



APAC Webinar: From Fragmented ESG and Finance Data to Investor - Grade Reporting

21 October 2026

AIMA Host: Michael Gallagher, Managing Director, Head of Australia, AIMA

Speakers

- **James Cronan**, Managing Director at ESG Impact & ESG AI
- **Kevin Mitchell**, CEO & Founder at Hedge Effective

Moderator

- **Tania Large**, Head of Industry Associations at NetSuite

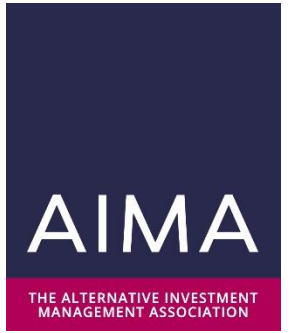


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Speakers



Speakers



James Cronan

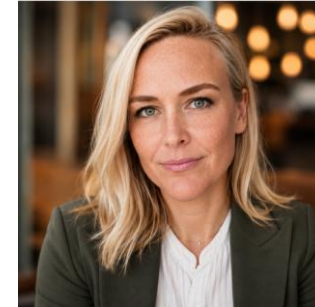
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- **Tania Large**
- Head of Industry Associations | ANZ
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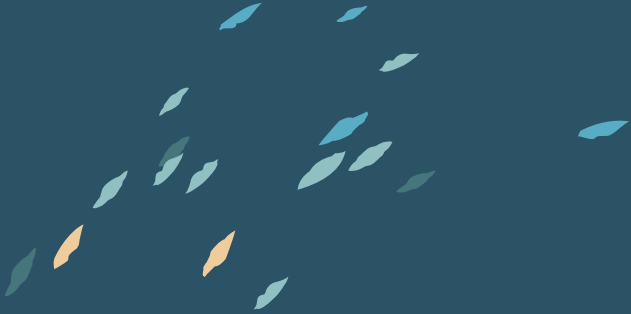
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The best data

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The best ecosystem

SDN and Alliance Partners deploying AI IP across the suite



AI your way

AI Connector brings unparalleled LLM access to NetSuite
AI-first user experience deployed in the suite – CY2026



ESG Impact

ESG, AI and Investor-Grade Reporting

How alternative managers can turn emerging climate and ESG data into controlled reporting and better investment judgement.

AIMA webinar | James Cronan | Managing Director, ESG Impact

The practical question for investment managers

When ESG data becomes financial data, can we explain it, price it and act on it?

The useful ESG conversation is not “what is our score?”

It is whether ESG and climate data can improve reporting confidence and investment judgement.

94%

of investors believe sustainability reporting contains unsupported claims

PwC 2023

91%

of managers use or plan to use AI in investment strategy or research

Mercer 2024

95%

of fund manager respondents reported using GenAI at work

AIMA 2025

Implication: ESG evidence, AI governance and investor-grade reporting now belong in the same control conversation.

Reporting confidence + investment judgement + responsible AI use

Investment managers have two ESG jobs at once

The same evidence problem appears on both sides: their own reporting and portfolio-level ESG performance.

1. Their own reporting

Investor communication	LP DDQs, annual reports and fundraising materials
Controls and assurance	Source evidence, ownership, approvals and repeatability
Entity and fund boundaries	Which funds, assets, activities and time periods are in scope

2. Portfolio and investment reporting

Portfolio company disclosures	AASB S2, emissions, transition plans and scenario outputs
Portfolio-level risk signals	Physical risk, insurance availability, funding terms and capex needs
Investment interpretation	Margin risk, stranded assets and resilience premium

Shared foundation: evidence-led ESG data

For investment managers, ESG quality is both a reporting obligation and a source of differentiated investment insight.

AASB S2 creates a new investment data environment

The reporting wave matters because it will push more comparable climate risk, emissions and strategy data into the market.

What becomes visible

Physical risks

Transition risks

Scope 1, 2 and 3 emissions

Scenario analysis

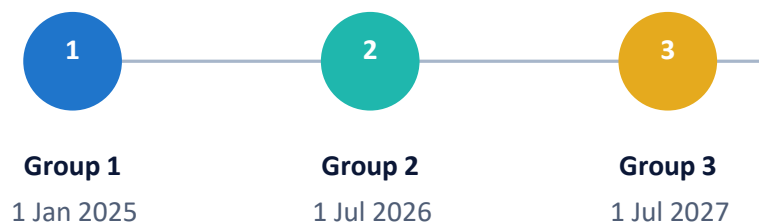
Transition plans

Financial effects

The investment question

Which risks and opportunities are already priced?

Phased start dates



AASB S2 explicitly links climate risks and opportunities to cash flows, access to finance and cost of capital.

