

Climate Change Portfolio Transition Plan – one year on

Our Climate Change Portfolio Transition Plan is helping us future proof your super

To deliver strong long-term performance to our members, we believe we must take steps to address climate change — because climate change is one of the most significant financial risks to our investment portfolio.

Our progress one year on

Back in 2015, we announced our first Climate Change Adaptation Plan. Following progress in the science and further research, Aware Super created a comprehensive Climate Change Portfolio Transition Plan (CCPTP) in late 2019 – with the aim of building resilience in our investment portfolio in the face of the worsening impacts of climate change.

Doing something about climate change
is more important now than ever before.

The decade between 2010 and 2020 was the hottest on record, and 2020 the hottest year ever¹. The magnitude of catastrophic weather events is increasing, and the long-term trend of global warming is gathering momentum. Even in the face of the major shutdowns and ensuing emissions reduction due to the COVID-19 pandemic, atmospheric CO₂ concentrations continued to increase last year.

¹ NASA: Global Climate Change, Vital Signs of the Planet



Some members ask us how we're living up to our promise of being a top-performing fund when we make investment decisions which also take addressing climate change into consideration. Some may even think that top investment performance isn't compatible with investing in ways which address climate change.

The reality is that at Aware Super, we believe the opposite is true, that climate change is a significant risk to our portfolio, so managing climate risk is one of the ways we put members first. Our Climate Change Portfolio Transition Plan sets measurable goals to help reduce emissions and build resilience in our portfolio, create new investment opportunities and to engage with other companies to help them do the same.

Liza McDonald,
Head of Responsible Investment

When we created our CCPTP our aim was to better understand the existing and potential future impacts of climate change on the environment, our community and our members' retirement savings.

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

We are one of the few superannuation funds in Australia that has developed such a robust and specific plan.



Our CCPTP sets short, medium and long-term goals which we use as a roadmap to help us understand where we are now, to define, understand, measure and monitor how we're tracking against the goals we are setting. Our goals are ambitious, and we are one of the few superannuation funds in Australia that has developed such a robust and specific plan.

One year on, we would like to lay out for you here the major achievements we've made and how we are tracking against the ambitious goals we set to ensure we continue to provide our members with strong, sustainable long-term returns now and for decades to come.

Our goals, our targets

The specific goals and targets we set fall into three groupings.

1 To undertake low-carbon investment activities, including

- Progressively reducing carbon emissions from our listed equities portfolio
- Setting emissions reduction targets for our unlisted investments
- Taking up opportunities to invest in companies and businesses that are addressing climate change with new, low-carbon technologies

2 Future proofing our portfolio, which means

- Divesting from thermal coal miners
- Implementing an internal Aware Super physical risks of climate change assessment in our due diligence process
- Continuously assessing the magnitude of the potential impacts of climate change across the portfolio

3 Engagement, which means

- Actively talking to the companies and fund managers we work with to help them strengthen their action and reporting around climate change and their plans to transition to a low-carbon economy and their efforts to manage the risks of climate change to their businesses.



Our overarching aim is to achieve a Net-zero emissions target across the Aware Super investment portfolio by 2050



Our aims, our achievements

A highlight

45%

To achieve medium-term emissions reduction of 45% emissions from our portfolio by 2030

30%

To achieve a minimum 30% reduction in emissions from our listed equities portfolio by 2023

\$1bn

Invest \$1bn in opportunities to support a low carbon economy



Divesting from coal

Divested from thermal coal mining in October 2020



Emissions intensity reduction

Achieving an emissions intensity reduction of 45% across our listed equities portfolio, exceeding our goal of 30% by 2023



Investing in renewables

Through our Infrastructure and Private Equity teams, investing approximately \$1bn in renewables and low-carbon technologies



Setting emission reduction targets by working with industry bodies

Working with industry bodies such as ACSI, Hermes Eos and Climate Action 100+ to encourage the world's biggest emitters to set emission reduction targets.



Collaborating with world's highest emitters to create low carbon transition strategy

This year, through direct and collaborative engagement efforts, there has been a voluntary commitment from some of the world's highest emitters to create and put to shareholders a low carbon transition strategy.

A comprehensive update on our targets and achievements is set out below:



Low Carbon Investments

Reducing carbon emissions by setting reduction targets and investing in renewable energy

Target	Achievement
Annual targets for investment in low-carbon, renewables and climate-related businesses.	<p>Through our Infrastructure and Private Equity teams we have invested approximately \$1bn in renewables and low-carbon technologies, including:</p> <ul style="list-style-type: none"> An investment alongside Lend Lease US in a portfolio of property investments in the US. In the delivery and operations of those assets, an audited net zero carbon emissions has been achieved. An AUD80 million commitment to the Adamantem Capital Fund II, which requires all investments to have an independent emissions baseline completed (scope 1 & 2 emissions) and each investment will then be required to develop and implement detailed emissions reduction pathways. In FY21 the Aware Super Private Equity Team invested in Perfect Power Solutions, a US-based company developing battery storage projects in New York City. Across 9 projects under consideration, once operational, the emissions benefit could be the equivalent of taking c.1,000 cars of the road per year, as they replace traditional gas fired electricity peaking plants. In February 2021, Aware Super Infrastructure acquired a 10% interest in Terra-Gen, a US renewable energy platform, alongside First Sentier Investors. Terra-Gen is a US renewable power platform focused primarily in California. The platform operates more than 1,600 megawatts (MW) of operating assets across wind, geothermal, solar, and battery storage technologies and has more than 3,000 MW of projects under development. The platform also has operating and advanced stage development battery storage projects poised to capitalise on California's significant and increasing need for flexible dispatch resources. We have also invested in further domestic and global renewable energy and sustainable infrastructure projects including Tilt Renewables. <p>Further information on these investments will be provided in our next report.</p>
Measurable action towards achieving our target of 30% reduction in emissions across our share investment portfolios	As at 30 June 2021, we have already achieved an emissions intensity reduction of 45% across our listed equities portfolio, exceeding our goal of 30% by 2023.
Improving the screens used in our Socially Responsible Investment funds, to further reduce emissions	<p>Achieved a reduction of 63% in emissions in our SRI options in the 12 months from 1 July 2020 to 30 June 2021.</p> <p>This was achieved by updating and strengthening our criteria to exclude the supply chain to the fossil fuel industry and increasing our materiality threshold from 10% to 5% of revenue.</p>



