

Objective

This Policy sets out Suncorp's approach to ensuring the long-term sustainability of investment returns and the management of environmental, social and governance (ESG) risks and opportunities in our investment portfolios.

Corporate responsibility beliefs

This Policy is guided by our [Corporate Responsibility Principles](#) and is consistent with Suncorp's responsibilities to customers and investors.

Suncorp believes successful long-term investing is consistent with the allocation of capital to enterprises with sustainable business practices. Suncorp believes long-term value creation is a result of the effective management of financial, physical and human capital and hence investment opportunities should be evaluated on their ongoing maintenance of:

- strong governance practices including alignment of interest
- strong human capital practices including labour practices, health and safety, and diversity
- strong social impact management including community engagement practices, and
- strong environmental impact management including climate change and natural resource scarcity.

Suncorp believes the most effective way to align the interest of Suncorp, our appointed external investment managers, and our investee companies is through robust investment governance inclusive of Responsible Investment principles.

Suncorp believes a high degree of transparency is consistent with governance best practice and hence its investments and investment processes should be disclosed to a level that is practical and commercially prudent. Similarly, it believes the assets and companies in which it invests should also strive toward a high degree of transparency.

Suncorp believes investment risk is multi-dimensional and not able to be captured through purely statistical measures. Some risks emerge over time or are unpredictable, and can have material impacts on investment returns. Suncorp believes the integration of ESG issues into its investment processes enables it to better manage risk.

Suncorp acknowledges the United Nations Universal Declaration of Human Rights and strives to promote and respect observance of human rights and fundamental freedoms in all its activities.

Suncorp accepts the findings of the Intergovernmental Panel on Climate Change: the earth's mean surface temperature is increasing and it is extremely likely the dominant cause of the observed warming is the effect of human activity on the climate system. Climate change is a global challenge that needs to be addressed by governments, businesses and individuals. Suncorp acknowledges the UNFCCC Paris Agreement (2015), which aims to limit global temperature rise to well below 2 degrees Celsius. The Australian Government has ratified the Paris Agreement and set a target to reduce Australia's emissions by 26-28 per cent below 2005 levels by 2030.

Application

This Policy applies to Suncorp Group Limited ('SGL'), Suncorp Life & Superannuation Limited ('SLSL'), AAI Limited ('AAIL'), Suncorp Funds Pty Ltd, Asteron Life Limited (NZ), Asteron Retirement Investment (NZ) Limited, Vero Liability Insurance Limited, and Vero Insurance New Zealand Limited ('the Legal Entities'), and Suncorp Corporate Services Pty Ltd ('SCS').

This Policy does not apply to Suncorp-Metway Limited, Suncorp Portfolio Services Limited, AA Insurance Limited (NZ), RACT Insurance Pty Ltd, or NTI Limited.

This Policy applies to Investment Managers engaged by SCS in its capacity as Investment Manager and appointed under an Investment Management Agreement (IMA). The Policy does not apply to investments in collective (pooled) vehicles where Suncorp is not the Responsible Entity. Suncorp will apply the principles outlined in this policy to the extent practicable in its selection of collective investment vehicles.

This Policy will be integrated into Suncorp's investment practices over the 2017–18 financial year. Full compliance with the Policy is targeted for June 2018.

Policy statements

1. Suncorp incorporates ESG considerations into its investment and risk management processes and completes an annual review of the ESG risk within investment portfolios.

The investment assessment of individual securities or assets as investment opportunities is the responsibility of external managers appointed by Suncorp. Hence the assessment of ESG risk factors at the individual security level is the responsibility of the external managers appointed. Suncorp incorporates the extent to which managers integrate ESG considerations into their investment and risk management processes in its manager selection and monitoring process.

At the portfolio level, Suncorp will annually review the ESG risk of portfolios. This review will seek to identify exposure to ESG risk factors, particularly risks that are systemic and unrewarded. The ESG risk review will include:

- Review of equity portfolio ESG factor scores using data provided by a recognised ESG research organisation.
- Review of corporate debt portfolios using data provided by a recognised ESG research organisation.
- Measurement of portfolio carbon intensity using data provided by a recognised research organisation.
- Specific consideration of social licence to operate risks through the assessment of exposure to human rights, safety and product stewardship issues.
- Specific consideration of climate change transition risk through assessment of exposure to fossil fuels and carbon-intensive and carbon-dependent industries.
- Specific consideration of climate change physical risks to assets (equities, property and infrastructure) through assessment of the impact of extreme weather events, changing weather patterns and rising sea levels on physical assets and supply chains.

Specifically regarding climate change, Suncorp works with its external managers to ensure an appropriate shadow carbon price is factored into the analysis of investment opportunities. That price is reviewed annually by the Corporate Responsibility Council with a view to increasing the price in line with changes in Nationally Determined Contributions under the UNFCCC Paris Agreement, which aims to limit climate change to well below 2 degrees Celsius.

2. Suncorp incorporates ESG considerations into its investment manager research, selection, appointment and monitoring processes.

As the direct security selection and asset class portfolio management functions are outsourced to external investment managers, manager selection and monitoring processes are integral to the achievement of investment goals and objectives. However, it is recognised the importance of ESG integration can vary by asset class and style of investment management.

