

# Engagement & Ownership Policy

|                   | <b>Date Actual or Expected</b> | <b>Responsible</b> |
|-------------------|--------------------------------|--------------------|
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# 1. Introduction

## 1.1. Purpose

As outlined in the Ethical Investment Charter, the Fund uses four pillars in its approach to Responsible Investment. This policy outlines the principles employed to apply Active Ownership to the portfolio.

The Fund uses two main approaches in exercising its ownership rights:

- Engagement – dialogue with companies to seek to influence change
- Proxy Voting – the exercise of ownership rights through the voting of shares

## 1.2. Review of Policy

This Policy will be reviewed annually, or when there is a significant change in the Fund's circumstances, by the Ethics Committee.<sup>1</sup>

# 2. Engagement

Christian Super invests members' money in a wide range of assets. In acquiring these assets the Fund also takes on both rights and responsibilities as owners of shares, debt, property and other assets.

The Fund aims to be a responsible and effective owner of the assets it holds on behalf of its members. The Fund aims to adopt a wisdom-based relational approach, getting alongside companies rather than establishing an unhelpful, combative situation.

Active engagement with companies is the most important method which the Fund uses to influence company behaviour.

Engagement is resource intensive and time consuming. The time frames involved in influencing company behaviour are often lengthy. In conducting engagement, the Fund will make use of principles for effective engagement, including:

- Set clear objectives for the engagement
- Have formal guidelines
- Develop robust and effective policies for choosing targets and issues
- Systematically document engagement activities
- Evaluate successes and failures

The Fund will be careful to ensure that it speaks with a reasonable voice that takes into account the interests of various groups of stakeholders. The Fund will develop and seek to protect its reputation as a responsible and effective asset owner by ensuring that issues are presented to companies in a fair and reasonable manner.

The Fund acknowledges that communicating arguments based solely on Christian moral principles is unlikely to be effective, and will in speaking with companies demonstrate concern for the company's long-term financial and stakeholder interests.

The Fund will generally engage on issues that are relevant to the whole of society rather than only the Christian community. Issues of the latter type are more likely to be candidates for ongoing exclusion without dialogue.

The Fund also recognises that engagement with companies is beneficial not only in terms of improved outcomes but also in terms of improved understanding of the companies, and improved research on those companies.

In engaging, prioritisation will be given to efforts that can demonstrate:

- financial relevance
- broader societal relevance
- strong possibility of influence

During negative screening research, companies placed On Watch or Exclude will be also considered for closer engagement. The Fund will generally not engage on issues that are not relevant for investment performance.

Responsibility for decision-making with regard to engagement initiatives is delegated to management, who will report to the Ethics Committee on a six-monthly basis on activities undertaken.<sup>ii</sup>

## **2.1. Major Engagement Campaigns**

The Fund seeks to be involved in leadership for a limited number of major targeted engagement campaigns at any given point in time. Companies and/or sectors will be selected for major engagement campaigns where:

- The core business of the company / sector is not subject to automatic exclusion.
- The Fund holds a clear and documented position on the issue(s).
- Engagement is consistent with the values held by the Fund's members.
- The Fund can demonstrate an ability to be well-informed in the issue(s) chosen for engagement.
- Arguments can be put forward demonstrating that the relevant issues cause financial risk for long-term shareholders.
- There is a reasonable prospect of influencing company behaviour.

The Fund will seek to involve like-minded investors in its engagement activities, as well as external experts and industry representatives.

## **2.2. Minor Engagement Campaigns**

Minor engagement campaigns are undertaken by the Fund on minor issues involving companies. Issues where the Fund may choose to undertake minor engagement campaigns may include efforts to:

- Highlight inadequacy of ESG or Sustainability reporting and encourage development in this regard.
- Clarify company involvement in certain industries, regions or activities.
- Commend improvements made by companies.
- Lend an additional voice to an engagement campaign being undertaken by another organisation.
- Notify a company that they have been placed on the Fund's exclusion list (usually only in cases where exclusion is on non-standard grounds).

### **2.3. Collaborative Engagement Campaigns**

The Fund will participate (usually as a passive contributor) in suitable engagement campaigns being conducted by other organisations. This may include:

- Broad letter-writing initiatives aiming to improve ESG reporting or sustainability across a broad base of investments (e.g. the Carbon Disclosure Project).
- Industry-based letter-writing initiatives encouraging all companies within a certain industry to make improvements.
- Targeted letter-writing initiatives addressing specific issues with individual companies.

