

2023 Annual Member Meeting of the Australian Ethical Retail Superannuation Fund

Held online on Wednesday 22 November 2023 at 7 pm

**Present**

**Directors & Employees of Australian Ethical Superannuation Pty Limited**

- Stephen Gibbs, Chair
- Kate Greenhill, Non-Executive Director
- Mara Bun, Non-Executive Director
- Michael Anderson, Non-Executive Director
- Madeleine Bandfield, Executive Officer Superannuation

**Responsible Officers and other attendees**

- John McMurdo, CEO Australian Ethical Investments
- Karen Hughes, Chief Risk Officer & Company Secretary
- Ross Piper, CEO Superannuation
- Mark Simons, Chief Financial Officer
- John Woods, Deputy CIO & Head of Asset Allocation
- Alison George, Head of Impact and Ethics
- Amanda Richman, Ethical Stewardship Lead
- Andrew Reeves, Partner KPMG, Auditor

**Agenda**

- Introduction – Steve Gibbs
- Fund Update – Ross Piper
- Q&A session – Steve Gibbs, Alison George, Amanda Richman, Ross Piper and John Woods

The Chair opened the meeting at 7 pm and closed it at 8:15 pm

A video recording is available on the Fund’s website and what follows is a transcript of the proceedings.

**Start of Transcript**

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**Steve Gibbs:** Good evening, and welcome to this year's Annual Members Meeting of the Australian Ethical Superannuation Fund. I'm Steve Gibbs, Chair of Australian Ethical Superannuation Proprietary Limited, which is Trustee of the Fund.

Firstly, I would like to acknowledge the Traditional Owners of the country where I am this evening, the Gadigal people of the Eora Nation, and recognise and celebrate their continuing connection to land, waters, and culture. I pay my respects to Elders past and present. I would also like to acknowledge the Traditional Owners of the country where all of you, our members, are this evening, and recognise and celebrate those Traditional Owners’ continuing connection to land, waters, and culture and pay my respects to those Elders past and present.

My fellow Directors, Kate Greenhill, Mara Bun, and Michael Anderson are online for this meeting. I would also like to introduce the following members of Australian Ethical Senior Leadership Team who are present at the meeting, either

in person or joining us online. John McMurdo, CEO of Australian Ethical, Karen Hughes, Chief Risk Officer and Company Secretary, Ross Piper, CEO Superannuation, and Mark Simons, Chief Financial Officer.

We are also joined by John Woods, Deputy Chief Investment Officer and Head of Asset Allocation. Alison George, Head of Impact and Ethics, Amanda Richman, Ethical Stewardship Lead, and Madeleine Bandfield, Executive Officer Superannuation. I also confirm that our auditor, Andrew Reeves, a partner of KPMG, is attending this meeting.

Members would have received advice that this meeting was scheduled to be held this evening. This advice was sent to members on or around 1 November. The advice also contained a link to the formal notice of meeting. The notice of meeting included a number of attachments, which contained information required by the Superannuation Industry Supervision Act and regulations to be sent to members. Members were also sent instructions about how to join the meeting, and this went out about a week ago.

Please note that we are recording this evening's proceedings, and the recording will be available on our website within the next month, along with the minutes of the meeting.

We'll start with an update from Ross Piper, the Group's Chief Executive Officer Superannuation on what has been happening with the fund over the past year and the milestones we've achieved, and what is coming over the next year. After Ross has presented that fund overview, rather than having presentations from various members of the team as we've had in previous years, we'll move straight to the question and answer session.

We have received plenty of questions prior to the meeting, and this is a great opportunity for us to discuss what's most important to you. As well as dealing with the questions that have been submitted prior to tonight, there is an opportunity for you to ask questions as we proceed. If you would like to ask a question, please press the ask a question button and type in your question. So, to start, I'll hand over to Ross.

**Ross Piper:** Great, thank you, Steve. Look, it's my pleasure to be able to provide an overview of highlights over the past 12 months as well as sharing key focus areas for the year to come. Well, I joined Australian Ethical late last year as part of the SFT with Christian Super, and have thoroughly enjoyed the last 12 months working with Australian Ethical.

I guess by way of a brief introduction, prior to joining Australian Ethical, I served as the CEO of Christian Super for five years, and prior to that, had a career spanning roles across finance, investment banking, international development, and community-based organisations. Well, you're going to hear a theme tonight that it's been a big year for Australian Ethical, but let me first do a recap on a few core elements of the fund for our members.

We enjoyed the video shown at the start of this meeting, which provides a good summary of our overall investment approach and some of the principles and practices that underpin all aspects of how we invest and manage our members' retirement savings. Well, Australian Ethical has been established for over 35 years, and since its inception, has sought to help influence a more sustainable and equitable world through the power of investment.

A few other key details about Australian Ethical, of course, our overall purpose, which is to invest for a better world, and the overall fund and the trustee's parent entity, Australian Ethical Investment, manages more than \$9 billion as an ASX listed investment manager on behalf of members and investors.

Australian Ethical has consistently been one of the top 10 fastest growing superannuation funds in Australia. Australian Ethical has a multi award-winning investment portfolio with a performance track record of long-term risk adjusted returns consistent with performance objectives. We are so proud that we have over 120 passionate and highly capable staff.

10% of annual profits from Australian Ethical investment are donated through a foundation to a range of environmental, social, educational, and health causes aligned with the Australian Ethical Charter, and it's great to see that over \$9 million has been donated through the foundation since its inception.

Another good thing to be reminded of is that Australian Ethical was the first listed company in Australia to attain B Corp Certification, and was the highest scoring certified B Corporation in Australia and New Zealand as of July this year.

Well, Australian Ethical's ethical pedigree is embedded in all aspects of the business. This includes the net zero outcomes we pursue for our portfolio investments, the way we procure goods and services, our position and activities on reconciliation with First Nations Australians, the memberships we hold, and the places we seek to advocate and influence, and also the way we work hard to engage our staff and provide a healthy and thriving workplace.

