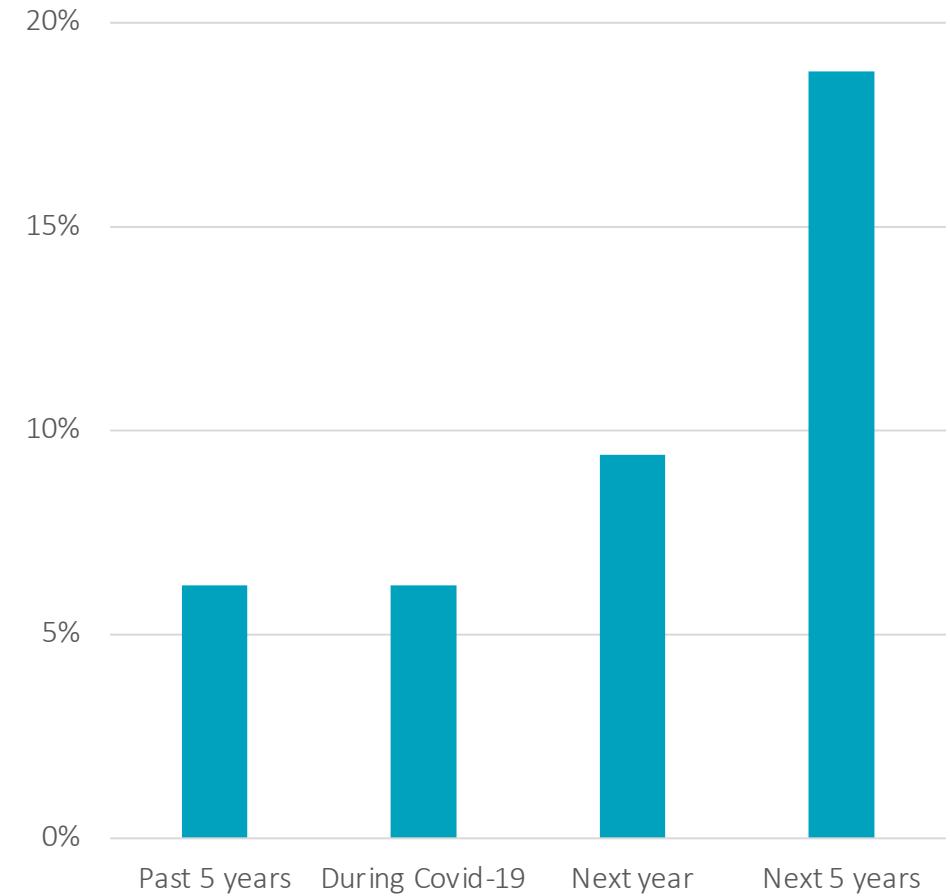


Oil sands



Arctic drilling

% of overall portfolio institutional investors divested from carbon-intensive assets



