

# Active Ownership and Engagement Policy

Please note, in this extract wording has been revised to aid in the understanding of the ordinary consumer.

## Purpose

NGS Super Pty Limited ('Trustee') is the trustee of NGS Super ('NGS' or 'the Fund').

The purpose of this Active Ownership and Engagement Policy ('Policy') is to support the Trustee's Investment Governance Framework and set out a high-level overview of the Fund's policy and approach to Active Ownership and Engagement within its investments.

This policy should be read in conjunction with the Responsible Investment Policy.

## Background

Active Ownership is the practice of taking actions to influence or attempting to influence the governance, practice, policies and management of the entities in which the Fund has ownership interests. The Trustee, on behalf of the Fund, undertakes the following Active Ownership activities in the belief that they can improve long-term investment performance:

- Proxy Voting
- Engagement, and
- Advocacy.

The Fund engages third party service providers to assist in performing our Active Ownership and Engagement obligations. These relationships are discussed throughout this policy.

## Scope

This Policy, unless stated otherwise, applies to NGS Super's investments, including:

- appointments made via Investment Management Agreement with an Investment Manager
- co-investments made by the Fund, and
- investments made in pooled vehicles.

The Trustee also seeks to engage with Investment Managers to raise awareness of this policy.

## Definitions

Please refer to **Appendix A** for definitions of capitalized or abbreviated terms set out within this policy summary.

## Responsibilities and Governance

The Trustee is responsible for the Fund investments.

This Policy is related to the Responsible Investment Policy and is approved by the Investment Committee on delegation from the Trustee Board.

The CIO is accountable to the Investment Committee for responsible investment matters while the Head of Investment Governance and Responsible Investment is responsible for ESG Strategy development and execution with support from the wider Investments Team and other relevant partners.

## Transparency and Disclosure

The Trustee discloses summaries of relevant policies relating to responsible investment to members and invites members to contact the Fund should they have any questions relating to the Fund's approach to Active Ownership and Engagement.

## Active Ownership

### Expectations, Objectives and the Sustainable Development Goals

The Trustee acknowledges the importance of being an active owner and that this is an essential element to the investment strategy of the Fund. The Trustee believes that using ownership rights to influence better outcomes or behavior within underlying investments can assist in improving long term investment performance.

The Trustee acknowledges the ambitions of the United Nations (UN) Sustainable Development Goals (SDGs) as a blueprint to future development and progress needed worldwide to deliver peace, prosperity for people and planet now and into the future. As such, the Trustee links its Active Ownership and Engagement objectives to the UN SDGs and may measure, where possible, the Fund's contribution to and detractor from the UN SDGs.<sup>1</sup>

Resources are not infinite and therefore, the Fund's Active Ownership objectives assist the Trustee to focus on areas which the Trustee deems a priority to the Fund and our members.

The Fund's Active Ownership and Engagement objectives are:

Theme	Sub Theme	Rationale
Policy position	Fund Restrictions	The Trustee has set a restriction policy which seeks to restrict investments in tobacco, nuclear weapons, controversial weapons and fossil fuels. These restrictions are detailed in the Fund's Responsible Investment policy.
Environmental	Climate Change	The Trustee considers that Climate Change presents material medium to long term risks for investors (physical and transitional risk). The Trustee will support the objectives outlined in the Paris agreement and the transition to a low carbon world.
	Pollution	The Trustee will promote the respectful treatment of our environment. Pollution of the environment can affect long term value creation.
	Nature and Biodiversity	The Trustee will support and promote the protection of natural capital and biodiversity. Natural capital refers to things like water, forests and clean air. Natural capital provides essential goods and services such as food, water and climate regulation. These things provide people everywhere the ability to live healthy lives and underpins sustainable economic activity.
Social	Human Rights	The Trustee will support and promote the protection of human rights in our investment supply chain. The Trustee is committed to assessing its supply chain and complying with the Commonwealth Modern Slavery legislation.

