


The image shows two overlapping forms from the PRI LEA (Local Engagement Assessment) toolkit. The top form is LEA 02, titled 'Local Engagement Assessment', and the bottom form is LEA 03, titled 'Local Engagement Assessment - Detailed'. Both forms are designed to help investors assess and improve their local engagement practices. LEA 02 includes sections for 'Type of engagement' (Individual/Staff, Collaborative, Service provider) and 'Reason for interaction'. LEA 03 provides a more detailed assessment with checkboxes for various engagement activities and outcomes.

RI TRANSPARENCY REPORT

2013/14

Local Government Superannuation Scheme



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Private							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PR 07	Formal commitments to RI	🔒	n/a				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	🔒	n/a				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Private		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Local Government Superannuation Scheme

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 01.2 Additional information. [Optional]

LGS has approximately \$4.2 billion invested in defined responsible investment strategies across Australian shares, international shares, property, fixed interest, and the absolute return and private equity asset classes.

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

75

OO 03	Mandatory	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes☒ No**OO 04****Mandatory****Gateway/Peering****General****OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

OO 04.2

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		7	727	577	656
Currency	AUD				
Assets in USD		6	980	312	064

OO 04.3

Indicate the level of detail you would like to provide about your asset class mix.

☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)**OO 04.4**

Additional information. [Optional]

USD figure based on A\$/US\$ exchange rate of \$0.903

OO 06**Mandatory****Descriptive****General****OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

☒ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	1.34	40.6
Fixed income – corporate	0	9.11
Fixed income – government	0	11.41
Fixed income – other	0	0.8

Private debt	0	3.97
Private equity	0	5.95
Property	5.68	1.81
Infrastructure	0	2.26
Commodities	0	0.81
Hedge funds	0	4.64
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	11.63
Other (1), specify	0	0
Other (2), specify	0	0

☐ Publish our asset class mix as broad ranges

☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 07.1

Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2 | Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08 | **Mandatory to Report Voluntary to Disclose** | **Peering** | **General**

OO 08.1 | Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09 | **Voluntary** | **Descriptive** | **General**

The tools employed for these responsible investment strategies include:

- Negative and positive screens via the LGS SRI Overlay;
- ESG and carbon positive thematic style investments across 4 asset class;
- Quantitative assessment of ESG and carbon risks in our listed equities portfolios;
- Design and implementation of specific ESG integrated mandates;
- Engagement with our external managers (who undertake the bulk of daily portfolio investment management in accordance to the mandate determined by LGS);
- Engagement and proxy voting on ASX and international equities.

LGS is also actively involved in industry groups with directorships of Australian Council of Superannuation Investors (ACSI), Investor Group on Climate Change (IGCC), Regnan Governance and Research and membership of UNPRI, Responsible Investment Association of Australasia (RIAA) and Global Real Estate Sustainability Benchmark (GRESB).

LGS' mission statement is: 'To provide above average and sustainable investment returns, competitive products, quality personalised service and non-commission driven financial advice.' The LGS vision statement is: 'To provide an outstanding retirement scheme for current and former employees of local government while the agreed values for all LGS staff are: trust; integrity; professionalism and unity'.

LGS has a long standing commitment to responsible investment. It commenced in 1999 when we excluded tobacco stocks across our equities portfolio and has developed considerably since then. As an asset owner that aspires to be a universal owner with a long-term, future-looking investment horizon, we believe that ESG issues create material investment risks that need to be managed. LGS believes that a well-developed responsible investment strategy can both assist in generating long-term risk-controlled investment returns while also aligning ourselves with our members' environmental and social concerns.

It is recognised that the long-term prosperity of the economy and the well-being of members depends on a healthy environment, social cohesion and good governance of the companies in which it invests. LGS believes that adopting a systematic approach to managing ESG risk in our investments is entirely consistent with and will assist our fiduciary duties of acting in the best interests of our members and achieving strong long-term investment returns

LGS believes that effectively implementing responsible investment practices requires sound governance procedures and dedicated management attention. For LGS, this has resulted in formal involvement from the Board and executive team, the employment of a dedicated internal Sustainability staff and increasing our commitment to sustainability to cover corporate matters.

In the future LGS will continue to monitor its portfolios and external managers for leading practice examples that integrate sustainability with superannuation investment returns. This will continue our journey of developing our capacity in incorporating ESG issues within our investment decision making process, with an aspiration to creating portfolio 'hedges' or responses against climate change and other ESG risks, while maintaining alignment with our members' values. LGS is looking to incorporate ESG considerations and strategies across all our asset classes as long as they meet minimum investment risk reward hurdles.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
OO 10.1	<p>Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.</p> <p> <input checked="" type="checkbox"/> We incorporate ESG issues into investment decisions on our internally managed assets <input checked="" type="checkbox"/> We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes <input checked="" type="checkbox"/> We engage with companies on ESG issues via our staff, collaborations or service providers <input checked="" type="checkbox"/> We cast our (proxy) votes directly or via service providers <input type="checkbox"/> None of the above </p>		
OO 10.2	<p>Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.</p> <p> <input checked="" type="radio"/> Yes, our total listed equities are 10% or more of our total AUM <input type="radio"/> No, our total listed equities are less than 10% of our total AUM </p>		
OO 11	Mandatory	Gateway	General
OO 11.1	<p>Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.</p> <p> <input checked="" type="checkbox"/> Property <input type="checkbox"/> None of the above </p>		
OO 11.2	<p>Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.</p> <p> <input checked="" type="checkbox"/> Fixed income – corporate <input checked="" type="checkbox"/> Fixed income – government <input checked="" type="checkbox"/> Fixed Income – other <input checked="" type="checkbox"/> Private debt <input checked="" type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input checked="" type="checkbox"/> Infrastructure <input checked="" type="checkbox"/> Commodities <input checked="" type="checkbox"/> Hedge funds <input type="checkbox"/> Cash <input type="checkbox"/> None of the above </p>		
OO 12	Mandatory	Gateway	General

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers**Direct - Listed Equity incorporation**

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Other asset classes with dedicated modules

- ☒ Property

RI implementation via external managers**Indirect - Selection, Appointment and Monitoring of External Managers**

- ☒ Listed Equities
- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government
- ☒ Fixed Income - Other
- ☒ Private Debt
- ☒ Private Equity
- ☒ Property
- ☒ Infrastructure
- ☒ Commodities
- ☒ Hedge funds

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3

Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

The LGS Board approved the LGS Sustainable and Responsible Investment Policy ('the SRI Policy') in 2009 after its recommendation by the LGS Board's Investment Committee. The SRI Policy is subject to regular review. It is located on the LGS website at <http://www.lgsuper.com.au/investments/SRIpolicies.asp>. References to the SRI Policy are included specifically in other LGS policies including the Overarching Investment Policy Statement, Risk Management Strategy Statement and the LGS Due Diligence Policy.

The SRI Policy recognises that LGS is long-term in nature and that the long-term prosperity of the economy and the wellbeing of members depends on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests. As a universal investor with index holdings, LGS has an interest in all major companies in Australia and overseas. The SRI Policy sets out the sustainability framework for all investments made by LGS. It covers the total investment portfolio across all asset classes, with specific policies for private equity and direct property investments. The SRI Policy includes the list of collective engagement initiatives that LGS will participate in, and the ESG risk assessment that will be required of LGS's asset consultant and investment managers.

This SRI Policy should be read in conjunction with the Investment Policy Statement and the Risk Management Strategy. The SRI Policy is consistent with the long-term investment objectives of LGS and its risk tolerance.

The SRI Policy is divided into the following topics:

- The regulatory framework of LGS;
- Selection of external asset consultants;
- Selection and monitoring of investment managers, private equity and targeted investments;
- Collaboration and engagement with other sustainable investing organisations;
- Negative screening and replacement of investments;
- Green management of direct property;
- Commitment to the issue of climate change;
- Proxy voting to influence company's environmental decisions;
- Reporting of our sustainability strategy to members; and
- Corporate citizenship.

OA 02**Mandatory****Core Assessed****PRI 6****OA 02.1**

Indicate if your responsible investment policy is publicly available.

☒ Yes

OA 02.2

Provide a URL to your responsible investment policy.

URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☒ Yes, all

☐ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
LGS Direct Property Environmental SustainablePolicy	http://www.lgsuper.com.au/investments/SRIpolicies.asp
Proxy Voting Policy	http://www.lgsuper.com.au/documents/importantDocuments.asp
Our Approach to Responsible Investing	http://www.lgsuper.com.au/investments/sustainability.asp

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input checked="" type="checkbox"/> Other, specify Socially Responsible Investment Overlay <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

- Gambling - Nuclear/uranium; - Old growth logging; - Tobacco; - High ESG risk companies exhibiting poor management of these risks. Where possible, agreements with external investment managers will specify that companies in the restricted industries must be avoided. Where this is not possible, LGS will aim to eliminate the exposure to these activities by our internal investment team 'shorting' the same number of securities. These shorted companies are then replaced by investments in companies that are rated highly on ESG issues.

OA 04

Mandatory

Core Assessed

General

OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

The Trustee adopts a comprehensive approach to managing situations where a conflict may arise where the same approach is applied throughout the organisation. The Trustee retains overall responsibility for ensuring that arrangements, policies and processes for managing and monitoring conflicts are in place and Responsible Persons understand their obligations. The Trustee Board has ultimate responsibility for oversight of conflicts management. The policy has identified a three stage approach as outlined below: 1. Identify the conflict - what are potential or actual conflicts, and how they may arise in the Trustee's normal business operations. Further, what the Trustee's have determined what are not conflicts. 2. Manage and assess the conflict - in accordance with the principles in this policy. 3. Disclose the conflict - in accordance with the principles in this policy, including detailed registers. In some cases, conflicts may arise between different classes or types of Scheme members or beneficiaries. This Conflicts of Management Framework requires that all members and beneficiaries be treated equitably. Conflicts are not limited to financial matters. In particular, care must be taken to protect confidential information.

☐ No

Objectives and strategies

OA 05**Mandatory****Gateway/Core Assessed****General****OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes
OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
☐ Biannually
☐ Annually
☐ Every two years or less
☐ It is not reviewed

☐ No

OA 05.4**Additional information. [Optional]**

2. LGS already has a well established RI policy and governance frameworks to support Responsible Investment and ESG integration in our investment process. Most of LGS' work in responsible investment is therefore working on the implementation of the policy. This involves close co-ordination with the LGS Chief Executive Officer and, in particular, the LGS Chief Investment Officer on sector and manager mandate reviews. Additionally, the Head of Sustainability is present in all LGS Board level Investment Committee meetings and must provide a report on all ESG/RI activities and provide an ESG assessment on all new mandates put forward for approval.

OA 06**Voluntary****Descriptive****General****OA 06.1**

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Review LGS SRI Overlay criteria and process with LGS Board level Investment Committee.
Key performance indicators	Production of detailed internal paper on implementational issues involved in managing the SRI Overlay.
Describe the progress achieved	Move from passive to enhanced passive strategies across domestic and international listed equities. Publication of updated criteria likely by 30 June 2014.

☒ Add responsible investment objective 2

Objective 2	ESG integration within LGS Strategic Asset Allocation (SAA) review 2013.
Key performance indicators	Produced internal paper on ESG risks in SAA. Focus on climate change policy shock for SAA and commissioned external research to determine its impact.
Describe the progress achieved	Climate change shock signals (mainly underweight Australian equities, overweight infrastructure) integrated into SAA weights approved by LGS Board for the next two years.

☒ Add responsible investment objective 3

Objective 3	Work on implementing quantitative based enhanced passive ESG integrated international equities mandate.
Key performance indicators	Monitoring and dialogue with manager on this highly innovative mandate including ESG reporting.
Describe the progress achieved	Successful start with mandate exceeding performance objectives while maintaining desired risk level. \ Part of outperformance directly attributable to ESG integration.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Complete LGS SRI Overlay criteria including potential exclusion of companies within high carbon sectors.
Key performance indicators	Publication and release of LGS SRI Overlay criteria by 30 June 2014.

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Work on International Equities Sector review and manager research.
Key performance indicators	Ensure that all managers are integrating ESG well and this is showing in performance. Potentially introduce new high ESG quality manager and mandate.

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Review emerging markets equity for ESG risk profile.
Key performance indicators	Attempt to get quantitative assessment of ESG risk profile in emerging markets. Review performance of existing managers' stock selection and portfolio construction for ESG risks.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The LGS Board of Trustees is ultimately responsible for Responsible Investment and ESG issues. The Chief Investment Officer is responsible for implementing all investment policies including RI policies. An experienced Head of Sustainability was employed in 2010 to improve reporting, communication, engagement and day-to-day management of RI issues and ongoing development of RI risk tools and new investment opportunities. The initial impetus for LGS' commitment to responsible investing originated from the LGS Board in 1999. Since this early time, the LGS Board and its Investment Commitment have continued to emphasise the importance of implementing responsible investing initiatives across the fund. The LGS Investment Committee actively oversees and interacts with LGS' management on RI issues. The Investment Committee receives a Sustainability Report in each of the regular Investment Committee meetings and makes themselves available to meet and be made aware of new trends and opportunities in this emerging area. LGS has established a Strategic Sustainability Committee and its members include two members of the LGS Board, the CEO, CIO, LGS Direct Property team and the LGS Head of Sustainability. The LGS Strategic Sustainability Committee considers the progress of the development of various LGS sustainability and responsible investment policies particularly in regard to the LGS property portfolio; and implementation of the LGS sustainability and responsible investment policies. LGS has also developed a Corporate Sustainability Policy to address other, non-investment sustainability issues. In 2010 LGS employed a full time Head of Sustainability whose role is to further progress implementation of LGS Sustainable and Responsible Investment Policy across its investment portfolio and to assist the communication of our efforts in this area by working with management and staff across LGS. The Head of Sustainability reports directly to both the LGS Chief Investment Officer and LGS Chief Executive Officer. The Head of Sustainability is required to submit reports on sustainability issues to every Investment Committee meeting.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
Head of Sustainability

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify
 - Head of Sustainability**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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	Number
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1.5

OA 08.3	Additional information. [Optional]
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The number of dedicated responsible investment staff quoted in answer 8.2 above refers to internal staff only.

OA 09	Voluntary	Additional Assessed	General
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Board members/Board of trustees

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other C-level staff or head of department**Head of Sustainability**

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

Head of Sustainability

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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Note that LGS does not have a variable pay component to our compensation.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.
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☒ Yes

OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- ☒ Asian Corporate Governance Association

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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LGS attended ACGA meetings held in Australia during the year.

- ☐ Association for Sustainable & Responsible Investment in Asia
- ☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

LGS is a Foundation Member and client of an external expert group, the Australian Council of Superannuation Investors (ACSI).

In July 2013 a representative of LGS became a director of ACSI when it changed its governance to enable a proper Board structure. LGS also features in the ACSI Member Council.

