CAMERON HUME

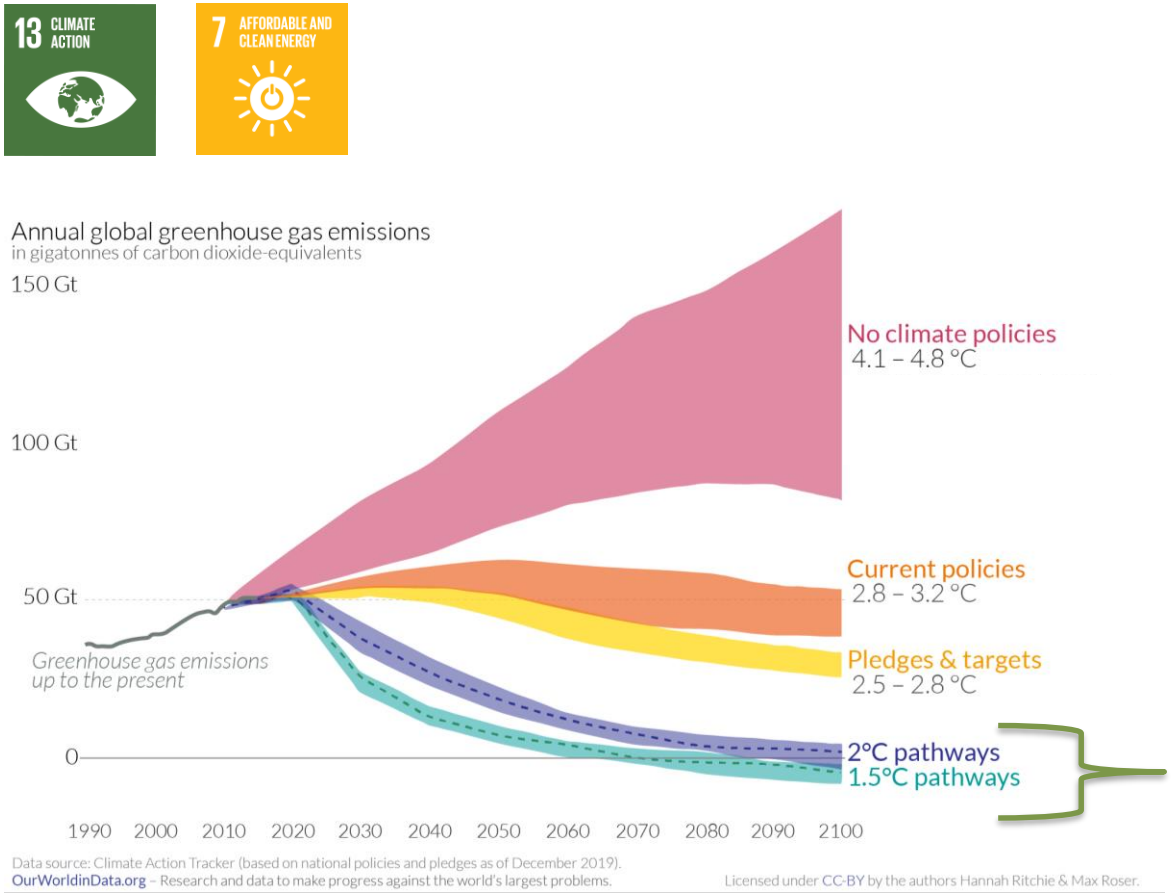
Climate Risk Afternoon Tea

Cameron Hume with Pensions for Purpose

AFM, Atchison Consultants

15 September 2020

Climate risk: policies and pathways



The degree of international coordination will dictate which emission pathway prevails

Portfolios must reflect the full range of policies and pathways…

… beyond just the best outcome

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TCFD Recommendations

(Task Force on Climate-related Financial Disclosures)

Source: TCFD

Governance

Guidelines reflect investment and climate–related policies

Strategy

Portfolio reflects client policy and active investment views

Risk Management

Climate risk as a portfolio investment theme

Metrics and Targets

Portfolio measures of exposure to climate–related risks: transition risks; physical risks; different emission scenarios

