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Potholes & Roadblocks on the road to business improvement

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Brent Bevan, MLC Asset Management



Responding to clients' climate change concerns

Leah Willis & Dr Stuart Palmer, Australian Ethical

Australian
Ethical

We need to talk climate

Leah Willis, Head of Client Relationships

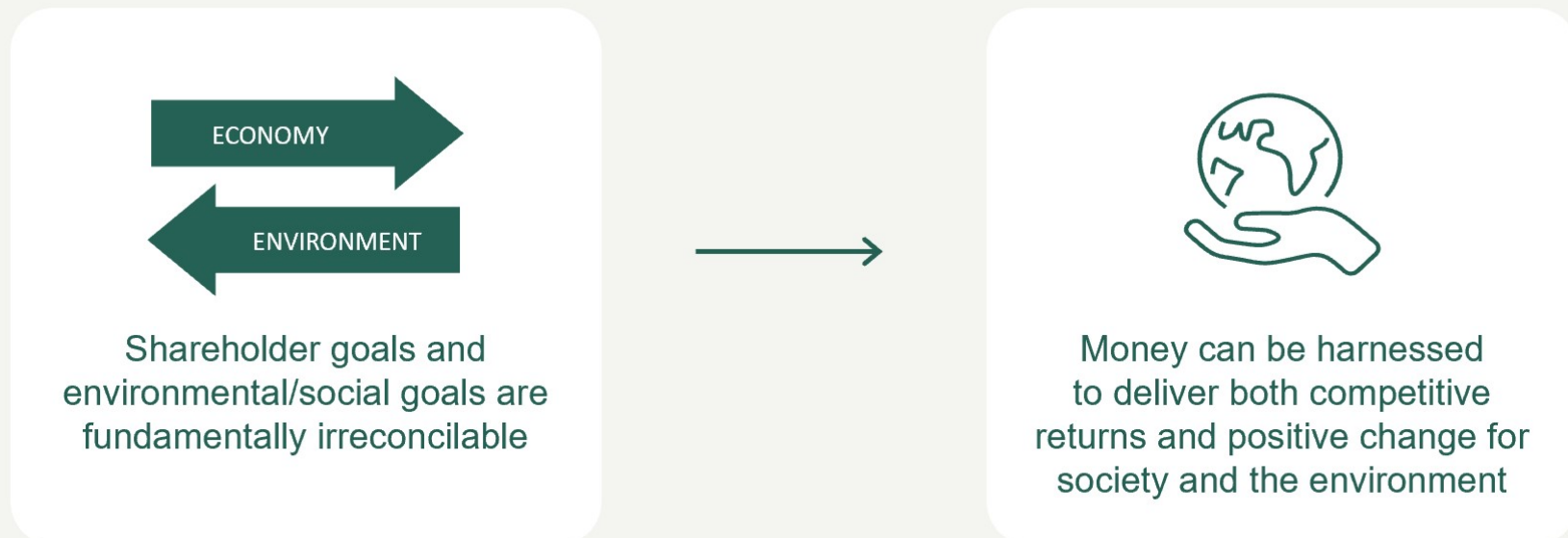
Dr Stuart Palmer, Head of Ethics Research

June 2022



The big shift

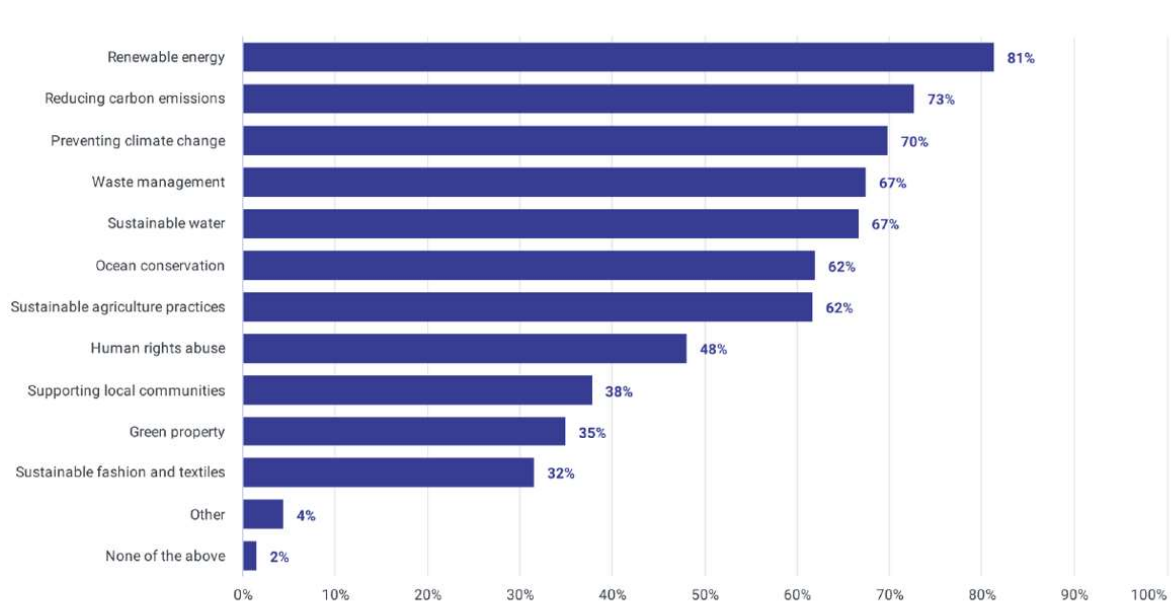
Responsible investments in Australia has continued to soar in popularity to \$1.2trillion in 2020, they are 40% of total AUM and grew at 15 times the rate that overall professionally managed investments have grown in Australia.



