

**Australian  
Ethical**



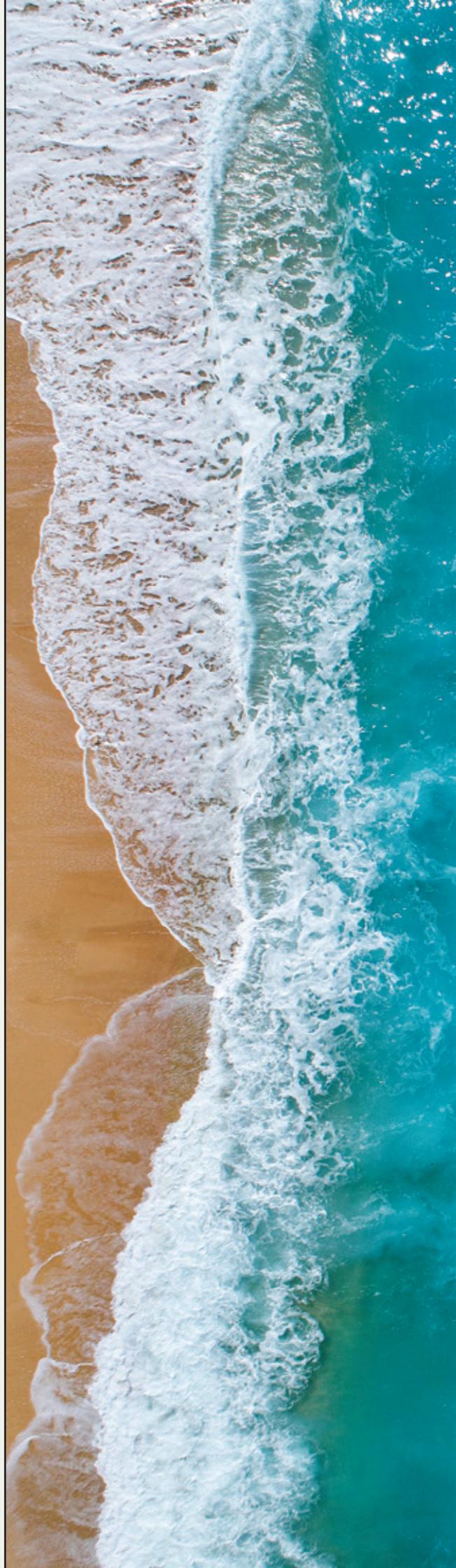
AUSTRALIAN ETHICAL SUPER

Annual Report 2022

30 JUNE 2022

# Contents

Overview	4
Highlights of the year	5
Investments	
Investment performance	6
Investment Philosophy	7
Investment Strategy	8
Super investment options	9
Super investment options	11
Pension investment options	13
Pension investment options	15
Investment performance	16
Ethics and advocacy	17
Accounts	19
Things you should know	21
Changes to superannuation	23
Directors	25



## Important

This Annual Report has been prepared by Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, RSE L0001441 AFSL 526 055) (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 1800 021 227. 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 and Target Market Determination on our website [australianethical.com.au](http://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

<b>Phone</b>	1800 021 227
<b>Email</b>	<a href="mailto:members@australianethical.com.au">members@australianethical.com.au</a>
<b>Web</b>	<a href="http://australianethical.com.au">australianethical.com.au</a>
<b>Twitter</b>	@austethical
<b>Facebook</b>	<a href="https://www.facebook.com/australianethical">facebook.com/australianethical</a>
<b>Post</b>	Australian Ethical Super Locked Bag 20013, Melbourne VIC 3001
<b>Join online</b>	<a href="http://australianethical.com.au/join-now">australianethical.com.au/join-now</a>

# Overview

The events of 2022 have been challenging for most super fund members, ethical or otherwise. Geopolitical tensions, plus investment market and economic volatility, have created a complex landscape to navigate.

Australian Ethical is not immune to the impact of these challenges. Having delivered market leading returns for our members across most of our investment options just a year ago, our short-term performance has been affected by this year's significant headwinds.

However, the continuing growth that we are experiencing in new members tells us that the appetite for authentic ethical superannuation remains strong. While the pandemic, climate change and the global energy crisis underscored the need to transition to a more sustainable future, the events of 2022 have highlighted the urgency with which this needs to happen.

At Australian Ethical we stay true to the values defined in our Ethical Charter. Our short-term investment performance was affected by our unchanged position on fossil fuel investment when the oil and gas prices spiked, but our ethical integrity remains intact. It's what our members expect from us and we're proud to help them align their money with their values, and we believe that, in the long term, our approach will prevail by creating a better world.

We find our unwavering commitment to our purpose is the best position through which to view the world. Even when short-term investment returns are down, we're still invested in future building companies that will thrive in a low carbon economy, and our advocacy remains unchanged. It's how our members can be sure they're invested for a better world for people, the planet and animals.

Financial markets may be unstable, but we don't believe that this instability will derail efforts to shift the economy onto a more sustainable footing. In fact, we believe the structural drivers behind a low carbon future remain as strong as ever, putting us in the box seat.

## FUM and membership growth

We are pleased to report net positive FUM growth over the 2022 financial year, ending the year with \$4.3 billion in funds under management which is 8% higher than last year and largely driven by a record amount of super flows totaling \$881 million. This is a great result given the increasingly competitive superannuation market especially as competitors launch their own 'ESG style' products.

## Investment performance

The first half of the 2022 financial year saw many of our funds tracking on or above benchmark for the six-month period. However, many of the better performing companies in the second half were in the carbon intensive resources sector, in which we don't invest, and this affected our relative performance.

