

Future Super's Impact and Screening Strategy

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Future Super's Investments and Impact

Future Super Invests in four broad asset classes - listed equities (domestic and international), fixed interest (domestic and international), alternatives and cash.

We take a whole-of-portfolio approach to the ethical screening and impact of our investment strategy for the fund. This means that we consider how each investment and asset class may have exposure to ethical risks or impact opportunities, as well as how they can work together to produce the best possible outcomes for investors.

Asset class	Impact strategies & tools
Listed equities (Domestic and International)	<ul style="list-style-type: none">• Negative screens• Positive screens• Stewardship (voting and engagement)• Ongoing monthly ethical monitoring
Fixed interest (Domestic and International)	<ul style="list-style-type: none">• Negative screens• Positive screens (i.e. Green bonds)• Stewardship (engagement)• Fund manager reviews• Impact investments• Ongoing monthly ethical monitoring
Alternatives	<ul style="list-style-type: none">• Negative screens• Fund manager reviews• Impact investments
Cash	<ul style="list-style-type: none">• Negative screens

By taking this approach we are able to effectively adapt our screening, stewardship and impact strategies for each investment in a manner that leverages it for the best effect while also reflecting our broader

investment and risk management strategies. Screening strategies for different asset classes are elaborated on below.

Negative and Positive Screens

A set of negative and positive screens is applied to our fund, with adjustments made as appropriate to each asset class.

“Negative screens” are the activities that are “screened out”. Companies, entities or issuers that engage in these (harmful) activities beyond the permissible limit are excluded from consideration for investment.

In addition, most asset classes also incorporate a “positive screen”. Companies, entities or issuers that engage in these (favourable) activities are given a preference for investment by the fund.

When screening, we assess companies, their subsidiaries, and other entities where the company has a controlling stake.

Guidelines for Listed Equity

Future Super’s exposure to listed domestic equity and international equity is managed primarily through investments in 2 ETFs - [Betashares Australian Sustainability Leaders ETF \(FAIR\)](#) and [BetaShares Global Sustainability Leaders ETF \(ETHI\)](#) respectively.*

Below is a list of negative screens applied to our domestic and international equity investments, along with explanatory notes about how each screen is used.

When looking at direct exposures we are assessing whether the company has business activities that are excluded within the company, its subsidiaries or entities where it has a controlling stake. These direct exposures are usually a source of revenue for the company, or that come about as part of that company doing their revenue-earning activities. For example, a company whose business activity is coal mining has a direct exposure to fossil fuels. In most cases, we take a zero tolerance approach to direct exposures to excluded activities.

We also exclude companies we consider to be indirectly exposed to excluded activities, where those indirect exposures are considered to be specific to and significant for the excluded activity. We make the distinction between exposures that are an ordinary part of business (like providing office furniture or having minor shareholdings in a treasury portfolio) and ones where the exposure is specific to and significant for the excluded activity, like the provision of a train to a coal mine or engineering

services tailored to fossil fuels or nuclear energy. As the exposure needs to be significant, there is usually a de minimis exposure allowed to indirect exposures to excluded activities.

Industry / Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
Fossil Fuels - direct	0%	Companies which have fossil fuel reserves, fossil fuel infrastructure, or are involved in the mining, extraction, burning of fossil fuels.
Fossil Fuels - indirect	5% for products and services. Exclude the largest global financiers of fossil fuels, and financiers of significant fossil fuel infrastructure	Companies which provide products, services or finance which is specific to and significant for the fossil fuel industry.
Gambling	0% for casinos, manufacture of gaming products, and poker machine operations 5% for specific and significant services to the industry, including distribution of gambling products	
Tobacco	0% for production or manufacture 5% for specific and significant services to the industry, including sale of tobacco products	
Uranium and Nuclear Energy	0% for uranium mining and nuclear energy	

	5% for specific and significant services to nuclear energy	
Armaments and Militarism	0% for manufacture of armaments and weapons 5% for specific and significant services to military and armaments manufacture	
Destruction of Valuable Environments	n/a	Companies which have a direct negative impact on recognised UNESCO World Heritage and High Conservation areas.
Animal Cruelty	0%	Companies involved in live animal export, animal testing for cosmetic purposes, (intensive) factory farming, or controversial animal products (ivory, foie gras etc.).
Chemicals of Concern	0%	Companies which produce or use chemicals of concern recognised by the UN Environmental Program. Australian equities: also excludes producers of agricultural chemicals.
Mandatory Detention of Asylum Seekers and For-Profit Prisons	0%	Companies which operate detention centres or provide specific and significant services to detention centers. Global equities: also excludes companies that own for-profit prisons
Alcohol	20%	Companies which produce or sell alcohol.
Junk Foods	33%	Companies which produce or sell junk foods.

