

Investment Manager Selection and Monitoring Policy

Aurora appoints professional investment managers to manage the underlying strategies and asset classes that comprise the Aurora portfolios. Ensuring that we select investment managers with an appropriate level of expertise is crucial for the portfolios. The framework that we use to assess managers is described in Aurora's Investment Manager Selection and Monitoring Policy, and the key elements are provided below.

Selection process for active fund managers

Aurora assesses fund managers according to three key factors:

1. *Talent and culture* - The key determinant for success in funds management is the calibre of the investment professionals. Investment process, while important, does not give a funds management business a long term sustainable competitive advantage. Competitors will discover and eventually copy any process innovation. Therefore, the investment process requires constant renewal, which in turn requires intelligent and motivated investment professionals. A clearly defined culture, particularly one that encourages innovation, is also a key component of talent management.
2. *Business* - The key to attracting, motivating, and retaining talent is a business set up to do so. This requires ensuring that the talent is aligned with the interests of both the investors and the owners of the business.
3. *Investment Process* - Aurora favours fund managers that have a clearly articulated investment process that is reflected in their past performance. Aurora prefers active management although understands that at times, in certain market conditions, passive management is appropriate.

The resources of the firm need to be consistent with the stated process. Aurora does not have a clear bias between quantitative or qualitative investment processes. Aurora's focus is on ensuring that the manager's past performance is consistent with their stated investment process.

Other factors which are important tend to relate to compliance and the firm's management of its obligations to the wider community. In particular, Aurora has a focus on ESG factors and hence any manager that Aurora appoints should be best-in-class in the inclusion of ESG into their investment process, which includes meeting the standards of Aurora's SRI Policy.

Selection process for ETF fund manager

Key factors that we assess when appointing a relevant ETF manager for the Aurora Future Focus Fund are:

1. The scale of assets under management and experience in managing ETF portfolios. This ensures a commitment to the sector.

2. The range of high-quality ETF solutions including climate focussed thematic funds.
3. The range of ESG screened funds, including enhanced environmental credentials with further screens on companies involved in Thermal Coal, Oil Sands, Oil & Gas, Power Generation and Thermal Coal/Oil Sands Reserves industries.
4. Provision of detailed ESG and climate related reporting on their ETFs.
5. Individual ETF's were selected based on the following:
 - Fund size, inception, number of holdings, weighted average market cap and the percentage of the fund in the top 10 holdings; and
 - Leverage, including the ability to short, ETF liquidity and spread, and use of derivatives.

Manager Performance Monitoring

Aurora meets with the underlying active manager/s on a monthly basis to review and monitor performance returns, portfolio risk, asset allocation, trading decisions on stocks, and any material business changes including staff changes and client wins/losses.

Aurora also reviews the performance of the underlying ETF's of the Aurora Future Focused Fund on a monthly basis. We assess performance based on the:

1. Performance of each ETF against the stated ETF benchmarks.
2. Relevant ESG and climate related metrics for each ETF.

In addition, Aurora will undertake a review of the strategic asset allocation to ensure the strategy remains consistent with the stated objectives.

Manager ESG Monitoring

Aurora monitors the Funds for compliance with our ESG processes and exclusions. Aurora receives monthly portfolio holdings from our appointed investment managers from which we can undertake own ESG review.

There are multiple ways that we review the Funds from an ESG perspective:

1. We compare the ESG rating of the portfolios of the appointed managers against the broader market to ensure the Funds' ESG scores are well above the peer group.
 - For the Aurora Conservative Fund and Aurora Growth Fund, we use Morningstar's Fund Analysis which compares the relevant fund manager's fund ESG and climate metrics against the broader market.
 - For the Aurora Future Focused Fund, Aurora compares the Fund's MSCI ESG Fund ratings against those of the Lipper peer group.

2. For the Aurora Future Focused Fund, Aurora measures the carbon intensity of the Fund on a monthly basis. The metric used to measure carbon intensity is the MSCI Weighted Average Carbon Intensity which measures tons of carbon dioxide emitted per US\$ 1 million of sales. Aurora's focus is to ensure the Fund's carbon intensity is on a path to be substantially lower than the Fund's benchmark over the medium to long term.
3. In addition, we run an analysis of the holdings of our Funds into a software program called Emmi. Emmi measures the Funds' financial exposure to a carbon-constrained economy and the pathway needed to transition to net-zero. Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere. The term net zero is important because – for CO2 at least – this is the state at which global warming stops. The software provides both portfolio and individual company metrics which enables a comprehensive monitoring of the Funds' compatibility with the transition to net-zero.

This monitoring process enables Aurora to clearly identify poorly performing companies in the Funds and where appropriate, engage with the appointed investment manager to determine their course of action with the relevant company.

If Aurora's monitoring process identifies ESG inconsistencies with an individual ETF in the Aurora Future Focused Fund, we will divest from the ETF and reallocate the capital to a better aligned security.

If Aurora's monitoring process identifies systemic ESG issues with an appointed active investment manager's investment process, we will terminate that investment manager and replace it with a more suitable candidate.