<sup>1</sup> This measurement will be conducted with the assistance of a 3<sup>rd</sup> party ESG data provider for listed assets. For unlisted assets, the Fund makes an internal assessment.

Theme	Sub Theme	Rationale
		The Trustee will support and advocate for first nations cultural heritage.
	Diversity and Inclusion	The Trustee will promote gender equality, diversity and inclusion.
Governance	Corporate Governance	The Trustee will promote and advocate for best practice corporate governance in the companies we own. Poor corporate governance diminishes long term investment outcomes.

## Organisational Structure and Resources

The Trustee has a dedicated Investment Team with employees across several functions including sector specialists, ESG, governance, legal, analytics, accounting, research and performance reporting. The Investment Team also accesses the Fund’s risk and compliance shared resources.

Relevant Investment Team members generally have ESG related goals and KPIs in annual performance plans.

All members of the team are afforded the opportunity to obtain training and professional development on responsible investment and topical ESG matters to ensure that ESG and responsible investment is front of mind for all members of the team.

The Head of Investment Governance and Responsible Investment is responsible for driving ESG policy and strategy and monitoring responsible investment within the Investments team and with the Fund’s chosen specialist partners.

Due to the size and complexity of the Fund, the Trustee has elected to partner with local and global specialist third party service providers (specialist partners) and/or organisations to discharge responsible investment and Active Ownership activities. More information about these partnerships can be found in the Fund’s Responsible Investment Policy.

## Conflicts of interest

The Fund has a Conflicts Management Framework in place to identify, manage and mitigate conflicts of interests. All Investment Team members are required to comply with the Conflicts Management Framework.

## Engagement

### ESG Issues

The Fund’s Active Ownership objectives outlined within this policy extract, help prioritise the key ESG issues on which the Fund, or its appointed specialist partners will engage. It is important to

note that there is alignment of the Fund's objectives and those issues prioritized by our Specialist External Engagement partners.

If an ESG issue falls outside the agreed objectives, the Trustee or its appointed specialist partners will engage as appropriate.

## **Methods of Engagement**

Below lists methods of engagement which the Trustee can utilise. The Trustee primarily utilises Investment Manager and Specialist External Engagement.

### **Direct Engagement**

The Trustee classifies direct Engagement where our staff engage on a specific issue/matter with either our Investment Managers or the management of specific companies in which we are invested.

### **Collaborative Engagement**

The Trustee classifies collaborative Engagement as Engagement completed with other like-minded investors and/or stakeholders to enable unified communication on particular issues or matters. These are Engagements like CA100+ and collaborative Engagements lead through the PRI.

### **Investment Manager Engagement**

The Trustee classifies Investment Manager Engagement as Engagement conducted as a result of the Trustee empowering our appointed Investment Managers to engage with companies on issues or matters on the Fund's behalf.

### **Specialist External Engagement**

The Trustee classifies specialist external Engagement as Engagement conducted by specialist service providers like ACSI or Hermes EOS. This Engagement is usually actioned where they have a mandate or direction to engage with companies on the Fund's behalf. Our seat on ACSI's Member Advisory Council allows the Trustee to influence the themes and investee companies that are the focus for their Engagement.

## **Due diligence and monitoring process**

### **Due Diligence**

Prior to the appointment of Investment Managers, the Trustee conducts due diligence in accordance with the Fund's Investments Due Diligence Policy, that include ESG Due Diligence.

ESG Due Diligence considers the Investment Manager's policy and action relating to Active Ownership and Engagement.

### **Monitoring Process**

The Trustee uses the following practices to monitor the ESG practices within the investment portfolio:

1. Regular independent review of equity holdings via a third party ESG rating platform obtaining a list of companies with a high ESG risk and controversy ratings. This information is used to engage with our Investment Managers as needed and to be informed when sitting in on selected company meetings arranged and lead by the Fund's Specialist External Engagement Partners.
2. The Trustee formally engages with Investment Managers twice per annum on ESG matters via a formal questionnaire.
3. Internal Engagement Committees consider what should be the Engagement focus driven by the internal investment team. These Engagements are predominantly conducted with our Investment Managers.

