

## **UK fund managers cite lack of client demand as green investing barrier**

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Asset managers in the UK recognise the risks and opportunities of climate change but say action is hindered by the low price of carbon and a lack of demand from their institutional clients, according to a new survey.

FairPensions, the campaign group, found that while 89% of respondents regard climate change as an “important” or “very important” investment issue, they say they are prevented from taking action by short-term analysis and “lack of demand” from pension funds and other clients.

The report called “Preparing for the storm? UK fund managers and the risks and opportunities of climate change”, followed a FairPensions survey of 100 of the UK’s largest asset managers, of which 39 responded – representing more than £6trn (€6.5bn) in assets under management. The research was backed by asset owners including the Church Investors Group, Environment Agency Active Pension Fund, the Local Authority Pension Fund Forum (LAPFF), the Strathclyde Pension Fund and WWF UK.

Of the respondents, 83% cited the low carbon price as a barrier to incorporating climate change into investment decisions, while 56% cited lack of demand from clients. FairPensions said fund manager reporting on climate change risks and opportunities was “disappointing” with 59% either not reporting at all, or only to clients on request.

FairPensions said the report provided a strong argument that pension funds and other clients should request such information from fund managers to ensure that their interests are being promoted. It said the UK government should also consider making planned emissions reporting guidelines applicable to fund managers’ portfolio emissions. Interestingly, the study revealed “surprisingly strong” fund manager appetite for such regulation on reporting greenhouse gas emissions, cutting emissions, or being subject to stock exchange listing rules requiring disclosure of climate related risks.

David Sellors chief operating officer, at LAPFF, said: “Some of our members have already analysed the carbon implications of their portfolios and taken mitigating action. We encourage fund managers to be proactive about the financial risks and opportunities of climate change and would advise other asset owners to do so too.”

The research also revealed notable differences in the extent to which different fund managers are taking action to manage climate issues. Duncan Exley, director of campaigns at FairPensions, said: “There is good practice by some fund managers – and interest from enlightened asset owners such as those who endorsed this research – but fund managers’ clients and their advisors need to be assertive about their interests and be aware that all fund managers are not the same.”