




The image shows two overlapping forms from the PRI LEA (Leadership Engagement) toolkit. The top form is LEA 02, titled 'Discretionary Monitoring', and the bottom form is LEA 03, titled 'Gateway'. Both forms are designed for monitoring and reporting on engagement activities. LEA 02 includes sections for 'Type of engagement' (Individual/Internal staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To influence corporate practice, To influence ESG issues, To support investment decision-making in a company's strategy, To influence corporate practice for identifying the need to influence corporate practice, To influence corporate practice for identifying the need to influence corporate practice). LEA 03 includes sections for 'Type of engagement' (Individual/Internal staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To influence corporate practice, To influence ESG issues, To support investment decision-making in a company's strategy, To influence corporate practice for identifying the need to influence corporate practice, To influence corporate practice for identifying the need to influence corporate practice).

RI TRANSPARENCY REPORT

2013/14

HESTA Super Fund



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 04	Objectives for engagement activities	🔒	n/a		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

HESTA Super Fund

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

105

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
- ☒ No

OO 03.3	Additional information. [Optional]
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HESTA has no subsidiaries.

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1	Indicate the year end date for your reporting year.
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31/12/2013

OO 04.2	Indicate your total AUM at the end of your reporting year.
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	trillions	billions	millions	thousands	hundreds
Total AUM		24	259	816	000
Currency	AUD				
Assets in USD		21	913	864	063

OO 04.3	Indicate the level of detail you would like to provide about your asset class mix.
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- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06	Mandatory	Descriptive	General
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OO 06.1	To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.
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- ☒ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	52
Fixed income – corporate	0	3
Fixed income – government	0	7
Fixed income – other	0	0
Private debt	0	4
Private equity	0	5
Property	0	9

Infrastructure	0	10
Commodities	0	0
Hedge funds	0	0
Forestry	0	1
Farmland	0	0
Inclusive finance	0	0
Cash	0	7
Other (1), specify	0	2
Other (2), specify	0	0

	'Other (1)' specified
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Opportunistic Growth

- ☐ Publish our asset class mix as broad ranges
- ☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.
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	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	100%

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08

Mandatory to Report Voluntary to Disclose

Peering

General

OO 08.1

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09

Voluntary

Descriptive

General

OO 09.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

HESTA is the industry super fund for the health and community services. Since 1987, HESTA has grown to become the largest super fund dedicated to this industry. Today we serve more than 750,000 members and 100,000 employers. HESTA has a history of strong, long-term returns.

We keep fees low, and we don't pay commissions to financial advisers. We're also committed to providing members with outstanding benefits, and helping them take control of their future with quality education and advice about super. Industry super funds are run to benefit members - not profit from them. Although they were originally set up to serve certain industries, today anyone can join an industry super fund. Those who work in the health and community services industry support Australians when they need it most.

We're proud to play a key role in helping our members create the future they desire. Our Board of 13 Trustee Directors is made up of representatives from the industry's employer and employee organisations. This helps us to make sure we continue to provide super education and advice services that are relevant to our members' particular needs.

Gateway asset class implementation indicators

OO 10**Mandatory****Gateway****General****OO 10.1**

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 11**Mandatory****Gateway****General**

OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Private debt
- ☒ Private equity
- ☒ Property
- ☒ Infrastructure
- ☒ Forestry
- ☐ Cash
- ☒ Other (1)
- ☐ None of the above

'Other (1)' [as defined in OO 05]

Opportunistic Growth

OO 11.3

Additional information. [Optional]

We have not identified any way in which we can meaningfully incorporate ESG issues and/or active ownership in the selection, appointment and/or monitoring processes in relation to cash.

OO 12**Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government
- ☒ Private Debt
- ☒ Private Equity
- ☒ Property
- ☒ Infrastructure
- ☒ Forestry
- ☒ Other (1)

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

HESTA Super Fund

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

Motivation

To achieve our goal of maximising HESTA members' investment returns while minimising risk, we must consider environmental, social and governance (ESG) factors alongside traditional financial analysis in making investment decisions. We believe that ESG issues are important to an investment's long-term value. Understanding these factors help us to understand an investment's risks and opportunities - and long-term sustainability.

Purpose

The purpose of this policy is to formally outline HESTA's principles and commitments in relation to the incorporation of Environmental, Social and Governance (ESG) considerations into investment processes and decision-making.

Scope

The ESG Policy applies to all of HESTA's investments including:

- all types including direct, mandated and pooled
- all styles including active and passive
- all classes including Australian and international shares, property, unlisted and listed infrastructure, private - equity, global bonds and timber
- all geographic locations.

The way in which HESTA incorporates ESG considerations into investment processes and decision-making will differ depending on these investment characteristics.

As the ESG Policy applies to all of HESTA's investments, in general HESTA does not seek to restrict investment through the use of exclusions based on ESG considerations. However, HESTA does have one investment choice - the Eco-Pool - that has both positive and negative screens (the latter excludes investments in companies involved in the production, distribution or sale of tobacco products or mining or processing of uranium).

Implementation

HESTA will incorporate ESG issues into investment processes and decision-making including:

- implementing the United Nations Principles for Responsible Investment (UNPRI)
- considering ESG in the allocation of assets and the structure and diversification of the portfolio
- considering ESG in the selection of external fund managers appointed to manage money on behalf of HESTA and its members - and incorporate ESG into the agreements (Investment Management Agreements) HESTA has with external fund managers
- being an active owner by voting all of the shares that it is able to and engage with companies to improve their corporate governance
- being active in public policy in relation to ESG matters - either directly or via like-minded organisations - on - issues that are of market-wide significance and material in terms of the economic interests of our members
- understanding the impact of key ESG issues such as climate change and carbon-related risks and opportunities within each of the major asset classes and across the portfolio as a whole, and
- collaborating with other organisations to achieve these objectives.

HESTA will prioritise activities to implement this policy in accordance with the asset allocations,

the importance of the ESG issue and the potential for HESTA to influence change (affected by investment types and styles).

Approval

This policy was first approved by HESTA's Board in April 2010. The most recent revisions to this policy approved by the Board in December 2012.

Review

This policy will be reviewed every three years in line with HESTA's strategic review process. In addition, this policy is required to be updated as necessary to reflect changes in:

- the legal or regulatory environment as it relates to ESG
- the asset classes in which HESTA invests
- the investment processes including asset allocation, portfolio structuring and diversification, asset consultant and investment manager selection and management and investment analysis
- strategic or operational changes to HESTA
- member or community expectations.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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☒ Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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<http://www.hesta.com.au/why-join-hesta/responsible-investment/our-commitment.html>

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☐ Yes, all

☒ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Active Ownership Policy	http://www.hesta.com.au/why-join-hesta/responsible-investment/our-commitment.html
Climate Change Policy	http://www.hesta.com.au/why-join-hesta/responsible-investment/our-commitment.html

☐ No

OA 02.5	Additional information. [Optional]
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All HESTA's policies related to Responsible Investment are publically available. Detailed procedure documents for implementing elements of Responsible Investment are not publically available.

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input checked="" type="checkbox"/> Other, specify Specific guidelines on climate change <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

ESG Policy applies to all of HESTA's investments. In general HESTA does not seek to restrict investment through the use of exclusions based on ESG considerations. However, HESTA does have one exclusion on the production, distribution or sale of tobacco products which is applicable to the entire fund.

HESTA also have one investment choice - Eco-Pool - that has both positive and negative screens. The latter excludes investments in companies involved in the production, distribution or sale of mining or processing of uranium (in addition to the fund wide exclusion on the production, distribution or sale of tobacco products).

OA 04**Mandatory****Core Assessed****General****OA 04.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

HESTA has a range of policies managing and mitigating potential conflicts of interest in the investment process.

Conflicts Management Framework and Policy

An overarching policy defining conflicts and how they will be managed.

Compliance Plan

Documents the regulatory obligations that must be met when managing conflicts - specifically those arising from Superannuation Prudential Standard 521.

Risk Management Framework and Strategy

Documents the controls implemented to manage the risks associated with conflicts.

Fit and Proper Policy

Requires conflicts to be considered during the initial and ongoing assessment of the propriety of Responsible Persons.

Outsourcing Policy

Requires conflicts to be considered during the appointment of material outsource service providers (including investment managers).

Record Keeping Policy

Requires documents to be maintained in relation to the management of any conflicts.

☐ No

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

☒ At least once per year

☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
☐ Biannually
☐ Annually
☐ Every two years or less
☐ It is not reviewed
☐ No

OA 05.4

Additional information. [Optional]

HESTA incorporates objectives for its responsible investment activities in our 5 year Strategic Plan, our Annual Action Plan and our quarterly Scorecard. The review of performance against these objectives occurs quarterly (through the quarterly Scorecard).

OA 06	Voluntary	Descriptive	General
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OA 06.1

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Continue to develop and roll-out strategies to incorporate more ESG analysis within asset classes other than Australian Equities.
Key performance indicators	Evidence from fund managers that ESG analysis is demonstrable in their processes.
Describe the progress achieved	Undertook ESG reviews of all prospective managers and a cross section of managers across key asset classes including equities, property and private equity.

