
REVIEWING EXPECTED OUTCOMES, NOT HISTORICAL RETURNS

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WE ARE A LONG-TERM SPECIALIST MANAGER IN ALTERNATIVES

A longstanding heritage with an established platform enabling us to become the visionary asset manager we are today.

- \$80 billion in funds under management¹
- Over 110 clients including government, pension plans, sovereign wealth funds, universities and insurers. Spanning Australia, Europe, UK, Asia, Middle East and US
- Established in 1991 by the Queensland Government to serve its long-term investment responsibilities
- Over 1000 employees with offices in Brisbane, Sydney, Melbourne, New York, Los Angeles, Cleveland, San Francisco, London and Copenhagen



● GLOBAL INFRASTRUCTURE

● GLOBAL REAL ESTATE

● GLOBAL PRIVATE CAPITAL

● GLOBAL LIQUID STRATEGIES

● GLOBAL MULTI-ASSET

¹ As at 30 June 2019. All figures in AUD.

HOW DO WE DEFINE ESG?

- Environmental, governance and social issues are a set of risks and opportunities that are often overlooked when assessing investment opportunities.
- ESG risks are broader and longer-term than the typically financial metrics usually considered in investment decision-making

Environmental

- Resource scarcity
- Energy consumption & security
- Carbon emissions
- Climate risk
- Air, water & waste pollution
- Impacts on biodiversity

Social

- Workplace health & safety
- Labour relations
- Social license to operate
- Human rights in supply chains
- Data privacy & protection
- Community impacts

Governance

- Board composition, e.g. tenure, skill, diversity
- Shareholder rights
- Independent auditors
- Appropriate internal controls
- Bribery and corruption
- Executive remuneration

HOW YOU USE ESG MAKES THE DIFFERENCE

ESG means different things to different people. What one investor is looking to achieve by integrating ESG into their investment may be entirely different from what someone else wants.

ESG approaches

| | | | | | |
|------------|---|------------|--|-----------------|----------------------|
| STRATEGY | Norms based exclusions | Exclusions | - / + screens | ESG integration | Corporate engagement |
| | Ethical / values based | | ESG integration | | |
| OBJECTIVES | To align investments with specific ethical criteria; secondly to deliver investment performance from a screened portfolio | | Financial performance is the primary objective, recognising that ESG performance and financial performance are connected | | |

WHY DO WE CONSIDER ESG?

There are different objectives and motivations for integrating ESG considerations into investment decision-making.



CONSIDERATION SET

- Consideration of externalities often overlooked in investment process
- Longer dated risks and opportunities
- Consideration of non-financial, systemic risks



SOCIAL LICENSE

- Broader impacts on environment and communities
- Takes into account sustainability of business activity



COMMUNITY EXPECTATIONS

- Keep pace with evolving community expectations
- Responding to current issues



VALUES

- Incorporate values into investing
- Avoiding/ engaging with companies that are inconsistent with values

QIC'S APPROACH TO ESG

QIC believes that environmental, social and corporate governance (ESG) have a material impact on long-term investment outcomes and each investment team incorporates its own ESG process to investment decisions

Approach

- QIC considers **ESG factors in all of its investment decision** making processes and became a signatory to the United Nations Principles for Responsible investment in 2008
- Supporting the overall strategy and governance initiatives is an **ESG framework** to address what QIC believe are the most material ESG issues for its investment portfolios
- The materiality of **ESG risk and opportunities vary across asset classes**, regions, sectors and companies and QIC's Responsible Investment Policy and ESG framework recognises that each asset class needs to adapt its approach to ESG as appropriate
- Each **investment team has its own process to integrate ESG** however have a common goal to make better **informed investment decisions that promote sustainable markets** and societies whilst delivering on QIC's long-term investment obligations



"As an investment manager, our aim is to deliver innovative yet pragmatic ways to integrate ESG considerations across the full range of asset classes we invest in and to keep pace with the expectations of our stakeholders"

Damien Frawley, QIC CEO

ESG Exclusions

Since 2015, QIC has excluded securities involved in the manufacture of **tobacco, landmines** and **cluster munitions** from listed equities and fixed income investment portfolios. Exclusions are applied as far as practically possible and are not generally applied to derivative indices.

In addition to globally accepted **negative screens**, QIC Global Liquid Strategies **also applies positive screens** to its investment decisions, looking for trades where the market may not be pricing in anticipated improvements in an issuer's ESG practices.