Australian Retirement Trust - Sustainable Investment Policy

Board approved: 22 August 2025

Contents

Purpose....3
Approaches to Sustainable Investment....3
Application....4
Integration....4
Stewardship....5
Exclusions (Screening)....6
Socially Conscious Balanced option - Diversified option....6
Impact Investing....7
Advocacy....7
Partners....7
Sustainability factors....7
Roles and Accountabilities....8
Remuneration....8
Training....8
Conflicts of Interest....8
Class Actions....8
Risk Management....8
Reporting....9
Definitions and Key Terms....9

Key principles

- This document is the Sustainable Investment Policy ("SI Policy") for the Australian Retirement Trust (ABN 60 905 115 063) ("ART").
- The SI Policy sets out ART's approach to sustainable investment, supporting the Trustee in monitoring and overseeing climate and sustainability-related risks and opportunities (sustainability factors) that may be financially material for the investment portfolio.
- All decisions under this SI Policy must align with members' best financial interests.

1. Purpose

This document is the Sustainable Investment Policy ("SI Policy") for the Australian Retirement Trust (ABN 60 905 115 063) ("ART"). This SI Policy has been approved by the Board of Australian Retirement Trust Pty Ltd (ABN 88 010 720 840) as trustee for ART ("the Trustee") for the management of the investments held by ART.

As a superannuation fund, ART has an investment portfolio that comprises a range of investment options offered to its members. The majority of options are constructed from diversified asset classes. These asset classes consist of underlying investments, such as assets and companies, selected through targeted investment strategies. Common asset classes include Australian shares, international shares, fixed income, unlisted property, unlisted infrastructure, private equity, private credit and cash.

The SI Policy sets out ART's approach to sustainable investment, supporting the Trustee in monitoring and overseeing climate and sustainability-related risks and opportunities that may be financially material for the investment portfolio (sustainability factors). All decisions under this SI Policy must align with members' best financial interests.

This SI Policy supports ART's compliance with regulatory and prudential obligations, including those related to proxy voting, climate change and modern slavery considerations for the investment portfolio.

Key sustainable investment terms used throughout this SI Policy are described under the section Definitions and Key Terms.

ART's investment portfolio is guided by a core set of investment principles. One of these principles states that "Sustainable investing, including management of climate-related risks and opportunities, is fundamental to building resilient portfolios, supporting long term investment outcomes", recognising the following:

- The Trustee's legal duty to act in the best financial interest of members.
- Sustainability factors can be financially material for companies, sectors and markets and therefore a source of investment risk and opportunity.
- Stewardship is important in exercising ownership rights to protect value and enhance governance and long-term returns.
- Universal owners, such as ART, have long-term obligations and diversified investments representative of global markets, and can be exposed to systemic risks, such as climate change, that affect the global economy and long-term investment performance.
- Sustainable investment insights may help support investment portfolios adapt to future trends.

Approaches to Sustainable Investment

ART investment strategies are informed by incorporating financially material sustainability factors (which include, among other factors, labour standards and climate change), into investment processes and decision-making, alongside other traditional financial considerations.

The sustainable investment approaches used by ART include:

- Integration;
- Stewardship (engagement and proxy voting); and
- Exclusions (also known as screening), in limited cases.

Where appropriate, ART may also apply additional approaches including Sustainability-themed and Impact Investing. Sustainability-themed Investing is predominantly used in the Socially Conscious Balanced option and Impact Investing can apply to any investment that meets an internal impact investment framework (see **Socially Conscious Balanced option – Diversified option** and **Impact Investing** sections respectively).

The approach taken may vary depending on the asset class and investment strategy, and not all approaches may be relevant to every investment option or asset class. For example, sustainable investment approaches are not used when investing in cash.

This SI Policy does not extend to sustainability activities undertaken by ART in its corporate capacity as an enterprise and employer.

2. Application

The SI Policy applies to all superannuation investments held within ART.

