

# Australian Ethical

THE CHOICE FOR A BETTER WORLD



# About us

Australian Ethical has been helping people invest in a better future for over 30 years.

## Leader in ethical investing

We believe that the power of money can be harnessed to deliver both competitive returns and positive change for society and the environment.

We offer super, pensions and investments with a significant difference - we deliver competitive investment performance for our clients but not at the cost of the planet, people or animals.

## Why choose Australian Ethical?

-  **Our ethics**  
Highest ethical standards guided by the Australian Ethical Charter
-  **Our investments**  
Rigorous ethical assessment and investment analysis determines companies we include in portfolios
-  **Our impact**  
Change agent through advocating for positive corporate and industry practices

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## Investment solutions for the conscious consumer

We offer investment solutions for the conscious consumer. Our customers can choose | from a suite of eight managed funds, or from the 13 investment options offered in our super fund, safe in the knowledge that all the underlying companies and investments in our portfolio have passed our comprehensive ethical screening process^.

### OUR PRODUCTS

<b>Australian Ethical Super</b>	<b>Australian Ethical Pension</b>	<b>Australian Ethical Managed Funds</b>
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^ Assured by KPMG. Please note the Advocacy Fund has provision to buy shares in companies that don't pass our ethical charter for the purposes of advocacy

# Our ethics

We won't invest in a company just because it aims to provide good financial outcomes.

## A deeper green

Australian Ethical has always gone beyond ESG (environmental, social and governance criteria) with its unique combination of ethical screening.

Our Charter has both positive and negative screens, which means we don't simply avoid companies with a negative impact but we proactively seek out companies that do good. Companies are selected for the benefits provided by their products and services and for the responsible management of their social and environmental impacts.

## Our Ethical Charter


Every investment we make must meet the requirements of our Ethical Charter, which remains unchanged since 1986. The Charter guides us to invest in companies that support the planet, people and animals, to ensure we don't cause unnecessary harm.

Australian Ethical applies three methods to identify potential investments:

**Negative screening** – we avoid investment in industries which have a negative impact on society and the environment.

**Positive screening** – we proactively search for investments that contribute positively to society and the environment.

**Corporate engagement** – we connect with companies for the purpose of raising issues of concern and advocating positive change to company practices.



Our Charter is the compass we use to navigate through the ethical complexities of our investment and business decisions

# Our Ethical Charter

## Good investments in areas such as:



Clean energy



Sustainable products



Medical solutions



Innovative technology



Responsible banking



Healthcare



Recycling



Energy efficiency



Education



Aged care

## We avoid companies involved in:



Coal



Coal seam gas



Oil



Weapons



Tobacco



Old growth forest logging



Exploitation



Gambling



Human rights abuses



Harmful products

To find out more about our Charter, visit:

[australianethical.com.au/australian-ethical-charter](http://australianethical.com.au/australian-ethical-charter)

