

Annual Report 2020

Contents

Investment Philosophy	2
Investment Strategy	3
Investment options	4
Investment Performance	11
Accounts	12
Things you should know	14
Changes to superannuation	15

Important

This Annual Report has been prepared by Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, RSE L0001441) (Trustee) which is the trustee of the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743, USI AET0100AU) (Fund). Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) (Australian Ethical) offers to arrange for the issue of interests in the Fund, pursuant to an arrangement between Australian Ethical and the Trustee. The Trustee issues interests in the Fund in accordance with such offers, where the offer is accepted.

The information in this Annual Report is up-to-date at the time of preparation. However, information in this Annual Report is subject to change from time to time. Updated information can be obtained by contacting your financial adviser, going to our website or calling us on 1300 134 337. You may request a paper copy of this Annual Report and any updated information at any time, free of charge.

Information in this Annual Report is general information only and does not take into account your personal financial situation or needs. You should consider obtaining financial advice that is tailored to suit your personal circumstances.

You may wish to consult an adviser before making a decision.

The information may represent our interpretation of the law in some instances and should not be relied upon as legal advice.

Please note that the value of investments can go up and down. Past performance is not a reliable indicator of future performance. Product ratings are only one factor to be considered when making a decision.

Before making a decision you should read the Product Disclosure Statement on our website australianethical.com.au and consider any relevant risks.

Neither the Trustee nor its advisers accept responsibility for any error or misprint, nor for anyone acting on this information.

Contact us

Phone 1300 134 337
Email members@australianethical.com.au
Web australianethical.com.au
Twitter @austethical
Facebook facebook.com/australianethical
Post Australian Ethical Super
Locked Bag 20013, Melbourne VIC 3001
Join online australianethical.com.au/join-now



Who is Australian Ethical Superannuation?

Australian Ethical Investment began in 1986 when our founders laid out their vision of the future. The Australian Ethical Superannuation Fund commenced in 1998. By infusing money with morals, they set out to fundamentally change the system so that it worked for the many rather than the few.

Their purpose was to invest for a better world.

More than 30 years later and we have not steered far from these original beliefs. We are still committed to investing for a better world at a time when it has never seemed so urgent.

Today, we are Australia's experts in ethical investing.

We offer a range of super and pension products with a significant difference. Our products deliver strong investment performance, while making sure that the companies we invest in are building a better world and not doing harm to the planet, people or animals.

We are one of the most authentic and comprehensive ethical super investment choices on the market. We are not simply 'ticking boxes' but are true to our ethical label because ethical investing isn't just something we do, it's everything we do. Our investment decisions, the way we recruit, the way we treat our employees and suppliers, the issues we take a stand on and the decisions made when operating the Fund are all governed by our Ethical Charter.

This means when you invest your super with us, you don't have to compromise your future, or the planet's.

What is the Australian Ethical Charter?

The Australian Ethical Charter, written by our founders in 1986, is the DNA of our business, guiding everything we do. It is the compass we use to navigate the ethical complexities of our investment and business decisions.

It requires us to grapple with the far-reaching consequences of our investment decisions and to examine issues on their merits from many angles. It governs the companies or industries we must avoid and steers us towards those that do good for the planet, people and animals.

While our Charter has remained unchanged since 1986, it is underpinned by ethical frameworks around sectors or issues that are continually updated as the world and our understanding of it changes.



Investment Philosophy

Our investment philosophy is centred around the 23 principles in our Ethical Charter. This is based on the belief that by investing in assets that have a positive impact on the world around us and avoiding investments with negative impacts, we can have a positive influence on the future of the planet and all its inhabitants. We believe that the power of money can be harnessed to deliver both competitive returns and positive change for society and the environment.

We believe that incorporating ethics screening into the investment process does not detract from long term performance and, in fact, can assist in identifying investment risks and opportunities earlier because of the analysis required to determine if an investment meets our ethical criteria. The risk factors of our portfolios are similar to non-screened portfolios and provide similar risk/return characteristics over the long-term.

Investment Strategy

The Trustee remains the responsible entity for all the money held and invested on behalf of the members of the Fund, and determines the overall strategy for the Fund. We invest in a range of assets across various asset classes – Australian Equities, International Equities, Property, Alternatives, Australian Fixed Interest, International Fixed Interest and Cash. Our investment options are made up of the same underlying asset classes, in proportions determined by the options' asset allocation.

The Trustee's investment strategy for the whole of the Fund is:

- The Australian Shares, Growth, International Shares and Advocacy investment options all offer suitable risk/reward profiles for members with a longer-term investment timeframe and those comfortable with a higher level of risk. The Balanced (accumulation) option also offers a suitable, well diversified investment option for relatively long-term investment.
- For those members with a shorter-term investment timeframe or who seek a more conservative risk/return profile, the Conservative investment option (suitable for both before and after retirement) as well as the Balanced (pension) investment option may be appropriate.
- The Defensive investment option is designed to minimise volatility in a member's retirement income stream and/or returns. It is most suitable for members with no tolerance for risk.

