

Climate risks and opportunities

2021



Prime Super

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Message from our CEO

As the world starts to look to life beyond the COVID-19 pandemic, sustainability is gaining momentum as the key pathway ahead for economies around the world.

Prime Super has long integrated sustainability in the way we invest our members retirement savings, and we are sharpening our approach as the world transitions towards a net zero carbon economy, seeking to protect against climate risks and take advantage of climate-related opportunities.

In this, our second climate change risk report, we have continued our work in measuring and reporting the climate related risks and opportunities in our investment portfolio. We have taken a data driven approach, engaging two climate data experts to undertake a detailed analysis of our investment portfolio – Sustainability, to assess the carbon emissions aspect of our equity investments, and Moody's ESG Solutions (formerly Four Twenty Seven) to assess the physical risk of our infrastructure and property assets. Our objective in undertaking this analysis was to look through to the heart of our investments and see where our true risks lay. We want to understand what actions we need to take now to protect the value of our investments, now and into the future.

We are pleased to advise our members that Prime Super is now a formal supporter of the Task Force on Climate-related Financial Disclosures (otherwise known as the TCFD). This voluntary framework aims to help companies and investors disclose their climate related risks and opportunities in a clear and consistent manner. We have used the recommendations of the TCFD as the framework for this climate risk report to provide our members with frank information on how climate change may impact the value of your retirement savings in the future.

Prime Super has long believed in the benefits of investing in infrastructure, an asset class that will be at the forefront

of the energy transition as the global economy moves towards net zero by 2050. Our portfolio is well placed to take advantage of climate-related opportunities as the world tilts towards renewable energy and increasing electrification. We increased our allocation to renewable energy in April this year with our investment in Mortons Lane Wind Farm located in regional Victoria, an operational windfarm that generates 64GWH of clean energy each year. We recently increased our stake in the energy from waste sector in the Nordic region, where the two facilities we invest in process up to 150,000 tonnes of household and commercial waste annually. We are also in the final stages of constructing a 27MWp (installed capacity) greenfield solar park on the undeveloped land next to our existing strategic oil storage asset located in the Netherlands.

More generally, we continue to engage with our investee companies on environmental, social and governance (ESG) topics. We believe that maintaining a constant dialogue with the management and board of our investee companies (both directly and via our investment managers) will keep us well informed on how these companies around the world are approaching sustainability and what the emerging issues are. As a direct investor in infrastructure and property assets, we use our control and access to implement resilience and adaptation strategies.

Governance is, and has long been, a core aspect of the investment methodology utilised by Prime Super. We believe that a company that is well governed will be better positioned to manage risks as and when they arise (which includes climate related risks) and so deliver a better long term return to shareholders. This approach aligns

well with investing into listed stock markets, those companies that are well governed will be better prepared to manage risks associated with climate change, and so will deliver superior long term returns to investors, and ultimately the members of Prime Super.

Prime Super recognises the benefits of managing the investment portfolio against the risks associated with climate change and has implemented a number of strategies that balance these risks whilst still delivering a competitive investment return. Where members want an investment strategy that is 100% focused on ESG matters we have a stand-alone investment option that is invested in the Pandal Sustainable Balanced Fund, a product that has been certified by the Responsible Investment Association of Australia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.

The most recent Intergovernmental Panel on Climate Change (IPCC) report released in August 2021 highlights climate change as widespread, rapid and intensifying. Evidence of this finding never seems to be far from our headlines and news bulletins, most recently with the shocking images of the bushfires ravaging Greece and California reminding those of us in Australia of the ever present risks of living in this sunburnt country. With the impacts of climate change visible now and the science beyond dispute, Prime Super will continue to measure, monitor and disclose our climate risks and opportunities and take appropriate action to protect your retirement savings against the impacts of climate change.

Lachlan Baird
Chief Executive Officer

Prime Super's beliefs

Intergovernmental Panel on Climate Change (IPCC)

We accept the IPCC's assessment of climate change science that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable.

The IPCC is the United Nations body for assessing the science related to climate change.



Paris Agreement

We support the objectives of the Paris Agreement.

The Paris Agreement is an internationally-recognised binding agreement to commit to combat climate change and address the effect it has on the global environment.

The objective of the agreement is to limit global temperature rise to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels by 2050.



Recommendations of the Task Force on Climate Related Disclosures (TCFD)

We formally support the recommendations of the TCFD and see it as our responsibility to consider the physical and investment-related risks of climate change and the impact a transition to a low carbon economy has on our portfolio.



Action on climate change

We take action on climate change by:

- seeking to reduce our own carbon emissions
- influencing our investee companies to make climate change a key area of risk focus
- making investment decisions that explicitly consider the impacts of climate change.



Collaboration partners and sustainability credentials



We work with our investment adviser, PATRIZIA to measure and report our climate risks and opportunities.

We take a data driven approach to climate risk assessment.

PENDAL

We have appointed Pental Institutional Limited ('Pental') to manage a portfolio that is solely focused on ESG investments. The Pental Sustainable Balanced Fund is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and alternative investments. Investments are selected based on a range of sustainable, ethical and financial criteria.

The Pental Sustainable Balanced Fund has been certified by the Responsible Investment Association of Australia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.



Sustainalytics' Carbon Risk Ratings assess a company's carbon risk, driven by the transition to a low-carbon economy. The ratings are determined by evaluation of a company's material exposure to and management of carbon issues. The rating captures complex and diverse types of carbon research in a single, quantitative rating that can be easily used for investment decisions and reporting purposes.

MOODY'S ESG Solutions

Moody's ESG Solutions (formerly Four Twenty Seven) is a business unit of Moody's Corporation serving the growing global demand for ESG and climate insights. The group leverages Moody's data and expertise across ESG, climate risk, and sustainable finance, and aligns with Moody's Investors Service and Moody's Analytics to deliver a comprehensive, integrated suite of ESG and climate risk solutions including ESG scores, analytics, Sustainability Ratings and Sustainable Finance Reviewer/certifier services.



We are a formal supporter of the TCFD, the taskforce established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit and insurance underwriting decisions and, in turn, enable stakeholders to understand the concentrations of carbon-related assets in the financial sector and the financial systems exposures to climate-related risks.

The TCFD is committed to market transparency and stability, believing that better information will allow companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investment to sustainable and resilient solutions, opportunities, and business models.

Sustainable development goals

Our investment portfolio, specifically our infrastructure investments, is particularly well placed to contribute to the United Nations Sustainable Development Goals – the blueprint to building a better and more sustainable future.

