

PERFECT STORM SUPER
SCRIPT for RESOLUTION 6&7

Cate: So let's move on to resolution six which is on measurement, which is that the investment committee should adopt a methodology for measuring the fund's exposure to climate change risk. I might throw that one to you Jon, because I'm sure you'd be charged with implementing...

Jon: Measurement is something I do on a regular basis, and one cohort we haven't discussed in detail yet are our appointed and not appointed investment managers. These people can be powerful allies to us. Some of them have thought long, hard and very clearly about these issues. Perhaps we could take a harder line on those managers who haven't thought long, hard and very clearly about these issues. I'm a great believe that there's lots of investment managers out there. Some are expendable some are irreplaceable. So maybe we need to, in the light of our thinking about climate change, review all of our investment managers and see which are friendly to what we're trying to achieve and which are not, and make some cold hard decisions on that basis about who to retain and who to get rid of.

But to your original point, the ones who are friendly to the enterprise will I'm sure overwhelm us with measurements, statistics and facts about exposures to different assets in the existing or prospective portfolio.

Geoff: Yeah, I mean I certainly support this resolution, I think it's very important if we're going to make the changes that we've developed some level of comfort around prior to this resolution around, then measuring the risk is absolutely fundamental I think to us doing it effectively and making sure that member returns aren't adversely impacted. Or if they are, that we make some changes pretty quick.

Cate: Okay, well I think we're all in agreement on that one. So maybe if we move onto resolution seven, which is communication. And we'll be resolving that the fund should adopt a position of transparency on climate change and should publish and make clear to members, A, the fund's approach to climate change and B, metrics on climate change and carbon intensity at whole of fund and at asset class levels. So is everyone comfortable with this? Any comments?

Garry: Well as long as it can be done in a cost effective way. I mean if we turn too much focus and too many experts loose on this one, we'll find that any investment outperformance will be rubbed out by costs of measurement and communications pretty quick. So we need to make sure our investment strategy is relatively simple and implementable and then that will mean we'll be able to communicate it in a relatively straightforward way. I think we've got to avoid getting tied up in a whole lot of stuff that won't make anyone except the consultants happy.

Kath: I think there's another risk of that Garry too, that if we publish - I think we should have transparency but I think it should be a simple statement with some fairly simple measures, because if we publish a whole plethora of measures and then we don't continue, the regulator is going to come along and ask us what are we doing and etc. etc. We've been told that you're going to do it, are you then breaching the PBS if you don't do it etc. So I think it's really important that we keep it as simple as possible. I think that we need to think very carefully about how we communicate this change to our members. While you have a drawer full of complainers and you've done a focus group, we also know as Geoff's pointed out that scepticism is on the rise in the community and that

there is a current political environment that's promoting scepticism. So I think we have to be very careful about the way we communicate this change to our members.

Frank: Correct. This won't be a surprise to our current members. We already communicate with them the fact that we belong to various associations and groups, like the UNPRI, the IGCC, the Carbon Disclosure Project. So members know that we are involved. What we're doing now is taking it one more step further.

Kath: Sure that's true, but I suspect most members don't read any of that when we send it out and stick it on our website, and one bad article on the front page of the Herald Sun or something like that is going to get us much more focus from our members than the rest of it. So I think it's very important that we have a proper PR strategy around this and that we're armed with all the information about what other funds are doing etc. so that you don't frighten anyone with this change.

Jon: That's critical and if we're attempting to build a bridge between belief and action, I heard a very good talk recently that coined the acronym PODPOI, point of decision, place of impact. We've got to make it clear to our members that we are doing something or about to do something with the portfolio and bring them with us in our vision of action.

Cate: I think we need to be pretty clear on this, like B is saying that we are going to make it clear to the members, we're going to publish metrics on climate change and carbon intensity at whole of fund and asset class level. So are we confident you can do it, as you say in a simple and easily implementable way and as you say, in a way that is not sort of committing yourself to publishing things that you end up finding impossible, like can we do this? Are there such things, such metrics.

Garry: Well I think if you can't - if you've got a policy that you can't measure, you probably haven't put enough thought into the policy. I think you have to have a policy that you can actually measure, and of course all measurement is - makes some assumptions (53:03)18sec). But really, we will need to be saying to what degree we think this might cause a variation from the median results in a particular year, to what it might do about absolute returns over a particular period. They'll have to be fairly general. We need to be able to reassure our members that we're not betting their entire future on some political agenda or some hairbrained or unproven data. It's exactly the opposite. This ought to be a PR triumph, if it's properly expressed. We need to properly - we need to have the policy, a good one, and then we need to capture it. I think - by the way, that won't stop certain sections of the media. You will get that, but if our members are appropriately informed then you've got that to fall back on and to direct people to.

Geoff: I agree with Garry on that point in that if we're doing this, what we're being asked to agree to today, then we have conviction that this is going to lead to opportunity, investment opportunity for our members. I must admit I still am slightly sceptical on that point, but I'm sensing a degree of comfort around the rest of the board that that is something that they're more comfortable about. My view on communication is that if that is the approach we're going to take today, then let's make it very clear to our members that that is what we're doing and we're doing it for the reason, because we think it will impact their long term returns. Let's see it as a marketing opportunity as well, point of differentiation with all of those other vanilla funds that we've always 0.4 or 0.5% within performance of every month when we look at the figures. Let's see this as an opportunity to do something different.

Jon: Good.

Cate: Okay. Well I think that's a very positive note to in fact finish on, I think you've summed that up very nicely Geoff, and we've come to the end of our discussion on all of these resolutions, and apart from one insertion of the word anticipated in resolution four, there's been no suggestions of changing the resolutions. So can I put it to the Board, are we happy to pass this suite of resolutions and set the investment committee and our CIO and our CEO the task of making our fund a bit more responsible and active around the issue of climate change? All in favour? I declare it carried, thank you.

END TRANSCRIPT RESOLUTION 6&7