

Cash and Fixed Interest Sustainability Policy

Purpose

The purpose of this Policy is to define:

- the principles that guide Australian Unity's Cash and Fixed Interest Team ("Altius") in the management of the Altius Sustainable Bond Fund and the Australian Unity Sustainable Enhanced Cash Fund ("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.

This Policy is available on request from investments@australianunity.com.au or by calling Investor Services on 13 29 39.

Sustainability Advisory Committee

This Policy is overseen by the Sustainability Advisory Committee (the "Committee"). The Committee comprises two representatives from Altius, and two investor representatives. 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.

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 whether or not securities are to be included in the investible universe of the Funds.

At the date of this policy, CAER is appointed as the Sustainability Adviser to the Committee. CAER is an independent, global provider of research into corporate environmental, social and governance performance. Go to www.caer.org.au for further details.

Screening Process

Overview

The Sustainability Adviser will analyse companies utilising a scorecard methodology resulting in a sustainability ranking from A to E.

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.

The Funds will apply two levels of sustainability screening.

1. **Negative Screen**

Companies will be automatically excluded from the investment universe if their primary business activity involves (or become involved in) the following:

- Armaments
- Uranium
- Gambling
- Tobacco production
- Pornography
- Alcohol production
- The production or sale of thermal coal.

2. **Suitability based ranking**

The remaining investment universe will be given a sustainability ranking by the Sustainability Adviser. Companies will be ranked on a scale from A to E. Companies will be given a low score (D or E) if the Sustainability Adviser deems they are materially involved in any of the following:

- 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 either D or E will be placed on a watch list and referred to the committee to determine, in accordance with the committee charter, if the company is eligible for inclusion in the investment universe.

Materiality

If a company is involved in (but not as a primary activity) the excluded activities outlined above, or are deemed to infringe environmental or social well-being outlined in the second screen criteria, the infringement will be assessed for materiality.

An investment in a company would be reviewed for its appropriateness if its non-core business activities constituted more than five per cent of the company's overall business revenue. In applying this rule it may be the case that the breach of the principle(s) is considered material i.e. of such a flagrant nature, or that the social/environment impact is considered great, that continued investment is no longer appropriate. In such an instance this will be referred to Altius by the Sustainability Adviser and its inclusion in the investible universe will be referred to the committee for consideration.

Companies where the materiality of the breach is being assessed will be placed on a watch list.

Divestment guidelines

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

Positive Investment

Where practical, the Funds will hold at least 20 per cent of the non-government portfolio in issuers who are ranked either A or B.

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 will be classed as neutral unless issued by a disallowed country. Debt issued by disallowed countries will be excluded. (See Appendix 1 – 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. 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". (See Appendix 1 – Disallowed countries.)

Asset-backed securities

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

Bank debt

Bank debt will be classed as neutral or above (unless issued a sustainability rating of D or E) or issued by a disallowed bank. Debt issued by disallowed banks will be excluded. (See Appendix 2 – Disallowed banks.)

Non-bank corporate

Corporate debt will be classified as neutral of above (unless issued a sustainability ranking of D or E). Securities in this universe will then be subject to Altius' credit research process - information about this process will be provided on request.

The purpose of Altius' credit research is 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).

Ongoing assessment

Sustainability rankings will be 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**

Appendix 1: Disallowed countries

Disallowed countries include those on the [Financial Action Task Force list of High Risk Non-Cooperative Jurisdictions](#) and countries identified using the Cash and Fixed Interest Country Exclusion Policy.

Appendix 2: Disallowed Banks

- Banks domiciled in Disallowed countries
- Banks of insufficient credit quality

Important information

Units in the Altius Sustainable Bond Fund and the Australian Unity Sustainable Enhanced Cash Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. The information in this document is general information and is not based on the financial objectives, situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Product Disclosure Statement (PDS) and consider whether the product is appropriate for you. A copy of the PDS is available at australianunity.com.au/wealth or by calling our Investor Services team on 13 29 39. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. The information provided in the document is current at the time of publication.