

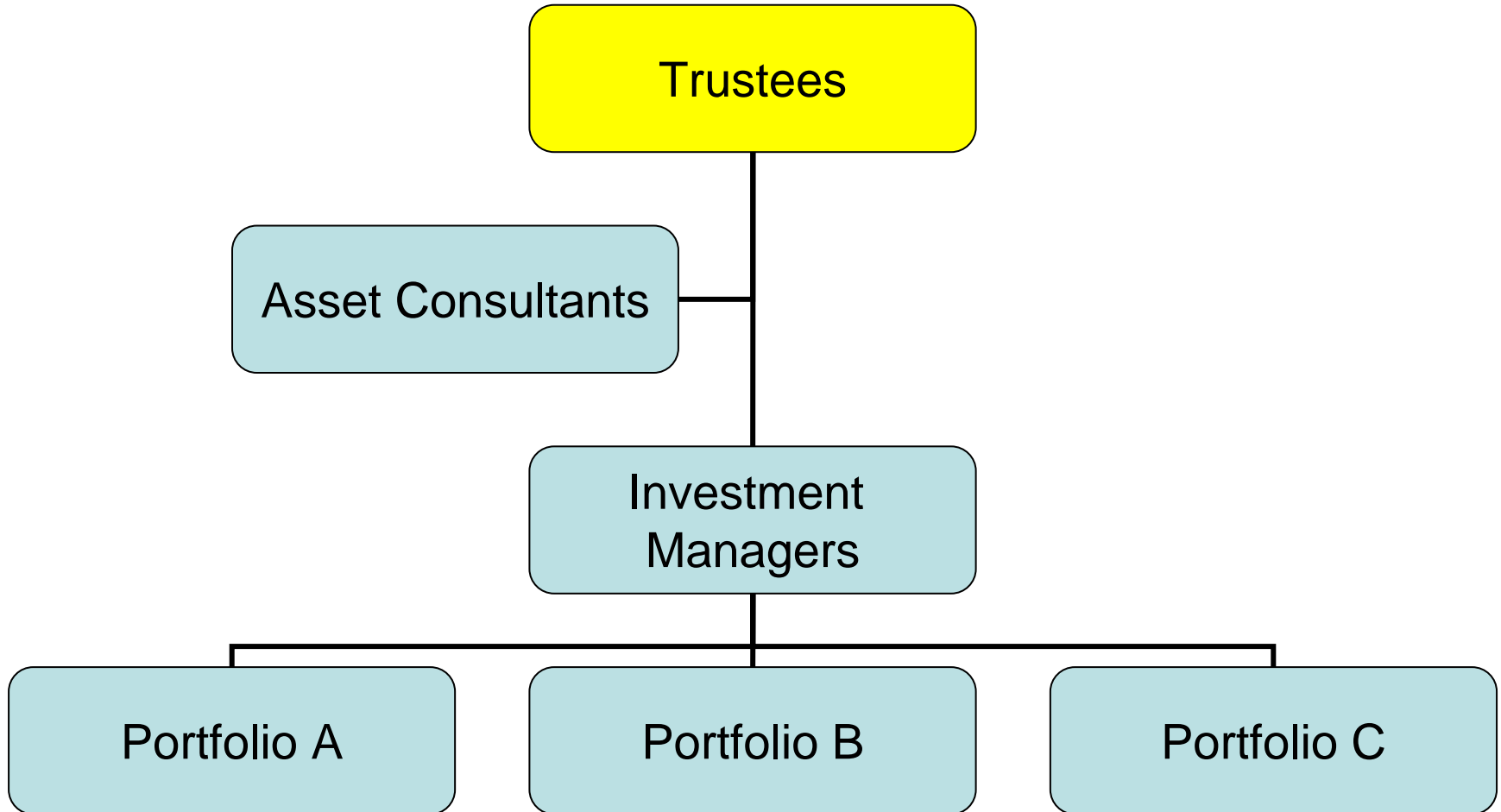
# Who are we



## **The Australian Institute of Superannuation Trustees**

- national not-for-profit organisation whose mission is to promote and protect the interests of Australia's \$450 billion not-for-profit superannuation sector
- membership includes the trustee directors and staff of industry, corporate and public-sector funds, who manage the superannuation accounts of nearly two-thirds of the Australian workforce.