Investments made by Prime Super are undertaken on the basis that they deliver strong long term investment returns to the members of the Fund, as well as delivering against the United Nations Sustainable Development Goals.

Goal: Quality education
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

By investing in quality educational facilities, we support this goal.

- Kinland – a social infrastructure company focusing on providing high-quality properties for government-backed education and care services in Nordic cities.
- ITE College West – based in Singapore the college offers practical education that focuses on service and innovation.

Goal: Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

By investing in energy infrastructure, we contribute to this goal.

- Mortons Lane Wind Farm – generates enough to energy to power around 13,000 households in Victoria and reduce carbon emissions by up to 68,148 tonnes every year.
- Saren Energy – creates energy from waste with plants in Sarpsborg and Fredrikstad, Norway. Sarpsborg Avfallsenergi AS (SAE).
- Storrån – a 30 megawatt wind farm in Jämtland, Sweden with 12 Nordex 2.5 megawatt N90 wind turbines.

- Vopak – built to meet the strategic energy storage requirements of the Dutch government and now building a greenfield solar park to complement the energy requirements.

Goal: Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Assets we invest in are adapted and made more resilient for climate risks.

Assets we invest in are adapted and made more resilient for climate risks.

- Prime Super's property portfolio is regularly reviewed for energy and water efficiencies and enhancements made where options are identified.

Goal: Responsible consumption and construction
Ensure sustainable consumption and production patterns.

By investing in energy infrastructure, we contribute to this goal.

- Saren Energy – creates energy from waste with plants in Sarpsborg and Fredrikstad, Norway. Sarpsborg Avfallsenergi AS (SAE).

Goal: Climate action
Take urgent action to combat climate change and its impacts

Prime Super actively manages its portfolio to reduce climate risks and invests in climate positive opportunities.

Governance

Prime Super has a fiduciary duty to act in the best financial interests of the members of the Fund, and our consideration of the impacts of climate change on our investment's forms part of this responsibility. We approach climate change as an investment risk because we expect it to impact the value and performance of our investments over time.

Prime Super's Trustee is assisted in the management of ESG and climate change factors by its Investment Consultant, Investment Managers and Custodian.

Our existing policy framework provides us with appropriate processes to identify and monitor the [climate change](#) activities and broader ESG approaches of our investment managers and those direct investments managed by our investment consultant. These policies may be accessed [on our website](#).

Prime Super expects to continuously improve how we incorporate ESG issues, including climate change risks, in risk management frameworks, policies and processes.

The Board has delegated to the Investment Committee the investment function of the Fund. The role of the Board is to approve investment objectives for each investment option and the investment strategy for the

whole fund, and each investment option offered by the Trustee. The Investment Committee is tasked with monitoring and managing the investment portfolio to deliver against the established investment objectives.

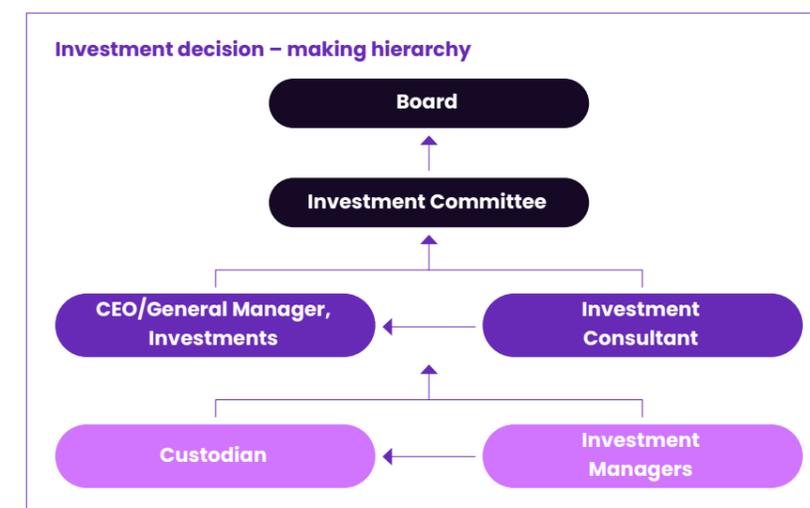
The Investment Committee reviews the performance of the investment portfolio and each investment choice option at each meeting. It reviews investment risks (including climate related risks) and the potential impact on the investment portfolio. Where changes to the portfolio have been identified that will mitigate or manage identified risks, the Investment Committee is responsible for the approval of the mitigation or management strategies and oversees their execution.

The Audit, Compliance and Risk Committee (ACRC) has oversight of the audit, compliance and risk functions of Prime Super. The ACRC is responsible for the effectiveness of the Risk Management Framework and Strategy to ensure that appropriate policies, procedures and controls are in place to address the risks that may impact Prime Super, including risks

that relate to the investment portfolio. The Risk Management Framework specifically identifies climate change as a risk impacting Prime Super's investment portfolio. While the Investment Committee has the primary responsibility for the assessment and management of climate related risks in the portfolio, the ACRC retains overall responsibility for managing all risks at Prime Super.

Prime Super has appointed PATRIZIA as the independent investment advisor to the Fund. PATRIZIA is responsible for providing advice to the Investment Committee in relation to the investment strategy and investment objectives, as well as reviewing the performance of the managers and the overall portfolio.

Management, in particular the CEO and the General Manager, Investments, are responsible for ensuring the adherence to the Investment Governance Framework and to review and recommend on the investment strategies required to meet the Fund's investment objectives based on advice received from the Investment Advisor.



Strategy

Every year, Prime Super undertakes a portfolio wide assessment of its climate-related risks and opportunities.

We have embedded the consideration of climate change risks and opportunities in our risk management and investment frameworks to ensure investment decisions take climate change considerations into account. This includes decisions in relation to new investments in infrastructure and property assets, as well as the appointment of new investment managers. On a quarterly basis we review the way our investment managers engage with investee companies on ESG issues on our behalf.

Together, these processes identify the climate-related risks and opportunities of Prime Super over the short, medium and long-term. These findings are summarised in the [Metrics and targets](#) section of this report.

Our 2021 risk assessment

The key finding of our 2021 climate change risk assessment was that we do not have any urgent climate risks in our investment portfolio that require immediate action.

We did however identify investment level modifications that we could implement to build climate resilience in our investments, for both listed strategies and real assets. We are in the process of considering these modifications and will engage with our investment managers on how to best progress them.

We accept that our investment portfolio, like any diversified investment portfolio, will inevitably have climate risks and we believe that understanding and monitoring these risks will be key in successfully managing them.