ACSI has developed Corporate Governance Guidelines that underpin its voting recommendations. These guidelines are a set of practices that ACSI believes companies should follow to achieve best practice corporate governance. They cover 25 topics, including board structure and operation and executive compensation. ACSI also provides corporate engagement on ESG issues as well as policy advocacy.

☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

LGS is a signatory to CDP. LGS has spoken at events launching CDP Reports.

☒ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is a signatory to the Forest Footprint Disclosure project which is now part of CDP.

☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is a signatory to CDP Water.

- ☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is the first Australian member of Global Real Estate Sustainability Benchmark which has been formed by leading European pension funds to assess and develop tools to improve the sustainability performance of their direct property portfolios. LGS is attracted to GRESB to further develop its understanding on the links between sustainability and investment in the property sector. LGS also participates in the GRESB survey for our own internally managed direct property portfolio. LGS has achieved a top level 'Green Star' rating by GRESB.

LGS also completes the GRESB survey for its internally managed direct property portfolio. LGS has achieved the top Green Star status from GRESB.

- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☒ Interfaith Center on Corporate Responsibility (ICCR)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Interfaith Center on Corporate Responsibility (ICCR) - In June 2013, LGS was the first Australian super fund to sign the Investor Statement on Bangladesh and join a coalition of international investors being co-ordinated by the ICCR engaging with large Australian and international companies to sign the Bangladesh Accord on Fire and Safety. This follows a spate of fires and building collapses in Bangladesh killing thousands of local garment workers.

- ☐ International Corporate Governance Network (ICGN)
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS has been actively involved with the IGCC. LGS views climate change as the most significant ESG investment risk for our portfolio.

Since 2011 an LGS representative has been on the Management Committee (akin to a Board) of the IGCC. This requires providing strategic guidance and overview to the IGCC executive at monthly meetings. LGS has also been involved in Low Carbon Finance and Water working groups as well as attending monthly member meetings.

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors focussing on the impact that climate change has on the financial value of investments. The IGCC recognises that the financial return of an investment is impacted by climate change. As such, the IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuants and unit holders.

☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is one of the few Australian members of the Carbon Asset Risk collaborative engagement project that is being led by CERES in 2013 which asked 40 largest coal, oil and gas companies about their climate change strategies.

☐ Local Authority Pension Fund Forum
☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS has been a signatory to the United Nations Principles of Responsible Investment (UNPRI) since 2007. The UNPRI's efforts to establish a global framework for institutional investors to integrate responsible investment holds particular appeal for LGS. We undertake to develop approaches across the UNPRI six guiding principles and have been a strong reporter and participant in PRI projects. LGS has been actively involved in the following UNPRI working groups:

- In October 2013 the PRI published a case study on LGS and our approach to applying social and environmental thematic investments without our investment portfolio http://www.unpri.org/viewer/?file=wp-content/uploads/ESthemedinvestingcasestudy_LGSuper.pdf;
- LGS has posted our response to their 2010 and 2011 UNPRI Reporting and Assessment Surveys (available at <http://www.lgsuper.com.au/investments/sustainability/policies.asp>). In terms of results in the UNPRI survey, for both years, LGS scored in the top quartile (out of two hundred asset owners globally) for overall governance, policy and strategy as well as all six individual principles;
- UNPRI Reporting and Assessment Steering Group dedicated to designing a new reporting standards for UNPRI signatories;
- ESG and Executive Pay working group (which produced the Integrating ESG issues into Executive Pay paper dated June 2012);
- Cluster munitions divestment investor group;
- The Private equity disclosure project working group (which released the paper Environmental, Social, and Corporate, Governance (ESG) Disclosure Framework for Private Equity, March 2013);
- Sustainable Fisheries Investor Working group;
- Emerging Markets and Disclosure Project; and
- Vedanta Plc. engagement group Other initiatives that use UNPRI resources and secretariat which LGS has supported includes the Forest Roundtable for Sustainable Palm Oil and the Access to Nutrition Index.

☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

Responsible Investment Association of Australasia (RIAA)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is a long standing member of RIAA (RIAA), which is the peak industry body for professionals working in responsible investment in Australia and New Zealand. LGS especially values RIAA's work in developing education courses via the Responsible Investment Academy and its fund certification program. LGS provides regular input into RIAA newsletters and has spoken at their industry events.

☐ Shareholder Association for Research and Education (Share)

☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS has worked with UNE PFI on our approach to assessing carbon risks across our investment portfolios. In July 2013, LGS was a case study as a leading investor globally in the UNEP FI document 'Portfolio Carbon Measuring, disclosing and managing the carbon intensity of investments and investment portfolios'
http://www.unepfi.org/fileadmin/documents/UNEP_FI_Investor_Briefing_Portfolio_Carbon.pdf.

LGS has also been asked to participate on an international advisory council to develop Scope 3 Greenhouse Gas Reporting Protocol for Finance Sector Guidance

<http://www.ghgprotocol.org/standards/scope-3-standard>

☐ United Nations Global Compact

☒ Other collaborative organisation/initiative, specify

Regnan Governance Engagement and Research (Regnan).

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGS is a part owner and subscriber to Regnan. <http://www.regnan.com.au>. An LGS representative is also a director of Regnan. Regnan undertakes ESG research and engagement on ASX 200 companies on behalf of its clients. Regnan also submits policy advocacy papers for government enquiries on ESG and financial market integrity related issues.

☒ Other collaborative organisation/initiative, specify

Asian Investor Group on Climate Change (AIGCC).

Your organisation's role in the initiative during the reporting year (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Asian Investor Group on Climate Change (AIGCC) - LGS is an 'international supporter member' of IGCC http://www.asria.org/page/aigcc_members

☒ Other collaborative organisation/initiative, specify

Global Investor Coalition on Climate Change (GIC)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Global Investor Coalition on Climate Change (GIC) - LGS is involved in the GIC via our Management Committee status on the Investor Group on Climate Change. LGS was also profiled a case study in the 2013 Global Climate Change Investor Survey <http://globalinvestorcoalition.org/projects/>

☒ Other collaborative organisation/initiative, specify

Multiple Australian green property initiatives and UNPRI property working group.

	Your organisation's role in the initiative during the reporting year (see definitions)
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- ☐ Basic
☒ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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For more information on LGS' involvement in Australian green property initiatives, refer to <http://www.lgsuper.com.au/investments/property.asp>

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☒ Other, specify

Re Point 6: LGS strongly favours transparency and disclosure. Our website contains significant amounts of information on our policies, our process and approach to ESG.

☐ No

Re point 2:

LGS provides financial support by being fee-paying clients of industry research groups MSCI ESG Research as well as Regnan Governance and Engagement (Regnan).

Re point 3:

Since 2010, LGS has included a specific clause on our commitment to Responsible Investment and our SRI Policy in all new Investment Management Agreements. We also have scheduled regular ESG and Responsible Investment issue reporting as part of our external managers regular performance reporting.

Re point 4:

LGS representatives speak at multiple events and conferences on responsible investment. Examples in 2013:

- ASI Conference, Sept 2013;
- GTQ Conference Sept 2013;
- RIAA Benchmark Report release 2013.

LGS was also involved in multiple webinars during 2013'

Re point 4:

LGS website <http://www.lgsuper.com.au/investments/SRIpolicies.asp> includes some in house research papers on our Sustainable Global Government Bond mandate and our ESG and Carbon Portfolio Audits and LGS' approach to thematic investment. This is in addition to our regular reporting on proxy voting and our direct property portfolio's environmental performance.

Re point 5:

It is not mandatory that external managers employed by LGS join the PRI. However, given LGS' emphasis on ESG and RI in determining mandates, potential managers need to demonstrate good understanding of ESG and commitment to RI.

Re Point 6:

LGS strongly favours transparency and disclosure. Our website contains significant amounts of information on our policies, our process and approach to ESG and RI as well as reporting. LGS is also regularly in trade and mainstream media on ESG and RI issues.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☒ Yes

☐ Yes, individually

☒ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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- ☒ Endorsed written submissions to governments, regulators or standard-setters developed by others
- ☐ Drafted your own written submissions to governments, regulators or standard-setters
- ☐ Participated in face-to-face meetings with government members or officials to discuss policy
- ☐ Other, specify

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☒ Yes, publicly available

	provide URL
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<http://acsi.org.au/acsi-guidelines23/policy-submissions.html>

	provide URL
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<http://www.igcc.org.au/igcc-public-submissions>

☐ No

☐ No

OA 12.4	Additional information.
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LGS believes that for a fund of its size, it is more efficient and effective to conduct advocacy on a collaborative basis. LGS conducts its industry advocacy on ESG and RI issues almost exclusively via our active involvement in industry groups, eg. ACSI, Regnan and the Investor Group on Climate Change. Note that in all three organisations, LGS has a directorship role and is highly active in the oversight of the executive and we provide strategic input on the approach to advocacy as well feedback on some submissions. ACSI's and IGCC's position papers and public submission to government enquiries are located at <http://acsi.org.au/acsi-guidelines23/policy-submissions.html> and <http://www.igcc.org.au/igcc-public-submissions>

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☒ Yes

OA 13.2

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

The basis of the policy shock is the 'Durban Platform' which was the major announcement from the 2011 international government CoP (Conference of Parties) meeting in Durban. The Durban Platform stated that all countries (developed and emerging) would work toward a schedule to negotiate a new protocol and legal instrument covering all countries that would be settled in the Paris CoP in December 2015 and which would be enforceable by 2020. We think the two dates 2015 and 2020 are pivotal. Firstly, late 2015 would likely represent the time of LGS' next major SAA review. As such, the current LGS SAA review and its asset class return and volatility forecast will be reset in two years - at this time we will have a much better idea of whether the climate change policy shock will play out. We do think however, that if there is a climate cap shock that markets will react immediately i.e. around 2015 rather than waiting until 2020 enforcement period and so consideration of a climate change shock scenario should be incorporated now.

That being said the 2020 enforcement date is important because it represents 7 years forward exactly as per the JANA asset class forecasting model. The analytical process of the climate cap shock involves first establishing the case for the climate change shock, it then goes through mitigation pathways on how this shock may be played out across industries within asset classes, before turning its attention to strategic asset allocation implications and how this might impact asset class returns.

In doing this research we have drawn extensively on all research globally. This includes International Energy Agency 2012 World Energy Outlook and its variety of carbon pricing and degrees of warming scenarios. However, for the purpose of this SAA review, the climate cap policy shock is considering the impact of the shock itself rather than any monetary impact from the setting of a global carbon price. The conclusions of the research were incorporated into LGS' overall SAA review and resulted in a change in asset allocation from the previous SAA review.

☐ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

OA 14.2

Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

7.8

OA 14.3

Please specify which thematic area(s) you invest in and provide a brief description.

Area

☒ Clean technology

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☒ Fixed income - government
- ☐ Fixed income - other
- ☐ Private debt
- ☒ Private equity
- ☐ Property
- ☒ Infrastructure
- ☐ Commodities
- ☒ Hedge funds

Brief description of investment

Listed equity:

Allocation to specific mandate to invest in companies generating at least 50% of revenues or deploying at least 50% of capital to the environmental sector (renewable energy, water treatments, waste and resource management, efficiency).

Fixed income - Government:

Allocation to Green or Climate Bonds issued by Supranational Agencies such as the IFC and European Investment Bank.

Private equity:

Two mandates in a well-diversified 'clean technology' private equity 'fund-of-fund' investing in early stage and growth technologies in the area of environmental, resource and low carbon products and services.

Infrastructure:

A small component of our infrastructure assets is invested in wind farms.

Hedge funds:

LGS has allocated investment to a fund that invests in the Australian electricity wholesale market and related derivatives including renewable energy certificates and/or any other environmental related markets. The purpose of the fund is to increase our knowledge of the electricity markets and act as a form of hedge against rising power prices which may occur due to extreme weather events.

☒ Green buildings

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Fixed income - other
- ☐ Private debt
- ☐ Private equity
- ☒ Property
- ☐ Infrastructure
- ☐ Commodities
- ☐ Hedge funds

Brief description of investment

LGS manages its property portfolio internally. It comprises 10 properties, a mixture of 4 retail centres, 5 commercial and 1 industrial. Since 2007, LGS' entire direct property portfolio has undergone significant green refurbishments and fit outs aimed to improve the efficiency and attractiveness of the property portfolio, with most of the work focusing on lighting, air conditioning and introducing innovative technologies. More details on LGS efforts in direct property are detailed elsewhere in this PRI report as well as <http://www.lgsuper.com.au/investments/propertyGraphs.asp>

However, in short, LGS has reduced its energy consumption in its property portfolio by more than 45% since introducing these initiatives. The entire portfolio is rated 6 NABER's stars, with GreenPower (the highest building energy rating in Australia) and the Global Real Estate Sustainability Benchmark (GRESB) survey has rated LGS's portfolio as a 'Green Star'. For these reasons we consider the LGS portfolio to be classified as a 'green building'.

- ☐ Sustainable forestry
- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Other area, specify

☐ No

Innovation

OA 18

Voluntary

Descriptive

General

OA 18.1

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

The LGS Board has always had a long-term commitment to RI and ESG (which commenced in 1999 when it banned tobacco stocks). LGS has long held the view that management of ESG risks in its investment portfolios is fundamental to fulfilling its fiduciary duties to members - acting in the best interest to generate strong long-term retirement savings. The LGS SRI Policy requires the addressing of ESG risks across the entire investment portfolio with multiple asset classes. As a long-term institutional asset owner, it can be difficult to address these risks, however, as we have built internal staffing resources, LGS has attempted to do so with some innovative product and mandate designs, including the following examples:

- **The LGS SRI Overlay** - this is a negative screen/positive screen process that was introduced on Australian shares in 2004 and international shares in 2011. Since their inceptions, in Australian shares it has contributed +11 basis points pa and international shares +4 basis point pa to the overall performance of the fund. The SRI Overlay ensures that the fund does not have exposure to companies generating more than 10% revenue to tobacco, uranium, armaments, gambling, old growth forests, as well as companies considered as having a high ESG risk with poor management of these risks. LGS sells any exposure to these companies and then invests in companies with positive ESG attributes. This process has both ensured that we do not have exposure to certain sectors and high ESG risk and controversial companies while also contributing positively to the fund's investment performance.
- **LGS Sustainable Global Government bonds** - In 2012 LGS introduced this innovative approach across our entire allocation to global government bond securities. The process integrates data on the countries' exposure to ESG issues as part of the investment approach. It also allocates up to 15% of the portfolio to the new investment assets called 'Climate' or 'Green' bonds issued by supranational agencies such as the IFC and European Investment bank. These AAA rated bonds offer similar yields to other bonds however the funds raised are devoted to climate change adaptation and mitigation projects in developing countries. LGS is one of the only Australian superannuation funds to invest in these bonds.
- **ESG enhanced passive international equities** - In 2012 LGS has developed an ESG-integrated enhanced-passive international equities mandate managed by Hermes Funds Management, a group known for their capabilities in ESG and Responsible Investment. This is one of the first quantitative international equities mandates globally that explicitly integrates ESG signals in the investment process and the manager is also able to attribute investment out-performance to ESG issues.
- **Thematic** - as detailed in section OA14, LGS has exhibited leadership by investing in thematic investments (mainly addressing climate change risks) across 4 asset classes.
- **Strategic Asset Allocation** - As detailed in Section OA13, LGS work in integrating climate change risks in to our Strategic Asset Allocation process, which is to our knowledge, one of the first examples globally.
- **Property** - As evident in the section on Property investments, LGS' efforts in reducing our energy consumption on our property portfolio by 45% through use of energy efficient technologies is another example of innovation and leadership.

