

MARCH 2023

2023 Global Climate Survey

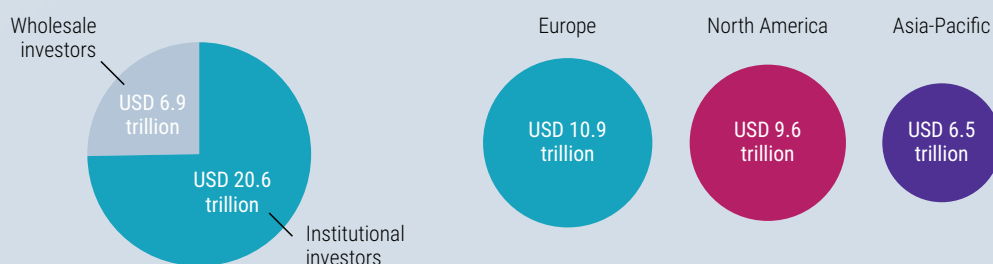
Are investors moving from
aspiration to implementation?

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Methodology

This report is based on research commissioned by Robeco for its exclusive use, which was carried out in January 2023 by CoreData Research among 300 institutional and wholesale investors in Europe, North America, Asia-Pacific and Africa*. The investors are based at a range of organizations: insurance companies, pension funds, private banks, fund-of-funds, advisory firms, wirehouse broker/dealers, endowments and foundations, sovereign wealth funds, and family offices. They ranged in size from holding less than USD 1 billion in assets under management (AuM) to over USD 1 trillion in AuM, with a total AuM for all respondents of approximately USD 27.4 trillion.



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March 2023

*African respondents represent approximately USD 0.4 trillion in AuM.

Forging a path ahead



It's no secret that the world continues to face significant challenges when tackling climate change. In 2023, the road ahead still remains long and challenging.

The headwinds we face include ongoing geopolitical tensions, tightening regulations in the EU, an ESG backlash in the US, and often a lack of suitable data and expertise.

Nevertheless, the results from our third climate survey demonstrate that investors are keeping the faith and moving forward with a sense of purpose.

Our survey highlights several positive trends in particular, such as the increasing interest in biodiversity investing. Two other

trends of note are the growing importance of social issues and a Just Transition to renewable energy. Meanwhile, investors in general are clearly and increasingly aware of the risks of climate change, and are integrating climate considerations into their investment policies.

Overall, despite complex and sometimes contradictory market conditions, they remain committed to sustainable investing and implementing strategies with long-term horizons to address environmental and social challenges.

Building and maintaining portfolios with these future scenarios in mind requires forward-looking data and reliable modeling. In our case, even though we consider ourselves to be pioneers in the field of sustainable investing, and have been researching and innovating in this area for more than two decades, we still learn every single day.

Our most recent innovations in climate investing include Robeco's Sector Decarbonization Pathway models, which help us identify which companies are likely to be leaders or laggards in the path towards net zero. Our work involved developing forward-looking metrics relating to decarbonization and the adoption of a data-driven stewardship solution.

We're now at the point of implementation of this methodology, which will form part of a range of climate-related solutions that we offer our clients. Depending on where investors are in the stage of adoption, we can apply exclusions, active ownership, portfolio decarbonization and climate indices to their portfolios.

Forging a path ahead, during what may in retrospect be seen as the darkest hour before dawn, is a complex endeavor. Moving from implementation to action will require courage and resolve as well as science and data. Above all, it will require collaboration and a shared vision.

It is our hope that this report will inspire others not only to join us in our efforts to address climate change and promote sustainable investing, but to see how valuable their own roles are in this journey.

Victor Verberk,
CIO Fixed Income and Sustainability

Key findings

48%

of investors have made, or are in the process of making, a public commitment to the net-zero goal by 2050

51%

say the energy crisis has reinforced the importance of moving away from fossil fuels and towards renewable energy

71%

say climate change is at the centre of, or is a significant factor in, our investment policy

63% & **57%**

of European investors

of Asia-Pacific investors

are concerned about future political pressures and/or legal actions if they do not take positive action on climate change and other ESG issues

A year ago this was

is projected to be

75% & **85%**

in two years' time

47%

of North American investors are concerned about political pressure and/or legal action on an anti-ESG basis if they implement ESG investing

41%

are actively seeking investments that make a positive contribution to biodiversity

38%

say the target set by the Paris Agreement, to limit global warming to well below 2 °C, is still achievable

An aerial photograph of a dam and a river. The river is a vibrant turquoise color, flowing from the top left towards the bottom right. The dam is a long, concrete structure with a white roof, crossing the river. The surrounding area is lush with green trees and a paved road. A large teal circle is overlaid on the left side of the image, containing the main text.

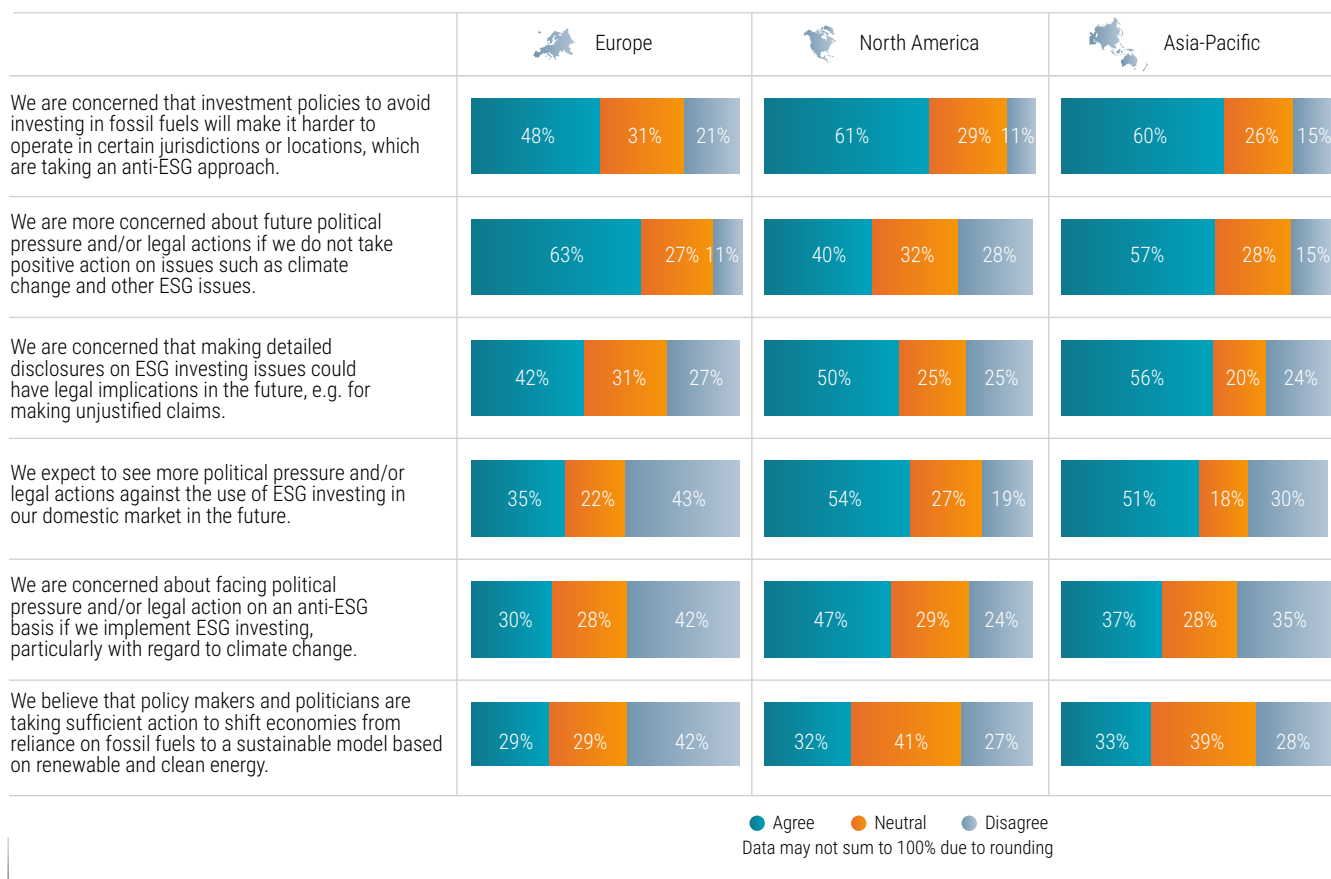
1. Investors face headwinds from the politicization of ESG and the energy crisis

Investors trying to tackle climate change are experiencing headwinds, according to this year's research findings. These headwinds include the backlash to ESG from some quarters in the United States, where ESG investing is in danger of becoming a political football, rather than an approach taking into account a wide range of risks, including those arising from environmental, social and governance factors, which can have financial implications among other impacts.

