The world is facing a climate catastrophe and businesses around the world must address it urgently or face the ultimate sanction for a public company, shareholders who refuse to back them any more.

That is not a message from an environmental action group but from the largest money manager in the UK, Legal & General Investment Management, which manages £1 trillion worth of UK pension fund investments.

Its climate warning was the top of a list of concerns about the way companies are run.

Other red lights included the level of executive pay, lack of diversity in senior corporate roles, the role (and cost) of political lobbying and the poor quality of the financial information provided by auditors.

So who's listening?

Well, there have been some positive steps towards ethical and green investment in 2019, with the **European Investment Bank** vowing to end its multibillion euro financing for fossil fuel projects by the end of next year in order to align its strategy with climate targets, and the National Trust announcing it will sell off all the shares it holds in fossil fuel companies.

The EIB said its focus on long-term investments means that it must align with the Paris Agreement which aims to cap global heating at 1.5C above 1990 levels by cutting greenhouse gas emissions.

The crackdown on fossil fuel lending comes amid growing pressure on financial institutions to cut their exposure to high-carbon projects. Last month 80 civil society organisations and academics published an open letter to the EIB calling on the bank to end its fossil fuel financing, which topped €2.4bn (£2.1bn) in 2018. The letter, which was coordinated by the campaign group Counter-Balance, accused the bank of "lagging behind the science" underpinning the climate crisis.

The National Trust has announced that it will sell off the shares it holds in fossil fuel companies. At present, 4% of its £1bn stock market investment is in such firms.

The Trust, the biggest conservation charity in Europe, said it wanted to invest in green start-ups and portfolios that benefited nature and the environment. It said it had set a three-year timescale for the change, but most shares would be sold within a year.

Until now, the Trust had been prepared to invest in firms that derived less than 10% of their turnover from the extraction of thermal coal or the production of oil from tar sands. That same threshold was also adopted by **the Church of England** in 2015. But the Church's General Synod voted only to withdraw investment from companies that do not meet the terms of the Paris climate agreement by 2023, a lack lustre decision it has to be said.

And last month, the **Norwegian parliament** approved plans for the country's sovereign wealth fund, which manages $1tn (£786bn) of the country's assets, to sell coal and oil investments worth $13bn and invest in renewable energy projects instead.

By contrast, **the UK has come under criticism** for increasing its support for fossil fuel projects by 11-fold to almost £2bn last year through the agency UK Export Finance. The agency's funding for renewable energy developers fell at the same time.

And it isn't just climate change that is concerning big institutional investors. The collapse last year of construction and services company Carillion which continued to pay out high salaries, shareholder dividends and get a clean bill of health from its auditors until just months before its sudden liquidation caused widespread outrage and shone a light on the standard of company stewardship in the UK.

A recent report from a committee of MPs was sceptical about asset managers' appetite and ability to raise the quality of company management.

The business select committee chair said last month: "We do not have confidence in institutional investors in exercising their stewardship functions. We cannot rely on shareholders to exert pressure."

Legal & General admit they have made mistakes as asset managers. In 2012, the company voted in favour of a pay formula for the chief executive of housebuilder Persimmon that saw Jeff Fairburn awarded a pay packet of £100m. Legal and General told the BBC it had learnt its lesson. "Since then we insist that maximum payouts are capped."

The best way for investors to exert pressure is to sell their shares. Plenty of fund managers happily accept bumper dividend pay outs from companies in some of the most controversial sectors - such as oil and tobacco. For decades, many firms have paid lip service to climate change without substantially altering the way they do business. Then investors joined the climate campaign and began applying pressure from within.

Their message is that acting on climate change isn't just a feel-good - it's a necessity to protect long-term assets.

The Bank of England, for instance, recently warned that \$20tn (£15.3tn) of assets could be wiped out by climate change.

This alarming note is being amplified by fund managers who are pulling their investments out of fossil fuels. They include the World Council of Churches, the Rockefeller family and insurance giants AXA and Allianz. Collectively their portfolios are said to total about £7tn and they'll increasingly influence firms with discretion over their use of fossil fuels.