



PRIME SUPER

Investments – Environmental, Social, and Governance Policy

July 2024

VERSION	5
PREPARED BY (TEAM)	Investments
DATE REVIEWED	July 2024
EFFECTIVE DATE	July 2024
NEXT REVIEW	July 2026

Version Control

ISSUE DATE	VERSION	REVIEWED BY	SUMMARY OF CHANGES
February 2016	1	Jane Kang	
June 2017	2	Jane Kang	Biennial review
June 2019	3	Jane Kang	Biennial review
June 2022	4	Jane Kang	Biennial review
July 2024	5	John Dyer	Biennial review

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Glossary

Board	The Trustee's board of directors
ESG	Environmental, social and governance The relevant Prime Super policy is the Environmental, Social and Governance Policy
Fund	The regulated and registered superannuation fund known as 'Prime Super'
Investment Consultant	An investment consultant appointed by the Trustee in relation to the Fund's investments.
Investment Governance Framework	The totality of systems, structures, policies, processes and people to address the RSE licensee's responsibilities with regard to investments of the Fund within the Trustee's business operations.
Investment Manager	An investment manager appointed by the Trustee in relation to the Fund's investments.
Investment Strategy	The Trustee's investment strategy for the Fund and any investment option within the Fund.
Member	A member of the Fund
Prime Super	Prime Super Pty Ltd acting either as a trustee of a regulated fund or in its personal capacity or both (as the context requires)
RSE	Registrable Superannuation Entity
Trustee	Prime Super Pty Ltd

1. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE POLICY

1.1 Objective

Prime Super Pty Ltd as trustee for Prime Super (the Trustee) is committed to an Investment Strategy that is guided by investment beliefs as part of the Trustee's Investment Governance Framework.

The Trustee believes that considering Environmental, Social and Governance (ESG) related factors, where possible, as part of investment decision-making on behalf of members is consistent with its responsibilities and investment beliefs.

2. BACKGROUND

ESG factors are accepted to be:

- **Environmental** – environmental impacts on an investment that may impact the sustainability and long-term performance of the investment.
- **Social** – the social impact of practices and behaviours that can have a negative or positive impact on the long-term performance of an investment.
- **Governance** – strong governance relating to an investment is focused on all risks and addresses those risks appropriately, again, leading to a better business outcome and results for that business and its owners.

Some examples of ESG factors are the following:

- Environmental: climate change, impact on local environment, pollution and waste, policy and regulatory change, waste management.
- Social: health and safety, human rights, labour standards, workforce diversity, equal opportunities.
- Governance: board composition, executive remuneration, risk management, transparency, market conduct.

3. APPLICATION OF THIS POLICY

This Policy applies in relation to the management of the Fund's investments as part of the Investment Strategy, which includes a set of investment beliefs as part of the trustee's Investment Governance Framework.

The Investment Strategy sets out the key considerations used in framing the overall investment strategy for the Fund, as well as for the various investment options offered to members.

This Policy is aimed at giving effect to the Investment Strategy, through some consideration of ESG factors in the overall Investment Strategy.

4. COMMUNICATION OF THE POLICY

This Policy is provided to the Trustee's Investment Consultant¹ and is considered in giving effect to the Investment Strategy of the Fund.

The Policy is also a public document and is available to members and interested parties on the Trustee's website.

5. ESG POLICY

The Trustee will integrate ESG factors into the Fund's Investment Strategy to the extent that the Trustee has direct control over the investments.

The Trustee may integrate ESG factors into the Fund's Investment Strategy where the Trustee does not have direct control over the investment but makes no commitment that it will do so.

5.1 Third Party investment managers – International and Australian Equities

Prime Super recognises that ESG factors can affect the risk profiles of listed securities, and therefore the long-term characteristics of these investments. For this reason, the ESG capabilities of external investment managers are considered during the assessment and evaluation of those managers prior to selection and those capabilities are monitored periodically.

The assessment mainly focuses on the Investment Manager's ability to report on the financial impact of ESG factors on companies in which shares are held and to report on any ESG related disclosures made by those companies.

