

Responsible Investment Policy

Version 5
August 2022

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Policy Control Information

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| Policy Name | Responsible Investment Policy |
| Policy Owner | Chief Investment Officer |
| Current Version | Version 5 |
| Approval Date | 4 August 2022 |
| Governance Framework | The RI Policy should be read in conjunction with the State Super Investment Governance Framework and the Investment Policy Statement and operates under the Fund's Risk Management Framework. |
| Review Period | Reviewed annually with an independent review to be completed every 3 years. |
| Reviewed | Reviewed by the Board Investment Committee with recommended policy changes approved by the Board. |

| Version | Prepared By | Reviewed By | Approved By |
|--|----------------------------------|----------------------------|--|
| Version 5 (Responsible Investment Policy) | CIO | Board Investment Committee | State Super Board (circular resolution) 4 August 2022 |
| Version 4 (Responsible Investment Policy) | CIO | Board Investment Committee | State Super Board 21 June 2019 |
| Version 3 (ESG Policy) | Head of Strategy / Deputy CIO | GM, Investments | State Super Board December 2013 |
| Version 2 (ESG Policy) | Investment Specialist | GM, Investments | State Super Board July 2011 |
| Version 1 | Investment Specialist | GM, Investments | State Super Board December 2009 |

1. Introduction

1.1 Investment Beliefs

State Super’s objective is to achieve strong risk adjusted returns for members and meet the Pooled Fund liabilities as and when they fall due, over each timeframe for the applicable investment option.

State Super’s Investment Beliefs are outlined in the State Super Investment Policy Statement (‘IPS’) and include the belief that “environmental, social and governance (‘ESG’) factors may materially impact investment risk and returns, particularly over the long term”.

Accordingly, State Super considers that assets and managers that incorporate material ESG considerations in their analysis contribute to more sustainable long-term investment returns.

The Responsible Investment Policy (‘RI Policy’) addresses how State Super:

- Integrates ESG considerations into the investment process.
- Actively exercises ownerships rights on behalf of our members;
- Advocates through our memberships for superior ESG practices;
- Approaches and considers excluding categories of investment.

Additional details are outlined in State Super’s Risk Management Framework (RMF).

1.2 ESG Overview

Integrating ESG considerations into our investment process involves considering the environmental, social and governance risks and opportunities in each investment decision.

Below are examples of ESG risks and opportunities that State Super may consider.

| Environmental | Social | Governance |
|---|--|--------------------------------|
| Climate change (including physical, transition and liability risks) | Human rights & Modern Slavery | Executive pay |
| Resource scarcity & efficiency | Labour standards & Gender Diversity | Bribery & corruption |
| Waste, water & pollution | Population growth & demographics | Political lobbying & donations |
| Deforestation | Supply chain management | Board diversity & structure |
| Food security & sustainable agriculture | Health & safety | Taxation practices |
| Biodiversity | Stakeholder engagement, indigenous populations & communities | Cyber security |

1.3 Purpose and Objective of the RI Policy

The purpose of this RI Policy is to document State Super’s approach to understanding and integrating material ESG considerations.

This document should be read in conjunction with both the State Super Investment Governance Framework ('IGF') and the State Super IPS.

1.4 Application

This RI Policy is approved by the Board, on recommendation from the Board Investment Committee ('BIC') and Management Investment Committee ('MIC').

This RI Policy applies to all funds under management across the Pooled Fund.

1.5 Governing Legislation and Regulatory Requirements

State Super is subject to legislative requirements with respect to investments as outlined in the SA Act.

State Super also complies with requirements under the Government Sector Finance Act 2018 ('GSFA') and has regard to the Heads of Government Agreement ('HOGA') entered into by the State and Commonwealth Governments relating to the exemption of certain State public sector superannuation schemes from the SIS Act and related regulations of the Commonwealth.

Additional details regarding this regulatory framework are detailed in the IPS. State Super's Responsible Investment Governance Structure is also further detailed in the RI Policy supporting material.

State Super's Chief Investment Officer ('CIO') is accountable for overseeing the implementation of the RI Policy. The MIC monitors activities undertaken in implementing the RI Policy. Regular reporting is provided to the BIC.

1.6 Conflicts of Interest

State Super's approach to identifying and managing any conflicts of duties, or interests, are outlined in the State Super Conflicts Management Policy ('CMP').

