

NGS SUPER STATEMENT ON CLIMATE CHANGE

*And effect on NGS Super's
investment portfolio*

INFORMATION SHEET

JULY 2018

OUR PURPOSE

Generate strong long term returns for our members. This involves understanding and assessing likely material risks to our members' investments whilst pursuing new opportunities. One of the major risks posed to our investment portfolio is the effect of climate change.

Climate change risk

The scientific community unanimously agree that climate warming trends over the past century are extremely likely due to human activities¹. The major cause of climate change relates to increased carbon dioxide in the atmosphere which has led to rising temperatures. Temperature rises affect rainfall patterns, and the frequency of extreme weather events such as heatwaves, drought and storms.

Climate change has been identified as an investment risk, and as a result, we need to understand if companies and investment managers are factoring in emission intensity, potential policy changes, rising incidents of weather events, energy transition and consumer behaviour and attitudes towards companies because these factors create uncertainty of future earnings and valuations.

Global commitment to reducing climate change

To address climate change, in 2015 parties to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Paris Agreement, which has a long term goal of keeping global temperature rise this century well below 2 degrees Celsius and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The continued collaboration of countries, companies and individuals is critical to ensure a stable transition to a low carbon intensive society.



¹ J. Cook, et al, "Consensus on consensus: a synthesis of consensus estimates on human-caused global warming," Environmental Research Letters Vol. 11 No. 4, (13 April 2016); DOI:10.1088/1748-9326/11/4/048002

INVESTMENT DECISIONS AND CLIMATE CHANGE CONSIDERATIONS

Integrating climate change into investment decision making

In most cases, economic assets will be able to adapt to gradual increases in climate conditions², however it is the extreme conditions that pose the most risk to NGS Super's investment portfolio. Developed economies, like Australia, will be better positioned to cope with changes in the natural environment however some industries will be impacted worse than others due to poor adaptation, government policy reforms/carbon based taxes, social boycotting, and technological disruption. Developing nations are currently bearing the heaviest burden of climate change. Ongoing global collaboration between developing and developed nations is required to minimise this impact and reduce greenhouse gas emissions.

As a global corporate citizen, NGS Super uses a number of channels to assess the risks and opportunities of climate change and contribute to achieving the goal of reducing greenhouse gas emissions, ensuring that the Fund's investments, members' money, is being used to support the global commitment to reducing climate change. These include:

- engaging with industry bodies who are empowered to influence government policy and company practices
- limiting exposure to fossil fuel companies in our portfolio
- measuring the greenhouse gas (GHG) emission of our listed equity portfolio against industry benchmarks
- measuring our exposure to sustainable businesses by assessing the sources of companies' future revenue and the potential impact on the environment and people.

As a responsible corporate citizen NGS Super, can make a difference to the way companies and governments mitigate climate change and thereby improve the long term economic benefit of our retirement savings and society as a whole. NGS Super will continue to improve its process of measuring and identifying climate change risk and report this progress to NGS Super members.

For further information regarding NGS Super's approach to sustainable investing, refer to www.ngssuper.com.au

NGS Super's perspective on climate change

NGS Super has long recognised the risk posed by climate change and the importance of continuing to refine the way climate change risk is integrated into risk management systems and investment decision making.

In addition to assessing the direct economic impact of climate change on the investment portfolio, NGS Super aims to promote positive change in government policy and company practices by engaging with like-minded investors to promote investment in clean technology initiatives.

NGS Super assesses the risk of climate change over the long term as the impacts are not as evident over the short term and, as a result, assets may become stranded and permanently impaired.

Industries that damage the environment are at most risk of disruption from substitution or technological obsolescence³. With every risk there is a counter opportunity and NGS Super believes that the clean technology industry will provide major disruption to traditional forms of energy production, transportation, manufacturing and agricultural production. This opportunity will more than offset the disruption caused to high carbon intensive industries.

² Assessing organizational resilience to climate and weather extremes: complexities and methodological pathways; Martina K. Linnenluecke & Andrew Griffiths.

³ Disruptive innovation, stranded assets and forecasting: the rise and rise of renewable energy; JOURNAL OF SUSTAINABLE FINANCE & INVESTMENT, 2017 VOL. 7, NO. 2, 169–187.



More information?

Contact us

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

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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 face-to-face.

Further, we offer low-cost personal 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 www.ngssuper.com.au/financial-planning.

Important information

The information provided in this information sheet 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.