

Report urges Future Fund action on climate risk

- *The Future Fund is required to observe investment industry best practices in seeking to maximise long-term returns*
- *Publicly available information suggests the Australian sovereign wealth fund lags best practice across investment, engagement, disclosure and governance relating to climate risk*
- *The report recommends clearer guidance for reporting, and an expert review to examine updates to the Fund's mandate and Statement of Expectations*

Thursday 8 December 2022 – Clearer parliamentary guidance can ensure the Future Fund meets its obligation to industry best practice on climate risk, a report from independent public policy institute the Centre for Policy Development has found.

The report *Investing for Australia: Clarifying climate risk expectations of the Future Fund* recommends an expert review panel consider updating the Fund's Statement of Expectations and Investment Mandate to enable it to disclose and manage climate related risks and opportunities in its investments. The report also recommends Parliament request the Fund issue climate risk disclosure.

The report used publicly available information to compare the Fund's climate risk disclosure and management with global counterparts and investment industry practices. The relative fragmentation of publicly available information about the Fund's climate risk response presented a barrier to assessment in some areas.

The analysis measured progress against the Investor Climate Action Plans (ICAPs) Expectations Ladder - a tool developed by investor groups, the UN and the Principles for Responsible Investment. Gaps were identified across the Fund's response to climate risks in target setting, corporate engagement, industry collaboration and governance.

The report comes as the Federal Government prepares to strengthen climate risk reporting across the Australian market.

Centre for Policy Development Sustainable Economy Director Toby Phillips said that ultimately climate risks in the Future Fund were borne by taxpayers.

"The Future Fund invests on behalf of all Australians, and is required to observe investment industry best practice in how it does that," Mr Phillips said.

"As citizens of a country with a lot to gain from energy transition and a lot to lose from climate inaction, Australians will naturally be concerned by these findings.



“With almost a quarter of a trillion dollars under management, the Future Fund is a major institutional investor acting on the global stage, and it’s reasonable to expect them to play by the same rules as other major investors and asset managers on climate risk.

“Global investors and capital markets are developing sophisticated responses to climate risk. By providing clear, unambiguous, expectations around climate risk, we can show leadership and put Australia’s sovereign wealth fund at the head of the pack.”

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