

Responsible investment and proxy voting policy

This document outlines our responsible investment and proxy voting policies. Read our half yearly [Responsible investment reports](#) for updates on our activities.

Investing in quality

UniSuper is committed to providing greater retirement outcomes for our members and we have a fiduciary duty to act in their best financial interests.

This also includes our commitment to responsible investment, and we believe that environmental, social and governance (ESG) is an important driver of earnings sustainability and that good companies with good corporate behaviour make better investments.



We're an active and responsible investor

UniSuper is not an 'activist' fund. We are long-term owners, and we take an active interest in the quality of our investments incorporating commercial, strategic and ESG factors. Our investment process is focused on our fiduciary duty to act in the best financial interests of our members.

ESG applies across our portfolios and is embedded in our investment management and decision-making process including both opportunities and risks.

We aim to be long term shareholders in companies and engage with companies on a wide range of ESG issues.

Climate change position statement

UniSuper endorses the goals of the Paris Agreement on climate change which aims to limit global warming to well below 2°C above pre-industrial levels with the stretch ambition of 1.5°C by the second half of this century.¹ At the core of our position is the view that global warming represents a long-term risk to economies, industries, societies, the environment, and by extension the retirement outcomes of our members, and that an equitable and orderly transition to net zero emissions by 2050 will avoid the worst impacts of climate change.

Read our annual Climate risk and our investments report on our [website](#) for details on our fund's progress towards net-zero emissions by 2050.

¹ The Paris Agreement | <https://unfccc.int/process-and-meetings/the-paris-agreement>

Holistic approach to responsible investment

As an active owner:

- we exercise proxy votes for listed Australian and international share holdings
- we actively engage with investee companies on a range of commercial, strategic and ESG matters.

We consider ESG as part of our day-to-day investment management process. For example:

- ESG due diligence on new investments
- ongoing monitoring of ESG performance of investee companies
- ESG reviews of external fund managers
- option-wide assessment of ESG risks in portfolios.

Our investment team regularly presents to and updates the Investment Committee (a subcommittee of our Board) on ESG risks to the Fund. This is done from many perspectives and across a range of issues. It also includes assessing climate risks and potential impacts of climate events to assets and companies, which could have a material effect on long term investment returns.

In reporting on our ESG approach, practices and performance, we have referenced the UN Principles for Responsible Investment:

- Incorporating ESG issues into the investment analysis and decision-making process
- Active ownership
- ESG disclosure by investee companies
- Collaboration
- Reporting on our activities.

How we incorporate ESG issues into the investment analysis and decision-making process

We aim to ensure that material ESG factors, those likely to impact the value of an investment, are considered across major asset classes at relevant stages of the investment process.

ESG activities encompass both our in-house (internal) investment management activities as well as the oversight of external investment management and the investments made on our behalf.

INTERNAL INVESTMENT MANAGEMENT

Our in-house investment management team manages the majority of our assets, providing direct line of sight and control regarding ESG matters for these companies.

Pre investment due diligence

Before making an investment, we conduct ESG analysis in addition to the fundamental/financial investment analysis. In doing so, we seek to identify and understand what ESG risks the company faces, how it is managing these risks, and if the price reflects these risks. This ESG analysis may be the trigger for further analysis, a stronger investment case or for engagement with the company.

When we invest in unlisted assets, we undertake additional due diligence which includes:

- ESG risk analysis (including climate risk)
- ownership structure and rights: What rights we have as owners, whether we get board seats
- project risk assessment including how the project is managed
- when we take ownership, what recourse rights we have if the project is not completed
- counterparty assessments including the counterparties' alignment on ESG considerations
- social licence to operate assessment including what controversies the assets have been involved in and what political risks impact the project

For fixed income, our analysis includes:

- assessment of the issuer's ESG profile, and structure of the bond, note or loan
- for specific sustainability-themed investments we also consider what is being financed, type of impact and how is it being measured, and the environmental and social controls in the projects

EXTERNAL MANAGER SELECTION AND MONITORING

Our internal investment team conducts all manager selection and monitoring activities directly, we do not use an asset consultant. Since 2007, we have directly assessed the ESG capabilities of managers both prior to being appointed and on an ongoing basis after they have been appointed.

The ESG clauses in our Investment Management Agreements (IMAs) include:

- proxy voting – managers must vote their holdings. We believe that active ownership (including proxy voting) is an important tool for managers and we want our managers to vote on their portfolios
- tobacco screen – we have a fund-wide exclusion on manufacturers of cigarettes and other tobacco products, and
- thermal coal - we have a fund-wide exclusion of companies involved in thermal coal exploration and production (**thermal coal miners**) with reported thermal coal revenues greater than 10%. We may continue to hold thermal coal miners with greater than 10% exposure to reported thermal coal revenues if they're in the process of divesting their thermal coal business.

Other ESG monitoring activities include:

- routinely raising ESG questions and queries with our managers. These queries may be general in nature or may pertain to the manager's specific portfolio and constituent stocks
- assessing their ESG performance as a part of our annual reviews
- conducting a detailed ESG deep dive biannually across incumbent managers.

WHOLE OF PORTFOLIO ESG ANALYTICS

We routinely analyse our investment options to understand what ESG considerations might be present.

We use a range of tools to evaluate our portfolios from an ESG perspective, including insight from our engagement meetings with companies and internal analysis and modelling, utilizing ESG data and reports through external providers.

