FORGING ASSET OWNER ALLIANCES FOR CAPITAL DEPLOYMENT: BRAZIL AND BEYOND

Dan Carol 01:13

Welcome to the very last session of our first ever São Paulo Global Investors Symposium, and to day one of COP 30, which is happening and beginning in Belém right now, as Brazil takes the mantle of leadership with a great theme—a decade of implementation. So forget doom and gloom for the world in 2050—we just saw, in part one of our closing plenary, a great group of leaders who are busy deploying and focused on project investments and opportunity right now. Part two brings more all-stars who are building new investor and asset owner alliances to address scaling challenges and resolve key friction points to accelerate and drive deal flow this decade. Quick setup on this—despite all the purported headwinds around climate and ESG, multiple studies show that investors are still leaning into investing. It's up 12 percent globally this year. Why? It's basic math—physical and systemic risk, the insurability crisis and other disruptions are driving opportunity. The public also gets it. They don't want investors to be shy. New polling that the Milken Institute released today with The Harris Poll in seven countries—including Brazil and the US—is calling for investors to speak up more. Even 77 percent of young people who care about climate want investors to speak more about the economics and optimistic future that that provides. So let's get after it. I'm going to start with Anna Murray. Anna, you head up Global Sustainability for major pension fund Ontario Teachers' Plan. What brings you to Brazil? What's driving your investment strategy these days—despite all the disruption—as we enter, maybe we could call it the age of adaptation.

Anna Murray 03:09

Thanks, Dan, and thanks for having us here today. So a little bit about Teachers. We — we're not your usual pension fund. We have approximately 270 billion worth of assets under management globally, and 80 percent of those are managed in-house. Now, approximately 40 percent of that is in direct private markets. So if we take a step back and look at our mandate, it is to provide stable, risk-adjusted returns for over 340,000 teachers. We've been fully funded for over 10 years, and part of that reason is because of our robust approach to risk management. We have fiduciary discipline, and part of that is understanding how to integrate climate risk and energy transition opportunity across the asset life cycle. So when you look at the conversations and decisions that are happening at COP, they can impact policy, regulations, capital allocation. So as a long-term investor, we want to be part of those decisions — part of the conversations — part of the shared learning and dialogue. And like any big, challenging topic, you want to avoid a myopic viewpoint. You want to make sure you're having discussions across industries, across geographies, to really get to the nuts and bolts of what the challenges and opportunities are. And there's no better place to have these conversations than at COP.

Dan Carol 04:37

Awesome. Kirsten Simpson, Head of Responsible Investing at Future Fund in Australia. Same question for you.

Kirsten Simpson 04:45

So I'm here in Brazil. I've been here for the last week at the PRI Conference — here today, tomorrow I have meetings with Brazilian economists and the Central Bank, and then I'm off to Belém to spend the rest of the week at COP. In terms of our investment strategy — we are Australia's sovereign wealth fund. So we invest for future generations of Australians. We run around 330 billion Australian dollars through our funds. We run a completely outsourced investment model — so we, all of our investments are through external asset managers. In terms of ESG and climate, we run an integration model — so we are a returns-first investor. So everything that we do needs to be grounded in our fiduciary duties. Climate is, however, embedded in our investment strategy, alongside big thematics like geopolitics, demographics, polarization — all the big things that we're seeing in the world. Climate is actually no different, and we don't think about it any differently. It's part of our New Investment Order Framework that informs our investment strategy. We are the second largest investor in renewables in the Australian domestic market. Already, we have an Energy Transition Team internally who are working to identify commercially viable transition opportunities in the domestic market in Australia — and this helps us align with the National Energy Transition priorities that we've been given by the Australian government. This year we also worked with the Board to refresh our Climate Strategy and our Responsible Investment Beliefs, and climate and nature are specifically called out in our Responsible Investment Policy, and that frames the work that we do in that space.

Dan Carol 06:46

So I want to push that a little bit. Kirsten, you know, there's been a big announcement by Brazil—the Tropical Forest Finance Facility—a lot of discussion around nature. Would you describe yourself as a nature-curious investor, and what will make you more of an investor?

