TelstraSuper Climate Change Report

TelstraSuper

FY 2023-24

Message from the Chief Executive Officer

Welcome to TelstraSuper's Climate Change Report for the financial year ended 30 June 2024.

Climate change presents both challenges and opportunities in how we invest our members' funds. While it poses significant risks to the planet and its inhabitants, with profound implications for ecosystems and communities worldwide, it's important to recognise that these risks ultimately carry financial and economic consequences. Therefore, it is in the financial interests of our members that we comprehend the implications of climate change within TelstraSuper's investment portfolio. By doing so, we seek to understand and manage climate risks while pursuing opportunities that emerge as the global landscape adapts to these changes.

TelstraSuper supports the Paris Agreement to limit global warming to 'well below' 2 degrees and encourages the pursuit of a 1.5-degree limit, compared with the pre-industrial level to minimise the worst impacts of climate change. We acknowledge that the trajectory of the decarbonisation path is unlikely to follow a linear progression.

The global energy landscape has experienced turbulence in recent years. While the long-term transition to a low-carbon economy continues to gain momentum, the wars in Europe, Middle East and other geopolitical tensions have impacted energy markets, producing mixed outcomes for decarbonisation and causing short-term shifts in the energy transition.

Following a decline in global emissions in 2020 due to COVID-19, emissions have rebounded strongly in 2023 and 2024, with coal demand for power generation reaching a new high. At the same time, the physical impacts of climate events continue to be felt, with reports of extreme heatwaves, droughts, and flooding being prominent in global news coverage. The latest Intergovernmental Panel on Climate Change (IPCC) report highlights that the past decade has been the warmest on record, and the World Meteorological Organization found 2023 set a new highest annual temperature record.[1]

We believe that effectively addressing climate risks and advancing global decarbonisation necessitates collective action from governments, investors, corporations, the private sector, communities, and NGOs. We believe that considering climate risk for TelstraSuper's investment portfolio is consistent with our legal obligation to secure the long-term financial security in retirement of our members.

> **"Our efforts to reduce emissions across our listed assets have yielded positive progress, allowing us to surpass our interim targets of a 10% reduction by 2023 and 25% reduction by 2025 across our listed equity portfolios."**

[1] State of the Global Climate 2023, World Meteorological Organisation, published in 2024 (WMO-No. 1347)

At TelstraSuper, we seek to manage climate risks within our portfolio in a manner that is consistent with the goals of the Paris Agreement, and to invest in climate solutions as outlined in our Climate Change Action Plan (CCAP). To this end, we monitor and assess our investments and have achieved early milestones set as part of our goal of achieving net zero portfolio emissions by 2050. Notably, our efforts to reduce emissions across our listed assets have yielded steady progress, allowing us to surpass our interim targets of a 10% reduction by 2023 and 25% reduction by 2025 across our listed equity portfolios. This progress results from strategic asset allocation and portfolio construction decisions, particularly in our international listed equity investments.

We are also strengthening our collaborative engagement with the highest-emitting companies within our Australian listed portfolio. In the financial year ended 30 June, 2024 (the reporting period for this report), we lowered our investment threshold for excluding listed thermal coal producers, reducing it from 50% to 25% of net revenue from thermal coal.[2] While we exclude primarily thermal coal-focused listed companies in the forgoing manner,[3] we recognise the value of engagement with energy and resource companies to allow time for their transition to lower-carbon energy sources. This reflects our objective to contribute to a 'just transition',[4] aiming to ensure that society, as a whole, moves along the path to a sustainable future. Without maintaining investment ownership, investors have limited ability to influence high-emitting companies. We believe that active ownership – through engagement, voting, and advocacy – is a more effective strategy than divestment.

I am pleased to report that we are currently on track to achieve our goal of allocating 1% of the TelstraSuper's assets under management (AUM) to climate-focused opportunities by the end of 2025. Pages 12 and 13 of this report highlight new opportunities that TelstraSuper has invested in, including renewable energy, green hydrogen production, and waste-to-energy assets.

Many of TelstraSuper's investments are managed by external asset managers, who are expected by us to actively manage climate risks within their mandated investment portfolios. In the reporting period, we engaged with several of these managers to assess how climate risks are evaluated and managed by them with respect to those externally managed investment portfolios.

We're proud to have been recognised during the period by some leading stakeholders for our focus on Environmental, Social and Governance (ESG) principles, as follows:

- **Rainmaker** named TelstraSuper a 2024 ESG Leader Super Fund for the third consecutive year, building on our recognition in 2022; and
- The **Responsible Investment Association Australasia (RIAA)** also recognised TelstraSuper as one of the 10 leading responsible investment super funds in their 2023 Responsible Investment Super Study. This year, RIAA introduced a new recognition, "Responsible Super Fund Leader," awarded to organisations that score 75% or more on their Framework of Good Responsible Investment Governance.

We hope this year's Climate Report helps members understand our approach to considering climate-related investment risks.

Chris Davies
Chief Executive Officer

[2] The 25% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available as supplied by TelstraSuper's service provider, Sustainalytics.

[3] See further details on exclusions on page 24.

[4] A 'just transition' refers to the process of transitioning from a high-carbon economy to a low-carbon economy in a manner that is fair and equitable. It seeks to ensure that workers and communities reliant on fossil fuels or high-emission industries are supported during this transition, reducing negative impacts and generating new opportunities for sustainable livelihoods.

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About this report

This Climate Change Report is provided by TelstraSuper Pty Ltd (ABN 86 007 422 522, AFSL 236709), the trustee of the Telstra Superannuation Scheme (ABN 85 502 108 833).

Climate change and why it matters

01

TelstraSuper's fundamental objective is to responsibly enhance the financial security of our members' retirement. As part of managing Environmental, Social and Governance (ESG)-related risks to an acceptable level and subject to our statutory and regulatory duties and obligations, TelstraSuper seeks to holistically incorporate material ESG considerations, including climate change, alongside other investment factors as part of its investment decision-making processes. In fulfilling our risk management responsibilities and obligations, climate risk is an important consideration as part of our investment management approach.

TelstraSuper acknowledges the scientific consensus on climate change and recognises it as one of the most significant challenges of our time. Without effective action, climate change may pose far-reaching risks to both the global economy and society. TelstraSuper acknowledges both the financial risks and opportunities associated with climate change, as well as their potential impact on the long-term investment returns of members.

We recognise that climate risk is a multifaceted issue that spans short-, medium-, and long-term horizons. Accordingly, it is important that we adopt an approach to managing climate risk across multiple levels: at the investee company or asset level, at the entire portfolio level, and at the broader systemic market-wide level. TelstraSuper continues to progress the development and enhancement of our approach to managing these risks across these dimensions and driving sustainable risk-adjusted returns.

This Climate Change Report provides an overview of TelstraSuper's efforts to oversee, assess, and manage climate-related investment risks during the reporting period. It details our progress across the four key pillars outlined by the International Sustainability Standards Board (ISSB): Governance; Strategy; Risk management; and Metrics and Targets.

Governance

The TelstraSuper Board (Board) oversees TelstraSuper's investments, investment beliefs, framework, and strategy, including our ESG Policy, in a manner that is consistent with the best financial interests of our members. This responsibility includes approving TelstraSuper's Climate Change Action Plan (CCAP) and overseeing overall climate risk management, along with climate-related targets and milestones, which have been delegated to the Investment Committee (IC) and TelstraSuper's Chief Investment Officer (CIO).

The CIO and IC are responsible for ensuring that climate risk considerations and activities are effectively implemented, compliant with regulatory requirements and aligned with TelstraSuper's climate goals.

The Chief Executive Officer (CEO) holds overall accountability to the Board and ensures that implementation aligns with TelstraSuper's overarching strategy and commitments.

The ESG team is part of TelstraSuper's Investment Management Team and assists the IC and CIO in leading the development and implementation of the ESG Policy and CCAP, working closely with the broader Investment Management Team and with support from the Risk and Legal Team.

Enabling policies and key statement

ESG Policy

Proxy Voting Policy

Climate Change Action Plan

Stewardship Statement

TelstraSuper climate risk beliefs

As the trustee of a superannuation fund with long-term objectives and investments in the global economy, TelstraSuper believes it is important to consider both physical and transition climate change risks in the material aspects of our investment approaches and decision-making processes.

TelstraSuper's governance approach encompasses the decision-making processes and core principles that underpin our investment strategy and framework, all designed to align with the financial interests of our members. Additionally, our governance approach defines how we communicate our strategy and progress in managing climate risk to both internal and external stakeholders.

TelstraSuper believes that:

01 Material ESG factors, including climate change risks, may impact investment risk and return over the long term; therefore, they should be managed prudently.

02 Integrating material physical and transitional climate change considerations into investment decision-making processes assists TelstraSuper in making more informed investment decisions by effectively managing risks and identifying opportunities.

03 ESG investment practices, including managing climate risks, form part of a comprehensive investment management framework and complement TelstraSuper's fiduciary duty to act in the best financial interests of members.

04 Active ownership (voting, engagement) and collaboration play a role in improving long-term returns, as TelstraSuper alone cannot achieve a net-zero 2050 investment portfolio.

05 Measuring, monitoring, and reporting climate-related outcomes are important for demonstrating progress to internal and external stakeholders.

06 The understanding of climate change risks and data availability is evolving rapidly; therefore, climate change goals, milestones, and action plans should be assessed and reviewed periodically to adequately respond to the changing landscape.

Strategy

Managing climate-related risks and opportunities

As a fiduciary, TelstraSuper incorporates material ESG considerations, including climate change, into investment decision-making processes in a pragmatic manner. This is part of TelstraSuper's efforts to enhance long-term financial outcomes for our members. We evaluate climate change risks and opportunities across investee companies, assets and the managers we allocate capital to. This approach applies to all asset classes except cash, currency and derivatives.

In developing our climate risk assessment, TelstraSuper has identified three primary categories of risks that influence the investment portfolio and related activities across varying time horizons. We also acknowledge the emergence of several opportunities resulting from broader decarbonisation efforts affecting both the economy and investment portfolios.

Physical risks

Physical risks can impact infrastructure, operational activities and disrupt supply chains, leading to lower asset values and increased insurance claims.

Transition risks

Transition risks can arise through decarbonisation efforts toward a low-carbon emitting future, potentially leading to higher costs, decreased revenues and stranded assets in high-emitting sectors.

Liability risks

Liability risks can arise through not considering the impact of climate change or meeting regulatory obligations, which could lead to reputational risks, business disruption resulting from litigation, or penalties resulting from litigation.

Potential short, medium and long-term impacts

Physical risks	Description	Current	2030	2050
Acute impacts	Increased frequency and severity of extreme weather events such as bushfires, flooding, tornadoes and cyclones can lead to higher costs of business because of disruption to operations or supply chains, impacts to employee health and safety, damage to property/assets. These events may also lead to increased costs associated with the availability and price of insurance.	High risk	High risk	High risk
Chronic impacts	Gradual changes such as increasing/decreasing average temperatures and rainfall or rising sea levels will have lower impacts in the short to medium term but will need to be managed over the longer term.	Low risk	Medium risk	High risk

Transition risks	Description	Current	2030	2050
Government policy change	Acceleration or poor implementation of policies aimed at constraining emissions-intensive activities, including carbon pricing – may impact demand/volume/revenues for portfolio investments. Government policy changes can also result in higher input costs and/or market supply/demand volatility.	Medium risk	Medium risk	High risk
Change in member sentiment and reputation risks	Actions taken by TelstraSuper today will influence members' decisions about joining, leaving and staying in our fund. In general, members expect climate change to be addressed while at the same time managing investment returns. Awareness of climate change is likely to increase this decade.	Low risk	Medium risk	Medium risk
Development of low carbon technologies	Companies and assets that do not adopt new technologies or transition to decarbonisation may experience several negative consequences. These can include reduced demand for products and services, the risk of substitution by alternatives, diminishing economic returns, loss of value, or asset stranding. Additionally, companies will incur short-term costs associated with deploying new technologies or conducting research and development. Long-term impacts may also influence market share.	Medium risk	High risk	High risk
Change in capital market requirements	Companies and assets that do not transition may struggle to access capital, resulting in a higher cost of capital. This issue may also extend to insurance.	Medium risk	High risk	High risk

Liability risks	Description	Current	2030	2050
Reputation and litigation risk	External stakeholders, including regulators, NGOs, and industry bodies, are likely to increase their scrutiny as community expectations evolve. Companies that do not systematically and pragmatically consider the impacts of climate change may face a higher risk of climate-related litigation. This could lead to business disruptions or legal penalties.	Medium risk	Medium risk	Medium risk
Changes to regulations and/or compliance requirements	Understanding and addressing increasing climate reporting regulations requires having adequate resources and systems in place to meet compliance obligations.	High risk	High risk	High risk

Key Low risk Medium risk High risk

TelstraSuper's climate change goals

TelstraSuper's strategy for managing climate change-related financial risks is grounded in a set of three high-level goals set out in our CCAP. These goals seek to assist the shift towards a low-carbon economy by reducing portfolio emissions, managing the physical risks associated with climate change as well as investments in climate solutions to foster a just and equitable transition to decarbonisation.

