Environmental, social and governance policy

3 November 2023

Vision Super Pty Ltd ABN 50 082 924 561 AFSL 225054 RSE licence number L0000239 is the Trustee of the Local Authorities Superannuation Fund ABN: 24 496 637 884. Level 15, 360 Collins Street, Melbourne. PO Box 18041, Collins Street East, Victoria 8003. **www.visionsuper.com.au**. Member hotline 1300 300 820, Employer hotline 1300 304 947, Retirement hotline 1300 017 589.

Statement of Policy

Vision Super recognises that our 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 our operations and the companies in which we invest. This is reflected in our core investment belief that environmental, social and governance (ESG) issues are important in the context of optimising net long-term risk-adjusted returns. As a corporate entity, VSPL must also meet the high standards expected of any corporate citizen and also seeks to operate in a way that reflects community expectations (where appropriate).This ESG Policy documents what we mean by 'ESG considerations', and how they are considered in our investment processes in relation to the Fund as a whole, in the best financial interests of our members.

Preamble

Vision Super Pty Ltd (VSPL) – RSE L0000239, ABN 50 082 924 561 is the trustee of the Local Authorities Superannuation Fund (LASF).

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

> Board is a reference to the board of Directors of VSPL
> Directors is a reference to the directors of VSPL
> Trustee is a reference to VSPL
> LASF is a reference to the Local Authorities Superannuation Fund
> Fund is a reference to the Local Authorities Superannuation Fund
> Constitution is a reference to the constitution of VSPL
> EWG is a reference to the ESG Working Group.
> The ESG policy also documents how ESG considerations are considered in VSPL's operations more generally.

Relationship to other documents

This policy is consistent with our long-term investment objectives and risk tolerances and should be read in conjunction with other internal documentation, strategies or policies relating to the Fund's operations and investments including the following which are publicly available on our website:

> The Proxy voting policy
> The Stewardship statement
> Modern slavery statement.

Roles and responsibilities

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

The Chief Investment Officer (CIO) is responsible for ensuring that VSPL's processes meet the requirements of this policy.

The ESG Manager (EM) is responsible for co-ordinating the activities of the EWG and setting agendas, documenting actions, and recording file notes and action points from the EWG meetings.

ESG monitoring and oversight

ESG Working Group (EWG)

VSPL's ESG Working Group (EWG) oversights the Fund's day to day ESG activities and reviews new and existing initiatives for review by the Investment Committee and decision by the Board.

The EWG consists of:

> The ESG Manager (EM) – Chair
> The Chief Executive Officer (CEO)
> The Chief Investment Officer (CIO)
> Up to two other VSPL staff members.

The EWG meets on a regular basis, generally every six weeks, and supports the VSPL executive in conjunction with the Investment Team to consider ESG issues, which includes the following:

> Reviewing this policy on an annual basis or more frequently if required
> Oversight of the implementation of this policy
> Oversight of the process for reviewing contentious voting decisions ahead of company annual meetings, as well as class actions
> Carbon exposure at a listed equities portfolio level
> Oversight of stewardship, engagement with companies, and other ESG collaborative initiatives and matters
> Overseeing and reviewing ESG memberships, associations, and ESG data and engagement/proxy voting service providers:
- For quality of service and benefits of membership
- To ensure each membership or service is in the members' best financial interests.

The EWG will produce notes and action points from each meeting.

Environmental, social and governance guidelines

Principles

Our approach is based on applying a set of principles (ESG principles) for guiding the investment practices of the Fund with a view to ensuring the ESG – related considerations set out in this policy are applied in the Fund's decision-making processes.

The Vision Super ESG Principles are as follows:

1. We seek to integrate ESG issues in our investment processes
2. We seek that companies, in which we directly invest, make appropriate ESG disclosures
3. We aim to consider each company resolution and vote all our listed equity shareholdings
4. We aim to be an active owner and to reflect this in our policies and practices, such as in our Stewardship statement
5. We seek to promote appropriate recognition of ESG issues within the investment industry
6. We will aim to have collaboration with other investors and support suitable regulatory change
7. We are committed to transparency and will report to members on our ESG policies, principals and activities
8. We may exclude some categories of investment where these investments are not aligned with this Policy or the values of the Fund, which are informed by a range of factors and in conjunction with expert analysis from third party information providers.

