

Sustainable Future Shares Investment Guide

The purpose of this Sustainable Future Shares Investment Guide (Guide) is to provide you with information about the Media Super Sustainable Future Shares investment option.

The Sustainable Future Shares investment option differs from the other investment options offered by Media Super. It invests in companies that consider labour standards and environmental, social and ethical issues in the growth and sustainability of their business.

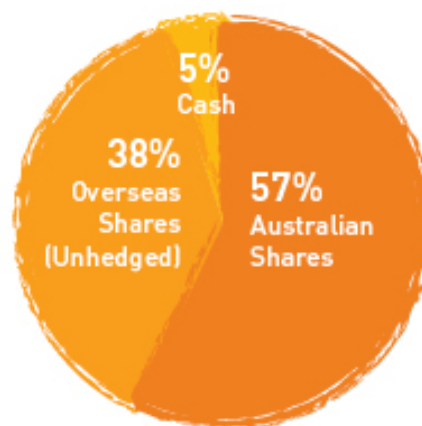
The Trustee's role in relation to this option is to appoint investment managers that will meet the investment objectives of the Sustainable Future Shares investment option (financial objectives), including a mandate to consider issues such as labour standards, environmental, social or ethical objectives in accordance with approaches determined by the investment managers.

Within the Sustainable Future Shares investment option, there are currently two appointed investment managers who undertake socially responsible investing in accordance with their criteria and methodologies. These investment managers are employed by the Trustee and utilise internal screening processes to identify companies that are providing solutions to social and environmental challenges, as well as those that exhibit high levels of corporate social responsibility.

The criteria and methodologies detailed below are those of the investment managers and not the Trustee. The Trustee may change its appointment of investment managers at any time without prior notification to members.

Asset Allocation

The Sustainable Future Shares option is invested in:



The labour, environmental, social or ethical standards detailed in this Guide are not applied to the Cash segment of the Sustainable Future Shares investment option.

International Shares and Australian Shares

The International Shares segment of the Sustainable Future Shares is managed by one investment manager. The criteria used by this investment manager is detailed below, whose portfolio includes:

- management of the International Shares segment; and
- management of a portion of the Australian Shares segment.

The manager invests in shares which invest in the leading 'sustainability' performers, in each industry sector, amongst the largest, listed companies on the Australian and global stock market. "Sustainability" for corporations implies a willingness to improve social, environmental and economic performance in a manner that increases the profitability of the company.

The investment process seeks to identify the leading, listed sustainability performers in each industry sector. Only the highest scoring companies make it into the relevant sustainability indexes, unless subsequent media and stakeholder analysis rules them ineligible.

The investment manager uses an evolving list of criteria under the headings of:

- Economic
- Social
- Environmental
- Labour

Labour, environmental, social and ethical criteria are subsets of sustainability criteria. The economic, social (including labour standards) and environmental components of the scoring are generally equally weighted.

Assessment criteria

The investment manager assesses each company by using a scoring system based on questionnaires comprising an evolving list of leading environmental, social and economic questions (including labour standards). On the basis of these questionnaires companies in a particular sector are scored for their likely sustainability performance.

The criteria cover economic, environmental and social issues with a clear focus on long-term shareholder value creation. Examples include criteria on corporate governance, knowledge management, environmental performance, human rights policies etc. In total, the assessment comprises around 50 different criteria in each industry.

In relation to this particular investment manager's portfolio, for the Australian exposure assessment, all companies are then assessed strictly against this framework in rank order by score, whilst in the international assessment the leading companies are strictly assessed and scored in rank order from highest to lowest performing company.

Methodology

The investment manager uses what is typically described as a "best of sector" methodology. This means the manager invests in companies that are the best of sector performers measured against a range of specified indicators outlined in its questionnaire.

The questionnaires provide the defining framework of the assessment process. In addition to this, the questionnaire process provides the basis for constructive engagement with companies about their approach to sustainability and overall corporate performance. The use of publicly visible indices also provides a competitive spur to assessed companies to constantly refine and improve their sustainability performance, whilst acting as an antidote to the short-termism inherent in financial markets.

