



Responsible Investment Policy

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1. Purpose

This Policy outlines the principles and commitments that direct Hostplus' approach to responsible investment, including proxy voting.

The policy applies to all funds under management and across all of the Fund's investment options.

2. Introduction

As a profit-for-member superannuation fund, Hostplus is run only to benefit its members. Our primary duty, as set out by the 'sole purpose test' and 'best interests duty' (under the Superannuation Industry (Supervision) Act 1993), is to deliver the best retirement outcomes for our members. In doing so, we also aim to widely support, and invest in, the hospitality, tourism, recreation and sport sectors our members work in, live and love. These responsibilities guide every decision we make, and great care is taken to ensure each action fulfils these duties.

In order to meet these obligations, and to protect and responsibly optimise the Fund's investments over the long-term, Hostplus assesses and manages all types of risk as effectively as possible. In doing so, we recognise the importance of considering environmental, social and governance (ESG) risks and opportunities.

3. Governing Legislation and Regulatory Requirements

Apart from limited requirements around disclosure, the RSE licensee law does not set minimum standards on responsible investment issues.

However, in constructing this Policy, the Trustee has considered (among other things) the following:

- APRA Prudential Practice Guide, SPG 530 Investment Governance;
- SIS Act 1993 and provisions of the *Corporations Act 2001*;
- ACSI Governance Guidelines; and
- Principles for Responsible Investment (PRI).

4. What is Responsible Investment

Responsible investment involves the practice of incorporating ESG factors into investment decisions and active ownership. ESG covers a broad range of factors that may include, but not be limited, to the following:

Environmental	Social	Governance
<ul style="list-style-type: none">• Climate change• Pollution and waste• Resource depletion• Biodiversity• Land use changes	<ul style="list-style-type: none">• Human rights• Labour rights• Health & safety• Employee relations• Human capital management• Aboriginal and Torres Strait Islander rights and relations• Local communities' relations• Consumer protection	<ul style="list-style-type: none">• Board structure, size, diversity, skills and independence• Executive remuneration• Shareholder rights• Corporate culture and ethics• Bribery and corruption• Risk management• Lobbying• Tax strategy

5. Responsible Investment Beliefs

Responsible investment beliefs direct our approach to responsible investment and form part of our broader investment beliefs. The Trustee's core responsible investment beliefs are articulated in the Fund's Investment Philosophy and are intended to promote the best interests of our members.

These are summarised below, together with the following supporting responsible investment beliefs that provide additional direction to our responsible investment approach:

- The Trustee believes that risks are better managed, and investment outcomes optimised, when a holistic investment approach is adopted. That approach includes identifying and integrating ESG risks and opportunities, and active ownership of investee companies and assets.
- The Trustee recognises that climate change may influence the performance of the Fund's investments over time and that the impact will be dependent on the extent of physical, social and regulatory changes. The Trustee recognises that it must manage the financial risk due to climate change in our portfolio by incorporating climate change into all aspects of the investment process.
- ESG factors have the potential to be material to investment risk and return and may not be efficiently priced by markets. Considering ESG factors may lead to more complete analysis and better-informed investment decisions.
- Active ownership (through engagement and proxy voting) is critical to the governance of investments over the long-term. It is also an effective strategy for positively influencing company behaviour and performance in a manner designed to contribute positively to long-term returns for our members.
- Conversely, divestment from a company or sector means losing influence and, if done for non-financial reasons, may impede our ability to deliver the highest possible return to members while assessing and effectively managing all foreseeable risks.
- Investments that provide jobs in the sectors in which our members work, contribute to nation-building and a better future, whilst also earning strong returns, can positively contribute to member outcomes.

6. Responsible Investment Commitment

As part of the implementation of this Policy, Hostplus is committed to the following frameworks. These commitments form part of Hostplus' overall responsible investment approach and inform strategy, portfolio monitoring, company engagement and voting decisions, rather than the selection, retention and realisation of specific investments:

6.1. The Principles for Responsible Investment

Hostplus is a signatory to the Principles for Responsible Investment (PRI). These Principles establish a collective international framework for institutional investors to integrate ESG considerations into their investment decision-making. Hostplus will follow the Principles in the implementation of its responsible investment activities.

6.2. Paris Agreement

Hostplus supports the objectives of the Paris Agreement to limit global warming to well below 2 degrees and move towards a low carbon economy in a way that is consistent with a just transition. Hostplus notes that members' best interests are best served by an orderly transition to a low carbon economy and will seek to support this transition through engagement with portfolio companies and investment in climate solutions.