ART maintains a globally diversified investment portfolio, with exposure across multiple regions and sectors. A range of investment strategies is used within each asset class to access investments in a variety of companies. These may be implemented through external investment managers or managed internally by the Investment team, and may be either active or passively managed. The investment portfolio also includes investments in derivatives. Whilst the majority of investments relate to defined contribution liabilities, investments may also underpin defined benefit plans.

ART will utilise a range of sources to identify and assess financially material sustainability factors across the investment portfolio. These sources may include internal expertise, third-party service providers, asset consultants, external investment managers, member organisations and publicly available information.

Integration

Integration is the explicit and systematic inclusion of financially material sustainability factors in investment processes and decision-making. For ART, this is largely achieved through the selection of new external investment managers and monitoring of existing external investment managers' sustainable investment activities.

Externally managed investments

External investment managers are used to invest most of the investment portfolio. ART aims to assess the sustainable investment capability of select external investment managers by reviewing their policies and processes and assigning them an internally developed rating as part of approved internal guidelines for external manager appointments and ratings. The ratings help inform investment recommendations and subsequent engagement with select external investment managers, with the aim of improving their processes to integrate sustainability factors across the investment cycle.

Where external investment managers are appointed, contractual documents outline the investment guidelines and the requirements of each party. These agreements provide an opportunity to incorporate ART's sustainable investment expectations for the external investment managers, as appropriate. The extent to which these requirements can be incorporated depends on the structure of the investment.

- Segregated mandates are specialised investment structures governed by contractual agreements enabling ART to tailor investment guidelines, including the incorporation of relevant sustainable investment requirements.
- Pooled investment vehicles (such as unit trusts or fund of funds) use a common set of rules that apply uniformly to all investors within the vehicle. Due to their collective nature, incorporating individual investor requirements, such as sustainable investment, can be more challenging, complex and limited in scope.
- Funds of one are investment structures where a fund is created for a single investor. Depending on the nature of the fund of one, it may allow for tailored investment guidelines, including the incorporation of relevant sustainable investment requirements.

ART will incorporate relevant sustainable investment requirements into segregated mandates. For pooled investment vehicles and funds of ones, ART will seek to influence and include requirements, where appropriate.

Due diligence

For large private markets asset due diligence, such as unlisted infrastructure and unlisted property, new investments and co-investments are informed by incorporating financially material sustainability factors into investment decisions. For smaller private markets co-investments, ART will primarily rely upon diligence undertaken by its appointed external investment managers.

Internally managed investments

Where investment strategies are managed internally by the Investment team, sustainable investment approaches will be incorporated as appropriate, in accordance with the asset class and investment strategy.

Stewardship

Stewardship is the exercising of ownership rights to protect value and enhance governance and long-term returns, undertaken by ART through company engagement and proxy voting. Implementation is guided by an approved internal operating procedure.

Engagement

When engaging with companies on sustainability factors where it has the scale and influence to do so, ART seeks to improve behaviours, promote best practice and develop a better understanding of business and strategic decisions. Where practical, engagement activities aim to build stronger relationships between ART and the companies it engages with.

Due to the number of holdings, it is not commercially practical for ART to engage with all companies in which it is invested. Where engagement occurs, one or more of the following methods are used: direct, collaborative or through a service provider.

Where ART proactively engages directly, it will set formal objectives for those companies. An escalation framework will be employed for situations when companies are not responding to Stewardship, which may ultimately result in divestment from a company (see **Exclusions (Screening)**).

Policy on Proxy Voting

ART aims to vote on the majority of company meeting resolutions for which it is eligible to vote and executes its voting rights through a single proxy voting platform. Management investment delegations outline the responsibilities for execution of ART's proxy voting.

For international shares, ART may loan out a portion of holdings during annual shareholder meetings, with the aim of retaining a small number of holdings for proxy voting purposes. ART will seek to recall all shares on loan for ASX listed companies and for select international companies (where it is deemed in the best interest of members to exercise full voting rights).