Well, as shown in the short video at the start of this meeting, our ethical pedigree also has a deep expression in our approach to investment. We have a highly capable investment and ethics teams who consider every investment opportunity through a range of principles, which are clearly articulated in our constitutionally enshrined ethical charter, which has been in place since Australian Ethical was first established.

There's a detailed ethical guide available on our website, which outlines all aspects of our investment process with a focus on the criteria we apply to our valuation of potential investments. I encourage all of our members to take a look at the guide, which is a really useful tool.

Likewise, if you would like to read more about investment and sustainability focus areas and outcomes, particularly over the last year, let me also encourage you to take a look at the recently published Annual Sustainability Report, also available on our website, [australianethical.com.au](http://australianethical.com.au). The report provides an excellent overview for our members and makes some great reading.

Well, let me talk now a bit more about the last 12 months and highlight some specific aspects of fund performance and our broader context over the last year. As I mentioned before, it's been a big year for Australian Ethical, but also for the broader responsible investment sector, which has faced both challenges and opportunities in the light of market conditions. We'll provide some further details on fund performance and investment markets a little later in this session. We've also received some good questions in this area, which we'll respond to in due course.

But in summary, 2023 is a story of growth and business transformation for Australian Ethical. The fund experienced over 67% growth in our members to more than 114,000, funds [under] management in Superannuation exceeded \$7 billion for the first time, the Christian Super Successor Fund Transfer was completed, and we also experienced continued strong organic growth with new members and funds.

Over the past year, Australian Ethical received continued recognition as one of the ethical investment leaders with multiple awards and accolades, and including just in the last few weeks, a National Customer Experience award for the great work our team has been doing to strengthen support and processes for vulnerable members.

Over this time, we've also seen a continued strengthening of our team capability with the appointment of some key leaders including Ludo Theau, our Chief Investment Officer, Alison George, who's with us tonight, Head of Impact and Ethics, Conrad Tsang, Chief Technology Officer, and of course, along with myself. In addition to these appointments, a number of other highly capable staff have joined the business over the last 12 months.

There are many other highlights that are worth noting over this time. Let me point to a few of them. Strengthening support services and related tools for AE members continues as a core focus. This includes the establishment of improved processes for listening to and acting on member feedback regarding pain points or improvement

opportunities. Likewise, ongoing strengthening of capability in our internal contact centre and related tools for member engagement.

We're encouraged to see the good work of our contact centre recently affirmed in a CSBA Superannuation Sector Customer Contact Survey, which ranked Australian Ethical at number 3 out of 27 funds assessed. I mean, this is a really encouraging result, but we know we have more work to do, and our focus on further strengthening of all aspects of member services and support of course is ongoing.

Well, a significant milestone to note over the last year is of course the completion of the Christian Super Successor Fund Transfer or SFT. This is one of many SFTs that took place this year, and indeed it's clear that we're in a period of consolidation with many smaller funds joining with larger funds. In Superannuation, scale is important and the Christian Super SFT resulted in Australian Ethical welcoming over 28,000 new members.

We recognise that the things that form a Christian Super members valued most about their fund and its investment approach make Australian Ethical a really good fit for them. Whilst there will of course be diversity of perspective, values and beliefs across our membership, there is also deep alignment in the underlying principles that inform how we invest our members' retirement savings to influence and to contribute to positive outcomes for people, animals, and the planet.

It's also worth noting that the industry consolidation has also seen the rise of mega funds, many of which it seems perhaps only play lip service to responsible investing. So, I'm really delighted that Christian Super members have landed with Australian Ethical.

The SFT has also resulted in many benefits to new and also existing members, including delivery of a fee reduction for all of our members in the last 12 months. This in fact, is consistent with our overall fee strategy to pass on the benefits of scale to members where possible. It's delivered a strengthened and more diverse investment portfolio. We've seen a strengthening of our team capability, a continued, and in fact amplified influence in Ethical Investment leadership, both domestically and globally.

Finally, a larger and more diverse member base for Australian Ethical comprised of a broad cross section, and in fact, a growing number of Australians who cared deeply about how their money and retirement savings are invested, of course, in line with their values and beliefs. The overall SFT outcomes have been successful, and the process was delivered in an efficient timeframe with regular communications and engagement with the members of both funds.

But we also acknowledge that any change like this can be disruptive for members. Whilst of course the team has worked hard to streamline the SFT process, we also recognise the change and impacts that some members may have experienced over the transition period, and we deeply appreciate the continued support and engagement from members, employers, and other stakeholders throughout. Now we're just really excited to build on the expanded foundation that the SFT provides for Australian Ethical as we continue to work hard to serve our members well.

Well, let me shift gears a little bit to give some headlines on the investment environment and overall fund performance over the past financial year. In fact, it was a year of two halves. So, in the first half of the last financial year, we saw volatility in fixed income and share markets that had an impact on Ethical Investment portfolios. Energy market disruption sent shock waves through markets in early 2022, which caused a surge in inflation and interest rates.

As a result, we saw resources and energy stocks outperform, but of course, we screened the majority of these out of our portfolios. But by holding firm to our ethical beliefs and our approach, we found that the second half of the FYI looked quite different. Market conditions settled, and there was a more optimistic outlook for inflation and investment rates.

Investment fundamentals began to drive performance again. The impact of the Ukraine War on resources, prices subsided, and our ethically screened portfolios perform much better. But it's also worth noting the outbreak of further conflict in the Middle East has introduced more volatility in recent months, and this is having a number of impacts on overall investment markets.

While markets have been challenging over the recent period, it's always important to focus on the longer term. The slide that you can now see provides a brief snapshot showing how the majority of our investment options have outperformed peer benchmarks over a longer-term horizon, in this case, five years. Looking forward, we expect that market volatility will continue, and our investment team is working really hard to ensure our portfolio settings are appropriate for current and expected future market conditions.

As I mentioned earlier, we've received some good questions on investment performance and John Woods, our Deputy Chief Investment Officer will be responding to these in more detail once we get to the Q&A section of our meeting.

But before we hear from John, I wanted to share a brief clip, which also provides another example of our overall investment thesis and approach. In a context where resource and energy stocks have spiked in value, our conviction is that there is also significant opportunity in the emerging renewable sector.