6.3. Sustainable Development Goals (SDGs)

The SDGs are ambitious goals established by the United Nations in 2015 to transform the world by 2030. They define social and economic development issues including poverty, hunger, health, education, global warming, gender equality, water, sanitation, energy, urbanisation, environment and social justice. Hostplus will seek out opportunities to incorporate the SDGs within its investment decision-making and will report on the real-world outcomes of selected investments based upon contribution to the SDGs.

7. Approach

Our responsible investment beliefs are predicated on our paramount responsibility to protect the members' best interests. Those beliefs are implemented through an approach based on four pillars:

- ESG Integration;
- Active Ownership;
- Building Australia's Future; and
- Member Values.

Hostplus 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.

Hostplus is committed to responsible investment across all its investment activities including: across all geographic locations, all asset classes; all structures (e.g. mandated and pooled funds) and all styles (including active and passive management).

Hostplus' approach to responsible investment is influenced by its investment strategy, including outsourcing to investment managers to invest on its behalf. The way and extent to which responsible investment is incorporated into investment decisions will differ across the portfolio and is dependent on the relevance of ESG factors to a particular asset class and the style of the investment strategy.

For all asset classes, Hostplus is committed to ESG integration. The Fund also undertakes active ownership for equities investments and, where possible, within other asset classes. Within Infrastructure, Property and Private Equity, the Fund investments include those that help to build Australia's future.

7.1. Integrating ESG

7.1.1. Strategic asset allocation

ESG factors (including but not limited to climate change, changing demographics, technological developments and resource scarcity) are considered as part of our strategic asset allocation process alongside a range of other risks. This enables development of an investment strategy that is well equipped to help deliver strong returns in a range of environments.

7.1.2. Investment objectives

ESG factors will impact on future investment returns. As such, the Fund's long term (20 year) investment objectives have been set taking into account the modelled impact of ESG factors on expected portfolio risk and return.

7.1.3. The role of investment managers

Hostplus invests through specialist external investment managers, and their activities will therefore play a key role in implementing this Policy. Managers are expected to take into account all material risks and opportunities, including those relating to ESG factors, when making investment decisions. However, the approach to ESG integration may vary by manager.

7.1.4. Manager selection and review

As part of the investment manager appointment and review process, and together with our investment consultant, Hostplus reviews their ability to integrate ESG risks and opportunities into their investment-decision making process. Managers' ESG capabilities must be in line with that of their asset class peer group at a minimum for inclusion in the portfolio. Where deficiencies are identified, we first work collaboratively with the investment manager to resolve them. Where concerns remain, remedial actions may be taken in line with our fiduciary and statutory duties and considering the manager's overall performance.

7.1.5. Portfolio monitoring

We continually monitor our investment portfolios and may use external providers and portfolio evaluation tools to analyse managers' exposure to ESG risks and opportunities. These are used to inform engagement with managers on their investment decisions.

7.1.6. Breach Resolution

Where an investment manager or one of the underlying investments is found to be in breach of this policy, we will in the first instance discuss the issue with the relevant investment manager and put in place a plan to rectify the issue. If the issue is systemic in nature, a manager will receive enhanced scrutiny while resolution of the issue is monitored. We would only seek to terminate a manager where they were unwilling or unable to resolve a material issue.

7.2. **Active Ownership**

7.2.1. Ownership rights and responsibilities

As a shareholder and co-owner of the companies we invest in, we recognise that we have rights and responsibilities. Engagement with companies and voting at company meetings helps to ensure there is alignment between how companies are managed and members' interests. Engagement and voting also help to positively influence company behaviour and performance and therefore contribute positively to long-term returns in our members' best interests.

7.2.2. Engagement and voting priorities

In undertaking company engagement and making voting decisions, Hostplus will, in accordance with our fiduciary and statutory duties, base our decisions on what we believe is in the best interests of members by promoting their retirement income objectives. In doing so, Hostplus will, where appropriate, also aim to support companies and their directors who promote the objectives and interests of the sectors in which our members work.

In determining what actions are in our members' best interests, Hostplus will take an holistic approach balancing all relevant factors on a case-by-case basis. The factors we consider may include:

Board oversight and accountability: Boards should be composed of highly skilled, experienced and diverse directors with sufficient capacity who can exercise independent judgement and provide oversight of management on behalf of shareholders. Together with management, Boards should be accountable to shareholders for the company's performance over the long-term.

Shareholder rights: Capital structures should be consistent with the principle of 'one share, one vote'. Companies must not implement structures that infringe shareholder rights (including minority and non-controlling shareholders) or that transfer value from shareholders to management or others. Companies should not inhibit shareholder participation in company meetings.

