

Hostplus ESG Policy.



Introduction

As a profit-for-member superannuation fund, Hostplus is run only to benefits members. Our primary duty is to deliver the best retirement outcomes to our members. We also 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 optimise the Fund's investments over the long-term, Hostplus assesses and manages risk as effectively as possible. In doing so, we recognise the importance of considering environmental, social and governance (ESG) opportunities and risks in our investment decision making processes. Hostplus believes that entities who prudently manage ESG opportunities and risks will deliver better long-term financial performance to their members.

Central to Hostplus' ESG approach is our preference for engagement over divestment from an asset class, industry, sector or company. We believe engagement is an effective strategy that allows Hostplus to use its ownership to help change behaviour, whereas divestment means losing influence. These stewardship activities are critical to the governance of our investments over the long-term.

Purpose

The purpose of this Policy is to formally outline Hostplus' principles and commitments in relation to ESG. The ESG Policy is consistent with Hostplus' operational and investment strategies, policies and processes.

The ESG Policy will reside within the Investment Policies and Procedures Statement (IPPS), which forms an integral part of the investment governance framework of our fund.

This Policy also acts as disclosure of our approach to stewardship responsibilities for the purposes of the Australian Asset Owner Stewardship Code.

Approach

1. Integrating ESG

1.1. 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 all material risks and opportunities, including regarding ESG, into account when making investment decisions.

1.2. Manager evaluation: 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.

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.

We may use external portfolio evaluation tools to analyse managers' exposure to ESG risks and opportunities. Their purpose is to inform engagement with managers on their investment decisions.

1.3. Investment managers' role in exercising ownership rights: Hostplus' investment managers play an important role in exercising our ownership rights.

For direct listed equities mandates, we seek input from investment managers on contentious matters alongside input from proxy advisors. (See section 2 below on how these are incorporated into our voting decision process.)

For pooled funds where voting decisions are by nature taken by the manager, we will seek to review their voting policies and practices.

All relevant managers are also expected to discuss material ESG issues in their engagements with investee companies.

We periodically review managers' role in helping the Fund judiciously exercise its ownership rights.

1.4. Asset classes: Hostplus' ESG Policy applies across all asset classes. However, ESG risks and opportunities are more financially material and simpler to implement for some asset classes and investment styles than others.

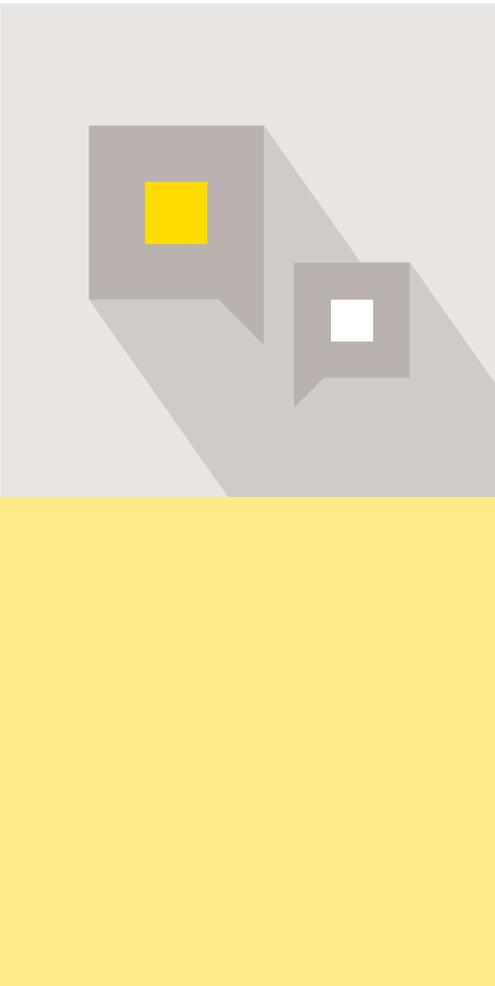
1.5. Climate change: Hostplus recognises that the impact of climate change may influence the performance of the Fund's investments over time. The impact will vary depending on the extent of physical, social and regulatory changes as a result of climate change.