Assurance of responses

OA 19

Voluntary

Additional Assessed

General

OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☐ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

In addition to the review by the LGS CEO and CIO, the integrity of the information contained in this report is evidenced by:

- All information in this document is consistent with what LGS has announced previously with regards to ESG and responsible investment. LGS has high level of transparency and disclosure and the important pieces of information in this response can be cross referenced on our website. Where possible and appropriate, we have asked external parties to provide information.

☐ No

Local Government Superannuation Scheme

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.		

LGS' SRI policy covers all asset classes. As such evaluation of RI and ESG issues for new and existing mandates and managers are expected across all new mandates as well as for existing asset class reviews. The extent of the involvement of the RI and ESG teams is determined by the LGS Carbon and ESG Risk Framework which is an internal tool which aims to assess the extent of ESG risk in asset classes along with the desired risk return objectives (such as extent of active management) for the asset class. The output of this asset class assessment from the ESG and Carbon Framework then drives the extent and influence of the RI and ESG factors in new and ongoing mandates (i.e. where it is assessed that there is low ESG risks such as cash there is minimal oversight from LGS' internal ESG staff and vice versa).

All new managers and mandates must be reviewed and recommended by LGS' external asset consultant. The most common approach is for the asset consultant to shortlist 2-3 preferred managers and LGS then conducts its own ESG assessment of these managers (LGS requires that the asset consultant will have done some analysis of the ESG capabilities of the shortlisted manager). Less commonly, LGS will initiate discussions with a manager on a specific mandate concept that would feature high levels of innovation and sophistication from an ESG/RI perspective and therefore requiring high levels of ESG competency within the manager. Examples include the recent international equities enhanced passive mandate featuring high levels of ESG incorporation as well as the LGS Sustainable Global Government bond mandate. LGS also holds multiple discussions with potential managers with specific ESG or thematic products (renewable energy infrastructure). In both these instances, if the discussions progress well, then the mandate and the manager are sent to the LGS external asset consultant for review. For sectors with high ESG risk, LGS will have an ESG/RI Rating and commentary for each new mandate that goes to the LGS Investment Committee for approval. If a manager is recommended for appointment, then it must complete the LGS Due Diligence questionnaire. This document includes ESG/RI questions that must be completed even in those sectors are determined as low risk. The LGS Due Diligence Policy specifically references the LGS SRI Policy as one that must be fulfilled in selection of managers.

LGS reviews all asset classes' mandates and managers on a regular basis. Again depending on the importance of ESG risk in the asset classes, LGS employs various means of reviewing its ESG performance. Examples include - LGS Sustainability staff being involved in regular manager meetings; LGS sources ESG and Carbon portfolio audits of its Australian and international equities holdings. These provide quantitative analysis of the ESG risks in managers' portfolios relative to the broader benchmark. These enable dialogue and engagement with the manager on ESG issues. In certain sectors in our Investment Management Agreement with managers, LGS requires managers to report on ESG and RI issues on a regular basis as part of the reporting requirements.

SAM 02	Mandatory	Core Assessed	PRI 4
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**SAM
02.1**

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

☒ Yes

**SAM
02.2**

Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]

☒ We use investment consultants in our selection and appointment of external managers

Asset class

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☒ We use investment consultants in our monitoring of external managers

Asset class

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☐ We use fiduciary managers

**SAM
02.3**

Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.

- ☒ Responsible investment is included in the selection process for investment consultants
- ☒ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- ☒ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- ☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 03**Mandatory****Gateway****General**

**SAM
03.1**

Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Commodities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hedge funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04
Mandatory to Report
Voluntary to Disclose
Gateway/Peering
General
**SAM
04.1**

Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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	Active investment strategies
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Active investment strategies	LE	FIC	FIG
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thematic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Passive investment strategies
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Passive investment strategies	LE	FIG
Screening	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**SAM
05.2**

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We require our external managers to engage on our behalf	<input checked="" type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

SAM 05.4	Additional information. [Optional]
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Re passively managed strategies SAM5.1: In commingled trust vehicle in listed equities, LGS applies our SRI Overlay process. If this trust has investments in activities that are part of LGS' negative screens, then LGS' internal investment team will sell the equivalent amount of the shares. (However, this is not screened by external managers as specifically asked in the question). The Overlay then requires that we invest the funds in companies from similar sectors, geography and size with more positive ESG attributes.

Selection			
SAM 06	Mandatory	Core Assessed	PRI 1-6
SAM 06.1	Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:		
	General		

	LE	FIC	FIG
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess how the manager incentivises brokers to provide ESG research	<input checked="" type="checkbox"/>	n/a	n/a
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	LE	
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>	
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>	
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>	
Other engagement issues in your selection process, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

**SAM
06.2**

Provide additional information relevant to your organisation's selection approach for listed assets. [Optional]

While LGS has ticked multiple boxes above for listed equities, fixed income corporate and fixed income government, LGS is far more progressed in these practices in listed equities. For fixed interest corporate, most of the ESG/RI work has been reasonably high level and rudimentary. LGS' negative screens have been applied on two mandates and one mandate in particular there has been discussion on ESG incorporation. Note that boxes ticked above in Fixed Income Government pertain to only one of the three mandates that LGS has in this asset class. This is the LGS Sustainable Global Government Bond mandate which does incorporate ESG extensively in the process. The other two mandates are passive and there has been no contact on ESG and RI issues.

Appointment

SAM 07**Voluntary****Additional Assessed****PRI 4****SAM
07.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE	FIC	FIG
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagement

	LE	
Specific requirements relating to engagement	<input checked="" type="checkbox"/>	
Other RI considerations relating to engagement in investment management agreements, specify	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

Reporting

	LE	FIC	FIG
Reporting on the agreed responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 07.2	Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.
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LGS has been incorporating responsible investment and ESG requirements in all newly negotiated Investment Management Agreements (IMAs) since 2011. This includes listed equities and corporate and government fixed interest. The approach is that there is an additional clause in the IMA that notes LGS' commitment to responsible investment. In particular, it highlights to the manager that we have the LGS SRI Policy which should be considered. It also contains requirements on manager reporting of ESG issues. The specific ESG reporting requirements are scheduled in the IMA, along with other manager reporting requirements. At this stage LGS is expecting more detailed ESG reporting for equities as opposed to fixed interest. The IMAs also enable LGS to request the manager to undertake and provide feedback on company engagement and dialogue as well as to provide the rationale and recommendations in regards proxy voting, if requested.

Monitoring			
SAM 08	Mandatory	Core Assessed	PRI 1
SAM 08.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:		
	General		

	LE	FIC	FIG
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	LE	
Review the ESG information relevant to the engagements	<input checked="" type="checkbox"/>	
Discuss the number of engagements and their comprehensiveness	<input type="checkbox"/>	
Discuss the type of role played (i.e. leading or supporting)	<input type="checkbox"/>	
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input type="checkbox"/>	
Other ways you monitor engagement activities, specify	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

If you select any 'Other' option(s), specify

'General' section above: we contact our managers for their views on individual stocks which have received media exposure around ESG issues or where LGS has a large exposure and active weight.

'ESG incorporation': LGS commissions half yearly ESG and Carbon portfolio audits on our domestic and international listed equity managers. These quantify ESG risk in our managers' portfolios relative to their benchmark. This assists LGS in identifying ESG risk 'hot spots' in the portfolio that may, or may not, be due to lack of ESG incorporation (this acts as a prompt to engage and discuss with the managers).

'Engagements' section: LGS notes managers involved in corporate engagements and or advocacy. We do not formally rate their performance in engagements.

**SAM
08.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

While LGS has ticked multiple boxes above for listed equities, fixed income corporate and fixed income government, LGS is far more progressed in these practices in listed equities. For fixed interest corporate, most of the ESG/RI work has been reasonably high level and rudimentary. LGS' negative screens have been applied on two mandates and one mandate in particular there has been discussion on ESG incorporation. Note that boxes ticked above in Fixed Income Government pertain to only one of the three mandates that LGS has in this asset class. This is the LGS Sustainable Global Government Bond mandate which does incorporate ESG extensively in the process. The other two mandates are passive and there has been no contact on ESG and RI issues.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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SAM 10.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	PE	PR	INF
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other post-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Other - LGS reviews underlying portfolio holdings for any ESG controversies that may have emerged and impacted performance.

**SAM
10.2**

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

Notes on LGS' Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets - Selection Note that LGS' externally managed property assets here refer to our global listed REITs. ESG and RI issues for this asset class in the selection, appointment and monitor of managers is as per the response in section SAM04-SAM09. For non-listed private equity and infrastructure investments, LGS relies substantially on our specialist external asset consultant, Quentin Ayers and to a lesser extent our main asset consultant JANA. The consultants review investment opportunities and managers in these asset classes and put them forward for recommendation for LGS. As per comments in Section SAM 01, LGS has developed an internal LGS ESG and Carbon Framework which aims to give guidance on the magnitude of ESG risks in each asset class. From this private equity and infrastructure are ranked among the asset classes with highest ESG risks and indeed opportunities (especially in terms of thematic investment). Managers are selected in the following two ways. More commonly the asset consultants will suggest managers and strategies for LGS. As part of this process the asset consultants must review the underlying manager's investment process including ESG and responsible investment capabilities. This will include a written note from the asset consultant on ESG as part of the final due diligence recommendation put forward to the LGS Investment Committee. Prior to any formal recommendation, LGS' sustainability staff will review offer documents and presentations and will usually hold interviews with the underlying manager. LGS internal sustainability staff will also prepare a note for the LGS Investment Committee for any strategy put forward for recommendation. LGS' internal staff are in regular contact with the asset consultant on potential investments. We have declined several of these in recent years due to ESG issues. Less commonly external managers contact LGS directly to discuss their product. LGS encourages managers to approach LGS directly, especially if they have a strong ESG thematic - such as renewable energy or an impact investment. From there the strategy can be forwarded to the asset consultant for review as per their standard process. All investments must be reviewed by the asset consultant to ensure they have acceptable and well understood risk return characteristics for the asset class.

Appointment

SAM 11

Voluntary

Additional Assessed

PRI 4**SAM
11.1**

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE	PR	INF
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment selection in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment monitoring in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reporting

	PE	PR	INF
Reporting on the agreed ESG implementation activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on company incidents relating to ESG issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to reporting in your agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
11.2**

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

In the private asset classes of private equity and infrastructure, LGS employs specialist external asset consultant, Quentin Ayers, along with our main asset consultant, JANA to recommend and monitor external manager and strategies. So the questions asked in SAM 11 are not directly appropriate. However LGS has ticked many of the boxes for private equity and infrastructure on the following basis. In the consulting agreements with both these advisers, they must consider ESG and RI issues with all recommendations provided to LGS, including manager selection. In addition, the latest agreement with the specialist private equity consultant also extends LGS's negative screen exclusions (10% or more revenue from tobacco, armaments, nuclear, gambling and old growth forests) and requires detailed ESG monitoring and reporting on the underlying strategies. The consultant is complying with these ESG requirements in strategies recommended to LGS.

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

**SAM
12.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE	PR	INF
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request details of how ESG factors were considered when preparing to exit from investments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**SAM
12.2**

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

In addition to the comments in SAM 11, LGS' specialist private equity asset consultant is now required to specifically report on ESG issues or developments in the underlying strategies as part of its regular written reports. The consultant will review the managers' underlying SRI/ESG policies as well as requiring the manager to inform whether there have been any material ESG issues in the underlying portfolio holdings during the reporting period. The consultant also highlights underlying investments in various manager strategies that have positive ESG attributes. This is often part of the quarterly in-person ESG meetings that LGS holds with the consultant. Independent of the consultant, LGS reviews the consultants' ESG report and also scans portfolio holdings for potential for any adverse ESG risks. LGS sustainability staff are always invited and present at any face-to-face meetings with an underlying manager. ESG issues are always raised in these meetings. In recent years LGS has rejected several proposed strategies forwarded by the consultant due to ESG issues.

Other asset classes

SAM 13

Voluntary

Descriptive

PRI 1-6

**SAM
13.1**

Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:

Asset Class	Description
Fixed income - other	Refer below
Private debt	Refer below
Commodities	Refer below
Hedge funds	Refer below

SAM 13.2	Additional information.
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As per Section SAM 01, LGS' SRI policy covers all asset classes. As such evaluation of RI and ESG issues for new and existing mandates and managers are expected across all new mandates as well as for existing asset class reviews. The extent of the involvement of the RI and ESG teams is determined by the LGS Carbon and ESG Risk Framework which is an internal tool which aims to assess the extent of ESG risk in asset classes along with the desired risk return objectives (such as extent of active management) for the asset class. The output of this asset class assessment from the ESG and Carbon Framework then drives the extent and influence of the RI and ESG factors in new and ongoing mandates (i.e. where it is assessed that there is low ESG risks such as cash there is minimal oversight from LGS' internal ESG staff and vice versa). Typically, in these asset classes, all new managers and mandates must be reviewed and recommended by LGS' external asset consultant. The most common approach is that the asset consultant shortlists 2-3 preferred managers and LGS will then conduct its own ESG assessment of these managers (LGS requires that the asset consultant will have done some analysis of the ESG capabilities of the shortlisted manager). As per the asset classes named in SMA 13, LGS' ESG assessment in fixed income - other; commodities and hedge funds has been quite basic and high level. LGS' ESG review of private debt has been more detailed.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.		
		%	
	10		
SAM 15	Voluntary	Descriptive	PRI 2

**SAM
15.1**

Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

☒ Add Example 1

Topic or issue	Declined recommended manager
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Fixed income - other <input type="checkbox"/> Private debt <input type="checkbox"/> Commodities <input type="checkbox"/> Hedge funds
Scope and process	During 2013, on at least two occasions, LGS sustainability staff had a call with underlying manager whose strategy was being recommended. LGS could not get comfortable with the managers ability to factor in and integrate ESG factors into their investment process.
Outcomes	LGS did not invest in either strategy on the basis of our concerns around ESG risks. LGS increased communication and interaction with our consultant on incorporating ESG issues into the investment process.

☒ Add Example 2

Topic or issue	Integration of ESG in innovative enhanced passive international equities mandate.
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Fixed income - other <input type="checkbox"/> Private debt <input type="checkbox"/> Commodities <input type="checkbox"/> Hedge funds
Scope and process	LGS staff continued work on ESG integration process and reporting for an innovative enhanced passive international equities mandate which LGS had designed and worked on with the external manager, Hermes.
Outcomes	The mandate is working well, performance is exceeding expectations while risk is constrained to predefined limits. ESG has been embedded as a permanent signal in the quant process (which is rare) and we are able to attribute ESG factor input into outperformance versus benchmark.