Pornography	0% for production of pornography 5% for specific and significant services to the industry, including distribution	Companies which produce or sell pornography.
Labour Rights	n/a	Evidence of direct and systemic labour rights violations including child labour, forced labour, sweatshops, bribery and corruption.
Board Diversity	n/a	No women on board of directors or the equivalent level
Payday Lending	0%	Australian equities: companies that offer payday lending (or equivalent) services
Controversy	n/a	Companies which engage in activities against the ethics of the fund that are not captured neatly by the negative screens listed above.

As for positive screens, international equity (including ETHI) favours climate leaders - defined as companies operating with superior carbon efficiency relative to their industry peers.

For domestic equity (including FAIR), preference is given to companies with material revenues (above 20%) from a range of specified activities deemed to be sustainable, such as healthcare, green buildings, renewable energy and technology.

Guidelines for Fixed Interest

When screening for potential fixed interest investments, we consider both the use of proceeds (UoP), as well as the issuer exposure to different negative screens. This ensures two things:

- 1) Every fixed income investment is protected from direct exposure to activities like fossil fuels, tobacco, armaments or uranium/ nuclear energy

- 2) We do not invest in issuers who derive more than 5% revenue from these activities/ industries (while hoping to incentivise transition toward climate solutions)

A portion of our fixed interest portfolio invested in managed funds that combine negative screens with investment in green bonds via [BetaShares Sustainability Leaders Diversified Bond ETF - Currency Hedged \(GBND\)](#)* and the Artesian Green and Sustainable Bond Fund. These sit alongside direct investments in liquid fixed interest assets.

Further, a significant portion of our fixed interest investments are considered to be impact investments that directly address climate change and inequality. These investments include assets that, for example, directly fund new renewable energy infrastructure or new affordable housing. These types of assets are discussed in the next section.

Below is a list of negative screens applied to **UoP** of our fixed interest investments, along with explanatory notes about how each screen is used.

Industry / Activity	Exposure Limit Guidelines (% of total revenue)
Fossil Fuels - direct	Must be able to demonstrate 0% exposure of funds to fossil fuel reserves, fossil fuel infrastructure, or involved in the mining, extraction, burning of fossil fuels (all kinds of coal, oil, and gas exposures).
Fossil Fuels - indirect	Proceeds should be protected from sites, products, and services which are specific to and significant for the fossil fuel industry; as well as companies with very high use of fossil fuels. (e.g. rail infrastructure for the transport of fossil fuels, other provision of green infrastructure for fossil fuel sites including solar for powering mines or petrol stations).
Gambling	Impacted sites and activities must have no links to the provision of gambling services (e.g. using proceeds for a casino to put solar on the roof would fail this screen).
Tobacco	Impacted sites and activities must have no links to the production of tobacco products.
Uranium and Nuclear Energy	Must be able to demonstrate 0% exposure of funds to uranium mining and nuclear energy generation.

Armaments and Militarism	Must be able to demonstrate 0% exposure to armaments and weapons (this is a very broad definition, capturing weapons of all kinds including handguns and nuclear bombs. It also flags companies included in digital support to the production of weaponry, such as targeting systems, or autonomous armoured vehicles, etc.).
Animal Cruelty	Must be able to demonstrate 0% exposure to activities which are cruel to animals (e.g. no solar for abattoirs or live animal export infrastructure, or for labs which undertake animal testing).
Mandatory Detention of Asylum Seekers / for profit prisons	Impacted sites must not have links to the detention of asylum seekers or for-profit prisons, including in some cases government and judicial sites where legislation and court decisions may be made that produces these outcomes.
Alcohol	Avoiding the provision of proceeds to locations like breweries.
Junk Foods	Avoiding the provision of proceeds for factories or locations that are involved in the production or junk or fast foods.
Controversy	Companies or projects subject to significant controversy risk, particularly with activities against the values of the fund (e.g. a controversial hydroelectric project or other project that may have indigenous rights concerns, or greening activities for sites or customers that have controversy issues)

Below is a list of negative screens applied to **issuers** of our fixed interest investments, along with explanatory notes about how each screen is used.

