



# CLIMATE TRANSPARENCY REPORT

## 2019

VicSuper

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here ([https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-8EF030F7-8ABA-40F5-8C21-9D3492D34FF1/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-8EF030F7-8ABA-40F5-8C21-9D3492D34FF1/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/)). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

## TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	VicSuper
<b>Signatory Category</b>	Non-corporate pension or superannuation or retirement or provident fund or plan
<b>Signatory Type</b>	Asset Owner
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2006
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	100% from 38 Voluntary indicators

VicSuper

Reported Information

Public version

Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1**

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

**SG 01.2**

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Other, specify (1) <b>Responsible Investment beliefs</b> <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

VicSuper's Investment Governance Framework (IGF) is the systems, structures, policies and procedures used to manage the investment process and includes a Responsible Investment Policy and Engagement and Proxy Voting Policy.

VicSuper's Investment Policy Statement (which summarises the IGF) outlines the Fund's investment beliefs and overall investment strategy. It includes the following specific responsible investment and climate change beliefs as part of the Fund's broader investment beliefs.

- We are a long-term and universal asset owner. We believe that taking active responsibility for our portfolio helps identify and manage risks and enhance returns for our members. Active responsibility includes the identification of ESG-related risk and opportunities as well as actively engaging with investee companies and proxy voting in order to create long-term shareholder value.
- We believe that climate change has the potential to have a material negative impact on our portfolio due to its impact on the environment and society. We believe it is incumbent on us as fiduciaries to manage the financial risk due to climate change risk in our portfolio.

These are supported by more detailed responsible investment and climate change beliefs within the Responsible Investment Policy.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Responsible investment beliefs direct our approach to responsible investment and form part of our broader investment beliefs. During 2018 we updated our responsible investment and climate change beliefs, based on input gathered through an in-depth survey and workshop with our Board. These beliefs are set out in our Responsible Investment Policy.

Our Responsible Investment Policy also sets out our approach to responsible investment which is based on four pillars - environment, social and governance (ESG) integration, active ownership, member choice and investing in sustainable outcomes. VicSuper undertakes responsible investment for all asset classes with the exception of cash.

**ESG integration** - To protect the long term value of our members' retirement savings we integrate ESG factors into our investment processes across the investment portfolio (with the exception of cash). Because VicSuper uses external investment managers to invest on its behalf, our approach to ESG integration involves selecting, appointing and monitoring investment managers who integrate ESG factors. Responsible investment is integrated into the investment manager selection process via VicSuper's supplier due diligence process. We select managers who are able to demonstrate a strong approach to ESG integration and then monitor their progress through regular reporting and review meetings.



**Active Ownership** - We believe that active ownership (incorporating company engagement and proxy voting) can positively influence investee company behaviour and performance and support the achievement of long-term shareholder value. We seek to influence corporate governance practices and how companies manage social and environmental risks in line with our priority objectives. Our engagement and voting activities focus on five key areas:

- governance
- climate change
- human rights
- gender equity and
- natural capital

As an active owner we vote at company meetings and engage with the companies we invest in to influence improvements in their corporate governance practices and how they manage social and environmental risks. While we made a decision to divest from tobacco production a few years ago, our preference is to engage with the companies we invest in to help them transition towards more sustainable business models. We undertake company engagement through service providers because we believe it maximises our voice and influence.

We also undertake advocacy with a view to influencing improvements in the alignment of the operation of the financial system and regulatory policy with the interests of long-term investors. We do this through submissions to government or regulators, contribution to research and industry and media campaigns.