That is why climate reporting should be read as investment data, not compliance narrative.

Insurance and funding are the climate-risk feedback loop

Physical climate risk can move through insurance markets, lenders and asset values before accounting carrying values move.



\$4.8bn

2025 Australian insured losses from declared extreme weather events

ICA 2026

294k

insurance claims from declared 2025 extreme weather events

ICA 2026

1 in 7

Australian households estimated uninsured today

APRA 2026

1 in 4

could be uninsured by 2050 in APRA stress scenarios

APRA 2026

Investor takeaway: insurance terms can become an asset-level diligence signal before accounting values move.

When water becomes an investment variable

Texas data-centre approvals show how resource constraints can move from ESG signal to financial consequence.

Investor question

What if the scarce input is not chips, land or capital, but permitted water and power?



Verified Texas anchor

- Amazon Wharton County** proposed approx. US\$10bn data-centre campus; groundwater permits reported for up to 78.2m gallons over about 2.5 years.
- Permitting gates** surface-water access for potential cooling, grid connection and environmental approvals remain distinct diligence items.
- Texas water context** UT Austin estimates data centres could account for 3% to 9% of state water use by 2040, depending on growth, cooling and power mix.

Financial reporting lens

- Delay** revenue / commissioning timing
- Design** cooling capex and energy intensity
- Capacity** available compute and growth assumptions
- Valuation** funding terms, impairment risk or exit value

Use as a diligence model: this illustrates possible pathways from resource approvals to financial reporting, not a claim of actual financial impact on Amazon.

How leading managers and platforms use AI and climate tech

The pattern is not ESG score-chasing. It is proprietary data, geospatial analysis, scenario analytics and evidence-linked workflows.

BlackRock

Aladdin Climate

Climate science, policy scenarios, asset data and financial models used to produce climate-adjusted valuations and risk metrics.

2.7M+ securities
3.5M+ geolocations

Wellington

CERA with Woodwell

Geospatial tool used by investment teams to view physical climate-risk relationships with securities worldwide.

physical risk
security mapping

AIMA managers

GenAI adoption

AIMA reported 95% of fund manager respondents use GenAI and 58% expect increased GenAI use in investment processes.

95% use GenAI
58% more
investment use

Alternative data

Physical-world signals

Investment managers use satellite imagery, web-scraped data, credit-card data, data-centre construction and power-usage datasets.

US\$2.8bn spend
+17% YoY

Investor takeaway: the edge is not the tool itself. It is connecting data to a testable investment question.

Where AI helps ESG, and where it can go wrong

The strongest use cases are bounded, evidence-linked and reviewable. AI should reduce manual effort without taking over judgement.

What AI improves

- **Speed** rapid extraction, comparison and first-pass drafting
- **Consistency** common language across DDQs, reports and memos
- **Coverage** finds weak controls or omissions at scale
- **Pattern detection** flags unusual movements and repeated issues
- **Evidence mapping** links claims to sources, approvals and assumptions

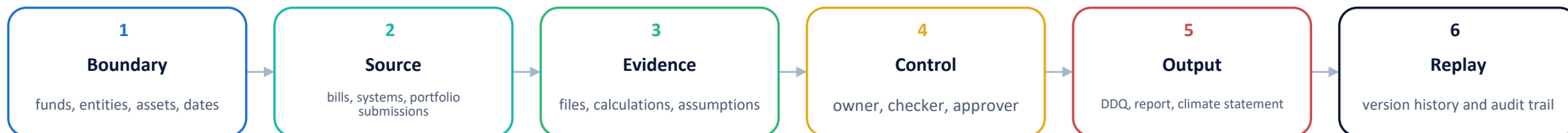
What AI can damage

- **Hallucination** confident output without a defensible source
- **Model risk** opaque logic, bias and poor explainability
- **Greenwashing risk** makes weak claims sound stronger
- **Confidentiality** sensitive data leakage or weak vendor controls
- **Accountability gap** blurs ownership of estimates and judgement

Principle: AI can assist analysis. It should not own materiality, methodology, final disclosure or investor-sensitive judgement.

Use AI inside the control framework, not beside it

Every material ESG data point needs a clear path from boundary to evidence to approved disclosure.



Then AI can help extract data, compare versions, flag anomalies, map evidence and draft first-pass responses with human approval

Traceable evidence

Every output links back to approved source material.

Review workflow

Material outputs are reviewed and approved by accountable people.

Model risk control

Use cases, limits, exceptions and failure modes are documented.

No source, no claim. No owner, no output. No audit trail, no investor-grade reporting.

