



Environmental, Social and Governance Policy

Telstra Super Pty Ltd

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1. Overview

1.1 Purpose

This Environmental, Social and Governance ('**ESG**') Policy ('**the Policy**') is produced by Telstra Super Pty Ltd as trustee for the Telstra Superannuation Scheme ('**TelstraSuper**') and forms part of TelstraSuper's Investment Governance Framework as required under *APRA Prudential Standard SPS 530 – Investment Governance*.

The purpose of this Policy is to set out TelstraSuper's commitments and principles that guide TelstraSuper's approach to ESG investment considerations and activities.

1.2 Mission

TelstraSuper's fundamental objective is to responsibly enhance the financial security of its members in retirement. As part of managing ESG related risk to an acceptable level and subject to its statutory and regulatory duties and obligations, TelstraSuper seeks to holistically incorporate material ESG considerations alongside other investment factors as part of its investment decision-making processes.

1.3 Beliefs

As a superannuation fund with long-term objectives, TelstraSuper believes that incorporating material ESG considerations into investment decision-making and engaging as long-term owners is important.

TelstraSuper believes:

- Material ESG factors may impact investment risk and return over the long term and, hence, should be managed prudently.
- Integrating material ESG considerations into investment decision-making processes assists TelstraSuper in making more informed investment decisions by effectively managing risks and identifying opportunities.
- ESG investment practices form part of a comprehensive investment management framework and complement TelstraSuper's fiduciary duty to act in the best financial interests of its members.
- Active ownership (voting, engagement and collaboration) plays a role in improving long-term returns.

1.4 Scope

This Policy applies to TelstraSuper's investments across all asset classes (both internally and externally managed) in all jurisdictions, except for cash, currency and derivatives.

1.5 Prioritisation of ESG Factors

TelstraSuper acknowledges that ESG investment is a broad and evolving area that encompasses a diverse range of considerations.

TelstraSuper will prioritise material ESG considerations; however, when applying or integrating such considerations to the investment decision-making process, it may take into account other determinative factors such as investment materiality (investment size, portfolio positioning, size and nature of potential ESG risk) and TelstraSuper's ability to comply with regulatory and fiduciary duties and obligations.

2. Governance

2.1 Roles and Responsibilities

The TelstraSuper Board ('**Board**') is responsible for TelstraSuper's investments, including this Policy, investment beliefs, framework and strategy, which are formulated in a manner that is consistent with the best financial interest of its members. This Policy is approved and owned by the TelstraSuper Board.

2.2 Policy Oversight & Implementation

The Board has delegated oversight of this Policy to the Investment Committee ('IC') and TelstraSuper's Chief Investment Officer ('CIO').

The CIO and IC are responsible for ensuring that ESG considerations and activities are implemented appropriately and comply with this Policy.

The IC must report to the Board on the implementation of the Policy no less frequently than annually.

Management will apply its best endeavours to ensure that investment mandates, direct investments, incentive structures and monitoring frameworks are established and maintained in a manner consistent with this Policy.

This Policy is disclosed to TelstraSuper members via the TelstraSuper website.

2.3 Policy Review

This Policy will be reviewed at least biennially by the IC to ensure it remains appropriate and effective.

All material amendments to the Policy must be recommended by the IC to the Board for approval.

2.4 Governing Legislation and Guidance

In constructing this Policy, TelstraSuper has considered the following legislative, prudential guidance and responsible investment practice pronouncements:

- Superannuation Industry (Supervision) Act 1993 (Cth)
- Corporations Act 1998 (Cth)
- Modern Slavery Act 2018 (Cth)
- APRA Prudential Practice Guides (CPG 229 Climate Change Financial Risk and SPG 530 Investment Governance)
- the Principles of Responsible Investment (PRI) as supported by the United Nations.

2.5 Reporting and Disclosure

TelstraSuper publicly discloses and reports its ESG investment activities and progress to external stakeholders, including members, via its website. This includes the following:

- ESG Policy
- Proxy Voting Policy
- ESG Bulletin
- TelstraSuper's Annual Report
- Proxy Voting Dashboard
- Climate Change Action Plan
- Climate Change Report
- PRI Transparency Report.