Our CCAP sets out three high-level goals:

01 **Achieve net zero greenhouse gas emissions** across the Fund's investment portfolio by 2050, with specific milestones prior to that date.

02 **Build portfolio resilience** to the physical impact of climate change across asset classes.

03 **Proactively invest** in opportunities that are expected to be net beneficiaries of the transition to a net-zero emissions world.

Climate change risk management approach

Climate change is systematic and one of the most complex threats that challenge the global community. These risks are escalating into substantial global threats, with wide-ranging implications for the economy, environment, and populations worldwide. Institutional investors and regulators now recognise that climate risks pose material financial and reputational risks and, therefore, seek to manage and mitigate these risks.

The climate change risk management approach in investments continues to develop and evolve, as does investor awareness, knowledge, and practices on the ground, reinforcing the important role of climate risk management in protecting long-term financial stability.

TelstraSuper's climate risk management approach within its investment management is guided by the following five principles. Further details on this approach are set out below.

Governance and reporting

ESG integration

Active ownership

Collaboration and advocacy

Exclusions

ESG integration

As a long-term investor, TelstraSuper seeks to adopt a holistic approach to integrating material ESG factors into our investment decision-making processes, guided by pragmatic and systemic considerations. Integrating material ESG factors, including the risks arising from climate change, gives TelstraSuper an additional perspective to understand and evaluate companies, assets and investment managers alongside other investment factors and inform our priorities for engagement and collaboration activities (see Active ownership section on page 18). We believe this approach is supportive of our investment objective and broader fiduciary obligations.

Portfolio construction

Our engagements with external investment managers, industry peers, and insights from our external asset consultant have affirmed our view that embedding the impact of climate change into top-down strategic asset allocation (SAA) and capital market assumptions (CMA) remains a complex task. The varying effects of transition and physical risks across different scenarios introduce a high degree of uncertainty, making it challenging to accurately model their influence on economic activity and asset returns. Conversely, we believe that incorporating climate change factors is more achievable at the bottom-up level, particularly in asset and security selection, supported by continuing to work towards improving the quality and breadth of climate-related data to better inform future portfolio decisions and engagement efforts within specific asset classes.

The following portfolio construction initiatives have been undertaken as part of the portfolio construction considerations:

- TelstraSuper's investment portfolio is diversified across various regions and sectors of the economy. Depending on the scenario, transition risks and physical risks can affect our assets to varying degrees. In 2024, TelstraSuper's external asset consultant, Frontier Advisors, conducted a climate scenario analysis at the investment portfolio level for TelstraSuper's four My-Super investment options: Growth, Balanced, Moderate, and Conservative options (see page 36).
- TelstraSuper has introduced an exclusion on investments in listed primary-focus thermal coal producers, where 25% or more of the company's net revenue is derived from thermal coal production[5] (see page 24).
- We acknowledge that significant investment opportunities may arise from the transition to net zero emissions. In December 2022, TelstraSuper adopted an objective to invest 1% of TelstraSuper's AUM that are expected to benefit from climate transition by the end of 2025.

Investment in climate solutions

As part of our roadmap to net zero, TelstraSuper has set an objective to invest 1% of the total values of the Fund's AUM (approximately $250 million) into opportunities that are expected to be net beneficiaries of the transition to a net zero emissions world by the end of 2025. These opportunities may be across multiple asset classes and are selected based on their alignment with our investment return objectives for members. We are on track to achieve this target ahead of schedule. Some of these investments are summarised on the following pages.

[5] The 25% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available as supplied by TelstraSuper's service provider, Sustainalytics.

Renewable energy infrastructure

During the period, TelstraSuper invested in the 'Net Zero Power Fund,' managed by Quinbrook Infrastructure Partners. Quinbrook is a specialist value-add infrastructure manager that originates, acquires, constructs, operates, and manages direct investments in renewable energy and sustainable data centre assets and businesses. This fund's investment portfolio includes utility-scale solar farms, battery projects, and sustainable data centres, including the "Supernode" battery project and sustainable data centre campus. The fund also aims to invest in similar US and UK projects.

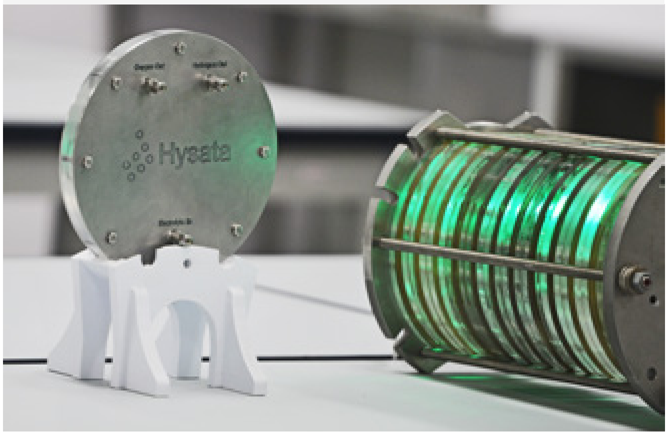
The rapid growth in cloud storage requirements and the use of artificial intelligence (AI) requires data centres to house the infrastructure needed to support these operations. This investment expects to drive attractive long-term investment outcomes for our members while supporting the energy transition towards a net zero economy by utilising renewable energy and sustainable designs.

Green hydrogen technology

Within our private markets asset class, we invested in Hysata, a company which intends to produce technology aimed at developing the world's most efficient electrolysers that could, over time, significantly contribute to the energy transition by optimising the production of green hydrogen.

Some of the key sustainable considerations include:

- Existing commercial electrolysis technology relies on either an Alkaline system or a Polymer Electrolyte Membrane (PEM) System. Both involve electrodes surrounded by electrolytes and are susceptible to efficiency loss due to the formation of bubbles around the electrode during operation. As a result, existing electrolysers operate at around 70-75% efficiency.
- The proposed technology is a capillary-fed process that eliminates bubbles and promises 95% efficiency. At this level of efficiency, the cost of green hydrogen production falls below USD 2/kg, making it economically viable.
- This consideration aligns with our support of the goals of the Paris Agreement on climate change, given the crucial role that green hydrogen technology may play in the transition to a low-carbon economy, especially for hard-to-abate sectors.



Large scale renewable energy projects

Our investment in Tilt Renewables is a co-investment with QIC Global Infrastructure Fund through our Infrastructure asset class. Tilt Renewables was established in 2016 by QIC in partnership with AGL Energy to drive the development of large-scale renewable energy projects across Australia. Since then, Tilt Renewables has deployed over $2bn of equity capital and is now one of Australia's leading renewable energy developers with 1,314 MW across 9 operational assets along with 496MW under construction and a development pipeline of >5GW. The company has the goal to have a portfolio of 7 GW of operational assets by 2030.

Landfill waste to energy

We have made a co-investment in Terreva Renewables. This investment involves capturing and diverting methane from landfills to be used as renewable natural gas. The company has a pipeline of development projects that convert landfill gas to renewable natural gas. This process reduces landfill emissions and eliminates the need for fossil fuels that renewable natural gas replaces. Renewable natural gas can be used with all the existing natural gas infrastructure.

External manager appointment

We utilise our internal ESG assessment framework and rating as part of all pre-investment due diligence processes. The criteria employed in our ESG assessment framework include policy, resourcing, integration, active ownership, reporting, collaboration, and systemic ESG factors like climate change. In doing so, we conduct a thorough assessment of the external managers' approach to managing climate risks and opportunities. This forms part of our formal internal ESG assessment framework, ensuring consistency with our ESG Policy.

Climate risk management expectations, including climate data reporting, forms part of our investment guidelines for our external investment managers appointed during the reporting period. As many of TelstraSuper's investment portfolios are externally managed, ensuring our investment managers have fit-for-purpose approaches to managing climate risk is an important part of our due diligence process and ongoing management of climate risk.

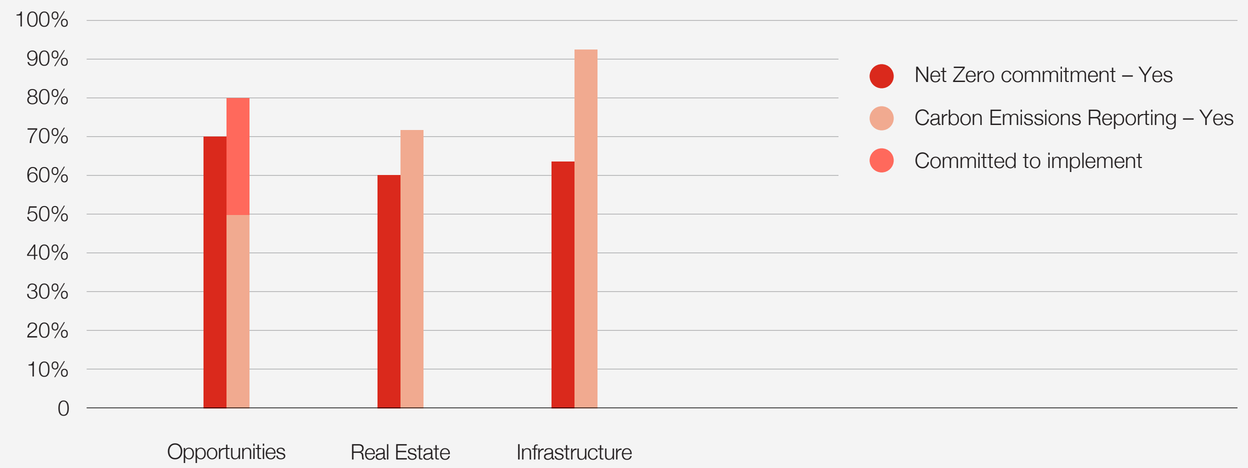
During the reporting period, TelstraSuper conducted pre-investment due diligence for six new external investment managers. Our evaluation revealed a range of approaches to integrating ESG into investment processes. As part of our process, we also provided feedback to these investment managers on areas we would like to see strengthened, including improved climate reporting and asset transition planning.

Ongoing monitoring

In conjunction with our collaboration partners and investment managers, we monitor how our prioritised investee companies consider and manage material ESG risks and opportunities, including climate change, in their investment approaches across all applicable asset classes. Additionally, where practicable, we periodically engage with our external investment managers to discuss ESG-related matters, including climate change. We believe ongoing engagement is important because climate risks are typically long-term.

During this reporting period, we undertook an assessment of our Opportunities,[6] Property and Infrastructure asset class external managers as part of our annual review. The chart below summarises our assessment of the approaches to climate change taken by our Investment Managers across the collective investment funds we have invested in across the asset classes examined. The majority of our external collective investment funds assessed for these three asset classes have committed to net zero by 2050 or sooner and disclose carbon emissions or plan to do so in 2025. TelstraSuper intends to continue to engage and get a better understanding of the decarbonisation pathways for other applicable asset classes as part periodic consultation with our external managers.

Asset class review – Investment manager approaches to climate change



[6] The Opportunities portfolio aims to provide TelstraSuper members with exposure to emerging investment opportunities. It is a "best and highest conviction ideas portfolio" which employs a disciplined process that seeks to identify various themes and ideas that we believe will deliver strong investment returns over a given horizon (5 years at a maximum). The portfolio also seeks to add value by exploiting opportunities when markets dislocate, either through co-investment or best ideas emanating from existing relationships within our universe or broader fund.

ESG integration – Partnering with tenant customers for a renewable energy and battery storage solution

Leveraging solar energy and advanced battery storage is essential for enhancing energy resilience, reducing carbon footprints, and managing energy costs.

Charter Hall, one of our Property asset class investment managers, seeks to implement this renewable energy solution across our Industrial and Logistics Property portfolio. For example, at Compass Logistics Estate in Western Sydney, Charter Hall has installed battery storage units in collaboration with tenant HCL, at a site in which TelstraSuper has an underlying interest.

By actively working with tenant customers like HCL, battery storage technology helps mitigate the environmental impact of the buildings, lowers energy costs for tenants and achieves greater energy efficiency. The energy generated from solar panels and stored in batteries supports this collective journey towards net zero.

Battery storage technology allows tenants to utilise renewable energy throughout the day and store excess solar energy for use after sunset. The battery storage system optimises energy management by storing power during periods of low demand and releasing it during peak demand times. This case study highlights the possible positive outcomes of partnering with tenants to achieve environmental and financial goals, setting a benchmark for future projects in the property sector.

