

Understanding the Investor Perspective

5 April 2017
Dairy Australia



Investor Group on
Climate Change

Introduction

WHEN IT COMES TO CLIMATE CHANGE

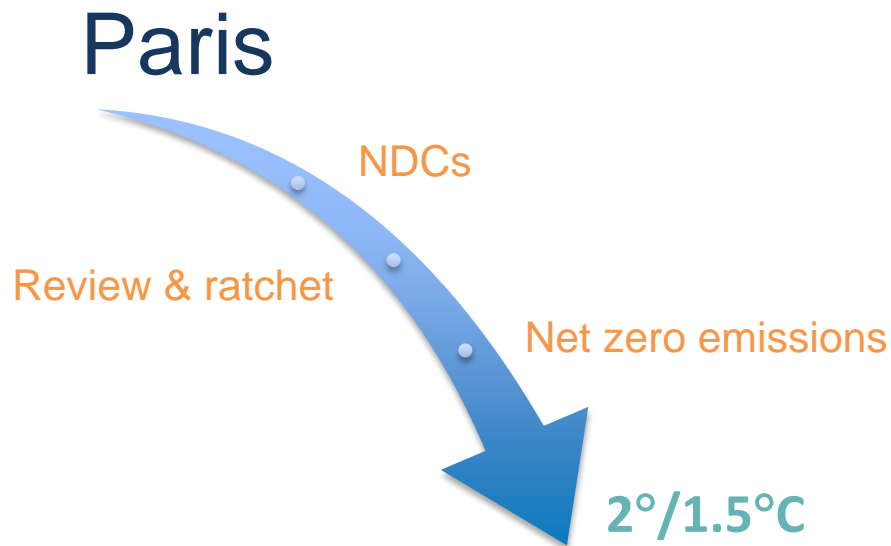
...everyone is looking at the same basic five questions

1. How is the climate changing?
2. What are governments, markets, my peers/competitors doing in response?
3. What are my obligations?
4. What do investors expect of me?
5. How should I be responding?



The Paris Agreement (as a market signal)

The Paris Agreement creates a pathway and a process for ongoing change. This is acting as an investment signal.



Has the 'spirit of Paris' been Trumped?



China's commitment

China: -

- Around 25% of global emissions
- Ratified Paris Agreement
- Pledged to peak emissions by 2030
- Pledged to increase non-fossil fuel energy in primary energy by 20% by 2030
- The largest share of renewable energy investment
- Introduced a national emissions trading scheme to start in 2017
- Introduced a substantial climate finance program via G20



Australia's commitment



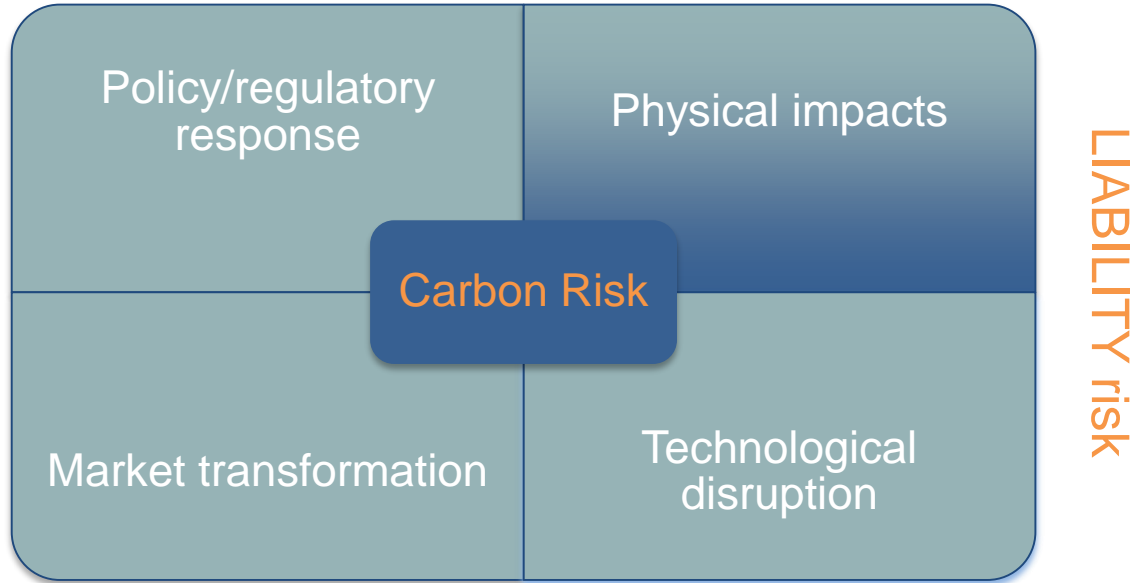
The other big fish in the pond

The Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders



What is carbon risk?