3. ESG Management Guiding Principles and Approaches

TelstraSuper has been a signatory to the PRI since 2007. TelstraSuper's approach to ESG investment is guided by the following PRI principles¹:

1. ESG Integration
2. Active Ownership
3. Systemic ESG Issues
4. Collaboration and Advocacy
5. Exclusions.

TelstraSuper's general approach to each of the guiding principles is outlined in more detail below.

3.1 ESG Integration

TelstraSuper seeks to incorporate material ESG considerations into all investment decision-making processes in a systematic and pragmatic manner. This is part of TelstraSuper's efforts to enhance long-term financial outcomes for its members, by evaluating investee companies, assets, and managers.

In doing so, TelstraSuper:

- Assesses and manages systemic material ESG risks in the portfolio by incorporating ESG into investment management processes underpinned by supporting action plans where applicable.
- Applies a pre-investment assessment framework for internal and external managers, and direct assets, focusing on material ESG considerations. This framework forms a critical component of the initial due diligence process. TelstraSuper expects its appointed external investment managers to follow sound ESG practices and monitor associated material ESG risks for TelstraSuper's investments.
- Engages with prioritised investee companies, internal and external managers and assets to keep track of their ESG performance. Through this engagement, TelstraSuper assesses ESG risk management approaches in addition to various other factors. TelstraSuper uses these assessments to identify areas where improvement is needed to promote and encourage enhanced ESG management practices in the long run.

TelstraSuper allows its external investment managers some discretion to determine how they implement material ESG considerations where appropriate, in accordance with their own respective investment policies and procedures, provided that these are consistent with sound management of material ESG risks. TelstraSuper's focus on a particular material ESG factor or factors may vary or change as TelstraSuper determines the circumstances require. TelstraSuper's external investment managers may also consider ESG factors that differ from TelstraSuper's from time to time.

A decision to exit from an investment or terminate an investment mandate solely because of adverse material ESG considerations will generally only be made on a last-resort basis and after fully employing the engagement and escalation processes set out in this Policy.

3.2 Active Ownership

As an integral component of its ESG investment approach, TelstraSuper recognises the importance of advocating for the advancement and promotion of ESG risk management practices in companies or other applicable assets in which TelstraSuper invests. TelstraSuper's approach includes exercising voting rights during company meetings, actively engaging with prioritised companies, and advocating for sound ESG practices.

¹ <https://www.unpri.org/about/the-six-principles>

3.2.1 Voting

Voting is one of the cornerstones to TelstraSuper's active ownership approach. The exercise of TelstraSuper's right to vote is an effective tool for holding an investee company's board to account and encouraging ongoing improvement in corporate governance.

TelstraSuper aims to ensure that all voting decisions incorporate sound ESG practices and supports its engagement activities as set out in this Policy. Proxy voting will be conducted in a manner consistent with TelstraSuper's Proxy Voting Policy.

3.2.2 Engagement

TelstraSuper's engagement approach aims to have direct and indirect interaction with prioritised investee companies on a wide spectrum of ESG issues. The engagement may be conducted directly by TelstraSuper, or by external investment managers, or collaboratively with other investors and/or industry bodies.

Where practicable, TelstraSuper expects its investment managers, both internal and external, to engage with the management and boards of the entities in which TelstraSuper invests to encourage sound ESG practice and to manage any material ESG risks. TelstraSuper maintains ongoing dialogues with investment managers to exchange insights and expand its understanding of significant issues. This collaborative approach fosters knowledge sharing and enables TelstraSuper to assess the active ownership capabilities of its external fund managers.

3.2.3 Escalation

TelstraSuper monitors the outcomes of its direct and collaborative engagement activities with prioritised investee companies within its investment portfolio.

To influence change at an investee company or in respect to an asset, TelstraSuper and/or its external investment managers may undertake a series of escalating engagement actions depending on the nature of the ESG matter or issue and the response of the investee company on a case-by-case basis. These actions may be carried out unilaterally or in conjunction with other investors or industry bodies.

The escalation strategy may encompass a range of measures that are aimed at communicating TelstraSuper's concerns and advocating for change or improvement. These measures may include wider advocacy efforts, utilising proxy voting rights to express dissatisfaction with resolutions, supporting shareholder resolutions, and, if necessary, voting against company directors.