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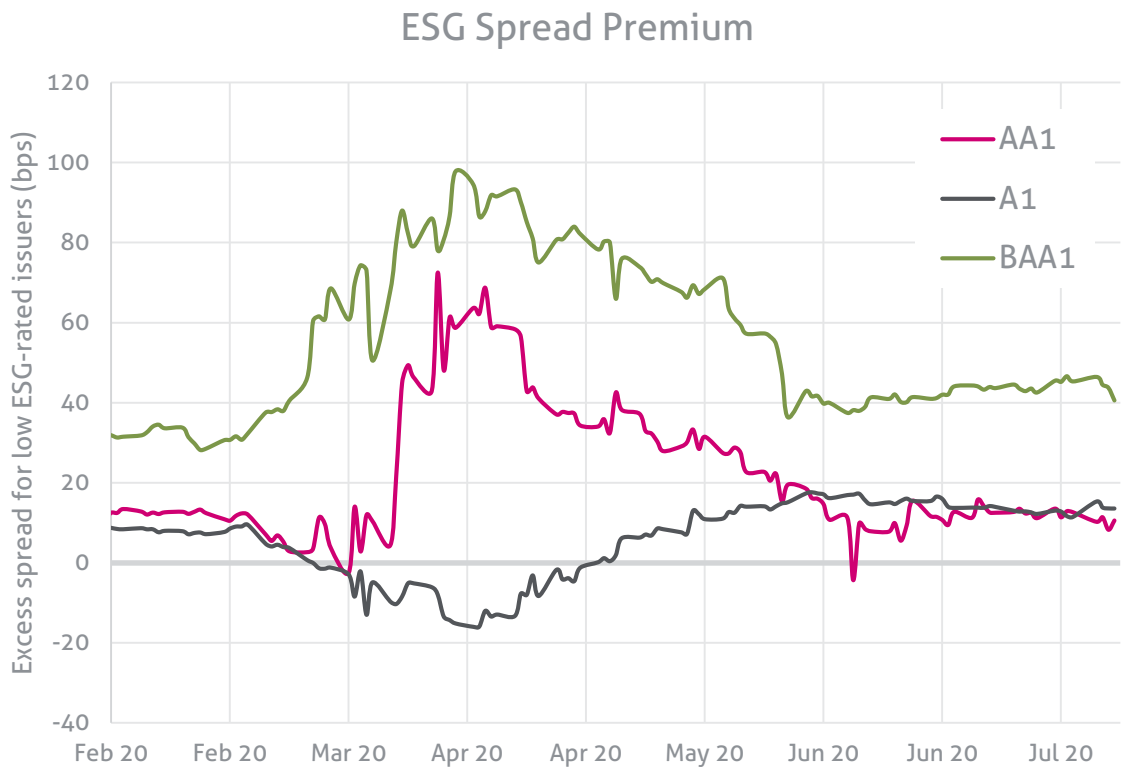
ESG premia by credit rating



ESG premium: additional spread paid by poorly ESG-rated issuers over highly ESG-rated issuers

Despite material widening in Q2 2020, spread premia for poor ESG remain low

Source: Cameron Hume *CaTo, MSCI*

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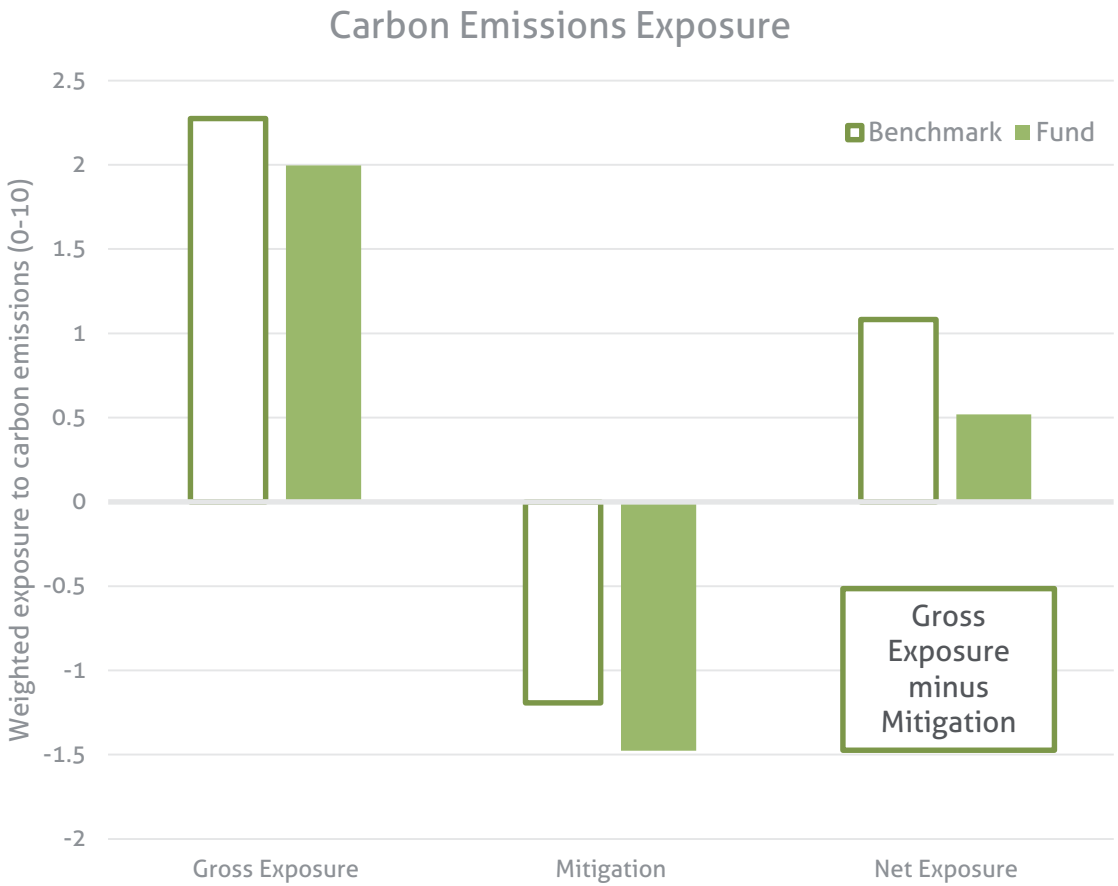
Portfolio-level implementation



