

Investing for a better future



Hi there,

Australian Ethical is one of Australia's largest and longest standing dedicated ethical investment managers, commencing in 1986 and now investing over \$9 billion in assets on behalf of clients. 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 aims 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 explore further with you the opportunity to harness the power of your money to help create real change for people, planet and animals while growing your portfolio.

Our investor relationships team can assist you with any queries about our ethical investment options.

Visit australianethical.com.au/not-for-profit to find out more.



An underwater photograph showing a vibrant coral reef in the foreground, with numerous small fish swimming in the clear blue water. Sunlight rays penetrate the surface from above, creating a bright, shimmering effect. The background shows the deep blue of the ocean and the surface of the water.

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 \$9.2bn+

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



37+ years

offering investment and super solutions utilising our ethical investing approach



A global leader in ESG

named a global Leader in ESG by Morningstar since 2020[#]



Multi-award winning[^]

investment portfolio 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.

[#] See page 6

^{*} 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. These principles provide a foundation for the development of our more detailed Ethical Criteria and for examining whether a company is part of a path to a better future for people, planet and animals.

Our Ethical Criteria govern our ethical evaluation of companies and other investments, helping 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've been investing ethically since 1986 and have become globally-recognised in the process.¹

Our guiding compass is the Australian Ethical Charter. We seek out investments which provide for and support the ethical principles set out in the Charter.

Guided by our Ethical Criteria, as outlined in our Ethical Guide, we apply the following methods to identify our universe of potential investments:

Negative screening

We restrict* investments assessed to have an unnecessarily negative impact on society and the environment.

Positive screening

We seek investments assessed to support society and the environment.

For investments managed by external investment managers, our ethical research considers whether the external manager's investment strategy and process can be expected to lead to investments consistent with those ethical criteria.

¹ Recognised by Morningstar as a global leader for our ESG approach since 2020.

We seek investments assessed to support:

- 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

We restrict* investments assessed to unnecessarily:

- 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.

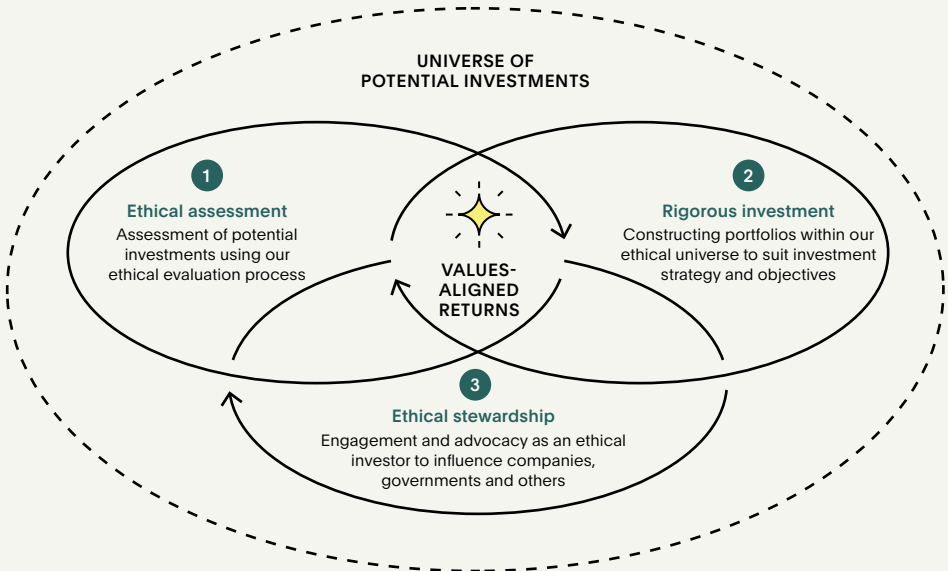
How we invest

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.



Our
performance
speaks for
itself

13.4% Australian Shares Fund
(Wholesale)*

9.2% Emerging Companies Fund
(Wholesale)*

10.4% Balanced Fund
(Wholesale)*

15.3% High Growth Fund
(Wholesale)*

*The returns are for the 12 months to 30 June 2023. Total returns are calculated using the sell (exit) price, net of management fees and gross of tax as if distributions of income have been reinvested at the actual distribution reinvestment price. The actual returns received by an investor will depend on the timing, buy and exit prices of individual transactions. Return of capital and the performance of your investment in the fund are not guaranteed. Past performance is not a reliable indicator of future performance. Figures showing a period of less than one year have not been adjusted to show an annual total return.

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.

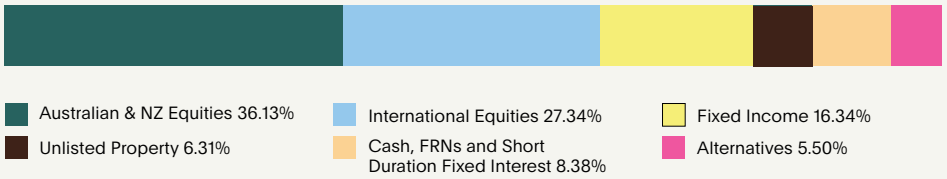
We have higher allocations to healthcare, information technology and utilities, and much lower allocations to energy and materials.

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.