Looking ahead, our investment strategy is focussed on building a more sustainable future by supporting carbon neutral investments. As an infrastructure investor, Prime Super is well placed to participate in the global energy transition. We are already investing in renewable and sustainable energy assets as demonstrated by the case studies we have included in this report.

Scenario analysis

We consider Prime Super's strategy to be resilient to climate change. We commit to our members that we will continue to monitor this resilience as the data on climate change makes its impacts more measurable and adaptation/resilience strategies implementable.

Currently, we consider the following climate scenarios:

- our Strategic Asset Allocation (SAA) investment scenarios incorporate the anticipated effects of climate change on projected economic growth and asset prices
- our carbon reporting for listed equities considers future climate scenarios in assessing carbon risk and stranded assets exposure
- our physical climate risk assessment is based on the RCP8.5 climate scenario (business as usual) for decade 2030-2040.

Our 2022 climate change risk reporting will introduce more quantitative elements to our scenario analysis.

Investment screens

The investment strategy of Prime Super includes 'screens' that is, investments that the Fund will not make.

These screens are a first measure in the investment process to ensure that investments are not made in specific industries.

Current screens for the total portfolio include investments that:

- produce tobacco or tobacco related products (including e-cigarettes and inhalers) or
- manufacture controversial weapons, such as cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.

These screens mean Prime Super does not invest in any industry that is involved in the production of tobacco or tobacco related products, or the manufacture of controversial weapons. These screens are across both listed and direct investments of the Fund.

Risk management

We undertake a climate risk assessment of our entire investment portfolio every year, using the Task-Force on Climate-related Financial Disclosures (TCFD) as a broad framework.

We focus on transition and physical risks and rely on data from independent climate risk experts to undertake this analysis.

Transition risk

A key transition risk for Prime Super is policy risk, that is, the impact of a future carbon pricing mechanism on the value of our investments.

The more carbon emissions an investment has, the higher the impact of such a government policy change.

We measure the carbon emissions of our investments where we can. This is easier for our infrastructure and property assets where we tend to be a major shareholder and have high levels of access to Management. We find it is becoming easier to get carbon emissions data for the companies we invest which are listed on equity markets. As more investors ask for this information, more companies are measuring it.

Physical risk

We assess our portfolio for six physical climate risks – floods, heat stress, hurricanes and typhoons, sea level rise, water stress and wildfire (or bushfires, as they are known in Australia).

Physical risks differ by country and region – for instance, California has experienced ferocious wildfires in recent years, areas of Northern Europe tend to be more exposed to flooding events and Australia is increasingly prone to drought.

Prime Super invests in infrastructure assets around the world. To identify the key risks to our assets, we undertake a granular risk assessment based on their latitude and longitude.

The location of our infrastructure assets is used to consider the real risks based on the characteristics of the assets. For instance, a port is likely to be at risk of sea level rise because it is located on the coastline. If that port is protected against this physical risk by situating the wharf above critical sea level thresholds, then this risk has been effectively mitigated.

The objective of our physical risk assessment is to identify those assets that have unmitigated risks. We can then implement resilience and adaptation strategies to protect the future value against the physical impact of climate change.

Metrics and targets

We consider our investment portfolio in two parts when we undertake our climate risk assessment: our listed equities investments and our direct investments into real assets (infrastructure and property). We use different climate risk metrics for these different investment types.

1. Listed equities

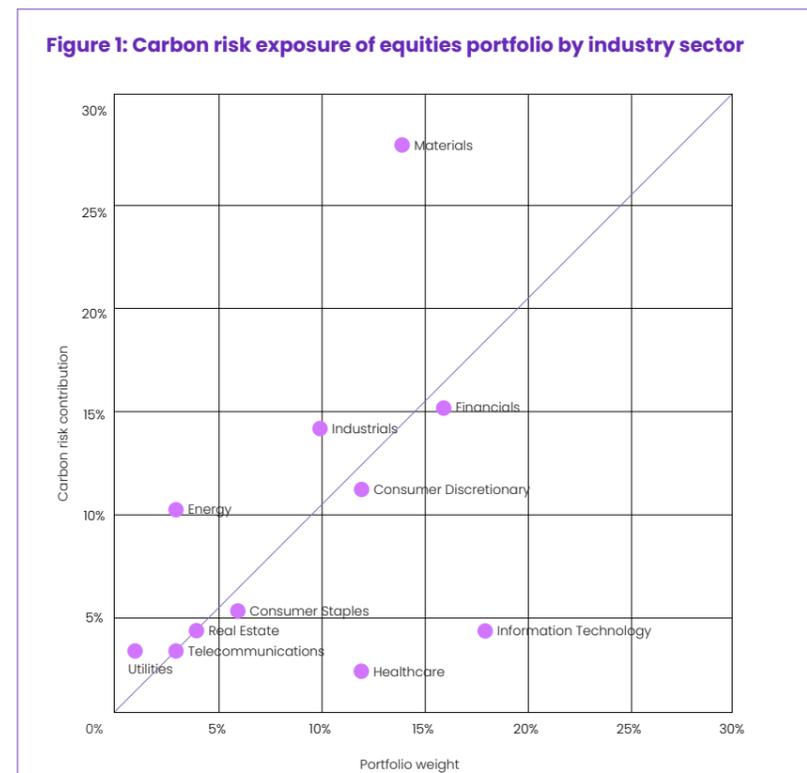
We measure the climate risks of our listed equities investments using five different metrics.

(i) Carbon risk exposure and management

This quantifies a company's exposure and management of material carbon issues in its own operations as well as its products and services. Management focuses on a company's preparedness and track record in managing these issues.

Prime Super's listed equities portfolio was assigned a low Carbon Risk Rating by Sustainalytics compared to the benchmark.

The graph below shows our equities portfolio by industry sector, including the portfolio weight as well as the carbon risk concentration. The sectors above the line (utilities, energy, industrials and materials) overcontribute to carbon risk relative to their portfolio weight, while those below the line (notably healthcare and information technology) under contribute. Sectors close to the line contribute around the same carbon risk as their portfolio weight (telecommunications, real estate, consumer staples, consumer discretionary and financials).