Kirsten Simpson 07:02

Personally, I'm very nature curious. I studied Natural Sciences and Earth Sciences at uni, so it's always been a big part of my life. And I worked on the Natural Capital Declaration, which was the very early formation of the TNFD. I am so excited that nature's time is now in terms of investment, because it really brings to the fore all of the things that I think are really important into the investment discussion. As I mentioned, we've been working on climate for quite some time now — in terms of our investments — but our thinking around nature and biodiversity at a systems level is nascent. Like most investors, we have for a very long time, though, embedded nature and biodiversity considerations into our stewardship — and our investment managers also do some really great work in this space — and we do already invest in forestry, where we have discussions around preserving biodiversity and thinking about building climate resilience into those investments. But there is a lot more work that we need to do to spark curiosity with our investors. Nature is not just a risk, but also an opportunity as well. I do think that nature provides an incredible model for systems thinking. So ecosystems themselves are inherently complex and interconnected — there's rich feedback loops. There are a lot of parallels between how we think about nature and how it operates — and markets — and how we invest. So it's my plan to use this systems thinking to spark curiosity within our investment team moving forward.

Dan Carol 08:54

Maybe nudge a few of your asset managers as well. So Régine Clément, CEO of the CREO Syndicate, a very important, influential organization of major families that are interested in sustainability and opportunity—as you hear from Anna and Kirsten, what are your reactions, and what are you guys doing to kind of accelerate climate capital deployment?

Régine Clément 09:18

Thank you, Dan. Great to be here. So within our network, we have about 210 family offices we work with. To be part of our network, you have to be investing in climate. Some of these families have been investing in climate for decades, especially in the US and the EU — the great news, like we've come a long way. We are also seeing many more families coming into the space and from regions that we haven't really interacted with that much in — call it the first five to eight years of CREO. So a lot of families joining from LATAM and joining from APAC and Australia as well. So it's really good to see this increase of interest. Families represent about 10 trillion globally under management — we work with about a trillion AUM in doing this work. More recently, under the partnership with Milken, ILN and Upswift that we launched at COP 29, we undertook to understand how institutional asset owners — what were the drivers for integrating climate considerations into their investment practice, and how they're doing it, and the what — like, what does the strategy look like, and especially with the headwinds that we're facing today. Our question was, are they, you know, course correcting? And we have two examples here — clearly not course correcting — definitely moving forward with investments. We interviewed 14 across different geographies and different institutional asset owner types: pension funds, sovereign wealth funds, and insurers. And I guess the punch line is that they're not course correcting either. Now clearly these are the leading institutions who have been doing this work for some time — but given what we hear in the media and the news and kind of this question about, are they retracting? — we feel confident that they are not, which is great news. So some of the key findings from the interviews: One — it was really interesting to hear that all of them have integrated climate both on the risk side and the opportunity side as part of fiduciary duty — end of discussion. And so we have heard in the past that you cannot do climate because of fiduciary duty — I would say that is no longer the case, and we need to spread that narrative. Second — the practice is evolving, and it's becoming a lot more comprehensive. So whereas back in 2015, 16, 17, we were seeing really Net Zero commitments with carbon reduction as the goal — we're now seeing strategies that include decarbonization as the goal, and with activities such as a lot more engagement with portfolio companies and assets. Also voting to — frankly — kick out directors out of boards who are supporting anti-climate activity through different trade associations, for example. And obviously voting on the proxies and investing in transition. So it is now considered okay — and it wasn’t that long ago that it was not considered okay — to buy a dirty asset to transition it. Today you can buy coal to transition it. So that’s really an interesting evolution. On the opportunities side — so this is the decarbonization being married with investing in opportunity. And we're seeing, you know, green solutions and renewable energy, of course, and all the next technologies that are, you know, close to commercialization, but also nature, adaptation, resilience, and even enablers. So we're starting to see institutional asset owners invest in the enablers for the transition — things like thinking about critical minerals or even the service industry to support this transition. The other point that we found really interesting is that the integration is quite deeply embedded. There's different range of how deeply it is embedded, but for this reason, we really think it's going to stick. We've seen examples where the work started from a top-down — so CEO / CIO wanting to lead with this — and then it trickles down across the organization. Versus a bottom-up — we've seen examples where it really started with the investment teams, nothing to do with a commitment, having everything to do with seeing opportunities in the marketplace and wanting to get ahead of the game. And we're now seeing those two approaches consolidating towards the middle. So we're seeing in best practice that there is a sustainability team alongside leaders within the asset class teams to actually deploy on the opportunity side. Peers and partners are critical. So what we've noticed is a lot of the leaders really rely and engage with their peers to learn — because there's still a lot to learn, and it's evolving quickly — and finding the right partners and trusted partners enables them to be a little bit more innovative, and to look at whether it's emerging markets or emerging types of investments. The last thing I'll say is — it was surprising to us that some of these leaders don't have commitments. And they're very much a bottom-up approach.

