

Investment Policy Statement

Reviewed by the Investment Committee on 23 October 2025.

Approved by the Board of Directors of Paul Ramsay Foundation Limited on 25 November 2025.

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Definitions

Capitalism 2.0	Proposed evolution of capitalism that balances financial goals with social and environmental purpose, moving beyond traditional profit-maximisation for shareholders to create value for all stakeholders, including employees, customers, suppliers, and the community.
Charitable Purposes	Paul Ramsay Foundation's Charitable Purposes as detailed in its Constitution.
Endowment Impact Fund	An impact investment fund that comprises up to 20% of the Investment Portfolio that seeks to generate positive measurable impact alongside financial returns commensurate with the Investment Objectives (commonly referred to as 'Mission Related Investments').
ESG considerations	Defined in full in Clause 11. Considerations given to evaluate how a company, Fund Manager or Portfolio Adviser manages Environmental, Social, and Governance risks, opportunities, practices and performance beyond standard risk assessment.
Impact First Fund	An impact investment fund that seeks to deliver patient, risk-tolerant and flexible capital to support the pursuit of PRF's Charitable Purposes rather than primarily to generate financial returns (commonly referred to as 'Program Related Investments').
Investment Portfolio	Paul Ramsay Foundation's investible assets. For the purposes of the Investment Policy Statement, unless explicitly expressed otherwise, the Investment Portfolio excludes PRF's holdings in Ramsay Healthcare Limited and PRF's Impact First Fund.
Investment Objectives	The Investment Portfolio's objectives, containing both Financial (as defined in Clause 4a) and Impact Objectives (as defined in Clause 4b).
Sustainable Investing	The practice of making capital allocation decisions based on socially responsible and ethical strategies to ensure that portfolio companies maintain a high standard of sustainability principles.
Total Impact Approach	The consideration of all ways in which a charitable foundation can create positive impact – as opposed to targeting impact through a small percentage of total assets for grant making.

1. Introduction

The Investment Portfolio is an asset of the Paul Ramsay Foundation Limited ('PRF'). This Investment Policy Statement ('IPS') governs the management of PRF's Investment Portfolio. The IPS will remain effective until modified by the Board of Directors ('Board').

2. Guiding Philosophy and Principles

PRF's Investment Portfolio is the cornerstone of both the preservation and growth of PRF's capacity to fund and support its Charitable Purposes ('Purposes').

The Investment Portfolio, when taken in aggregate with PRF's holding in Ramsay Healthcare Limited ('RHC'), is seeking a rate of return that maintains real value over time (after fees, PRF operational costs, and grant making obligations) which enables PRF to pursue its Purposes.

Given its Purposes, PRF is committed to upholding good Sustainable Investing practices throughout all aspects of its investing, which includes the assessment of Environment, Social, and Governance ('ESG') considerations within its Investment Portfolio. PRF believes that incorporating ESG considerations in its decision-making is not only important in supporting PRF's Purposes, but furthermore is fundamental to conducting comprehensive investment assessments and managing risks and opportunities.

3. Investment Portfolio

a. Background

Following completion of the sale of a block of shares in RHC in August 2019, the Board approved the appointment of an Investment Committee ('IC') to develop appropriate guidelines for the governance of investments and the overall investment approach for PRF.

b. Assets which comprise the Investment Portfolio

The Investment Portfolio consists of PRF's interests in diversified funds, equities, fixed income, cash, and other assets held for investment purposes.

The status and decision-making concerning PRF's remaining holding in RHC shares falls outside of the IC's remit. As such the scope of this IPS excludes PRF's RHC shareholding and PRF's Impact First Fund. In the event of a material change to PRF's holding in RHC shares – for example a realisation which is deemed by PRF to be significant – the IC may review the IPS.

4. Investment Objectives

The Investment Portfolio's Investment Objectives contains both Financial and Impact Objectives. The Investment Portfolio seeks to deliver financial returns consistent with PRF's defined Financial Objective (Clause 4a) to support the goal of a long-term foundation and meet PRF's Spending and Liquidity Requirements (Clause 5). Furthermore, PRF will invest the Investment Portfolio in such ways that are consistent with the Impact Objective (Clause 4b), without compromising the Financial Objective. For the avoidance of doubt, investments which comprise the Investment Portfolio cannot be made which achieve the Financial Objective at the detriment to the Impact Objective, and vice-versa.

a. Financial Objective

The expected financial return from the Investment Portfolio is an after fees/costs return of Consumer Price Index ('CPI') +3.5% per annum, measured over rolling 7-year periods. This represents a real return of +3.5% per annum.

PRF seeks a reasonable probability of success of achieving its desired investment return objective over the long-term, agreed as rolling 7-year periods.

There are a number of key variables in the stated Financial Objective, including:

- The extent to which CPI varies over time. The Reserve Bank of Australia ('RBA') currently has a target of 2% to 3% per annum. Asset allocation will be critical in mitigating the investment risks associated with large changes in the CPI over time; and
- The fees/costs of managing the Investment Portfolio, which are assumed to be 1% per annum based on market standards, for such things as appointed external Portfolio Investment Advisers ('Portfolio Advisers'), independent IC members, custody fees, and portfolio management fees.

b. Impact Objective

In accordance with the Impact Management Project's Impact Class definition¹, the Investment Portfolio seeks to 'Avoid Harm' to society and the environment in ways which would contradict PRF's Purposes and values. To achieve this objective, Sustainable Investing considerations are documented within the Sustainable Investment Policy within this *IPS* and are embedded into all PRF's Investment Portfolio investing practices. Specifically, this consists of requirements relating to:

- Selection (Clauses 10 Advisor Selection and 11c Funder Manager Selection);
- Screening (Clause 11a);
- Impact Risk Analysis (Clause 11b);
- Stewardship (Clause 11e); and
- Reporting (Clause 13b).

Further details are found within the Sustainable Investment Policy (Clause 11).

In addition, PRF has allocated 20% of its Investment Portfolio to establish the Endowment Impact Fund, which seeks to further PRF's Purposes by 'Contributing to Solutions' (also defined with the Impact Management Project's Impact Class definition) for society and the environment (where relevant to disadvantage). [Appendix 3](#) provides Terms of Reference which govern the Endowment Impact Fund.