“The majority of investors either believe that they already consider ESG principles when investing (33%) or intend to do so in the future (45%)”

Interest for various sustainability-related initiatives among current ESG investors

Q17 Which of the following sustainability-related initiatives are you passionate about? (Multiple responses permitted)
Among current ESG investors [n=1366]



Climate risk and making the transition



Despite many of the world's largest companies committing to net zero targets by 2050.

Projected CAPEX in the energy sector is not aligned to net zero targets making the risks of stranded assets real.*



To reach net zero emissions by 2050, annual clean energy investment worldwide will need to more than triple by 2030 to around \$4 trillion pa.*

And what about the transition in transport, food and building materials.



Not all green is good and not all ethical companies are financially viable.

Advisers and investors will need to navigate Greenwashing, mispricing risks and valuation bubbles.

The race to net zero?

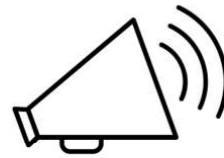


What is climate-responsible investing?



Capital for good

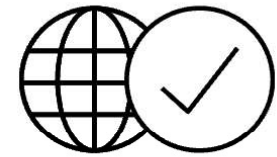
Not just energy-de-carbonising finance, food, cement, steel, mining and building materials



Engage and advocate

Science Based Targets for companies

Government policy giving reliable, long term market signals for investment



Measurable impact

Evolving climate frameworks and measurement methods and tools e.g.