**Member choice** - We recognize that our members' values, preferences and attitudes are diverse. Being informed about member expectations on responsible investment is an integral part of our approach. For members seeking to align investment of their superannuation savings with their social and environmental values we offer a Socially Conscious investment option that incorporates a wide range of explicit social and environmental objectives. It aims to help members:

- Take action on climate change by not investing in companies that hold fossil fuel reserves used for energy purposes
- Minimise social harm by not investing in companies that are materially involved in activities that potentially cause social harm, for example tobacco production, alcohol, gambling, military weapons, civilian firearms, nuclear power, adult entertainment and genetically modified organisms.
- Protect human and labour rights and the environment by not investing in companies that have been involved in severe incidents or controversies, or are not adhering to widely accepted global conventions

**Investing in sustainable outcomes** - VicSuper's primary focus is on optimising members' long term investment returns and, hence, retirement income. However, we also acknowledge that the welfare of members in retirement will be influenced by the environmental and social amenity of the world in which they live. Accordingly, other things being equal, we will be inclined to favour investments which contribute to positive environmental and social outcomes, and will be inclined to avoid investments which have the opposite impact.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
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**SG 01.6  
CC**

Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.

The financial risk due to climate change and its impact on the Fund's investment portfolio is identified in VicSuper's overall risk management framework. We regularly conduct stress testing of the portfolio against a range of climate change scenarios. This process considers physical (impact and resource availability) as well as transition (technology and policy) risks. A summary of the identified risks and our responses are as follows:

**Technology Risk**

Risk: That invested asset classes or sectors adjust more slowly to the low-carbon economy. This risk is particularly relevant to coal, oil and electric utilities.

Response: We engage with exposed companies to understand their strategy to transition to a low-carbon economy.

**Resource Availability Risk**

Risk: Portfolio assets may be negatively impacted by resource availability as a consequence of chronic weather patterns. This risk is particularly relevant to timber and agriculture assets and to the energy and utilities sectors in equities.

Response: We seek to work with investment managers who consider the impacts of climate change as part of investment decisions. We engage with companies exposed to climate risk to confirm that they are adequately managing their risk.

**Impact Risk**

Risk: Portfolio assets may be susceptible to extreme weather events resulting in reduced investment returns due to lost revenue and/or increased costs. This risk is particularly relevant to property, infrastructure, timber and agricultural assets, and in equities to emerging markets and the energy, utilities and industrials sectors.

Response: We seek to work with investment managers who consider the impacts of climate change as part of investment decisions. We engage with companies exposed to climate risk to confirm that they are adequately managing their risk. This year, we plan to undertake a further detailed assessment of the resilience of our real assets.

**Policy Risk**

Risk: Carbon pricing policies may be introduced resulting in increased operating costs. This risk is particularly relevant to carbon-intensive sectors including energy, utilities and materials.

Response: We invest a significant portion of our passive international equities in a low-carbon mandate. We measure the carbon intensity of our equities portfolio on an annual basis. We engage with companies exposed to climate risk to confirm that they are adequately managing their risk.

**SG 01.7  
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

**SG 01.8  
CC**

Indicate the associated timescales linked to these risks and opportunities.

These risks were modelled out to 2050, with likelihood and impact specifically assessed over 10 years and 35 years.

No

**SG 01.9  
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

<b>SG 01.10 CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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Yes

Describe

We recognise that climate change has the potential to have a material negative impact on society and the environment and that this will provide both opportunities and potential risks for the investment portfolio. We therefore have a responsibility to manage the financial risk in our portfolio resulting from climate change, on behalf of our members. To manage this risk, and contribute to achieving the objectives of the Paris Climate Agreement to keep global warming well below 2 degrees Celsius, we aim to align our investments with a pathway towards a low-carbon economy.

We review the likelihood and impact of the financial risk due to climate change on an annual basis through the Fund's standard risk management processes.

Our approach to the management of the financial risk due to climate change is explained in VicSuper's Climate Change and Investments Strategy. Our strategy clearly defines our climate change beliefs and commitments, and addresses risks across three key areas - Governance, Investments and Engagement. The implementation of the strategy has been staged over three years to assist with managing resourcing and implementation risks. This strategy was developed based on an analysis of the implications of climate change for our portfolio and a review of best practice publications including those from the Principles for Responsible Investment (PRI) and Investor Group on Climate Change (IGCC).