Dan Carol 15:16

Sorta a Nike "just do it."

Régine Clément 15:19

Yeah, exactly — they're doing it — and but where they, you know, sometimes — or what they have noted — is it's very important to tell the story. So even if you don't have a particular decarbonization commitment or $1 deployed commitment or target, you have to be ahead of the game to control the narrative of the work that you're doing — to avoid, you know, being put in greenwashing land.

Dan Carol 15:43

Amazing piece of work, and so interesting. Oh, please.

Anna Murray 15:47

I'm just gonna say, Dan — if I may. I wanted to underscore something that Régine said, which is truly, if there is one takeaway from the last two days that many of us are hearing, is that, with a sophisticated investor — what a lot of these headlines are claiming are rollback of a climate strategy — is actually a move towards a more sophisticated approach. And so some of these strategic moves are being mischaracterized — when really, if you are looking into the detail of these approaches, as Régine / CREO have done — you'll see a significant amount of active engagement that is focused on — and what's critical here — real world impact.

Dan Carol 16:31

Look, I think it's really interesting that the finding that long-term systemic risks — our Milken Fellow, Hiro Mizuno — talks about as a driver now of an opportunity conversation is key. I call it, inelegantly, the "Snakes on a Plane" problem, where — if you know that terrible movie with Samuel L. Jackson — there's a lot of risk in your portfolio. It is driving people — but as you found, and you just said — it's actually driving interest in the opportunity around that. So I want to go to Amy Hepburn next. Amy is the CEO of the Investor Leadership Network. You just chaired a very unusual meeting of the partner groups that have come together around what can asset owners do more alongside governments and jurisdictions to drive the conversation around capital deployment. You want to talk about ILN and the work.

Amy Hepburn 17:21

Yeah, absolutely. So hi everyone, and thanks, Dan, for having us — and the Milken Institute. I have to say — just before I start — that I can't tell you the last time I was on a finance-focused panel that was all female, so [inaudible].

Dan Carol 17:38

I'm here for diversity reasons.

Amy Hepburn 17:41

Dan, you're the token on the panel, right? No. So I have to say — this is super fun. And you know, you've got incredible intellect on this panel, so super excited to join them here. So — who is ILN? I'll tell you a little bit about us, if you don't already know. The Investor Leadership Network was founded during the 2018 G7 — it was actually under Canada's leadership. At that time, Canada also took the presidency this year. So in that period of time, a couple of the key Canadian pension funds came together and said, How do we support the values of the G7 under Canada's presidency? That initiative has now steamrolled into a collaborative — an investor collaborative — that represents 13 of the largest, most influential institutional investors across the G7, representing over $10 trillion assets under management, invested across every asset class in every region.We continue to have our three areas of focus that we started back in 2018 — and that is on climate, talent, and private capital mobilization in both emerging and developed contexts. And so that tells you a little bit about who we are. You know — as you said — I was focused on a couple of the, you know, points picking up on my colleagues here on the panel. One is that private capital in climate finance is not in retreat. That's exactly what you're seeing. Yeah, I know the headlines — and I know sometimes those headlines like to grab your attention — but it's not. And particularly when you look at our members who come around the table at ILN — it is absolutely core to business. It's part of the fiduciary responsibility. It's part of maximizing your opportunity and investment. It's part of managing your risk, as you've said. And actually — I'll make a plug for the paper Régine was just speaking about. I don't — can they get it off your website? It just was released today — how did they get it? Website? On the website? So — get it — go, go check it out on the CREO website, because it's excellent. Kudos to CREO, and kudos to Régine for bringing a high level of intellectual caliber to how she spoke with institutional investors and is collecting this information to provide a better level of understanding to all of us here — across sectors — on how investors are integrating this into their investment systems, ethos, and practice. And so I think it's a really important conversation. You know — maybe the other thing I'll say is — ILN is really focused on partnership and collaboration. That's the name of the game. And we see that as going forward — that, you know, collaboration is the new competition. As you look forward at the issues we are trying to tackle here in Belém, globally, in our country, in our home countries — it is only — we are only going to move forward through collaboration. And so that is something that is absolutely key to the way that ILN works — not only collaborating across our financial institutions that are members, but through partnerships. Like — we partner with Milken. We're partnering with CREO. With the One Planet Sovereign Wealth Fund — in terms of really trying to build best practice and understand, share data, and really try to level up our learning so that we are the best possible investors in the climate space. And I will say also — which I think Anna highlighted, Kirsten highlighted, Régine, you pointed out too — the diversity in our approach to investing in the transition is our strength. Right? We don't want a one-size-fits-all. So I think that's something that we want to double down in as well — is that understanding how we are working differently, but what we can still learn from one another is really, really important. And I think we should not overlook that with the simplicity of this is how we all need to act. So I think that's really important. And then — you know — maybe in closing, Dan, I would just like to highlight another really exciting partnership we have, which is outside of our private investor network — which is — I see Lori Kerr, who's CEO of FinDev, Canada's development finance institution, in the audience here. ILN partnered with FinDev at the deliverable of this G7 — again under Canada's presidency — to launch the first ever Investor Infrastructure Council for the G7, which is meant to bring together the heads of the DFIs alongside the heads of our private investors, to work better together — from one G7 to another — to actually try to come up with solutions that are going to work to unlock capital in the blended finance space, in emerging markets and beyond, things that will actually have absolute replicability in the developed context. So — I think we have to think differently about how we partner. But there is no question we need to partner.

