Climate Change Position Statement – Investments

Catholic Super has the purpose of looking after our members' best interests. Members expect us to deliver strong, long-term returns.

We are also very mindful of addressing climate change concerns within our investment strategies.

We seek to optimise our members' retirement income, while also fulfilling our fiduciary duties by embedding environmental, social, governance and climate change factors into our investment decision-making. This is explained in our Responsible Investment Policy.

Below, we outline our approach to integrating climate change considerations into our investment strategy and other measures we are taking to transition to a low carbon future - in accordance with the Paris Agreement.

Our core beliefs with respect to climate change are:

Climate change is a material, systemic issue for investment markets

- Catholic Super believes that climate change is a material, systemic issue that presents foreseeable and actionable financial risks and opportunities for investors and which could destabilise global economies and investment markets to a significant degree. We believe that climate change is already causing physical impacts which are influencing investment outcomes and that we are at a relatively early stage of a decades-long transition to a lower-carbon economy. This transition will influence virtually every part of the global economy, and in a profound way in some sectors.

We support global initiatives to mitigate climate change effects

- Catholic Super notes the agreement amongst governments of major countries to attempt to limit the increase in global average temperatures to below 2 degrees above the pre-industrial level, in accordance with the Paris Agreement.We believe that strong and consistent public policy is needed to achieve this target, together with co-operation from across the global community, in particular from the corporate and investment sectors.

We focus on managing long term risks and opportunities to optimise member outcomes

- The integration of climate change investment risk and opportunities into investment decisions is required to shift the global economy and investment markets on to a more sustainable and resilient path and to enhance our members' interests through this transition. We will incorporate climate change considerations and our commitments into our risk management process.

We commit to monitoring, measuring and reporting on our exposures

- Accordingly, Catholic Super believes it has an important role to play in supporting global climate change mitigation commitments from governments, companies, investors and civil society, and in assessing and managing climate change risks and opportunities as part of its fiduciary duty to members. We believe that the position of our portfolios in terms of carbon exposure should be monitored, and we commit to measure and report the carbon footprint of listed equity portfolios. We will be adopting the Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations for our own reporting.

We commit to actively transition our portfolio over time, to ensure our return objectives can be maintained in a low carbon future.

Management of climate change risks and opportunities

Catholic Super believes that the transition to a low carbon, energy efficient and more resilient world presents both investment risk and new investment opportunities. We will integrate both climate change risks and opportunities into investment decisions and enhance our members' interests as we actively transition the portfolio over time. This transition is also expected to support the development of new financial products, instruments and partnerships in global investment markets, and we will continue to engage through collaborative initiatives and international forums to better understand these developments and the opportunities they present.

Climate related risks are typically categorised as;

- transition risks (arising from the transition to a low carbon economy such as increased costs to meet new policy or regulatory changes),
- physical risks (arising from damage caused by changing climate conditions or increased extreme weather events), or
- liability risks (arising when organisations face the potential for increases in disputes for not considering the impacts of climate change).

The risks arising from physical impacts will need to be assessed and managed, as they could directly affect the value of some of the Fund's assets, such as property and infrastructure, as well as the operations of companies in certain sectors.

Catholic Super believes that as a result of climate change mitigation efforts, some assets could become 'stranded' (or may have already become so). That is, the asset may become obsolete due to new technology or due to policy or regulation reducing or limiting its usage, resulting in significant reductions in the asset's value. The risk of stranded assets needs to be assessed and managed. The rapid pace of technological change and innovation means that stranded asset risk applies even to some assets that were originally seen as part of the solution, such as some forms of renewable energy generation.

Climate related opportunities occur as solutions are sought to mitigate the effects of and adaptation to, climate change. Investment flows into low carbon, energy efficient, and climate resilient opportunities will support the development of new financial products, instruments and partnerships in the global investment markets, including partnerships between public and private sector investors across developed and developing economies.

Stewardship – our approach to making responsible decisions

At Catholic Super we believe that staying across environmental, social and governance risks– is the right thing to do on many fronts. We do this by assessing, understanding and reporting on the investment implications of climate change. We call this our stewardship role. This is implemented through our actions of **engagement, collaboration, share voting and measuring and reporting,** as we explain further.

Engagement

Catholic Super engages directly with policy makers, fund managers (the professionals that manage our members' money) and the companies that they invest in on material climate change matters. By advocating for outcomes that are in our members' best interests we can better adapt and transition, for example, to a low carbon future and better manage risk.

