

HCF RESPONSIBLE INVESTMENT POLICY

DECEMBER 2021

PURPOSE

This policy sets out how The Hospitals Contribution Fund of Australia Limited (HCF or We) delivers on its Responsible Investment beliefs when managing its Investments.

WHO IT COVERS	This Policy applies to HCF Group’s Investments managed by our Asset Consultant.
BACKGROUND	<ul style="list-style-type: none"> • Our members trust us to do the right thing and take seriously our responsibility to care about our impact on the communities where We operate. This responsibility extends to our investment portfolio. • HCF’s Investment objective is to achieve the best long-term financial outcomes, subject to maintaining risk at an acceptable level, meeting our capital requirements and delivering on our Responsible Investment beliefs.
LINK TO OTHER POLICY	<ul style="list-style-type: none"> • HCF Investment Policy • HCF Group Modern Slavery Policy • HCF Group Corporate Social Responsibility Statement
DEFINITIONS	<ul style="list-style-type: none"> • Asset Consultant means Jana Investment Advisers Pty Ltd ABN 97 006 717 568. • Environmental, Social, Governance (ESG) integration refers to the systematic and explicit inclusion of material ESG Factors into investment analysis and investment decisions. • ESG Factors have the meaning given to them in Schedule 2. • HCF Group means HCF and its subsidiaries from time to time. • Investments means financial assets in which We invest. This includes, but is not limited to, listed equities, government and corporate bonds, property and cash. • Investment Managers are specialised investment professionals approved by JANA to manage our Investments on behalf of HCF. Investment Managers are generally provided with a mandate to invest in a specific asset class within certain, pre-determined parameters. • Modern Slavery refers to any situation of exploitation where a person cannot refuse or leave work because of threats, violence and coercion, abuse of power or deception. This includes slavery, servitude, child labour, forced labour, human trafficking, debt bondage, slavery-like practices, forced marriage and deceptive recruiting for labour or services. • Proxy Voting refers to voting on management and/or shareholder resolutions. Where voting is conducted electronically rather than through attendance of meetings, this is done through “proxy” ballots. • Responsible Investment has the meaning given in the section titled “Responsible Investment”

	<ul style="list-style-type: none"> • Sustainability Objectives have the meaning given to them in the section titled “Stewardship”. • Universal Owner refers to a large investor holding a highly diversified portfolio that is representative of global capital markets such that the investor has a financial interest in the wellbeing of the economy as a whole.
RESPONSIBLE INVESTMENT	<p>As an investor in Australian and International investment markets the following Responsible Investment beliefs direct our approach to Responsible Investment:</p> <ul style="list-style-type: none"> • ESG Factors are a source of long-term risk and return. Considering these factors leads to better-informed Investment decisions and are fundamental to achieving sustainable, long-term returns. We favour Investments with good ESG credentials provided there is no compromise on expected risk-adjusted returns for our Investments. • HCF is a long-term investor and believes stewardship has the potential to influence company behaviour and the regulatory context in which that company operates, and therefore contributes to long-term value. • HCF invests in a broad range of global companies and assets. We therefore consider ourselves to be a Universal Owner and have a vested interest in the long-term sustainability of the global economy and the environmental, social and financial systems on which it relies. • Climate change poses an existential threat to our society and the environment and has the potential to have a material negative impact on the global economy. This provides both opportunity and risk to our Investments. <p>These Responsible Investment beliefs are implemented through ESG integration, stewardship and reviewing our investments for consistency with sustainable outcomes.</p>
ESG INTEGRATION	<p>HCF invests in various asset classes via its Asset Consultant. HCF, together with its Asset Consultant, is committed to integrating ESG into its Investment decisions when allocating funds to Investment Managers.</p> <p>In appointing its Asset Consultant, HCF conducted due diligence on its responsible investment capabilities to ensure effective deployment of HCF’s Responsible Investment beliefs. The Asset Consultant is responsible for conducting due diligence on the underlying Investment Managers to ensure they have sound practices to identify and manage ESG Factors, any potential risks and opportunities that may arise and to incorporate these factors in investment analysis and decision making, where appropriate. The Asset Consultant carries out due diligence on Investment Manager ESG credentials prior to Investment Manager selection.</p> <p>Our Asset Consultant monitors appointed Investment Managers to assess how they manage ESG Factors within their investment portfolios on an ongoing basis. Investment Managers must maintain appropriate processes that enable them to manage ESG Factors in order to be retained.</p> <p>The Investment Manager evaluation, selection and monitoring that is undertaken by our Asset Consultant is described in Schedule 1.</p>
STEWARDSHIP	<p>HCF requires its Asset Consultant to work with Investment Managers with the goal of ensuring that the companies and other assets it invests in are governed and managed in an appropriate way that will enhance:</p> <ol style="list-style-type: none"> a) Investment performance over the longer term; and b) consider the environmental, social or financial system context of the Investment. <p>Sustainability Objectives</p> <p>Engagement with businesses and Proxy Voting is undertaken by Investment Managers appointed by our Asset Consultant on various ESG Factors. HCF’s aim is to encourage positive change and</p>

