

Environmental, Social and Governance Investment Policy

Version 5

Trustee: IAG & NRMA Superannuation Pty Limited
ABN: 77 000 300 934

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Revision history

Version	Prepared by	Date approved	Approved by
1	Geoff Burgess – Plan Investment Officer	27/07/09	Board
2	Geoff Burgess – Plan Investment Officer	22/09/09	Board
3	Geoff Burgess – Plan Investment Officer	12/12/11	Board
4	Geoff Burgess – Plan Investment Officer	05/12/13	Board
5	Geoff Burgess – Plan Investment Officer	03/12/14	Board

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About the policy

Policy name	Environmental, Social and Governance (ESG) Investment Policy (the “Policy” or the “ESG Investment Policy”)
Policy Owner	Geoff Burgess – Plan Investment Officer
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1. Statement of Purpose and Coverage

The purpose of this Policy is to:

- specify the principles to be adopted;
- provide guidance on the application of those principles to different asset classes;
- set out how implementation of the Policy is to be monitored and reported to the various stakeholders; and
- describe the process for amending the Policy.

The Trustee considers environmental, social and governance issues in selecting and retaining investment managers and pooled investment vehicles and in deciding whether to terminate an investment manager or realise an investment in a pooled investment vehicle.

The Trustee does not specifically consider labour standards or ethical issues for these purposes.

2. Background

The Trustee believes that ESG issues can affect investment returns to varying degrees across companies, sectors, regions and asset classes over time. The ESG Investment Policy is directed at encouraging positive ESG behaviour where the Trustee believes such behaviour can have a favourable effect on investment performance. The Trustee monitors the Policy in its fiduciary capacity.

3. Principles

The Plan’s ESG Policy incorporates consideration of ESG issues into the Plan’s investment decision-making and ownership practices with the aim of enhancing the sustainability of the long-term investment returns delivered to members.

The Trustee has signed the United Nations Principles for Responsible Investment (UNPRI). By doing so, the Trustee has made a commitment to adopt and implement the UNPRI, consistent with its fiduciary responsibilities. The particular principles that underlie the Plan’s ESG Policy are set out below:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Report on our activities and progress towards implementing the Principles.

The Trustee is also committed to promoting acceptance and implementation of the Principles within the superannuation and investment industry.

4. Application

The Trustee has appointed an asset consultant to advise on a range of investment related matters. The asset consultant was chosen in part because of its expertise and experience in advising on ESG principles and practices. In particular, the asset consultant researches the extent to which investment managers in the relevant asset classes have adopted ESG principles and provides the Trustee with a rating and description of how the Plan's current and potential managers implement those principles.

The Plan provides members with a range of Investment Options in which they may choose to invest. Each Investment Option is made up of one or more asset classes. Because the application of this ESG Investment Policy varies by asset class, the extent to which the Policy applies to each Investment Option depends on the mix of asset classes making up that Option. Details of each Investment Option's target allocations to the various asset classes are provided in the Plan's Product Disclosure Statements. How the Policy is applied to each asset class is set out below.

As the Trustee does not invest the Plan's assets directly, the primary focus of this ESG Investment Policy is on the selection and retention of investment managers and the pooled investment vehicles in which the Plan invests.

In selecting, retaining or terminating investment managers and/or pooled investment vehicles for the Plan's Australian and international shares and property exposure, the Trustee takes ESG factors into account along with a number of other factors including, but not limited to, the style of manager, its investment philosophy, past performance, the depth and experience of its personnel, fees and how well it fits with the Plan's other managers. The ESG rating and other relevant information provided by the Plan's asset consultant is the main source of information for this purpose. There is no predetermined approach or weighting given to ESG factors.

Because of the nature of Alternatives¹, it is not generally practicable for the Trustee to apply ESG principles in selecting and retaining investments in the Alternatives asset class.

¹ The "Alternatives" asset class covers a wide range of investments other than the traditional asset classes of cash, fixed interest, shares and property.

The majority of the Plan's fixed interest and cash assets are debt instruments issued by Australian federal or state governments, government instrumentalities or supranationals². The remaining fixed interest and cash investments are predominantly issued by the "big four" Australian banks. The Plan's ownership of these fixed interest and cash investments does not allow it to exert significant influence over the environmental, social or governance practices of the governments or companies concerned. Accordingly, the Trustee has determined to exclude fixed interest and cash assets from the ESG Investment Policy.

5. Monitoring and Reporting

The Plan's Investment Committee together with the Plan's Management is responsible for implementing and monitoring the Plan's ESG Investment Policy.

The Plan's Australian and international shares managers will be asked annually to report, where appropriate, on their ESG activities including their proxy voting record. The responses will be collated and a summary reported to the Trustee Board and to members.

The Investment Committee will report to the Trustee Board (and, where appropriate, to members) on a regular basis on the implementation of other aspects of the Policy.

The Plan will publicise the Policy to its members and report annually to members on the progress towards implementation of the Policy.

6. Changes to the Policy

This Policy is to be reviewed at least every three years and when there are significant and relevant changes to:

- the legal or regulatory environment as it relates to ESG
- the asset classes in which the Plan invests
- the investment managers or pooled vehicles in which the Plan invests
- the UNPRI and/or
- strategic or operational changes to the Plan.

Any changes to the Policy must be approved by the Trustee Board.

² Supranationals includes such bodies as the International Bank for Reconstruction & Development, the European Investment Bank and the Asian Development Bank.