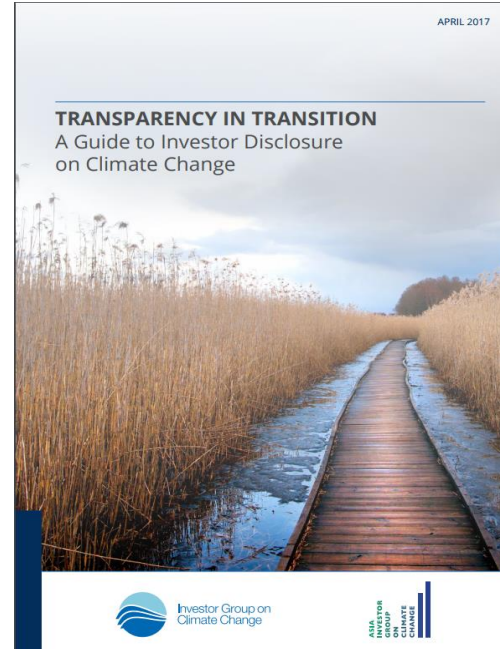


Investor Disclosure Masterclass

Pablo Berrutti – CFSGAM

Arisa Kishigami – FTSE Russell

Phil Vernon – Australian Ethical Investments



Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Principles and Elements for Good Disclosure



Source: IGCC – Transparency in Transition



International Award on Investor Climate-Related Disclosures

Awards Criteria

1. Transparency on the integration of climate-related criteria into investment decisions and engagement;
2. Transparency on the assessment of the consistency with the 2°C climate goal;
3. Transparency on the exposure to climate-related risks;
4. Communication to clients and beneficiaries.

GOVERNANCE

AXA Group – Responsible Investment Governance



- Defines what RI means to them
- Sets out governance structures
- Describes climate related risks relevant to their business
- Acknowledges shortcomings and gaps
- Sets out policy framework

CFS GAM – Climate Governance overview

Home > Our Approach > Featured Content > Climate Change

Climate Change

We accept the science of climate change and our duty to consider related risks and opportunities in our investment decision-making and ownership practices.

Below we provide a summary of our approach to managing climate change risks and opportunities. In developing the statement we have sought to align our disclosure with the Task Force for Climate Related Financial Disclosure's draft recommendations and the Investor Group on Climate Change's Guide for Investor Disclosure.

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- Introduction >
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- Metrics & Targets >

Governance

Climate change considerations have been incorporated into the organisational and investment governance structures. The following describes where and in what way climate change is explicitly integrated into these governance processes. However it should be noted that climate change is implicitly covered in other forums. For example the Operating Group and Responsible Investment Steering Group approve the responsible investment strategy which includes climate change elements.

Global Investment Committee

The Global Investment Committee is responsible for monitoring the risk and performance of all investment capabilities across FSI and meets quarterly. The committee is chaired by the CEO and includes the Chief Investment officers of each asset class except unlisted infrastructure.

"In December 2016 we appointed MCSI to provide carbon and related data which we will incorporate into investment committee reporting during 2017."

Climate change, and in particular the carbon footprinting of portfolios, was raised at the Global Investment Committee in March 2016. In December 2016 we appointed MCSI to provide carbon and related data which we will incorporate into investment committee reporting during 2017.

The committee also requested ongoing ESG reporting on investment teams and funds which has been provided since July 2016 (see our progress section of the report). These reports include climate change as an ESG issue.

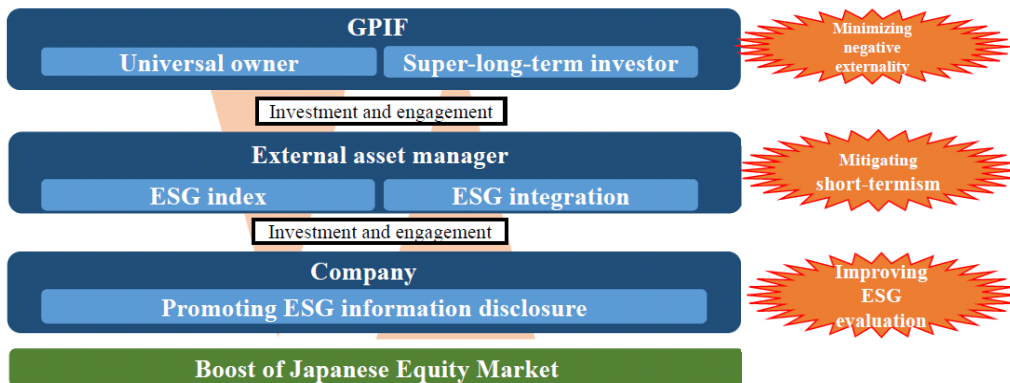
ESG Committee - Climate Change Working Group

Climate Change working group members

- Acknowledges the science, investor agency and challenges.
- Calls out where climate change is explicitly and implicitly incorporated into organisational governance in discrete climate change section of RI Report
- Directs readers to team level disclosures for asset class specific climate information.