Source: 2021 Robeco Global Climate Survey

# What is next?

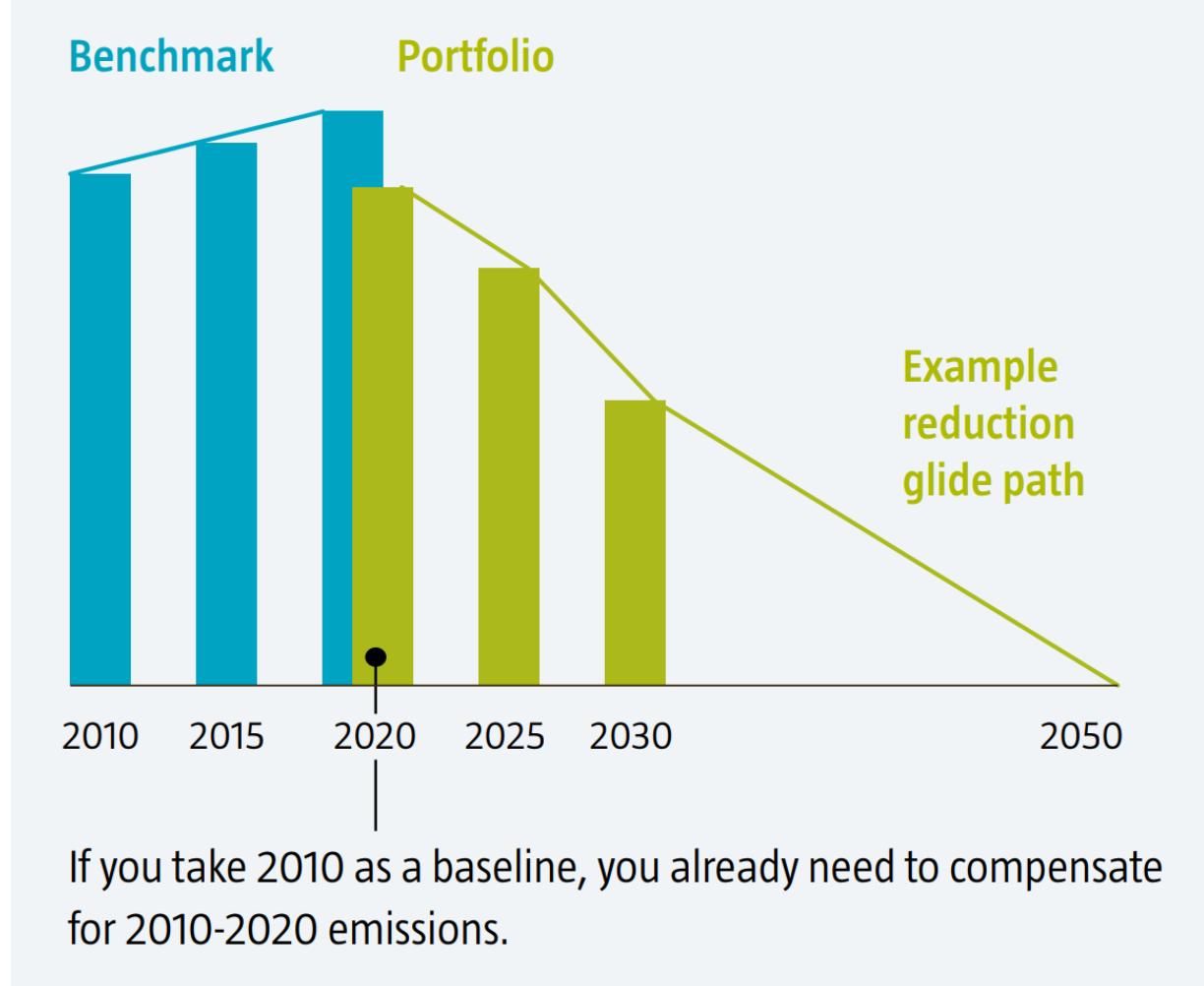
## Decarbonization



### Step 3b: Reduce carbon emissions across your portfolios

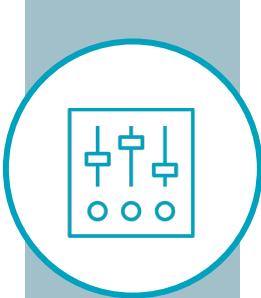
This is a complex step and not a quick fix. It requires data and standards, and calculating current emissions and benchmarks with which you want to compare your portfolio.

A projected glide path for the footprint reduction will serve as a straw man for discussion. To get to net zero by 2050, we can advise you on how to reduce carbon emissions across your portfolio.



# What is next?

## Sectorial pathways



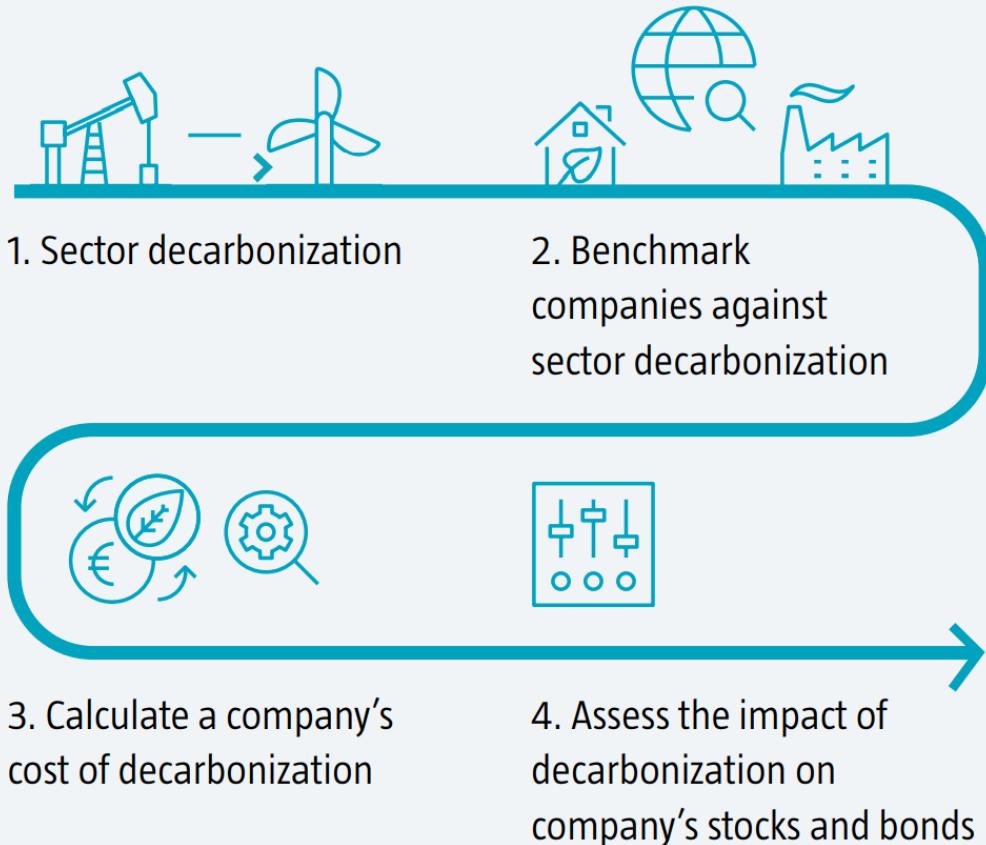
### Step 4: Assessing transition readiness

In order to reach net zero, you need to grasp the transition readiness of companies and countries, and the financial consequences thereof.

