

Getting to net zero by 2050

A ROADMAP FOR YOUR SUPER





About CareSuper

We're a leading profit-to-member Industry SuperFund, managing \$20 billion in retirement savings for around 220,000 members Australia-wide.¹

Our 'member first' ethos and proven investment strategy have consistently earned us the highest ratings from independent experts. We're Platinum-rated by independent ratings agency, SuperRatings, for our 19-year performance, and were awarded the SuperRatings 2022 MySuper of the Year.

ABOUT THIS DOCUMENT

This document summarises CareSuper's plan for delivering on our commitment to reducing the emissions associated with our investment portfolio to **net zero** by 2050 (our **Net Zero Roadmap**). For the purposes of our **Net Zero Roadmap** including our 2030 targets, 'investment portfolio' refers to the investments in our Managed and Asset Class options but excludes the investments in the Direct Investment Option (DIO) (under which members select their investments).

As a responsible investor, CareSuper considers the tools, data sets and research that allow us to manage climate risks. These are continually evolving. We're committed to incorporating scientific advances into our **Net Zero Roadmap**, and we'll share more information with our members as our actions continue to evolve.

For more information about CareSuper, including our investment options and responsible investment activities, visit caresuper.com.au.

¹CareSuper's total fund size was approximately \$20.4 billion at 28 February 2023.

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Our net zero commitment

At CareSuper, we care about making a positive difference to our members' lives by helping to set them up for a better future. An important part of this is investing their retirement savings responsibly.

That's why we've committed to reaching **net zero greenhouse gas** emissions across our investment portfolio by 2050. Put simply, achieving **net zero** means the emissions released into the atmosphere equal those taken out.

This commitment builds on an existing program of responsible initiatives designed to manage climate-related risks and deliver our members strong long-term returns.

It represents our work towards the emissions reduction goals of the **Paris Agreement**, which aims to limit global warming to well below 2 degrees Celsius (and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius) compared to pre-industrial levels.

We're committed to **net zero** because we acknowledge climate change is a systemic risk that extends to all sectors of the economy and has the potential to significantly affect our members' retirement outcomes.

You can find more on our climate beliefs, and on our progress towards reaching **net zero** by 2050, in the pages that follow.



OUR KEY TERMS

Nobody likes jargon, and we've tried to avoid using it here. If we've had to include a word or phrase specific to investing or **net zero**, we've bolded it and linked to its definition at the end of this document.



“ At CareSuper, we've already taken steps to reduce the carbon intensity of our operations and we're proud to be one of the first super funds to be certified Carbon Neutral by the Australian Government through Climate Active. Achieving **net zero** carbon emissions across our investment portfolio by 2050 is the next step in our responsible investment journey. ”

Linda Scott
Chair of CareSuper Board



Our net zero strategy and beliefs

As an investor with \$20 billion in assets, CareSuper has an important role to play in supporting the economy's transition to **net zero**.

We're deeply committed to building our members' savings to set them up for the best possible future. At CareSuper, we believe that a transition to a **net zero** economy is not only the best outcome for the environment in which our members live, but is critical to drive the best financial outcomes for our members' retirement.

Our **Net Zero Roadmap** sits within our overarching investment strategy, which combines **active management** with **downside protection** and integrates environmental, social and governance (ESG) factors into decision-making.

Our Roadmap is designed to minimise risk, maximise opportunities, and protect our members' long-term returns.

It's been informed by our climate beliefs and frameworks from investor-led forums, including the Investor Group on Climate Change and the Paris Aligned Investment Initiative.

And, in preparing our Roadmap, we've worked with independent experts to undertake climate change scenario analysis. Our most recent analysis found the expected long-term returns for our Balanced option are likely to be more resilient under a **net zero** by 2050 scenario than a 'business as usual' scenario.

