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# Future Super Fund - Future Super sub-plan

## Screening Approach and Product Mapping

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Future Group Investment Management Pty Ltd (FGIM) manages all the investments for the Future Super Fund (the Fund).

Future Super's mission is to create a prosperous future for both our members and the wider community that is free of climate change and inequality. Members choose Future Super because they want their super invested to certain ethical standards.

This document explains how FGIM applies negative and positive screening processes to the Fund's investments to achieve the fund's mission.

Term	Definition
Negative screening	Excluding a company or security from a portfolio based on a set criteria. Investors use negative screening in slightly different ways, but FGIM uses a one strike approach. Companies and securities that fail any negative screens will not be included in the relevant portfolio.
Positive screening	Positive screening is used to increase investment exposure to an attribute, like gender equality on boards, or an activity, like renewable energy infrastructure. Through positive screening, an investor can extend the ethical mandate from reducing harm to doing good.

Throughout this document, the investable universe refers to the universe of securities that pass the screens and could be invested in.

FGIM considers the risk to members from being exposed to an excluded (negatively screened) activity. It also considers the opportunities generated from gaining investment exposure to a positively screened activity.

These risks and opportunities can be assessed in three categories: the nature of the activity, whether the exposure to the activity is direct or indirect, and the nature of the investment exposure.

### **The nature of the activity:**

This can be split into revenue generating activities and business processes.

- *Revenue generating activities*: This refers to the activities that make money for the company. FGIM specifies a percentage threshold of revenue as reported in the financial year it will tolerate from a screened activity. For example, the revenue threshold for coal is 0%, so every coal mining company would fail that screen and be excluded.
- *Business processes, attributes, and governance standards*: This refers to how the business goes about its work. For example, if a company only elects men to its board of directors it may be excluded on that basis.

### **Whether the exposure is direct or indirect:**

Sometimes companies indirectly participate in an excluded activity. For example, a company called MMA Offshore was considered in FGIM's screening process. MMA Offshore is not directly involved in the fossil fuel industry; however, it provides vessel, subsea and project logistics services to the oil and gas industry. MMA Offshore's work for the oil and gas industry is a significant source of revenue. MMA Offshore is an example of a company that passes direct screening criteria but fails the indirect screening criteria.

### **The nature of the investment exposure:**

This refers to the type of asset and how we invest in it. This can be split into two main categories.

- *Equity (shares)*: Screening of shares focuses on the activities and attributes of that company, because purchasing shares means the Fund owns a small portion of that business and is exposed to all its attributes and activities.
- *Fixed Interest (debt)*: Investing in debt means the investor gains exposure to what that debt is funding. For example, a Westpac issued green bond, which funds renewable energy projects, passed FGIM screens. However, shares in Westpac bank did not pass screening, due to the bank's funding of fossil fuels.

### **Circumstances where investments may be inconsistent with our screens**

- We regularly review our portfolio to ensure compliance to our ethical screens. Where we identify that an asset we hold changes the nature of their business so that they no longer comply with our ethical screens, we will remove that asset from our portfolio. However, the process of selling an asset held directly or through an ETF may take some time. This means that we cannot guarantee that the Fund's underlying investments will be consistent with the investment strategy and screening processes at all times. Exposure to investments engaged in or connected with excluded activities, industries or companies may occur from time to time or in an insignificant way, notwithstanding reasonable endeavours to ensure the Fund's investments are compatible with the investment strategy and screens.
- Cash held with or through custodians or sub-custodians may be held with financial institutions which have not been ethically approved for investments.

## Attributes by asset class

The below table summarises the attributes and screening application in the Future Super sub-plan broken down by asset class. Screens apply across the sub-plan, but minor differences in screening execution across investment options has been disclosed.

Attribute	Australian Listed Equities	International Listed Equities	Growth Alternatives	Defensive Alternatives	Property	Australian Fixed Interest	International Fixed Interest	Cash
<b>Strategy</b>	We implement a primarily quantitative methodology to construct a portfolio of listed shares and Exchange Traded Funds (ETFs) having very limited to no exposure to smaller companies.		We actively manage a multi-year investment program to purchase a range of investments (equity and debt securities) that we believe can offer diversification compared to the Option's equity and fixed interest investments.			We actively manage a portfolio of securities to achieve an attractive yield and low risk of capital loss. We select bonds, funds and ETFs taking into account their maturity, creditworthiness and favour covenants that direct the use of proceeds.		We deposit and invest in money market accounts
<b>Negative screens</b>	Screen type A (applies to all options)	Screen type B (applies to all options)	Screen type C (applies to all options that hold alternative assets)		Screen type C (applies to all options that hold property)	Screen type D (applies to all options)		No negative screens apply to cash (applies to all options)
<b>Positive screens applied to part or all of the asset class</b>	Sustainability Leaders (applies to all options)	Carbon Leaders (applies to all options)	Climate Solutions (applies to Renewables Plus Growth)			Green Bonds (applies to all options)		No positive screens apply to cash (applies to all options)

## Appendix

### Negative screens:

The below tables provide a description of the screens and thresholds applied<sup>1</sup>, including indications of how these vary between investment options and asset classes.

