



RI TRANSPARENCY REPORT

2013/14

Australian Ethical Investment Ltd.



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

| Symbol | Status |
|--------|-------------------------------------------------------------------|
| ✓ | The signatory has completed all mandatory parts of this indicator |
| ☑ | The signatory has completed some parts of this indicator |
| 🔒 | This indicator was not relevant for this signatory |
| - | The signatory did not complete any part of this indicator |
| 🔍 | The signatory has flagged this indicator for internal review |

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

| Organisational Overview | | | | Principle | | | | | | General |
|-------------------------|-----------------------------------------------------|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| OO 01 | Signatory category and services | ✓ | Public | | | | | | | ✓ |
| OO 02 | Headquarters and operational countries | ✓ | Public | | | | | | | ✓ |
| OO 03 | Subsidiaries that are separate PRI signatories | ✓ | Public | | | | | | | ✓ |
| OO 04 | Reporting year and AUM | ✓ | Public | | | | | | | ✓ |
| OO 05 | Breakdown of AUM by asset class | ✓ | n/a | | | | | | | ✓ |
| OO 06 | How would you like to disclose your asset class mix | ✓ | Public | | | | | | | ✓ |
| OO 07 | Segregated mandates or pooled funds | 🔒 | n/a | | | | | | | ✓ |
| OO 08 | Breakdown of AUM by market | ✓ | Public | | | | | | | ✓ |
| OO 09 | Additional information about organisation | ✓ | Public | | | | | | | ✓ |
| OO 10 | RI activities for listed equities | ✓ | Public | | | | | | | ✓ |
| OO 11 | RI activities in other asset classes | ✓ | Public | | | | | | | ✓ |
| OO 12 | Modules and sections required to complete | ✓ | Public | | | | | | | ✓ |

| Overarching Approach | | | | Principle | | | | | | General |
|----------------------|--------------------------------------------------------------------|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| OA 01 | RI policy and other guidance documents | ✓ | Public | | | | | | | ✓ |
| OA 02 | Publicly available policies / documents | ✓ | Public | | | | | | ✓ | |
| OA 03 | Policy components and coverage | ✓ | Public | ✓ | ✓ | | | | | |
| OA 04 | Conflicts of interest | ✓ | Public | | | | | | | ✓ |
| OA 05 | RI goals and objectives | ✓ | Public | | | | | | | ✓ |
| OA 06 | Main goals/objectives this year | 🔒 | n/a | | | | | | | ✓ |
| OA 07 | Governance, management structures and RI processes | ✓ | Public | | | | | | | ✓ |
| OA 08 | RI roles and responsibilities | ✓ | Public | | | | | | | ✓ |
| OA 09 | RI in performance management, reward and/or personal development | ✓ | Public | | | | | | | ✓ |
| OA 10 | Collaborative organisations / initiatives | ✓ | Public | | | | ✓ | ✓ | | |
| OA 11 | Promoting RI independently | ✓ | Public | | | | ✓ | | | |
| OA 12 | Dialogue with public policy makers or standard setters | ✓ | Public | | | | ✓ | ✓ | ✓ | |
| OA 13 | ESG issues in strategic asset allocation | ✓ | Public | ✓ | | | | | | |
| OA 14 | Allocation of assets to environmental and social themed areas | ✓ | Public | ✓ | | | | | | |
| OA 15 | ESG issues for internally managed assets not reported in framework | ✓ | Public | | | | | | | ✓ |
| OA 16 | ESG issues for externally managed assets not reported in framework | 🔒 | n/a | | | | | | | ✓ |
| OA 17 | RI/ESG in execution and/or advisory services | 🔒 | n/a | ✓ | ✓ | | | | | |
| OA 18 | Innovative features of approach to RI | ✓ | Public | | | | | | | ✓ |
| OA 19 | Internal and external review and assurance of responses | ✓ | Public | | | | | | | ✓ |

| Direct - Listed Equity Incorporation | | | | Principle | | | | | | General |
|--------------------------------------|-------------------------------------------------------------------------------------|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| LEI 01 | Breakdown by passive, quantitative, fundamental and other active strategies | ✓ | Public | ✓ | | | | | | |
| LEI 02 | Description of ESG incorporation | ✓ | Public | ✓ | | | | | | |
| LEI 03 | Percentage of each incorporation strategy | ✓ | Public | ✓ | | | | | | |
| LEI 04 | Type of ESG information used in investment decision | ✓ | Public | ✓ | | | | | | |
| LEI 05 | Information from engagement and/or voting used in investment decision-making | ✓ | Public | ✓ | | | | | | |
| LEI 06 | Types of screening applied | ✓ | Public | ✓ | | | | | | |
| LEI 07 | Processes to ensure screening is based on robust analysis | ✓ | Public | ✓ | | | | | | |
| LEI 08 | Processes to ensure fund criteria are not breached | ✓ | Public | ✓ | | | | | | |
| LEI 09 | Types of sustainability thematic funds/mandates | ✓ | Public | ✓ | | | | | | |
| LEI 10 | Description of ESG integration | ✓ | Public | ✓ | | | | | | |
| LEI 11 | Review ESG issues while researching companies/sectors | ✓ | Public | ✓ | | | | | | |
| LEI 12 | Processes to ensure integration is based on robust analysis | ✓ | Public | ✓ | | | | | | |
| LEI 13 | Aspects of analysis ESG information is integrated into | ✓ | Public | ✓ | | | | | | |
| LEI 14 | ESG issues in index construction | 🔒 | n/a | ✓ | | | | | | |
| LEI 15 | How ESG incorporation has influenced portfolio composition | ✓ | Public | ✓ | | | | | | |
| LEI 16 | Incorporation of ESG issues has improved financial/ESG performance and reduced risk | ✓ | Public | ✓ | | | | | | |
| LEI 17 | Examples of ESG issues that affected your investment view / performance | ✓ | Public | ✓ | | | | | | |
| LEI 18 | Disclosure of approach to ESG incorporation | ✓ | Public | | ✓ | | | | ✓ | |

| Direct - Listed Equity Active Ownership | | | | Principle | | | | | | General |
|-----------------------------------------|------------------------------------------------------------------------------|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator | Short description | Status | Disclosure | 1 | 2 | 3 | 4 | 5 | 6 | |
| LEA 01 | Description of approach to engagement | ✓ | Public | | ✓ | | | | | |
| LEA 02 | Reasoning for interaction on ESG issues | ✓ | Public | ✓ | ✓ | ✓ | | | | |
| LEA 03 | Process for identifying and prioritising engagement activities | ✓ | Public | | ✓ | | | | | |
| LEA 04 | Objectives for engagement activities | ✓ | Public | | ✓ | | | | | |
| LEA 05 | Process for identifying and prioritising engagement activities | ✓ | Public | | ✓ | | | | | |
| LEA 06 | Objectives for engagement activities | ✓ | Public | | ✓ | | | | | |
| LEA 07 | Role in engagement process | ✓ | Public | | ✓ | | ✓ | | | |
| LEA 08 | Monitor / discuss service provider information | ✓ | Public | | ✓ | | | | ✓ | |
| LEA 09 | Share insights from engagements with internal/external managers | ✓ | Public | ✓ | ✓ | | | | | |
| LEA 10 | Tracking number of engagements | ✓ | Public | | ✓ | | | | | |
| LEA 11 | Number of companies engaged with, intensity of engagement and effort | ✓ | Public | | ✓ | | | | | |
| LEA 12 | Engagements on E, S and/or G issues | ✓ | Public | | ✓ | | | | | |
| LEA 13 | Companies changing practices / behaviour following engagement | ✓ | Public | | ✓ | | | | | |
| LEA 14 | Examples of ESG engagements | ✓ | Public | | ✓ | | | | | |
| LEA 15 | Disclosure of approach to ESG engagements | ✓ | Public | | ✓ | | | | ✓ | |
| LEA 16 | Description of approach to (proxy) voting | ✓ | Public | | ✓ | | | | | |
| LEA 17 | Typical approach to (proxy) voting decisions | ✓ | Public | | ✓ | | | | | |
| LEA 18 | Percentage of voting recommendations reviewed | 🔒 | n/a | | ✓ | | | | | |
| LEA 19 | Confirmation of votes | ✓ | Public | | ✓ | | | | | |
| LEA 20 | Securities lending programme | ✓ | Public | | ✓ | | | | | |
| LEA 21 | Informing companies of the rationale of abstaining/voting against management | ✓ | Public | | ✓ | | | | | |
| LEA 22 | Percentage of (proxy) votes cast | ✓ | Public | | ✓ | | | | | |
| LEA 23 | Proportion of ballot items that were for/against/abstentions | ✓ | Public | | ✓ | | | | | |
| LEA 24 | Shareholder resolutions | ✓ | Public | | ✓ | | | | | |
| LEA 25 | Examples of (proxy) voting activities | ✓ | Public | | ✓ | | | | | |
| LEA 26 | Disclosing voting activities | ✓ | Public | | ✓ | | | | ✓ | |

Australian Ethical Investment Ltd.

