

Appendix 4E

For the year ended 30 June 2021

Australian Ethical Investment Limited and Controlled Entities
ABN 47 003 188 930

Results for announcement to the market

(All comparisons to year ended 30 June 2020)

	\$'000	up / down	% movement
Revenues from ordinary activities	59,110	up	18%
Net profit after tax	11,118	up	18%
Deduct net profit after tax attributable to The Foundation	143		
Net profit attributable to shareholders	11,261	up	19%
Government grant income for COVID19 relief	(100)		
Payment of government grant to The Foundation	100		
Net proceeds from insurance settlement	(299)		
Tax on adjustments	90		
Underlying net profit after tax	11,052	up	19%
Performance fee (excluding tax and community grant impact)	(1,885)		
Underlying net profit after tax (excluding performance fee)	9,167	up	30%

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Franking Level
Interim 2021 dividend per share (paid 23 March 2021)	3.00	3.00	100%
Final 2021 dividend per share (to be paid 16 September 2021)	4.00	4.00	100%
Special 2021 dividend per share (to be paid 16 September 2021)	1.00	1.00	100%

Final & Special dividend dates

Ex-dividend date	1 September 2021
Record date	2 September 2021
Payment date	16 September 2021

The Company's Dividend Reinvestment (DRP) will not operate with respect to the final dividend.

	30 June 2021	30 June 2020
Net tangible assets per security	\$0.18	\$0.16
Net asset value per security	\$0.22	\$0.19

This information should be read in conjunction with the 2021 Annual Financial report of Australian Ethical Investment Limited and any public announcements made in the period by Australian Ethical Investment Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the Annual Financial report for the year ended 30 June 2021.

This report is based on the consolidated 2021 financial statements of Australian Ethical Investment Limited which have been audited by KPMG. The Independent Auditor's Report by KPMG is included in the Annual Financial Report for the period ended 30 June 2021.



Australian Ethical
Investment Limited and
its Controlled Entities

Annual Report

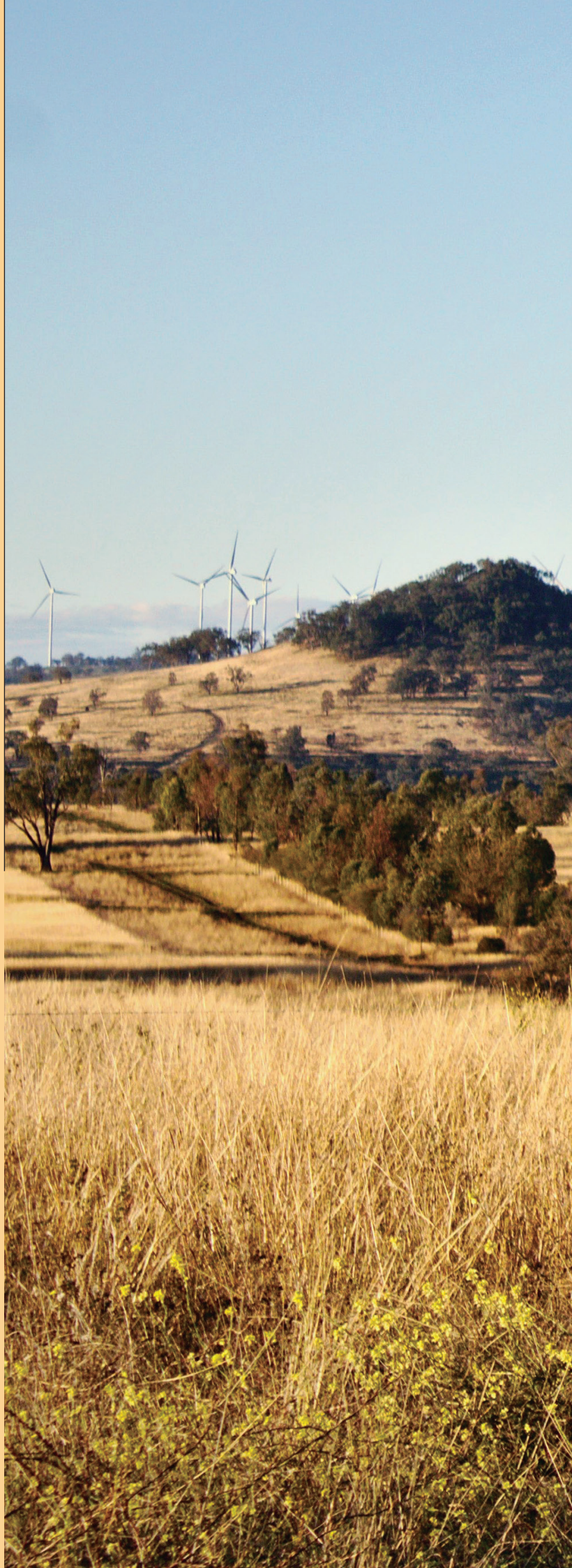
30 June 2021

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Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Australian Ethical Investment Limited (referred to hereafter as the 'Company' or 'Parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.



Directors

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



Steve Gibbs

Non-Executive Director since 2012 and Chair since 2013

BEcon, MBA

Steve chairs the People, Remuneration and Nominations Committee, is a member of the Investment Committee, the Product Disclosure Statement Committee and the Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited Audit, Risk & Compliance Committees. He is Chair of Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited.

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



Mara Bûn

Non-Executive Director since 2013

BA (Political Economy), GAICD

Mara is a Member of the People, Remuneration and Nominations Committee, the Investment Committee and the Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited Audit, Risk & Compliance Committees. She is a Director of Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited.

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



Kate Greenhill

Non-Executive Director since 2013

BEc, FCA, GAICD

Kate is Chair of the Australian Ethical Investment Limited and Australian Ethical Superannuation Pty Limited Audit, Risk & Compliance Committees and is a Member of the People, Remuneration and Nominations Committee and the Investment Committee. Kate is a Director of Australian Ethical Superannuation Pty Limited and Australian Ethical Foundation Limited, and a Member of the Australian Ethical Superannuation Pty Limited Insurance Benefits Committee.

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



Michael Monaghan

Non-Executive Director since 2017

BA, FIAA, FAICD

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

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

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

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



Julie Orr

Non-Executive Director since 2018

BEC, MCom, MCom(Hons), CA, GAICD, FGIA

Julie is a Member of the People, Remuneration and Nominations Committee, the Australian Ethical Investment Limited Audit, Risk & Compliance Committee and the Investment Committee. She is also a Director of Australian Ethical Foundation Limited, AvSuper and Masters Swimming NSW.

She has over 20 years of experience in executive and board roles including experience with superannuation, investments, financial planning, stockbroking, research, insurance, audit, finance, acquisitions and business integration.

Julie's most recent executive experience was Group General Manager Corporate Development and General Manager Operations for IOOF. She was previously Director of Finance India and Asia Pacific for Standard and Poor's, Head of Research for Morningstar, Chief Operating Officer at Intech and Senior Audit Manager with Ernst & Young. Julie's prior board experience includes Perennial Value Management, Ord Minnett and Tax Payers Research foundation.



John McMurdo

Chief Executive Officer and Managing Director, appointed February 2020

MBA, GAICD

John joined the Australian Ethical Board in February 2020 as Chief Executive Officer and Managing Director. He brings more than 30 years' experience in investment management, private client advisory and wealth management across Australia and New Zealand, including 18 years in CEO roles at several leading investment and wealth management businesses. He also brings significant previous Board and Directorship experience within and outside financial services.

John has an MBA from Henley Business School (U.K.), is a graduate of the Australian Institute of Company Directors and a member of the Fund Management Board Committee of the Financial Services Council.



Company secretary

Tom May and Karen Hughes are joint Company Secretaries.

Tom May

BA, LLB, MBA, TFASFA, MAICD, FGIA

Tom also oversees governance and legal functions to ensure that the Group meets its regulatory obligations and maintains industry leading governance practices. Tom has 30 years legal experience in Australia, Asia and Europe.

Karen Hughes

BSc (Hons), ACA (ICAEW), GAICD

Karen is also responsible for the Risk Management Framework at Australian Ethical. Karen has over 25 years' experience in risk and compliance with previous roles at StatePlus, Tyndall, Jardine Fleming and PwC. Karen was appointed joint Company Secretary on 25 August 2020.

Principal Activities

The Group's principal activities during the financial year were to act as the responsible entity for a range of public offer ethically managed investment schemes and act as the Trustee of the Australian Ethical Retail Superannuation Fund (Super Fund). Other than what is described in this report, there were no significant changes in the nature of the Company's activities during the year.

Review of operations

Introduction and commitment to our purpose

While the world in 2021 is different to what most people would have imagined, at Australian Ethical we see many of our founding principles being embraced by a wider audience.

The movement to incorporate purpose through investment has accelerated as businesses search for a reason for being beyond profits and look to do good by solving some of the world's biggest societal challenges. And as society's expectations of businesses evolve, we've seen those businesses with an established purpose pre-pandemic rewarded by stakeholders through increased customer loyalty, brand awareness and growth.

At Australian Ethical, our purpose has been a constant during these changing times, serving as both anchor and compass. It is the lens through which we see the world and it underpins our decision-making, innovation and growth plans. It brings energy, curiosity, engagement, meaning, resilience and a determination to succeed.

As we adapt to a post-pandemic world, we must never forget the events that have defined the past two years nor the lessons they have taught – both as business leaders and as individuals. For Australian Ethical, this means doubling down our commitment to investing for a better world so we can create better outcomes for people, planet and animals. Today and tomorrow.

Year in review

Australian Ethical has recorded another year of milestones which have cemented our position as Australia's original and leading pure play ethical investor. ESG is and always has been in our DNA.

The pandemic has ushered in a new way of thinking for many investors, forcing more people to confront the global threat of climate change and how it will impact their lives. It has shown how global risks have cascading effects, and seldom manifest in an isolated manner.

In response Australians are embracing ethical investing in record numbers as they seek to drive positive action using all available levers. We have seen our addressable market explode as people realise that a better world is not just possible, but that they're the ones who can help make it happen through how they invest.

As a result, we have seen record customer flows into our products as Australians continue to seek us out to make their money matter. We ended the financial year with \$6.07 billion in funds under management, a significant uptick on the record \$5.05 billion we celebrated just 6 months ago in December 2020, which itself was an audacious target we had set ourselves in 2015 when we had just over \$1 billion under management.

This growth in FUM is of course supported by the outstanding investment returns delivered for our customers by our award-winning investments team, who added several local and global accolades to their already impressive credentials'.

In November 2020, we were recognised by Morningstar as one of just six global leaders for our commitment to ESG. The report singled out our Australian Shares Fund as "setting the ESG standard for Australian domestic-equity strategies."

In the report, the *Morningstar ESG Commitment Level: Our first assessment of 100-plus strategies and 40 asset managers*, it said: "Unquestionably, Australian Ethical Investment is true to its ethical label, evidenced by the robust integration of ESG principles into the investment processes, activism, advocacy, and memberships undertaken by the firm."

Global recognition for our authenticity is especially important as ESG becomes the biggest buzzword in investing and even the most cynical of investment managers jump on the bandwagon, new products are launched, and older funds are rebadged as sustainable.

Today people can now choose between plenty of products that claim to offer the chance to do the right thing by the planet, but they need reassurance that the products they're buying meet their ethical standards rather than just being packaged attractively.

Strategically, we have seen the green shoots we reported in our half year results continue to grow which gives us confidence about the path our business is on. These green shoots are evident across our business from operations through to investments, and from marketing through to customer services. For example, our ongoing commitment to enhancing the customer experience has been bolstered by bringing the customer contact centre in-house, a complex project that was successfully executed in early 2021. A new brand identity and updated website, launched in May, will help ensure we achieve enough brand recognition and resonance to capture the opportunities we see ahead of us.

And while our business is 35 years old – a veritable veteran in responsible investing terms – we believe that our biggest opportunities are yet to come.

Over the coming pages we will expand on the many successes of the past 12 months and provide an update on our strategic roadmap and our plan to extend our market leadership position.

But first we take this opportunity to thank everyone at Australian Ethical for another stellar year and for proving that money can be a powerful force for good.

Financial year 2021 highlights



\$6.07 billion in funds under management,
50% up on prior year



Record underlying profit of **\$11.05 million**,
up 19% (underlying profit pre-performance fees up 30%)

Diluted EPS 3-year **CAGR of 31%**

Strategic investment in the business of \$4.6 million

Record net inflows of \$1.03 billion,
up 56%

Strong growth in adviser channel with
FUM now exceeding \$1 billion

Increase in funded customer numbers by 23%

Investment performance after fees of \$0.99 billion

Performance fee on Emerging Companies Fund (ECF) of **\$2.9 million**

Outstanding returns on our funds, in particular Australian Shares Fund and Emerging Companies Fund

In November, recognised by Morningstar as one of just **six global leaders for our commitment to ESG²**

Multiple investment excellence awards¹

We remain the **fastest growing super fund over 5 years** by FUM and members³



A record \$1.6 million donated

to the Foundation to support its philanthropic endeavours

¹ In addition to the global recognition from Morningstar, local accolades included Money Magazine, Finder.com, Financial Standard and Money Management. Canstar gave its top 5-star rating to our Diversified Shares and Emerging Companies Funds while consumer comparison site Mozo named us 'most recommended' for superannuation.

² In November 2020, Morningstar named Australian Ethical as one of just six global leaders, out of 40 asset managers assessed for ESG commitment. Australian Ethical was the only Australian asset manager to achieve this rating. Based on the second assessment (May 2021), one further asset manager was added as a "leader", who was an Australian asset manager. *Inaugural ESG assessment: The Morningstar ESG Commitment Level: Our first assessment of 100-plus strategies and 40 asset managers, Second assessment: The Morningstar ESG Commitment Level: Our second assessment of 140 strategies and 31 asset managers.*

³ KPMG 2021 Super Insights Report – published May 2021, using statistics published by APRA and ATO as at 30 June 2020.

Profit

The net profit for the Group amounted to \$11.1 million. The net profit attributable to shareholders amounted to \$11.3 million, compared with \$9.5 million for the 12 months to 30 June 2020. Underlying profit after tax was \$11.05 million, up 19% compared with the prior corresponding period. Excluding the impact of performance fees, underlying profit increased 30%.

Net profit attributable to shareholders excluding the impact of performance fees also rose 30% compared to the prior corresponding period.

Operating revenue increased 18% to \$58.7 million, up from \$49.9 million for the year to 30 June 2020. This increase was driven by strong FUM growth, underpinned by record net inflows and strong fund performance, partially offset by the impact of superannuation fee reductions (including those implemented in the second half of FY20⁴) and fee and threshold reductions across some managed funds in October 2020 and June 2021⁴. During the year the average FUM based fee margin reduced from 1.13% to 1.04%.

Other income included the settlement of an insurance claim for \$0.5 million, lodged in 2017 relating to a historical unit price matter. In turn, \$0.2 million was paid into the Operating Financial Risk Reserve of the superfund.

Pleasingly, we have been able to donate \$1.6 million to the Australian Ethical Foundation following our success during this financial year. This is the largest amount we have donated to the Foundation (prior year \$1.3 million) which will amplify the positive impact it makes via its strategic philanthropic grants and other associated initiatives. This \$1.6 million Foundation donation included \$0.1m which AEI had received from the Federal Government's cash flow boost COVID-19 stimulus package, which was subsequently allocated for impactful not-for-profit initiatives. AEI did not receive JobKeeper payments from the Federal Government.

⁴ On 1 April 2020 the percentage-based administration fee was reduced from 0.41% to 0.29% across all superannuation and pension options. On 1 October 2020 the Balanced Fund wholesale investment threshold was reduced from \$500k to \$200k; the Income Fund management fee was reduced from 0.35% to 0.20% (wholesale) and 0.50% to 0.20% (retail); and the Fixed Interest Fund management fee was reduced from 0.45% to 0.30% (wholesale) and 1.00% to 0.50% (retail). The defensive superannuation option management fee was reduced from 0.40% to 0.20%. In June 2021, fees were reduced on the Australian Shares (1.25% to 1.20%) and International (1.10% to 0.89%) super and pension options and the Balanced (1.84% to 1.51%), International (1.85% to 0.99%), Diversified (1.90% to 1.39%), Advocacy (1.90% to 1.39%), Australian Shares (1.99% to 1.69%) and Emerging Companies (1.99% to 1.69%) retail funds, and the Balanced (0.94% to 0.85%) and International (0.85% to 0.59%) wholesale funds.

Expenses

Operating expenses increased by 18% as we continue to invest in our brand, investment expertise, distribution channels, customer experience and in delivering strategic and regulatory initiatives.

Key drivers of the cost increases include:

- Higher fund-related costs predominantly from the increase in customer numbers and funds under management, implementation of regulatory change compliance
- The redesign of our insurance offering for super customers
- A new customer relationship management system
- Bringing our super member contact centre in-house
- A member education program
- Expanding our focus on innovation including rolling out training for all staff, feasibility assessments of key technology projects and research on future trends
- A new, refreshed brand and movement
- Investing in capability and marketing to grow our adviser channel and high net worth customer segments
- \$0.7 million of software development costs which would previously have been capitalised, in line with recent IFRIC guidance on AASB138 Intangible Assets

Funds under management

During the period, we have seen record breaking net inflows of \$1.03 billion, 56% above the prior corresponding period. Managed funds flows (excluding institutional) increased 161% as we see the results of our strategic focus on this channel and our targeted investment campaigns gain traction.

During the period we saw record super flows of \$614 million, an increase of 31% year on year – these super flows are predominantly from our direct-to-consumer channel. In June we saw the highest ever monthly net inflows in super of \$91 million as we continue to invest in our digital acquisition strategy.

Investment in growing our adviser channel is yielding strong results with flows from this channel increasing 168% during the year to reach FUM of \$1.2 billion across managed funds, super and our SMA product which was launched in April 2020.

These strong flows, together with strong investment performance after fees of \$0.99 billion during the period, have resulted in excellent year on year FUM growth of 50% to \$6.07 billion at 30 June 2021.

These numbers include outflows of \$0.04 billion as part of the early release of superannuation scheme.

The below table outlines FUM movements for the period:

\$bn	30 June 2021	30 June 2020	% change
Opening FUM	4.05	3.42	19%
Super net flows	0.61	0.47	31%
Managed Funds* net flows	0.42	0.19	122%
Total net flows	1.03	0.66	56%
Regulatory projects	0.99	(0.02)	large
Closing FUM	6.07	4.05	50%

* Includes Managed Funds (retail, wholesale and institutional) and SMA

Investment performance

Our investment team have delivered another year of strong investment performance for our customers with all but five out of 21 Managed Funds/Super options exceeding their benchmark.

Standout results for our managed fund investors include the performance of our Australian Shares Fund (retail) which returned 41.9% (outperforming its benchmark by 13.4%) and our Emerging Companies Fund (retail) which returned 50.3% (outperforming its benchmark by 17.3%). In addition, the Emerging Companies Fund generated performance fees of \$2.9 million. Strong stock selection and active portfolio management drove the outperformance of these funds during what was another volatile year for equity markets.

For our super members, our Balanced option (MySuper) delivered a 17.5% return, with our Australian Shares super option delivering a 38.8% return for the financial year. Our Australian Shares super option has been ranked first over 1, 3, 5, 7 and 10 years⁵.

Meanwhile, industry recognition for our investments team was both global and local. In addition to the global recognition from Morningstar, local accolades included Money Magazine, Finder.com, Financial Standard and Money Management. Canstar gave its top 5-star rating to our Diversified Shares and Emerging Companies Funds while consumer comparison site Mozo named us 'most recommended' for superannuation.

Fee reductions

As ever, we remain committed to making ethical investing as accessible and competitive as possible, which includes making strategic fee reductions as we pass the benefits of our growing scale onto our customers. Since 2014, our pricing has more than halved, with FUM increasing six-fold over the same period⁶.

In October 2020, we reduced the fee on the Defensive super option, and the Income and Fixed Interest funds, and reduced the threshold on the Balanced wholesale fund. In June 2021, we reduced the fee on the Australian Shares and International super options and the Balanced, International, Diversified, Advocacy, Australian Shares and Emerging Companies retail funds, and the Balanced and International wholesale funds.

And while ensuring we have competitive fees is important for our customers, we think returns and impact are even more important. Our fee reduction strategy focuses on ensuring there is an equitable balanced share in the success of our growing company between shareholders and customers, while delivering competitive returns and meaningful real-world outcomes for people, planet and animals.

⁵ Australian Ethical Super's Australian Shares option ranks no.1 over 1 year, 3 years, 5 years, 7 years and 10 years according to the SuperRatings Fund Crediting Rate Survey – SR50 Australian Shares Index as at 30 June 2021.

⁶ Since 2014 revenue margin has reduced from 2.26% to 1.04% whilst FUM has increased from \$0.9bn to \$6.07bn.

Operational excellence & compelling client experience

As a purpose-driven organisation, we know we occupy a unique place in the financial services landscape which depends in large part on the special relationship we have with customers, which is why we're always focused on enhancing their experience.

Over the past 12 months we have made significant progress against operational objectives which have already improved the customer experience for both our current and future customers. Projects include redesigning our insurance offer to remove cross subsidies, implementing a new customer relationship management system and insourcing the customer contact centre to have more control over the customer journey. We believe the success of these objectives can be measured by our high NPS and customer retention metrics.

No.1 for customer advocacy⁷

No.2 NPS for industry NPS (super)⁷

No.3 for retention⁸

We have more work to do in creating a seamless digital experience for customers. The pandemic has only accelerated these plans as we design for the future. As people have become more accustomed to working, doing business, and investing through digital channels, they're rightly expecting a frictionless, omnichannel experience from all their transactions. Further initiatives are planned in FY22 to deliver enhanced customer experiences.

With the continuing focus on cyber security risks, digital privacy and data security, we have also continued to upgrade our technology platform.

In addition, we have made significant investment in our sales and distribution capabilities, adding to existing bench strength in response to booming demand in the intermediated channel. With research pointing to 86% of Australians expecting their financial adviser to ask them about their values in relation to their investments⁹, advisers are increasingly turning to us because of our established reputation as the country's leading ethical investor. As a result of our investment in this important channel, we've seen flows increase by 168% and we have exceeded the \$1 billion in FUM milestone for our adviser channel. Meanwhile, unprompted adviser brand recognition has more than doubled, and we have seen a strong uptick in adviser perception across many other metrics.¹⁰

Most noticeable perhaps for external stakeholders is our new brand look and feel, a decision that was taken to better differentiate ourselves in what's becoming a very crowded market. Our updated brand identity celebrates our ethical pedigree, our investment excellence and our visionary roots to create a unique visual identity quite unlike any other financial services company in Australia. We've also updated our website and are continuing to improve the user experience.

⁷ Investment Trends research, June 2021

⁸ KPMG 2021 Super Insights Report – published May 2021, using statistics published by APRA and ATO as at 30 June 2020.

⁹ From Values to Riches: Charting consumer expectations and demand for responsible investing in Australia, RIAA 2020

¹⁰ Investment Trends April 2021 adviser brand tracker results

Culture is everything

Though we may look different on the outside, our unique culture remains intact on the inside. Despite the many changes of the past 12 months, including more lockdowns and continuing uncertainty, Australian Ethical employees remain engaged and energised. We were pleased that our most recent employee engagement survey reported an overall engagement score of 82%, which puts us above the top quartile for financial services organisations in Australia and in line with the top quartile with new technology companies.

When employees are committed to a purpose, they become an engine for change, which is why we're proud of the authentic and lived purpose our employees activate both internally and externally. They prove there's another way – a better way – to do business. It's through them that our purpose flows to our customers, our shareholders and our communities. On behalf of the Board, we'd like to thank all Australian Ethical employees for their continuing commitment to investing for a better world.

We have been continuing to invest in our employees' wellbeing over the past 12 months. This includes enhancing our workplace culture to introduce more innovation and more experimentation, as well as a high-performance framework. Meanwhile, we continue to be a leader in gender diversity with 50% female representation on our Board, 44% on our Senior Leadership Team and 57.5% across all employees.

COVID-19

The operational challenges that Australian Ethical has faced are negligible compared to the heavy human, social and economic toll that is being wrought worldwide by the pandemic. As an organisation we extend our sympathies to all those who have been affected, and our gratitude to those on the frontline.

With half the country in lockdown at time of writing shows that COVID remains a concern. However, our business has proven to be exceptionally resilient by delivering outperformance for investors, members and shareholders despite the ongoing volatility and uncertainty.

We are continuing to monitor the COVID situation and our employees' wellbeing remains front of mind. This includes their day-to-day health and safety as well as their ongoing mental health. The business has strict COVID-safe practices in place and has implemented creative ways to stay connected. Our unique culture has helped us withstand the considerable upheaval, and our pre-pandemic flexible working policy has meant employees have been able to choose a working arrangement that suits their individual circumstances.

As a result of these measures, and a robust crisis management plan, we have continued to operate effectively with minimal disruption to business-as-usual operations. Business productivity has remained high, and we have continued to deliver outcomes for all our stakeholders.

Climate change

For more than 30 years, Australian Ethical has been investing to protect our planet. During these three decades, the scientists with the Intergovernmental Panel on Climate Change (IPCC) have been issuing major reports about the state of the climate, gradually expressing more certainty about what is happening and why.

The latest report, released on 9 August 2021, confirmed what we expected: "It is unequivocal that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred."

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

The principal direct impact of climate change on Australian Ethical's business is its effect on our investment portfolios. The prospects and value of the businesses we invest in are exposed to risks and opportunities flowing from the many effects of climate change.

Physical impacts like sea level rise and extreme weather are already changing where and how buildings and infrastructure can be safely built. Changes in temperature and rainfall are affecting the productivity and viability of different types of agriculture.

Achieving the Paris goals of limiting the increase in the global average temperature to well below 2°C above pre-industrial levels is essential, but not easy. The scientists in the latest IPCC report showed that if humans make immediate, rapid and widespread cuts in emissions, warming could be limited to 1.5°C, with the climate stabilising after the middle of the century. It will require a complete transformation of the way the world

produces and consumes energy, as well as radical measures to cut emissions from other key sources such as transport, land use and agriculture. It will also require ambitious climate policies from governments.

We identify, assess and manage material climate-related investment risks through our ethical investment process. All investments are screened according to the 23 principles of our Ethical Charter which is embedded in our constitution. Our investment screening and company engagement guides us to sectors and companies which are aligning their businesses with the transition needed to limit global warming to 1.5 degrees. These companies are better positioned to manage many climate-related risks, such as the risk of introduction or increase in carbon pricing. However, the effects of climate change will be felt across the economy and society. Higher global warming threatens to disrupt trade and financial markets and carries significant risk of loss to all investment portfolios.

Our ethics research team monitors existing and emerging climate-related risks using diverse information sources. The team monitors developments in:

- scientific understanding of the rate and impacts of global warming
- domestic and international climate policy and regulation
- technological innovation in climate mitigation and adaptation.

Our ethical screening and engagement approach focuses on the need to reduce emissions to limit dangerous climate change, but also recognises it is crucial that companies have business models and strategies which are adaptable to the physical impacts of current and future climate change.

Investment portfolio management

Our ethical research defines our sustainable investment universe, guiding us to companies better positioned to manage many risks arising from a transition to net zero emissions. Our ethical assessment of the climate impacts of companies and industry sectors and their products and services can also assist us in identifying climate-related financial risks and opportunities and feed into our buy, sell and portfolio management decisions. For example, company prospects and valuations in the energy sector may be affected by our assessment of the future regulatory environment for the sector.

Influencing companies

We encourage better measurement and reporting of direct and indirect greenhouse gas emissions; emissions reduction target setting; and analysis of the resilience of the company's business strategy to different climate scenarios. We aim to reduce companies' contribution to global warming as well as reducing climate-related harm to their business prospects. Through engagement we also build our own understanding of climate-related risk.

We exercise our influence through private engagement, voting at company meetings, public praise or criticism, shareholder resolutions and divestment.

The resilience of our real estate and infrastructure investment

Real estate and infrastructure are exposed to many physical impacts of different levels of global warming. Greater extremes of heat and cold raise operating costs and in some cases will threaten operational viability. Increased frequency and severity of wind, fire, storms and

flooding mean many assets will suffer significant damage more often, increasing repair costs and the need for additional investment to protect them. Some buildings and infrastructure will no longer be capable of fulfilling their original function and will become liabilities rather than assets, with owners required to dismantle or decommission them. We rely heavily on the management of climate-related risks by our external property and infrastructure managers and describe some of their work and challenges in our annual climate reporting.

Targets

Our target of net zero emissions by 2050 for our investments is aligned with the emissions reduction needed to achieve a 1.5°C warming limit. We keep our climate objectives and actions updated against the growing impacts of climate change as well as growing opportunities to limit that change. This includes work setting interim emissions reduction targets under the latest criteria from the Science Based Targets Initiative. We are committed to setting targets which are evidence based and linked to specific and ambitious concrete action to drive a faster net zero transition.

Measurement, transparency, accountability

We measure and report annually on our climate performance following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Our reporting includes the emissions intensity of our share investments (carbon footprinting) and the level of our share investment in renewable energy. This helps us test the effectiveness of our management of climate transition risk and our progress towards our net zero emissions target. We also report on our operational emissions and the 100% offsetting of those emissions.

Strategic update

In last year's annual report, we laid out our medium-term strategy to support our purpose of investing for a better world. Our ambition was to remain as Australia's leading responsible investor as we move towards a low-carbon world and we identified the four strategic pillars to help us get there. These were:

1. Principled investment leadership
2. Advocates for a better world
3. Compelling client experience
4. Impactful business

Success, we said, would depend on how we turn our ideas and ambition into tangible solutions that generate financial returns and a sustainable future.

Twelve months later and we're seeing the benefits of the strategic investments we have made to strengthen our operating platform, diversify our acquisition channels and improve our customer experience.

Our strategic priorities and our progress are set out here:

Good momentum on delivering on our Strategy in FY21

01 Principled investment leadership	Market leading returns ¹¹	Recognised as a global leader in ESG ¹⁴	New roles: Head of Strategic Asset Allocation, Head of Domestic Equities
02 Advocates for a better world	Media voice for Climate Change Bill & improved biodiversity protection	Corporate advocacy on key topics incl modern slavery, traditional owner, and emissions reduction	Since inception >\$6m allocated to not-for-profits via The Foundation
03 Compelling client experience	Top Net Promoter Scores ¹²	Insourced customer centre allowing more control over client experience	High retention rates – AE has third lowest super outflows in the industry ¹⁵
04 Impactful business	Refreshed Brand strategy and Brand identify	HNW segment: Number of inflows above \$1m has grown over 400%	New distribution capability & adviser channel now >\$1bn
+ Leadership & innovation	Top quartile employee engagement ¹³	Leadership & Innovation training	Developed worldviews for innovation with global innovation partner

Rather than negatively impacting our strategy, the ongoing pandemic has accelerated our plans. We believe we are emerging stronger and the extraordinary momentum we're seeing gives us confidence in the strategy, confirming that now is the time to extend our market leadership.

¹¹ See Year in review

¹² Investment Trends research, June 2021: Number 1 for customer advocacy, Number 2 for industry NPS (super only)

¹³ Culture Amp Survey, June 2021

¹⁴ See Year in review

¹⁵ KPMG 2021 Super Insights Report – published May 2021, using statistics published by APRA and ATO as at 30 June 2020.

Strategic outlook

One of the many highlights of the past 12 months for Australian Ethical has been reaching \$5 billion in funds under management. This was an aspirational and audacious goal we set ourselves in 2015 when funds under management were just over \$1 billion. At the time, it meant growing our business five times bigger over five years.

Naturally, there were people who thought the goal was beyond us and that ethical investing would never become mainstream. And yet quite the opposite has proved to be true with interest in ethical investing continuing to grow and a seismic surge over the past 18 months. This surge, which combines the near-term impact of the COVID-19 pandemic and a multi-decade shift in capital markets, has been a watershed moment for the investment industry. As a result, today's investors are increasingly seeking access to strategies across asset classes that are designed to deliver positive impacts for people and the planet, as well as performance.

Our long history of doing business with purpose has shown what a sustainable business can and should look like. We've proved that brands with purpose grow, that companies with purpose last and that people with purpose thrive.

And so, with the \$5 billion FUM milestone behind us – and a further \$1 billion since to push through the \$6 billion FUM mark - our minds turn to how we can extend our gamechanger status to grow the positive impact of what we do. What follows is an overview of the significant opportunity we see ahead of us, the existing strengths of our business and the strategic priorities we will invest in to realise our ambition.

The opportunity

While the pandemic has disrupted our lives in numerous and profound ways; it has also underscored the importance of tackling looming threats – such as the climate catastrophe – before it is too late. It has transformed how people think about our economies and societies with growing support for policies that support the transition to a greener, more inclusive and more resilient tomorrow. And with climate

change driving activism at all levels, capital markets are getting behind finding viable solutions and the economics of climate change are shifting for the better.

The pandemic has also changed what people are looking for from companies: it's no longer enough to support change, companies need to be actively making that change happen. We think the future of business will be shaped by consumers' expectations for companies to address their role in solving the climate crisis and other major global issues. Success will come to those that are willing to step up and prove they're about more than just profit at all costs.

Meanwhile here in Australia, the size of the responsible investment market continues to grow in tandem with Australians' expectations of how their money is invested. Ethical and responsible investing may have gone into the pandemic with a full head of steam, but its dramatic growth since then has vanquished any lingering scepticism. As such, we've seen our potential addressable market grow significantly over the last 24 months. Where once only the deeply ethically conscious were interested in our way of investing, estimates from multiple sources now put that potential market at anywhere from 70% to 80% of the Australian population.

This seismic shift presents a unique opportunity for Australian Ethical. As Australia's largest pureplay ethical investment manager and globally recognised for our approach, we have a considerable head start over our more recently converted competitors. Meanwhile as a purpose-driven organisation, we have an unmatched authenticity in wanting to invest for a better world. These factors alone, combined with our products, people, strong balance sheet and positive momentum, already position us for success.

But to capture the full growth opportunity we see ahead of us and retain our leadership position in an increasingly competitive marketplace, we need to continue to deliver on our strategic roadmap, fast track our investment in key capabilities and build a forward-looking business platform.

A high growth strategy

To futureproof our leadership position and amplify our positive impact, the business will pursue an aggressive growth strategy that shores up our existing market share and expands it where we see the most potential. Our goal is to build a much bigger, more impactful business and we will be reinvesting heavily in our existing business to achieve this ambition.

Over the short-term, our strategic focus will be on deepening our investment capability, expanding our product offering, growing our brand awareness, fully digitising and upgrading the customer experience and significantly expanding our newer customer segments. Over the long-term, we anticipate that our short-term focus will cement our leadership long into the future while allowing us to leverage the scale in our business to grow profit.

And while there are many factors in the external environment that are outside of our control, we see a significant opportunity to multiply the size of our business as we have done before. With our planned investment and market positioning, if we execute well, we believe it's possible to continue on our current growth trajectory and grow our business 3 to 5 times over the next 4 to 5 years, generating greater impact, greater returns for our shareholders and greater benefits for our community.

We are aware that the speed at which we execute this strategy is vital and dictated by the once in a business lifetime expansion of the addressable market and imminent competition.

Outlook

The planets are aligning very quickly for Australian Ethical with societal, political and economic tailwinds pointing to a business case for responsible investing that is impossible to ignore. And while we are well-positioned – with no debt, strong cashflows and positive momentum – we need to be much more ambitious to safeguard and grow our market share in what will be a fiercely contested market in the near term.

As such, our expense growth in the short-term will reflect the investment we will make into our business to realise our ambitious growth aspirations. We expect profit growth to remain modest during this time, though we expect to see a strong increase in funds under management and revenue.

Looking out to the medium and long-term, we expect to see higher levels of profitability and operating leverage from achieving greater scale as we realise the anticipated benefits of investing in our business.

Like all fund managers, we remain highly leveraged to financial markets at a time when COVID is still a concern and compounded by a slow vaccine rollout in Australia, and we expect market volatility to continue. Any performance fee generated by the Emerging Companies Fund is not guaranteed year on year.

But what we have is a 35-year head start on the other investors who are rushing to capitalise on this moment. We are committed to leveraging our leading position and continuing to drive impact through our award-winning ethical investment process, our deep ethical research and our purpose-driven approach.

Financial performance – management analysis

	2021 \$'000	2020 \$'000	% Increase
Net Profit after tax (NPAT) including performance fee	11,118	9,457	18%
Add: Net loss attributable to The Foundation*	143	–	
Net profit after tax attributable to shareholders	11,261	9,457	19%
Adjustments:			
Government grant income	(100)	–	
Payment of government grant to The Foundation	100	–	
Net proceeds from insurance settlement	(299)	–	
Tax on adjustments	90	–	
Gain on disposal of investment property held for sale	–	(178)	
Underlying profit after tax (UPAT) including performance fee	11,052	9,279	19%
Performance fee (after tax and community grant)	(1,885)	(2,250)	
Net Profit after tax (NPAT) excluding performance fee	9,233	7,207	28%
Underlying profit after tax (UPAT) excluding performance fee	9,167	7,029	30%
Basic EPS on NPAT (cents per share)	10.06	8.62	
Basic EPS on NPAT attributable to shareholders (cents per share)	10.19	8.62	
Diluted EPS on NPAT attributable to shareholders (cents per share)	10.02	8.42	
Basic EPS on UPAT attributable to shareholders (cents per share)	10.00	8.46	
Diluted EPS on UPAT attributable to shareholders (cents per share)	9.84	8.26	

* refer to Note 43 for additional details in relation to The Foundation's financial results.

Dividends

Dividends paid during the financial year were as follows:

	2021 \$'000	2020 \$'000
Final dividend for the year ended 30 June 2020 of 2.50 cents (2019: 3.00 cents) per ordinary share – fully franked	2,810	3,362
Special performance dividend for the year ended 30 June 2020 of 1.00 cents (2019: nil) per ordinary share	1,124	–
Interim dividend for the year ended 30 June 2021 of 3.00 cents (2020: 2.50 cents) per ordinary share – fully franked	3,371	2,810
	7,305	6,172

Since year end the Directors have declared a final dividend of 4.00 cents per fully paid ordinary share (2020: 2.50 cents) and special performance fee dividend of 1.00 cents per fully paid ordinary share (2020: 1.00 cents). The aggregate amount of the declared dividend expected to be paid on 16 September 2021 out of profits for the year ended 30 June 2021, but not recognised as a liability at year end, is \$5,619,000 (2020: \$3,934,000). All dividends paid during the year were fully franked based on tax paid at 27.5%. The final dividend to be paid in September 2021 will be fully franked at 30.0%.

Shares issued during the year and prior to the issue of the report

During the year and prior to the release of this report the following shares were issued

Details	Date	Shares	Weighted Average issue price	\$'000
Balance	1 July 2020	112,387,138		11,191
Vesting of deferred shares in the Employee Share Trust (1,096,407 shares)	August – September 2020	–	\$0.96	1,025
Purchase of deferred shares in the Employee share plan – on-market	6 October 2020	–	\$4.53	(1,635)
Vesting of deferred shares in the Employee Share Trust (51,785 shares)	February – March 2021	–	\$1.41	95
Balance	30 June 2021	112,387,138		10,676

No amounts are unpaid on any of the shares. Refer to Note 42 for additional information and a detailed breakdown of the shares vested during the year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Apart from the dividend declared as disclosed in Note 32, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years. Management have considered the impact of the ongoing COVID-19 pandemic in Australia and assessed there are no changes required to the financial statements subsequent to the end of the financial year.

Likely developments and expected results of operations

Additional information about the Group's business is available to shareholders on our website.

Environmental regulation

The Company does not hold any direct investment in commercial property. To the best of the directors' knowledge, the relevant environmental regulations under Commonwealth and State legislation have been complied with.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		People, Remuneration and Nominations Committee		Audit, Compliance and Risk Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Steve Gibbs	10	10	7	7	6	6
Kate Greenhill	10	10	7	7	6	6
Mara Bun	10	10	7	7	6	6
Michael Monaghan	10	10	7	7	6	5
Julie Orr	10	10	7	7	6	6
John McMurdo	10	10	-	-	-	-

	Product Disclosure Statement Committee		Investment Committee	
	Eligible	Attended	Eligible	Attended
Steve Gibbs	2	2	4	4
Kate Greenhill	-	-	4	4
Mara Bun	-	-	4	4
Michael Monaghan	2	2	4	4
Julie Orr	-	-	4	4
John McMurdo	-	-	-	-

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 36 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 36 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



JOHN MCMURDO

Managing Director and Chief Executive Officer

25 August 2021
Sydney

Remuneration Report 2021

For the year ended 30 June 2021

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2021.

The 2021 financial year has been challenging due to the ongoing impact of Covid-19. Notwithstanding those challenges it would be fair to say that 2021 was an outstanding year for Australian Ethical as we continue to implement our long-term growth strategies.

It is particularly encouraging to see so many Australians trusting Australian Ethical to lead the way with climate change action and ethical investing.

This year we are delighted to have again achieved record new member and investor numbers, record net inflows, record profit for the year, strong relative investment performance across most of our managed funds and superannuation investment options, created a new role of Chief Strategy and Innovation Officer and welcomed our new Chief Customer Officer.

Our strong staff engagement has been maintained throughout the year, a testament to the shared purpose that underpins the strength of our business, and the commitment of our people.

Our remuneration policy aligns to the philosophy of the Company that sees our people as key stakeholders in the Company's success. Our remuneration framework aims to reward our management and employees fairly, competitively and provide a direct link between contribution and reward and alignment with the long-term performance of the Company.

As it has been three years since we formally benchmarked our executive remuneration practices, the Board engaged external remuneration advice to ensure our framework and practices remain contemporary, fair and align with our transformational growth agenda through to 2025 and beyond. Changes we expect to introduce during the next year are summarised in section 3.

We are committed to ensuring our remuneration arrangements remain fair to all stakeholders and are effective in attracting and retaining talented people who are motivated and professional.



STEVE GIBBS

Chair

People, Remuneration & Nominations Committee

1. About this Report

This report deals with the remuneration arrangements that were in place for all employees of Australian Ethical Investment Limited (the 'Company'), and its wholly owned subsidiaries (together referred to as the 'Group') during the financial year ended 30 June 2021. It describes the philosophies behind the remuneration arrangements and other employee benefits.

This remuneration report specifically focuses on the remuneration of Non-Executive Directors, the Managing Director/Chief Executive Officer (CEO) and members of the Senior Leadership Team (SLT), collectively referred to as Key Management Personnel ('KMP') and has been subject to independent audit as required by section 308(3C) of the Corporations Act 2001.

2. Our Remuneration Philosophy and Structure

The Company's remuneration philosophy is designed to create a motivating and engaging environment for employees where they feel appropriately paid and incentivised for the contribution they make to the performance of the Company.

Remuneration principles

The principles underpinning our remuneration framework are:

Fairness	<ul style="list-style-type: none">• attract and retain talented people• reward people fairly for their work recognising the expertise and value they bring to the Group
Alignment	<ul style="list-style-type: none">• build long term ownership in the Group• align reward with contribution to the Group's performance• align shareholder interests and employees• promote the values of the Ethical Charter included within the Constitution and be aligned with the purpose of the Group• foster collaboration, trust and diversity of thoughts and ideas• incorporate risk management performance measures in all employee scorecards• be motivating for employees
Simplicity	<ul style="list-style-type: none">• be simple to administer and to communicate to all stakeholders

The remuneration philosophy is consistent with the principles of the Australian Ethical Constitution and Charter. It is designed to:

- ensure that the Group facilitates "the development of workers' participation in the ownership and control of their work organisations and places" – Charter element (a)
- not "exploit people through the payment of low wages or the provision of poor working conditions" – Charter element (ix)
- not "discriminate by way of race, religion or sex in employment, marketing, or advertising practices" – Charter element (x)

The remuneration framework is also designed to encompass the Group's values of wisdom, authenticity, action, and empathy which are embedded in our culture. Adherence to these values is a gate to incentives.

The incentive structure meets the requirements of Rule 15.1(c) of the Constitution which provides that prior to recommending or declaring any dividend to be paid out of the profits of any one year, provision must be made for a bonus or incentive for employees to be paid of up to 30% of what the profit for that year would have been had not the bonus or incentive payment been deducted.

Income Inequality and Ethical Considerations

AEI's hiring practices and process of setting remuneration for all employees centres around high performance and the Group's values and culture. We rely on a variety of sources to identify professional values-aligned candidates, including LinkedIn, agencies, job advertising networks and our existing employees' networks. Intertwined within our hiring practices are our Group's values around remunerating people fairly for the work that they do and our Charter which stipulates that we do not discriminate by way of race, religion or gender in employment nor exploit people through the payment of low wages or poor working conditions.

To ensure we reflect the community around us and therefore benefit from a full range of thinking styles and approaches to work, we strive to achieve diversity with our employees across a number of dimensions including gender, age and ethnicity. We are one of the few Boards on the ASX with 50:50 gender equality and we have 44% female representation on the SLT (target minimum 40% of each gender). Our overall workforce gender balance sits at 57% females (target 50%).

Elements of Remuneration (financial year ended 30 June 2021)

The following framework applied to all employees of Australian Ethical Investment Limited (not including Non-Executive Directors) for the financial year ended 30 June 2021. Employees of Australian Ethical Superannuation Pty Limited are entitled to receive all the below elements of remuneration with the exception of long-term incentives linked to the performance of the Company.

Element	Description	Quantum	Paid as
Fixed Remuneration (FR)	Comprises base salary, superannuation, packaged employee benefits and associated fringe benefits tax.	<ul style="list-style-type: none"> Reviewed annually, or on promotion. Benchmarked against market data¹ for comparable roles based on position, skills and experience brought to the role. Target remuneration is based around the median of the relevant comparator group for each job role, taking into consideration companies in a similar industry and of a similar size. 	Cash
Short Term Incentive (STI)	An annual incentive aimed at rewarding employees for achievement of annual objectives. Applies to all employees who have satisfied the risk and values gate.	<ul style="list-style-type: none"> Maximum achievable is a percentage of Fixed Remuneration up to 100% depending on the role, determined by Board discretion. Actual outcome is linked to performance and contribution against annual financial and non-financial KPIs. On an annual basis PRN will consider an additional discretionary bonus paid in deferred shares for specified members of the Investment team, connected to performance fees achieved. Short term incentives are treated as follows in the following circumstances: <ul style="list-style-type: none"> resignation – usually forfeited, subject to Board discretion; termination for serious misconduct – forfeited; retirement – at discretion of the Board; death or total and permanent disablement – at discretion of the Board; and redundancy – at discretion of the Board. 	Cash and deferred shares

¹ Benchmarked to data provided by the Financial Institutions Remuneration Group Inc (FIRG). FIRG is a peer group provider of remuneration and benefits data in the financial services industry.

Element	Description	Quantum	Paid as
Long Term Incentive (LTI)	Aimed at fostering an interest in the long-term performance of the Company, to encourage participation in the affairs of the Company and to encourage the retention of employees. Applies to all employees who have satisfied the risk and values gate.	<ul style="list-style-type: none"> • Awarded as percentage of Fixed Remuneration • Shares are issued or purchased and held in trust for 3 years. • Vest in the name of the employee after 3 years, provided that: <ul style="list-style-type: none"> – employee remains employed; and – subject to 3-year compound annual growth in diluted earnings per Share (EPS) as follows: <ul style="list-style-type: none"> • 0 – 5% – nil vests • 5% – 10% – pro rata up to 100% • > 10% – fully vests. • The Board has discretion to adjust EPS for items that do not reflect management and employee performance and day to day business operations and activities. • Employees participate in dividends and have voting rights from the date of grant. • On cessation of employment, no unvested shares shall vest unless the Board in its absolute discretion determines otherwise. 	Shares
Other employee benefits	The Group also provides other benefits to all employees.	<p>Benefits include:</p> <ul style="list-style-type: none"> • an employee assistance program; • volunteer leave (2 days per annum); • self-education/study assistance; • professional association memberships, annual health checks and annual flu vaccinations; • flexible working arrangements; • subsidies of training and education costs; and • parental support including 18 weeks paid leave for primary carers and two weeks for secondary carers and superannuation contributions paid whilst on leave for up to 24 months. To support parents returning to work after taking parental leave, we provide primary carers with one day of paid leave each week for the first 3 months. • Salary continuance insurance for five years 	–

Our remuneration structure comprises both short and long-term incentives to ensure support for a strong risk culture that values member outcomes and shareholder alignment. Our short-term incentives relating to investment performance measures incorporate 1 and 3 year performance against benchmarks and relative to peers. This is to ensure that incentives are aligned to longer term customer and member outcomes.

Performance measures for Short Term Incentives

Performance measures for Short Term Incentives are based on a Balanced Scorecard of financial and non-financial metrics, and an individual's specific performance objectives. Weightings vary with each individual and are based on their role. Employees have no contractual right to receive an STI award and the Board retains discretion to amend or withdraw the STI at any time. Adherence to the Company's values and risk culture are required to remain eligible for an STI award. The following table provides the overall Balanced Scorecard and the performance outcomes for these objectives for the financial year ended 30 June 2021.

Measure	Metric	Why this metric is appropriate	Incentive Award Achievement for FY21
Profit	Net profit after tax attributable to shareholders (NPAT) Cost to income ratio	Provides alignment to the Group's financial performance	NPAT before performance fees of \$9.4m and NPAT after performance fee of \$11.3m. Record NPAT up 19% on prior year. Cost to income before performance fee of 77%.
Business growth	Net inflows targets set based on prior year experience, budget expectations and stretch target	Growth and scale will benefit our customers through lower fees and better products and service. It also allows us to deliver greater social and environmental impact.	Record net inflows of \$1.03bn, an increase of 56% on prior year.
Compelling client experience	Net Promoter Score (NPS) metric for super and managed fund clients. Brand identity review and refresh	Customer satisfaction with product and service is measured using customer surveys conducted by survey tools and independent industry consultants.	Achieved top quartile NPS (+49) and launched new brand identity, website and consumer brand movement.
Investment performance	Balanced Fund (BF), Australian Shares Fund (ASF) & Emerging Companies Fund (ECF) performance against market benchmarks. Stretch target for BF is benchmark + 2%, ASF is benchmark + 3%, for ECF is benchmark +4%, over blended 1 and 3 year horizons. BF, ASF & ECF performance relative to peers. Measured in quartiles with stretch target being 1st quartile, over blended 1 and 3 year horizons. Super Fund Balanced option (MySuper) relative to peers performance and Sharpe ratio. Measured in quintiles with stretch target being 1st quintile, over blended 1 and 3 year horizons.	Delivering long term competitive investment returns for our customers is core to our offering.	BF, ASF & ECF performance - exceeded stretch targets. ASF & ECF vs peers – top quartile achieved. BF vs peers – top quartile for 3 years and below median for 1 year. Super Fund Balanced option (My Super) performance vs peers – top quintile for 3 years and 3rd quintile for 1 year. Super Fund Balanced option (My Super) Sharpe ratio vs peers – top quintile for 3 years and bottom quintile for 1 year.

Measure	Metric	Why this metric is appropriate	Incentive Award Achievement for FY21
Strategic & regulatory initiatives and Business Plan Key Result Areas	Strategy development	Delivering priorities consistent with the long-term strategies of the Group	Delivered all regulatory projects. Delivered a high number of Business Plan Key Result Areas and strategic programs including a number of initiatives not planned but highly valuable.
	Delivery of agreed strategic & regulatory initiatives program as a team.		
	Delivery of Key Result Areas per the annual Business Plan		
Employee engagement	Employee annual engagement score (as surveyed by Culture Amp). Assessed against market comparisons	Providing a motivating and inspiring workplace and high employee engagement has been proven to drive better business outcomes for customers and shareholders.	Staff engagement score of 82% in top quartile of Australian Finance and New Tech companies. Maximum target achieved. More than 50% of staff put through leadership and team member coaching course. 360° feedback implemented. Established a culture of innovation.
	SLT leadership and team development measured by performance on 360° feedback, team engagement scores, unwanted turnover, team upskilling		
	Innovation and high performance are embedded in Company culture		
	Adherence to the Company's values is treated as a gate to short term incentive awards.		
	Stretch target is top quartile versus financial services companies.		
Risk	Metrics focus on fostering risk management culture and managing strategic and operational risk within Board approved risk appetite for business activities and strategic projects. Adherence to the Company's risk culture is treated as a gate to the entire short term incentive award. Poor risk action results in reduction to or forfeiture of STI.	It is critical for our SLT to have a high degree of ownership for risk management.	Impact assessed collectively and individually based on risk management framework of the Company, assessed by PRN and reviewed by Board. High % of target achieved.

In assessing the performance of the business and the CEO, the Board acknowledges an excellent set of Group results, outperformance of stretch objectives in a number of key areas and significant progress on our strategic agenda.

The PRN considered the SLT's STI awards in light of the Balanced Scorecard achievements, and each individual's contribution to the results and recommended to the Board each SLT STI award, as reflected in the statutory table. Awards reflect recognition of the continued strong performance of individuals, the team and the achievement of record business results.

3. Developments in Remuneration Practices

Over the past few years, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, APRA, shareholders and media have put the spotlight on remuneration practices at financial service institutions. The main focus has been on the variable incentive assessment criteria driving the wrong behaviour and poor customer outcomes. We recognise the important role that remuneration can play in managing risk and emphasising a positive risk culture.

In line with this, our balanced scorecard and individual objectives combine both financial objectives and non-financial customer outcomes, balancing risk management, and ensuring adherence to our desired cultural values. All employees, including KMPs have objectives underpinned by the company's core values and incentivise ethical behaviour and positive customer outcomes. There are clear criteria determining how performance objectives are met and consequences where they are not met.

Each year, the Board reviews the remuneration framework and has had oversight of remuneration arrangements for all employees, setting key performance objectives to influence the work ethic/behaviour of employees and the remuneration outcomes.

In FY21, the Board initiated a detailed review of our remuneration structure, including industry benchmarks and incentives, in light of the company's current market position and aspirational strategic growth targets to 2025. This review has been conducted in the context of proposed changes to the regulatory environment on remuneration and ensuring we continue to meet our highest ethical standards. This review was supported by external remuneration consultancy AON Hewitt.

The review concluded that long-term award incentive opportunities for senior executive roles are below market comparative opportunities and that there had been an identifiable shift towards the deferment of short-term incentive awards where those awards exceeded a threshold.

A summary of key expected changes to the remuneration structure to take effect from 1 July 2021 are noted below.

- All permanent staff presently participate in a Long-term Incentive (LTI) program ranging between 10%-33% of fixed annual remuneration, depending on role type and seniority. This will be replaced by an Employee Share Plan (ESP) fixed at 10% of annual remuneration for the majority of employees and will remain subject to the current 3-year vesting timeframe and hurdle criteria. The ESP will be settled in shares.
- A new Executive Long-term Incentive (ELTI) program designed to more closely align to the business strategy with specifically designed KPIs to achieve the growth and business objectives. Specifically, where LTI for executives currently range from 10-33% of fixed remuneration annually depending on role, they will in future range from 10-60%, being 10% in the ESP and up to 50% p.a. in the ELTI.
- The ELTI will have a 4-year vesting timeframe.
- Vesting criteria will include achievement of stretch FUM and Cost to Income ratio targets, non-financial measures including customer satisfaction, employee engagement and risk management, and an ongoing commitment to our ethical expression, ESG leadership and excellence.
- The ELTI will be implemented via issuance of performance rights to qualifying executives.
- No award will vest if targets are not attained. If the targets, which are consistent with the growth ambitions as described in the Directors report, are met or exceeded the Board may increase the ELTI to be awarded having regard to the overall performance of the company.

- No material structural change is proposed in the striking of fixed remuneration or annual Short-term Incentives (STI). Normal annual review of fixed remuneration to apply with reference to market comparisons.
- Introducing the addition of a deferred component paid in shares to any STI paid to Key Management Personnel (KMP's) above \$100,000 in any given year. A deferred component is already in place for the CEO and some of the Investment team.

In considering implementing a higher LTI opportunity, the Board has been cognisant of the remuneration philosophy remaining consistent with the Constitution and the Ethical Charter as set out in section 2 and ensuring that the structure of the new LTI closely aligns the interests of Executives with those of shareholders.

The weighting of new potential remuneration towards long-term and deferred incentives is consistent with the best practice governance principles signaled in the foreshadowed FAR and CPS 511 regulation.

4. Senior Leadership Team Remuneration Outcomes

Corporate performance

In considering the Company's short and long-term incentive payments, regard is had to the following measures:

	2017	2018	2019	2020	2021
Net Profit After Tax attributable to shareholders (\$'000)	2,920	4,998	6,465	9,457	11,261
Underlying Profit After Tax (UPAT) (\$'000) ¹	4,235	4,998	6,540	9,279	11,052
UPAT excluding performance fees	4,139	4,998	6,024	7,028	9,167
Diluted Earnings Per Share (cents per share)	2.62	4.46	5.84	8.42	10.02
Diluted Earnings Per Share (EPS) growth (3 years)	2.8%	35.2%	28.5%	47.3%	31.0%
Diluted EPS growth excluding performance fees (3 years)	1.6%	35.2%	25.3%	36.4%	23.2%
Share price at end of period (\$, restated for share split)	0.94	1.35	1.77	6.66	8.44
Dividends (cents per share, restated for share split)	2.60	4.00	5.00	5.00	7.00
Special performance fee dividend (cents per share) ²	–	–	–	1.00	1.00
Staff engagement scores	55%	78%	71%	86%	82%

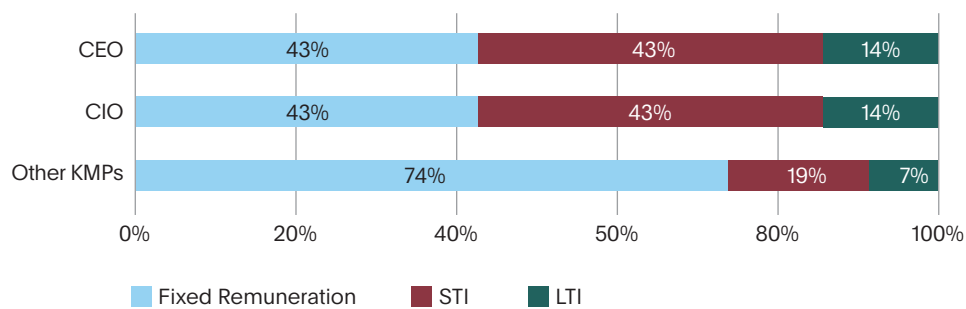
¹ Underlying Profit After Tax is a non-IFRS measure and is not audited

² The Special performance fee dividend is linked to the performance fee achieved on the Emerging Companies Fund outperformance in FY20 and FY21

Weighting of remuneration components

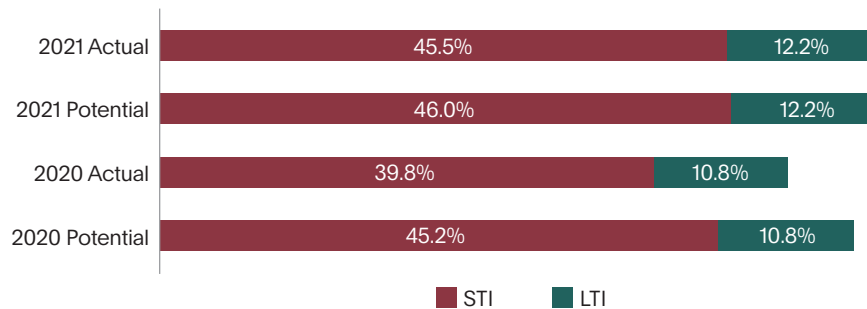
The following are the weightings of the various components of maximum remuneration for the CEO and target remuneration for the CIO and other SLT members.

Target Remuneration by Component



The below is the actual incentive pay received by the SLT, in aggregate, in relation to the maximum incentive pay they were entitled to. The percentages equate to the ratio of STI and LTI components against fixed salary

Potential vs Actual Incentive Pay by Component



The following two tables set out Senior Leadership Team remuneration.

- The table 'Senior Leadership Team Remuneration Outcomes – Statutory Basis' is aligned to the way the Company expenses the remuneration of the senior team under the accounting standards and the Corporations Act.
- The table 'Senior Leadership Team Remuneration Outcomes – Cash and Vesting Basis' shows amounts received by the senior leadership team in cash and shares vested during the financial year ended 30 June 2021.

The movement in the Senior Leadership Team remuneration outcomes (statutory basis) between FY2020 and FY2021 is explained in the following table:

Role	Explanation of movement
Chief Executive Officer (CEO)	The full year cost of the CEO has been recognised in the current year, whilst the prior year includes only 5 months of costs due to appointment part way through the prior year. The Interim CEO in prior year did not receive any incentives.
Chief Strategy & Innovation Officer (CSIO)	The new CSIO commenced on 13 July 2020. Amounts disclosed for the CSIO reflect the period of time in this role.
Chief Customer Officer (CCO)	The new CCO commenced on 20 July 2020. Amounts disclosed for the CCO reflect the period of time in this role.
Head of People & Culture (HP&C)	The People & Culture department reports to the CSIO. Amounts disclosed in the prior year for the HP&C include termination benefits following restructuring of the People & Culture department.
Other	Increase in some individual salaries in line with industry benchmarking to ensure reward remains competitive and fair.

Senior Leadership Team Remuneration Outcomes – Statutory Basis

The table below outlines senior leadership team remuneration as calculated in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amount expensed in the Company's financial statements for the particular year based on the balanced scorecard.

2021 financial year	Name	Title	Short Term Benefits		Post-Employment Benefits		Long Term Benefits			Short Term Incentives as a % of Fixed Remuneration	Variable Remuneration as a % of Total		
			Salary \$	Incentives - Cash ¹ \$	Super-annuation \$	Termination Benefits \$	Service Leave \$	Deferred Short Term Incentives - Equity ² \$	Long Term Incentives - Equity ³ \$			Total \$	
Current leadership team	J McMurdo	Managing Director & CEO	411,173	219,300 ⁴	21,694	-	7,369	23,532	65,572	748,640	56.1%	41.2%	
	M Enander (app 13 Jun 2020)	Chief Strategy & Innovation Officer	272,613	110,000	21,694	-	5,734	-	10,000	420,041	37.4%	28.6%	
	K Heng	Chief Operating Officer	299,835	110,000	21,694	-	6,446	-	27,762	465,737	34.2%	29.6%	
	K Hughes	Chief Risk Officer	265,206	58,000	21,694	-	6,442	-	29,592	380,934	20.2%	23.0%	
	M Loyez (app 20 Jul 2020)	Chief Customer Officer	290,889	100,000	21,694	-	6,089	-	10,240	428,912	32.0%	25.7%	
	D Macri	Chief Investment Officer	351,477	325,000	21,694	-	14,471	-	127,271	839,913	87.1%	53.8%	
	T May	General Counsel	255,139	40,000	21,694	-	10,985	-	28,375	356,193	14.4%	19.2%	
	S Palmer	Head of Ethics Research	290,541	60,000	21,694	-	9,301	-	32,217	413,753	19.2%	22.3%	
	M Simons	Chief Financial Officer	320,572	130,000	21,694	-	7,101	-	35,367	514,734	38.0%	32.1%	
	Total 2021		2,757,445	1,152,300	195,246	-	73,938	23,532	366,396	4,569,858	39.8%	33.8%	
	2020 financial year	Current management team											
		J McMurdo (app 10 Feb 2020) ⁵	Managing Director & CEO	153,564	70,597	14,577	-	2,803	-	-	241,541	42.0%	29.2%
K Heng		Chief Operating Officer	296,831	92,000	21,003	-	6,227	-	13,921	429,982	28.9%	24.6%	
F Horan (departing 9 Oct 2020) ⁷		Head of People & Culture	267,559	50,000	21,003	191,409	5,823	-	24,437	560,231	17.3%	13.3%	
K Hughes		Chief Risk Officer	262,331	50,000	21,003	-	5,898	-	27,333	366,565	17.6%	21.1%	
D Macri		Chief Investment Officer	347,914	320,000	21,003	-	12,645	-	113,145	814,707	86.7%	53.2%	
T May		General Counsel	281,647	35,000	21,003	-	10,531	-	24,201	372,382	11.6%	15.9%	
S Palmer		Head of Ethics Research	287,331	54,000	21,003	-	9,347	-	28,144	399,825	17.5%	20.5%	
M Simons		Chief Financial Officer	317,728	92,000	21,003	-	6,981	-	32,754	470,466	27.2%	26.5%	
Interim CEO													
S Gibbs (1 Sep 2019 to 9 Feb 2020) ⁵		Acting Managing Director & CEO	162,365	-	14,922	-	-	-	-	177,287	-	-	-
Departed management													
A Lowbridge (dep 30 Jun 2020) ⁶	Chief Customer Officer	275,529	50,000	21,003	51,422	5,618	-	-	52,451	456,023	16.9%	22.5%	
P Vernon (dep 31 Aug 2019) ⁵	Managing Director & CEO	50,664	-	21,003	-	-	-	-	71,667	-	-	-	
Total 2020		2,703,463	813,597	218,526	242,831	65,873	-	316,386	4,360,676	27.8%	25.9%		

¹ The Short-term Incentive (STI) expense is the amount accrued for performance during the respective financial year using agreed KPI's. The 2021 amounts were approved by the PRN.
² The Deferred Short-term incentive (DSTI) expense for 2021 includes the current year expense impact of deferred shares in the 2019-20 grant. The cost of shares is fixed at the time of grant and expensed over a three-year period with the shares vesting 1/3 each year.

³ The Long-term incentive (LTI) expense for 2021 includes the relevant 2021 expense impact of each of the 2018-19, 2019-20 and 2020-21 grants under the long-term incentive plan. The cost of shares is fixed at time of grant and expensed over a three-year period using an annual probability assessment of the hurdles being met. The 2018-19 tranche will vest at an individual level in September 2021. The CEO was awarded 100% of his maximum incentive by the Board. The maximum incentive is 100% of his fixed salary at 30 June 2021. 50% of this award is paid in cash and the remaining 50% is paid in deferred shares over each of the next 3 years, with first vest in September 2021.

⁵ On 10 February 2020, John McMurdo was appointed CEO, replacing Steve Gibbs as Interim CEO from 1 September 2019 to 9 February 2020 and Phil Vernon who resigned as CEO on 31 August 2019. Amounts disclosed in the above table represents remuneration for the period of time Mr Gibbs was Interim CEO. His remuneration earned during the year in his role as Chairman and non-executive board member are disclosed in section 5. Non-Executive Director Arrangements section of this report.

⁶ Allyson Lowbridge ceased employment on 30 June 2020. The termination payment includes payout for remaining notice period to 4 September 2020.
⁷ The role of Head of People & Culture was restructured at 30 June 2020. The Head of People & Culture departed on 9 October 2020. The termination payment includes contractual redundancy provisions, payout for remaining notice period and other statutory payments including long-service entitlements.

Senior Leadership Team Remuneration Outcomes – Cash and Vesting Basis (non-IFRS, audited)

The table below reflects actual benefits received by each KMP during the reporting period including prior year bonus paid in cash in the current year and the value of shares vested under the LTI deferred shares program three years previously.

Name	Title	Short Term Benefits			Post-Employment Benefits			Long Term Benefits			Performance Related %
		Salary ¹ \$	Cash Bonus \$	Super-annuation ¹ \$	Termination Benefits \$	Service Leave \$	Long Term Incentives - Cash \$	Long Term Incentives - Equity ² \$	Total \$		
2021 financial year											
Current leadership team											
J McMurdo	Managing Director & CEO	412,942	70,597	21,694	-	7,369	-	-	512,602	13.8%	
M Enander (app 13 July 2020)	Chief Strategy & Innovation Officer	272,812	-	21,694	-	5,734	-	-	300,240	0.0%	
K Heng	Chief Operating Officer	301,454	92,000	21,694	-	6,446	-	-	421,594	21.8%	
K Hughes	Chief Risk Officer	267,615	50,000	21,694	-	6,442	-	150,004	495,755	40.3%	
M Loyez (app 20 Jul 2020)	Chief Customer Officer	291,093	-	21,694	-	6,089	-	-	318,876	0.0%	
D Macri	Chief Investment Officer	361,848	320,000	21,694	-	14,471	-	613,523	1,331,536	70.1%	
T May	General Counsel	257,433	35,000	21,694	-	10,985	-	122,238	447,350	35.1%	
S Palmer	Head of Ethics Research	293,165	54,000	21,694	-	9,301	-	147,432	525,592	38.3%	
M Simons	Chief Financial Officer	323,450	92,000	21,694	-	7,101	-	191,289	635,534	44.6%	
Total 2021		2,781,812	713,597	195,246	-	73,938	-	1,224,486	4,989,079		
2020 financial year											
Current management team											
J McMurdo (app 10 Feb 2020)	Managing Director & CEO	153,564	-	14,577	-	2,803	-	-	170,944	0.0%	
K Heng	Chief Operating Officer	297,372	39,359	21,003	-	6,227	-	-	363,961	10.8%	
F Horan (departing 9 Oct 2020)	Head of People & Culture	269,935	51,579	21,003	-	5,823	-	-	348,340	14.8%	
K Hughes	Chief Risk Officer	265,687	49,008	21,003	-	5,898	-	-	341,596	14.3%	
D Macri	Chief Investment Officer	366,006	308,520	21,003	-	12,645	-	318,617	1,026,791	61.1%	
T May	General Counsel	284,492	45,604	21,003	-	10,531	-	69,190	430,820	26.6%	
S Palmer	Head of Ethics Research	290,683	54,120	21,003	-	9,347	-	62,784	437,937	26.7%	
M Simons	Chief Financial Officer	321,753	91,185	21,003	-	6,981	-	-	440,922	20.7%	
S Gibbs (1 Sept 2019 to 9 Feb 2020)	Acting Managing Director & CEO	162,365	-	14,922	-	-	-	-	177,287	0.0%	
Departed management											
A Lowbridge (dep 30 Jun 2020)	Chief Customer Officer	282,311	59,444	21,003	-	5,618	-	99,301	467,677	33.9%	
P Vernon (dep 31/08/2019)	Managing Director & CEO	50,664	349,831	21,003	-	-	140,000	332,284	893,782	76.3%	
Total 2020		2,744,832	1,048,650	218,526	-	65,873	140,000	882,176	5,100,057		

¹ Fixed remuneration – includes base salary, payments made to superannuation funds and dividend income on unvested shares.

² Long term incentives 2021 – the market value of vested shares during the financial year relating to deferred shares granted in September 2017. 100% of these shares vested as the performance criteria was fully achieved. The market value on the vesting date was \$4.67 (price at grant was \$0.89 (converted, post December 2018 share split)).

³ Long-term incentives 2020 – the market value of vested shares during the financial year relating to deferred shares granted in September 2016. 100% of these shares vested as the performance criteria was fully achieved. The market value on the vesting date was \$2.18 (price at grant was \$0.68 (converted, post December 2018 share split)).

Unvested and Ordinary Shares

The movement during the reporting period in the number of unvested shares and ordinary shares in the Company, held directly, or beneficially, by each key management person, including their related parties is outlined in the table below.

Name	Grant Date	Vesting Date	Share Price at Grant Date	Balance at 1 July 2020	No. of shares granted	No. of shares forfeited/ expired	No. of shares vested	No. of shares sold	Balance at 30 June 2021
Managing Director & CEO									
J McMurdo									
Unvested	1-Sep-20	1-Sep-21	4.5316	-	5,193	-	-	-	5,193
Unvested	1-Sep-20	1-Sep-22	4.5316	-	5,193	-	-	-	5,193
Unvested	1-Sep-20	1-Sep-23	4.5316	-	48,602	-	-	-	48,602
Ordinary shares				-	-	-	-	-	-
Total				-	58,988	-	-	-	58,988
Current management									
M Enander									
Unvested	1-Sep-20	1-Sep-23	4.5316	-	6,620	-	-	-	6,620
Ordinary shares				-	-	-	-	-	-
Total				-	6,620	-	-	-	6,620
K Heng									
Unvested	1-Sep-19	1-Sep-22	2.1500	21,653	-	-	-	-	21,653
Unvested	1-Sep-20	1-Sep-23	4.5316	-	7,048	-	-	-	7,048
Ordinary shares				-	-	-	-	-	-
Total				21,653	7,048	-	-	-	28,701
K Hughes									
Unvested	1-Sep-17	1-Sep-20	0.8873	34,100	-	-	(34,100)	-	-
Unvested	1-Sep-18	1-Sep-21	1.3175	20,900	-	-	-	-	20,900
Unvested	1-Sep-19	1-Sep-22	2.1500	13,256	6,289	-	-	-	13,256
Unvested	1-Sep-20	1-Sep-23	4.5316	-	-	-	-	(34,100)	6,289
Ordinary shares				-	-	-	34,100	-	-
Total				68,256	6,289	-	-	(34,100)	40,445
M Loyez									
Unvested	1-Sep-20	1-Sep-23	4.5316	-	6,779	-	-	-	6,779
Ordinary shares				-	-	-	-	-	-
Total				-	6,779	-	-	-	6,779
D Macri									
Unvested	1-Sep-17	1-Sep-20	0.8873	131,500	-	-	(131,500)	-	-
Unvested	1-Sep-18	1-Sep-21	1.3175	90,200	-	-	-	-	90,200
Unvested	1-Sep-19	1-Sep-22	2.1500	56,898	26,995	-	-	-	56,898
Unvested	1-Sep-20	1-Sep-23	4.5316	-	-	-	-	131,500	26,995
Ordinary shares				75,286	-	-	-	(29,865)	176,921
Total				353,884	26,995	-	-	(29,865)	351,014
T May									
Unvested	1-Sep-17	1-Sep-20	0.8873	26,200	-	-	(26,200)	-	-
Unvested	1-Sep-18	1-Sep-21	1.3175	19,700	-	-	-	-	19,700
Unvested	1-Sep-19	1-Sep-22	2.1500	12,791	6,068	-	-	-	12,791
Unvested	1-Sep-20	1-Sep-23	4.5316	-	-	-	-	-	6,068
Ordinary shares				-	-	-	26,200	(8)	26,192
Total				58,691	6,068	-	-	(8)	64,751
S Palmer									
Unvested	1-Sep-17	1-Sep-20	0.8873	31,600	-	-	(31,600)	-	-
Unvested	1-Sep-18	1-Sep-21	1.3175	22,800	-	-	-	-	22,800
Unvested	1-Sep-19	1-Sep-22	2.1500	14,419	6,841	-	-	-	14,419
Unvested	1-Sep-20	1-Sep-23	4.5316	-	-	-	-	-	6,841
Ordinary shares				19,600	-	-	31,600	(51,200)	-
Total				88,419	6,841	-	-	(51,200)	44,060
M Simons									
Unvested	1-Sep-17	1-Sep-20	0.8873	41,000	-	-	(41,000)	-	-
Unvested	1-Sep-18	1-Sep-21	1.3175	25,000	-	-	-	-	25,000
Unvested	1-Sep-19	1-Sep-22	2.1500	15,814	-	-	-	-	15,814
Unvested	1-Sep-20	1-Sep-23	4.5316	-	7,503	-	-	-	7,503
Ordinary shares				-	-	-	41,000	-	41,000
Total				81,814	7,503	-	-	-	89,317

Contract terms

All KMP's have formal contracts of employment and are permanent employees with a 12-week notice period.

The Managing Director & CEO remuneration structure for FY22 is outlined below:

Salary	Term	Notice period	STI	LTI	Malus Provision
Fixed salary from 1 September 2021 is \$500,000 inclusive of superannuation	No fixed term	6 months, however, could be terminated without notice due to negligence in carrying out responsibilities, dishonesty, breaching Company policies or criminal activity.	Target STI of 75% of fixed remuneration with a maximum STI of 2 times the target, based on a balanced scorecard of KPIs, specific objectives and Board discretion. Of the amount payable each year, 50% shall be paid in cash and 50% shall be deferred in the form of Company shares vesting as follows – one third one year after grant date, one third two years after grant date and one third three years after grant date.	Employee share plan – reducing from 33% to 10% of fixed remuneration effective 1 July 2021. The shares are subject to the rules and terms of the Employee Share Plan. Executive LTI – performance rights at 50% of fixed remuneration and eligible to increase subject to achieving stretch hurdles to match the Company's growth targets (outlined in section 3).	The Board has the discretion to reduce or cancel any STI or LTI for: <ul style="list-style-type: none"> • Fraudulent or dishonest conduct; • Material misstatements or omission in the financial statements; or • Circumstances occur that the Board determines to have resulted in unfair or inappropriate benefit

5. Non-Executive Director Arrangements

In addition to fixed remuneration, Non-Executive Directors ('NEDs') are entitled to be paid reasonable expenses, remuneration for additional services and superannuation contributions. Non-executive Directors are not eligible to participate in employee incentive plans and the Chairman of Australian Ethical Superannuation Ltd (AES) does not receive any additional fees for chairing this Board.

The director fee pool available for payment to NEDs of the Company is approved by shareholders. The maximum annual aggregate pool for directors' remuneration is \$675,000, which was approved at the AGM in October 2019. A review of NEDs' remuneration is undertaken annually by the Company Board, taking into account recommendations from the PRN.

All NEDs are directors of Australian Ethical Investment Limited (AEI), Australian Ethical Superannuation Pty Ltd, Australian Ethical Foundation Limited (the Foundation) and members of each Board's Audit, Risk and Compliance Committee ('ARC') and the PRN, with the exception of Ms Orr who sits on the Board of AEI, the Foundation, and AEI's PRN and ARC only. All NEDs also sit on the Board of AEI's Investment Committee. AEI's Product Disclosure Statements ('PDS') Committee comprises Mr Gibbs and Mr Monaghan, and AES's Insurance Benefits Committee comprises Mr Gibbs and Ms Greenhill.

The following table sets out the agreed remuneration for Non-Executive Directors by position for a full year, with effect from 1 December 2019 and have remained unchanged since this date. Non-executive directors do not receive performance-related pay and are not provided with retirement benefits apart from statutory superannuation.

From 1 December 2019	AEI \$	AES \$	The Foundation \$
Base fees			
Chair	87,241	29,288	-
Other non-executive directors	49,885	29,288	-
Additional fees			
ARC – chair	16,337	16,337	-
ARC – member	9,335	9,335	-
Investment Committee (IC) – chair	15,000	-	-
Investment Committee (IC) – member	10,000	-	-
PDS Committee – chair	2,060	-	-
PDS Committee – member	2,060	-	-
Insurance Benefits Committee (IBC) – chair	-	3,090	-
Insurance Benefits Committee (IBC) – member	-	3,090	-
PRN – chair	-	-	-
PRN – member	-	-	-

Non-Executive Directors remuneration

The table below outlines non-Executive reward as calculated in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amount expended in the Company's financial statements.

Name	Short Term Benefits		Post-Employment Benefits		Long Term Benefits		Total \$
	Fees and Leave \$	Cash Bonus \$	Super \$	Termination Benefits \$	Long Service Leave \$	Long Term Incentives – Equity \$	
2021							
S Gibbs	139,012	–	13,044	–	–	–	152,056
K Greenhill	116,449	–	11,063	–	–	–	127,512
M Bun	98,722	–	9,379	–	–	–	108,101
M Monaghan	104,934	–	9,969	–	–	–	114,903
J Orr ²	63,215	–	6,005	–	–	–	69,220
Total	522,332	–	49,460	–	–	–	571,792
2020							
S Gibbs ¹	67,349	–	6,287	–	–	–	73,636
K Greenhill	106,261	–	10,095	–	–	–	116,356
M Bun	96,415	–	9,159	–	–	–	105,574
M Monaghan	114,209	–	10,850	–	–	–	125,059
J Orr ²	59,472	–	5,650	–	–	–	65,122
Total	443,706	–	42,041	–	–	–	485,747

¹ S Gibbs did not receive remuneration as a director during his period of time as Acting Managing Director and CEO. His remuneration during this period appears in the Senior Leadership Remunerations tables above. Mr Gibbs resumed as Chair on 10 February 2020.

² J Orr is a director of AEI Limited and a member of AEI's PRN, ARC and Investment committee. She is not a director of AES Pty Limited.

Shares owned by Non-Executive Directors

Name	Purchase date	Balance at 1 July 2020	No. of shares purchased	No. of shares sold	Balance at 30 June 2021
Non-Executive Directors					
M Bun					
AEF Ordinary shares	13-Nov-17	57,000	–	–	57,000
Total		57,000	–	–	57,000

6. Governance

The Role of the People, Remuneration and Nominations Committee (PRN)

The role of the PRN is to help the Board fulfil its responsibilities to shareholders through a strong focus on governance and in particular, the principles of accountability and transparency. The PRN operates under delegated authority from the Board.

The terms of reference include oversight of remuneration as well as executive development, talent management and succession planning.

The PRN members for the financial year ended 30 June 2021 were:

- Steve Gibbs (Chair);
- Mara Bun;
- Kate Greenhill;
- Michael Monaghan; and
- Julie Orr

The PRN met seven times during the year. Attendance at these meetings is set out in the Directors' Report. At the PRN's invitation, the Managing Director, Chief Strategy & Innovation Officer and Head of People & Culture attended all meetings except where matters were associated with their own performance evaluation, development and remuneration were to be considered. The PRN considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration consultants.

Annually, an assessment is made on the eligibility for vesting of deferred shares issued under the Long-Term Incentive Employee Share Plan for which all AEI employees participate in.

Malus Provisions

The Board has the discretion to reduce or forfeit awards where:

- the participant has acted fraudulently or dishonestly or is in breach of their obligations to the Company;
- the Company becomes aware of material misstatement or omission in the financial statements of the Company; or
- circumstances occur that the Board determines to have resulted in unfair or inappropriate benefit to the recipient.

CEO and SLT Performance

The CEO is responsible for reviewing the performance of SLT and determining whether their performance requirements were met. In addition, the CEO has oversight of all employees' performance appraisals. Both quantitative and qualitative data is used to determine whether performance criteria are achieved.

An annual assessment of the CEO is completed by the Chairman and is overseen by the Board, with input from the PRN. The review includes measurement of performance against agreed KPI's and Company performance. The PRN also has oversight of SLT performance.

Hedging Policy

SLT participating in the Company's equity-based plans are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Trading Restrictions and Windows

All directors and employees are constrained from trading the Company's shares during "blackout periods". These periods occur between the end of the half year and two days after the release of the half-year results, and between the end of the full year and two days after the release of the full year results. In addition, where potential price sensitive information is known and not required to be disclosed to the the market, the directors and relevant employees are constrained from trading the Company's shares.

The Directors report, incorporating the Remuneration report, is signed in accordance with a resolution of the Board of Directors.



STEVE GIBBS

Chair

People, Remuneration & Nominations Committee

25 August 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Ethical Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Ethical Investment Limited for the financial year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten-style signature of the KPMG logo.

KPMG

A handwritten signature in cursive script that reads 'Karen Hopkins'.

Karen Hopkins
Partner

Sydney
25 August 2021

Statements of comprehensive income

For the year ended 30 June 2021

	Note	Consolidated		Parent	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue					
Operating revenue	5	58,711	49,902	49,175	45,394
Other income	6	399	–	100	–
Total revenue		59,110	49,902	49,275	45,394
Non-operating gains					
Gain on disposal of investment property held for sale		–	178	–	178
Expenses					
Operating expenses					
Employee benefits	7	(18,767)	(18,191)	(18,331)	(17,893)
Fund related	8	(9,840)	(7,568)	(3,261)	(2,368)
Marketing	9	(4,951)	(4,169)	(4,951)	(4,169)
IT expenses	10	(3,263)	(1,794)	(2,648)	(1,787)
External services	11	(2,335)	(1,721)	(2,057)	(1,131)
Community grants expense	12	(1,750)	(1,291)	(1,619)	(1,300)
Depreciation – property, plant & equipment	13	(554)	(453)	(554)	(453)
Depreciation – right of use assets	13	(615)	(445)	(615)	(445)
Other operating expenses	14	(1,224)	(959)	(946)	(794)
Occupancy	15	(258)	(366)	(258)	(366)
Finance costs	16	(57)	(58)	(57)	(58)
Total operating expenses		(43,614)	(37,015)	(35,297)	(30,764)
Profit before income tax expense		15,496	13,065	13,978	14,808
Income tax expense	17	(4,378)	(3,608)	(3,376)	(2,978)
Net Profit for the year		11,118	9,457	10,602	11,830
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gain/(Loss) on revaluation of investments		8	(3)	–	–
Other comprehensive income for the year, net of tax		8	(3)	–	–
Total comprehensive income for the year¹		11,126	9,454	10,602	11,830
		Cents	Cents		
Basic earnings per share	41	10.06	8.62		
Diluted earnings per share	41	9.90	8.42		

¹ Comprehensive income includes the results of The Foundation (refer to Note 43)

The above statements of comprehensive income should be read in conjunction with the accompanying notes

Statements of financial position

As at 30 June 2021

	Note	Consolidated		Parent	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets					
Current assets					
Cash and cash equivalents	18	27,813	21,427	23,143	18,516
Trade and other receivables	19	4,217	4,771	6,300	6,210
Prepayments		909	1,172	740	1,020
Right-of-use assets	20	626	450	626	450
Other receivables	21	465	–	465	–
Total current assets		34,030	27,820	31,274	26,196
Non-current assets					
Deferred tax	17	2,900	2,134	2,617	2,052
Property, plant and equipment	22	1,219	1,938	1,219	1,938
Right-of-use assets	20	672	847	672	847
Term deposit	23	504	504	504	504
Other receivables		–	440	–	440
Investments in subsidiary	24	–	–	316	316
Financial assets through other comprehensive income	25	141	133	2	2
Total non-current assets		5,436	5,996	5,330	6,099
Total assets		39,466	33,816	36,604	32,295
Liabilities					
Current liabilities					
Trade and other payables	26	7,250	6,113	5,988	5,632
Employee benefits	27	4,593	3,849	4,537	3,831
Income tax	17	1,364	852	1,364	852
Lease liabilities	20	740	529	740	529
Total current liabilities		13,947	11,343	12,629	10,844
Non-current liabilities					
Lease liabilities	20	834	1,112	834	1,112
Trade and other payables	28	218	273	218	271
Provisions	29	252	246	252	246
Deferred tax	17	35	25	35	25
Total non-current liabilities		1,339	1,656	1,339	1,654
Total liabilities		15,286	12,999	13,968	12,498
Net assets		24,180	20,817	22,636	19,797
Equity					
Issued capital	30	10,676	11,191	10,676	11,191
Reserves	31	1,034	784	1,033	791
Retained profits		12,470	8,842	10,927	7,815
Total equity		24,180	20,817	22,636	19,797

The above statements of financial position should be read in conjunction with the accompanying notes

Statements of changes in equity

For the year ended 30 June 2021

	Issued capital \$'000	Share-based payment reserve \$'000	FVOCI ¹ reserve \$'000	Retained profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2019	10,634	792	(4)	5,592	17,014
Adjustment arising from transition to AASB 16	-	-	-	(35)	(35)
Balance at 1 July 2019 – restated	10,634	792	(4)	5,557	16,979
Profit after income tax expense for the year	-	-	-	9,457	9,457
Other comprehensive income for the year, net of tax	-	-	-	(3)	(3)
Total comprehensive income for the year	-	-	-	9,454	9,454
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	-	-	-	(6,172)	(6,172)
Shares vested under deferred shares plan during the year	557	(557)	-	-	-
Employee share plan – deferred shares	-	1,188	-	-	1,188
Employee share plan – shares purchased on-market	-	(632)	-	-	(632)
Revaluation of investments	-	-	(3)	3	-
Balance at 30 June 2020	11,191	791	(7)	8,842	20,817

	Issued capital \$'000	Share-based payment reserve \$'000	FVOCI ¹ reserve \$'000	Retained profits \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2020	11,191	791	(7)	8,842	20,817
Adjustment arising from IFRIC guidance on AASB 138	-	-	-	(185)	(185)
Balance at 1 July 2020 – restated	11,191	791	(7)	8,657	20,632
Profit after income tax expense for the year	-	-	-	11,118	11,118
Other comprehensive income for the year, net of tax	-	-	-	8	8
Total comprehensive income for the year	-	-	-	11,126	11,126
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	-	-	-	(7,305)	(7,305)
Shares vested under deferred shares plan during the year	1,120	(1,120)	-	-	-
Employee share plan – deferred shares	-	1,362	-	-	1,362
Employee share plan – shares purchased on-market	(1,635)	-	-	-	(1,635)
Revaluation of investments	-	-	8	(8)	-
Balance at 30 June 2021	10,676	1,033	1	12,470	24,180

¹ Fair value through other comprehensive income (FVOCI)

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of changes in equity

For the year ended 30 June 2021

	Issued capital \$'000	Share-based payment reserve \$'000	Retained profits \$'000	Total equity \$'000
Parent				
Balance at 1 July 2019	10,634	792	2,192	13,618
Adjustment arising from transition to AASB 16	–	–	(35)	(35)
Balance at 1 July 2019 – restated	10,634	792	2,157	13,583
Profit after income tax expense for the year	–	–	11,830	11,830
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	11,830	11,830
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	–	–	(6,172)	(6,172)
Shares vested under deferred shares plan during the year	557	(557)	–	–
Employee share plan – deferred shares	–	1,188	–	1,188
Employee share plan – shares purchased on-market	–	(632)	–	(632)
Balance at 30 June 2020	11,191	791	7,815	19,797
Parent				
	Issued capital \$'000	Share-based payment reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	11,191	791	7,815	19,797
Adjustment arising from IFRIC guidance on AASB 138	–	–	(185)	(185)
Balance at 1 July 2020 – restated	11,191	791	7,630	19,612
Profit after income tax expense for the year	–	–	10,602	10,602
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	10,602	10,602
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	–	–	(7,305)	(7,305)
Shares vested under deferred shares plan during the year	1,120	(1,120)	–	–
Employee share plan – deferred shares	–	1,362	–	1,362
Employee share plan – shares purchased on-market	(1,635)	–	–	(1,635)
Balance at 30 June 2021	10,676	1,033	10,927	22,636

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of cash flows

For the year ended 30 June 2021

	Note	Consolidated		Parent	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash flows from operating activities					
Receipts from customers		59,199	47,202	47,301	36,177
Payments to suppliers and employees		(38,561)	(34,169)	(32,575)	(26,800)
		20,638	13,033	14,726	9,377
Payments for strategic investments in insourcing the members' contact centre and building the CRM		(689)	-	(357)	-
Rental income received		-	118	-	118
Interest received		59	179	54	152
Community grants paid		(1,321)	(840)	(1,400)	(937)
Net proceeds from insurance settlement		299	-	-	-
Government grant income		100	-	100	-
Income taxes paid		(3,583)	(3,639)	(1,100)	(2,421)
Net cash from operating activities	40	15,503	8,851	12,023	6,289
Cash flows from investing activities					
Net proceeds from sale of investment property held for sale		-	1,437	-	1,437
Payments for property, plant and equipment	22	(92)	(764)	(92)	(764)
Payment for purchase of SVA unit trusts		-	(60)	-	-
Purchase of investment in August Investment Pty Limited		(28)	-	(28)	-
Dividends received from subsidiary		-	-	1,721	4,016
Net cash from investing activities		(120)	613	1,601	4,689
Cash flows from financing activities					
Purchase of employee's deferred shares		(1,635)	(632)	(1,635)	(632)
Dividends paid	32	(7,305)	(6,172)	(7,305)	(6,172)
Interest on lease liabilities		(57)	(58)	(57)	(58)
Net cash used in financing activities		(8,997)	(6,862)	(8,997)	(6,862)
Net increase in cash and cash equivalents		6,386	2,602	4,627	4,116
Cash and cash equivalents at the beginning of the financial year		21,427	18,825	18,516	14,400
Cash and cash equivalents at the end of the financial year	18	27,813	21,427	23,143	18,516

The above statements of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

NOTE 1. ABOUT THIS REPORT

The financial report covers the consolidated entity of Australian Ethical Investment Limited, the ultimate parent entity, and its wholly owned subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and Australian Ethical Investment Limited as an individual parent entity. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. Australian Ethical Investment Limited is a listed public company limited by shares (ASX: AEF) and both the parent and wholly owned entities are incorporated and domiciled in Australia.

The Group is a for-profit entity for the purposes of preparing financial statements.

The Group's registered office is at Level 8, 130 Pitt Street, Sydney NSW 2000.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2021. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the accruals basis and are based on historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets at fair value through other comprehensive income, and financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

These financial statements include the results of both the parent entity and the Group in accordance with Class Order 10/654, issued by the Australian Securities and Investments Commission.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Ethical Investments Limited ('Company' or 'Parent Entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These include:

- Annual improvements to IFRS 2015-2017 Cycle
- International Financial Reporting Interpretations Committee ('IFRIC') Guidance on AASB 138 Intangible Assets

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

Income tax & deferred tax assets/liabilities – refer to Note 17

The Group is subject to income taxes in the jurisdictions in which it operates. Estimation is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation of useful lives of assets – refer to Note 22

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets based on the available information at balance date. The useful lives could change in future periods as a result of technical innovations, planned use and benefits or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Operating lease term – Note 20

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances. The group has considered its current lease term for the Pitt St office, and there are no changes as a result of COVID-19.

Employee benefits provision – refer to Note 27 and Note 28

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision – refer to Note 29

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Share-based payment transactions – refer to Note 42

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. At the date the shares are granted the fair value is determined as the on-market purchase price if the shares are purchased or a 90-day VWAP price if the shares are issued. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities but will impact profit or loss and equity.

NOTE 4. BUSINESS SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group comprises of one main operating segment being Funds Management.

NOTE 5. REVENUE

Operating revenue	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2021 \$'000
Management fees	43,185	33,916	37,870	29,385
Performance fees	2,895	3,640	2,895	3,640
Administration fees (net of Operational Risk Financial Reserve contributions)	8,431	8,825	6,638	8,089
Member fees (net of rebates)	4,144	3,230	–	–
Interest income	56	166	51	139
Rental income	–	125	–	125
Dividends	–	–	1,721	4,016
Revenue	58,711	49,902	49,175	45,394

Recognition and measurement

Management, administration and member fees

Fee revenue is earned from provision of funds management services to customers outside the Group. Fee revenue is measured based on the consideration specified in the eight Managed Funds and Australian Ethical Retail Superannuation Fund ('AERSF') Product Disclosure Statement ('PDS'). The Group recognises revenue as the services are provided.

The superannuation administration fee charged to the members of AERSF was reduced from 0.41% to 0.29% on 1 April 2020. The administration fee entitlement in accordance with the Product Disclosure Statement ('PDS') is net of \$787k (2020: \$504k) paid directly to the Operational Risk Financial Reserve ('ORFR') of the superannuation fund.

For the parent entity, administration fees received from the Australian Ethical Superannuation Pty Limited ('AES') subsidiary is a FUM based fee.

Performance fees

Performance fees in relation to the Emerging Companies Fund are dependent on fund performance per PDS and are recognised when it is highly probable that performance hurdles have been achieved and a reversal is unlikely.

Interest income

Interest revenue is recognised as interest accrues using the effective interest method.

Rental income

Rental income in the prior year is recognised using the straight-line method over the term of the lease.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

NOTE 6. OTHER INCOME

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Government grant income	100	-	100	-
Net proceeds from insurance settlement	299	-	-	-
	399	-	100	-

The Group was not eligible for and did not receive any JobKeeper payments from the Federal Government. However, the Group was eligible for and received a grant of \$100,000 under 'Boosting Cash Flow for Employers' which was part of the Australian government's COVID-19 support program for employing entities. This grant was received by all entities with aggregate FY20 revenue of less than \$50m. The Group donated the entire grant income to The Foundation which in turn donated the funds to Pollinate Group. The Pollinate Group, which has been heavily impacted by COVID-19 in recent times, works in India and Nepal, supporting women entrepreneurs to deliver solar lights and clean energy cookstoves to communities. Refer to Note 43 for additional details on The Foundations charitable activities.

During the year, the Parent Entity settled the insurance claim in respect of the unit pricing matter first disclosed in the 30 June 2017 annual report for \$525,000. These proceeds were, in turn, paid to its subsidiary, Australian Ethical Superannuation Pty Limited in settlement of a claim the subsidiary had lodged with the Company in relation to the same unit pricing matter. The subsidiary paid \$225,885 of the proceeds to the Operational Risk Financial Reserve of the Australian Ethical Retail Superannuation Fund to return the amount originally paid from reserve.

NOTE 7. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Employee remuneration	17,777	17,412	17,515	17,259
Directors fees	570	484	400	341
Other employment costs	420	295	416	293
	18,767	18,191	18,331	17,893

Recognition and measurement

Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, on vesting of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date.

In the prior year, Steve Gibbs did not receive remuneration as a director during the period of time he was Acting Managing Director and CEO.

NOTE 8. FUND RELATED

During the prior year, the Company outsourced the investment management and general ledger record-keeping to NAB Asset Servicing, effective 1 May 2020. This included the calculation of unit prices for the managed funds, tax calculations for distributions and preparation of monthly accounting reconciliations. Whilst the outsourcing results in an increase in administration fees, this is partially offset by reduction in employment costs following the implementation.

Administration fees includes implementation of the redesign of our insurance offering within the super fund of \$400k.

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Administration and custody fees	7,790	6,275	2,176	1,325
Licence, ratings and platform fees	907	918	730	754
Regulatory & industry body fees	393	306	244	220
Ethical research	79	69	79	69
Regulatory projects	671	–	32	–
	9,840	7,568	3,261	2,368

Regulatory projects relates to the cost of upgrading systems and processes to ensure compliance with new regulatory requirements in the superannuation industry including implementing RG271 (Internal Dispute Resolution), RG97 (Disclosing Fees and Costs in PDSs and Period Statements) and ATO superannuation streamlining projects (SuperStream and SuperMatch). In the prior year, these costs were paid by the Administrator in accordance with a three-year regulatory project holiday.

Recognition and measurement

Expenses are recognised at the fair value of the consideration paid or payable for services rendered.

NOTE 9. MARKETING

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Distribution costs	2,333	1,941	2,333	1,941
Brand awareness	1,196	1,005	1,196	1,005
Other	1,422	1,223	1,422	1,223
	4,951	4,169	4,951	4,169

Other marketing costs include events, market content and media agency fees.

NOTE 10. IT EXPENSES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Front office IT systems	1,311	919	1,230	912
Support systems, infrastructure and security	1,011	753	1,011	753
Strategic projects	941	122	407	122
	3,263	1,794	2,648	1,787

Strategic projects represent investment in the technology platforms including internalising the superannuation members' contact centre, building the CRM and implementing improvements to member engagement channels and member statements. The cost of building the contact centre and the CRM were expensed under the accounting requirements for cloud-computing.

NOTE 11. EXTERNAL SERVICES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Internal & external audit and tax services	736	870	529	674
Consultants	1,018	362	950	30
Legal services	299	261	299	199
Other	282	228	279	228
	2,335	1,721	2,057	1,131

Consultants includes advisory services in relation to strategic projects delivered during the year. These initiatives included a GS007 project, strategy & innovation initiatives, and new product development.

NOTE 12. COMMUNITY GRANTS EXPENSE

The Group's constitution states that the Directors before recommending or declaring any dividend to be paid out of the profits of any one year must have first:

- paid or provisioned for payment to current employees, or other persons performing work for the Group, a work related bonus or incentive payment, set at the discretion of the directors, but to be no more than 30% of what the profit for that year would have been had the bonus or incentive payment not been deducted.
- gifted or provisioned for gifting an amount equivalent to 10% of what the profit for that year would have been had the above mentioned bonus and amount gifted not been deducted.

Community grants amounting to \$1,607,000 (2020: \$1,300,000) have been expensed and gifted to The Foundation. Of this amount, \$100,000 has already been paid to the Foundation and donated to support COVID-19 relief efforts during the year. An additional \$143,000 from the Foundation's corpus has been entirely provided for in the current year to supplement strategic, community and innovation grants.

NOTE 13. DEPRECIATION AND AMORTISATION

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Depreciation of property, plant and equipment	459	395	459	395
Amortisation of intangible asset – CMS & website	95	58	95	58
Total	554	453	554	453
Depreciation of right-of-use asset – Sydney office lease	580	421	580	421
Depreciation of right-of-use asset – IT infrastructure	35	24	35	24
Total	615	445	615	445
	1,169	898	1,169	898

Refer to Note 22 for additional information on depreciation and amortisation.

NOTE 14. OTHER OPERATING EXPENSES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Insurance	509	337	252	179
Travel	170	220	170	220
ASX listing fees and registry costs	276	128	276	128
Printing and subscriptions	111	127	90	120
Other	158	147	158	147
	1,224	959	946	794

NOTE 15. OCCUPANCY

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Occupancy costs in relation to Sydney office	258	276	258	276
Occupancy costs in relation to investment property held for sale	–	90	–	90
	258	366	258	366

NOTE 15. OCCUPANCY (CONTINUED)

Included in occupancy costs are outgoings including cleaning services, utilities and repairs & maintenance costs. The lease on the Sydney office is recorded in accordance with AASB 16 from 1 July 2019, and as such rent expense is included in depreciation of the right-of-use asset. Refer to Note 13 and Note 22.

NOTE 16. FINANCE COSTS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Interest on lease liabilities	57	58	57	58

NOTE 17. INCOME TAX

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Income tax expense				
Current tax	5,426	3,896	4,211	3,257
Deferred tax asset – origination and reversal of temporary differences	(766)	(304)	(565)	(290)
Adjustment recognised for prior periods	–	(32)	–	(32)
Deferred tax liability – reversal of temporary differences	10	(25)	10	(25)
Adjustment due to change in income tax rate	(292)	108	(280)	103
Deferred tax adjustment on transition to AASB 16	–	(35)	–	(35)
Aggregate income tax expense	4,378	3,608	3,376	2,978
Deferred tax included in income tax expense comprises:				
Increase in deferred tax assets	(766)	(329)	(565)	(315)
Increase in deferred tax liabilities	10	25	10	25
Deferred tax – origination and reversal of temporary differences	(756)	(304)	(555)	(290)
Numerical reconciliation of income tax expense and tax at the statutory rate				
Profit before income tax expense	15,639	13,065	13,979	14,808
Tax at the statutory tax rate of 30% (2020: 27.5%)	4,692	3,593	4,194	4,072
Tax effect amounts which are not deductible/ (taxable) in calculating taxable income:				
Non-taxable intercompany dividends from Australian Ethical Superannuation Pty Limited (AES)	–	–	(516)	(1,104)
Other non-taxable items	(22)	(26)	(22)	(26)
Adjustment due to change in income tax rate	(292)	108	(280)	103
Deferred tax adjustment on transition to AASB 16	–	(35)	–	(35)
	4,378	3,640	3,376	3,010
Adjustment recognised for prior periods	–	(32)	–	(32)
Income tax expense	4,378	3,608	3,376	2,978

NOTE 17. INCOME TAX (CONTINUED)

The applicable weighted average effective tax rate for the consolidated group is 28.0% (2020: 27.6%) and for the parent entity is 24.2% (2020: 20.1%). The effective tax rate for the consolidated group excluding The Foundation is 28.0% (2020: 27.6%).

The parent entity effective tax rate is lower than the consolidated group due to the receipt of fully franked intercompany dividends from its subsidiary, Australian Ethical Superannuation Pty Limited.

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax asset				
Deferred tax asset comprises temporary differences attributable to:				
Employee benefits	892	678	881	675
Accruals	210	125	134	87
Community grants	456	338	456	338
Provision for employee leave	551	405	545	402
Provision for lease make-good	76	74	76	74
Other payables	633	414	442	376
Lease liabilities	82	100	83	100
Deferred tax asset	2,900	2,134	2,617	2,052
Movements:				
Opening balance	2,134	1,805	2,052	1,737
Charged to profit or loss	766	329	565	315
Closing balance	2,900	2,134	2,617	2,052
	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax liability				
Deferred tax liability comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Property, plant and equipment	35	25	35	25
Deferred tax liability	35	25	35	25
Movements:				
Opening balance	25	-	25	-
Charged to profit or loss	10	25	10	25
Closing balance	35	25	35	25
	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Provision for income tax	1,364	852	1,364	852

NOTE 17. INCOME TAX (CONTINUED)

Recognition and measurement

Tax expense comprises of current and deferred tax recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. These are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. The carry forward values of deferred tax assets and liabilities have been adjusted to reflect applicable future corporate tax rates.

Australian Ethical Investment Limited and its wholly owned subsidiary, Australian Ethical Superannuation Pty Limited, have formed an income tax consolidated Group under the Tax Consolidation System. Australian Ethical Investment Limited is responsible for recognising the current tax assets and liabilities for the tax consolidated Group.

The tax consolidated group has a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax consolidated group.

Under the tax sharing agreement, Australian Ethical Superannuation Pty Limited agrees to pay its share of the income tax payable to Australian Ethical Investment Limited on the same day that Australian Ethical Investment Limited pays the Australian Taxation Office for group tax liabilities. The tax liability for the subsidiary entities is recognised through intercompany payable or receivable.

NOTE 18. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at bank	197	159	191	153
Term deposits	5,600	5,300	5,000	5,000
Deposits at call	22,016	15,968	17,952	13,363
	27,813	21,427	23,143	18,516

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Deposits at call earn interest at a higher rate than cash at bank which are low interest earning transactional accounts.

NOTE 19. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables	1,322	1,131	727	475
Receivable from subsidiary	–	–	2,678	2,095
Performance fee receivable	2,895	3,640	2,895	3,640
	4,217	4,771	6,300	6,210

Recognition and measurement

Trade receivables are initially recognised when they are originated and are measured at the transaction price. Subsequently, trade receivables are measured at amortised cost.

Specific consideration has been given to the impact of COVID-19 on the ability of customers to pay their debts when assessing the recoverability of trade receivables. Expected credit losses on trade and other receivables are estimated to be nil as there are currently no past due receivables as at 30 June 2021 (2020: nil) and management have not identified any additional concerns regarding collectability of the receivables. The performance fees were received on 7 July 2021.

NOTE 20. LEASES

Operating leases relate to leases of office premises, a lease for printing and copying equipment for the office, and a lease over IT hardware and infrastructure.

The group entered a long-term operating lease for its Sydney office for a period of 7 years on 1 July 2016. The Group does not have an option to purchase the premises at the expiry of the lease period. A bank guarantee of \$504,000 has been provided by the Group to the property owners over the rental of building premises at 130 Pitt Street, Sydney. A right-of-use asset and a lease liability have been recognised in the Statement of Financial Position in relation to this lease including the remaining unamortised lease incentive.

The Group renewed its lease commitment with Harbour IT for the provision of IT hardware, software and support in April 2021 for a period of 3 years. A right-of-use asset and a lease liability have been recognised in the Statement of Financial Position in relation to this lease.

The Group entered a new lease for printing and copying equipment for the office in February 2021 for a period of 5 years. A right-of-use asset and a lease liability have been recognised in the Statement of Finance Position in relation to this lease.

Consolidated & Parent	Office premises \$'000	IT hardware & infrastructure \$'000	Total \$'000
Right-of-use assets			
Balance at 1 July 2019	1,682	–	1,682
Additions	–	60	60
Depreciation	(421)	(24)	(445)
Balance at 30 June 2021	1,261	36	1,297
Comprising of:			
Current	421	29	450
Non-current	840	7	847
	1,261	36	1,297

NOTE 20. LEASES (CONTINUED)

Consolidated & Parent	Office premises \$'000	IT hardware & infrastructure \$'000	Total \$'000
Right-of-use assets			
Balance at 1 July 2020	1,261	36	1,297
Additions	479	137	616
Depreciation	(580)	(35)	(615)
Balance at 30 June 2021	1,160	138	1,298
Comprising of:			
Current	580	46	626
Non-current	580	92	672
	1,160	138	1,298
	Consolidated	Parent	
	2021	2020	2021
	\$'000	\$'000	\$'000
	2021	2020	2021
	\$'000	\$'000	\$'000
Amounts recognised in profit or loss			
Interest on lease liabilities	57	58	57
Expenses relating to leases of low-value assets and variable lease components	559	406	559
	Consolidated	Parent	
	2021	2020	2021
	\$'000	\$'000	\$'000
	2021	2020	2021
	\$'000	\$'000	\$'000
Amounts recognised in statement of cash flows			
Total cash outflow for leases	740	569	740

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 20. LEASES (CONTINUED)

Consolidated & Parent	Office building \$'000	IT hardware & infrastructure \$'000	Total \$'000
Lease liabilities			
Balance at 1 July 2019	2,091	–	2,091
Additions	–	60	60
Payments	(541)	(27)	(568)
Interest on lease liabilities	57	1	58
Balance at 30 June 2020	1,607	34	1,641
Comprising of:			
Current	500	29	529
Non-current	1,107	5	1,112
	1,607	34	1,641
Balance at 1 July 2020	1,607	34	1,641
Additions	477	139	616
Payments	(705)	(35)	(740)
Interest on lease liabilities	56	1	57
Balance at 30 June 2021	1,435	139	1,574
Comprising of:			
Current	694	46	740
Non-current	741	93	834
	1,435	139	1,574

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a market review; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 21. CURRENT ASSETS – OTHER RECEIVABLE

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Other receivable	465	–	465	–

The balance relates to the discounted present value of the receivable on settlement of the fourth unit within the Canberra Property (Trevor Pearcey House) sold in June 2020. The property is due to settle in June 2022 and the value represents the sale price less disposal and holding costs.

NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Leasehold improvements – at cost	2,294	2,286	2,294	2,286
Less: Accumulated depreciation	(1,531)	(1,146)	(1,531)	(1,146)
	763	1,140	763	1,140
Plant and equipment – at cost	309	234	309	234
Less: Accumulated depreciation	(187)	(121)	(187)	(121)
	122	113	122	113
Platform development – at cost	477	685	477	685
Less: Accumulated depreciation	(143)	–	(143)	–
	334	685	334	685
	1,219	1,938	1,219	1,938

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Platform development \$'000	Total \$'000
Balance at 1 July 2019	1,364	76	313	1,753
Additions	234	100	430	764
Reclassified to Right of use assets on transition to AASB 16	(127)	–	–	(127)
Depreciation expense	(331)	(63)	–	(394)
Amortisation expense	–	–	(58)	(58)
Balance at 30 June 2020	1,140	113	685	1,938
Net adjustment to write down intangible assets under IFRIC guidance on AASB 138	–	–	(256)	(256)
Restated balance at 1 July 2020	1,140	113	429	1,682
Additions	8	84	–	92
Disposals	–	(1)	–	(1)
Depreciation expense	(385)	(74)	–	(459)
Amortisation expense	–	–	(95)	(95)
Balance at 30 June 2021	763	122	334	1,219

NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the 2019 financial year, AEI initiated a strategic project to internally develop a new Integrated Customer Experience Platform (the Platform) comprising web-based marketing automation, web CMS, data warehouse, and an integrated client relationship management (CRM) system. The project was aimed at enriching customer experiences by personalising the website to dynamically deliver relevant, engaging and inspiring content, and improve customer retention and attract new customers. Costs in relation to the development of this platform were capitalised as an intangible asset and to be depreciated over its useful life. However in accordance with the IFRIC guidance on AASB 138 cloud-based software development is to expensed as incurred. Accordingly, the costs in relation to the data warehouse and CRM are no longer capitalised as an intangible asset.

Recognition and measurement

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually to ensure that it is not in excess of the recoverable amount. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation and amortisation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives. The estimated useful lives for current and comparative periods are as follows:

Leasehold improvements	the lesser of unexpired lease term or useful life, 2-7 years
Plant and equipment	2-7 years
Platform development	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

NOTE 23. NON-CURRENT ASSETS – TERM DEPOSIT

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Long term deposit	504	504	504	504

The long term deposit is held with National Australia Bank on a rolling 6-month term as security for a bank guarantee over the Company's Sydney office property lease. The intention is that the deposit will be held for the term of the lease.

NOTE 24. NON-CURRENT ASSETS – INVESTMENTS IN SUBSIDIARY

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment in Australian Ethical Superannuation Pty Limited (as trustee of the Australian Ethical Retail Superannuation Fund)	-	-	316	316

NOTE 25. NON-CURRENT ASSETS – FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

The Foundation holds an investment in the Social Ventures Australia (SVA)'s Diversified Impact Fund (DIF) unit trust, in line with the Australian Ethical Charter and the Objectives of the Foundation.

SVA is a social purpose organisation that works with partners to improve the lives of people in need. They offer funding, investment and advice services to social impact organisations. The Foundation has committed to an overall investment of \$200,000 in the SVA DIF, of which \$140,000 has been called. The investment is revalued to fair value based on the Net Asset Value (NAV) unit price.

The Group also purchased nominal holdings of shares in listed entities that the Group would not normally invest in, in order to advocate change in these companies as a shareholder.

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment in Social Impact programs	139	131	-	-
Listed shares in Advocacy program	2	2	2	2
	141	133	2	2

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	133	76	2	2
Additions	-	60	-	-
Revaluation increments/(decrements)	8	(3)	-	-
Closing fair value	141	133	2	2

Refer to Note 34 for further information on fair value measurement.

Recognition and measurement

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Unlisted unit trusts acquired by the Group's Foundation; and
- Equity securities acquired by the Group for advocacy purposes, which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considered this classification to be more relevant.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

NOTE 26. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables and accruals	5,590	4,882	4,464	2,858
Payable to subsidiary	–	–	5	1,474
Community grant payable	1,660	1,231	1,519	1,300
	7,250	6,113	5,988	5,632

Refer to Note 33 for further information on financial instruments.

Recognition and measurement

Trade payables and accruals represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of an invoice being rendered.

NOTE 27. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Annual leave	842	752	829	744
Long service leave	777	492	770	492
Employee benefits	2,974	2,605	2,938	2,595
	4,593	3,849	4,537	3,831

Recognition and measurement

Employee benefit provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Liabilities for wages and salaries, including employee short term incentive compensation, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees.

NOTE 28. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Long service leave	218	273	218	271

Recognition and measurement

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

NOTE 29. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Lease make-good	252	246	252	246

Recognition and measurement

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with maturity of the lease. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision due to exceeding the carrying amount of the asset will be recognised in profit or loss.

NOTE 30. EQUITY – ISSUED CAPITAL

	Consolidated			
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Ordinary shares – fully paid	112,387,138	112,387,138	10,676	11,191

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	112,387,138		11,191
Vesting of deferred shares in the Employee Share Trust (43,466 shares)	17 August 2020	–	\$1.32	57
Vesting of deferred shares in the Employee Share Trust (14,768 shares)	17 August 2020	–	\$2.15	32
Vesting of deferred shares in the Employee Share Trust (109,800 shares)	17 August 2020	–	\$0.88	97
Vesting of deferred shares in the Employee Share Trust (893,900 shares)	1 September 2020	–	\$0.88	793
Vesting of deferred shares in the Employee Share Trust (34,473 shares)	7 September 2020	–	\$1.32	46
Purchase of deferred shares in the Employee share plan – on-market	7 September to 6 October 2020	–	\$4.53	(1,635)
Vesting of deferred shares in the Employee Share Trust (21,935 shares)	22 February 2021	–	\$1.32	29
Vesting of deferred shares in the Employee Share Trust (12,310 shares)	22 February 2021	–	\$2.15	27
Vesting of deferred shares in the Employee Share Trust (1,494 shares)	22 February 2021	–	\$4.53	7
Vesting of deferred shares in the Employee Share Trust (2,627 shares)	3 March 2021	–	\$1.32	3
Vesting of deferred shares in the Employee Share Trust (13,419 shares)	3 March 2021	–	\$2.15	29
Balance	30 June 2021	112,387,138		10,676

NOTE 30. EQUITY – ISSUED CAPITAL (CONTINUED)

On 1 September 2020, 893,000 shares that were granted to employees on 1 September 2017 vested to employees as the performance hurdle had been met. On 17 August and 7 September 2020 and 22 February and 3 March 2021, additional shares were vested to employees impacted by staff restructuring in proportion to the period of employment.

From 1 September 2020, the Company changed its approach to measuring deferred shares from 90-day VWAP price to the price at which the shares were purchased on-market. At the same time, the Company changed its accounting policy to recognise these share purchases as a reduction in Issued Capital as opposed to through the Share-based payment reserve.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote, including deferred shares.

Recognition and measurement

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The capital risk management policy remained unchanged during the year.

(i) Regulatory capital requirements

In connection with operating a funds management business in Australia, the Parent entity is required to hold an Australian Financial Services Licence (AFSL). As a holder of an AFSL, the Australian Securities & Investments Commission (ASIC) requires the Company to:

- prepare 12-month cash-flow projections which must be approved at least quarterly by Directors, and reviewed annually by auditors;
- hold at all times minimum Net Tangible Assets (NTA) the greater of:
 - (a) \$150,000;
 - (b) 0.5% of the average value of scheme property (capped at \$5m); or
 - (c) 10% of the historical 3-year average responsible entity revenue (uncapped).

The Company must hold at least 50% of its minimum NTA required as cash or cash equivalents and hold at least \$50,000 in Surplus Liquid Funds (SLF).

The Company has complied with these requirements at all times during the year.

(ii) Dividend policy

Dividends paid to shareholders are typically in the range of 80-100% of the Group's net profit after tax attributable to shareholders, which is in line with the historical dividend range paid to shareholders. In certain circumstances, the Board may declare a dividend outside that range. Refer also to Note 12 which discusses the provisioning of staff incentive payments and community grants prior to recommending or declaring a dividend under the Group's constitution.

NOTE 31. EQUITY – RESERVES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Share-based payment reserve	1,033	791	1,033	791
Fair value through other comprehensive income ('FVOCI') reserve	1	(7)	-	-
	1,034	784	1,033	791

Share-based payment reserve

This reserve relates to shares granted by the Group to its employees under its share-based payment arrangement. Further information about share-based payments to employees is set out in Note 42.

Financial assets at FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity financial instruments in OCI (refer to Note 2). These include listed shares held in the advocacy program and investment in the SVA unit trusts held by The Foundation. These changes are accumulated within the FVOCI reserve within Equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share-based payment reserve \$'000	FVOCI reserve \$'000	Total \$'000
Consolidated			
Balance at 30 June 2019	792	(4)	788
Shares vested under deferred share plan during the year	(557)	-	(557)
Employee share plan – shares purchased on market	(632)	-	(632)
Employee share plan – deferred shares	1,188	-	1,188
Revaluation of investments	-	(3)	(3)
Balance at 30 June 2020	791	(7)	784
Shares vested under deferred share plan during the year	(1,120)	-	(1,120)
Employee share plan – deferred shares	1,362	-	1,362
Revaluation of investments	-	8	8
Balance at 30 June 2021	1,033	1	1,034
Parent			
Balance at 30 June 2019	792	-	792
Shares vested under deferred share plan during the year	(557)	-	(557)
Employee share plan – shares purchased on market	(632)	-	(632)
Employee share plan – deferred shares	1,188	-	1,188
Balance at 30 June 2020	791	-	791
Shares vested under deferred share plan during the year	(1,120)	-	(1,120)
Employee share plan – deferred shares	1,362	-	1,362
Balance at 30 June 2021	1,033	-	1,033

NOTE 32. EQUITY – DIVIDENDS

Dividends

Dividends paid during the financial year were as follows:

	2021 \$'000	2020 \$'000
Final dividend for the year ended 30 June 2020 of 2.50 cents (2019: 3.00 cents) per ordinary share – fully franked	2,810	3,362
Special performance dividend for the year ended 30 June 2020 of 1.00 cents (2019: nil) per ordinary share	1,124	
Interim dividend for the year ended 30 June 2021 of 3.00 cents (2020: 2.50 cents) per ordinary share – fully franked	3,371	2,810
	7,305	6,172

Since year end the Directors have declared a final dividend of 4.00 cents per fully paid ordinary share (2020: 2.50 cents) and special performance fee dividend of 1.00 cents per fully paid ordinary share (2020: 1.00 cents). The aggregate amount of the declared dividend expected to be paid on 16 September 2021 out of profits for the year ended 30 June 2021, but not recognised as a liability at year end, is \$5,619,000 (2020: \$3,934,000). All dividends paid during the year were fully franked based on tax paid at 27.5%. The final dividend to be paid in September 2021 will be fully franked at 30.0%.

Franking credits

Dividends paid during the financial year were as follows:

	2021 \$'000	2020 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 26%)	5,982	6,662

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NOTE 33. FINANCIAL INSTRUMENTS

Financial risk management objectives and framework

The Group's activities expose it to a variety of financial risks, including market risk arising from Funds under Management, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not have a material exposure to currency and interest rate risk.

The Group recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Chief Risk Officer is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Audit, Risk & Compliance

NOTE 33. FINANCIAL INSTRUMENTS (CONTINUED)

Committee (ARC). The Board regularly monitors the overall risk profile of the Group and sets the risk appetite, usually in conjunction with the annual strategy and planning process.

The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ARC. One of the main functions of the Committee is to identify emerging risks and determine treatment and monitoring of emerging and current risks. In addition, the Committee is responsible for seeking assurances from management that the systems and policies in place to assist the Group to meet and monitor its risk management responsibilities contain appropriate, up-to-date content and are being maintained. The Group is complying with its licences, and there is a structure, methodology and timetable in place for monitoring material service providers.

The following discussion relates to financial risks the Group is exposed to.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Exposure

The Group's revenue is dependent on Funds Under Management (FUM) which is influenced by equity market movements. Management calculates that a 10% movement in FUM linked to equity markets would change annualised revenue by approximately \$4,593,000 (2020: \$3,173,000).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is predominantly exposed to credit risk on its deposits with banks and financial institutions. The Group manages this risk by holding cash and cash equivalents at financial institutions with S&P's rating of 'A' or higher. The maximum exposure of the Group to credit risk on financial assets which have been recognised on the Consolidated Statements of Financial Position is the carrying amount of cash and cash equivalents. For all financial instruments other than those measured at fair value their carrying value approximates fair value.

All trade and other receivables are short term in nature and are not past due or impaired.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents).

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a twelve month rolling forecast of liquid assets, cash flows and balance sheet are reviewed by the Board quarterly to ensure there is sufficient liquidity within the Group.

Remaining contractual maturities

The following tables detail the Group's and Company's remaining contractual maturity for its financial instrument liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTE 33. FINANCIAL INSTRUMENTS (CONTINUED)

	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated – 2021					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	10,926	–	–	–	10,926
Income tax payable	1,364	–	–	–	1,364
Total non-derivatives	12,290	–	–	–	12,290
Consolidated – 2020					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	9,469	–	–	–	9,469
Income tax payable	852	–	–	–	852
Total non-derivatives	10,321	–	–	–	10,321
Parent – 2021					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	9,757	–	–	–	9,757
Income tax payable	1,364	–	–	–	1,364
Total non-derivatives	11,121	–	–	–	11,121
Parent – 2020					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	7,497	–	–	–	7,497
Income tax payable	2,326	–	–	–	2,326
Total non-derivatives	9,823	–	–	–	9,823

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 34. FAIR VALUE MEASUREMENT

Recognition and measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

The following tables detail the group's assets measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, referenced to the current fair value of a substantially similar other instrument or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2021				
<i>Financial assets measured at fair value</i>				
Investments	2	139	–	141
Total assets	2	139	–	141
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2020				
<i>Financial assets measured at fair value</i>				
Investments	2	131	–	133
Total assets	2	131	–	133

NOTE 34. FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Parent – 2021				
<i>Financial assets measured at fair value</i>				
Investments	2	–	–	2
Total assets	2	–	–	2

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Parent – 2020				
<i>Financial assets measured at fair value</i>				
Investments	2	–	–	2
Total assets	2	–	–	2

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the financial year.

NOTE 35. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated		Parent	
	2021 \$	2020 \$	2021 \$	2020 \$
Short-term employee benefits	4,432,079	3,960,767	4,276,365	3,830,608
Post-employment benefits	244,708	503,395	229,915	491,030
Long-term benefits	73,937	65,873	73,937	65,873
Share-based payments	389,926	316,385	389,926	316,385
	5,140,651	4,846,420	4,970,144	4,703,896

Information regarding key management personnel's remuneration and shares held in Australian Ethical Investment Limited is provided in the Remuneration Report.

NOTE 36. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company, and its network firms:

	Consolidated		Parent	
	2021 \$	2020 \$	2021 \$	2020 \$
Audit services – KPMG				
Audit or review of the financial statements	88,884	94,600	63,735	69,700
Other services – KPMG				
Audit services in accordance with regulatory requirements	42,312	41,893	42,312	41,893
Assurance services in relation to the Sustainability Report	25,624	25,625	25,625	25,625
Tax compliance and advisory services	69,664	88,091	45,920	52,347
Other consulting advice	40,632	90,425	40,632	90,425
	178,232	246,034	154,489	210,290
	267,116	340,634	218,224	279,990
Audit Services for the non-consolidated trusts and superannuation fund* – KPMG				
Audit and review of managed funds for which the Company acts as Responsible Entity	149,127	147,651	149,127	147,651
Audit of superannuation fund for which the subsidiary entity acts as Responsible Superannuation Entity	35,199	34,850	–	–
Audit services in accordance with regulatory requirements	65,330	58,088	–	–
	249,656	240,589	149,127	147,651
Total remuneration of KPMG	516,772	581,223	367,351	427,641

* These fees are incurred by the Company and are effectively recovered from the funds via administration or management fees.

The Board considered the non-audit services provided by the auditor and is satisfied that the provision of the non-audit services is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

NOTE 37. COMMITMENTS

The group entered a long-term operating lease for its Sydney office for a period of 7 years on 1 July 2016. The Group does not have an option to purchase the premises at the expiry of the lease period. A bank guarantee of \$504,000 has been provided by the Group to the property owners over the rental of building premises at 130 Pitt Street, Sydney. A right-of-use asset and lease liability has been recognised in the Statement of Financial Position in relation to this lease.

The Group renewed its lease commitment with Harbour IT for the provision of IT hardware, software and support for a further period of 2 years on 1 April 2021. A right-of-use asset and lease liability has been recognised in the Statement of Financial Position in relation to this lease arrangement.

NOTE 38. RELATED PARTY TRANSACTIONS

Parent entity

Australian Ethical Investments Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 39.

KMP remuneration

Disclosures relating to key management personnel are set out in Note 35 and the remuneration report included in the Directors' report.

Other related parties

Australian Ethical Superannuation Pty Limited (AES) acts as trustee for Australian Ethical Retail Superannuation Fund (AERSF).

Australian Ethical Investment Limited (AEI) acts as the responsible entity for the following Australian Ethical Trusts (AETs):

- Australian Ethical Australian Shares Fund
- Australian Ethical Diversified Shares Fund
- Australian Ethical Income Fund
- Australian Ethical Fixed Interest Fund
- Australian Ethical International Shares Fund
- Australian Ethical Advocacy Fund
- Australian Ethical Emerging Companies Fund
- Australian Ethical Balanced Fund

The Funds listed above are considered structured entities that have not been consolidated by the Group, as the Group does not have control over these entities. The table below sets out the transactions that occurred during the year between the Group and these entities.

Australian Ethical Employee Share Trusts (EST) acts as trustee for the employee deferred share plan. Pacific Custodian Pty Limited acts as trustee to the trust.

On 17 December 2020, the Parent entity acquired 100% ownership of August Investment Pty Limited for \$27,501. This acquisition prevents the brand being acquired by a third party. As the entity owned no other assets or liabilities, the investment was recognised as goodwill and amortised to nil after the acquisition was completed.

NOTE 38. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2021 \$	2020 \$	2021 \$	2020 \$
Receipts from Australian Ethical Superannuation Pty Limited:				
Receipts from Australian Ethical Superannuation Pty Limited:				
Administration fees	-	-	6,637,628	8,089,092
Investment management fees	-	-	20,645,569	16,077,545
Transactions between the parent and subsidiary entities under tax consolidation and related tax sharing agreement	-	-	1,001,705	629,991
Dividends from the subsidiary	-	-	1,721,210	4,016,158
Director fees reimbursed by the subsidiary	-	-	-	55,142
Receipt from the Australian Ethical Trusts:				
Provision of investment management services to the AETs as identified above in accordance with the Constitution and PDS	15,897,398	12,267,475	15,897,398	12,267,475
Performance fee	2,894,953	3,639,560	2,894,953	3,639,560
Receipts from Australian Ethical Retail Superannuation Fund:				
Provision of investment management / administration services to AERSF	34,391,528	29,433,651	-	-
Provision of member administration services to AERSF	4,143,696	3,230,066	-	-
Payments to Australian Ethical Foundation Limited:				
Community grants paid to The Foundation	-	-	1,299,759	936,756
Government grant paid to The Foundation			100,000	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2021 \$	2020 \$	2021 \$	2020 \$
Current receivables:				
Amounts receivable from the AETs	307,096	173,280	307,096	173,280
Amounts receivable from the AETs – performance fee	2,894,953	3,639,560	2,894,953	3,639,560
Amounts receivable from AES	-	-	1,397,761	2,094,721
Amounts receivable from AERSF	594,026	655,622	-	-
Current payables:				
Amounts payable to AES			(5,275)	(1,474,088)
Amounts payable to The Foundation	-	-	(1,519,353)	(1,299,759)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 39. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Australian Ethical Superannuation Pty Limited (AES) – Trustee of the Australian Ethical Retail Superannuation Fund (AERSF)	Level 8, 130 Pitt Street Sydney NSW 2000 Australia	100%	100%
Australian Ethical Foundation Limited	Level 8, 130 Pitt Street Sydney NSW 2000 Australia	100%	100%
August Investment Pty Limited	Level 8, 130 Pitt Street Sydney NSW 2000 Australia	100%	–

Australian Ethical Foundation Limited (The Foundation) was established for the purpose of being a vehicle for the disbursement of profits that are subject to Clause 15.1(c)(ii) of the Parent entity's constitution which requires a portion of profits to be provided for charitable, benevolent or conservation purposes. The creation of The Foundation allows for flexibility when allocating money, to manage multi-year strategic and community grants and for the creation of a corpus for long-term impact investing in worthwhile causes and organisations.

All income received and net assets including cash of The Foundation are restricted to activities of the Foundation and are not available for distribution to AEI's shareholders or to settle liabilities of other group entities. Refer to Note 43 for further details about the Foundation's activities.

NOTE 40. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit after income tax expense for the year	11,118	9,457	10,602	11,830
Adjustments for:				
Depreciation and amortisation	1,169	898	1,169	898
Non-cash employee benefits expense - deferred shares	1,157	1,134	1,157	1,134
Reclassification of PPE from investing activities	(253)	–	(253)	–
Gain on disposal of investment property held for sale	–	(178)	–	(178)
Dividend received from subsidiary	–	–	(1,721)	(4,016)
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	554	(2,396)	(90)	(4,335)
Increase in lease assets	(1)	(1,297)	(1)	(1,297)
(Increase)/Decrease in prepayments	263	(725)	280	(681)
Increase in deferred tax assets	(766)	(329)	(565)	(316)
(Increase) in other in current receivable	(25)	–	(25)	–
(Increase) in other non-current receivable	–	(440)	–	(440)
Increase in trade and other payables	1,137	769	356	1,752
Increase/(Decrease) in lease liabilities	(67)	1,641	(67)	1,641
Increase in employee benefits	689	242	653	222
Increase in other provisions	6	6	6	6
Increase in current tax liability	512	44	512	44
Increase in deferred tax liability	10	25	10	25
Net cash from operating activities	15,503	8,851	12,023	6,289

NOTE 41. EARNINGS PER SHARE

	Consolidated	
	2021 \$'000	2020 \$'000
Profit after income tax attributable to the owners of Australian Ethical Investment Limited and its Controlled Entities	11,118	9,457
	Cents	Cents
Basic earnings per share	10.06	8.62
Diluted earnings per share	9.90	8.42
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	110,485,465	109,725,643
Adjustments for calculation of diluted earnings per share:		
Deferred shares	1,857,910	2,577,353
Weighted average number of ordinary shares used in calculating diluted earnings per share	112,343,375	112,302,996

Recognition and measurement

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Ethical Investment Limited and its Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration, which relate to deferred shares issued as part of the Company's long term employee benefits.

NOTE 42. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed as at 30 June 2021.

Deferred Shares

Under the employee long term employee share plan, participants are granted shares subject to meeting specified performance criteria over the performance period. The number of shares that the participant receives is determined at the time of grant with the shares being held in trust. These shares are issued for nil consideration with the shares having voting rights and employees receive dividends over the vesting period. For certain employees a portion of their short term incentive is also paid in deferred shares which vest subject to meeting service conditions. Refer to the Remuneration Report for further details of these employee incentive plans.

In the current year, \$1,635,000 (2020: \$633,000) was paid to purchase deferred shares granted to employees. The Board continues to retain discretion to issue new shares if required.

Included under employee benefits expense in the Consolidated Statement of Comprehensive Income is \$1,054,000 (2020: \$1,071,000) relating to the deferred shares granted under the long term employee share plan, and \$163,000 (2020: \$64,000) relating to the deferred portion of the short term incentive plan.

As at 30 June 2021, the Employee Share Trust holds 1,808,695 shares (30 June 2020: 2,596,158 shares) on behalf of employees until vesting conditions are met.

NOTE 42. SHARE-BASED PAYMENTS (CONTINUED)

2021						
Grant date	Vesting date	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
01/09/2017	31/08/2020	1,003,700	-	(1,003,700)	-	-
01/09/2018	31/08/2021	837,365	-	(102,500)	(4,665)	730,200
01/09/2019	31/08/2022	695,380	-	(40,497)	(18,645)	636,238
01/09/2020	31/08/2023	-	418,610	(1,494)	(10,420)	406,696
		2,536,445	418,610	(1,148,191)	(33,730)	1,773,134
Unallocated treasury shares						35,561
Total deferred shares in the Employee Share Trust						1,808,695
2020						
Grant date	Vesting date	Balance at the start of the year	Granted	Vested	Forfeited	Balance at the end of the year
01/09/2016	31/08/2019	747,300	-	(747,300)	-	-
03/01/2017	30/11/2019	46,500	-	(46,500)	-	-
01/09/2017	31/08/2020	1,004,900	28,500	(4,050)	(25,650)	1,003,700
01/09/2018	31/08/2021	880,100	-	(1,875)	(40,860)	837,365
01/09/2019	31/08/2022	-	727,346	-	(31,966)	695,380
		2,678,800	755,846	(799,725)	(98,476)	2,536,445
Unallocated treasury shares						59,713
Total deferred shares in the Employee Share Trust						2,596,158

Recognition and measurement

Equity-settled transactions are awards of shares that are provided to employees in exchange for the rendering of services.

The grant-date fair value of equity-settled transactions are recognised as an employee expense over the vesting period with a corresponding increase in Share based payment reserve. Upon vesting, the employees become unconditionally entitled to the awards and the shares are transferred from the Share based payment reserve to Contributed equity.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related performance and service conditions are expected to be met at the vesting date.

NOTE 43. RESULTS OF THE FOUNDATION

All income received and net assets including cash of The Foundation are restricted to The Foundation's activities and are not available for distribution to AEI's shareholders or to settle liabilities of other Group entities.

As at and for the year ended 30 June 2021, the impact of The Foundation before intercompany eliminations is noted below:

	2021 \$'000	2020 \$'000
Statement of comprehensive income		
Revenue from parent entity	1,619	1,300
Interest income	3	5
Community grants expense	(1,750)	(1,291)
Audit fees and other operating expenses	(15)	(14)
Profit for the year	(143)	-
Other comprehensive income		
Fair value adjustment of investment	6	(3)
Total comprehensive income for the year	(137)	(3)
	2021 \$'000	2020 \$'000
Statement of financial position		
<i>Assets:</i>		
Cash and cash equivalents	534	468
Receivables from parent entity	1,519	1,300
Other receivables	1	-
Financial assets at fair value through profit or loss	139	133
<i>Liabilities:</i>		
Payables	(1,674)	(1,245)
Net assets	519	656
<i>Equity:</i>		
Retained earnings	520	663
FVOCI reserve	(1)	(7)
Total Equity	519	656

NOTE 44. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in Note 32, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years. Management have considered the impact of the ongoing COVID-19 pandemic in Australia and assessed there are no changes required to the financial statements subsequent to the end of the financial year.

Directors' declaration

IN THE DIRECTORS' OPINION:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's and Group's financial position as at 30 June 2021 and of their performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



JOHN MCMURDO

Managing Director and Chief Executive Officer
25 August 2021
Sydney



Independent Auditor's Report

To the shareholders of Australian Ethical Investment Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Australian Ethical Investment Limited (the Group Financial Report). We have also audited the Financial Report of Australian Ethical Investment Limited (the Company Financial Report)

In our opinion, each of the accompanying Group Financial Report and Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** and the **Company's** financial position as at 30 June 2021 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2021;
- Statements comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declarations.

The **Group** consists of Australian Ethical Investment Limited (the **Company**) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The **Key Audit Matter** we identified is:

- Management, Performance and Administration fees.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audits of the Financial Reports of the current period.

These matters were addressed in the context of our audit of the Financial Reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management Fees – (\$43.2m), Performance Fees – (\$2.9m) and Administration fees (\$8.4m) – Group and Company

Refer to Note 5 to the Group Financial Report and Company Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Management, Performance and Administration fees were a key audit matter due to the:</p> <ul style="list-style-type: none"> • individual fee arrangements in place for each of the managed funds and the Australian Ethical Retail Superannuation Fund (the superannuation fund) which necessitated considerable audit effort; and • significance of the revenue to the Group and Company, constituting 93% and 96% of total revenue, respectively. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We read and understood the individual Management, Performance and Administration fee arrangements in the Product Disclosure Statements ("PDS") of each of the funds and the superannuation fund; • We performed a recalculation of Management, Performance and Administration fees charged using the fee percentages and funds under management, obtained from each of the Product Disclosure Statements and underlying fund financial records respectively. We compared the independently calculated fee revenue to those of the Group and Company and investigated significant differences; • We assessed funds under management ("FUM") by: <ul style="list-style-type: none"> - testing key controls over the input of valuation data into the Group's system such as daily price movement checks performed by management; - checking the data output of the Group's system by selecting a sample of balances and comparing to source documentation; - checking the quantity of assets held to external custodian service provider reports at balance date; and - using valuation specialists, we tested the fair value of a sample of investments by comparing the value to market data such as global and domestic equity prices. • We read and understood the Management and Administration fee arrangements in the Investment Management and Trustee Service Agreements between the Company and its subsidiary, Australian Ethical Superannuation Limited (AES); and



	<ul style="list-style-type: none">• We performed a recalculation of the Management and Administration fee between the Company and AES using the fee percentages obtained from the Investment Management and Trustee Service Agreements and the FUM. We compared the independently calculated fee revenue to the fee revenue recorded by the Company and investigated significant differences.
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Other Information

Other Information is financial and non-financial information in Australian Ethical Investment Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. Message from the CEO, Message from the Chair, Strategic update, Highlights, Financial performance, Our products, Investment report and Memberships and certifications and Shareholder Information sections of the annual report are expected to be made available to us after the date of the Auditor's Report.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion. In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audit of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Ethical Investment Limited for the year ended 30 June 2021 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 22 to 39 in the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Karen Hopkins
Partner

Sydney
25 August 2021