



# Responsible Investing Policy

Prepared February 2022

**Version:** 8.0

Issuing details: Prepared by: Suzanne Branton  
Chief Investment Officer

Approved by: Board of Directors, CARE Super Pty Ltd

Date of Approval: 6 April 2022

## DOCUMENT CONTROL – SUMMARY OF CHANGES

Issue	Date	Change of description
Version 1 - Draft	7 May 2013	Initial Release of separate policy document – previously contained within Governance Framework. Review and approval by Governance & Remuneration Committee.
Version 1	4 June 2013	Approval by Board
Version 2 - Draft	June 2014	Review and approval by IRC
Version 2	1 July 2014	Approval by Board
Version 3 - Draft	8 August 2016	Review by IC
Version 3 - Draft	12 September 2016	Approval by IC
Version 3	27 September 2016	Approval by Board
Version 4 - Draft	25 June 2018	Review by IC
Version 4 - Draft	13 August 2018	Review by IC
Version 4	18 September 2018	Approval by Board
Version 5 - Draft	28 October 2019	Review by IC
Version 5	10 December 2019	Approved by Board
Version 6	11 February 2020	Approved by Board
Version 7 - Draft	15 February 2021	Review by IC
Version 7	24 March 2021	Approved by Board
Version 8 - Draft	22 February 2022	Review by IC
Version 8	6 April 2022	Approved by Board

This document supersedes and replaces any previous issue.

© Copyright CARE Super Pty Ltd. All rights reserved.

No part of this publication may be reprinted, reproduced, stored in a retrieval system or transmitted, in any form or by any means, without the prior permission in writing from the owner.

# Contents

DOCUMENT CONTROL – SUMMARY OF CHANGES .....	1
1. Overview .....	3
1.1 INTRODUCTION .....	3
1.2 PURPOSE AND SCOPE .....	3
1.3 POLICY STATEMENT .....	3
2. Guiding Principles .....	3
2.1 REGULATORY FRAMEWORK, INVESTMENTS .....	3
2.2 INTEGRATING ESG FACTORS .....	4
2.3 INVESTMENT PHILOSOPHY .....	5
2.4 STEWARDSHIP AND ACTIVE OWNERSHIP .....	5
2.5 INTEGRATED AND PROACTIVE APPROACH .....	5
2.6 PRACTICAL APPLICATION .....	5
2.7 TRANSPARENT AND CONSISTENT .....	5
3. Roles and Responsibilities .....	5
3.1 INVESTMENT TEAM .....	5
3.2 ASSET CONSULTANT .....	6
3.3 INVESTMENT MANAGERS .....	6
4. Implementation .....	6
4.1 MANAGER SELECTION & MONITORING .....	6
4.2 INVESTMENT RESTRICTIONS .....	6
4.3 PROXY VOTING .....	7
4.4 ENGAGEMENT AND COLLABORATION .....	7
5. Policy Governance .....	7
5.1 REPORTING .....	7
5.2 OTHER RELEVANT POLICIES & STATEMENTS .....	8
5.3 REVIEW .....	8

# 1. Overview

## 1.1 INTRODUCTION

CARE Super (“the Fund”) is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993 (SIS) and is regulated by both Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA). The Trustee, CARE Super Pty Ltd holds a Registrable Superannuation Entity licence (RSE) with APRA, enabling it to operate the Fund.

## 1.2 PURPOSE AND SCOPE

The purpose of this Policy is to describe the Fund’s approach to Responsible Investing and the consideration of environmental, social and governance (ESG) risk factors in the management of the Fund’s investment program. The Policy documents the approach the Trustee employs to address and manage ESG risks.

The Fund’s overall approach to sustainability across its operations is guided by its *Corporate Responsibility & Sustainability Policy*.

This Policy supports the Fund’s *Investment Policy Statement*<sup>1</sup> and should be read in conjunction with the *Investment Governance Framework*.

