

# Active ownership and engagement policy

*Our commitment to ESG and  
responsible investing*

The purpose of this policy is to outline the Fund’s position and approach to active ownership, including proxy voting, company engagement and advocacy activities, demonstrating the Fund’s commitment to ESG and responsible investing.

## Active ownership

The Fund believes that active ownership is an essential element of its investment strategy and seeks to cover the entire portfolio under this policy.

The Fund has defined a set of objectives to focus our active ownership activities. These objectives have been determined with the 17 UN Sustainable Development Goals (SDG) in mind. You can find out more about the UN SDGs at [sustainabledevelopment.un.org](https://sustainabledevelopment.un.org)

This includes the following:

### Definition



Definitions of terms used throughout this policy are included at the end of this document (please refer page 9).

Theme	Sub theme	Rationale	Link to SDGs
Values Guided	Fund Exclusions	The Fund has set an exclusion policy which excludes investments in tobacco, nuclear weapons, controversial weapons and fossil fuels. These exclusions are defined in the Fund’s Responsible Investment policy.	
Environmental	Climate Change	Climate Change presents material medium to long term risks for investors (physical and transitional risk). So much so the Fund has set a target to deliver a Carbon Neutral MySuper (Diversified) portfolio by 2030. Therefore, we will support the objectives outlined in the Paris agreement and the transition to a low carbon world.	
	Pollution	We will promote the respectful treatment of our environment. Pollution of the environment can affect long term value creation.	
	Nature and Biodiversity	We support and promote the protection of natural capital and biodiversity loss. 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.	

1. <https://www.ngssuper.com.au/cnupdate>

Theme	Sub theme	Rationale	Link to SDGs
Social	Human Rights	We support and promote the protection of human rights in our investment supply chain and the Fund is committed to assessing its supply chain and complying with the Commonwealth Modern Slavery legislation.  We support and promote the protection of Aboriginal and Torres Strait Islander rights.	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
	Diversity and Inclusion	We will promote gender equality, diversity and inclusion.	5 GENDER EQUALITY
Governance	Corporate Governance	We promote and advocate for best practice corporate governance in the companies we own. Poor corporate governance diminishes long term investment outcomes.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

Each year the Fund will report engagement activities and its contribution to the SDGs

Reporting on our engagement activities can be found on our website at [ngssuper.com.au/activeownership](https://ngssuper.com.au/activeownership) and reporting on our contribution to the SDGs at [ngssuper.com.au/sdg](https://ngssuper.com.au/sdg)

### Conflict of interest



The Fund ensures that any active ownership activities are exercised in the members’ best interest. The Fund has a robust policy and process in place to identify, manage and mitigate conflicts of interests. Where an actual or potential conflict is identified appropriate action will be taken.

The Fund has a dedicated internal investments team covering sector specialists, ESG, governance, analytics, accounting, research and performance reporting. The Investments team also has ready access to the Fund’s compliance and legal resources. Each member of the team, including the CIO, has responsible investment/ ESG key performance indicator(s) and all members can take training and professional development in responsible investment and ESG matters.

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

The Fund has partnered with local and global specialist third party service providers and/or organisations to enhance responsible investment and active ownership activities. You can find more information in the Fund’s **Responsible Investment Policy**.

## Engagement

The Fund’s active ownership objectives shape the key ESG issues whereby the Fund or its appointed specialist partners will engage. If an ESG issue falls outside the agreed objectives, the Fund or its appointed specialist partners will engage as deemed appropriate.

### How the fund engages

- 1. Direct engagement** is where our staff engage on a specific issue/ matter with our investment managers or the management of companies in which we are invested
- 2. Collaborative engagement** is completed with other like-minded investors and/or stakeholders to enable unified communication on particular issues or matters
- 3. Investment manager engagement** is conducted as a result of the Fund empowering our appointed investment managers to engage with companies on the Fund’s behalf
- 4. Specialist external engagement** is conducted by service providers like ACSI or Glass Lewis. This usually occurs where they have a mandate or direction to engage with companies on the Fund’s behalf.

The Fund primarily utilises Direct, Investment Manager and Specialist External engagement.

### Due diligence and monitoring process

Prior to appointing investment managers, the Fund conducts a due diligence process in accordance with the Fund’s Investment Due Diligence Policy, which provisions for ESG Due Diligence.

#### Monitoring ESG practices



The Fund monitors the ESG practices within the investment portfolio as follows:

1. Regular independent review of equity holdings
2. Formally engaging with investment managers twice a year to test their ESG integration and their stance or actions on other topical matters
3. Formulating internal committees to oversee the Fund’s engagement activities driven within the Investment team.

### Prioritising engagements

Engagements are separated into two categories

- 1. Category one** engagements required because of threat or contravention of the Fund’s stated active ownership objectives. These are given priority
- 2. Category two** engagements required that are not a threat or contravention of the Fund’s stated active ownership objectives. If resourcing permits, category two engagements will be pursued.