STRATEGY

GPIF – Strategy of change through index allocations

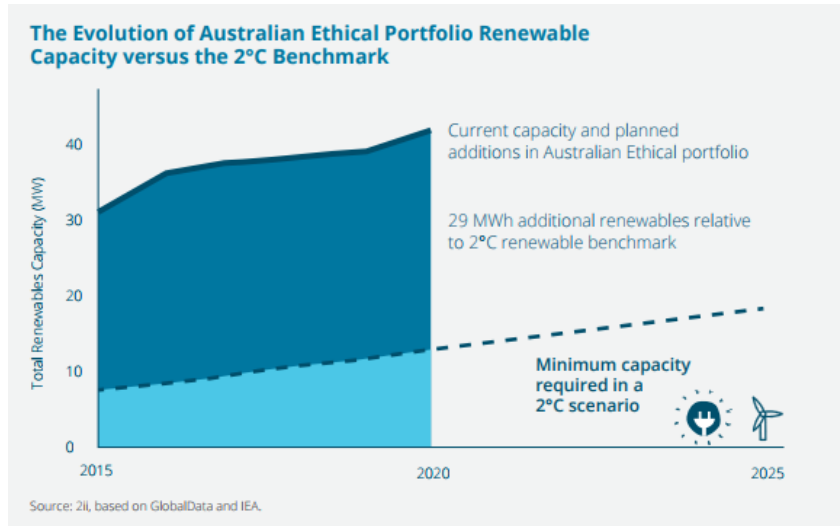


Points of ESG index selection

1. Positive screening
2. Encouragement of disclosure and improvement of ESG evaluation method
3. Governance and conflicts of interest

Type	Name of index
Broad index	FTSE Blossom Japan Index
Broad index	MSCI Japan ESG Select Leaders Index
Thematic/social (S)	MSCI Japan Empowering Women Index (nickname: WIN)

AEI – Strategy to achieve 2oC Benchmark



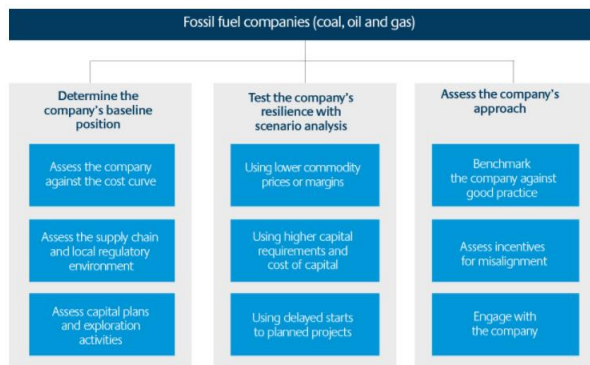
- Multifaceted strategy focused on commitments, measurement, investment screens, advocacy and operational emissions
- Clear statement of rationale, targets and progress to date
- Explanation of value chain impacts
- Goes beyond investment and engagement to advocacy and ‘walking the talk’

RISK MANAGEMENT

CFSGAM – Identification of Investment Risks

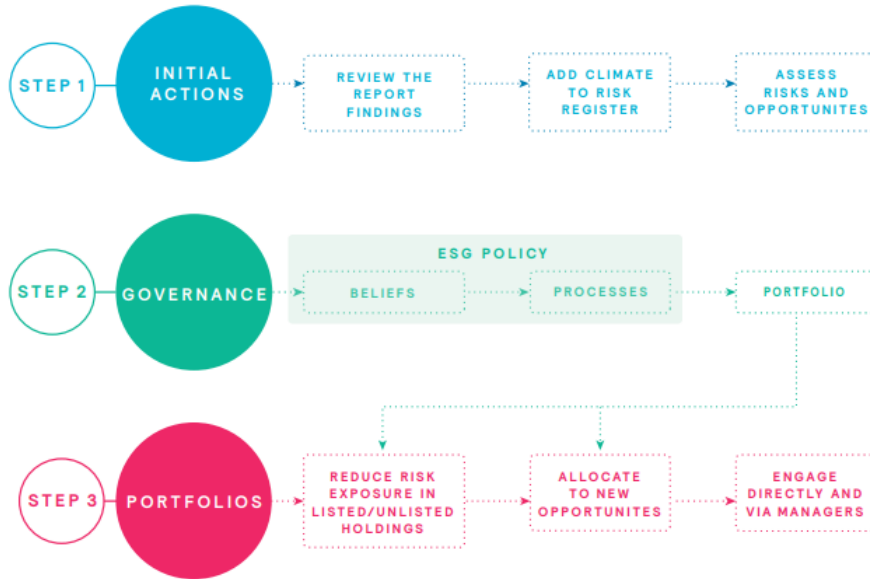
Climate Change Working Group identified five areas of risks and opportunities and is developing guidance for investment teams.

