Eskom Pension and Provident Fund

CLIMATE CHANGE POLICY

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Effective Date	1 July 2023
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Policy Owner	Chief Investment Officer
Policy Sponsor	Chief Executive

	ESKOM PENSION AND PROVIDENT FUND (“EPPF”)	
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DOCUMENT TITLE	CLIMATE CHANGE POLICY	

Key stakeholders in implementing and monitoring this Policy

Stakeholder	Designation
Board of the Fund	Chairman of the Board
Executive Management	Chief Executive / Principal Officer
Company Secretariat	Company Secretary
Investment Management Unit	Chief Investment Officer

Recommended by Policy Owner

I hereby acknowledge that we have reviewed this Policy and it is not duplicated or in conflict with any other policies

Role	Designation
Policy Owner	Chief Investment Officer
Policy Sponsor	Chief Executive/Principal Officer

Final Approval

Role	Designation
Strategic Investment Committee	Mr S Shweni
Chairperson of the Board	Ms CM Henry

SUMMARY OF VERSION CONTROL

Version Number	Effective Date	Summary Changes
1.0		

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1. DEFINITIONS AND ABBREVIATIONS

In the Policy the following terms and abbreviations shall have the meanings assigned to them below.

Term	Definition or Abbreviation
BOARD	The Board of Trustees of the Fund
CE/PO	The Chief Executive / Principal Officer of the Fund
EPPF OR FUND	The Eskom Pension and Provident Fund
ESG	ESG stands for Environmental Social and Governance, and refers to key factors that are used to measure the sustainability performance of an investment in a business or company.
IMU	Investment Management Unit
MATERIALITY	Materiality is defined as the relevance or importance placed on context-specific identified issues and factors that have a direct or indirect impact on the Fund's ability to create, preserve or erode economic, environmental or social value for itself, its stakeholders and society at large.
Net Zero	Means cutting greenhouse gas emissions to as close to zero as possible.
SIC	Strategic Investment Committee
SAA	Strategic Asset Allocation
TCFD	the Task Force on Climate Related Financial Disclosure
JSE	Johannesburg Stock Exchange
IPCC	Intergovernmental Panel on Climate Change
IMF	International Monetary Fund
PRI	Principles for Responsible Investment
CDP	Carbon Disclosure Project
FSCA	Financial Sector Conduct Authority
GHGs	Greenhouse gas (GHG) emissions
JET	Just Energy Transition

2. INTRODUCTION AND BACKGROUND

EPPF (the Fund) as a large institutional investor and asset owner, takes a long-term, responsible and sustainable approach to investment and ownership as a way of creating and preserving value for its beneficiaries. The principal long-term goal of the Fund is to maximise the retirement benefits of all its members, having due regard to the term and nature of its obligations as well as the associated investment-related risks. Global warming is creating far reaching impacts on society and the Fund's investments. Climate change and environmental factors can lead to material risks and opportunities for the companies and securities the Fund invests in. Managing and mitigating these climate-change-related risks is aligned with the Fund's long-term objectives as a long-term investor. It is the Fund's fiduciary duty to take into account financially material climate change risks and to manage its investments in the optimal way on behalf of our beneficiaries.

This policy is the Fund's confirmation and affirmation of its role in limiting and managing climate-change-related risks through its investments. The Fund will review its position annually as more research becomes available.

3. SCOPE

Climate change will have significant physical and economic impacts on many different aspects of human activity, as identified by bodies such as the Intergovernmental Panel on Climate Change (IPCC), the IMF and the Johannesburg Stock Exchange (JSE). It will result in changes to weather, consumer demands and societal expectation presenting new investment risks as well as opportunities. Climate change is a systemic issue which affects all asset types and sectors. As such, it will impact the Fund's returns, asset valuations and asset allocation processes as an asset owner with diversified, global portfolios.