Carbon footprinting or alignment to net zero



Measuring Impact

Investment Portfolio



77% less CO₂

produced by the companies we invest in, compared to benchmark⁵



Nil

investment
in nuclear



Nil

investment in fossil fuel
companies⁶



Nil

investment
in tobacco⁶



2.5x more impact

towards the Sustainable Development
Goals⁷



13x more investment

in renewable power generation than
benchmark^{5,8}



Best for the World

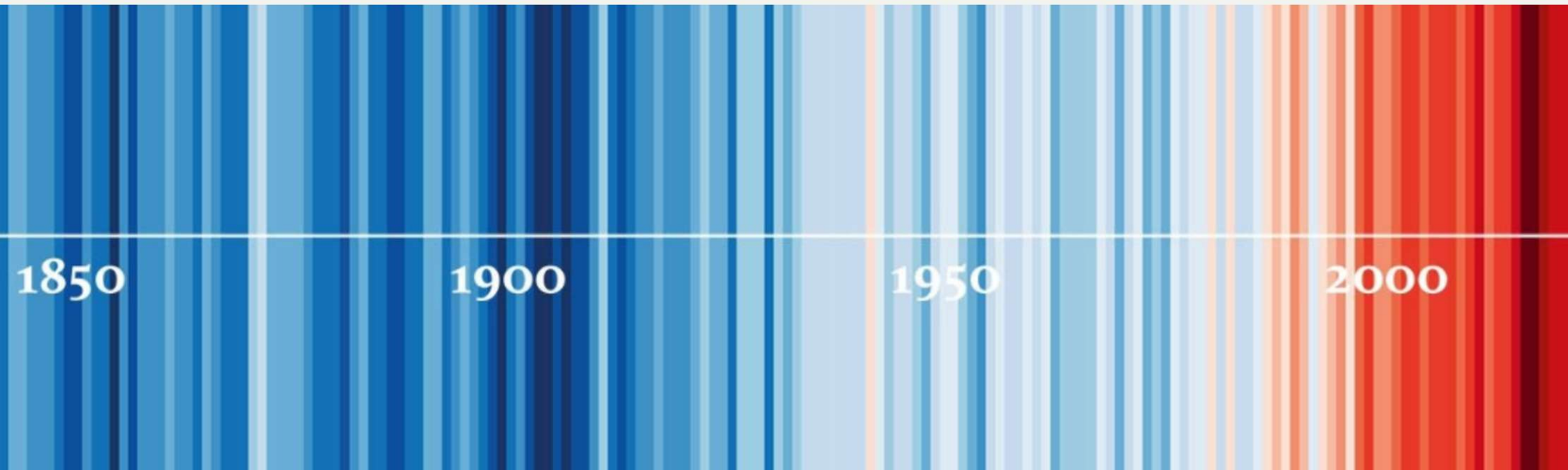
for Customer & Governance
by BCorps⁹



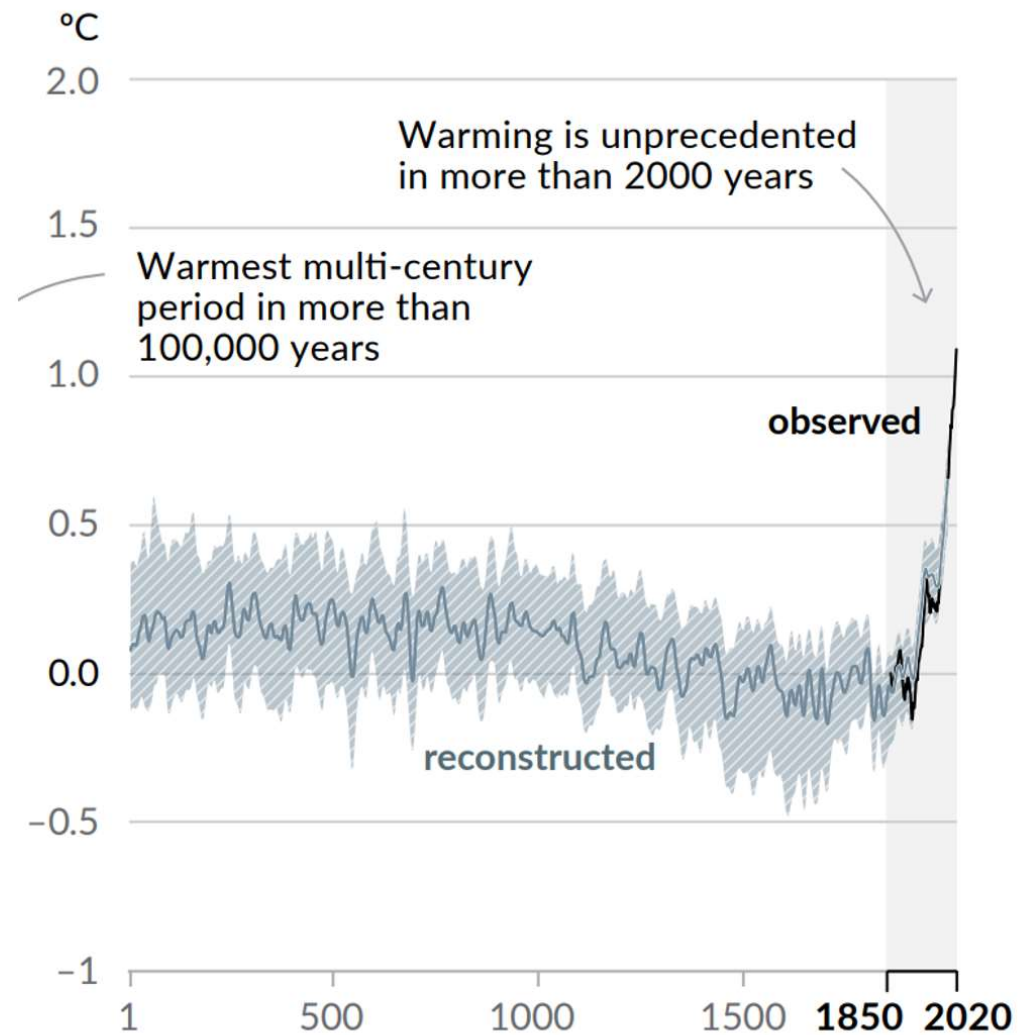
500+ companies

we engaged with to understand & influence
their positive & negative impact, supporting
shareholder resolutions & voting for the
changes we want to see¹⁰

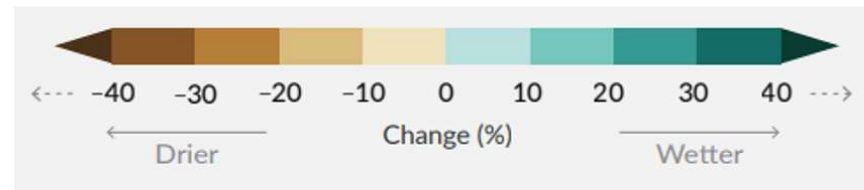
The biggest social and economic risks we face are related to climate change



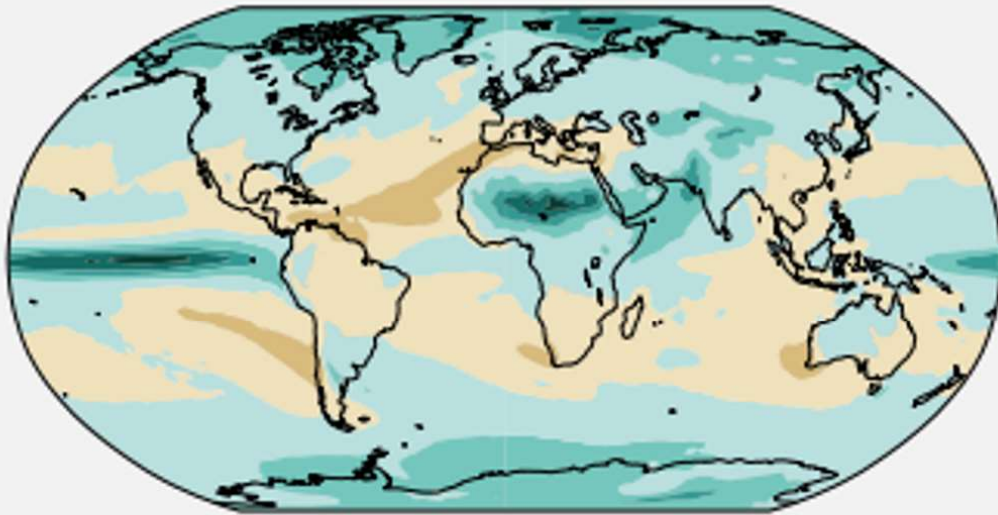
Warming so far...



