

# Navigating ESG in Australia

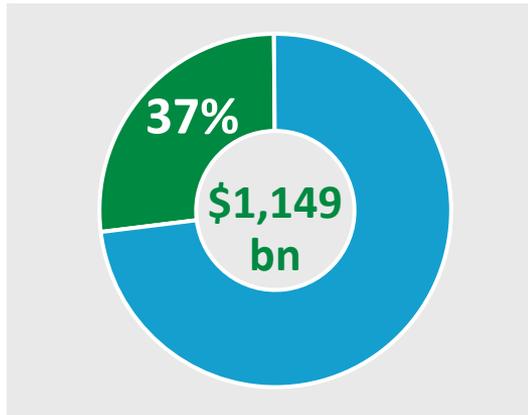
How to select the ideal fund for your clients' needs - identifying risks, seizing opportunities

Investor Daily ESG Summit, 9 February 2021

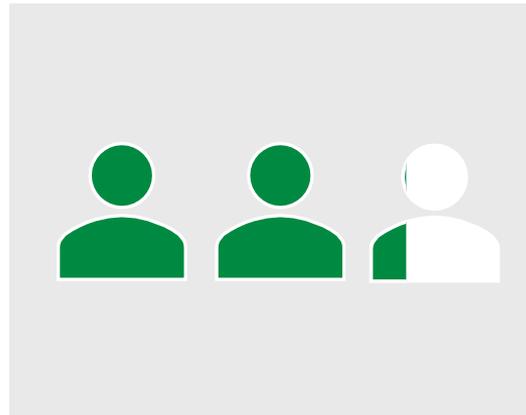


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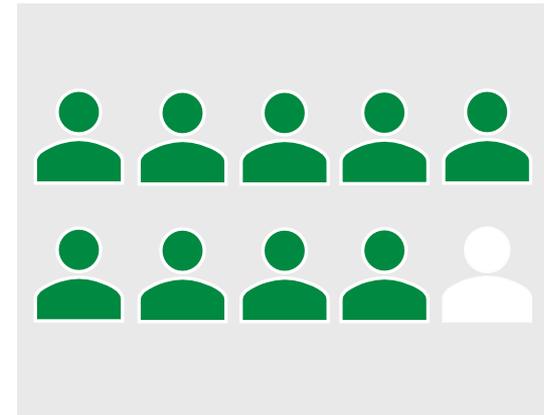
# The rise of Responsible investing in Australia



The size of Australia's responsible investment market<sup>1</sup>



Australians who don't want their money to harm the planet<sup>2</sup>



Australians who think it's important for advisers to provide responsible or ethical options<sup>2</sup>

<sup>1</sup> Responsible Investment Benchmark Report Australia 2020, Responsible Investment Association Australasia

<sup>2</sup> From Values to Riches 2020: Charting consumer expectations and demand for responsible investing in Australia, Responsible Investment Association Australasia

# Navigating different approaches to responsible investing



▲  
ESG  
integration

The explicit inclusion of environmental, social and governance (ESG) factors into traditional financial analysis.

▲  
Portfolio  
screening

Does or does not invest in sectors, companies, practices or countries based on ESG or ethical criteria.

▲  
Corporate  
advocacy

Influences corporate behaviour through direct engagement and shareholder action.

▲  
Sustainability  
themed

Focuses on investment in themes or assets specifically related to sustainability factors.

▲  
Impact  
investing

Targeted investments aimed at solving social or environmental problems while delivering financial returns.

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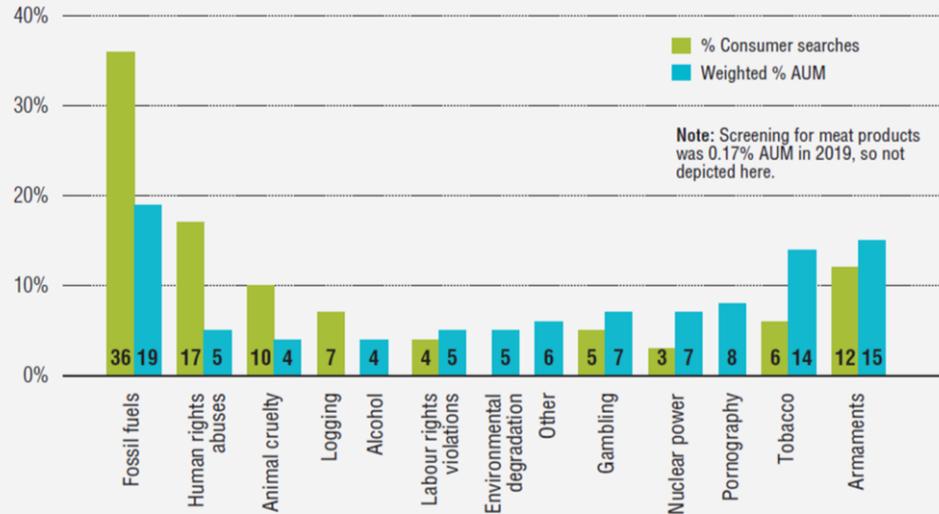
Dr. Stuart Palmer

