

## HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 October 2021 for the Active Super Defined Benefit Scheme. This document is dated 1 October 2021 and is available free of charge at [activesuper.com.au/PDS](http://activesuper.com.au/PDS) or you may request a copy from Member Services on 1300 547 873.

### OVERVIEW OF DEFINED BENEFIT STRATEGY

<b>DEFINITION</b>	<p>The Defined Benefit Strategy generally invests a high proportion of its funds in growth assets, such as Australian and international shares and property.</p> <p>The balance is invested in income producing assets. Because the emphasis is on growth, there may be 'short-term volatility' in this strategy, which means the value of the investment may fluctuate over the short-term.</p>	
<b>ASSET ALLOCATION</b>	<b>Asset class</b>	<b>Asset allocation range</b>
	Australian Equities	13% – 33%
	International Equities	13% – 33%
	International Listed Property	0% – 10%
	Australian Direct Property	0% – 10%
	Private Equity	0% – 10%
	Private Credit	0% – 5%
	Growth Alternatives	0% – 5%
	Short Term Fixed Interest	2% – 22%
	Liquid Alternatives	0% – 5%
	Bonds	2% – 22%
	Infrastructure	0% – 5%
	Cash	0% – 20%
	<b>Total split of Growth/Defensive</b>	<b>Range</b>

	Growth Assets	60-80
	Defensive Assets	20-40
<b>OBJECTIVE</b>	Wage growth plus 2.25% to be achieved over 10 years.	
<b>RISK PROFILE</b>	High/Medium.	

## RESPONSIBLE INVESTING

Active Super invests on behalf of our members in a range of assets using a responsible investment approach. We believe that this approach minimises risks, generates better long-term returns and is in line with our members' interests.

A responsible investment approach means integrating environmental, social and governance (ESG)<sup>1</sup> considerations into investment decision making processes<sup>2</sup>.

### Active Super Sustainable and Responsible Investment Policy

The Active Super Sustainable and Responsible Investment (SRI) policy provides a formal framework for integrating ESG considerations into all our investments. Reviewed annually, the Active Super SRI policy details our internal processes for assessing and undertaking investments and includes the following strategies:

Active Super is the largest of four superannuation funds that have gained certification in RIAA's Superfund Whole of Fund category. This means that aside from all the required disclosures related to responsible investment strategy, holdings and performance, we also have at least 75% of our total fund, across all assets, managed under multiple responsible investment strategies.

<sup>1</sup> At Active Super, ESG also includes labour standards and ethical considerations.

<sup>2</sup> The investment decision-making process includes the selection, retaining and realising of investments.



### Key environmental, social and governance considerations

Active Super uses external ESG research providers to inform our analysis of ESG risk factors and performance. Common ESG risk factors we consider during the investment process can include:

<b>ENVIRONMENTAL RISK FACTORS</b>	<b>SOCIAL RISK FACTORS</b>	<b>GOVERNANCE RISK FACTORS</b>
Climate change	Occupational health and safety and labour rights	Corporate governance
Pollution and waste	Human rights	Board independence
Resource scarcity	Location of operations	Executive remuneration
Food security and sustainable agriculture	Population growth and ageing demographics	Risk management
Biodiversity	Stakeholder engagement	Business ethics
	Supply chain management	Corruption and bribery

## Investment restrictions

Active Super uses investment restrictions (negative screens) to limit our exposure to companies that are involved in controversial or high-risk industries. Investment restrictions are monitored quarterly and reviewed on a six-monthly basis.

Active Super will not actively invest in companies that derive any revenue from:

- **Controversial weapons:** Including the manufacture and/or production of controversial weapons such as land mines, cluster bombs and nuclear weapons.
- **Tobacco:** Including the manufacture and/or production of tobacco products.

Active Super will not actively invest in companies that derive 10% or more of their revenue from:

- **Armaments:** Including the manufacture and/or production of armaments.
- **Gambling:** Including the manufacture and/or production of gambling machines and services and/or ownership of outlets housing these machines.
- **Uranium mining/nuclear:** Including involvement in uranium mining and production of nuclear energy.

Active Super will not actively invest in companies that derive 33.3% or more of their revenue from:

- **High carbon sensitive activities:** Including coal mining, oil tar sands and coal fired electricity generation.

Active Super will not actively invest in companies that are identified as:

- **High ESG risk:** Including poor governance and management of ESG risks.

