

# Guideline

## Role of Environmental, Social and Governance Factors in the **mysuper** Superannuation Scheme

Shamrock Superannuation Limited and  
**mysuper** Superannuation Scheme

# Background

This document (**Guideline**) outlines how Shamrock Superannuation Limited (**Trustee**), the Trustee of the my**super** Superannuation Scheme (**Scheme**), integrates environmental, social and governance (**ESG**) factors into its investment decisions.

This Guideline is underpinned by:

- The Trustee's Statement of Investment Policy and Objectives (**SIPO**);
- The investment policies of the investment managers of underlying investment funds (**Underlying Investment Funds**) that Scheme assets are invested into;<sup>1</sup> and
- The Trustee's legal and fiduciary duties (in particular, the Trustee's duty to invest prudently).

## Summary

The Trustee believes that ESG factors should be taken into account when investing. However, because the Trustee has determined that the most efficient and effective way for Scheme property to be invested is by acquiring interests in Underlying Investment Funds, the extent to which ESG factors influence Scheme investments depends on the decisions of the managers of the Underlying Investment Funds and therefore cannot be guaranteed.

The Trustee takes ESG approach into account when selecting and monitoring managers of Underlying Investment Funds. Where other factors are more important to the overall financial performance of the manager and therefore the prospective financial performance of Scheme investments under those managers, ESG will not always be prioritised in selection decisions.

The Trustee also requests that managers of Underlying Investment Funds exclude investments in certain sectors, but cannot guarantee that the exclusions will be strictly complied with. A list of these exclusions is set out below.

## Investment philosophy and policy

The Trustee believes that ESG factors should be taken into account when investing the Scheme's assets, balanced by the other considerations outlined in this Guideline.

The Trustee's investment philosophy includes the following beliefs that are particularly relevant to implementing ESG factors into investment decisions:

- The main driver of investment returns is long-term benchmark asset allocation, and it is difficult to consistently add value by making tactical asset allocations. Accordingly, the asset allocation is managed on a passive basis; and
- A responsible investment approach, which considers the integration of ESG factors into investment decision-making, can help to identify opportunities and risks, resulting in better risk adjusted financial outcomes over time.

<sup>1</sup> Mercer (N.Z) Limited, Fisher Funds Management Limited, and Salt Funds Management Limited.

In line with this, the Trustee's relevant investment policies are that:

- Sector specialist Underlying Investment Funds are preferred; and
- The extent to which the Underlying Investment Fund managers integrate ESG factors into their investment processes is considered when selecting and reviewing Underlying Investment Funds and the performance of their managers.

## Implementation

While the Trustee believes that integrating ESG factors into investment decisions is relevant, it recognises that due to its chosen approach of investing in Underlying Investment Funds, it has very limited operational control or influence over:

- the individual securities held (or excluded) by; or
- the responsible, sustainable and ethical investment policies, decisions or engagement activities of, the investment managers of the Underlying Investment Funds that invest the Scheme's assets.

Instead, the Trustee exercises its influence and control when selecting and reviewing Underlying Investment Funds.

## Selection processes

When considering investing Scheme assets in a new Underlying Investment Fund or when reviewing an existing Underlying Investment Fund, the Trustee takes the following factors into account:

- The extent to which the investment manager considers ESG factors in its investment decisions;<sup>2</sup>
- The extent to which the investment manager has made investments (or seems likely to invest) in excluded activities as set out below;
- Whether the investment manager is a signatory to the United Nations Principles for Responsible Investment or any other responsible investment framework;
- The investment manager's presence and reputation in the responsible and ethical investment space; and
- The extent to which the Trustee is able to determine the holdings of the Underlying Investment Fund.

While the factors above are important, the Trustee also balances them against other factors that are relevant when selecting an investment manager (such as fees and sector expertise), in light of the Trustee's aim to maximise members' investment returns over appropriate investment timeframes for the relevant investment option. Where there is a conflict or trade-off between ESG and other investment selection factors, the Trustee cannot guarantee that ESG factors will always take precedence.

The Trustee recognises that in fulfilling its duty to act in the best interests of Scheme members, there may be instances when the Trustee chooses to invest in an Underlying Investment Fund with factors that would otherwise be contrary to this Guideline. This, however, is an option of last resort and the Trustee will always endeavour to find a suitable alternative where one exists.<sup>3</sup>

<sup>2</sup> Having regard to that Fund's PDS/offer document and SIPO.

<sup>3</sup> For example, in deciding whether to invest in an Underlying Investment Fund with negative ethical characteristics, the Trustee will consider whether a reasonable Scheme member would object to the level of unethical activities in the Fund being considered versus their investment return were those assets not held in that Fund.

# Exclusions

The Trustee has identified specific types of investments that it considers should be excluded as a preferred position. The Trustee considers that these investment types are either subject to legal restrictions or pose clear risks to investment returns due to their being contradictory to widely held ethical views and therefore subject to a significant risk of adverse market sentiment or negative regulatory change.

