



CLIMATE TRANSPARENCY REPORT 2020

AustralianSuper

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 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-34BF5EFA-9686-409A-A983-FB14D5136704/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). 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 2020 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 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	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 14.6 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	
Name	AustralianSuper
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US\$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2007
Region	Oceania
Country	Australia
Disclosure of Voluntary Indicators	54% from 38 Voluntary indicators

AustralianSuper

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
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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.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Climate change poses two major risks to the long-term valuations of our assets:

Transition Risk: the risks and opportunities created as the world transitions to a low carbon economy. This is primarily a technology disruption theme. In addition, public policy risk (the expectation of an inevitable policy response) and stranded asset risk (the risk that fossil fuel reserves will suffer a significant loss in value if no longer required) are components of this theme;

Physical risk: the physical risks to assets from changing weather patterns such as severe weather events, longer term shifts in climate and rising sea levels.

Both of these risk categories emanate through our active investment processes such as due diligence for our unlisted assets, ESG scoring for ASX200 companies, global equities ESG assessments and our stewardship activities.

However, climate change also presents significant opportunities like investment in the transition to a lower carbon future via lower emission energy production and technologies to help propel the lower emission economy forward amongst others.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

We look at climate risks and opportunities through the long-term timeframes articulated by the Paris Agreement which requires aligning the portfolio to a well below two degree temperature rise by 2100 and as an extension, net zero emissions by 2050. Both of these longer term timeframes form the basis of how we view climate risks and opportunities. We then extrapolate these risks to shorter term time frames aligned with the investment time horizon of the particular asset (varies by asset class), and then through the broader performance time horizon of the portfolio (5-10+ years).

No

**SG 01.8
CC** Indicate whether the organisation publicly supports the TCFD?

- Yes
- No

**SG 01.9
CC** Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

- Yes

Describe

Our investment team is engaging with industry leaders in climate change science to gain an understanding of the range, extent and timing of the transition and physical impacts on the Australian and global economy; and the potential impacts on key drivers of the Fund's long-term returns. We will use the insights from this research and further internal analysis to develop a framework for managing climate change enhancements to our existing management and reporting processes, and promote alignment between existing 'bottom-up' ESG processes with a 'top-down' view of climate change risk.

A Fund-wide Climate Change Management Group (co-chaired by the Director, ESG and Stewardship) has also been created. This group brings together different parts of the organisation to share knowledge about climate change and develop an approach to managing the risk across the fund, not solely in the investment portfolio.

- No

**SG 1.10
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

AustralianSuper has published a TCFD aligned Climate Change Report; dedicated climate change webpage on our website; climate change fact sheets on ESG webpage.

- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	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

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 that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

As a trustee, AustralianSuper's Board is responsible for the Fund's investments, establishing the Fund's overarching goals, objectives and risk appetite and approving the Fund's investment policies and strategies. The Board has identified ESG risks, including climate change, as material issues for the investment portfolio. The Board has approved an ESG and Stewardship policy which codifies the way the fund manages ESG issues.

The Board receives at every meeting, an ESG and Stewardship report that provides an update on ESG issues including climate change. In addition, the board regularly requests updates on specific ESG issues, including climate-related issues which is provided by the ESG and Stewardship Team.

The Board has delegated the accountability and oversight for responsible investment to the IC. The IC's Terms of Reference specifically identifies climate change as a responsibility of the IC as part of managing investment risk and opportunities.

**SG 07.8
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other

Specify

In our annual ESG review for listed equity managers, we inquire about their approach to climate change in the investment decision-making processes

- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors

Describe

We conduct a variety of scenario analysis: We have conducted scenario analysis twice using the 2^oii PACTA Model as at both 31 Dec 2018 and 31 Dec 2019. In addition, our carbon foot printing analysis by TruCost contains further scenario analysis (as at 30 Sept 2019.)

- Yes, in order to assess future climate-related risks and opportunities

Describe

We conduct a variety of scenario analysis: We have conducted scenario analysis twice using the 2^oii PACTA Model as at both 31 Dec 2018 and 31 Dec 2019. In addition, our carbon foot printing analysis by TruCost contains further scenario analysis (as at 30 Sept 2019.)

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Specific exploration of climate change as a key risk factor that informs asset allocation decisions.

We do not consider ESG issues in strategic asset allocation

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

Describe

Scenario analysis provides a way for investors to understand the risks they could potentially face as a result of climate change. Specifically, the analysis aim to address four issues: current portfolio exposure to the low carbon economic transition; how well the portfolio aligns to a Sustainable Development Scenario over the next five years; expected future exposure to high and low carbon economic activities and investment insights on what is driving the results.

The outcomes of the analysis showed that the Fund's total listed equities portfolio was potentially exposed to a higher transition risk than the market for coal production. The analysis also showed that the same portfolio was less exposed to a transition risk than the market for oil and gas production and power capacity. A full breakdown of our scenario analysis can be found on our climate change webpage here: <https://www.australiansuper.com/investments/how-we-invest/climate-change>

Incorporation into investment analysis

Inform active ownership

Describe

AustralianSuper regularly engages with the companies we own and the fund managers who invest on our behalf on climate change risks. We believe that proactive engagement with companies on ESG factors gives us the ability to influence outcomes that can maximise long-term investment performance for members.