1. Climate Risks

Climate risks can be summarised as:

- *Physical:* damage to land, buildings, stock or infrastructure owing to physical effects of climate-related factors, such as heat waves, drought, sea levels, ocean acidification, storms or flooding
- *Secondary:* knock-on effects of physical risks, such as falling crop yields, resource shortages, supply chain disruption, as well as migration, political instability or conflict
- *Policy:* financial impairment arising from local, national or international policy responses to climate change, such as carbon pricing or levies, emission caps or subsidy withdrawal
- *Liability:* financial liabilities, including insurance claims and legal damages, arising under the law of contract, tort or negligence because of other climate-related risks
- *Transition:* financial losses arising from disorderly or volatile adjustments to the value of listed and unlisted securities, assets and liabilities in response to other climate-related risks
- *Reputational:* risks affecting businesses engaging in, or connected with, activities that some stakeholders consider to be inconsistent with addressing climate change
- *Risk of stranded assets:* risks in fossil fuel industries but also in all other sectors/industries exposed to stranded asset risk through transition risk, physical risks and hazards, regulatory change, technological change, reputational and market risks, supply chain disruptions, changes in demand, economic factors and production/operation disruptions etc. These sectors could include, for example, insurance companies, plastics, agriculture stocks, airlines and transport providers, oil and gas support services, retail and fashion, construction, real estate, steel/aluminum manufacturers and banking sectors.

This simplified list of climate-related risks; different types of these risks can interact with each other in complex ways and other external factors can also have huge potential to complicate or enhance these risks.

2. Objectives of this policy

This policy;

- Confirms EPPF's belief that climate change represents one of the most serious challenges for the world today, both in terms of economic, political and human impacts.
- Signifies EPPF's understanding of the significant impact of climate change on a majority of companies and sectors the Fund invests in
- Confirms EPPF's commitment to contributing through the Fund's investments, towards the goals of limiting temperature rises to one point five degrees above pre-industrial level or lower in line with the commitments made through the Paris Agreement
- As PRI signatory, signifies the Fund's understanding of the concept of the Principles of Responsible Investment's Inevitable Policy Response, which is primarily aimed at demonstrating latent risk in investor portfolios related to probable policy and technology developments. It further signifies the Fund's commitment to consider these factors to the best of the Fund's ability in investment decisions.
- This policy also affirms EPPF's support of the Task Force on Climate Related Financial Disclosure (TCFD) and the JSE Climate Change Disclosure Guidelines. The Fund firmly believes that financial markets need clear, comprehensive, high-quality information on the impacts of climate change, including the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world.

This policy is complimentary to the Fund's following Sustainable Investing Policies;

- *Global ESG Policy*
- *Engagement Policy and Engagement Plan*
- *Proxy Voting Policy*
- *Impact Investing Policy*
- *Transformation Policy*

Policy Structure and Approach

The Fund follows a Top-down approach to climate change investing as follows.

