Environmental, Social Governance (ESG) Policy

Fire & Emergency Services
Superannuation Fund

1.Purpose and scope of policy

The Fire and Emergency Services Superannuation Board (the Board) is a Western Australian statutory authority that operates within the State's policy framework, while meeting legislative and regulatory obligations.

The Board, as the trustee of the Fire and Emergency Services Superannuation Fund (FES Super), is also regulated by the Australian Prudential Regulation Authority (APRA) and is responsible for managing FES Super in the best interests of all members and for ensuring that FES Super is run in accordance with its governing rules and relevant regulations.

The Board predominantly uses unlisted unit trusts to implement investment strategies, with a limited number of direct mandates and directly held investments. Initial and ongoing investment due diligence assessments of external investment managers is predominantly carried out by a professional investment advisor appointed by the Board i.e. the Board's Asset Consultant.

This Policy describes the Board's approach to environmental, social and governance (ESG) factors across the investment decision-making and monitoring framework. The Policy reflects FES Super's investment and business model in which the Board formulates its investment strategy.

The Board outsources investment management to specialist third party investment managers for the majority of assets.

The Board recognises that in striving to meet its strategic vision of "helping members achieve financial security in retirement" it must consider the impact of ESG issues and trends as such trends may impact the long-term returns on its investments and ultimately the retirement savings accrued by members.

This policy forms part of the Board's Investment Governance Framework.

2.Definitions

Environmental, Social, Governance (ESG) related factors which have the potential to materially impact the performance of an investment.

Also known as "sustainability related factors".

Some examples of potential ESG factors that may be relevant include but are not limited to:

Environment	Social	Governance
Climate change	Management of labour relations	Company board composition
Pollution	Workplace health and safety	Executive remuneration
Biodiversity loss	Supply chain management	Proxy voting
Sustainable real estate	Workplace diversity	Conflicts of interest
Cleantech energy	Human rights	Bribery and corruption
Resource scarcity	Societal health and well-being	Transparency
Policy and Regulatory change		Ethics and conduct

Investment managers that analyse ESG factors are expected to understand long-term risks and opportunities and, as a result, to be better placed to deliver superior financial performance over the long-term. Conversely, the value of investments with managers who do not have an embedded approach to ESG issues will potentially erode in value over time.

3. Approach and implementation

ESG acknowledgement

ESG factors may create risks which have the potential to affect long-term investment returns.

The Board considers that taking these risks into account during the investment manager selection and ongoing monitoring process has the potential to improve investment returns or reduce investment risk over the long-term.

The way ESG factors impact risk and return is specific to each underlying asset. As such, the Board's philosophy is that these are best considered at the asset level by FES Super's external investment managers.

Investment manager due diligence

When appointing investment managers across all asset classes, the Board and its advisors will apply the following due diligence principles in relation to ESG:

a) Review the manager's ESG philosophy and consider how this translates to consideration of ESG factors in their investment process;

b) Seek to understand how a manager integrates ESG in its investment process;

c) Ensure that selection of managers for investment portfolios includes consideration of the manager's approach to ESG together with other investment matters; and

d) Ensure that investment managers are signatories to the United Nations Principles of Responsible Investment.

Investment monitoring

The Board's investment monitoring program seeks to capture and monitor ESG related activities that investment managers have undertaken. The Board's investment managers are reviewed as part of regular due diligence.

The Board may also monitor ESG considerations during investment manager presentations to the Board.

The Board may seek further information about ESG matters from the Asset Consultant at any time.

As the Asset Consultant reports to the Board on a quarterly basis (and attends meetings regularly), the Board may also seek further information on ESG matters at that time.

The Board requires the Asset Consultant to be a signatory to the United Nations Principles of Responsible Investment.

Direct investment due diligence

While the majority of FES Super's assets are managed by external investment managers, the Board does have the ability to make direct investments that are then monitored internally. ESG is taken into account for these investments via consideration of the relevant factors outlined in section 2 of this document.

4. Engagement

Investing in equities provides investors with ownership and in most cases, voting rights. The investment managers may engage with the companies they invest in on the Board's behalf by meeting with company management to raise issues and concerns, and exercise voting rights for the benefit of FES Super members.

5. Active ownership (proxy voting)

The Board oversees an investment management model that primarily uses external investment managers. The Board has delegated its voting rights to these specialist investment managers and expects the managers to vote in the best interests of FES Super members.

6. Related policies

Investment Governance Policy

7. Date of Review

The Board will review this policy at least every three years. This policy may also be reviewed when material changes occur to the Board's business operations, the Board consider it appropriate to do so or at the request of APRA.