

Responsible Investment Policy



1.0 Policy Statement

Date of Commencement: August 2016

Review Date: August 2024

Purpose

The purpose of this Responsible Investment Policy is to ensure that State Trustees fulfil the following aims in making investment decisions:

- ✓ State Trustees' aims to align its investment principles as a responsible community on behalf of its clients, to reduce risk, explore opportunities and to achieve strong financial returns in the short and long term. State Trustees believes that responsible investing will enhance the performance of a portfolio in the long run and it brings consistency to its investment performance.
- ✓ State Trustees believes that the integration of environmental, social and governance (ESG) factors into investment decision-making can help to identify opportunities and risks and improve investment performance of the funds that it manages on behalf of its clients. State Trustees' appointed investment managers are to incorporate ESG considerations into their investment processes and State Trustees will receive regular reporting from their investment managers on these considerations.
- ✓ State Trustees believes corporate behaviour can be positively influenced through active ownership. State Trustees relies on its investment managers to be active owners, to exercise voting rights attached to its investments and to engage with companies on behalf of State Trustees to encourage best practices in ESG standards.
- ✓ State Trustees together with its investment managers monitor State Trustees' investments to ensure that its responsible investment standards as outlined in this policy are appropriately considered and maintained.

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2.0 Definitions

In this document:

‘RI’ means Responsible Investments;

‘ESG’ means environmental, social and governance;

‘Board’ means the directors of State Trustees;

‘Investment Committee’ means a subcommittee of the Board which shoulders governance responsibility for investments, primarily setting policies and providing oversight on investments;

‘Policy’ means this document as amended from time to time;

‘Common Funds’ means a pooled investment fund established under either (a) the State Trust Corporation of Victoria Act 1987 or (b) the Trustee Companies Act 1984, of which State Trustees Limited is the operator.

3.0 Policy Overview

In its capacity as trustee of the Common Funds, State Trustees Limited (‘State Trustees’) is committed to the community in which it operates.

State Trustees seeks to invest as a responsible community member, and also to ensure that the investments are consistent with its specific mission and the broader community in which State Trustees operates.

This policy has been developed with regard to State Trustees’ statutory and fiduciary duties, including diversifying risk and ensuring that investment decisions for its funds are made to the benefit of its clients and with a recognition that the most effective way for State Trustees to fulfil this responsibility is through the management of those assets by a professional investment manager.

4.0 Our Beliefs

State Trustees believes that a responsible investment approach is more likely to create and preserve long-term investment capital and, more specifically, that:

- ESG factors can have a material impact on long term risk and return outcomes and these should be considered and integrated into the investment process;
- Climate change presents financial risks and opportunities, and these should be considered and reflected within an investment portfolio;
- Taking a broader and longer-term perspective on risks, including identifying and integrating sustainability themes and trends, is likely to lead to improved risk management. State Trustees believe that:
 - Environmental degradation will destruct ecosystems and create financial risk for companies and industries involved;
 - Human rights violations including the exploitation of workers (and other actions covered by the Modern Slavery Act) and contravention of global conventions can lead to financial risks;
 - Serious misconduct and governance issues including the giving and receiving of bribes presents issues around governance and can lead to financial risk in the long term;
 - There are certain companies and industries whose activities present a high financial and social cost to the community, and that makes these unattractive long term investments;

- Active ownership supports the realisation of longer-term shareholder value by providing investors with an opportunity to enhance the long-term sustainability and value of companies;
- Our client's best interests are served by supporting a healthy economy, environment and society and State Trustees aims to invest in alignment with the United Nations Sustainable Development Goals.

5.0 Responsible Investing

State Trustees approach to responsible investment is as follows.

A. Environmental, Social and Governance (ESG) Integration

ESG integration is the systematic and explicit inclusion by investment managers of environmental, social and governance factors into the investment decision making process.

STL believes that the most effective way to invest responsibly, balancing return and risks is through the use of their investment managers who integrate ESG factors into their investment processes.

State Trustees will invest only with investment managers who have shown that ESG is integrated into their investment processes and where there is strong evidence that ESG factors have been considered at each level of the investment process.

State Trustees expects its investment managers to explicitly include ESG risks and opportunities in financial analysis and investment decisions based on a systematic process and appropriate research sources.

