

Ethical Investment Funds Management

2023 Annual Report

Acknowledgment Of Country

Ethical Investment Funds Management acknowledges the Traditional Custodians of the lands on which we work and live, the Aboriginal and Torres Strait Islander people of Australia, and pay our respect to the Elders past, present and emerging.

We recognise and respect their cultural heritage, beliefs and relationship with the land and waters, and recognise their role in caring for and maintaining the land over thousands of years.

We see reconciliation as a fundamental responsibility and Ethical Investment Funds Management are committed to advancing reconciliation with Australia's First Peoples and engaging with their concerns.

Artist : Angelina Pwerle - 'Women's Ceremony'
This story was passed down to Angelina by her mother, it tells about a private ceremony held by the women of the tribe.





CONTENTS

INTRODUCTION

Introduction to our report

Reflecting on 2023

Highlights

Portfolio Management

United Nations Sustainable Development Goals

Portfolio Risk

Our Impact

Global Warming alignment

Our Focus areas

Climate Change mitigation and adaptation

Nature-related impact

Social impact

Stewardship and Engagement

Reconciliation Action Plan

Looking Forward

Our Report

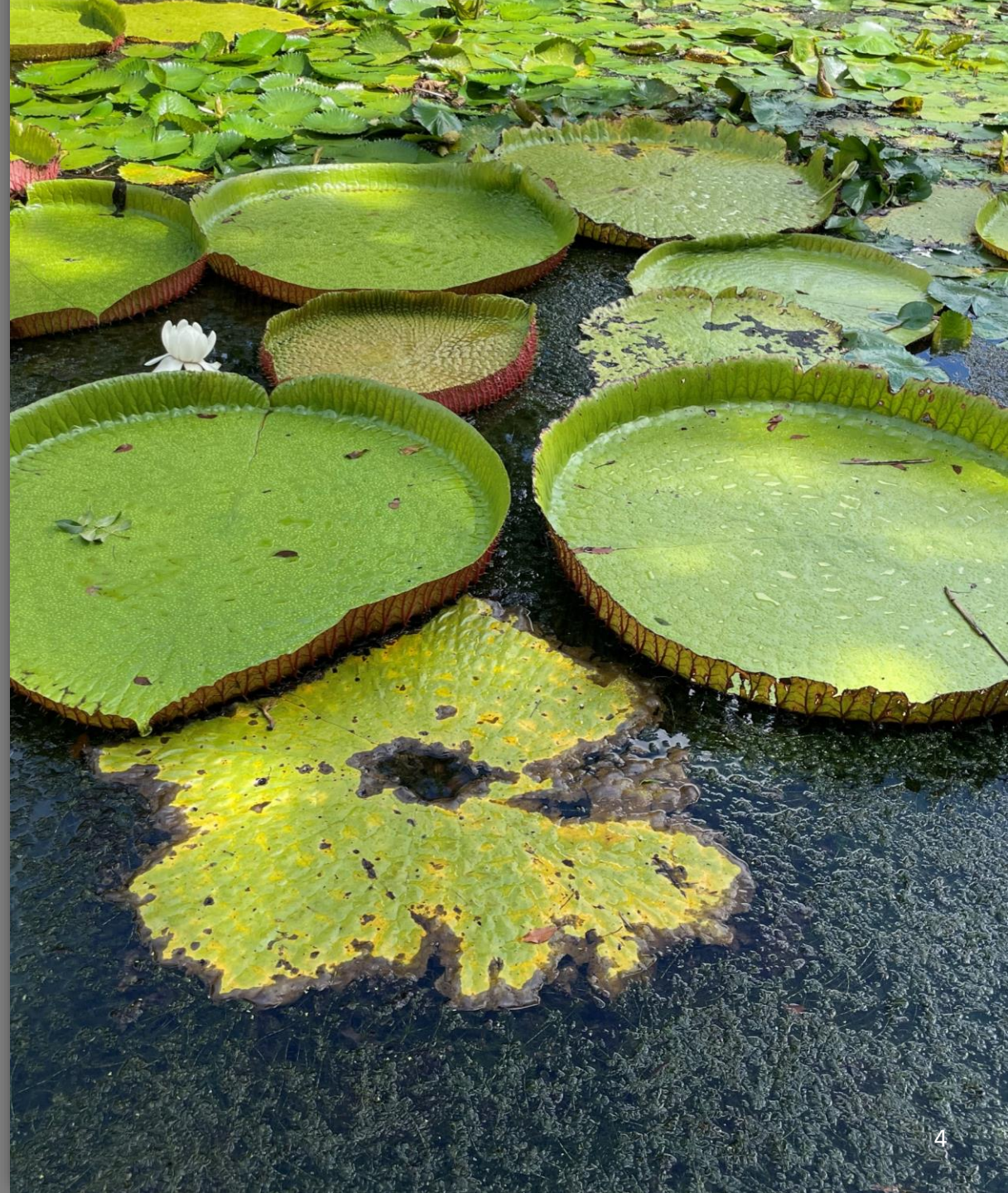
We are pleased to present our third annual assessment of sustainability for Ethical Investment Funds Management, as we continue our commitment to responsible investment.

Ethical Investment Funds Management believe that business-relevant sustainability leadership and solutions-focused innovation often create compelling investment opportunities.

Our purpose is investing for a better world. This means that as well as striving to deliver great investment outcomes to our clients, we must help to shift capital to companies whose business is contributing to environmental and social betterment, helping them to accelerate, and extend their businesses.

Our intention for this report is to provide meaningful and multidimensional views of our portfolio companies and the positive outcomes they are achieving for both people and planet. We believe listed equities, a major segment of the capital markets (over US \$100 trillion globally) are a key part of this solution. Investors can have impact in listed equities by directing capital to companies whose purpose is to benefit society and/or the environment.

We are excited to share this report with you, highlighting the achievements of the Ethical Investment portfolios to deliver meaningful contributions to environmental and social challenges. We will continue to develop our reporting to reflect the evolving landscape we operate and invest in.



Reflecting on 2023

2023 was a challenging period for our social, political, and economic systems. Markets faced rising inflation, interest rates rose at unprecedented pace, war continued in Europe, and the effects of COVID-19 pandemic lingered.

Planetary systems struggled with escalating repercussions of the climate crisis, while increasing doubt was cast on the shared promise of the 2030 Sustainable Development Goals to secure the rights and well-being of everyone on a healthy planet.

In 2023, the landscape of Environmental, Social, and Governance investing witnessed notable transformations, driven by significant governmental actions aimed at advancing sustainability agendas. Governments worldwide made substantial announcements and implemented policies to bolster considerations within financial markets. These initiatives encompassed several key areas:

1. Regulatory Frameworks: Governments reinforced regulatory frameworks to incentivise ESG integration across industries. Enhancements in disclosure requirements and reporting standards were prominent, ensuring transparency and accountability in corporate ESG practices. Regulatory bodies collaborated closely with financial institutions to streamline ESG compliance and foster responsible investing.

2. Carbon Pricing and Climate Policies: Addressing climate change emerged as a paramount concern for governments, leading to the implementation of robust carbon pricing mechanisms and ambitious climate policies. Carbon taxes, cap-and-trade systems, and renewable energy mandates were among the strategies adopted to curb carbon emissions and promote investments in clean energy solutions. Additionally, governments incentivized green infrastructure projects and sustainable development initiatives to accelerate the transition to a low-carbon economy.

3. Social Welfare and Inclusion Initiatives:

Social factors gained increased attention within ESG frameworks, with governments prioritizing initiatives aimed at fostering social welfare and promoting inclusive growth. Policies focusing on healthcare accessibility, education, affordable housing, and workforce diversity were emphasized to address societal inequalities and enhance the overall well-being of communities. Collaboration between public and private sectors was instrumental in advancing social sustainability objectives.

4. Green Finance and Investment Incentives: Governments introduced various incentives to stimulate investments in sustainable finance and green technologies. Tax incentives, grants, and subsidies were provided to incentivize ESG-aligned investments, thereby catalysing the transition towards a more sustainable economy. Public-private partnerships were also fostered to mobilize capital towards environmentally and socially beneficial projects, such as renewable energy infrastructure, sustainable agriculture, and conservation initiatives.

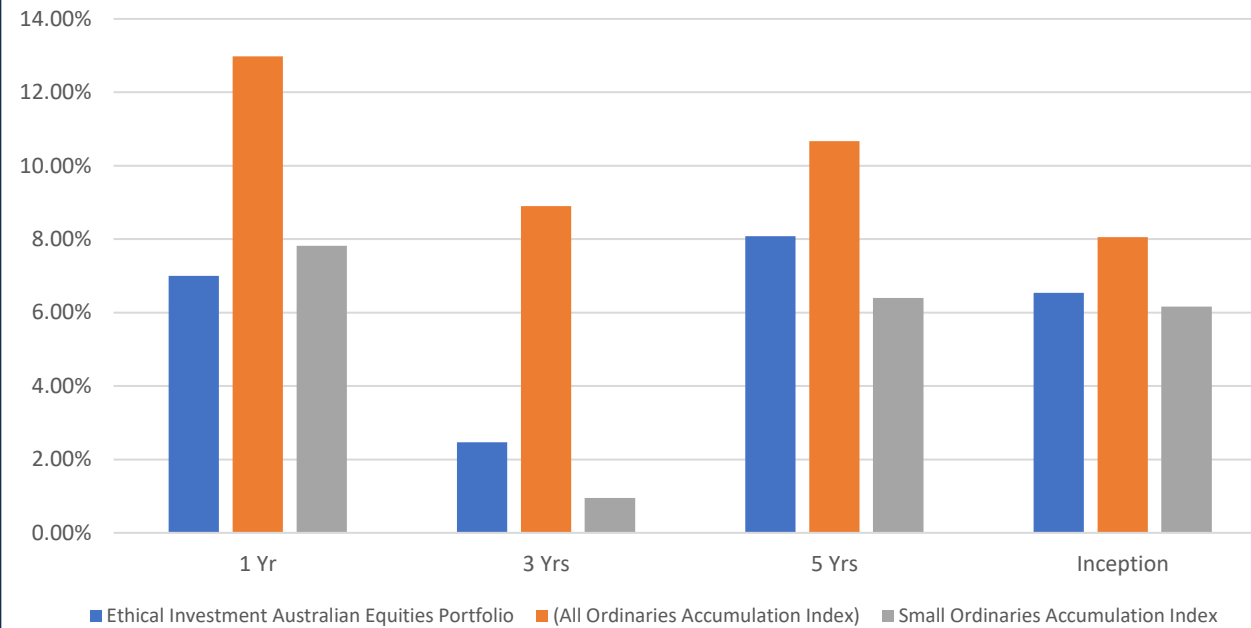
Overall, the year 2023 witnessed a paradigm shift towards ESG integration driven by concerted governmental efforts to address pressing environmental, social, and governance challenges. These developments underscored the growing importance of sustainable investing in shaping a resilient and equitable global economy.



Ethical Investment Australian Equities Portfolio Performance



Ethical Investment Australian Equities vs. All Ordinaries & Small Ordinaries Index



2023 Highlights



Alignment with the Sustainable Development Goals



18 Engagements with fund managers and companies

Diversity
46% Female Leadership across our adviser group



\$197 million
Funds under management in Ethical Investments

	71% Less Carbon Risk
	68% net SDG Contributions
	0% Greenwashing Risk
	72% Less Reputational Risk

The Ethical Investment Australian Equities Portfolio has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Ethical Investment Funds Management approach to investing



Choosing the Right Path

When it comes to ethical or responsible investing, there's a range of avenues to explore. At Ethical Investment Funds Management, we believe in harnessing the power of these various approaches to construct diversified and ethical portfolios that align with our investors' values.

ESG Integration: The Starting Point

ESG (Environmental, Social, and Governance) ratings provide a vital starting point. These ratings assess how well a company manages its impact on the environment, society, and its governance structure.