The objective and asset allocation for each of the Fund's investment options is given in the next section. The objective is not a guarantee of a particular return or benefit but it is used by the Trustee to measure the investment option's performance. Asset allocations may vary from time to time for various reasons.

You should consider the likely investment returns, risk and your investment timeframe when choosing an investment option.

Super investment options

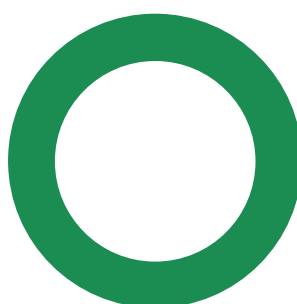
Asset allocations (%) to 30 June 2020

Super (accumulation)

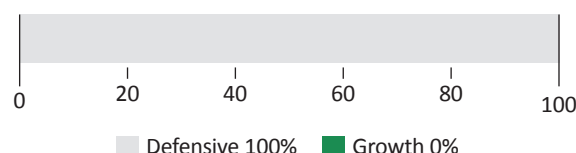
Further information regarding the investment objectives and strategic asset allocations of each of the investment options can be found in the Additional Information Booklet which is located at australianethical.com.au/super/pds or by calling us to request a free copy.

Defensive option

■ Cash 100%



Asset type	Range %
Interest-bearing investments	90-100
Cash	0-10



Investment objective

To provide members with a portfolio focused on preservation of capital through low risk income generating investments.

Investors that the option may suit

Members wanting a low risk of capital loss and low volatility with a short investment timeframe.

Recommended minimum investment timeframe

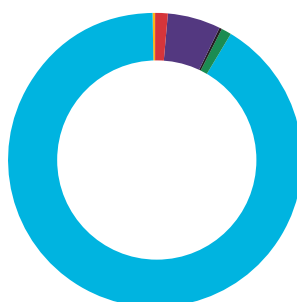
1 year

Risk Level[^]

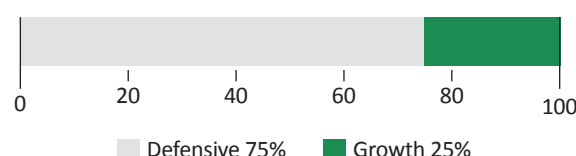
Very low

Conservative option

■ Cash 16.21%
 ■ Interest-bearing securities 59.68%
 ■ Property 4.65%
 ■ International Shares 9.63%
 ■ Australian & New Zealand Shares 9.54%
 ■ Alternatives 0.29%



Asset type	Range %
Interest-bearing investments & Cash	20-100
Property	0-15
Australian and New Zealand Shares	0-20
International Shares	0-20
Alternatives	0-15



Investment objective

To provide members with returns only moderately above inflation over a medium time horizon with low to medium levels of investment risk.

Investors that the option may suit

Members closer to, or in retirement, who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

Recommended minimum investment timeframe

3 years

Risk Level[^]

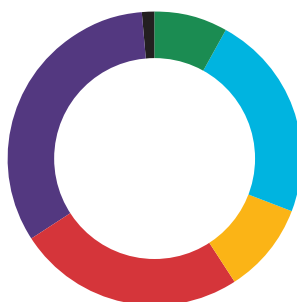
Low to medium

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

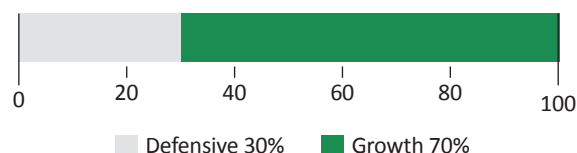


Balanced (accumulation) option

Cash	8.29%
Interest-bearing securities	22.80%
Property	9.75%
International Shares	25.04%
Australian & New Zealand Shares	32.99%
Alternatives	1.13%



Asset type	Range %
Interest-bearing investments & Cash	10-50
Property	0-20
Australian and New Zealand Shares [^]	10-50
International Shares	5-40
Alternatives	0-20



Investment objective

To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk. It aims to achieve returns of 3.5% p.a. above inflation over the medium to longer terms.

Investors that the option may suit

Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years.

Recommended minimum investment timeframe

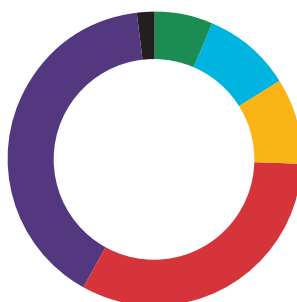
5 years

Risk Level[^]

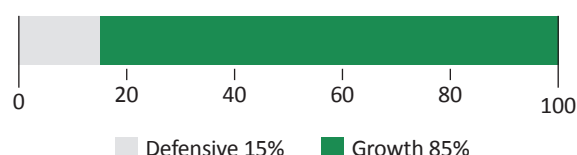
Medium to high

Growth option

Cash	6.63%
Interest-bearing securities	9.58%
Property	9.56%
International Shares	32.37%
Australian & New Zealand Shares	39.98%
Alternatives	1.88%



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares [^]	15-55
International Shares	10-50
Alternatives	0-20



Investment objective

To provide long term growth accompanied by high levels of risk through holding mostly growth assets.