ESG integration – Leadership recognised for sustainability performance

Several years ago, TelstraSuper participated in the privatisation of the Port of Melbourne within our infrastructure asset class in partnership with our external investment managers. The Port of Melbourne is Australia's largest container port, accounting for approximately 37% of Australian container traffic, and is the principal gateway port servicing Melbourne and Tasmania.

Our external investment managers have implemented several leading climate initiatives for this asset, including:

- Committing to a net zero target by 2030 (scope 1 & 2)[7], including sourcing 100% renewable electricity and transitioning the corporate vehicle and marine survey vessel fleets to zero-emission technologies.
- Securing an AUD 475million sustainability-linked loan in July 2023 that includes three targets: achieving net zero emissions (scope 1 & 2) by 2030, obtaining external certification for workplace mental health policies, and engaging with material Scope 3 stakeholders on climate and emissions.
- Entering a memorandum of understanding with several stakeholders, including Maersk and green methanol providers, to explore potential green methanol bunkering at the Port.

During the reporting period, the Port of Melbourne scored 100 out of 100 in the 2024 Global Real Estate Sustainability Benchmark (GRESB) assessment. The score places Port of Melbourne 1st among Australian and International Port Companies for the second consecutive year.

[7] Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Source: Greenhouse Gas Protocol - FAQ.pdf

Internal capacity-building and internal training sessions

We encourage our Investment Management Team to actively engage in ESG training and information sessions, both internally and externally. During the reporting period, our ESG team attended several external conferences, briefings and forums focused on climate change. Additionally, in the reporting period, our ESG Team initiated a program aimed at delivering information and capacity-building sessions for the wider Investment Management Team, to enhance collective understanding and knowledge. These sessions focus on prevalent and emerging thematic ESG topics, including climate change. Climate specific sessions for this reporting period include:

- A session for our Financial Planning Team on climate change risks, including TelstraSuper's climate-related risk management approach and net zero goals, to ensure that these team members are well-informed and equipped to address member queries as the first point of contact.
- A session for our Investment Management Team to discuss the upcoming mandatory climate disclosure legislation. This session outlined each team's reporting obligations in four key areas: governance, strategy, risk management, and metrics and targets.
- A session was convened for TelstraSuper's Executive Risk and Compliance Committee (ERCC), outlining our key ESG risks and opportunities and the risk management and mitigation measures in place. The session featured an in-depth presentation on TelstraSuper's ESG strategy concerning each of its five key ESG pillars, including climate change.

Active ownership

TelstraSuper recognises the importance of advocating for the advancement and promotion of ESG risk management practices within the companies and other relevant assets in which it invests. For TelstraSuper, active ownership involves engaging directly or collaboratively with prioritised listed investee portfolio companies on a range of ESG matters, including climate risks. This engagement aims to advocate for enhanced ESG risk management approaches over the long term. TelstraSuper seeks to utilise proxy voting as an effective means of holding a listed investee portfolio company's board accountable and encouraging ongoing improvement in corporate governance.

Active ownership forms an important element of TelstraSuper's approach to climate change. As a responsible steward of members' capital, TelstraSuper recognises that ownership rights (engagement and voting) can be leveraged to encourage companies to improve their approach to managing the risks and opportunities of climate change. We believe this can improve company-level and system-wide responses to climate change, both of which can enhance the long-term value for our members.

This approach also encompasses the consideration of an escalation process, to be determined on a case-by-case basis. TelstraSuper's escalation strategy may encompass a range of measures to communicate our concerns and advocate for change, such as broader advocacy, using proxy votes, supporting shareholders' resolutions, and considering voting against company directors. Divestment is considered as a last resort, reserved for exceptional circumstances or when other escalation strategies are not expected to produce satisfactory outcomes over foreseeable and/or reasonable timeframes, always with the best financial interests of members in mind.

Engagement

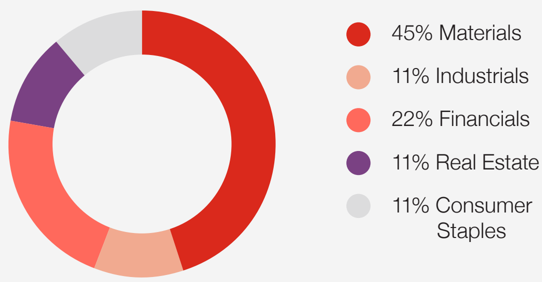
TelstraSuper seeks to be an active owner through engagement with investee companies and investment managers regarding climate risk management. In doing so, we typically:

- Convey that climate risk is an important systemic issue, presenting material financial risks to underlying assets and investee companies within TelstraSuper's investment portfolio that needs to be managed.
- Seek to understand how investment managers and companies manage climate risk.
- Advocate and influence investee companies to make an orderly transition in line with the Paris Agreement.

We engage with prioritised investee companies both directly, in collaboration with other institutional investors or initiatives (e.g., Climate Action 100+) and as a member of the Australian Council of Superannuation Investors (ACSI) advocating for enhanced climate risk management and approaches over the long term. Adopted in 2021, ACSI's Climate Change Policy helps guide our engagement activities and reaffirms the support of all ACSI members to the importance of addressing these issues.

During the reporting period, TelstraSuper directly or in collaboration with ACSI engaged on climate change related issues at 18 meetings with 15 listed Australian companies. Climate change was raised at 27% of all engagement meetings with investee-listed companies across a range of sectors.

Climate change engagement by GICS sector



Voting

Voting is one of the cornerstones of TelstraSuper's active ownership approach. As part of our role as active owners, we exercise our ownership rights at Annual General Meetings (AGMs) as a formal means to hold management accountable and to signal management on notable issues such as climate change.

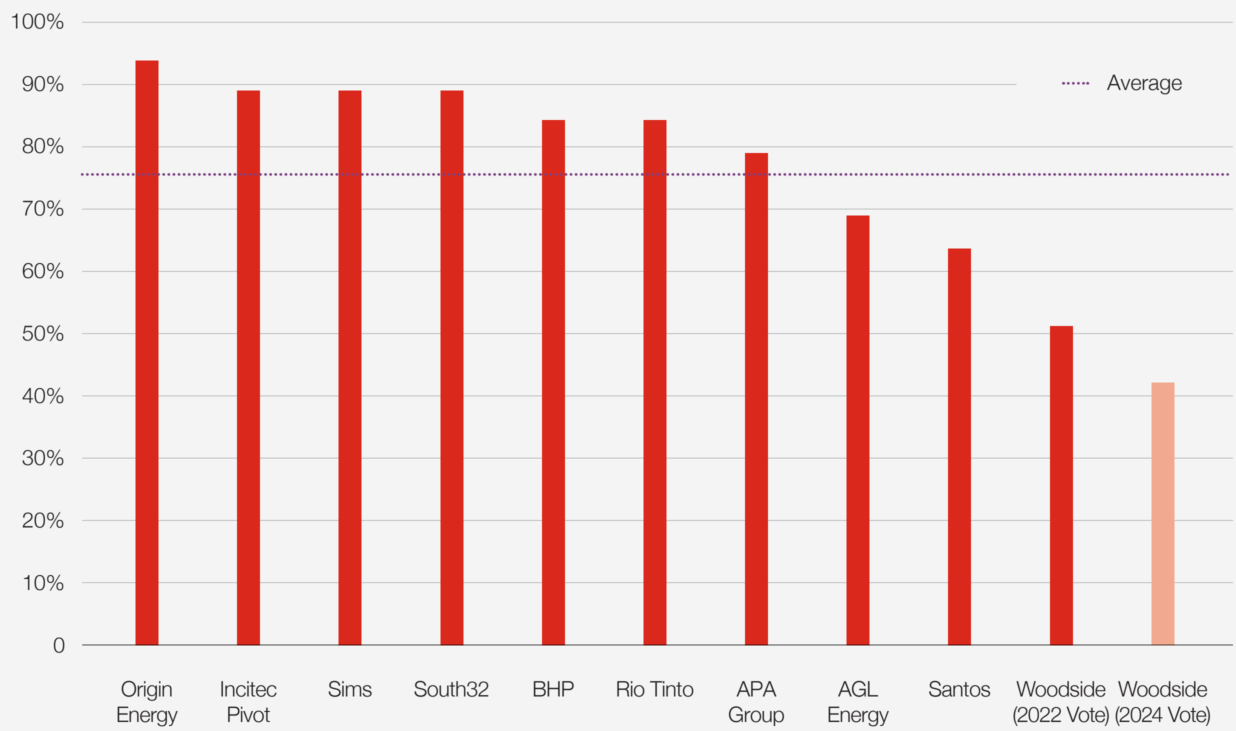
As part of our proxy voting approach and Proxy Voting Policy, TelstraSuper evaluates resolutions by assessing the following factors:

- The merits of climate-related shareholder resolutions and companies 'Say on Climate' resolutions, where published.
- Whether capital allocation and corporate strategy align with the company's stated climate-related commitments.
- How remuneration structures incentivise management to act on climate, including whether the structures support action on stated commitments.
- Disclosures made in accordance with the Taskforce for Climate Related Financial Disclosures (TCFD) reporting framework or climate risk assessment undertaken (e.g., scenario analysis, physical risk management activities.
- Whether any carbon emission reduction targets set are aligned with the Paris Agreement.
- Company's policy advocacy activity and membership of industry organisations.
- Equitable transition planning and implementation.
- Assessing the climate risk associated with any corporate transactions (mergers and acquisitions).

'Say on Climate' proposals

A growing number of Australian companies are now providing advisory votes on climate through a process known as 'Say on Climate'. This trend is a positive development as the implementation of a 'Say on Climate' vote is often accompanied by increased transparency and stronger commitments related to climate risk. The chart below demonstrates that 'Say on Climate' proposals are typically supported by shareholders, which is a signal that engagement and transparency result in positive outcomes.

'Say on Climate' voting outcomes in Australia (2021-2024)



Source: ACSI Voting Report, 2024 Half Year Outcomes, August 2024

Active ownership via engagement and voting – Woodside 'Say on Climate' vote

One of our key focus areas is being comfortable that our investee companies' strategies align with the Paris Agreement. This often involves engagement spanning multiple years to encourage commitments to net zero emissions, with clear and ongoing disclosure of progress.

As noted above, a growing number of Australian companies are now providing advisory votes on climate through a process known as 'Say on Climate'. This trend is a positive development as the implementation of a 'Say on Climate' vote is often accompanied by increased transparency and stronger commitments related to climate risk.

TelstraSuper, as part of its collaboration with ACSI and the Climate Action 100+ initiative, undertook multiple engagements with major Australian Energy Company, Woodside, in the lead-up to its April 2024 AGM, where the company offered shareholders a 'Say on Climate' advisory vote.

Through our multi-year engagement with the company, we observed that Woodside's Board acknowledges the following:

- The need to assist investors in assessing the risks associated with Woodside's products in a decarbonising world.
- The importance of providing investors with information on how Woodside plans to diversify its business operations into new energy and lower carbon services projects, moving away from a singular reliance on fossil fuels.
- The need to address investor concerns about the company's heavy reliance on offsets to achieve its carbon emissions-reduction targets, and the lack of clarity on the cost of its offsets programme. For example, investors need transparency on whether the cash allocated to offsets is economical or credible, including the quality of offsets, which may have potential reputational and regulatory implications.

Concerns

While we recognise that Woodside has improved its disclosures compared to previous years, it remains unclear whether the company has a credible plan for allocating capital to address climate-related impacts. Improved disclosures are necessary to give investors greater confidence. At the time of the vote, we had observed little progress in Woodside's efforts to meet its goal of investing $5 billion in new energy projects, which made it challenging to see how the company intended to meet its emissions targets beyond 2030.

Outcome

TelstraSuper voted 'against' the 'Say on Climate' advisory resolution due to concerns regarding the lack of clarity on the future resilience of the company. TelstraSuper was among the 58.4% of Woodside's investors that voted 'against' the non-binding proposal.

Traffic light report for top 20 listed companies by portfolio value[8]

The traffic light report provides an analysis of the 20 largest publicly listed companies in which TelstraSuper has exposure by investment value as at 30 June 2024. The following table presents a summary of our evaluation concerning the companies' commitments to achieving net-zero emissions and their interim reduction targets. TelstraSuper continues to seek engagement with its prioritised listed companies, directly or through service providers or collaborative initiatives, to encourage investee companies to take action and work towards their decarbonisation pathways.