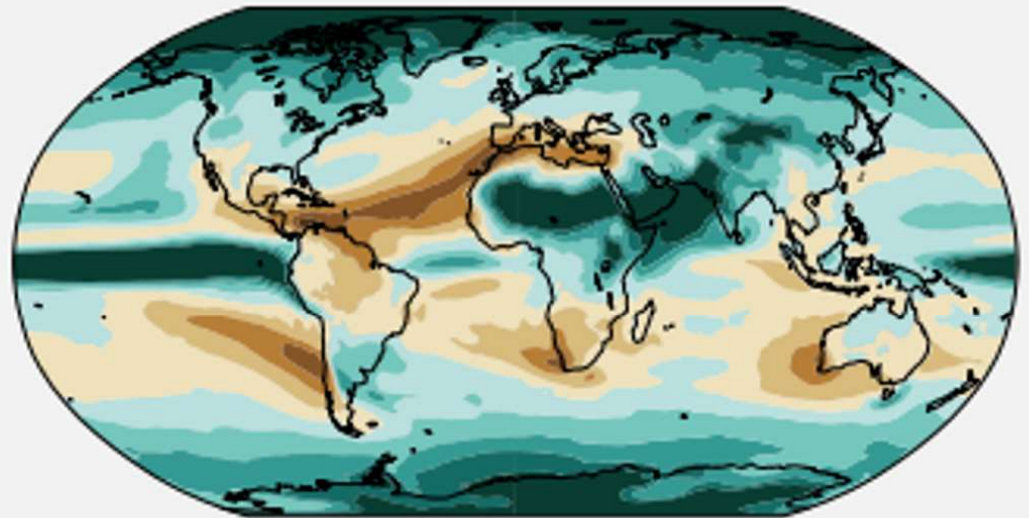
Physical impacts: Rainfall



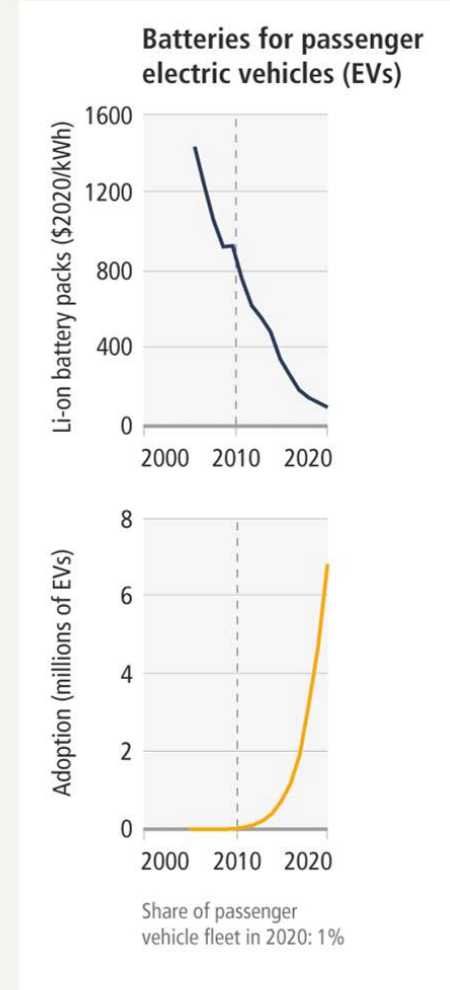
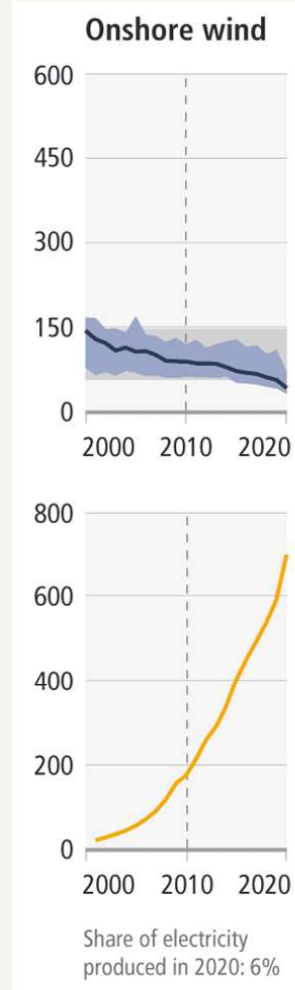
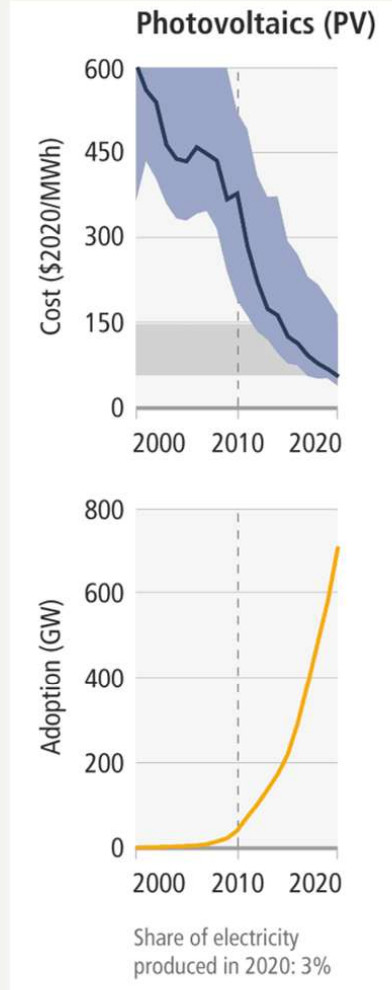
Simulated change at 1.5°C global warming