The best of sector approach provides the 'heavy lift' capacity for the financial and Socially Responsible Investment markets by concentrating its efforts on the existing entrenched companies and seeking to measure, and invest in, improved performance.

Weightings

There are approximately 50 different criteria in each industry and a set of general criteria which is used across all industries. General and industry specific criteria each contribute 50% of the corporate sustainability score. The contributions from the environmental, economic and social dimensions, as defined by the investment manager, are incidental rather than targeted. Each of the assessment criteria, both general and industry specific, contributes to the corporate sustainability score. The following table shows the percentage weightings contributed by the general criteria. The contributions to the corporate sustainability score from assessment criteria are subject to annual review and may change, as will the resultant contributions from the environmental, economic and social dimensions. For further information, including information on industry specific criteria contact the Fund.

Dimension	Criteria	Weighting (%)
Economic	Codes of Conduct/Compliance/Corruption & Bribery	5.5
	Corporate Governance	6.0
	Risk & Crisis Management	6.0
	Industry Specific Criteria	Depends on industry
Environment	Environment Performance (Eco-Efficiency)	7.0
	Environmental Reporting*	3.0
	Industry Specific Criteria	Depends on industry
Social	Corporate Citizenship/Philanthropy	3.5
	Labour Practice Indicators	5.0
	Human Capital Development	5.5
	Social Reporting*	3.0
	Talent Attraction & Retention	5.5
	Industry Specific Criteria	Depends on industry

Standards for assessment

In each section of the questionnaire the questions are chosen to ensure that only the companies with the highest economic, social and environmental sustainability performance can answer. This means the investment universes, whether in Australia or internationally, are analysed to identify the companies considered to have the most advanced performance in delivering positive environmental, social and economic outcomes, whilst minimising, if not eliminating negative outcomes and creating shareholder value.

Leading sustainability companies display high levels of organisational competence. As a result they are more effective in managing their business process while addressing global and industry challenges in a variety of areas including, but not limited to:

- Strategy: Integrating long-term economic, environmental and social challenges into their business strategies while maintaining, if not enhancing global competitiveness and brand reputation.
- Financial: Meeting shareholders' demands for sound financial returns, while improving environmental, economic and social outcomes, long-term economic growth, open communication and transparent financial accounting.
- Customer and Product: Fostering loyalty by investing in customer relationship management and product and service innovation that focuses on technologies and systems, which use financial, natural and social resources in an efficient, effective, sustainable and economic manner over the long-term.
- Governance and Stakeholder: Setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.
- Human: Managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organisational learning and knowledge management practices and remuneration and benefit programs in a socially sustainable manner.

Corporate sustainability performance is the investable concept behind these unit trusts. This is crucial in driving interest and investments in sustainability to the mutual benefit of companies and investors. As this benefit circle strengthens, it will have a net positive effect on the societies and economies of both the developed and developing world.

Selection, retention and realisation policy

Once a company is selected, it is monitored with regard to newly arising critical issues. The monitoring process comprises an assessment of a company's involvement in economic, environmental or social crisis situations and compares its crisis management against its stated principles and policies.

The selection, retention and realisation of investments for the proportion of the Australian Shares in the Australian unit trusts are entirely determined by sustainability ranking and the media and stakeholder analysis, of the relevant universe. No other considerations enter the assessment framework. The selection universe, filtered by liquidity considerations, is the largest 2500 companies as defined by the Dow Jones Global Universe and the 200 largest, listed Australian companies.

All companies are reviewed at the selection stage and on an on-going basis for their media and stakeholder analysis of the relevant universe, to ensure the company lives up to the standards implied by their higher assessment scores. Where a company fails the media and stakeholder assessment they will be cancelled from the portfolio. Generally the shares in such a company are sold within days.