## 1.3 POLICY STATEMENT

Responsible investing is integral to the Fund’s investment approach. The sole purpose of the Fund is to enhance member benefit by investing in assets that are expected to deliver competitive, risk-adjusted returns, over the long term. We believe that long term returns are positively influenced by asset management practices that are environmentally sustainable, socially responsible and well governed. Accordingly, ESG factors are a key consideration in the selection and management of investments across all asset classes in which the Fund invests<sup>2</sup>. In administering this policy, the Fund is exercising its judgement in the best financial interests of its members.

This policy should be read in conjunction with the Fund’s *Stewardship Statement*.

# 2. Guiding Principles

The guiding principles set out below assist the Trustee to manage ESG risks. The impact of ESG factors is considered at each stage of setting the investment strategy and selecting the assets of the Fund.

## 2.1 REGULATORY FRAMEWORK, INVESTMENTS

The Trustee acknowledges that its primary duties are to:

- deliver the highest possible risk adjusted return on its investments to its members; and
- assess and manage all foreseeable risk factors, including ESG risks, as effectively as possible.

Other covenants of the SIS Act 1993 on trustees include:

<sup>1</sup> Formal Policies of the Fund referred to in this Policy are identified by *green italic* format.

<sup>2</sup> As this Policy applies to all asset classes in which CareSuper invests, it is reflected in the Fund’s Balanced option (MySuper product) and all Choice Options offered by the Fund.

- the requirement to act in the best financial interests of beneficiaries; and
- the ability of the entity to discharge its existing and prospective liabilities.

Further, in order to discharge its fiduciary duty, all risks involved in the investment process must be acknowledged and managed to the best ability of the Trustee.

## 2.2 INTEGRATING ESG FACTORS

The Trustee believes that material investment risks should be considered as part of the investment process. A wide range of 'E', 'S' and 'G' risks are significant in investing, and the issues of greatest risk vary over time in importance and focus. The Fund may, from time to time, identify focus issues for attention and will concentrate manager engagement on these specific issues. The Fund will also from time to time undertake projects to review specific ESG risks.

A broad definition of key ESG risks is provided below:

**Environment:** Actions which result in damage to the environment, including but not limited to, pollution and environmental degradation, resource depletion, de-forestation, the destruction of significant sites, global warming and climate change, and water and air quality.

The Fund recognises that climate change is a material risk that will impact economies and financial markets over time. Global warming is expected to have a wide range of consequences, many of which may directly or indirectly impact the performance of companies, sectors or regions, including:

- Extreme weather events,
- Changing weather patterns,
- Rising sea levels,
- Legislation, regulation to limit CO2 emissions and/or introduction of carbon pricing, and
- New technology to reduce CO2.

In line with its commitment to ensure the best financial outcomes for members, CareSuper has set its goal to achieve net zero carbon emissions across its investment portfolio by 2050.

The Fund requires its investment managers to take climate change factors into account when making investment decisions. The Fund works with like-minded investors on climate change and has endorsed the 2018 Global Investor Statement to Governments on Climate Change. The Fund is also a signatory to CDP (formerly known as the Carbon Disclosure Project) and a signatory to Climate Action 100+. Refer to the Fund's *Climate Change Position Statement* for further information.

**Social:** Actions which result in adverse outcomes in society, including but not limited to, the abuse of human rights such as modern slavery, bullying and harassment in the workplace, the exploitation of labour, health and safety and adverse impacts on communities.

For example, in recent years the exploitation of labour in the supply chain has gained prominence. Labour practices have had a material impact on the share prices of many companies, particularly those manufacturing in lower cost jurisdictions.

The introduction of the Australian Modern Slavery Act 2018 also made reporting on modern slavery compulsory for entities that meet the revenue threshold.

**Governance:** Actions which result in an adverse impact on the performance and standing of an entity, including but not limited to, excessive board and executive remuneration, poor corporate culture, bribery and corruption, lack of diversity including gender balance, and legal and regulatory non-compliance.

For example, excessive executive remuneration results in an unfair disparity in compensation across a company's workforce that is detrimental to the long-term success of the business. Poor remuneration practices have both an indirect and direct impact on the profitability and value of an investment.

