

Sunsuper Pty Ltd

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Sunsuper Pty Ltd
Sunsuper Superannuation Fund
Sunsuper Financial Services Pty Ltd
Sunsuper Pooled Superannuation Trust
Precision Administration Services Pty Ltd

Environmental, Social and Governance (ESG) Policy

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1. Background

The welfare of many members in retirement will depend significantly on the superannuation benefit they receive; which is substantially determined by the returns that are generated on their superannuation contributions.

Sunsuper recognises that its primary responsibility is to maximise members' real long-term investment returns without taking undue risks.

Sunsuper strongly believes that properly understanding and assessing the likely material risks and opportunities of its investments is an inherent requirement of fulfilling its fiduciary duty to members.

Amongst a range of other factors, Sunsuper acknowledges that it should consider Environmental, Social and Governance (ESG) risks, impacts and opportunities in its investment decision-making processes in order to protect and manage its investments for the long term. All other things being equal, entities that best manage ESG factors are more likely to be financially sustainable in the long term.

ESG, especially good corporate governance, is a key contributor to sustainable positive outcomes for members.

Sunsuper is a signatory to the United Nations Principles of Responsible Investment (UNPRI). The UNPRI is a set of six aspirational principles that align well with our approach to managing ESG issues within our investment portfolio.

2. Responsibility

The primary responsibility for coordinating the Fund's ESG activities has been assigned to Sunsuper's ESG Manager. Other parties to the ESG Policy will include but not be confined to the following:

- The Sunsuper Board and Investment Committee;
- Internal Sunsuper investment staff;
- Investment managers engaged by the Fund; and
- Service providers/advisers to the Fund.

3. Policy

Sunsuper believes that a balanced and practical approach to ESG is most effective. Sunsuper will develop and support cultures that foster commitment to long-term shareholder value creation, business integrity and transparency. This will be achieved by;

- Integrating ESG considerations into investment decisions;
- Engaging with investment managers, investee entities, advisors and other likeminded investors;
- Actively voting at general meetings;
- Excluding investments from the portfolio when substantial ESG concerns exist and engagement is considered nugatory; and,
- Reporting to members.

3.1 Integration of ESG into the Investment Decision-Making Process

Sunsuper integrates the consideration of ESG risks and opportunities into each investment decision. Where a consultant has assessed the capabilities of a manager in relation to ESG, this is included in the consideration. Other ESG considerations will relate to the industry in which the manager specialises, the materiality of ESG issues within the portfolio entities or assets, the quality of the most recent UNPRI assessment of the manager, and the quality of the policies and infrastructure the manager has in place to integrate ESG into its process.

3.2 Engagement

Sunsuper believes that by engaging widely on ESG issues, it will improve behaviours, promote best practice and better understand business and strategic decisions. Sunsuper's engagement program will involve both direct and collaborative activities.

Active engagement will occur with:

- Sunsuper's managers and advisors. Sunsuper will continually seek to improve the integration of ESG considerations into its Australian equities managers' investment

processes and obtain targeted advice and research from experts to improve our collective ESG practices;

- Major entities in which Sunsuper invests. Sunsuper's engagement activities will build a stronger relationship between the Fund and its major investee companies. This will result in more successful, timely improvements in ESG activities, and affords Sunsuper a deeper understanding of the nature and behaviour of the businesses in which it invests; and
- Sunsuper's peers and other *likeminded investors*. Where appropriate, Sunsuper will discuss current developments with other likeminded investors, and if necessary take a collaborative approach in order to magnify the impact of its efforts on issues of mutual concern.

3.3 Proxy Voting

Sunsuper recognises that as a shareholder of numerous companies listed on exchanges throughout the world, including the Australian Securities Exchange (ASX), it has a responsibility on behalf of its members to participate in the corporate governance issues of the companies in which it has investments. The voting of shares represents one aspect of Sunsuper's involvement in the governance processes of these companies.

