Ethical Investment Policy

ETHICAL INVESTMENT FUNDS MANAGEMENT PTY LTD

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Welcome

Ethical Investment Funds Management (EIFM) is passionate about offering ethical investment choices to all investors. We believe that everyone should be able to invest according to their ethical values, and our vision is to help investors incorporate their values with their investment objectives.

For EIFM, it is about 'how' companies are making their money, not just about the amount of money they make. We also believe that environmental, social and ethical considerations can form an important part of making good long-term investment decisions.

This document combines three parts that set out how we put these beliefs into practice:

- **Ethical Investment Policy** – our overall approach, including stewardship, voting, monitoring and transparency.
- **Australian Equities Ethical Charter** – the screens, thresholds and positive criteria we apply when we select companies directly.
- **Growth and Fixed Income Ethical Charter** – how we assess the ethical investment approach of the external managers we invest through.

There is no single way to invest responsibly, and the way we apply our principles depends on whether we select investments directly or invest through an external manager. We have tried to explain those differences clearly and plainly.

PLEASE NOTE

The relevant Product Disclosure Statement should also be read for information about each portfolio's investment approach, risks, fees and other important product information.

This Policy sets out how EIFM incorporates environmental, social and ethical considerations into the management of its portfolios. It applies to the Australian Equities Portfolio and to the Growth and Fixed Income Portfolios, and should be read together with the Ethical Charter that applies to each portfolio.

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Ethical Investment Policy

1. Our approach to ethical investment

At Ethical Investment Funds Management (EIFM), we believe environmental, social and ethical considerations can form an important part of making good long-term investment decisions.

Our aim is to provide investors with portfolios that consider these issues alongside the financial fundamentals of investing, including risk, expected return, diversification, valuation and portfolio construction.

There is no single way to invest ethically. Different asset classes and investment strategies require different approaches. Depending on the portfolio, ethical investment may involve avoiding particular activities, favouring companies with stronger environmental or social characteristics, selecting investment managers with well-developed ethical investment practices, or using stewardship and engagement to encourage change.

The way we apply these approaches depends primarily on whether EIFM selects investments directly or invests through an external investment manager.

Our portfolio-specific Ethical Charters provide more detail about how these principles are applied within our portfolios.

2. Different portfolios, different approaches

Investments we select directly

Where EIFM selects companies directly, we can apply our own ethical screening criteria as part of the investment process.

This may include avoiding or excluding companies involved in activities we consider inconsistent with the portfolio's ethical objectives, while also favouring companies with stronger environmental or social characteristics or activities that we believe can contribute to better environmental or social outcomes.

Our screening process recognises that companies can have complex businesses, supply chains and commercial relationships. Depending on the particular screen, we may consider the nature and materiality of a company's involvement in an activity and distinguish between direct and indirect exposure.

Our Australian Equities Ethical Charter provides more detail about the activities we seek to avoid, the environmental and social characteristics we seek to support and how we identify companies that meet our positive screening criteria.

Investments through external managers

Our Growth and Fixed Income Portfolios invest primarily through external investment managers. In these portfolios, our role is different.

Rather than applying EIFM's ethical screens to every individual security held by an underlying manager, we assess the manager's overall approach to ethical investment as part of our investment selection process.

We may consider how the manager incorporates environmental, social and governance factors into investment decisions, its use of negative and positive screening, sustainability-related investments, stewardship and engagement, shareholder voting and its broader ethical investment policies and processes.

Different investment managers may take different approaches. We do not require every manager to use the same ethical criteria, exclusions or thresholds, and there is no single exclusion list that applies to every underlying security in the Growth and Fixed Income Portfolios.

An underlying manager may therefore invest in a company or issuer that EIFM may not select if investing in that company directly. This does not automatically mean that the manager is inconsistent with our ethical approach. We consider the manager's overall ethical investment philosophy and how it is put into practice.

Our Growth and Fixed Income Ethical Charter provides more information about this approach.

3. Balancing financial and ethical investment considerations

Ethical investment is part of our broader investment process.

When selecting investments, we consider their financial characteristics and their role within the overall portfolio. Depending on the investment, this may include factors such as valuation, expected risk and return, diversification, investment strategy, fees and the experience and capability of an underlying investment manager.

Environmental, social and ethical considerations are incorporated into this process rather than considered in isolation.

This is important because our portfolios are designed to meet both investment and ethical objectives. We seek to construct portfolios that provide appropriate diversification and investment opportunities while reflecting the ethical investment approach relevant to each portfolio.