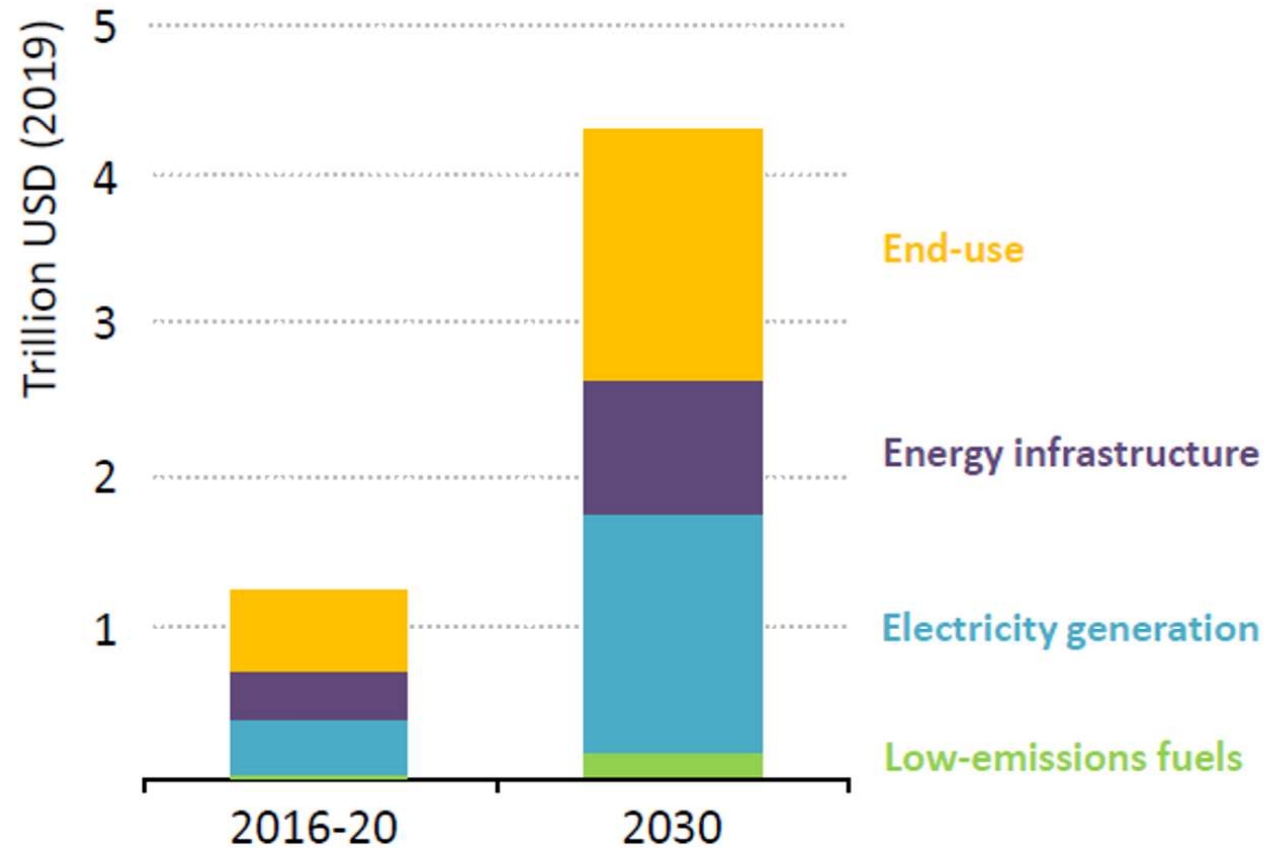
Simulated change at 4°C global warming



Technological shifts and disruption

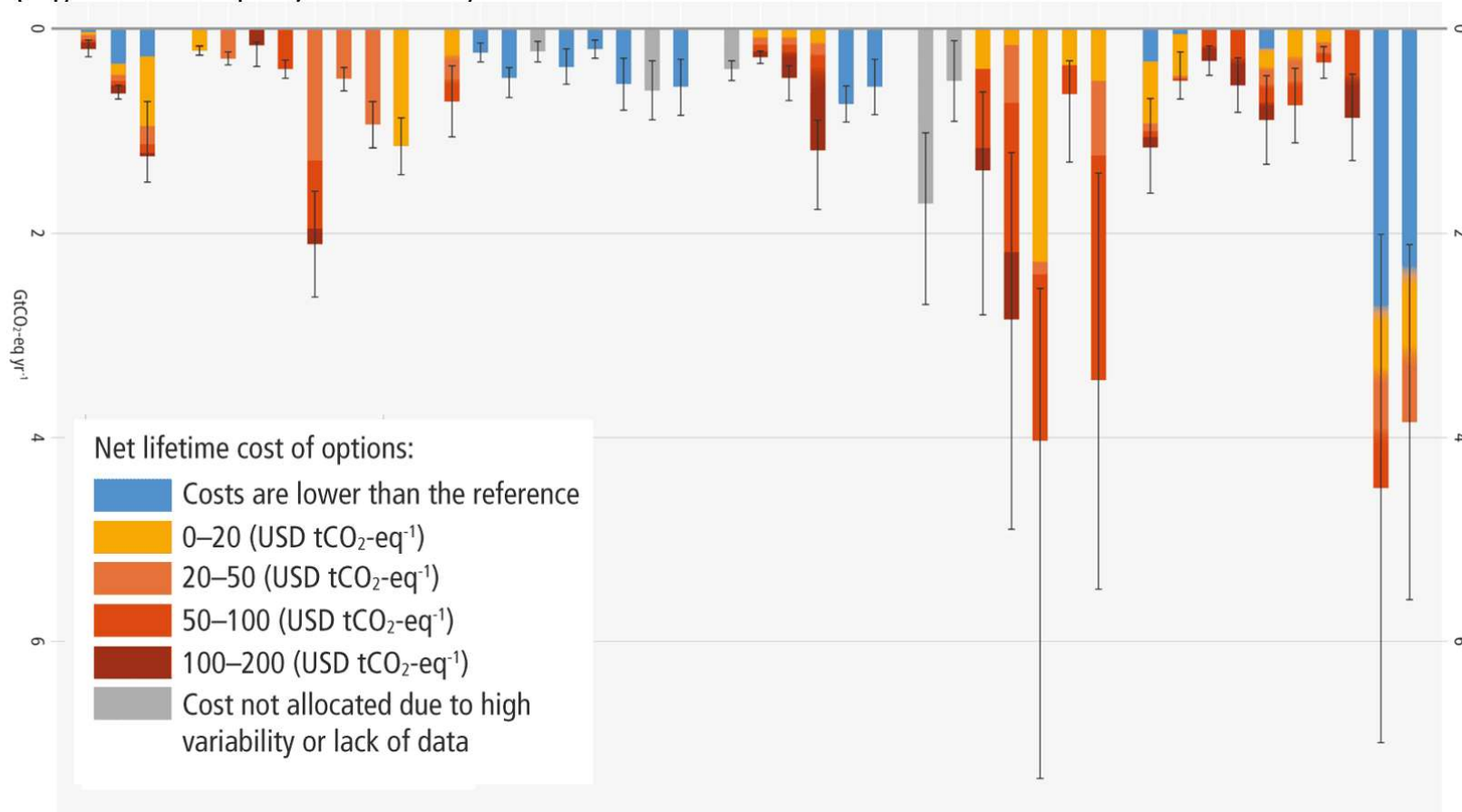


Net zero energy investment boom



Diverse need & opportunity for emissions rec

(Gigatons CO₂e per year to 2030)



