

Cash and Fixed Interest Sustainability Policy

Purpose

The purpose of this Policy is to define:

- the principles that guide management of the Altius Sustainable suite of funds.
- the criteria by which investments qualify for acceptance into the investible universe of the Funds (the **Sustainability Screen**, or “Screen”); and
- the framework by which the Screen is implemented.

Sustainability Advisory Committee

This Policy is overseen by the Sustainability Advisory Committee (the “**Committee**”). The Committee comprises of at least two representatives from Altius/Australian Unity, and two investor representatives, with a maximum of six voting committee members. We reserve the right to alter the membership of the Committee from time to time.

The purpose of the Committee is to:

- make recommendations regarding the appropriateness of this policy;
- oversee the criteria and process applied to the sustainability screen;
- monitor the appropriateness and classification of current holdings in the Funds. The Committee may conclude that some investments are no longer appropriate and recommend removal from the investible universe and/or divestment of existing holdings; and
- discuss investments under consideration for inclusion in the investible universe, and where required, make recommendations to Altius regarding their appropriateness for inclusion.
- provide a forum for engagement activities both individually and in concert with like-minded investors, including industry submissions where appropriate
- prioritise the schedule of engagement activity, review progress and agree escalation programs where appropriate.

The purpose of the Committee is not to make specific investment decisions. Recommendations from the Committee require majority agreement. The Committee will meet quarterly, or more frequently as required. Recommendations and approvals may be made by circular resolution.

Appointment of Sustainability Adviser

An independent external research adviser (“**Sustainability Adviser**”) is appointed to provide a sustainability ranking of issuers which will be used as a sustainability screen to determine issuers included in the investible universe of the Funds.

Screening Process

Overview

The Funds apply two levels of sustainability screening involving materiality assessment against a static negative screen coupled with sustainability ratings

Hard exclusions¹

- Tobacco production, manufacture of nicotine alternatives and tobacco-based products

¹ Subject to actual Altius awareness.
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- Controversial Weapons
- Nuclear Weapons

Negative Screen

Companies will be automatically excluded from the investible universe if Altius becomes aware that their primary business activity (defined as gross business revenue exceeding 10%) involves, or become involved in, the following:

- Armaments
- Tobacco Distribution and Services
- Uranium
- Gambling
- Pornography
- Alcohol production
- The exploration, production, distribution, and services for fossil fuels: such activities, the “**Relevant Activities**”.

Relevant Activities are accumulated to assess breaching of the 10% limit.

The COMMITTEE could provide an exemption for a company for the following reasons.

- Live divestment strategy or a transition strategy that addresses the Relevant Activities, i.e., planned business closure.

Materiality

If a company is involved in (but not as a primary activity) any of the Relevant Activities, the infringement will be assessed for materiality. Materiality is determined by Altius on a discretionary basis having regard to, for example, the overall nature and objects of the business activities of companies, the degree to which any Relevant Activity is incidental to same and the degree to which the Company is directly responsible for any Relevant Activity. There is no pre-ordained methodology by which materiality will be determined.

An investment in a company is reviewed for its appropriateness if its non-core business activities which involve Relevant Activities constitute more than five per cent of the company’s overall business revenue is referred to the committee for consideration. Companies where the materiality of the breach is being assessed are placed on a watch list.

Exclusion period

Exclusion will be for a period of 3 years. This period can be reduced with the approval of the Committee following consideration of supporting research to the Committee that covers how the organisation has addressed the reason for the exclusion.

The Committee can also extend the exclusion period if the organisation hasn’t addressed the reason for the exclusion.

- **Sustainability ranking**

The remaining investment universe is assigned a sustainability ranking by the Sustainability Adviser utilising a scorecard methodology resulting in score from 0 to 100 (worst to best). The Sustainability score is made up of 3 specific ISS modules - their ESG Corporate Ratings, Carbon Risk Rating Assessment and SDG Solutions Assessment.

The ranking process is intended to assess the impact of the issuer’s business on societal wellbeing, that is, the issuer’s appropriate fit with the sustainable objective of the respective funds.

The Scorecard will consider:

- Environmental effects of the issuer;
- Social consequences of their business; and
- Quality of Governance.

If Altius and/or the Sustainability Adviser deems that a company is materially involved in any of the following sub-factors then the Company is presented to the Committee for review and possible exclusion from the investible universe.

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- causing or perpetuating injustice and suffering
- infringing human rights
- supporting oppressive regimes
- animal testing for cosmetic purposes
- unacceptable environmental management practices or
- unacceptable occupational health and safety practices.

