



Climate Change Action Plan

2024



This Climate Change Action Plan is provided by TelstraSuper Pty Ltd (ABN 86 007 422 522, AFSL 236709), the trustee of the Telstra Superannuation Scheme (ABN 85 502 108 833).

Introduction

This Climate Change Action Plan (CCAP) and (Fund) is provided by TelstraSuper Pty Ltd (TelstraSuper) as trustee for the Telstra Superannuation Scheme (Fund).

TelstraSuper acknowledges the science of climate change, recognising it as one of the most significant challenges of our time. If not effectively mitigated, climate change can profoundly impact the global economy and society. TelstraSuper acknowledges both the financial risks and opportunities associated with climate change, as well as their potential impact on the long-term investment returns of members.

TelstraSuper's fundamental objective is to responsibly enhance the financial security of members in retirement. As part of managing ESG related risk to an acceptable level and subject to its statutory and regulatory duties and obligations, TelstraSuper seeks to holistically incorporate material ESG considerations, including climate change, alongside other investment factors as part of its investment decision-making processes.

TelstraSuper supports the Paris Agreement to limit global warming to 'well below' 2 degrees and encourages the pursuit of 1.5 degrees compared with the pre-industrial level to minimise the worst impacts of climate change.

TelstraSuper has adopted a Climate Change Action Plan (CCAP), which has three high-level goals:

01

Achieve net zero greenhouse gas emissions across the Fund's investment portfolio by 2050, with specified milestones prior to that date.

02

Build portfolio resilience to the physical impacts of climate change across asset classes.

03

Proactively invest in opportunities that are expected to be net beneficiaries of the transition to a net-zero emissions world.

TelstraSuper's climate change beliefs

As the trustee of a superannuation fund with long-term objectives and investments in the global economy, TelstraSuper believes it is important to integrate consideration of both physical and transition climate change risks into material aspects of our investment approaches and decision-making processes.¹ This is expected to improve the future financial well-being of members.

At TelstraSuper, we acknowledge the importance of doing our part and contributing to a low-carbon economy, subject to adhering to statutory and regulatory duties, including acting in the best financial interests of members. In addition, we will deploy capital towards new climate-related investments where appropriate.

TelstraSuper believes that:

01

Material ESG factors, including climate change risks, may impact investment risk and return over the long term and, hence, should be managed prudently.

02

Integrating material physical and transitional climate change considerations into investment decision-making processes assists TelstraSuper in making more informed investment decisions by effectively managing risks and identifying opportunities.

03

ESG investment practices, including managing climate risks, form part of a comprehensive investment management framework and complement TelstraSuper's fiduciary duty to act in the best financial interests of members.

04

Active ownership (voting, engagement) and collaboration play a role in improving long-term returns, as TelstraSuper alone cannot achieve a net-zero 2050 investment portfolio.

05

Measuring, monitoring, and reporting climate-related outcomes are important for demonstrating progress to internal and external stakeholders.

06

The understanding of climate change risks and data availability is evolving rapidly, therefore, climate change goals, milestones, and action plans should be assessed and reviewed periodically to adequately respond to the changing landscape.

¹ ESG considerations are not currently applied to cash, currency and derivatives

TelstraSuper's climate change targets

TelstraSuper has adopted a target of net zero carbon emissions for the Fund's investment portfolio by 2050.

