

Thursday, 29 October 2020

Market Announcements Office

ASX Limited

Exchange Centre

20 Bridge Street

**SYDNEY NSW 2000**

## **Australian Ethical Investment Limited – 2020 AGM Speeches & presentation slides**

The Chair and Managing Director's speeches are attached. The presentation slides referred to by the Managing Director are also included

Yours faithfully,

Authorised by:

Tom May

Company Secretary

## **Stephen Gibbs, Chairman – 2020 AGM Address**

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Good morning.

Today we meet online via the internet. It is difficult to acknowledge, by name, the traditional owners of the lands where all of you are but I do acknowledge those traditional owners and in particular the Gadigal people of the Eora nation the traditional owners of the land where I am now and from where we are hosting this virtual AGM. I pay my respects to the Elders, past and present, of the Gadigal people of the Eora nation, and indeed to the Elders past and present of all of the traditional owners of the land that is now known as Australia.

I would like to welcome all of our shareholders who are with us today and a special welcome to any of you who are attending our AGM for the first time whether that be due to the fact that your location has prevented you attending in previous years or whether you are one of the some nine thousand shareholders who have become shareholders since our last AGM.

As I wrote in my contribution to the Company's 2020 Annual Report, financial year 2019/2020 was truly an extraordinary year, a year that all of us sincerely hope is never repeated. It seems so long ago but as we were meeting at our AGM 12 months ago there were bushfires burning in a start to what was to become a horrendous period of bush fire devastation. The fact that fires started burning so early and continued with such force for so long was a considerable shock to many people and made many question whether anything, or at least, sufficient was being done to address what was clearly a major underlying cause.

And then after the fires came the Covid 19 pandemic. Well I say after the fires because that's when the official declaration of a pandemic was made but in fact the first cases of what became known as Covid 19 occurred a considerable amount of time before that.

Now Covid 19 is not the first pandemic that the world has faced and it may not be the last. Pandemics are not, or at least have not been, frequent events. What is absolutely clear to me is that catastrophic bush fires will happen again- and again.

Extreme weather events including bushfires are linked to climate change and we know that unless things change then climate change caused by humans, if unchecked, will lead to the extinction of many species, will change life for humans in untold and very threatening ways and may well threaten the very existence of not just life as we know it, but life itself.

So, all of this sounds depressing and it is, but it doesn't have to be. On the brighter side more and more people are realising that not only can something be done to arrest global warming but something has to be done. And an increasing number of those people are realising that where they invest their savings and how their superannuation money is invested can be part of the solution and not part of the problem.

Although Australian Ethical was, like all investment management companies, hit by the turmoil in stock markets following the initial impact of Covid 19 we finished Financial Year 20 in a much stronger position than when we started. This was a truly remarkable result. I will leave it to our new CEO and Managing Director to elaborate on the key outcomes and the considerable successes in FY 19/20. It is sufficient for me to simply highlight the following.

- Funds under Management on 30 June 2020 was \$4.05 billion up 19% in one year. And, as we recently announced to the market the first 3 months of this financial year has seen our funds under management increase further to \$ 4.32 billion on 30 September 2020.
- The number of funded super fund members was up 20% and the number of investors in our Managed Investment Schemes up 16%.
- Net profit for the year was up 46% to \$9.5 million. This was of course bolstered by a significant performance fee paid due to the outperformance of the Australian Ethical Emerging Companies Fund; however, even if this performance fee had not been payable profit would have still shown a healthy rise.
- We paid dividends of 6 cents per share an increase of 20%.
- In June 2020 we were included in the S&P/ ASX 300 index.
- We successfully managed the transition in working arrangements for staff due to Covid 19. This transition was so successful that our staff returned a satisfaction result of 98% with the way the Company had handled the Covid crisis.
- Overall staff engagement was 86%.
- Our share register increased significantly. The day before last year's AGM we had 3,251 shareholders. Today that has risen to 12,354.
- We delivered excellent Investment performance. The Australian Ethical Australian Shares Fund (wholesale) returned 2.9% which was 10.7 % above it's benchmark and The Australian Ethical Emerging Companies Fund returned 13.9% which was 21.4% above it's benchmark.
- Our MySuper Balanced investment option was ranked third for performance over the year in the SuperRatings survey delivering a return of 2.4%. It was one of only 15 MySuper products to deliver a positive result in FY 2020.
- Also according to SuperRatings our Australian Shares investment option was ranked second over one year and first over 5, 7 and 10 years.
- During FY 19/20 Australian Ethical won a number of awards that are detailed in our 2020 Annual Report.