The Balanced option underperformed over one and two year periods but remained above benchmark for all periods of three years or greater. Finally, our Australian Shares option underperformed its benchmark over one year but outperformed for periods of two years and above.

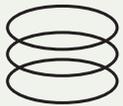
## Fee reductions

As ever, we remain committed to making ethical super as accessible and competitive as possible, which includes making fee reductions when we can pass on the benefits of our growing scale to our members.

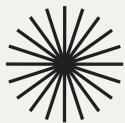
In June 2021 we reduced the fees of the Australian Shares and International options, and in October 2021 we repositioned the Advocacy option as the High Growth option and reduced the fees. Then in September 2022 we reduced our administration fee from \$97 to \$74 per annum

# Highlights of the year

## Financial year 2022 highlights



**\$4.3 billion** in funds under management



Net inflows of over **\$0.75 billion**

**71,496 members**, an increase of **15%**  
on prior year

RIAA Responsible Investment Leader 2022

Finder Green Superannuation Fund 2022

SuperRatings GOLD for MySuper and  
MyChoice^^

SuperRatings Infinity Award 2022

Fastest growing super fund over 5 years by  
members\*

^^ SuperRatings does not issue, sell, guarantee or underwrite this product. See the website for details of its ratings criteria.  
SuperRatings performance figure is net of percentage based administration and investment fees.

\* KPMG 2022 Super Insights Report, published May 2022, using statistics from APRA and ATO as at 30 June 2021



Finder Green  
Superannuation Fund  
of the Year 2022



Responsible Investment Leader 2022



SuperRatings GOLD  
For MySuper and MyChoice 2022

# Investment performance

It's been a year of ups and downs in investment markets, both globally and locally. As a result, many super funds have seen a short-term drop in returns.

For Australian Ethical members, this is only the third time where our Balanced option has experienced an annual negative return over the past 22 years. And while our long-term performance remains intact, we understand that this can be unsettling, especially after last year when our Balanced option returned 17.5%. After last financial year's strong super fund returns, there may have been an expectation that this year's returns would be similar.

But it's important to remember that super is a long-term investment. And while drops in performance can be uncomfortable, ups and downs are a normal part of investing and something our investment team is prepared for.

Financial markets did indeed benefit from the economic recovery following Covid-19 for the first six months of the financial year, but they have since struggled as they have been hit by a perfect storm of rising inflation, interest rate hikes and continuing concerns about global growth.

All of which meant there's been a sharp fall in investment markets, which has impacted performance across the super industry.

When markets are falling, it's easy to become reactive and drift from established principles in response to short-term market conditions. But having a singular focus on ethical investing, guided by our Ethical Charter, provides a stable lens through which to view the world. This means even when short-term returns are down, the impact of our investment portfolios and advocacy remain unchanged.

We believe that the outlook for the long-term performance of our Balanced option remains strong, despite the short-term headwinds we've seen.



# 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

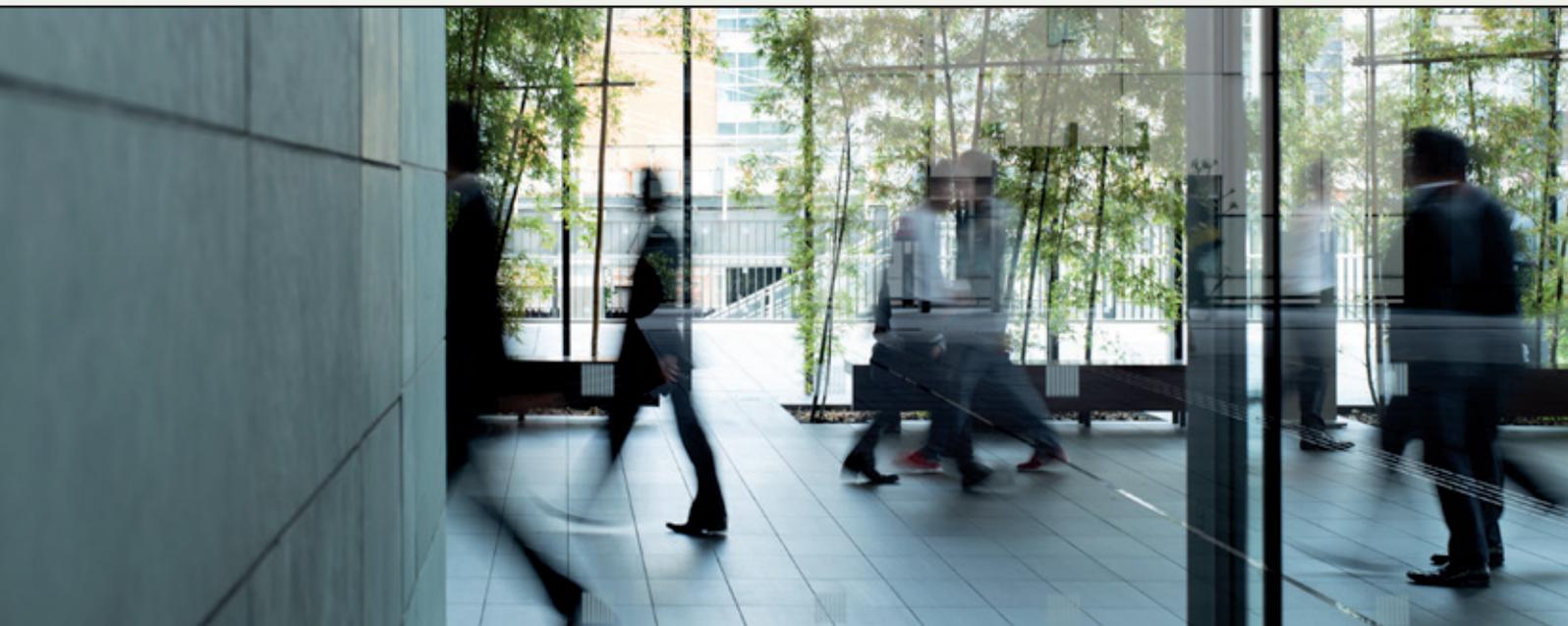
The Trustee remains the responsible entity for all the money held and invested on behalf of the members of the Fund, and determines the overall strategy for the Fund. We invest in a range of assets across various asset classes – Australian Equities, International Equities, Property, Alternatives, Australian Fixed Interest, International Fixed Interest and Cash.

