

June 13, 2024

ART offers the Socially Conscious Balanced (SCB) investment option for members who would like their superannuation investments to be made in line with an extended set of environmental, social and governance principles.

The Super Savings Investment Guide notes that, the SCB option employs multiple responsible investment approaches and that the option's investments in the Australian and International shares asset classes will exclude direct investment into companies that exceed specified negative screens. The Investment Guide then states that other asset classes within the SCB Option including the Cash asset class do not apply negative screens.

The Cash asset class includes investments in financial instruments which require security, such as listed equities, to be held against those investments as additional protection for members against the risk of default. As these equities are held as collateral only, no economic benefit is derived from holding them. These investments are required to be published as listed equities in our Portfolio Holdings Disclosure (PHD), despite belonging to the cash asset class and being held as collateral only. For this reason, the PHD included the General Dynamics Corporation holding under 'listed equity' in respect of the SCB option.

Our PHD are published biannually, ART currently has no exposure to General Dynamics Corporation across any asset class in the SCB option.

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We're constantly working to improve our products, and the SCB option is no different, which is why on March 28 this year, the same set of negative screenings applied to the Australian and International shares asset class, were also applied to the Cash asset class within the SCB option.

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General Dynamics was categorised as a 'listed equity' although it was held as collateral in the Cash asset class of the Socially Conscious Balanced (SCB) option for less than thirty days as part of a bundle of company shares put up as security for a lending transaction undertaken by an external manager.

Once ART became aware, we proactively updated our investment exclusion approach of the SCB option so the same set of negative screenings that already applied to the Australian and International shares asset class, now also apply to the Cash asset class designed to prevent reoccurrence.

As part of our strong governance and proactive engagement approach, we contacted the Responsible Investment Association of Australia and the regulator.

While this brief collateral holding complied with our negative screening process at the time, we enhanced our approach within the SCB option to better meet the expectations of our members.