WE BELIEVE:



- The world is taking action on climate change now, and this will have significant impacts on financial markets through the transition to **net zero** by 2050.
- If the risks associated with global warming are to be limited, real-world carbon emissions will have to reduce.
- Managing climate change risk is essential to meeting our fiduciary and regulatory obligations as well as our investment objectives.
- Working to align to the goals of the **Paris Agreement** will help to mitigate the physical and transitional climate change risks for our investment options.
- The transition to a low-carbon economy will require significant amounts of capital and will present compelling investment opportunities.
- **Proactive engagement** (with the companies in which we invest) on climate change and other environmental factors can have a higher material impact on future outcomes for members than **divestment**.

Our Net Zero Roadmap

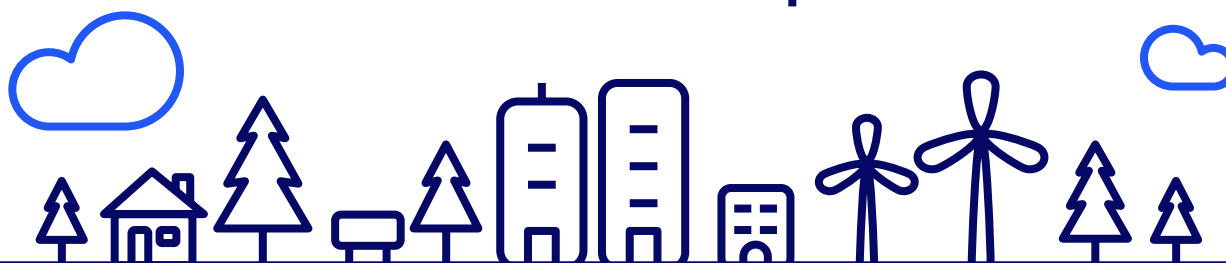
Comprising three targets and five actions, our **Net Zero Roadmap** focuses on building resilience to climate-related financial risks by decarbonising our investment portfolio and leveraging our position as a long-term investor to drive real-world emissions reduction in the economy.

Our targets and actions will be underpinned by strong governance frameworks, transparent reporting and regular climate change scenario analysis, which will ensure we'll continue to make decisions that benefit our members.

Achieve a **45% reduction in carbon emissions intensity across our portfolio by 2030²**

Invest at least **3% of funds under management (FUM), in climate transition-related opportunities by 2030**

Achieve **net zero by 2050**



ACTION 1

Measure and monitor the **carbon footprint** of our entire investment portfolio.³



ACTION 2

Work with our investment managers to ensure they support our **Net Zero Roadmap**.



ACTION 3

Work with high-emitting investee companies in our Australian shares portfolio to ensure they develop **net zero** plans and set **science-based targets**.



ACTION 4

Collaborate with key partners to share knowledge, influence change and gain insights into evolving industry best practice.



ACTION 5

Actively invest in **climate transition-related opportunities** to generate strong returns for members while building a diverse and resilient portfolio.

²Excludes the Direct Investment Option.

³We anticipate our carbon footprinting coverage will expand as data quality and availability improves over time.

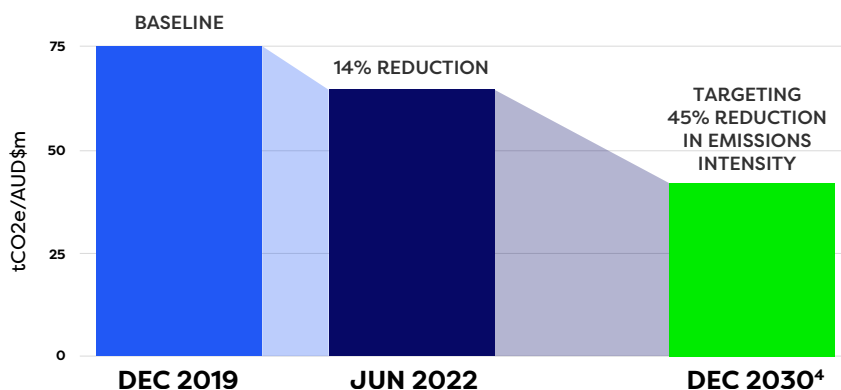
ACTION 1

Decarbonise our portfolio

In order to reduce our portfolio emissions over time, we must first analyse the **carbon footprint** of our portfolio. This is an important step as it allows us to make informed decisions and measure our progress as we move towards our **net zero** goals. We have already measured the **carbon footprint** of our Australian and overseas shares portfolios. We will extend our **carbon footprinting** to other asset classes over time. This **carbon footprinting** work is dynamic and will evolve as data availability and quality improves.

