

## 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. We incorporate best practice Environmental, Social and Governance (ESG) considerations in all aspects of our investment process. 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:

1. Achieve Net Zero Greenhouse Gas Emissions by 2050, aiming for a 45% reduction (from current levels) by 2030.
2. Proactively invest in opportunities expected to be net beneficiaries of the transition to a net-zero emissions world.
3. Build portfolio resilience to the physical impacts of climate change across asset classes.

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 take 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 recognizing 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.

### TelstraSuper's 5-Pillar Climate Change Action Plan




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





- 1) **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.
- 2) **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, including increasing green/reducing brown exposure, investment opportunities, divestment and/or benchmark re-design, and investing to build resilience to the physical impacts of climate change.
- 3) **Mandate design & 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.
- 4) **Engagement & 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.
- 5) **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.

## TelstraSuper's Climate Change Action Plan

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

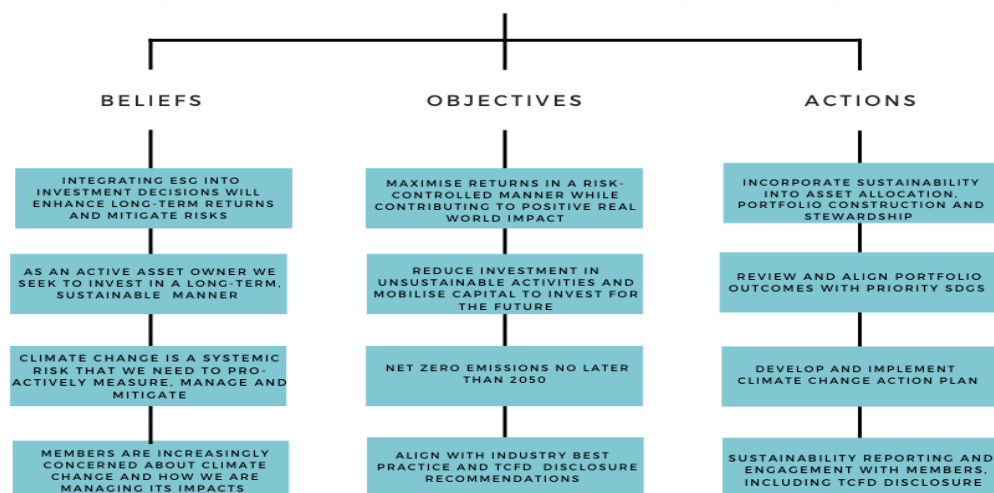
Pillar	Actions	Timing
 <p><b>Pillar 1</b></p> <p><b>Governance &amp; Behaviour</b></p>	<ol style="list-style-type: none"> <li>1. Investment Committee oversight and Board approval of the Plan, with annual review</li> <li>2. Update all investment and climate change policies and purpose statements to reflect the Plan</li> <li>3. Review incentives to align with the goals of the Plan</li> <li>4. Bolster resources to implement the Plan</li> <li>5. Include climate change training in management, staff Board and Investment Committee skill matrices</li> <li>6. Adopt and implement net-zero operational emissions for TelstraSuper's own activities</li> </ol>	<p>2021</p> <p>2021/22</p> <p>2021/22</p> <p>2021</p> <p>2021/22</p> <p>2021</p>
 <p><b>Pillar 2</b></p> <p><b>Portfolio Construction</b></p>	<ol style="list-style-type: none"> <li>7. Update climate change scenario analysis on an annual basis, including a Net Zero Emissions scenario</li> <li>8. Review potential portfolio construction initiatives to manage climate risk exposures</li> <li>9. Invest in low carbon opportunities or other opportunities that are expected to benefit from a transition away from fossil fuels</li> <li>10. Divest from pure-play thermal coal producers</li> <li>11. Amend passive benchmarks to reduce greenhouse gas emissions in Australian and International listed equity holdings</li> <li>12. Analyse physical impact risks of the portfolio</li> </ol>	<p>2021/22</p> <p>2021/22</p> <p>Ongoing</p> <p>2021/22</p> <p>2021/22</p> <p>Ongoing</p>
 <p><b>Pillar 3</b></p> <p><b>Mandate Design &amp; Manager Selection</b></p>	<ol style="list-style-type: none"> <li>13. Update guidelines for external mandates to incorporate climate change expectations</li> <li>14. Evolve in-house management processes to incorporate climate metrics</li> <li>15. Evolve external manager selection criteria to incorporate climate goals</li> <li>16. Enhance external manager review criteria to incorporate climate goals</li> <li>17. Review managers and mandates that are not prepared to commit to TelstraSuper's Climate Change objectives.</li> </ol>	<p>2021</p> <p>2021/22</p> <p>2021/22</p> <p>2021/22</p> <p>Ongoing</p>