# Our approach

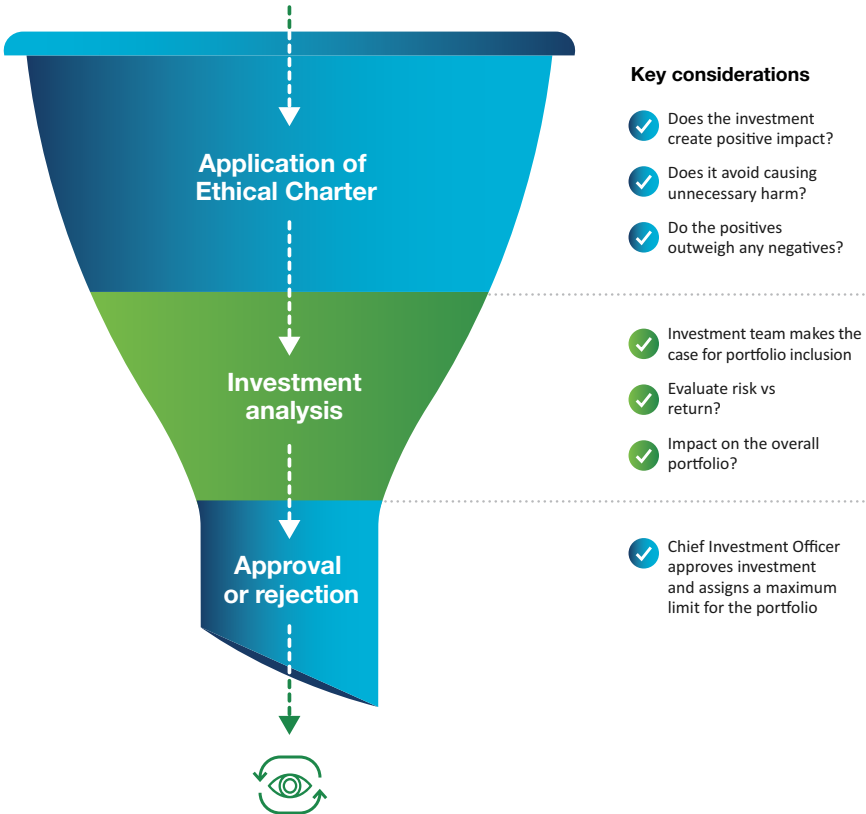
## How we invest ethically

Our in-house Ethical Research team monitors companies for their ethical behaviours and environmental and social impacts. We won't consider a company for its investment potential before it passes through our rigorous ethical assessment process. Once it does pass that hurdle, our investment team has more than 100 years of combined investment experience to manage investments on behalf of our clients.

### How do we choose what to invest in?

Ideas through three lenses.

#### Universe of potential investment opportunities



Should an investment not meet our stringent ethical or investment criteria above, we will divest.



**Nil** INVESTMENT IN  
FOSSIL FUELS

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**Nil** INVESTMENT  
IN NUCLEAR

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**TOBACCO FREE**

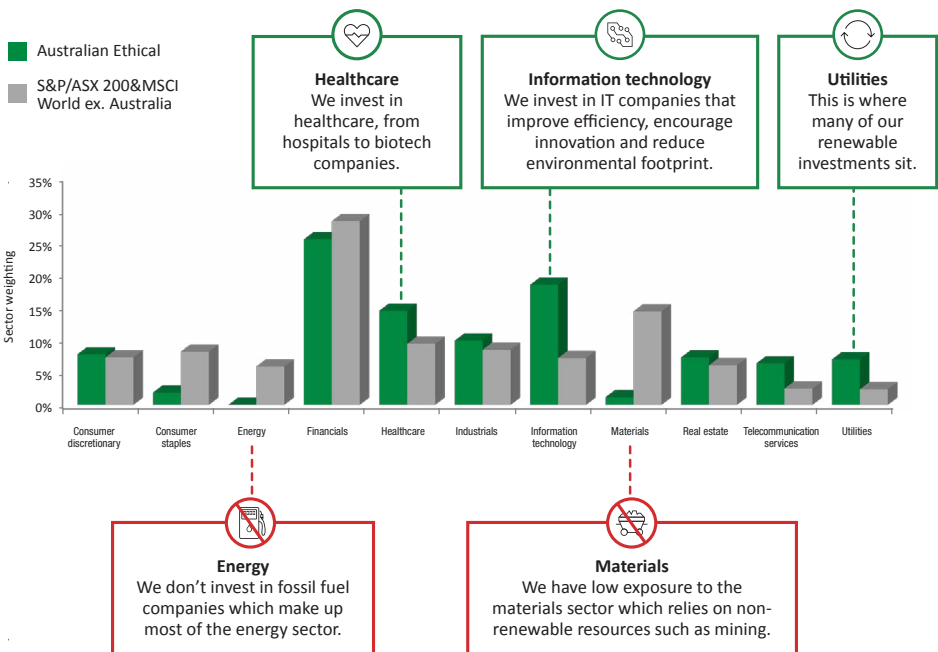
# Our investments

## Investing in positive and sustainable sectors

We make investing with a clear conscience easier by offering a range of investment options.

Our Ethical Charter steers us into parts of the economy that are good for the planet, people and animals, and away from harmful sectors. As a result our portfolio differs significantly from the relevant benchmark on a sector-by-sector basis (as shown in the chart below). We have higher allocations to healthcare, information technology and utilities, and much lower allocations to energy and materials.