This document should be read in conjunction with the CMP. The CMP is to be considered and applied in the exercise of voting rights under the RI Policy, regardless of the party exercising the vote.

2. Environmental, Social and Governance Risk Integration

2.1 ESG Integration

State Super will consider the potential impact of ESG factors when determining our investment strategy, setting our investment risk appetite and risk tolerances.

We integrate ESG risks and opportunities differently across different investments having regard to ownership rights, degree of influence, investment options and any material ESG risks identified for a particular asset or strategy.

Accordingly, guidelines and procedures for responsible investment integration can vary across different asset classes. The below table outlines some of the considerations and differences of our approach to ESG integration within different asset classes.

| Asset Class | ESG integration approach |
|--------------------|---------------------------------|
|--------------------|---------------------------------|

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|------------------------|---|
| Listed Equities | STC engages with listed entities collectively on ESG issues that are material to that entity. We actively consider how we will vote on resolutions at the entity's meetings and we require our investment managers to explicitly include ESG issues in investment analysis and decisions, to better manage risks and improve returns. For a portion of our mandates, we explicitly include ESG metrics and climate change considerations. |
| Fixed Income | We encourage our investment managers to integrate material ESG factors into credit research and assessments. Governance and political factors are already integrated as an aspect of sovereign credit analysis. Social and environmental factors, including climate change risk, modern slavery, and social inequality are attracting more focus. |
| Private Markets | Due diligence is undertaken at the asset level covering ESG risks, with regular updates on material asset level ESG risks and associated management plans, as well as a focus on investment manager skills. |

2.2 Climate Specific Considerations

State Super consider the findings of scientific, academic, and regulatory bodies an integral aspect of our approach to climate change which includes considerations of physical, transition and liability risks.

We acknowledge climate change presents significant long-term investment risks; we support the Taskforce on Climate-related Financial Disclosure ('TCFD') and endorse the 'Paris Agreement' which acknowledges the principles of a 'Just Transition' to a low carbon economy.

We are committed to effectively integrating climate change risks and opportunities into the investment processes across the Pooled Fund and expect our investment managers and advisors to also integrate these considerations, which include:

- Annual climate specific scenario analysis and stress testing;
- Measurement and monitoring of carbon emissions;
- Understanding and consideration of State Super's commitment to Net-Zero greenhouse gas emission milestones;
- Consideration of, and engagement on, Just Transition implications for relevant assets and their workforce;
- Compliance with Australian and international regulatory guidance; and,
- Consideration of the physical location risks to an asset that may occur from a change in climate (i.e., floods, cyclones, drought, bushfires).

Additional details are outlined in our Climate Change Statement and our Net-Zero Greenhouse Gas Emissions Plan FAQ document.

2.3 Positive and Impact Investments

Positive and impact investments are those that seek to address social and environmental challenges in addition to generating an investment return.

A positive investment is one that, in addition to generating financial returns, has a positive impact on society or the environment. An impact investment takes this one step further and has the intention to generate positive, measurable social and / or environmental impacts with financial returns. These impacts are quantified through investment structures and reporting frameworks.

When considering making a positive or impact investment, State Super will first consider whether these investments have competitive risk return and liquidity characteristics and if these are met, may consider (or give preference to) positive and impact investments.

3. Manager Selection, Appointment, and Monitoring

3.1 Manager Selection

The Superannuation Administration Act 1996 ('SA Act') requires State Super to invest through external fund managers.

Fund managers' approaches to responsible investment are assessed in the selection process, including an assessment of their ESG capabilities.

For individual mandates, in addition to the investment objectives, State Super will consider the following ESG specific factors:

- The extent to which ESG risk is reflected in the risk and return considerations for the investment.
- Some mandates may equally consider ESG risk and return.
- The level of ESG integration and policy development, having regard to the nature of the investment strategy and resources available.
- Alignment with State Super's RI Policy.
- Incorporation of climate change risk analysis.
- Capacity for further development of responsible investment capabilities.

For investments in passive mandates or commingled trusts, State Super will consider and assess the degree to which funds take ESG factors into account as part of the investment analysis.

3.2 Manager Monitoring

Once an investment manager is appointed, State Super includes ESG reporting requirements in the investment management agreements ('IMAs').