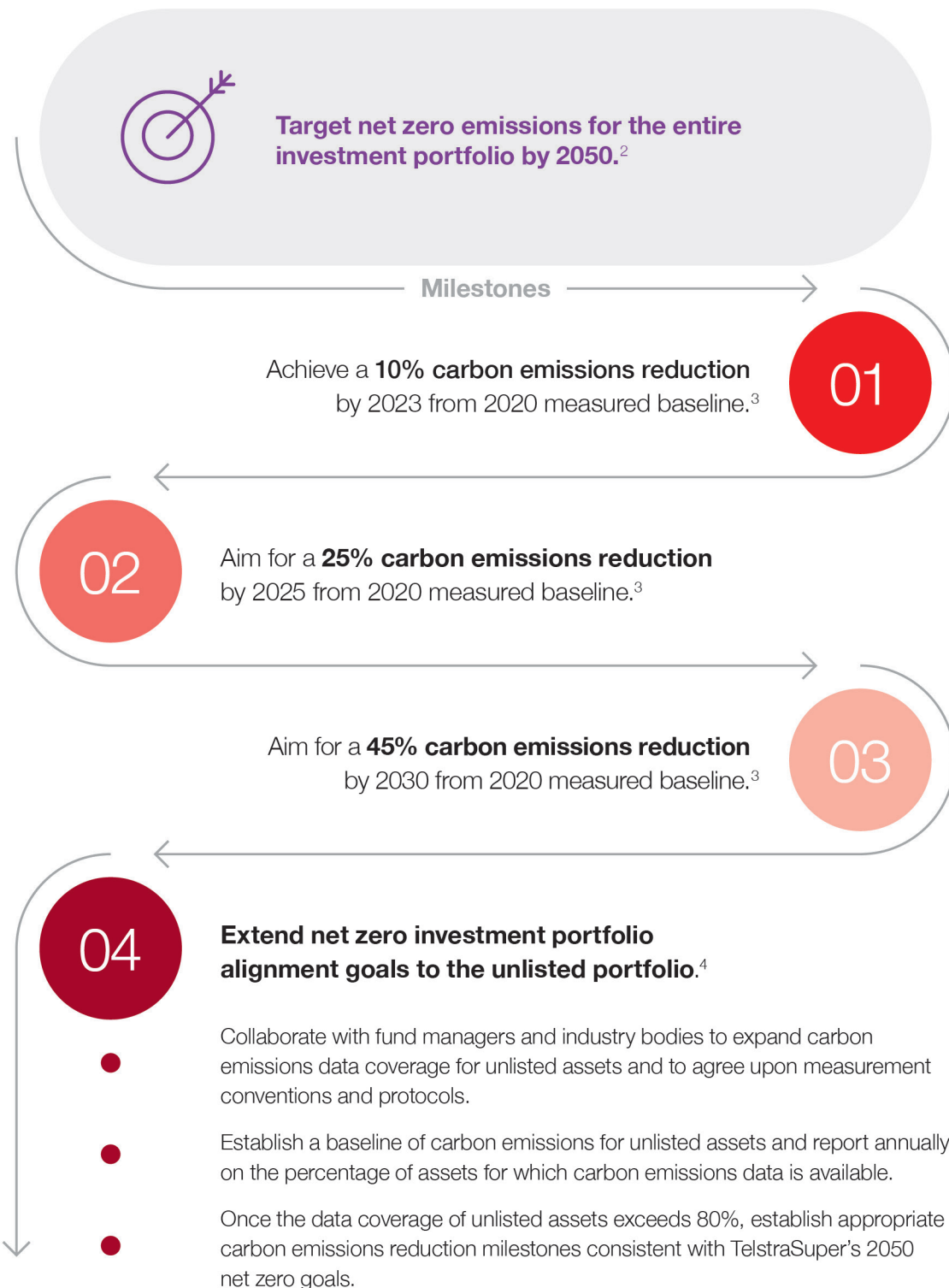


Interim climate-related milestones have been developed to measure TelstraSuper's progress towards its net zero 2050 target.

Establishing the carbon footprint baseline for the Fund's investment portfolio is important for monitoring and reducing emissions. To date we have measured scope 1 and 2 for listed equities and listed real assets portfolios (listed property and listed infrastructure).

We plan to work towards extending the measurement of the baseline carbon footprint to other remaining asset classes over time as quality data becomes available and emissions reporting methodologies evolve.

Our net zero by 2050 pathway



Extend net zero investment portfolio alignment goals to debt securities⁵ and cash.

05

Collaborate with fund managers and industry bodies to develop guidelines and/or standards for carbon emissions data.

Once industry standards have been developed and agreed (e.g. consistent with ISSB or AASB Standards), TelstraSuper will make disclosures in line with these and set appropriate carbon emission reduction milestones consistent with TelstraSuper's 2050 net zero goals.



Invest in climate change-focused opportunities

Target metric: 1% of the Fund's assets (~250 million),

Target year: by end of 2025

² Entire investment portfolio includes listed equities, listed assets, alternatives (including private markets and opportunities), unlisted real assets (infrastructure and property) and debt securities. ³ The 2020 measured baseline relates to listed equities and listed real assets (infrastructure and property), which make up approximately 51% of the Fund's entire investment portfolio (metric: tCO₂e/\$M invested). ⁴ Unlisted portfolios include unlisted property, infrastructure, alternatives, opportunities and private markets. ⁵ Debt securities include sovereign bonds, corporate bonds, alternative debt and similar securities, as well as derivatives relating to these.