Reported Information

Public version

Organisational Overview

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Basic Information

| | | | |
|-------|-----------|-----------------|---------|
| OO 01 | Mandatory | Gateway/Peering | General |
|-------|-----------|-----------------|---------|

OO 01.1 Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

| | | | |
|-------|-----------|---------|---------|
| OO 02 | Mandatory | Peering | General |
|-------|-----------|---------|---------|

OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

☒ 1

☐ 2-5

☐ 6-10

☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

30

| | | | |
|-------|-----------|-------------|---------|
| OO 03 | Mandatory | Descriptive | General |
|-------|-----------|-------------|---------|

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes

☒ No

| | | | |
|-------|-----------|-----------------|---------|
| OO 04 | Mandatory | Gateway/Peering | General |
|-------|-----------|-----------------|---------|

OO 04.1 | Indicate the year end date for your reporting year.

30/06/2013

OO 04.2 | Indicate your total AUM at the end of your reporting year.

| | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM | | | 708 | 000 | 000 |
| Currency | AUD | | | | |
| Assets in USD | | | 639 | 535 | 591 |

OO 04.3 | Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

| OO 06 | Mandatory | Descriptive | General |
|-------|-----------|-------------|---------|
|-------|-----------|-------------|---------|

OO 06.1 | To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as percentage breakdown

| | Internally managed (%) | Externally managed (%) |
|---------------------------|------------------------|------------------------|
| Listed equity | 69.9 | 0 |
| Fixed income – corporate | 11.1 | 0 |
| Fixed income – government | 6.7 | 0 |
| Fixed income – other | 0 | 0 |
| Private debt | 0 | 0 |
| Private equity | 0 | 0 |
| Property | 5.7 | 0 |
| Infrastructure | 0 | 0 |
| Commodities | 0 | 0 |
| Hedge funds | 0 | 0 |
| Forestry | 0 | 0 |

| | | |
|--------------------|-----|---|
| Farmland | 0 | 0 |
| Inclusive finance | 0 | 0 |
| Cash | 5.8 | 0 |
| Other (1), specify | 0.8 | 0 |
| Other (2), specify | 0 | 0 |

| | |
|--|-----------------------|
| | 'Other (1)' specified |
|--|-----------------------|

Unlisted securities

- ☐ Publish our asset class mix as broad ranges
☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

| | | | |
|-------|-------------------------------------------|---------|---------|
| OO 08 | Mandatory to Report Voluntary to Disclose | Peering | General |
|-------|-------------------------------------------|---------|---------|

| | |
|---------|--------------------------------------------------------------|
| OO 08.1 | Indicate the breakdown of your organisation's AUM by market. |
|---------|--------------------------------------------------------------|

| Market breakdown | % of AUM |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Developed Markets | <input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 % |
| Emerging, Frontier and Other Markets | <input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 % |

| | | | |
|-------|-----------|-------------|---------|
| OO 09 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|

OO 09.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Australian Ethical is an independent ethical wealth manager based in Australia. Australian Ethical was established in 1986 and became a publicly listed company on the Australian Securities Exchange in December 2002. We provide superannuation, pensions and managed funds to clients wishing to save and invest for their retirement in an ethical way while participating in having a positive impact to create a better world. We believe that aligning ethics and financial decisions provides competitive long-term returns and improves quality of life for all.

All investments are managed to assist in: achieving a just and sustainable society; protecting the natural environment; and providing a competitive financial return to investors. To do this, all investments are managed using the Australian Ethical Charter, which aims to provide investment support to environmental and socially positive activities such as recycling, conservation, energy efficiency, preservation of endangered species, animal welfare, workplace relations and a range of related issues.

Gateway asset class implementation indicators

OO 10**Mandatory****Gateway****General****OO 10.1**

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 11**Mandatory****Gateway****General****OO 11.1**

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Property
- ☒ Cash
- ☒ Other (1)
- ☐ None of the above

'Other (1)' [as defined in OO 05]

Unlisted securities

OO 12**Mandatory****Gateway****General**

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers**Direct - Listed Equity incorporation**

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☐ Fixed Income - Corporate
- ☐ Fixed Income - Government

Direct - Other asset classes with dedicated modules

- ☐ Property

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Australian Ethical Investment Ltd.

Reported Information

Public version

Overarching Approach

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Responsible investment policy

| OA 01 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|
|-------|-----------|-----------------------|---------|

OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Our investment approach is guided by our Ethical Governance Framework which sets out key policies, processes and responsibilities for ethical investment decisions.

All investments (aside from a very small number of stocks (~0.01% FUM) that are held within our Advocacy Fund while we are actively engaging with the relevant company) are made using our Ethical Framework. This Framework has four components:

- Australian Ethical Charter - this is embedded in Australian Ethical's constitution. The Charter contains 23 principles setting out which corporate activities we will avoid or seek to support;
- Charter Principles and Practices Policy - contains additional detail on how the Charter is applied at a practical level and provides guidance on key themes to take into consideration when making investment decisions;
- Industry and Issue Frameworks - a series of frameworks which interpret the Charter and provide specific positions on certain industry sectors and certain thematic issues;
- Case studies - analysis of particular investment decisions made in the past which act as precedents that can guide future decisions.

| OA 02 | Mandatory | Core Assessed | PRI 6 |
|-------|-----------|---------------|-------|
|-------|-----------|---------------|-------|

OA 02.1 Indicate if your responsible investment policy is publicly available.

☒ Yes

OA 02.2 Provide a URL to your responsible investment policy.

| |
|-----|
| URL |
|-----|

<http://www.australianethical.com.au/ethical-charter>

☐ No

| | |
|----------------|-----------------------------------------------------------------------------------------------------------------|
| OA 02.3 | Indicate if your other policies or guidance documents related to responsible investment are publicly available. |
|----------------|-----------------------------------------------------------------------------------------------------------------|

☒ Yes

☒ Yes, all

☐ Yes, some

| | |
|----------------|-------------------------------------------------------------------------------------------------------------------------------|
| OA 02.4 | List these other policies or guidance documents related to responsible investment that are publicly available and their URLs. |
|----------------|-------------------------------------------------------------------------------------------------------------------------------|

| Policy or document name | URL |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate governance policies | http://www.australianethical.com.au/corporate-governance |
| Proxy voting policy | http://www.australianethical.com.au/sites/default/files/documents/corporate-governance/Proxy_Voting_Policy_May_09.pdf |

☐ No

| | | | |
|--------------|------------------|----------------------|----------------|
| OA 03 | Mandatory | Core Assessed | PRI 1,2 |
|--------------|------------------|----------------------|----------------|

| | |
|----------------|----------------------------------------------------------------------------------------------------------|
| OA 03.1 | Indicate the components/types and coverage of your responsible investment policy and guidance documents. |
|----------------|----------------------------------------------------------------------------------------------------------|

Select all that apply

| Policy components/types | Coverage by AUM |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify | <input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM |

| | | | |
|-------|-----------|---------------|---------|
| OA 04 | Mandatory | Core Assessed | General |
|-------|-----------|---------------|---------|

| | |
|---------|-------------------------------------------------------------------------------------------------------------------|
| OA 04.1 | Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process. |
|---------|-------------------------------------------------------------------------------------------------------------------|

☒ Yes

| | |
|---------|--------------------------------------------------------------------------------------------------------|
| OA 04.2 | Describe your policy on managing potential conflicts of interest in the investment process. [Optional] |
|---------|--------------------------------------------------------------------------------------------------------|

The Board has a policy for the management of conflicts of interest. The company maintains a conflict of interest register which is reviewed by the board and audit, compliance and risk committees. Details of board responsibilities and the independence of directors are documented in our annual reports.