Hostplus acknowledges that it should consider climate change risks in its decision-making processes in order to protect and manage its investments for the long-term.

Further to this, Hostplus believes that climate change issues should be integrated into its investment analysis and therefore promotes this behaviour to both internal and external investment managers.

1.6. 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.





Briefly, the principles are:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

Hostplus believes that the PRI provides an important universal framework for signatories to work together, learn from each other and provide a collective voice on ESG issues. Hostplus also believes that the PRI will continue to grow as a framework for investors to communicate their expectations on ESG issues to their investee companies.

2. Ownership Rights

2.1. Hostplus favours a pragmatic and commercial approach to voting that considers the specific circumstances of each company on a case-by-case basis.

Our key voting beliefs are:

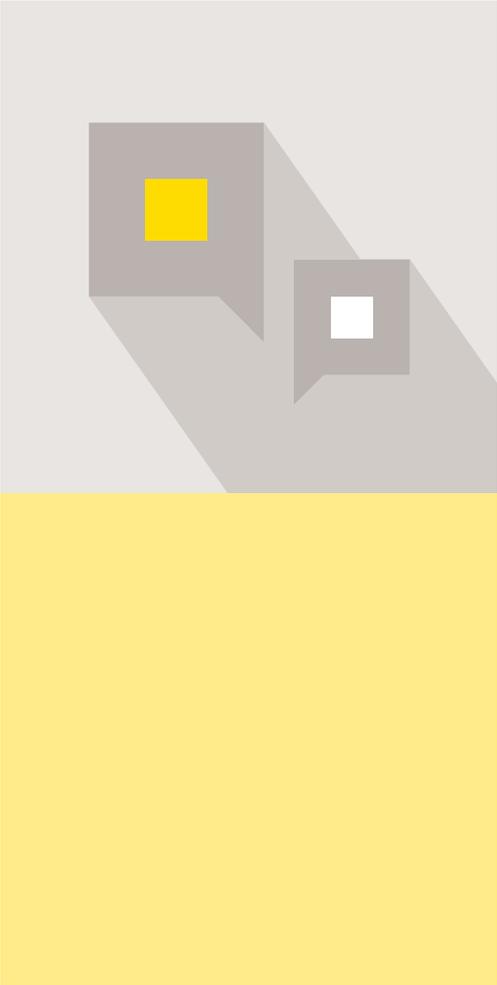
- **Board oversight:** Boards should be composed of highly skilled, experienced and diverse directors who can provide oversight of management on behalf of shareholders. Together with management boards should be accountable to shareholders for the company's performance over the long-term.
- **Shareholder rights:** Companies must not implement structures that infringe shareholder rights or that transfer value from shareholders to management or others.
- **Major transactions:** Companies must ensure that major transactions (like capital raisings, mergers and acquisitions) are conducted with proper regard to existing shareholders' interests.
- **Remuneration:** Executive remuneration should be aligned to the delivery of company strategy, and be designed to promote sustainable long-term performance and shareholder value creation.

2.2. **Australian equities:** Hostplus is a member of the Australian Council of Superannuation Investors ("ACSI"), which provides recommendations on how to vote directly-held Australian listed equities.

As an ACSI member, we helped create and regularly review ACSI's Governance Guidelines, which underpin all ACSI's voting recommendations. Through ACSI, we can work collectively with other long-term investors to influence corporate behaviour through voting.

As well as advice from ACSI, we incorporate voting recommendations from investment managers, especially for contentious issues.

We have discretion to override ACSI or managers' recommendations where it is considered to be in our members' best interests.



2.3. International equities: Directly-held international listed equities are typically voted in line with the recommendations from an external proxy advisor. We periodically review the policy principles on which these recommendations are made and their alignment with key voting principles at 2.1 above.

We have discretion to override any voting recommendations where it is considered to be in our members' best interests.

2.4. 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.