So please enjoy this clip where Persephone Fraser and Mark Williams, two of our capable staff working in our Ethics and Investment teams talk about our work and approach in this area.

[Video plays]

**Persephone Fraser:** There's a couple of good reasons for why we need to transition now, and one is that we're already behind. We need a really steep reduction in emissions between now and 2050 if we're to limit warming to safe levels. We know that this is a really critical decade for transition, and every fraction of a degree will matter. So, we need to move as quickly as we can to reduce the damage that's being baked into the climate.

What's exciting about where we are today is we're actually already in the action phase. We have one in three Australian households now have rooftop solar, and for the first time we're seeing the investment in solar exceed what the investment in oil is internationally. In the broader scope, every \$1 that's spent on dirty energy today, \$1.70 is now being spent on clean energy.

In terms of risks, we're likely to see fossil fuel projects that can't live out their lifespans, and that's particularly the case for new approvals. We know that we can't have any new fossil fuel projects if we're to limit warming to 1.5 degrees. As countries internationally develop policy in order to meet that obligation under the Paris Agreement, we're seeing prices on carbon being set, that mean there won't be markets for these projects to sell to.

When we're looking at the energy sector, we're really thinking about what we'll be needing in the next economy. So, when we think about something like transition minerals, we're asking ourselves, how many new batteries, how many new EVs, wind turbines or solar PV will be needed to be on a 1.5-degree pathway. Building those things means that we need a great deal more of lithium, we need more copper, we need more nickel, and we're doing the research to work out how much more we need in order to work out which minerals we should be allocating capital to.

**Mark Williams:** Obviously, renewables and lithium, a big area of focus for us just given decarbonisation requirements to achieve our global climate goals. We're pretty focused on where we invest in the broader energy and resources sector. In that context, if you look at the as ASX 200 index, those two sectors, energy and materials, account for about 30% of the broader index. So, it's quite significant.

Our portfolios, on the other hand have a weight of about 5%, so we're very underweight those two sectors, and obviously that's because they're quite carbon intensive sectors, and our ethics screening process screens out a lot of those names.

Within that 5% weighting, a lot of what we look to invest in is clean energy metals, so lithium, copper, nickel, and particularly lithium at the moment, companies like Pilbara Minerals, Elkem, IGO, and those companies have actually been very strong performers for our portfolios over the last couple of years.

As a sector, it's been one of our top performers. But then when you look at a stock like Pilbara Minerals, it's actually been one of the top contributors from a stock-specific perspective for a number of our funds over the last three years, and that particular name's returned over 1400% in the last three years. So very strong performance even though that proportion of our portfolio's actually been quite small.

It's the largest independent hard rock producer of lithium globally, supplies almost 10% of lithium globally. So, it's quite significant. It's got a long mine life, and its balance sheet is very strong because it's been producing for a couple of years now. It's been generating good free cash flow, and cash on balance sheet is very strong, which is enabling it to fund its further growth.

They're looking to grow their production from 600,000 tonnes per annum, approximately at the moment to over about a million tonnes per annum in a couple of years' time. So that balance sheet, able to fund that growth, but also return capital to shareholders at the moment.

**Persephone Fraser:** Not all lithium miners are equal. So, it's a really important part of our ethical process that we consider the negative impacts of any project or company. That's particularly the case with miners because there is such scope for negative impacts on people, planet, and animals.

So, when we're looking at a specific miner, a specific investment in a transition mineral, we'll be looking at everything from the human rights regulations in that jurisdiction to how they're reducing water use, how they're reducing emissions, or how they might be lobbying with government.

We're also working hard to engage with miners to ensure that they are lifting the bar on these indicators. It is possible for miners to be out operating in a way that's respectful for people, planet, and animals, and we're making sure that we hold them to account.

We're also working hard to think about the risks and opportunities of transition across the economy. So, we're working hard to talk to banks and insurers about the Paris alignment of their activities, and we're also working hard to talk to government and to think about how companies are talking to government about how policy can support the transition.

[Video ends]

**Ross Piper:** Thanks Persephone and Mark, what a great example of continued investment innovation that is part of our everyday work here at Australian Ethical.

Well, let me conclude this year in review section by highlighting some key focus areas for the coming 12 months. These include transition to a new single administrator, and we'll talk a little bit about - more about that in the question and answer session, a refresh of our insurance product, a continued strengthening of services and support for members, including further insourcing of various processes that are currently being managed by external providers.

We'll continue to do periodic fee reviews to ensure that fees remain competitive. There's going to be a continued focus on services, resources, and support for members who are nearing or may already be in retirement, obviously an ongoing strengthening of our ethics and investment team capability.

Well, let me conclude. It's been a big year of growth and impact for Australian Ethical Superannuation. For us as a whole team, it's an enormous privilege to invest and manage our members' money in line with their values and beliefs. I'd like to express thanks to all of our members for their continued engagement and support.

For those who have been longstanding members of the fund, or for those who may have joined as part of the Christian Super SFT, or those who may have joined more recently, you're all highly valued and we look forward to continuing to serve you.

Well, let me now pass back to our Chair, Steve Gibbs, who will help facilitate the next part of our meeting where our team can respond to the questions that have been provided by members. Over to you, Steve.

**Steve Gibbs:** Thanks very much Ross. Now, we asked you to send in your questions prior to the meeting, and we've received about 20 questions. I intend first to deal with the questions that were submitted prior to the meeting, and then we will go through questions that are being submitted tonight.

Before I get to the first question, can I just say that we did receive some questions which we won't deal with tonight because they were more of a personal nature about an individual member's balance or account, and we will - if we've not already done so - reply to those questions.

I've also taken the liberty to group some questions about the same subject, and some questions were really quite long, so I won't necessarily read the entire question, but I'll make sure the gist of the question is clearly understood.

So, the first question was, can I access my superannuation to install a home battery? Unfortunately, there are very strict rules about accessing superannuation, and these aren't rules that we make up. These are rules in Legislation of the Commonwealth Parliament. Unless you have met your preservation age or otherwise have met a condition of release, you can't access your superannuation before that time. So, it sounds like a good idea to access super to buy a home battery, but unfortunately, it's just not permitted.