☒ Add responsible investment objective 2

Objective 2	Increase the Fund's assets managed by PRI signatories.
Key performance indicators	Percentage of AUM managed by PRI signatories.
Describe the progress achieved	Percentage of AUM managed by PRI signatories increased from 66% to 70%.

☒ Add responsible investment objective 3

Objective 3	To cast votes on all listed equities where applicable.
Key performance indicators	Percentage of votes cast, either directly or by third parties, against those that could have been cast.
Describe the progress achieved	98% of votes cast. Votes not cast were largely due to absence of a valid PoA in some PoA markets.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Continue to develop and roll-out strategies to incorporate more ESG analysis within asset classes other than Australian Equities.
Key performance indicators	Evidence from fund managers that ESG analysis is demonstrable in their processes.

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Increase the Fund's assets managed by PRI signatories.
Key performance indicators	<div>key performance indicator 2</div> Percentage of AUM managed by PRI signatories.

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	To cast votes on all listed equities where applicable.
Key performance indicators	Percentage of votes cast, either directly or by third parties, against those that could have been cast.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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HESTA's Responsible Investment program is the responsibility of the full Board of HESTA Trustees. In particular, the Board is responsible for approving the ESG Policy, Active Ownership Policy and Climate Change Policy, monitoring implementation of these policies at least annually, and ensuring they are reviewed every three years. HESTA's Board approves annual ESG priorities and programs to implement the ESG Policy and Active Ownership Policy and monitors their achievement quarterly through the HESTA Scorecard and at the end of each year through the review of the HESTA Action Plan.

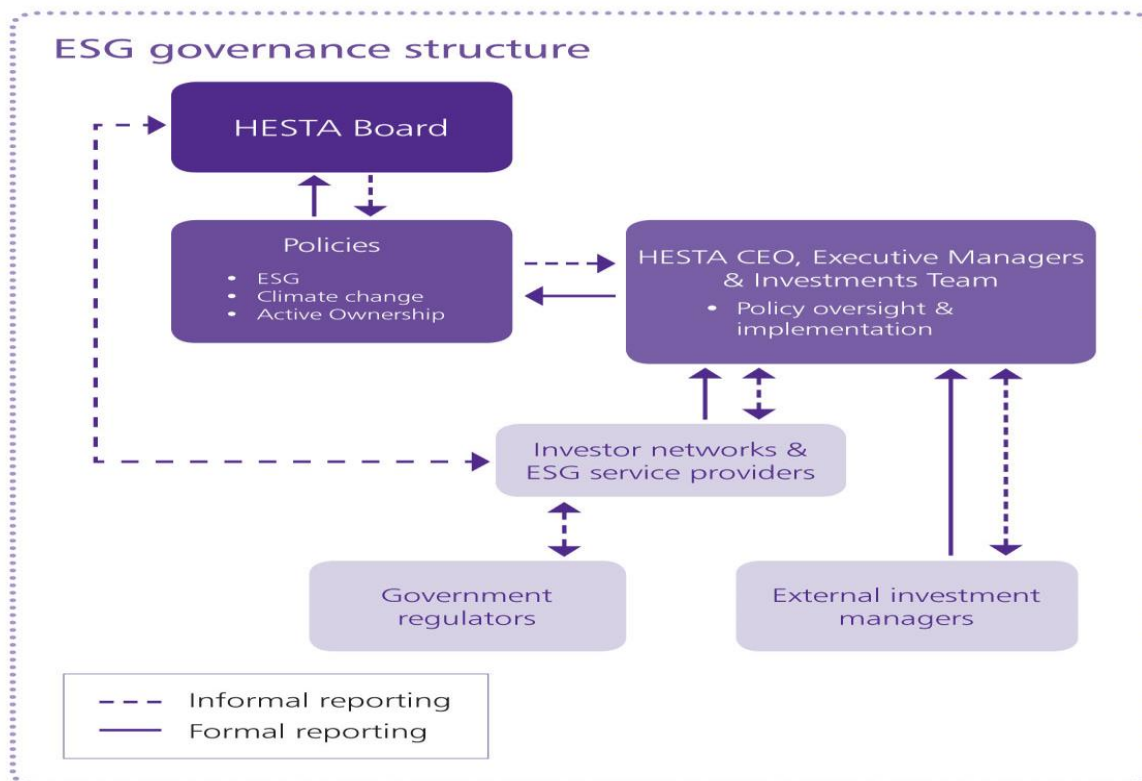
The Executive Manager - Investments and Governance is responsible for providing oversight of and guidance on the implementation of the ESG Policy, Active Ownership Policy and Climate Change Policy.

The Investment Manager - ESG is responsible for coordinating and implementing the ESG Policy, Active Ownership Policy and Climate Change Policy and for providing advice on the implementation of the Policies to HESTA's investment team and other relevant HESTA staff. The Investment Manager - ESG works closely with ESG service providers and collaboratively with investor networks, other asset owners and asset managers to implement HESTA's ESG Policy, Active Ownership Policy and Climate Change Policy.

The responsibility of the investment team is to undertake all investment processes and decision making consistent with the achievement of HESTA's ESG Policy, Active Ownership Policy and Climate Change Policy.

All HESTA employees are responsible for assisting with the implementation of HESTA's ESG Policy, Active Ownership Policy and Climate Change Policy where relevant.

☒ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)



To upload the image click the Save button below

OA 08	Mandatory	Gateway/Core Assessed	General
OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.		

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify
 - All HESTA staff**
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☐ Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

1.5

OA 09

Voluntary

Additional Assessed

General

Board members/Board of trustees

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role**All HESTA staff**

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

The performance of the Investment Manager - ESG is evaluated through a formal performance assessment undertaken annually. Performance is evaluated against a framework including responsibilities, objectives, specific activities, KPIs and training and development. Remuneration for all HESTA staff including the Investment Manager - ESG is 100% fixed pay i.e. no variable pay. As such, the 'Variable pay linked to responsible investment performance' is 'not applicable' rather than no link.

Promoting responsible investment

OA 10**Mandatory****Core Assessed****PRI 4,5****OA 10.1**

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

- ☐ Asian Corporate Governance Association
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a member of ACSI and has been its inception in 2001.

HESTA is a very active participant in ACSI with HESTA's CEO being on the ACSI Board and a HESTA Trustee Director being on the ACSI Member Council. HESTA's Investment Manager - ESG is a participant on the ACSI ESG Group.

HESTA actively provides input to ACSI policy and programs and promote ACSI and their policy and programs in the broader investment market.

☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a signatory to CDP Climate Change and has been since 2007.

- ☐ CDP Forests
☐ CDP Water
☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☐ Global Real Estate Sustainability Benchmark (GRESB)
☐ Institutional Investors Group on Climate Change (IIGCC)
☐ Interfaith Center on Corporate Responsibility (ICCR)
☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a signatory to ICGN and has been since 2007.

HESTA have regularly attended ICGN annual conferences. From time to time HESTA has contributed to the development of ICGN policy.

☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a member of IGCC and has been since incorporation of the association in 2006.

HESTA is a very active participant in IGCC with HESTA's Executive Manager - Investments and Governance being on the IGCC Management Committee and HESTA's Investment Manager being on the Low Carbon Finance Working Group.

HESTA actively provides input to IGCC policy and programs and promotes IGCC and their policy and programs in the broader investment market.

☐ Investor Network on Climate Risk (INCR)/CERES

☐ Local Authority Pension Fund Forum

☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a member of the PRI and has been since 2007.

HESTA is an active participant in PRI with HESTA's Investment Manager - ESG a participant on the Private Equity Working Group.

HESTA have regularly attended PRI annual conferences. From time to time HESTA has contributed to the development of PRI policies and papers.

HESTA promote PRI and their policies and programs to our external investment managers and the broader investment market.

☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

RIAA

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a signatory to RIAA and has been since 2009.

HESTA have regularly attended RIAA conferences. From time to time HESTA has contributed to the development of RIAA policies and papers.

- ☐ Shareholder Association for Research and Education (Share)
☐ United Nations Environmental Program Finance Initiative (UNEP FI)
☐ United Nations Global Compact
☒ Other collaborative organisation/initiative, specify

Regnan - Governance Research and Engagement

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a founding shareholder of Regnan (founded in 2007).

HESTA is a very active participant in Regnan with HESTA's Executive Manager - Investments and Governance being on the Regnan Board of Directors.

From time to time HESTA has contributed to the development of Regnan policies and papers.

☒ Other collaborative organisation/initiative, specify

ESG Research Australia (ESG RA)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

HESTA is a member of ESG RA and has been founding the association in 2009.

HESTA is a very active participant in ESG RA with HESTA's Executive Manager - Investments and Governance Chair of the association (and has been for the past 5 years). For five years until 30 June 2013 HESTA provided the secretariat support for ESG RA.

HESTA actively promote ESG RA to our external investment managers and the broader investment market.

