

7.30 Report

NGS Super Statement on Responsible Investment

12 December 2023

NGS Super invests by balancing the need to manage investment risk and climate risk, while maximising returns for our members. We were the first super fund to set a target of 2030 for a carbon neutral investment portfolio and we're making faster-than-expected progress towards this ambitious goal. We're doing this transparently and whilst protecting our members' investment returns.

Our investment decisions are always aligned with our responsible investment policy. Our policy clearly states that the fund excludes companies in the oil and gas production and exploration sector, as defined by the GICS sub-industry. We stand by the fact that all our current investments are consistent with this position.

Investing for a more sustainable world and to build and protect more sustainable retirement savings for our members requires a transition. If we wanted to decarbonise the portfolio tomorrow, we could, but it would come at a significant cost to our members' investment performance and their retirement savings. Abruptly divesting currently held assets is not in members' best financial interests.

We've taken a much more sustainable and member-first approach to reaching our goal.

We're not an ethically based or accredited as a sustainable investor which means we don't apply negative or positive screens based on ideology. Rather, responsible investment is engrained in everything we do.

We transparently provide our members with information about why and how we invest and protect their retirement savings. We also encourage all super fund members to contact their fund directly if they have questions about where their money is invested and why.

Our investment approach driven by our responsible investment policy has proven to be effective.

The independent body, Market Forces, recently ranked NGS Super's default investment option as the number one fund least exposed to their index of companies labeled as 'Climate Wreckers'. Our carbon intensity fell by nearly 20% between 30 June 2021 and 30 June 2022 in the NGS Diversified MySuper portfolio and we've divested \$191 million AUD from carbon-intensive companies/industries since the start of our decarbonisation process, including our 2022 divestment from undiversified oil and gas producers including Santos and Woodside.

To achieve a carbon neutral portfolio, we're focused on carbon reduction and investing in carbon positive assets or companies. We're invested in areas such as clean energy infrastructure (wind and solar projects), storage infrastructure and grid technology. We assess individual companies on a case-by-case basis to identify structural winners that are transitioning their business models and those that continue to produce fossil fuels and pose significant stranded asset risk. Stranded asset risk involves assets which are unable to meet their original economic return. This includes the offshore oil majors such as Exxon and Chevron, which we're currently evaluating.

We recognise that the world still has a need for oil and gas, but we also recognise that companies operating in this space, must have a plan to transition into renewables to be considered a responsible investment.

BP and Shell and Total Energies are investing in renewable energy projects such as wind and solar. Whereas Chevron and ExxonMobil are looking at later stage solutions which need more time to become commercial at scale such as Carbon Capture, Hydrogen and Bio fuels. Exxon are also investing in conventional oil and gas drilling methods to access lithium-rich saltwater, which can be separated and converted to battery-grade material to be used in electric vehicles, consumer electronics, energy storage systems and other clean energy technologies.

We make decisions to divest in a company or industry such as tobacco, based on whether we believe their future revenue will be impaired, that is whether they are likely to become a stranded asset, In investment terms, impairment means a permanent reduction in the value of a company asset. Our consideration of the gambling sector follows the same logic.

Our members' financial interests will always be the first consideration throughout our decarbonisation journey. NGS takes a continuous improvement approach in responsible investment. That's why our Investments team works hard to create a robust portfolio that achieves strong returns over the long term, while integrating responsible investments for tomorrow - for both our members and the planet.