The second question is, in the light of your continued investments in large Australian banks, who in turn invest in large fossil fuel projects, are you able to identify some of the ways in which you have influenced their decision making? I'm going to ask Amanda to answer that question, Amanda.

**Amanda Richman:** Thanks Steve, and thank you, I really appreciate the question. We've actually done a lot of work in the space over the last 12 months. I'm really excited to share that with members. We, as part of our Stewardship Program, we have four areas of focus, and one of those areas of focus is on how we can leverage our position as investors in the banks, some of the banks, and towards that objective of making sure that there is no new finance to expansionary fossil fuel activities.

So, to provide a bit of context to begin with, this is something we've actually engaged with the banks on for over 10 years. So back in 2013, we were asking them to disclose their lending to the fossil fuels sector. Shortly after the Paris Agreement, we asked the banks to commit to align their lending to the goals of the Paris Agreement. We have seen a lot of progress over that period of time. The banks, all big four banks have committed to align their lending to limit warming to 1.5.

But in 2022, when the banks released their updated climate strategies, we were quite disappointed. We saw two major issues. So, the first is that while they were introducing restrictions for fossil fuel lending for project finance, that didn't apply to their general corporate lending, which we thought was a major loophole. Secondly, they were also giving these higher emission customers a lot of time to even introduce a transition plan.

So, what have we done in the last 12 months about that? In 2022, we co-filed Shareholder Resolutions with an organisation called Market Forces. For members who might not be across what a Shareholder Resolution is, it's

essentially a way for shareholders to express an opinion about how the company is managing an issue, particularly ESG issues, environmental, social governance issues, and they're voted on at the AGM.

The vote isn't binding, but if you get a high level of investors voting in favour of a resolution, it does send a strong signal to the company and they are more inclined to look at the issue more carefully. So, we co-filed Shareholder Resolutions together with Market Forces with NAB and Westpac because we invest in those two, and we also engaged with the companies directly.

We had meetings with representatives of the Board of NAB, we also attended the AGMs and had some robust, very public discussions with the Chairs at the AGMs.

We have seen an impact. All the big four banks refused to lend to Whitehaven Coal that was reported earlier this year. So, we are seeing an impact of these engagements. However, last year the shareholder resolutions didn't get much support, and what we realised is it's very critical for us in order to influence the banks to make sure that the broader responsible investment community is also influencing the banks. So, we realised there was a bit of work that we had to do to try and convince other investors to support these Shareholder Resolutions.

So that brings me to what we've done pretty much since the start of this calendar year 2023. We started by reaching out to a few key stakeholders to try and understand why those Shareholder Resolutions didn't get much support, what they would be prepared to support, and also to understand what the barriers are to them to their sharing our concerns about the bank's lending.

So, in light of that, we then drafted what I think is a very strategic Shareholder Resolution for each of Westpac and NAB that we think is more likely to get broader investor support, but still tries to have that impact that we're seeking. So those Shareholder Resolutions were filed a month or so ago, and since then we've been doing a lot of work speaking to the broader responsible investment community. We prepared a briefing for other investors, explaining our rationale for the Shareholder Resolutions.

We just this morning attended a NAB investment round table to talk about their climate strategy and challenge some of their positions in front of other investors. We've also convinced important Investor Groups to hold a pre-AGM briefing session, which is happening tomorrow morning where we're going to again try to convince other investors about why it's in their interest to support these Shareholder Resolutions.

Now, of course, the proof will be in the pudding come the bank's AGMs, we'll see whether these Shareholder Resolutions do get more support than in previous years. But I guess the point is that we are - we do have this end goal in mind. We are being really strategic and we're holding ourselves to account on these ultimate end objectives.

If that strategy isn't working, we're going to have to go back to the drawing board and try find another way to influence the banks. There are other tools up our sleeves that we can use that we might explore in that situation.

There is a lot more information about this in the latest Sustainability Report. There's a separate Stewardship Report that sits within that reporting suite where we set out our strategy with respect to this stewardship initiative, our theory of change and how we're going about it, and how we're going to hold ourselves accountable to real world outcomes going forward. So please take a look, and thank you again for the question.

**Steve Gibbs:** Thanks Amanda. The next question is, and I'll read it, our greatest community crisis is perhaps the terrible human outcomes in our community of 90% clinical depression for aged care residents, second highest incidences of adult depression in the world here in Australia, youth who have never been more connected yet more lonely. It hasn't always been this way.



At the start of the Great War, we had a community of service to others. We thought it noble to serve the Crown and some greater purpose. We knew our neighbours and regularly shared produce and community. Is there an appetite in an ethical business to support this community rebuilding one intentional home at a time? Ross.

**Ross Piper:** Thanks Steve, and what a great question. There's a lot in that. I think we would share the sense of challenge of what's going on across our society from an anxiety or from a depression standpoint, particularly in the aged care sector.

I mentioned before about our ethical charter, which clearly defines the sorts of things that we would actively target, whether that's around environmental benefit, social benefit, healthcare education, a whole range of areas, and equally defines the things that we will avoid in our portfolio. So, I guess to simply say, the social side of what we do and how we invest is a really important consideration.

As investors, we have fiduciary accountability to invest our members' money with very, very clearly defined risk and return criteria, and therefore, anything that we would consider as an investment has to pass those hurdles. But we have a number of investments in our portfolio that in fact lean and point directly to issues like this, including things such as aged care investments, special disability accommodation. We have education type investments. We have some social impact bonds that directly target some of the things that have been highlighted in this investment.

Of course, we also have the foundation, which has a far broader remit in terms of its ability to fund certain initiatives and programs across environmental and social areas. So that's a great question, and again, it's a really important focus for us in terms of how we approach and steward our members' monies in them and their investments.

**Steve Gibbs:** Thanks Ross. The next question is as follows, I am extremely dissatisfied with the virtually 0% return on my conservative fund. Returns should at least echo retail bank interest rates of 4% plus. John Woods, Deputy Chief Investment Officer, over to you.