Investors that the option may suit

Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short-term market fluctuations.

Recommended minimum investment timeframe

6 years

Risk Level[^]

High

[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

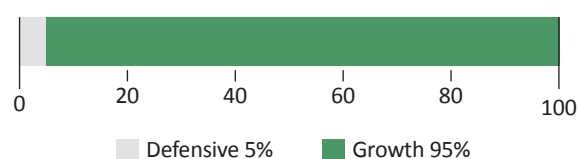
Super investment options

Asset allocations (%) to 30 June 2020 continued

Advocacy option



Asset type	Range %
Cash	0-15
Australian and New Zealand Shares^	55-85
International Shares	10-40



Investment objective

To provide long term growth accompanied by high levels of risk through investment in listed companies on Australian and international stock exchanges.

Investors that the option may suit

Members seeking capital growth through long term investments who have a higher tolerance for risk.

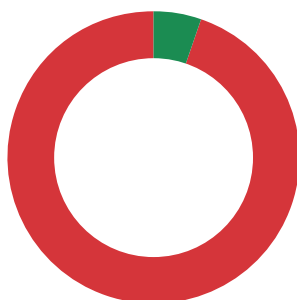
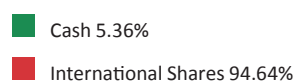
Recommended minimum investment timeframe

7 years

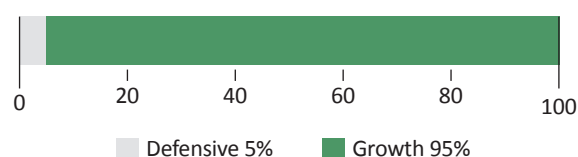
Risk Level^

High

International shares option



Asset type	Range %
Cash	0-15
International Shares	85-100



Investment objective

To provide long-term growth accompanied by high levels of risk through investment in overseas companies.

Investors that the option may suit

Members seeking an exposure to international companies who are comfortable with short term volatility. It is suited for members with a longer investment timeframe and a higher risk tolerance.

Recommended minimum investment timeframe

7 years

Risk Level^

High

^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

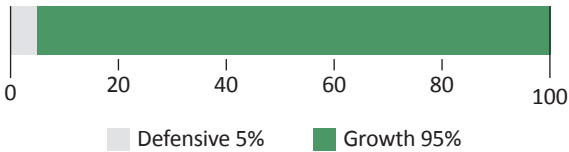


Australian shares option

- Cash 8.00%
- Australian & New Zealand Shares 92.00%



Asset type	Range %
Cash	0-20
Australian and New Zealand Shares^	80-100



Investment objective

To provide long-term growth accompanied by very high levels of risk through investment in Australian and New Zealand companies with a bias to smaller companies.

Investors that the option may suit

Members seeking capital growth through long-term investments who have a higher tolerance for risk.

Recommended minimum investment timeframe

7 years

Risk Level^

Very high

^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Pension investment options

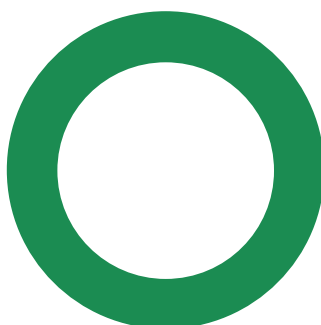
Asset allocations (%) to 30 June 2020

Pension

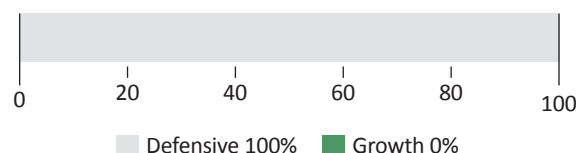
Further information regarding the investment objectives and strategic asset allocations of each of the investment options can be found in the Additional Information Booklet which is located at australianethical.com.au/pensions/pds or by calling us to request a free copy.

Defensive option

■ Cash 100%



Asset type	Range %
Interest-bearing investments	90-100
Cash	0-10



Investment objective

To provide members with a portfolio focused on preservation of capital through low risk income generating investments.

Investors that the option may suit

Members wanting a low risk of capital loss and low volatility with a short investment timeframe.