Major transactions: Companies must ensure that major transactions (like capital raisings, mergers and acquisitions) are conducted with proper regard to existing shareholders' interests and submitted in advance to a vote by shareholders.

Remuneration: Executive remuneration should be aligned to the delivery of company strategy, it should be designed to promote sustainable long-term performance and shareholder value creation, and its quantum should reflect performance.

ESG Risk Management and Disclosure: Companies should disclose sufficient information to demonstrate that material ESG risks and opportunities have been assessed and are being well managed. In formulating responses to key risks and opportunities, companies should engage with relevant stakeholders. Assessment should consider financial, regulatory, operational, reputational and legal impacts.

7.2.3. Engagement approach

Hostplus engages with investee companies and assets directly, through specialist service providers and through investment managers. Engagement involves two-way constructive communication between Hostplus and investee companies (board members and/or senior management).

Hostplus is a member of the Australian Council of Superannuation Investors (ACSI) and has appointed ACSI to undertake engagement across our listed Australian equities portfolio. ACSI's engagement activities are undertaken in alignment with its [Governance Guidelines](#). As a member, Hostplus influences ACSI's priority engagement themes and its company focus each year.

Hostplus has also appointed Hermes EOS to undertake engagement across our listed international equities portfolio. Hermes EOS' engagement activities are undertaken in alignment with its [Ownership Principles](#), which Hostplus periodically reviews.

We also expect our investment managers to discuss material ESG issues in their engagements with investee companies.

By taking a collective engagement approach, we can exert greater influence (beyond the Fund's own shareholding in the company) and manage resources more effectively.

7.2.4. Engagement disclosure

We will annually disclose the priority themes and objectives of our collaborative engagement, and aggregate outcomes, on our website.

7.2.5. Proxy voting approach

Hostplus favours a pragmatic and commercial approach to voting that considers the specific circumstances of each company on a case-by-case basis and which furthers the best interests of our members. We aim to vote in all matters where it is practical and in our members' best interest for us to do so.

For directly-held Australian listed equities, Hostplus subscribes to ACSI's proxy voting alert service which provides analysis of and recommendations for voting. ACSI's voting recommendations are underpinned by its [Governance Guidelines](#), which as an ACSI member, Hostplus helped create and regularly reviews. As well as recommendations from ACSI, Hostplus also seeks voting recommendations from our investment managers, especially for contentious issues. Where recommendations differ, the final decision is made by the CIO based on Hostplus' key engagement and voting principles. We have discretion to override ACSI or managers' recommendations where it is considered to be in our members' best interests.

For directly-held international listed equities, Hostplus typically votes in line with the recommendations of an external proxy advisor, Hermes EOS. We periodically review the [Global Voting Guidelines](#) on which these recommendations are made and their alignment with key engagement and voting principles at 7.2.2 above. We have discretion to override any voting recommendations where it is considered to be in our members' best interests, with the final decision made by the CIO based on Hostplus' key engagement and voting principles.

For pooled funds, where voting decisions are by nature taken by the investment manager, we seek to review managers' voting policies and practices. For all listed equity investment managers, we periodically review their role in helping the Fund judiciously exercise its ownership rights.

7.2.6. Securities lending

Hostplus undertakes securities lending as part of its investment program. In circumstances where the securities lending program limits the fund's voting entitlements on contentious matters, Hostplus may seek to recall the securities.

7.2.7. Voting disclosure

We have regulatory requirements and obligations to our members and others to be transparent about exercising our voting rights. We will bi-annually disclose summaries of how the Fund has exercised its voting rights and disclose all voting decisions on a company-by-company basis on our website.

7.2.8. Escalation activities

Where voting and engagement proves ineffective at changing company behaviour, we may consider escalation activities. These could include voting against directors, proactive discussions with other investors, filing a shareholder resolution and making public statements. Escalation decisions will be made in accordance with the best interests of our members taking into account the materiality of the issue.

7.2.9. Conflicts of interest

We will ensure that the Fund's ownership rights are exercised in our members' interests. Where there is a real or perceived conflict between the interests of our members and any other interest, factor or duty, appropriate mitigation actions in accordance with the Hostplus Conflicts Management Policy will be taken where possible. However, the interests of members must be given priority.

Where Hostplus is the default super fund of an employer and that employer accounts for >0.01% of Hostplus funds under management (Largest 250 Employers), Hostplus will have regard to this Policy and its *Conflicts Management Policy* in seeking to manage any actual or perceived conflict of interest in the exercise of its shareholder votes, whilst at all times acting in the best interests of its members in accordance with the Fund's paramount statutory and fiduciary duties.