**John Woods:** Yes, thanks for the question. The conservative fund targets a return of CPI plus 1.25%. Historically, that return has been higher than bank interest rates. But being a conservative fund, one of its other elements is to preserve capital. Over the last few years even in defensive assets and particularly equities, we faced a lot of periods of volatility.

Where we sit today after a period where interest rates have risen the fastest they have since the early '90s, that has resulted in mark-to-mark losses on the bonds within the portfolio, but prospectively those returns have increased significantly to the levels that you mentioned there, such as 4% similar to a bank.

The fund also been a conservatively focused fund, the opportunity in defensive assets has really increased significantly over this period as well. Only recently we've looked to deploy additional defensive alternative assets in some areas that are supportive of the transition in Australia within infrastructure debt portfolios. We've also been able to bring in exposures to microfinance, which are again, conservative, debt-based cash plus style investments but broadening the diversification in that particular option.

**Steve Gibbs:** Thanks John. The next question - well, we had a couple of questions about annual statements. They were as follows, why have the Australian Ethical Superannuation annual tax statements not been issued until November when the personal tax returns to the ATO must be lodged by 31 October? When are investors likely to get their June '23 annual statement for their Australian Ethical Super? Again, Ross.

**Ross Piper:** Thanks Steve. Thanks for the question. Well, firstly, let me acknowledge that it's been challenging, and it has been a delayed process for us this time around. There's been a few contributing factors to that, particularly some of the post SFT complexity where we are working across two administrators, and various other factors have contributed to delays - to statements going out much later than we had hoped.

The team assures me that we are at very, very close to issuing those statements. In fact, over the coming weeks, we will see those statements start to go out, but we also recognise the impact and perhaps the frustration that that has caused members because of those delays.

If you have specific questions about any aspects of your investment and performance, the statement itself, you can of course either email in or call our contact centre, 1800 021 227. We've got a great team who love hearing from our members, and so please, on this issue. Again, we acknowledge the delay, we apologise for the delay, and we're working hard to ensure we have a much more streamlined process for the next statement cycle. Thanks.

**Steve Gibbs:** Thanks. The next question is rather a long question, but so bear with me as I read it. But I thought I should read the entire question as it relates to one of the things that we're passionate about, and that's fossil fuels. The question is as follows, while as a fund, I wish to encourage the usage of green energy, it should not be at the expense of dispatchable power. That is power that can be turned on and off at very short notice because the sun doesn't always shine in Eastern Australia subject to wind droughts as long as a couple of days.

All the governments in the world that are successful in green power are in countries with plentiful hydro and nuclear. Because Australia has almost no hydro and no nuclear power, our dispatchable choices are limited to gas or coal, whose extraction are being severely limited by various governments. Can Australian Ethical's investment decisions please reflect this rather than blanket no fossil fuel statements that ignore the more nuanced approach that is required?

If we are truly an ethical fund, we need to look after the employees of those local manufacturing firms that rely on reasonably priced power rather than sending their jobs offshore to countries with cheaper power, but much lower environmental standards than ours. Alison, over to you.

**Alison George:** Thanks Steve. So Australian Ethical is known for our strong early stance on fossil fuels, and that means that we don't invest in pure play fossil fuel companies and we also restrict investments in companies that are expanding production of fossil fuels.

But where a company is actively seeking to be part of the energy transition that we need to address climate change and is investing in renewables, we will take a different approach and that would see us recognise that there are sometimes legacy assets in these businesses that are fossil fuel based or that they may need that firming support from fossil fuels for the time being.

So, one example of such an investment is Contact Energy. They have a very strong position in geothermal energy, which is actually a dispatchable form of low carbon energy. They also invest in renewables, but they have around 20% of their revenue still coming from fossil fuel generation and gas distribution, and that's an investible stock for us.

So that pragmatic approach has seen Australian Ethical be a very strong supporter of renewable energies. We invest 4.6 times the amount of - in renewable energy solutions relative to the benchmark, and we're also starting to invest in battery storage across our funds as well.

**Steve Gibbs:** Thanks, Alison. The next question is ex Christian Super members still seem to exist in a rebadged AE portal, but not the standard AE portal, is this correct? If so, when will ex CS, Christian Super members be fully ported to the standard AE member portal, and if not, are there any differences in resources, information, et cetera, to which ex Christian Super members might not be privy? Ross, again.

**Ross Piper:** All right, thanks Steve. Thanks for the question. Look, an SFT is a complex undertaking. As I mentioned earlier, last year was a significant change process for us, and as a result of being able to deliver an SFT in an efficient timeframe, and that was a good outcome from a cost standpoint, the cost to members, we are still working with two different administration providers.

So, to answer the question, are there two different portals? The answer is yes. Is there any difference in the information available across those portals? Broadly, the answer's no, but of course, two different providers have slightly different formats.

The overarching message though is that - and as I highlighted earlier, in 2024, we are moving to a single administration provider, a new provider that will bring all of our members onto a single platform. It's a far more modern platform and will give us much better ability to continue to invest in and improve member services. We recognise that engaging with Superannuation, particularly administration, can be complex and can be cumbersome and can be frustrating frankly, in many ways.

So, we're really very clearly focused on investing in uplift of our backend technology to improve the experience for our members.

But broadly speaking, the information that's available across our broader membership is the same, as I say, just some slight differences in formatting. But also, the website is a great place to go for consistent and aligned messaging and some of the great assets or resources we've spoken to tonight, again, to encourage members to take a look at those, but thank you for the question.

**Steve Gibbs:** Thank you. The next question is, is there any way to change the mix of my investments so that I could put a percentage in precious metals? John Woods.

**John Woods:** Yes, so we offer a number of investment options to our Super and Pension investors, including some single sector options that are dedicated to Australian shares and international shares, but we don't have a dedicated precious metals option. Within our multi-asset investments, the balance fund, the conservative fund, et cetera, we consider the role that metals can play in achieving the objectives of those funds with regards to risk and returns.

Precious metals have a role in providing defensive characteristics, preserving value, and they tend to increase in value when real rates go down. We also find those same investment characteristics in the duration part of our portfolio, the bond portfolio that we hold, particularly the longer duration assets.