3.3.1 *Proxy Voting Guidance*

Remuneration (including grants, remuneration reports, non-executive director fee pools, retirement benefit resolutions): Remuneration practices that are proposed by Boards that we trust are likely to be supported. The purpose, drivers and expected outcomes of remuneration proposals may be required to be further explained during engagement activities prior to the vote.

Director elections: Director elections that are proposed by agile boards that we trust are likely to be supported. The intended structure of the board, and the skills and experience of the individual standing for election may be required to be further explained during engagement activities prior to the vote.

Corporate actions: We are likely to vote in line with our underlying managers' recommendations on corporate actions so long as they are aligned with the best long-term interests of our members.

Shareholder proposals: Following consideration of the views of the proponents, the company, our managers and our proxy advisors, we will consider shareholder proposals on their merit.

Other: Other resolutions proposed by boards that we trust are likely to be supported, so long as they are in the best long-term interests of members.

3.3.2 *Australian Shares*

Sunsuper will be active in the proxy voting process to ensure that all available votes for ASX-listed companies are cast in a timely and consistent manner by its investment managers, to whom it delegates primary voting responsibility.

Sunsuper requires its Australian Share managers to vote in a manner reflecting their determination of Sunsuper members' best interests. However there may be occasions where the Trustee will direct investment managers how to vote. When considering its proxy voting in the best interests of members, Sunsuper will take into account:

- The above guidance on remuneration, director elections, corporate actions, shareholder proposals and other resolutions;
- The views of its investment managers;
- Professional proxy voting advice;
- The recommendation of the entity's directors not associated with the resolution;
- The unique circumstances facing the entity;
- Any independent expert's report; and

- Opinions of others relevant to the issue.

Quarterly, Sunsuper will assess its investment managers' proxy voting actions to ensure that they are properly discharging their share voting responsibilities.

Sunsuper will annually assess its investment managers' proxy voting policies to ensure that their policies and philosophies are appropriate.

3.3.3 *International Shares*

Sunsuper requires its international share managers to vote in the best interests of members. Should the Trustee wish to direct its votes on a particular issue, the above guidance on remuneration, director elections, corporate actions, shareholder proposals and other resolutions will be used as a reference point, and independent professional proxy advice may be sought.

3.4 Exclusions

Sunsuper considers excluding companies as a last resort, having considered the company or industry in question. Where substantial ESG concerns exist and engagement is considered nugatory, the Trustee will formally consider exclusion of affected investments.

3.4.1 *Tobacco Exclusion*

Sunsuper has excluded investments in tobacco manufacturing companies from all Investment Management Agreements within its investment portfolio.

3.4.2 *Cluster Munitions Exclusion*

Sunsuper has excluded investments in companies that develop, produce or otherwise acquire cluster munitions, from all Investment Management Agreements within its investment portfolio. This decision follows the enactment of the Criminal Code Amendment (Cluster Munitions Prohibition) Bill 2012 and Australia's ratification of the Convention on Cluster Munitions.

3.4.2 *Child and Slave Labour*

With the assistance of independent third parties, Sunsuper will seek to identify those entities within its portfolios that have been found to have the most egregious practices relating to forced child labour and modern slavery. Sunsuper works with its managers to minimise its exposure to these entities.

3.5 Climate Change

In line with Sunsuper's fiduciary duty to members, material portfolio risks and opportunities relating to climate change are considered from an investment perspective. The risk factors considered cover a range of warming scenarios and include:

- **Impact:** The physical impact on investments from acute weather events;
- **Policy:** Development of laws aimed at reducing the risk of further anthropogenic climate change;
- **Technology:** The rate of progress in the development of technology supporting a low-carbon economy; and
- **Resource Availability:** The impact of chronic weather patterns on resource availability. Sunsuper collaborates with other global investors and engages with stakeholders, managers and both listed and unlisted investee entities on this issue.

3.6 Reporting

Sunsuper will provide a regular report on its ESG activities to the Board, Executive and Investment Committees.

Sunsuper will report to members, employers and other stakeholders on ESG matters via its website on a half-yearly basis. The ESG report will summarise the initiatives, submissions, and proxy voting activities undertaken by Sunsuper during that period.