

LUCRF Super's approach to sustainable investment

LUCRF Super takes a disciplined approach to sustainable investment. This helps guide our key investment decisions and enables us to act in our members' best interests.

We have highlighted below some of the key steps we've taken to ensure your retirement savings are invested sustainably. If you would like further information, please call us on **1300 130 780**.

Environmental, Social and Corporate Governance (ESG) principles

LUCRF Super is committed to investing responsibly, with a strong belief that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios.

Our *Proxy Voting and Environmental, Social and Corporate Governance Issues Policy* sets out the framework that documents how we effectively integrate ESG principles into our investment process.

In accordance with the policy, we regularly review our investment managers to ensure that our investment objectives are being met, both on a short-term and long-term basis. The policy can be viewed on our website or we can send you a copy.

Companies that best manage ESG risks, impacts and opportunities are more likely to be sustainable in the future and deliver on performance. This supports the financial security of our members.

One way we integrate ESG principles into our investment process is by being an active member of the Australian Council of Superannuation Investors (ACSI).

ACSI seeks to achieve measurable and permanent improvements in the ESG performance of companies. It also seeks to achieve improvements in the practices of its member superannuation funds and their investment managers and advisors.

In addition, LUCRF Super is a signatory to the United Nations' Principles for Responsible Investment (UNPRI). This highlights the Fund's ongoing commitment to the promotion of more sustainable markets and long-term investment using ESG issues to improve investment practices.

Climate change

LUCRF Super is a member of the Investor Group on Climate Change (IGCC), a collaboration of Australian and New Zealand institutional investors with total funds under management of approximately \$1 trillion.

The IGCC focuses on the impact that climate change has on the financial value of investments and aims to encourage government policies and investment practices that address the risks and opportunities of climate change.

In 2013, the LUCRF Super Trustee Board instructed the Fund's Investment Oversight Group to investigate the size of the Fund's exposure to carbon risks and identify options for managing those risks.

This action followed LUCRF Super's decision to join the Carbon Asset Risk (CAR) initiative, a collective of global investors urging the world's top 45 coal, gas, oil and energy companies to assess and disclose the financial risks that climate change poses to their businesses.

Divestment

LUCRF Super does not offer a sustainable investment option. Alternatively, a broader approach is taken. Rather than focusing on divestment, we seek to improve company behaviour through engaging with bodies like ACSI and incorporating ESG principles into our investment decision-making process. This aims to deliver sustainable investments for all members, regardless of investment choice.

However, LUCRF Super recently acknowledged that sometimes there is a clear case to divest. In May 2014, the LUCRF Super Trustee Board approved the negative screening and divestment of tobacco companies and cluster munitions manufacturers from investment portfolios over the next 18 months. This decision is consistent with the approach of the UNPRI.

Continued next page >

Labour and human rights

LUCRF Super has been active in building awareness of labour and human rights risks in companies. We believe that neglecting this issue can compromise a company's integrity and risks significant reputational damage, legal liability and long-term stability. Consequently, this issue is integral to responsible and sustainable investment.

LUCRF Super has demonstrated its commitment to this issue by sponsoring ACSI-commissioned research.

In 2011, we sponsored a research report titled *Supply-Chain Labour and Human Rights*. The report focuses on the quality of supply-chain labour and human rights policies of ASX200 companies relative to their global peers.

In 2012, a second report, titled *Labour and Human Rights Standards in Corporate Australia: Policy and disclosure among the S&P/ASX200*, analyses the disclosure of labour and human rights policies by ASX200 companies with regard to core conventions from the International Labour Organization.

Both reports can be accessed free of charge on ACSI's website, acsi.org.au.

Our involvement in this research reflects not only our active commitment to responsible investment practices, including investing in sustainable markets, but also the belief that these factors will offer long-term rewards to both investors and communities alike. Importantly, the research provided a springboard for ACSI to address these issues through their engagement with company boards.

In April 2013, the collapse of the eight-storey Rana Plaza building in Dhaka, Bangladesh, killed 1,129 people and injured more than 2,500. In response to this tragedy, LUCRF Super signed the Investor Statement on Bangladesh in September 2013, joining more than 200 investors globally, calling for workplace reform in Bangladesh's garment factories.

The Investor Statement urges retailers who source garments and apparel from Bangladesh to sign the Accord for Fire and Building Safety in Bangladesh. Signatories to the Accord commit to the goal of a safe and sustainable garment industry for Bangladesh and agree to implement systematic reforms to protect workers.

We're upholding our ESG principles to protect your retirement savings

Through our continuing involvement with groups like ACSI and the CAR initiative, and our approach to workers' rights like the Investor Statement on Bangladesh, we will keep engaging with companies to ensure that our ESG principles are upheld.

In addition, the LUCRF Super Trustee Board will continue to collaborate with key stakeholders to manage ESG issues in the interests of the Fund and its members.

Rest assured we will continue to protect your retirement savings while working towards sustainable, long-term investment.

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