



Responsible investment report

1 JULY TO 31 DECEMBER 2023

Responsible investment report

At UniSuper, we're committed to principles of responsible investment. We consider material Environmental, Social and Governance (ESG) factors across our major investments, and we embed these considerations into our investment decision-making process.

Responsible investment approach

This report outlines our activities and actions for the reporting period 1 July 2023 to 31 December 2023 in line with our *Responsible investment and proxy voting policy*.

Investing responsibly is an important pillar of UniSuper's investment approach. We seek to invest in high quality companies with the potential for long-term sustainable earnings. ESG factors can be an important driver of earnings sustainability. We apply a risk-based assessment to identify material ESG factors – those that are likely to affect business or investment performance – and consider them in our investment decisions and monitor them over time.

As a superannuation fund, it is our role to identify appropriate investments for our members. Investments need to be in line with the sole purpose test and our duty to act in our members' best financial interests. We consider investments on a case-by-case basis. We include details of our approach on our website [here](#).

As long-term owners, we take an active interest in the quality of our investments. Examples of ESG factors that we may consider include:

Fund wide recognition

It has been pleasing to see UniSuper recognised for our commitment to responsible investment and our leadership in ESG. In 2023, UniSuper was named a Responsible Super Fund Leader by the Responsible Investment Association Australasia. We were also named an ESG Leader by Rainmaker Information.



Environment

Climate
Biodiversity
Waste and water management
Circular economy



Social

Modern slavery
Human rights
Occupational health and safety
Diversity and inclusion



Governance

Business culture, ethics and conduct
Executive remuneration
Transparent reporting
Risk management

The table below outlines the key pillars that underpin our approach to responsible investment. Together these help us achieve our objectives of delivering great retirement outcomes for our members:

PILLAR	APPROACH	DESCRIPTION/ACTIVITES
ESG integration	<p>We apply a risk-based assessment to identify material ESG factors in our investment analysis and decision-making process across our major holdings including our 50 largest Australian investments¹.</p> <p>We assess and monitor ESG risks and opportunities periodically over our investment holding period:</p> <ul style="list-style-type: none"> Monitoring the investment universe: company ESG updates, progress on issues and controversies, ongoing or emerging themes, company engagement Pre investment due diligence: assessment of material ESG exposures, company engagement, reviewing third-party assessments Investment period: periodic review and monitoring of material ESG issues, dedicated and regular engagement with Australian companies, comprehensive thematic research. <p>This approach applies across our internally managed portfolios and when choosing and monitoring external investment managers.</p> <p>Identifying ESG risks and opportunities is completed collaboratively by our internal team of ESG specialists, investment managers and analysts.</p>	<ul style="list-style-type: none"> Key ESG factors are identified in our investment decision making process. Companies that do not meet our risk-based assessment are not considered for investment. In a limited number of cases, we work with companies to improve their ESG approach so that they can be included in our investable universe. We undertake or support thematic research to identify, assess and improve our understanding of key ESG issues.
Stewardship and active ownership	<p>We are long term investors. We engage with our major investment holdings on a wide range of ESG issues, vote our shares at company meetings and engage with our external managers on their stewardship approach. As a large asset owner with more than 70% of our investments managed in house, we're able to engage directly with our large Australian holdings.</p> <p>Our focus on engagement and voting is geared towards elevating companies' governance, oversight, policies, practices, and disclosures. Through these efforts, we aim to improve ESG management and outcomes and deliver sustainable long-term returns for our members.</p>	<ul style="list-style-type: none"> Where we have a material holding with an ESG issue, we establish objectives and engage with the company to achieve them. We vote our shares at company meetings. Where concerns are identified in ASX-listed companies, we engage with them ahead of casting our vote and communicate our rationale. We use a range of approaches when we believe there is a lack of progress (see section on stewardship below).

¹ These include investments in ASX-listed companies and unlisted assets with Australian-based operations.

PILLAR	APPROACH	DESCRIPTION/ACTIVITIES
Policy advocacy and collaboration	<p>Alongside our company engagement, we participate in policy and advocacy consultations, and we actively contribute to the policy landscape by engaging with policymakers and regulators.</p> <p>By collaborating with industry bodies, we aim to encourage responsible practices. UniSuper is a signatory to the Principles for Responsible Investment (PRI, endorsed by the UN), a founding member of the Australian Council of Superannuation Investors (ACSI), a member of the Investor Group on Climate Change (IGCC), the Asian Corporate Governance Association (ACGA) and Climate Action 100+ (CA100).</p>	<ul style="list-style-type: none"> ▪ Lead and participate in multiple investor group engagement meetings with ASX300 companies through ACSI and CA100. ▪ Advocate for fit-for-purpose mandatory climate reporting and on a range of other ESG issues. ▪ Participate in Investor Roundtables with thought leaders and regulators on ESG challenges in Australia.
Member choice	<p>We believe in providing our members with real choice. In addition to our standard investment options, we offer members the choice of three sustainable and environmental branded options.</p>	<ul style="list-style-type: none"> ▪ We provide a range of content on our website to give members more accessible information about these options. ▪ We are enhancing our reporting to members to provide greater transparency on how our products limit exposures to certain industries and/or invest in companies addressing environmental issues.
Transparency	<p>We provide detailed and transparent disclosure of our activities and have a public responsible investment policy in place. We disclose our proxy voting activities and portfolio holdings.</p>	<ul style="list-style-type: none"> ▪ We seek to continually evolve and improve our ESG reporting including dedicated reporting on our responsible investment activities. ▪ We have made our proxy voting details more accessible and easier to view via an online portal here (prior to January 2023 this information was published as an appendix to our Responsible Investment report). ▪ We released our 6th annual Climate risk and our investments report and 4th annual Modern slavery statement.

STEWARDSHIP

Our approach to engagement is dynamic and flexible, recognising that in many cases, change and improvement is a multiyear process. It can often result in us reviewing our objectives, re-establishing baselines and adjusting expectations towards a longer-term objective. Because of this, our engagement program is typically company-specific, multiyear, and multifaceted, and does not always progress in a linear manner.

Where we see an initial unsatisfactory response from an investee company on an ESG issue, we will flag the issue internally and undertake further engagement. In addition to our direct engagement with company management and non-executive directors and regular proxy voting, we may take other steps depending on the circumstances. These may include:

- expressing concerns to alternative company representatives or with collective engagement groups
- exercising our voting rights to communicate our position on certain issues
- supporting shareholder proposed resolutions
- reducing our exposure to the company
- divestment as a last resort.

