

Responsible Investment Policy

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

Purpose

The purpose of this Responsible Investment Policy is to support the NGS Super Pty Limited's (Trustee's) Investment Governance Framework and set out a high-level overview of the NGS Super's (Fund's) policy and approach to managing Environment, Social and Governance (ESG) issues in its investments.

The principal objective of the policy is to ensure that ESG risks and opportunities are adequately considered as part of the Fund's investment processes and to assist and guide the Fund in engaging with investment managers and companies to promote better governance practices.

NGS Super do not offer a standalone ethical or sustainable investment option. Instead, we focus on integrating ESG factors within the investment process.

Background

In accordance with the investment policy of the Fund and its strategic asset allocation, the Fund invests part of the Fund's assets in a diversified range of investments which include, but are not limited to, Australian and overseas-based listed equities, private equity, infrastructure, property, fixed interest and cash.

The Trustee regularly assesses and reviews its investments in the context of performance, risk and diversification considerations. The Trustee believes that properly understanding and assessing all likely material risks to its investments, and being fully cognisant of all material opportunities, is an inherent requirement of fulfilling its fiduciary duties to its members.

In selecting its investments and investment managers, the Trustee is mindful of the general risk characteristics of each asset class and of the investment styles or approaches of each of the investment managers that it appoints.

However, the Trustee is also aware that there are some risks and potential returns that its third party investment managers may not always focus on. This is particularly so in the equity asset classes, where investment manager time horizons tend to be from one to three years and where portfolio turnover is relatively high.

As a consequence of being a long-term investor, the Trustee is of the view that it would not be fulfilling its fiduciary duty to its members if it did not seek to manage such long term risks in order to maximize its prospective long term returns.

Such risks and opportunities largely fall into three categories:

- **Environmental** – There has been a major change in societal expectations over the past 30 years, such that environmental degradation is no longer accepted as an inevitable consequence of some industrial and mining practices. As such, enterprises that are either not aware of their environmental impacts, or are aware and fail to manage them, can pose a significant long term investment risk. More recently, recognition of the threat posed by climate change has substantially broadened the range of enterprises that could be subject to environmental risk. The Trustee strongly believes that these exposures to risk must be managed.
- **Social** – Issues to do with labour market practices, respect and treatment of first nations peoples and land rights, modern slavery, occupational health and safety and product liability can pose very substantial reputational and regulatory risks and hence investment risk.

- **Governance** – The Trustee believes that governance risks are a major long-term threat to investor value. These risks can be present, not just in equity assets, but in nearly all asset classes including corporate debt, property and infrastructure investments. Conversely, the Trustee believes that, all other things being equal, good governance will likely be rewarded over the longer term. Areas of governance are:
 - board composition, diversity (especially gender), refreshment and leadership
 - long term strategy and the treatment of sustainability issues
 - remuneration structures
 - general governance practices and corporate culture
 - human capital management
 - shareholder and stakeholder engagement.

The Trustee accepts the conventional shorthand for these factors as 'ESG'.

The Trustee considers that corporate awareness of, and responsible behavior towards, ESG factors will act to both reduce investment risk and have a positive influence on long-term investment performance.

In this regard the Trustee believes that:

- Disclosure should be 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.
- Investment analysis should incorporate ESG factors to the extent that they affect long-term risk and return.

The Trustee invests the Fund's assets by balancing the needs to manage investment risk and climate risk, while seeking to maximise returns for its members. As such, the ESG factors set out in this policy forms part of the Fund's investment process.

The Fund **is not** ethically based nor accredited as a sustainable or ethical investor. Therefore, there will be instances where the Fund may, hold restricted assets in situations set out in this policy.

Regulatory Requirements

The regulatory requirements relating to responsible investment include, but are not limited to:

- Superannuation Industry Supervision (SIS) Act 1993
- APRA Prudential Practice Guide SPG 530 Investment Governance (SPG 530)
- Modern Slavery (MS) Act 2018
- Information sheet (INFO 271)
- CPG229 Climate Change Risk.

