AIL Responsible Investment Policy

Effective date: 1 July 2023

Contents

1. Purpose and scope

The AIL Responsible Investment (RI) Policy sets its approach to Environmental, Social and Governance (ESG) and Climate risks and opportunities as well as active ownership activities. The Policy forms part of the AIL Risk Management Framework and the AIL Investment Governance Framework (IGF).

The Policy defines ESG and Climate risks, AIL's beliefs and principles, its approach to management of ESG and Climate risks, Proxy voting and engagement, Modern slavery and Diversity, Equity and Inclusion, and all the applicable AIL products.

2. Defining Environmental, Social, Governance and Climate Risks

ESG and Climate change risks[1] are foreseeable risks of importance and materiality that have the potential to impact the value of investments. These risks and issues may be real or perceived, internal, or external, and a company may incur financial and reputational penalties from causing or being complicit in these risks.

2.1 Environmental

Environmental risks and issues include but are not limited to biodiversity and sustainable food systems, air and water pollution, deforestation, energy efficiency, circular economy and waste, Water stress.

2.2 Social

Social risks and issues include but are not limited to human rights, labour standards, digital standards, indigenous and community rights, health safety and well being, diversity, equity and inclusion, product safety and quality, responsible tax practices.

2.3 Governance

Governance risks and issues include but are not limited to board composition and structure, board dynamics and culture, executive remuneration, investor protection and rights, anti-competitive behaviour, bribery and corruption.

2.4 Climate change

Climate change poses a significant risk to our environment, economy and society. Climate Risks include:

- Physical risk includes risks arising from the direct impact of climate change on our physical environment – through loss of resource availability and biodiversity, supply chain disruptions or damage to assets from severe weather events such as storms, floods, fires, droughts, and extreme wind and rain events, as well as rising global average temperatures, rising sea levels and carbonisation of the ocean; and,
- Transition risk includes risks arising from the decarbonisation of the economy, such as the impact of policy/regulatory changes (carbon pricing, subsidies, etc.), technological disruption (the move to renewables, electric vehicles, etc.) and societal pressure and behaviour.
- Liability risks which have implications for businesses and directors' duties, that stem from the potential for litigation where institutions and boards do not adequately consider or respond to the impacts of climate change.

All types of risk may affect company's revenues and expenses, asset and liability values, and/or availability and cost of capital.

3. Responsible Investment Beliefs and Principles

3.1 AIL Responsible Investment (RI) beliefs

AIL believes that:

- Robust management of ESG and Climate Risks improves sustainable investment outcomes;
- Climate change is a financial risk that will have economic and social impact and needs to be managed; and
- Active ownership leads to better long term returns for shareholders.

AIL's Responsible Investment beliefs guide the RI Policy.

[1] FSC Guidance note 45

3.2 Principles of Responsible Investment (PRI)

The PRI defines Responsible Investment as a strategy and practice to incorporate ESG factors in investment decisions and active ownership.

CFS a signatory of the UN-Endorsed PRI, it supports the below stated PRI Principles:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

4. ESG and Climate Risks approach

The risk management approach taken by AIL enables it to give adequate consideration to ESG and Climate Risks alongside other risks such as market, inflation, legal, liquidity risks. It also ensures disclosure and transparency of these risks to members. The approach acknowledges that many members have different values, preferences and attitudes and consider it's important to understand them. Periodically AIL surveys members to ensure management keeps up to date with what's important to them.

4.1 ESG integration

AIL focuses to integrate ESG risks in the manager selection process. At the appointment of most investment managers across asset classes including fixed interest, equities, property and infrastructure, management conducts responsible investment due diligence that includes review of resources dedicated to responsible investment, incorporation of ESG risks in investment philosophy and process, approach to active ownership, climate change, modern slavery and diversity equity and inclusion. The due diligence provides an understanding of the level of integration of ESG risks by Investment managers. In an ideal scenario, preference would be given to those investment managers that have robust processes to integrate ESG and climate risks in investment decision making. AIL may choose to manage or mitigate the ESG and Climate Risks found in a portfolio in a number of ways, over various time periods, at the discretion of the Chief Investment Officer. Such management and mitigation actions may include, but are not limited to:

- Engaging with the relevant appointed investment manager;
- Amending the investment guidelines, investment objectives and/or benchmark as set out in the IMA;
- Engaging with the investee company (through PRI Collaboration Platform, investment manager or third-party service provider);
- Advocating for change through various ESG and climate-related associations and industry bodies; and
- Applying AIL's Exclusions framework.

