



# CLIMATE TRANSPARENCY REPORT 2019

First State Superannuation Scheme

# 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/-64919639-A8E2-4C8F-A15A-0C9E2D40B5C4/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-64919639-A8E2-4C8F-A15A-0C9E2D40B5C4/00000000-0000-0000-0000-000000000000/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>	First State Superannuation Scheme
<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\$ > 50 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2008
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	52% from 38 Voluntary indicators

# First State Superannuation Scheme

## 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 checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" 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 type="checkbox"/> Other, specify (1) <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.

Our investment beliefs include the following:

There can be second or third order impacts from an investment decision on our portfolio and the world into which our members will retire. We need to be mindful of these 'footprints' (both positive and negative) that our investments make in markets, in communities and on the environment.

We recognise that poor management of long term Environmental, Social and Governance (ESG) related risks by a company not only impacts our investments but can potentially harm the broader community and environment as well. We are a signatory to the United Nations Principles of Responsible Investing (UNPRI), which promotes sustainable investment and provides an important framework for institutional investors to consider the impact of these issues on their investment decisions.

There are ways to improve the long-term performance of the portfolio through active engagement with companies based around long term value creation, sustainability and good governance.

**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]

As stewards of our members' retirement savings, we have a duty to act in their best interests and to protect and grow the real value of their assets. FSS approaches ESG integration across the whole fund, via assessment of ESG integration and stewardship of our managers in the management selection phase, appointment and monitoring thereafter. Where possible, we attempt to educate our mainstream analysts and fund managers on ESG integration. For investments in the private equity or infrastructure assets classes where either FSS or our manager takes a board seat in an unlisted company, we ensure our ESG principles influence board decisions. For listed assets a critical part of this is a responsibility to monitor and engage with companies in which we invest, directly and through the fund managers we appoint. This is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, and capital structure.

Perhaps most importantly, we have an obligation to ensure that the companies we invest in on behalf of members are governed in a way which will enhance their performance over the longer term.

We believe that good governance is essential to being able to generate the best financial outcome for members. We generally support boards that have a majority of independent directors and that contain a diverse set of experience and skills appropriate to the business.

Additionally, we take an interest in the environmental and social practices of the listed companies in which we invest. We believe companies that take a sustainable approach to the environment and to the community, including their own workforce, will perform better over the long term.

To improve our knowledge of ESG issues, which enters in to our ESG direct or co-investment reviews, corporate engagements, or proxy voting, we carry out in depth thematic research projects annually. We have completed projects on executive remuneration, climate change, worker safety, diversity and long term value creation. We participate in and are members of industry bodies such as PRI, RIAA, ACSI, Hermes



Eos and IGCC, to ensure our work is benchmarked with our peers and to learn and provide information on our approach to ESG integrate and active ownership.

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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<b>SG 01.6 CC</b>	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.
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As a global long-term investor and a signatory to the Principles for Responsible Investment (PRI), the Trustee acknowledges that climate change may affect the performance of the Funds to varying degrees across companies, sectors, regions, asset classes and through time because of regulatory change and the physical and social impacts of climate change. The majority of scientific opinion supports the view that the climate is warming, that the warming is being caused by significant increases in the levels of carbon dioxide (CO2) in the atmosphere, and that the increased levels of CO2 causing the warming are a result of human activity.

Global warming is expected to have a wide range of consequences, many of which may impact the Funds' investments. In 2016 our Board approved our Climate Change Adaptation Plan that sets out the risks and opportunities relating to climate change. [https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study\\_May-2016\\_FINAL.PDF](https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study_May-2016_FINAL.PDF) The severity and type of consequences will ultimately depend on the level of warming that occurs, but examples of these consequences include:

- changes to policy settings and regulation as Governments around the world move to limit the amount of CO2 being released into the atmosphere;
- more frequent extreme weather events (for example, storms and floods);
- changes to rainfall patterns and increases in drought; and
- increases in sea-level.

