



PRIME SUPER

Investments – Climate Change Policy

July 2024

VERSION	4
PREPARED BY	Investments
DATE APPROVED	July 2024
APPROVED BY AND HOW	Trustee Board through a Board meeting
EFFECTIVE DATE	July 2024
NEXT REVIEW	July 2026

Version control

ISSUE DATE	VERSION	REVIEWED BY	SUMMARY OF CHANGES
	1	Lachlan Baird	Created
October 2021	2	Lachlan Baird / Jane Kang	Total review
October 2022	3	Lachlan Baird / Jane Kang	Annual review
July 2024	4	Investments Team/ John Dyer	Annual review

TABLE OF CONTENETS

1. CLIMATE CHANGE POLICY	5
1.1 Objective	5
2. BACKGROUND	5
2.1 Intergovernmental Panel on Climate Change	5
2.2 Climate-related Financial Risks	5
2.3 Climate Change Investment Opportunities	6
3. APPLICATION OF THIS POLICY	6
4. COMMUNICATION OF THE POLICY	6
5. CLIMATE CHANGE POLICY	6
5.1 General principles of climate change and investing	6
5.2 Climate change and the Investment Strategy	7
5.2.1 Third party Investment Managers – Australian & International equities.....	7
5.2.2 Direct unlisted investments – property, infrastructure & private credit.....	7
5.2.3 Investment Portfolio Strategy	8
6. REPORTING TO MEMBERS	8
7. REVIEW OF THE POLICY	8

Glossary

Board	The Trustee's board of directors
Climate-related financial risk	Any risk that the Trustee identifies as part of its Risk Management Framework
ESG	Environmental, social and governance The relevant Prime Super policy is the Environmental, Social and Governance Policy
Fund	The regulated and registered superannuation fund known as 'Prime Super'
Investment Consultant	An investment consultant appointed by the Trustee in relation to the Fund's investments.
Investment Governance Framework	The totality of systems, structures, policies, processes and people to address the RSE licensee's responsibilities with regard to investments of the Fund within the Trustee's business operations.
Investment Manager	An investment manager appointed by the Trustee in relation to the Fund's investments.
Investment Strategy	The Trustee's investment strategy for the Fund and any investment option within the Fund.
Member	A member of the Fund
Prime Super	Prime Super Pty Ltd acting either as a trustee of a regulated fund or in its personal capacity or both (as the context requires)
RSE	Registrable Superannuation Entity
Trustee	Prime Super Pty Ltd
Risk Management Framework	The totality of systems, structures, policies, processes and people within the Trustee's operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent risk that could have a material impact on the Trustee's business operations or the interests of Members.

1. CLIMATE CHANGE POLICY

1.1 Objective

Prime Super Pty Ltd as trustee for Prime Super (the Trustee) is committed to an Investment Strategy that is guided by investment beliefs as part of the Trustee's Investment Governance Framework.

The Trustee believes that considering climate related financial risks and opportunities, where possible, as part of investment decision-making, is consistent with the Trustee's responsibilities and investment beliefs.

This Policy is designed to facilitate the Fund's approach to identifying and managing climate related financial risks and opportunities in its investment decision-making. It is also designed to assist the Trustee to operate consistently with the Australian Prudential Regulation Authority's (APRA) *Prudential Practice Guide CPG 229 Climate Change Financial Risks*.¹

2. BACKGROUND

This Policy forms part of the Investment Governance Framework of Prime Super and supplements the Investment Strategy and the Environmental, Social and Governance Policy and Proxy Voting Policy of the Trustee in relation to Prime Super (the Fund).

2.1 Intergovernmental Panel on Climate Change

The Trustee accepts the assessment of climate change science by the Intergovernmental Panel on Climate Change (IPCC)² that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable.

2.2 Climate-related Financial Risks

Climate-related financial risks sit alongside other investment risks, in the sense that it must be identified and managed as part of the Trustee's risk management framework.

This policy applies to the Trustee in relation to climate-related financial risks as it relates to Fund investments. This is to assist the Trustee in its aim of its investment objectives and strategy for members of the Fund.

The Trustee has identified the following climate-related financial risks as being relevant to the Fund's Investment Strategy:

- **Physical risk** to investments resulting from changing climate conditions and extreme weather events.

¹ <https://www.apra.gov.au/sites/default/files/2021-11/Final%20Prudential%20Practice%20Guide%20CPG%20229%20Climate%20Change%20Financial%20Risks.pdf>

² The IPCC is the United Nations body established for assessing the science related to climate change. The IPCC was established in 1988. 'The objective of the IPCC is to provide governments at all levels with scientific information that they can use to develop climate policies. IPCC reports are also a key input into international climate change negotiations.' (Source: IPCC website <https://www.ipcc.ch/about/>).

- **Transition risk** to investments due to public policy changes, technological innovation, and social adaptation.
- **Liability risk** to investments resulting from stakeholder litigation and regulatory enforcement.

The Trustee integrates climate risk scenario analysis and stress testing as part of its approach to climate-related financial risk management in cooperation with the Investment Consultant.