☐ No

Objectives and strategies

| | | | |
|-------|-----------|-----------------------|---------|
| OA 05 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|

| | |
|---------|------------------------------------------------------------------------------------------|
| OA 05.1 | Indicate if your organisation sets objectives for its responsible investment activities. |
|---------|------------------------------------------------------------------------------------------|

☐ Yes

☒ No

| | |
|----------------|------------------------------------|
| OA 05.4 | Additional information. [Optional] |
|----------------|------------------------------------|

Australian Ethical is a fund manager that specialises in ethical and sustainable investing, our company's activities are aligned to meet our commitments set out in the Australian Ethical Charter.

Governance and human resources

| OA 07 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|
|-------|-----------|-------------|---------|

Ethical considerations apply to all aspects of the Australian Ethical's operations including responsible investment activities due to the fact that the Charter is embedded in the Company's constitution and the constitutions of the managed investment schemes that the Company operates.

Ethical aspects of the investment process are overseen by our Ethical Advisory Group (EAG). The EAG develops the Ethical Frameworks and determines an appropriate position for Australian Ethical on contentious ethical issues as they arise. The EAG is comprised of:

- CEO (Chairman of the EAG);
- Chief Investment Officer (CIO);
- General Counsel;
- GM Marketing;
- Ethical Adviser.

The Board also has an important role in approving Ethical Frameworks and adjudicates on points of contention that remain unresolved by the EAG.

Before an investment can be made it must pass an ethical screen; if this is passed the CIO can authorise a limit. If a company has an investment limit it must also pass a financial screen before a Portfolio Manager will invest in it. In addition to the initial ethical screening all companies undergo regular ethical review; if any issues are detected Australian Ethical will engage with the company with a view to resolving the issue. If the issue cannot be resolved we will divest.

The Company has recently appointed a Head of Ethics, reflecting our commitment to ongoing consistency and transparency in our ethical investment approach. This role will oversee further work to codify our Ethical Framework and position statements on important ethical issues.

Our approach to ethical investment includes the following:

- Performing detailed initial analysis and preparing a full report on any potential investee company;
- Conducting detailed biennial reviews for every company in the Australian Ethical investible universe (or more frequently for certain stocks if considered necessary by our CIO);
- Conducting ad hoc analysis or investigation on specific ethical issues or aspects of a company's ethical performance;
- Conducting engagement and advocacy on particular issues or companies as required;

Australian Ethical has a team of internal professionals managed by the CIO whose responsibility it is to monitor the performance of stocks and manage our investment portfolios on a day to day basis. This team draws on the support of external expertise where they determine that in depth assessment or specialist ethical advice is required. This team also identifies potential companies to be added to the investible universe. The CIO is responsible for reviewing all ethical reports and deciding, in consultation with the CEO where necessary, whether or not the company should be added to the investible universe.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

| OA 08 | Mandatory | Gateway/Core Assessed | General |
|-------|-----------|-----------------------|---------|
|-------|-----------|-----------------------|---------|

| OA 08.1 | Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment. |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Roles present in your organisation |
|------------------------------------|
|------------------------------------|

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☒ Portfolio managers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other role, specify
- ☐ Other role, specify

| OA 08.2 | Indicate the number of dedicated responsible investment staff your organisation has. [Optional] |
|---------|-------------------------------------------------------------------------------------------------|
|---------|-------------------------------------------------------------------------------------------------|

| Number |
|--------|
|--------|

| OA 09 | Voluntary | Additional Assessed | General |
|-------|-----------|---------------------|---------|
|-------|-----------|---------------------|---------|

| | |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| OA 09.1 | Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------|

Board members/Board of trustees

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Australian Ethical encourages employee equity in the company through the ownership of shares which is achieved through the provision of short and long term incentive plans. The amount awarded to individual employees under these incentive plans takes into account, where relevant, that employee's contribution to the success of our responsible investment practices.

Promoting responsible investment

OA 10**Mandatory****Core Assessed****PRI 4,5****OA 10.1**

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

- ☐ Asian Corporate Governance Association
- ☒ Association for Sustainable & Responsible Investment in Asia

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced
- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

| | |
|--|-----------------------------------------------------------------------------------------------------|
| | Your organisation's role in the initiative during the reporting period (see definitions) |
|--|-----------------------------------------------------------------------------------------------------|

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

- ☐ CDP Forests
- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

| | |
|--|-----------------------------------------------------------------------------------------------------|
| | Your organisation's role in the initiative during the reporting period (see definitions) |
|--|-----------------------------------------------------------------------------------------------------|

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Principles for Responsible Investment

| | |
|--|-----------------------------------------------------------------------------------------------------|
| | Your organisation's role in the initiative during the reporting period (see definitions) |
|--|-----------------------------------------------------------------------------------------------------|

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

Australian Ethical is a founding member of the Responsible Investment Association of Australasia (RIAA) and the Association for Sustainable and Responsible Investment in Asia (ASRIA).

| | |
|--|------------------------------------------------------------------------------------------|
| | Your organisation's role in the initiative during the reporting period (see definitions) |
|--|------------------------------------------------------------------------------------------|

- ☐ Basic
☒ Moderate
☐ Advanced

- ☐ Shareholder Association for Research and Education (Share)
☐ United Nations Environmental Program Finance Initiative (UNEP FI)
☐ United Nations Global Compact
☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify

☐ No

| | | | |
|-------|-----------|---------------|-------|
| OA 11 | Mandatory | Core Assessed | PRI 4 |
|-------|-----------|---------------|-------|

| | |
|----------------|------------------------------------------------------------------------------------------------------------|
| OA 11.1 | Indicate if your organisation promotes responsible investment, independently of collaborative initiatives. |
|----------------|------------------------------------------------------------------------------------------------------------|

☒ Yes

| | |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| OA 11.2 | Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives. |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------|

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
☐ Provided financial support for academic or industry research on responsible investment
☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
☒ Spoke publicly at events and conferences to promote responsible investment
☐ Wrote and published in-house research papers on responsible investment
☒ Encouraged the adoption of the PRI
☐ Other, specify

☐ No

| | |
|----------------|------------------------------------|
| OA 11.3 | Additional information. [Optional] |
|----------------|------------------------------------|

We participate in industry associations to help promote responsible investment. These include Association of Superannuation Funds of Australia (ASFA), Financial Services Council (FSC) and the Governance Institute of Australia (GIA). We also engage with the wider investment industry through our communications strategies.

| | | | |
|-------|-----------|---------------------|-----------|
| OA 12 | Voluntary | Additional Assessed | PRI 4,5,6 |
|-------|-----------|---------------------|-----------|

| | |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OA 12.1 | Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year. |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- ☐ Yes
☒ No

| | |
|----------------|-------------------------|
| OA 12.4 | Additional information. |
|----------------|-------------------------|

Whilst Australian Ethical has not directly engaged with public policy makers, we engage via membership of previously mentioned organisations.

ESG issues in asset allocation

| | | | |
|--------------|------------------|--------------------|--------------|
| OA 13 | Voluntary | Descriptive | PRI 1 |
|--------------|------------------|--------------------|--------------|

| | |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------|
| OA 13.1 | Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets. |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------|

- ☒ Yes

| | |
|----------------|-------------------------------------------------------------------------------------------------------------------------|
| OA 13.2 | Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets. |
|----------------|-------------------------------------------------------------------------------------------------------------------------|

Australian Ethical pursues a unique combination of ethical and financial objectives when selecting investments. These objectives include: containment of investment risk; achieving a financial return commensurate with any risk taken; avoiding investment in activities that are socially or environmentally detrimental; investing in profitable activities that bring social or environmental benefits. One way we achieve these objectives is by ensuring that investments align with the Australian Ethical Charter. Each investment is subject to regular monitoring and reviews to ensure ongoing compliance. The use of the Australian Ethical Charter makes our investment methodology unique in the ethical investment market. The application of the Australian Ethical Charter defines the universe of investments for the managed funds.