(ii) Carbon intensity

Sustainalytics proprietary estimation models used reported data and estimates to measure carbon intensity. The model is based on the following:

Scope 1: Direct Green House Gases (GHG) Emissions

Occur from sources that are owned or controlled by the company. These emissions are principally the result of the following activities:

- Generation of electricity, heat or steam
- Physical or chemical processing
- Transportation of materials, products, waste and employees
- Fugitive emissions, methane emissions and hydrofluorocarbon emissions

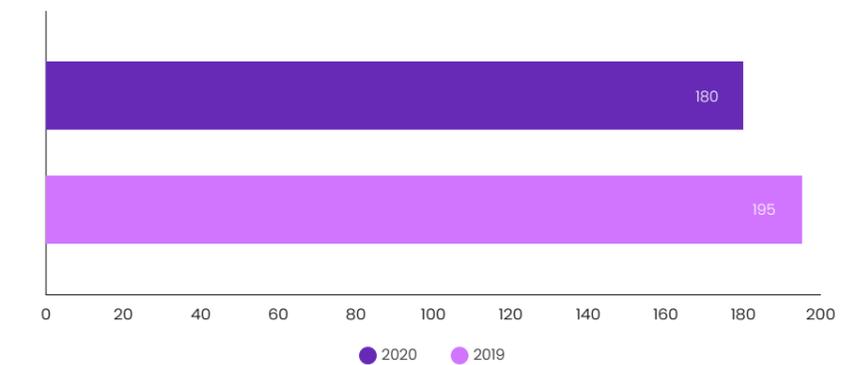
Scope 2: Electricity Indirect GHG Emissions

Occur from the generation of purchased electricity consumed by the company, with the emissions occurring at the facility where the electricity is generated. Understanding these emissions allows companies to assess the risks and opportunities and potentially reduce their GHG emissions by investing in energy efficient technologies and energy conservation.

The carbon intensity of Prime Super's listed equities portfolio has reduced, falling from 195 to 180 tonnes of CO₂e per A\$1 million in revenue as at 31 December 2020 compared to the previous year.

The comparison benchmark is weighted 44% S&P/ASX 300 Index, 44% MSCI World ex Australia and 12% MSCI Emerging Markets.

Figure 2: Prime Super's listed equity portfolio carbon intensity measure (CO₂e per A\$1 million revenue)

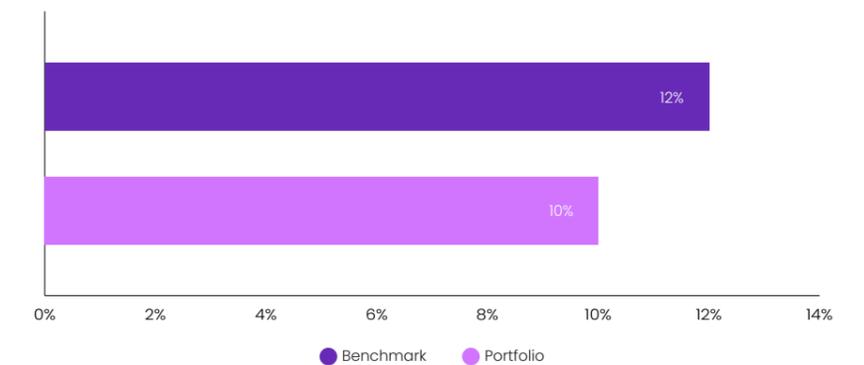


(iii) Fossil fuel involvement

Different types of company involvement in fossil fuels is examined, including thermal coal, oil and gas, oil sands, shale energy, deep-water production and Arctic offshore exploration.

Prime Super's listed equities portfolio had lower exposure to fossil fuels than the benchmark as at 31 December 2020.

Figure 3: Prime Super's listed equities portfolio exposure to fossil fuels



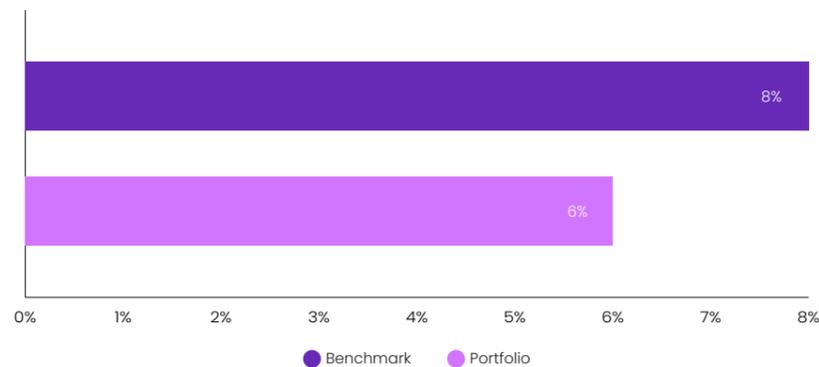
Metrics and targets (continued)

(iv) Carbon solutions involvement

Company involvement in carbon solutions is examined, including renewable energy, green transportation, green real estate and energy efficiency.

Prime Super's listed equities portfolio had lower exposure to carbon solutions than the benchmark as at 31 December 2020 although the total portfolio reported a lower carbon intensity than the benchmark.

Figure 4: Prime Super's listed equities portfolio exposure to carbon solutions

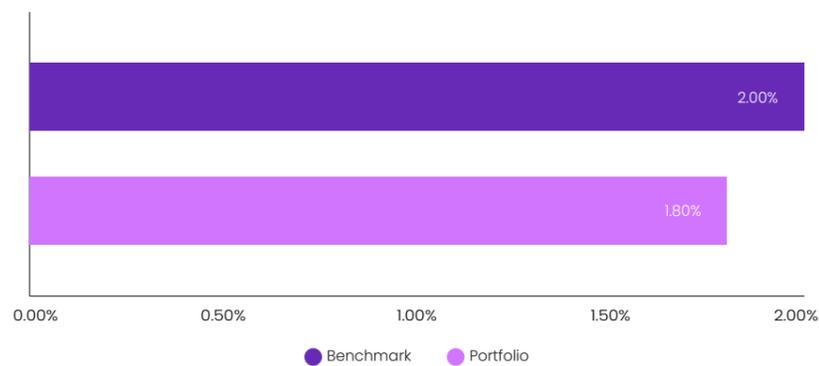


(v) Stranded carbon assets research

The risk of oil and gas assets becoming stranded in the transition to a low-carbon economy is assessed for this measure. Exposure includes lifecycle carbon intensity of production and proven reserves as well as involvement in high cost projects.

Prime Super's listed equities portfolio had lower exposure to stranded assets than the benchmark as at 31 December 2020.

Figure 5: Prime Super's listed equities portfolio exposure to stranded assets



Targets

We accept the Intergovernmental Panel on Climate Change's (IPCC) assessment of climate change science that warming of the climate is unequivocal, the human influence is clear and physical impacts are unavoidable.

The IPCC is the United Nations body for assessing the science related to climate change. We note the reports from the IPCC and the findings from those reports.

We also support the objectives of the Paris Agreement.