☒ Add Example 3

Topic or issue	Investment in Green bonds in global government bond mandate
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input checked="" type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Fixed income - other <input type="checkbox"/> Private debt <input type="checkbox"/> Commodities <input type="checkbox"/> Hedge funds
Scope and process	LGS allocated 15% of our global government bond portfolio to be invested in green bonds or climate bonds issued by groups such as the IFC and European Investment bank whose proceeds go towards climate change adaptation and mitigation projects in developing countries. Firstly LGS needed to get comfortable with the risk/reward characteristics of these bonds. Secondly we need to inform our external manager of the green bonds and how to find additional issuances.
Outcomes	By end of 2013, LGS had approximately \$25m invested in green bonds, close to our 15% allocation.

☐ Add Example 4

☐ Add Example 5

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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☒ Yes, we disclose information publicly

	provide URL
--	-------------

<http://www.lgsuper.com.au/investments/sustainability.asp>

provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

**SAM
16.2**

Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

☒ Yes

**SAM
16.3**

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☒ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☒ Details of the responsible investment activities carried out by managers on your behalf
- ☒ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☐ Other, specify

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

**SAM
16.4**

Additional information. [Optional]

LGS Members also receive updates on responsible investment issues via the LGS Annual Report and member newsletters. The LGS website <http://www.lgsuper.com.au/investments/sustainability.asp> and <http://www.lgsuper.com.au/investments/SRIpolicies.asp> contains significant amount of information of LGS' responsible investment approach and performance. Specifically, we have posted: -

- LGS SRI Policy and the LGS Direct Property Environmental and Sustainable Policy;
- LGS survey response to climate change surveys run by the Asset Owner Disclosure Project and the Global Investor Coalition on Climate Change;
- LGS' responses to the 2010 and 2011 UNPRI Surveys along with a summary of our performance
- LGS' ASX Proxy Voting reports and engagement reports from our service providers ACSI and Regnan;
- LGS' feature in UNPRI case studies on thematic investments;
- Investment papers on LGS Sustainable Global Government Bond mandate and Carbon and ESG portfolio audits; and
- Extensive reporting on the environmental performance of LGS' property portfolio.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 01.2

Additional information. [Optional]

All information in this Listed Equity Incorporation module, relates to one listed equity strategy managed internally by LGS - the 'LGS SRI Overlay'. This is a fundamental and active strategy applied across both listed Australian and international equity classes. Combined, these SRI Overlay strategies represent less than 0.5% of LGS' total investment funds. However, LGS decided to complete this PRI Assessment module as the LGS SRI Overlay has been an innovative process that has been successfully implemented and positively contributing to our returns since 2004.

LEI 02

Voluntary

Descriptive

PRI 1

LEI 02.1

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

LGS SRI Overlay

The LGS Trustee has determined that the Scheme will not make investments in companies that derive more than 10% of their revenues in the following areas of activity:

1. Armaments
2. Gambling
3. Nuclear/Uranium
4. Old Growth Logging
5. Tobacco

The LGS Trustee may also permit the exclusion of companies exhibiting high levels of ESG risks and poor management of these risks. This policy has been in place for the LGS Australian equities portfolio since 2004 and in 2011, was expanded to cover our international equities portfolio. In implementing the SRI Overlay where possible, agreements with external investment managers will specify that companies in these restricted industries must be avoided. Where it is not possible for managers to do this, LGS will aim to eliminate the exposure to these activities by our internal investment team 'shorting' the same number of securities. These shorted companies are then ideally replaced by investments in companies that are rated highly on ESG issues and are from similar sectors, size and geography as the companies that are excluded. To ensure an objective risk focussed process, LGS uses the services of dedicated external ESG research providers to determine which companies pose the greatest ESG risk. LGS receives ongoing research from these sources and updates its list of company exclusions and additions on a regular basis. LGS believes that the SRI Overlay is entirely consistent and fundamental to our role as long term future looking universal owner fiduciaries. As such the long term prosperity of the economy and the wellbeing of LGS members depend on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests.

The SRI Overlay was implemented as LGS believes both that these activities can create investment risks which need to be monitored and managed and also to create alignment with our members' interests. As at 31 December 2013, the SRI Overlay on Australian listed equities has contributed a positive 0.1% pa since its inception in August 2004. For international equities, the SRI Overlay has positively contributed 0.04% pa from 2011 through to 31 December 2013. LGS Trustee maintains regular performance oversight and reporting of the SRI Overlay. LGS has applied investment constraints to the operation of the SRI Overlay to ensure that investment performance is not adversely impacted during periods of excessive short-term market volatility. This may result in excluded company 'shorts' being lifted, before being reapplied once market conditions settle.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03**Mandatory****Gateway/Core Assessed****PRI 1****LEI 03.1**

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☒ All three strategies combined

Percentage of actively managed listed equities to which each strategy or combination of strategies is applied (estimate +/- 10%)		
	<div><div></div></div>	%
	100	

- ☐ No incorporation strategies applied

	Total actively managed listed equities
--	--

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

As per our response in LEI 02, the LGS SRI Overlay is a negative screen with any replacement companies having higher ESG ratings and characteristics as well as being from a similar size, geography and industry sector. So LGS' approach to internally managed listed equities involves mainly negative screens as well as some high level 'ESG integration' as well as some exposure to 'thematic' strategies (though most of LGS thematics are done via external manager mandates). For our internally managed funds, LGS prefers the SRI Overlay process, relying largely on negative screens, for the following reasons:

- LGS has a small internal investment team. It is important to keep the SRI Overlay as simple as possible. The use of external ESG research for determining excluded and replacement companies makes this an objective process.
- LGS expects much more explicit and detailed integration from our external mandates. LGS also has specific mandate with low carbon/environmental services thematic managers. We also undertake significant engagement with companies on ESG issues primarily via our external service providers.
- LGS aims to be long-term future-looking universal owner. As such, the long-term prosperity of the economy and the wellbeing of LGS members depend on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests. Screening out exposure to activities such as tobacco, with its huge negative health externalities, helps facilitate better environmental, social and investment conditions from which our managers can make investment decisions
- LGS believes that the sectors that we have excluded are facing increasing amounts of legislation and taxation that will impact the future profitability of these businesses. They also face complex stakeholder engagement and licence to operate issues. All these factors indicate that these sectors are facing additional structural headwinds that could impact the ability to create long-term shareholder value. LGS' ability to get positive investment contribution from our SRI Overlay process confirms our concerns on these investment risks.

LGS aims to align itself with our members - the 90,000 current and former members of local councils in NSW, Australia, many of whom undertake grass roots environmental and social work. LGS believes that having explicit negative screens is a more powerful means than say just ESG integration and engagement strategies alone to demonstrate our commitment to responsible investment; and to communicate that we hold values that are aligned with our members.

LEI 03.3

If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

Please refer our response to LEI02.

LEI 04

Voluntary

Additional Assessed

PRI 1

LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- ☒ Raw ESG company data

Indicate who provides this information

- ☒ ESG research provider
☒ Sell-side
☒ In-house – specialised ESG analyst or team
☐ In-house – analyst or portfolio manager
☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
☒ Sell-side
☒ In-house – specialised ESG analyst or team
☒ In-house – analyst or portfolio manager
☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
☒ Sell-side
☒ In-house – specialised ESG analyst or team
☐ In-house – analyst or portfolio manager
☐ Country-related analysis or ratings
☒ Screened stock list

Indicate who provides this information

- ☒ ESG research provider
☐ Sell-side
☒ In-house – specialised ESG analyst or team
☐ In-house – analyst or portfolio manager
☒ Issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
☒ Sell-side
☒ In-house – specialised ESG analyst or team
☐ In-house – analyst or portfolio manager
☐ Other, specify

LEI 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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LGS subscribes to external ESG research (Regnan for ASX equities; MSCI ESG Research for International equities) to ensure there is an objective approach taken with the choice of excluded and replaced companies in the LGS SRI Overlay. LGS' internal sustainability staff are situated within the LGS investment team. The sustainability staff are responsible for monitoring ESG and responsible investment issues from a macro, across-all-asset-classes perspective, as well as how they impact individual companies and projects. LGS sources all forms of ESG research in Australia and globally for this purpose, with research from ESG research houses, sell side stock brokers, fund managers, NGO's and media releases.

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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☒ Yes

LEI 04.4	Describe how you incentivise brokers.
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The LGS SRI Overlay uses prime brokerage accounts for both ASX and international equities. This means that LGS can 'tag' or direct brokerage to the specific analyst in these broker houses that are producing ESG research. LGS has tagged research on its ASX companies to the ESG analyst. LGS also motivates brokers by reading their research and attending their events.

☐ No

LEI 05	Voluntary	Additional Assessed	PRI 1
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LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☐ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☒ We do not make this information available.

☒ (Proxy) voting

- ☐ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☒ We do not make this information available.

LEI 05.2

Additional information. [Optional]

LGS does do extensive proxy voting and engagement across our listed equities. This involves sourcing external research providers (e.g. ACSI and Regnan) whose inputs are then implemented according to LGS SRI Policy. However, for the internally managed LGS SRI Overlay process, we rely solely on the ESG scores and ratings currently sourced via Regnan (ASX companies) and MSCI ESG research (international equities) to determine excluded or replacement companies. This ensures an objective and transparent approach which is considered essential given LGS' small internal investment team. These research houses do have sophisticated processes for ESG research and rating of companies which may include engagement and proxy voting outcomes.

(A) Implementation: Screening**LEI 06****Mandatory****Descriptive****PRI 1****LEI 06.1**

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☒ Negative/exclusionary screening

Screened by

- ☐ Product
- ☒ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
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LGS SRI Overlay

The LGS SRI Overlay has the following activities and ESG risk screens. Note that LGS internally managed portfolio emanates from shorting out these activities and high ESG risk companies from mandates with external managers that are in commingled pools. The LGS Trustee has determined that the Scheme will not make investments in companies that derive more than 10% of their revenues in the following areas of activity:

6. Armaments
7. Gambling
8. Nuclear/Uranium
9. Old Growth Logging
10. Tobacco

The LGS Trustee may also permit the exclusion of companies exhibiting high levels of ESG risks and poor management of these risks.

☒ Positive/best-in-class screening

Screened by

- ☐ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
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As per the LGS SRI Overlay, when LGS divests of companies within our negative screen criteria by shorting, they are then ideally replaced by investments in companies that are rated highly on ESG issues and are from similar sectors, size and geography as the companies that were excluded. LGS uses external ESG research to determine these companies.

☒ Norms-based screening

Screened by

- ☒ UN Global Compact Principles
- ☒ Universal Declaration of Human Rights
- ☒ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify

	Description
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LGS' negative screen to determine companies with high ESG risk is determined by MSCI ESG Research "ESG Impact Monitor" product. This assesses companies against 18 International Conventions and Norms.

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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LGS' current set of negative screens in the LGS SRI Overlay were established by the LGS Investment Committee in 2004. The Investment Committee commenced a review of the negative screens in 2012 and any changes are expected to be recommended by mid-2014. The review of the screening criteria involved several facets:

- The amount of the revenue threshold for excluded criteria;
- Wording of the screens to ensure transparency and clarity;
- Review of the appropriateness of the existing screens; and
- Recommendation for any new screening criteria.

The review was undertaken with detailed paper(s) by internal LGS sustainability and investment staff using external ESG research and in dialogue with our existing managers along with ongoing review by the LGS Investment Committee. Factors that have been important in the review are:

- The number of companies that are excluded under a screen and the cumulative market capitalisations of the excluded companies. Risk and tracking error considerations are paramount
- Reviewing of ESG macro trends that might be creating new opportunities or altering valuations across industries
- LGS' acceptance that climate change represents the largest ESG risk for our members' long-term returns
- The values of LGS members (as expressed by the current screens);
- LGS commits to regularly communicate the sustainability strategy to our members via: a commentary in the Annual Report; updates in the member newsletters; making information available on the LGS website.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 08**Voluntary****Additional Assessed****PRI 1****LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occasional
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☒ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

LEI 08.2

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

The internally managed portfolio of companies in the LGS SRI Overlay are the positive ESG replacement companies that are the direct outcome of the process of shorting excluded companies. It is relatively small in size and number of companies and compliance is straightforward. It is more important for LGS to review the portfolios of our external managers to ensure there have been no breaches of the LGS SRI policy. This is done by ensuring the managers have the capacity to manage to LGS negative screen criteria and producing LGS own internal list of excluded companies. This is required under our Investment Management Agreements.

(B) Implementation: Thematic**LEI 09****Mandatory****Descriptive****PRI 1**

LEI 09.1

Indicate the type of sustainability thematic funds or mandates that your organisation manages.

- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

LEI 09.2

Describe your organisation's processes for sustainability thematic funds. [Optional]

LGS has invested in environmental and social themed funds in four asset classes to date. However, these are all in mandates outsourced to external managers. These are discussed in a separate module. For the internally managed LGS SRI Overlay portfolio, replacement companies are selected that have high ESG ratings from similar countries, size and sectors as the companies excluded under the negative screen. In some circumstances these high ESG ratings can be due to the company having significant revenue or asset exposure to environmentally themed services and products.

The fund's environmental and social themed investments must meet all standard return and diligence thresholds, there is no question of trading off environmental or social return against financial return. Overall, LGS' environmental themed investments are fulfilling their investment objectives and have performed satisfactorily, but as with all active strategies, some have performed better than others.

LGS uses a framework to analyse the relevance and significance of ESG risks to different asset classes and to determine which responsible investment strategy to adopt to respond to them.

While the overall investment strategy is determined inhouse by LGS, external managers undertake on-going stock selection and portfolio management.

(C) Implementation: Integration of ESG issues

LEI 10**Voluntary****Descriptive****PRI 1****LEI 10.1**

Describe how you integrate ESG factors into investment decision making processes.

LGS primarily employs external managers to undertake day-to-day portfolio management and investment decisions. In previous sections we have discussed the ESG incorporation process in the LGS SRI Overlay. The only avenue left for asset owners to incorporate ESG is via voting and engagement (addressed in a separate module) and in strategic asset allocation (SAA) decisions. In regards SAA, LGS has discussed in a separate module its efforts to incorporate climate change into our SAA process during 2013. LGS has also developed an ESG and Carbon Risk Framework to gauge and communicate the extent of ESG risks in each asset class which then in turn helps determine the approaches to ESG incorporation in various asset classes.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]
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This question is not applicable for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

LEI 12	Voluntary	Descriptive	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
-----------------	---

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 12.3	Additional information.
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This question is not applicable for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

LEI 13	Voluntary	Additional Assessed	PRI 1
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LEI 13.1	Indicate into which aspects of investment analysis you integrate ESG information.
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- ☒ (Macro) economic analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Industry analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☐ Analysis of company strategy and quality of management
- ☒ Idea generation
 - ☒ Systematically
 - ☐ Occasionally
- ☐ Portfolio construction
- ☐ Fair value/fundamental analysis
- ☐ Other, specify

LEI 13.3	Additional information.
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This question is not appropriate for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

Outputs and outcomes

LEI 15	Voluntary	Descriptive	PRI 1
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LEI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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☒ Screening

	Describe any reduction in your starting investment universe or other effects.
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The impact of LGS' SRI Overlay on ASX universe is small, approximately 1% of the benchmark by market cap is excluded from investment. The impact of LGS' for the international index benchmark MSCI World ex Australia is more significant with approximately 6% of the index removed.