If we need to further prioritise category one engagements, the Fund uses the following rating methodology.

Sub-theme	Rating	Rationale
<b>Fund Exclusions</b>	Critical <sup>2</sup>	<p>The Fund has a zero tolerance for stocks within our portfolio that are on our exclusion list which restricts:</p> <ul style="list-style-type: none"> <li>• holdings in companies whose primary business is in the production and/or manufacture of tobacco, armaments and controversial weapons</li> <li>• holdings with companies that generate more than 30% of their revenue from the distribution, power generation, or extraction of thermal coal.</li> </ul> <p>The Trustee will use best endeavours to refrain from investing in any company where its core business is engaged in a criminal offence under Australian law.</p> <p>These exclusions are deemed by the Trustee as not in line with responsible investment and managers are bound contractually to ensure these stocks are not within our portfolio.</p>
<b>Climate change</b>	Critical <sup>2</sup>	<p>Climate change presents material medium to long-term risks for investors (physical and transitional risk). Therefore we will support the objectives outlined in the Paris agreement and the transition to a low carbon world.</p>

Sub-theme	Rating	Rationale
<b>Human rights</b>	Critical <sup>2</sup>	We support and promote the protection of human rights in our investment supply chain and the Fund is committed to assessing its supply chain and complying with the Commonwealth Modern Slavery legislation.
<b>Corporate Governance</b>	Very important <sup>3</sup>	We promote and advocate for best practice corporate governance in the companies we own. Poor corporate governance diminishes long-term investment outcomes.
<b>Pollution</b>	Very important <sup>3</sup>	We will promote the respectful treatment of our environment. Pollution of the environment can affect long-term value creation.
<b>Nature and Biodiversity</b>	Very important <sup>3</sup>	We support and promote the protection of natural capital and biodiversity loss. 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.
<b>Diversity and inclusion</b>	Important <sup>4</sup>	We will promote gender equality, diversity and inclusion.

2. Contractual or legal obligations surround the objective, or presents significant short to medium-term risks to the portfolio.

3. Areas the Fund believes, if not proactively addressed, could affect long-term value creation and compromise their commitment to responsible investment.

4. Issues that are values based and important to the Trustee and membership of the Fund.

# Investing and engaging for holistic impact

## Insider information

If Fund staff come in to contact with non-public material information, this will be dealt with under the Fund’s Conflicts Management Framework and Policy and Personal Trading Policy.

### Escalation



If any engagement methods are deemed unsatisfactory or unsuccessful and presents material risk, the matter will be escalated first to the CIO and, if necessary, to the Trustee.

## Transparency

The Fund will seek to maintain an engagement register to track engagements.

The Fund is committed to providing members with a summary of engagement activities annually which focuses on the Specialist External Engagement activities.

When the Fund receives feedback from its members in relation to ESG issues or past or proposed proxy voting activities, it endeavours to investigate and respond.



## Advocacy and class actions

### Advocacy

The Fund supports advocacy to improve long-term risk-adjusted investment returns.

The Fund generally partners with specialist service providers such as ACSI or other likeminded investors to collectively advocate on behalf of our members.

Effective and streamlined advocacy can promote the move to a more efficient and sustainable financial system.

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 action



Class actions are legal proceedings involving a number of shareholders aggregating their claims into one legal proceeding. The Fund may participate in class actions where the internal investments team deems appropriate.

## Proxy voting

The Fund relies on Glass Lewis to complete their proxy voting research and execution.

Glass Lewis has the delegated authority to cast all of the Fund's proxy voting. The Fund has access to the proxy voting portal so the internal investments team can review and, if necessary, amend the Glass Lewis voting recommendations prior to the voting deadline.

Glass Lewis engages weekly with the Fund on voting matters, providing a summary of all upcoming voting matters related to the Fund's Category 1 'Critical' objectives. This allows the internal investments team to review and ensure the vote is cast in line with the Fund's engagement objectives

The Fund will almost always vote by proxy rather than attend shareholder meetings and follows Glass Lewis's **Proxy Voting guidelines** relevant to the jurisdiction where the vote is taking place. In addition to these general proxy voting guidelines, the Fund has requested Glass Lewis apply an additional ESG policy overlay when making recommendations on proxy voting. This ESG policy is aligned with our active ownership objectives.

### Note:



The Fund publishes a detailed history of their proxy voting activity on the website, which is updated in real time to give members full transparency.

## Additional considerations from EGS overlay

### 1. We assess merit and appropriateness for director elections.

Some of the factors we will consider are:

- a. if ESG issues and risks have been given due regard
- b. If there has been sufficient ESG disclosure
- c. evidence of a commitment to sustainable business practices
- d. the number of Board positions the Director holds
- e. skills required by the Board
- f. diversity (including gender), tenure and refreshment.