1. Physical Impacts of Climate Change
2. Carbon Emissions / Regulatory Intervention
3. Business Transition / Stranded Asset Risk
4. Fiduciary Duty / Legal Risk
5. License to Operate/Reputational Risk



- Overview of approach to risk management and climate change
- Recognises business and investment risks
- Climate change working group
- Stranded assets tool kit
- Reporting to global investment committee

Mercer – Investing in a Time of Climate Change



Source: Mercer
<https://www.mercer.com/content/dam/mercero/attachments/global/investments/long-term-investors-are-you-aware-of-your-climate-change-risk-exposure-mercero-2015.pdf>

Typical Categories of Climate-Related Risks and Opportunities

Market and Technology Shifts

Policies and investments to deliver a low carbon emissions economy.

- Reduced market demand for higher-carbon products/commodities
- Increased demand for energy-efficient, lower-carbon products and services
- New technologies that disrupt markets

Reputation

Growing expectations for responsible conduct from stakeholders, including investors, lenders, and consumers.

- Opportunity to enhance reputation and brand value
- Risk of loss of trust and confidence in management

Policy and Legal

An evolving patchwork of requirements at international, national, and state level.

- Increased input/operating costs for high carbon activities
- Threats to securing license to operate for high carbon activities
- Emerging concern about liabilities

Physical Risks

Chronic changes and more frequent and severe extremes of climate.

- Increased business interruption and damage across operations and supply chains with consequences for input costs, revenues, asset values, and insurance claims

Sources:

CDP, "Climate Change Questionnaire," 2017.

Task Force on Climate-related Financial Disclosures, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures*, June 2017.

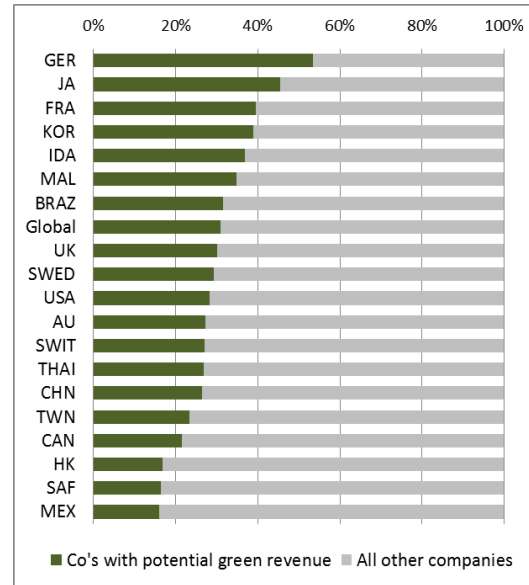
METRICS & TARGETS

Aligning ESG evaluation frameworks with TCFD



TCFD Elements	FTSE Russell's Climate Change Theme Assessment Area Examples
Governance	<ul style="list-style-type: none"> Board Oversight of Climate Change Climate Change Policy
Strategy	<ul style="list-style-type: none"> Climate Scenario Planning Impact of climate change risks and opportunities on financial planning
Risk Management	<ul style="list-style-type: none"> Integration of Climate-related risks into company-wide risk management process
Metrics & Targets	<ul style="list-style-type: none"> Short/Long term targets Financial Quantification of costs/R&D on climate change Absolute & intensity measures

FTSE Russell - Green Revenues Classification System



Source: FTSE Russell. FTSE All World Index data as of 28.09.2017. Selection of countries with more than 40 constituents in the index. Green Revenues data extracted as of 04.10.2017 identifying the percentage of each country that have potential green revenue by the number of companies with green products.