## Where we invest



As at 31 December 2017





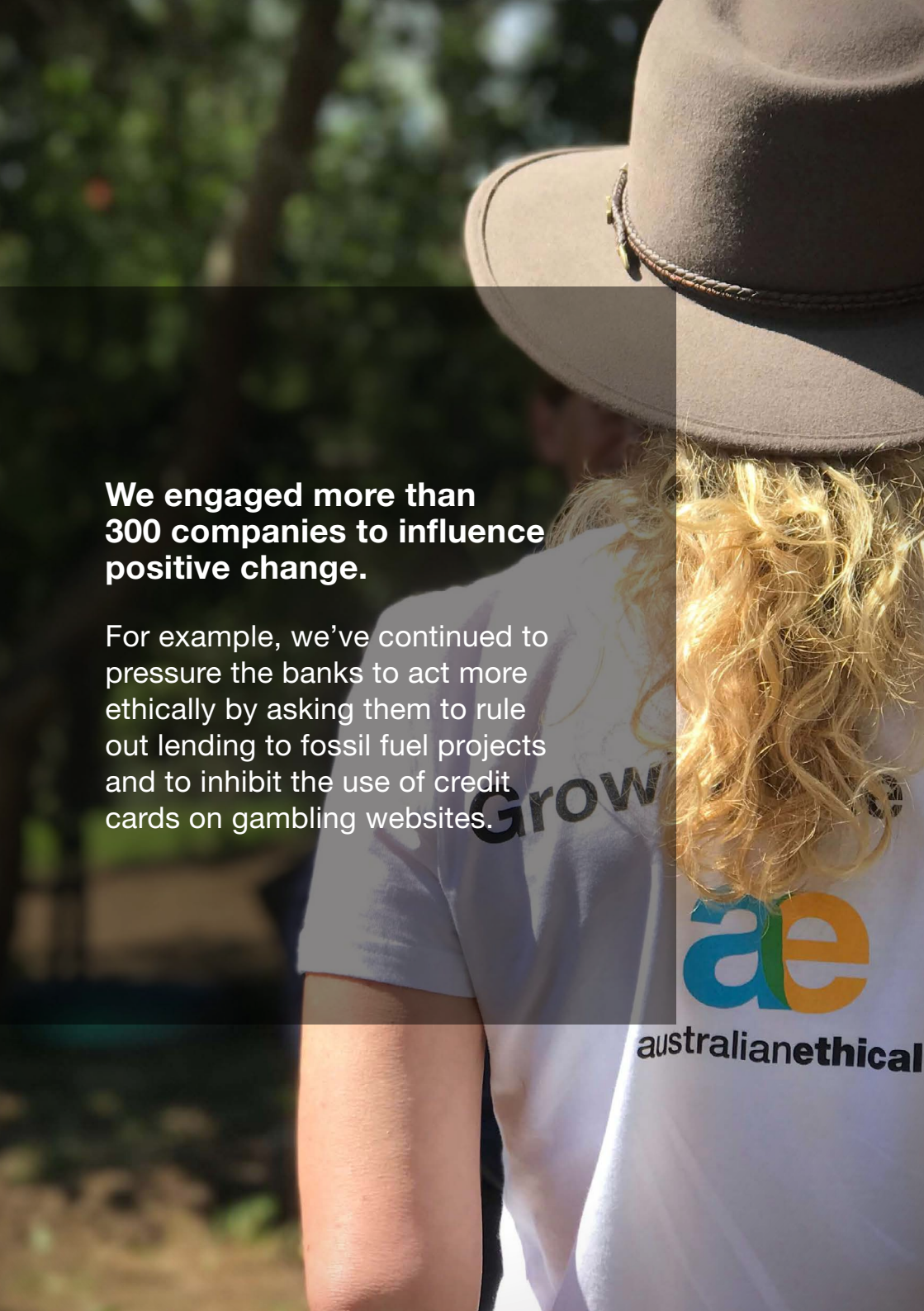
Investments produced

**66%**  
**less CO<sub>2</sub>**  
than benchmark

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**6x more**

Investment in renewable  
power generation than  
the global share market

A person is shown from the back, wearing a wide-brimmed hat and a white t-shirt. The t-shirt features a logo with the letters 'ae' in blue and yellow, and the text 'australianethical' below it. The background is a blurred outdoor setting with green foliage.

**We engaged more than  
300 companies to influence  
positive change.**

For example, we've continued to pressure the banks to act more ethically by asking them to rule out lending to fossil fuel projects and to inhibit the use of credit cards on gambling websites.

**australianethical**

# Our advocacy impact

While we're proud of our business model which is anchored by strong ethical principles, we don't think it's enough just to do this ourselves.

Here's some of the Advocacy work our in-house ethics team has been working on:

## Planet



Engaged with companies, the Government and other decision makers to block Adani's proposed Carmichael coal mine.



Encouraged companies to reduce emissions and strengthen climate-related disclosures through the Climate Action 100+ initiative and the CDP 2018 'Non-Disclosure Campaign', and by using our advocacy holdings in Origin Energy, Santos and QBE to support climate-related shareholder resolutions.



Rallied for governments to take more action on climate change through involvement in the Australian government's 2018 review of the Clean Energy Finance Corporation and its 2017 review of climate change policies, and by signing a joint statement to G20 nations calling for an end to fossil fuel subsidies by 2020.

## People



Promoted gender equality on boards by engaging with several companies we invest in who have low levels of female representation at board and senior executive levels.



Challenged Qantas to assess whether its involvement in involuntary deportations breached human rights protection for asylum seekers and used our advocacy holding in Woolworths to support shareholder resolutions seeking greater protections for vulnerable workers in their supply chain.



Called for action on modern day slavery. Australian Ethical submitted a response to the government's Modern Day Slavery Act Inquiry and called for legislation for companies to report on their human rights performance.

## Animals



Engaged with NGOs, banks, insurers and government to stop the suffering of live export sheep.




