



# CLIMATE TRANSPARENCY REPORT 2019

Local Government 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/-927A31E9-7CE2-4058-B37D-02F4B499998C/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-927A31E9-7CE2-4058-B37D-02F4B499998C/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>	Local Government 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\$ 5 - 9.99 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2007
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	100% from 38 Voluntary indicators

# Local Government 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 type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" 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.

**Investment beliefs:**

ESG factors and sustainability are important considerations in driving both long term investments returns and reducing risk, and these factors are likely to become more important in all investment decisions. The Sustainable and Responsible Investment (SRI) Policy recognises that LGS is long term in nature, and that the long term prosperity of the economy and the wellbeing of members depends on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests. As a universal investor with index holdings, LGS has an interest in all major companies in Australia and overseas.

**Strategy:**

Mission - With a focus on local government and sustainability, we provide personalised, high quality service and solutions to our members representing good value.

Vision - To enhance the retirement income of our members.

Goals - LGS has four key strategic goals covering growth, brand, investments and capability. ESG is incorporated into the underlying targets for each of these.

**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]

LGS invests on behalf of our members using a responsible investment approach. We believe that this approach minimises risk, generates better long term returns and is in line with our members' interests. A responsible investment approach means integrating ESG considerations into investment decision making processes.

LGS is the largest whole of fund certified responsible investor in Australia having been externally certified by the Responsible Investment Association Australasia (RIAA) <https://www.lgsuper.com.au/about-us/riaa/> with investments across Australian and international shares, property, infrastructure, fixed income, private equity and absolute return asset classes.

The LGS Sustainable and Responsible Investment (SRI) Policy provides a formal framework for integrating ESG considerations into all of our investments. Reviewed annually, the LGS SRI Policy details our internal processes for assessing and undertaking investments. It is available online at <https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf>. This Policy sets down the sustainability principles by which LGS will be managed, and the requirements for all investments made by LGS. It covers the total investment portfolio, with specific policies for public and private equity investments and direct property. It includes the following strategies:

**ESG integration:**

We aim to integrate, monitor and manage ESG risks throughout the investment process to ensure we are safeguarding our members' interests. Key ESG integration strategies we use include:



- **Negative screens** - We will not invest in controversial industries and limit our exposure to activities which we view as long term investment risks e.g. tobacco, weapons, gambling and some fossil fuels.
- **Positive screens** - We seek out investment opportunities that have a positive social and/or environmental impact on society e.g. renewable energy generation, recycling and sustainable agriculture. We currently have approx. AU\$1,120 million invested in low carbon opportunities.
- **SRI Overlay** - We short sell or replace stocks when our fund managers are unable to direct funds away from controversial or high risk companies through investments in co-mingled trusts.
- **Investment practices** - We monitor our investments for ESG risks and engage with our fund managers and advisors on how to integrate ESG considerations into the investment process. To ensure that external managers are fulfilling our fiduciary duty, we integrate responsible investment parameters into the selection, appointment and monitoring processes.

**Active ownership:**

We are committed to being an active owner of our investments and believe that by working with the superannuation industry and engaging with companies on ESG issues, we can minimise potential risks across our investment portfolio, maximise member returns and make a difference to society. Engagement strategies we use to influence change include:

- **Company engagement** - We actively engage with companies about ESG issues through one-on-one meetings, briefings, phone calls and letters.
- **Proxy voting** - We undertake voting at shareholder meetings for the companies we invest in and publish our decisions before meetings to ensure transparent voting practices.
- **Industry collaboration** - We work with the superannuation industry to advocate for change on environmental, social and/or governance risks across industries.
- **Transparency** - We disclose comprehensive information about our sustainable and responsible investment practices to raise awareness about how we manage our members' retirement savings.

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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We have broadly applied and adopted the TCFD approach to categorise climate-related risks and opportunities, these include:

- Transition to a low or net zero carbon economy
- Mitigation and adaptation to climate change
- Physical Risks and Resilience Opportunities
- Carbon emissions
- Pollution and waste
- Resource scarcity
- Food security and sustainable agriculture
- Biodiversity

**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.

Short, medium and long term.