Recommended minimum investment timeframe

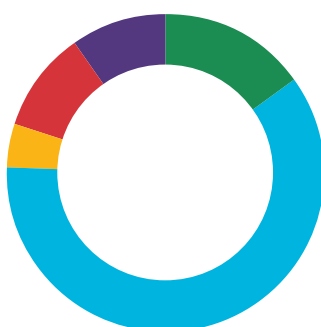
1 year

Risk Level[^]

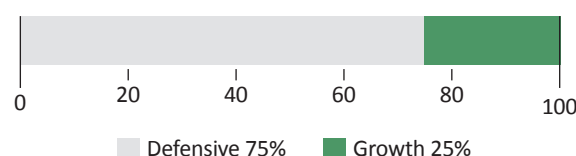
Very low

Conservative option

■ Cash 15.23%
 ■ Interest-bearing securities 60.44%
 ■ Property 4.53%
 ■ International Shares 10.10%
 ■ Australian & New Zealand Shares 9.69%



Asset type	Range %
Interest-bearing investments & Cash	20-100
Property	0-15
Australian and New Zealand Shares	0-20
International Shares	0-20
Alternatives	0-15



Investment objective

To provide members with returns only moderately above inflation over a medium time horizon with low to medium levels of investment risk.

Investors that the option may suit

Members closer to, or in retirement, who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

Recommended minimum investment timeframe

3 years

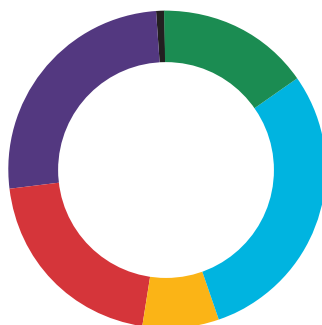
Risk Level[^]

Low to medium

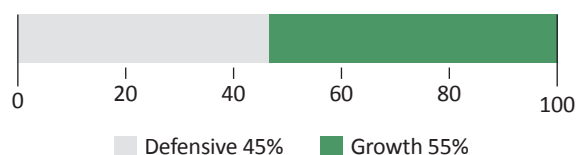
[^]Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA



Balanced (pension) option



Asset type	Range %
Interest-bearing investments & Cash	30-60
Property	0-20
Australian and New Zealand Shares^	10-35
International Shares	5-30
Alternatives	0-20



Investment objective

To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk.

Investors that the option may suit

Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years.

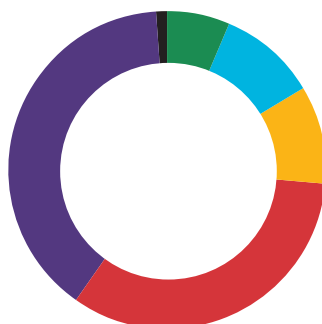
Recommended minimum investment timeframe

5 years

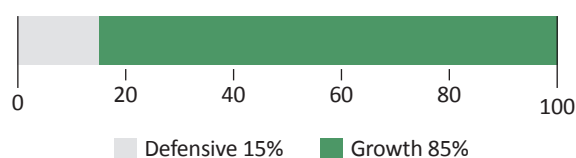
Risk Level^

Medium to high

Growth option



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares^	15-55
International Shares	10-50
Alternatives	0-20



Investment objective

To provide long term growth accompanied by high levels of risk through holding mostly growth assets.

Investors that the option may suit

Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short-term market fluctuations.

Recommended minimum investment timeframe

6 years

Risk Level^

High

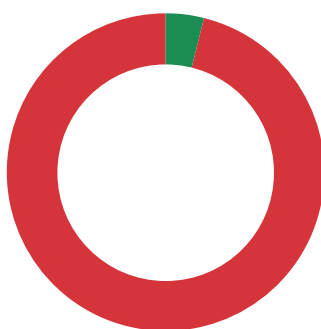
^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Pension investment options

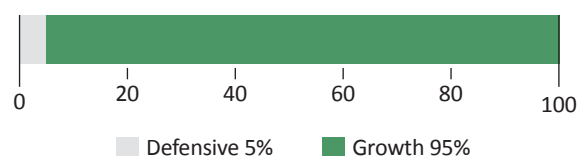
Asset allocations (%) to 30 June 2020 continued

International shares option

- Cash 5.51%
- International Shares 94.49%



Asset type	Range %
Cash	0-15
International Shares	85-100



Investment objective

To provide long-term growth accompanied by high levels of risk through investment in overseas companies.

Investors that the option may suit

Members seeking an exposure to international companies who are comfortable with short term volatility. It is suited for members with a longer investment timeframe and a higher risk tolerance.

Recommended minimum investment timeframe

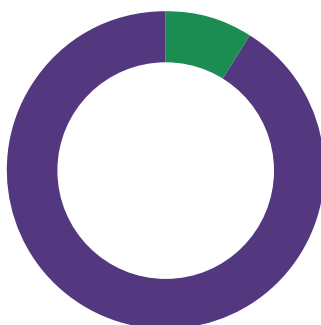
7 years

Risk Level^

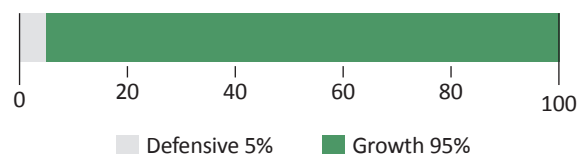
High

Australian shares option

- Cash 8.50%
- Australian & New Zealand Shares 91.50%



Asset type	Range %
Cash	0-20
Australian and New Zealand Shares^	80-100



Investment objective

To provide long-term growth accompanied by very high levels of risk through investment in Australian and New Zealand companies with a bias to smaller companies.

