



THE ISSUE

The consequences of climate change are diverse and significant. Rising global temperatures have numerous consequences that are already detectable. These include rising sea levels, changing weather patterns, reduced polar ice coverage and melting glaciers, higher frequency and/or intensity of extreme weather events, loss of crucial ecosystems, and increased oceanic acidity. All of these climate-related physical effects have risk implications for investors. Investment risks include the physical risk from extreme weather events as well as risks stemming from the transition to a low-carbon economy.

Depending on their location, their portfolio investments may face higher levels of acute physical risk – these are mainly event-driven risks from extreme weather such as typhoons, floods, or drought-related fires and may also affect their own operations. In addition, investors with longer-duration assets may be exposed to chronic physical risk. These unfold over timescales stretching from years to centuries. In addition to the physical risks involved, investors also face risks from the policy response to climate change. These include policy and regulatory risk, reputational risk and liability or litigation risk.

With decisions to be made on the long-term deployment of trillions of cumulative investment funds, institutional investors are at the forefront of navigating the risks of climate change. Climate change poses a risk to the stability of the global financial system and should be a key consideration in all portfolios.

The global response to climate change from governments, regulators and companies will also yield many opportunities for institutional investors. By managing the risks and opportunities, investors can develop sustainable portfolios that contribute to our low-carbon and carbon-resilient future.

Addressing climate change requires significant efforts from government as well as the private sector. On the government side, worldwide, there are more than 1,300 laws and policies either directly or indirectly related to climate change. This is 20 times more than were in place in 1997, although the increase is slowing as the major policy frameworks are now generally in place.

WHAT WE ARE DOING

There is an urgent need for institutional investors to factor climate change risks and rewards into portfolios and recognize the potential impact environmental factors can have on global financial stability.

WWF's *Climate Primer* and associated workshops are intended to provide an introduction to the basics of climate change for the institutional investor community, with a focus on Asia-Pacific and the energy sector. It provides an overview of the science of climate change, an articulation of the global policy response, a survey of technological approaches to the problem, and an outline of the various financial entities and resources involved in addressing the issue.

In the financial sector, institutional investors are becoming more aware of the risks presented by climate change, and more willing to take action. However, this awareness differs by geography, with relatively lower engagement in the Asia-Pacific region.

A core objective of our finance program is to raise awareness of climate change with institutional investors, and to encourage them to shift their financial flows away from areas with negative climate impact and towards more sustainable investments. We believe that

portfolios can be made greener without necessarily sacrificing returns – some green portfolios outperform conventional benchmarks.

OUR ASK

The special report on global warming of 1.5°C published by IPCC (Intergovernmental Panel on Climate Change) highlights the need for urgent action. The existing pledges under the Paris Agreement are not enough to limit warming to 2°C, much less 1.5°C. Rapid and deep cuts to carbon emissions are necessary across all sectors such as energy, food, agriculture, industry, buildings and transport to avoid more severe impacts to ecosystems.

The government's current green finance budget measures are not adequately focused in achieving the climate change targets set out by the government. WWF-Hong Kong urges the government to step up commitments, set ambitious targets, strengthen policies and encourage regional and local investments to tackle climate change with the support of environmental financing.