To provide us with a starting point (or **baseline**), we've measured the scope 1 and 2 **greenhouse gas** emissions of the companies making up our Australian and overseas shares portfolios. While we are starting with the scope 1 and 2 emissions of our investee companies, we will work to extend this to an analysis across scope 3 emissions as data availability and methodologies continue to improve.

HOW WE MEASURE OUR AUSTRALIAN AND OVERSEAS SHARES PORTFOLIOS



This stylised graph displays the carbon emissions in our Australian and overseas shares portfolios per million dollars invested (AUD\$m). This metric, known as 'Carbon to Value Invested', is CareSuper's preferred way to measure the **carbon footprint** of our Australian and overseas shares portfolios. Put simply, it measures the emissions intensity of the funds in which we invest on your behalf. Over time, we'll use this metric to assess our progress within our Australian and overseas shares portfolios.



SCOPE 1 EMISSIONS

An organisation's direct emissions from its own sources.

SCOPE 2 EMISSIONS

An organisation's emissions from purchased energy for its own consumption (e.g. electricity or heating and cooling).

SCOPE 3 EMISSIONS

All indirect emissions (not included in scope 2) that occur in the organisation's supply chain and the supply chain of its customers.

We're committed to updating our **carbon footprint** as emissions scope data and metrics improve. We'll share more information with our members as our **Net Zero Roadmap** evolves.

⁴The level of Carbon to Value Invested for December 2030 reflects CareSuper's target. Data representing December 2019 and June 2022 levels reflects CareSuper's actual measurements of Carbon to Value Invested.

Of course, the expected reduction in emissions intensity over time is unlikely to be achieved in a linear manner as shown the chart above. On our journey to **net zero**, it is possible that the emissions intensity of our Australian and overseas shares portfolios may even increase at times for periods. Nonetheless, we are pleased with our progress so far and are working hard to meet our targets. As responsible investors, we've already made significant progress in decarbonising our shares portfolios. Between the **baseline** of December 2019 and June 2022, the carbon emissions intensity of our Australian and overseas shares portfolios declined by 14%, and we're aiming to achieve a 45% reduction by 2030.

We've calculated Carbon to Value Invested using scope 1 and 2 emissions data from the companies we invest in. We'll continue to gather and monitor the quality of scope 3 data. As it improves, we'll consider how best to incorporate it into our **carbon footprint** analysis.

Our approach to portfolio decarbonisation will be staged and methodical based on where we have assessed the most material exposures in our portfolio, and where we consider data and methodologies are the most reliable. As we extend **carbon footprinting** analysis beyond our Australian and overseas shares portfolios, we will consider which metrics, approaches and tools are most appropriate for each respective asset class at CareSuper.