Mitigation options

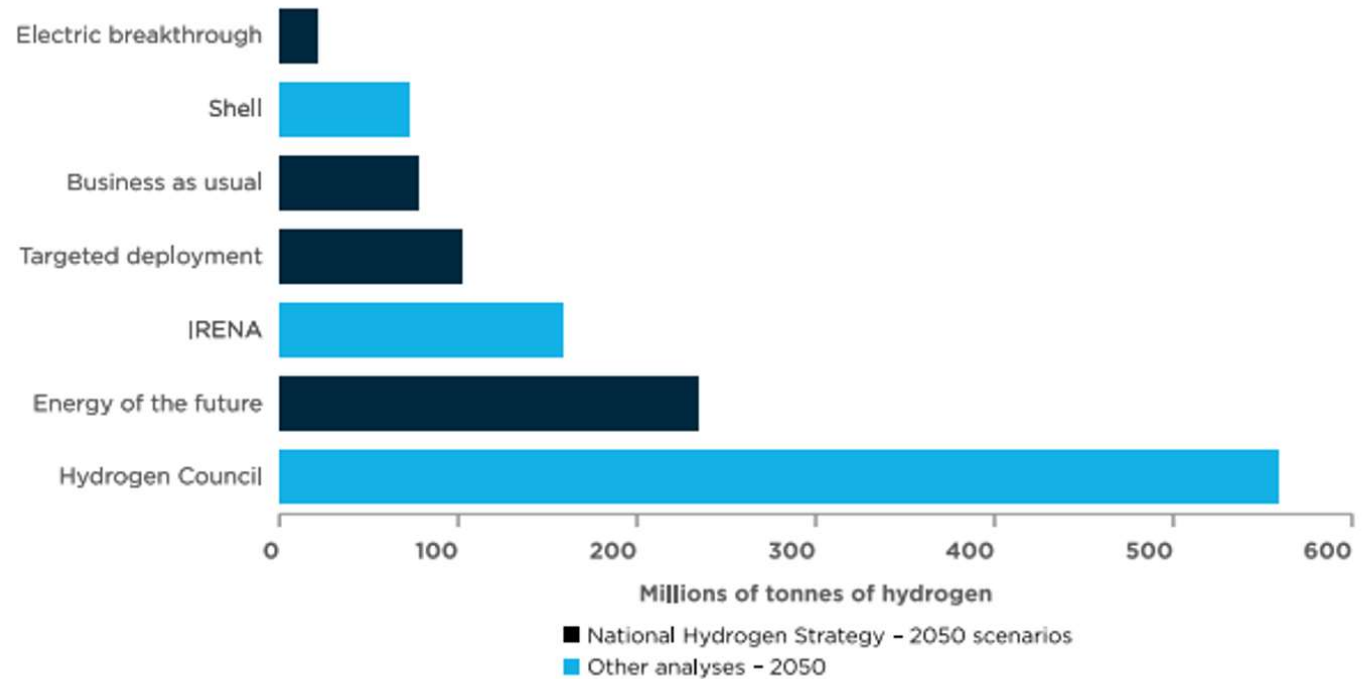
- Energy**
 - Wind energy
 - Solar energy
 - Bioelectricity
 - Hydropower
 - Geothermal energy
 - Nuclear energy
 - Carbon capture and storage (CCS)
 - Bioelectricity with CCS
 - Reduce CH₄ emission from coal mining
 - Reduce CH₄ emission from oil and gas
- AFOLU**
 - Carbon sequestration in agriculture
 - Reduce CH₄ and N₂O emission in agriculture
 - Reduced conversion of forests and other ecosystems
 - Ecosystem restoration, afforestation, reforestation
 - Improved sustainable forest management
 - Reduce food loss and food waste
 - Shift to balanced, sustainable healthy diets
- Buildings**
 - Avoid demand for energy services
 - Efficient lighting, appliances and equipment
 - New buildings with high energy performance
 - Onsite renewable production and use
 - Improvement of existing building stock
 - Enhanced use of wood products
- Transport**
 - Fuel efficient light duty vehicles
 - Electric light duty vehicles
 - Shift to public transportation
 - Shift to bikes and e-bikes
 - Fuel efficient heavy duty vehicles
 - Electric heavy duty vehicles, incl. buses
 - Shipping – efficiency and optimization
 - Aviation – energy efficiency
 - Biofuels
- Industry**
 - Energy efficiency
 - Material efficiency
 - Enhanced recycling
 - Fuel switching (electr., nat. gas, bio-energy, H₂)
 - Feedstock decarbonisation, process change
 - Carbon capture with utilisation (CCU) and CCS
 - Cementitious material substitution
 - Reduction of non-CO₂ emissions
- Other**
 - Reduce emission of fluorinated gas
 - Reduce CH₄ emissions from solid waste
 - Reduce CH₄ emissions from wastewater