Portfolio company	Australian or International	Greenhouse gas emissions monitoring and measurement	Net Zero and Science Based Target (SBTi) Alignment	Interim targets	Initiatives in place to reduce emissions
Amazon	International	Yes	Yes	Yes	Yes
ANZ Group	Australian	Yes	Yes	Yes	Yes
Apple	International	Yes	Yes	No	Yes
Aristocrat	Australian	Yes	No	No	No
BHP Group	Australian	Yes	Yes	Yes	Yes
Commonwealth Bank of Australia	Australian	Yes	Yes	Yes	Yes
CSL	Australian	Yes	Yes	No	No
Goodman Group	Australian	Yes	Yes	Yes	Yes
Macquarie Group	Australian	Yes	Yes	Yes	Yes
Meta Platforms	International	Yes	Yes	Yes	Yes
Microsoft	International	Yes	Yes	Yes	Yes
National Australia Bank	Australian	Yes	Yes	Yes	Yes
NVIDIA	International	Yes	No	No	Yes
Rio Tinto	Australian	Yes	Yes	Yes	Yes
Taiwan Semiconductor Manufacturing	International	Yes	Yes	Yes	Yes
Telstra Group	Australian	Yes	Yes	Yes	Yes
Transurban Group	Australian	Yes	Yes	Yes	Yes
Wesfarmers	Australian	Yes	Yes	Yes	Yes
Westpac Banking Corporation	Australian	Yes	Yes	Yes	No
Woodside Energy Group	Australian	Yes	Yes	Yes	Yes

Key Yes No

[8] Information is taken from the latest available ESG Ratings report provided by ESG research company, Sustainalytics. More recent information may be available in company reports. This table shows whether the company has made commitments or has various initiatives in place, as sourced from the external service provider Sustainalytics. However, it does not assess whether these initiatives are sufficiently ambitious or effective. Our engagement with these companies helps us evaluate if these commitments are robust and aligned with the Paris Agreement targets.

Collaboration and advocacy

TelstraSuper acknowledges the systemic, complex and evolving nature of climate risks affecting investments globally and supports sharing knowledge and resources through collective action. While individual efforts by investors hold significance, it is imperative that they leverage their collective influence to advocate for and enact change at a market-wide level. This collaborative approach helps manage and reduce risks in a holistic manner and can enhance the long-term financial value of our members' capital.

TelstraSuper values participating in industry networks and forums to collaboratively advance the interests of members and stay informed on ESG developments. TelstraSuper has a long history of collaborating with like-minded investors through various initiatives that focus on advocacy, policy and promoting changes in corporate behaviour.

TelstraSuper will consider a range of factors before participating in formal or informal collaboration, given that TelstraSuper cannot feasibly participate in all activities. These considerations include alignment with our ESG Policy and expectations on the potential effectiveness of the initiatives.

TelstraSuper is a member of several collaborative initiatives, including the ones outlined below.

Initiative	Description
PRI Principles for Responsible Investment	TelstraSuper has been a signatory to the UN-endorsed Principles for Responsible Investment (PRI) since 2007. The PRI is a network of investors dedicated to promoting sustainable investment, with a strong emphasis on managing climate risk on a global scale.
Investor Group on Climate Change	The Investor Group on Climate Change (IGCC) is a collaboration of investors in Australia and New Zealand committed to achieving a climate-resilient, net-zero emissions economy by 2050. The IGCC advocates for standardised systems, guidelines, and regulatory frameworks.
Climate Action 100+ Global Investors Driving Business Transition	Climate Action 100+ (CA100+) is the largest investor-led climate change engagement initiative globally, which engages with over 160 of the world's largest corporate greenhouse gas emitters. The initiative seeks to improve climate change governance, reducing emissions and strengthening climate-related disclosures through engagement. As a CA100+ signatory, TelstraSuper supports a number of company engagements in collaboration with other investors.
ACSI	The Australian Council of Superannuation Investors (ACSI) serves as a powerful collective voice for its members on ESG issues. ACSI places a significant emphasis on climate change through its engagement with companies and advocating for improved climate risk management and disclosures.

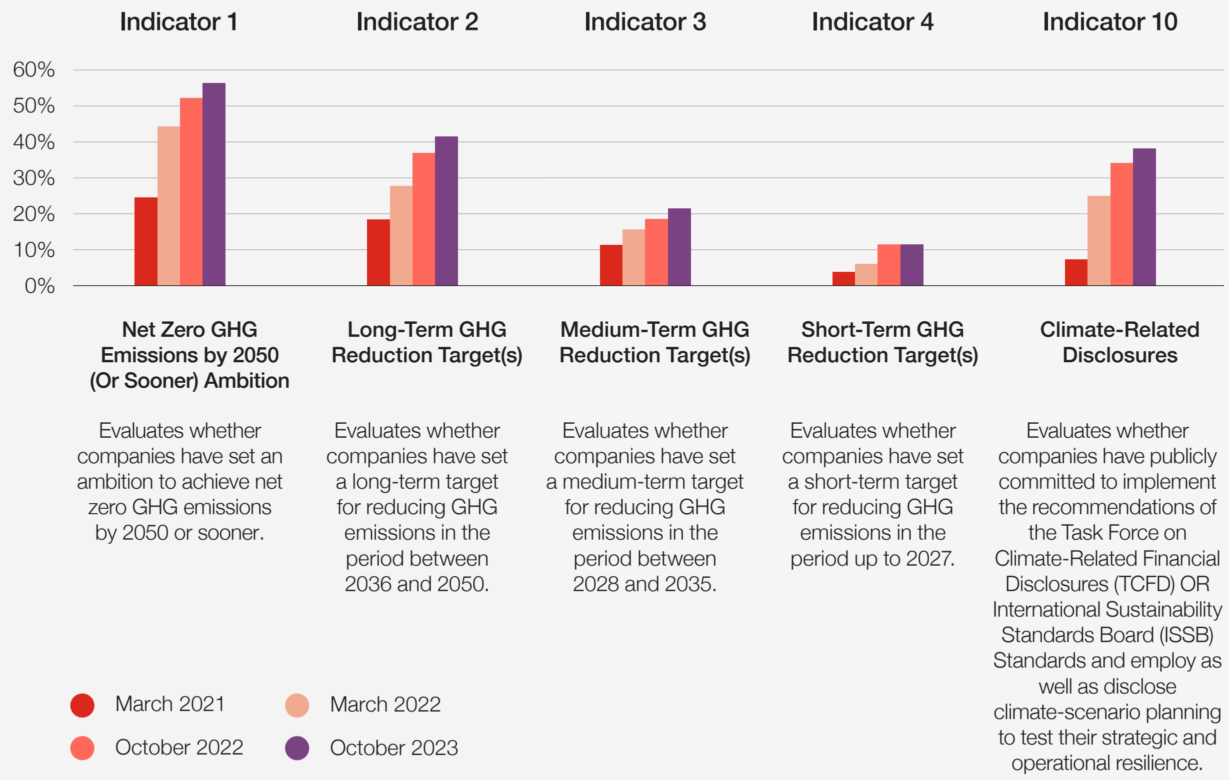
Engagement summary and progress for Climate Action 100+

TelstraSuper is a member of Climate Action 100+ (CA100+), an investor-led initiative aiming to ensure the world's largest listed corporate emitters take necessary action on climate change. Members of CA100+ engage collaboratively with companies and advocate for improved climate change governance, reducing emissions and strengthening climate-related financial disclosures.

Companies included in the CA100+ have significantly improved their approaches to climate change as a cohort:

- Approximately 57% of companies now have a target for achieving Net-Zero emissions by 2050 or sooner, a significant increase from 25% in 2021.
- Climate disclosure has also improved considerably; in 2023, 39% of companies provided disclosures based on the Taskforce for Climate-related Financial Disclosures (TCFD) or International Sustainability Standards Board (ISSB) standards, compared to just 8% in 2021.
- Additionally, the number of companies that have established short-term, medium-term, and long-term greenhouse gas emission targets has increased significantly.

The chart below summarises year-on-year progress made by the prioritised engagement companies as part of the CA100+ initiative between 2021 and 2023 for key indicators.



The graphs on this page compare year-on-year progress made by the sample of 150 companies assessed in 2023. 9 or 6% of these were not assessed in March 2021. The 2021 'Not Assessed' scores (i.e., the 6% of companies scoring 'Not Assessed' in 2021) are not included in the graph above. Due to rounding of percentages in the data analysis some of the totals per assessment period do not add up to a hundred percent. Please also note that the scoring criteria for Metric 10.2.b has been updated this year, but Disclosure Indicator 10 remains sufficiently consistent with previous iterations to enable year-on-year comparison.

Source: Climate Action 100+ Progress Update Report

Exclusions

To enhance the long-term investment value for our members, we generally employ systemic and pragmatic ESG integration into investment decision-making processes instead of excluding specific companies or sectors solely based on ESG values. However, in certain situations, excluding a sector or specific stock may be deemed appropriate if it aligns with TelstraSuper's investment mission; is executed clearly, and is not expected to significantly impair the achievement of risk-adjusted long-term investment objectives.

TelstraSuper currently has one climate-related exclusion, as follows:

- **Thermal coal** Listed primary-focus thermal coal producers, where 25% or more of the company's net revenue is derived from thermal coal production.[9]

TelstraSuper employs various third-party appropriate screening processes and exception reporting to identify and prevent non-compliance within its listed securities portfolios. However, where non-compliance is identified, TelstraSuper will seek to divest non-complying investments in an orderly fashion as soon as practicable, in a manner that, as far as possible, preserves value for members.

It is important to note that the employment of such screening processes, exception reporting and monitoring by management is not infallible, and non-compliance may occur inadvertently (including through errors or delays, including in obtaining corporate information beyond TelstraSuper's control), which may result in excluded investments residing in the investment portfolio until identified and subsequently divested in the manner referred to above.

Thermal coal exclusion

During this reporting period, the TelstraSuper Board revised the threshold for excluding primary-focused thermal coal producers. The threshold was lowered from above 50% to 25% of the net revenue.

This revision reflects the transition to a net zero economy and represents a step in that direction. Importantly, the threshold affords relevant investee companies the necessary time to adapt their business models with a view to transitioning towards lower carbon energy sources. The revision also takes into considerations of a 'just transition'[10], seeking to ensure that society as a whole progresses along this trajectory.

[9] The 25% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available as supplied by TelstraSuper's service provider, Sustainalytics.

[10] A 'just transition' refers to the process of transitioning from a high-carbon economy to a low-carbon economy in a manner that is fair and equitable. It seeks to ensure that workers and communities reliant on fossil fuels or high-emission industries are supported during this transition, reducing negative impacts and generating new opportunities for sustainable livelihoods.

Metrics and targets

Our net zero by 2050 pathway, outlined in TelstraSuper's CCAP, summarises the progress TelstraSuper has made against its interim targets and highlights milestones that TelstraSuper seeks to achieve. Subject to data quality and limitations, TelstraSuper measures and discloses investment portfolio carbon emissions for its listed asset classes and reports on progress annually against the measured baseline.[11]

During the reporting period, we assessed our carbon emissions across listed equities, private markets, and real assets. This allowed TelstraSuper to evaluate the emissions linked to its investments and gain insight into exposure to high-emission sectors, where greater risks may be present. This information helps us make more informed investment decisions.

We acknowledge that the understanding of climate change risks alongside of data availability and reliability is evolving rapidly. Therefore, climate change goals, milestones, action plans and carbon data methodologies should be assessed and reviewed periodically to respond to the changing landscape and ensure continual best practices. As such, from time to time, the data and pathway may be updated.

TelstraSuper continues to work towards disclosing our emissions footprint across all asset classes within our investment portfolio. As of this report, TelstraSuper discloses the emissions profile of approximately 51% of the Fund's entire investment portfolio. TelstraSuper aims to setting further interim emissions reduction milestones once the total private market emissions have achieved carbon emissions coverage for 80%.

[11] The 2020 measured baseline relates to listed equities and listed real assets (infrastructure and property), which make up approximately 51% of the Fund's entire investment portfolio (metric: tCO_2e/AUDm invested).

Our net zero pathway

Target net zero emissions for the entire investment portfolio by 2050.[12]

Milestones

01 Achieve a **10% carbon emissions reduction** by 2023 from 2020 measured baseline.[13]

02 Aim for a **25% carbon emissions reduction** by 2025 from 2020 measured baseline.[13]

03 Aim for a **45% carbon emissions reduction** by 2030 from 2020 measured baseline.[13]

04 **Extend net zero investment portfolio alignment goals to the unlisted portfolio.**[14]

- Collaborate with fund managers and industry bodies to expand carbon emissions data coverage for unlisted assets and to agree upon measurement conventions and protocols.
- Establish a baseline of carbon emissions for unlisted assets and report annually on the percentage of assets for which carbon emissions data is available.
- Once the data coverage of unlisted assets exceeds 80%, establish appropriate carbon emissions reduction milestones consistent with TelstraSuper's 2050 net zero goals.

05

Extend net zero investment portfolio alignment goals to debt securities[15] and cash.

- Collaborate with fund managers and industry bodies to develop guidelines and/or standards for carbon emissions data.
- Once industry standards have been developed and agreed (e.g. consistent with ISSB or AASB Standards), TelstraSuper will make disclosures in line with these and set appropriate carbon emission reduction milestones consistent with TelstraSuper's 2050 net zero goals.