real-world outcomes aligned with Sustainable Development Goals at companies through Engagement and Proxy Voting.

- Based on HCF's Responsible Investment beliefs and focus areas that We believe are important to our members and the communities in which We operate, HCF has identified high-priority Sustainability Objectives that guide our activities. They are:
- Good health and wellbeing: HCF may determine that certain assets, industries or activities with undesirable ESG or ethical credentials are to be excluded from our Investments where the exclusion is aligned with our sustainability approach of HCF, is implemented in a rigorously defined manner, and is not expected to have a material detriment on risk-adjusted long-term Investment returns. To that end, HCF does not directly invest in tobacco manufacturing companies (being those companies whom the manufacture of tobacco products is a core business operation) and/or producers with any revenue from the manufacture and/or production of tobacco products.
- Decent work and economic growth: HCF aims to influence positive change for the millions of victims of Modern Slavery and supports the foundations of a strong social fabric on which our Investments rely.
- Climate action: Climate change poses an existential risk to society and the global economy. Both system-wide and portfolio-specific effects of transition and physical risk related to climate change need to be considered, with a preference for active management and monitoring.
- Gender equality and reduced inequalities: Promotion of diversity, equity and inclusion. A diverse workplace fosters an environment of informed decisions and helps deliver long-term shareholder value.

Engagement

To protect and enhance HCF members' long-term value and the health of the environmental, social and financial systems on which our Investments rely, HCF requires our Asset Consultant to actively engage with the Investment Managers on an ongoing basis to encourage improvement.

The Investment Managers who invest on behalf of HCF also engage with companies on ESG Factors, where appropriate and the strength of these engagement programs forms part of our Asset Consultant's ESG ratings of those Investment Managers.

When the Investment Manager engagements do not lead to the achievement of the desired objectives within the set timeframe, escalation techniques may be considered by our Asset Consultant including termination of the Investment Manager.

The list of ESG Factors that form part of engagement activity are set out in Schedule 2.

Proxy Voting

HCF has an exposure to listed equities. The right to vote is an essential part of a corporate governance system and an integral part of HCF's approach to stewardship.

HCF expects the Investment Managers appointed by the Asset Consultant to vote on all meetings and resolutions of the invested companies unless there is a regulatory obligation not to do so.

- Voting on Australian Shares

The relatively small size of the Australian equity market means HCF is exposed to most large Australian listed companies and there are many common holdings across Investment Managers. Proxy Voting for holdings in Australian companies is conducted by an external service provider, with a single stance taken for resolutions relating to stocks held by multiple managers. The external service provider utilises Proxy Voting advice from an external proxy advisor and canvasses the views of the relevant Australian equities Investment Managers before determining a unified stance on each resolution.

- Voting on Global Shares

In most cases, HCF has a preference for Proxy Voting to be undertaken by the Investment Managers appointed by the Asset Consultant. Investment Managers are expected to actively consider their position on company resolutions. They should have a good understanding of the companies they invest in and the issues, including those related to ESG Factors. Further, the outcome of resolutions may be related to their rationale for holding the stock in their portfolio.