¹ Available at <https://impactfrontiers.org/norms/investment-classification>

5. Spending and Liquidity Requirements

The Investment Portfolio's liquidity should match the cash flow requirements of PRF to enable grant and Impact First Fund distributions, and operating expenses to be met on an annual basis. The annual yield from the Investment Portfolio will not be considered a constraint in meeting annual grant commitments.

6. Investment Strategy

The Investment Strategy to achieve the Investment Objectives will require decisions to be made on the following:

- The percentage of the Investment Portfolio, after setting aside cash for short-term commitments, to be invested in growth assets and income assets;
- The permitted amount that can be invested in various asset class ranges to allow flexibility for different market environments; and
- The level of specific allocations to the sub-components of growth assets and the level of specific allocations to the sub-components of income assets.

Based on various assumptions around investment market returns, it has been assumed in the calculations that the assets are split in a 70%/30% allocation to growth/income assets. The 70% allocation to growth assets is further split 40%/30% between domestic equities and unhedged international equities.

7. Asset Allocation

PRF will apply an Investment Portfolio Strategic Asset Allocation Policy. The Strategic Asset Allocation Policy, after setting aside cash for short-term commitments, will be 70% growth assets and 30% income assets (excluding the Endowment Impact Fund, refer to [Appendix 3](#)).

In setting the Strategic Asset Allocation Policy, PRF also recognises:

- Superior returns are usually generated by growth assets, compared to income assets and cash over the long-term;
- Market value volatility from holding growth assets, particularly equities, usually decreases the longer the holding period;
- Allocations to cash will likely drag on long-term portfolio returns and is only expected to be made to cover short-term funding requirements (such as dividends or near-term private equity funding calls) or when the valuation of other asset classes appears stretched; and
- The key purpose of the Strategic Asset Allocation Policy is to provide a reference point to measure the Investment Portfolio performance against.

PRF is of the belief that particular asset classes should be invested in on merit, and particularly with regard to their current relative valuation compared to their historical 'norms'. As such, relative valuation will be the key factor in assessing the degree of divergence away from the 70%/30% split at any point in time.

To provide for a high amount of investment flexibility, the permitted amount that can be invested in various asset class ranges is as follows (excluding the Endowment Impact Fund, refer to [Appendix 3](#)):

Growth assets

Asset class	Investment range
Equities – domestic listed	0%-70%
Equities – international (unhedged) listed	0%-50%
Property	0%-30%
Alternative Assets – unlisted	0%-15%

Income assets

Asset class	Investment range
Cash	0%-100%
Fixed Income – listed and unlisted	0%-50%
Defensive alternatives – unlisted (including infrastructure)	0%-40%

The permitted amount to be invested in each sub-component of the fixed interest portfolio is as follows:

Fixed Income component	Investment range
Conservative fixed interest	0%-100%
High yield	0%-50%
Private debt	0%-50%

Within Alternative Assets investments, no more than 10% of the overall Investment Portfolio value can be allocated to venture capital investments, defined as unlisted private company investments that are not yet profitable.

For directly held securities, no single security can comprise more than 3% of the overall portfolio value.

The impact of transaction costs will always be considered before undertaking any changes across the Investment Portfolio.

8. Risk Management

Given the longer-term focus of PRF it has the benefit of assessing 'risk' (as measured by volatility) differently to many other organisations that focus on short or medium-term horizons. From the perspective of an Investment Portfolio, the longer the timeframe available to measure returns, the lower the variability of the returns over the timeframe. This in turn means that PRF's Investment Portfolio can, in the absence of cash flow constraints, have a larger exposure to growth assets (i.e., with fluctuating capital values) and still be taking only moderate risk.

Apart from seeing the Investment Portfolio eroded by inflation over the long term, PRF primarily views 'risk' as follows:

- At the individual security level, the possibility of permanent diminution in the capital value of an asset (though in the context of a diversified portfolio this is less of an issue); and
- At an overall portfolio level, the probability of not achieving the desired return over the given timeframe.

Portfolio Advisors will provide compliance reporting to the IC on an annual basis, or more frequently if deemed necessary by the IC, on the following risk controls:

a. Risk controls applying to the growth-orientated investment

The growth-oriented investments held will primarily be held via third party managed investment schemes, Listed Investment Companies ('LICs') and/or Individually Managed Accounts ('IMAs'). While each individual fund/LIC/IMA used will likely already have their own established risk controls that the IC would review prior to making an investment, the following risk controls represent the expectation for the growth-orientated portion of PRF's Investment Portfolio:

Overall portfolio

- Number of securities to be held should be greater than 15.
- The units held in a managed investment fund should not comprise more than 10% of the fund unless the assets held in the fund are considered highly liquid².
- The fund will not generally employ leverage, however the IC recognises that the use of some leverage within some investments will be appropriate from time to time, e.g., property syndicates, some long/short funds.

Individual holdings

- No single security held directly or indirectly to be greater than 7.5% of the portfolio value, though the exception would be where a security's weight in a relevant index is greater than 7.5%.
- No more than 10% of the securities of any one company should be held.
- Holding of securities within one Global Industry Classification Standard ('GICS') sector should not exceed 25% of the total portfolio value for an extended period, unless justified by the index weighting.

Unlisted equities

- Comprise no more than 20% of the total Investment Portfolio value.

² Please note, this control does not apply to the Endowment Impact Fund.

b. Risk controls applying to the income-oriented assets

Income-oriented investments held will primarily be held via third party managed investment schemes and IMAs. The risk controls applying to the income-oriented portion of PRF's Investment Portfolio are as follows:

Conservative fixed interest	<ul style="list-style-type: none"> • All securities to be rated BBB and above. • Convertible securities not permitted. • 25% limit to any one counterparty. • Limit for any one security – 10% of the portfolio size; 5% to the issue size.
High yield	<ul style="list-style-type: none"> • 25% limit to any one counterparty. • Limit for any one security – 10% of the portfolio size; 5% to the issue size.
Private debt	<ul style="list-style-type: none"> • 25% limit to any one counterparty. • Limit for any one security – 10% of the portfolio size; 5% to the issue size.