The Paris Agreement is an internationally-recognised binding agreement to commit to combat climate change and address the effect it has on the global environment. The objective of the agreement is to limit global temperature rise to well below 2, preferably to 1.5 degrees Celsius compared to pre-industrial levels by 2050.

Prime Super will, through engagement with the companies that we invest in, seek to implement the strategies necessary for compliance with the Paris Agreement.

2. Infrastructure and property investments

Carbon footprint

We have collected the Scope 1 (emissions that occur from sources that are owned or controlled by the company) and Scope 2 (emissions that occur from the generation of purchased electricity consumed by the company) greenhouse gas emissions (GHG) data for all equity assets in Prime Super's alternatives portfolio, for the 2020 calendar year (unless otherwise specified) using a materiality threshold of \$A20 million and including directly held assets, those held in pooled funds and alternative credit.

We have relied on the operational boundary as defined by the Greenhouse Gas Protocol. Our objective was to collect carbon data across all asset classes including debt however found that data availability was limited for both listed and private markets.

Prime Super's real assets had a carbon footprint of 11.7 tCO₂e per AU\$M invested. This carbon footprint should be compared to that of the listed markets, where the Prime Super portfolio has a carbon intensity of 180 tCO₂e per AU\$M invested.

Physical climate risk

Prime Super engaged Moody's ESG Solutions, an independent expert on the economic cost of climate risk, to undertake an analysis of the physical risks of climate change of its directly held real asset portfolio.

The table on this page, Figure 6, defines the climate hazards considered in this analysis and details the potential business impacts of each of these hazards.

We note the introduction of a new climate hazard this year, wildfires (or bushfires, as they are known in Australia).

Figure 6: Potential business Impacts of climate hazards

Climate hazard	Description	Potential business impacts
Floods	Change in rainfall conditions and size and frequency of possible floods	<ul style="list-style-type: none"> Property and building damage Compromised infrastructure Business interruptions
Heat stress	Increase in temperature	<ul style="list-style-type: none"> Increased energy costs Heightened risk of brownouts /power outages Stress on human health/ labour force
Hurricanes & typhoons	Exposure to past cyclones	<ul style="list-style-type: none"> Property damage Permanent loss of property value Relocation costs
Water stress	Change in water supply and demand	<ul style="list-style-type: none"> Reduced water supply Increased water costs Erosion of social license to operate/reputation
Sea level rise	Heightened storm surge, augmented by sea level rise	<ul style="list-style-type: none"> Property damage Permanent loss of property value Relocation costs
Wildfires/ Bushfires	Change in fire potential	<ul style="list-style-type: none"> Permanent loss of property value Stress on human health (air quality) Stress on ecosystem services Business interruptions High insurance costs or loss of insurance

Please note that a more detailed description of each climate hazard is presented in Appendix A on page 22 of this report.

Metrics and targets (continued)

Importantly, the risk assessments undertaken by Moody's ESG Solutions are based on latitude and longitude data and broad information on facility type (for instance, office, power plant and shopping centre), but do not take into account any risk mitigation that has already been implemented. For this reason, PATRIZIA has discussed the climate risk assessments with the company management of each asset.

Prime Super will focus on those risks that have been identified by Moody's ESG Solutions but not yet mitigated by asset management initiatives, rather than just the raw data itself.

We assessed 20 assets in 1,558 locations across six climate attributes. Given the heterogeneous nature of Prime Super's infrastructure assets, we used three different approaches to determine the final scores, as described below.

1. Single point assets were assessed based on the latitude and longitude of the physical infrastructure. For

some assets there was only one location (for instance, 1 King William Street, Adelaide) and for others there were multiple locations (like IPG, where we assessed 10 car parks across Australia).

2. Spatially complex or 'horizontal' assets were mapped and then assessed along the length of the asset. Prime Super invests in three horizontal assets - Aunor, Igasamex and Peninsula Link - which were assessed at 747, 284 and 484 locations respectively.

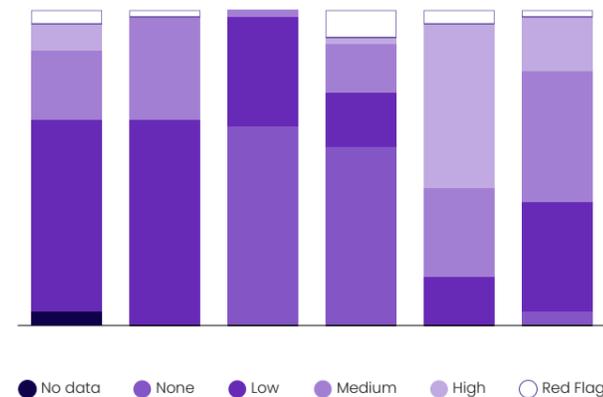
3. Sovereign and sub-sovereign scores. Prime Super invests in three assets that have relatively low value sites spread across a region or country, these being Southern Water, TDF and Yorkshire Water. For these assets, we have used sovereign or sub-sovereign climate scores.

For this next part of the portfolio analysis, we focus on 46 of these risk assessments, that is all single point

assets and the maximum risks for the horizontal assets. On this basis, we have undertaken 276 risk assessments (46 locations x 6 climate risk attributes), and the results are summarised in Figure 7 and Figure 8 below. Risks have been assessed for the decade 2030-40. The climate scenario underpinning the analysis is RCP 8.5¹, that is, the business as usual scenario. This scenario was used because there is enough carbon in the atmosphere now that means this scenario will likely prevail for the decade starting in 2030, less than ten years away now.

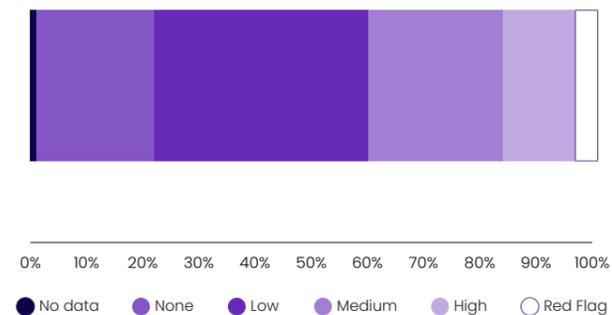
Of the 276 risk assessments, 10 locations were classified as Red Flags (4% of the total) and these risks are detailed below. A further 37 locations (13% of the total) were assessed as being High Risk. We focus on these Red Flag and High Risk locations in the asset by asset analysis of this paper.

