

HOW WE INVEST YOUR MONEY

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2022 for the Active Super Defined Benefit Scheme. This document is dated 1 July 2022 and is available free of charge at activesuper.com.au/PDS or you may request a copy from Member Services on 1300 547 873.

OVERVIEW OF THE DEFINED BENEFIT STRATEGY

DEFINITION	<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>	
ASSET ALLOCATION	Asset class	Asset allocation range
	Australian Equities	11% – 31%
	International Equities	11% – 31%
	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	4% – 24%
	Liquid Alternatives	0% – 5%
	Bonds	5% – 25%
	Infrastructure	0% – 5%
	Cash	0% – 20%
	Total split of Growth/Defensive	Range
	Growth Assets	50-70
	Defensive Assets	30-50

OBJECTIVE	Wage growth plus 2.0% to be achieved over 10 years.
RISK PROFILE	High/Medium.

RESPONSIBLE INVESTING

Many super funds claim to be focused on sustainability. But Active Super is one of only three super funds in Australia that are Whole-of-Fund certified for responsible investment by the Responsible Investment Association Australasia. This sets us apart from funds who offer 'sustainable' or 'ethical' investment options, but which are run separately to their mainstream investments.

At Active Super, our Sustainable and Responsible Investment policy applies to our whole portfolio, across all asset classes. Responsible investment is all we do.

Our Sustainable and Responsible Investment policy is available on our website and includes the following strategies:



ESG integration

All the investments we make and the fund managers we select are assessed for their ability to deliver strong financial performance as well as their environmental social and governance (ESG) impact on the world. The kinds of risks we look for are:



Environmental

- Climate change
- Resource depletion
- Waste
- Pollution
- Deforestation



Social

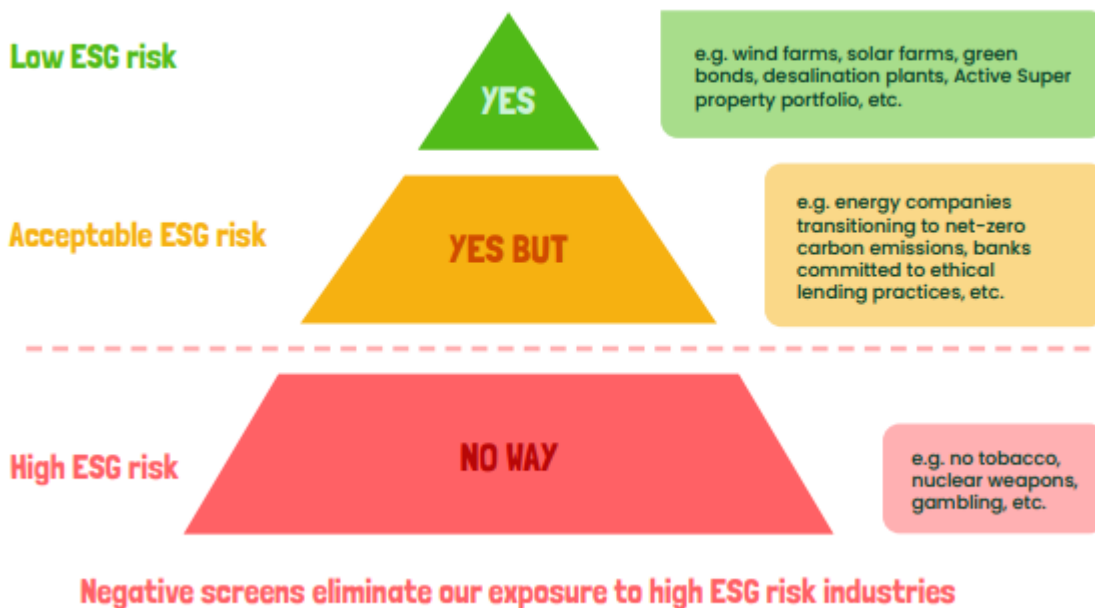
- Human rights
- Modern slavery
- Child labour
- Working conditions
- Employee relations



Governance

- Bribery and corruption
- Executive pay
- Board diversity and structure
- Political lobbying and donations
- Tax strategy

Once assessed for both performance and ESG impact, prospective investments generally fall into one of three categories, which informs whether we decide to invest.



Investments in the middle section often have the potential to progress up into the top tier. So our decision on whether to invest is often 'YES BUT' only if we continue to see them making good progress on their ESG commitments. This involves ongoing engagement, monitoring and regular reviews of their impact.