Managed investment funds or LICs investing in income-orientated investments, including those that hold investments outside of Australia, are only permitted to be held if they have a prudent spread of underlying securities and are approved by the IC on a case-by-case basis.

c. Borrowings

PRF does not expect to use borrowing (or leverage) as part of its Investment Strategy. However, it is possible that the Investment Portfolio may invest in managed funds that can employ internal leverage.

d. Custody arrangements

All assets held in the Investment Portfolio should be held with reputable custodians and legally separated/remote from all other assets held by the custodian, whether as principal or for third parties.

Every 2 years the IC will perform a high-level review of the custody arrangements in place.

9. Permitted Investments

Permitted investments for the **growth-orientated** portion of PRF's Investment Portfolio can comprise:

- Equities and/or property securities listed on the Australian Securities Exchange;
- Equities and/or property securities listed on international securities exchanges;
- Managed investment funds or LICs investing in shares and/or property, including those that hold investments outside of Australia;
- Unlisted investments that are profitable and with positive cash flows and whose value can be reliably determined in secondary markets (note: in due course, a separate valuation policy will be developed by the IC as part of the risk management process); and
- With the specific consent of the IC, unlisted investments that are not yet profitable and/or cash flow positive and which would be classed as venture capital.

Permitted investments for the **income-orientated** portion of the portfolio will be split into three sub-components:

- **Conservative fixed interest** - where the securities held are considered 'investment grade' and relatively liquid (either on listed markets or OTC markets). The securities held, whether directly or through a managed fund and whether domestic or international, will likely include Government and semi-Government bonds, bank and other corporate debt securities and mortgage-backed securities, and exclude convertible securities (being any security which can be converted to equity or equity like instruments). It is expected that this portion of the portfolio will generate a return after fees of the RBA cash rate plus 2-3% pa measured over rolling 2-year periods.
- **High yield** - comprising domestic and/or international listed and unlisted debt securities held via managed funds, and where the underlying investments are likely held to maturity. It is expected that this portion of the Investment Portfolio will generate a return after fees of the RBA cash rate plus 4-6% per annum measured over rolling 3-year periods.
- **Private debt** - comprising domestic and/or international unlisted and illiquid debt securities held via managed funds, and where the underlying investments are held to maturity. It is expected that this portion of the Investment Portfolio will generate a return after fees of the RBA cash rate plus 7-8% per annum measured over rolling 3-year periods.

Permitted investments for the cash portion of the portfolio (held for meeting short-term commitments, such as dividend payments and private equity calls, as well as to take advantage of future investment opportunities) should be invested in securities that are extremely liquid (within 5 business days) and would not be expected to lose value during periods of material stress in investment markets. Such securities should have a maximum term to maturity of 120 days at an individual level and with an average term to maturity at a portfolio level of no greater than 45 days. Such securities can comprise:

- Securities issued by the Commonwealth or State governments;
- Commercial paper or Certificate of Deposit ('CD') issued by an Approved Bank (being one that has a credit rating of no more than 4 levels below the Commonwealth Sovereign rating);
- Deposits with an Approved Bank; and
- Managed investment funds, Exchange-Traded Funds (ETFs) or listed investment companies investing in the above securities.

It is expected that the cash investments will generate a return after fees of the RBA cash rate, plus 0.5% pa measured over rolling 12-month year periods.

10. Portfolio Adviser Selection

Where appointed Portfolio Advisers are used to invest the Investment Portfolio and advise the IC, the IC will use the following checklist as part of the due diligence process:

General

- Portfolio Adviser's experience and depth of resources;
- The quality and stability of the Portfolio Adviser's team covering both front of house (investment) and back of house (administration);
- Investment objective and strategy;
- Past performance over different time periods;
- Alignment – do staff have an ownership in the business;
- Ownership structure;
- The Portfolio Adviser's remuneration and incentives;
- Portfolio Adviser's funds under management;
- Large investors in their fund;
- Key person risk;
- Appropriate third-party endorsements (e.g., research/rating houses); and
- Availability to periodically present to PRF's IC.

Portfolio construction

- Past performance indicating ability to construct a portfolio that complies with PRF's Strategic Asset Allocation Policy (Clause 7), risk management controls (Clause 8) and permitted investments (Clause 9).

Sustainable Investing

- Approach to how the Portfolio Adviser – and individual Fund Managers therein – incorporates ESG considerations into investment selection and portfolio management;
- Perceived quality and stability of the Portfolio Adviser's Sustainable Investing practice, approach and experience;
- Assessment of Portfolio Adviser's own ESG practices;
- Portfolio Adviser's ability to comply with PRF's selection and portfolio management expectations in accordance with Clause 11; and
- Portfolio Adviser's ability to provide transparent reporting on an investment-by-investment and portfolio basis, which enables monitoring in accordance with Clauses 11 and 13.

Administration issues

- Legal structure;
- Base fee appropriate for the style and value add;
- Performance fees (if applicable) being subject to beating a benchmark and subject to a high-water mark;
- Assets held by third party custodians;
- Withdrawal terms;
- Valuation frequency;
- Application periods; and
- Distribution frequency.

At the time of their engagement, it will be impressed upon each Portfolio Adviser that their dealings with PRF are to be conducted with integrity, honesty, and confidentiality and that the highest standards of professional behavior and accountability are to be maintained.

11. Sustainable Investment Policy

PRF is aware that its Purposes and credibility may be detrimentally impacted if it invests in holdings that undermine its values and Purposes. PRF therefore follows a Sustainable Investing approach to its Investment Portfolio to better manage risk, and generate sustainable, long-term returns which are consistent with PRF's Investment Objectives (Clause 4). In doing so, PRF recognises that the management of its Investment Portfolio is at the heart of its Total Impact Approach.

PRF's Total Impact Approach recognises that our roles as funders and investors are not mutually exclusive and reinforces that aligning our investments with our Purposes plays to our expertise and values. This strengthens an investment case and when done right, maintains convictions over the long-term and maximises PRF's Purposes.