Questions to take back to the investment team

Move beyond “do we have ESG data?” to whether that data is robust enough to affect reporting, underwriting and valuation decisions.

Climate exposure

Which assets or revenue lines are most exposed to flood, fire, heat, storm or transition risk?

Insurance trend

What has happened to premiums, deductibles, exclusions and insurability over the past three renewal cycles?

Funding risk

Could climate exposure affect lender appetite, security value, covenants or refinancing terms?

Evidence quality

Can material ESG numbers be traced to source evidence, methodology, owner and approval?

AI governance

Where is AI used in ESG workflows and how are outputs reviewed, logged and approved?

Value creation

Which resilience, efficiency or transition investments could reduce risk or unlock valuation upside?

90-day agenda

0-30: stabilise boundaries and evidence |
31-60: create controls and track insurance/funding signals |
61-90: pilot one evidence-linked AI use case

Final thought: AI should make ESG data more traceable, comparable and decision-useful, not faster to whitewash.



TOFA Hedging Election

Aligning Hedge Accounting, Tax and Fund Reporting

For Fund & Investment Managers

PRESENTED BY

Kevin Mitchell

CEO & Founder | Hedge Effective Advisory

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When Hedging Outcomes and Fund Reporting Diverge

The problem

Market volatility has renewed focus on how hedging outcomes flow through fund financial reporting and distributions. A hedge can be economically effective and still produce a reported outcome that looks inconsistent to investors.

Across FX, commodities and interest-rate exposures, realised hedge gains and losses can be economically sound yet difficult to interpret when accounting, tax and distribution frameworks aren't aligned.

The root cause is typically timing: realised hedge gains/losses are recognised at each hedge maturity — commonly much shorter than the underlying investment's timeframe, a gap often measured in financial years.

Why it matters now

Sharp currency, rate or commodity moves amplify the recognition of hedge-related gains or losses, increasing volatility in financial statements or distributions even where the underlying economic position is stable.

Managers are increasingly asked not only whether a risk has been hedged, but whether the broader reporting framework accurately reflects that strategy.





Where Misalignment Typically Arises

01

Timing differences — gains and losses on hedging instruments may be recognised in different periods from the underlying exposures they're meant to offset, creating temporary mismatches in reported earnings or distributable income.

02

Framework interaction — hedging outcomes sit at the intersection of accounting standards, tax rules and fund distribution policy. The critical first step is assessing whether a hedge meets AASB 9's qualifying criteria; tax treatment follows from there.

03

Operational complexity — maintaining eligibility and compliance is demanding — documentation, ongoing testing and monitoring all play a role. For most fund managers, handling this in-house is a step too far.



The Role of TOFA in the Australian Context

What TOFA does

The Taxation of Financial Arrangements (TOFA) framework is designed to reduce mismatches in the timing of gains and losses arising from financial arrangements, including certain hedging activities.

Where the requirements are met, TOFA can align tax outcomes more closely with the economic purpose of the hedge.

The catch

Eligibility must be established at the outset, and ongoing compliance is required to maintain the intended treatment.

If requirements aren't met, or circumstances change, timing mismatches can re-emerge — adding complexity to both reporting and investor communication.

Eligibility established

Ongoing compliance

Intended tax treatment

Implications for Fund Managers

1

Cross-functional alignment — investment, finance and tax teams need to work together so hedging strategies are supported by the right framework from the outset.

2

Documentation and governance — clear policies, robust processes and ongoing monitoring are essential to maintain consistency and avoid unintended outcomes.

3

Investor communication — where timing differences or framework interactions create volatility, managers need to explain these effects clearly and confidently.

4

Periodic review — as markets evolve and regulatory expectations change, structures that were once adequate may need refinement.

The Nature of the Risk

What's being hedged

A fair value hedge of foreign exchange risk in the fund — the change in the AUD-equivalent value of USD-denominated units.

The exposure is hedged with a single hedging instrument: an outright FX forward contract (FEC), or the far leg of a currency swap, to sell USD and buy AUD.

The spot rate — not the full fair value of the derivative — is designated as the hedge of the exposure to changes in fair value attributable to spot-rate movements that affect profit or loss, measured as a hypothetical derivative.

The accounting basis

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset (or a component of one) that is attributable to a particular risk and could affect profit or loss (AASB 9.6.5.2).

At each reporting date, USD-denominated assets are translated back to AUD at the closing spot rate — on revaluation and on realisation — as required by AASB 121.

USD-denominated units

Spot FX exposure

FX forward contract

AUD reporting

The FX Risk Management Strategy

The currency overlay

The strategy is to manage the fund's FX exposure: a currency overlay offsets changes in the fair value of its non-AUD units.