Policy on Responsible Investment

The Trustee recognises the need to go beyond traditional financial measures to fully understand the risks associated with existing and potential investments. Any potential financial impact of ESG factors on the Fund's investments need to be considered in investment decisions. The Trustee believes that incorporating ESG factors into the Fund's investment decision-making framework is an essential component in meeting its fiduciary obligations to its members.

Principles of Responsible Investment

The Fund is a signatory to the Principles of Responsible Investment (PRI). The PRI has set out a set of six aspirational [principles](#) developed by an international group of institutional investors in a process convened by the United Nations' Secretary General. The PRI establishes a collective

international framework for institutional investors to integrate ESG matters into their investment decision making.

Position on Climate Change and Carbon Neutral (CN2030)

The Trustee notes that climate change poses a material financial risk to financial markets.¹ Climate change is one of the Fund’s secular trends. The Trustee believes that prudent management of members retirement savings includes avoiding climate related risks. There does appear to be a disparity between the scientific community predictions surrounding the temperature rise trajectory, and the real associated impacts on financial markets.² As a result, the Trustee is continuing its research and understanding of the impacts of climate change on financial markets in the hope of managing predicted risk and capitalise on possible opportunities of climate change.

The Fund’s Statement on Climate Change is available [here](#).

Investment Restrictions

The Trustee endeavors to apply investment restrictions on tobacco, controversial weapons, nuclear weapons, and fossil fuels for all investment options, **except within Indexed Growth investment options**. This policy extract explains how these restrictions are interpreted and applied across the portfolio.

The Trustee recognise that there is a delicate balance between technically explaining how the Trustee applies the restrictions and bringing them to life for members. **If our members want to understand whether a particular company is, or is not on the Fund’s restricted list, we invite members to contact the Fund and we will provide a response.** Due to licensing and confidentiality requirements imposed on the Trustee and the Fund, we are currently unable to provide members with a complete list of restricted companies.



¹ [Economist Blasts Climate Risk Assessments - i3 \(i3-invest.com\)](#).

² [Loading the DICE Against Pensions - Carbon Tracker Initiative](#).

IMPORTANT: Qualifications relating to the Fund's Investment Restrictions

All of the following apply to the restriction policy:

- The restriction policy applies to all investment options except the Indexed Growth investment option.
- Companies' subsidiaries and any investments made by companies are not automatically excluded. That is, each company (including subsidiaries, affiliates, security issuer and other structures) within a conglomerate or group is considered based on its own financial information or circumstances.
- The Trustee can consider additional restrictions and apply exemptions to the restrictions. *Members can contact the Fund to find out more about current exemptions to the restrictions.*
- This restriction policy may not be able to be applied to assets received by NGS Super as a result of a merger. Where NGS Super holds liquid assets in breach of this restriction policy received on merger, NGS Super will attempt to divest these holdings within 4 weeks. Where the Fund inherits illiquid assets on merger that result in breach of this restriction policy, these will be flagged for divestment however, actual divestment may take considerable time (which may be years rather than weeks) depending on the asset and liquidity options available to the Fund. For example, the asset may be a closed-ended investment with limited withdrawal or transfer options. The Trustee will use its best commercial efforts to adhere to these timeframes however, members' best financial interest will be paramount in effecting any divestment as well as any terms agreed by the outgoing trustee to the merger.
- At certain times, the Trustee will need to transition assets of the Fund from one investment manager or portfolio to another. While assets are "in transition" best commercial efforts will be made to ensure compliance with the Fund's restrictions, however, there is a possibility that the Fund will not be in compliance with this policy during such transitional periods.

Restriction policy and application

The Trustee endeavours to apply the restriction policy over the majority of their investments. The Fund has a wide range of investments which vary in investment type (listed markets, unlisted markets), investment vehicle (investment management agreements, indirect exposure through pooled vehicles, co-investments or directly held assets) and the level of control we have in choosing underlying investments. As a result, how the Fund's restrictions are applied varies: the Trustee has classified the Fund's investments into categories according to how the investments restrictions are applied. These are **Category A**, **Category B** and **Not Applied** which are explained below.