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

LGS adopted an initial framework for managing climate investment risks and opportunities across our fund in 2009. It has been implemented across the fund in line with fiduciary responsibility.

We regularly conduct reviews of our investment strategy to ensure we are addressing climate risks. The review process involves formally engaging the LGS Board and Investment Committee, the CEO, the CIO and the LGS Investments Team in addition to our external asset consultants, fund managers and investment research providers throughout various stages to raise awareness and increase knowledge of climate change investment risks and opportunities and seek input into the development of future investment strategies.

In 2016/17 we developed a new ESG manager rating framework to gauge performance on key issues including climate change for all existing and new investments. We are also working with the LGS Board to see how we can better incorporate this type of analysis into the risk management and investment decision processes.

We currently undertake Active Ownership and ESG Integration to manage climate-related risks and opportunities. Key aspects include:

- Positive screens for Carbon risks and opportunities.
- Negative screens for Carbon risks and opportunities
- Investment Practices: Carbon Audit
- LGS ESG and RI manager rating methodology: Portfolio Carbon Footprint
- Transparency: Public disclosure in line with the TCFD

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

<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
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- URL

	URL
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{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

- Attachment (will be made public)
- Formalised guidelines on environmental factors

	URL/Attachment
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- URL

	URL
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{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

- Attachment (will be made public)
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors
- Asset class-specific RI guidelines

	URL/Attachment
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- URL

URL

{hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf}

Attachment (will be made public)

Screening / exclusions policy

URL/Attachment

URL

URL

{hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf}

Attachment (will be made public)

Engagement policy

URL/Attachment

URL

URL

{hyperlink:https://www.lgsuper.com.au/assets/Trust-Deed-and-Trustee-documents/LGS-Proxy-Voting-Policy.pdf}

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment

URL

URL

{hyperlink:https://www.lgsuper.com.au/assets/Trust-Deed-and-Trustee-documents/LGS-Proxy-Voting-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://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

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

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Trust-Deed-and-Trustee-documents/LGS-Proxy-Voting-Policy.pdf](https://www.lgsuper.com.au/assets/Trust-Deed-and-Trustee-documents/LGS-Proxy-Voting-Policy.pdf)}

Attachment

Reporting

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

Climate change

URL/Attachment

URL

URL

{[hyperlink:https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf](https://www.lgsuper.com.au/assets/Documents/LGS-Sustainable-and-Responsible-Invest-Policy.pdf)}

Attachment

We do not publicly disclose any investment policy components

**SG 02.3**

Additional information [Optional].

## Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.			
	Board members or trustees			
	<input checked="" type="checkbox"/> Oversight/accountability for climate-related issues <input type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> No responsibility for climate-related issues			
	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee			
	<input checked="" type="checkbox"/> Oversight/accountability for climate-related issues <input type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> No responsibility for climate-related issues			
	Other Chief-level staff or head of department			
	<input checked="" type="checkbox"/> Oversight/accountability for climate-related issues <input checked="" type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> No responsibility for climate-related issues			
	Portfolio managers			
	<input checked="" type="checkbox"/> Oversight/accountability for climate-related issues <input type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> No responsibility for climate-related issues			
	Investment analysts			
	<input type="checkbox"/> Oversight/accountability for climate-related issues <input type="checkbox"/> Assessment and management of climate-related issues <input checked="" type="checkbox"/> No responsibility for climate-related issues			
	Dedicated responsible investment staff			
	<input type="checkbox"/> Oversight/accountability for climate-related issues <input checked="" type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> No responsibility for climate-related issues			
	External managers or service providers			
	<input checked="" type="checkbox"/> Oversight/accountability for climate-related issues <input checked="" type="checkbox"/> Assessment and management of climate-related issues <input type="checkbox"/> 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.