There are several exceptions to this policy on proxy voting where ART does not hold the voting rights for shares:

- Investment Mandates where ART has delegated proxy voting rights to the external investment manager where Stewardship through proxy voting is integral to their investment strategy;
- The QSuper Defined Benefit product; and
- The QSuper Self Invest option.

The ACSI Governance Guidelines are used for proxy advice for ASX300 listed companies, and CGI Glass Lewis for International and ex-ASX300 companies, though consideration may be given to the recommendations of external investment managers, other service providers and/or other stakeholders when making voting decisions. ART ultimately has the responsibility for voting decisions.

Proxy voting outcomes are made public on the ART website within one week of an Annual General Meeting (AGM). In addition to this, ART may choose to pre-declare its voting intention prior to the AGM of a company under the escalation framework, when approved by an internal management committee (see **Engagement**).

Securities Lending

For the purpose of proxy voting, ART will seek to recall all shares on loan, through the securities lending program, for all ASX companies and for select international companies (see **Policy on Proxy Voting**).

Exclusions (Screening)

Exclusions are where rules are applied based on defined criteria that determine whether an investment is permissible. ART applies negative screening rules, or ***Exclusions***, that determine when an investment is not permitted.

ART applies Exclusions in limited circumstances. ART generally prefers to retain its position in investments, because it may provide an opportunity for ART, or its external investment managers, to engage with companies (see **Stewardship**). It also helps to retain diversification of the portfolio. There are, however, some occasions where it may be considered appropriate to exclude certain investments, a practice known as screening. Exclusion categories are approved by the Investment Committee and will be reviewed at least every three years.

Exclusion categories, including the criteria and threshold, and exceptions are published annually and described in the relevant Investment Guides published on the ART and QSuper websites.

Exclusions are applied when ART directly invests in the Australian and International Shares asset classes and in listed corporate-issued debt in the Fixed income asset class.

The Exclusions do not apply to investments in pooled vehicles (such as exchange traded funds, unit trusts and fund of funds) or derivatives or other forms of investment which may expose the portfolio indirectly to companies that meet the criteria and threshold for exclusion. Exclusions also do not apply to investments that are held as security.

The listed corporate-issued debt Exclusions apply solely to bonds issued by listed companies that meet the Exclusion categories, including the criteria and threshold. The exclusion is based on who is issuing the bond, not what the money from the bond is used for (i.e. use of proceeds).

ART relies on accuracy of data from a third-party provider to implement the Exclusions.

The Exclusions list is updated twice a year guided by an approved internal operating procedure. Following these updates, internal and external investment managers are advised which listed companies must be excluded from new and existing investments. Identifying listed companies that meet the Exclusion criteria relies on point in time data. After updating the Exclusions, any changes in the circumstances of an existing listed company investment that could meet the Exclusion criteria and threshold will be reviewed in the next update.

Sometimes securities of companies on the Exclusions list may be accepted as part of a successor fund transfer. In this instance, ART will endeavour to divest as soon as reasonably practicable, in a manner aligned with members' best financial interests.

Exclusions are not applied to investments associated with the QSuper Defined Benefit product nor the QSuper Self Invest option.

A broader set of Exclusions apply to the Socially Conscious Balanced option – Diversified option.

Socially Conscious Balanced option - Diversified option

ART offers a multi-asset investment option which has additional Exclusions and an additional approach to sustainable investing relative to other available investment options. The sustainable investment approaches of Integration and Stewardship, also apply to this option, as they are relevant to the asset class and investment strategy. Thematic Investing, where investments are selected to access specific trends, such as investment in climate-related opportunities, may also be used when selecting external investment managers for this option.

The Exclusions for this option apply when ART directly invests in Australian and International shares and in listed corporate-issued debt in Fixed income investments.

General requirements for exclusions are outlined in the **Exclusions (Screening)** section. In addition, information on the Socially Conscious Balanced option, including the sustainable investment approaches applied to the option, and further information on the Exclusions including the criteria and threshold, and exceptions, are published annually and described in the relevant Investment Guides published on the ART and QSuper websites.

The sustainable investment approaches and allocation by asset class for this option will be reported internally to the Investment Committee and communicated to members on an annual basis.