Updates on ESG and Responsible Investment are provided to the Trustee at each Investment Committee meeting, which include updates on this Policy as necessary.

### Prioritisation of Engagements

When required, Engagements are prioritised using a two-stage approach. Firstly, Engagements are separated into two categories.

**Category one:** Engagements required because of a threat or contravention of the Fund’s stated Active Ownership objectives.

**Category two:** Engagements required that are not a threat or contravention of the Fund’s stated Active Ownership objectives.

Category one Engagements are given priority over category two Engagements.

If further prioritisation is required of category one Engagements, the Fund has adopted the following rating methodology for the above stated objectives.

Sub-theme	Rating
Fund Restrictions	Critical
Climate Change	Critical
Human Rights	Critical
Corporate Governance	Very important
Pollution	Very important
Nature and Biodiversity	Very important
Diversity and inclusion	Important

#### Definition of ratings

**Critical:** Contractual or legal obligations surround the objective, or presents significant short- to medium-term risk to the portfolio.

**Very important:** Areas where the Fund believes if not proactively addressed, could affect long term value creation and compromise their commitment to responsible investment.

**Important:** Issues that are values based and important to the Trustee and membership of the Fund.

Given the Fund has adopted Specialist External Engagement for most of the Engagement activities at Fund level, Direct Engagement is mostly limited to the work conducted in Internal Engagement Committees.

#### Escalation strategies

In the event that outcomes of Engagement are unsatisfactory or unsuccessful, in consultation with the CIO, the Trustee may consider other actions. This may include divestment if the Trustee considers that it is in the best interest of members.

## Transparency

The Trustee maintains an Engagement register which tracks the types of Engagement undertaken internally.

The Trustee provides members with a summary of Engagement activities annually which focuses on Specialist External Engagement activities.

From time to time, the Trustee may receive feedback from its members in relation to ESG issues or past or proposed Proxy Voting activities. The Trustee endeavours to investigate and respond to all member feedback on these issues.

## Advocacy and Class Actions

### Advocacy

The Trustee supports Advocacy to improve long term risk adjusted investment returns.

The Trustee generally partners with specialist service providers such as ACSI or other likeminded investors to collectively advocate on behalf of our members. It is our view that this efficient and collaborative approach is not only a smart use of resources, but standardises the message being voiced while maximising the impact.

Effective and streamlined Advocacy can promote the move to a more efficient and sustainable financial system. The aim of Advocacy can be to influence laws, standards, regulation or guidelines. Advocacy can take the form of submissions to regulators or governments, other rule making bodies, publishing or commissioning research and campaigns.

A summary of the Advocacy activities that the Fund has been a party to via its partnership with ACSI is published on the [ACSI website](#).

### Class Actions

Class Actions are legal proceedings involving a number of shareholders who have a claim for loss against a company aggregating their claims into one legal proceeding in order to have the matter dealt with in a timely and cost-effective manner.

The Trustee may participate in Class Actions on behalf of the Fund on a no-win no-fee basis only. The Trustee will not manage these Class Actions internally and will work with a specialist Class Action recovery partner.

## Proxy Voting

### ESG Issues

The Fund relies upon Glass Lewis to complete their Proxy Voting research and execution. As a such, the Fund relies upon the Glass Lewis voting guidelines for Proxy Voting.

Glass Lewis publishes detailed voting guidelines for a number of jurisdictions [on their website](#). The Fund adopts the benchmark policy, depending on the market while also applying the ESG thematic voting policy as this is aligned with the Fund's Active Ownership objectives. Both of these policies are available on the Glass Lewis on their website.

A summary of all the Fund's Proxy Voting actions is maintained and published on the Fund's website, including the name of the company, the meeting date, the nature of the resolutions, and how the Fund voted.

### Decision making process

Glass Lewis have the delegated authority to cast all the Fund's Proxy Voting Ballots in accordance with their published voting guidelines and the ESG policy overlay.