	Specify the percentage reduction
--	----------------------------------

	%
--	---

6

☒ Thematic

	Describe any alteration to your investment universe or other effects.
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In international equities, LGS has a 5% allocation to a specialist environmental themed manager, Impax.

☒ Integration of ESG issues

	Select which of these effects followed your ESG integration:
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- ☒ Reduce or prioritise the investment universe
- ☒ Overweight/underweight at sector level
- ☐ Overweight/underweight at stock level
- ☐ Buy/sell decisions
- ☒ Other, specify

Slightly higher exposure to mid and smaller cap companies

LEI 15.2**Additional information.**

LGS considers climate change to be the most significant ESG risk impacting our members' long-term returns. We aim to continue to develop a form of hedge or response across all asset classes to the complex series of risks that we see emerging from climate change. Many of these strategies have been detailed throughout our PRI survey response. In LGS' response to the 2013 Asset Owner Disclosure Project AODP survey (available <http://www.lgsuper.com.au/investments/SRIpolicies.asp>), LGS calculated our exposure to high carbon sectors within our listed equities as at 30 June 2013 as follows Asset Class LGS Portfolio Benchmark Domestic Equities 18.8% (17 companies) 22.9% (57 companies in ASX200) International Equities 9.9% (212 companies) 14.8% (235 companies MSCI World). As there is no industry standard as yet as to what constitutes a 'high' or 'low' carbon asset, LGS used their exposure to a variety of sub 'GIC's sectors in the energy, materials and industrials sectors. LGS attributes that our lower exposure to high carbon assets is a direct result of our efforts to try develop a response to climate change risk. Specifically in listed equities, the lower carbon exposure is due to:

- In listed international equities, LGS has a 5% allocation to a specialist environmental themed manager, Impax.
- LGS' nuclear exclusion screen also captures a lot of high carbon coal fired utilities
- LGS moved from passive to enhanced passive core strategies in both our Australian and international listed equities portfolios.

LEI 16**Voluntary****Descriptive****PRI 1****LEI 16.1**

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

Screening	Thematic	Integration of ESG issues	
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

b) Reduced funds' risk or volatility

Screening	Thematic	Integration of ESG issues	
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

c) Improved funds' ESG performance

Screening	Thematic	Integration of ESG issues	
<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No	

LEI 16.2	Describe how you are able to determine these outcomes and your actual performance.
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Re a) Impact on funds financial performance Screening:

The LGS SRI Overlay process has provided a positive contribution to LGS' returns adding 11bps pa since 2004 in Australian equities and 4 bps pa since 2011 in international equities to the fund's overall performance. Thematic - LGS' allocation to specialist environmental themed mandate was LGS' best performing international equity strategy in 2013. ESG integration - we have found that managers that integrate ESG well have outperformed their benchmarks over the last year - examples include both fundamental active management type strategies along with the ESG embedded enhanced passive quantitative international equities strategies. However, many factors outside of ESG are important to achieving outperformance of the benchmark - choosing the right manager is critical.

Re b) Reduced funds' risk or volatility Screening:

Given that our internally managed listed equity FUM is very small relative to the entire listed equities portfolio, LGS has not done a lot of research on volatility. However, the SRI Overlay performed very strongly and lowered volatility during the GFC of 2008. This example of outperformance when markets are poor and highly volatile is an indicator of reduced fund risk. Thematic - the allocation to a specialist environmental themed fund investing in smaller or mid cap companies necessarily does increase fund volatility. This is the same outcome as allocating funds to any sort of active style mandate - such as small caps, value etc. The volatility is managed by looking at international equities portfolio as whole and allocating only a small percentage to the active higher volatility strategies including thematics. ESG integration - LGS has not done detailed work on ESG integration and volatility across the entire portfolio, however, in those strategies that are trying to capture market beta in Australian and international equities (such as ESG embedded enhanced passive quantitative international equities) we are not noticing increased volatility and the mandate is staying within its risk constraints.

Re c) Improved funds' ESG performance Screening/thematic/ESG integration:

LGS undertakes 6 monthly ESG and Carbon portfolio audits of our entire Australia and international equities managers. An example is located at <http://www.lgsuper.com.au/investments/SRIpolicies.asp>. These audits show that LGS has better ESG and Carbon rated portfolios.

LEI 17	Voluntary	Descriptive	PRI 1
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LEI 17.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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☒ ESG issue 1

ESG issue and explanation
<p>This question is not applicable for LGS given the small funds under management that we directly internally manage. This internally managed portfolio of companies arises as replacement stocks from our exclusions (companies with > 10% of their revenues in: Armaments, Gambling, Nuclear/Uranium, Old Growth Logging and Tobacco. The LGS Trustee may also permit the exclusion of companies exhibiting high levels of ESG risks and poor management of these risks).</p>
ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input type="checkbox"/> Integration <input checked="" type="checkbox"/> Combination of ESG incorporation strategies </p>
Impact on investment decision or performance
<p>The LGS SRI Overlay process has provided a positive contribution to LGS' returns adding 11bps pa since 2004 in Australian equities and 4 bps pa since 2011 in international equities to the fund's overall performance.</p>

☒ ESG issue 2

ESG issue and explanation
<p>Outside of the LGS SRI Overlay, we expect our external manager mandates to recognise and avoid companies that are part of our negative screens. LGS also requires managers to provide company case study reporting on examples of how ESG issues impacted the buy, hold and sell decisions.</p>
ESG incorporation strategy applied
<p> <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies </p>
Impact on investment decision or performance
<p>Not always easy to attribute relative out or underperformance specifically to ESG.</p>

☐ ESG issue 3

☐ ESG issue 4

☐ ESG issue 5

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- ☒ We disclose it publicly

Provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

LEI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☒ Yes

LEI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
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- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

LEI 18.4	Indicate how frequently you typically report this information.
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- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.5	Additional information. [Optional]
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LGS' website features significant amount of reporting on ESG issues performance across multiple asset classes. LGS members receive additional report on ESG and responsible investment issues via newsletters, mail outs and seminars. However LGS members do not receive much additional ESG information compared to the general public - the exception being if LGS members initiate the contact with LGS re responsible investment issues. They will receive a more detailed response than a non-member that contacts LGS.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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As a universal asset owner focusing on our members' long term retirement savings needs, LGS believes that engagement with companies and our fund managers along with advocacy on policy issues is one of the tools that we can employ to address ESG issues which may represent investment risks. The bulk of LGS' engagement activities are done via industry group collaboration, with some limited engagement conducted directly by LGS with companies. LGS' engagement activities are best characterised in the following 3 ways: 1. Collaborative engagement via specialist active ownership groups - LGS is very active and has devoted considerable resources as a full member of the Australian Council of Superannuation Investors (ACSI) www.acsi.org.au. In 2013 an LGS employee became a director on new ACSI Ltd Board as part of ACSI governance restructure. LGS was also a member of the subcommittee that reviewed 'The Guide for Superannuation Trustees' on corporate governance standards and proxy voting guidelines with respect to investments in ASX companies. LGS also provides insights for ACSI research pieces and is an active subscriber to ACSI Australian and International proxy voting services. ACSI is a collaborative membership organization of 38 superannuation funds, representing more than AUD\$400 billion in assets under management. Engagement is undertaken by ACSI's ESG analysts directly with the Boards of ASX200 companies. For the purposes of reporting, ACSI is categorised as a Service Provider; that is, an 'Investor organisation[s] that conduct engagement on their members' behalf and which have an explicit mandate from their members to represent them'. - LGS is a founding shareholder, client and Director of Regnan Governance Research and Engagement Ltd (Regnan), www.regnan.com.au. Regnan's owner / clients collectively fostered the establishment of Regnan as a specialist engagement service to:

- enable specialised skills to be developed, both in ESG aspects and in the practice of engagement for change;
- provide access to and influence with relevant decision makers in corporations and elsewhere;
- maximise the impact of the resources each client contributes; and
- be efficient in the achievement of shared objectives - a benefit for investee companies also given they face increasing requests from shareholders for dialogue. Via Regnan companies can reach a large proportion of shareholders who prioritise ESG issues through a single interface.

- Involvement in other ESG/RI Industry groups In addition to our involvement in ACSI and Regnan, LGS has also devoted time and resources with involvement with other responsible investment industry groups whose missions are broader than pure engagement and advocacy. Nevertheless, their activities do provide a collective voice on the importance of ESG and RI issues and complement those of the specialist engagement groups. LGS' participation in these industry groups also helps satisfy the requirement of UNPRI Principle 5 'To collaborate with organisations to enhance effectiveness'. These groups include:
 - UN Principles for Responsible Investment <http://www.unpri.org/> LGS has been actively involved in the following UNPRI working groups:
 - International committee member for establishing the guidelines on the business case for sustainability in commercial buildings;
 - In October 2013 the PRI published a case study on LGS and our approach to applying social and environmental thematic investments without our investment portfolio
 - UNPRI Reporting and Assessment Steering Group dedicated to designing new reporting standards for UNPRI signatories;
 - ESG and Executive Pay working group (which produced the Integrating ESG issues into Executive Pay paper dated June 2012);
 - Cluster munitions divestment investor group;
 - The Private equity disclosure project working group (which released the paper

Environmental, Social, and Corporate, Governance (ESG) Disclosure Framework for Private Equity, March 2013)

- Sustainable Fisheries Investor Working group;
- Vedanta Plc. engagement group
- Other initiatives that use UNPRI resources and secretariat which LGS has supported includes the Forest Roundtable for Sustainable Palm Oil and the Access to Nutrition Index Climate Change related industry group activities; Investor Group on Climate Change <http://www.igcc.org.au/>; LGS is a member of the Management Committee (board) of the IGCC and is also a member of the IGCC Low Carbon Finance Working Group; Global Investor Coalition on Climate Change (GIC) - LGS is involved in the GIC via our Management Committee status on the Investor Group on Climate Change. LGS was also profiled a case study in the 2013 Global Climate Change Investor Survey <http://globalinvestorcoalition.org/projects/> - Asian Investor Group on Climate Change (AIGCC) - LGS is an 'international supporter member' of AIGCC http://www.asria.org/page/aigcc_members - Investor Network on Climate Risk - LGS is part of an international coalition of 70 investors that are engaging with 40 of the world's largest coal, oil and gas companies on the area of climate change risks notably the concepts of 'unburnable carbon' and stranded assets. <http://www.ceres.org/press/press-releases/investors-ask-fossil-fuel-companies-to-assess-how-business-plans-fare-in-low-carbon-future> - Carbon Disclosure Project - LGS is a signatory to the CDP Carbon Programme, Water Program and Forest Program <https://www.cdproject.net/en-US/Programmes/Pages/Members-List.aspx> Other ESG/RI industry initiatives - Responsible Investment Association of Australasia (RIAA) <http://www.responsibleinvestment.org/> - LGS supports RIAA in its efforts to promote responsible investment practices and often provides speakers for RIAA's conferences and events. - Global Real Estate Sustainability Benchmark <http://gresb.com/> - LGS is one of the three Australian investors that have supported this initiative which aims to develop benchmarks for sustainability amongst property landlords. LGS also participates in the annual GRESB survey and our property portfolio has received the highest "Green Star" category. - Interfaith Center on Corporate Responsibility (ICCR) - In June 2013 LGS was the first Australian super fund to sign the Investor Statement on Bangladesh and join a coalition of international investors being co-ordinated by the ICCR engaging with large Australian and international companies to sign the Bangladesh Accord on Fire and Safety. This follows a spate of fires and building collapses in Bangladesh killing thousands of local garment workers.

- LGS Direct Engagement LGS does undertake some limited engagement directly with companies on our own behalf. These engagements tend to be in response to emerging issues directed at specific companies (as opposed to proactive and systematic engagement projects across broad sectors or themes which are undertaken by industry groups such as ACSI and Regnan) where we see shareholder value at risk or poor governance and oversight practices. Typically LGS will initially write to the Chair of the company involved outlining our concerns. The engagement process may then involve further written correspondence or face-to-face meetings. Examples of the topics in which LGS has entered into direct engagement: a retailer on its association in the Bangladeshi garment industry; a bank on its lending practices in emerging markets; several companies on their approach to lobbying against the introduction of carbon pricing legislation in Australia. LGS employs external fund managers who have direct contact with company executives and Chairs. LGS does also ask our managers to discuss with these companies regarding our concerns.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify Raise awareness of ESG and sustainability as investment risk and opportunities <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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Membership with ACSI is based on three principles which recognise that: - Good governance requires boards to consider and manage all material risks facing the company, including ESG risks. Effective Board governance contributes to shareholder value creation and risk-reduction, creating the conditions in which sustainable long-term investment can prosper. Superannuation funds can and should protect and manage their investments for the long-term through the consideration of ESG risks in their investment decision-making processes.

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA
03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

LEA
03.2

Describe how you identify and prioritise engagements.

LGS' approach to our internal direct engagement is largely to respond to company specific events and issues that have been highlighted in the media or other sources. LGS does not conduct a great deal of internal direct engagement with companies. LGS' reactive approach to engagement is due to our involvement with ACSI and Regnan who conduct more proactive and thematic engagement with ASX200 boards on LGS' behalf as well as our discussions with our fund managers on ESG issues in their selected investee companies. As such LGS' engagement work aims to complement the work of ACSI and Regnan. We also find that the other benefits to this approach are that LGS can act more quickly on our own (than in a group) and that we are able to target issues of specific interest to LGS and our members. The process for identifying issues is quite flexible. LGS' internal sustainability and investment staff collate significant amounts of research on ESG issues from a very wide array of sources including broker reports, media stories and increasingly from NGOs. Other members of LGS, including the executive and the especially the Board, can and do also flag issues. LGS will then check with ACSI and Regan on their understanding of the issue and whether there is any research at hand. LGS will then conduct further research before writing to the company involved - typically to the Chair - to commence the dialogue and engagement process. LGS may decide to engage on any ESG issue and climate change has been the most common area - which is in line with our assessment that climate change as the most significant ESG risk. The issues chosen tend to be more 'E' and 'S' focussed as opposed to traditional corporate governance concerns which as are typically addressed by ACSI and Regnan. The E & S flavour to LGS' engagement also underpins our desire for more E & S discussions at the Board level of companies, rather than just G engagements (e.g. independence of board, remuneration etc.) which we feel dialogue is quite advanced. LGS' engagement assignments do have shareholder value risk to determine its prioritisation, however LGS adopts a broader and longer term definition of financial materiality. For example LGS entered dialogue with an ASX listed retailer encouraging them to ensure better standards of practice in regards sourcing garments from Bangladesh. From a short term financial perspective this was not financially material for the company and indeed the changes sought would probably increase their costs and reduces profits marginally. However, LGS saw protection of long term shareholder value as more important and we believed that it should be brought to the attention of the Board.

