



QUEENSLAND
FUTURES INSTITUTE



BETTER IDEAS

**ESG - DRIVING FUTURE INVESTMENT
IN QUEENSLAND**

Better Ideas

ESG - Driving Future Investment in Queensland

Wednesday 7 September

7:30am – 9:00am

Customs House,

399 Queen St, Brisbane

PANELISTS:



SPEAKER: MIKE KAISER

Director-General

Department of State Development,
Infrastructure, Local Government and
Planning



CR ANNE BAKER

Mayor

Isaac Regional Council



KATE FARRAR

Chief Executive Officer

Brighter Super



MARK GIRARD

Managing Director

Client Division
Queensland Treasury Corporation



JAMES LANE

State General Manager

Business Banking, ANZ



TOM METCALFE

Chief Executive Officer

Cleanco Queensland



**MODERATOR:
KARINA COLLINS**

National Leader

KPMG Strategy
KPMG Australia

Snapshot

The key theme from the 2022 Queensland Futures Institute's Forum on ESG Driving Future Investment in Queensland was the global demand for organisations and governments to do more to meet environmental, social and governance objectives.

The discussion considered Queensland's positioning as a mining state and how this may represent a risk as companies implement ESG initiatives and as the energy transition advances. The panellists agreed that this risk can be managed and that the Queensland Government has further work to do in enabling ESG practices across industry, to provide economic and social benefits for Queensland.

Summary of Comments

- Global trends and consumer demand is driving industry to improve ESG credentials and practices. The Queensland Government must ensure adequate policy settings to facilitate this shift.
- ESG should not be simplified to environmental issues – the social and governance factors are equally important. These issues must therefore be addressed together by industry and implemented through state development by government to achieve positive economic outcomes for Queensland.
- Every industry has a role to play in meeting social objectives – through either customer and stakeholder engagement, community and First Nations engagement, or in considering workforce and jobs opportunities and outcomes.
- The energy transition should be a key focus of the Queensland Government, particularly given the state's current strengths in mining and thermal generation. If done right, this will bring economic and community benefits to the regional communities which need them most. The upcoming energy plan will explore this further.

Summary from Speaker



Mike Kaiser, Director-General
Department of State Development, Infrastructure,
Local Government and Planning

- There has been a global rise in consciousness around ESG. The industry's attitudes towards this have significantly shifted in the last decade. Today, ESG strategies and implementation is abundant across the global environment. However, it is easier to talk about ESG than to implement it.
- A recent study by PwC found that 70% of ASX200 companies have sustainability strategies, but only 21% are using sustainability as a driver of core business.
- While compliance is core to businesses demonstrating ESG practices, this should not become a checkbox exercise, but rather must be incorporated into businesses ethical behaviour, culture and corporate responsibility.
- We are seeing a shift from the traditional capitalist model, moving from a shareholder primacy perspective to a broader stakeholder-centric approach.
- Queensland has an opportunity to leverage this global trend and meet all elements of ESG. For example, the Queensland Government's energy plan can leverage environmental objectives around decarbonisation of the energy industry, while providing significant economic opportunity and state development.
- Queensland's private sector is also well-placed to leverage ESG credentials and meet customer demand for sustainability. Additionally, the social elements, such as fair wages and working conditions, First Nations involvement, and other social safeguards, are equally important for businesses to deliver.
- The critical minerals industry is a good example of being an opportunity to meet ESG credentials, by leveraging Queensland's existing strengths, contribute to the energy transition, and provide strong employment opportunities while building the state. The industry is also seeing demand for guaranteeing origin of minerals, and this has been met by local innovation by Ever Ledger, using blockchain to trace provenance and meet customer demand for this (allowing customers to meet their own ESG compliance requirements).
- Queensland's reliance on coal and mining and the associated reputation around this should be considered in the context of how this impacts investment in the state. It is important to understand if this contributes to the attitudes of industry towards Queensland and if so, what can be done to address this.

