

Responsible Investment Policy

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The information in this document forms part of the following Product Disclosure Statements:

- *Cbus Industry Super Product Disclosure Statement* issued 5 October 2018
- *Cbus Sole Trader Product Disclosure Statement* issued 5 October 2018
- *Cbus Personal Product Disclosure Statement* issued 5 October 2018

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1 Purpose and objectives of the policy

This document outlines the key elements of the United Super Pty Ltd (**the Trustee**) Responsible Investment Policy (**the Policy**) for the Construction and Building Unions Superannuation Fund (**the Fund**).

The Policy sets out the Trustee's approach to managing responsible investment including Environmental, Social, Governance (ESG) matters, and climate change, in its investments and the Fund. It directs the Fund to adequately consider ESG risks and opportunities as part of the investment process in accordance with the Investment Governance Framework. It 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 set by the Investment Committee (IC) and will be reviewed every two years, or more frequently, if appropriate.

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 the United Super Pty Ltd.

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 is the Construction and Building Unions Superannuation Fund (Cbus).

IC is the Trustee's Investment Committee.

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

Just Transition means the creation of decent work, quality of jobs and community renewal in the transition to a climate resilient economy.

PRI means the United Nations supported 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 means the Trustee.

RSE licensee law means:

- 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*; and
- Provisions of the *Corporations Act 2001*.

SDG means UN Sustainable Development Goals. 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 the 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 Investment Committee) and management. Responsible investment delegations are documented in the investments delegation matrix.

The responsible investment team is primarily accountable for guiding the strategic direction for responsible investment. The investment team has accountability for supporting the implementation within the Fund's investments activities.

5 Governing legislation and regulatory requirements

Apart from some limited requirement around disclosure, the RSE licensee law does not set minimum standards or provide guidance on responsible investment issues. In constructing this Policy, the Trustee has considered (among other things) the following:

- APRA Prudential Practice Guide, SPG 530 Investment Governance, November 2013;
- SIS Act and provisions of the *Corporations Act 2001*;
- ACSI Governance Guidelines; and
- PRI.

6 Responsible investment philosophy and beliefs

Responsible investment is a fundamental investment belief the Trustee considers necessary to deliver long term value creation for beneficiaries.

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

For the Trustee, responsible investment means taking account of 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 responsible investment extends to influencing the shift towards a sustainable financial system. This will be necessary to achieve long term financial returns and outcomes for the greater benefit of the environment and society in which Fund members work and retire. As an asset owner and long term investor, the Trustee understands the significant responsibility in contributing to a sustainable economy and has articulated this through its recognition of the UN Sustainable Development Goals (SDGs).

The Trustee believes SDGs will help shift the global economy to a more sustainable financial system. Their achievement will reduce 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 investments and strategic activities.

Climate Change

The Trustee believes that climate change is a complex environmental and social issue that will increasingly impact the global economy over time. This creates both investment risks and opportunities for the Fund's investments and reflects the need to advocate for an orderly and Just Transition to a climate resilient economy.

The Fund has developed a position statement 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 will lead to better long-term retirement outcomes for Fund members. The position statement is approved by the Trustee Board and is 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.

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. This framework guides the Fund's implementation of responsible investment. The PRI is a set of six voluntary and aspirational principles for incorporating ESG and SDGs into investment processes. The principles are:

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; and
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 through the PRI framework. The Trustee may provide support to, or endorse other external organisations and commitments that promote its beliefs or further enhance its approach to responsible investment.

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 responsible investment applies to all of the Funds investment activities including: across all geographic locations; all asset classes; direct, mandated and pooled funds; and 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 decision 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.

The Fund will identify ESG issues of importance to our investments and members to be used in interactions with our fund managers and, our engagement and voting with companies.

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.

Investment Management Agreements (IMAs) 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 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 outcomes.

Training

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

7.1 ESG Integration

Integration

Integration of responsible investment is the systematic and explicit inclusion of ESG considerations into financial analysis and decision making. This enables ESG risks and opportunities to be identified and factored into the risk-return assessment for an 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. 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; or
- In cases where it is deemed not possible to influence a company through engagement or proxy voting.