### 2. We support virtual shareholder meeting attendance as an option;

however, we generally do not support virtual only shareholder meetings (except under exceptional circumstances). We believe attendance is necessary to facilitate open and frank discussion between companies and shareholders.

### 3. We do not promote re-incorporation of a company in a known tax haven

and will support companies seeking to withdraw from known tax havens or encourage companies to report on the risks associated with the use of tax havens.

### 4. We promote appropriate auditor and audit firm rotation.

### 5. When considering mergers and acquisitions, we promote the consideration of the effects that the transaction may have on the companies' stakeholders.

### 6. We will generally support shareholder proposals that enhance companies disclosure and/or actions surrounding:

- a. compensation
- b. corporate governance
- c. environmental issues
- d. labour and human rights
- e. health and safety
- f. business ethics.

### 7. We will not support Trojan Horse proposals.

Trojan Horse proposals are also referred to as 'antisocial' proposals. These are shareholder proposals generally submitted imitating other shareholders proposals submitted by progressive investors. However, the intention of these trojan horse proposals is damaging for society or regressive. Examples of trojan horse proposals are:

- seeking to delete sexual orientation from a company's non-discrimination policies which in effect would cease workplace anti-discrimination protection
- seeking to abandon efforts to address global warming.

# Voting activities processes and record-keeping

## Prioritisation and scope of voting activities

The Fund seeks to vote on all eligible voting matters/ballots issued by virtue of direct share ownership.

If a ballot arises in a market that is classified as a share blocking market, generally the Fund will not participate in these ballots.

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

Where the Fund finds itself owning securities in sanctioned markets (for example Russian securities), as adequate research cannot be obtained, the Fund will abstain from these voting matters.

### Unlisted unit trusts



The Fund does not directly exercise voting rights attached to its holdings in Australian and international equity unlisted unit trusts. The investment manager of the trust is responsible for casting votes on behalf of all unitholders. The Fund seeks to keep abreast of the voting policies and practices of these investments.

## Filing or co-filing shareholder resolutions

Shareholder resolutions can be special resolutions or general resolutions. Special resolutions require a 75% approval and general resolutions a 50% approval to be passed.

Although the Fund recognises that filing or co-filing shareholder resolutions can be a catalyst for change, it prefers engagement over shareholder resolutions as this is a more collaborative approach.

Where other shareholders file a shareholder resolution, the Fund will vote on the resolution with the Fund's engagement objectives front of mind.

## Company dialogue pre or post-vote

The Fund or its delegates may have dialogue with our investment managers, proxy voting provider and/or a company on voting matters pre or post-vote:

- if additional information is required
- if we need to understand the views of other stakeholders
- if there has been a member enquiry or feedback
- to be a catalyst for change.

Usually, the Fund will not disclose their voting intention until the meeting date has passed. However, we may publicly disclose our voting intention and reasons pre or post vote where it is deemed appropriate to do so. This is usually where doing so is seen as an effective engagement tool or, a catalyst for positive change.

## Proxy voting on securities in transition

From time to time the Fund transitions equities holdings from mandate to mandate. More often than not, a transition manager is appointed to execute these transitions in the most cost-effective manner. The Fund 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 Fund has engaged the custodian to run a securities lending program on its behalf. Shares lent on the agreement are recallable by the Fund to allow the Fund to exercise its proxy voting rights. Where a notice of meeting is issued, the Fund uses best endeavours to recall shares.

## Transparency and record-keeping

The Fund maintains the records of past proxy votes via the Glass Lewis online system, Viewpoint. The Fund reviews the services of Glass Lewis on a regular basis.

## Review

The policy will be reviewed at least annually.

## More information

If you have any questions or would like more information, please email us at [responsibleinvestment@ngssuper.com.au](mailto:responsibleinvestment@ngssuper.com.au)



## Summary of definitions

**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

**CEO** – Chief Executive 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

## ESG and Responsible Investment

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

**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

**Ethical investment** – is focused on actively screening out investments that are involved in industries that have negative social connotations (for example, gambling, alcohol, certain drug supply companies etc.)

**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

**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

**Responsible investing** – a way of investing capital which seeks to generate both financial and sustainable investment returns while reducing risks which can be categorised ESG risks

**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.

# More information?

## Contact us

You can contact us at [ngssuper.com.au/contact-us](https://ngssuper.com.au/contact-us) or call us on **1300 133 177** Monday to Friday, 8am–8pm (AEST/AEDT).

Fax: **(03) 9245 5827**

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

## 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
- through our **Super Specialists** who you can talk to over the phone or meet either virtually or face-to-face.

We also 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** at [ngssuper.com.au/advice](https://ngssuper.com.au/advice)

## Important information

The information provided in this policy document 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.