No

<b>SG 1.12 CC</b>	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

Separate Climate Change Report, published with the Fund's Annual Report, available at <https://www.vicsuper.com.au/~media/files/about-us/reports/2018-annual-report/vicsuper-climate-change-report-2018>

<b>SG 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

URL/Attachment

- URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/investments/responsible-investment-policy.pdf?la=en}

Attachment (will be made public)

Attachment

[File 1:3.7 IGF - Responsible Investment Policy - v1.pdf](#)

Screening / exclusions policy

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/investments/responsible-investment-policy.pdf?la=en}

Attachment (will be made public)

Attachment

[File 1:3.7 IGF - Responsible Investment Policy - v1.pdf](#)

Engagement policy

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/pdfs-and-downloads/other/investments/proxy-voting/vicsuper-governance-and-proxy-voting-policy.pdf?la=en}

Attachment (will be made public)

Attachment

[File 1:3.8 IGF - Engagement & Proxy Voting Policy - v2.pdf](#)

(Proxy) voting policy

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~/-media/files/pdfs-and-downloads/other/investments/proxy-voting/vicsuper-governance-and-proxy-voting-policy.pdf?la=en}

Attachment (will be made public)

Attachment

[File 1:3.8 IGF - Engagement & Proxy Voting Policy - v2.pdf](#)

Other, specify (1)

Other, specify (1) description

Responsible Investment beliefs

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~/-media/files/investments/responsible-investment-policy.pdf?la=en}

Attachment (will be made public)

Attachment

[File 1:3.7 IGF - Responsible Investment Policy - v1.pdf](#)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~/-media/files/investments/responsible-investment-policy.pdf?la=en}

Attachment

File Attachment

{hyperlink:3.7 IGF - Responsible Investment Policy - v1.pdf [722KB]}

- Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

- URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/investments/responsible-investment-policy.pdf?la=en}

- Attachment

File Attachment

{hyperlink:3.7 IGF - Responsible Investment Policy - v1.pdf [722KB]}

- Time horizon of your investment

URL/Attachment

- URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/pdfs-and-downloads/other/investments/investment\_policy\_statement}

- Attachment

File Attachment

{hyperlink:1.0.1 IGF - Investment Policy Statement.pdf [86KB]}

- ESG incorporation approaches

URL/Attachment

- URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/investments/responsible-investment-policy.pdf?la=en}

- Attachment

File Attachment

{hyperlink:3.7 IGF - Responsible Investment Policy - v1.pdf [722KB]}

- Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/pdfs-and-downloads/other/investments/proxy-voting/vicsuper-governance-and-proxy-voting-policy.pdf?la=en}

Attachment

File Attachment

{hyperlink:3.8 IGF - Engagement & Proxy Voting Policy - v2.pdf [740KB]}

Reporting

URL/Attachment

URL

URL

{hyperlink:https://www.vicsuper.com.au/~media/files/investments/responsible-investment-policy.pdf?la=en}

Attachment

File Attachment

{hyperlink:3.7 IGF - Responsible Investment Policy - v1.pdf [722KB]}

We do not publicly disclose any investment policy components

**SG 02.3** Additional information [Optional].

VicSuper is committed to the responsible investment of members' retirement savings since it believes that this is both consistent with our objective of optimising members' retirement savings and incomes, and it contributes positively to the type of world they want to retire in.

In 2018, VicSuper significantly updated its Investment Governance Framework (IGF), including its Responsible Investment Policy. The IGF is the totality of systems, structures, policies, processes, and people employed by VicSuper Pty Ltd (the Trustee) in its fiduciary capacity to manage the investments of VicSuper Fund (VicSuper) in the best interests of members. All elements of the IGF are housed within detailed Trustee-approved policies which are subject to annual review. Key elements of the IGF include the Investment Policy Statement (IPS) which is available on VicSuper's website.