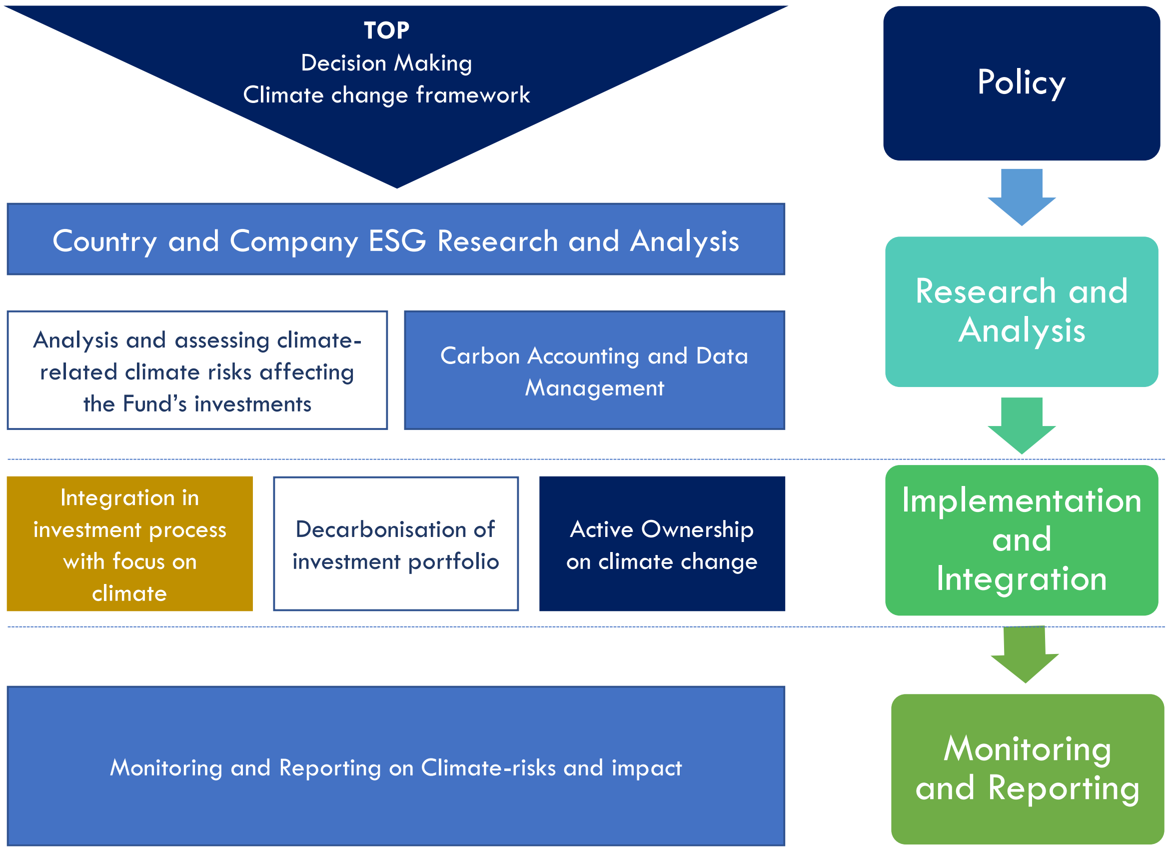

Fig: EPPF Climate change approach

4. GOVERNANCE

The Fund has implemented governance structures that ensure proper support and implementation of its ESG / Sustainable Investing Policy. The same structures will be leveraged for this policy. The Fund's ESG Policy identifies key roles and responsibilities in order to create ownership of sustainability issues.

The EPPF Board of Trustees is accountable for the strategic integration of climate risks, which ensures that alignment with net zero is prioritised. The CIO is responsible for driving and oversight of sustainable investing and ensuring that the Fund integrates climate-related risks and opportunities across asset classes.

5. CLIMATE CHANGE COMMITMENTS AND AMBITIONS

The Fund's ambition is to reach net zero emissions by 2050 across all its assets and do so in a just and measured way. This decarbonisation strategy will be based on the guidance of the Net Zero Investment Framework of the Paris-Aligned Investment Initiative and the 2025 Target-Setting Protocol of the UN-Convened Net Zero Asset Owner Alliance. In line with these ambitions, the EPPF will become a part of the Net Zero Asset Owners Alliance based on an interim target approached from an engagement-based approach, rather than an emissions-based approach. Engagement is a necessary component to ensure that the global economy, individual sectors and ultimately companies set out on transition pathways which deliver the necessary emission reductions needed to keep global warming to 1.5°C. Furthermore, the Fund will engage and collaborate with its underlying fund managers in aligning practices and processes toward delivering net zero portfolios by 2050.

Just Energy Transition (JET)

The concept of the Just Energy Transition revolves around the shift towards a more environmentally friendly future with reduced carbon emissions. It aims to not only address the pressing need for cleaner technologies but also ensure the creation of new job prospects for those individuals who may be adversely affected by the replacement of coal-based industries. The key components of a Just Energy Transition can be further explained as follows:

1. Just: At the core of Just Energy Transition lies the prioritization of people and social inclusivity in decision-making processes, particularly focusing on those most affected by the transition to greener technologies. It recognizes that certain groups, such as the impoverished, women, individuals with disabilities, and the youth, may bear a disproportionate burden during the transition to greener technologies. To address this, the Just Energy Transition focuses on empowering and equipping these groups with the necessary tools and opportunities to participate in and benefit from the changes taking place.

2. Energy: This dimension highlights the importance of building resilience within both the economy and society. It entails establishing affordable and decentralized renewable energy systems that are diverse in ownership. By encouraging a wider ownership base, the aim is to ensure that the benefits of renewable energy are shared across different segments of society.

Furthermore, the focus is on creating a reliable and uninterrupted supply of electricity to meet the energy needs of individuals and businesses.

3. Transition: This aspect recognizes the need for transformational changes in business models to align with the goal of achieving net-zero greenhouse gas emissions by 2050, based on the best available scientific knowledge. It entails a comprehensive shift away from conventional practices towards innovative and sustainable approaches. By embracing this transition, industries and economies can effectively contribute to mitigating climate change and advancing environmental sustainability.

Overall, the Just Energy Transition is a holistic approach that encompasses social, economic, and environmental considerations. It seeks to foster **a fair and equitable pathway** towards a greener future, while ensuring that the most vulnerable groups are not left behind. By embracing renewable energy sources, empowering marginalized communities, and embracing sustainable business practices, the Just Energy Transition paves the way for a more inclusive and environmentally responsible society.