4. Stewardship and engagement

Ethical investment is not only about deciding whether to buy or avoid an investment.

Stewardship and engagement can provide investors and investment managers with an opportunity to raise environmental, social and governance issues with companies and encourage improved practices, disclosure and accountability.

Depending on the investment, stewardship may include engaging with company management, exercising shareholder voting rights, supporting or proposing shareholder resolutions, or working collaboratively with other investors.

EIFM may undertake engagement directly or invest with managers that use active ownership and engagement as part of their ethical investment approach.

In some cases, an underlying investment manager may deliberately invest in a company that would traditionally be avoided by ethical investors so that it can use its position as a shareholder to engage with the company and seek change.

Holding a company as part of an engagement strategy should not necessarily be interpreted as an endorsement of all of that company's activities. Equally, engagement does not guarantee that a company will make the changes being sought or that a particular environmental or social outcome will be achieved.

Further information about the use of active ownership and engagement within our externally managed portfolios is provided in our Growth and Fixed Income Ethical Charter.

5. Voting

Voting can be an important part of active ownership because it gives shareholders an opportunity to express their views on the governance and direction of a company.

EIFM's ability to vote directly depends on how an investment is legally held.

Where EIFM controls the relevant voting rights, environmental, social and governance considerations may form part of our voting decisions where relevant.

Where investments are held through structures in which EIFM does not control the voting rights, voting and engagement may instead be undertaken by the underlying investment manager or responsible entity.

When assessing an external investment manager, we may consider its approach to voting and how this supports its broader ethical investment philosophy.

6. Monitoring our investments

Ethical investment is an ongoing process. Companies, industries and investment managers can change over time, as can the information available about environmental and social issues.

For investments we select directly, we periodically review companies against the ethical criteria that apply to the relevant portfolio. This may include considering changes to a company's activities or conduct and new environmental, social or governance information.

For externally managed investments, we review the underlying investment managers and may consider material changes to their investment strategy, ethical investment approach, screening policies, stewardship practices or other factors relevant to our assessment.

Where something changes materially, we may undertake further research, engage with the company or manager, or reconsider whether the investment continues to be appropriate for the portfolio.

Where we determine that an investment is no longer appropriate, we may reduce or remove it from the portfolio, taking into account relevant investment and portfolio considerations.

7. Information and research

Ethical investment decisions rely on information from a range of sources.

Depending on the investment, EIFM may consider company disclosures, information provided by investment managers, external environmental, social and governance research and other information relevant to our assessment.

Environmental and social issues can be complex and different research providers and investment managers may reach different conclusions about the same company or activity. Information and methodologies can also change over time.

We therefore use this information as part of our overall investment and ethical investment assessment rather than relying on a single rating or measure across all portfolios.

8. Transparency

We believe investors should be able to understand how ethical investment is incorporated into their portfolio and where their money is invested.

We therefore aim to provide clear information about the ethical investment approach applicable to each portfolio and publish portfolio information in accordance with the disclosure arrangements for the relevant investment.

The level and type of holdings information available may differ between portfolios. For investments managed directly by EIFM, we have greater visibility and control over the individual companies selected. Where we invest through external investment managers, the availability and timing of underlying holdings information may depend on the manager and investment structure.

Our Ethical Charters provide further information about how ethical investment is applied to particular portfolios.

9. Governance and review

EIFM is responsible for the management of its portfolios and is supported by its Investment Committee in reviewing investment strategy, portfolio construction and underlying investments.

Ethical investment considerations form part of this broader investment process.

We periodically review our ethical investment approach, this Policy and our portfolio-specific Ethical Charters so that they continue to reflect the way we manage the portfolios.

Our approach may evolve over time as investment markets, ethical investment practices, research and the portfolios themselves change.

10. Further information

This Policy provides an overview of EIFM's approach to ethical investment and stewardship across its portfolios.

More detailed information about how this approach is applied is available in:

- **Australian Equities Ethical Charter**
  - This explains the negative screens, positive screening methodology and other ethical criteria that EIFM applies when selecting companies directly for the Australian Equities Portfolio.
- **Growth and Fixed Income Ethical Charter**
  - This explains how EIFM assesses the ethical investment approach of external investment managers, including the different approaches managers may take to screening, sustainability-related investment, active ownership and engagement.

The relevant Product Disclosure Statement should also be read for information about each portfolio's investment approach, risks, fees and other important product information.

