Retail Employees Superannuation Trust

Summary of Climate Change Policy

Please note: this is a summary only and does not contain the full details which are contained in the Rest Climate Change Policy.

1 Purpose

Retail Employees Superannuation Pty Limited (**Trustee**) is the trustee of the Retail Employees Superannuation Trust ('**Rest**' or '**the Fund'**).

The purpose of the Fund is to provide superannuation benefits to or in respect of Fund members (including benefits to non-members in approved circumstances such as death benefits to dependants of members). In pursuing this purpose, the Trustee must act in the best interests of Fund beneficiaries, including promoting the financial interest of beneficiaries.

Rest must formulate, review regularly and give effect to an investment strategy for the Fund and a risk management strategy relating to its activities. Rest must also have a risk management framework for identifying, assessing, managing, mitigating and monitoring material risks.

Climate change is a systemic issue which could lead to catastrophic economic and social consequences.

Climate change is an important concern of Rest's members.

Climate change is a material, direct and current financial risk to the Fund.

Climate change and the transition to a lower-carbon economy will impact regions, assets and sectors differently, presenting both risks and opportunities to the Fund.

The Climate Change Policy (Policy) is made by the Board and deals with addressing, assessing, managing, mitigating and monitoring the material risk of climate change.

2 Scope

The Policy applies to the Trustee and employees of the Rest Group. Rest also seeks to engage with and require that its Investment Managers (appointed under mandate to invest funds on behalf of Rest), Investment Consultant(s), and other relevant stakeholders are aware of (and to the extent relevant) comply with this Policy.

The Policy aims to apply to all of the Fund's investments, although there may be limitations in Rest's ability to require or effectively influence its stakeholders to comply, for example where Rest owns a relatively small proportion of a comingled fund.

Climate change considerations are integrated into the investment assessment and decision-making process. Rest's approach is tailored depending on the nature of the investment and the materiality of climate change risks to the investment thesis.

The key climate change investment risks that may affect Rest's investments include:

- exposure to policy action such as carbon-pricing mechanisms or shifting energy use toward lower emissions sources;
- exposure to litigation claims by property owners, local government agencies, states, insurers, shareholders, and public interest organisations;
- exposure to technologies that are becoming obsolete / redundant (declining in value) due to new, more efficient, less carbon intensive technologies;
- exposure to new, emerging technologies, services and products that are meeting growing consumer demands (increasing in value) due to an increase in efforts to address climate change mitigation and adaption;
- exposure to changing market dynamics (e.g. resource shortages) for certain commodities, products and services;
- exposure to physical risk impacts resulting from climate change, including those that are event driven (e.g. increased severity of extreme weather events such as cyclones, hurricanes, fires or floods) and longer-term shifts in climate patterns (e.g. sustained higher temperatures which may cause sea level rise or chronic heat waves);

- exposure to climate-related risks and opportunities which are not appropriately assessed and priced.

Certain sectors and assets are exposed to climate change in different ways – some positively and some negatively.
Climate change risks are considered material risks across many Fund risk categories including investment risk, market risk, reputational risks, strategic risks, governance risks and third party risks.

3 Definitions

The following terms are defined within the context of this policy to assist with its interpretation:

- **Climate change** refers to a change of climate that is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and is in addition to natural climate variability observed over comparable time periods;
- **Climate change risks / climate-related risks**, refer to (a) risks that need to be considered as part of investment management related to the transition to a lower carbon economy, for example because of regulatory change and the emergence of new technologies, and (b) the need to evaluate the risks related to the physical impacts of climate change and its effects that may impact asset values;
- **Climate change opportunities / climate-related opportunities** refer to the investment opportunities that may emerge from a changing climate to mitigate and adapt, for example through resource efficiency, renewable energy, low carbon products and services, access to new markets and solutions to build resilience to physical impacts.
- **Scope 1 emissions** refer to reporting organisations' direct greenhouse gas (GHG) emissions.
- **Scope 2 emissions** refer to reporting organisations' emissions associated with the generation of electricity, heating/cooling, or steam purchased for own consumption.
- **Scope 3 emissions** refer to reporting organisations' indirect emissions other than those covered in scope 2.

