

Screening considerations for sustainable and responsible investment

How the BT Super for Life – Moderate and Conservative Funds (the Funds) are invested sustainably

BT Super for Life



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We actively identify companies that meet our specific criteria in ‘sustainable’ products and services. This includes companies which offer products or services which meet one or more of the following:

- Provide or enact some environmental and/or social benefits through management and/or remediation of environmental resources (eg clean technology, waste and emission reduction, waste management reduction and recycling systems, technologies and services).
- Demonstrate or enable reduced adverse environmental and social impacts (including consumption of scarce resources) relative to currently used products or services (covering a range of specialised industry sections including Material Efficiency Development and improved management of scarce resources).
- Companies exhibiting good work place practices. In assessing this we have regard to labour standards, particularly:
 - Occupational health and safety. We consider the manner in which a company deals with its workforce to be a key driver to long-term sustainability. We assess a company’s performance by its approach toward relevant State and Territory occupational health and safety legislation, as well as its willingness to submit to the rigours of national and international standards that relate to the workplace, such as Australian Standard AS4801 (‘Occupational Health and Safety Management Systems’).
 - Human resource management and workplace relations. This encompasses a company’s responsibilities to its own employees in terms of human resource issues. We assess a company’s performance by monitoring regulatory compliance (including industrial disputes and human rights and equal opportunity applications), but this analysis also focuses more broadly on a range of qualitative criteria including equal opportunity, consultation and participation in the workplace.
- Established corporate governance procedures and ethics. We consider that a company’s corporate governance procedures and ethics is of fundamental importance to its long-term sustainability. This analysis focuses on:
 - The manner in which organisational values are established, embraced and reported both within and outside an organisation (eg clear and coherent

codes of conduct and compliance with corporate governance standards);
and

- The way in which these values are reflected in the company's management processes (eg policies regarding director share ownership, remuneration procedures and forward-looking succession planning).

Examples of companies that rate well based on our valuation driven process and which also offer products or services that meet all or more of our criteria include:

- renewable energy
- sustainable agribusiness
- ecotourism
- information and other technologies, including biotechnologies, medical technologies, healthcare products and services
- products exhibiting increased recyclability, reusability and reduced resource use, including energy and waste creation.

We may screen out companies which:

- directly mine uranium for the purpose of weapons manufacture
- produce alcohol or tobacco
- manufacture or provide gaming facilities
- manufacture weapons and armaments, or
- have been subject to environmental and/or human rights prosecutions.

How the Australian and international share component of the Lifestage Funds are invested sustainably

International share component

A proportion of the Lifestage Funds international shares exposure is invested sustainably in the shares of companies that make up the Dow Jones Sustainability World Index (excluding Australia) or 'DJSI World ex-Australia' (DJSI) except companies which directly mine or use uranium for the purpose of weapons manufacture, or that derive more than 50% of their sales from weapons and armaments.

The DJSI is the world's first global sustainability index tracking the performance of the leading sustainability driven companies. It comprises the top 10% of the biggest 2,500 companies, divided into industry groups, in the Dow Jones Global Index that demonstrate superior sustainability practices as rated by SAM Group Holdings (SAM), a pioneer in sustainability investing.

How these factors are taken into account when selecting investments

SAM determines the score of companies in the eligible universe, i.e. the largest 2,500 companies worldwide, by assessing a company's opportunities and risks based on the economic, environmental and social factors described above. Companies are assessed against general and industry-specific criteria in each category and given a final score out of 100. Based on that score, the leading 10% in each industry group are selected as DJSI components. If the highest ranked company in a group has a corporate sustainability score that is less than one-fifth of the maximum score, then the whole industry is deleted from the DJSI.

How these factors are taken into account when retaining and realising investments

SAM reviews the DJSI quarterly and annually to ensure that the index composition accurately represents the top 10% of the leading sustainability companies in each of the DJSI industry groups. In the quarterly reviews, factors used to calculate the weightings, such as the number of shares a company has on issue, are reviewed. This may result in changes to the weightings or excluding companies due to lack of size.

In the annual review, the leading sustainability companies are selected from the Dow Jones Global Index – which is also reviewed annually. The resulting changes to the DJSI composition are announced on the annual review date in September. Following a minimum two week notification period, these changes will be implemented – after the official closing prices have been determined – on the third Friday of September. All these changes will be effective on the next trading day. In addition to the quarterly and annual reviews, SAM also reviews the DJSI continuously for changes to the index composition arising from extraordinary corporate actions – e.g. mergers, takeovers, spin-offs, initial public offerings, delistings and insolvency – and which affect the component companies and their corporate sustainability performance.

The investment manager of the international shares component that is invested sustainably monitors the portfolio for consistency with the DJSI and sells the shares of any companies that are no longer in the index as soon as practicable.

Australian share component

A proportion of the Lifestage Funds' Australian shares exposure is invested sustainably and utilise the ratings of listed Australian companies provided by Regnan - Governance Research & Engagement (Regnan).

The environmental, social and ethical considerations and labour standards taken into account in the selection, retention or disposal of investments where the Australian share component is invested sustainably, are the factors considered by Regnan in compiling their rankings. For detailed information on Regnan's considerations, please refer to the Frequently Asked Questions section online.

How these factors are taken into account when selecting investments

The Australian shares that are invested sustainably adopt a 'best of sector' approach. This approach means that all major industry sectors are included and favours companies with higher sustainability rankings within individual sectors. The Australian share component invested sustainably may invest in companies which mine or use uranium primarily in relation to power generation but will not invest in companies which directly mine or use uranium for the purpose of weapons manufacture. We will also have regard to the health and safety record of companies in which we invest. These are our environmental, social considerations and labour standards.

How these factors are taken into account when retaining and realising investments

Companies in which the Australian share component is invested sustainably, are regularly monitored (usually monthly, although this timeframe is not fixed) to ensure that their sustainability rating does not fall. If this occurs while that company's shares are part of the Funds' portfolios, we may sell that investment within a reasonable time. This is usually by the end of the month in which the ranking dropped, depending on market conditions, although this timeframe is not fixed. An exception will be where investment in this lower ranked company is required to minimise financial risk to the investment portfolio. In addition, if a company in the portfolio subsequently acquires a business that directly mines or uses uranium for the purpose of weapons manufacture, those shares will be sold as soon as practicable. The Regnan ranking criteria applied may exclude some companies from being investable. For this reason the performance of the Australian share component invested sustainably may vary when compared to other components that are able to invest in these companies. This risk should be considered when deciding whether to invest in the Lifestage Funds.



What to do next

- Visit www.btsuperforlife.com.au
- Call 1300 653 553

Important information

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