

Investing for a better world



Hi there,

Australian Ethical is one of Australia's largest and longest standing dedicated ethical investment managers offering superannuation and managed funds options. We commenced our journey in 1986 and we invest over \$10 billion in assets for more than 130,000 funded customers (managed fund investors and funded superannuation members) as at 31st March 2024. We are also driven by our mission to make a positive impact on the world by creating a more sustainable and equitable future through responsible investment practices.

We believe that financial prosperity should not come at the expense of the planet or its inhabitants and we aim to prove that ethical considerations and financial success can go hand in hand.

We are also Australia's first listed B Corporation and are independently assessed on our maintenance of high standards of social and environmental impact.

We would be delighted to be the default superannuation fund for your employees. Our team can assist you with any queries about our super options.

Visit australianethical.com.au/employer to find out more.



Australian Ethical
has been helping
people invest in
a better future
for more than
37 years.

So much more than ESG

We believe that the power of money can be harnessed to deliver long-term risk-adjusted returns and positive change for people, planet, and animals.



Managing \$10bn+

as an ASX300-listed investment manager on behalf of members and investors



37+ years

offering investment and super solutions utilising our ethical investing approach



100% ethically evaluated

Our Ethical Criteria apply to all portfolios when we are evaluating companies and other potential investments.



Multi-award winning^

super options with a track record of investment performance



'Best for the World'

Highest Scoring Certified B Corporation in Australia & Aotearoa NZ as at July 2023



10% of annual profits*

donated through our Foundation to charitable organisations

^ Visit australianethical.com.au/why-ae/investment/#awards for the specific awards we have won, including the specific categories.

* After tax and before bonuses

Ethical investment solutions

We offer investment solutions for the conscious consumer. Our customers can choose from a suite of ten managed funds or from the range of seven investment options offered in our super fund and six pension investment options, with the comfort that all the underlying companies and investments in our portfolio have passed our comprehensive ethical screening process.