Companies ranked below 30 by the Sustainability Adviser will be placed on a watch list and referred to the Committee to confirm, in accordance with the Committee charter, that the company is ineligible for inclusion in the investible universe.

Sustainability Advisory Committee discretion

Investment is reviewed for its appropriateness if an issuer's activities are deemed to infringe some environmental or social well-being measures in the second screen criteria but score above 30. In applying this rule, it may be the case that the breach of the principle(s) is considered to be of such a flagrant nature, or that the negative social/environment impact is considered so significant, that continued investment is considered inappropriate by the Committee.

Divestment guidelines

Where practical, investments will be divested within three months if the investment is reclassified as "excluded".

Positive Investment

Where practical, the Funds gives preference to Prime rated entities (as defined by the ISS sustainability score) or impact bonds (use of proceeds bonds).

Issuer classifications

Generally, only issuers ranked neutral or above are eligible for inclusion in the portfolio.

Government and semi-government debt from allowed countries

Government and semi-government debt are classed as neutral unless issued by a disallowed country or otherwise determined by the committee. Debt issued by disallowed countries will be excluded. (See– Disallowed countries.)

Supranational debt

Supranational debt, including debt issued by multi-lateral developments banks, will be classed as neutral unless fully or partly owned by a disallowed country (see Country Exclusion policy). Supranational institutions are deemed to have part ownership by disallowed countries if the Member country has sufficient capital or voting rights to exercise control over policy, in which case they will be excluded.

Supranational institutions are defined consistent with the classification of the recognised credit rating agencies. Moody’s rating agency defines supranational entities as having “a dual nature in that they are financial institutions operating on commercial terms while simultaneously serving as vehicles of international public policy”. (– Disallowed countries refer Cash and Fixed Interest Country Exclusion Policy)

Asset-backed securities

Asset-backed securities are classed as neutral (unless excluded by the Committee).

Bank debt

Bank debt is classed as neutral or above ,unless assigned ed a sustainability rating of 30 or below or issued by a disallowed bank (refer disallowed countries policy).

Non-bank corporate

Corporate debt is classified as neutral or above (unless issued a sustainability ranking of 30 or below). Securities in this universe will then be subject to Altius’ credit research process to analyse the likelihood of an issuer repaying their debt, as well as maintaining enduring profits and adequate capitalisation through the economic cycle. The primary intent is to manage downside risk (of default and ratings downgrade). (Further information about this process is available on request.)

Ongoing assessment

Sustainability rankings are reviewed at least every quarter to ensure they continue to satisfactorily comply with the principles of the Funds.

Appendices

Are made available on request by contacting investments@australianunity.com.au or by calling Investor Services on **13 29 39**.

Disallowed countries

- Disallowed countries identified using the Cash and Fixed Interest Country Exclusion Policy.
- Banks and Corporations from disallowed countries are defined under the Cash and Fixed Interest Country Exclusion Policy.
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Policy administration

Policy Name	Altius Cash and Fixed Interest Responsible Investment Policy
Policy Level	Level 3
Approval Body	Group Executive Wealth and Capital Markets
Date of Approval	
Policy Owner	Chief Investment Officer Altius
Policy Administrator	CIO Altius
Related policies	N/A
Supporting procedures or guidelines	N/A
Date of last review	April 2023
Regulator (if applicable)	n/a
Compliance mechanism	N/A
Classification	Internal and external use

Important information

Units in the Altius Sustainable Bond Fund ARSN 601 618 179, Altius Green Bond Fund ARSN 648 842 371 and the Altius Sustainable Short Term Income Fund ARSN 606 111 166 (**Funds**) are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454 as responsible entity. The information in this document is general information only and is not based on the objectives, financial situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of units in any of the Funds you should obtain a copy of the relevant current Product Disclosure Statement (PDS), Additional Information Document (AID) and Target Market Determination (TMD) and consider whether the product is appropriate for you having regard to your objectives, financial situation and needs and seek appropriate professional financial and taxation advice before making any such decision. The PDS, AID and TMD for the Funds are available at www.australianunity.com.au/wealth or by calling us on 1300 997 774 or +61 3 9616 8687 (if calling from overseas). Past performance is not a reliable indicator of future performance. Investment decisions should not be made upon the basis of the Funds' past performance or distribution rate (if any), or any ratings given by a rating agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the rating agency itself. This document is current at the time of publishing. This information is intended for recipients in Australia only. Not to be reproduced without permission.