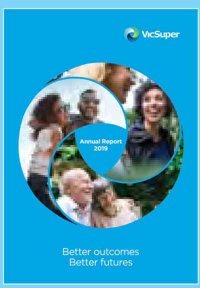
2019 Climate Change Report

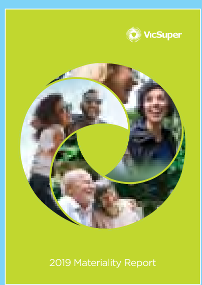
We believe climate change is one of the single greatest priorities facing our global community.

Given its impact on the environment and society, it also has the potential to have a material negative impact on our investment portfolio. This report sets out what we're doing to manage the financial risk in our portfolio resulting from climate change, on behalf of our members.

You'll find our 2019 Annual Report is more concise than in previous years. That's because this year, we've produced a suite of supporting reports – including this Climate Change Report – to help our members, employers and other stakeholders easily find the information they need, when they need it.



Annual Report 2019



Materiality Report 2019

Governance Report 2019

The full suite of reports can be found on our website at:

vicsuper.com.au/annualreport2019

Important information and disclaimer

vicsuper.com.au

Released October, 2019

Let us know what you think

If you'd like to comment on our Annual Report or any of the information we've covered across our reporting suite, please contact us on:

corporateresponsibility@vicsuper.com.au | 1300 366 216

Contents

Reporting scope

This report outlines our approach to the management of climate change risk at VicSuper. This report has been prepared with reference to the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD) guidelines.

It covers the financial year 1 July 2018 to 30 June 2019, unless otherwise stated.

The scope of this report is limited to the operations of VicSuper Pty Ltd as Trustee for the VicSuper Fund, the assets and management of the VicSuper Fund and the wholly-owned subsidiary VicSuper Ecosystem Services Pty Ltd.

Statement from our CEO

As a profit-to-member super fund, we do everything we can to help maximise our members' retirement savings and income and make a positive contribution to the world they'll retire in.

"We've made significant progress on the implementation of our Climate Change and Investments Strategy this year."

An important part of that approach is to invest responsibly and for the long term. This involves thinking about how real-world issues like climate change affect investment risk and return, and also how we can help support better member outcomes, a healthy economy, and a healthy environment and society.

We remain committed to managing the financial risk in our portfolio resulting from climate change, because we believe it has the potential to have a material negative impact on our portfolio due to its impact on the environment and society. However, we also know that the impacts on asset classes and sectors will vary.

During the last financial year, we've made significant progress on the implementation of our Climate Change and Investments Strategy. We significantly expanded climate change scenario analysis as part of our annual strategic review. This included a review of the exposure of our individual real asset investments to extreme weather risk for the first time.

As an investor with over $23 billion in funds under management, we recognise that we have an important role to play in influencing the transition to a low-carbon economy. Consistent with this belief, we have more than $3 billion invested in sustainable outcomes[1] that help to reduce the carbon intensity of our portfolio. We also use our influence as a shareholder to encourage improved climate risk management through company engagement and voting. Further detail on these initiatives is included throughout this report.

This is our second Climate Change Report prepared in accordance to the Task Force for Climate-related Financial Disclosures. We know transparent disclosures by the companies we invest in help us make sound investment decisions on climate-related risks and opportunities and so, it is only right that our members and other stakeholders would expect the same from us.

Michael Dundon
Chief Executive Officer

1 Investments have been identified as contributing to sustainable outcomes where they align with one or more Sustainable Development Goals, meet the definitions for inclusion on the Low Carbon Investment Registry and/or PGGM's Sustainable Development Taxonomy.

Executive summary

Climate change is one of the single greatest priorities facing our global community.

We've committed to invest in line with a *just transition* towards a low carbon economy because we recognise we have a responsibility to manage the financial risk in our portfolio due to climate change, on behalf of our members, but also because we seek to positively contribute to our members' futures.

Our approach to the management of climate change risk is explained in our Climate Change and Investments Strategy. As part of the annual strategic review of our portfolio, we conduct annual scenario analysis and stress testing of the portfolio. This stress testing has indicated that our overall investment portfolio and strategy is appropriate for managing the risk of climate change, and for making a positive contribution to the world our members live and will retire in.

The oversight of VicSuper's investment decisions, including oversight of the management of the financial risk due to climate change is the responsibility of our Board. The Board follows the investment approach outlined in VicSuper's Investment Governance Framework which have responsible investment principles (including VicSuper's response to the issue of climate change) strongly embedded.

Climate change risk and its impact on the Fund's investment portfolio is identified in VicSuper's overall risk management framework. Our approach to managing the financial risk due to climate change considers both physical and transition risks. VicSuper actively monitors current and potential areas of climate change risk and takes action to mitigate the impacts on our members' retirement savings.

VicSuper continues to measure the carbon intensity of its equities investments. At June 2019, VicSuper's equities investments had a weighted average carbon intensity of 240 tonnes of CO_2e/A$M. This year, we also extended reporting of carbon intensity to other asset classes including fixed interest and real assets (property, infrastructure, timber and agriculture). We are continuing to work to reduce the carbon intensity of our portfolio through an ambitious target to invest $3 billion in sustainable outcomes by the middle of 2020. At June, VicSuper investments meeting this criteria totalled just above $3 billion, meaning that we achieved our target a year ahead of plan. Cumulatively, these investments delivered 552,783 tonnes of carbon emissions savings against their respective baselines.

The transition to a low-carbon economy requires collective impact, which can only be created by collaboration between business, the community and governments. We're part of a range of collaborative networks on advocacy activities, including mobilising capital to deliver on sustainability challenges and opportunities through the Australian Sustainable Finance Initiative, and encouraging the world's largest corporate greenhouse gas emitters to take action on climate change through Climate Action 100+.