The Trustee has access to the Proxy Voting portal (Viewpoint) which enables the Investment Team to review, and if necessary amend the Glass Lewis voting recommendations prior to the Ballot deadline. Members of the Investment Team can make recommendations to amend Proxy Voting decisions to the CIO.

### **Prioritisation and scope of voting activities**

The Trustee seeks to vote on all eligible voting matters/Ballots issued to the Trustee by virtue of their direct share ownership.

Should a Ballot arise in a market that is classified as a share blocking market, generally the Trustee will not participate in these Ballots. This is because participating in these Ballots results in the Fund being subject to a trading blackout during the period of the annual general meeting. The blocking period can be anything from a few days to two weeks.

Where Glass Lewis doesn't cover a company where a vote must be cast, the Trustee's Investments team will seek to investigate and vote on the matter with the Fund's Engagement objectives front of mind. If the Investment Team is unable to form a firm view on a voting matter, the Trustee will abstain from voting.

Where the Fund becomes an owner of securities in sanctioned markets, and adequate research cannot be obtained, the Trustee will abstain from voting on these matters.

### **Unlisted unit trusts**

The Trustee does not directly exercise voting rights associated with voting rights attached to the Fund's holdings in Australian and international equity unlisted unit trusts. Where the Fund holds an interest in an unlisted unit trust, the Investment Manager of the trust is responsible for casting the vote on behalf of all unitholders.

### **Methods of voting**

For efficiency, the Trustee will almost always vote by proxy rather than attend shareholder meetings to vote in person.

### **Regional voting practices**

The Trustee follows Glass Lewis's Proxy Voting guidelines relevant to the particular jurisdiction where the vote is taking place.

Glass Lewis have tailored voting guidelines for many jurisdictions which can be found [here](#).

### **Filing or co-filing shareholder resolutions**

Shareholder resolutions can be Special Resolutions or General Resolutions. Resolutions classified as special require a 75% approval whereas General Resolutions only require a 50% approval to be passed.

The Trustee recognises that filing or co-filing shareholder resolutions can be a catalyst for change. However, the Fund prefers Engagement over shareholder resolutions to promote change and best practice on ESG matters as this is a more collaborative approach.

Where other shareholders file a shareholder resolution, the Trustee will vote on the resolution with regard to the Fund's Engagement objectives.

### **Company dialogue pre- or post-vote**

The Trustee or its delegates may have dialogue with our Investment Managers, Proxy Voting provider and/or a company on voting matters pre or post vote. This occurs for a variety of reasons including but not limited to:

- the need for additional information

- understanding the views of other stakeholders (Glass Lewis, ACSI, Investment Managers etc.)
- member enquiry or feedback, or
- to be a catalyst for change.

Usually, the Trustee will not disclose their voting intention until the meeting date has passed. However, there are times when disclosing voting intention and reasons could be an effective form of Engagement and Advocacy and act as a catalyst for change. Where this is deemed the case, this will be assessed on a case-by-case basis and will be approved by the CIO or Internal Investment Committee.

### **Proxy Voting on securities in transition**

From time to time the Trustee will transition the Fund's equities holdings from mandate to mandate. Often, a transition manager is appointed to execute these transitions in the most cost-effective manner. The Trustee uses best endeavours to retain voting rights and vote in line with our Proxy Voting policy while portfolios are in transition phase however, this is not always possible.

### **Securities lending process**

The Trustee has engaged the Custodian to run a securities lending program on behalf of the Fund. The parameters within the program are such that shares lent on the agreement that they are recallable by the Trustee to allow the Trustee to exercise their Proxy Voting rights.

Where shares are on loan and a notice of meeting is issued, the Trustee uses best endeavours to recall shares to enable the Fund to exercise their voting rights.

### **Transparency and Review of Proxy Voting Service Provider**

#### **Transparency**

The Trustee maintains the records of the votes cast via the Glass Lewis online system, Viewpoint.