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☒ Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☐ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☐ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☒ Other, specify

Annual ESG issue survey of external managers - resulting in the preparation of good practice guidelines specific to individual asset classes.

☐ No

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☒ Yes

- ☐ Yes, individually
- ☒ Yes, in collaboration with others

OA 12.2

Select the methods you have used.

- ☒ Endorsed written submissions to governments, regulators or standard-setters developed by others
- ☐ Drafted your own written submissions to governments, regulators or standard-setters
- ☐ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

OA 12.3

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

☒ Yes, publicly available

provide URL

<http://www.acsi.org.au/acsi-guidelines23/policy-submissions.html>

provide URL

http://www.regnan.com.au/resources_esg.php

provide URL

<http://www.hermes.co.uk/eos/en-au/literature/publicpolicyconsultations.aspx>

☐ No

☐ No

OA 12.4

Additional information.

HESTA has appointed expert third-party service providers to undertake engagement with public policy makers on ESG issues on our behalf. Globally, HESTA has appointed Hermes Equities Ownership Services (EOS) and in Australia we have appointed the Australian Council of Superannuation Investors (ACSI) and Regnan - Governance Research & Engagement to undertake engagement with public policy makers.

HESTA contributes to the development of Hermes EOS', ACSI's and Regnan's public policy engagement plans and reviews the success of these engagement activities quarterly.

Hermes EOS, ACSI and Regnan prepare a range of submissions to governments, regulators or standard setters on ESG issues. HESTA support these submissions. These submissions are available on the website pages provided above.

ESG issues in asset allocation

OA 13

Voluntary

Descriptive

PRI 1

OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☒ Yes

OA 13.2

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

HESTA has an informal risk assessment framework for identifying ESG risks and opportunities related to our asset allocation. As a result of this risk assessment HESTA has made allocations to investments which explicitly consider ESG issues.

☐ No

OA 14

Voluntary

Descriptive

PRI 1

OA 14.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

OA 14.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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	% of total AUM
--	----------------

6

OA 14.3	Please specify which thematic area(s) you invest in and provide a brief description.
----------------	--

	Area
--	------

☒ Clean technology

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☒ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Forestry
- ☐ Other (1)

☒ Green buildings

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☒ Property
- ☐ Infrastructure
- ☐ Forestry
- ☐ Other (1)

☒ Sustainable forestry

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☒ Forestry
- ☐ Other (1)

- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Other area, specify

☐ No

Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

HESTA seeks to seed innovative investments which explicitly factor in E, S and/or G issues. For example, in 2012-13 we had two such investments which we had seeded including:

(i) a Low Carbon Equities strategy managed by Industry Funds Management (IFM) which aimed to track the return of the benchmark but with a carbon footprint that is fifty per cent lower than an equivalently sized portfolio invested in the benchmark. The Low Carbon Equities portfolio provides a tilt to companies with lower carbon emissions and

(ii) The Highland Good Steward Global Bond Fund which incorporates a range of ESG issues in the investment analysis and engagement with the aim of reducing risk and obtaining additional alpha. Highland Good Steward Management (HGSM) facilitates the provision of detailed ESG research and analysis on each company in the universe, which is then used by the investment advisor, PIMCO, in their investment analysis and portfolio construction. HGSM also facilitates dedicated ESG engagement activities with both portfolio candidates and portfolio holdings companies.

Active Ownership

HESTA has taken back the voting for companies in which we are invested in our home market. In determining the way in which we will vote we engage with our external equities managers holding the shares in the companies on our behalf (sometimes up to 10 different managers). We consolidate all the feedback our external equities managers on each resolution and along with advice from a proxy voting advisor we determine the way in which we will vote. Following the vote we provide feedback where relevant to our external equities managers and request that they share this feedback with the company in question.

Benefits of this approach are that it:

- evidences HESTA's commitment to active ownership
- ensures consistency on voting for companies in which HESTA is invested
- ensures appropriate consideration of any contentious resolutions by our managers
- facilitates greater understanding by our managers of HESTA's view on key governance issues
- encourages increased engagement by our managers with companies on key governance issues and
- enhances knowledge and understanding on key governance issues across the industry.

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

The reported information has been reviewed and approved by HESTA's investment managers for each asset class.

The reported information has also been reviewed and approved by HESTA internal compliance team.

The final sign-off on the reported information is provided by HESTA's Chief Investment Officer (Executive Manager - Investments& Governance).

☐ No

HESTA Super Fund

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.
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Manager Selection

When considering a new fund manager HESTA and its consultants or advisors will assess the prospective Manager's:

- Approach to incorporating ESG within its investment processes and decision making.
- Activities associated with incorporating ESG within its investment processes and decision making.
- Capabilities related to ESG including tools and resources.

The ESG assessment of a prospective fund manager will only be one of a range of factors which determine the suitability of the manager and its strategy for HESTA.

HESTAs ESG assessment is undertaken by the relevant HESTA Investment Manager with support and advice from the HESTA Investment Manager - ESG. It is conducted through (i) a desktop review of the ESG assessment provided by HESTA's advisor, (ii) a desk top review of any documented ESG information e.g. policies, reports etc, provided by the prospective manager and (iii) an ESG meeting with the prospective manager.

Manager Appointment

ESG requirements are incorporated into contractual arrangements with investment managers, either through investment management agreements or side letters.

Monitoring of Managers

Each year HESTA conducts manager reviews. An update on the ESG assessment will be undertaken as part of these annual reviews. The annual reviews consist of:

- A review of ESG information provided by Managers as part of their regular investment reports to HESTA.
- A review of ESG information provided by Managers in response to requests from HESTA including the response to the HESTA Annual ESG Issue Survey.
- A dedicated ESG review meeting i.e. a face-to-face meeting to discuss the manager's approach, activities and capabilities related to ESG.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.
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☒ Yes

**SAM
02.2**

Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]

☒ We use investment consultants in our selection and appointment of external managers

Asset class

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☒ We use investment consultants in our monitoring of external managers

Asset class

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☐ We use fiduciary managers

**SAM
02.3**

Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.

- ☒ Responsible investment is included in the selection process for investment consultants
- ☒ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- ☒ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- ☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 02.4	Additional information. [Optional]
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The appointment of investment consultants or advisors occurs only very infrequently. However, in any future selection, appointment or reappointment of investment consultants or advisors we would consider their approach to, and capabilities in, responsible investment.

For example, during the reporting period, HESTA appointed a dedicated private equity investment advisor. We included ESG as part of the due diligence and assessment process in several ways:

- The Request for Proposal (RFP) highlighted HESTA's commitment and approach to ESG and requested information on the advisor's approach to ESG integration (including their responsible investment or ESG policy).
- ESG integration was included as one of six key criteria for assessment of responses.
- The Investment Management Agreement (IMA) with the successful advisor contains a range of ESG clauses including the requirement to have regard to HESTA's ESG Policy and to report on ESG matters.

SAM 03	Mandatory	Gateway	General
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SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
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Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Forestry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other (1) [as defined in Organisational Overview module]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

SAM 03.2	Additional information. [Optional]
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HESTA investment consultants or advisors consider responsible investment factors in investment manager selection, appointment (investment management agreements/contracts) and monitoring across all our asset classes.

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
SAM 04.1	Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.			
	Listed equity (LE)			

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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	Active investment strategies
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Active investment strategies	LE	FIC	FIG
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thematic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Passive investment strategies
--	-------------------------------

Passive investment strategies	LE	FIC	FIG
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
05.2**

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
We require our external managers to engage on our behalf	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

Selection

SAM 06

Mandatory

Core Assessed

PRI 1-6

**SAM
06.1**

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE	FIC	FIG
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess how the manager incentivises brokers to provide ESG research	<input checked="" type="checkbox"/>	n/a	n/a
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Evaluate index providers' ESG incorporation when designing the index	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	FIC
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>
Other engagement issues in your selection process, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

We also review any ESG resources and tools used to incorporate ESG into investment processes and decision making.

**SAM
06.2**

Provide additional information relevant to your organisation's selection approach for listed assets. [Optional]

Assigning specific weighting to ESG factors in the manager evaluation

While HESTA's investment consultants or advisors assign specific weighting to ESG factors in the evaluation of prospective managers, the weighting applied to ESG factors is not subject to a prescriptive formula nor is it expressly quantitative. ESG factors are one of the key considerations in selecting managers/products for instance. The degree of weighting will vary according to a range of factors including the investment strategy and the asset class i.e. the ability to integrate ESG factors/issues in a material way. It is therefore subjective and qualitative in the manner that it is applied.

Appointment

SAM 07**Voluntary****Additional Assessed****PRI 4****SAM
07.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE	FIC	FIG
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in investment management agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagement

	FIC
Specific requirements relating to engagement	<input type="checkbox"/>
Other RI considerations relating to engagement in investment management agreements, specify	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>

Reporting

	LE	FIC	FIG
Reporting on the agreed responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to reporting in investment management agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Other general RI considerations

All new listed investment management agreements also require:

- The Manager to acknowledge the Trustee's view that ESG issues have the potential to impact investment risks and returns and that considering these issues alongside traditional financial and business risk factors in investment decision-making can improve long-term risk-adjusted returns.
- The Manager to have regard to the Trustee's ESG Policy and Active Ownership Policy and the PRI.
- The Manager to agree to consider ESG risks, opportunities and/or performance in their investment processes and monitoring of portfolio assets including (without limitation) encouraging portfolio Asset management to identify, manage and minimise material ESG risks, opportunities and/or improve performance in their ordinary business activities.