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

- The Australian Shares, International Shares, Growth and High Growth 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) 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 2022

### Super (accumulation)

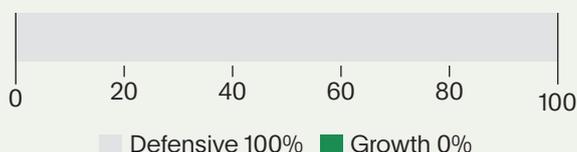
Further information regarding the investment objectives and strategic asset allocations of each of the investment options can be found in the Additional Information Booklet which is located at [australianethical.com.au/super/pds](http://australianethical.com.au/super/pds) or by calling us to request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

#### Defensive option

- Interest-bearing securities & 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

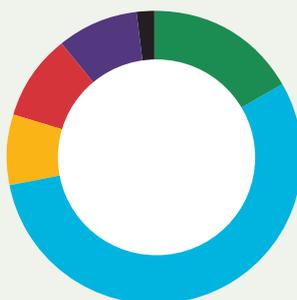
1 year

Risk Level^

Very low

#### Conservative option

- Cash 16.91%
- Interest-bearing securities 55.05%
- Property 7.98%
- International Shares 9.50%
- Australian & New Zealand Shares 8.84%
- Alternatives 1.72%



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

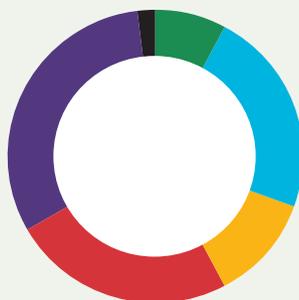
Risk Level^

Low to medium

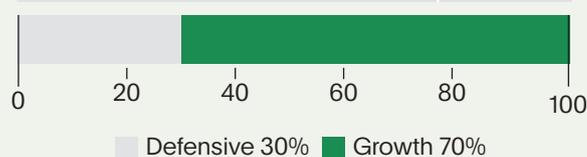
^Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

## Super (accumulation)

### Balanced (accumulation) option

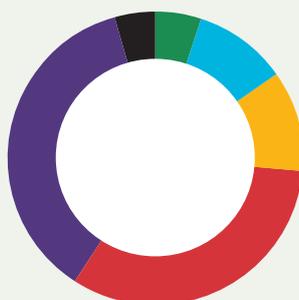


Asset type	Range %
Interest-bearing investments & Cash	10-50
Property	0-20
Australian and New Zealand Shares <sup>^</sup>	10-50
International Shares	5-40
Alternatives	0-20

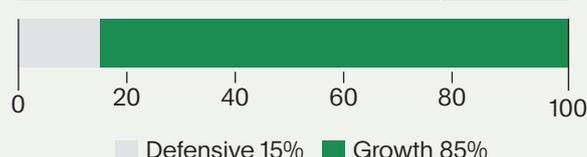


Investment objective	To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk. It aims to achieve returns of 3.5% p.a. above inflation over the medium to longer terms.
Investors that the option may suit	Members 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 <sup>^</sup>	Medium to high

### Growth option



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares <sup>^</sup>	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 <sup>^</sup>	High

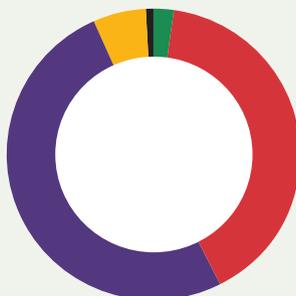
<sup>^</sup>Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

# Super investment options

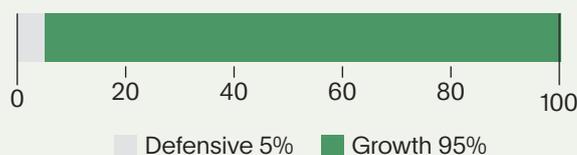
## Asset allocations (%) to 30 June 2022 continued

### High Growth

- Cash 2.45%
- International Shares 40.29%
- Australian & New Zealand Shares 50.77%
- Property 5.83%
- Alternatives 0.66%



Asset type	Range %
Cash	0-10
Australian and New Zealand Shares <sup>^</sup>	40-60
International Shares	20-60
Property	0-20
Alternatives	0-20



Investment objective

To provide long term growth accompanied by high levels of risk through holding growth assets. It aims to achieve returns of 4.5% p.a. above inflation (after investment fees and indirect costs) over the long term.