Invest in climate change-focused opportunities
Target metric: 1% of the Fund's assets (~250 million),
Target year: by end of 2025

[12] Entire investment portfolio includes listed equities, listed assets, alternatives (including private markets and opportunities), unlisted real assets (infrastructure and property) and debt securities.

[13] The 2020 measured baseline relates to listed equities and listed real assets (infrastructure and property), which make up approximately 51% of the Fund's entire investment portfolio (metric: tCO2e/AUDm invested).

[14] Unlisted portfolios include unlisted property, infrastructure, alternatives, opportunities and private markets.

[15] Debt securities include sovereign bonds, corporate bonds, alternative debt and similar securities, as well as derivatives relating to these.

Carbon footprint and carbon intensity

As per our CCAP commitment, we measure and disclose the estimated carbon emissions associated with our baseline investment portfolio and to report our progress on an annual basis. In 2020, we conducted the initial baseline measurement of carbon emissions related to our listed equities and listed real assets investment portfolios. This assessment has been carried out annually since its inception. Given the limited availability of Scope 3 data, all measurements undertaken to date have exclusively incorporated the available Scope 1 and Scope 2 data.

TelstraSuper's carbon footprint for our Australian and international listed equities, has been provided by an external data services provider. This assessment in addition to listed infrastructure and property data was complemented by reports from individual companies and relevant information obtained from external investment managers, where relevant. Share of emissions is calculated based on holdings as of last business day of the financial year and do not include assets divested during the financial year. Conducting an annual measurement of our carbon footprint enables us to monitor and report on our progress towards achieving our decarbonisation objectives for our investment portfolio.

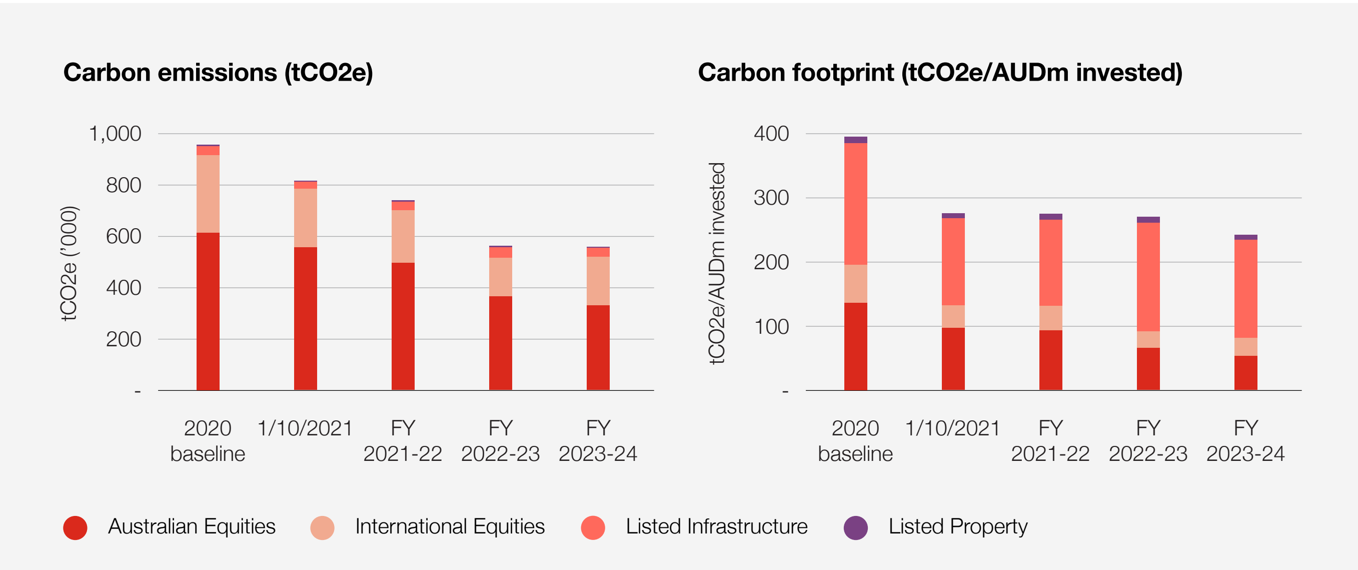
Metric definitions

	Carbon emissions	Carbon footprint
Metric	Total investment portfolio emissions (tCO2e).	tCO2e/AUDm invested.
Description	The absolute carbon emissions associated with the investment portfolio.	The investment portfolio's carbon emissions as a proportion of the value of the portfolio.
Purpose	Able to track absolute changes in aggregate and individual asset manager investment portfolio emissions.	Suitable for comparison across different asset managers and investment portfolios.

Metric calculations include scope 1 and 2 emissions and have been calculated based on equity share (as a proportion of market capitalisation).

Listed investment portfolios carbon emissions

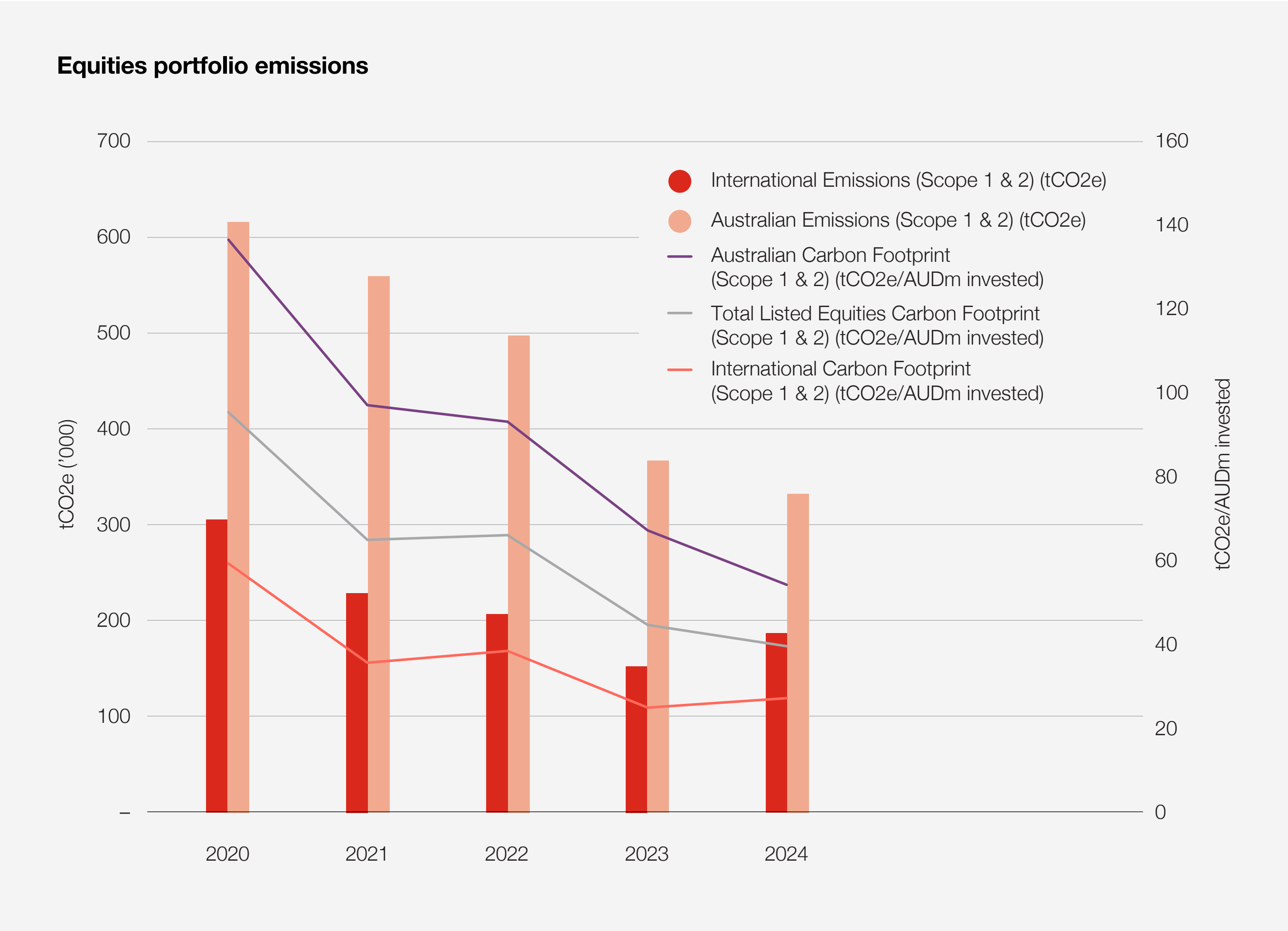
TelstraSuper has made significant progress towards our milestones. We have surpassed our aim for a 25% carbon emissions reduction by 2025 from the 2020 measured baseline and we are making strong headway towards our aim for a 45% carbon emissions reduction by 2030 from the 2020 measured baseline.[16] The graphs below shows the progress TelstraSuper has made against its milestones, measured in tCO2e/AUDm invested since the published baseline data alongside the total financed emissions related to the investment portfolio.



[16] The 2020 measured baseline related to listed equities and listed real assets (infrastructure and property), which make up approximately 51% of the Fund's entire investment portfolio (metric: tCO2e/AUDm invested).

Listed equities portfolio

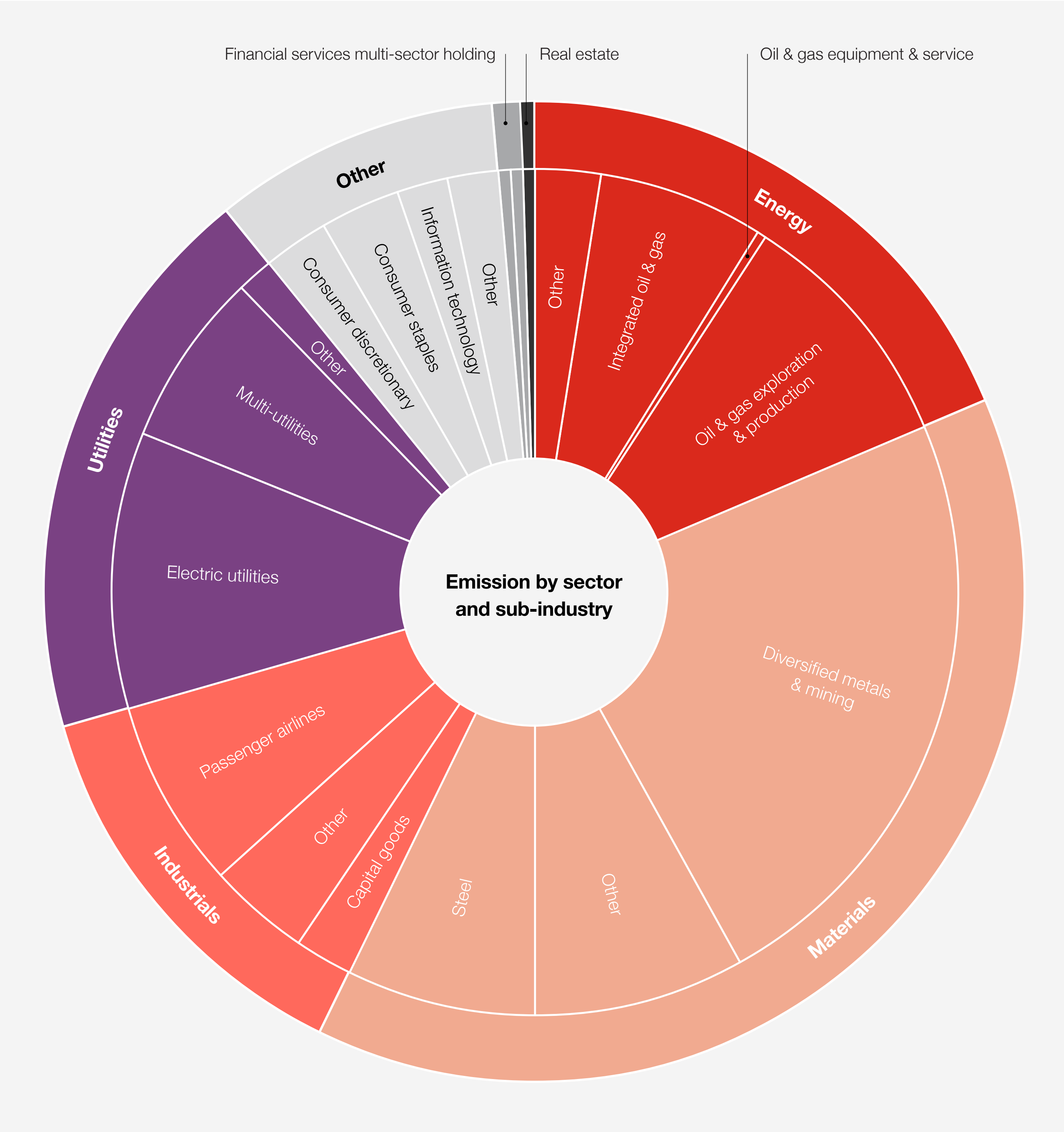
The carbon footprint of our Australian-listed equities and international equities portfolios have decreased by 46% and 38%, respectively, since 2020. TelstraSuper relies on information available and sourced from Sustainalytics to run our carbon footprint analysis.[17]



[17] The information provided within the report is based on available system information as of 18th October 2024 run against the portfolio as of the last business day of the 2024 Financial Year. The emissions of companies calculated by Sustainalytics/FactSet to contribute the most to TelstraSuper's footprint have been cross-checked against the latest available data from the company and updated where required.

