Colonial First State

Thrive+ Sustainable Growth

Sustainability Report 2025

Contents

SUSTAINABLE PLUS

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About this report

This is Colonial First State (CFS)'s Sustainability Report for the CFS Thrive+ Sustainable Growth Fund (Thrive+). It documents our journey, primary actions and progress for Thrive+ to the end of 2024. The metrics and case studies in this report relate to 31 December 2024, unless otherwise stated.

The portfolio represents $51 million in funds under administration across several external investment managers, as at 31 December 2024.

This report has been prepared by CFS, with information provided by the Thrive+ investment managers. Note that all figures when referenced as 'CFS Thrive+' refer to CFS Thrive+ (Class A) portfolio, unless otherwise stated.

Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and respect the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We pay our respects to the Elders and Traditional Custodians of the past, present and emerging.

About this Artwork

Proud Aboriginal artist and Kalkadoon woman, Chern'ee Sutton, from the emu foot province around the Mount Isa area in Northwest Queensland has created an artwork to reflect the reconciliation journey of CFS. The artwork includes symbols to represent CFS, our employees and our customers, and the four areas of our Reconciliation Action Plan: Relationships, Respect, Opportunities and Governance.

The CFS purpose of 'Financial Freedom' was the main inspiration of the artwork – both the freedom to do what you love and the financial freedom to live a fulfilling life. These ideas are reflected through traditional Aboriginal designs and symbolise how CFS provides support and guidance to customers through connection, service and financial freedom.

A message from Jonathan Armitage
Chief Investment Officer

I'm pleased to present the 2024 Sustainability Report for the CFS Thrive+ Sustainable Growth Fund.

CFS acknowledges the substantial challenges society faces in achieving a sustainable and prosperous future for all. This is why we introduced our multi-asset, multi-manager sustainability fund, Thrive+.

As a leading superannuation and investment firm in Australia, our purpose is to help Australians achieve financial freedom.

We firmly believe that an organisation's management of environmental and social issues, alongside the quality of its corporate governance (ESG factors), directly influences its capacity to maintain long-term returns.

Regardless of political conditions, our Thrive+ investment managers will continue to strive for a sustainable world with shared prosperity, societal wellbeing, efficient use of resources, and a habitable climate.

We support our investment managers integrating climate action into their fiduciary responsibilities, as we believe that mitigating the risks associated with climate change is in the best interests of our investors.

Through our investment managers we continue to engage with portfolio companies on critical issues affecting their long-term success and the global economy.

We aim to demonstrate that sustainable investment leads to sustained outperformance over the long term.

At CFS many of our managers integrate a range of environmental, social and governance factors as part of the investment process. However, our sustainable growth option Thrive+ goes beyond this by being managed to sustainable investment criteria that is governed by the Thrive+ Sustainable Investment Charter.

The purpose of this report is to give you more insight into the investments within Thrive+ that align with our customers' values, and to help you pursue your financial objectives.

While appreciating that metrics and data in this area are evolving, we are determined to disclose and develop reporting for Thrive+ to inform our customers and investors about our progress. Within Thrive+ we will continue to use investment capital, active engagement and proxy voting to create the change that our customers want to see in the world, while still seeking to generate competitive returns over the longer term.

To close out the year, it is pleasing to report a one year net return in double digits at 11.35%, and two year annualised net return of 13.17%[2].

Thrive+ benefits from the strong support of the investment team and broader CFS infrastructure and funds under management.

2 Performance figure quoted is for CFS Thrive+ (Class A) portfolio to 31 December 2024.

About Colonial First State (CFS)

CFS is a diverse superannuation and wealth management business that manages and administers A$164billion[3] for over 850,000 Australians. CFS helps Australians achieve financial freedom by managing their superannuation and investments and eventually helping them convert their super savings into a pension or annuity. We also provide choice-based investment platforms to financial advisers to support client needs.

For superannuation customers, we offer an employer super product (FirstChoice Employer Super), a personal super product (FirstChoice Wholesale Personal Super) and a simpler super product, Essential Super, in partnership with the Commonwealth Bank of Australia. We also have a pension offering through the FirstChoice Wholesale Pension product. Each product has access to a wide range of investment strategies, as we believe a wide range of investment choices combined with affordable financial advice leads to better outcomes for customers. FirstChoice Wholesale Personal Super, for example, provides access to over 190 investment strategies.

We encourage our customers to receive advice from financial advisers. In addition to providing customers with a wide range of investment choices, we also help advisers manage their clients' savings and investments through our choice-based investment platforms, called wrap platforms. For example, these platforms allow advisers to purchase listed and unlisted securities on behalf of their clients, all wrapped into one account. We have 1,000+ investment options available on our wrap platforms, including managed accounts, listed securities and term deposits.

Our FirstChoice portfolio and how we invest

We have A$136 billion in funds under management (FUM) in the FirstChoice portfolio. The portfolio invests across listed equities, debt (including sovereign bonds, corporate bonds, asset backed securities and private debt), direct property, unlisted infrastructure and private equity. Across our FirstChoice portfolio we have more than 70 leading domestic and international managers who invest in and engage with companies on our behalf. Mandate agreements govern how the money should be invested, including specifying an appropriate benchmark, acceptable investments and investment ranges. Our mandate structure provides CFS transparency regarding the underlying investments.

3 All figures on this page are as at 31 December 2024.

2024 highlights

11.35%
Annual net return to December 2024[4]

$51 million
funds under management (FUM)

4 CFS Thrive+ (Class A) portfolio.

Research house and certification ratings

RIAA Sustainable Plus

CFS Thrive+ (Class A) portfolio

Lonsec – Recommended

Zenith – Approved

Platform availability

FirstChoice

CFS Edge

FirstWrap

New private equity Just Climate investment

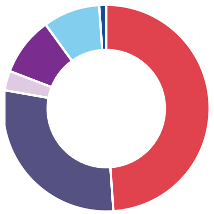
New direct infrastructure investment

Thrive+ approach to sustainability

Objective and strategy

In September 2022, CFS released its new sustainable growth fund ‘Thrive+’ to help its customers and Australians invest in a more sustainable way that better aligns with their values and objectives.

Allocation



49% **Global shares and private equity** (range: 35–55%)
Generation Global Share (Unhedged)
Just Climate Private Equity
Impax Global Opportunities (Hedged by CFS Investment team)

29% **Australian shares** (range: 25–45%)
Melior Australian Impact

0% **Property** (range: 0-15%)

3% **Infrastructure** (range: 0-15%)
Igneo Infrastructure Partners

9% **Global fixed interest** (range: 0–20%)
MetLife Investment Management

9% **Australian fixed interest** (range: 0–20%)
Pendal Sustainable Australian Fixed interest

1% **Cash** (range: 0–10%)
Colonial First State

Objective

To provide capital growth and income over the long term. To outperform the fund’s composite benchmark (see below), over rolling three-year periods, before fees and taxes.