- ☐ No

| | | | |
|--------------|------------------|--------------------|--------------|
| OA 14 | Voluntary | Descriptive | PRI 1 |
|--------------|------------------|--------------------|--------------|

| | |
|----------------|-------------------------------------------------------------------------------------------------------------------------------|
| OA 14.1 | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas. |
|----------------|-------------------------------------------------------------------------------------------------------------------------------|

- ☐ Yes
☒ No

Asset class implementation not reported in other modules

| OA 15 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|
|-------|-----------|-------------|---------|

| | |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OA 15.1 | Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold. |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Asset Class | Describe what processes are in place and the outputs or outcomes achieved |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fixed income - corporate | Asset selection for all asset classes is guided by the Australian Ethical Charter. Australian Ethical investigates the environmental, social and governance (ESG) dimensions of all potential investments. This work is conducted by the CIO and supervised by the Investment Committee. |
| Fixed income - government | Asset selection for all asset classes is guided by the Australian Ethical Charter. Australian Ethical investigates the environmental, social and governance (ESG) dimensions of all potential investments. This work is conducted by the CIO and supervised by the Investment Committee. |
| Property | Asset selection for all asset classes is guided by the Australian Ethical Charter. Australian Ethical investigates the environmental, social and governance (ESG) dimensions of all potential investments. This work is conducted by the CIO and supervised by the Investment Committee. |
| Cash | Asset selection for all asset classes is guided by the Australian Ethical Charter. Australian Ethical investigates the environmental, social and governance (ESG) dimensions of all potential investments. This work is conducted by the CIO and supervised by the Investment Committee. |
| Other (1) [as defined in Organisational Overview module] | Asset selection for all asset classes is guided by the Australian Ethical Charter. Australian Ethical investigates the environmental, social and governance (ESG) dimensions of all potential investments. This work is conducted by the CIO and supervised by the Investment Committee. |

Innovation

| OA 18 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|
|-------|-----------|-------------|---------|

| | |
|----------------|-------------------------------------------------------------------------------------------------------------------------|
| OA 18.1 | Describe any specific features of your approach to responsible investment that you believe are particularly innovative. |
|----------------|-------------------------------------------------------------------------------------------------------------------------|

The Australian Ethical Advocacy Fund (formerly known as the Climate Advocacy Fund) has broadened the scope of its engagement activities undertaken to include other issues other than just climate related. The Fund now has a greater focus on constructive and collaborative engagement prior to putting a resolution, garnering the support of institutional shareholders, retail shareholders and advocacy groups where appropriate.

Assurance of responses

| OA 19 | Voluntary | Additional Assessed | General |
|-------|-----------|---------------------|---------|
|-------|-----------|---------------------|---------|

OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☐ Reviewed by Board, CEO, CIO or Investment Committee
- ☐ Validated by internal audit or compliance function
- ☒ Assured by an external independent provider, specify name

The reported information has been reviewed and assured by external independent provider, Net Balance.

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

- Australian Ethical provided Net Balance with the indicators reported
- Net Balance undertook a gap analysis between PRI report and sustainability report subject matter
- Net Balance developed a list of interview questions that relate to the 6 UNPRI principles.
- Site visits and systems review. Interviews with key team members.
- Assurance statement and management report

☐ No

Australian Ethical Investment Ltd.

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

| LEI 01 | Mandatory to Report Voluntary to Disclose | Gateway/Peering | PRI 1 |
|--------|-------------------------------------------|-----------------|-------|
|--------|-------------------------------------------|-----------------|-------|

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

| LEI 02 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

LEI 02.1

Provide a brief overview of how you incorporate ESG issues in listed equity investments.

Australian Ethical is a specialist and pioneer in the field of responsible investment. Ethical investors developed the concept of applying environmental, social and governance factors (ESG) and Australian Ethical was one of the pioneers in this approach. We use the Australian Ethical Charter to guide us as we apply a unique combination of financial, environment, social, governance and ethical objectives to the selection of investments.

ESG incorporation in actively managed listed equities

Implementation processes

| LEI 03 | Mandatory | Gateway/Core Assessed | PRI 1 |
|--------|-----------|-----------------------|-------|
|--------|-----------|-----------------------|-------|

LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☒ All three strategies combined

| | |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Percentage of actively managed listed equities to which each strategy or combination of strategies is applied (estimate +/- 10%) | <div> <div></div> <div>%</div> </div> 100 |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|

- ☐ No incorporation strategies applied

| | |
|--|----------------------------------------|
| | Total actively managed listed equities |
|--|----------------------------------------|

100%

| | |
|-----------------|-------------------------------------------------------------------------------------|
| LEI 03.2 | Describe your primary reasons for choosing a particular ESG incorporation strategy. |
|-----------------|-------------------------------------------------------------------------------------|

Australian Ethical was formed to conduct responsible investment in accordance with its Charter. The Charter embodies the principles that the Company's founders had in mind when the commenced ethical investing. We are conviction investors.

| | | | |
|---------------|------------------|----------------------------|--------------|
| LEI 04 | Voluntary | Additional Assessed | PRI 1 |
|---------------|------------------|----------------------------|--------------|

| | |
|-----------------|---------------------------------------------------------------------------------------------------------------|
| LEI 04.1 | Indicate what ESG information you use in your ESG incorporation strategies and who provides this information. |
|-----------------|---------------------------------------------------------------------------------------------------------------|

Type of ESG information

- ☒ Raw ESG company data

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Country-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Screened stock list

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☐ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

LEI 04.2

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

Before an investment can be made it must pass an ethical screen; if this is passed the CIO can authorise a limit. If a company has an investment limit it must also pass a financial screen before a Portfolio Manager will invest in it. In addition to the initial ethical screening all companies undergo regular ethical review; if any issues are detected Australian Ethical will engage with the company with a view to resolving the issue. If the issue cannot be resolved we will divest.

Our approach to ethical investment includes the following:

- Performing detailed initial analysis and preparing a full report on any potential investee company;
- Conducting detailed biennial reviews for every company in the Australian Ethical investible universe (or more frequently for certain stocks if considered necessary by our CIO);
- Conducting ad hoc analysis or investigation on specific ethical issues or aspects of a company's ethical performance;
- Conducting engagement and advocacy on particular issues or companies as required;

Australian Ethical has a team of internal professionals managed by the CIO whose responsibility it is to monitor the performance of stocks and manage our investment portfolios on a day to day basis. This team draws on the support of external expertise where they determine that in depth assessment or specialist ethical advice is required. This team also identifies potential companies to be added to the investible universe. The CIO is responsible for reviewing all ethical reports and deciding, in consultation with the CEO where necessary, whether or not the company should be added to the investible universe.

LEI 04.3

Indicate if you incentivise brokers to provide ESG research.

- ☐ Yes
- ☒ No

LEI 05**Voluntary****Additional Assessed****PRI 1****LEI 05.1**

Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.

☒ Engagement

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

☒ (Proxy) voting

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

(A) Implementation: Screening

LEI 06

Mandatory

Descriptive

PRI 1

LEI 06.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☒ Negative/exclusionary screening

Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description

Australian Ethical is unique in using both a negative and a positive screen, managing funds which actively seek investment in companies with superior environmental and social credentials.

Our Ethical Charter contains 23 principles setting out which corporate activities we will seek to avoid or support and providing guidance on key themes to take into consideration when making investment decisions.

☒ Positive/best-in-class screening

Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

| Description |
|-------------|
|-------------|

Australian Ethical is unique in using both a negative and a positive screen, managing funds which actively seek investment in companies with superior environmental and social credentials.

Our Ethical Charter contains 23 principles setting out which corporate activities we will seek to avoid or support and providing guidance on key themes to take into consideration when making investment decisions.

☐ Norms-based screening

Ethical considerations apply to all aspects of the Australian Ethical's operations including responsible investment activities due to the fact that the Charter is embedded in the Company's constitution and the constitutions of the managed investment schemes that the Company operates.

Ethical aspects of the investment process are overseen by our Ethical Advisory Group (EAG). The EAG develops the Ethical Frameworks and determines an appropriate position for Australian Ethical on contentious ethical issues as they arise. The EAG is comprised of:

- CEO (Chairman of the EAG);
- Chief Investment Officer (CIO);
- General Counsel;
- GM Marketing;
- Ethical Adviser.

The Board also has an important role in approving Ethical Frameworks and adjudicates on points of contention that remain unresolved by the EAG.

Before an investment can be made it must pass an ethical screen; if this is passed the CIO can authorise a limit. If a company has an investment limit it must also pass a financial screen before a Portfolio Manager will invest in it. In addition to the initial ethical screening all companies undergo regular ethical review; if any issues are detected Australian Ethical will engage with the company with a view to resolving the issue. If the issue cannot be resolved we will divest.

The Company has recently appointed a Head of Ethics, reflecting our commitment to ongoing consistency and transparency in our ethical investment approach. This role will oversee further work to codify our Ethical Framework and position statements on important ethical issues.