Investors that the option may suit

Members seeking capital growth through long-term investments who have a higher tolerance for risk.

Recommended minimum investment timeframe

7 years

Risk Level^

Very High

^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

Investment performance

Superannuation options returns to 30 June 2020

Our super fund's default MySuper option, the Balanced (accumulation) option, has outperformed its benchmark over the time periods where shown below.

Accumulation options	1 year %	2 year % p.a.	3 year % p.a.	5 year % p.a.	7 year % p.a.	10 year % p.a.	15 year % p.a.
Defensive	0.3	0.8	0.9	1.0	1.2	1.9	2.6
Bloomberg AusBond Bank Bills Index**	0.4	0.8	0.9	1.1	1.4	2.3	3.4
Conservative	2.6	5.0	4.3	4.0	4.1	4.2	n/a
SuperRatings SR50 Capital Stable Index	0.2	2.6	2.9	2.9	3.7	4.2	n/a
Balanced (accumulation)	2.3	6.2	6.4	6.3	7.2	6.7	4.9
SuperRatings SR50 Balanced (60-76) Index	-0.9	2.8	4.4	4.6	5.5	5.7	4.7
Growth	0.2	5.5	6.2	6.2	7.6	6.9	4.8
SuperRatings SR50 Growth (77-90) Index	-1.7	2.6	5.1	5.3	6.7	6.8	5.3
Advocacy	-3.9	4.2	5.6	6.2	8.6	8.3	n/a
Melded Benchmark (ASX 200 Monthly Index (Accum) & MSCI World ex Australia) **	-3.2	3.0	4.8	5.4	8.4	8.6	n/a
International Shares	2.1	6.7	6.9	6.4	8.9	6.8	n/a
MSCI World ex Australia**	4.3	7.2	9.1	7.7	10.7	11.6	n/a
Australian Shares	3.0	6.1	7.3	8.8	10.6	10.4	9.0
ASX 300 Monthly Index (Accum)**	-6.4	-0.5	4.7	6.4	5.2	1.0	2.9

Pension options – returns to 30 June 2020

Pension options	1 year %	2 year % p.a.	3 year % p.a.	5 year % p.a.	7 year % p.a.	10 year % p.a.	15 year % p.a.
Defensive	0.4	1.0	1.1	1.2	1.3	2.2	3.1
Bloomberg AusBond Bank Bills Index^	0.4	0.9	1.1	1.2	1.6	2.4	3.5
Conservative	2.3	5.4	4.7	4.3	4.4	4.5	n/a
SuperRatings SRP50 Capital Stable Index	0.3	2.9	3.3	3.2	4.1	4.7	n/a
Balanced (pension)	2.8	6.3	6.3	6.3	7.2	7.0	5.2
SuperRatings SRP50 Balanced (60-76) Index	-2.3	1.6	3.1	3.5	5.1	5.6	4.7
Growth	0.0	6.0	6.8	6.7	8.3	8.0	5.5
SuperRatings SRP50 Growth (77-90) Index	-1.6	3.0	5.6	5.7	7.2	7.3	5.7
International Shares	2.0	7.0	7.2	6.8	8.8	6.6	n/a
MSCI World ex Australia^	4.8	8.1	10.3	8.8	11.6	12.3	n/a
Australian Shares	3.9	6.7	8.1	9.2	11.1	11.6	10.0
ASX 300 Monthly Index (Accum)^	-7.2	-0.9	5.0	6.9	5.7	1.5	3.4

Please note: Past performance is not an indicator of future performance. Performance is not guaranteed.

** Gross index performance is adjusted down for tax and administration fees. The effective tax rate of the investment option is used to estimate tax.

^ Gross index performance is adjusted down for administration fees.

Note: Where benchmarks have changed, we have melded them together

MSCI data is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data. For full disclaimer, please see australianethical.com.au/sources

Calculating returns

- Net investment returns are calculated using exit prices.
- Net investment returns have been calculated using prescribed standard methods and assumptions, and take into account administration and investment fees, taxes and other costs.
- The standard calculations are based on a member with an account balance of \$50,000, which will not be relevant to all members.
- The standard calculations do not allow, for example, for the effect of contributions to an account, insurance fees from an account or various other matters.

Accounts

The Australian Ethical Retail Superannuation Fund financial statements for the year ended 30 June 2020 are shown in abridged form below. A copy of the full accounts and the auditor's report is available to members upon request. Please phone 1300 134 337, if you would like a copy mailed to you.