Source: Cameron Hume *CaTo, MSCI, Bloomberg Barclays*
Data as at end August 2020

Fund net carbon emissions exposure is lower than the benchmark

Result of our policy to seek issuers that manage their ESG risks better than their peers

Evidenced using MSCI ESG data

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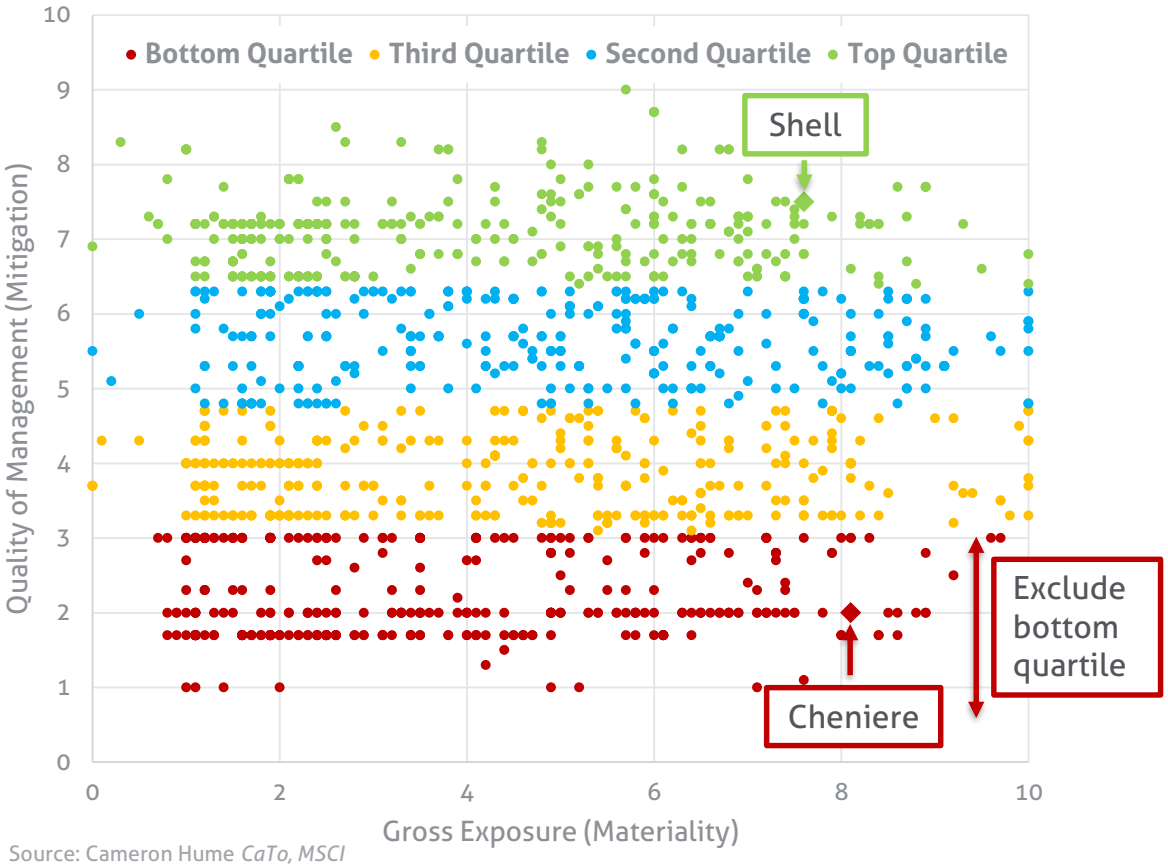
Engagement and exclusion re-imagined

Carbon Emissions: Quality of Management vs Materiality



Source: Cameron Hume *CaTo, MSCI*

Focus on gross exposure (materiality) and quality of management (mitigation)

Exclusion policies can be applied across all issuers, rather than key 'offenders'

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Your questions are welcome

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Understanding Institutional Investing

CAMERON HUME

Responsible investing for sustainable fixed income returns

Awarded A+ rating on all measures by the UN PRI in their 2020 assessment

Our investment strategy today is to overweight issuers who manage their climate exposure well or have low carbon emissions exposure now

Third party ESG measures allow a consistent, risk-based approach to exclusions and engagement

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Understanding Institutional Investing

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