Strategy

The fund is managed to sustainable investment criteria that encourages investment in companies with a sustainable business and strong environment, social and governance characteristics. It seeks out companies that are aiming to achieve sustainable outcomes whilst seeking to avoid companies, that in the view of CFS and the Thrive+ investment managers, will have an adverse effect on the environment or society. This fund is governed by the Thrive+ Sustainable Investment Charter which details the Manager’s approach and process to sustainable investment and exclusions. Note that investment exclusions do not apply to the cash, derivative instruments, exchange traded funds and pooled unit trusts that may be used by the fund.

This fund allocates to growth assets, such as Australian, global shares, and private equity to provide potential for capital growth, and defensive assets such as fixed interest and cash. In order to provide additional diversification, the portfolio is allocated across a number of investment managers. Allocations to asset classes will generally align to the benchmark but the fund may adjust its exposure within the allocation ranges in response to changes in risk and return expectations. The portfolio aims to hedge currency risk except for part of the allocation to global shares.

In December 2024, Thrive+ made an Australian unlisted infrastructure investment managed by Igneo Infrastructure Partners.

The objective for the fund includes a reference to a composite benchmark. This composite benchmark may be subject to change at any time within the allocation ranges:

- 1.0% Bloomberg AusBond Bank Bill Index
- 8.0% Bloomberg AusBond Composite 0+Yr Index
- 9.0% Bloomberg Global Aggregate Index (AUD hedged)
- 4.0% MSCI All Country World ex Australia Net Index
- 18.0% MSCI All Country World ex Australia Net Index Hedged AUD
- 19.0% MSCI World ex Australia Net Index
- 5.0% MSCI Emerging Markets Index
- 4.0% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index – NAV-Weighted Post-Fee Total Return (All Funds)
- 28.0% S&P/ASX 300 Accumulation Index
- 4.0% MSCI Australia Quarterly Private Infrastructure Index (Unfrozen) – Post-fee Total Return (50th Percentile)

We seek out companies that are aiming to achieve sustainable outcomes in the following themes

Climate change

Addressing climate change, delivering climate change solutions and benefit from the transition to net zero emissions.

Resource efficiency

Addressing the need to use/protect scarce natural resources wisely and manage waste sustainably.

Sustainable communities

Addressing the need for affordable housing and encouraging inclusive and sustainable communities.

Healthcare

Addressing healthcare challenges and focusing on wellbeing and nutrition.

Diversity & Inclusion

Addressing gender and racial/ethnic diversity and inclusive challenges at all levels of the workforce.

We seek to avoid[5] companies involved in the following activities

Certain fossil fuels[6]

Derive more than 5% of gross revenues[7] from:

Thermal Coal

Thermal coal mining, extraction, production, refining or processing.

Oil & Gas – Conventional/Unconventional

Oil and gas exploration, production and refining. Oil includes oil sands, tar sands, shale oil. Gas includes Coal Seam Gas, shale gas and coal bed methane.

Fossil Fuel Utilities

Thermal coal power generation.

Pornography

Production of adult entertainment.

Gambling

Own or operate gambling facilities, online gambling websites or platforms, or mobile applications.

Weapons

Nuclear

Manufacture and/or store fissile materials used in/for nuclear weapons. Manufacture nuclear warheads and/or missiles. Produce uranium for nuclear weapons.

Controversial

Manufacture of whole weapon systems, delivery platforms or components of cluster munitions; production of whole weapon systems or components of landmines and biological or chemical weapons; production of depleted uranium weapons, blinding laser weapons, incendiary weapons, or weapons with nondetectable fragments.

Conventional

Manufacture of conventional weapons such as Military Weapons that are not controversial weapons. This means that conventional weapons would typically not have the potential to cause excessive or indiscriminate harm, violate international norms, or mass destruction.

Tobacco & nicotine alternatives

Production of tobacco, including nicotine-containing products, (traditional and alternative tobacco smoking products). This also includes companies that grow or process raw tobacco leaves.

Alcohol

Production of alcohol, including brewers, distillers, and vintners.

Predatory lending

Unscrupulous lending practices that provide credit that incorporates interest rates, fees and/or contractual terms that do not reflect appropriate risk-based pricing and are unfair on borrowers.

5 An exemption applies to some fixed income investments 'use of proceeds' securities such as green, social, and sustainability bonds issued by companies, that may have otherwise been screened out, to fund projects with dedicated environmental and/or social benefits and to government, government related/ supranationals. Exemptions do not apply to sustainability-linked bonds. Note that the stated exclusions do not apply to cash, derivative instruments, exchange traded funds and pooled unit trusts.

6 In certain circumstances, there may be an exception to the less than 5% revenue threshold if a company has publicly reported, in line with the Task Force on Climate-related Financial Disclosures (TCFD), on its progress to net zero by 2050 with a clear transition plan that also addresses the decommissioning, rehabilitation and social impacts of the transition. This will only be considered for a company where the excluded fossil fuel revenues remain a small part of their overall revenue.

7 We use a third party data provider to supply threshold data and they will generally provide this for total or gross revenue. However, where this is not available they will consider net sales or operating revenue as reported by the company in its financial statments for the purpose of revenue estimations.

Thrive+ encourages investment in companies with a sustainable business and strong environment, social and governance (ESG) characteristics. The investment criteria is governed by the Thrive+ Sustainable Investment Charter.

At CFS, we consider a double materiality approach when building the Thrive+ portfolio. We assess both:

1. The ESG risks that are material to the investment company's value
2. The degree to which a company's activities and products affect the environment and society

Approach and process

Thrive+ is a multi-sector, multi-manager portfolio that provides our customers with access to active managers, each of whom have a sustainable focus. The investment managers align with our dual purpose of achieving competitive returns, together with positive outcomes for the environment and communities.

Dual purpose

Aims to achieve competitive market returns and promote positive outcomes for our environment and communities.

Diversified solution, actively managed

Multi-asset, multi-manager fund providing access to managers who invest with a focus on sustainability.

Strong advocacy and engagement

Leveraging EOS at Federated Hermes (EOS) and investment managers to drive positive change for a sustainable future.

Thrive+ is managed in line with sustainable investment criteria that encourage investment in companies with strong environmental, social and governance characteristics, and seek to avoid investments in certain companies or activities that harm the environment or society.

Especially critical for Thrive+ is the process around inclusions and exclusions. Our managers must adhere to our exclusion list which specifies investments to avoid, while also encouraging our managers to invest along certain themes in companies that bring about positive social change or benefit to the environment.

While exclusions form part of the investment management agreements with our appointed managers, the inclusions reflect the themes that our customers told us were important to them[8] and formed a core part of our manager selection criteria. The focus on individual themes may vary across different managers and as opportunities present themselves but will be subject to continued discussion and ongoing evolution.

8 The CFS Sustainable Investments Quantitative Research Report, August 2022, prepared by SEC Newgate Research.

The key sustainability criteria for investment managers include investment in companies that generate positive change by supporting people, planet and policy.
In practical terms, this includes:

- climate change solutions and benefits from the transition to net zero emissions
- resource efficiency, by addressing the need to use scarce natural resources efficiently and sustainably
- sustainable communities, such as affordable housing and sustainable communities
- healthcare
- diversity and inclusion within the workforce.

As well as the exclusions and inclusions for investments in Thrive+, an important part of the process involves active ownership.