It is clear that investors in North America are more affected by the politicization of ESG investing, particularly regarding climate change, with 47% in North America (vs. 30% in Europe and 37% in

Asia-Pacific) concerned about political pressure and/or legal action if they implement ESG investing and 54% (35% in Europe and 51% in Asia-Pacific) expecting more pressure and/or legal action against ESG investing in their domestic market in the future. Indeed, we find that a majority of European (63%) and Asia-Pacific (57%) investors are more concerned about political pressure and/or legal actions if they do not take positive action on climate change, compared to only 40% of North American investors. As it now seems likely that ESG investing will be an election issue in the US, investors there may have to find a way to factor this into their investment approach, particularly if they believe that climate change has financial implications.

North American investors are more likely to face anti-ESG political and legal pressures if they act on climate change



→ To what extent do you agree with the following statements on the role of policymakers and politicians regarding ESG investing, including decarbonization and other actions to tackle climate change?

The recent energy crisis in the global economy, caused by post-pandemic supply chain disruption and the Russia-Ukraine war, has also acted as a bump in the road. For example, the sharp rise in energy prices led to nearly half (47%) of investors reviewing their approach to ESG investing and sustainability, by permitting higher allocations to oil and gas companies in order to avoid short-term losses.

However, short-term disruption does not necessarily mean investors are changing their long-term plans. For just over half of investors (51%), the energy crisis has reinforced the importance of the shift to a low-carbon economy based on renewable energy. And only a quarter of investors say that they have paused or slowed their portfolio decarbonization work as a result of the energy crisis.

How investors have reacted to the recent energy crisis



% Agree (Completely Agree + Agree)

→ **What, if any, impact have the increases seen in energy prices had on your organization's approach to portfolio decarbonization so far?**

Another finding that shows the presence of headwinds to taking action against climate change is the slight decline in investors saying climate change is a significant part of, or is central to, their investment policies. This has dipped slightly from 75% in 2022 to 71% in 2023. However, the overall trend is still upward, as 85% of investors say climate change will be central or significant to their investment policy over the next two years. The data gathered over the last three years suggests that a minority of investors are proving hard to mobilize to take action on climate change.

geopolitical turbulence, it is not surprising that investor action on climate change is not a smooth, linear process. While most investors increasingly accept the reality of climate change and its implications, finding the appropriate investment solutions and implementing them can be a challenging process for many investors. As they do this, investors face a steep learning curve, as they look for the data, information and investment frameworks to enable them to understand and act on a range of issues around climate change and sustainability.

Given that in the last few years, investors have been through a global pandemic, rising inflation and interest rates and increasing



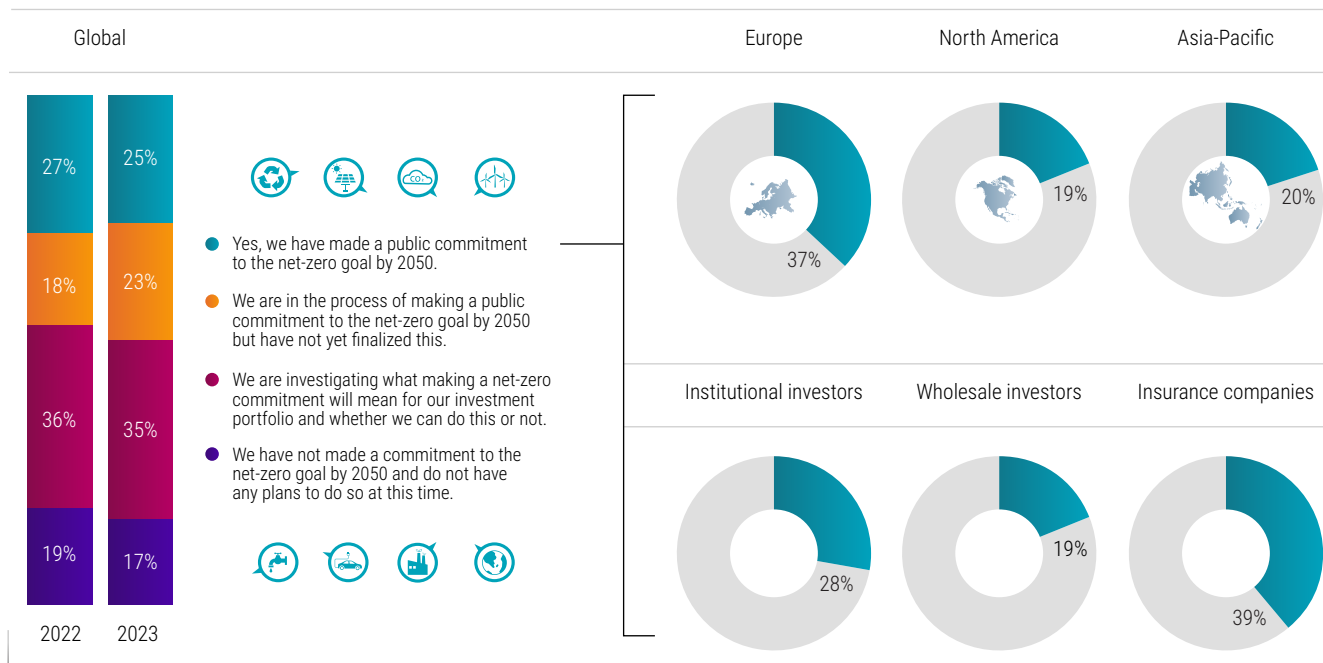
2. From targeting net zero to implementing decarbonization

Making a public commitment to net-zero carbon emissions from their investments by 2050 is a clear signal that an investor wants to decarbonize its holdings. Not only is it an outward manifestation of a commitment to tackle climate change, but it requires investors to re-think their entire investment approach.

The proportion of investors who have made a net-zero commitment, or who are the process of doing this, has risen slightly from 45% in 2022 to 48% in 2023. While there has been a

slight fall in the proportion of investors who have made a public commitment (27% in 2022 to 25% in 2023), this is outweighed by the increase, from 18% to 23%, of investors in the process of making this commitment to a net-zero goal, but who have not yet finalized it. The fact nearly a quarter of investors are working on a net-zero commitment shows how it involves preparation and planning. It also indicates that we can expect to see the number of investors with a net-zero commitment increase significantly.

European investors and insurance companies lead the way on making a net-zero commitment



→ Has your organization made a public commitment to achieving net-zero greenhouse gas (GHG) emissions from its investment portfolio by 2050, or is it in the process of doing so?

European investors and insurance companies are much more likely to be committed to net zero than other investors. In Europe, 37% of investors have already made a public commitment, and a further 24% are in the process of doing this. It is a similar story among insurers; 39% have already made a public commitment, while another 28% are in the process of doing this.

Many European investors see sustainable investing as being in the best interests of their members and stakeholders and therefore part of their fiduciary duties. Unlike in the USA, where ESG investing is acquiring controversial political overtones, European politicians and regulators are generally supportive of action on climate change. The Paris Agreement, an outcome of the COP21

talks held in Paris in 2015, and the European Union’s Sustainable Financial Disclosure Regulation (SFDR) are both examples of this.

At insurance companies, it is likely that commitments to net zero have been driven by a mix of factors. One is greater pressure from internal stakeholders at insurance companies to take action on climate change compared to other investors. This may be due to the impact that extreme weather events, which climate experts expect to become more frequent and damaging if global temperatures rise, will have on the viability of insurers’ business models. In addition, many insurers are consumer-facing businesses, which means they want to reflect growing public concern on climate change.