Comments from Panel



Mark Girard, Managing Director Client Division, Queensland Treasury Corporation

- As of July 2022, the size of global sustainability debt markets was approximately \$5 trillion.
- Queensland Treasury Corporation is the state's central financing authority which works very closely with Queensland Treasury and the Queensland Government to raise capital and lend money to local governments and Government Owned Corporations. Our balance sheet size is approximately \$100bn.
- In 2017, QTC issued its first green bond, and today remains a leading semi-government issuer of green bonds in Australia, with around \$7 billion worth of green bonds on issue. This comprises about 6% of QTC's debt on issue. QTC also has nearly \$17bn of assets with green credentials and expects this to grow further. The 2017 green bond issuance was \$750mn and was oversubscribed, and more recently last year, QTC issued \$3bn in bonds with maturities ranging from 2024 to 2032. This makes QTC one of the largest green bond issuers compared to other states. In 2021, QTC also collaborated with the Queensland Government on its inaugural Sustainability Report. Among Australian states, Queensland was one of the first to release a dedicated whole of state Sustainability Report.



James Lane, State General Manager, Business Banking, ANZ

- While ESG is well exemplified in the context of the energy transition, it is much broader than this. For ANZ, it is best reflecting in three areas: financial literacy, housing affordability and sustainability. The bank plays a role in ensuring access to affordable housing and the financial wellbeing of customers and vulnerable cohorts.
- Additionally, with a workforce of 30,000, employee wellbeing, diversity and inclusion is also important.
- ANZ has 8.5mn retail and business customers and supported these customers throughout Covid, and recent weather events (bushfires and droughts).
- The bank has played an important role in ensuring the wellbeing of communities. Further work is currently being undertaken on the Reconciliation Action Plan and other work, which will see First Nations bankers supporting First Nation communities and customers, will strengthen the business proposition around this.
- ANZ is also supporting the investment environment in Queensland, recently investing in a deal which will see the bank have an increased contribution to the state's development over the next decade, leading to the Olympics, supporting state development, high migration and the agriculture industry.



Kate Farrar, Chief Executive Officer, Brighter Super

- Brighter Super was formed after merging LGIA Super, Energy Super and more recently Suncorp Super. The fund now has 260,000 members and \$130bn funds under management.
- ESG is broader than climate. Brighter Super has recently improved its ESG policy, using principles which position ESG as a value driver rather than just something driven by values. Brighter Super's primary duty is to deliver outcomes which are in members' best financial interests, which involves considering long-term risks.
- Brighter Super utilises an outsourced approach and work with investment managers. As such, the most important role they play is in the review of managers' investment process, which has been rapidly advancing in sophistication.
- Active stewardship is also a key component of the ESG policy; divestment is not used as a strategy, nor does Brighter Super screen (except in socially responsible investment products). By being involved in a company's development instead of divesting, there is an opportunity to earn an active alpha component of return.
- There is also an important role for Brighter Super to play in the social transition – particularly in coal communities – where ensuring that a just transition forms a core tenant of Brighter Super's stakeholder engagement.

Comments from Panel



Tom Metcalfe, Chief Executive Officer, CleanCo Queensland

- CleanCo is one of three government owned corporations and holds a portfolio across electricity generation and retailing in the state. This comprises 1,000MW of generation – including the largest pumped hydro facility in the state – Wivenhoe (500MW), and about 150MW of hydro generation in Northern Queensland.
- CleanCo has another 1,000MW of wind and solar under long term power purchase agreements. These projects are under construction and expected to go into service in the next couple of years. The electricity industry clearly plays a large role in delivering the environmental elements of ESG.
- The Queensland Government's Renewable Energy target is 50% by 2030. In the last 12 months, about 21% of the energy that this state used was generated from renewable sources. This means an additional approximately 10GW of generation will be needed, on top of the current 7GW which is comprised of 4GW of rooftop solar and 3GW of utility-scale renewables. This will likely require a sizeable buildout to 2030, and an additional tripling of today's capacity to meet Net Zero targets.
- Electrification is also key to the transition – this will impact many industries such as transportation and agriculture – and ultimately impact the amount of new supply needed. This will put additional demand on firming assets, such as Wivenhoe and Swanbank.
- This demand for green energy is putting pressure on supply chains and developers to deliver the required projects. It is also important to build the transmission required to unlock these projects at optimal locations. This requires working with impacted communities and developing broader engagement strategies to consider how these projects will deliver jobs, economic development, and First Nations engagement.