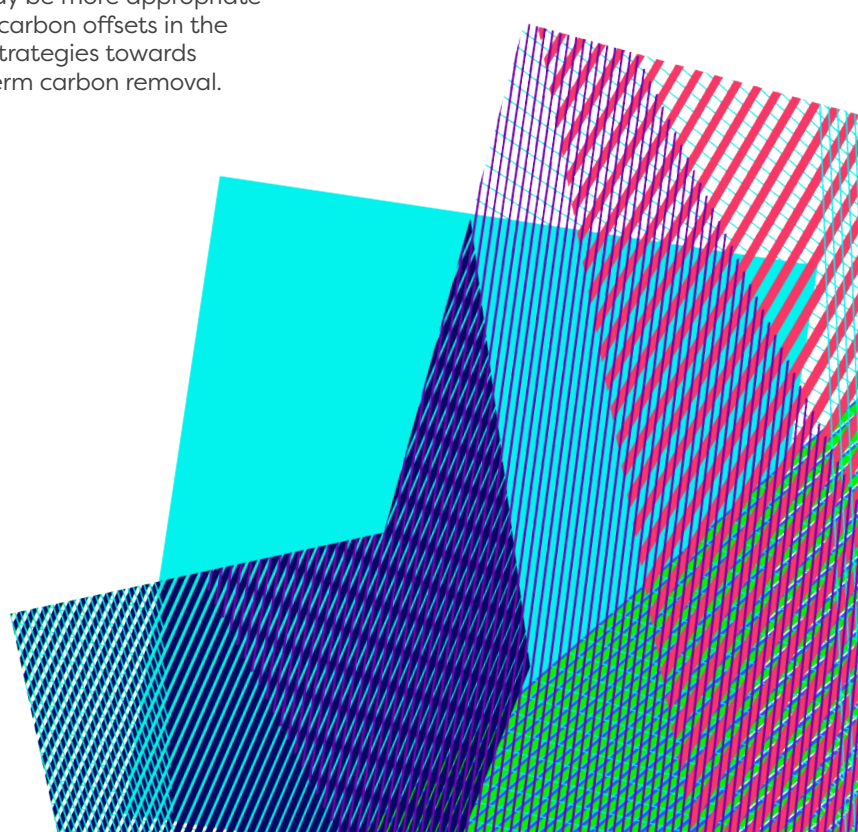
In the next phase, we will undertake **carbon footprint** measurement for our Property and Fixed Income asset classes. For further details, please refer to our action plan set out in 'Our **net zero** timeline' on page 14.

THE ROLE OF CARBON OFFSETS

In its simplest form, a carbon offset represents **greenhouse gas** emissions that were avoided or removed from the atmosphere through a recognised carbon-reduction project. These carbon offsets are units that can be generated or acquired by companies to reduce their 'net' emissions.

Some companies in which we invest operate in sectors that do not have a clear decarbonisation pathway towards **net zero**. This is usually because the goods or services they produce involve emissions-intensive industrial processes for which there are currently limited or no alternatives (also known as 'hard-to-abate' sectors). Many of these industries, such as steelmaking or cement manufacturing, play an important role in our economy.

We recognise that those companies operating in hard-to-abate sectors face significant technological and commercial challenges in developing viable pathways towards reducing emissions. As a result, it may be more appropriate for those companies to maintain a greater reliance on carbon offsets in the short term as part of their long-term decarbonisation strategies towards reaching **net zero**. These offsets should provide long-term carbon removal.



ACTION 2

Work with our investment managers

CareSuper's portfolio is managed by a team of in-house investment specialists and external investment managers. Together, we're working towards **net zero** while providing members with sustainable, actively managed and diversified investments.

Before appointing our investment managers, we assess how well they integrate material ESG issues, including climate change, into their investment process. And once appointed, we regularly review their process to ensure they maintain high ESG risk management standards.

We have informed all of our external investment managers of our **net zero** commitment. We will continue to engage with our managers as we work towards implementing our **Net Zero Roadmap**.

As at 30 June 2022, 50% of our external investment managers had made their own **net zero** commitments. This includes all our external Property investment managers who have set **net zero** targets to be achieved by 2040 or earlier.

For more information on how CareSuper considers ESG factors, including climate change, in our investment decision-making, please visit our website.



ACTION 3

Work with high-emitting companies

As a significant investor with \$20 billion in assets, CareSuper seeks to constructively engage with the companies in which we invest. Some of these companies generate more emissions than others. As part of our **Net Zero Roadmap**, we're prioritising our engagement with companies in our Australian shares portfolio that materially contribute to our **carbon footprint**. Our aim is to influence these companies to develop credible **net zero** plans, set **science-based targets** aligned to the **Paris Agreement**, and then transparently report on their progress.

