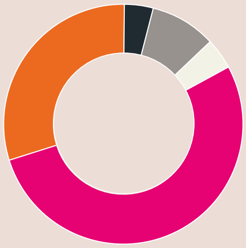
# MLC Socially Responsible Growth

MLC Socially Responsible Growth will be available from 26 May 2023. See the investment description below for more information.

<table>
<tr><th></th><th>MLC Socially Responsible Growth</th></tr>
<tr><td><strong>Investment objective</strong></td><td>Aims to grow by inflation +3.5% pa (after fees and tax) over 10 years.</td></tr>
<tr><td><strong>Benchmark</strong></td><td>Inflation is measured by the Consumer Price Index, calculated by the Australian Bureau of Statistics.</td></tr>
<tr><td><strong>How the investment option is managed</strong></td><td>A diversified portfolio which has negative screening applied to Australian shares, global shares and fixed income - diversified. Negative screening is not applied to fixed income - credit or cash.<br>The portfolio is predominantly weighted towards the more traditionally growth-focused assets that tend to provide higher levels of long-term capital growth (eg shares), with a small exposure to the more stable, defensive asset classes of cash and fixed income. Our investment experts actively adjust the asset weightings to improve return potential or reduce its risk.<br>For more detail on our approach to Responsible Investment and the implementation of the negative screening, please refer to the 'What is responsible investment' section at the end of this document.</td></tr>
<tr><td><strong>The investment option may be suited to you if …</strong></td><td>• you want some of your investment to incorporate socially responsible investment considerations<br>• you want your investment to aim to exceed changes in the costs of living, over the long term<br>• you want an emphasis on growth rather than stability, and<br>• you understand returns may be higher or lower than its investment objective.</td></tr>
<tr><td><strong>Minimum suggested time to invest</strong></td><td>7 years.</td></tr>
<tr><td><strong>Asset allocation</strong></td><td>
<table>
<tr><th>Asset class</th><th>Strategic asset allocation</th><th>Ranges</th></tr>
<tr><td>● Cash</td><td>4%</td><td>0–15%</td></tr>
<tr><td>● Fixed income – diversified</td><td>9%</td><td>0–20%</td></tr>
<tr><td>● Fixed income – credit</td><td>4%</td><td>0–15%</td></tr>
<tr><td>● Alternatives and other</td><td>0%</td><td>0–15%</td></tr>
<tr><td>● Infrastructure</td><td>0%</td><td>0–15%</td></tr>
<tr><td>● Property</td><td>0%</td><td>0–15%</td></tr>
<tr><td>● Global shares</td><td>53%</td><td>40–65%</td></tr>
<tr><td>● Australian shares</td><td>30%</td><td>15–45%</td></tr>
<tr><td>● Private equity</td><td>0%</td><td>0–15%</td></tr>
<tr><td><strong>Defensive assets</strong></td><td><strong>15%</strong></td><td><strong>5–25%</strong></td></tr>
<tr><td><strong>Growth assets</strong></td><td><strong>85%</strong></td><td><strong>75–95%</strong></td></tr>
</table></td></tr>
<tr><td><strong>Standard Risk Measure</strong></td><td>High (estimate of 4 to 6 negative annual returns in any 20 year period).</td></tr>
</table>

# MLC Socially Responsible Growth

| | | **MLC Socially Responsible Growth** | |
|---|---|---|---|
| **Investment fees and costs (% pa)** | The investment fees and costs are made up of: | **MasterKey Business Super/Personal Super**<br>**MasterKey Super & Pension Fundamentals** Super & Pension pre-retirement phase | **MasterKey Super & Pension Fundamentals** Retirement phase<br>**MasterKey Term Allocated Pension** |
| | Performance fee | 0.00 | 0.00 |
| | **Plus** other investment fees and costs | 0.70 | 0.70 |
| | **Equals investment fees and costs** | **0.70** | **0.70** |
| **Transaction costs (% pa)** | | **0.00** | **0.00** |
| **Buy-sell spreads (%/%)** | | **0.10/0.10** | **0.10/0.10** |

Administration fees and costs apply in addition to the fees and costs shown in this table. Please refer to the relevant **Product Disclosure Statement, Investment Menu,** and **Fee Brochure** for further information about fees and costs, including how the figures shown above are calculated.