4 Statement of Rest's beliefs in respect of climate change

Rest's investment beliefs with respect to climate change are:

- climate change is an issue that affects economies, investment markets and investing for financial return, over the short, medium and long term;
- responsible investment, including the integration of environmental, social and governance (ESG) factors, adds value to our investment decision making process and therefore improves our members' retirement outcomes. This includes managing the risks and opportunities presented by climate change and the transition to a more sustainable, lower-carbon global economy.
- Rest participates in and advocates for the overarching goal of the Paris Agreement, which is to hold the increase in the global average temperature rise this century to well below 2 degrees Celsius above pre-industrial levels, and pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Rest recognises that meeting this goal requires government action supported by investors, industries and a range of stakeholders across the globe.
- Rest recognises voting and engagement can be an effective tool to mitigate climate-related risks and to take advantage of climate-related opportunities. Rest will actively consider all climate-related shareholder resolutions of investee companies. When its ownership stake gives it material influence, Rest actively engages with companies and governments to encourage both business plans and government policies to be effective and reflect the climate goals of the Paris Agreement;

- Rest encourages market efforts to help investors understand their financial exposure to climate-related risks and opportunities in a clear, consistent and comparable manner, and supports the implementation of globally recognised climate-related disclosure standards.
- Rest's long-term objective to achieve a net zero carbon footprint of the Fund by 2050 supports the Fund to manage climate-related risks and take advantage of climate-related opportunities, including in the energy transition.
- Rest supports efforts by governments, companies, investors and other stakeholders for a Just Transition and the plans for, and investment in, the transition to environmentally and socially sustainable jobs, sectors and economies. This is especially related to jobs which are most affected by the transition to the lower-carbon economy.
- Rest recognises that nature, including the protection and restoration of ecosystems, has a complementary role to play in meeting the goals of the Paris Agreement.
- Rest encourages all its investee companies to report against the global standards for climate-related disclosures.

5 Climate change governance

The Board and Rest Management are committed to ensuring appropriate resourcing and training is provided for Board members and relevant employees to enable effective implementation of this Policy.

In the provision of the appropriate skills, capability and resources, management ensures expertise is available in the assessment of climate-related risks and opportunities; to ensure that frameworks for the consideration of climate change issues are in place through the investment process; and to seek independent assessment, as appropriate, on the consideration of climate-related risks and opportunities.

Climate-related risks and opportunities are included within the Rest Risk Management Strategy and within the Investment Governance Framework, in accordance with regulatory requirements and industry accepted guidance. These controls are subject to periodic testing by line one, line two and line three reviews. Rest develops appropriate risk controls to manage and monitor all relevant climate-related risks.

6 Integrating climate change into the investment process

Rest integrates climate change risks and opportunities throughout the investment process, as described below.

Investment strategy and asset allocation: climate change risks and opportunities are considered when determining the Fund's investment strategy and asset allocation positions. This includes incorporating climate change into capital market assumptions and undertaking climate-related scenario analysis to inform investment decision making. This analysis must take into account at least one scenario which is aligned with the overarching goal of the Paris Agreement.

Investment Managers selection and appointment: Rest applies specific criteria regarding climate change risks and opportunities in the selection and appointment of Investment Managers. This includes evaluating and, if necessary, seeking to improve the Investment Managers' policies in relation to climate change, as well as how they measure and manage the impact of climate change risks and opportunities in their decision-making processes and ongoing management of investments on behalf of Rest consistent with this policy.

Investment in direct assets and co-investments: Rest considers climate-related risks and opportunities on potential direct asset investments and co-investments. This forms part of the environmental, social and governance due diligence and ongoing monitoring of these assets.