Active ownership, through voting at company meetings and engagement with company management, is a way to use our influence as a shareholder in a company to affect the way it does business. The aim is to improve the sustainable business conduct of the company and to deliver better long-term returns.

Our Thrive+ investment managers, and our stewardship provider, EOS at Federated Hermes (EOS), use engagement and strong advocacy to drive positive change for a sustainable future.

Governance of Thrive+

All CFS products have a very strong investment governance structure, which is captured within CFS's superannuation and non-superannuation responsible investment policies. These policies are reviewed and approved by the relevant boards periodically.

The responsible investment policies were last updated in September 2024.

Over and above the processes and procedures followed for other CFS products, Thrive+ has an additional layer of governance through the CFS Sustainable Investment Governance Committee (SIGC), which includes an external independent member.

The objective of the CFS SIGC is to oversee adherence to the Thrive+ Sustainable Investment Charter.

Deep dive on themes

There are five themes listed in the Thrive+ Sustainable Investment Charter, which encompass the type of companies we look to invest in.

1

Climate change

Addressing climate change, delivering climate change solutions and benefiting from the transition to net zero emissions.

2

Resource efficiency

Addressing the need to use and protect scarce natural resources wisely and manage waste sustainably.

3

Sustainable communities

Addressing the need for affordable housing and encouraging inclusive and sustainable communities.

4

Healthcare

Addressing healthcare challenges and focusing on wellbeing and nutrition.

5

Diversity and Inclusion

Addressing gender and racial/ethnic diversity and inclusive challenges at all levels of the workforce.

The following individual case studies[9] observe these themes and illustrate the type of companies that form the Thrive+ portfolio. Note that our investment managers will not only invest in these companies for their sustainability credentials but when they also satisfy the financial conditions for strong investment.

9 Source: Thrive+ investment managers.

1 Climate change

This theme comprises investments that seek to address climate change, deliver climate change solutions and those that will benefit from the transition to net zero emissions.

Sandfire

Asset class Australian equity

Region Australia

Who they are

Sandfire Resources (SFR) is one of the largest copper-focused companies on the ASX, with operations that extend across Australia, Botswana, Spain and the USA.

What they do

SFR is assisting in the transition to clean energy through providing the critical materials needed for energy storage, electricity networks and electric vehicles.

SFR also produces zinc as a by-product at its Spanish operations, which is used predominately for construction as galvanized steel.

The company is committed to mining in a sustainable manner and demonstrates this through its decarbonisation pathway. The existing Spanish asset funds on emission free electricity supply and the company has co-funded a project to research and develop innovative water treatment solutions. SFR has also set aside $32m for the rehabilitation of its closed Degrussa mine in WA.

Why we invest

- Copper usage for renewables and grid electrification is set to grow from 13% of annual copper consumption to 24% by 2030[10].
- Copper Production: 84,056 tonnes (FY23).
- Expected production (over life of mine once ramp up of Botswana mine is complete), is enough to facilitate the construction of 141,000 MW of onshore wind capacity. (This is equivalent to more than 2.5 times the generation capacity of Australia's National Electricity Market).
- SFR's existing Spanish operations life of mine copper production is enough to facilitate 160,000 MW of onshore wind capacity.

10 International Energy Agency (IEA), The Role of Critical Minerals in Clean Energy Transitions: https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions

2 Resource efficiency

This theme comprises investments that seek to address the need to use wisely or protect scarce natural resources and manage waste sustainably.

Veolia Environnement	**Asset class** Global equity	**Region** France

Who they are

Veolia is a French utility that designs and provides water, waste, and energy management solutions globally.

What they do

Veolia's waste collection and treatment limits the spread of urban and industrial pollution into soils, bodies of water and the atmosphere. This includes investing to capture methane in Latin America.

Why we invest

- Veolia is a global leader in processing hazardous waste and helping to manage more intensely and precisely the increasing scarce resources of the globe.
- 1.1 billion m³ of wastewater reused and 61 million tonnes of waste treated in 2023.
- Approximately 8.4 million people worldwide supplied with heating from Veolia's heat networks.
- The company reduced its energy consumption by 5% and increased its energy production (a byproduct of the waste it captures) by 5% in two years[11].
- Over 90% of the company's expenditure was reinvested locally in 2023.

11 2024-veolia-esg-report.pdf.

3a Sustainable communities

This theme comprises investments that seek to address the need for affordable housing and encouraging inclusive and sustainable communities.

Sika	Asset class Global equity	Region Switzerland

Who they are

Sika is a Swiss multinational which develops chemical formulations that increase the performance, asset life and sustainability profile of the built environments.

What they do

The company provide solutions to help reduce the carbon dioxide profiles of traditional building products, support building energy efficiency, increase asset life duration and support the circularity and reuse of materials. Examples of products include concrete admixtures that help decarbonize concrete and waterproofing solutions that protect water quality and prevent leaks and contamination.

Why we invest

- Opportunities due to rising building standards in emerging markets and renovation of ageing assets in developed countries.
- 90% of Sika research and development is focused on product development along 12 sustainability criteria[12].

Sustainable innovations include:

- Using waste from steel production as an alternative to cement.
- Replacing the use of virgin sand with tailings sand in tile adhesive plants in China.
- Shift towards bio-based epoxy resins (reducing reliance on fossil resources whilst using a by-product from biodiesel production, itself a product of waste cooking oils).

12 Siska Sustainability Report 2023.

3b Sustainable communities

International Bank for Reconstruction and Development (IBRD)

Green Bond

Asset class Global bond

Region Botswana

What it is

Proceeds from the IBRD green-bond programme contribute to a range of environmental projects. One of these is the Emergency Water Security and Efficiency project in Botswana.

What it enables

The project addresses water provision, quality, and management across the country.

It provides construction of new infrastructure enabling more water supply service in drought vulnerable areas through efficient water management. Wastewater management has been enhanced through refurbishment of treatment facilities and protection of groundwater sources.

To address water management across the country, the project also focuses on institutional reform and the bolstering of the Water Utilities Corporation, the national water utility of Botswana.

In time, the project will make households and businesses in Botswana more resilient to extreme weather events, including chronic droughts, which are expected to become more frequent as a result of climate change.

Outcomes

- an additional 14,500m^3 of water has been made available per day.
- Encouraging the reuse of wastewater through enhancing wastewater treatment infrastructure.
- 2,620m^3 of additional wastewater treated per annum.
- Direct benefit to 75,000 households.
- Helping households, agriculture and businesses adapt to increased weather variability due to changes in climate.

4 Healthcare

This theme comprises investments that seek to address healthcare challenges and focus on wellbeing and nutrition.

ResMed	**Asset class** Australian equity	**Region** Australia

Who they are

ResMed (RMD) is a global leader in sleep technology with its origins in Australia. Sleep apnoea is a potentially serious sleep disorder in which breathing repeatedly stops and starts.

What they do

RMD produces a range of devices, masks and other ancillary equipment for the treatment of sleep apnoea and other respiratory conditions.

Many of its devices come equipped with cloud-connected software to help health professionals provide more personalised and timely care for patients.

