



# DEEP DIVE: CLIMATE ANALYSIS OF INVESTMENT MANAGERS

## HESTA

In 2020, HESTA became the first major Australian superannuation fund to make a commitment to reach net zero carbon emissions by 2050 across its portfolio. HESTA's external investment managers have a key role in supporting implementation of HESTA's climate targets.

In Financial Year 2021/2022, as part of regular performance monitoring of its external investment managers on responsible investment issues under their mandates, HESTA conducted a deep-dive into the outcomes achieved by the application of managers' climate change policies and processes. The results of the analysis are being used by HESTA to inform ongoing priorities for engagement with external managers.

HESTA assessed investment manager responses against three pillars:

- **Risk Management** – How managers are underwriting climate risk
- **Opportunity** – How managers are investing in climate opportunities
- **Engagement** – How managers are engaging with material carbon emitters to reduce global emissions (as opposed to portfolio emissions)

Two key findings from the engagement included:

1. Managers with a sustainability focus to their investment approach demonstrated better climate risk management technique.
2. Net Zero Asset Managers initiative signatories demonstrated better engagement outcomes than other managers.