Managed funds

Super

Pension

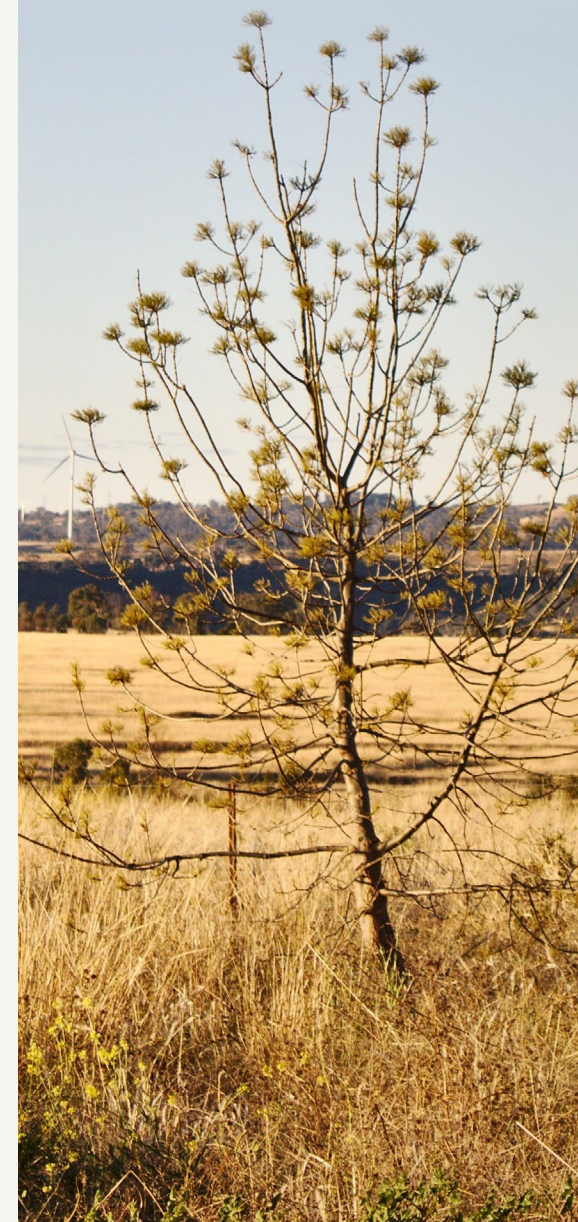
Our ethics

We only make investments that we believe are aligned with our ethical principles, laid out in the Ethical Charter, in 1986. Our Charter is the foundation for how we invest and how we've always invested. It helps us determine what we support, avoid or restrict+. These principles guide the development of our more detailed Ethical Criteria.

Our Ethical Criteria govern our ethical evaluation of companies and other investments issued by financial institutions, responsible entities, trustees, governments or other issuers. They help us identify, measure and balance the most significant positive and negative impacts of companies, products, services and activities.

We believe companies with a social and environmental purpose as part of their competitive strategy, will thrive in and help create a low carbon and equitable future.

Further information on our ethical investment style and ethical investment criteria is available in our Ethical Guide at australianethical.com.au/globalassets/pdf-files/why-ae/ae-guide-to-our-ethical-investment-process.pdf.



Our ethical DNA

We seek out investments which provide for and support the ethical principles set out in the Australian Ethical Charter (Ethical Charter) that forms part of Australian Ethical's constitution. These twenty-three principles guide our examination of whether companies and other investments are part of a path to a better future for people, animals and the environment.

Types of potential benefit we aim to promote:

- a. the development of workers' participation in the ownership and control of their work organisations and places
- b. the production of high quality and properly presented products and services
- c. the development of locally-based ventures
- d. the development of appropriate technological systems
- e. the amelioration of wasteful or polluting practices
- f. the development of sustainable land use and food production
- g. the preservation of endangered eco-systems
- h. activities which contribute to human happiness, dignity and education
- i. the dignity and wellbeing of non-human animals
- j. the efficient use of human waste
- k. the alleviation of poverty in all its forms
- l. the development and preservation of appropriate human buildings and landscape

Types of potential harm we aim to restrict*:

- i. pollute land, air or water
- ii. destroy or waste non-recurring resources
- iii. extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment
- iv. market, promote or advertise, products or services in a misleading or deceitful manner
- v. create markets by the promotion or advertising of unwanted products or services
- vi. acquire land or commodities primarily for the purpose of speculative gain
- vii. create, encourage or perpetuate militarism or engage in the manufacture of armaments
- viii. entice people into financial over-commitment
- ix. exploit people through the payment of low wages or the provision of poor working conditions
- x. discriminate by way of race, religion or sex in employment, marketing, or advertising practices
- xi. contribute to the inhibition of human rights generally

+ Our investment restrictions include some thresholds. Thresholds may be in the form an amount of revenue that a business derives from a particular activity, but there are other thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues, such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our Ethical Criteria.

