

NGS SUPER STEWARDSHIP STATEMENT

*Australian Asset Owner Stewardship Code
– ‘the Code’ for Australian equities*

POLICY STATEMENT

MAY 2020

We are a longstanding member of the Australian Council of Superannuation Investors (ACSI). In May 2018, ACSI along with a dedicated working group, developed the Australian Asset Owner Stewardship Code (‘the Code’) which is primarily concerned with stewardship of Australian shares (also referred to as Australian Equities).

Following the development of the Code, there was a call for all asset owners to adopt the Code. For more information on the Code, a copy can be accessed here at [acsi.org.au](https://www.acsi.org.au)

We are proud to be a signatory to the Code and are in full support of the **six principles** outlined in the Code. We believe we can exercise our ownership rights to further protect and enhance long-term value for members, promoting sustainable value-creation in the Australian companies which we invest. We think this approach is complimentary to the nature, objective and purpose of superannuation.

In compliance with the Code, this is the Fund’s Stewardship Statement which illustrates how the Fund complies with each principle outlined in the Code, in an effort to promote long-term value-creation in the Fund’s Australian share holdings.

Principle One – Asset owners should publically disclose how they approach their stewardship responsibilities

We believe that to give members the best retirement outcome, our investment approach needs to be one that is focused on sustainable long-term investment outcomes. This means investing in companies that are sustainable. We are committed to following our **Responsible Investment Policy** which shapes the Fund’s approach to managing Environmental, Social and Governance (ESG) issues.

We believe that disclosure is a key focus that allows investors to better understand, evaluate and assess potential risk and return, including the potential impact of ESG factors on an entity’s performance. Further, investment analysis should incorporate ESG factors to the extent that they affect long-term risk and return.

Some of our key approaches to stewardship include:

- Partnering with specialist research and proxy voting providers to assist us in being an informed active share owner. We ensure that we vote on most, or all matters for resolution in the companies which we own.
- Regularly evaluating the portfolio, searching for companies with ESG issues. Where issues are identified, we engage with the appropriate party and as a result of engagement make a decision to divest or remain invested.
- Where deemed necessary for the long-term preservation of capital, exclude companies or sectors from the portfolio. More information about this can be found in our **Responsible Investment Policy**.

- Being a signatory to the Principles of Responsible Investment (PRI) and encouraging our investment managers to also subscribe.
- Partnering with CDP (formerly, the Carbon Disclosure Project), Responsible Investment Association Australasia (RIAA) and the Investor Group of Climate Change (IGCC) to ensure we are fully informed on responsible investment and ESG issues which may affect our portfolio.
- Partnering with ACSI and holding a seat on the ACSI Member Council. ACSI assists us to engage with companies in a collaborative manner and provides valuable research and guidance on ESG issues and responsible investment generally.
- Ensuring that ESG and responsible investment is considered within our investment selection and ongoing monitoring of investment managers.

More information about our ESG and responsible investment partnerships can be found under [Fund Sustainability](#) on our website.

Principle Two – Asset owners should publicly disclose their policy for voting at company meetings and voting activity

The utilisation of voting rights as a shareholder in Australian listed companies is essential to being an active share owner. Exercising voting rights is an important engagement tool to send a message to management of listed companies, indicating what we think they are doing right, wrong and where there are areas for improvement.

NGS Super will, where possible, vote on all voting matters for their shareholdings.

NGS Super published its [Active Ownership and Engagement Policy](#) in November 2019.

We annually disclose our proxy voting activity under Regulatory Disclosures on our website under the [NGS Super Proxy Voting](#) section.

Principle Three – Asset owners should engage with companies (either directly or indirectly or both)

We believe that engagement is necessary to:

- influence change and encourage positive behaviour
- allow us to understand strategic issues and other views of various ESG matters
- support decisions in relation to proxy voting matters.

We engage with companies both directly and by partnering with other investors, our investment managers and specialist organisations such as ACSI, Federated Hermes International and Glass Lewis (our specialist proxy voting provider).

Our engagement is governed by our [Active Ownership and Engagement Policy](#).