A just transition

The International Labour Organisation (ILO) estimates that action to meet the Paris Agreement and shift to a resilient, low-carbon economy will drive an 18 million net job creation[1]. However, there will be transitional challenges for workers, communities and countries affected as this shift takes place. A just transition recognises that strategies to address climate change must incorporate the social dimension and that inclusive and equitable consideration of affected workers and communities is required. The Paris Agreement includes just transition as an important principle recognising the critical need for a just transition of the workforce and the creation of decent work and quality jobs.

1 International Labour Organization [ILO] (2018) World Employment and Social Outlook 2018: Greening with jobs

Strategy

How we manage climate change risk is set out in VicSuper's Climate Change and Investments Strategy.

Approach

Our investment strategy focuses on building and protecting members' retirement savings by aiming to deliver steady, long-term investment outcomes.

We have a responsibility to manage the financial risk in our portfolio resulting from climate change, on behalf of our members, because we recognise that climate change has the potential to have a material negative impact on society and the environment. This impact will provide both opportunities and risks for our investment portfolio.

VicSuper's Climate Change and Investments Strategy outlines streams of work in relation to climate change governance, investment and engagement and is summarised below. We have made significant progress on the strategy this year including:

- expanding climate change scenario analysis as part of the annual strategic review;
- conducting an asset level review of our real assets' extreme weather risk exposure;
- reducing our carbon intensity through lower emissions and renewable energy investments; and
- encouraging improved climate risk management through company engagement and voting.

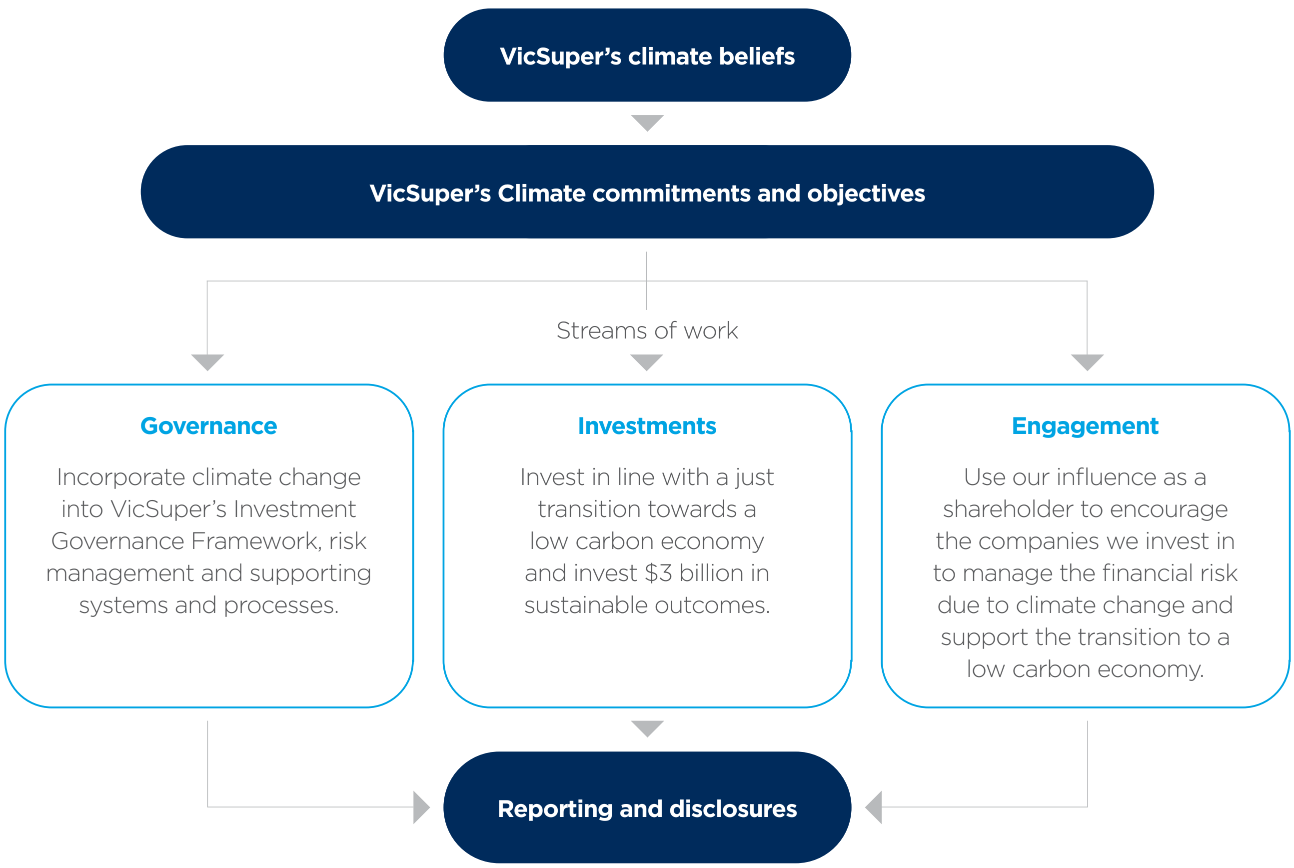
Further detail on these initiatives is included throughout the report.

Financial implications of climate change

One of the most significant, and perhaps most misunderstood, risks that organisations face today relates to climate change... The large-scale and long-term nature of the problem makes it uniquely challenging, especially in the context of economic decision making.

The Task Force on Climate-related Financial Disclosures

Overview of our Climate Change and Investments Strategy



Climate change in strategic asset allocation

The most important part of our investment strategy, and key determinant of member returns, is the strategic asset allocation (to equities, fixed interest, real assets, alternatives and cash). Each of VicSuper's investment options has a long-term strategic asset allocation that combines different proportions of riskier growth assets (like company shares) with more defensive assets (like fixed interest and cash) in order to align with its specific risk measure and return objective.

As investors, we have a responsibility to manage for the long term. This requires us to manage long-term trends that may affect economies and markets, providing sources of both risk and opportunity. Climate change is one such significant trend, while others may be economic, environmental, geopolitical, societal or technological and are often inter-related. This year we've commenced work to further embed the financial risk due to climate change into the strategic asset allocation, by formally including climate change scenario analysis as part of our annual strategic review (previously this was conducted as a stand-alone process).

