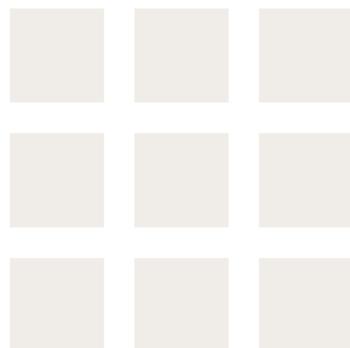
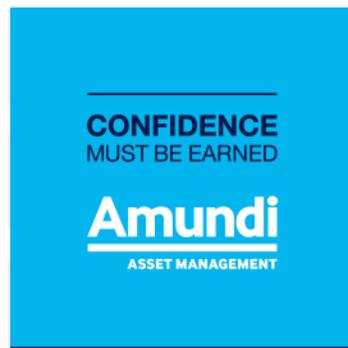


Investors Tackling Climate Change

A Risk Management Approach



Timothée Jaulin
Amundi Investment Solutions & Strategic Advisory

November 2015

Executive Summary

■ Asset owners are increasingly handling climate change related risks:

1. Risk Management approach:

Markets are short-term oriented and do not price forthcoming taxation on polluting companies

2. Risk disclosure:

Ex: Montreal Pledge (100 signatories)

3. Simple and transparent products to handle risks:

Low carbon indexes: risk reduction over the long run without impacting market exposure over the short run

4. Sharing of best practices:

Portfolio Decarbonization Coalition : \$70bn commitment (Ytd)

5. Acceleration by policy makers:

Ex: France and the carbon footprint (almost) mandatory at the Asset Owner level

■ Amundi, No.1 European asset manager, plays a pivotal role in this field:

- Innovation : low carbon indexes, decarbonization of smart beta, etc.;
- Thought leadership : paper, PDC, etc.;
- AUMs: \$4.5bn

Portfolio Decarbonization Coalition



UNITED NATIONS ENVIRONMENT PROGRAMME
Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente
Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة
联合国环境规划署



United Nations and leading investors launch Coalition to decarbonize institutional investment worldwide at UN Summit

Commitment to decarbonize \$100 billion of investment

- UNEP FI, AP4, Amundi and CDP launch global Portfolio Decarbonization Coalition at Ban Ki-moon's Summit on Climate Change
- UN Secretary General Ban Ki-moon recognizes the coalition as an effective approach to rapidly mobilize financial markets to help decarbonize economic activity on the ground

■ Commitment to decarbonize:

– **\$70bn achieved up to now**

■ Open platform:

– Investors sharing best practice

– Governance: UNEP-FI

■ Members:

A Capital, Amundi, AP4, Australian Ethical Investment, Church of Sweden, Environment Agency Pension Fund, ERAFP, Fonds de Reserves des Retraites, KLP, Local Government Super, Mandatum, Mirova, Point Capital Management, Robeco SAM, Sonen capital, Storebrand, Toronto Atmospheric Fund, University of Sydney



<http://unepfi.org/pdc/>

Mandatory Carbon Footprint Disclosure

TITRE VIII
DONNER AUX CITOYENS, AUX ENTREPRISES, AUX TERRITOIRES
ET À L'ÉTAT LE POUVOIR D'AGIR ENSEMBLE

CHAPITRE I^{er}
Outils de la gouvernance nationale de la transition
énergétique : programmation, recherche et formation

Article 173

I. – La section 1 du chapitre II du titre II du livre II du code de l'environnement est ainsi modifiée :

1^o L'intitulé est ainsi rédigé : « Stratégie nationale de développement à faible intensité de carbone et schémas régionaux du climat, de l'air et de l'énergie » ;

2^o Au début, est ajoutée une sous-section 1 ainsi rédigée :

*« Sous-section 1
« Budgets carbone et stratégie bas-carbone*

« Art. L. 222-1 A. – Pour la période 2015-2018, puis pour chaque période consécutive de cinq ans, un plafond national des émissions de gaz à effet de serre dénommé "budget carbone" est fixé par décret.

« Art. L. 222-1 B. – I. – La stratégie nationale de développement à faible intensité de carbone, dénommée "stratégie bas-carbone", fixée par décret, définit la marche à suivre pour conduire la politique d'atténuation des émissions de gaz à effet de serre dans des conditions soutenables sur le plan économique à moyen et long termes. Elle tient compte de la spécificité du secteur agricole, veille à cibler le plan d'action sur les mesures les plus efficaces en tenant compte du faible potentiel d'atténuation de certains secteurs, notamment des émissions de méthane entérique naturellement produites par l'élevage des ruminants, et veille à ne pas substituer à l'effort national d'atténuation une augmentation du contenu carbone des importations. Cette stratégie complète le plan national d'adaptation climatique prévu à l'article 42 de la loi n° 2009-967 du 3 août 2009 de programmation relative à la mise en œuvre du Grenelle de l'environnement.

