



In depth: Investing in a low carbon recovery

What role will ESG investing play in a more resilient post-pandemic future?

An inclusive and investment-led recovery must also be a low carbon one which levels up regions and sectors.

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57%

ESG funds forecast to outnumber conventional funds by 2025, increasing their share of the European fund sector from 15% to 57%.¹

2 million jobs

A green recovery plan in the EU would result in 2 million more jobs than a return-to-normal plan by 2024.²

SDG 9

Industry, innovation and infrastructure.

The role of cities may look different in a post-covid world and an inclusive and investment-led recovery must be focused on levelling up regions and sectors.

£28bn

Over the last 10 years our UK domestic Inclusive Capitalism direct investment programme has so far invested £28 billion on this journey.

If Covid-19 has taught us anything, it's that responsible investing has a crucial role in enabling society to navigate times of crisis – from accelerating research and development and pushing the boundaries of innovation to securing communities' wellbeing. As we rebuild the economy, resilience must be a guiding principle. This is a central ambition of SDG 9, which targets sustainable and resilient infrastructure, and it is at the core of our approach to inclusive capitalism.

To be truly resilient, investment must embed climate considerations into an inclusive recovery. The role of cities may look very different in a post-covid world and investment needs to level up regions and sectors. At the beginning of the pandemic, there was concern that the momentum behind addressing climate change may be swamped by the short-term response, but the crisis reinforced the need to invest in resilience to potential future climate scenarios.

The green recovery must now be led by low carbon investments in the built environment and climate-friendly businesses and sectors. A green recovery will boost income, employment and GDP while reducing emissions. Globally, there would be 7% reduction in greenhouse gas emissions by 2030 if a green recovery plan was implemented.³

The UK government's ten point plan sets out the approach to building back better, supporting green jobs and accelerating the path to net zero. As investors begin to consider the impacts of their investments, the Covid-19 pandemic has served to underline the trend towards ESG investing. One of the drivers is demand for sustainable investments that can withstand an unpredictable market and climate change. Supporting the green recovery is a clear opportunity.

This sentiment has driven our vision for inclusive capitalism to address economic inclusion and drive sustainable growth for the past decade. Our UK domestic inclusive capitalism direct investment programme has invested £28 billion on this journey; that's about 1.5% of the UK's GDP.⁴ We're ambitious to invest another £28 billion and we need others to come on board to maximise the potential positive impact. If four or five other UK corporations were to join us, the investment programme would be worth £170 billion. It would make a huge impact, driving the change that is needed and benefiting the investment community by directing capital towards a future that is both resilient and inclusive. ■

¹ www.pwc.com/gx/en/industries/financial-services/assets/wealth-management-2-0-data-tool/pwc_awm_revolution_2020.pdf

² www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp

³ www.wemeanbusinesscoalition.org/press-release/report-green-recovery-plans-boost-income-employment-and-gdp

⁴ www.forbes.com/sites/nigelwilson/2020/09/19/the-covid-pause-and-inclusive-capitalism/?sh=7250ce6a35dc