Climate Change Position Statement

Document version: 4.0
Date: 5 March 2023

Climate change is real

1. We concur with the consensus scientific opinion that the global climate is warming. The Intergovernmental Panel on Climate Change (IPCC) concludes that global warming is driven by emissions from human activities and that the climate has warmed at an unprecedented rate in the last 200 years.
2. In 2015, a legally binding international treaty on climate change, 'the Paris Agreement' was adopted, to encourage nations to undertake efforts to reduce CO2e emissions to limit global temperature increase to well below 2 degrees Celsius. We support this global action.

We have a role to play

3. As a large asset owner and capital allocator, we believe we have a critical role to play in:
   a. Adapting to the increasing financial risks (and opportunities) associated with climate change that may affect our members' retirement savings, including supporting stronger carbon-related risk disclosures across the industry, and
   b. Supporting the transition to a low-carbon society, including by investing in low-carbon modes of production, renewable energy generation and new technologies where there's a compelling investment case.
4. These two aspects are reflected in our *ESG Integration and Impact Strategy*. The transition to a low-carbon economy is one of our key priorities as inaction on climate change has the potential to lead to an erosion of long-term investment returns.

Climate risks have many dimensions

5. Climate risks may be 'asset-specific', such as the risk of an asset becoming stranded due, for instance, to catastrophic weather events, economic transition, climate activism, technological innovation or the risk of regulatory action, eg the introduction of carbon pricing.
6. Climate risk can also impact returns at a wider industry sector level, such as the oil and gas industry, or at an even broader asset class level, such as in emerging and frontier markets and this should be reflected in the way we set our long-term strategic asset allocation.

We're taking pragmatic, meaningful action

7. We're realistic about the extent to which we can influence global outcomes – accordingly, our focus is on managing risks specific to our portfolio and targeting new opportunities that play to our strengths as a mid-sized Australian industry super fund.
8. More specifically, we:
   a. Aim to reduce the investment portfolio's total carbon footprint by 50% by 2030 compared to a 2021-22 baseline, in line with the Paris Agreement recommendation of limiting warming to 1.5 degrees Celsius.
   b. Are transitioning to customised MSCI benchmarks for Australian and Global shares that exclude companies primarily involved in the exploration and production of thermal coal for all investment options. For select managers we're advising mandates to reduce carbon emissions by a further 20% on average, relative to the MSCI benchmark.
   c. Evaluate our managers in accordance with significant non-compliance of the Taskforce for Climate-related Financial Disclosures (TCFD) and encourage our managers to disclose in line with the TCFD recommendations where material.
   d. Exclude any new direct investment in fossil fuel related industries and proactively consider new opportunities in renewable energy generation.
   e. Originate new investments with positive and measurable environmental and social impacts, while also generating financial returns. We note that any such prospective investments are subject to the same extensive due diligence process as all other opportunities.
9. Finally, we offer a Sustainable option which provides access to a portfolio which is relatively well-diversified by asset class, but which excludes legacy fossil fuel related infrastructure assets and allocates only to those fund managers with the strongest ESG processes and performance.

Spirit Super