EPPF's Position on JET

The Fund holds the belief that a Just Energy Transition in South Africa should encompass a holistic approach, ensuring that the shift towards a low carbon economy not only addresses existing and historical inequalities but also generates employment opportunities, alleviates poverty, revitalizes our natural systems to enhance resilience, and, crucially, ensures that no individual or community is left behind.

The Fund acknowledges the imperative of addressing present and historical inequalities within the context of a Just Energy Transition. This means that the transition to a low carbon economy should actively strive to reduce disparities and provide equal opportunities for all individuals, regardless of their socio-economic background or demographic characteristics. By prioritizing social justice and inclusion, the aim is to create a fair and equitable transition that benefits all segments of society.

Additionally, a key aspect of a Just Transition is the creation of new job opportunities. The Fund recognizes the significance of job creation to counteract the potential displacement of workers in sectors undergoing transformation. By investing in and promoting industries that align with a low carbon economy, such as renewable energy, energy efficiency, and sustainable infrastructure, the transition can become a source of new employment prospects. This not only helps individuals affected by the transition but also contributes to overall economic growth and stability.

The Fund also emphasizes the importance of poverty alleviation within the framework of a Just Energy Transition. By implementing measures that target poverty reduction and social upliftment, the transition can serve as a catalyst for improving living conditions and increasing the well-being of marginalized communities. This includes providing access to affordable and clean energy solutions, improving infrastructure in underserved areas, and supporting initiatives that enhance economic opportunities for disadvantaged groups.

Furthermore, the restoration of natural systems plays a vital role in building resilience. The Fund recognizes the interconnectedness between environmental sustainability and societal well-being. By prioritizing the restoration and conservation of ecosystems, including land, water, and biodiversity, the transition can enhance the ability of communities and ecosystems to adapt to climate change impacts and other environmental challenges. This not only safeguards the ecological balance but also strengthens the long-term sustainability and resilience of the country.

Lastly, the Fund underscores the principle of leaving no one behind. A Just Energy Transition ensures that the most vulnerable and marginalized groups are not disproportionately burdened by the transition to a low carbon economy. It requires targeted policies and measures that address the specific needs and challenges faced by these communities, ensuring their active participation and benefiting from the transition. By prioritizing inclusivity and actively engaging with affected stakeholders, a Just Energy Transition can foster social cohesion, trust, and a shared sense of ownership in shaping the future.

In summary, the Fund firmly believes that a Just Energy Transition in South Africa encompasses addressing inequality, job creation, poverty alleviation, restoration of natural systems, and leaving no one behind. By focusing on these aspects, the transition process to greener technologies can pave the way for a sustainable, equitable, and green future for all South Africans.

JET Implementation and Support

To actively contribute to the advancement of the Just Energy Transition (JET), the EPPF commits to engaging its investee companies according to the strategies previously outlined. Furthermore, the EPPF will allocate its capital resources to finance various JET initiatives.

In alignment with its dedication to promoting a sustainable and equitable energy future, the EPPF recognizes the pivotal role it plays as an institutional investor. To drive meaningful change and support the JET, the EPPF will adopt a proactive approach by engaging with its investee companies. Through dialogue, collaboration, and influencing corporate behavior, the EPPF aims to foster a collective commitment to the principles of the JET.

This engagement entails working closely with investee companies to ensure that their business practices and operations align with the objectives of the JET. The EPPF emphasizes the importance of integrating social, environmental, and governance considerations into corporate decision-making processes.

Furthermore, the EPPF understands the significance of capital allocation in driving the JET forward. With its financial resources, the EPPF will actively seek opportunities to invest in initiatives that promote and accelerate the transition to a low carbon and sustainable energy system. By strategically deploying capital into JET projects, the EPPF aims to not only generate financial returns but also contribute to the development and implementation of innovative solutions.

The financing of JET initiatives encompasses a wide range of activities. The EPPF may provide funding for renewable energy projects, including solar and wind farms, hydroelectric plants, and geothermal installations. Additionally, the Fund may support energy efficiency initiatives, such as building retrofits, smart grid technologies, and energy storage solutions. By investing in these projects, the EPPF will seek to facilitate the expansion of clean energy sources, reduce greenhouse gas emissions, and enhance energy resilience.

Moreover, the EPPF recognizes the importance of inclusive and socially responsible investment practices within the JET framework. It acknowledges that the transition must prioritize the needs of marginalized and disadvantaged communities, ensuring that they are not left behind. Therefore, the EPPF will seek opportunities to invest in projects that promote social equity, job creation, and community development, particularly in areas affected by the shift from traditional energy sources.

