

Responsible Investment Policy

Date of this Policy:
9 August 2023

Issued by United Super Pty Ltd
ABN 46 006 261 623 AFSL 233792
as Trustee for Cbus Super Fund
ABN 75 493 363 262 offering Cbus
and Media Super products. Use of 'us',
'we', 'our' or 'the Trustee' is a reference
to United Super Pty Ltd. Use of 'Fund'
refers to Cbus Super Fund.

1233.7 09-23 ISS11



1 Purpose and objectives of the policy

The Responsible Investment Policy (the Policy) sets out the Trustee's principles and commitments that direct the approach to responsible investment. One of the Trustee's fundamental beliefs is that responsible investment reduces risk over time and can improve long term returns. The Trustee believes it has an obligation to identify, monitor and manage environmental, social and governance matters that could materially, or be highly likely to affect, business or investment performance which is in our members' best financial interest.

The Policy is a component of the Construction and Building Unions Superannuation Fund's (**the Fund**) Investment Governance Framework (IGF) and supports the execution of the Fund's investment strategies. The Policy is applicable across all investment options.

The Trustee aims to apply best practice approaches for responsible investment to the Fund's investments and within the organisation.

The Policy is approved by the Investment Committee (IC) and will be reviewed every three years, or more frequently, if appropriate. Minor amendments can be approved by the Fund's management (Management).

2 Definitions, and what is not covered by the policy

2.1 Definitions

ACSI means Australian Council of Superannuation Investors.

APRA means the Australian Prudential Regulation Authority.

Board means the trustee board of United Super Pty Ltd.

CIO is the Fund's Chief Investment Officer.

Custodian means a person (other than the Trustee) who, under a contract with the Trustee or an investment manager, performs custodial functions in relation to the Fund's assets.

ESG means Environmental, Social and Governance.

Fund or Cbus is the Construction and Building Unions Superannuation Fund.

IC is the Trustee's Investment Committee.

Investment Manager means a corporation appointed to invest on behalf of the Fund.

PRI means the Principles for Responsible Investment.

Prudential Standard means a standard determined by APRA under subsection 34C(1) of the Superannuation Industry (Supervision) Act 1993.

RSE licensee has the same meaning in the SIS Act.

RSE licensee law has the same meaning in the SIS Act and includes:

- The *Superannuation Industry (Supervision) Act 1993* or the *Superannuation Industry (Supervision) Regulations 1994*
- Prudential standards
- *Financial Sector (Collection of Data) Act 2001*
- *Financial Institutions Supervisory Levies Collection Act 1998*
- *Provisions of the Corporations Act 2001*.

SDG means United Nations Sustainable Development Goals. A universal set of 17 goals adopted by 193 countries that support the 2030 Agenda for Sustainable Development. The aim of the SDGs is to promote prosperity by protecting people and planet. To be realised, they require significant investment solutions from both public and private sectors.

SIS Act means the Superannuation Industry (Supervision) Act 1993.

Trustee is United Super Pty Ltd.

2.2 What is not covered by this policy

This document sets out the general approach to incorporating responsible investment into the Fund's investment decision making; it does not provide in-depth details of the processes applied to implementation.

3 Application

This Policy applies to all Trustee Directors, all Cbus Group Executives, and all members of the Fund's investment team.

4 Accountability

The Trustee is at all times responsible for the Fund's investments.

The Trustee has delegated decision making responsibilities for responsible investment to Board Committees (primarily the IC) and management.

The responsible investment team is accountable for guiding the strategic direction for responsible investment, stewardship activities, advocacy, monitoring and transparency. The investment team has accountability for supporting the implementation within the Fund's investments activities.