Specifically, PRF has committed to the following:

- Apply screens (positive and negative) to all investment selection as outlined below;
- Undertake ongoing impact risk analysis;
- Require Portfolio Advisers – and individual Fund Managers therein – to have a documented approach to ESG considerations in investment selection and portfolio management;
- Report on Sustainable Investing characteristics in accordance with the Investment Objectives; and
- Allocate a material part of its Investment Portfolio to establish and maintain the Endowment Impact Fund.

When making investment decisions, the IC and PRF's Portfolio Advisers will take into account ESG considerations with the overarching objective of ensuring that the Investment Portfolio does not undermine PRF's Purposes and PRF's ability to generate sustainable returns over PRF's relevant investment time horizons.

Sustainability Ratings (detailed in Clause 11c) are the primary vehicle for undertaking and evidencing ESG considerations, which include:

- **Environmental** – climate-related physical risks, climate-related transition risks and climate-related opportunities (each as defined by the Australian Sustainability Reporting Standard S2 – Climate-related disclosures S2), carbon dioxide and other greenhouse gas emissions relating to human-induced climate change; biodiversity impact; habitat destruction (including deforestation, ocean acidification and desertification); waste disposal and management; water and other natural resource consumption.
- **Social** – the promotion and protection of human rights; modern slavery issues; supply chain transparency; labour standards; diversity and equity in the workplace (including at the executive and board levels); community relations; data stewardship and privacy; occupational health and safety in the workplace; social justice issues.
- **Governance** – effective corporate leadership to achieve positive environmental and social outcomes; anti-bribery and corruption measures; board structure, composition and oversight; executive remuneration and incentives; political lobbying and financial contributions.

This Sustainable Investment Policy operates in conjunction with PRF's Conflicts of Interest Policy, Discrimination and Harassment Policy, Human Rights Framework, and Modern Slavery Policy. The Sustainable Investment Policy is guided by, and aligned with, the United Nations Guiding Principles of Business and Human Rights, and the United Nations Sustainable Development Goals ('UN SDGs').

a. Screening

i. Negative Screens

PRF will apply screens to prevent assets from entering the Investment Portfolio which cause harm to society and/or the environment, and which contravene PRF's Purposes (*'Negative Screens'*). PRF has established two tiers of Negative Screens that apply to all investments, defined as follows:

- **Primary Negative Screens** – investments into the direct producers of the following goods and services, applying a materiality threshold (defined as a percentage of revenue derived from the direct production of the following sectors and industries) of 0%:
 - Gambling;
 - Pornography; and
 - Weapons, including but not limited to, biological, chemical, blinding laser, depleted uranium, land mines and cluster munitions.
- **Secondary Negative Screens** – investments into the direct producers of the following goods and services, applying a materiality threshold of 5%:
 - Alcohol;
 - Coal;
 - Predatory lending;
 - Private prisons; and
 - Tobacco.

For the avoidance of doubt, Negative Screens apply to both direct and indirect (i.e., through a managed fund) investments. When considering indirect investments, materiality thresholds apply across that managed fund in aggregate.

ii. Positive Screens

PRF will apply positive screens to identify investments that further the Impact Objective, and seek to take advantage of 'tailwinds' associated with Sustainable Investing (*'Positive Screens'*).

Investments that are categorised as Positive Screens are those that the Portfolio Adviser's research team determine as employing 'Positive Screening' in accordance with the Portfolio Adviser's Sustainability Rating (as per Clause 11c).

For the avoidance of doubt, Positive Screens:

- Carry no target allocation or threshold across the Investment Portfolio; and
- Cannot be pursued at the detriment of the Financial Objective.

b. Impact Risk Analysis

In addition, PRF will conduct ongoing thorough impact risk analysis of its Investment Portfolio – through Portfolio Advisers – to identify holdings which may undermine and/or prove counterproductive to PRF's pursuit of its Purposes, or which pose a reputational risk to PRF.

To meet its Investment Objectives (and therein its Impact Objective), while divestment is one strategy to address the aforementioned risks, PRF believes that engaging with Investment Portfolio holding companies and Fund Managers is another effective way of supporting a shift towards a society, which considers both the positive and negative impact companies have on society and the environment, and alter fund allocation as a result (*'Capitalism 2.0'*). PRF's stewardship and engagement strategy is detailed in Clause 11d.

PRF believes that industries which pose the greatest risk to its Purposes and reputation are those identified in Negative Screens.

c. Portfolio Adviser and Fund Manager Investment Selection

PRF believes that its greatest and most cost-effective ability to invest in ways which are in support of its Purposes and mitigate reputation risk is through Portfolio Adviser and Fund Manager selection.

Given the nature of the Investment Portfolio, PRF recognises that Fund Managers are powerful conduits in enacting its Sustainable Investing activities. Fund Manager selection and auditing are therefore critical. As such, PRF – through its Portfolio Advisers – will assess Fund Managers at the time of selection and periodically to ensure compliance with the Impact Objective, Performance Management and Reporting (Clauses 4, 13 and 14).

PRF understands that ensuring compliance and rigour in investment selection that complies with PRF's Impact Objective is easier at 'entry' rather than with pre-existing holdings. As such, Portfolio Adviser's must ensure that:

- Due diligence to interrogate an investment's Sustainable Investing characteristics is used for all new Investment Portfolio investments (in accordance with Clause 10);
- The Portfolio Adviser's sustainability due diligence results in an assigned sustainability rating being given to an investment, ranging from 'No ESG integration' and 'Negative Screening' to 'Positive Screening' and 'Impact Investing' ('Sustainability Rating');
- The investment's Sustainability Rating is provided to the IC as part of an investment decision; and
- The investment's Sustainability Rating is tracked and aggregated for the purposes of Performance Management and Reporting (Clauses 13 and 14).

d. Impact of this Clause 11 on Pre-existing PRF Investments

PRF recognises that existing investments which pre-date this IPS and therefore the Sustainable Investment Policy (as set out in Clause 11) should not be excluded from rigorous ESG-based assessment merely because those investments occurred prior to the implementation of the IPS.