Why we invest

- This is an area enormously under penetrated. Approximately 1 billion people globally suffer from moderate to severe sleep apnoea.
- Over 174 million patients in the year to June 2024 had their conditions treated.
- ResMed has successfully increased its market leading position, whilst its main competitor is operating under US Federal restrictions due to problems with its devices.
- ResMed annually invests 6-7% of revenue in research and development to improve its products.

5 Diversity and Inclusion

This theme comprises investments that seek to address gender and racial/ethnic diversity and inclusive challenges at all levels of the workforce.

Intesa Sanpaolo – Sustainability Bond

Asset class Global bond

Region Italy

Who they are

Intesa Sanpaolo SpA is Italy's largest banking group by assets and has a strong social impact and climate change mitigation.

What they do

Through its sustainability bond Intesa Sanpaolo has allocated over €9.5bn to social financing, split between access to essential services, socioeconomic advancement and empowerment, and employment generation.

One project receiving funding from Intesa Sanpaolo's sustainable bond is Associazione "SABIR". This organisation supports economic, social, educational, and cultural development and integration for disadvantaged communities in southern Italy. Among SABIR's initiatives is the construction of a centre for minors with neurodevelopmental disorders and behavioural issues, providing access to cognitive behavioural therapy sessions and assisting individuals with autism-spectrum disorders in achieving individual autonomy.

Additionally, SABIR runs projects that offer protection for victims of violence and support for people with Alzheimer's disease.

Why we invest

- 5,000 vulnerable people helped.
- 2,200 migrants have been given assistance.
- 13,000 socio-assistance interventions.
- 50 children engaged in therapy daily.
- 5 adults with autism supported in having autonomy.
- 200 protected listening sessions for victims of abuse.
- 20 elderly people with Alzheimer's supported[13].

13 Source: Intesa Sanpaolo Green and Social Bond report 2023 GSB_Report_2023.pdf page 34.

Our progress

Portfolio ESG metrics

ESG measures
(for listed equity allocation of portfolio only)

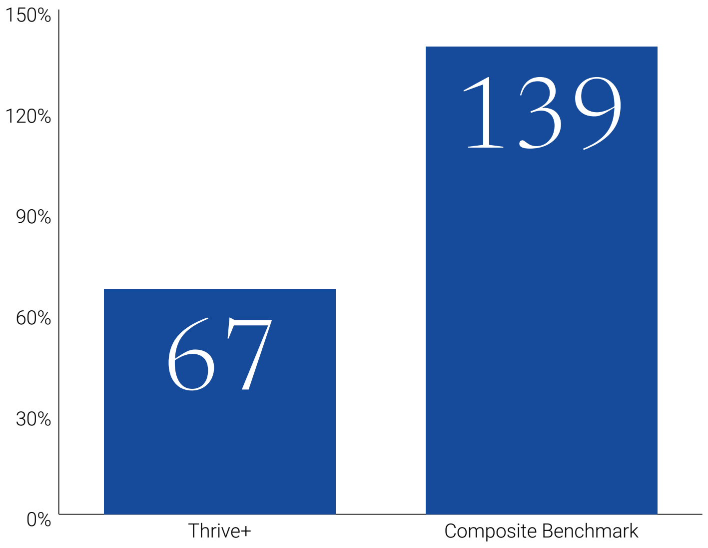
	Portfolio	Benchmark
ESG score	7.51	7.11
Environmental score	6.24	5.64
Social score	5.27	4.92
Governance score	6.45	6.29

Source: MSCI ESG Manager, CFS. As at 31 December 2024.

Unsurprisingly, when measured against a benchmark that does not specifically take ESG and climate factors into account, the fund's metrics are superior. These measures look at environmental, social, governance and combined ESG ratings, and the carbon emissions of companies held.

To learn more about MSCI ESG ratings, watch this short video.

Climate measures
Weighted Average Carbon Intensity (WACI) Scope 1& 2 (tons CO2e/$M sales)



Source: MSCI ESG Manager, CFS. As at 31 December 2024.

Weighted average carbon intensity (WACI) measures the carbon emissions of a company against its sales and is a measure of the intensity of the carbon emissions, rather than a simple total carbon emissions figure. It allows all companies, large or small, to be compared using this measure.

Greenhouse Gas Protocol provides standards and tools that help countries and cities track progress toward climate goals. It divides emissions into 3 scopes for reporting. Scope 1 is direct emissions (e.g. produced onsite) whilst Scope 2 is indirect emissions such as power used by a company. Scope 3 covers all other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. As there is very little robust disclosure of scope 3 at present, we do not include this metric in our reporting yet.

As expected, the portfolio's exposure to carbon-intensive companies is much lower than the benchmark. However, it is important for us to measure this to ensure our managers are decarbonising the portfolio over time. We have no specific target for Thrive+ portfolio with regards to its carbon footprint. However, given the philosophy of the individual managers and the type of investments they focus on, we would expect the carbon footprint to be significantly lower than the benchmark.

Although it is possible to compile a year-on-year comparison of the GHG emissions of portfolio companies, it needs to be understood that changes in portfolio composition, as well as changes in company reporting can have a significant effect on these figures from one year to the next. This is why company engagement by EOS and our managers is so important to interrogate these figures and understand the individual company's situation.

Engagements

CFS believe strongly that engagement and voting go hand-in-hand.

As our global stewardship provider, EOS provides engagement, voting and public policy support for our global equity investments. For Australian-listed equity, our appointed investment managers engage with investee companies and vote on behalf of CFS.

EOS advises on more than US$2.1 trillion[14] in assets to deliver corporate engagement and proxy voting services. The scale of the assets EOS advises on allows them to gain access to build constructive relationships with company boards on our behalf. Through our own engagement with EOS, we provide input into the engagement program that EOS will prioritise, to ensure it aligns with our own goals.

The main themes for voting that EOS focus on are aligned to their engagement themes. These are disclosed in their public engagement plan and cover:

- Climate change action
- Human and labour rights
- Human capital
- Board effectiveness
- Nature and biodiversity
- Digital rights

The work EOS does is additional to the engagement work our managers undertake and any collaborative efforts that CFS is part of.

14 As at 30 September 2024.

Jerónimo Martins

Asset class Global equity | **Region** Portugal

Jerónimo Martins are an international group based in Portugal who aim to provide access to basic and affordable food to consumers from lower income communities and those in emerging nations. The company manufactures and distributes food in Portugal, Poland, and Colombia, where it also operates supermarkets and retail stores, which focus on quality food at competitive prices.

Start of engagement

In the context of a significant increase in inflation and living costs in 2023, our manager sought to understand how companies were supporting employees in the lower paid retail workforce. With a labour-intensive business and operations based in countries experiencing high levels of inflation, this topic was particularly relevant for Jeronimo Martins.

The company has over 130,000 employees globally (over 60% in Poland).

Our manager had also noted some concerning pay practices over the last few years with respect to executive compensation. This included an excessive pension contribution to the CEO/Chair, increases in base salary not linked to performance, and no formal long-term incentive plan.

Engagement objectives

- Understand cost-of-living impacts and pay practices across workforce.
- Executive Compensation.