In summary, we can undertake four forms of engagement:

1. **Direct engagement:** where we directly engage on an issue or matter with either our investment managers or specific companies in which we are invested.
2. **Collaborative engagement:** where we align with other likeminded investors and/or stakeholders so that we can communicate with a unified approach on an issue/matter.
3. **Investment manager engagement:** where we empower our investment managers to engage with companies on our behalf.
4. **Specialist external engagement:** where specialist service providers like ACSI, Federated Hermes International or Glass Lewis undertake engagement activities where they have a mandate or direction to engage with companies on the Fund's behalf. Our seat on ACSI's Member Council allows us to influence the themes and investee companies that are the focus for their engagement.

Our primary methods of engagement are points three and four above.





Principle Four – Asset owners should monitor asset managers’ stewardship activities

We expect our investment managers to demonstrate an alignment of interests with the Fund in relation to ESG and responsible investment. Our due diligence process for new Australian share investment managers includes an assessment of the investment manager’s stance on responsible investment and evidence illustrating how they integrate ESG into their investment process. The Board, staff and members care deeply about sustainable and long-term investment and therefore, this is an important part of the investment manager selection process.

In terms of ongoing monitoring (in addition to ad hoc review meetings with investment managers), we formally engage with our investment managers twice per year testing their ESG integration and their stance or actions on other topical matters surrounding responsible investment. For example, we ask questions on topics such as:

- human rights and supply chain assessment
- gender equality and diversity
- PRI membership status
- engagement activities and results
- how ESG assessments have been integrated into the portfolio and to what extent they have impacted valuations of companies
- issues surrounding stranded asset¹ and climate change risk.

¹ Stranded assets are assets that are at risk of unanticipated or premature write-downs, devaluations or conversion to liabilities. For example, coal and other hydrocarbon resources may have the potential to become stranded as the world seeks more sustainable and environmentally friendly energy sources.

We review all responses from these managers and highlight if there appears to be any misalignment of interests.

Finally, the Fund will regularly run the share portfolio holdings through the Sustainalytics platform and obtain a list of companies with high ESG risk ratings and also those which have had controversies reported. These results are used to engage with our investment managers to understand their rationale for holding the shares and the process they went through to determine and keep the shares as ‘buy’ rated. This allows the Fund to independently test and assess our investment managers’ ESG integration process and philosophy.

Principle Five – Asset owners should encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long term investors

We believe that better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors is important.

We hold a seat on the ACSI Member Council and actively attend and participate in these meetings. This allows us to shape ACSI’s work in this area.

We believe we are best able to influence the operation of the financial system and regulatory policy by collaboratively engaging with other likeminded stakeholders with the assistance of ACSI. However, from time to time, we may make a submission or facilitate an enquiry independently of ACSI.

You can view the initiatives that we have supported under **Policy Submissions** on the ACSI website at [acsi.org.au/submissions](https://www.acsi.org.au/submissions)

We are also members of Investor Group on Climate Change (IGCC), which encourages government policies and investment practices that address the risks and opportunities of climate change. IGCC’s media and advocacy work, which we support through our membership, can be found at [igcc.org.au/publications](https://www.igcc.org.au/publications)

Principle Six – Asset owners should report to beneficiaries about their stewardship activities

We are committed to being a responsible investor and as a result, provide transparency to our members via making the following documents/information publicly available:

- **NGS Super Proxy Voting** section for detailed proxy voting decisions
- **NGS Super Responsible Investment Policy**
- **NGS Super Statement on Climate Change**
- **NGS Super Active Ownership and Engagement Policy**
- detailed investment holding information in the Fund's **Annual Report**
- Other topical ESG or responsible investment information from time to time.

We welcome member feedback and enquiries on our approach to ESG and responsible investment.

For further information, please contact responsibleinvestment@ngssuper.com.au



More information?

Contact us

You can contact us at ngssuper.com.au/contact-us or call us on **1300 133 177** between 8.00am and 8.00pm (AEST or AEDT), Monday to Friday.

Phone number for callers outside Australia **+61 3 8687 1818**

Fax: **(03) 9245 5827**

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Need help?

If you are thinking about which investment option might be right for you, consider obtaining professional advice for your personal situation.

We offer single-issue advice limited to your NGS Super account at no cost:

- over the phone through our Financial Advice Helpline, or
- through our Customer Relationship Managers who may be able to meet you face-to-face.

Further, we offer low-cost tailored advice through NGS Financial Planning.

To make an appointment phone us on **1300 133 177** or complete the **Financial planning enquiry form** on our website at ngssuper.com.au/financial-planning

Important information

The information provided in this statement is general information only and does not take into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL #420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.