Impact Investing

Impact investing is investments where ART directs investment capital to deliver financial returns in line with members' best financial interests, while also seeking to generate positive, measurable, social and/or environmental outcomes.

An internal impact investment framework outlines the themes and requirements for evaluating and monitoring the outcomes of impact investments.

Advocacy

ART may choose to be involved in sustainable investment advocacy activities related to the legal, regulatory, and economic environment through engagement with policymakers and stakeholders directly and/or through member organisations and initiatives.

Partners

Working with other organisations and initiatives to learn, share knowledge and advocate for change can be a beneficial way to address systemic risks such as climate change, and also an effective use of resourcing.

ART maintains membership in several professional organisations that specialise in sustainable investment. ART will consider active participation in member organisations and associated working groups in appropriate circumstances and after taking into account regulatory guidance and legal obligations.

Memberships will be reviewed on an annual basis.

Sustainability factors

The type of sustainability factors that may be financially material within an investment portfolio can vary significantly depending on a range of variables, such as the specific company, its sector and the geographic location of the investment.

Climate change and modern slavery are key sustainability factors that will remain enduring research areas. Climate change presents a systemic risk, whilst both issues are subject to regulatory oversight.

Climate Change

ART recognises that climate change poses material financial risks. Accordingly, ART will seek to manage climate-related risks and opportunities in the investment portfolio. ART has a target to achieve a net zero greenhouse gas emissions investment portfolio by 2050 (NZE2050) aligned with the Paris Agreement goal of limiting global warming to well below 2°C (Scope 3 category 15 (investments) emissions) (“the NZE2050 target”).

ART has interim climate-related targets against which it measures the progress of the investment portfolio towards NZE2050 target. ART publishes a Net Zero 2050 Roadmap (Roadmap) on the ART website along with annual public reporting on climate change (see **Reporting**). The Roadmap outlines the interim climate-related targets and how ART proposes to transition the investment portfolio towards a net zero economy as at the time of publication of the Roadmap.

Modern Slavery

The *Modern Slavery Act 2018* (*Cth*) requires large organisations, such as ART, to report on how they identify, assess and address modern slavery risks in their operations and supply chain. ART has established a Modern Slavery Policy that outlines its approach to meeting these regulatory requirements.

Consistent with this Modern Slavery Policy, this SI Policy establishes the sustainable investment approaches that may apply to meet ART’s regulatory obligations as it relates to modern slavery risks in the investment portfolio.

Internal guidelines support implementation of these approaches by outlining how ART may identify and, where possible, seek to address the risks of modern slavery in its investments.

ART reports annually on its approach to seeking to address modern slavery in the investment portfolio in accordance with the requirements of the *Modern Slavery Act 2018 (Cth)*.

3. Roles and Accountabilities

The Trustee, as represented by the Board, is at all times responsible for ART's investment. Whilst the Board retains ultimate responsibility for ART, it has established several Committees which deal with issues requiring a level of specialist knowledge and additional time to focus on the relevant matters. The Investment Committee has oversight of sustainable investment, including climate-related risks and opportunities, amongst other investment related considerations. The responsible executive is the Chief Investment Officer (CIO).

The Audit and Finance Committee has oversight of climate-related reporting obligations. The responsible executive is the Chief Financial Officer (CFO).

The Investment Governance Framework outlines the roles and responsibilities and delegations, amongst other matters, for the Investment team, including the Sustainable Investment & Planning (SI&P) team. Management investment delegations, established by the CIO, provide authority levels for delegations assigned by the Board to the Investment team. These delegations guide decision-making and implementation under this SI Policy, where relevant.

The Sustainable Investment & Planning team is responsible for the design of sustainable investment policies, guidelines and processes and their implementation, including maintaining and monitoring of this SI Policy.

The SI Policy is reviewed and approved by the Board on at least a two-yearly basis.

Remuneration

For the Investment team, sustainable investment, including climate change related measures, may be included in an individual's annual performance planning where appropriate. Individual performance may contribute to a portion of remuneration through short-term and long-term incentives.