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

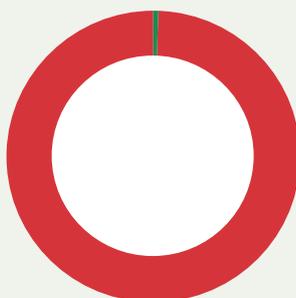
10 years

Risk Level<sup>^</sup>

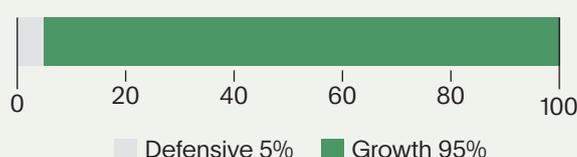
High

### International shares option

- Cash 0.74%
- International Shares 99.26%



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<sup>^</sup>

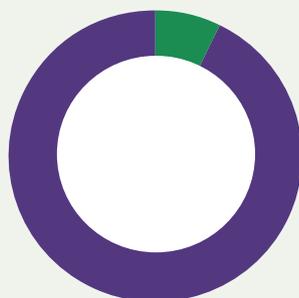
High

<sup>^</sup>Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

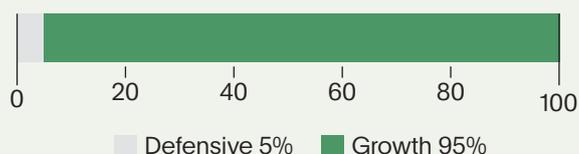
## Super (accumulation)

### Australian shares option

- Cash 7.23%
- Australian & New Zealand Shares 92.77%



Asset type	Range %
Cash	0-20
Australian and New Zealand Shares <sup>^</sup>	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<sup>^</sup>

Very high

<sup>^</sup>Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

# Pension investment options

## Asset allocations (%) to 30 June 2022

### 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](http://australianethical.com.au/pensions/pds) or by calling us to request a free copy.

#### Defensive option

- Interest-bearing securities & 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

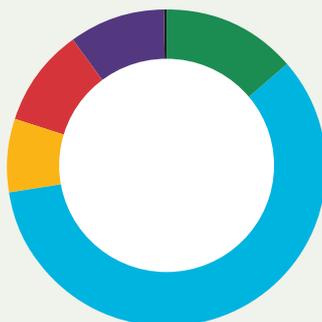
1 year

Risk Level^

Very low

#### Conservative option

- Cash 13.92%
- Interest-bearing securities 59.90%
- Property 7.58%
- International Shares 10.05%
- Australian & New Zealand Shares 9.89%
- Alternatives 0.15%



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^

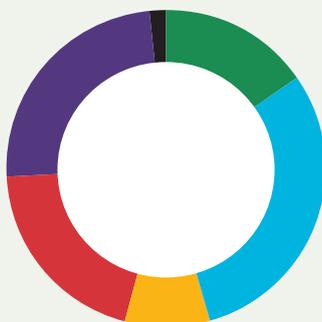
Low to medium

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

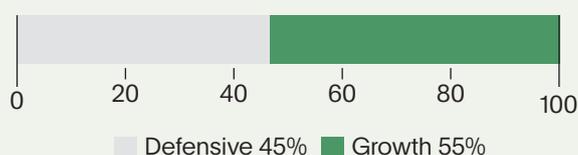
## Pension

### Balanced (pension) option

■	Cash 15.34%
■	Interest-bearing securities 30.39%
■	Property 8.66%
■	International Shares 19.81%
■	Australian & New Zealand Shares 24.39%
■	Alternatives 1.41%



Asset type	Range %
Interest-bearing investments & Cash	30-60
Property	0-20
Australian and New Zealand Shares <sup>^</sup>	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

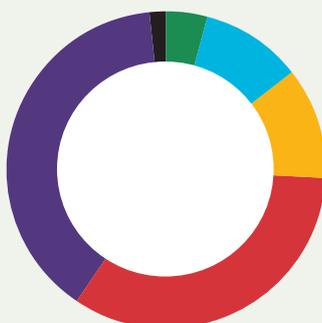
5 years

Risk Level<sup>^</sup>

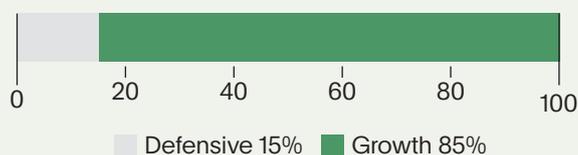
Medium to high

### Growth option

■	Cash 4.46%
■	Interest-bearing securities 10.38%
■	Property 10.51%
■	International Shares 33.98%
■	Australian & New Zealand Shares 39.02%
■	Alternatives 1.65%



Asset type	Range %
Interest-bearing investments & Cash	0-45
Property	0-20
Australian and New Zealand Shares <sup>^</sup>	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<sup>^</sup>

High

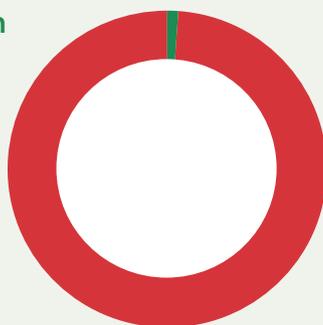
<sup>^</sup>Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

# Pension investment options

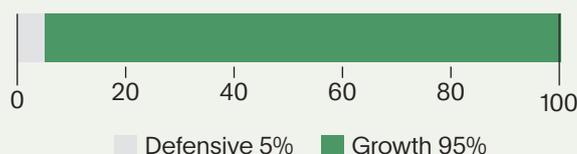
## Asset allocations (%) to 30 June 2022 continued