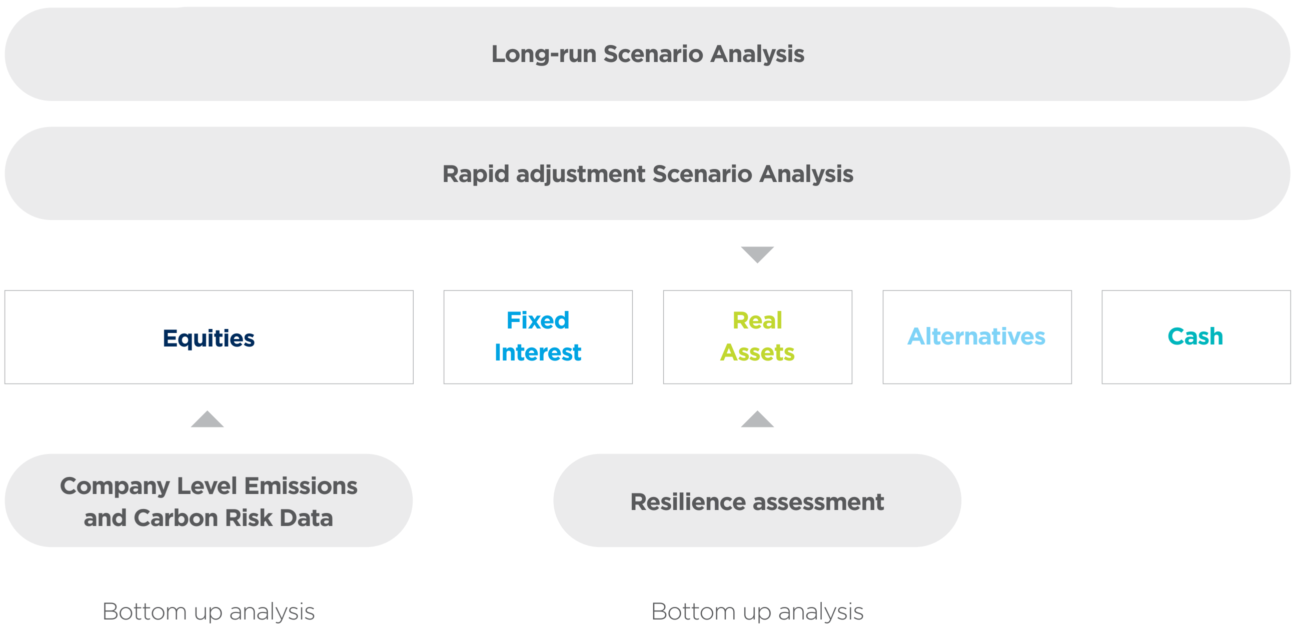
Scenario assessments and stress testing

It's important that our investment strategy is well placed to deliver positive returns in a range of environments. The key objective of scenario analysis and stress testing is to assess the resilience of the investment portfolio under a range of different scenarios. VicSuper's stress testing considers historical and possible future scenarios, including climate change scenarios. But scenarios don't predict what will or is likely to happen, and asset classes, sectors and underlying assets will be impacted differently. That's why we use a mix of approaches and scenarios to fully understand and evaluate the financial risk due to climate change.

The diagram below summarises our approach to scenario analysis, using it as a tool to assess our portfolio from the top-down macroeconomic level. We also use different tools that take a 'bottom-up' approach from the asset class level, such as resilience assessment on our real assets and analysis of emissions and carbon risk data on our equities portfolio.

Climate Change Risk Analysis Method

Top down macro-economic analysis



Strategy

For long-run scenario analysis we use the work of our asset consultant, supplemented by modelling conducted by Mercer[1]. Both consider scenarios including:

Climate scenarios

Scenario 1 Limit warming to 2°C:	Climate change mitigation action in line with the Paris Agreement aspirations, which would limit global warming to 2°C above pre-industrial temperatures by 2100.
Scenario 2 Paris Pledges:	Climate change mitigation action in line with Paris pledges made by countries, approximately corresponding to global warming of 2.8°C above pre-industrial temperatures by 2100.
Scenario 3 No coordinated action:	Limited climate action and lack of co-ordination resulting in warming rising to 4°C or above from pre-industrial temperatures by 2100

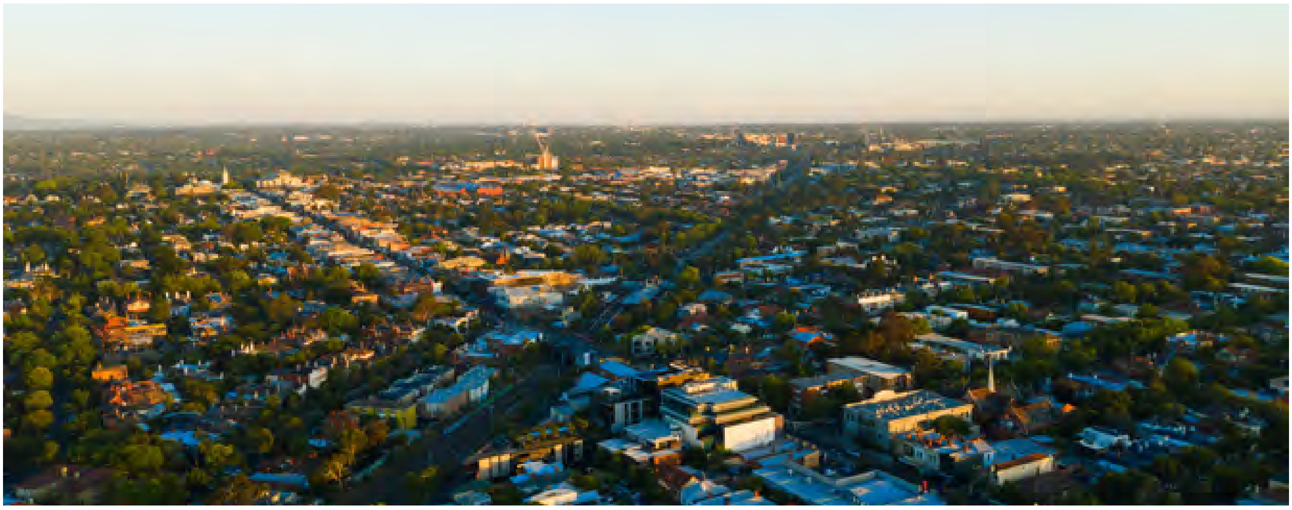
Because of the long term nature of the scenario analysis, it can make the impacts appear relatively small and it can be difficult to model more extreme scenarios. However, notwithstanding these limitations, they are useful for testing overall portfolio resilience and identifying areas of risk warranting further bottom up granular analysis.
The emphasis should be on the direction and relative materiality of impacts rather than absolute impacts. Additional information on time, asset class and sector specific risks as well as bottom up granular risks analysis is contained in the Managing Climate Change Risks section of this report.