Our reporting requirements include changes to the manager's responsible investment policy, stewardship activities, voting decisions, modern slavery and asset class specific ESG and climate metrics.

State Super and our advisors, regularly conduct engagement meetings with our investment managers to assess the degree to which material ESG factors have been incorporated into their investment process and to review progress on ESG integration. Performance on ESG is monitored and formally reviewed as part of the broader asset class reviews.

Where a manager has been assessed as not meeting State Super's expectations regarding their consideration of material ESG issues, we will work with that manager to meet our expectations.

In circumstances where a manager fails to meet our expectations consistently, the investment manager's appointment may be revoked or their mandate reduced or varied. Managers appointed by the Master Investment Manager will be monitored in line with their process and outcomes reported to State Super.

4. Active Ownership

State Super is committed to ensuring that sustainable long-term investment returns are generated for our members. We believe companies that effectively manage ESG risks, impacts and opportunities are more likely to be financially sustainable in the long run and generate stronger long-term investment returns.

For State Super, active ownership activities include company engagement, proxy voting and policy advocacy.

The Australian Asset Owner Stewardship Code ('the Code') consists of six key principles that outline the responsibilities of asset owners to exercise their ownership rights to protect and enhance long-term investment value for their beneficiaries. As a signatory to the Code, State Super supports these principles and is committed to promoting greater transparency and accountability of stewardship activities in Australia. Our voting principles are outlined in our Stewardship Statement, as well as our voting activity, which is available on our website.

4.1 Company Engagement Approach

State Super prioritises our company engagement activities based on location, contribution to risk, the materiality of ESG concerns and internal ESG focus areas.

The way in which we prioritise our stewardship activities depends on the entity and the issue. For example, our approach to climate change risk varies by asset, but is consistently considered across the Pooled Fund.

We recognise the importance of actively engaging with companies to ensure they are managing material ESG issues appropriately and have identified priority themes to focus our engagement efforts on. Engagement activities with investee companies will be prioritised according to the materiality, severity and perceived risk associated with the issue.

We consider there are benefits to be gained from engaging with likeminded investors collectively. Accordingly, one way we engage with listed companies is through specialist external service providers as well as our investment managers with strong capabilities in this area.

State Super representatives may participate in service provider led engagement activities from time to time and expect regular reporting on progress achieved.

Engagement mechanisms for our listed assets may include, but are not limited to, writing letters to management or the board (or co-signing collaborative letters), conducting meetings, telephone calls, voting and submitting resolutions at company annual general meetings.

Engagement activities for our unlisted assets are facilitated by our external fund and asset managers and may include using our position on the board, voting rights, site visits and dialogue with asset managers and other investors.

We expect our external managers to engage with companies regarding material ESG matters. For those IMAs entered into under the RI Policy, company engagement reporting requirements are included.

4.2 Securities Lending

State Super conducts a securities lending program over Australian and international equities as well as fixed income securities, through our Custodian. Under the contract with the Custodian, we are able to reserve the right to recall securities, so we are able to exercise our voting rights as a shareholder.

4.3 Collaboration

State Super considers collaboration with industry bodies, peers and investment managers enhance industry standards and integration of material ESG considerations across the broader economy and financial system.

Accordingly, we are an active member of various industry collaborative bodies and are committed to maintaining our collaborative approach to responsible investment integration with TCorp, our Master Investment Manager.

4.4 Advocacy

State Super contributes to the development of submissions on policy, regulation and standard setting to government and regulators through its involvement with collaborative bodies. We are a founding member of the Australian Sustainable Finance Initiative ('ASFI').

State Super may also provide support for action on ESG Issues through co-signing investor statements or joint letters.

4.5 Exclusions

As a universal asset owner, State Super prefers to engage with investee entities and managers on material ESG risks as a means of effecting change to ESG risk management.

In circumstances where State Super considers excluding a category of business activities from the Pooled Fund investments, regard will be had to:

- Members' best financial interests;
- Impact on long-term financial returns;
- UN Global Compact;
- International treaties and conventions;
- State Super stakeholders;
- Alignment with NSW and Commonwealth legal framework;
- Success of company engagement (where relevant);
- Nature of the product (where relevant);
- International sanctions (where relevant);
- Cost and ease of implementation.

