

Climate Change Action Plan

2020 – 2050

TelstraSuper sets Net Zero Emissions Goal by 2050, aiming for a 45% reduction by 2030.

TelstraSuper's fundamental objective is to enhance responsibly the financial security of our members in retirement. TelstraSuper seeks to incorporate material Environmental, Social and Governance (ESG) considerations in our investment processes. We support the development of a more sustainable global economy and the attainment of the Paris Agreement goals on climate change.

TelstraSuper has set three Climate-Related Goals:

01

Achieve Net Zero Greenhouse Gas Emissions by 2050, aiming for a 45% reduction (from current levels) by 2030.

02

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

03

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

What does the evidence say?

These goals follow a comprehensive review of the scientific evidence and analysis of the portfolio's exposure to the transition and physical impacts of climate change.

Our review concluded that:



Climate change is a systemic risk that needs to be pro-actively measured and managed to provide a secure financial future for our current and future members.



The current scale and pace of climate change are concerning. It requires thinking less about the past and historical relationships and more about how the future will look. Both system-wide and portfolio-specific effects need to be considered.



The physical impacts of climate change are significant and being felt today in many regions of the world, including Australia, reinforcing the need to achieve the emission reduction goals of the Paris Agreement.



The transition to a low carbon economy is underway. This trend is expected to increase significantly over the next 5–10 years as policymakers, regulators, businesses, investors, and civil society takes action to close the gap to the Paris Agreement.



There are material risks embedded in companies, technologies and resources that rely upon the ongoing use of fossil fuels. TelstraSuper must incorporate these risks into investment decision-making.



As well as reducing our portfolio emissions, we can play a role in supporting the shift to a low carbon, climate-resilient world by investing in the opportunities of the future that will enhance financial and social outcomes for our members.

Australia is highly exposed to climate change. This exposure can impact on investments we make on behalf of our members.

As a significant domestic investor, TelstraSuper needs to take action to protect and enhance the financial outcomes for members in their retirement.



We are experiencing an escalation in **climate-related extreme weather events** increasing the magnitude and frequency of heatwaves, cyclones, flooding, bushfires, and drought conditions.

Australia is a carbon-intensive economy exposed to industries that will suffer from reduced demand in a shift to a lower-carbon world, both from our foreign trading partners and in response to changing technologies, business adaptation and evolving stakeholder expectations.

TelstraSuper has a role in recognising and managing the shift in the Australian economy to a more stable and resilient footing. **We support an economy-wide 45% reduction in Australia's GHG emissions by 2030 from a 2005 baseline** and will participate in the Climate League 2030 platform for action.

To achieve our goals, TelstraSuper has developed a 5-Pillar Climate Change Plan with 25 Actions.

We will achieve Net Zero Emissions by 2050, pro-actively invest in climate opportunities and build resilience to the physical impacts of climate change.



01

Governance
& behaviour



02

Portfolio
construction



03

Mandate
design &
manager
selection



04

Engagement
& stewardship



05

Disclosure

01 Governance & behaviour



Governance and behaviour refer to the overarching set of actions related to ‘how we do things’ internally at TelstraSuper. This includes how decisions are made, the governance frameworks in place, the prevailing mindsets and attitudes towards climate change and sustainability issues, organisation culture, incentives and aligning TelstraSuper’s own operational emissions with the net zero-goal.

Actions	Timeline
1. Investment Committee oversight and Board approval of the Plan, with annual review	2021
2. Update all investment and climate change policies and purpose statements to reflect the Plan	2021/22
3. Review incentives to align with the goals of the Plan	2021/22
4. Bolster resources to implement the Plan	2021
5. Include climate change training in management, staff Board and Investment Committee skill matrices	2021/22
6. Adopt and implement net zero operational emissions for TelstraSuper’s own activities	2021

02 Portfolio construction



Portfolio construction refers to the implications for the investment strategy, including utilising scenario analysis to monitor and mitigate climate risks, identifying how different asset classes, sectors, industries and companies will be affected and positioning the portfolio to invest for the future. It includes increasing green/reducing brown exposure, identifying investment opportunities, divestment and/or benchmark re-design, and investing to build resilience to the physical impacts of climate change.

Actions	Timeline
7. Update climate change scenario analysis on an annual basis, including a Net Zero Emissions scenario	2021/22
8. Review potential portfolio construction initiatives to manage climate risk exposures	2021/22
9. Invest in low carbon opportunities or other opportunities that are expected to benefit from a transition away from fossil fuels	Ongoing
10. Divest from pure-play thermal coal producers	2021/22
11. Amend passive benchmarks to reduce greenhouse gas emissions in Australian and International listed equity holdings	2021/22
12. Analyse physical impact risks of the portfolio	Ongoing

03 Mandate design & manager selection



Mandate design and manager selection refers to the guidelines for new and existing mandates, the selection, retention and/or replacement of managers that do/do not align with the goals of the Plan, developing and agreeing on the frequency and type of metrics for ongoing evaluation of progress and outcomes.