Two significant conclusions can be drawn and used to inform strategy:

1. **Investment return impact is less under 2°C** – The portfolio investment returns are less impacted under a 2°C scenario for all time horizons, which we believe indicates that long-term investment returns will be best served by aligning the asset allocation with a 2°C scenario. While a scenario limiting warming to 1.5°C was unable to be performed due to a lack of availability of data and modelling, the results also support alignment to a to 1.5°C or significantly below 2°C scenario.
2. **Sustainable growth portfolio provides positive optionality** - Under a 2°C scenario, a sustainable growth portfolio has stronger returns. We believe that this indicates investment returns will be best served through inclusion in the portfolio of a component of sustainable investments, particularly within equities, infrastructure and private equity.

VicSuper's commitments are consistent with these findings and suggest that our investment strategy is appropriate for managing the financial risk due to climate change as well as positively contributing to the world our members live and will retire in.

1 Mercer, 2019 Investing in a Time of Climate Change – The Sequel 2019



Governance

The long-term success of our Fund depends on effective management and a robust governance framework, including how we manage the financial risk of climate change.

Investment governance is the structured process through which we meet our fiduciary duty to manage investments in the best interests of our members. During the year we developed and implemented a new Investment Governance Framework (which is the combined systems, structures, policies, processes, and people employed to meet VicSuper's responsibilities). The result is a framework that takes a disciplined approach to investment risk management for the ultimate benefit of members.

The VicSuper Board has ultimate responsibility for oversight of VicSuper's investment decisions, including oversight of the management of the financial risk due to climate change. The Board follows the investment approach outlined in VicSuper's Investment Governance Framework. Responsible investment principles (including VicSuper's response to the issue of climate change) are strongly embedded in the framework, including through the investment mission, beliefs and Responsible Investment Policy.

VicSuper investment beliefs recognise that climate change has the potential to have a material negative impact on society and the environment and that this will provide both opportunities and potential risks for the investment portfolio. We therefore have a responsibility to manage the financial risk in our portfolio resulting from climate change, on behalf of our members. We do this through our Climate Change and Investments Strategy.

VicSuper's Chief Investment Officer is responsible for the overall implementation of the Climate Change and Investments Strategy and the day-to-day work plan is overseen and managed by VicSuper's Portfolio Manager – Responsible Investment. Both roles provide regular updates to the Board on the potential impacts of climate change to VicSuper's investment portfolio, as well as updates on our actions to address climate change and the carbon intensity of our portfolio.

Managing climate change risks

VicSuper actively monitors current and potential areas of climate change risk and takes action to mitigate the impacts on our members' retirement savings.

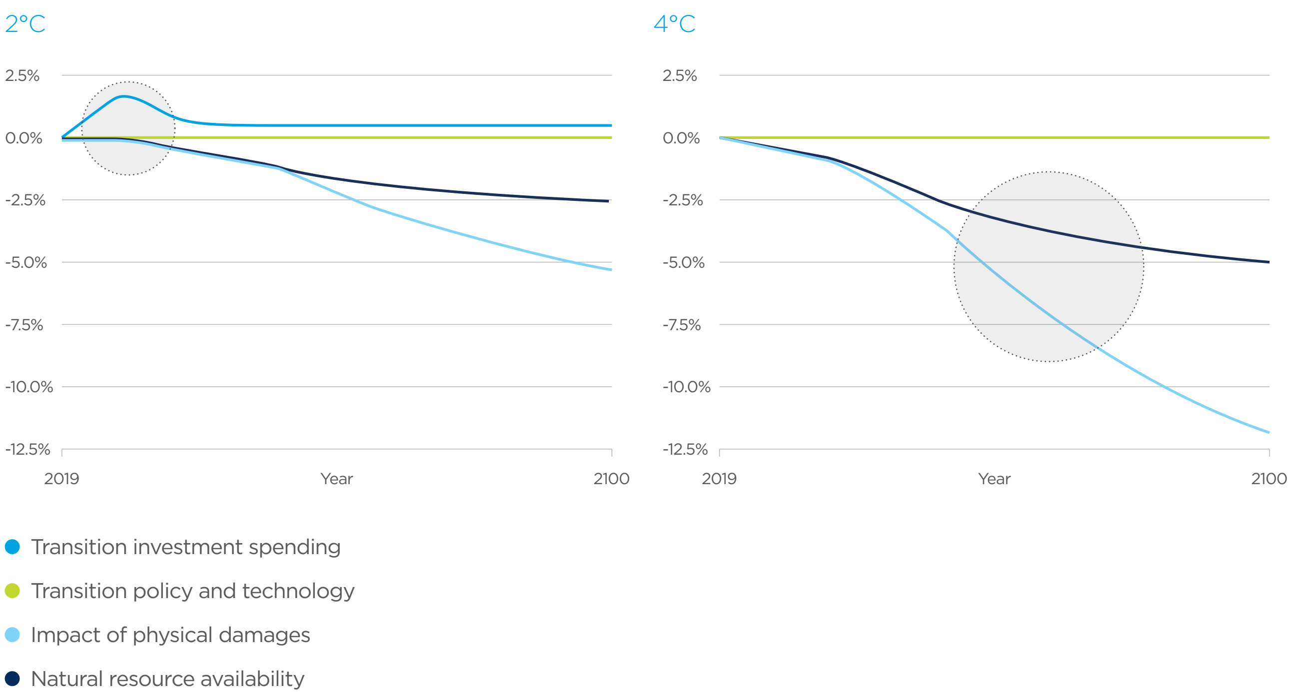
Portfolio stress testing and risk management