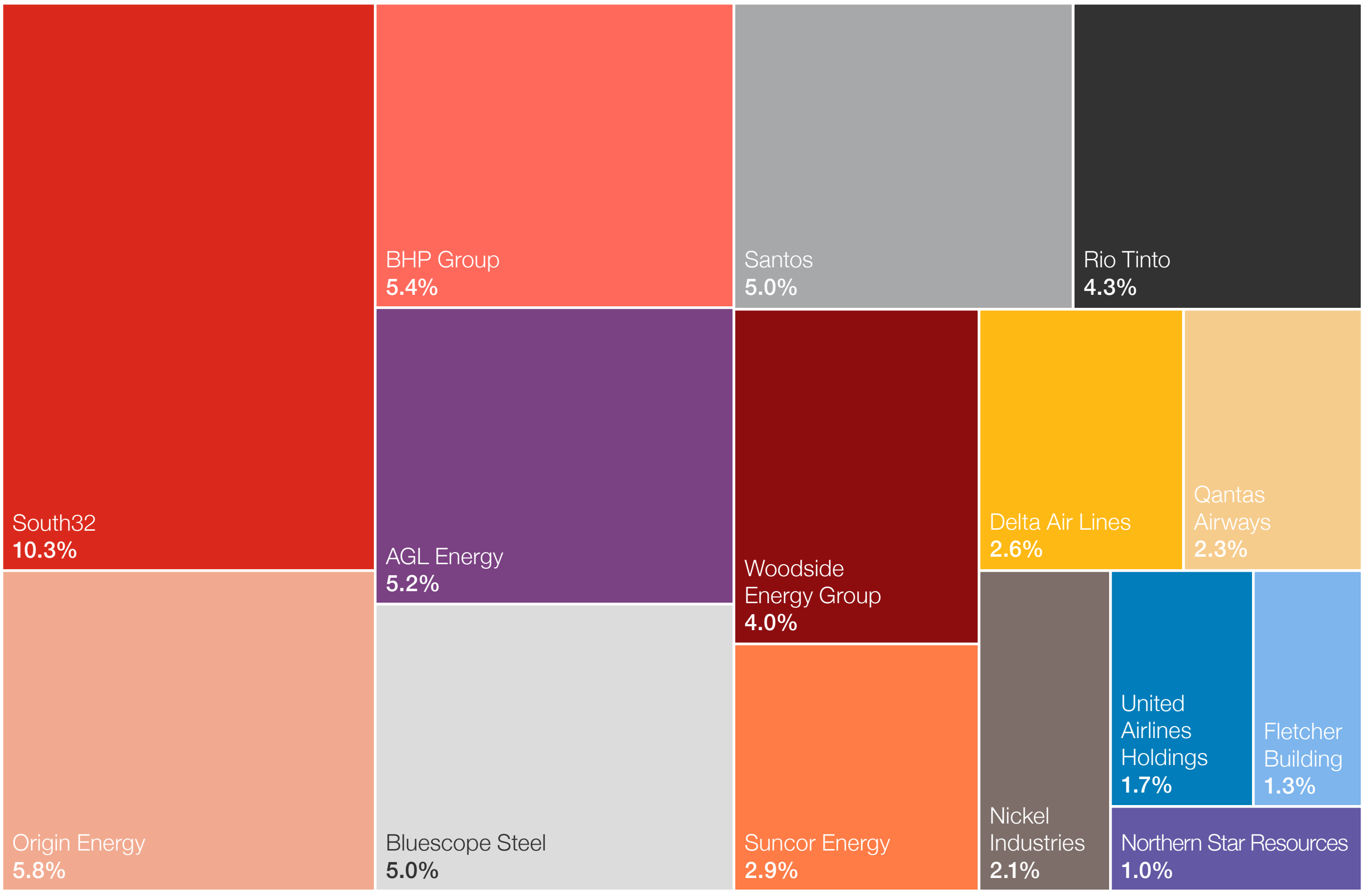
Listed equities – Emissions exposure by sector and sub-industry

The emissions profile of TelstraSuper's listed equities portfolio (domestic and global) has areas of concentration by industry and geographical location. Materials (38.6%), predominantly influenced by Diversified Metals and Mining (23.3%) and Steel (7.1%) alongside of Energy (18.9%) contribute the majority of TelstraSuper's emissions.



Listed equities – Emissions intensity exposure by company

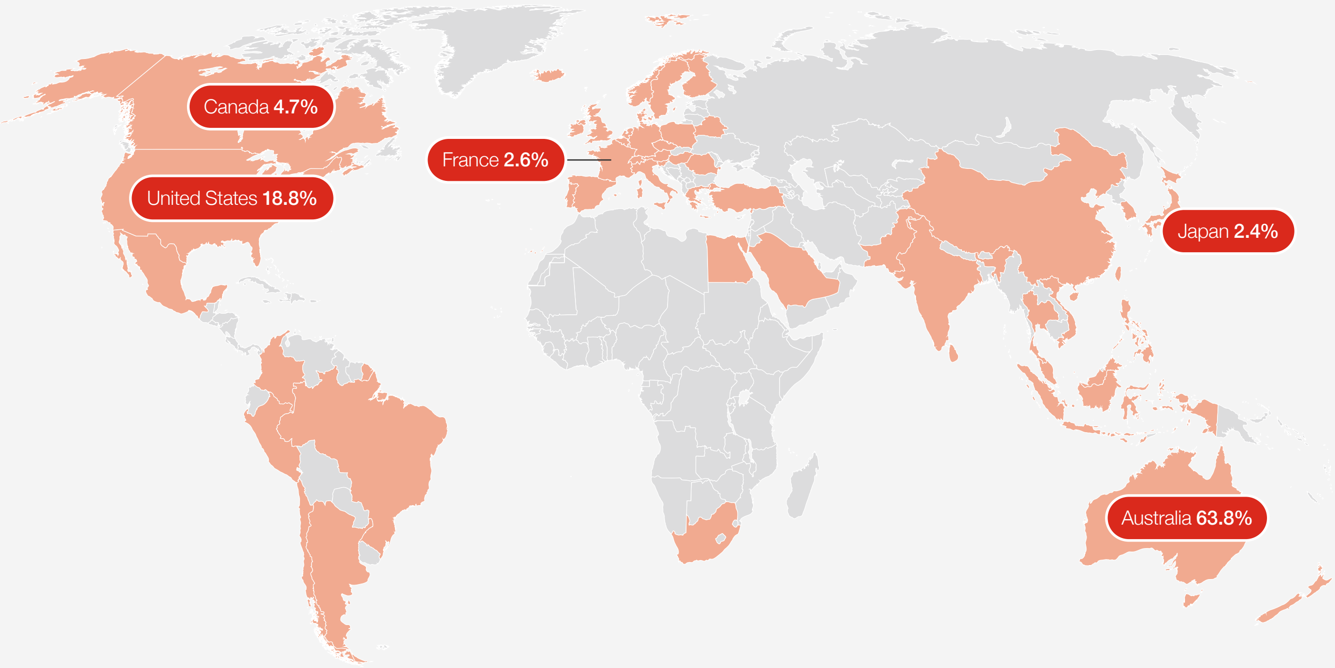
In our listed equities portfolio (domestic and global), the top-emitting 15 companies contribute significantly to emissions, representing a total of 59% of the portfolio's overall impact. This highlights the concentration of emissions within a small number of holdings, underscoring the importance of focusing on these companies in our efforts to reduce emissions impact over time.



Listed equities – Emissions exposure by region

As nearly 47% of TelstraSuper's listed equities portfolio is invested within the Australian stock market, which is highly exposed to emissions intensive industries, it is not surprising to see a significant concentration of emissions from Australian equities within the portfolio. The top five countries – which account for 92.3% of TelstraSuper's financed listed equity emissions – are Australia (63.8%) United States of America (18.8%), Canada (4.7%), France (2.6%) and Japan (2.4%).

Emissions by geography



Infrastructure portfolio

The infrastructure portfolio accounts for ~7% of TelstraSuper's AUM.

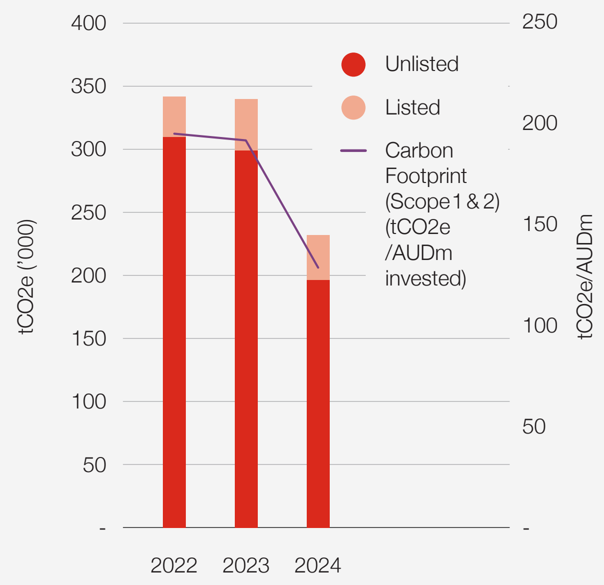
In the reporting period, total emissions decreased by 32% compared to the previous year despite a 2% increase in Net Asset Value (NAV) as our Infrastructure investment managers continued to pursue asset decarbonisation plans across their portfolio companies. Correspondingly, the carbon emissions footprint declined by 32% compared to the previous year to 129 tCO2e/AUDm invested.

Property portfolio

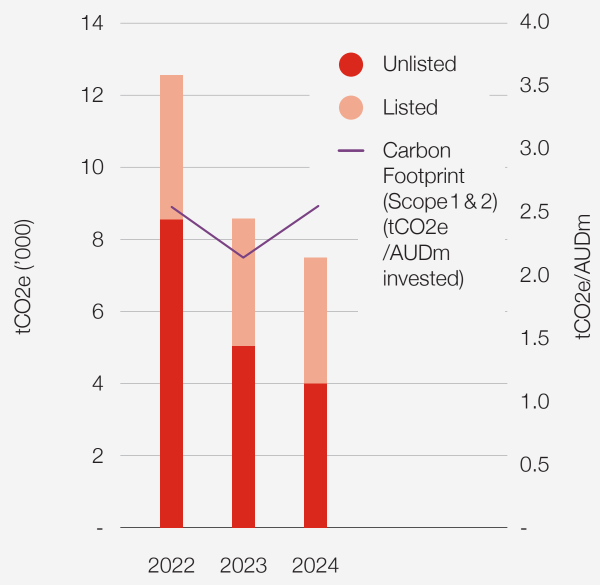
The Property portfolio accounts for ~11% of TelstraSuper's AUM.

For the reporting period, 76% of the Real Estate portfolio had emissions data coverage. TelstraSuper continues to encourage our asset managers to improve asset-level data and transparency, commit to targets and develop emissions reduction plans and initiatives. The total carbon emissions for the FY 24 reduced 15% compared to the previous year.

Infrastructure portfolio emissions



Real estate portfolio emissions



Private markets portfolio

The Private Markets Portfolio represents ~4% of TelstraSuper's AUM. TelstraSuper is actively working to improve the quality and coverage of its data related to the portfolio.

Data quality and limitations

Currently, the accessibility of climate and carbon data exhibits considerable variability across different companies, geographic regions, and asset classes. We source emissions data from third-party providers in instances where coverage is available, in addition to requesting data from our asset managers, particularly for investments in unlisted infrastructure and unlisted property. Similar to other investors, TelstraSuper is reliant on the quality and comprehensiveness of the climate data and net zero methodologies that can be acquired for various asset classes.

Significant improvement is still required within the industry, particularly concerning private markets, where climate data remains underdeveloped. This deficiency arises from investments in smaller enterprises or in asset classes that lack a standardised emissions reporting methodology. In order to enhance the quality of reporting in private equity, we endorse the ESG Data Convergence Initiative (EDCI), which is spearheaded by the Institutional Limited Partners Association (ILPA).