We also provided detailed disclosure on responsible investment and climate change in our Annual Report and Climate Change Report, both of which can be viewed and downloaded at: <https://www.vicsuper.com.au/campaigns/2018-annual-report>

**Governance and human resources**

<b>SG 07 CC</b>	Voluntary	Public	Descriptive	General
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**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6  
CC**

For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The VicSuper Board has ultimate responsibility for oversight of all aspects of VicSuper's operational and investment decisions, including oversight of the management of the financial risk due to climate change.

The Board executes its climate-related oversight/accountability objectives through:

- Detailed review of investment beliefs including responsible investment and climate change beliefs every 3 years. During the last financial year we updated our responsible investment and climate change beliefs, based on input gathered through an in-depth survey and workshop with our Board. These beliefs have subsequently been incorporated into VicSuper's Investment Governance Framework, and set out in more detail in our Responsible Investment Policy.
- Review of the result of annual portfolio stress testing for a range of climate change scenarios
- Review of quarterly responsible investment reporting which includes reporting against climate change objectives
- Review of reporting on engagement and proxy voting, for which climate change is a Board-approved priority objective



<b>SG 07.7 CC</b>	For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.
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VicSuper's approach to the management of the financial risk due to climate change is explained in the Climate Change and Investments Strategy. The key objective of the strategy is to ensure that VicSuper's investment portfolio is resilient and adaptive to climate risk.

The Climate Change and Investments Strategy details VicSuper's current climate change beliefs, commitments and objectives. A work plan has also been developed which identifies a series of initiatives across three key areas of Governance, Investments and Engagement. The implementation of the Work Plan has been staged over three years to assist with managing resourcing and implementation risks.

VicSuper's Chief Investment Officer is responsible for the overall implementation of the Climate Change and Investments Strategy, while the day-to-day work plan is overseen and managed by VicSuper's Portfolio Manager - Responsible Investments, with support from other members of the Investments Team.

The Chief Investment Officer and Portfolio Manager - Responsible Investments provide regular updates to the Board on the potential impacts of climate change to VicSuper's investment portfolio, as well as updates on our actions to address climate change and the carbon intensity of our equities portfolio.

<b>SG 07.8 CC</b>	Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.
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- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

## ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

	Describe
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VicSuper commissioned Mercer to assess the investment implications of climate change on its My Super (Growth) option. This stress testing estimated investment return implications at the total, asset class and sector level under three climate scenarios and considered physical as well as transition risks, modelled between 2017 and 2050.

- No, not to assess future ESG/climate-related issues

<b>SG 13.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

**SG 13.3** Additional information. [OPTIONAL]

VicSuper considers environment, social and governance factors as part of its strategic asset allocation process. These factors are particularly relevant when considering allocation of assets between geographic markets and sector weightings.

SG 13 CC	Voluntary	Public	Descriptive	General
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**SG 13.4 CC** Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.

- Initial assessment

Describe

VicSuper has used both the scenario analysis performed by Mercer, as well as the International Energy Agency (IEA) 20C Energy Technology Roadmaps to inform initial assessments of investments, particularly infrastructure investments. As an example, VicSuper decided against making a co-investment into an asset in part because it would not have been consistent with the Fund's commitment to align its investments with a pathway towards a low carbon economy.

- Incorporation into investment analysis
- Inform active ownership
- Other

**SG 13.5 CC** Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6 CC** Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.

- Yes

	Describe
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VicSuper has evaluated the impacts of climate-related risks out to 2050, which is beyond the long term (10+ year) investment horizon. The risks considered included physical (impact and resource availability) as well as transition (technology and policy) risks.