Climate change risk and its impact on the Fund's investment portfolio is identified in VicSuper's overall risk management framework. We conduct annual stress testing of the portfolio against a range of climate change scenarios. This considers physical (impact and resource availability) as well as transition (technology and policy) risks. By combining the risk factors over time with the sensitivity of different investments to the risk factors, we produce heat maps that summarise the sensitivity of different asset classes and industry sectors to the risk factors.

Based on this stress testing, we identified two areas of potential material financial risk and opportunity that we wanted to understand and respond to in more detail:

1. **Low carbon transition** - Over the next 10 years, investment spending to catalyse transition may produce opportunities. There will still be winners and losers amongst these transition investments. Those companies that are unprepared for the transition may be at risk.
2. **Physical impacts and reduced resource availability** - Over the longer term, physical impacts and resource availability will likely present the most material risk. Resilience, particularly in relation to real assets, will be critical.

Cumulative GDP impact by scenario



Source: Mercer, 2019

Climate change risks and asset classes

These risks together with other less material findings from the stress testing are demonstrated through the relative sensitivity of asset classes. They indicate that at an aggregate level across a timeframe to the year 2100, developed market equities are expected to be relatively unaffected, with some opportunities in the near term. In contrast, emerging market debt and high-yield debt are likely to be most sensitive. Some sovereign nations may also be sensitive to the impact of physical damages, like Australia for example.

Assett class	Spending	2°C transition	Impact of natural catastrophes	Resource availability
Developed markets global equity	●	●	●	●
Emerging market equity	●	●	●	●
Developed market sovereign bonds	●	●	●	●
Investment-grade credit	●	●	●	●
Emerging market debt (sovereign)	●	●	●	●
High-yield debt	●	●	●	●
Real estate	●	●	●	●
Private equity	●	●	●	●
Infrastructure	●	●	●	●
Timberland	●	●	●	●
Agriculture	●	●	●	●
Hedge funds	●	●	●	●

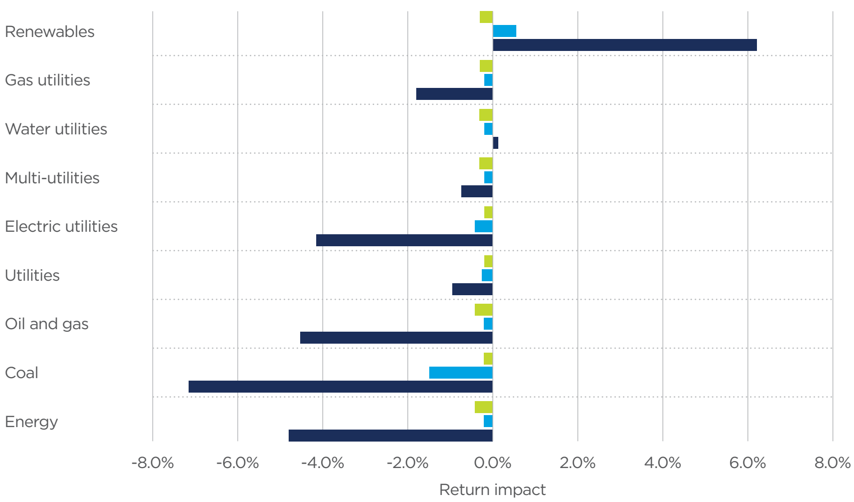
Most negative — No sensitivity — Most positive

Source: Mercer, 2019

Climate change risks and industry sectors

Risks also vary significantly at the sector level. Under a 2°C scenario or lower, there is an energy sector transition risk which is greatest for coal, oil and gas, electric and gas utilities, while renewables would provide an opportunity under this scenario as shown below. Risk sensitivity is widespread in other sectors too but is significantly less material.

Sector level return impacts to 2030



Source: Mercer, 2019

● 2°C ● 3°C ● 4°C

Managing climate change risks

Identified climate risks to VicSuper and how we manage them

Risks	What is the Risk?	How we manage the risk
Low Carbon Transition Policy	Carbon pricing or other policies may be introduced resulting in increased operating costs. This risk is particularly relevant to carbon-intensive sectors including energy, utilities and materials.	We measure the carbon intensity of our investments and are making investments to reduce the carbon intensity of our portfolio and our exposure to renewable energy. We engage with companies exposed to climate risk to advocate for improved management of risk.
Physical Impacts	Portfolio assets may be susceptible to extreme weather events resulting in reduced investment returns due to lost revenue and/or increased costs. This risk is particularly relevant to property, infrastructure, timber and agricultural assets.	We seek to work with investment managers who consider the impacts of climate change as part of investment decisions. We have begun to assess the resilience of our real assets.

Real assets resilience assessment

Climate change and extreme weather are projected to reduce property values by $571 billion by 2030, $611 billion by 2050 and $770 billion by 2100[1]. In view of this risk, we have commenced work to understand the exposure of our real asset investments to physical risks including earthquake, storm and flood risks at the individual asset level.