Australian Equities Ethical Charter

Our ethical objective

The Ethical Investment Australian Equities Portfolio aims to provide investors with exposure to Australian companies while avoiding or limiting investment in activities we consider to cause significant environmental or social harm and favouring companies and activities that we believe can contribute to better environmental or social outcomes.

We believe investment decisions should consider both financial and ethical factors. Our ethical screening process therefore forms part of our investment selection and portfolio construction process alongside our assessment of investment quality, valuation, risk and expected return.

This Charter explains the ethical criteria we apply when selecting companies for the Portfolio, including the activities we seek to avoid and the environmental and social characteristics we seek to support.

What we seek to avoid

Our negative screening process is designed to avoid or limit investment in companies materially involved in activities that we believe cause significant environmental or social harm.

Exclusions and revenue thresholds

The table below summarises the exclusions applied to the Australian Equities Portfolio and the revenue threshold for each. A 0% threshold means that a company with any revenue from the specific activity described in the table is excluded from the investment universe.

Exclusion	Details	Revenue threshold
Animal welfare	Cosmetic testing on animals, intensive livestock production and live exports.	0%
Weapons	Production and distribution of controversial weapons, civilian firearms, nuclear weapons, biological and chemical weapons, depleted uranium ammunition and armour, anti-personnel mines, and cluster munitions and their key components.	0%
Fossil fuels	Exploration, extraction, and combustion for power generation.	0%
Gambling	Companies that directly own or operate gambling businesses.	0%
UN sanctions	Securities from issuers on the UN sanctions list.	n/a

Exclusion	Details	Revenue threshold
Tobacco	Growing and production of tobacco, and manufacture of nicotine alternatives and tobacco-based products.	0%
Logging	Logging of old-growth forests.	0%
Mining	Uranium and coal mining.	0%

How our negative screens work

Not every connection to an excluded activity is treated in the same way. Our screening process considers how directly a company is involved in an activity and how material that activity is to its overall business.

A company may have a small or indirect connection to an excluded industry without automatically being excluded from the Portfolio. For example, there is an important difference between a company producing fossil fuels and a company providing a general service that is also used by fossil-fuel producers.

What is not excluded

The following are not excluded, although they remain subject to our other ethical criteria:

- **Fossil fuels:** insurers of fossil fuel companies, electricity retailers that sell power from fossil fuel sources, service stations and service providers (such as waste removal or telecommunications), investment companies that own fossil fuel investments and companies which use or are otherwise indirectly exposed to fossil fuels.
- **Tobacco:** transport companies that carry tobacco products, companies that make packaging for tobacco products as part of their operations, and diversified retailers that sell tobacco products as an incidental part of their business.
- **Gambling:** companies that indirectly support the gambling sector, such as telecommunications providers that give access to online gambling.
- **Animal welfare:** Animal testing required for medical purposes is not excluded.
- **Mining:** companies involved in lithium, copper, zinc, cobalt, graphite or other critical minerals used primarily for battery technology, subject to strict environmental screens (including the type of mining and end-of-life rehabilitation).

Other issues we consider

Mining and resources. Where we consider investment in a mining or resources company, we may consider factors such as the resources being extracted, environmental practices, rehabilitation, emissions, impacts on communities and First Nations peoples, and the company's broader environmental and social performance.

Animal welfare. We consider material animal welfare issues as part of our ethical assessment, recognising that animal testing may in some circumstances be required for medical research, safety or regulatory purposes.

Human rights and corporate conduct. We consider significant human rights issues and serious corporate misconduct, including matters relating to labour practices, modern slavery, treatment of communities, First Nations peoples and other material social or governance controversies.

Ownership screening

Our ethical screening takes into account an issuer's equity investments, such as subsidiaries. A parent company and its subsidiaries (greater than 50% ownership) are considered for screening purposes. A company's minority investments (less than 50% ownership) are not.

What we seek to support

Ethical investing is not only about what we avoid. We also look for companies whose products, services or activities we believe are helping address environmental or social challenges.

These may include companies involved in areas such as:

- renewable energy and energy efficiency;
- recycling, waste reduction and the circular economy;
- water efficiency and sustainable water management;
- sustainable agriculture and food production;
- healthcare, medical technology and aged care;
- education;
- sustainable buildings and infrastructure;
- public and lower-emission transport;
- electric vehicles, battery technology and energy storage; and
- technologies and services that help businesses and communities use resources more efficiently.

We refer to this as our positive screening process.

