

# **Presentation to the 2016 FEAL National Conference**

## **HESTA's approach to ESG and Climate Change**

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# HESTA's ESG Policy

- HESTA's Policy is guided by the UN-backed Principles for Responsible Investment (PRI)
  - Incorporate ESG issues into investment analysis
  - Be active owners
  - Seek appropriate disclosure
  - Promote acceptance and implementation
  - Work together
  - Report on our activities and progress
- In applying the ESG Policy to underlying investments, HESTA is guided by the principles of the United Nations Global Compact (UNGC)

# ESG Policy Objectives

- Understand relevant ESG issues and their potential impact on HESTA's investments over the long term
- Consider key ESG issues when allocating assets within or between asset classes
- Incorporate ESG issues into the selection and review of investment managers;
- Encourage underlying assets to improve governance, management and disclosure of ESG issues
- Encourage governments, regulators and other rule making bodies to ensure adequate policy, legislation and standards on ESG issue; and
- Collaborate with other organisations to achieve these objectives

# Climate Change Framework

- Seek to apply to all investments
- Key objectives:
  - Protect the Fund from “stranded” assets
  - Ensure that relevant climate change risks and opportunities are captured in fund manager processes and fully reflected in the valuation of any investment
  - Encourage improved policy and governance standards to reduce the risks and stimulate the opportunities associated with climate change

# Climate Change - Key Elements of Implementation

- Risk management
  - Clarity of expectations with external fund managers
  - Particular focus on climate change risk with unlisted asset investments – ensure risks are explicitly considered in any the due diligence process
  - Thermal coal restrictions
  - Low-carbon international shares portfolio
  - Portfolio carbon exposure measurement
- Supporting the transition
  - Investing in clean-tech venture capital
  - Investing in renewable energy, including greenfield developments, and related infrastructure
  - Allocating resources to policy and standards development