Challenged the over-use of antibiotics in agriculture, which hurts animals and humans by facilitating overcrowding of farm animals, promoting harmful growth rates and encouraging antibiotic resistant bacteria.



Pushed health companies to do more to support the 3Rs:

1. Replacement with alternatives to testing on animals.
2. Reduction of number of animals used in testing.
3. Refinement of testing to improve welfare of animals.



We believe business can and should make a **positive impact** on the world. That's why we support grass roots efforts that make the world a better place.

# Our community grants

Australian Ethical's community grants program is a core part of our purpose to play a leadership role in making the world a better place. Every year we distribute up to 10% of our yearly after-tax profits\* to charitable organisations and social impact initiatives, through the Australian Ethical Foundation.

Since 2000, our Community Grants program has provided more than 2.5 million in financial support for not-for-profit organisations that contribute to humanitarian, environmental and animal welfare efforts in Australia and abroad.

## Community Grant winners

Here are some of our 2018 grant recipients, read about all of them in our Annual Sustainability Report at [australianethical.com.au](http://australianethical.com.au)

### Planet

#### **Pollinate Energy**

Pollinate Energy is a social enterprise that provides solar energy products to those in India who need them most. Through their network of 'Pollinators' they provide solar lanterns, improved cook stoves, solar fans and water filters to families living in slum communities.

#### **Seaside Scavenge**

Seaside Scavenge is a waterway clean-up and clothes swap event where the litter collected becomes the currency to purchase quality pre-loved clothes, books and other goods that have been donated by the local community.

### People

#### **One Girl**

One Girl's program LaunchPad equips female leaders in Sierra Leone with sanitary pads and skills to start a micro-enterprise. They go on to educate young women to become champions for sexual and reproductive health in their communities.

#### **Love Mercy Foundation**

Love Mercy is on a mission to empower women in Uganda to defeat poverty for their community and their country. Cents for Seeds is a microloan agriculture program tackling gender inequality and food insecurity. It helps women realise their full potential as farmers and as business women.

### Animals

#### **Where Pigs Fly Farm Sanctuary**

Where Pigs Fly Farm Sanctuary provides care to farmed animals rescued from cruelty, neglect and abuse. Through education and advocacy, they also work to change the way society views and treats farmed animals inspiring a compassionate world for all animals.

#### **Orangutan Foundation International (Australia)**

Orangutan Foundation International Australia (OFI Australia) has purchased thousands of acres of forest in Borneo, creating a large protected orangutan sanctuary known as The Orangutan Legacy Forest.

\*Before deducting bonus and grant expenses





For over 30 years we have been true to our Ethical Charter. Our employees, our clients and, our shareholders choose us because:

We are  
**FOSSIL-FUEL  
FREE**<sup>1</sup>

We are  
**TOBACCO  
FREE**

We are  
**NUCLEAR  
WEAPONS  
FREE**

**WE DO NOT** invest in businesses involved in cruelty to animals

**WE DO** invest in sustainable, future-building businesses

**WE PRIDE** ourselves on our ethical business practices

**WE ACTIVELY ENGAGE** with businesses to advocate for positive change

**WE OFFER** a comprehensive range of investment options catering to all risk appetites

**WE DONATE** 10% of our profits<sup>2</sup> to not-for-profit organisations

<sup>1</sup> Since 1 July 2016 we have been free from all companies whose main business is fossil fuels, as well as diversified companies that earn some fossil fuel revenue and aren't creating positive impact with their other activities. We may invest in a diversified company which is having a positive impact in other ways such as producing renewable energy, provided its fossil fuel revenue is sufficiently low (a maximum of 5% to 33% depending on the fuel). Assured by KPMG

<sup>2</sup> Before deducting bonus and grant expense.

**Find out more**

Super: 1300 134 337

Managed Funds: 1800 021 227

enquiries@australianethical.com.au

australianethical.com.au



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

This information is of a general nature and is not intended to provide you with financial advice or take into account your personal objectives, financial situation or needs. Before acting on the information, consider its appropriateness to your circumstances and read our Financial Services Guide and the relevant product disclosure statement (PDS) available at [australianethical.com.au](http://australianethical.com.au). You may wish to seek independent financial advice from a licensed or authorised financial adviser before making an investment decision. Return of capital and the performance of your investment in the fund are not guaranteed. Past performance is not a reliable indicator of future performance. Interests in the Australian Ethical Managed Funds are issued by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949), the Responsible Entity of the Australian Ethical Managed Funds. Interests in the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743, USI AET0100AU) are offered by Australian Ethical Investment Limited (ABN 47 003 188 930, AFSL 229949) and issued by the Trustee of the Fund, Australian Ethical Superannuation Pty Limited (ABN 43 079 259 733). Published May 2018.