The first stage of work has involved preparing an inventory of VicSuper's hundreds of real assets investments and where they're located, and assessing their risk rating under historical natural hazard event probability. The results indicated that 14.4% of the value of our real asset investments are exposed to extreme risks. These predominantly relate to earthquake risk exposure of properties in New Zealand and San Francisco, and flooding risk exposure of Queensland-based assets. Given that these risk ratings relate to historical event probabilities it is likely that assets have been appropriately designed to withstand these type of events.

Risk score rating of VicSuper's real asset investments

The next stage of work will be to assess the real asset risk rating under projected climate change scenario event probabilities (including extreme damage models). We intend to use the findings to engage with asset managers to understand how these events would impact operational and capital expenditure requirements, insurance and operability, and then work with the managers to implement any necessary resilience plans.

Overall risk score rating

Low	0.2%
Medium	47.1%
High	9.4%
Extreme	14.4%
Unknown	28.9%

1 Climate Council, 2019 *Compound Costs: How Climate Change is Damaging Australia's Economy*

Metrics and targets

We have expanded reporting of carbon intensity from our equities portfolio to include fixed interest and real assets.

Measuring the carbon intensity of our equities portfolio

VicSuper was one of the first super funds in Australia to measure the carbon intensity of our equities investments and we continue to conduct this analysis every year. This allows us to track and compare the carbon intensity of our equities portfolio, even as our funds under management grows. It also enables us to meet the voluntary commitments we have made as a signatory to the Montreal Pledge.

Our result remains consistent with last year's figure of 239 tonnes of CO_2e/A$M, which indicates that the implementation of our international equity customised carbon strategy last year is driving results.

> At June 2019, our equities investments a weighted average carbon intensity of 240 tonnes of CO_2e/A$M[1] against a benchmark of 245 tonnes of CO_2e/A$M..

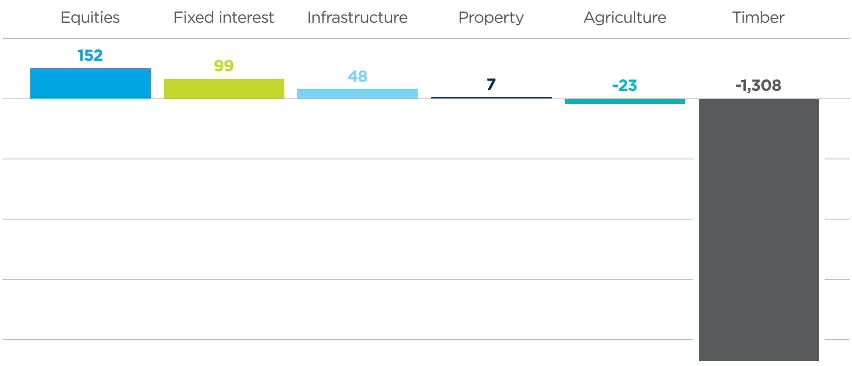
Measuring the total carbon emissions and carbon intensity of other asset classes

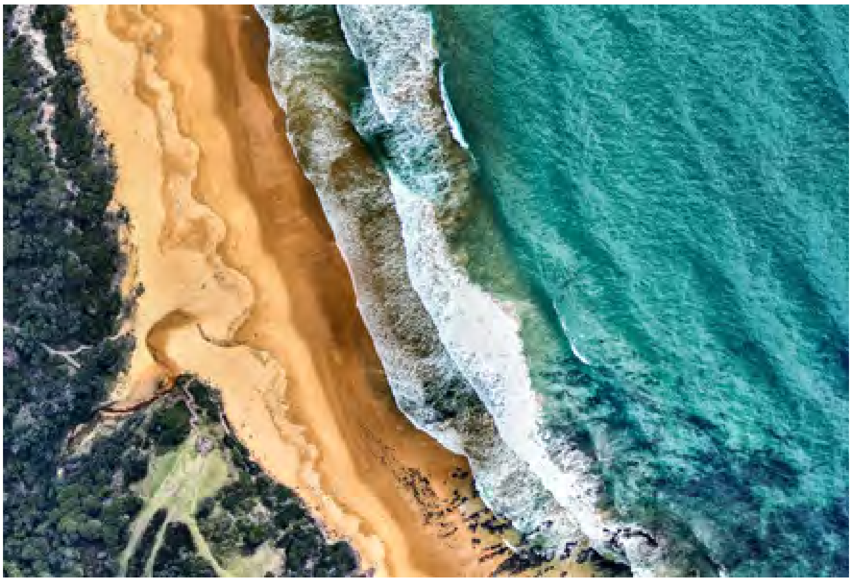
In addition to reporting the carbon emissions of our equities portfolio, this year we have commenced reporting the carbon intensity for other asset classes including fixed interest and real assets (property, infrastructure, timber and agriculture). To enable us to compare across asset classes, all figures have been reported on the basis of emissions per million dollars invested. This differs to the weighted average carbon intensity metric normalised by company revenue, which is used for equities, but is not applicable to other asset classes.

These results indicate that equities is the most carbon intensive asset class, followed by fixed interest and infrastructure. However, within infrastructure, there is significant variability in the carbon intensity of investments - ranging from renewable energy investments through to energy transmission and distribution infrastructure investments.

Notably, agriculture and particularly timber investments, remove significant quantities of carbon emissions from the atmosphere. In future reporting periods we plan to further expand the depth of this analysis and reporting.

Carbon intensity by asset class (CO_2e/A$M)





Metrics and targets

$3 billion in low carbon investments

In addition to tracking the emissions intensity of our investments, we also track the value of our low carbon investments. Early in 2019, we set ourselves an ambitious target of having $3 billion invested in sustainable outcomes by the middle of 2020.

At financial year end, investments that reduce the carbon intensity of VicSuper's portfolio and meet VicSuper's definition of "investments in sustainable outcomes"[1] totalled just above $3 billion, meaning that we achieved our target– a year ahead of plan. Cumulatively, these investments delivered 552,783 tonnes of carbon emissions savings against their respective baselines. For further information on these investments, please refer to page 40 of VicSuper's Annual Report.