Statement of financial position

As at 30 June 2020

	2020 \$'000	2019 \$'000
Assets		
Cash and cash equivalents	20,056	21,274
Investments	2,701,991	2,214,953
Receivables	60,841	83,485
Deferred tax assets	220	259
Total assets	2,783,108	2,319,971
Liabilities		
Payables	6,440	4,433
Income tax payable	6,700	7,648
Deferred tax liabilities	32,539	36,851
Total liabilities excluding member benefits	45,679	48,932
Net assets available for member benefits	2,737,429	2,271,039
Member benefits		
Allocated to members	2,724,265	2,261,772
Unallocated to members	6,434	3,322
Total member liabilities	2,730,699	2,265,094
Net assets	6,730	5,945
Reserves		
Operational risk reserve	6,730	5,945
Total reserves	6,730	5,945

Statement of changes in reserves

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000	2018 \$'000
Operational risk reserve			
Opening balance	5,945	4,779	3,321
Net transfer to reserves	504	644	1,166
Operating result	281	522	292
Closing balance	6,730	5,945	4,779

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Trustee's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations. The objective of the Trustee of the Fund is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Trustee has assessed a target ORFR of 0.25% of funds under management as appropriate for the Fund. As at 30 June 2020, the ORFR balance equates to 0.25% of funds under management.

Transfers in and out of the reserves are made only at the authorisation of the Trustee and in accordance with the Fund's Reserve Policy. The ORFR is funded out of the Trustee's administration fee entitlement. Earnings on invested amounts are retained within the ORFR.

The reserve is held separately to other Fund assets and is invested in a cash account and the Balanced Fund.

Income statement

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Revenue		
Distributions and dividends	91,491	109,369
Interest	69	158
Movement in fair value of investments	(37,779)	125,861
Other income	672	30
Net revenue	54,453	235,418
Expenses		
Investment expenses	21,125	17,285
Administration expenses	12,693	11,567
Other expenses	31	23
Total expenses	33,849	28,875
Profit from operating activities before income tax expense	20,604	206,543
Less: Income tax (benefit)/expense	(7,468)	11,054
Profit from operating activities after income tax expense	28,072	195,489
Less: Net benefits allocated to members' accounts	27,287	194,323
Profit after income tax	785	1,166

Statement of changes in member benefits

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Opening balance of member benefits	2,265,094	1,848,596
Employer contributions	166,810	137,390
Member contributions	48,072	35,470
Transfers from other funds	411,355	193,069
Government co-contributions	2,604	2,289
Income tax on contributions	(25,665)	(20,515)
Net after tax contributions	2,868,270	2,196,299
Benefit payments	(161,040)	(121,601)
Insurance premiums charged to members' accounts	(8,036)	(6,386)
Death and disability benefits credited to member's accounts	4,218	2,459
Benefits allocated to members' accounts, comprising:		
Net investment income	30,169	198,369
Net direct administration fees	(2,882)	(4,046)
Closing balance of member benefits	2,730,699	2,265,094

Investments with a value greater than 5% of the total assets of the fund

Fund	Percentage of total fund assets	Amount
Australian Ethical Balanced Fund	53.7%	\$1,448,186
Australian Ethical Australian Shares Fund	15.0%	\$404,640
Australian Ethical Diversified Shares Fund	8.8%	\$237,562
Australian Ethical International Shares Fund	6.1%	\$163,740
Australian Ethical Income Fund	5.5%	\$148,134

Things you should know

Indemnity insurance

The Trustee is covered by indemnity insurance to protect it from losses arising from claims against it. The insurance has been provided by Chubb Insurance Australia Ltd throughout the 2019-2020 financial year.

Investment managers

The Trustee uses Australian Ethical Investment Ltd as its investment manager. More than 5% of the Fund's assets were invested in the Australian Ethical managed investment schemes where Australian Ethical Investment Ltd is the responsible entity (AFSL 229949).

Derivatives

The Australian Ethical Retail Superannuation Fund does not directly use derivatives. It invests in managed investment schemes managed by Australian Ethical Investment Ltd, which may use derivatives to reduce the impact of large adverse movements in currency exchange rates (foreign currency hedging). The managed investment schemes may also use derivatives to manage interest rate and duration risk in fixed interest and property portfolios.

Complaints resolution

If you are not satisfied with any aspect of our service, please contact our Client Service team on 1300 134 337 or email members@australianethical.com.au.

If we do not resolve your complaint to your satisfaction, you can complain to the following external dispute resolution body at no charge to you:

The Australian Financial
Complaints Authority (AFCA)
w www.afca.org.au
e info@afca.org.au
t 1800 931 678

Unclaimed Super

If you are a lost Member and your account balance is less than \$6,000 we are required to transfer your account balance to the ATO.

Transferring your account to the ATO may affect your benefits because you will no longer be a member of the Fund and any insurance cover you hold through the Fund will cease. It is important you tell us when your address changes to avoid having your benefits sent to the ATO.