With metals more broadly, the team is focused on the moment at the opportunity, particularly posed by the transition you heard from Mark and Persephone earlier on the work that we're doing in that area. Most recently in the last quarter, there's been a significant volatility in metals markets and we've taken advantage of that opportunity to establish a position in copper.

**Steve Gibbs:** Thanks John. The next question is, what has happened since the divestment from Lendlease? Has this action made a difference? Amanda.

**Amanda Richman:** Thank you, another great question. To give context to other members who may not know. So, we were invested in Lendlease, which is developing a site just south of Campbelltown that has the potential to adversely impact one of the last healthy koala colonies left in New South Wales, and of course koalas are endangered in Queensland, New South Wales and the ACT.

So, we engaged with Lendlease over a four-year period trying to understand - both understand the impacts of this development, whether there are ways they can do - provide housing help with the affordable housing crisis, but in a way that's sympathetic and protects biodiversity and particularly this precious koala colony.

We were hopeful that they were going to be able to do that, but it did get to a point in our engagement, even though they did make some really important concessions and commitments as a result of us engaging with them and putting pressure on them over that period of time, it got to a point where we realised that what they were doing was not in line with our interpretation of independent scientific reports that set out what needs to be done to protect this colony. So, we did end up divesting.

To the question of what impact that has had. So, we think it's had quite a significant impact actually. We were very public and strategic with the divestment. I think our media reach from that divestment reached approximately 8.5 million Australians. So, the result of that is that it opened doors that meant we were able to have meetings with the office of the New Minister for Environment in New South Wales and explain - set out our concerns and our interpretation of those independent scientific reports.

It also opened the doors to conversations with other investors who are also starting to look at biodiversity, and so wanted to understand our position for the purposes of their own engagement with Lendlease. But most significantly, we think it has actually resulted in the delay of the necessary approvals Lendlease needs to continue with this - to start the second stage of that development, which is the high impact stage.

Before our divestment, it looked like they were on track to get those approvals in July. Those approvals, to my knowledge, still haven't come through, and the environment minister in New South Wales has explicitly said that she will be looking very carefully at one of the key issues that we raised with her office.

So, we certainly think it has had an impact. Also, anecdotally, NGOs told us that the timing of our very public divestment really helped in their conversations with key decision makers in government as well. So, we certainly think it has had an impact and just demonstrates, because there is some debate, do you engage, do you divest? What's the most effective thing to do?

Our position has always been you've got to do both, and we think this is a great example of how leveraging that divestment tool strategically at the right time can have an impact.

**Steve Gibbs:** Thanks Amanda. The next question is, at the moment, I cannot view anything other than the current value - I presume the questioner means the current account balance - on the member portal. But even that is very hard to comprehend because the line between value and investments is not clear, and it shows absolutely no history. It doesn't seem transparent of you, and lack of transparency is one of the key enablers leading to corruption. It also doesn't allow me to track my fund properly, so as to make sound investment decisions. Why have you chosen not to add this simple function to your site? Ross.

**Ross Piper:** Thanks Steve. I think we also - there's a related question about apps as well. So, there's - I think there's a - it's a really good - we appreciate the question very much, and I think we acknowledge that various elements of the current backend processes require continued investment and improvement. It's one of the reasons, as I mentioned earlier, that we are investing in moving to a new aligned platform next year with a much more contemporary underlying technology architecture that's going to give us much better ability to do the sorts of things that are raised in this particular question.

I think the superannuation industry as a whole is in a space of really needing to continue to invest deeply in some of the backend systems and processes. You would've heard loud and large from Stephen Jones, who's the assistant treasurer, and various others that continued investment in technology, trying to strengthen, streamline various aspects of member experience are critically important for every superannuation fund. I think to just really reaffirm this continues to be a key focus for us.

The next 12 months are going to be really significant for us in terms of moving to that single platform. It's probably also worth noting that through any process like that, again, there's a degree of change. We've got a great team who will be working closely with our members and employers as we seek to do that in as seamless a way as possible.

But we're going to continue to invest in this area and including, we often hear feedback around an app. We have an app for our managed funds. We don't have an app for Super at the moment, but it is on our technology - it is in our roadmap as we move forward. We want to try to get to a single platform first, but absolutely recognise the intent and the desire of our members to be able to access as much real-time data and accurate data as possible. It's something that's very much a focus for us over the next 12 months and beyond.

**Steve Gibbs:** Thanks Ross. Next question is, your figures on your website for performance are incorrect. In fact, they are out by an error of almost 11% for the Australian shares alone. For example, on 29 September 2022, the unit price was \$8.7056, and exactly a year later, \$9.4845. You report on your website that in this period you had a 9.9% growth, but this is actually only an 8.95% growth.

I congratulate the questioner for doing this due diligence. This is an 11% error. We don't think it is, but John's going to explain why. Thank you.

**John Woods:** Yes. Look, thanks for the question and we took some time to make sure that our numbers were absolutely correct given how important they are. So, look, there's a number of rules and regulations on how we are to report performance and we follow them exactly.

So, the year of return that we state, the guideline is there that we must report the return to the last business day of the month. So, for the period ended September 30 this year, it actually goes from 30 September last year to which was a business day to 29 September this year, which was a business day, but 30 September is not a business day.

When we calculate the return over that period in line with the regulations, the return is 10.06%, and then there is a 12-basis point adjustment to recognise our admin fees, et cetera, which my fund accounting team tells me comes to 9.94%, and they're confident that the right number is indeed reported on the website.

**Steve Gibbs:** Thanks very much. The next question is, why does Australian Ethical not improve its web portal to make it easier to navigate, and when will Australian Ethical design an app for a mobile phone, much easier to check performance regularly? Ross, is there anything you want to add to your previous answer on that issue?

**Ross Piper:** I think it's probably well covered. Simply to note, we receive feedback like that regularly. We want to listen and respond to what our members are saying, and it is a firm focus for us as we move forward. Thanks, Steve.