Responsibilities for overseeing climate-related issues and activities within LGS include:

- **Board** - The LGS Board has ultimate responsibility for the oversight of our approach to climate change. The Board meet on a monthly basis and provide final review and approval for the LGS SRI Policy (including carbon investment restrictions) and participation in climate related activities.
- **Investment Committee** - The board-level LGS Investment Committee consists of six people, four from the LGS Board and two external independents. The Investment Committee meet up to 8 times per year to review LGS' strategic asset allocation, investment mix and potential new investment opportunities. An RI report is prepared for each investment committee meeting. This report covers recent climate change related activities and engagements that we have undertaken in addition to ESG and carbon reviews of potential new investment opportunities. The IC are also provided with an update on our exposure to low carbon investments and potential new investment opportunities. The Investment Committee are responsible for overseeing the implementation of the LGS SRI Policy, including any changes to the policy (which is reviewed on at least an annual basis).

**SG 07.7  
CC**

For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

- **Head of Responsible Investment** - The LGS Head of RI has the main responsibility for overseeing our approach to managing climate change risks and opportunities. They are responsible for the development and review of all RI related policies, including our commitment to managing climate risks and the carbon investment restrictions in the LGS SRI Policy and our approach to engagement on climate issues in the LGS Active Ownership Policy. They are also responsible for overseeing all climate change related activities, including participation in industry working groups on climate change (e.g. PRI and IGCC) and external engagements with companies on climate risks and opportunities.
- **Portfolio managers** - The LGS Portfolio Manager utilises carbon data provided by the RI team members for the internally managed SRI Overlay.
- **Dedicated RI staff** - The LGS Responsible Investment Manager and Analyst are responsible for implementing all climate-related components of LGS policies and activities including proxy voting, company engagement, negative screens, reporting, participation in collaborative initiatives and manager reviews.
- **External managers and service providers** - Depending on the asset class and type of investment (trust vs. active mandate), RI parameters including carbon related investment restrictions and performance reporting are usually included in the investment management or service agreement for external managers and service providers. In the majority of cases, the external manager is required to provide a level of oversight and accountability for RI performance and is also responsible for implementation across their portfolio, with some input from LGS.

**SG 07.8  
CC**

Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.

- 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

SG 13	Mandatory	Public	Descriptive	PRI 1
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**SG 13.1** 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.).

- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

Describe

We consider climate change to be the greatest risk facing our investment portfolio. We are committed to managing the risks and taking advantage of the opportunities associated with climate change. We have commenced TCFD reporting via the UNPRI reporting tool.

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

**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
- We do not consider ESG issues in strategic asset allocation

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

As per the LGS investment restrictions, the fund will not actively invest in companies that derive any revenue from controversial weapons and tobacco. LGS will not actively invest in companies that derive 10% or more of their revenue from armaments, gambling and old growth logging or more than 33% of revenue from high carbon activities including coal mining, oil tar sands mining and coal-fired electricity generation. The fund will also not invest in companies that display high ESG risk. While these restrictions formally cover listed Australian and international equities, where possible LGS will endeavour to extend these restrictions across other asset classes including fixed income, credit and unlisted assets. These investment restrictions alter LGS' 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
- Incorporation into investment analysis

	Describe
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Carbon investment restrictions. Manage exposure to carbon in the longer term for listed equities and fixed income. Future plans to extend restrictions across other asset classes including credit and unlisted assets.

- Inform active ownership
- Other

<b>SG 13.5</b> <b>CC</b>	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

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

	Describe
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In 2018 we analysed our portfolio holdings across both listed equities and fixed income against numerous scenarios including the IEA's 2 degree scenario and the 2 degree investing initiative to see how we can improve our approach to managing climate risks and opportunities.

Further work will be considered in climate scenario analysis in 2019.

- No

<b>SG 13.7</b> <b>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</b> <b>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 checked="" 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> 2 degree investing initiative.
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, 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			788	828	844
Currency	USD				
Assets in USD			788	828	844

Specify the framework or taxonomy used.

10% of the entire fund invested in low carbon assets in five assets classes including Australian and emerging market renewable energy, infrastructure, green bonds, listed equities, and private equity.