As a large investor, we continue to work alongside other investors to drive long term sustainable outcomes.

Australian Asset Owner Stewardship Code

In recognition of the importance of our responsibilities as an owner of assets, UniSuper is a signatory to the Australian Asset Owner Stewardship Code (the Code) and contributed to the 2023 review for the revised Code. We support the principles outlined in the Code which focus on enhancing the quality and transparency of Australian asset owners' disclosures regarding their company engagement and voting practices. Our Stewardship Statement explains how we meet the requirements of the six principles outlined in the Code (available on our website [here](#)).

United Nations Principles for Responsible Investment (PRI)

UniSuper has been a signatory to the PRI since 2007. PRI has developed [six global principles](#) to help investors integrate ESG factors into investment practices and provide guidance on key ESG challenges. Membership of the PRI means we have agreed to implement these principles, work collaboratively with other signatories on responsible investment issues, and be reviewed on an annual basis on our progress on ESG activities.

Responsible Investment Association Australasia (RIAA)

RIAA focuses on ensuring capital is aligned with achieving a healthy and sustainable society, environment and economy. We have been named as a Responsible Super Fund Leader in RIAA's 2023 Responsible Investment Super Study. This acknowledges our commitment to good governance implementation and measurement of responsible investment approaches through activities such as engagement and voting and ESG integration, as well as our high degree of transparency.

Incorporating ESG issues into our investment analysis and decision-making

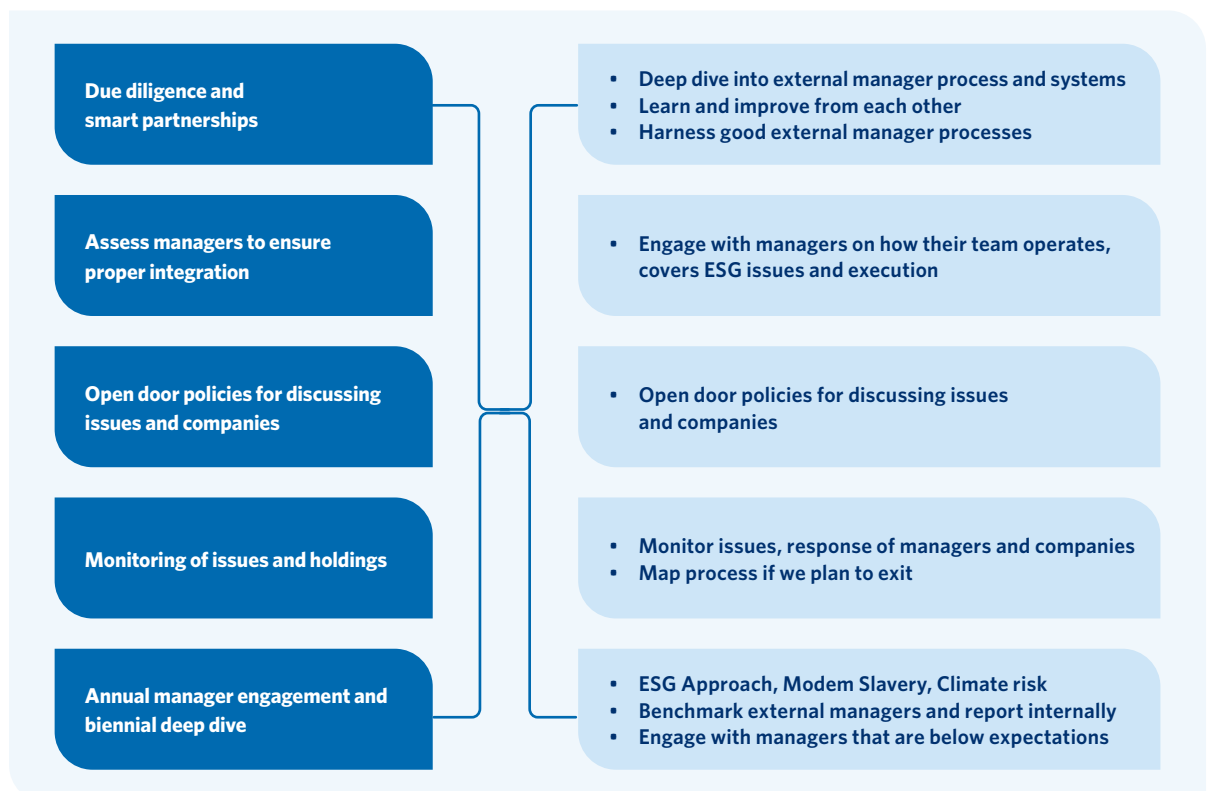
Our in-house investment team manages over 70% of our investments across all major Australian and global asset classes. We appoint external managers to complement our in-house capability, particularly in offshore markets and niche sectors. We expect our external managers to align with our responsible investment and proxy voting policy. The following summarises key activities for the six months to 31 December 2023.

INTERNAL INVESTMENT MANAGEMENT

We completed detailed due diligence on UniSuper's investment in Forico, Tasmania's largest hardwood plantation estate and a leading sustainable timber producer.

We assessed multiple green and sustainability related bonds. The process for assessing these bonds involved reviewing the governance, selection, management of proceeds, and reporting for each bond. We assessed five bonds and participated in four different domestic and global bond issues, both corporate and government, including Housing Australia's 15-year Sustainability Bond issue covered in the case studies section below.

INTEGRATION WITH EXTERNAL MANAGERS



EXTERNAL MANAGER SELECTION AND MONITORING

Consideration of ESG issues as part of our investment process includes the oversight of external investment managers and investments made on our behalf. We regularly engage with our external managers on ESG issues, performance, processes and other investment-related matters. Each year, we formally review their approach to ESG integration. In the second half of 2023, we completed an ESG deep dive on our Australian equities managers, reviewing their responsible investment, proxy voting, climate and modern slavery management approaches.

Before appointing new managers, alongside investment analysis we complete detailed ESG due diligence. In this period, we appointed three new external listed equities managers. As part of this review, the managers completed a detailed ESG survey where we assessed their ESG approach and level of integration within their investment process.