Dan Carol 22:00

You know, in the Chatham House session that we had earlier today, I think one of the things that came up was how to provide more signals and direction to asset managers. This matters to us — we have Snakes on a Plane, we have risk — we want to look in these different areas, we're nature-curious, etc. So — switching gears a little bit — Anna Murray, a group of us are going to Belém over the next couple of days and will be participating in an Asset Owner Dialogue with the COP Presidency. When you're with the COP President, what do you think you're going to be saying and suggesting?

Anna Murray 22:36

Thank you, Dan for that question. —for the inadvertent platform. I will just say, first — a kudos to Amy and ILN for navigating the last few years in incredibly turbulent waters and to shepherd 13 or 10 to 13 trillion worth of AUM on climate and other topics has been nothing but a feat. So kudos to you and team. Our messaging — what we want to talk about, the conversations we want to be involved in — are really twofold. So the first is an acknowledgement that we are living in incredibly complex times, right? And so decision makers are under a lot of pressure, whether it's trade considerations, geopolitics, increasing polarization and the like. As a long term investor, climate risks are material and enduring to our portfolio — full stop. The second part is around what our role as an asset allocator is, and there, there would be two parts to that, from our standpoint. The first — and what we had mentioned before, where we have over 40 percent in direct private markets — is the role we can play on real world impact and partnering with our portfolio companies on their decarbonization journey. We're starting to see more and more of that, as Regine rightly pointed out, and what that signaling is that we are, and we continue to move away from the virtue signaling that was so common and so consistent in the climate conversations of, say, five years ago, towards now, what is evidence based pragmatism. So we really want to hone in on what that means — and that can look differently to different investors, as Amy rightly pointed out. The second part is around capital allocation — so being mindful of not too narrowly defining where we should be allocating capital, because if all the money is only going into already green or already Net Zero assets, then there is the risk of starving the energy transition of much needed capital. So the sophisticated investor is starting to look at things, and has been looking at things like manufacturing, supply chains, infrastructure and what is required to further the energy transition — further and further and faster, and we've heard topics of scalability and urgency. And the message truly is that we can have meaningful climate impact and attractive returns at the same time.

Dan Carol 25:13

Awesome. Kirsten, I want to go to you.— I'm going to do the Australia teaser later, but you're going to be in Belém for another several days. What is your— what's the Kirsten message?

Kirsten Simpson 25:24

I think for me — it's an opportunity to listen and learn. I will be spending a fair bit of time at the Australian Pavilion, engaging with my key stakeholders, but also participating in some of the Finance Day discussions as well. For us — it is very much just having a voice at the table and being heard in terms of what we're interested in and what we're progressing.

Dan Carol 25:56

So, Régine, our little investor alliance started in Baku, and you made the journey to Baku. Others are — are going upriver to Belém. Do you have any advice on how to talk to the COP Presidency — what works with them? Do we use bullet points? Do we just listen — something in between?

