

Vision Super Pty Ltd

ABN 50 082 924 561

Environmental, social and governance policy

Strictly confidential

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STATEMENT OF POLICY

Vision Super Pty Ltd (VSPL) - RSE L000239, ABN 50082924561 is the trustee of the Local Authorities Superannuation Fund (LASF).

Pooled Super Pty Ltd (PSPL) - RSE L0003414, ABN 11142516005 is the trustee of the Vision Pooled Superannuation Trust (VPST).

As outlined in the Group Policy, VSPL and PSPL are part of a corporate group. As a result, group policies and functions can be used provided the respective Boards have agreed to this having regard to their respective RSE licensee business operations.

This Environmental, social and governance (ESG) policy (the Policy) should be read in conjunction with the Group Policy.

VSPL and PSPL will review on a regular basis (at least annually) whether the continued use of group policies is appropriate.

In the Framework, unless the context otherwise requires or specifies, a reference to the:

- Board is a reference to the boards of both VSPL and PSPL or any one of them;
- Directors is a reference to the directors of VSPL and PSPL;
- Trustee is a reference to VSPL and PSPL or any one of them;
- Fund is a reference to the Local Authorities Superannuation Fund;
- VPST is a reference to the Vision Pooled Superannuation Trust; and
- Constitution is a reference to the constitution of either VSPL or PSPL.

Purpose

The Trustee recognises that its responsibilities are long term in nature, and that the long term prosperity of the economy and the wellbeing of members depend on a healthy environment, social cohesion and good governance within the Trustee's operations and the companies in which it invests. The purpose of this Policy is to document the processes that the Trustee employs to support these views, and document the ESG principles under which the Trustee will invest and the Fund and VPST will be managed.

The Policy should be read in conjunction with the Investment Policy Statement and the Risk Management Strategy.

The Policy is consistent with the long term investment objectives of the Fund and VPST and their respective risk tolerances.

Responsible officers

The Board is responsible for ensuring the appropriateness of the ESG framework.

The Chief Investment Officer is responsible for ensuring that any investment which is being considered meets the requirements of this Policy.

Environmental, social and governance guidelines

Principles

The Trustee supports the following principles internally and for its investments:

- The Australian Council of Superannuation Investors (ACSI) guidelines which provide independent research and advice to funds to manage environmental, social and corporate governance investment risk;
- All shareholders should be treated equally;
- Any significant merger or acquisition activity should be decided by shareholders;
- On remuneration, no member of the executive team should receive more than double the next most highly paid executive;
- Bonus structures should be based on long term performance and on factors within management's control;
- Best practice in transparency and reporting should be adopted, including knowledge of at least one level below the company supply chain;
- Company auditors should be independent and rotated frequently; and
- The United Nations Global Compact.

Manager selection and monitoring

When searching for new investment managers, due diligence should include a demonstration of how an assessment of ESG risks is incorporated into the investment process including the use of positive screens if any. The investment manager should also specify the resources available to analyse ESG risks, including personnel and their expertise, and external research services used.

Investment managers will be encouraged to discuss ESG and other risks in their investment reports to the Trustee. The Trustee's internal Investment Team will be charged with monitoring the investment portfolios of its investment managers and analysing exposure to significant specific risks, such as climate change risk.

The Investment Manager Appointments, Terminations and Monitoring Policy covers the general selection and monitoring of managers.

Collaboration and engagement

The Trustee is

- A signatory to the Principles of Responsible Investment (PRI). Consequently, the Trustee is committed to:
 1. Incorporating ESG issues into its investment analysis and decision making processes;
 2. Being an active owner who incorporates ESG issues into its ownership policies and practices;
 3. Seeking appropriate disclosure on ESG issues from its investment managers;
 4. Promoting the acceptance and implementation of the PRI within the investment industry;
 5. Collaborating with other organisations to ensure that the PRI are effectively implemented; and
 6. Reporting on its activities and progress towards implementing the PRI.

- An associate member of the Australian Council of Superannuation Investors (ACSI). The Trustee seeks the assistance of the ACSI to determine whether or not the governance policies of listed companies are being adequately scrutinised;
- Involved with several industry groups who seek to improve responsible investment practices. In particular, the Trustee is involved with groups that are focussed on understanding the investment risks that relate to climate change;
- Working toward becoming a signatory to the UN Global Compact;
- A member of the Investor Group on Climate Change, who aims to raise awareness of the potential impact that climate change has on the investment industry and encourage best practice approaches in managing the impact of climate change.
- A member of ESG Research Australia, an association of superannuation funds, fund managers and asset consultants which has the single objective of increasing the amount and quality of stock broker research in Australia that includes consideration of environmental, social and governance (ESG) issues.

The Trustee will encourage its agents to undertake company specific engagements where it is believed that:

1. Engagement will lead to an increase in the value of a company's shares over the long term.
2. Engagement will prevent or limit a decrease in the value of a company's shares over the long term.
3. Engagement will lead to an improvement in the company's current operations in relation to environmental, social and/or governance considerations.