Think of how much carbon reduction and associated technologies and investments are needed.

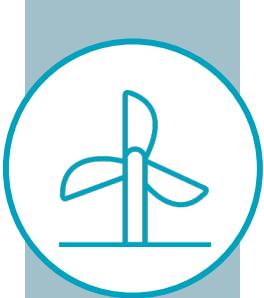
This 'carbon risk impact' information can then be integrated in investment cases, company engagement and voting.

While decarbonizing is more backward looking, this is a more forward-looking approach.



# What is next?

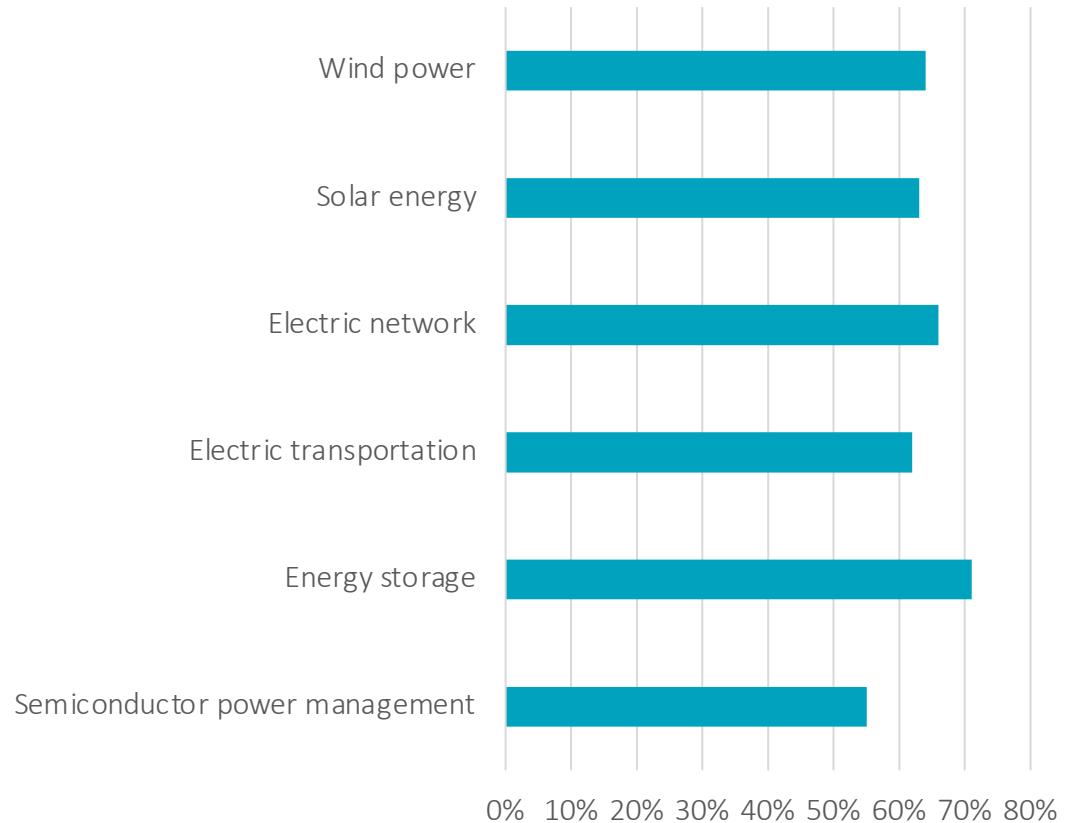
## Climate themes



### Step 5: Invest directly in the climate transition

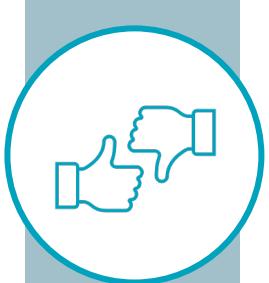
Sustainability-themed investments is a popular way to contribute directly to addressing social or climate challenges, by investing in companies offering solutions to these issues.

The majority of investors show interest in these climate related trends:



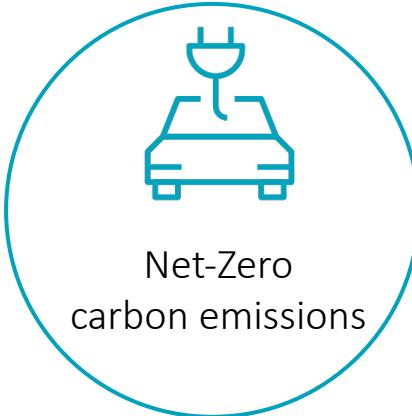
# What is next?