New mandatory climate disclosures legislation

TelstraSuper supports the forthcoming implementation of mandatory climate reporting standards applicable to large companies and asset owners, including superannuation funds. We have been engaged in government consultations, both directly and through our service providers, regarding the proposed framework. In our submission, we articulated our perspective that more comprehensive climate disclosures will enhance company assessments and investment decisions, while also supporting Australia's transition to net zero by 2050. The Australian Accounting Standards Board (AASB) is the process of formulating these reporting standards, which are anticipated to closely align with the International Sustainability Standards Board's (ISSB) global framework, thereby playing a crucial role in advancing global climate-related disclosures.

Climate scenario analysis

The Taskforce on Climate-related Financial Disclosures (TCFD) recommends that organisations assess the resilience of their investment strategies using a range of climate-related scenarios, including those that limit global temperature rise to 2°C or lower. In line with this guidance, our CCAP outlines our commitment to periodically incorporating climate scenario analysis and stress-testing into the evaluation of selected investment options.

For the reporting period, TelstraSuper's external asset consultant, Frontier Advisors, conducted a climate scenario analysis at the portfolio level for our four largest MySuper investment options – Growth, Balanced, Moderate, and Conservative. The analysis aimed to assess the potential impacts of climate change on these default investment options.

TelstraSuper's diversified investment portfolio spans a variety of regions and sectors, meaning transition and physical climate risks could impact assets differently depending on the scenario. The analysis considers five climate scenarios, assessed across three-time horizons – 2040, 2050, and 2060 – relative to a business-as-usual (BAU) case.

Climate scenario descriptions

Business As Usual (BAU)

A scenario where the policy action is minimal and is effectively a winding back to policy pathways prior to the Paris Agreement (this scenario has little significance in terms of likelihood).

National Determined Contributions (NDCs)

Policy action based upon the aggregate pledges made by countries at the Paris Conference in 2015 and adjustments following that (prior to COP-27), with a relatively stable aggregate emissions profile beyond 2030.

2 degrees

Policy action that limits global average temperature rises to 2 degrees (with 50% probability), which is an aspirational target involving greater effort by most countries compared to current policy settings. Emissions follow an "optimal" pathway.

2 degrees (2030 delay)

Policy action that limits global average temperature rises to 2 degrees (with 50% probability), but which is delayed until 2030 (prior to which the emissions pathway is similar to the BAU scenario). The rate of emissions reduction is relatively rapid after 2030.

1.5 degrees (net zero)

Policy action that limits global average temperature rises to 1.5 degrees (with 67% probability), which is an aspirational target involving greater effort by most countries compared to current policy settings. Emissions follow an "optimal" pathway.

BAU (extreme temperatures)

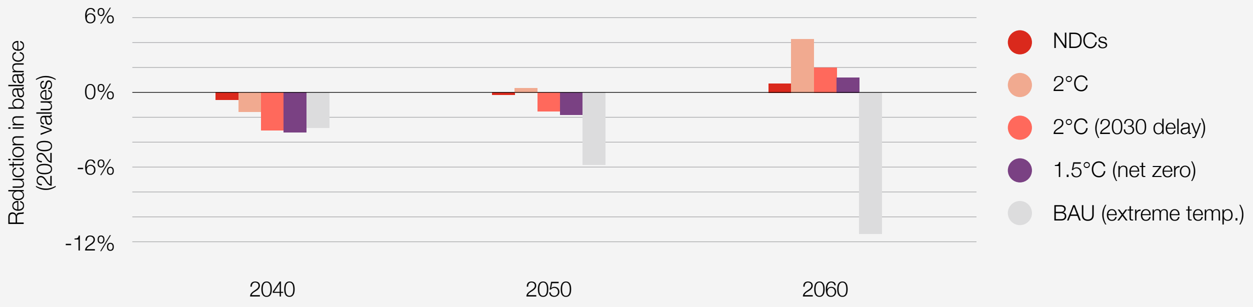
A policy pathway similar to BAU and temperature rises follow the trajectory of the 90th percentile of outcomes in the IPCC estimates.

Climate scenario analysis – MySuper options

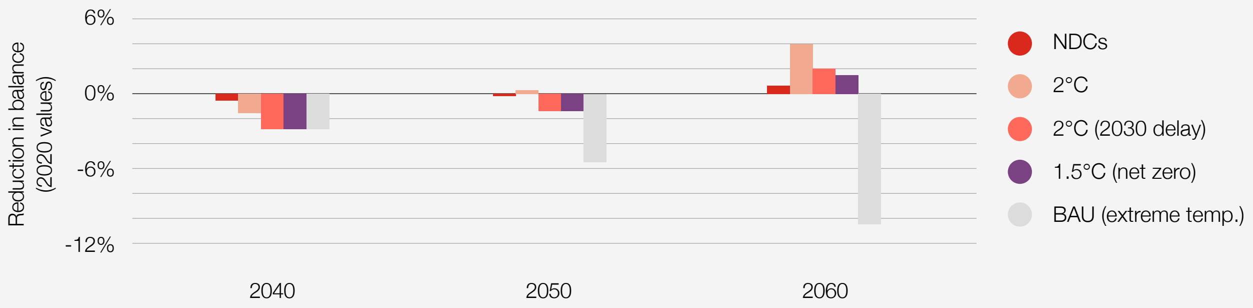
The charts presented on the following page illustrate the simulated estimated impact of climate change on investment balances from 2020 to 2040, 2050, and 2060 under various scenarios, compared to the BAU scenario for the MySuper Growth, Balanced, Moderate, and Conservative investment options. It is important to note that these projections are analysed on a range of highly variable and unpredictable potential impacts of climate change risk assumptions. Consequently, the charts do not serve as forecasts of future investment returns.

The primary conclusion drawn from the analysis indicates that, in most scenarios, there is a projected marginally negative impact on returns relative to the BAU scenario for the four MySuper investment options assessed, up until 2050. This decline can potentially be mitigated through proactive portfolio allocation decisions. This finding underscores the necessity for TelstraSuper to remain vigilant regarding climate risk, to foster resilience throughout our portfolio when feasible, and to actively pursue viable climate-related investment opportunities.

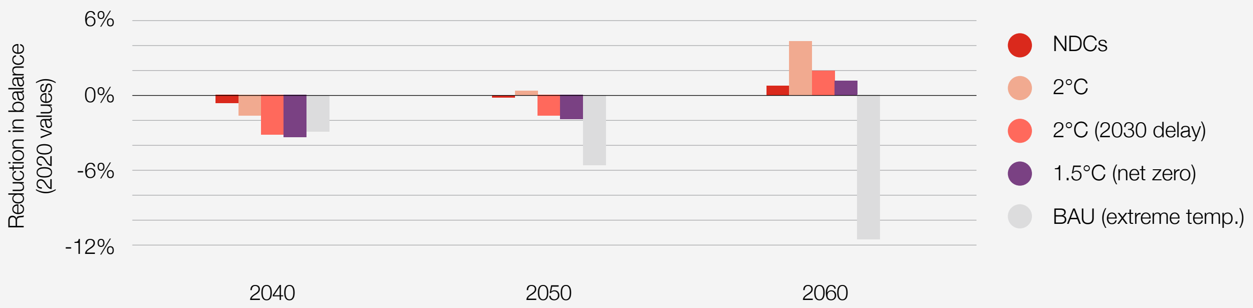
Growth (MySuper)



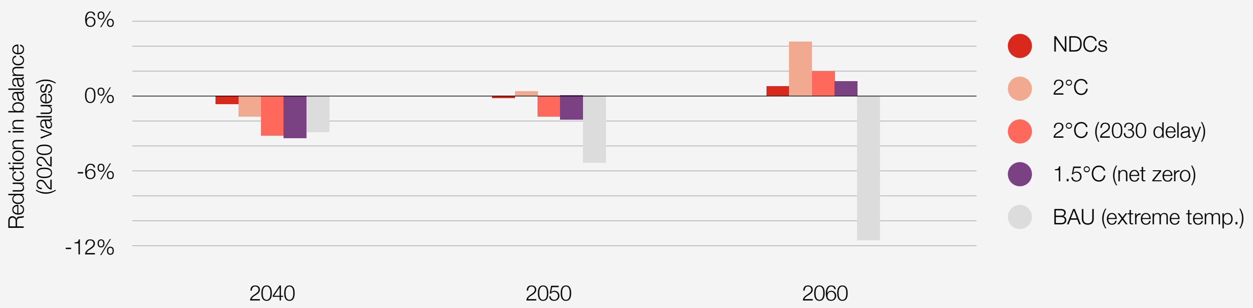
Balance (MySuper)



Moderate (MySuper)



Conservative (MySuper)



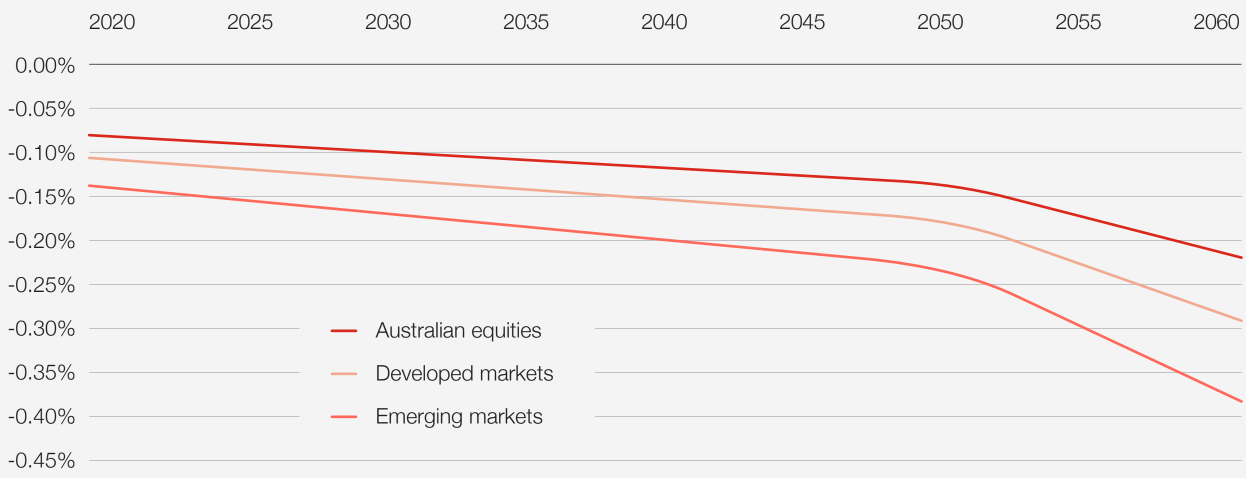
Source: Frontier

Key climate risks factored into scenario analysis

Physical risks

Projected physical impacts are anticipated to increase considerably under scenarios characterised by insufficient or absent policy action. While there is considerable uncertainty in long-term projections, it is unlikely that the trajectory will be a smooth one, and both the physical impacts and the associated economic costs are likely to accelerate in contexts of weak policy frameworks. Furthermore, the severity of this impact is expected to be pronounced in emerging markets and specific regional areas.