Negative Screen	Description of what this screen excludes	Screen type A (Australian Equities)		Screen type B (International Equities)		Screen type C (Growth Alternatives, Defensive Alternatives, Property)		Screen type D (Fixed Interest) <sup>2</sup>	
		Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold
<b>Baseline Screens</b>									
Fossil Fuels	Owning fossil fuel reserves, and the mining extraction or burning of fossil fuels. Fossil fuels are viewed as all kinds of coal, oil and gas.	Yes	0%	Yes	0%	Yes	0%	Yes	0% Use of Proceeds <sup>3</sup>
Gambling	Operation of casinos and gambling facilities or production of gambling products, including poker machines.	Yes	0%	Yes	0%	Yes	0%	Yes	0%
Nuclear	Operation of nuclear energy plants and uranium mining.	Yes	0%	Yes	0%	Yes	0%	Yes	0% Use of Proceeds <sup>4</sup>
Tobacco	Production or manufacturing of tobacco products <sup>5</sup> .	Yes	0%	Yes	0%	Yes	0%	Yes	0%
Weapons (a.k.a., armaments & militarism)	Manufacturing, production, engineering or sale of armaments and weaponry.	Yes	0%	Yes	0%	Yes	0%	Yes	0%

Negative Screen	Description of what this screen excludes	Screen type A (Australian Equities)		Screen type B (International Equities)		Screen type C (Growth Alternatives, Defensive Alternatives, Property)		Screen type D (Fixed Interest)	
		Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold
<b>Supplementary screens</b>		Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold
Indirect exposure to baseline screens	Assessed as the delivery of products and services (including sales and distribution) that are specific (designed specifically for activities linked to baseline exclusions) and/or significant (i.e., without these services the activities would not be possible, such as major project financing).	Yes	5%	Yes	5%	Yes	5%	Yes	5%
Alcohol	Revenue exposure to production of alcohol (a.k.a. "production"). Also considers indirect exposure of sales and distribution (a.k.a., "sales").	Yes	Production 5% Sales 20%	Yes	Production 5% Sales 20%	Yes	Production 5% Sales 20%	Yes	Production 5% Sales 20%
Animal Cruelty	Live animal export, animal testing for cosmetic purposes, owning or operating factory farms or abattoirs, and production of controversial animal products such as ivory, foie gras, furs and exotic leathers.	Yes	0%	Yes	0%	Yes	0%	Yes	0%
Board gender diversity	Removing listed companies with Board of Directors where all board members are men.	Yes	N/A <sup>1</sup>	Yes	N/A	Yes	N/A <sup>1</sup>	Yes <sup>6</sup>	N/A <sup>1</sup>
Chemicals of concern	Production or manufacturing of controversial agricultural chemicals, or contamination of environments with harmful chemicals such as arsenic.	Yes	0%	Yes	0%	Yes	0%	Yes	0%
Destruction of Valuable Environments	Activities which have a direct negative impact on recognised	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>

Negative Screen	Description of what this screen excludes	Screen type A (Australian Equities)		Screen type B (International Equities)		Screen type C (Growth Alternatives, Defensive Alternatives, Property)		Screen type D (Fixed Interest)	
		Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold	Does the screen apply	Revenue threshold
	UNESCO World Heritage or High Conservation Value areas.								
Human & labour rights	Evidence of direct, repeated and systemic labour rights violations, including child labour, forced labour, sweatshops, and significant harm to communities without adequate remediation or redress.	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>	Yes	N/A <sup>1</sup>
Junk foods	Production or sale of foods determined to have low nutritional value or possessing addictive properties such as through high sugar content or additives.	Yes	33%	Yes	33%	Yes	33%	Yes	33%
Mandatory detention of Asylum Seekers & for-profit prisons	Evidence of activities that directly enable the mandatory detention of Asylum Seekers, or the operation of for-profit prisons.	Yes	0%	Yes	0%	No	N/A <sup>1</sup>	No	N/A <sup>1</sup>
Pornography	Production of materials determined to be pornographic in nature.	Yes	0%	Yes	0%	Yes	0%	Yes	0%
Payday or Predatory lending	Lending products and services with unfair or exploitative terms that target vulnerable communities, including 'payday loan' schemes.	Yes	0%	Yes	0%	No	N/A <sup>1</sup>	No	N/A <sup>1</sup>

## Positive screens:

The below tables provide a description of the positive screens applied, including indications of how these vary between investment options and asset classes.