Manager selection and monitoring

When appointing new (or reviewing existing) investment managers across a particular asset class, our due diligence includes an assessment of how ESG risks are incorporated into their investment processes. These investment managers are asked to specify the resources they have available to analyse ESG risks, including personnel and their expertise, and engagement with companies and external research services. Where possible, we incorporate specific guidelines and constraints in our contracts with our investment managers. Our investment managers are listed in our annual report each year.

Our managers investing in listed equity and debt must undertake a reasonable assessment and price risks to the value of an investment in companies that have a high ESG risk profile and appear to be managing ESG risks poorly. We aim to incorporate the ESG evaluation process across all our asset classes for listed securities (equity & debt) and unlisted assets.

All investment managers will be encouraged to discuss ESG and other risks in their investment reports to VSPL. Our internal Investment team monitors the investment portfolios of our investment managers and analyses exposure to significant specific risks, such as climate change risk.

The Investment manager appointments and terminations policy, covers the general selection and monitoring of managers.

VSPL aims to achieve its ESG goals through its internal investment team, investment managers, input from external experts, data, and services from its ESG service providers as well from its memberships and signatory affiliations from its other ESG providers.

Collaboration and engagement

Where practicable, we will seek to engage with companies to communicate our concerns and position on ESG issues. In engaging with a company, we assess the likely impact of the engagement and the ultimate benefit to the value of our holdings.

We will encourage our investment managers and other ESG service providers to undertake company-specific engagements where we believe that it is in our members' best financial interests.

Engagements may involve meetings with company directors and executives, discussions with other shareholders of the company, participation in collaborative investor initiatives and voting our shares at company annual general or special meetings.

Class actions

On a case-by-case basis, VSPL will review, from a cost benefit perspective, whether to participate in a securities class action event as a result of an allegation of company mismanagement or of providing misleading information to the market where this has led to financial loss for shareholders. We will participate in class actions against companies where this is expected to be in the best financial interests of members and consistent with this Policy and the values of the Fund.

We will ensure that we can elect to participate in class actions on an opt-out basis and that we have a right to veto specific class actions that are not in line with this Policy or the Fund's values.

Investment exclusions and restrictions framework – listed equities

The Board may determine that we will not invest in particular categories of investment. The Board will only exclude listed companies where we do not believe engagement can reduce harm or where we believe there is long term risk to member's money. In considering whether to exclude certain investments, we will:

1. Clearly define what is being proposed for exclusion
2. Assess materiality including impact on portfolio performance and sequencing risk
3. Define why the category of assets is being proposed for exclusion. This will take into account this Policy and the values of the Fund, which are informed by a range of factors and expert analysis from third party providers
4. Assess the practicality of excluding a category of investments from the Fund
5. Determine under what circumstances the Fund would stop excluding a category of investments.

The Board has currently determined that the Fund will not invest in the categories listed in Appendix 1.

If we identify that existing investments are or will become excluded, they will be redeemed in accordance with our exclusion guidelines.

Climate change and carbon budget

Climate change risk is a primary concern among environmental risks. In addition, there are related investment opportunities in investment portfolios that may provide favourable returns while at the same time helping to mitigate climate change risk.

Climate change is one of the greatest environmental and financial risks that our investment portfolio faces. We are committed to:

> Considering, identifying and managing climate change as a material financial risk for the purposes of our risk management framework. We will consider, identify and seek to take advantage of any suitable investment opportunities that relate to the transition to a net zero-carbon emissions economy. We note that climate change is occurring and adaptation against severe scenarios isn't possible.

> Monitoring the carbon metrics of the listed equities portfolio and striving for improvement

> Encouraging our asset consultant advisers and managers investing in listed and unlisted investments to consider climate change risks and opportunities, including proper assessment of the data available.

