TelstraSuper Climate Change Statement

What is Climate Change?

The term “Climate Change” refers to the observed increases in global average air and ocean temperatures that have occurred, and are projected to continue to occur, as a result of human-produced carbon emissions.

What are the impacts of Climate Change?

Climate Change has resulted in widespread melting of snow and ice, rising global sea levels, changes to atmospheric and ocean circulation, changes to rainfall and wind patterns, and higher incidence of extreme weather events such as fires, floods and storms. It is projected that these changes will become more pronounced as average global temperatures increase.

What risks and opportunities does Climate Change pose to investment portfolios?

Climate Change, and the associated regulatory responses, gives rise to a number of risks and opportunities for institutional investors such as TelstraSuper.

Climate change **risks** include:

- The potential for physical damage to assets due to the effects of Climate Change (e.g. due to rising sea levels, and/or extreme weather events such as fires or floods).
- The risk of regulatory responses and/or government policy changing the investment case for certain assets (e.g. carbon taxes or tighter emission regulations).
- The potential for demand for certain assets to reduce as new technologies are developed or the social licence for certain industries is eroded (for example coal and other fossil fuels).

Climate change **opportunities** include:

- The emergence of new industries aimed at the mitigation of Climate Change impacts (e.g. low emission transportation and more resilient infrastructure).
- Opportunities to invest in renewable energy and other less-carbon intensive industries (e.g. solar and wind power generation).
- Utilisation of government subsidies to encourage investment in carbon-mitigation.

What global action is being taken in response to Climate Change risk?

The best way to address the risks of Climate Change is through co-ordinated global co-operation and action.

In December 2015 various parties to the United Nations Framework Convention on Climate Change (UNFCC) came to agreement on combating global climate change. This is known as the Paris Agreement (‘Agreement’). A key consideration of the Agreement was how global investment can help contribute to a reduction in carbon emissions and global warming. The Agreement recognises that a global economic transition is required in order to achieve the goal of limiting global warming to below two degrees Celsius and move towards net zero emissions by 2050. This transition to a lower carbon environment may therefore present risks, as well as opportunities, to the investment of financial resources.

Climate Action 100+ is an investor initiative launched in 2017 to encourage the world's largest corporate greenhouse gas emitters to take necessary action on climate change. More than 370 investors with over $US35 trillion in assets collectively under management are engaging companies to curb emissions, improve governance and strengthen climate related financial disclosures.

In December 2019, TelstraSuper signed-on to Climate Action 100+ as a participant. When signing on, TelstraSuper made the following commitment:

As an institutional investor that is a signatory to this statement, we are aware of the risks climate change presents to our portfolios and asset values in the short, medium and long term. We therefore support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2°Celsius above pre-industrial levels. We believe that engaging and working with companies in which we invest is consistent with our fiduciary duty and will contribute to achieving the goals of the Paris Agreement.

How does TelstraSuper deal with Climate Change?

TelstraSuper deals with Climate Change risks under the terms of its Sustainable Investment Policy. This Policy:

- Recognises that superannuation is a long-term investment.
- States that TelstraSuper aims to maximise risk-adjusted returns over the long term and will not pursue strategies that put the sustainability of long term returns at risk.
- Requires Environmental, Social and Governance (ESG) factors to be incorporated into all investment decision-making.
- Is regularly reviewed to ensure it remains appropriate.

At the present time, TelstraSuper carries out the following specific activities in relation to Climate Change:

- **Monitoring:** TelstraSuper monitors the extent and intensity of carbon exposure in its publicly-traded investment portfolios.
- **Investment Mandates:** All of TelstraSuper's investment mandates, both internal and external, require compliance with TelstraSuper's Sustainable Investment Policy.
- **Engagement:** TelstraSuper believes that advocacy and engagement are important avenues for effecting change. TelstraSuper is a member of the Australian Council of Superannuation Investors (ACSI), a signatory to the Principles for Responsible Investment (PRI) and a signatory to Climate Action 100+. TelstraSuper proudly supports the engagement and advocacy activities of these organisations.
- **Investment opportunities:** TelstraSuper seeks investment opportunities that will prove to be resilient to the impacts of Climate Change and/or will benefit from the transition to a low-carbon world. Examples include wind and solar power generation.
- **Research:** TelstraSuper analyses published research into the effects and potential mitigants of Climate Change and where appropriate considers the potential impacts on the investment portfolio.

What is planned for the future?

TelstraSuper will continue to monitor this important issue and will evolve our practice and policies in response to emerging risks, research and market practice.

December 2019