From an investment perspective, global warming will lead to both risks and opportunities. The Trustee addresses these risks and opportunities by working with its external investment managers and with the listed companies in which it invests to encourage them to incorporate climate change risks and opportunities into their investment processes. Climate change is but one component of the Funds' ESG considerations, however, climate change is one of the largest economic challenges facing investors today, and FTC is committed to improving its understanding of its exposure to material climate change risks.

Where practicable and over time FTC (or agents on its behalf) aims to:

- incorporate climate change into the consideration of its investments across asset classes, whether managed internally or externally;
- request disclosure of investment managers' policies on climate change, and a demonstration of their approach to incorporating climate change considerations into their investment process;
- through engagement activities: encourage improvement in the level of disclosure by companies of material climate change impacts through initiatives such as the Carbon Disclosure Project, Task Force on Climate-Related Financial Disclosures and other relevant activities; and support reasonable shareholder proposals to disclose a company's approach to climate change and/or greenhouse gas emissions;
- share knowledge and increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives.

<b>SG 01.7 CC</b>	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

**SG 01.8  
CC**

Indicate the associated timescales linked to these risks and opportunities.

The way we have tried to assess the nature and scale of climate change risk is to consider possible future scenarios of emission reduction "pathways" and then consider the risks posed under each one over different timeframes. Specifically, we define four scenarios, corresponding roughly to four representative concentrations pathways (RCPs) modelled by the IPCC:

Scenario 1: Transformation (~ICPP RCP2.6)

Scenario 2: Policy Co-Ordination (~ICPP RCP4.5)

Scenario 3: Policy Fragmentation (~ICPP RCP6.5)

Scenario 4: Inaction (~ICPP RCP8.5)

The Transformation scenario, for instance, is an optimistic scenario in which global carbon emission are sequentially reduced to be 90 per cent less than 1990 levels by 2050 (or ~50% by 2030), with accumulated CO2 levels peaking at ~800 GtCO2. This is a scenario where investors and corporations pre-empt policy changes and drive a major reallocation of resources from carbon-intensive activities to low-carbon activities, including greater renewable energy use. Under this scenario, average temperature are projected to peak at 1.8O above pre-Industrial levels making it the only scenario in which global warming remains within the 2OC limit.

A high-level summary of these scenarios and associated risks is set out in our Climate Change Adaptation Plan [https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study\\_May-2016\\_FINAL.PDF](https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study_May-2016_FINAL.PDF)

No

**SG 01.9  
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.10  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

In 2016 our Board approved our Climate Change Adaptation Plan that sets out the Fund's approach to identifying, managing and responding to risks and opportunities relating to climate change. [https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study\\_May-2016\\_FINAL.PDF](https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study_May-2016_FINAL.PDF)

No

**SG 1.12  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

Public PRI Climate Transparency Report

Annual financial filings

Regular client reporting

Member communications

Other

specify

Website - Climate Change Adaptation Plan  
[https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study\\_May-2016\\_FINAL.PDF](https://firststatesuper.com.au/content/dam/ftc/pdfs/About/policies/FSS-Responding-to-Climate-Change-a-Case-Study_May-2016_FINAL.PDF)

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

**SG 02.1** Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

Formalised guidelines on environmental factors

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

Formalised guidelines on social factors

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

Fiduciary (or equivalent) duties

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

Screening / exclusions policy

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/member/pds/mbs/MBS\\_Investments.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/member/pds/mbs/MBS_Investments.pdf)}

Attachment (will be made public)

Engagement policy

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment

URL

URL

{[hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf](https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf)}

Attachment (will be made public)

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://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility}

