

Media Release

25 November 2020

Aware Super's new share market benchmarks reduce carbon footprint of equities portfolio by 40%

Aware Super has created a series of new listed equities benchmarks that will support the Fund's goal of net zero emissions by 2050, by excluding the highest carbon emitters both locally and globally.

Based on existing indices, such as the ASX 200, these Aware Super carbon constrained benchmarks are a key element of the Fund's plans to reduce the emissions intensity of its listed equities portfolio by a minimum of 30% by 2023.

These benchmarks enable Aware Super's passive and systematic investment managers to implement their investment strategies in such a way that the resulting combined equities portfolio excludes the highest carbon emitters from their portfolios. The remaining exposures are then adjusted to ensure members retain an efficient and cost-effective exposure to both Australian and global equity markets.

The benchmarks were rolled out to Aware Super's investment managers in October 2020 and have already delivered promising results; with the carbon emissions of Aware Super's Australian and global equities exposures already 40% below that of the baseline of 31 December 2019; ahead of the Fund's goal.

Aware Super Chief Investment Officer Damian Graham said the benchmarks were a first for an Australian super fund and formed part of the Fund's *Climate Change Portfolio Transition Plan* which was launched in July this year.

He said the benchmarks highlighted one of the key benefits of leveraging an internal investment team to implement the type of portfolio that best suited Aware Super members now and in the long-term.

'Committing to net zero emissions by 2050 is an important step for all investors, but it means little without tangible targets and action to help us achieve this goal,' Mr Graham said.

'The creation of our Aware Super carbon constrained benchmarks is one way we are working to ensure we can continue to deliver strong, sustainable returns for our members not just today, but for decades to come.

'We know that globally the top 60 emitters are responsible for more than 50% of the greenhouse gas emissions of share market-listed companies. Removing some of these companies from our benchmarks enables us to lower the carbon footprint of our portfolio, with only a modest change to our investment mix.

'In just the first month we have already seen a 40% reduction in carbon emissions from our listed equities portfolio, a trend we expect to continue.

'The development of the new Aware Super benchmarks means we can help safeguard our members' funds from the risks associated with holding assets that contribute to climate change, including those with the potential to become stranded assets.

'While many factors can contribute to the performance of companies and sectors, it is notable that the highest Australian listed carbon emitters excluded from Aware Super's carbon constrained benchmarks returned 7% pa over the past 20 years compared to an 8.5% return for the ASX overall.

'We know that climate change poses one of the most significant financial risks to our portfolio and members' financial security in the long-term. We must act now to mitigate these risks and ensure we can continue to deliver for our members both now and tomorrow.'

The Aware Super carbon constrained equity benchmarks are just one of the tools Aware Super is using to respond to the risks of climate change.

Mr Graham said, while around 100 companies domestically and globally had been excluded from the new benchmarks as more businesses worked to reduce their greenhouse gas emissions and committed to taking real action to transition to a low-carbon economy, the composition of the Aware Super benchmarks would change as well.

'Exclusion from the benchmarks is by no means permanent,' Mr Graham said. 'They are dynamic benchmarks, which means we will assess the carbon intensity of each listed company regularly to ensure that we continue to deliver for our members in terms of returns, while supporting our goal to reach net zero emissions by 2050.'

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Media enquiries:

Di Lloyd, Senior Manager Corporate Affairs, 0419 177 599, media@aware.com.au

Note to Editors:

Previously known as First State Super we changed our name to **Aware Super** in September 2020.

Aware Super is a name that reflects our members and what we stand for. It echoes the strengths of our past, aligning to our purpose to be a force for good in superannuation, retirement and advice, driving better outcomes for our members, their families and communities.

First State Super's been the fund for people who value community since 1992, we're now one of Australia's largest funds and we're continuing to grow. We merged with VicSuper this year and together we manage \$130 billion in savings for more than 1 million members located across the country.

Our members work in roles that breathe life into their communities and they expect us to do the same. So, we invest in assets that we believe will make a positive difference today - improving our communities, building a more a sustainable economy and supporting employment both locally and globally at the same time as providing strong long-term returns.

Discover how we're helping members do well financially while doing good in the world: Visit aware.com.au.