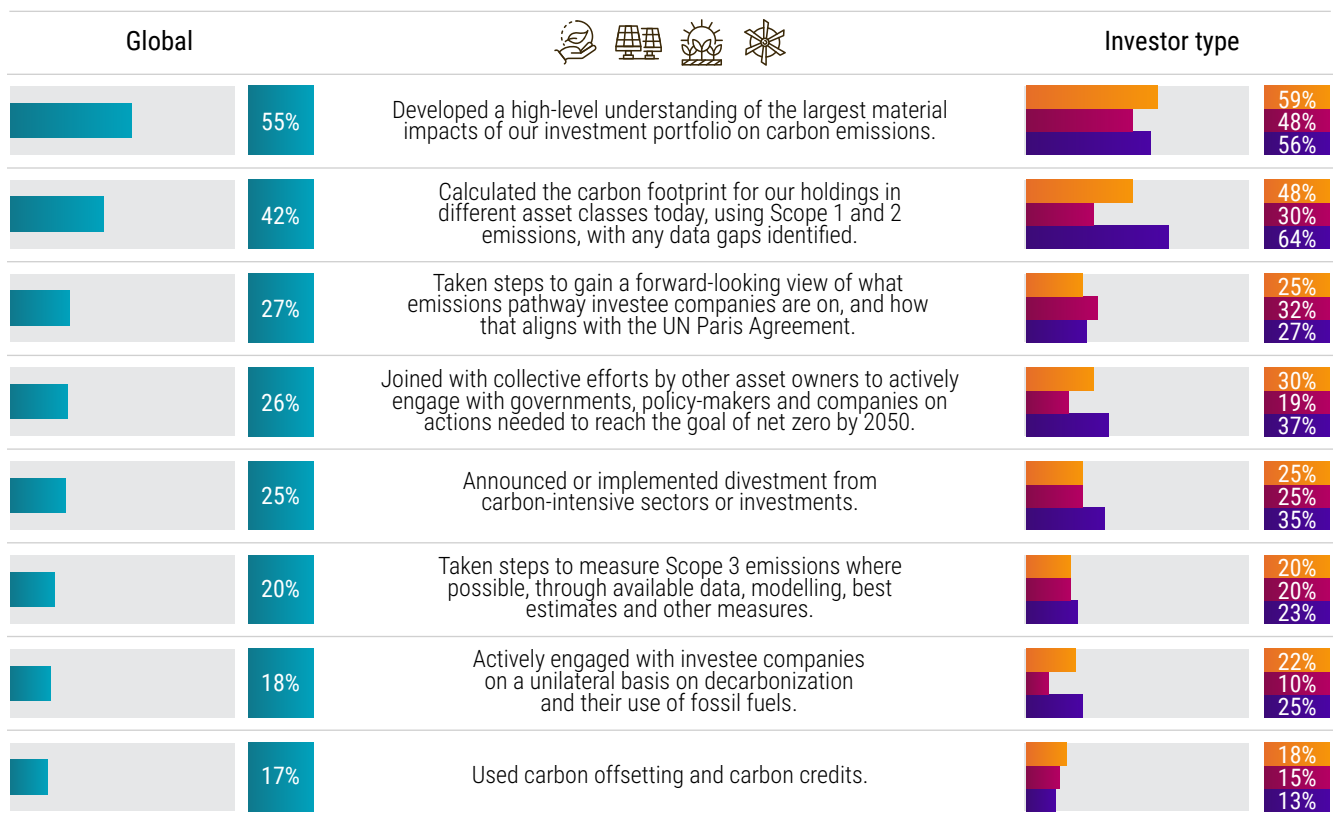
The incremental implementation of net-zero policies

While a significant number of investors have set, or plan to set, a net-zero goal, fewer have implemented some of the detailed and specific measures needed to reach this objective.

So while half (55%) of investors have developed a high-level understanding of the largest material impact of their investment portfolio on carbon emissions, fewer have reached the stages of working on Scope 3 emissions, or divesting from carbon-intensive investments, for example. These findings show the incremental

nature of decarbonization. Once investors have made a net-zero commitment, the next steps are likely to be calculating a carbon footprint, then taking steps such as gaining a forward-looking view on the emissions pathways that investee companies are on. Implementing measures such as active engagement with companies requires investors to build expertise and also to work with others, which will take time. In this sense, it is an ongoing process, to be viewed as a journey, not an event.

Developing a high-level understanding is a first step in decarbonizing investment portfolios



% Multiple answers allowed

- Institutional investors
- Wholesale investors
- Insurance companies

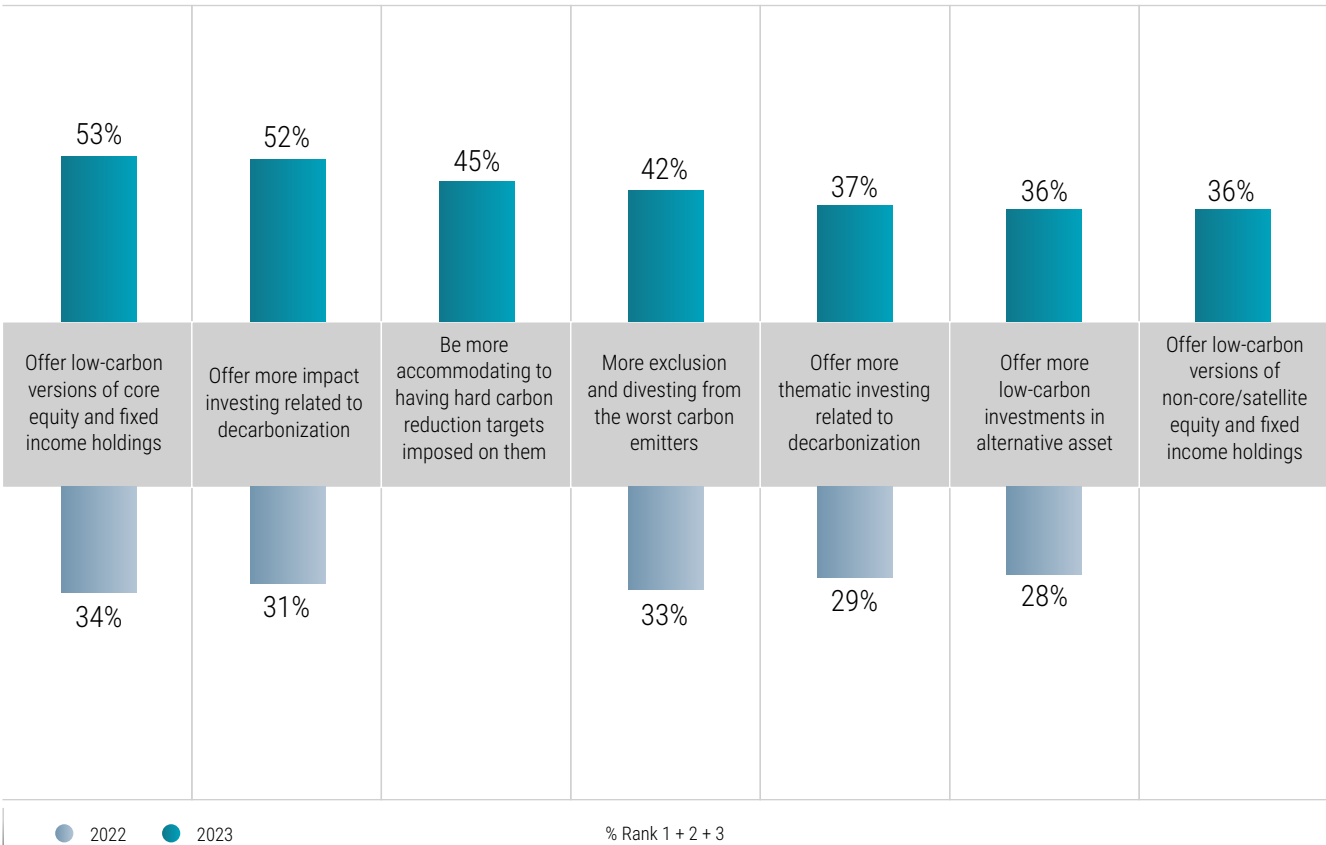
→ What steps has your organization taken so far to decarbonize its investment portfolio?

Decarbonization and investment preferences

While the full implementation of a net-zero goal may be a gradual, incremental process, there may well be changes to investment portfolios in a relatively short space of time. For example, over a

third of investors have already, or are very likely to, increase allocations to funds or strategies investing in climate solutions, or with a low-carbon approach, in the next 12 months.

Investors want to see a mix of low-carbon and other decarbonization strategies from asset managers



➔ **What does the asset management industry need to do to help with decarbonization?**

The initial focus of portfolio changes is likely to be in equities and green bonds, followed by real assets and private markets, according to results when investors were asked about their priorities for the deeper integration of decarbonization over the

next 1 to 2 years. This is reinforced by investors wanting asset managers to increase the provision of low-carbon versions of core equity and fixed income holdings, among a number of other steps to help investors with decarbonization.

Investor pressure on oil & gas companies is set to increase

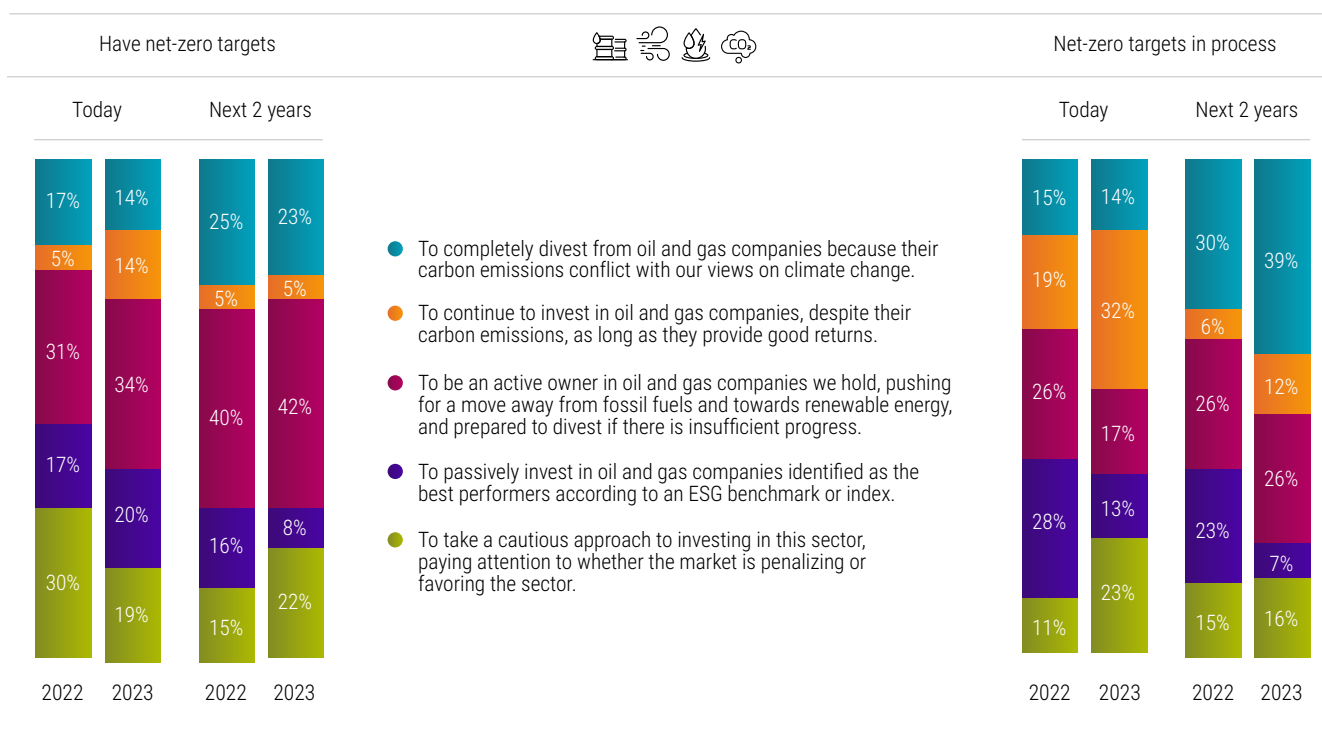
While decarbonization will lead to greater investment in climate-friendly investments, it may also require investors to divest from carbon-intensive assets, sometimes after actively engaging with companies in a bid to persuade them to shift from fossil fuels to renewable energy.

On divesting, 14% of investors with a net-zero target targets in place say their current approach is to completely divest from oil and gas companies and 23% with a net-zero target target say they will do this in the next two years. This increase is even greater for investors in the process of setting a net-zero target, with 39% saying that they will completely divest from oil and gas companies in the next two years.

There is a similar trend for investors taking an active ownership approach to oil and gas companies, with divestment as an option if engagement fails. Just over a third (34%) of investors with a net-zero target say this is the present approach, and it is expected to rise to 42% of investors with a net-zero target in the next two years. The same upward trend is seen for investors in the process of putting a net-zero target in place.

Overall, these findings show that committing to a net-zero target is likely to increase pressure on oil and gas companies to move away from fossil fuels if they can, and for increasing investor divestment from carbon-intensive assets.

Investors with net-zero targets are taking a more active role as owners of oil and gas companies



Data may not sum to 100% due to rounding

Which of the following is closest to your organization's investment approach to investing in oil and gas companies using fossil fuel today, and in the next 2 years?



3. Investor roundtable: sharing views on investing more sustainably for the long term

Participants

In recent years, sustainable investing has become a key part of the work of most institutional investors. While the Global Climate Survey quantifies investor action, in order to get more personal insights we spoke to six asset owners from around the world on the challenges of decarbonization, biodiversity loss, and a Just Transition to a low-carbon world.

- **Dominique Dijkhuis,**
Executive Board Member for investment policy of ABP, the Netherlands
- **Alberto Gómez-Reino,**
Head of Sustainable Investment, BBVA, Spain
- **Dominik Irniger,**
Head of Asset Management of Pensionskasse, SBB, Switzerland
- **Andrew Lill,**
Chief Investment Officer and Executive Officer of Rest, Australia
- **Kim Rosenkilde,**
Group Chief Investment Officer of Singlife, Singapore
- **Abel Sakhau,**
Chief Sustainability Officer, Sanlam, South Africa

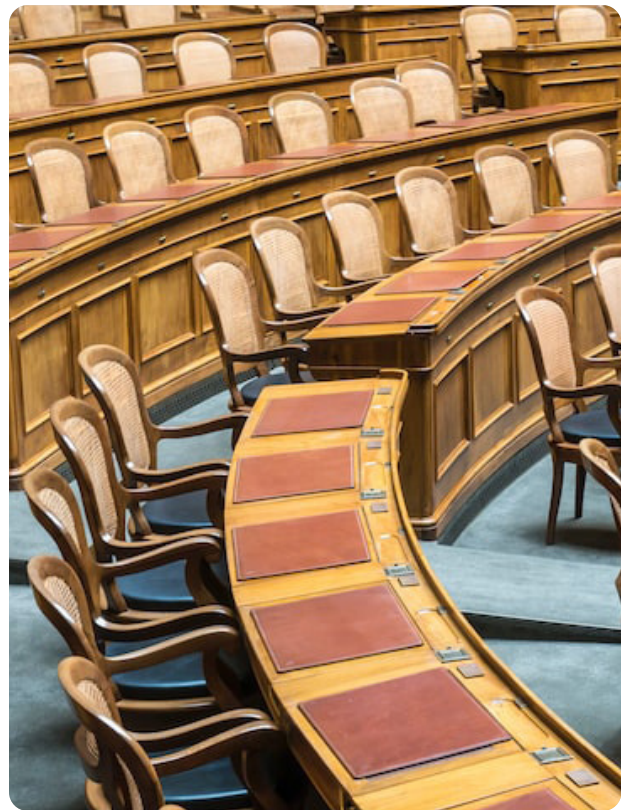
Politics and regulation are becoming more positive

If there is a political backlash to ESG investing, it appears to be confined to the US. Dominik Irrniger, Head of Asset Management at one of Switzerland's largest pension funds, Pensionskasse SBB, said there used to be pressure from some political exponents to avoid this issue in Switzerland, but added, "It's completely different to the US in that nearly every politician recognizes the problem of climate change now. Other investors agreed with this assessment, saying they had also seen a shift to a more positive approach towards climate change in the political arena.

However, politics can still ruffle investors' feathers. Referring to different public comments between an energy minister and an environmental minister, Abel Sakhau, Chief Sustainability Officer at South Africa's Sanlam, said, "It's not that there is a backlash against ESG, it's just that the South African government does not have one single position on ESG, and what the responsible path to follow is for the Just Energy Transition. One also has to consider the mismatch in the time horizons of politicians focused on the next elections, and investors looking many years ahead, which can be a source of tension". As Dominique Dijkhuis, Executive Board Member of the Netherlands' ABP, put it, "If you have a long-term view, only a sustainable economy creating a livable world is in line with that."

Compared to politics, regulation brings more immediate concerns. Alberto Gómez-Reino, Head of Sustainable Investment at Spain's BBVA, highlighted how an evolving regulatory process can act as a brake. He cited the EU's Sustainable Finance Disclosures Regulation (SFDR) Level 2 rules, which could mean that climate indices are no longer considered to be Article 9 strategies. "Now, Article 9 strategies are more niche, or thematic, products, rather than overall strategies. I am not saying this is good or bad, but it is a big change in the interpretation of the regulations."

In Australia, fund performance has to be measured against a broad index, so a fund excluding fossil fuels or thermal coal can underperform the index in the short term. Rest's Lill said,



"That's the only political or regulatory-led difficulty to full implementation of a climate-driven portfolio."

The survey found 60% of investors outside Europe say regulations similar to the EU's SFDR would benefit their own region. "We hope that the disclosure regulations when they're announced in Australia take a similar format to those in Europe," Lill said.

Sanlam's Sakhau added, "In South Africa, we are looking forward to new regulations that will streamline the whole process of climate change action. So far, these have gotten positive feedback from the industry."

"In South Africa, we are looking forward to new regulations that will streamline the whole process of climate change action"

Abel Sakhau, Chief Sustainability Officer, Sanlam

"If you have a long-term view, only a sustainable economy creating a livable world is in line with that"

Dominique Dijkhuis, Executive Board Member for investment policy, ABP

Target setting, engaging, excluding, and collaborating to decarbonize

Investors' actions to decarbonize their portfolios include target setting, engagement, screening, collaboration with their peers and, if necessary, divesting from the worst offenders on carbon emissions.

Investors say data on decarbonization can be a challenge for them. From Sanlam, Sakhau said, "One of our strategic focus areas is to do a portfolio GHG analysis in terms of exposure to high-carbon utility investments, so that we have better data to inform our decarbonization path."

Both Lill and Gómez-Reino said they are using weighted average carbon intensity as a metric for reducing their carbon emissions by significant percentages in the next few years. Gómez-Reino added that BBVA is also monitoring different approaches and initiatives. "As this is a new field and is evolving very fast, we will have to adapt the strategy in the future to new information, new data and new standards in the market."

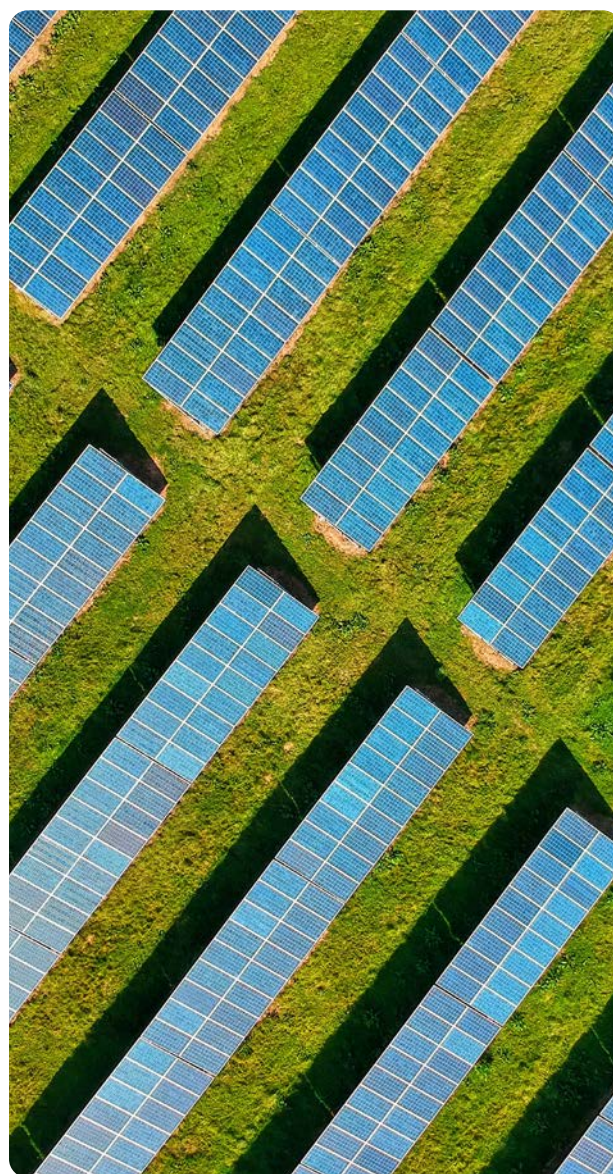
Engagement is a vital element to decarbonization. As well as his role at SBB, Irniger is President of SVVK-ASIR, the Swiss Association for Responsible Investments. He commented: "We very much want to engage with companies on climate change but it is disappointing to see that some companies – for example, the big oil companies – want to go back on commitments they made. As a result, divesting could also be a consideration for companies not showing enough progress."

This is something ABP has already undertaken; in the fourth quarter of 2021, it announced it would divest from EUR 15 billion worth of investments in fossil fuel producers by 2023, something that it has now largely accomplished.

"We very much want to engage with companies on climate change and it is disappointing that some of the big oil companies want to go back on commitments they made"

Dominik Irniger, Head of Asset Management at Pensionskasse SBB and president of SVVK-ASIR, the Swiss Association for Responsible Investments

Dijkhuis explained that in October 2021, ABP decided it needed to move faster on decarbonization, which led to a new climate policy including divesting from companies with inherently harmful business models, such as the exploration and production of fossil fuels. She added that having a larger stake held for the long-term, makes for more credibility when engaging, which ABP aims to do selectively. "We are in the process of reducing the universe of companies we want to invest in. In the remaining companies, we want to engage with those that will have the highest impact when engagement is effective."



The challenges of integrating biodiversity protection



While investors are setting net-zero targets as part of the decarbonization process, there is no equivalent goal that addresses biodiversity loss. So Sakhau's insights on what Sanlam is doing to protect biodiversity are invaluable. "We participated in the pilot study for the Task Force on Nature-related Financial Disclosures, so we have a good baseline in terms of what the risks associated with nature-related issues are, and what the actions are that you need to take to integrate ecological considerations into our investment approach." One lesson is how closely biodiversity and climate change are linked. "You can't tackle one without tackling other".

Data is one of the biggest challenges for investors wanting to integrate biodiversity protection into their investment policies. To overcome this, investors like Kim Rosenkilde, Group CIO of SingLife, are in full learning mode. "We've just finished the course on environmental issues, so the next course is on biodiversity. We are asking for biodiversity reports from our managers and we have reached out to the NGOs to try and learn as much as we can."

"We are asking for biodiversity reports from our managers and we have reached out to the NGOs to try and learn as much as we can"

Kim Rosenkilde, Group CIO, SingLife

In a similar vein, Lill said, "I expect this to be an area where we will have to gather information and make a decision on what to target very quickly."

But a lack of data should not be a reason for inaction. ABP's Dijkhuis said, "We're not waiting for regulations or definitions, when we all know that deforestation is bad".

Facing up to the need for a Just Transition

On the dialogue around a Just Transition to a low-carbon economy, South Africa faces a unique set of challenges, complicated by our longstanding coal dependence and high unemployment rate. Here investors appreciate both its importance, along with the scale of the challenge it embodies. In developing countries like South Africa, fossil fuels can be hugely important to putting food on the table for many. Sakhau said that nearly 80% of South Africa's electricity comes from coal-dependent sources and, in turn, each job in the coal sector supports up to 10 people. He added: "When we engage with companies, it is not only from a climate change perspective, but also very much from a socio-economic impact perspective".

And Rosenkilde said that palm oil plays a similar role in South-East Asia, which investors like him have to bear in mind. The scale of the challenge here will require a huge, combined effort. Inrigger said the global investment community needs to work together on climate change. Gómez-Reino agreed on the importance of investors joining forces and added, "We prefer to understand and monitor the efforts of different parties before taking a strong view."

Rest Superannuation plans to invest 1% of its assets in impact investments by 2025. Lill said it is thinking about how it can work with government policies to support a transition away from coal

mining. "Impact investment is our approach here and it has driven a local approach to investing," he said.

As with biodiversity, getting information can be difficult. Rosenkilde said, "We don't have data on this, and I find that when we speak to managers, we get some incredibly weak answers." Sanlam's Just Transition framework will form part of its 2022/2023 sustainability report. "It will show how we apply this framework to making decisions in terms of engagement and moving to a low-carbon economy. It is a very complex subject, but nevertheless something that is imperative to do," Sakhau commented.

"Impact investing is our approach here and it has driven a local approach to investing"

Andrew Lill, Chief Investment Officer and Executive Officer of Rest

"We prefer to understand and monitor the efforts of different parties before taking a strong view"

Alberto Gómez-Reino, Head of Sustainable Investment, BBVA

Conclusion

These comments give a snapshot of how investors from around the world are playing their part in the shift to a low-carbon world. But this will never be a straightforward process without difficult decisions. Net-zero carbon emission goals are now widely used, with a range of investment approaches to support it. On biodiversity loss and the Just Transition, investors are gearing up to act and need data, regulatory guidance and much else. Investors are also working out for themselves what they can do, such as impact investing on a local level. There is a long way to go, but investors are open to the challenges we all face.



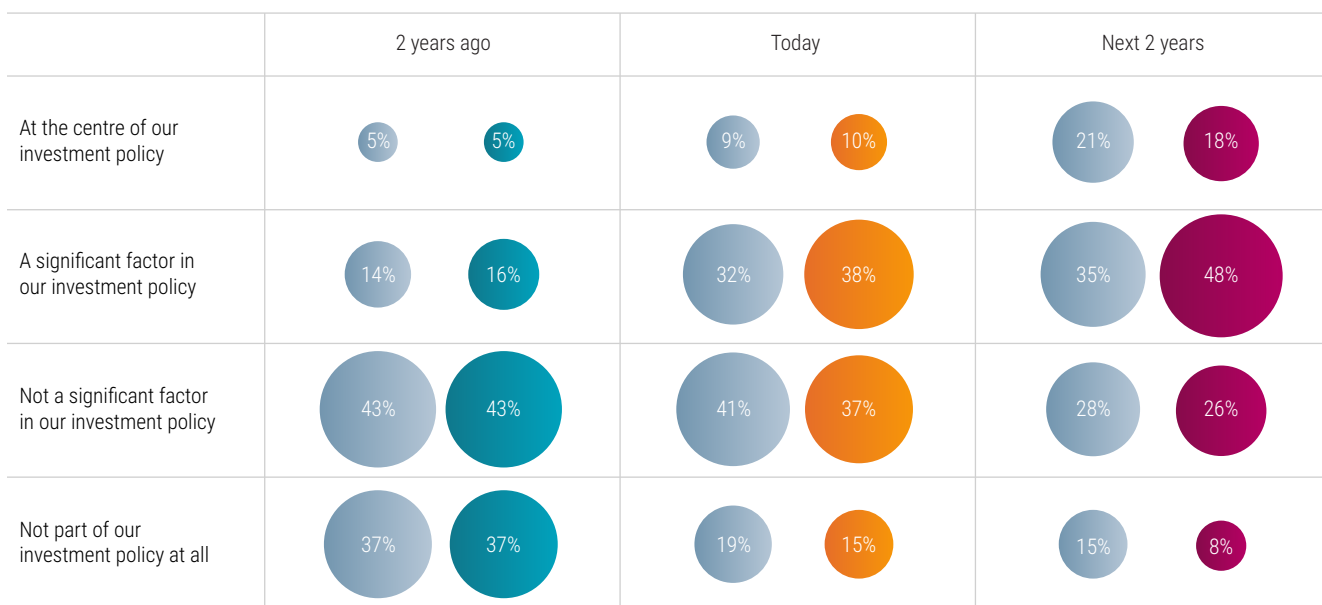


4. Biodiversity is becoming more important to investors

There is a growing awareness among investors that preventing biodiversity loss is inextricably linked to taking action on climate change. If global temperatures continue to rise, we are likely to see increasing environmental damage, from the increased severity and frequency of fires, storms and droughts on land, or as rising ocean temperatures damage coral reefs and other aspects of marine life. At the same time, threatened ecosystems, such as rainforests, moorlands and tundra, or coastal mangroves, can be important natural carbon sinks, absorbing and storing carbon. For these reasons, investors are increasingly paying attention to biodiversity, as part of the shift to a low-carbon economy. As an illustration of this, this survey found that nearly half (47%) of investors agree that biodiversity loss is as great a threat as climate-change.

Two years ago, just over a fifth (21%) of investors said that biodiversity was at the centre of, or a significant factor in, their investment policy. This has increased to nearly half (48%) now and this is projected to increase to two-thirds (66%) in the next two years. This clearly demonstrates the greater attention now being paid to biodiversity by investors. By region, investors in Europe and Asia-Pacific are more likely to make biodiversity a central part of their investment policy than their peers in North America. In addition, wholesale investors are slightly more likely to put biodiversity at the centre of their investment policy, as are larger investors.

Biodiversity is becoming more important within investment policies



■ 2022 ■ 2023

Data may not sum to 100% due to rounding

→ How would you describe the importance of biodiversity to your organization's investment policy 2 years ago, today, and in the next 2 years?

The long-term, systemic risks from biodiversity loss are the biggest motivating factor for investors to take it into account in their investment approach, followed by demand from internal and external stakeholders. European investors are more likely to want to preserve wildlife and ecosystems as a motivating factor, while North

American investors are more inclined to see investment opportunities from the protection and restoration of biodiversity. And investors in the Asia-Pacific region are more likely to want to be an early adopter on this issue, in order to benefit from future regulations and policies.

The long-term systemic risks of biodiversity loss are a powerful motivator for investors

	Global	2022 Ranking (#)	Regions
Commitment to reducing long-term systemic risks associated with biodiversity loss impacting all sectors, societies and economies.	41%	1	 Europe: 40% North America: 40% Asia-Pacific: 44%
Demands from internal stakeholders (e.g., employees, senior management, members).	39%	2	 Europe: 37% North America: 41% Asia-Pacific: 39%
Demands from external stakeholders (customers and clients, the public).	36%	2	 Europe: 38% North America: 38% Asia-Pacific: 30%
We see biodiversity as the next major trend and challenge besides climate change.	32%	4	 Europe: 35% North America: 27% Asia-Pacific: 35%
Preserving wildlife and ecosystems.	32%	5	 Europe: 40% North America: 27% Asia-Pacific: 27%
We see investment opportunities from the protection and restoration of biodiversity.	31%	7	 Europe: 27% North America: 38% Asia-Pacific: 27%
Being early adopters as investors to benefit from future regulations, policies, etc.	25%	6	 Europe: 23% North America: 18% Asia-Pacific: 35%
The need to actively engage with investee companies on biodiversity, as an important issue for investors.	22%		 Europe: 13% North America: 30% Asia-Pacific: 22%
Wanting to be seen as a leader on this issue.	17%	8	 Europe: 23% North America: 15% Asia-Pacific: 13%

% Three answers allowed

- Europe
- North America
- Asia-Pacific

➔ **What is motivating, or would motivate, your organization to take biodiversity into your analysis, as part of its investment strategy?**

While they have growing interest in biodiversity, driven by strong motivating factors, for many investors there is a disconnect between the undoubted importance of biodiversity, as an integral part of the solutions to climate change, and how it is a factor in their investment portfolios. For example, nearly two-thirds (64%) say there is a lack of awareness on the financial implications of biodiversity loss, although this has fallen from 79% in 2022. Furthermore, 55% of investors do not have a way to assess the impact of investment decisions on biodiversity (also down from 73% in 2022).

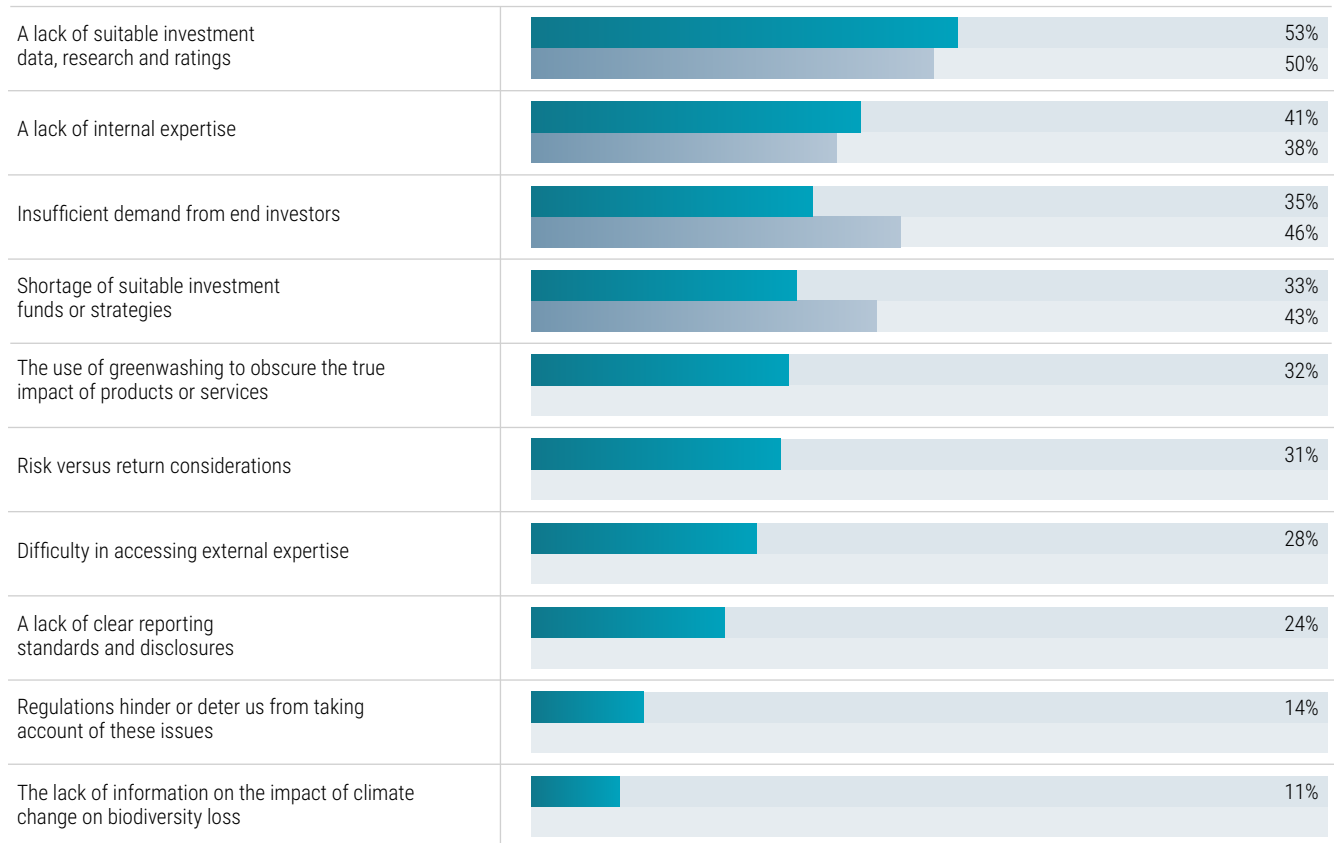
If investors are to bring biodiversity into their investment decision-making process, there are some glaring needs that must be addressed. One is the need for more suitable investment data, research and ratings, as well as a need for greater internal expertise. These issues are seen as among the biggest challenges for investors wanting to take account of biodiversity in their investment portfolio.

Despite these obstacles, a third of investors say they are using the United Nations' Sustainable Development Goals (SDGs) to

take account of biodiversity and this rises to 42% in Europe and 37% in the Asia-Pacific region. And slightly over a quarter (26%) of investors have assessed, or are in the process of assessing, the impact of their investment holdings on biodiversity and the natural world.

Initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) are working with asset owners and others to develop a framework to promote greater understanding of how biodiversity impacts financial risks and investment performance. Currently, the TNFD is working on beta versions of the framework, with a first version of the full framework due out in September 2023. South African financial institution Sanlam has participated in the TNFD pilot study and its Chief Sustainability Officer, Abel Sakhau commented: "We have a good baseline in terms of what are the risks associated with nature-related issues and what are the actions that you need to take to integrate biodiversity into our investment approach." (See page 17 for more investor views on implementing biodiversity).

Investors want more data, research and ratings on biodiversity



● 2023 ● 2022

% Rank 1 + 2 + 3

→ What are the biggest challenges for your organization when seeking to take account of decarbonization and biodiversity principles in its investment portfolio?

Another positive sign on biodiversity is that 26% of investors are working with asset managers to integrate their biodiversity principles into their equity and bond investments. Asset managers are seen as partners to help investors tackle biodiversity issues, with this year's survey finding big increases in demand for impact investing related to biodiversity (60% vs. 36% in 2022) and for thematic investing related to biodiversity (57% vs. 40% in 2022). At the same time, 35% of investors want the asset management industry to help them exclude and divest from the worst offenders on biodiversity loss. And over half (56%) of investors want asset managers to provide biodiversity-positive versions of core equity and fixed income holdings.

The rising demand for impact investments making a measurable, positive contribution towards biodiversity-related goals is due to a number of developments. As stated, investors are becoming much more aware of the importance of biodiversity as part of the struggle against climate change. By pointing to a positive impact from some of their investments, investors can demonstrate their commitment to biodiversity. And with the introduction of more stringent regulations to assess and classify different types of sustainable investments, such as the EU's SFDR, impact investments are likely to be classed as among the most sustainable investment funds or strategies.

An aerial photograph of a coastline, showing a sandy beach at the top and a rocky, forested coastline below. A large teal circle is overlaid on the left side of the image, partially covering the text. The text is white and centered within the teal circle.

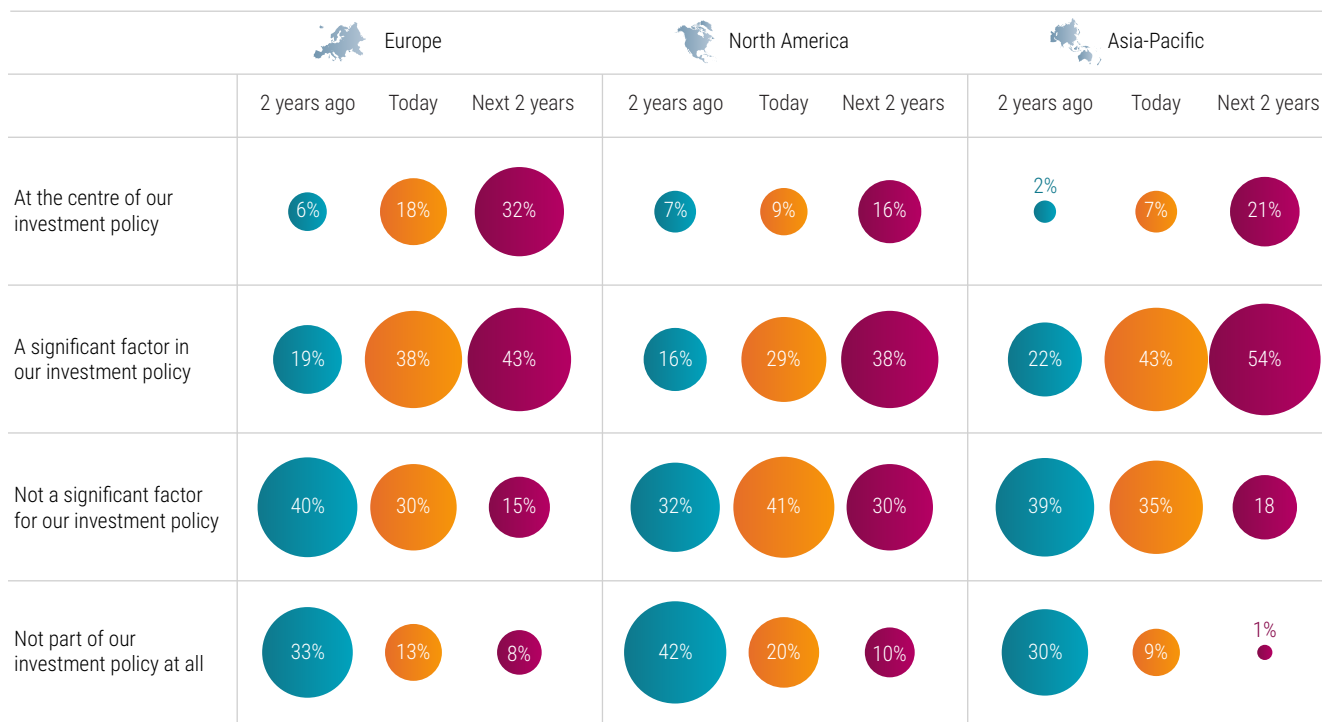
5. A Just Transition is now on the agenda

As investors implement policies to tackle climate change, with aims such as decarbonization and avoidance of biodiversity loss in their investment portfolios, then the relevance of the Just Transition concept becomes more important to them. Broadly speaking, with a Just Transition investors and others want to address any adverse socio-economic impacts of a shift to a low-carbon economy, such as unemployment and poverty caused by moving away from the use of fossil fuels. This problem can be acute in developing countries with a heavy reliance on activities such as mining, forestry, or oil and gas extraction, for a large part of their economy. Moving to a low-carbon world will mean moving away from carbon-intensive activities and protecting biodiversity, and if this is to be socially and economically just and equitable,

then ways need to be found to help those affected make 'a Just Transition'. This could be government, or international action, to help workers move from coalmining to renewable energy generation for example, or to help farmers move to more sustainable farming practices.

Two years ago, only 24% of investors said that a Just Transition was at the centre of, or played a significant part in, their investment policies. This rose to 48% of investors today and it is expected to reach 67% of investors in two years' time. It is notable that Asia-Pacific investors are close to European investors on the importance of a Just Transition, with North American investors lagging behind them on this issue.

Investors are increasingly taking account of the need for a Just Transition



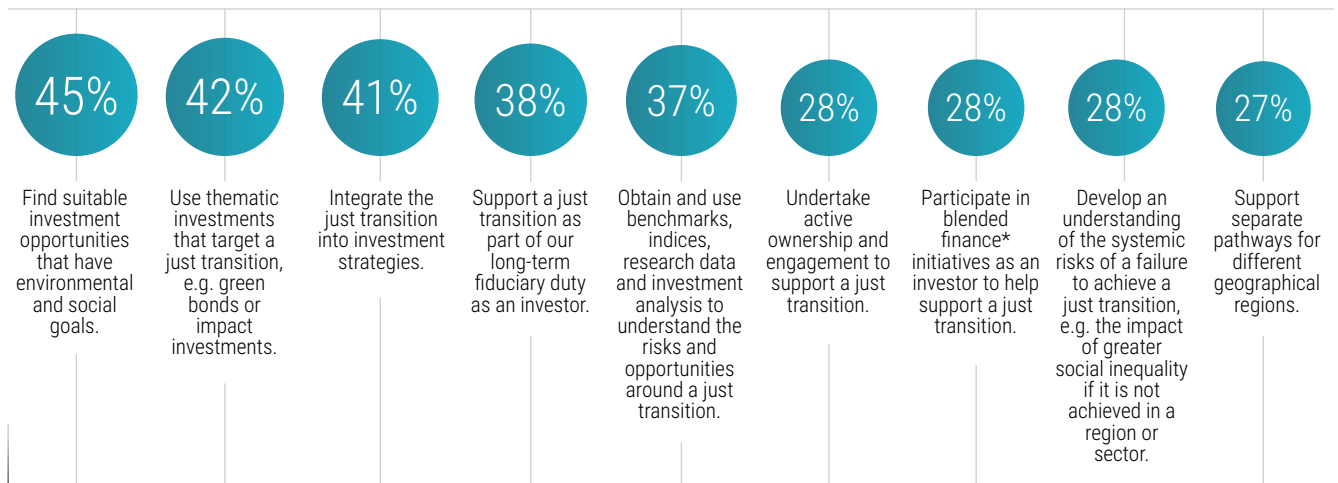
Data may not sum to 100% due to 'Don't know' not shown

→ How would you describe the importance of a Just Transition to your organization's investment policy 2 years ago, today, and in the next 2 years?

While investors are making a Just Transition a key part of their investment policies, this is most likely to be implemented through finding appropriate investments at present. For example, 42% of investors said they have already, or are very likely to, use thematic investments that target a Just Transition in the next two years. And 45% say that they already have, or are very likely to find, suitable investment opportunities that have environmental and social goals.

Investors are also looking to investment approaches which will help develop their deeper understanding of a Just Transition, although this is currently only being done by a minority. For example, 37% have already, or are very likely to, obtain and use benchmarks, indices, research data and investment analysis to understand the risks and opportunities around a Just Transition over the next two years. And 28% are developing an understanding of the systemic risks of a failure to achieve a

Investors plan to take more action on a Just Transition in the next 2 years



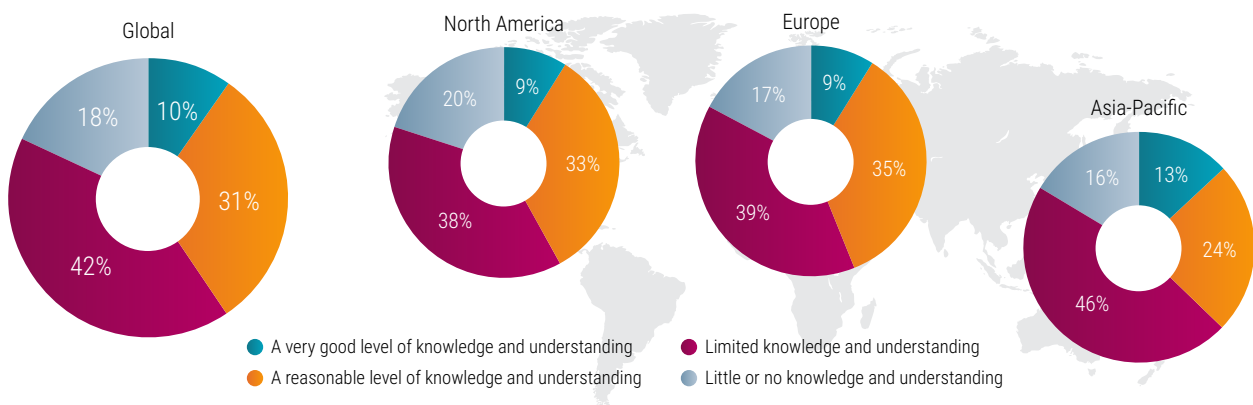
How likely is your organization to take any of the following steps over the next 2 years, in relation to a Just Transition as part of a shift to a low-carbon economy?

Just Transition, while a similar number are at the stage of supporting a separate pathway for different geographical regions over the next two years. If investors are to fully support a Just Transition, then more need to develop their knowledge and understanding of its systemic risks and issues such as separate pathways for different regions.

The need for greater knowledge and understanding is clearly shown by the finding that only 10% of investors globally assess their knowledge and understanding of supporting a Just Transition as very good, while a further 31% say that they have a reasonable level of knowledge and understanding of a Just Transition. These findings show that investor education on a Just Transition is still in progress, with most investors having either a limited, or little or no knowledge and understanding.

Relatively few investors have a very good knowledge of a Just Transition

How to support a Just Transition to a net-zero world, that addresses social dimensions of the shift to a low-carbon economy.



Data may not sum to 100% due to rounding

How would you assess your own/your organization's level of knowledge and understanding as investment decision-makers on a Just Transition?

* Blended finance is the use of a mix of private capital from institutional investors and public or philanthropic capital to finance specific needs, often found in emerging markets, such as clean water access, medical facilities and sustainable development.

Approaching a tipping point



Some of the key lessons from this year's findings.

“This year's survey highlights the challenging journey that investors are undertaking as they advance from aspiration towards implementation of their net-zero commitments.

Climate action continues to mature. Most investors have done their materiality assessments and evaluated the carbon footprints of portfolios. They are now getting their heads around more complex topics such as integrating Scope 3 emissions and forward-looking data on the transition readiness of companies into their investments.

But the road to net zero is not linear. The challenging energy markets of 2022 have triggered higher short-term exposure to oil and gas, as the benchmark weight of energy sectors increases. Still, we clearly see that investors are determined to follow through on their decarbonization goals. The survey indicates that in the coming years, investors will enhance the adoption of climate benchmarks and divestment from high-carbon assets. At the same time, investors are demonstrating increased awareness that things should not be treated in isolation. Climate action must take the wider impacts on nature and society into account. So, it's no surprise that the survey shows how investors are attaching increased importance to biodiversity and the Just Transition. In the next few years, we will see strong investor action to integrate these topics into investment strategy, though many are clearly struggling with a lack of data and expertise in these areas.

All in all, I believe we are close to reaching a tipping point for the mainstreaming of climate change, biodiversity and the Just Transition into investment strategy. There is much hard work ahead of us, and no less than 40% of investors express doubts as to whether they have the necessary knowledge, tools and policy incentives to make it happen. In that sense, the survey is a clear call upon policymakers and regulators to keep course toward net zero by 2050 and to provide the long-term clarity that investors need for making their contribution.

Lucian Peppelenbos,
Climate & Biodiversity Strategist, Robeco

Conclusion

The 300 participants in the 2023 Global Climate Survey represent an extremely important group – some of the largest asset owners around the world – in the global drive to mitigate the adverse impacts of man-made climate change. They are in charge of managing a vast pool of assets, which plays a vital role in the global economy, as a source of capital for businesses. Politicians may agree on what needs to be done at global climate summits, which policymakers then turn into regulations and directives, but these asset owners have to do the hard yards of investing in a way that generates the returns they need, while also building portfolios that will provide a sustainable, long-term future for us all.

The results of this year's survey illustrate the challenges faced by these investors. It is clear that most recognize the need to act on the issue of climate change. This also means taking account of the closely related issues of biodiversity and a Just Transition, which are covered here, the latter for the first time. But awareness of these issues does not mean it is straightforward to find solutions and implement them. In the last couple of years, turbulent economic and geopolitical conditions have buffeted investors, testing their resolve on environmental and social

issues. On the other hand, the evidence of the necessity to act on climate change becomes more overwhelming every year. This year's report carries the views of several senior investors on how they are tackling the issues covered in the Global Climate Survey. Their insights are an invaluable aid to understanding their mindset, as well as how they are changing their investment policies. When the subject of member views came up, it was striking to hear that beneficiaries or plan members sometimes want their asset owners to go further and faster on climate change and decarbonizing portfolios, even if this meant they receive lower returns. This is not a universal view, of course, but shows how public opinion in many regions is now a growing force for more sustainable investing.

As said elsewhere in this report, implementation is now the real challenge for investors as they work towards a sustainable, low-carbon economy. The findings here highlight some of the areas where more needs to be done. We hope that this year's survey gives both asset owners and asset managers useful, even actionable, insights on overcoming the huge challenges of decarbonizing portfolios, avoiding biodiversity loss and moving towards a Just Transition.



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