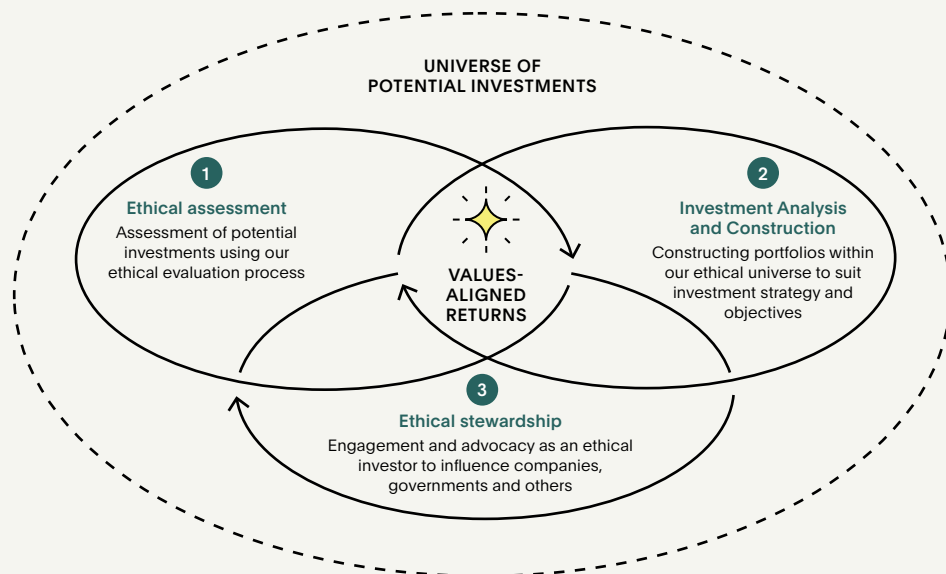
How we invest

We won't consider a company for its investment potential before it passes through our rigorous ethical assessment process. Our investment team then constructs portfolios suitable for the investment strategies and objectives of our funds.

This approach allows us to construct resilient portfolios of companies that we

have assessed as having strong governance structures and that we consider are managing the environmental and social footprints of their operations.

We don't just set and forget, monitoring and active engagement is an important part of our process to influence corporate behaviour and support the creation of positive impacts.



We offer a diverse range of super investment options depending on your investment objective, timeframe and risk profile.

10 Year Performance*

As at 31 March 2024

10.6%** Australian Shares Super Option

7.1% Balanced Super Option

3.1% Conservative Super Option

[Visit our website to see all super performance](#)

*Past performance is not a reliable indicator of future performance. Please refer to Australian Ethical's website for Managed Funds performance, Super performance, Pension performance and ETF performance for more detailed information on updated performance of all our funds, including what we mean by "healthy" or "strong".

** p.a., rated no. 1 for returns over 10 years according to SuperRatings Fund Crediting Rate Survey – SR50 Australian Shares index as at 31 March 2024.

This is general information only and is not intended to provide you with financial advice or take into account your individual investment objectives, financial situation or needs. Before acting on it, consider its appropriateness to your circumstances and read the Financial Services Guide, the Product Disclosure Statement and the Target Market Determination relevant to the product which is available on our website.



A portfolio that looks different

We seek out investments which provide for and support the ethical principles set out in the Charter. As a result our portfolio may differ from the relevant benchmark on a sector-by-sector basis.

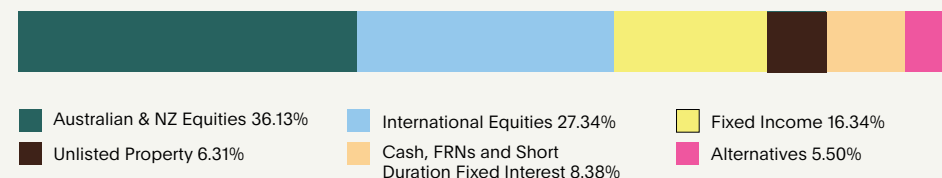
We have higher allocations to healthcare, information technology and utilities, and much lower allocations to energy and materials.

Though underweight in the materials sector, we will consider companies mining lithium, rare earths and other materials critical to the electrification and decarbonisation of the economy.