Positive Screen	Description of this positive screen	Positive screening outcome	Relevant asset class	Investment Options impacted
<b>Carbon Leaders</b>	<p>Companies that have a 'carbon efficiency' that places them in the top one-third of companies in their industry or are otherwise superior performers in relation to avoided emissions.</p> <ul style="list-style-type: none"> <li>Carbon efficiency: Carbon efficiency is determined by calculating the greenhouse gas emissions from a company's operations, fuel use and supply chain, divided by its annual revenue as reported in the financial year.</li> <li>Avoided carbon emissions: Superior performers in relation to Scope 4 carbon emissions are those companies involved in commercialising technologies that have net positive climate benefits through substantial greenhouse gas emissions reductions or sequestration. Companies in this category typically include those with primary business activities in renewable energy, energy efficiency, sustainable agriculture and land use, and carbon sequestration.</li> </ul>	All securities must pass this positive screen to be eligible for investment.	International equity	All investment options
<b>Climate Solutions (aka Renewables and Related Industries)</b>	<p>The multi-asset class nature of this screen means that it is designed to assist in the identification of funds and portfolios rather than securities. It creates biases to products, securities and funds that have material exposure to:</p> <ul style="list-style-type: none"> <li>Green energy</li> <li>Green transportation</li> <li>Water and waste improvements</li> <li>Decarbonisation enabling solutions</li> <li>Sustainable products</li> </ul>	This positive screen is applied for debt, equity and alternative assets, and enables the delivery of the 20% target of exposure to 'Renewables and Related Industries' noted in disclosure documents for the Renewables Plus Growth investment option.	All asset classes except cash	Renewables Plus Growth only
<b>Green Bonds</b>	<p>Green bonds are issued to fund projects that have been identified as contributing positive environmental and/or climate benefits, such as those designed to prevent or reduce pollution, improve the sustainable use of natural resources, or help in the transition to non-fossil fuel based technologies. We look to the internationally-recognised Climate Bond Initiative (CBI) to identify green and sustainable bonds that are eligible for inclusion, based on their alignment to key standards.</p>	All securities must pass this positive screen to be included in the dedicated portion of the portfolio.	Fixed Interest (partial)	All investment options
<b>Sustainability Leaders</b>	<p>A company identified as having significant business activities or attributes within one of the below categories. These categories have been identified as bringing companies into alignment with the UN Sustainable Development Goals (SDGs), though there can be no guarantee that these activities contribute to the achievement of the SDGs.</p> <ul style="list-style-type: none"> <li>Climate adaptation</li> </ul>	Creates a portfolio bias toward identified securities. Sustainability Leaders are first preference for inclusion, but other index	Domestic Equity (partial)	All investment options



	<ul style="list-style-type: none"> <li>• Nutrition, agriculture and land</li> <li>• Improved industrial processes, materials, and pollution reduction</li> <li>• Healthcare</li> <li>• Transportation solutions</li> <li>• Education</li> <li>• Water efficiency</li> <li>• Renewable energy and energy efficiency</li> <li>• Green buildings</li> <li>• Sustainable tourism</li> <li>• Sustainable and regional infrastructure</li> <li>• Social and community housing</li> <li>• Worker and consumer protection</li> <li>• Regional and community banking</li> <li>• Or possession of key certification such as B Corporations, Supply Nation, RAP Elevates, etc.</li> </ul>	<p>methodology rules (including sector caps) apply.</p>		
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All financial information is general in nature and does not take account of your personal objectives, financial situation or needs. Please read the relevant Product Disclosure Statement, Target Market Determination and Financial Services Guide available at [www.futuresuper.com.au](http://www.futuresuper.com.au) and consider speaking with a financial advisor, before making a decision to acquire, hold or continue to hold an interest in Future Super. Investments may be held indirectly via an Exchange Traded Fund (ETF) or Managed Fund (MF). See <https://www.futuresuper.com.au/how-we-invest> for more information about our screening and investment processes, and what we mean by fossil fuel companies and investments.

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<sup>1</sup> N/A revenue thresholds: Where a revenue threshold is referred to as 'N/A' this indicates that the nature of the activity assessed is a business attribute rather than a revenue generating activity as described in the 'screening approach' section above.

<sup>2</sup> For all bond issuers other than sovereign issuers.

<sup>3</sup> For certified Green bonds (i.e., green bonds who have external verification that Use of Proceeds (UoP) has ringfencing to ensure funds are dedicated to green projects) screens are applied both at a UoP and Issuer level. There remains a 0% revenue threshold for UoP, and on top of that there are requirements that Issuers must have no more than 5% revenue exposure to fossil fuels. This creates space for transitioning companies that issue green bonds to cover activities only focused on renewable and sustainable activity and have no UoP exposure to fossil fuels.

<sup>4</sup> As above but accepting very minor exposure of maximum 5% revenue to nuclear power at the *issuer level*. This accounts for some renewable energy companies that may have limited exposure to nuclear power (more common in the EU) that are issuing green bonds dedicated to non-nuclear activities.

<sup>5</sup> Does not apply to the manufacture of nicotine replacement therapies (NRT) and medication for the treatment of nicotine addiction

<sup>6</sup> Note that where issuers are government bodies or do not have boards of directors this screen cannot be applied.