Training

The ART Fit and Proper Policy (F&P Policy) outlines sustainable investment, including climate-related risks and mandatory disclosures, as one of the competency areas for the ART Board and the skill level required as a collective. The F&P Policy outlines the commitment by the Board to ongoing professional development, including in relation to sustainable investment.

The Investment team engages in training, development and knowledge sharing on sustainable investment, from internal and external sources throughout the year.

Conflicts of Interest

ART has a Conflict Management Policy. The Conflict Management Policy applies to all decision-making in relation to sustainable investment.

Class Actions

As part of ART's investment portfolio, the Trustee holds shares in companies. From time to time, a company may become subject to a class action. ART has a Shareholder Class Action Policy which outlines the parameters and key issues for consideration in relation to ART's participation in shareholder class actions.

4. Risk Management

A Board approved ART Risk Management Framework (RMF) details the systems, structures, policies and processes (including reporting) and people (roles) that manage risk. In line with the RMF, sub-risks and controls are established to give effect to this SI Policy.

Effectiveness of controls, as it relates to this SI Policy, are assessed on at least an annual basis.

5. Reporting

An internal report will be prepared on sustainable investment activities related to this SI Policy, on at least an annual basis. This report will be submitted to the Investment Committee and other relevant Board sub-committees, as required. Reporting will also be provided to relevant internal management committees and stakeholders.

ART will disclose its sustainable investment activities, on either a voluntary or mandatory basis, annually on the ART website. This disclosure will be accessible to members, employers, and other external stakeholders. The aim of this disclosure is to provide a summary of ART's sustainable investment activities related to this SI Policy over the reporting period and meet regulatory reporting obligations, where required.

This document, along with other material published publicly in relation to ART's sustainable investment activities, is prepared in accordance with internal Due Diligence Committee requirements, which govern the preparation, review and verification of the material prior to its publication.

ART will seek to communicate sustainable investment related information in a clear manner, accessible to members. Members are encouraged to provide feedback on ART's sustainable investment activities. Feedback can be submitted on the ART website.

6. Definitions and Key Terms

Integration The explicit and systematic inclusion of financially material sustainability factors in investment processes and decision-making. For ART, this is largely achieved through the selection of new external investment managers and monitoring of existing external investment managers' sustainable investment activities.

Impact Investing Investments where ART directs investment capital to deliver financial returns in line with members' best financial interests, while also seeking to generate positive, measurable, social and/or environmental outcomes.

Exclusions (Screening) [1] Applying rules based on defined criteria that determine whether an investment is permissible. ART applies negative screening rules, which we call ***Exclusions***, that determine when an investment is not permitted.

Scope 1[2] Direct emissions from owned or controlled sources

Scope 2[2] Indirect emissions from the generation of purchased energy

Scope 3[2] All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Scope 3 category 15 (investments) emissions[2] Includes scope 3 emissions associated with the reporting company's (ART's) loans and investments in the reporting year. For ART, this could include **Scope 1, 2** and **Scope 3** financed emissions from investments. The applicable scopes will be specified in any disclosures.

Stewardship The exercising of ownership rights to protect value and enhance governance and long-term returns undertaken by ART through company engagement and proxy voting.

Sustainability factors Climate and sustainability-related risks and opportunities that can be financially material for companies, sectors and markets and therefore, investment portfolios.

Sustainable investment Also known as responsible investment, is a broad approach to investing incorporating financially material sustainability factors (which include, among other factors, labour standards and climate change), into investment processes and decision-making, alongside other traditional financial considerations. Approaches include Integration, Stewardship, Exclusions, Sustainability-themed Investing and Impact Investing.

Sustainability-themed Investing (**Thematic Investing**)[1]. Selecting assets to access specified trends, such as investment in climate-related opportunities.

[1] Adapted from the 2023 CFA Institute, Global Sustainable Investment Alliance. Definitions for Responsible Investment Approaches

[2] Adopted from PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.