



Climate Change Portfolio Transition Plan

A summary for members

Background to our approach to climate change

In 2015 Aware Super approved its first Climate Change Adaptation Plan (CCAP). This plan outlined a series of proposals and recommendations to help build greater resilience in our investment portfolio, in the face of increasing impact from climate change.

Since the approval of this plan, there have been significant and rapid changes in climate change science and the response to a changing climate. Climate scientists have reached consensus that the earth's average temperature is increasing due to higher man-made carbon dioxide emissions, primarily as a result of fossil fuel burning. Observable changes since 2015, include the four warmest years on record having been recorded. The magnitude of extreme weather events and other physical impacts of climate change, such as drought and bushfires, are also increasingly having significant impacts on parts of society, our members and the assets we invest in.

The Paris Agreement (the Agreement), which came into effect in 2016, has helped create a platform for far-reaching action to try to minimise global temperature rise. The Agreement has helped create urgency around the need to rapidly decarbonise the economy in order to avert potentially irreversible impacts, to both society and the economy, from a changed climate. Importantly from the perspective of serving our members' interests first, the conversation has shifted beyond any notion of morally 'doing the right thing' with respect to climate change to a discussion about the fundamental economic and financial benefits of considering climate change. It's in members' financial interests to have climate change considerations inform our investment choices.

Around the globe, regulation and legislation is starting to tackle the large, systemic and structural changes that limiting climate change will require.

What we have achieved since the implementation of our Climate Change Adaptation Plan

Since implementation of the 2015 Climate Change Adaptation Plan, Aware Super has progressed a range of activities including:

- 1** Assessments to evaluate the carbon emissions and the physical risks of climate change on segments of its investment portfolio.
- 2** A targeted engagement program with fund managers and companies Aware Super invests in relating to their approach to a changing climate.
- 3** Proactively investing in more renewable energy and related investments.

Learn more about what we've achieved through this plan at aware.com.au/responsibleinvesting



Updating our original plan to meet changing needs

Our Climate Change Portfolio Transition Plan

During 2019, Aware Super wanted to better understand the existing and potential future impacts of climate change on the environment and on society.

We undertook a detailed analysis of:

- the continual advancement of climate science,
- increasing evidence of the physical impacts of climate change,
- strengthening global targets and commitments to reduce emissions, and
- a recognised need to transition to a low carbon economy.

This work has culminated in a new plan called the **Climate Change Portfolio Transition Plan (Transition Plan)**, which includes an updated framework of recommended actions and targets.

The plan will help support the development of a decarbonisation pathway for our investment portfolio

* A Just Transition recognises the social consequences (such as the effect on some workers, jobs and communities) that may emerge as the economy transitions to lower carbon. Structured frameworks are established, in advance, to work towards ensuring that the consequences of transitioning does not leave anyone in our societies excluded and/or worse off. A Just Transition should ultimately seek to deliver decent work and prosperous communities.



The plan will help support:

- the development of a decarbonisation pathway for our investment portfolio, focusing on a 'Just Transition*', which also means that our investments help give workers from higher-carbon industries the opportunity to transition, so that no worker is left behind,
- addressing the climate change risk embedded within our investment portfolio and to adapt, where possible,
- capturing opportunities that will emerge in a decarbonising economy, and
- lowering risk through actively managing and engaging with portfolio investments on their climate change transition pathway.



A three-pronged transition plan

A key highlight of the Transition Plan is the overarching emissions reduction target, addressed by all three key components of the plan.

We will contribute to an economy wide 45% reduction in emissions by 2030.

This target is based on science and aligns with the target to limit warming globally to 1.5°C. As a responsible owner, this means Aware Super being accountable for targeted emissions reduction through investment and portfolio decisions being made across listed and unlisted investments, while considering the impacts and opportunities created for workers and society more broadly. Aware Super will define, understand, measure and monitor its investment portfolio emissions profile and set goals to reduce these emissions, over the short, medium and long term. What is a death benefit?

It's the benefit payable from a super fund when a fund member dies. It consists of their super balance and any insurance benefit that may be payable (we'll let you know if they had insurance). It can't be called on by creditors to meet estate debts or distributed by the fund to pay funeral expenses, unless it is paid to the deceased's estate.

1

Low carbon investment

Low carbon investment activities recommended to support this overarching goal include:

- implementing a progressive carbon emission reduction target within the listed equities portfolios over the next 3 years,
- setting emissions reduction targets for the unlisted asset portfolio, and
- setting investment targets to annually increase investments in renewable energy, clean technologies and climate change transition businesses and technologies.

2

Portfolio future-proofing

Portfolio future-proofing will encompass ongoing analysis to determine the potential magnitude and impacts of the physical risks of climate change. It will also consider transition risks, costs and opportunities for Aware Super investments as they adapt to a decarbonising economy and changing climate. This will include:

- Assessing the ability of individual companies or business sectors to adapt to a changing climate and transition to a low-carbon economy.
- Considering reducing or divesting of companies we deem unlikely to transition or adapt, as this has the potential to devalue members' retirement savings.

3

Engagement

Continuing to build-out our active program to **engage with companies we invest in and fund managers we work with** to strengthen their reporting and approach to adapt and mitigate climate change. Aware Super will continue to work both independently and alongside industry, policy and advocacy groups on this agenda, such as the Climate Action 100+ initiative.



Want to know more?

Learn more about what we've achieved through this plan at aware.com.au/responsibleinvesting

Recognising the urgency with which the economy must reduce carbon emissions to minimise serious temperature rises, the First State Super portfolio climate change transition plan has been designed to undertake activities in an authentic and meaningful way. Whilst implementation of this climate change transition plan will be progressive, Aware Super seeks to ensure it is fulfilling its fiduciary responsibility by acknowledging and managing some key risks now that could have significant impacts on members' retirement savings in the future.

We're here to help

Contact us



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