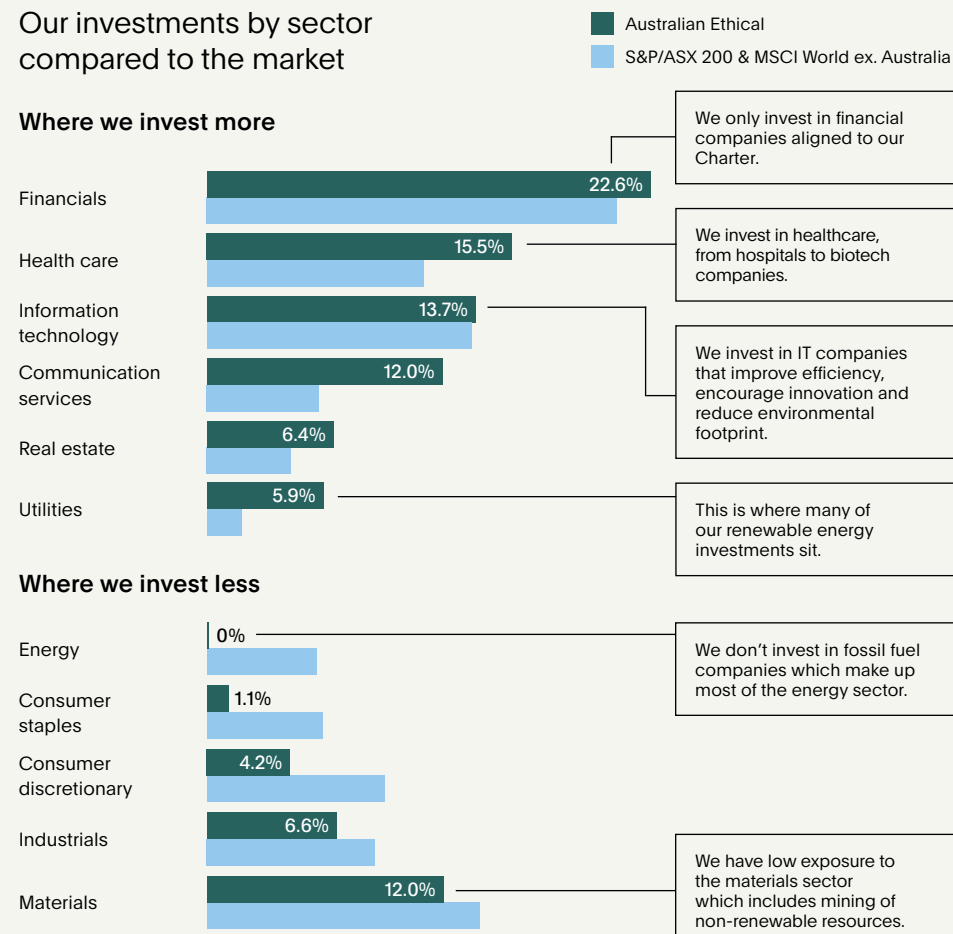
We do invest in the financial sector including banks. Banks do deserve close scrutiny, but despite their shortcomings, responsible and well-regulated banks can do good. They help individuals and organisations save, invest and manage risk. Without them we'd be back to a barter system for the exchange of goods, services and capital. We invest in both small and large banks provided they are assessed to align with our Charter.

*Investing ethically may result in differences in returns. See the last page for more info.

Our investments by asset type



Our investments by sector compared to the market



Charts as at 30 June 2023

Our influence

We believe it's possible to influence progress towards a better world by using our money and voice to support more responsible businesses, government, and consumption.

As an ethical investor focussed on achieving real world outcomes, we are prepared to use every tool at our disposal.

Ethical stewardship

We leverage our position as a shareholder and investor to have a voice on systemic issues like climate change, biodiversity loss, human rights abuse and animal cruelty.

And as we grow, our influence increases.

Our strategic ethical stewardship initiatives:



77% less

Co2 intensity in listed companies in our share portfolio, compared to benchmark*[#]



Ethically screened

We apply our ethical criteria to restrict investment in nuclear, fossil fuel and tobacco companies



2.3x

revenue from sustainable impact solutions than Benchmark[^]



4.2x

revenue from sustainable water & agriculture and pollution prevention than Benchmark^{^^}



Over \$9 million

donated through the Australian Ethical Foundation since 2000



250+ engagements

for people, planet & animals¹

65 proactive company engagements², of these ~25% committed to or made a positive change. 4 engagements resulted in divestment³

*Compared to a blended sharemarket Benchmark of S&P ASX200 Index (for Australian and NZ shareholdings) and MSCI World ex Australia Index (for international shareholdings). Based on shareholdings at 30 June 2023 and analysis tools provided by external sources which cover 92% of the listed companies we hold shares in by value.