> Participating in climate change related collaborative initiatives with relevant institutions and other investors via co-filing shareholder resolutions and members statements at company AGM's.

The Board has also determined that the investment case for any material directly managed investment must include a reasonable assessment of the impact on the investment of phasing out fossil fuel usage consistent with limiting global warming to as close as possible to 1.5 degrees and under 2 degrees above the pre-industrial global mean temperature.

The Trustee has mandated that its' investment managers invested in listed equities will manage their portfolios subject to an annual carbon budget. Further details are provided in Appendix 2.

Voting

VSPL aims to vote all resolutions at general meetings at which we are entitled to vote, unless there are restrictions. Our voting record is published on our website.

Reporting

We are committed to regularly communicating our ESG strategy and activities to our members through:

> Commentary in the annual report

> Making information available on the Vision Super website.

Regular reports on the ESG activities and assessments of relevant investment managers in relation to ESG issues or risks are reported to the Investment Committee.

Corporate citizenship

We are mindful of our fiduciary obligation to act in the best financial interests of our members, and the requirement under the sole purpose test to maintain the Fund for the purpose of providing benefits to our members. For this reason, substantive monitoring is undertaken to ensure that the ESG strategies outlined in this Policy are expected to enhance member returns and reduce risk.

We seek to undertake actions that will reflect the expectations we have of the companies that we invest in. We will also ensure that we have the policies and procedures in place to promote good governance and an open and transparent culture.

Workplace conditions

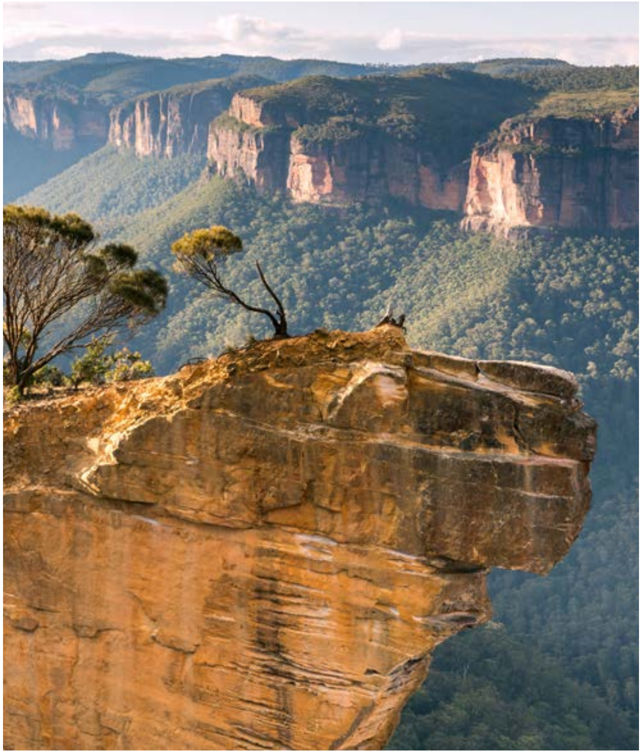
We understand the connection between a listed equity company's workplace practice and its long-term success. At the core of this success, is the concept of freedom of association, a positive approach to labour relations and collective bargaining, the elimination of forced and child labour, and the elimination of discrimination and promotion of diversity. Where our investment managers, ESG service providers or other relevant institutions report that a company in which VSPL invests on behalf of our members has engaged in conduct that fits the definition of modern slavery, we may seek to engage with the company to change their practices and improve their long-term performance for our members.

Modern slavery

VSPL supports efforts to end modern slavery and believes that businesses and companies have a key role to play in tackling this issue by strengthening protections in their own operations and supply chains. There is a working group that considers and monitors these issues.

Our annual due diligence assessments integrate modern slavery risks within our ESG framework to evaluate our procurement and operational activities, our external investment portfolio supply chains across all asset classes, and other external service providers associated activities. The *Modern Slavery Act 2018 (Cth)* came into effect on 1 January 2019 and requires us to publish an annual modern slavery statement describing our actions and progress to assess and address modern slavery risks within the organisation.