## Engagement

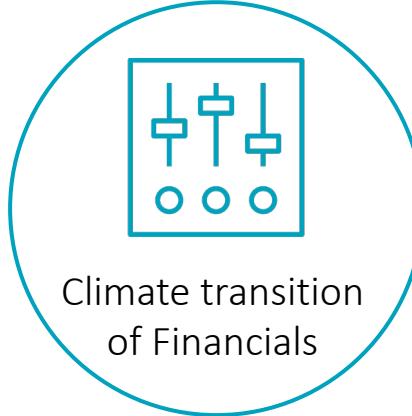


### Step 6: Engage on climate change

Active managers are the most committed to having long-term and impactful dialogue with companies on ESG factors and climate. There are a number of major collaborative investor initiatives around climate change, such as IIGCC and Climate Action 100+.



Net-Zero  
carbon emissions



Climate transition  
of Financials



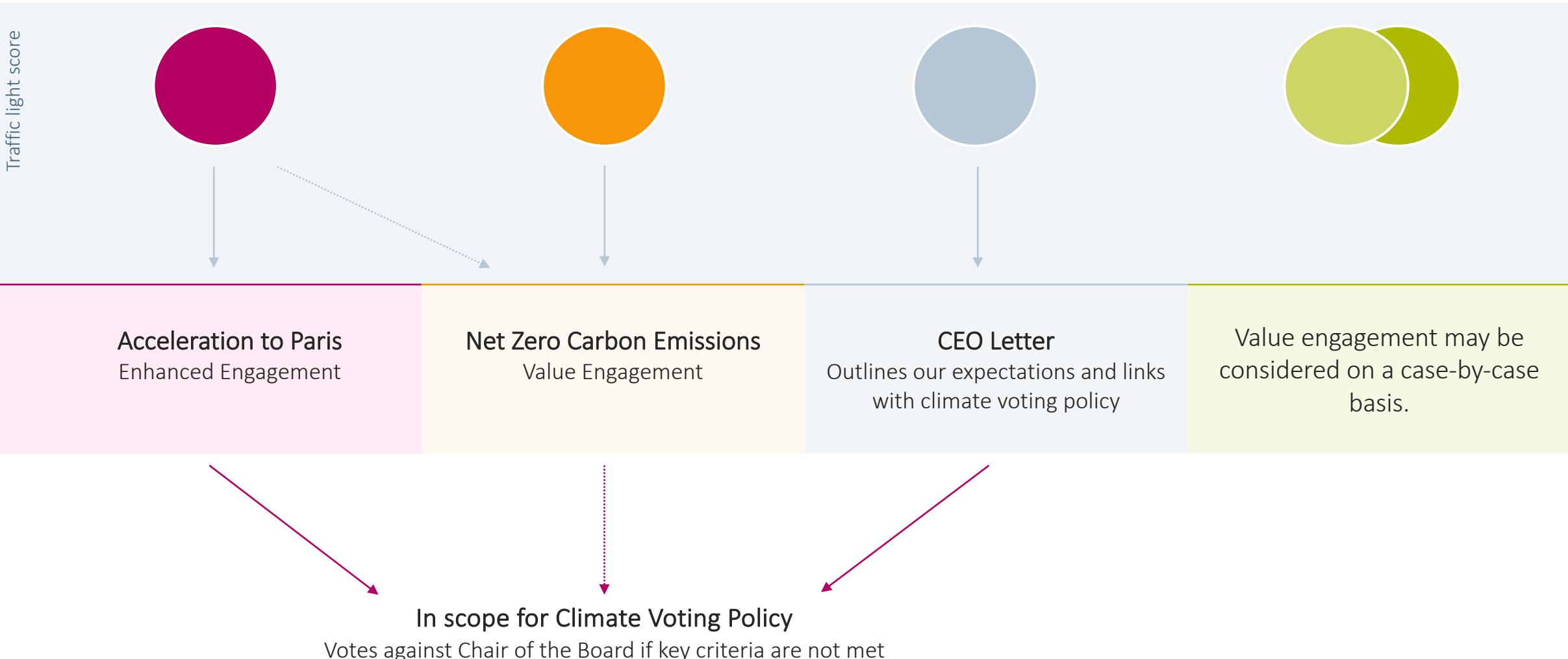
Acceleration to  
Paris Agreement



Climate Action

# The role of engagement in achieving net zero

Zooming in



# The role of engagement in achieving net zero

## A case study

Engagement period: 2018-2021

Engagement type: Collaborative, Robeco leading under Climate Action 100+ initiative.

Corporate access: C-suite, Chairman, Sustainability & Governance experts, Investor Relations.

