

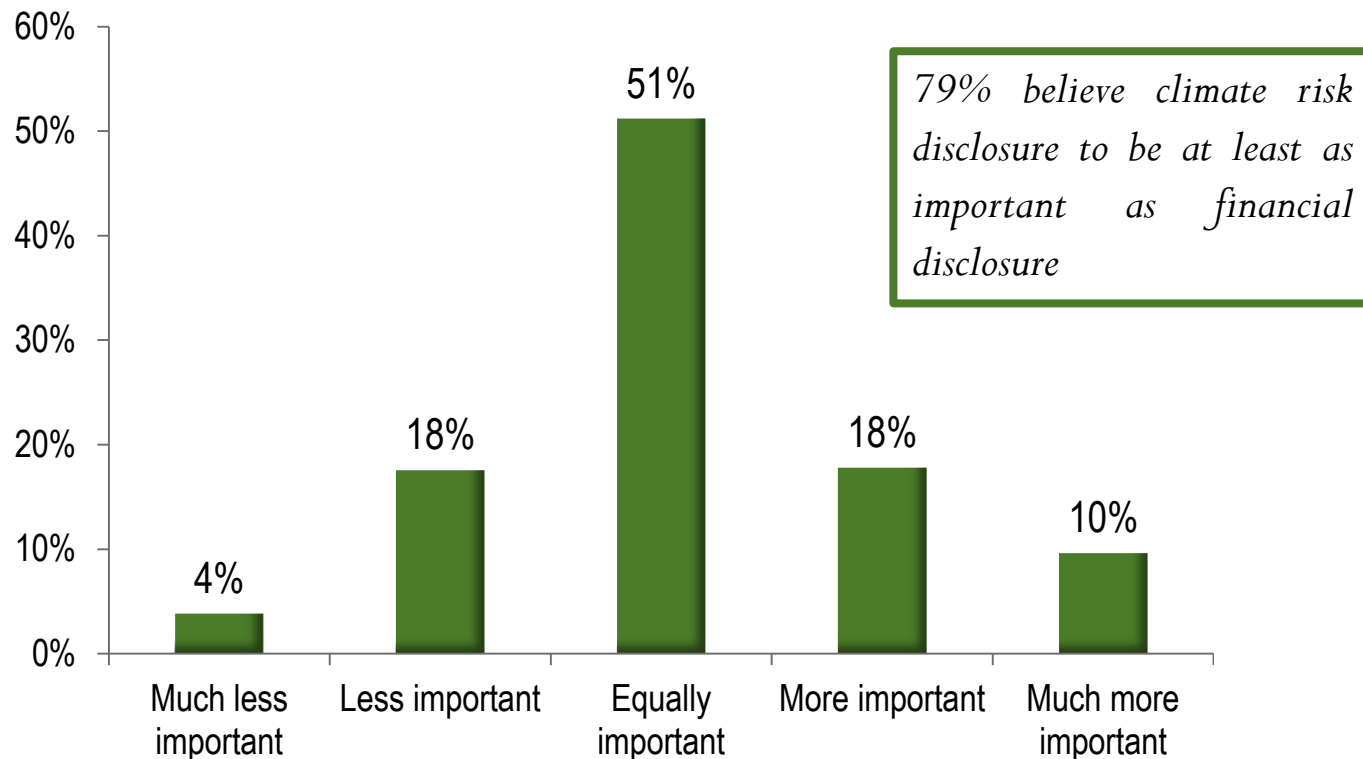
# Institutional investors care about climate risk and its disclosure

## Climate Risk Disclosure and Institutional Investors

Emir Ilhan, Philipp Krüger, Zacharias Sautner, and Laura Starks

Working Paper, September 2021

Compared to reporting  
on financial information



# The investors want better disclosure and more corporate action to reduce climate risk

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- More than 70% of investors agree that with regard to climate risk:
  - Standardized and mandatory reporting is necessary
  - There should be more standardization across markets
  - Investors should demand disclosure