TelstraSuper's climate change roadmap guiding principles

TelstraSuper's Climate Change Action Plan is guided by the following five principles based on our ESG Policy:



01

Governance
and reporting



02

ESG
integration



03

Active
ownership



04

Collaboration
and advocacy



05

Exclusions



01 Governance and reporting

The TelstraSuper Board (Board) is responsible for TelstraSuper's investments, investment beliefs, framework and strategy, including the ESG Policy. This responsibility encompasses the approval of this CCAP and climate-related targets and milestones. Oversight of this CCAP has been delegated by the Board to the Investment Committee (IC) and TelstraSuper's Chief Investment Officer (CIO). The CIO and IC are responsible for ensuring that climate risk considerations and activities are appropriately implemented and compliant with this CCAP.

TelstraSuper's governance approach, which includes decision-making processes and the core principles that underpin our investment strategy and framework. All these elements are designed to align with the best financial interests of members. Additionally, our governance approach outlines the way in which we communicate our strategy and progress towards managing climate risk to both our internal and external stakeholders.

Key governance and reporting actions

	Timeline	
Principles and oversight	Initiated	Status
1. Adopt climate-related guiding principles and beliefs.	FY 2021-22	Established
2. Establish IC oversight and Board approval of the CCAP, with annual review.	FY 2021-22	Established
3. Review incentives to align with the goals of this CCAP.	FY 2021-22	Established
4. Periodic training/information session for the Board, IC, and Investment Management (IM) Team.	FY 2021-22	Ongoing
Climate-related targets	Initiated	Status
5. Adopt and implement net-zero operational emissions for TelstraSuper's own corporate activities (scope 1 and 2). ⁶	FY 2020-21	Established and ongoing
6. Adopt a net zero emissions goal for the Fund's entire investment portfolio ⁷ by 2050 and develop/progress towards interim targets.	FY 2021-22	Established and being monitored
7. Adopt a target for investments in climate change-focused opportunities by 2025.	FY 2022-23	Established and being monitored
Climate reporting	Last Published	Next Review
8. CCAP with two yearly review.	FY 2023-24	FY 2025-26
9. Annual external climate change reporting, including progress on the climate-related targets.	CY 2023	FY 2023-24
Audit		Next Review
10. Undertake an internal audit to assess the management and disclosures of climate-related financial risks.		FY 2024-25

⁶ TelstraSuper achieves the goal of net zero operations via the purchase of carbon offsets.

⁷ Excluding cash, currency and derivatives.



02 ESG integration

TelstraSuper seeks to incorporate material ESG considerations, including climate change risks, into all investment decision-making and management processes,⁸ both systematically and pragmatically. This is an important part of TelstraSuper's overarching objective to enhance long-term financial outcomes for members. TelstraSuper assesses prioritised investee companies, assets, and managers, both directly as well as in collaboration with consultants and industry bodies. It also entails seeking to understand how various asset classes, sectors, industries, and companies might be affected by climate change, in order to improve resilience in the Fund's investment portfolio against both physical and transitional climate-related risks. Furthermore, this approach involves recognising investment opportunities, particularly those expected to facilitate the transition to a net-zero emissions world. These opportunities are selected based on their alignment with our investment return objectives for members.

Key ESG integration actions

Timeline

Investment strategy	Last Review	Status
1. Undertake net zero emissions pathway scenarios analysis.	FY 2022-23	Established with two yearly review
2. Evaluate the opportunity to incorporate climate change risks into capital market assumptions (CMA) and portfolio construction considerations.	FY 2022-23	Established with two yearly review
Investment portfolio resilience	Initiated	Status
3. Invest in climate change-focused opportunities that are expected to facilitate the transition to a net-zero emissions world.	FY 2022-23	Progressing towards the 2025 target
4. Analyse exposure to physical and transition climate risks for the real assets portfolio (property and infrastructure).	FY 2021-22	Ongoing
External investment managers	Initiated	Status
5. Include climate change risks as part of the selection and appointment of new managers.	FY 2021-22	Ongoing
6. Develop an engagement program for each asset class's external managers to benchmark their ESG risk management approaches, including climate risk management.	FY 2023-24	Ongoing
7. Update investment guidelines and template IMA to incorporate climate risk management expectations, including climate data reporting for all new investments.	FY 2023-24	Completed

⁸ ESG considerations are not currently applied to cash, currency and derivatives.