- Attachment

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

URL/Attachment

- URL

URL

{hyperlink:https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility}

- Attachment

- Time horizon of your investment

URL/Attachment

- URL

URL

{hyperlink:https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility}

- Attachment

- Governance structure of organisational ESG responsibilities

URL/Attachment

- URL

URL

{hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf}

- Attachment

- ESG incorporation approaches

URL/Attachment

URL

URL

{hyperlink:https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf}

Attachment

Reporting

URL/Attachment

URL

URL

{hyperlink:https://firststatesuper.com.au/content/dam/ftc/digital/pdfs/about/policies/RI-ESG-policy.pdf}

Attachment

Climate change

URL/Attachment

URL

URL

{hyperlink:https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility}

Attachment

We do not publicly disclose any investment policy components

## Governance and human resources

SG 07 CC	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.
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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

Other Chief-level staff or head of department

- 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

Investment analysts

- 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.

Our Board has approved a Climate Change Adaptation Plan (CCAP) that sets out our approach to climate change. Reporting against the initiatives in the CCAP are reported to the Investment Committee & Board bi-annually.

ACSI, on behalf of First State Super, managers and monitors climate-related priority companies and provides

updates to member funds via formal semi-annual engagement reports and other informal member briefings on a quarterly basis. These reports track progress on climate-related objectives for specific companies and provides updates on broader climate change trends in the market. These reports are provided to our Board.

<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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The Head of Responsible Investment is responsible for implementation of the CCAP including company engagement; working with the portfolio managers and analysts to assess climate related opportunities - e.g. renewables. The Head of RI is also responsible for engaging with investment managers to understand how they are managing climate related risks. Portfolio managers and analysts assist in understanding climate change related risks when conducting due diligence of investments.

ACSI, on behalf of First State Super, manages and monitors climate-related priority companies and provides updates to member funds via formal semi-annual engagement reports and other informal member briefings on a quarterly basis. These reports track progress on climate-related objectives for specific companies and provides updates on broader climate change trends in the market.

Management can also be informed on climate-related issues through ACSI's Member Council and climate specific events and meetings.

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

<b>SG 13.3</b>	Additional information. [OPTIONAL]
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We have asked our asset consultant to undertake this work for us for 2019

<b>SG 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- 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

- 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			600	000	000
Currency	AUD				
Assets in USD			442	498	366

Specify the framework or taxonomy used.

We have used the MSCI ESG Manager screening tool to identify companies that contribute to alternative energy; energy efficiency; green buildings; pollution prevention or sustainable water.

For infrastructure (including debt and equity) we have investments in renewable energy projects which are identified as low carbon solutions. No specific taxonomy is used.

- 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

other description

Our climate change adaptation plan details how First State Super will manage risks, adapt, and mitigate the effects of climate change in our portfolio.

- 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

First State Super has non-binding internal goals for overall attributed emission reductions.

- 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.

MSCI Carbon Analytics

**SG 14.5**

Additional information [Optional]

Some pitfalls of carbon footprinting :

**Operated vs equity share data issue:**

Many projects are often held in joint ventures or other joint ownership structures. Typically the operator reports 100% of the emissions and the other owners report 0%, however there is often inadequate data to show emissions data in terms of equity ownership. Making this more problematic is the fact that financial data, such as revenues or sales, used to calculate emissions intensity clearly relates to equity share of projects or operations. Thus the numerator and denominator entries are inconsistent and particularly for companies most material in a carbon footprinting exercise energy or materials.

**Problems with "revenue" used as the denominator in intensity calculations:**

Some companies reported revenue as the net income it receives from associates or subsidiaries, whereas other use underlying revenue. Using reported revenue (likely lower than underlying) will lead to high intensity figures.

**Emissions intensities may rise with improved and more complete reporting:**

The more broadly companies start to report on emissions, the more likely it will raise their emissions.

**Outsourcing:**

Emission from a company will be heavily influenced by which activities they conduct inhouse rather than outsourcing. E.g. do they manufacture or purchase their raw materials?