### Engagement tools used

- > Direct dialogue with CEO & CFO
- > AGM statements
- > Nomination of renewables expert to the Board
- > Letters to Chairman and CEO

### Key engagement outcomes

1. Target net zero by 2040
2. Intermediate emissions reduction targets aligned with 1.5C scenario
3. Transition plan by 2030
4. Target to install 154GW by 2030 is the most ambitious globally
5. Green capex target 80-90% in green & enabling technologies
6. Coal-phase out target by 2027
7. Exit natural gas generation & sales by 2040
8. Climate expertise in the Board

## Timeline & key milestones

Companies actions													Acceleration of net-zero target by 2040
	Chair's response welcoming engagement	Chair's response with invitation to CFO meeting	Partial coal-phase out by 2030 commitment (Annual Report 2019)	Acceleration of coal-phase out Italy 2025 Globally 2030	'Renewables Super Major' Ambition 2021-2030	Annual report incorporates CA100+ Net Zero Benchmark indicators							
Engagement process	April 2018	October 2019	March 2020	May 2020	October 2020	November 2020	March 2021	November 2021	March 2021	September 2021	Letter to Chairman & CEO on Scope 3 emissions, green capex, CA100+ net zero benchmark	March 2021	September 2021
Letter to Chair of the Board introducing CA100+ initiative	AGM statement on behalf of CA100+ coalition	AGM statement on behalf of CA100+ coalition	Letter to Chair of the Board	CFO one-on-one in-person meeting	CFO/CA100+ investors in-person meeting	Letter to Chair of the Board	Nomination of renewables expert to the board in collaboration with investor coalition	AGM statement	Letter to Chairman & CEO on CA100+ net zero benchmark	CEO-CFO CA100+ investors meeting	CA100+ Net Zero Benchmark scores launched	Letter to Chairman & CEO on Scope 3 emissions, green capex, CA100+ net zero benchmark	
This information is intended to provide the reader with information on Robeco's specific capabilities, but does not constitute a recommendation to buy or sell certain securities or investment products.													

# Can we focus solely on fixing the climate?

## The SDG's: A roadmap for sustainable development

**"Investments of 5-7 trillion USD needed each year to implement the SDGs"**

United Nations Conference on Trade and Development (UNCTAD), UN Agenda 2030

All UN member states are committed to achieving the SDGs by 2030



The SDGs are "*a blueprint for shared prosperity in a sustainable world – a world where all people can live productive, vibrant and peaceful lives on a healthy planet.*"

The SDGs call for action to bring about positive change



The SDGs recognize that ending poverty, promoting health and tackling climate change must ultimately be accompanied by strategies that contribute to economic growth and job creation.

