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NGS Super buffs climate credentials with green bond buy

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NGS Super has tipped \$5 million into [Australian Unity's Green Bond Fund](#), becoming the first super fund to invest in the socially-conscious fund as the sector responds to growing calls from consumers and regulators for more climate-friendly investments.

While small, the investment is notable because few super funds have taken up a specific mandated green bond allocation. Funds have typically invested indirectly in green bonds through fixed income indices.

NGS Super chief investment officer Ben Squires said the investment, which will form part of the fund's \$100 million socially responsible diversified option, was an important milestone towards its target of creating a carbon neutral portfolio by 2030.

"We acknowledge that pursuing a carbon neutral target date of 2030 is ambitious, but this investment is part of a broader implementation plan across the business that will see us play our part in stemming human-induced climate change," said Mr Squires.

Australian Unity's green bond fund provides access to about 30 corporate and government bonds, the proceeds of which are earmarked for projects to reduce carbon emissions.

The size of NGS Super's investment will increase over time alongside the growth in the \$13.5 billion fund's socially responsible diversified option.

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It is understood a handful of large industry super funds have been actively considering putting money into Australian Unity's green bond fund, but are yet to take the plunge.

Industry giant AustralianSuper, which said in November it was aiming to achieve net zero emissions in its portfolio by 2050, told [Investment Magazine](#) it was open to putting money into green bonds if the investment stacked up.

NGS Super's Mr Squires said the move to carbon neutrality was akin to "future proofing" the fund's portfolio, arguing that it was not in members' best interests to invest their retirement savings in companies that were failing to transition to a low carbon economy.

"We're trying to look forward in terms of where the future risk lies, and we believe that for example investing in accordance with the [UN Sustainable Development Goals](#) ... makes more sense from the future returns perspective than investing in companies that are contravening those goals," he said.

Mr Squires said the fund's decision to move to carbon neutrality was driven by both community expectations and [pressure from regulators](#), including the Australian Prudential Regulation Authority, to consider climate risks when making investment decisions.

NGS Super's investment in green bonds also follows the release of [legal guidance from Noel Hutley SC](#) in April, which warned that funds must divest from assets with a high degree of climate risk or risk breaching their members' best interests duties.



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Launched in June 2020, The Australian Unity Green Bond Fund has more than \$150 million in assets under management, after a \$70 million commitment last year from the government-run Clean Energy Finance Corporation.

Altius chief investment officer Bill Bovingdon welcomed the investment from NGS Super, citing the important role that Australia's \$3 trillion superannuation industry needs to play in addressing the risks of climate change.

Calling the investment a "coming of age for the Australian Unity Green Bond Fund", Mr Bovingdon said the global market for green bonds continues to grow rapidly. Previous research by ANZ found that issuance of green and social bonds in Australia reached around \$20 billion in 2020, just six years after its inception in 2014.