### International shares option

- Cash 1.12%
- International Shares 98.88%



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

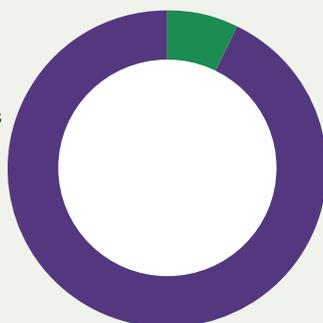
7 years

Risk Level<sup>^</sup>

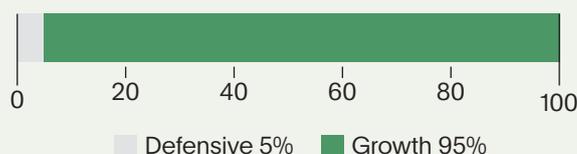
High

### Australian shares option

- Cash 7.47%
- Australian & New Zealand Shares 92.53%



Asset type	Range %
Cash	0-20
Australian and New Zealand Shares <sup>^</sup>	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<sup>^</sup>

Very High

<sup>^</sup>Risk measures are based on the Standard Risk Measure Guidelines issued by the FSC and ASFA

# Investment performance

## Superannuation options returns to 30 June 2022

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	-0.7%	-0.4%	-0.2%	0.4%	0.6%	1.0%	2.0%
Bloomberg AusBond Bank Bills Index	-0.2%	-0.2%	-0.0%	0.5%	0.7%	1.3%	2.6%
Conservative	-7.2%	-1.6%	-0.2%	1.9%	2.4%	3.1%	n/a
SuperRatings SR50 Capital Stable Index	-2.5%	2.4%	1.7%	2.7%	2.7%	3.8%	n/a
Balanced (accumulation)	-6.3%	4.9%	4.0%	5.8%	6.0%	7.4%	4.4%
SuperRatings SR50 Balanced (60-76) Index	-3.4%	6.7%	4.1%	5.3%	5.2%	6.4%	4.2%
Growth	-5.9%	6.5%	4.3%	6.3%	6.3%	8.7%	3.8%
SuperRatings SR50 Growth (77-90) Index	-4.5%	8.0%	4.6%	6.3%	6.1%	7.8%	4.5%
Australian Shares	-15.3%	8.5%	6.6%	7.8%	8.7%	11.8%	7.2%
ASX 300 Monthly Index (Accum)**	-6.2%	8.4%	3.2%	6.2%	6.9%	2.4%	-0.8%
International Shares	-7.6%	7.6%	5.7%	7.2%	6.8%	11.0%	n/a
MSCI World ex Australia**	-6.0%	8.0%	6.8%	8.6%	7.8%	13.1%	n/a
High Growth	-8.0%	8.7%	4.3%	6.8%	6.9%	10.0%	n/a
SR25 High Growth (91-100) Index	-6.1%	8.2%	4.3%	6.1%	6.2%	9.7%	n/a

## Pension options – returns to 30 June 2022

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	-0.8%	-0.4%	-0.2%	0.4%	0.7%	1.2%	2.3%
Bloomberg AusBond Bank Bills Index	-0.2%	-0.2%	-0.0%	0.6%	0.8%	1.4%	2.6%
Conservative	-8.3%	-1.9%	-0.5%	2.0%	2.5%	3.5%	n/a
SuperRatings SRP50 Capital Stable Index	-3.2%	2.4%	1.7%	2.9%	3.0%	4.2%	n/a
Balanced (pension)	-7.4%	3.1%	3.0%	5.0%	5.4%	7.2%	4.2%
SuperRatings SRP50 Balanced (60-76) Index	-3.8%	4.5%	2.9%	4.1%	4.1%	5.9%	3.9%
Growth	-8.0%	6.5%	4.3%	6.7%	6.7%	9.2%	4.3%
SuperRatings SRP50 Growth (77-90) Index	-5.3%	8.4%	4.9%	6.7%	6.5%	8.3%	4.8%
Australian Shares	-16.9%	8.9%	7.2%	8.4%	9.1%	12.6%	7.9%
ASX 300 Monthly Index (Accum)^	-7.0%	9.1%	3.4%	6.7%	7.5%	2.9%	-0.3%
International Shares	-9.0%	7.6%	5.7%	7.4%	7.1%	11.3%	n/a
MSCI World ex Australia^	-6.8%	8.9%	7.5%	9.7%	8.8%	13.9%	n/a

**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](http://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.

# Ethics and advocacy

For more than 35 years, Australian Ethical has been investing to protect our planet. During these three decades, the scientists with the IPCC have been issuing major reports about the state of the climate, gradually expressing more certainty about what is happening and why and the action needed to limit global warming.

The climate crisis is not just a threat to future generations; it is a threat that we are already feeling the consequences of today. If we continue the current global trajectory, the crisis will only worsen, deepening the impact of irreversible changes to our world.

The climate threat is also bringing climate investment opportunity. The latest IPCC report on climate change mitigation, released in April 2022, identified over 40 categories of decarbonisation opportunity across energy supply, agriculture, forestry, buildings, transport and efficiency technologies. These include ammonia and hydrogen powered ships, zero emissions steel produced using hydrogen, concrete which absorbs carbon, and direct capture of CO<sub>2</sub> from the air.

We measure and report on our climate performance following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Our reporting covers strategy, governance, risk management and the metrics and targets we use to measure and manage our climate performance.

## Investment Screening

Investment screening Investors can help limit global warming if they prioritise investment in companies with strategies aligned with limiting warming to below 1.5°C. By shifting capital from fossil fuels to renewables, investors help to bring down the price of renewable energy, they encourage investment in more flexible electricity grids and energy storage, and they contribute constructively to a sensible public discussion about energy policy. These investors, particularly universal investors like super funds, are also acting in the financial interests of their customers, because we believe that sustainable, risk adjusted returns will be better in a low-warming world than a high-warming one.