A useful framework for sustainable investing

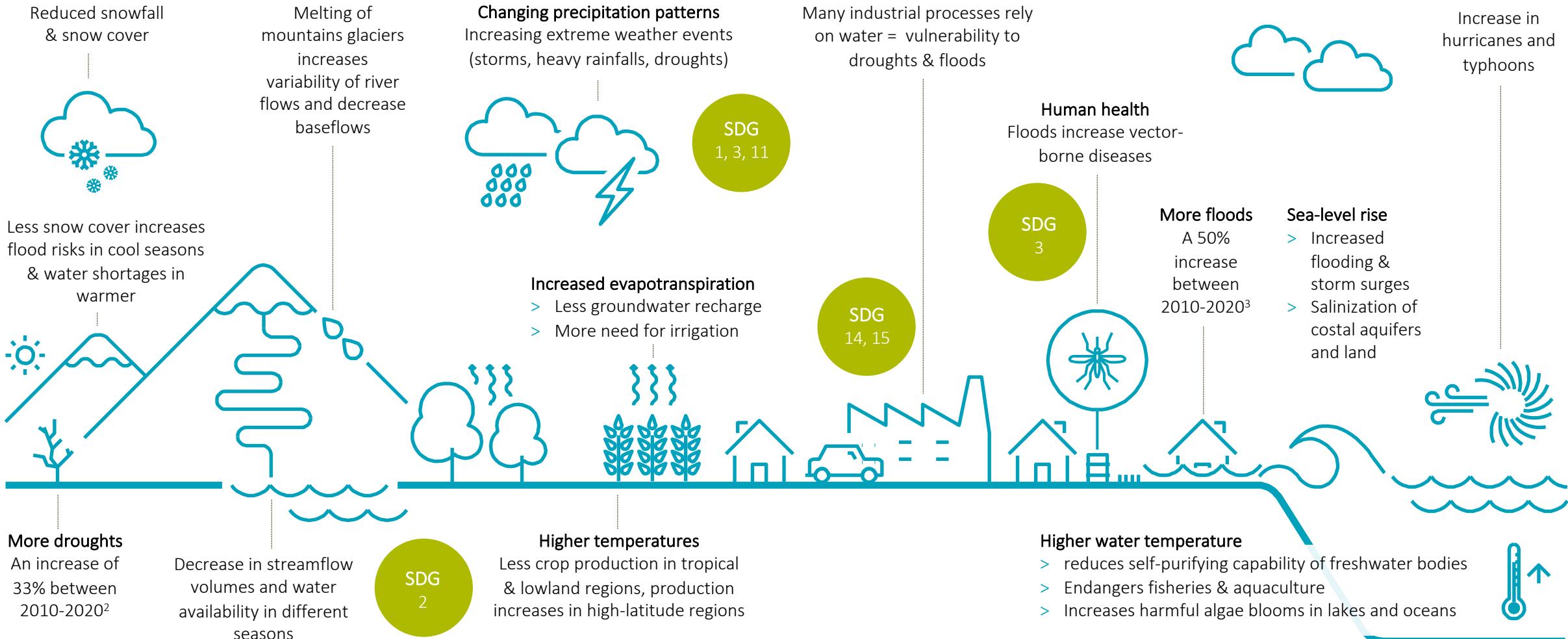


Private companies' business models are analyzed for their relevance to the 169 targets of the SDGs, enabling an appropriate selection of investments with the greatest social and environmental impact.



# Climate change undermines progress on all SDGs

Reduced ecosystem services, increased frequency and severity of climate-related hazards



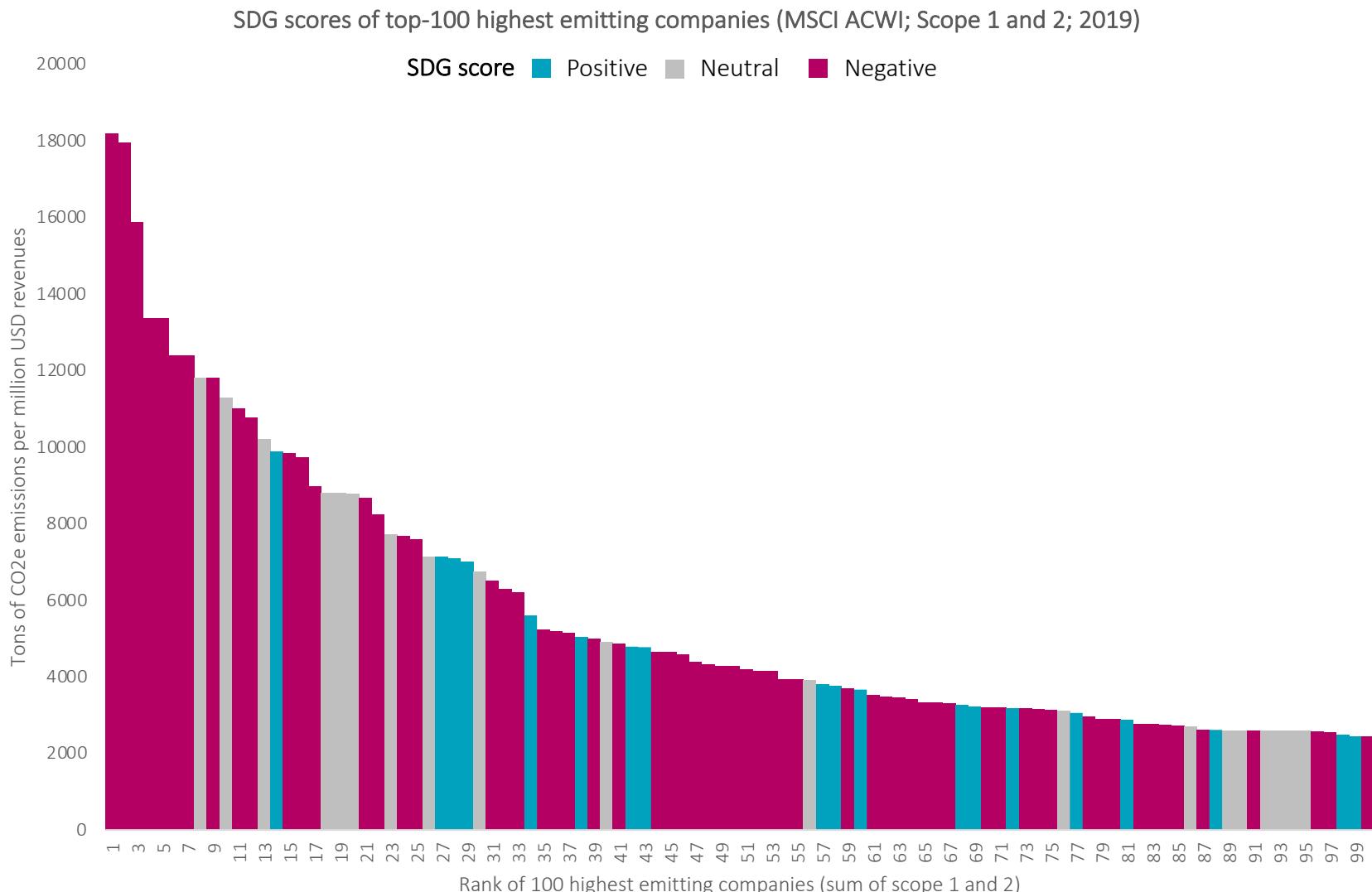
<sup>1</sup> FAO/World Bank Group, 2018

<sup>2</sup> 74% of all natural disasters were water related (2001-2018) = damage: USD 700 billion, 160,000 deaths (EM-DAT, 2019)

