

Trustee Training on Climate Change: Mock board meeting #3

‘Perfect Storm Super Fund’

The Board

- Sarah Barker: Minter Ellison/ESS Director
- Frank Pegan: CEO Catholic Super (Chairman)
- Pauline Vamos: CEO Regnan
- Geoff Lake: Director Vision Super (CEO)
- Cath Bowtell (CEO Industry Funds Services)

Purpose of the Board Meeting: The Board is meeting to review a recommendation from the Investment Committee that the relationship with the Fund Manager be reviewed, owing to their perceived failure to effectively identify and manage carbon risk associated with the investment.

Board:

Frank Pegan, *CEO, Catholic Super (PSS Board Chair)*

Cath Bowtell, *CEO, Industry Fund Services (PSS Director)*

Geoff Lake, *Director, Vision Super (PSS CEO)*

Sarah Barker: *Minter Ellison/ESS Director (PSS Director)*

Pauline Vamos: *CEO Regnan / Director Mercer Super (PSS Director)*

- The toll-road asset was invested 12 months ago in a PPP consortium for \$2 billion with the manager. The investment terms for the asset were favourable with high EBITDA of 80%, maintenance is a small percentage of revenue and attractive long term returns
- Terms of the sale included that it operates under a concession agreement with the government due to terminate in 2050 year with annual toll increases of 4%.
- The main income stream for the facility has been the toll revenues at an estimated value of A\$385 million. Revenues are expected to increase due to government agreements to increase tolls by 4% annually.
- The asset is along and around the Brisbane river and coastal area that have over recent years been subject to increasing storm surge and flooding. (3 times in last 12 months)
- The QLD gov't has just announced it will install EV charging infrastructure on all major roads in and around Brisbane
- The fund is using the GRESB infrastructure risk framework.

PREVIOUS RESOLUTIONS PASSED BY THE BOARD

- **Resolution 1 – Policy:** The board agreed that climate change be explicitly addressed in the fund’s statement of investment beliefs as a long term systemic risk.
- **Resolution 2 – Policy Implementation:** The board agreed that it should receive an annual update from the Investment Committee on how the investment implications of climate change are implemented.
- **Resolution 3 – Investment strategic:** The board agreed that climate change risks and opportunities should be formally incorporated into the Fund’s investment process through strategic reviews.
- **Resolution 4 – Timeframes and Implications:** The board agreed to acknowledge climate change as a long term issue and on this basis: It was resolved that the Investment Committee address the constraints and implications of an anticipated two degree global carbon budget, regulatory change and the physical impacts of climate change in implementing the investment strategy.
- **Resolution 5 – Investment allocation:** It was resolved that the Investment Committee seek low carbon investments on an appropriate risk for return basis and consistent with the Investment Strategy.
- **Resolution 6 – Measurement :**The board agreed that the Investment Committee should adopt a methodology for measuring the Fund’s exposure to climate change risk.
- **Resolution 7 – Communication:** The board agreed 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 asset class levels.