

WEATHERING CLIMATE CHANGE

Webinar Summary



TAIMUR HYAT
Chief Operating Officer
PGIM



EUGENIA JACKSON
Head of ESG Research
PGIM Fixed Income



CHRISTINA HILL
Head of Americas Asset
Management & Global Head of ESG
PGIM Real Estate



YESIM TOKAT-ACIKEL, PH.D.
Director of Multi-Asset Research &
Portfolio Manager
QMA

Climate change is the most important structural transition for long-term investors in generations, presenting investment implications across all asset classes. It's imperative that investors position their investments and overall portfolios for the accelerating climate transformations in our economy and markets. PGIM recently brought together a panel of thought leaders to discuss some of the findings of our latest Megatrend paper, *Weathering Climate Change*, discussing these ideas and others. Following are just a few highlights of the webinar, which can be viewed in its entirety [here](#).

- **Climate change is no longer a hypothetical risk:** While much of the discussion surrounding climate change centers on the next 50 years, the trajectory of our changing climate is certain over the next 15 years or so. If there was a VIX for weather, it would be at an all-time high, and the greater variability in weather and the more frequent extreme weather events make for a very uncertain future for long-term investors.
- **The change brings both risks and opportunities:** The obvious downside of our changing climate has been well documented, but the altered landscape will also bring with it opportunities. The impact on productivity and growth will be highly uneven within and across countries, particularly across emerging markets. The same is true within industries. Burning fossil fuels, for example, is incompatible with a low-carbon economy, but the evolution towards renewable energy will take longer than many investors expect.
- **Climate data is getting better, but it's not there yet:** There's more data available than there was just a few years ago, but much of it remains either estimated or is backward looking. Within the real estate industry, there is greater access to more accurate science-based insights about the risk certain properties will face. The data allows not only for a more thoughtful strategy around resiliency, but also lets investors leverage aggregate data to analyze risk from a firm, fund, and regional perspective.
- **Don't forget the hidden risks:** Supply chains represent key vulnerabilities for manufacturers across a variety of industries, but some risks are more obvious than others. Investors might view a Swiss pharmaceutical company as being immune to climate change, for example, but its supply chain may originate at a manufacturing facility located in an area where there is real water risk. Companies that manage these risks more effectively may build a competitive advantage in their industry and provide more resilient production for customers and revenues for investors.
- **Doing well by doing good:** Incorporating climate change risks and mitigation costs into the real estate investment process can not only help manage physical risks but can also generate additional investment opportunities. Improving the efficiency of a property is vital in effectuating change and reducing consumption, and from an investment perspective it improves the profile of the asset by reducing expenses and driving value. On the resiliency side, it's also possible to protect assets and stakeholders by developing more durable real estate through the thoughtful implementation of capital strategies at the asset level.

To read our Megatrend white paper, which offers an actionable climate change agenda for institutional investors, visit pgim.com/climate

For Professional Investors only. All investments involve risk, including the possible loss of capital. © 2021 Prudential Financial, Inc. (PFI) and its related entities. PGIM, Inc., is the principal asset management business of PFI and is a registered investment advisor with the US Securities and Exchange Commission (SEC). Registration with the SEC does not imply a certain level of skill or training. PGIM is a trading name of PGIM, Inc and its global subsidiaries. In the United Kingdom, information is issued by PGIM Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR. PGIM Limited is authorised and regulated by the Financial Conduct Authority (“FCA”) of the United Kingdom (Firm Reference Number 193418). In the European Economic Area (“EEA”), information is issued by PGIM Netherlands B.V. with registered office: Gustav Mahlerlaan 1212, 1081 LA Amsterdam, The Netherlands. PGIM Netherlands B.V. is, authorised by the Autoriteit Financiële Markten (“AFM”) in the Netherlands (Registration number 15003620) and operating on the basis of a European passport. In certain EEA countries, information is, where permitted, presented by PGIM Limited in reliance of provisions, exemptions or licenses available to PGIM Limited under temporary permission arrangements following the exit of the United Kingdom from the European Union. These materials are issued by PGIM Limited and/or PGIM Netherlands B.V. to persons who are professional clients as defined under the rules of the FCA and/or to persons who are professional clients as defined in the relevant local implementation of Directive 2014/65/EU (MiFID II). In Singapore, information is issued by PGIM (Singapore) Pte. Ltd. (PGIM Singapore), a Singapore investment manager that is licensed as a capital markets service license holder by the Monetary Authority of Singapore and an exempt financial adviser (registration number: 199404146N). These materials are issued by PGIM Singapore for the general information of “institutional investors” pursuant to Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) and “accredited investors” and other relevant persons in accordance with the conditions specified in Section 305 of the SFA. In Hong Kong, information is provided by PGIM (Hong Kong) Limited, a regulated entity with the Securities & Futures Commission in Hong Kong to professional investors as defined in Section 1 of Part 1 of Schedule 1 (paragraph (a) to (i) of the Securities and Futures Ordinance (Cap.571). PGIM, Inc. is exempt from the requirement to hold an Australian Financial Services License under the Corporations Act 2001 in respect of financial services. PGIM, Inc. is exempt by virtue of its regulation by the Securities and Exchange Commission under the laws of the United States of America, including applicable state laws and the application of ASIC Class Order 03/1100. The laws of the United States of America differ from Australian laws. In Japan, information is presented by PGIM Japan, Co. Ltd., (“PGIM Japan”), a registered Financial Instruments Business Operator with the Financial Services Agency of Japan. In South Korea, information is issued by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean qualified institutional investors on a cross-border basis. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. The PGIM logo and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide. 21/2 - 1093