



LGSS- Media Release

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## **Socially Responsible Investing (SRI) is paying off for LGSS members**

The decision by the board of Local Government Superannuation Scheme (LGSS) to screen all its Australian share investments for their socially responsible characteristics is paying off for its members.

A recent assessment of LGSS's SRI policy calculated this approach had added more than \$6 million to the fund's investment returns over the past two years.

LGSS Chair Peter Woods said the board's objective had been to maintain LGSS's good performance when applying the SRI overlay.

"In fact, our decision to short sell companies that did not meet our SRI requirements is actually working financially for our members as well," Mr Woods said.

"We have monitored our investment returns carefully, and our figures show the SRI approach has added more than \$6 million to our returns in the two years to June 30, 2006.

"This may sound like a modest gain, but it is actually proof that superannuation funds can continue to perform impressively while following an SRI approach."

So how does LGSS's SRI approach work?

Mr Woods said the Board's SRI approach started in 2000, with a commitment to screen companies that did not fulfil SRI requirements as determined by the LGSS Investment Committee.

"We don't interfere with the investment decisions taken by the fund managers," Mr Woods said. "Rather, we allow our fund managers to invest in whichever organisation they wish, in order to meet the mandates we agree.

"Once they've done this, we separately short-sell companies that don't meet our criteria. That's what we call an SRI overlay. We believe this is the most transparent and management-efficient way of doing this.

"Our fund managers don't have the excuse that the SRI directive is preventing them meeting their benchmark."



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LGSS started the SRI overlay with the decision to 'short' its holding in ASX-listed British and American Tobacco. This decision was taken after an assessment showed minimal impact on the returns to members.

The Board then extended the SRI overlay to apply to investments in Australian shares, short-selling companies engaged in a range of activities, including gambling, armaments, uranium mining, logging old-growth forests, and poor workplace practices.

The main impact in recent times has been short-selling holdings in timber company Gunns and poker machine manufacturer Aristocrat.

"LGSS is an industry leader in making socially responsible decisions across its entire Australian share portfolio," Mr Woods said.

He said the decision was part of LGSS's fundamental investment philosophy. "We don't understand why you would invest in any company that wasn't making decisions about their business that acknowledges the risks of climate change and the requirements of the Kyoto protocol," he said.

LGSS's SRI overlay has also been extended to its property holdings. Management is in the process of upgrading the sustainability ratings of its eight directly held properties to improve their environmentally friendly status and user-friendly features.

"At LGSS, we are very pleased with the success of our unique SRI overlay, and next year we intend to widen the scope of this approach to our international equity holdings and our other investment vehicles," Mr Woods said.

"The LGSS approach shows it is possible to invest sustainably and avoid harming people's lives, while providing better returns for our members."

**ENDS**



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## SUPERANNUATION SCHEME

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### NOTES

#### **About Local Government Superannuation Scheme:**

The Local Government Superannuation Scheme manages superannuation assets of more than \$5 billion for over 60,000 employees working for Local Government or related employers throughout NSW. The Scheme also has over 30,000 members who have elected to leave their superannuation in the Scheme after leaving their employer. The Local Government Superannuation Scheme co-owns FuturePlus Financial Services Pty Limited, set up to provide retirement, wealth management advice and administration services for members and their families. The Scheme also owns Local Government Financial Services Pty Limited, set up to respond to the financial and investment needs of Local Government in NSW, and also owns a share in Chifley Financial Services.