Other RI considerations relating to reporting

All new listed investment management agreements include the requirement to report the following information:

- The development and/or implementation of any policies and/or process regarding ESG.
- How the Manager considered ESG risks, opportunities and/or performance when making investments for the portfolio including any examples of where it impacted the investment decisions during the period.
- Any actions to improve the ESG performance of portfolio assets or the portfolio during the period.
- Any material changes to ESG risks, opportunities or performance at the portfolio asset or portfolio level during the period.

**SAM
07.2**

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.

Almost all investment management agreements include ESG clauses and all new investment management agreements will include ESG clauses.

There are a small number of investments in co-mingled vehicles. Where possible we have incorporated ESG clauses into side letters.

Monitoring

SAM 08

Mandatory

Core Assessed

PRI 1

**SAM
08.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE	FIC	FIG
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	FIC
Review the ESG information relevant to the engagements	<input type="checkbox"/>
Discuss the number of engagements and their comprehensiveness	<input type="checkbox"/>
Discuss the type of role played (i.e. leading or supporting)	<input type="checkbox"/>
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input type="checkbox"/>
Other ways you monitor engagement activities, specify	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>

If you select any 'Other' option(s), specify

Throughout the reporting period, ESG integration and ESG issues were discussed during monitoring and review meetings with our managers. In addition, our managers across all asset classes were requested to respond to HESTA's Annual ESG Issue Survey, which during the reporting period was on bribery and corruption. The large majority of our managers across all asset classes responded to the survey. HESTA assessed and rated the responses. Based on responses to the Annual ESG Issue Survey, HESTA prepared a 'Good Practice Guide' for managers in each asset class. We discuss the manager's response to the Annual ESG Issue Survey during monitoring and/or review meetings.

**SAM
08.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

There are two main elements to the monitoring of our managers in relation to ESG integration. Firstly, in addition to including responsible investment as an agenda item at performance review meetings we conduct a dedicated annual ESG review meeting with our listed equities managers. Secondly, as outlined above, we request that our managers across all asset classes respond to HESTA's Annual ESG Issue Survey. HESTA then assessed and rated the responses and based on their responses, HESTA prepared a 'Good Practice Guide' for managers in each asset class. We then discuss the manager's response to the Annual ESG Issue Survey during the annual ESG review meeting.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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SAM 10.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:
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	General
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	PE	PR	INF
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Investment selection (pre-investment) of underlying holding
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	PE	PR	INF
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Other pre-investment aspects reviewed in your selection process

Under some investment management agreements with managers HESTA has a 'right of veto' on certain investments (e.g. co-investments) on ESG grounds. This right of veto has been used to drive improved research and due diligence in property and has been exercised to veto several potential private equity co-investments.

**SAM
10.2**

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

Assigning specific weighting to ESG factors in the manager evaluation

While HESTA's investment consultants or advisors assign specific weighting to ESG factors in the evaluation of prospective managers, the weighting applied to ESG factors is not subject to a prescriptive formula nor is it expressly quantitative. ESG factors are one of the key considerations in selecting managers/products for instance. The degree of weighting will vary according to a range of factors including the investment strategy and the asset class i.e. the ability to integrate ESG factors/issues in a material way. It is therefore subjective and qualitative in the manner that it is applied.

Appointment

SAM 11

Voluntary

Additional Assessed

PRI 4

**SAM
11.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE	PR	INF
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment selection in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment monitoring in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reporting

	PE	PR	INF
Reporting on the agreed ESG implementation activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on company incidents relating to ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to reporting in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Other general RI considerations

All new non-listed investment management agreements also require:

The Manager to acknowledge HESTA's view that ESG issues have the potential to impact investment risks and returns and that considering these issues alongside traditional financial and business risk factors in investment decision-making can improve long-term risk-adjusted returns.

The Manager to have regard to the Trustee's ESG Policy and Active Ownership Policy, and the PRI.

The Manager to agree to consider ESG risks, opportunities and/or performance in their:

- Investment including due diligence, ownership and exit processes; and
- Monitoring of Portfolio Assets including (without limitation) encouraging Portfolio Asset management to identify, manage and minimise material ESG risks, opportunities and/or improve performance in their ordinary business activities.

The Manager to agree to facilitate communication between the Trustee and certain portfolio companies regarding ESG issues.

Other RI considerations relating to investment selection in agreements

All non-listed investments provide HESTA with the ability to 'veto' underlying investments on ESG grounds.

Other RI considerations relating to reporting in agreements

All new non-listed investment management agreements include the requirement to report the following information:

- The development and/or implementation of any policies, process and fund terms regarding ESG.
- How the Manager considered ESG risks, opportunities and/or performance when making investments for the Portfolio including any examples of where it impacted the investment, ownership or exit activities during the period.
- Any material ESG-related incidents at the Manager or Portfolio Assets including actions taken in response to the incident, within a specified timeframe
- Where relevant, a summary of key ESG performance indicators for each Portfolio Asset including electricity consumption (kwh), water consumption (ltrs), greenhouse gas emissions (tonnes CO2-e), waste generation (tonnes) and recycling (tonnes).
- Where relevant, actions to improve the ESG performance of Portfolio Assets during the period.

**SAM
11.2**

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

Almost all investment management agreements include ESG clauses and all new investment management agreements will include ESG clauses.

However, in the non-listed asset classes the majority of investments are in co-mingled vehicles. Where possible we have incorporated ESG clauses into side letters.

Monitoring

SAM 12**Mandatory****Core Assessed****PRI 1-6****SAM
12.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE	PR	INF
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other asset classes

SAM 13	Voluntary	Descriptive	PRI 1-6
SAM 13.1	Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:		

Asset Class	Description
Private debt	<p>Manager Selection</p> <p>When considering a new fund manager HESTA and its investment consultants or advisors will assess the prospective Manager's:</p> <ul style="list-style-type: none"> • Approach to incorporating ESG within their investment processes and decision making. • Activities associated with incorporating ESG within their investment processes and decision making. • Capabilities related to ESG including tools and resources. <p>There is an increased emphasis on governance issues with these types of investments due to the more concentrated form of counterparty risk.</p> <p>The ESG assessment of a prospective fund manager will only be one of a range of factors which determine the suitability of the manager's fit with HESTA's requirements.</p> <p>HESTA's ESG assessment is undertaken by the relevant HESTA Investment Manager with support and advice from the HESTA Investment Manager - ESG. It is conducted through (i) a desktop review of the ESG assessment provided by the asset consultant, (ii) a desk top review of any documented ESG information e.g. policies, reports etc, provided by the prospective manager and (iii) an ESG meeting with the prospective manager.</p> <p>Manager Appointment</p> <p>ESG requirements are incorporated into contractual arrangements with investment managers, either through investment management agreements or side letters.</p> <p>Monitoring of Managers</p> <p>Each year HESTA and its investment consultants or advisors conduct manager reviews. An update on the ESG assessment will be undertaken as part of these annual reviews. The annual reviews consist of:</p> <ul style="list-style-type: none"> • A review of ESG information provided by Managers as part of their regular investment reports to HESTA. • A review of ESG information provided by Managers in response to requests from HESTA including the response to the HESTA Annual ESG Issue Survey. • A dedicated ESG review meeting i.e. a face-to-face meeting to discuss the manager's approach, activities and capabilities related to ESG.
Forestry	<p>Manager Selection</p> <p>When considering a new fund manager HESTA and its investment consultants or advisors will assess the prospective Manager's:</p> <ul style="list-style-type: none"> • Approach to incorporating ESG within their investment processes and decision making. • Activities associated with incorporating ESG within their investment processes and decision making. • Capabilities related to ESG including tools and resources. <p>Adoption of sustainability policies and evidence of management alignment is expected for any new managers and/or products. Best practice includes adherence to</p>