OUR 'ENGAGEMENT FIRST' APPROACH

When it comes to managing economic interests in relation to climate change, we believe proactive engagement is the best approach. By engaging with our investee companies, we can use our 'seat at the table' to help drive sustainable behavioural change in a way that is consistent with reducing real-world emissions.

We engage with company executives and directors through our investment managers and as a member of the Australian Council of Superannuation Investors (ACSI) and Climate Action 100+.

EXERCISING OUR VOTING RIGHTS

Sometimes, engagement is not able to achieve the outcomes that we expect from our investee companies. As an owner of shares in many different companies, we also have the ability to influence how they're managed through **proxy voting**. CareSuper's in-house investment team considers the recommendations of specialist **proxy voting** advisers as well as our investment managers when making voting decisions at company meetings. By exercising our voting rights, we can promote stronger action on climate change while always protecting our members' long-term financial interests.

DIVESTMENT

We prefer to engage with companies and our fund managers first before considering divesting from investments, because we believe engagement is likely to result in better outcomes and lead to decarbonisation in the real world economy. However, if a company or asset doesn't have a solid strategy to transition to the low carbon economy, then we can consider divesting from these investments over time. In delivering on our **Net Zero Roadmap**, we will of course consider whether restricting investment is consistent with our purpose to protect and enhance our members' best financial interests.

For more information, please consider our Stewardship Statement and Responsible Investing Policy on our website.



TOP 10 EMITTERS – SHARES PORTFOLIO

To focus our engagement and advocacy efforts, we've analysed our portfolio to identify the top 10 emitting companies across the portfolio. Together, they're responsible for around 60% of portfolio emissions (as at 30 June 2022).

Eight of these companies have now committed to **net zero**. We engage with these companies alongside the Australian Council of Superannuation Investors and Climate Action 100+.

ACTION 4

Collaborate with key partners

By collaborating with key partners, we can share knowledge and gain insights into evolving industry best practice. We actively support and participate in a range of industry forums and collaborations to contribute towards the transition to **net zero** by 2050.



AUSTRALIAN COUNCIL OF SUPERANNUATION INVESTORS (ACSI)

ACSI is a membership body for investor collaboration on ESG practices. Its members include Australian and international asset owners. Through ACSI, we meet with the directors of our high-emitting companies, support policy initiatives on climate change and contribute towards shaping investor expectations on **just transitions**.



CLIMATE ACTION 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate **greenhouse gas** emitters take necessary action on climate change. As a member, we participate in the Climate Action 100+ engagement program with the world's largest emitters.



INVESTOR GROUP ON CLIMATE CHANGE (IGCC)

The IGCC is an Australian membership body for investor collaboration on climate change. As co-chair of IGCC's Paris Aligned Investment Working Group, we actively contribute to the development of investment tools and solutions to support **net zero** investment.

Signatory of:



PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

Supported by the United Nations, PRI is the world's leading advocate of responsible investment. It works to understand the investment implications of ESG factors and helps investors incorporate these into their decisions. CareSuper is a signatory to the PRI, which involves reporting on our approach to responsible investing, including climate change, on an annual basis.



RESPONSIBLE INVESTMENT ASSOCIATION OF AUSTRALASIA (RIAA)

RIAA is a membership body that champions responsible investing and sustainable financial systems in Australia and New Zealand. It's dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

For a full list of CareSuper's membership organisations, visit caresuper.com.au/responsibleinvesting.

ACTION 5

Invest in climate transition-related opportunities

Moving to **net zero** is not just about cutting emissions – it also involves finding compelling investment opportunities.

By investing in **climate transition-related opportunities** we can generate strong returns for members while building portfolio diversification and resilience in the transition to a **net zero** economy.

We have committed capital to a range of **climate transition-related opportunities** across our Australian and overseas shares and infrastructure asset classes. We've included examples of some of these investments below. And we're actively searching for new opportunities that support our **Net Zero Roadmap** while providing strong long-term returns for our members. Our goal is to invest at least 3% of our total FUM in **climate-related transition opportunities** by 2030.