All asset classes have a manager selection process that involves the following:

- Requesting and reviewing candidate managers' ESG policies.
- Incorporating ESG questions in Suncorp's Investment Due Diligence Questionnaires.
- Factoring ESG considerations into the manager evaluation (scorecard) process and the appointment decision.

IMAs executed with successful candidate managers will have ESG requirements, which reflect this Policy and are appropriate to the asset class, portfolio, and style of management. Under these agreements, managers will also be required to incorporate ESG factors and issues into their formal periodic reporting.

In some circumstances, due to the size and complexity of our investment arrangements, some investment strategies are accessed through collective vehicles where we have limited ownership and/or influence. Our aim in those instances is to apply the principles outlined in this policy in the assessment and selection of collective vehicles, to the maximum extent practicable.

3. Suncorp votes all proxies and engages with companies in a manner consistent with its Corporate Responsibility Principles.

Suncorp believes it has a duty to vote proxies in investee companies to promote good ESG practices. With regard to holdings in listed companies, Suncorp engages a proxy adviser to vote proxies in a manner consistent with Suncorp's Corporate Responsibility Principles with the following considerations:

- Votes are to be cast in a manner consistent with our duties and responsibilities to customers and shareholders.
- Votes are to be cast in a manner consistent with long-term value creation and Suncorp's Corporate Responsibility Principles, in particular Sustainable Growth.
- Suncorp should abstain from voting in instances where there is a conflict of interest or specific direction from regulators.
- In general, it is Suncorp's preference to vote in a manner consistent with investee board or management recommendations. Where Suncorp intends to vote against an investee board or management recommendation, Suncorp will communicate with the company the reasons it could not support the recommendation.

Suncorp's proxy voting process and standing instructions will be reviewed annually by the Suncorp Corporate Responsibility Council. Commencing in 2018, details of proxy votes exercised will be published in Suncorp's Annual Review.

Suncorp believes active engagement with a company will lead to a better understanding of how that company intends to fulfil its obligations as a responsible corporation. Similarly, active engagement will make investee companies aware of Suncorp's expectations as a shareholder. In regard to ESG issues, Suncorp will engage investee management on those matters it believes have material impact on long-term sustainable value, and on ESG practices the company should examine.

The intent of this dialogue is not to make Suncorp aware of inside information.

In order to increase the effectiveness of engagement, where possible, Suncorp will work collaboratively with other investors.

Suncorp will retain a corporate governance consultant to engage with companies on its behalf in most instances.

4. Suncorp will seek to exclude companies from its investable universe where the activities of that company are deemed to be inconsistent with Suncorp's Corporate Responsibility Principles.

There are some circumstances whereby Suncorp will exclude a sector or a specific stock from its investable universe. Those circumstances include:

- if the investment would lead to contravention of international treaties or conventions to which Australia is a signatory including but not limited to the United Nations Convention on Landmines, the United Nations Convention on Cluster Munitions and the United Nations Universal Declaration of Human Rights
- if the Corporate Responsibility Council considers the investment is inconsistent with Suncorp's Corporate Responsibility Principles or Suncorp's Corporate Responsibility position statements and action plans
- if the Corporate Responsibility Council considers an investment is inappropriate to the extent it may have a negative impact on Suncorp's reputation
- where the product produced by the investee is detrimental to human health with no safe level of human use or consumption
- where exclusion is the only means to mitigate a systemic risk in the portfolio, and
- where engagement and proxy voting have proven ineffective.

5. Suncorp will seek opportunities to engage in impact investing, subject to appropriate consideration of the expected risk, return and capital efficiency of the proposed investment.

Suncorp seeks opportunities to engage in impact investing relevant to its investment portfolios where:

- there is an expectation of achieving a financial return on capital
- there is a bias to initiatives designed to improve the resilience of communities
- there is a bias to initiatives designed to improve the economic participation of individuals
- there is a bias to initiatives that allow Suncorp to contribute to capability building with its investment partners, and
- there is a bias to initiatives that allow Suncorp's investment to act as a catalyst to investment by other funders.

Examples of impact investment that are considered:

- green bonds
- listed and unlisted renewable energy infrastructure
- climate change adaptation and mitigation innovations
- social impact bonds
- affordable housing, health and aged care initiatives
- education and early childhood initiatives
- employment and economic participation initiatives.

We look to hold these assets in the Group portfolios that have objectives consistent with the opportunities and after consideration of investment risk, capital implications and our responsibility to investors.

6. Suncorp will aim to be transparent in its Responsible Investment activities and make appropriate disclosures to the public on those activities.

Suncorp aims to provide appropriate transparency to stakeholders on material Corporate Responsibility topics including Responsible Investment activities. As such Suncorp will make publicly available:

- a copy of this Policy
- any relevant objectives and targets related to responsible investment management
- an annual summary of the proportion of total assets under management covered by this Policy
- an annual summary of major environmental, social and governance risks and impacts for assets under management including exposure to fossil fuels and carbon intensive industries, and
- an annual summary of proxy voting activity.