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1. Purpose

This Policy outlines the principles and commitments that direct the Fund’s approach to responsible investment, including proxy voting, in a manner which promotes the best financial interests of members. The policy applies to all Fund’s investments and therefore across all of the Fund’s investment options, both via the Pooled Superannuation Trust (PST) and also via the ChoicePlus platform.

2. Introduction

As a profit-for-member superannuation fund, the Hostplus Superannuation Fund (the Fund) is run only to benefit its members. Its primary duty, as set out by the ‘sole purpose test’ and ‘best financial interests duty’ (under the Superannuation Industry (Supervision) Act 1993), is to deliver the best retirement outcomes for members. In doing so, the Fund also aims to widely support, and invest in, the hospitality, tourism, recreation and sport sectors its members work in, live and love. These responsibilities guide every decision made by the Fund, 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, the Fund 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 as a means to promote positive retirement outcomes for members.

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:

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Climate change</td>
<td>• Human rights</td>
<td>• Board structure, size, diversity,</td>
</tr>
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<td>• Pollution and waste</td>
<td>• Labour rights</td>
<td>skills and independence</td>
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<td>• Resource depletion</td>
<td>• Health &amp; safety</td>
<td>• Executive remuneration</td>
</tr>
<tr>
<td>• Biodiversity</td>
<td>• Employee relations</td>
<td>• Shareholder rights</td>
</tr>
<tr>
<td>• Land use changes</td>
<td>• Human capital management</td>
<td>• Corporate culture and ethics</td>
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<td></td>
<td>• Indigenous and First Nations</td>
<td>• Bribery and corruption</td>
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<td></td>
<td>People rights and relations</td>
<td>• Risk management</td>
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<td></td>
<td>• Local communities’ relations</td>
<td>• Lobbying</td>
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<td></td>
<td>• Consumer protection</td>
<td>• Tax strategy</td>
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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 *Investment Philosophy – Super* and are intended to promote the best financial 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 in the best financial interests of members 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 and can therefore contribute positively to long-term returns.

- 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, the Fund is committed to the following frameworks. These commitments form part of the Fund’s 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

The Fund 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. The Fund will follow the Principles in the implementation of its responsible investment activities.
6.2. **Paris Agreement**

The Fund 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. The Fund notes that members’ best financial 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**

The Fund’s responsible investment beliefs are predicated on its paramount responsibility to protect the members’ best financial interests. Those beliefs are implemented through an approach based on four pillars:

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

The Fund 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.

The Fund 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).

The Fund’s approach to responsible investment is influenced by its investment strategy, including outsourcing to investment managers or to the PST 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 of its investments, the Fund is committed to ESG integration. Where possible, the Fund also undertakes active ownership for equities investments and within other asset classes. Within Infrastructure, Property and Private Equity, the Fund’s 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 for the financial benefit of our members through improved net benefit outcomes.

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 the PST**

The Fund predominantly invests through the PST though some assets are also held on the ChoicePlus platform. Accordingly, the PST’s activities will therefore play a key role in implementing this Policy. The PST is expected to take into account all material risks and opportunities, including those relating to ESG factors, when making investment decisions.

7.1.4. **ChoicePlus**

The Fund also enables its members to hold listed stocks, cash and term deposits directly via the ChoicePlus platform. Because these decisions are owned and directed by individual members, with no input from the Trustee, they are not governed by this policy (except regarding proxy voting as per Section 7.2.5).

7.1.5. **Portfolio monitoring**

The PST continually monitors its 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. This information is provided to the Fund.

7.1.6. **Breach Resolution**

Where the PST is found to be in breach of this policy, the Fund will in the first instance discuss the issue with the PST and put in place a plan to rectify the issue. If the issue is systemic in nature, the PST will receive enhanced scrutiny while resolution of the issue is monitored.

7.2. **Active Ownership**

7.2.1. **Ownership rights and responsibilities**

As a shareholder and co-owner of the companies it invests in, the Fund recognises that it has rights and responsibilities. Engagement with companies and voting at company meetings helps to ensure there is alignment between how companies are managed and members’ financial interests. Engagement and voting also help to positively influence company behaviour and performance and therefore contribute positively to long-term returns in members’ best financial interests.
7.2.2. Engagement and voting priorities

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

In determining what actions are in the Fund’s members’ best financial interests, the Fund will take an holistic approach balancing all relevant factors on a case-by-case basis. The factors the Fund 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

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

The Fund 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, the Fund influences ACSI’s priority engagement themes and its company focus each year.

The Fund has also appointed Hermes EOS to undertake engagement across its listed international equities portfolio. Hermes EOS’ engagement activities are undertaken in alignment with its Ownership Principles, which the Fund periodically reviews.
The Fund also expects its investment managers to discuss material ESG issues in their engagements with investee companies.

7.2.4. Engagement disclosure

The Fund will annually disclose the priority themes and objectives of its engagement, and the aggregate outcomes, on its website.

7.2.5. Proxy voting approach

The Fund 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 financial interests of its members. The Fund aims to vote in all matters where it is practical and in its members’ best financial interest to do so.

For directly-held Australian listed equities, the Fund 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, the Fund helped create and regularly reviews. As well as recommendations from ACSI, the Fund also seeks voting recommendations from its investment managers where appropriate, especially for contentious issues. Where recommendations differ, the final decision is made by the CIO based on the Fund’s key engagement and voting principles. The Fund has discretion to override ACSI or managers’ recommendations where it is considered to be in its members’ best financial interests.