A company does not have to be a pure environmental or social business to have positive characteristics. We consider the extent to which its activities align with these areas, together with external environmental and social research where appropriate.

Positive screening is used alongside our negative screens and financial investment process when constructing the Portfolio.

How we identify positive companies

To provide consistency in how we apply our positive screen, EIFM uses defined criteria to identify companies we classify as "positive" for portfolio construction purposes.

A company will be classified as positive where it meets at least one of the following:

- at least 75% of its revenue is derived from one or more of the positive activities identified in this Charter; or
- it has an overall Impact Score of "A" from Sustainable Platform or "AA" from EthosESG; or
- it has a Net SDG Score above 80% from Sustainable Platform.

An Impact Score of "A" or "AA" from the specialist ethical researchers, Sustainable Platform and EthosESG, identifies a company operating in an industry assessed as having the potential to provide significant positive environmental or social benefits, where the company also rates highly relative to others within that industry.

A Net SDG Score above 80% from Sustainable Platform indicates that more than three-quarters of the company's revenue is assessed as contributing to one or more of the United Nations Sustainable Development Goals.

Our minimum positive allocation

At least 50% of the Portfolio by value, excluding cash, will be invested in companies classified as positive under the methodology above.

This minimum forms part of our portfolio construction process and is monitored alongside the Portfolio's negative screens and financial investment criteria.

Our classification of a company as "positive" reflects the methodology described above. It does not mean that every activity undertaken by the company has a positive environmental or social outcome.

Sustainable Development Goals

The United Nations Sustainable Development Goals provide one of the frameworks we use to help identify and describe business activities that may provide environmental or social benefits.

We consider relevant goals when assessing positive investment opportunities, including areas such as health and wellbeing, education, clean energy, sustainable cities, responsible consumption and production, climate action and protection of natural resources.

The SDGs are one input into our assessment rather than a guarantee that a company, or an investment in that company, will achieve a particular environmental or social outcome.

Monitoring and stewardship

Our ethical assessment does not stop when we buy a company.

We periodically review Portfolio holdings against our ethical criteria and consider new information about a company's activities, environmental and social performance and any material controversies.

If circumstances change, we may undertake further research or engage with the company to better understand the issue. Where we determine that a company no longer meets our ethical criteria, we may reduce or sell the investment.

Engagement can also provide an opportunity to encourage improved company practices, disclosure and governance. However, engagement does not guarantee that a company will make the changes we seek.

We aim to be transparent about the Portfolio and publish information about its holdings so investors can see where their money is invested.

Further information about EIFM's broader approach to stewardship, engagement, monitoring and ethical investment is contained in our Ethical Investment Policy.

Growth and Fixed Income Ethical Charter

Our ethical objective

The Ethical Investment Growth and Fixed Income Portfolios aim to provide investors with diversified investment portfolios that incorporate environmental, social and ethical considerations alongside financial considerations.

Rather than selecting most individual securities directly, EIFM invests through carefully selected investment managers, managed funds and other investment vehicles. This allows the portfolios to access a range of investment strategies, asset classes and ethical investment approaches.

Our objective is to select investment managers whose overall approach to ethical investment we consider appropriate for an ethical portfolio, while recognising that different managers may approach ethical investment in different ways.

How we select investment managers

When selecting an underlying investment manager, we consider both its financial investment approach and its approach to ethical investment.

From an ethical investment perspective, we may consider areas such as:

- how environmental, social and governance factors are incorporated into investment decisions;
- the manager's use of exclusions and negative screening;
- positive screening and investment in companies or activities with stronger environmental or social characteristics;
- sustainability-focused investment strategies;
- stewardship and engagement with companies;
- exercise of shareholder voting rights;
- how the manager identifies and responds to environmental and social risks; and
- the manager's overall ethical investment philosophy, policies and processes.

No single approach is required. We consider the overall quality and suitability of the manager's ethical investment approach together with its financial characteristics and its role within the portfolio.

Different managers, different approaches

Ethical investment can be implemented in different ways.

Some managers apply detailed exclusions to avoid particular industries or activities. Others place greater emphasis on environmental, social and governance factors when selecting investments. Some actively seek companies providing environmental or social solutions, while others focus on stewardship and engagement to encourage change within the companies they own.

As a result, EIFM does not require every underlying investment manager to apply the same ethical screens, exclusions or thresholds.

This also means there is no single list of excluded activities that applies to every security held through the Growth and Fixed Income Portfolios.