For transparency, **Appendix A** illustrates the percentage of assets of each of the Fund's investment option that are classified as Category A, Category B and Not Applied.³

³ Members that wish to see further details of asset classes within each investment option, please contact the Fund.

Category A

Category A are investments:

- where we have an investment management agreement (i.e. discrete investment mandate) in place with a manager,
- that are a co-investment made by the Fund, or
- unlisted assets (that are not pooled investment vehicles (see below)) that are directly held by the Fund.

As the Trustee has a **high degree of control** in appointing the manager or selecting these investments, the restriction policy will be applied.

For listed investments that fall into Category A, the Fund derives a restriction list using data from the Fund's ESG provider. However, where a data issue is identified, the Fund can undertake internal analysis to override outdated or inaccurate data to inform the Fund's restriction list to complete the restriction list.

For Category A co-investments or unlisted investments, the internal Investments Team assess compliance with the Fund's restrictions as a part of investment due diligence.

Category B

Category B investments are investments held in pooled investment vehicle(s) (pooled vehicle(s)).

Implementing this policy in pooled vehicles is challenging. The nature of pooled investments means that an individual investor's preferences (such as the Trustee) cannot be fully accommodated as the manager of the pooled vehicle ultimately decides on the assets held by the pooled vehicle.

As the Trustee has less control over the underlying assets within pooled vehicles, the application of the restriction policy is on a best commercial efforts basis and the Trustee assesses compliance of the pooled vehicle itself with this policy, not the underlying individual assets within the pooled vehicle. For example, if the Fund holds an investment in XYZ Fund that has 10 assets, the Trustee will assess XYZ Fund's compliance with this policy, rather than the 10 underlying assets of XYZ Fund.

At the time of committing to new pooled vehicles, the Trustee seeks to gain comfort that the investment strategy of the pooled vehicle, on balance, will not result in a breach of the Fund's restriction policy in place at the time of entering into the investment and the Trustee will seek to bind these restrictions contractually at the time of committing to the investments. However, this is not always achievable and/or terms may not be in the Trustee's preferred form.

Not Applied (N/A)

This restriction policy **does not apply to derivatives, currency, commodities, cash and government bonds regardless** of how they are held (e.g. asset acquired by a manager under an investment management agreement, directly acquired by the Fund, or held as an underlying asset of pooled vehicle that the Fund invests in). That is, by way of example, a derivative investment made by the Fund, or on behalf of the Fund (direct or indirect) whose return may be derived from an underlying asset that is restricted.

Derivatives include but are not limited to options, futures, swaps and forward contracts. This exemption is not intended to allow single stock positions held via a derivative instrument where the stock in question is an excluded stock.

Given the Fund's approach with respect to Category B and "Not Applied (N/A)", the Fund may continue to hold assets within these groups.

Restriction definitions

The table below outlines each headline restriction and provides additional interpretation information.

| Restriction | Additional interpretation information |
|---|---|
| <p>Tobacco</p> <p>We restrict holdings:</p> <ul style="list-style-type: none"> that produce tobacco products¹ including alternative smoking products where their primary business² is the manufacture and supply of key products necessary for the production of tobacco products.³ | <p>¹ Such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco, alternate smoking products. This also includes companies that grow or process raw tobacco leaves.</p> <p>² Primary business is defined at 50% or more of annual revenue derived from supplying products essential to the tobacco industry. Gross revenue is used where available. However, net revenue or operating revenue may be used in instances where that is the only information available.</p> <p>³ Such as tobacco flavoring, cigarette filters (acetate tow), tobacco roll paper, cigarette manufacturing machines, and tobacco packaging (specifically cigarette cartons, films, and aluminum foil).</p> <p>Companies involved in the production, manufacture, or marketing of nicotine replacement therapy via products like patches, gum, nasal sprays or other medication which are intended as quit nicotine products are not excluded.</p> <p>This restriction does not automatically restrict tobacco retail and distribution.</p> |
| <p>Controversial Weapons</p> <p>We restrict⁴ holdings who manufacture controversial⁵ weapons. This includes manufacture of:</p> <ul style="list-style-type: none"> the weapon itself components which are intended for exclusive use in a controversial weapon. | <p>⁴ No revenue threshold is applied when making this assessment. The assessment is binary.</p> <p>⁵ The following is included in the definition of controversial weapons: cluster munitions, landmines, antipersonnel landmines, antivehicle landmines, biological and chemical weapons and blinding lasers.</p> |
| <p>Nuclear weapons</p> <p>We restrict holdings:</p> <ul style="list-style-type: none"> that derive more than 4% of their revenue⁶ from the production of nuclear weapons that manufacture components for nuclear-exclusive delivery platforms⁷ | <p>⁶ Gross revenue measure is used where available. However, net revenue or operating revenue may be used in instances where that is the only information available.</p> <p>⁷ These are platforms developed or significantly modified for the exclusive delivery of nuclear weapons.</p> |