ASIC Statement

The Trustee relies on ASIC relief to the effect that the Trustee is not obliged to notify or give an exit statement to a non-resident in circumstances where the Trustee pays unclaimed superannuation to the Commissioner of Taxation under Division 3 of Part 3A of the Superannuation (Unclaimed Money and Lost Members Act) 1999.

Temporary residents

If you are, or have been, working in Australia on a temporary resident visa and you are not a permanent resident or an Australian or New Zealand citizen, then once you permanently depart Australia you may be able to apply for and be paid your benefit from the Fund subject to providing the Trustee with the required evidence and meeting other eligibility requirements for the Departing Australia superannuation payment (DASP).

If it has been six months or more since you left Australia, your visa has ceased to be in effect. If you have not claimed DASP, your super fund will transfer your super money to the ATO as unclaimed super money and you will need to claim your super benefit directly from the ATO.

For more information, visit the ATO website, www.ato.gov.au/super

Allotment of earnings

Australian Ethical Retail Superannuation Fund uses unit prices for its investment options.

The investment options in the Fund are valued daily. This in turn determines the value of each member's account. Movements in unit price reflect movements in the value of an investment option's assets as well as amounts payable by the investment option for fees and expenses.

The Trustee

The Trustee of The Australian Ethical Retail Superannuation Fund is Australian Ethical Superannuation Pty Ltd. The role of the Trustee is to operate the Fund in accordance with its Trust Deed and relevant law. The Fund is regulated by various pieces of legislation including the Superannuation Industry (Supervision) Act 1993 (SIS) and the Corporations Act 2001.

The Australian Ethical Retail Superannuation Fund is managed by a board of four Directors. All Trustee Board Directors undertake ongoing education and training relevant to their duties. Details about each Director can be found on the Australian Ethical website.

Directors receive a Director's fee and reimbursement for their expenses. Remuneration details for Directors and Senior Management are disclosed on the Australian Ethical website.

Service providers

The Trustee has appointed the following independent organisations to assist with the key operations of the Fund.

- Administration – Mercer Outsourcing (Australia) Pty Ltd
- Custody Services and Investment Administration – National Australia Bank Limited
- Investment Adviser – Australian Ethical Investment Ltd
- Group Life Insurer – MetLife Insurance Limited
- External Auditor – KPMG
- Internal Auditor – PWC
- IT Infrastructure Services – Harbour IT Pty Ltd

Changes to superannuation

Putting Members' Interests First (PMIF)

The Federal Government introduced new legislation called Putting Members' Interests First (PMIF) effective 1 April 2020 to ensure people's retirement savings won't be impacted by paying for insurance they don't want or need.

From 1 April 2020, Default insurance cover can only be provided automatically when a member is 25 or older and has had an account balance of \$6,000. If a member would like to have cover before these conditions are met, they can opt-in to receive cover.

As part of this reform, existing members with balances under \$6,000 at 1 November 2019 had their insurance cancelled on 1 April 2020 if they did not reach a balance of \$6,000 or opt-in to retain their cover by 31 March 2020.

Federal Government response to the COVID-19 pandemic

On 22 March 2020, the Federal Government announced temporary changes to superannuation for people facing significant financial hardship as a result of the Coronavirus (COVID-19) pandemic. This included an early release of a limited amount of super, and a reduction on the minimum super drawdown rates for pension members.

Temporary early access to super

For individuals experiencing significant financial hardship, the Government is allowing early access to super of up to \$10,000 in each of the 2019/20 and 2020/21 financial years (until 31 December 2020).

To be eligible for early release of super, you must satisfy one of the following requirements:

- You are unemployed
- You are eligible to receive a jobseeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), or a special benefit or farm household allowance
- On or after 1 January 2020:
 - You were made redundant
 - Your working hours were reduced by 20% or more
 - You are a sole trader whose business was suspended or has a reduction in turnover of 20% or more.

Providing support for retirees

The Government temporarily reduced the minimum drawdown requirements for pensions by 50% for the 2019/20 and 2020/21 financial years. This benefits retirees by reducing the need to sell investment assets in a volatile market to fund minimum drawdown requirements.

Each financial year you're required to drawdown a minimum percentage from your pension depending on your age. With this temporary reduction in minimum drawdowns, the minimum percentage will be reduced by half:

Age	Standard minimum percentage	Reduced minimum percentage for the 2019/20 and 2020/21 financial years
Less than 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or older	14%	7%

Changes to contribution eligibility for older Australians

The Federal Government also introduced some changes, effective 1 July 2020, which will allow a great number of older Australians to make contributions to super when they previously would have been ineligible.

1. Australians aged 65 and 66 no longer need to meet the work test in order to make a voluntary concessional contribution (before-tax contribution) or non-concessional contribution (after-tax contribution) into super. You can still make non-concessional contributions if you are 67–74 years old and meet the work test or satisfy the work test exemption criteria.

The work test requires an individual to work at least 40 hours over a 30 consecutive day period in the financial year before they can make voluntary contributions to superannuation.