The diagram below outlines the process we follow. In our ongoing engagement with our external managers, we discuss key ESG risks in their portfolios, how they engage with companies and their approach to proxy voting. We provide feedback on areas where we see opportunities for improvement.

Active ownership

Our active ownership program includes subject specific focus areas that require longer term engagement such as climate change and the circular economy. For these, our objectives reflect that the solutions are often longer dated or that improvement may occur across multiple years.

We also focus on ESG issues as they arise. Examples include the development of priority engagement areas after voting against a resolution at a company AGM or responding to a particular ESG event. Here, we expect to see change and improvement over a shorter time frame.

Many aspects of ESG are still developing particularly when it relates to metrics and proof points. As an asset owner, our own reporting is dependent on accurate, timely and relevant disclosure by investee companies. We undertake a significant program of work engaging with investee companies and regulators on what ESG data institutional investors require to inform decision making. In addition, we focus on continuous improvement of our reporting and seek to evolve our disclosures and processes each year.

OUR KEY FOCUS AREAS FOR 2023 - 2024 INCLUDE:

Governance

Governance is a core underpinning element of how a Board approaches ESG issues. It influences decision-making processes and overall accountability within an organisation. Strong governance is fundamental to a well managed and sustainable business, contributing to long-term financial performance and risk management. Governance issues identified from the 2023 AGM season and throughout the year included issues around Board composition, tenure and accountability for ensuring remuneration frameworks and outcomes align with our experience as investors.

We have provided examples of our engagement objectives and activities, and the progress we have seen from companies this period in our case studies on Cleanaway, ASX, Endeavour and The Lottery Corporation.

Climate change

Climate change presents both sector specific and economic risks over the long term. We actively consider climate risks in our investment decisions. As a responsible and active owner, we recognise we have a role to play alongside companies in our portfolio who bear the responsibility of decarbonising the assets they own and operate. We provide comprehensive reporting on our work in this area in our annual [Climate risk and our investments](#) report which details our pathway to net zero by driving tangible emissions reductions in both the broader economy and our own portfolio. This report details our progress including asset class and stewardship targets, engagement case studies, our risks and opportunities, and our fund-wide and investment option fossil fuel and carbon intensity information.

Our proprietary Traffic Light report assesses our 50 largest Australian holdings against net zero and interim targets, as well as the action plan supporting these targets.

Modern Slavery

Modern slavery is a significant and complex global issue that impacts some of the most vulnerable people in society. We recognise that forced labour and other forms of modern slavery can make earnings unsustainable.

The due diligence and ongoing assessment of investee companies in our internally managed portfolios includes understanding how companies identify and manage modern slavery risks and engage with their supply chains on these issues. We focus on our holdings in regions or industries with a higher risk of modern slavery. In July 2023, we undertook a high-level modern slavery assessment on our Australian and international listed equities. Using [FairSupply's](#) Integrated Assessment Engine, we applied a risk-based approach, using both geographic and sectoral exposures of our investments. Based on current methodology and taking into account supply chain risks only, we estimate that 89% of UniSuper's investment is in assets that have been assigned a Modern Slavery Risk Rating of Low or Moderate Low.

We continue our engagement with our external managers to ensure they have appropriate and adequate processes in place to identify, assess and manage modern slavery risks in their portfolios. This forms part of our discussion when we meet with our external managers.

See our 4th annual Modern slavery statement [here](#) for more information on our approach.

Safety

Fatalities and safety continue to be a focus amid ongoing reports of labour challenges. Thirteen fatalities occurred in 2022 across ASX listed companies in the metal and mining services industry sector.

In the six months to 31 December 2023, we increased our focus on safety engagement with companies, both listed and unlisted. Examples of our engagement can be seen in the case studies section below. Safety was also a key consideration in exercising proxy votes at company AGMs in 2023. In its review of safety reporting, [ACSI](#) found that 70% of ASX200 companies reported leading safety indicators (see [ACSI annual report November 2023](#)).

Circular economy

The circular economy presents both risks and opportunities for investors and is important for the transition to a sustainable and low carbon economy. The goal is to create a closed-loop system where resources are continuously cycled back into the economy through the principles of rethink, redesign, reduce, reuse and recycle. Currently, companies are neither rewarded nor penalised for their circular economy initiatives.

The Department of Climate Change, Energy, the Environment and Water has set up a Circular Economy Ministerial Advisory Group to support Australia's transition to a more circular economy by 2030 and national decarbonisation targets for 2030 and 2050. We have directly engaged with members of the Advisory Group and have shared insights in the waste and recycling sector from an investor's perspective.

Our engagement has highlighted innovative ways companies are integrating circular methods into their business strategy across five key areas including food, packaging, aluminium, cement and steel. This is relevant across multiple industries including waste management, construction, property and retail. See the case studies section for further information about our engagement on this topic with our property assets.

ESG disclosure and reporting

We had various ESG disclosure and reporting projects focused on overarching regulatory requirements, reporting by investee companies and our own reporting. We also engaged with industry and government across a range of areas. Over the past year we have seen increased focus on stewardship frameworks and disclosure and with increasing acknowledgement of the role of stewardship in addressing systemic issues and in changing corporate behaviour.

Throughout the year, we have reviewed approaches to stewardship in the European Union, United Kingdom, the United States, Canada and New Zealand and compared them with Australian approaches, particularly the Australian Asset Owner Stewardship Code (AAOSC). Content within stewardship codes and regulation across the key jurisdictions are relatively similar.

We continue to monitor best practice in stewardship reporting and engagement and look for opportunities to improve our disclosures and provide members with useful information.

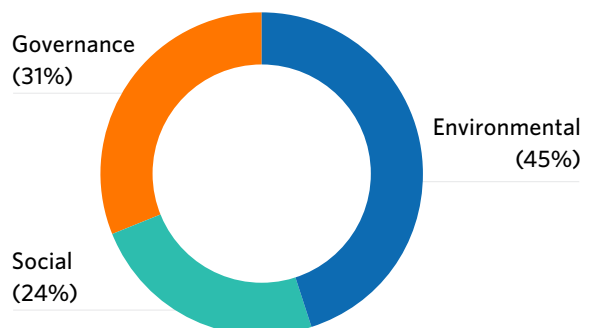
The policy advocacy and collaboration section below provides further detail of our work in this area.

COMPANY MEETINGS

During the six months to 31 December 2023, the UniSuper ESG team had 152 ESG related engagement meetings. We provided feedback on sustainability reporting at ten of these meetings. Our in-house investment specialists also met with companies where ESG topics were discussed.