Any proposed exclusions require approval by the Investment Committee.

7.2 Active ownership

The Fund seeks to influence the companies and assets in which it invests through engagement and voting. The purpose is to communicate the interests of the Fund with the aim of enhancing long term value creation and minimising risk.

Internal guidelines form the basis of the Fund's approach to active ownership. These are approved by the IC and reviewed as required.

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.

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 collaboration with other investors, or through external service providers.

The focus of the engagement process is building ongoing relationships, ad hoc engagement on specific ESG matters or engagement based on themes, for example, climate change.

Engagement priorities and methods can depend on a variety of factors. These include the type of stakeholder, ability to influence, nature of the issue, geographic location of the companies or assets, size of holdings, asset class and weight in the portfolio. In instances where we consider engagement to be unsuccessful the Fund will escalate the matter in accordance with the Funds' escalation process.

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.

Proxy Voting

Voting at a company's annual general meeting is where the Fund can exercise its shareholder rights to influence and encourage better corporate business practices among its investee companies.

Internal guidelines outline the Fund's approach to proxy voting to ensure a consistent approach is applied globally. The Fund sources information from its engagement activities and a range of stakeholders to inform its views. While transparency is important to the Trustee, the Fund does not disclose its voting intentions in advance.

The Fund takes an active approach when voting on resolutions for Australian companies which is often informed through its engagement process. When a contentious issue arises, the Fund will actively seek input from a range of stakeholders, including fund managers and external service providers, to help make an informed decision.

Due to the size of the Fund's investments, international voting is executed by an external service provider based on the Fund's instructions. The Fund may take a more active approach for voting on international resolutions following engagement with companies or based on a theme, such as, climate change.

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.

Conflicts Management

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

The Securities Trading Policy applies to investing activity and assists the Fund to comply with relevant laws and regulation in respect of insider trading.

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 security lending program is conducted by the Fund's custodian, in which the custodian is permitted to borrow domestic and international fixed interest securities and equities from the Fund.

The Fund has designed a process that enables the investment team to recall a stock from loan to ensure that the security lending program does not prevent the Fund from exercising its voting rights as a shareholder.

Class Actions

The Litigation Policy sets out the Trustee's approach to participating in legal actions against investee companies.

7.3 Advocacy

The Fund undertakes advocacy with the aim to influence the broader market and promote a shift towards a sustainable financial system. The focus is primarily on influencing standards, guidelines and regulatory reform that support long term value creation. The Fund has a preference to undertake advocacy through collaboration with other stakeholders.

Advocacy can include a variety of activities including engagement with and submissions to government, regulators or other rule making bodies, commissioning and publishing research and industry wide campaigns.

7.4 Collaboration

The Trustee recognises that through collaboration with others the Fund can exert a greater influence and manage resources more effectively. The Fund actively collaborates with a wide range of stakeholders and market participants to increase the collective influence and success of responsible investment and complex market transformation including an active role in various initiatives, networks, and groups of like-minded investors.

7.5 Reporting and disclosure

Reporting

The Fund receives information from a variety of sources and participates in numerous engagements, advocacy and collaborations related to responsible investment. The responsible investment team is primarily accountable for receiving and monitoring this information and producing summary reports to be presented to the IC and the Board, as appropriate. However, the nature of responsible investment mean that some aspects of reporting must be reactive and responsive to the issues at hand.

Where possible, the Fund will incorporate responsible investment reporting within the investment monitoring and reporting requirements under the Investment Governance Framework.

Compliance with the Policy will be reported to the IC.

Disclosure

The Trustee seeks to take a leadership role on transparency and disclosure and will report its responsible investment activities and progress 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 annually in the PRI Reporting Framework and publicly disclose the Fund PRI Assessment Report.

The PRI Assessment Report results will be used as the key performance indicators to measure the outcomes of the Funds responsible investment activities.

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.