Investor Daily ESG Summit, 9 February 2021



# Screening isn't meeting consumer demand

**FIGURE 10** Consumer interest (% of consumer searches) vs issues negatively screened by survey respondents (weighted by % AUM)



# What is responsible investment?



## Capital for good



Investment to support a better future for people, animals, environment

Dual focus on what a company does, and how it does it



## Engage & advocate



Engagement for better corporate conduct, escalating from dialogue to voting, shareholder resolutions, divestment

Long-term voice for government policy for a fair and flourishing society and economy



## Measurable impact



Evolving impact frameworks:

- Global Reporting Initiative (GRI)
- EU Sustainable Finance Taxonomy
- Sustainable Development Goals

Helps manage investment risk and opportunity

# Climate change



Capital for good  
More than coal v.  
renewables e.g.



- Finance
- Gas
- Food
- Cement and steel

Mitigation and resilience



Engage & advocate  
Averting tragedies of  
commons and horizons



Science Based Targets for  
companies

Government policy giving  
reliable, long term market  
signals for investment



Measurable impact  
The path to net zero



Alignment / non-  
alignment with Paris  
climate objectives

# Modern slavery and human rights



## Capital for good Where to draw the line



Agriculture  
Electronics  
Social media  
Retailing



## Engage & advocate Difficult choices



Prioritising engagements  
A living wage  
Real supply chain due diligence  
Civil society collaboration



## Measurable impact Work in progress



Modern Slavery Act reporting  
Tracking progress

# Corporate ethics, conduct and culture



Rio Tinto



AMP



lendlease



QBE



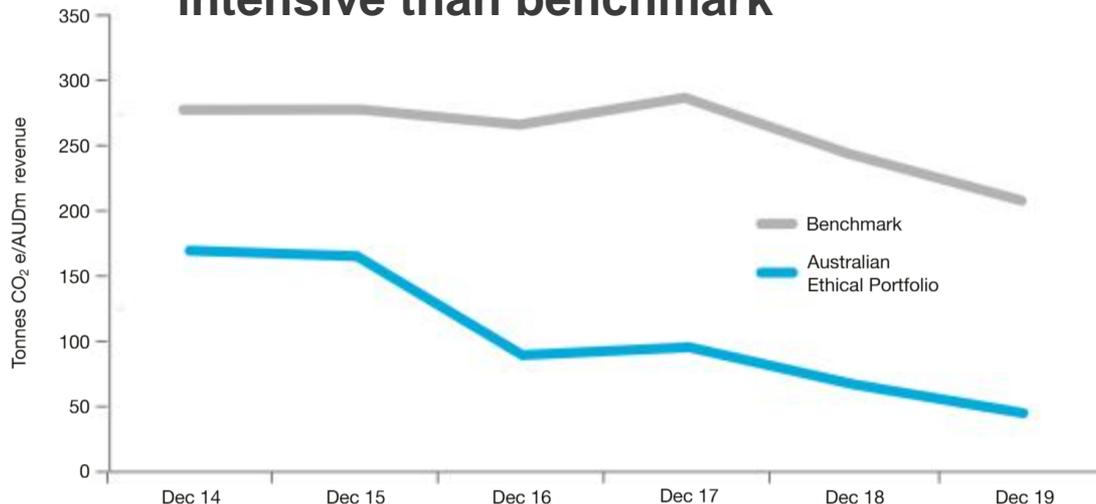
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# Impact measurement and reporting

## Share portfolio 75% less carbon intensive than benchmark



## Impact reporting:

TCFD / Climate Reports

SDG Report

Advocacy Report

Modern Slavery Report

Carbon footprint and carbon intensity of our share investments are measured in tonnes CO<sub>2</sub>e / million AUD revenue. The Benchmark is a blended benchmark of the S&P ASX200 (for Australian and New Zealand share holdings) and MSCI World ex Australia (for international share holdings). See our TCFD Report for more information on how we calculate our footprint. [www.australianethical.com.au/2020-sustainability-reporting/](http://www.australianethical.com.au/2020-sustainability-reporting/)



# Ethical and investment credentials

**Australian Ethical**  
1 of 6 investment companies leading on ESG globally.




Morningstar 2020



AE Australian Shares Fund won **Australian Equities High Performance Award**



AE Australian Shares Fund won **ESG Australian Equities Award**

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Awards recognise Australian investment managers consistently producing **solid returns** whilst **effectively managing investment risk**



Competing with other **mainstream funds** in the industry



**Finder 2020**  
Green superannuation fund of the year



**WINNER SuperRatings Infinity Award**  
Best sustainable super fund



International Climate Reporting Awards  
Jury's special prize:



<sup>1</sup> The Morningstar ESG Commitment Level Report, 17 November 2020

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