5 Governing legislation and regulatory requirements

In constructing this Policy, the Trustee has referred to its duty to comply with the RSE licensee law and considered (among other things) the following:

- APRA Prudential Practice Guide, SPG 530 Investment Governance, July 2023
- APRA Prudential Performance Practice Guide, CPG 229 Climate Change Financial Risk, November 2021
- *Modern Slavery Act 2018 (Cth)*
- *SIS Act* and provisions of the *Corporations Act 2001*
- ACSI Governance Guidelines
- PRI

6 Responsible investment risk considerations

Responsible investment is one of the fundamental investment beliefs the Trustee considers necessary to deliver long term value creation for beneficiaries.

The Trustee believes that responsible investment practices are consistent with its long-term return objectives and in accordance with acting in the best financial interests of the Fund's members under its fiduciary duties and the sole purpose test.

Well-governed companies that manage material ESG risks and opportunities in their operations and supply chains such as those that impact employees, suppliers, customers, communities and the environment are expected to enhance value for our members over the long term.

For the Trustee, responsible investment means taking account of material ESG risks and opportunities* in the investment decision making process, exercising positive influence through Fund investments and the operations of the Fund itself.

The Trustee believes that responsibility extends to influencing the shift towards a sustainable financial system and has articulated this through its recognition of the UN Sustainable Development Goals (SDGs).

The achievement of the SDGs are expected to improve long term financial returns by reducing the volatility in financial markets brought about by climate change, social and economic inequality and unequal access to resources such as energy, water and food. The Trustee believes it can meaningfully contribute to the SDGs through both the Fund's investments and strategic activities.

Climate Change

The Trustee believes that climate change creates both investment risks and opportunities for the Fund's investments and reflects the need to advocate for an orderly transition to a climate resilient economy. The Fund has developed a position statement and a set of climate principles to help guide the integration of climate change considerations in accordance with the Investment Governance Framework. This approach will enable the Fund to focus on making decisions that it considers will lead to better long-term retirement outcomes for Fund members. The position statement and principles are approved by the Trustee Board and are reviewed as required.

Built Environment

The Trustee believes it has a responsibility to take a leadership role in the built environment in which the Fund's members work. The Fund will seek opportunities to incorporate responsible investment within the built environment including the development of sustainable building and construction practices, where this is considered to be in the best long-term financial interests of members.

The Fund

The Trustee believes the Fund should operate in a manner that is consistent with its approach to responsible investment. Hence, the Trustee will seek to incorporate its responsible investment practices within the broader Fund.

6.1 Principles for responsible investment

The Trustee articulates these beliefs through its adoption of the PRI framework which guides the Fund's implementation of responsible investment.

* Material ESG risks and opportunities are those that are likely to affect business or investment performance.

The PRI is a set of six principles:

1. We will incorporate ESG issues into investment analysis and decision making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

A variety of internal guidelines and processes support the implementation of responsible investment. The Trustee may provide support to, or endorse other external organisations and commitments that further enhance its approach to responsible investment in the best long-term financial interests of members.

7 Responsible investment approach

The Fund invests globally through a range of different asset classes, using different investment strategies to invest in most business sectors directly and indirectly. This means the Fund's investments are exposed to many different parts of the global economy.

Therefore, the Trustee requires that its responsible investment approach applies to all of the Fund's investment activities including:

- Across all geographic locations
- All asset classes
- Direct
- Mandated and pooled funds
- All styles including active and passive

The approach to implementation is shaped by the Fund's investment strategy including outsourcing to investment managers to invest on its behalf and direct investment through internally managed investment portfolios.

The manner and extent to which responsible investment is incorporated into investment decisions will differ and is dependent on the investment characteristics of each strategy. The Trustee acknowledges that implementation of responsible investment may require a tailored approach within and between asset classes and investment strategies.

Internally Managed Investment Portfolios

The Trustee has implemented an asset class specific internalisation model. The Fund implements responsible investment processes or procedures as internal capability is built for each asset class. The Fund will seek to be a leader in responsible investment for the asset classes in which it invests directly.

Investment Managers

Responsible investment is a component of the investment manager selection and appointment process. The Fund prefers investment managers that have sound ESG practices or are actively developing their approach, which allows the Trustee to accommodate for managers at different stages in their responsible investment journey.