In our day-to-day investing, climate change is the top factor we consider when applying our Ethical Charter to companies because of its wide-ranging implications for people, animals and the planet. We don't invest in companies assessed to be obstructing the objectives

of the Paris climate agreement to limit global warming to well below 2°C and to pursue a limit of 1.5°C. The way this test is applied depends on the company and its sector. Our ethical criteria also take account of the growing climate change threat and our increased climate expectations for companies in climate-critical sectors.

## Investment portfolio management

Our ethical screening process outlined above eliminates many high carbon risk companies from our investment universe and portfolios. Our ethical research of the climate impacts of companies and industry sectors and their products and services can also assist us in identifying climate-related financial risks and opportunities and feed into our buy, sell and portfolio management decisions for those companies which are part of our investment universe. For example, company prospects and valuations in the energy sector may be affected by our assessment of the future regulatory environment for the sector.

## Governing climate-related decision making

Climate risk management Our approach to ethical investment is governed by our Ethical Charter. The Charter principles are applied using our ethical frameworks, policies and measurement systems. These require assessment of the impacts of climate change on people, animals and the environment, which in turn affects the way we invest including through negative and positive screening, engagement and advocacy, and climate performance measurement and reporting.

Our Chief Investment Officer and Head of Ethics Research are responsible for implementation of our Ethical Charter across our investment activities. They approve new and updated ethical frameworks, which include our climate-related ethical screening criteria for emissions intensive sectors. The Board of directors has oversight of our ethical frameworks, with quarterly reporting to the Investment Committee and Board of changes to frameworks and critical ethical issues.

Our ethics research team applies our Ethical Charter on a day-to-day basis in our investment screening and ethical stewardship. The team monitors existing and emerging ethical risks (including climate-related risks) using diverse company, industry, government, responsible investment, scientific, civil society and news sources.

### **Measurement, transparency, accountability**

We measure and report annually on our climate performance, including the emissions intensity of our share investments (portfolio carbon footprinting), our operational carbon footprint and the extent of our investment in renewables and energy solutions. This helps us test the effectiveness of the application of our Ethical Charter to manage climate risk and opportunity, as well as our progress towards our net zero emissions target for our investments.

# Accounts

The Australian Ethical Retail Superannuation Fund financial statements for the year ended 30 June 2022 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 1800 021 227, if you would like a copy mailed to you.

## Statement of financial position

### As at 30 June 2022

Assets	Note	2022 \$'000	2021 \$'000
Cash and cash equivalents	4	33,218	33,913
Investments	5	4,081,374	3,835,134
<b>Receivables</b>			
Receivables	6	184,266	161,150
<b>Other assets</b>			
Deferred tax assets	12	331	278
<b>Total assets</b>		<b>4,299,189</b>	<b>4,030,475</b>
<b>Liabilities</b>			
Payables	7	6,800	6,073
Current tax liabilities	13	21,659	21,429
Deferred tax liabilities	12	27,661	85,951
<b>Total liabilities (excluding member benefits)</b>		<b>56,120</b>	<b>113,453</b>
<b>Net assets available for member benefits</b>		<b>4,243,069</b>	<b>3,917,022</b>
<b>Member benefits</b>			
Allocated to members		4,227,635	3,901,027
Unallocated to members	14	5,704	7,147
<b>Total member liabilities</b>		<b>4,233,339</b>	<b>3,908,174</b>
<b>Total net assets</b>		<b>9,730</b>	<b>8,848</b>
<b>Equity</b>			
Operational risk reserve		9,730	8,848
<b>Total reserves</b>		<b>9,730</b>	<b>8,848</b>

## Statement of changes in reserves

### For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Opening balance of operational risk reserve</b>		<b>8,848</b>	<b>6,730</b>
Net transfers to reserves		2,059	1,125
Movement in fair value of investments		(1,177)	993
<b>Closing balance of operational risk reserve</b>	<b>3 (k)</b>	<b>9,730</b>	<b>8,848</b>

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 balance of 0.25% of funds under management as appropriate for the Fund, with a 0.20% to 0.33% range to allow for changes in market movements. As at 30 June 2022 the ORFR balance equates to 0.23% (2021: 0.23%) 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 Australian Ethical Balanced Fund.

## Income statement

### For the year ended 30 June 2022

Superannuation activities	Note	2022 \$'000	2021 \$'000
Distributions		216,524	187,338
Interest		22	3
Movement in fair value of investments	8	(586,685)	521,177
Other income		306	346
<b>Net revenue</b>		<b>(369,833)</b>	<b>708,864</b>
<b>Expenses</b>			
Investment expenses		34,019	26,618
Administration expenses		16,091	13,314
Other expenses		53	37
<b>Total expenses</b>		<b>50,163</b>	<b>39,969</b>
<b>Profit from operating activities before income tax expense</b>		<b>(419,996)</b>	<b>668,895</b>
Less: Income tax expense/(benefit)	11	(55,768)	59,745
<b>Profit from operating activities after income tax expense</b>		<b>(364,228)</b>	<b>609,150</b>
Less: Net benefits allocated to members' accounts		(365,110)	607,032
<b>Profit after income tax</b>		<b>882</b>	<b>2,118</b>

## Statement of changes in member benefits

### For the year ended 30 June 2022

	2022 \$'000	2021 \$'000
<b>Opening balance of member benefits</b>	<b>3,908,174</b>	<b>2,730,699</b>
Employer contributions	306,663	222,880
Member contributions	107,254	77,696
Transfers from other funds	497,322	456,218
Government co-contributions	3,101	2,969
Income tax on contributions	(50,496)	(35,272)
<b>Net after tax contributions</b>	<b>863,844</b>	<b>724,491</b>
Benefit payments	(167,051)	(152,325)
Insurance premiums charged to members' accounts	(9,695)	(8,147)
Death and disability benefits credited to member's accounts	3,177	6,424
Benefits allocated to members' accounts, comprising:		
Net investment income	(360,017)	611,577
Net direct administration fees	(5,093)	(4,545)
<b>Closing balance of member benefits</b>	<b>4,233,339</b>	<b>3,908,174</b>

