ESSSuper
Responsible Investment Policy

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Emergency Services & State Super

Responsible Investment Policy

1. ESSSuper mission

To help our members who make, or have made, an essential contribution to the community, achieve their superannuation and retirement goals, while meeting our responsibilities to our stakeholders.

2. Purpose

The purpose of the ESSSuper Responsible Investment Policy is to detail how our investment approach considers risks and opportunities associated with environmental, social and governance (ESG) issues.

3. Scope and application

ESSSuper's Responsible Investment Policy applies across ESSSuper's investment decision-making and investment monitoring framework. The policy reflects ESSSuper's investment and business model in which the ESSSuper Board formulates the investment strategy and outsources investment management to specialist third party investment managers.

4. Policy context

ESSSuper's Responsible Investment Policy aligns with the ESSSuper Investment Principles and forms a part of ESSSuper's Investment Governance Framework.

5. Responsible investment and ESG

ESSSuper recognises that in striving to achieve the optimal retirement outcomes for members, we must consider the impact of ESG issues and trends as those trends have the potential to impact upon the long-term investment returns that members will receive.

Investment market agents which analyse ESG factors are much more likely to understand long-term risks and opportunities and consequently better placed to deliver superior financial performance over the long-term. Conversely, those investment managers and companies which do not have a systematic approach to consider ESG issues will potentially erode value over time.

Accordingly, we include the analysis of ESG risks and opportunities within our investment decision-making framework as well as broader operational processes and procedures.

Some examples of ESG issues considered include:

Environmental	Social	Governance
Climate change	Management of labour relations	Company board composition
Pollution	Workplace health and safety	Executive remuneration
Sustainable real estate	Supply chain management	Proxy voting
Cleantech energy	Workplace Diversity	Conflicts of Interest

The analysis of ESG factors will be incorporated differently across different asset classes. For example, companies which have a large carbon footprint (such as mining and utilities companies) will be more exposed to climate change risks and the impact of increased regulation or reduced carbon demand. Regulations in respect of sustainable building practices and codes will be much more relevant to investment managers within the property asset class.

6. ESSSuper Responsible Investment philosophy

ESSSuper's Responsible Investment philosophy is guided by the United Nations supported Principles of Responsible Investment (PRI) and the United Nations Global Compact (UNGC). The PRI is a United Nations supported initiative which seeks to promote an approach to investing which recognises that ESG factors can affect the long-term performance of investment portfolios.

The PRI has determined six principles to guide responsible investment practices to consider and analyse ESG risks and opportunities and asks that investors make formal commitments to align their investment activities with the six principles. ESSSuper is a signatory to the PRI.

The UNGC is also a United Nations supported initiative and its mission is to encourage companies to conduct their business operations in a sustainable and socially responsible manner. The UNGC articulates 10 principles for companies to aspire to around attitudes and behaviours in areas such as human rights, labour practices, environmental impact and anti-corruption.

7. Implementation

Within our Responsible Investment approach, we seek to include the analysis of ESG risks and opportunities across all of the investments ESSSuper has made on behalf of members. In the context of ESSSuper's investment model to outsource investment management to third party investment managers, our focus is to include ESG analysis within the investment processes outlined below.

Investment decision-making

ESSSuper will include analysis of relevant ESG considerations across its investment decision-making processes. Due diligence of all new third party investment managers will include in-depth analysis of ESG risks and opportunities. Where possible, investment contracts will also include contractual provisions promoting the alignment of their investment approach with the beliefs and philosophies of ESSSuper.

Investment monitoring

Our investment monitoring program seeks to systematically capture ESG related activities that investment managers have undertaken in researching or considering ESG themes throughout their portfolios. On an annual basis, ESSSuper surveys its investment managers to understand their ESG capabilities and ESG actions performed over the year.

Proxy voting

ESSSuper undertakes to review and vote on company proposals across all of its direct shareholdings. This encourages alignment of interest with company management to maximise long-term shareholder value. Company proposals that ESSSuper will submit votes on include director elections, executive remuneration and other governance matters.

ESSSuper has appointed CGI Glass Lewis to advise on company proposals and to engage with companies where there are opportunities to improve alignment with shareholders.

Industry collaboration

In line with the primary PRI principles, we endeavour to collaborate with our peers in the superannuation industry on responsible investment issues. We also support and are members of and signatories to a number of industry groups such as the PRI, Investor Group for Climate Change and CDP (previously known as Carbon Disclosure Project).

Communication

As we are ultimately investing to provide optimal retirement outcomes for our members, we strive to maintain engagement with our membership and accordingly seek to communicate and be transparent with responsible investment activities. We will continue to publish the proxy voting actions of ESSSuper on our website as well as all relevant responsible investment policies to members.

In line with the ESSSuper Investment Principles, we will evaluate opportunities to improve our own responsible investment capabilities only where we are confident they will deliver meaningful benefits to member investment outcomes. Accordingly, we remain selective with the initiatives we participate in and the service providers we partner with to assist us in performing under our Responsible Investment Policy.

8. Climate change

We acknowledge that the impact of climate change on the financial performance of companies, individuals and countries is highly uncertain and therefore presents as a significant long-term risk. Additionally, the manner in which climate change is addressed by governments and businesses is expected to bring about attractive investment opportunities.

We continue to ask our investment managers to incorporate climate change analysis into their investment decision making process in a manner consistent with other risks such as operational and regulatory risks.

We do not exclude carbon intensive companies on the basis of an assessment of pollution levels alone, as we consider that for those companies and industries (and their financiers), this represents just one of a number of risks considered in assessing the appropriateness of an investment.

Although we recognise the challenges of measuring the footprint of the heaviest emitters of greenhouse gases into the environment, we have committed to better understand climate change as a financial risk to our members by undertaking to:

- Include climate change analysis for prospective investment opportunities
- Encourage our investment managers to continuously improve their analysis of climate change and its impact on companies and industries in which they invest
- Understand the carbon intensity of investments within our portfolio
- Participate in industry collaboration and climate change associations

9. Investment exclusions

ESSSuper's responsible investment approach seeks to analyse and understand systemic risks to the financial performance of the fund stemming from ESG issues. This approach does not include consideration for investments on ethical grounds alone.

In the case of tobacco, ESSSuper acknowledges that tobacco products have harmful effects on the health of our community and can be lethal when used as intended. Its long-term risks to investment performance are also considered elevated as a result. Accordingly, in instances where investment managers invest directly on behalf of ESSSuper, ESSSuper has expressly prohibited those investment managers from investing in or holding securities in companies that are primary producers of tobacco products.

We continue to inform other investment managers which manage investments through pooled funds of our preference to not invest in primary producers of tobacco products. Where it is considered to be in the best interest of members, ESSSuper will redeem its exposure with any investment manager that is unwilling or unable to divest significant investments in primary producers of tobacco products.

ESSSuper considers that removal of investment exposure to primary producers of tobacco products within the Accumulation Fund will have an immaterial impact on the performance of the Fund.

10. Monitoring and reporting

ESSSuper will monitor the implementation of the Responsible Investment Policy on an ongoing basis and will report through to the ESSSuper Investment Committee on a quarterly basis. In addition, we will report on ESG activities such as proxy voting to our stakeholders including our members, employer groups and any other interested parties through our website.