Projected GDP impact by market region – BAU

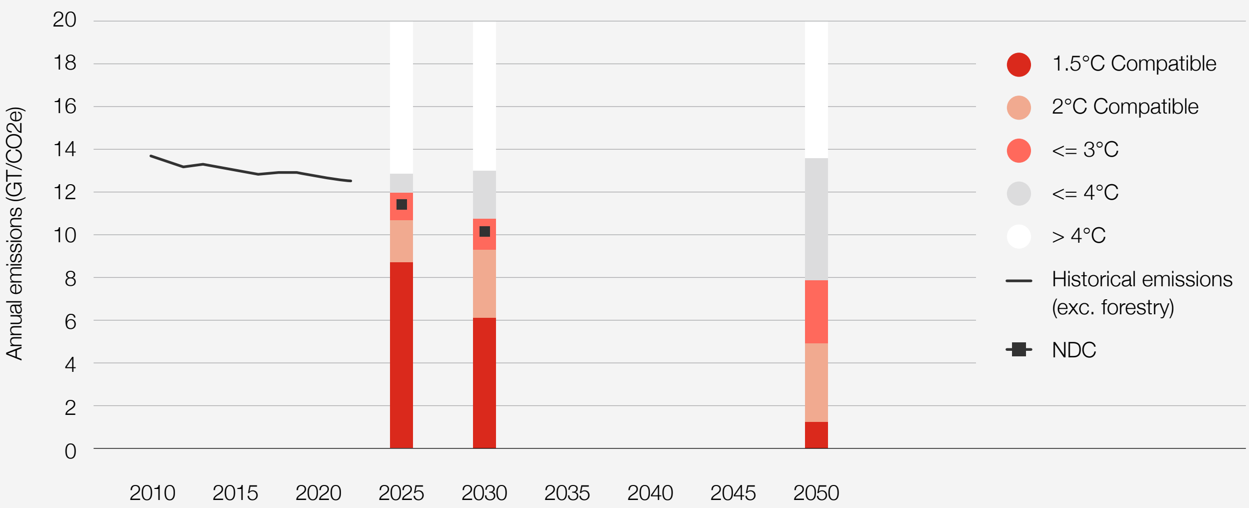


Source: Frontier Advisors

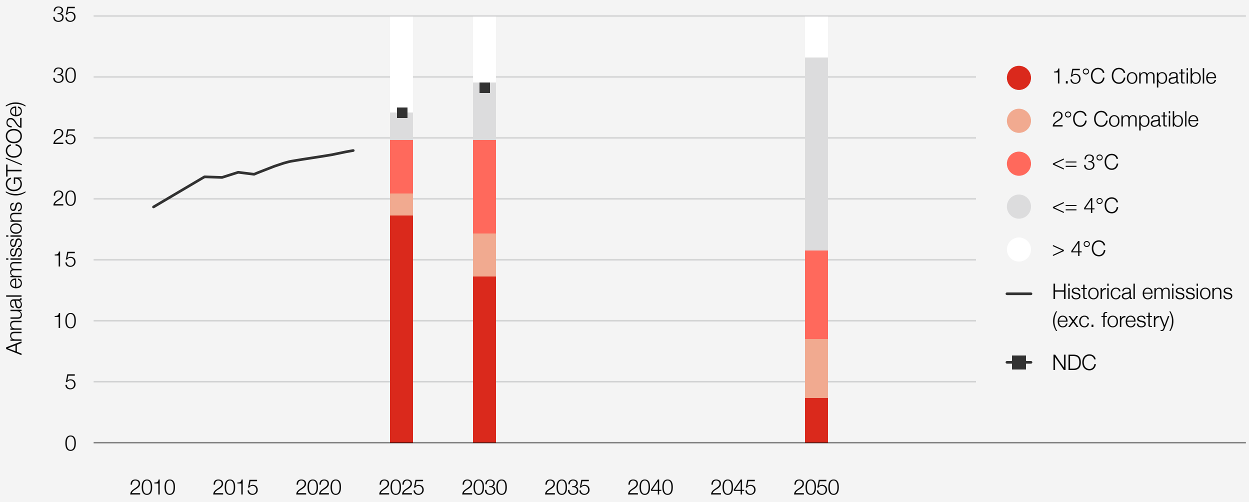
Sovereign carbon budgets and transition risks

To inform the scenarios, Frontier Advisors weighed the carbon budgets associated with 2°C temperature targets, in relation to the Nationally Determined Contributions (NDCs) established by the Paris Agreement. Achieving these temperature-aligned carbon budgets remains a challenge for both Developed Markets (DM) and Emerging Markets (EM) countries as a whole. Meeting the 2°C (and 1.5°C) targets necessitates a substantial reduction in carbon intensity across all DM and EM countries, especially within several EM nations. The NDCs initiated during the Paris Agreement, which are subject to further adjustments, indicate a substantial gap in emissions reductions relative to the levels necessary to achieve the specified targets. This poses a significant risk to earnings and asset valuations if there is a policy shift towards a 2°C or 1.5°C and the impact could be especially pronounced for emerging markets and Australia.

Carbon budgets – Developed markets



Carbon budgets – Emerging markets

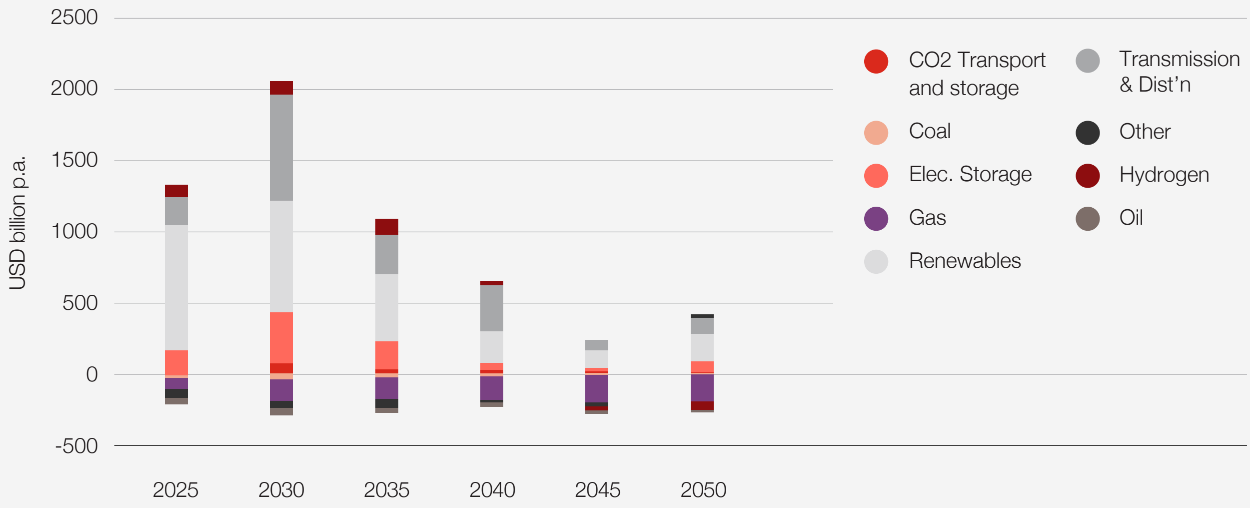


Source: Climate Action Tracker, Frontier

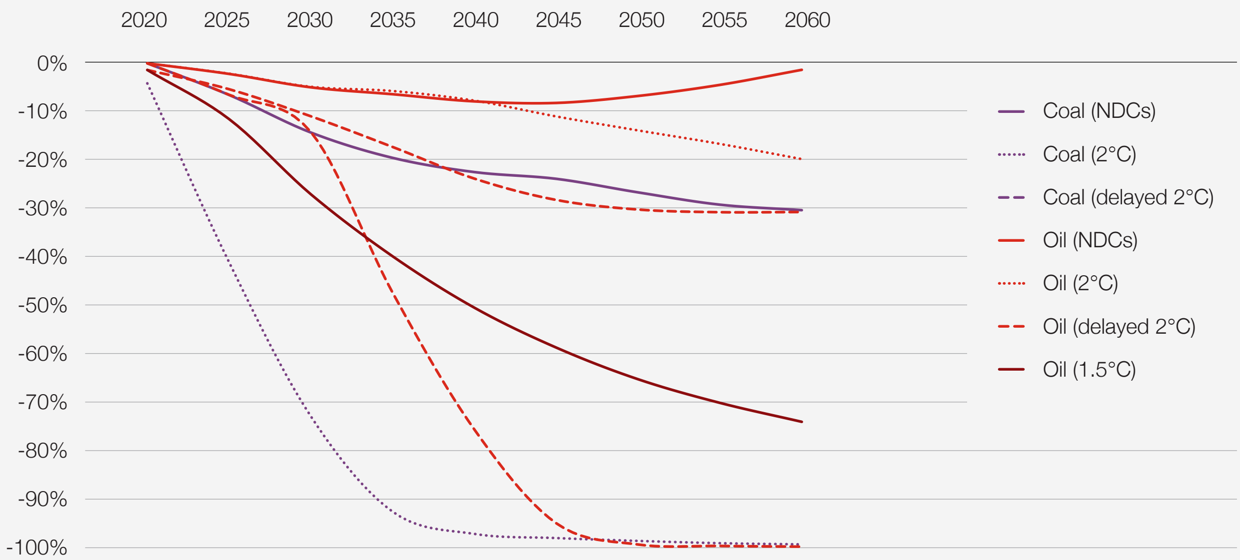
Energy transition risks

Energy transition risk is reflected in the scenario analysis. Significant additional investments are required to align with a 1.5°C scenario, with the majority of capital deployment expected by 2035, primarily focused on solar and wind power generation, as well as transmission, distribution, and storage improvements. Carbon budgets compatible with 1.5°C and 2°C limits indicate a crucial transition away from fossil fuels, posing risks to assets tied to coal extraction in the short to medium term and to oil and gas industries in the medium to long term. Recent projections suggest a sharp decline in coal demand, likely to reach zero by 2050 under a 1.5°C policy target, while oil demand is expected to significantly decrease when moving from a 2°C to a 1.5°C target. Energy efficiency measures will also play a vital role in reducing fossil fuel demand during this period.

Projected increase in investment in energy supply – 1.5 vs. BAU



Projected coal and oil demand vs. BAU



Source: NGFS, Frontier Advisors

06

Progress and next steps

This section outlines the key action items of the TelstraSuper Climate Change Action Plan (CCAP) and tracks implementation progress and outlines the next steps.

Key performance indicator		Timeline	
Governance			
Principles and oversight		**Initiated**	**Status**
01	Adopt climate-related guiding principles and beliefs.	FY 2021-22	Established
02	Establish IC oversight and Board approval of the CCAP, with annual review.	FY 2021-22	Established
03	Review incentives to align with the goals of this CCAP.	FY 2021-22	Established
04	Periodic training/information session for the Board, IC, and Investment Management (IM) Team.	FY 2021-22	Ongoing
Climate-related targets		**Initiated**	**Status**
05	Adopt and implement net-zero operational emissions for TelstraSuper's own corporate activities (scope 1 and 2).[18]	FY 2020-21	Established and Ongoing
06	Adopt a net zero emissions goal for the Fund's entire investment portfolio[19] by 2050 and develop/progress towards interim targets.	FY 2021-22	Established and being monitored
07	Adopt a target for investments in climate change-focused opportunities by 2025.	FY2022-23	Established and being monitored
Climate reporting		**Last published**	**Next review**
08	CCAP with two yearly review.	FY 2023-24	FY 2025-26
09	Annual external climate change reporting, including progress on the climate-related targets.	CY 2023	FY 2023-24
Audit			**Next review**
10	Undertake an internal audit to assess the management and disclosure of climate-related financial risks.		FY 2024-25
ESG integration			
Investment strategy		**Last review**	**Status**
01	Undertake net zero emissions pathway scenarios analysis.	FY 2022-23	Established with two yearly review
02	Evaluate the opportunity to incorporate climate change risks into capital market assumptions (CMA) and portfolio construction considerations.	FY 2022-23	Established with two yearly review

[18] TelstraSuper corporate emissions achieves the goal of net zero operations via the purchase of carbon offsets.

[19] Excluding cash, currency and derivatives

Investment portfolio resilience		Initiated	Status
03	Invest in climate change-focused opportunities that are expected to facilitate the transition to a net-zero emissions world.	FY 2022-23	Progressing towards the CY 2025 target
04	Analyse exposure to physical and transition climate risks for the real assets portfolio property and infrastructure).	FY 2021-22	Ongoing
External investment managers		**Initiated**	**Status**
05	Include climate change risks as part of the selection and appointment of new managers.	FY 2021-22	Ongoing
06	Develop an engagement program for each asset class's external managers to benchmark their ESG risk management approaches, including climate risk management.	FY 2023-24	Ongoing
07	Update investment guidelines and template IMA to incorporate climate risk management expectations, including climate data reporting for all new investments.	FY 2023-24	Completed
Active ownership actions			
Engagement		**Initiated**	**Status**
01	Establish a company engagement framework for prioritised investee portfolio companies to monitor and evaluate progress on key ESG issues and climate objectives.	FY 2023-24	Established with six monthly review
02	Engage with priority listed investee portfolio companies directly or via engagement partners.	FY 2021-22	Ongoing
Voting		**Initiated**	**Status**
03	Actively vote AGM for prioritised investee portfolio companies for Australian listed equities portfolio.	FY 2021-22	Ongoing
04	Enhance AGM voting governance approach for international listed equities portfolio.	FY 2023-24	Ongoing
05	Consider climate-related shareholders' resolutions in line with TelstraSuper's Proxy Voting Policy.	FY 2021-22	Ongoing
Collaboration and advocacy actions			
Collaboration		**Initiated**	**Status**
01	Participate in selected member organisations and industry forums.[20]	FY 2021-22	Ongoing
02	Engage with prioritised portfolio investee portfolio companies that have higher emissions and climate risks via the Climate Action 100+ (CA100+) and other collaborative initiatives.	FY 2021-22	Ongoing
Advocacy		**Initiated**	**Status**
03	Participate in external industry roundtable discussions and policy advocacy efforts that support TelstraSuper's climate change strategy, as well as industry-wide climate disclosures and risk management approaches.	FY 2021-22	Ongoing
Current climate-related exclusions			
Exclusion		**Initiated**	**Status**
01	Exclude primary-focus thermal coal producers, where 25% or more of company revenue are derived from thermal coal production.	FY 2021-22	Ongoing

[20] For example, the Australian Council of Superannuation Investors (ACSI), Investor Group on Climate Change (IGCC), Principles for Responsible Investment (PRI), Responsible Investment Association Australasia (RIAA).

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