5. Climate change

Climate science strongly links the warming of the climate to significant increases in the levels of greenhouse gas emissions in the atmosphere. The latest Intergovernmental Panel on Climate Change Assessment Report 6 (IPCC AR6), provides evidence that the increase in global surface temperature has been contributed to by human activity. The transitional and physical risks due to climate change is expected to impact portfolio risk and returns across asset classes.

As a long term investor and fiduciary of customer portfolios, the RE has taken the following approach and made the below Climate commitment to address Climate change, the risks and opportunities that arise from it. AIL supports the REs Climate approach and commitment.

5.1 Approach

- A commitment is not expected to be concessionary or at odds with stated portfolio risk return objectives and is aligned to AILs fiduciary duties as a Trustee.
- The approach recognises that transition risk exists, including change in policy and regulation, technological disruption and litigation. However, the breadth, magnitude and time horizon of the risk is uncertain and needs to be managed.
- The approach recognises that physical risk exists. However, there is uncertainty on the distribution of these risks and impact on portfolio assets. Companies

need to be resilient and adapt and investors need to manage the risks.

- The RE believes that engagement is the most important mechanism to achieve real world emissions reduction.
- The implementation of the RE's Climate action plan will not be linear due to the breadth of Investment portfolios. However, transparency will provide accountability of progress.

5.2 Climate Commitment

Target for 2050:

- To commit to transition REs investment portfolios to net zero Greenhouse Gas emissions by 2050.
- The target aligns the RE to the Paris Agreement goal of limiting global temperature increase to well below 2 degrees Celsius.

Target for 2030:

- 30% reduction in Greenhouse Gas emissions from 2019 level.
- Review of 2030 target on a regular basis with improvement in data, change in assets managed by the RE.
- Management to monitor and disclose progress annually to demonstrate progress towards 2030 target.

6. Voting Policy

AIL's Voting Policy is set for First Choice and Wrap as per the following:

6.1 FirstChoice Proxy Voting

Exercising the shareholder right to vote on company resolutions is another key part of AIL's active ownership practices. It enables members to explicitly manage governance risks, by expressing their view on the appointment of company directors, director remuneration, key strategic decisions, as well as raise or support shareholder resolutions on various issues deemed to be worthy of action beyond engagement (such as climate change). Like engagement, voting is executed to maximise the long-term performance of a company and assists with the overall risk management processes. A vote may be made For, Against, Abstain or Do not vote for each resolution.

AIL considers the proxy voting approach of the Responsible Entities (REs) it engages with. The approach that AIL supports includes:

- The investment managers mandated by REs to vote resolutions for Australian listed companies;
- REs to confirm that the investment manager has a voting policy and is confirmed every two years as part of the RE operational due diligence process;
- The investment managers appointed by REs may use a third-party proxy adviser at their discretion;
- REs to engage a third-party proxy adviser to provide voting recommendations for non-Australian listed companies. AIL is to consider the proxy voting providers' corporate governance principles and voting guidelines. The final right to vote for most non-Australian listed companies stays with the RE although in some instances the RE has mandated the appointed Investment manager to vote resolutions for non-Australian listed companies;
- The RE is unable to execute the voting rights on shares that maybe on loan due to a securities lending program. There may be other instances where voting rights may not be executed, for example share blocking or where a Power of Attorney may not be in place;
- REs to publish voting records as per the transparency and disclosure commitments.

6.2 FirstChoice Engagement

The aim of engagement is to provide feedback and signal concerns to investee companies about factors affecting long-term company performance. These factors may include discussions on corporate strategy, governance practices, board accountability, exposure to various risks and risk management.

AIL considers the approach of REs for engagement, and the approaches it supports include:

- REs to appoint a third-party provider to engage with non Australian investee companies on ESG factors relevant to each business on its behalf. AIL believes in the power of collaborative engagement to influence investee companies. The engagement provider has a structured plan for engagement and some of the priority themes in focus include climate change, human and labor rights issues in the supply chain of companies, human capital management that includes diversity, equity and inclusion and company board effectiveness;

- In addition to the third party provider, most Investment managers appointed by the RE also regularly engage with investee companies on a variety of ESG related issues;
- It recognizes REs as members and/or signatories to PRI, Investor Group on Climate Change (IGCC), Climate Action 100+, Responsible Investment Association Australasia (RIAA), Investors Against Slavery and trafficking Asia Pacific (IAST) and 40:40 Vision;
- AIL may engage with REs to discuss with investment managers to then engage and/or collaborate with investee companies to effect the principles of this Policy. This engagement and collaboration may occur on the ESG issues identified in the monitoring processes, as well as those relating to but not limited to climate change, human rights (including modern slavery), diversity, equity and inclusion, cybersecurity;
- As a PRI signatory, the RE may also uses the PRI's Collaboration Platform, a global online tool for collaborative initiatives. It provides PRI signatories with a private forum to pool resources, share information, enhance influence and engage with companies, policymakers and other actors in the investment value chain on ESG issues across asset classes, sectors and regions.