**Steve Gibbs:** Okay. Next question is, with the future being electric vehicles, what is your take on the sustainability of mining minerals for batteries, and do you invest in these companies? This question has really answered by the video that you saw earlier about lithium. So, I just refer you to that. If for some reason the questioner didn't see that, then get in touch with us and we'll make sure that we get you a way to be able to view that video.

Following question, why are Australian Ethical account management fees so much higher than other superannuation funds even after the merger, yet performance remains similar or worse to comparable funds? Ross, again.

**Ross Piper:** Thanks for the question. Look, we recognise fees are really important that we manage these things well. Like all super funds, we charge our members fees in order to cover the cost of running the fund, but that also includes administration, investments and ethics.

Our fees are of course higher than some, but they're lower than others, and it's always going to be a relative question. But as we've grown over the year, we have been able to use this increased scale to reduce fees over time, and that continues to be part of our strategy. Each year there's a pretty robust process to review and benchmark fees to see how we stack up, but also to see where there are opportunities to provide further fee efficiencies across our membership.

It is worth noting and it probably goes without saying that the work we do around ethical screening and various other elements of our investment approach, of course, this is work that many other funds don't do, and particularly on our scale - and there's clearly a cost to do that, to do this. But the overall imperative for us is to keep fees as competitive as possible.

We, as I mentioned earlier, we were able to provide all of our members a fee reduction, a significant fee reduction as part of the SFT, and we're going to continue to look closely at that as scale continues to come into the fund. Of

course, details on our fee is fully available in the PDS information and on our website, and if you've got further questions on any aspects of that, please do reach out to our contact centre.

**Steve Gibbs:** Thanks Ross. Next question is, do you have any investments in intensive fish farming? This industry does terrible things to the environment and wild fish stocks. Amanda, again.

**Amanda Richman:** Steve, yes, completely agree with that assessment. So, we actually have a position where we restrict investment in conventional animal agriculture, and that includes fish farms, as you've mentioned. For the reasons you've mentioned, we're concerned about the disproportionate impact of animal agriculture on the environment and on animal protection, also on human health with the rise of antimicrobial resistance. So, for full transparency, we were invested into [cell], but we invested quite a while ago, I believe it was in 2017 for these reasons.

**Steve Gibbs:** Thank you. We've had a number of queries about the Israel-Hamas conflict. I'm not going to read all the questions because it would take too long, but the key issues that come through those questions are as follows, does Australian Ethical have investments in companies complicit in illegal Israeli settlements on Palestinian land?

Do we invest in companies that are providing any support whatsoever to the Israeli military or developing surveillance and control systems that are used against Palestinians by the Israeli state? Can we confirm that none of our money is in any way being used to fund the Israeli Defence Force or any militant Group? I'm going to ask Alison to deal with this somewhat difficult subject.

**Alison George:** Sure. I want to first acknowledge the breadth as well as depth of feeling that is clearly existing within our membership base on this conflict, and also to express our sorrow at the suffering and loss of life on both sides of the conflict. We're guided by our ethical charter to avoid investments in weapons. We also restrict investments in weapons components and specialised military technologies.

In addition, we restrict investment in companies that are acting to support countries who are illegally occupying disputed territories. In that assessment of legality, we're guided by the UN. We recognise that others might draw the line in a different place on this as on so many other issues. So, we aim to be transparent about our deliberations, the considerations that we take into account, and all of that information is on our website.

**Steve Gibbs:** Thanks Alison. That deals with the questions that were submitted prior to the meeting commencing. We have received a few questions tonight, while - we've five questions in fact - while we've been answering the other questions that were submitted before the meeting started. So, I'm now going to go to those questions.

The first of those is, why did my Super go down from around \$460,000 in August '21 to around \$390,000 to \$400,000, since then it's never recovered? I'm going to ask John to answer this, but we may need to take this also on notice and have a good look at this situation. But John, you can perhaps give an initial response as to a possible reason, and then we'll take it up from there.

**John Woods:** Yes, I think without knowing the option and the timing of the cash flows, it's hard for me to comment on these exact circumstances. I mean, look, the things that come to mind, look, as Ross pointed out at the beginning of tonight, it's been a very volatile investment environment over the last two years. August, 2021 was close to the peak of the ASX 300 here in Australia. We have had good dividends since then, but potentially the timing of that investment is important in this result.

**Steve Gibbs:** Thank you. So, do we have the questioner's - if the questioner wants to be in touch and provide us some contact details, we'll come back to you with a fuller answer to that question.

The next question is the Federal - and I'm quoting here - the Federal Government is very keen to help fossil fuel projects despite the glaring scientific facts. They recently passed the Sea Dumping bill, which will give Santos a

loophole to export their CO2 to East Timor so they can open up the Barossa field. Under the Safeguard Mechanism, they would not have been able to go ahead.

What is Australian Ethical doing about countering the lobbying of the fossil fuel sector? Well, I'm going to think, I'm going to ask Alison, but unfortunately, we've only got until 8:30.

**Alison George:** So, thank you for the question. Lobbying is such an important influencer of policy in so many areas, and climate change in particular. Climate policy has been very much shaped by lobbying, a lot of which that happens behind the scenes. It's something that many investors don't attend to very closely, that they look at public commitments and programs, but they don't necessarily look at the way that companies get involved in the political process behind the scenes.

There are a number of NGOs that are doing very good work to try to bring that information to light, and we reference all of those. We, as I said earlier, don't invest in pure play fossil fuel companies and anyone who is not actively participating in the transition. Nonetheless, Amanda was talking before about our banking work, which recognises the role that the banks can play to influence across the economy beyond investment markets.

When we talk to the banks about our expectations, we want them to see them considering their customers, not just in terms of their pure emissions, but also in terms of the role that they're playing in those lobbying activities. It's one of the things that we're highlighting in the current bank resolutions in particular.

**Steve Gibbs:** Thanks Alison. The next question deals again with the Israeli-Palestine situation. I'll read it out and I'll just ask Alison if there's anything she wants to add to what she said before. It is a bit specific about one company, so maybe you do.