In summary, the EPPF is committed to actively supporting the JET by engaging with its investee companies and directing its capital resources towards financing JET initiatives. Through constructive engagement and responsible investment practices, the EPPF will aim to drive positive change, accelerate the energy transition, and contribute to the realization of a more sustainable and equitable energy future.

6. IMPLEMENTATION

i. Implementing the TCFD recommendations

As of 2020, the PRI has made reporting against TCFD-based climate risk indicators mandatory for signatories. The TCFD provides a disclosure framework for making climate risks and opportunities more transparent. It recommends that organisations disclose against questions related to governance, strategy, risk management and risk metrics. As a PRI member, the Fund will use this framework to make informed decisions about its exposure to physical and transitional risks.

ii. Advocacy

In order to better understand the future climate policy trajectory and its possible investment impact, the Fund will engage and consult policy makers. Engagement with policy makers has the potential to influence the direction of the policy outcomes in a way that could reduce the investment uncertainty and enhance the resilience of the Fund’s portfolios to future climate change outcomes. EPPF is in a unique position to make the economic case for climate and energy policies that can send the appropriate price signals to incentivise low carbon, clean energy investment. Advocacy will be undertaken with the aim of influencing the broader market and promote a shift towards a sustainable financial system. This can include a variety of activities including engagement with and submissions to government, publishing, commissioning and contributing to climate change research and industry wide campaigns.

It also involves engaging with standards setters and policy makers, such as politicians, senior government officials, independent commissioners, legislators and media as appropriate.

iii. ESG Integration

The Fund defines ESG Integration as the explicit and systematic inclusion of ESG considerations in its investment processes and activities. As the Fund utilizes a multi manager structure with both internal and external asset managers, ESG integration is achieved through its asset managers. The Fund will monitor and task its asset managers both internal and external, to include climate change considerations in the analysis of all material factors in investment analysis and decisions.

iv) Engagement

EPPF is an active investor and engages investee companies on several issues. The Fund defines engagement as all activities, actions and approaches which are applied, in a prudent and constructive manner, to express the Fund's sustainable investing position on environmental, social and governance (ESG) issues with the intention of encouraging entities to act in a manner that safeguards and unlocks long term investment value. EPPF interacts with investee entities in order to correct existing problems, reduce future risks, or enable the entity to seize future opportunities. The Fund seeks to influence the companies through direct company engagement with board, management, sustainability teams and other relevant departments. The primary objective of the Fund's engagement program is to preserve and improve the long-term value of its investments. Engagement will be used to address climate change risk and opportunity by prioritising climate change objectives and targets in the Fund's annual Engagement Plan. As part of its engagement with investee companies, the Fund will be vigilant on issues of green washing. *Greenwashing* is when the investee company makes false, unsubstantiated, or outright misleading statements or claims about the sustainability of its business operations.

Furthermore, the Fund will engage and encourage its fund managers to measure, report and reduce the carbon intensity of their portfolios.

v) Proxy Voting

The Fund's proxy voting entails the voting of its shares at shareholders meetings of investee companies, attending shareholders meetings and holding the managers of assets held in the Pooled Portfolios responsible for voting. The Fund exercises proxy voting in a manner that is consistent with its Proxy Voting Policy and Guidelines that are designed to safeguard long-term shareholder value by promoting good practices by investee entities. The Voting Guidelines will be updated on an annual basis to reflect the changing climate change policy landscape and to implement the Fund's position. Proxy voting will also be utilised as an engagement lever. EPPF believes that voting on climate change related shareholder resolutions at a company's shareholder meetings is an important way in which the Fund can exercise its shareholder rights to influence and encourage climate change policy and practice.

vi) Collaborations

As a PRI signatory, the Fund will leverage off the collaborative efforts coordinated by the PRI on climate change. Through working with other investors and organisations, the Fund will be able to amplify its efforts.   Collaboration with other stakeholders will be considered in line with the Fund's ESG/sustainable investing policy.