B. Negative/Exclusionary Screening

Applying exclusions, or negative screening, to an investment portfolio means that certain company activities, which are deemed inappropriate by the investor are excluded from the investment portfolio. State Trustees does not currently apply negative screens to its investment portfolio, but rather works with its investment managers to discourage companies from engaging in certain activities and corporate behaviours via ESG integration and active

ownership and to support managers where they determine to exclude particular investment categories such as tobacco and controversial weapons.

C. Corporate Engagement and Shareholder Voting

State Trustees believes that corporate behaviour can be positively influenced through active ownership including executing shareholder rights and fulfilling fiduciary duties to encourage desired corporate behaviours, including direct corporate engagement, considering (and initiating) shareholder proposals and proxy voting that is guided by comprehensive proxy voting governance and guidelines.

State Trustees relies on its investment managers to be active owners and to exercise voting rights attached to its investments and engage with companies on behalf of State Trustees.

State Trustees will monitor the active ownership record of its investment managers to ensure that it remains consistent with State Trustees' Responsible Investment beliefs.

6.0 Implementation

As trustee of the Common Funds, State Trustees will use all reasonable endeavours to ensure that its assets are managed consistently with the beliefs and aims listed above in the context of the trustees' duty to act in the best interest of its clients.

State Trustees will look to its investment managers, in the first instance, to use their resources to assist in this process.

7.0 Responsibility of Investment Managers/Consultants

Investment managers are expected to invest in a way that is financially sustainable over the long term. Companies are expected to consider the financial impact of their decisions in their governance structures and processes as well as in the way they treat the environment and community.

State Trustees will select investment consultants and investment managers that are aligned with State Trustees responsible investment beliefs, can demonstrate strong awareness and capabilities of the potential risk and return impacts of ESG issues, clearly demonstrate how portfolio positioning reflects the management of relevant ESG risks and can clearly demonstrate how relevant ESG exposures can add value.

State Trustees recognises that when invested in commingled vehicles, the investment manager's investment process will determine how it invests. State Trustees engages investment managers who incorporate responsible investing and integrate ESG into their investment processes. State Trustees recognises that the integration

of ESG into the investment process does not necessarily imply the exclusion of particular companies from the investable universe. Rather, State Trustees expects its investment managers to explicitly include ESG risks and opportunities in financial analysis and investment decisions based on a systematic process and appropriate research sources.

State Trustees relies on its investment managers to be active owners, to exercise voting rights attached to its investments and to engage with companies on behalf of State Trustees.

8.0 Monitoring

Where investments are made by third party fund managers in pooled funds, the investment manager should have a responsible investment policy in place, and this should be provided to State Trustees as and when required.

Investment managers are to report to State Trustees, on at least an annual basis, any holdings included in State Trustees' funds which are at odds with the State Trustees' beliefs as outlined in this Policy and to allow for an open dialogue between the investment managers and State Trustees as to what these exposures are and why they are included in the portfolios. This reporting should also include ESG and climate risk related measures of the funds compared to relevant benchmarks.

The investment manager is to provide State Trustees Management and Investment Committee with annual reporting on its engagement activities and proxy voting.

9.0 Responsible Investing Compliance of Third-Party Products

State Trustees uses various third-party products through its Approved Product List to offer products and investment strategies that cannot be fulfilled through its internal Common Funds.

The Investment Team must ensure that the funds included on the Approved Product list must exhibit that there is ESG integration within the product's investment processes.

Where possible, a specific Sustainable Investment product is approved under each class/category to fulfil the investment requirements of any client who wants to invest in a responsible investment product.

10.0 Policy Review

The Responsible Investment Policy is reviewed annually by the Investment Committee. Due to the nature of the financial markets and the potential for change in the underlying portfolio over time, the review is made by the Investment Committee in conjunction with the Investment Consultant and includes allowable investments, asset allocations and other factors. The Investment Committee will recommend any changes to this Policy to the Board.

This review process will also address issues such as any proposals to alter State Trustees' investment risk management strategy, alterations to delegated authority and any additional management information reporting requirements.

11.0 Policy Adoption

This Responsible Investment Policy was first adopted by the Board on 1 August 2016. The Board approved this version on 18th October 2023.

Date of first issue : 01 August 2016

Date of next review : October 2025



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Talk to us about how we can help you feel confident that your financial and legal affairs are in good order.

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