Australian Shares

The Australian Shares segment of the Sustainable Future Shares investment option is managed by two investment managers. A portion of the Australian Future Shares segment is invested by one manager in accordance with the above mentioned criteria and the balance is invested by another manager as detailed below.

This particular manager systematically addresses labour standards, together with environmental, social and governance standards, when deciding whether to buy, hold or sell shares the Australian Shares in the Sustainable Future Shares investment option.

Assessment criteria

This manager uses a Sustainable Alpha process to select companies as investments for the Sustainable Future Shares investment option and they consider sustainability issues at the analysis, research, risk assessment and portfolio construction stages. The manager also considers these issues in the ongoing maintenance of the Sustainable Future Shares portfolio.

The manager undertakes environmental, social and governance (ESG) researchers profile and ranks companies based on over 200 criteria, with company performance ranked on measures of sustainability, environmental and social responsibility and corporate governance.

As some sectors may exhibit considerable environmental, social or governance risks, companies operating in these sectors are required to show proof that they are capable of managing these risks before the manager will consider the company as an investment for the Sustainable Future Shares investment option.

Sustainability research covers companies within 'industries of the future' and companies considered to be leaders in corporate social responsibility.

Industries of the future

These include health care, renewable energy, mass transport and recycling and typically exhibit strong growth prospects driven by environmental, social and governance issues such as mandatory renewable energy targets, government recycling initiatives and water restrictions. Companies in these industries are often forecast to experience above average growth rates as increasing government regulation and changing social needs create an accelerated demand for their products.

Leaders in corporate social responsibility

These include companies in traditional sectors such as banking, insurance and property, which are considered to be leaders in social and environmental performance. Companies are assessed on corporate social responsibility factors that include environmental management, community relations, workplace practices, corporate governance and human rights.

Maintaining the portfolio

One of the key aspects of maintaining the manager's portfolio is that the manager encourages companies to improve their environmental, social and governance performance. The manager does this through constructive engagement with managing directors and key staff.

The manager rates companies on a matrix which considers:

- industries by sustainability, and a company's environmental, social and governance (ESG) performance with each factor weighted according to the manager's assessment of the importance of these factors to each industry; and
- in selecting companies, the manager requires higher ESG performance for companies that have lower levels of sustainability.

Methodology

The manager:

- Seeks out 'industry of the future' companies within sectors with the most socially and environmentally sustainable performance outcomes. These sectors include education and training, health care, renewable energy, waste management and mass transport.
- Excludes industries judged to be least sustainable on their social and environmental performance outcomes. This results in exclusions of companies with material exposure to the production or manufacture of alcohol, armaments, gambling, nuclear (including uranium), pornography and tobacco. 'Material exposure' is considered to be where a company has an exposure of more than 10% based on financial criteria such as revenue.
- Identifies leaders in traditional sectors who take a leading and pro-active approach to community, workplace, governance, environmental and business ethics issues.
- Has higher hurdles for less sustainable industries such as oil and mining companies. The manager expects these companies to take a proactive and leading approach to corporate social responsibility.
- Utilises active financial analysis with the aim of identifying those stocks, from the approved 'universe' of stocks, which are expected to outperform.

Standards for assessment

When considering companies in which to invest, the manager draws on a range of general and industry specific standards including:

- Labour standards including occupational health and safety (OH&S) and employment laws, international labour standards (e.g. International Labour Organisation Core Standards, UN Declaration of Human Rights), the level of development of OH&S and employment management systems and OH&S and employment performance outcomes.
- Environmental standards including domestic and international environmental law, a company's level of development of environmental management systems (e.g. the ISO 14001 environmental management standard) and environmental performance outcomes.
- Social standards including consultation and involvement with the local and broader community, and the level and quality of sustainability reporting to shareholders.
- Ethical standards including corporate governance practices and specific industry and company law, and best practice regarding relationships with suppliers, customers and competitors.

Retention and realisation policy

The investment manager monitors all companies within their portfolio on an ongoing basis. If a company falls below the assessment standards, it is sold within six months. A company may also be divested at any time for financial reasons.

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