In determining whether (and how) the engagement is to be taken forward, due regard must be given to the level of the company's exposure to the issue/s at hand and the likelihood of engagement success and the potential to bring about positive change. Such considerations are based around an assessment of the likely impact of the engagement and the ultimate benefit to the value of the Trustee's holding in the company.

Engagements may involve:

- Meetings with executive and non-executive directors;
- Meetings with other company representatives;
- Discussions with the other shareholders of the company;
- Participation in collaborative investor initiatives; and
- Submission of shareholder resolutions at general meetings (as appropriate).

The Trustee has a fiduciary obligation to act in the best interests of members and will participate in class actions against companies where this has been assessed to be in the best interests of members.

Investment restrictions

The Trustee has determined that it will not invest in:

- Companies that derive material revenue from controversial weapons - which include companies that are involved in the manufacture and/or production of controversial weapons, land mines, cluster bombs, nuclear weapons or similar.

The Trustee has also determined that the case for any material direct investment should include a reasonable estimate of the impact of phasing out fossil fuel usage consistent with limiting global warming to no more than 2 degrees centigrade above the pre-industrial global mean temperature. For investment in index strategies where no active assessment takes place, where practical, the Trustee will seek to have a carbon footprint no less than the relevant index with minimal increase in tracking error. For Global Equities the reduction in carbon footprint is defined by the MSCI World ex-Australia Low Carbon benchmark and is approximately 70% below the MSCI World ex-Australia Index. For Australian equities, the reduction in carbon footprint is at least 10% below the S&P/ASX 100 Index.

More generally, active fund managers retained by the Trustee must undertake a reasonable assessment and price risks to the value of an investment of companies that have a high ESG risk profile and appear to be poorly managing ESG risks.

Where possible, agreements with investment managers will specify the ESG evaluation process outlined above. The Trustee will endeavour to incorporate the ESG evaluation process across all of its asset classes including fixed income, credit and unlisted assets (as far as practical).

Climate change

The Trustee considers ESG risks to be material risks that have the potential to affect the interests of the members of the Fund and the VPST. Specifically, the Trustee identifies climate change risk as a primary concern among environmental risks. In addition ignoring sustainable investment opportunities such as energy efficiency, water and waste management in investment portfolios may lead to a loss of value and materially increase risk.

The Trustee considers climate change to be one of the greatest environmental risks that its investment portfolio faces. The Trustee is committed to:

- Managing the risks and taking advantage of the opportunities associated with climate change;
- Monitoring the carbon performance of the portfolio and striving for improvements;
- Ensuring that climate change risks are considered by the Trustee's advisors and investment managers including proper assessment of the data available and full company disclosures;
- Ensuring that climate change risks are analysed as part of the due diligence procedures for new investments; and
- Participating in climate change related collaborative initiatives.

Proxy voting

The Trustee will retain the right to vote on shareholder resolutions, where equity investments are held directly.

The Trustee uses the ACSI Voting Alert Service, which assesses company votes against the ACSI Governance Guidelines and recommends voting outcomes. These guidelines are a set of practices that ACSI believes companies should follow, and cover topics such as board structure, operation and compensation. The Trustee is in broad agreement with the ACSI Guidelines, but retains the right to vote differently to ACSI recommendations if it believes that it is in the best interests of the members of the Fund and/or the VPST to do so.

The Trustee assesses Managers ESG policies as part of Vision Super's Manager assessment process. Managers may vote Vision Super's shares in accordance with their ESG Policies but Vision Super retains the right to override Managers for directly held investments. Vision Super will liaise with Managers where an override is being considered.

The Trustee will exercise the voting rights it has with respect to its directly-held shares in accordance with the ACSI recommendations. Any contentious issues will be referred to the Board for approval. Where cost effective, the Trustee will seek to vote its shares outside of the ACSI voting Alert Service universe.

Reporting

The Trustee is committed to regularly communicating its ESG strategy to the Fund's members through:

- A commentary in the Annual Report;
- Updates in the member newsletters; and
- Making information available on the Trustee's website.

The Trustee will disclose the full list of companies that it has a holding in, and compile an annual report that documents the Trustee's voting activities. Regular reports on the ESG activities and assessments of the Trustee's investment managers are to be reported to the Trustee's Investment Committee.

Corporate citizenship

The Trustee is mindful of its fiduciary obligation to act in the best interests of the Fund's and the VPST's members, and the requirement under the 'sole purpose test' to maintain the Fund for the purpose of providing benefits to its members when they retire or reach preservation age, or for their respective beneficiaries in the event that they pass away before retiring or reaching preservation age.

For this reason, substantive monitoring is undertaken to ensure that the ESG initiatives outlined in this Policy enhance member returns and reduce risk.

It is also recognised that as a corporate entity the Trustee must operate in a way that reflects community expectations and meets high standards as a 'corporate citizen'. As such, the Trustee undertakes that its actions will (as a minimum) reflect the expectations it has of the companies that it invests in, and will ensure that it has the proper policies and procedures in place to promote good governance and an open and transparent culture.