ESG Risk Management Policy

MLC Nominees Pty Limited
PFS Nominees Pty Limited
(the ‘Trustees’)

Policy Administration Information Schedule

Policy Name	ESG Risk Management Policy
Version Number	1.0
Approval Date	26 June 2014
Effective Date	1 October 2014
Next Review Date	October 2017
Policy Owner	Combined Trustee Board
Responsibility for maintaining this document	JANA Investment Advisers
Details of Policy Approval Authority	Approved by: MLC Nominees Pty Limited PFS Nominees Pty Limited

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1. Overview

1.1 Purpose and scope

This document describes the Environment, Social and Governance (ESG) Risk Management Policy for MLC Nominees Pty Limited (MLC Nominees), and PFS Nominees Pty Limited (PFS Nominees), in their capacity as Trustee of MySuper products. Each will be referred to herein as 'the Trustee'.

The Trustee has a responsibility to act in the best interests of members and believes that considering 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 Plum MySuper, MLC MySuper, BHP Billiton MySuper, and Worsley Alumina MySuper products governed by the Trustee. It forms part of the Trustee's Investment Governance Framework and Risk Management Framework and 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. Schedule 1 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.

Investment Consultant is an advisor appointed to assist the Trustee in investment matters. The Trustee has appointed an Investment Consultant that provides outsourced implemented consulting services. This means that the Trustee has delegated responsibility for day to day investment management, including the appointment and monitoring of Investment Managers.

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 through its appointed Investment Consultant. The Investment Consultant provides the Trustee with outsourced implemented consulting services. 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 the Investment Consultant.

2. ESG Management Approach and Policy Requirements

2.1 ESG Philosophy Statement

The Trustee believes ESG factors should be considered as part of a robust investment management framework 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.

2.2 ESG Management Approach

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

2.3 Policy Requirements

2.3.1 Incorporate consideration of ESG factors into investment decisions

The Trustee requires the Investment Consultant and, 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.

The Investment Consultant is required to:

- have an appropriate ESG Policy in place which outlines how the consultant 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 the Investment Consultant to have appropriate processes in place to identify, assess and manage ESG factors to be considered for selection, taking peer relativity into account.

2.3.2 Monitoring portfolio exposure

The Investment Consultant is 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 to be selected and retained by the Investment Consultant, on behalf of the Trustee. When making this selection, the Investment Consultant will take peer relativity into account.

2.3.3 ESG Trends

The Investment Consultant 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.

2.3.4 Stewardship

2.3.4.1 Proxy Voting

Responsibility for proxy voting and engagement is delegated to the Investment Consultant.

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

2.3.4.3 Engagement

The Investment Consultant is 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.

2.3.5 Disqualification or divestment

During the due diligence process for selection of investment managers, the Investment Consultant 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 the Investment Consultant. This assessment is conducted with consideration to the investment strategy, asset class and peer group.

2.3.6 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 Legislation Amendment (MySuper Measures) Regulation 2013*, regulation 2.38 and the FSC (Financial Services Council) Standard No. 20 *Superannuation Governance Policy*.

3. Schedules

Schedule 1 – ESG factors

4. Related Policies & References

- FSC (Financial Services Council) Standard No. 20 *Superannuation Governance* Policy.
- Superannuation Legislation Amendment (MySuper Measures) Regulation 2013

Schedule 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	