Sustainable Investment Policy

Telstra Super Pty Ltd

Content

1. Purpose

The purpose of this document is to set out the Policy of TelstraSuper with regard to sustainable investment.

2. Scope

The Policy applies to all of TelstraSuper's assets in all jurisdictions where investments exist.

3. Policy

TelstraSuper's fundamental objective is to enhance responsibly the financial security of our members in retirement. We seek to incorporate material Environmental, Social and Governance (ESG) considerations in our investment processes. We support the development of a more sustainable global economy and the attainment of the Paris Agreement goals on climate change.

TelstraSuper's investment mission is to achieve the best financial outcomes for its members, subject to maintaining risk at an acceptable level and upholding high standards of ESG practice.

TelstraSuper considers superannuation to be a long-term investment and believes it appropriate to invest over a long term time horizon. The Fund aims to maximise risk-adjusted returns over the long term and will not pursue strategies that put the sustainability of long term returns at risk.

TelstraSuper believes that ESG factors affect investment risk and return over the medium to long term i.e. poor ESG practices are likely to give rise to unrewarded investment and reputational risks, whereas good ESG practices are likely to give rise to more sustainable investment returns.

TelstraSuper believes incorporating ESG factors into investment decision making is part of good risk management and making better investment decisions. TelstraSuper therefore has a preference for investments with good ESG credentials provided there is no compromise on expected risk-adjusted returns for the portfolio.

This policy should be read in conjunction with TelstraSuper's Climate Change Action Plan and Statement on Climate Change.

The TelstraSuper Board may determine that certain assets, industries or activities with undesirable ESG or ethical credentials are to be excluded from its investment portfolio where the exclusion is aligned with the investment mission of the fund, is implemented in a rigorously defined manner, and is not expected to have a material detriment on risk-adjusted long term investment returns for the portfolio. The Board has made three such determinations - in relation to:

1. manufacturers of tobacco and like products or devices that facilitate smoking and vaping;
2. manufacturers of controversial weapons; and
3. primary-focus thermal coal producers, where the majority of company or group earnings are derived from thermal coal production.

Similarly, the TelstraSuper Board may determine that certain assets, industries or activities with favourable ESG characteristics or impacts should be prioritised in the Fund's investment portfolios, where such prioritisation is expected to enhance the long-term risk-adjusted returns of the portfolio.

4. Implementation and Delegation

As a long-term investor, TelstraSuper believes we have an obligation to act as stewards of the assets in which we invest and behave as active owners to promote good ESG practices. We believe that such stewardship can help prevent value destruction and reduce the negative impacts companies can have on the environment and society. In this regard it is important that our fund managers, both internal and external, engage with the management and boards of the entities in which we are invested, to encourage sound ESG practice and to mitigate any identified ESG risks.

The role of the TelstraSuper Board is to set the beliefs and Policy for the Fund with respect to sustainable investment, and to make determinations about any investments to be excluded from, or included in, the portfolio.

The Investment Committee is responsible for the implementation of this Policy. The Investment Committee provides direction to Management on the processes, procedures and strategies to be followed in the implementation of the Policy.

TelstraSuper's sustainable investment strategy applies to all the assets in which the fund invests, whether this is via portfolios run by TelstraSuper Investment Management or external managers. Management uses best endeavours to ensure that investment mandates, incentive structures and monitoring frameworks are established in a manner consistent with this Policy. TelstraSuper has processes in place to assess and monitor how potential or existing managers are addressing sustainable investment. The inclusion of ESG factors in due diligence prior to the appointment of external managers applies to both public and private markets or assets.

TelstraSuper recognises that the execution of ownership rights including voting and engagement can positively influence risks and returns. Consequently, where practical, Management ensures that ownership rights are exercised in a manner that is consistent with this Policy.

5. Policy Review and Reporting

5.1 Policy Review

TelstraSuper acknowledges that sustainable investment is an evolving area and the approach to sustainability as well as the implementation of that approach needs to be monitored.

This Policy will be reviewed at least every two years by the Chief Investment Officer to ensure it remains appropriate.

The review of the Policy is to include an assessment of the Fund's sustainability approach to ensure it is appropriate and effective. All amendments must be recommended by the Investment Committee to the Board for approval.

5.2 Policy Reporting

The Investment Committee must report to the Board on the progress of the implementation of the Policy on an annual basis. The Policy will be made available to TelstraSuper members via the TelstraSuper website.