Return to **mlc.com.au/investmentchanges** to see the full list of changes.

## What is responsible investment

Responsible investment describes the practice of incorporating Environmental, Social and Governance (ESG) issues into the research, analysis, selection and management of investments.

There are a broad range of ESG issues that may impact the risk profile and return characteristics of an investment. The following table shows some examples:

| **Environmental (E)** | **Social (S)** | **Governance (G)** |
|---|---|---|
| • Climate change initiatives like reduction in greenhouse gas emissions<br>• Waste management<br>• Energy efficiency<br>• Water supply<br>• Pollution<br>• Biodiversity | • Human capital management<br>• Labour standards<br>• Modern slavery<br>• Diversity, Equity and Inclusion (DE&I)<br>• Workplace health and safety<br>• Integration with local community and earning a social licence to operate<br>• Indigenous rights<br>• Employee engagement | • Rights, responsibilities and expectations across all stakeholders<br>• Board structure, diversity and independence<br>• Executive remuneration (short- and long-term incentives)<br>• Bribery and corruption<br>• Anti-competitive behaviour<br>• Political lobbying and donations<br>• Shareholder rights<br>• Tax strategy |

# MLC Socially Responsible Growth

Taking into account relevant ESG issues when making investment decisions supports the ability to maximise returns.

Ensuring good governance practices are applied to investments, and appropriate consideration of relevant ESG issues, contribute to the long-term sustainability and valuation of investments.

## Our approach to responsible investment

We believe that responsible investment is important to maximising return potential for members

We have an extensive range of investment options for our members to invest in. We have some options that are managed by external managers and we have our MLC investment options that are managed by our investment experts, MLC Asset Management.

## MLC investment options

We approach responsible investment for the MLC investment options by:

1. identifying and considering relevant ESG issues in the investment decision making process to improve investment outcomes (known as ESG integration), and
2. exercising ownership rights, such as proxy voting, and engaging with the issuing companies to improve investment outcomes (known as active stewardship).

For MLC investment options managed by MLC Asset Management, the investment managers they select consider ESG integration and active stewardship for MLC investment options (where possible) and use negative screening as outlined below.

MLC Asset Management undertakes appropriate due diligence of its investment managers for the MLC investment options prior to their appointment including, where applicable, assessing their ability to identify ESG considerations in their portfolios.

MLC Asset Management monitors and collects regular reporting on the investment managers' approach to responsible investment, including their proxy voting decisions and significant company engagements.

More information on our Responsible Investment policy is available at **mlc.com.au/content/dam/mlc/documents/governance/nulis-responsible-investment-policy.pdf**

### ESG integration and active stewardship

MLC Asset Management, and the investment managers they select, are required to apply ESG integration to identify and manage ESG issues. This allows them to recognise and act upon opportunities related to ESG issues. They are also required to use active stewardship as this provides an opportunity to enhance and protect the long-term value of investments.

Our ability to apply the responsible investment approaches described above will vary across asset classes and in some cases it's not possible to apply them.

### Negative screening

Negative screening is the process of excluding assets from an investment portfolio because they're associated with particular business activities.

For the MLC investment options we will not invest directly in listed tobacco manufacturing companies. From time to time, there may be a small level of unintended or indirect exposure to tobacco-related companies where we are invested in trusts or investment funds operated by external managers, unlisted assets, alternatives and/or derivatives.

### Socially responsible investment

Socially responsible investment is an investment approach which prioritises various moral or ethical issues and values over other information that may be relevant to investment outcomes.

We offer the MLC Socially Responsible Growth option, which is designed to provide you with greater certainty over the exclusion of exposure to certain controversial holdings (eg tobacco and gambling).

All other MLC investment options aren't promoted as socially responsible or ethical investments.

## MLC Socially Responsible Growth

The MLC Socially Responsible Growth investment option addresses social and ethical considerations by excluding some controversial business activities via negative screening, as listed below. MLC Asset Management incorporates this investment approach to provide members with a solid foundation for socially responsible investment.

We've selected the most common controversial business activities to exclude.  The more that is excluded from this option the greater the risk and likelihood of underperforming its benchmark.