Depending on the specific circumstances, which must be assessed on a case-by-case basis, a possible option may be for Hostplus to record a decision of "Abstain" or "Take No Action" in relation to the public company resolution or meeting and, if considered necessary to address Hostplus' concerns, engage in active investment through private communication or other engagement with the company.

7.2.10. Advocacy

The rules governing the operation of financial markets and regulatory policy may not always be aligned to our members' long-term interests. Where appropriate, we will engage directly or via collaborative initiatives to influence standards, guidelines and regulatory reform that support long term value creation.

7.2.11. Exclusions and divestment

Our policy is to retain exposure to a broad range of sectors and seek to create change within companies through engagement, rather than divest from a company or sector and lose influence. Notwithstanding, to comply with Australia's laws, or to satisfy Australia's obligations as a signatory to international treaties, we have decided not to invest in particular companies or sectors. Such is the case with the Fund's Controversial Weapons Divestment Policy whereby Hostplus does not invest in companies involved in the development, production, maintenance or sale of controversial weapons.

7.3. **Building Australia's Future**

7.3.1. Nation-building investments

As part of seeking out opportunities to maximise future growth and capital returns for our members, we invest in Australia's nation building projects through assets such as airports and seaports, renewable energy, energy grids, shopping centres, transport, convention centres, office and industrial buildings.

7.3.2. Investments for a better future

Hostplus' focus is on delivering the best retirement outcomes for our members. Where available, we will seek out investment opportunities that work to improve the world we live in whilst also earning strong returns. We are committed to investments in Australian venture capital managers, including those that invest in medical, food, social and energy innovation.

7.4. Member Values

7.4.1. Member research

While the fund predominantly serves those that live and love Australian hospitality, tourism, recreation and sport, our membership is large and diverse. Members' values and preferences are also diverse. As such, we will regularly inform ourselves of member expectations on responsible investment through member surveys.

7.4.2. Member choice

We recognise that some members may want to align investment of their superannuation savings to their personal values. Hostplus will endeavour to accommodate these members through specific investment options - the Socially Responsible Investment (SRI) Balanced option and Choiceplus investment option.

8. Collaboration

While we are accountable for our own responsible investment program, participation in industry networks and forums can help us to maximise our voice and influence on responsible investment issues. We are involved in groups including:

- Australian Council of Superannuation Investors (ACSI)
- Principles for Responsible Investment (PRI)
- Responsible Investment Association of Australasia (RIAA)

9. Communication

This Policy is available on our website.

10. Monitoring, Reporting and Review

10.1. Internal monitoring and reporting

Hostplus Management will monitor implementation of the Policy, in conjunction with our asset consultant, and report to the Hostplus Board at least quarterly on the implementation of the Policy including key objectives, activities and outcomes.

10.2. External reporting

Public reporting on responsible investment activities of the Fund provides transparency and confidence for members in the actions undertaken on their behalf.

We measure progress on our responsible investment activities through independent benchmarking assessments including the PRI annual assessment.

We report on our responsible investment activities and outcomes through our Annual Report and on our website.

10.3. Review

This Responsible Investment Policy is reviewed by Hostplus Management every year in line with Hostplus' strategic review process. Any changes that are required to be made to the policy are referred to the Hostplus Board for approval.

In addition, the Policy may be required to be updated to reflect changes in the:

- Legal and regulatory environment, including as it relates to ESG issues
- Investment processes, including asset allocation and portfolio construction, as well as investment manager selection, appointment and review
- Fund strategy and operations
- Member or community expectations

11. Responsibilities

The Trustee is responsible for the Fund's investments.

The following responsibilities apply to the implementation of this Policy:

Role	Responsibilities
Trustee	<ul style="list-style-type: none">• Review and approve this policy
CIO	<ul style="list-style-type: none">• Oversight of this policy• Report to the Trustee on ESG issues that may impact the Fund• Final decisions on all voting matters
Head of ESG	<ul style="list-style-type: none">• Implementation of this policy
Hostplus Investments team	<ul style="list-style-type: none">• Support the implementation of this policy
External consultants, investment managers and service providers	<ul style="list-style-type: none">• Support the implementation of this policy through integration of ESG factors into investment analysis and decision making

12. Version Control

Date approved	Brief description of amendments made
September 2018	Initial development of the policy
May 2020	Revision of policy (including name change from "ESG Policy")
October 2020	Minor amendments to policy
December 2020	Minor amendments to policy including potential voting conflicts