Figure 7: Risk assessments by climate risk attributes for the Alternatives portfolio



Source: Four Twenty Seven, Whitehelm Advisers

Figure 8: Percentage of locations in each risk category



Source: Four Twenty Seven, Whitehelm Advisers

Figure 9: Results total risk assessment (residual climate risk)

Asset	Transition Risk	Physical Risks	Climate Mitigation & Adaptation Strategies	Residual Climate Risk
Flinders Ports	●	Assessed	✓✓✓	●
Igasamex	●	Assessed	✓✓✓	●
IPG	●	Assessed	✓✓✓	●
ITE College West	●	Assessed	✓✓✓	●
Kinland	●	Assessed	✓✓✓	●
Peninsula Link	●	Assessed	✓✓✓	●
Rowville	●	Assessed	✓✓✓	●
Saren Energy	●	Assessed	✓✓✓	●
Southern Water	●	Assessed	✓✓✓	●
Storrund Vindkraft	●	Assessed	✓✓✓	●
Vopak	●	Assessed	✓✓✓	●
Worsley	●	Assessed	✓✓✓	●
1 King William	●	Assessed	✓✓✓	●
111 Alinga	●	Assessed	✓✓✓	●
313 Adelaide	●	Assessed	✓✓✓	●
50 Miller	●	Assessed	✓✓✓	●
Citilink	●	Assessed	✓✓✓	●
Aunor	●	Assessed	✓✓✓	●
Yorkshire Water	●	Assessed	✓✓✓	●

What high risk and red flag means for each climate attribute

- Floods:** Locations assessed as high risk are susceptible to some flooding and inundation during rainfall or riverine flood events and red flag locations are susceptible to high frequency and/or severe rainfall or riverine flooding during a 1 in 100 year flood event.
- Heat stress:** High risk locations are forecast to experience relatively high changes in extremes compared to the global average and red flag locations are exposed to some of the most severe changes in global heat extremes.
- Hurricanes and typhoons:** High risk locations are those situated in the regular path of cyclones and red flag means a location situated in the regular path of cyclones and severe cyclones are common.

- Sea level rise:** Locations assessed as high risk are susceptible to some degree of coastal flooding in 2040, although relative changes in flood frequency are small. Those locations assessed as red flag means the site has not flooded historically but is susceptible to coastal floods in 2040.
- Wildfires:** High risk means high wildfire potential and/or high availability of burnable fuel, with sizeable increases in future severity of wildfire potential and high risk days. Red Flag means very high wildfire potential and availability of burnable fuel, and at least several additional weeks of high risk days.
- Water stress:** High risk means current water stress is likely already high and water supplies are diminishing, and a red flag means competition for water resources is extreme and future water supply failure is possible.

Source: Four Twenty Seven

1 www.climatechangeinaustralia.gov.au/en/changing-climate/future-climate-scenarios/greenhouse-gas-scenarios/

Member choice

Sustainable Responsible Investment (SRI) option

Our SRI option is for members who want to incorporate more specific social and environmental values into their super investments and avoid some industries in their superannuation investments.

SRI investments

It offers the potential for long-term growth, diversification across a broad range of asset classes, and invests in companies that show leading environmental, social and corporate governance (ESG) and ethical practices.

It also avoids exposure to companies involved in activities we consider to negatively impact the environment or society.

The total Prime Super investment portfolio and the SRI option will avoid investing in companies which directly:

- produce tobacco (including e-cigarettes and inhalers); or
- manufacture controversial weapons (such as cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments).

Investment management

The Prime Super SRI option is invested in the Pandal Sustainable Balanced Fund which is a product offered by Pandal Institutional Limited ('Pandal'). The Pandal Sustainable Balanced Fund is structured to deliver a high quality SRI focused investment product. This product is referred to as the Prime Super SRI option in this document.

For Australian and international shares and Australian and international fixed interest, the Prime Super SRI option uses an active security selection process that combines sustainable and ethical criteria with Pandal's financial analysis. The product actively seeks exposure to securities and industries that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding

exposure to companies with activities or behaviour that are considered to negatively impact the environment or society.

The SRI option also avoids investing in companies which derive 10% or more of their total revenue directly from:

- the production of alcoholic beverages;
- manufacture, ownership or operation of gambling facilities, gaming services or other forms of wagering;
- manufacture of weapons or armaments;
- manufacture or distribution of pornography;
- mining of uranium for the purpose of weapons manufacturing; and
- extraction of thermal coal and oil sands production.

Continuous improvement

The SRI option will continue to enhance its focus on delivering appropriate outcomes from an ESG perspective through changes to the portfolio. The SRI option portfolio is in the process of implementing further screens in relation to fossil fuels. This will result in:

- full avoidance of companies which directly extract or explore for fossil fuels (specifically, coal, oil and gas); and
- avoiding investments in companies which derive 10% or more of their total revenue directly from fossil fuel-based power generation, or fossil fuel distribution or refinement (coal, oil and gas)*.

* Companies with a climate transition plan may be exempted from this exclusion, provided they have in place a credible Paris Agreement aligned transition plan and produce robust climate-related financial disclosures annually.

Our SRI option is invested in the Pandal Sustainable Balanced Fund, a product offered by Pandal Institutional Limited ('Pandal'). The following table sets out the 'screens' that is, investments that this product avoid.

	Screens from 7 April 2021
Fossil fuels	<ul style="list-style-type: none"> • directly undertake fossil fuel exploration or extraction (specifically, coal, oil and gas); or • derive 10% or more of their revenue from fossil fuel based power generation, or from fossil fuel refinement or distribution (coal, oil and gas); or • derive 10% or more of their revenue from the provision of supplies or services which relate specifically to the fossil fuel exploration or exploration industries (coal, oil and gas).
Uranium	<ul style="list-style-type: none"> • derive 10% or more of their total revenue from directly mining of uranium for the purpose of nuclear power generation
Alcohol	<ul style="list-style-type: none"> • produce alcoholic beverages; or • derive 10% or more of their total revenue from the distribution or retailing of alcoholic beverages.
Tobacco	<ul style="list-style-type: none"> • produce tobacco (including e cigarettes and inhalers); or • derive 10% or more of their total revenue from the distribution of tobacco (including e-cigarettes and inhalers) or supply of goods or services specifically related to the tobacco industry (for example, packaging or promotion)
Pornography	<ul style="list-style-type: none"> • produce pornography; or • derive 10% or more of their total revenue from the distribution or retailing of pornography
Weapons	<ul style="list-style-type: none"> • manufacture or distribute controversial weapons (such as cluster munitions, landmines, biological or chemical weapons, nuclear weapons, blinding laser weapons, incendiary weapons, and/or non detectable fragments); or • manufacture of non-controversial weapons or armaments (including civilian firearms or military equipment); or • derive 10% or more of their total revenue from the distribution or retailing of non-controversial weapons or armaments (including civilian firearms or military equipment).
Gambling	<ul style="list-style-type: none"> • directly manufacture, own or operate gambling facilities, gaming services or other forms of wagering, or • derive 10% or more of their total revenue from the indirect provision of gambling (for example, through telecommunications platforms).
Logging	<ul style="list-style-type: none"> • derive 10% or more of their total revenue from unsustainable forestry or forest products, including non Forest Stewardship Council certified forest products or non Roundtable on Sustainable Palm Oil certified palm oil production.
Animal cruelty	<ul style="list-style-type: none"> • directly undertake animal testing for cosmetic products; or • directly undertake live animal export.
Predatory lending practices	<ul style="list-style-type: none"> • directly provide products or services with lending practices that are unfair or deceptive to ordinary borrowers, including small amount short term loans at higher than commercial rates of interest (for example, payday loans, pawn loans or the use of aggressive sales tactics).
Incident based screen for breaches and misconduct	<ul style="list-style-type: none"> • Consider having been found to have significant breaches of social and environmental norms and regulations, or are subject to serious and substantiated allegations of unethical conduct, which we consider have not been remedied or adequately addressed