- 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

We engage with companies in the energy, resources and banking sectors to ensure they are incorporating climate change risks and opportunities into their business strategies.

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.

- **Carbon portfolio audits by MSCI ESG Research** - Every six months we assess our listed equity managers on the carbon performance of the companies in their portfolios. We monitor our exposure to fossil fuel intensive companies to better understand carbon risks and opportunities and determine future restriction thresholds and engagement priorities. These reports focus on our total carbon footprint based on ownership of companies (i.e. tonnes CO2e/\$ million invested and total CO2e), but also provide intensity measures (i.e. tonnes CO2e/\$ million sales) to enable us to compare companies within the same or similar sectors. A summary of the results of these audits is published on the LGS website at <https://www.lgsuper.com.au/investments/sustainable-investment/sustainable-investment-reports-and-policies/>.
- **Taskforce for Climate-related Financial Disclosure** - We have disclosed our approach to managing climate risks and opportunities via the PRI annual reporting process, in line with TCFD recommendations.

<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.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Used to track energy efficiency and carbon performance over time to ensure we are reducing emissions	Scope 1 = nil Scope 2 = nil due to the purchase of renewable energy (100% GreenPower)	Australian national Greenhouse Account Factors 2016
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Used to enable comparison with other factors	376.1 tonnes CO2 / \$ million sales	Weighted average carbon intensity is the sum product of the portfolio weights and carbon intensities
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Allows us to understand our total carbon exposure (and track it over times with a view to reduce it) and identify potential high emitting companies for engagement	366614 tonnes CO2e	Sum of all emissions in the portfolio based on our ownership share
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	useful to compare like for like companies within the same/similar sectors	398.7 tonnes CO2e/\$m sales	The ratio of portfolio carbon emissions normalised by the investor's claims on sales
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	to understand our exposure to carbon related assets relative to a 2 degree scenario	Renewable power capacity, Gas power capacity, Coal power capacity, oil production, gas production, coal production, ICE vehicles, Hybrid vehicles, Electric vehicles	n/a

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

Please describe

The LGS Sustainable and Responsible Investment Policy identifies climate change as the biggest risk faced by our fund.

We monitor existing and emerging regulatory requirements related to climate change in Australia and overseas and regularly provide feedback on existing and emerging climate related policy developments in Australia and overseas. At present, we do not specifically define risk terminology or have a climate-specific risk classification.

<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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We engage with the listed companies in which we invest through a variety of channels, including direct engagement with company board members and senior executives, via fund managers and through our involvement in industry groups and associations such as ACSI and the IGCC.

As part of annual reviews of all our assets classes, we engage with external managers about TCFD disclosure and adoption. We follow ACSI recommendations and ask clients to address direct engagement and direct active ownership work. We voted for all annual general meeting resolutions in favour of TCFD reporting and climate change related disclosure including the AGMs for QBE and Rio Tinto.

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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%	10
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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	0.1
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- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Hedge funds
- Cash
- Other (1)
- Other (2)

#### Brief description and measures of investment

**Listed equity:** Allocation to specific mandate to invest in companies generating at least 50% of revenues from renewable energy, water treatment, waste and recycling and resource efficiency. 9.5% of this mandate is invested in renewable and alternative energy generation.

**Fixed income - SSA:** Allocation to green bonds issued by supranational agencies such as the IFC and European Investment Bank.

**Fixed income - corporate (financial and non-financial):** Allocation to green bonds issued by Australian and international corporates.

**Private equity:** Two mandates in a well-diversified 'clean technology' private equity 'fund-of-fund' investing in early stage and growth technologies in the area of environmental, resource and low carbon products and services.

**Property:** We purchase 100% GreenPower for all base building electricity requirements across our direct property portfolio. We have also installed solar panel arrays at 4 of our properties, with plans to expand this where feasible.

**Hedge funds:** LGS has allocated investment to a fund that invests in the Australian electricity wholesale market and related derivatives including renewable energy certificates and/or any other environmental related markets.

**Infrastructure:** We invest in two renewable energy infrastructure funds that includes solar and wind generation.

- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

No



