

Policy of Legal Super Pty Ltd as trustee of legalsuper

Environmental, social and governance

Purpose

This document sets out legalsuper's policies and processes to manage the environmental, social and governance factors associated with the investments that legalsuper manages on behalf of its members.

Background

Environmental, social and governance factors can affect the long-term financial performance and therefore the value of the companies and funds in which legalsuper invests.

Environmental factors include natural resource use and degradation (e.g. water scarcity), waste, pollution, greenhouse gas emissions, climate change, clean technology products and services, environmental management practices. Social factors include workplace health and safety, labour relations and standards, human rights, demographic changes, supply-chain and community impacts. Governance factors include board composition and independence, executive remuneration and incentive plans, corporate accountability structures, compliance, bribery and corruption, conflicts of interest and related-party transactions, shareholder rights, accounting and auditing. The inclusion of environment, social & governance factors in investment analysis and decision making may enhance long-term investment performance.

Over-riding fiduciary and statutory duties of the Trustee

The 'sole purpose test' in the Superannuation Industry (Supervision) Act 1993 (SIS Act) requires a trustee to ensure that the fund is maintained solely for the purpose of providing retirement benefits for members. The SIS Act also imposes a set of key covenants binding trustees, including:

- a) to perform the trustee's duties and exercise its powers in the best interests of the fund's beneficiaries, and
- a) to formulate and give effect to an investment strategy for the whole fund, and for each investment option offered having regard to (among other things) the risk involved in making, holding and realising, and the likely return from, the investments covered by the strategy having regard to the trustee's objectives in relation to the strategy and expected cash flow requirements.

Investment implementation

legalsuper has appointed third party investment managers to assist with management of its investments.

When appointing investment managers, legalsuper receives advice from its asset consultant (Towers Watson) which undertakes ongoing research into the people, processes and overall investment

management capability of investment managers in Australia and overseas. Towers Watson's research also has regard to the approach taken by investment managers on environmental, social and governance issues.

In most cases legalsuper invests via third party investment managers in pooled investment vehicles rather than a direct discrete investment mandate. legalsuper owns 'units' in these pooled investment vehicles and does not directly own the underlying shares or securities. This constrains the extent to which the Trustee can actively engage with corporations in which it is invested

legalsuper makes available a socially responsible investment option for members who wish to incorporate environmental, social and governance considerations in how they invest. The socially responsible investment option is fully invested with a third party specialist socially responsible investment manager.

This socially responsible investment manager takes labour standards, environmental, social and ethical considerations into account, as well as financial criteria, when considering whether to buy, hold or sell the investments it manages on behalf of legalsuper. Further information about the socially responsible investment option is available in legalsuper's product disclosure statement which is accessible at legalsuper's website – legalsuper.com.au.

Industry body membership

legalsuper is a member of the Australian Council of Superannuation Investors ('ACSI').

ACSI's mission is to enhance sustainable long-term value for the retirement savings that are entrusted to its members as fiduciary institutional investors.

ACSI does this by representing the collective rights and interests of our members through:

- a) influencing companies;
- b) influencing investors; and
- c) influencing government and opinion leaders.

ACSI also identifies opportunities to improve environmental, social and corporate governance investment practices and outcomes through:

- a) company engagement and proxy voting;
- b) focussed research and evidence based policy;
- c) communication and advocacy; and
- d) collaboration with other institutional investors and organisations in the advancement of shared goals, both within Australia and internationally.

ACSI also provides independent research and advice and engages with companies on behalf of its member superannuation funds.