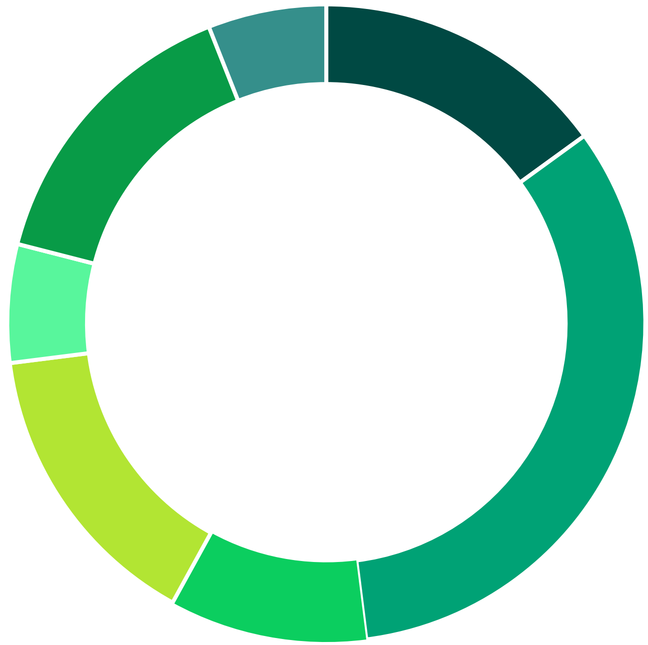
Strategic asset allocation



Asset Class	SAA %	Permitted Range %
Australian shares	15	5-30
Overseas shares	33	15-50
Property	10	0-30
Infrastructure	15	0-30
Alternatives	6	0-20
Alternative fixed interest	0	0-20
Traditional fixed interest	15	0-30
Cash	6	0-30

Future Focus

The Future Focus investment option seeks to provide members with higher exposure (when compared to the default MySuper option[1]) to investments that have been selected based on their approach to sustainability issues, including consideration of Environmental, Social and Governance (ESG) factors in the investment process.

This is a diversified option, that invests mainly in growth assets such as shares, property, and infrastructure, with the balance invested in more stable assets like fixed interest and other defensive assets.

Catholic Super has set specific sustainability criteria for each asset class, as outlined in the How we invest your money guide. The various asset classes may have other investment restrictions applied based on ESG grounds; these are outlined below.

[1] As well as other options on the Choice menu

Overseas Shares – sustainable development focus (target 50% of asset class)

This portion of the option will invest in a range of international companies that are considered by the investment manager to be well positioned to contribute to, and benefit from, sustainable development.

The investment manager has a strong conviction that such companies face fewer risks and are better placed to deliver positive long-term, risk-adjusted returns.

Even if they meet these criteria, this investment manager seeks to avoid[2] companies that:

- Generate revenue[3] from:
  a. Production of Tobacco and Tobacco products[4]
  b. weapons covered under the Ottawa (anti-personnel mines) and Oslo Conventions (cluster munitions)
- Generate more than 5% of their revenue from:
  a. Nuclear power
  b. Alcohol product production
  c. Gambling operations or provision of gambling opportunities
  d. wholesaling, distribution and provision of dedicated equipment and services for tobacco production
  e. Pornography production and sales
  f. Manufacture of armaments (weapons, strategic and non-strategic products)
  g. Energy generation from thermal coal, oil or gas
  h. Live export of animals, factory farming and/or trade in controversial products (such as ivory)
  i. Exploration or production of coal, unconventional oil & gas (including Arctic drilling, oil sands, shale energy), and conventional oil & gas.

Examples of the types of companies that may be included in this portfolio are available on under the 'Portfolio Explorer' tab on at this webpage[5].

Overseas Shares – climate change focus (target 50% of asset class)

This portion of the option will invest in a range of international companies that are considered by the investment manager to be beneficiaries of sustainable decarbonisation. Each company must exhibit the below characteristics:

- Structural growth aligned to sustainable decarbonisation;
- Competitive advantages over peers; and
- Sustainable returns.

Even if they meet these criteria, this investment manager seeks to avoid[2] companies that:

- are directly involved in the manufacture and production of controversial weapons (including biological and chemical weapons, cluster munitions and landmines); or
- Generate more than 5% of their revenue from:
  a. the manufacture and sale of tobacco products
  b. generation of power from coal.
  c. mining of coal for energy production (thermal coal)
  d. the exploration, production and refining of oil and gas.

The companies selected are typically committed to renewable energy, electrification and/or resource efficiency. While the investment managers selection criteria might result in certain country and sector biases i.e. favouring industrials, utilities, technology, materials, chemicals and automotive sectors, this does not translate into any expected structural style or factor biases, apart from an expected bias to ESG factors.

Examples of the types of companies may be included in this portfolio are available here[6].

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[2] Please note from time to time a company may be involved in activities listed for exclusion but still included in the portfolio. This may occur, for example, when the company does not earn or record revenue from an activity (for example it may be developing a new product or building a new mine), this may also occur due to delay in data coverage and/ or company reporting.

[3] Revenue is used here and through the document to refer to the income derived by a company from the relevant activity in a fiscal year. A company's revenue-based involvement is assessed based on either: actual revenues or percentage of revenues derived from the relevant area of involvement reported by the company; or, where a company does not report this information, an estimate of the revenue based on, for example, a review of business segment revenues, sales data and/or quantity and quality of disclosed product information.