# Investment Chain 101



# Super portfolios 101



- Diversification is the key
- Asset classes
  - Cash
  - Fixed interest
  - Property
  - **Australian equities**
  - International equities
  - Alternatives (eg. infrastructure, Private equity, hedge funds)

# Legal requirements



- Fiduciary duty – invest for members’ financial benefit
- SIS – investment strategy must have regard to “the **risk** involved in making, holding and realising.....the entity’s investments”
- ESG risks:
  - Environmental
  - Social
  - Governance
- Climate change risk is part of the “E”

# Trustees' perspective



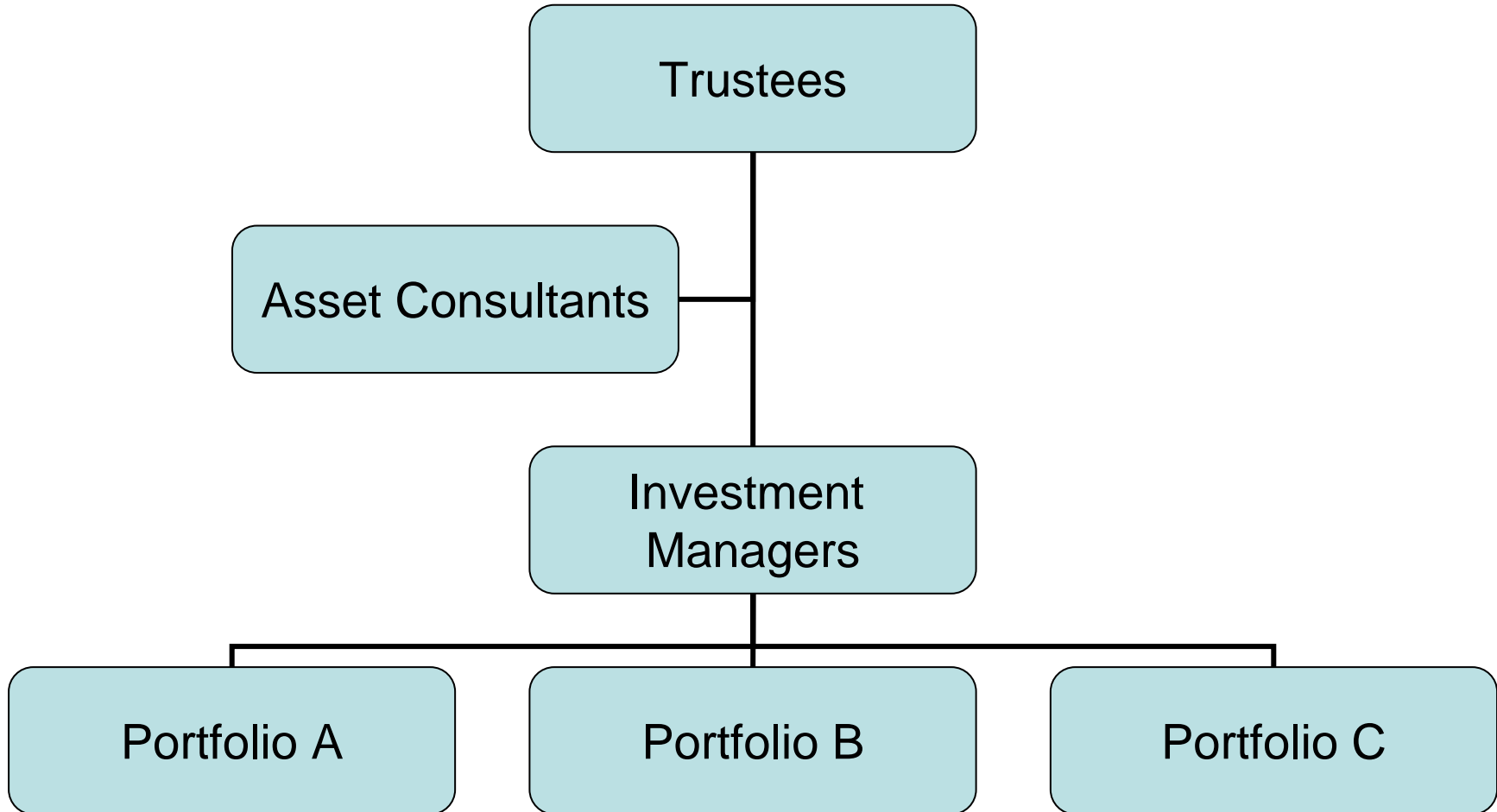
- AIST/Climate Institute survey:
  - 83% believe fiduciary duty incorporates ESG
  - Building climate change capabilities
  - Increasing engagement with investees
- Minister requests APRA review Guidance on ESG issues in investment