Progress and outcomes

Our manager engaged the company on disclosure of key aspects of executive remuneration. As a result of the less than satisfactory response they voted against the company's remuneration report at the annual general meeting in 2022 and 2023.

Following this, the company reviewed salaries amid inflation, raising entry level salaries by 7-18%, and approving extraordinary salary increases for employees not eligible for a merit increase.

Despite these improvements, concerns remain over excessive pension contributions and unexplained salary increases for executives.

Specific outcomes

- Increase entry level salaries by 7-18%.
- employees who were not eligible for a merit increase had a salary increase between 7.5% and 10%, depending on their performance assessment.
- Extra support offered to employees including legal and financial support, and wider healthcare benefits.
- The launch of a company wide Personal Finance Protection Guide is offered to employees to improve financial literacy.

Due to the poor disclosure of executive remuneration, our manager continues to engage with the company.

Croda

Asset class Global equity | **Region** United Kingdom

Croda are a global speciality chemical manufacturer who create, make and sell specialty ingredients used by industries and consumers around the world. The company is built on a foundation of turning renewable raw materials into innovative ingredients.

Start of engagement

2023 (specific focus on nature-related risks – had been engaging more broadly previously).

Background

Our manager has been engaging with the company in recent years on climate-related risk management. However, given the close relationship between climate and nature, there is a significant overlap. For example, while sourcing the bio-based raw materials which are a key input for many of its products, Croda will be contributing to the company's greenhouse gas emissions.

So, our manager decided to broaden the focus of the engagement in 2023 to look at understanding the company's assessment of its nature-related dependencies and risks.

Engagement objectives

- Understand the process for assessing nature-related dependencies and impacts.
- Disclose assessment of nature related dependencies and impacts, in line with the Taskforce on Nature-related Financial Disclosures (TNFD).

Progress and outcomes

Our manager reports there has been a positive ongoing dialogue with the company, with the discussion focused on the company's efforts to increase its use of bio-based raw materials, monitoring freshwater use and pollution impacts. Croda is further enhancing its management of upstream supply chain data, and they acknowledge the challenges associated with material sourcing and certifications, given their dependence on palm-based derivatives.

With its focus on sustainability and the nature of their business, Croda is keen to highlight its nature-related opportunities and progress against its target to bring on average, two crop-related technological breakthroughs to market each year until 2030. In fact, at the beginning of 2025 Croda was voted Britain's Most Admired Chemicals Company for the eighth consecutive year.

Our manager reports that whilst the first objective of this engagement was successfully achieved in 2023, they continue to encourage Croda to use the TNFD Framework to assess its nature related dependencies, impacts and opportunities and to align their reporting with the TNFD.

Our manager will continue to engage with the company on this topic.

Urban Transport Authority

Asset class Global bonds	**Region** United Kingdom

Urban transport authority in the United Kingdom is an integrated transport authority which operates several modes, including over and underground rail networks, buses and trams.

Engagement objectives

- To recognise the ways in which biodiversity is material.
- To deepen understanding of how the company is adapting to Taskforce on Nature-related Financial Disclosures (TNFD) reporting recommendations.
- To advocate for best practice disclosure in the context of TNFD recommendations.

Progress and outcomes

The authority began to implement the recommendations of TNFD, in 2024. This was building on two years of sustainability reporting against Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. This initial reporting is expected to be high-level and will include scenario analysis to help identify the most material nature-related risks.

In England, most new developments are now subject to a legal requirement to provide a biodiversity net gain (BNG) of at least 10%, so biodiversity has become an important part of the authority's project planning.

Our manager has been told the authority intends to make the following improvements:

- Enhancement of vegetation surveying to provide more detail and disclosure.
- Development of a tree canopy cover plan.
- Installation of sustainable drainage systems using nature-based solutions to help address surface water flood risk.

However, the authority admits it anticipates challenges in procuring and managing data for this new reporting requirement.

It will continue to report under TNFD on an annual basis, though many of the datasets available to detect change over time will only be updated every 4-5 years: most annual reporting will, therefore, be based on project-level data. It is also working closely with all of the city's local authorities, as well as ecologists, to best address biodiversity related reputational risks.

Our manager feels that the establishment of nature-specific disclosure frameworks and growing investor interest is driving issuers to consider the materiality of biodiversity to business activities and will continue to engage on the topic.

Bond engagement case study

Asset class Australian bonds	**Region** Australia

This case study looks at a bank that arranges bonds for corporates, and had recently issued bonds that our manager did not invest in.

Engagement objectives

- To discuss improvements for future issuances.
- To emphasise the importance of reporting for these bonds.

Progress and outcomes

Our manager explained their concerns with two use-of-proceeds bonds that the bank had recently issued.

Our manager had concerns regarding the lack of reporting on specific indicators for one use-of-proceeds bond issuance. They were clear to convey to the bank that this was problematic and the reason why they had not invested.

Another bond purported to be contributing to climate stability and yet offered no evidence to back up the claim.

In order to assist arrangers of these use-of-proceeds bonds, our manager is developing a list of features that they require to be disclosed. This will allow issuers to discuss investor expectations more openly before issuance.

Thematic engagement

As well as case studies highlighting the importance of engaging with individual companies, there are also instances where an investment manager, stewardship provider or collaboration of groups will find it useful to organise their engagement efforts along thematic lines.

This has the advantage of being wider in scope than the current investee companies of the portfolio.

Theme

Climate and scope 3 emissions

Scope 3 emissions are the indirect emissions associated with procurement and investments through a company's value chain.

For many sectors scope 3 can account for more than 75% of a company's total emissions, so the accurate reporting and disclosure of this information is critical in developing strong greenhouse gas strategies.

Due to the complexities of sometimes intricate and varied supply chains, the reporting of scope 3 emissions is not as robust as that of scope 1 and scope 2 reporting. To date there is generally a lack of confidence for entities being able to set realistic scope 3 targets.

Engagement objectives

The manager decided to engage with several entities in sectors where scope 3 emissions are highly material. Allowing for geography and availability of scope 3 reporting information this resulted in a group that included some that currently report and some that do not across both emerging and developed markets.

- To promote scope 3 disclosures and improvements in data quality.
- To understand how those that are reporting are tackling the acknowledged challenges.
- To gain understanding of the specific challenges that are preventing certain sectors and individual entities form reporting.

Progress and outcomes

- Categories of scope 3 emissions included: Purchased goods and services, capital goods, franchises, investments, waste generated in operations, business travel, employee commuting, upstream and downstream leased assets, upstream and downstream transportation, processing, use and end-of-life treatment of sold products, fuel and energy related activities.
- Challenges to reporting included a lack of resources, knowledge and direct data. When data was available it was inconsistent making comparisons within sectors and across time difficult. This contributed to complications in measuring and demonstrating progress in line with a company's strategy.
- For those companies that have a complex supply chain an initial approach was often to use spend data as a proxy for emissions, with the intention to improve the accuracy of the data over time.
- During this thematic engagement, our manager found that third parties are being used widely. In some instances, this was solely for verification, while others who were just beginning or had particularly complex supply chains, all calculations are outsourced.
- Some industries were found to be much better at providing data than others. Perhaps surprisingly, there are fewer estimations within the heavy emitting industries (such as construction) because many suppliers are able to provide product carbon-footprint certificates.

