

Annual General Meeting – Chair’s Address

ASX ANNOUNCEMENT

Good morning everyone

I begin by acknowledging the traditional owners of the land on which we meet – the Gadigal people of the Eora Nation. I pay my respects to their Elders past and present and the Elders from other communities who may be here today.

Australian Ethical is here for good. Our core purpose is to invest for our customers and members in a future where people and nature thrive. There are many in the community and in our industry who are sceptical that following this purpose can deliver good returns.

But we are living proof that investors can give equal weight to social and environmental factors and still achieve outstanding returns for customers. In financial year 2019 our managed fund investors enjoyed above benchmark performance for all bar one of our funds. Our super fund also delivered for members with the Growth Option ranked number one by Super Ratings for one-year performance, the MySuper Option ranked second over one-year and the Australian Shares option was the strongest performer in the rankings over both five and seven years. And Australian Ethical was the recipient of multiple industry awards for its performance.

Investing for a better world has never been more important. As investors and shareholders, we contribute to creating a better future by directing capital to the right kinds of entities and away from those who do harm. We can and do use our influence to lobby for ethical and empathetic corporate behaviour.

In financial year 2019 we engaged with more than 250 companies to influence positive change on issues relating to the environment, animal protection and the treatment of people. We divested from companies that did not meet our expectations for ethical behaviour and managing human rights issues. We advocated for a ban on live animal exports and supported critical social justice campaigns like “Kids off Nauru”.

Responding to our advocacy initiatives, this is what our super fund members told us:

“this is exactly what I want to see from the organisations I choose to give my business to,”

“Love that my superannuation company chooses to promote this,”

“I congratulate AEI for their increasingly strong voice on issues... It's why I am a member, it's why I also trust you with my super.”

And this afternoon, recognising our track record in support of nuclear free finance, we are honoured to be hosting in this very room, the launch of the Quit Nukes, Nuclear Weapon Free Campaign. This brand new campaign is a joint initiative of the Medical Association for the Prevention of War and the International Campaign to Abolish Nuclear Weapons – the latter was the winner of the 2017 Nobel Peace Prize.

Financial year 2019 has seen our ethical approach to investing and to managing our business, working effectively. It delivered another year of considerable growth for Australian Ethical. In February 2019 we

reached a significant milestone, surpassing \$3 billion in funds under management, which grew to \$3.42 billion by the end of the financial year, not the least because our super fund continues to be one of the fastest growing funds in Australia. We know our customers enjoy their experience with us. Our customer satisfaction scores are amongst the highest in the industry, which is reflected in our impressive customer retention rates.

Financial year 2019 was also eventful. On 26 June 2019, Phil Vernon announced that after nine years with Australian Ethical he would step down from his role as Managing Director and CEO, with effect from 31 August 2019.

Under Phil's leadership, funds under management increased from \$600 million to over \$3.4 billion, while our super fund has regularly ranked among the fastest growing in the country. And under Phil's stewardship, Australian Ethical has forged an enviable reputation as one of Australia's leading purpose-driven organisations.

Phil's contribution to the success of Australian Ethical has been enormous and it is only fitting that we take this opportunity to offer a sincere and heartfelt thank you to Phil.

The board has instituted a search for a replacement CEO and this process is well underway. In the meantime, the board has asked our Chair, Steve Gibbs, who has graciously accepted, to act in the role of CEO till a replacement is appointed. In order to maintain appropriate separation of board and executive duties, the board has also appointed me as acting Chair till Steve returns as Chair in due course.

Financial year 2019 also saw the successful execution of the 100 to one share split approved at last year's AGM. We did this to ensure our shares remain accessible to retail and smaller investors and to maintain trading volumes. The share split took effect on 21 December 2018, resulting in a new share price of \$1.63 with 112,093,000 shares on issue (compared to a share price of \$163 before the split with 1,120,930 shares on issue). The share price closed at \$1.77 on 30 June 2019 and has risen a further 48% since then up to yesterday's close at \$2.63. One benefit of the share split has been a 46% increase in the number of shareholders, from 2,221 before the split to 3,242 as at close of market on 22 October.

In financial year 2019 our shareholders continued to enjoy sustained performance with a Total Shareholder Return of 34%. On the back of a 29% increase in net profit after tax to \$6.5 million for the year, the Board declared a fully franked final dividend of 3 cents per share, bringing the total dividend for Financial Year 2019 to 5 cents per share, an increase of 25% on the previous year.

Another milestone for the business was reached in March 2019 when we were included in the All Ordinaries index for the first time.

I acknowledge our management team and indeed all the staff at Australian Ethical for another terrific year. The Board thanks them for their hard work and for embodying a positive culture that delivers outstanding results for all our stakeholders.

I also thank my fellow Directors, including especially our acting CEO, for their hard work and contributions. The wealth management sector continues to be buffeted by major change, some regulatory driven, some the fallout of the Royal Commission, and also by challenging global political and economic conditions. In the face of this, your board and management team continue to be energised by Australian Ethical's clear purpose – to invest in a future where people and nature thrive.