

# Responsible Investment Leaders Funds

## Charter of Operation

### Responsible Investment Leaders investment criteria

The Responsible Investment Leaders range of funds ('Range') has a long-term investment strategy recognising that broader environmental, social and ethical considerations, labour standards and corporate governance factors can impact long term business success. The Range will invest through managers, or in funds, which have a demonstrable system for taking these matters into account.

### Manager selection approach

The process used for identifying managers for selection involves three key elements:

#### 1. Assess managers based on financial and social and environmental factors

Managers will be selected based on their traditional financial assessment process and their ability to factor broader social and environmental factors into company selection. While financial assessment is the primary consideration, there is growing evidence that insights on social and environmental factors can give insights into intangible assets of a company, and its market valuation.

Specifically the Range will strive to seek out managers who are identifying leaders across industries in their responsible approach in a range of areas including:

- Ethical considerations including meeting fundamental human rights, articulating and implementing a Code of Conduct
- Labour standards including Occupational Health and Safety, International Labour Organisation (ILO) standards, working conditions and exclusion of child labour
- Social considerations including indigenous relations and community involvement
- Environmental considerations including energy and resource use and product stewardship (for example, where a company takes into account the life cycle of the product, from manufacture to the extent to which the product can be recycled)
- Governance considerations - including meeting corporate governance guidelines on board structures and remuneration.

Further towards the goal of seeking responsible investment, investment managers will also be well regarded if they actively participate in corporate engagement and corporate governance initiatives on behalf of the Range.

#### 2. Exclude investment in areas of high social impact

The Range will avoid companies operating within sectors with recognised high negative social impact. This means the Range will avoid exposure (either directly or indirectly through underlying managers and funds) to companies with a material exposure to the production or manufacture of tobacco, nuclear power (including uranium), armaments, gambling, alcohol and pornography. Material exposure is considered to be where a company derives more than 10% of its total revenue from these industries.

#### 3. Selecting optimal manager combination

When selecting managers consideration will be given to style and risk diversification of the manager, with the aim of generating a style neutral blend.

## Asset class focus

The products within the Range will invest in a wide range of asset classes. The responsible investment focus as described above is across the RIL Range for listed equities; and for corporate bonds within fixed interest (for RIL Balanced only initially). Additionally, for direct property, environment considerations are taken into account. Over time, other asset classes will also be targeted for responsible investment.

## Manager selection

When selecting managers, **in addition** to considering the capacity to deliver strong financial returns and the risk/diversification characteristics of the manager, weight will also be given to the manager's ability to substantially meet the Responsible Investment criteria outlined in this Charter. As a minimum the managers should meet the negative screening criteria. Managers will also be well regarded if they can apply stricter negative criteria than those listed above on behalf of the Range.