Investment managers are only appointed after a selection process in accordance with the Fund's Due Diligence Policy and, where appropriate, its Outsourcing Policy.

Agreements with external investment managers detail the specific requirements for responsible investment, including reporting and monitoring requirements, and are based on the type of asset class and investment strategy being employed.

After an investment manager has been selected, the Fund actively engages with the manager and monitors the integration of responsible investment into their processes.

Mandates and Pooled Trusts

Mandates afford the Fund a greater level of control. They provide greater transparency and the ability to actively engage with both investment managers and the underlying companies on responsible investment. Some investments can only be accommodated in pooled arrangements. Where possible, the Fund uses its influence to ensure the terms of the pooled vehicles are aligned to its needs and will seek to incorporate the Fund's approach to responsible investment in the governing documents.

Risk Management

The Trustee has identified ESG risk as one of its material risks and, as such, it is assessed, monitored and reported as part of the enterprise risk framework, including risk appetite and risk indicators.

Remuneration

Any variable remuneration introduced to the investment team has a component that is measured against responsible investment performance criteria and outcomes.

Training

The Trustee requires the investment team undertake training on responsible investment.

7.1 ESG Integration

We seek to integrate responsible investment throughout our investment process to enable a better understanding and management of opportunities and risks with the expectation of generating strong long-term returns for our members.

Integration of responsible investment is the systematic and explicit inclusion of material ESG risks and opportunities into financial analysis and decision making; for example, the risk return assessment for a potential investment.

The Trustee believes this approach is the most appropriate for the Fund given the ongoing increase in size and diversification of the Fund's investments across the global economy. It enables the Fund to use its ownership interest of listed and unlisted companies to influence their behaviour.

Exclusions

The Fund does not typically exclude particular companies, sectors or asset types. However, there are some circumstances in responsible investment where it is appropriate to consider exclusions of a sector or a specific stock from the Fund's portfolio. Any proposed exclusion categories assessed in the best financial interests of members requires approval by the IC. Approval of individual securities within exclusion categories is delegated to the CIO.

These circumstances include:

- If the Trustee considers that an investment is inappropriate to the extent that it may have a negative impact on the Fund's long-term return objective
- If the Trustee considers that an investment is inappropriate to the extent that it may have a material negative impact on the Fund's reputation
- If the investment would lead to contravention of international treaties or conventions
- If the investment is in a jurisdiction where sanctions upon capital movement or requiring divestment are anticipated and until such time a sanction is implemented
- In cases where it is deemed not possible to influence a company through engagement or proxy voting

7.2 Stewardship

Cbus is a universal investor with a long-term investment horizon and a very diversified portfolio, which is exposed to the volatility and performance consequences of economy wide environmental and social impacts.

Our Stewardship Framework aims to deploy our resources and influence as an investor with the aim of supporting real world outcomes that have the potential to protect and preserve value for our members.

Levers available include advocacy* and the suite of rights attached to our shareholdings. These include the right to vote at companies' general meetings and may include the right to nominate or vote with the respect to the nomination of directors we believe best represent our members' interests. Other opportunities for influence also flow from these rights – such as direct communication with boards via engagement.

The Fund will apply guiding principles to help determine alignment with real world outcomes in our members' best financial interest. These principles will guide prioritisation, optimise cost-effectiveness of stewardship activities, and support evaluation and adaptation of the Stewardship Strategy over time. Real world outcomes refer to changes that affect the systems in which our investee companies operate, and in terms of our ESG approach refer to identifying stewardship priorities that are aimed at promoting a shift towards a sustainable finance system, and supporting development or enhancement of standards, guidelines and regulatory reform.

Cbus maintains governance structures for Stewardship through investment delegations, risk management controls, monitoring of third-party providers and reporting to the IC and Board.

Our public Stewardship Statement provides an overview of the Fund's stewardship activities in accordance with the Australian Asset Owner Stewardship Code.