And last but certainly not least of the highlights from last year that I want to mention is that we reduced our fees as we continue to implement our policy of sharing the benefits of our growth with our investors and super fund members. We will continue to reduce fees as we grow where and when we can to ensure we remain competitive and to underpin our growth strategy.

I would like to thank the Non-Executive Directors of the Company: Kate Greenhill, Mara Bun, Julie Orr and Michael Monaghan. The commitment of our Directors over what has been a very demanding year has been outstanding. Many more Board and Committee meetings were held than planned to ensure that developments within the economy, financial markets and changes to regulations were properly being considered and addressed by management and that strategies and actions were being implemented to ensure the Company came through this difficult period in the best possible shape.

I would also like to thank our Managing Director and CEO and the Senior management team and indeed all of the employees of Australian Ethical for their dedication, commitment and sheer hard work which delivered in FY 2020, arguably the most difficult year ever faced by the Company, the most successful year ever.

Thank you.

## John McMurdo, Managing Director – 2020 AGM Address

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Good morning and good to be with you. It is my hope, next year, to be doing this in person, but until then I trust you and your loved ones are keeping safe and well.

In a year that has been dominated first by bushfires and then by COVID-19, it makes sense to start by addressing how the pandemic has affected Australian Ethical. Like countless other businesses, our operations have been affected, though, we are even more mindful of the profound sorrow this crisis has brought to millions of others around the world.

Both the fires and Covid have exposed and exacerbated the unequal and unsustainable nature of our current systems, and until a vaccine is found, the large-scale impact to lives and livelihoods continues.

Indeed, there is no playbook, for a crisis of this magnitude, which is why we have been guided by our purpose during this time.

As a business, our response to the changing circumstances dictated by the pandemic was rapid and efficient. Thanks to our embrace of flexible working arrangements, and investment in technology, our whole business – including our contact centre – was able to transition quickly to remote working arrangements, with minimal disruption. We collaborated and remained connected, recognising early the importance of regular dialogue to combat the risks of isolation.

As Steve commented, the confidence of our employees in our Covid response, and indeed their dedication to that response has been a true highlight. And so thanks to our purpose and especially our people - to whom I do pay particular tribute this morning - we were able to minimise much of the economic impact of the pandemic to end the financial year in a better shape than where we began.

While the pandemic has affected nearly every aspect of life in 2020, from the expected - such as a run on hand sanitizer - to the more unexpected, such as the run on toilet paper – one of the more surprising effects is how it has spurred interest in responsible investing

And so, through a shareholder lens as Steve has alluded to:

- We've seen record net inflows in FY20 in fact 100% YoY growth, driven by a 20% increase in customer numbers
- And we did reach and pass \$4b of Funds under Management for the first time in our history
- The resulting revenue growth of 22% to nearly \$50m has delivered for shareholders
- 46% net profit growth to \$9.5m and
- 3-year diluted EPS growth of 47.6% compound per annum

Truly stellar outcomes.

Through a customer lens, we have also delivered compelling results. I would like to highlight the professionalism and expertise of our investment team led by David Macri.

Amid one of the fastest and indeed deepest share market declines in history, they have delivered among the best returns in the sector while staying true to our Ethical Charter

To finish the financial year as one of the top 3 MySuper balanced options nationally, and to deliver the outperformance in our key funds that Steve highlighted, created truly outstanding outcomes for our customers.

If investing is at the head of our business, then ethics are undoubtedly at the heart. With ethics embedded in the investment process, excellent performance goes hand in hand with positive impact for people, planet and animals. This year, these results include:

- A continued demonstrable outperformance in terms of the environmental footprint of our investment portfolio
- A significant program of engagement with over 400 companies. Many of which through the efforts of Australian Ethical and others committing to positive action
- And meaningful progress on how we measure our impact against global benchmarks

A defining feature of Australian Ethical as you know is our Foundation.

When we began in 1986, it was written into our constitution that we would gift 10% of profits to charitable, benevolent and conservation causes. This means the better we do as a company, the more support we provide to many wonderful causes. And with the pandemic set to roll back decades of progress in poverty reduction, we're especially proud we were able to provision a record \$1.3 million, for our Foundation in FY20. This brings our total donations to more than \$5m since the Foundation began. And while we do this for genuinely altruistic reasons in accordance with our constitution, we think that moving forward it will become another aspect that sets us apart from others.

There are of course many other highlights from the past year. Such as:

- The many meaningful customer acquisition campaigns that are a big part of why we have been Australia's fastest growing super fund, and why our social media community has grown to over than 135,000 followers
- The various awards from SuperRatings, Financial Standard, finder.com and the Jury's Special Prize in the International Climate Reporting Awards
- We delivered fee reductions, passing on the benefits of our growing scale to current and future members
- A new product was launched, with our new Australian Shares SMA Strategy already available on two next generation platforms
- We threw our support behind sustainable recovery initiatives led by the WWF, UN Global Compact, Business Ambition for 1.5 degrees and more
- And in June we showed what decisive climate action looks like when we executed a high-profile divestment from Marsh & McLennan for its support of the Adani coal project

And these highlights don't even include the hard work behind the scenes upgrading our cybersecurity controls, managing early release of super payments, launching a new data warehouse, as well as countless other operational achievements aimed at enhancing the customer experience and strengthening our business.

By way of business update post 30 June 2020, I'm pleased to confirm that our momentum and performance have flowed into the first quarter of FY21, with the September 2020 quarter being one of our highest quarters ever for net-flows. Combined with another excellent quarter of investment performance, we announced a new record high Funds under Management level of \$4.32b as at 30 September 2020.

And so again, I would like to reiterate my thanks and gratitude to everyone at Australian Ethical for their part in delivering a record year in so many ways, and for a very good start to FY21.

But of course, as we look beyond our business, it wasn't just good news this year.

In addition to the global pandemic we've seen rising global poverty, inequality, species extinction, urban air pollution, water scarcity and, of course, climate change continue unabated. None of which will wait while we deal with COVID.

And so while the business is certainly performing well, we still have much to do.

So, as we move into the mid-to-post-COVID world, I'm spending a lot of my time, as is the Board, thinking about the future. What does it look like for Australian Ethical to thrive, not just achieve?

So, for the next few minutes I would like to expand on these three key considerations:

- The urgency
- the opportunity
- and the future

Starting with the urgency, or in other words, the not such good news.

Right now, the evidence that climate change is posing unprecedented risks to our livelihoods is overwhelming

According to the world's largest provider of climate and weather data, atmospheric concentrations of carbon dioxide have reached the highest levels in 800,000 years while the number of registered severe weather events has tripled over the last 3 decades. Alarming, these effects are insignificant compared with what's in store if the world continues its current trajectory.

Indeed, for the first time ever, the top 5 risks identified by this year's World Economic Forum's annual Global Risk Report are all environmental, all of them, and include a failure of climate action.

The science and the evidence are frankly irrefutable: we must reduce carbon emissions to net zero to avoid the most catastrophic consequences of climate change. But the window for an orderly transition to a net-zero economy is both finite and closing fast.

We need to act now. And I say that fully appreciating that this audience understands this more than almost all other audiences we engage with.

Which brings me to the opportunity - or the good news - because while there is no silver lining to COVID, there is a golden opportunity for ethical investing, as well as a clear imperative to act.

In many ways, COVID has been an early-warning sign of the large-scale havoc in store if we don't re-route to a more genuinely sustainable path.

Back in 2019 in Davos, Greta Thunberg famously said: "I don't want your hope. I don't want you to be hopeful. I want you to panic." Panic is a strong word, but it does seem the pandemic has turned hope into panic, or at least urgency, and the warnings from scientists and activists like Greta are finally hitting home.

But governments, regulations and philanthropy will not be enough to change course. The transition to a decarbonised economic system will require unprecedented levels of investment, combined with the relentless pressure of capital market forces.

Both of which the 'pandemic panic' is helping to crystallise. But COVID also had two other transformative outcomes in store.

Because as stock markets plummeted, it soon became apparent that shares and funds internationally, with higher exposure to better ESG credentials, were seeing less impact. And not only did they outperform the market, but they also attracted record inflows.

So rather than posing a risk to ethical investing, COVID has instead accelerated its growth. In fact decades of hot air, have turned into cold hard facts, because rather than just talking about sustainable investing, many are starting to put their money where their mouths are, as they wake up to both the urgency and the opportunity.

Now of course, it comes as no surprise (whatsoever) that with opportunity comes competition. Over the last 12 months some of the biggest names in finance including BlackRock, JPMorgan, HSBC, UBS and Goldman Sachs have made public pledges about sustainability.

And I do ask you - have they all suddenly found their consciences? Or is it that they recognise the threat to their investments posed by climate change, and the opportunities available in funding the response? And while these pledges and commitments are to be applauded, they must be underpinned by transparency and accountability. Investors need evidence that companies are aligning their businesses and portfolios with emissions trajectories, that deliver no more than 1.5 degrees of warming.

Earlier this year, our head of ethics research Dr Stuart Palmer was chair of a working group with the Investor Group on Climate Change and produced a report calling for better corporate reporting and disclosure on climate change to meet investor needs. That's because good intentions are no longer enough. Doing less bad, is no longer enough. A sustainable label without the action to back it up is of no value to anyone

Which brings me to my final point – the future. Will ethical investing continue to move mainstream?

I firmly believe the answer is yes. In fact, recent research from PwC predicts ESG funds will outnumber conventional funds in Europe by 2025, with virtually all stakeholders attributing strategic focus to sustainability issues.

And I'm confident in time, we will see the same in Australia. According to research from RIAA, 62% of Australians now believe ethical or responsible super funds perform better in the long term, while responsible investment has grown materially, to represent 37% of Australia's total \$3.2 trillion pool of professionally managed assets. Consequently, we think the impact of capital will soon become the third pillar against which fund managers are measured, alongside financial return and risk.

This presents an exciting future for Australian Ethical. As pioneers in the space, we've spent more than 30 years delivering financial security with positive change for tens of thousands of Australians.

Today we released our sustainability reporting suite. And as we approach five years since the launch of the UN's Sustainable Development Goals, we've expanded research into our impact and diligently examined how

our investment choices, advocacy, corporate engagement and the work of our Foundation can be linked to the 17 global goals.

What we have found is that thanks to our Ethical Charter we have been supporting the spirit of the UN's SDG since we began - 29 years before they were even conceived! Nearly every one of the 23 principles of our Charter shows a strong alignment to one or more of the SDGs. So, while it's exciting to see people trying to catch up with what we do, we don't think many of our competitors can match our ethical pedigree or authenticity.

So, what does this mean for the future?

We make no secret of our ambition: we want to remain a sector leader and thought leader as we move towards a low-carbon world. To do so and to participate in the growth wave that we predict, we must strengthen our business for impact and leadership, and invest in what we see as our four strategic priorities.

We will further invest in and not only strengthen our investment capability, but also invest strongly in communicating this strength and enhancing our investment reputation and credentials. With consumers directly, with advisers and with institutional investors.

We seek to strengthen our advocacy voice. To grow our positive impact in the world, but also as a key part of our value proposition and social contract with existing members and investors. Additionally, we are convinced there are new investors to be attracted to our movement, through honing our advocacy thought leadership in key areas.

We remain focussed on extending what is a valued client experience today. Our client service approach is under enhancement now, but we also see opportunity to expand our offering with new and unique product development.

And our impact and growth agenda includes, in addition to the product development I have just mentioned, making sensible investment in the strength of our brand, improving our communication and targeting beyond our strength with Millennials, to a broader demographic of Australians including Gen x and baby boomers who control greater personal wealth. We will also expand our reach via the financial advisory and other channels.

We will underpin these ambitions through investment in our already excellent culture with an emphasis on leadership capability and our innovation focus.

Just last month, it was the 50-year anniversary of Milton Friedman's essay on the social responsibility of business. For those of you unfamiliar with it, Friedman is commonly considered to argue that the social responsibility of business was to increase its profits for shareholders, and in doing so, he set out a doctrine of shareholder primacy that has arguably defined capitalism and shaped a world driven by corporations.

Now, there's no denying that the pace of change during these past 50 years has been extraordinary – the global economy has expanded four-fold and over a billion people have been lifted out of extreme poverty – but, it has been achieved at the expense of the planet



And yet our success at Australian Ethical, proves that there is a better way to do business, which more and more people are embracing. Where all stakeholders including shareholders do better, together. Where people, planet and profit are balanced.

As a business, we are well-positioned, to capture the opportunities from this seismic shift in society, with no debt, strong cashflows and positive net inflow momentum.

But in managing expectations, the new or now current year will present some challenges, with economic uncertainty, market volatility and global political instability. The full year impact of our FY20 super fee reductions, while placing us well for the future, will challenge revenue growth in FY21 and the significant performance fee generated by our Emerging Companies Fund is of course not guaranteed year on year.

But we remain committed to investing for the long-term growth of our business, and realising the transformative potential of ethical investing, in delivering a better world.

And we are confident of significant future success.



# Australian Ethical Investment Ltd 2020 Annual General Meeting

John McMurdo | Managing Director and CEO

29 October 2020

# 2020 – a year like no other

## Bushfires and COVID-19 highlight global inequalities





# FY20 highlights

Record results in a challenging year – performance with purpose

Note: All financial results and metrics in this pack relate to year ended 30 June 2020 with comparatives relating to year ended 30 June 2019. All footnotes appear on slide 20.

## Growth

**FASTEST GROWING** super fund over 5 years<sup>1</sup> reaching **\$4.05 BILLION** in FUM.

Customer numbers up	Record net inflows \$0.66bn	Funds under management \$4.05bn	NPAT attributable to shareholders <sup>2</sup> \$9.5m
<b>↑ 20%</b>	<b>↑ 100%</b>	<b>↑ 19%</b>	<b>↑ 46%</b>

Revenue \$49.9m	Revenue excl performance fees \$46.3m	Shareholder numbers up	Dividend 6 cents
<b>↑ 22%</b>	<b>↑ 15%</b>	<b>↑ 171%</b>	<b>↑ 20%</b>

Net Promoter Score<sup>3</sup>  
Managed Fund investors **+58**  
Super members **+63**

Employee engagement<sup>4</sup> **86%**



# FY20 highlights

Continued revenue and profit growth

## Record profit

NPAT attributable to shareholders\*  
\$9.5m, up

↑ 46%

Average revenue margin~

1.13%

Diluted EPS^ 3 year CAGR

47.6%

Dividends  
6c, up

↑ 20% ▶

Includes special performance fee dividend of 1c

Final dividend  
3.5c payable

16 Sep



## Strong FUM & revenue growth

- FUM up 19% to \$4.05bn
- Record netflows \$0.66bn, up 100%
- Revenue up 22% to \$49.9m (15% excl performance fee)
- Emerging Companies performance fee of \$3.6m



## Investing in growth

- Operating expenses \$37m up 16%
- Focused investment in strategic initiatives including growing brand awareness, deepening customer engagement, expanding our products & channels & building business capability

\* This excludes the results for the Australian Ethical Foundation Limited ('The Foundation')  
~ Average revenue margin calculated on FUM based revenue (excluding member based fees, & excluding performance fee) as a percentage of average annual FUM

^ Based on NPAT attributable to shareholders



# FY20 highlights

## Award-winning investment performance

## Excellent investment performance

### Multi award winning

investment portfolio in both ESG sector and broader market

Investment philosophy and process

### robust and resilient

through COVID-19 economic deterioration

Continued focus on returns from clean, “future-building” industries that deliver

### positive impact

Emerging Companies Fund significantly outperformed benchmark (by 20.6% for retail & 21.4% for wholesale)<sup>5</sup>, generating a performance fee of

**\$3.6m**

Australian Shares Fund outperformed its benchmark across all time periods, with a one-year outperformance of

**9.8% & 10.7%**<sup>6</sup>

Retail

Wholesale

Top 3 MySuper Balanced option one year FY20<sup>7</sup> and

**1 of only 15**

balanced super options<sup>8</sup> to finish the year in positive territory



**No.1** (out of 50)

Australian Shares super option over 5,7 and 10 years<sup>9</sup>

## INVESTMENT PORTFOLIO



Share investments produced  
**75% less CO2**  
than benchmark<sup>10</sup>



# Impact highlights



**Nil**  
investment in fossil  
fuel companies<sup>11</sup>



**Nil**  
investment  
in nuclear



**Nil**  
investment  
in tobacco



Engaged with  
**over 400  
companies**  
for people, planet & animals



**Over 70  
companies**  
we engaged with have  
committed to  
positive change<sup>12</sup>



**Best for  
the World**

status by B Corps<sup>13</sup>



**3.8 times  
more impact**

to achieve the Sustainable  
Development Goals<sup>14</sup>



**5 times more  
investment**

in renewable power generation  
than the global share market<sup>15</sup>

## OUR FOUNDATION



10% of AEI profits

allocated to not-for-profit organisations<sup>16</sup>



# Impact highlights

\$1.3m

Provisioned for impact initiatives in FY20

>\$5m

allocated to not-for-profits since inception



Donations made to aid **bushfire** recovery, and to fund **COVID-19** response initiatives



\$200k committed investment through **SVA Diversified Impact Fund** which aims to create meaningful social outcomes for people experiencing disadvantage in Australia

In FY20, more than **10,000 people**

voted for community grants across our customers, employees, shareholders and from our active social network



Some of the projects our grant money has funded:

**Love Mercy's 'Cents for Seeds' agricultural micro-loan and financial literacy program** in Uganda has delivered significant wellbeing improvements (13% increase compared with benchmark) as a result of increased food & income security<sup>17</sup>

**Pollinate Group's work in Nepal, which involves empowering a network of women entrepreneurs to deliver clean, sustainable energy solutions** to their communities, generated ~\$50k revenue for their communities (60% increase in average income), resulting in saving of 88,000 tonnes of CO2 emissions by replacing kerosene usage with solar lights<sup>18</sup>





# FY20 additional highlights

Other milestones  
from across the  
business

## Key achievements

Record social media  
followers

**135,000  
people**



**Multiple  
awards<sup>19</sup>**



Fee  
reductions  
on super  
& pension  
products<sup>20</sup>



**New**

Product launch<sup>21</sup>

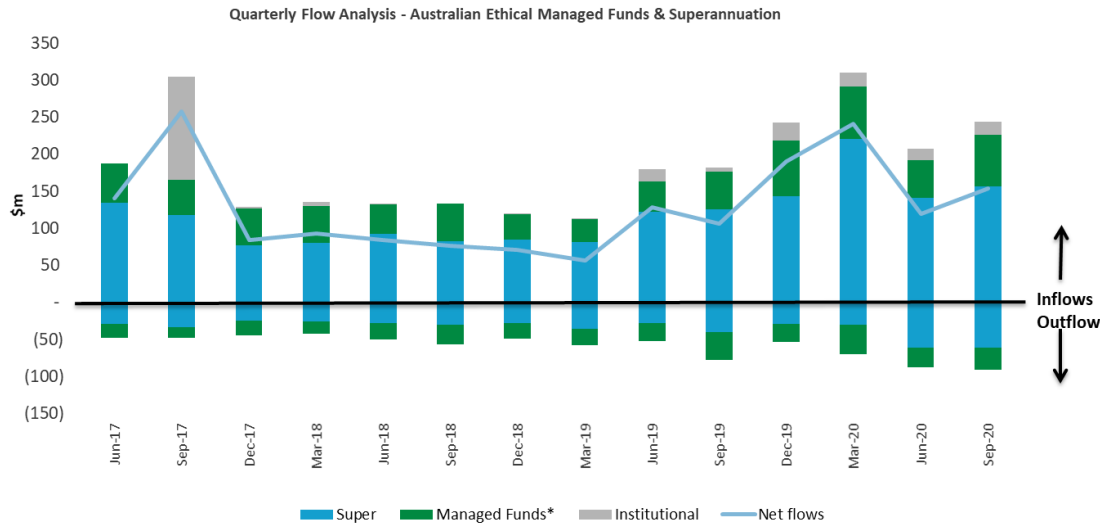


**Climate  
action**

through divestment<sup>22</sup>

# Business update

## September quarter FUM up 6.5%^ to \$4.32bn



\* Managed funds includes SMA



### Key highlights

- Solid netflows of \$0.15bn
- Positive investment performance for the quarter \$0.11bn
- Over 59,000 customers, with funded super members now exceeding 50,000.



**What  
next?**

## **3 key considerations**

- 1. The urgency**
- 2. The opportunity**
- 3. The future**



**What  
next?**

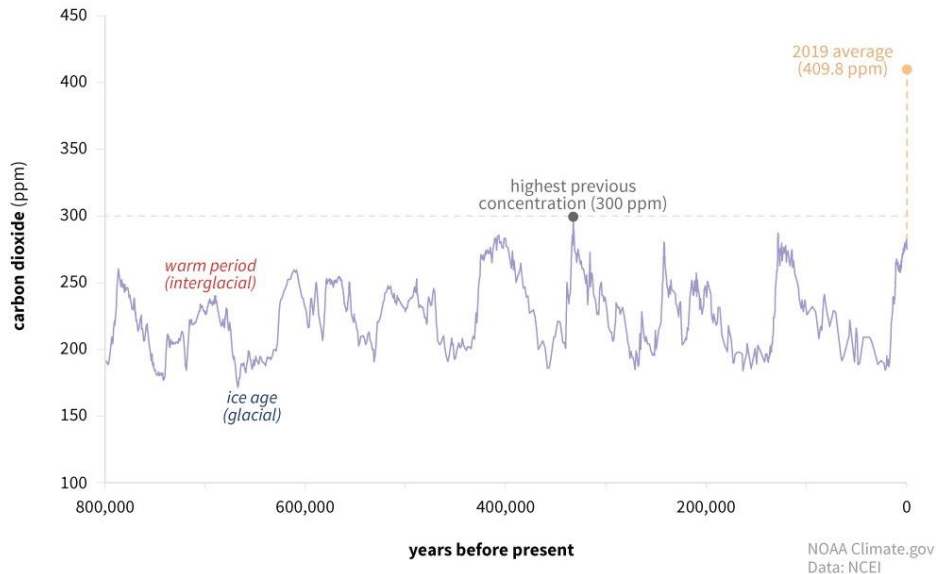
## **3 key considerations**

- 1. The urgency**
2. The opportunity
3. The future

# The urgency

## Carbon dioxide reaches record levels; top 5 global risks all climate-related

### CARBON DIOXIDE OVER 800,000 YEARS



### TOP 10 RISKS OVER THE NEXT 10 YEARS

Likelihood	Impact
Extreme weather	Climate action failure
Climate action failure	Weapons of mass destruction
Natural disaster	Biodiversity loss
Biodiversity loss	Extreme weather
Human-made environmental disasters	Water crises
Data fraud or theft	Information infrastructure breakdown
Cyberattacks	Natural disasters
Water crises	Cyberattacks
Global governance failure	Human-made environmental disasters
Asset bubble	Infectious diseases

Source: World Economic Forum Global Risks Report 2020



What  
next?

## 3 key considerations

1. The urgency
2. **The opportunity**
3. The future

## FINANCIAL TIMES

### ESG passes the Covid challenge

Investment with a sustainable focus is only likely to grow, wealth managers believe

### Coronavirus is strengthening the hand of ESG investors

Pandemic has coincided with strong flows into funds with sustainability mandates

### ESG funds attract record inflows during crisis

Fast-growing segment is rare bright spot for active managers hit by investor shift into passive funds

### Green revolution set to shake up investing further

If Biden wins the US election, he could follow the EU's environmental lead



### BlackRock predicts 'major reallocation' to sustainable funds after recent outperformance

Research conducted by the \$6.5tn US asset manager found that during the recent market sell-off funds with high sustainability ratings fared better

## The Guardian

### Ethical investments are outperforming traditional funds

Evidence suggests that environmentally focused investing is becoming mainstream

## TRIPLE PUNDIT { THE BUSINESS OF DOING BETTER }

### Against All Odds, It's a Boom Economy for Sustainable Investing



What  
next?

## 3 key considerations












1. The urgency
2. The opportunity
3. **The future**



# The Australian Ethical Charter<sup>©</sup>

## Our alignment to the UN's Sustainability Development Goals

Australian Ethical shall seek out investments which provide for and support:	
1.	the development of workers' participation in the ownership and control of their work organisations and places 
2.	the production of high quality and properly presented products and services 
3.	the development of locally based ventures 
4.	the development of appropriate technological systems 
5.	the amelioration of wasteful or polluting practices 
6.	the development of sustainable land use and food production 
7.	the preservation of endangered eco-systems 
8.	activities which contribute to human happiness, dignity and education 
9.	the dignity and wellbeing of non-human animals 
10.	the efficient use of human waste 
11.	the alleviation of poverty in all its forms 
12.	the development and preservation of appropriate human buildings and landscape. 

Australian Ethical shall avoid any investment which is considered to unnecessarily:	
13.	pollute land, air or water 
14.	destroy or waste non-recurring resources 
15.	extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment 
16.	market, promote or advertise, products or services in a misleading or deceitful manner 
17.	create markets by the promotion or advertising of unwanted products or services 
18.	acquire land or commodities primarily for the purpose of speculative gain 
19.	create, encourage or perpetuate militarism or engage in the manufacture of armaments 
20.	entice people into financial over-commitment 
21.	exploit people through the payment of low wages or the provision of poor working conditions 
22.	discriminate by way of race, religion or sex in employment, marketing, or advertising practices 
23.	contribute to the inhibition of human rights generally. 

# Strategic pillars

## Aligning the business for continuing success

### Principled investment leadership

- Extend our leadership in principled investment management
- Deepen our investment capability
- Enhance our reputation with investors and advisers

### Advocates for a better world

- Foster a coalition of co-investors for a better world
- Amplify our bold voice on key topics of expertise

### Compelling client experience

- Enrich our client experience through enhancing our valued client relationships and quality services
- Provide accessible and affordable unique & competitive investment solutions

### Impactful business

- Enhance our brand to capture rich opportunities
- Deepen reach within adviser network and HNW segment through enhanced reputation, relationships and value proposition

FOUNDATION

## Leadership & Innovation

Further develop our professional, high performing people | Foster creativity and innovation for improved client outcomes



**Investing for a better world.**



PEOPLE



PLANET



PROFIT



# Outlook

- **There has been a seismic shift in sentiment** with demand for responsible investing becoming mainstream
- **We are well positioned** to capture opportunities for growth
- We are **in a strong position** with no debt, strong cashflows & positive net inflow momentum
- However **FY21 will be a difficult year** with economic uncertainty & market volatility as COVID-19 continues
- The **full year impact of FY20 super fee reductions**<sup>20</sup> will challenge revenue growth
- Emerging Companies Fund **performance fee is not guaranteed** year on year
- We remain committed to investing for **the long-term growth of our business and delivering a better world**
- **We are confident of significant future success**

# Footnotes

1. By both members and funds under management - KPMG 2020 Super Insights Report – published May 2020, using statistics published by APRA and ATO as at 30 June 2019
2. This excludes the results for the Australian Ethical Foundation Limited ('The Foundation')
3. Australian Ethical Brand Research, Pollinate February 2020
4. Culture Amp Survey, June 2020
5. Reflects 1 year return to 30 June 2020. Performance is quoted after all fees, including performance fee. Benchmark is the S&P/ASX Small Industrials
6. Performance is quoted after all fees. Benchmark is composite S&P/ASX Small Industrials Accumulations Index till 12 August 2019 & S&P/ASX 300 Accumulation Index thereafter
7. 3<sup>rd</sup> in SuperRatings SR50 Balanced Index options over 12 months to end June 2020 and 2<sup>nd</sup> in Chant West Top 10 Performing Growth Funds (1 year to June 2020)
8. SuperRatings SR50 MySuper Index for 1 year performance
9. SuperRatings SR50 Australian Shares Index
10. Carbon intensity (tonnes CO2e per \$ revenue) of Australia Ethical share investments compared to blended benchmark of S&P ASX 200 Index (for Australian and NZ shareholdings) and MSCI World ex Australia Index (for international shareholdings). Shareholdings as at 31 December 2019
11. We don't invest in companies whose main business is fossil fuels, or in diversified companies that earn some fossil fuel revenue and aren't creating positive impact with their other activities. We may invest in a diversified company which is having a positive impact in other ways such as producing renewable energy, providing its fossil fuel revenue is sufficiently low (a maximum of 5% to 33% depending on the fuel)
12. A commitment to positive change means the company made a positive change or commitment to change on the engagement issue during the year. We're not claiming credit for all this change, but we're doing our bit
13. B Corps 'Best for the World Honouree' Governance 2019. This relates to the Australian Ethical entity, not the investment portfolio
14. Based on value of selected 'sustainable impact' products and services sold annually by companies we hold shares in, compared to the blended benchmark. Shareholdings as at 31 December 2019
15. Proportion of our share investments in renewable power generation compared to global share market
16. Before deducting bonus and grant expense. Allocation includes donations and impact investments
17. Love Mercy: Social Impact Report 2020. Source: [https://www.lovemercyfoundation.org/wp-content/uploads/2020/06/Love-Mercy-Social-Impact-Report-2020\\_Low-Res.pdf](https://www.lovemercyfoundation.org/wp-content/uploads/2020/06/Love-Mercy-Social-Impact-Report-2020_Low-Res.pdf)
18. Pollinate Group: Saving was across all of Pollinate's entrepreneur network in India and Nepal. Source: <https://pollinategroup.org/wp-content/uploads/2020/06/2019-Pollinate-Group-Annual-Report-WEB.pdf>
19. Awards: The Australian Ethical Australian Shares Fund won both the 2020 Financial Standard Australian Equities High Performance award and ESG Australian Equities award. We also won the SuperRatings Infinity Award 2020; Finder.com.au Green Super Fund 2020 and the Jury's special prize in the International Climate Reporting Awards
20. Fee reduction: In December 2019 investment fees were reduced on the Defensive, International Shares and Advocacy super options and on the Defensive and International Shares pension options. The percentage-based super administration fee was reduced from 0.41% to 0.29% on 1 April 2020 for all super and pension options
21. In March 2020 we launched the Australian Shares SMA Strategy
22. We divested from Marsh & McLennan in response to its provision of services to Adani in June 2020

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