

Updated information for VicSuper Flexible Income Combined Financial Services Guide and Product Disclosure Statement dated 1 August 2019

Issued by VicSuper Pty Ltd (VicSuper) ABN 69 087 619 412, AFSL 237333, the Trustee of VicSuper Fund (Fund) ABN 85 977 964 496

Date: 1 August 2019

This updated information relates to the content in the *VicSuper Flexible Income Combined Financial Services Guide and Product Disclosure Statement (PDS)* issued 1 July 2019 (the PDS). It should be read in conjunction with the PDS.

Updated investment information

The following highlighted sections have been amended on page 24 of the PDS.

Socially Conscious investment option

VicSuper's Socially Conscious investment option incorporates a wide range of explicit social and environmental objectives and it aims to help our members:

- take action on climate change by not investing in companies that hold fossil fuel reserves used for energy purposes;
- minimise social harm by not investing in companies that are materially involved in activities that potentially cause social harm, for example tobacco production, alcohol, gambling, military weapons, civilian firearms, nuclear power, adult entertainment and genetically modified organisms;
- protect human rights, labour rights and the environment by not investing in companies that have been involved in severe incidents and/or controversies, or have been found to not be adhering to widely accepted global conventions.¹

The objectives are achieved by applying a number of exclusionary screens when selecting companies for investment.

These exclusionary screens only apply to the equities and fixed interest components of the investment option.

We may introduce additional screenings in the future. Investments across the other asset classes apply an ESG integration approach, with the exception of Cash, which is not subject to ESG integration.

Investment risk may be slightly higher for the Socially Conscious investment option because the portfolio is not as well diversified and has fewer underlying investment managers compared to our

standard investment options. Investment risk may also be higher due to the exclusion of specific industries including fossil fuels, alcohol and gambling. Notwithstanding, its investment universe is sufficiently diverse to avoid inadequate diversification.

Equities

Colonial First State Asset Management (Australia) Limited (CFSAMAL), AFSL 289017 is the manager of the Australian and international equity investments in the Socially Conscious investment option. CFSAMAL invests in companies sourced from a custom index prepared for VicSuper. The custom index combines the MSCI Global Fossil Fuels Exclusion Index and the MSCI Global Socially Responsible Index plus an additional fossil fuel direct activity screen.

After applying the exclusionary screens listed in the table on the next page, a best-in-class selection process² is applied to the remaining equities in the selection universe.

Links to detailed methodologies and criteria for the applicable MSCI indices and additional fossil fuel direct activity screen can be found on VicSuper's website vicsuper.com.au/sociallyconscious

The composition of the MSCI Global Fossil Fuels Exclusion Index is maintained and reviewed by MSCI on a quarterly basis. The composition of the MSCI Global Socially Responsible Index is reviewed by MSCI on an annual basis. CFSAMAL is provided with updates on any changes following these reviews. If there are any changes to the index, CFSAMAL will ensure that these are implemented within two weeks where practicable of receiving this change.

A full list of the equities that Socially Conscious invests in is available at vicsuper.com.au/sociallyconscious

Fixed Interest

BlackRock Investment Management (Australia) Limited (BlackRock), AFSL 230523 is the manager of one of the Australian fixed interest investments in the Socially Conscious investment option. It applies exclusionary screens to the corporate bonds it invests in.

BlackRock is also the manager of the international fixed interest investments in the Socially Conscious investment option. For international fixed interest, it applies exclusionary screens to both corporate bonds and Treasury and Government-Related bonds it invests in.

VicSuper's Socially Conscious investment option is invested in BlackRock's iShares ESG Australian Bond Index Fund (ESGABI) and iShares ESG Global Bond Index Fund (ESGOBI), which implement customised indices. ESGABI uses a Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index. ESGOBI uses a Bloomberg Barclays MSCI Global Aggregate SRI Select ex-Fossil Fuels Index (AUD hedged). Both ESGABI and ESGOBI exclude non-government securities associated with fossil fuels, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, military weapons, civilian firearms and nuclear power, as well as companies with an MSCI controversies score of 0. In addition, ESGOBI excludes Treasury and Government-related issuers with an MSCI ESG Government rating below BB. The definitions for exclusion, together with the ESG weighting methodology for ESGABI, can be found at vicsuper.com.au/sociallyconscious

The composition of the indices is maintained and reviewed regularly and rebalanced monthly.

VicSuper undertakes an annual review of the Socially Conscious investment option and its objectives.

1. See link to MSCI methodologies at vicsuper.com.au/sociallyconscious for more information on how controversies are assessed and monitored.

2. Companies with an ESG ratings score below a specified threshold will not be selected for investment.

Socially Conscious investment option

Environmental, social and labour objectives and exclusionary screens

Take action on climate change	Excludes investment in companies: <ul style="list-style-type: none"> • with coal, oil and/or gas reserves used for energy purposes. • deriving 30% or more revenue from mining of thermal coal or thermal coal based power generation.¹ • whose principal business revenue is derived from direct fossil fuel activity in the following GICS² sectors: Integrated Oil & Gas; Oil & Gas Exploration & Production; Oil & Gas Refining & Marketing; Coal & Consumable Fuels; Oil & Gas Storage & Transportation; Oil & Gas Equipment & Services^{1,3}
Minimalise social harm	Excludes investment in companies materially ⁴ involved in: <ul style="list-style-type: none"> • Tobacco • Alcohol • Gambling • Civilian Firearms • Military Weapons (cluster munitions, landmines, depleted uranium, biological/chemical¹, nuclear, conventional) • Nuclear Power • Adult Entertainment • Genetically Modified Organisms
Protect human and labour rights and the environment	Excludes companies that have found not to be adhering to international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. Excludes companies that have been involved in significant ⁵ ESG controversies.



The Certification Symbol signifies that a product or service offers an investment style that takes into account certain environmental, social, governance or ethical considerations. The Symbol also signifies that the VicSuper Socially Conscious investment option adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Superfund Option. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and the VicSuper Socially Conscious investment option's methodology and performance can be found at responsiblereturns.com.au together with details about other responsible investment products certified by RIAA.⁶

1. This criterion applies to equities only.
2. The Global Industry Classification Standard (GICS) is an industry taxonomy developed in 1999 by MSCI and Standard & Poor's (S&P) for use by the global financial community.
3. Companies who demonstrate that they are transitioning to clean energy may remain investable.
4. Materially means the company generally derives greater than 5% revenue from the activity.
5. For equities, companies with MSCI controversies score of 3 or below are excluded. For **fixed interest**, companies with a score of 0 are excluded.
6. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.