

Responsible Investment Policy

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SCS Super Pty Limited (ACN 064 712 607)
as Trustee for Australian Catholic Superannuation & Retirement Fund

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1 Introduction

Australian Catholic Superannuation & Retirement Fund (**the Fund**) is a public offer profit for members' superannuation fund for the Catholic education, healthcare, aged care and welfare sector and is also open to anyone eligible for superannuation. The Fund's mission is to empower its members to live their best possible retirement and aims to maximise superannuation and retirement benefits for members through the provision of a portfolio of products that allow members a lifetime of investment and in accordance with the requirements of the relevant Superannuation Law including but not limited to the sole purpose test.

In accordance with this mission, the Fund's investment strategies were developed with the assistance of independent investment experts and adopted by the Trustee following examination and consultation. The Trustee monitors all investment managers and, with the assistance of the Fund's investment consultant, formally reviews the managers to ensure they are performing to the Trustee's investment expectations. Quantitative investment performance indicators provided by the Fund's custodian, together with qualitative information, are reviewed by the Trustee on a regular basis.

The Trustee adopts the view that "**responsible investment**" is an approach to investing that aims to incorporate environmental, social and corporate governance (**ESG**) considerations into the Fund's investment management processes, on the basis that such considerations may assist it in better managing or limiting certain risk exposures to the Fund's investments that could otherwise impact investment returns.

Examples of ESG factors are as follows:

Environmental	Social	Governance
<ul style="list-style-type: none">▪ Climate change▪ Resource depletion▪ Waste▪ Pollution and water▪ Deforestation	<ul style="list-style-type: none">▪ Human rights▪ Modern slavery▪ Child labour▪ Gender/equality▪ Labour standards	<ul style="list-style-type: none">▪ Disclosure▪ Board remuneration▪ Diversity/structure of boards▪ Political lobbying/donations▪ Corruption

1.1 Purpose

The purpose of this *Responsible Investment Policy (the Policy)* is to provide an outline of the Trustee's principles and commitments and its approach towards responsible investment.

The Policy directs the Trustee to consider ESG opportunities and risk as part of its investment process as per its *Investment Governance Framework*.

1.2 Policy

The Policy forms part of the *Investment Governance Framework* of the Fund and will generally apply to the Fund's investments and investment options, to the extent practicable.

The Trustee has appointed external investment managers to manage the assets of the Fund. The implementation of this Policy is influenced by this approach. The manner and extent of ESG issues and their application will vary depending on each investment's characteristics.

1.3 Definitions

Active Ownership: is the use of the rights and position of ownership of shareholders to influence good corporate governance and improve long term value of companies.

Divestment: refers to selling investments in a particular company or sector.

Environmental: issues relating to the natural environment including but not limited to climate change, depletion of resources, waste, pollution, water scarcity and sustainable use of land.

Exclusion: excluding companies or sectors from the investable universe.

Governance: is how companies are governed and the alignment of companies' boards and management and their shareholders. This area takes in issues such as tax, remuneration, board composition and bribery and corruption.

Proxy Voting: a form of voting whereby a member of a decision-making body may delegate his or her voting power to a representative, to enable a vote in absence.

Responsible Investment: is an approach to managing assets where investors include ESG factors in their decisions as to what to invest and the role they wish to play as owners of assets and creditors

Social: issues that impact people and the societies in which they reside. Includes issues such as poverty, human rights, working conditions and labour relations and modern slavery.

Trustee: refers to the board of trustees of SCS Super Pty Limited, the corporate trustee of Australian Catholic Superannuation & Retirement Fund.

2 Approach to responsible investing and ESG issues

The Trustee is committed to acting diligently and prudently in the best interests of Fund members when seeking to deliver strong net returns on its investments.

The Trustee believes that effective governance structures decrease risk and potentially increase returns and recognises that ESG considerations can have a positive influence on the financial performance of companies, particularly over the long term on the basis that such considerations may assist companies in better managing or limiting certain risk exposures. As superannuation is a long-term investment, the Trustee recognises that ESG risks and opportunities should be considered as part of the investment decision making processes in order to protect and manage members' investments.

The Fund invests across the globe in a variety of asset classes, using different strategies to invest and has appointed external investment managers to manage its investment portfolio. Where practicable, an investment manager's ESG credentials are assessed as part of the due diligence process, and this is integrated into the manager selection process. This process includes providing investment managers with the Fund's *Responsible Investment Policy* and is encouraged to consider ESG factors alongside traditional financial measures when making investment decisions. The Trustee doesn't enforce an explicit approach to the integration of ESG issues and this will vary depending on the investment manager.

Investment managers are generally required to provide details of their ESG policies and report on their progress in factoring ESG issues into their process. In circumstances where this is not possible, they will be asked to explain why they do not consider ESG factors.

3 Initiatives that support the Fund's responsible investment objectives

The Trustee acknowledges that by actively collaborating with a range of market participants and industry networks, the Trustee can contribute towards greater collective influence and advance responsible investing practices. Since 2009, the Trustee has been a signatory of the United Nations supported Principles for Responsible Investing (**the PRI** or **the Principles**). The PRI is a set of six aspirational principles that are designed to encourage investors to incorporate ESG issues into investment practice.

The six Principles provide a framework for the investment community to achieve better long-term investment returns and more sustainable markets using ESG criteria.