The chart below shows the spread of environmental, social and governance topics covered in our engagements.

Engagement activity 1 July to 31 December 2023



PROXY VOTING

We exercise proxy votes for listed Australian and international share holdings. To form our voting decision we take into consideration the company management recommendation of each vote, the recommendation from our proxy voting adviser, and our own view based on our engagement with companies. Our engagement includes discussion of AGM resolutions.

We assess each resolution on its merits, and where matters relate to contentious issues, we seek to discuss these with the company and consider its response before making a decision. See our [Responsible investment and proxy voting policy](#) for more information on our approach. Below we provide examples of specific ESG topics raised during the 2023 AGM season.

Poor safety reflected in remuneration outcomes

Safety performance was mixed in 2023 and fatalities increased compared to prior periods. We increasingly engaged with our major holdings where we became aware of a deterioration in safety, including fatalities, to understand what happened and how the company was responding. We communicated our expectations for management accountability and information to understand how poor safety outcomes were reflected in the remuneration outcomes. Qube, Endeavour Group and South32 each had one fatality, and Woolworths Group had two fatalities, see the case study on Woolworths below.

Contentious remuneration related votes in 2023

The 2023 AGM season was more contentious than the 2022 season. We voted against more remuneration related resolutions, reflecting disappointing business performance, insufficiently demanding hurdles set for short term and long term incentives (STI/LTI), and misalignment of executive remuneration with investor experience.

The table below summarises our voting on remuneration-related AGM resolutions for our 50 largest ASX holdings. We voted against board recommendations and disagreed with our proxy

adviser more in 2023 than in 2022. The case studies section below provides further context on some of our voting decisions.

Board composition

Board composition, effectiveness and accountability are essential to ensuring appropriate management oversight of ESG issues. Board appointees also bring important industry experience to inform company strategy. See the case studies under the board composition and renewal section for examples of our engagement with investee companies on this topic.

Shareholder resolutions

When determining how to vote on shareholder resolutions, we consider the following:

- The legal framework in the jurisdiction. In Australia, there is no provision for non-binding advisory shareholder resolutions in the Australian Corporations Act. Most Australian proposals request an amendment to the company's constitution to facilitate shareholder resolutions, in addition to the specific request. We have collaborated with shareholder groups (ACSI in Australia; the ACGA in Asia) to encourage a consistent legislative solution.
- What the company has already committed to and is doing. If a company is already meeting the substance of the request, our practice is to support the company (i.e., vote against the shareholder resolution). We will always urge companies to be public about their actions and commitments and will encourage greater effort through private engagement.
- The substance of the request. We will not support frivolous or vexatious resolutions. In some jurisdictions, shareholder resolutions are not subject to any oversight, which means, for example, that there can be resolutions on trivial matters, such as the food provided at the AGM.

See our [Climate risk and our investments](#) report for more information on our approach to voting on climate related issues.

UNISUPER 50 LARGEST ASX HOLDINGS - REMUNERATION RELATED AGM VOTING				
	AGM 2022		AGM 2023	
	Vote against board recommendation	Vote against proxy voting adviser recommendation	Vote against board recommendation	Vote against proxy voting adviser recommendation
Remuneration report	4	1	6	9
Equity grant	0	3	3	8
Total	4	4	9	17

Summary of voting results**Australian voting outcomes**

We voted 100% of our shares against the remuneration reports of 33 ASX listed companies for the six months to 31 December 2023.

We provide details of all the resolutions we voted on at ASX listed company meetings. See details of our proxy voting [here](#). The below table provides a summary of proxy voting for Australian listed companies.

TABLE 1: SUMMARY OF AUSTRALIAN PROXY VOTING						
<i>Period 1 July – 31 December 2023</i>						
	For	Against	Mix*	Abstain#	Total	%
Board spill	0	14	1	0	15	1
Director election	521	17	10	1	549	39
Miscellaneous	207	9	4	3	223	16
Other remuneration	327	24	13	2	366	26
Remuneration report	175	33	13	0	221	16
Say On Climate	2	0	0	0	2	0
Shareholder resolutions	0	35	0	0	35	2
Total	1232	132	41	6	1411	100

* Multiple managers can hold a security with different (and equally valid) views on how to vote. We have the ability to override external manager votes when needed.

We will only allow our external managers to vote 'abstain' where there isn't an option to vote 'against' or a specific approval to vote 'abstain' is granted.

International voting outcomes

We exercise our proxy voting rights for shares held in international share markets on an ongoing basis throughout the year.

Over the six months to 31 December 2023, we (together with our managers) voted on 3,963 resolutions at 482 company meetings across 38 countries outside of Australia.

We provide details of all the resolutions we voted on for our international holdings that held meetings over the six months to 31 December 2023. See details of our proxy voting [here](#). The table below provides a summary of our international proxy voting.

TABLE 2: SUMMARY OF INTERNATIONAL PROXY VOTING						
<i>Period 1 July – 31 December 2023</i>						
	For	Against	Mix*	Abstain#	Total	%
Director election	1622	140	38	10	1810	46
Miscellaneous	1267	185	27	26	1505	38
Other remuneration	230	53	5	0	288	7
Remuneration report	197	47	7	1	252	6
Say On Pay – 1 year	60	0	0	0	60	2
Shareholder resolutions	21	23	4	0	48	1
Total	3397	448	81	37	3963	100

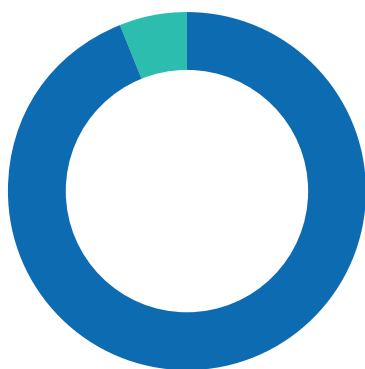
* Multiple managers can hold a security with different (and equally valid) views on how to vote. We have the ability to override external manager votes when needed.

We will only allow our external managers to vote 'abstain' where there isn't an option to vote 'against' or a specific approval to vote 'abstain' is granted.