Furthermore, the Fund will support and endorse affiliations and associations focused on topics related to climate change like the Task Force for Climate Related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP).

vii) Asset Allocation

The Fund will consider actions for measuring and managing the risks and opportunities of climate change, both within the existing strategic asset allocation (SAA) structure and through evolving the asset mix over time. As the Fund learns and adapts, the Fund will consider the integration of climate change into the SAA framework to manage climate change risks in a prudent and consistent way.

viii) Impact Investing

In response to investor concerns about climate change and the transition to a low carbon, clean energy economy, a wide range of mitigation investment opportunities are available across asset classes. EPPF will consider the relative merit and suitability of the range of mitigation investment actions, both to reduce the carbon intensity of existing assets and to build exposure to low carbon, energy efficient assets. Some of the opportunities across asset classes include renewable energy, energy efficiency in buildings, industrial processes and transport, waste management, forestry, agriculture and resource efficiency. The Fund will consider these investment opportunities on a case-by-case basis. The Fund's investment in renewable energy is in line with the Impact Investing Policy and allocation.

ix) Exclusion

The Fund will not exclude or avoid High -carbon companies for the time being and will choose to engage investee companies on mitigation and adaptation actions.

x) Climate Change Initiatives and Partnerships

Climate change initiatives are large-scale efforts to combat global warming and to reduce greenhouse gas emissions across countries and around the world. The Fund will keep up with the latest initiatives related to climate change and global warming to provide it with the context necessary to fight against these issues. These initiatives are among the most important ways in which the issue of climate change can be addressed through pooling resources, sharing experiences and amplifying influence. The Fund will endeavour to support and consider membership to relevant initiatives such as; Climate Action 100+, United Nations Net Zero Asset Owner Alliance, CDP (Carbon Disclosure Project) and The Net Zero Asset Managers Initiative.

7. MONITORING AND MEASUREMENT

The Fund will engage its asset managers (internal and external) on setting specific performance indicators and measuring climate change risk across asset classes. As part of annual due diligences, the Fund will engage asset managers on how they monitor and manage climate change.

8. DISCLOSURE AND REPORTING

EPPF is committed to monitoring and reporting on its sustainable investing and specific climate-related activities. The Fund will have the following reporting responsibilities:

- Reporting on all aspects of the Climate Change Policy to the members and stakeholders in its annual reports.
- Reporting on all aspects of the Climate Change Policy to the FSCA annually.
- Require asset managers to include climate change in their reporting
- Consolidate asset manager climate change reporting at Fund level
- Reporting on mandatory and voluntary indicators on climate change in the annual PRI Reporting Framework
- Providing the Fund's Climate Change Policy to the members and stakeholders upon request.
- Disclosing the Fund's Climate Change Policy or position on its website.

9. POLICY REVIEW

Progress against objectives set out in this policy to identify areas where improvement of strategy, policies, principles, practices, and activities are necessary will be reviewed on an annual basis. The Committee will take into consideration that climate change stewardship is a long-term process in evaluating progress on set objectives.

APPENDIX I: Engagement Plan Excerpt

Environmental and climate change issues

Climate and environmental issues have always been at the back burner for South African investors. The global transition towards a low-carbon economy presents significant risks and opportunities for companies and their stakeholders. The way companies will manage the transition will have a direct impact on the companies' business models and long-term performance. In view of the above considerations, EPPF has prioritised environmental and climate change issues for engagement. The Fund will engage the board of directors on the material environmental and climate change risks and opportunities that are relevant to the company as well as on how the company is positioning itself to effectively manage the risks or exploit the opportunities.

The following key areas of focus are identified for climate engagements:

A. **Climate risk oversight:** Climate governance and policy issues.
B. **Climate alignment:** Actions to decarbonise and minimise greenhouse gas (GHG) emissions towards net zero.
C. **Climate adaptation:** Climate resilience and adaptation to minimise economic losses due to climate change.

Engagement approach and objectives

Engagement focus	**Engagement item**	**Engagement points**	**Desired outcomes**
A. **Climate risk oversight**	Climate change policy and board accountability	- Whether the company has established board responsibility for oversight of climate change, including the company's climate change policy. - Whether there are appropriate skills and knowledge to ensure the board adequately considers the climate-related risks and opportunities that are relevant to the company's strategy and operations. - The impacts of climate change risks and the energy transition on the company's long-term performance. - Whether senior management are held accountable for performance against appropriate climate targets.	Robust governance and oversight of climate-related risks

		- Challenge companies to integrate oversight of climate action into overall company strategy.	
	Climate risk management	- The company to outline steps it is taking to manage material climate change risks (e.g., TCFD reporting). - Challenge companies to set relevant emissions reduction targets. - Climate change commitments, strategy, transition action plans, implementation. - Management of an orderly and long-term energy transition in the context of energy companies that operate in high carbon sectors (e.g., coal, oil and gas sectors), companies that rely on carbon-intensive energy in their operations, and financial institutions that fund projects in these sectors. - Management of stakeholder needs (e.g., shareholders, employees, suppliers, communities, and customers) during the energy transition. - The positioning of a company's operating model under a low-carbon economy future scenario.	
	Climate risk reporting	- Annual reporting on the company's climate related risks. - Reporting on material climate factors in the company's annual report and accounts.	