Funds invested in low carbon investments

$3 billion

Carbon emissions savings this year (tonnes)

552,783

Target $3 billion

=

Greener Property
Portfolios targeting Paris-aligned energy reductions
$722 million

+

Low Carbon Equities
International and Australian equities
$1,462 million

+

Timber and Agriculture
Plantation timber and sustainable agriculture
$349 million

+

Socially Conscious
Fossil fuel screened equities and fixed interest
$344 million

+

Renewables/Cleantech
Waste-to-energy, solar and wind energy assets
$105 million

+

Sustainable Transport
Hybrid ferry fleet
$48 million

1 Investments have been identified as contributing to sustainable outcomes where they align with one or more Sustainable Development Goals, meet the definitions for inclusion on the Low Carbon Investment Registry and/or PGGM's Sustainable Development Taxonomy.

Climate change and investment decisions

We aim to reduce the carbon intensity of our portfolio without negatively impacting fees or other portfolio characteristics.

Reducing portfolio carbon intensity without negatively impacting risk adjusted investment performance

Through our Responsible Investment Policy we make a commitment to invest in line with a just transition towards a low carbon economy. In order to progress that commitment, we have undertaken significant work to reduce the carbon intensity of the portfolio without negatively impacting risk adjusted investment performance. During the year we expanded our lower-carbon investments, adding to the existing $1.2 billion international equity customised carbon strategy and other investments in renewable energy, greener property, timber and agriculture.

Some of the additional investments made this year

Reduced carbon intensity of small cap strategy

Value of investment: $260 million

We worked with our existing Australian small cap investment manager to achieve a 25% reduction in carbon intensity without materially affecting other characteristics of the portfolio or its risk and return expectations.

Waste-to-energy renewable power

Value of investment: $55 million

We invested in Wheelabrator, a waste-to-energy company that provides waste disposal services and produces baseload renewable power. With 25 facilities in the US and UK, it has the capacity to process eight million tonnes of waste and power more than 670,000 homes.

Socially Conscious fixed interest ex fossil fuels

Value of investment: $47 million

We partnered with BlackRock to develop and become the seed investor for new ESG Australian (and later) Global Bond index funds, enabling us to extend the fossil fuel exclusions we apply for the Socially Conscious investment option equities investments to fixed interest.

Net zero by 2020 property fund

Value of investment: $51 million

We invested in the GPT Wholesale Office Fund which includes a diverse range of high quality Australian office assets. The fund has already reduced its carbon emissions by 74% compared to a 2005 baseline and this year announced its aim to reach net zero carbon emissions by the end of 2020.

Climate change and investment decisions

Our approach to investing in fossil fuels

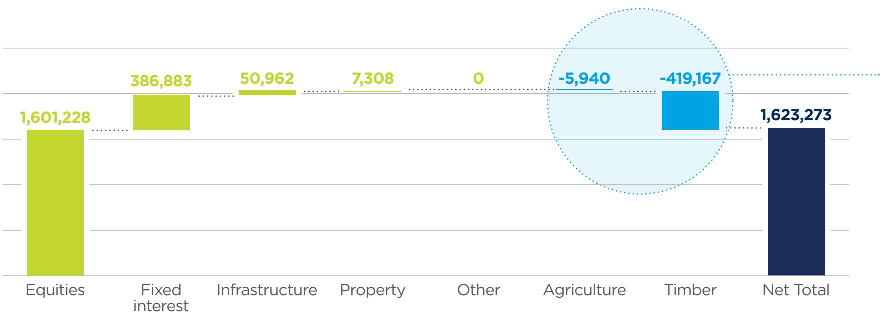
VicSuper's highly diversified portfolio invests across sectors and economies for the long-term. This means that we have a vested interest in the sustainability of the global economy and that we are exposed to systemic risks such as climate change. It also means that divestment from fossil fuels, if done for non-financial reasons, doesn't actually protect us against investment risk. Ultimately, if our members' retirement savings are to prosper and grow, the economy, society and the environment need to be healthy and productive. We therefore seek to contribute to the long-term health and stability of the market as a whole by being an active owner of the companies that we invest in. We seek to influence corporate governance practices and how companies manage social and environmental risk to support the achievement of long-term shareholder value. That includes encouraging the companies that we invest in to take action on climate change. And where we don't feel that companies are taking adequate steps to support management of the financial risk due to climate change within our portfolio, we may use our ability to vote at company AGMs to express our views to management.

Towards a net zero emissions portfolio

There is a growing recognition from wider business and investment groups, that to achieve the objectives of the Paris Agreement (and limit global warming to well below 2 degrees), the world must achieve a net zero emissions economy by 2050.

To understand how this global objective can be applied to our investment portfolio, we've extended emissions reporting from equities to other asset classes this year. In doing so we've been able to develop a portfolio-level view of emissions which includes emissions contributed by equities, fixed interest, property and infrastructure, but also significant emissions removed by timber and agriculture investments, and reductions provided by renewable energy grid exports as shown below.

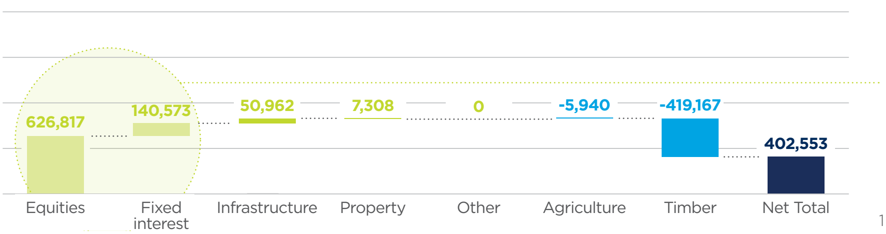
VicSuper's Current Portfolio Emissions



Agriculture and Timber investment remove emissions from the atmosphere

By working to further reduce the carbon intensity of our equities and fixed interest investments it is possible to see a path toward a net zero emissions portfolio.