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

2.6. Engagement: In this context, engagement means two-way constructive communication between us and investee companies (board members and/or senior management) on matters such as the company's performance, strategy, ESG issues, leadership, quality and level of reporting. This is a big task and we do not have the resources to do all the necessary work alone.

We therefore primarily engage with companies collectively via ACSI or via external investment managers. Collective engagement allows Hostplus to exert a greater influence (beyond the Fund's own shareholding in the company) and to manage resources more effectively. As an ACSI member, Hostplus also actively influences ACSI's priority engagement themes and companies each year.

2.7. Engagement disclosure: We will annually disclose the priority themes and objectives of our collaborative engagement, and aggregate outcomes.

2.8. Escalation activities: Where voting and engagement proves ineffective at changing company behaviour, we may consider escalation activities. This could include voting against directors, proactive discussions with other investors, filing a shareholder resolution and making public statements.

Escalation decisions will be made taking into account the materiality of the issue and the potential impacts to our members.

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 of interest, appropriate mitigation actions in accordance with the Hostplus Conflicts Management Policy will be taken.

2.10. Engagement over Divestment

As a shareholder, Hostplus favours engagement over divestment from a company or sector. The reasons for this are:

- Engagement allows the Fund to use its ownership to change behaviour whereas divestment means losing influence, often to other shareholders who typically give less consideration to ESG issues.
- Engagement is an effective tool to influence behaviour. If engagement fails, the Fund has access to other escalation activities before divestment.
- Divestment due to ESG issues may impede our ability to deliver the highest possible return to members while assessing and effectively managing all foreseeable risks.



However, in exceptional circumstances, we may decide not to invest in particular companies or sectors on ESG grounds. Currently, we do not invest in companies that manufacture weapons that are banned by the United Nations or similar bodies, specifically those with exposure to the production and/or distribution of cluster munitions.

3. Engaging with policy makers

3.1. The rules governing the operation of financial markets and regulatory policy may not always be aligned to our members' long-term interests. Where this is the case, and where appropriate, we will engage policy makers (directly or via collaborative initiatives) and seek to address these issues.

4. Monitoring, Reporting and Review

4.1. **Monitoring:** The Hostplus Management is monitoring the implementation of the ESG Policy, in conjunction with our asset consultant, and reporting to the Hostplus Board, as applicable, on the implementation of the Policy including key objectives, activities and outcomes.

4.2. **Reporting:** This Policy is available to Hostplus members, employers, employees, service providers, investment managers and other interested parties on our website. Here, we report on our ESG activities and outcomes on an annual basis in alignment with Hostplus' annual report.

4.3. **Review:** This ESG 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 as it related 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

1 Available at www.acsi.org.au. The Australian Asset Owner Stewardship Code has been developed by and for Australian asset owners to promote good stewardship practices. Details of the Code are available at <https://acsi.org.au/publications-1/australian-asset-owner-stewardship-code.html>.

The index below sets out how our policy and practices align with the Code:

Stewardship Code Principle	Treatment
1. Publicly disclose how they approach their stewardship responsibilities.	This ESG Policy acts as our disclosure.
2. Publicly disclose their policy for voting at company meetings and voting activity.	See parts 2.1 to 2.5.
3. Engage with companies (either directly, indirectly or both).	See parts 2.6-2.10.
4. Monitor asset managers' stewardship activities.	See part 1.
5. Encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors.	See part 3.
6. Report to beneficiaries about their stewardship activities.	Our commitment to disclose is primarily in part 4.2, and also parts 2.5 and 2.7.

We're here to help, contact us today.

Choosing the right super fund is a big decision. Whether you have a question, need to discuss your options or want to know more about Hostplus, visit hostplus.com.au or contact us on 1300 467 875.



Consider the Host-Plus PDS and your objectives, financial situation and needs, which are not accounted for in this information before making an investment decision. Host-Plus Pty Limited ABN 79 008 634 704, AFSL No. 244392. Hostplus Superannuation Fund ABN 68 657 495 890. MySuper No. 68657495890198 INH 1022 0220