**Estimates for companies who do not report may be erroneous if based on peer group:**

They need to be based on the physical activities of that company, not peers. Eg a peer group may contain raw steelmakers, cement makers and other companies that primarily process raw materials purchased from others.

**A portfolio carbon footprint might change from year to year for other reasons outside of holdings or**

**company activities:**

Upward movements in commodity prices will increase revenues, exchange rates will affect revenues. Revisions by company to do more comprehensive reporting and the equity share data issue.

**Scope 3 emissions are generally excluded from reporting:**

Generally these are excluded due to inconsistencies from definitions and reporting.

**Multiple counting:**

We may be double or treble counting. Eg a coal miners scope 3, could be the power generators scope 1 and the industrial electricity users scope 2 emissions, and the aluminium can makers scope 3 emissions. These emissions might be 100% attributed to equity investors, or inadvertently counted in debt portfolio footprint,

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

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Measures a portfolio's exposure to carbon intensive companies. Can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark.	tons CO2e / \$M sales	<p>The Weighted Average Carbon Intensity measures a portfolio's exposure to carbon intensive companies. Since companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks, this metric can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark.</p> <p>Calculating a portfolio's Weighted Average Carbon Intensity is simple, achieved by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company and calculating the weighted average by portfolio weight. Unlike the Portfolio Carbon Intensity, carbon emissions are apportioned based on portfolio weights / exposure, rather than the investor's ownership share of emissions or sales.</p>
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Measure scope 1 & 2 carbon footprint	tons CO2e / \$M invested	<p>Scope 1: All direct GHG emissions from sources owned or controlled by the company. Some examples include emissions from fossil fuels burned on site, emissions from entity-owned or leased vehicles.</p> <p>Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat, or steam, and the transmission and distribution (T&amp;D) losses associated with some purchased utilities.</p>
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Measure total carbon footprint	tons CO2e / \$M invested	<p>Scope 1: All direct GHG emissions from sources owned or controlled by the company. Some examples include emissions from fossil fuels burned on site, emissions from entity-owned or leased vehicles.</p> <p>Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat, or steam, and the transmission and distribution (T&amp;D) losses associated with some purchased utilities.</p>
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Measures the absolute tons of CO2e (Scope 1+2) for which an investor is responsible.	tons CO2e	<p>Total Carbon Emissions measures the absolute tons of CO2e (Scope 1 + 2)4 for which an investor is responsible. It is apportioned to the investor based on an equity ownership perspective, and can be explained with a simple example: If an investor's position in a company is equal to 1% of the company's total market capitalization, then the investor owns 1% of the company, and is consequently responsible for 1% of the company's carbon emissions (tons CO2e).</p>

				Calculating the “owned” emissions from each position in the portfolio and summing those emissions yields the total carbon emissions for the portfolio.
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Allows measurement of the volume of carbon emissions per dollar of sales generated by portfolio companies over a specific time period	tons CO2e / \$M sales	Carbon Intensity expresses the carbon efficiency of the portfolio and allows institutional investors to measure the volume of carbon emissions per dollar of sales generated by portfolio companies over a specified time frame. This metric adjusts for company size and is a more accurate measurement of the efficiency of output, rather than a portfolio’s absolute footprint. Although efficiency at the company level is best measured using industry-specific measures of output (e.g. per tons of steel, miles flown, MWh of power generated, etc.), sales are used in the portfolio context as the best available measure of output when comparing across industries. Portfolio Carbon Intensity is calculated by dividing the portfolio’s total Carbon Emissions (apportioned by the investor’s ownership share) by the portfolio’s total Sales over that same period of time (also apportioned by the investor’s ownership share).

**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

First State Super undertook a research project in 2015/16 to understand the climate related risks and opportunities. This resulted in our Board approved Climate Change Adaptation Plan (CCAP). The CCAP has taken a total fund view as opposed to individual investment strategies as climate related risks exist across the total portfolio.