# What are the risks?

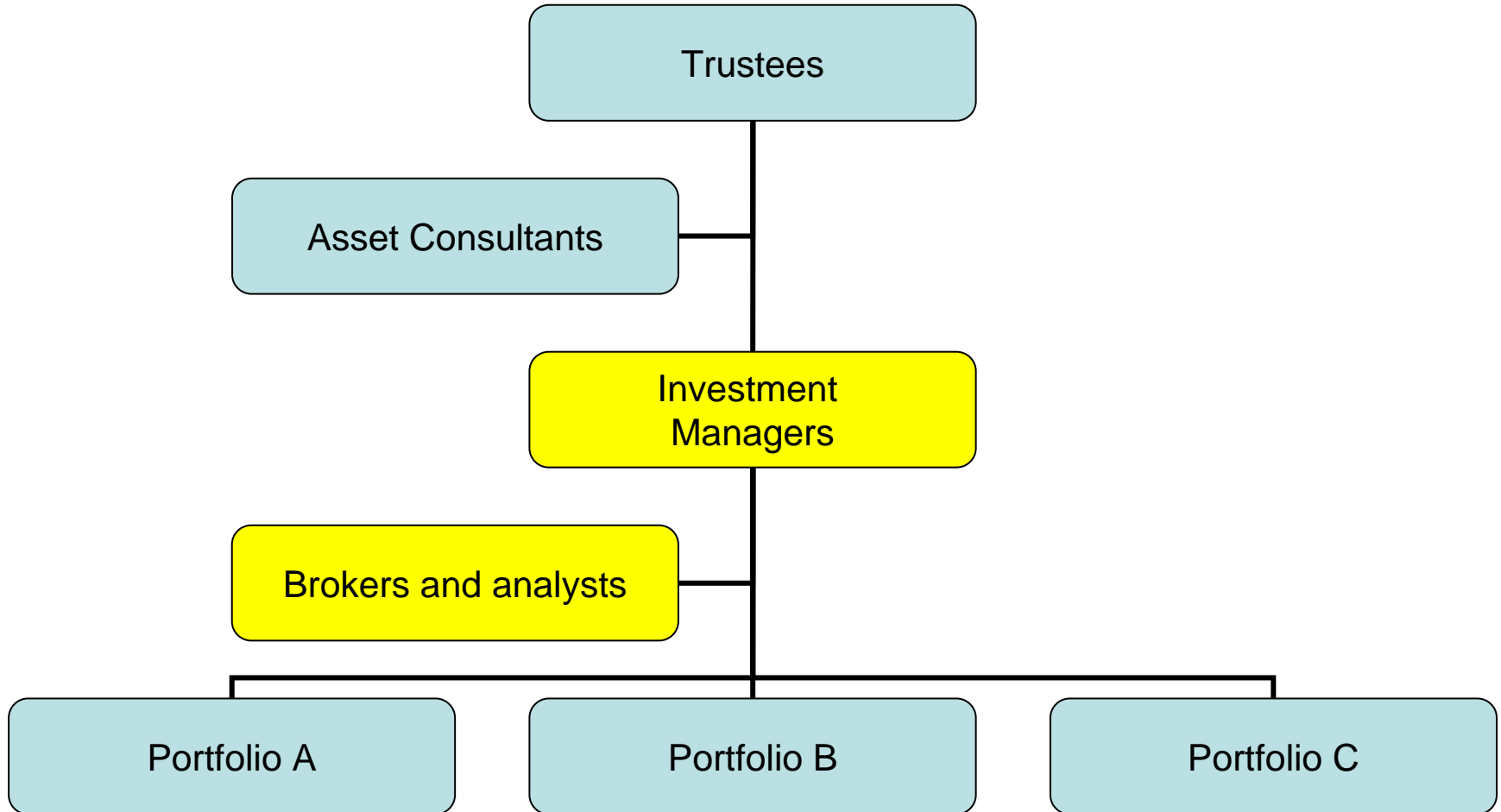


- Physical
- Litigation
- Regulatory
- Competitive
- Market
- Reputational

# Investment Chain 102



# Investment Chain 102



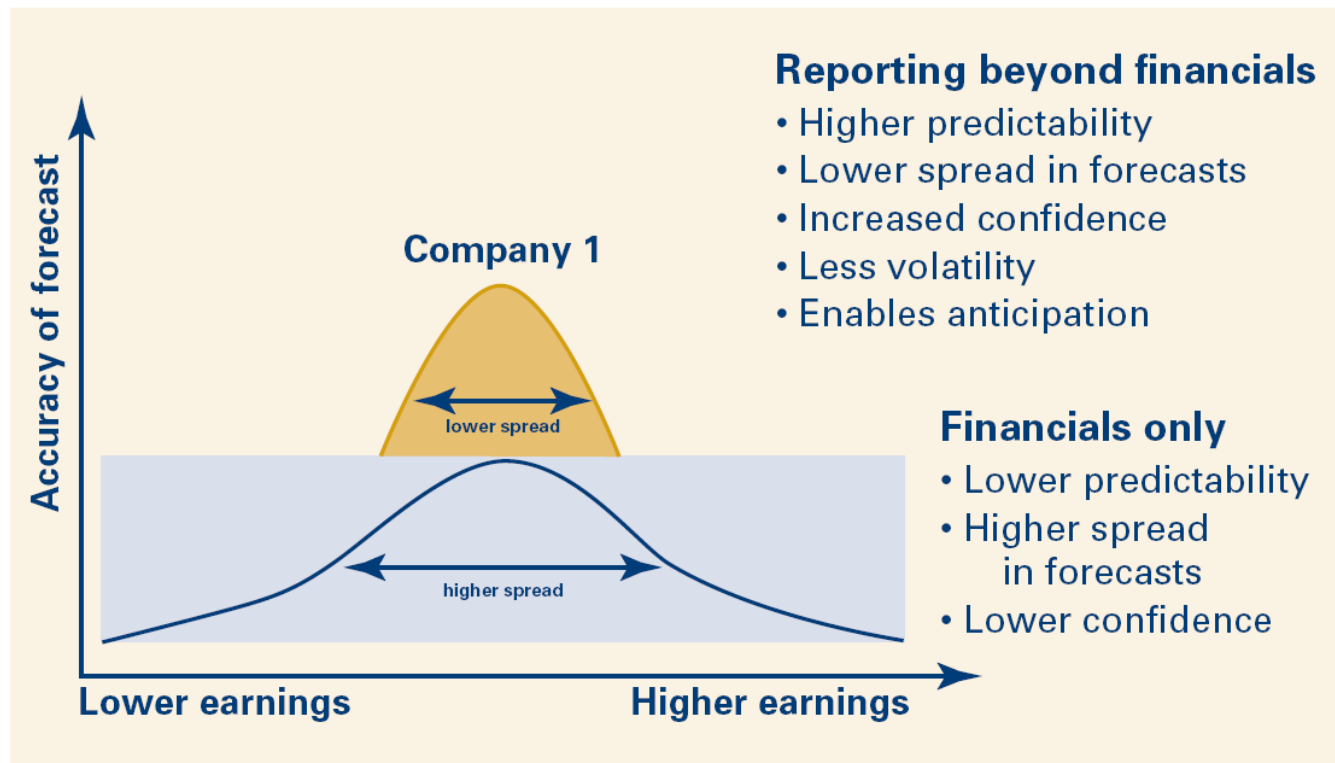
# Acronyms



- NGERS
- CDP
- ESG