Where consistent with the Fund's legal and fiduciary responsibilities, the Fund will:

- Incorporate ESG issues into investment analysis and decision-making processes (**Principle 1**)
- Be an active owner and incorporate ESG issues into its ownership policies and practices (**Principle 2**)
- Seek appropriate disclosure on ESG issues by the entities in which it invests (**Principle 3**)
- Promote acceptance and implementation of the Principles within the investment industry (**Principle 4**)
- Work collaboratively to enhance its effectiveness in implementing the Principles (**Principle 5**)
- Report on its activities and progress towards implementing the Principles (**Principle 6**).

In addition, the Trustee is a member of the following industry networks and may consider their views and information from time to time when considering how to approach ESG issues:

- Responsible Investment Association Australasia (**RIAA**): an association that promotes responsible investing and a sustainable financial system in Australia/NZ. The Fund is a certified member of RIAA.
- Investor Group on Climate Change (**IGCC**): a collaboration of investors focused on the impact that climate change has on the financial value of investments
- Australian Council of Superannuation Investors (**ACSI**): aimed at providing a strong, collective voice on ESG issues on behalf of its members. ACSI provides independent research, engagement and advocacy and voting advice on ASX 300 equities.
- ESG Research Australia (**ESG RA**): a collaboration of superannuation funds, fund managers and asset consultants which has the objective of increasing the amount and quality of stock broker research in Australia that includes consideration of ESG issues.

4 Active ownership

4.1 General application

The Trustee believes that the adoption of good corporate governance practices by the companies in which it invests will enhance the long-term performance of those companies. The Trustee expects investment managers to analyse those risks and opportunities and engage with companies as part of their management of investments on behalf of the Fund and its members.

4.1.1 Engagement

The Trustee is a member of ACSI. ACSI engages with the government, regulators and the investment industry on behalf of the Superannuation Industry to promote government best practice on ESG standards. The Trustee works collectively with other investors through specialist organisations dedicated to monitoring and questioning companies in which the Fund is invested. The aim is to try to ensure the operations of these companies meet the highest possible standards of governance and that they appreciate and manage environmental, social and governance issues.

Whilst the Trustee does not engage directly with the companies in which it invests, it does not rule this out in the future. However, the Trustee encourages regular dialogue between investment managers and companies regarding corporate governance issues as part of their research analysis and evaluation processes.

4.1.2 Exclusions

Generally speaking, divestment is not a focus for the Fund. Typically, the Trustee believes that company engagement provides a more effective opportunity to positively influence any change required (to the extent that this may be possible either by the Trustee, other institutional investors, or collectively).

However, the Trustee may resolve to divest or exclude investments where they are deemed to be inconsistent with the Fund's responsibility to its members. Any future exclusion decisions would only be taken once factoring in the Trustee's duties to members, member expectations, effectiveness of engagement, negative reputational impact on the Fund or negative impact on the Fund's long term return objectives and any Superannuation Law requirements.

Currently, the Fund excludes tobacco producers, controversial weapons, cluster munitions, corruption/bribery, human rights abuses/poor labour standards and pornography from all of its investment portfolios.

4.1.3 Proxy voting

The Trustee believes that the adoption of good corporate governance practices by the companies in which it invests, will enhance the long term performance of those companies and, therefore, the return on investment for the Fund's members. The Trustee aims to exercise its ownership rights through voting.

Australian Listed Equities

For Australian listed equities, the Trustee has appointed Institutional Shareholder Services (**ISS**), to exercise its proxy voting on its behalf consistent with the objective of maximising sustainable long term outcomes of the Fund's members. ISS is appointed by the Trustee to provide recommendations in relation to voting in accordance with its Benchmark Policy (ISS Australia Proxy Voting Guidelines Benchmark Policy). Refer to the Fund's Proxy Voting Policy for more detail.

However, the Trustee reserves the right to over-ride any recommendation and to instruct the Custodian directly as to the appropriate disposition of the Fund's votes.

International Listed Equities

For international listed equities, the Trustee has delegated the responsibility for exercising its proxy votes to its external investment managers and requires them to vote wherever possible. The Trustee will periodically consider whether the similar requirements that relate to Australian listed equities will also apply to International listed equities.

Special circumstances and exceptions

There may be some circumstances where the Trustee may not be able to exercise voting rights, in particular where its investments are in commingled vehicles, or due to securities lending programs or power of attorney markets. In such instances, the Fund will notify the relevant investment managers of this Policy and will monitor their voting via its interaction with them.

4.2 Asset class specific application

The Fund provides members with a range of investment options in which they may choose to invest. Each investment option is made up of one or more asset classes.

A socially responsible investment option is offered to the Fund's members and is managed by an external investment manager. In selecting for suitable investments in this option, the investment manager takes into account ethical issues, such as labour standards and environmental and social concerns.

For all other investment options, decisions about the selection, retention or realisation of investments are based on a variety of factors. The Trustee is cognisant of the general risk characteristics of each asset class and of the investment styles of each of the investment managers that it appoints. The Trustee communicates its intention that the Fund's investment managers consider ESG factors alongside traditional financial measures when making investment decisions.

5 Review

The *Responsible Investment Policy* will be reviewed by the internal Investment Team and approved by the Investment Committee at least every three years. The *Responsible Investment Policy* may be reviewed more frequently if deemed necessary as a result of regulatory or legislative requirements, or in response to changes in the business.