MUTUAL BENEFITS

Investors pushing investee companies to achieve higher sustainability ambitions are driving important change in their portfolios. Directors who act first are likely to capture the benefits, says Clean Energy Finance Corporation CEO Ian Learmonth.

CEFC is a specialist investor focused on creating new investment opportunities to accelerate emissions reduction. We work with Australia's largest companies, entrepreneurs, institutional investors, fund managers, family offices, developers and regulators.

In a rapidly changing business environment, critical themes are emerging. Firstly, climate change is increasingly mainstream as a director responsibility, touching on strategy and risk, regulatory disclosure, shareholder expectations and the durability of a social licence to operate.

Secondly, impact investors are playing a growing and influential role, with access to deep investment pools and a commitment to preference sustainability outcomes in their portfolio choices.

Intersecting interests
CEFC investments point to the intersection of investor and director interests on climate change:

Outperforming the index: The AllianceBernstein Green MVE is an Australian equities strategy targeting superior performance in environmental outcomes and investment returns. It connects sustainability-focused institutional investors, superannuation funds and family offices with companies progressing emissions reduction.

Capturing private equity: The Adamantem Capital Fund II is the first Australian private equity fund to adopt a "cradle to grave" approach to the sustainability profile of mid-market companies. While the private equity sector is in the early stages of climate transition, with more than $30 billion of assets under management, there are enormous benefits in bringing this capital to the decarbonisation task.

Investing for the future: The Australian Climate Transition Index is the first Australian equities index with a specific forward-looking focus on climate transition and decarbonisation. Linked to a green bond issuance from BNP Paribas, it focuses on ASX 300 companies that will adapt and thrive in the climate transition.

How directors can capture investor support
The emergence of climate change as an investor issue doesn't change fundamental priorities — returns, sound governance, capital growth. But it adds to director responsibilities. Investors require greater transparency on climate risk, including scenario analyses that go beyond the best case 1.5 degrees, a matter already on APRA's agenda.

Yet there is potential upside for companies that adapt their business models to address climate change — whether in renewables, the electrification of transport, hydrogen, critical minerals or sustainable food production.

Directors who lead on these discussions can expect to attract positive attention from impact investors.

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