



The Climate Crisis: Rising to the Challenge

24 June 2020

Prepared by the Responsible Investment team at Aon

Agenda

1. The climate crisis is a critical issue for pension funds
2. Regulation and expectations on trustees
3. Protecting against climate-related risks
4. Investing for a better future
5. Q&A



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Why is climate change a critical issue?

John Belgrove

A decade in a week

John Belgrove



**“There are decades where nothing happens,
and there are weeks where decades happen.”**

Vladimir Lenin

24 June 2020

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Why is this important?

**A new
normal**

**Bring back
better**

**The future
we want**

“

With low-carbon stimulus as a new priority for COP26, it should be seen as an opportunity to rebuild economies hit by coronavirus in ways that are healthier, more resilient to future shocks and fairer to a wider range of people.

”

**Adair Turner, following postponement
of COP26**

“

No bailout should benefit industries or business models that are not viable in the coming low-carbon world – such as low-cost airlines, coal-fired power generation, or uneconomic operations in shale oil and gas, oil sands and deep offshore oil.

”

**Michael Liebreich , Covid-19 –
the Low Carbon Crisis thought-piece**



Use your influence!



**Investment
Consultants
Sustainability
Working Group**



**Cambridge
University Institute
of Sustainability
Leadership (CISL)**



**Institute & Faculty
of Actuaries (IFoA)
Climate Related
Taskforce**



**All Parliamentary
Group on
Sustainable
Finance**



**PLSA wider group
on engagement /
voting practices**



**Coalition for an
Intergovernmental
Panel on Climate
Finance (C4IPCF)**



**The Prince's
Accounting for
Sustainability
Project (A4S)**



**Pensions for
Purpose Platform**



**Transition Pathway
Initiative (TPI)**



**PLSA taskforce
for ESG Guidance
for Trustees**

What forums or initiatives are you connected to?



Lessons to learn? What are yours?

Prevention is better than cure.

A pandemic was high on strategic risk registers for governments. What is high on the risk register for trustees? Climate Change?

Trust in consensus science and think about behavioural biases.

Adopt a forward thinking mindset.

Big changes happen and consumer behaviour can be transformed.

Don't cling to the status quo if it doesn't support your beliefs.

Speak up!

Change happens that way.