After consideration of these factors, the State Super Board will make a determination regarding the proposed exclusion.

Current exclusions for the State Super Pooled Fund are for the exclusion of companies with the following investment characteristics from the Pooled Fund (excluding some derivatives and pooled investment mandates).

- **Tobacco**: Companies classified as manufacturers of cigarettes and other tobacco products under the Global Industry Classification Standard (GICS) methodology.
- **Controversial weapons**: Companies involved in the manufacture or production of controversial weapons including cluster bombs, landmines, depleted uranium weapons, chemical and

biological weapons, blinding laser weapons, non-detectable fragments, and incendiary weapons (white phosphorus).

- **Russian investments**: Companies designated as Russian financial assets.

4.6 Class Actions

Class actions are one-way shareholders are able to collectively seek losses from a company where a loss may be found to have occurred from a breach in corporate regulations.

State Super may participate in a class action to recoup members funds where there is a reasonable basis to conclude there has been a breach of law that has resulted in material financial loss. Decisions to participate in a class action will be made on a case-by-case basis.

4.7 Escalation

In extenuating circumstances State Super may, where our active ownership activities are not effective in communicating our expectations regarding material ESG risks, consider the following actions:

- Voting against directors;
- Filing a shareholder resolution;
- Advocating for policy change; and
- Publicly disclosing our concerns.

In regard to shareholder resolutions, co-filing will only be considered following extensive engagement with the company, in addition to dialogue with engagement service providers, other institutional investors and any relevant stakeholders.

Any action taken will be determined on a case-by-case basis, with two consecutive periods of below expectation performance attracting increased focus.

5. Proxy Voting

State Super recognises the value and importance of the right to vote that attaches to share ownership. We view the exercise of these rights as an important mechanism to support, or express discontent, with a particular matter at a company meeting. As such, we endeavour to exercise our voting rights for all company meetings across eligible holdings.

5.1 Commingled Trusts and Fund of Funds

Proxy voting decisions for commingled trusts and fund of fund investments are delegated to the relevant manager (including the DB portfolio).

For these investments, we expect the manager to exercise their voting obligations for all company meetings across relevant holdings. We review the manager's voting policies as part of our appointment process and encourage alignment with State Super's voting principles.

Detailed bi-annual voting disclosure reports are included in our IMAs with these managers.

5.2 Individual Mandates

In exercising our voting rights for the Defined Contribution Fund ('DC Fund'), State Super engages proxy advisors to provide voting advice as one of the inputs into our voting decisions. Consideration

is also given to our investment managers' advice where a resolution requires further information or analysis.

Additional details are provided in our Stewardship Statement.

We maintain a list of priority companies, that we focus our voting activities on. A holding is considered material and is a priority voting company for the DC portfolio where:

- The company is one of our top 20 Australian holdings, measured by contribution to portfolio risk.
- We hold more than a 4 per cent interest in the company based on its market capitalization.
- We hold an interest in the company that is more than 1% more than the benchmark weight of the company.
- There is a major financial transaction.
- A material ESG risk has materialized.
- There is a shareholder resolution.
- The matter is an area of interest for State Super's stakeholders.

If State Super determines to vote against company management recommendations, it will communicate this to the company at the appropriate time.

Similar frameworks are applied for the DB portfolio.

5.3 Voting Disclosure

We are committed to transparency and disclose our voting records for Australian and international listed companies on our website.

6. Asset consultants

State Super engages asset consultants to provide investment advisory services.

When appointing and reviewing the appropriateness of our asset consultants, assessments include responsible investment considerations, including their approach to assessing, recommending and monitoring strategic asset allocations, mandate selection, benchmarks and external fund managers for the Fund.

7. Stakeholder engagement

The State Super RI Policy will be made available on our website.

We will continue to report on our responsible investment activities through our website, annual report, voting disclosure, Member Views updates, Stewardship Statement, Climate Change Statement and PRI Reporting.

8. Review

The RI Policy is reviewed by the BIC and approved by the Board. The Board has delegated investment related functions to the BIC, which includes our Stewardship activities.

The RI Policy and the arrangements contained in the RI Policy will be reviewed at least every year by the Executive. This policy will be monitored via Internal Audit as part of the Investment Governance Framework or as required by the State Super Board and its Committees.