The Trustee publishes history of its Proxy Voting activity on the website, which is updated in real time ensuring full transparency.

#### **Review of Proxy Voting Service Provider**

The ESG and Responsible Investment Team will review the services and voting activity performed by Glass Lewis.

## **Review**

The policy will be reviewed at least annually or:

- on the occurrence of a material change in procedural arrangements
- on the changing or introduction of a relevant law, standard or regulation
- material changes to the investment strategy of the Fund
- strategic or operational changes to the Fund
- on the changing of the member or community expectations.

A summary of this policy will be made available to the membership via publication on the website which will also be updated on the review of this policy.

*For more information about this Policy, please contact us.*

## Appendix A

**ACSI** - Australian Council of Superannuation Investors

**Advocacy** – is action taken by the Fund, or its appointed representatives and/or groups on the Fund’s behalf seeking to influence or change laws, regulations, standards or guidelines aiming to protect or increase the long term economic value of assets or a market

**Active Ownership** – is the practice of taking actions to influence or attempting to influence the governance, practices, policies and management of the entities in which the Fund has ownership

**Ballot** – means a system of voting in writing on a particular issue

**CIO** – Chief Investment Officer

**Class Actions** – are legal proceedings involving a number of shareholders who have a claim for loss against a company compiling all their claims into one in order to have the matter dealt with in a timely and cost-effective manner.

**Custodian** – means State Street Australia Limited

**ESG** – refers to Environmental, Social and Governance. Issues relating to companies are generally categorised under E, S or G however, the prevalent issues which are focused on are not static and will evolve over time and in line with community expectations.

**Environmental** – means issues affecting the environment like climate change, emissions to land, water and resource scarcity, habitat and biodiversity loss, water and the atmosphere and dealing and waste and waste generation.

**Social** – means issues affecting individuals globally including but not limited to employees, customers, suppliers, members and local communities. Social issues can be related to human rights, human capital management, supply chain management, community relations and workplace health and safety.

**Governance** – means how a company is run or governed and is concerned with the alignment of the board or management of the company to the views of the shareholders. Governance issues can include matters including but not limited to, board skills and composition, audit/accounting practices and remuneration.

**ESG and Responsible Investment Team** – Any member of the Investments team who has a dedicated role relating to ESG and responsible investment objectives.

**Engagement** – means the process of engaging with a company or other body to effect change. Engagement is a lever to discharge Active Ownership responsibilities.

**Fund** - NGS Super

**General Resolution** - a resolution (also known as an ordinary resolution) passed by a simple bare majority (for example, more than 50%) of the votes cast by shareholders eligible to vote in respect of a resolution at a convened meeting, or posed via a circulating resolution.

**Glass Lewis** – The Funds specialist Proxy Voting provider

**Internal Engagement Committee** - are meetings of Trustee’s staff that includes ESG and investment specialists that review and set and monitor engagement objectives through their committee meetings.

**Investment Manager** – a corporation who provides investment management and other services in

relation to the assets of the Fund

**Proxy Voting** – a Ballot cast by a shareholder of a company surrounding at a matter being considered at an official meeting of the company. Casting a Proxy Vote or Ballot means the shareholder does not need to physically attend the meeting to have their vote validly recorded.

**PRI** - The United Nations supported Principles for Responsible Investment who are the world's leading proponent of responsible investment working towards understanding the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions

**Special Resolution** – a resolution passed by a majority of not less than two-thirds of the votes cast by shareholders who voted in respect of the resolution or signed by all the shareholders entitled to vote on that resolution.

**Trustee** – NGS Super Pty Limited

**UN Sustainable Development Goals (SDG)** – a set of 17 goals agreed to obtain peace and prosperity by 2030.



## Talk to us – we're here to help

You can contact us at [ngssuper.com.au/contactus](https://ngssuper.com.au/contactus)

Call us on **1300 133 177**, Monday to Friday, 8am–8pm (AEST/AEDT)

Postal address: **GPO Box 4303 Melbourne VIC 3001**

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