<sup>3</sup> UN 2020

# Companies with a negative SDG score account for 62% of scope 1 and 2 emissions...

## Comparing SDG scores and greenhouse gas emissions



\*Absolute CO2e emissions

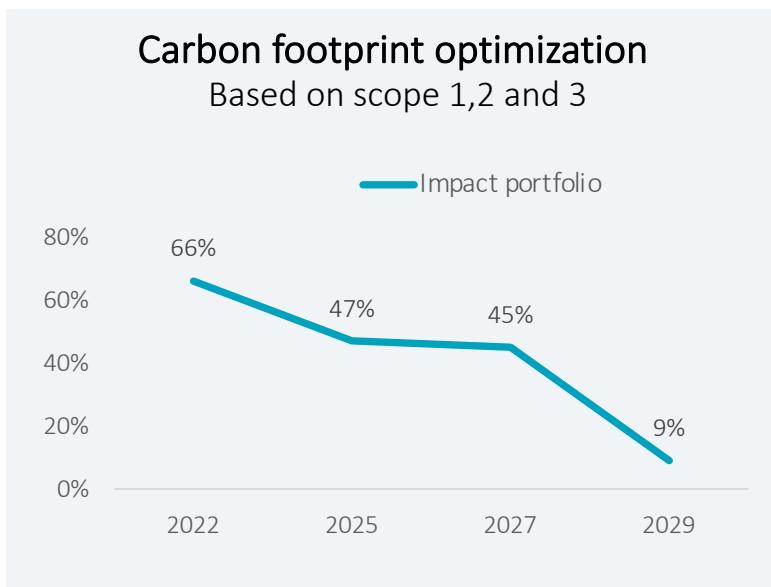
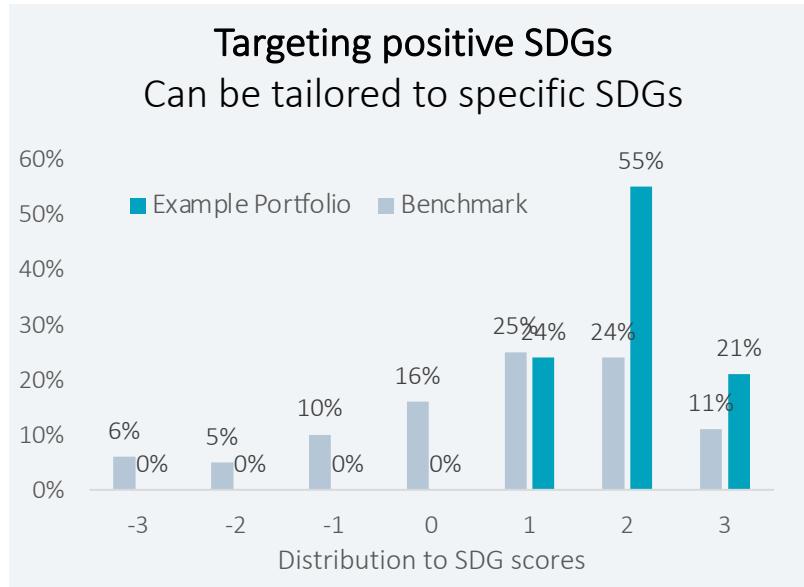
Source: Robeco analysis based on TruCost scope 1 and 2 greenhouse gas emissions data, 2019. Greenhouse gas intensity is calculated per million US\$ of revenues.

## Key findings

- > The 100 highest emitters account for >67% of all scope 1 and 2 emissions in MSCI ACWI
- > 62 of these companies have a negative SDG score
- > 25% of the companies in MSCI ACWI has a negative SDG score
- > Companies with a negative SDG score account for 62% of all scope 1 and 2 emissions in MSCI ACWI\*
- > Companies with a positive SDG score account for 24% of scope 1 and 2 emissions in this benchmark\*

# Pathways to Net Zero

## A summary of multiple tools



### Exclusions, Specific focus & Engagement

#### Impact Exclusion Approach

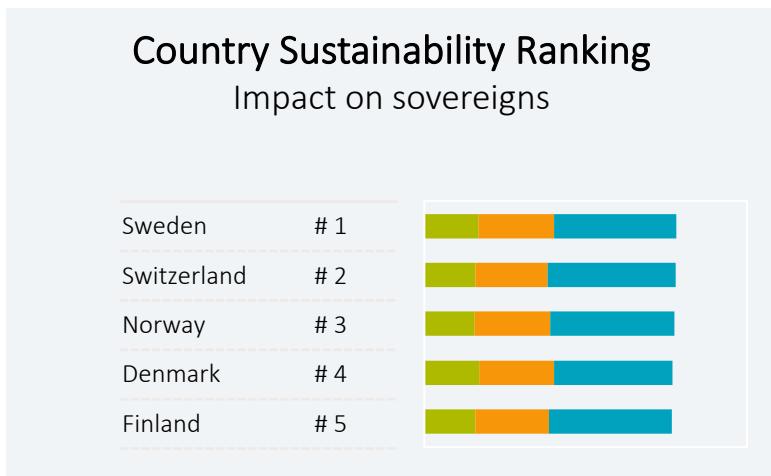
- > Exclusion process on specific exclusion criteria

#### Specific allocations

- > Green bonds
- > Social bonds
- > Thematic investments

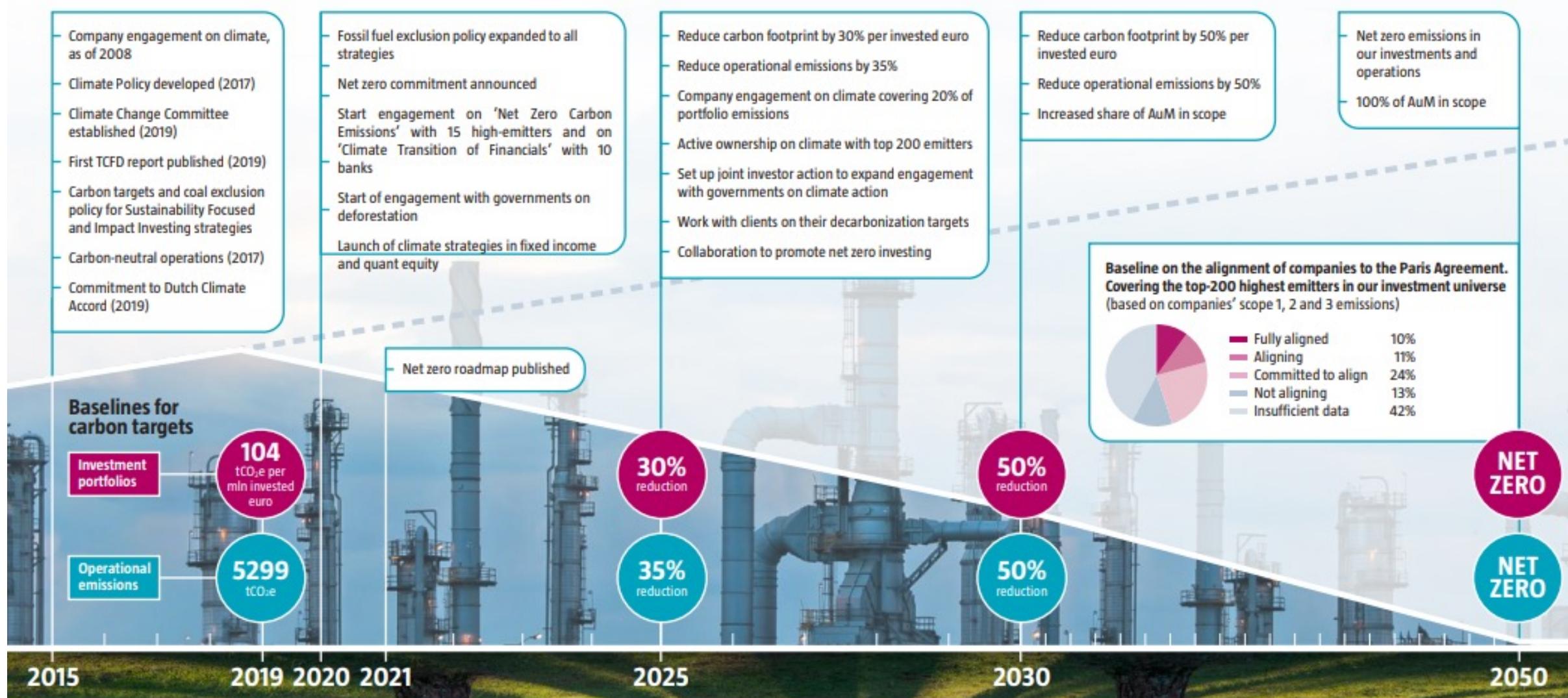
#### Active Engagement on issuers

- > Creating value & impact through active dialogue



# Net Zero 2050

## Roadmap & targets



More information: [https://www.robeco.com/media/d/8/7/d87c531fc1e3739c2ca57f2c10f9c633\\_20211027-roadmap-to-netzero-hk-sg\\_tcm1006-32200.pdf](https://www.robeco.com/media/d/8/7/d87c531fc1e3739c2ca57f2c10f9c633_20211027-roadmap-to-net-zero-hk-sg_tcm1006-32200.pdf)



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Our mission

Thank you

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