## Active ownership

At Active Super we take our responsibility as a shareholder seriously. We are committed to being an active owner of our investments and believe that by working with the superannuation industry and engaging with companies on ESG issues, we can minimise potential risks across our investment portfolio, maximise member returns and make a difference to society. Engagement strategies we use to influence change include:

- **Proxy voting:** Active Super votes at shareholder meetings because we believe that it is important to fulfil our ownership obligations and rights that come with being a long-term shareholder. We use the recommendations of the Australian Council of Superannuation Investors (ACSI) to guide our voting at shareholder meetings and publicly disclose our voting decisions before company meetings.
- **Company engagement:** To help minimise risk and promote long-term shareholder value, we engage with the companies we invest in through a variety of channels, including direct engagement with company board members and executives, indirect engagement via fund managers and through our involvement in industry groups and associations. Through this engagement, we aim to increase executive

awareness of key ESG issues that may impact company operations, now or in the future.

- **Working with the superannuation industry:** We believe that by collaborating with other investors on key ESG issues, we will have a much greater impact on company activities and their long-term performance. Key industry groups and initiatives we are involved with include:
  - Principles for Responsible Investment
  - Australian Council of Superannuation Investors
  - Investor Group on Climate Change
  - Responsible Investment Association Australasia.
- **Divestment:** Occasionally we will utilise divestment to minimise our exposure to ESG risks that we believe could have a material impact on a company's financial performance or society more broadly. Divestment is used as a last resort following comprehensive engagement.
- **Transparency:** We disclose comprehensive information about our responsible investment practices to raise awareness about how we manage our members' retirement savings.

#### **EXAMPLES OF THE RESPONSIBLE INVESTMENTS ACTIVE SUPER MAKES ACROSS DIFFERENT ASSET CLASSES ON BEHALF OF OUR MEMBERS INCLUDE:**

- **SHARES:** We invest in listed companies that focus on biofuels, energy and water efficiency, recycling and renewable energy generation equipment and development.
- **BONDS:** We invest in green bonds issued by corporations and community infrastructure including hospitals and schools. International bonds – we invest in long-term, large scale renewable energy generation projects such as wind and solar farms via green bonds issued by international agency banks.
- **PROPERTY:** Our direct property portfolio, consisting of office, industrial and retail buildings have achieved numerous industry awards in recognition of our efforts to reduce energy and water consumption and increase sustainability. Active Super has achieved carbon neutral certification by the Australian Government for all NABERS rated buildings in its direct property portfolio. Active Super is a signatory to the World Green Building Council's global Net Zero Carbon Buildings commitment to achieve net zero operating carbon emissions across the Active Super Direct Property Portfolio by 2030, as well as advocating for all buildings to be net zero by 2050.
- **PRIVATE EQUITY:** We invest in unlisted funds to enable the development of solar and wind farms, biofuel plants and clean technology projects.

## INVESTMENT MANAGEMENT

The Active Super Trustee is responsible for selecting and managing a range of investment managers, who are in charge of the investments contained within their respective portfolios within the Defined Benefit Strategy.

Active Super adheres to the guiding principle that several carefully selected investment managers will, over any reasonable period, produce:

- more consistency
- lower volatility and risk
- better results.

### Diversification

Active Super's assets are allocated to a range of investment managers. This is to ensure diversification of both investments and investment managers.

Please note that investment managers and/or their weightings can change from time to time and that updated details are provided in the Annual Report available at [activesuper.com.au/annualreports](http://activesuper.com.au/annualreports)

### Investment returns in recent years

Up-to-date information in relation to the annual effective net earnings for the last five financial years is set out in the latest Annual Report, along with other related investment performance information.

You should note that the net earning rate reported in the Annual Report may not be the same as the rate applied to member accounts due to timing differences and the reserving policy of Active Super.

You should also be aware that past net earning rates are not a reliable indicator of future net earning rates.

More information regarding recent performance is available at [activesuper.com.au](http://activesuper.com.au) or from Member Services.

### Reserves

The following reserve accounts are held by Active Super for the Defined Benefit Scheme:

- **Operational Risk Financial Requirement (ORFR) reserve:** The purpose of the ORFR reserve is to cover potential losses, should they arise, in administering Active Super. The ORFR holds at least at least 0.25% of assets, to meet any expenses or losses caused arising from operational risk events.
- **Administration and tax reserves:** Deductions are made from members' accounts to pay for Active Super's income tax liabilities and administration related expenses. The administration and tax reserves are invested in cash and are applied towards the expenses they relate to as and when they become payable. This information is disclosed in the Annual Report.

- **Defined Benefit reserve:** This reserve represents an actuarial assessment of excess assets held by the Fund over and above what is considered necessary to meet the Fund's liabilities. Furthermore, there is also a series of accumulation accounts representing Member contributions and Deferred Members along with other Reserves determined and monitored by the Fund's actuary.

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