Future Proofing

Assessing and making changes to the portfolio to take into consideration the physical risks of climate change as well as the transitions risks and opportunities considering the long-term stranded asset risk of certain sectors

Target	Achievement
Divestment from thermal coal	We divested from thermal coal mining in October 2020.
Measurable action towards achieving our target of 30% reduction in emissions across our share investment portfolios	As at 30 June 2021, we have already achieved an emissions intensity reduction of 45% across our listed equities portfolio, exceeding our goal of 30% by 2023.
Implement internal Aware Super physical risks of climate change assessments in due diligence process	During FY21 Aware Super developed and implemented a desktop review methodology for identifying the potential physical risks from climate change that assets may experience. Note this was an FY20 target that was extended into FY21 to enable more time to be committed to implementation.



Engagement & Advocacy

Actively working with companies and fund managers to help them strengthen efforts to reduce the risks of climate change

Target	Achievement
Industry advocacy and leadership	<p>During FY21 Aware Super has been a very active participant in Climate Action 100 (CA100+), being the lead investor for three Australian company climate action engagements and support investor for three further companies, plus the CA100+ Oil & Gas Working Group.</p> <p>Aware Super is an active participant in the Investor Group on Climate Change (IGCC), including its Physical Risk and Resilience Working Group. Aware Super is also a founding signatory to the Climate League 2030 initiative, which requires us to commit and report against our Paris aligned climate goals.</p> <p>Aware Super also participated in commissioning the IGCC report "Investing in an Equitable Transition", which the key role investors can play in supporting communities to transition to a low carbon economy.</p> <p>Aware Super is a signatory to the UN supported Principles for Responsible Investment (PRI), which involves reporting on our approach to responsible investment, including climate change annually.</p> <p>Additional initiatives that include climate related elements that Aware Super have been involved in include:</p> <ul style="list-style-type: none">• Australian Sustainable Finance Initiative (ASFI)• The Beyond Zero Emissions, Million Jobs Plan• Commissioning of the "Building back better: the intersection of climate solutions, healthy people and thriving communities" report by social researcher, Rebecca Huntley• Climate Change (National Framework for Adaptation and Mitigation) Bill 2020 submission• Supported the 2021 Global Investor Statement to Governments on the Climate Crisis• Attended and hosted climate roundtables with key industry participants• Representing Australia on the UN Global Investors for Sustainable Development Alliance
Actively engage with fund managers and companies we are invested in to set emission reduction targets	<p>Within the Aware Super active ownership programme a range of climate related priorities have been incorporated into our company engagement strategy. The top 20 emitters (Scope 1 & 2) in our Australian listed equities portfolio are prioritised from an engagement perspective.</p> <p>In FY21 Aware Super had 116 engagement meetings with 30 companies where their climate transition strategy was discussed. In 61 of these meetings, across 14 separate companies, climate change was the primary topic of discussion. These 14 companies were prioritised given their exposure to climate risk and their materiality within our portfolio. These engagements incorporated things such as:</p> <ul style="list-style-type: none">• a deep dive into a company's decarbonization pathways including encouraging setting of or understanding net-zero or other emissions reduction short, medium- or long-term targets,• strengthening climate governance, including TCFD disclosure,• understanding or requesting a company incorporates climate-related key performance metrics into senior executive's remuneration. <p>We actively voted our shareholdings on climate related proposals.</p> <p>We have also worked with industry bodies such as ACSI, Hermes Eos and Climate Action 100+ to encourage the world's biggest emitters to set emission reduction targets. Through direct and collaborative engagement efforts, this year some of the world's highest emitters we have made a voluntary commitment to create and put to shareholders a low carbon transition strategy. For example, through our engagement Santos has agreed to provide shareholders with a non-binding advisory vote on the company's Climate Change Report at its 2022 Annual General Meeting. This will provide investors with critical information about how the company is considering its long-term future and how the actions it takes now will ensure it is sustainable in future. Also, AGL has aligned executive remuneration to climate-related action and goals.</p>



Our Climate Change Portfolio Transition Plan is helping us future proof your super





Want to know more?

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

We're here to help

Contact us



Phone: 1300 650 873
8.30am to 6pm (AEST)
Monday to Friday

Int'l: +61 3 9131 6373

Email: enquiries@aware.com.au

Get advice



Phone: 1300 620 305
8.15am to 8.15pm (AEST)
Monday to Friday

Book: aware.com.au/advice

Email: aware.com.au/advice



aware.com.au

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