Our approach to ethical investment includes the following:

- Performing detailed initial analysis and preparing a full report on any potential investee company;
- Conducting detailed biennial reviews for every company in the Australian Ethical investible universe (or more frequently for certain stocks if considered necessary by our CIO);
- Conducting ad hoc analysis or investigation on specific ethical issues or aspects of a company's ethical performance;
- Conducting engagement and advocacy on particular issues or companies as required;

Australian Ethical has a team of internal professionals managed by the CIO whose responsibility it is to monitor the performance of stocks and manage our investment portfolios on a day to day basis. This team draws on the support of external expertise where they determine that in depth assessment or specialist ethical advice is required. This team also identifies potential companies to be added to the investible universe. The CIO is responsible for reviewing all ethical reports and deciding, in consultation with the

CEO where necessary, whether or not the company should be added to the investible universe.

Our ethical investment approach is guided by our Ethical Governance Framework which sets out key policies, process, and responsibilities for ethical investment decisions.

Communication with clients occurs via newsletters, letters, emails, the Company's website and social media.

| | | | |
|--------|-----------|---------------|-------|
| LEI 07 | Mandatory | Core Assessed | PRI 1 |
|--------|-----------|---------------|-------|

| | |
|----------|-------------------------------------------------------------------------------------------------------|
| LEI 07.1 | Indicate which processes your organisation uses to ensure that screening is based on robust analysis. |
|----------|-------------------------------------------------------------------------------------------------------|

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☒ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

| | | | |
|--------|-----------|---------------------|-------|
| LEI 08 | Voluntary | Additional Assessed | PRI 1 |
|--------|-----------|---------------------|-------|

| | |
|----------|-----------------------------------------------------------------------------------------------|
| LEI 08.1 | Indicate which processes your organisation uses to ensure that fund criteria are not breached |
|----------|-----------------------------------------------------------------------------------------------|

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occassional
- ☐ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

(B) Implementation: Thematic

| | | | |
|--------|-----------|-------------|-------|
| LEI 09 | Mandatory | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|

LEI 09.1

Indicate the type of sustainability thematic funds or mandates that your organisation manages.

- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

LEI 09.2

Describe your organisation's processes for sustainability thematic funds.
[Optional]

The Australian Ethical Charter provides guidance on key themes to take into consideration when making investment decisions. Investments made according to the Charter support a variety of sustainability themes including building a new low-carbon economy, funding medical breakthroughs, technology breakthroughs, efficient transport and more.

Our position in relation to key ethical issues for our stakeholders

Climate change and pollution

It is acknowledged by most Governments and major corporations that human induced climate change poses a profound risk to the Earth and a fundamental economic challenge. As such our investment and corporate behaviour reflects the need to combat climate change. We invest heavily in renewable energy, supply side clean technology as well as demand side energy efficiency. At the corporate level, we continue to be 100% carbon neutral.

Unconventional gas

We avoid investment in companies in the business of extracting unconventional gas such as CSG. We do however invest in gas distribution and infrastructure companies (mainly pipelines) which gives us a small exposure to unconventional gas, especially in the US. We believe that the global economy needs to move away from coal as soon as possible. While replacing coal with a more greenhouse-friendly energy source such as natural gas is a pragmatic response in the short term, we also invest for the longer term by supporting renewables such as wind and solar.

Human rights and trade with repressive regimes

When it comes to human rights and trade with repressive regimes we take a zero tolerance approach. We do not invest in any company that uses slavery, child labour or works to the detriment of human rights in any country.

Biodiversity

We do not invest in mining companies or the native forestry sector. We are also mindful of the role of certain biofuels such as palm oil in terms of global deforestation and impacts on vulnerable species such as orang-utans. When investing in biofuels companies, we prioritise genuinely renewable sources that are not competing with food production.

(C) Implementation: Integration of ESG issues

| LEI 10 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

Ethical considerations apply to all aspects of the Australian Ethical's operations including responsible investment activities due to the fact that the Charter is embedded in the Company's constitution and the constitutions of the managed investment schemes that the Company operates.

Ethical aspects of the investment process are overseen by our Ethical Advisory Group (EAG). The EAG develops the Ethical Frameworks and determines an appropriate position for Australian Ethical on contentious ethical issues as they arise. The EAG is comprised of:

- CEO (Chairman of the EAG);
- Chief Investment Officer (CIO);
- General Counsel;
- GM Marketing;
- Ethical Adviser.

The Board also has an important role in approving Ethical Frameworks and adjudicates on points of contention that remain unresolved by the EAG.

Before an investment can be made it must pass an ethical screen; if this is passed the CIO can authorise a limit. If a company has an investment limit it must also pass a financial screen before a Portfolio Manager will invest in it. In addition to the initial ethical screening all companies undergo regular ethical review; if any issues are detected Australian Ethical will engage with the company with a view to resolving the issue. If the issue cannot be resolved we will divest.

The Company has recently appointed a Head of Ethics, reflecting our commitment to ongoing consistency and transparency in our ethical investment approach. This role will oversee further work to codify our Ethical Framework and position statements on important ethical issues.

Our approach to ethical investment includes the following:

- Performing detailed initial analysis and preparing a full report on any potential investee company;
- Conducting detailed biennial reviews for every company in the Australian Ethical investible universe (or more frequently for certain stocks if considered necessary by our CIO);
- Conducting ad hoc analysis or investigation on specific ethical issues or aspects of a company's ethical performance;
- Conducting engagement and advocacy on particular issues or companies as required;

Australian Ethical has a team of internal professionals managed by the CIO whose responsibility it is to monitor the performance of stocks and manage our investment portfolios on a day to day basis. This team draws on the support of external expertise where they determine that in depth assessment or specialist ethical advice is required. This team also identifies potential companies to be added to the investible universe. The CIO is responsible for reviewing all ethical reports and deciding, in consultation with the CEO where necessary, whether or not the company should be added to the investible

universe.

| | | | |
|--------|-----------|---------------|-------|
| LEI 11 | Mandatory | Core Assessed | PRI 1 |
|--------|-----------|---------------|-------|

| | |
|----------|-------------------------------------------------------------------------------------------------------------|
| LEI 11.1 | Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies. |
|----------|-------------------------------------------------------------------------------------------------------------|

| ESG issues | Coverage/extent of review on these issues |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental | <input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues |
| Social | <input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues |
| Corporate Governance | <input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues |

| | | | |
|--------|-----------|-------------|-------|
| LEI 12 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|

| | |
|----------|---------------------------------------------------------------------------------------------------------------|
| LEI 12.1 | Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis. |
|----------|---------------------------------------------------------------------------------------------------------------|

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

| | |
|-----------------|---------------------------------------------------------------------------|
| LEI 12.2 | Describe how ESG information is held and used by your portfolio managers. |
|-----------------|---------------------------------------------------------------------------|

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☐ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

| | | | |
|---------------|------------------|----------------------------|--------------|
| LEI 13 | Voluntary | Additional Assessed | PRI 1 |
|---------------|------------------|----------------------------|--------------|

| | |
|-----------------|-----------------------------------------------------------------------------------|
| LEI 13.1 | Indicate into which aspects of investment analysis you integrate ESG information. |
|-----------------|-----------------------------------------------------------------------------------|

- ☒ (Macro) economic analysis
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Industry analysis
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Analysis of company strategy and quality of management
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Idea generation
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Portfolio construction
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Fair value/fundamental analysis
 - ☒ Systematically
 - ☐ Occasionally

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------|
| LEI 13.2 | Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis. |
|-----------------|--------------------------------------------------------------------------------------------------------------------|

- ☒ Adjustments to income forecasts (sales, earnings, cash flows)
- ☒ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☐ Other adjustments to fair value projections, specify
- ☐ Other, specify

Outputs and outcomes

| | | | |
|---------------|------------------|--------------------|--------------|
| LEI 15 | Voluntary | Descriptive | PRI 1 |
|---------------|------------------|--------------------|--------------|

LEI 15.1

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

☒ Screening

Describe any reduction in your starting investment universe or other effects.

Many sustainable funds seek to avoid certain stocks which is known as applying a negative screen. This is an important part of the responsible investment process. Australian Ethical is unique in using both a negative and a positive screen, managing funds which actively seek investment in companies with superior environmental and social credentials. This enables our investors to avoid investing in sectors such as tobacco and uranium mining, and to benefit from investment in companies whose activities make a positive difference on a range of ethical, social and environmental issues.