Positive screens

We seek investment opportunities that have a positive impact on the world, for example, schools, hospitals, solar and wind energy, waste management and recycling.

Negative Screens

We eliminate investments that pose too great a risk to the environment and the community, for example nuclear weapons, tobacco manufacturing, oil tar sands and gambling. We also recently added Russia to our list of excluded countries, following the invasion of Ukraine.

Active ownership

We actively engage as shareholders to push for positive change. We vote at all shareholder meetings and work directly with the companies we invest in to ensure that their conduct and progress are aligned with our responsible investment philosophy.

Collaboration

We work with leading industry bodies who share our values to help achieve our responsible investment goals.

Transparency

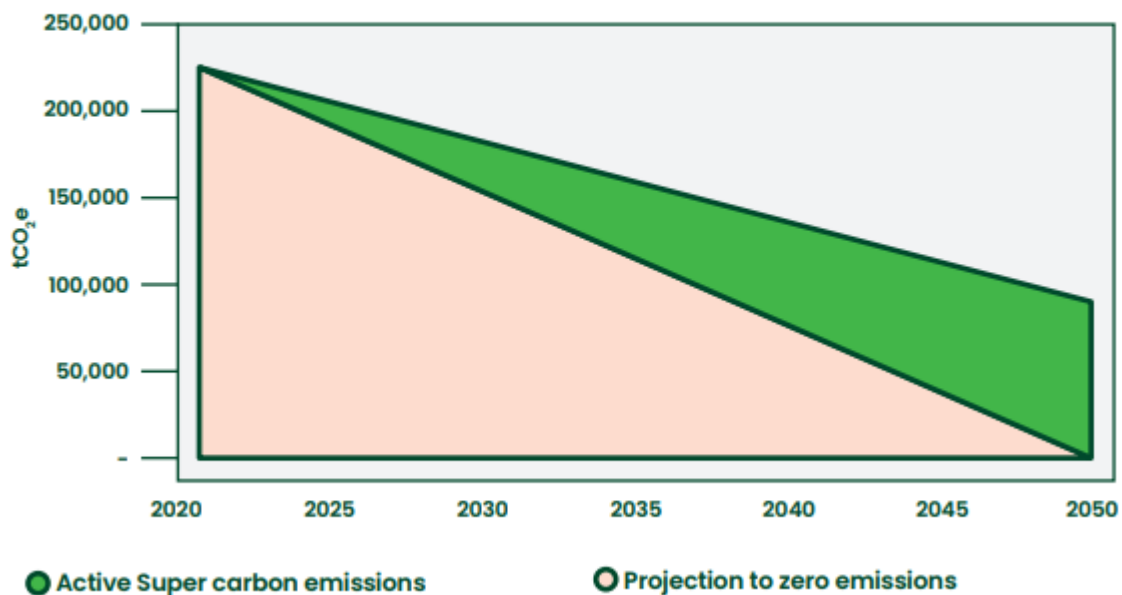
Unlike most super funds, we publish our voting intentions on our website before investee company meetings, so you always know where we stand. You can also view our investment holdings on our website at any time.

Climate Change

At Active Super, we believe climate change is one of the most significant risks facing the world today. We were among the first super funds to move on climate change issues in 2009 and introduced climate change and fossil fuel reserve restrictions back in 2014.

We are one of the few super funds in Australia to be certified Carbon Neutral for our business operations and we use multiple strategies to manage the risk of climate change across our portfolio. This now includes a net zero modelling tool which we are using to map our trajectory towards Net Zero 2050.

Carbon emissions trendline and shortfall (Australia)



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

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 or from Member Services.

RESERVES

The following reserve accounts are held by Active Super for the Accumulation Scheme and Account-Based Pension Plan:

- **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 reserve holds at least 0.25% of Active Super's assets to satisfy any expenses or losses arising from operational risk events. The assets which support the ORFR are held in multi-asset classes within the Fund.
- **Self-insurance reserve:** This reserve operates to meet any self-insured death/invalidity claims within the Accumulation Scheme. The assets which support this reserve is held in cash, either in a bank account or in a short-term notice account.
- **Administration Reserve:** Deductions are made from members' accounts to pay for Active Super's, administration and operational expenses, legislative changes and funding for strategic projects to drive better outcomes for members. 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.
 - **Investment and Tax Reserve:** Holds funds to pay the investment related tax liabilities and Member Contribution Tax. These are paid to the ATO on a monthly basis.

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