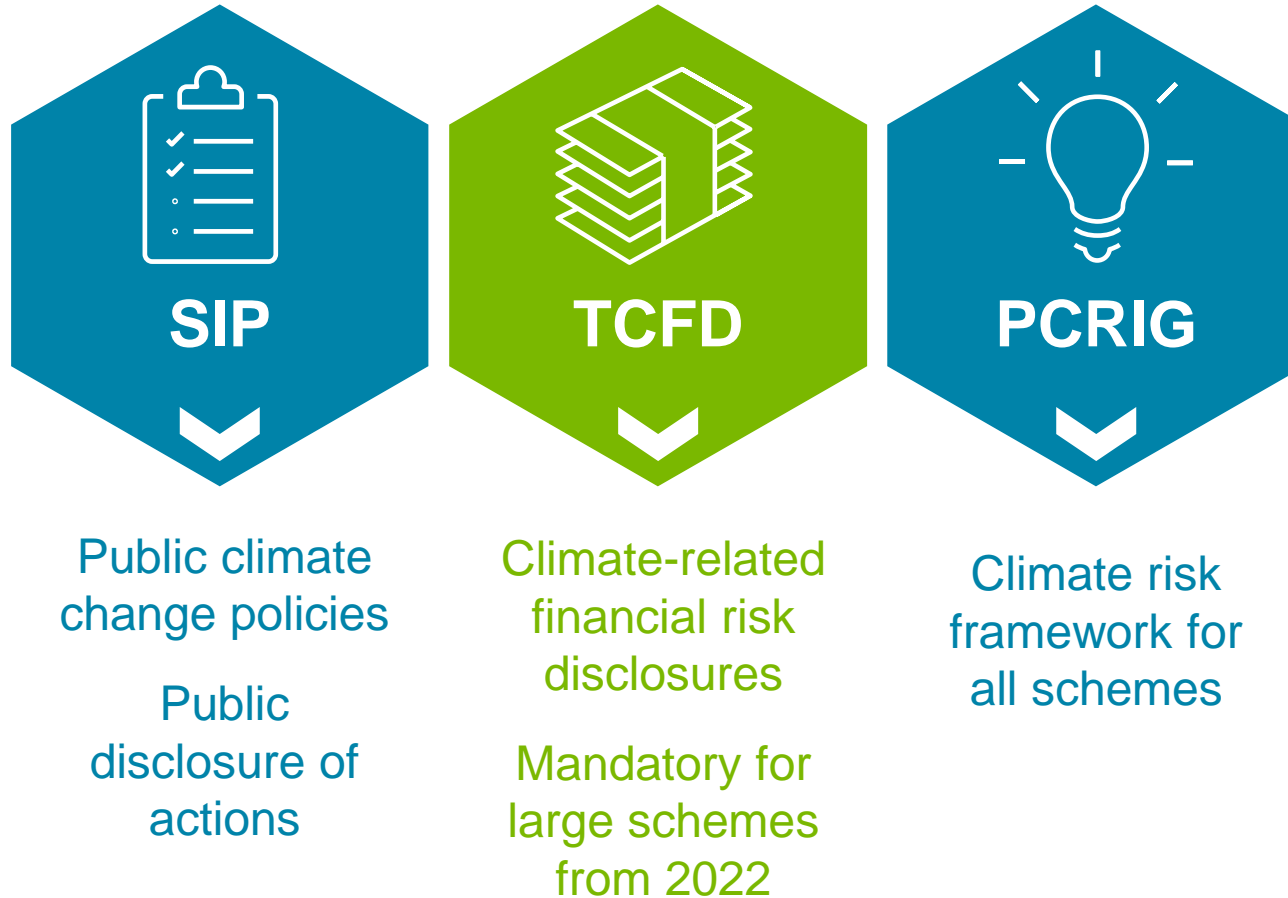


What is expected of pension funds on climate change?

Tim Manuel



What is expected of pension funds on climate change?





What are pension funds doing about climate change?

Jennifer O'Neill

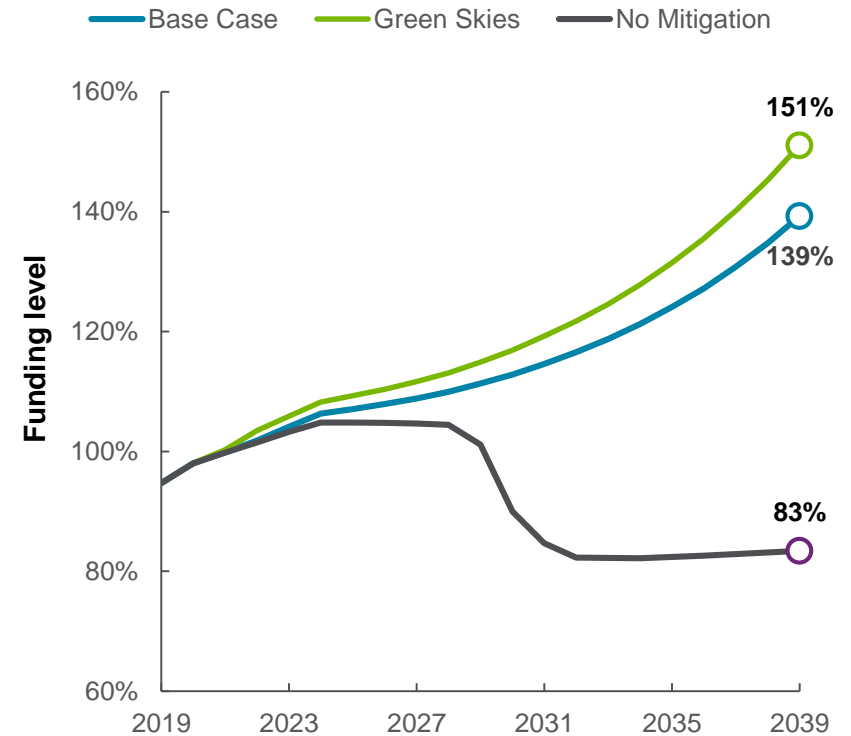


Introduction to Climate Change Scenario Analysis

Why is scenario analysis useful?



Illustration: funding level impact

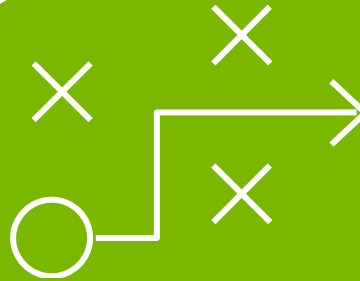




Case Study: Climate Change Scenario Analysis



**Establishing
the position**



**Act to change
position**



**Embedding into
processes**



Addressing carbon risks: Divestment?

Challenge: The Divestment Debate

Not a binary choice

Define carbon strategy as part
of managing climate risks



Case study: How can schemes act?

- Question: what are the motivations?
- Agreeing an appropriate solution...



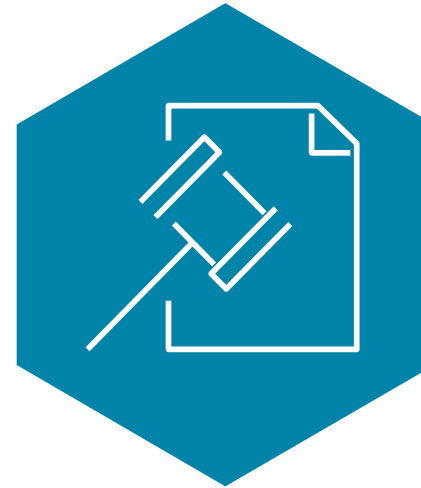
What are Aon doing to help?



**Aon Factor
Service**



**Modelling
tools**



**Policy
development
support**

There are many places to start...



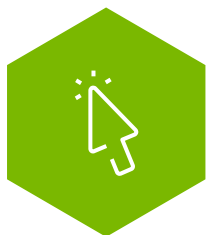
Investing for a better future

Geri McMahon



“Meeting the challenge of tackling climate change requires unprecedented collaboration.”

Ben van Beurden, Shell Chief Executive Officer



Find out more:

<https://www.shell.com/media/news-and-media-releases/2018/leading-investors-back-shells-climate-targets.html>



Invest for the future: The Aon Global Impact Fund



Unconstrained

Focused on the very best companies, not constrained by geography or sector



Best Ideas

Invests in the best ideas, strategies and managers from Aon's buy-rated list



Measurable impact

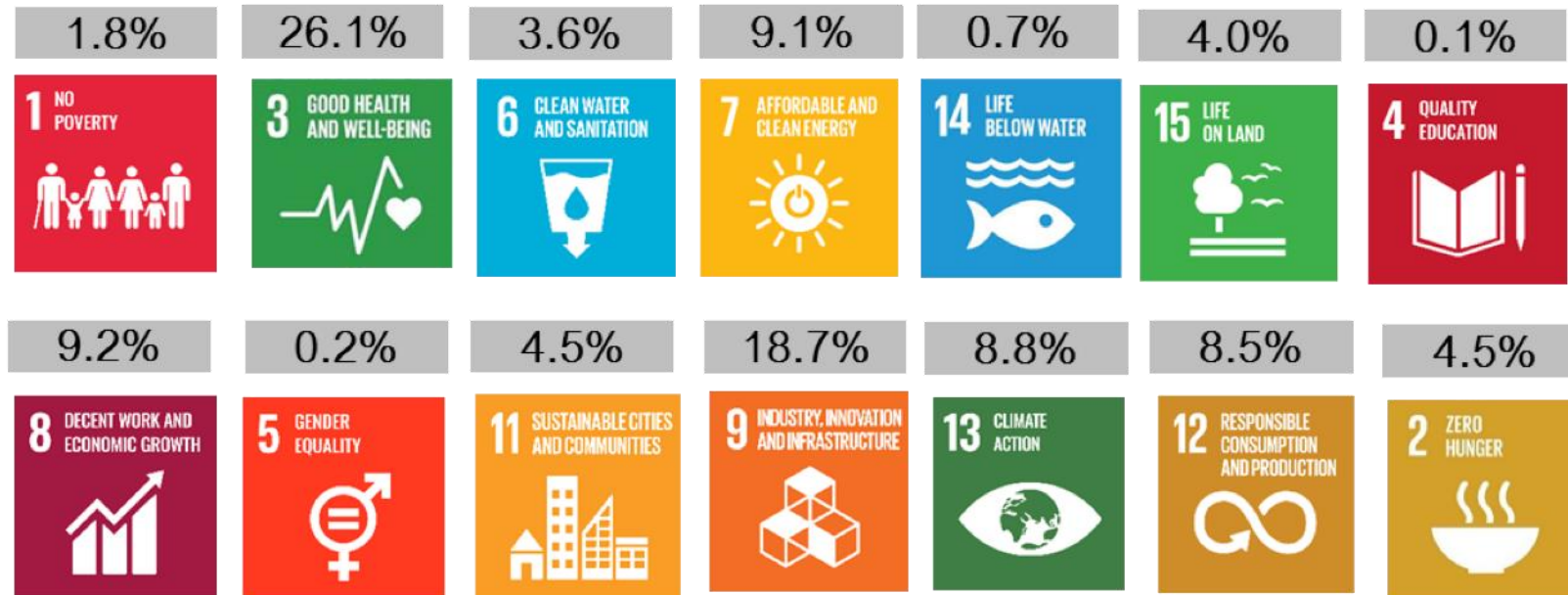
A clear vision of how capital invested is contributing towards society and the planet

»» Portfolio returns for people and planet



Contribution to the Sustainable Development Goals

Contribution by Revenue or Products and Services to the Sustainable Development Goals*



Source: Aon, eVestment, managers. Past performance is not a reliable indicator of future performance. *In the opinion of the underlying manager



The “real world” impact of the fund

Umicore

Electric Vehicle battery recycling,
reducing the need for mining



Ørsted

World’s first potential
renewable energy supermajor



Beyond Meat

Creating plant-based
alternatives to meat



Moderna

Developed potential COVID-19 vaccine
in 42 days, first to reach human trials





What's next?

Tim Manuel



Why does it matter?

50%

reduction in carbon emissions needed **over the next decade** to limit the rise in global temperatures to no more than 1.5 degrees Celsius above pre-industrial levels by the end of the century

73%

of trustees believe that **climate change will impact on returns** within a timeframe they are concerned about

47%

of trustees believe they have **a duty and an ability** to help tackle climate change

Next steps

Tim Manuel



**Imperative
to learn and
understand**

**Regulation is
unavoidable**

**Protect your
members**

**Make an
active choice to
invest for a
better future**

Who have you heard from today



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