At the conclusion of this thematic engagement, our manager acknowledged that the type of data used in reporting ranges in reliability from proxy to hybrid and finally, the most robust data is sourced directly.

They believe the future of reporting is reliant on:

- Commitment from the companies to improve scope 3 emissions reporting.
- Regulatory requirements will drive improvements in data from suppliers.
- Technology and digital tools will enhance reporting and improve accuracy.
- Collaborative efforts across sectors will aid in improving data quality.

Theme

Biodiversity

Understanding how the natural environment affects companies and how their operations may affect nature and biodiversity is increasingly a challenge that companies are seeking to address. This is increasingly becoming the focus of financial regulation, client interest and therefore company strategy.

This is a topic of interest to both our equity and fixed income managers and there have been several thematic engagements undertaken.

Engagement objectives

One of our fixed interest managers engaged with a dual focus on this theme:

- To establish what biodiversity risks were present and material and to understand the impacts to the business.
- To explore how the regulatory requirements for disclosures might affect the company.

One of our equity managers was also engaging with its investee companies on this topic.

The Taskforce for Nature-related Financial Disclosure (TNFD) is aimed at helping companies to better understand environmental risks and opportunities and our manager wanted to encourage companies to report using the TNFD framework.

Progress and outcomes

- In FY24 only 6% of the ASX300 companies were TNFD members whilst our equity manager's portfolio had 26% of companies as members.
- A particular focus of our equity manager was on the issue of timber sourcing to ensure minimisation of harm to the environment.
- On the issue of timber sourcing, the manager engaged to encourage 100% of wood to be certified, with the manager promoting Forest Stewardship Council (FSC) certification as it believes it to be best practice.
- Less comprehensive timber certification standards exist, but our manager encouraged the use of the best practice option given the potential future reputational issues and supply chain risks associated with non FSC certification standards.
- Progress across both equity and fixed income investments is varied with the majority at the early stages of understanding the impact of nature on their business.
- The greatest progress has been observed in sectors where biodiversity impacts are significant, such as utilities.

Theme

Human rights and indigenous people

Indigenous peoples are disproportionately impacted by the economic, environmental and social impacts of companies, especially those involved in resources extraction or industrial development.

Whilst they own, occupy or use 25% of the world's surface area, indigenous people safeguard 80% of its remaining biodiversity[15].

Engagement objectives

Our stewardship provider, EOS, set objectives on Indigenous People's rights with more than 30 companies, mostly in the oil and gas, mining and financial services sectors.

Their expectation is that companies respect the rights of all communities impacted by their operations. Access to remedy is a critical component and for this reason, they asked companies to demonstrate evidence of grievance mechanisms that are available to Indigenous Peoples and other impacted communities.

Progress and outcomes

- The practice that is encouraged is for companies to demonstrate the presence of agreements with the affected Indigenous peoples that indicate there was 'Free, Prior, and Informed consent (FPIC). This can involve human rights impact assessments at high-risk sites.
- Some countries are more likely to evidence FPIC than others. For example, Australia and Canada are more likely to offer these.
- Whilst the presence of agreements with indigenous peoples does not guarantee an amenable outcome, it does indicate a company that wishes a positive relationship.
- Specific engagement with financial services companies has focused on indigenous peoples' rights, calling on six US and five Canadian banks to increase protection for indigenous peoples within their oil and gas financing.
- In a particular instance, after engaging with EOS, a company improved its grievance mechanisms to make them more accessible and effective. The company also committed to disclosing key indicators to show effectiveness.

Our stewardship provider, EOS, will continue this engagement to encourage formal agreements with Indigenous peoples with stronger safeguards within financing policies.

They are also exploring ways to compare company performance relative to peers in this area.

15 EOS CFS 2024 Annual Review available on CFS website here.

Voting

As mentioned previously, EOS provide engagement, voting and public policy support for our global equity investments. For Australian-listed equity, CFS appointed investment managers engage with investee companies and vote on our behalf.

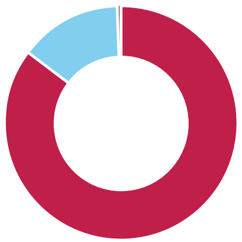
Whilst EOS will make a recommendation on how to vote on resolutions, CFS retains the right to vote on global equity investments the way we believe is in the best interests of our customers.

For CFS holdings across all products, all voting results are disclosed to our customers on [our website].

The dashboard shows aggregated voting results across all CFS portfolios. However, the following information is specific to Thrive+ for the calendar year 2024.

For the calendar year 2024, there were 1,345 proposals voted on with the following votes recorded:

Voting history for Thrive+ holdings for calendar year 2024



1149	For
192	Against
3	One year
1	Abstain
1345	

Note: the 'one year' category is for US management proposals only and relates to pay.

The majority of proposals (96%) were brought by management and more than half of them concerned the election of directors. The management proposals that recorded the most 'against' votes were primarily related to pay and remuneration, or concerns about board composition and diversity.

The following chart highlights the categories for shareholder proposals (4% of the proposals) over the calendar year 2024.

Shareholder proposals for January - December 2024

- Social
- Environmental & Social blended
- Compensation
- Environmental
- Corporate governance
- Company Articles
- Director Related

A large portion of the shareholder proposals were related to social issues such as human rights and privacy, gender/racial pay gaps, lobbying payments and a concern around the use and accountability of Artificial Intelligence (AI). A smaller number were on a blend of social and environmental issues such as a request for committees to report on sustainability and non-discrimination audits.

Climate Investment opportunities

At CFS, we have made a climate commitment for our FirstChoice investment portfolios to be net zero by 2050 and to help achieve this we are looking for climate investment opportunities.

Within Thrive+ we have made an allocation to Just Climate who are a subsidiary of Generation Investment Management. Just Climate is a specialist investment business focused on scaling solutions for the highest emitting, most off-track sectors of the economy. Just Climate's mission is to institutionalise climate-led investing as a capital allocation imperative, by scaling highest impact climate solutions that deliver attractive financial returns[16].

The fund will provide capital for:

First-of-a-kind project

- green steel production
- low-carbon cement

Deployment scale-up

- green hydrogen production
- sustainable aviation fuel production

Emerging markets scale-up

- wind
- solar

16 Although Just Climate seeks to deliver the highest positive climate impact and attractive financial returns, this is an aspiration and there is no guarantee this goal will be achieved.

Some further detail on some of our Just Climate investments

Infinitum Electric

Infinitum Electric is both a manufacturing and technology company that produces breakthrough electric motors. The motors are approximately half the size and weight of conventional electric motors. They are silent, easier to service, reuse or remanufacture components and offer a significant efficiency gain at competitive costs.

Just Climate's investment in Infinitum Electric will help reduce greenhouse gas emissions up to 30% while amplifying energy efficiency at the same time. Replacing millions of outdated motors with higher-efficiency, variable speed motors is key to helping the industrial sector meet sustainability objectives.