Active ownership

We're committed to being an active shareholder. This means we proactively engage with major Australian investee companies on a range of commercial, strategic and ESG related matters. We also exercise proxy votes for listed Australian and international share holdings.

Collaboration and promotion of ESG and responsible investment

While we engage with companies directly, we also collaborate with other like-minded investors and groups to further influence companies and policymakers. We work with the Australian Council of Superannuation Investors (ACSI), the Investor Group on Climate Change (IGCC) and other bodies to extend our understanding of and reporting on ESG issues and to encourage greater ambition. We report on our involvement in our [Responsible investment report](#) and [Climate Risk report](#) and [Modern Slavery report](#).

Reporting our activities

We're committed to being transparent and open about our approach to ESG and to reporting on the work we do in this area. We provide a summary of our activities in our six-monthly [Responsible investment report](#), annual [Climate Risk](#) and [Modern Slavery reports](#).

Member choice

In addition to integrating ESG considerations in investment decisions across the entire portfolio and screening out tobacco and thermal coal from the fund, we also provide for member choice.

We understand that many members have a range of different values and that it is important to consider these preferences in the investment options that we have on offer.

For members who want the choice to invest in options that not only integrate ESG into the investment decision-making process, but also apply more specific 'screening' criteria, we offer three sustainable and environmental branded investment options—Sustainable Balanced, Sustainable High Growth and Global Environmental Opportunities.

For further information on these options including the specific screening criteria, please refer to the Fund's Product Disclosure Documents which can be found [here](#).

Proxy voting

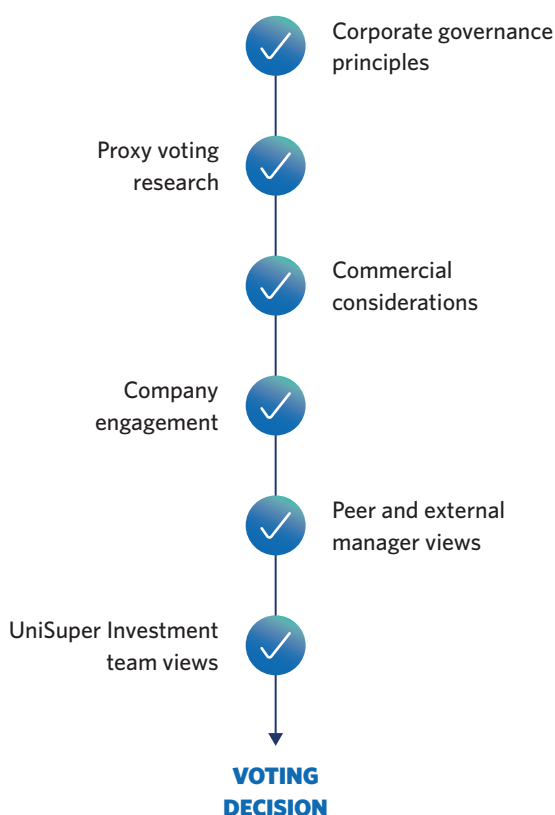
As an active and responsible owner, we exercise proxy votes for listed Australian and international share holdings.

AUSTRALIAN PROXY VOTING PROCESS

Internal management

- Our specialist proxy voting advisor ACSI provides 'how to vote' recommendations.
- Voting recommendations are considered as an input only. We assess each vote on a case-by-case basis.
- Based on internal review, we determine how we will vote for our own holdings.

The following schematic shows what goes into how we make voting decisions:



External management

- Australian fund managers we appoint are required to vote 'FOR' or 'AGAINST' and we do not encourage fund managers to 'ABSTAIN' from voting unless there is a conflict of interest (or specific approval to do so has been granted).
- Appointed managers have the discretion to determine how they vote the stocks within their portfolios. However, we retain the right to specifically instruct our fund managers how to vote.

INTERNATIONAL PROXY VOTING PROCESS

Internal management

- We engage Glass Lewis to provide proxy voting advice and execute votes on our behalf. Glass Lewis has a formal arrangement with ACSI to ensure that the corporate governance principles align with domestic priorities.
- We monitor how Glass Lewis is voting on our portfolios but don't currently apply the same level of scrutiny as we do domestically
- We also routinely engage with our international managers to obtain their views regarding voting issues pertaining to holdings in their portfolios.

External management

Fund managers we appoint are required to vote 'FOR' or 'AGAINST' and we do not encourage them to abstain unless it is a requirement of the local market (i.e., it is not possible to vote AGAINST) or there is a conflict of interest (or specific approval to do so has been granted).

Appointed managers have the discretion to determine how they vote on the stocks within their portfolios. Internationally, while we retain the right to specifically instruct our fund managers how to vote, we rarely exercise it.

SHAREHOLDER RESOLUTIONS

We assess shareholder proposals on a case-by-case basis with consideration to the appropriateness and substance of the resolution. We prioritise our engagement with companies and will engage with companies on resolutions ahead of voting.

Our voting decisions are publicly released with our six-monthly [Responsible investment reports](#).

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser. This information is current as at October 2023 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail. Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, AFSL No. 235907 on behalf of UniSuper Limited the trustee of UniSuper, Level 1, 385 Bourke Street, Melbourne Vic 3000.

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