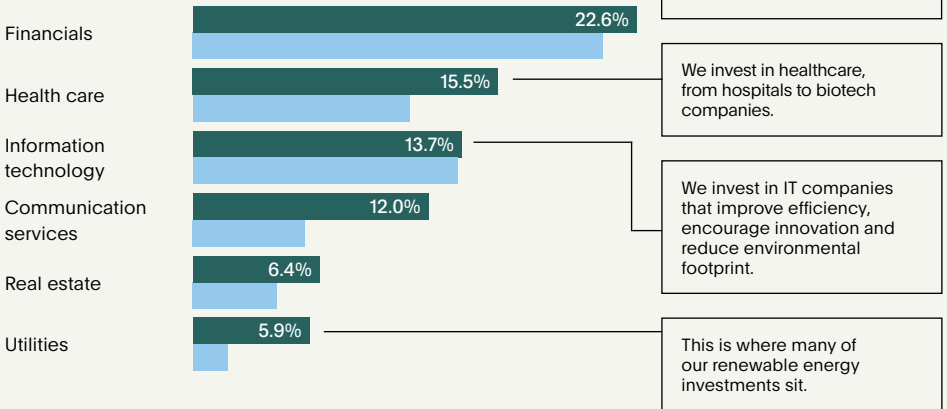
Our investments by asset type



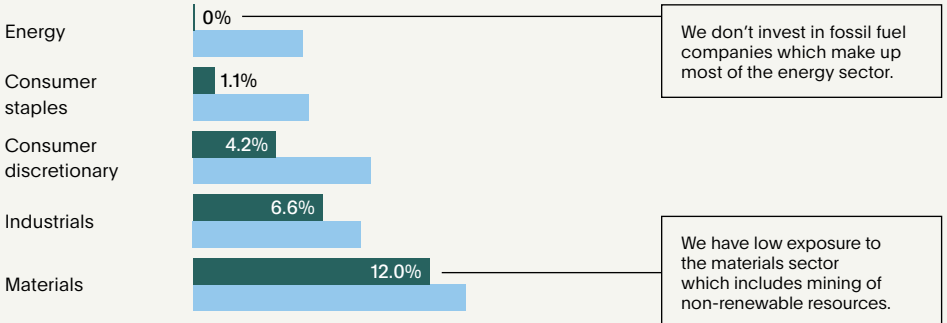
Our investments by sector compared to the market

■ Australian Ethical
■ S&P/ASX 200 & MSCI World ex. Australia

Where we invest more



Where we invest less



Our influence

It began in 1986 when our founders set out to invest for a better world by using money as a force for good. It's an investment philosophy that remains unchanged, in an ever-changing world.

The carbon intensity of our share investment portfolio continues to decline, whilst our investment in renewable energy powers on. Through our ethical stewardship we aim to

support a transition to a more sustainable economy and society. Since 2000, we have donated more than \$9 million to our Foundation, driving positive outcomes for the planet, people and animals.

Read the latest at australianethical.com.au/globalassets/pdf-files/sustainability-reports/2022/AE-SustainabilityReport-2022-Full-Web.pdf.





78% less

CO2 intensity*# in listed companies in our share portfolio, compared to benchmark



4.1x

investment in renewables and energy solutions**



Ethically screened

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



Over \$9 million

donated through the Australian Ethical Foundation since 2000



2.4x

revenue from sustainable impact solutions^*



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/CO2e intensity of listed companies whose shares we invest in across our funds and options, measured as tonnes CO2e 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. Sustainable impact data is provided by external sources and aims 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 at [msci.com/documents/1296102/16472518/ESG_ImpactMetrics-cfs-en.pdf/7a03ddab-46fd-cef7-5211-c07ab992d17b](https://www.msci.com/documents/1296102/16472518/ESG_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-aeef-shareholder-presentation-fy23.pdf](https://www.australianethical.com.au/globalassets/pdf-files/asx-announcement/2023/20230825-aeef-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.



Visionary Grants

The Australian Ethical Foundation donated \$500,000 to over 12 innovative organisations in 2022 making a positive climate impact both in Australia and overseas. Our 2022 grant recipients included:

- Solar Citizens
- Totally Renewable Yackandandah
- Cellular Agriculture Australia
- Regen Melbourne
- Y's Housing
- Grata Fund
- Open Corridor
- James Cook University (TropWATER)
- Australian Wildlife Conservancy (AWC)
- The Orangutan Project
- YGAP
- Rahma Health

Find out more at australianethical.com.au/foundation/visionary-grants/2022.

Strategic Grants

Our 'Strategic Grants' provide funding for proven and scalable climate projects. Grants have been awarded to:

- Food Frontier
- Beyond Zero Emissions
- Environmental Justice Australia
- Greenfleet
- Original Power
- Environs Kimberley
- Climateworks
- Australian Conservation and Biodiversity Foundation
- Accounting For Nature
- Wildlife Asia

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



Find out more

Phone: 0415 035 950
Email: kmcneill@australianethical.com.au
Website: australianethical.com.au



Australian Ethical has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See responsibleinvestment.org for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Certified

Australian Ethical is a Certified B Corporation.



© 2023 Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 22994) The information in this report is general information only and does not take into account your personal financial situation, objectives or needs. You should consider obtaining financial advice that is tailored to suit your personal circumstances before making an investment decision. Please read the Financial Services Guide and the relevant Product Disclosure Statement(s) and Target Market Determination as well as other important available on our website for information about our products.

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.

The content of this report is intended to provide a summary and general overview concerning matters of interest and is correct as at the date of publication. Australian Ethical Investment Ltd does not accept any liability, either directly or indirectly, arising from any person relying, either wholly or partially, upon any information shown in, or omitted from, this report. Under no circumstances will Australian Ethical Investment Ltd be liable for any loss or damage caused by your reliance on information obtained from this report. You should consider seeking independent advice from a legal or other professional adviser before acting in response to the content of this report.

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.