EV CHARGING

Electric vehicles (EV) have a significant role to play in reducing emissions from the transport sector. Through our infrastructure managers, we invest in a comprehensive network of EV charging stations in Europe. The availability of fast-charging infrastructure is essential to encourage motor vehicle owners to make the switch to an EV and ultimately reduce **greenhouse gas** emissions.



DISTRICT HEATING AND COOLING

We invest in energy systems that deliver heating and cooling from large central locations to individual buildings through underground infrastructure, known as district heating. Relative to conventional onsite heating and cooling, district energy provides benefits including improved energy efficiency and reliability, reduced emissions, and lower maintenance costs.



SMART GRID SYSTEMS

The installation of smart energy grids for new housing developments typically includes decentralised on-site solar energy generation, communal battery storage and EV charging stations. These are then paired with software to manage the overall energy demand and optimisation, as well as complementary heat solutions (heat pumps) to deliver a suite of low-carbon energy solutions to residents.

Our governance and reporting frameworks

CareSuper is built on a solid foundation of good governance, and our approach to **net zero** is no different. Our commitment is integrated into our Responsible Investment Policy and Climate Change Position Statement. Our **Net Zero Roadmap** is being governed in line with our investment program.

OUR BOARD

The Board is responsible for ensuring CareSuper acts in its members' best financial interests. It's also responsible for approving our Responsible Investment Policy, Climate Change Position Statement and **Net Zero Roadmap**.

OUR INVESTMENT COMMITTEE

The Investment Committee oversees the management of investments and considers how our **net zero** commitment, including 2030 targets, is progressing.

OUR INVESTMENT TEAM

Led by the CIO, our investment team is responsible for implementing our investment strategies and **Net Zero Roadmap**.

OUR ESG TEAM

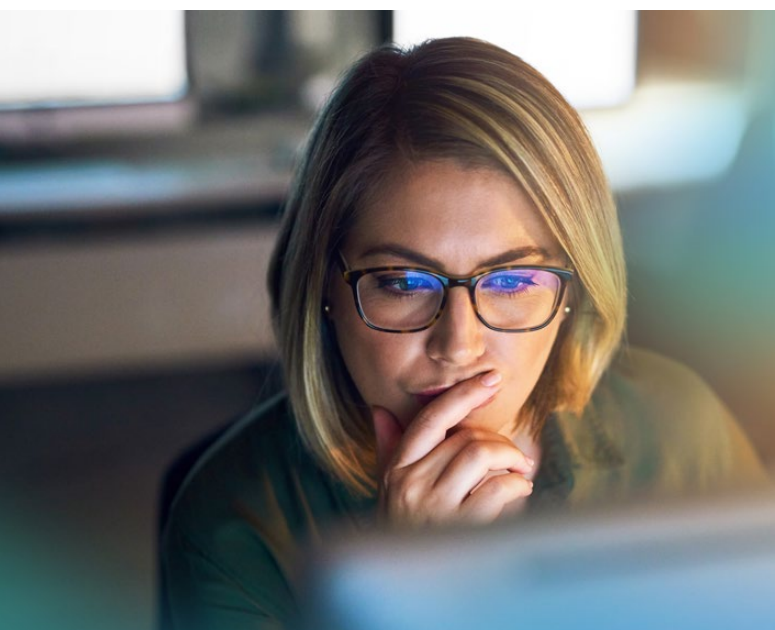
Sitting within the investments team, the ESG team focuses on ensuring that ESG factors are integrated into our investment decision-making process. This team is also responsible for overseeing and managing the day-to-day implementation of our **Net Zero Roadmap**.

DISCLOSURE AND REPORTING

Our **Net Zero Roadmap** is an important step in our multi-year journey to decarbonise our investment portfolio by 2050. We acknowledge it will evolve over time and we're committed to updating it as required – and at least every five years.