2.3 Climate Change Investment Opportunities

Climate change related investment opportunities are accepted by the Trustee as forming part of the investment environment. The Trustee may make investment decisions to take advantage of such climate change related investment opportunities but makes no commitment to do so.

3. APPLICATION OF THIS POLICY

This policy applies in relation to the management of the Fund’s investments as part of the Investment Strategy, which includes a set of investment beliefs as part of the trustee’s Investment Governance Framework.

The Investment Strategy sets out the key considerations used in framing the overall investment strategy for the Fund, as well as for the various investment options offered to members.

This Policy is aimed at giving effect to the Investment Strategy, through some consideration of climate related financial risks in the overall Investment Strategy.

4. COMMUNICATION OF THE POLICY

This Policy is provided to the Trustee’s Investment Consultant³ and is considered in giving effect to the Investment Strategy of the Fund.

The Policy is also a public document and is available to members and interested parties on the Trustee’s website.

5. CLIMATE CHANGE POLICY

The Trustee will integrate climate-related financial risk factors into the Fund’s Investment Strategy to the extent that the Trustee has direct control over the investments.

The Trustee may integrate climate-related financial risk factors into the Fund’s Investment Strategy where the Trustee does not have direct control over the investment but makes no commitment that it will do so.

5.1 General principles of climate change and investing

The Trustee accepts evidence indicating that climate change events may present adverse changes in the economic environment and present a material risk to the Fund’s investments.

³ As at the date of this Policy, PATRIZIA Pty Ltd (PATRIZIA).

Accordingly, in the Trustee's view, identification, monitoring, and management of those risks is prudent and consistent with its statutory and fiduciary duties to Members.

The Trustee accepts that it may not be possible or practical to consider climate-related financial risks or opportunities that may apply to all assets of the Fund or all investment decisions of the Trustee and Investment Managers.

5.2 Climate change and the Investment Strategy

5.2.1 Third party investment managers – Australian & International equities

The Trustee utilises the services of investment managers to manage listed shareholdings.

The management and disclosure of climate-related financial risks and risk mitigation strategies may occur, but the Trustee makes no commitment to integrate climate related financial risks and opportunity analysis at an investment mandate level.

Reporting

The Trustee considers the ESG capabilities of investment managers prior to their selection, and those capabilities are monitored periodically. The assessment mainly focuses on the investment manager's ability to report on the financial impact of ESG factors on companies in which shares are held and to report on any ESG related disclosures made by those companies.

The Fund will often have some listed share investments through 'index'-type strategies, where a strategy is designed to follow (or 'mirror') a particular investment index. In these instances, the Fund will have an investment exposure to all of the shares in that index. It is important to note that in these 'passive' types of share investments, the applicable Investment Manager does not usually consider or report on climate-related financial risks or opportunities or ESG factors relating to the underlying companies in which the shares are held.

Voting practices

The Trustee (with the assistance of its Investment Managers and Proxy Adviser) exercises its rights to vote on resolutions put to shareholders by companies in which the Fund invests. The Trustee's voting decisions as a shareholder are governed by the Proxy Voting Policy.

5.2.2 Direct unlisted investments – property, infrastructure & private credit

The Trustee invests directly into property, infrastructure and private credit. The investment process includes the receipt of a preliminary memorandum (though not the case for private credit) setting out the details of the investment and expected risks and returns, followed by a detailed risk

analysis report. An element of the detailed risk report is consideration of ESG matters, including climate-related financial risk.

The Investment Consultant also undertakes an annual portfolio-wide climate risk assessment of Prime Super's direct property, infrastructure and private credit investments, which measures transition and physical climate risks for each asset (if applicable) as well as climate-related opportunities.⁴

In relation to the Fund's direct property and infrastructure investments, the Trustee's practices also include ESG analysis, inclusive of climate-related financial risks where relevant in relation to:

- Due diligence scope for technical advisers
- Execution stage of the investment in due diligence documentation
- Reporting throughout the asset management process

Through the ongoing management of the Fund's direct property, infrastructure and credit⁵ investments from an ESG perspective, the Trustee aims to deliver its Investment Strategy and objectives.

5.2.3 Investment Portfolio Strategy

In addition to the above processes and considerations, the Trustee is looking to further develop and enhance, over time, the overall consideration of climate change from an asset allocation perspective.

6. REPORTING TO MEMBERS

The Trustee may provide reports and information to members, employers and other interested parties in relation to the following from time to time, through its website:

- Portfolio Holdings;
- Details of proxy voting activities; and
- ESG Policy.

7. REVIEW OF THE POLICY

This Policy will be reviewed and approved by the Trustee biennially or when required.

The Trustee may also review this Policy at any time for any reason, but in particular, where it becomes aware that:

- this Policy is out of date;
- this Policy is no longer relevant to the circumstances of the Trustee;
- there are changes to the Trustee's investment strategy or the asset allocation process which impact this Policy

⁴ In relation to credit investments, this process applies only to those credit investments which are managed by PATRIZIA.

⁵ In relation to credit investments, the process applies only to those credit investments which are managed by PATRIZIA