Voting in line with or against board recommendation

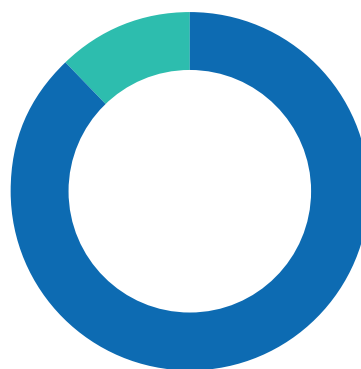
In exercising our proxy votes, we take into consideration the board recommendation of each vote. We use the recommendation from our proxy voting adviser as an input into our decision making. Ultimately, we form our voting decision based on our engagements with companies. Below are graphs showing the proportion of our votes in line with or against the board recommendation from 1 July 2023 to 31 December 2023.

Voting in line with or against board recommendation



AUSTRALIAN VOTING**

● With board recommendation	94%
● Against board recommendation	6%



INTERNATIONAL VOTING**

● With board recommendation	88%
● Against board recommendation	12%

** This analysis excludes 'mix' votes and votes on resolutions where the board did not put a recommendation.

Shareholder resolutions voting outcomes

The table below summarises the shareholder resolutions for the Australian and international companies on which we voted in the six months to 31 December 2023. See details of our proxy voting [here](#).

TABLE 3: SUMMARY OF SHAREHOLDER RESOLUTIONS						
1 July – 31 December 2023						
	For	Against	Mix ¹	Abstain [#]	Total	%
Environmental ²	6	2	1	0	9	11
Governance ³	9	47	2	0	58	70
Social ⁴	6	9	1	0	16	19
Total	21	58	4	0	83	100

² Includes shareholder resolutions relating to Say on Climate, environmental issues, sustainability/environmental reports, reports on reducing greenhouse gas emissions and action on climate change.

³ Includes resolutions on board composition, director elections, independent board chairman, board/shareholder rights issue, audit and bylaw amendments.

⁴ Includes reporting on animal welfare, human capital management, military contracts, human/political rights policies, company's compliance with International Human Rights Standards, reviewing political spending/lobbying, labour issues, abortion issues, and racial equity audit.

^{*} Multiple managers can hold a security with different (and equally valid) views on how to vote. We have the ability to override external manager votes when needed.

[#] We will only allow 'abstain' votes where there isn't an option to vote 'against' or a specific approval to vote 'abstain' is granted.

Country summary (excluding Australia)

COUNTRY SUMMARY (EXCLUDING AUSTRALIA) 1 JULY - 31 DECEMBER 2023	
<i>Country</i>	<i>Number of company meetings</i>
United States	93
China	83
India	53
United Kingdom	51
Japan	33
Israel	22
New Zealand	15
Singapore	12
Ireland	10
Hong Kong	8
Other countries	102
Total	482

Policy advocacy and collaboration

Policy settings, regulatory frameworks and cross industry cooperation are critical enablers of many sustainable investments and are an essential underpinning to make investment opportunities economically viable.

This year, we significantly increased our engagement and advocacy with policymakers. We participated in multiple investor roundtables and working groups on topics such as the net zero transition, social and affordable housing, and impact investing.

We have advocated for supportive policy settings to open the door to investment opportunities needed to achieve social and environmental challenges while prioritising the best financial interests of our members.

This includes topics such as:

- changes to Australia's Safeguard Mechanism to reduce carbon emissions
- development of Australia's mandatory climate-related financial reporting
- development of an Australian sustainable finance taxonomy
- development of Australia's Sovereign Green Bond framework
- development of Australian sectoral decarbonisation plans
- increasing the ambition of Australia's emissions reduction targets for 2030 and beyond
- development of the circular economy in Australia
- incentives and settings to accelerate private sector investment in the energy transition
- development of Australia's Net Zero Authority with a focus on 'just' transitions
- focus areas of the National Housing Accord (see case study on Housing Australia below).

THIRD PARTY ENGAGEMENT

In addition to our direct ESG activities, we utilise various service providers to pursue ESG outcomes through collaborative investor initiatives. This includes involvement with groups such as the Australian Council of Superannuation Investors (ACSI), CGI Glass Lewis, Climate Action 100+ and the Asian Corporate Governance Association (ACGA).

UniSuper is a founding member of ACSI and a member of ACSI's Governance Guidelines working group. ACSI's governance guidelines set out investor expectations on key ESG issues and principles that support the voting recommendations ACSI provides for company AGMs. The Governance Guidelines working group reviews the guidelines every two years to reflect the evolving regulatory and governance landscape, and in 2023 we contributed to this review.

ACSI's revised Governance Guidelines published in 2023 include the following key changes:

- a new section on board oversight and governance on cyber security
- more detailed disclosures on safety including the importance of mental health, contractor safety, and sexual harassment
- updates to the diversity section to further articulate broader concepts of diversity and board responsibility relating to sexual harassment in the workplace
- new sections relating to nature-related risks and climate related risks.

For more information, see the working with industry section on our website [here](#).

UNISUPER SUBMISSION TO TREASURY

During the year, we contributed to several ESG related consultations, in addition to engaging with policymakers and directors from the International Sustainability Standards Board (ISSB) who have developed internationally recognised sustainability reporting standards.

Mandatory climate reporting

In line with our support for mandatory climate related reporting, we contributed to two consultations from Treasury and we are currently participating in a consultation with the Australian Accounting Standards Board (AASB) on the adoption of ISSB standards.

In our submissions, we continued to support the adoption of these frameworks by issuers of debt and equity (investee companies). We have also consistently raised concerns about the potential application to asset owners as ISSB standards are not a fit-for-purpose framework for super fund reporting. We are advocating instead for an aligned but different reporting framework for asset owners.

The Government's Sustainable Finance Strategy

We also provided feedback on the Government's Sustainable Finance Strategy consultation paper which proposes a range of measures to underpin the development of Australia's sustainable finance markets. We provided feedback on each of the policy pillars which include (1) Improve transparency on climate and sustainability, (2) Financial system capabilities and (3) Australian Government leadership and engagement. Given the wide scope of the Strategy, we have highlighted priority areas and provided views on what should be implemented first.

INVESTING IN AUSTRALIAN RESEARCH AND INNOVATION**Uniseed**

In 2022, UniSuper committed \$75 million to invest with [Uniseed](#), a venture capital fund manager partnering with the higher education sector. In November 2023, we were pleased to see Uniseed announce five new research partners—the universities of Monash, Newcastle, Western Sydney, Macquarie and University of Technology Sydney. They join the original Uniseed partners, the Universities of Queensland, New South Wales, Melbourne and Sydney and the CSIRO.