Divestment (which includes sales, redemptions or withdrawals) is not a preferred option and may not be possible in circumstances where an investment is illiquid (such as investments in certain unlisted assets) or in a unit trust structure. Further, TelstraSuper may determine not to divest an asset where such divestment would give rise to inappropriate portfolio risk or would cause an inappropriate reduction of value to members. Divestment, therefore, is only considered as a last resort in exceptional circumstances and/or where escalation is not expected to deliver satisfactory outcomes over foreseeable and/or reasonable timeframes.

3.3 Systemic ESG Factors

TelstraSuper recognises the importance of considering systemic material ESG factors such as climate change and modern slavery in its investment portfolio, as these factors may impact members' long-term investment returns.

TelstraSuper will take measures to identify, manage and mitigate, where possible and to the extent practicable, systemic material ESG factors that may impact the achievement of its long-term investment objectives.

3.3.1 Climate Change

TelstraSuper recognises the financial risks and opportunities associated with climate change and the impact these may have on its members' long-term investment returns. TelstraSuper supports the Paris Agreement to limit global warming to well below 2 degrees (moving toward 1.5 degrees) to minimise the worst impacts of climate change.

TelstraSuper has adopted a Climate Change Action Plan ('**CCAP**'), which has three high-level goals:

1. Achieve net zero greenhouse gas emissions across the investment portfolio by 2050, with specified milestones prior to that date.
2. Build portfolio resilience to the physical impacts of climate change across asset classes.
3. Proactively invest in opportunities that are expected to be net beneficiaries of the transition to a net-zero emissions world.

This section of the Policy should be read in conjunction with TelstraSuper's [Climate Change Action Plan](#).

3.3.2 Modern Slavery

TelstraSuper is against all forms of modern slavery in which people are exploited for personal or commercial gain. As per the Modern Slavery Act 2018 (Cth), which prohibits eight different types of serious exploitation practices, TelstraSuper adheres to the Guidelines for Reporting Entities issued by the Department of Home Affairs.

TelstraSuper seeks to manage modern slavery risks within its operational and investment supply chains, by raising internal staff awareness and establishing processes to assess modern slavery risks as part of its ESG investment management journey.

TelstraSuper sets clear expectations for its suppliers, including external investment managers, to uphold legally compliant and responsible labour practices. TelstraSuper expects its suppliers to manage risks related to modern slavery within their operational, supply chains and/or investment activities.

If TelstraSuper is found to have directly caused or contributed to an instance of modern slavery, it will take prompt action to cease and address such activity to the extent possible, as well as provide fair and just remediation when determined appropriate. In cases where it is identified that TelstraSuper is indirectly connected to an instance of modern slavery, TelstraSuper will use its influence where possible to encourage remediation by the supplier, external investment manager or investee company involved.

3.4 Collaboration and Advocacy

TelstraSuper recognises that ESG factors and matters are often systemic, complex and evolving, affecting all types of investments across various geographies. Therefore, TelstraSuper supports collective action that involves sharing knowledge and resources.

While TelstraSuper is responsible for the implementation of its own ESG management program, participation in broader industry networks and forums can help advance its objectives in a collaborative manner. TelstraSuper's participation in external collaborative activities also ensures that TelstraSuper has access to up-to-date information on relevant ESG topics and key developments across the broader economy.

TelstraSuper will consider a range of factors before participating in formal or informal collaboration, given that TelstraSuper cannot feasibly participate in all activities. These considerations include alignment with this Policy and expectations on the potential effectiveness of the initiatives.

TelstraSuper will monitor its collaborative activities, document its participation, and share a summary of the efforts with relevant stakeholders as required. TelstraSuper reports summaries of its efforts to external stakeholders, including members, as part of the relevant public disclosures and reports referred to above in *Section 2.5 Reporting and Disclosure*.

3.5 Exclusions

The TelstraSuper Board may determine from time to time that certain assets, industries and/or activities or part thereof are to be excluded, limited and/or restricted from all or part of TelstraSuper's investment portfolio where the exclusion is aligned with the investment objectives and beliefs of TelstraSuper, is capable of being implemented in a clearly defined manner, and is not expected to have a material detriment on risk-adjusted long term investment returns for the portfolio.