Portfolio Advisers must commit to carrying out a comprehensive sustainability audit and impact risk analysis of pre-dating investments within 1 year of the approval of the IPS, and to the periodic impact risk analysis of the Investment Portfolio thereafter, at intervals deemed necessary by the IC. In the event that substantial non-compliance or inconsistency with substantive aspects of the IPS are identified within PRF's existing investments, the IC will apply PRF's *Transition Policy* (refer to [Appendix 2](#)) to determine the best strategy to apply to non-compliant investments on a case-by-case basis in accordance with this IPS.

e. Stewardship

PRF places a strong emphasis on stewardship and engagement strategies, in addition to divestment in matters of non-compliance. The decision on when, and how, to apply stewardship and engagement activities is at the discretion of the IC, with the support of the guidelines contained within this Clause 11e ('*Stewardship Policy*').

It is anticipated that stewardship and engagement activities will be primarily conducted through PRF's Portfolio Advisers. However, these activities may also include, or be led by, PRF's Management or embarked on as part of coordinated collaborative efforts with other investors or groups.

Prior to engaging in stewardship or engagement activities, the IC should determine the desired outcomes of these activities, as well as setting Key Performance Indicators (KPIs) to create accountability.

In evaluating which stewardship and engagement activities may be considered, the IC will take into account the likelihood of PRF's activities leading to positive change by considering:

- The size of PRF's holding;
- The materiality of ESG considerations on financial and/or operational performance;
- The level of non-compliance with PRF's Sustainable Investment Policy (Clause 11);
- The resource intensity and required expertise of the stewardship and engagement activity; and
- Guidance provided by PRF's Portfolio Advisers.

The IC, at its discretion, may choose to escalate to Board, initial stewardship and engagement activities if they do not yield the desired outcomes.

12. Roles and Responsibilities

Board of Directors

PRF's Board is responsible for the governance, strategy and oversight of the Investment Portfolio. The Board authorises the Investment Strategy of the Investment Portfolio, as defined in the IPS. The Board has responsibility for approving all amendments to the IPS. Changes to the IPS will be recommended by the IC and authorised by the Board. The PRF Board has delegated to the IC full management of the Paul Ramsay Foundation Investment Portfolio within the terms of the IPS.

Paul Ramsay Foundation Investment Committee

PRF delegates to the IC management of the Investment Portfolio within the Terms of Reference, which are included in [Appendix 1](#). The IC has formal oversight and accountability of delivery for the IPS, including the Investment Objectives (and the Financial and Impact Objectives therein). The IC oversees the execution of the agreed Investment Strategy by Portfolio Advisers as defined in the IPS, together with Management. The IC has the authority to recommend periodic revisions of the IPS to the Board. The IC reviews periodic Portfolio Adviser reports. The IC will report fully to the Board on an annual basis. The provision of this advice to the Board and its practical effectiveness is the responsibility of the Chair of the IC.

Paul Ramsay Foundation Management ('Management')

Management will provide support to Portfolio Advisers to aid the implementation of the IPS (including the Sustainable Investment Policy therein). This will include, though not be limited to, offering perspectives on the impact activities and reporting of investment selection, which will be recommended to the IC. For the avoidance of doubt, Portfolio Advisers are accountable (to the IC) for the delivery of Financial and Impact Objectives in accordance with the IPS, as per the Portfolio Adviser's Investment Mandate with PRF.

Management supports the IC with the implementation and day-to-day operational aspects of monitoring the Investment Portfolio.

Furthermore, Management will oversee:

- Record keeping of all assets;
- Legal matters;
- Tax matters;
- Purchase and settlements of assets;
- Ensuring all procedures are clearly documented;
- Periodic valuations of the Investment Portfolio; and
- Compliance with regulatory requirements and ensuring external audit requirements are met.

Appointed Portfolio Advisers

Portfolio Advisers are appointed to advise the IC on the management of the Investment Portfolio in accordance with the IPS. This includes services relating to asset allocation, Fund Manager selection and monitoring, Fund Manager allocation and risk management. In addition, Portfolio Advisers are responsible for recording and reporting on the portfolio and its performance, safe custody of assets, and delivery in accordance with the Sustainable Investment Policy, including full reporting on risk, return, and impact – including benchmarking – in accordance with Clauses 13 and 14. Portfolio Advisers are contracted by PRF and receive a management fee for services as detailed within individual Investment Mandates with PRF.

13. Performance Measurements

The performance measurements appropriate to PRF's Investment Portfolio have been determined by reference to the Investment Objectives started in Clause 4.

a. Financial Objective

The key measure of performance against the Investment Portfolio's Financial Objective will be its relative performance over rolling 7-year periods, compared to the investment objective stated of CPI +3.5% per annum.

Additionally, to provide further insights, the performance of the Investment Portfolio will be compared against:

- Excluding cash for short-term commitments, the Strategic Asset Allocation Policy of 70% growth assets (40% referenced to the Australian share market performance³ and 30% referenced to the unhedged international share market performance⁴) and 30% income assets (referenced to the Bloomberg AusBond All Maturities index performance); and
- The performance of public 'balanced' superannuation funds in Australia, as measured by SuperRatings, given they also use a 70/30 growth/income benchmark.

Although the performance measurements above will be calculated regularly (i.e., when periodic investment reports are completed for the IC/Board), the judgment of the success or failure of achieving the Financial Objective will be reviewed over rolling 7-year periods. This is consistent with the Paul Ramsay Foundation's long-term investment time horizon.

b. Impact Objective

The key measure of performance against the Portfolio's Impact Objective is demonstrable compliance with the IPS's Sustainable Investment Policy. Specific measures are:

- The proportion of the Investment Portfolio that contains investments in companies/industries which have been identified through PRF's Screening (Clause 11(a));
- The proportion of the Investment Portfolio that contains individual Fund Managers who do not meet PRF's requirement for a documented approach to ESG considerations in investment selection and management;
- The Investment Portfolio by Sustainability Rating as per the Portfolio Adviser's Sustainable Investing approach (Clauses 10 and 11(c));
- The proportion of PRF's Investment Portfolio which report contribution towards the UN SDGs; and
- The proportion of PRF's Investment Portfolio which does not respond to Portfolio Adviser sustainability audits and hence do not comply with PRF's reporting requirements.