No

<b>SG 13.7 CC</b>	Indicate whether a range of climate scenarios is used.
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- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

<b>SG 13.8 CC</b>	Indicate the climate scenarios the organisation uses.
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Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #cccccc; padding: 2px;">Other (1) please specify:</div> Mercer Transformation (2oC)
Other	<input checked="" type="checkbox"/> Other (2)	<div style="background-color: #cccccc; padding: 2px;">Other (2) please specify:</div> Mercer Combination (2.8oC)
Other	<input checked="" type="checkbox"/> Other (3)	<div style="background-color: #cccccc; padding: 2px;">Other (3) please specify:</div> Mercer Fragmentation - Higher Damages (4oC)

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.
--	--

	trillions	billions	millions	thousands	hundreds
Total AUM		2	598	284	896
Currency	AUD				
Assets in USD		1	916	228	033

	Specify the framework or taxonomy used.
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VicSuper is in the process of testing the investments it categorises as "Investing in Sustainable Outcomes" to determine whether they meet the requirements of Sustainable Development Investments (SDI), as developed by PGGM and APG.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Our engagement service providers have been encouraging further climate change related disclosure from large domestic listed companies in the energy, resources, materials and banking sectors.

- None of the above

**SG 14.4**

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

**Scenario Analysis** - VicSuper commissioned Mercer to assess the investment implications of climate change on its MySuper (Growth) default option.

The Mercer analysis report provided the estimated return implications under three climate scenarios and four climate risk factors, modelled between 2017 and 2050, with commentary for VicSuper. The return estimates were provided at the asset class and industry sector levels.

**Disclosure on emissions risk** - Following the Mercer analysis a full report and presentation were provided to VicSuper's Board and relevant management. Public disclosure of emissions risk was also provided through VicSuper's first Climate Change Report, prepared in alignment with the TCFD recommendations and released as a supplement to the Annual Report in October 2018.

**Encourage internal and/or external portfolio managers to monitor emissions risk** - VicSuper's external managers are asked about their approach to managing climate change risk via the due diligence questionnaires distributed in the selection process. One manager has emissions related performance objectives that it is required to report against quarterly.

**Weighted Average Carbon Intensity** - Each year VicSuper measures the weighted average carbon intensity of its equities portfolio. This measure allows us to compare the emissions intensity of our portfolio year-on-year, despite our funds under management increasing over time. This also helps us understand where carbon risks and opportunities sit within the portfolio and fulfils our Montreal Pledge obligations. By signing the Pledge, we have formally committed to measuring and publicly disclosing the carbon footprint of our portfolio on an annual basis.

**SG 14.5**

Additional information [Optional]

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC** Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

<b>Metric Type</b>	<b>Coverage</b>	<b>Purpose</b>	<b>Metric Unit</b>	<b>Metric Methodology</b>
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Helps contribute to a high level understanding of where carbon risks or opportunities sit within our portfolio at a company and sector level.	CO2e/A\$M revenue	VicSuper outsources the analysis to Trucost. The weighted average carbon intensity is calculated by allocating emissions intensity on a revenue basis from each constituent company held in the portfolio in proportion to VicSuper's equity ownership of that company.

**SG 14.8 CC** Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

- Process for climate-related risks is integrated into overall risk management

Please describe

The financial risk due to climate change is identified within VicSuper's overall risk management framework, together with relevant controls. All risks and controls are reviewed on at least an annual basis. The impact and likelihood of this risk are assessed based on guidance in VicSuper's Risk Management Procedure and can therefore be compared to other risks. The risk management process is carried out using RSA Archer software.

- Process for climate-related risks is not integrated into our overall risk management

**SG 14.9 CC** Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

- Yes

Please describe

VicSuper undertakes active ownership activities to encourage TCFD adoption as a signatory to the Climate Action 100+ initiative and as a supporting investor for a number of priority companies in Australia.