[4] Including cigarettes and cigars

[5] https://www.stewartinvestors.com/au/en/institutional/our-strategies/worldwide-strategies/worldwide-sustainability.html

[6] https://ninetyone.com/-/media/documents/insights/91-global-environment-2021-annual-review-institutional-en.pdf

Australian Shares

This portion of the option invests in a range of Australian shares across the 300 largest companies in the country (ASX300).

Before selecting how much to invest in each company the investment manager removes companies that don't meet the criteria set out below from the investment universe.

This means that the investment manager seeks to avoid[2] Australian companies that:

- Generate 5% or more of their revenue from:
  a. Gambling[7]
  b. Production of tobacco and tobacco products[8]
  c. Weapons and armaments[9]
  d. Manufacture and production of controversial weapons[10] as well as nuclear weapons
- Generate 10% or more of their revenue from:
  a. Uranium mining
  b. Manufacture (production) of alcoholic beverages
  c. Mining of coal for energy production (thermal coal)
  d. Extraction of oil and gas (including oil sands)
- Generate 25% or more of their revenue from:
  a. Generation of electricity based on oil, gas or thermal coal
- Generate 50% or more of their revenue from:
  a. Sale (retail) of alcoholic beverages
  b. Production of tobacco related products [11]

Infrastructure

Infrastructure is the physical assets that provide an essential service to society. These are the services we use and interact with every day. For instance, we use gas, water and electricity to carry out our daily activities and we also use infrastructure, such as airports, rail and roads, to move people and goods from location to location.

Investments in this asset class demonstrate a focus on assets and technologies that will support the global transition to a lower carbon economy.

Investments in this asset class must be able to demonstrate that majority of invested capital (>75%) is directed to support reduction in carbon emissions, for example renewable energy assets, energy efficiency technologies and related infrastructure such as green data centres.

Alternatives

Investments in this asset class demonstrate a clear consideration of ESG impacts and outcomes in the investment process.

Investments in this option may change from time to time, but could include, for example, investments in private companies that aim to create or support a social or environmental cause.

Investments in this asset class must be able to demonstrate that a material portion of capital (>25%) is directed to support improvement in environmental or social outcomes.

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[7] including companies that offer gambling services (operation of casinos, lotteries, bookmaking, online gambling, etc.), gambling products (slot machines and other gambling devices).

[8] Including cigarettes and cigars.

[9] including manufacture of military weapons systems, manufacture and sale of small arms, and retail and distribution of small arms and assault weapons for civilian use.

[10] including chemical weapons, biological and cluster munitions.

[11] for example paper used by end consumers for rolling cigarettes, cigarette filter) (50% or more combined revenue).

Traditional Fixed Income

This portion of the option invests in a broad range of Australian and International Bond issuance; this includes bonds issued by companies (corporate bonds) and bonds issued by governments (and related entities) (government bonds).

This portion of the option is passively managed to track an index that excludes companies that have exposure to, or ties with, certain business activities (the benchmark indices):

- For the portion of the funds invested in Australian issuances the benchmark index is Bloomberg MSCI Australia 100mn ESG Weighted SRI Select Index; and
- For the portion of the funds invested in international bond issuances the benchmark index is Bloomberg MSCI Global Aggregate SRI Select ex-Fossil Fuels index.

The benchmark indices apply screens to avoid corporate bond issuers associated with certain business activities, subject to relevant sector classifications and/or revenue thresholds where applicable[2].

For the portion of the funds invested in international bond issuances the benchmark index also conducts a screening process in relation to government, government-related or securitised sectors. No screening is applied beyond corporate issuers for the portion of the funds invested in Australian issuances.

The definitions for screening are based on the Bloomberg MSCI ESG fixed income index methodology.

Investments that may be held in these options can be viewed here. [12]

Cash

Due to the nature of this asset class, no consideration of ESG criteria is applied when investing in cash.

Property

Unlisted Property

Investments in this asset class demonstrate a focus on unlisted property assets and funds that have a clear and defined strategy for alignment with a Net Zero economy.

Unlisted Property is the direct ownership of physical real estate, such as residential, retail, commercial and industrial assets, rather than ownership of real property through *listed* investment vehicles that are traded on the stock exchange (see below). The returns in unlisted property are generated from rental incomes as well as increases/decreases in the property value.

Funds and/or assets must be able to demonstrate a credible Net Zero Target at or before 2030 (covering scope 1 &2 emissions) and/or GRESB[13] rating of 5 stars.

Listed Property

This portion of the Fund invests in a broad range of listed property vehicles whose portfolios include real property assets all over the world.

Because these shares (or similar securities) of these publicly traded investment vehicles are traded on public markets, investments made in this asset class seek to avoid[2] companies that generate:

- 5% or more of their revenue from:
  a. Production of Tobacco and Tobacco products
  b. Manufacture and production of controversial weapons[14]
- Generate 10% or more of their revenue from:
  a. Mining of coal for energy production (thermal coal

Noting that companies meeting the above criteria may not traditionally be included in a property specific asset class.

There are no other ESG criteria applied to this asset class, however the consideration of ESG factors in the investment process is included in the overall investment criteria when selecting underlying investment managers.

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[12] https://www.blackrock.com/institutions/en-au/literature/holdings/holdings-report-esgobi-esgabi-en-au.xlsx. Tab ESGOB-ESGOBI_-Risk and exp refers to portion of the option invested in international (global) bonds and Tab ESGAB-ESGOBI_-Risk and exp refers to the portion of the option invested in Australian bonds.

[13] GRESB rating refers performance in the annual Global Real-estate Environmental and Social Benchmark.

[14] including chemical weapons, biological and cluster munitions