6.3 CFS Wrap Voting Policy

AIL voting practices on Managed Investment Schemes (MIS) resolutions

In the instances where AIL decides to participate in a resolution, it can vote only where it has determined that participation is in compliance with the Foreign Investment Laws or it has obtained approval from the Foreign Investment Review Board (FIRB). The process requires a confirmation in writing to the Custodian that the entitlement to participate has been approved by the FIRB or is otherwise in compliance with the Foreign Investment Laws.

AIL voting practices on listed securities

AIL may exercise its right in voting resolutions of listed securities.

7. Exclusions framework

7.1 FirstChoice

AIL will not take a position on, or make judgement of, an ethical or socially responsible issue, unless it is the nature of the investment strategy i.e. Ethical/Sustainable option. However, there may be some ESG risks, ethical issues and circumstances in which AIL believes it is appropriate to act upon, an ethical or socially responsible issue with a negative screen or exclusion.

Any decisions taken by AIL, including exclusions, gives priority to the best financial interest of members, member outcomes set by the Board, and considers whether:

- the investment objectives of the Investment Option can still be met; and
- the Investment Option will remain adequately diversified and liquid.

The Chief Investment Officer is responsible for recommendation to the AIL BIC on exclusions having considered the following in relation to the activities of the companies or sectors:

- Do the activities breach international treaties? (e.g. those agreed through the UN or World Bank)
- Are the activities illegal?
- Is the Australian Government aiming to reduce or restrict the activities?

Other additional subjective criteria may include:

- Is engagement with the company or sector likely to be effective in reducing the involvement of the company or sector in the activities?
- Are AIL's members requesting exclusion of a company or sector due to involvement in the activities?
- Will AIL's reputation risk be increased if the relevant company or sector not be excluded?
- Are other funds excluding companies and sectors for involvement in the activities?
- Do the activities cause substantial or irreparable harm to society?

Exclusions would include, but not limited to, equity and/or debt of specific companies and/or companies included in specific sectors. The decision will be implemented by the RE with an amendment to the IMA for each investment manager.

The RE may appoint investment managers and offer investment strategies “Ethical/Sustainable Option” where screening (both positive and negative) is a key part of the investment process, and appointed investment managers may choose to exclude various activities, companies or sectors from their investment universe and investment strategies as a result of their own organisation’s values and/or investment beliefs. In this instance, as per APRA expectations from the RSE licensees, AIL will ensure Investment strategy formulated for an Ethical/Sustainable option is in the best financial interests of their members.

The RE has two investment exclusions in place as at the date of this Policy. These include an exclusion against controversial weapons producers, and an exclusion against tobacco manufacturers. Details provided in Appendix A. The two exclusions are applied across debt and equity issued by the companies. AIL supports the REs exclusions.

7.2 CSF Wrap

The Exclusions framework is not applicable for Wrap products. Wrap products include options that are held externally and do not have a mandate structure. AIL buys units in each MIS and hence does not have the transparency and the ability to exclude securities in the MIS to apply the Exclusion framework.

8. Modern Slavery

Modern slavery covers a range of exploitative practices occurring in various forms such as slavery, child labour, servitude, forced and compulsory labour and human trafficking. It is any instance where the individual concerned does not have the ability to walk away from the situation.

AIL opposes any form of slavery and is committed to minimising the risk of it occurring in its own business operations and supply chain. This policy provides reference to Modern Slavery in the REs Investments (Investment managers and investee companies).

8.1 Modern Slavery framework

The current Modern Slavery framework is to identify, assess, mitigate and test the effectiveness of actions with regards to any Modern slavery risks in Investment portfolios. The framework includes:

- Portfolio analysis. This includes assessing modern slavery risks in the listed equity and debt holdings across REs portfolios, where possible;
- Investment manager engagement to ensure Investment managers are aware of the risks, incorporate, identify, assess and mitigate these risks in their investment process. Special emphasis is on non-Australian equity managers that are not exposed to Australian Modern Slavery legislation;
- Collaborative engagement via Investors Against Slavery and Trafficking (IAST), endorser of the PRI Advance initiative and regular attendance at the Responsible Investment Association of Australasia (RIAA) Human Rights Working Group;
- Collaborative engagement via CFS appointed third party engagement provider as part of its human rights and human capital management thematic engagement.

