

PERFECT STORM SUPER
SCRIPT for RESOLUTION 4

Cate: So perhaps if we move on and have a discussion of what's proposed as resolution four, which is that the investment committee address the constraints and implications of a two degree global carbon budget, regulatory change and the physical impacts of the climate change in implementing the investment policy. Is everyone clear on the implications of that actual policy? Before the meeting there was some indication that it might need some clarification in terms of meaning? But let's open up the discussion on that.

Kath: Cate that was me. I just thought that the wording of it was a little bit - it sounded a little bit like this fund alone is responsible for bringing the global climate down to within a two degree warming, and that's probably a bit ambitious for us. So I think if we could amend the wording to say something like that the investment committee addressed the constraints implications of an anticipated two degree global carbon budget or something like that, it just - we're then investing on the basis that we expect at some stage the global regulatory environment to be one where there is a genuine target to no more than 2% rise in temperatures and that those will be the regulatory frameworks that we're operating in over the not too far away, the next couple of years.

Cate: So is everyone comfortable with that change? I think it does clarify it, that it's actually the framework within which we're operating, not the goal that we're hoping to achieve on behalf of the planet.

Garry: I think the key thing about the two degrees is it's clearly just a device that's been developed by the scientific community to try and put a timeframe around the urgency of action on greenhouse gas abatement. And so we should see it in that light. If we accept that there is a reasonable probability that the world or a significant chunk of the world, country by country, would move towards being guided by rational scientific knowledge, then what it actually means is that there is a need sooner rather than later to begin that journey, and I think that's the main thing. It's not necessary to debate whether two, or 2.5 or 1.5 or 20 years or 30 or 50 years. What is necessary to get from that is that it's now becoming urgent and there is the chance for quite significant swings in global trading policy, economic policy and the like.

Cate: Any other board members have any comments in relation to this? Are there any implications for us Garry in terms of change of government and change in policy in the Australian environment?

Garry: I think the only thing you can say about political risk is it's ever present and it's probably one of the greatest risks for investment in a lot of these areas. I mean investment in power stations - any type, coal driven - heaven forbid - gas, or wind or solar, require very long time horizons, very long time horizons. And we have you know, a political stability horizon of about two weeks it seems to me.

So of course that's an added dimension of risk and it has to be taken into account. But there's risk in doing nothing too. You have exactly the same problem if you do nothing, because that implies a certain set of beliefs. So you know I think, yes political risk is ever with us and has to be taken into account, both short term and longer term. You've got to judge and balance those risks.

I think the other thing implied in this resolution however if I might say, is some nod in the direction of adaptation to climate change. If you look at the words there, I think the physical impacts of

climate change. So it's an assumption that we won't necessarily get there, and so I think we should talk a little about that because it's not a negation of the need to abate, but it's an added consideration. Maybe we won't abate fast enough, what are the implications of that for certain assets and companies.

Jon: Yes, not to mention property that might have to be relocated from the coast to the inland.

Garry: Yeah. Well no it's just the sea views get relocated.

Geoff: So I've got no problem with any of that, as long as the focus is on investment performance and how by taking these actions, we believe - and we're doing it because we believe we're going to have an advantage over our competitors because we're ahead of the game, we're finding the next big thing, riding the wave of climate adaptation and it's just the place we want to be philosophically, but we need to make sure that it checks out and it drives our investment approaches - our desire to increase the retirement balances of our members is what drives the investment approach.

Jon: I'm very glad you said that, because we often, if not frequently have the debate about relative versus absolute performance. We all I think care too much about our competitors and sometimes lose focus on the need to generate good, long term, inflation adjusted absolute returns for our members, which ultimately is what they will thank us for at the point of retirement and beyond. So I won't want everything to be a discussion about performance in the context of competitors. It should also be performance in an absolute context and what we're trying to deliver to our members.

Geoff: Agreed.

Cate: Okay so are we all happy to move on from resolution four?

Kath: I just did have a question about the extent to which - when Garry raised the issue about adaptation rather than abatement, the extent to which we think that there are people out there who we'll be able to draw on to give us advice about that, but the focus has been so much on abatement and clean energy and renewable energy, and there has been I think less focus on adaptation. Are we going to - are there people in the sector who are going to...

Garry: The insurance industry for a start. The insurance industry's very business model depends on being good at that. So that I would suggest would be a great source of advice.

Cate: I know the insurance industry is heavily investing in risk modelling of the impacts of climate change in terms of natural events and things like this.

Jon: Would this board like to have a presentation from an insurance company and perhaps from an investment bank that actively researches that space to give them more...

Garry: At the right time, at the right time we will.

Jon: Okay.

END TRANSCRIPT RESOLUTION 4