☒ Thematic

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
- ☒ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Other, specify

LEI 16**Voluntary****Descriptive****PRI 1****LEI 16.1**

Indicate if you believe that incorporating ESG factors has: (a) Impacted funds' financial performance; (b) Reduced funds' risk or volatility; (c) Improved funds' ESG performance.

a) Impacted funds' financial performance

| Screening | Thematic | Integration of ESG issues | |
|-------------------------------------|-------------------------------------|-------------------------------------|--|
| <input type="radio"/> Yes | <input type="radio"/> Yes | <input type="radio"/> Yes | |
| <input checked="" type="radio"/> No | <input checked="" type="radio"/> No | <input checked="" type="radio"/> No | |

b) Reduced funds' risk or volatility

| Screening | Thematic | Integration of ESG issues | |
|--------------------------------------|--------------------------------------|--------------------------------------|--|
| <input checked="" type="radio"/> Yes | <input checked="" type="radio"/> Yes | <input checked="" type="radio"/> Yes | |
| <input type="radio"/> No | <input type="radio"/> No | <input type="radio"/> No | |

c) Improved funds' ESG performance

| Screening | Thematic | Integration of ESG issues |
|------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
| <input checked="" type="radio"/> Yes <input type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No |

| | | | |
|--------|-----------|-------------|-------|
| LEI 17 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|

LEI 17.1

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

☒ ESG issue 1

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| ESG incorporation strategy applied | |
| <input checked="" type="checkbox"/> Screening | |
| <input type="checkbox"/> Thematic | |
| <input type="checkbox"/> Integration | |
| <input type="checkbox"/> Combination of ESG incorporation strategies | |
| Impact on investment decision or performance | |
| <p>All of our funds with equity exposure performed strongly over the year. Of particular note, was our flagship Smaller Companies Trust which returned 22.4% for the year, outperforming its benchmark Small Industrials index by a significant margin (of 5.8%) over the 12 months. We benefited from avoiding companies servicing the resources industry and by holding IT stocks that performed very strongly.</p> | |

☐ ESG issue 2

☐ ESG issue 3

☐ ESG issue 4

☐ ESG issue 5

Communication

| | | | |
|--------|-----------|---------------|---------|
| LEI 18 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

LEI 18.1

Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

☒ We disclose it publicly

Provide URL

<http://www.australianethical.com.au/our-ethical-approach>

Provide URL

<http://www.australianethical.com.au/ethical-charter>

LEI 18.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

LEI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

☐ Broad approach to ESG incorporation

☒ Detailed explanation of ESG incorporation strategy used

LEI 18.4

Indicate how frequently you typically report this information.

☒ Quarterly or more frequently

☐ Between quarterly and annually

☐ Less frequently than annually

☐ Other, specify

☐ No

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

Australian Ethical Investment Ltd.

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

| LEA 01 | Voluntary | Descriptive | PRI 2 |
|----------|-------------------------------------------------------------------------|-------------|-------|
| LEA 01.1 | Provide a brief overview of your organisation's approach to engagement. | | |

We undertake three forms of engagement with companies on their ethical behaviours:

1. Checking whether or not a company complies with our Ethical Charter.

We constantly search for companies that meet the requirements of the Australian Ethical Charter to add to our investible universe. We monitor our investee companies on an ongoing basis to ensure that they continue to meet the requirements of our Ethical Charter. In order to inform this process, we often contact both investee and non-investee companies with requests for information.

2. Influencing the behaviour of actual or potential investee companies.

We aim to contribute to positive economic, social and environmental outcomes through our investment activities, and frequently identify opportunities for improvement in the ethical performance of actual or potential investee companies. In such cases, we engage with those companies directly, typically through correspondence and one-on-one meetings, in order encourage a change in approach.

3. Influencing the behaviour of non investee companies

There are many sectors which do not, and will not, form part of our investment portfolio. However, as advocates of ethical behaviour, we recognise the important role that we have to play in influencing their policies and practices. We therefore engage in a program of engagement based on sectors or themes which we consider to be important, typically through correspondence, followed by meetings where appropriate.

| LEA 02 | Mandatory | Gateway | PRI 1,2,3 |
|----------|---------------------------------------------------------------------------------------------------------------------|---------|-----------|
| LEA 02.1 | Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions. | | |

| Type of engagement | Reason for interaction |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual/Internal staff engagements | <input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff |
| Collaborative engagements | <input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements |
| Service provider engagements | <input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers |

Process

Process for engagements run internally

LEA 03

Mandatory

Core Assessed

PRI 2

LEA
03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☉ Yes

LEA
03.2

Describe how you identify and prioritise engagements.

In May 2013, the Ethical Advisory Group (EAG) determined that our key engagement themes for the forthcoming year will be:

- Bank disclosure - on exposure to emissions intensive investments
- Climate change disclosure
- Tobacco - with a focus on indirect exposure, for example through producing technologies which are used within the value chain for tobacco manufacture, distribution, supply or disposal
- Animal rights particularly in relation to testing medical products

☐ No

LEA
03.3

Additional information. [Optional]

In developing the engagement process for a particular investment, Australian Ethical formulates the best approach suited to the issue or the particular situation and documentation of the engagement process is maintained. Typically engagements include correspondence (email or letter), telephone or face-to-face meetings with company CEOs, investment relations managers or dedicated sustainability staff, depending on the situation and issue addressed with the engagement.

LEA 04

Mandatory

Core Assessed

PRI 2

LEA
04.1

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
- ☒ Yes, for all engagement activities
 - ☐ Yes, for the majority of engagement activities
 - ☐ Yes, for a minority of engagement activities
- ☐ No

LEA
04.2

Indicate if you monitor the actions that companies take following your engagements.

- ☒ Yes
- ☒ Yes, in all cases
 - ☐ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

**LEA
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

Engagement activities are monitored by CAER, the investment analysts, the Chief Investment Officer and the Ethical Advisory Group.

We consider an outcome to be satisfactory if we change a company's behavior to conform with the norms that we think should apply or if we receive information that is sufficient for us to review our concerns and come to the view that they were unwarranted.

☐ No

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

**LEA
05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☒ Yes

**LEA
05.2**

Describe how you identify and prioritise collaborative engagements.

The Ethical Advisory Group (EAG) identifies and prioritises collaborative engagements for the forthcoming year.

☐ No

LEA 06

Mandatory

Core Assessed

PRI 2

**LEA
06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

☒ Yes

☒ Yes, for all collaborative engagement activities

☐ Yes, for the majority of collaborative engagement activities

☐ Yes, for a minority of collaborative engagement activities

☐ No

**LEA
06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☒ Yes, in all cases
 - ☐ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

**LEA
06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

Collaborate engagement activities are monitored by the Ethical Advisory Group.

One of our major engagement activities during the year was with Tomra - a Norwegian company in which we have successfully invested over a number of years. Amongst other efficient and sustainable products, Tomra make reverse vending machines - you put the bottles in and receive money back. Unfortunately, Tomra bought a company which made tobacco sorting machines. We initially engaged with Tomra, requesting that they stop selling these machines. Following their refusal, we engaged other international institutional shareholders and put forward a resolution to their annual general meeting requiring them to stop selling these machines. When the resolution failed, we were forced to divest our stock in Tomra. (Clearly we do not class this as a satisfactory engagement.)

In addition to our direct engagement with investee companies, we also participate in external initiatives which allow us to advocate on particular issues as part of a large stakeholder group. For example, we are a signatory to the Carbon Disclosure Project, which requests information on greenhouse gas emissions, energy use and the risks and opportunities from climate change from thousands of the world's largest companies, on behalf of 722 institutional investors with \$87 trillion in assets.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07

Mandatory

Core Assessed

PRI 2,4

**LEA
07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

**LEA
07.2**

Indicate what role you play in engagements that your service provider conducts on your behalf.

- ☒ Specify the issues for the engagement
- ☒ Specify the objectives for the engagement
- ☒ Select the companies to be engaged with
- ☒ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

☐ No

**LEA
07.3**

Additional information. [Optional]

Australian Ethical and ethical research provider CAER work closely together in identifying and conducting engagements. Australian Ethical runs the engagements while CAER provides research and administrative support.

LEA 08**Mandatory****Core Assessed****PRI 2,6****LEA
08.1**

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☒ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

**LEA
08.2**

Additional information. [Optional]

Australian Ethical tracks engagements for monitoring, noting the ESG issue engaged on and whether engagement was successful.