CFS Group submits an annual Modern Slavery report to the Attorney – General’s Department. This includes Modern Slavery risks in the REs Investments (Investment manager operations and portfolio holdings).

9. Diversity, Equity, and Inclusion

Diversity, equity, and inclusion (DEI) have a clear basis in human rights that is reflected in the Universal Declaration of human rights as well as in the International Labor Organisation (ILO) standards. Globally governments are introducing legislation, financial regulators are pursuing disclosures around DEI. According to PRI[2], studies clearly state that DEI and financial performance of companies are related. Besides, strong DEI within a company can positively effect decision making, levels of employee engagement, reputation amongst stakeholders, innovations, and access to untapped markets.

AIL supports the alignment of the RE with the PRI and actively engaging with companies on DEI through its third party engagement provider. The engagement providers is asking companies to develop a strategy and action plan to achieve proportionate gender and ethnic representation at all levels. It is also challenging companies to expand their consideration of diversity metrics to include representation and equity for the LGBTQ+ community and differently abled. The RE is also a signatory to the 40:40 Vision, a collaborative initiative seeking to achieve gender balance in executive leadership across all ASX 300

[2] PRI Diversity Equity & Inclusion: Key action areas for Investors

companies by 2030. 40:40 stands for 40% women, 40% men and 20% as any gender.

10. Breach of policy

Breach of this policy may be regarded as misconduct, which may lead to disciplinary action (including termination of employment or engagement). Breach of this policy may also result in negative Member outcomes, reputational damage or legal action.

This policy must be read together with the relevant documents listed below. Failure to comply with those documents may amount to a breach of this policy.

11. Definitions

In this policy, defined terms are capitalised. Those terms have the meaning given to them below.

AIL	Avanteos Investments Limited
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investment Commission
BIC	The Board Investment Committee of AIL, the members of which are appointed by the Board. The Board has delegated certain responsibilities and authorities to the BIC in accordance with the BIC Charter.
ESG	Environment, Social and Governance
FSC	Financial Services Council
IGF	Investment Governance Framework as required for RSE Trustee under APRA SPS 530 - Investment Governance
IMA	Investment Management Agreement
Investment Option	An investment option that is made available to members and allocated by the RSE Trustee to an Investment Category that includes similar investment options
PRI	Principles of Responsible Investment
RI	Responsible Investment
RE	Responsible Entity of an MIS
RSE	Registrable Superannuation Entity

12. Policy Governance

Approver	AIL BIC
Owner	Chief Investment Officer
Review Cycle	Periodic

13. Relevant Documents

Related internal documents	• AIL Board Charter • AIL Risk Appetite Statement • AIL Risk Management Framework • AIL Investment Governance Framework
External sources of obligations	• ASIC Class Order 13/763 • ASIC RG 148 • FSC Standard 20 Superannuation Governance Policy • Superannuation Industry (Supervision) Act (Cth)

Appendix A: Exclusions

Controversial Weapons

Controversial weapons are weapons that indiscriminately kill or disproportionately harm people relative to military necessity (as defined by international humanitarian law). Through normal use these weapons may kill civilians as well as military targets (including after conflict has ended) thus their use is prohibited and breaches all global conventions on human rights.

Controversial weapons include: chemical and biological weapons, cluster munitions, antipersonnel landmines, depleted uranium ammunition, non-detectable fragments, incendiary weapons and blinding lasers.

Controversial Weapons are subject to international laws and conventions that prohibit their manufacture, use, and control their financing. These conventions include the Inhuman Weapons Convention, the Convention on Certain Conventional Weapons 2001, the Oslo Convention on Cluster Munitions 2008, the Ottawa Convention on Anti-personnel Mines 1999, the Chemical Weapons Convention 1993, the Biological Weapons Convention 1972, and the Nuclear Non-Proliferation Treaty 1968.

AIL does not invest in securities issued by companies that produce controversial weapons.

Tobacco

Tobacco production causes many environmental, social and economic risks. The tobacco industry is a large employer of child labour and contributor to modern slavery through bonded labour.

Environmental damage caused by the tobacco industry include deforestation, soil degradation by land clearing and land and water pollution due the extensive use of pesticides and chemicals in the agricultural and manufacturing process. From a social perspective, the product is a highly addictive drug and kills. There is no safe level of use or exposure as death, disease and health issues arise from primary and secondary consumption.

Investment in tobacco contravenes three major international treaties, conventions and sets of global norms principles. These include the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the World Health Organisation Framework Convention on Tobacco Control.

AIL does not invest in securities issued by companies that produce tobacco or manufacture tobacco related products.