 <p><b>Pillar 4</b></p> <p><b>Engagement &amp; Stewardship</b></p>	<ul style="list-style-type: none"> <li>18. Engage with external managers, encouraging adoption of net zero emissions by 2050 goal</li> <li>19. Engage with highest risk companies via CA100+ and through direct engagement</li> <li>20. Participate in public policy advocacy (ACSI, IGCC, PRI)</li> <li>21. Align proxy voting outcomes on climate-related resolutions</li> <li>22. Engage with service providers to encourage adoption of net zero emissions by 2050 goal</li> </ul>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>2021</p>
 <p><b>Pillar 5</b></p> <p><b>Disclosure</b></p>	<ul style="list-style-type: none"> <li>23. Disclose in alignment with TCFD recommendations across all asset classes</li> <li>24. Collaborate to improve industry-wide disclosure and action, including participating in the Climate League 2030 initiative</li> <li>25. Incorporate our climate change actions and outcomes into member communication and engagement</li> </ul>	<p>2021</p> <p>2021</p> <p>Ongoing</p>

### Sustainability and TelstraSuper's Purpose

*Our fundamental objective is to enhance responsibly the financial security of our members in retirement.*  
*We incorporate best practice Environmental, Social and Governance (ESG) considerations in all aspects of our investment process.*  
*We support the development of a more sustainable global economy and the attainment of the Paris Agreement goals on Climate Change.*

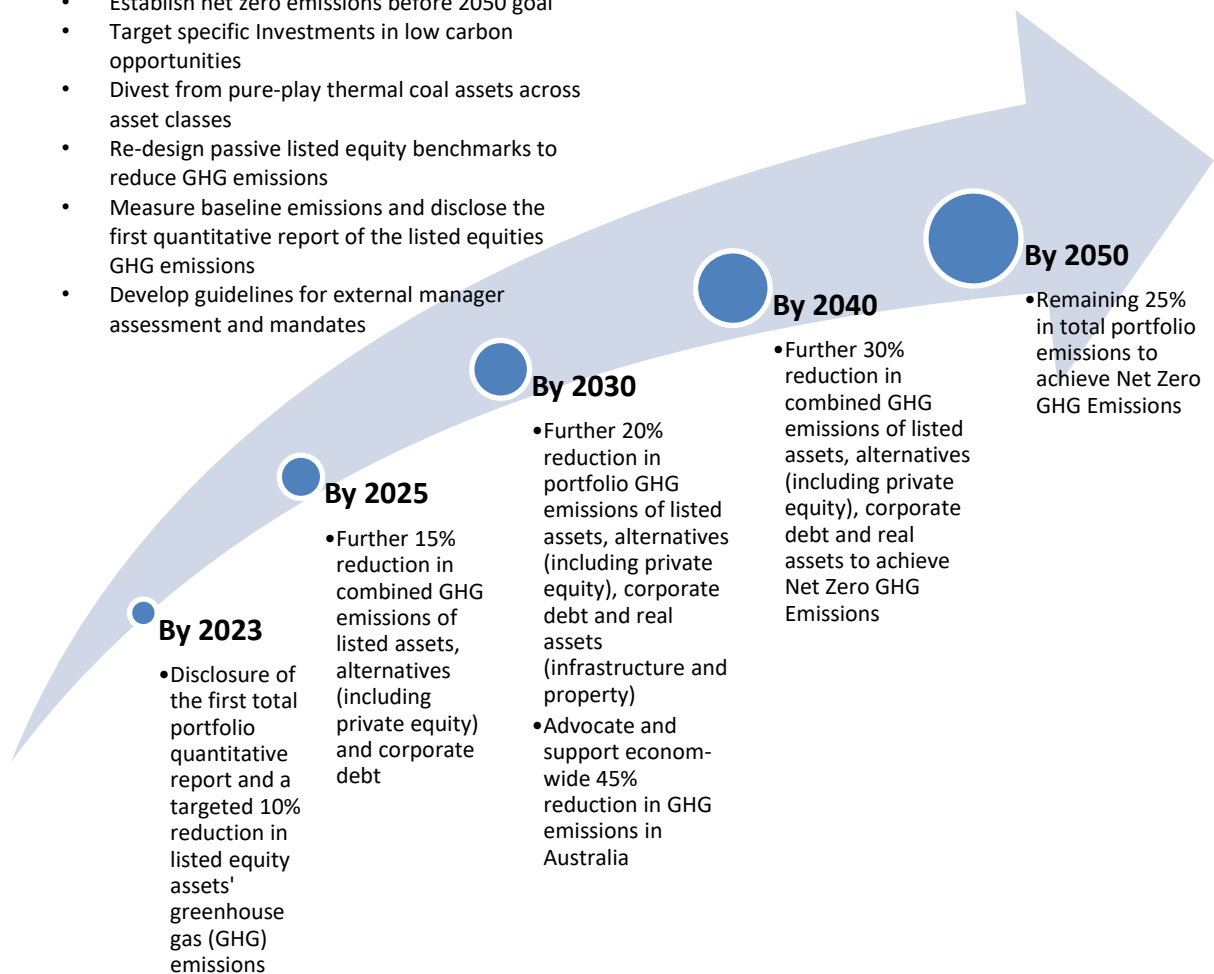
### SUSTAINABILITY AND TELSTRASUPER'S PURPOSE



## TelstraSuper's Net Zero by 2050 Pathway

### In First 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



### \* Notes:

- 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 CO<sub>2</sub>e / \$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.