Industry / Activity	Exposure Limit Guidelines (% of total revenue)	Explanatory notes
Fossil Fuels - direct	0%	Companies which have fossil fuel reserves, fossil fuel infrastructure, or are involved in the mining, extraction, burning of fossil fuels. OR up to 5% revenue exposure if there is effective, enforceable ring fencing of U.o.P. to

		guarantee no funding exposure to these activities, particularly when the case can be made that the company is transitioning to renewable energy.
Fossil Fuels - indirect	<p>5% for products and services.</p> <p>Exclude the largest global financiers of fossil fuels, and financiers of significant fossil fuel infrastructure</p>	<p>Companies which provide products, services or finance which is specific to and significant for the fossil fuel industry.</p> <p>UNLESS the issuer is acting on behalf of other service providers in issuing the green product and the green product has effective, enforceable ring fencing of U.o.P. to guarantee no funding exposure to these activities.</p>
Gambling	<p>0% for casinos, manufacture of gaming products, and poker machine operations</p> <p>5% for distribution of gambling products</p>	
Tobacco	<p>0% for production or manufacture</p> <p>5% for sale of tobacco products and specific and significant services to the industry</p>	
Uranium and Nuclear Energy	<p>0% for uranium mining and nuclear energy</p> <p>5% for specific and significant products and services to nuclear energy</p>	
Armaments and Militarism	<p>0% for manufacture of armaments and weapons</p> <p>5% for specific and significant services to military and armaments manufacture</p>	

Destruction of Valuable Environments	0%	Companies which have a direct negative impact on recognised UNESCO World Heritage and High Conservation areas.
Animal Cruelty	0%	Companies involved in live animal export, animal testing for cosmetic purposes, (intensive) factory farming, or controversial animal products (ivory, foie gras etc.).
Chemicals of Concern	0%	Companies which produce or use chemicals of concern recognised by the UN Environmental Program.
Mandatory Detention of Asylum Seekers and For-Profit Prisons	0%	Companies which operate detention centres or provide specific and significant services to detention centers. Companies that own for-profit prisons.
Alcohol	20%	Companies which produce or sell alcohol.
Junk Foods	33%	Companies which produce or sell junk foods.
Pornography	0% for production of pornography 5% for distribution of pornography	Companies which produce or sell pornography.
Labour Rights	n/a	Evidence of direct labourhuman rights violations including child labour, forced labour, sweatshops, bribery and corruption.
Board Diversity	n/a	No women on board of directors or the equivalent level
Controversy	n/a	Companies which engage in activities against the ethics of

		the fund that are not captured neatly by the negative screens.
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As for positive screens, [certified](#) green bonds are prioritised in our liquid fixed interest investments. These bonds are issued specifically to fund projects with environmental or climate benefits, and have independent reviews and annual reports to account for the use of these proceeds. As a result, the money invested in green bonds is ring fenced from financing activities that do not align with the fund's values, while simultaneously signalling and incentivising issuers to transition toward projects with financial and climate welfare.

Guidelines for Alternative and Impact Investments

Future Super also has exposure to alternative assets, many of which are classified as impact investments. All alternative investments are negatively screened to ensure they align with Future Super's values. Additionally, impact investments are assessed to ensure they meet our impact baseline, i.e. meet our criteria for either a climate or equality focused investment.

The considerations for the impact baseline are outlined in the table below:

Dimension	Description	Expectations for impact investments
Authenticity	Is the investment structured in a way that indicates the impact is intentional? Is the investee able to clearly articulate the impact & how it should be achieved and measured?	The investee should be able to present a strong case demonstrating that their actions contribute to change in the world. The capital we contribute should directly connect to the outcome (e.g. the impact should be core to the activities or form a significant part of the investment).
What	What is the outcome or impact that this investment tries to create? Does this outcome serve the needs of the stakeholders?	The outcome/impact should be closely aligned to our vision and mission (climate change and/or inequality).
Who	Which stakeholders experience the outcomes of this	There should be clear stakeholders that benefit from the

	investment? Are they underserved?	intervention, brownie points if they're underserved.
How much	What is the scale of the outcome (how many people benefit)? What is the degree or depth of change stakeholders experience? Are the benefits long term or short term?	Impact should be broadly experienced, or if there are few stakeholders than the impact must be 'deep'.
Contribution	Is our contribution meaningful? Would this change occur without this investment? Is the motivation to invest in the product based on the impact, or is it more about the financial outcomes?	Avoid investments where our money doesn't create any benefits (e.g. secondary markets with no benefit to stakeholders) – these wouldn't be 'impact investments' – we'd need to rethink the impact objective.
Risk	What's the risk that the impact won't be achieved or other negative outcomes might occur?	Avoid investments with high risk of failure (unless the failure doesn't result in loss to members and contributes to better knowledge about effective solutions)

* Future Super's impact team worked with Betashares to create the ethical mandate for all three of these ETFs, and are the contracted service providers to perform the ethical screening work. Representatives from Future Super Group make up 1 of the 3 positions on the Betashares Responsible Investment Committee (RIC). Compliance reports are provided to the RIC every month showing compliance with the values of the funds, and recommends action where required. This process ensures that the ETF products remain true to the values of Future Super Fund. The values and exposure guidelines of the products are completely transparent and available on the [Betashares website](#).