The Trustee's preference is to select investment managers of Underlying Investment Funds that have investment policies that are consistent with the Trustee's excluded investment list below. The Trustee would not select an Underlying Investment Fund whose policies are materially inconsistent with this, except in circumstances where not investing in such Funds would significantly compromise the Trustee's legal and fiduciary duties to Scheme members.

The excluded activities currently include:

Excluded Investment	Investment Description and Reason for Exclusion
<b>Anti-personnel mines</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in, or who assist, encourage or induce any person to be involved in, the development, production, acquisition, sale or use of anti-personnel mines.</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the Ottawa Mine Ban Treaty and the Anti-Personnel Mines Prohibition Act 1998. The ethical and legal position of such investments pose significant investment risks that would not be justified by potential returns.</p>
<b>Civilian firearms</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in, or who assist, encourage or induce any person to be involved in, the development, production, acquisition, sale or use of prohibited firearms, prohibited magazines, pistols, restricted weapons, or pistol carbine conversion kits (as defined in the Arms Act 1983).</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the Arms Act 1983. The ethical and legal position of such investments pose significant investment risks that would not be justified by potential returns.</p>
<b>Cluster munitions</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in, or who assist, encourage or induce any person to be involved in, the development, production, acquisition, sale or use of cluster munitions, or key components.</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the Convention on Cluster Munitions and it would be contrary to the Cluster Munitions Prohibition Act 2009 to provide or invest funds knowing that they are to be used in the development or production of cluster munitions. Accordingly, the Trustee would not knowingly invest in this activity.</p>

Excluded Investment	Investment Description and Reason for Exclusion
<b>Mercenary activities</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in, or who assist, encourage or induce any person to be involved in, recruiting, using, financing or training mercenaries (as defined in the Mercenary Activities (Prohibition) Act 2004).</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the Mercenary Activities (Prohibition) Act 2004 it would also be contrary to that Act to provide or invest funds knowing that they are to be used in relation to mercenary activities. Accordingly, the Trustee would not knowingly invest in this activity.</p>
<b>Nuclear explosive devices or biological weapons</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in the design, testing, assembly and/or refurbishment of nuclear explosive devices or biological weapons.</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the South Pacific Nuclear Free Zone Treaty, the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction, and the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987. The ethical and legal position of such investments pose significant investment risks that would not be justified by potential returns.</p>
<b>Tobacco</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in the production of tobacco products.</p> <p><b>Reason:</b> Investment in this activity is inconsistent with the principles underpinning the Smokefree Environments and Regulated Products Act 1990. The ethical position of such investments pose significant investment risks that would not be justified by potential returns.</p>
<b>Whale meat processing</b>	<p><b>Description:</b> Organisations that are involved (directly or via subsidiaries) in the processing of whale meat.</p> <p><b>Reason:</b> Investment in this activity is inconsistent with New Zealand's stance on the protection of marine mammals and the intention of the International Convention for the Regulation of Whaling. The ethical position of such investments pose significant investment risks that would not be justified by potential returns.</p>

Further, the Trustee expects investment managers of Underlying Investment Funds to have robust steps in place to ensure that Scheme funds are not invested in a manner that would contravene New Zealand sanctions, for example sanctions imposed in relation to North Korea, Iran, and other regimes covered by United Nations sanctions, or dealings prohibited under the Russia Sanctions Act 2022 or the Terrorism Suppression Act 2002.

While the Trustee will pursue all practical endeavours to ensure that Scheme assets are not invested in the above activities, the Trustee recognises that it relies on Underlying Investment Funds having a similar list of exclusions. Those Funds may change their list of excluded activities during the lifetime of an investment, and their lists may be broader or narrower than the Trustee's.

# Derivatives/collective investment vehicles

This Guideline does not apply to derivatives or collective investment vehicles (such as exchange-traded funds, futures and options) that an Underlying Investment Fund may invest in, as it is not practical or efficient for the Trustee to have oversight of such underlying investments and the ESG factor impacts in such investments are not currently considered to be material to the Scheme's investments due to their comprising a small proportion of total investments.

## Reporting, monitoring and review

### Investment review

The Trustee monitors the securities held by each of its Underlying Investment Funds on a six-monthly basis. Where the Trustee discovers that an investment manager has invested Scheme assets in an activity excluded by or contrary to this Guideline, the Trustee will review the investment with the investment manager to find a satisfactory solution. If such a solution cannot be found, the Trustee may undertake formal review, the outcome of which may be to divest its interest in that Fund at an appropriate time or continue it, depending on the Trustee's assessment of the materiality of the issue on investment considerations overall.

### Guideline review

The Trustee recognises that approaches to the implementation of ESG factors in investment decisions are constantly changing.

To this end, the Trustee will review this Guideline annually as part of its SIPO review.

This Guideline will be implemented consistently at all times with the Trustee's fiduciary duty to invest prudently in advance of its investment philosophy, beliefs and objectives.

This Guideline is subject to change. Any changes to this Guideline will be approved by the Trustee in accordance with its policies and procedures. The most up to date version of this Guideline will be available at all times at the following link: [mysuper.co.nz/disclose](https://mysuper.co.nz/disclose)

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