Our Modern slavery statement is available here:
www.visionsuper.com.au/about/fund-details/



Appendix 1 – Excluded investments

For investment managers where we have listed equity Investment Management Agreements, the Trustee has determined excluded investment categories. The investment universes that are used to define the specific stocks for exclusion are the MSCI ACWI Investable Market Index (for International Equities) and the ASX 300 index (for Australian Equities). The two categories of exclusion are tobacco and vaping companies and companies associated with controversial weapons, where the companies meet the criteria outlined below:

Tobacco and vaping companies:

> We exclude companies that are identified by our ESG data provider as having an involvement in the production of tobacco products. They describe production as being from a company that is engaged in manufacturing and producing tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, beedi, kretek, smokeless tobacco, snuff, snus and chewing tobacco, as well as companies that grow or process raw tobacco leaves

> Our approach is consistent with the Tobacco-Free Finance Pledge under the auspices of Tobacco Free Portfolios and the UNEP Finance Initiative to which we are a signatory. Tobacco-Free Portfolios does not disclose an official list of companies and refers signatories to ESG data providers to determine these companies.

Controversial weapons companies:

We exclude companies that generate:

> More than 5% of total annual revenue derived from involvement in critical components for nuclear weapons. Involvement in critical components is relevant as outlined by our ESG data provider with respect to screening criteria and definitions if:

- The component plays an essential role in the functionality of the weapon system and thus constitutes a key component; and
- The key component is specifically designed or modified for nuclear weapons.

> Any revenue derived from involvement in critical components of anti-personnel mines, cluster munitions or depleted uranium weaponry.

Companies identified as falling within the above categories of exclusion are based on the methodologies and definitions of our ESG data service provider and will be published in a list (called a 'Restricted Securities List') published on our website.

Appendix 2 – Carbon budget (listed equities)

Our exposure to fossil fuels in our listed equities portfolio is managed through carbon intensity limits under our carbon budget framework. The key aspects of this approach are detailed below:

> The Investment Committee approves the carbon budgets for the international equities and Australian equities asset classes

> Each manager is designated a carbon budget and their portfolios need to be consistent with their respective budget

> The carbon budget is defined with respect to carbon intensity (Scope 1 and 2), which is measured as emissions scaled to sales:

- Scope 1 emissions refer to all direct Green House Gas (GHG) emissions, or in other words, emissions from sources that are owned or controlled by the operating company
- Scope 2 emissions refer to all indirect GHG emissions stemming from the consumption of purchases of electricity, heat or steam.

> For each manager, the budget is expressed as a discount to the carbon intensity of the manager's benchmark. This is the maximum level of carbon intensity for the manager's portfolio. This means that managers can still look for opportunities for mispriced stocks across the relevant investment universe, and all stocks can compete for a place in the portfolio, but there is an additional hurdle for high carbon intensity companies.

> For each manager, the carbon budget involves a meaningfully lower level of carbon intensity than the respective benchmark. The budget for each manager has been customised recognising each strategy's stock universe. The discount is higher for international equities as it is easier to construct a portfolio that has lower emissions and limited tracking error as the stock concentration is low relative to Australian equities.

> Where a manager can make a sufficiently strong argument that its portfolio could breach its carbon budget and still be consistent with the transition to net zero, the Internal Investment Committee can approve a temporary breach of the budget.

> The Internal Investment Committee approves changes in the manager carbon budgets, as well as budgets for new managers. It reviews the carbon budgets annually or more frequently if required.

> The carbon budget for each manager is monitored quarterly for compliance. Managers are able to use any reputable service provider to determine their emission levels. The exclusions list is also updated quarterly and when there are changes to the list, circulated to our managers.

Here to help

Telephone 1300 300 820 (8:30am to 5:00pm)
Monday – Friday (not including Victorian public holidays)
Email memberservices@visionsuper.com.au
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