³ Measured by the S&P/ASX300 Accumulation Index

⁴ Measured by the MSCI World Index (ex Aus) Accumulation Index Gross Div AUD.

c. Appointed Portfolio Adviser review

A formal review of each of the Portfolio Advisers used, is to be carried out every 2 years or more frequently as required. Such Portfolio Adviser reviews should involve Portfolio Advisers presenting to the IC an update on their portfolios, key investment themes and performance against Investment Objectives. Areas of focus in the reviews will be on:

- The performance of their portfolios and individual investments therein over the medium to long-term (3-5 years) with particular emphasis on how investments perform during bear or weak markets;
- The Portfolio Adviser's effective application and reporting against the Sustainable Investment Policy, as detailed in Clause 11;
- Changes in the Portfolio Adviser's investment team;
- The after fees performance above the benchmark the Portfolio Adviser is expecting to achieve over time;
- The size of and investment term of funds under management and the ability to manage this relative to the benchmark; and
- Whether the portfolio is true to its investment philosophy/objective and actions taken when not.

PRF commits to undertaking a periodic tender process to identify, select and appoint Portfolio Advisers as it deems fit to maintain good governance.

14. Reporting and Compliance

A formal investment report on PRF's Investment Portfolio is to be prepared every calendar quarter for the IC by the Portfolio Advisers. This report will address information required to assess performance against the Investment Objectives (as per Clause 13).

Investment Portfolio reporting will be delivered both independently of the Endowment Impact Fund (which itself will be reported against in accordance with [Appendix 3, Clause 14](#)), and in combination with Endowment Impact Fund data.

The precise content of reports will be agreed by the IC and communicated to Portfolio Advisers. This report will progressively develop over time with the requirements and observations of both the IC and the PRF Board.

Reporting will be a standing item of every IC meeting agenda.

Appendix 1 – Investment Committee Terms of Reference

1. Delegations

The PRF delegates to the IC management of the Investment Portfolio within the terms of this document.

2. Purpose of the Investment Committee

The purpose of the IC is to oversee the Paul Ramsay Foundation's Investment Portfolio. This includes the Investment Objectives, Spending and Liquidity Requirement, Investment Strategy, Asset Allocation, Risk Management, Portfolio Adviser Selection, Sustainable Investment Policy, Performance Measurement, and the Endowment Impact Fund (as defined in the Investment Policy Statement).

Appointed Portfolio Advisers are used to advise the IC with recommendations and execution powers relating to asset allocation, the sale and purchase of investments (including full due diligence on risk, return and impact), risk management, comprehensive ESG reporting, and full reporting on risk, return and impact (including benchmarking), as well as the safe custody of assets.

As stated within these Terms of Reference, the IC's purpose includes protecting, preserving, and growing the Paul Ramsay Foundation Investment Portfolio in line with the IPS and specifically:

Protect against permanent capital loss

- Fraud
- Mismanagement
- Panic buying booms
- Panic selling in busts
- Herd mentality
- Excessive leverage
- Counter-party failure
- Excessive structuring
- Complexity/opaqueness
- Fees, costs

Preserve real value

- Inflation hedges
- Maintain real spending power

Grow the portfolio

- Carefully
- Quality
- Value
- Diversity

3. Duties and responsibilities

The IC has been given the following specific duties and responsibilities:

- Monitor the appropriateness of the investment framework, guidelines and controls as outlined in this document and make suggestions for improvement;
- Appoint/monitor/alter Portfolio Advisers to assist with its duties and responsibilities;
- Monitor the Investment Portfolio and provide comment as necessary;

- Make decisions on what securities are held in the Investment Portfolio (including asset allocations, purchases, sales and weightings) within this Terms of Reference and in accordance with the IPS;
- Make Endowment Impact Fund investment decisions;
- Monitor the Endowment Impact Fund and provide comment as necessary;
- Monitor adherence to any delegated authorities from the PRF Board and any limitations in place;
- Oversee the development and execution of PRF's Sustainable Investment Policy;
- Operate in a manner that is systematic, flexible and continuous;
- Bring investment opportunities forward that may be appropriately held within the Investment Portfolio;
- Monitor the ongoing performance of the Investment Portfolio;
- Ensure that the reporting mechanisms result in adequate, accurate and timely information about the Investment Portfolio being provided to the PRF Board;
- Ensure that the PRF Board is fully informed of the progress of the Investment Portfolio and all material developments;
- Monitor the appropriateness of fees paid to third party agents (e.g., stockbrokers, custodians, Portfolio Advisers, individual Fund Managers, independent experts, etc);
- Review the performance of appointed Portfolio Advisers every 2 years (or more frequently as required);
- Call for experts to provide specific information, as required, on investment opportunities; and
- Monitor cash flows into and out of the Investment Portfolio from/to other parts of the Paul Ramsay Foundation.

4. Composition of the Investment Committee

The PRF Board is responsible for appointing members of the IC. The IC will comprise a minimum of two members and the Board shall designate at least one Director of the PRF Board to the IC as its Chairperson. A member may be removed from the IC at any time by a resolution of the Board.

5. Governance

Investment decisions within these Terms of Reference and in accordance with the IPS are to be decided by the IC and implemented within an appropriate timeframe.

With the exception of placing excess cash on deposit, all decisions by the IC must be by a majority vote, with the Chairperson having the casting vote.

These Terms of Reference may be changed at any time by a resolution of the PRF Board and the IC may recommend such changes to the Board.

PRF shall review the performance and the duties of the IC at least once a year.

6. Meetings and procedures

It is intended that the IC will meet formally at least four times per annum (soon after the preparation of each quarterly investment report) and more often as the need requires and particularly in relation to assessing new investment opportunities. Meetings may take place in person, by phone, or by virtual meeting technologies.

A quorum of the IC shall be two members.

It is anticipated, although not explicitly required, that PRF's Company Secretary (who also may be a member of the IC) will act as the secretary to the IC and shall be responsible for keeping minutes of meetings and circulating them to members of the IC and other members of the Board. If applicable, the Company Secretary shall also be responsible for keeping records of the reports and recommendations of the IC.

Appendix 2 – Transition Policy

1. Objective

PRF is committed to maximising its impact through the ethical consideration and investment of its Investment Portfolio. From time-to-time, PRF may hold investments that are not aligned to our 'Total Impact Approach'. This may be a legacy issue as our approach to investing changes or happen as holdings alter investment strategies or invest in assets, knowingly or unknowingly, that may be misaligned with PRF's approach. This policy sets out how we address this issue so misaligned investments are minimised and remedial action taken.