Cr Anne Baker, Mayor, Isaac Regional Council

- Our coal mining regions face a transformational change that will be beyond the economic capability of local councils to manage alone and it is important that we plan early for the end of mine life and the global climate change response.
- That is why we are advocating for the creation of a statutory authority to assist Coal mining regions by energising existing community capability, leading collaboration, supporting innovation and ensuring the global benefits of decarbonisation are not achieved at the expense of mining communities.
- The effective management of this change is critical not just for the coal mining regions but for all Local Government Areas supplying to or reliant on the economic output of coal mining.
- Large scale mining and energy/renewable projects bring economic benefits they also bring social impacts that if left unchecked can tear at the fabric of our regional communities.
- ESG plays a vital role in helping local government deal with the impacts associated with resource and energy projects and gives us an opportunity to push for better outcomes for our communities.
- Strong ESG policies and frameworks provide government with the ability to hold companies accountable for their impacts while ensuring social and environment sustainability is at the forefront of their operations.
- For Queensland, if ESG is used correctly and has input from communities that host these projects, it can position Queensland's resource and energy projects as best in class.
- Doing this will make these projects more viable and attract 'Ethical Investors' which in turn delivers a thriving future for Australia and our regional communities.

Panel Questions

Question 1:

How do Queensland's ESG credentials impact enterprises, industry, and customers' attitudes towards these businesses?



Mark Girard

- Queensland's ESG credentials are rated by Morgan Stanley Capital International (MSCI), similarly to the rating process undertaken by Standard & Poor's and Moody's. MSCI rates ESG for sovereign and semi-sovereign entities based on their ESG performance.
- The Queensland Government can be applauded on its approach to governance and policy settings around ESG, and the creation of entities such as CleanCo, to contribute to emissions or renewable energy targets. This reflects well in the MSCI rating and places Queensland as a leading state in Australia.
- The current invasion of Ukraine by Russia and the response from businesses to this is an example of how global businesses decide where to do business. As ESG frameworks develop across jurisdictions globally, this will continue to impact where businesses invest and locate.

Question 2:

How can industry leaders support SMEs in delivering on ESG?



James Lane

- ESG has gone from being viewed as a cost impediment (particularly for SMEs) to being viewed as a cost that they must bear to reduce their costs; ESG is a short-term cost which leads to longer-term economic and commercial outcomes.
- For SMEs, customer demand is now a large driver for the need to invest in ESG and sustainability initiatives, particularly in hospitality and food, which flows through from agriculture and export market considerations – such as ensuring the entire supply chain meets consistent ESG standards. As such, there is a growing need to work collaboratively across supply chains to ensure compliance.
- An example of this is the recent work of ANZ in partnership with Clean Energy Finance Corporation to fund 30 Teslas for a car hire fleet. This was beneficial for the customer in receiving a discounted rate and more flexible credit terms. A similar example can be seen in New Zealand where green loans are available for sustainable homes.
- There has also been innovation in succession planning, as mindsets have changed around how improving ESG standards can benefit the bottom line. For example, farmers have built-in innovation and technology solutions to address weather risk, better adapting to operate through droughts and ultimately benefiting the bottom line of their businesses.
- There is an abundance of capital and SMEs ready to take this journey, and this must be supported by larger organisations.

Panel Questions

Question 3:

What role can the Queensland Government play in balancing the risks of, and the investment value provided by, incorporating ESG into business practices and into the state's positioning?



Kate Farrar

- It is important to understand what the Queensland Government and the state more broadly can do to incorporate ESG, and what the medium-term risks are in this transition. The Queensland Government should therefore take a risk-based approach. Doing this is also important for Brighter Super given their fiduciary duty to provide members with best financial interest.
- Scope 3 emissions will also need to be included given this is a key risk to ESG across the supply chain.
- The transitional authority must consider community and workforce impacts, and how to best monitor, measure and remediate this as needed. For example, in thinking about the risks and benefits for communities, it is important to consider the reskilling of the workforce needed over the transition.
- In thinking about the energy transition and the increased demand for firming assets, we must consider the use of our current strength in gas and its export, and the economic opportunity this may play in an orderly transition.

Question 4:

How does this link in with the energy transition you described?



Tom Metcalfe

- In addition to transmission, we must invest more into firming assets – this includes both shorter term storage – such as 2 – 4-hour batteries – and longer-term storage such as pumped hydro. Gas will also remain relevant as a transitional fuel.
- As a closing comment, I think as individuals we can all contribute to ESG by further educating ourselves on these issues.

CORPORATE PARTNERS



MEMBERS



MEDIA PARTNER





QUEENSLAND FUTURES INSTITUTE

FOR FURTHER INFORMATION

Steve Greenwood | Chief Executive Officer
steve.greenwood@futuresinstitute.com.au

www.futuresinstitute.com.au
Level 11, 111 Eagle Street Brisbane QLD 4000