Investment Manager monitoring: Once an investment manager is appointed or a direct or co-investment asset assigned, Rest undertakes ongoing monitoring of climate-related risks and opportunities, consistent with this policy. Investment Managers are expected to:

- measure, monitor and review risks and opportunities, including climate change risk and opportunities (as described in this Policy) for all relevant investment decisions and when monitoring investment performance. This includes undertaking analysis of transition and physical climate scenarios, where applicable, and provide information on risks to the trustee; and

- obtain approval from Rest for any investment in a non-publicly traded investment, if the investment is equal to or greater than 1% of Rest's funds under management (FUM) and the investment:
    - derives 25% or more of its income from carbon-related assets; or
    - has reputational risk that is tied to member and societal perceptions of Rest and its contribution to climate change.

Engagement with external consultants: Rest ensures that its external investment consultants consider and integrate climate-related risks and opportunities into their approaches to assessing, recommending and monitoring strategic asset allocation, mandate selection, benchmarks, and external investment managers for the Fund, consistent with this Policy.

7 Active ownership

Rest's approach to active ownership, including climate change is appropriately outlined in the Rest Responsible Investment Policy.

8 Thematic and impact investing

Rest aims to capitalise on emerging opportunities in decarbonation and the energy transition by investing in renewable energy and low-carbon solutions across a range of value chains, spanning both supply- and demand-side technologies.

Renewable energy and low-carbon solutions includes investments which are aligned to SDG7: Affordable and Clean Energy and SDG 13: Climate Action using in-house research and from third party data providers and industry recognised taxonomies for sustainable investments.

The Responsible Investment Policy appropriately outlines Rest's policy for Impact Investments. Rest will view favourably credible impact investments which, through the development of an impact thesis, actively contribute towards climate action and the goals of the Paris Agreement.

9 Collective responsibility and advocacy

Rest considers that membership of, participation in and collaboration with climate change-related organisations has the potential to improve the transparency of Rest's climate change efforts and bolster its effectiveness as a responsible investor. Rest's decision to participate or continue to participate in these organisations will be based on an assessment as to whether there are tangible benefits to Fund members.

Rest is committed to supporting governments and policy-makers in their efforts to establish sustainable financial systems that align capital markets with the goals of the Paris Agreement. The Rest Responsible Investment Policy outlines this further.

10 Disclosure and transparency

Rest will measure, monitor and report outcomes on its climate related progress and actions guided by globally recognised climate-related disclosure standards.

In addition to the requirements of the Responsible Investment Policy, Rest Investments will report on a regular basis to the Board and Investment Committee on the implementation of the Policy including:

- Progress on integrating climate change into the investment process, active ownership, thematic and impact investing, and collective responsibility and advocacy planning;

- Progress against climate-related transition plans created to support implementation of the Policy; and
- Ad hoc activities and initiatives that are not listed above or outlined within Rest's climate-related transition planning.

Rest will report on the progress and outcomes of its climate change-related activities to its members periodically. This includes:

- Rest will disclose the carbon footprint of its Listed Equities portfolio as part of its annual report. This will include, at a minimum, the weighted average carbon intensity (WACI) of the portfolio;
- Rest will disclose the carbon footprint for the Fund's material asset classes, i.e., equities, property and infrastructure, where data is available or can be reasonably estimated, covering, at minimum, scope 1 and 2 financed emissions and scope 3 emissions where they are material and data is available.

Rest will refine and improve what it measures, monitors and reports in relation to climate change-related risks and opportunities as the industry's tools and capabilities improve, and meet any disclosure requirements.

11 Review of the Policy

The Policy will be reviewed on an annual basis in the context of internal and external factors and in accordance with Rest's compliance requirements. These factors may include but are not limited to:

- legal or regulatory requirements;
- members' or community expectations on climate change;
- the asset classes that Rest invests in; and
- changes to the assessment and monitoring of climate-related risks and opportunities.