Ascend Elements

Ascend Elements is a climate tech company that transforms waste lithium-ion batteries into high-value cathode active materials for electric vehicle batteries. Their industry first patented process elevates e-waste into critical battery materials whilst driving down cost and carbon emissions.

Just Climate's investment allows the company to deliver engineered materials at lower cost and go beyond just recycling to upcycle discarded batteries into premium cathode active materials. This greatly improves the cost effectiveness of battery recycling which is the best way to boost its volume as the electric vehicle market grows.

Continuum Green Energy Ltd

Continuum Green Energy is one of the leading renewable energy groups in India focused on commercial and industrial consumers. With a client base across a diverse range of industries they utilise a combination of wind-solar-hybrid renewables and provide 'round the clock' renewables through energy storage projects.

Just Climate will support Continuum Green Energy as it helps India transition to a Net Zero future by providing access to cleaner energy.

Infrastructure Investment opportunities

In December 2024, Thrive+ made an Australian unlisted infrastructure investment managed by Igneo Infrastructure Partners. This investment not only contributes to diversification within the Thrive+ portfolio but also promotes decarbonisation efforts, thereby contributing to our climate commitment.

Managed by Igneo Infrastructure Partners, the unlisted infrastructure investment is with CPE Renewable Investment Unit Trust (CPERI), who build, own and operate renewable energy generation, storage and multi-utility infrastructure assets.

The portfolio includes four operational multi-utility sites, as well as 60 operational or under construction distributed solar, small utility-scale solar and co-located battery energy storage systems (BESS). Once construction is complete, the portfolio will have 163MW of solar capacity, 221MWh of battery capacity and 139MW of thermal capacity. CPERI benefits from long-term utility contracts across a diversified national customer mix.

CPERI has partnered with a specialist renewable energy developer and operator, CleanPeak Energy ('CPE'), who is responsible for delivering projects through construction and to operation. CPERI and CPE have a strategy to provide 100% renewable energy solutions to customers by utilising their portfolio of solar and BESS assets to ensure firm and reliable energy supply.

Some examples of CPERI investments:

Barangaroo multi-utility precinct

world-class mixed-use development precinct with strong sustainability credentials. CPERI has 59MWt of thermal capacity and 1MW of solar capacity within the precinct.

Wangaratta solar farm and BESS

40MW capacity solar farm with a co-located 22MWh BESS currently under-construction in regional Victoria.

Huntingwood rooftop solar and BESS

5MW of solar and 15MWh of BESS capacity on-site with a strategy to provide 100% renewable energy to Arnott's manufacturing facility by 2029.

Advocacy

At CFS, we closely follow the engagement and advocacy that EOS and our Thrive+ managers undertake on our behalf. Here are some of the actions that align to the thematic engagements mentioned earlier.

Human and labour rights

Human and labour rights remains a priority theme for EOS. In their engagement plans for 2025-2027 they state they will encourage companies to acknowledge the likelihood that human and labour rights issues are present within their supply chains and seek to ensure appropriate governance is in place to minimise this. EOS also continue to focus on Indigenous and community rights and on high-risk regions such as disputed territories or areas of conflict. A further concern is digital rights in the virtual world, such as challenges to the right to data privacy, the right to freedom of expression and discrimination through the development of artificial intelligence (AI).

Companies are encouraged to follow the UN Guiding Principles (UNGPs) on Business and Human Rights and EOS will focus on escalated breaches of the UN Global Compact principles for human rights, including considering voting against directors if they do not adequately remediate these issues.

For more information on the work done by EOS on our behalf, please see our annual review here.

Climate change - Adaptation

There is growing realisation that the climate has already changed with the world Meteorological Organisation declaring 2024 the warmest year on record[17]. The target of keeping the global mean temperature under 1.5 degrees centigrade has likely been breached and attention is now being focused on climate resilience and adaptation.

For asset owners and investment managers this present both extreme risks but also significant opportunities for investing into companies that are providing solutions to promote supply chain resilience.

One of our global equity managers is investigating this issue through their participation in the Climate Financial Risk Forum (CFRF) Adaptation Working Group.

The Climate Financial Risk Forum (CFRF) has developed a framework that governments, companies and investors can use to mobilise finance and increase their resilience to physical risks. This framework is intended to offer technical guidance for the finance sector through several scenarios to guide the identification of opportunities, risk management and options to enhance resilience.

Climate change – reporting

The calculation of avoided emissions is not yet standardised, which means that they are not comparable between investee companies. Consequently, a single total avoided emissions figure for an entire portfolio is not meaningful at this time.

One of our global equity managers is attempting to solve this problem through funding the World Business Council for Sustainable Development (WBCSD), which is leading the development of avoided emissions standards.

With more comparability and rigour in the provision of avoided emissions data, our managers will be able to integrate both the emissions created and those avoided by a company and effectively engage with investee companies on this topic.

17 WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level

Trends for 2025 and beyond

Energy transition opportunities and increasing focus on adaptation

With instances of the physical impacts of climate change happening around us, there is an increased investor focus on risks and opportunities associated with climate adaptation and resilience.

For 2025 and beyond there will be an investor focus on investment opportunities in private markets, and continued growth of the ‘use of proceed’ bond market to support energy transition and adaptation.

Intersection between Artificial Intelligence driven efficiency versus energy demand, social and governance risks

There will be a continuation in the improvements of energy efficiency and demand for efficient clean technologies. So far, the increased energy consumption that Artificial Intelligence demands, has been less of an issue as data center workloads shift from traditional centers to more efficient cloud/hyperscale centers and produce efficiency gains.

However, the ongoing and rising energy demand is obviously a concern for the broader challenge of decarbonization.

The responsible adoption and regulation of AI will be needed to mitigate the risks associated with its misuse. The European Union have passed an Artificial Intelligence Act for this purpose which takes effect in 2025.

Divergence in Regulation

We expect to see continued divergence in the sustainability regulations and standards across the rest of the world, and in some cases (e.g. USA), between state and federal jurisdictions.

In Europe there will be the implementation of the Corporate Sustainability Reporting Directive (CSRD) and globally various climate and sustainability disclosures.

A continuation of guidelines for product labelling will give further clarity whilst the US will potentially withdraw or roll back any guidelines or sustainability regulations.

Activation of Carbon markets

So far there has been slow growth of these markets due to the perceived or actual poor-quality of the credits and unattractive pricing.

In November 2024 at the UN climate change conference (COP29), there was a commitment signed to establish the Paris Agreement Crediting Mechanism (PACM). This will facilitate the formal transfer of carbon credits between countries and companies under Article 6 of the Paris Agreement.

Natural capital investment

The Taskforce for Nature related Financial Disclosure was launched in 2023 to promote more action in the assessment, reporting and action by companies on their nature related dependencies, impact, risks and opportunities.

Since then, there have been specific investment funds launched and voluntary carbon markets emerging, as governments and institutions increasingly recognize natural capital as a valuable asset.

In conclusion

Australia's responsible investment market was valued at $1.6 trillion in 2023, or 41% of the market. It comprises entities who demonstrate a strong and comprehensive approach to responsible investment[18].

Globally, despite new regulations and extra reporting requirements almost USD 3.2[19] trillion of assets were found in global sustainable funds at the end of 2024.

