Source of Capital

Private Institutional Investors and Asset Managers

Type Of Entity	Endowments, Insurance Companies, Mutual Funds, Pension Funds, Fund Managers (equity, debt, hedge funds)
Investment Stage	Depends on strategy; typically late-stage, mature investments
Impact	Driven by clients' requirements (e.g., ESG, and investment horizon)
Instrument	Invest through mutual funds, tradeable securities (stocks and bonds), other low risk mechanisms, with a typically smaller allocation to private equity funds
Supplier Of Concessional Capital	YES **NO**

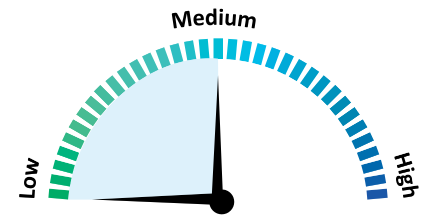
Description

Collectively, institutional investors are responsible for over US$100 trillion in assets under management – the largest of any investor group.

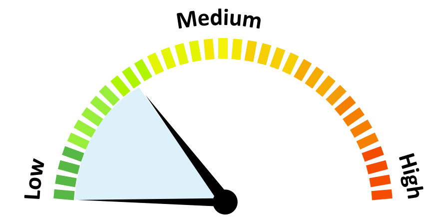
Typically, these entities pool assets from clients such as individual pension, insurance policy holders, asset management firms, pension funds, foundations, and endowments, to invest in public securities, real estate, funds, and other investment products. Institutional investors typically are looking for lower-risk investments with a large ticket size in the tens to hundreds of millions of dollars. Institutional investor's investment is governed by their strategic asset allocation which sets target allocations in asset classes, regions etc.; the allocation for developing economies tends to be low (c. 10-20%) due to lack of pipeline and risk perceptions. Institutional investment in developing economies is also constrained by deal size and liquidity. Private institutional investors tend to be a relatively heterogenous group, yet because they control such significant volumes of capital and tend to have relatively low risk appetites, they can help inform how policy makers shape and accelerate the pipeline of investable projects in developing economies.

Institutional investors' proportion of total private climate finance remains low, constituting only c.10%. of direct flows in 2019/2020; totaling $3.2 billion out of the $310 billion invested by private actors.

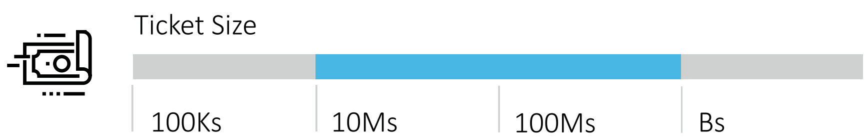
Noting that institutional investors are less likely to make direct investments into a project, preferring instead to invest into funds with a proven track record.



Relative Return Requirement



Relative Risk Appetite



Recommended Actions By Key Source Of Capital

Some suggestions for what Private Institutional Investors can do more of to enhance Just Financing outcomes include:

- Ensure that all funding deployed integrates climate-related risks assessments, and that investments reflect (in their financial structure) incentives for low-carbon, climate resilient investment.
- Private institutional investors that are large enough (e.g., funds over $50 billion) can form investment teams for direct investment that supports the just transition, such as renewable energy, storage, or grid projects.
- Increase their target allocation for resilient infrastructure, which can then support allocation of a larger proportion of their investments to climate-transition, such as energy or transport.
- Encourage their investee companies to adopt climate risk assessment and disclosure practices, as well as net-zero transition plans, which over time will result in a larger universe of climate-related investment opportunities.
- Depending on their strategies, private institutional investors can work more closely with governments in developing and emerging economies that may be of interest to advance pipelines of investable projects and foster an investment environment that supports climate-related investment (e.g., including through legal and regulatory changes).