	<p>certification across the supply chain to the Forestry Stewardship Council.</p> <p>The ESG assessment of a prospective fund manager will only be one of a range of factors which determine the suitability of the manager's fit with HESTA's requirements.</p> <p>HESTAs ESG assessment is undertaken by the relevant HESTA Investment Manager with support and advice from the HESTA Investment Manager - ESG. It is conducted through (i) a desktop review of the ESG assessment provided by the asset consultant, (ii) a desk top review of any documented ESG information e.g. policies, reports etc, provided by the prospective manager and (iii) an ESG meeting with the prospective manager.</p> <p>Manager Appointment</p> <p>ESG requirements are incorporated into contractual arrangements with investment managers, either through investment management agreements or side letters.</p> <p>Monitoring of Managers</p> <p>Each year HESTA and its investment consultants or advisors conduct manager reviews. An update on the ESG assessment will be undertaken as part of these annual reviews. The annual reviews consist of:</p> <ul style="list-style-type: none"> • A review of ESG information provided by Managers as part of their regular investment reports to HESTA. • A review of ESG information provided by Managers in response to requests from HESTA including the response to the HESTA Annual ESG Issue Survey. • A dedicated ESG review meeting i.e. a face-to-face meeting to discuss the manager's approach, activities and capabilities related to ESG.
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Other (1) [as defined in Organisational Overview module]	<p>Manager Selection</p> <p>When considering a new fund manager HESTA and its investment consultants or advisors will assess the prospective Manager's:</p> <ul style="list-style-type: none"> • Approach to incorporating ESG within their investment processes and decision making. • Activities associated with incorporating ESG within their investment processes and decision making. • Capabilities related to ESG including tools and resources. <p>The ESG assessment of a prospective fund manager will only be one of a range of factors which determine the suitability of the manager's fit with HESTA's requirements.</p> <p>HESTA's ESG assessment is undertaken by the relevant HESTA Investment Manager with support and advice from the HESTA Investment Manager - ESG. It is conducted through (i) a desktop review of the ESG assessment provided by the asset consultant, (ii) a desk top review of any documented ESG information e.g. policies, reports etc, provided by the prospective manager and (iii) an ESG meeting with the prospective manager.</p> <p>Manager Appointment</p> <p>ESG requirements are incorporated into contractual arrangements with investment managers, either through investment management agreements or side letters.</p> <p>Monitoring of Managers</p> <p>Each year HESTA and its investment consultants or advisors conduct manager reviews. An update on the ESG assessment will be undertaken as part of these annual reviews. The annual reviews consist of:</p> <ul style="list-style-type: none"> • A review of ESG information provided by Managers as part of their regular investment reports to HESTA. • A review of ESG information provided by Managers in response to requests from HESTA including the response to the HESTA Annual ESG Issue Survey. • A dedicated ESG review meeting i.e. a face-to-face meeting to discuss the manager's approach, activities and capabilities related to ESG.
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Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.		
	%		

72

SAM 14.2	Additional information. [Optional]
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During the reporting period the approximate percentage of our externally managed assets that are managed by PRI signatories increased from 66% to 72%.

SAM 15	Voluntary	Descriptive	PRI 2
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SAM 15.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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☒ Add Example 1

Topic or issue	Manager engagement with portfolio companies on Bangladesh Factory Safety
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Forestry <input type="checkbox"/> Other (1)
Scope and process	<p>Following the Tazreen factory fire and the Rana Plaza building collapse which resulted in the deaths of over 1200 people, HESTA's Investment Manager - Listed Equities engaged with our Australian equities managers holding portfolio companies with operations or sourcing arrangements in Bangladesh to discuss factory safety.</p> <p>We requested our managers to report back on their discussions with portfolio companies with operations or sourcing arrangements in Bangladesh. In particular, on the extent to which the companies were exposed to Bangladesh, and how they are managing factory safety risks.</p>
Outcomes	<p>Ultimately a couple of key ASX-listed companies signed up to the Bangladesh Fire and Building Safety Accord including Wesfarmers and Specialty Fashion Group. Several other companies including Myer, David Jones and Premier Investments did not sign up to the Accord but indicated other risk management practices including ethical sourcing policies and audits etc.</p>

☒ Add Example 2

Topic or issue	Incorporating ESG into the selection and appointment of our Private Equity Advisor
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Forestry <input type="checkbox"/> Other (1)
Scope and process	<p>We incorporated ESG as part of the due diligence and assessment process in several ways:</p> <ul style="list-style-type: none"> • We specifically highlighted HESTA's approach to ESG and asked for ESG information in the Request for Proposal. • ESG integration was one of the key screening criteria for all responses - the responses were assess and evaluated in a summary table. • ESG is specifically mentioned in the IMA (see Schedule 2, Part A, clause 3(f) and we appended a copy of HESTA's ESG policy).
Outcomes	The Private Equity Advisor ensures that ESG integration is factored into their investment advice. They have developed a comprehensive list of ESG questions which form part of the due diligence process.

☒ Add Example 3

Topic or issue	ESG Policy
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Forestry <input type="checkbox"/> Other (1)
Scope and process	One of our Australian managers providing an ESG investment option did not have an ESG Policy. We discussed this with the Manager. We requested that the manager develop an ESG Policy.
Outcomes	The manager is considering the development of an ESG Policy.

☒ Add Example 4

Topic or issue	Review of property managers
Conducted by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input checked="" type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Forestry <input type="checkbox"/> Other (1)
Scope and process	Monitoring: Review of unlisted property managers and their progress in energy efficiency, and other environmental metrics.
Outcomes	Improvements have been made to ESG metrics broadly in line with expectations and some evidence has been produced that higher ESG rating properties enjoy a return premium for asset owners.

☒ Add Example 5

Topic or issue	Product Ratings
Conducted by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Forestry <input type="checkbox"/> Other (1)
Scope and process	Formal ratings of managers/products include a key section on ESG with a description and qualitative rating of how well the manager incorporates ESG into their investment process.
Outcomes	Ongoing, but the ESG ratings are considered to be a key component of the overall rating of the manager/product (without systemic exclusions applying).

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1 Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.

☒ Yes, we disclose information publicly

provide URL

<http://www.hesta.com.au/why-join-hesta/responsible-investment.html>

provide URL

<http://www.hesta.com.au/why-join-hesta/responsible-investment/our-commitment.html>

SAM 16.2 Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

☒ Yes

**SAM
16.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☒ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☐ Details of the responsible investment activities carried out by managers on your behalf
- ☐ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☒ Other, specify

Proxy voting and engagement reports

- ☐ No
- ☐ Yes, we disclose information to clients/beneficiaries only
- ☐ We do not proactively disclose information to the public and/or clients/beneficiaries

HESTA Super Fund

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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HESTA has appointed expert third-party service providers to undertake engagement with companies on ESG issues on our behalf. Globally, HESTA has appointed Hermes Equities Ownership Services (Hermes EOS) to undertake engagement with international companies and we have appointed the Australian Council of Superannuation Investors (ACSI) and Regnan Governance Research and Engagement to undertake engagement with Australian companies.

HESTA has developed detailed Engagement Objectives and Measures which outline our expectations in relation to engagement services and the way in which we will assess and measure whether these expectations have been met. Objectives and measures include:

To identify companies that most need to improve their performance and/or disclosure in relation to key ESG issues, including to:

- Develop or maintain an Engagement Plan which identifies priority companies with which to engage, identifies the key ESG issues relevant to each company, and outlines behaviour change objectives and measurable milestones for each company to be achieved over a specified timeframe.
- Undertake consultation annually with clients on the Engagement Plan.
- Develop a process to determine which ESG issues or company behaviours that arise during the period warrant engagement (i.e. reactive engagements).

To improve ESG performance and/or disclosure of priority companies, including to:

- Hold ESG engagement meetings with a minimum number of priority companies in the specified time period (to be determined for each service provider).
- Demonstrate progress of an average of 75% of the measurable milestones for each behaviour change objectives for each priority companies engaged with during the specified time period.

Our engagements are largely proactive and we contribute to the development of the Hermes EOS, ACSI and Regnan Engagement Plans annually. We also actively review each service provider's engagement activities and the success of these activities quarterly (i.e. the extent to which they achieve their engagement objectives and measures). Engagement with companies occurs via face-to-face meetings, teleconferences and written correspondence, most often at the chairman or director level.

From time to time, we participate in engagements arranged by our engagement service providers with portfolio companies on ESG issues. From time to time, we also participate in engagements arranged by our external investment managers with portfolio companies on ESG issues and participate in collaborative engagements through industry organisations of which we are a member including PRI and IGCC.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA
02.2

Additional information. [Optional]

HESTA believes that we can most efficiently and effectively influence company behaviour on ESG issues through the use of specialist engagement service providers. Each of the specialist engagement service providers represents a number of institutional investors and therefore often represents a meaningful investment in the company with which they are engaging.

ACSI is a collaborative membership organisation of 38 superannuation funds, representing more than AUD\$400 billion in assets under management.

Regnan provides ESG engagement services on behalf of long term investors with \$60 billion, or nearly 4.5%, invested in S&P/ASX200 companies.

Hermes EOS helps institutional share owners around the world to meet their fiduciary responsibilities and become active owners of public and private companies and represents more than £98 billion in assets under management.

Process

Process for engagements conducted with/on your behalf by service providers

LEA 07	Mandatory	Core Assessed	PRI 2,4
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LEA 07.1	Indicate if you play a role in the engagement process that your service provider conducts on your behalf.
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☒ Yes

LEA 07.2	Indicate what role you play in engagements that your service provider conducts on your behalf.
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- ☒ Specify the issues for the engagement
- ☐ Specify the objectives for the engagement
- ☐ Select the companies to be engaged with
- ☐ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☒ Other, specify

Annually we review each service provider's engagement plan to ensure it identifies companies that most need to improve their ESG performance and/or disclosure.