**The investors have teamed up for more disclosure and corporate actions**

**Principles of Responsible Investing (PRI):** collaborative engagements

**CDP:** An initiative to encourage corporations to disclose more

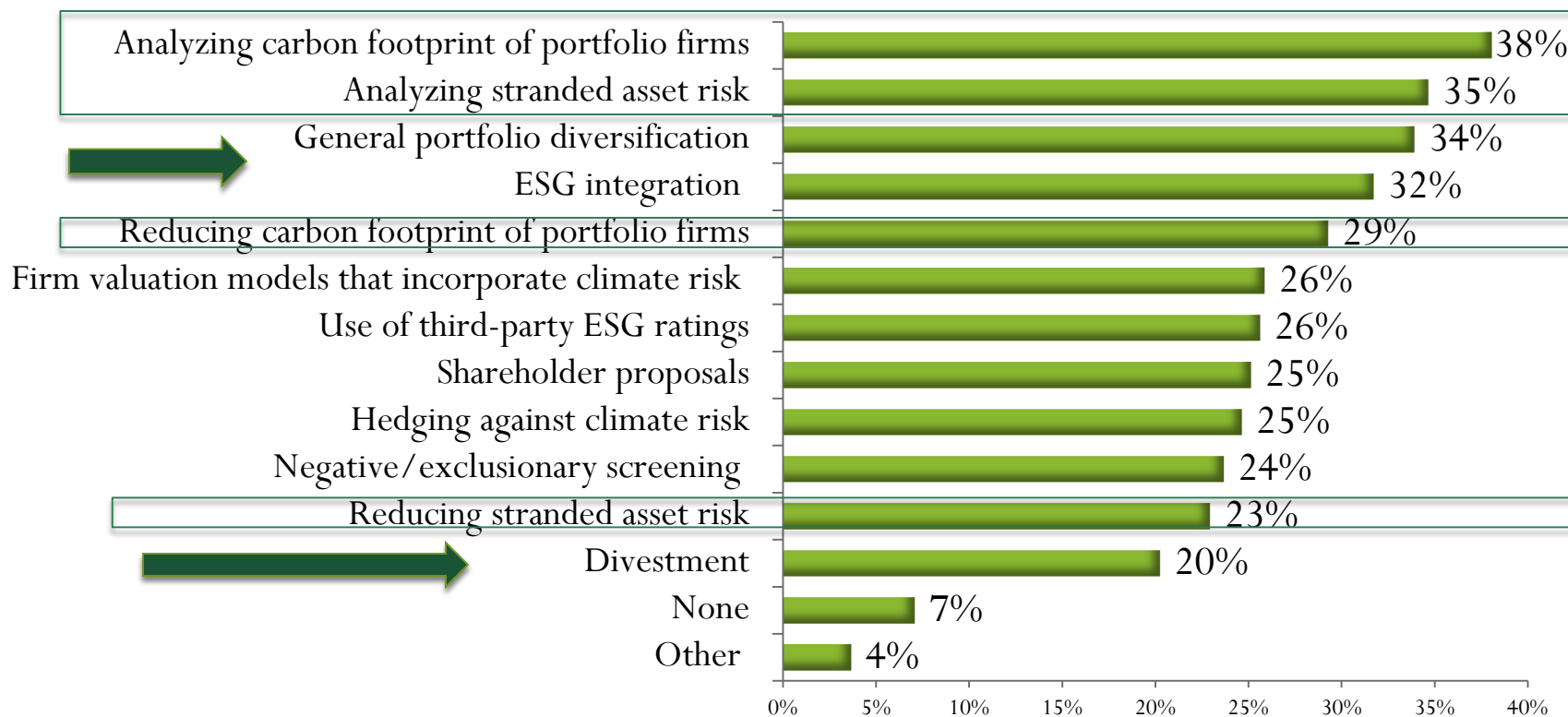
**Climate Action 100+:** An initiative to ensure the largest corporate GHG emitters take action

**The Transition Pathway Initiative (TPI):** An initiative that assesses companies' preparedness for the transition to a low carbon economy.