Climate alignment

Engagement focus	**Engagement item**	**Engagement points**	**Desired outcomes**
Climate alignment	Net zero / 1.5 degrees Celsius targets	- Commit to decarbonise business models towards net zero. - Set long-, medium- and short-term science-based targets, covering Scope 1, 2 and relevant Scope 3 greenhouse gas emissions.	Avoid the worst impacts of climate change by limiting

		- Publish a detailed transition plan explaining how the company will transition and meet its targets. - Annually publish the company's performance and progress against its emissions targets and wider transition plan.	global warming to 1.5 degrees Celsius
	Climate financing	For relevant sectors (e.g. financial and insurance sectors): - Set out how the company will align its loans or investments toward technologies that will grow quickly in a transition toward net zero emissions and which will require increased financial support, and away from high emission activities that will face the greatest headwinds. - Consideration of climate change risks in the company's investments and capital allocation decisions – and how such investments support the long-term interests of the company and its shareholders.	Allocate capital to limit warming to 1.5 degrees Celsius , focusing on regions and technologies with the greatest climate impacts.
	Climate resilience	- Set out how the company plans to effectively manage, monitor, and report on physical climate risk and build climate resilience (for relevant sectors). - Disclose physical events (e.g. floods) that have damaged the company's assets or caused disruption to business operations and value chain. - The company's role in contributing to a reliable and affordable supply of energy.	Strengthen resilience and adaptation to adverse impacts of climate change.

Focus industries and companies

Engagement and stewardship activities will intensify efforts on industries prone to climate change risks such as energy, utilities, car manufactures, mining and real estate. The Fund will monitor the climate performance of the top-10 emitters in our investment universe, assessing issues such as emissions, climate targets, business strategy, capex and governance. For carbon-intensive sectors such as oil and mining, the Fund will assess companies against the required decarbonization pathway of their sector.

Escalation Steps: where companies do not meet expectations after intensive engagement and stewardship the Fund will name-and-shame such companies and consider voting out entire boards.

APPENDIX II: Proxy Voting and Guidelines Excerpt

Environmental and climate change issues in voting

- Voting against re-election of board members from companies that do not disclose their carbon emissions for carbon critical sector companies
- Voting for proposals for disclosures on climate change risks and opportunities following guidelines from the Task Force on Climate-related Financial Disclosures (TCFD).
- Supporting proposals that request a company to consider energy efficiency and renewable energy sources in its business strategy.
- Voting in favour of proposals for the development of a climate change strategy.
- Voting in favour of value-enhancing resolutions that ask businesses to reduce greenhouse gas (GHG) emissions
- Voting against re-appointment of the incumbent directors if no short-, medium- and long-term targets are disclosed for at least Scope 1 and 2 GHG emissions in carbon critical sector companies
- Not supporting a company's annual report and financial statements if it fails to disclose non-financial ESG/climate change information that the Fund considers material to the company.

APPENDIX III: Private Equity Implementation

The EPPF has a significant allocation to Private Equity (PE). With its experience, capital and agility compared to listed equities, private equity is uniquely positioned to directly invest in companies positioned to benefit from transition risks and opportunities. The Fund will adopt the following specific and practical steps in addressing climate change risks in its Private Equity portfolio;

Engagement focus	Engagement item	Engagement points	Desired outcomes
A. **Climate risk oversight**	Climate change policy governance and resourcing	- Leverage evolving net zero investment frameworks, industry initiatives, guidance and tools when defining net zero ambitions goals, and actions required to realise a strategy aligned with the goals of the Paris Agreement - As an integral part of the Fund's ESG/Sustainable framework, PE will develop specific climate-related governance mechanisms for investee companies - Build in-house climate risk competency and capacity and equip the PE team with an informed understanding of climate risk - Foster coordination and collaboration between listed and PE teams to leverage off unique insights and expertise in ways that help assess and manage climate-related risks and opportunities - Support portfolio companies in setting emission targets and making the emissions reductions necessary to progressively align to a net zero pathway - Leverage off industry specific advisers and investment partners who offer deep climate-related expertise and services	Robust governance and oversight of climate-related risks
	Climate risk assessment and management	- Include climate-related risks and opportunities as integral considerations in all forms of investment planning and analysis - Engage and support investee companies in their efforts to transition to low carbon models - Increase investments in companies that are working to advance and scale climate solutions and technologies - Use engagement opportunities to gain a better line of sight over the	