For directly-held international listed equities, the Fund typically votes in line with the recommendations of an external proxy advisor, Hermes EOS. The Fund periodically reviews the Global Voting Guidelines on which these recommendations are made and their alignment with key engagement and voting principles at 7.2.2 above. The Fund has discretion to override any voting recommendations where it is considered to be in members’ best financial interests, with the final decision made by the CIO based on the Fund’s key engagement and voting principles.

For pooled funds, where voting decisions are by nature taken by the investment manager, the Fund seeks to review managers’ voting policies and practices. The same applies to the PST, where the Fund is privy to the Responsible Investment Policy – PST. For all listed equity investment managers, the Fund periodically reviews their role in helping the Fund judiciously exercise its ownership rights.

7.2.6. Securities lending

The Fund 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, the Fund may seek to recall the securities.

7.2.7. Voting disclosure

The Fund has regulatory requirements and obligations to its members to be transparent about exercising its voting rights. The Fund will bi-annually disclose summaries of how the Fund has exercised its voting rights and will 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. Escalation decisions will be made in accordance with the best financial interests of members, taking into account all relevant facts and circumstances, including the materiality of the issue.
7.2.9. Conflicts of interest

The Fund will ensure that its ownership rights are exercised in members’ best financial interests. Where there is a real or perceived conflict between the financial interests of members and any other interest, factor or duty, appropriate mitigation actions in accordance with the Fund’s Conflicts Management Policy will be taken where possible. However, the financial interests of members must be given priority and will be determinative in the Fund’s decision making.

Where the Fund is the default super fund of an employer and that employer accounts for >0.01% of the Fund’s funds under management (Largest 250 Employers), the Fund 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 financial 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 the Fund 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 the Fund’s concerns, and in the best financial interests of members 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 members’ long-term financial interests. Where appropriate, the Fund will engage to influence standards, guidelines and regulatory reform that support long term value creation.

7.2.11. Exclusions and divestment

The Fund’s 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 international treaties, the Fund has decided not to invest in particular companies or sectors. Such is the case with the Controversial Weapons Divestment Policy – Super whereby the Fund 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 the Fund’s members, the Fund invests 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

The Fund’s duty and determinative focus is on delivering the best retirement outcomes for its members. Where available, the Fund will seek out investment opportunities that work to improve the world we live in whilst also earning strong returns for members. The Fund is 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, its membership is large and diverse. Members’ values and preferences are also diverse. As such, the Fund will regularly inform itself of member expectations on responsible investment.

7.4.2. **Member choice**

The Fund recognises that some members may want to align investment of their superannuation savings to their personal values. The Fund will endeavour to accommodate these members through specific investment options offered via the PST platform, such as the Socially Responsible Investment (SRI) Balanced option, and also via the Choiceplus investment option.

8. **Advocacy**

While the Fund is accountable for its own responsible investment program, participation in industry networks and forums can help to maximise the Fund’s voice and influence on responsible investment issues. This improves the efficiency of the Fund’s investment activities and advocacy, which is in the best financial interests of members.

The Fund is 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 the website.

10. **Monitoring, Reporting and Review**

10.1. **Internal monitoring and reporting**

Management and the Asset consultant will monitor implementation of the Policy and will review and report their findings to the Board annually via the ESG Review.

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.

The Fund measures the effectiveness of and progress on its responsible investment activities through independent benchmarking assessments including the PRI annual assessment.

The Fund reports on its responsible investment activities and outcomes through its Annual Report and on its website.
10.3. **Review**

This Responsible Investment Policy is reviewed by Management every year. Any changes that are required to be made to the policy are referred to the 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:

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<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Trustee</td>
<td>• Review and approve this policy</td>
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<tr>
<td>CIO</td>
<td>• Oversight of this policy</td>
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<tr>
<td></td>
<td>• Report to the Trustee on ESG issues that may impact the Fund</td>
</tr>
<tr>
<td></td>
<td>• Final decisions on all voting matters</td>
</tr>
<tr>
<td>Head of ESG</td>
<td>• Implementation of this policy</td>
</tr>
<tr>
<td>Investments team</td>
<td>• Support the implementation of this policy</td>
</tr>
<tr>
<td>External consultants, investment managers</td>
<td>• Support the implementation of this policy through integration of ESG factors</td>
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<tr>
<td>and service providers</td>
<td>into investment analysis and decision making</td>
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**12. Version Control**

<table>
<thead>
<tr>
<th>Date approved</th>
<th>Brief description of amendments made</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2018</td>
<td>Initial development of the policy</td>
</tr>
<tr>
<td>May 2020</td>
<td>Revision of policy (including name change from “ESG Policy”)</td>
</tr>
<tr>
<td>October 2020</td>
<td>Minor amendments to policy</td>
</tr>
<tr>
<td>December 2020</td>
<td>Minor amendments to policy including potential voting conflicts</td>
</tr>
<tr>
<td>July 2021</td>
<td>Minor amendments to policy including incorporating Board feedback</td>
</tr>
<tr>
<td>October 2021</td>
<td>Creation of a version for the Super Fund</td>
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