

## INVESTMENT BELIEFS AND PRINCIPLES

### Preamble

- Our primary investment purpose is to achieve an investment return that minimises the reliance on employer contributions to meet the Fund’s liabilities.
- The Board determines the investment strategy and objectives, taking into account the contribution and solvency levels.
- The investment committee is responsible for reviewing this document.
- Improving environmental, social and governance of the portfolio will improve long term performance,
- Clearly defined rules and beliefs relating to investments will reduce business risk.
- We will consider prudent opportunities to invest in Tasmania.

### Investment beliefs and the application of those beliefs

Belief	Application
<p><b>Objectives</b></p> <p>Our objective is to achieve the target rate of return, currently set at AWOTE + 1.5% p.a. after management fees, measured over rolling 5-year periods.</p> <p>Maintain an asset to financial statement liability coverage of 110%.</p> <p>Risk is multi-dimensional, with the main investment risk being the probability of not achieving the target rate of return over the long term.</p>	<p>Over the next 10 years, we expect to have at least an 80% chance of meeting the return target. Each year we will evaluate our expectations of meeting this return target.</p> <p>We expect that this target will be achieved within 12 months and will be reviewed where the ratio varies by +/- 3%.</p> <p>We will have regard to other measures of risk, including the likelihood of a negative annual return</p> <ul style="list-style-type: none"> <li>– The investment strategy should have an expected probability of no more than a 4-years in 20 chance of a negative return.</li> <li>– Other measures of risk include the magnitude of negative annual returns, and returns relative to an agreed comparator, such as a Reference Portfolio.</li> </ul>

Belief	Application
<p><b>Governance</b></p> <p>High quality governance of the investment process is critical to our success.</p> <p>We will only invest in opportunities that we understand and where there is an appropriate alignment of interests between the Fund and the external agents</p> <p>Speed of execution can be a comparative advantage</p> <p>Investment in accordance with ESG principles will improve investment performance in the long term</p> <p><b>Investment strategy</b></p> <p>Our asset allocation decisions are expected to have the greatest impact on investment outcomes.</p>	<p>We will have an appropriate balance of responsibilities and accountabilities between the Board, the Investment Committee, the internal investment team and external agents.</p> <p>We will ensure that resources are directed towards those areas with the greatest expected contribution to the achievement of our objectives.</p> <p>We will communicate our belief in this area to our investment advisors and managers so that a suitable level of oversight and influence on investment and asset allocations appropriate for the investment strategy adopted by the Fund.</p> <p>We will ensure that we have the appropriate resources and processes in place to efficiently and timelessly implement our investment decisions.</p> <p>We will review the ESG Policies of our investment advisors and managers to ensure they meet with our objective in this area. Direct investment in assets classes by TasBuild Limited will need to meet our ESG Policy requirements.</p> <p>We will make asset allocation decisions to exploit a diverse range of risk premium on a systematic basis to generate these rewards.</p>

<b>Belief</b>	<b>Application</b>
<p><b>Investment strategy.....continued</b></p> <p>Investment markets offer long term rewards for placing capital at risk (“risk premium”). The size of risk premium will vary over time, providing opportunities to enhance return and reduce risk by deviating from a neutral position.</p> <p>Successful investing requires consideration of both quantitative and qualitative factors.</p> <p><b>Liquidity</b></p> <p>There is an expected return premium for investing in illiquid assets.</p> <p>A level of investment in liquid assets is required to meet operational requirements</p>	<p>We will be prepared to deviate from our neutral allocation to reflect current market pricing and risk levels. We will be more inclined to vary from our neutral allocation to avoid capital loss than to pursue outsized returns.</p> <p>Diversification amongst risk premium, asset classes, investment managers and individual securities is expected to enhance the reward earned for each unit of risk taken, but will not provide protection against all economic scenarios.</p> <p>The equity risk premium will be the primary driver of our returns above the risk-free rate, but we will also exploit other risk premium, especially those which are expected to have low correlations with the equity risk premium</p> <p>We will use both quantitative and qualitative analysis when setting investment strategy and managing risk</p> <p>We will be prepared to invest in illiquid assets, provided this does not unreasonably compromise our ability to meet expected net cash flows in all reasonably likely scenarios.</p> <p>The value of six months of entitlements will be held in rolling TDs</p>