HCF expects the global Investment Managers who hold voting responsibility to exercise their voting responsibility actively and report to the Asset Consultant on voting activity, highlighting where a vote is made in a manner that is inconsistent with its internal voting guidelines.

- Monitoring

To ensure the Investment Managers are casting votes as required, our Asset Consultant has monitoring in place. Our Asset Consultant monitors the Investment Managers' proxy voting behaviour formally on a semi-annual basis through a survey process.

SUSTAINABLE OUTCOMES

As referred to above, HCF does not directly invest in **tobacco** manufacturers and/or producers with any revenue from the manufacture and/or production of tobacco products. Investment Managers will also not invest in securities issued by companies involved in the production of tobacco as defined by Global Industry Classification Standards (GICS) code 302030 or Bloomberg Barclays Industry Classification Scheme (Level 4) code 8392.

For the avoidance of doubt, such limitation does not apply to:

- any securitised debt obligations or other pooled vehicle instruments, which are not primarily tobacco-related;
- the underlying holdings of index derivatives; and
- derivatives linked to a basket of credit entities such as CDX and iTraxx index families.

All global equity Investments are fully invested in our Asset Consultant's **Socially Responsible Investment Trust** which has a range of exclusions as part of the Investment mandate, listed below:

- Alcoholic Beverages Production
- Gambling Operations & Specialised Equipment
- Gambling Supporting Products/Services
- Tobacco Production
- Controversial Weapons
- Adult Entertainment Production & Distribution
- Thermal Coal Extraction
- Oil Sands Extraction
- Oil & Gas Production – Exploration & Production
- Nuclear Production
- Palm Oil Production
- UN Global Compact breaches (includes responsible human rights, labour, environmental and anti-corruption practices)

As one of HCF's high-priority Sustainability Objectives, HCF expects our Asset Consultant to appropriately consider the risks and opportunities arising from climate change. Our Asset Consultant is committed to a low carbon future and will accordingly be transitioning HCF's Investments towards that state, utilising interim and final targets for emissions reduction.

HCF will seek opportunities to engage **positive impact/SDG aligned investing** subject to appropriate consideration of the expected risk, return and liquidity factors ensuring alignment with the HCF Investment Policy and its Investment objectives.

HCF has invested \$30m in impact / green bonds as part of its sustainable corporate goals, which are aligned to the following United Nations Sustainable Development Goals (SDG):



- 3 – good health and wellbeing
- 5 – gender equality
- 8 – decent work and economic growth
- 10 – reduced inequalities
- 13 – climate action
- 17 – partnerships for the goals

HCF continues to explore further opportunities for investment in SDG aligned investment funds.

COLLABORATIONS	<p>HCF takes ESG responsibility seriously and actively supports a number of collaborations on sustainable initiatives. Below is a non-exhaustive list of collaborations HCF is involved with:</p> <ul style="list-style-type: none"> • BCCM (Business Council of Co-operatives and Mutuals) The sustainable mutual business program: Integrating mutual value with ESG. • HCF Research Foundation: mission is to improve health and wellbeing outcomes for HCF members and all Australians by being a leading funder of high-quality research into the provision, administration and delivery of health services in Australia for the benefit of HCF members and all Australians. • Kaiser Permanente Ventures: purpose is to make investments into companies with the potential to improve the quality, affordability, and provision of healthcare. 														
GOVERNANCE	<p>HCF acknowledges that sustainable investment is an evolving area and the approach to sustainability as well as the implementation of that approach needs to be monitored. The HCF Board receive reports on the implementation of this policy on a regular basis and are notified of any material developments in relation to the implementation of this policy.</p> <p>This policy will be reviewed at least every two years by the Chief Financial Officer to ensure it remains appropriate.</p> <p>The review of the policy is to include an assessment of HCF's sustainability approach to ensure it is appropriate and effective. All amendments must be recommended to the Board for approval.</p> <p>The Chief Financial Officer must report to the Board on the progress of the implementation of the policy on an annual basis. This policy will be made available to HCF members via the HCF website.</p>														
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Approved by:

	Date	Signature
Chief Financial Officer	December 2021	<i>Harry Robertson</i>
Head of Legal – MANDATORY for Board policy	December 2021	<i>Stuart Barnard</i>

<p>More information</p>  <p>GO TO The Policy Hub</p>	<p>Need help?</p>  <p>If you have any questions relating to this Policy, please speak with your line manager.</p>
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Schedule 1: Investment manager evaluation and monitoring process

Our Asset Consultant's approach to evaluation, selection and monitoring of Investment Managers as it relates to ESG is described below.

1. Evaluation and Assessment (prior to being approved by our Asset Consultant)

Our Asset Consultant's approach to investment manager evaluation and selection is consistent across all asset classes:

- Our Asset Consultant seeks to understand a manager's philosophy in relation to ESG and how this translates to consideration of ESG factors in their investment process.
- When assessing an investment manager our Asset Consultant will look for consistency between the manner in which an investment manager considers ESG factors and their approach to all other factors that may influence their approach. Some investment managers consider ESG factors comprehensively but do not necessarily label their approach as 'ESG'.
- Our Asset Consultant will identify whether an investment manager is a signatory of the Principles of Responsible Investment and/or a member of any responsible investment organisations. However, this will not be a sole determining factor in the assessment of a manager's credentials in relation to ESG risk management.
- An assessment of an investment manager's approach to ESG is an element of our Asset Consultant's formal manager evaluation process. Formal manager evaluation is conducted on a peer-relative basis with consideration to the investment manager's asset class and strategy. An investment manager must meet minimum standards in order to be regarded appropriate for investment.
- The selection of investment managers for investment portfolios will balance the investment manager's approach to ESG with other investment considerations.

2. Monitoring

Our Asset Consultant:

- monitors all Investment Managers to ensure their client portfolios are managed in line with expectations of the investment approach and mandate;
- discusses ESG issues with Investment Managers on a regular basis as part of regular monitoring meetings;
- is of the view that discussing ESG as it relates to specific investments and decisions is the most fruitful means of understanding how integrated ESG is in an Investment Manager's investment process. This may include discussing ESG risks, opportunities or the Investment Manager's engagement and voting behaviour in relation to a specific Investment; and
- will have dedicated meetings to address ESG matters where it is considered relevant. This may include meetings with dedicated ESG personnel.

3. HCF Reporting

- Our Asset Consultant report at least annually to HCF on each Investment Manager's ESG assessment rating and more frequently if there are any concerns identified. The 'Investment Manager ESG Assessment Report' is discussed with senior management and the HCF Board.

Schedule 2: ESG Factors

ESG Factors are defined as any ESG or other sustainability-related factors which have the potential to impact the risk adjusted performance of an investment. ESG Factors may arise in relation to a range of investments including, but not limited to, listed and unlisted equities, fixed interest and property. Where the investment pertains to a company, ESG factors can arise directly through the entity's own operations, or indirectly through those of its customers and suppliers, or may additionally relate to the industry or regulatory environment in which the company operates.

For illustrative purposes, potential ESG factors that may be relevant include, but are not limited to, the following:

Environment	Social	Governance
Air and water pollution Biodiversity loss and ecosystem Climate Change Deforestation Energy efficiency & greenhouse gas emissions reduction Natural Capital depletion Natural disaster risk Policy and regulatory change Resource scarcity Waste management Water scarcity	Animal Welfare Community Investment Conflict & security Consumer protection Customer satisfaction Diversity and equal opportunities Financial and social inclusion Human capital development Human rights Improper land acquisition Indigenous rights and the application of Free, prior and informed consent Industrial relations Labour standards Occupational health & safety Population demographic change Product safety and liability Societal health and wellbeing Stakeholder engagement	Anti-competitive behaviour Audit committee structure Board composition Bribery and corruption Business ethics and conduct Executive remuneration Legal and regulatory framework Market conduct Regulatory compliance Reporting and disclosure Stakeholder dialogue Tax payment Transparency