Actions	Timeline
13. Update guidelines for external mandates to incorporate climate change expectations	2021
14. in-house management processes to incorporate climate metrics	2021/22
15. Evolve external manager selection criteria to incorporate climate goals	2021/22
16. Enhance external manager review criteria to incorporate climate goals	2021/22
17. Review managers and mandates that are not prepared to commit to TelstraSuper's Climate Change objectives	Ongoing

04 Engagement & stewardship



Engagement and stewardship refers to advocacy with regulators and policymakers in collaboration with others (via ACSI, the IGCC and PRI), direct engagement with highest risk companies (via ACSI and CA100+) to improve practices and encourage participation in initiatives such as CA100+, alignment of climate-related voting outcomes and enabling service providers to support and align with the Plan's goals.

Actions	Timeline
18. Engage with external managers, encouraging adoption of net zero emissions by 2050 goal	Ongoing
19. Engage with highest risk companies via CA100+ and through direct engagement	Ongoing
20. Participate in public policy advocacy (ACSI, IGCC, PRI)	Ongoing
21. Align proxy voting outcomes on climate-related resolutions	Ongoing
22. Engage with service providers to encourage adoption of net zero emissions by 2050 goal	2021

05 Disclosure



Disclosure refers to improving transparency and communication with members and other stakeholders through the annual measurement and management of the Fund's activities aligned with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. Encouraging investee companies and external managers to support and disclose in alignment with the TCFD recommendations is also a key component of improving transparency across the industry, including collaborating with other investors.

Actions	Timeline
23. Disclose in alignment with TCFD recommendations across all asset classes	2021
24. Collaborate to improve industry-wide disclosure and action, including participating in the Climate League 2030 initiative	2021
25. Incorporate our climate change actions and outcomes into member communication and engagement	Ongoing

“Climate change is a systemic risk that needs to be proactively measured and managed to help provide a secure future for our current and future members.”

Chris Davies, TelstraSuper CEO

Sustainability and TelstraSuper's Purpose

Beliefs

Integrating ESG into investment decisions will enhance long-term returns and mitigate risks

As an active asset owner, we seek to invest in a long-term, sustainable manner

Climate change is a systemic risk that we need to pro-actively measure, manage and mitigate

Members are increasingly concerned about climate change and how we are managing its impacts

Objectives

Maximise returns in a risk-controlled manner while contributing to positive real-world impact

Reduce investment in unsustainable activities and mobilise capital to invest for the future

Net zero emissions no later than 2050

Align with industry best practice and TCFD disclosure recommendations

Actions

Incorporate sustainability into asset allocation, portfolio construction and stewardship

Review and align portfolio outcomes with priority SDGs

Develop and implement our Climate Change Action Plan

Sustainability reporting and engagement with members, including TCFD disclosure

TelstraSuper's Net Zero by 2050 Pathway

12
months

- Establish net zero emissions before 2050 goal
- Target specific Investments in low carbon opportunities
- Divest from pure-play thermal coal assets across asset classes
- Re-design passive listed equity benchmarks to reduce GHG emissions
- Measure baseline emissions and disclose the first quantitative report of the listed equities GHG emissions
- Develop guidelines for external manager assessment and mandates

Disclosure of the first total portfolio quantitative report and a targeted 10% reduction in listed equity assets' greenhouse gas (GHG) emissions.

20
23

20
25

Further 15% reduction in combined GHG emissions of listed assets, alternatives (including private equity) and corporate debt.

Further 20% reduction in portfolio GHG emissions of listed assets, alternatives (including private equity), corporate debt and real assets (infrastructure and property). Advocate and support economy-wide 45% reduction in GHG emissions in Australia.

20
30

20
40

Further 30% reduction in combined GHG emissions of listed assets, alternatives (including private equity), corporate debt and real assets to achieve Net Zero GHG Emissions.

Remaining 25% in total portfolio emissions to achieve Net Zero GHG Emissions.

20
50



Important notes on the plan

- The emissions reduction targets refer to Scope 1 and Scope 2 emissions, with Scope 3 on a best-endeavours basis.
- The % reductions are relative to the 2020 baseline for listed equities and refer to total carbon emissions for the TelstraSuper portfolio as a proportion of the portfolio's market value, expressed in tons of CO₂e/\$m invested (i.e. the portfolio carbon footprint).
- 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, making adjustments to the goals and action plan as needed.



Joined Member
Council June 2020



Member of the Physical Risk
and Resilience Working Group



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