Announced today: **The Global Standard on Responsible Climate Lobbying**

# Approaches to incorporate climate risk management into the investment process

These require adequate corporate disclosures



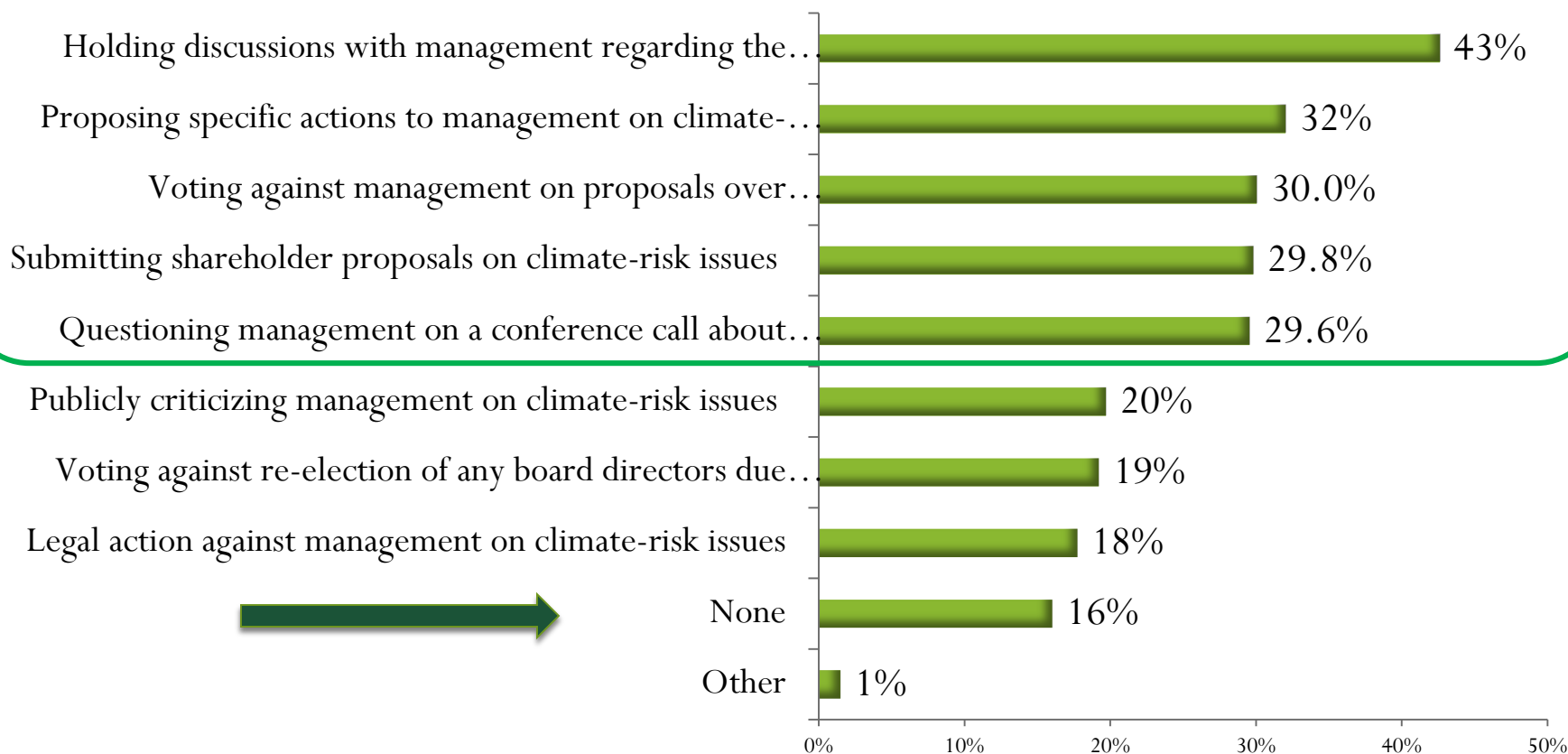
**The Importance of Climate Risks for Institutional Investors**

by Philipp Krüger, Zacharias Sautner, and Laura Starks

*Review of Financial Studies* March 2020

# Importance of disclosure for decarbonization: Investor engagement

## How do institutional investors engage on climate risk?



Krueger, Sautner, and Starks (RFS, March 2020)

# Institutional investors affect corporate actions through both influence and selection

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Evidence shows that the investors have had both influence and selection effects:

- Influence Effect (French Act 173 and Climate Action 100+)
  - Climate-conscious institutions actively engage firms to demand that they voluntarily produce such information
- Selection Effect (UK Mandatory Carbon Reporting)
  - Climate-conscious institutions have a propensity to invest in firms that provide such disclosures
- The influence and selection actions by institutional investors are enhanced through government policies.