An underlying manager may therefore hold a company or issuer that would not necessarily meet the ethical criteria EIFM applies when selecting a company directly for one of its Australian equity portfolios. This does not automatically mean the underlying investment is inconsistent with our ethical approach. We consider the manager's overall ethical investment philosophy and how that philosophy is put into practice.

What we look for

Although approaches vary, we generally favour underlying investment managers that demonstrate a considered approach to ethical investment.

Depending on the investment strategy, this may include managers that seek to:

- avoid or limit exposure to activities associated with significant environmental or social harm;
- consider environmental, social and governance risks when making investment decisions;
- favour investments with stronger environmental or social characteristics;
- invest in sustainability-related themes or solutions;
- engage with companies to encourage improved practices and disclosure;
- exercise shareholder voting rights in support of their ethical investment approach; or
- provide capital for environmental or social projects and activities.

Not every underlying manager will demonstrate all of these characteristics. Their relevance will depend on the asset class, investment strategy and the role of the investment within the portfolio.

Active ownership and engagement

Excluding a company is not the only way an investment manager can approach ethical investment.

Some underlying managers deliberately invest in companies that may be involved in activities traditionally avoided by ethical investors. They do this so that, as shareholders, they can engage directly with company management, exercise voting rights, support or propose shareholder resolutions and encourage changes in corporate practices, governance or environmental and social performance.

For example, an engagement-focused manager may hold shares in a fossil-fuel company where its strategy is to use active ownership and shareholder rights to encourage the company to transition towards lower-carbon activities.

EIFM may invest in these strategies where we consider the manager's overall ethical investment and engagement approach appropriate for the Portfolios.

Holding a company for engagement purposes should therefore not necessarily be interpreted as an endorsement of all of that company's activities. Equally, engagement does not guarantee that a company will make the changes sought by the investment manager.

Sustainable fixed income

Ethical investment can operate differently in fixed income markets.

Managers within the Fixed Income Portfolio may invest in green bonds, social bonds, sustainability bonds and sustainability-linked bonds.

A green or sustainability-related bond may sometimes be issued by an organisation whose broader activities would not meet a traditional ethical screen. For example, a company involved in fossil fuels could issue a green bond to finance eligible renewable energy or other environmental projects.

In these circumstances, the underlying investment manager may consider the purpose and structure of the particular bond, the use of proceeds or relevant sustainability targets as part of its ethical investment assessment.

EIFM does not select or ethically screen the individual bonds held by these managers. We assess the underlying investment manager and its overall ethical investment approach.

This means the presence of an issuer that may be associated with an activity traditionally avoided by ethical investors does not necessarily mean the underlying investment manager is inconsistent with the Fixed Income Portfolio's ethical approach.

Positive and sustainability-related investment

We also consider whether underlying managers actively seek investments with environmental or social characteristics or exposure to sustainability-related themes.

These may include areas such as:

- renewable energy and energy efficiency;
- sustainable infrastructure;
- recycling, waste reduction and the circular economy;
- sustainable water management;
- healthcare and medical services;
- education;
- sustainable agriculture;
- lower-emission transport;
- energy storage and related technologies; and
- other activities addressing environmental or social needs.

Some underlying managers may have specific positive screening or sustainability objectives, while for others these considerations form only one part of a broader ethical investment process.

Monitoring our investment managers

Our assessment does not end when an investment manager is selected.

EIFM periodically reviews underlying investment managers and may consider changes to their:

- investment strategy;
- ethical investment philosophy;
- ethical or sustainability policies;
- screening criteria;
- stewardship, engagement or voting practices; and
- other matters relevant to our assessment of the manager and its role within the portfolio.

If an underlying manager's approach changes materially, we consider whether the investment continues to be appropriate for the portfolio.

Where we no longer consider an underlying investment appropriate, we may reduce or remove the investment having regard to the interests of investors and relevant portfolio considerations.

Further information about EIFM's overall approach to ethical investment, stewardship and monitoring is available in our Ethical Investment Policy.

Disclaimers

This document has been prepared by Ethical Investment Funds Management Pty Ltd (ABN 66 634 011 724), a Corporate Authorised Representative of Ethical Investment Advisers Pty Ltd (ABN 26 108 175 819, AFSL 276544), and is intended as general advice only.

No specific person's circumstances, financial situation or objectives have been taken into consideration. Please refer to the PDS or relevant disclosure document for the managed portfolio for more information on the risks, fees and other costs.

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