In assessing whether to participate in collaborative engagement campaigns, management will consider the engagement issues and Christian Super's ethical investment policies and papers to ensure that the Fund only participates in engagement on issues that are strongly aligned with its values.

### **2.4. Engagement Partnerships**

The Fund will seek Engagement Partnerships with like-minded organisations both domestically and internationally. This will enable the Fund to highlight issues of concern surrounding international companies and encourage a more appropriate investor to take a leadership role in conducting such an engagement campaign. In developing Engagement Partnerships, the Fund will direct its efforts, where possible, to working with like-minded church investment organisations.

Engagement with another organisation may take a wide range of forms. The heavier the engagement, the more it moves from single issue and external to multi-issue and genuinely collaborative. At the same time, closer engagements, dialogues and partnerships increase the possibility of introducing reputational risk for the Fund. This risk will be considered as engagement partnerships are developed.

### **2.5. Communication**

The Fund acknowledges that it may, at times, be appropriate to issue a media release or make a contribution to an existing publication to further the aims of an engagement. In doing so, the Fund will avoid a public 'name and shame' approach, opting instead to subtly highlight areas of ethical concern or identify areas of strong practice which may be of interest to other stakeholders. Media statements may also be used to publicly acknowledge companies that have responded and acted particularly well to engagement.

The Fund will publicly disclose the nature and outcome of engagements on a thematic basis, and will avoid, where possible, disclosing specific company names and conversations to ensure the most constructive outcomes.

## **3. Proxy Voting**

Where the Fund owns shares in a listed company, the Fund becomes a part owner in these companies, acquiring shares (or equivalent) in the company and associated rights. These rights include the right to vote in Shareholder meetings, along with the right to be involved in legal action against companies or directors of companies whose negligence has caused financial loss to Christian Super.

The Fund will make efforts to vote (or have its managers vote) shares in all listed companies in which it is an equity holder, except in cases where to exercise such voting rights may prejudice the liquidity of the holdings, or will work against the Fund's overall investment interests.

Responsibility for Proxy Voting is delegated to management who may, at their discretion, further delegate this responsibility to the investment managers appointed to manage particular parts of the portfolio. Where relevant, it is expected that management will vote broadly in accordance with the Fund's ethical investment policies.<sup>iii</sup>

In order to review these acts of delegated discretion the Fund maintains a proxy vote register which will be tabled at the Ethics Committee annually.<sup>iv</sup> This review process is in accordance with the requirements on delegation of discretion by the SIS Act 1993 and in line with ASFA best practice.<sup>1</sup> Additionally, Proxy Voting Disclosure will be made available on the Fund's website on an annual basis in accordance with ASIC requirements.<sup>v</sup>

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<sup>1</sup> SIS Act 1993 s59 (1+2) and ASFA Best Practice 15 s3.

## Document History

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|------------------|--|
| 25 August 2006   | Adopted by Trustee Board (Investment review) |
| 17 August 2009   | Renamed to Engagement & Ownership Policy     |
| 29 October 2010  | Reviewed & Approved by Ethics Committee      |
| 10 December 2012 | Reviewed & Approved by Ethics Committee      |
| 29 May 2013      | Reviewed & Approved by Ethics Committee      |
| 17 November 2014 | Reviewed & Approved by Ethics Committee      |
| 23 November 2015 | Reviewed & Approved by Ethics Committee      |
| 4 March 2016     | Reviewed & Approved by Ethics Committee      |
| 27 February 2017 | Reviewed & Approved by Ethics Committee      |
| 27 February 2018 | Reviewed & Approved by Ethics Committee      |
| 26 February 2019 | Reviewed & Approved by Ethics Committee      |
| 25 February 2020 | Reviewed & Approved by Ethics Committee      |
| 23 February 2021 | Reviewed & Approved by Ethics Committee      |

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## Compliance Tasks

- <sup>i</sup> Annual Engagement & Ownership Policy Review
- <sup>ii</sup> Biannual Engagement Reporting
- <sup>iii</sup> Annual Attestation of Proxy Voting Procedures
- <sup>iv</sup> Annual Proxy Voting Register
- <sup>v</sup> Annual Proxy Voting Disclosure