Environmental criteria gauge a company's role as a guardian of nature, while social criteria delve into its relationships with employees, suppliers, customers, and the communities it operates in. Governance encompasses a company's leadership, executive compensation, audit practices, internal controls, and shareholder rights.

At Ethical Investment Funds Management, we diligently evaluate ESG ratings for individual companies, primarily as a tool for risk management. To enrich our insights, we tap into research from dedicated independent ESG specialists including CAER, Sustainable Platform, Sustainalytics and EthosESG. Moreover, we seek guidance from independent peers who serve on our investment committee and are experts in ethical investing.

Encouraging Positive Change

Beyond assessments, we actively encourage companies to reflect upon and enhance their environmental and social footprint. By doing so, we aim to align their actions with the long-term interests of our investors.

Solving environmental and social issues

As part of our investment process, we look for businesses that are core contributors to solving environmental and social issues, such as renewable energy, healthcare and disruptive technologies.

Informed by Data, Conscious of Limits

- This report draws upon the data and tools available to us for analysing relevant sustainability issues. We acknowledge that the field of sustainability is dynamic and not yet fully standardised or complete.
- We place a strong emphasis on transparency in our reporting and acknowledge that this type of data representation may have its imperfections, but it remains a crucial part of our commitment to responsible investment and ethical investing.

To guide this report, we've relied on company reports, public disclosures and both our own internal and external research.

An Ongoing Conversation

We see this report as part of an ongoing dialogue with our investors and an integral facet of our research process. In the years ahead, we look forward to sharing our continued progress with you.

Ethical Screening

At Ethical Investment Funds Management, we specifically target investments in companies whose products and services we believe have a net positive environmental or social impact and provide solutions to essential sustainability challenges.

We also focus on excluding investments which cause harm to the environment or society to ensure a healthy planet and society which translates to a healthy economy for all to thrive.

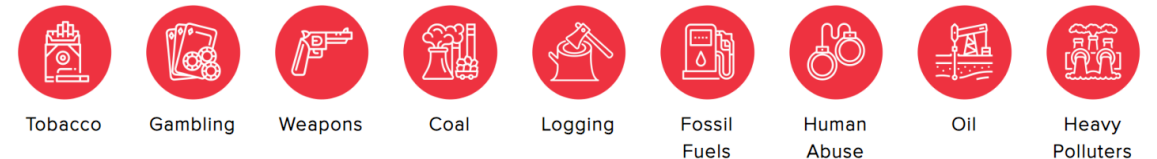
“For Ethical Investment Funds Management, it’s about ‘how’ companies are making money, not just about the amount of money they make.”

Ethical Investment Funds Management

Positive Investments – Who We Choose



Negative Investments – Who We Seek to Avoid



Our [Ethical Charter](#)¹ outlines in detail what we consider to be a positive and negative investment.

¹ <https://www.ethicalsma.com.au/wp-content/uploads/Ethical-Charter-and-Stewardship.pdf>



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 Sustainable Development Goals (SDGs), underpinned by 169 specific targets, and 232 indicators by which they'll be measured. The SDGs are an urgent call for action at a country level, both developed and developing, in a global partnership.

They recognise 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.

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 have 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.

SDGs are also becoming increasingly important to investors, as they represent material ESG (environmental, social and governance) perspectives that investors consider as part of their fiduciary duty.

There is a strong business case for investing in companies aligned with the SDGs, which are shown to secure steady returns for investors by creating a competitive advantage of their portfolio.

“Unless we act now, the 2030 Agenda will become an epitaph for a world that might have been.”

António Guterres
Secretary-General, United Nations

The Ethical Investment Australian Equities Portfolio's contribution to the UN Sustainable Development Goals

We have used independent SDG and ESG data provider Sustainable Platform to evaluate the portfolio holding companies' alignment with the SDGs as highlighted below. Sustainable Platform is a SaaS (Software as a Service) database providing access to transparent ESG & SDG performance data for 22,000+ global companies. Although the portfolio does not have specific impact targets, the focus on investments in these areas is likely to result in a portfolio that demonstrates greater alignment with global sustainability outcomes than broader passive global equities strategies.



Source: Sustainable Platform, The Ethical Investment Australian Equities Portfolio Portfolio as at 31 December 2023.



UN SDG Investment Alignment

No matter how large or small, and regardless of their industry, all companies can contribute to the SDGs.

While the scale and scope of the global goals is unprecedented, the fundamental ways that business can contribute remain unchanged.

The UN Global Compact asks companies to first do business responsibly and then pursue opportunities to solve societal challenges through business innovation and collaboration.

The Ethical Investment Australian Equities portfolio largely contributes to:

SDG3 - Health and Well-being (39%)

- Enabling medical research
- Providing diagnostics
- Providing preventative care
- Improving access to healthcare
- Supporting hearing

SDG5 - Gender Equality (12%)

SDG7 – Affordable and Clean Energy (6%)

- Access reliable, renewable energy
- Energy efficient products

SDG9 – Industry, Innovation and Infrastructure (5%)

- Reducing emissions

SDG11 - Sustainable Cities and Communities (13%)

access to social infrastructure properties
enabling education
Increasing circularity in material use

SDG 12 and Charting a Sustainable Path Forward

Addressing one of society's challenges entails reducing our consumption and resource use to levels consistent with our planet's ecological limits, thereby safeguarding a sustainable future for generations to come. This challenge aligns with the United Nations Sustainable Development Goal (SDG) 12, Responsible Consumption and Production.

Steering Towards Impact

As fund managers we are cognizant of the importance of SDG 12, and while it may not be the primary focus of our fund, we are committed to making a positive impact through the inherent interconnectedness of the other SDGs.

Harmonious Goals in Action

For example, our emphasis on SDG 3 (Good Health and Well-being), plays a pivotal role in alleviating strain on the healthcare system and its associated resources.

By promoting healthier lifestyles and well-being, we reduce the likelihood of individuals requiring extensive medical interventions, thus indirectly contributing to SDG 12.

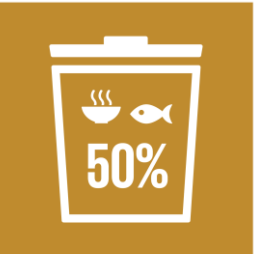
Furthermore, our investment focus on SDG 9, Industry and Innovation, centres on companies pioneering technologies that enhance resource efficiency and diminish materials consumption during both production and utilisation phases reducing our environmental footprint.

TARGET 12-2



SUSTAINABLE
MANAGEMENT AND
USE OF NATURAL
RESOURCES

TARGET 12-3



HALVE GLOBAL PER
CAPITA FOOD WASTE

TARGET 12-5



SUBSTANTIALLY
REDUCE WASTE
GENERATION

TARGET 12-6



ENCOURAGE
COMPANIES TO ADOPT
SUSTAINABLE
PRACTICES AND
SUSTAINABILITY
REPORTING

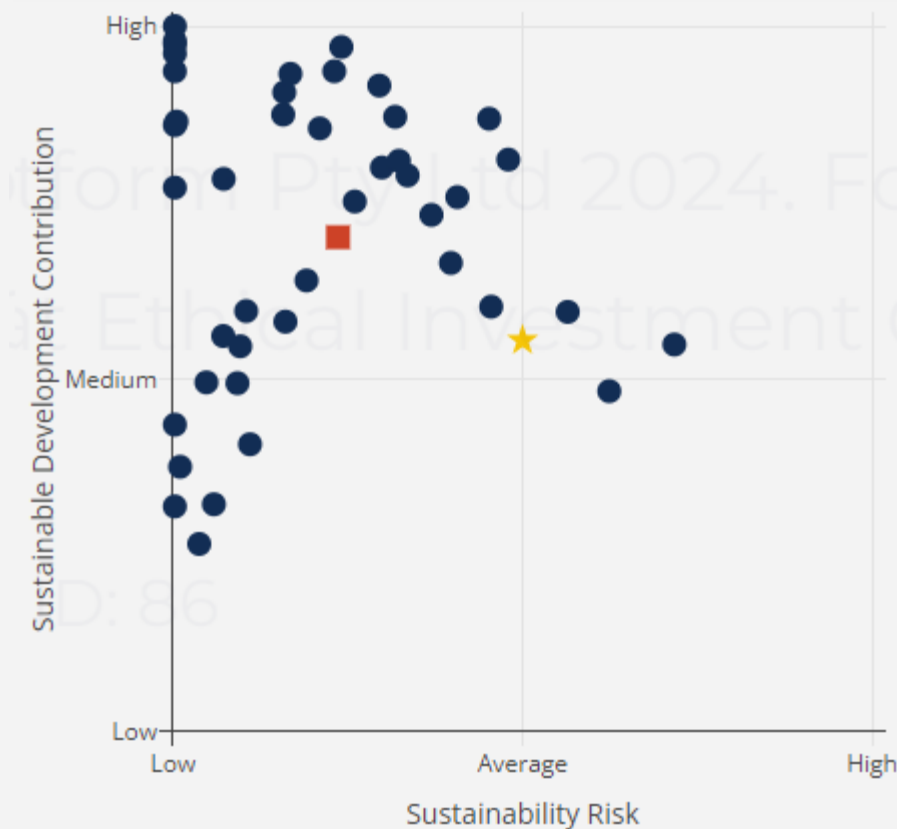
Ethical Investment Australian Equities Portfolio - Sustainability Risk

Sustainability Risk is a measure of the extent to which companies' activities compromise sustainable development, this embodies the social equity level, environmental impact of each company, and the sales exposure to basic needs and controversial industry categories.

It also includes an assessment of exposure to Environmental and Social Controversial Industries such as deforestation, fossil fuels, tobacco and gambling, as well as factors such as environmental and corporate fines and wage dispersion within companies.

In 2023, we mapped the holdings within the Ethical Investment Australian Equities Portfolio utilising Sustainable Platform's analysis tools, to understand the sustainability risk the portfolio was exposed to (red square is the portfolio's average). The results showed that a vast majority of holding companies within the **Ethical Investment Australian Equities Portfolio** exhibit a Sustainability Risk significantly lower than the industry average which is illustrated by the yellow star on the graph.

This performance is relative to the Database Average of over 22,000 global companies listed on Sustainable Platform.



Source: Sustainable Platform, The Ethical Investment Australian Equities Portfolio as at 31 December 2023.

Our Impact in 2023

At the end of 2023, the Ethical Investment Australian Equities Portfolio was invested in 45 companies.

Of the 45 companies;

15 companies (33%) focused on Climate Change mitigation and adaptation which includes the global transition to decarbonisation and the sustainable supply of clean energy metals;

14 companies (31%) focused on social impact, which included healthcare, education, childcare centres and affordable housing;

2 companies (4%) focused on sustainable food production and agriculture

In 2023, Ethical Investment Funds Management collaborated with **EthosESG**, an independent and specialist ethical research company to launch our range of **Impact Calculators** which can be used to calculate the tangible positive impact that the investments are having on the environment and society.

Impact Calculator

The Impact Calculator shows the net positive environmental and social impact achieved in 2023 across the Ethical Investment Australian Equities portfolio compared with the benchmark.

It further illustrates the positive impact of our Focus areas in-line with the UN SDGs.