The RI Policy review will include changes in compliance requirements, legislation, regulations, and industry standards. Section 7 of the IPS contains additional details regarding State Super's monitoring and reporting framework.

The Executive will also conduct periodic reviews, as and where it arises, to ensure that any potential political influence as an organisation is aligned with our position on sustainable finance.

9. Glossary of Terms

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| ACSI | The Australian Council of Superannuation Investors is a not for profit, member-based organisation providing research, engagement, and advocacy advice on financially material environmental, social and governance issues. |
| Active ownership | Active ownership uses the rights and fact of ownership that come with investing to influence the activities or behaviour of investee companies. These mechanisms are often applied differently in each asset class recognising different rights and ownership structures between investing in, for example, an airport and a listed company. |
| ASFI | Australian Sustainable Finance Initiative ('ASFI'). The Australian Sustainable Finance Initiative is an unprecedented collaboration formed to help shape an Australian economy that prioritises human well-being, social equity and environmental protection, while underpinning financial system resilience and stability. |
| BIC | State Super's Board Investment Committee. |
| Custodian | A corporation appointed by the Trustee under contract that performs custodial functions in relation to all or part of the Pooled Fund's assets. |
| Climate change risk | The risks created by climate change can be physical risk, transitional risk, and liability risk. Physical risk manifests as changes to temperature and climate events (including extreme weather) that are likely to reduce the value of certain assets and income streams. Transition risks are associated with changes in policy (both in Australia and overseas), technology and behaviours that relate to the process of moving to a less emissions-intensive economy. Liability risk is the risk from people or businesses seeking compensation for losses they may have suffered from the physical or transition risks from climate change. |
| Defined benefit (DB) | Investments in the Pooled Fund that have been identified as being assets supporting the NSW Government's defined benefit pension liabilities. |
| Defined contribution (DC) | Investment options in the Pooled Fund that have been identified as being assets supporting the accumulation portions. |
| ESG | Environmental, Social and Governance. In an investment context, this refers to integration of these factors in investment analysis and decisions. |
| Greenhouse gas | Greenhouse gases are gases in Earth's atmosphere that trap heat and let sunlight pass through the atmosphere but prevents heat (brought by sunlight) from leaving the atmosphere. Carbon dioxide is a greenhouse gas. |
| Individual mandate | A contract that is governed by an Investment Management Agreement. |
| Investment consultant | A specialised multi-asset financial professional appointed to provide investment advice to State Super. |
| Investment manager | Corporation appointed by State Super means a corporation appointed to invest on behalf of State Super. |
| Just Transition | Refers to the creation of decent work, quality of jobs and community renewal in the transition to a low carbon and climate resilient economy. |

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|-----------------------|--|
| MIC | State Super's Management Investment Committee. Members include State Super's Senior Executives. |
| Modern Slavery | Includes slavery, servitude, forced labour, human trafficking, debt bondage, organ trafficking, forced marriage and the exploitation of children. Modern Slavery is governed by the Modern Slavery Act 2018 (NSW) and the Modern Slavery Act 2018 (Cth). |
| Pooled Fund | <p>The State Super funds amalgamated as one under the <i>Superannuation Administration Act 1991</i> (NSW) and continued under the <i>Superannuation Administration Act 1996</i> (NSW); namely:</p> <ul style="list-style-type: none"> - State Authorities Superannuation Scheme; - State Superannuation Scheme; - Police Superannuation Scheme; and - State Authorities Non-contributory Superannuation Scheme. <p>The assets of the State Super schemes are amalgamated into the 'Pooled Fund' by the SA Act. This includes the defined benefit, defined contribution, and universities portfolios.</p> |
| PRI | The Principles for Responsible Investment are a set of six principles focussed on ESG integration developed by international institutional investors and convened by the United Nations' Secretary General. |
| Proxy voting | The voting rights that attach to investors by the nature of their ownership in listed entities. Shareholders vote on various resolutions at public meetings held by listed entities. Where shareholders do not attend and vote at a meeting in person, it is referred to as a proxy vote. |
| SA Act | <i>Superannuation Administration Act 1996</i> (NSW). |
| TCorp | NSW Treasury Corporation. Master investment Manager for the DB Portfolio. |
| Trustee | SAS Trustee Corporation or State Super. |
| Universities | Assets that have been identified as being assets supporting the University benefits. |