☐ No

LEA 04

Mandatory

Core Assessed

PRI 2

**LEA
04.1**

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
 - ☒ Yes, for all engagement activities
 - ☐ Yes, for the majority of engagement activities
 - ☐ Yes, for a minority of engagement activities
- ☐ No

**LEA
04.2**

Indicate if you monitor the actions that companies take following your engagements.

- ☒ Yes
 - ☒ Yes, in all cases
 - ☐ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

**LEA
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

LGS does not undertake a large amount of direct engagements with companies. Those that we do have specific objectives and questions raised at the commencement of the engagement. LGS does monitor the progress of each company that we have engaged with. This can be in ongoing formal correspondence or by just following the media on the company as part of our roles as an investor. LGS' does evaluate the progress of the company after the engagement. We do not have a formal scoring or assessment in place; rather we observe whether the issue on which we have engaged the company remains. The companies response in turn can determine LGS' voting at the company's AGM. Additionally if the company is exhibiting a high ESG risk profile with unacceptable management of those risks - the LGS SRI Policy permits for the company to be excluded from ongoing investment. However this last step would require our external ESG research provider(s) to also rate the company as high ESG risk.

- *Engagement objectives and goals are defined prior to engagement meetings.*
- *The objectives or goals are re-assessed after the engagement based on either an agreed timeline with the company (i.e. company provides a date for the release of new disclosure) or objectives are measured based on the following annual disclosure.*
- *Where no change occurs and the company does not provide a response, given that the identified ESG risk remains material, the engagement will be escalated.*
- *Company responses from engagement are considered in developing future engagement strategies and objectives. Given that many ESG issues are long-running and results are not instant, engagement is not considered successful until companies have made a material change on the relevant issue.*

☐ No

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

**LEA
05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☒ Yes

**LEA
05.2**

Describe how you identify and prioritise collaborative engagements.

As per our response to LEA01, LGS conducts most of our engagements via industry collaboration and also via our involvement with expert governance and engagement organisations ACSI and Regnan. LGS is very active in both areas - as per LEA01 response we have become a signatory to multiple collaborative engagements recent years; LGS staff member is also on the Boards of both ACSI and Regnan. In regards prioritisation of collaborative engagements, LGS receives regular emails from industry groups such as the UNPRI, IGCC and RIAA. The LGS sustainability staff will then determine whether there are any new collaborative engagements of interest. This is usually determined by:

- Specific ESG areas of risk (e.g. LGS is involved in several collaborative engagements on climate change) or where; or
- Where we wish to gain more information of company performance (e.g. Roundtable for Sustainable Palm Oil; or
- We see beneficial outcomes from advocacy of government policy and/or company behaviour (e.g. LGS was involved in a PRI collaborative engagement on 'ESG and executive remuneration' which resulted in a paper being released in 2012 as well as the 'Private equity disclosure' working group which released a report in 2013) or where
- We see that the engagement might introduce better practice in the industry without impairing current profitability (e.g. LGS was a signatory to the Access to Nutrition index and joined the Investor Initiative of Bangladesh garment industry). The decision whether to join a collaborative engagement rests with the LGS CEO following recommendation from the LGS Head of Sustainability. The LGS Investment Committee is advised of any new group that LGS joins.

☐ No

LEA 06

Mandatory

Core Assessed

PRI 2

**LEA
06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

☒ Yes

- ☒ Yes, for all collaborative engagement activities
- ☐ Yes, for the majority of collaborative engagement activities
- ☐ Yes, for a minority of collaborative engagement activities

☐ No

**LEA
06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

☒ Yes

- ☒ Yes, in all cases
- ☐ Yes, in the majority of cases
- ☐ Yes, in the minority of cases

**LEA
06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

All of the collaborative engagements in which LGS has participated in, have defined objectives. Some of them are shorter engagements with more specific objectives. Others are longer, on more complex exploratory topics and the engagement's objective may be modest and less well defined at the outset.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07

Mandatory

Core Assessed

PRI 2,4

**LEA
07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

**LEA
07.2**

Indicate what role you play in engagements that your service provider conducts on your behalf.

- ☒ Specify the issues for the engagement
- ☐ Specify the objectives for the engagement
- ☐ Select the companies to be engaged with
- ☒ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

☐ No

**LEA
07.3**

Additional information. [Optional]

In LEA 07.2, LGS ticked boxes for the combined efforts of the two service providers that we use for engagement ACSI and Regnan. For ACSI, its members are responsible for identifying issues for engagement, approving the objectives of engagement, monitoring the results and reviewing the strategy for engagement. Members also attend a number of engagements each year alongside ACSI staff. In many cases, several members collaboratively attend individual company meetings. Note that LGS is also a board member of ACSI and reviews its activities closely. Regnan uses its research to identify the themes for engagement as well as the companies that it recommends are engaged. On an annual basis Regnan will seek approval from its clients on these recommendations. Regnan provides a quarterly review of the outcomes and status of these engagement meetings. LGS also reviews Regnan's activities via our status as shareholder and Director.

LEA 08	Mandatory	Core Assessed	PRI 2,6
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LEA 08.1	Indicate whether you monitor and/or discuss the following information provided to you by your service provider
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Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☐ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

LEA 08.2	Additional information. [Optional]
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In LEA 08.1, LGS ticked boxes for the combined efforts of the two service providers that we use for engagement ACSI and Regnan. LGS is deeply involved with both groups as a client and Director. Both groups provide reporting on their engagement activities - including themes, objectives, rationale, progress and outcomes and next steps. LGS Sustainability staff review these reports and contact the groups on an as needs be basis.

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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LEA 09.1	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.
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Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Service provider engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2	Additional information.
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LGS employs external fund managers. We meet these managers on a regular basis and ESG issues generally are always on the meeting agenda. This will include discussion of LGS' direct engagements with companies and there may be discussion on the work of ACSI and Regnan or other industry collaborative engagements.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of companies you engage with.
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Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

LEA
11.1

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	2
Collaborative engagements	4
Service provider engagements	244

LEA
11.2

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA
11.3

Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.4

Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.5

Additional information. [Optional]

LEA 11 LEA 11.1 these numbers have not been adjusted for double counting of engagements conducted by LGS of our service providers. In 2012 ACSI reported that it engaged with 192 companies whereas Regnan reported 52 (therefore 244 in total). LEA 11.2 ACSI states that it is worth noting the definition of 'comprehensive' for the purposes of the question. PRI says "A comprehensive engagement includes multiple, detailed discussions or interactions with a company (e.g. letters, meetings and calls) relating to a particular ESG issue". Accordingly, one detailed face to face meeting or letter is not considered 'comprehensive'. However, two specific letters on a particular topic is considered 'comprehensive', although often ACSI's experience is for the former to be more productive. Moreover, ACSI held 133 company meetings and wrote 135 letters as part of this process (including sustainability reporting letters (sent to 63 companies) and letters to companies where ACSI recommended 'against' in its proxy voting service (sent to 72 companies)). Given the breadth of this work, only 26% of 268 companies are considered comprehensive under the PRI framework. Under the PRI framework, Regnan considered 38% of engagements to be comprehensive in the year to end of December 2013. LGS monitors the progress of the engagements however we are not highly involved vis-a-vis LEAD 11.4) LEA 11.3 In regards LGS involvements in collaborative engagements, we are rarely a lead engager. Often these collaborative engagements are based off shore and cover international equities clients. It is not often practical for time zone and size of investment for LGS to take a lead role. We do find however, that there is value provided by LGS' involvement as it demonstrates to the company that asset owners globally are interested in the issue. For LGS, we still benefit from the investment insights revealed in the engagement. LEA 11.4 While LGS does not monitor the engagement activities of both ACSI and Regnan, we were not highly involved in either of these providers' specific company engagements.

LEA 12

Voluntary

Additional Assessed

PRI 2

LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2	Provide an estimated breakdown by E, S and/or G issues.
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	Individual / Internal staff engagements
--	---

	% Social only
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50

	% Overlapping ESG issues
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50

100%

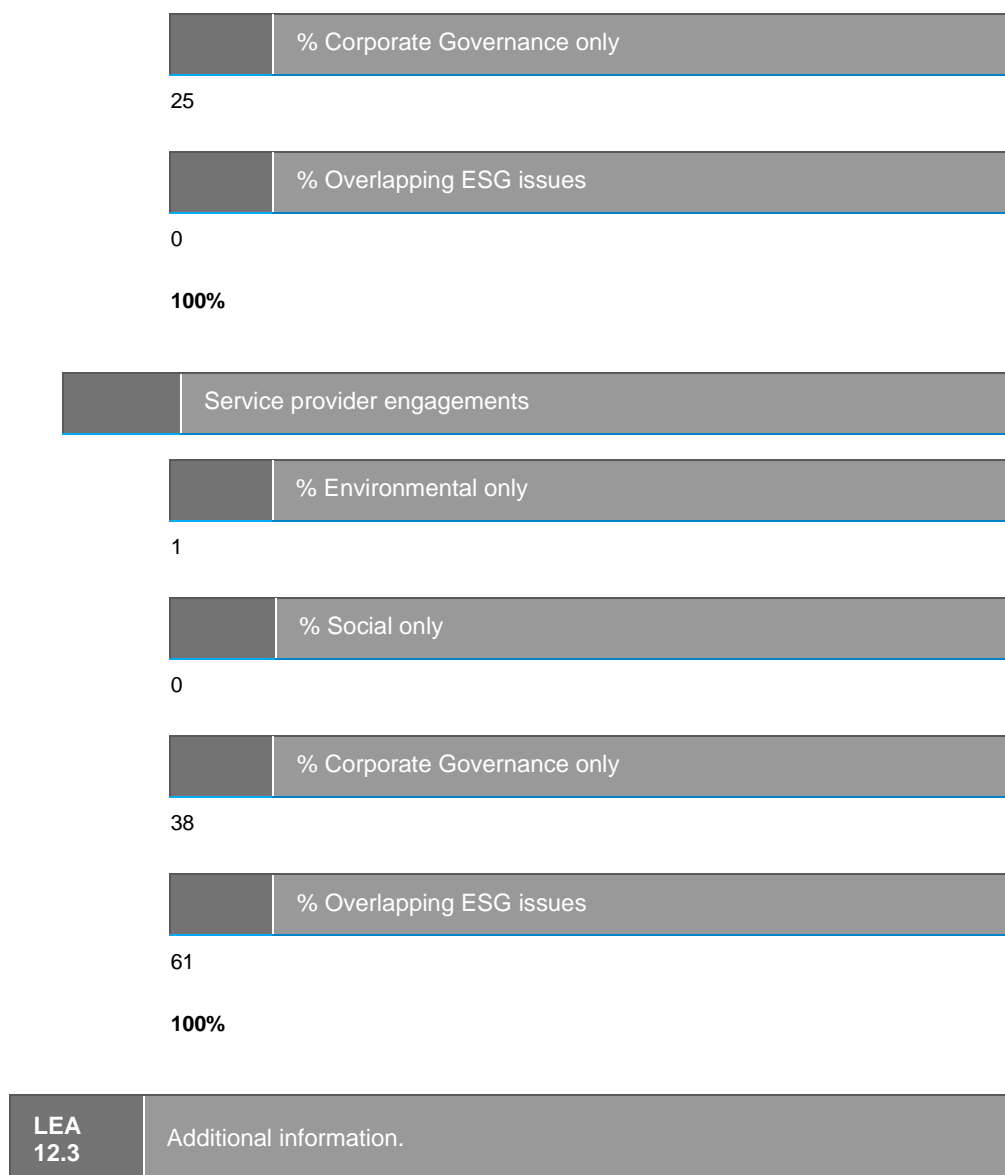
	Collaborative engagements
--	---------------------------

	% Environmental only
--	----------------------

50

	% Social only
--	---------------

25



Regarding LEA12.2 service provider engagements, this is an estimate of the combined engagements of LGS' external service providers, ACSI and Regnan. Regnan reported the following break down % E only 6% %S only 2% % G only 25% Overlapping ESG 67% ACSI reported the following breakdown Governance only 41%. Overlapping ESG 59% ACSI Comments that regarding LEA 12.2, note that 'Environmental only' and 'Social only' outcomes are zero per cent. This is because ACSI's engagement in this period typically included Environmental and Social issues, particularly the sustainability reporting engagement. Almost half of the engagements classified here as 'Overlapping ESG issues' were on Environmental and Social issues and not Governance issues.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☒ Yes

LEA 13.2	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
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	Number of company changes or commitments to change
Individual / Internal staff engagements	1
Collaborative engagements	0
Service provider engagements	81

☐ No

LEA 13.3	Additional information.
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Regarding LEA13.2 collaborative engagements, it is still too early to demonstrate that the companies have changed. Regarding LEA13.2 service provider engagements, this is an estimate of the combined engagements of LGS' external service providers, ACSI and Regnan. Regnan reported that 26 companies changed or committed to change. ACSI stated that 55, or 29%, of companies changed or committed to change. ACSI noted that for around a quarter of companies ACSI is yet to reassess companies to determine whether they have changed practices. The majority of these are sustainability reporting engagements where ACSI's next annual research will be done in March/April 2014. Others are companies where ACSI engaged following recommending votes against but where the company has not yet had a subsequent meeting.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Wesfarmers and Bangladesh garment workers
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Highlight our concerns for loss of shareholder value through poor supply chain management in Bangladesh Encourage Wesfarmers to adopt best practices standards in regards sourcing garments from Bangladesh.
Scope and Process	Letter sent to Wesfarmers chair. Received detailed response to satisfactory level.
Outcomes	Wesfarmers are acting on this matter in an appropriate manner. Their retail subsidiaries have signed the Bangladesh Accord on Fire and Safety as requested.

☒ Add Example 2

Topic or ESG issue	Corporate Governance
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improve specific company practices in governance of: (a) Executive remuneration (b) Directors and board composition (c) Capital raising practices
Scope and Process	ACSI engaged with around 25 priority companies on one or more of these three governance issues. Typically, letters were written to the companies with the majority of these becoming catalysts for face to face engagement meeting with board members.
Outcomes	The recent experience is for around half of the issues to be fully resolved. ACSI was most successful in achieving change on pay and capital raising issues. Board related issues require longer-term engagement and assessment given that these changes are often implemented over a longer time period.