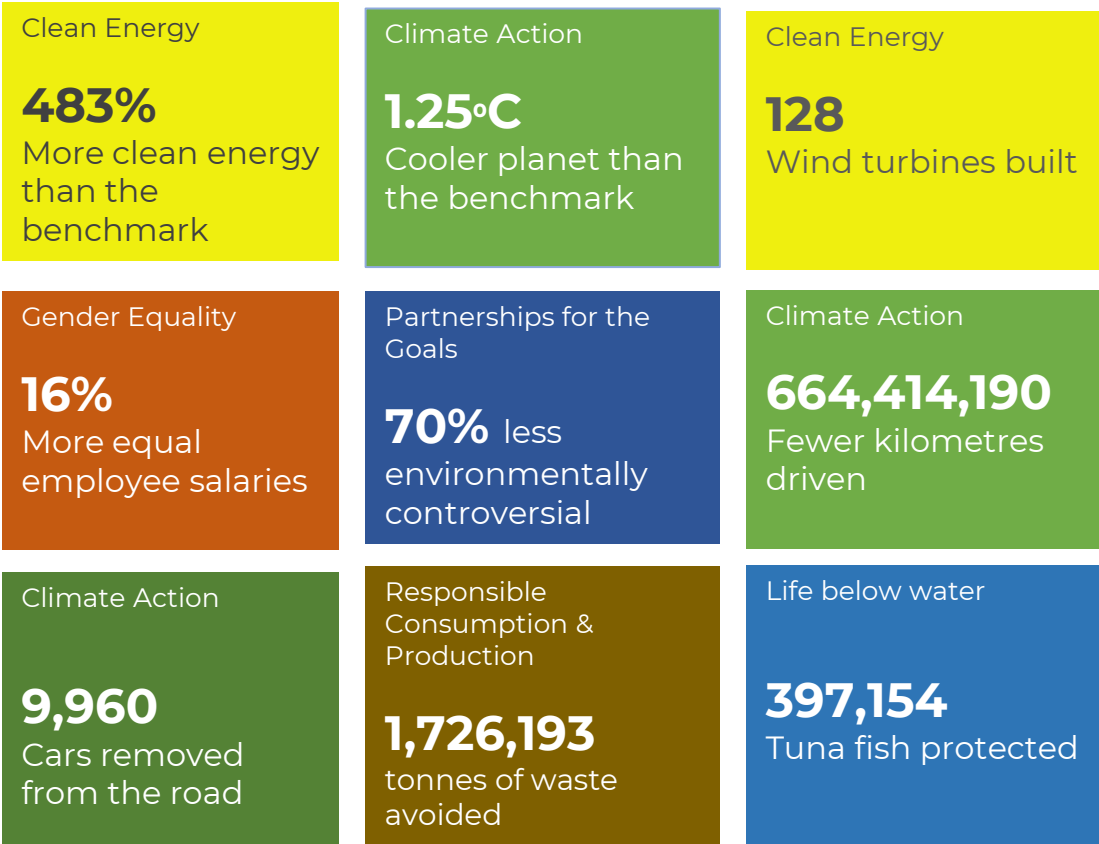
EthosESG aggregates more than 2 million data points from 280+ sources to calculate the potential impact. The impact calculators show the 'net' impact a client's investments are having in the portfolio compared with a mainstream index.

The data shown is an indication of how the portfolio scored based on the metrics used by EthosESG.



Overall Impact Score

EthosESG awarded the Ethical Investment Australian Equities portfolio an Overall Impact score of 91.2 out of 100, which is an A rating.



- Source: EthosESG, The Ethical Investment Australian Equities Portfolio
- Calculation is based on the total Funds Under Management of \$92,794,400 as at 31 December 2023 and is compared against the S&P/ASX 200 Index.
- The examples are provided to illustrate the contribution and may not be representative of the actual activities of the companies.

Impact Highlights

Carbon Risk is a single metric used as a proxy for combined Scope 1, 2 & 3 reporting. It is calculated from fossil fuel exposure within a portfolio as a proportion of company revenue and incorporates emission offsets at a rate of USD 20 per tCO₂. This provides a quantitative measure for comparing carbon pollution across industries.

Net SDG Measures a company's net contribution to the UN Sustainable Development Goals.

SP Greenwashing Risk metric assesses a company's potential negative environmental impact and verifies its environmental claims. It considers the company's exposure to controversial industries related to the environment and tracks any environmental fines.

Reputation Risk Gauges a company's reputation uncertainty relative to others in the database. It assesses risk based on exposure to Controversial Industries, Corporate or environmental fines.

The Ethical Investment Australian Equities Portfolio, compared with the S&P/ASX 200 Index



71% Less Carbon Risk



68% net SDG Contributions



0% Greenwashing Risk



72% Less Reputational Risk

Source: Sustainable Platform, The Ethical Investment Australian Equities Portfolio as at 31 December 2023.

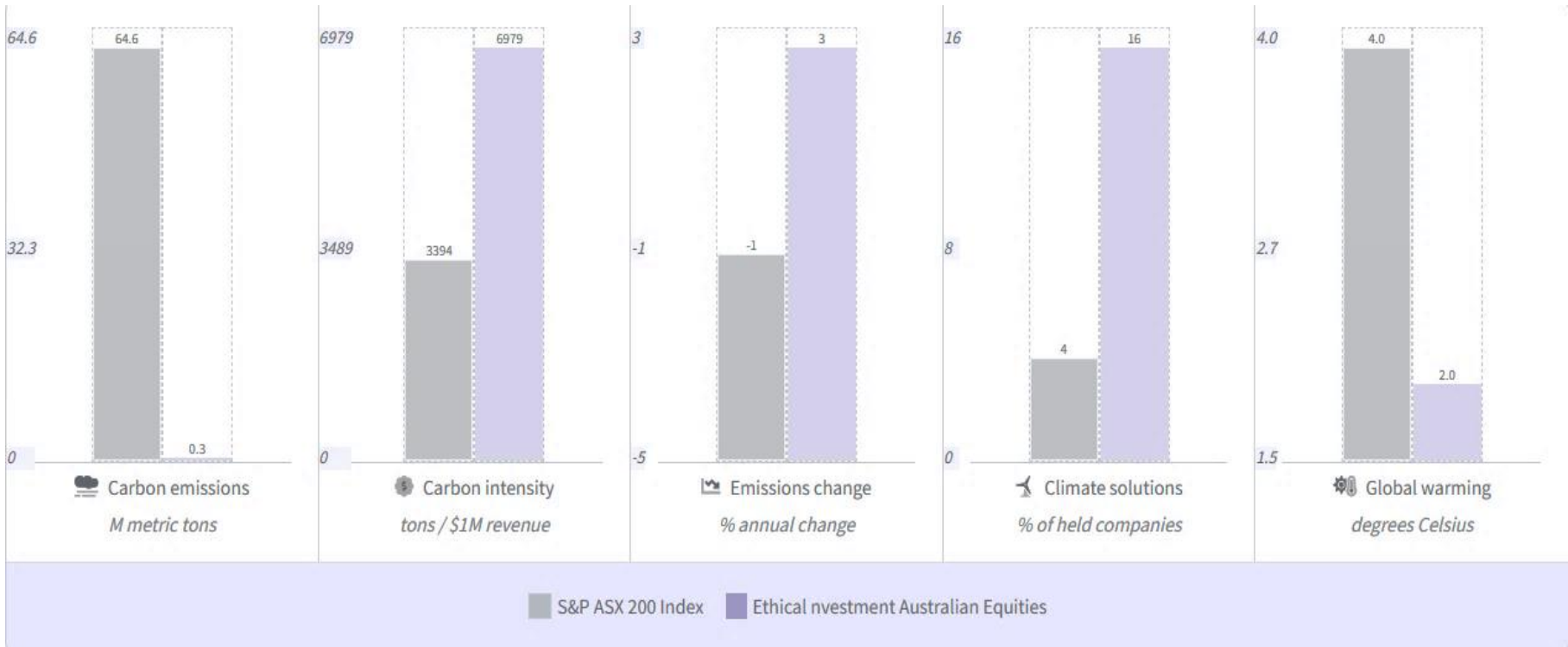
Carbon comparison

Portfolio carbon metrics, compared with a benchmark

One of our Focus areas is on companies that produce products or services enabling parts of the economy to reduce GHG emissions and/or adapt to climate change. This includes renewable energy, battery storage, and other technologies that improve energy efficiency and reduce resource use.

While our Portfolio holdings are in companies that are helping to reduce GHG emissions, all of our investments generate their own emissions in their day-to-day operations. We work with Fund managers of our investee companies to encourage them to set targets to reduce these emissions as far as possible and as quickly as possible.

Many of the portfolio companies have announced a commitment to achieving net-zero carbon emissions in line with the Science Based Targets initiative (SBTi).



Source: Sustainable Platform, The Ethical Investment Australian Equities Portfolio as at 31 December 2023.

Global Warming Alignment

Degrees Celsius of global warming that each fund is aligned with. This indicates how well aligned each fund is with the Paris Agreement on climate change mitigation, adaptation, and finance.

How are the portfolios scored?

These graphics outline the potential contribution to global warming of each portfolio (in degrees Celsius).

This is calculated as the weighted-average global warming potential of each of the underlying investments, using current emissions data and targets from the Science-Based Targets Initiative (SBTI).

Through the 2015 Paris Agreement, world governments committed to curbing global temperature rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

The global warming potential is based on emissions reductions commitments made through the SBTi and current carbon emissions across the value chain (scope 1, 2 and 3).

The SBTi provides a standard, independent methodology to assess and approve company targets in line with strict criteria. In some cases, commitments to net-zero emissions made outside of the SBTi are also considered, when a company is able to credibly demonstrate its commitment.

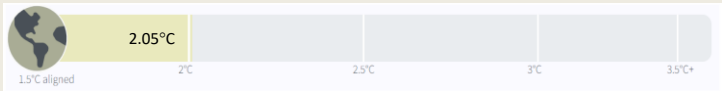
Work in progress

To put this in perspective, we have compared the warming alignment of each portfolio against a traditional non-ethical, diversified portfolio.

While we still have work to do to get the portfolio Global Warming Alignment closer to the 1.5 degrees needed, it is pleasing that each of the two portfolios have reduced their global warming exposure and are already much lower than traditional, non-ethical, diversified benchmarks.

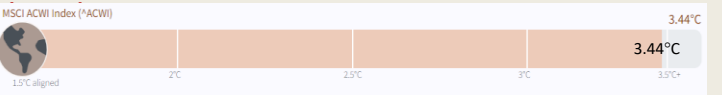
The benchmarks used for comparison purposes are the MSCI All Country World Index for the Growth and Fixed Income Portfolios, and the S&P/ASX 200 Index for the Australian Equities and Large-Cap Portfolios.

Ethical Investment Growth Portfolio

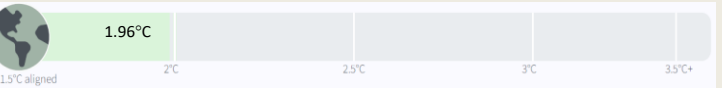


A reduction of 0.09 °C from 2022 baseline of 2.14°C

Benchmark: MSCI All Country World Index

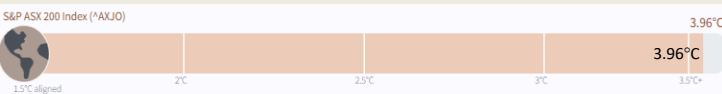


Ethical Investment Australian Equities Portfolio



A reduction of 0.18 °C from 2022 baseline of 2.26°C

Benchmark: S&P/ASX 200 Index



Ethical Investment Funds Management Focus Areas

EIFM, through the companies we invest in, is helping to address some of the complex and systemic issues that our world is faced with so that we can move towards a nature positive environment and a thriving economy for all.

We have mapped our investments broadly into 3 Focus areas comprising of sub-sectors, recognising the interconnected nature of these Focus areas on climate change, nature, and societal impacts.

Climate Change mitigation and adaptation

- Renewable Energy
- Energy Storage
- Energy Efficiency
- Decarbonisation
 - Critical Minerals
 - Disruptive Technology
- Resource efficiency
 - Water and waste management
 - Circular economy

Social

- Health and Well-being
- Childcare
- Education
- Community banking
- Affordable housing

Nature-related impact

- Biodiversity loss and conservation
- Sustainable food production/agriculture
- Regenerative farming

Our Focus areas

In the following sections, we shed light on the challenges and opportunities business faces in each of our Focus areas, we have included case studies of some of our responsible investment companies' and their pursuit in driving a strong business case through innovation to help solve some of these challenges. We have articulated how EIFM is contributing to these Focus areas, which sits nicely within the realm of our alignment to the UN SDGs.