[#]Carbon/Co2 intensity of listed companies whose shares we invest in across our funds and options, measured as tonnes Co2 per \$ revenue. This should not be considered representative of individual funds or options which will have their own mix of share and other investments.

[^] Based on the revenue from sustainable impact solutions earned by listed companies whose shares we invest in across our funds and options, and the proportion of those listed share investments in renewables and energy solutions. This should not be considered representative of individual funds or options which will have their own mix of share and other investments. For our analysis we use sustainable impact criteria and revenue data from external sources which aim to measure revenue exposure to sustainable impact solutions and support actionable thematic allocations in line with the U.N. Sustainable Development Goals (SDGs), EU Taxonomy of Sustainable Activities, and other sustainability related frameworks. More information available here: msci.com/documents/1296102/16472518/%20ESG_ImpactMetrics-cfs-en.pdf/7a03ddab-46fd-cef7-5211-c07ab992d17b

1. We count one engagement where we engaged with a company on a topic or series of topics. There may be multiple activities within that engagement. For example, our engagement with Westpac is counted as one engagement which included a meeting, emails and co-filing a shareholder resolution. We may count two engagements with a company if there were separate activities on entirely separate topics. For example, we had one engagement with CBA in relation to its fossil fuel exposure and a separate meeting with CBA to discuss its exposure to deforestation in Australia.

2. Our 'proactive' engagement count includes where we engaged directly with a company, government or other entity, actively contributed to collective engagements (as distinct from simply 'signing on'), used a nominal advocacy holding to support shareholder resolutions, or co-filed a resolution.

3. Not including companies excluded from initial investment

More information available in our FY23 Results at australianethical.com.au/globalassets/pdf-files/asx-announcement/2023/20230825-aef-shareholder-presentation-fy23.pdf



Our 10% difference

Since 2000, we've donated over \$9 million, driving positive outcomes for people, animals and the planet in Australia and overseas. By utilising and funding leading research, we hope to support high impact, effective and innovative climate projects and solutions.

Australian Ethical Foundation

We believe a sustainable planet – free from climate disaster – underpins all of Earth's systems (from biodiverse ecosystems to capital markets) and allows for people and animals to thrive.

The Australian Ethical Foundation's vision is to direct as much philanthropy to effective solutions addressing the climate emergency.

Here are some recent highlights:

10% yearly profits donated through the Australian Ethical Foundation*

\$1.1M provisioned for donations in FY23

\$500k funded through Visionary Grants program

25+ charities supported to fight climate change

\$9M+ donated since 2000

* After tax and before bonuses.

Visionary Grants

In 2023, the Australian Ethical Foundation donated \$500,000 to ten innovative organisations making a positive climate impact both in Australia and overseas. Each of the organisations have a purpose in line with our three focus areas.

Stopping sources of carbon:

- Rewiring Australia
- Australian Council of Social Service
- Tomorrow Movement
- Environmental Defenders Office

Supporting carbon sinks:

- Martuwarra Fitzroy River Council
- Great Southern Reef Foundation
- Gudanji For Country

Empowering women and girls:

- Love Mercy Foundation
- Pollinate Group
- ActionAid Australia

Find out more at australianethical.com.au/foundation/visionary-grants/2023.



Find out more

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Certified



Corporation

Australian Ethical is a Certified B Corporation.

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Past performance is not a reliable indicator of future performance.

Certain statements in this report relate to the future. Such statements involve known and unknown risks and uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results. Australian Ethical Investment Ltd does not give any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this report will actually occur and you are cautioned not to place undue reliance on such statements.

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Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the Portfolio may not have exposure to specific assets which over or under-perform over the investment cycle. This means that the returns and volatility of the Portfolio may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.