The Trustee acknowledges the additional responsibility of its influence in the Australian market. This reflects the size and ownership in Australian companies and assets and the location of Fund members.

Proxy Voting

The Fund votes at all company meetings in all markets globally, unless impracticable. The Fund has a governance process for vote decision making through investment delegations, strategy reviews and reporting. The Fund takes an active approach when voting on resolutions for Australian companies and directly held global equities. In determining voting decisions, a variety of inputs are sought. In all cases, the Fund forms its voting decision based on the best financial interests of members.

There are limited circumstances where the Fund may not be able to exercise its voting rights such as when companies are held through pooled trusts, or are on loan through the securities lending program, share blocking markets and power of attorney markets. The Fund takes a practical approach where the solution cost is reflective of the likely level of influence on the voting outcome.

Engagement

The Fund engages with a broad range of stakeholders including its investment managers and listed and unlisted companies in which it invests.

The Fund employs a flexible approach to stakeholder dialogue. Engagement can be undertaken directly, in partnership with other investors, or through external service providers.

The Fund expects that its investment managers will engage on responsible investment issues, with listed and unlisted companies or seek to influence the broader market, as appropriate for the investment strategy.

* In relation to advocacy see item 7.3.

Pooled Trusts

In pooled trusts, the investment manager is responsible for the voting rights to the shareholding of the company. Therefore, the Trustee does not have the opportunity to exercise voting rights for companies in pooled investments but will seek to influence voting through the investment manager, where appropriate.

Securities Lending

The Fund's securities lending program is currently administered by the Fund's custodian, with oversight provided by the investments team. The securities lending program is permitted to lend the Fund's domestic and international fixed interest securities and equities securities.

The Fund has designed a process that enables the investment team to recall shares from a loan for voting purposes.

Conflicts Management

The Conflicts Management Policy sets out and explains how actual, potential and perceived conflicts are identified and managed.

The Personal Securities Trading Policy outlines our approach to managing inside information.

7.3 Advocacy

The Fund participates in advocacy in our members best financial interest, with the aim of:

- Encouraging systemic changes
- Improving standards, guidelines or regulations that would better enable directors to meet our needs as a universal investor
- Promoting a shift towards a sustainable financial system

The Fund has a preference to undertake advocacy through partnering with other stakeholders, for which the Fund considers to be the most effective. The Fund monitors the advocacy activities of its member organisations through participation on committees, board representation and through reviews. Management has delegation to approve activities that align with the strategic objectives of the Fund.

7.4 Partnering

The Trustee recognises that through partnering with others, the Fund can share knowledge and learnings and manage resources more effectively. The Fund actively partners with a wide range of stakeholders and market participants to improve management of systemic ESG risks and opportunities and complex market transformations. The Fund plays an active role in various initiatives, networks, and groups of like-minded investors.

7.5 Reporting and disclosure

Reporting

Where appropriate, the Fund will incorporate responsible investment within investment monitoring and enterprise risk reporting. In accordance with governance and investment delegations, reporting occurs through internal management forums and Board investment and risk committees.

Disclosure

The Trustee seeks to take a leadership role in transparency and disclosure and will report its responsible investment activities, progress and outcomes to all stakeholders through the Fund's website and annual reports. This includes information associated with the Fund's ESG regulatory compliance obligations, proxy voting, exclusions and climate change.

The Fund will participate in the PRI Reporting Framework and publicly disclose the Fund PRI Assessment Report.

The PRI Assessment Report results will be used as an indicator to measure the outcomes of the Fund's responsible investment activities.

Where possible our public disclosures will be assured.

8 The Fund

The Trustee recognises the Fund should operate in the same manner as it expects of the companies and assets in which it invests. As such, the Fund will seek to identify opportunities to incorporate responsible investment across the organisation and influence the entities and stakeholders with whom the Fund undertakes business.

There is also a broader opportunity for the Fund to contribute to the SDGs. The Fund has identified several SDGs which it believes it can meaningfully influence as an organisation.