☒ Add Example 3

Topic or ESG issue	Anti-corruption and Bribery
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of anti-corruption policies as per ICGN framework.
Scope and Process	ACSI engaged with eight companies identified via commissioned research to have poor anti-corruption disclosure relative to risk exposure. Letters were written to companies, followed by either further written correspondence or face to face meetings.
Outcomes	Five of the eight companies responded to ACSI: two have published improved anti-corruption policies, one is completing an internal review and two are discussing the issue with the board. The remaining three companies have not responded and engagement has continued in conjunction with the PRI Anti-Corruption working group.

☒ Add Example 4

Topic or ESG issue	Labour & Human Rights Policies
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of Labour and Human Rights policies.
Scope and Process	<p>ACSI engaged with 13 companies identified via two commissioned research reports for high exposure to labour and human rights risks with relatively low disclosure of policy.</p> <p>Letters were written to companies, followed by either further written correspondence or face to face meetings.</p>
Outcomes	Four companies responded with information regarding further initiatives being undertaken in this area or extension of policies. One company requested further guidance. Six companies did not respond. Further engagement correspondence has been undertaken and the companies are now reviewing the second letters internally. One company has advised it does not have issues in this area. One company has provided no response or acknowledgment. The issue is due to be addressed in continued dialogue in 2014 and beyond.

☒ Add Example 5

Topic or ESG issue	Sustainability Reporting
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improved annual reporting of ESG risks.
Scope and Process	63 companies identified through ACSI's research to have basic or no reporting on ESG risks in annual disclosures. Letters written to each company detailing areas that require improvement and providing guidance on disclosure frameworks.
Outcomes	ACSI wrote to all companies considered to have provided either limited or no sustainability reporting within their company disclosures. Each letter detailed the company's current level of reporting relative to market standards, encouraging improvement and an insight into investor expectations on ESG disclosures. Ten companies were prioritised for further engagement in 2013 given their low level of reporting and the ESG issues associated with their operations (e.g. mining and heavy industry). Two of these companies have already improved their reporting practices.

☒ Add Example 6

Topic or ESG issue	E & S - Unconventional oil and gas (UOG)
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improvements in corporate ESG disclosures and management practices aligned to our 'principles and recommendations' document including in relation to impacts on water, greenhouse gas emissions, health and communities.
Scope and Process	All stocks within our universe involved in UOG are targeted (10). We have provided our 'principles and recommendations' document to all and are pursuing further discussions (in many cases there have been a number of meetings advancing these discussions). We are also undertaking public policy advocacy and collaborating with peers as part of this work.
Outcomes	<p>Work is ongoing - noteworthy aspects to date:</p> <ul style="list-style-type: none"> • PP received positive reception as a valuable contribution from most stocks at high level (board) engagements. A number have implemented or advised us of proposed specific enhancements to their management approach subsequently. • Regulator expanded scope of regulation beyond what was proposed following our submission (the only one to raise this point). • Other bodies have advised of referencing and using our PP in their own engagement and advocacy.

☒ Add Example 7

Topic or ESG issue	E - carbon constraint preparedness
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<ul style="list-style-type: none"> • Development of emissions abatement program to respond to long-term carbon regulation exposure. • Enhanced corporate reporting on ESG.
Scope and Process	Multi-year, single-stock engagement involving meetings with multiple coy contacts across the business.
Outcomes	<ul style="list-style-type: none"> • Abatement program rolled out. • Disclosure enhanced, including inaugural CDP survey response. • Further ESG disclosure enhancements proposed.

☒ Add Example 8

Topic or ESG issue	S & G - board independence and safety performance
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<ul style="list-style-type: none"> • Appoint an independent board member with industry skills. • Enhancement of safety management and performance.
Scope and Process	Multi-year, single-stock engagement involving a number of meetings and correspondence at board level.
Outcomes	<ul style="list-style-type: none"> • Independent director with industry skills has been appointed. • independence of board expected to be further enhanced by additional appointment proposed. • Safety performance shows a marked (though single year) improvement following management enhancements. • Disclosure also enhanced aligned to feedback provided.

☒ Add Example 9

Topic or ESG issue	Carbon Asset Risk
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	LGS is part of an international coalition of 70 investors, led by the Investor Network of Climate Risk, that are engaging with 40 of the world's largest coal, oil and gas companies on the area of climate change risks notably the concepts of 'unburnable carbon' and stranded assets.
Scope and Process	Stage 1 Involved writing to the companies and asking for responses to a series of questions on strategic climate change issues.
Outcomes	So far we are receiving responses from the companies and analysing them.

☐ Add Example 10

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1	Indicate whether your organisation proactively discloses information on its engagements.
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☒ We disclose it publicly

	please provide URL
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<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

LEA 15.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☒ Yes

LEA 15.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
----------	--

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☒ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☒ Other information

Case studies, high level descriptions of engagement issues and advocacy topics.

**LEA
15.4**

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☐ Disclosed annually
- ☒ Disclosed every two years or less
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

**LEA
15.6**

Additional information. [Optional]

LGS puts on its website the public engagement reports produced by ACSI and Regnan. These contain less detailed information than what LGS receives in our private client reports, so as not to risk the long term success of often complex and drawn out discussions between companies and investors. These public reports overview the activities of the service providers during the course of the year.

(Proxy) voting and shareholder resolutions

Overview

LEA 16

Voluntary

Descriptive

PRI 2

**LEA
16.1**

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Local Government Super undertakes proxy voting at the shareholder meetings of all ASX200 companies and 500 of the largest listed international companies. ASX LGS is a Foundation Member and client of the Australian Council of Superannuation Investors (ACSI), an external expert group who provide voting recommendations in respect to company resolutions. ACSI has developed Corporate Governance Guidelines which have been prepared to be used by both companies and superannuation funds. They are designed as a reference for chairpersons, directors and senior executives of listed companies on the contemporary governance expectations of superannuation fund investors.

The Guidelines reinforce the accountability of boards and management teams to shareholders. The Guidelines are also a tool for superannuation funds to help manage their investments in Australian listed companies. These Guidelines provide a framework by which superannuation funds can assess the ESG practices of investee companies, particularly when exercising their voting rights. LGS is active in the review of these Guidelines which occurs biennially. As a broad rule, LGS will vote in accordance with ACSI recommendations for ASX200 company annual meetings. However, from time to time, we will consider voting against other ACSI recommendations when we believe there is a significant environmental, social or governance risk which has or could lead to a loss of shareholder value. Additionally if LGS is voting 'against' on a company's remuneration report (this is a mandatory annual resolution for ASX companies), LGS' voting policy is to automatically vote against the re-election of the Chairperson of Remuneration Committee of that company if that office holder is up for re-election in that year. For ASX companies, LGS undertakes the actual process of voting ourselves using the Broadridge ProxyEdge voting platform. International Shares LGS uses ACSI's International Voting Alert Service to vote our holding in a selection of the 500 largest international companies listed in the UK, US, Canadian and European jurisdictions. ACSI's International Voting Guidelines were produced as part of our international voting service. Use of these guidelines will provide a practical way for Australian superannuation funds to monitor governance issues internationally and provide an opportunity for Australian superannuation funds to enter into dialogue and build effective alliances with like-minded institutional investors internationally. ACSI has partnered with international proxy voting advisor Glass Lewis to assist with the voting guidelines, provide the voting recommendations and to actually implement the voting.

Process

LEA 17**Mandatory****Descriptive****PRI 2****LEA
17.1**

Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

- ☐ the service provider voting policy signed off by us
 - ☒ our own voting policy
 - ☐ our clients requests or policy
 - ☐ other, explain
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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Refer LEA 16. LGS sources research and proxy voting recommendations from ACSI. ACSI's recommendations are based on its Corporate Governance Guidelines which outline superannuation funds' expectations in terms of corporate governance and alignment with shareholders. As a broad rule LGS will vote in accordance with ACSI recommendations for ASX200 company annual meetings. However, from time to time we will consider voting against other ACSI recommendations when we believe there is a significant environmental, social or governance risk which has or could lead to a loss of shareholder value.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☒ Obtain confirmation that votes have been lodged:
 - ☒ for a majority of votes
 - ☐ for a minority of votes
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
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For ASX companies, LGS executes its own votes and receives confirmation of votes for all ASX 200 companies in which we have holdings. We also generate quarterly reports that demonstrate our voting record. To assist with the integrity of the proxy voting process, LGS participated in an ACSI led initiative in 2013 which traced the actual proxy voting process and the variety of agents employed and technologies used. The aim of this initiative is to overcome shortcoming evident in the voting process.

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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☒ Yes

LEA 20.2	Indicate how voting is addressed in securities lending programme.
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Please select one of the following

- ☐ We recall most securities for voting on all ballot items
- ☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☒ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)

☐ No

LEA 20.3	Additional information. [Optional]
-----------------	------------------------------------

LGS does have a securities lending programme which permits our holdings in ASX companies to be temporarily lent to 3rd parties in return for a fee that contributes to our members' retirement savings. LGS allows this securities lending to continue during the proxy voting 'season', whereupon we monitor which companies securities are being lent. Generally LGS will not ask for the lent securities to be recalled. There can be exceptions, for example, LGS will ask to recall lent securities for a company whose AGM has interesting resolutions where the result is not clear cut and LGS has strong opinions. However, if the company AGM has no contentious issues and the performance of the company has been satisfactory, then we will not recall any lent securities as the voting outcomes in these meetings are usually overwhelmingly (95%+) with management.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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For all companies covered by ACSI's voting service, ACSI corresponds either via meeting or teleconference around the time of the company meeting, or writes to each company where there was an 'against' recommendation expressing its rationale and concerns. Companies where there are more material concerns become Corporate Governance engagement priorities where ACSI typically holds face to face meetings with the company urging it to change its practices.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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☒ We do track or collect this information

	Votes cast (to the nearest 1%)
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	%
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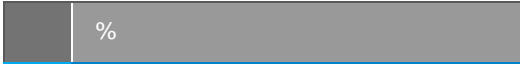
87

	Specify the basis on which this percentage is calculated
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- ☐ of the total number of ballot items on which you could have issued instructions
- ☒ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LGS has difficulties interpreting specifically the data that is sought in this question. Specifically the issue of whether we have the 'mandate' to issue proxy voting instructions. We assume that 'mandate' here refers to either - whether LGS' investments lie in a separately managed account (SMA), whereupon we have the ability to determine the proxy voting mandate and even execute the votes ourselves; or whether our investments reside in a commingled trust where we cannot determine the mandate of the voting instructions. While we may not be able to implement our own voting mandate in this common vehicle, LGS still ensures that the manager of the pool is executing voting on behalf of all investors in accordance with its own voting guidelines which LGS reviews. With these considerations as a back drop, this is how we calculated the % Asset Mandate/Trust Voting instructions/guidelines % Voted ASX 200 SMAs LGS Guidelines via ACSI 100% ASX Small caps Trust Manager guidelines 100% International Equities SMAs LGS Guidelines via ACSI 45% International Equities Trust Manager Guidelines 100% Emerging markets equities Trust Manager Guidelines 100% In calculating the percentage we have used the total number of company meetings as the basis, although the figures for ballots and market share basis were very similar. LGS aims to votes on 100% of our holdings in each of our listed equity strategies and in calendar year 2013 we were very close to reaching that goal. In all ASX mandates (ASX200 and small caps) LGS voted at 100% of the meetings during 2013. For all our ASX 200 holdings, LGS executes voting ourselves across all the externally managed SMAs using ACSI Guidelines. The ASX small caps mandate is voted by the fund manager. In international equities 'SMAs' investment structures, LGS' voting is instructed and executed via our use of the ACSI International Voting Alert Service where it has partnered with proxy advisor Glass Lewis. In this instance there is a restricted universe of the companies that may be voted. LGS voted in 112 meetings of the 268 meetings. There were 10 further meetings where we voted 'take no action' due to share-blocking practices however there remaining 146 meeting were outside the scope of the ACSI International Voting Alert Service. This gives the 45% vote. From 2014, LGS is expanding the universe of companies able to be voted upon so that we get close to 100% coverage. In the international equities trust structure, the voting is conducted by the external fund manager. In 2013, this manger voted 100% of its eligible meetings where it had the mandate to do so. However there were 1.3% of the total meetings where it was not able to do so because of share blocking. In regards the emerging markets manager, of the total meetings it could have voted in 2013, it lodged a 'Take No Action' vote in 2% of the meetings due to share-blocking.

LEA 23	Voluntary	Descriptive	PRI 2
LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.		
	<input checked="" type="radio"/> Yes, we track this information		
LEA 23.2	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:		

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management proposals	 87
Against (opposing) management proposals	 13
Abstentions	 0

100%

**LEA
23.3**

For the reporting year, describe your approach towards voting on shareholder resolutions.

The figures above pertain only to our ASX200 voting. LGS chose to address ASX 200 alone for this question as it is where we have the greatest influence as an active owner as well as being the asset class where we have the most involvement in the voting process. LGS executes the voting on all our ASX 200 holdings ourselves. In 2013 LGS continued to follow our proxy voting policy. For ASX 200 companies LGS sources research and proxy voting recommendations from ACSI. ACSI's recommendations are based on its Corporate Governance Guidelines which outline superannuation funds' expectations in terms of corporate governance and alignment with shareholders. As a broad rule LGS will always vote in accordance with ACSI recommendations for ASX200 company annual meetings. There are two departures from this, (both of which result in LGS having slightly more against votes): 1. Additionally if LGS is voting 'against' on a company's remuneration report (this is a mandatory annual resolution for ASX companies), LGS' voting policy is to automatically vote against the re-election of the Chairperson of Remuneration Committee of that company if that office holder is up for re-election in that year. In 2013 there were 5 ASX companies (Aurora Oil & Gas Limited; CSL Limited; Southern Cross Media Ltd; Aurizon Ltd; Fortescue Metals Group; ResMed Inc) where we voted against their Chair of the Remuneration Committee. 2. Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has, or could lead to, a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS board level Investment Committee. In 2013 LGS voted against recommendations for BHP Billiton Ltd; Newcrest Mining Ltd; AGL Energy Ltd; 21st Century Fox; Ivanhoe Mining Ltd; Leighton Holdings Ltd and Orica Ltd on the grounds of LGS concerns that these companies and their boards are not fully addressing ESG risks that are or have the potential to create loss of shareholder value.

☐ No, we do not track this information

LEA 24	Voluntary	Descriptive	PRI 2
LEA 24.1	Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.		

☐ Yes

☒ No

LEA 24.6	Additional information.
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LGS has most influence and involvement in the ASX200 proxy voting process. In the ASX 200 it is difficult and rare for shareholder resolutions to be filed. LGS has not yet filed or co-filed any resolutions. However we have supported most of the shareholder resolutions of recent years (eg Woolworths and gambling in 2012, Woodside and carbon pricing in 2011). Notably in 2013 LGS supported the election of climate change expert Ian Dunlop to the board of BHP Billiton Ltd as we do believe that climate change is a strategically important issue for this company and its board should have the skills to address this risk. This was the main shareholder resolution among ASX companies in 2013.