Stewardship – engagement and proxy voting

Prime Super uses investment managers to directly manage listed share holdings. Our investment managers scrutinise ESG considerations in the stock selection process.

They engage with investee companies on a regular basis and provide us with quarterly reporting on the feedback they receive, and their ESG and engagement approach. This allows us to:

- expand our understanding of how the managers approach ESG
- understand their ESG concerns and how they are communicated to investee companies
- identify any higher risk businesses within portfolios.

Australian equities

Over the last 12 months our investment managers actively engaged with our Australian equities investments by participating in 724 meetings with Australian companies over the 12 months to 30 June 2021. Twenty percent of the engagement undertaken by our Australian equities' investment managers were specifically on environmental issues, while general engagements also included environmental discussions.

Developed overseas equities

Active engagement with the developed overseas equities sector and our investment managers included attending 76 meetings with overseas companies in developed markets including the US, UK, Europe, Japan, South Korea and Hong Kong over the 12 months to 30 June 2021. Ten percent of these discussions were specifically on environmental topics while the general engagements undertaken also included conversations on climate change and other environmental issues.

Figure 10: Focus of investment manager meetings over the past 12 months

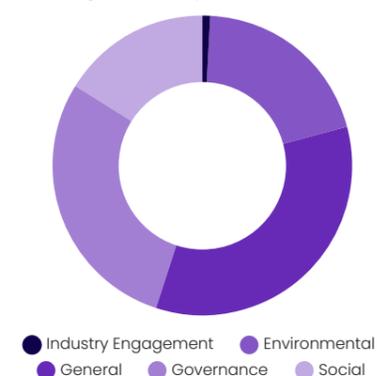
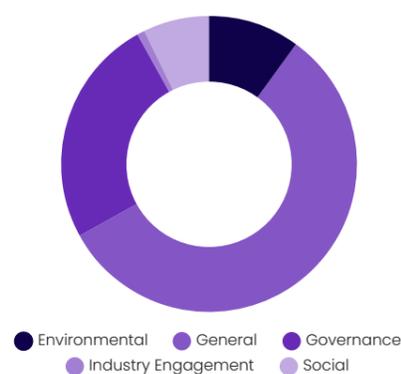


Figure 11: Meeting topics of developed overseas equities sector and investment



Proxy voting

We actively engage with investee companies by voting on our portion of shares at annual general meetings.

Shareholder resolutions themed around environmental and social issues are gaining momentum and give a chance for investors to have a say in improving how a company operates, reducing its impact on the environment, holding companies accountable to carbon emissions targets and increasing transparency through additional disclosures.

We actively engage with the companies that we invest in to influence their behaviour to

act responsibly as we exercise shareholder voting rights, consistent with our Proxy Voting Policy.

We generally vote in favour of resolutions which encourage lower emissions targets and climate-related financial risk disclosure in line with guidelines provided by the Taskforce on Climate-Related Financial Disclosures. In the year to 31 December 2020, we voted in favour of 5 resolutions based on emissions and climate-related disclosure targets that were put forward by shareholders.

Our [voting history](#) is available on our website.

Figure 12: Engagement by sector over the past 12 months

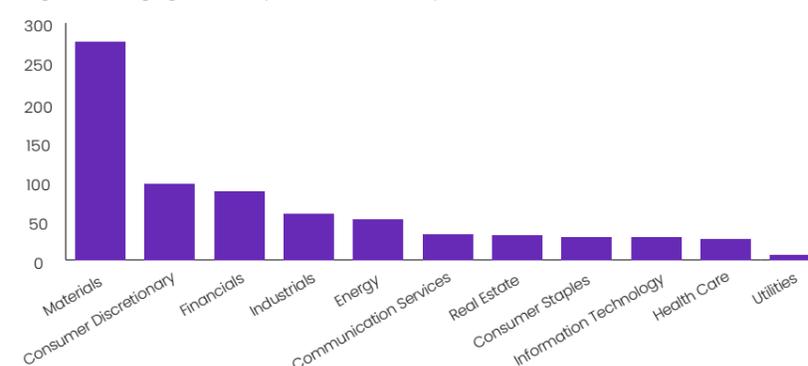
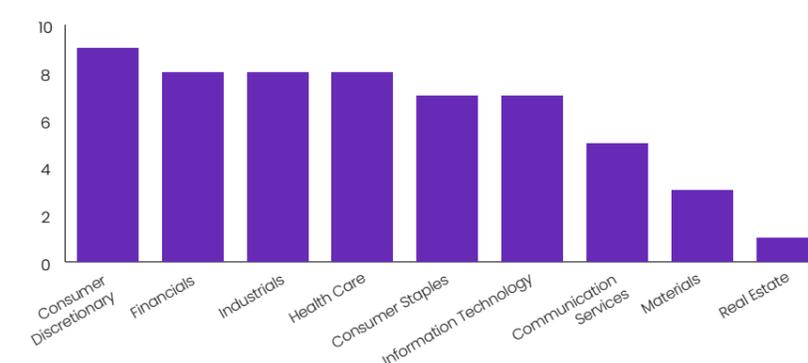


Figure 13: Engagement by sector over the past 12 months



TCFD reporting checklist

We formally support the recommendations of the TCFD and have structured this Climate Change Risk Report around its recommended disclosures on the four thematic areas : governance, strategy, risk management, and targets and metrics.