03 Active ownership

TelstraSuper recognises the importance of advocating for the advancement and promotion of ESG risk management practices within the companies and other relevant assets in which it invests. For TelstraSuper, active ownership involves engaging directly or collaboratively with prioritised listed investee portfolio companies on a range of ESG matters, including climate risks. This engagement aims to advocate for enhanced ESG risk management approaches over the long term. TelstraSuper seeks to utilise proxy voting as an effective means of holding a listed investee portfolio company's board accountable and promoting good corporate governance.

This approach also encompasses the consideration of an escalation process, to be determined on a case-by-case basis. Our escalation strategy may encompass a range of measures to communicate TelstraSuper's concerns and advocate for change, such as broader advocacy, using proxy votes, supporting shareholders' resolutions, and considering voting against company directors.⁹ Divestment is considered as a last resort, reserved for exceptional circumstances or when other escalation strategies are not expected to produce satisfactory outcomes over foreseeable and/or reasonable timeframes, always with the best financial interests of members in mind.

Key active ownership actions

Key active ownership actions	Timeline	
	Initiated	Status
Engagement		
1. Establish a company engagement framework for prioritised investee portfolio companies to monitor and evaluate progress on key ESG issues and climate objectives.	FY 2023-24	Established with three yearly review
2. Engage with priority listed investee portfolio companies directly or via engagement partners.	FY 2021-22	Ongoing
Voting		
3. Actively vote AGM for prioritised investee portfolio companies for Australian listed equities portfolio.	FY 2021-22	Ongoing
4. Enhance AGM voting governance approach for international listed equities portfolio.	FY 2023-24	Ongoing
5. Consider climate-related shareholders' resolutions in line with TelstraSuper's Proxy Voting Policy.	FY 2021-22	Ongoing

⁹ Please see our Proxy Voting Policy for further information.



04 Collaboration and advocacy

TelstraSuper acknowledges the systemic, complex, and evolving nature of climate change affecting investments globally and supports sharing knowledge and resources through collective action. TelstraSuper values participating in industry networks and forums to collaboratively advance the interests of members and stay informed on ESG developments. Participation in external collaborations is chosen based on alignment with the ESG Policy and the expected effectiveness of initiatives, recognising that not all activities can be feasibly engaged in.

Key active collaboration and advocacy actions

Collaboration	Timeline	
	Initiated	Status
1. Participate in selected member organisations and industry forums. ¹⁰	FY 2021-22	Ongoing
2. Engage with prioritised portfolio investee portfolio companies that have higher emissions and climate risks via the Climate Action 100+ (CA100+) and other collaborative initiatives.	FY 2021-22	Ongoing
Advocacy	Timeline	
	Initiated	Status
3. Participate in external industry roundtable discussions and policy advocacy efforts that support TelstraSuper's climate change strategy, as well as industry-wide climate disclosures and risk management approaches.	FY 2021-22	Ongoing



05 Exclusions

The TelstraSuper Board may occasionally decide that specific assets, industries, and/or activities, or parts thereof with undesirable climate credentials, should be excluded, limited, and/or restricted from all or part of TelstraSuper's investment portfolio. Such exclusions will only be considered when they align with TelstraSuper's investment objectives and beliefs, can be implemented clearly, and are not anticipated to materially affect the investment portfolio's risk-adjusted long-term investment returns for members. The Board may also approve the application of materiality thresholds, principles, guidelines, and/or exceptions to these decisions.¹¹

Current climate-related exclusions

Exclusions	Initiated	Status
1. Exclude primary-focus thermal coal producers, where 25% or more of company revenue are derived from thermal coal production.	FY 2021-22	Ongoing

¹⁰ For example, the Australian Council of Superannuation Investors (ACSI), Investor Group on Climate Change (IGCC), Principles for Responsible Investment (PRI), Responsible Investment Association Australasia (RIAA).

¹¹ Please see our ESG Policy for more information concerning the operation of Exclusions.

Creating better futures



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Important notes on the CCAP:

- Our ability to achieve our net zero and other goals specified in this CCAP is dependent, to a material extent, on governments and portfolio investee companies in which we invest committing to and delivering on their own net zero commitments and the reliability of long-term forecasts.
- We expect there will be periods when we make progress that exceeds our goals and periods when they are not met. Some of the influencing factors are outside of our control, such as government policy changes, technological developments, or other events of significance.
- We will monitor and report progress annually, and may make adjustments to the goals and action plan as we consider are needed and appropriate.