The TelstraSuper Board may approve that materiality thresholds, principles, guidelines and/or exceptions are to be applied to determinations. This will particularly be the case where the excluded activity performed by the relevant entity is peripheral, incidental, non-material and/or does not have any substantial association or connection with the entity's business activities or strategies.

The Board has made four such determinations in relation to:

1. **Tobacco:** Any listed company that produces or manufactures tobacco and tobacco-related products or devices that facilitate smoking and vaping where such manufacturing or production represents 5% or more of net revenue of the company.²
2. **Controversial weapons:** Any listed company involved in manufacturing of whole weapons systems or components of cluster munition, anti-personnel mines, biological and chemical weapons where such activities represent 5% or more of net revenue of the company.³
3. **Thermal coal:** Listed primary-focus thermal coal producers, where 25% or more of the company's net revenue is derived from thermal coal production.⁴
4. **Russian-domiciled securities:** Russian-domiciled securities (including corporate debt issued in hard currency) and Russian sovereign debt instruments.

For the purposes of the exclusions 1, 2 and 3 above, assessment will have regard to data and analysis prepared by a specialist global research company approved from time to time by TelstraSuper.

TelstraSuper will employ various appropriate screening processes and exception reporting to identify and prevent non-compliance within its listed securities portfolios. Where non-compliance is identified, TelstraSuper will seek to divest non-complying investments in an orderly fashion as soon as practicable, in a manner that, as far as possible, preserves value for members.

Notwithstanding the foregoing, the TelstraSuper Board recognises that the employment of such screening processes, exception reporting and monitoring by Management is not infallible, and non-compliance may occur inadvertently (including through errors or delays including in obtaining corporate information beyond TelstraSuper's control), which may result in excluded investments residing in the investment portfolio until identified and subsequently divested in the manner referred to above.

With respect to unlisted collective investment vehicles, new investments will not be made where TelstraSuper has determined (based on due diligence on the collective investment vehicle's documented investment strategy, investment philosophy, objectives, disclosure and constituent documents) that:

- The collective investment vehicle would make an investment or investments in underlying portfolio companies that are excluded by the TelstraSuper Board's determinations; or
- Where such non-complying investments will or are likely to be made by the collective investment vehicle, TelstraSuper has not been able to enter binding contractual terms appropriately excluding it from participating in and/or incurring exposure to those non-complying investments.

² For tobacco exclusion: the 5% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available.

³ For controversial weapons exclusion: the exclusion is limited to whole weapons systems or components developed for exclusive use in controversial weapons. The 5% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available.

⁴ For thermal coal exclusion: the 25% or more net revenue threshold is assessed (estimated or reported) against the most recent financial reporting available.

Where non-compliance is identified post investment in a collective investment vehicle, TelstraSuper will seek to divest (including by way of sale, withdrawal and/or redemption as applicable), non-complying investments in an orderly fashion as soon as practicable as permitted in the relevant market and/or by the constituent documents of the relevant collective investment vehicle, in a manner that is both efficient and in a manner that as far as possible preserves value for members. Where delays in divestment are expected, TelstraSuper will generally engage with the management of the collective vehicle to identify potential opportunities for divestment to occur as soon as possible.

4. Document Information

4.1 Policy Status and Approval

Original issue date	November 2015
Current approval date	March 2024
Policy category	Board level policy
Policy owner	Head of ESG
Policy Review (biennial)	Investment Committee
Policy Approval	TelstraSuper Board

4.2 Policy History and Review

Date	Changes Made	Board Approval date
November 2015	Policy introduced.	
December 2016	Update of "Trustee" name from Telstra Super Ltd to Telstra Super Pty Ltd.	June 2017
December 2018	New format & branding applied; review frequency amended.	December 2018
February 2020	Modified to reflect updated practices	February 2020
July 2021	Modified for Climate Change Actions and exclusion update.	August 2021
June 2023	Minor amendment.	June 2023
January 2024	The policy has been updated to reflect TelstraSuper's evolving approach to ESG risk management.	March 2024
June 2024	Policy updated to clarify exclusions	June 2024