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

Fund	Percentage of total fund assets	Amount \$'000
Australian Ethical Balanced Fund	57.8%	\$2,357,896
Australian Ethical Australian Shares Fund	13.0%	\$530,314
Australian Ethical Diversified Shares Fund	7.0%	\$287,328
Australian Ethical International Shares Fund	5.6%	\$222,489
Australian Ethical High Growth Fund	5.0%	\$204,132

# Things you should know

## 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.

## 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 2021-2022 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 1800 021 227 or email [members@australianethical.com.au](mailto:members@australianethical.com.au).

We aim to acknowledge your complaint within 1 business day of receiving it, or as soon as practicable.

The legislated timeframe to resolve your complaint is 45 calendar days after receiving your complaint or for complaints about superannuation death benefit distributions, no later than 90 calendar days after the expiry of the 28 calendar day period for objecting to a proposed death benefit distribution.

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](http://www.afca.org.au)  
e [info@afca.org.au](mailto: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](http://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.

### 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 Manager – 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

## 1. Removing the \$450 per month income threshold for Superannuation Guarantee (SG)

From 1 July 2022, the minimum income threshold of \$450 has been removed. This means that all employees will receive SG contributions. The SG rate will increase gradually to 12% by 2025.

## 2. Removing the work test for making super contributions

People aged 67 to 74 will no longer need to meet the work test to make non-concessional (after-tax) or salary sacrifice contributions to super, subject to existing contribution caps from 1 July 2022.

The work test will still need to be met for people who wish to make personal deductible contributions to super.

## 3. Reducing the eligibility age to make downsizer contributions from age 65 to 60

Anyone 60 years of age or older will be eligible to make a downsizer contribution to super. The downsizer contribution allows people to make a one-off after-tax contribution to super of up to \$300,000 from the proceeds of selling their home they have held for at least 10 years.

## 4. Increasing the maximum releasable amount to \$50,000 under the First Home Super Saver Scheme (FHSSS)

From 1 July 2022 under the FHSSS, a person can apply to have up to \$50,000 of their eligible voluntary contributions (plus a deemed earnings amount) released from super to purchase their first home.

## 5. Increase in Super Guarantee amounts

From 1 July 2022, the super guarantee rate has increased from 10.0% to 10.5%.

## Other superannuation changes

The below superannuation thresholds have been set by the ATO for the 2022/23 financial year.

Thresholds	2021/22	2022/23
Concessional contributions cap <sup>1</sup>	\$ 27,500	\$ 27,500
Non concessional contributions cap <sup>2</sup>	\$ 110,000	\$ 110,000
Concessional CGT tax concession <sup>3</sup>	\$ 1,615,000	\$ 1,650,000
Transfer balance cap <sup>4</sup>	\$ 1,600,000	\$ 1,700,000
Low-rate cap amount <sup>5</sup>	\$ 225,000	\$ 230,000
<b>Government co-contributions<sup>6</sup></b>		
Higher income threshold	\$ 56,112	\$ 57,016
Lower income threshold	\$ 41,112	\$ 56,112

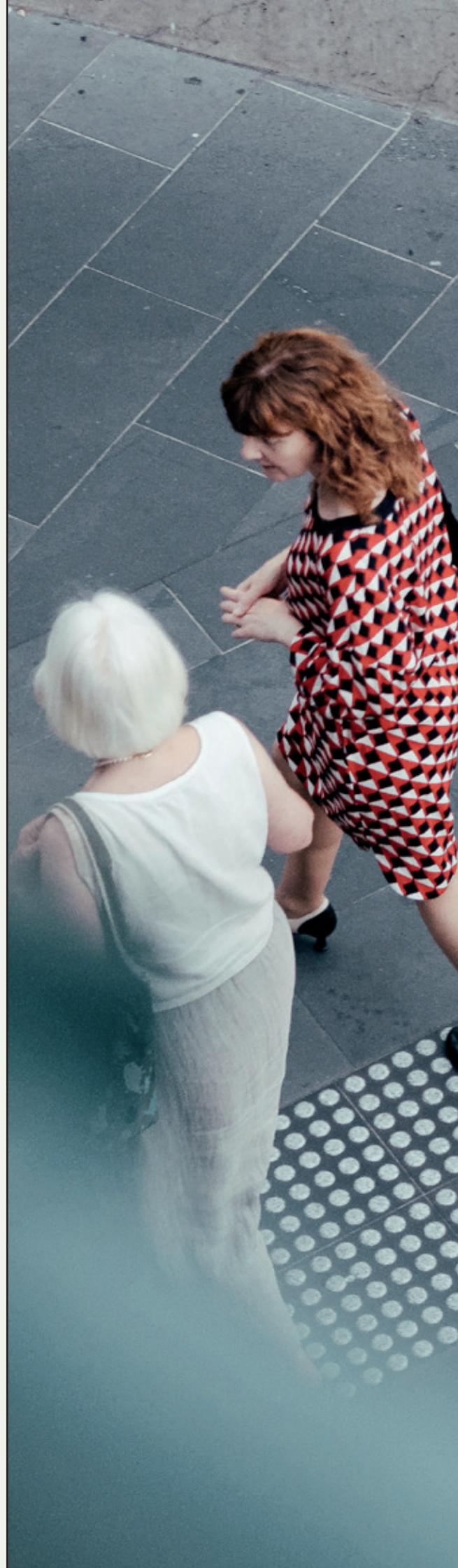
1. Concessional contributions refer to your employer contributions (including salary sacrifice) and personal contributions claimed as a tax deduction. From 1 July 2018, if you have a total superannuation balance less than \$500,000 on 30 June of the previous financial year, you may be entitled to carry forward the unused amount for a maximum of five years.
2. Non-concessional contributions refer to contributions made from your after-tax income and contributions that are not taxed in your super fund.
3. The CGT cap amount is indexed in line with average weekly ordinary time earnings (AWOTE), in multiples of \$5,000.
4. Transfer balance cap amount is the limit on the total amount of superannuation which can be transferred into the retirement phase. This applies to all super accounts held and you can make transfers into income stream products as long as the limit is not exceeded.
5. Low rate cap amount is the limit set on the amount of taxable component of a amount which can receive a lower (or nil) tax rate and only applies to members that are below 60 but have reached preservation age. Low rate cap amount is indexed in line with average weekly ordinary time earnings (AWOTE), in multiples of \$5,000.
6. Low or middle income earners can benefit from government co-contributions, up to a maximum of \$500, if they make personal (after-tax) contributions into their super.