☐ No

Annually we review each service provider's Engagement Plan we seek to ensure that the plan:

- Outlines a robust process for identifying and prioritising companies with which to engage.
- Identifies companies that most need to improve their performance and/or disclosure in relation to ESG issues.
- Identifies the key ESG issues relevant to each company.
- Outlines ESG behaviour change objectives and measureable milestones for each company, to be achieved over a specified timeframe e.g. 3 months, 6 months, 1 year, 3 years, 5 years etc
- Outlines a robust process for identifying and prioritising ESG issues or company behaviours that arise during the period warrant engagement (i.e. subsequent inclusion of the company in the engagement plan).

It is the process which highlights the issues or companies that most need improvement, however, HESTA has the ability to specify issues for engagement if we believe that are of key importance.

Quarterly we review each service provider's engagement activities we seek to ensure that:

- ESG engagement meetings have been held with a minimum number of priority companies in the specified time period.
- An average of 75% of the measurable milestones has been progressed for each behaviour change objectives for each priority companies engaged with during the specified time period.

From time to time HESTA also attend engagements alongside engagement service provider staff.

Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☒ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

LEA 08.2	Additional information. [Optional]
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Discussion with specialist engagement services providers is focussed in two areas: engagement planning and engagement service delivery.

The focus of the discussion on engagement planning, through an annual engagement planning meeting, is more around the subject (or ESG issue(s)), rationale and objectives of the engagement, all which we would expect to be identified as part of the Engagement Plan.

The focus of discussion on engagement service delivery, through quarterly engagement outcome meetings, is more on the engagement activity, the progress and the outcomes that have been achieved from the engagement.

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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LEA 09.1	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.
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Type of engagement	Insights shared
Service provider engagements	<input type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input checked="" type="radio"/> No

LEA 09.2	Additional information.
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We do not currently have a process whereby the insights gained from your engagements are shared with our external investment managers as input for consideration in investment decisions.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
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	Number of companies engaged (avoid double counting, see explanatory notes)
Service provider engagements	594

LEA 11.2	Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]
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Type of engagement	% Comprehensive engagements
Service provider engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.4	Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]
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Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

LEA 12	Voluntary	Additional Assessed	PRI 2
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LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2	Provide an estimated breakdown by E, S and/or G issues.
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	Service provider engagements
--	------------------------------

	% Environmental only
--	----------------------

3

	% Social only
--	---------------

5

	% Corporate Governance only
--	-----------------------------

35

	% Overlapping ESG issues
--	--------------------------

57

100%

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☉ Yes

LEA 13.2	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
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	Number of company changes or commitments to change
Service provider engagements	164

☐ No

LEA 13.3	Additional information.
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The number of companies that changed or committed to change in the reporting year following our service provider's engagement activities is equal to 30% of all companies engaged or 80% of all companies engaged comprehensively.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Corporate Governance
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	Improve specific company practices in governance of (a) Executive remuneration (b) Directors and board composition; and (c) Capital raising practices
Scope and Process	ACSI engaged with around 25 priority companies on one or more of these three governance issues. Typically, letters were written to the companies with the majority of these becoming catalysts for face to face engagement meeting with board members.
Outcomes	The recent experience is for around half of the issues to be fully resolved. ACSI was most successful in achieving change on pay and capital raising issues. Board related issues require longer-term engagement and assessment given that these changes are often implemented over a longer time period.

☒ Add Example 2

Topic or ESG issue	Governance – board structure
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	To improve corporate governance standards worldwide, in particular to manage risk effectively. A good board structure is essential to this. Company boards should comprise independent members who are equipped with the right skills. Ideally each board member will enhance the diversity of the board, be it by gender, ethnicity, nationality, background or skillsets. Regular board refreshment - the avoidance of long tenures - and succession planning are also crucial.
Scope and Process	Longstanding engagements with companies have given Hermes EOS access to executive and non-executive board members of companies that were reluctant to engage in the past. Hermes EOS' good relationships with companies proved fruitful for the continuation of dialogue on board structure and recruitment processes. Companies explained the rationale behind their current board structure before Hermes EOS suggested improvements where applicable. Sometimes Hermes EOS also drew on the support of other institutional investors - or filed shareholder proposals in the US to seek proxy access or appoint an independent chair - to meet its objectives. Hermes EOS also engaged with the relevant regulatory bodies in different jurisdictions on board structures.
Outcomes	Hermes EOS' engagement in 2013 helped facilitate new board appointments, including independent non-executive directors where previously absent, to protect the rights of minority shareholders, additions to the supervisory board, more balance in leadership structures where the role of CEO and chair were combined and enhanced the duties of independent lead directors. Hermes EOS also suggested that a process of formal board evaluation be instigated and regularly undertaken where this was not previously done. It particularly welcomed appointments of individuals that enhanced the diversity and skill set of the boards.

☒ Add Example 3

Topic or ESG issue	Anti-corruption and Bribery
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of Labour and Human Rights policies.
Scope and Process	ACSI engaged with 13 companies identified via two commissioned research reports for high exposure to labour and human rights risks with relatively low disclosure of policy. Letters were written to companies, followed by either further written correspondence or face to face meetings.
Outcomes	Four companies responded with information regarding further initiatives being undertaken in this area or extension of policies. One company requested further guidance. Six companies did not respond. Further engagement correspondence has been undertaken and the companies are now reviewing the second letters internally. One company has advised it does not have issues in this area. One company has provided no response or acknowledgment. The issue is due to be addressed in continued dialogue in 2014 and beyond.

☒ Add Example 4

Topic or ESG issue	E & S - Unconventional oil and gas (UOG)
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	Improvements in corporate ESG disclosures and management practices aligned to our 'principles and recommendations' document including in relation to impacts on water, greenhouse gas emissions, health and communities
Scope and Process	Regnan targeted all companies within their universe involved in UOG (10). They provided their 'principles and recommendations' position paper to each company and are pursuing further discussions (in many cases there have been a number of meetings advancing these discussions). Regnan are also undertaking public policy advocacy and collaborating with peers as part of this work.
Outcomes	<p>Work is ongoing, although there are several noteworthy aspects to date:</p> <ul style="list-style-type: none"> • Position paper was well received as a valuable contribution from most companies at high level (board) engagements. As a result a number of companies have implemented or advised Regnan of proposed specific enhancements to their management approach. • The regulator expanded scope of regulation beyond what was proposed following the Regnan submission (Regnan were the only one to raise this point). • Other bodies have advised of referencing and using Regnan's position paper in their own engagement and advocacy.

☒ Add Example 5

Topic or ESG issue	Social and ethical – Community Relations
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	To protect local community rights and maintain of licence to operate. To ensure companies have a good relationship with communities and operate according to the principle of free, prior and informed consent.
Scope and Process	Hermes EOS engaged with companies which, via their holdings in a consortium of a dam project, have been associated with the violation of indigenous rights. Much of the criticism relates to the lack of consultation with indigenous populations in the various licensing phases of the dam and the disregard for the irreversible impacts on the environment, which in turn will severely affect local populations. The only solution to fully respect the rights of the indigenous population would be not to build the dam. A few decades back, following local and global protests the project was indeed abandoned. However, it was resumed and, given that the consortium of owners includes the state, it seems unlikely that it will not proceed now. Hermes EOS engaged with the companies concerned on their relationships with local communities, particularly challenging the management of social issues during the initial phases of the project. It discussed the impact on the local population including the relocation of thousands of people. While one company claims that the project would displace 16,000 people, some NGOs put the number at 40,000.
Outcomes	One company assured Hermes EOS about the measures being taken by the consortium to work with the local communities, saying that it is providing for the displaced families and is significantly improving their living conditions. The company also welcomed Hermes EOS' comments although it suggested media coverage had been one-sided. As a result of its engagement with a second company in the consortium, Hermes EOS was the first investor to be invited to visit the site. During the site visit, Hermes EOS tested that the company's policies were being put into practice, and visited an education project in a local village, which was founded by the company and its foundation. The company also shared an internal document with Hermes EOS which described in detail its work with indigenous populations. The evidence suggested that its management of community relations with the indigenous population was impressive but was not reflected in its reporting. As a result of Hermes EOS feeding back its observations, the company committed to improve its disclosure on community issues further.

☒ Add Example 6

Topic or ESG issue	Sustainability Reporting
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	Improved annual reporting of ESG risks.
Scope and Process	80 priority companies identified through ACSI's research to have basic or no reporting on ESG risks in annual disclosures. Letters written to each company detailing areas that require improvement and providing guidance on disclosure frameworks.
Outcomes	ACSI wrote to all companies considered to have provided either limited or no sustainability reporting within their company disclosures. Each letter detailed the company's current level of reporting relative to market standards, encouraging improvement and an insight into investor expectations on ESG disclosures. Ten companies were prioritized for further engagement in 2013 given their low level of reporting and the ESG issues associated with their operations (e.g. mining and heavy industry). Two of these companies have already improved their reporting practices.