VicSuper's Potential Portfolio Emissions[1]



● Emissions ● Emissions removed

By combining significant equities and fixed interest emissions intensity reductions, with agriculture and timber investment it would be possible to make significant progress toward a net zero emissions portfolio.

1 Based on modelling of further reductions to the carbon intensity of equities and fixed interest investments

Climate change and active ownership

We know we have an important role to play in influencing the transition to a low carbon economy.

Encouraging the companies we invest in to transition toward a low-carbon economy

While we believe that it is important that we manage the financial risk due to climate change and reduce the emissions intensity of our investment portfolio, we also believe we have a significant opportunity to contribute to the transition to a low-carbon economy by using our influence as a shareholder to encourage the companies we invest in to take action.

We believe that active ownership (incorporating company engagement and proxy voting) can positively influence the behaviour and performance of the companies we invest in, and support the achievement of long-term shareholder value. Active ownership involves influencing the activity or behaviour of investee companies. For listed equities, we do this by engaging with the companies we invest in, and voting our eligible shares. Climate change is one of our priority engagement objectives, reflecting its importance to us and our members.

Engagement on climate change

VicSuper undertakes company engagement indirectly through service providers because we believe this approach maximises our voice and influence. Engagement involves meeting with representatives of an investee company (usually members of the board or executive), in order to advocate for change. VicSuper undertakes company engagement through the Australian Council of Superannuation Investors (ACSI) for Australian equities, and Hermes EOS for international developed market equities. In 2018-19, we engaged with more than 246 companies on climate change.

Hermes EOS engagement

Through ongoing engagement with Anglo American over a number of years by Hermes EOS and in collaboration with Climate Action 100+, the company has strengthened its approach to both climate change strategy and disclosures. Anglo American is the world's largest producer of platinum and one of the world's largest emitters of greenhouse gases.

ACSI improving climate transparency

In 2018, 13 of the 16 ASX200 climate change priority companies identified by ACSI committed to, or adopted the TCFD framework including all major Australian insurers. 14 of the priority companies disclosed targets and 9 produced scenario analysis based on 2 degrees or below.

Climate change and active ownership

Climate change voting

Voting at company annual general meetings (AGMs) provides another avenue to express our views to management. During the year we voted against management's recommendation on 12% of the more than 32,000 resolutions we voted. This included support for 29 shareholder resolutions relating to climate change, including all shareholder resolutions filed in the Australian market for Whitehaven Coal, Origin, Rio Tinto and QBE.

Our voting decisions are based on our Responsible Investment Policy and Engagement and Proxy Voting Policy, after reviewing the analysis and voting recommendations of our specialist advisors. We seek to support shareholder resolutions where they align with our priority objectives (including climate change), and support maintenance or strengthening of company value.

VicSuper co-filed shareholder resolution at BP

While VicSuper regularly supports shareholder resolutions, we co-filed our first shareholder resolution earlier this year at BP (meaning that we were one of the investors that provided our support for the resolution, in order for it to be included on BP's AGM agenda). The resolution, which was led by organisations including Hermes EOS, resulted from Climate Action 100+ initiative engagement. It asked BP to set out how its business strategy is consistent with the goals of the Paris Agreement, including disclosing metrics and setting targets, and capital expenditure.

Pleasingly, BP's management recommended that investors support the resolution. As a result, it received support from 99% of shareholders and was passed, meaning that BP will now respond to the request.

Advocacy

We work with a range of collaborative networks to contribute towards the transition to a low-carbon economy.

We believe that collaboration between business, the community and governments is needed to create the collective impact required to transition to a low-carbon economy. We seek to advocate for improved management of climate change risk through submissions to government or regulators, contributing to research, and industry and media campaigns. We do this both directly and through supporting advocacy undertaken on our behalf through collaborative networks.

VicSuper advocacy activities

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We endorse the Task Force on Climate-related Financial Disclosures (TCFD), encouraging companies to disclose their climate change risks and opportunities in accordance with the TCFD recommendations, and we adopted the recommendations for our own reporting.

fsb-tcfd.org/

Investor Group on Climate Change

We are a signatory to the Global Investor Statement to Governments on Climate Change. We also supported a range of submissions that the Investor Group on Climate Change (IGCC) made on behalf of its members.

igcc.org.au/

Climate Action 100+

We joined more than 360 global investors with more than US$34 trillion in assets under management to engage the world's largest carbon emitting companies to act on climate change through the Climate Action 100+ initiative.

climateaction100.org/

PRI | Principles for Responsible Investment

We are a signatory to the Principles for Responsible Investment (PRI). We participate in their annual benchmarking survey and this year were proud to have achieved another A+ rating for our Responsible Investment Strategy and Governance, and to have been included on PRI's inaugural Leaders List.

unpri.org/

Australian Sustainable Finance Initiative

We support the work of the Australian Sustainable Finance Initiative through our involvement in working groups focussed on mobilising capital to deliver on sustainability challenges and opportunities. The initiative is working to develop a roadmap to realign the finance sector to support greater social, environmental and economic outcomes for Australia.

sustainablefinance.org.au/

acsi

We are a member of the Australian Council of Superannuation Investors (ACSI) and a signatory to its Australian Asset Owner Stewardship Code. We support climate change being a core focus of the company engagement they undertake for us. We have supported a range of submissions ACSI made on behalf of its members, including those focussed on climate change.

acsi.org.au/

HERMES EOS

We are a client of Hermes EOS, who undertakes engagement with companies held in our international equities portfolio on our behalf. We support climate change being a core focus of the company engagement they undertake for us. We have supported a range of submissions Hermes EOS made on behalf of its members, including those focussed on climate change.

hermes-investment.com/au/stewardship/eos-services/

CDP DRIVING SUSTAINABLE ECONOMIES

We are a CDP signatory and a supporter of their climate change research, resources and tools.

cdp.net/en

VicSuper

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Call our Member Centre

1300 366 216
Monday to Friday
8:30am-5pm

Visit us

Ballarat | Bendigo | Blackburn
Geelong | Melbourne CBD
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