2. Background

In November 2025 PRF's Board approved PRF's revised Investment Policy Statement (IPS) which governs PRF's Investment Portfolio. The Investment Portfolio serves as the cornerstone for both the preservation and growth of PRF's capacity to fund and support its Charitable Purposes.

The IPS signalled the introduction of PRF's Total Impact Approach. For the first time, this key governance document included the addition of core commitments to responsible investing across its available Balance Sheet:

- Establishing Impact Objectives;
- Screening;
- Impact risk analysis;
- Stewardship;
- Fund Manager selection; and
- Reporting.

3. Sustainable Investment Reporting

The IPS commits to an annual in-depth report on the Sustainable Investment characteristics of the Investment Portfolio in line with the IPS' compliance requirements. The first Sustainable Investment Report was produced with PRF's Portfolio Adviser in August 2024.

Sustainable Investment Reports are created following a thorough audit of the Investment Portfolio:

- Environmental, Social, Governance platform – an ESG platform is used to analyse the Investment Portfolio's Individually Managed Account consisting of direct equity holdings.
- Detailed audit questionnaire – supplied to all Fund Managers in the Investment Portfolio. The audit questionnaire extensively covers the Sustainable Investment approach taken by Fund Managers as well as a thorough analysis of each Fund's investment holdings.
- Own analysis of managed funds and direct investments.

4. Investment Transitions

Investments that the IC, through the Sustainable Investment Report, identify as being counter to PRF's Total Impact Approach should be subject to remedial action.

PRF holds two tools if investments that do not comply with PRF's Total Impact Approach are identified:

- Divestment – selling some or all of PRF's holding; and
- Stewardship and engagement – exercising PRF's rights as investors to engage with the holding to influence their practice (PRF's Stewardship Policy is found in Clause 11e of the IPS).

As per the IPS, the IC determines the best strategy to apply to identified investments that require remedial action.

Existing investments that pre-date the IPS should not be excluded from rigorous ESG-based assessment merely because those investments occurred prior to the implementation of the IPS.

As per Clause 4 of the IPS, the Investment Portfolio contains both Financial and Impact Objectives with a stated obligation that investments that comprise the Investment Portfolio cannot be made that achieve the Financial Objective at the detriment to the Impact Objective and vice-versa.

As such, should the IC determine divestment as the most appropriate remedial action, there may be instances where *immediate* divestment from holdings encountering current poor financial performance would contradict the Financial Objectives.

5. Transition Plan

A holding that the IC identifies as being materially counter to PRF's Total Impact Approach will be subject to remedial action. PRF will lead on the creation of a holding-specific transition plan, with PRF's Portfolio Adviser advising on, and implementing, the plan. Each transition plan will consist of the following steps:

- **Minuting holding risk** – the holding requiring remedial action is raised, and minuted, within the subsequent IC meeting. For holdings posing significant material risks, the IC will be notified by email as soon as possible.
- **Materiality assessment** – the level of non-compliance is assessed with the top material risks (of the holding and to PRF) identified.
- **Determine action** – based on the risk assessment and materiality, and the considerations contained within the Stewardship Policy, the appropriate activity (divestments vs stewardship and engagement) is determined by the IC.
- **Prioritise objectives** – measurable objectives which fulfil action (3) are created and documented.
- **Formulate score card** – the progress against each objective is assessed by RAG status quarterly (or more frequently for holdings deemed of greater risk by the IC).
- **Interim report** – progress against each transition plan is detailed within an interim Sustainable Investment Report (conducted bi-annually).

All transition plans should be executed within 12-months of the identification of the holding. If no/limited progress is being made towards the determined objectives – after 12-months, at the bi-annual review, or within a shorter timeframe as determined by the IC – the action taken by the IC towards the treatment of the holding will be subject to change.

Inbound investments

All new investments being recommended for inclusion in the Investment Portfolio will be compliant with the IPS. This includes being subject to Portfolio Adviser Sustainability Ratings as per Clause 11c of the IPS.

Commitment to impact investing

In August 2023, PRF formalised its commitment to invest a percentage of its available Balance Sheet to establish the Endowment Impact Fund. The Endowment Impact Fund comprises impact investments which have the dual objective of meeting the Investment Portfolio's Financial Objective and generate positive, measurable social and environmental impact. As per PRF's Endowment Impact Fund's Terms of Reference, in collaboration with PRF's Portfolio Advisers and on approval by the IC, impact funds within the Endowment Impact Fund meeting the required risk-return profile can be transitioned to the main Investment Portfolio thus furthering PRF's Total Impact Approach.

Appendix 3 – Endowment Impact Fund Terms of Reference

1. Objective

The Endowment Impact Fund has the objective of investing in impact investing funds which align with PRF's Impact Objective. Impact funds are defined as managed funds that have the intention to generate positive, measurable social and environmental impact alongside a financial return consistent with PRF's Financial Objective.

2. Budget

The Endowment Impact Fund has an allocation of 20% of PRF's Investment Portfolio (*Total Endowment Impact Fund Investment Value*). The Endowment Impact Fund forms part of PRF's Investment Portfolio.

There is no minimum per investment value.

No single investment can comprise more than 20% of the Total Endowment Impact Fund Investment Value.

3. Return Target

Prospects shall be recommended based on the dual nature of the return in both financial and impact outcomes:

- **Financial** – investments, taken together, shall be expected to deliver a financial return consistent with PRF's Financial Objective, as per Clause 4a of the IPS.
- **Impact** – investments, taken together, shall comply with the Sustainable Investment Policy (Clause 11) and demonstrate delivery of social or environmental impact aligned to PRF's Impact Objective, as per Clause 4b of the IPS.

4. Risk-adjusted Return

The Endowment Impact Fund shares the same Financial Objective as the overall Investment Portfolio, which is an expected financial return after fees and costs of CPI +3.5% per annum, measured over rolling 7-year periods.

5. Liquidity

Investments can range from completely liquid to illiquid 10-year+ lock-up periods, with the expectation that there will be a mix.

