

The following is an extract from the Trustee's Investment Governance Policy (approved 2 March 2016) which sets out its ESG policy

## 1. Overview

### 1.1 Purpose and scope

NULIS Nominees (Australia) Limited ('the Trustee') has a responsibility to act in the best interests of members and believes that considering Environment, Social and Governance ('ESG') factors as part of investment decision making on behalf of members in a MySuper investment option as consistent with this responsibility.

This ESG Risk Management Policy applies to MySuper options offered by the Trustee. It is in accordance with FSC (Financial Services Council) Standard No. 20 Superannuation Governance Policy.

### 1.2 Definitions

**Engagement** means directly discussing matters of concern or interest. This is most commonly associated with investment in shares, where the investor may engage with the management team or board of investee companies to express their views on the management of the company or specific issues, including ESG issues, with the expectation that this will result in positive change.

**ESG management** means giving due consideration to the material ESG factors that have the potential to impact the risk adjusted performance of an investment. This policy provides an illustrative list of ESG factors that may be relevant, although the materiality of these factors may vary by asset class, sector and geography.

**Investment** means securities in which the Trustee invests. This includes but is not limited to listed equities, government and corporate bonds, property and cash.

**Investment Managers** are specialised investment professionals that are appointed to manage assets on behalf of the Trustee. Investment Managers are generally provided with a mandate to invest in a specific asset class within certain, pre-determined parameters.

**Multi- manager** means investing through a number of Investment Managers, in contrast to investing directly in shares, bonds and other investments. There are generally multiple Investment Managers appointed within each asset class.

### 1.3 Context

The Trustee utilises a multi-manager approach to investing for MySuper Options through JANA Investment Advisers Pty Ltd ('JANA') and JANA Corporate Investment Services Limited ('JCIS'). Within each asset class, a variety of specialist Investment Managers are appointed to select individual investments, with the result that ESG risks are primarily managed by the Investment Managers. Research, appointment and monitoring of Investment Managers in relation to ESG and other factors is delegated to JANA and JCIS.

## 2. ESG Management Approach and Policy Requirements

### 2.1 ESG factors

ESG factors are defined as any Environmental, Social, Governance or other sustainability related factors which have the potential to impact the risk adjusted performance of an investment. ESG factors may arise in relation to a range of investments, including but not limited to listed and unlisted equities, fixed interest and property. Where the investment pertains to a company, ESG factors can arise directly through the entity's own operations, or indirectly through those of its customers and suppliers, or may additionally relate to the industry or regulatory environment in which the company operates.

For illustrative purposes, potential ESG factors that may be relevant to a fund include, but are not limited to, the following:

Environment	Social	Governance
Air and water pollution	Animal welfare	Anti-competitive behaviour
Biodiversity loss and ecosystem degradation	Community investment	Audit committee structure
Climate Change	Conflict & security	Board composition
Deforestation	Consumer protection	Bribery and corruption
Energy efficiency and greenhouse gas emissions reduction	Customer satisfaction	Business ethics and conduct
	Diversity and equal opportunities	Executive remuneration
Natural capital depletion	Financial and social inclusion	Legal and regulatory framework
Natural disaster risk	Human capital development	Market conduct
Policy and regulatory change	Human rights	Regulatory compliance
Resource scarcity	Improper land acquisition	Reporting and disclosure
Waste management	Indigenous rights and the application of Free, Prior and Informed Consent	Stakeholder dialogue
Water scarcity	Industrial Relations	Tax payment
	Labour Standards	Transparency
	Occupational Health and Safety	
	Population demographic change	
	Product safety and liability	
	Societal health and wellbeing	
	Stakeholder engagement	

## 2.2 ESG Philosophy Statement

The Trustee believes ESG factors should be considered as part of a robust investment management framework for MySuper Options because:

- ESG factors can impact the probability of meeting investment objectives over the long term by affecting the sustainability of returns.
- ESG factors are another source of risk in investment portfolios that should be managed prudently.
- Investment Managers that effectively identify ESG factors and how such factors impact on investment returns of each investment are better placed to deliver long-term sustainable investment returns.
- Pursuing investments which take into account ESG factors is consistent with the Trustees' objectives as a long-term investor on behalf of their clients.

- Although assessment and monitoring of ESG factors does not necessarily prevent poor investment performance, it can reduce risk and thereby potentially protect and enhance wealth over the long term.
- Effective stewardship can play a role in enhancing the risk-adjusted performance of investments, and thereby improve the potential to provide long term, sustainable returns for investors. The Trustee considers stewardship activities an important responsibility that assists in the delivery of member investment objectives.

## 2.3 ESG Management Approach

The Trustee delegates responsibility for ESG management to JANA and JCIS. The Trustee requires JANA and JCIS to have appropriate processes in place to enable them to evaluate and assess ESG factors for MySuper investment options.

## 2.4 Policy Requirements

### 2.4.1 Incorporate consideration of ESG factors into investment decisions

The Trustee requires JANA and JCIS, in turn, underlying Investment Managers, to have sound practices to identify ESG factors and any potential risks and opportunities that may arise, and to incorporate these factors in investment analysis and decision making for each of the MySuper investment options.

JANA and JCIS are required to:

- have an appropriate ESG Policy in place which outlines how they will identify, assess and manage ESG factors on behalf of the Trustee.
- consider the ESG expertise of Investment Managers during due diligence as part of the selection process. Investment Managers must be considered by JANA and JCIS to have appropriate processes in place to identify, assess and manage ESG factors to be considered for selection, taking peer relativity into account.

### 2.4.2 Monitoring portfolio exposure

JANA and JCIS are required to monitor appointed Investment Managers to assess how they identify, assess and manage ESG factors within their portfolios on an ongoing basis.

Investment Managers must maintain appropriate processes to identify, assess and manage ESG factors.

### 2.4.3 ESG Trends

JANA should maintain a research program in relation to ESG themes and trends, and periodically report the outcomes of this research to the Trustee. This includes research on both the development of Investment Manager ESG practices and broad ESG themes and risks that may relate to the Trustee's MySuper investments.

### 2.4.4 Proxy Voting

Responsibility for proxy voting and engagement is delegated to ThreeSixty.

The Trustee requires appointed Investment Managers, to have sound proxy voting procedures in place, where applicable. JANA and JCIS will assess the Investment Manager's proxy voting policy and track record as part of the due diligence process prior to selection. JANA and JCIS are responsible for monitoring and assessing the underlying Investment Manager's proxy voting activities on an ongoing basis.

### 2.4.5 Engagement

JANA and JCIS are required to monitor and evaluate Investment Manager activities in relation to engagement, in the context of their investment strategy and asset class. Each Investment Manager is expected to engage with investee companies on ESG matters, where appropriate.

#### **2.4.6 Disqualification or divestment**

During the due diligence process for selection of investment managers, JCIS will exclude Investment Managers that do not have an appropriate process in place to identify, assess and manage ESG matters as they relate to the MySuper investment portfolio(s) they manage. If an appointed Investment Manager fails to adhere to their ESG process, or does not maintain an appropriate process after appointment, the Investment Manager will not be retained, following appropriate consultation by JCIS. This assessment is conducted with consideration to the investment strategy, asset class and peer group.

#### **2.4.7 Reporting and disclosure**

This ESG Policy will be reported to MySuper members on the RSE's website so that it is publicly available.

The Trustee will disclose proxy voting records to members on its website, in line with *Superannuation Industry (Supervision) Regulation 2.38* and the FSC (Financial Services Council) Standard No. 20 *Superannuation Governance Policy*.