In the meantime, we will:

- Provide quarterly updates to the Board's Investment Committee on the strategy and actions implemented, and progress towards achieving our **net zero** targets
- Provide a formal progress report to the Board as required and at least on an annual basis
- Publish our inaugural climate report in line with the Task Force on Climate-Related Financial Disclosures in 2024
- Incorporate our **net zero** actions and outcomes into member communications
- Ensure that our investment team is appropriately resourced to adequately respond to opportunities and challenges posed by the climate transition
- Continue to support our Board and investment team to maintain a clear understanding of the dynamic climate-related risk environment
- Revise our **baselines** and targets in 2025, 2028 and 2030 to incorporate new data and methods as they improve.



Our net zero timeline

2022

- Conducted climate change scenario analyses.
- Measured the **carbon footprint** of our Australian shares and overseas shares portfolios.
- Joined IGCC and been appointed co-chair of the Paris Aligned Investment Working Group.

2023

- Measure the **carbon footprint** of fixed interest and property asset classes.
- Commence feasibility study of Scope 3 emissions across our portfolio.

2024

- Produce and publish our annual climate report.

2025

- Measure the **carbon footprint** of all remaining asset classes, where data quality and availability are sufficient.
- Review and revise our **baselines**, targets and engagement activities with investment managers and top emitters to incorporate new data and methods.

2028

- Continue to review and revise our **baselines**, targets and engagement activities with investment managers and top emitters to incorporate evolving data and methods.

2030

- Reduce carbon emissions in our portfolio by 45% when compared to the 2019 **baseline**.
- Invest at least 3% of FUM in **climate transition-related opportunities**.

2050

- Achieve **net zero** across our entire investment portfolio.

Key terms

Active management

Means that instead of investing passively, and replicating an index, our skilled investment managers are actively making decisions to buy investments that they believe have the potential to outperform the broader market and maximise returns over the long term.

Baseline

Refers to the carbon footprint of our shares portfolios in 2019. We're using it as a starting point to measure our emissions reduction progress.

Carbon footprint

This is the ownership of greenhouse gas emissions for an investor. CareSuper's preferred metric to measure the carbon footprint of our portfolios is Carbon to Value Invested. This metric measures greenhouse gas emissions based on our ownership of each company's total capital. This is then normalized and expressed per million \$AU invested so that we can track and compare performance over time.

Climate transition-related opportunities

Investing in companies, or other assets or initiatives, that will benefit from the transition to net zero.

Divestment

Involves selling investments to limit exposure to greenhouse gas emissions.

Downside protection

Aims to minimise the impact of negative returns when the market falls. Protecting against downside risk means we're better prepared for market downturns, and our members can be more confident about recovering losses.

Greenhouse gas

Emissions released into the atmosphere that absorb and emit heat, contributing to global warming.

Just transition

Describes the idea that emissions reduction plans should consider potential impacts on workers and communities. For example, when a company decides to close a coal-fired power station, an example of 'just transition' would involve the company consulting workers and providing reskilling and redeployment opportunities where possible.

Net zero

A state in which the greenhouse gas emissions released into the atmosphere are equal to those taken out.

Net Zero Roadmap

CareSuper's strategy and timeline for achieving net zero emissions across our investment portfolio by 2050.

Paris Agreement

Adopted in 2015, the Paris Agreement is an international treaty on climate change. Its goal is to limit global warming to well below 2 degrees Celsius, compared to pre-industrial levels.

Proactive engagement

Involves working with our investment managers and the high-emitting portfolio companies to drive real-world emissions reduction. By meeting with these stakeholders, we can advocate for net zero and more effectively drive sustainable behaviour change.

Proxy voting

As an investor, we own shares in many different companies and can influence how they're managed by voting on resolutions at company meetings. When casting our vote, we focus on maximising value for members while promoting responsible corporate behaviour.

Science-based targets

Emissions reduction targets that align with the goals of the Paris Agreement.



NET ZERO

ROADMAP

Our **Net Zero Roadmap** will evolve over time. To track our progress and learn about the latest updates, visit caresuper.com.au/netzero.

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