The Fund will often have some listed share investments through 'index'-type strategies, where a strategy is designed to follow (or 'mirror') a particular investment index. In these instances, the Fund will have an investment exposure to all of the shares in that index. It is important to note that in these index-type investments, the applicable investment manager does not usually consider or report on ESG factors relating to the underlying companies in which the shares are held.

Voting practices

The Trustee (with the assistance of its Investment Managers) participates in opportunities to vote on resolutions put to shareholders by companies in which the Fund invests, in accordance with the Trustee's Proxy Voting Policy.

5.2 Direct unlisted Investments – property, Infrastructure & credit

Prime Super, with the assistance of its Investment Manager, manages direct unlisted property, infrastructure, and credit investments and this includes acquisition and ongoing monitoring.

¹ As at the date of this Policy, PATRIZIA Pty Ltd (PATRIZIA).

The investment process includes the receipt of a preliminary memorandum setting out the details of the investment and expected risks and returns, followed by a detailed risk analysis report from the Trustee's Investment Consultant. An element of the Investment Consultant's detailed risk report is consideration of ESG matters.

In relation to the Fund's direct property and infrastructure investments, the Trustee's practices also include the following:

- ESG is included in the due diligence scope for technical advisers.
- ESG is analysed at the execution stage of the investment in due diligence documentation.
- ESG is managed and reported on throughout the asset management process.

6. EXCLUSION

The Trustee may decide to exclude investments in a particular sector or a particular investment if the Trustee considers that an investment or sector presents an unacceptable ESG related risk to the Fund to the extent that it may have:

- a negative impact on the reputation of the Fund, or
- a negative impact on the returns of the Fund.

The integration of ESG in the investment process does not operate to result in the exclusion of or divestment from any investments purely on ethical grounds.

If specific companies or sectors are excluded from the Fund's investment portfolio:

- the custodian, under its compliance monitoring service will ensure these securities are excluded from the portfolios of mandated managers;
- to the extent practical, the Trustee will ensure that these excluded securities are not included in the approved investment universe of securities of pooled funds that are recommended to the Fund (and noting that investment managers may purchase these securities for pooled funds independently of Prime Super).
- The trustee cannot guarantee and makes no commitment that exclusions apply to indirectly held investments.

6.1 Exclusion of Manufacturers of Cigarettes and other Tobacco Products

Prime Super excludes direct investments in companies that are classified as manufacturers of cigarettes and other tobacco products (tobacco).²

The exclusion of investments classified as being manufacturers of cigarettes and other tobacco products is based on the following considerations:

² The exclusion applies to securities classified under the Global Industry Classification Standard (GICS) sub-industry 'tobacco', 30203010 or equivalent.

- tobacco is an addictive product with proven adverse health impacts;
- the risk of a class action against tobacco companies is heightened in the future on the basis of allegations of tobacco manufacturers knowingly adding addictive elements to their products to ensure future sales;
- the cost of health treatments of those adversely affected by consumption of the product is significant and could potentially be pushed back onto the tobacco manufacturer (similar to the outcome of the liability on James Hardie for the manufacture and distribution of asbestos related products). Such a finding would have a significant negative effect on the future earnings potential of the tobacco manufacturer;
- tobacco manufacturers and distributors are actively marketing their products to developing countries where restrictions on the use and consumption of tobacco are not as strict as in the Western world, leading to a heightened risk of future class action, and a negative earnings outlook.

This exclusion generally applies to those companies where more than 60% of the business's income or business assets are engaged in the manufacture of cigarettes and tobacco related products (as defined as a security that is a constituent of the GICS sub-industry 'tobacco', 30203010 or equivalent).

The exclusion does not apply to those businesses where tobacco is an ancillary element of the overall business, such as retailers that sell cigarettes, which are a legal product in Australia or packaging and transport of cigarettes or other tobacco products.

7. REVIEW OF POLICY

This Policy will be reviewed and approved by the Trustee biennially or when required.

The Trustee may also review this Policy at any time for any reason, but in particular, where it becomes aware that:

- this Policy is out of date;
- this Policy is no longer relevant to the circumstances of the Trustee;
- there are changes to the Trustee's investment strategy or the asset allocation process which impact this Policy.