TRANSITION RISK and PHYSICAL RISK dimensions



Same as any kind of risk management

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

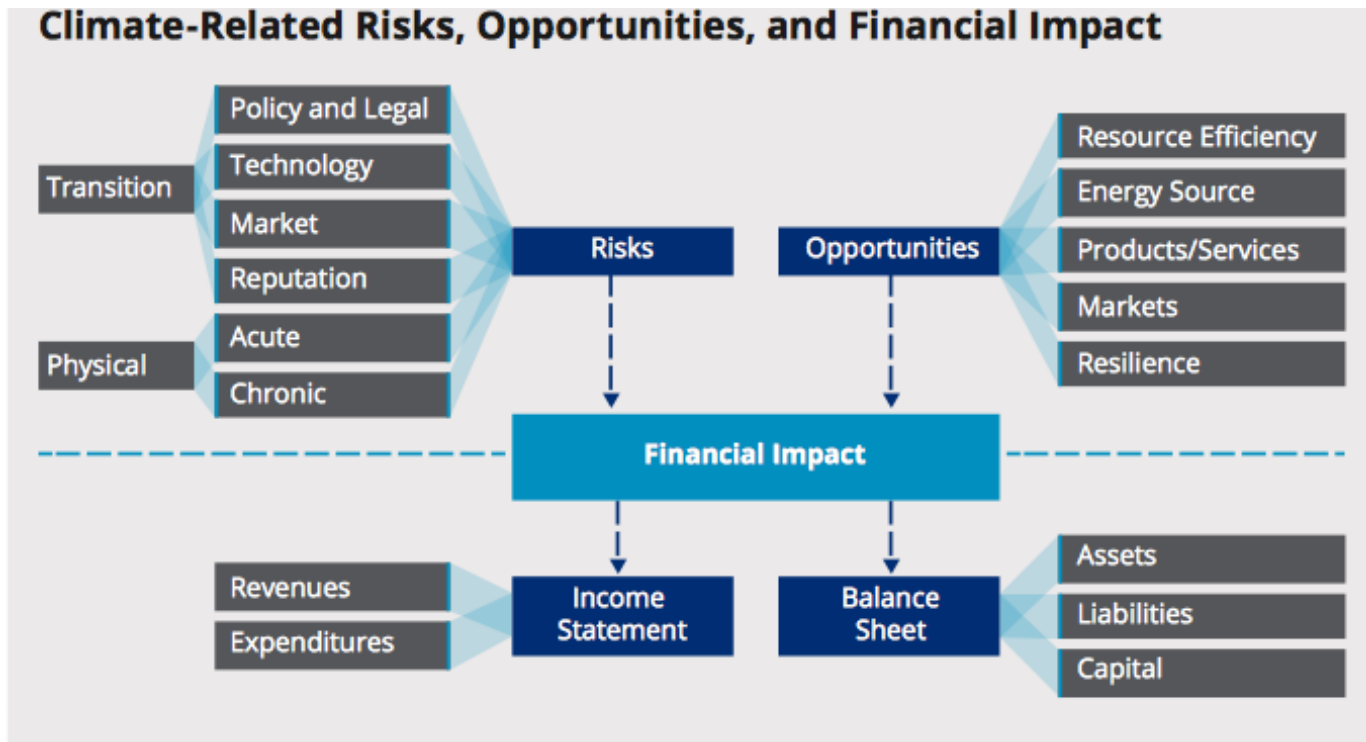
Risk Management

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

Quantifying carbon risk & opportunity



What are investors doing about it?

INVESTOR ACTIONS

ALL

MEASURE

ENGAGE

REALLOCATE

REINFORCE



Montréal Pledge
MEASURE



Portfolio Decarbonization Coalition
REALLOCATE



Low Carbon Registry
REALLOCATE



Global Investor Statement on Climate Change
REINFORCE

What are investors doing?

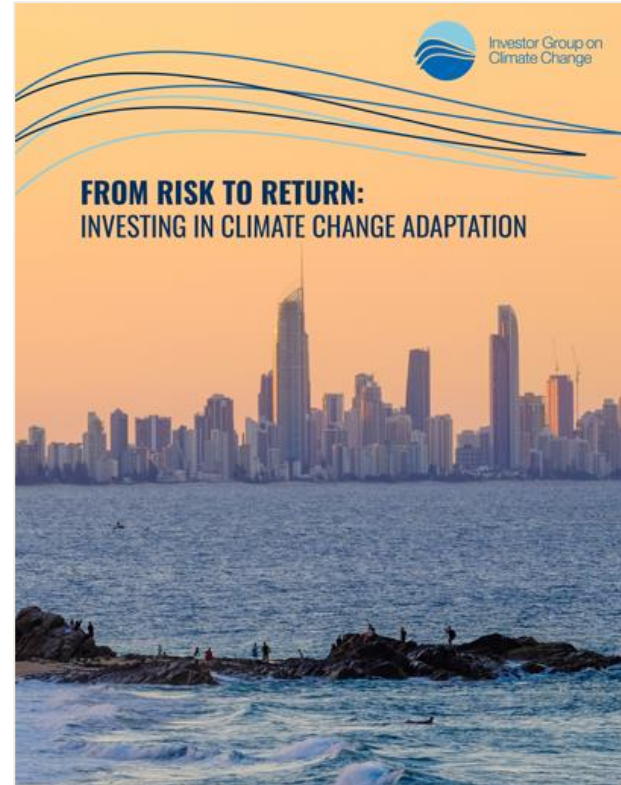
Taking steps to:

- 1. Identify and exit / manage high risk investments or assets**
- 2. Identify and pursue low carbon opportunities**
- 3. Engage more with the companies they invest in**
- 4. Align their portfolios with 2 Degrees**



Adaptation needs more work

- **Physical risk** (both acute and chronic) not understood enough.
- **Focus increasingly turning** to how to invest in adaptation



To sum up...

1. Carbon risk is financially material – and becoming more so.
2. More targeted assessment and reporting on material climate related financial impacts by everyone – including investors
3. Investors are looking to minimize their exposure investments with high carbon risk
4. And looking for low carbon investments



Thank You!



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