The investments we make through Uniseed cover a range of future-facing technologies, including in the areas of health and environment. The extension of Uniseed's research partners considerably expands the investible universe for UniSuper in funding new startups and commercialising technologies developed by Australian research institutions.

University of New South Wales (UNSW)**Health Translation Hub**

In 2022, UniSuper invested \$600 million to develop a state-of-the-art health, education and research hub in partnership with UNSW. We were pleased to see major construction work begin on the Health Translation Hub building. Once completed in 2025, it will be the first building in NSW to achieve a 6 star Green Star rating, the highest achievable in the Green Building Council of Australia's sustainability rating system. This will form part of UNSW's Health Innovation Precinct in Randwick, Sydney, and enable UNSW to continue to offer world class education and research benefits to all Australians.

NorthStar Impact Fund investments

As mentioned in our previous report (January to June 2023 period), UniSuper appointed NorthStar Impact fund as a specialist external equity manager for our two sustainable branded options, investing in listed companies seeking to contribute to positive social and environmental outcomes, alongside financial outcomes.

Case studies⁵

Governance

REMUNERATION-RELATED AGM RESOLUTIONS

CSL Ltd (CSL) – Remuneration Report

Ensuring post-acquisition synergies is crucial for shareholder value, and executive incentives should include milestones for accountability on delivering the value accretion. UniSuper expressed concern to CSL on the removal of the Vifor acquisition from LTI hurdles, especially after the CEO's departure. UniSuper voted against CSL's remuneration report, citing inconsistency with shareholder experience during the 2023 financial year, and opposed the LTI share grant due to concerns about excluding the Vifor acquisition.

CSL narrowly avoided a 'first strike' on its remuneration report with a vote of 23.04% against the executive pay. A first strike occurs when a remuneration report receives an against vote of 25% or more. In addition, the CEO LTI grant received a significant against vote of 24.95%. We will continue to engage with the Board on this in 2024 to ensure remuneration hurdles are set appropriately.

APA Group (APA) – Remuneration Report

APA received a first strike with its remuneration report receiving an against vote of 25.79%. UniSuper voted against APA's remuneration report because we viewed the financial metrics as being insufficiently challenging which led to misalignment between the maximum STI outcome, company performance and shareholders' experience. Whilst this year's remuneration outcomes were already determined, UniSuper undertook significant engagement with the Board ahead of the AGM and we are comfortable that our concerns have been heard.

Reliance Worldwide Corporation (RWC) – Remuneration Report

RWC received a significant protest vote on the LTI being granted to the Managing Director/CEO, with an against vote of 33.91%.

UniSuper voted against the LTI grant due to concerns about quantum where the maximum opportunity was increased substantially in addition to a large component based solely on ongoing employment, a practice not widely accepted in the Australian market.

The company advised that this change was part of a benchmarking review and that they were competing against a US peer group. Whilst we are cognisant of the challenges that exist between US and Australia pay expectations, the magnitude of remuneration versus size and sector peers was significant.

Endeavour Group (EDV) – CEO Equity Grant and non-Board endorsed director election

Company performance post-demerger was in the spotlight this year. We were concerned that executives could receive significant LTI vesting for performance against insufficiently demanding return on funds employed hurdles. UniSuper voted against the CEO LTI grant resolution which received a significant 34.71% against vote.

Whilst we did not support the LTI grant, we are supportive of the inclusion of metrics in the LTI pertaining to 'leading in responsibility'. We have included a further case study on this below under the social section.

The Mathieson Group (a major shareholder of EDV) publicly voiced dissent on the direction and management of the business. Additionally, the Mathieson Group supported the election of former Woolworths executive, Bill Wavish, as a director to the EDV Board. Mr Wavish's nomination was not endorsed by the Board. In addition to remuneration concerns, Board composition and differing views within the EDV Board about the course of action to improve performance were in focus, culminating in the nomination of Mr Wavish. UniSuper engaged with Board members and Mr Wavish on key issues, and despite sharing some of Mr Wavish and the Mathieson Group's concerns, UniSuper did not support his election.

Cleanaway Waste Management (CWY) – Response to First Strike and Board Accountability

Despite an uptick in contentious remuneration resolutions, we have seen improvement in some of our major holdings. At the 2022 AGM, UniSuper voted against Cleanaway's remuneration report, contributing to an against vote of 25.49% and a first strike. Our concerns related to the Board's assessment of the STI financial hurdle outcomes and treatment of certain items when calculating earnings. We undertook significant engagement with Cleanaway during 2022 and 2023.

⁵ Comments on the companies we invest in aren't intended as a recommendation of those companies for inclusion in personal portfolios. Our portfolios have been designed to suit us and may not be appropriate for others. Holdings are as at 31 December 2023 and are subject to change without notice.

On reviewing the 2023 remuneration report, we noted material improvements in remuneration disclosure and approach for assessing outcomes. This included the use of downward discretion to reduce the STI outcome by 30% after considering the materially lower statutory profit and flat share price performance. We voted in favour of Cleanaway's remuneration report at the 2023 AGM.

NRW Holdings (NWH) - Remuneration strikes and Chair of Remuneration resignation

NRW Holdings represents a small and passive holding for UniSuper. For such holdings, our active ownership approach differs slightly. We relied on collective engagement through ACSI to engage directly with the Board of NRW. This year, we failed to see the Board demonstrate adequate progress to address shareholder concerns on executive remuneration relating to high fixed pay, insufficient bonus outcome disclosure and the Board's use of discretion that allowed vesting despite the minimum hurdle threshold not being achieved. NRW received its sixth consecutive strike at its 2023 AGM with a 58.58% against vote on its remuneration report.

Based on the concerns about remuneration, UniSuper not only voted against the remuneration report, we also voted against the Chair of Remuneration and Nomination Committee—Peter Johnston. Mr Johnston announced his retirement on the eve of the NRW AGM. Proxy votes released after the AGM showed he received a 53.73% vote against his re-election. This shows a clear example of how we use a variety of tools, including exercising our voting rights on director re-election resolutions, to elevate concerns that are not addressed through engagement alone.