General processes for all three groups of engagers

| | | | |
|--------|-----------|---------------------|---------|
| LEA 09 | Voluntary | Additional Assessed | PRI 1,2 |
|--------|-----------|---------------------|---------|

| | |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 09.1 | Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions. |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Type of engagement | Insights shared |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Individual/Internal staff engagements | <input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No |
| Collaborative engagements | <input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No |
| Service provider engagements | <input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No |

| | | | |
|--------|-----------|-----------------------|-------|
| LEA 10 | Mandatory | Gateway/Core Assessed | PRI 2 |
|--------|-----------|-----------------------|-------|

| | |
|----------|----------------------------------------------------------------|
| LEA 10.1 | Indicate if you track the number of companies you engage with. |
|----------|----------------------------------------------------------------|

| Type of engagement | Tracking engagements |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual / Internal staff engagements | <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements |
| Collaborative engagements | <input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements |
| Service provider engagements | <input type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input checked="" type="radio"/> No, we do not track and cannot estimate our engagements |

Outputs and outcomes

| | | | |
|--------|-------------------------------------------|---------------|-------|
| LEA 11 | Mandatory to Report Voluntary to Disclose | Core Assessed | PRI 2 |
|--------|-------------------------------------------|---------------|-------|

| | |
|----------|--------------------------------------------------------------------------------------------------|
| LEA 11.1 | Indicate the number of companies with which your organisation engaged during the reporting year. |
|----------|--------------------------------------------------------------------------------------------------|

| | |
|-----------------------------------------|--------------------------------------------------------------------------------------|
| | Number of companies engaged (avoid double counting, see explanatory notes) |
| Individual / Internal staff engagements | 47 |
| Collaborative engagements | 1 |

| | |
|----------|-------------------------------------------------------------------------------------------------------|
| LEA 11.2 | Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional] |
|----------|-------------------------------------------------------------------------------------------------------|

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Type of engagement | % Comprehensive engagements |
| Individual / Internal staff engagements | <input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None |
| Collaborative engagements | <input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None |

| | |
|----------|----------------------------------------------------------------------------------------------------------------------------------|
| LEA 11.3 | Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional] |
|----------|----------------------------------------------------------------------------------------------------------------------------------|

| | |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Type of engagement | % Leading role |
| Collaborative engagements | <input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None |

| | |
|-----------------|------------------------------------|
| LEA 11.5 | Additional information. [Optional] |
|-----------------|------------------------------------|

Australian Ethical and our ethical research provider CAER track engagements for monitoring, noting the ESG issue engaged on and whether engagement was successful.

| | | | |
|---------------|------------------|----------------------------|--------------|
| LEA 12 | Voluntary | Additional Assessed | PRI 2 |
|---------------|------------------|----------------------------|--------------|

| | |
|-----------------|----------------------------------------------------------------------------------|
| LEA 12.1 | Indicate if your engagements in the reporting year covered E, S and/or G issues. |
|-----------------|----------------------------------------------------------------------------------|

| Type of engagement | Coverage |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual / Internal staff engagements | <input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information |
| Collaborative engagements | <input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information |
| Service provider engagements | <input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information |

| | |
|-----------------|---------------------------------------------------------|
| LEA 12.2 | Provide an estimated breakdown by E, S and/or G issues. |
|-----------------|---------------------------------------------------------|

| | |
|--|-----------------------------------------|
| | Individual / Internal staff engagements |
|--|-----------------------------------------|

| | |
|--|----------------------|
| | % Environmental only |
|--|----------------------|

15

| | |
|--|---------------|
| | % Social only |
|--|---------------|

85

100%

| | |
|--|---------------------------|
| | Collaborative engagements |
|--|---------------------------|

| | |
|--|---------------|
| | % Social only |
|--|---------------|

100

100%

| | |
|--|------------------------------|
| | Service provider engagements |
|--|------------------------------|

| | |
|--|----------------------|
| | % Environmental only |
|--|----------------------|

15

| | |
|--|---------------|
| | % Social only |
|--|---------------|

85

100%

| | |
|-----------------|-------------------------|
| LEA 12.3 | Additional information. |
|-----------------|-------------------------|

This year we undertook a total of 48 engagements with companies. Over half (56%) of engagements were targeted towards avoiding investments which extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment. Of these, 14 related to animal harm (primarily animal testing), 7 related to human harm (tobacco, pornography, gambling and alcohol), and 6 related to environmental harm (logging, pollution, carbon price lobbying and shipbreaking).

We also undertook engagements on other issues including military involvement, poor working conditions and sustainable land use and food production. Our company engagements on military issues involved finding out what products are specially made for the military, what their military applications are, and the revenue generated from sales to the military. Our engagements on poor working conditions involved talking to companies about safety and the steps they have taken to improve the safety of employees and contractors.

| | | | |
|---------------|------------------|--------------------|--------------|
| LEA 13 | Voluntary | Descriptive | PRI 2 |
|---------------|------------------|--------------------|--------------|

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 13.1 | Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities. |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

☒ Yes

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 13.2 | Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities. |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| | Number of company changes or commitments to change |
|-----------------------------------------|----------------------------------------------------|
| Individual / Internal staff engagements | 24 |
| Collaborative engagements | 0 |
| Service provider engagements | |

☐ No

| | |
|-----------------|-------------------------|
| LEA 13.3 | Additional information. |
|-----------------|-------------------------|

This year we undertook a total of 48 engagements with companies, 50% of which resulted in a satisfactory outcome. We consider an outcome to be satisfactory if we change a company's behavior to conform with the norms that we think should apply or if we receive information that is sufficient for us to review our concerns and come to the view that they were unwarranted.

| | | | |
|---------------|------------------|--------------------|--------------|
| LEA 14 | Voluntary | Descriptive | PRI 2 |
|---------------|------------------|--------------------|--------------|

| | |
|-----------------|---------------------------------------------------------------------------------------------------|
| LEA 14.1 | Provide examples of the engagements that your organisation carried out during the reporting year. |
|-----------------|---------------------------------------------------------------------------------------------------|

☒ Add Example 1

| | |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Topic or ESG issue | Engaged Tomra on tobacco sorting machines |
| Conducted by | <input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider |
| Objectives | That Tomra stop selling these machines. |
| Scope and Process | <p>One of our major engagement activities during the year was with Tomra - a Norwegian company in which we have successfully invested over a number of years. Amongst other efficient and sustainable products, Tomra make reverse vending machines - you put the bottles in and receive money back. Unfortunately, Tomra bought a company which made tobacco sorting machines. We initially engaged with Tomra, requesting that they stop selling these machines. Following their refusal, we engaged other international institutional shareholders and put forward a resolution to their annual general meeting requiring them to stop selling these machines.</p> |
| Outcomes | When the resolution failed, we were forced to divest our stock in Tomra. (Clearly we do not class this as a satisfactory engagement.) |

- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA
15.1

Indicate whether your organisation proactively discloses information on its engagements.

- ☒ We disclose it publicly

please provide URL

<http://www.australianethical.com.au/sustainability-reports>

| | |
|--|--------------------|
| | please provide URL |
|--|--------------------|

<http://www.australianethical.com.au/corporate-engagement-advocacy>

| | |
|-----------------|-------------------------------------------------------------------------------------------------------------|
| LEA 15.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries. |
|-----------------|-------------------------------------------------------------------------------------------------------------|

☒ Yes

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------------|
| LEA 15.3 | Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public. |
|-----------------|--------------------------------------------------------------------------------------------------------------------------|

| | |
|--|----------------------------------|
| | Engagement information disclosed |
|--|----------------------------------|

- ☒ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☒ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

| | |
|-----------------|-----------------------------------------------------------------------|
| LEA 15.4 | Indicate how frequently you typically report engagements information. |
|-----------------|-----------------------------------------------------------------------|

- ☐ Disclosed continuously (prior and post engagements)
- ☐ Disclosed quarterly
- ☒ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify

☐ No

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

| | |
|-----------------|------------------------------------|
| LEA 15.6 | Additional information. [Optional] |
|-----------------|------------------------------------|

Engagement and advocacy for the year is disclosed in Australian Ethical's annual Sustainability Report. We also provide updates on major collaborative engagements on our website and via social media.