		climate-related risk and opportunity profiles of investment allocations - Partner and participate in private equity working groups, alliances, and or initiatives that support the transition towards a net zero economy	
	Climate risk reporting and disclosure	- Enhance transparency efforts by publishing a TCFD report that specifically highlights climate related risks and engagement efforts associated with private equity investments - Increase engagement of and disclosure expectations for GPs by increasing the frequency, and sophistication of LP climate related queries and information requests - Advocate for policies that support mandatory climate reporting and that promote innovation in the specific sectors critical to climate risk mitigation - Support and encourage increased disclosure efforts by portfolio companies in alignment with TCFD reporting guidelines	

APPENDIX IV: Implementation Pathway

The Fund will apply an evolutionary approach as methodologies for translating climate science into investment decisions is still developing. Initially targets are set at Fund level and will evolve into portfolio/company level targets over time as standards and data quality improves. Targets will be revised at least once every year in line with the ratchet mechanism of the Paris Agreement.

The Fund will adopt an incremental pathway in implementing this policy as follows;

This implementation plan will be expanded as the industry's knowledge of climate transition risks progresses and the Fund's expertise in this area matures.

Interim Target Setting

Below is an outline of interim targets that the EPPF will consider implementing to track progress and ensure a steady trajectory towards achieving net zero emissions by 2050 in line with the Net Zero Asset Owners' Alliance:

I. Short-term Emissions Reduction Targets:

A. Establish a baseline: Determine the EPPF's current emissions profile by conducting a comprehensive emissions inventory.

B. Set short-term reduction targets: Develop specific, time-bound targets to reduce the Fund's emissions over shorter periods (e.g., 3-5 years).

C. Scope of emissions covered: Clearly define the scope of emissions covered by the targets, considering both direct emissions from the Fund's operations and indirect emissions from its investment portfolio.

II. Portfolio Decarbonization Targets:

A. Carbon footprint reduction: Define targets to progressively reduce the carbon footprint of the investment portfolio over time.

B. Fossil fuel divestment: Set targets to reduce or eliminate investments in companies involved in fossil fuel extraction, coal-fired power generation, and other high-carbon sectors.

C. Increase low-carbon investments: Establish goals to increase investments in renewable energy, clean technologies, and other low-carbon sectors.

D. Engagement with investee companies: Develop targets for engaging with investee companies to encourage emissions reductions and adoption of sustainable practices.

III. Engagement and Advocacy Targets:

A. Engage with high-emitting companies: Set targets for engaging with high-emitting companies in the portfolio, urging them to disclose emissions data, set reduction targets, and align with climate goals.

B. Proxy voting and shareholder resolutions: Establish targets for actively voting proxies and supporting resolutions that promote climate action and sustainable practices.

C. Policy advocacy: Set targets for engaging with policymakers and advocating for supportive climate policies, such as carbon pricing, renewable energy incentives, and sustainable investment regulations.

D. Collaborate with industry initiatives: Establish targets to participate in industry initiatives focused on climate action, sustainability, and responsible investing.

IV. Reporting and Disclosure Targets:

A. Climate-related reporting: Develop targets for disclosing the EPPF's emissions, climate-related risks, and progress towards emissions reduction targets.

B. Task Force on Climate-related Financial Disclosures (TCFD): Align with TCFD recommendations and set targets for reporting in line with their guidelines.

C. Transparency and accountability: Set targets for regularly communicating progress towards emission reduction targets to beneficiaries, stakeholders, and the public.

V. Review and Adjust Targets:

A. Regular assessment: Establish a periodic review process to evaluate the effectiveness of the interim targets and assess progress towards the net zero goal.

B. Science-based target alignment: Continuously align the interim targets with the best available climate science and international climate agreements.

C. Flexibility and adaptability: Maintain the ability to adjust targets and strategies as necessary to account for evolving climate policies, technological advancements, and market conditions.

The specific targets and timeframes will need to be established after explicitly considering the EPPF's circumstances, portfolio composition, and available resources. The Fund will seek guidance from climate and investment experts to develop appropriate and ambitious interim targets that align with the Fund's net zero commitment.