☒ Add Example 7

Topic or ESG issue	Environmental – Disaster preparedness
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	To ensure effective environmental risk management by companies including the achievement of best practice standards and the investment in - where economically appropriate - best practice technologies, specifically on preparedness for disasters, such as oil spills.
Scope and Process	Hermes EOS raised concerns with several oil and gas companies on their environmental risk management in response to oil spills, particularly in the aftermath of the Gulf of Mexico oil spill. Hermes EOS pressed for greater disclosure of the measures companies had put into place, such as systems to oversee and monitor contractors, suppliers and partners to ensure the highest global operating standards are applied across all geographies.
Outcomes	Companies were open to discussing with Hermes EOS their environmental risk management and disaster preparedness. In some cases, companies had not previously held these types of discussions with investors. Hermes EOS highlighted those companies which it believes are demonstrating the highest global standards and a strong commitment to best practice in this area as examples to the laggards in the industry and recommended the leaders share their experiences with the laggards.

☒ Add Example 8

Topic or ESG issue	Carbon constraint preparedness
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	<p>The objectives of the engagement were to encourage companies to:</p> <ul style="list-style-type: none"> • Develop an emissions abatement program to respond to long-term carbon regulation exposure • Enhanced their corporate reporting on ESG
Scope and Process	Multi-year, single-stock engagement involving meetings with multiple company contacts across the business.
Outcomes	<ul style="list-style-type: none"> • Abatement program rolled out. • Disclosure enhanced, including inaugural CDP survey response. • Further ESG disclosure enhancements proposed.

☒ Add Example 9

Topic or ESG issue	Remuneration and in-house developed principles
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	To ensure executive pay structures take proper account of risk. To encourage companies to implement executive remuneration structures which properly reflect long-term performance and align management interests with those of investors.
Scope and Process	Hermes EOS engaged with companies across sectors on remuneration in 2013, frequently using the Remuneration principles for building and reinforcing long-term business success it developed in collaboration with the National Association of Pension Funds (NAPF), the BT Pension Scheme Management, RPMI Railpen Investments and the Universities Superannuation Scheme, as a basis. After reviewing the performance criteria and targets of companies, Hermes EOS challenged how schemes had been structured and asked probing questions about how they would be implemented. Hermes EOS also engaged with regulators and industry bodies to seek to achieve its objectives as outlined above.
Outcomes	Several companies from around the world significantly improved their remuneration plans as a result of Hermes EOS' engagement, resulting in greater alignment of executives' interests to those of shareholders. Among those improvements were the adoption of clawback provisions to recoup pay for inappropriate practices, the linking of remuneration metrics to a company's strategic goals, caps on bonuses, share-based plans with longer performance periods and improved disclosure on remuneration practices overall.

☒ Add Example 10

Topic or ESG issue	Board independence and safety performance
Conducted by	<input checked="" type="checkbox"/> Service provider
Objectives	<p>The objectives of the engagement were for the company to:</p> <ul style="list-style-type: none"> • Appoint an independent board member with industry skills • Enhance their safety management and performance
Scope and Process	Multi-year, single-stock engagement involving a number of meetings and correspondence at board level.
Outcomes	<p>Following Regnan's engagement the following outcomes were observed:</p> <ul style="list-style-type: none"> • An independent director with industry skills was appointed • Independence of board expected to be further enhanced by additional appointment proposed • Safety performance showed a marked (though single year) improvement following management enhancements. • Disclosure also enhanced in line with feedback provided.

Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA
15.1

Indicate whether your organisation proactively discloses information on its engagements.

☒ We disclose it publicly

please provide URL

<http://www.hesta.com.au/Media/docs/5123HESTA-ANNUAL-REPORT-2012-13-WEB-REVISED-251013-dfaab472-7a42-49b2-881f-71c18fdd476d-1.PDF>

please provide URL

<http://www.hesta.com.au/why-join-hesta/responsible-investment/active-ownership.html>

**LEA
15.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEA
15.3**

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☐ Other information

**LEA
15.4**

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☒ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

**LEA
15.6**

Additional information. [Optional]

The summary information on our engagements is reported in HESTA's Annual Report. We separately disclose the summary information on our engagements with Australian companies and on our engagements with global companies.

Information on our engagement with global companies is reported bi-annually on our active ownership webpage.

(Proxy) voting and shareholder resolutions

Overview

LEA 16

Voluntary

Descriptive

PRI 2

HESTA's Active Ownership program, including share voting is outlined in our Active Ownership Policy. As outlined in our Policy, HESTA has retained the voting rights for all shares held on our behalf by our external investment managers. We seek to vote on all resolutions on the meeting agenda of all the companies in which we hold shares, taking into account the specifics of the resolution and the individual circumstances of the company (rather than applying blanket rules). However, our approach to voting differs for companies held by our Australian managers and those held by our international managers.

For shares held on our behalf by Australian managers HESTA determines how we will vote and execute the vote. To assist in determining the vote we have appointed proxy voting advisors. When our proxy advisors make a recommendation to vote in opposition to the company's Board HESTA will request each of our investment managers holding shares in that company to provide their views on the resolution. HESTA regards this advice as critical as our managers have a detailed understanding of both the governance and operations of their investee companies. It is also part of our process of encouraging fund managers to take a closer interest in ESG matters. The decision on how to vote is made by HESTA's Investment Manager - ESG (IM-ESG). In determining how HESTA will vote the IM-ESG will consider the information provided by the proxy voting advisor as well as the view of the investment managers, having regard to the relevant corporate governance guidelines. The voting decision will ultimately be based on what is in the long-term interests of HESTA members.

For shares held on our behalf by international managers HESTA has appointed Hermes EOS to determine how we will vote and to execute the vote on our behalf. To assist in determining the vote Hermes EOS has appointed a proxy voting advisor. Hermes EOS makes recommendations in accordance those of the proxy advisor except where there are highly contentious resolutions. In these cases, Hermes EOS will undertake further analysis on the issue and will determine their recommendation, taking into account the specifics of the resolution and the individual circumstances of the company. Where Hermes EOS decide to vote against the company Board on a resolution, Hermes EOS will look to engage with the company before the meeting to ensure that the issue giving rise to the vote against is addressed.

Hermes EOS will then advise HESTA's external investment managers of their voting recommendations. Unless HESTA's managers identify an issue, Hermes EOS will execute the vote in accordance with their recommendations. If HESTA's managers identify an issue with the voting recommendation, it is expected that the manager will engage with Hermes EOS on the issue. If agreement cannot be reached the issue is referred to HESTA for us to make the final decision in the same manner as outlined above. Where, in accordance with its policies, Hermes EOS has executed a vote against the company's Board on large holdings or otherwise high-profile companies, it seeks to follow up with the company either in writing to explain the reasons giving rise to a vote against and the steps that it would like to see the company take to rectify the issue.

In Australia, HESTA has not been involved in filing and/or co-filing a shareholder resolution. Internationally, Hermes EOS files shareholder proposals in markets where it is relevant to do so, typically in Germany and the US, either as lead filer or as co-filer alongside other investors. This typically forms part of a wider engagement with the company and is used as a tool for leverage in its dialogue with management.

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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Approach

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

- ☐ the service provider voting policy signed off by us
- ☐ our own voting policy
- ☐ our clients requests or policy
- ☒ other, explain

ACSI Governance Guidelines (companies held by our Australian investment managers)
Hermes Responsible Ownership Principles (companies held by international managers)

- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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While HESTA makes all the voting decisions, we generally follow the voting recommendation of our proxy voting adviser when their recommendation is to vote in support of the company Board. It is when our proxy voting adviser's recommendation is to vote in opposition to the company Board for a particular resolution i.e. contentious resolution, that we undertake more detailed analysis, including consulting with our investment managers, to determine how we will vote (as outline in our response to the previous question).

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☐ Obtain confirmation that votes have been lodged:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA
19.2

Provide additional information on your organisation's vote confirmation efforts.

There is currently no complete method of tracking votes as the mechanisms for reporting delivery of the vote from registrar, to custodian and back to investor are not in place. We are reliant on receipt of notification of vote rejections from the custodian and this is not something that all custodians currently do.

Our proxy voting service providers, Hermes EOS, ACSI and ISS, participate in projects to improve the voting trail and/or obtain vote confirmation on our behalf. We review the progress of these projects in our quarterly meetings with our service providers.

LEA 20

Voluntary

Additional Assessed

PRI 2

LEA
20.1

Indicate if your organisation has a securities lending programme.

☒ Yes

LEA
20.2

Indicate how voting is addressed in securities lending programme.

