

The Portfolio Decarbonization Coalition

Mobilizing financial markets to drive economic decarbonization

“Our success will go through the innovative combination of public and private funds in order to achieve the transition toward a resilient and low-carbon economy.”

Laurent Fabius, Minister of Foreign Affairs and International Development of France, President of COP21

Who we are?

The Portfolio Decarbonization Coalition (PDC) is a multi-stakeholder initiative that will drive greenhouse gas emissions reductions by mobilizing a critical mass of institutional investors committed to gradually decarbonizing their portfolios. Members of the Coalition share a dual vision, setting themselves two interconnected and intermediary targets:

From generating the information... (carbon-footprinting)

It needs to become common practice for investors to measure and periodically disclose their carbon exposure (or 'footprint'), meaning the carbon intensity of their capital.

PDC and Disclosure

The PDC supports the PRI Montreal Carbon Pledge, which has reached more than \$10 trillion in assets under management with over 120 investors committed to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis.

...to taking action (decarbonizing)

Based on carbon-footprint information, a critical and growing mass of investors worldwide needs to start taking action to reduce the carbon-intensity of their investment portfolios.

PDC's decarbonization achievements

PDC now convenes 25 investors overseeing the decarbonization of \$600 billion in commitments out of \$3.2 trillion in assets under management.

The PDC was co-founded by the United Nations Environment Programme (UNEP) and its Finance Initiative (UNEP FI), the fourth national pension fund of Sweden (AP4), Europe's largest asset manager Amundi and CDP, the most important mechanism for climate disclosure worldwide. With the recognition of the UN Secretary General, Ban Ki-moon, and the China International Capital Corporation, and the support of the Principles for Responsible Investment, the Coalition is recruiting and convening as many asset owners and asset managers as possible. It will, however, only convene investors who are committed to pro-actively reducing their portfolio exposure to greenhouse gas emissions.

“As a long-term investor and a universal owner, we are committed to inspire businesses and investors to act on climate change. The PDC provides an opportunity for the investment community to share our experiences and highlight various strategies that all contribute to the goal of decarbonization.”

Sverre Thorne, CEO of KLP

Rationale

The PDC expects that having a critical mass of institutional investors - owners of large segments of the global economy - decarbonize their portfolios, will send a strong and unequivocal message to carbon-intensive companies that carbon-efficiency is now center-stage. It provides strong incentives to actors in the real economy to re-channel their own investments from carbon-intensive to low-carbon activities, assets, and technologies.



What is decarbonization?

Decarbonization is the process through which investors reduce portfolio exposure to greenhouse gas emissions and align their portfolios with the climate economy of the future. This includes current emissions as well as future emissions such as those embedded in fossil-fuel reserves. There are different approaches to portfolio decarbonization which can be achieved across asset classes, including engagement, divestment, as well as techniques such as ‘best-in-class’ and ‘negative screening’. Both active investment management and passive management via the replication of low-carbon or climate-aligned indexes are possible strategies. The aim of the PDC is to centralize, document, and present to Governments, current and future decarbonization action worldwide, across all of these different approaches.

“Motivated by their fiduciary responsibilities, profit maximization and risk minimization, institutional investors are now understanding, analyzing and reducing their exposure to climate risks.”

Mats Andersson, CEO AP4, Founding Member of PDC, during the COP21 Action Day

Benefits of joining

Specific member benefits of the PDC have been identified:

- **Visibility of leadership** – members of the PDC are required to demonstrate how they have, or will reduce the carbon exposure of their investment portfolios. This requirement sets the PDC apart from many investor collaborations, in that it actions practical steps, including engagement and/or capital reallocation towards a low-carbon economy. Pioneers of decarbonization strategies will be able to demonstrate their leadership approach in a tangible and transparent manner.
- **Sharing best practice** – the most appropriate approach to reducing portfolio carbon exposure will vary among different asset owners and managers, depending on their investment mandates and the asset classes they invest in. The PDC does not advocate a particular strategy. Rather, it encourages each member to identify which approach is best suited to their investment practices. This is facilitated by publishing each member’s carbon reduction plan on the PDC website, and convening member networking events to enable the exchange of ideas and information.
- **Signal to policy makers/regulators** – in addition to the strong signal sent to carbon-intensive companies, PDC members are sending a message to policy makers and regulators around the world that a transition toward a low-carbon economy is needed. Furthermore, membership of the PDC allows access to the influential leverage of the UN on climate change policy.
- **Marketing to informed investors** – the growth of investors who wish to allocate their money to low-carbon companies, assets and technologies is significant. Membership of the PDC has reached \$600 billion in commitments, surpassing the original target of \$100 billion, by the COP21 in Paris at the end of 2015. This achievement validates the credentials of those asset owners and managers which seek to form part of that growth.

Coalition members (As of December 31, 2015)

“By providing our investment managers with carbon budgets alongside the return objectives and risk budgets, we want to achieve the dual objective of good investment returns and continuous reductions in our carbon footprint.”

Corien Wortmann-Kool, Chair of the Board of Trustees, ABP

Asset Owner Members - ABP - Allianz - AP4 - Australian Ethical - Caisse des Dépôts - Church of Sweden - Environment Agency Pension Fund - Fonds de réserves pour les retraites (FRR) - Humanis - KLP - Local Government Super - MN - Le Régime de Retraite additionnelle de la Fonction publique (ERAFP) - Storebrand - The University of Sydney - Toronto Atmospheric Fund

Asset Manager Members

A Capital - Amundi Asset Management - BNP Paribas Investment Partners - Hermes Investment Management - Inflection Point Capital Management - Mandatum Life - Mirova - Robeco SAM - Sonen Capital

The Portfolio Decarbonization Coalition was co-founded by: United Nations Environment Programme Finance Initiative - Amundi - AP4 - CDP (formerly the Carbon Disclosure Project)

Contact

For more information about joining the coalition, please email: pdc@unepfi.org
Or visit the website: www.unepfi.org/pdc