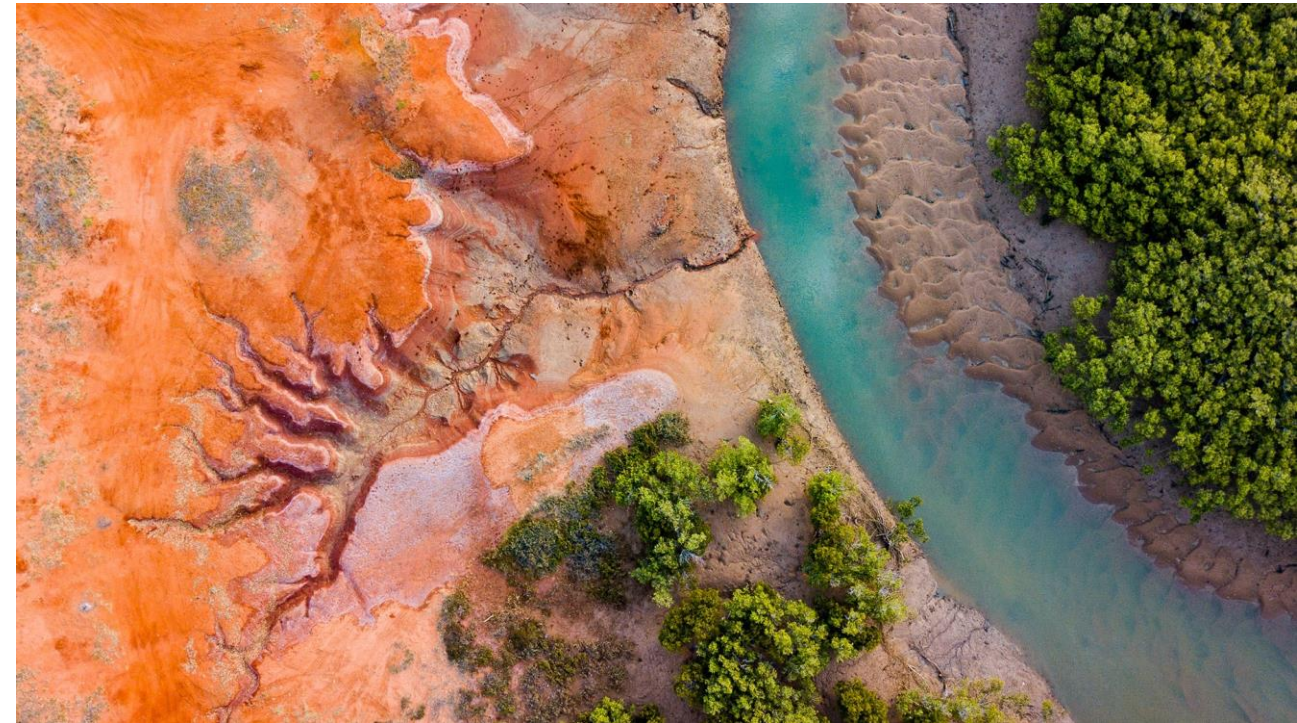
We further highlight some of the investment companies' accomplishments and advancements as well as their challenges throughout 2023 in their trajectory towards a more sustainable future.

Focus Area: Climate Change mitigation and adaptation

Climate change is happening now — and even if we effectively reduce global emissions, it will continue to impact our lives. Flooding, droughts, bushfires, heatwaves and other climate-related hazards are becoming more intense, longer and more frequent. These hazards carry significant health and economic impacts. Climate change adaptation and mitigation measures are critical to increase our resilience and reduce disaster risks for all.¹

Key Performance indicators

- tCO₂e avoided
- MWh of renewable energy generated
- Tonnes of waste recycled
- Litres of wastewater treated
- Litres of water use avoided



33%

of the Ethical Investment
Australian Equities Portfolio &
15 holding companies

addressing Climate Change
mitigation and adaptation

25,931 GWh

Estimated renewable energy
generated and supplied by 3
investment companies

30%

of NZ homes powered by
Meridian Energy's 100%
renewable electricity

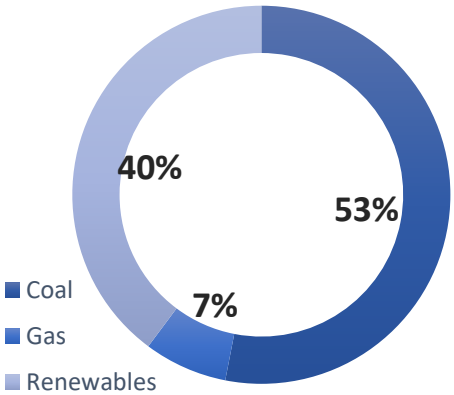
Australian Opportunity

With the introduction of the Climate Change Act 2022, the government has raised the carbon reduction target from 26-28% to 43% by 2030.

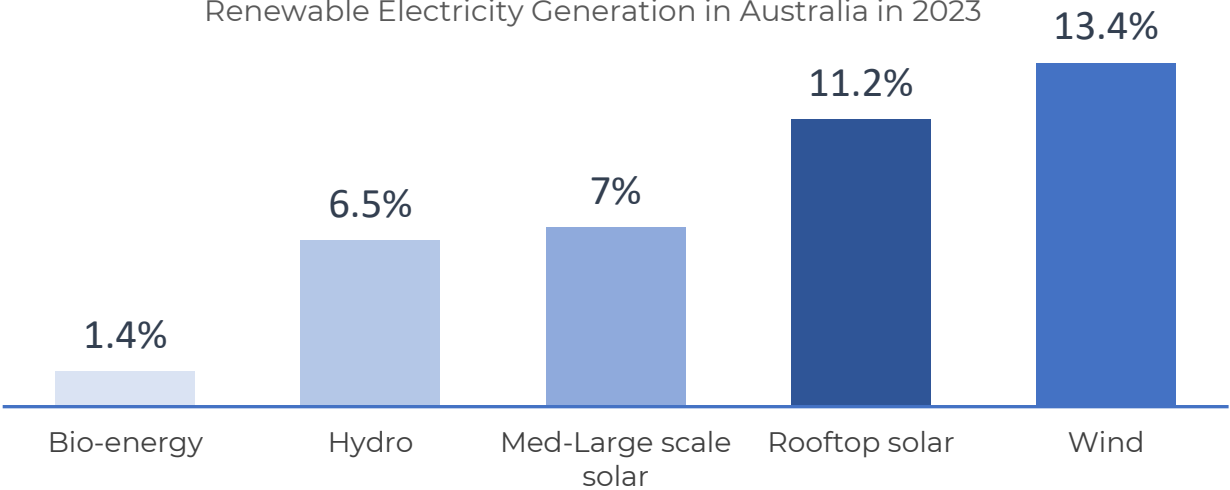
Despite the rapid growth in Australia’s clean energy sector, many states are still not meeting their targets. In 2023, financial commitments to utility scale generation capacity dropped to \$1.5 billion from \$6.5 billion in 2022 due to challenges such as a constrained grid, slow planning processes, higher costs, and uncertain policies.

The Australian Energy Market Operator’s 2024 draft plan indicates a need for an annual addition of at least 6GW of renewable energy to the National Electricity Market to achieve the government’s 82% renewables target by 2030. To meet its carbon reduction target by 2030, Australia needs to accelerate its investment and deployment in climate change mitigation and adaptation measures.

Annual Electricity Generation in Australia in 2023 (%)



Renewable Electricity Generation in Australia in 2023



Renewable Energy, Energy Storage & Efficiency

to help mitigate green house gas emissions, ensuring access to sustainable and modern energy for all

The Challenge - Intensive development patterns have historically relied on inexpensive and energy-dense fossil fuels, which also happens to be the primary source of greenhouse gas emissions contributing to climate change.

Opportunity - Business can accelerate the transition to an affordable, reliable and sustainable energy system by investing in renewable energy resources, prioritising energy efficient practices, and adopting clean energy technologies and infrastructure to help mitigate the impacts of climate change while minimising the impact of their operations on nature, including biodiversity and critical habitat areas that they operate in.

EIFM Investment companies:

- Genex – renewable energy generation.
- Mercury NZ – renewable energy generation.
- Meridian Energy - renewable energy generation.
- First Solar - US manufacture of thin film solar photovoltaic (PV) panels, which has a dramatically lower carbon footprint than traditional power generation technologies. One kilogram of First Solar's semiconductor material can be recycled 41 times over.

Our contribution

Through our investments in these companies, we aim to:

- Accelerate the impact of these companies to reduce green-house gases in line with Science-based Targets Initiative (SBTi) and mitigating climate change.
- Support the growth of renewable energy power and storage as a critical contributor to the energy transition.

7 AFFORDABLE AND CLEAN ENERGY



Aligned to UN SDG 7 – Affordable and Clean energy, with a Focus on Targets:

7.1

By 2030, ensure universal access to affordable, reliable and modern energy services

7.2

By 2030, increase substantially the share of renewable energy in the global energy mix

7.3

By 2030, double the global rate of improvement in energy efficiency

Clean Energy Council Report 2024 - The clean energy sector in Australia is accelerating, yet many states are well short of their targets to scale up renewable energy investments, this provides growth opportunities for companies like Genex Power.



Australian company **Genex Power** is focused on developing a portfolio of renewable energy generation and storage projects across Australia. Genex's flagship asset is a 300MW clean energy hub in north Queensland, integrating largescale solar with pumped storage hydro, with plans to add a further 258MW in wind generation capacity.

The 'Kidston Clean Energy Hub' is a world first, innovative integration of intermittent renewable energy with large-scale energy storage creating 'Renewable Energy On Tap'. Genex also owns and operates the 50MW Jemalong Solar Project, located in NSW. The Bouldercombe standalone battery energy storage system (BBP) successfully commenced full operation in November 2023, and will store and supply up to 35,200MWh per annum, supporting the security and reliability of the Queensland grid.

2023 Highlights

115,175MWh

Generated by Kidston Solar Project in 2023. Equivalent to powering around 26,000 Australian homes. Preventing the emission of approximately 120,000 tonnes of CO2 p.a.
(2022: 115,957MWh)

103,365MWh

Generated by Jemalong Solar Project in 2023.
(3.9% decrease from 2022)

50MW/100MWh

Bouldercombe Battery Project (BBP)

13%

Indigenous personnel employed across the Jemalong and Kidston Projects.

30%

Women employed across the Jemalong and Kidston Projects.

33%

Women in Leadership roles.
(40:40:20 gender diversity ratio)

Forward looking Target

by 2025 the portfolio of renewable power projects will provide clean energy to over 350,000 homes offsetting almost 2 Mega-tonnes of CO2 per annum.

Mercury NZ is helping Aotearoa New Zealand in its target to reach 100% renewable electricity by 2030



Mercury is a New Zealand renewable energy company, generating electricity from 9 hydro stations, 5 geothermal plants and 5 wind farms. Its retail brands are Trust Power and Globug.

Hydro

Mercury’s hydro plants along the Waikato River together produce ~10% of New Zealand’s electricity. The benefit of its hydro generation is the flexibility to meet changing levels of electricity demand.

Mercury has converted more than 70% of its vehicle fleet to electric or plug-in hybrid and is a member of EV100, an initiative to help reduce carbon emissions and make electric transport the new normal by 2030.

GHG emissions	FY23(tCO2e)	FY22(tCO2e)
Scope 1	213,645	222,736
Scope 2	632	1,108
Scope 3	134,778	84,909

2023 Highlights

5,209GWh

Of hydro generation in 2023.
(2022: 3,662GWh)

2,358GWh

Geothermal generation in 2023.
(2022: 2,568GWh)

1,471GWh

Wind generation in 2023
(2022: 1,269GWh)

15%

Māori employees

50%

Women employed
(40:40:20 gender diversity ratio)

47%

Women in Leadership roles.

SBTi Target

To reduce absolute scope 1 and 2 GHG emissions by 50% by FY30 from a FY21 base year is in line with a 1.5°C trajectory, with a further commitment to reduce absolute scope 3 GHG emissions by 50% within the same timeframe.

Challenges

High thermal costs and regulatory reform for a secure supply of electricity.



Decarbonisation

The Challenge - Historical development patterns have been intensive, heavily relying on the burning of fossil fuels. These fuels are also a primary contributor to greenhouse gas emissions, and pollution which is exacerbating climate change, biodiversity loss and increasing health risks.

Opportunity - The adoption of innovative clean technologies is key in redirecting development towards a more sustainable trajectory mitigating environmental damage. In this transition, businesses are instrumental—they can prioritise energy efficiency and integrate disruptive clean energy technologies and infrastructure to help decarbonise.

Embracing disruptive clean technologies not only aligns with decarbonisation goals but offers a pathway to mitigating global warming and reducing greenhouse gas emissions, in-line with international agreements to reduce carbon emissions. The transformation of key sectors to embrace low or zero-emission technologies is not just essential—it's imperative for a sustainable future.

EIFM Investment companies:

- Hazer Group – low emissions hydrogen
- Calix - multiple patented technologies including carbon capture, crop protection, aquaculture and water treatment.
- Vulcan Energy – zero-carbon lithium producer

Our contribution

Through our investments in these companies, we are:

- Scaling new technologies that offer clean energy solutions
- Championing disruptive technologies as a critical contributor to a decarbonisation pathway

Australia Trends

Critical minerals essential to a decarbonising global economy were the source of significant geopolitical interest in FY23, as governments sought to develop sovereign capabilities and reliable supply chains.

In 2023 the US-Australia Climate, Critical Minerals and Clean Energy Transformation Compact was announced to advance climate and clean energy action.

In Australia, the \$15 billion National Reconstruction Fund includes up to \$3 billion for renewables and low emission technologies and \$1 billion for value-adding in resources. An additional \$400m was announced for Critical Inputs for Clean Energy Industries, such as steel, cement and lime, and alumina.

Source: [Department of Industry Science and Resources](#)

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Aligned to UN SDG 9 – Industry, Innovation and Infrastructure, with a Focus on Targets:

9.5
Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries

13 CLIMATE
ACTION



Aligned to UN SDG 13 – Climate Action, with a Focus on Targets:

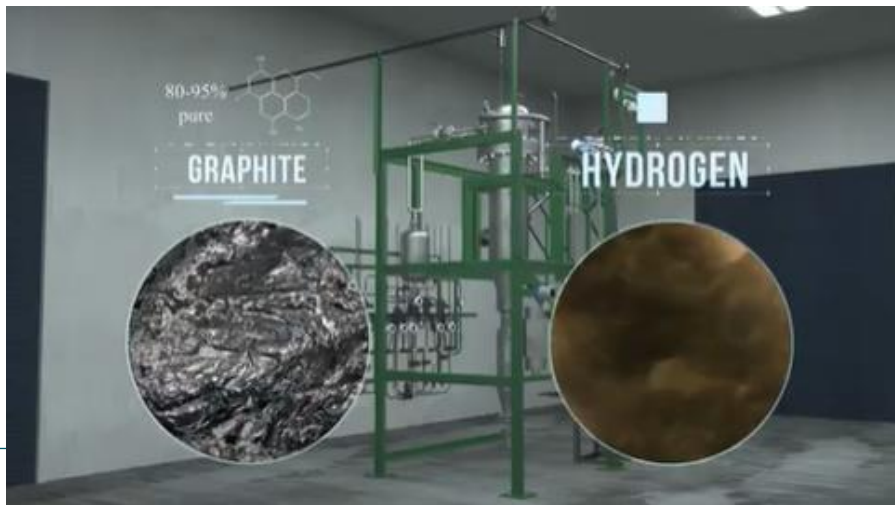
13.3
Improve human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

How EIFM is solving the problem

As an ethical fund manager, it is part of our role to invest in the technologies that can decarbonise our economy as fast as possible. We must move as fast as we can to get to net zero and preferably net negative CO2 to keep the effects of a boiling planet to an acceptable level from an economic and societal perspective. Therefore, focusing on the technologies that can do this today is a priority and Hazer Group has the technology.

Engagement - Ethical Investment Funds Management met with Hazer Group in 2023.

The purpose of this meeting was to gain a comprehensive understanding of Hazer's innovative technology. Specifically, we focused on their early-stage Iron catalyst technology, which is paving the way for GHG emission reduction, while promoting responsible production and consumption.



The Hazer Group is pioneering innovative solutions at the intersection of clean energy production and carbon abatement. Through its ground-breaking Hazer Process, it uses what is known as 'Methane Pyrolysis' to make Hydrogen. Effectively Methane is used as the feedstock to make the Hydrogen with the difference that the carbon is captured in the form of Graphite as a byproduct of the process.

The aim of the low-emissions HAZER® Process is to reduce carbon emissions.

It can be argued that there will be some fugitive emissions from the extraction and transportation of the gas feedstock however with Hazer's commitment to also use waste or biogas as part of their mix, this will effectively negate those fugitive emissions bringing the process to as close to or if not a zero emissions outcome.

2023 Highlights

50%

Emissions reduction anticipated over fossil fuel-based hydrogen production.

Low emissions hydrogen

Pathway to decarbonize transportation.

HAZER® Process

Produces high quality graphite with less environmental damage and no fossil fuel use.



Forward looking Target
4.1 million tonne's CO2 eq.

Estimated to be avoided over 10 years

Already a renewable energy producer, Vulcan Energy is actively decarbonising two traditionally carbon-intensive industries, the energy industry and lithium supply chain, to empower a carbon neutral future for Europe.

With its ZERO CARBON LITHIUM Project, Vulcan has the lowest carbon footprint and a lower water usage in the lithium industry. Its Zero Carbon Lithium™ Project adapts existing, commercially proven technology to produce battery-quality lithium from naturally heated subsurface brine, to deliver a local source of sustainable lithium for the battery industry, with a co-product of renewable geothermal energy to power its lithium extraction.

At present, the battery grade lithium that Europe needs is highly dependent on China, which controls 80% of production, a reality that results in high transportation emissions, additional supply chain risks and instability.

2023 Highlights

16,000 MWh

Of renewable energy generated

40%

Female board representation
(40:40:20 gender diversity ratio)

6.5kT CO2 eq.

Avoided through its renewable power plant.

EIFM Engagement

We met with Calix CIO to better understand the Company's trajectory and pipeline of projects and how this fits within responsible investment. Calix has many exciting projects underway with strong future growth that will help Australia to decarbonise our economy.



Calix is building multiple patented technologies to deliver positive global impact in CO₂ mitigation, sustainable processing, advanced batteries, crop protection, aquaculture and water treatment.

A pioneer in developing advanced carbon capture and storage (CCS) technologies it aims at reducing carbon dioxide emissions from industrial processes such as cement and lime. The company's patented LEILAC technology, with no additional chemicals or processes, and indirectly heated calcination approach aims to efficiently separate CO₂ for use or storage.

The Company is also in partnership with a direct air capture company, Heirloom, to help improve the approach to directly removing excess carbon dioxide from our atmosphere.

- **First license agreement signed for cement** with Heidelberg Materials.
- **Leilac partnership for Direct Air Capture** with Heirloom
- **Joint Venture executed with Pilbara Minerals** to develop a novel mid-stream lithium process to produce low carbon, low waste, and high value concentrated lithium salt.
- **ZESTY awarded funding** for a renewable powered 30,000 tonnes per annum demonstration plant for low emissions iron & steel.
- **Leilac & CEMEX announced 3 new projects**
- **Calix announced as a partner in methanol project for sustainable fuels from CO₂**



Resource Efficiency

The Challenge

Resource Efficiency – Our planet has provided us with an abundance of natural resources. But we have not utilised them responsibly and currently consume far beyond what our planet can provide. The Australian waste sector produces around 13 million tonnes of carbon emissions each year, equivalent to 2% of Australia's total greenhouse gas emissions.

Water Management - the overuse and contamination of fresh water is creating water scarcity.

Opportunity – By helping millions of tonnes of materials have a second life, companies can directly reduce the need to extract finite resources from the Earth – avoiding environmental damage, biodiversity loss and reducing the carbon emissions associated with extraction, transportation and production of new materials.

From an emissions reduction perspective, the benefits of applying good resource recovery and recycling processes to our waste streams could reduce landfill emissions by as much as 60% based on current forecasts and decrease up to 10% of Australia's 480m tonnes of total emissions².

Treating and recycling wastewater - reduces the overuse of fresh water.

EIFM Investment companies:

- Close the Loop – recycling and reducing waste
- Cleanaway Waste – waste management
- Sims Metals – metal recycler
- Calix – water treatment and aquaculture

Our contribution

Through our investments in these companies, we aim to:

- Increase resource efficiency by reducing waste and wastewater
- Support circular economies by increasing waste recovery as critical to reducing the extraction of finite resources and reducing biodiversity loss.



Aligned to UN SDG 12 – Responsible Consumption and Production, with a Focus on Target:

12.2

By 2030, achieve the sustainable management and efficient use of natural resources

12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Australian Opportunity

The 2023 [Recycling Behaviours Report](#) from Cleanaway Waste Management identified a myriad of barriers to our waste problem in Australia, including under investment in the waste sector, given its role to help abate emissions. Australia sends around 20.5 million tonnes of waste each year to landfill ².

The Circular Economy and Nature

~90%

of biodiversity loss and water stress is attributed to resource extraction and Processing ³

~80%

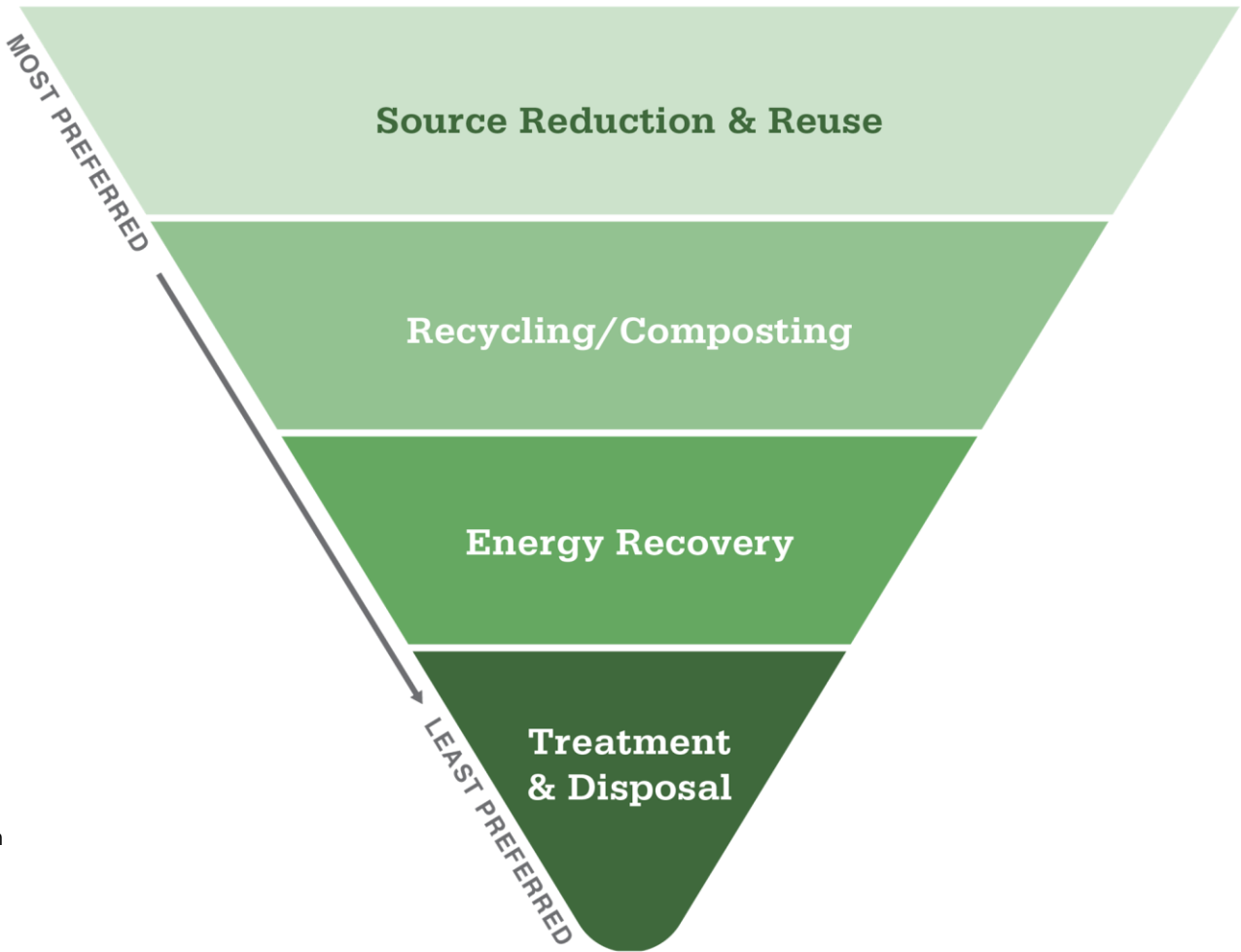
of global metal extraction in 2019 occurred in the worlds most species-rich biomes

90%

of mining sites are in areas of relative water scarcity

A circular economy closes the loop on the products we consume by maximising the reuse of recovered resources in the remanufacturing process. It encourages continual reuse and recycling of valuable resources. It is estimated that facilitating a circular economy will create 17,000 full-time jobs and contribute a present value of \$210 billion to the Australian economy.

Building the infrastructure required for good resource recovery, and recycling processes to our waste streams, and delivering education about the new, environmentally-minded system are Australia's top priorities. Additionally, the spotlight should be turned to the design and manufacturing of products to ensure all producers are building circularity and recyclability into the creation of new items.





Australian company Cleanaway Waste Management, provides advanced resource recovery facilities, transfer stations, engineered landfills, liquid treatment plants and refineries, offering customers capacity to collect, process, treat, recycle or safely dispose of a variety of waste types, including general waste and recycling, liquid waste, waste oil, hazardous regulated waste and bio-hazardous waste.

Cleanaway is continuing to play a role in building the circular economy through partnerships and investment. The Company has invested in two new plastic processing facilities in Victoria; building out an organic waste processing capability and continuing to play a role in the state specific Container Deposit Schemes through its partnership with Tomra.

Cleanaway is investing in a range of resource recovery solutions and has progressed two Energy from Waste (EfW) facilities as a solution to avoid waste which can't be recycled and maximise landfill diversion with landfill airspace diminishing.

2023 Highlights

32,000 tonnes

Steel & aluminium recovered

2,968,000 tonnes

Processed as renewable energy from bio waste
Enough to power 47,600 homes
(2022: 2,4407kt)

289,000 tonnes

Composted
(2022: 170.3kt)

1,250kt CO₂-e

Net scope 1 and 2 greenhouse gas emissions
(FY22: 1,308ktCO₂-e)

33%

Females on Board

Innovative Reconciliation Action plan

\$10.8M

First Nations business spend

Environmental Impact

Conserving natural resources and biodiversity through circularity, avoiding emissions in the value chain.

20,000 tonnes

Plastics recovered

~242GWh

Renewable energy generated
(2022: 190GWh)

12.M

tonnes of avoided emissions

28%

Female in management roles
(up 9.8% from FY22)



Australian company Sims Ltd, is in the business of metal and electronics recycling, and an emerging leader in the municipal recycling and renewable energy industries.

Sims Metal buys and processes scrap metal from businesses, other recyclers and the general public. With over 200 processing facilities in the United States, United Kingdom and Australasia.

Each of its business divisions aims to play an integral role by providing a pathway to decarbonisation and circularity.

Other Business Divisions

- Sims Lifecycle Services - IT asset and cloud infrastructure reuse, redeployment and recycling.
- Sims Resource Renewal - A circular business that operates in line with the waste hierarchy by using material left over from the metal recycling process to create new products.

2023 Highlights

Based on FY20 baseline

7,97M

Tonnes secondary metal recycled

3.8M

Cloud assets repurposed
(2022: 2.7M)

12.4M

Tonnes of avoided emissions compared to making the same product with raw materials
(2022: 170.3kt)

Target

Carbon neutral by 2030 and net zero by 2050

101,211 tCO2e

32% Lower emissions

84%

Renewable energy generated
(2022: 37%)

Innovative Reconciliation Action Plan

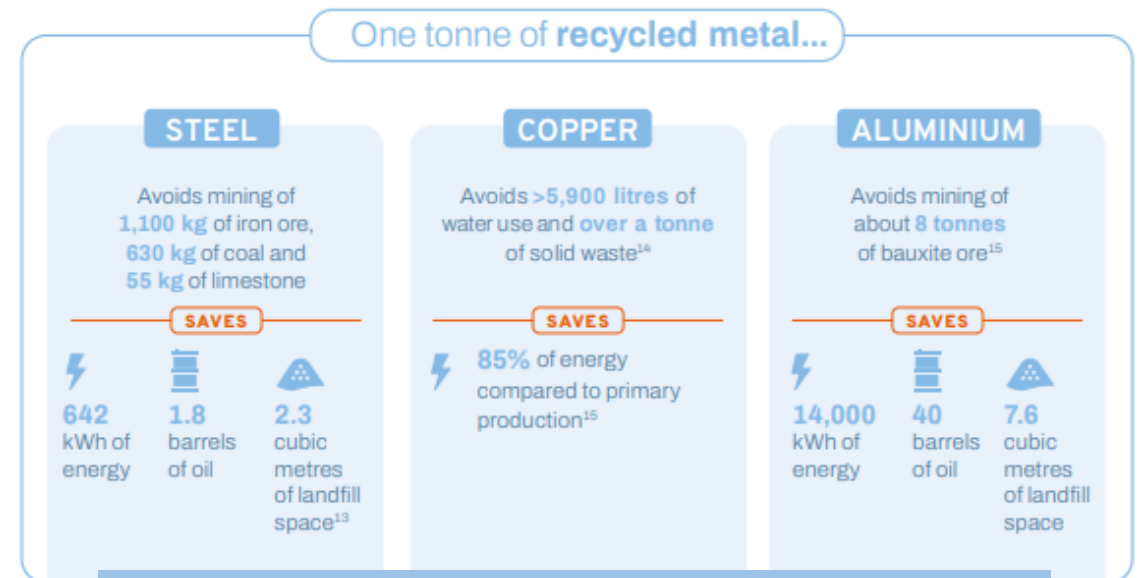
Supply Nation membership
include Indigenous-owned businesses

26%

Female Leadership roles

Nature and biodiversity policy

nature risks and opportunities



By reducing the need for raw materials through circularity, we can reduce pressures on nature.

An aerial photograph showing a large area of dense green forest on the left, which has been cleared to reveal a brown, muddy landscape on the right. In the cleared area, there is a large, dark, circular pit. An orange excavator is positioned near the edge of this pit, and a white truck is parked nearby. Another white truck is visible further to the right, driving on a muddy path. The contrast between the lush green forest and the barren, excavated land highlights the impact of human activity on the environment.

Up to 75%

of the land surface has been significantly altered by human actions, with severe impacts for our livelihoods, economies, food security, health and quality of life worldwide

Focus area:

Nature-related Impact

Biodiversity loss and conservation

The Challenge – Increasing reliance on natural resources and unsustainable consumption patterns are the root cause of the Triple Planetary Crises : Climate change, Biodiversity loss, and Pollution.

By 2050, the global population is projected to have reached close to 10 billion people, driving up food demand and increasing agricultural output by 25% between 2022 and 2050 as noted by The United Nations (UN) Food and Agriculture Organisation (FAO).

Landscape degradation, affecting a third of the world's population, contributes to food insecurity, water scarcity and climate change and biodiversity loss, destroying the ecosystems we all rely upon to survive.

The FAO analysis warns that arable land in 2050 may be insufficient due to landscape degradation, urbanisation and climate change, necessitating bold changes for agricultural ecological efficiency.

Opportunity - As the world looks to meet the collective challenge to feed the planet while mitigating climate change, enhancing biodiversity and reducing land degradation, will be subject to more rigorous sustainability requirements.

The EU and many countries globally lead with policies like the European Green Deal and Farm to Fork Strategy. The emergence of frameworks like The Taskforce on Climate-Related Financial Disclosures (TCFD) and The Taskforce on Nature-Related Financial Disclosures (TNFD), the EU's Deforestation Regulation (EUDR) and The Kunming-Montreal Global Biodiversity Framework (GBF), underscores the evolving climate reporting landscape.

Key Performance indicators

- tCO₂e avoided

EIFM Investment companies

- Wide Open Agriculture – sustainable agriculture
- Costa Group – sustainable horticulture

Our Contribution

Through our investments in these companies, we aim to:

- Help the restoration of ecosystems so that they can flourish, enabling natural capital-positive food and fibre
- Support these businesses to thrive through real value
- Enable healthier more resilient communities



Aligned to UN SDG 15 – Life on Land with a Focus on Target:

15.3

By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world



Australian company Costa Group Holdings Ltd, has adopted a systematic and tailored Sustainable Commercial Farming strategy to ensure it can progressively improve the yield and quality of its products whilst reducing its environmental impact. The food it grows places an emphasis on environmental stewardship and sustainability which is essential to nutritious fresh food contributing directly to global health and wellbeing.

The Vertical Farming Category is involved in a number of research projects run through the Australian Mushroom Growers Association, including identify sustainable and cost-effective alternatives to peat, which is a crucial material in mushroom production. Peatlands are one of the largest terrestrial organic carbon stocks globally, storing twice as much carbon as the world's forests. If undisturbed, peat layers are an effective permanent store of carbon.

2023 Key highlights

New packaging products & technology

To reduce the use of non-recyclable tags

Data tracking system

Improving forecasting and reducing fruit waste.

170 trees

planted to increase biodiversity

319,000kgs

of fruit and vegetables
equivalent of 575,000 meals
donated, which would otherwise
end up in land fill

5

Additional solar systems

21%

Women in senior management roles

33%

Women on Board

57% Female : 43% Male

Gender diversification

Challenges

Variability of climate change.
Waste management.

Focus area: Social

to ensure healthy lives and promote well-being for all

22%

Of the Australian Equities Portfolio

11 investment Companies

44,000

People helped to hear with Cochlear implants, improving overall well-being

2.5M

People received radiology examinations through Integral Diagnostics, resulting in improved efficiency and early detection of disease

16.5M+

Women across 40 countries have had their breast density assessed by Volpara software, providing a clearer path for screening, enabling the early detection of breast cancer

The Challenge – We are spending an astonishing amount of money and resources on treating illnesses that are preventable. Although Australian's life expectancy has increased over recent decades, the proportion of our lives that we are spending in good health has not materially changed. This has led to increased pressures on our medical systems. There is greater need for innovation and modern efficiency in healthcare to meet demand and deliver better patient outcomes.

Indigenous Australians have a life expectancy 10 years less than non-Indigenous Australians and suffer higher incidences of child mortality, chronic disease, and hospitalisation. Similar trends are evident in the 30% of the Australian population that live outside major cities, who face significantly poorer health outcomes.

Opportunity - In order to accelerate progress and address new health challenges, all actors, including the private sector need to partner to develop health care solutions that work for people, families, communities and nation.

Health and Well-being

Our Investment companies:

- Capitol Health – medical imaging
- Cochlear – implantable hearing devices
- CSL Ltd - biotechnology company that researches, develops, manufactures, and markets products to treat and prevent serious human medical conditions
- HealthCo Wellness REIT – healthcare and wellness property assets
- Integral Diagnostics – Radiologist and diagnostic imaging
- Medical Developments International – developers of medical devices in acute pain relief and respiratory products
- Probiotics – manufacturer of probiotic products
- Recce Pharmaceuticals - developing its novel, broad-spectrum synthetic polymer anti-infective drugs for the treatment of several infectious diseases,
- Sonic Healthcare – laboratory, pathology and radiology services
- Volpara Health – breast health software

EIFM Contribution

- To accelerate investment in healthcare companies that have a demonstrable positive impact on improving the health of society.
- Ensure the demands and costs on the healthcare system are reduced, through improving efficiency.

Key Performance indicators

- Number of people benefitting from healthcare
- Preventing and managing health risk factors for chronic conditions



Aligned to UN SDG 3 – Good Health & Well-being with a Focus on Targets:

3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

3.b

Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries,

Healthcare Opportunity

Healthcare starts with and depends on diagnostics, whether it's cancer, diabetes, infectious diseases or serious health threat to aid in the early detection, prevention and monitoring of diseases.



Australian company Integral Diagnostics (IDX) is a healthcare group providing diagnostic imaging services to patients and referrers across Australian and New Zealand.

IDX is further supported by its internal teleradiology service, which provides 24/7 after-hours emergency reporting. The company's focus is on how it can improve health outcomes for individuals with evidence-based care.

IDX has shown they can reduce the time a radiologist spends looking at an image by 20% by having an AI tool assess the image first and highlight areas to focus on for the radiologist

IDX brand, Apex Radiology (formerly Global Diagnostics) provides patients in rural and regional communities access to the highest standard of diagnostic imaging services.

2023 Highlights

2.5M+

Examinations Patients

54K+

Referrers

43%

Female board

Syringeless injectors

Reducing waste from disposable single use syringes

Hearing and well-being

Healthy ears and hearing are important to health and quality of life. Poor ear health and hearing loss can have an impact on many aspects of our lives, including education, employment and wellbeing. Although hearing isn't the only way we communicate, hearing loss impacts how we speak and interact.

The benefits of hearing intervention

In July 2023, new research found that after wearing hearing aids for three years, cognitive decline slowed by 48% for a group of older adults with mild to moderate hearing loss who were at a higher risk of cognitive decline. The results add to the growing evidence that support addressing modifiable risk factors for cognitive decline and dementia could be effective in reducing the future global burden of dementia.



Cochlear is a global leader in a range of implantable hearing solutions, having provided more than 750,000 implantable devices – empowering people of all ages to hear and connect with life's opportunities and live a full life.

Cochlear has a global workforce of around 4,800 employees and a wide geographical reach, selling in over 180 countries, with employees based in over 50 countries.

2023 Highlights

44,000

recipients assisted
with hearing

\$240M (14%)

Of Sales revenue to
Research & Development
(R&D)

\$7billion

net societal
benefit over the lifetime of
recipients from improved health
outcomes, educational cost savings
and productivity gains

96%

Renewable Energy used
at facilities

40%

Women on the Board

43%

Women in Senior Manager

Auditory Nerve

Cochlea

© 2021 Barrow

Education

to ensure inclusive and equitable education for all

The Challenge – Access to quality care and education programmes outside the home provides children with the basic cognitive and language skills they need to flourish in school.

Opportunity - The business case to invest in education can range from improving brand leadership to developing the capacity of future employees and building a more diverse employee pipeline. Early childhood development programs can produce long-term improvements in school attainment, help reduce delinquency and crime, improve employment chances and increase earnings.

EIFM Investment companies

- Janison Education – online assessment and learning platform
- Arena – develops, owns and manages social infrastructure properties

Our Contribution

- Advocating for equitable and accessible education for all, including remote, developing and disadvantaged communities globally.
- Scaling the transformation of traditional learning and assessment through technology.

Key Performance indicators

- Days of tertiary and vocational education



Aligned to UN SDG 4 – Quality Education with a Focus on Targets:

4.2

By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education

4.5

By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations

4.A

build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all

WITHOUT ADDITIONAL MEASURES, BY 2030:

84 MILLION
CHILDREN AND YOUTH
WILL BE OUT OF SCHOOL

300 MILLION
STUDENTS WILL LACK
BASIC
NUMERACY/LITERACY
SKILLS



Arena REIT provides access to essential community services in three sectors: Early Learning Centres (ELCs), medical centres and disability accommodations. It has a portfolio of 272 social infrastructure properties throughout Australia, of which 263 are ELCs, 6 medical centres and 3 specialist disability accommodations.

Arena's portfolio facilitates access to essential community services with positive social impact.

ELC portfolio and healthcare portfolio have an occupancy rate of 99.7%, 99.6% and 100%, respectively.

Improved Outcomes for ELCs

- Interactions with other children help social, emotional and behavioral development.
- Access to quality care and education programmes outside the home provides children with the basic cognitive and language skills they need to flourish in school.

The benefits of Specialist Disability Accommodation include:

- Independence and greater life satisfaction
- greater access to informal supports and connection to the
- community

2023 Highlights

23,476

Licensed places across Australia

88%

Of properties have solar renewable energy installed, resulting in a

13%

Reduction in emissions

40:40:20

Gender balance



Janison is an education technology pioneer whose team of experts and developers innovate online assessment and learning solutions for global corporations, governments and education bodies. Offering the opportunity for digital technology to improve the way we educate and learn.

Janison successfully delivered 100% of the NAPLAN online exam to 1.2 million students across Australia in 2022 and later the company secured a deal with Cambridge University Press & Assessment to deliver its assessments globally.

Janison is committed to providing equitable and accessible education solutions for all. Its technology has supported millions of candidates around the world, many of which are remote. By transforming traditional learning and assessments through technology, many have been offered life changing opportunities in education and work.

Improved Outcomes

“Artificial intelligence and the Company’s various other technologies can auto mark, can report and analyse on the assessments, saving teachers time that can be better used, helping their students and driving teaching and learning outcomes,” says Janison.



2023 Highlights

8M

Digital assessments delivered across

117

Countries, transforming how people learn
(FY22: 8.6m+)

50:50

Gender Diversity across the Board and leadership team

2023 Stewardship and Engagement

Progress towards enhancing impact

As responsible stewards of capital, Ethical Investment Funds Management actively engage directly with companies and other fund managers.

We focus on engagement with companies where we have identified areas of concern or where our shareholding affords us greater influence.

Stewardship

Fostering strong relationships is core to our stewardship responsibilities. We regularly engage with companies in our funds as well as fund managers as part of our commitment to responsible investing.

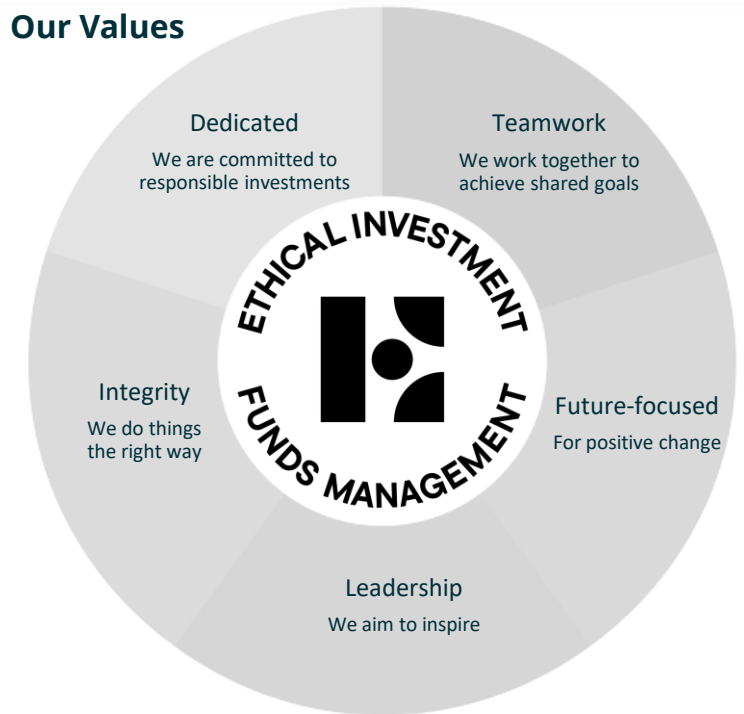
We are continuing to enhance and improve our approach to stewardship and responsible investing because we know it's what our clients want and it's the right thing to do.

We have a diverse and enthusiastic team of experts who provide guidance and expertise to all parts of our business on responsible investing, climate, voting, stewardship and ESG analysis. We also continue to enhance our skills and capabilities for our investment teams, bringing on additional resources, data, and tools.

We believe in the power of continuous dialogue with companies, recognising its collective positive impact. Through successive engagements, we aim to deepen our insights into their trajectory, providing our perspective to foster a mutually beneficial relationship. Ultimately, we hope to have a positive influence on corporate behaviour. We hope to assist companies in enhancing their practices, strengthening governance and oversight, responsibly managing their societal and environmental impact, and consistently raising their performance over time.

Ethical Investment Funds Management engages collaboratively with many different organisations including advocacy groups such as Market Forces and ACCR to help make resolutions at company Annual General Meetings (AGMs) to hold companies accountable for their actions and to drive positive Corporate Governance.

Our Values

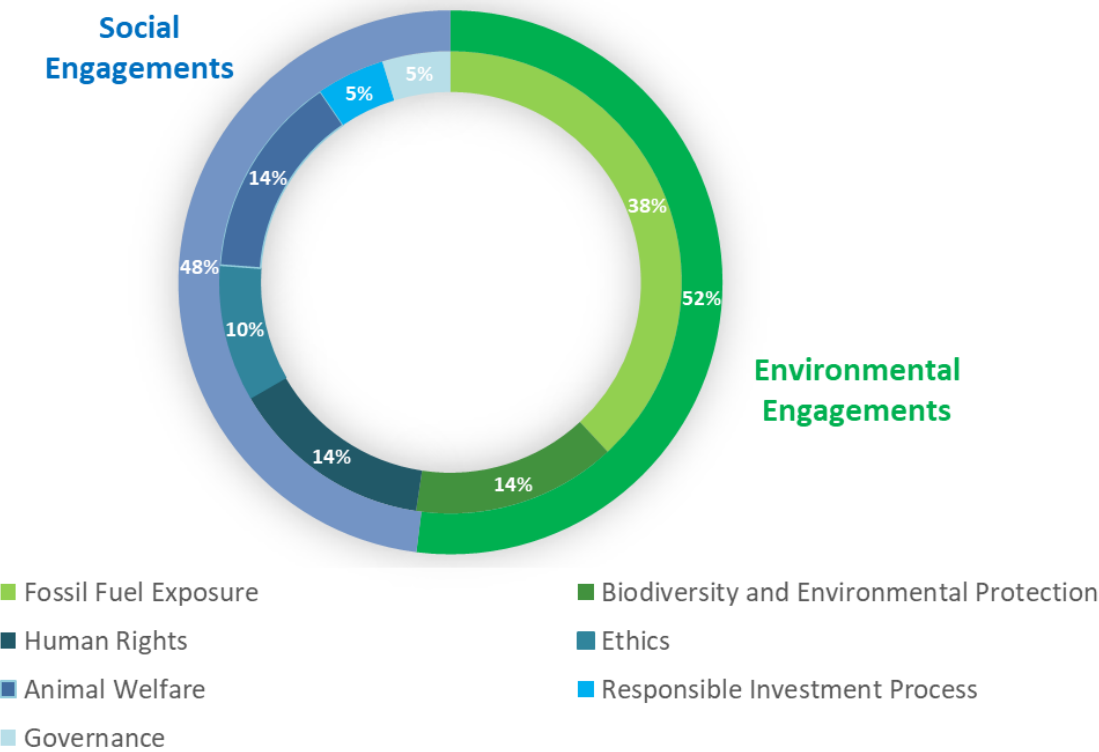


‘At the heart of our stewardship approach is the belief that by acting as responsible stewards of our clients’ assets, we can drive positive impacts.’

Ethical Investment Funds Management

Engagement

Throughout 2023 we have used engagement as a tool to encourage companies, 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.



In 2023, Environmental engagements continued to be the largest area of engagement, representing 52% of all engagement items, with a particular focus on fossil fuel exposures and company sustainability which included wider issues such as biodiversity, plastics, and the use of renewable energy.

Social engagements accounted for 48% of all engagements undertaken, up from 30% in the previous year.

Social issues included gender diversity, conflict minerals, gambling and modern slavery.

2023 Engagement Highlights

Animal Welfare

Betashares

Concern: Morningstar research indicated there was significant exposure to animal testing in holding companies within one of the Betashares Sustainability ETFs. We wanted to understand if there were any exposures to testing for cosmetic purposes, or any exposures to intensive animal farming or live exports.

Pengana WHEB Sustainable Impact Fund holding company HelloFresh

Concern: An investigation by 'People for the Ethical Treatment of Animals' (PETA) showed issues within their supply chain around the sourcing of coconut milk. It was discovered that some suppliers were using wild monkeys to pick the coconuts.

Nature

Betashares holding company Mirvac

Concern: We engaged with BetaShares about concerns of holding company Mirvac that were raised by community groups relating to the West Pennant Hills development project. Specific concerns were the ability for Mirvac to euthanise animals on site and the protection of the Blue Gum Forest providing habitat for species such as the Powerful Owl.

Governance

Betashares holding company Goodman Group

An email was sent to Betashares expressing these concerns.

Concern: Goodman Group, in 2019, appointed Christopher Green as an Independent Director. Later, in 2022, Goodman invested \$30 million in a venture called Regan Ag (Wayuna), which was founded by Green, who also owns a 50% stake in it. This investment has raised governance concerns due to potential conflicts of interest for Green in his role as an Independent Director. These details can be found on page 75 of Goodman's annual report.

Responsible Investment Process - Ethical Screening

We completed a survey focusing on Vanguard's suite of ethically labelled Exchange Traded Funds (ETFs).

We supported Market Forces to get proxies into the AGMs of Woodside, Santos, Whitehaven Coal and the Big 4 Banks. This included:

- Holding the major coal, oil and gas companies to account, with their planned massive projects which threaten to worsen the climate crisis.
- Pressure on all of the big four Australian banks to improve their inadequate climate policies.
- The Gomeroi and Tiwi Traditional Owners called on Australian banks and super funds to stop backing Santos and its destructive projects.

A full List of our Engagements in 2023 can be found [here](#).

Engagement Case Study

Concern: We engaged with Pengana WHEB on holding company CSL regarding management and safety of blood plasma donors. Many poorer people, including the unemployed, students, migrants, and Mexicans briefly cross the border, to donate plasma at CSL centres because they are incentivised by money.

The biggest risk for donors of plasma is that they attempt to circumvent controls in place, to increase their frequency of donations. Potential risks from frequent donations include an increased risk of iron deficiency. However, some studies suggest that donors undergoing plasmapheresis under regulated parameters do not report significant donation-related adverse events. Donors generally experience a low incidence of adverse events, and most dropouts are related to nonmedical reasons or medical reasons unrelated to plasma donation.

Response: Pengana WHEB has been discussing collections practices, including on the Mexico border, with CSL for more than 10 years to ensure they are using best practices. Pengana WHEB plan to continue to discuss best practice collection practices with CSL, and ways in which the industry can ensure donors are not breaching donor limits. They have requested that CSL provide better information on donor statistics, such as average frequency of donations, percentage of donors rejected, and demographic data on age, gender, education levels etc. They have also requested the company assess the social impact of paid plasma collection services.



Reconciliation Action Plan

Based around the core pillars of relationships, respect and opportunities, the Reconciliation Action Plan (RAP) provides tangible and fundamental benefits for Aboriginal and Torres Strait Islander peoples, increasing economic equity and supporting First Nations self-determination.

Ethical Investment Funds Management allocates capital into investments on behalf of our socially aware clients. We wish to be more aware and sensitive about how our capital allocations impact and improve the future of Aboriginal and Torres Strait Islanders.

In 2023 we commenced a Reflect RAP to enable our organisation to sustainably and strategically take meaningful action to advance reconciliation.



Our vision for reconciliation

Currently we report on matters relating to Aboriginal and Torres Strait Islanders via our Investment Newsletters, our engagements with fund managers, and other investments we advise our clients on. We wish to have the skills and knowledge to have a deeper, and more proactive engagement with the companies we invest in. This will help prevent, we believe, any future destruction of cultural heritage sites like the 46,000-year-old caves that were destroyed at the Juukan Gorge. We want to engage to improve corporate behaviour.

We would like Aboriginal and Torres Strait Islanders to be heard. By listening to their needs, we all stand to benefit from their knowledge and ideas. By having an inclusive workforce which embraces diverse cultures we all stand to gain a broader mindset.

As an employer, we would like to attract Aboriginal and Torres Strait Islander representation within our workforce.

As individuals, we would like to become more aligned to the changes we can all make towards a better future for all Australians.

We have begun our reconciliation journey. Fundamentally, we believe that having a Reconciliation Action Plan is the right thing to do.

Highlights of our Journey

Relationships

To achieve our aspirations for reconciliation, it is critical that we continue to build strong, trust-based relationships with Aboriginal and Torres Strait Islander peoples, communities and organisations. We commit to doing this through our RAP.

There are various ways in which the staff interact with the local community including: Participation in the local '5 Lands Walk' which is run by the current Darkinjung community and is a full day celebration of their culture (current and historic) (<https://www.5landswalk.com.au/>); Contributions to local Indigenous charities; Participation in locally run walking tours such as with the Girri Girra group (<https://girrigirra.com.au/>); and Indirectly through the staff's children who have regular interactions with local communities through their schools.

Respect

Through this RAP we commit to building the understanding of our people and driving respect for Aboriginal and Torres Strait Islander peoples and their cultures.

The Green Dream podcast hosted by adviser James Baird engaged in a conversation with Kado Muir in the episode ["Beyond Juukan Gorge - Uranium, Troglodyte Extinction & Cultural Cringe"](#). This insightful dialogue not only sheds light on the pressing issues of cultural preservation and environmental conservation but also encourages us to reflect on our shared history and future.

Investment Committee member Chris Lang is a Board member of the Climbers Club of Tasmania (CCT). CCT undertook steps to engage with local Aboriginal and Torres Strait Islander groups to understand any potential heritage issues in climbing areas. This process identified several areas of interest and after consultation, actions were taken to close or better manage these areas. Chris is also a Leadership team member of the Clarence Climate Action (CCA) group.

Director, Terry Pinnell has helped develop a RAP for a not for profit, who are actively decolonising all their work processes. He has also been involved in providing feedback at a First Nations Affirmative Action Policy and undertaken an Aboriginal and Torres Strait Islander Cultural Competence Course run by the Centre for Cultural Competence Australia.

Mentoring and support

We aspire for an Australia where Aboriginal and Torres Strait Islander peoples have equitable opportunities in employment, business and life as non-Aboriginal and Torres Strait Islander Australians. This requires both overcoming barriers to access opportunities and the creation of inclusion.

Investment Committee member Stuart Barry is on the board for the Wukalina Walk, in Tasmania, the only Indigenous led walk in Tasmania. Our Tasmanian office, Tas Ethical, also provides pro bono advice for Aboriginal and Torres Strait Islanders, via the Tasmanian Aboriginal legal service and has done so over the past year.

Adviser, Karen McLeod applied for the [Indigenous Literacy Foundation](#) (ILF) to receive a grant from the Milford Foundation (a fund manager based in NZ and AUS). A \$5,000 grant was awarded to ILF.

As part of Ethical Investment Week, we held a movie screening and catered for our clients whereby we purchased products including wine from Indigenous owned businesses for the catering.

To date, we have gifted to the Indigenous Literacy Foundation and Wukalina Walk, in Tasmania. A donation was given to Yalari too, which is providing Indigenous children from regional, rural, and remote communities across Australia the opportunity to receive a full boarding school scholarship for their entire secondary education.

Reflections

While we are proud of our journey towards reconciliation, we know our journey still has a long way to go. We still have much to learn about Aboriginal and Torres Strait Islander communities and how we can work together. There are several opportunities that will help steer our efforts in the coming years:

Listen more to the voices of Aboriginal and Torres Strait Islander people. Ensure our steering committee and RAP working group include, and seek a variety of perspectives from, Aboriginal and Torres Strait Islander people.

Improve employment outcomes by increasing Aboriginal and Torres Strait Islander recruitment, retention and professional development.



Looking Forward



As responsible stewards of client's investments, we have several goals for the year ahead:

Increase our engagement with companies, other fund managers, and all stakeholders, particularly on the issue of biodiversity preservation and loss.

Continue to progress SDG 6 (Clean Water and Sanitation), SDG 12 (Responsible Consumption & Production) and SDG 14 (Life Below Water) by increasing our exposure to companies within our investable universe that are most aligned with these goals.

We still have work to do to get the Global Warming Alignment closer to the 1.5 degrees needed.

We will continue to implement our commitments to our Reflect RAP.

We expect responsible investing to continue to grow in 2024 and become an increasingly important part of the general investing landscape, addressing the climate crisis will continue to be a central investment theme for impact investors.

In 2024 and we need to see an acceleration in funding for the energy transition. The Australian Government has committed to tripling renewable energy generation by 2030.

Sources

1. [Clean Energy Finance](#)
2. [UN Resource Panel](#)
3. [Waste Account, Australia, Experimental Estimates](#)
4. KPMG and the CSIRO, in the 2020 Potential Economic Payoff of a Circular Economy report
5. [UN Food Loss](#)
6. [International Institute for Sustainable Development](#)
7. [Australian Institute of Health and Welfare](#)
8. [WHO 2021 Report on Hearing](#)
9. [The Lancet - Interventions to prevent dementia should target those at high risk](#)
10. [Department of Health and Aged Care](#)
11. [European Environmental Agency](#)

Disclaimers

The contents of this presentation has been prepared by Ethical Investment Funds Management Pty Ltd (ABN: 26 108 175 819) which is a Corporate Authorised Representative (001277050) of Ethical Investment Advisers Pty Ltd and are intended as general advice only. No specific person's circumstances, financial situation or objectives have been taken into consideration. You should not act on the information provided without seeking personal advice from an appropriately qualified financial planner. Potential investors must read the Product Disclosure Statement along with any accompanying materials. This presentation and examples therein do not specify or summarise all of the information which may be relevant to a decision about whether to invest in the products. Before making any investment decision a potential investor should consider the relevant Offer Document.

Past performance of financial products is not a reliable indicator of future performance. The performance table shown sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance-based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise. Inception date for the Australian Equities portfolio is 25 May 2015.

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. Past performance information is for illustrative purposes only and is not indicative of future performance. Ethical Investment Advisers and Ethical Investment Funds Management do not assure or guarantee the performance of any financial products offered. This document is not a recommendation to purchase, sell or hold Ethical Investment Funds Management product(s), and you should seek independent financial advice before investing in this product(s).