EVIDENTIA
GROUP

Evidentia Sustainable Portfolio Policy

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Evidentia has established the Evidentia Sustainable Portfolio Policy ("Policy") to guide construction of the Sustainable Portfolios. Under the Policy, Evidentia assesses the inclusion of managed funds and exchange-traded funds (ETFs) (together, "Funds") in the Sustainable Portfolios, using three sustainability criteria as listed in the table below, depending on the particular Sustainable Portfolio.

Sustainable Portfolio (Allocation to growth assets)	Sustainability Criteria		
	Carbon Intensity	Product Involvement	Sustainability Ratings
Growth (90%+)	Yes	Yes	Yes
Moderate (70%+)	Yes	Yes	Yes
Defensive (Less than 10%)	No	No	Yes

The ratings/measures under each sustainability criteria have been developed by Morningstar, Inc. (Morningstar) as part of its Morningstar Sustainability Rating methodology (Morningstar Criteria and Ratings).[1]

Evidentia uses the Morningstar Criteria and Ratings (which are assigned by Morningstar for each Fund within the investment universe of the Sustainable Portfolios) and adopts its own criteria (Evidentia Criteria), as detailed below, to determine the eligibility of a Fund within the Sustainable Portfolios.

Evidentia does not verify the data provided by Morningstar. However, Evidentia will use reasonable endeavours to collaborate with underlying fund managers of the Funds and Morningstar to (i) determine the accuracy of Morningstar's data; (ii) understand portfolio data coverage and Morningstar's calculation methodology; and (iii) make informed portfolio decisions consistent with the Evidentia Criteria.

Morningstar's data, definitions, criteria and ratings are subject to change. Evidentia's process of applying its criteria quarterly will address these changes. If there is a more significant change made by Morningstar to its methodology, Evidentia will review and update its criteria within six months of notification or identification.

[1] Refer to **morningstar.com** for more information.

Evidentia Criteria

To determine the eligibility of a Fund for inclusion within the Sustainable Portfolios, Evidentia adopts the Evidentia Criteria as follows:

1. Carbon Intensity

Evidentia uses Morningstar's Carbon Intensity measure of each Fund eligible to be included in the Sustainable Portfolios and aggregates it at the portfolio level, using a weighted average fund allocation approach[2]. It aims to ensure that Sustainable Portfolios have a carbon intensity measure that is at least 30% below the carbon intensity measure for the Morningstar Australia Target Allocations benchmark with the most similar risk profile. Morningstar calculates the carbon intensity measure for each of the relevant Morningstar Australia Target Allocation benchmarks.

A Fund's carbon intensity is calculated by Morningstar using the estimated greenhouse gas emissions (GHG) that are attributable to each underlying Fund holding, across the following:

- Scope 1: direct emissions that emanate from a company's internal operations.
- Scope 2: indirect emissions from energy production used by the company.
- Scope 3: indirect emissions in both the upstream and downstream value chains.

The carbon intensity measure is the total emissions (Scope 1,2 & 3) per $1,000 of a company's declared revenue.

Sustainable Portfolio (Allocation to growth assets)	Morningstar Australia Target Allocation Net Return AUD Benchmark (used for relative carbon intensity measure)
Growth (90%+)	Aggressive
Moderate (70%+)	Growth
Defensive (Less than 10%)	N/A

2. Product Involvement

Where determined by Morningstar's Product Involvement Methodology, Evidentia aims to limit the exposure of the Sustainable Portfolios to no more than 1% to each of the following Product Involvement areas:

- controversial weapons;
- gambling;
- thermal coal; and
- tobacco.

Exposure is generally calculated by Morningstar based on company revenue thresholds. Refer to the Appendix for detailed definitions and minimum thresholds.

The total exposures of the Sustainable Portfolios to each of the above Product Involvement areas are calculated by Evidentia by totalling the weighted average fund allocation[2] of each Fund within the Growth and Moderate Sustainable Portfolios.

[2] The weighted average fund allocation approach involves applying the relevant exposure value or exposure of each Fund to the proposed allocation/weighting of that Fund within the Sustainable Portfolios to come up with a weighted exposure value or exposure per Fund. All weighted exposure values or exposures are then summed up to obtain a final exposure value or exposure per Sustainable Portfolio.

3. Sustainability Ratings and Attributes

For a Fund to be included in the Sustainable Portfolios it must have a:

1. Morningstar Sustainable Investment Overall (SIO) attribute and a Morningstar Sustainability Rating of three or above Globes, OR
2. Morningstar Sustainability Rating that is four or above Globes.

Application of the Evidentia Criteria

The difference in application of the Morningstar Criteria and Ratings within the Evidentia Criteria across the Sustainable Portfolios is mainly driven by Morningstar data availability. For example, due to incomplete data/unavailability of data for corporate and government bonds and other short-term investments, it is not possible to accurately calculate Carbon Intensity and Product Involvement for fixed interest Funds for the Defensive Sustainable Portfolios.