Please select one of the following

- ☐ We recall most securities for voting on all ballot items
- ☒ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☐ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)

☐ No

LEA
20.3

Additional information. [Optional]

As outlined in our Active Ownership Policy, HESTA will recall shares where there is any resolution on the meeting agenda where either HESTA's proxy advisor or external investment manager(s) are not supporting company management. In addition, Hermes EOS provides a 'stock lending stop list' to HESTA where it believes that any stock on loan should be recalled for voting purposes. This will be the case where there is a significant voting issue on the agenda for which all stock should be recalled for voting or where there is activity by a hostile shareholder which does not appear to be in the best interests of shareholders. HESTA has instructed our custodian not to lend shares or to recall any shares on loan of any company on the Hermes EOS 'stock lending stop list'.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☐ Yes, in most cases
- ☒ Sometimes, in the following cases:
- ☐ votes in selected markets
 - ☐ votes on certain issues (all markets)
 - ☐ votes for significant shareholdings (all markets)
 - ☒ other, explain
- Currently this is undertaken in an ad hoc manner via our external investment managers.
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

98

	Specify the basis on which this percentage is calculated
--	--

- ☐ of the total number of ballot items on which you could have issued instructions
- ☒ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted

LEA 22.2

If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]

There are several categories of votes which we theoretically could have voted but didn't vote including:

- Votes in markets requiring a Power of Attorney (PoA) where our procedure requires us to have a PoA (i.e. a market with investments equalling 0.25% international equities FUM or more) but where the PoA wasn't in place.
- Votes not authorised by managers due to restrictions on trading (i.e. blocking markets).
- Shares that are out on loan (and do not trigger the recall process).

☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 23.1

Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

☒ Yes, we track this information

LEA 23.2

Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	<div> <div></div> <div>%</div> </div> <div>91</div>
Against (opposing) management proposals	<div> <div></div> <div>%</div> </div> <div>8</div>
Abstentions	<div> <div></div> <div>%</div> </div> <div>1</div>

100%

☐ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
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LEA 24.1	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.
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☒ Yes

LEA 24.2	Indicate the number of ESG shareholder resolutions you filed or co-filed.
-----------------	---

	Total number
--	--------------

9

LEA 24.3	Indicate what percentage of these ESG shareholder resolutions.
-----------------	--

Went to vote	<div><div></div>%</div> 55.6
Were withdrawn due to changes at company and/or negotiations with the company	<div><div></div>%</div> 33.3
Were withdrawn for other reasons	<div><div></div>%</div> 11.1

	Total
--	-------

100%

	50-20% approval
--	-----------------

9

**LEA
24.5**

Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.

Further background on our service provider's approach to the filing of shareholder resolutions can be found in our responses to section LEA 16. Below we have listed details of any shareholder proposals that were filed by Hermes EOS on sustainability and governance topics and put to a vote:

International Business Machines Corporation

The engagement with the company focused on a need to improve independent board oversight, and a shareholder proposal was filed, led by Hermes EOS, which garnered the support of 43% of the vote.

Johnson & Johnson

Hermes EOS co-filed shareholder proposals seeking the appointment of an independent chairman. These resolutions were filed in response to a lack of progress by the company in addressing the underlying governance concerns relating to board leadership structure & oversight which our service provider has raised via previous engagement efforts.

JPMorgan Chase & Co.

Amidst significant concerns about board oversight and leadership resulting in numerous regulatory & legal challenges, Hermes EOS filed a shareholder proposal seeking the appointment of an independent chairman.

The Walt Disney Company

Hermes EOS filed a shareholder proposal requesting shareholders be granted proxy access, or the ability to nominate candidates for election to the board. The resolution was filed to support an existing engagement with the company which seeks to enhance board accountability following concerns about executive compensation, board responsiveness and independent oversight. The proposal went to a vote and was supported by 42% of shareholders.

Wal-Mart Stores, Inc.

In order to support improved independent board oversight, a resolution was proposed to appoint an independent chair. The background to the engagement features material concerns about bribery & corruption at international divisions, as well as continuing issues regarding labour rights and strategy.

Hermes EOS is not always in a position to disclose details of shareholder proposal discussions relating to resolutions which do not go to a shareholder vote. However in order to withdraw a proposal we expect a company to engage in constructive dialogue and take steps which materially address all or part of our underlying concerns. In 2013 the following proposal(s) were filed and either withdrawn or not put to a vote: Amgen Inc. Twenty-First Century Fox, Inc. United Parcel Service, Inc. Verizon Communications Inc.

☐ No

LEA 25**Voluntary****Descriptive****PRI 2**

**LEA
25.1**

Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure alignment of executive and shareholder interests, and appropriate board oversight.
Scope and Process	ACSI provided voting advice for 446 resolutions related to remuneration in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies).
Outcomes	Among the ASX200, ACSI opposed 87 (around 20%) of all resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 75% of the issues get at least partly resolved

☒ Add Example 2

Topic or ESG issue	Remuneration
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Companies should design and implement remuneration policies that align the interests of management with the interests of shareholders and incentivise executives to maximise long-term value.
Scope and Process	<p>A vote against management in relation to remuneration may indicate that the remuneration report proposed by management does not demonstrate sufficient alignment with shareholder interests. This may be due to lack of sufficient performance metrics or may indicate that the quantum put forward by the company is excessive in view of the company's performance. Remuneration has been a key theme for the engagement work of Hermes EOS and this is supported by its voting related discussions with companies. In 2013, Hermes EOS engaged with a number of companies where it identified a misalignment between executive compensation and shareholder interests. In some cases, Hermes EOS agreed to vote with management 'by exception' on the understanding that management was moving in the right direction. Hermes EOS then followed up with these companies. Hermes EOS also spoke to those where they recommended voting against the remuneration scheme put forward by management to outline their concerns and agree an acceptable way forward.</p>
Outcomes	Voting activity relating to remuneration during 2013 both supported and built on Hermes EOS' engagement dialogue with companies. Using its milestone approach for measuring progress in engagements, a number of conversations Hermes EOS had with companies around the vote led to governance changes at companies. Other conversations around the vote contributed toward continuing engagements with companies where the required change is still outstanding.

☒ Add Example 3

Topic or ESG issue	Board composition and accountability
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Broadly, there are two objectives: (1) Ensure appropriate board composition, including a majority of independent directors. (2) Ensure board accountability to shareholders for past decisions.
Scope and Process	ACSI provided voting advice for 565 resolutions related to boards in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies).
Outcomes	Among the ASX200, ACSI opposed 45 (around 8%) of resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 45% of the issues get at least partly resolved.

☒ Add Example 4

Topic or ESG issue	<div>topic or ESG issue</div> Board structure
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Boards should comprise individuals with an appropriate and diverse range of competencies, knowledge and experiences to effectively carry out their duties.
Scope and Process	<p>Ideally boards should be led by an independent non-executive chair. Boards should establish and maintain an appropriate corporate culture, be representative of all shareholders including minorities and should assume responsibility for remuneration policies and oversee the risk management function. Board structure is a significant feature for engagement at our service provider Hermes EOS. Very often getting the board right is the first step in addressing other social or environmental issues that the company may be exposed to. Hermes EOS regards the vote against as an annual health check and often a vote against will precipitate further engagement with the company. Equally, the vote may be used in such a way as to support ongoing engagements on board structure. Consistent with its intelligent voting approach, Hermes EOS endeavours to contact companies wherever possible when it recommends a vote against. Sometimes this contact enables Hermes EOS to vote with management 'by exception.' Subsequent to the vote, Hermes EOS follows up with companies, wherever possible, to explain the rationale for voting against and what changes it would like to see.</p>
Outcomes	<p>Voting activity on resolutions relating to board structure during 2013 both supported and built on Hermes EOS' engagement dialogue with companies. Using its milestone approach to measure progress in engagements, Hermes EOS can demonstrate that a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements with companies where the required change is still outstanding.</p>

☒ Add Example 5

Topic or ESG issue	Capital raising practices
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure that companies undertake capital raisings in a way that gives existing shareholders the ability to participate or to be adequately compensated for any dilution they experience
Scope and Process	ACSI provided voting advice or information for 55 resolutions related to capital raisings in the ASX200.
Outcomes	Among the ASX200, ACSI opposed 10 (around 18%) of resolutions. ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around two thirds of the issues get at least partly resolved.

☒ Add Example 6

Topic or ESG issue	Capital Structure
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Companies should have an efficient capital structure which will minimise the long-term cost of capital.
Scope and Process	Consistent with its intelligent voting approach, in instances of material holdings or otherwise high-profile companies, our service provider Hermes EOS endeavoured to contact companies wherever possible when it recommended a vote against. Sometimes this contact enabled Hermes EOS to vote 'with management by exception.' Subsequent to the vote, Hermes EOS follows up with companies wherever possible to explain the rationale for voting against and what changes it would like to see.
Outcomes	Voting activity in relation to capital structure during 2013 both supported and built on engagements with companies on this issue. Using Hermes EOS' milestone approach to measure progress in engagements, a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements at companies where the required change is still outstanding.

☐ Add Example 7

☐ Add Example 8

☐ Add Example 9

☐ Add Example 10

Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA
26.1

Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

<http://www.hesta.com.au/why-join-hesta/responsible-investment/active-ownership.html>

LEA
26.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☒ Yes

LEA
26.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☐ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☒ No explanations provided

LEA
26.4

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries