Ethical Charter and Stewardship Policy

Ethical Investment Funds Management Pty Ltd

Ethical Investment Funds Management Pty Ltd (ABN: 66 634 011 724)
is a Corporate Authorised Representative (127605) of
Ethical Investment Advisers Pty Ltd.

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Stewardship Policy

Ethical Investment Funds Management Pty Ltd (EIFM) are passionate about offering ethical investment choices to all investors. We believe that everyone should be able invest according to their ethical values.

We are also mindful that the financial planning community need affordable and ethical investment product offerings for their clients. Our vision is to help all investors incorporate their values with their investment objectives.

For Ethical Investment Funds Management, it is about 'how' companies are making the money, not just about the amount of money they make.

To increase awareness of ethical investment in Australia we are members of the Ethical Advisers' Co-operative (EAC) and our staff play an active role on the board and in working groups for the EAC. The EAC is member operated and was created to support ethical advisers across Australia and ultimately their clients. One of the goals of the EAC is to increase awareness of ethical investment in Australia.

Our Ethical Charter describes in detail the process through which we select investments that best align with the ethical values of our investors. The key points are summarised below.

Ethical Screening

We apply a rigorous ethical screen to the investments selected in our portfolios, to avoid investing in companies which are involved in activities that are harmful to the environment or society.

Positive Screening

We also actively seek out investments which are making a positive impact on the environment or society.

Shareholder Resolutions

Where possible we vote on shareholder resolutions to help influence outcomes aligned with the long-term interests of our investors.

Engagement

We 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.

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Transparency

We believe that full transparency is critical, and disclose all shareholdings publicly on our website.

Monitoring

We actively monitor our investments on an ongoing basis to ensure that the investments continue to align with the long-term interests and expectations of our investors.

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Ethical Charter

Ethical investing is known by many different terms, and there are many different approaches to ethical investing.

From simple ESG integration to Negative and Positive screening, Sustainability and Impact investing, Ethical Investment Funds Management (EIFM) use a combination of these approaches.

ESG Integration

We consider the Environmental, Social and Governance (ESG) ratings for individual companies, but for EIFM this is just the starting point and is mainly used as a risk management tool. EIFM utilise research from a specialist ESG researchers, *Sustainable Platform, Sustainalytics* and *EthosESG*.

ESG ratings are designed to show how well the company manages their Environmental, Social and Governance impact. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

EIFM use ESG scores to assess the risks associated with individual companies, as well as for engagement purposes. We encourage companies to consider and improve their environmental and social impact, to help align outcomes with the long-term interests of our investors.

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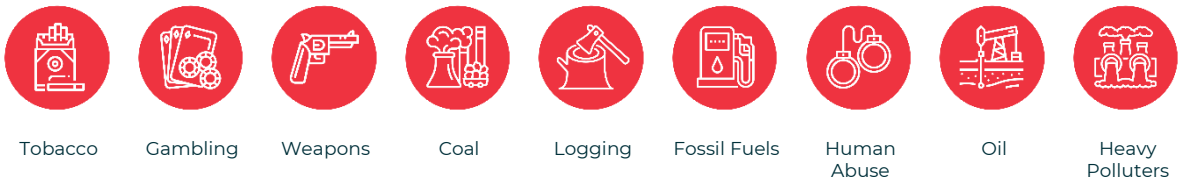
Positive and Negative Screening

Positive Investments – Who We Choose

Negative Investments – Who We Seek to Avoid



Please see page 8 for more details regarding our Positive Screens, and page 12 for full details regarding the Negative Screens

EIFM apply negative screens as well as positive screens, actively targeting investments which have a more positive impact on society or the environment, and impact investments that target sustainability themes.

Firstly, a negative screen is applied to companies, or to funds which invest in companies, which are involved in harmful environmental activities and socially hazardous activities. These are the areas we aim to avoid.

Revenue thresholds are used to determine whether a company may be considered for investment. For example, a renewable energy company that has 8% of their revenue from gas, would be excluded if the exposure threshold was 5%, but may be included with a 10% threshold. A 0% threshold implies that a company involved in this activity would be screened out of the investment universe.

All companies which pass the negative screen will be considered for investment; however, the manager has a tendency towards selecting positively screened investments.

A positive screen is applied to determine which companies are involved in positive environmental activities or which provide benefits to society. This includes the selection of sustainability themed investments and impact investments.

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This may include areas such as healthcare, energy efficiency, recycling, renewable energy, fair trade, community finance and social welfare. Ethical Investment Funds Management specifically target these companies for inclusion in the Ethical Investment portfolios.

Ownership Screening

Ethical Investment Funds Management's ethical screening takes into account an issuer's equity investments (e.g., subsidiaries). A parent company and its subsidiaries (greater than 50% ownership) are considered for screening purposes, however a company's minority investments (less than 50% ownership) are not.

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The United Nations Sustainable Development Goals (SDGs)

Ethical Investment Funds Management align the United Nations Sustainable Development Goals to our positive screening as a means of shaping and articulating the investment strategy. This offers an opportunity to use a different lens through which to filter investment decisions and gives us the opportunity to select investments with outcomes best aligned to the SDGs.

The United Nations Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

At its heart are the 17 SDGs (underpinned by 169 specific targets, and 232 indicators by which they'll be measured), which are an urgent call for action at a country level - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

As well as the SDGs providing the first generally agreed framework that defines the "broader objectives of society", SDG 17 clearly shows that global community's need to get investors on board, as they rely heavily on the private sector to solve some of the most urgent problems the world is facing. Both companies and institutional investors are being asked to contribute to the SDGs through their business activities, asset allocation and investment decisions.

We believe that the SDGs are important to use as a framework for sustainable investing and believe that we, our investors, and the whole financial system has a huge role to play in meeting the SDG targets by 2030. Shaping outcomes in line with the SDGs cannot only involve new capital, it also requires investors to redirect existing capital and be good stewards of the entities they invest in.

Already we are starting to see a significant proportion of currently external costs such as environmental damage or social upheaval forced into companies' accounts. The SDGs can support investors in understanding the sustainability trends relevant to investment activity and their fiduciary duties while providing solutions to sustainability challenges.

We believe that companies that deliver benefits to society and the environment face fewer risks and have access to more enduring opportunities over the long term. These companies are therefore better placed to deliver positive returns to shareholders.

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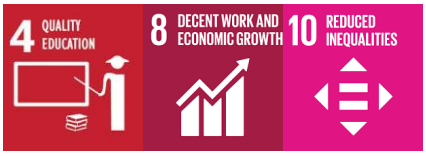
Positive Screens in Detail

At all times each of the EIFM portfolios will have at least 50% of the portfolio (by weight, excluding cash) invested in 'positive' companies. EIFM specifically target companies which are involved in positive environmental activities or which provide benefits to society and are aligned to the UN Sustainable Development Goals (SDGs), such as:

- **Education, employment and vocational training**



Education is not only smart for society, but smart for business. Education equips individuals with knowledge and skills critical to sustainable development and economic growth. Business has a critical stake in ensuring all children, youth and adults have the opportunity to reach their potential.

Insufficient skills are frequently cited as a barrier to harnessing the full potential of information and communications technology (ICT) in today's interconnected world. Prioritising inclusive and equitable quality education, along with lifelong learning opportunities, can contribute to bridging educational disparities.

- **Healthcare, medical products and services, biotechnology & medicinal cannabis**

Great strides have been made in improving people's health in recent years, however, inequalities in health care access still persist. Ensuring healthy lives for all requires a strong commitment, but the benefits outweigh the cost. Healthy people are the foundation for healthy economies. Countries worldwide are urged to take immediate and decisive actions to predict and counteract health challenges.

Emerging technologies, particularly those enabling remote patient monitoring, have the potential to revolutionise healthcare.

- **Renewable energy, climate change solutions, battery technology and critical minerals**

The global shift towards renewable energy sources, climate change mitigation solutions, advancements in battery technology, and the responsible sourcing of critical minerals represents a pivotal moment in our pursuit of sustainable development.

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Social and sustainable infrastructure or property

The real estate sector contributes to almost 40% of global carbon dioxide emissions, a significant environmental impact.

By focusing on initiatives like retrofitting existing buildings with advanced heating and cooling technologies and transitioning to energy-efficient lighting and appliances, we can actively reduce energy demand and, in turn, lower carbon emissions.

Social and sustainable infrastructure or property can include investments in areas such as healthcare property, aged care and childcare.

Water treatment & infrastructure

Investment along the entire water value chain, spanning developed and emerging markets, contributes significantly to SDG 6.

By directing funds towards improving water treatment and infrastructure, we not only enhance access to safe and clean drinking water but also promote sustainable management of water resources, aligning with the broader objective of ensuring availability and sustainable management of water and sanitation for all (Target 6.1).

Furthermore, responsible investment in this sector can also have positive ripple effects on related goals such as SDG 3, SDG9: and SDG 14: reinforcing the interconnectedness of the UN SDGs.

Sustainable land and agricultural management

Currently, a staggering 20%-30% of our food supply is wasted, primarily due to preventable post-harvest losses. This inefficiency directly impacts SDG 2 (Zero Hunger) by exacerbating global food insecurity. Additionally, deforestation and forest degradation contribute significantly to greenhouse gas emissions.

This underlines the relevance of sustainable forest services in achieving SDG 13 and SDG 15. These services encompass vital aspects such as climate change mitigation, safeguarding watershed services, and preserving biodiversity.

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Sustainable transport

Sustainable transport serves as a pivotal catalyst in advancing progress towards several paramount UN SDGs. It operates as a cross-cutting accelerator, offering a multifaceted approach to addressing global challenges.

Sustainable transport systems not only reduce greenhouse gas emissions but also ensure equitable access to economic opportunities, education, and healthcare, thereby promoting social inclusion and gender equality.

Recycling & waste management

This industry is instrumental in promoting responsible consumption and production, aligning closely with Goal 12. By actively reducing waste, minimizing the use of plastics, and enhancing the recyclability of materials, it contributes directly to SDG 12's objective of ensuring sustainable patterns of consumption and production.

Moreover, the focus on recycling and waste management indirectly supports other goals such as SDG 6, SDG 11, SDG 14 and SDG 15 by mitigating pollution, conserving resources, and protecting ecosystems.

Sustainable fashion and textiles/fashion technology

The fashion industry, being the second highest consumer of water globally, and responsible for a significant 20% of global water waste, stands at the forefront of challenges related to biodiversity loss.

By scrutinising companies' environmental, social, and governance credentials, investors can actively support initiatives that align with these goals.

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'Positive' Companies

To be considered 'positive', a company must have at least one of the following:

- have at least 75% of revenue derived from one or more of the positive sources outlined above; or
- have an overall Impact Score of 'A' from independent ESG researcher, Sustainable Platform, or an overall Impact Score of 'AA' from independent ESG researcher, EthosESG. An 'A' or 'AA' rating means the company is in an industry that can contribute an outsized positive impact on a cause, and has also rated very highly against its peers within that industry; or
- have a Net SDG score above 80% (from independent ESG researcher, Sustainable Platform). A Net SDG score above 80% means that more than 75% of the companies' revenues are contributing to one or more of the UN's Sustainable Development Goals (SDG's).

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Negative Screens in Detail

Full List of Exclusions

(all have a 0% exposure threshold):

- Animal testing (including cosmetic testing on animals, intensive livestock production, and live exports)
- Weapons (including controversial weapons, civilian firearms, nuclear weapons, biological and chemical weapons, depleted uranium ammunition/amour, anti-personnel mines, cluster munitions/sub-munitions and their key components) - production and distribution
- Cannabis (for recreational purposes) - production and distribution
- Fossil fuels (including exploration, extraction, combustion for power generation, and financing)
- Gambling
- Securities from issuers on UN sanctions list
- Tobacco, nicotine alternatives and tobacco-based products (including growing and production, as well as the manufacture of nicotine alternatives and tobacco-based products)
- Logging of old growth forests
- Uranium and Coal mining

Please see pages 13 - 16 for full details regarding our Negative Screens.

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Fossil Fuels – detail

The fossil fuel exclusion includes companies involved directly in the extraction, production, and refinement of fossil fuels, including coal, petroleum, coal seam gas and natural gas.

Not excluded are insurance companies which provide insurance to fossil fuel companies, electrical distribution companies (retailers) which may sell and distribute power from fossil fuel sources including natural gas or LPG, service stations, or services companies which provide certain services to fossil fuel companies (waste removal or telecommunications, for example).

As an example, we own Mercury NZ, a New Zealand based renewable energy generator and retailer which also offers other retail services such as broadband and mobile as well as piped natural gas and bottled LPG. We include this company in the portfolio because it generates electricity from 100% renewable sources including hydro, geothermal and wind.

We would never purchase shares in companies with large direct fossil fuel exposure, such as Woodside Petroleum, Oil Search, Exxon Mobil, BP, or Shell.

Tobacco – detail

Tobacco and tobacco alternatives are excluded from the portfolio. Not excluded are transport companies which may transport tobacco products as part of their operations, or companies which make packaging for tobacco products as part of their operations.

We would never purchase shares in tobacco companies such as British American Tobacco, Phillip Morris International or Altria Group.

Gambling - detail

Gambling companies are excluded from the portfolio. Not excluded are companies which indirectly support the gambling sector (telecommunications, which provide access to online gambling, for example). Companies which directly own gambling (casinos, pokies etc) will be excluded.

We would never purchase shares in gambling companies such as Tabcorp, Crown or Star Entertainment, as well as companies with significant gambling activities such as Woolworths (through their investment in Endeavour).

Mining – detail

Uranium and coal mining companies are excluded, as well as all Conflict Minerals, which includes tantalum, tin, tungsten and gold which are mined in the Democratic Republic of the Congo.

Not excluded are companies primarily involved in lithium, copper, sodium, zinc, cobalt, graphite or other rare earths and critical minerals used primarily for battery technology, noting that these companies may have indirect or small exposures to other minerals

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including gold. However, strict environmental screens are applied to mining companies which include the type of mining (brine pools vs open cut mining, for example) and the end-of-life environmental rehabilitation processes.

We would never purchase shares in uranium or coal mining companies such as BHP Group or Rio Tinto. Some investments in utility companies may have indirect exposure to uranium power generation, however we do not invest in uranium mining companies.

Animal Cruelty – detail

Companies which test on animals for cosmetic purposes will be excluded, as well as companies involved in intensive farming and live exports. Not excluded are companies which are required to test on animals for medical purposes.

We acknowledge that testing on animals may be necessary (due to regulatory requirements or lack of viable alternatives) and will invest when the benefits to humans outweigh the harm caused to animals. However, any animal testing must be done in accordance with the Australian Code of Practice for the Care and Use of Animals for Scientific Purposes, must be consistent with industry best practice, or in accordance with the current Guideline for Good Clinical Practice (GCP) of the International Conference on Harmonisation (ICH).

Indirect Exposure

We note that some of the companies in the portfolio have indirect exposure to some sectors, such as gambling, tobacco and nuclear power.

However, these exposures are small and the overall positive nature of the investment far outweigh the negatives. None of the companies in the portfolio have direct exposure to any of these sectors.

As an example, one of the companies in the portfolio manufactures recycled packaging, which is used to make cigarette cartons. Another company provides environmental management services to various companies which includes a nuclear power plant. While another company supplies turbines and piping to the natural gas industry as part of their broader business, but they also supply these items and wind turbines to the renewable energy sector.

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Public Disclosure of Holdings

We disclose all shareholdings every 6 months with no more than a 90-day lag. This is disclosed on our website. We keep our investors updated with a newsletter on a quarterly basis, providing ethical updates, financial information, and changes to investment holdings.

Corporate Engagement

Ethical Investment Funds Management Pty Ltd discloses all corporate engagement and is publicly available on our website. Some of our Investment Committee members are also involved with the Ethical Advisers Co-operative Engagement Subcommittee, which engages with NGOs, companies and shareholders on climate and social related issues.

Voting Policy

Where possible we vote on shareholder resolutions to help influence outcomes aligned with the long-term interests of our investors. Unfortunately, because of the structure of the investments (as Separately Managed Accounts), we generally don't have the ability to vote at AGMs. Instead, EIFM often directly purchase shares in companies for engagement purposes and to vote on issues at AGMs.

Monitoring

We actively monitor our investments on an ongoing basis to ensure that the investments continue to align with the long-term interests and expectations of our investors.

EIFM periodically check that the portfolio constituents are not inconsistent with the exclusion screens by obtaining full underlying holdings from underlying fund managers (where applicable) on a regular basis (at least every six months) and by utilising external research from *Sustainable Platform* and *EthosESG*.

If an owned investment contravenes our ethical charter, we will firstly engage with the company or investment manager on the ethical issue. If engagement is not successful, we will divest from the company or manager as soon as possible.

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Our Code of Ethics

Client First
Place the client's interests first at all times.

Integrity
Provide professional services with integrity.

Objectivity
Provide professional services objectively.

Fairness
Be fair and reasonable in all professional relationships. Disclose and manage conflicts of interest.

Professionalism
Act in a manner that demonstrates exemplary professional conduct.

Confidentiality
Protect the confidentiality of all client information.

Diligence
Provide professional services diligently.

Reasonable Fees
Provide all our services at a fair and reasonable rates.

Availability
Be available to clients as much as possible, through email, phone and personal contact.

Environment
Endeavor to be environmentally aware in our dealings.

Competence
Maintain the abilities, skills and knowledge necessary to provide professional services competently, by continuous ongoing education.

Governance
Be open and transparent in all our governance issues.

Social
Be a good corporate citizen and involve ourselves in the local community.

Employment
Be fair with our dealings with all our staff and any external service providers.

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Disclaimers

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No specific person's circumstances, financial situation or objectives have been taken into consideration.

Please refer to the PDS or relevant disclosure document for the managed portfolio for more information on the risks, fees and other costs.

Investment in securities and other financial products involves risk. Information, opinions, historical performance, calculations, or assessments of performance of financial products or markets rely on assumptions about tax, reinvestment, market performance, liquidity and other factors that will be important and may fluctuate over time.

An investment in a financial product may have the potential for capital growth and income, but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor.

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The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this Portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Fund.

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