Any of these matters can impact both the short- and long-term profitability of an entity and its long-term viability.

## 2.3 INVESTMENT PHILOSOPHY

The Policy and approach to the management of ESG risks is consistent with the Investment Philosophy of the Fund which includes outsourcing investment management and investment decision making to external parties across all asset classes. The Fund manages risk, including ESG risks, through proactive monitoring and assessment of the processes of its appointed managers.

Active management is a key component of the Fund's Investment Philosophy because it strengthens the ability of investment managers to mitigate ESG and other risks to ensure the sustainability of investments made on behalf of our members.

## 2.4 STEWARDSHIP AND ACTIVE OWNERSHIP

In exercising our stewardship responsibilities and being an active owner, we:

- Partner with asset managers who actively assess ESG practices and adhere to sound ESG principles,
- Monitor the stewardship activities of these asset managers,
- Exercise our voting rights with investee companies<sup>3</sup> and
- Engage with investee companies on ESG issues via our investment managers and collaborative initiatives.

Refer to the Fund's [Stewardship Statement](#) for more information.

## 2.5 INTEGRATED AND PROACTIVE APPROACH

The Policy aims to achieve the proactive consideration of ESG risks, primarily via integration in investment decision making and fundamental investment analysis. The Trustee recognises that addressing the consequences of ESG risks after they have impacted return or in an ad hoc manner does not produce quality risk control or the objectives of the Policy.

Similarly, the Fund's consideration of the ESG processes of investment managers is an integral part of the initial due diligence and the ongoing monitoring and review of all managers, undertaken by both the Fund and its Asset Consultant.

## 2.6 PRACTICAL APPLICATION

The Fund adjusts the implementation of the Policy to take account of the inherent practical differences between asset classes, sectors and investment vehicles.

## 2.7 TRANSPARENT AND CONSISTENT

Clear and consistent application of Policies is central to quality investment processes. The transparent, clear and repeatable application of the Policy enhances the Fund's control of ESG risks and assists in effective communication of the Policy and its aims.

# 3. Roles and Responsibilities

## 3.1 INVESTMENT TEAM

<sup>3</sup>Detailed practices on voting and engagement are discussed in the Fund's [Proxy Voting Policy](#)

The Investment Team is responsible for implementing the policy. The Fund's Investment Team works with the Asset Consultants<sup>4</sup> in conducting due diligence during manager selection and ongoing performance monitoring and review. The ESG processes of investment managers are integral to the initial due diligence and ongoing monitoring and review process. These processes are described in the *Investment Monitoring and Review Policy* and the *Investment Selection and Due Diligence Policy*.

### **3.2 ASSET CONSULTANTS**

CareSuper requires advisers and consultants to take ESG risks into account when providing investment advice to the Fund, including in relation to asset allocation, asset class configuration and manager selection.

### **3.3 INVESTMENT MANAGERS**

CareSuper's investment managers are required to comply with the Fund's Responsible Investing Policy. This includes the requirement for them to identify, assess and report on ESG risks and opportunities in their investment analysis of the companies in which they invest on behalf of CareSuper.

## **4. Implementation**

CareSuper integrates ESG assessment into its manager selection, monitoring and engagement process. The Fund assesses the quality of a manager's ESG framework and monitors the application of that framework as part of the manager monitoring and review process.

### **4.1 MANAGER SELECTION & MONITORING**

CareSuper incorporates consideration of a manager's ESG framework into the due diligence process. The manager's approach and process are documented in all Requests for Proposal (RFPs), considered in interviews and reviews, and forms part of the overall assessment of the manager.

The Fund considers each manager's ESG approach in the context of the asset class and the inherent nature of the investment universe, the investment manager's style and portfolio construction process, the quality of ESG integration compared to similar investment managers and the likely materiality of ESG risks in each manager's investment strategy.