But the question is Boycott, Divestments and Sanctions - I presume that that's an organisation that you're aware of, Alison - has asked the stakeholders put pressure on Airbnb to cut ties with illegal Israeli settlements. As Al-Haq says, "Donating profits generated from the proceeds of crime does not make the appropriation of Palestinian lands any more legal or ethical." How is Australian Ethical considering putting pressure on Airbnb to cut ties with illegal Israeli settlements?

**Alison George:** So, the UN did a study a couple of years ago that looked at companies that had links to Israeli involvement in the occupied territories. It was looking for any form of link, so a material business activity in the sense that they used in that particular test. A number of travel companies were identified in that. Australian Ethical has very limited investments in travel because we don't typically see those operators playing a sufficient role in terms of making travel more sustainable and considerate of the environment.

Airbnb is an exception in that we have invested in them as part of the sharing economy. We evaluated Airbnb on this same issue at the time that the UNHCR list came out. The test that we applied is whether or not companies are supporting the illegal occupation. That's a different test to whether or not there's links. We absolutely are informed by it, but our evaluations did not result in a divestment of Airbnb.

**Steve Gibbs:** Thank you. I will read the next one. It's more of a statement, I think, than a question, but I'll ask Amanda or Alison if they want to make any comment. It is, Market Forces say the big four banks have pushed back the date for any action - action on climate change, I presume they mean - for an extra nine months. They're still lending massive amounts to fossil fuel projects and there's a reference in the question to the Market Forces website.

They have to scale back their lending ASAP, that's the banks, we have no time to waste. I don't think any of us in this room would have any argument that we have no time to waste. But do you want to make any further comment to what you said before, Amanda?

**Amanda Richman:** Sure. Yes. I think I know what the question's talking about there, which is that the banks have made general commitments that they will be requiring oil and gas companies to have in place a credible or some say credible transition plan. One of the banks seems to have shifted the date by which they will be implementing that commitment.

Yes, they're pushing back to basically FY26, which we agree is too late. So, this actually formed part of the Shareholder Resolution that I talked about earlier. In the briefing to investors, we set out exactly why we think the banks should not be giving these higher emission customers any more time to develop transition plans, and they should be looking at how these companies are engaging in political lobbying now or spending capital, new capital now on projects that might not be aligned, and they should be making their lending decisions accordingly today.

So, we completely agree with you, and we are working on this issue through our Stewardship Program.

**Steve Gibbs:** Thank you. We must have received a couple as we were going, have we? Yes. So, the next question is, how can Australian Ethical members connect with each other? That's a really good question, and I think we're going to have to take that on notice.

**Ross Piper:** I can make a few comments.

**Steve Gibbs:** Yes, go ahead. Go ahead.

**Ross Piper:** Firstly to say, I mean, we appreciate so much the fact that we have highly engaged members. As I mentioned earlier, people who care deeply about their capital, how it's invested, values and beliefs, that's something that we recognise is such an important element of the membership, the broader membership of an Australian Ethical.

How do you connect together? Well, social media. If you're like me, I've got four kids, I'm a bit of a dinosaur, but I'm being rapidly dragged into the current century. So, we are very active in terms of social platforms, and so that's a great way for visibility. So even as a fund, we regularly push things out on a whole range of different channels, on Facebook and Twitter and LinkedIn, et cetera. So, get engaged that way.

That's a good way to just hear the story of what we're doing as a fund, but it's also an opportunity that you have to help amplify and advocate on behalf of us for the many things that we are doing as a team and as a fund. So that's a good place to start and spread the word.

So many of our members come to us because of a referral from someone else, that's so unique and something we value immensely. So yes, get engaged socially, I think would probably be the initial comment.

**Amanda Richman:** Can I just add one thing to that, because I forgot to acknowledge that with the Lendlease divestment, one of the things that our members did was actually write to the then minister expressing their concerns about the development. I think - I might be getting the number wrong - I think it was about 1,000, perhaps more members wrote to -- yes, 1,700 I think maybe wrote to the minister at the time. So, thank you.

**Steve Gibbs:** That's great. Thank you. Next question is both in relation to investment and advocacy, what are you doing in relation to the promotion of active transport, including walking, cycling, and public transport and liveable cities throughout Australia? Alison.

**Alison George:** It's really nice to get a question about the positives. We've talked a lot about some of the harms that we seek to minimise through the way that we invest and advocate, but our ethical charter that guides everything we do, not just investment, but the way we operate and absolutely our advocacy, it also has a whole series of positives which we work to try to see more of in the world.



So public transport, for instance, scores a very high positive under our existing frameworks, and we look to invest in that wherever we can. Also, sustainable real estate is something that we are increasingly investing in, and we find that the frameworks for sustainability do consider those kinds of considerations about walkability, cyclability, connection into public transport.

**Steve Gibbs:** Thanks. The next question, might actually be the final question unless somebody jumps in with another one. Question is, are you investing in the BRICS, Brazil, Russia, India, China, South Africa block? I think we are in some and not in others, but John, do you want to answer that for us, please?

**John Woods:** Yes. Look, so we've got - there's a number of ways we invest, through bonds, through equities and through private capital. In equities and bonds, I'm not aware of any investments in those markets, but for India particularly our investments within microfinance and also in some of our emerging market focused private capital funds, we see that we can have a good prospect of investment returns and support the development of parts of that economy. So, we are invested in parts of India through that private assets program.

**Steve Gibbs:** Thanks John. I think if I can just say that in terms of Russia, we didn't have anything in Russia. A lot of funds scrambled when the Ukraine war started and so forth. That wasn't an issue for us because we've never had any investments in Russia, so we can say that positively.

Okay. I'm getting the signal here that there's been no further questions submitted. So that being the case, I'm going to draw to a close the 2023 Annual Meeting of Australian Ethical Superannuation. I'd like to thank my fellow Directors and the entire Australian Ethical team for their outstanding efforts and achievements during what has been another extraordinary year.

We've demonstrated how a Super fund that is capable of delivering positive outcomes for its members can also provide positive outcomes for people, the planet, and animals.

I'd like to take this opportunity to thank you all for taking the time to listen to us and to participate in this Annual Member Meeting. Thank you, and good night.

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**End of Transcript**