Our approach includes:

- Assessing how our fund managers identify, assess and incorporate climate change risks and opportunities in their investment analysis and continuously improve their capabilities and disclosure in this area.
    - **Measure.** We will require our listed equity fund managers to measure and report the carbon emissions and intensity of their investment portfolios as the first step towards more comprehensive climate change reporting (including for example, TCFD reporting and scenario testing). Where relevant by asset class and type of investment, we will seek an appraisal of assets that are the most 'at risk' from the physical impacts of climate change.
    - **Integrate.** We will evaluate how our listed equity and property fund managers integrate carbon exposure as part of the investment decision-making process. We will utilise industry tools to support this process. We will continue with this evaluation process and extend it to all asset classes and expand this over time to also consider adaptation risks for those assets most at risk.
    - **Mandate design.** We will communicate this climate change investment position statement to our fund managers and will require that they invest in a manner that is consistent with this position. We will consider this climate change investment position statement when appointing new investment managers, including the climate impact (adaptation) risk and the fund manager's ability to measure and report emissions as well as adhere to this statement.
    - **Replace fund managers.** We recognise that fund managers have a variety of ways to add value and that the extent to which climate change risks and opportunities are relevant to their particular investment process and mandate will vary significantly. Nevertheless, we will consider replacing existing fund managers where there are concerns about, inter alia, how carbon exposure and climate impact (adaptation) risk are being managed over time and where the risks are considered to be too high to retain the mandate.
- Engaging with companies directly or collectively through investor networks and specialist engagement organisations to actively reduce and to better manage the carbon exposure and carbon intensity of their business operations in alignment with the transition to a low-carbon economy and requesting that they publicly disclose their approach to climate change risks and opportunities. For Australian equities, we are a member of the Australian Council of Superannuation Investors (ACSI), which provides independent research and advice to assist its members to manage ESG investment risk. This includes engagement on Australian listed companies and proxy voting advice. For International equities, external fund managers engage with international companies on ESG issues. For assets owned directly, we engage with management, including of assets via our board representatives.
- We believe that immediate divestment from fossil fuel assets is not the most effective way to bring about the transition to a low carbon economy for two main reasons. Firstly, investors can have more influence over companies and their behaviour if they stay invested; once an investor sells a company they lose influence. Secondly, fossil fuels will retain an important share of global energy markets at

least for a number of decades and therefore will continue to require capital support whilst alternatives are being developed and implemented
- Engaging with policy makers via ACSI and industry forums to encourage policy action that is in accordance with the Paris Agreement.

Collaboration

Catholic Super believes that collaboration with investors, fund managers, investee companies, regulators and other stakeholders is needed to address the systemic challenges around climate change and positively influence outcomes.

Our approach includes:

- Collaborating with other investors, public policy makers, research groups and civil society groups to address the risks and opportunities of climate change.
- Participating and contributing to public policy development and discussions regarding climate change issues from an investment perspective.
- Joining climate related signatory and reporting programs to share knowledge, promote awareness and improve disclosure of climate change related issues.

Share voting

Owning shares in many different companies gives us the right to have a say in how they are managed. Catholic Super utilises specialist proxy voting advice (from ACSI and other sources) to exercise its voting rights to encourage responsible corporate behaviour. Increasingly, shareholder-led resolutions focusing on environmental and climate change related matters are being put forward.

Our approach includes:

- Exercising our voting rights in support of reasonable proposals requesting investee companies to disclose their approaches to managing climate change and reducing greenhouse gas emissions. **Our Proxy Voting Policy** outlines our approach.
- In Australian equities, we exercise our own voting rights, taking into account climate change issues where applicable. In international equities, we mandate the fund managers to exercise voting rights on behalf of our funds.
- Considering the merits of all resolutions by reviewing the voting recommendations and rationale of various sources including our fund managers, proxy voting advisor(s) and other publicly available information.

Measuring and Reporting

Catholic Super believes that the position of our portfolio in terms of carbon exposure should be monitored and managed. To reduce the risk of inadvertent exposure to policy and technological developments, the portfolio should be positioned ahead of the expected transition to a lower carbon economy.

We seek to manage the risks and capture the opportunities which will arise in a number of ways. These include activities both in relation to mitigation (the reduction of carbon emissions), as well as activities related to the need to adapt to the changing climate (adaptation).

Our approach includes:

- Measuring and reporting outcomes on activities and progress, to our members on a regular basis via the Funds' websites.
- Support the recommendations of the TCFD and continue to request companies to disclose their climate change risks and opportunities in accordance with the TCFD recommendations. We will also be adopting the TCFD recommendations for our own reporting. Refining and improving what is measured and reported in relation to climate change investment as the industry's tools and capabilities improve.
- Publicly disclosing the carbon footprint of the listed equity investment portfolios on an annual basis. As the skills and capabilities of the industry develop, measurement of carbon intensity will be extended to other asset classes.

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