Risks identified include: direct (loss of earnings; physical asset damage and stranded asset risk); indirect (supply chain disruption; resource scarcity and specie extinctions and direct member impacts (health effects; wealth effects and loss of purchasing power).

Key short term risks and key medium to long term risk were also identified.

Our CCAP describes the impact of climate-related risks including: geographical/regional impacts; sector impacts; asset specific impacts of policy or technology driven changes.

A high-level framework has been adopted for assessing and managing climate change risk. This has three key parts - information and monitoring (inputs), scenario analysis and portfolio risk assessment (output) and, finally, a response plan. The response plan is around adaptation (weatherproofing and engagement) and mitigation (investing in renewables and related technologies and participation in the public policy debate).

ESG risk (which includes climate change) is also part of the Fund's overall risk management framework which has identified specific Investment related risks.

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

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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Yes

Please describe
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First State Super is part of the Climate Action 100+ initiative and is the lead investor for three ASX listed companies. One of the key outcomes of the collaborative initiative is to encourage companies to report under the TCFD's.

Our external ESG provider, ACSI, uses company engagement and proxy voting advice for ASX-listed companies as tools for managing climate change risks and opportunities. 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. ACSI is also actively supporting members' efforts in the Climate Action 100+ initiative, directly engaging companies alongside members who are lead investors and providing other insights like briefing members on discussions to date. ACSI also uses proxy voting advice as a mechanism to create engagement on climate-related resolutions and as a tool for signalling where improvement on climate-related issues can be made.

Hermes Eos are also part of the initiative as well as undertaking their own engagement activities with companies where they encourage companies to report under the TCFDs.

Our internal engagement program also focusses on encouraging companies to report under the TCFDs.

To date we have seen a number of companies commit to using the TCFD framework and provide their reports publicly.

No, we do not engage

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

<b>SG 15.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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%	1
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<b>SG 15.3</b>	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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Area	<input checked="" type="checkbox"/> Energy efficiency / Clean technology
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Asset class invested	<input checked="" type="checkbox"/> Listed equity
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% of AUM

1

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Hedge funds
- Farmland
- Cash
- Other (1)
- Other (2)

Brief description and measures of investment

Our listed equities portfolio contains companies that derive a majority of their revenue from energy efficiency and related technologies.

Our Socially Responsible Equities and Diversified SRI investment options contain investments in equities; infrastructure; property and fixed income that are positively selected for clean technology, green buildings and those which demonstrate the most socially and environmentally sustainable performance outcomes in sectors such as education and training, health care, renewable energy, waste management and transport.

- Renewable energy

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

8

- Hedge funds
- Farmland
- Cash
- Other (1)

other description (1)

Impact Portfolio

% of AUM

50

Other (2)

Brief description and measures of investment

Our infrastructure portfolio and our Impact portfolio contain investments in renewable energy including wind; solar and hydro in the US, Brazil, South East Asia and Europe.

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

40

- Infrastructure
- Hedge funds
- Farmland
- Cash
- Other (1)
- Other (2)

Brief description and measures of investment

Our Socially Responsible Equities and Diversified SRI investment options contain investments in equities; infrastructure; property and fixed income that are positively selected for clean technology, green buildings and those which demonstrate the most socially and environmentally sustainable performance outcomes in sectors such as education and training, health care, renewable energy, waste management and transport.

Our Property manager, Lend Lease, invests in buildings that meet green sustainability criteria.

- Sustainable forestry
- 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
- Hedge funds
- Farmland
- Cash
- Other (1)
- Other (2)

other description (2)

Real asset

% of AUM

0.3

Brief description and measures of investment

First State Super has invested in almond farms and water rights.

- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Hedge funds
- Farmland
- Cash
- Other (1)
- Other (2)

other description (2)

Real Asset

% of AUM

0.3

Brief description and measures of investment

First State Super has a specific mandate with a manger relating to Australian water entitlements.

Other area, specify

No