- UN PRI

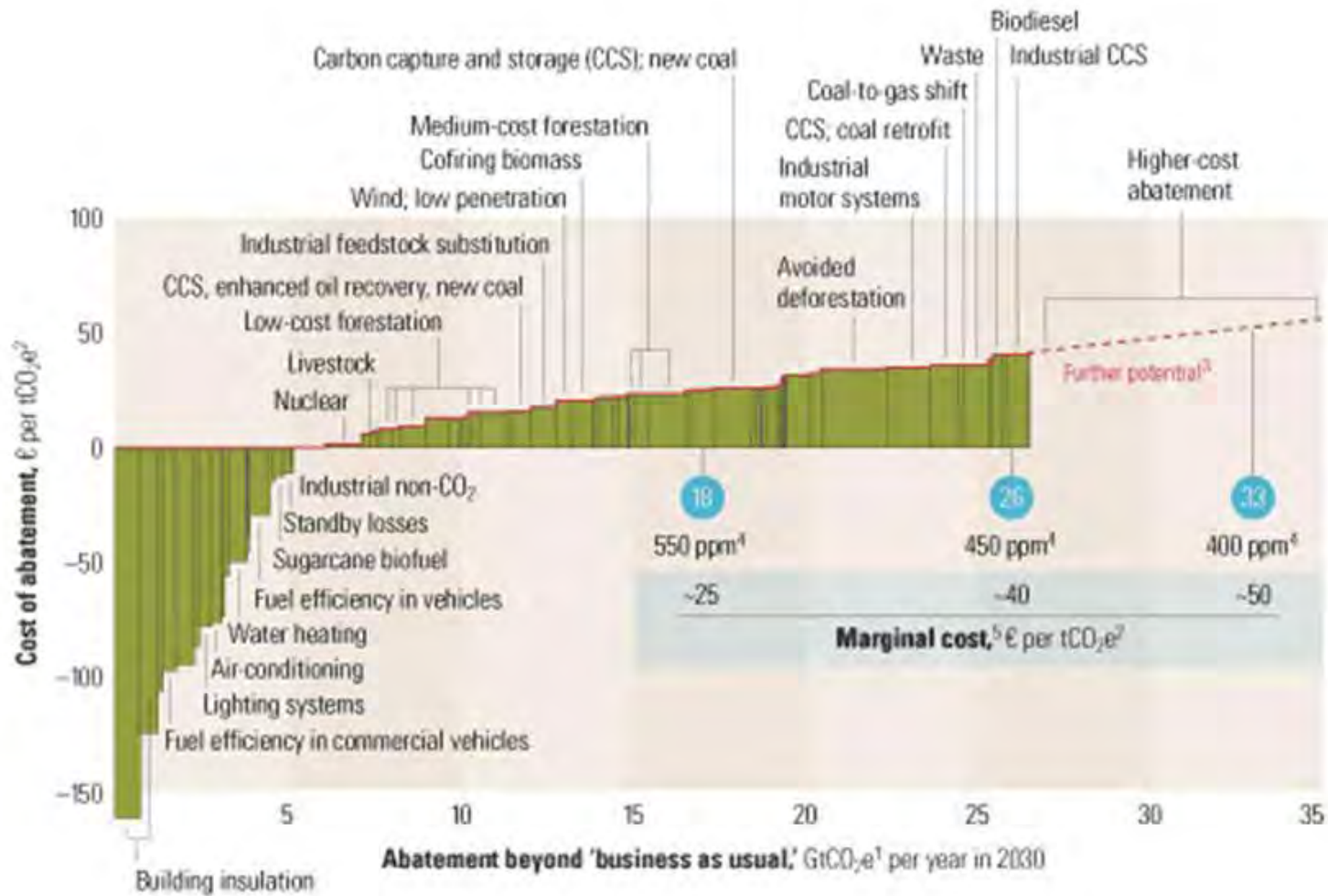
# Valuations accuracy

- Extra-financial reporting improves accuracy

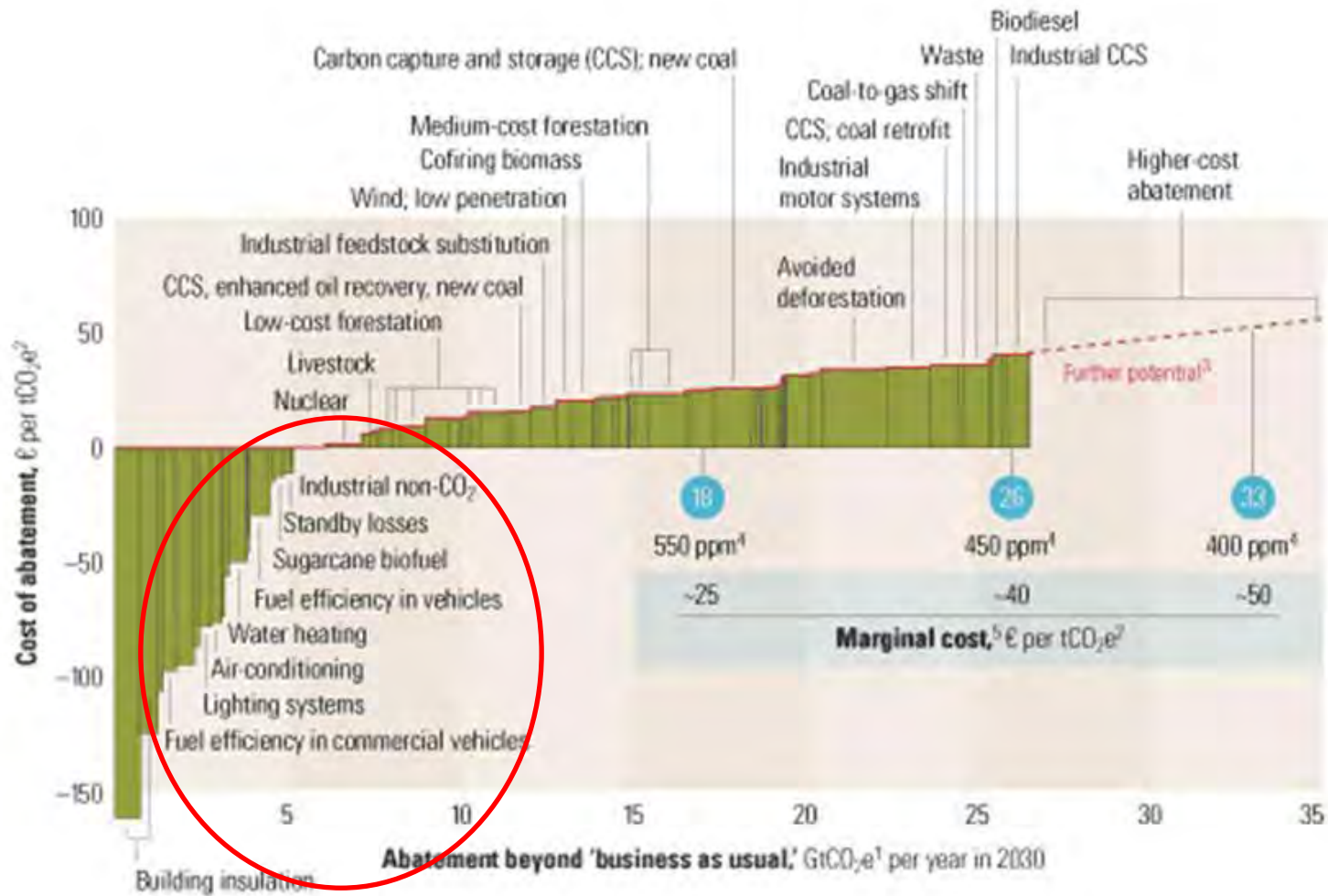


Source: World Watch Issue 1 2004, PwC; Schroders, Kirchoff Consultants, 2005

# Putting it into practice



# Putting it into practice



# Putting it into practice



- Sectoral diversification will remain important
- Trustees will respond by underweighting underperforming companies
- You are competing against your peers
- Engagement by investors on ESG issues will increase
- Build strategic capability to tackle carbon risks

# Summary



- Energy efficiency firmly on investors' radar
- Improve your performance against your peers
- Pursue low-hanging fruit
- Investors will look for strategic, long term management of carbon risks