In addition to data and rating/measure availability, other factors that can result in the Sustainable Portfolios not fully meeting the Evidentia Criteria include Funds:

- Not being able to effectively pursue sustainable investment practices due to the nature/type of assets they are invested in (for example, Alternatives);
- being deemed important for inclusion in the Sustainable Portfolios from a portfolio construction or diversification perspective; and
- having incomplete data[3] based on which the Morningstar ratings/measures were derived.

Evidentia will allow a maximum allocation of 25% (Maximum Threshold) to Funds (excluding Funds within the 'Cash' asset class) within the Sustainable Portfolios that do not meet the respective Evidentia Criteria (for the reasons outlined above). Please note that in response to extreme market conditions, some Defensive Sustainable Portfolios can have up to 100% allocation to Cash (if permitted within their asset allocation guidelines). Should this occur, the Defensive Sustainable Portfolio will fall outside the Evidentia Criteria and as a result will have no sustainability characteristics until the allocation to Cash is reduced below 100%.

Ongoing monitoring

Evidentia monitors the Sustainable Portfolios against the respective Evidentia Criteria and the Maximum Threshold on a quarterly basis, or more frequently if Evidentia becomes aware of any significant information (as assessed and determined by Evidentia). Any variance outside the applicable Evidentia Criteria will result in Evidentia collaborating with the relevant underlying fund manager(s) to understand the issue. If no reasonable solution can be found, a decision will be made to adjust each Sustainable Portfolio's exposure to the Fund(s) to bring it in line with the relevant Evidentia Criteria, either at the next quarterly meeting of the relevant Investment Committee or sooner if so required. Any required changes will be implemented within six months of the variance identification date, whilst also balancing the need to manage the Sustainable Portfolios in an efficient manner by avoiding unnecessary or poorly timed trading.

[3] The percentage of the portfolio with incomplete data is determined by taking the greater percentage of:
(i) non-corporate holdings to identify data gaps in Product Involvement; and
(ii) holdings with carbon intensity data not covered in the portfolio.

Appendix

Morningstar Definitions for Product Involvement Areas

Morningstar Sustainalytics defines a company's involvement in a Product Involvement Area as either Direct or Indirect and then measures this for:

- All product areas except Controversial Weapons as a range of revenue exposure (None, 0.1-4.9%, 5-9.9%, 10-24.9%, 25-49.9%, and 50-100%); or
- Controversial Weapons as a binary, yes or no.

Minimum Revenue Threshold Ranges listed below represent the minimum revenue range required for a company to be considered "involved" in a specific Product Involvement Area.

Product Involvement Area	**Defined as meeting any of the following conditions subject to Minimum Revenue Thresholds**	**Minimum Revenue Threshold Range**
Controversial Weapons	Provides an assessment of whether companies are involved in the manufacturing of controversial weapons or components or services thereof. Controversial weapons, in contrast to conventional weapons, have a disproportionate and indiscriminate impact on civilian populations, sometimes even years after a conflict has ended. Certain controversial weapons are illegal, as their production and use are prohibited by international treaties and bans. In various countries, there is legislation in place regarding investments in controversial weapons.	Binary–yes/no
Tobacco	Provides an assessment of whether companies derive revenue from tobacco products including cigarettes, cigars, tobacco, electronic cigarettes, paper used by end consumers for rolling cigarettes, filters, snuff tobacco, and so on. It includes tobacco products manufacturers, retailers, and distributors, as well as companies providing tobacco-related products or services. Tobacco is considered controversial because of the negative health consequences (cancer) of long-term use of tobacco products, also leading to substantial medical costs for society. Tobacco companies are exposed to significant financial and reputational risks as a result of legal cases and class actions brought against them.	Production: 0.1% - 4.9% Related Products & Services: 10 - 24.9% Retail: 10 - 24.9%
Gambling	Provides an assessment of whether companies derive revenue from gambling. This includes companies that offer gambling services (operation of casinos, lotteries, bookmaking, online gambling, and so on), gambling products (slot machines and other gambling devices) or supporting products/services to gambling operations. Gambling is considered controversial because it can lead to addiction, with sufferers exhibiting many of the same problems as those with substance addictions, creating severe social problems.	Operations: 5 - 9.9% Specialised Equipment: 5-9.9% Supporting Products & Services: 5-9.9%
Thermal Coal	Provides an assessment of whether companies derive revenue from mining thermal coal or from generating electricity from thermal coal. On a lifecycle basis, thermal coal is more carbon-intensive than other fossil fuel sources, while from an energy generation perspective, it is easily substitutable. Thermal coal, also known as energy coal, or steam coal, is mainly used in power generation.	Extraction: 5 - 9.9% Power Generation: 5-9.9%

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