| Restriction | Additional interpretation information | |
|---|--|---|
| <ul style="list-style-type: none"> that manufacture nuclear warheads and or whole nuclear missiles. | | |
| <p>Fossil Fuels</p> <p>We restrict holdings:</p> <ul style="list-style-type: none"> that generate more than 30% of their revenue⁸ from the distribution⁹, power generation, or extraction of thermal coal that generate 50% or more of their revenue⁸ from upstream oil and gas extraction activities.¹⁰ | <p>Category A</p> <p>⁸ Revenue means net revenue. Net revenue represents gross revenue and other operating revenue less discounts, returns and allowances. It generally includes franchise sales, consulting income, service fees, royalty income, commissions earned and excludes General and Service taxes, Value-Added taxes, Excise taxes.</p> <p>⁹ Internal assessment based on data available.</p> <p>¹⁰ For listed securities, determined as companies reported by the Fund's ESG data provider as companies that generate 50% or more of their revenue from oil and gas extraction and production. For unlisted investments, an internal assessment is made based on data available. This exclusion does not exclude midstream and downstream oil and gas companies.</p> | <p>Category B</p> <p>⁸ Where available, gross revenue is used however, where not available, other forms revenue or estimates may be used based on known assumptions.</p> <p>⁹ Internal assessment based on data available.</p> <p>¹⁰ Upstream oil and gas activities are defined as businesses that are predominantly involved in exploration and production of oil and gas. Activities may include (but are not limited to) search, exploration, drilling, and extraction. The Fund may have midstream and downstream oil and gas assets in the portfolio.</p> |

Ad hoc restriction ESG Grounds

From time to time, the Trustee may need to determine if a current or potential investment which, while not falling directly into one of the above specific ESG restrictions, may expose the Fund to unwanted ESG risks. The Internal Investment Committee has delegation to determine these matters.

Initiatives that support the Fund's investment objectives

In keeping with the collaborative emphasis in much of the Fund's Responsible Investment Policy, the Trustee will seek to join with others to help achieve the objectives of the policy.

This may include:

- joining organisations whose objectives are consistent with the policy
- sponsoring the establishment of new organisations whose objectives are consistent with the policy
- entering into engagement and policy initiatives with others to help comply with the policy.

In keeping with these principles, the Fund has joined, sponsored or partnered with some organisations. Trustee's current partnerships are:

- [UNPRI](#) - The PRI is the world's leading independent non-for-profit proponent of responsible investment. PRI's objective is to understand the investment implications of ESG factors and support its international network of investor signatories in incorporating these factors into their investment and ownership activities. The Fund is a signatory to the PRI and has committed to PRI's six principals of responsible investment.
- [Australian Council of Superannuation Investors](#) - ACSI is a not-for-profit organisation which provides ESG research, advice and services to its members. The Fund is a member of ACSI and holds a seat on its Member Advisory Council which works to establish the strategic direction of ACSI and to serve as its policy-making body. Membership of ACSI provides the Fund with:
 - independent research and advice on the ESG risks of companies
 - advice on governance practices of companies
 - a forum to engage with companies (ASX300) to improve environmental, social and governance practices
 - a set of comprehensive corporate governance guidelines, which the Fund adopts.
- [Hermes EOS](#) - Hermes is a leading stewardship service provider who provides the Fund with international engagement services covering a vast array of international markets. On behalf of the Fund they have dialogue with companies on environmental, social and governance issues which align with our Active Ownership and Engagement objectives.
- [Responsible Investment Association Australasia](#) - The RIAA is an industry body representing responsible, ethical and impact investors across Australia and New Zealand. The goal of RIAA is to see more capital being invested responsibly and shifting into more sustainable assets and enterprises and shaping responsible financial markets to underpin strong investment returns and deliver a healthier economy, society and environment.
- [Climate Action 100+](#) - Climate Action 100+ is a voluntary initiative that brings together – and builds on – several pre-existing, investor-led, engagement initiatives that had been operating in different regions of the world. In signing up to Climate Action 100+, investors commit to engaging with at least one of 166 focus companies that are strategically important to the net-zero emissions transition. NGS Super are a supporter of CA100+.

Proxy Voting

The Trustee has engaged CGI Glass Lewis to provide a research platform and proxy voting system for the Fund to exercise its proxy voting rights.

In addition to standard review and analysis of proxy voting matters,⁴ the Trustee also implements an ESG policy overlay to proxy voting in considering the final position on proxy voting matters.⁵

A summary of the key ESG considerations⁶ are contained within the Active Ownership and Engagement Policy which can be found [here](#).

Review

This policy will be reviewed annually, on the occurrence of a material change in procedural arrangements, or earlier if a relevant new standard or regulation is made.

⁴ <https://www.glasslewis.com/voting-policies-current/>

⁵ Best commercial efforts are used to apply the Fund's ESG policy to portfolios while in transition however, sometimes this isn't possible. [Best commercial efforts will be made to ensure compliance with the Fund's ESG policy while in transition, however, sometimes this is not possible during transitional periods.](#)

⁶ These can change from time to time as the Fund's ESG overlay on Glass Lewis proxy voting is amended.

Appendix A

Restriction category application per investment option

The table below illustrates the approximate percentage of assets, as at 30 June 2024, assessed under each category (A, B and N/A). This information has been provided to illustrate the application of the restrictions across Category A, Category B and N/A.

| Investment Option (Accumulation) | Category A % | Category B % | N/A % | Total |
|---------------------------------------|-----------------|-----------------|-------|-------|
| Diversified (MySuper) | 58.43 | 36.54 | 5.02 | 100 |
| Defensive | 34.55 | 37.26 | 28.19 | 100 |
| Australian Shares | 99.93 | 0 | 0.07 | 100 |
| International Shares | 95.86 | 1.73 | 2.41 | 100 |
| Diversified Bonds | 45.29 | 54.26 | 0.44 | 100 |
| Cash & Term Deposits | 0 | 0 | 100 | 100 |
| High Growth | 62.37 | 34.96 | 2.67 | 100 |
| Balanced | 47.39 | 36.04 | 16.57 | 100 |
| Property | 98.57 | 1.43 | 0 | 100 |
| Infrastructure | 0 | 100 | 0 | 100 |
| Investment Option (Income Account) | Category A % | Category B % | N/A % | Total |
| Retire Plus | 41.82 | 47.68 | 10.50 | 100 |
| Diversified | 58.42 | 36.71 | 4.87 | 100 |
| Defensive | 34.58 | 37.30 | 28.12 | 100 |
| Australian Shares | 99.93 | 0.00 | 0.07 | 100 |
| International Shares | 95.86 | 1.73 | 2.41 | 100 |
| Diversified Bonds | 44.89 | 54.65 | 0.47 | 100 |
| Cash & Term Deposits | 0 | 0 | 100 | 100 |
| High Growth | 61.83 | 35.08 | 3.09 | 100 |
| Balanced Option | 47.29 | 35.97 | 16.74 | 100 |
| Property Option | 98.57 | 1.43 | 0 | 100 |
| Infrastructure Option | 0 | 100 | 0 | 100 |

For more information about this Policy, please contact us.



Talk to us – we're here to help

You can contact us at 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**

ngssuper.com.au

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