

PERFECT STORM SUPER
SCRIPT for RESOLUTIONS 1&2

Cate: Okay well thank you. Perhaps if we move onto the substantive issues, and maybe if we group resolutions one and two together just for discussion. And the first one is in relation to policy, that we explicitly address climate change in the fund's statement of investment beliefs as a long term systemic risk, and that a revision of the fund's statement of investment beliefs be presented to the Board at the next meeting. So we're not trying to determine it now, but we're just saying we want it in - climate change expressed within our statement of investment beliefs.

The second is in terms of implementation that we should receive an annual update from the investment committee on how the investment implications of climate change are implemented. So perhaps if I open that one for discussion, Geoff do you have comments on this?

Geoff: Yeah, so in respect to resolution one, I'm just interested, why are we wanting to focus just on climate change in the investment belief statement? I would have thought at the moment there's wider issues that probably should be troubling us more in revisiting our investment belief statement. The high Australian dollar, general sustainability of financial markets where they are, the financial sustainability of them. I don't want all of a sudden climate change to be our sort of hot button issue that all of a sudden all of our focus is just narrowly focused around it to the exclusion of other things, which I think will impact member returns more than whatever we as a fund do in climate change.

Garry: Yeah I probably should say Madam Chair, I should say probably that I should declare an interest just in case someone confuses my fictitious personality with my real one. So I will declare an interest in being a Chair of a renewable energy company. But it seems to me that while Geoff is quite right to say that there are other issues, and some of them in short term may be more important, that in no way I think removes the need to focus on this issue. Because it's - to me, all we're being asked to do here is include this in our set of investment beliefs. So we believe for example that the world is currently experiencing historically very high levels of debt, and most of that has been transferred to the public sector, but there's substantial levels. We have that embedded in our set of beliefs.

In the same way it is a fact of science that we have real international debate around carbon abatement, that policies are being made all the time by all of our trading partners. That will affect this country and the global economy where we also invest, and of course it's also true that the world is haltingly, but clearly, moving towards pricing. One way or another, pricing carbon and greenhouse gases, one way or another. So it would be ludicrous not to include such a matter in a set of beliefs. It's not the only belief clearly.

Frank: It's not exclusive to the other beliefs, if it's beliefs then we - if you believe in something then you will look at the risk and what's behind it and you work your way through it. I think all the other beliefs, currency you mentioned is important. This is important too. So if it's not explicit in our beliefs it's very difficult then for the investment team to say that's what we should manage our investments to. Once it's there, it's basically saying besides all the beliefs, this is another additional that we have to look at.

Garry: And as an investment person, we have strong beliefs that I think are coincident with the matters we're talking about today. (16:48) But our job is to translate beliefs into actions and I think a theme that will emerge throughout our discussion today is that there are two paths to take with regard to having a belief in anthropogenic climate change and its deleterious effects.

You can either go down the path of renewable energy and investing in a massive industry that you want to support, or you can go down the path of divesting from what they call stranded assets, and of course you could do both. But we will need very clear guidance from you as trustees about which - or perhaps both of those paths you want us to walk down at the greatest speed.

Geoff: I guess my main investment belief is I want to believe that we are investing in the most effective way to deliver returns to our members. I guess the question I have for the executive is, why is it through being proactive in the climate change space, how does that impact on maximising return for members?

Frank: One example would be carbon, investing in coal, and in a lot of spaces there's been a big switch from coal to gas. And coal in a sense, the price has dropped and also you could become stranded in the future. So as a long term investor you don't want to be suddenly caught with an asset but no buyers, or with not trading any longer. So it's really about the risk in return we're looking at for the future for the member. We're still - I agree with you, we need to ensure that the return and the outcome for members is always good. This is what we look for. This is not trying to have members lose money, this is trying to protect their money and their future.

Cate: I think we're getting ahead to some of the resolutions down the track as to how we'll go about this. But I think the general proposition in resolution one for us is simply to have this as one of the risks that - and one of the issues that we look at when we're making our investment decisions. We look at liquidity, we look at market risk, we look at currency, and to not have this as a heading in our statement of investment beliefs, that the executive, the investment committee and the trustees then regularly turn our minds to, I think we'd be negligent. The extent to which we change our SAA or invest in different assets is I think something that we debate later on down the track, but I think it's almost - it would be a negligent Board if we didn't include this as one of the things we at least turn our mind to.

I hope that the draft that comes back from the executive for us to look at our next meeting is more than just a, this is a risk. I hope that it actually goes further than that, but I think that we should at least agree that we will have this as one of the things that we turn our mind to every time we make our investment decisions.

And I think it is a logical extension of that, that if we're going to say it, as part of our beliefs, then we have to revisit it and measure it. And so, resolution two would stand, which is that you would receive an annual update from the investment committee on the implications and how it's been implemented. So are we all - do you think we've had enough discussion? Everyone's right to move on?

END Transcript for RESOLUTIONS 1&2