Requirement	Page
Governance	
a) Describe the board's oversight of climate related risks and opportunities	Page 10
b) Describe Management's role in assessing and managing climate-related risks and opportunities	Page 10
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Page 12
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Page 12
c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	Page 12
Risk Management	
a) Describe the organisation's processes for identifying and assessing climate related risks	Page 14
b) Describe the organisation's processes for managing climate-related risks	Page 14
c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management	Page 14
Targets and metrics	
a) Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 12
b) Disclose Scope 1, 2 and if appropriate scope 3 greenhouse (GHG) emissions and the related risks	Page 12
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 19

Definitions

Carbon intensity – Absolute emissions (Scope 1 + Scope 2) divided by total revenues, expressed in tonnes of carbon dioxide equivalent per million Australian dollars of total revenue.

Carbon risk – Sustainability metric used to measure a company's challenge to transition towards a low carbon economy. This metric has two components: (1) the extent to which a company is exposed to material carbon risks, that is, a sensitivity or vulnerability to carbon risks, and (2) a measure of a company's handling of material carbon issues through policies, programmes, quantitative performance and involvement in controversies.

Greenhouse gas (GHG) – Those gaseous constituents of the atmosphere that cause the greenhouse effect. The primary GHG's in the earth's atmosphere are water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃).¹

Legal risk – Climate change-related litigation claims. Examples include the failure of organisations to mitigate impacts of climate change, failure to adapt to climate change and insufficient disclosure of climate related risks.²

Market risk – Climate related changes in supply and demand for certain commodities, products and services.²

Physical climate risk – The impact of acute or extreme weather events (including cyclones, hurricanes, floods or wildfires) as well as chronic impacts relating to the longer-term shifts in climate patterns (for example, sustained higher temperatures that may cause sea level rise, water stress or heat waves).²

Policy risk – Government policy actions that attempt to constrain actions that contribute to the adverse impact of climate change, including the implementation of a carbon price to reduce GHG emissions. Such policy actions that seek to promote adaptation to climate change may include shifting energy use to lower emission sources, adopting energy efficiency solutions, encouraging more efficient water measures and more sustainable land practices.²

Reputation risk – Changing customer or community perceptions of an organisation's contribution to or detractor from the transition to a lower-carbon economy.²

Scope 1 emissions – Scope 1 emissions occur from sources that are owned or controlled by the company. These emissions are principally the result of the following activities:

- Generation of electricity, heat or steam;
- Physical or chemical processing, including from the manufacture of cement and aluminium;

- Transportation of materials, products, waste and employees, including trucks, trains and ships;
- Fugitive emissions, including equipment leaks from joints, seals, packing and gaskets; methane emissions from coal mines and venting; hydrofluorocarbon emissions during the use of refrigeration and air conditioning equipment, methane leakages from gas transport.³

Scope 2 emissions – Scope 2 emissions occur from the generation of purchased electricity consumed by the company. These emissions occur at the facility where the electricity is generated. For many companies, purchased electricity is one of the largest sources of GHG emissions and present the most significant opportunity to reduce emissions. Accounting for scope 2 emissions allows companies to assess the risks and opportunities and potentially reduce their GHG emissions by investing in energy efficient technologies and energy conservation.³

Scope 3 emissions – All indirect emissions (not included in scope 2) that result from activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain. Currently, the GHG Protocol does not require that organisations quantify scope 3 emissions when reporting and disclosing GHG emissions.³

Definitions (continued)

Sovereign scores – The sovereign credit rating indicates the risk level of the investing environment of a country and is used by investors when looking to invest in particular jurisdictions, and also takes into account political risk. Sovereign physical climate risk scores bring together physical hazard and socioeconomic data to assess exposure to climate change at a country level. Sovereign scores are assigned by intersecting 19 indicators for six different hazards with three measures of socioeconomic exposure and reflect levels of climate risk exposure relative to the other 187 scored countries.

Sub sovereign scores – Sub-sovereign obligations are issued to raise capital to finance a project that would add value to a region or community after completion. The score is the short-term and long-term issuer credit ratings assigned to the sub-sovereign issuer. These scores bring together physical hazard and socioeconomic data to assess exposure to climate change at a sub-sovereign level. Prime Super have used county level scores for locations in the United Kingdom.

Technology risk – Technological improvements or innovations that support the transition to a lower-

carbon, energy efficient economic system can have a significant impact on organisations. Examples include the development and use of emerging technologies such as renewable energy, battery storage, energy efficiency and carbon capture and storage. There will be winners and losers from these changes as new technology displaces old systems and disrupts some parts of the existing economic system.²

Transition risk – Risks associated with transition to a low carbon economy, including policy and legal, technology, market and reputation risks.²

Tables and charts

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¹ Intergovernmental Panel on Climate Change (IPCC) report

² Task Force on Climate-related Financial Disclosures (TCFD)

³ Greenhouse Gas (GHG) Protocol

Appendix A:

Climate attributes

Definitions	
Heat Stress	Is measured by the relative change over time in both the frequency and severity of hot days, as well as the average temperature. High forecasted changes relative to recent history signal locations that are not necessarily the hottest, but instead are more likely to be impacted due to temperatures unlike those experienced historically. This in turn may affect energy demand and costs, labour productivity, grid reliability and human health.
Water stress.	Measures projected changes in drought-like patterns. Water intensive facilities, such as those involved in manufacturing or energy production, are often dependent upon local water availability. Water stress will affect ability to operate, community relations, and regulatory risk. We note that water stress is relevant for assets that require water to operate, including those involved in manufacturing or energy production. On the other hand, water stress is not applicable for assets that are not dependent on water, even if they are located in an area that is forecast to become increasingly dry
Floods	Is measured by the number of historical floods, both fluvial and pluvial, the frequency of future heavy rainfall events, and the intensity of prolonged periods of heavy rainfall. Floods can have both direct and indirect impacts on operations, as they can damage property, nearby infrastructure, and disrupt operations.
Sea Level Rise	Estimates the absolute and relative increase in the annual frequency of coastal floods. This estimate intends to capture the frequency of inundation due to the combination of sea level rise, storm surge and high tides.
Hurricanes & Typhoons	Is a measure of geographical exposure to tropical cyclones (also known as hurricanes and typhoons). The indicator reflects the cumulative wind velocity from recorded cyclones over the period 1980- 2016. This measure reflects both the severity of storms with the highest maximum winds, but also the frequency with which an area is subjected to severe storms.
Wildfires	Measures wildfire potential in absolute terms and relative change compared to the historical baseline, as well as the availability of burnable fuel in the form of land cover. It is not intended to project specific wildfire events, but rather the areas that are more likely to burn given existing land cover and project climate conditions.

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