Régine Clément 26:17

Yeah, I think listening is always important if you're going to partner — because you need to understand what your partner is looking to do. But I think — you know — I think we need to bring the discussion to more details, like with [inaudible]. No, because at the end of the day, it's like, what is it that we're trying to do together, right? And for private investors, it needs to be in the money — right again — regulated, and fiduciaries have to be investing in things that do make returns. And governments can play a really important role in that work, including through procurement policies. I know it's a little hard on the policy front in some places in the world today, but these things matter, and so I think it's important that we go there with some real asks.

Dan Carol 27:17

So, Amy, we've been talking a little bit about this idea of — how do we, how can investors contribute to sort of it? We've just wrapped up the Baku-to-Belém Roadmap with some exciting new areas — nature, etc. — in terms of building a Brazilian Beyond Roadmap and getting more investor inputs into the COP 31 process. And, you know, to the public at large — what are some of the elements that you think should be a part of that?

Amy Hepburn 27:44

Yeah, well, you had mentioned, Dan, earlier that, you know, before this, I had come from a side event that was a collection — a converse — really rich conversation with asset owners and other investors around what to do. And in that meeting, Hiro Mizuno said — he said, You can't price ambition. You can't price it in. And the truth is, this is the Implementation COP, right? You can price in risk, you can price in opportunity. We need to be focusing on how we — as you said — move forward. Like, move beyond the platitudes, move beyond the high-level conversation, and actually get down to the brass tacks now that, as Anna pointed out, we're having a very real conversation as investors around this being core to business and fiduciary. So the business argument around investing in climate is not a fringe argument — it is central to the conversation. And I think there is an opportunity, as you both have said very well, to do well and to do good — right? And the sense and the time is now. We don't really have this extended timeline to keep talking about it and spinning in committee about what needs to happen next. And so I think — maybe — I would end by just saying, you know, Rich has talked often around the deficit of hope, right? Are we having a deficit of hope in the climate space? And particularly, you know, in these conversations? And I would say my last 24 hours here at Milken have made me feel extremely hopeful — extremely hopeful about how serious investors are about this conversation, how willing they are to learn and to, I would say, level up practice and to partner. But I do think if I look across sectors, that there still remains a trust deficit. There's a trust deficit between public and private when we have these conversations. So when I think about us going to, you know, Belém tomorrow, and having these conversations with the COP Presidency, I think we need to be very aware of the need to bridge this trust deficit between different sectors and actors — and how do we come together by—with a degree of clarity and humility, as you said, and understanding about how we can truly make partnerships that aren't just performative, but actually endure and are deeply, deeply impactful. Because I just don't think that we have any more time to wait.

Dan Carol 29:59

Well, Kirsten, we had hoped to make an announcement—we're going to Australia—but we may be going to Turkey, maybe end up in Van. Give us 30 seconds on Adelaide, just to know.

Kirsten Simpson 30:13

Unfortunately, I have no intel to share. Most of you will know that Australia has a bid in to host next year's COP, in collaboration with the Pacific. If we are successful, it is a great opportunity to unlock capital and to show the world what we've achieved to date — and what's next — as we transform our economy in Australia. It's also a great opportunity to shine a light on some of the really important challenges that we're facing in the region. The Pacific has a really long and impressive track record when it comes to climate leadership — but they're also on the front line of dealing with the impacts of climate change. So I think it's really important that we shine a light on that — but hopefully we'll know more soon. So, watch this space.

Dan Carol 31:11

Hopefully we will. So thank you for that. So just a few final words to wrap up our first ever São Paulo Global Investors Symposium and allow you all to head to the foyer for a lovely reception. First, a couple things on substance. You know, in the moment, in the months to come, this groups and others asset owners will be working to build this Brazil and Beyond Roadmap. It'll begin at our Middle East Africa Summit, which is happening in December. I think they're going to throw up a number of our future events where, on the road to Global Conference and beyond that, we can continue a conversation, get input and listen to, as Régine said, as many as people as possible, to get that that investor view and data sharing and more transparency going around the deal flow. And then second closing remark is just around appreciation. I want to appreciate. Thank you to our sponsors, to our leaders, Richard Ditizio, our CEO, Laura Deal Lacey, the Senior Vice President for MI International, Rod Bettini, the incredible head of the Latin American team, along with Daniella and the rest of that team, Teresa Whang, who's the Chief of Staff, but mainly, mostly to what we call our amazing São Paulo Superstars, who helped put on this great event. So thank you all for coming. Maybe see you next year. That's not my call. Thank you.