2. The age limit for spouse contributions will be increased from 69 to 74. The receiving spouse will need to meet the work test from age 67.

Previously, individuals aged 70 and over could not receive contributions made by another person on their behalf.

3. The non-concessional contributions cap bring-forward rules which currently apply to individuals under age 65 years will be extended to those aged 65 and 66. Under the bring-forward rules, individuals meeting the age requirement can make three years' worth of non-concessional contributions, thereby contributing up to \$300,000 in a single year, with no further non-concessional contributions for the following two years*.

Important things to keep in mind

- Super contributions tax and other penalties may apply if you exceed the contribution caps.
- If you have \$1.6 million or more of super assets as at 30 June of the previous financial year, your non-concessional contribution limit is reduced to nil.
- If you are aged 65 or over, it's possible to make an after-tax 'downsizer' contribution to your super of up to \$300,000, using funds from the sale of your home.

* As at 30 September 2020 this was yet to be legislated

Protecting Your Super

The Protecting Your Super reforms commenced on 1 July 2019. The aim of these reforms is to ensure your superannuation is not eroded by unnecessary insurance premiums and fees. The main changes include:

1. No exit fees

Exit fees cannot be charged when a member leaves or makes a withdrawal, regardless of their super balance.

2. Fees capped at 3% for low account balances

To protect low balance accounts, there will be a 3% cap applied to the amount of administration fees, investment fees and certain costs that can be charged to members with an account balance below \$6,000 as at 30 June of each financial year.

3. Insurance cancellation for inactive accounts

If your account has been inactive (has not received a contribution or rollover) for at least 16 months your insurance will be cancelled unless you choose to retain your insurance.

4. Combining inactive low balance accounts

We are required to transfer inactive low balance accounts to the Australian Taxation Office (ATO). An account may be considered an inactive low balance account where it has an account balance of less than \$6,000, it has not received a contribution or rollover within the last 16 months and there is no insurance on the account.

If your superannuation account is transferred to the ATO, the ATO

will try to combine the amount in your inactive account into another active account that you hold. If the ATO can't join your balances automatically, it will stay with the ATO until you claim it.

Insurance in Superannuation Voluntary Code of Practice

Australian Ethical has elected to adopt the new Insurance in Superannuation Voluntary Code of Practice (Code). Though our insurance offering already complies with many aspects of the Code, we will work hard with our providers MetLife and Mercer Administration to identify any further opportunities for improvement. Some of the key principles of the Code are:

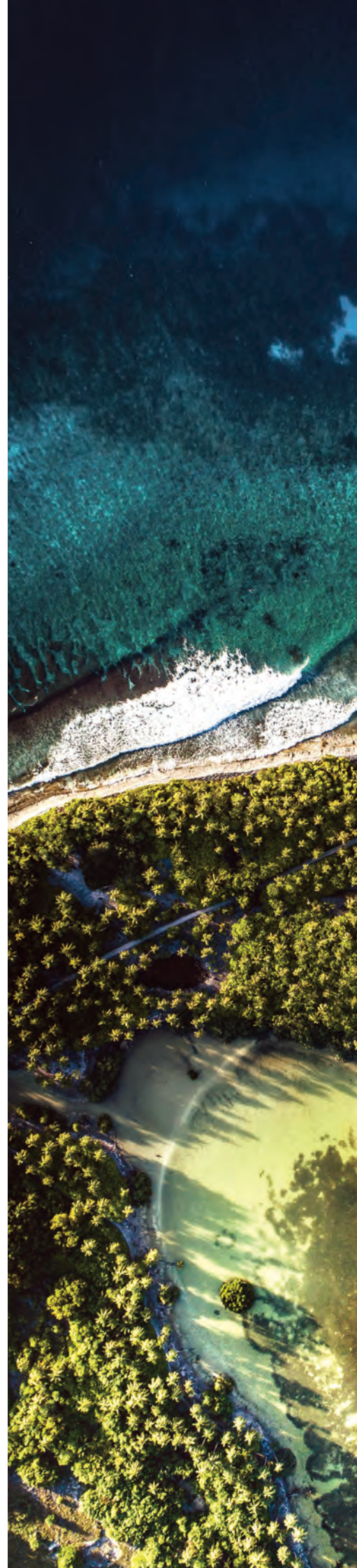
- Plain language in member communications
- Active management of insurance claims
- Defined timing for processing of claims
- Factsheets available on our website

The Code began on 1 July 2018, and super funds have until 30 June 2021 to fully implement the new requirements. In December 2018, we published our transition plan on our website which outlines how we will adopt key requirements of the Code by the implementation deadline.

Future Super Guarantee rate increase changes

The Super Guarantee contribution rate is set to reach 12% in 2025

Financial year	Rate
2018/19	9.5%
2019/20	9.5%
2020/21	9.5%
2021/22	10.0%
2022/23	10.5%
2023/24	11.0%
2024/25	11.5%
2025/26	12.0%





australianethical