BOARD COMPOSITION AND RENEWAL

ASX Ltd (ASX) - Board renewal, Chair succession, non-Board endorsed candidate

Chair succession: After ASX experienced material headwinds for its CHES replacement project in 2022, UniSuper engaged extensively with the Board and Management. Our concerns included accountability for the failed project, critical importance for finding a solution that could be implemented in a realistic and achievable timeline, and internal technology skills and expertise for delivering the outcome. Over the last year, we have seen ASX address the issues around accountability for the failed CHES replacement project and establish a plan for Board and Management renewal, including a succession plan for the Chair. In November 2023, ASX announced a foundational step in getting the CHES replacement program back on track through a product-based solution and vendor implementation.

Non-Board endorsed candidate: At the 2023 AGM, Philip Galvin, an ex-Sydney Futures Exchange executive, nominated himself for election to the Board of ASX. His nomination was not supported by the Board. The Board stated that it was satisfied that the current Board's mix of skills, expertise, experience and diversity was appropriate and aligned with ASX's strategic objectives. On reviewing Mr Galvin's overall skills and experience, we decided Mr Galvin's nomination did not satisfy the required threshold and voted against his election.

The Lottery Corporation (TLC) - NED long tenure

Succession and board renewal has been in focus at The Lottery Corporation with Harry Boon having been a director of this business for 18 years. He has served on the Board of predecessor company Tatts Group since 2005 and was Chair when it was acquired by Tabcorp in 2014. Companies adopting a good corporate governance practice would generally allow a certain limit to their directors' tenure, whilst at the same time considering their performance and the Board's skill matrix. After engagement with the company on Board tenure and remuneration, we resolved to vote in favour of Boon's re-election, underpinned by a commitment that succession planning was underway.

Social

Woolworths Group (WOW) - Workplace incidents

Woolworths suffered two fatalities in 2023 involving faulty equipment. The company's initial investigation did not find any signs of negligence. Investigations by WorkSafe are still ongoing. The Board took this poor safety outcome into consideration in its assessment of 2023 financial year executive remuneration and exercised board discretion downwards to reduce the Group annual incentive by 10%. From our engagement with the Board, we understand that it can further adjust executive remuneration in the 2024 financial year subject to the findings of the investigations. We will continue to monitor the progress of the investigation and engage with Woolworths once WorkSafe has provided its findings.

Seek Ltd (SEK) - Modern Slavery risk assessment

Over the past year, Seek completed several modern slavery related risk assessments. This includes assessment of direct job advertisements on Seek Asia platforms in high risk countries, a due diligence assessment of the Hong Kong and Singapore employment platforms, and a detailed controls review on hirer verification, onboarding and job ad screening. Seek also commenced an employee fair hiring training program across APAC to raise awareness of employee rights and unfair hiring practices.

Seek established the Modern Slavery Remediation Strategy and completed assessment on its suppliers across more than 35 countries.

These assessments resulted in a number of additional controls and measures being put in place including reviews, checks and continuous monitoring of job advertisements posted in high risk countries. Seek strengthened checks on hirers, and recruitment agencies' accounts and the jobs advertised, aiming to improve detection of poor hiring practices, including scam advertisements.

During the 2023 financial year, Seek applied its Supply Chain Risk Framework and analysed 2,112, or 83%, of its suppliers. Through this assessment, 580 suppliers were identified as having an elevated inherent risk of modern slavery, of which 155 had completed a due diligence assessment. During this assessment process, these suppliers were required to provide evidence of their policies, procedures and frameworks for minimising the risk of modern slavery across their operations and supply chains. One supplier was terminated as it refused to undergo the modern slavery audit, and four suppliers were found to have high modern slavery risks because of the due diligence assessment. These suppliers will be required to develop controls and improve their processes to address these risks within a strict timeframe.

Endeavour Group (EDV) and Aristocrat Leisure (ALL) - Responsible Gaming regulations

Gaming regulations in Victoria and New South Wales are undergoing significant changes to promote responsible gambling and protect consumers. Key amendments include new rules for advertising, online gambling, load-up limits, and a proposed ban on credit card use for online wagering. These reforms are part of a broader effort to minimize harm from gambling activities across the country.

Throughout 2023, we engaged with companies impacted by changes to gaming regulations, including Endeavour (an operator of hotels, alcohol and gaming facilities) and Aristocrat (a gaming content and technology company).

Responsible gaming and maintaining social licence are key regulatory risks we expect these companies to closely manage. We continue to engage on operational and technological changes, voluntary and mandatory pre-commitment, and cashless gaming with mandatory pre-commitment and pre-set default loss limit.

Through our engagement with Endeavour, whilst we held some concerns relating to their LTI hurdles, a positive development was the inclusion of 'leading in responsibility' metrics. This is a discretionary board assessment of management of reputation, regulatory and compliance issues across Endeavour's gaming, hotels and retail liquor businesses. Endeavour was also proactive in implementing the proposed changes, opting to voluntarily reduce gaming hours in its Victorian pubs.

Aristocrat is also demonstrating progress on its approach to managing social factors and hosted its first ESG investor day, discussing its approach to responsible gambling. UniSuper attended this investor day in addition to conducting ESG focused engagement meetings and providing feedback on improvements we would like to see in its ESG approach.

Housing Australia - Sustainability Bond

Green and social bonds are debt instruments that finance projects which aim to contribute to environmental and social outcomes (Green bonds). UniSuper has a long history of investing in green bonds, having been a cornerstone of the first AUD denominated World Bank Green Bond issue in Australia in 2014. Since 2014, we have allocated approximately \$500m to green and social bonds. Our exposure to green bonds gives us great opportunities to contribute to projects that ultimately contribute to positive societal outcomes.

As at 31 December 2023, UniSuper held bonds from Housing Australia (formerly the National Housing Finance and Investment Corporation (NHFC)) with a total face value of \$64.9 million. This entity is dedicated to improving housing outcomes for Australians by contributing to efforts to increase the supply of housing, particularly affordable housing. In 2023, Housing Australia launched a new 15-year Sustainability Bond, which UniSuper participated in. The Sustainability Bonds are used to finance and/or refinance eligible social projects, energy efficiency and green building projects. We continue to look for opportunities to invest in companies that provide positive social outcomes while providing attractive returns for our members.