### Preservation Age

Date of birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

### Minimum pension amounts

Age	Percentage of account balance for 2021-22 to 2022-23 income years (inclusive)
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95 or more	7%



# Directors

The following persons were directors of Australian Ethical Investment Superannuation Pty Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:



**Steve Gibbs**  
**Non-Executive Director**  
**since 2012 and Chair**  
**since 2013**  
BEcon, MBA

---

Steve is a member of the Audit, Risk and Compliance Committee and the

Insurance Benefits Committee. He is also Chair of Australian Ethical Investment Limited for which he Chairs the People, Remuneration and Nominations Committee, is a member of the Investment Committee, the Product Disclosure Statement Committee and the Australian Ethical Investment Limited Audit, Risk & Compliance Committee. He is Chair of Australian Ethical Foundation Limited.

Steve is also the Non-Executive Chair of Netlinkz Limited. Steve has extensive experience at both an executive and non-executive level in the investment and superannuation industries, including being a former CEO of the Australian Institute of Superannuation Trustees, a former CEO of what is now Commonwealth Superannuation Corporation and a non-executive director of Hastings Funds Management and Westpac Funds Management. Steve has been recognised for his commitment to, and expertise in, ethical and responsible investing.



**Mara Bûn**  
**Non-Executive Director**  
**since 2013**  
BA (Political Economy),  
GAICD

---

Mara is a member of the Audit, Risk and Compliance Committee. She is a

Director of Australian Ethical Investment Limited for which she is a Member of the People, Remuneration and Nominations Committee, the Investment Committee and Audit, Risk & Compliance Committee. She is a Director of Australian Ethical Foundation Limited.

Mara brings executive experience from Green Cross Australia, Choice, CSIRO, Macquarie Bank and Canstar. She is a Founder of The Salmon Project, specialist advisors to Climatetech and Agritech scale-ups advancing Series B venture funding through deep tech R&D. She is the Non-Executive Chair of four organisations: the Gold Coast Waterways Authority; Bowerbird Collective, a chamber music ensemble dedicated to nature conservation through performance; asset consultants Australian Impact Investments; and the Australian Conservation Foundation where Mara is also President.



**Kate Greenhill**  
**Non-Executive Director**  
**since 2013**  
BEC, FCA, GAICD

---

Kate is Chair of the Audit, Risk and Compliance Committee and a Member of the Insurance Benefits

Committee, She is a director of Australian Ethical Investment Limited for which she is Chair of the Audit, Risk and Compliance Committee, and is a Member of the People, Remuneration and Nominations Committee and the Investment Committee. She is also a Director of Australian Ethical Foundation Limited.

Kate is a Fellow of the Institute of Chartered Accountants in Australia and a Graduate of the Australian Institute of Company Directors. Kate has over 25 years' experience in the financial services industry with extensive knowledge of finance and risk. As a former Partner with PwC, Kate has worked in both Australia and the UK providing assurance and advisory services to clients. Kate is also the Treasurer of a not-for-profit organisation in the education sector and a Director and Chair of the Audit and Risk Management Group of Intersect Australia Ltd.



**Michael Monaghan**  
**Non-Executive Director**  
**since 2017**  
BA, FIAA, FAICD

---

Michael a member of the Audit, Risk and Compliance Committee. He is a Director of Australian

Ethical Investment Limited for which is Chair of the Investment Committee and a member of the People, Remuneration and Nominations Committee, the Product Disclosure Statement Committee and the Audit, Risk & Compliance Committee. He is a director of the Australian Ethical Foundation Limited.

Michael has more than 30 years' experience in investment, consulting and leadership of financial services organisations both in Australia and internationally.

He was Managing Director of State Super Financial Services Australia Limited (StatePlus) from 2011 to 2016 and previously was a Partner in the actuarial practice of Deloitte Touche Tohmatsu, the CEO of Intech Investment Consultants and held senior executive positions at Deutsche Bank, IBM and Lendlease Corporation.

Michael is currently a Director of Flag Income Notes 3 Pty Ltd and Alpha Vista Financial Services Holdings Pty Ltd, a start-up global asset management business leveraging large scale data and computing capabilities and artificial intelligence.



**Australian  
Ethical**



**Contact us**

Australian Ethical Super

Locked Bag 20013

Melbourne VIC 3001

T 1800 021 227

E [members@australianethical.com.au](mailto:members@australianethical.com.au)

W [australianethical.com.au](http://australianethical.com.au)