(Proxy) voting and shareholder resolutions

Overview

| LEA 16 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

| | |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 16.1 | Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable). |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|

Australian Ethical's policy is to vote (or make a considered decision to abstain) on investee company resolutions where it has voting authority and responsibility to do so. Our aim is to vote all proxies for Australian and international investee companies. Decisions on how to vote proxies will be made on a company by company and resolution by resolution basis with regard to the following factors:

- the preservation and increase of the value of the investment in the best interests of members in the managed investment schemes
- improving and upholding the governance of investee companies
- the performance of the investee company
- the application of the Australian Ethical Charter to the resolution under consideration.

Process

| LEA 17 | Mandatory | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

| | |
|-----------------|---------------------------------------------------------------------------------------------------|
| LEA 17.1 | Indicate how you typically make your (proxy) voting decisions and what this approach is based on. |
|-----------------|---------------------------------------------------------------------------------------------------|

Approach

☒ We use our own research or voting team and make our own voting decisions without the use of service providers.

Based primarily on

- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

| LEA 19 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

| | |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------|
| LEA 19.1 | To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following. |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------|

- ☒ Obtain confirmation that votes have been lodged:
- ☒ for a majority of votes
 - ☐ for a minority of votes
- ☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

| | | | |
|---------------|------------------|----------------------------|--------------|
| LEA 20 | Voluntary | Additional Assessed | PRI 2 |
|---------------|------------------|----------------------------|--------------|

| | |
|-----------------|-------------------------------------------------------------------|
| LEA 20.1 | Indicate if your organisation has a securities lending programme. |
|-----------------|-------------------------------------------------------------------|

- ☐ Yes
- ☒ No

| | | | |
|---------------|------------------|----------------------|--------------|
| LEA 21 | Mandatory | Core Assessed | PRI 2 |
|---------------|------------------|----------------------|--------------|

| | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 21.1 | Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations. |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- ☐ Yes, in most cases
- ☒ Sometimes, in the following cases:
- ☐ votes in selected markets
 - ☒ votes on certain issues (all markets)
 - ☐ votes for significant shareholdings (all markets)
 - ☐ other, explain
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

| | | | |
|---------------|------------------|----------------------|--------------|
| LEA 22 | Mandatory | Core Assessed | PRI 2 |
|---------------|------------------|----------------------|--------------|

| | |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 22.1 | For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year. |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- ☒ We do track or collect this information

| | |
|--|--------------------------------|
| | Votes cast (to the nearest 1%) |
|--|--------------------------------|

| | |
|--|---|
| | % |
|--|---|

100

| | |
|--|----------------------------------------------------------|
| | Specify the basis on which this percentage is calculated |
|--|----------------------------------------------------------|

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

| LEA 23 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

| | |
|-----------------|------------------------------------------------------------------------------------------------------------|
| LEA 23.1 | Indicate if you track the voting instructions that you and/or your third party have issued on your behalf. |
|-----------------|------------------------------------------------------------------------------------------------------------|

- ☒ Yes, we track this information

| | |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| LEA 23.2 | Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were: |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------|

| Voting instructions | Breakdown as percentage of votes cast |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For (supporting) management proposals | <div style="display: flex; align-items: center;"> <div style="width: 96%; height: 20px; background-color: #808080; border: 1px solid black; margin-right: 5px;"></div> <div style="font-size: 24px; margin-right: 5px;">%</div> </div> <div style="text-align: right; margin-top: 5px;">96</div> |
| Against (opposing) management proposals | <div style="display: flex; align-items: center;"> <div style="width: 4%; height: 20px; background-color: #808080; border: 1px solid black; margin-right: 5px;"></div> <div style="font-size: 24px; margin-right: 5px;">%</div> </div> <div style="text-align: right; margin-top: 5px;">4</div> |
| Abstentions | <div style="display: flex; align-items: center;"> <div style="width: 0%; height: 20px; background-color: #808080; border: 1px solid black; margin-right: 5px;"></div> <div style="font-size: 24px; margin-right: 5px;">%</div> </div> <div style="text-align: right; margin-top: 5px;">0</div> |

100%

Our proxy voting policy is that we are 'committed to voting on company resolutions where we have voting authority and responsibility to do so' consistent with FSC Standard 13.00 - Proxy Voting.

The summary covers the following trusts:

- Australian Ethical Balanced Trust
- Australian Ethical Smaller Companies Trust
- Australian Ethical Larger Companies Trust
- Australian Ethical International Equities Trust
- Advocacy Fund.

No shares are held in the Australian Ethical Cash Trust, Australian Ethical Fixed Interest Trust, or the Australian Ethical Property Trust.

A total of 1045 resolutions were received. It should be noted that:

- holdings in some companies were sold prior to an annual general meeting being held;
- annual general meetings were held prior to us having holdings in some companies; and
- some resolutions were voted on at extraordinary or special general meetings for specific issues.

Of the 1045 resolutions voted on across the five trusts, 1006 were voted 'for', 38 were voted 'against' and we 'abstained' from voting on 1 resolution.

Negative votes

The negative votes related to:

- insufficient detail being provided;
- appointment of directors (reasons included lack of experience and being responsible for poor performance of a company);
- remuneration issues (including director fees and CEO severance payments); and
- resolutions that may not be in the best interest of shareholders (including misuse of shareholder funds).

Abstained votes

The resolution we abstained from voting on related to:

- the election of a new director since we felt the current director was doing an appropriate job.

☐ No, we do not track this information

| LEA 24 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

| | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| LEA 24.1 | Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year. |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|

☒ Yes

| | |
|-----------------|---------------------------------------------------------------------------|
| LEA 24.2 | Indicate the number of ESG shareholder resolutions you filed or co-filed. |
|-----------------|---------------------------------------------------------------------------|

| | |
|--|--------------|
| | Total number |
|--|--------------|

1

| | |
|-----------------|----------------------------------------------------------------|
| LEA 24.3 | Indicate what percentage of these ESG shareholder resolutions. |
|-----------------|----------------------------------------------------------------|

| | |
|-------------------------------------------------------------------------------|--------------------------------|
| Went to vote | <div><div></div>%</div> 100 |
| Were withdrawn due to changes at company and/or negotiations with the company | <div><div></div>%</div> 0 |
| Were withdrawn for other reasons | <div><div></div>%</div> 0 |

| | |
|--|-------|
| | Total |
|--|-------|

100%

| | |
|--|---------------|
| | <20% approval |
|--|---------------|

100

**LEA
24.5**

Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.

Australian Ethical put forward a resolution to Tomra's Annual General Meeting which was held on 22 April 2013 in Norway. The resolution was:

That TOMRA, within six months of the date of this AGM, will not:

- (a) sell tobacco sorting machines to the tobacco industry; or
- (b) renew or enter into any new service contracts for tobacco sorting machines; however, existing contractual arrangements to service machines that have already been sold can be honoured.

Our resolution was not supported by a majority of shareholders. We have now divested our holdings in Tomra, although our Advocacy Fund will hold some shares in Tomra to allow us to continue our engagement with them as a shareholder rather than just as an interested party.

☐ No

| LEA 25 | Voluntary | Descriptive | PRI 2 |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------|
| LEA 25.1 | Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year. | | |

☒ Add Example 1

| | |
|--------------------|------------------------------------------------------------------------------------------------------|
| Topic or ESG issue | Remuneration |
| Decision made by | <input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider |
| Objectives | To ensure that executive remuneration is aligned with shareholder interests. |
| Scope and Process | Reviewed remuneration report and assessed level of directors fees and CEO severance payments. |
| Outcomes | Voted against the resolution related to remuneration as it did not align with shareholder interests. |

- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

Communication

| | | | |
|--------|-----------|---------------|---------|
| LEA 26 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

| | |
|----------|--------------------------------------------------------------------------------------------|
| LEA 26.1 | Indicate if your organisation proactively discloses information on your voting activities. |
|----------|--------------------------------------------------------------------------------------------|

- ☒ We disclose it publicly

| |
|-------------|
| provide URL |
|-------------|

<http://www.australianethical.com.au/sites/default/files/documents/Proxy-voting-report-and-summary-2013.pdf>

| |
|-------------|
| provide URL |
|-------------|

<http://www.australianethical.com.au/corporate-governance-0>

**LEA
26.2**

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

**LEA
26.3**

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☐ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☒ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

**LEA
26.4**

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
 - ☐ Continuously (soon after votes are cast)
 - ☐ Quarterly or more frequently
 - ☒ Between quarterly and annually
 - ☐ Less frequently than annually
 - ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
 - ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries