



Ethical Advisers Funds Management

Impact & Engagement Report 2021

Ethical Advisers Funds Management seek to invest in companies which are having a positive impact on the environment or society. In 2021 we launched our range of Impact Calculators to help investors calculate the tangible, real-world impact their money is having.

Throughout the year we also used engagement as a tool to encourage companies and other fund managers and stakeholders to consider and improve their environmental and social impact, to help align outcomes with the long-term interests of our investors.

Positive Impact

In 2021, Ethical Advisers Funds Management launched a range of Impact Calculators which can be used to calculate the tangible positive impact that the investments are having on the environment and society.

We joined forces with Ethos, an independent and specialist ethical research company to calculate the positive impact. Ethos aggregates more than 2.2 million data points from 260+ sources to calculate the potential impact.

The impact calculators show the 'net' impact the investments are having compared with a benchmark. This shows the relative impact a client has investing in the portfolios versus investing in a mainstream index.

Using the Impact Calculator, we have estimated **the total net positive impact achieved in 2021 across the full range of ethical investment portfolios.**



Ethical Investment Mid-Cap Portfolio

5,150% more clean energy than benchmark	440 wind turbines built	2.27°C cooler planet than benchmark
3,219 cars removed from the road	47,955 cubic kilometers of ocean protected	85% less environmental controversy than benchmark
214,707,272 fewer kilometers driven	2,991 inventions enabled	19% more equal employee salaries than benchmark
1,754 tonnes of plastic removed from the ocean	525,461 tonnes of waste avoided	275,237 tuna fish protected

Ethical Investment Growth Portfolio

0.96°C cooler planet than benchmark	330 cubic kilometers of ocean protected	76% less environmental controversy than benchmark
152,123,017 fewer kilometers driven	19% more equal employee salaries than benchmark	1,984 tonnes of plastic removed from the ocean
450,005 tonnes of waste avoided	175,848 tuna fish protected	55,568 weapons destroyed



Ethical Investment Large-Cap Portfolio



Ethical Investment Fixed Income Portfolio



The Impact Calculations shown above are for each of the four Ethical Investment Portfolios, and are based on the actual amount invested in each fund as at 1 January 2021 and benchmarked against the individual indexes (S&P/ASX 200 for the Mid-Cap and Large-Cap portfolios, and the MSCI ACWI Index for the Growth and Fixed Income portfolios). The impact shown is indicative only and is calculated by an independent ethical researcher, Ethos. For more information on Ethos, please see: <https://www.ethosesg.com/impact-calculator>



Engagement Case Studies

Engagement with BetaShares regarding their Tesla investment in the Global Sustainability Leaders ETF

The Issue: Tesla has been involved in controversy surrounding reopening its Fremont (U.S. based) production facility contrary to relevant government Covid-19 related orders, concerns regarding the potential environment impacts of its new production facility in Brandenburg (Germany) and implication in forced labour issues within its supply chain. Tesla declined to publicly respond to each of these matters and has not engaged with the funds' Responsible Investment Committee when contacted.

The Result: BetaShares divested their Tesla holding in the Global Sustainability Leaders ETF and has excluded the company from the ETF index.

Engagement with VanEck regarding a holding in their Global Clean Energy ETF

The Issue: We identified a holding in the ETF, CIA Paranaense Energy, which owns a coal power plant, as well as 51% interest in a Gas company. We believed that this company should not be included in a "Clean Energy" fund.

The Result: VanEck divested their CIA Paranaense Energy in the Global Clean Energy ETF and has excluded the company from the ETF index.

Full List of Engagement

In addition to the above engagement case studies, the below summaries the other engagement Ethical Advisers Funds Management had with companies and other fund managers during 2021:

- EAFM Investment Team members provided ethical screening feedback to an ETF provider in the product creation phase for a Sustainable global property ETF.
- Beach Energy - In collaboration with Market Forces and our client direct shareholders, voted FOR environmental focused shareholder resolutions.
- Cooper Energy – In collaboration with Market Forces and our client direct shareholders, voted FOR environmental focused shareholder resolutions.
- Origin Energy - In collaboration with ACCR and our client direct shareholders, voted FOR environmental focused shareholder resolutions.



- Vanguard - Spoke with Ian Boater (Head of Sustainability) and Mathew Cho about their stewardship, proxy voting and screening of Ethical Conscious Funds. Considering bringing concentrated stronger active ethical/climate ETF's to Australia.
- Spoke with Gareth Hughes at Blackrock on their Ishares sustainable ETF's and why we would not be adding these products to our Approved Product List. Provided evidence from Ethos research on the number of fossil fuel, nuclear and weapons as well as gaming stocks that are included in the ETF's and in particular a number of F rated companies (A-F ratings) on a number of social and environment metrics.
- Had a meeting with Head of Sustainability Stephen Ead and provided feedback stocks of concern. Provided him with the Australian Strategic Policy Institute as a reference for screening modern slavery risks in China within the Xingiang Uyghur region. Ethos research suggests that 25% of their 700 stock holdings in the Sustainable Ishares ETF's is impacted by this. He will be discussing with MSCI their research provider.
- Spoke with Nick Jackson at Van Eck about our concerns once again about solar component modern slavery risks in China with evidence that almost all solar componentry sourced from China is manufactured from Xingiang Uyghur region and China manufactures most of the world solar componentry. Provided Nick with a white paper Sheffield Hallam University Professor Laura Murphy (Human Rights and contemporary slavery). He is engaging with S&P their index provider on this issue in the hope the direct stock engagement from S&P has more influence on solar companies sourcing policy
- Spoke to Raegan Williams Pental Group on why we would not be adding Pental's Sustainable SMA's to our Approved Product List as we felt that Vanguard Ethically Conscious ETF's were not as robust ethically as other Sustainable ETF's managers. Provided ETF product suggestions that have stronger ethical screening. Pental are now engaging with Vanguard and exploring other possible ETF's options as well.
- Vanguard Ethically Conscious ETF's - Spoke with Alexi Kerr on why our AFL does not have this Vanguard Ethically Conscious ETF's on our Approved Product List. We found little evidence of their engagement and ethical screens did not reflect our investor needs. Provided feedback on companies that our clients had concerns on.
- Australian Ethical - engaged once again with Australian Ethical on our clients concerns about their holdings in Westpac and NAB in light of corporate governance issues eg Austrac
- Dubber ASX listed company. Our independent analyst contacted Dubber on their Gender diversity on their board with feedback from us on this concern.



- Betashares ETHI – engagement concerning gaming stocks Blizzard and Ubisoft about the companies gender and sexual harassment issues, poor work culture, unpaid interns, unacknowledged complaints to HR. Betashares have responded and have been engaging with both companies. If the RIC find there are no positive outcomes or improvements on these fronts for either company, then both companies will be reviewed again to see if they meet the screening of the Index Methodology. If they do not, the RIC will then consider divesting from them.
- Macquarie Group – Engagement through email sent by Louise on behalf of EAFM to Macquarie making known the disappointment concerning Macquarie's involvement in Empire Energy, drilling and fracking in the Northern Territory as well as the Texas Gas project on Indigenous lands.
- Survey with Australian Super expressing dissatisfaction with their lack of ethical investment choices.
- Assisted Nanuk with partnering with an Australian provider of carbon off-set credits to offset their emissions. Technology that converts waste plastics into useable items.
- Engagement with Betashares EARTH on solar panel holding companies exposed to Uyghur region forced labour. Betashares responded by passing on specific company queries to the Responsible Investment Committee (RIC) as EARTH does not negatively screen out companies based on supply chain issues or ethical controversies.
- Nanuk Asset Management – We met with Tom King portfolio manager, and we are happy with the funds progress from our previous meeting. Feedback has contributed to the fund's deeper integration approach and tightening of their ethical screening and responsible stewardship activities.
- We lodged a submission on the Parliamentary enquiry directly related to the Fossil Fuel companies being increasingly unable to obtain lending and insurance cover. And that many superannuation funds are divesting from their business with a strong support from the superannuants.
- Van Eck Global Clean Energy ETF – Engagement on Brazil holding company, CIA Paranaense Energy which held a coal plant, as well as 51% interest in a Gas company– successful result of this stock being excluded from the ETF.
- Also spoke of our concerns on solar component modern slavery risks in China with evidence that most solar componentry sourced from China is manufactured from Xingiang Uyghur region. Asked that Van Eck engage with S&P their index provider on this issue.
- IMAP Conference Brisbane speaker – moderator ESG and the role of the Adviser, as well as an Ethical Investment presentation TV Education Network.



- Spoke with BetaShares about Tesla and worker practices in their value chain, asked them to use their shareholding influence to engage with Tesla on this issue, which they did.
- Spoke with a Property, Health and Age care fund manager about their social and environmental impact including asking them to consider rooftop solar on properties.
- Spoke with Regnan on the ESG features of their Global Equity Impact Solutions Fund.
- Spoke with a global ETF Sustainable fund on their engagement with Tesla and our concerns on Employee Conditions.
- Phone conversation with Portfolio Manager of a ethical fund discussing their impact report and comparisons with peers on ESG/Impact and correlation/stock holdings (inspire).
- Spoke with 2 Australian fund managers and ETF providers on their ownership/divestment of Cleanaway due to CEO reports of bullying behaviour and concern on environmental fines. Peer funds are divesting on ethical concerns. Client shareholders contacted to update them on this issue.
- Spoke with Aust Unity QLD BDM – regarding rooftop solar for healthcare and Aged Care properties, discussed the social benefits of healthcare investment products.