Environment

Tasmanian timber plantation - Sustainable forestry

In 2023, UniSuper acquired a 33% interest in Forico together with two European pension funds. Forico is Tasmania's largest hardwood plantation estate and a leading sustainable timber producer. It consists of approximately 90,000 hectares of productive plantation forest and a further 77,000 hectares of natural forests for conservation, biodiversity and cultural values. We consider Forico a quality infrastructure asset which complements UniSuper's existing timber portfolio. As a sustainable plantation, Forico is certified under the internationally recognised Forest Stewardship Council and Responsible Wood schemes.

Forico supports the global transition towards decarbonisation through carbon storage and use of sustainable timber material. It also considers the development of renewable and carbon projects. We expect timber assets like Forico to benefit from demand for carbon credits as companies offset carbon emissions. UniSuper is represented on Forico's Board and will work alongside co-investors to develop the asset.

Westpac Banking Corporation (WBC) and National Australia Bank (NAB) - Say on Climate and climate related shareholder resolutions

We have seen all the major banks progress in setting financed emissions targets across key sectors. In 2023, we voted on several climate related resolutions at the AGMs of our 50 largest ASX listed investments, including Westpac and NAB.

Westpac (Say on Climate vote)

Westpac is the first bank to adopt an advisory 'Say on Climate' resolution, driving increased engagement with investors including UniSuper on its financed emissions. We supported this resolution because Westpac has a clear Climate Change Position Statement and Action plan which includes Net Zero Banking Alliance sector targets for high emitting sectors covering thermal coal, upstream oil and gas, power generation, commercial property and cement.

Westpac and NAB (climate related shareholder resolutions)

Westpac and NAB had climate related shareholder resolutions submitted for approval in their 2023 AGMs. These were filed by a group of shareholders led by Market Forces and Australian Ethical Investments. The resolutions asked the banks to address some gaps identified in current disclosures relating to how they assess the climate transition plans of customers with high fossil fuel exposures. After a careful consideration of the merits of the resolutions and our assessment of the banks' disclosures, together with our engagement with the banks, we voted against these resolutions. We view both banks' current disclosures as already sufficiently detailed regarding their financing considerations and policies and adequately addressing what the resolutions asked.

Western Australia (WA) Treasury Corporation - Green bond issue

In June 2023, UniSuper participated in the first WA Treasury Corporation Green bond. This bond was dedicated to funding projects aimed at addressing the challenges of climate change within the state and contributing to WA's commitment to net zero by 2050. Western Australia plays a crucial role in the transition to a net zero emissions world as a major supplier of batteries and critical minerals which are essential for sustainable energy systems.

The WA Government has a unique advantage to influence emissions reduction through its ownership of the South West Interconnected System, the primary electricity provider for over 85% of the state's residents. The WA Government has committed to phasing out coal fired power generation by 2030.

This first round of funding focuses on reducing emissions from electricity generation, electrification of transport infrastructure and climate resilience in the water supply.

Property assets - circular economy

Diverting waste from landfill and contributing to the circular economy is a key priority in our engagement meetings across our property portfolio. We regularly engage with our direct property assets and have been working with our new property manager, the GPT Group, to update the environmental strategy for property assets. GPT has targets to reduce waste sent to landfill which includes monitoring waste and recycling rates. Waste is captured under Scope 3 emissions, so reduction in waste produced and increased recycling will also contribute to emissions reductions across our property portfolio.

Member choice

As well as identifying key ESG factors across our major investments, we also provide member choice in our Accumulation and account based pension products. We understand that our members have different expectations, and it's important to consider these in the investment options we offer.

In addition to our standard investment options, we offer members the choice of three sustainable and environmental branded investment options — Sustainable High Growth, Sustainable Balanced and Global Environmental Opportunities.⁶ These options allow members to limit their exposure to certain industries and/or invest in companies that are addressing global environmental challenges. These options are certified by RIAA.⁷ See [here](#) for more details about these options.

As at 31 December 2023, these options met their long-term return objectives as stated in the Product Disclosure Statement (PDS). The performance of all UniSuper investment options is available [here](#).⁸

More information

If you'd like more information, please refer to our [Responsible investment and proxy voting policy](#). See our [Climate risk and our investments](#) report for details on our Fund's commitment and progress to net zero emissions by 2050 for our investment portfolio, including how we manage climate risks and opportunities in our investments and examples of our engagement with investee companies.

TABLE 4: SUSTAINABLE AND ENVIRONMENTAL BRANDED OPTION RETURNS (%) (ACCUMULATION OPTIONS)

<i>As at 31 December 2023</i>	<i>1 year</i>	<i>3 years p.a.</i>	<i>5 years p.a.</i>	<i>7 years p.a.</i>	<i>10 years p.a.</i>
Sustainable High Growth	15.1%	5.6%	10.8%	9.2%	9.3%
Sustainable Balanced	12.5%	4.1%	8.2%	7.3%	7.4%
Global Environmental Opportunities	-1.4%	-3.3%	11.1%	10.2%	8.9%

⁶ Sustainable and environmental investing means different things to different people. Different products have different investment criteria. Read our PDS or our website to find out what sustainable and environmental investing means to us and what our products invest in.

⁷ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

⁸ Past performance isn't a reliable indicator of future performance.

CONTACT US

1800 331 685
+61 3 8831 7901

WEBSITE

unisuper.com.au

EMAIL

enquiry@unisuper.com.au

UNISUPER ADVICE

1800 823 842
+61 3 8831 7916

ADDRESS

UniSuper
Level 1, 385 Bourke Street
Melbourne Vic 3000
Australia

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant Product Disclosure Statement (PDS) and Target Market Determination (TMD) for your membership category (available at unisuper.com.au/pds), and whether to consult a licenced financial adviser. Sustainable and environmental investing means different things to different people. Different products have different investment criteria. Read our PDS or our website to find out what sustainable and environmental investing means to us and what our products invest in. This information is current as at December 2023 and is based on our understanding of legislation at that date. Information is subject to change. This is not intended to be an endorsement of any of the listed securities named above for inclusion in personal portfolios. We do not accept responsibility for any errors in the data provided or calculations performed by the third party service providers on whom we have relied.

Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, AFSL No. 235907 on behalf of UniSuper Limited the trustee of UniSuper, Level 1, 385 Bourke Street, Melbourne Vic 3000.

Fund: UniSuper, ABN 91 385 943 850
Trustee: UniSuper Limited, ABN 54 006 027 121
Date: March 2024

Level 1, 385 Bourke Street, Melbourne Vic 3000

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