« II. – Le décret fixant la stratégie bas-carbone répartit le budget carbone de chacune des périodes mentionnées à l'article L. 222-1 A par grands secteurs, notamment ceux pour lesquels la France a pris des engagements européens ou internationaux, ainsi que par catégories de gaz à effet de serre lorsque les enjeux le justifient. La répartition par période prend en compte l'effet cumulatif des émissions considérées au regard des caractéristiques de chaque type de gaz, notamment de la durée de son séjour dans la haute atmosphère. Cette répartition tient compte de la spécificité du secteur agricole et de l'évolution des capacités naturelles de stockage du carbone des sols.

« Il répartit également les budgets carbone en tranches indicatives d'émissions annuelles.

« La stratégie bas-carbone décrit les orientations et les dispositions d'ordre sectoriel ou transversal qui sont établies pour respecter les budgets carbone. Elle intègre des orientations sur le contenu en émissions de gaz à effet de serre des importations, des exportations et de leur solde dans tous les secteurs d'activité. Elle définit un cadre économique de long terme, en préconisant notamment une valeur tutélaire du carbone et son utilisation dans le processus de prise de décisions publiques.

« III. – L'Etat, les collectivités territoriales et leurs établissements publics respectifs prennent en compte la stratégie bas-carbone dans leurs documents de planification et de programmation qui ont des incidences significatives sur les émissions de gaz à effet de serre.

« Dans le cadre de la stratégie bas-carbone, le niveau de soutien financier des projets publics intègre, systématiquement et parmi d'autres critères, le critère de contribution à la réduction des émissions de gaz à effet de serre. Les principes et modalités de calcul des émissions de gaz à effet de serre des projets publics sont définis par décret.

« Art. L. 222-1 C. – Les budgets carbone des périodes 2015-2018, 2019-2023 et 2024-2028 et la stratégie bas-carbone sont publiés au plus tard le 15 octobre 2015.

« Pour les périodes 2029-2033 et suivantes, le budget carbone de chaque période et l'actualisation concomitante de la stratégie bas-carbone sont publiés au plus tard le 1^{er} juillet de la dixième année précédant le début de la période.

■ French Law¹:

- **Carbon footprint disclosure will be (almost) mandatory for all asset owners;**
- Pension funds, insurance companies, etc.;
- Details will be released soon.

■ Easy leverage for Governments:

- No cost;
- Easy way to mobilize asset owners;
- Internalization of externalities.

■ Could be replicated in other countries:

- Already private initiatives around the world: CalPERS, PGGM, Hesta, etc.
- Especially in countries with massive public money.

(1) See the slide 49 for the new version of the article 48 which is the article 173 since august, 2015.

Conclusion

- **Climate change :**
 - Is a real risk for long-tem investors;
 - Financial innovation enables investors to handle such risks.

- **Sharing of best practice is key, Portfolio Decarbonization Coalition:**
 - Accelerate the mobilization of investment flows toward the low carbon economy;
 - **\$70bn commitment** already achieved;
 - Sends a strong message: feasible and scalable.

- **Governments are getting more and more involved:**
 - French example of carbon footprint mandatory for all asset owners;
 - Costless solution;
 - Particularly true for public money.

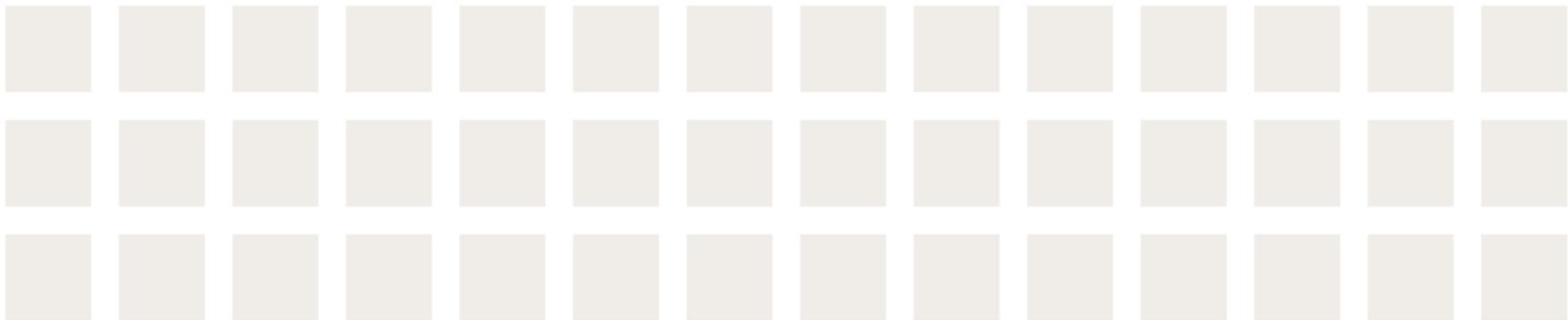
- **Possible mobilization of a vast amount of money:**
 - Investors with a green interest represent: \$92 trillion ⁽¹⁾;
 - **0.1% adoption means a \$100bn shift.**

(1) Source: www.CDP.net as at 2014. "CDP Initiative is backed by more than 767 institutional investors representing an excess of US\$92 trillion in assets."

(2) Boston Consulting Group , Global Asset Management 2014 – Steering the Course to Growth



Appendix



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