VicSuper also encourages TCFD adoption as a member of the Australian Council of Superannuation Investors (ACSI) and through ACSI's role as a specialist engagement provider to the Fund. ACSI has been engaging with ASX companies for years on the disclosure and integration of climate-related risks and opportunities. ACSI engages with a broad range of companies on climate risk and also prioritises particular companies given their materiality and exposure. For 2018, there were 16 companies which ACSI focused on TCFD adoption as a primary concern.

In 2018, VicSuper also supported a significant number of shareholder resolutions, including all Australian resolutions that requested companies report in accordance with the TCFD framework.

- No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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**SG 15.1** Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**SG 15.2** Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

12.25

**SG 15.3** Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

Energy efficiency / Clean technology

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure

% of AUM

0.19

- Forestry
- Farmland
- Cash
- Other (1)

Brief description and measures of investment

VicSuper invests in Scandlines hybrid ferries as part of its infrastructure investments.

Renewable energy



Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity

% of AUM

0.03

- Property
- Infrastructure

% of AUM

0.18

- Forestry
- Farmland
- Cash
- Other (1)

Brief description and measures of investment

VicSuper holds private equity investments in the following:

- Emerald Cleantech
- Climate Solutions Private Equity Fund

VicSuper is also invested in the Ross River Solar Farm, Finerge wind farms and Powering Australian Renewables Fund.

- Green buildings

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

% of AUM

3.23

- Infrastructure
- Forestry
- Farmland
- Cash
- Other (1)

**Brief description and measures of investment**

VicSuper holds property investments that have been designed, constructed, operated, maintained or renovated using environmentally-friendly and resource-efficient processes and/or formal green building ratings according to the Australian GreenStar or NABERS accreditation programs.

In calculating this figure, we have only included investment managers that have made significant sustainability commitments: Invesco, TH Real Estate, GPT and Investa.

Sustainable forestry

**Asset class invested**

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Forestry

**% of AUM**

1.45

- Farmland
- Cash
- Other (1)

**Brief description and measures of investment**

VicSuper holds a number of sustainable forestry investments. These include assets managed for the production of pulp, chip, sawn timber and higher-value wood products.

Sustainable agriculture

#### Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Forestry
- Farmland

#### % of AUM

1.37

- Cash
- Other (1)

#### Brief description and measures of investment

In 2006 VicSuper resolved to invest in a landscape redevelopment project called 'Future Farming Landscapes' (FFL). FFL aims to hold a portfolio of land and water assets for the purpose of generating returns from a combination of agricultural activities and innovative water leasing products. The FFL project lies between Kerang and Swan Hill in the southern part of the Murray Darling Basin (MDB), a vital food-producing region of Australia.

This investment is delivered by Kilter Pty Ltd through its FFL model which involves earning income and building capital value through investment in farmland redevelopment, improved yield productivity and the delivery of water use solutions for agriculture and the environment.

FFL aims to generate more food and fibre utilising less land, less water and less management effort. Farmlands held by VicSuper are managed to create a resilient landscape - one which can cope with variable and constantly changing conditions and climate, while enhancing productivity, providing employment opportunities and improved environmental outcomes, delivering investment returns.

The objective is a large-scale investment that improves the productivity of farmland and maintains and enhances water use efficiency and ecosystems while delivering VicSuper long-term, stable, non-correlated, inflation-protected returns.

- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

International Equity Customised Carbon Strategy and Socially Conscious equities investments

## Asset class invested

- Listed equity

## % of AUM

5.8

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Forestry
- Farmland
- Cash
- Other (1)

## Brief description and measures of investment

The International Equity Customised Carbon Strategy is a listed equity investment developed specifically for VicSuper that aims to deliver a 70% reduction in greenhouse gas emissions intensity and 50% reduction in fossil fuel reserves against its benchmark.

The Socially Conscious investment option allows members to align investment of their superannuation savings with their social and environment values. Among other exclusions, this option's equity investments exclude investment in companies that hold fossil fuel reserves used for energy purposes as well as those that have been involved in severe environmental incidents.

No