LEA 25	Voluntary	Descriptive	PRI 2
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LEA 25.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Support election of climate change specialist, Ian Dunlop on the board of BHP Billiton.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure that BHP Billitons board has climate change skills amongst its directors.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee.
Outcomes	LGS was the only Australian super fund to support the election. US pension fund giant Calpers also supported the resolution, however it was resoundingly defeated.

☒ Add Example 2

Topic or ESG issue	News Corporation
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Improve governance standards at News Corporation and reduce the influence of the Murdoch family .
Scope and Process	LGS also voted against the reelection of Rupert Murdoch and his two sons on the Board of News Corporation as well as their remuneration report. This was on the basis of ACSI recommendations. Together with other institutional investors we protested against the poor governance standards at this company characterised by the UK phone hacking scandal at News of the World.
Outcomes	

☒ Add Example 3

Topic or ESG issue	Leighton Holdings
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	LGS voted against resolutions at the Leighton Holdings annual general meeting due to issues with poor governance practices which are having an adverse impact on the company's profitability and shareholder value creation. Leighton Holdings has subsequently been investigated on bribery allegations to secure major projects in Iraq.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee.
Outcomes	

☒ Add Example 4

Topic or ESG issue	Newcrest Mining
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	LGS voted against director re-election and remuneration report resolutions in the 2013 AGM of Newcrest following poor performance of the company.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee
Outcomes	

☒ Add Example 5

Topic or ESG issue	Orica Ltd
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	To voice our concerns over persistent leakages at various plants owned by Orica Ltd, notably the Kooragang Island ammonium nitrate plant near Newcastle, we voted against all resolutions at the meeting of the chemical and mining services company. These leakages have been costing the company millions of dollars.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee.
Outcomes	

☒ Add Example 6

Topic or ESG issue	G - Remuneration
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure alignment of executive and shareholder interests, and appropriate board oversight.
Scope and Process	ACSI provided voting advice for 445 resolutions related to remuneration in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies). See below for information on the process.
Outcomes	Among the ASX200, ACSI opposed 78 (around 18%) of all resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 80% of the issues were at least partly resolved.

☒ Add Example 7

Topic or ESG issue	G – Board composition and accountability
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	<p>Broadly, there are two objectives:</p> <ol style="list-style-type: none"> 11. Ensure appropriate board composition, including a majority of independent directors; and 12. Ensure board accountability to shareholders for past decisions.
Scope and Process	ACSI provided voting advice for 544 resolutions related to boards in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies). See below for information on the process.
Outcomes	Among the ASX200, ACSI opposed 38 (around 7%) of resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 40% of the issues get at least partly resolved.

☒ Add Example 8

Topic or ESG issue	G - Capital raising practices
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure that companies undertake capital raisings in a way that gives existing shareholders the ability to participate or to be adequately compensated for any dilution they experience
Scope and Process	ACSI provided voting advice or information for 55 resolutions related to capital raisings in the ASX200. See below for information on the process.
Outcomes	Among the ASX200, ACSI opposed 5 (around 7%) of resolutions. ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around two thirds of the issues get at least partly resolved.

☐ Add Example 9

☐ Add Example 10

LEA 25.2	Additional information.
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LGS is a Foundation Member and client of the Australian Council of Superannuation Investors (ACSI), an external expert group who provide voting recommendations in respect to company resolutions. ACSI has developed Corporate Governance Guidelines which have been prepared to be used by both companies and superannuation funds. They are designed as a reference for chairpersons, directors and senior executives of listed companies on the contemporary governance expectations of superannuation fund investors. The Guidelines reinforce the accountability of boards and management teams to shareholders. The Guidelines are also a tool for superannuation funds to help manage their investments in Australian listed companies. These Guidelines provide a framework by which superannuation funds can assess the ESG practices of investee companies, particularly when exercising their voting rights. LGS is active in the review of these Guidelines which occurs biennially. As a broad rule LGS will vote in accordance with ACSI recommendations for ASX200 company annual meetings. ACSI makes all proxy voting recommendations in accordance with the Governance Guidelines which are created and ratified by its member funds, including LGS. The guidelines are available on the ACSI website: <http://acsi.org.au/acsi-guidelines23/acsi-governance-guidelines.html>

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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**LEA
26.1**

Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

**LEA
26.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☒ Yes

**LEA
26.3**

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
☐ Some voting decisions
☐ Only abstentions and opposing vote decisions
☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
☐ Explain some voting decisions
☒ Only explain abstentions and votes against management
☐ No explanations provided

**LEA
26.4**

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
☐ Continuously (soon after votes are cast)
☐ Quarterly or more frequently
☒ Between quarterly and annually
☐ Less frequently than annually
☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LGS reports on our ASX 200 proxy voting activities in our Annual Report to members and provides more detailed reporting, available to all to view, on our website at <http://www.lgsuper.com.au/investments/SRIpolicies.asp>. This page provides an overview of our approach to proxy voting as well as commentary on some of our 'against' votes as well as a full record of our ASX 200 voting.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Property

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)
- ☐ a 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a limited minority stake (<10%)
- ☐ a mix of ownership stakes

☐ Debt investments

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 03

Voluntary

Descriptive

General

PR 03.1

Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.
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- LGS Policies regarding sustainability, responsible investing and risk management.
- Green Building Council of Australia
- Sydney Water
- Office of Environment and Heritage - NSW
- NSW Government and Federal Government policies on leasing accommodation
- CitySwitch Partnership
- National Australian Built Environment Rating System (NABERS)

PR 05	Mandatory	Core Assessed	PRI 1-6
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
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☒ Yes

PR 05.2	Provide a URL if your RPI policy is publicly available. [Optional]
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<http://www.lgsuper.com.au/investments/SR/policies.asp>

☐ No

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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☒ Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
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Local Government Super (LGS) views properties with lower ESG standards when selecting property investments, as this gives LGS an opportunity to add value by improving the assets efficiency and capital return.

☐ No

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
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- ☐ Internal staff
- ☐ External resources
- ☐ No use of internal or external advice on ESG issues

PR 09.2	Additional information.
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Not applicable - LGS has not recently been acquiring investment properties. If we were to acquire any new properties, ESG due diligence would be required. This would likely require some report on the property's ESG performance to be provided by the vendor which would then be reviewed by external resources and supplemented by internal ESG questions as part of formal due diligence.

PR 10	Mandatory	Core Assessed	PRI 1,3
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PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
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ESG issues

☒ Environmental

List up to three typical examples of environmental issues

Carbon footprint reduction

Materials and resources

Water and energy conservation

☒ Social

List up to three typical examples of social issues

Tenant behaviour within tenancies regarding energy & water efficiencies

Getting 100% tenants utilising 100% GreenPower

Improving Landlord/Tenant relations by improving building environment standards

☒ Governance

List up to three typical examples of governance issues

Systematically managing activities to achieve and promote continual improvement in environmental performance, by setting objectives and benchmarks and assessing achievements.

Industry benchmark versus property portfolio performance

Allocation of specific funding within operational budgets for environmental gains

PR 11	Voluntary	Additional Assessed	PRI 1,3
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PR 11.1

Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☒ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 11.2

Additional information.

Our direct property investments are local (no international investments). However, we do take into consideration various global standards.

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

Post-investment (monitoring and active ownership)

Overview

PR 14	Mandatory	Gateway	PRI 2
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PR 14.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ Yes

PR 14.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 14.3

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

Our property managers and Local Government Super work very closely together to manage all possible ESG issues confronting our property portfolio. We meet regularly with each other so that all issues are addressed and closely monitored.

Some of the ESG issues we both manage within our portfolio are:

- Environmental risk management including climate change
- Transparency and reporting
- Carbon footprint reduction
- Waste reduction and recycling
- Water conservation
- Energy management
- Indoor environment quality
- Materials and resources
- OH&S and liability management

☐ No

Property monitoring and management

PR 15

Mandatory

Core Assessed

PRI 2,3

PR 15.1

Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

- ☒ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2

Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

ESG issues

☒ Environmental

List up to three example targets per issue

Removal of expanded polystyrene (EPS) from MarketPlace Leichhardt shopping centre as polystyrene is made from a liquid petrochemical & the removal will minimise fire risk.

Continual reduction of our carbon footprint of the property portfolio

NABERS rating & GreenPower usage

☒ Social

List up to three example targets per issue

Obtaining all tenants on 100% GreenPower - we use stickers against tenants on our tenancy board for tenants who purchase 100% GreenPower.

Advertising includes supporting a safe, healthy, sustainable and equitable building to attract and retain tenants long term.

Continual tenant education on the importance of sustainability and how to be more sustainable within their tenancies.

☒ Governance

List up to three example targets per issue

Property Managers to report monthly on ESG issues so that appropriate action can be taken by property owners.

Property Managers to work with Local Government Super to satisfy Board accountability across ESG issues.

Local Government Super to report on Sustainability to the Board on a quarterly basis and to update the corporate website accordingly.

☐ We do not set and/or monitor against targets

PR 16	Voluntary	Additional Assessed	PRI 2
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PR 16.1

List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.

☒ Add certification scheme, rating and benchmark 1

Specify	NABERS
Proportion of property assets these apply to	<p><input type="radio"/> >90% of property assets</p> <p><input checked="" type="radio"/> 51-90% of property assets</p> <p><input type="radio"/> 10-50% of property assets</p> <p><input type="radio"/> <10% of property assets</p> <p>(in terms of number of property assets)</p>

☐ Add certification scheme, rating and benchmark 2

☐ Add certification scheme, rating and benchmark 3

PR 16.2**Additional information.**

Local Government Super has 10 properties in its portfolio. Eight of the ten properties are rated by NABERS (the current average portfolio rating is 4.6 stars without GreenPower and 6 stars with GreenPower).

One industrial property, Allambie Grove, cannot be rated by NABERS as there currently are no ratings available for industrial properties. One neighbourhood shopping centre is not NABERS rated.

Property developments and refurbishments

PR 17**Mandatory****Core Assessed****PRI 2****PR 17.1**

Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.

- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- ☒ Minimum environmental site selection requirements
- ☒ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☒ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

Occupier engagement

PR 18**Mandatory****Core Assessed****PRI 2**

PR 18.1

Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- ☒ >90% of occupiers
- ☐ 51-90% of occupiers
- ☐ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2

Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- ☐ Distribute a sustainability guide to occupiers
- ☐ Organise occupier events focused on increasing sustainability awareness
- ☐ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☐ Provide feedback on energy and water consumption and/or waste generation
- ☐ Provide feedback on waste generation
- ☒ Carry out occupier satisfaction surveys
- ☐ Other, specify

Community engagement

PR 20**Voluntary****Additional Assessed****PRI 2****PR 20.1**

Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.

- ☐ >90% of property assets
- ☐ 51-90% of property assets
- ☒ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 20.2

Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.

- ☐ ESG education programmes for the community
- ☐ ESG enhancement programmes for public spaces
- ☒ Research and networking activities focusing on ESG issues
- ☐ Employment creation in communities
- ☒ Supporting charities and community groups
- ☐ Other, specify

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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PR 21.1	Indicate whether your organisation measures how your approach to ESG issues in property investments has affected financial and/or ESG performance.
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Financial performance

☒ We measure how ESG issues affect financial performance

PR 21.2	Describe the measures your organisation uses to assess the impact of your approach to ESG issues on your property investments' financial performance.
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Our property managers and leasing teams constantly give us feedback on how desirable sustainable tenant fitouts are. They keep us up to date on what the current tenant wants, eg. lockable bike racks, showers. Fully tenanted buildings have a higher financial value than part-tenanted ones. We regularly purchase current valuations on our property assets (quarterly) to visualise the impact our ESG approaches have made on our investments.

We have asked independent valuers to comment on the impact ESG has on values. No valuer has been able to quantify this.

☐ We do not measure how ESG issues affect financial performance

ESG performance

☒ We measure changes in ESG performance

PR 21.3	Describe the measures your organisation uses to assess the impact of your activities on your property investments' ESG performance.
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We internally track our carbon footprint, water usage and waste recycling for each property and we are constantly looking at ways we can improve in these areas. We report the ESG performance of the property portfolio to the LGS Investment Committee (Board Level). We reduced our energy and water usage across the portfolio quite considerably and this impacts on the operational costs of running a property portfolio. Other things such as risk management is measured and reported on constantly. Due to our risk management practices over time, we have significantly reduced our insurance premiums, thus a large saving was achieved in this area in the past 12 months.

☐ We do not measure changes in ESG performance

PR 22	Voluntary	Descriptive	PRI 1,3
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PR 22.1

Provide examples of ESG issues that affected your property investments during the reporting year.

☒ Add Example 1

ESG issue	Removal of EPS from property
Types of properties affected	Shopping centre
Impact (or potential impact) on investment	Greatly reduces fire risk to the shopping centre - this lower risk means we can enjoy lower insurance premiums - equates to higher profit return for the investment.
Activities undertaken to influence the investment and the outcomes	<p>Approximately 20% of EPS has been removed from one of our retail centres of which 15% was done in the past 12 months. A 10 year plan for the removal is in place and the removal is carried out as tenancies expire and become vacant allowing access. This process is monitored and reported to our insurers, who then factor in the amount of activity on this, which has so far contributed towards a 30% reduction in the fire safety levy for insurance in the past 12 months.</p> <p>This also provides a much safer work environment for our tenants, centre management staff and the wider community who shop at the premises.</p>

☒ Add Example 2

ESG issue	Functional tri-generation system
Types of properties affected	Commercial
Impact (or potential impact) on investment	Capital expenditure has increased whilst in progress of making a tri-generation system fully functional in one of our commercial buildings. The potential outcome is a 6 star NABERS rated property. This achievement will not only provide a well sought after asset with a potentially higher valuation, but a very desirable building to lease as tenants today highly regard a highly sustainable workplace.
Activities undertaken to influence the investment and the outcomes	Regular coordinated meetings with the Senior Facilities Manager and all contractors involved in the tri-gen project. We receive a monthly sustainability report on the status of the project. Every effort is in play in order to achieve our goal.

☐ Add Example 3

☐ Add Example 4

☐ Add Example 5

Communication

PR 23	Mandatory	Core Assessed	PRI 6
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PR 23.1	Indicate if your organisation proactively discloses ESG information on your property investments.
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☒ Disclose publicly

	provide URL
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<http://www.lgsuper.com.au/investments/NABERS.asp>

	provide URL
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<http://www.lgsuper.com.au/investments/propertyGraphs.asp>

PR 23.2	Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.
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- ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
- ☐ Other property reporting standards, specify
- ☒ No property specific reporting standards are used

PR 23.3	Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.
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☒ Yes

PR 23.4	Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.
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- ☐ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☒ Information on your property investments' ESG performance
- ☐ Other, specify

PR 23.5	Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.
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- ☒ Quarterly or more frequently
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc, specify

**PR
23.6**

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries.
[Optional]

We disclose the following information on our website:

- Portfolio total emission savings
- Current NABERS ratings
- Energy& Water consumption

☐ No

☐ Disclose to clients/beneficiaries only

☐ No proactive disclosure to the public or to clients/beneficiaries