Negative screens for this option applies differently depending on the asset class as outlined below.

This option may, from time to time, have a small level of unintended or indirect exposure to the business activities that are intended to be excluded, for example due to the use of index options, futures, or exchange traded funds.

### Australian shares and global shares

Negative screening will apply to direct investments in Australian shares and global shares, which amount to 85% of assets at the launch of the option and will change over time due to market movements or active asset allocation decisions.

For this option only, Australian shares and global shares negative screening is implemented based on generally available company data from third-party providers, which assesses companies' revenues to determine their business activities.

The investment managers for Australian shares and global shares employ negative screening based on the revenue earned from the following business activities, subject to the revenue limits listed below:

- **Alcohol production** – 0% revenue limit.
- **Gambling, including the manufacture of specific equipment** – 0% revenue limit.
- **Tobacco production** – 0% revenue limit.
- **Controversial weapons producers** – 0% revenue limit.

  Examples of controversial weapons producers are (but not limited to): chemical weapons, biological weapons, and nuclear weapons.
- **Thermal coal production** – 10% revenue limit.

  Thermal coal production is defined as the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. Negative screening does not apply to revenue from metallurgical coal, coal mined for internal power generation (eg in the case of vertically integrated power producers), intra-company sales of mined thermal coal, and revenue from coal trading.

Revenue limits are determined as sales or revenue for all companies as the most recent-year net operating revenues from all ongoing lines of business of the company. For example, a 10% revenue limit would mean that any company with more than 10% of its most recent-year net operating revenue or sales coming from a particular controversial activity would be excluded from the investment option.

The negative screen applies in respect of production and no other business activities by a company.

While these negative screens capture most companies, not all companies are required to make full disclosure about their involvement in these activities. MLC Asset Management will seek to identify and manage securities which no longer meet the criteria for this option, but there are limitations in the availability, collection and reporting of this information. MLC Asset Management also relies on collaborating with the underlying managers to help identify these companies. If MLC Asset Management becomes aware that a company's revenue mix has changed (eg prior non-disclosure, or due to merger or demerger activities) and then exceeds the permitted revenue thresholds, it will undertake a timely review of that company after it has been identified and exclude its securities as required.

MLC Asset Management also seeks to identify indirect ownership of companies that would typically be excluded under the negative screening. Where information of such ownership is reasonably available, MLC Asset Management will consider whether it's appropriate to hold the investments or if it may be impractical to divest itself from an existing holding.

## Fixed income and cash

Where possible, the responsible investment approach outlined previously in this section is applied to the cash and fixed income – credit asset classes. However, it may not be possible to fully implement ESG integration, active stewardship, and negative screening for these asset classes.

The fixed income-diversified asset class will be subject to the negative screening imposed by the chosen underlying investment manager. The current investment manager's negative screening uses more restrictive definitions and different revenue thresholds for the same controversial business activities excluded by the negative screening of the Australian and global shares. Its thresholds differ in the following cases: 0% threshold to thermal coal, 10% threshold for gambling and alcohol exposure, and tobacco-related revenues.

**Important information**

This communication is provided by NULIS Nominees (Australia) Limited ABN 80 008 515 633 AFSL 236465 (NULIS) as Trustee of the MLC Super Fund ABN 70 732 426 024. NULIS is part of the group of companies comprising Insignia Financial Ltd ABN 49 100 103 722 and its related bodies corporate. The information in this communication is general in nature and does not take into account your objectives, financial situation or needs. Because of that, before acting on this information, you should consider its appropriateness, having regard to your objectives, financial situation and needs, plus consider the relevant Product Disclosure Statement (PDS). You can obtain the latest copy of the PDS and Target Market Determination by calling us on **132 652** or on the website at **mlc.com.au** We recommend you obtain financial advice tailored to your own personal circumstances. Subject to super law, the final authority on any issue relating to your account is the Fund's Trust Deed, and any applicable participation agreement and insurance policy, which govern your rights and obligations as a member. You can find more information on the MLC Super Fund, the Trustee and executive remuneration, and other Fund documents at **mlc.com.au/yoursuperfund** The information in this communication is current as at 23 May 2023 and may be subject to change.