

ESG and Stewardship Policy

This document outlines the key elements of AustralianSuper's Environmental, Social and Governance (ESG) and Stewardship Policy for our investments. Given the importance of these factors in managing risk and maximising long-term returns for members, consideration of ESG and Stewardship issues is an integral part of the Fund's investment process.

1. Beliefs

We believe that ESG factors and our stewardship actions can affect the value of investments, particularly over the long-term investment horizon which applies to the Fund's mandate. The objective of our ESG and Stewardship Policy is to ensure that ESG risks and opportunities are integrated into our investment processes and to guide the Fund's stewardship activities to promote long-term value for members.

As a long-term shareholder, the Fund takes an active interest in the quality of the corporate governance, sustainability and corporate social responsibility policies of investee companies. We believe that companies that best manage ESG factors are likely to out-perform over the long term.

We believe that our ESG and Stewardship Policy is integral to fostering the Fund's reputation as a global investor of choice which can expand investment opportunities.

2. Fund ESG and Stewardship Program

Our program rests on three core pillars:

- i. **ESG Integration** wherein the Fund integrates ESG considerations across its investment process;
- ii. **Stewardship** wherein the Fund exercises the rights and responsibilities of ownership on behalf of members; and
- iii. **Member Values** wherein the Fund provides members with investment choices consistent with their personal values.

2.1. ESG Integration

The objective of the Fund is to ensure that ESG factors are considered across all asset classes in the Fund's portfolio and at all stages of the investment process. Integration is taken with due regard to materiality – the likely impact of the ESG factor on the value of an asset and/or its significance for the overall portfolio. Integration of ESG factors takes place through:

- i. Due diligence which precedes the decision to purchase an asset or appoint a fund manager and is focused on the analysis of ESG risks and opportunities;
- ii. Ownership as when an asset is owned by the Fund or an external fund manager acting on behalf of the Fund and is focused on reporting and monitoring ESG factors; and
- iii. Exit during which decisions are taken to sell an asset or terminate an external-manager mandate.

Our ESG Policy is affected by a number of practical considerations including whether the relevant assets are traded on public or private markets, managed by the investment department or through external managers, and the appropriate regulatory and reporting requirements. Oversight of the implementation of our ESG Policy is the responsibility of the Fund's Investment Committee subject to the Board. The Investment Department is responsible for its implementation.

2.2. Stewardship

The Fund recognises the responsibilities of being a large owner. This includes communicating members' long-term investment interests to the companies (and asset managers) that the Fund invests in and exercising ownership rights on behalf of members in order to improve investment performance. Stewardship is exercised through share voting, company engagement, and participation in class actions.

2.2.1. Share Voting: The Fund votes on shareholder resolutions paying due regard to the materiality and nature of its' holdings in the entity. The Fund supports resolutions that enhance value, promote or require appropriate disclosure, ensure appropriate board composition and effective operation, and encourage performance-based remuneration practices and fair quantum pay outcomes. The Fund may consider advice from proxy advisors but is ultimately responsible for making decisions in the best interests of members.

2.2.2. Company Engagement: Active engagement with companies in which the Fund has a stake ensures that these entities understand our approach to the creation of long-term value for members. Engagement with companies promotes corporate behaviour that improves investment performance. The Fund's engagement with companies is conducted on an ongoing basis, but it also engages with companies on specific ESG themes on an ad hoc basis to resolve concerns as they arise.

2.2.3. Class Actions: Class actions are an effective but last-resort stewardship strategy. They can offer a cost-effective way to recover member losses in the event of corporate misconduct and improve governance standards in the market and industry segments. Participation in class actions occurs when (a) the Fund identifies a potential breach of law that has (b) resulted in a material financial loss for the Fund and (c) the Fund is confident that the costs associated with litigation are reasonable (against possible benefit) and (d) there are limited risks to the Fund's relationships or reputation.

2.3. Member Values

The Fund's membership is large, growing and diverse. It reflects a significant slice of the Australian population. As such, members' values, preferences and attitudes are also diverse.

Being informed about member expectations on ESG, stewardship and responsible investment is an integral part of the Fund's ESG and stewardship approach. The Fund surveys members to ensure it remains informed about what is important to them.

For members seeking portfolios based on specific values, the Fund considers accommodating these interests through choice in investment options. The Socially Aware option excludes the securities of companies that own fossil fuel or uranium reserves; produce tobacco, cluster munitions and land mines; have single-gender boards (ASX200 companies only) and have human rights, environmental and/or governance controversies.

3. Exclusions and Divestment

The Fund believes that it is effective to use its influence as an active investor to promote alignment between the Fund's investments, ESG and Stewardship Policy and members' long-term interests. Therefore explicit divestment or exclusions from certain stocks and/or sectors are not a focus of the Fund's ESG and stewardship program outside of the Socially Aware option.

Tobacco is the only exception to this approach as we believe that it is a unique investment. There is no safe level of consumption; it's highly addictive and it is the largest preventable cause of death in the world. We believe the combination of these factors make investing in tobacco inconsistent with our responsibilities to members and the broader community. Investments in tobacco producers are therefore excluded across all investment options.

4. Collaboration and Networks

While the Fund is responsible for the implementation of its ESG and stewardship program, participation in broader industry networks and forums can also help advance its objectives in a collaborative manner. Collaboration with other institutional investors can enable the Fund to have greater influence on ESG and stewardship issues, exchange ideas and practical solutions with like-minded investors, and contribute to a larger and more effective investor voice on the ESG and stewardship issues that matter to the Fund. The Fund is involved in a number of groups including the Australian Council of Superannuation Investors (ACSI) and the United Nations Principles for Responsible Investment (PRI). The Fund has been a signatory of the PRI since 2007.

5. Reporting

Public reporting on the ESG and stewardship activities of the Fund provides transparency and confidence for members in the actions undertaken on their behalf. The Fund measures progress on its ESG and stewardship activities through various independent assessments. The Fund reports on and discloses information about the ESG and stewardship program in its Annual Report and website. The Fund looks to support voluntary reporting and disclosure initiatives subject to the time required, potential benefits, and whether participation will improve ESG industry standards and practices locally and globally.

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