Funds typically hedge by entering FX forward contracts — selling USD, buying AUD.

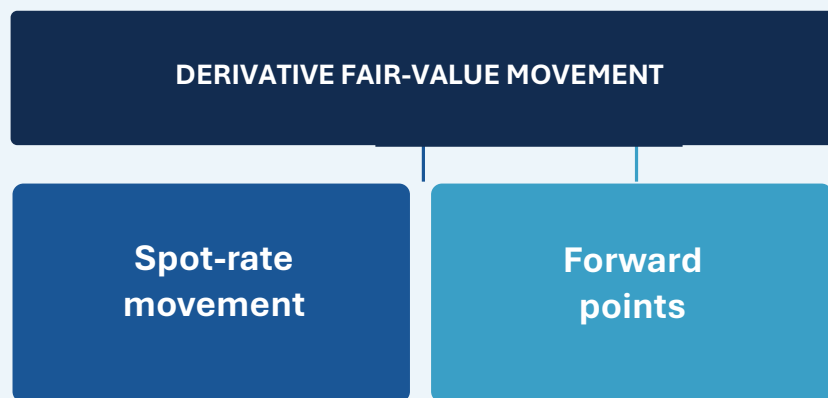
Hedging is run on a portfolio basis, maintaining a hedge ratio of between 0% and 100% of net asset value (NAV).

HEDGE RATIO RANGE



Spot vs Forward Points — Why the Split Matters

Two components, one derivative



The hedged risk is the fair-value movement arising from changes in the spot rate.

The derivative's fair-value movement comprises both spot-rate movement and movement attributable to forward points.

Forward points are not designated as part of the hedging relationship and are tracked separately — they can carry a different tax treatment from the spot component.

Why it's tracked

Under hedge accounting and TOFA, the tax effect on the spot component is deferred; the tax effect on forward points generally isn't, since forward points sit outside the designated hedge relationship.

This split needs to be tracked continuously — a diligent auditor will ask to see it — which in practice calls for a system, not a spreadsheet.



Meeting the TOFA Hedging Election

Documentation

The fund applies the TOFA hedging rules, with hedge documentation prepared and maintained to the record-keeping requirements in ITAA97 s230-355.

This documentation supports the fund's position that the arrangement qualifies as a "hedging financial arrangement" for TOFA purposes.

What the election

1

Effectiveness (ITAA97 s230-365) — only the spot element of the fair-value movement forms part of the hedge relationship.

2

Timing — the spot element (effective portion) of the hedging instrument's gain or loss is deferred and recognised for tax only when there's an offsetting gain or loss on the hedged item.

3

Treatment — qualifying hedge gains or losses sit unrecognized within the capital account and are allocated to revenue on a rational and systematic basis over the relevant income years.

Case Study — Fund Manager: The Challenge

The exposure

The fund manager runs a fund investing in non-AUD assets — a direct FX exposure that flows through to the value of the underlying investments and, ultimately, to investor returns.

FX forward contracts are the right hedging instrument, but a derivative held at fair value moves every month. Left untreated, realized hedge gains/losses hit the P&L through the year with no offsetting gain on the underlying investment — one-sided earnings volatility with nothing to do with actual investment performance.

Why it mattered

That volatility flows straight through to the consistency of investor distributions.

Managing it properly meant hedge accounting under AASB 9 and a correctly applied TOFA Hedging Election .

FX exposure

Forward contracts

P&L volatility

Investor distributions

Case Study — Fund Manager: The Outcome

The result

\$50M

\$50M in realised FX gains deferred to future tax years, rather than recognised immediately — the fund manager was not required to pay these out to investors.

Consistent, predictable investor distributions in the fund — distributions came in as forecast, without the FX-hedging driven volatility that would otherwise have flowed through.

What the client reported

Predictable, reliable reported financial results.

A streamlined audit with minimal queries — hours of time saved — and confidence and peace of mind in the reported numbers.



Case Study — Fund Manager

The AUD Hedged fund hedges its currency exposure with FX forwards

A major bank manages the currency overlay strategy with regular (at least monthly) rebalancing to keep the exposure within +/-5%

TOFA election was applied and accepted for FY26. Big Four sign-off

For FY26, A\$50m was deferred

Impact of the TOFA hedging election:

Without the hedging election:

Forward settles Each roll realises an FX gain or loss.

Taxed as income In the year it settles, on revenue account.

Feeds distributions Flows into taxable income while the securities are still held.

With the hedging election:

Forward settles Same trades, documented as hedges at inception.

Held in a FX pool FX result matched to the hedged securities.

Released on sale Recognised when the securities are sold, as capital.



Q&A

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