As part of this group, Thrive+ not only aims to make a positive contribution to people, and environment, but also to be as transparent and informative as possible for our customers. The Thrive+ Sustainability Report is part of this commitment, and we hope you have enjoyed reading it.

18 Responsible Investment Association Australasia Benchmark Report 2024.
19 Morningstar Global Sustainable Fund Flows Q4 2024.

Find out more

Customers

Visit cfs.com.au/thrive

Call 13 13 36
Monday to Friday, 8:30am to 6pm (Sydney time)

Email contactus@cfs.com.au

Advisers

Visit cfs.com.au/investments

Call 13 18 36
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Email adviserservices@cfs.com.au

To find out more about CFS's activities across a range of environmental, social, governance (ESG) and climate factors, visit our Responsible Investing page.

Responsible and sustainable investing at CFS

Appendix

Memberships and collaborations

CFS is a member of a range of industry groups. By participating in these groups, CFS can take part in discussions and learn from the broader industry about the risks, opportunities and challenges that climate change may have on the value of investments.

CFS is a member of:

- the Investor Group on Climate Change (IGCC)
- Climate Action 100+
- the Responsible Investment Association Australasia (RIAA)
- Investors Against Slavery and trafficking (IAST)

CFS is also a signatory to the Principles for Responsible Investment (PRI).

Investor Group on Climate Change (IGCC)

CFS is a member of the Investor Group on Climate Change. Through our membership of the IGCC, we support collaboration between super funds and the investment community to address the risks, opportunities and challenges that climate change may have on the value of investments. The IGCC also allows CFS to understand and contribute to relevant climate policy developments.

Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Together with other investors, CFS takes part in engagements with companies who have a major role in the transition to net zero emissions. As investors, this group has a powerful opportunity to effect change, diversification and transformation among the most carbon-intensive companies through their equity and fixed income holdings. This is done through direct engagement with companies to support corporate practices that are consistent with long-term value protection and creation.

Responsible Investment Association Australasia (RIAA)

We are a member of RIAA. With membership including super funds, fund managers, banks, consultants, researchers, brokers, financial advisers and individuals, it is the largest and most active network of people engaged in responsible, ethical and impact investing across Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy. We do this by influencing policy and regulation to support long-term responsible investment and sustainable capital markets and by being a trusted source of information about responsible investment.

Principles for Responsible Investment (PRI)

We are a signatory to the UN-endorsed PRI. As such, we adhere to principles that involve incorporating ESG factors into investment analysis and decision-making processes, being active owners, and seeking appropriate disclosure on ESG issues from the entities in which we invest.

Investors Against Slavery and Trafficking Asia-Pacific (IAST-APAC)

IAST-APAC is an investor-led initiative convened to promote effective action among investee companies in the APAC region to find, fix and prevent modern slavery, labour exploitation and human trafficking in their value chains.

Glossary

Active ownership

Employing shareholder power to influence corporate behaviour, including through direct corporate engagement, proxy voting and divestment/exclusion

APRA

Australian Prudential Regulation Authority

CA100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change

Carbon footprint

The total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO2e / $ million invested

Carbon neutral

Carbon neutrality means having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks. Removing carbon dioxide from the atmosphere and then storing it is known as carbon sequestration. In order to achieve net zero emissions, all worldwide greenhouse gas (GHG) emissions will have to be counterbalanced by carbon sequestration

Engagement

Investor-led dialogue with companies and other issuers on ESG matters with a view to share potential concerns, seek additional information, enhance public disclosure and/or influence behaviour

ESG

Environment, Social and Governance

ESG focused

Investments that integrate ESG factors to enhance their risk-return profile and promote environmental and/or social characteristics

ESG integrated

The systematic and explicit inclusion by investment managers of environmental, social and governance factors into the investment decision-making process

Exclusion framework

The questions that need to be answered before the decision to divest/exclude an investment

Exclusions or exclusionary screening

The exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria, such as what goods and services a company produces, or how inadequate a company or country response is to emergent risks such as climate change impacts

Greenhouse Gases (GHG)

Atmospheric gases and aerosols, both natural and produced through industrial activities, that contribute to the greenhouse gas effect. This includes carbon dioxide (CO2), nitrous oxide (N2O), methane (CH4) and hydrofluorocarbons (HFCs)

Greenwashing

A term used to describe misleading claims by an organisation about the sustainability credentials of their operations or products

Impact investing

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return

Intergovernmental Panel on Climate Change (IPCC)

The United Nations' body for evaluating scientific climate change information. It was set up to give policymakers scientific insights into the effects and future risks posed by climate change

Modern slavery

A form of human rights violation where a person is forced into something against their will

Net zero emissions

Net zero emissions are achieved when the man-made greenhouse gases released into the atmosphere are balanced by human managed removals over a specified period

Paris Agreement

A legally binding international treaty on climate change signed by 196 countries (including Australia) in 2015

PRI

Principles for Responsible Investment (previously known as UNPRI)

Proxy voting
This allows the shareholder to vote without attending the company's annual and special meetings by delegating a third party to vote

Responsible investment
A strategy and practice to incorporate ESG factors in investment decisions and active ownership

RIAA
Responsible Investment Association Australasia

Scope 1
Direct GHG emissions that occur from sources owned or controlled by the reporting company, i.e. emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2
Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated

Scope 3
All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company

Stewardship
Another name for active ownership, an investment concept where large investors (typically institutions rather than individuals) use their influence as major shareholders to actively encourage the companies they invest in to meet environmental and social standards

Sustainability themed investing
Investment in themes or assets and programs specifically related to improving social and environmental sustainability, such as safe and accessible water, sustainable agriculture, green buildings, lower carbon tilted portfolio or community programs

United Nations Environment Program Finance Initiative (UNEP FI)
A body that brings together a large network of banks, insurers and investors to collectively catalyse action across the financial system to deliver more sustainable global economies

United Nations Framework Convention on Climate Change (UNFCCC)
The entity tasked with supporting the global response to the threat of climate change

Use of Proceeds bonds
These are debt instruments geared toward sustainability and where the funds are dedicated to specific projects

WACI
Weighted Average Carbon Intensity. Measured in tons CO2e/$M sales, it shows the exposure to carbon-intensive companies within a portfolio

CERTIFIED BY RIAA

The Certification Symbol is issued by **Responsible Investment Association Australasia** (RIAA) ACN (641 046 666), AFSL (554110) and signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations and that CFS Thrive+ Sustainable Growth adheres to the operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The classification signifies the degree to which sustainability is a consideration and binding investment criteria. The CFS Thrive+ Sustainable Growth fund is assessed against RIAA's Responsible Investment Standard and Assessment Note-Sustainability Classifications. There may be material differences between the definition and methodology of RIAA's classification system and the way the terms 'Responsible'/'Sustainable'/'Sustainable Plus' are used by the product in its own disclosures. For detailed information about RIAA, the Symbol and CFS Thrive+ Sustainable Growth methodology, performance, stock holdings, remuneration and details about other responsible investment products certified by RIAA, refer to www.responsiblereturns.com.au and our Financial Services Guide. The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed.

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