Engagement on climate change involves members of the investment team engaging with the listed company directors and senior management. Discussion topics include TCFD disclosure, GHG emissions mitigation and target setting, climate change adaptation, stranded assets, governance structures to appropriately manage climate change and incorporating climate change metrics into remuneration structures. For companies which own coal assets which the scenario analysis has shown we have heightened risk to, we also engage with them on the potential for clean coal technologies, and their future business robustness and model under a net zero 2050 scenario.

Other

SG 13.5 CC	Indicate who uses this analysis.
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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 your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

Climate change naturally extends beyond our typical investment timeframe. Thus we look at impacts at a high level through the lens of the Paris Agreement and well below 2 degree warming by 2100. As an extension of Paris, we also look at the aspiration of net zero emissions by 2050. Misalignment of the portfolio to this lower emissions future would mean that we would face the risk is that our fund's two objectives (the Overarching Objective, which is the overall return objective, and the Investment Objective, which is the Investment department's specific return objective) will not be reached.

No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input checked="" type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input checked="" 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 checked="" type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input checked="" type="checkbox"/> RPC 6
IPCC	<input checked="" type="checkbox"/> RPC 4.5
IPCC	<input checked="" type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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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 description (1)

Populism, circular economy

- 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
- 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

Extensive engagement with listed portfolio companies on climate business transition

- 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

Physical risk assessment for listed and unlisted assets conducted through Four Twenty Seven.

- None of the above

SG 14 CC

Voluntary

Public

General

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	the weighted average method seeks to show an investor's exposure to carbon/environmentally intensive companies, i.e. is not an additive in terms of carbon budgets.	tCO2e/mAUD	Summing the product of each holding's weight in the portfolio with the company level carbon/environmental revenue intensity
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To establish scope 1 and 2 emissions of our Australian and international equities portfolio relative to their benchmarks	(tCO2e/mAUD)	The carbon carbon footprint analysis is done by apportioning each holding's emissions to their respective portfolios based on the level of ownership of the company (value of holding/market cap). This analysis covers direct emissions and first tier indirect emissions. They compared the carbon intensity of each portfolio to its benchmark to determine sector allocation and stock selection effects.
Portfolio carbon footprint	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To establish scope 1 and 2 emissions of our Australian and international equities portfolio relative to their benchmarks	(tCO2e/mAUD)	The carbon carbon footprint analysis is done by apportioning each holding's emissions to their respective portfolios based on the level of ownership of the company (value of holding/market cap). This analysis covers direct emissions and first tier indirect emissions. They compared the carbon intensity of each portfolio to its benchmark to determine sector allocation and stock selection effects.
Total carbon emissions	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To establish to total emission profile of the portfolio, regardless of scope. the total carbon that has been apportioned to each of the portfolios analysed. It represents each portfolio's absolute contribution towards climate change.	tCO2e	Sum of scope 1, 2, 3 and "other" emissions
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	facilitate fair comparison between portfolios, benchmarks and across years, one must normalize the totals	tCO2e/mAUD	Carbon to Value Invested (C/V): Dividing the apportioned CO2e by the value invested
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To assess total exposure to fossil fuel industry	percentage	the combined value of holdings with business activities in either fossil fuel extraction or fossil fuel energy generation industries.

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

Please describe

From a risk management perspective for the AustralianSuper Balanced option, there are two investment return objectives, the Overarching Objective, which is the overall return objective, and the Investment Objective, which is the Investment department's specific return objective per annum. The risk is that these two objectives will not be reached.

Underpinning these two risks are several sources of individual investment risk that impact the ability for the Fund to achieve their objectives. Climate change is among these whole of portfolio risks.

The management of climate risk has been focussed at the security/asset level through due diligence and ownership frameworks embedded in our investment process. Work has been undertaken to formulate the risk management of climate change from a top down perspective. This has resulted in a program of work for 2020 that has been approved by the Investment Committee.

Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
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Yes

Please describe

- Engagement with companies to adopt TCFD either through AS' own substantial engagement program or through our collaborative engagement partner ACSI
- Leadership and founding role in the Climate Action 100+ (AustralianSuper is one of five founding members and is on the global steering committee and chairs the Australian/New Zealand working group), a global investor collaboration which engages with the world's systemically important carbon emitters seeking: emissions reductions consistent with a well below 2 degree climate change scenario; improved governance in the management of climate change risk and opportunity; and improved climate change related disclosures which are aligned to TCFD.
- Actively voting on shareholder resolutions that promote better climate related disclosures and/or explicitly call for a company to report in line with TCFD
- Display leadership through AustralianSuper's own TCFD aligned report and working with other investors collaboratively on investor TCFD reporting. AustralianSuper's TCFD aligned report has been published in 2020 and is now publicly available here:
<https://www.australiansuper.com/investments/how-we-invest/climate-change>

No, we do not undertake active ownership activities.

No, we do not undertake active ownership activities to encourage TCFD adoption.

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
- No