Maximum total exposure to illiquid investments into unlisted private companies that are not yet profitable – being those that have 10-year+ lock-ups with no access to capital invested and making no distributions during the investment term – limited to 25% of the Total Endowment Impact Fund Investment Value.

6. Investment Strategy

The Endowment Impact Fund seeks to prove that it is possible to build a portfolio that generates both risk-adjusted financial returns and strong impact returns. This is sought by employing principally a fund-of-fund strategy – with direct co-investments permissible at the Investments Committee's discretion – that evidences high levels of impact intent, alongside a financial return commensurate to PRF's Financial Objective. The strategy aims to build a diversified portfolio that balances risk, return and liquidity – requiring impact as a given – within three priority areas:

- Invest in emerging impact funds and/or emerging impact managers;
- Build positions in impact funds that are showing strong performance; and
- Transition strong performing funds to the 'main' Investment Portfolio once they have demonstrated the required track record.

7. Asset Allocation

The Endowment Impact Fund will apply a Strategic Asset Allocation Policy designed to achieve the Financial Objective. The Endowment Impact Fund shall be diverse to manage risk and open to all categories of investment, including equity-like, bond-like and infrastructure, and is open to both public and private investments. The Strategic Asset Allocation will be:

- **Growth assets (70%)** – to support the Financial Objective over the long-term. The category may include a wide variety of asset classes and strategies which prioritise returns over risk in both public and private markets. We expect strategies included in this category to aim for equity-like returns or higher.
- **Defensives and Diversifiers (30%)** – to improve the Endowment Impact Fund's risk/reward profile by providing additional sources of return, liquidity and yield, that are less tied to the equity market cycle and providing portfolio stability through lower volatility assets. This may include a wide variety of asset classes and strategies which prioritise diversification of risk over returns. Liquid and illiquid assets may be held.

7.1 Strategic Asset Allocation

	Long-term target	Investment range
Growth assets	70%	50% - 90%
Defensive and Diversifiers	30%	10% - 50%

7.2 Strategic Sub-Allocation Targets

Growth assets	Long-term target	Investment range
Public Equities	10%	0% - 30%
Private Equities	10%	0% - 30%
Venture Capital	10%	0% - 25%
Real Estate	15%	0% - 35%
Infrastructure	15%	0% - 35%
Alternative Assets – unlisted	10%	0% - 30%

Defensive and Diversifiers	Long-term target	Investment range
Fixed Income	5%	0% - 15%
Private Credit	5%	0% - 15%
Real Estate (stabilised) ⁵	10%	0% - 20%
Infrastructure (stabilised) ⁵	10%	0% - 20%
Other Liquid Diversifiers	0%	0% - 5%
Cash and cash equivalents	0%	0% -5%

⁵ 'Stabilised' Real Estate and Infrastructure assets are defined as those that are: (a) fully deployed; (b) secured against steady real assets; (c) carry 10+ year contracted stable income (e.g., Power Purchase Agreements, Government Availability Payments); (d) providing at least annual yield/distributions.

8. Risk Appetite

Assessment of impact risk, alongside financial risk, is fundamental to Endowment Impact Fund investments. The Endowment Impact Fund is expected to invest predominantly in emerging impact funds and emerging fund managers with the intention to catalyse, leverage and generate positive, measurable social or environmental impact alongside a financial return consistent with PRF's Financial Objective; this risk should be factored accordingly.

9. Management

The Endowment Impact Fund will be managed by PRF's Impact Investing team, supported by the Chief Financial Officer, and led by the Director of Investment and Impact Capital who will have day-to-day responsibility and strategic oversight of the Endowment Impact Fund. PRF's IC holds decision making and portfolio monitoring responsibility.

The Endowment Impact Fund is in addition to, and will be distinct from, PRF's Impact First Fund which forms part of PRF's Spending and Liquidity Requirements as per Clause 5 of the IPS.

10. Source

Prospects may come from the Impact Investing team within PRF, from PRF's Portfolio Advisers, or from other sources. Irrespective of origin, the starting point for each investment is its purpose and contribution to PRF's Impact Objective, which must be clearly articulated.

11. Approval Process

PRF's Impact Investing team shall conduct light due diligence to enable the creation of a Pre Diligence Memo, which is circulated to the IC for discussion and a decision on whether to progress to full due diligence.

Full due diligence will be conducted by PRF's Impact Investing team, and may include the support of external consultants. Investment recommendations will be circulated to the IC for discussion and an investment decision.

The intention is that decisions at both Pre Diligence Memo and Investment Recommendation stages are undertaken within a formal IC meeting, as per Appendix 1 of the IPS. However, decisions can be taken by circular if required.

12. Recommendation Criteria

The criteria for proposed investments are:

- The investment will comply with the Global Impact Investing Network's ('GIIN') definition of an impact investment – being "investments made with the intention to generate positive, measurable social and environment impact alongside a financial return".
- Investments must align to PRF's Impact Objective.
- Investments must further the Endowment Impact Fund's Investment Strategy.
- Impact funds will be prioritised, direct co-investments can be considered on a case-by-case basis.
- Non-domiciled Australian funds – being those not incorporated in Australia and those not primarily focused on investing in Australia – can be included if they meet the following criteria:
 - There is demonstrably greater value, impact, and learning, generated by the investment by operating beyond Australia;
 - The fund's impacts are not geographically contained and are globally systemic (for example, in the case of climate);
 - When there are no/limited Australian-only investment opportunities which would achieve the same impact and financial performance; and
 - When combined, the maximum concentration of non-Australian funds is limited to 20% of the Total Endowment Impact Fund Investment Value.

13. Portfolio Construction

Gradual and opportunistic with typically 2-5 investments or commitments per year leading (including re-ups) to 20% of PRF's Investment Portfolio within the next 3-5 years.

14. Performance Monitoring

Individual investments to be reviewed annually against impact and financial performance stated at inception. As well as on an individual investment level, impact will be measured and monitored across the Endowment Impact Fund taken together.

Endowment Impact Fund performance will be judged on rolling 3-year performance. Performance against the Investment Portfolio's Investment Objectives will be reported quarterly to the IC. Endowment Impact Fund reporting will be delivered both independently of the Investment Portfolio, and in combination with the Investment Portfolio, against the Impact Objective.