The Fund monitors and reviews each manager's ESG process, including but not limited to:

- Review of ESG policies and frameworks,
- Assessment of their application in investment selection and portfolio construction,
- Voting and company engagement priorities, and
- Reporting of ESG considerations, recognising the Fund's preference for ESG considerations to be integrated in decision making.

### **4.2 INVESTMENT RESTRICTIONS**

Investment managers are required to factor ESG risks into their investment decisions, in order to make an integrated assessment of risk and return.

<sup>4</sup> The Investment Committee appoints and reviews the Fund's primary external advisers to provide specialist investment advice and analysis to the Fund, referred to in this Policy as the Asset Consultants.

In the best financial interests of beneficiaries and ensuring the sustainability of investments made on their behalf, CareSuper has and may exclude certain investments from its investment portfolios. The Fund seeks to achieve this by incorporating exclusions in separate mandates with investment managers, and through active engagement with managers of pooled investments.

The Fund also offers investment options for investors seeking a broad set of exclusions, or investment in companies that have the potential to generate positive environmental and social impacts.

### 4.3 PROXY VOTING

Executing the voting rights attached to investments CareSuper holds on behalf of members is an integral element of active ownership. Exercising voting rights is an important tool for engaging with companies. Voting supports the Fund's efforts to maximise value for members in the long term and promotes responsible corporate behaviour.

The Fund's policy is to vote all shares where possible and in a manner that is consistent with our investment philosophy. We aim to ensure that all voting decisions incorporate sound ESG practices and support our engagement activities as set out in this Policy. In doing so, the Fund takes into account the views of independent proxy voting advisers and the Fund's investment managers. Authority regarding the final voting direction resides with the Fund.

Further details are provided in the Fund's [Proxy Voting Policy](#).

### 4.4 ENGAGEMENT AND COLLABORATION

The Fund selects and retains investment managers who demonstrate alignment with CareSuper's values as responsible investors. In this context, the processes through which our investment managers determine the need for engagement, collaboration or divestment, are a critical mechanism through which we exercise our stewardship responsibility.

The Fund also engages and collaborates with like-minded investors on ESG. For example, CareSuper participates in engagement programs on material ESG issues with other investors via Australian Council for Superannuation Investors (ACSI). CareSuper believes that engagement with companies is generally the most effective way to mitigate ESG risks.

CareSuper is a member of and/or an active participant in the following collaborative initiatives:

- ACSI – CareSuper is a founding member
- PRI – CareSuper has been a signatory since 2006
- Investor Group on Climate Change (IGCC)
- CDP (formerly the Carbon Disclosure Project)
- The Global Investor Statement to Governments on Climate Change
- ESG Research Australia (ESG RA)
- Responsible Investment Association Australasia (RIAA)
- 30% Club
- Tobacco Free Finance Pledge
- Climate Action 100+
- Australian Asset Owner Stewardship Code – CareSuper is a founding signatory

## 5. Policy Governance

### 5.1 REPORTING

The Trustee commits to disclosing its responsible investment practices including:

- Publication of this Policy on the Fund's website,



- Commentary in the annual report and disclosure documents,
- Member newsletters and communications,
- Making information readily available on the Fund’s website, and
- Through reports to third parties such as through the annual assessment report for the PRI.

## 5.2 OTHER RELEVANT POLICIES & STATEMENTS

This Responsible Investing Policy should be read in conjunction with the below:

	Policy title
1	<i>Corporate Responsibility &amp; Sustainability Policy</i>
2	<i>Investment Policy Statement.</i>
3	<i>Investment Governance Framework</i>
4	<i>Investment Monitoring and Review Policy</i>
5	<i>Investment Selection and Due Diligence Policy</i>
6	<i>Proxy Voting Policy</i>
7	<i>Stewardship Statement</i>
8	<i>Climate Change Position Statement</i>

## 5.3 REVIEW

This document is effective immediately on adoption by the Board and supersedes all previous versions. The Responsible Investing Policy is reviewed and approved annually, or as required, by the Investment Committee (IC). Material changes are referred to the Board for approval.