Decarbonisation transformation

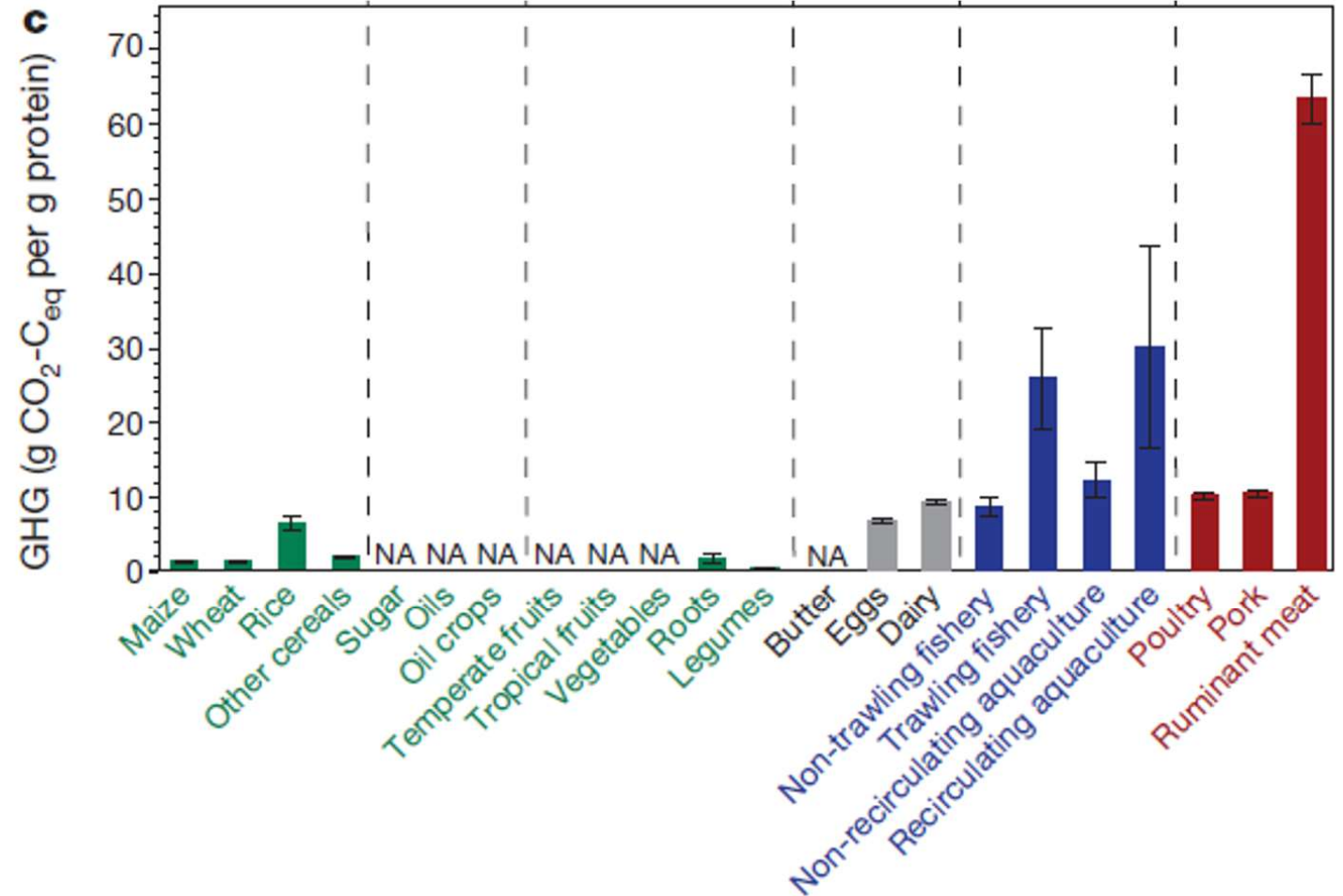


How big is the hydrogen opportunity?

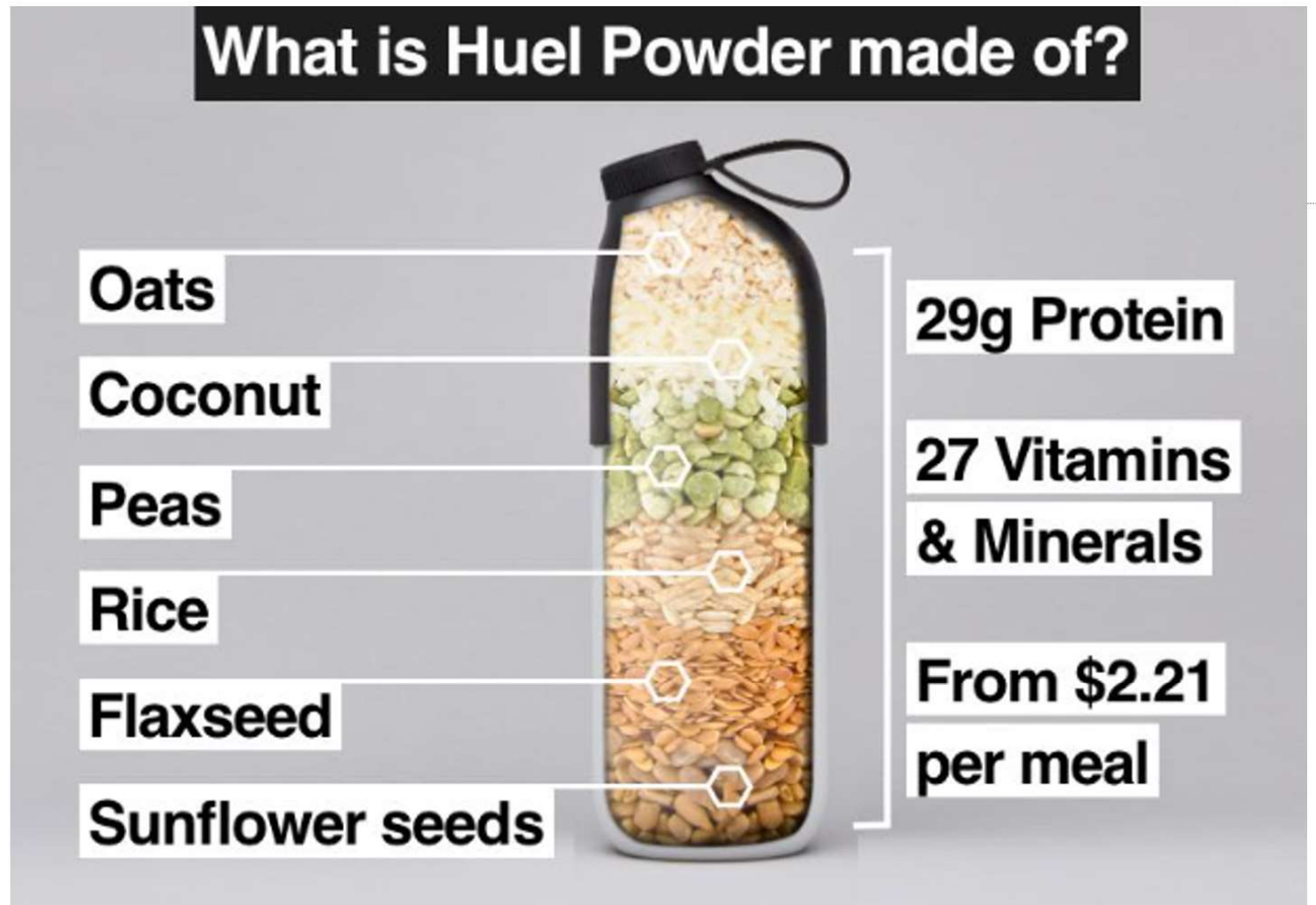
Figure 2.3 Comparing 2050 global hydrogen demand growth estimates



Food emissions intensity



What else
might
change?



Questions

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